

MINUTES
FINANCE AND AUDIT COMMITTEE MEETING
SHAW AUDITORIUM, VANCOUVER ISLAND CONFERENCE CENTRE,
80 COMMERCIAL STREET, NANAIMO, BC
WEDNESDAY, 2020-SEP-16, AT 9:00 A.M.

Present: Mayor L. Krog, Chair
Councillor S. D. Armstrong
Councillor D. Bonner
Councillor T. Brown
Councillor B. Geselbracht
Councillor E. Hemmens
Councillor Z. Maartman
Councillor I. W. Thorpe
Councillor J. Turley

Staff: J. Rudolph, Chief Administrative Officer
R. Harding, General Manager, Parks, Recreation and Culture
D. Lindsay, General Manager, Development Services
B. Sims, General Manager, Engineering and Public Works
S. Legin, General Manager, Corporate Services
L. Mercer, Director, Finance
P. Rosen, Director, Engineering
W. Fulla, Manager, Business, Asset & Financial Planning
D. Bailey, Manager, Accounting Services
F. Farrokhi, Manager, Communications
J. Matheson, Senior Accountant
S. Gurrie, Director Legislative Services
J. Vanderhoef, Recording Secretary

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

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

2. APPROVAL OF THE AGENDA:

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

3. ADOPTION OF THE MINUTES:

It was moved and seconded that the Minutes of the Finance and Audit Committee Meeting held in the Shaw Auditorium, Vancouver Island Conference Centre, 80 Commercial Street, Nanaimo, BC, on Wednesday, 2020-JUL-15 at 9:00 a.m. be adopted as circulated. The motion carried unanimously.

4. REPORTS:

(a) Public Works Facility Upgrades

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

Presentation:

1. Poul Rosen, Director, Engineering, provided a PowerPoint presentation. Highlights included the following:

- Noted challenges:
 - Buildings have been added to over the years, many parts of the buildings are trailers that were intended to be temporary structures but became permanent
 - Buildings are typically beyond their useful life span and are being sustained through maintenance
 - Detailed condition assessments have been completed and a report is being prepared
 - Buildings are at, or beyond, capacity with no room for future growth
 - The size of vehicles in the fleet has increased since the fleet maintenance facility was built resulting in repairs being made to vehicles outside
- Noted risks:
 - Seismic screening assessment identified the fleet maintenance facility as a high risk, creates Staff safety concerns and concerns related to disaster response/recovery situations when fleet must be maintained
 - Front entrance requires more securities and controls
- Noted opportunities:
 - Previous discussion regarding consolidation/collaboration projects between the Parks and Recreation department, Public Works department and the Engineering department
 - Providing room for growth to meet the needs of the community
 - Enhance reliability in the event of a natural disaster and provide an emergency response centre for Public Works
- Conducted a space needs assessment to review gaps in current needs compared with the anticipated needs
- Next step is to develop a project plan that includes architectural concepts, cost estimates and a funding plan for replacing these facilities

Committee discussion took place regarding the following:

- Providing a cost break down of all capital projects needing to be completed
- Estimated project cost ranges between \$30 - \$50 million
- Public Works being central to the delivery of basic services to the community and the building being long overdue for replacement

- Estimated timeframe for this project moving forward – potentially 4 – 5 years to complete process
- Fire Rescue services potentially relocating their training centre which could provide an opportunity to expand into that area and accommodate future growth
- Size of the site creating limitations and the possibility of a two story design for fleet services and administration
- Impact of the \$200,000 funding request on the existing financial plan – Stewart Avenue storm/sewer project has been delayed and funds would be reallocated from there
- Size of the site and if this is the optimal location for future growth - central location of the site and its industrial zoning are assets to this location for fleet deployment

It was moved and seconded that the Finance and Audit Committee recommend that Council allocate \$200,000 from the existing 2020 - 2024 Financial Plan to further develop an architectural concept and cost estimate for renewal of the Public Works facility. The motion carried unanimously.

(b) Federation of Canadian Municipalities, Municipal Asset Management Program

Introduced by Shelley Legin, General Manager, Corporate Services.

Laura Mercer, Director, Finance, spoke regarding the need for a Council recommendation to complete the grant application, which, if successful, would provide \$50,000 to conduct the Level of Services Study: Asphalt.

Committee discussion took place regarding how the grant application relates to the previous work done to assess the condition of asphalt.

Bill Sims, General Manger, Engineering and Public Works, noted that this is an extension of the asphalt work to assess the condition of the asphalt and the next step is community consultation.

It was moved and seconded that the Finance and Audit Committee recommend that Council commits to conducting the Level of Service Study: Asphalt as detailed in the grant application to the Federation of Canadian Municipalities, Municipal Asset Management Program, and commits \$100,000 for 2021 in the 2021 – 2025 Financial Plan toward the costs of this initiative if the grant is successful. The motion carried unanimously.

