

# **Town of Drumheller**

## **SPECIAL COUNCIL MEETING**

### **MINUTES**



**June 27, 2013 4:30 PM**

703 – 2<sup>nd</sup> Avenue West, Drumheller, Alberta

#### **PRESENT:**

**MAYOR:**

Terry Yemen

**COUNCIL:**

Andrew Berdahl

Jay Garbutt

Sharel Shoff

Doug Stanford

Lisa Hansen Zacharuk

**CHIEF ADMINISTRATIVE OFFICER/ENGINEER:**

Ray Romanetz

**DIRECTOR OF INFRASTRUCTURE SERVICES:**

Allan Kendrick

**DIRECTOR OF CORPORATE SERVICES:**

Byron Nagazina

**DIRECTOR OF COMMUNITY SERVICES:**

Paul Salvatore

**RECORDING SECRETARY:**

Linda Handy

**ABSENT:** Councillor Tom Zariski

#### **1.0 CALL TO ORDER**

Mayor Terry Yemen called the meeting to order at 4:30 PM.

#### **2.0 2012 Financial Audit**

Alan Litster and Daniel Luymes – BDO provided the following overview of the 2012 Financial Statements:

- Page 2 Consolidated Statement of Financial Position – Accumulated surplus – total of \$138,158,259. Cash and short term investments \$9.32M (cash balance changes as provincial grants come in and these dollars are spent). Compared to 2011, Accounts receivables are down because the Town received grant funding for the BCF and Water & Wastewater Treatment Plant Projects; and Accounts Payables are down because the Town's BCF construction is complete. Investments are \$2.46M. Deferred revenue grants and other dollars received by the end of the year but not yet expensed is approximately \$3.79M. Net financial assets are (\$2.75M)(debt). Net Debt is higher because donors have not yet met their commitments on BCF donations; non financial

assets are \$140.9M

- Page 3 Consolidated Statement of Operations (revenues and expenses by type for the 12 months). Revenue received \$16.5M (Net municipal taxes raised is \$7,357,158). Expenses were \$17.3M; Excess of revenue over expenses is \$2.84M. Major capital projects budgeted for in 2012 were not completed in 2012 such as the new Town Hall and East Coulee Wastewater Treatment Plant. Accumulated surplus at the beginning of the year is \$135.3M plus excess of revenue over expenditures of \$2.84M equalling an accumulated surplus at the end of the year of \$138.1M. Accumulated surplus is broken down into three components: equity in tangible capital assets; unrestricted surplus (deficit) and restricted surplus.

- Page 4 Consolidated Statement of Changes in Net Financial Assets (Debt) – excess of revenue over expenditures of \$2.84M and additions and reductions of tangible capital assets for a total of net change in net debt of (\$1.47M) which is added to the balance at the beginning of the year of (\$1.28M) which gives the balance at the end of the year (\$2.75M).

- Page 5 Consolidated Statement of Cash Flows – Operating Transactions – Excess of revenues over expenses is \$2.84M with adjustments for non cash items that do not affect cash for total of \$8.61M in operating cash flow, less capital / investing and financing transactions for a net change in cash and cash equivalents of \$40,103. Total change in cash of (\$3.79M) plus \$9.39M on hand at the beginning of the year for the end of year total of \$5.59M. The (\$3.79M) refers to deferred revenue or grants earmarked for specific projects (MSI grant, NDCC grant, Policing grant, and Kneehill Regional Water, WWTP).

- Page 14 Note 9 Schedule of Tangible Capital Assets (cost at the beginning plus new additions less assets disposed of for a total of \$210M less accumulated amortization of \$70M for a net book value of \$140M.

- Page 23 Note 20 Budget – Amortization was budgeted for in the water and wastewater departments. The budget for tangible capital assets outside of water and wastewater did not include amortization. Note 20 adjusts the budget to reflect amortization being budgeted in order to have comparable actual to budget statements. As a result, the budget figures presented in the statements of operations and change in net financial assets (debt) represent the budget adopted by Council on March 12, 2012, with some adjustments.

- Page 1 Auditor's Report describes what was carried out during the audit and the opinion of the auditors which states that the financial position of the Town of Drumheller as at December 31, 2012 is a fair representation of its operations.

A. Litster concluded his report by commending Administration on the careful management of tax dollars.

Questions from Council:

In response to questions from Council, Auditors and / or CAO Ray Romanetz provided the following clarification:

- Note 1 Community Facility (BCF) Account shows an amount of \$2.79M. The difference between the fundraising projections of \$3.3M and the account balance of \$2.79M is that BCF commitments were made over a three to five year period and all BCF donations have not yet been received.
- Note 8 CMHC mortgage payable at an interest of 12.5% per year is not renegotiable as the Province owns 90% of this loan.
- Note 11 Legacy surplus went towards the municipal portion of the BCF capital costs.
- Note 16 LAPP underfunded by \$4.64B. CAO R. Romanetz stated that LAPP's annual report is available online which addresses how they propose to handle this deficit.
- Note 18 Debt Limits do not reflect the borrowing for the Cambria to East Coulee Transmission Line (\$435,800) or the East Coulee Wastewater Treatment Plant (\$318,750). If the Town includes these figures its debt limit would be closer to \$12.2M.
- Note 20 Auditors stated that the Public Sector Accounting Standards recommends budgeting for amortization (estimating the use of capital assets over a period of time which is a non cash amount) has created an operating budget deficit position of the Town in the amount of \$4M. Amortization brings to light the capital requirements and reserves needed for long term planning. Amortization is not a cash component – it is a future calculating component. CAO R. Romanetz stated that when you see that the shortfall can not be funded from reserves, you have to start looking at grant availability. He further explained that in terms of full cost recovery for utilities we budget for amortization costs but do not budget for a return on equity; we are trying to move in that direction but have not been able to achieve that as of yet. Councillor Jay Garbutt stated that it is imperative that the public message be that the Town did not overspend by \$4M in 2012 as this figure reflects amortization.

**MO2013.SP01** Shoff, Hansen-Zacharuk moved to approve the 2012 financial statements as presented. Carried unanimously.

There being no further business, the Mayor declared the Special Council meeting adjourned at 5:23 PM

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Mayor

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Chief Administrative Officer