

MINUTES
SPECIAL FINANCE AND AUDIT COMMITTEE MEETING
SHAW AUDITORIUM, VANCOUVER ISLAND CONFERENCE CENTRE,
80 COMMERCIAL STREET, NANAIMO, BC
WEDNESDAY, 2022-DEC-01, AT 2:00 P.M.

Present: Mayor L. Krog, Chair
Councillor Manly
Councillor T. Brown
Councillor H. Eastmure
Councillor B. Geselbracht (arrived 2:05 p.m.)
Councillor E. Hemmens
Councillor J. Perrino
Councillor I. W. Thorpe

Absent: Councillor S. D. Armstrong

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. Van Horne, Director, Human Resources
T. Doyle, Fire Chief
J. Le Masurier, Deputy Fire Chief, Administration
L. Mercer, Director, Finance
D. Osbourne, Director, Recreation & Culture
P. Rosen, Director, Engineering
W. Fulla, Deputy Director, Finance
J. McAskill, Manager, Facility Asset Planning
T. Webb, Manager, Communications
V. Bowering, Executive Assistant
S. Gurrie, Director, Legislative Services
S. Snelgrove, Recording Secretary

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

The Special Finance and Audit Committee Meeting was called to order at 2:00 p.m.

2. INTRODUCTION OF LATE ITEMS:

- (a) Agenda Item 4(a) 2023-2027 Draft Financial Plan Recap – replace PowerPoint presentation with a revised version.

3. APPROVAL OF THE AGENDA:

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

4. PRESENTATIONS:

(a) 2023 – 2027 Draft Financial Plan Recap

Introduced by Laura Mercer, Director, Finance.

- The revised tax increase is currently at 6.1% which includes 1% for asset management
- There are no changes to the percentage for water and sewer
- Staff had to recalculate the debt repayment and garbage truck rental costs as the trucks are expected to arrive in March and the interest rate on debt significantly increased from 1.48% to 4.48%
- In 2023, a typical home will now pay \$3,465 in taxes and user fees
- Water fees will increase \$23 over 2022, sewer fees \$6 and sanitation fees will increase by \$5
- The City is anticipating \$81,846 in increased debt costs which contribute to increased taxes
- Cost reductions include insurance, grants in lieu of payments, wages and benefits

Councillor Geselbracht entered the Shaw Auditorium at 2:05 p.m.

- Small changes relate to removal of leased space for Community Safety Officers as they will be located in the Service and Resource Centre
- All reductions add to a 6.1% tax increase
- Other changes not affecting a tax increase include:
 - The final debt on Fire Station No. 1 which is funded from the general asset management reserve
 - Increased security costs to add a second guard to the parkades, funded from parking revenues
- There are many items for staff to revisit before the final budget is brought forward in the spring
- The budget as presented shows what the best information is currently and will be updated to include revenues
- Final growth numbers won't be known until March so if there are any adjustments to the budgeted amounts, they will be reflected in the final budget
- As interest rates are moving around staff anticipate adjustments to interest income
- There are several contracts under negotiation that can have an impact on costs
- A number of items can change between now and the final budget

Laura Mercer, Director, Finance, continued the presentation and highlighted the Committee's decision points. Highlights included:

- Costing will change slightly due to decreased benefit costs and any business cases Council approves will have effect in 2024 due to April start dates
- Utility rate review recommendations:
 - Option 1 is to support the new recommendations for rate structure from the Utility Rate Review report

