

2025 CWELCC Funding Approach

Teleconference Series: Session #2

LHCC Agencies

Early Years & Child Care Services
September 27, 2024



Housekeeping items

- This meeting is being **recorded** and will be shared with the presentation.
- Your microphone will be muted unless called upon during the question period.
- You can participate by using the chat function to raise any questions you have.
- You can also email us at earlyyearssystemdivision@peelregion.ca or contact your Early Years Specialist.

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Questions about the collection of personal information and information collected should be directed to earlyyearssystemdivision@peelregion.ca.

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Agenda

- [Key terms](#)
- [Funding overview](#)
- [Owners/operators](#)
- [Next Steps](#)
- Q&As



Key Terms



Overseeing SSM

- The region where an agency's head office is located
- Funds the agency for all their active homes, even those in other jurisdictions, that were opened as of December 31, 2022

Secondary SSM

- Approves new homes within their jurisdiction, in alignment with the Directed Growth Plan
- Funds the agency for all active homes created within its jurisdiction after December 31, 2022



Active home

- A home child care premise that is overseen by an eligible agency.
- Child care is provided (or planned to be provided) to at least one eligible child during the calendar year.

Service days

- The number of days (24-hour period) that an active home operates in the calendar year (January to December) and which a base fee is charged per your parent handbook.
- This includes: statutory holidays and the allowable program closure days (within the maximum closure limit 20 days)



Active home days

- Calculated using the sum of the number of service days for all the active homes.

Example:

- Agency has 7 active homes
 - 5 of these homes operates 261 service days per calendar year
 - 2 of the homes operate 100 days
- The total number of active home days is **1,505**
 - **5 homes x 261 days = 1,305 active home days**
 - **2 homes x 100 days = 200 active home days**



Benchmark - Standard

- The standard costs typically incurred for the delivery of child care in Ontario, as set by MEDU.
- Listed in "Schedule A" of the guideline.
 - ✓ Helps limit the data needed.
 - ✓ Responsive to your operations (e.g., active homes and/or service days).

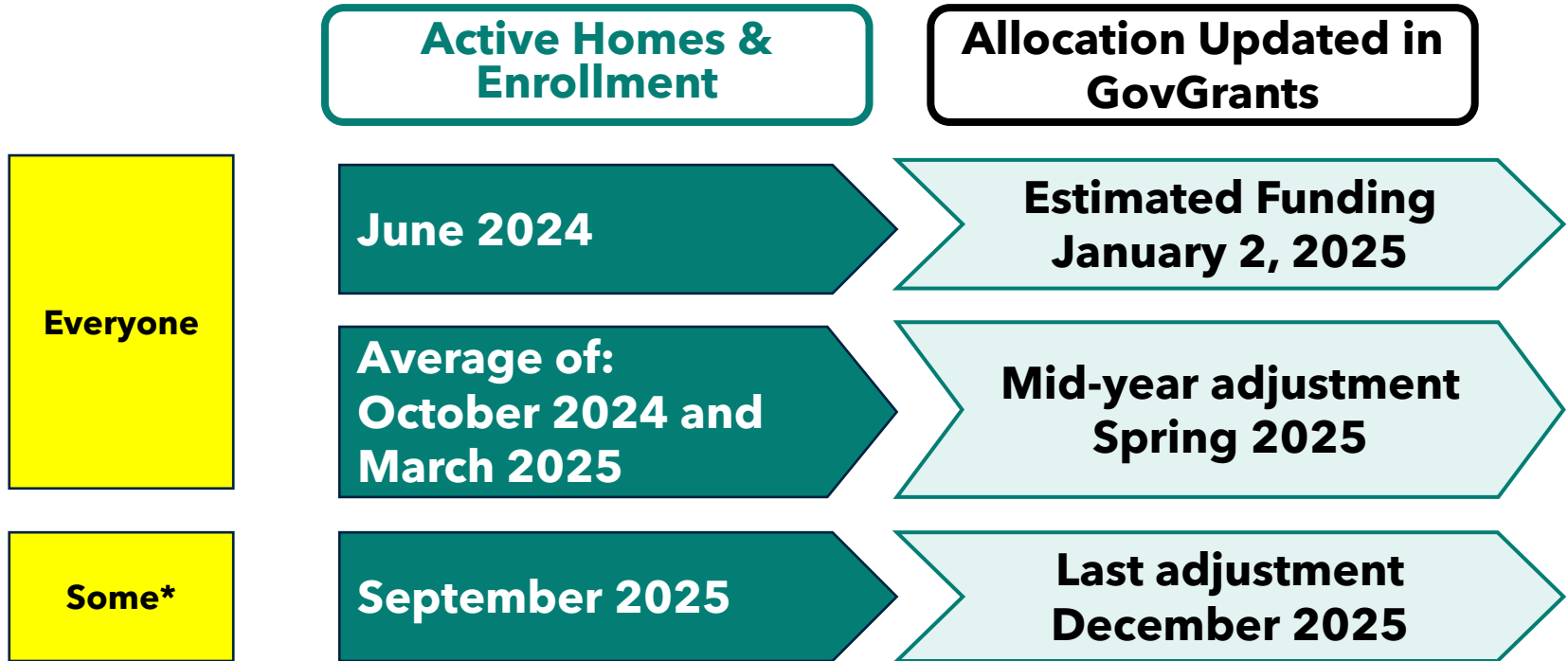
Benchmark allocation - Standard applied to you

