



AMENDED AGENDA
SPECIAL FINANCE AND AUDIT COMMITTEE MEETING

March 29, 2023, 9:00 AM - 12:00 PM
SHAW AUDITORIUM, VANCOUVER ISLAND CONFERENCE CENTRE
80 COMMERCIAL STREET, NANAIMO, BC

SCHEDULED RECESS AT 10:30 A.M.

Pages

1. **CALL THE MEETING TO ORDER:**

[Note: This meeting will be live streamed and video recorded for the public.]

2. **INTRODUCTION OF LATE ITEMS:**

3. **ADOPTION OF AGENDA:**

4. **ADOPTION OF MINUTES:**

5. **PRESENTATIONS:**

6. **REPORTS:**

a. **Draft Debt Management Policy**

3 - 25

To be introduced by Laura Mercer, Director, Finance.

Purpose: To provide Council with an understanding of the use of debt by the City of Nanaimo and an introduction to the draft Debt Management Policy.

Presentation:

1. Laura Mercer, Director, Finance.

b. **Large Capital Projects Overview**

26 - 37

To be introduced by Jake Rudolph, Chief Administrative Officer.

Purpose: To provide Council an overview of potential large capital projects to be funded by long-term borrowing, and set context for major capital expenditures over the short and medium term.

1. **Add PowerPoint Presentation titled "Large Capital Projects Overview"**

38 - 48

c. Approval of the Electors

To be introduced by Sheila Gurrie, Director, Legislative Services.

Purpose: This report is intended to provide Council with information regarding seeking elector approval to proceed with borrowing for major capital projects either through an Alternative Approval Process (AAP) or Referendum (Assent of the Electors).

Presentation:

1. Sheila Gurrie, Director, Legislative Services.

d. Harewood Artificial Turf Field Tender Results and Next Steps

To be introduced by Richard Harding, General Manager, Parks, Recreation and Culture.

[Note: to be distributed on the addendum.]

1. ***Remove Report titled "Harewood Artificial Turf Field Tender Results and Next Steps"***

7. **OTHER BUSINESS:**

8. **QUESTION PERIOD:**

9. **ADJOURNMENT:**

DATE OF MEETING March 29, 2023
AUTHORED BY LAURA MERCER, DIRECTOR, FINANCE
SUBJECT DRAFT DEBT MANAGEMENT POLICY

OVERVIEW

Purpose of Report:

To provide Council with an understanding of the use of debt by the City of Nanaimo and an introduction to the draft Debt Management Policy.

BACKGROUND

At the 2019-MAR-11 Committee of the Whole meeting, Staff introduced a Draft Reserve Policy and a Debt Management Policy to the Committee. While work continued on the Reserve Policy that resulted in the adoption of the Policy in 2019, the work on the Debt Management Policy stalled due to the Covid-19 Pandemic.

With the potential of several large capital projects being undertaken in the coming years, Staff felt it was timely to bring back the Debt Management Policy for discussion and eventual goal of Council adoption.

DISCUSSION

Debt is one option available to Council for funding capital improvements. This report and the accompanying presentation is intended to help Council understand how debt fits into the City of Nanaimo's long term financial plans and the legislative and practical framework around borrowing.

Municipalities may utilize debt in compliance with the *Community Charter*. Borrowing may be short-term (five years or less) or long-term (usually 20 years) and is subject to a debt servicing limit where total borrowing cannot exceed 25% of controllable annual revenues. Under the *Community Charter*, debt can only be incurred for capital investment.

The Municipal Finance Authority of BC provides long-term, short-term and equipment financing to local governments in BC. The long-term borrowing process is facilitated through the Regional District of Nanaimo and must have Council's approval through adoption of a Loan Authorization Bylaw, approval from the Inspector of Municipalities and electoral approval. The City of Nanaimo has used long term borrowing to fund new facilities, such as the Port of Nanaimo Centre, the Nanaimo Aquatic Centre, Fire Station #4, the Water Treatment Plant and Fire Station #1.

The short-term borrowing process must have Council's approval through a resolution or bylaw. In the past, the City has used short-term debt to implement automated solid- waste collection.

Municipalities may also use internal borrowing in compliance with the *Community Charter*. Borrowing from one Statutory Reserve to another Statutory Reserve is allowed as long as the lending reserve is able to fulfill its purpose. Internal borrowing can also be done from operating reserves. The 2023 – 2027 Financial Plan includes internal borrowing for the Millstone Trunk Central DCC Sewer project.

The presentation provides information on the amount the City's current debt and the proposed borrowing in the 2023 – 2027 Financial Plan. This information will also provide context as Council continues to move forward in evaluating several large proposed capital projects.

A draft Debt Management Policy is attached to this report. The policy sets out basic objectives and principles of borrowing and provides some guidance for Staff in making future recommendations to Council.]

NEXT STEPS

- Staff to review and provide information on a recommended debt servicing limit
- Policy to be reviewed by external auditors, KPMG
- Finalize Policy based on all feedback received
- Council adoption of Debt Management Policy]

SUMMARY POINTS

- The City of Nanaimo may borrow money in compliance with the *Community Charter*.
- Generally, Long-term borrowing requires electoral approval.
- The City has existing debt and more is included in the 2023-2027 Financial Plan that if undertaken, debt borrowing would be the recommended funding source.
- There are several large projects not included in the 2023-2027 Financial Plan that if undertaken would need to be funded using debt.

ATTACHMENTS

Attachment A: Draft Debt Management Policy.]

Submitted by:]

Laura Mercer
Director, Finance]



| | | | |
|------------------------|------------------------|--------------------------|--|
| RCRS Secondary: | GOV-02 | Effective Date: | |
| Policy Number: | COU-234 | Amendment Date/s: | |
| Title: | Debt Management Policy | Repeal Date: | |
| Department: | Finance | Approval Date: | |

PURPOSE:

The City of Nanaimo (the City) is committed to sustainable, prudent and transparent management of financial resources used to provide valued community services.

The purpose of this Policy is to:

- Establish responsible governance for Debt Management;
- Establish governance roles and responsibilities for Debt Management;
- Define principles and objectives for Debt Management that are appropriate for the City's financial position, and are reasonable, logical and necessary for delivery of sustainable, affordable services; and
- Ensure the City's Debt Management is compliant with the statutory and legal requirements of the *Local Government Act* and the *Community Charter* and in accordance with Canadian public sector accounting standards.

DEFINITIONS:

| | |
|------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Alternative Approval Process (AAP) | Means the Alternative Approval Process as outlined in section 86 of the <i>Community Charter</i> . |
| Business Cases | Means a project management document to help decision makers evaluate proposals for new investment, changes in service delivery or new services. Typically includes description of business issue, options, benefits, challenges and financial impacts of each option and recommendation. |
| Capital Expenditures | Means Expenditures incurred to acquire, develop, renovate or replace capital assets as defined by Public Sector Accounting Board section 3150. May also be referred to as Capital Projects or Projects. |
| City | The Corporation of the City of Nanaimo located in the Province of British Columbia. |
| Debt Servicing | Means annual required debt repayments including interest and principal. |
| Debt Term | Means period-of-time during which debt payments are made. At the end of the Debt Term, the debt must be paid in full. |
| Electoral Approval | Means assent by the electorate to authorize long-term borrowing through a Loan Authorization bylaw as outlined in section 180 of the <i>Community Charter</i> . |

Attachment A

| | |
|-----------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| External Debt | Means borrowing that is usually provided by the Municipal Finance Authority of BC (MFA) pursuant to security issuing bylaws under authority of the <i>Community Charter</i> to finance certain capital expenditures. The MFA provides long and short-term financing to communities and public institutions in BC. |
| General Fund Debt | Means debt issued for capital expenditures related to operations funded from General Fund Revenues. |
| Five-Year Financial Plan | Means the City's annual budget required under section 165 of the <i>Community Charter</i> . |
| Funds | Means the resources and operations of the City which are segregated into General, Utility and Reserve Funds for accounting and budgeting purposes. The General and Utility Funds also have corresponding Capital Funds. |
| General Fund Operations | Means non-utility operations. |
| General Fund Revenues | Means revenues generated to pay for General Fund Operations. These revenues include property taxes, non-utility user fees, permits and investment income. |
| Infrastructure | Means a wide range of assets that are used to deliver City services. These assets include transportation amenities, drainage, sanitary sewer, water, recreation amenities and buildings. |
| Internal Borrowing | Means borrowing between Reserve Funds under specific conditions in compliance with the section 189 of the <i>Community Charter</i> . The City may also borrow from Operating Reserves as well. |
| Liability Servicing Limit | Means 'Liability Servicing Limits' as outlined in section 174 of the <i>Community Charter</i> . The maximum value of liability servicing cost for a given year is 25% of a municipality's controllable and sustainable revenues for the previous year. |
| Long-Term Debt | Means debt with repayment terms greater than five years. Long-term debt is usually undertaken for twenty years. |
| Municipal Finance Authority (MFA) | Means the Municipal Finance Authority of British Columbia who provide long-term, short-term and equipment financing to communities and public institutions in BC. |
| Short-Term Debt | Means debt with repayment terms of five years or less. |
| Sustainability | Means the pillars of sustainability which includes ensuring that current socio-cultural, economic and environmental commitments are considered in investment decisions and do not compromise the ability of future generations to meet their own needs. |

Attachment A

| | |
|--------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Utility Debt | Means debt issued for capital expenditures related to operations funded from Utilities Revenues. |
| Utilities | Means self- funded operations providing a service to its customers at rates regulated by Council. The City's current self-funded operations are the Water Utility Fund, the Sanitary Sewer Utility Fund and Solid Waste Collection services. |
| Utilities Revenues | Means revenues generated to pay for water, sewer and solid waste collection services. |

SCOPE:

Council is responsible for:

- Adoption, periodic review and updating the Debt Management Policy; and
- Approval of new debt and internal borrowing.

The Chief Administrative Officer is responsible for:

- Implementing the Debt Management Policy.

The Director of Finance is responsible for:

- Implementing internal processes and systems in compliance with this Policy;
- Ensuring the use of debt complies with this Policy;
- Ensuring utilization of debt is clearly disclosed in the City's Five-Year Financial Plan and other long-term financial plans; and
- Recommending revisions or amendments to this Policy due to changes in applicable statutes, accounting standards or to support the City's long-term financial management.

POLICY:

The primary objectives for the City's use of Debt are to:

- Provide funding for large capital expenditures with long-term benefits;
- Maintain service levels by providing a funding option for needed equipment and infrastructure replacement investment;
- Provide funding for capital expenditures required for service delivery innovation or change;
- Minimize impact of capital investment on property tax and user fee increases; and
- Minimize need to reduce the City's reserves below prudent levels.

PROCESS:

The City delivers services to the community through a wide range of City-owned assets as well as some assets managed through co-management agreements. In addition to these existing assets, the City may receive or construct new assets. Provision of new assets and renewal of existing assets requires significant long-term planning and investment for capital projects. The City utilizes annual revenues, reserves, grants, private contributions and Debt to fund these capital projects.

1. Corporate Context

This Policy applies to Debt utilized by the City to fund capital infrastructure and equipment investment. To support Debt planning, management and reporting, Debt is categorized into two groups as follows:

- General Fund Debt
- Utility Debt

2. Implementation, Review and Reporting

The implementation, review and reporting associated with this Policy will be integrated within City business processes.

3. Benefits of Compliance

Implementing this Policy will improve the City's governance through:

- Improvements to decision making and financial performance;
- Improvements to financial preparation for future commitments; and
- Improvements to transparency and accountability.

4. Principle Statements and Objectives

The City will strive to ensure the following principles and objectives are applied to all Debt Management strategies, processes and reporting.

4.1 Affordability

The City will consider impact on property taxes, utility and other user fees when considering new debt.

4.2. Debt Management and Decision Making

4.2.1 The City recognizes that the utilization of debt may be needed to provide funding for needed capital investment.

4.2.2 The City will utilize Business Cases where appropriate to provide necessary information regarding capital investment and new debt for decision makers.

4.2.3 The City will utilize the financing options offered by the Municipal Finance Authority for debt.

4.2.4 The City may consider and utilize financing options through other appropriate institutions where it is demonstrated to be beneficial.

4.2.5 The City may consider internal borrowing between statutory reserves, in compliance with section 189 of the *Community Charter* where it is prudent and does not impair the capacity of the lending reserve to fulfill its purpose.

4.2.6 The City will utilize Debt with a term that is less than the expected life of the underlying asset.

Attachment A

- 4.2.7 The City will not issue Debt to finance annual operating expenditures.
- 4.2.8 The City will ensure that new General Fund Debt Servicing costs will be funded by long-term sustainable General Fund revenues, reserves or reserves funds.
- 4.2.9 The City will ensure that new Utility Debt Servicing costs will be funded by related long-term sustainable utility revenues, reserves or reserves funds.
- 4.2.10 The City will review and consider cost saving opportunities through prepayment or refinancing of existing debt.
- 4.2.11 The City will utilize Equipment Financing in compliance with the *Community Charter*, Section 175, when appropriate.

4.3 Transparency and Accountability

- 4.3.1 The City recognizes that Debt must be managed, monitored and reported upon.
- 4.3.2 The City's utilization of Debt will be reported to Council through regular performance reporting including against the City's current Liability Servicing Limit.
- 4.3.3 The City will ensure utilization of new debt, the projected annual repayment costs for current and new debt, and the impact on the City's Liability Servicing Limit is clearly disclosed in the annual Five Year Financial Plan.

