

AGENDA FOR THE REGULAR FINANCE / POLICY COMMITTEE OF THE WHOLE MEETING
TO BE HELD IN THE BOARD ROOM, CITY HALL,
ON MONDAY, 2008-OCT-27, COMMENCING AT 4:30 P.M.

1. **CALL THE REGULAR FINANCE / POLICY COMMITTEE OF THE WHOLE MEETING TO ORDER:**

2. **INTRODUCTION OF LATE ITEMS:**

3. **ADOPTION OF AGENDA:**

4. **ADOPTION OF MINUTES:**

- (a) Minutes of the Regular Finance / Policy Committee of the Whole Meeting held in the Board Room, City Hall, on Monday, 2008-OCT-06 at 4:30 p.m.

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5. **PRESENTATIONS:**

6. **DELEGATIONS PERTAINING TO AGENDA ITEMS: (10 MINUTES)**

7. **COMMISSION REPORTS:**

8. **COMMITTEE REPORTS:**

9. **STAFF REPORTS: (blue)**

CORPORATE SERVICES:

(a) **Capital Priorities**

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Staff's Recommendation: That Council approve the reallocation of funds from the General Capital Reserve and Priority Capital Reserve as follows:

1. \$1.0 Million for strategic property purchases;

AND:

2. *\$2.0 Million for the Housing First Strategy;*

AND:

3. *\$6.0 Million towards the construction of a new Public Works building;*

AND:

4. *\$350,000. for capital projects related to sustainability / GHG reduction.*

10. INFORMATION ONLY ITEMS:

- (a) Report from Mr. B. E. Clemens, Director of Finance, re: 2009 Budget Status. *Pg. 9-10*

11. CORRESPONDENCE:

12. NOTICE OF MOTION:

13. OTHER BUSINESS:

**14. DELEGATIONS PERTAINING TO ITEMS NOT ON THE AGENDA:
(10 MINUTES)**

15. QUESTION PERIOD: *(Agenda Items Only)*

16. ADJOURNMENT:

MINUTES OF THE REGULAR FINANCE / POLICY COMMITTEE OF THE WHOLE MEETING
HELD IN THE BOARD ROOM, CITY HALL,
ON MONDAY, 2008-OCT-06 COMMENCING AT 4:30 P.M.

PRESENT: Councillor J.D. Cameron, Chair

Members: Mayor G. R. Korpan
Councillor W. L. Bestwick
Councillor M. D. Brennan
Councillor W. J. Holdom
Councillor L. D. McNabb
Councillor C. S. Manhas
Councillor L. J. Sherry
Councillor M. W. Unger

Staff: G. D. Berry, City Manager
A. C. Kenning, Deputy City Manager
A. W. Laidlaw, General Manager of Community Services
D. W. Holmes, General Manager of Corporate Services
E. C. Swabey, General Manager of Development Services
B. E. Clemens, Director of Finance
T. M. Hickey, Director of Engineering and Public Works
T. P. Seward, Director of Permits and Properties
Chief R. Lambert, Nanaimo Fire Rescue
A. J. Tucker, Director of Planning and Development
Tom Moscrip, Senior Manager, Engineering
Tom Kraft, Manager, Engineering Projects
J. E. Harrison, Manager of Legislative Services
L. Dennis, Recording Secretary

1. CALL THE OPEN MEETING TO ORDER:

The Regular Finance / Policy Committee of the Whole Meeting was called to order at 4:32 p.m.

2. ADOPTION OF AGENDA:

It was moved and seconded that the Agenda be adopted. The motion carried unanimously.

3. ADOPTION OF MINUTES:

It was moved and seconded that Minutes of the Regular Finance / Policy Committee of the Whole Meeting held in the Board Room, City Hall on Monday, 2008-SEP-15 at 4:30 p.m. be adopted as circulated. The motion carried unanimously.

4. STAFF REPORTS:

DEVELOPMENT SERVICES

(a) Z1-14 Rooming Houses

It was moved and seconded that Council permit rooming houses with up to ten rooms within selected zones (as outlined in the Staff Report). The motion carried unanimously.

