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**Finance Committee**

**Anderson Room, City Hall  
6911 No. 3 Road**

**Tuesday, December 2, 2014**

**Immediately Following the Open General Purposes Committee meeting**

Pg. #      ITEM

**MINUTES**

**FIN-3**      *Motion to adopt the **minutes** of the meeting of the Finance Committee held on Monday, October 6, 2014.*



**FINANCE AND CORPORATE SERVICES DEPARTMENT**

1.      **DONATION OF SURPLUS COMPUTER EQUIPMENT**  
(File Ref. No.) (REDMS No. 4314809)

**FIN-5**

**See Page FIN-5 for full report**

*Designated Speaker: Grant Fengstad*

**STAFF RECOMMENDATION**

*That the donation of computer equipment detailed in the staff report titled "Donation of Surplus Computer Equipment" be approved.*



2.      **2014 AUDIT ENGAGEMENT**  
(File Ref. No. 03-0905-01) (REDMS No. 4428700)

**FIN-9**

**See Page FIN-9 for full report**

*Designated Speaker: Cindy Gilfillan*

STAFF RECOMMENDATION

*That the 2014 Audit Planning Letter from KPMG, LLP dated November 14, 2014 be received for information.*

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3. **FINANCIAL INFORMATION – 3<sup>RD</sup> QUARTER SEPTEMBER 30, 2014**

(File Ref. No.) (REDMS No. 4408713)

FIN-35

See Page FIN-35 for full report

*Designated Speaker: Cindy Gilfillan*

STAFF RECOMMENDATION

*That the staff report titled Financial Information – 3rd Quarter September 30, 2014, dated November 6, 2014, from the Director, Finance be received for information.*

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**RICHMOND OLYMPIC OVAL CORPORATION**

4. **3<sup>RD</sup> QUARTER 2014 – FINANCIAL INFORMATION FOR THE RICHMOND OLYMPIC OVAL CORPORATION**

(File Ref. No.)

FIN-60

See Page FIN-60 for full report

*Designated Speaker: Rick Dusanj*

STAFF RECOMMENDATION

*That the report on Financial Information for the Richmond Olympic Oval Corporate for the third quarter ended September 30, 2014 from the Controller of the Richmond Olympic Oval Corporate be received for information.*

☐

**ADJOURNMENT**

☐



## Finance Committee

Date: Monday, October 6, 2014

Place: Anderson Room  
Richmond City Hall

Present: Mayor Malcolm D. Brodie, Chair  
Councillor Chak Au  
Councillor Linda Barnes  
Councillor Derek Dang  
Councillor Evelina Halsey-Brandt  
Councillor Ken Johnston  
Councillor Bill McNulty  
Councillor Linda McPhail  
Councillor Harold Steves

Call to Order: The Chair called the meeting to order at 4:45 p.m.

### MINUTES

It was moved and seconded

*That the minutes of the meeting of the Finance Committee held on Tuesday, September 2, 2014, be adopted as circulated.*

**CARRIED**

### RICHMOND OLYMPIC OVAL CORPORATION

1. **2ND QUARTER 2014 – FINANCIAL INFORMATION FOR THE RICHMOND OLYMPIC OVAL CORPORATION**  
(File Ref. No.) (REDMS No. 4344393)

**Finance Committee**  
**Monday, October 6, 2014**

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It was moved and seconded

*That the report on Financial Information for the Richmond Olympic Oval Corporation for the second quarter ended June 30, 2014 from the Controller of the Richmond Olympic Oval Corporation be received for information.*

**CARRIED**

**FINANCE AND CORPORATE SERVICES DEPARTMENT**

2. **BYLAW NO. 9158 – PERMISSIVE EXEMPTION (2015) BYLAW**  
(File Ref. No. 03-0925-02-01) (REDMS No. 4302464)

It was moved and seconded

*That Permissive Exemption (2015) Bylaw No. 9158 be introduced and given first, second, and third readings.*

**CARRIED**

3. **CONSOLIDATED FEES BYLAW NO. 8636, AMENDMENT BYLAW NO. 9168**  
(File Ref. No. 12-8060-20-009168) (REDMS No. 4332725)

It was moved and seconded

*That Consolidated Fees Bylaw No. 8636, Amendment Bylaw No. 9168 be introduced and given first, second and third readings.*

**CARRIED**

**ADJOURNMENT**

It was moved and seconded

*That the meeting adjourn (4:46 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 Monday, October 6, 2014.

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Mayor Malcolm D. Brodie  
Chair

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Heather Howey  
Committee Clerk



# City of Richmond

## Report to Committee

**To:** Finance Committee  
**From:** Grant Fengstad  
Director, Information Technology  
**Re:** Donation of Surplus Computer Equipment




**Date:** November 21, 2014

**File:**

### Staff Recommendation

That the donation of computer equipment detailed in the staff report titled "Donation of Surplus Computer Equipment" be approved.

Grant Fengstad  
Director, Information Technology  
(604-276-4096)

REPORT CONCURRENCE	
CONCURRENCE OF GENERAL MANAGER 	
REVIEWED BY STAFF REPORT / AGENDA REVIEW SUBCOMMITTEE	INITIALS: 
APPROVED BY CAO 	

## **Staff Report**

### **Origin**

Previously, end-of-life City computer equipment was shipped to processing facilities and broken down into component parts for disposal, using environmentally friendly processes overseen by the Electronic Stewardship Association of BC.

### **Analysis**

Further to the 2012 Council referral to Staff to look into the feasibility of providing Internet Access for Affordable Housing Residents, staff contacted Reboot Vancouver. This non-profit enterprise refurbishes and redistributes discarded computers systems to BC low income families and non-governmental organizations.

Reboot Vancouver has agreed to absorb the pickup costs for the equipment and ensure that 50% of these donated items will be provided to residents living in Richmond. There will be no additional costs to the City, outside of staff time to facilitate the equipment transfer.

In accordance with Council Policy 2003 – Disposal of City Assets, when the donation of surplus City assets is requested, the City Treasurer will forward the requests to Council through the Finance Committee.

A list of computer equipment designated for donation is attached to this memorandum.

### **Financial Impact**

None.

### **Conclusion**

That the computer equipment, as listed, be donated to Reboot Vancouver in accordance with Policy 2003 – Disposal of City Assets.



Angela Deer  
Manager, IT Customer Service Delivery  
(604-276-4252)

AED:aed

Att.1: List of Computers designated for environmental recycling, period ending September 30, 2014.

**List of computers designated for donation,  
period ending September 30, 2014**

Quantity	Equipment Model	Type of Equipment	Previous City Asset Tag	Manufacturer Serial Number	Operating System	Install Year
1	DC7700CMT	Desktop	3816	CAC73900T6	XP	2006
1	DC7700CMT	Desktop	3487	CAC71902X8	XP	2006
1	DC7700CMT	Desktop	3347	CAC64001VV	XP	2006
1	XW9300	Desktop	3180	2UA6040WKY	XP	2006
1	XW4600	Desktop	3841	CAC81008CH	Vista	2009
1	XW6400	Desktop	3692	2UA7460PCN	XP	2007
1	6530b	Laptop	4372	CNU93824C8	Vista	2009
1	6530b	Laptop	4052	CNU84124CY	Vista	2008
1	6530b	Laptop	4047	CNU8320WKS	Vista	2008
1	NC8000	Desktop	2983	CNU507F9DV	XP	2006
1	2140	Laptop	4263	CNU9105X18	Vista	2010
1	5101	Laptop	4386	CNU941CXV5	XP	2009
1	5101	Laptop	4382	CNU9421LX4	XP	2009
1	2730p	Laptop	4376	2CE940VPXN	Vista	2009
1	2710p	Laptop	3823	2CE8294YSJ	Vista	2007
1	2730p	Laptop	4015	2CE842WQZX	Vista	2008
1	6910p	Laptop	3717	CND8101TDM	XP	2007
1	6530b	Laptop	4014	CNU84124GT	Vista	2009
1	NC6320	Desktop	3468	CNU7120T5X	XP	2006
1	6530b	Laptop	4321	CNU99312S4Z	Vista	2007
1	6530b	Laptop	4374	CNU9409CB6	Vista	2009
1	6530b	Laptop	4083	CNU90729GP	Vista	2008
1	6530b	Laptop	4009	CNU84124K2	Vista	2008
1	DC7900	Desktop	4090	CAC910007X	Vista	2009
1	DC7900	Desktop	4485	CAC95202FH	Vista	2009
1	DC7900	Desktop	4134	CAC91000FB	Vista	2009
1	DC7900	Desktop	4396	CAC938006Z	Vista	2009
1	DC7800	Desktop	3777	CAC82001WP	Vista	2009
1	DC7900	Desktop	4519	CAC95202DJ	Vista	2009
1	DC7800	Desktop	3775	CAC8100357	XP	2009
1	DC7900	Desktop	4226	CAC91000GP	Vista	2009
1	DC7900	Desktop	4286	CAC91202HM	Vista	2009
1	DC7900	Desktop	4312	CAC9260066	Vista	2009
1	DC7800	Desktop	3862	CAC83502MJ	Vista	2009
1	NW9440	Desktop	3723	CND7291MPW	XP	2007
1	6530b	Laptop	4373	CNU9417F0X	Vista	2010
1	6510b	Laptop	3845	CNU8301F6Y	Vista	2007

Quantity	Equipment Model	Type of Equipment	Previous City Asset Tag	Manufacturer Serial Number	Operating System	Install Year
1	6510b	Laptop	3586	CNU733071L	Vista	2007
1	D510	Laptop	2441	6X32KPBZV01X	XP	2006
1	D510	Laptop	2363	6X32KPBZD00S	XP	2006
1	DC7700	Desktop	3534	CAC71702SJ	XP	2007
1	DC7800	Desktop	3780	CAC82103ST	Vista	2009
1	DC7800	Desktop	3998	CAC84101XH	Vista	2009
1	DC7900	Desktop	4244	CAC91101M2	Vista	2009
1	DC7900	Desktop	4466	CAC95202WG	Vista	2009
1	DC7900	Desktop	4455	CAC94506JM	Vista	2009
1	DC7900	Desktop	4456	CAC94506K2	Vista	2010
1	DC7900	Desktop	4198	CAC9100046	Vista	2009
1	DC7900	Desktop	4068	CAC90604JX	Vista	2009
1	DC7900	Desktop	4259	CAC91101HF	Vista	2009
1	DC7800	Desktop	3978	CAC84204V4	XP	2008
1	DC7900	Desktop	4205	CAC910003Y	Vista	2009
1	DC7800	Desktop	4048	CAC84204XP	XP	2008
1	DC7900	Desktop	4020	CAC84700WY	Vista	2009
1	DC7800	Desktop	3906	CAC8420513	XP	2008
1	DC7900	Desktop	4536	CAC9490222	Vista	2009
1	DC7600	Desktop	3168	CAC54903BT	XP	2005
1	DC7900	Desktop	4468	CAC9520279	Vista	2009
1	DC7900	Desktop	4252	CAC91101NF	Vista	2009
1	DC7600	Desktop	3237	CAC607003V	XP	2005
1	DC7600	Desktop	3344	CAC641041Z	XP	2005
1	DC7900	Desktop	4350	CAC93801Q8	XP	2009
1	DC7800	Desktop	3863	CAC8340365	XP	2008
1	D530	Desktop	2736	CAC42403T4	XP	2004
1	DC7900	Desktop	4105	CAC90907PZ	XP	2009
1	6530b	Desktop	4054	CNU84124H9	Vista	2009
1	6560b	Desktop	4962	4CZ1300FYV	Vista	2010
1	DC7700p	Desktop	3657	CAC74400G3	XP	2007
1	6910p	Desktop	3716	CND8101V2D	XP	2007
1	DC7900	Desktop	4287	CAC91207GF	XP	2009
1	DC7900	Desktop	4096	CAC90907PF	XP	2009
1	DC7900	Desktop	4212	CAC910005P	XP	2009
1	DC7900	Desktop	4478	CAC95203KR	XP	2009
<b>Total 73 units</b>						





# City of Richmond

## Report to Committee

**To:** Finance Committee  
**From:** Jerry Chong  
Director, Finance  
**Re:** 2014 Audit Engagement

**Date:** November 14, 2014  
**File:** 03-0905-01/2014-Vol  
01

### Staff Recommendation

That the 2014 Audit Planning Letter from KPMG, LLP, dated November 14, 2014, be received for information.

Jerry Chong  
Director, Finance  
(604-276-4064)

Att. 2

REPORT CONCURRENCE	
CONCURRENCE OF GENERAL MANAGER 	
REVIEWED BY STAFF REPORT / AGENDA REVIEW SUBCOMMITTEE	INITIALS: 
APPROVED BY CAO 	

## **Staff Report**

### **Origin**

Pursuant to Sub-section 169 (1) of the Community Charter, a Council must appoint an auditor for the municipality (municipal auditor). Under Sub-section 169 (3), a municipal auditor has the power and duty to conduct the examinations necessary to prepare the required reports.

Section 171 of the Community Charter directs that, the municipal auditor must report to Council on the annual financial statements of the municipality. The report must be in accordance with the form and the reporting standards recommended by the Canadian Institute of Chartered Accountants.

The following report outlines the terms of the audit engagement for the period ending December 31, 2014.

### **Analysis**

At the November 13, 2012 Council meeting, KPMG, LLP (KPMG) was re-appointed as the City's auditor for the years 2012 to 2017.

KPMG's audit strategy is provided in their communication on Audit Planning for the year ended December 31, 2014 (Attachment 1). The overall audit strategy and audit approach is to address the significant risks identified during the planning process. KPMG will perform procedures under professional standards to address the presumed risk.

KPMG will provide a summary of their observations at the completion of the audit that may include comments on risks and the City's approach to those risks, industry trends and developments.

The objectives of the audit, KPMG's responsibilities in carrying out the audit, as well as management's responsibilities are set out in the Engagement Letter, dated November 4, 2013 (Attachment 2).

The scope of the audit engagement includes:

- Audit of the City's consolidated financial statements
- Audit of the Home Owner Grant
- Audit of the City's compliance with subsections 2 and 3 of section 124 of Part 8 of the School Act

### **Financial Impact**

There is no financial impact. The audit fee is provided for within the City's Operating Budget.

## Conclusion

KPMG has been engaged to perform the audit for the year ended December 31, 2014. Their Audit Plan communicates KPMG's overall audit responsibilities and audit approach in accordance with Canadian generally accepted auditing standards. The 2014 audit standards continue to focus the audit on areas where there is greater risk of misstatement.



Cindy Gilfillan  
Manager, Financial Reporting  
(604-276-4077)

CG:cg

Att. 1: Audit Planning Letter  
2: Engagement Letter



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Internet [www.kpmg.ca/enterprise](http://www.kpmg.ca/enterprise)

## AUDIT PLANNING LETTER

### PRIVATE & CONFIDENTIAL

Chair and Members of the Finance Committee  
City of Richmond  
6911 No. 3 Road  
Richmond BC V6Y 2C1

November 14, 2014

To the Chair and Members of the Finance Committee of the City of Richmond ("Committee"):

We are pleased to provide for your review the following information relating to the planned scope and timing for the audit of the consolidated financial statements of the City of Richmond (the "City") for the year ended December 31, 2014.

We would be pleased to receive any comments or suggestions you may have with respect to the planned audit scope or timing and we look forward to discussing the letter and answering questions that you may have. If you have any specific areas of concerns or other issues you would like addressed in the audit, please contact us. We appreciate the opportunity to serve you and look forward to our continuing relationship.

This letter is for the use of the Committee for the purpose of carrying out and discharging your responsibilities and exercising oversight over our audit. This letter should not be used for any other purpose or by anyone other than the Committee. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this letter has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Yours very truly

C.J. James, CPA, CA  
Engagement Partner  
(604) 527-3635

Archie G. Johnston, MBA, CPA-FCA, CIA  
Client Relationship and Quality Review Partner  
(604) 527-3757

cc: Mr. George Duncan, Chief Administrative Officer  
Mr. Andrew Nazareth, General Manager, Finance & Corporate Services  
Mr. Jerry Chong, Director of Finance

Enclosures:  
Appendix 1 – Engagement letter



#### ***CONSIDERATIONS IN DEVELOPING OUR AUDIT PLAN***

We have set out below a summary of changes that have been taken into consideration in planning the audit for the current period:

- The City has undergone a chart of accounts conversion process to remap its general ledger accounts during the year. We will consider the impact of the remapping on the current year audit, if any, and on the financial reporting system.
- The City has continued its ongoing discussions to finalize its Public-Private partnership agreements between the Lulu Island Energy Company Ltd. and a utility provider. We will consider the impact of the accounting for these agreements on the current year audit, if any, and changes in financial reporting as part of our audit.
- In developing its Affordable Housing Strategy, the City is currently in negotiations to finalize development partnerships agreements. We will consider the impact of the accounting for these agreements on the current year audit, if any, and changes in financial reporting as part of our audit.

There are no significant changes in the accounting standards in the current year that will impact the financial statements of the City.

There are no significant changes in the auditing and other professional standards in the current year that will impact the audit of the City's financial statements.

#### ***SCOPE AND TIMING OF THE AUDIT***

The objectives of the audit, our responsibilities in carrying out our audit, as well as management's responsibilities, are set out in the engagement letter dated November 4, 2013 which is included in the appendices to this letter.

We design an overall audit strategy and audit approach to address the significant risks identified during the planning process.

