

MINUTES
FINANCE AND AUDIT COMMITTEE MEETING
SHAW AUDITORIUM, VANCOUVER ISLAND CONFERENCE CENTRE,
80 COMMERCIAL STREET, NANAIMO, BC
WEDNESDAY, 2022-DEC-14, AT 9:00 A.M.

Present: Mayor L. Krog
Councillor S. Armstrong (joined electronically)
Councillor H. Eastmure
Councillor B. Geselbracht (joined electronically)
Councillor E. Hemmens (arrived 9:02 a.m.)
Councillor P. Manly
Councillor J. Perrino
Councillor I. Thorpe (arrived 9:40 a.m.)

Absent: Councillor T. Brown

Staff: J. Rudolph, Chief Administrative Officer
D. Lindsay, General Manager, Development Services/Deputy Chief Administrative Officer
B. Sims, General Manager, Engineering and Public Works
J. Van Horne, Director, Human Resources
B. Corsan, Director, Corporate and Business Development
A. Groot, Director, Facilities and Parks Operations
L. Mercer, Director, Finance
D. Osborne, Director, Recreation & Culture
W. Fulla, Deputy Director, Finance
D. Bailey, Manager, Accounting Services
L. Brinkman, Manager, Community Planning
L. Clarkson, Manager, Recreation Services
J. McAskill, Manager, Facility Asset Planning
T. Pan, Manager, Sustainability
M. Lum, Recreation Coordinator, Cultural Services
C. Wood, Social Planner
D. Stewart, Environmental Planner
S. Snelgrove, Deputy Corporate Officer
N. Sponaugle, Legislative Communications Clerk
A. Chanakos, 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. INTRODUCTION OF LATE ITEMS:

- (1) Reorder Agenda Item 8(l) Grants, Rebates and Exemptions to Agenda Item 8(a).
- (2) Agenda Item 4 Procedural Motion - Add *Community Charter* Section 90(2)(b).

3. APPROVAL OF THE AGENDA:

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

4. PROCEDURAL MOTION TO PROCEED IN CAMERA:

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

- (c) labour relations or other employee relations;
- (l) discussions with municipal officers and employees respecting municipal objectives, measures and progress reports for the purpose of preparing an annual report under Section 98 [*annual municipal report*];
- (n) the consideration of whether a council meeting should be closed under a provision of this subsection or subsection (2); and

Community Charter 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.

The motion carried unanimously.

The Finance and Audit Committee moved “In Camera” at 9:01 a.m.

The Finance and Audit Committee moved out of “In Camera” at 9:46 a.m.

5. ADOPTION OF THE MINUTES:

It was moved and seconded that the following be adopted as circulated:

- Minutes of the Finance and Audit Committee Meeting held in the Shaw Auditorium, Vancouver Island Conference Centre, 80 Commercial Street, Nanaimo, BC, on Wednesday, 2022-NOV-16, at 9:00 a.m.
- Minutes of the Special Finance and Audit Committee Meeting held in the Shaw Auditorium, Vancouver Island Conference Centre, 80 Commercial Street, Nanaimo, BC, on Thursday, 2022-NOV-24 at 9:00 a.m.
- Minutes of the Special Finance and Audit Committee Meeting held in the Shaw Auditorium, Vancouver Island Conference Centre, 80 Commercial Street, Nanaimo, BC, on Wednesday, 2022-DEC-01 at 2:00 p.m.

The motion carried unanimously.

6. PRESENTATIONS:

(a) KPMG Pre-Audit Presentation

Introduced by Laura Mercer, Director, Finance.

