

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

**March 20, 2017
9:00 AM
Blaney Room**

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

Staff:

Chief Administrative Officer:	T. Swabey
GM – Corporate & Financial Svc:	P. Gill
GM – Public Works & Development	F. Quinn
GM – Community Dev. Park & Rec	K. Swift
Manager of Accounting:	C. Nolan
Manager of Financial Planning	T. Thompson
Manager Sustainability & Corporate Planning	L. Benson

Recording Secretary: Amanda Gaunt

AGENDA

- 1. *Approval of agenda***
- 2. *Approval of minutes of January 16, 2017***
- 3. *Preliminary 2016 Year-end Update***
- 4. *CMR Debt Servicing***
- 5. *Legislative Services Budget***

“Original signed by C. Nolan”

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

City of Maple Ridge

Audit & Finance Committee Meeting Minutes

January 16, 2017

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 Monday, January 16, 2017 at 9:00 a.m.

PRESENT

Committee Members

Councillor Masse, Chair
Councillor Duncan
Councillor Robson
Councillor Shymkiw
Councillor Speirs

Municipal Staff

T. Swabey, Chief Administrative Officer
P. Gill, General Manager Corporate & Financial Services
K. Swift, General Manager Parks, Recreation and Cultural Services
C. Nolan, Manager of Accounting
T. Thompson, Manager of Financial Planning

Absent

Mayor Read
Councillor Bell

Guest

B. Cox, BDO (External Auditor)

The meeting was called to order at 9:00 a.m.

1. **Approval of the Agenda**

Councillor Robson requested that discussion of the Parks, Recreation & Culture survey presented at the January 9, 2017 Council Workshop be added to the agenda.

Councillor Masse, Councillor Duncan and Councillor Speirs voted against the addition of this item to the agenda.

Councillor Masse raised the issue of the timing of a discussion on Council remuneration. The Committee agreed that a discussion pertaining to Council's overall budget will be included on the next Audit & Finance Committee agenda.

It was moved and seconded

That the agenda for the January 16, 2017 Audit & Finance Committee meeting be approved as circulated.

CARRIED

2. ***Approval of minutes of November 14, 2016***

It was moved and seconded

That the minutes of the Audit & Finance Committee of November 14, 2016 be adopted as circulated.

CARRIED

3. ***Next Meetings***

A schedule for upcoming meetings for the Audit & Finance Committee was presented.

Councillor Speirs requested that an overview of the City's debt capacity be added to an upcoming agenda. The General Manager, Corporate & Financial Services suggested this topic be included on the next Audit & Finance Committee agenda

It was moved and seconded

That the schedule for upcoming meetings of the Audit & Finance Committee be approved.

CARRIED

Note: Councillor Shymkiw joined the meeting at 9:10

4. ***2016 Audit Update***

Overview of 2016 audit by external auditor

The auditor reviewed the Planning Report to the Audit & Finance Committee for the Audit of the 2016 Financial Statements and responded to committee questions regarding hedging & employee future benefits.

5. ***Approval of Closed 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:

- 1. 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

Adjournment – 9:34 a.m.

B. Masse, Chair

TO: Audit & Finance Committee
FROM: Manager of Accounting
SUBJECT: Preliminary 2016 Year-End Update

MEETING DATE: 20-March-2017
FILE NO:
MEETING: Audit & Finance

EXECUTIVE SUMMARY:

The 2016 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 2016 results, focussing on the General Revenue Fund.

The Financial Plan adopted in May 2016 called for a reduction of \$658,000 in General Revenue Surplus. Following the adoption of that plan, Council approved a number of additional items, increasing the planned reduction to \$4.6 million. The additional items approved by Council include:

- Lougheed Highway land acquisition
- Whonnock Lake land acquisition
- Parks, Recreation & Culture concept and design
- Cost increase for parks land acquisitions (Merkley expansion, Silver Valley)
- 128 Avenue Improvements (216-224)
- Renovations to the Randy Herman Building, City offices & Operations Centre
- Pitt Meadows Airport Governance Review
- Rapid Transit Study
- Pride Crosswalk

Preliminary results indicate that General Revenue Surplus will be reduced by \$575,000 to \$9.3 million. A few key items contributing to this favourable development:

- Building Permit Revenue exceeded budget by \$1.7 million. Half of this surplus has been transferred to the Building Inspection Reserve and the remainder will contribute to our bottom line.
- Investment revenues exceeded targets by \$325,000 before transfers to reserve accounts.
- Gaming revenues exceeded budget by \$300,000
- Costs for the RCMP contract came in under budget by \$1.7 million. A number of items related to the contract have still not been finalized so \$850,000 of this favourable variance has been transferred to the Police Services Reserve. The remainder flowed to the bottom line.
- The Financial Plan provided for principal and interest payments on authorized debt that has not yet been borrowed, so the expenditures were not incurred and the monies remain in the related reserves.
- Payments for Council's Investment Incentive Programs are dependent on the timing of qualifying development. In 2016 we saw a variance of \$955,000 related to this timing difference. \$605,000 of this was transferred to reserves at the end of the year to provide for estimated future costs; the balance flowed to the bottom line.

- Snow removal costs exceeded budget by \$215,000 and the Snow Removal Reserve was drawn down to provide for this.
- Various projects and studies were in progress at the end of the year resulting in expenditures less than budget of approximately \$6.35 million. As these works will continue into 2017, this amount was transferred to reserves as part of our year-end process. Included in this amount were provisions for succession planning, \$340,000; contract contingencies, \$850,000; health & safety initiatives, \$150,000; Planning studies & projects, \$640,000; Transportation studies & projects, \$765,000, and Parks, Recreation & Culture initiatives, \$1.510,000.

During last year's business planning presentations Council received information about a one-time funding request in the amount of \$43,000 to support the Community-to-Community program currently underway to increase collaboration between the City and the Katzie and Kwantlen First Nations. Funding for this initiative was not included in the 2017 Financial Plan and is being provided now as part of the year-end wrap up.

A detailed review of the City's 2016 financial results will be provided in April once the Consolidated Financial Statements are finalized.

RECOMMENDATION:

Receive for Information

DISCUSSION:

As we begin to look at financial results for 2016 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" view 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 2016.

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. This report focusses on 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 swimming lessons, 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.

The Financial Plan adopted in May 2016 called for a reduction of \$658,000 in the General Revenue Surplus balance. After the plan was adopted Council approved a number of additional expenditures, bringing the planned draw on General Revenue Surplus to \$4.6 million. The additional expenditures approved by Council included the following:

- Lougheed Highway land acquisition
- Whonnock Lake land acquisition
- Parks, Recreation & Culture concept and design
- Cost increase for parks land acquisitions (Merkley expansion, Silver Valley)
- 128 Avenue Improvements (216-224)
- Renovations to the Randy Herman Building, City offices & Operations Centre
- Pitt Meadows Airport Governance Review
- Rapid Transit Study
- Pride Crosswalk

Preliminary results for 2016 are shown on Appendix 1, and show revenues of \$144.4 million, overall expenses and transfers to reserves were \$145 million, resulting in a reduction to general revenue surplus of \$575,000, leaving us with an ending surplus balance of \$9.66 million. If all the works included in the amended financial plan had been completed in the year our General Revenue Accumulated Surplus balance would have been reduced by almost half to \$5.3 million.

Some key variances contributed to these results as follows:

- Building Permit Revenue exceeded budget by \$1.7 million. Past experience has shown us that this revenue source can fluctuate and we have seen years where revenues have not met our Financial Plan targets. Half of the surplus has been transferred to the Building Inspection Reserve to help mitigate the impact of a future revenue shortfall; the remainder will contribute to our bottom line.
- Investment revenues exceeded targets by \$325,000 before transfers to reserve accounts.
- Gaming revenues exceeded budget by \$300,000
- Costs for the RCMP contract came in under budget by \$1.7 million. A number of items related to the contract have still not been finalized so \$850,000 of this favourable variance has been transferred to the Police Services Reserve. The remainder flowed to the bottom line.

- The Financial Plan provided for principal and interest payments on authorized debt for the construction of Fire Hall #4 and the Cemetery expansion that has not yet been borrowed, so the expenditures were not incurred and the monies remain in the related reserves.
- Payments for Council's Investment Incentive Programs are dependent on the timing of qualifying development. In 2016 we saw a variance of \$955,000 related to this timing difference. \$605,000 of this was transferred to reserves at the end of the year to provide for estimated future costs, the balance flowed to the bottom line.
- Snow removal costs exceeded budget by \$215,000 and the Snow Removal Reserve was drawn down to provide for this.
- Various projects and studies were in progress at the end of the year and the work will carry on into 2017. The "in progress" status of these projects resulted in expenditures less than budget by approximately \$6.35 million. This amount was transferred to reserves to allow the works to proceed this year. Included in this amount were provisions for succession planning, \$340,000; contract contingencies, \$850,000; health & safety initiatives, \$150,000; Planning studies & projects, \$640,000; Transportation studies & projects, \$765,000, and Parks, Recreation & Culture initiatives, \$1.510,000.