- The application of the benchmarks to the geographic region and your operations.



Data used to calculate allocations

We will base your allocations on active homes and enrollment data reported to us:

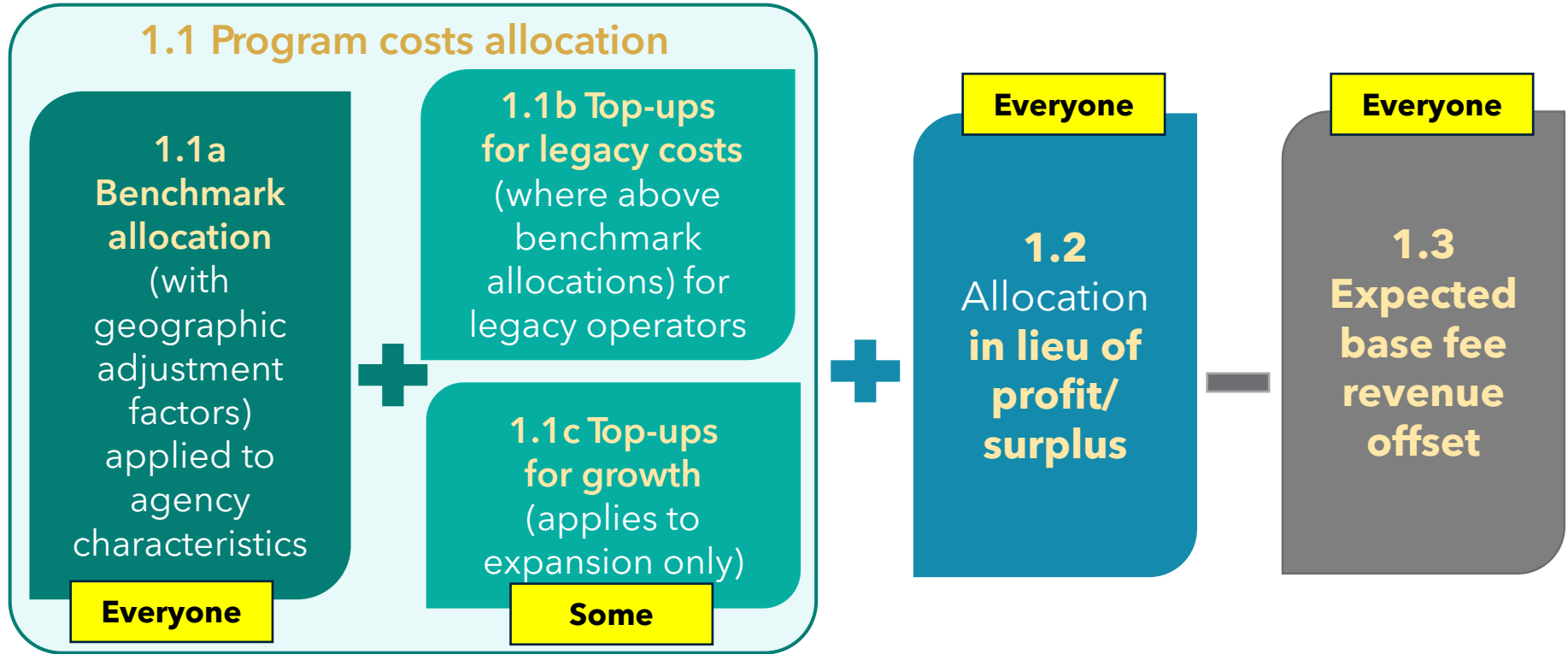


*The Region will monitor data trends in the fall to ensure any significant changes are captured in your allocations.