4.4 Debt Approval

- 4.4.1 The City will ensure new debt is approved by Council and receives appropriate electoral approval as outlined in sections 178 and 180 of the *Community Charter*, and as outlined in this Policy.
 - i. The annual Five-Year Financial Plan bylaw includes utilization of internal debt.
 - ii. The annual Five-Year Financial Plan bylaw includes utilization of external debt.
 - iii. All issuance of external short-term debt requires a Council bylaw or resolution.
 - iv. All issuance of external long-term debt requires a loan authorization bylaw.
 - v. All issuance of external long-term debt requires electoral assent.
 - vi. All issuance of internal debt requires a Council resolution.
- 4.4.2 New external debt under a loan authorization bylaw must be undertaken by the Regional District of Nanaimo in compliance with section 182 of the *Community Charter*.

Attachment A

4.4.3 Section 179 of the *Community Charter* allows for borrowing without electoral assent if the City's total annual borrowing costs are less than 5% of sustainable revenues.

- i. If the borrowing is for longer than five years and if the City is within its asset free zone the City will still seek electoral approval through referendum or AAP.
- ii. If borrowing is five years or less and if the City is within its assent free zone than electoral approval is not required.

4.5 Statutory and Legal Requirements

4.5.1 The City will ensure that the maximum amount borrowed from external sources is compliant with section 174 of the *Community Charter*.

4.5.2 The City will only use debt in compliance with sections 178, 179, and 181 of the *Community Charter*.

4.5.3 The City will ensure that electoral approval is obtained in compliance with section 180 of the *Community Charter*.

4.5.4 The City may consider temporary borrowing under loan authorization bylaw in compliance with section 181 of the *Community Charter*.

4.6 Accounting Standards

The City will ensure that administration and reporting of Debt is in accordance with Canadian public sector accounting standards.

5. **Administration**

The following key administrative processes will support implementation of the Debt Management Policy. Additional information is provided in the City's Debt Management Processes document.

5.1 Business Cases

The City will utilize business cases where appropriate for a proposed investment that requires new external debt financing. The business case will: provide a robust analysis of the investment, be prepared according to best practices and include relevant financial and non-financial information. Key components of a business case include a comprehensive explanation of the business need, reasonable options, the benefits, challenges and expected outcomes or measures for each option, a recommendation and the decision criteria used.

5.2 Internal Borrowing

5.2.1 Internal borrowing from Statutory Reserve Funds is allowed pursuant to section 189 of the *Community Charter*.

- The City will ensure that internal borrowing does not impair the purpose of the lending reserve.

Attachment A

- The City will ensure that repayment of internal borrowing includes interest that would have been earned on the amount had it remained in the lending reserve.

5.2.2 Internal Borrowing from operating Reserves

- The City will ensure that internal borrowing does not impair the purpose of the lending reserve.

5.2.3 The City will clearly disclose a prudent repayment plan for internal borrowing as part of the Five-Year Financial Plan bylaw approved by Council.

5.2.4 As per best practice, Staff will seek an internal borrowing resolution from Council endorsing the anticipated internal borrowing need.

6. Reporting

The City will develop and maintain annual reporting processes that provide decision makers with all relevant debt information.

RELATED DOCUMENTS:


Local Government Act

Community Charter

Canadian Public Sector Accounting Standards (PSAB)

REPEAL or AMENDMENT:

N/A



**Draft Debt
Management Policy**

*Finance & Audit
Committee Meeting
March 29, 2023*



Agenda

- **Municipal Debt**
 - External and Internal Debt
 - Municipal Finance Authority (MFA)
- **Overview of the City's Debt**
 - Why does the City borrow money?
 - Current Debt
 - Planned New Debt
- **Draft Debt Policy**
 - Uses best practices
 - Purpose, responsibilities, principles and objectives

Draft Debt Management Policy

External Debt

Municipalities may utilize debt in compliance with the *Community Charter*

- Short-term (5 years or less)
 - Equipment Financing
- Long-term (usually 20 years)
- Generally, electoral approval is required for long-term borrowing
 - Referendum
 - Alternative Approval Process
- Debt Servicing Limit
- Used for capital investment

Draft Debt Management Policy

Internal Debt

Municipalities may utilize internal borrowing under specific conditions in compliance with the *Community Charter, Section 189*

- May borrow from one Statutory Reserve to another Statutory Reserve
 - Must be repaid with interest
- May borrow from one Operating Reserve to another Statutory Reserve
 - No requirement to be repaid with interest
- Allows the municipality to meet short-term funding needs as long as lending reserve can fulfill its purpose


Draft Debt Management Policy

Municipal Finance Authority of BC (MFA BC)

- Provides long-term, short-term and equipment financing to local governments in BC
- Long-term borrowing process:
 - Facilitated through the RDN
 - City follows specific steps which include Council's approval and adoption of a Loan Authorization Bylaw, approval from the Inspector of Municipalities and Electoral Approval
- Short-term and equipment borrowing process:
 - Council resolution and/or bylaw

Draft Debt Management Policy

Overview of City's Debt



Why Does The City Borrow Money?


Reserves or other funding sources not adequate for total cost of capital investment

Provides for intergenerational equity

External long-term Debt has primarily been used for new facilities

- Port of Nanaimo Centre
- Nanaimo Aquatic Centre
- Fire Station #4
- Water Treatment Plant

Draft Debt Management Policy



Why Does The City Borrow Money?

Debt has also been used to implement service delivery changes.

The City has utilized external short-term debt to implement automated solid-waste collection:

- Purchase of carts
- Purchase of automated collection trucks

Draft Debt Management Policy

CITY OF NANAIMO
OF VANCOUVER ISLAND

Why Does The City Borrow Money?

Under specific circumstances, where reserves are not adequate for needed capital investment, the City utilizes internal borrowing.

- The 2023 – 2027 Financial Plan includes:
 - Borrowing from the Drainage DCC Reserve to the Sewer DCC Reserve
 - Repayment of borrowing with appropriate interest

Draft Debt Management Policy

CITY OF NANAIMO
OF VANCOUVER ISLAND

Outstanding Debt at Dec 31, 2022

| | Amount | Year Borrowing Repaid |
|------------------------------------------------|---------------------|-----------------------|
| External Borrowing (MFA) | | |
| Fire Station #1 | \$15,553,662 | 2038/2040/2041/2042 |
| Fire Station #4 | \$ 1,228,398 | 2027 |
| Sanitation | \$ 673,273 | 2023/2025 |
| Vancouver Island Conference Centre | \$ 8,920,004 | 2026/2027 |
| Water Treatment Plant | \$14,926,575 | 2033/2034 |
| Total External Borrowing | \$41,301,912 | |
| Internal Borrowing | | |
| DCC SS45: Chase River Pump Station & Forcemain | \$ 2,665,254 | 2039/2040 |
| DCC SS9: Millstone Trunk South | \$ 3,310,003 | 2040/2041/2042 |
| Total Internal Borrowing | \$ 5,975,257 | |


Draft Debt Management Policy



New Debt Included in 2023 – 2027 Financial Plan

| | Amount | Term | Year of Borrowing |
|-----------------------------------|--------------------|---------|-------------------|
| External Borrowing (MFA) | | | |
| Property Purchase | \$4,993,150 | 5 Year | 2023 |
| Sanitation Trucks (3) | \$1,435,200 | 5 Year | 2023 |
| Total External Borrowing | \$6,428,350 | | |
| Internal Borrowing | | | |
| DCC SS19: Millstone Trunk South | \$ 97,532 | 20 Year | 2023 |
| DCC SS18: Millstone Trunk Central | \$2,402,400 | 20 Year | 2024 |
| Total Internal Borrowing | \$2,499,932 | | |

Draft Debt Management Policy



Emerging Major Capital Projects

Four emerging major capital projects with a debt funding strategy are not currently included in the 2023 – 2027 Provisional Project Plan.

- Nanaimo Operations Center (NOC)
- Police Operations Building – Future Phases
- Waterfront Walkway
- South End Community Center

As timing and funding strategy is confirmed plans will be presented to Council for approval.

Projects will be included in the plan when Council and electoral approval for borrowing is received.

Draft Debt Management Policy

Debt Servicing Limit

- The Liability Servicing Limit is defined as 25% of municipality's controllable and sustainable revenues for the year
- City of Nanaimo limit at December 31, 2021 is \$47.2 M for annual principle and interest payments
- At December 31st the City was at 13.4% of current limit

Draft Debt Management Policy

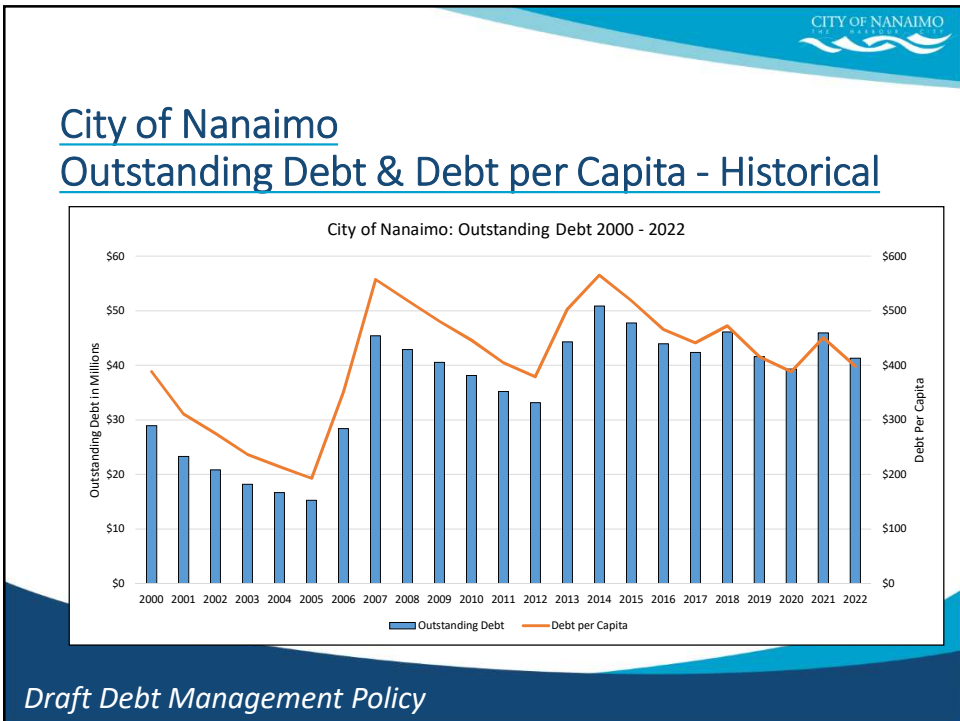
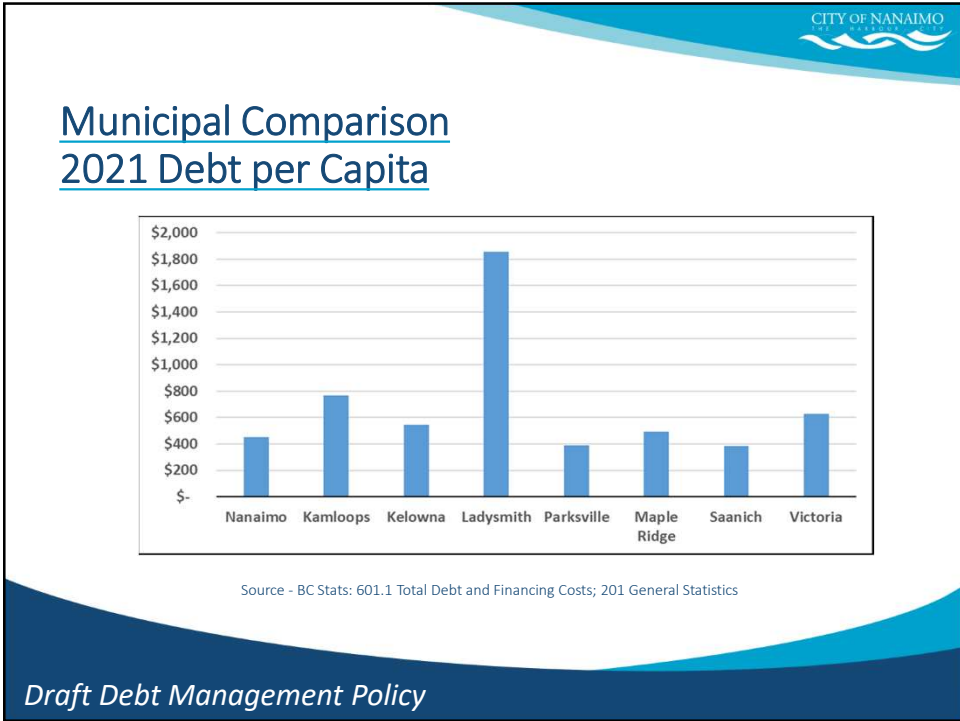
Municipal Comparison