#### **Materiality**

We determine materiality in order to plan and perform the audit and to evaluate the effects of identified misstatements on the audit and of any uncorrected misstatements on the financial statements. The determination of materiality requires judgment and is based on a combination of quantitative and qualitative assessments, including the nature of account balances and financial statement disclosures.

We determine performance materiality (from materiality) in order to assess risks of material misstatement and to determine the nature, timing and extent of audit procedures.

We determine an audit misstatement posting threshold (from materiality) in order to accumulate misstatements identified during the audit.



For the current period, the following amounts have been determined:

<b>Materiality</b>	<b>Performance Materiality</b>	<b>Audit Misstatement Posting Threshold</b>
\$6,500,000	\$4,875,000, which has been set at 75% of materiality	\$325,000, which has been set at 5% of materiality.

We will reassess materiality based on period-end results or new information to confirm whether it remains appropriate for evaluating the effects of uncorrected misstatements on the financial statements.

Identification of significant risks

As part of our audit planning, we identify the significant financial reporting risks that, by their nature, require special audit consideration. By focusing on these risks, we establish an overall audit strategy and effectively target our audit procedures.

The significant financial reporting risks identified during our audit planning are listed below:

*Significant unusual transactions*

There were no significant unusual transactions noted through our discussion with management.

*Risk of management override of controls*

Although the level of risk of management override of controls will vary from entity to entity, professional standards presume the risk of management override of controls is nevertheless present in all entities and requires the performance of specific procedures to address this presumed risk. We plan on performing the required procedures under professional standards. These include testing journal entries and performing a retrospective review of areas of estimate.

Timing of audit and deliverables

<i>Topic:</i>	<i>Dates:</i>
Conduct interim audit field work	November 03 – 07, 2014
Provide our audit planning letter	November 14, 2014
Conduct year-end audit field work	February 23 – March 13, 2015
Present our year-end audit findings letter, including independence communications to the Committee	Date to be determined
Provide audit opinion on financial statements	Upon acceptance by Council of the financial statements.



### ***ANNUAL INQUIRIES OF THE COMMITTEE***

Professional standards require that we ask you the following questions in connection with your oversight of management's process for identifying and responding to the risks of fraud:

- Are you aware of, or have you identified any instances of, actual, suspected, possible, or alleged non-compliance of laws and regulations or fraud, including misconduct or unethical behaviour related to financial reporting or misappropriation of assets? If so, have the instances been appropriately addressed and how have they been addressed?
- What are your views about fraud risks in the entity?
- How do you exercise effective oversight of management's process for identifying and responding to the risk of fraud in the entity and internal controls that management has established to mitigate these fraud risks?

### ***OBSERVATIONS AND INSIGHTS***

During the course of our audit, we may become aware of a number of observations that may be of interest to you. These observations may include comments on risks and the City's approach to those risks, performance improvement observations, or other industry trends and developments. These observations are based on, among other things, our understanding of the affairs and processes of the City, as well as our understanding of many other entities in the same or other industries.

We will discuss any such observations with management and provide our insights. We will also include a synopsis of these observations and insights in our discussions with you at the completion of the audit.

### ***CURRENT DEVELOPMENTS***

#### Liability for Contaminated Sites

- New Accounting Standard, Liability for Contaminated Sites PS3260 has been approved by the PSAB and is effective for the City's fiscal 2015 year. The City will be required to recognize any liabilities for contaminated sites where the City is responsible.
- Governments will be required to recognize a liability for contaminated sites when the government is responsible for, or accepts responsibility for, the contamination, and the contamination exceeds existing environmental standards. The amount recorded as a liability must be reasonably estimable and would include costs directly related to the remediation activities and post-remediation costs that are an integral part of the remediation strategy. Costs related to asset purchases to be used in remediation would be included in the liability to the extent that the assets have no alternative use.
- Management has commenced work to adopt the new accounting standard.



#### Financial Instruments and Foreign Currency Translation

- New Accounting Standards, Financial Instruments PS3450 and Foreign Currency Translation PS2601 have been approved by the PSAB and are effective for years commencing on or after April 1, 2015. Early adoption is permitted. Management has decided not to early adopt the standard for the current year.
- Equity instruments quoted in an active market and free-standing derivatives are to be carried at fair value. All other financial instruments, including bonds can be carried at cost or fair value depending on the government's choice and this choice must be made on initial recognition of the financial instrument and is irrevocable.
- Hedge accounting is not permitted.
- A new statement, the Statement of Re-measurement Gains and Losses, will be included in the financial statements. Unrealized gains and losses incurred on fair value accounted financial instruments will be presented in this statement. Realized gains and losses will continue to be presented in the statement of operations.

#### Related Party Disclosures and Inter-Entity Transactions

- The PSA Handbook currently has no specific accounting standards relating to related parties. PSAB issued a re-exposure draft in April 2014 for two new sections: related party disclosures and inter-entity transactions. Comments to PSAB were due in September 2014 and are currently under review.
- Related party disclosures
  - Related parties include entities that are controlled by or subject to shared control by a reporting entity, entities that are subject to common control, and entities that are subject to shared control. Disclosure is only required when transactions and events between related parties have or could have a material financial effect on the financial statements.
  - Related parties also include key management personnel and close family members. Disclosure of key management personnel compensation arrangements, expense allowances and other similar payments routinely paid in exchange for services rendered is not required.
  - Determining which related party transactions to disclose is a matter of judgment based on assessment of the terms and conditions underlying the transactions; the financial materiality of the transactions; the relevance of the information; and the need for the information to enable users' understanding of the financial statements and for making comparisons.
- Inter-entity transactions involving the transfer of assets or liabilities should be recognized by both a provider and a recipient at carrying amount, exchange amount or fair value depending on the particular circumstances of each case. Inter-entity transactions in the normal course of operations or under a policy of cost allocation and recovery should be recognized on a gross basis at the exchange amount.
- Adoption of the exposure draft would result in a need to assess current accounting policies.



#### Assets, Contingent Assets, and Contractual Rights

- PSAB issued an exposure draft in August 2014 that proposes to issue three new sections: assets, contingent assets, and contractual rights. Comments to PSAB are due in November 2014.
- Additional guidance on the definition of assets is provided, including guidance on the definition of economic resources, future economic benefits, control, and past transactions and events. Disclosure of types of assets that are not recognized is required.
- Contingent assets are defined as possible assets arising from existing conditions or situations involving uncertainty. The two basic characteristics of contingent assets are (a) an existing condition or situation that is unresolved at the financial statement date and (b) an expected future event that will resolve the uncertainty as to whether an asset exists. Disclosure of contingent assets is required when the occurrence of the confirming event is likely.
- Contractual rights are defined as rights to revenue generating contracts or agreements that will, when the terms of those contracts or agreements are met, become assets and revenue. Guidance is provided on the characteristics of contractual rights. Disclosure of contractual rights are required.
- Adoption of the exposure draft would result in a need to assess current accounting policies.

#### Restructuring Transactions

- PSAB issued an exposure draft in August 2014 on Restructuring Transactions. Comments to PSAB are due in November 2014.
- Restructuring transaction is defined separately from an acquisition. The key distinction between the two is the absence of an exchange of consideration in a restructuring transaction. A restructuring transaction is defined as a transfer of an integrated set of assets and / or liabilities, together with related program or operating responsibilities that does not involve an exchange of consideration.
- Individual assets and liabilities transferred are derecognized by the transferor at their carrying amount. Restructuring-related costs are recognized as expenses when incurred.
- Disclosure of information about the restructuring is encouraged but not required.

#### Retirement obligations

- PSAB issued an exposure draft in August 2014 on Retirement Obligations associated with tangible capital assets. Comments to PSAB are due in November 2014.
- Retirement obligations associated with tangible capital assets result from legal, constructive, and equitable obligations. Retirement costs increase the carrying amount of the related tangible capital assets and are expensed in a rational and systematic manner. Subsequent remeasurement of the liability can result in either a change in the carrying amount of the related tangible capital asset. Retirement obligations include post-retirement operation, maintenance and monitoring.



Revenue

- PSAB is proposing a single framework to categorize revenues to enhance the consistency of revenue recognition and its measurement. A Statement of Principles was issued in 2013 and comments are currently under deliberation.
- An exposure draft is under development and expected for release in the 4th quarter of 2014. Adoption of these principles would result in a need to assess current accounting policies.
- In the case of revenues arising from an exchange, a public sector entity must ensure the recognition of revenue aligns with the satisfaction of related performance obligations. For unilateral revenues, recognition occurs when there is authority to record the revenue and an event has happened that gives the public sector entity the right to the revenue.



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## APPENDIX 1 - ENGAGEMENT LETTER

Mr. Andrew Nazareth  
General Manager, Finance and Corporate Services  
City of Richmond  
6911 No. 3 Road  
Richmond BC V6Y 2C1

November 4, 2013

Dear Mr. Nazareth:

The purpose of this letter is to outline the terms of the following audit engagements for the City of Richmond ("the City") commencing for the period ending December 31, 2013:

- audit engagement for the consolidated financial statements
- audit of the Home Owner Grant
- audit of the City's compliance with subsections 2 and 3 of section 124 of Part 8 of the School Act

This letter supersedes our previous letter to the City dated November 20, 2012. The terms of the engagement outlined in this letter will continue in effect from period to period, unless amended or terminated in writing. The attached Terms and Conditions form an integral part of the terms of this engagement and are incorporated herein by reference (collectively the "Engagement Letter").

### **FINANCIAL REPORTING FRAMEWORK FOR THE FINANCIAL STATEMENTS**

The financial statements will be prepared and presented in accordance with Canadian public sector accounting standards (hereinafter referred to as the "financial reporting framework").

The financial statements will include an adequate description of the financial reporting framework.

### **MANAGEMENT'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS**

Management acknowledges and understands that they are responsible for:

- (a) the preparation and fair presentation of the financial statements in accordance with the financial reporting framework referred to above
- (b) ensuring that all transactions have been recorded and are reflected in the financial statements
- (c) such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. Management also acknowledges and understands that they are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud

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- (d) providing us with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters
- (e) providing us with additional information that we may request from management for the purpose of the audit
- (f) providing us with unrestricted access to persons within the City from whom we determine it necessary to obtain audit evidence
- (g) providing us with written representations required to be obtained under professional standards and written representations that we determine are necessary. Management also acknowledges and understands that professional standards require that we disclaim an audit opinion when management does not provide certain written representations required

An audit does not relieve management or those charged with governance of their responsibilities.

#### **AUDITORS' RESPONSIBILITIES REGARDING THE AUDIT OF THE FINANCIAL STATEMENTS**

Our function as auditors of the City is:

- to express an opinion on whether the City's consolidated financial statements, prepared by management with the oversight of those charged with governance, are, in all material respects, in accordance with the financial reporting framework referred to above and
- to report on the consolidated financial statements.

We will conduct the audit of the City's consolidated financial statements in accordance with Canadian generally accepted auditing and relevant ethical requirements, including those pertaining to independence (hereinafter referred to as applicable "professional standards").

We will plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error. Accordingly, we will, among other things:

- identify and assess risks of material misstatement, whether due to fraud or error, based on an understanding of the City and its environment, including the City's internal control.
- obtain sufficient appropriate audit evidence about whether material misstatements exist, through designing and implementing appropriate responses to the assessed risks.
- form an opinion on the City's consolidated financial statements based on conclusions drawn from the audit evidence obtained.
- communicate matters required by professional standards, to the extent that such matters come to our attention, to the appropriate level of management, those charged with governance and/or the board of directors.



**AUDITORS' RESPONSIBILITIES REGARDING THE AUDIT OF THE HOME OWNER GRANT:  
TREASURER/AUDITOR CERTIFICATE**

We will also perform audit procedures with respect to the Home Owner Grant: Treasurer/Auditor Certificate (the "Certificate") in accordance with Canadian generally accepted auditing standards with the objective of expressing an opinion on whether the financial information in the Certificate presents fairly, in all material respects, in accordance with Section 12 of the Home Owner Grant Act. However, we cannot provide assurance that an opinion without reservation will be rendered. Circumstances may arise in which it is necessary for us to modify our audit report or withdraw from the audit engagement. In such circumstances, our findings or reasons for withdrawal will be communicated to management and the Finance Committee.

The report will indicate that it is intended solely for the information and use of the City and the Ministry of Community, Sport and Cultural Development and that it is not intended to be and should not be used by anyone other than these specified parties.

**AUDITORS' RESPONSIBILITIES REGARDING THE COMPLIANCE WITH SUBSECTIONS 2 AND 3 OF  
SECTION 124 OF PART 8 OF THE SCHOOL ACT**

We will also perform audit procedures with respect to the City's compliance with subsections 2 and 3 of section 124 of Part 8 of the School Act in accordance with Canadian generally accepted auditing standards with the objective of expressing an opinion on whether the City is in compliance with subsections 2 and 3 of section 124 of Part 8 of the School Act. However, we cannot provide assurance that an opinion without reservation will be rendered. Circumstances may arise in which it is necessary for us to modify our audit report or withdraw from the audit engagement. In such circumstances, our findings or reasons for withdrawal will be communicated to management and the Finance Committee.

The report will indicate that it is intended solely for the information and use of the City and the Ministry of Community, Sport and Cultural Development and that it is not intended to be and should not be used by anyone other than these specified parties.

**AUDITORS' DELIVERABLES**

The expected form and content of our audit reports is provided in Appendix B – Expected Form of Report. However, there may be circumstances in which a report may differ from its expected form and content.

**AUDITORS' AND MANAGEMENT'S RESPONSIBILITIES REGARDING CONTINUOUS DISCLOSURE  
DOCUMENTS**

When the City intends to file an annual report and we are requested to consent to the use of the audit report on the City's consolidated financial statements, professional standards require that we read the information contained in the annual report and consider whether such information is materially inconsistent with the related consolidated financial statements.





Management is responsible for providing us with adequate notice of the preparation of the annual report and providing us with copy, prior to their issuance, of the annual report. Furthermore, management has the responsibility for identifying subsequent events and providing appropriate disclosure in, or adjustment of, the consolidated financial statements as a result of such events as required by the financial reporting framework and for providing updated written representations to the date of our consent.

#### **INCOME TAX ADVISORY SERVICES**

This letter details the general tax advisory services to be provided to the City of Richmond for the 2013 calendar year. If there are tax services to be delivered outside the scope of those described in this letter, we will require a separate engagement letter for those services.

Our advice generally falls under one of the following situations:

- 1) On an ongoing basis, we will provide advisory services of a general nature relating to various income, capital, payroll and indirect tax matters as they arise. This type of service generally arises on a periodic basis as a result of preliminary inquiries made by you. In rendering these services, it is important to recognize that the advice provided is dependent on the detail of the information provided and the environment in which it is rendered. When professional judgment suggests written confirmation of the facts and advice is necessary, we will draft the appropriate correspondence to ensure the appropriate standard of care is met by all parties.
- 2) Periodically, you will seek detailed advice from us in connection with a specific transaction or undertaking you are contemplating. In such a situation, our advice will be based on the information provided to us. It is the responsibility of the City to ensure we are provided with all the information necessary in order for us to render the advice sought. Our tax advice will most likely be communicated to you, or your designate, in writing.

Our tax advisory services, both written and oral, will be based on the facts and assumptions submitted to us. We will not independently verify this information. Inaccuracy or incompleteness of the information could have a material effect on our conclusions.

To be of greatest assistance to the City, we should be advised in advance of any proposed transactions. If such matters exceed the scope of this engagement letter, we will issue additional engagement letters to confirm the particular scope and terms.

#### **FEES**

Appendix A – Fees for Professional Services to this letter lists our fees for professional services to be performed under this Engagement Letter.

\*\*\*\*\*

We are available to provide a wide range of services beyond those outlined above. Additional services are subject to separate terms and arrangements.



City of Richmond  
November 4, 2013

We are proud to provide you with the services outlined above and we appreciate your confidence in our work. We shall be pleased to discuss this letter with you at any time. If the arrangements and terms are acceptable, please sign the duplicate of this letter in the space provided and return it to us.

Yours very truly,

*KPMG LLP*

C.J. James, CA

Partner responsible for the engagement and its performance, and for the report that is issued on behalf of KPMG LLP, and who, where required, has the appropriate authority from a professional, legal or regulatory body  
(604) 527-3635

CJ/BH

Enclosure

cc: Mr. Jerry Chong, Director of Finance  
Finance Committee

\*\*\*\*\*

The terms of the engagement set out are as agreed:

Name and Title

*[Signature]*

ANDREW NAZARETH, GM FINANCE : CORPORATE SVCS

Date (dd/mm/yy)

18/11/13



*City of Richmond*  
*November 4, 2013*

#### **Appendix – Fees for Professional Services**

The estimated fee for the services described in this letter is in accordance with the Request for Expressions of Interest – Provision of Municipal Audit Services dated August 7, 2012. Routine administrative expenses such as long distance telephone calls, photocopies, fax charges, printing of statements and reports, postage and delivery and secretarial and report department assistance are included in the estimated fee.

Where matters arise and require research, consultation and work beyond that include in the estimated fee, the City and KPMG will discuss revision of the estimated fee.





City of Richmond  
November 4, 2013

## **Appendix – Expected Form of Report**

### **INDEPENDENT AUDITORS' REPORT**

To the Mayor and Council

We have audited the accompanying consolidated financial statements of the City of Richmond, which comprise the consolidated statement of financial position as at December 31, 2013 and the consolidated statements of operations, changes in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the City of Richmond as at December 31, 2013, and its consolidated results of operations, its changes in net consolidated financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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## INDEPENDENT AUDITORS' REPORT

To the City of Richmond and the Ministry of Community, Sport and Cultural Development

We have audited the accompanying financial information in the Form C2 - Home Owner Grant: Treasurer/Auditor Certificate comprised of total Home Owner Grants of \$xxx, total reimbursement by Province of \$xxx and balance due from Province of \$xxx for the City of Richmond, for the year ended December 31, 2013 and notes, comprising a summary of significant accounting policies (together "the Certificate"). The Certificate has been prepared by management in accordance with the financial reporting provisions of Section 12(1) of the Home Owner Grant Act.

