

AGENDA FOR THE REGULAR FINANCE / POLICY COMMITTEE OF THE WHOLE MEETING  
TO BE HELD IN THE BOARD ROOM, CITY HALL,  
ON MONDAY, 2008-MAY-05, COMMENCING AT 4:30 P.M.

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1. **CALL THE REGULAR FINANCE / POLICY COMMITTEE OF THE WHOLE MEETING TO ORDER:**

2. **INTRODUCTION OF LATE ITEMS:**

3. **ADOPTION OF AGENDA:**

4. **ADOPTION OF MINUTES:**

- (a) Minutes of the Regular Finance / Policy Committee of the Whole Meeting held in the Board Room, City Hall, on Monday, 2008-APR-21 4:30 p.m. Pg. 4-6

5. **PRESENTATIONS:**

- (a) Presentation by Mr. Dean Smith and Mr. Stephen Beamish, Intelivote Systems Inc., regarding Electronic Voting.

6. **DELEGATIONS PERTAINING TO AGENDA ITEMS: (10 MINUTES)**

- (a) Delegations pertaining to the 2008 – 2012 Financial Plan.

7. **COMMISSION REPORTS:**

- (a) Parks, Recreation and Culture Commission – Travel Assistance Grant Request Pg. 7

*Staff's Recommendation: That Council award \$1,500. to the Wellington Secondary School Band to attend the Canadian National Band Competition.*

- (b) Parks, Recreation and Culture Commission – Travel Assistance Grant Criteria and Process Pg. 8-11

*Staff's Recommendations: That:*

1. *Council adopt the Travel Assistance Grant criteria as revised;*

*AND:*

2. *Council provide Recreation and Culture staff with the authority to recommend directly to the Parks, Recreation and Culture Commission Travel Assistance Funding for travel grants that clearly meet the grant criteria;*

AND:

3. *Staff notify the Recreation and Committee Chair when a grant application has been processed.*

8. **COMMITTEE REPORTS:**

9. **STAFF REPORTS:** *(blue)*

CORPORATE SERVICES:

- (a) **2008 General Election – Electronic Voting** Pg. 12-15

*Staff's Recommendation:* That Council support the City of Nanaimo conducting the 2008 General Election by way of electronic voting (Intelivote).

- (b) **2007 Annual Financial Report** Pg. 16-27

*Staff's Recommendation:* That Council approve the 2007 Annual Financial Report for the City of Nanaimo.

- (c) **2007 Statement of Financial Information** Pg. 28-29

*Staff's Recommendation:* That Council approve the City of Nanaimo 2007 Statement of Financial Information for filing with the Ministry of Community Services.

COMMUNITY SERVICES:

- (d) **Pavement Management System** Pg. 30-31

*Staff's Recommendation:* That Council authorize Stantec Engineering to supply Pavement Management services at a cost of \$117,290. plus tax.

10. **INFORMATION ONLY ITEMS:**

- (a) Report from Councillor McNabb, Chair, Parks, Recreation and Culture Commission, re: Yearly Changes for Parks, Recreation and Culture "Nominal" Fee Licences and Agreements. Pg. 32
- (b) Report from Mr. B. E. Clemens, Director of Finance, re: 2007 Surplus Allocation. Pg. 33-35

11. **CORRESPONDENCE:**

12. **NOTICE OF MOTION:**

13. **OTHER BUSINESS:**

14. **DELEGATIONS PERTAINING TO ITEMS NOT ON THE AGENDA:**  
(10 MINUTES)

15. **QUESTION PERIOD:** *(Agenda Items Only)*

16. **ADJOURNMENT:**

MINUTES OF THE REGULAR FINANCE / POLICY COMMITTEE OF THE WHOLE MEETING  
HELD IN THE BOARD ROOM, CITY HALL,  
ON MONDAY, 2008-APR-21 COMMENCING AT 4:30 P.M.

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PRESENT: Councillor M. D. Brennan, Chair

Members: Councillor W. L. Bestwick  
Councillor J. D. Cameron  
Councillor W. J. Holdom  
Councillor L. D. McNabb  
Councillor L. J. Sherry  
Councillor M. W. Unger

Absent: Mayor G. R. Korpan  
Councillor C. S. Manhas

Staff: A. C. Kenning, Deputy City Manager  
A. W. Laidlaw, General Manager of Community Services  
D. W. Holmes, General Manager of Corporate Services  
E. C. Swabey, General Manager of Development Services  
I. Howat, Director of Legislative Services  
B. E. Clemens, Director of Finance  
R. J. Harding, Director of Parks, Recreation and Culture  
T. P. Seward, Director of Permits and Properties  
Chief R. Lambert, Nanaimo Fire Rescue  
S. Graham, Manager of Financial Planning and Payroll  
J. E. Harrison, Manager of Legislative Services  
K. King, Recording Secretary

1. CALL THE OPEN MEETING TO ORDER:

The Regular Finance / Policy Committee of the Whole Meeting was called to order at 4:30 p.m.

2. INTRODUCTION OF LATE ITEMS:

- (a) Add Agenda Item 9 (c) – Staff Reports – 2008-2012 Financial Plan.
- (b) Add Item 10 (a) – Information Only Items – Report from Mr. G. Di Menna, Manager of Purchasing and Stores re: Renewal of Property Insurance.
- (c) Councillor Cameron advised that Mr. Blake McGuffie, Vice President, Nanaimo City Centre Association was in attendance and wished to address Council as a late delegation regarding Agenda Item 9 (b) – Staff Reports – Business Improvement Area (BIA) Audit Requirements.

It was moved and seconded that Mr. McGuffie be permitted to address Council as a late delegation with a five-minute time limitation. The motion carried unanimously.

3. ADOPTION OF AGENDA:

It was moved and seconded that the Agenda be adopted as amended. The motion carried unanimously.

4. ADOPTION OF MINUTES:

It was moved and seconded that the Minutes of the Regular Finance / Policy Committee of the Whole Meeting held in the Board Room, City Hall, on Monday, 2008-MAR-17 at 4:30 p.m. be adopted.

5. PRESENTATIONS:

(a) Mr. B. E. Clemens, Director of Finance, provided a PowerPoint Presentation regarding the 2008 – 2012 Financial Plan.

6. DELEGATIONS PERTAINING TO AGENDA ITEMS:

It was moved and seconded that the Delegations be permitted to address Council. The motion carried unanimously.

(a) There were no delegations pertaining to the 2008 – 2012 Financial Plan.

(b) Mr. Blake McGuffie, Vice President, Nanaimo City Centre Association (NCCA), advised that all Business Improvement Area funds received by the NCCA are transferred, virtually in full, to the Downtown Nanaimo Partnership and requested that Council direct Staff to prepare amendment bylaws to remove the audit requirement.