Liette Bates-Eamer, Chartered Professional Accountant, KPMG, provided a PowerPoint presentation. Highlights included:

- Materiality is a figure established in planning for an audit, and it represents the level of error that could change a user's decision when looking at financial statements or making decisions based off of the review of financial statements
- For the City's audit, a gross benchmark of total expenses was used to come up with the materiality figure
- This figure could be anywhere from 0.5 - 3% of this benchmark and the City is currently at 2%, or \$3.7 million
- As with previous years' audit plans, the same risk has been identified on this year's plan which is the risk of fraud due to management override of controls
- This risk is addressed through procedures around testing of journal entries, and looking at estimates or unusual transactions
- The new audit standard for the 2023 audit, *CAS 315 Identifying and Assessing the Risks of Material Misstatement*, requires a more robust risk assessment, as well as taking a deeper look at the City's IT systems
- The new accounting standard, *PSAS 3280 Asset Retirement Obligations*, is applicable for the 2023 audit
- At this stage of the audit, auditors have done inquiries with management regarding fraud, and will return in March to do field work, with a final report coming in April outlining the audit findings

7. REPORTS:

(a) Grants, Rebates and Exemptions

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

- Each program has its own criteria and guidelines, and most are application-based
- The largest financial impact comes from cash grants
- There are seven subcategories of cash grants
- The City has seven rebate programs available, most are administered by the City with the exception of the appliance rebate through BC Hydro and is subject to availability
- There are three new sustainability rebate programs for 2023, including Electric Vehicle Charging Infrastructure, Home Retrofit Support, and Home Energy Assessment rebate
- There are five tax exemption opportunities, and new this year is the Relief Program for Commercial Properties which allows municipalities to apply a reduced tax rate to a portion of the land value for eligible commercial properties

Committee and Staff discussion took place regarding how new programs get added to the City budget.

(b) Culture & Events Grants 2023 – Funding Recommendations

Introduced by Darcie Osborne, Director, Recreation & Culture. Highlights included:

- There are three City grant streams administered through the Culture and Events section for a combined total of \$510,139
- The City received 13 Operating, 19 Project and 12 Downtown Event Revitalization Fund grant applications for 2023 and all funds have been administered
- Applications are reviewed by a panel of Staff from three different departments

Committee and Staff discussion took place. Highlights included:

- Operating Grant funds are assigned at \$3 per-capita
- Unsuccessful applications included those that were incomplete or missing important information, were for events or projects happening outside the City of Nanaimo, or had membership outside the City
- The grant application process is significant and throughout the year groups are required to produce interim reports as well as a complete review at the end of the year

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

- (a) Approve 2023 Cultural Grant Funding (Operating, Project and Downtown Event) recommendations of \$510,139.00 as follows:

2023 Culture Operating & Project Grants

- **Applicant Name:** Crimson Coast
 - **Recommended:** 3 Yr Operating \$30,732
- **Applicant Name:** Nanaimo Conservatory of Music
 - **Recommended:** 3 Yr Operating \$20,000
- **Applicant Name:** Nanaimo Festival Heritage Theatre Society (Theatre One)
 - **Recommended:** 3 Yr Operating \$49,000
- **Applicant Name:** Pacific Coast Stage Company
 - **Recommended:** 3 Yr Operating \$16,500
- **Applicant Name:** Vancouver Island Symphony
 - **Recommended:** 3 Yr Operating \$100,000
- **Applicant Name:** Western Edge Theatre
 - **Recommended:** 3 Yr Operating \$20,000
- **Applicant Name:** Nanaimo Chapter of the SPEBSQSA (Tidesmen Chorus)
 - **Recommended:** 1 Yr Operating \$5,000
- **Applicant Name:** L'Association des francophones de Nanaimo
 - **Recommended:** 1 Yr Operating \$26,000