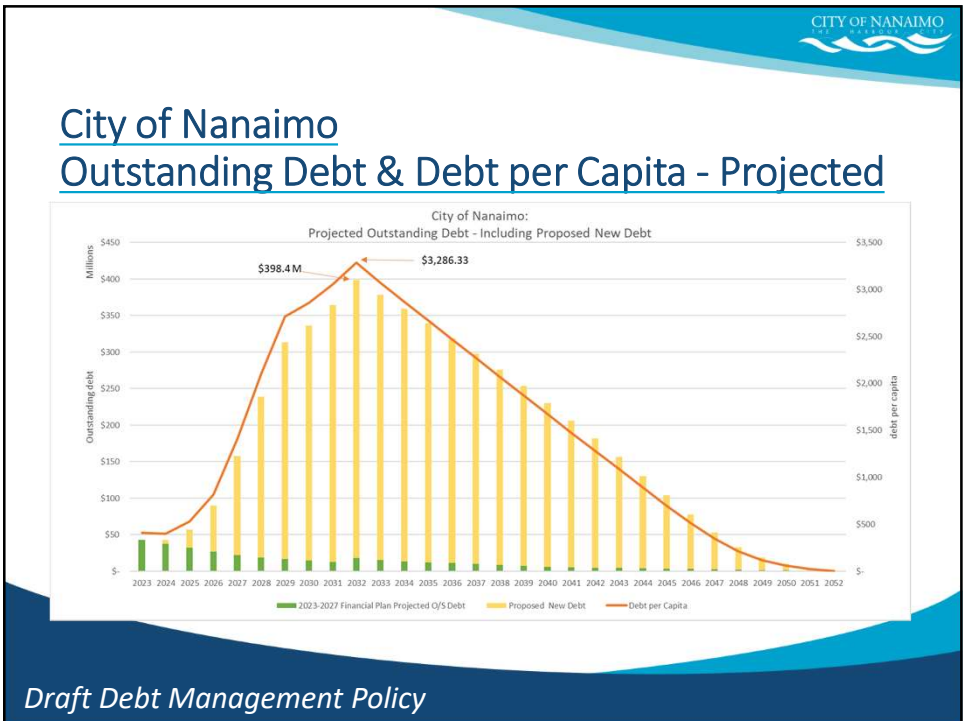
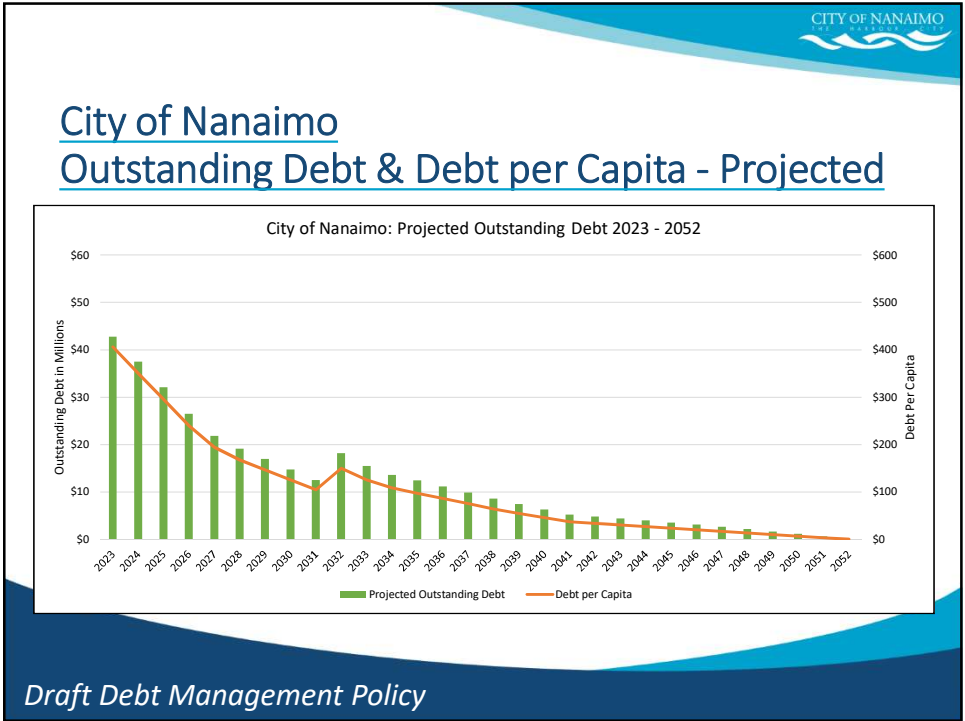
| | Debt Servicing Limits | | | | |
|----------------|-----------------------|-------------------|-------------------|-------------------|-------------------|
| | 2017 | 2018 | 2019 | 2020 | 2021 |
| Kamloops | 44,590,765 | 45,613,405 | 48,992,036 | 47,983,763 | 49,638,937 |
| Kelowna | 70,309,126 | 79,457,574 | 81,643,095 | 74,141,942 | 82,304,903 |
| Ladysmith | 3,588,988 | 3,865,710 | 4,218,062 | 4,224,355 | 4,532,646 |
| Maple Ridge | 32,359,610 | 33,714,975 | 35,965,266 | 36,683,133 | 38,436,615 |
| Nanaimo | 40,133,329 | 43,120,716 | 44,839,046 | 44,370,220 | 47,198,318 |
| Parksville | 5,306,651 | 5,646,788 | 6,476,439 | 6,477,091 | 6,977,432 |
| Saanich | 48,279,619 | 50,681,673 | 53,519,092 | 53,623,777 | 56,603,503 |
| Victoria | 57,248,034 | 62,102,416 | 64,465,215 | 61,120,784 | 63,755,199 |

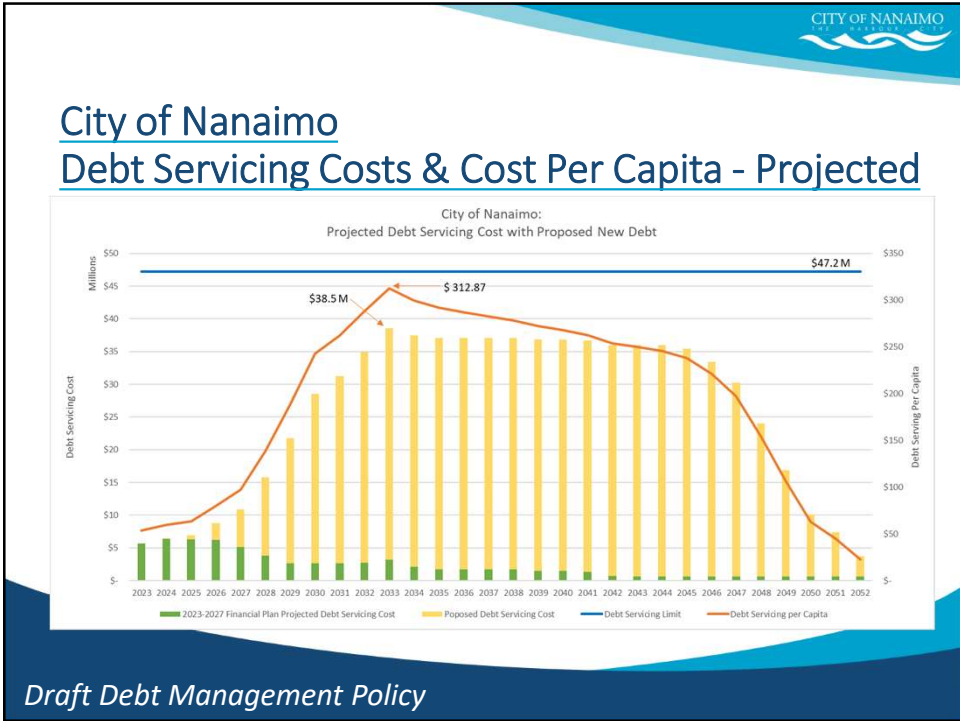
| | Debt Servicing Cost % of limit | | | | |
|----------------|--------------------------------|--------------|--------------|--------------|--------------|
| | 2017 | 2018 | 2019 | 2020 | 2021 |
| Kamloops | 30.4% | 27.9% | 34.9% | 22.9% | 21.0% |
| Kelowna | 46.4% | 45.7% | 23.0% | 20.3% | 15.4% |
| Ladysmith | 59.9% | 37.9% | 25.5% | 40.7% | 37.5% |
| Maple Ridge | 18.3% | 37.6% | 20.9% | 22.6% | 18.4% |
| Nanaimo | 12.1% | 11.0% | 14.6% | 15.5% | 13.4% |
| Parksville | 8.1% | 7.8% | 6.2% | 7.7% | 7.0% |
| Saanich | 7.6% | 10.1% | 10.2% | 11.6% | 10.4% |
| Victoria | 9.5% | 9.6% | 9.2% | 10.1% | 10.2% |

Source - BC Stats: 602.1 Liability Servicing Limit


Draft Debt Management Policy







Draft Debt Policy




Purpose

The purpose of the Debt Policy is to:

- Establish responsible governance for the City's Debt Management
- Establish roles and responsibilities
- Define principles and objectives for Debt Management
- Ensure the City's Debt Management is compliant with statutory and legal requirements and in accordance with Canadian Public Sector Accounting Standards

Draft Debt Management Policy




Principle Statements and Objectives

The City's Debt Management will follow these principles:

- Affordability
- Debt Management and Decision Making
- Transparency and Accountability
- Debt Approval
- Statutory and Legal Requirements
- Accounting Standards

Draft Debt Management Policy




Debt Policy - Administration

Key Administrative Processes:

- Business Cases
 - Proposed investment requires external debt financing
 - Utilize best practices
 - Robust analysis, recommendation and decision criteria
- Internal Borrowing
 - Prudent repayment plan
- Reporting

Draft Debt Management Policy



Debt Limit Discussion

- Draft Debt Policy debt limit would comply with Community Charter – limit is 25% of controllable annual revenues
- Council may wish to consider a lower debt limit and direct staff to provide additional information on options and impacts


Draft Debt Management Policy

Debt Limit Discussion

- Is Council satisfied to leave the maximum allowable borrowing limit as outlined in the Community Charter or would you like to set a lower limit?
- Is Council in agreement that even if the City is within its assent free zone, for all long term borrowing will require electoral approval?

Draft Debt Management Policy


Next Steps



Next Steps

- Staff update Policy per Council Direction
- Review by external auditors
- Finalize Debt Policy
- Council adoption of Debt Policy

Draft Debt Management Policy



Questions?

DATE OF MEETING 03/29/2023
AUTHORED BY JAKE RUDOLPH, CHIEF ADMINISTRATIVE OFFICER
SUBJECT LARGE CAPITAL PROJECTS OVERVIEW

OVERVIEW

Purpose of Report:

To provide Council an overview of potential large capital projects to be funded by long-term borrowing, and set context for major capital expenditures over the short and medium term.

BACKGROUND

The purpose of this report is to provide an overview on several large capital projects that have been discussed at various times over the past several years. These include:

- Nanaimo Operations Centre
- RCMP and Civic Precinct
- Waterfront Walkway – Departure Bay section
- South End Community Centre

Other future capital needs noted in the discussion include a future additional Fire Hall; renovations, upgrades and new facilities at Beban Park and other major Parks, Recreation and Culture facility needs; and the water supply dams.

This report provides a brief overview of the background and scope of each project’s financial considerations and potential next steps. Different methods for obtaining approval of the electors, which is necessary for long-term borrowing, are outlined in a separate report for best practices regarding the method of approval to consider based on the capital project and other relevant considerations.

This update is to assist in providing the status of each of these major capital needs and set the context for future planning.

Nanaimo Operations Centre

Background

City operations are currently provided at Public Works, the Parks Operations Yard on Prideaux Street and the Nanaimo Lakes Road Parks satellite yard. These facilities are no longer able to fully meet the operational needs of the organization and the community, and an overall vision has been prepared for the Nanaimo Operations Centre (NOC). A report and business case was presented at the September 22, 2021 Finance and Audit Committee meeting and an update was provided to Council June 20, 2022. The capital required to complete the entire vision was estimated in 2021 to be \$125 million.

Financial Considerations

An alternative NOC Phase 1 for the Fleet Maintenance Facility and ancillary infrastructure works has been prepared that would allow a staged approach to the work. The expected budget required to complete the alternative Phase 1 is approximately \$40 million. This will enable a standalone project to complete the most urgent work, while allowing some time to better understand the City's fiscal position and adapt priorities as needed. Phases 2 – 4 consisting of the administration building, storage and Prideaux are currently estimated at \$100 – 115 million, with low confidence.

Next Steps

This project has been under development for several years and many key decisions have been made to bring it to the current moderate level of maturity. While the project is important to the continued functionality of City operations, it will be Council's decision to proceed or not, and which approach to seek elector approval – Referendum or Alternative Approval Process (AAP). A staff report outlining the best practices for both processes is included in this agenda package (Approval of the Electors). Based on Council discussion, staff will bring forward a report for decision of the recommended process and Bylaw for three readings at a future meeting.

RCMP Detachment Expansion

Background

The current RCMP facility was constructed in the 1980's. As the population of the City of Nanaimo has grown, so too have the policing requirements. The current detachment building no longer meets the operational and space needs of the detachment. Phase I of the project is intended to provide interim relief to the overcrowding by renovating parts of the existing detachment and relocating 22 staff to another nearby City-owned building. Phase 2 involves the development of a new Detachment building on the current site. Staff are working with a consultant team to develop a preliminary design and costing. It may be more cost effective to demolish the existing building once the new structure is operational (rather than try to upgrade and refresh it). Structured parking for RCMP fleet vehicles and security hardening of the site will also be considered in the design.

