



FINANCE AND ADMINISTRATION COMMITTEE

**Wednesday, September 4, 2013
Following Executive Committee**

Forum, Main Floor, City Hall



**Public Agenda
Finance and Administration Committee
Wednesday, September 4, 2013**

Approval of Public Agenda

Minutes of the meeting held on August 6, 2013

Administration Reports

FA13-23 2013 Public Audit Service Report

Recommendation

1. That the 2013 Audit Plan presented by Deloitte be APPROVED.
2. That the City Clerk be authorized to sign the engagement letter on behalf of both the Administration and the Finance and Administration Committee.

FA13-24 2013 Reserve Balances

Recommendation

1. That a transfer be made from the Community Investment Reserve to the General Fund Reserve, in the amount of \$258,671; composed of \$221,266 and \$37,405 from the Executive Committee and Finance & Administration Committee respectively.
2. That this report be forwarded to the September 9, 2013 meeting of City Council for approval.

Adjournment

AT REGINA, SASKATCHEWAN, TUESDAY, AUGUST 6, 2013

AT A MEETING OF THE FINANCE AND ADMINISTRATION
COMMITTEE
HELD IN PUBLIC SESSION

AT 4:00 PM

These are considered a draft rendering of the official minutes. Official minutes can be obtained through the Office of the City Clerk once approved.

Present: Councillor Wade Murray, in the Chair
Councillor Bryon Burnett
Councillor Bob Hawkins
Councillor Shawn Fraser

Regrets: Councillor Terry Hincks

Also in Attendance: Committee Assistant, Mavis Torres
Legal Counsel, Jana-Marie O'Dling
Deputy City Manager, Corporate Services, Brent Sjoberg

APPROVAL OF PUBLIC AGENDA

Councillor Bob Hawkins moved, AND IT WAS RESOLVED, that the agenda for this meeting be approved, as submitted.

ADOPTION OF MINUTES

Councillor Bryon Burnett moved, AND IT WAS RESOLVED, that the minutes for the meeting held on July 9, 2013 be adopted, as circulated

ADMINISTRATION'S REPORT

FA13-22 Authorization to Initiate a Process to Engage Banking Services

Recommendation

1. That the Deputy City Manager of Corporate Services be authorized to issue a Request for Proposals (RFP) for professional banking services using the evaluation criteria as presented in this report.
2. That the Deputy City Manager of Corporate Services be authorized to award a contract for the professional banking services for the period of September 1, 2014 to August 31, 2019 to the successful proponent selected by the RFP and based on the approved criteria and to finalize the terms with the successful proponent.
3. That this report be forwarded to the August 26, 2013 City Council meeting for consideration.

Councillor Shawn Fraser moved, AND IT WAS RESOLVED, that the recommendations contained in the report be concurred in.

ADJOURNMENT

Councillor Bryon Burnett moved, AND IT WAS RESOLVED, that the meeting Adjourn.

The meeting adjourned at 4:02 p.m.

Chairperson

Secretary

September 4, 2013

To: Members,
Finance and Administration Committee

Re: 2013 Audit Service Report

RECOMMENDATION

1. That the 2013 Audit Plan presented by Deloitte be APPROVED.
2. That the City Clerk be authorized to sign the engagement letter on behalf of both the Administration and the Finance and Administration Committee.

CONCLUSION

The audit plan as proposed by Deloitte is consistent with the programs followed in prior years and meets the needs of the City of Regina. In 2012, Deloitte was appointed to a five year term for 2012 to 2016.

The Engagement Letter is required according to generally accepted auditing standards and is consistent with Deloitte's proposal and the agreement for audit services.

BACKGROUND

Section 159(1) of *The Cities Act* requires that City Council appoint an auditor for the City who is a member in good standing of an accounting profession. In recent history, the City's auditor has been selected through a request for proposals process and appointed for five year terms. This process is carried out jointly with the Regina Public Library, Regina Downtown, The Warehouse District, Regina Regional Opportunities Commission, and the Buffalo Pound Water Administration Board for audit work related to those entities. Deloitte was selected as the auditor for the City and the other entities for a five year term beginning in 2012, and expiring with the conclusion of the 2016 audit.

It is the responsibility of City Administration to prepare annual financial statements for the City. *The Cities Act* requires that the financial statements are prepared according to the standards established by the Public Sector Accounting Standards (PSAS) of the Canadian Institute of Chartered Accountants.

Historically, municipal governments followed a range of traditional accounting practices, many of which were based on the cash basis of accounting. Comparability between financial information was difficult. The PSAS was established in the 1980's to develop standards for government reporting. Through a series of projects over the past twenty plus years, new accounting standards for governments have been developed. The City has followed a practice of adopting all standards as they are established by the PSAS in an effort to provide open, transparent and comparable financial reporting.

