

**MINUTES
CITY OF IQALUIT
FINANCE COMMITTEE OF THE WHOLE MEETING #03
May 7, 2014 at 4:30 PM
CITY COUNCIL CHAMBERS**

PRESENT FROM COUNCIL

Deputy Mayor Wilman
Councillor Terry Dobbin
Councillor Joanasie Akumalik
Councillor Romeyn Stevenson
Councillor Kenneth Bell
Councillor Noah Papatsie
Councillor Simon Nattaq
Councillor Stephen Mansell

ABSENT

Mayor John Graham

PRESENT FROM ADMINISTRATION

John Hussey, Chief Administrative Officer
Tracy Cooke, City Clerk
John Mabberi-Mudonyi, Senior Director, Corporate Services
Valerie Collin, Recorder
Jeanie Eeseemailee, Senior Interpreter/Translator

ADOPTION OF AGENDA

Motion #FIN14-12

Moved by: Councillor Bell
Seconded by: Councillor Akumalik

That the agenda be adopted as presented.

Unanimously Carried

1. MINUTES

None

2. DECLARATION OF INTEREST

None

3. **DELEGATIONS**

None

4. **DEFERRED BUSINESS AND TABLED ITEMS**

None

5. **NEW BUSINESS**

- a) 2013 Audited Financial Statements
John Mabberi-Mudonyi, Senior Director, Corporate Services

Administration presented the committee with the 2013 Consolidated Financial Statements dated December 31, 2013 and noted that the auditors had a clean opinion on this year's report. The statements present the financial position of the city as at December 31, 2013 and the consolidated statements of operations, changes in net financial assets and cash flows for the year then ended, and a summary of significant policies and other explanatory information. The city's financial performance and cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

The financial statements also meet the requirements of Section 144 of the *Cities, Towns and Villages Act*, which requires the application of accounting policies on a constant basis. Further, in accordance with the *Cities, Towns and Villages Act*, proper books of account have been kept by the city, the consolidated financial statements are in agreement with the records maintained by the city and the transactions that have come under notice have, in all significant respect, have been within the statutory powers of the city, except as outlined in Note 12 to the consolidated financial statements.

Administration reviewed the Consolidated Statements of Financial Position for the committee and noted total Financial Assets of forty million one hundred and seventy five thousand two hundred and thirty three (\$40,175,233.00) dollars, total Liabilities of thirty nine million nine hundred and thirty two thousand six hundred and ninety two (\$39,932,692.00) dollars and total Net Assets of two hundred and forty two thousand five hundred and forty one (\$242,541.00) dollars compared to two million one hundred and sixty one thousand six hundred and thirty eight (\$2,161,638.00) dollars from the previous year. This is a decrease of one million nine hundred and nineteen thousand and ninety seven (\$1,919,097.00) dollars over the period.

Another figure to note is the Accumulated Fund Balances which increased from ninety nine million eight hundred and fourteen thousand eight hundred and sixty six (\$99,814,866.00) dollars in 2012 to one hundred and two million four hundred

and eighty one thousand three hundred and sixty nine (\$102,481,369.00) dollars in 2013; this is a good improvement.

Administration reviewed the Consolidated Statement of Operations for the committee and noted total revenues for the year were thirty three million forty seven thousand five hundred and thirty six (\$33,047,536.00) dollars compared to thirty three million ninety one thousand two hundred and forty four (\$33,091,244.00) dollars in 2012; a decrease of forty three thousand seven hundred and eight (\$43,708.00) dollars. However, they were three million four hundred and seventy seven thousand one hundred and sixty four (\$3,477,164.00) dollars below budget.

Total expenses for the year were thirty four million two hundred and twenty two thousand four hundred and sixty five (\$34,222,465.00) dollars compared to thirty three million eight hundred and three thousand eight hundred seven (\$33,803,807.00) dollars in 2012; an increase of four hundred and eighteen thousand six hundred and fifty eight (\$418,658.00) dollars; they were three million three hundred and seventy thousand (\$3,370,000.00) dollars under budget. This resulted in an overall deficit of one million one hundred and seventy four thousand nine hundred and twenty nine (\$1,174,929.00) dollars compared to seven hundred and twelve thousand five hundred and sixty three (\$712,563.00) dollars from the prior period and resulting in an increase of four hundred and sixty two thousand three hundred and sixty six (\$462,366.00) dollars.