### *Management's Responsibility for the Certificate*

Management is responsible for the preparation of the Certificate in accordance with the financial reporting provisions of Section 12(1) of the Home Owner Grant Act, and for such internal control as management determines is necessary to enable the preparation of the Certificate that is free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on the Certificate based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Certificate is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Certificate. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the Certificate, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the Certificate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Certificate.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial information in the Form C2 - Home Owner Grant: Treasurer/Auditor Certificate comprised of total Home Owner Grants of \$xxx, total reimbursement by Province of \$xxx and balance due from Province of \$xxx for the City of Richmond, for the year ended December 31, 2013, is prepared, in all material respects, in accordance with the financial reporting provisions of Section 12(1) of the Home Owner Grant Act.



*City of Richmond*  
*November 4, 2013*

*Basis of Accounting and Restriction on Use*

Without modifying our opinion, we draw attention to Note 1 to the Certificate, which describes the basis of accounting. The Certificate is prepared to meet the requirements of Section 12(1) of the Home Owner Grant Act. As a result, the Certificate may not be suitable for another purpose. Our report is intended solely for the City of Richmond and the Ministry of Community, Sport and Cultural Development and should not be used by parties other than the City of Richmond and the Ministry of Community, Sport and Cultural Development.

\*\*\*\*\*



*City of Richmond*  
*November 4, 2013*

## **AUDITORS' REPORT ON SUBSECTIONS 2 AND 3 OF SECTION 124 OF PART 8 OF THE SCHOOL ACT**

To the Ministry of Community, Sport and Cultural Development

We have audited the City of Richmond's (the "City") compliance with subsections 2 and 3 of section 124 of Part 8 of the School Act for the year ended December 31, 2013. Compliance with subsections 2 and 3 of section 124 of Part 8 of the School Act is the responsibility of the City's management. Our responsibility is to express an opinion on this compliance based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the City complied with subsections 2 and 3 of section 124 of Part 8 of the School Act. Such an audit includes examining, on a test basis, evidence supporting compliance, evaluating the overall compliance with subsections 2 and 3 of section 124 of Part 8 of the School Act and, where applicable, assessing the accounting principles used and significant estimates made by management.

In our opinion, the City has complied, in all material respects, with subsections 2 and 3 of section 124 of Part 8 of the School Act for the year ended December 31, 2013.

Our report is intended solely for the City and the Ministry of Community, Sport and Cultural Development and should not be used by parties other than the City or the Ministry of Community, Sport and Cultural Development.



## TERMS AND CONDITIONS FOR ASSURANCE ENGAGEMENTS

The Terms and Conditions are an integral part of the accompanying engagement letter from KPMG that identifies the engagement to which they relate (and collectively form the "Engagement Letter"). The Engagement Letter supersedes all written or oral representations on this matter.

### 1. SEVERABILITY.

If any of the provisions of this Engagement Letter are determined to be invalid or unenforceable, the remaining provisions shall remain in effect and be binding on the parties to the fullest extent permitted by law.

### 2. GOVERNING LAW.

This Engagement Letter shall be subject to and governed by the laws of the province where KPMG's principal office performing this engagement is located (without regard to such province's rules on conflicts of law) and all disputes arising hereunder or related thereto shall be subject to the exclusive jurisdiction of the courts of such province of Canada.

### 3. LLP STATUS.

KPMG LLP is a registered limited liability Partnership ("LLP") established under the laws of the Province of Ontario and, where applicable, has been registered extra-provincially under provincial legislation. KPMG is a partnership, but its partners have a degree of limited liability. A partner is not personally liable for any debts, obligations or liabilities of the LLP that arise from a negligent act or omission by another partner or by any other person under that other partner's direct supervision or control. The legislation relating to limited liability partnerships does not, however, reduce or limit the liability of the firm. The firm's insurance exceeds the mandatory professional indemnity insurance requirements established by the relevant professional bodies. Subject to the other provisions hereof, all partners of the LLP remain personally liable for their own actions and/or actions of those they directly supervise or control.

### 4. DOCUMENTS AND INFORMATION.

Management's cooperation in providing us with documents and related information and agreed-upon assistance on a timely basis is an important factor in being able to issue our report. KPMG shall be entitled to share all information provided by the Entity with all other member firms of KPMG International Cooperative ("KPMG International") performing services hereunder. All work papers, files and other internal materials created or produced by KPMG during the engagement and all copyright and intellectual property rights in our work papers are the property of KPMG.

### 5. INFORMATION PROCESSING OUTSIDE OF CANADA.

In some circumstances, information entered into KPMG's time and billing system regarding the Entity and the services performed by KPMG hereunder will be stored in the United States of America by KPMG or a third party processor, and such information may be subject to disclosure in accordance with the laws applicable in the United States of America. KPMG acknowledges and represents to the Entity that only the name of the Entity, time incurred and description of the time incurred will be entered into KPMG's time and billing system regarding the Entity. Under no circumstances will KPMG's time descriptions include any information that would be covered by privacy legislation in effect in British Columbia and no other information related to the Entity will be stored outside British Columbia or made available to any person or entity without the consent of the Entity unless ordered pursuant to a competent court in British Columbia or professional regulatory body KPMG is subject to.

### 6. PERSONAL INFORMATION CONSENTS AND NOTICES.

Any collection, use or disclosure of personal information is subject to KPMG's Privacy Policy available at [www.kpmg.ca](http://www.kpmg.ca). KPMG may be required to collect, use and disclose personal information about individuals during the course of this engagement.

The Entity represents and warrants that: (i) it will obtain any consents reasonably required to allow KPMG to collect, use and disclose personal information in the course of the engagement, and (ii) it has provided notice of the potential processing of such personal information outside of Canada (as described in paragraph 5 above). KPMG's Privacy Officer noted in KPMG's Privacy Policy is able to answer any individual's questions about the collection of personal information required for KPMG to deliver services hereunder.

The Entity consents to KPMG sending to the Entity, its officers, directors and employees, as applicable, electronic messages (including emails)

relating to KPMG products and services and other matters of interest to the Entity. The Entity, its officers, directors or employees may withdraw such consent by contacting KPMG's National Office located at Bay Adelaide Centre, 333 Bay Street, Suite 4600, Toronto, Ontario M5H 2S5, Attention: [Unsubscribe](mailto:Unsubscribe); or [info@kpmg.ca](mailto:info@kpmg.ca).

### 7. OFFERS OF EMPLOYMENT.

In order to allow issues of independence to be addressed, management agrees that prior to extending an offer of employment to any KPMG partner, employee or contractor, the matter is communicated to the engagement partner or associate partner.

### 8. OFFERING DOCUMENTS.

If the Entity wishes to include or incorporate by reference the financial statements and our report thereon in an offering document, we will consider consenting to the use of our report and the terms thereof at that time. Nothing in this Engagement Letter shall be construed as consent and KPMG expressly does not consent to the use of our audit report(s) in offering documents. If the Entity wishes to obtain KPMG's written consent to the use of our audit report(s) in an offering document, or wishes us to provide a comfort or advice letter, we will be required to perform procedures as required by professional standards; any agreement to perform such procedures will be documented in a separate engagement letter. Management agrees to provide us with adequate notice of the preparation of such documents.

### 9. FEE AND OTHER ARRANGEMENTS.

KPMG's estimated fee is based on the quality of the Entity's accounting records, the agreed-upon level of preparation and assistance from the Entity's personnel, and adherence to the agreed-upon timetable. KPMG's estimated fee also assumes that the Entity's financial statements are in accordance with the applicable financial reporting framework and that there are no significant new or changed accounting policies or issues, or financial reporting, internal control over financial reporting or other reporting issues. KPMG will inform the Entity on a timely basis if these factors are not in place.

Additional time may be incurred for such matters as significant issues, significant unusual and/or complex transactions, informing management about new professional standards, and any related accounting advice. Where these matters arise and require research, consultation and work beyond that included in the estimated fee, the Entity and KPMG agree to revise the estimated fee. No significant additional work will proceed without management's concurrence, and, if applicable, without the concurrence of those charged with governance. Upon completion of these services KPMG will review with the Entity any fees and expenses incurred in excess of KPMG's estimate, following which KPMG will render the final billing. Routine administrative expenses such as long distance telephone calls, photocopies, fax charges, printing of statements and reports, postage and delivery and secretarial and report department assistance will be charged on the basis of a percentage of KPMG's professional costs. Other disbursements for items such as travel, accommodation and meals will be charged based on KPMG's actual disbursements.

KPMG's invoices are due and payable upon receipt. Amounts overdue are subject to interest. In order to avoid the possible implication that unpaid fees might be viewed as creating a threat to KPMG's independence, it is important that KPMG's bills be paid promptly when rendered. If a situation arises in which it may appear that KPMG's independence is threatened because of significant unpaid bills, KPMG may be prohibited from signing the report and, if applicable, any consent.

Fees for any other services will be billed separately from the services described in this engagement letter and may be subject to written terms and conditions supplemental to those in this letter.

Canadian Public Accountability Board (CPAB) participation fees, when applicable, are charged to the Entity based on the annual fees levied by CPAB.

To the extent that KPMG partners and employees are on the Entity's premises, the Entity will take all reasonable precautions for the safety of KPMG partners and employees at the Entity's premises.

### 10. LEGAL PROCESSES.

The Entity on its own behalf hereby acknowledges and agrees to cause its subsidiaries and affiliates to hereby acknowledge that KPMG may from time to time receive requests or orders from the Canadian Public



## TERMS AND CONDITIONS FOR ASSURANCE ENGAGEMENTS

Accountability Board or from professional, securities or other regulatory, judicial or governmental authorities (both in Canada and abroad) to provide them with information and copies of documents in KPMG's files including working papers and other work-product relating to the affairs of the Entity, its subsidiaries and affiliates. Except where prohibited by law, if a request or order is directly related to an inspection or investigation of KPMG's audit of the Entity, KPMG will advise the Entity of the request or order. The Entity hereby acknowledges that KPMG will provide these documents and information without further reference to, or authority from, the Entity, its subsidiaries and affiliates.

When such an authority requests access to KPMG's working papers and other work-product relating to the Entity's affairs, KPMG will, on a reasonable efforts basis, refuse access to any document over which the Entity has expressly informed KPMG at the time of delivery that the Entity asserts privilege, except where disclosure of documents is required by law. The Entity must mark any document over which it asserts privilege as "privileged". If and only if the authority requires such access to privileged documents pursuant to the laws of a jurisdiction in which express consent is required for such disclosure, then the Entity hereby provides its consent. Where privileged Entity documents are disclosed, KPMG is directed to advise the authority that the Entity is permitting disclosure only to the extent required by law and for the limited purpose of the authority's exercise of statutory authority. KPMG is directed to advise the authority that the Entity does not intend to waive privilege for any other purpose and that the Entity expects its documents to be held by the authority as privileged and confidential material (held securely, limited distribution, etc.). For greater certainty, the Entity and KPMG hereby agree that this acknowledgement (and, if required, consent) does not negate or constitute a waiver of privilege for any purpose and the Entity expressly relies upon the privilege protections afforded under statute and otherwise under law.

The Entity agrees to reimburse KPMG, upon request, at standard billing rates for KPMG's professional time and expenses, including reasonable legal fees, incurred in dealing with the matters described above.

### 11. KPMG INTERNATIONAL MEMBER FIRMS.

The Entity agrees that any claims that may arise out of this engagement will be brought solely against KPMG, the contracting party, and not against any other KPMG International Cooperative ("KPMG International") member firms participating in this engagement or such third party service providers referred to in Section 5 above.

### 12. CONNECTING TO THE ENTITY'S IT NETWORK.

KPMG personnel are authorized to connect their computers to the Entity's IT Network, subject to any restrictions communicated to KPMG from time to time. Connection to the Entity's IT Network or the Internet via the Network, while at the Entity's premises, will be for the express purpose of conducting normal business activities, primarily relating to facilitating the completion of work referred to in this letter.

### 13. DELIVERABLES OR COMMUNICATIONS.

KPMG may issue other deliverables or communications as part of the services described in this Engagement Letter. Such deliverables or communications may not be included in, summarized in, quoted from or otherwise used or referred to, in whole or in part, in any documents or public oral statement.

KPMG expressly does not consent to the use of any communication, report, statement or opinion prepared by us on the interim financial statements and such communication, report, statement or opinion may not be included in, summarized in, quoted from or otherwise used in any document or public oral statement.

### 14. ALTERNATIVE DISPUTE RESOLUTION.

The parties hereby agree that they will first attempt to settle any dispute arising out of or relating to this Engagement Letter or the services provided hereunder through good faith negotiations in the spirit of mutual cooperation between representatives of each of the parties with authority to resolve the dispute. In the event that the parties are unable to settle or resolve their dispute through negotiation within 30 days of the dispute first arising or such longer period as the parties may mutually agree upon, such dispute shall, as promptly as is reasonably practicable, be subject to mediation pursuant to the National Mediation Rules of the ADR Institute of Canada, Inc. All disputes remaining unsettled for more than 60 days following the parties first meeting with a mediator or such longer period as

the parties may mutually agree upon shall, as promptly as is reasonably practicable, be subject to arbitration pursuant to the National Arbitration Rules of the ADR Institute of Canada, Inc. (the "Arbitration Rules"). Such arbitration shall be final, conclusive and binding upon the parties, and the parties shall have no right of appeal or judicial review of the decision. The parties hereby waive any such right of appeal which may otherwise be provided for in any provincial arbitration statute made applicable under the Arbitration Rules. The place of mediation and arbitration shall be the city in Canada in which the principal KPMG office that performed the engagement is located. The language of the mediation and arbitration shall be English.





## TERMS AND CONDITIONS FOR ADVISORY AND TAX SERVICES

### 1. TERMS AND CONDITIONS.

- a. The Terms and Conditions are an integral part of the accompanying Proposal or Engagement Letter from KPMG that identifies the engagement to which they relate.
- b. In the event of conflict between the Proposal or Engagement Letter and the Terms and Conditions, the Terms and Conditions shall prevail unless specific reference to a provision of the Terms and Conditions being varied is made in the Proposal or Engagement Letter. Other capitalized words in the Terms and Conditions shall have the meanings given to them in the Proposal or Engagement Letter.

### 2. SERVICES.

KPMG will use reasonable efforts to complete the performance of the services within any agreed-upon time-frame. It is understood and agreed that KPMG's services may include advice and recommendations, but all decisions in connection with the implementation of such advice and recommendations, shall be the responsibility of, and made by, Client. KPMG will not perform management functions or make management decisions for Client. Nothing in the Terms and Conditions shall be construed as precluding or limiting in any way the right of KPMG to provide services of any kind or nature whatsoever to any person or entity as KPMG in its sole discretion deems appropriate.

### 3. CLIENT RESPONSIBILITIES.

- a. Client agrees to cooperate with KPMG in the performance of the services under the Engagement Letter and shall provide or arrange to provide KPMG with timely access to and use of the personnel, facilities, equipment, data and information necessary for KPMG to perform the services under the Engagement Letter. To the extent that KPMG personnel are on Client premises, Client will take all reasonable precautions for the safety of KPMG partners and employees at Client premises. Client shall be responsible for the performance of its employees and agents and for the accuracy and completeness of all data and information provided to KPMG for purposes of the performance by KPMG of its services hereunder. The Proposal or Engagement Letter may set forth additional responsibilities of Client in connection with the engagement. Client acknowledges that Client's failure to perform these obligations could adversely impact KPMG's ability to perform its services.
- b. Client agrees that Client, and not KPMG, shall perform the following functions: (i) make all management decisions and perform all management functions; (ii) designate an individual who possesses suitable skill, knowledge and experience, preferably within senior management, to oversee the performance of the services under the Engagement Letter, and to evaluate the adequacy and results of such services; (iii) accept responsibility for the results of such services; and (iv) establish and maintain internal controls over the processes with which such services are concerned, including, without limitation, monitoring ongoing activities.
- c. Client acknowledges and agrees that KPMG will, in performing the services, base its conclusions on the facts and assumptions that Client furnishes and that KPMG may use data, material, and other information furnished by or at the request or direction of Client without any independent investigation or verification and that KPMG shall be entitled to rely upon the accuracy and completeness of such data, material and other information. Inaccuracy or incompleteness of such data, material and other information furnished to KPMG could have a material effect on KPMG's conclusions.
- d. Client acknowledges that information made available by it, or by others on Client's behalf, or otherwise known to partners or staff of KPMG who are not engaged in the provision of the services hereunder shall not be deemed to have been made available to the individuals within KPMG who are engaged in the provision of the services hereunder. Client undertakes that, if anything occurs after information is provided by Client to KPMG to render such information untrue, unfair or misleading, Client shall promptly notify KPMG.

### 4. REPORTING.

- a. During the performance of the services, KPMG may supply oral, draft or interim advice, reports or presentations but in such circumstances KPMG's written advice or final written report shall take precedence. No reliance should be placed by Client on any oral, draft or interim advice, reports or presentations. Where Client wishes to rely on oral advice or oral presentation, Client shall inform KPMG and KPMG will provide documentary confirmation of the advice concerned.