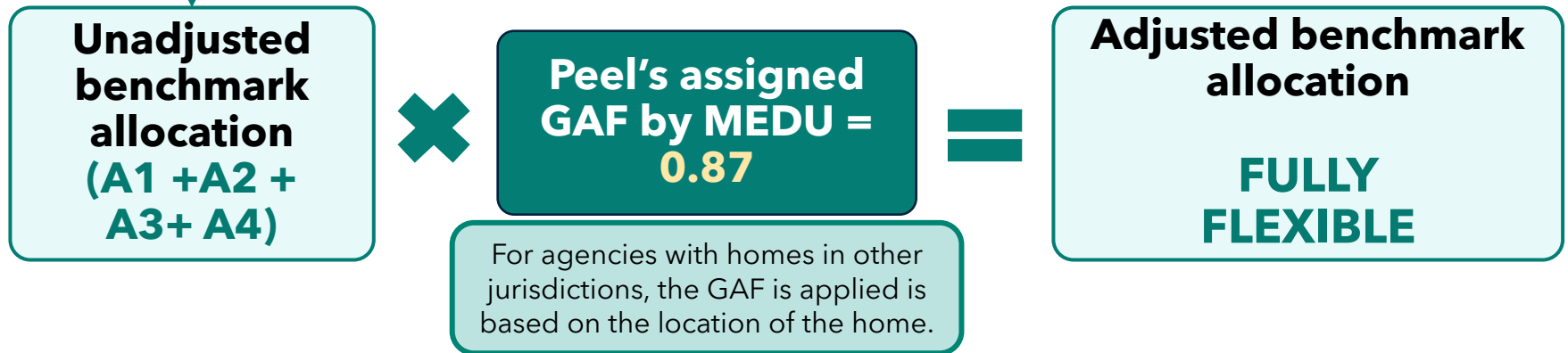
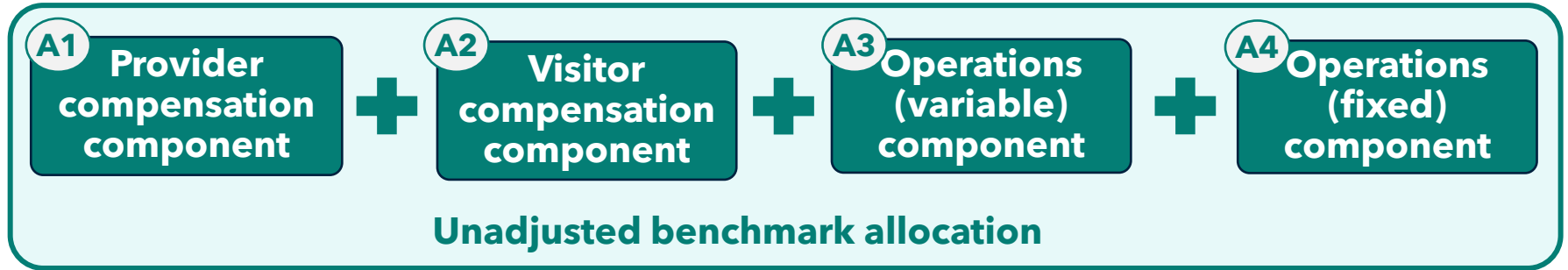
Funding Overview



Cost-based funding at a high level



1.1a Benchmark allocation



1.1a Benchmarks - Peel is overseeing SSM (head office in Peel)

Step 1: Calculate benchmark allocation

B1 **Provider compensation component**

\$155.02 (HCC provider benchmark)	×	# of active home-days
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B3 **Agency operations component - variable**

\$23.34	×	# of active home-days
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B2 **Visitor compensation component**

\$21.68 (Home visitor benchmark)	×	# of active home-days	×	1.05 (ancillary multiplier)
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B4 **Agency operations component - fixed**

\$75,856.39	×	# of months in the calendar year in which the agency participates in CWELCC divided by 12
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1.1a Benchmarks - Peel is secondary SSM (head office outside)