Administration noted that Other relates to capital contributions; one is revenue related to projects funded by both the Government of Nunavut and the Government of Canada as indicated in Schedule 18 for the water booster station, water and sewer upgrades, new cemetery access road, new cemetery design and construction and upper base road realignment phase 2 for a total of three million eight hundred and forty one thousand four hundred and thirty two (\$3,841,432.00) dollars.

It should also be noted that Other relates to capital contributions; one is revenue related to projects funded by both the Government of Nunavut and the Government of Canada as indicated in Schedule 18 for the water booster station, sewer lift station number two and a geotechnical study for a total of ninety two thousand six hundred fifty seven (\$92,657.00) dollars.

Administration reviewed the Notes to the Consolidated Financial Statements for the committee and noted total excess revenues of two million six hundred and sixty six thousand five hundred and three (\$2,666,503.00) dollars compared to ten million five hundred and twenty seven thousand six hundred and forty five (\$10,527,645.00) dollars in 2012. Increases or purchases of tangible assets are deducted; amortization (depreciation) which is a non-cash item is re-added, losses on dispositions of tangible assets are re-added as well. Increases in prepaid expenses and consumable inventories are deducted. This leaves a net

decrease of one million nine hundred and nineteen thousand ninety seven (\$1,919,097.00) dollars with a net closing balance of two hundred and forty two thousand five hundred and forty one (\$242,541.00) dollars.

Administration reviewed the Consolidated Statements of Cash Flows for the committee and noted total cash from operations of fourteen million nine hundred and fifty thousand two hundred and thirty four (\$14,950,234.00) dollars compared to nineteen million two hundred and sixty six thousand five hundred and seventy six (\$19,266,576.00) dollars in 2013. Total cash used for financing activities, mostly used for debt repayment, of one million seven hundred and forty one thousand three hundred and forty four (\$1,741,344.00) dollars and a closing cash and cash equivalents of twenty seven million four hundred and ninety six thousand nine hundred and ninety one (\$27,496,991.00) dollars.

Administration reviewed the Notes to the Consolidated Financial Statements for the committee and noted that Note 2, Cash and Cash Equivalents have mostly increased from previous years and the general operating fund is in overdraft as that is the only account where payments are made from. The service charges are based on the consolidated portion as opposed to individual accounts. Note 6, Due to Government of Nunavut indicates that the city owes thirty eight thousand six hundred and eighty nine (\$38,689.00) dollars for gravel royalties payable; the city will be working on addressing this issue. The Department of Community and Government Services recently permitted the city to write-off the outstanding school tax payable in the amount of two hundred and fifty five thousand five hundred and twelve (\$255,512.00) dollars.

Note 7, Deferred Revenue indicates a Gas Tax program revenue of nine million four hundred and fifty two thousand eight hundred and thirty four (\$9,452,834.00) dollars, an operating contribution of seven hundred and ninety three thousand six hundred and fifty five (\$793,655.00) dollars for the first quarter of 2014. A capital contribution of one million two hundred and sixty nine thousand five hundred and fourteen (\$1,269,514.00) dollars for the five year block funding agreement with the Department Community and Government Services as well as other small revenues. Total deferred revenue of eleven million five hundred and ninety nine thousand four hundred and fifty three (\$11,599,453.00) dollars for 2013 compared to nine million eight hundred and ten thousand three hundred and four (\$9,810,304.00) dollars in 2012.

Councillor Stevenson believed that there are two long-term debts listed in Note 8 will be maturing in the very near future but others will not be maturing until 2025 and asked if these were for the development of a subdivision.

Administration confirmed that the two long-term debts to mature soon are in relation to the development of a subdivision but the city will then also have a long-term debt for the new aquatic centre.

Councillor Stevenson asked when the city anticipates borrowing for the new subdivision if it moves forward.

Administration noted that they are unsure and would need to clarify with the Planning and Development Department.

