

**City of Maple Ridge
Audit & Finance Committee**

**March 6, 2018
5:00 PM
Blaney Room**

Chairperson: Councillor Masse

Committee Members: Mayor Read; Councillors C. Bell; K. Duncan; G. Robson; T. Shymkiw; C. Speirs

Staff:	Chief Administrative Officer:	P. Gill
	GM – Public Works & Development	F. Quinn
	GM – Community Dev. Park & Rec	K. Swift
	Manager of Accounting:	C. Nolan
	Interim Director of Finance	T. Thompson

Recording Secretary: Amanda Gaunt

AGENDA

1. Approval of agenda

2. Approval of minutes of Feb 6, 2018

3. Preliminary 2017 year-end update

Staff report dated March 6, 2018 providing a preliminary update on 2017 results in the General Revenue Fund.

4. Council compensation

Verbal report provided by the Manager of Accounting

5. MSP premiums

Staff report dated March 6, 2018 recommending that a letter be sent to the Province highlighting the impact on municipalities of the Employer Health Tax including an appeal to attempt to make the change cost neutral to municipalities.

6. Adjournment

“Original signed by C. Nolan”

*Agenda submitted by: C. Nolan, CPA, CGA
Manager of Accounting*

City of Maple Ridge

Audit & Finance Committee Meeting Minutes

February 6, 2018

The Minutes of the Audit and Finance Committee Meeting held in the Blaney Room of the Municipal Hall, 11995 Haney Place, Maple Ridge, BC on Tuesday, February 6, 2018 at 5:00 p.m.

PRESENT

Committee Members

Councillor Masse, Chair
Councillor Bell
Councillor Robson
Councillor Speirs
Mayor Read

Municipal Staff

P. Gill, Chief Administrative Officer
F. Quinn, General Manager of Public Works & Development Services
T. Thompson, Interim Director of Finance
C. Nolan, Manager of Accounting

Guest

B. Cox, BDO (External Auditor)
A. Cashman, BDO (External Auditor)

Absent
Councillor Duncan
Councillor Shymkiw

Note: These Minutes are also posted on the City's Website at www.mapleridge.ca

The meeting was live streamed and recorded by the City of Maple Ridge

Mayor Read attended the meeting via telephone

The meeting was called to order at 5:00 p.m.

1. *Approval of the Agenda*

It was moved and seconded

That the agenda for the February 6, 2018 Audit & Finance Committee meeting be approved as circulated.

CARRIED

2. *Approval of minutes of November 14, 2017*

It was moved and seconded

That the minutes of the Audit & Finance Committee of November 14, 2017 be adopted as circulated.

CARRIED

3. ***Tentative Dates for Next Meetings***

The Manager of Accounting reviewed tentative dates for the next meetings of the Audit & Finance Committee and the content the Committee could expect to receive as part of the year-end process.

4. ***2017 Audit Update***

Mr. Cox joined the meeting at 5:13

Ms. Cashman reviewed the Planning Report to the Audit & Finance Committee for the audit of the 2017 Financial Statements. Mr. Cox & Ms. Cashman responded to committee questions regarding the audit.

5. ***Notice of Closed Committee Meeting***

It was moved and seconded

That the Audit & Finance Committee meeting immediately following this meeting be closed to the public pursuant to Section 90(1) of the Community Charter as the subject matter being considered relates to the following:

- **Discussions with municipal officers and employees respecting municipal objectives, measures and progress reports for the purposes of preparing an annual report under section 98 [annual municipal report].**

CARRIED

6. ***Adjournment – 5:25 p.m.***

B. Masse, Chair

City of Maple Ridge

TO: Audit & Finance Committee **MEETING DATE:** 6-March-2018
FROM: Manager of Accounting **MEETING:** Audit & Finance
SUBJECT: Preliminary 2017 Year-End Update

EXECUTIVE SUMMARY:

The City's 2017 Consolidated Financial Statements are being drafted and will be finalized following the completion of the annual audit. The purpose of this report is to provide a preliminary update on 2017 results in the General Revenue Fund.

The Financial Plan adopted in May 2017 called for a draw on General Revenue Surplus of \$682,000, or less than 0.5% of 2017 revenues. Preliminary General Revenue results for 2017 are shown on Appendix 1 and show revenues for the year of \$151.8 million, expenses and net transfers of \$150.9 million, resulting in a General Revenue annual surplus of \$850,000. Details are discussed in the body of the report.

RECOMMENDATION:

For information only.

DISCUSSION:

As we begin to look at financial results for 2017 it is important to lay the foundation for this and future discussions by taking a look at the two statutory financial documents the City produces each year: the **Financial Plan** (budget) and the **Financial Statements**. There are fundamental differences between the objectives of each of these documents and it's important that we're mindful of this fact.

