



Finance Committee

- Date: Wednesday, May 5th, 2006
- Place: Anderson Room
Richmond City Hall
- Present: Councillor Evelina Halsey-Brandt, Chair
Councillor Linda Barnes
Councillor Cynthia Chen
Councillor Sue Halsey-Brandt
Councillor Rob Howard
Mayor Malcolm D. Brodie
- Absent: Councillor Derek Dang, Vice-Chair
Councillor Bill McNulty
Councillor Harold Steves
- Call to Order: The Chair called the meeting to order at 4:00 p.m.

MINUTES

1. It was moved and seconded
That the minutes of the meeting of the Finance Committee held on Wednesday, April 5th, 2006, be adopted as circulated.

CARRIED

DELEGATION

2. *Archie G. Johnston, Partner, Assurance Services, KPMG LLP Chartered Accountants, to present the Auditor's Report for 2005.* (File No.: 03-0950-01)

Mr. Johnson, accompanied by Ms. Becky Hui, the Senior Manager responsible for the audit, reviewed their 'Independence Letter' and 'Oversight Letter' with the Committee. With reference to the 'Independence Letter', confirmation was given that KPMG had found no significant issues which required the Committee's attention.

1.

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With reference to the 'Oversight Letter', Mr. Johnson talked about the system of internal controls which were in place with the City to monitor such programs as payroll, revenue cycles, etc., and advised that City Finance staff had cooperated and responded well to suggestions made by KPMG for improvements to these programs. He stated that he was not aware of any illegal acts or fraud taking place.

Mr. Johnson then reviewed in the 'Oversight Letter', *Part VII – Developments in Financial Reporting and Professional Standards – Tangible Capital Asset (Local Government)*, during which he talked about the need for the City to develop a strategy to amortize the City's assets, which include roads, buildings, pipes, etc., and to determine the cost of the asset and its useful life, in order to comply with the new standards set by the Canadian Institute of Chartered Accountants for local governments, which take effect in 2009.

Discussion then took place among Committee members and the delegation on:

- the timeline for the upcoming implementation of the new accounting standards relating to the reporting of capital assets, and the action which would be required to be taken by staff as part of the implementation of these standards
- whether actuarial assistance would be required in order to assess the City's capital infrastructure deficiencies
- what would entail '*significant matters*' as referred to in Section III of the KPMG Independence Letter
- how KPMG completed the audit of the City's financial records, and the specific controls which were examined as part of the audit process
- how KPMG handled suggestions made previously to the City about certain financial matters and the rationale for not reporting on these issues again
- the unfunded liability of \$789 Million for basic pension benefits and whether this was a typical situation amongst larger municipalities.

At the conclusion of the presentation, the Chair thanked the delegation for their attendance, and they then left the meeting.

3. **2005 CITY OF RICHMOND AUDITED CONSOLIDATED FINANCIAL STATEMENTS**

(Report: Apr. 25/06, File No.: 03-0950-01) (REDMS No. 1813172)

The Director of Finance, Jerry Chong, reviewed the financial statements with the Committee, during which he advised that the surplus in the water purchase account had occurred because of lower than expected purchases of water from the Greater Vancouver Regional District.

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During the discussion which ensued, a question was raised about the feasibility of the City taking advantage of current lower interest rates, however, advice was given that refinancing of outstanding loans would result in large penalties being incurred. Also addressed during the discussion was (i) the rationale for the increase in deferred revenue; (ii) taxation and levies; (iii) and Development Cost Charges in relation to the budget.

It was moved and seconded

That the City's audited consolidated financial statements for the year ended December 31, 2005, be approved.

CARRIED

4. **BIOLOGICAL OXYGEN DEMAND AND TOTAL SUSPENSION SOLIDS MANAGEMENT PROGRAM CHARGES**

(Report: Apr. 24/06, File No.: 03-0930-01) (REDMS No. 1812980)

Mr. Chong briefly reviewed his report with the Committee.

Discussion then took place on whether the result would be a reduction in property taxes for individual homeowners. Advice was given that there would be some financial impact but the amount of any reduction would depend on the type of taxpayer.

Questions were raised about how residents would be advised of this saving, and the suggestion was made that these savings could be highlighted in the 2007 utility notice.

Discussion also centred around how the City was notified by the GVRD of those industries which were identified as BOD/TSS dischargers; the information provided to those industries, and whether any changes were ever made to their processes to reduce the amount of BOD/TSS discharge. Information was provided that there had not been any reductions in Richmond in past years while most industries in other municipalities had shown improvements. However, it was hoped that passing these charges onto the offending companies would provide an incentive to these companies to improve their processing practices.

Information was also provided that City staff would be meeting with those companies which could be negatively impacted by the imposition of this charge to find a way to structure payments once the status of their financial statements had been determined, and to help them to comply as much as possible to the BOD/TSS program. The comment was made that no company would be put out of business because of these charges.

It was moved and seconded

That the BOD/TSS charges be billed directly to the identified companies through the metered utility bill, effective January 1, 2007.

CARRIED

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5. **APPOINTMENT OF AUDITOR**

(Report: Apr. 18/06, File No.: 03-0950-01/2006-Vol 01) (REDMS No. 1808003)

The General Manager, Business & Financial Services, Andrew Nazareth, reviewed his report with the Committee.

