

MINUTES
FINANCE AND AUDIT COMMITTEE MEETING
SHAW AUDITORIUM, VANCOUVER ISLAND CONFERENCE CENTRE,
80 COMMERCIAL STREET, NANAIMO, BC
WEDNESDAY, 2020-JUN-17, AT 9:00 A.M.

Present: Mayor L. Krog, Chair
Councillor D. Bonner
Councillor T. Brown
Councillor B. Geselbracht
Councillor E. Hemmens
Councillor Z. Maartman
Councillor I. W. Thorpe
Councillor J. Turley (joined electronically 9:06 a.m.)

Absent: Councillor S. D. Armstrong

Staff: J. Rudolph, Chief Administrative Officer
R. Harding, General Manager, Parks, Recreation and Culture
D. Lindsay, General Manager, Development Services
B. Sims, General Manager, Engineering and Public Works
K. Fry, Fire Chief
T. Doyle, Deputy Fire Chief - Operations
L. Mercer, Director, Finance
W. Fulla, Manager, Business, Asset & Financial Planning
M. Strain, Senior Project Manager
L. Claarkson, Manager, Recreation Services
J. Bevan, Manager, Culture & Special Events
S. Gurrie, Director, Legislative Services
K. Lundgren, Steno, Legislative Services
N. Sponaugle, Recording Secretary

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

The Finance and Audit Committee Meeting was called to order at 8:59 a.m.

2. INTRODUCTION OF LATE ITEMS:

- (a) Agenda Item 5(c) Community Program Development Grants – Add Applications from the Salish Storm Hockey Association and Nanaimo Science and Sustainability Society.

3. APPROVAL OF THE AGENDA:

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

4. ADOPTION OF THE MINUTES:

It was moved and seconded that the Minutes of the Finance and Audit Committee Meeting held in the Boardroom, Service and Resource Centre, 411 Dunsmuir Street, Nanaimo, BC, on Wednesday, 2020-FEB-19 at 9:00 a.m. be adopted as circulated. The motion carried unanimously.

5. REPORTS:

(a) Fire Station No. 1

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

Presentation:

1. Mark Bullen, Capex Projects Advisory, provided a presentation. Highlights included:
 - Tender for the Fire Station No. 1 project closed May 12th and the City has 90 days to accept a bid
 - Four of the bids were within 3% of each other
 - Funding gap of \$2.8 million, with the lowest bid not within the price range of the current project budget
 - All reasonable due diligence carried out in respect to project costs, but an increase in the project budget now required before proceeding further
 - Cost estimates updated at each of the three stages of project development and each estimate indicated the project was affordable in a pre-pandemic market
 - Factors that have changed since 2017 include:
 - Construction costs rose by 10%
 - Size of building required to be 37% larger than originally planned
 - COVID-19 pandemic increased costs further
 - Steps taken to mitigate costs include:
 - Total project cost down over 10%
 - Construction rate unchanged
 - Construction soft costs down \$100K
 - Site planning to minimize disruption for current station during construction
 - Great deal of interest on tender led to competitive pricing
 - Project on time but over budget despite best practices in place such as monthly steering committee meetings and the elimination of unnecessary project costs
 - International supply chains affected by COVID-19 pose a challenge
 - Tender documents require contractor to manage timeframes regardless of whether COVID-19 restrictions are still in place for project duration
 - Firm and competitive tender price with an updated budget off \$20M
 - Deferring project would mean it could no longer be delivered in 2022

- Social distancing would continue throughout duration of project, enabling project to continue should a second wave of COVID-19 hit, unless restrictions were limited further

Councillor Turley joined the meeting electronically at 9:06 a.m.

Committee discussion took place regarding:

- Potential to recoup costs if restrictions were lifted
- Factors leading to increase of design space needed for project
- Delaying project unlikely to decrease costs as the cost of labour and materials typically do not go down
- Potential for 911 service to operate out of building in the long-term
- Building design sufficient for future growth
- Contingency fund for the project at the right level and inline with the City's risk framework
- Potential for electoral approval of additional funding prior to proceeding
- Concerns that extending the process would delay the project by 12 months, require re-tendering project and could result in higher costs
- Funding taken from reserves affecting other projects such as replacement of the police station
- Risks associated with delaying project due to the compromised seismic structure and importance of operations that take place within building including dispatch, Emergency Operations Centre and downtown fire suppression
- Costs associated with the project being cancelled estimated at \$3.6 million due to costs already spent on project to date and necessary updates to current facility
- Initial design from consultant completed in an expedited process which led to conflicts with detailed design that indicated more space was needed
- Project being delivered within 100-105 weeks of construction
- Combining other projects, such as RCMP building, to save money and the challenges this would present
- Possibility of opening contract up to open-book accounting

It was moved and seconded that the Finance and Audit Committee recommend that Council direct Staff to proceed with the Fire Station No. 1 project. The motion carried unanimously.

It was moved and seconded that the Finance and Audit Committee recommend that Council amend the 2020-2024 Financial Plan to increase the budget in year three (2022) by \$3M from \$3,740,269 to \$6,740,269 with the additional funding from the General Capital Reserve and the General Asset Management Reserve. The motion carried unanimously.

The Finance and Audit Committee meeting recessed at 10:19 a.m.

The Finance and Audit Committee meeting reconvened at 10:29 a.m.

- (b) Supporting Arts & Culture: Implementation of Nanaimo Art Gallery Phased Development Plan

Introduced by Richard Harding, General Manager, Parks, Recreation and Culture.