- **Applicant Name:** Mid Island Metis Nation
 - **Recommended:** 1 Yr Operating \$15,000
- **Applicant Name:** Mid-Island Community Bands Society
 - **Recommended:** 1 Yr Operating \$1,000
- **Applicant Name:** Nanaimo African Heritage Society
 - **Recommended:** 1 Yr Operating \$5,000
- **Applicant Name:** Nanaimo Arts Council
 - **Recommended:** 1 Yr Operating \$18,500
- **Applicant Name:** Nanaimo International Jazz Festival Association
 - **Recommended:** 1 Yr Operating \$9,000
- **Applicant Name:** A Capella Plus Choral Society
 - **Project Name:** Season of choral programs
 - **Recommended:** Project \$2,440
- **Applicant Name:** Festival of Banners (Nanaimo) Association
 - **Project Name:** Festival of Banners
 - **Recommended:** Project \$4,690
- **Applicant Name:** Friends of Nanaimo Jazz Society
 - **Project Name:** Friends of Nanaimo Jazz Series
 - **Recommended:** Project \$7,077
- **Applicant Name:** Island Consort Society
 - **Project Name:** Season of choral programs
 - **Recommended:** Project \$940
- **Applicant Name:** L'Association des francophones de Nanaimo
 - **Project Name:** Voices in my head/Des voix dans ma tête
 - **Recommended:** Project \$3,190
- **Applicant Name:** Nanaimo African Heritage Society
 - **Project Name:** Black History Month
 - **Recommended:** Project \$2,690
- **Applicant Name:** Nanaimo Arts Council
 - **Project Name:** Engagement Research
 - **Recommended:** Project \$800
- **Applicant Name:** Nanaimo Ballroom Dance Society
 - **Project Name:** Island Fantasy Ball Showcase & Competitions
 - **Recommended:** Project \$7,440
- **Applicant Name:** Nanaimo Chamber Orchestra
 - **Project Name:** Concert Season
 - **Recommended:** Project \$1,190
- **Applicant Name:** Nanaimo Concert Band Society
 - **Project Name:** Concert Series
 - **Recommended:** Project \$2,940
- **Applicant Name:** Nanaimo Sings! Choral Festival Society
 - **Project Name:** "Made in Nanaimo" Celebrating Song and Partnership
 - **Recommended:** Project \$3,940
- **Applicant Name:** Nanaimo Ukulele Festival Society
 - **Project Name:** Nanaimo Ukulele Festival
 - **Recommended:** Project \$500
- **Applicant Name:** Pacific Coast Stage Company
 - **Project Name:** Teen Fringe Spirit
 - **Recommended:** Project \$1,190

- **Applicant Name:** Western Edge Theatre
 - **Project Name:** New Waves Festival
 - **Recommended:** Project \$1,940

2023 Downtown Event Revitalization Grants

- **Applicant Name:** Downtown Nanaimo Business Association
 - **Event Name:** Corner Concerts
 - **Recommended:** \$6,000
- **Applicant Name:** Downtown Nanaimo Business Association
 - **Event Name:** WinterFest
 - **Recommended:** \$24,000
- **Applicant Name:** Greater Nanaimo Chamber of Commerce
 - **Event Name:** 2023 Commercial Street Night Market
 - **Recommended:** \$40,000
- **Applicant Name:** Malaspina Choral Society
 - **Event Name:** Malaspina Choir Performances 2022-2023
 - **Recommended:** \$5,000
- **Applicant Name:** Nanaimo Blues Society
 - **Event Name:** Nanaimo Blues Festival
 - **Recommended:** \$27,800
- **Applicant Name:** Nanaimo Chapter, Federation of Canadian Artists
 - **Event Name:** Nanaimo Fine Arts Show
 - **Recommended:** \$2,200
- **Applicant Name:** Nanaimo Downtown Farmers Market Society
 - **Event Name:** Farmers' Market
 - **Recommended:** \$6,500
- **Applicant Name:** Nanaimo International Jazz Festival Association
 - **Event Name:** 2023 Fall Festival
 - **Recommended:** \$25,000
- **Applicant Name:** Old City Quarter Association
 - **Event Name:** Christmas in the OCQ
 - **Recommended:** \$3,500
- **Applicant Name:** Old City Quarter Association
 - **Event Name:** Sounds of Summer in the OCQ
 - **Recommended:** \$7,000
- **Applicant Name:** Pacific Coast Stage Company
 - **Event Name:** On the Fringe – Live Music @ Nanaimo Fringe
 - **Recommended:** \$3,000

The motion carried unanimously.

Councillor Eastmure vacated the Shaw Auditorium at 10:13 a.m. declaring a conflict of interest as her partner is employed by the Vancouver Island Short Film Festival.