Step 1: Calculate benchmark allocation

B1

Provider compensation component

$$\begin{matrix} \$155.02 \\ \text{(HCC provider benchmark)} \end{matrix} \times \begin{matrix} \# \text{ of active home-days} \end{matrix}$$

B2

Visitor compensation component

$$\begin{matrix} \$21.68 \\ \text{(Home visitor benchmark)} \end{matrix} \times \begin{matrix} \# \text{ of active home-} \\ \text{days} \end{matrix} \times \begin{matrix} 1.05 \\ \text{(ancillary multiplier)} \end{matrix}$$

B3

Agency operations component - variable

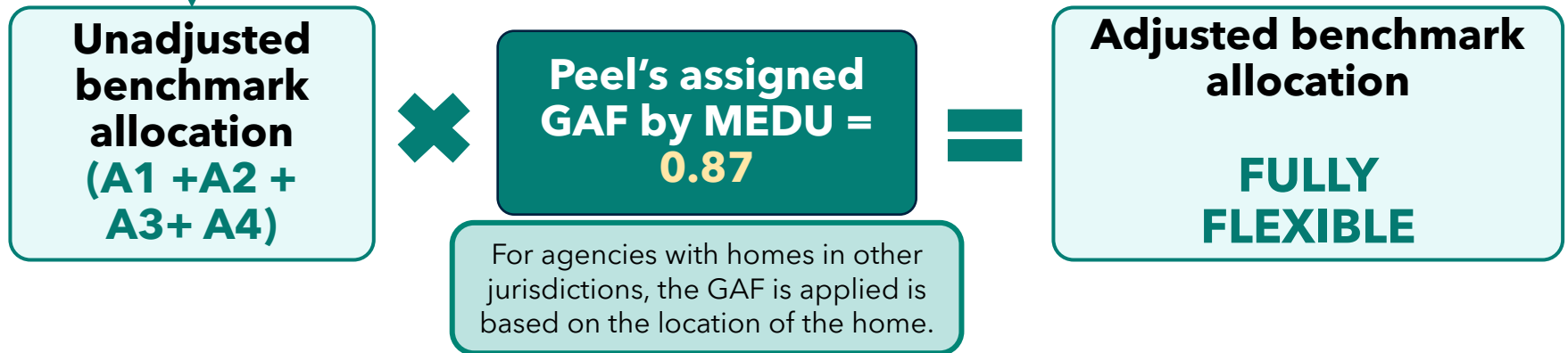
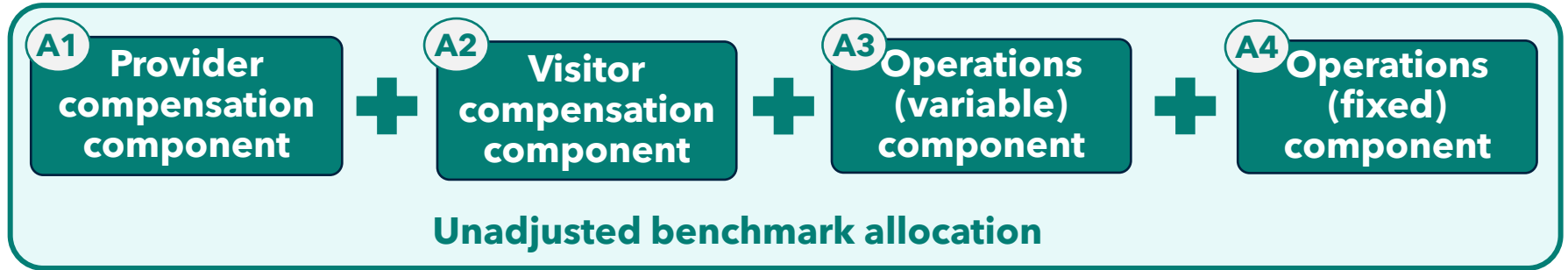
$$\begin{matrix} \$23.34 \end{matrix} \times \begin{matrix} \# \text{ of active home-days} \end{matrix}$$

