

DATE OF MEETING JULY 21, 2021

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SUBJECT SUSTAINABILITY AND EMISSION REDUCTION RESERVE FUNDS

OVERVIEW

Purpose of Report

To recommend that Council consolidate the Sustainability and Emission Reduction Reserve Funds and provide a stable annual funding allocation. |

Recommendation

That the Finance & Committee recommend that Council:

1. Direct Staff to include in the 2022 – 2026 Draft Financial Plan for Council consideration a new funding strategy for the Emission Reduction Reserve based on an annual allocation of \$165,000.
2. Direct Staff to transfer the balance in the Sustainability Reserve Fund to the Emission Reduction Reserve Fund and return to Council with an updated Emission Reduction Reserve Fund Bylaw that includes supporting both energy and emission reduction projects and initiatives.

BACKGROUND

The City currently has two statutory reserves that support energy and/or emission reduction projects and initiatives, the Sustainability Reserve Fund and the Emission Reduction Reserve Fund.

The Sustainability Reserve Fund supports plans as well as projects and initiatives that meet established payback criteria and reduce the City's energy consumption or lower greenhouse gas emissions (GHG's). The funding source for this reserve has been the allocation of funding the City receives under the Provincial Climate Action Revenue Incentive Program (CARIP). 2017 - 2019 average CARIP funding was \$137,350. Examples of projects funded from this reserve include REALice at the arenas eliminating the need for hot water when building and resurfacing ice, LED lighting projects at multiple City facilities and HVAC upgrades to reduce energy consumption.

The Emission Reduction Reserve Fund supports projects, plans and initiatives that reduce the City's CO2 emissions. The funding source for this reserve is a calculated amount based on the GHG's calculated as part of the CARIP reporting at \$25/tonne, funded from general revenue. 2019 - 2021 average contribution was \$42,800 (2019 - \$74,625, 2020 - \$46,450, 2021 - \$7,225).

Examples of projects funded from this reserve include electric vehicles for Building Inspectors, CleanBC Better Homes Rebate Program and heating plant studies for Nanaimo Aquatics Centre and Beban Complex |

DISCUSSION

| On 2021-MAY-11 the City was advised that the Ministry of Municipal Affairs is wrapping up CARIP in the 2021/2022 fiscal year. 2020 will be the last reporting and final grant payments for 2020 will be issued in late summer 2021. This means effective 2021-JAN-01 with the elimination of the CARIP program the City no longer has an identified funding source for the Sustainability Reserve.

Funding for the Emission Reduction Reserve has been declining since 2018. In 2021, \$46,500 was budgeted funded from general revenue; however, the actual contribution was \$7,225 based on 2020 GHG's calculated as part of CARIP. With the onset of garden waste collection, credits for organic diversion have increased substantially, resulting in lower GHG's for the calculation of the contribution to the reserve. In 2020, lower energy use at facilities due to COVID further lowered GHG's contributing to the significantly lower than budgeted contribution in 2021. Without a reasonable annual contribution the funding will not allow for larger scaled projects or initiatives to be funded from the reserve.

With no identified funding stream for the Sustainability Reserve Fund, consolidating the two reserves and allocating an annual contribution will provide a more sustainable funding source for project planning. The Bylaw for the Emission Reduction Reserve Fund would be revised to include projects and initiatives that reduce energy or GHG's and support City infrastructure projects. Initiatives that help the City address its energy and GHG reduction goals would be included as well.

FINANCIAL CONSIDERATIONS

The projected closing balances at 2021-DEC-31 for the Sustainability Reserve Fund is \$433,601 and \$141,265 for the Emission Reduction Reserve Fund.

Changing the contribution strategy to an annual allocation would increase the budget for the Emission Reduction Reserve Fund from \$46,500 in 2021 to \$165,000 in 2022 or approx. 0.10% property tax increase. The \$165,000 would match the amount Council currently allocates annually to the Housing Legacy Reserve. |

OPTIONS

1. That the Finance & Committee recommend that Council:
 1. Direct Staff to include in the 2022 – 2026 Draft Financial Plan for Council consideration a new funding strategy for the Emission Reduction Reserve based on an annual allocation of \$165,000.
 2. Direct Staff to transfer the balance in the Sustainability Reserve Fund to the Emission Reduction Reserve Fund and return to Council with an updated Emission Reduction Reserve Fund Bylaw that includes supporting both energy and emission reduction projects and initiatives.

- The advantages of this option:
 - i. With the funds combined into one reserve and a steady contribution stream this would provide a more sustainable funding source to advance projects and initiatives.
 - ii. Changing the funding source from a calculated amount to a fixed annual contribution provides for a steady funding stream for project planning.
 - iii. Provides funding to replace the elimination of the CARIP program which allows the City to support energy and GHG reduction goals.
 - Financial Implications: The 2022 – 2026 Draft Financial Plan will increase the 2020 budget for the contribution to the Emission Reduction Reserve Fund from \$46,500 in 2021 to \$165,000 in 2022 or approx. 0.10% property tax increase for Council consideration.
2. That Finance and Audit Committee recommend that Council direct Staff to maintain the current funding strategy for the Emission Reduction Reserve Fund.
- The disadvantages of this option:
 - i. No additional funds will be contributed to the Sustainability Reserve Fund at this time.
 - ii. Funding to the Emission Reduction Reserve Fund will not be significant enough to support larger scaled projects or initiatives.
 - Financial Implications: No increase to the 2022 draft budget.
3. That the Finance and Audit Committee provide alternative direction to Staff. |

SUMMARY POINTS

- The CARIP program which provides funding for the Sustainability Reserve Fund has ended.
- Contributions to the Emission Reduction Reserve Fund are declining.
- Consolidating the Sustainability Reserve Fund and Emission Reduction reserve and allocating an annual fixed contribution will provide a more sustainable funding source to advance projects and initiatives.

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