- (b) It was moved and seconded that the Finance and Audit Committee recommend Council approve the 2023 Cultural Grant Funding for the Vancouver Island Short Film Festival Society as follows:

- **Applicant Name:** Vancouver Island Short Film Festival Society
- **Project Name:** 18th Annual Vancouver Island Short Film Festival
- **Recommended:** Project \$3,440

The motion carried unanimously.

Councillor Eastmure returned to the Shaw Auditorium at 10:14 a.m.

(c) Community Program Development Grant – Nanaimo Men’s Resource Centre

Introduced by Darcie Osborne, Director, Recreation & Culture.

- The intent of the Community Program Development Grant is to assist community groups & organizations to expand or develop new programs that provide increased opportunity for residents to participate and connect within their community
- The grant is intended as seed funding to help new programs and events grow and expand existing programs in hopes of them becoming self-sustainable
- Staff reviewed the application submitted by the Men’s Resource Centre, and it was the only application received from the first intake of 2023

It was moved and seconded that the Finance and Audit Committee recommend that Council approve the request from the Nanaimo Men’s Resource Centre for a Community Program Development Grant in the amount of \$3,500 to assist in funding their Fathers’ Day in the Park event at Maffeo Sutton Park. The motion carried unanimously.

(d) Emergency Boiler Replacement at the Nanaimo Aquatic Centre

Introduced by Art Groot, Director, Facility & Parks Operations.

- The windstorm on November 4, 2022, led to equipment failure at the Nanaimo Aquatic Centre, with one boiler becoming inoperable
- Staff initially thought the single boiler could be repaired with two fully operational boilers remaining, but a second boiler started experiencing similar issues
- Staff determined the money spent trying to make repairs was too great from a risk perspective, due to the uncertainty of whether the boilers would last until grant approval or the scheduled replacement in 2025; therefore, Staff decided to proceed with replacement

(e) Richardson Road Water Project Budget Adjustment

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

- This project involves replacing the watermain from 1867 Richardson Road to the end of Richardson Road
- Six bids were received for the project which indicates an improvement in market conditions
- The lower bid of \$863,000 was \$100,000 over the original budget
- Staff are asking for \$200,000 to cover extra funds and allow for a contingency

It was moved and seconded that the Finance and Audit Committee recommend that Council increase the budget for the Richardson Road Water project in 2022 from \$753,587 to \$953,587 with the additional \$200,000 in funding from the Water Asset Management Reserve. The motion carried unanimously.

(f) Neighbourhood Association Grant Program Guidelines and Criteria

Introduced by Dale Lindsay, General Manager, Development Services/Deputy Chief Administrative Officer.

Lisa Brinkman, Manager, Community Planning, spoke regarding the Neighbourhood Association Grant Program. Highlights included:

- In April 2022 Council adopted a Neighbourhood Association Supports policy which states that a new Neighbourhood Association Grant Program be established
- The policy resulted from a consultation process in 2020/2021 to determine how the City should support Neighbourhood Associations (NAs)
- The Grant Program is intended to strengthen the organizational capacity of new and existing NAs to increase the frequency of community events in the neighbourhoods and to help build community identity and cohesion
- Grant funds can be used to offset operational needs such as liability insurance, printing, online meeting platform software, website development and smaller neighbourhood events
- \$10,000 has been included in the 2023 Financial Plan for the Neighbourhood Association Grant Program
- A simple application process is proposed with the primary criteria being that each association would report back in December to demonstrate the funds were used for eligible expenses
- Once the Grant Program is established, grant funds could be distributed earlier in the year to allow the full 12 months to use the funds

Committee and Staff discussion took place. Highlights included:

- Staff are working on implementing the NA Supports policy, the Grant Program is the first piece so funds could be used in 2023, with more policy items rolling out in 2023
- NA's that apply for the Neighbourhood Association Grant will still be able to apply for a Community Vitality Grant, based on eligibility
- The Community Vitality Grant is meant for larger events, where the Neighbourhood Association Grant is meant for operational needs
- Applications are required to receive funding as Staff need to review how the funds would be used
- NAs looking for capital project funding are eligible to apply for Other Grants through the City for capital projects up to \$5000

It was moved and seconded that the Finance and Audit Committee recommend that Council endorse the Neighbourhood Association Grant Program Guidelines and Criteria as attached to the 2022-DEC-14 report by the Community Heritage Planner. The motion carried unanimously.