Ancillary costs 1.05

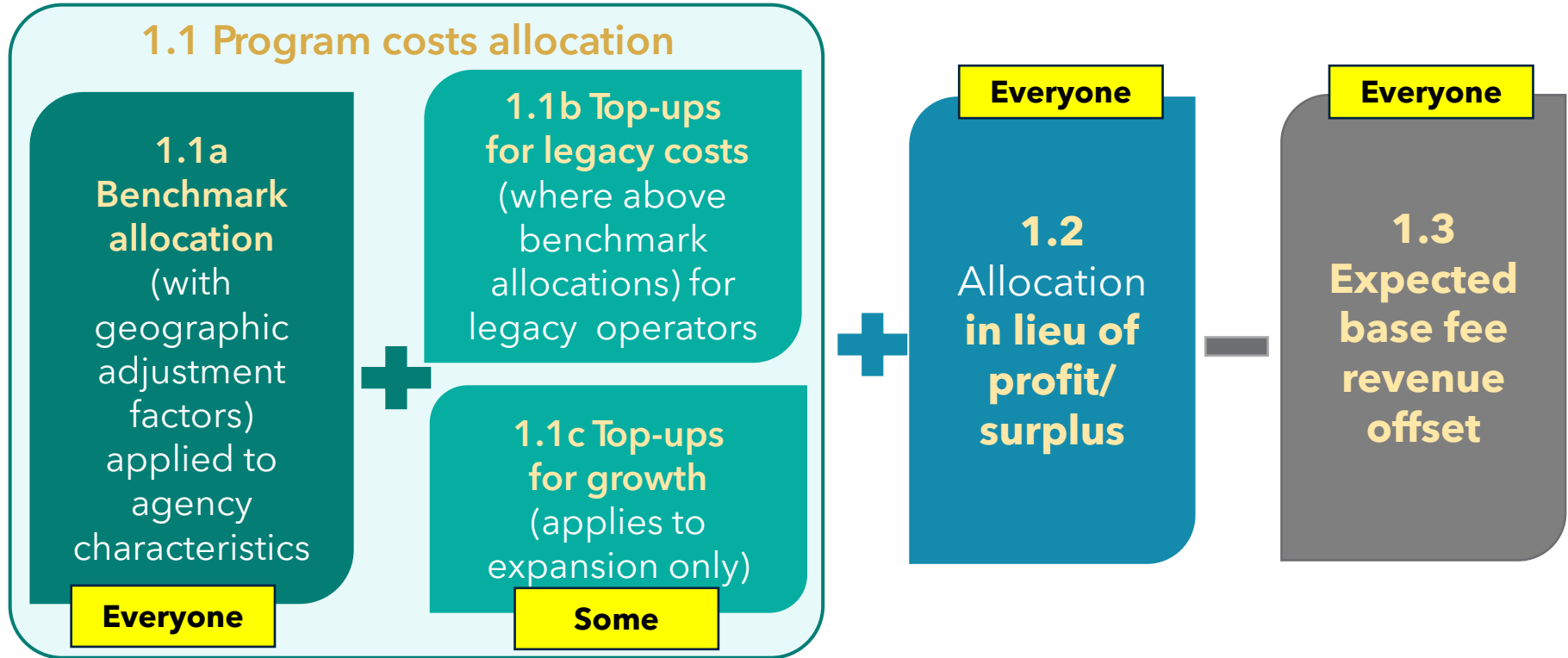
- The typical costs of supplementary benefits or supply coverage for vacation days and sick days.
- Includes group life insurance, supplementary health and dental benefits and supplementary pension.



