City of Hamilton
Canada-Wide Early Learning and Child Care Interim Guidelines

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Canada-Wide Early Learning and Child Care (CWELCC) Overview

On March 28, 2022, the federal and provincial governments signed the Canada-Wide Early Learning and Child Care Agreement (CWELCC) aimed at making child care more affordable for families and increasing the compensation for eligible child care staff.

The Ontario Ministry of Education’s goals under the Canada-Wide Early Learning and Child Care agreement are similar to the priorities for the Early Years System in Hamilton — affordability, accessibility, inclusion and quality.

The following interim guidelines support the implementation of the CWELCC system in the City of Hamilton Children’s and Community Services Division and are based on the CWELCC Addendum, consultation with other municipalities and feedback from licensees.

CWELCC funding

CWELCC funding is intended to support licensees operating budgets to meet the goals of the CWELCC system.

During the budget review process, the City of Hamilton’s Children’s and Community Services Division will review program expenses including annual inflation costs, collective agreements, negotiated annual salary increases, leases, etc. to determine CWELCC funding.

Approvals will be based on reasonableness and available funding. In cases where the City of Hamilton’s Children’s and Community Services Division is unable to approve the full requested budget increase, we will work closely with the licensee to revise the budget and develop a sustainability plan.

Hamilton’s approach to opting-in

The City of Hamilton has implemented a two-step opting-in process. The first step is an expression of interest to advise the City of Hamilton’s Children’s and Community Services Division that you are interested in a budget review process and formal acceptance/signing on to the Canada-Wide Early Learning and Child Care (CWELCC) system. Licensees are not committed to enrollment at this stage.

After submitting interest in the CWELCC system, you will enter a budget review phase. As each organization is unique, this review will be completed per licensee to ensure the City understands your organizational needs.

The final step of this process is a submission to opt-in or opt-in out, due September 1, 2022.

Transitioning to CWELCC

As the City of Hamilton implements the CWELCC system, it will consider 2022 and 2023 as transition years. This transitional time will allow licensees to adapt to new processes and for the City of Hamilton to develop appropriate policies and practices. We will continue to work with licensees to gather information to build an in-depth understanding of the needs of the community. Final CWELCC guidelines will be established based on information gathered, community needs and provincial guidance.
CWELCC funding will be issued in two phases in 2022:
1. Fee reduction
2. Wage compensation funding

Funding to support one-time administration costs associated with the implementation of CWELCC will be provided to support the transition. For example, the cost of an audit and/or the additional costs associated with the fee rebates to families.

Further guidelines, funding information and policies will continue to evolve both provincially and municipally.

CWELCC eligibility

The following requirements must be met for CWELCC system funding and enrollment:

• Licensees must demonstrate financial viability
  o More information about the definition of financial viability is outlined below.
• Licensees must operate in accordance with the Service Agreement for the City of Hamilton, the Child Care and Early Years Act, 2014 (CCEYA) and its regulations, as well as the requirements outlined by the Consolidated Municipal Service Manager (CMSM).
• Licensees must maintain existing (pre-CWELCC System announcement on March 28, 2022) licensed spaces for eligible children. Licensees may not convert any existing spaces for eligible children to other age groups (e.g., converting infant spaces to toddler, or infant spaces to kindergarten) in 2022.
• Licensees must communicate their CWELCC System enrolment status to all parents and staff within 14 days of the operator being notified by the Consolidated Municipal Service Manager (CMSM) of the results of their application in accordance with O. Reg. 137/15.
• Licensees must complete the annual Licensed Child Care Operations Survey, as required under section 77 of O. Reg. 137/15 in order to continue receiving funding under the CWELCC system.
• Licensees must reduce and refund base fees in accordance with O. Reg.137/15.
• Licensees are required to keep an electronic or hard copy of their CWELCC agreement with the City of Hamilton at the child care centre or licensed home child care agency and make it available for an Ontario Ministry of Education inspection.
• Licensees must maintain their license in good standing in accordance with the CCEYA.

Non-participation in CWELCC

Given the transformational nature of CWELCC, it is expected that existing funding approaches will evolve. There may be changes to funding for child care licensees who choose not to opt-in to the CWELCC system.

For example, licensees who do not opt-in to participate in the CWELCC system may not be eligible to enrol children in receipt of a fee subsidy. Licensee eligibility for general operating for wages and other City of Hamilton funding is under review and may also be impacted.

If there are changes to funding, advance notice will be provided and a phased transition plan will be developed.
Base fees

Base fees are defined as any fee that is charged with respect to a child for child care, including anything a licensee is required to provide under the Child Care and Early Years Act (CCEYA) or anything a licensee requires the parent to purchase from the licensee.

As part of the budget review process and throughout 2022/2023, we will be working directly with licensees to determine base fees and CWELCC funding to support fee reductions.