7. COMMISSION REPORTS:

(a) Parks, Recreation and Culture Commission – Renewal of License Agreements for No-Profit Organizations (McGirr Sports Society, Nanaimo Curling Club and Nanaimo BMX Association)

It was moved and seconded that Council approve the five-year license renewals of the following non-profit organizations at an annual fee of \$1.00 per year, in addition to an administrative fee of \$125.00 upon renewal of the license:

1. McGirr Sports Society effective 2008-JAN-01 to 2012-DEC-31;
2. Nanaimo Curling Club effective 2008-JAN-01 to 2012-DEC-31; and,
3. Nanaimo BMX Association effective 2008-JAN-01 to 2012-DEC-31.

The motion carried unanimously.

8. STAFF REPORTS:

(a) Mileage Allowances

It was moved and seconded that Council amend the travel and mileage allowance policy to increase the mileage rate to \$0.52 kilometre to reimburse employees for use of personal vehicles while on City business. The motion carried.

Opposed: *Councillor Holdom*

(b) Business Improvement Area (BIA) Audit Requirements

It was moved and seconded that the requirement for audited financial statements from the Nanaimo City Centre Association not be removed. The motion carried.

Opposed: *Councillor McNabb*

It was moved and seconded that Council instruct Staff, in cooperation with the Nanaimo City Centre Association (NCCA), to consider restructure options for the NCCA, Old City Quarter Association, and the Downtown Nanaimo Partnership Society when the existing BIA bylaws expire that would provide opportunities for cost-saving of administrative expenses. The motion carried unanimously.

(c) 2008 – 2012 Financial Plan

It was moved and seconded that Council:

1. receive the report for information; and,
2. endorse the attached revenue policy for inclusion in the Financial Plan.

The motion carried unanimously.

9. INFORMATION ONLY ITEMS:

- (a) Report from Mr. G. Di Menna, Manager of Purchasing and Stores, re: Renewal of Property Insurance.

10. ADJOURNMENT:

It was moved and seconded at 5:14 p.m. that the meeting terminate. The motion carried unanimously.

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CHAIR

CERTIFIED CORRECT:

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DIRECTOR,  
LEGISLATIVE SERVICES

REPORT TO: FINANCE / POLICY COMMITTEE OF THE WHOLE

FROM: LARRY McNABB, CHAIR, PARKS, RECREATION AND CULTURE COMMISSION

RE: TRAVEL ASSISTANCE GRANT REQUEST

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RECOMMENDATION:

That Council award \$1,500 to the Wellington Secondary School Band to attend the Canadian National Band Competition.

EXECUTIVE SUMMARY:

The City of Nanaimo provides a contingency account for amateur groups and individuals to travel out of province to a Regional, National or International Championship. These funds are available to sports and cultural groups winning Provincial or Regional competitions. Requests are considered on a first-come, first-served basis as funds remain available. The current policy provides \$100 per person to a maximum of \$2,000. At their meeting of 2008-APR-23, the Parks, Recreation and Culture Commission unanimously passed a motion recommending that Council award \$1,500 to Wellington Secondary School to attend the Canadian National Band Competition. Staff concurs.

BACKGROUND:

At their meeting of 2008-APR-09, the Recreation Committee reviewed the travel assistance request in the amount of \$ 1,500.00 from the Wellington Secondary School Band to participate in the Canadian National Band Competition in Ottawa, 2008-MAY-13 to 18. The Committee recommended that the Parks, Recreation and Culture Commission recommend that Council award \$1,500 to Wellington Secondary School to attend the Canadian National Band Competition.

Respectfully submitted,



Larry McNabb, Chair  
Parks, Recreation and Culture Commission

File: A4-1-2 / B3-5-12  
2008-APR-28  
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Council  
 Committee: FLCOW  
 Open Meeting  
 In-Camera Meeting  
Meeting Date: 2008-MAY-05

REPORT TO: FINANCE / POLICY COMMITTEE OF THE WHOLE  
FROM: LARRY McNABB, CHAIR, PARKS, RECREATION AND CULTURE COMMISSION  
RE: TRAVEL ASSISTANCE GRANT CRITERIA AND PROCESS

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Council  
 Committee FPCow  
 Open Meeting  
 In-Camera Meeting  
Meeting Date: 2008-MAY-05

RECOMMENDATIONS:

1. That Council adopt the Travel Assistance Grant criteria as revised, and further,
2. That Council provide Recreation and Culture staff with the authority to recommend directly to the Parks, Recreation and Culture Commission Travel Assistance Funding for travel grants that clearly meet the grant criteria; and,
3. That Staff notify the Recreation Committee Chair when a grant application has been processed.

EXECUTIVE SUMMARY:

Appendix A (attached) shows the recommended changes to the Travel Assistance Grant criteria and include the addition of the need for the applicants to be non-profit; and the deletion of the criteria regarding adhering to bylaws and policies, and grants as related to Permissive Tax Exemption.

Travel Assistance Funding applicants are allowed up to a maximum of \$100 per person and many applications are for amounts less than \$1,000. Application processing could be expedited if staff evaluated the applications based on the established criteria, and submitted recommendations directly to the Parks, Recreation and Culture Commission for deliberation. Applications involving extenuating circumstances would continue to be evaluated by the Recreation Committee and forwarded to the Parks, Recreation and Culture Commission for recommendation to City Council.

At their 2008-APR-23 meeting, the Parks, Recreation and Culture Commission passed a motion supporting the recommendations above. Staff concurs.

BACKGROUND:

The Criteria for Travel Assistance Grant funding was established several years ago by the City of Nanaimo Grants-in-Aid Committee. The Parks, Recreation and Culture Commission support the revisions recommended by the Recreation Committee which include:

- The addition of criteria requiring that applicants must be non-profit in nature.
- The omission of criteria regarding adhering to bylaws and policies; and criteria regarding grants as related to Permissive Tax Exemption.

There is a total of \$7,500 in the Travel Assistance Funding budget and applicants are allowed up to a maximum of \$100 per person. Many applications are for nominal amounts less than \$1,000. Processing these applications could be expedited if staff evaluated the applications based on the criteria clearly established by the Recreation Committee, and submitted recommendations directly

to the Parks, Recreation and Culture Commission for deliberation. All applications where there are extenuating circumstances would continue to be evaluated by the Recreation Committee and forwarded to the Parks, Recreation and Culture Commission for recommendation to City Council.

At their 2008-APR-23 meeting, the Parks, Recreation and Culture Commission recommended:

1. That Council make no changes to the criteria requiring that Travel Assistance Grant applicants travel out of province and adopt the Travel Assistance Grant criteria as revised, and further,
2. That Council provide Recreation and Culture staff with the authority to recommend directly to the Parks, Recreation and Culture Commission Travel Assistance Funding for travel grants that clearly meet the grant criteria; and,
3. That Staff notify the Recreation Committee Chair when a grant application has been processed.

Respectfully submitted,



Larry McNabb, Chair,  
Parks, Recreation and Culture Commission.

