



City of Kelowna
Audit Committee Open Meeting
Minutes

Date: Tuesday, May 2, 2017
 Location: Knox Mountain Meeting Room (#4A)
 City Hall, 1435 Water Street

Committee Members Present: Mayor Colin Basran and Councillors Gail Given and Luke Stack

Staff Present: Deputy City Manager, Joe Creron*; Divisional Director, Financial Services, Genelle Davidson*; Accounting Operations Manager, Garry Filafilo*; Controller, Jackie Dueck*; Acting Fire Chief, Lou Wilde*; and FOI-Legislative Coordinator, Sandi Horning*

Guests: Tyler Neels, Grant Thornton; and Bill Thompson, Grant Thornton

(* denotes partial attendance)

1. Call to Order

Mayor Basran called the meeting to order at 2:06 p.m.

2. Confirmation of Minutes

Moved by Councillor Stack

THAT the Minutes of the 'open session' of the Audit Committee meeting of April 26, 2016 be confirmed as circulated.

Carried

3. Reports

Deputy City Manager:

- Provided an opening statement and congratulated Staff and the Auditors on the Financial Statement process.

Divisional Director, Financial Services:

- Made introductory comments and introduced Staff and the Auditors in attendance.
- Provided an overview of the year end process and acknowledged the work done by Financial Services Staff and the Auditors.
- Advised that the Financial Statements for the Airport have been reviewed with Airport Staff, the Auditors and Financial Services Staff, and have now been signed off.

3.1 (Tab 1) 2016 Kelowna Fire Department Overtime Analysis

Acting Fire Chief:

- Provided an overview of the 2016 Overtime Analysis for the Kelowna Fire Department.
- Responded to questions from the Committee.

Councillor Given:

- Expressed a concern with the Fire Department being over budget every year. Is the budget too low?

Councillor Stack:

- Expressed a concern with the Fire Department being over budget every year (Is the budget too low?) and commented that this issue needs to be addressed.
- Would like to see a comparison between the Kelowna Fire Department's overtime and budget and other fire departments in similar municipalities (eg. Kamloops, Abbotsford) and requested that a graph be included in the next report.

Divisional Director, Financial Services:

- Provided comment on the Fire Department's overtime budget.
- Made comment regarding additional staffing support being provided to Kelowna Fire Department in order to mitigate the overtime hours and budget overruns.

Moved by Councillor Given

THAT the Audit Committee receives, for information, the Report from the Interim Fire Chief dated May 2, 2017 with respect to the 2016 Overtime Analysis for the Kelowna Fire Department.

Carried

4. 2016 Financial Statements

4.1 (Tab 2) Auditor's Report and Consolidated Financial Statements

Tyler Neels, Auditor:

- Provided opening comments with respect to the Auditor's Report.

Accounting Operations Manager:

- Provided an overview of the Consolidated Financial Statements.

4.2 (Tab 3) Memorandum - Detailed Review of Financial Statements

Accounting Operations Manager:

- Provided an overview of the detailed review of the Consolidated Financial Statements.
- Responded to questions from the Committee.

Councillor Stack:

- Made comment regarding 'Portfolio Investments' such as Fortis Inc. and LiLo.
- Would like detailed 'Portfolio Investments' regarding the Fortis Shares and a Dashboard of each fiscal year would be appreciated.

Divisional Director, Financial Services:

- Provided comment regarding 'Portfolio Investments'.
- Advised that staff are working with the Consultant, David Craig, regarding Fortis and LiLo, and will be making a recommendation regarding how to proceed with the Portfolio Investments.
- Could include more detail in Staff's annual investment report to Council which is done in April of every year.
- Believes that share value of the Fortis shares has gone up significantly since the date of purchase.

4.3 (Tab 4) Notes to the Financial Statements and Supplementary Financial Statements

Bill Thompson, Auditor:

- Provided an overview of the Notes to the Financial Statements and Supplementary Financial Statements.

Tyler Neels, Auditor:

- Provided further details regarding the Long Term investment, RG Arenas (Kelowna) Ltd.

Divisional Director, Financial Services:

- Confirmed that the Library Society debt has been paid in full and will be released this year.

4.4 (Tab 5) Financial Health Indicators

Divisional Director, Financial Services:

- Advised that this section of the 2016 Financial Statements is new this year.

Controller:

- Provided an overview of the Financial Health Indicators (performance indicators that show the overall financial health of the City).
- Responded to questions from the Committee.

Tyler Neels, Auditor:

- Provided comment regarding Indicator 4 of the Financial Health Indicators. The large increase in asset value in 2013 was due to the sale of the City's electrical utility.

5. Resolution Closing the Meeting to the Public

Moved by Councillor Given

THAT this meeting be closed to the public to Section 90(1) (l) of the *Community Charter* for the Audit Committee to deal with matters relating to the following:

- Auditor's Report.

Carried

6. Adjourn to Closed Session

The meeting adjourned to a closed session at 3:17 p.m.

7. Reconvene to Closed Session

The meeting reconvened to an open session at 4:00 p.m.

8. 2016 Financial Statements

8.1 (Tab 7) Memorandum - Audit Committee Review of 2016 Surplus and Reserves

Controller:

- Provided a high level overview of the Review of the 2016 Surplus and Reserves.

Divisional Director, Financial Services:

- Provided more detail regarding the 2016 accumulated surplus for the Airport.

Tyler Neels, Auditor:

- Provided additional comment regarding the 2016 accumulated surplus for the Airport.

Councillor Stack:

- Made comment regarding the City's reserves.

Deputy City Manager:

- Made comment regarding the City's reserves and the rationale for their amounts.
- Responded to questions from the Committee.

8.2 (Tab 8) Memorandum - 2016 Surplus from Operations

Divisional Director, Financial Services:

- Provided an overview of the 2016 Surplus from Operations.
- Responded to questions from the Committee.

9. Consideration of Financial Statements and Surplus Allocation

9.1 Draft Report to Council - Audit Committee Review of 2016 Financial Statements and Recommendation

Divisional Director, Financial Services:

- Advised that the Financial Statements will now be updated as a result of comments made by the Audit Committee.

9.2 Adoption of Financial Statements, Surplus Allocation Recommendation and Report to Council

Moved By Councillor Stack

THAT the Audit Committee receives, for information, the Consolidated Financial Statements and Auditor's Report for the City of Kelowna for the year ending December 31, 2016;

AND THAT the Audit Committee recommends that Council approve the contribution of \$4,252,159 of surplus generated from all general fund operations in 2016 to reserves as detailed in the Report from the Audit Committee dated May 2, 2017;

AND FURTHER THAT the Audit Committee's 2017 Report to Council be forwarded to Council for consideration.

Carried

10. Termination

The meeting was terminated at 4:35 p.m.

Mayor Colin Basran, Chair

/slh