During last year's business planning presentations Council received information about a one-time funding request in the amount of \$43,000 to support the Community-to-Community program currently underway to increase collaboration between the City and the Katzie and Kwantlen First Nations. Funding for this initiative was not included in the 2017 Financial Plan and is being provided now as part of the year-end wrap up.

CONCLUSIONS:

Final results for 2016 will be available following the completion of the audit. In the interim, this report provides an overview of fiscal performance in the General Revenue Fund for the year. Preliminary results indicate the General Revenue surplus will be drawn down by \$575,000 to \$9.3 million.

"Original signed by Catherine Nolan"

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

"Original signed by Paul Gill"

Approved by: Paul Gill, CPA, CGA
 GM, Corporate & Financial Services

"Original signed by Ted Swabey"

Concurrence: **E.C. Swabey**
 Chief Administrative Officer

Appendix 1

General Revenue Fund Analysis

For the year ended December 31, 2016

	Actual
Revenues	
Taxes and grants in lieu	- 76,421,076
Fees & Other Charges	- 18,195,892
Investment income	- 1,647,578
Proceeds and Gains	- 17,553
Government Transfers	- 2,004,796
Gaming revenues	- 1,338,678
Equipment	- 3,542,769
DCC & Other Contributed Revenue	- 679,948
Collections for others	- 40,582,723
Total Revenue	- 144,431,012
Expenses (excluding amortization)	
General Government	13,287,183
Protective Services	34,780,001
Transportation	9,564,576
Planning; Public Health & Other	6,027,658
Recreation	19,182,334
Principal Payments	2,859,107
Remittances to others	40,582,723
Total Expenses	126,283,581
Transfers	
Transfers to/from own reserves	- 15,182,706
	26,581,597
Transfers to reserve funds	4,299,411
Transfers to GCF (fund inventory change)	1,437
Transfers to Capital (Capital Program)	2,749,223
Interest transferred to reserve accounts	271,947
Transfers to revenue funds	-
Net Transfers	18,720,910
General Revenue Annual Surplus (Preliminary)	573,479
General Revenue Accumulated Surplus - beginning of year	- 9,859,167
General Revenue Accumulated Surplus - end of year	- 9,285,688

To calculate the unused liability servicing limit we have to deduct the servicing costs associated with any existing debt as well as the estimated costs for any debt that is authorized, but not yet borrowed, this brings us to the \$22.8 million referenced in the Annual Report and the Financial Overview Report.

Council has identified a need for additional facilities in the community and is currently undertaking a public consultation process to determine community priorities. Debt financing is being contemplated to finance these new facilities. In light of that process it is useful to have an understanding of what a \$22.8 million liability servicing limit means in terms of actual borrowing. If we assume a rate of 3% the following shows what we could borrow and what the annual payments would be for each of 20, 25 and 30 year terms.

Term	Borrowed Amount	Annual Payments
20 years	\$335,000,000	\$22.5 million
25 years	\$395,000,000	\$22.7 million
30 years	\$440,000,000	\$22.5 million

As the above table shows, the City has considerable borrowing power available to finance the final selection of proposed facilities. It should be noted that choosing to commit to this level of debt leave little capacity to consider new or enhanced services.

CONCLUSIONS:

The City has considerable borrowing capacity available to it and has used this strategically in the past to finance projects such as the town centre facilities, the animal shelter and to acquire land for the cemetery expansion. The remaining liability servicing limit will provide Council with the borrowing capacity needed to finance the final selection of civic facilities.