Financial Considerations

The approved Financial Plan includes \$2.8 million to proceed with Phase 1 renovations and \$2 million for detailed design of the expansion. Phase 2 (new detachment) is expected to be in the range of \$80 - \$100 million.

Timing

Phase 1 is currently underway and expected to provide relief for up to five years (2027). Phase 2 is a much larger project and will need several years to get organized, implemented and become operational. To ensure the project maintains momentum, design work will continue throughout 2023 to bring the level of project maturity to the point where the required budget is better known, and funding could be pursued.

Next Steps

Similar to the Nanaimo Operations Centre, the RCMP facility upgrade and expansion is required given the functionality and space challenges with the current facility. It is likely that an AAP is appropriate once the project reaches a suitable level of maturity.

Waterfront Walkway

Background

The Waterfront Walkway project has been identified in each of the last three Council Strategic Plans, and again identified at Council's March 13th strategic priorities session. In 2017, the City completed an overall Implementation Plan for the creation of a continuous walkway from Departure Bay to the Nanaimo River Estuary. The plan was completed with significant positive input from the community and revealed strong public support for the development of the waterfront walkway.

In 2019, Staff developed a detailed plan for the waterfront walkway using a green shores approach between the BC Ferries Terminal in Departure Bay and Departure Bay Beach. This included archeological, geotechnical, environmental, and coastal erosion specialists providing their input to the project. The project has been presented to Snuneymuxw First Nation (SFN), the Department of Fisheries and Oceans, and the Province of BC to gain feedback and help steer the design. The green stores approach accounts for sea level rise, mitigates potential for steep slope erosion, and restores original foreshore habitat.

The project is supported in the City Plan through a connected, green and prosperous Nanaimo lens.

Financial Considerations

Preliminary construction have been calculated to be in the range of \$30 - \$38 million in 2022. This cost estimate is subject to market conditions at the time of implementation.

Next Steps

Staff propose to update the cost estimate to current figures and return to a future meeting to confirm proceeding with Council. While there is significant public support, funding is subject to voter approval.

This project could be included as part of a future referendum question, either independently or in conjunction with the South End Community Centre as well as other possible recreational priorities.

South End Community/Wellness Centre

Background

A Feasibility Study is underway for the South End Community/Wellness Centre. A steering committee has been working on the study since January of last year and key partner engagement sessions have been conducted with a view to potential partnerships in the proposed facility. An “environmental scan” (interviews with other school districts, community services and community centres already in partnership) has also been completed to assist with early development of governance and best practices associated with joint use agreements. Based on work to date the facility could be between 40,000 and 60,000 square feet in size depending on the uses and partnerships established.

Financial Considerations

A draft concept has now been prepared and will be presented to Council at a future date. Although the scope could vary in size depending on final approved uses and partnerships, it is expected that the capital cost of a facility of this nature could be in the range of \$40-80 million. There would also be operational cost implications, which could vary depending on factors such as the details of partnership agreements. As the project matures, more detailed cost information will be established.

Next Steps

Draft concept options as well as locations will be presented to Council and the public later this year. This project could be included as part of a future referendum question, as outlined in the staff report “Approval of the Electors”, either independently or in conjunction with the Waterfront Walkway as well as other possible recreational priorities.

Other Future Needs

While the projects noted above have been discussed previously, it is important to consider context and look forward at all the other major funding pressures the City may experience in the future. An update to the City’s Asset Management Plan and 20 Year Investment Plan is underway and will be presented to Council in the near future. While the asset information is still being collected and analyzed, with cost escalation it is conceivable that funding towards asset renewal will continue to be challenging, in particular with facilities. There will be considerable future funding pressures to maintain existing infrastructure, facilities and services as well as adding new facilities based on the City’s growth and needs as identified in City Plan and other planning processes. Considering the aging condition of some facilities, the operational needs of the City and the sustainment/enhancement of services, the following items provide further context:

Beban Park Master Plan and Facility Implementation Plan

Beban Park is a major gathering place for recreational, sporting, and social events for the City and Region. Beban Park Master Plan includes a number of recommendations for potential facility updates, improvements and potential new facilities on site. The facility also plays a critical role in emergency response, in particular with evacuees. The main facility was originally constructed in the 1970’s, with various improvements and additions over the years. Many of the electrical, heating, ventilation and air conditioning systems are original and are forecast to require

replacement in the foreseeable future. The roof and parts of the structural systems are also in need of investment soon. This could be an opportunity to review potential enhancements or upgrades through an emissions reduction lens. The capital requirements can vary depending on the scope of the project, but they could also include major updates to add more recreational and social space as well as improving accessibility. Under the Beban Park Master Plan, the site also provides opportunity for new facilities in partnership with sport, culture and other recreational and social organizations.

Stadium District

The planned improvements to the Stadium District are considerable and could include: the addition of stadium seating in all three venues; shared washrooms; change rooms; parking; press boxes; and, an artificial turf on the Serauxman Stadium Baseball Field. Other updates could be included to allow the district to host a variety of events. Capital over time could be in the range of \$5 to \$10 million depending on the level of amenities included.

Culture Venues in the Downtown

A desire has been expressed for upgraded or expanded cultural facilities in the downtown including a new or expanded Nanaimo Art Gallery and updates to the Nanaimo Museum. Updated pricing has not been established for the two venues but could be substantial if all desires are achieved over a period of time.

Parks and Trails

As the City's parks and trails continue to expand, and the infrastructure ages, there will be a continued desire for upgrades as well as new facilities added (i.e.: trails, playgrounds, waterparks, sports fields, washroom buildings, lighting, parking, and skateboard parks etc.). Through the ReImagined and other planning processes, these amenities were identified as highly valued and desired by the community. As much as the community values these assets, it was identified in various surveys and focus groups that amenities are in need of upgrades. Improvements to recently acquired parks (Linley Valley, East Wellington, Park Avenue, Westwood Lake etc.) as well as updates to existing park amenities are desired.

Water Supply Dam

The City's water supply dam at Jump Lake has provided excellent service to the community since it was constructed in the 1970's. As a result of significant water conservation efforts by the community, the City has been able to delay upgrades to the dam for decades while continuing to support growth. The latest estimate is that the current dam will be sufficient until 2061; however, exactly when an upgrade is required is subject to change, in particular with a shifting climate or consumption trends. The cost for upgrading the dam is expected to be over a hundred million, which should be considered in the context of other borrowing, timing and the City's total debt capacity. The timing of the dam upgrade is beyond the horizon of this report and evaluation; however, the trailing debt servicing could impact the ability to accelerate the dam should it be needed.

There is also a need to seismically upgrade the South Fork Dam and that may also require borrowing.

Future Emergency Services

In a growing City with evolving emergency response requirements, it is anticipated that additional facilities will be required. Fire Services call volumes and growth pressures are projected to require investment in a new facility within 10 years. With growth and rising call volumes, the timing of this new facility may need to be accelerated. The cost of a new fire hall would be expected to be in the range of \$20-30 million.

Other Facilities

The City has well over 100 facilities and buildings ranging in size, age and use. These facilities provide the administration, emergency response, recreational and operational services for which the City is responsible. While the City strives to maintain these facilities, there will come a time when significant investment is needed, likely over the next several decades. For example, emissions reductions goals could drive mechanical, electrical or building envelope projects that may be the impetus for larger more holistic upgrades. The upcoming asset management review will help forecast the required level of investment and funding to allow the services to remain sustainable.

DISCUSSION

The City has a broad spectrum of major capital needs forecasted over the foreseeable future. Many of these are to support and sustain the existing services the City relies upon, while others are focused on emerging needs, shifting services and adapting to a changing environment.

While every effort has been made to bring projects forward and complete appropriate due diligence, it is not possible to have each potential project at the same level of maturity. For example, once a cost estimate has been prepared, it has a shelf life. This means that at a given point in time, there will be numerous potential projects to consider; however, they will not have the same level or quality of information to compare.

A decision will often need to be made on a specific project or initiative, while information on the other projects may not be as accurate or mature. The intent here is to contextualize major future expenditures. An illustrative timeline is below:

| Project | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 |
|--------------------------------------|------|------|------|------|------|------|------|------|------|------|
| NOC – Phase 1 | | █ | | | | | | | | |
| RCMP | | | | | █ | | | | | |
| NOC – Phase 2, 3, 4 | | | | | | █ | | | | |
| Future Fire Station | | | | | | | | █ | | |
| Major Recreation Facility Renovation | | | | | | █ | | | | |
| Waterfront Walkway – Departure Bay | | | | █ | | | | | | |
| South End Wellness Centre | | █ | | | | | | | | |

FINANCIAL IMPLICATIONS

Each project has a differing level of cost estimate maturity, ranging from reasonable certainty for NOC Phase 1, to speculative for a future fire station. Costing needs to mature to the point of enough confidence to approach the electorate for approval in borrowing. Current values, which should be considered “indicative” with low confidence, could be in the following range:

| <u>Project</u> | <u>Potential range \$M</u> | <u>Potential time frame</u> | <u>Level of confidence</u> |
|------------------------------------|-----------------------------------|------------------------------------|-----------------------------------|
| NOC – Phase 1 | \$35 – 40 | 2024 – 2027 | Moderate |
| NOC – Phase 2, 3, 4 | \$100 - 115 | 2028 – 2032 | Low |
| RCMP | \$80 – 100 | 2027 – 2029 | Low |
| Future Fire Station | \$20 – 30 | 2030 – 2032 | TBD |
| Facility Renovations | \$30 + | 2028 – 2029 | TBD |
| Waterfront Walkway – Departure Bay | \$30 – 38 | 2026 – 2028 | Low |
| South End Wellness Centre | \$40 – 80 | 2025 – 2027 | Low |
| Other potential facilities | TBD | TBD | TBD |

At this point, all projects are assumed to be funded from debt. For municipalities in BC, the pay back period for borrowing can be as long as 30 years, likely within the timeframe of other major funding requirements. This means that borrowing decisions now can impact the City’s financial flexibility for decades.

With large projects involving borrowing, it can be very difficult to adjust the budget later on, which is why it is important to complete suitable due diligence prior to setting a budget and receiving approval of the electorate. Recently, with global inflation and unpredictable pricing, it can add an extra layer of difficulty.

An indicative pattern of cash flow and borrowing over the next 10 years to fund the above projects is contained in Attachment C.

Since there are several assumptions built into the funding strategy, such as a timing, Council and community approval, it is speculative to translate the impact on an average individual home. Projects have widely varying start years and cash flow requirements over the next ten years. Shifting timing, varying costs, along with cost of borrowing all impact and will have a different impact than is shown in the attachments.

A year-by-year potential illustration of borrowing cost impacts on taxation increases is shown on Attachment A.

CONCLUSION

Each of these potential projects has merit and benefit the community; however, some have a more direct impact on the community, others are necessary for continued basic services. Next steps and timing for each potential major project will differ; however, in the near future, Council will be asked for direction and decisions moving forward. The information within this report is an overview to set the context and inform future decisions on specific projects or borrowing.

SUMMARY OF NEXT STEPS

The potential timeline above, intended to contextualize major future expenditures, is an illustrative timeline of borrowing, starting in 2024, for the four large capital projects as well as a future Fire Hall Station and other capital projects that would be funded from borrowing. In the near future, work will proceed as follows:

- Staff propose to come forward to Council with remaining key decisions surrounding the Nanaimo Operations Centre Phase I and the method recommended for obtaining electoral approval. Once Council provides direction, staff will return with the Borrowing Bylaw for three readings, then proceed with seeking approval of the electors. A Council report for decision is proposed for mid 2023, with future phases coming forward in 2026.
- Similar to the Nanaimo Operations Centre, proceeding to an AAP for the RCMP facility would be a decision of Council in the future and would be the recommended approach by staff, once further design is completed. If Council directs staff to proceed, we would return with a Borrowing Bylaw for three readings in advance of seeking elector approval, likely in late 2025.
- Staff will continue the plan development of a South End Community Centre and report back to Council as progress is made and decisions are needed. For cost savings and efficiency, there is potential to combine a Referendum process with the Waterfront Walkway or other related Recreation and Culture priorities.
- As noted above, there are still several considerations that need to be addressed with respect to the Waterfront Walkway. Key items include: updated costing, environmental approvals, SFN support and resolution of riparian and property interests. Staff propose to continue to report back to Council with progress as it occurs and seek further direction. Once the key issues are resolved elector approval could be sought through a Referendum process (ideal) or an AAP in 2024.

SUMMARY POINTS

- The City has forecast the need for various major potential projects, some of which are critical to essential services.
- This report provides a brief overview of the background and scope of each project; financial considerations and next steps.
- All projects are assumed to be funded from debt. For municipalities in BC, the payback period for borrowing can be as long as 30 years, likely within the timeframe of other major funding requirements.
- If these projects are funded by long-term borrowing, the City must obtain approval of the electors either by Assent Voting (Referendum) or the Alternative Approval Process (AAP).
- Project timing and borrowing requirements will unfold over the next decade.

