

Request for Decision

Walden Day Care Centre – Wage Subsidy Overpayment

Presented To: Community Services
Committee

Presented: Monday, Feb 27, 2012

Report Date: Wednesday, Feb 15, 2012

Type: Managers' Reports

Recommendation

Whereas the City of Greater Sudbury is the local Consolidated Municipal Service Manager for Child Care and manages wage subsidy allocations for 23 different Child Care Operators;

And whereas one Operator was in arrears to the City for wage subsidy reconciliation for 2010 and 2011;

And whereas that Operator did remit payment for the 2010 arrears;

And whereas the Operator has been unable to re-pay the wage subsidy grant within the specified timelines for the 2011 arrears;

Be it resolved that the Standing Committee of Community Services recommend an operational review of Walden Day Care Centre in order to establish timelines and capacity for re-payment and determine the sustainability of the Centre.

Finance Implications

If an operational review is required, the funding would be provided for within the existing operating budget.

Background

The Children Services Section oversees the children services system in Greater Sudbury and as such administers two key programs for child care providers. Wage subsidy is a program in which the City will reimburse staffing costs based on a Provincial formula. Fee subsidy allows citizens to access a subsidy based on income testing that allows equitable access to the child care system.

Currently the City manages wage subsidy agreements with 23 different providers. The formula that is used to calculate wage subsidy at the beginning of the year is based on the specific operating capacity of the Centre. As part of the administrative process, the City requires an annual reconciliation from providers in order to ensure the wage subsidy funds are being used for their intended purpose. As an example, a

Signed By

Report Prepared By

Tyler Campbell
Manager of Children Services
Digitally Signed Feb 15, 12

Division Review

Ron Henderson
Director of Citizen Services
Digitally Signed Feb 15, 12

Recommended by the Department

Catherine Matheson
General Manager of Community
Development
Digitally Signed Feb 15, 12

Recommended by the C.A.O.

Doug Nadorozny
Chief Administrative Officer
Digitally Signed Feb 15, 12

provider could have a reduction in operating capacity during the year which would then cause an overpayment which the provider would have to pay back to the City. Providers have been instructed to complete monthly reconciliations as part of good business practice to ensure that they catch any overpayment's early in the year and that these can then be corrected which avoids a large overpayment at the end of the year.

For 2010 and 2011, there has been one organization that has had large overpayment's owed to the City at year end. Walden Day Care Centre (WDC) owed the City \$34,077 for the 2010 wage subsidy which was repaid on December 30th, 2011 after making an arrangement with the City.

The reconciliation for 2011 wage subsidy was due by the end of January 2012 which showed an amount owing to the City of \$24,387. WDC has indicated that they could only afford to pay back the amount on a monthly basis over the next 24 months, which is outside of the City's practice.

A Brief History of Walden Day Care Centre

WDC has been in operation since 1989 and has had various interactions with the City throughout the past 10 years. WDC is currently licensed to provide 349 spaces in four sites and is the only operator providing English language licensed child care in the Copper Cliff and Lively areas. On two separate occasions the City has conducted reviews of different facets of the Centre's operations. The outcome in both instances resulted in recommendations which were presented to the Board of Directors of the Centre.

CGS Considerations for Walden Day Care Centre

The City of Greater Sudbury has two options to collect the outstanding balance;

1. Complete an operational review to establish time lines for re-payment and assess sustainability of the Centre.

The City of Greater Sudbury can appoint a 3rd party to review the current operations at the Centre. This would give the City a clear understanding of the financial condition of the Centre and would therefore allow the City to be prepared with a contingency plan if there was indeed a default by the Centre. The report would be shared with the Board of Directors at the Centre. The selection of a 3rd party auditor would follow the City's purchasing policies and procedures. KPMG has done this type of work for the Children Services Section in the past and they have a familiarity with this Centre and the funding guidelines for Children Services. The 3rd party would also recommend a re-payment plan based on their analysis of the long term sustainability of the Centre. The total cost of the option would be in the range of \$10,000 to \$15,000. This would be funded from the administrative portion of the Children Services budget that is fully funded from the Ministry of Education.

2. Commence overpayment reductions on their monthly payments from the City to bring the debt to zero by year end.

The City of Greater Sudbury could commence overpayment reductions by clawing back the monthly wage subsidy that is owed to the Centre to establish a re-payment plan to recover the funds, within the fiscal year ending December 31st, 2012.

While this option would collect the amount owing in a timelier manner, it will not address the root problem of ongoing payment issues with the Centre and may put the Centre at risk- jeopardizing the delivery of child care services in the Lively area.

Next Steps

It is recommended that Option 1 be implemented in order to establish a repayment plan that is

recommended by an outside party based on the financial condition of the Centre. This option will also allow Children Services to be able to protect the child care spaces in the area with an adequate contingency plan should the Centre default. It will also provide the operator with recommendations to manage City subsidies in a more efficient manner.