- b. Subsequent to the completion of the engagement, KPMG will not update its advice, recommendations or work product for changes or modification to the law and regulations, or to the judicial and administrative interpretations thereof, or for subsequent events or transactions, unless Client separately engages KPMG to do so in writing after such changes or modifications, interpretations, events or transactions occur.

### 5. WORKING PAPERS AND USE OF REPORTS.

KPMG retains all rights in all methodologies, know-how, knowledge, applications and software developed by KPMG either prior to or during the engagement. KPMG also retains all rights (including copyright) in all reports, written advice and other working papers and materials developed by KPMG during the engagement. Unless contemplated by the Engagement Letter, all reports and written advice are intended solely for Client's internal use and, where applicable, government taxation authorities, and may not be edited, distributed, published, made available or relied upon by any other person without KPMG's express written permission. If such permission is given, Client shall not publish any extract or excerpt of KPMG's written advice or report or refer to KPMG without providing the entire advice or report at the same time. Subject to the restrictions of Section 6, KPMG is entitled to use or develop the knowledge, experience and skills of general application gained through performing the engagement.

### 6. CONFIDENTIALITY.

- a. Except as described in section 5 above, Client will treat in confidence any KPMG methodologies, know-how, knowledge, application or software identified by KPMG as confidential information of KPMG, and will not use or disclose such confidential information of KPMG to others.
- b. KPMG will treat as confidential all proprietary information and personal information obtained from Client in the course of the engagement.
- c. The above restrictions shall not apply to any information that: (i) is required by law or professional standards applicable to KPMG to be disclosed; (ii) that is in or hereafter enters the public domain; (iii) that is or hereafter becomes known to Client or KPMG, as the case may be, without breach of any confidentiality obligation; or (iv) that is independently developed by KPMG.
- d. KPMG shall be entitled to include a description of the services rendered in the course of the engagement in marketing and research materials and disclose such information to third parties, provided that all such information will be rendered anonymous and not subject to association with Client.
- e. KPMG shall be entitled to share all information with all other member firms of KPMG International Cooperative ("KPMG International"). KPMG may also use such information to offer services that may be of interest to Client. KPMG may retain and may disclose to other member firms of KPMG International, subject to terms of this section, such information required for compliance with applicable professional standards or internal policies or for quality reviews or to share best practices.
- f. Professional standards require KPMG personnel performing any audit or assurance services for clients to discuss or have available to them all information and materials that may affect the audit or assurance engagement. Client authorizes, if Client is or becomes an assurance Client, KPMG personnel performing services under the engagement to make available to the KPMG assurance engagement team and other KPMG personnel, the findings, observations and recommendations from the engagement and agrees that KPMG may use all such findings, observations and recommendations in KPMG's assurance engagement.

### 7. PERSONAL INFORMATION CONSENTS AND NOTICES.

Any collection, use or disclosure of personal information is subject to KPMG's Privacy Policy available at [www.kpmg.ca](http://www.kpmg.ca). KPMG may be required to collect, use and disclose personal information about individuals during the course of this engagement. Client represents and warrants that: (i) it will obtain from individuals all consents required by law to permit KPMG to collect, use and disclose all personal information reasonably required in the course of the engagement, and (ii) it has provided notice of KPMG's potential processing of information outside of Canada (as described in paragraph 8 below) to all individuals whose personal information is disclosed to KPMG. Client consents to KPMG sending to Client, its officers, directors and employees, as applicable, electronic messages (including emails) relating to KPMG products and services and



## TERMS AND CONDITIONS FOR ADVISORY AND TAX SERVICES

other matters of interest to Client. Client, its officers, directors or employees may withdraw such consent by contacting KPMG's National Office located at Bay Adelaide Centre, 333 Bay Street, Suite 4600, Toronto, Ontario M5H 2S5, [Attention: Unsubscribe; or info@kpmg.ca](mailto:Attention: Unsubscribe; or info@kpmg.ca).

### 8. USE OF MEMBER FIRMS AND THIRD PARTY SERVICE PROVIDERS.

Personal and/or confidential information collected by KPMG during the course of this engagement (e.g. entries into KPMG's time and billing system and into KPMG's conflicts database) may be used, processed and stored outside of Canada by KPMG, KPMG International member firms providing services hereunder or third party service providers. KPMG represents to Client that each KPMG International member firm and third party service provider providing services hereunder has agreed or shall agree to conditions of confidentiality with respect to Client's information to the same or similar extent as KPMG has agreed pursuant to Section 6. Further, KPMG is responsible to Client for causing third party service providers to comply with such conditions of confidentiality, and KPMG shall be responsible to Client for their failure to comply and failure of each KPMG International member firm providing services hereunder to comply with its obligations of confidentiality owed to KPMG. Any services performed by third party service providers shall be performed in accordance with the terms of this Engagement Letter, including Section 6, but KPMG shall remain responsible to Client for the performance of such services and services performed by each KPMG International member firm providing services hereunder. Such personal and/or confidential information may be subject to disclosure in accordance with the laws applicable in the jurisdiction in which the information is processed or stored, which laws may not provide the same level of protection for such information as will Canadian laws. KPMG's Privacy Officer noted in KPMG's Privacy Policy is able to answer any individual's questions about the collection of personal information required for KPMG to deliver services hereunder.

### 9. TAXES/BILLING/EXPENSES/FEES.

- a. All fees and other charges do not include any applicable federal, provincial, or other goods and services or sales taxes, or any other taxes or duties whether presently in force or imposed in the future. Any such taxes or duties shall be assumed and paid by Client without deduction from the fees and charges hereunder.
- b. Bills, including, without limitation, a charge on account of all reasonable expenses, including travel, meals, accommodations, long distance, telecommunications, photocopying, delivery, postage, clerical assistance and database research will be rendered on a regular basis as the engagement progresses. Accounts are due when rendered. Interest on overdue accounts is calculated at the rate noted on the invoice commencing 30 days following the date of the invoice.
- c. Without limiting its rights or remedies, KPMG shall have the right to halt or terminate entirely its services until payment is received on past due invoices.
- d. In the event that the engagement is terminated and Client proceeds to complete the transaction or financing within 18 months from the termination date, then the full amount of any Completion Fee shall be payable on closing of the transaction or the completion of financing, regardless of whether KPMG provided further service.

### 10. LIMITATION ON WARRANTIES.

**THIS IS A SERVICES ENGAGEMENT. KPMG WARRANTS THAT IT WILL PERFORM SERVICES HEREUNDER IN GOOD FAITH WITH QUALIFIED PERSONNEL IN A COMPETENT AND WORKMANLIKE MANNER IN ACCORDANCE WITH APPLICABLE INDUSTRY STANDARDS. KPMG DISCLAIMS ALL OTHER WARRANTIES, REPRESENTATIONS OR CONDITIONS, EITHER EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, WARRANTIES, REPRESENTATIONS OR CONDITIONS OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.**

### 11. LIMITATION ON LIABILITY.

- a. Client agrees that KPMG shall not be liable to Client for any actions, damages, claims, liabilities, costs, expenses, or losses in any way arising out of or relating to the services performed hereunder for an aggregate amount in excess of the fees paid by Client to KPMG under the engagement. On a multi-phase engagement, KPMG's liability shall be

based on the amount actually paid to KPMG for the particular phase that gives rise to the liability.

- b. In the event of a claim by any third party against KPMG that arises out of or relates to the services performed hereunder, Client will indemnify KPMG from all such claims, liabilities, damages, costs and expenses, including, without limitation, reasonable legal fees, except to the extent finally determined to have resulted from the intentional, deliberate or fraudulent misconduct of KPMG.

- c. In no event shall KPMG be liable for consequential, special, indirect, incidental, punitive or exemplary damages, costs, expenses, or losses (including, without limitation, lost profits and opportunity costs). In any action, claim, loss or damages arising out of the engagement, Client agrees that KPMG's liability will be several and not joint and several. Client may only claim payment from KPMG of KPMG's proportionate share of the total liability based on degree of fault.

- d. For purposes of this section, the term KPMG shall include its associated and affiliated entities and their respective partners, directors, officers and employees. The provisions of this section shall apply regardless of the form of action, damage, claim, liability, cost, expense, or loss, whether in contract, statute, tort (including, without limitation, negligence) or otherwise.

### 12. LEGAL PROCEEDINGS.

- a. Client agrees to notify KPMG promptly of any request received by Client from any court or applicable regulatory authority with respect to the services hereunder, KPMG's advice or report or any related document.
- b. If KPMG is required by law, pursuant to government regulation, subpoena or other legal process or requested by Client to produce documents or personnel as witnesses arising out of the engagement and KPMG is not a party to such proceedings, Client shall reimburse KPMG at standard billing rates for professional time and expenses, including, without limitation, reasonable legal fees, incurred in responding to such requests.

- c. Client acknowledges that KPMG may from time to time receive requests or orders from professional, securities or other regulatory, judicial or governmental authorities (both in Canada and abroad) to provide them with information and copies of documents in KPMG's files including working papers and other work-product relating to Client. Except where prohibited by law, KPMG will advise Client of the request or order. Client hereby acknowledges that KPMG will provide these documents and information without further reference to, or authority from Client.

When such an authority requests access to KPMG's working papers and other work-product relating to Client's affairs, KPMG will, on a reasonable efforts basis, refuse access to any document over which Client has expressly informed KPMG at the time of delivery that the Client asserts privilege, except where disclosure of documents is required by law. Client must mark any document over which it asserts privilege as "privileged". If and only if the authority requires such access to privileged documents pursuant to the laws of a jurisdiction in which express consent is required for such disclosure, then Client hereby provides its consent.

Where privileged Client documents are disclosed, KPMG is directed to advise the authority that Client is permitting disclosure only to the extent required by law and for the limited purpose of the authority's exercise of statutory authority. KPMG is directed to advise the authority that Client does not intend to waive privilege for any other purpose and that Client expects its documents to be held by the authority as privileged and confidential material (held securely, limited distribution, etc.). For greater certainty, Client and KPMG hereby agree that this acknowledgement (and, if required, consent) does not negate or constitute a waiver of privilege for any purpose and Client expressly relies upon the privilege protections afforded under statute and otherwise under law.

### 13. LIMITATION PERIOD.

No alternative dispute resolution proceeding arising under or relating to the engagement, may be brought by either party more than one year after the cause of action has accrued or in any event not more than five years after completion of the engagement in the case of an advisory services engagement and not more than eight years after completion of the engagement in the case of a tax services engagement, except that an alternative dispute resolution proceeding for non-payment may be brought by a party not later than one year following the date of the last payment due to such party hereunder. For purposes of this section, the term KPMG





## TERMS AND CONDITIONS FOR ADVISORY AND TAX SERVICES

shall include its associated and affiliated entities and their respective partners, directors, officers and employees.

### 14. TERMINATION.

Unless terminated sooner in accordance with its terms, the engagement shall terminate on the completion of KPMG's services hereunder, which completion shall be evidenced by the delivery by KPMG to Client of the final invoice in respect of the services performed hereunder. Should Client not fulfill its obligations set out herein or in the Engagement Letter and in the absence of rectification by Client within 10 days, KPMG may, upon written notice, terminate its performance and will not be responsible for any loss, cost or expense resulting. The engagement may be terminated by either party at any time by giving written notice to the other party not less than 30 calendar days before the effective date of termination. Upon early termination of the engagement, Client shall be responsible for the payment to KPMG for KPMG's time and expenses incurred up to the termination date, as well as reasonable time and expenses to bring the engagement to a close in a prompt and orderly manner.

### 15. E-MAIL COMMUNICATION.

Client recognizes and accepts the risks associated with communicating by Internet e-mail, including (but without limitation) the lack of security, unreliability of delivery and possible loss of confidentiality and privilege. Unless Client requests in writing that KPMG does not communicate by Internet e-mail, Client assumes all responsibility or liability in respect of risk associated with its use.

### 16. POTENTIAL CONFLICTS OF INTEREST.

Except as otherwise set out herein, Client should be aware that it is not uncommon for KPMG to be auditors and/or advisors of more than one of the parties involved in a transaction. In such situations, KPMG takes appropriate measures to ensure that strict confidentiality is maintained in all respects. If these circumstances are identified, KPMG will advise Client of that fact, subject to confidentiality requirements, and will consider with Client what further measures, if any, are appropriate. Client further acknowledges that at some point KPMG may act contrary to Client's interest on unrelated matters.

### 17. FORCE MAJEURE.

Neither Client nor KPMG shall be liable for any delays resulting from circumstances or causes beyond its reasonable control, including, without limitation, fire or other casualty, act of God, strike or labour dispute, war or other violence, or any law, order or requirement of any governmental agency or authority.

### 18. INDEPENDENT CONTRACTOR.

It is understood and agreed that each of the parties hereto is an independent contractor and that neither party is, nor shall be considered to be, an agent, distributor or representative of the other. Neither party shall act or represent itself, directly or by implication, as an agent of the other or in any manner assume or create any obligation on behalf of, or in the name of, the other.

### 19. SURVIVAL.

Sections 1 to 16 and 19, 20, 24, 25 and 29 to 31 hereof shall survive the expiration or termination of the engagement.

### 20. SUCCESSORS AND ASSIGNS.

The Terms and Conditions and the accompanying Proposal or Engagement Letter shall be binding upon the parties hereto and their respective associated and affiliated entities and their respective partners, directors, officers and employees and successors and permitted assigns. Except as provided below, neither party may assign, transfer or delegate any of the rights or obligations hereunder without the prior written consent of the other party. KPMG may assign its rights and obligations hereunder to any affiliate or successor in interest to all or substantially all of the assets or business of the relevant KPMG practice, without the consent of Client. In addition, KPMG may engage independent contractors and member firms of KPMG International to assist KPMG in performing the services hereunder.

### 21. SEVERABILITY.

The provisions of the Terms and Conditions and the accompanying Proposal or Engagement Letter shall only apply to the extent that they are not prohibited by a mandatory provision of applicable law. If any of these

provisions shall be held to be invalid, void or unenforceable, then the remainder of the Terms and Conditions and the attached Proposal or Engagement Letter, as the case may be, shall not be affected, impaired or invalidated, and each such provision shall be valid and enforceable to the fullest extent permitted by law.

### 22. ENTIRE AGREEMENT.

The Terms and Conditions and the accompanying Proposal or Engagement Letter including, without limitation, Exhibits, constitute the entire agreement between KPMG and Client with respect to the engagement and supersede all other oral and written representation, understandings or agreements relating to the engagement.

### 23. GOVERNING LAW.

The Terms and Conditions and the accompanying Proposal or Engagement Letter shall be subject to and governed by the laws of the province in which KPMG's principal Canadian office performing the engagement is located (without regard to such province's rules on conflicts of law).

### 24. PUBLICITY.

Upon the closing of a transaction, KPMG will have the right (but shall not be obliged), at its expense, to publicize its association with the transaction by way of public announcement in "tombstone" or similar format, subject to prior review of the wording for any such announcement with Client.

### 25. KPMG INTERNATIONAL MEMBER FIRMS.

In the case of multi-firm engagements, all member firms of KPMG International performing services hereunder shall be entitled to the benefits of the Terms and Conditions. Client agrees that any claims that may arise out of the engagement will be brought solely against KPMG, the contracting party, and not against any other KPMG International member firms or such third party service providers referred to in Section 8 above.

### 26. SARBANES-OXLEY ACT.

Except as set forth in the Engagement Letter, Client acknowledges that completion of the engagement or acceptance of KPMG's reports, advice, recommendations and other deliverables resulting from the engagement will not constitute a basis for Client's assessment of internal control over financial reporting or Client's evaluation of disclosure controls and procedures, or its compliance with its principal officer certification requirements under Section 302 of the *Sarbanes-Oxley Act of 2002* (the "Act"). The engagement shall not be construed to support Client's responsibilities under Section 404 of the Act requiring each annual report filed under Section 13(a) or 15(d) of the *Securities Exchange Act of 1934* to contain an internal control report from management.

### 27. NATIONAL INSTRUMENT 52-109.

Except as set forth in the Engagement Letter, Client acknowledges that completion of the engagement or acceptance of KPMG's reports, advice, recommendations and other deliverables resulting from the engagement will not constitute a basis for Client's evaluation of disclosure controls and procedures, or its compliance with its CEO/CFO certification requirements under *National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings*, including those related to the design of internal control over financial reporting.

### 28. SPECIFIC ACCOUNTING AND OTHER ADVICE.

Except as set forth in the Engagement Letter, the engagement does not contemplate the provision of specific accounting advice or opinions or the issuance of a written report on the application of accounting standards to specific transactions and facts and circumstances of Client. Such services, if requested, would be provided pursuant to a separate engagement. Client should consult with and/or engage legal counsel for the purpose of advising on legal aspects of matters on which KPMG provides its advice and drafting any legal documents and/or agreements that may be required. To the extent legal counsel or other professional service providers are required, Client is exclusively responsible for engaging and paying such service providers.