ATTACHMENTS

Attachment A – Projected impact of debt servicing
Attachment B – 20 year projected debt servicing - External
Attachment C – 20 year projected outstanding debt - External |

Submitted by:

Jake Rudolph
CAO |

Concurrence by:

Laura Mercer
Director, Finance

Bill Corsan
Director, Corporate and Business
Development

Dale Lindsay
General Manager, Development Services

Richard Harding
General Manager, Parks, Recreation and
Culture

Bill Sims
General Manager, Engineering and Public
Works

Sheila Gurrie
Director, Legislative Services |

Attachment A

Projected Impact of Debt Servicing

Information:

20 year amortization at 4.66% @ Mar 2, 2023*

5 year short term borrowing at 5.06% @ Mar 2, 2023, floating daily rate, based on November 30, 2023 borrowing

Degree of certainty on probable project cost varies by project, NOC project excludes Fire Training Tower and Parks Annex

Excludes additional borrowing that may be required for other projects such as Wellcox Access

Current debt includes only debt funded from property taxation

Does not include impact on operational budgets - i.e. new South End Community Centre, Fire Station etc

Estimate property tax increase is based on 2022 1% of taxes

| | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | Total |
|--------------------------------------------------------------------------|------------------|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|----------|--------------------|
| Projected Borrowing | | | | | | | | | | | | |
| Nanaimo Operations Centre (NOC) - Phase 1 | | 5,000,000 | 10,000,000 | 15,000,000 | 10,000,000 | | | | | | | 40,000,000 |
| Nanaimo Operations Centre (NOC) - Phase 2, 3 & 4 | | | | | | 5,000,000 | 20,000,000 | 30,000,000 | 30,000,000 | 15,000,000 | | 100,000,000 |
| 89 Prideaux | | | | | | | | | 3,000,000 | 4,000,000 | | 7,000,000 |
| Police Operations Building Space Issue Resolution | | | | | 20,000,000 | 40,000,000 | 40,000,000 | | | | | 100,000,000 |
| Waterfront Walkway - Departure Bay Section | | | | 4,000,000 | 15,000,000 | 19,000,000 | | | | | | 38,000,000 |
| South End Community Centre | | | 10,000,000 | 20,000,000 | 30,000,000 | | | | | | | 60,000,000 |
| Fire Station - New | | | | | | | | 5,000,000 | 10,000,000 | 10,000,000 | | 25,000,000 |
| Major Recreation Facility Reno | | | | | | 25,000,000 | 25,000,000 | | | | | 50,000,000 |
| Total Long Term Borrowing: Property Taxes | - | 5,000,000 | 20,000,000 | 39,000,000 | 75,000,000 | 89,000,000 | 85,000,000 | 35,000,000 | 43,000,000 | 29,000,000 | - | 420,000,000 |
| Police Operations Building Space Issue Resolution - Short Term Borrowing | 4,993,150 | | | | | | | | | | | 4,993,150 |
| Total Short Term Borrowing: Property Taxes | 4,993,150 | - | - | - | - | - | - | - | - | - | - | 4,993,150 |
| South Forks Seismic - <i>Funded From Water</i> | | | | | | | | 1,057,900 | 1,057,900 | 14,105,000 | | 16,220,800 |
| Total Projected Borrowing | 4,993,150 | 5,000,000 | 20,000,000 | 39,000,000 | 75,000,000 | 89,000,000 | 85,000,000 | 36,057,900 | 44,057,900 | 43,105,000 | - | 441,213,950 |

Projected Debt Servicing Cost Funded by Property Taxation**

| | | | | | | | | | | | | |
|------------------------------------------------------|------------------|------------------|------------------|------------------|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--|
| New Borrowing - Long Term | - | 38,800 | 561,100 | 2,559,300 | 5,772,100 | 11,958,900 | 19,144,100 | 25,850,600 | 28,544,500 | 31,920,500 | 34,046,100 | |
| New Borrowing - Short Term | 94,400 | 1,132,400 | 1,132,400 | 1,132,400 | 1,132,400 | 1,038,000 | | | | | | |
| Current Debt | | | | | | | | | | | | |
| Port of Nanaimo Centre | 1,864,600 | 1,864,600 | 1,864,600 | 1,818,700 | 764,300 | | | | | | | |
| Fire Station #4 | 287,100 | 287,100 | 287,100 | 287,100 | 275,000 | | | | | | | |
| Total Property Tax Funded Debt Servicing Cost | 2,246,100 | 3,322,900 | 3,845,200 | 5,797,500 | 7,943,800 | 12,996,900 | 19,144,100 | 25,850,600 | 28,544,500 | 31,920,500 | 34,046,100 | |

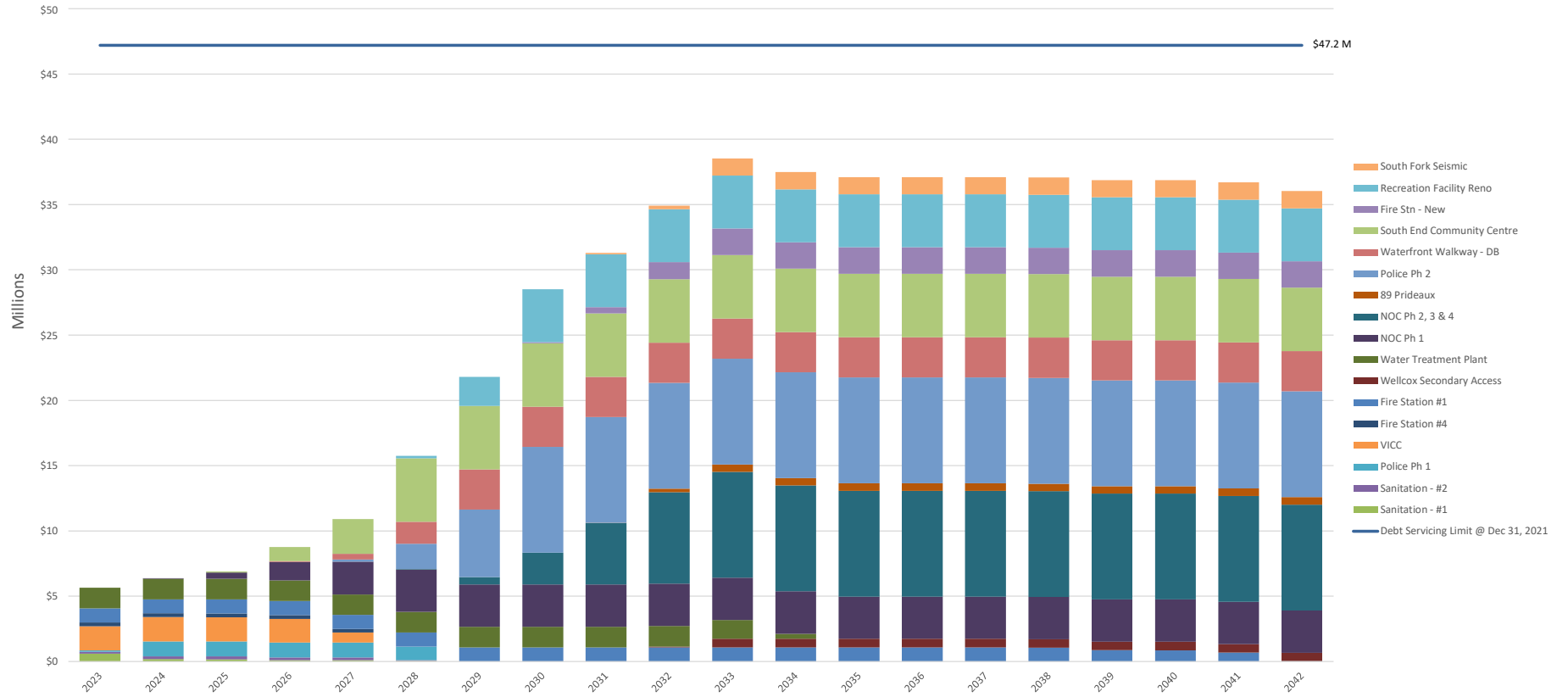
| | | | | | | | | | | | | |
|--------------------------------------------|--|-----------|---------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|--|
| Estimated increase in Debt Servicing Costs | | 1,076,800 | 522,300 | 1,952,300 | 2,146,300 | 5,053,100 | 6,147,200 | 6,706,500 | 2,693,900 | 3,376,000 | 2,125,600 | |
| Estimated property tax increase | | 0.91% | 0.44% | 1.64% | 1.81% | 4.25% | 5.17% | 5.64% | 2.27% | 2.84% | 1.79% | |

*Ministry requires debt servicing estimates to use MFABC indicative rate for the period of amortization (not term)

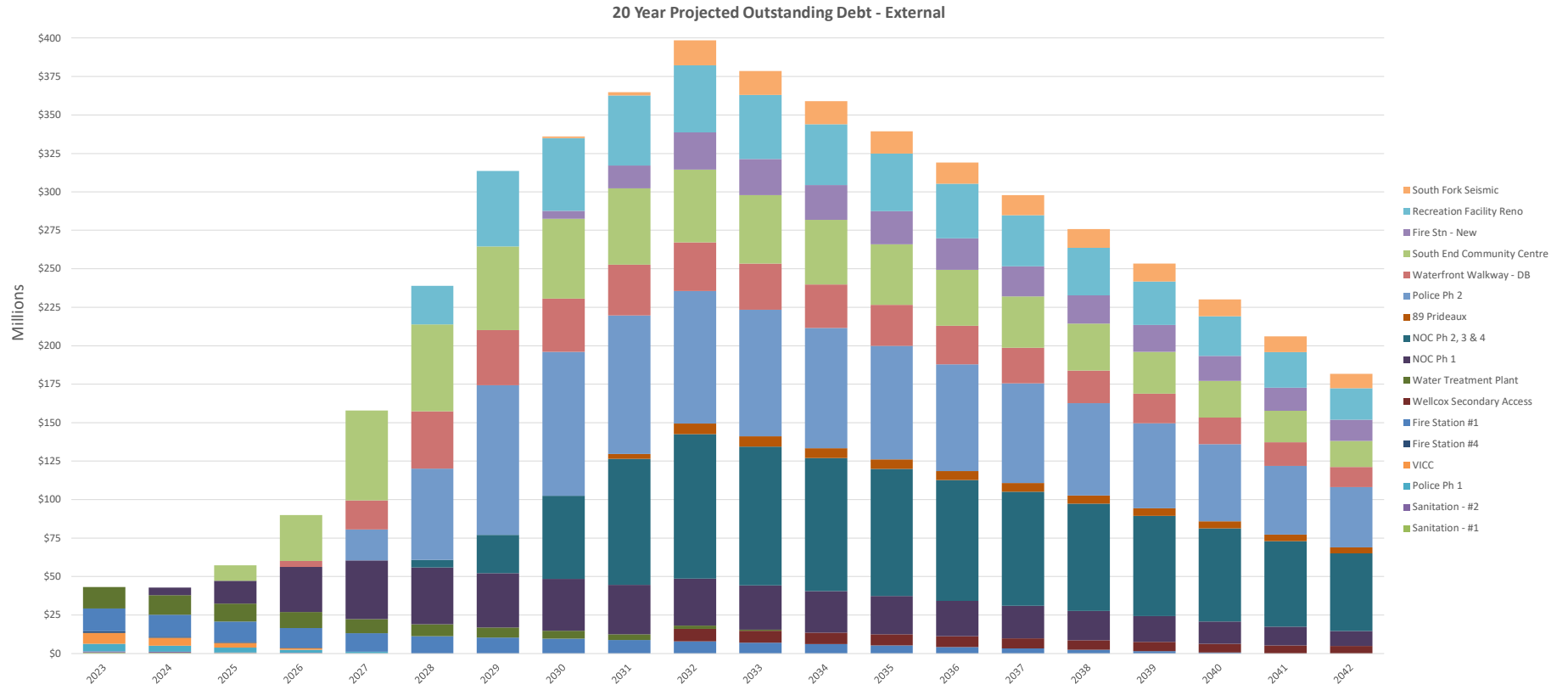
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Attachment B

20 Year Projected Debt Servicing - External



Attachment C







Large Capital Projects Overview
March 29 2023

To provide Council an overview of potential large capital projects to be funded by long-term borrowing.

1



Nanaimo Operations Centre

- Current facilities unable to fully meet the needs of the organization and the community
- Entire vision was predicted in 2021 to be \$125 million.
- An alternative NOC Phase 1 for the Fleet Maintenance Facility and infrastructure would allow Phase 1 to stand alone
- Propose to bring a report forward to proceed with an Alternative Approval Process (AAP) for approximately \$40 million – this year.