The Finance and Audit Committee meeting recessed at 10:29 a.m.
The Finance and Audit Committee meeting reconvened at 10:45 a.m.

(g) Social Planning Grants 2023

Introduced by Dale Lindsay, General Manager, Development Services/Deputy Chief Administrative Officer:

- The Social Planning Grant program has been in effect since 2001 and the total grant funding for 2023 is \$85,000
- Social Planning Grants have traditionally been used to support non-profits, Neighbourhood Associations and faith-based groups

Committee and Staff discussion took place regarding Neighbourhood Associations applying for Community Vitality grants and Staff's review process when moving applications from one grant stream to another.

It was moved and seconded that the Finance and Audit Committee recommend that Council approve a total of \$81,900, in accordance with the 2023 Social Planning Grant guidelines and criteria as attached to the 2022-DEC-14 report by the Social Planner, and that the grant allocations be as follows:

- a) 2023 Community Vitality Grants – Total \$21,900
- Departure Bay Neighbourhood Association - \$2,400
Project: Event Series 2023
 - Nanaimo Alliance Church - \$3,500
Project: Food Bank Depot
 - Nanaimo Climate Action Hub - \$8,000
Project: Nanaimo Climate Pledge
 - Nanaimo Community Kitchens - \$8,000
Project: Bellies to Babies Cooking Program
- b) 2023 Social Response Grants – Total \$60,000
- Island Crisis Care Society - \$25,000
Project: Project Rise
 - Nanaimo Foodshare Society - \$25,000
Project: Good Food Box Expansion
 - Take a Hike Foundation - \$10,000
Project: Take a Hike Nanaimo Program

The motion carried unanimously.

(h) Community Watershed Restoration Grant

Introduced by Dale Lindsay, General Manager, Development Services/Deputy Chief Administrative Officer.

- The Community Watershed Restoration Grant program was established by Council and has \$20,000 available annually
- There is currently a balance of just under \$12,000 available for a second intake in Spring 2023

Councillor Geselbracht disconnected from the meeting at 10:53 a.m. declaring a conflict of interest as a family member is involved with one of the applications.

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

1. Approve a total of \$8,092.75 for the 2023 Community Watershed Restoration Grant allocation as follows:
 - **Applicant Name:** SEED Community Group
 - **Project:** Restoration for the Cat Stream between Fifth Street and Seventh Street
 - **Recommend:** \$6,000
 - **Applicant Name:** Wellington Action Committee
 - **Project:** Diver Lake Water Quality Study
 - **Recommend:** \$2,092.75
2. Direct Staff to issue a second Community Watershed Restoration Grant intake in Spring 2023 to allocate the remaining \$11,907.25 of the 2023 budgeted grant amount.

The motion carried unanimously.

Councillor Geselbracht reconnected at 10:54 a.m.

(i) Update of Reserve Policy

Introduced by Laura Mercer, Director, Finance:

- The policy is required to be reviewed three years after the effective date, which was July 22, 2019, and 2022 is the year of the first review
- Going forward the policy will be reviewed every 4 years
- Since the adoption of the Reserve Policy, several reserve funds were created, repealed or revised
- Two new reserves were created: the Off-Street Parking Reserve Fund and the Climate Action Reserve Fund
- The Off-Street Parking Reserve was created as per *Local Government Act* requirements for cash-in-lieu payments received under the Off-Street Parking Regulation Bylaw
- These payments are used to fund transportation infrastructure that supports walking, biking, public transportation or alternative forms of transportation
- The Climate Action Reserve Fund was created through the consolidation of two reserve funds: Sustainability Reserve Fund and Emissions Reduction Reserve Fund
- These reserve funds were repealed in 2021 as the annual funding was no longer adequate or the program was discontinued

