

## Finance Committee

Date: Thursday, June 14, 2007  
Place: Anderson Room  
Richmond City Hall  
Present: Councillor Rob Howard, Chair  
Councillor Cynthia Chen, Vice-Chair  
Councillor Linda Barnes  
Councillor Derek Dang  
Councillor Evelina Halsey-Brandt  
Councillor Sue Halsey-Brandt  
Councillor Bill McNulty  
Councillor Harold Steves  
Mayor Malcolm D. Brodie  
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 Thursday, March 15, 2007, be adopted as circulated.*

**CARRIED**

(Councillor Sue Halsey-Brandt entered the meeting at 4:02.)

There was agreement to vary the Agenda to consider Item 4 as the next item.

4. **2006 ANNUAL REPORT**  
(Report: May 1/07, File No.: 01-0375-01) (REDMS No. 2225077)

Ted Townsend, Senior Manager, Corporate Communications, accompanied by Jerry Chong, Director, Finance presented the 2006 Annual Report and noted that it was published in-house, using resources from various City departments.

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In response to inquiries, Mr. Townsend advised that: (i) the Annual Report is a means to meet statutory requirements as set out in the Local Government Act and is also an effective communications vehicle; (ii) the City realizes significant savings by printing the Annual Report in-house; (iii) the Annual Report is distributed free of charge to a list that includes various agencies, other municipalities, and members of the media; if an individual requests more than one copy of the Annual Report, a \$10 fee is charged.

The Committee expressed their congratulations to staff for their work on such a comprehensive report.

It was moved and seconded

*That the 2006 City of Richmond Annual Report (attached to the report dated May 1, 2007, from the Director of Finance) be approved.*

**CARRIED**

## DELEGATION

2. *Archie Johnston, Partner, KPMG LLP Chartered Accountants, to present the Auditor's report on the financial statements for 2006.*

Mr. Johnston reviewed both the 'Independence Letter' and the 'Oversight Letter' and provided a brief summary of the information in the 'Oversight Letter'. He mentioned that: (i) there are no significant findings of matters that warrant the attention of the Committee; (ii) there are no unadjusted audit differences; (iii) there are no significant weaknesses in internal controls over financial reporting; (iv) inquiries of staff and testing of City financial records revealed no fraudulent or illegal acts; and (v) KPMG enjoyed full cooperation when dealing with City staff.

Mr. Johnston remarked that the City is gathering the required information to be able to comply with the 'Tangible Capital Assets' section of the Local Government Act (Section PS3150).

In response to a query regarding the 'Independence Letter' and why it mentioned that the letter was directed to the 'Board of Trustees, Management', Mr. Johnston responded that in this case the chosen terminology was not as clear as it could be, and that the letter was in fact addressing the City's 'Finance Committee'.

There was also a suggestion that while the letters indicated the Audit was not specifically designed to detect fraud, but because testing was done, and no indications of fraud were present, stronger and more reassuring words may be of more value in future reports.

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Andrew Nazareth, General Manager, Business & Financial Services, in response to a query regarding whether the City was prepared and able to financially cover any legal claims, advised that the City does set aside some funds for contingencies such as legal claims.

A brief discussion ensued during which it was noted that it is difficult to compare the current statement with statements of earlier years, due to capital costs mixed in with operating costs, and reporting done on a cash basis. It was suggested that this could be improved and presented in a way that was less confusing to the general public. Mr. Johnston agreed to undertake this change for future statements.

(Councillor Linda Barnes entered the meeting at 4:14 during the discussion with the KPMG representative.)

It was moved and seconded

*That the Auditor's report on the financial statements for 2006 be accepted.*

**CARRIED**

At the conclusion of Mr. Johnston's presentation, the Chair thanked him for his attendance.

## BUSINESS & FINANCIAL SERVICES DEPARTMENT

3. **2006 CITY OF RICHMOND AUDITED CONSOLIDATED FINANCIAL STATEMENTS**

(Report: May 31/07, File No.: 03-1200-02) (REDMS No. 2238742)

It was moved and seconded

*That the City's audited consolidated financial statements for the year ended December 31, 2006, be approved.*

**CARRIED**

5. **2007 1<sup>ST</sup> QUARTER FINANCIAL INFORMATION**

(Report: May 11/07, File No.: 03-0970-09-01/2007-Vol 01) (REDMS No. 2225636)

It was moved and seconded

*That the report (dated May 11, 2007, from the Director of Finance), regarding the 2007 1<sup>st</sup> Quarter Financial Information, be received for information.*

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Prior to the question being called Mr. Chong advised that the City is on budget. It was suggested that future quarterly reports could include more explanations of where the City's finances stand. In response to a query Mr. Chong clarified that the bars on the graphs in the report identified as "Actual" represented "Actual - Year to Date" information.