2

Nanaimo Operations Centre



3

Fleet Maintenance



4

RCMP

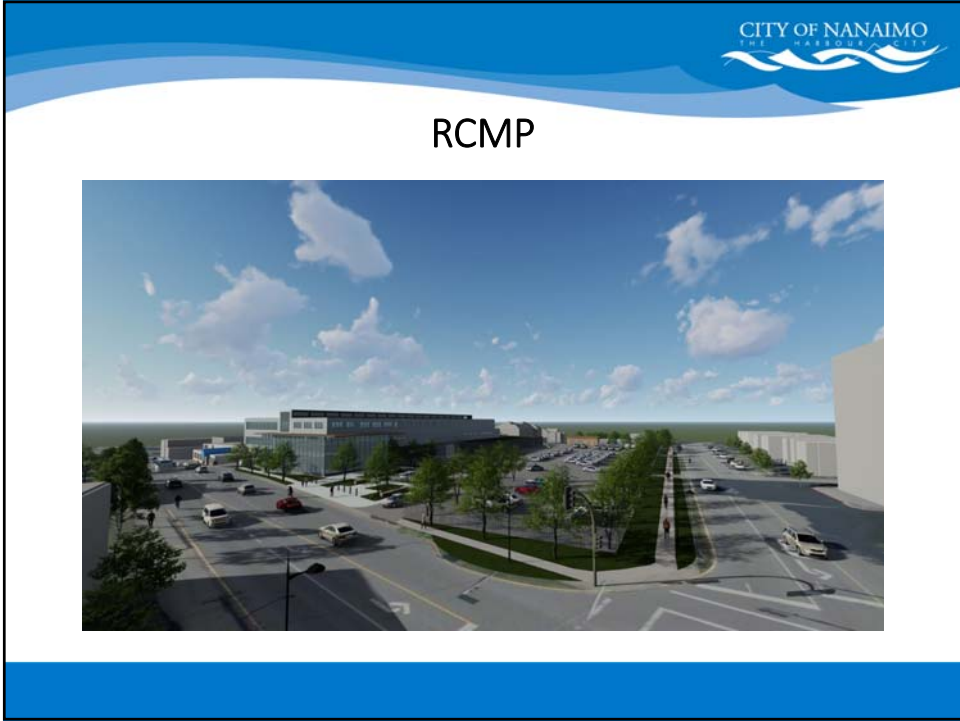
- Current facility does not meet operational and space needs
- A permanent solution is being developed for a new detachment adjacent to the existing facility
- Council authorized \$2.8 million to proceed with interim renovations, \$2 million for detailed design of the new facility
- An Alternative Approval Process (AAP) could be appropriate once design reaches a suitable level of maturity. Potentially 2025/2026
- The Capital cost of this project is expected to be in the range of \$80-\$100 million

5

RCMP



6



RCMP

7



RCMP

8

Waterfront Walkway

- Identified in three Council Strategic Plans
- In 2019 detailed plan for the walkway using a green shores approach
- Total construction costs are expected to be in the range of \$30 - \$38 million for the Departure Bay section
- Public support is high and can be gauged with a potential referendum
- Staff propose this as part of a referendum question early 2024, possibly in conjunction with the South End Community Centre

9

Waterfront Walkway – Departure Bay



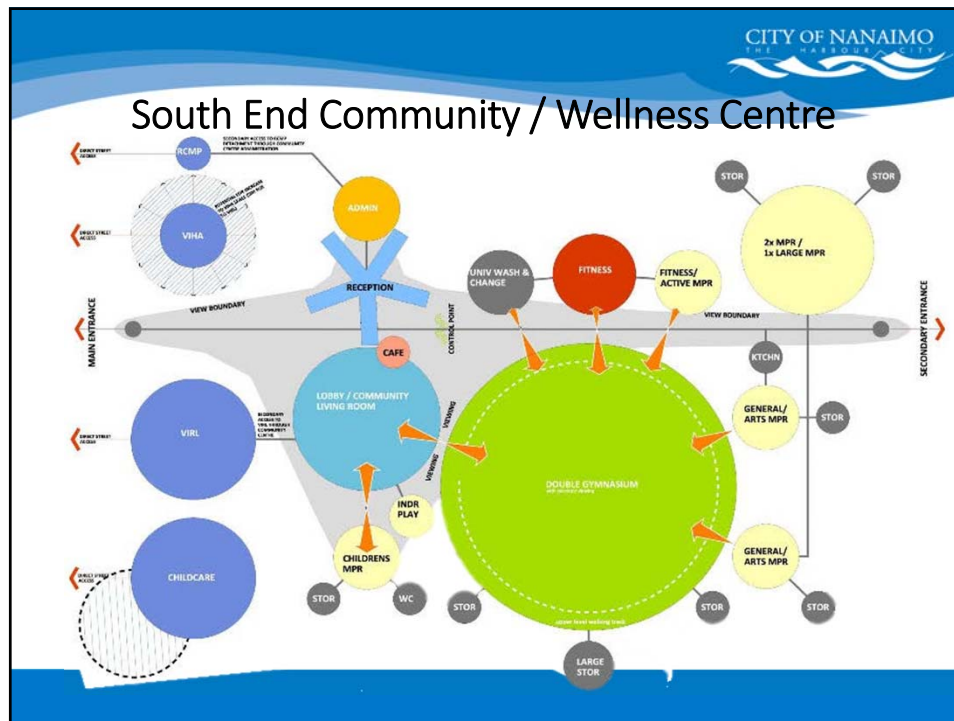
10

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South End Community / Wellness Centre

- A Feasibility Study is underway
- A steering committee established key engagement sessions for potential partnerships
- Up to eight possible locations within the South End have been evaluated and filtered to establish primary and secondary site options
- Capital cost of a facility of this nature could be in the range of \$40-80 million without a concept to base the cost estimate
- Operational cost will vary depending details of partnership agreements between stakeholders

11



12

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Other Future Needs to Consider

- An update to the City’s Asset Management Plan and 20 Year Investment Plan is underway
- The City’s funding gap is growing, in particular with facilities

Other Capital-intensive investments to consider :

- Beban Park Sustainment, Master Plan and Facility Implementation Plan
- Stadium District
- Culture Venues in the Downtown
- Parks and Trails
- Water Supply Dam
- Future Emergency Services
- Other Facilities


13

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Illustrative Timeline

| Project | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 |
|--------------------------------------|------|------|------|------|------|------|------|------|------|------|
| NOC – Phase 1 | | █ | | | | | | | | |
| RCMP | | | | | █ | | | | | |
| NOC – Phase 2, 3, 4 | | | | | | █ | | | | |
| Future Fire Station | | | | | | | | █ | | |
| Major Recreation Facility Renovation | | | | | | █ | | | | |
| Waterfront Walkway – Departure Bay | | | | █ | | | | | | |
| South End Wellness Centre | | █ | | | | | | | | |

14




Financial Implications

- All projects assumed to be funded by debt
- The pay back can be 30 years or less
- Borrowing decisions now impact financial flexibility for the City for decades
- Due diligence prior to setting a budget and receiving approval of the electorate is important as it is difficult to adjust the budget later on

| Project | Potential range \$M | Potential time frame | Level of confidence |
|------------------------------------|---------------------|----------------------|---------------------|
| NOC – Phase 1 | \$35 – 40 | 2024 – 2027 | Moderate |
| NOC – Phase 2, 3, 4 | \$100 - 115 | 2028 – 2032 | Low |
| RCMP | \$80 – 100 | 2027 – 2029 | Low |
| Future Fire Station | \$20 – 30 | 2030 – 2032 | TBD |
| Facility Renovations | \$30 + | 2028 – 2029 | TBD |
| Waterfront Walkway – Departure Bay | \$30 – 38 | 2026 – 2028 | Low |
| South End Wellness Centre | \$40 – 80 | 2025 – 2027 | Low |
| Other potential facilities | TBD | TBD | TBD |

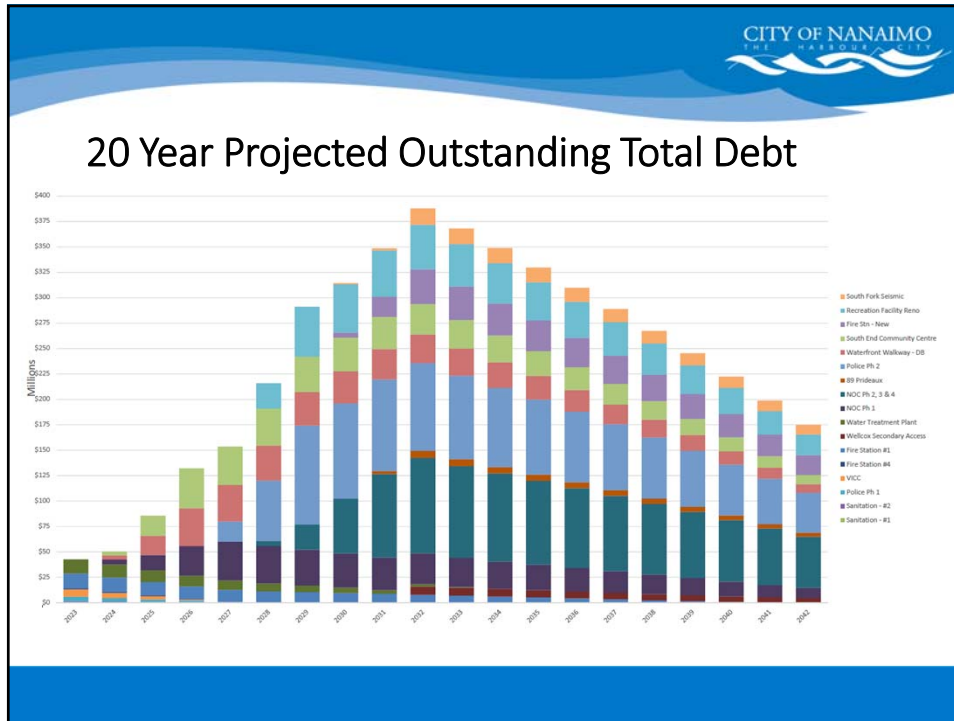
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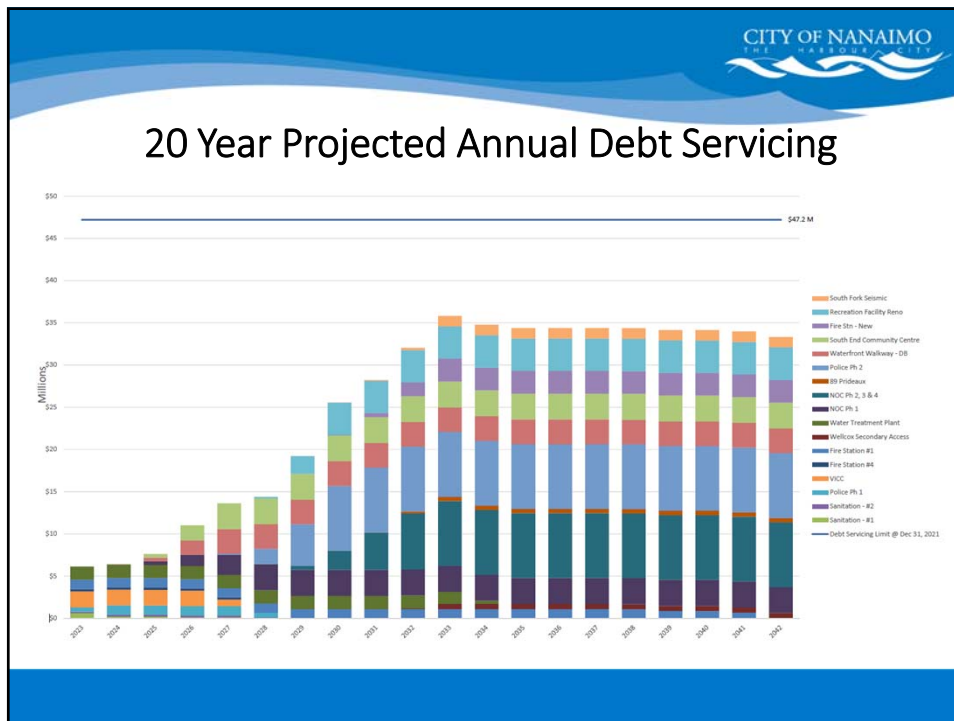
Projected Property Tax Impact

| | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 |
|-----------------------------------------------------------------------------|------------------|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Projected Borrowing | | | | | | | | | | |
| Nanaimo Operations Centre (NOC) - Phase 1 | | 5,000,000 | 10,000,000 | 15,000,000 | 10,000,000 | | | | | |
| Nanaimo Operations Centre (NOC) - Phase 2, 3 & 4 89 Prideaux | | | | | | 5,000,000 | 20,000,000 | 30,000,000 | 30,000,000 | 15,000,000 |
| Police Operations Building Space Issue Resolution | | | | | 20,000,000 | 40,000,000 | 40,000,000 | | 3,000,000 | 4,000,000 |
| Waterfront Walkway - Departure Bay Section | | | | 4,000,000 | 15,000,000 | 19,000,000 | | | | |
| South End Community Centre | | | 10,000,000 | 20,000,000 | 30,000,000 | | | | | |
| Fire Station - New | | | | | | | | 5,000,000 | 10,000,000 | 10,000,000 |
| Major Recreation Facility Reno | | | | | | 25,000,000 | 25,000,000 | | | |
| Total Long Term Borrowing: Property Taxes | | 5,000,000 | 20,000,000 | 39,000,000 | 75,000,000 | 89,000,000 | 85,000,000 | 35,000,000 | 43,000,000 | 29,000,000 |
| Police Operations Building Space Issue Resolution - Short Term Borrowing | 4,993,150 | | | | | | | | | |
| Total Short Term Borrowing: Property Taxes | 4,993,150 | | | | | | | | | |
| South Forks Seismic - Funded From Water | | | | | | | | 1,057,900 | 1,057,900 | 14,105,000 |
| Total Projected Borrowing | 4,993,150 | 5,000,000 | 20,000,000 | 39,000,000 | 75,000,000 | 89,000,000 | 85,000,000 | 36,057,900 | 44,057,900 | 43,105,000 |
| Projected Debt Servicing Cost Funded by Property Taxation** | | | | | | | | | | |
| New Borrowing - Long Term | | 38,800 | 561,100 | 2,559,300 | 5,772,100 | 11,958,900 | 19,144,100 | 25,850,600 | 28,544,500 | 31,920,500 |
| New Borrowing - Short Term | 94,400 | 1,132,400 | 1,132,400 | 1,132,400 | 1,132,400 | 1,132,400 | 1,038,000 | | | |
| Current Debt | | | | | | | | | | |
| Port of Nanaimo Centre | 1,864,600 | 1,864,600 | 1,864,600 | 1,818,700 | 764,300 | | | | | |
| Fire Station #4 | 287,100 | 287,100 | 287,100 | 287,100 | 275,000 | | | | | |
| Total Property Tax Funded Debt Servicing Cost | 2,246,100 | 3,322,900 | 3,845,200 | 5,797,500 | 7,943,800 | 12,996,900 | 19,144,100 | 25,850,600 | 28,544,500 | 31,920,500 |
| Estimated increase in Debt Servicing Costs | | 1,076,800 | 522,300 | 1,952,300 | 2,146,300 | 5,053,100 | 6,147,200 | 6,706,500 | 2,693,900 | 3,376,000 |
| Estimated property tax increase | | 0.91% | 0.44% | 1.64% | 1.81% | 4.25% | 5.17% | 5.64% | 2.27% | 2.84% |