Attachment (1)

File: A4-1-2 / B3-5-12  
2008-APR-28  
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# CITY OF NANAIMO APPLICATION FOR TRAVEL ASSISTANCE

Office Use
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ORGANIZATION:		DATE:	
ADDRESS:		PRESIDENT:	
		SENIOR STAFF MEMBER:	
		POSITION:	
		CONTACT:	
TELEPHONE:		TELEPHONE:	
TOTAL NUMBER OF PERSONS TRAVELLING:	TOTAL NUMBER OF <u>COMPETITORS</u> TRAVELLING:	TOTAL NUMBER OF COMPETITORS RESIDING WITHIN THE CITY OF NANAIMO:	TOTAL AMOUNT REQUESTED:
DESTINATION:		DATE OF DEPARTURE:	
EVENT TO BE ATTENDED:			
PROVINCIAL/REGIONAL CHAMPIONSHIP RECEIVED:			
PLEASE LIST ALL OTHER SOURCES OF FUNDING FOR THIS TRIP:			
WHY SHOULD THIS TRIP RECEIVE CITY FUNDING?			
SIGNATURE:		TITLE/POSITION:	
		DATE:	
<p><b>NOTE: A BUDGET OUTLINING REVENUES AND EXPENDITURES FOR THIS TRIP MUST BE ATTACHED FOR CONSIDERATION.</b></p>			

## CITY OF NANAIMO

### APPLICATION FOR TRAVEL ASSISTANCE

The City of Nanaimo provides a contingency account for amateur groups and individuals to travel to a Regional, National or International Championship. These funds are available to sports and cultural groups winning Provincial, Regional or National competitions.

Requests will be considered on a first-come, first-served basis as funds remain available.

When completing this form, please provide ALL the information requested, paying particular attention to the submission of a budget outlining revenues and expenditures for the proposed trip. The current policy provides \$100 per person to a maximum of \$2,000.

Payments will only be made to the organization applying for the grant, not to individuals. Application may be made retroactively. **(MOVED FROM CRITERIA SECTION TO INFORMATION SECTION)**

**Applications should be returned to Heather Richardson, Parks, Recreation and Culture, City of Nanaimo, 2300 Bowen Road, Nanaimo BC, V9T 3K7. For further information, please call 756-5200.**

#### CRITERIA FOR AWARDING GRANTS

- winner of Provincial, Regional, or National competition (or equivalent)
- must be attending a Regional, National or International championship
- preference given to multi-day events
- maximum \$100.00 per person up to \$2,000.00 per group
- there must be other sources of funding
- must be from Nanaimo
- the application must be made by a local organization
- ~~must adhere to all City of Nanaimo bylaws and policies (OMIT)~~
- grants for participants only, not coaches or chaperones
- ~~cash grants will not be provided if the organization receives a Permissive Tax Exemption, or where the facility is provided by the City of Nanaimo free of charge or at a substantially reduced rate. Notwithstanding the above (OMIT)~~
- statement, organizations facing critical financial difficulties are eligible to apply for emergency funding
- demonstrated financial need
- must be a non-profit organization **(NEW)**

**A BUDGET AND FINANCIAL STATEMENTS OUTLINING REVENUES AND EXPENDITURES FOR THIS TRIP MUST BE ATTACHED FOR CONSIDERATION.**

# STAFF REPORT

REPORT TO: I. HOWAT, DIRECTOR OF LEGISLATIVE SERVICES

FROM: J.E.HARRISON, MANAGER OF LEGISLATIVE SERVICES

RE: 2008 GENERAL ELECTION – ELECTRONIC VOTING

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## STAFF'S RECOMMENDATION:

That Council support the City of Nanaimo conducting the 2008 General Election by way of electronic voting (Intelivote).

## EXECUTIVE SUMMARY:

Staff have investigated the option of electronic voting for the 2008 elections. Staff believe that the advantages to the public warrant such a move. Electronic voting conducted in Ontario and the UK has shown that voter turnout is significantly increased through the use of this process. In consultation with the City's Information Technology (IT) staff, Legislative Services staff have determined that Intelivote, a Canadian-based electronic voting system company will provide the service necessary to conduct elections through this means. Legislative Services staff have worked closely with Ministry of Community Services staff and the City's solicitor and have prepared a draft ministerial order that would permit Nanaimo's use of electronic voting in 2008. Ministry staff support Nanaimo's use of electronic voting as it provides them with an opportunity to prepare for legislative changes that will likely be needed to allow for general use of electronic voting by 2011.

## BACKGROUND:

In looking for opportunities to improve the process for conducting elections at the City of Nanaimo, staff researched the option of electronic voting. It was immediately apparent that the introduction of such a process would provide numerous benefits to the electors. Electronic voting increases voter participation due to improved accessibility and options for voting. Society has become increasingly comfortable with conducting business by electronic means, accepting such processes as on-line and telephone banking, retail purchases and bill payments and even on-line filing of income tax returns.

Legislative Services staff have been working closely with the IT staff who have researched the company being considered for this project. IT staff have provided the following comments:

*"Intelivote Systems Inc. is a premier Canadian-based electronic voting system company that provides electronic voting solutions which includes telephone and Internet voting.*

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*Intelivote partnered with US-based Elections Systems and Software and used an encrypted ballot-box technology. The system is guaranteed secure, with voters using a personal identification number provided by the municipality to log into the system. The voting data is stored in a data centre. If the central computer crashes, a backup system is in place at another location. To further enhance security, Intelivote will not disclose the location of the data centres, except to say they are located in Canada.*

*The system can provide recounts, but cannot track how individuals voted. Additionally, there are no spoiled ballots. When an elector votes via the Web or the phone, he or she gets instant confirmation that it was just counted.*

*The City of Nanaimo's Information Technology Office will ensure that all standard security measures are met while implementing the proposed system."*

Once staff were comfortable with the idea of conducting electronic voting, they met with Ministry of Community Services staff to determine whether or not changes to legislation were being contemplated to provide for electronic voting for the General Elections in 2008. While Ministry staff anticipate that legislative changes will need to be in place for 2011 elections, there is no plan to make such changes in time for the 2008 election. Through discussions with the Ministry, it became evident that there is a huge benefit to the Ministry to having an election conducted by way of electronic voting as a pilot project prior to the introduction of legislative changes that would make electronic voting permissible for all local governments. City staff, the Ministry, and the City's solicitor have worked together on drafting a ministerial order to enable this project to proceed.

Nanaimo is an excellent candidate to conduct such a pilot project. The City's IT department has a track record as a competent, forward thinking, and innovative team. Intelivote has a proven product and are anxious to demonstrate its value to British Columbia.

Electors will have the option to vote either by telephone (including cell phone) or to cast their ballot over the Internet. Given the option for electors to cast their vote without attending a voting place, staff will be reviewing the number and location of voting places for 2008. Electors without computers, as well as those who are more comfortable voting at a voting place, will still have the option of attending a voting place. Computers will be available to the electors at these locations and election officials will provide assistance as required.