It was moved and seconded that Council permit rooming houses with greater than ten rooms within select zones (as outlined in the Staff Report). The motion carried unanimously.

It was moved and seconded that the issue of setting a housing allowance rate for monthly rental in any upcoming sample housing agreement be referred to the Social Planning Advisory Committee and to Staff, in relation to affordable housing. The motion carried unanimously.

COMMUNITY SERVICES

(b) Unserviced Sewer Areas Outside Sewer Benefitting Area

It was moved and seconded that Council approve the Green Lake Area as the priority sanitary sewer project for a Federal /Provincial cost sharing application. The motion carried unanimously.

(c) Green Lake Sewer

It was moved and seconded that Council:

1. authorize the installation of a Low Pressure Sanitary Sewer System for the Green Lake Area, subject to Federal/Provincial grant funding; and,
2. include in the next application for grant funding an allowance of \$7,500 per parcel to assist qualifying households with the installation of an effluent pump and associated works on their property.

The motion carried unanimously.

5. OTHER BUSINESS:

(a) Pacific Garden Cohousing

Mr. E.C. Swabey, General Manager of Development Services, provided verbal clarification on the benefits that had been provided to the Harewood Mall project, as quoted in the Pacific Garden Cohousing presentation at the Regular Meeting of Council, held 2008-SEP-29. Mr. Swabey noted that the Harewood Mall project was granted a variance on their works and service requirements through their

Development Permit, which did not require them to complete a sidewalk on one of the back roads of the project. Similarly, the Pacific Garden Cohousing project may also have had the works and services varied – a cost benefit of approximately \$150,000. to \$200,000. Further details are to follow in an upcoming Staff Report.

6. ADJOURNMENT:

It was moved and seconded at 5:45 p.m. that the meeting terminate. The motion carried unanimously.

CHAIR

CERTIFIED CORRECT:

DIRECTOR,
LEGISLATIVE SERVICES

STAFF REPORT

REPORT TO: D.W. HOLMES, GENERAL MANAGER OF CORPORATE SERVICES

FROM: B. E. CLEMENS, DIRECTOR OF FINANCE

RE: CAPITAL PRIORITIES

RECOMMENDATION

It is recommended that Council approve that re-allocation of funds from the General Capital Reserve and Priority Capital Reserve as follows:

1. \$1.0 million for strategic property purchases; and
2. \$2.0 million for the Housing First Strategy; and
3. \$6.0 million towards the construction of a new Public Works building; and
4. \$350,000 for capital projects related to sustainability/GHG reduction.

EXECUTIVE SUMMARY

In preparing the 2009-2013 Financial Plan, staff have identified a number of potential capital projects that exceed the available funding. The report identifies each of these projects or initiatives and makes recommendations on how to allocate the funding that is available in the General Capital and Priority Capital reserves. This will not be adequate to fund all of the identified projects.

If Council does not support the recommendations as presented by staff, alternate direction from Council is requested.

BACKGROUND

City staff are in the process of preparing the 2009-2013 Financial Plan, which will be presented to Council some time in December or early January. The Financial Plan (also known as the budget) contains both operating and capital expenditures for the next five years. While putting together information to prepare the budget, staff have identified a number of major initiatives that could potentially be undertaken in the next five years, depending on whether or not funding is available and what priority is assigned to them. At this stage, many of the costs are only "order of magnitude" and cost estimates will be improved as the project or initiative is better defined.

It would assist staff to have some direction from Council on the priority that should be assigned to these various projects and initiatives.

Strategic Property Purchases – the City currently sets aside \$600,000 from general revenue per year for property purchases. The current balance of the reserve is about \$2.5 million. From time to time, property comes on the market that Council may wish to acquire for a number of different reasons (e.g. parkland or future City facility). Staff have identified a number of priorities for Council's consideration. The current funding available is inadequate to address these priorities or to take advantage of some opportunities.