- Currently, contributions include \$165,000 from taxation, \$325,000 from the Local Government Climate Action Program which is a three-year funding commitment
- These contributions support initiatives, plans and projects that reduce the City's greenhouse gas emissions and support the City in becoming carbon neutral
- The 911 Reserve Fund was revised to incorporate the changes of transitioning to the new service delivery model for the provision of fire dispatch services
- It no longer falls under the Central Island 911 Dispatch Service partnership, so the bylaw was updated to reflect the change

It was moved and seconded that the Finance and Audit Committee recommend that Council repeal Reserve Policy COU-204 and replace it with Reserve Policy COU-231 as attached to the December 14, 2022 report by the Deputy Director of Finance. The motion carried unanimously.

(j) Council Expenses for the Nine Months Ending 2022-SEP-30

Introduced by Laura Mercer, Director, Finance:

- Expense information is compiled throughout the year and is included in the Statement of Financial Information report at the end of the year

Committee and Staff discussion took place regarding adjusting the budget for conferences to make it more generic to avoid Councillors going over budget.

(k) Financial Results for the Nine Months Ending 2022-SEP-30

Introduced by Laura Mercer, Director, Finance:

- Results include day-to-day operations and status updates on projects
- The projected operating fund surplus is just over \$6.1 million
- The anticipated water fund deficit of \$497,000 is due to water conservation as well as an early, wet spring
- The main contributors to the anticipated General Fund surplus include:
 - The bulk of the surplus comes from multiple position vacancies throughout City
 - \$1.9 million in additional interest income is anticipated due to rising interest rates
 - \$321,000 in additional grant-in-lieu of taxes revenue is anticipated from additional properties that paid grants-in-lieu of taxes
 - An additional \$568,000 in building inspection revenue is anticipated
 - The Economic Development department has a \$582,000 surplus due to a position vacancy and a delayed start of the Nanaimo Prosperity Corporation
 - The RCMP contract is anticipating a \$1.2 million surplus due to member vacancies
- Water fund revenues are expected to be lower by \$613,000 which is offset by some contingency budget and position vacancies
- Staff will bring a decision report in February or March 2023 providing surplus allocation options

- Any reserve that drops below the minimum balance is topped up first using surplus
- Staff anticipate that \$1.6 million will be needed for the RCMP contract reserve, and \$130,000 for the Snow and Ice Control Reserve to reach the minimum balances
- The RCMP Contract Reserve was used in 2022 to fund the renovations at the Police Station and Annex buildings
- At year end, Staff will likely recommend some of the remaining surplus be allocated to the General Financial Stability Reserve to fund the new accounting standard for Asset Retirement Obligation liability
- The new standard comes into effect in 2023 and requires the City to record legal obligations associated with retiring a capital asset

Committee and Staff discussion took place. Highlights included:

- The main legal obligation is asbestos; the City will have to record the cost of asbestos removal in each facility, even though it's not being done right now, as it's a future obligation
- The goal of the Asset Retirement Obligation is to make municipalities accountable for costs required to be dealt with as a legal obligation

Laura Mercer, Director, Finance, continued the presentation. Highlights included:

- The total Project budget is \$149.6 million, including operating and capital projects
- As of September 30, 2022, \$93.8 million was spent or committed, \$55.8 million still to be spent
- 23% of projects are complete or substantially complete, 52% are in progress, 14% are not started and 11% are on hold or delayed

Committee and Staff discussion took place. Highlights included:

- A number of projects planned for 2022 were deferred due to market conditions
- The fiscal year has no bearing on when projects are done, only when they are funded
- Any deferred projects will be carried forward and will be added to the project plan for 2023
- Funding for these projects is carried forward and comes mostly from reserves, and stays in reserves until its needed

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

Laura Mercer, Director, Finance, noted no instances of non-compliance purchases were noted with the procurement policy for the quarter

8. QUESTION PERIOD:

The Committee received no questions from the public regarding agenda items

9. ADJOURNMENT:

It was moved and seconded at 11:18 a.m. that the meeting adjourn. The motion carried unanimously.

C H A I R

CERTIFIED CORRECT:

DEPUTY CORPORATE OFFICER