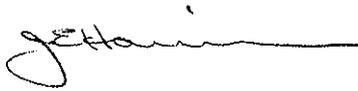
Low voter turnout is always a concern for Local Government Elections. In 2005, voter turnout in Nanaimo was 35.4%. Staff anticipate that a significant increase in turnout can be realized with the implementation of electronic voting. The attached media release issued by Intelivote on April 25, 2008 states that voter turn-out for a recent Ontario by-election doubled compared to a paper ballot by-election held in 2004.

The benefit of electronic voting will be particularly felt by those with disabilities who may have difficulty attending at a voting place or who may have specialized equipment in their home that makes it convenient for them to vote. The many persons who head south for the winter, usually just prior to Advance Voting opportunities, will also have the opportunity to participate in elections that they would otherwise miss. In addition, non-resident property electors will not be required to come to the area to cast their ballots. Use of electronic voting will also eliminate the need for mail ballots, a process which has been cumbersome for both staff and the public.

On Friday, April 18<sup>th</sup> Legislative Services staff met with Ministry staff on this matter. Ministry staff have agreed to advance the request for a pilot project. A review of the current legislation indicates that a Ministerial Order will suffice to vary specific sections of the Act to the extent needed to conduct the pilot project. It is still possible to receive a ministerial order in time to proceed with electronic voting for 2008.

Should Council support the endeavours of staff in this regard, staff will contact the School District to inform them of the process.

Respectfully submitted,



J.E. Harrison  
MANAGER,  
LEGISLATIVE SERVICES

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For immediate release:

## **Nova Scotia Company's Electronic Voting Solution Doubles Voter Turnout in Ontario By-Election**

Dartmouth, N.S. – April 25, 2008

Intelivote Systems Incorporated (ISI), a premier Canadian electronic voting company based in Dartmouth, NS, recently delivered its electronic voting solution to residents in the Ontario Township of Montague for a municipal by-election for deputy reeve.

Murray Hackett, Chief Administrative Officer of Montague, said the Township had a paper ballot based by-election in 2004 resulting in a 16% turnout. The recent by-election using Intelivote's electronic internet and telephone voting resulted in a 36.6% turnout; more than doubling the voter participation rate of the 2004 event.

"We were very happy with the evoting process and feedback from the voters has been very positive", said Hackett, "and we were very excited about the level of voter participation."

"There are numerous factors that impact voter participation," said Dean Smith, President and founder of Intelivote, "Everything from the number of candidates on the ballot, to the issues surrounding the election, influence voter participation. What we have heard over and over again, is that additional voter choice on how and when they vote, plays a significant role in the willingness of voters to cast their ballot. We had voting occurring at two o'clock in the morning in the Montague election, because it was just more convenient for some voters at that time. Electronic voting offers choice."

Voters in Montague used a personal identification number mailed to them to cast their vote using either the phone or the internet, and could vote over a seven day period. Eligible voters who were travelling or away on vacation also participated resulting in votes being cast from locations in five different US states and from locations in three other Canadian provinces. The average voter using the phone completed their vote in 42 seconds and internet voters took, on average, slightly over one minute to complete the voting process.

Smith said evoting is becoming more popular in Canada and worldwide with Intelivote conducting numerous municipal elections in both Canada and the UK over the past eighteen months. Several Nova Scotia communities will be making use of evoting for their 2008 municipal elections in October, including HRM who will use it for advanced voting, and Windsor and Stewiacke who will be allowing voters to cast their ballots in advance polls and on election day. Discussions are underway with several other municipalities as well.

Intelivote has also been asked to meet with the Secretary of State's office for the State of Alabama who is interesting in using Internet voting for US military voters currently out of the country.

For additional information contact:  
Dean Smith – President  
Intelivote Systems Inc.  
(902) 481-1156  
Dean.smith@intelivote.com

# STAFF REPORT

REPORT TO: D.W. HOLMES, GENERAL MANAGER OF CORPORATE SERVICES

FROM: B.E. CLEMENS, DIRECTOR OF FINANCE

RE: 2007 ANNUAL FINANCIAL REPORT

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## STAFF'S RECOMMENDATION:

It is recommended that Council approve the 2007 Annual Financial Report for the City of Nanaimo.

## EXECUTIVE SUMMARY:

The 2007 Annual Financial Report ("Report") for the City of Nanaimo has now been completed. The City's auditors, Church Pickard, have issued an unqualified opinion that the financial statements fairly represent the financial position of the City as at December 31, 2007. Ms. Lorana LaPorte of Church Pickard, will be in attendance should Committee members have any questions concerning their audit review.

## BACKGROUND:

As noted in the Report, City Council has delegated to the management of the City the responsibility for the accuracy, integrity and objectivity of the financial information presented in the financial statements. The City's auditors are required to express an opinion as to whether the financial statements present the City's financial position and operating results in accordance with generally accepted accounting principles.

In past years, this Report included information (graphs and statistics) that will now be presented in the Annual Municipal Report, which will be available June 9, 2008. The Annual Financial Report now contains only the Consolidated Financial Statements as required by the *Community Charter*. Statements for the individual funds (General, Water, Sewer, Statutory Reserves) are available in the Finance Department.

The Report continues to reflect a healthy financial position for the City of Nanaimo. Council's ongoing commitment to ensure the financial stability of the City will provide a strong framework in which to meet community requirements in future years.

## Highlights of the Report:

- Operating revenues exceeded expenditures by \$724,101 in 2007. These funds were added to the accumulated operating surplus, which totals \$5.5 million.

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 Committee *F/PCOW*  
 Open Meeting  
 In-Camera Meeting  
Meeting Date: 2008-MAY-05

- Funds held in reserves totalled \$99.0 million at December 31, 2007 (2006 - \$101.7 million), allocated as follows:

Work in progress	\$ 10.1 million
Reserve accounts (surplus appropriations)	43.6
Development Cost Charges (developer contributions)	33.8
Statutory Reserves	<u>11.5</u>
	<u>\$99.0 million</u>

A listing of reserve accounts is shown on page 17 of the Report. The majority of the funds have been set aside for specific projects or purposes.

Development Cost Charges (DCC) can only be used to fund projects specified in the DCC bylaws. DCC revenues in 2007 totaled \$7.3 million (2006 - \$8.0 million). The City continues to construct growth-related projects, which are funded from DCC's (\$5.0 million in 2007).

