



**VISION:** We will be a vibrant, dependable and clean city where services are delivered innovatively and effectively.

**MISSION:** To provide effective operations of the city through collaboration of members, management and staff.

City Hall, Hamilton  
Finance Committee  
11 August 2016  
10:00am

**Present:** Councillor Dennis Tucker, JP (Chair)  
Councillor John Harvey, MBE, JP  
Councillor Larry Scott  
Councillor Henry Ming  
Nathan Kowalski, CA, CFA, CIM - Associate Member

**In Attendance:** Ed Benevides - The Secretary  
Siobhan Fubler - The Deputy Treasurer

**Apologies:** Rt. Wor. Charles R. Gosling, JP - Mayor  
Tanya Iris - Treasurer  
Patrick Cooper - City Engineer  
Lindell Foster - HR Manager

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1. **Confirmation of Notice:** the Secretary confirmed that the appropriate notices of the meeting and agenda were duly given according to the meeting guide. He advised that the agenda would be amended as was discussed with the Chair before the meeting to include virements in the Restricted Session under Any Other Business.
  2. **Role of the Chairman:** Councillor Tucker confirmed his role as the Chairman.
  3. **Open Meeting:** Councillor Tucker called the meeting to order at 10:05am.
  4. **Apologies:** The Secretary confirmed apologies from the Mayor, Treasurer, City Engineer and HR Manager.

5. **Public Participation/Presentation:**

There is no public participation/presentation.

6. **Correspondence:**

There is no correspondence

7. **Minutes of Previous Finance Committee meeting dated 27 May 2016**

**Proposed:** Councillor J. Harvey

**Seconded:** Councillor H. Ming

The Minutes were accepted as read.

8. **Matters arising from the Previous Finance Committee meeting dated 27 May 2016**

(i) **KPMG to provide the Treasurer/Deputy Treasurer a way in which the CoH could formalise a policy around capitalisation items** - the Deputy Treasurer confirmed that the guidelines were received.

**ACTION:** The Treasurer/Deputy Treasurer to forward a copy of the guidelines to the Finance Committee members for a review.

**ACTION:** The Secretary, Treasurer and Deputy Treasurer to review the guidelines received from KPMG and then along with the Chair have a conversation with KPMG to formalise.

Councillor Tucker expressed his concern of capital projects that are carried over year after year. N. Kowalski commented that in that report there was also some recommendations.

(ii) **Deadline for implementation of recommendations listed by the auditors in the current year findings** - the Deputy Treasurer said that one recommendation was the review of the payroll, i.e. to move payroll from the Treasurer to HR, the segregation of duties. The executive payroll is now run out of the HR Department and overseen by the Secretary and Treasurer which is a standard practice. N. Kowalski suggested listing all of the recommendations on a spreadsheet and check them off once they have been completed.

**ACTION:** The Recording Secretary to add the list of recommendations from KPMG to the Finance Committee agenda.

(iii) **Arrange a meeting with the Event Project Manager, Steve Thomson and the Rotarians re: "Festival of Lights" Event** - Councillor Harvey confirmed that the meeting was held. The thought was to have a lighting event as opposed to a summer boat parade. It was suggested to keep the dialogue active in this regard.

(iv) **Provision of a list of the top ten (10) for taxes** - a list was going to be provided to the committee regarding the top ten persons owing on outstanding taxes. The matter was carried over for further discussion.

#### 9. **Status Updates:**

(i) **Financial Reports - April and May 2016** - Councillor Tucker commented on the impact of virements particularly the impact of the legal fees that are continuing to increase. The Minister, the Permanent Secretary and their legal advisor are aware of the situation. There was further discussion on the increase to the legal fees budget, was \$445K or \$450K and increased it by \$250K. Councillor Tucker said operationally, other than the car park, things are going incredibly well. Councillor L. Scott asked if the CoH underestimated the legal fees to which Councillor Tucker commented that the CoH in no way could have known what the legal fees would have been. When the budget was being done last year October/November, the CoH was more concerned trying to get the loan for \$18M. It was felt that by April/May of this year the CoH would have had the loan, the parking, etc. in place. All of sudden the CoH got involved with the ultra vires issue and then the Receivers, etc. With regards to the ultra vires situation, MIF and CD&P have hired a lawyer to come in and argue their case, a QC by the name of Lord Pannick. M. Diel felt that he could have gone up against Lord Pannick but the Minister's advisor had suggested that the CoH engage someone of the same standing and status to go up against Lord Pannick. The lawyers are now recommending QC Beloff who has now been engaged and has the reputation of being of the same stature as Lord Pannick. The cost of engaging QC Beloff is being estimated as \$300K for the preparation and the two-day hearing. The costs for the local lawyers will be separate. The leading counsel has settled on an indemnity cost so if the CoH is successful will receive the full costs of the QC back from the other side. Conversely if the CoH loses the other side will get the full costs.

