

**MINUTES**  
**FINANCE AND AUDIT COMMITTEE MEETING**  
**SHAW AUDITORIUM, VANCOUVER ISLAND CONFERENCE CENTRE,**  
**80 COMMERCIAL STREET, NANAIMO, BC**  
**WEDNESDAY, 2020-NOV-17, AT 9:00 A.M.**

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Present: Mayor L. Krog, Chair  
Councillor D. Bonner  
Councillor T. Brown  
Councillor B. Geselbracht (joined electronically)  
Councillor E. Hemmens  
Councillor Z. Maartman  
Councillor I. W. Thorpe  
Councillor J. Turley

Absent: Councillor S. D. Armstrong

Staff: J. Rudolph, Chief Administrative Officer  
A. Groot, A/General Manager, Parks, Recreation and Culture  
D. Lindsay, General Manager, Development Services  
B. Sims, General Manager, Engineering and Public Works  
Supt. L. Fletcher, Nanaimo Detachment RCMP  
T. Doyle, Fire Chief  
B. Corsan, Director, Community Development  
L. Mercer, Director, Finance  
P. Rosen, Director, Engineering  
D. Bailey, Manager, Finance  
W. Fulla, Manager, Business, Asset and Planning  
S. Snelgrove, Deputy Corporate Officer  
K. Lundgren, Steno, Legislative Services  
A. Mac Coll, Recording Secretary

1. CALL THE FINANCE AND AUDIT COMMITTEE MEETING TO ORDER:

The Finance and Audit Committee Meeting was called to order at 9:00 a.m.

2. INTRODUCTION OF LATE ITEMS:

(a) Reorder Agenda Item 10 – Question Period to follow Agenda Item 7 – Presentations.

3. APPROVAL OF THE AGENDA:

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

4. ADOPTION OF THE MINUTES:

It was moved and seconded that the following Minutes be adopted as circulated:

- Minutes of the Finance and Audit Committee Meeting held in the Shaw Auditorium, Vancouver Island Conference Centre, 80 Commercial Street, Nanaimo, BC, on Wednesday, 2021-OCT-20 at 9:00 a.m.
- Minutes of the Special Finance and Audit Committee Meeting held in the Shaw Auditorium, Vancouver Island Conference Centre, 80 Commercial Street, Nanaimo, BC, on Friday, 2021-OCT-29 at 9:00 a.m.
- Minutes of the Special Finance and Audit Committee Meeting held in the Shaw Auditorium, Vancouver Island Conference Centre, 80 Commercial Street, Nanaimo, BC, on Wednesday, 2021-NOV-03 at 9:00 a.m.

5. REPORTS:

(a) Live Fire Training Centre Remediation

Introduced by Tim Doyle, Fire Chief.

- Live Fire Station Centre Project went out for tender on 2021-OCT-06 with only 1 bid received
- The total cost of the sole bid is \$532,000
- Original estimated cost provided by the consultant was \$275,300
- There is a lack of available contractors with expertise with this type of work
- The City of Nanaimo (the City) in good faith is not able to re-tender the work without jeopardizing the City's reputation and opening the City up to potential legal action
- The City can cancel the project and not go forward or the City can increase the budget to align with the tender that was received as redesigning the project is not feasible
- Additional funds can be used from existing projects that were completed under budget
- The training facility will help reduce staff travel costs
- The outcome of the renovations will give the City an opportunity to generate more revenue

Committee discussion took place. Highlights included:

- This project relates to budget considerations as it ties in to training and a new manager position

(b) Operating Results for the Nine Months ending 2021-SEP-30

Introduced by Laura Mercer, Director, Finance.