- Changes have been made in the draft budget
 - Water utility changes include customer classifications
 - Sanitary sewer changes include customer classifications and one volumetric rate recommendation
- The HR Advisor/OH&S Support position will provide capacity for OH&S, to be added April 1st and funded from general revenue resulting in a 0.07% increase in 2023
- The Records Management Clerk position will support the implementation of the electronic document records management system, to be added April 1st and funded from general revenue resulting in a 0.06% increase in 2023
 - Option two is for a 12-month temporary position starting April 1st, funded from general revenue resulting in a 0.05% increase in 2023
- The Cemetery Clerk is a 15-month temporary position starting April 1st, funded from general revenue resulting in a 0.05% increase in 2023
 - Option two is a temporary part time position for 27 months starting April 1st funded from general revenue resulting in a 0.03% increase in 2023
- The Community Development Clerk position will increase administrative support to the Sustainability and Current Planning sections, to be added April 1st funded from general revenue resulting in a 0.06% increase in 2023
- The EV Ready Fleet Plan Study is to engage a consultant to optimize the transition to electric powered vehicles. Funding is from a mix of private contributions and funds from the Climate Action Reserve Fund resulting in no tax increase
- The Project Accountant position will provide accounting support to the project management group, to be added April 1st and funded from general revenue resulting in a 0.07% increase in 2023
- The Road Safety and Performance Coordinator will centralize control and oversight of driver safety and improve fleet efficiency, to be added April 1st, funded from the Equipment Depreciation Reserve resulting in no tax increase in 2023
- The Sewer Operator in Training position will provide additional resources, to be added April 1st, funded through sewer user fees resulting in no tax increase
- The Water Operator in Training position will provide additional resources, to be added April 1st and funded through water user fees resulting in no tax impact
- Three options, including various sub-options, were presented for the Fire Master Plan implementation
- Hiring firefighters will affect all 5 years of the financial plan as they have tiered pay structure
- The International Association of Fire Fighters contract expires at the end of year which could affect costing
- The Project Budget Accounting Clerk position will provide additional resources, to be added April 1st and funded from general revenue resulting in a 0.08% increase in 2023
- The two part-time Recreation and Culture Assistant Coordinators will increase capacity within the department, one to be added April 1st and the other to be added January 1, 2024, funded from general revenue resulting in a 0.04% increase in 2023
- The draft budget funds the RCMP contract at 95% of total cost due to history of vacancies and to lower the operating surplus

- The budget for Other Grants could be increased to \$30,000/year or \$50,000/year
- Council can revise or eliminate the allocation of reserve funding used to lower property taxes

Committee discussion took place. Highlights included:

- \$7,000 allocated yearly for Other Grants is continuously spent
- Adding more money to the budget saves the organization from coming to Council and provides for money to fund asks that don't fit in current grant streams
- Other grants are currently funded from the Strategic Infrastructure Reserve
- The Council Contingency Fund was removed in the 2019 budget and the Other Grant funding process is slightly different as it would have an intake process
- Based on 2018 consumption data, Staff estimate a 0.8% decrease in water revenue
- The City cannot charge more than what the water utility costs to operate and for management of the asset
- The City will not see less revenue due to the new rate structure
- \$267,000 is budgeted for electoral approval on capital projects and is funded from general taxation and is a one-time cost to be removed in 2024
- Building permit revenue will not be known for at least a week and the 2022 surplus will be noted at the December Finance and Audit Committee meeting

It was moved and seconded that the Finance and Audit Committee recommend that Council support the New Overhead Allocation Method and proposed sewer and water user fee increases. The motion carried unanimously.

Utility Rate Review Recommendations

Committee discussion took place regarding the requirement for a bylaw amendment to include an agricultural water rate.

It was moved and seconded that the Finance and Audit Committee recommend that Council direct staff to implement the recommended Water and Sewer Utility rate structures as presented to the Committee at the Special Finance and Committee meeting on November 24, 2022, to be effective January 1, 2023. The motion carried unanimously.

HR Advisor: OH & S Support

Staff noted staffing within the Human Resources Department hasn't increased since 2007 and administrative tasks are being completed by a manager. This position would allow the manager to focus more on programs, case management, mental health and getting people back to work.

Committee discussion took place. Highlights included:

- Increased staffing City-wide could result in an additional business case requested by the Human Resources Department

- The list of business cases is a shortlist; each department is facing pressure within the organization to keep up with service delivery demands
- What is voted on today isn't the final budget

Fire Master Plan Implementation

Tim Doyle, Fire Chief, advised:

- Positions are requested due to the urgent need for firefighters identified in the Fire Master Plan
- Data for the Master Plan was compiled from 2017-2019 and didn't foresee the increases in incidents as there has been a fundamental shift
- 2022 growth has been staggering and is projected to exceed 9600 incidents which is almost 27 incidents a day
- Incidents are increasing and in the last two months the Fire Department responded to 50 days of incidents over 27 a day
- Based on data from 2017-2019 the consultants expected to reach this response between 2030-2035 and if the department experiences the same increase in 2023, it will exceed 12,000 incidents in 2023, which was expected to be reached 10 years from now
- Media reports noted that Fire Station #2 in Vancouver is the busiest fire station in BC in terms of incidents but Station #1 firefighters in Nanaimo respond to more incidents per firefighter per day

Committee discussion took place. Highlights included:

- Light rescue vehicles will carry two firefighters
- Minimum staffing is not always possible and is reached 60% of the time
- The 10-year fleet replacement plan indicates when the fleet will be replaced
- The Fire Master Plan includes adding a fire station but additional staffing can be accommodated into existing stations if a new fire station isn't built
- It is an exhaustive process to recruit firefighters and supply chain issues have impacted ordering gear
- It can now take over 500 days to receive a fire truck due to Hurricane Ian
- Rescue vehicles are small and carry less personnel and have limited responsibility
- A rescue pumper is bigger than a rescue vehicle and can pump water and is designed to carry more equipment

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

- add 20 new firefighters effective August 2023 and increase the budget for the planned Heavy Rescue Vehicle from \$1,157,500 to \$1,600,000 to include pumper capabilities to the 2023 – 2027 Financial Plan; and

- add 20 new firefighters effective January 2025, add a project to 2024 for \$1,224,300 funded from the strategic infrastructure reserve for a new fire engine and a project to 2023 and 2024 for up to \$1,451,000 for modifications/renovations to Fire Stations to the 2023 – 2027 Financial Plan with staff to provide updated costing for modifications/renovations for final budget.

The motion carried unanimously.

The meeting recessed at 3:38 p.m.

The meeting reconvened at 3:54 p.m.

HR Advisor: OH & S Support (continued)

Committee discussion took place. Highlights included:

- The RCMP budget would need to be made up through surplus or the RCMP contract reserve if the contract came in higher than what was budgeted
- Staff keep a cushion in the reserve in case the RCMP gets a full complement of staff
- Important to acknowledge that using reserves to arbitrarily lower taxes pushes taxes out to future years

It was moved and seconded that the Finance and Audit Committee recommend that Council approve the following items, resulting in an additional 0.42% tax increase:

- HR Advisor: OH & S Support position added to the 2023 – 2027 Financial Plan effective April 1, 2023 and funded by General Revenue.
- Records Management Clerk position added to the 2023 -2027 Financial Plan effective April 1, 2023 and funded by General Revenue.
- Cemetery Clerk – Temporary full-time position for 15 months (April 1, 2023 to June 30, 2024) funded by General Revenue.
- Community Development Clerk position added to the 2023 – 2027 Financial Plan effective April 1, 2023 and funded by General Revenue.
- Project Accountant position added to the 2023 – 2027 Financial Plan effective April 1, 2023 and funded by General Revenue.
- Project Budget Accounting Clerk position added to the 2023 – 2027 Financial Plan effective April 1, 2023 and funded by General Revenue.
- Recreation & Culture Assistant Coordinators – 2 positions added to the 2023 – 2027 Financial plan with one position effective April 1, 2023 and one effective January 1, 2024 and funded by General Revenue.

The motion carried.

Opposed: *Councillor Eastmure*

EV Ready Fleet Plan Study

Committee discussion took place. Highlights included:

- Funding is provided by the Climate Action Reserve Fund and BC Hydro, which does not affect taxation

- The study is about planning infrastructure for the future and will review where services will be placed if the fleet is shifted to electric

It was moved and seconded that the Finance and Audit Committee recommend that Council add a \$50,000 project for an EV Ready Fleet Plan Study to 2023 of the 2023 – 2027 Financial Plan. The motion carried unanimously.

Sewer Operator in Training

Committee discussion took place. Highlights included:

- Position is paid through user fees
- Costs would not decrease if this position was denied

It was moved and seconded that the Finance and Audit Committee recommend that Council add a Sewer Operator in Training position to the 2023 – 2027 Financial Plan effective April 1, 2023. The motion carried unanimously.

Road Safety & Performance Coordinator

- The costs for this position are split between the sewer, water and general fund
- The intent of the position is to take business information and use it improve the fleet services and work on safety training with operators.

It was moved and seconded that the Finance and Audit Committee recommend that Council add a Road Safety & Performance Coordinator position to the 2023 – 2027 Financial Plan effective April 1, 2023. The motion carried unanimously.

Water Operator in Training

It was moved and seconded that the Finance and Audit Committee recommend that Council add a Water Operator in Training position to the 2023 – 2027 Financial Plan effective April 1, 2023. The motion carried unanimously.