### 29. TAX SERVICES.

a. If tax work is specifically requested by Client, KPMG will perform the procedures in accordance with this section. KPMG will base its findings exclusively on the facts and assumptions provided to KPMG by Client and Client's personnel and advisors. KPMG will consider the applicable



## TERMS AND CONDITIONS FOR ADVISORY AND TAX SERVICES

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provisions of the relevant taxing statutes, the regulations thereunder, applicable tax treaties and judicial and administrative interpretations thereof. KPMG will also take into account all specific proposals to amend such statutes, regulations and treaties publicly announced prior to the date of KPMG's reports, based on the assumption that these amendments will be enacted substantially as proposed. These authorities are subject to change, retroactively and/or prospectively, and any such changes could affect the validity of KPMG's findings and may result in incremental taxes, interest or penalties. KPMG's findings will not otherwise take into account or anticipate any changes in law or practice, by way of judicial, governmental or legislative action or interpretation. Unless Client specifically requests otherwise, KPMG will not update tax work to take any such changes into account.

b. KPMG will use professional judgment in providing advice, and will, unless Client instructs otherwise, take the position most favourable to Client whenever reasonable. All returns are subject to examination by tax authorities, and KPMG's advice may be audited and challenged by a tax authority. Client understands that KPMG's conclusions are not binding on tax authorities or the courts and should not be construed as a representation, warranty or guarantee that the tax authorities or courts will agree with KPMG's conclusion.

c. Client is also responsible for ensuring that KPMG's advice is implemented strictly in accordance with KPMG's recommendations. KPMG is not responsible for any penalties or interest assessed against Client as a result of a failure by Client to provide KPMG with accurate and complete information.

d. Unless expressly provided for, KPMG's services do not include representing Client in the event of a challenge by the Canada Revenue Agency or other tax or revenue authorities.

### **30. LLP.**

KPMG LLP is a registered limited liability partnership ("LLP") established under the laws of the Province of Ontario and, where applicable, has been registered extra-provincially under provincial LLP legislation. KPMG is a partnership, but its partners have a degree of limited liability. A partner is not personally liable for any debts, obligations or liabilities of the LLP that arise from a negligent act or omission by another partner or any person under that other partner's direct supervision or control. The legislation relating to limited liability partnerships does not, however, reduce or limit the liability of the firm. The firm's insurance exceeds the mandatory professional indemnity insurance requirements established by the relevant professional bodies. Subject to the other provisions hereof, all partners of the LLP remain personally liable for their own actions and/or actions of those they directly supervise or control.

### **31. ALTERNATIVE DISPUTE RESOLUTION.**

The parties hereby agree that they will first attempt to settle any dispute arising out of or relating to this Engagement Letter or the services provided hereunder through good faith negotiations in the spirit of mutual cooperation between representatives of each of the parties with authority to resolve the dispute. In the event that the parties are unable to settle or resolve their dispute through negotiation within 30 days of the dispute first arising or such longer period as the parties may mutually agree upon, such dispute shall, as promptly as is reasonably practicable, be subject to mediation pursuant to the National Mediation Rules of the ADR Institute of Canada, Inc. All disputes remaining unsettled for more than 60 days following the parties first meeting with a mediator or such longer period as the parties may mutually agree upon shall, as promptly as is reasonably practicable, be subject to arbitration pursuant to the National Arbitration Rules of the ADR Institute of Canada, Inc. (the "Arbitration Rules"). Such arbitration shall be final, conclusive and binding upon the parties, and the parties shall have no right of appeal or judicial review of the decision. The parties hereby waive any such right of appeal which may otherwise be provided for in any provincial arbitration statute made applicable under the Arbitration Rules. The place of mediation and arbitration shall be the city in Canada in which the principal KPMG office that performed the engagement is located. The language of the mediation and arbitration shall be English.



# City of Richmond

## Report to Committee

**To:** Finance Committee

**Date:** November 6, 2014

**From:** Jerry Chong  
Director, Finance

**File:**

**Re:** Financial Information – 3<sup>rd</sup> Quarter September 30, 2014

### Staff Recommendation

That the staff report titled, Financial Information – 3<sup>rd</sup> Quarter September 30, 2014, from the Director, Finance be received for information.

Jerry Chong  
Director, Finance  
(604-276-4064)

REPORT CONCURRENCE		
<b>ROUTED TO:</b>	<b>CONCURRENCE</b>	<b>CONCURRENCE OF GENERAL MANAGER</b>
Arts, Culture and Heritage	<input checked="" type="checkbox"/>	 <hr/>
Building Approvals	<input checked="" type="checkbox"/>	
Business Licenses	<input checked="" type="checkbox"/>	
Community Bylaws	<input checked="" type="checkbox"/>	
Community Social Development	<input checked="" type="checkbox"/>	
Development Applications	<input checked="" type="checkbox"/>	
Economic Development	<input checked="" type="checkbox"/>	
Engineering	<input checked="" type="checkbox"/>	
Fire Rescue	<input checked="" type="checkbox"/>	
Information Technology	<input checked="" type="checkbox"/>	
Library	<input checked="" type="checkbox"/>	
Parks Services	<input checked="" type="checkbox"/>	
Project Development	<input checked="" type="checkbox"/>	
Public Works	<input checked="" type="checkbox"/>	
RCMP	<input checked="" type="checkbox"/>	
Recreation Services	<input checked="" type="checkbox"/>	
Transportation	<input checked="" type="checkbox"/>	
<b>REVIEWED BY STAFF REPORT / AGENDA REVIEW SUBCOMMITTEE</b>	<b>INITIALS:</b> 	<b>APPROVED BY CAO</b> 

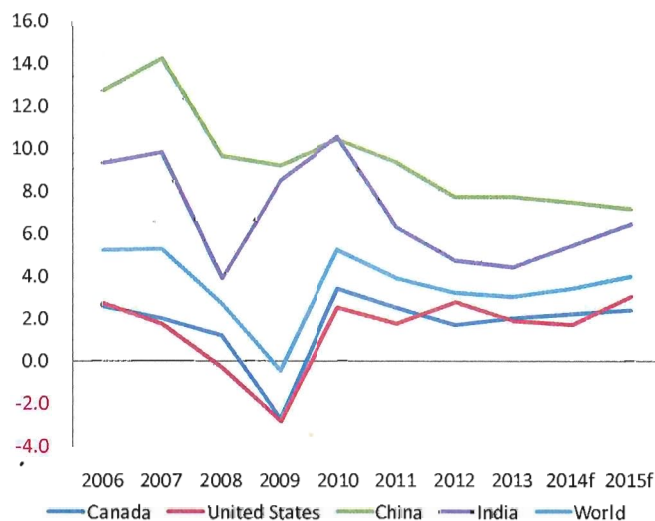
## Origin

Financial information for the 3<sup>rd</sup> quarter (ended on September 30, 2014) is being provided to the Finance Committee for review. The report provides details on the economic environment, financial results and other key indicator information.

## Analysis

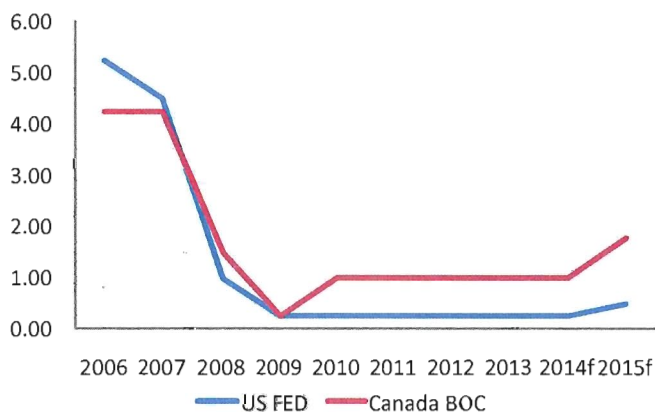
### Macroeconomic Indicators & Forecast

#### 1) Global Growth – Real GDP % Change <sup>1</sup>



- A slower than expected first half of 2014 resulted in the IMF marking down their global growth forecast even further in Q3, with 2014 and 2015 growth expected to end at 3.3% and 3.8% respectively, 0.1% and 0.2% lower than last quarter's predictions.
- The forecast envisions a modest rebound in both advanced and emerging economies in the second half of 2014.
- Both Canadian and US growth projections were adjusted slightly up based on pick-up in activity in the last quarter, yet downside risk remains worldwide.

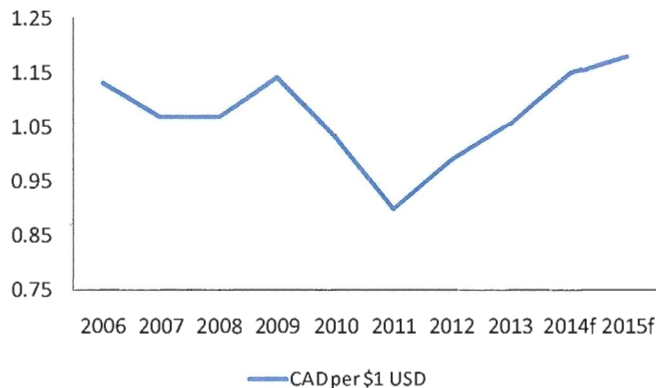
#### 2) Interest Rates – US and Canadian Overnight Central Bank Rate % at Year-End <sup>2</sup>



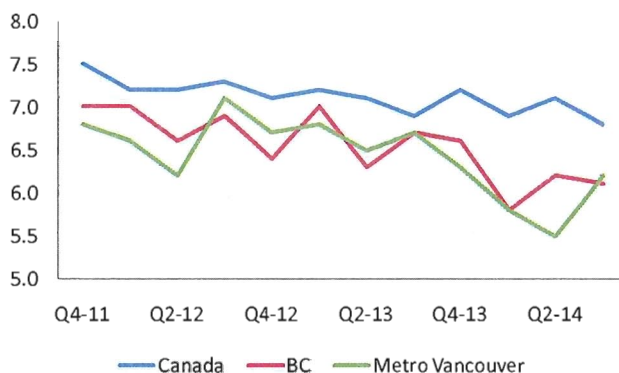
- Official policy rates in Canada and the US are expected to hold steady for the remainder of 2014.
- As the two economies accelerate through 2015, both the Canadian and US base rates are expected to begin climbing at an incremental pace, with the Canadian rate expected to end 2015 at 1.75% and the US rate expected to end 2015 at 1.00 – double the interest rate growth estimate generated last quarter.

<sup>1</sup> International Monetary Fund, World Economic Outlook (October, 2014)

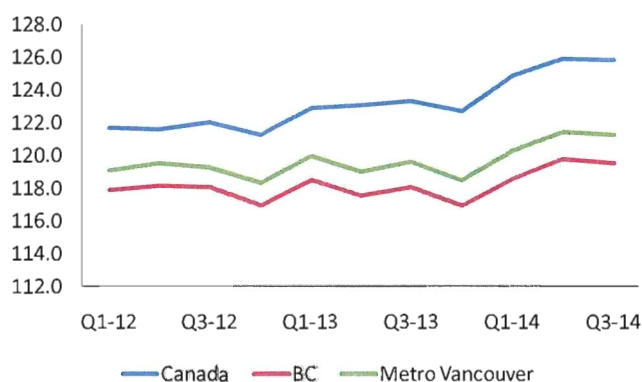
<sup>2</sup> US Federal Reserve, Bank of Canada and Royal Bank Research

3) Exchange Rates – CAD/USD at Year-End <sup>3</sup>

- A more aggressive rise in the US short-term interest rates, combined with the acceleration in the pace of US growth will underpin the strengthening of the US dollar which is expected to outperform against the Canadian dollar through the remainder of 2014 and 2015.

Regional & Local Economic Activity Indicators4) Unemployment <sup>4</sup>

- At 6.8% in September, the Canadian unemployment rate fell to its lowest level since December 2008.
- BC unemployment inched down to the end of Q3 at 6.1%, registering the largest year-over-year employment increase since 2012.
- Metro Vancouver experienced strong annual employment growth of 39,400 (+2.7%), from the third quarter of 2013. The growth is contributed to full-time jobs generated in the warehousing, transportation, manufacturing and construction.

5) Consumer Price Index (CPI – 2002=100) <sup>4</sup>

- All of the Canadian, BC and Metro Vancouver consumer price indices (CPI) registered a decrease in Q3 2014 due to the recent slump in world oil prices – a core driver of inflation.

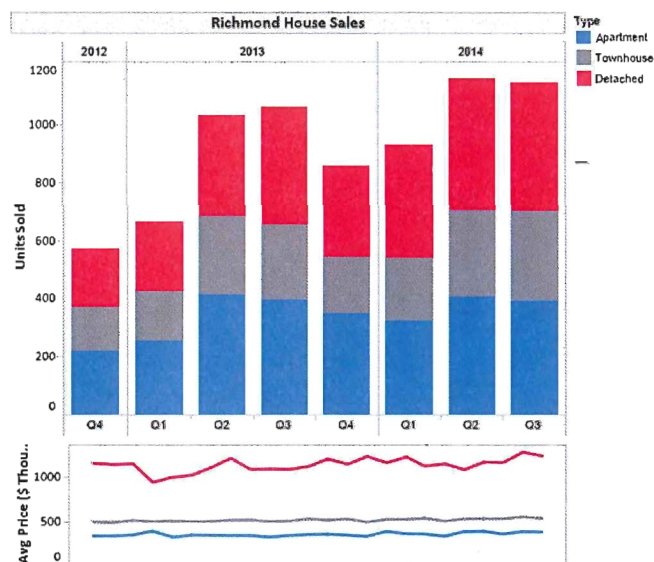
<sup>3</sup> Bank of Canada

<sup>4</sup> Statistics Canada

6) Housing Starts<sup>5</sup>

Source: CMHC

- Richmond's housing starts for the third quarter of 2014 were up by 142% compared to the same period last year.
- Unlike the rest of Metro Vancouver where housing starts for 2014 to date rose by 5% compared to the same period in 2013, Richmond housing starts to date more than doubled in 2014 compared to 2013. Higher apartment building activity in the spring and summer months compared to the rest of the region has been driving this trend.

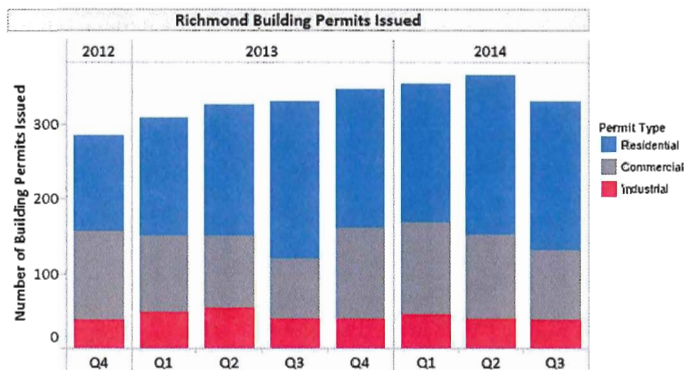
7) House Sales & Prices – Richmond<sup>6</sup>

Source: CMHC &amp; REBGV

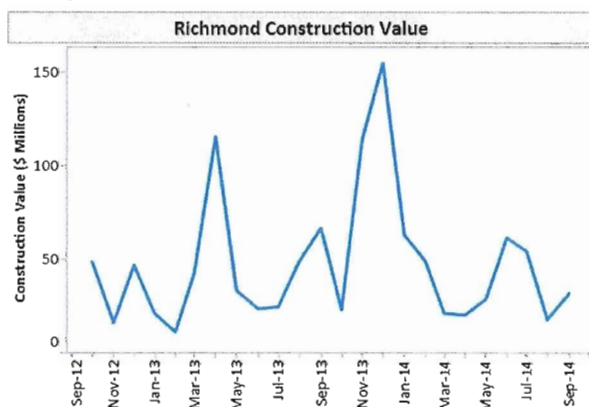
- House sales in Q3 2014 once again outperformed the same period in 2013. Notably, the trend of increasing sales of detached homes from the previous quarter continued, with detached sales up by 29.3% year to date compared to 2013. Townhouse sales registered a 18.4% increase and apartment sales registered a relatively modest 5.3% growth in sales year-to-date compared to 2013.
- Prices of all types of homes also ended the quarter up, compared to the same period last year. Detached homes were priced 10.5% higher, townhouses 2.7% and apartments 7.8% higher, compared to the same time last year.