Administration reviewed the General Operating Fund for the committee and noted total revenues of twenty one million three hundred and twenty seven thousand four hundred and forty six (\$21,327,446.00) dollars compared to nineteen million three hundred and ninety five thousand eight hundred and eighty four (\$19,395,884.00) dollars in 2012; an increase of one million nine hundred and thirty one thousand five hundred and sixty two (\$1,931,562.00) dollars. There were total expenses of nineteen million eight hundred and twenty eight thousand eight hundred and sixteen (\$19,828,816.00) dollars compared to nineteen million three hundred and sixty four thousand forty four (\$19,364,044.00) dollars; an increase of four hundred and sixty four thousand seven hundred and seventy two (\$464,772.00) dollars. This leaves total excess revenues before other of one million four hundred and ninety eight thousand six hundred and thirty (\$1,498,630.00) dollars and total excess revenues of three million twenty two thousand and eighty nine (\$3,022,089.00) dollars.

Councillor Dobbin asked for clarification as to why there was a significant increase in legal fees in 2013 compared to 2012.

Administration explained that there has been a lot of legal activities in 2013 and could provide specific details during the next Finance Committee of the Whole meeting.

Administration reviewed the Water and Sewer Fund for the committee and noted total revenues of six million two hundred and sixty six thousand six hundred and sixty two (\$6,266,662.00) dollars; a decrease of two hundred and sixty five thousand six hundred and ninety one (\$265,691.00) dollars from 2012. Total expenses were eight million nine hundred and seventy two thousand thirty eight (\$8,972,038.00) dollars compared to seven million eight hundred and ninety two thousand four hundred and sixty one (\$7,892,461.00) dollars in 2012. This leaves total excess expenses of three hundred and eighty seven thousand four hundred and three (\$387,403.00) dollars compared to total excess revenues of six million three thousand six hundred and seventy nine (\$6,003,679.00) dollars in 2012.

It should be noted that the residential water subsidy by the city remains high and produced approximately fifty one point eight five (51.85) percent of the residential revenue in 2013. The fund would be in a much worse position if the Department of Community and Government Services did not subsidize the community; every effort is being made to improve the billing system to, hopefully one day, have the fund self-sustaining.

Councillor Stevenson asked who is currently addressing the water billing issues and what is being done to address the issues.

Administration advised that the city received funding from the Government of Nunavut in 2013 to upgrade the equipment and it is currently working well. The staffs who deliver water now have a piece of equipment that allows them to simply point at the unit and to transmit data from the unit into the financial computer systems. The fact that the Building Inspector position remains vacant causes certain issues as many developers do not install water meters and do not pay for their consumption.

Administration review the Consolidated Schedule of Changes in Accumulated Fund Balances, General Operating Fund, and noted total excess revenue of three million twenty two thousand and eighty nine (\$3,022,089.00) dollars with the additions of net inter-fund transfers for a total deficit of four million two hundred and four thousand four hundred and seventy nine (\$4,204,479.00) dollars. With the addition of the opening balance for a total of three hundred and six thousand three hundred and thirteen (\$306,313.00) dollars, it leaves the city with a closing balance in deficit of one million four hundred and eighty eight thousand seven hundred and three (\$1,488,703.00) dollars.

It should be noted that there were more transfers from the reserves than to reserves. This can be attributed to the purposes for which the reserves were set up for; an example being the acquisition of specific assets. Assets in the amount of five million five hundred and five thousand eight hundred and thirty seven (\$5,505,837.00) dollars were acquired and repaid capital leases total thirty four thousand nine hundred and thirty six thousand (\$34,936.00) dollars. Loss on disposal of asset in the amount of twenty three thousand six hundred and thirty nine (\$23,639.00) dollars for a Ford F-150 that was crashed but since been repaired and is being used by the roads crew; it is insured and meets all the regulatory requirements. There was also a total of forty thousand two hundred and forty (\$40,240.00) dollars repaid in long-term debt and amortization of two million two hundred and sixty five thousand six hundred and seventy nine (\$2,265,679.00) dollars included.

Councillor Dobbin asked for clarification as to why there are significant differences in salaries and benefits under the Land Development Fund between 2013 and 2012.

Administration noted that some positions were vacant for an extended period of time which resulted in savings in salaries and benefits.