RCMP Contract

Council and Staff discussion took place regarding options to fund the RCMP contract. Highlights included:

- 95% is the threshold to maintain the force
- Council could add 10 more officers today and the positions would remain vacant as people are not available to fill the positions
- The contract cost is based on a full complement of Staff and Staff typically budget for less than 100% of the costs
- A contingency is available in the RCMP contract reserve
- Council needing to be accurate in what the City is looking to fund
- A full complement of officers is 158 which includes 7 officer positions approve for 2022 which haven't been able to be filled

It was moved and seconded that the Finance and Audit Committee recommend that Council budget the RCMP contract at 92% for 2023 and 95% for 2024 to 2027 for the 2023 – 2027 Financial Plan. The motion carried.

Opposed: *Councillors Brown, Geselbracht, Hemmens*

Other Grants

Committee discussion took place. Highlights included:

- The Other Grants process provides financing for local organizations that need assistance in the community
- Staff are continuously using reserves to fund requests
- The importance of clarifying policies surrounding funding applications was noted
- Before proceeding with the grant process Staff will bring the intake process and criteria to the Finance and Audit Committee and Council for approval
- Council needs to have a conversation regarding the type of grant process to put forward and develop programs and services to fund it
- Conversation should take place during the 2024 budget process after strategic planning has been completed
- Staff would bring reports to the Finance and Audit Committee to be approved even if they meet all the grant requirements
- Amounts allocated vary from year to year based on the types of requests received. Examples include the SPCA SNIP program and Catnap Society

It was moved and seconded that the Finance and Audit Committee recommend that Council increase the annual budget for Other Grants to \$50,000 for the 2023 – 2027 Financial Plan and direct Staff to return to the Committee with an updated policy for grant criteria and distribution. The motion was defeated. Opposed: *Councillors Brown, Eastmure, Hemmens, Perrino*

Reserve Funding

Committee discussion took place. Highlights included:

- Council has options to allocate reserve funding to reduce taxes
- Using reserve funding doesn't reduce taxes but delays the burden
- Council may decide what the desired service level is in the community and then support choices to reach that level
- Using reserve funds limits ability to find funds for capital projects
- Important to recognize the burden people are carrying and the responsibility to utilize taxation wisely and do everything possible to reduce taxes
- Taxation is the price residents pay to belong to a civilized society
- Any tools Council can use to offset taxes are appreciated by a portion of the population
- Using reserve funding equates to dipping into savings to pay bills
- Taxation needs to match the level of service determined for the City of Nanaimo
- Reserves are designed as cushion for taxpayers against increases and Council as a choice to use the money as cushion this year

It was moved and seconded that the Finance and Audit Committee recommend that Council reallocate all of the \$1.5 million in reserve funding for property tax reduction to 2023 in the 2023 – 2027 Financial Plan. The motion was defeated.

Opposed: Councillor Brown, Eastmure, Geselbracht, Hemmens, Manly

Committee and Staff discussion continued regarding upcoming projects and tax increases. Highlights included:

- Challenges with using the Strategic Infrastructure Reserve to lower taxes and the impact that has on Council's ability to fund projects
- Money is intended to be kept in reserves in case projects such as the Harewood Turf Field and Loudon Park come in over budget
- Getting projects from the idea stage to implementation takes 2-2.5 years
- Providing funding allows projects to be selected and planned
- If a project is started it won't be stopped due to lack of funds; Staff would return to Council to ask for money and funds may be taken from projects that haven't started yet, underbudget projects, or reserves

It was moved and seconded that the Finance and Audit Committee recommend that Council increase the unallocated pedestrian improvement budget from \$300,000 to \$1,000,000 for 2023, funded from the Strategic Infrastructure Reserve. The motion carried.

Opposed: Mayor Krog, Councillors Perrino, Thorpe

Laura Mercer, Director, Finance, advised of next steps:

- An eTown hall is scheduled for Monday, 2022-DEC-05 and the Utility Rate Review bylaws will be brought forward for three readings
- The 2022-DEC-02 and 2022-DEC-07 meetings are not necessary and can be cancelled
- An update on major capital projects will be presented to Council in January or February 2023
- As Staff start updating the 10-year plan, a session with the Committee to review the contents of the plan and seek Council direction will be held
- Projects are presented to Council throughout the year not necessarily at budget time
- Staff will return with surplus numbers and will have better information for the final budget, prior to adoption in May

5. QUESTION PERIOD:

- Council received one comment regarding the draft financial plan.

6. ADJOURNMENT:

It was moved and seconded at 5:24 p.m. that the meeting adjourn. The motion carried unanimously.

C H A I R

CERTIFIED CORRECT:

CORPORATE OFFICER