

MINUTES
FINANCE AND AUDIT COMMITTEE MEETING
SHAW AUDITORIUM, VANCOUVER ISLAND CONFERENCE CENTRE,
80 COMMERCIAL STREET, NANAIMO, BC
WEDNESDAY, 2022-NOV-16, AT 9:00 A.M.

Present: Mayor L. Krog
Councillor S. Armstrong (vacated 11:56 a.m.)
Councillor T. Brown (vacated 12:02 a.m.)
Councillor H. Eastmure
Councillor B. Geselbracht (vacated 10:50 a.m.)
Councillor E. Hemmens (vacated 12:15 a.m.)
Councillor P. Manly
Councillor J. Perrino
Councillor I. Thorpe (vacated 11:56 a.m.)

Staff: J. Rudolph, Chief Administrative Officer
D. Lindsay, General Manager, Development Services/Deputy Chief
Administrative Officer
R. Harding, General Manager, Parks, Recreation and Culture
B. Sims, General Manager, Engineering and Public Works
J. La Masurier, Deputy Fire Chief
B. Corsan, Director, Corporate and Business Development
A. Groot, Director, Facilities and Parks Operations
L. Mercer, Director, Finance
D. Bailey, Manager, Accounting Services
W. Fulla, Manager, Business, Asset and Financial Planning
D. Laberge, Manager, Bylaw Services
J. Slater, Manager, Revenue Services
M. Elliot, Project Manager, Engineering department
T. Webb, Manager, Communications
S. Gurrie, Director, Legislative Services
N. Sponaugle, Legislative Communications Clerk
A. Mac Coll, Steno, Legislative Services

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

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

2. INTRODUCTION OF LATE ITEMS:

(a) Agenda Item 6(d) Consideration of Other Grant Request for Water Use delegation
Christopher Brown.

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 Finance and Audit Committee Meeting held in the Shaw Auditorium, Vancouver Island Conference Centre, 80 Commercial Street, Wednesday, 2022-JUL-20, at 9:00 a.m. be adopted as circulated. The motion carried unanimously.

5. DELEGATIONS:

None

6. REPORTS:

(a) Update on City Property Acquisition from 2022 Tax Sale

Introduced by Bill Corsan, Director, Corporate and Business Development. Highlights included:

- Properties that are sold at tax sale have accumulated three years of unpaid taxes
- Staff attempt to contact property owners and work with banks and those listed on title to assist the owner to pay off any outstanding taxes
- The small number of properties that have gone to tax sale in Nanaimo is a testament to the Finance Department
- The property, after being sold at tax sale, rests with the owner for one additional year from the date the home was sold to help the owner redeem their property
- If an owner wishes to redeem their property after tax sale, they must pay the upset price, any costs to the collector, taxes advanced by the purchaser, interest as prescribed, and any costs accrued while the purchaser maintained the property
- 8 properties on Machleary Street were purchased by the City of Nanaimo (the City) at tax sale
- No one from the public bid on the Machleary Street properties and the City had to purchase the lands by default as the City cannot refuse
- The Machleary properties were a former dump site and are considered unbuildable lots
- There were issues with the land titles for all eight Machleary properties and the City had to work with the Attorney General to put them into the name of the City
- Three St. George Street properties were supposed to have been transferred in 1976 to the City, and the Land Title Office did a review and realised the properties had not been transferred
- The City owes \$51,213 to the Province of British Columbia which was the outstanding amount for the properties purchased
- The amount owing for the properties were paid for out of taxation and the Park Land Reserve Fund

Committee and Staff discussion took place. Highlights included:

- Two remaining portions of the St. George Street Chinese Memorial Gardens are not currently in the ownership of the City, and a future report on options for Council on the acquisition of those lands will be brought forward
- The Chinese Memorial Society supports the City's intention to bring the remaining two pieces of land under the City's name
- The Chinese Memorial gardens are culturally significant and are important pieces of property for the City and its citizens
- The Machleary Street properties could have cat stream and other environmental issues due to the previous informal dump site
- Staff have been looking at options for the Machleary Street properties to see if they can become a park, be built upon, or something else

(b) Holland Road Utility Project

Introduced by Bill Sims, General Manager, Engineering & Public Works. Highlights included:

- City projects are budgeted for a year to two years in advance, and with the escalation of construction costs across the globe, project prices have dramatically increased
- Average unit prices are used when calculating projects, which can often result in some projects coming in high and some coming in low when estimated for the budget
- The City has moved funds between projects in 2022 due to the uncertainty of construction costs

(c) Acceleration of the Community Safety Officers Vehicle Project from 2023 to 2022

Introduced by Bill Sims, General Manager, Engineering & Public Works. Highlights included:

- The vehicle ordered has arrived early and is the City's possession
- Approval is needed to expend funds now to finish the purchase of the vehicle instead of in 2023

Committee and Staff discussion took place. Highlights included:

- The vehicle ordered for the Community Safety Officers is a half tonne pickup truck to haul garbage, shopping carts and other large items when cleaning up downtown
- The City is moving the fleet towards electric
- When vehicles are ordered, the City pays for the vehicle once it has been delivered
- There is a limited number of electric half tonne pickup trucks for purchase
- In 2021, the City converted the entirety of the Building Inspections fleet into electric vehicles
- To rent a truck it is currently \$1,400 a month and to purchase a truck it is \$1,300 including its replacement plan

It was moved and seconded that the Finance and Audit Committee recommend that Council approve accelerating the CSOs Vehicle project from 2023 to 2022 in the 2022 – 2026 Financial Plan. The motion carried.

Opposed: *Councillor Geselbracht*

Councillor Manly declared a conflict of interest and vacated the meeting due to being a current volunteer for Growing Opportunities, a contractor in the past, and a part of the initial delegation to Council in April 2022.

(d) Consideration of Other Grant Request for Water Use

Introduced by Laura Mercer, Director, Finance. Highlights included:

- Staff reviewed the request for funding and found that the Other Grants Budget has been expended for 2022
- Funds could be used for a one-time grant through the Strategic Reserve

Delegation

1. Chris Brown, Jen Cody and Craig Evans, founding members of Growing Opportunities spoke regarding their program and partnerships and their need for a grant relief. Highlights included:

- The Growing Opportunities Farm (GOF) has been in operation since 2009 and it has been registered as a cooperative since April 2013
- The GOF farms has two sites in the City, 1090 Skaha Road and the 5 Acre Farm in Harewood
- The Nanaimo Food Share, Nanaimo Association for Community Living, and Vancouver Island University work in partnership with GOF to provide job training, life skills as well as nutrition and cooking training
- The majority of the food grown at the two farms by GOF are given towards food security programs
- The GOF has almost produced 10 tonnes of food in 2022
- The programs are managed by using employees of diverse abilities, vulnerable youth, low-income, mental health issues, and homelessness to teach valuable life skills and to work cooperatively as part of a team
- Drip line irrigation is used to irrigate all of the crops on the Skaha Drive property as it currently can't use its water licence rights to Cather's Lake
- The GOF tried to use the pipe connected to Cather's Lake for the water, and the pipe had a leak that is 60 years old which has cost an excess of \$25,000 from the cooperative to upgrade the valve at the damn and irrigation lines
- The GOF is asking for relief for the water bill to be covered as a one-time ask
- Painted turtles have now moved into Cather's Lake as well as large amounts of water milfoil and there are residents on the lake that have built docks on the water reservoir
- A Friends of Cather's Lake Association will need to be created to ensure that the water quality remains pure for use on the farm
- A 3,000 gallon water tank has been purchased for water storage
- City water legally has to be used to wash vegetables for consumption

- The GOF was told originally that the leak in the water line was caused by the City, but it has since been inspected and that is not the case

Committee discussion took place. Highlights included:

- The GOF will need to review all the information regarding Cather's Lake before the lake is drawn from to be up and running by summer 2023
- The reservoir water will need to be tested at the dam site and at the end of the piping system as there are certain minimum standards required for agricultural use
- Residents bordering Cather's Lake have to be made aware of issues arising from spraying things on their lawns and having compost piles too close to the lake
- The number of employees at the GOF vary throughout the year from 8-25 people and that does not include volunteers
- Community partners provide weekly programs at the farm for the community
- 80% of the food produced goes to the Good Food Box program managed by Nanaimo Food Share
- The GOF has received funding from the Woman Entrepreneurs program to help sell the produce at a higher price to recover some of the costs
- Farmers markets are used as a sales opportunity and practice for our employees by interacting with people and being able to gain experience handling cash
- The GOF is helping to restore farmland in the City and employs people with barriers to employment
- Reconsiderations for future grant recommendations and requirements should be made to encourage food production
- Staff time to regulate and institute a water agriculture rate could help incentivize agriculture in the City
- The Utility Rate Review structure will propose changes to the rate structure
- Farms natural function of business is to consume water to produce agriculture