The Financial Plan is a forward looking document that sets out all the planned uses of funds in a year and identifies the sources of those funds. Planned uses include expenditures for our day-to-day operating activities, transfers to reserves and investments in the infrastructure we use to deliver services to the community. Planned sources include property taxes, revenues from user fees, grants from other levels of government, investment income and transfers from reserves. The Community Charter requires that the total of proposed expenditures and transfers to reserves must not exceed the total of proposed revenues and transfers from reserves. The result is a "balanced budget" where planned inflows of funding are equal to the planned outflows. In simple terms, the financial plan looks forward to the next five years and answers the question: "what are we going to do and how are we going to pay for it?"

The Financial Statements, in contrast, are retrospective. They look at the year just ended and compare our actual financial performance to the planned activities set out in the financial plan during the year and provide a "snapshot" of the City's financial condition on December 31 of each year. The Community Charter requires our financial statements to be prepared in accordance with generally accepted accounting principals for local governments. In Canada, those principals are set by the Public Sector Accounting Board (PSAB). The goal of the Financial Statements is to look back at

the year just ended and answer the question: “what was our financial condition at the end of the year?”

The different objectives of the Financial Plan and the Financial Statements can easily result in confusion when trying to compare the two documents. For example, the Financial Plan treats transfers to and from reserves as transactions, while the Financial Statements, at the consolidated level, ignore transfers as they take place within the corporate entity. It's important to keep these differences in mind as we begin to look at financial results for 2017.

General Revenue Update

From a financial reporting perspective, the City of Maple Ridge is comprised of a number of different components: the General Revenue Fund, the Sewer and Water utilities, the Reserves and the Capital funds. The focus of this report is the General Revenue component.

The majority of our day-to-day operations fall under the General Revenue umbrella and are extremely diverse, ranging from the provision of recreation services, to snow removal, to police and fire protection, to developing plans to guide the community's future, to maintaining infrastructure such as roads and facilities, to the live streaming of Council meetings. All of our business streams have different resource demands. Some are supported by day-to-day operations while others require long-term planning to ensure we are positioned to meet the needs of a growing community. For example, building the financial capacity needed to maintain an ever growing infrastructure inventory is facilitated through the use of reserves and incremental increases to the funding dedicated to infrastructure sustainability.

Preliminary General Revenue results for 2017 are shown on Appendix 1. Revenues for the year were \$151.8 million, expenses and net transfers were \$150.9 million, resulting in a General Revenue annual surplus of \$850,000. The General Revenue Accumulated Surplus balance has increased to \$10.1 million, or approximately 6.7% of revenues for the year.

The following highlights some key items included in preliminary 2017 results:

- Fees & other charges exceeded targets by \$1.5 million. Key contributors include the following: building permits (\$345,000) & planning fees (\$200,000), both driven by the continued brisk pace of development activity in the community; recycling revenues from our contract with MMBC (\$265,000).
- Investment revenues exceeded targets by \$900,000 before transfers to reserves. This is driven in part by timing differences in planned and actual spending on the capital program, and in part by returns exceeding our benchmark.
- Gaming revenues exceeded Financial Plan estimates by \$500,000. As per Council's policy, this has been transferred to reserves to support the capital program.
- On the expense side, overall costs were below budget. As in previous years some of this, approximately \$6.8 million, is related to various studies and projects underway that were not complete at the end of the year. The monies associated with these works are transferred to reserves as part of our year-end process so work can continue in 2018. As a result, any savings do not flow to the bottom line. Included in this are Planning studies and projects (\$635,000); provisions for succession planning & recruitment (\$360,000); Health & Safety initiatives (\$130,000); Parks, Recreation & Culture initiatives (\$2.4 million); Transportation studies & projects (\$900,000); Administrative studies & projects (\$750,000); various Fire Department initiatives (\$325,000).

