

DATE OF MEETING | November 4, 2019 |

AUTHORED BY | LAURA MERCER, DIRECTOR, FINANCE |

**SUBJECT 2019 ASSET MANAGEMENT RESERVE FUND AMENDMENT
BYLAWS**

OVERVIEW

Purpose of Report

| To introduce reserve fund amendment bylaws related to the new reserve fund policy approved by Council 2019-JUL-22. |

Recommendation

That:

1. “General Fund Asset Management Amendment Bylaw 2019 No. 7186.01” (To amend the General Fund Asset Management Reserve Fund purpose) pass first reading;
2. “General Fund Asset Management Amendment Bylaw 2019 No. 7186.01” pass second reading; and,
3. “General Fund Asset Management Amendment Bylaw 2019 No. 7186.01” pass third reading.
4. “Sewer Fund Asset Management Amendment Bylaw 2019 No. 7187.01” (To amend the Sewer Fund Asset Management Reserve Fund purpose) pass first reading;
5. “Sewer Fund Asset Management Amendment Bylaw 2019 No. 7187.01” pass second reading; and,
6. “Sewer Fund Asset Management Amendment Bylaw 2019 No. 7187.01” pass third reading.
7. “Water Fund Asset Management Amendment Bylaw 2019 No. 7188.01” (To amend the Water Fund Asset Management Reserve Fund purpose) pass first reading;
8. “Water Fund Asset Management Amendment Bylaw 2019 No. 7188.01” pass second reading; and,
9. “Water Fund Asset Management Amendment Bylaw 2019 No. 7188.01” pass third reading.

BACKGROUND

| At the 2019-JUL-22 meeting, Council endorsed Reserves Policy No 5-1840-01 as well as a number of recommendations regarding City of Nanaimo reserve funds for the purposes of implementing financial stability reserves and to ensure a systematic approach for the setting aside of funds to maintain, replace and renew City infrastructure. This report introduces the required amendments to existing bylaws to continue the process endorsed at that time |

DISCUSSION

At the 2019-JUL-22, 2019 meeting Council endorsed Reserve Policy No. 5-1840-01 as well as a number of recommendations with regard to City of Nanaimo reserve funds. In order to better clarify the allowable funding allocations from the Asset Management Reserve Funds, the associated bylaws have been updated to specifically identify the following:

- Funding of existing residents' share of projects that are also funded by development cost charges (DCCs), and
- The assist factor for DCC projects.

DCCs can only be used for the development of new infrastructure to service expansion; however, often a capital project has both a "new" and an "existing user" benefit. In addition, DCC reserves cannot fund 100% of DCC projects according to legislation. The City is required to fund a portion or "assist factor" on all DCC projects. Under our existing bylaw, the assist factor is 1% for all infrastructure types with the exception of water supply, which is 25%. In these cases, reserves funded through the general operating and capital budgets must be used to fund the portion of the project that is replacement or upgrade to existing infrastructure.

The bylaws have also been updated to include the funding of operating projects that are for the replacement of existing assets but do not meet the capital threshold as outlined in the City's Capital Expenditure Policy.

The amendment bylaws introduced with this report revise the purpose of the bylaws to specifically identify the use of the funds for operating projects as well as projects that are also funded by DCCs. |

OPTIONS

1. That:
 1. "General Fund Asset Management Amendment Bylaw 2019 No. 7186.01" (To amend the General Fund Asset Management Reserve Fund purpose) pass first reading;
 2. "General Fund Asset Management Amendment Bylaw 2019 No. 7186.01" pass second reading; and,
 3. "General Fund Asset Management Amendment Bylaw 2019 No. 7186.01" pass third reading.
 4. "Sewer Fund Asset Management Amendment Bylaw 2019 No. 7187.01" (To amend the Sewer Fund Asset Management Reserve Fund purpose) pass first reading;
 5. "Sewer Fund Asset Management Amendment Bylaw 2019 No. 7187.01" pass second reading; and,
 6. "Sewer Fund Asset Management Amendment Bylaw 2019 No. 7187.01" pass third reading.
 7. "Water Fund Asset Management Amendment Bylaw 2019 No. 7188.01" (To amend the Water Fund Asset Management Reserve Fund purpose) pass first reading;
 8. "Water Fund Asset Management Amendment Bylaw 2019 No. 7188.01" pass second reading; and,

9. "Water Fund Asset Management Amendment Bylaw 2019 No. 7188.01" pass third reading.
2. That Council provide alternative direction regarding the bylaw amendments for these statutory reserve funds.
 - Financial Implications: The planned use of these reserve funds including funding for projects with a DCC component has been included in the draft 2020 to 2024 Financial Plan. Changes to the bylaws would result in a revised Financial Plan.

SUMMARY POINTS

- These statutory reserve fund amendment bylaws are required to ensure the Asset Management Reserve funds are updated in accordance with the Reserve Fund Review and Policy endorsed at the 2019-JUL-19 Council Meeting.
- The bylaws are being amended to clarify that the asset management reserves can be used to fund existing residents' share of capital projects that are also development cost charge funded projects as well as the 'assist factor' the City is required to fund from non-DCC sources for DCC projects.
- The bylaws are also being amended to include the funding of operating projects that are for the replacement of existing assets but do not meet the capital threshold as outlined in the City's Capital Expenditure Policy.

ATTACHMENTS:

Attachment A: Reserves Review Report Update – 2019-JUL-22
"General Fund Asset Management Amendment Bylaw 2019 No. 7186.01"
"Sewer Fund Asset Management Amendment Bylaw 2019 No. 7187.01"
"Water Fund Asset Management Amendment Bylaw 2019 No. 7188.01"

Submitted by:

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