

MINUTES
FINANCE AND AUDIT COMMITTEE MEETING
SHAW AUDITORIUM, VANCOUVER ISLAND CONFERENCE CENTRE,
80 COMMERCIAL STREET, NANAIMO, BC
WEDNESDAY, 2020-NOV-18, AT 9:00 A.M.

Present: Mayor L. Krog, Chair
Councillor S. D. Armstrong
Councillor D. Bonner
Councillor T. Brown (joined electronically 10:08 a.m.)
Councillor B. Geselbracht
Councillor E. Hemmens
Councillor Z. Maartman
Councillor I. W. Thorpe
Councillor J. Turley

Staff: J. Rudolph, Chief Administrative Officer
R. Harding, General Manager, Parks, Recreation and Culture
S. Legin, General Manager, Corporate Services
D. Lindsay, General Manager, Development Services
B. Sims, General Manager, Engineering and Public Works
L. Mercer, Director, Finance
D. Bailey, Manager, Accounting Services
L. Bhopalsingh, Manager, Community Planning
F. Farrokhi, Manager, Communications (joined electronically)
W. Fulla, Manager, Business, Asset and Financial Planning
B. Wardill, Manager, Revenue Services
D. Stewart, Social Planner
K. Kronstal, Social Planner
S. Gurrie, Director, Legislative Services
J. Vanderhoef, Recording Secretary

1. CALL THE FINANCE AND AUDIT COMMITTEE MEETING TO ORDER:

The Finance and Audit Committee Meeting was called to order at 9:00 a.m.

2. PROCEDURE MOTION:

It was moved and seconded that the meeting be closed to the public in order to deal with agenda items under the *Community Charter*.

Section 90(1) A part of the Council meeting may be closed to the public if the subject matter being considered relates to or is one or more of the following:

- (a) personal information about an identifiable individual who holds or is being considered for a position as an officer, employee or agent of the municipality or another position appointed by the municipality;
- (k) negotiations and related discussions respecting the proposed provision of a municipal service that are at their preliminary stages and that, in the view of the Council, could

reasonably be expected to harm the interests of the municipality if they were held in public; and,

- (n) the consideration of whether a Council meeting should be closed under a provision of this subsection or subsection (2).

The motion carried unanimously.

The Finance and Audit Committee moved In Camera at 9:00 a.m.
The Finance and Audit Committee moved out of In Camera at 9:19 a.m.

3. INTRODUCTION OF LATE ITEMS:

- (a) Add Agenda Item 6(b) Darren and Bob Moss – Community Connect Pilot Project Update to Council.

4. APPROVAL OF THE AGENDA:

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

5. ADOPTION OF THE MINUTES:

It was moved and seconded that the Minutes of the Finance and Audit Committee Meeting held in the Shaw Auditorium, Vancouver Island Conference Centre, 80 Commercial Street, Nanaimo, BC, on Monday, 2020-OCT-21 at 9:00 a.m. be adopted as circulated. The motion carried unanimously.

6. PRESENTATIONS:

- (a) KPMG Interim Audit Presentation

Liette Bates-Eamer, KPMG, provided a verbal presentation via Zoom. Highlights included the following:

- Introduced the audit team members
- Materiality to be used this year is \$3.7 million, 2.3% of total expenses
- \$3.7 million is intended to represent the maximum level of error that might change a users mind when reviewing financial statements
- Will be reporting any errors greater than \$185,000
- Reporting one significant risk required by professional standard and that is the risk of management control and is not specific to the City of Nanaimo
- Inquired if the committee members had any concerns regarding potential fraud
- Identified significant accounts where the audit will be focused on:
 - Tangible Capital Assets
 - Salaries/Benefits
 - Cash/Investments

- Revenue/Receivables
- Expenses/Payables
- Impact of COVID-19:
 - Do not anticipate a loss of internal controls
 - Expect impacts to balances and transactions
 - Anticipate there will be a note as to COVID-19 impacts and disclosures regarding uncertainties
 - Audit will be performed remotely this year
- One new auditing standard change this year relating to estimates
- Public Sector Accounting Standards Board has extended the adoption of the earliest upcoming standards by one year (Asset Retirement Obligations, Revenues)

Committee discussion took place regarding the cost of the audit being performed remotely.

