

**Minutes of the Operational Review Committee
Meeting Held
Tuesday, June 13, 2017**

Present:

Councillor Maroosis, Committee Chair
Councillor Anthony, Committee Member
Councillor King, Committee Member
Councillor Bain, Committee Member
Councillor Serran, Committee Member
Mayor McDonald, Committee Member (5:00 p.m.–5:25 p.m.; 5:37 p.m.–6:19 p.m.)
Councillor Forgette
Councillor Mayne
Keith Robicheau, Chief Administrative Officer
David Euler, Managing Director Engineering, Environmental and Works
John Severino, Managing Director Community Services
Margaret Karpenko, Chief Financial Officer
Shannon Saucier, Director of Financial Services
Jason Whitely, Fire Chief

Special Guest: Dean Decaire, BDO Canada

Regrets:

Lea Janisse, Managing Director of Corporate Services
Gord Mulcahey, Executive Member North Bay Professional Firefighters' Association
Marti Gerbasi, President CUPE Local 122

Special Review Committee Chair, George Maroosis, called the meeting to order at 5:00 p.m.

1. Adoption of Minutes:
The Minutes of May 30, 2017 were approved and will be presented to Council on July 25, 2017.
2. Business Arising from Minutes:
 - i. None
3. Operational Review of Financial Audit Report
 - Margaret introduced Dean Decaire of BDO Canada to present the financial audit findings. Copies of the presentation were provided to the Committee.
 - ❖ Mr. Decaire indicated that the presentation is intended to be interactive and encouraged Council members to ask questions as they arose and not wait until the end of the presentation.
 - ❖ Mr. Decaire stated that the financial statements look extremely good and commended Margaret, Shannon and staff for all of their hard work.
 - ❖ He further highlighted that the responsibility to prepare financial statements rests with management.
 - ❖ The audit work resulted in an audit file that represents a clean audit file verifying that processes instituted years ago continue to be implemented.
 - ❖ The audit report presented is a clean auditor's report.
 - ❖ Highlights:
 - The Hydro note was redeemed which made a significant impact on cash and investments growth.
 - There was a surplus in 2016 – over \$40,000,000.00 in surplus.
 - The net financial assets rose to \$16,681,837.00 in 2016 from \$6,687,463.00 in 2015.
 - So you are deeming this as great news?
 - Yes. This did not have to do with the Hydro transaction.

- The audit team spent a lot of time in accounts payable during the course of the audit. The Corporation spends about \$12,000,000.00 dollars per month. Payroll every year is \$61,000,000.00 dollars.
- When you mention 11.5 million dollars is that pay as you go as well?
 - Yes. You spend about 2 million per month in capital expenses.
- What is the ratio comparison to other municipalities?
 - This will be covered in the presentation.
- What should a municipality have in reserves?
 - You should have about 6 months of expenses in reserve funds. Debt is about 12% of the infrastructure.
- What would be your best recommendation in reserves?
 - It depends on your strategic plan and goals.
- ❖ There are no significant risks identified. All commitments are normal and normal in the course of running a municipality.
- ❖ There is an annual surplus of 9 million dollars.
- ❖ The annual tax rate by municipality is as follows:
 - \$2700.00/person in North Bay
 - \$3500.00/person in Timmins
 - \$3550.00/person in Thunder Bay
 - \$2750.00/person in Sault Ste. Marie
 - \$2500.00/person in Barrie
 - Could it be viewed that we are taxing citizens too much based on our financials?
 - For sure, but this would not be an accurate representation.
 - The asset noted in the report that was given back to the City from the Developer, where is that land?
 - This land is located in the subdivision in the streets, etc. that is not owned by the property owner.
 - There is an inherent cost to the roads that we get back from the Developers. How do we classify these costs?
 - The value is determined on the day the land comes back to the City. The operating costs are determined as they are incurred. The asset is depreciated and amortized. For example, road maintenance, etc. – capital plans to replace the road over time. This is then properly matched with the revenue over the future. The revenue from new property owners in the subdivision assists to pay for the operating costs.
 - Do you capture costs into this statement? Costs such as the standpipe? Is there a matching of expense?
 - No.
 - Can you simplify the surplus process? How much is the budgetary surplus?
 - The budgetary surplus is about \$9,000,000.00 which includes the operating budget and working capital.
 - Hydro had a surplus of \$4,600,000.00. Engineering deferred expenses in the amount of \$3,000,000.00 plus efficiencies achieved in the amount of \$2,000,000.00.
 - When you put these statements together you went by the budget?
 - Yes.
 - The shortfall in General Government is \$1,900,000.00. Is \$1,000,000.00 what we did not spend in General Government?

- From the budget perspective, yes.
- ❖ The audit compared how and where the City spends money. Risk was reviewed looking for fraud statements. None were found. No deficiency was discovered in internal controls.
 - You also did audited statements for all boards & commissions?
 - Yes for the Health Unit and Casselholme.
 - We did not complete audited statements for the DNSSAB.
 - Knowing what happened at the Algoma Unit, I am concerned to have feedback regarding the risk of Agencies, Boards & Commissions. Is their risk? Are there red flags to pass on to Margaret?
 - There is no comment on any entities that I have seen. I would encourage you to ask the Boards that you sit on.
 - Are there tools that you can give us to help us?
 - At no time did I make a comment for audit or risk. I did offer to provide training to help explain best practices and reduce risk.

4. Action Items: None.

Next Meeting: Tuesday, July 11, 2017 @ 5:00 p.m.

Agenda Item: To be determined.

Meeting adjourned at 6:19 p.m.

Councillor George Maroosis
Chair Operational Review Committee

Judy Bechard
Deputy City Clerk