- The Financial Plan provided for principal and interest payments on debt authorized in prior years for Fire Hall #4 and Cemetery expansion that has not yet been borrowed so the expenditures were not incurred. (\$900,000)
- Savings from salaries were realized for a number of reasons such as vacancies throughout the organization, due in part to recruitment challenges experienced in 2017, labour costs included in the capital program and to the reduction of previously accrued liabilities. (\$1.3 million)
- Savings of \$310,000 for the RCMP contract were transferred to reserves in order to provide for pending contract items.
- Snow removal costs for the year were \$850,000, exceeding the budget by \$530,000. Approximately \$324,000 of the annual cost was for roads within TransLink's Major Road Network and was provided for with the annual funding the City received for maintaining these roads. The balance of the cost was general revenue funded. Our practice has been to draw down the snow removal reserve in years where costs exceed budget. In 2016 this reserve was drawn down by \$213,000. For 2017, the draw on the reserve would have been \$235,000, bringing the balance to \$250,000. If our experience of 2016 & 2017 is repeated in 2018 this reserve would be completely depleted. In order to provide the capacity to address the impact of severe weather in future years the reserve balance was increased to \$850,000.
- During Financial Plan deliberations Council identified a need to advance the timing of the Youth Action Park originally included in the Capital Plan for 2019. \$275,000 was set aside to provide for the General Revenue portion of the funding for this project in 2018.
- At the February 13, 2018 Council meeting Council passed a resolution providing \$70,000 from the 2017 General Revenue annual surplus for electrical & lighting work in Memorial Peace Park. This has been transferred to reserves as part of the year-end process.
- A number of the Parks & Recreation projects are funded in part from Community Amenity Charges. As the timing of these collections is uncertain, \$2,000,000 was set aside to provide the capacity to bridge any timing issues between expenditures and collections.

CONCLUSIONS:

It should be noted that the results in this report are preliminary and as work on the City's consolidated statements continues it is possible that General Revenue results will change. Final results for 2017 will be available following the completion of the audit and will be presented to the Committee in April. In the interim, preliminary results indicate the General Revenue Accumulated Surplus will increase by \$850,000 to \$10.1 million. To give this number some context, \$10.1 million represents approximately 6.7% of 2017 revenues.

"Original signed by Catherine Nolan"

Prepared by: Catherine Nolan, CPA, CGA
Manager of Accounting

"Original signed by Paul Gill"

Concurrence: Paul Gill, CPA, CGA
Chief Administrative Officer

General Revenue Fund Analysis

For the year ended December 31, 2017

	Prelim to Dec 31, 2017
Revenues	
Taxes and grants in lieu	- 80,692,946
Fees & Other Charges	- 15,951,949
Investment income	- 2,253,387
Proceeds and Gains	- 1,668,087
Government Transfers	- 2,817,832
Gaming revenues	- 1,561,090
Equipment	- 3,550,685
DCC & Other Contributed Revenue	- 564,700
Collections for others	- 42,749,823
Total Revenue	- 151,810,499
Expenses (excluding amortization)	
General Government	13,456,552
Protective Services	37,009,757
Transportation	10,279,239
Planning; Public Health & Other	6,436,051
Recreation	18,034,767
Principal Payments	2,930,825
Remittances to others	42,749,823
Total Expenses	130,897,014
Transfers	
Transfers to/from own reserves	- 15,066,025
	26,845,662
Transfers to reserve funds	6,037,411
Transfers to GCF (fund inventory change)	
Transfers to Capital (Capital Program)	1,926,016
Interest transferred to reserve accounts	322,077
Transfers to revenue funds	
Net Transfers	20,065,142
General Revenue Annual Surplus (Preliminary)	- 848,343
General Revenue Accumulated Surplus - beginning of year	- 9,285,688
General Revenue Accumulated Surplus - end of year	- 10,134,031



City of Maple Ridge

TO: Her Worship Mayor Nicole Read
and Members of Council
FROM: Chief Administrative Officer
MEETING DATE: March 6, 2018
MEETING: Audit and Finance Committee
SUBJECT: Provincial Budget Employer Health Tax Impact

EXECUTIVE SUMMARY:

On Tuesday, February 20 the provincial budget was unveiled. It includes a payroll tax of 1.95% for businesses with a payroll over \$1.5 million. The cost of this for the City of Maple Ridge will be about \$700,000 annually, about double what was paid in for Medical Service Plan (MSP) premiums in 2017. In addition to the direct payroll tax, we will likely see increased costs in contract for services, such as the RCMP contract. The MSP premiums are in the process of being phased out by 2020. In 2019, a portion of the MSP as well as the 1.95% payroll tax will be required.

Early estimates are that the additional cost to Maple Ridge will be approximately the equivalent of a 1% property tax increase. That is not to say that we will have to increase property taxes by this full amount. It does however represent a cost to citizens and property owners either as a property tax increase or reduction in funding that could have been spent on providing municipal services.

Council may wish to advocate the province to change the payroll tax structure or include a municipal rate in an attempt to ensure that municipalities are not required to pay more for provincial services.

RECOMMENDATION(S):

THAT a letter be sent to the Province highlighting the impact on municipalities of the Employer Health Tax including an appeal to attempt to make the change cost neutral to municipalities.

"Original signed by Trevor Thompson"

Prepared by: Trevor Thompson, CPA, CGA
Interim Director of Finance

"Original signed by Frank Quinn" for

Concurrence: Paul Gill, CPA, CGA
Chief Administrative Officer