RECAP: Benchmark allocation

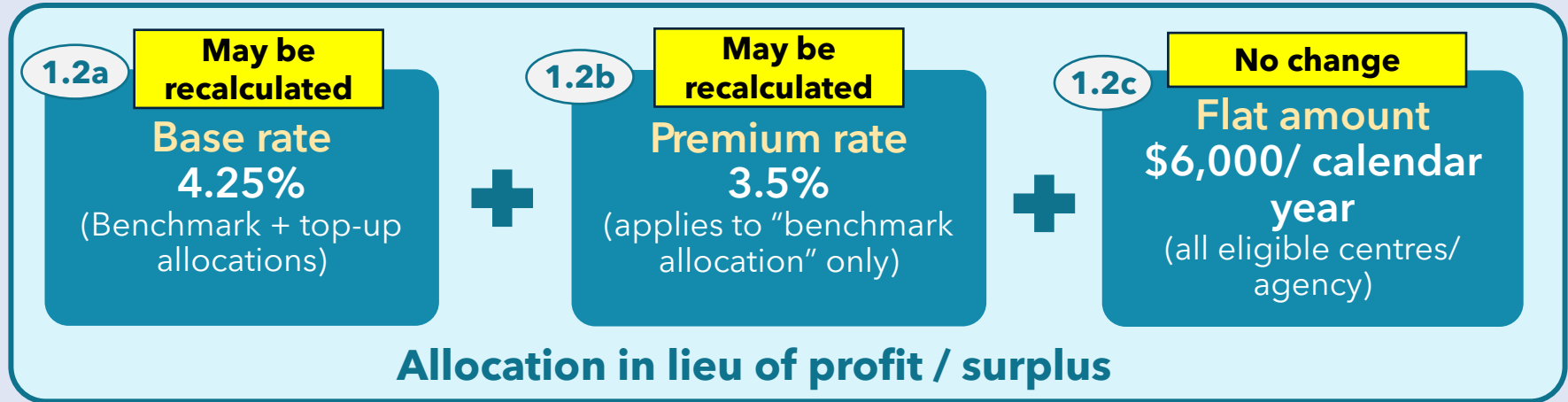


Cost-based funding at a high level



1.2 Allocation in lieu of profit/surplus - Peel is overseeing SSM

Sum components (p. 33 of provincial guideline)



Important points:

- ✓ 1.2a and 1.2b will change any time your benchmark allocation changes.
- ✓ 1.2a will also change if you qualify for a top-up and your top up changes.
- ✓ 1.2a and 1.2b may be recalculated at reconciliation if your actual program costs are less than your allocation

1.2 Allocation in lieu of profit/surplus - Peel is overseeing SSM

***Example:** Agency "A" has a **head office in Peel**. They received \$1,000,000 in benchmark allocation and \$200,000 in legacy top-up.

1.2a Base rate = \$51,000

1.1a Benchmark = \$1,000,000
+
1.1a Legacy top-up = \$200,000

× 4.25%

1.2b Premium rate = \$35,000

1.1a Benchmark = \$1,000,000

× 3.5%

1.2c Flat amount = \$6,000

- ✓ Estimated allocation calculated using program cost allocation
- ✓ Recalculated at reconciliation using actual program costs

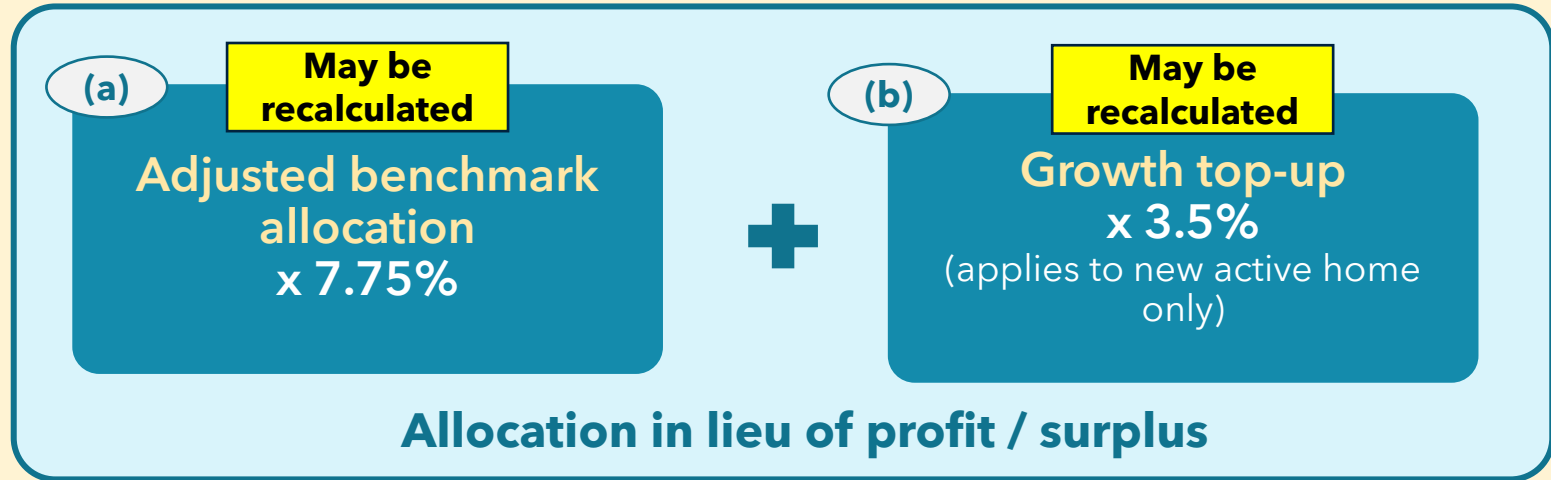
Allocation in lieu of profit/surplus

\$92,000

*Examples provided for general illustrative and informational purposes.