(b) Darren Moss – Community Connect Pilot Project Update to Council

- Initial goals of the pilot program were to ensure downtown occupants were heard and felt supported, provide a single spot for people to reach out for support, implement private safety officers, and provide regular cleaning of the streets
- Pilot program started July 21st for six months in partnership with City Bylaw, RCMP, Old City Quarter Health and Safety Alliance
- Implemented the following strategies: documenting incidents, call centre, safety patrols, clean-up patrols, monthly strategy meetings, sharps training, conversations with stakeholders, and hosted a one day charrette in partnership with The United Way
- Provided a summary of pilot program work completed to date and statistics regarding the types of incidents reported
- Funding is expected to be about 20% below expected budget
 - Relies on a handful of volunteers at the top to bring people on board
 - Found that many people wanted to be part of the solution and put forward funding; however, monthly costs were too high to be sustainable, frustration around lack of consultation
- Lessons learned during the pilot program:
 - This program is improving safety in the area
 - Night time safety patrols are discouraging illegal activities
 - Morning and daytime patrols are necessary to support business owners/clients
 - Any meaningful strategy around homelessness will require collaboration and compromise between all stakeholders
 - Security needs to remain a focus, but creative supportive housing options are critical
 - Targeted initiatives could better leverage volunteer efforts
- Proposed Next Steps:
 - Mitigate negative impacts of homeless population on business owners and tenants while supportive housing solutions are developed
 - Keep property owners engaged as stakeholders in strategies around homelessness, especially supportive housing solutions

- Extend Community Connect coverage to all of downtown
- Create a not-for-profit society run by volunteer board
- Addition of a full time administrative support to stabilize program and encourage more volunteer engagement
- Implement special area levy to ensure all property owners are participating equitably
- Described a potential transition timeframe for implementing a special area levy:
 - Current pilot program ends December 2020
 - Estimate a six month transition period
 - Stabilized project July 2021 – June 2024
- Transition phase would focus on the downtown core and the stabilization phase plans to address the downtown as a whole
- Budgets for the two phases estimate the transition phase at \$183,750 and the stabilization phase at \$1,165,500
- Listed proposed cost sharing structure and approximate levy rate

Committee discussion took place. Highlights included:

- Clarification that special area levy is intended for all property types
- Night time security patrols were adjusted but never stopped
- Referring this topic to a Governance and Priorities Committee Meeting (GPC) to include input from the RCMP, local businesses and residents
- Changes to RCMP response rates in the area and assisting the RCMP to allow them to focus on the more serious situations/calls
- Being proactive in trying to find solutions and ways to improve the situation for downtown businesses
- Formulation of a new Downtown Nanaimo Business Improvement Area (DNBIA) and coordinating with the DNBIA Association to provide a coordinated effort
- Importance of an organization like Community Connect providing short term solutions while the Health and Housing Task Force focuses on longer term solutions
- Potentially pairing social service provider resources with a program like this in the future
- Potential to divide the requested motion into two parts in order to refer the financial request to the budget process for inclusion in the 2021 budget and referring the rest to a future GPC meeting for a more fulsome discussion with stakeholders

Councillor Brown joined the meeting electronically at 10:08 a.m.

- Requesting a Staff report to address the Community Connect business case

It was moved and seconded that the Finance and Audit Committee recommend that Council direct Staff to prepare a business case for consideration of the following financial request from the Community Connect Program, to be included in Council's budget deliberations:

"Fund a grant of \$147,000 to Community Connect to continue enhanced neighbourhood safety program between January 1, 2021 and June 30, 2021."

The motion carried unanimously.

7. REPORTS:

(a) Cardena Road Storm Sewer

Introduced by Bill Sims, General Manager, Engineering and Public Works.

(b) Watermain Replacement in Conjunction with RDN Sewer Project

Bill Sims, General Manager, Engineering and Public Works, introduced and stated that Staff are seeking to accelerate this project to replace and upgrade some brittle watermain pipes in conjunction with work the Regional District of Nanaimo (RDN) is doing in the area.

It was moved and seconded that the Finance and Audit Committee recommend Council direct Staff to proceed with watermain replacements along Meadow Lane and Kite Way, with a projected cost of \$550,000. The motion carried unanimously.

(c) Housing First Rent Supplements

Introduced by Lisa Bhopalsingh, Manager, Community Planning.

Dave Stewart, Social Planner, spoke regarding the following:

- Request is to provide \$35,000 from the Housing Legacy Reserve to the Nanaimo Region John Howard Society
- John Howard Society provides a supplement to those who require support to meet their rent and avoid becoming homeless

Committee Discussion took place. Highlights included:

- John Howard Society's recent funding from the federal government potentially expanding this project and making this an annual budget item
- Rent Bank program providing similar supports

It was moved and seconded that the Finance and Audit Committee recommend that Council direct Staff to provide \$35,000 in funding from the Housing Legacy Reserve to the Nanaimo Region John Howard Society in order to continue to fund the Housing First Rent Supplement Program for 2021. The motion carried unanimously.