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Municipal Comparison

| | Debt Servicing Limits | | | | |
|----------------|-----------------------|-------------------|-------------------|-------------------|-------------------|
| | 2017 | 2018 | 2019 | 2020 | 2021 |
| Kamloops | 44,590,765 | 45,613,405 | 48,992,036 | 47,983,763 | 49,638,937 |
| Kelowna | 70,309,126 | 79,457,574 | 81,643,095 | 74,141,942 | 82,304,903 |
| Ladysmith | 3,588,988 | 3,865,710 | 4,218,062 | 4,224,355 | 4,532,646 |
| Maple Ridge | 32,359,610 | 33,714,975 | 35,965,266 | 36,683,133 | 38,436,615 |
| Nanaimo | 40,133,329 | 43,120,716 | 44,839,046 | 44,370,220 | 47,198,318 |
| Parksville | 5,306,651 | 5,646,788 | 6,476,439 | 6,477,091 | 6,977,432 |
| Saanich | 48,279,619 | 50,681,673 | 53,519,092 | 53,623,777 | 56,603,503 |
| Victoria | 57,248,034 | 62,102,416 | 64,465,215 | 61,120,784 | 63,755,199 |

| | Debt Servicing Cost % of limit | | | | |
|----------------|--------------------------------|--------------|--------------|--------------|--------------|
| | 2017 | 2018 | 2019 | 2020 | 2021 |
| Kamloops | 30.4% | 27.9% | 34.9% | 22.9% | 21.0% |
| Kelowna | 46.4% | 45.7% | 23.0% | 20.3% | 15.4% |
| Ladysmith | 59.9% | 37.9% | 25.5% | 40.7% | 37.5% |
| Maple Ridge | 18.3% | 37.6% | 20.9% | 22.6% | 18.4% |
| Nanaimo | 12.1% | 11.0% | 14.6% | 15.5% | 13.4% |
| Parksville | 8.1% | 7.8% | 6.2% | 7.7% | 7.0% |
| Saanich | 7.6% | 10.1% | 10.2% | 11.6% | 10.4% |
| Victoria | 9.5% | 9.6% | 9.2% | 10.1% | 10.2% |

Source - BC Stats: 602.1 Liability Servicing Limit

Draft Debt Policy

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CITY OF NANAIMO
THE HARBOUR CITY

Municipal Comparison 2021 Debt per Capita

| Municipality | 2021 Debt per Capita (Approximate) |
|--------------|------------------------------------|
| Nanaimo | \$450 |
| Kamloops | \$750 |
| Kelowna | \$550 |
| Ladysmith | \$1,800 |
| Parksville | \$400 |
| Maple Ridge | \$500 |
| Saanich | \$400 |
| Victoria | \$600 |

Source - BC Stats: 601.1 Total Debt and Financing Costs; 201 General Statistics

Draft Debt Policy

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Next Steps

- NOC Phase 1 will be brought to Council to receive direction on electoral assent
- Once the RCMP project has reached an appropriate level of maturity, it will be brought forward to Council for an update
- Updated costs for the Waterfront Walkway to be resolved before an electoral assent sought
- Planning will continue regarding the South End Wellness Centre and a report back to Council with progress at milestones
- A referendum process could be combined for the Waterfront walkway and other related Recreation and Culture Priorities in 2024

DATE OF MEETING March 29, 2023

AUTHORED BY SHEILA GURRIE, DIRECTOR, LEGISLATIVE SERVICES &
JESSICA VANDERHOEF, STENO COORDINATOR

SUBJECT APPROVAL OF THE ELECTORS

OVERVIEW

Purpose of Report:

This report is intended to provide Council with information regarding seeking elector approval to proceed with borrowing for major capital projects either through an Alternative Approval Process (AAP) or Referendum (Assent of the Electors).

BACKGROUND

During the 2023-FEB-15 Finance and Audit Committee meeting, Staff noted four emerging major capital projects that would require debt funding. These projects are not currently included in the 2023-2027 Provisional Project Plan and include:

- Nanaimo Operations Centre (NOC)
- Police Operations Building – Future Phases
- Waterfront Walkway
- South End Community Centre
- Other community amenities

Borrowing would be required for these projects and therefore, approval of electors is required for municipal loan authorization bylaws and decisions that have potential long-term future impacts on citizens. Where approval is required, it may be done by Referendum (Assent Voting) or by Alternative Approval Process (AAP). |

DISCUSSION

When considering whether to proceed with a Referendum (Assent Vote) or AAP, the history, scale, cost, public expectation, and timing of the proposal needs to be evaluated. For example, with an estimated project budget of \$40M for Phase I, the NOC project will require a loan authorization bylaw which requires elector approval. Since the NOC project is intended to provide services that are considered necessary to the community, Staff are recommending that Council proceed with an AAP process for this project rather than a Referendum, should Council choose to proceed. An AAP is considered the best approach when local governments are dealing with a project that must be completed to continue to provide municipal services.

As an alternative, when considering a community amenity, a Referendum to ask citizens for approval would be considered best practice. Combining the question on the ballot is also an advantage to a Referendum. An example would be to have a Referendum question combining the South End Community/Wellness Centre and the Waterfront Walkway project on the ballot as they are similar, community amenities. Combining the question also provides cost saving opportunities and decreases voter burn out.

Overview of an AAP

During an AAP only electors opposed to the initiative submit their response form, and for that reason the process is often referred to by its previous name the “counter-petition process”. Through the AAP, process when 10% or more of eligible electors sign and submit an elector response form the issue is considered significant and the initiative cannot proceed without holding a Referendum. During an AAP eligible electors have at least 30 days to submit elector response forms to the Corporate Officer. If less than 10% of electors submit a response form then elector approval is obtained and the initiative can proceed.

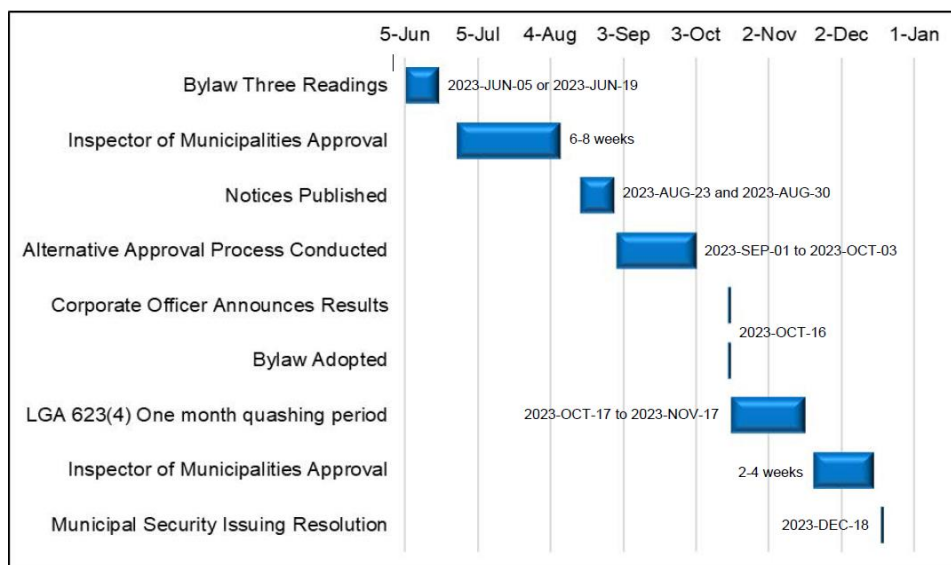
Benefits of an AAP

An AAP can offer some increased convenience over a Referendum as it provides electors with at least 30 days to express their opinion and does not require them to appear in person on designated days to cast a ballot. Holding an AAP is usually done with much lower costs than by conducting a Referendum as it only includes two notices being published and printing of the elector response forms. The AAP process also involves fewer staff resources.

Public Expectations and Timing

Prior to a loan authorization bylaw receiving three readings the public should be actively engaged to determine if there are reasonable indications that citizens are in favour. Where possible an AAP should be scheduled to provide reasonable opportunity for electors to submit response forms and should take into consideration summer months and the holiday season.

Example AAP Timeline



Overview of a Referendum

A Referendum requires that Council establish a “question” to ask electors on the ballot. The *Local Government Act* requires that the question be in closed-ended form where electors select either yes or no. A Referendum is conducted in the same manner as an election and requires the majority of the votes counted to be in favor of the question in order to proceed. If the majority is opposed the matter is closed and the City must wait at least six months before bringing forward another bylaw for the same purpose.

Benefits of a Referendum is that it can be held at the same time as an election and/or it can list more than one question on the ballot.

| | Referendum | Alternative Approval Process |
|-------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|
| Major Capital Projects to replace failing infrastructure or maintain municipal services. | Can go directly to Referendum or proceed to Referendum within 80 days if an AAP fails. | Best approach for community services/operations to continue providing necessary municipal services. |
| Major Capital Projects related to new community amenity initiatives. | Depending on scale best approach to go directly to Referendum. | Not recommended. |
| Method of engagement. | Question on ballot. | Mail/drop-off response form. |
| Timeframe for electors to submit. | Select voting days (1-3 days if advanced dates available). | Minimum 30 days. |
| Method of determining results. | Elector approval if majority of votes counted are in favour. | Electors do not approve if at least 10% of electors submit response forms. |
| What if electors do not approve? | Council cannot proceed with the initiative and must wait at least six months before bringing forward a similar bylaw. | If Council, chooses to continue the initiative must proceed to a Referendum within 80 days. |

Financial/Budgetary Considerations

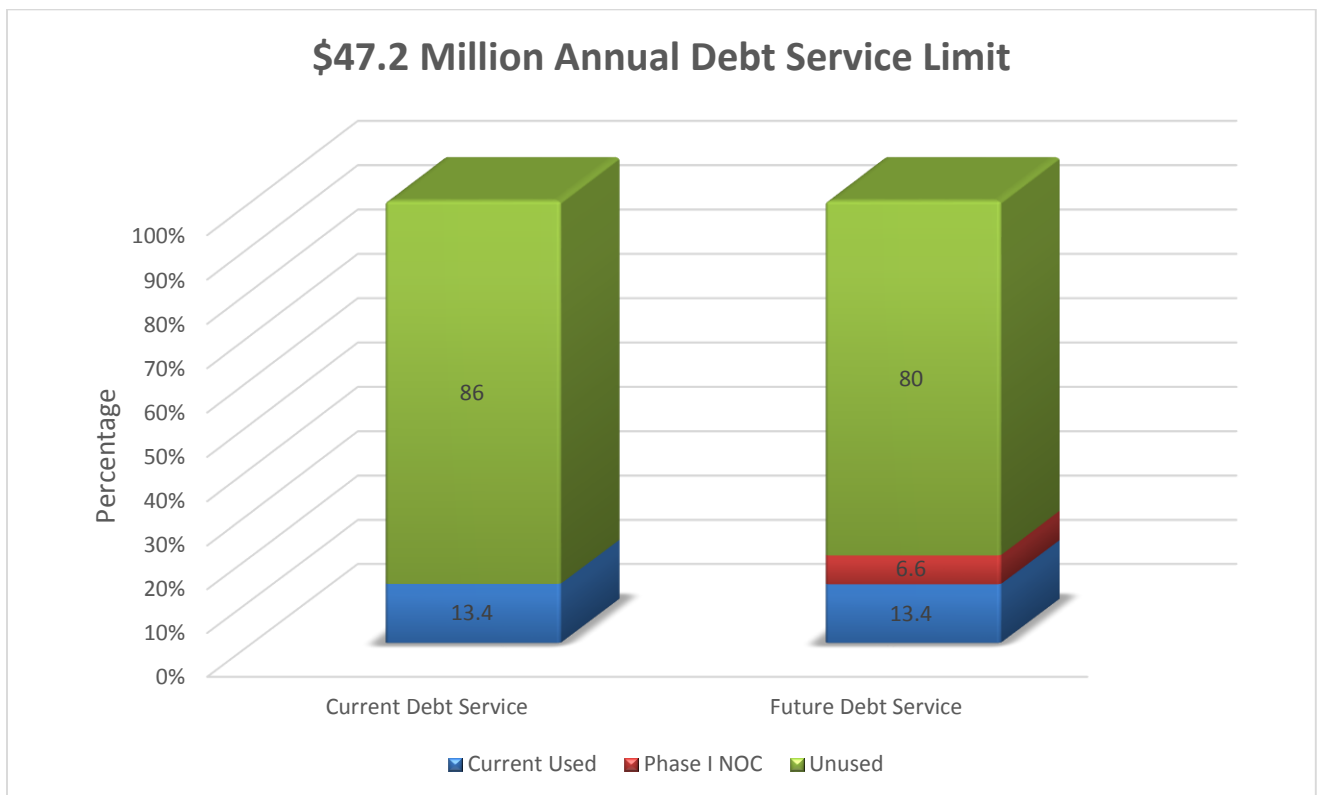
The cost associated with holding a Referendum is considerably more expensive than an AAP. For example, the estimated cost of holding a Referendum is \$283,000 and an AAP would be only \$14,000.