Discussion then took place among Committee members on the question of whether or not the City should retain KPMG or go out to the market to determine if there were other companies who could provide the same service. It was noted that KPMG had provided the City with excellent service, however, the comment was made that the City should not simply award the contract for the next five years to KPMG without first undertaking an expression of interest to determine if there were other companies which could do the work. However, the comment was also made that because the City knew that there were only two companies which were fully qualified and capable of doing the audit work required by the City, that the City should stay with KPMG because that company was already familiar with the City's financial history.

Also discussed was the timing of the expression of interest; the number of other companies which might be equal to KPMG; the impact which a change in auditors could have on Finance Department staff because of the lack of experience a new company would have with the City; the recommendations made by KPMG in their most recent audit report and the timing of the completion of these recommendations.

It was moved and seconded

That KPMG, LLP be re-appointed as the City's auditor for the years 2006 – 2010, in accordance with the terms of their proposal, on the understanding that the proposed fee would be to a maximum of \$55,000.

The question on the motion was not called, as discussion continued on the question of whether the City should seek expressions of interest to determine if there were other companies available which would be capable of becoming the City's auditor.

As a result of the discussion, the following **amendment** was introduced:

It was moved and seconded

That the main motion be amended by:

- (1) deleting the words 'for the years 2006 – 2010', and by inserting the following, 'for the year 2006'; and***
- (2) adding the following, 'that notice be given to KPMG of the intention to seek expressions of interest for the periods following that time.***

CARRIED

OPPOSED: Cllr. Barnes
E. Halsey-Brandt

The question on the motion, as amended, was then called, and it was **CARRIED** with Cllrs. Barnes and E. Halsey-Brandt opposed.

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6. **OFFICER AND GENERAL MANAGER BYLAW, NEW PROCUREMENT AND SIGNING AUTHORITY POLICIES, AND PURCHASING POLICY – CONSTRUCTION MANAGEMENT PROJECTS**

(Report: Mar. 29/06, File No.: 01-0172-00; 12-8060-20-8062; 02-0745-00; xr: 12-8060-20-7407; xr: 0775-00) (REDMS No. 1775222, 1530755, 1753544, 1466059, 1652039, 1670981, 1680888, 113131, 1779426, 1718377))

The Manager, Purchasing & Risk, Glenn McLaughlin, reviewed the report with the Committee. In response to questions, he advised that:

- any project which was not part of the City's Five Year Financial Plan would still require the approval of Council
- under the proposed process, if three tenders were not received for a specific project, Council would still receive an information memo regarding the awarding of the tender; however, staff would now have the authority to award a tender when only two tenders were received, rather than sending a report to Council seeking approval to award the tender in question

During the discussion which ensued on this matter, information was provided that the proposed changes in the purchasing policy would result in the City saving time and money when awarding tenders, and would allow the City to keep pace with changing technology.

(Mayor Brodie left the meeting at 5:40 p.m., during the above discussion, and did not return.)

It was moved and seconded

That:

- (1) *Purchasing and Publicly Tended Contract Policy 3102, adopted by Council on March 10, 1997 and last amended on March 29, 2005, be rescinded;*
- (2) *Officer and General Manager Bylaw No. 8062, which updates the Powers, Duties and Functions of the Chief Administrative Officer and General Managers, and makes other housekeeping changes as a consequence of the recent re-structuring, be introduced and given first second and third readings;*
- (3) *The Procurement Policy (Appendix 4 to the report dated March 29th, 2006, from the Manager, Purchasing & Risk), be adopted;*
- (4) *The Financial Signing Authorities Policy (Appendix 5 to the report dated March 29th, 2006, from the Manager, Purchasing & Risk) be adopted; and*
- (5) *The Purchasing Policy - Construction Management Projects (Appendix 6 to the report dated March 29th, 2006, from the Manager, Purchasing & Risk) be adopted.*

CARRIED

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7. **TRUST AND ENDOWMENT FUND POLICY**

(Report: Apr. 25/06, File No.: 03-1076-00) (REDMS No. 1729136)

A brief discussion ensued among Committee members and Mr. Chong on how disbursements of the Trust/Endowment Fund were undertaken, and whether these disbursements were paid out by cheque or some other means. Also discussed was the closure of trust fund accounts and the accounts to which the funds from these closed trust fund accounts would be disbursed; whether the holders of the trust funds would be advised of the closure of their accounts, and how often staff reviewed the status of each trust fund.

It was moved and seconded

That the proposed Trust and Endowment Funds Policy (attached to the report dated April 25th, 2006, from the Acting Director of Finance), be approved.

CARRIED

8. **MANAGER'S REPORT**

None.

ADJOURNMENT

It was moved and seconded

That the meeting adjourn (5:54 p.m.).

CARRIED

Certified a true and correct copy of the Minutes of the meeting of the Finance Committee of the Council of the City of Richmond held on Wednesday, May 5th, 2006.

Councillor Evelina Halsey-Brandt
Chair

Fran J. Ashton
Executive Assistant, City Clerk's Office