During the discussion that ensued, staff advised that quarterly reports focus on the financial status of the City at the conclusion of the quarter, and that the Key Indicators (Appendix 6 of the report) data provides yearly comparisons.

Staff remarked that it is not prudent to include amounts of grants provided to City projects in a quarterly report because, while grants have been applied for, many may have not been received in that quarter. Staff responded to requests by Committee and stated that in future, information regarding estimated grant funds anticipated by the City can be supplied separately to the Committee. In addition, staff can provide the Committee with information comparing quarterly financial information for the present year, and the past year.

With respect to the City's investment portfolio, and a query about the short-term weighting and liquidity of the portfolio, Mr. Chong stated that it is based on the economic situation, and at present the yield curve is flat. Staff anticipates that the Bank of Canada will soon raise rates, and that the City is positioned to capitalize on that opportunity.

In response to a query regarding unpaid taxes from residents who are delinquent and in arrears, staff responded that unpaid taxes are collectible by the City during sales of properties where taxes in arrears are identified.

The question on the motion was then called and it was **CARRIED**.

## 6. INVESTMENT POLICY

(Report: Apr. 26/07, File No.: 03-1095-00) (REDMS No. 2088274, 2041590)

Mr. Chong remarked that since the current investment policy was initially adopted in 1997, the most recent amendment to the Community Charter was introduced and in addition, the amount and level of sophistication with the City's investment portfolio had increased.

He stated that rationale for the proposed policy change included: (i) the investment portfolio to be managed by an external Investment Manager; (ii) flexibility provided in investment style, whereby the City would be able to adopt an active or a passive investment style, depending on requirements; (iii) the revision of targeted diversification to reflect current market conditions and the City's cash requirements.

Discussion ensued and staff advised that the Finance Committee, in consultation with the financial officer, would decide the City's investment style.

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In response to a query, staff clarified that until recently City staff managed the investment portfolio, but that after the 2006 departure of the staff revenue coordinator, the City had entered into a pilot project with Scotia Cassels for a fixed fee, and since then the City has realized better returns as well as gains that have out performed the City's benchmarks.

It was moved and seconded

- (1) *That Investment Policy 3702 (adopted by Council on September 8<sup>th</sup>, 1997, and amended on June 28, 1999), be rescinded; and*
- (2) *That the proposed Investment Policy (attached to the report dated April 26<sup>th</sup>, 2007, from the Director, Finance), be adopted.*

**CARRIED**

### 7. **PROPERTY TAX DISTRIBUTION BETWEEN RESIDENTIAL AND BUSINESS CLASSES**

(Report: April 11, 2007 File No.: 03-0925-01) (REDMS No. 2154994)

Mr. Chong and Ivy Wong, Revenue Manager reviewed the report with the Committee. In response to questions, advice was given that:

- there is no City policy that stipulates property tax distribution, but historically the City has always reported what percentage is collected; currently the City collects 50% of its annual taxes from residential property owners, and through monitoring, if they are required, any changes would come before the Finance Committee;
- the ratio of taxes collected from residential property owners and those collected from businesses changes depending on the assessment value of properties in general; currently Richmond's assessment value increased, resulting in a higher business-to-residential ratio;
- when the City receives its tax roles each year, staff undertakes a review of the business-to-residential ratio and these reviews preclude the need for a policy.

A brief discussion ensued during which the Chair suggested the idea of staff bringing a discussion paper forward on the subject. It was agreed that there is no necessity for such a paper at this time.

It was moved and seconded

*That the report (dated April 11, 2007, from the Director, Finance), regarding Property Tax Distribution between Residential and Business Classes, be received for information.*

**CARRIED**

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## 8. MANAGER'S REPORT

Mr. Chong introduced new staff member Hari Suvarna, Manager, Budgets & Accounting and commented that Mr. Suvarna would lead the City's new tangible capital assets project. On behalf of the Committee the Chair welcomed Mr. Suvarna.

## ADJOURNMENT

It was moved and seconded  
*That the meeting adjourn (4:59 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 Thursday, June 14, 2007.

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Councillor Rob Howard  
Chair

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Sheila Johnston  
Committee Clerk