Additional financial considerations involved in a Referendum are the costs associated with holding the Referendum itself. As noted, a Referendum is conducted in the same manner as an election and therefore can incur the same costs as holding an election. Examples of costs associated with a Referendum include such things as: voting location rentals, staffing, voting machine rental, advertising, and supplies.

A Referendum can be held at the same time as a general local election or by-election and more than one question can be listed on a Referendum ballot. Coordinating two items on one ballot can be more cost effective. When the opportunity is available a Referendum question can also be included on a ballot for a municipal election (this requires coordinating the timeline to meet the requirement to hold a Referendum within 80 days of the Chief Election Officer being appointed).

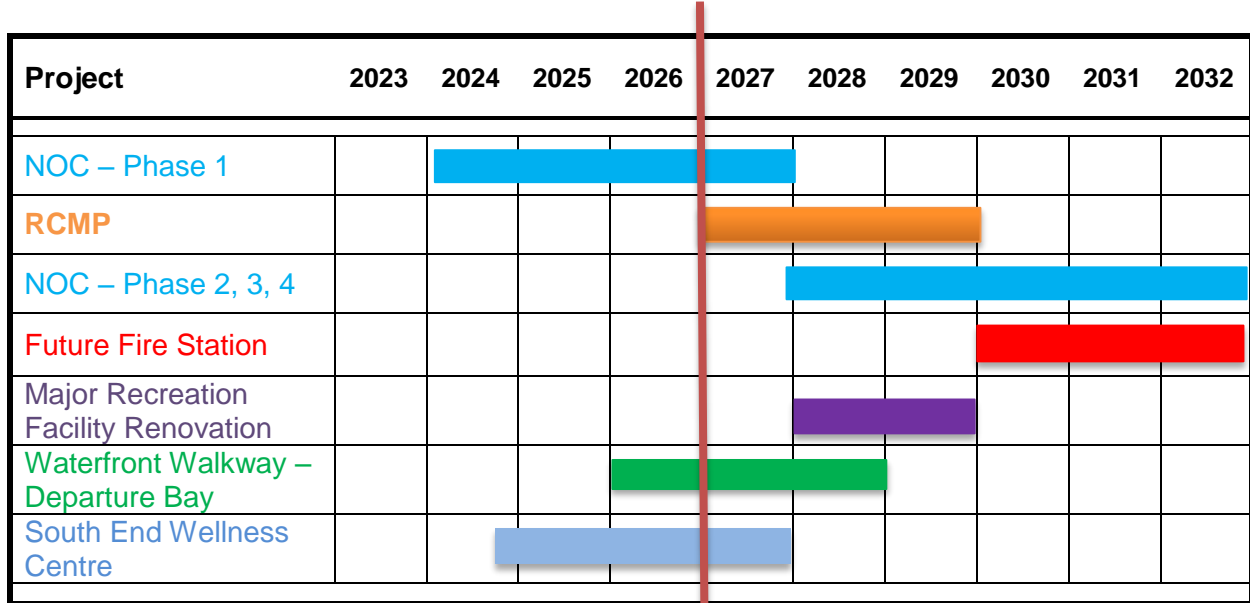
All municipalities in BC are required to borrow from the Municipal Finance Authority of BC. Using Phase 1 of the NOC project as an example with an estimated project budget of \$40M, the anticipated borrowing time frame would be 20 years at an estimated interest rate of 4.66% per year. This would result in an estimated re-payment of approximately \$3.1M per year. Under section 174 of the *Community Charter*, municipalities are subject to a liability servicing limit where total borrowing cannot exceed 25% of controllable annual revenues.

As at December 31, 2021 the City's liability servicing limit was \$47.2M per year and the utilization rate was just over \$6.3M or 13.4% of the total limit. If the City were to proceed with the addition of \$3.1M in annual debt payments, the total annual debt servicing cost would be approximately \$9.4M. This would bring the total utilization to 19.99% with approximately 80.01% of the liability servicing limit still available.



CONCLUSION

In viewing the chart below, during Council’s 2022 – 2026 term, an AAP for the Nanaimo Operations Centre could be held in early Fall 2023; a Referendum with combined questions for the Waterfront Walkway and South-end Community Centre in the Spring or Fall of 2024; and, further phases of the RCMP buildings could be ready for consideration before the end of this Council term as well. An AAP would be recommended for the RCMP project as it fits the criteria for a municipal service, rather than an amenity.



Staff will return to Council with a report for decision on the process of either an AAP, as recommended in this report, or a Referendum for the Nanaimo Operations Centre, prior to 3 readings of a bylaw being presented.

When more information is available for the South-end Community Centre and Waterfront Walkway, as outlined in the “Large Capital Projects Overview” staff report, Council will be asked to provide direction on an AAP or Referendum, as recommended, for those projects.

SUMMARY POINTS

- An AAP is considered the best approach when local governments are dealing with a project that must be completed to continue provided municipal services.
- When considering a community amenity, a Referendum to ask citizens for approval would be considered best practice. Combining the question on the ballot is also an advantage to a Referendum.
- As at December 31, 2021 the City’s liability servicing limit was \$47.2M per year and the utilization rate was just over \$6.3M or 13.4% of the total limit.

- During Council's 2022 – 2026 term, an AAP for the Nanaimo Operations Centre could be held in early Fall 2023; a Referendum with combined questions for the Waterfront Walkway and South-end Community Centre in the Spring or Fall of 2024; and, further phases of the RCMP buildings could be ready for consideration before the end of this Council term as well.

Submitted by:

Sheila Gurrie,
Director, Legislative Services

Concurrence by:

Jake Rudolph,
Chief Administrative Officer

Laura Mercer,
Director, Finance




CITY OF NANAIMO
THE HARBOUR CITY

Finance & Audit Committee

Approval of the Electors

March 29, 2023

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CITY OF NANAIMO
THE HARBOUR CITY

Overview


- ▶ When considering whether to proceed with a Referendum (Assent Vote) or AAP (Alternative Approval Process), the history, scale, cost, public expectation, and timing of the proposal needs to be evaluated.
- ▶ Approval of electors is required for issues related to municipal loan authorization bylaws and decisions that have potential long-term future impacts on citizens.
- ▶ Where approval is required, it may be done by Referendum or by AAP.

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CITY OF NANAIMO
THE GASTRO-CITY

Alternative Approval Process (AAP)

- ▶ An AAP is considered the best approach when local governments are dealing with a project that must be completed in order to continue to provide municipal services.
- ▶ An AAP can offer some increased convenience over a Referendum as it provides electors with at least 30 days to express their opinion.
- ▶ Holding an AAP is usually less expensive than holding a Referendum.

VOTE


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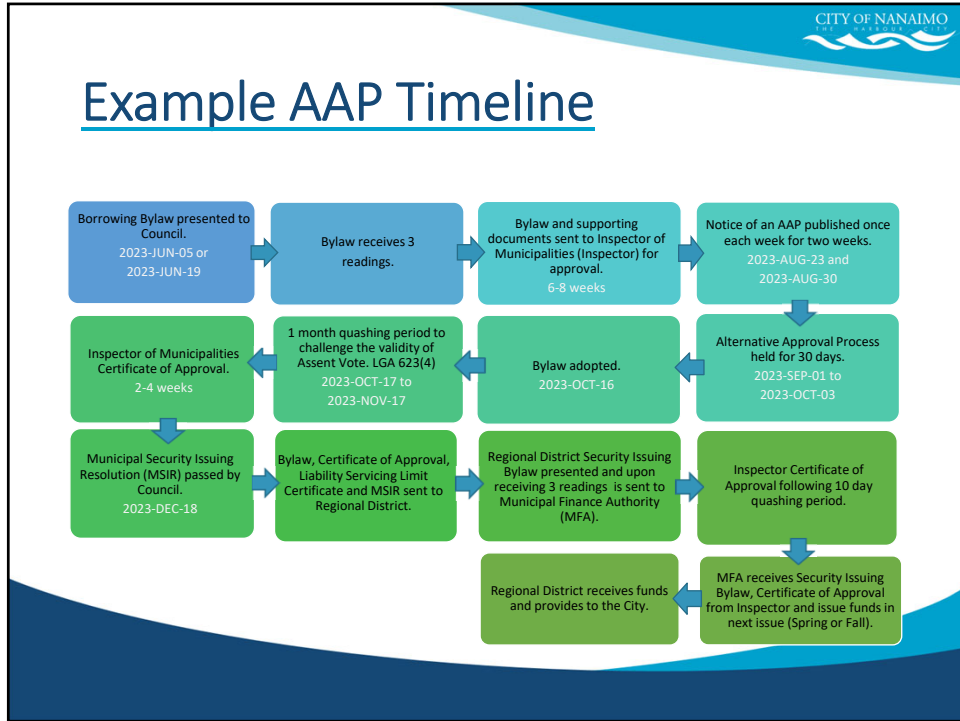
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CITY OF NANAIMO
THE GASTRO-CITY

Referendum

- ▶ A Referendum requires that Council establish a yes or no “question” to ask electors on the ballot.
- ▶ A Referendum can be held at the same time as an election and/or it can list more than one question on the ballot.
- ▶ Before implementing new Major Capital Projects there are normally public expectations regarding elector approval and input. A Referendum is often the process expected by electors for community amenity projects.

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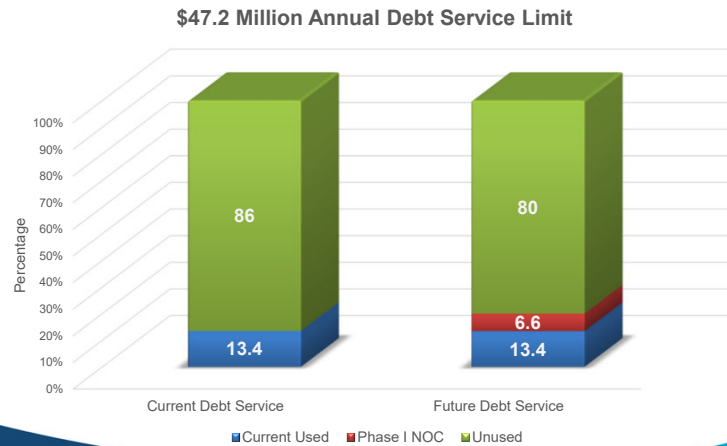
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AAP v. Referendum

| | Referendum | Alternative Approval Process |
|------------------------------------------------------------------------------------------|--------------------------------------------------------------|--------------------------------------------------------------------------------------------|
| Major Capital Projects to replace failing infrastructure or maintain municipal services. | | <input checked="" type="checkbox"/> |
| Major Capital Projects related to new initiatives/community amenities | <input checked="" type="checkbox"/> | |
| Method of engagement. | Question on ballot. | Mail/drop-off response form. |
| Timeframe for electors to submit. | Select voting days (1-3 days). | Minimum 30 days. |
| Method of determining results. | Elector approval if majority of votes counted are in favour. | Electors do not approve if at least 10% of electors submit response forms. |
| What if electors do not approve? | Council cannot proceed with the initiative | If Council chooses to continue the initiative must proceed to a Referendum within 80 days. |
| Costs associated with elector approval process. | \$\$\$ | \$ |

6

Sample Financial/Budgetary Considerations



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Public Expectations

- Before implementing new Major Capital Projects considered to be community amenities, electors expect to be consulted in a clear transparent manner. Often, a Referendum is considered for these projects.
- Electors need to have enough information to be able to make an informed decision with opportunities to provide their feedback regardless of method chosen for obtaining approval of the electors.
- Considerations should be made regarding holidays and the time of year when scheduling an AAP or Referendum to ensure electors are available and able to participate.



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Conclusion

During Council’s 2022 – 2026 term – possible methods of obtaining Approval of the Electors include:

1. An AAP for the Nanaimo Operations Centre could be held in early Fall 2023;
2. A Referendum with combined questions for the Waterfront Walkway and South-end Community Centre in the Spring or Fall of 2024; and,
3. further phases of the RCMP buildings could be ready for consideration before the end of this Council term.