- The operating results for nine months ending 2021-SEP-30 is for day to day operations only

- At the end of Quarter 3 the City is projecting a surplus in the general fund, sewer fund, and water fund
- The RCMP retro pay expense is the largest contributing factor to the deficits with the City accruing for this expense each year
- The City is estimated to be \$3,000,000 short for the retro pay expense and is currently projecting the surplus will be enough to cover this expense
- Position vacancies, casino revenue, building inspection revenue, and aquatic operations revenue contributed to the surplus
- The City has unspent Health and Housing funds
- The operations for the Vancouver Island Conference Centre and the Vancouver Island Emergency Response Academy are better than expected
- Quarter two was estimated to have a \$1,500,000 deficit and currently in Quarter 3 the City has a surplus of \$1,300,000
- Sewer is expected to have a deficit with lower than anticipated revenues for the pump stations, new service connections, and increased costs due to water discounts with extended due dates on user rate bills

Committee discussion took place. Highlights included:

- The Health and Housing Task Force surplus will be carrying forward to the next year
- The City will not use the water surplus to lower the increases for the water user rate fees

(c) Project Results for the Nine Months ending 2021-SEP-30

Introduced by Laura Mercer, Director, Finance.

- This report shows the status of the operating and capital projects
- To date the City has spent 59% of the budget
- Projects that are going out to tender and bids currently have unexpected project cost increases as there is a lack of available contractors

Committee discussion took place. Highlights included:

- Project delays and risk of cost increases for the projects
- Projects already tendered are within budget unless the scope is to change

(d) Council Expenses for the Nine Months ending 2021-SEP-30

Introduced by Laura Mercer, Director, Finance.

- The information is generated at the end of each year in the Statement of Financial Information report and provided to the committee

(e) Quarterly Purchasing Report (Single and Sole Source, Purchases in Excess of \$250,000 and Instances of Non-Compliance Purchases)

Introduced by Laura Mercer, Director, Finance.

- Report is for Quarter 3 2021-JUL-01 to 2021-SEP-30
- There were 10 single and sole purchases subject to the procurement policy, 2 purchases in excess of \$250,000 and no instances of non-compliance

6. PRESENTATIONS:

(a) KPMG Preliminary Audit

Introduced by Laura Mercer, Director, Finance.

Presentation:

1. Liette Bates-Eamer and Sarah Burden, Chartered Professional Accountants, KPMG provided a PowerPoint presentation. Highlights included:
  - KPMG provides an audited opinion on materiality and the City reporting fairly in accordance with the Public Company Accounting Oversight Board
  - Noted materiality figure and that materiality represents a maximum level of error if it were to change the users opinion in a financial decision
  - The significant risk assessed in the audit is fraud risk due to management overrides, but this is in all audits and is not specific to the City of Nanaimo
  - Inquiries of fraud are required to be done in the planning stages of the audit with the governing body and management staff
  - The following are significant accounts in the audit process:
    - Tangible Capital Assets
    - Salaries and Benefits
    - Cash and Investments
    - Revenue and Receivables
    - Expenses and Payables
  - The detailed audit plan includes upcoming changes to accounting standards and asset obligations for the 2023 financial statements
  - There are new standards of financial instruments that the City will have to adopt for the 2023 financial statements

Committee discussion took place. Highlights included:

- The materiality is set for the City at 2.2%, and it is consistent with other municipal audit clients
- The auditor will still look for discrepancies under the 5% threshold

7. QUESTION PERIOD:

There was no one in attendance to ask questions.

8. PROCEDURAL MOTION TO PROCEED IN CAMERA:

It was moved and seconded that the meeting be closed to the public in order to deal with agenda items under the *Community Charter*:

- (a) personal information about an identifiable individual who holds or is being considered for a position as an officer, employee or agent of the municipality or another position appointed by the municipality;
- (e) the acquisition, disposition or expropriation of land or improvements, if the Council considers that disclosure could reasonably be expected to harm the interests of the municipality;
- (k) negotiations and related discussions respecting the proposed provision of a municipal service that are at their preliminary stages and that, in the view of the Council, could reasonably be expected to harm the interests of the municipality if they were held in public; and,

The motion carried unanimously.

The Finance and Audit Committee moved In Camera at 9:33 a.m.

The Finance and Audit Committee moved out of In Camera at 10:41 a.m.

9. ADJOURNMENT:

It was moved and seconded at 10:41 a.m. that the meeting adjourn. The motion carried unanimously.

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CHAIR

CERTIFIED CORRECT:

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DEPUTY CORPORATE OFFICER