Statutory Reserves are established by bylaw and can only be used for the purposes specified in the bylaw, e.g. Equipment Depreciation. These are the statutory reserve funds and the balance at December 31, 2007:

Facility Development (Recreation) Reserve	\$ 969,678
Equipment Depreciation Reserve	5,470,700
Local Improvement Reserve	1,313,315
Community Works Reserve	1,781,632
Cemetery Care Fund	469,152
Parkland Dedication Reserve	617,561
Property Sales Reserve	292,500
Water Supply Parkland Acquisition Reserve	131,158
Old City Neighbourhood Parking Reserve	45,172
Knowles Estate Fund	434,649

- Outstanding debt and debt servicing costs

	<u>2007</u>	<u>2006</u>
Outstanding debt	\$45.4 million	\$28.4 million
Per capita debt	\$569.00	\$361.19
Debt as a % of total expenditure	2.35%	1.87%
Debt reduction during current year	\$1.8 million	\$1.8 million
Authorized and unissued debt	0	\$15.0 million

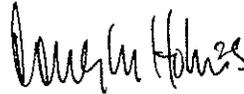
Pages 14-15 of the Report provide note disclosure of the outstanding debt and detail the principal reductions for the next five years.

- Capital assets totalled \$703 million at December 31, 2007 (December 31, 2006 - \$636 million).

Respectfully submitted,



Brian E. Clemens  
Director of Finance



Douglas W. Holmes  
General Manager of Corporate Services

BEC/sm  
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Partners

John A. Annesley, C.A.\*

Lorana LaPorte, C.A., CFP\*

Grant McDonald, C.A.\*

\* incorporated



Church Pickard

Chartered Accountants

"Your Success is our Focus"

April 15, 2008

Mayor and City Councillors  
City of Nanaimo  
455 Wallace Street  
Nanaimo, BC V9R 5J6

Dear Mayor and City Councillors:

We have completed our audit for the year ended December 31, 2007. During the course of our audit of the City of Nanaimo (City) we identified matters which may be of interest to management. The objective of an audit is to obtain reasonable assurance whether the financial statements are free of material misstatement and it is not designed to identify matters that may be of interest to management in discharging its responsibilities.

Separate letters were sent dated January 10, 2008 and April 15, 2008 to Brian Clemens, Director of Finance, concerning our audit for the year ended December 31, 2007. Council may wish to receive copies of these letters from management as an adjunct to this communication.

### Responsibilities of the auditor

It is important for Council to understand the responsibilities that rest with the City of Nanaimo and its management and the responsibilities of the auditor:

- Management is responsible for the preparation of the financial statements, which includes responsibilities related to internal control, such as designing and maintaining accounting records, selecting and applying accounting policies, safeguarding assets, and preventing and detecting error and fraud;
- The auditor's responsibility is to express an opinion on the financial statements based on an audit thereof;
- An audit is performed to obtain reasonable, but not absolute, assurance as to whether the financial statements are free of material misstatements and, owing to the inherent limitations of an audit, there is an unavoidable risk that some misstatements of the financial statements will not be detected (particularly misstatements concealed through collusion), even though the audit is properly planned and performed.

### Audit approach

We were engaged to perform an audit of the financial statements of the City of Nanaimo for the year ended December 31, 2007. We adopted an audit approach that allowed us to issue an audit opinion on the financial statements of the City in the most cost-effective manner, while still obtaining the assurance necessary to support our audit opinion.

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Suite 301, 17 Church Street, Nanaimo, BC V9R 5H5

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www.churchpickard.com

Mayor and City Councillors  
City of Nanaimo

April 15, 2008

Church Pickard follows a risk-based approach. This approach focuses on obtaining sufficient appropriate audit evidence to reduce the risk of material misstatement in the financial statements to an appropriately low level. This means that we focus our audit effort in areas that we believe have a higher risk of being materially misstated and do less work in areas that are only low risk.

To assess risk accurately, we need to have a clear understanding of the City's business and the environment it operates in. Most of our understanding is obtained through discussions with management and staff. We appreciate the information that was provided to us about operations, internal controls, or anything else that was felt to be important to the audit as it corroborated what we had already learned from other sources, or it may have been new information to us. We also appreciate the insights provided to us on what are perceived to be risky areas as that made our audit more effective and efficient, which benefited all concerned.

### **Materiality**

Materiality can be defined as follows:

*"A misstatement or the aggregate of all misstatements in financial statements is considered to be material if, in light of surrounding circumstances, it is probable that the decision of a person who is relying on the financial statements, and who has a reasonable knowledge of business and economic activities (the user), would be changed or influenced by such misstatement or the aggregate of all misstatements. Ultimately, therefore, materiality decisions are based on professional judgement." (CICA Handbook S.5130, Aug-31).*

Materiality in an audit is used as a guide for planning the nature and extent of audit procedures and for assessing the sufficiency of the audit evidence gathered. It is also used in evaluating the misstatements found and determining the appropriate audit opinion to express.

Since the determination of materiality is a matter of professional judgement, it is primarily dependent on our evaluation of the relative importance of accuracy in the financial statements to the various users of those statements. We view taxpayers and regulators as the most important users of the City of Nanaimo's financial statements. Canadian generally accepted auditing standards require the use of both quantitative and qualitative factors in determining materiality. For the audit of the City of Nanaimo for the year ended December 31, 2007, we have concluded that a materiality level of \$1,000,000 based on 1% of total revenues, and adjusted for qualitative factors is appropriate for the purposes of the audit.

### **Current developments in the profession**

There have not been any significant developments in the area of auditing and assurance standards this year; however, there are some anticipated changes in financial reporting standards for the 2008 fiscal years.

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- **CICA public sector accounting handbook Section 2700 – segment disclosures**

This new section establishes standards on how to define and disclose segments in the summary financial statements of federal, provincial, territorial and local governments. The Section applies to fiscal years beginning on or after April 1, 2007. The following is an excerpt from this new standard:

**PURPOSE AND SCOPE**

- 04 The guidance in this section is intended to start with the consolidated financial statements and separate out key financial information into segments in order to provide relevant information for accountability and decision-making purposes, while ensuring that the information is consistent with the consolidated financial statements.
- 05 The objectives of disclosing information about segments are to:
- (d) help users of the financial statements identify the resources allocated to support the major activities of the government;
  - (e) help users of the financial statements make more informed judgments about the government reporting entity and about its major activities;
  - (f) help users of the financial statements better understand the manner in which the organizations in government are organized and how the government discharges its accountability obligations;
  - (g) enhance the transparency of financial reporting; and
  - (h) help users of the financial statements better understand the performance of the segments and the government reporting entity.
- 06 Users of the financial statements have a variety of needs that segment disclosures may be useful in addressing. For example, segment disclosures may assist users in assessing future net cash flows of the government.

**Filing T2 Corporate Tax Returns**

Please see attached recent information sheet issued by Canada Revenue Agency regarding the requirement for Municipalities to file corporate tax returns.

Mayor and City Councillors  
City of Nanaimo

April 15, 2008

### **Fraudulent or illegal activities**

According to CICA General Assurance and Audit Standards Section 5135, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and with management. An auditor conducting an audit in accordance with generally accepted auditing standards obtains reasonable assurance that the financial statements taken as a whole are free of material misstatement, whether caused by fraud or error. The likelihood of not detecting a material misstatement resulting from fraud is higher than the likelihood of not detecting a material misstatement resulting from error, because fraud may involve sophisticated and carefully organized schemes designed to conceal it, such as forgery, deliberate failure to record transactions, or intentional misrepresentations being made to the auditor. Therefore, the assurance an auditor provides concerning lack of misstatements arising from fraud is necessarily lower than the assurance provided concerning those arising from error.