Councillor Harvey queried the fee structure for the QC. Councillor Ming commented that one can go online and look at the Schedule of Fees for QC's for specific costs based on the work involved. Councillor L. Scott said that the fees are regulated and recommended that the CoH needs to have a plan in how they are going to cover any additional unanticipated legal costs in this regard. There was continued dialogue.

The CoH will resolve to secure a proper breakdown of expenses on making sure that the CoH is not being taken advantage of.

May 2016 Financials -

#### **Expenses:**

- **Parking** - is an issue - \$150K behind the budget as it stands.
- **Staff Costs** - Management and Admin. Salaries there is \$96K overrun. There was a budget of \$1,076,512.00, expenses are now at \$1,173,147.00. The Secretary said the only expense that he was aware of that was not budgeted for was the three (3) redundancies.

**ACTION:** The Deputy Treasurer to look into the \$96K overrun in Staff Costs and confirm that this was due to the three (3) redundancies.

- **Legal Fees** - a separate spreadsheet is going to be created with the different expenses list separately, showing a complete breakdown.
- **Professional Fees** - over budget by \$20K. The Deputy Treasurer said that possibly the HR Department had a service assisting them with some of the payroll issues.

**ACTION:** The Deputy Treasurer to look into the over budget of \$20K in Professional Fees.

- **Administrative & Operating** - substantially below budget. The Secretary said that once the revenue starts to fall off, will pull back on some of the items. Some of the services and tasks that were planned will not get done.

Councillor Tucker suggested having some separate meetings in reference to the cash flow between now and the end of the year.

**Receivables:**

- **Taxation** - is up close to \$300K. The Deputy Treasurer said it is much of the same and in these economic times it is hard. The Tax Administrator is doing an excellent job; she does not ease off on anybody. N. Kowalski commented that when looking at May 2015 and May 2016, the amount is up greater than 90 days. It looks like it keeps increasing over the years, \$1.3M versus \$1.5M now. The Secretary said the CoH increased the taxes by 2% so for those who are not paying has also increased.

Councillor Tucker said overall other than those items that were highlighted, the May 2016 report looks good. Wharfage is up which is beginning to assist. The Secretary said on the non-taxation the 90 days is considerably below from last year. Comments were made with reference to WIP and it is indicative that the CoH is unable to get these capital projects completed. Councillor Tucker and the committee Council members congratulated the Finance team in doing a great job in controlling expenses.

**10. Recommendations for Review:**

**(i) Repair Costs re: BHS Museum Dining Room Window at Par-la-Ville** - the letter and the invoice of \$1,961.10 were distributed to the members. The CoH owns the building and it is leased to the Government. W&E should have repaired it but moved too slowly to have it fixed so the CoH boarded it up. They had it repaired by a separate contractor at their costs and they are just asking the CoH to assist with the costs. They were broken into and valuable coins were stolen. Their insurance does not cover the structure of the building. Councillor Ming suggested forwarding the invoice to the Government. The Secretary said then the invoice would have to be sent by Mr. Andrew Bermingham and not by the CoH. Councillor Ming commented on the funds that are mounting up for all sorts of costs that the CoH is covering and their inability to collect revenue. He suggested keeping a tally of the funds that should be coming to the CoH from the Government and further suggested that this report be forwarded to the Government.

N. Kowalski said that the CoH should ensure that there is insurance on all of the buildings that they own to which the Secretary advised that the CoH has public liability. N. Kowalski said his understanding is that the owner of the building is responsible for anything structural and the contents will fall under the lessee. There was further dialogue.

The Finance Committee unanimously agreed for the payment of the invoice received from Mr. Andrew Bermingham for the repair of the BHS museum dining room window to be left up to the discretion of the Secretary and the Treasurer.

**(ii) Sponsorship Request - Bermuda Golf Classic World Championship, September 7-11, 2016** - there is a sponsorship policy but this event does not fall under that policy. This event is not a benefit to the City; it is more an Island sponsorship, e.g. BTA. The Finance Committee unanimously declined the request for sponsorship for the Bermuda Golf Classic World Championship.

**11. Any Other Business:**

**12. Motion to Move to Restricted Session.**

**Proposed:** Councillor H. Ming

**Seconded:** Associate Member, Nathan Kowalski

The public session was adjourned

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**Chairman**

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**Date**