It was moved and seconded that the Finance and Audit Committee recommend that Council award an Other Grant in the amount of up to \$10,000 for the 2022 calendar year to Growing Opportunities, with funding to come from the Strategic Infrastructure Reserve Fund, and that the 2022-2027 Financial Plan be amended accordingly. The motion carried unanimously.

Councillor Manly returned to the Shaw Auditorium at 10:11 a.m.

(e) BC Active Transportation Infrastructure Program

Introduced by Laura Mercer, Director, Finance. Highlights included:

- Previous resolution for the Albert Street and Fourth Street Phase 2 grant stated that only a portion of funding the City would contribute, and staff realized completing the application with the total cost of the project would strengthen the chances of getting the grant

- Nothing else has changed about the project, just the wording of the resolution to help the City's chances in receiving the grant

It was moved and seconded that the Finance and Audit Committee recommend that Council direct staff to submit an application under the B.C. Active Transportation Infrastructure Grant as follows:

- Submit an application for the Albert and Fourth Complete Street Phase 2 project and confirm the local share of \$2,324,322 is available and supported, the project is a municipal priority, and the project is "shovel ready" and intended to be completed within the required timeline. The motion carried unanimously.

The Finance and Audit Committee recessed at 9:55 a.m.

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

7. PRESENTATIONS:

(a) Finance 101 Presentation

Introduced by Laura Mercer, Director, Finance.

Committee and Staff discussion took place. Highlights included:

- Every Municipality must have a Financial Officer per the *Community Charter* Division 5, Section 149 and duties of the Financial Officer can be allocated to the various finance department staff
- The Finance Officer also has a list of non-statutory roles like preparing the financial plans and working with external auditors
- The Finance Department works on the Financial Plan throughout the year, whether it be the current plan or the upcoming plan
- In January and February, Staff start work on their 10-year project plans with Finance
- In June, Staff received direction from Council for the 2023-2027 Financial Plan and it will be used when working on the operating budgets
- From June until October, Staff compile all information to present to Council the completed first draft of the budget at the end of November with the goal of adopting the budget bylaw by May 15th each year
- The fiscal year end for the City is December 31 with Staff preparing the statements for the auditors in January each year
- KPMG, the City's current auditors, come to the City in March to complete their process with their findings to be adopted by May 15th
- The Statement of Financial Information (SOFI) and the Annual Municipal Report need approval by Council by June 30th with Staff starting work on these reports in March
- The City has won awards for 2020 Financial reports and has submitted consideration for 2021 awards
- Levies received from other governments are given to the City in April
- Once the financial plan is adopted, the property tax bylaw needs to be completed and adopted by May 15th to prepare tax notices
- Currently the City splits the legislated tax penalty into two 5% penalty due dates

- There are 16 billing routes for water sewer and garbage with properties being billed three times per year
- The Water and Sewer Rate Bylaws need to be adopted before the end of December each year to accommodate increases needed to be able to charge the new rates in the following year
- Payroll is run every two weeks for the City
- Monthly and quarterly reporting is provided from the Finance department to management and Council
- There are many regulatory guidelines and legislation the Finance Department must follow from internal and external agencies and sources

Councillor Manly vacated the Shaw Auditorium at 10:34 a.m.