(c) Consideration of New Permissive Tax Exemption Applications

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

- All applications have met the requirements as outlined in the grant policy guidelines
- Some of the applications are already included in the list of Permissive Tax Exemptions and these applications relate to new properties the applicants have relocated to or acquired
- Applications from the Nanaimo Community Gardens and the Society for Equity, Inclusion and Advocacy are applying for the first time

Committee discussion took place regarding the following:

- Estimated property taxes being based on property assessments and square footage of the space used
- Previous core services review requested a review of the permissive tax exemption process and Staff plan to begin notifying participants this fall with a review planned for the beginning of 2021

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 the Nanaimo Community Gardens Society for property that is being leased at 2300 Bowen Road (Beban Park);
2. Award a permissive tax exemption for the 2021 tax year to the Island Crisis Care Society for property donated at 3413 Littleford Road;
3. Award a permissive tax exemption for the 2021 tax year to the Society for Equity, Inclusion and Advocacy for space being leased at #403 – 489 Wallace Street;
4. Award a permissive tax exemption for the 2021 tax year to the Nanaimo Brain Injury Society for space being leased at #101 – 235 Bastion Street;
5. Award a permissive tax exemption for the 2021 tax year to the Vancouver Island Mental Health Society for property owned at 285 Rosehill Street; and,
6. Award a permissive tax exemption for the 2021 tax year to the Nanaimo Unique Kids Organization for property purchased at 60 Needham Street.

The motion carried unanimously.

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

Laura Mercer, Director, Finance, noted that to date there were no instances of non-compliance.

- (e) Operating Results for the Six Months Ending 2020-JUN-30

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

- COVID-19 has significantly effected the City's operations
- Anticipate a deficit of \$2.98 million at 2020-DEC-31
- Staff have attempted to mitigate the deficit by:
 - Redeploying Parks, Recreation and Culture staff to seasonal positions instead of hiring additional staff
 - Only filling additional position in critical situations
 - Implemented cost saving measures at the Vancouver Island Conference Centre (VICC)
 - Cut expenditures such as Staff travel, conferences, space rentals and in some cases service contracts
- Staff continue to look for cost savings and apply for grant funding to reduce the anticipated deficit
- A General Fund deficit will be off-set by up to \$2.8 million previously set aside from the 2019 Operating Surplus

- If the deficit is larger than \$2.8 million Staff will need to request funds from the Financial Stability Reserve to cover the difference; however, any funds taken from that reserve must be repaid
- Cash flows are doing well with approximately 90% of tax revenue collected at 2020-SEP-15
- Breakdown of anticipated deficit totalling \$2.98 million:
 - General Fund anticipated deficit of \$1.1 million
 - Sewer Fund anticipated deficit of \$27,000
 - Water Fund anticipated deficit of \$398,400
 - In addition to these funds Staff must account for a loss on disposal of assets that were retired before their end of life and estimate a \$700,000 cost for this
 - Funding for the Post Employment Benefit Liability estimated at \$700,000
- Biggest driver of the deficit within the General Fund is the RCMP Severance Expense. Previously underestimated quotes resulted in an additional \$1.5 million expense which needs to be incorporated into the financial statements

Committee discussion took place regarding repaying the RCMP Severance Expense in instalments over the next 13 years.

Laura Mercer, Director, Finance, noted that Staff plan to spread payments over the next 13 years.

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

- COVID-19 response costs are estimated at \$330,000 for the year
- There is a loss of casino revenue estimated at \$655,000 and a parking operations loss estimated at \$382,000
- There has been a reduction in benefit costs of approximately \$250,000 and Parks, Recreation and Culture operations are projecting a surplus of \$738,000 due to facility closures

Committee discussion took place regarding how Nanaimo is faring in comparison to other comparable municipalities.

Laura Mercer, Director, Finance, spoke regarding the challenge of comparing other municipalities due to the different types of services provided and different approaches taken to address COVID-19.

Jake Rudolph, Chief Administrative Officer, noted that due to cost overtures a review of sanitation services is being done to inform the 2021 budget. This is an example of the uncertainties heading into the 2021 budget and the attempts being made to learn and adapt to how things might change.

Committee discussion took place regarding the following:

- Commended the work being done by Staff
- Process for withdrawing funds from the Financial Stability Reserve if needed
- Potential ways to reduce tax increases to citizens

- RCMP debt and potential costs resulting from ongoing union negotiations
- Council being kept up-to-date on projections and how decisions will impact the budget

(f) Council Expenses for the Six Months Ending 2020-JUN-30

Introduced by Laura Mercer, Director, Finance.

(g) Project Results for the Six Months Ending 2020-JUN-30

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

- Report changed from past years to include operating projects and not just capital projects to make it more consistent when reviewing budget reports
- Total budget was just over \$90.5 million
- Just over \$64 million spent to date
- Funds available for all projects is \$26.4 million

Committee discussion took place regarding the following:

- Method of grouping projects: concurrent projects versus all other projects
- Status of completed and in progress projects and the process for identifying which projects are started first

Bill Sims, General Manager, Engineering and Public Works, noted that project managers discuss what projects should begin and at what stage; however, often projects do not coincide with the fiscal year and so some projects extend into the next year.

- Funding related to the Jingle Pot flashing lights project
- COVID-19 and delays in completion of projects – minimal impacts in timeframes
- No applications received for the CleanBC Better Homes rebate
- Action being taken on the Nanaimo sign project
- Balance of the Daily Drop-in Centre funding at \$200,000 and costs allocated towards Dr. Turner's work for the Health and Housing Task Force

5. ADJOURNMENT:

It was moved and seconded at 10:07 a.m. that the meeting adjourn. The motion carried unanimously.

CERTIFIED CORRECT:

CHAIR

CORPORATE OFFICER