1.2 Allocation in lieu of profit / surplus - Peel is secondary SSM

Sum components (p. 35 of provincial guideline)



- ✓ (a) and (b) will change any time your benchmark allocation changes.
- ✓ (a) and (b) are recalculated at reconciliation if your actual program costs are less than your program cost allocation.

1.2 Allocation in lieu of profit/surplus - Peel is secondary SSM

***Example:** Agency "B" has a head office outside of Peel. They received \$1,000,000 in benchmark and \$50,000 in growth top-up.

(a)

Base rate = \$77,500

Adjusted Benchmark = \$1,000,000 × 7.75%



(b)

Growth top - up = \$1,750

Benchmark allocation for new homes = \$50,000 × 3.5%

- ✓ Estimated allocation calculated using benchmark allocation
- ✓ Recalculated at reconciliation using actual program costs



Allocation in lieu of profit / surplus

\$79,250

*Examples provided for general illustrative and informational purposes only.

Cost-based funding at a high level

1.1 Program costs allocation

Everyone

1.1a Benchmark allocation
(with geographic adjustment factors) applied to agency characteristics

Some

1.1b Top-ups for legacy costs
(where above benchmark allocations) for legacy operators

1.1c Top-ups for growth
(applies to expansion only)

Everyone

1.2 Allocation in lieu of profit/surplus

Everyone

1.3 Expected base fee revenue offset

1.3 Expected base-fee revenue offset (p. 34)

Step 1: Calculate estimated base fee revenue

1.3a Estimated base fee revenue

R1

Estimated base fee revenue

×

R2

of children enrolled *

×

R3

of service days

Step 2: Calculate expected base revenue offset

Estimated base fee revenue

+

Registration fee revenue**

=

Expected base revenue offset

Your allocation is reduced by this amount

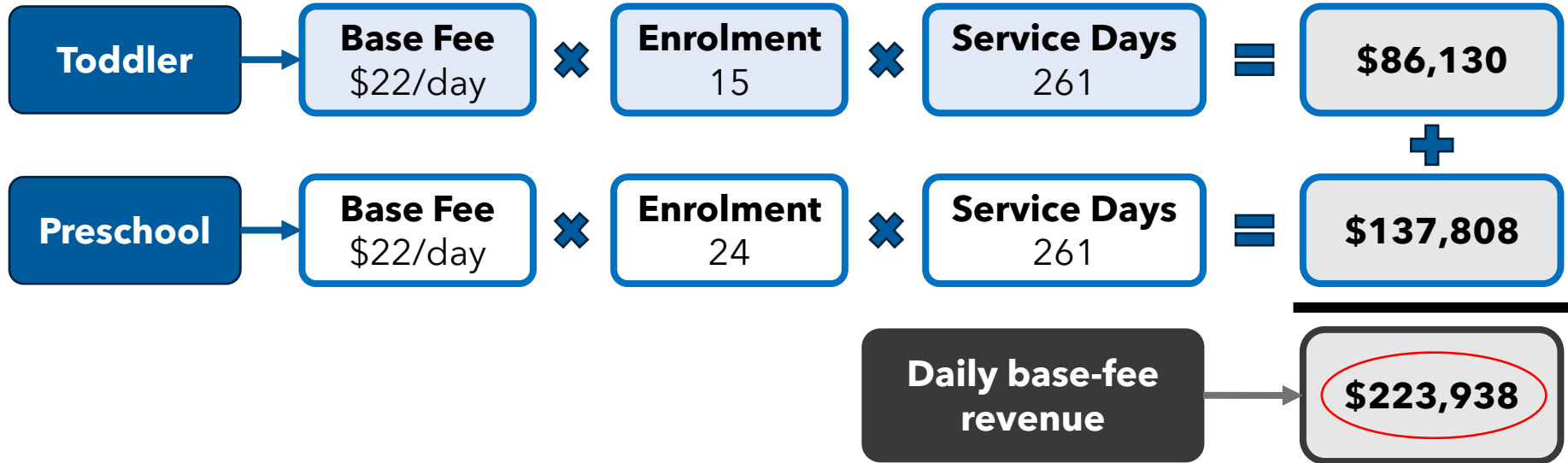
*Peel is using enrolment to calculate base fee revenue, not active home seats, so an adjustment for maximum vacancy rate will not be applied

**Based on 2023 CWELCC Reconciliation reported registration fee reimbursement

Expected base fee revenue offset - Example*

Operating as	AAA child care
Registration Fees	<ul style="list-style-type: none">• \$100 once. Parents pay \$47.25 (after 52.75% reduction)• Expects to receive registration fees for 18 children in 2025.