(d) Update on 2019/2020 Grant Application for Social Initiatives

Introduced by Dale Lindsay, General Manager, Development Services.

Karin Kronstal, Social Planner, spoke regarding recent grant applications. Highlights included:

- Unsuccessful on PlanH grant applications
- Staff have been able to redirect funds from the REIMAGINE NANAIMO in person engagement budget towards lowering barriers for engagement with vulnerable populations
- Federation of Canadian Municipalities provided \$45,000 towards response to COVID-19 and vulnerable populations which has been distributed by The United Way in two ways: increasing funding for the Snuneymuxw First Nation (SFN) “Wrapping Blanket” program, and the Nanaimo Aboriginal Centre’s “My Connections” program
- Successful in partnership grant with SFN Health Department for the Community Action and Initiative, Community Wellness and Harm Reduction Grant

(e) Downtown Business Improvement Area

Introduced by Shelley Legin, General Manager, Corporate Services.

Delegation:

1. Kim Smythe, CEO, Nanaimo Chamber, was not in attendance at the meeting.

Laura Mercer, Director, Finance, spoke regarding the following:

- January 2020 Staff were approached by Kim Smythe, CEO, Nanaimo Chamber, about creating a new DN BIA
- Staff have worked with the DN BIA to map out a proposed business improvement area (BIA)
- Propose a five year term
- Amount levied will increase by 1% per year in years two through five of the bylaw and there will be no matching grant provided by the City
- Need to determine what kind of petition should be created
- Association needs to determine what amount they want to be levied
- Once a petition is created, City staff will distribute to properties within the BIA map and Council will need to adopt a bylaw if the response is successful
- Levies would be collected by City staff starting in May 2021
- Two types of petitions:
 - Petition for requires at least 50% of the responses from parcels in the area representing at least 50% of the assessed value of land and improvements in the area must be received in favour of the levy
 - Petition against can only be done by a Council initiative and the bylaw cannot be adopted if at least 50% of owners representing at least 50% of the assessed value of land and improvements that would be subject to the local tax sign a petition opposing the local area service
- The petition against has more likelihood of success for the association

- No financial impact for the City of Nanaimo

Committee discussion took place. Highlights included the following:

- Advantages of using a negative vote system
- Levy would be applied to commercial and industrial properties and would not include residential or City properties
- Including members of the cultural and not-for-profit communities on the DNBA Board
- Clarification that the City is not involved in funding and is just administering the legal process of the vote
- Encouraged the DNBA to provide a presentation to Council in the future

It was moved and seconded that the Finance and Audit Committee recommend that Council:

1. Direct Staff to work with the Downtown Nanaimo Business Association leading to the establishment the New Downtown Business Improvement Area for a term of 5 years starting in 2021; and,
2. Undertake the new Downtown Business Improvement Area as a Council initiative petition against.

The motion carried unanimously.

(f) Reserve Policy Update

Introduced by Laura Mercer, Director, Finance.

- Three financial stability reserves were created in 2019 to mitigate risks and provide funding for future costs
- A minimum balance was determined for these reserves and if the balance drops below the minimum a repayment plan must be acted upon to replenish the reserves
- There are currently no maximum limits for these reserves in the policy
- COVID-19 is an example of why these reserves were established and ensures Council can draw upon reserves to avoid a deficit; however, with these reserves a repayment plan will be triggered and result in increases in future years taxes
- Staff are suggesting setting a minimum and a maximum on these reserves to be reviewed every five years

Committee discussion took place. Highlights included the following:

- Amount of the General Financial Stability Reserve used so far during COVID-19 is \$1.4 million
- Methods of calculating water revenues, impact of weather, and potential to withdraw funds from the Water Financial Stability Reserve
- Pulling \$1.4 million from the General Financial Stability Reserve to reduce tax rates
- Methods of investing excess cash flows

It was moved and seconded that the Finance and Audit Committee recommends that Council revise the minimum and set a maximum balance for the three (3) financial stability reserves, to be reviewed every five (5) years, as follows:

Minimum Balances:

1. \$15,000,000 for the General Financial Stability Reserve
2. \$500,000 for the Sewer Financial Stability Reserve
3. \$1,700,000 for the Water Financial Stability Reserve

Maximum Balances:

60 days of prior year's budgeted general operating expenditures for all three (3) financial stability reserves.

The motion carried unanimously.

The Finance and Audit Committee Meeting recessed at 10:54 a.m.
The Finance and Audit Committee Meeting reconvened at 11:05 a.m.

