



SUBJECT: Financial Services Provided to Local Boards

TO: Committee of the Whole

FROM: Finance Department

Report Number: F-19-19

Wards Affected: not applicable

File Numbers: 400-01

Date to Committee: May 13, 2019

Date to Council: May 27, 2019

Recommendation:

Approve By-law attached as Appendix A to finance department report F-19-19 to enable the creation of the Art Gallery of Burlington reserve fund.

Purpose:

- An Engaging City
- Good Governance

Background and Discussion:

Local boards of a municipality are created to provide services that a community may value but that do not 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
- Burlington Public Library Board
- Burlington Theatre Board
- Tourism Burlington

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-19-19 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, a request was made to the Controller and Manager of Financial Services by the Executive Director of the Art Gallery to 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. The provision of accounts payable services enabled a cash flowing of operating expenses through 2018. At year end the cash flow extended to the Art Gallery resulted in an intercompany payable to the City of \$424k.

Finance staff have been on site at the Art Gallery two days per week up to and including the audit of the 2018 financial statements which concluded in March 2019. Art Gallery staff have been mentored so that they are now able to assume responsibility for more of the financial management. Finance staff will continue to

provide support but will have less of a presence at the Gallery. Finance staff continue to look for additional opportunities to support the Art Gallery in establishing good financial management practices. The focus in 2019 will be to reduce dependence on the City for cash flow support.

During 2018 the Art Gallery held a successful fundraising event which netted funds of \$181k. The Board of Directors of the Art Gallery has requested that approximately \$60k of the funds be held in a reserve fund for future needs. A by-law attached as Appendix A establishes the Art Gallery of Burlington reserve fund.

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.

BEDC continues to successfully support the City's economic development activities while TechPlace continues to serve as a launch pad for developing companies locating in Burlington. In 2019 TechPlace will add three additional launch pad offices to the centre. These additional offices will require Finance staff support for billing rent to tenants.

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. In 2019 the expanded Joseph Brant Museum will re-open and financial procedures will be developed to account for exhibitions that will take place at the Museum.

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. In addition, with time, strategic decisions can be made as to the level of funding to be provided to each board. 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

Financial services staff have been impacted by the addition of these services. In 2018 documents processed for the Art Gallery totaled 3,866 and for the Museums 616. These included accounts payable documents, pcard upload and other uploads such as hydro charges and cell phone charges. In addition, on site support was provided to the Art Gallery from summer of 2017 until April 2019.

The Art Gallery has also requested payroll services but at this time Finance is not able to supply these services as the current payroll system cannot accommodate the addition of this location and payroll staff cannot absorb the additional workload.

As the City moves forward with the recently approved ERP project, opportunities to bring efficiencies to the provision of these services will be examined. It may also be an opportune time to determine if those boards not yet on the City's financial system may wish to take advantage of possible efficiencies and potential cost savings by moving to the City's new ERP.

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 reconciliation of transactions such as capital project spending for the Library.

Financial Matters:

As part of the operating budget process, funding is directed to the boards. Levies are collected on behalf of the two Business Improvement areas to help them deliver services for the businesses in their respective jurisdictions while operating grants are provided to the other boards to help them deliver services to the community. The 2019 operating grant allocations are as follows:

	Local Boards Operating Grants	
	Approved Budget 2019	
Art Gallery of Burlington	972,155	
Burlington Economic Development Corporation	1,368,050	
Burlington Public Library	10,930,072	
Burlington Theatre Board	1,010,441	
Museums of Burlington	885,955	*
Tourism Burlington	399,556	
	<hr/>	
	15,566,229	

* Museum is receiving an additional \$173,000 in one-time funding for costs related to the expanded Joseph Brant Museum

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
X 7648

Appendices:

- A. By-law to create Art Gallery of Burlington reserve fund

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.