The role of the auditor is to express an opinion as to whether the financial statements of the City present fairly, in all material respects, the financial position of the City of Regina at the end of the year and the results of operations for the year in accordance with Canadian generally accepted accounting principles. The auditor will carry out procedures necessary to be able to

express that opinion. The attached audit plan provides more detail regarding the role of the auditor and the nature of work to be performed.

The professional standards of the Canadian Institute of Chartered Accountants require that auditors communicate the scope of all work and all fees to the audit committee. The Finance and Administration Committee's terms of reference include responsibility for financial matters including the annual audit, and thereby functions as the City's audit committee.

The purpose of this report is to present a summary of Deloitte's Audit Service Report (Audit Plan) for the 2013 audit and to authorize the City Clerk to sign the engagement letter on behalf of Finance and Administration committee and Administration.

DISCUSSION

The plan contains the following information:

1. Executive Summary – Key elements of the Audit Service Plan
2. Fees for the 2013 Engagement – A schedule of the specific audit areas and the fees associated with provision of audit services.
3. Communication Requirements – The required communication and timing of communication.
4. Engagement Letter – Generally accepted auditing standards require that Deloitte provide an Engagement Letter outlining the scope and terms of their engagement as auditor. The attached Engagement Letter is consistent with generally accepted auditing standards and with Deloitte's proposal and the five year audit services agreement entered into when Deloitte was appointed as auditors. The appendices of the engagement letter include information on the roles and responsibilities of the auditor, management and the Finance and Administration Committee in financial reporting and information on recent developments in the industry.
5. Deloitte Resources – A list of Canadian Deloitte resources.
6. Financial Reporting Developments – Recent developments in Public Sector Accounting Standards that may impact the City are discussed.
7. Changes in the accounting standards.

RECOMMENDATION IMPLICATIONS

Financial Implications

Base fees for the City of Regina audit are set according to the five year contract that was approved for the 2012-2016 audit years. This includes the contract fees for the City of Regina audit, the MAER reports (for Provincial Territorial and Gas Tax Funding requirement) and any additional fees for additional audits requested. The City of Regina is responsible for the costs of audit fees directly related to the City of Regina, while costs of the audit fees for related entities are borne by those organizations.

Environmental Implications

None related to this report.

Policy and/or Strategic Implications

Section 159 (1) of *The Cities Act* requires that City Council appoint an auditor for the City who is a member in good standing of an accounting profession. An unqualified opinion represents an auditor's judgement as to the fairness of presentation of the City's financial statements and their conformity with Generally Accepted Accounting Principles. This validates and strengthens financial controls, ensures financial data produced for management decision-making is reliable and verifiable.

Other Implications

None related to this report.

Accessibility Implications

None related to this report.

COMMUNICATIONS

Deloitte has been provided a copy of this report

DELEGATED AUTHORITY

This report is within the delegated authority of the Committee. Although approval of fees for professional services is within the authority of the Administration under the Regina Administration Bylaw 2003-69, it is a requirement of the audit profession that an auditor communicate the scope of all work and all fees to the audit committee through the approval of the audit plan.

Respectfully submitted,



Chuck McDonald, Director
Finance

Respectfully submitted,



Brent Sjoberg,
Deputy City Manager and CFO

Report prepared by:
Lorrie Schmalenberg, Manager/Corporate Accounting

September 4, 2013

To: Members,
Finance and Administration Committee

Re: Reserve Balances in Comparison to Minimum and Maximum Target Balances

RECOMMENDATION

1. That a transfer be made from the Community Investment Reserve to the General Fund Reserve, in the amount of \$258,671; composed of \$221,266 and \$37,405 from the Executive Committee and Finance & Administration Committee respectively.
2. That this report be forwarded to the September 9, 2013 meeting of City Council for approval.

CONCLUSION

The annual review of reserve balances has identified a recommended transfer of \$258,671 from the Community Investment reserve to the General Fund Reserve.

In accordance with the Regina Administration Bylaw, an annual review of the City's reserves has been conducted. This report summarizes balances for reserves that fall within and outside their target minimum and maximum ranges, recommended reserve transfers, as well as explanations regarding why a replenishment or reduction is not recommended for some reserves that are either below or in excess of their target limits.

BACKGROUND

The City's reserve policy requires that minimum and maximum target ranges be established for all the City reserves. Section 8.1, Schedule A of *The Regina Administration Bylaw*, Bylaw 2003-69, requires the Deputy City Manager & CFO to submit a report to City Council by September 30th of each year that ensures appropriate balances are maintained in the City's reserves. In 2011, the City started conducting reviews on the reserves in Schedule A, in compliance with the reserve policy. The reviews were completed in 2012, and the approved target amounts have been inserted into Schedule A of *The Regina Administration Bylaw*, Bylaw No. 2003-69.