(g) Council Expenses for the Nine Months Ending 2020-SEP-30

Introduced by Laura Mercer, Director, Finance.

(h) Operating Results for the Nine Months Ending 2020-SEP-30

Introduced by Laura Mercer, Director, Finance.

- COVID-19 has significantly impacted the City and Staff are anticipating a small deficit in the general and water funds and a small surplus in the sewer fund
- Staff have taken steps to reduce impacts and reduce expenditures where possible
- These results do not include the COVID-19 Safe Restart Grant referenced later on this agenda
- Net result is a General deficit of \$388,200, Sewer a surplus of \$134,200 and Water has a deficit of \$209,000
- Noted some of the larger items impacting results:
 - RCMP severance dispute settlement
 - RCMP retro pay negotiations (still ongoing)
 - Lack of casino revenues
 - Internal orders related to COVID-19 response costs
 - Reduced parking operations
 - Parks, Recreation and Culture operations
 - Building inspections revenue
 - Sun Life benefits
 - 2018 WCB core audit
 - Sewer has more revenue than expected
 - Water revenues were lower than expected

Committee discussion took place. Highlights included the following:

- Impacts of COVID-19 on community and local business/contractors
- Impacts of climate and COVID-19 on water usage
- Funding being allocated towards the RCMP negotiations
- Clarification regarding whether the City will have a surplus
- Impacts on Staff capacity due to reduced hiring during COVID-19

(i) Project Results for the Nine Months Ending 2020-SEP-30

Introduced by Laura Mercer, Director, Finance.

- Includes both operating and capital projects
- Total budget is approximately \$90.8 million with capital projects making up \$75 million and operating \$15 million
- Spent to date is approximately 62% of the total budget
- Remaining funds available \$35 million

Committee discussion took place regarding the status of transportation projects and delays to capital projects resulting from the impact of COVID-19.

(j) COVID-19 Safe Restart Grant for Local Governments

Introduced by Shelley Legin, General Manager, Corporate Services.

- This funding was not included in the previous reports as it was received days after the reports were compiled
- COVID-19 Safe Restart Grant of \$6.693 million has very specific parameters for spending
- There are many ways to expend these funds that would more than exceed the amount provided
- Creating an unallocated capacity that would be a variance in 2021 moving through to the Strategic Initiatives Fund
- Opportunity now to address the modifications and adjustments made prior to the knowledge that the City would have access to this \$6.693 million
- Listed eligible costs:
 - Eliminate Parking Revenue loss in 2020
 - Eliminate Casino Revenue deficit funding in 2020
 - Compensating for Parks, Recreation and Culture Revenues
 - 2020 Expenditure Overages
- Provided some potential strategies going forward:
 - Allocating \$1.4 million from the \$6.693 million toward the 2021 financial plan and reserving \$1.4 million (above the \$15 million General Financial Stability Reserve voted on earlier during this meeting) for 2022
 - Staff recommend putting reserves into 2022 with respect to the likely persistence of the pandemic
 - Funding a pandemic internal order which could be used for multiple community requests and personal protective equipment for Staff

- Recommend giving consideration during the budget deliberations to reinstating three new staff positions to 2021-JAN-01 start date
- Extending the Clean Team in 2021 and downtown public safety
- Rainy day contingency fund
- Currently no funding for business cases going forward
- Goal is to allocate the \$6.693 million without having the eligibility criteria carry forward into future years

Committee discussion took place. Highlights included the following:

- Clarification regarding impacts to tax rates should Council choose to allocate \$1.4 million of the COVID-19 Safe Restart Grant to the General Financial Stability Reserve
- Total eligible 2020 costs already total over \$9 million
- Consideration of allocating a portion of these funds to the Health and Housing Task Force (HHTF)
- Using these funds to cover some of the shortfalls resulting from COVID-19 and in doing so providing more flexibility next year by reducing the need to cover those costs
- Other cities being impacted more severely due to reliance on parking, transit and tourism revenues
- Clarification of how Staff propose to shuffle funds from accounts with surpluses and place those funds into an account that can be accessed without the limitations of the federal grant funds
- Potential to use the proposed reserve for initiatives like the recommendations from HHTF
- Timeframe for making final decisions on how these funds will be allocated
- Potential for these funds to assist with homeless issue in the community
- Timeframe for the City to receive the funds and discussions regarding allocating the funds. The funds are forthcoming and Staff plan to review this topic on 2020-NOV-30

8. ADJOURNMENT:

It was moved and seconded at 12:05 p.m. that the meeting adjourn. The motion carried unanimously.

CHAIR

CERTIFIED CORRECT:

CORPORATE OFFICER