<sup>5</sup> CMHC<sup>6</sup> Real Estate Board of Greater Vancouver  
4408713



8) Building Permits – Richmond<sup>7</sup>

Source: City of Richmond

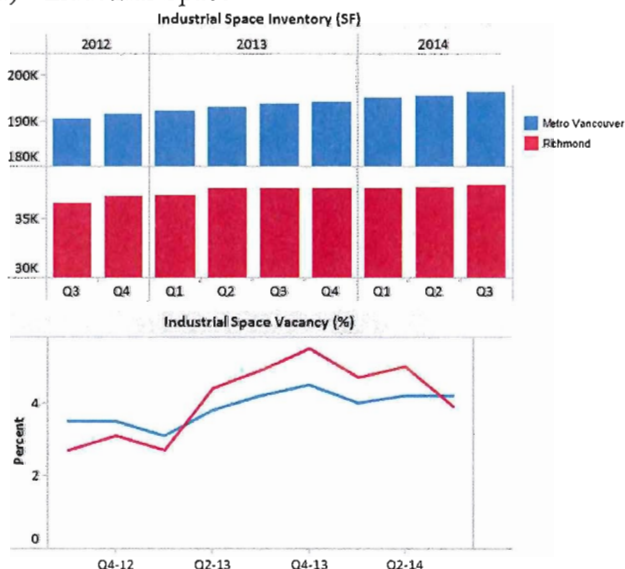


Source: City of Richmond

- Total building permits issued in Q3 2014 are similar to the same period in 2013.
- Commercial permits are the only category that grew for the quarter compared to the same quarter in 2013. Although down in Q3, residential permits to date are 10% higher in 2013 compared to 2014. Industrial permits are down nearly 13% compared to 2013.
- Construction value is 25% down compared to the same quarter last year.
- Year to date, construction value of 2014 building permits is 10% down compared to the same period in 2013

9) Commercial Space<sup>8</sup>

## a) Industrial Space

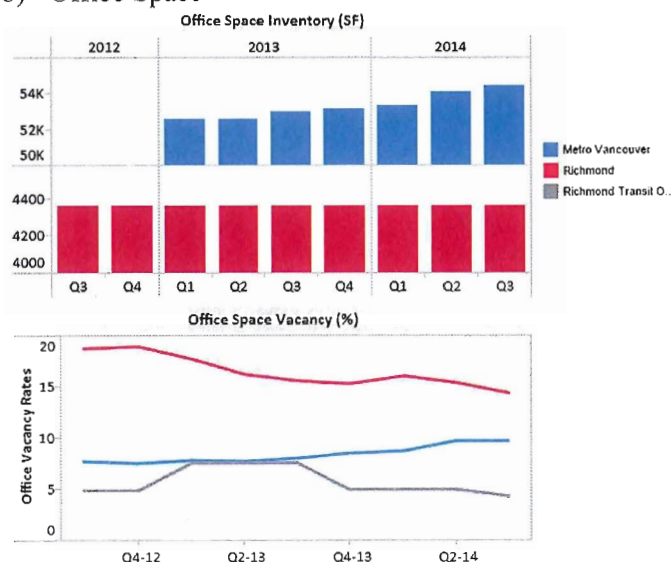


Source: Cushman &amp; Wakefield

- Industrial space has grown by just under 1% since the end of Q3 in 2013, with total industrial space inventory in Richmond now at 37.8 million square feet – approximately 20% of all Metro Vancouver industrial inventory.
- Continued absorption of newly added industrial space in 2014 resulted in a decrease in the vacancy rate for industrial space from 5% in Q2 to 3.9% at the end of Q3 2014.
- Industrial space continues to be in high demand both in Richmond and in the region, with available space for development continuously shrinking, directing many large industrial space clients East to Calgary and Edmonton.

<sup>7</sup> City of Richmond Building Permits<sup>8</sup> Cushman & Wakefield Office and Industrial Market Beat Reports 4408713

## b) Office Space



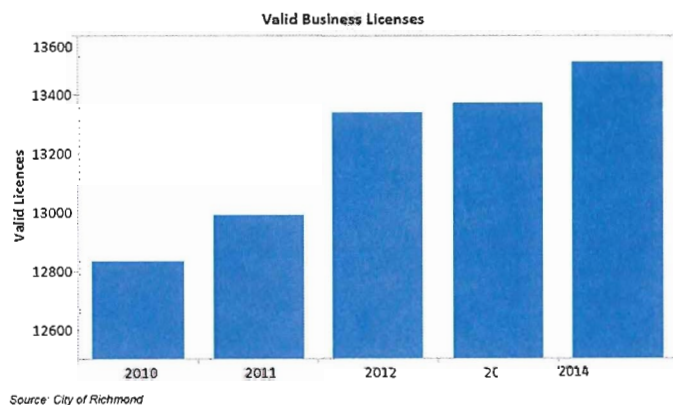
Source: Cushman &amp; Wakefield

2012 Data for Metro Vancouver Office Space Inventory (SF) not available.

- Richmond's overall office vacancy rate continued to drop in Q3 2014, ending just above the 15% mark (at 15.4%).
- Transit-oriented office space vacancy dropped even further in Q3 2014, with vacancies at 4.6%. Richmond's transit oriented office vacancy sits well below the Metro Vancouver rate which increased to 11.2%. It is also well under the generally accepted healthy office vacancy rate of 6%.
- No new square footage of office space was added to the Richmond inventory, with the inventory remaining at 4.4 million square feet for over two years.

10) Business Growth – Richmond<sup>9</sup>

## a) Total Valid Business Licenses



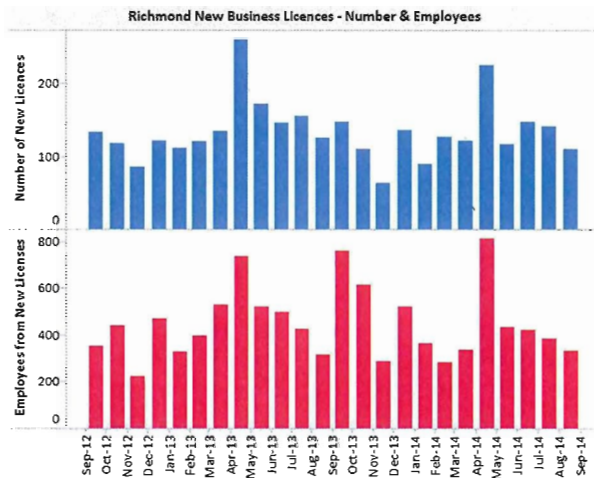
Source: City of Richmond

- Valid business licenses to date ended Q3 2014 at 13,509, surpassing the total number of valid licenses for 2013 and on par to finish 2014 with a 1% growth in businesses.

<sup>9</sup> City of Richmond Business Licenses  
4408713

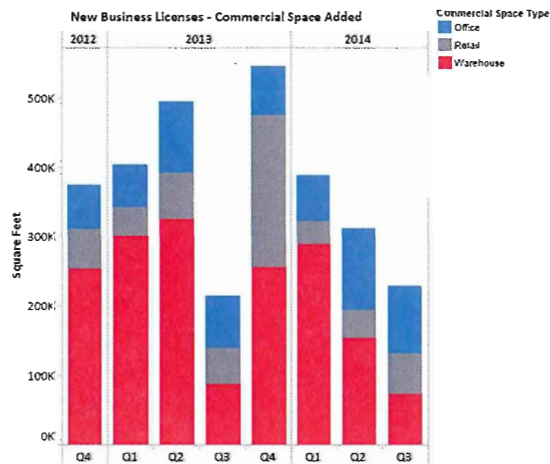


## b) New Business Licenses Issued



Source: City of Richmond

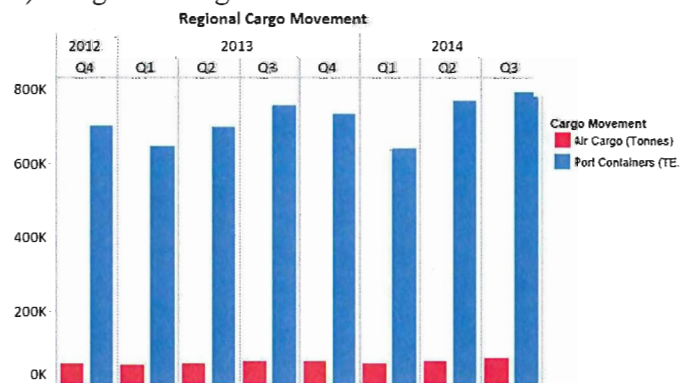
- At 398, the new business licenses issued in Q3-2014 continued the downward trend from the previous quarter, declining by 6.6% compared to the same period last year. Year to date, new licenses are down by 9.8% compared to the number of new licenses issued to date in 2013.
- At 1,133, employees from new business licenses in Q3-2014 are 8.4% down from the employees added in the same quarter last year. Employment from new licenses to date is 8.1% down in 2014 compared to 2013.



Source: City of Richmond

- Fewer new licensees occupied relatively larger amounts of commercial space, with commercial space added through new licenses growing by 7.6% in Q3 2014.
- Of note is the growth in office space use, with new licensees leasing 29% more office space compared to Q3 in 2013. This corresponds to the continued decrease in office space vacancies reported over the last few quarters.

## 11) Goods and People Movement

a) Regional Cargo Movement<sup>10</sup>

Source: Vancouver Airport Authority, Port Metro Vancouver

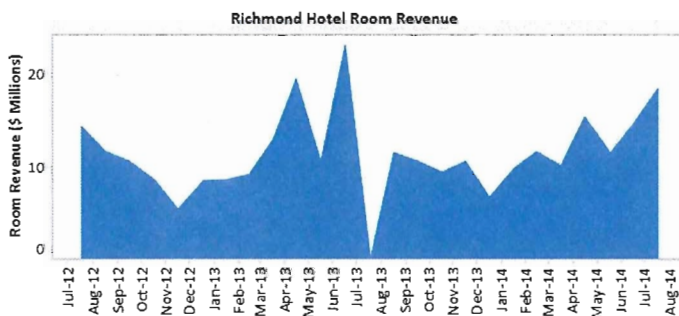
- Both port and airport cargo were up in Q3 2014, compared to Q3 2013.
- PMV cargo growth for the quarter and year to date for 2014 was on par with the port's annual long-term cargo growth estimates of 4 to 5%.
- YVR cargo grew a remarkable 10%+ to date in 2014, compared to the same period in 2013 fuelled by export growth in 2014.

<sup>10</sup> YVR & PMV Monthly Cargo Statistics  
4408713

b) Airport Passengers<sup>11</sup>

Source: Vancouver Airport Authority

- Airport passenger volume registered a nearly 10% growth in Q3 2014 compared to the same quarter last year.
- An accelerating tourism sector contributed to an 8.8% growth in airport passengers to year to date in 2014, compared to the same period last year, setting YVR on track to break the 18 million passenger mark in 2014.

c) Richmond Hotel Room Revenue<sup>12</sup>

Source: City of Richmond

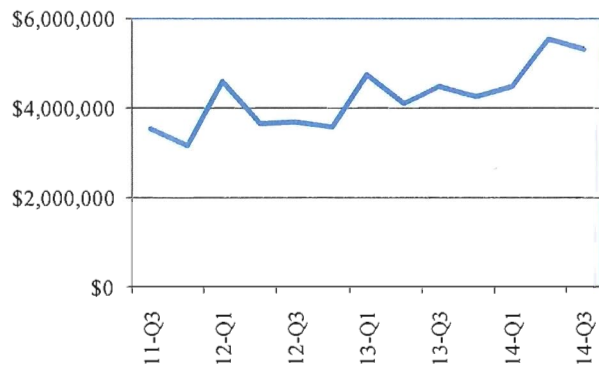
- Richmond's hotels had a strong first half in 2014 and the trend continued through the summer months. Year to date, hotel room revenues were 6.5% higher in 2014, compared to the same period in 2013.
- (Note: the hotel room tax is used as the basis for calculating hotel revenues; there was an overpayment of hotel room tax remittance to the city in July 2013 which was compensated for in August and September, indicated by the spike and dip on the graph.)

<sup>11</sup> YVR Monthly Statistics<sup>12</sup> City of Richmond Additional Hotel Room Tax Ledger; revenue reverse calculated based on AHRT receipts representing 2% of total hotel room revenue; AHRT remittances and payments to Richmond have a 2-month lag

### Financial Indicators

There are several financial indicators that highlight the state of the City, including the operating activity, active capital projects, cash and investment portfolio. The operating activity shows the results of operations through the analysis of revenues and expenditures. The active capital projects details the current commitment of capital funding and future resource requirements. The cash and investment portfolio portrays the current investment mix and average yield.

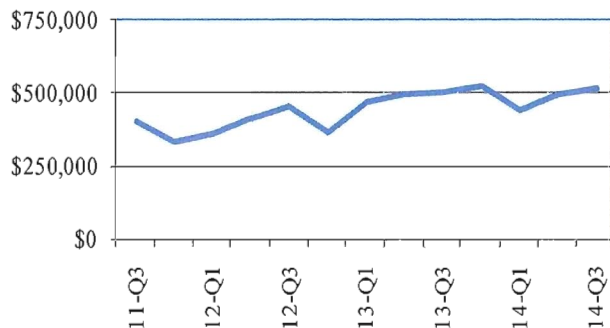
**Gaming Revenue**



Source: Finance

- Gaming revenue for Q3 was \$5.35M compared to \$4.84M for the same quarter in 2013.
- Overall, gaming revenue is 15.4% higher year-to-date than 2013.
- The increase is partially attributed to a new high-limit table games room that opened in Q1 2014.<sup>13</sup>

**Parking Revenue**



Source: Community Bylaws

- Ticketing activity in Q3 has been consistent with the results achieved in 2013. These revenues continue to exceed amounts collected in previous years.

<sup>13</sup> Great Canadian Gaming Corporation: Management's Discussion and Analysis For the Three Month and Six Month Periods Ended June 30, 2014

### Operating Activity

The following analysis represents activity up to September 30, 2014 and forecasts to the end of the year. Included in the September 30, 2014 figures are estimates for revenues earned and expenses that have been incurred but not yet received or paid.

Based on third quarter projections, revenue is expected to result in a surplus of \$1.8M mainly due to higher than budgeted revenues from building permits, parking revenue and business licenses.

The City is required to have an annual balanced budget. Budgeted expenditures may not coincide with required spending for the year. Unlike some other government organizations, staff ensure that any excess budget is not spent on unnecessary items. Therefore, savings in expenses of \$2.6M is projected from operational budgets across the City. This is largely a result of projected salary savings due to delayed filling of vacant positions. Each vacant position is reviewed by a sub-committee for operational need prior to filling the position and if necessary the position undergoes an evaluation to ensure the job duties are aligned to achieve operational objectives and efficiencies.

The total projected surplus of \$4.4M represents 1.2% of the 2014 gross expenditure budget (excluding amortization). This may be used to fund one-time initiatives, which are approved by Council as part of the annual budget process.

Operating Budget (000's) General Fund	Net Budget 2014*	Actuals Sept 30, 2014 **	Variance as at Sept 30, 2014	Projected Surplus for December 31, 2014
Policing	\$29,333	\$28,894	\$439	\$0
Community Services	26,686	26,695	(9)	162
Fire Rescue	22,566	21,612	954	0
Engineering and Public Works	20,429	20,299	130	553
Finance and Corporate Services	12,703	11,779	924	1,121
Library	6,358	6,322	36	5
Corporate Administration	5,270	4,784	486	687
Planning and Development	4,720	3,775	945	1,156
Law and Community Safety	4,109	3,587	522	457
Fiscal	(136,019)	(139,351)	3,332	289
<b>Total</b>	<b>(\$3,845)</b>	<b>(\$11,604)</b>	<b>\$7,759</b>	<b>\$4,430</b>

\* The 2014 Net Budget amount represents the prorated annual budget to September 30, 2014 adjusting for the timing of certain revenues and expenditures.

\*\* The 2014 Actuals include, where applicable, accruals and estimates for revenues and expenditures.

- Policing is expected to have a surplus of approximately \$637k which will be used to fund the liability for the future settlement of the RCMP retroactive salary and severance package.
- The Community Services Department is on target for revenue and expenditures up to the end of the third quarter and expects to meet planned targets in the fourth quarter.

- Richmond Fire Rescue is expected to have a surplus of approximately \$1,050k due to vacancies and retirements. The surplus will be used to fund future Richmond Fire Rescue liabilities.
- Engineering and Public Works is projected to have a favourable variance of \$1,395k. Approximately \$507k is due to timing of contract costs for project development and \$335k is due to road maintenance projects which are expected to be completed in 2015. The total of \$842k will be appropriated in order to complete the outstanding projects. The remaining variance is mainly due to staff vacancies and savings from operations.
- Finance and Corporate Services is projected to have a favourable variance of \$1.5M due to higher business licences revenue relative to budget, vacancies within Finance and IT and lower contract maintenance costs in IT. \$400k of the IT surplus will be appropriated to fund approved IT initiatives that are not expected to be completed until 2015.
- Library is expected to be on budget for the year.
- Corporate Administration has a favourable variance due to vacant positions and lower than expected training expenditures.
- Planning and Development has realized a moderate increase in Building Permit revenue through the 3rd quarter. The multi-residential permits were the main contributing factor. It is anticipated the construction activity will remain stable to the end of the year. Building permit revenue is recognized as earned and therefore the projected surplus includes an estimate for the building permits received in 2014 that will be earned in future years, offset by an estimate of the amount that is earned in 2014 from amounts collected in previous years.

Development Applications has realized the budgeted development application revenues during the 3rd quarter of 2014. While the 3rd quarter revenues are consistent with the budget projections, the total number of rezoning and development permit application submitted to the City to date is higher than expected. It is anticipated the development activity and revenues will continue to be stable through the 4th quarter.

- Law and Community Safety is expected to have a surplus due to a favourable variance in parking revenue and staff vacancies.
- Fiscal has a favourable variance for Q3 and is expected to have a small surplus at the end of the year.