- The New West Partnership Trade Agreement is an agreement that the City must follow which can restrict and dictate the City's procurement process
- Policies that overarch the entire organization are approved by Council, and policies that are day-to-day issues are departmental and approved by the Director of Finance or the Chief Administrative officer
- The City is unable to create a local procurement policy and must award points based on the merit of the bid due to trade agreements
- The City levies and collects taxes for a multitude of agencies as well as internal City functions and services
- The City collects a 3% hotel tax on short accommodation rentals and the majority of the money collected is paid to the Nanaimo Hospitality Association to provide funding for local tourism and marketing programs
- Council has a role in asset stewardship for the City with their responsibilities outlined in their Asset Management and Strategies policy
- The City has over 3 billion dollars in assets that deliver services to its residents
- The City's master plan influences the long-term financial planning as initiatives and projects are identified
- The five-year financial plan is a culmination of all the other plans to give the Finance Department the authority to spend and conduct business
- Reserves prevent the City from having wild swings in fees for user rates and property taxes and help smooth out increases
- The purpose of the Reserve Policy is to:
 - establish responsible governance
 - establish roles and responsibilities
 - define principles and objectives for reserves management, and;
 - comply with statutory and legal requirements
- Operating reserves are created through an allocation of surplus and Statutory reserves are created through a bylaw
- There are Statutory reserves that are required to be created by legislation and it is hard for them to have funds reallocated whereas Operating reserves can be more flexible with their funds

Councillor Geselbracht vacated the Shaw Auditorium at 10:50 a.m.

- The City under budgets for the RCMP's contract each year due to staffing shortages with the RCMP and their failure to fill vacancies

- The City is discussing reallocating extra surplus funds from the RCMP contract into the reserve to help offset any large increases in the RCMP contract renewal in 2023
- The growth in the City will create significant increases for the Fire Department and it will need to be budgeted for
- The City has 4 equipment Statutory reserves that have annual allocations as a funding source to fund a detailed replacement plan for each
- Infrastructure reserves were established to provide funding for infrastructure replacement and new infrastructure due to growth using 7 Statutory Reserves and 6 Operating Reserves
- A broad funding scope example is the General Capital Reserve which is allocated funding from prior year's surplus for all different kinds of infrastructure and its intended use is for projects
- The three Asset Management Reserves are to fund planned capital projects and they have rules for what type of projects they can fund
- The NDSS Community Field Maintenance Reserve fund is an example of a very specific use and is only funded by net rental revenue and can only be used for planned projects at the NDSS community field for replacements and improvements
- The Cemetery Care Reserve Fund is the only legislated Statutory Reserve and its funding is derived from plot sales and head stone installation revenue with the Cremation Internment and Financial Services Act outlining what the municipality can spend the funds on
- There are challenges within the departments due to rising inflation and costs escalating higher than anticipated
- The Community Works Fund Grant program ends in 2023, and may continue, but could look differently as it is currently in negotiations with the Federal Government and UBCM
- The Debt policy is presented in January to Council and it is intended to give guidance on the volume of debt the City should take on and Council's debt philosophy
- Two of the Parking Reserves the Local Government Act requires the municipality to have statutorily are the Off-Street Parking Reserve and the Old City Parking Reserve Fund

Councillor Brown vacated the Shaw Auditorium at 11:10 a.m.

- The Property Reserve has three Statutory Reserves for the purpose of purchasing and selling land with two of those reserves required by legislation such as the Parkland Dedication Reserve and the Property Sales Reserve
- Strategic Reserves are not required by legislation
- The Housing Legacy Reserve has historically been used for land acquisition
- Other Reserves can fill a specific administrative function, comply with a bequest or have a short-term purpose
- All landlines within City limits will be charged by each phone provider for the 911 service, which is then collected by the phone provider and paid to the City to help offset the fire dispatch function the City pays for
- Development Cost Charges (DCC's) are monies collected from developers to assist the City with the cost of new infrastructure required due to growth

- DCC's are collected for developments that are considered to place a new capital cost burden on the community
- Only projects identified in the DCC bylaw can use the DCC Reserve funds as a funding source
- The Statutory Reserve Bylaw No. 7252 is updated every 5 years with its next update to be in 2023
- The DCC Reserves are guided by legislation in the *Local Government Act* Section 559(2) to outline what DCC's can be collected for
- There was a 20-year project plan completed in 2018 with prioritized projects to be partially funded by the DCC Reserve, and this plan is to be updated and re-prioritized every five years
- A project cannot be 100% funded by the DCC reserve and a portion of the project must be funded by the City at a minimum of 1% of the project
- The Financial Plan Bylaw is to be presented to Council for the first three readings by 2022-DEC-19 as well as the adoption of all the User Rate Bylaws
- The adoption of the Provisional Financial Plan is set to be adopted in January
- Financial Statements will be presented to Council in March 2023 with a decision report on how to allocate any surplus
- The public has the opportunity to give feedback at any of the Finance and Audit Committee meetings as they are open to the public
- The E-Town Hall meeting 2022-DEC-05 provides the ability for the public to give feedback and not have to attend in person
- The goal of Staff is to have the Financial Plan Bylaw adopted by early January

