



Finance Committee

Date: June 11th, 2008
Place: Anderson Room
Richmond City Hall
Present: Councillor Rob Howard, Chair
Councillor Cynthia Chen, Vice-Chair
Councillor Derek Dang
Councillor Sue Halsey-Brandt
Councillor Bill McNulty
Councillor Harold Steves
Mayor Malcolm D. Brodie
Absent: Councillor Linda Barnes
Councillor Evelina Halsey-Brandt
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 April 8th, 2008, be adopted as circulated.

CARRIED

DELEGATION

2. *Archie Johnston, Partner KPMG LLP Chartered Accountants, to present the Auditor's report on the financial statements for 2007.*

Mr. Johnston briefly reviewed with the Committee, the Auditor's Report, with the Oversight and the Independence Letters issued by KPMG LLP Chartered Accountants. He reported that there were no significant audit findings to draw to the Committee's attention, and that no audit differences were identified. Mr. Johnston indicated that KPMG was satisfied that generally accepted accounting principles were being followed by the City.

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Mr. Johnston further reported that during the audit, his staff was diligent in looking for fraud and illegal activities and did not find anything to draw to the Committee's attention. He pointed out however that the audit undertaken by KPMG was not designed to look for such activities.

Discussion then ensued among Committee members, staff and the delegation on the matter of possible fraud and illegal activities being found, and whether the City had any processes in place to undertake internal audits to ensure that fraud and other illegal activities did not take place. In response, advice was given by the General Manager, Business & Financial Services, Andrew Nazareth, that a section existed within his department - "Business Process Improvement", managed by Rick Dusanj, which was responsible for undertaking internal audits throughout the City organization.

Reference was made to the application of Section PS3150 *Tangible Capital Assets* to local governments as of January 1, 2009. In response to questions about whether the City would be in a position to comply with that requirement, advice was given that the process was moving forward despite some delays which had occurred.

It was moved and seconded

That the Auditor's report of Archie Johnston, Partner, KPMG LLP Chartered Accountants, regarding the City's 2007 financial statements, be received for information.

CARRIED

3. **2007 CITY OF RICHMOND AUDITED CONSOLIDATED FINANCIAL STATEMENTS**

(Report: May 21/08, File No.: 03-0950-01) (REDMS No. 2453515)

It was moved and seconded

That the City's audited financial statements for the year ended December 31, 2007, be approved.

CARRIED

4. **2007 ANNUAL REPORT**

(Report: May 16/08, File No.: 01-0375-01) (REDMS No. 2452948)

The Senior Manager, Corporate Communications, Ted Townsend, accompanied by the Director of Finance, Jerry Chong, spoke about the preparation of the 2007 Annual Report, noting that the document had been completed entirely in-house. He pointed out during his review that the report displayed the new City logo which had been adopted by Council on June 9th, 2008.

Discussion then took place among Committee members and staff on:

- "Expenditures by Object (2003-2007)" and the rationale for the substantial increase in 'supplies, materials and capital'

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- the “Child Care Development” reserve and whether the increase in funds was the result of amenity contributions by developers
- the purpose of “Local Improvements” and “Neighbourhood Improvements”
- the number of litigation cases which were pending and whether there were sufficient funds set aside to deal with these matters
- how, and to whom, the annual report would be distributed to the public.

During the discussion, staff were congratulated on the preparation of a beautiful, easy to read document. A suggestion was also made that the names of all the staff people responsible for the preparation of the annual report be included in future reports as a way to recognize their efforts. Staff were also requested to provide a list of the names of the individuals responsible for the preparation of the 2007 report prior to the June 23rd, 2008 Council Meeting.

Reference was made to the “Reserves (2003-2007)” section, and the request was made that a comparison be provided in future annual reports, on the total amount required in each reserve account, and the number of years which would be needed to reach that goal.

It was moved and seconded

That the 2007 City of Richmond Annual Report (attached to the report dated May 16th, 2008, from the Director, Finance), be approved.

CARRIED

5. **2007 SURPLUS APPROPRIATION**

(Report: May 28/08, File No.: 03-0970-01) (REDMS No. 2448229)

Mr. Chong briefly reviewed the report with the Committee, after which discussion ensued among Committee members and staff on the proposed appropriations, including:

- the rationale for accumulating a surplus each year; whether it would be possible to reduce the surplus to less than \$500,000, and whether this surplus could be diverted to reserve funds
- the impact of reducing the amount of the surplus on the City’s annual budget
- funding for replacement of the seating in the Gateway Theatre, and whether this amount was to replace the seats or only the upholstery and padding; the rationale for selecting the Gateway Theatre seating as a funding request
- the funding request for maintenance repairs at WaterMania

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- the funding request for the Olympic Business Office & Major Projects and the anticipated cost of each component included within that request; whether the amount requested could be reduced with possible future sponsorships; the need for detailed information on anticipated expenditures and sponsorships
- the funding request from the Planning & Development Department for a City-wide review of the Official Community Plan
- whether the City was permitted to operate with a deficit, and possible action which could be taken by the Provincial Government if such a deficit was to occur
- the surplus resulting from RCMP contract costs which were lower than the budget due to delayed staffing replacements, and whether the RCMP budget could be reduced in the future to reduce this surplus
- the impact to the City if the surplus funds were diverted to reserve accounts
- the request for an additional \$53,000 for the election budget
- the request for funding for the Agricultural Land Endowment Fund
- the funding request from the Engineering & Public Works Department for engineering costs related to the review of the Official Community Plan, and the work which would be included in these costs.