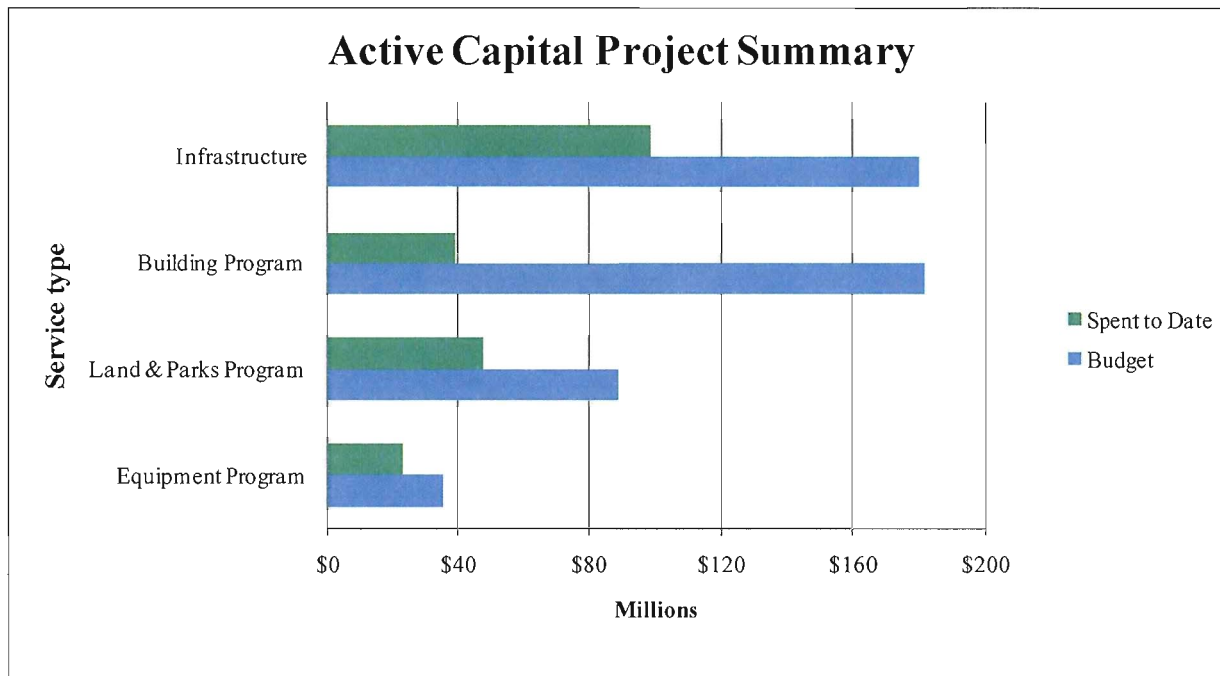
### Active Capital Project Summary

The 2014 amended Capital Budget of \$193.3M (excluding internal payment transfers and debt repayments) are included in the figures below as are the amounts relating to capital projects from previous years' Capital Budgets which remain active. The current balance committed to active capital projects is \$278.2M.

#### **Statement of Active Capital Project Expenditures**

As at September 30, 2014 (in \$'000s)

	Budget	Spent to Date	Committed
Infrastructure Program	179,878	98,358	81,520
Building Program	181,693	38,749	142,944
Land & Parks Program	88,932	47,517	41,415
Equipment Program	35,092	22,793	12,299
<b>Grand Total</b>	<b>\$ 485,595</b>	<b>\$ 207,417</b>	<b>\$ 278,178</b>



Highlights of key capital projects are presented in Appendix 3.

Cash and Investment Portfolio

The City's cash and investment portfolio at September 30, 2014 is \$844.6M, with an average yield on investment of 1.99%. The current low interest rate environment and the City's cash flow projections have influenced the terms and types of investments that the City holds (Appendix 4).

## Market Interest Rates (for analytical purposes only)

	September 30, 2014
3 Month Government of Canada T-Bills	0.92%
2 Year Government of Canada Bonds	1.14%
5 Year Government of Canada Bonds	1.66%
10 Year Government of Canada Bonds	2.20%

Geopolitical uncertainties and declining global energy prices are contributing to a slightly weaker outlook for the global economy in 2015 and 2016. Economic recovery remains fragile for Europe and Japan while Chinese GDP growth is expected to slow down in the next two years. Despite weakness elsewhere, the U.S. economy is gaining momentum, particularly in sectors that are beneficial to Canada's export industries. Business investment is expected to pick up which, along with moderation growth of household spending, should play a part in moving Canada's economy to a more balanced growth path. With these and other factors taken into consideration, the Bank announced during its most recent interest rate announcement on October 22, 2014 the benchmark overnight rate will remain at 1 per cent.



### Contract Awards

This report provides information on the formal contracts awarded by the City during the 3<sup>rd</sup> quarter. During this period, 27 contracts greater than \$25,000 were awarded totalling over \$4.53M (Appendix 5).

### **Financial Impact**

None.

### **Conclusion**

The City of Richmond has maintained its strong financial position through the third quarter of 2014. Building construction and development activity is consistent with previous years and revenue collection and business activity remains strong. It is expected that these trends will continue throughout 2014.



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- Att. 1: Economic Indicators
- Att. 2: Financial and Key Indicators
- Att. 3: Capital Project Highlights
- Att. 4: Cash and Investment Portfolio
- Att. 5: Contract Awards

<i><b>Economic Indicators</b></i>	<b>September 30, 2014</b>				
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**Macroeconomic Indicators & Forecast**

<b>1) Real GDP - % Change</b>	<b>2012</b>	<b>2013</b>	<b>Change</b>	<b>2014f</b>	<b>2015f</b>
Canada	1.7	2.0	17.6%	2.2	2.4
United States	2.3	2.2	(4.3%)	2.2	3.1
China	7.7	7.7	-	7.4	7.1
India	4.7	5.0	(6.4%)	5.6	6.4
World	3.4	3.3	(2.9%)	3.3	3.8
<b>2) Interest Rates</b>	<b>2012</b>	<b>2013</b>	<b>Change</b>	<b>2014f</b>	<b>2015f</b>
Bank of Canada	1.00	1.00	-	1.00	1.75
US FED	0.25	0.25	-	0.25	1.00
<b>3) Exchange Rate</b>	<b>2012</b>	<b>2013</b>	<b>Change</b>	<b>2014f</b>	<b>2015f</b>
CAD per \$1 USD	0.99	1.06	7.1%	1.15	1.18

**Regional and Local Market Indicators**

Regional and Local Market Indicators							
4)	Unemployment (%)	Q3-2014	Q3-2014	Change	Q3-2013	Change	
	Canada	6.8	7.1	(4.2%)	6.9	(1.4%)	
	BC	6.1	6.2	(1.6%)	6.7	(9.0%)	
	Metro Vancouver	6.1	5.5	12.7%	7.1	(7.5%)	
5)	CPI (2002=100)	Q3-2014	Q3-2014	Change	Q3-2013	Change	
	Canada	125.8	125.9	(0.1%)	123.3	2.0%	
	BC	119.6	119.8	(0.3%)	118.1	1.2%	
	Metro Vancouver	121.2	121.4	(0.2%)	119.6	1.3%	
6)	Housing Starts (Units)*	Q3-2014	Q3-2013	Change	YTD-2014	YTD-2013	Change
	Starts - Metro Vancouver	5,536	5,269	5.1%	14,641	13,941	5.0%
	Starts - Richmond	1,055	435	142.5%	2,198	1,015	116.6%
7)	Richmond Residential Activity	Q3-2014	Q3-2013	Change	YTD-2014	YTD-2013	Change
	Sales - Detached	445	408	9.1%	1,293	1,000	29.3%
	Sales - Townhouse	309	257	20.2%	822	694	18.4%
	Sales - Apartment	391	396	(1.3%)	1,120	1,064	5.3%
	Sales Total/Average Change	1,145	1,061	9.3%	3,235	2,758	17.7%
					YTD-2014	YTD-2013	Change
	Average Price - Detached (\$ at QE)				1,249,000	1,130,000	10.5%
	Average Price - Townhouse (\$ at QE)				542,000	528,000	2.7%
	Average Price - Apartment (\$ at QE)				386,000	358,000	7.8%

**Economic Indicators****September 30, 2014****Regional and Local Market Indicators (continued)**

8)	Richmond Building Permits	Q3-2014	Q3-2013	Change	YTD-2014	YTD-2013	Change
	Building Permits - Residential	199	210	(5.2%)	598	544	9.9%
	Building Permits - Commercial	94	81	16.0%	329	279	17.9%
	Building Permits - Industrial	38	39	(2.6%)	123	141	(12.8%)
	<b>Building Permits Total</b>	<b>336</b>	<b>330</b>	<b>2.7%</b>	<b>1,050</b>	<b>964</b>	<b>5.0%</b>
	<b>Construction Value (\$ million)</b>	<b>104.1</b>	<b>139.9</b>	<b>(25.6%)</b>	<b>347.4</b>	<b>387.0</b>	<b>(10.2%)</b>
9)	Commercial Space (at QE)	Richmond			Metro Vancouver		
		Q3-2014	Q3-2013	Change	Q3-2014	Q3-2013	Change
	Office Vacancy (%)	15.4	16.7	(7.8%)	9.6	8.0	21.3%
	Transit Oriented Office Vacancy (%)	4.6	5.3	(13.2%)	11.2	8.4	33.3%
	Office Inventory (000 sf)	4,359	4,359	0.0%	54,428	52,991	2.7%
	Industrial Vacancy (%)	3.9	4.9	(20.4%)	4.2	4.2	0.0%
	Industrial Inventory (000 sf)	37,828	37,564	0.7%	196,235	193,557	1.4%
10)	Richmond Business Growth	Q3-2014	Q3-2013	Change	YTD-2014	YTD-2013	Change
	Total Valid Business Licenses	n/a	n/a	n/a	13,509	13,371	1.0%
	New Licenses - Number Issued	398	426	(6.6%)	1,213	1,345	(9.8%)
	New Licenses - Employees	1,133	1,237	(8.4%)	3,872	4,211	(8.1%)
	New Licenses - Office Added (sf)	97,042	75,212	29.0%	286,629	239,220	17.3%
	New Licenses - Retail Added (sf)	58,210	53,122	9.6%	132,255	163,752	(19.2%)
	New Licenses - Industrial Added (sf)	73,016	86,750	(15.8%)	515,137	710,763	(27.5%)
	<b>Total Space Added (sf)/Avg. Change</b>	<b>228,268</b>	<b>215,084</b>	<b>(7.6%)</b>	<b>928,021</b>	<b>1,113,745</b>	<b>(9.8%)</b>
11)	Goods & People Movement**	Q3-2014	Q3-2013	Change	YTD-2014	YTD-2013	Change
	YVR Air Cargo (tonnes)	69,444	60,244	15.3%	184,911	167,633	10.3%
	PMV Container Movement (TEUs)	790,375	754,081	4.8%	2,193,871	2,093,954	4.8%
	YVR Passengers (million)	5.7	5.2	9.6%	14.9	13.7	8.8%
	Richmond Hotel Revenue (\$ million)	n/a	n/a	n/a	98.1	92.1	6.5%

\*\* Hotel Revenue and PMV Container Movement data available to August only

**Notes:**

- a) *QE indicates quarter end*  
b) *YTD indicates year to date*

**List of Sources:**

- 1) *International Monetary Fund, World Economic Outlook (October, 2014)*
- 2) *US Federal Reserve, Bank of Canada and Royal Bank Research*
- 3) *Bank of Canada*
- 4)5) *Statistics Canada*
- 6) *CMHC*
- 7) *Real Estate Board of Greater Vancouver*
- 8) *City of Richmond Building Permits*
- 9) *Cushman & Wakefield Office and Industrial Market Beat Reports*
- 10) *City of Richmond Business Licenses*
- 11) *YVR & PMV Monthly Cargo Statistics; YVR monthly statistics; City of Richmond Additional Hotel Room Tax Ledger*

**Financial Indicators****September 30, 2014**

(All dollar amounts in \$000's)

	Q3-2014	Q3-2013	Change			
<b>1) Development Cost Charges Contributions</b>						
Roads, Water, Sewer DCC's Received	\$1,160	\$3,550	(67.3%)			
Parks DCC's Received	\$1,110	\$1,434	(22.6%)			
<b>Total DCC Fees Received</b>	<b>\$2,270</b>	<b>\$4,984</b>	<b>(54.4%)</b>			
DCC Reserves to date - Uncommitted	\$48,331	\$47,468	5.9%			
	<b>Q3-2014</b>	<b>Q3-2013</b>	<b>Change</b>			
<b>2) Uncommitted Reserves</b>						
Capital Funding Reserves	\$55,832	\$95,935	(44.2%)			
Affordable Housing Reserves	\$4,446	\$8,720	(49.0%)			
Other Reserves	\$120,028	\$121,071	0.9%			
<b>Total Uncommitted Reserves</b>	<b>\$180,306</b>	<b>\$229,857</b>	<b>(21.6%)</b>			
<b>3) Taxes to date</b>	<b>Q3-2014</b>	<b>Q3-2013</b>	<b>Change</b>	<b>YTD 2014</b>	<b>YTD 2013</b>	<b>Change</b>
Taxes Collected	\$159,266	\$181,109	(12.1%)	\$364,780	\$345,281	5.6%
City Portion of Taxes Collected	\$78,040	\$88,743	(12.1%)	\$178,742	\$169,188	5.6%
Unpaid Taxes - Delinquent & Arrears	\$2,002	\$1,744	14.8%	\$2,002	\$1,744	14.8%
No. of Participants on Pre-authorized withdrawal	6,317	6,231	1.4%	6,317	6,231	1.4%
Pre-authorized withdrawals monthly payments	\$4,819	\$4,607	4.6%	\$16,636	\$15,695	6.0%
Interest rate % paid	1.00%	1.00%	-	1.00%	1.00%	-
<i>Sources: All data is from City of Richmond records</i>						
<b>4) Investments</b>	<b>Q3-2014</b>	<b>Q3-2013</b>	<b>Change</b>			
Total Investments	\$844,660	\$744,441	13.5%			
Average City Rate of Return on Investments %	1.99%	1.73%	0.19%			
<b>5) Planning and Development</b>	<b>Q3-2014</b>	<b>Q3-2013</b>	<b>Change</b>	<b>YTD 2014</b>	<b>YTD 2013</b>	<b>Change</b>
Building Permit Fees Collected	\$1,329	\$1,605	(17.2%)	\$4,766	\$4,303	10.8%
Development Applications Received	54	59	(8.5%)	156	157	(0.6%)
Development Applications Fees	\$211	\$142	48.5%	\$335	\$412	(18.8%)
<b>6) Business Licenses</b>	<b>Q3-2014</b>	<b>Q3-2013</b>	<b>Change</b>	<b>YTD 2014</b>	<b>YTD 2013</b>	<b>Change</b>
Revenue Received for Current Year Licenses	\$750	\$636	18.1%	\$3,317	\$3,045	8.9%
Revenue Received for Next Year (Deferred)	\$338	\$317	6.6%	\$593	\$567	4.6%
<b>Total License Revenue</b>	<b>\$1,088</b>	<b>\$953</b>	<b>14.2%</b>	<b>\$3,910</b>	<b>\$3,612</b>	<b>8.3%</b>
<i>Year to date valid licenses and revenue include current year licenses issued in the prior year.</i>						
<b>7) Other Revenues</b>	<b>Q3-2014</b>	<b>Q3-2013</b>	<b>Change</b>	<b>YTD 2014</b>	<b>YTD 2013</b>	<b>Change</b>
Parking Program Revenue	\$515	\$505	2.0%	\$1,451	\$1,474	(1.6%)
Gaming Revenue	\$5,346	\$4,484	19.2%	\$15,395	\$13,340	15.4%
Traffic Fine Revenue to date	\$1,517	\$1,118	35.8%	\$1,517	\$1,512	0.4%

**Notes:**

a) All figures presented above are unaudited

**Key Indicators****September 30, 2014**

<b>8) Employees</b>	<b>Q3 2014</b>	<b>Q3 2013</b>	<b>Change</b>			
Full Time Equivalent (FTE) Employees	1,444	1,431	0.4%			
<i>(City and Library)</i>						
<i>FTE includes Regular Full Time, Temporary and Auxiliary status employees. The calculation is based on actual results excluding overtime.</i>						
<b>9) Operating Indicators</b>	<b>Q3 2014</b>	<b>Q3 2013</b>	<b>Change</b>	<b>YTD 2014</b>	<b>YTD 2013</b>	<b>Change</b>
Fire Rescue Responses	2,487	2,554	(2.6%)	7,119	7,136	(0.2%)
RCMP - Calls for Service Handled	17,555	18,898	(7.1%)	51,234	52,476	(2.4%)
Public Works calls for Service	3,259	3,149	3.5%	9,251	8,741	5.8%
<b>10) Affordable Housing</b>	<b>YTD-2014</b>	<b>2013</b>	<b>Change</b>			
Subsidized Rental (units)	477	331	44.1%			
Affordable Rental (LEMR) (units)	272	238	14.3%			
Market Rental (units)	411	267	53.9%			
Entry Level Home ownership (units)	19	19	0.0%			
Secondary Suite / Coach House (units)	<u>123</u>	<u>118</u>	<u>12.7%</u>			
	1,302	973	34.8%			
	<b>Q3 2014</b>	<b>Q3 2013</b>	<b>Change</b>			
Unspent Affordable Housing Funds Allocated to Capital Projects to date (in \$ 000's)	\$7,266	\$11,071	(34.4%)			
Floor Space secured, unit mix & other (sq feet)	108,202	n/a				
<b>11) Richmond Population Estimate Year End *</b>	<b>2014F</b>	<b>2013</b>				
	209,338	205,133				

*\*Estimated population figures provided by City of Richmond – Policy Planning*

**Capital Highlights****Infrastructure**

Westminster Hwy: Nelson Rd. to McMillan Way – Widening Westminster Highway:

Approved Budget: \$10.4M (2011)

30% Complete

- Preload works are completed. The main road construction contract has been awarded and will commence in early 2015 once the preload settlement is complete .

Nelson Road Improvements – Widening Nelson Road between Blundell Road and Westminster Highway:

Approved Budget: \$4.1M (2011)

75% Complete

- The main road construction contract has been awarded. Construction works on Nelson Road and Blundell Road are ongoing.

Asphalt Re-paving Program (MRN and Non-MRN):

Approved Budget: \$2.9M (2014)

75% Complete

- This project consists of the repaving of the City's roads in order to minimize the overall life cycle cost of the road network. Construction is ongoing.

Colbeck Road Area Watermain Replacement:

Approved Budget: \$2.8M (2014)

75% Complete

- This project consists of replacing ageing watermains that are at the end of their service life. Construction ongoing.