Through discussions with management and risk assessments, we determine areas where fraud risk could occur and conduct the appropriate audit testing. While we did not discover instances of fraud or misstatement due to fraud, our testing involved examining backup documentation for general ledger journal entries, analysing staff credit card usage, examining fuel procedures at the works yard, and observing admission procedures for parks and recreation facilities.

### **Communication of unadjusted differences**

Under the CICA Handbook section 5135, "The auditor's responsibility to consider fraud and error in an audit of financial statements" we are required to communicate to management and council the aggregate of unadjusted differences.

Unadjusted differences include differences in judgement. This does not necessarily mean that our judgements are more correct. Based on our audit testing for the year ended December 31, 2007, we have found the following aggregate unadjusted differences:

Assets	\$406,907	understated
Liabilities	74,406	understated
Equity	129,067	understated
Revenues	2,308	overstated
Expenses	254,811	overstated

The net effect of the unadjusted amount on excess of revenues over expenditures on the City's Consolidated Statement of Financial Activities is an understatement of \$252,503. After considering both quantitative and qualitative factors with respect to the unadjusted differences, we agree with management that the financial statements are not materially misstated.

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Mayor and City Councillors  
City of Nanaimo

April 15, 2008

We would like to thank all the staff at the City who assisted us during our audit. As usual, staff members were friendly and cooperative. Please contact us if you have any questions.

Yours truly,

**CHURCH PICKARD**



Lorana LaPorte, CA, CFP

LL/wh

Enc.

cc: Brian Clemens, Director of Finance ✓  
Lorrie Coates, Manager of Accounting Services

Partners  
John A. Annesley, C.A.\*  
Lorana LaPorte, C.A., CFP\*  
Grant McDonald, C.A.\*  
\* incorporated

RECEIVED  
APR 18 2008  
CITY OF NANAIMO  
FINANCE DEPARTMENT

  
Church Pickard  
Chartered Accountants  
"Your Success is our Focus"

April 15, 2008

Brian Clemens, Director of Finance  
City of Nanaimo  
455 Wallace Street  
Nanaimo, BC V9R 5J6

Dear Mr. Clemens:

We have completed our audit for the year ended December 31, 2007. During the course of our audit of the City of Nanaimo (City), we identified matters which may be of interest to management. The objective of an audit is to obtain reasonable assurance whether the financial statements are free of material misstatement and it is not designed to identify matters that may be of interest to management in discharging its responsibilities.

The matters identified were:

- **New accounting standards**

- **CICA public sector accounting handbook – PS2700**

- This new Section establishes standards on how to define and disclose segments in the summary financial statements of federal, provincial, territorial, and local governments. The section applies to fiscal years beginning on or after April 1, 2007. The following is an excerpt from this new standard:

- PURPOSE AND SCOPE**

- 04 The guidance in this section is intended to start with the consolidated financial statements and separate out key financial information into segments in order to provide relevant information for accountability and decision-making purposes, while ensuring that the information is consistent with the consolidated financial statements.
  - 05 The objectives of disclosing information about segments are to:

    - (a) help users of the financial statements identify the resources allocated to support the major activities of the government;
    - (b) help users of the financial statements make more informed judgments about the government reporting entity and about its major activities;
    - (c) help users of the financial statements better understand the manner in which the organizations in government are organized and how the government discharges its accountability obligations;

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Brian Clemens, Director of Finance  
City of Nanaimo

April 15, 2008

- (d) enhance the transparency of financial reporting; and
- (e) help users of the financial statements better understand the performance of the segments and the government reporting entity.

06 Users of the financial statements have a variety of needs that segment disclosures may be useful in addressing. For example, segment disclosures may assist users in assessing future net cash flows of the government.

- **Filing T2 Corporate Tax Returns**

Please see attached recent information sheet issued by Canada Revenue Agency regarding the requirement for Municipalities to file corporate tax returns.

- **Legal liabilities and contingent liabilities**

For the 2007 fiscal year, employee grievances were not included in the determination of the legal liability to be accrued. The Human Resources department keeps a listing of outstanding grievances and has provided estimates of liabilities related to these claims based on their experience. The total of the estimated liabilities for employee grievances for 2007 was \$10,000 and has been included in the list of unadjusted differences.

- **Fraudulent or illegal activities**

According to CICA General Assurance and Audit Standards Section 5135, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and with management.

An auditor conducting an audit in accordance with generally accepted auditing standards obtains reasonable assurance that the financial statements taken as a whole are free of material misstatement, whether caused by fraud or error. However, the assurance an auditor provides concerning lack of misstatements arising from fraud is necessarily lower than the assurance provided concerning those arising from error.

Through discussions with management and risk assessments, we determine areas where fraud risk could occur and conduct the appropriate audit testing. While we did not discover instances of fraud or misstatement due to fraud, our testing involved examining backup documentation for general ledger journal entries, analysing staff credit card usage, examining fuel procedures at the works yard, and observing admission procedures for parks and recreation facilities.

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Brian Clemens, Director of Finance  
City of Nanaimo

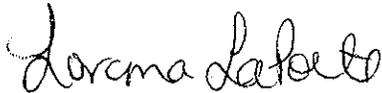
April 15, 2008

Some small fluctuations in fuel levels were reported during the year. We understand that dips are made and checked by the supplier and City staff before and after fuel is delivered. This is an important control as it ensures the City is getting the fuel they pay for. The City may also wish to test the pumps to ensure that the amounts pumped out are correctly tracked by the fuel reader, have tanks inspected to ensure leaks are not occurring, and/or implement a log system for drivers to record fuel pumped/used in each vehicle.

We would like to thank all the staff at the City who assisted us during our audit. As usual, the staff was friendly and cooperative. Please contact us if you have any questions.

Yours truly,

**CHURCH PICKARD**

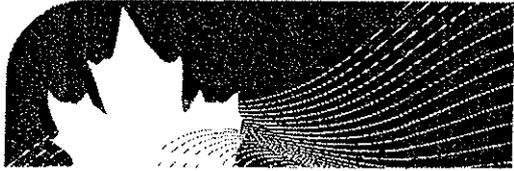


Lorana LaPorte, CA, CFP

LL/wh

Enc.

cc: Lorrie Coates



# Fact sheet

## Compliance refund hold legislation – Restrictions on refunds and rebates

Starting April 1, 2008, the Canada Revenue Agency (CRA) will apply the compliance refund hold legislation to the following corporate entities that are exempt from paying federal income tax under subsection 149(1) of the *Income Tax Act*:

- municipalities
- universities
- schools
- hospitals
- non-profit organizations
- federal crown corporations
- Indian band councils

The compliance refund hold legislation, which became effective on April 1, 2007, requires the CRA to withhold the payment of rebates and refunds until all required returns under the *Income Tax Act*, the *Excise Tax Act*, the *Excise Act, 2001*, and the *Air Travellers Security Charge Act* have been filed.