As follows is an example of a 2022 fee reduction:

**April 1, 2022**

<table>
<thead>
<tr>
<th>Daily Rate</th>
<th>$50.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deduction</td>
<td>25%</td>
</tr>
<tr>
<td>Reduction</td>
<td>$12.50</td>
</tr>
<tr>
<td>New Rate</td>
<td>$37.50 Back-dated to April 1, 2022</td>
</tr>
</tbody>
</table>

**January 2023**

<table>
<thead>
<tr>
<th>Daily Rate</th>
<th>$37.50</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deduction</td>
<td>25% Rate as April 1, 2022</td>
</tr>
<tr>
<td>Reduction</td>
<td>$12.50</td>
</tr>
<tr>
<td>New Rate</td>
<td>$25.00 New Rate as of January 1, 2023</td>
</tr>
</tbody>
</table>

Non-Base fees

Non-base fees are defined as any fees charged for optional items or optional services, such as transportation or field trips, or any fees charged pursuant to an agreement between the family and the licensee in respect of circumstances where the family fails to meet the terms of the agreement. For example, fees for picking up a child late or fees to obtain items that the parent agreed to provide for their child, as defined in the Child Care and Early Years Act (CCEYA).

Licensees are still able to charge fees for optional services such as transportation and field trips, outside the base rates as non-mandatory fees.

Please note: non-base fees cannot impact the ability of a family to access child care.

Eligible expenditures

The City of Hamilton’s Children’s and Community Services Division will work with their licensees, so all eligible and reasonable costs are funded, recognizing each licensee’s unique programs and costs structures.
Non-arm’s length transactions such as owning the building, rental and lease expenses will be reviewed on an individual basis for reasonableness. Canada Revenue Agency defines non-arm’s length as “a relationship or transaction between persons who are related to each other.”

All expenditures arising from transactions not conducted at arms-length from the licensee (e.g. transactions in which both parties to the transaction may not be acting independently of each other due to a previous relationship) are inadmissible unless transacted at fair market value.

**Ineligible expenditures**

The City of Hamilton’s Children’s and Community Services Division will work with their licensees, so all eligible and reasonable costs are funded, recognizing each licensee’s unique programs and costs structures.

Expenses that do not directly support CWELCC system goals and initiatives are ineligible, including:

- Child care management compensation (outside of regular salaries and benefits received in a calendar year) including but not limited to transportation, meals, management bonuses, retirement packages and deferred compensation
- Debt costs, including principal and interest payments related to capital loans, mortgage financing and operating loans
- Professional organization fees paid on behalf of staff for membership in professional organizations
- Bonuses (including retirement bonuses), gifts and honoraria paid to staff are ineligible expenses except in the case they are provided as a retroactive wage increase that will be maintained in the following year
- Donations to charitable institutions or organizations
- Fundraising expenses
- Property taxes
- Personal expenses (i.e., vehicles, assets or services for personal use only)
- Contributions to a reserve
- Expenditures arising from transactions not conducted at arms-length, unless conducted at fair market value
- Any expenditure not used to support the provision of child care services

**Appeal process**

Licensees who would like to dispute a decision have the right to appeal. Licensees must make an appeal in writing via email to CWELCC@hamilton.ca.

The Director of the Children’s and Community Services Division will review all appeals in a fair and equitable manner by following the guidelines and legislation determined by the Ontario Ministry of Education, alongside the policies and practices determined by the City of Hamilton. Licensees will be notified of a decision on an appeal within 14 days.
Administrative costs

The City of Hamilton’s Children’s and Community Services Division recognizes strong administrative practices support high-quality child care and administration expenses are necessary for supporting child care licensees. Administration needs and costs vary depending on the size and structure of each organization.

The following is a list of administrative costs and positions. There is a 10% maximum on administrative costs. Going forward, any increases in salaries and benefits for child care management must be no higher than the increases provided for program staff in a given year. Consolidated Municipal Service Managers (CMSMs)/District Social Services Administration Boards (DSSABs) should review increases for reasonableness.

General costs include:

- Advertising and promotion
- Internet
- Office / general supplies
- Business insurance
- Accountant fees
- Payroll processing
- Audit fees
- Banks fees
- Legal fees
- Telephone
- Franchise fees
- Management fees
- Travel*

*reimbursement for transportation such as mileage is an eligible expenditure if reasonable

Administrative positions include:

- Clerical
- Janitorial/housekeeping
- Accounting
- Additional supervisors
- Child care management positions

Profit cap

The City of Hamilton’s Children’s and Community Services Division will review 2022 and 2023 financial data to understand current profit and surplus levels for child care licensees. As 2022 and 2023 will be transitional years, a maximum profit threshold of 10% after tax will come into effect on January 1, 2024.
The City of Hamilton’s Children’s and Community Services Division will work with licensees who project their profit levels will exceed the established threshold to develop a plan for repurposing excess funding to support eligible expenditures.

Reserves

The City of Hamilton’s Children’s and Community Services Division recognizes licensees may have accumulated reserves prior to opting-in to CWELCC. Reserves accumulated prior to CWELCC will not be considered as part of the CWELCC budget review process. The City of Hamilton will not recover funding from any existing financial reserves a licensee has already accumulated to date using non-CWELCC funding.

Under CWELCC system guidelines, licensees may be able to further accumulate reserves for an additional three months. Children’s and Community Services Division will work with licensees who project their reserves to exceed the threshold to support eligible expenditures.

Licensees are also permitted a reasonable profit/surplus amount that can be used to build reserves or re-invest in the organization. CWELCC funding cannot be used to directly contribute to a licensee’s financial reserves.