Daily base-fee revenue



*Examples provided for general illustrative and informational purposes

Expected base fee revenue offset - Example*

2025 Registration fees

Reduced Registration Fees: \$47.25 × 2025 # of children expected to pay registration fee: 18 = \$850.50

Expected fee-revenue offset

2025 Registration fees \$850.50 + Daily base-fee revenue \$223,938 = \$224,788.50
1.3 Expected base fee revenue offset

Your allocation is reduced by this amount

*Examples provided for general illustrative and informational purposes

Owner / operators



Owner/operator compensation

ALLOCATION

There are different ways that owners/operators will be funded through the new funding framework:

- ✓ **Benchmark/Legacy:** T4 for time worked in child care (i.e. Home Visitor, administrator, bookkeeper etc.).
 - No cap (within your benchmark).
 - Amount paid must be reasonable for the position.
- ✓ **Legacy:** Controlling Owner's Compensation for Labour (applies to providers who qualify for a legacy top-up), limited to one owner per head office.
 - This amount is included in your funding allocation, but it does not limit how much you can pay yourself as an owner.
- ✓ **Amount in Lieu of Profit/Surplus:** [Slide 18](#).

EXPENSE

- No cap on how much owner/operators can pay themselves for **eligible** child care expenses.
- While there is no cap, providers must work within their funding allocation, meet your licensing and contractual obligations, and expenses must be **reasonable, attributable and appropriate** and documented.

Meet Taylor - an example*

- Taylor is the owner of “AAA child care agency”. She is also employed as a home visitor and bookkeeper for the agency.
- In 2025, “AAA child care agency” received the following amounts paid monthly:
 - a benchmark allocation
 - a legacy allocation (including the controlling owner's compensation for labour)
 - an amount in lieu of profit/surplus from the Region
- From the agency's revenue (parent fees and Peel's funding for the CWELCC program), Taylor pays herself the following:
 - a) \$85,000 per year for filling the home visitor role as an employee of the agency (in receipt of T4)
 - b) \$15,000 per year for bookkeeping (charged through a CRA compliant invoice)
- These are eligible child care expenses.
- Taylor can continue to pay herself for these reasonable expenses as long as she manages within the agency's CWELCC allocation, meets her obligations as a child care operator (licensing and contractual), and maintains her service levels.
- Taylor's “Amount in Lieu of Profit/Surplus” will be paid to AAA child care agency monthly. The final amount will be confirmed based on eligible actual program spending at reconciliation.



*Example provided for general illustrative and informational purposes only.

Taylor's example - by the numbers

Allocation Component	\$	Expenses
Benchmark	\$1,000,000	\$1,250,000
Legacy Top	\$250,000	<ul style="list-style-type: none">Includes Taylor's Home Visitor salary of \$85K and \$15K for bookkeeping services
Amount in Lieu of Profit/Surplus	\$94,150	\$94,150
Parent Child Care Revenue	-\$100,000	-\$100,000
TOTAL		\$1,244,150

What is next?



What is next?

- Continue to send us your questions to earlyyearssystemdivision@peelregion.ca.
- Next teleconference: October 4
 - How can you use the funding? - Top-ups
 - Business Cycle
- Post-teleconference EYS Connects: Week of Oct 7





Questions?

Questions?

1. Our home visitors are anticipated to receive a wage increase in January 2025. Will their increase be impacted by the new funding approach?
2. How do I distribute the funding to the home providers?
3. Are all central administration overheads for the agency (such as finance, IT, HR, administration costs) covered in the Program Cost allocation?
4. Are privately placed children still eligible to receive reduced fees in the new funding approach?
5. Which SSM do I submit reconciliation if my head office is outside of Peel but I have homes in Peel?



Thank You!