During the discussion, advice was given that each request had been thoroughly reviewed by The Administrator's Group (TAG), during which it had been determined that these requests were urgent priorities of the City.

Also during the discussion, Committee members commented on the proposed appropriations and whether they felt the requests were justifiable and could be supported.

As a result of the discussion, the following motion was introduced:

It was moved and seconded

That the \$4,303,790 of surplus funds generated in 2007 be appropriated as follows:

- | | | | |
|-----|--|----|----------------|
| (1) | <i>Corporate Services – Election Budget top up</i> | \$ | <i>53,000</i> |
| (2) | <i>Parks, Recreation & Culture – Replacement of seats at the Gateway Theatre</i> | \$ | <i>103,565</i> |
| (3) | <i>Law & Community Safety – Upgrade to Fire Rescue safety equipment</i> | \$ | <i>185,000</i> |
| (4) | <i>Parks, Recreation & Culture – WaterMania maintenance</i> | \$ | <i>250,000</i> |
| (5) | <i>Planning & Development – Agricultural Land Endowment</i> | \$ | <i>500,000</i> |

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- (6) *Planning & Development – OCP review City wide* \$ 600,000
- (7) *Engineering & Public Works – OCP Engineering* \$ 300,000
- (8) *Olympic Business Office – Strategic Operational Plan* \$ 2,312,225

The question on the motion was not called, as the request was made that each part be dealt with separately.

The question on Parts (1), (2), (3), (4), (6) and (7) of the motion was then called, and it was **CARRIED** with Cllr. Steves opposed.

The question on Part (5) of the motion was called, and it was **CARRIED** with Cllrs. Sue Halsey-Brandt and Steves opposed.

The question on Part (8) was not called, as the following **amendment** was introduced:

It was moved and seconded

That Part (8) of the main motion be amended to read as follows, "That Part (8) - Olympic Business Office – Strategic Operational Plan, in the amount of \$2,312,225, be approved in principle, subject to budgetary and other information being provided to Council prior to expenditure."

DEFEATED

OPPOSED: Cllrs. Chen
Dang
S. Halsey-Brandt
McNulty
Steves

The question on Part (8) of the main motion was then called, and it was **DEFEATED** with Cllrs. Chen, Dang, S. Halsey-Brandt, McNulty and Steves opposed.

It was moved and seconded

That the funds to be appropriated for Item 8 – Olympic Business Office, Strategic Operational Plan, in the amount of \$2,312,225, be placed into a reserve fund.

The question on the motion was not called, as discussion ensued among Committee members and staff on possible ramifications if funding for the Olympic Strategic Operational Plan was halted, such as having to change the scope of the project. Discussion also centred on the need for detailed information on individual expenditures, as well as on the timing of sponsorships and whether sponsorships could be obtained to help offset expenses. Reference was also made to other cities which were also planning to host celebrations in honour of the 2010 Olympic Winter Games.

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During the discussion, comments were also made that 'this was more than just a party or a celebration' as the main thrust of the strategic plan dealt with the legacy which would be in place following the Games. A suggestion was made that the Olympic experience could be identified as a 'cultural festival' rather than a party, as it was felt that the words 'cultural festival' had more significance.

Reference was made to the City's reserve accounts, and the request was made that Council be provided with information prior to the June 23rd, 2008 Council Meeting, on the amount of money which would be required for the reserve accounts from 2008 onwards.

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

It was moved and seconded

That the request for funding relating to Item 8 – Olympic Business Office, Strategic Operational Plan, in the amount of \$2,312,225, be referred to staff to provide greater detail on the scope, sponsorship, and alternatives for the Olympic Strategic Plan, and that the funds be appropriated in a provision account.

CARRIED

OPPOSED: Cllr. Steves

6. 2008 1ST QUARTER FINANCIAL INFORMATION

(Report: May 23, 2008, File No.: 01-0385-01) (REDMS No. 2452915, 2438089)

It was moved and seconded

That the report (dated May 23rd, 2008, from the Director, Finance), regarding the Financial Information, for the first quarter ended March 31, 2008, be received for information.

The question on the motion was not called, as a brief discussion ensued on investments and maturities and the amount of money being placed in 'short term' rather than 'long term' investments.

(Mayor Brodie left the meeting at 5:32 p.m., and did not return.)

Also discussed was the amount of revenue generated for the City through gaming and the amount being budgeted for by the City; Contract Nos. 39 and 40, which related to the Oval; the amount of revenue generated which related to the number of building permits issued for the first quarter of 2008, and whether the same level of surplus would be achieved for 2008 as had been in 2007.

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

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7. MANAGER'S REPORT

Mr. Chong introduced two new Business & Financial Services Department employees to the Committee, Venus Ngan, Supervisor, Finance Services, and Rick Dusanj, Manager, Business Advisory Services.

ADJOURNMENT

It was moved and seconded
That the meeting adjourn (5:38 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, June 11th, 2008.

Councillor Rob Howard
Chair

Fran J. Ashton
Recording Secretary