Section 8.1 in Schedule A of *The Regina Administration Bylaw*, requires the Deputy City Manager & CFO to submit a report to City Council by September 30th of each year that includes the following:

- (a) a list of every reserve in Schedule A that as of the previous December 31st had a balance that is greater than its maximum target balance or less than its minimum target balance;
- (b) a list of recommended transfers to and from the reserves set out in clause (a) that will bring these reserves within the target minimum and maximum ranges;

- (c) where there are reserves that are to remain outside the range, a three year plan that sets out how these reserves will be replenished or reduced to the target minimum and maximum ranges; and
- (d) where the conditions in clauses (b) and (c) cannot be met, the report shall advise of the rationale for not replenishing or reducing the reserve balance.

DISCUSSION

As of December 31, 2012, the reserves in Table 1 were outside of their target minimum and maximum range:

Table 1: Reserves that fall outside their target range

<u>Reserves</u>	\$ (000's)		
	December 31, 2012 Balance	Target Minimum	Target Maximum
Solid Waste Reserve	18,318	300	13,000
Regina Police Service General Reserve	2,354	400	2,000
Community Investment Grants Reserve:			
Community & Protective Services Committee	417	0	175
Finance & Administration Committee	148	0	25
Executive Committee	371	0	150
Fleet Replacement Reserve:			
Transit	280	1,800	3,600
Small Tools	99	42	84
Total	21,988	2,542	19,034

In accordance with Section 8.1, Schedule A, of *The Regina Administration Bylaw*, the following recommendations are made:

Solid Waste Reserve – In 2013, Council approved a capital funding of \$6.47 million from this reserve. In addition, funding of \$24.18 million has been forecasted for capital projects in 2014, including construction of the new landfill and the landfill facility. These outflows, in conjunction with projected annual inflows of \$11.7 million, will bring this reserve within its target range. As a result, no transfer is recommended at this time.

Regina Police Service General Reserve – Due to Council approved funding of \$1.44 million for the 2013 Regina Police Service capital program, no transfer is recommended from this reserve as this funding will deplete this reserve to its target range.

Community Investment Reserve (CIR) – Due to recent transactions in this reserve, including the \$120,520 bridge funding approved by Council on July 8, 2013 from the Community & Protective Services Committee Reserve, to support eligible organizations through a transition period; the current balance in the CIR reserve is \$503,075. This amount includes:

- Executive Committee \$371,266
- Community & Protective Services Committee \$69,404
- Finance & Administration Committee \$62,405

Based on this balance, it is recommended that a transfer be made from the CIR to the General Fund Reserve, in the amount of \$258,671, comprising \$221,266 and \$37,405 from the Executive Committee and Finance & Administration Committee respectively.

Fleet Replacement Reserves – Due to a portion of the mill rate being dedicated as an inflow to this reserve, it is expected that this reserve will increase in the next few years. Based on projections made, Transit Fleet is expected to increase within its target range by 2013. The \$15,000 surplus in the Small Tools Fleet account is considered small and has low impact on the City’s reserve position. Therefore a transfer is not recommended at this time.

For information purposes, the reserves shown in Table 2 are within their target minimum and maximum range.

Table 2: Reserves that fall within their target range

<u>Reserves</u>	\$ (000's)		
	December 31, 2012 Balance	Target Minimum	Target Maximum
General Utility Reserve	63,026	33,000	80,000
General Fund Reserve	27,051	15,630	31,260
Land Development Reserve	6,496	2,000	12,000
Asset Revitalization Reserve	7,644	0	10,000
Social Development Reserve	4,145	n/a	n/a
Planning and Sustainability Reserve	3,990	500	7,000
Winter Road Maintenance Reserve	3,523	3,523	3,923
Fleet Replacement Reserve (Civic)	3,265	2,500	5,500
Asphalt Reserve	1,246	300	1,500
Golf Course Reserve	730	500	2,000
Fleet Replacement Reserve (Fire)	710	450	900
Technology Reserve	644	400	3,000
Employer-Provided Parking Reserve	537	400	6,000
Cemetery Reserve	520	0	625
Facilities Reserve	400	100	750
Pest Management Reserve	296	0	700
RPS Radio Equipment Reserve	111	100	6,000
Total	124,333	59,403	171,158

RECOMMENDATION IMPLICATIONS

Financial Implications

Because reserves make up a significant component of the City's overall financial position, it is essential to ensure that year-end reserve balances remain within their approved target ranges. The recommendation contained in this report is consistent with this objective. It allows for a balance between maintaining appropriate reserve balances and ensuring adequate funding for the City's business.

Environmental Implications

None related to this report.

Strategic Implications

Maintaining appropriate reserve balances will assist the City in establishing long-range financial plans that align with the strategic goals and priorities of the corporation.

Other Implications

None related to this report.

Accessibility Implications

None related to this report.

COMMUNICATIONS

None related to this report.

DELEGATED AUTHORITY

The disposition of this report requires Council approval.

Respectfully submitted,



Chuck McDonald, Director
Finance

Respectfully submitted,



Brent Sjoberg
Deputy City Manager and CFO

Report prepared by:
Abiye Dickson, Corporate Policy Advisor