The CRA implemented an administrative position to ease the administrative burden for numerous corporate entities that are exempt from paying federal income tax under subsection 149(1) of the *Income Tax Act* and have not filed their required corporation income tax (T2) return in previous years. Corporate entities in the municipality, university, school, hospital, non-profit organization, federal crown corporation, and Indian band sectors will not have their refunds or rebates held for outstanding T2 returns with a fiscal period ending on or before March 31, 2008. This administrative position is for purposes of the automatic refund hold only and does not alleviate their legislative responsibility to file their annual corporate tax return.

However, failure by these entities to file T2 returns by their due dates for the taxation years ending April 1, 2008, and forward will result in a compliance refund hold on their refunds or rebates.

Registered charities, Hutterites, and provincial crown corporations are not required to file a corporation income tax (T2) return and are not subject to the provisions of the compliance refund hold.

For more information about filing a corporation income tax (T2) return, visit [www.cra.gc.ca/t2return](http://www.cra.gc.ca/t2return).



## STAFF REPORT

REPORT TO: B. E. CLEMENS, DIRECTOR OF FINANCE

FROM: L. A. COATES, MANAGER, ACCOUNTING SERVICES

RE: 2007 STATEMENT OF FINANCIAL INFORMATION

### RECOMMENDATION:

That Council approve the City of Nanaimo 2007 Statement of Financial Information for filing with the Ministry of Community Services.

### BACKGROUND:

The Financial Information Act requires municipalities to prepare a Statement of Financial Information (SOFI) by June 30 each year to be filed with the Ministry of Community Services.

### DISCUSSION:

The 2007 SOFI references the audited consolidated financial statements that were presented to the Finance and Policy Committee at this meeting (May 5, 2008) and are available to the public by request and on the City of Nanaimo website. The SOFI contains additional information not found in the financial statements in these schedules:

- Schedule of Guarantee or Indemnity
- Schedule of Remuneration
- Schedule of Severance Agreements
- Schedule of Goods and Services

The Schedule of Remuneration includes the following information which in accordance with section 168 of the *Community Charter* must be considered annually by the Committee:

<u>Name</u>	<u>Position</u>	<u>Remuneration</u>	<u>Benefits</u>	<u>Expenses</u>
Bestwick, William L.	Councillor	\$ 24,425.52	\$ 0.00	\$ 236.45
Brennan, M. Diane	Councillor	24,425.52	1,272.00	6,511.21
Cameron, Joy D.	Councillor	24,425.52	648.00	4,659.56
Holdom, William J.	Councillor	24,425.52	0.00	4,541.68
Korpan, Gary R.	Mayor	73,708.42	648.00	4,661.98
Manhas, Charanjit S. (Jeet)	Councillor	24,425.52	648.00	5,587.68
McNabb, Larry D.	Councillor	24,425.52	1,152.00	2,990.11
Sherry, Loyd J.	Councillor	24,425.52	0.00	4,926.66
Unger, Mervin W.	Councillor	24,425.52	1,152.00	6,001.73
Total Elected Officials		<u>\$ 269,112.58</u>	<u>\$ 5,520.00</u>	<u>\$ 40,117.06</u>

Council  
 Committee E/PCOW  
 Open Meeting  
 In-Camera Meeting  
 Meeting Date: 2008-MAY-05

Respectfully submitted,



Lorrie A. Coates  
Manager, Accounting Services



Brian E. Clemens  
Director of Finance



Douglas W. Holmes  
General Manager, Corporate Services

LG/sf

Council Meeting: 2008-May 05

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# STAFF REPORT

REPORT TO: A.W. LAIDLAW, GENERAL MANAGER COMMUNITY SERVICES

FROM: TOM HICKEY, DIRECTOR ENGINEERING & PUBLIC WORKS

RE: PAVEMENT MANAGEMENT SYSTEM

Council  
 Committee E/P/CoW  
 Open Meeting  
 In-Camera Meeting  
Meeting Date: 2008 - MAY - 05

## STAFF'S RECOMMENDATION:

That Council authorize Stantec Engineering to supply Pavement Management services at a cost of \$117,290 plus tax.

## EXECUTIVE SUMMARY:

The Engineering and Public Works Department is re-implementing the Pavement Management System to assess the community's road infrastructure. In 1991, the City selected Stantec Engineering to provide the pavement management services and purchased their software at that time. To re-initiate this program staff believe is important to single-source Stantec because the City has their software and it is important to reconcile the set of data to be collected this year with the data collected in the 1990's. City purchasing policy is not clear regarding sole sourcing at this dollar level and therefore staff are requesting Council review of this purchase.

## BACKGROUND:

The analysis provided through the Pavement Management System includes the Surface Distress Index, Ride Comfort Index and the Structural Adequacy Index. Each criterion is then considered in calculating an overall Pavement Quality Index for each road section. The data for the analysis is collected using one of Stantec's testing vehicles that travel to communities throughout North America. Just over 400 kilometers of the City's road system will be tested and the funding is allocated for this project in the 2008 public works budget.

To be sure that Stantec is providing the City with good value for service, staff have confirmed that the unit costs they are charging Nanaimo are similar to fees being charged by Stantec in North Vancouver and Burnaby. In future years staff will continue to use Stantec's Pavement Management software but will investigate which companies might be able to collect data for the City that can be integrated into it. A tender can then be issued based on those criteria.

## STAFF'S RECOMMENDATION:

That Council authorize Stantec Engineering to supply Pavement Management services at a cost of \$117,290 plus tax.

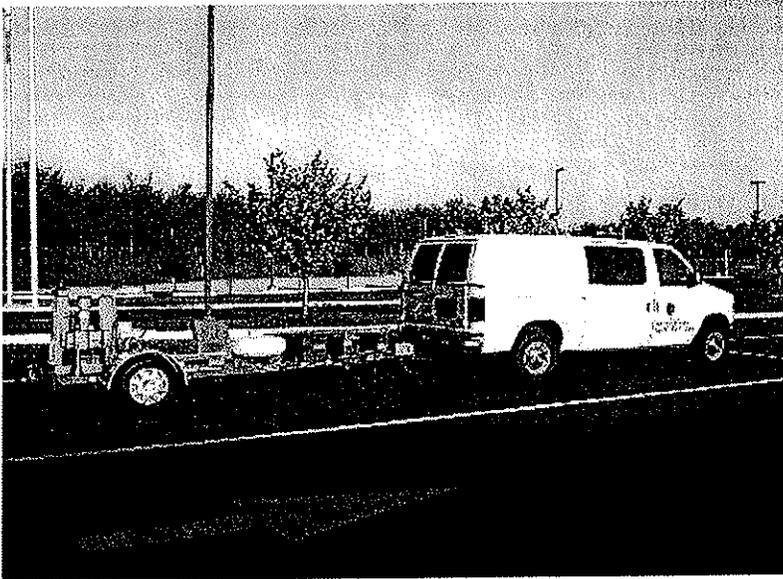
Respectfully submitted,



Tom Hickey  
Director Engineering & Public Works



A.W. Laidlaw  
General Manager Community Services



# INFORMATION ONLY REPORT

REPORT TO: FINANCE / POLICY COMMITTEE OF THE WHOLE

FROM: LARRY McNABB, CHAIR, PARKS, RECREATION AND CULTURE COMMISSION

RE: YEARLY CHARGES FOR PARKS, RECREATION AND CULTURE "NOMINAL" FEE LICENCES AND AGREEMENTS

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## RECOMMENDATION:

That Council receives the report.