“Original signed by Catherine Nolan”

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

“Original signed by Paul Gill”

Approved by: Paul Gill, CPA, CGA
GM, Corporate & Financial Services

“Original signed by Ted Swabey”

Concurrence: **E.C. Swabey**
Chief Administrative Officer

TO: Audit & Finance Committee
FROM: Manager of Accounting
SUBJECT: Legislative Services Budget

MEETING DATE: 20-March-2017
FILE NO:
MEETING: Audit & Finance

EXECUTIVE SUMMARY:

At the January 16, 2017 meeting of the Audit & Finance Committee a request was made to have a discussion about Council's overall budget. This report responds to that request.

Council received information about budgets and work plans for all City departments as part of the business planning presentations in November 2016, included in that information was the schedule, attached as Appendix 1, showing the budget for Legislative Services (Council).

The Legislative Services budget for 2017 is \$647,000 and in addition to council remuneration for all of Council and an Administrative Assistant, the envelope includes allocations for Councillors attendance at various community events and conferences or seminars. It also includes an allocation for the cell phones and tablets Council uses to support their work. Council policy 3.07 provides some guidance for use of the budget envelope.

RECOMMENDATION:

Receive for Information

DISCUSSION:

The budget envelope for Legislative Services is attached as Appendix 1. The following provides some information about each of the line items in that budget.

- **Committee Costs** – This is a provision to cover out-of-pocket expenses for Councillors participation on committees of other organizations, such as FCM; it is not for City of Maple Ridge Committees of Council. Use of this budget allocation by any member of Council requires the approval of Council as set out in Policy 3.07.
- **Conferences & Meetings** – This provides for Council attendance at conferences such as UBCM, FCM and LMLGA. The budget envelope does not have the capacity for all of Council to attend all the annual conferences, consequently Council's practice has been for a selection of Councillors to attend each conference, with all being provided an opportunity to attend all of them at least once during their term in office.
- **Grants & Donations** – This budget envelope is available to support Community Groups and is allocated annually by Council resolution, in line with Policy 5.56
- **Miscellaneous** – This provides for expenses not covered in other cost centres.
- **Public Relations** – This allocation provides the funding for Council attendance at local community events.

- **Salaries** – This budget envelope includes the salary allocation for Mayor & Council as well as an Administrative Assistant.
- **Training** – This budget envelope was established to allow Mayor & Councillors to participate in training, workshops or conferences that allow them to develop the wide range of skills and knowledge that apply to their role on Council.
- **Utilities – Telephone** – Provides a funding source for the costs associated with the cell phones & tablets that Council uses to support their work in the community.

Policy 3.07 sets the annual allocation available for the Mayor and Councillors for the categories of Conferences & Training at \$6,500 for the Mayor & \$5,000 for each Councillor. The provisions for attendance at community events and for cell phones and tables are in addition to these amounts. Reimbursement for costs incurred at conferences is guided by Policy 5.35. This policy was adopted in 2002 and has not been refreshed since.

The budget allocation for Council includes an annual 2% increase. In 2012 Council voted not to accept the scheduled increase for that year and their compensation has remained static at 2011 levels since that decision. Past practice has been for Council to conduct a compensation review in the last year of their mandate and make recommendations for the incoming Council to consider.

CONCLUSIONS:

The budget allocation for Council for 2017 is \$647,000 as shown on Appendix 1.

“Original signed by Catherine Nolan”

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

“Original signed by Paul Gill”

Approved by: Paul Gill, CPA, CGA
 GM, Corporate & Financial Services

“Original signed by Ted Swabey”

Concurrence: **E.C. Swabey**
Chief Administrative Officer

Operating Budget – Legislative Services

- The Legislative Services budget area covers Mayor and Council salaries and expenses.

Proposed Financial Plan 2017 – 2021 Office of the Chief Administrative Officer – Legislative Services

All \$ values in '000's (thousands)	Adopted 2016	Proposed 2017	Proposed Changes		Proposed				
			\$	%	2018	2019	2020	2021	
Expenditures									
Committee Costs	4	4	-	0%	4	4	4	4	4
Conferences & Meetings	21	21	-	0%	21	21	21	21	21
Grants & Donations	44	45	1	0%	45	45	45	45	45
Miscellaneous	8	8	-	0%	8	8	8	8	8
Public Relations	9	9	-	0%	9	9	9	9	9
Salaries	526	537	11	2%	549	561	573	586	586
Training	16	16	-	0%	16	16	16	16	16
Utilities - Telephone	7	7	-	0%	7	7	7	7	7
	635	647	12	2%	659	671	683	696	696
Totals	635	647	12	2%	659	671	683	696	696