(b) Utility Fund Overview and Utility Rate Review Introduction

Introduced by Laura Mercer, Director, Finance. Highlights included:

Presentation:

1. Bill Sims, General Manager, Engineering and Public Works & Laura Mercer, Director, Finance. Highlights included:
 - The Water and Sewer Rate Bylaw is jointly administered by Engineering and Public works and Finance

Councillor Brown returned to the Shaw Auditorium at 11:36 a.m.

- There were many principles that grew out of the City Plan process that were encapsulated into the Water and Sewer Rates using best practices across North America
- Water conservation, preservation of water and financial and environmental water sustainability are some of the principles used to protect future generations from price increases

Councillor Manly returned to the Shaw Auditorium at 11:37 a.m.

- 36 million liters are delivered to Nanaimo residents on average yearly
- There has been a decline of 30% in average water consumed in Nanaimo from 1992-2022 while serving 38,000 more people

- Best practices like full cost accounting, universal metering, expanded block rate, high efficiency appliances and long-term planning have helped the decline in water usage
- The City’s goal for water use reduction is 5% per decade
- 2007’s water supply strategy planned for an additional dam, but due to the reduction in water usage, it is no longer needed for an estimated additional 40 years
- It has been challenging for Staff to deliver utility services in an affordable, efficient, and effective manner for the community
- The Utility Rate Review was undertaken to answer the following questions:
 - Does the City have adequate utility revenues to provide sustainable water and sanitary sewer services
 - Does the current rate structures for water and sanitary sewer utilities effectively and efficiently support user equity conservation and administrative efficiencies
- The rate structure for utilities should reflect each customer’s proportionate share of the cost of the service and be equitable for the largest number of users
- Each utility had financial models developed using rate setting software to help with new rates when completing the Water Rate Review
- Future reviews and changes could focus on improvements to user equity, transparency and efficiency, but cannot be started until the meter replacement project is complete

Councillor Thorpe vacated the Shaw Auditorium at 11:56 a.m.

- Water Operating and DCC Reserves will be negative in 2031 and 2032 in the projected Water Utility Reserve due to future large capital projects A DCC bylaw will be undertaken in 2023 to help address the future challenges in the DCC reserve and borrowing may be required to fund the infrastructure investments

Councillor Armstrong vacated the Shaw Auditorium at 11:56 a.m.

- The annual increase for the Sewer Utility Rate in the future could be 3%
- Operating increases for sewer have not increased in 10 years
- The Sewer DCC Reserve fund is projected to be negative by 2031
- An overhead allocation methodology was identified in the review and a new methodology was created to help reduce the burden on property taxes and properly allocate money to Water and Sewer Utilities

Councillor Brown vacated the Shaw Auditorium at 12:02 a.m.

- Staff have built a rate structure that could collect adequate revenues and provide user equity
- Classification and change are needed for utilities and how often customers are billed

8. OTHER BUSINESS:

None

9. QUESTION PERIOD:

Council received no questions from the public regarding agenda items

Councillor Hemmens vacated the Shaw Auditorium at 12:15 p.m.

10. PROCEDURAL MOTION:

It was moved and seconded that the meeting be closed to the public in order to deal with agenda items under the *Community Charter*:

Section 90(1) A part of the Council meeting may be closed to the public if the subject matter being considered relates to or is one or more of the following:

(n) the consideration of whether a Council meeting should be closed under a provision of this subsection or subsection (2).

Section 90(2):

(b) the consideration of information received and held in confidence relating to negotiations between the municipality and a provincial government or the federal government or both, or between a provincial government or the federal government or both and a third party.

11. RISE AND REPORT

There were no items to report on from the closed portion of the meeting.

11. ADJOURNMENT:

It was moved and seconded at 12:40 p.m. that the meeting adjourn. The motion carried unanimously.

CHAIR

CERTIFIED CORRECT:

CORPORATE OFFICER