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Housing First Strategy – Council recently endorsed the Housing First Strategy, which calls for the City of Nanaimo to provide property that will be used to provide housing for the homeless. The Province will build facilities that would then be operated by VIHA. While the City has some property that may be appropriate for this purpose, there is not enough to meet the needs of the program. It is anticipated that \$2.0 to \$4.0 million may be required to purchase up to seven additional properties. There is currently about \$500,000 available in the Housing Legacy Reserve, and the City has committed \$ 165,000 annually from taxation and additional funds from Casino revenue (if revenue exceeds \$3,150,000).

In addition to the capital costs, staff will be recommending an additional staff resource to manage the City's involvement in this program.

Sustainability – it is clear that sustainability is a significant emerging issue in local government. Council has committed to the Province that we will be carbon neutral by 2012. This will probably result in the requirement for the City to purchase carbon credits.

It is too early in the initiative to fully understand the implications, financial and otherwise, of this commitment. It is apparent that action will be required, and that there will be costs. All new buildings constructed by the City were to be built to LEED silver standard. Council has resolved that this be increased to LEED gold. Staff are also beginning to investigate ways to reduce energy consumption, as well as examining alternate energy sources for City facilities, e.g. heat pumps, geo-thermal energy, bio-mass, and others. In 2007, the City set up a Sustainability Reserve of \$500,000, but this is not likely to fund all of the projects that will be coming forward.

New Public Works Building – as most Councillors are aware, the staff at the Public Works Yard long ago outgrew their facility. The City has added several portables over the years to accommodate additional staff, but these are barely adequate for that purpose. In addition, there is a long range plan to relocate Engineering staff from downtown to the Yard. This will resolve some operational issues, as well as relieve pressure on the Franklyn Annex, which is full and cannot accommodate any additional staff. The preliminary cost estimate to construct this building is \$11.6 million at LEED Silver (cost implications of increasing to LEED Gold are yet to be quantified). Staff from the Parks Yard will also be relocated to this new facility. These staff relocations will take expansion pressure off of other City buildings such as City Hall and the Franklyn Street Annex.

Fitzwilliam Annex Renovation – A prospective tenant has been found for the Fitzwilliam Annex (the former Lindsay's stationery/ARC building). This will require some significant renovations, the cost of which is likely to be recovered through the lease revenue on the building, or may in fact be paid by the new tenant.

Fire Administration Relocation – leasing out the Fitzwilliam Annex will require the relocation of several City staff that currently operate from there. The most significant component is the Fire Department Administration staff. There is as yet no firm plan for their relocation, but one option would be to renovate another City-owned facility.

Maffeo Sutton/Georgia Park Scope Increase – the current Financial Plan contains a budget of \$2.3 million for the upgrade to the Maffeo Sutton Park. This is funded from a Provincial Spirit Square grant and Port of Nanaimo payments in lieu of taxes. The current plans for the upgrade have increased in scope by about \$2.0 million. Staff is proposing to fund the remaining Port of Nanaimo payments for 2009, 2010 and 2011, plus \$400,000 from general revenue.

Multiplex – while the budget presently contains funds to do a study of downtown locations, there are no further funds to advance the project. Council may wish to add funding to do studies and engineering/geotechnical reviews once a site has been selected to further determine project feasibility.

Downtown Information Centre – staff are currently reviewing the possibility of partnering with a number of agencies to create a downtown visitor information centre that would also house some related organizations. This initiative is in the early stages and no budget has been identified yet.

The City of Nanaimo has a number of reserves that have been set aside for specific purposes. In addition, the General Capital Reserve and Priority Capital Reserve have a total of \$9.35 million in unallocated funds that could be used for any of the above projects.

Staff are recommending that these funds be allocated as follows:

- \$1.0 M Property Purchases Reserve (to be available for strategic purchases),
- \$2.0 M Housing Legacy Reserve (for Housing First Strategy),
- \$6.0 M Public Works Building,
- \$350,000 Sustainability Reserve

Although the \$6.0 M allocated above is not enough to build the Public Works Building, staff will continue to review funding options as it is believed that this is the highest priority for replacing an existing City facility.

