

## **Purpose**

The purpose of this report is to request Council's authorization in accordance with the Delegation By-law to write-off a bad debt in excess of \$25,000.

## **Executive Summary**

This report provides an overview of a bad debt incurred in 2018 in the amount of \$26,237 related to one licensed childcare operator in receipt of a childcare fee subsidy advance from the City. The report speaks to next steps to be taken by Children Services related to changes in the manner in which the childcare fee subsidy advances are managed and monitored based on best practices in other municipalities. A follow up report will be presented to the Community Services Committee in the second quarter of 2020 with recommendations for changes to existing practices.

## **Background**

The accounts receivable balance of \$26,237 relates to an advance equal to 75% of the average monthly 2017 childcare subsidy billings. In 1996, each existing childcare operator was issued an advance cheque equal to 75% of its prior year's monthly average subsidy billings in order to assist them with meeting their cash flow needs. Since that time, in February of each year each childcare subsidy advance amount is adjusted to 75% of the prior year's average monthly billing total. In the event of a program closure, the advance owing to the City is collected from any outstanding amounts payable to the operator for subsidies and grants.

In September of 2018, the City of Greater Sudbury was notified that Riana Enterprises Inc., O/A Cotton Candy Daycare's bank accounts had been seized by the Receiver General and that all further payments were to be directed to the Receiver General. As a result, the City of Greater Sudbury will not be able to recover the advance issued of \$26,237.

An ownership change occurred on January 1, 2019, and the daycare is now operating under new management and governance as a non-profit agency. To date, the new agency is operating well.

The write-off would result in the removal of the accounts receivable balance and recording a related expense in the Children Services Section.

In accordance with the Delegation By-law, the Director of Children and Social Services and the CFO/Treasurer recommend this write-off. Since the write-off is in excess of \$25,000, the Delegation By-law further requires Council's approval.

## **Analysis**

Due to the insolvency of Riana Enterprises Inc., there are no available options for collecting any amounts owed to the City.

## **Next Steps**

To ensure the future collectability of these advances, Children Services is implementing a more stringent review of annual financial information submitted by operators to assess viability. Children Services will also conduct a review of other municipal processes across the province to establish best practices that could include freezing these advances at the current 2019 level. A further report outlining recommendations based on these reviews will be presented to the Community Services Committee in the second quarter of 2020.