## EXECUTIVE SUMMARY

Historically, non-profit organizations that provide Park, Recreation and Cultural services on City of Nanaimo parkland have been charged a fee of \$1.00 per year. Other municipalities in British Columbia charge between \$1.00 to \$10.00 for similar agreements. At their 2008-APR-23 meeting, the Parks, Recreation and Culture Commission unanimously passed a motion to continue to charge a \$1.00 per year for licenses that have been approved by Commission and Council as "nominal" fee agreements. The administrative fee of \$125.00 upon renewal of the license also remains unchanged.

## BACKGROUND:

At the 2008-FEB-27 Parks, Recreation and Culture Commission meeting, it was requested that staff review what other municipalities charge their non-profit organizations for annual license fees and report back to Commission.

The City of Nanaimo solicitor, Staples McDannold Stewart, was asked to provide comments based on their extensive experience in providing license agreements to other municipalities. The solicitor advised that the amount paid is not regulated by law and the sum today ranges from \$1.00 to \$10.00.

Commission unanimously supported maintaining the policy of charging the yearly fee of \$1.00 for licenses that have been determined by the Parks, Recreation and Culture Commission and City Council as "nominal" fee agreements. The administrative fee of \$125.00 upon renewal of the license also remains unchanged.

Respectfully submitted,



Larry McNabb, Chair  
Parks, Recreation and Culture Commission

Council  
 Committee *F/PCOW*  
 Open Meeting  
 In-Camera Meeting  
Meeting Date: *2008-MAY-05*

## FOR INFORMATION ONLY REPORT

REPORT TO: D. W. HOLMES, GENERAL MANAGER OF CORPORATE SERVICES

FROM: B. E. CLEMENS, DIRECTOR OF FINANCE

RE: 2007 SURPLUS ALLOCATION

### STAFF'S RECOMMENDATION:

It is recommended that Council receive this report for information.

### EXECUTIVE SUMMARY:

The City of Nanaimo General Revenue Fund surplus was approximately \$5.8 million for 2007 (compared to \$3.3 to \$5.0 million in the previous five years). In order to complete the financial statements, this surplus was allocated to various reserves as required. Putting these surplus funds into reserves gives Council options for new capital priorities.

### BACKGROUND:

The 2007 financial statements are complete and are the subject of a separate report on tonight's agenda. In preparing the financial statements, staff allocated the 2007 surplus to various reserves based on previous general direction from Council and operational requirements. The general revenue surplus in 2007 was approximately \$5.8 million in 2007. Over the past five years the surplus has varied from about \$3.3 million to about \$5.0 million.

Given that municipalities are not allowed to operate at a deficit, it is predictable that there will be a surplus of some amount every year. However, as they have increased in recent years, Finance staff conducted a detailed review of the surplus to determine its causes. One purpose of this exercise was to identify changes that could be made to future budgets to reduce the proposed tax increase. Some of these changes were a part of the reason that the tax increase in 2008 was reduced from 7% to 3.9%.

As was expected, a large part of the surplus was spread widely throughout the budget, in areas where the surplus may not be repeated in the future. A few causes were identified that could be corrected to reduce the impact on future budgets:

- Interest income exceeded budget by \$1.7 million. It was anticipated that interest rates would fall in 2007, but instead they increased part way through the year.
- Benefits were being budgeted for at a higher rate than the actual cost.

Council  
 Committee E/PCOW  
 Open Meeting  
 In-Camera Meeting  
 Meeting Date: 2008-MAY-05

- There were a large number of vacant positions due to turn-over and a difficulty in recruiting new staff. Some of these were related to Higher Service Levels that were approved by Council in 2007.

Interest rates have already fallen this year, but the budget has been increased by \$1.2 million in 2008 to bring the budget in line with previous earnings and to reduce the possibility re that interest will be a source of surplus this year. Staff also changed the way in which benefits are budgeted to more accurately reflect the real costs.

The remaining issue, vacant positions, is more challenging to deal with. It is generally not possible to predict which positions will be vacant each year. The exception is for new positions that are created through Higher Service Levels that are added as part of the budget process. The current direction of Council is that these positions are added to the budget at 100% of their cost. The reason for this was to ensure that Council was aware of the full cost of implementing a Higher Service Level (nearly all Higher Service Levels are for new staff, although some are for other costs, such as consulting).

Higher Service Levels are rarely implemented at the beginning of January. Once Council's approval is received, there is usually a delay before a person is hired and starts work. In 2007, this delay resulted in about \$327,000 being added to the surplus.

While the original reason for Council's direction on including 100% of the costs in the first year is valid, it has had the unintended consequence of increasing the surplus. If this trend continues in 2008, Council may wish to revisit this policy before adopting the 2009 budget.

The 2007 surplus has been allocated to reserves as follows:

General Capital Reserve	1,500,000
Uncollected Taxes Reserve	1,000,000
Sustainability Reserve	500,000
Sick Leave Accrual	2,148,751
Bad Debt Reserve	6,504

A change in accounting standards required municipalities to calculate the amount of sick leave that has been earned but not used. This calculation was performed by an actuary. While not required by law to fund this accrual, staff believe that it is appropriate to do so, and the unusually large surplus in 2007 provided an obvious source of funding.

The \$1.0 million increase to the Uncollected Taxes reserve was in recognition of the recent financial problems in the forest industry and brings the reserve to \$2.0 million. The new Sustainability reserve was created to fund sustainability initiatives for City facilities. The remaining funds are generally available for Council to allocate to new capital initiatives.

After the above transfers, the City's accumulated surplus will remain at about \$5.5 million. This is the accumulated balance of all previous years' surpluses and is not allocated to any future expenditure.

Surplus in the sewer fund allowed a transfer to reserves of \$220,000. The water fund transferred \$150,000 to reserve. These amounts are similar to previous years.

Note that \$300,000 of previous years' surplus was used in 2007 to reduce the amount required from taxation. The Financial Plan calls for a similar contribution of \$200,000 in 2008.

Respectfully submitted,



Brian E. Clemens  
Director of Finance



Douglas W. Holmes  
General Manager of Corporate Services

BEC/sf

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