

## Managers' Reports

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### Request for Recommendation

### Tangible Capital Assets Project Status Update

Presented To: Priorities Committee

Presented: Wednesday, Oct 08, 2008

Report Date Wednesday, Oct 01, 2008

Type: Managers' Reports

### Recommendations

THAT Council approve a contract to KPMG LLP Chartered Accountants to assist in the completion of the Tangible Capital Assets Project at an estimated cost of up to \$92,000.

### Finance Implications

There are sufficient funds in the Tangible Capital Assets funding previously approved.

#### Signed By

**Report Prepared By**

Paddy Buchanan  
Acting Manager of Accounting  
*Digitally Signed Oct 1, 08*

**Recommended by the Department**

Lorella Hayes  
Chief Financial Officer/City Treasurer  
*Digitally Signed Oct 1, 08*

**Recommended by the C.A.O.**

Mark Mieto  
Chief Administrative Officer  
*Digitally Signed Oct 2, 08*

## **Policy Implications**

The cost of this proposed strategy will be up to \$92,000 plus applicable taxes. The funds are available through the Tangible Capital Assets Fund that Council approved at its meeting of June 6, 2007. If appropriate resources are not secured, the City's ability to meet the requirements of PSAB 3150 is jeopardized.

## **Background**

At its meeting of February 21, 2007, the Finance Committee received information regarding the mandated accounting change that requires municipalities to report capital assets on the statement of financial position and amortize the cost of these assets over their expected useful life. The accounting practice up to the time of this change has been to expense capital assets in the year that they are acquired. This is the most significant accounting change to affect municipalities in decades and will require significant staff and financial resources to successfully inventory and value the City's assets. It is estimated that the City's assets are approximately \$8 billion at replacement value.

At its meeting of June 13, 2007, Council approved a three year budget of \$1,362,000 to complete the necessary work to comply with this mandated accounting change.

## **Project Status, September 2008**

A cross departmental team has been working hard to assemble the asset inventory and any historical information that is available. Work accomplished to date is outlined below.

- A capital asset sub ledger software system has been acquired. We have engaged in one training session. We have loaded test data into the software and are continuing to explore the database to ensure that we are using the software appropriately.
- We have employed a bookkeeper on a two year contract that is funded by COMRIF. Some short term contract staff with specific expertise has been hired to work on specific asset categories. We continue to struggle to find a full time (non-union) Capital Asset Project Co-ordinator and this will be addressed later in this report.
- A Capital Asset Policy has been drafted and is working its way through the approval process.
- Finance is currently auditing the vehicles, EMS, Transit and Information Technology inventories. As well Finance has taken the lead in conjunction with the operating departments to develop the inventory and valuation for facilities and land and this work is progressing.
- A staff person from Community Development has been assigned the task of collecting

the non-land and facility inventory for Community Development and Finance expects to receive this in the near future.

- The Water and Waste Water inventory and valuation is being done by an outside consultant who was successful in an RFP process. The work is estimated to be complete by November.
- Police inventory is basically complete and will be forwarded to Finance for audit shortly.
- The condition indexes for the City's roads segments are currently being updated in the Pavement Management System and once this is complete we will be able to download the road inventory and start the valuation. Detailed segment information is available from the system. Engineering develops costing information each year for road activities (rehab/resurfacing/reconstruction, etc) and Finance will audit these numbers and then apply them to the road segments to complete the valuation. The accounting treatment for roads still needs to be resolved.
- There is an inventory of bridges and work needs to be done to categorize and identify the components of these bridges and then derive valuations.
- Airport assets are accounted for on an accrual basis, however, work is required to identify the fair market value of the Airport assets at the time that they were downloaded from the Federal Government to the City.
- We are in the process of obtaining the street lamp inventory from Hydro.
- Work related to Fire, Solid Waste and Social Housing needs to commence.

## **Staff Resources**

Although significant work has commenced, there is a large volume of work required to meet the deadlines and this work primarily resides in Finance. The Accounting Section of Finance has been tasked to complete this work but competing corporate priorities assigned to Accounting has resulted in fewer resources than anticipated working on the Capital Assets Project.

In addition, the City has been attempting to hire a full time (non-union) Capital Asset Co-ordinator for over a year. There have been three different postings. A job offer was made after the first posting but the individual declined. It was deemed that there were no other suitable candidates. With the second posting, we were successful in hiring an individual from the south but the person stayed only three months (May to July, 2008). The final posting closed in August 2008 and two job offers were made to highly qualified candidates and they both declined. The current job market for professional accountants is

highly competitive and the incumbent employers of these individuals successfully convinced their employees to stay with their firms.

As a result of these circumstances, our ability to meet the project timelines is jeopardized. Since this project has significant short term needs for staff resources, we approached the three accounting firms who constitute the City's auditors in partnership to ask if they could provide a manager for an estimated five months to assist in getting the work done. We went to these three firms as they are familiar with the accounting and operations of the City. Two of the firms declined to bid and KPMG provided a proposal. KPMG's proposal provides for a manager at a cost of up to \$92,000.

It is therefore recommended that Council approve the awarding of this contract to KPMG.