Administration reviewed the Reserve Fund for the committee and noted a total closing balance of eleven million six hundred and sixty thousand five hundred and ninety four (\$11,660,594.00) dollars compared to ten million two hundred

and ninety nine thousand five hundred and seventy six (\$10,299,576.00) dollars in 2012.

Councillor Mansell believed that the reserve accounts needed to be reviewed and updated as many have not been active for some time; this should be done in the near future.

Motion #FIN14-13

Moved by: Councillor Stevenson
Seconded by: Councillor Bell

Committee recommends to accept the 2013 Audited Financial Statements.
Unanimously Carried

b) Verbal Presentation – 2015 Budget and Goals & Objectives
John Mabberi-Mudonyi, Senior Director, Corporate Services

Administration noted that the 2014 budget deliberations were long and very difficult. It was suggested that Council and directors meet to discuss goals and objectives for 2015, prior to the end of 2014, to be prepared for the 2015 budget deliberations. This would provide a better understanding of what projects need to be completed as soon as possible, what funding will be required for those projects and other projects that Council would like to move forward with. The 2015 budget deliberations should be short and simple, only providing important information on changes in departments, with additional information being provided to Council as requested, rather than presenting the budget, line by line, as done in previous years.

Councillor Bell agreed and also suggested that directors attend the goals and objectives session so that Council has a good understanding of funds required and expertise required to move forward with important projects.

Councillor Akumalik also agreed and suggested that Council identify the projects they would like to move forward with as opposed to directors informing Council of what projects should be completed.

Deputy Mayor Wilman believed that it was very important for Council to discuss their goals and objectives and agreed with Administration that budget deliberations should be short and simple. Directors also need to provide their expertise to Council on funding requirements for projects that would be identified for 2015 and agreed that they should be present during the goals and objectives session.

- c) Lease Renewal for Building 1554 D
John Mabberi-Mudonyi, Senior Director, Corporate Services

Administration stated that Northern Property has proposed an increase in the rental rate for building 1554 D, to be three thousand five hundred (\$3,500.00) dollars per month plus GST. The renewal is for a three year period expiring December 31, 2016.

Motion #FIN14-14

Moved by: Councillor Bell
Seconded by: Deputy Mayor Wilman

Committee recommends to approve the lease renewal for Building 1554 D.
Unanimously Carried

6. IN CAMERA SESSION

Motion #FIN14-15

Moved by: Councillor Stevenson
Seconded by: Councillor Akumalik

Committee goes In Camera at 7:30pm.
For – Papatsie, Dobbin, Akumalik, Nattaq, Stevenson, Wilman
Against - Bell
Carried

Motion #FIN14-16

Moved by: Councillor Stevenson
Seconded by: Councillor Bell

Committee returns to Regular Session at 8:20pm.
Unanimously Carried

Motion #FIN14-17

Moved by: Councillor Stevenson
Seconded by: Councillor Bell

Committee recommends to accept the management letter as prepared by Lester Landau.
Unanimously Carried

7. ADJOURNMENT

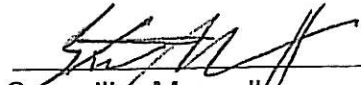
Motion #FIN14-18

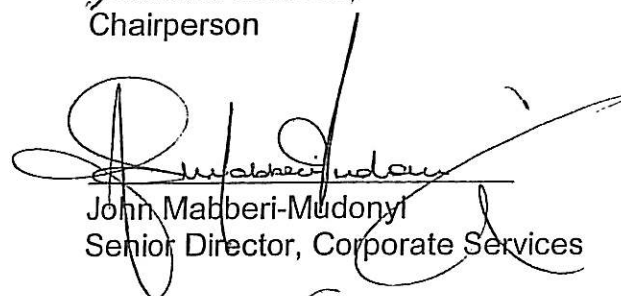
Moved by: Councillor Bell
Seconded by: Councillor Stevenson

Committee adjourns at 8:25pm.

Unanimously Carried




Councillor Mansell
Chairperson


John Mabberi-Mudonyi
Senior Director, Corporate Services

Approved by City Council on this 28 day of October, 2014, A.D.