Presentation:

1. Ken Hammer, Vice-President, Nanaimo Art Gallery, provided a verbal presentation. Highlights included:
 - Phase three of the three-phased project looks at expanding the art gallery and requires City support
 - The Nanaimo Art Gallery has outgrown their space and programming capabilities
 - Need for a feasibility study
 - Incorporating the interests of other arts and culture organizations in the feasibility study

Committee discussion took place regarding:

- Possibility of including community requests in art centre expansion
- Additional \$50,000 in annual operating funding being spent on the facility, programs, exhibitions, a digital strategy and compensation to attract and retain staff
- Adding a 2% increase to the Art Gallery contract to avoid future tax increases

It was moved and seconded that the Finance and Audit Committee recommend that Council include the following items in their review process of the 2021-2025 Budget considerations:

- a. Allocation of \$50,000 per year in additional operating funding of the Nanaimo Art Gallery in the 2021-2025 Financial Plan;
- b. Allocation of \$10,000 per year in funding to the Nanaimo Art Gallery in the 2021-2025 Financial Plan for capital expenditures at the Arts Centre at 150 Commercial Street; and amend the 2014-2023 Co-Management Agreement with an execution date after the Provisional 2021-2025 Financial Plan has been adopted by Council; and
- c. Allocation of \$25,000 in the 2021 budget for the development of a feasibility report on the concept of an Arts Centre and Nanaimo Art Gallery's Phase 3 facility project.

The motion carried unanimously.

(c) Community Program Development Grants

Introduced by Richard Harding, General Manager, Parks, Recreation and Culture.

Committee discussion took place regarding:

- Concerns regarding a program that is specific to First Nations and eliminates the ability for non-indigenous children to be involved
- Program is intended to reduce barriers to indigenous children, but open to children of any race
- Concerns regarding giving two-thirds of the grant budget to a newly-established organization

It was moved and seconded that the Finance and Audit Committee recommend that Council approve the request from the Nanaimo Science and Sustainability Society (NS3) for a Community Program Development Grant in the amount of \$1,000 to assist in funding The Great Pumpkin Toss event for children and families; and \$10,000 to the Salish Storm Hockey Association for a low-barrier Intro to Hockey Program for Indigenous Children. The motion carried.

Opposed: *Councillors Thorpe and Turley*

Councillor Brown vacated the Shaw Auditorium at 11:17 a.m.

(d) Province of BC Local Government Infrastructure Planning Grant Program

Laura Mercer, Director, Finance, spoke regarding the July 15 application deadline to apply for the BC Local Government Infrastructure Planning Grant Program. Funding announcements are expected within three months. The City's Water Supply Project would be eligible for a \$10,000 grant. Funding for the project is currently included in the Financial Plan and could be reduced.

It was moved and seconded that the Finance and Audit Committee recommend that Council approve submission of an application to the Local Government Infrastructure Planning Grant program for \$10,000 for the Water Supply Strategic Plan project. The motion carried unanimously.

(e) Consideration of New Permissive Tax Exemption Application and PTE Cash Grant Funding Request - Clay Tree Society

Laura Mercer, Director, Finance, spoke regarding a new Permissive Tax Exemption (PTE) application and PTE cash grant funding request from Clay Tree Society. Highlights included:

- Clay Tree Society was previously removed from the PTE program as the property changed ownership
- The Society is requesting \$13,902.44 in grant funding
- Staff are recommending a \$5,000 grant, which is the full budget for 2020 PTE cash grants
- Funding of full amount requested would need to come from the Strategic Infrastructure Reserve Fund which would deplete that reserve significantly

Councillor Brown returned to the Shaw Auditorium at 11:30 a.m.

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

1. Award a Permissive Tax Exemption for the 2021 tax year to Clay Tree Society at 838 Old Victoria Road; and,
2. Award a Permissive Tax Exemption Cash Grant to Clay Tree Society in the amount of \$5,000 for their 2020 Property Taxes for their newly purchased property at 838 Old Victoria Road.

The motion carried unanimously.

(f) Quarterly Purchasing Report (Single and Sole Source, Purchases in Excess of \$250,000 and Instances of Non-Compliance Purchases)

Introduced by Laura Mercer, Director, Finance.

Committee discussion took place regarding:

- Staffing restraints mentioned in the report, and previous years' reports
- Lack of staff capacity doesn't support investigating beyond reactive concerns

(g) 2019 Annual Parking Reserve Fund Report

Laura Mercer, Director, Finance, spoke regarding the 2019 Annual Parking Reserve Fund Report. Highlights included:

- Report normally due June 30th but deadline extended to August 31st due to COVID-19
- Only one statutory reserve fund in the Old City Neighbourhood
- Funds are used to provide off-street parking spaces in the Old City Quarter which is challenging due to lack of space in the area

(h) 2019 Development Cost Charge Reserve Fund Report

Laura Mercer, Director, Finance, spoke regarding the 2019 Development Cost Charge (DCC) Reserve Fund Report. Highlights included:

- DCC reserve had a balance of over \$49 million at end of 2019
- Just over \$6M spent on operating capital for the year

Committee discussion took place regarding:

- Possibility of spending from the reserve rather than building up the reserve balance each year
- DCC reviews undertaken and new rates set based on needs
- This is a long-term reserve with project plans in place for large, future projects

6. ADJOURNMENT:

It was moved and seconded at 11:40 p.m. that the meeting adjourn. The motion carried unanimously.

CERTIFIED CORRECT:

CHAIR

CORPORATE OFFICER