Richmond Garden Area Watermain Replacement:

Approved Budget: \$2.5M (2013)

Completed

- This project has been substantially completed.

No. 6 Road Widening:

Approved Budget: \$1.7M (2011)

Completed

- This project has been substantially completed.

***Capital Highlights******Buildings***

Cranberry Children's Centre (Hamilton Childcare Centre):

Approved Budget: \$1.8M (Land value \$480K) (2010)

95% Complete

- As part of the development application by TransLink, land and funding were received to design and build a facility for childcare services. Provisional occupancy was achieved in July 2014.

Minoru Major Facility (Integrated Minoru Aquatic Centre/Older Adults Centre):

Approved Budget: \$79.6M (2014)

10% Complete

- On November 12, 2013, Council confirmed funding and site location for the new facility to be the Minoru 2 soccer pitch. Space programming for the facility was endorsed by council on July 28, 2014. Geotechnical investigations have been completed and schematic design is underway by HCMA. Demo of the Pavilion and preload for the site are in progress. Development of the public engagement and communication plans are underway.

Firehall No. 1:

Approved Budget: \$21.5M (2014)

10% Complete

- On November 12, 2013, Council confirmed funding and the site location for the Firehall No. 1 replacement. Space programming for the facility was endorsed by council on July 28, 2014. Geotechnical investigations have been completed and schematic design is underway by HCMA. Design and construction processes to temporarily relocate Fire staff to City Hall West commenced. Development of options to maintain fire training and equipment maintenance programs is underway.



***Capital Highlights******Community Services/Parks***

## Railway Greenway:

Approved Budget: \$2.3M (2013)

95% Complete

- The major trail construction work is completed. Work is proceeding on intersection improvements with completion expected in early fall, 2014.

## Terra Nova Heritage Building Restorations:

Approved Budget: \$2.0M (2005)

80% Complete

- The restoration of the Cannery Store is complete. Work commenced in April on rebuilding the Edwardian Cottage with a late fall completion expected at which time the cottage will be used for the Terra Nova Nature Preschool.

## Terra Nova Play Environment:

Approved Budget: \$1.0M (2012)

90% Complete

- Site preparation for the playground (pathways, drainage, etc.) is complete. The custom play equipment is installed. Work has commenced on a new gravel parking area to support what is expected to be a popular playground. Construction is expected to be complete by late summer.

## Oval West Waterfront Park:

Approved Budget: \$850K (2012)

Completed

- Construction is complete.

## Britannia Heritage Shipyards, Boardwalks Restoration:

Approved Budget: \$100K (2013)

Completed

- Boardwalk restoration is complete.

## Garden City Community Park: Bike Park &amp; Birch Park:

Approved Budget: \$500K (2012)

- Bike Park: 90% Complete  
The water connection will be finalized in early August and tree planting will occur in the fall of 2014. Planting and final landscaping (fencing, installation of site furniture and signage) will follow completion of special features.
- Birch Park: 50% Complete  
Excavation and base construction is complete. Paving is scheduled for late summer, 2014.

***Capital Highlights******Community Services/Parks***

## The Gardens Agricultural Park:

Approved Budget: \$316K (2012)

15% Complete

- City construction for Phase 1 will be coordinated with work to be completed under a Servicing Agreement with Townline Homes. Construction of the Servicing Agreement work is scheduled to be completed in late summer, 2014 and, once completed, design for City constructed work are scheduled to begin.

## Thompson Youth Park - Phase 3:

Approved Budget: \$300K (2013)

95% Complete

- The project will be completed in late summer, 2014.

## Minoru Sports Fields Redevelopment:

Approved Budget: \$5.7M (2014)

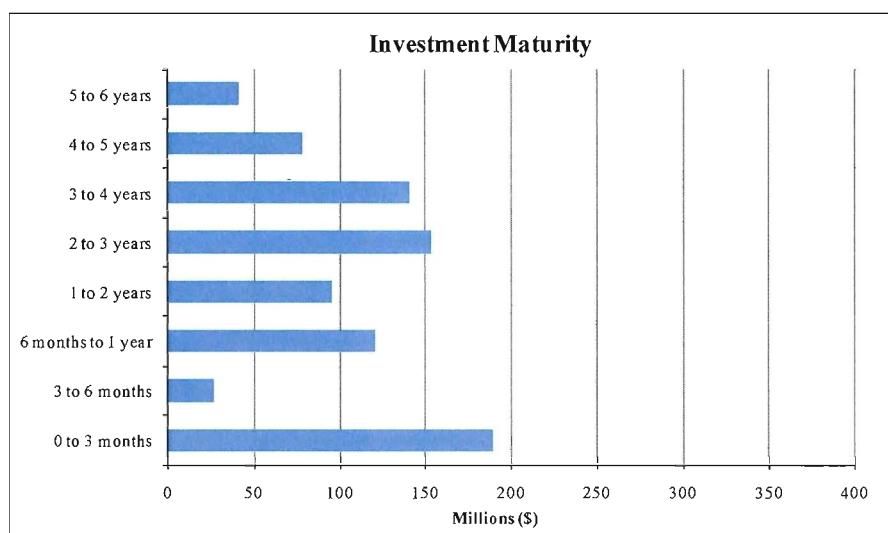
50% Complete

- Tender awarded for the artificial turf surfacing.
- RFP awarded for the Design Build.
- Sports Council approval of the field location plan in process.
- Tree removal, displacement of the cricket circle and track & field throwing completed.
- Construction operations well underway.

## Cash and Investment Portfolio

September 30, 2014 (in 000's)

Issuer	Amount	% of Portfolio
<b>Federal Government and Federal Crown Corporations</b>		
Canadian Mortgage and Housing Corporation	79,707	9.44%
Government of Canada	16,948	2.01%
<b>Total</b>	<b>\$ 96,655</b>	<b>11.44%</b>
<b>Provincial Governments and Provincial Crown Corporations</b>		
Province of Ontario	\$ 90,625	10.73%
Province of British Columbia	65,777	7.79%
Province of Alberta	41,384	4.90%
Financement Quebec	36,631	4.34%
Province of Manitoba	12,000	1.42%
<b>Total</b>	<b>\$ 246,418</b>	<b>29.17%</b>
<b>Schedule I Banks</b>		
Scotia Bank	\$ 56,668	6.71%
Royal Bank	27,728	3.28%
National Bank of Canada	22,387	2.65%
Bank of Montreal	22,105	2.62%
CIBC	22,058	2.61%
Canadian Western Bank	20,000	2.37%
TD Financial	19,344	2.29%
<b>Total</b>	<b>\$ 190,290</b>	<b>22.53%</b>
<b>Schedule I Banks</b>		
HSBC Bank of Canada	\$ 14,859	1.76%
<b>Total</b>	<b>\$ 14,859</b>	<b>1.76%</b>
<b>Schedule II Banks</b>		
Wells Fargo Canada	\$ 14,531	1.72%
<b>Total</b>	<b>\$ 14,531</b>	<b>1.72%</b>
<b>Credit Unions</b>		
Coast Capital Savings	\$ 72,985	8.64%
Vancity Savings Credit Union	68,426	8.10%
Gulf & Fraser Financial Group	47,492	5.62%
Westminster Savings Credit Union	45,000	5.33%
Caisse Centrale Desjardins	25,613	3.03%
<b>Total</b>	<b>\$ 259,517</b>	<b>30.72%</b>
<b>Pooled Investments</b>		
Municipal Finance Authority	\$ 22,390	2.65%
<b>Total</b>	<b>\$ 22,390</b>	<b>2.65%</b>
<b>Total Investments</b>	<b>\$ 844,660</b>	<b>100.00%</b>
<b>Total Cash &amp; Cash Equivalents</b>	<b>\$ 19,790</b>	
<b>Total Reported Investments and Cash &amp; Cash Equivalents</b>	<b>\$ 864,450</b>	



**Contract Awards > \$25,000**  
**July 1<sup>st</sup>, 2014 to September 30<sup>th</sup>, 2014**

<i>Item</i>	<i>Contract Name and Description</i>	<i>Award</i>	<i>Amount</i>	<i>Department</i>
1.	5213P – Phase III Designs for the Alexandra District Energy Utility	Kerr Wood Leidal & Associates Ltd.	\$466,960	Engineering and Public Works
2.	5272Q - Britannia Shipyard Building Restoration - Temporary Removal of Fleetwood Vessel and restoration of floating dock	Fraser Pacific Marine Services	\$78,385	Community Services
3.	5296F - Supply and delivery of furnishings and equipment for the Cranberry Children's Centre (Hamilton)	Society of Richmond Children's Centre	\$25,791	Community Services
4.	5294F - Design and Engineering of Alexandra DEU mini-plant on Smart Centres site at 4660 Garden City Road	Kerr Wood Leidal & Associates Ltd.	\$249,216	Engineering and Public Works
5.	5243P – IT Project and Change Management Consulting Services	Dynamic Management	\$44,880	Finance and Corporate Services
6.	4887P - Network backup and email archiving	Scalar	\$319,723	Finance and Corporate Services
7.	5310F – Interior alternations at City Hall for Traffic Management Centre relocation	Stuart Olson Dominion Construction Ltd	\$306,442	Engineering and Public Works
8.	5300F – Oval Mezzanine Expansion (Glazing and Steel Work)	W3 Design Group Inc	\$253,535	Engineering and Public Works
9.	5301Q - Library Cultural Centre – first floor signage project phase 1 (approx. 45 signs/wayfinding)	John Peachey & Associates Innovative Signage Inc	\$33,721	Engineering and Public Works
10.	5303F – Dell server replacement and storage expansion	Dell Canada	\$125,000	Finance and Corporate Services
11.	5295F - Cauldron Public Art Project for the Richmond Olympic Experience at the Richmond Olympic Oval.	W3 Design Group Inc.	\$215,000	Community Services
12.	5292F - Geotechnical Design Services	Levelton Consultants Ltd	\$53,000	Engineering and Public Works
13.	5291F - Supply and installation of 2nd and main floor kitchens at Branscombe House	Penta Builders Group	\$115,083	Engineering and Public Works
14.	5290F - Supply and installation and exterior finishes at Edwardian Cottage	Penta Builders Group	\$369,951	Engineering and Public Works

<i>Item</i>	<i>Contract Name and Description</i>	<i>Award</i>	<i>Amount</i>	<i>Department</i>
15.	Supply and installation of heat pumps, tenant subpanels and information metering - City Centre Community Centre	Ledcor Construction	\$70,869	Engineering and Public Works
16.	5246F - Digital Strategy assessment and findings report	KPMG	\$35,000	Finance and Corporate Services
17.	5251F - Richmond Oval Wheelchair Access Pathway Construction	Stuart Olson Dominion Construction Ltd	\$275,385	Engineering and Public Works
18.	5257Q - Emergency watermain repair - CN Railway Crossing at No. 7 Road and Vulcan Way (ROW)	Performance Contracting Ltd	\$102,770	Engineering and Public Works
19.	5258F - Steveston Museum exhibit upgrade and Japanese Fisherman's Benevolent Society Building exhibit development.	D Jensen & Associates Ltd	\$122,755	Community Services
20.	5261Q - PeopleSoft 9.2 Upgrade technical consultant	Beyond Tech Solutions	\$40,640	Finance and Corporate Services
21.	5277 F - Richmond Olympic Oval Retail Space	Stuart Olson Dominion Construction Ltd	\$346,634	Engineering and Public Works
22.	5280Q - Minoru Arena step remediation	Spandrel Construction Corporation	\$32,500	Engineering and Public Works
23.	5282F - MAC/OAC Enabling works - Minoru Pavilion demolition	Stuart Olson Dominion Construction Ltd	\$211,205	Engineering and Public Works
24.	5283F - Watermania - HVAC upgrade - Phase 2 - Supply & install rooftop units & exhaust fans	Stuart Olson Dominion Construction Ltd	\$139,593	Engineering and Public Works
25.	5286F – Steveston Community Centre – plumbing fixtures replacement	M. Abood Construction	\$35,169	Engineering and Public Works
26.	5305F - Solar thermal optimization for the Steveston Pool	Stage 3 Renewables	\$117,137	Engineering and Public Works



# City of Richmond

## Report to Committee

**To:** Finance Committee

**Date:** November 18, 2014

**From:** George Duncan  
Chief Administrative Officer  
& President and CEO  
Richmond Olympic Oval

**File:**

Andrew Nazareth  
General Manager, Finance and Corporate Services  
& Chief Financial Officer, Richmond Olympic Oval

**Re:** **3rd Quarter 2014 - Financial Information for the Richmond Olympic Oval Corporation**

### Staff Recommendation

That the report on Financial Information for the Richmond Olympic Oval Corporation for the third quarter ended September 30, 2014 from the Controller of the Richmond Olympic Oval Corporation be received for information.

George Duncan  
Chief Administrative Officer  
& President and CEO  
Richmond Olympic Oval

Andrew Nazareth  
General Manager, Finance and Corporate Services  
& Chief Financial Officer,  
Richmond Olympic Oval

**DATE:** November 19, 2014

**TO:** George Duncan  
Chief Executive Officer, Richmond Olympic Oval Corporation

Andrew Nazareth  
Chief Financial Officer, Richmond Olympic Oval Corporation

John Mills  
Chief Operating Officer, Richmond Olympic Oval Corporation

**FROM:** Rick Dusanj, CPA, CA  
Controller, Richmond Olympic Oval Corporation

**Re:** **Richmond Olympic Oval Corporation – 3<sup>rd</sup> Quarter 2014 Financial information**

**Origin**

Section 7.3 of the Operating Agreement between the City of Richmond (the “City”) and the Richmond Olympic Oval Corporation (the “Corporation”) requires reporting with respect to business plans, budgets, audited financial statements, and quarterly comparisons of actual results to budget along with projections to fiscal year end. This staff report deals with the third quarter business plan and financial results for the 3 months ended September 30, 2014 (“Q3”) which was approved by the Corporation’s Board of Directors.

**Business Plans and Financial Results**

In Q3, the Corporation had an overall favorable variance (revenues less expenditures) of \$176,000 before transfers to reserves/provisions (please see page 4 for the Corporation’s statement of operations). In Q3, \$327,000 has been allocated to the reserves/provisions.

**Highlights**

Some of the highlights of the activities undertaken by the Corporation during Q3 are described below.

**Community Use**

Member Care continued to provide member engagement with the Membership Challenge, which is an incentive program designed to improve retention and use of the Oval facility. Registration for the October Membership Challenge opened on September 15<sup>th</sup> and all 750 spots were reserved by the beginning of the challenge. This challenge has proven to be successful as entrants that have completed the challenge increase their usage of the Oval. At the end of Q3 2014, a total of 78% of Oval members were Richmond Residents.



Total visitation for Q3 2014 was 175,564, a 10% increase over the same time last year. Total visitations are calculated based on the sum of the following figures: the number of paid admissions, the number of membership scans, the number of visits for those individuals in registered programs, and the number of visits from event rentals and user groups. The event rental and user group figures are based on data obtained from the clients and programmers responsible for the respective rentals.

#### Sport Development and Events

High Performance Training continues to service athletes ranging from the community through to the National level. Training camps were delivered to Table Tennis Canada, Speed Skating Canada, Field Hockey Canada, Athletics Australia, Volleyball BC and the Vancouver Fusion Football Club.

Oval trained athlete successes in Q3 included:

- Oval table tennis athlete and coach Mo Zhang placed first at the North American Cup, Canadian Open, and the Canadian Championships. Mo Zhang and her doubles partner also placed third at the Commonwealth Games.
- Jane Yan, another Oval trained table tennis athlete, was selected to Team BC and won the singles, and doubles category at the Canadian Championships.
- Dylan French of BC Fencing was selected to carry the flag for Canada during the Opening Ceremonies of the Youth Olympic Games in Nanjing, China.
- Megan and Nicole McNamara won silver at the Youth Olympic Games in Nanjing, China and bronze medals at the Under-19 World Volleyball Championship in Portugal.
- Six Oval Volleyball Centre of Excellence athletes were selected to participate in the U16 Baden Cup Team BC selection camp in July.
- The Canadian Wheelchair Rugby team won Silver at the World Championships in Denmark. Trevor Hirschfield and Ian Chan were named to the World All Star team.

Once again Q3 was a very busy Sport Hosting and Events quarter at the Oval. Some of the highlights included the following: Pacific Rim Gymnastics Championship, Canadian Wheelchair Basketball League Women's Championship, UROC Awards Night, Can AM Wushu Championship, Rotary Skates for the World, Reebok Crossfit Games Canada West Regional, Rhythmic Gymnastics Millennium Cup, SOS Children's Village 10K Oval Run, Karate BC Provincials, Corporate Champions of Vancouver Event, Canadian Cancer Society Relay for Life Event, WC Rugby Canada Cup, and the BC Fencing Provincials.

Events secured in Q3 included: 2015 Rhythmic Gymnastics National Championships, BC Hockey Canada Winter Games, 2014 Winter Fit Challenge, 2015 Tournament of Champions Hockey Tournament, Team Finland National Women's Ice Hockey Team Camp and the 2015 Red Bull Crashed Ice Qualifier.

Governance

Meetings of the Corporation's Board of Directors, the Business and Budget Planning Committee and the Audit & Finance Committee took place during Q3.



Rick Dusanj, CPA, CA  
Controller, Richmond Olympic Oval Corporation

cc: Shana Turner  
Director, Finance and Corporate Services, Richmond Olympic Oval Corporation

**Unaudited, prepared by management**

**FIN Net 64**

Also see attached comments on the results for the third quarter of Fiscal Year 2014.