SUBJECT: Financial services to local boards

TO: Committee of the Whole

FROM: Finance Department

Report Number: F-17-18
Wards Affected: not applicable
File Numbers: 400-01
Date to Committee: May 7, 2018
Date to Council: May 22, 2018

Recommendation:

Approve the by-laws attached as appendix A to finance department report F-17-18 to enable the creation of the Operations Reserve Fund, Strategic Initiatives Reserve Fund and Innovation Centre Reserve Fund for the Burlington Economic Development Corporation; and
Repeal by-laws 161-1993 and 26-1998; and
Receive and file finance department report F-17-18 providing information on financial services to local boards.

Purpose:

- Good Governance

Background and Discussion:

Local boards of a municipality are created to provide services that a community may value but that do fall within the usual service delivery of the municipality. These services may be as varied as economic development service or arts and culture. The City of Burlington has relationships with several boards:

- Aldershot Business Improvement Association
- Art Gallery of Burlington
- Burlington Downtown Business Improvement Association
- Burlington Economic Development Corporation
- Burlington Museums Board
These organizations have service level agreements with the City which outline services provided by the City to the boards. Over the past few years, some boards have requested additional accounting services. Finance report F-17-18 provides details on some of the changes that have taken place since January 2017 in accounting and financial reporting services provided to the boards.

**Art Gallery of Burlington**

In 2017, Finance staff were asked by the Executive Director of the Art Gallery whether they could consider providing accounting services to the Art Gallery. The concern driving this request was that financial information being received internally was not timely due to cumbersome accounting procedures and therefore was not useful for proactive decision making.

Finance management determined that it would be useful to understand the financial processes at the Art Gallery before deciding to provide accounting services. Finance staff provided support in developing accounting policies and procedures, cash flow forecasting, budget preparation and other financial processes beginning in the summer of 2017.

Through the work performed by Finance staff, it became evident that the Art Gallery was experiencing cash flow challenges. To help reduce the likelihood that the Art Gallery would have to increase its line of credit, the City provided additional funds over and above the budgeted operating grant. The City provided an additional $265k in 2017 to assist with the cash flow challenges.

In 2018, the City expanded its financial services to the Art Gallery to include accounts payable and accounting services. The additional services included bringing the Art Gallery into the City’s financial system, SAP. Finance staff continue to support the Art Gallery with financial reporting and cash flow analysis. This support includes attending the Audit and Finance Committee meetings of the Board. More timely, accurate and complete financial reporting is provided to the Board and management of the Art Gallery. Finance staff continues to look for additional opportunities to support the Art Gallery in establishing good financial management practices.

**Burlington Economic Development Corporation**

Accounting and financial reporting advice and guidance is provided to the Burlington Economic Development Corporation (BEDC) by the City’s Controller and Manager of Financial Services. This includes preparation of financial statements for quarterly
reporting to the Finance Committee of the Board of BEDC as well as the annual audited financial statements. BEDC also receives payroll services from the City.

Over the course of 2017, accounting and financial management support included providing guidance in establishing accounting policies and procedures for TechPlace, the innovation centre which opened in June of 2017.

The development of a long term financial plan for TechPlace includes the creation of a reserve fund for future capital improvements to the facility. A review of existing reserve funds for BEDC determined that over the years, the use of the reserve funds no longer matched the purpose as stated in the supporting by-laws. Therefore, it was determined that reserve funds for BEDC operations and strategic initiatives should also be established. The by-laws supporting these reserve funds are attached as appendix A.

**Burlington Museum Board**

In late 2016, the Executive Director of the Museums inquired whether the City could provide accounting services to the museums. After a staff review of the museums’ accounting processes and financial reporting requirements, it was determined that this could be done. In January 2017, the museums accounting was incorporated into the City’s financial system, SAP. The City now provides accounts payable and monthly financial reporting services to the museums along with payroll services which were provided previously. Finance staff continue to look for opportunities to support the museum staff in accounting and financial reporting procedures.

**Strategy/process**

The provision of additional accounting services to the boards allows Finance staff to act as an internal consultant to board staff in developing good financial management policies and procedures. To ensure the autonomy of financial reporting is preserved for each board they have been established as “companies” in SAP. This allows for separate accounting and reporting on each entity. The City’s financial reporting system now contains a total of five companies:

BURL - City of Burlington
BAGB - Art Gallery of Burlington
BEDC - Burlington Economic Development Corporation
BMUS - Burlington Museum Board
BPAC - Burlington Theatre Board

Accounting services for other boards continue as outlined in their service agreements and primarily include tracking payment of their operating grants, payroll services for
Tourism and BPAC and reconciliation of transactions such as capital project spending for the Library.

**Conclusion:**

City of Burlington finance staff are committed to supporting the boards through the provision of accounting services as well as guidance in developing and implementing financial policies and procedures and strong internal controls.

Respectfully submitted,

Sandy O'Reilly  
Controller and Manager of Financial Services  
Ext 7648

**Appendices:**  
A. Reserve fund by-laws

**Report Approval:**  
All reports are reviewed and/or approved by Department Director, Director of Finance and Director of Legal. Final approval is by the City Manager.