The Fitzwilliam Annex renovation may be possible to fund by using short term (less than five year) financing and passing the cost on to the tenant through the lease.

This leaves the following projects unfunded:

- Fire Administration relocation
- Multiplex
- Downtown Information Centre

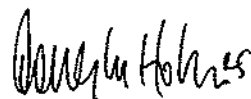
If the Fitzwilliam Annex is leased out, then the Fire Administration staff (and some others) will need to be relocated. If this requires capital for renovations of another facility, staff are recommending that it come from the \$1.0 million being transferred to the Property Purchases Reserve. The remainder of the projects can not proceed until funding is identified.

If Council does not support the recommendations made by staff, then alternate direction is requested.

Respectfully submitted,



Brian E. Clemens
Director of Finance



Douglas W. Holmes
General Manager of Corporate Services

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STAFF REPORT

REPORT TO: D.W. HOLMES, GENERAL MANAGER OF CORPORATE SERVICES

FROM: B. E. CLEMENS, DIRECTOR OF FINANCE

RE: 2009 BUDGET STATUS

RECOMMENDATION

It is recommended that Council receive this report for information.

EXECUTIVE SUMMARY

The 2009-2013 Financial Plan is currently under construction and will not be ready for presentation to Council until December or January.

The existing Financial Plan projects a 5.5% residential property tax increase for 2009 (3.9% commercial and a reduction of 14.7% industrial). The increase is due to additional service levels (including fire and police) and a shift of taxes from industrial to residential.

Although the staff review is not complete, there is no reason to expect that the increase will be any less than this, unless existing service levels are reduced.

BACKGROUND

City staff are in the process of preparing the 2009-2013 Financial Plan (also known as the budget). Finance staff are currently assembling the information that has come in from all City departments. In the next few weeks, there will be a draft that will be reviewed by senior management. Once this is complete, the budget will be presented to Council some time in December or early January.

The current Financial Plan was approved by Council in May of this year and covers the period from 2008-2012. The Financial Plan contains the following property tax increases for the next four years:

	<i>Residential</i>	<i>Commercial</i>	<i>Industrial</i>
<i>2009</i>	5.5%	3.9%	-14.7%
<i>2010</i>	5.5%	4.1%	-17.2%
<i>2011</i>	4.5%	3.3%	-20.8%
<i>2012</i>	5.4%	4.3%	-26.3%

The above increases apply only to the City's portion of property taxes. Information about school taxes, hospital, regional district and others will not be available until next spring.

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The estimated residential property tax increase is 5.5% for 2009. There are a number of reasons why this is projected to be higher than the rate of inflation:

- Council's approved tax shift from industrial to residential,
- 1.5% is now included for higher service levels,
- Staffing at the Chase River Fire Hall is increasing from day shift to 24 hours,
- The budget contains two additional RCMP officers.

The tax shift from industrial is part of Council's four year plan to reduce the industrial tax rate to be approximately equal to the commercial tax rate. The cost of doing this has been shifted to residential taxes and is about 0.75%.

The Financial Plan now contains an allowance of 1.5% each year for higher service levels, i.e. new services or staff. In previous years, we had not allowed for this and it was apparent that this practice was unrealistic. By not allowing for higher service levels, tax estimates for future years were being understated. Council will still approve new service levels each year and could reduce the tax increase by approving less than 1.5%.

Staffing at the Chase River Fire Hall will increase to full time as already approved by Council. The number of RCMP officers included in the budget is determined by formula (one officer for every 685 population). Council can also add additional officers through the higher service level process.

The majority of the preliminary budget work was done this summer, before the world economic situation changed significantly. Before the budget will be presented to Council, it will be necessary to review some of the basic assumptions contained in the budget. If the effects of the predicted recession are being felt in Nanaimo in early 2009, Council may wish to provide new direction on the proposed 5.5% residential property tax increase.

Respectfully submitted,



Brian E. Clemens
Director of Finance



Douglas W. Holmes
General Manager of Corporate Services

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