

MINUTES
FINANCE AND AUDIT COMMITTEE MEETING
SHAW AUDITORIUM, VANCOUVER ISLAND CONFERENCE CENTRE,
80 COMMERCIAL STREET, NANAIMO, BC
WEDNESDAY, 2023-MAR-15 AT 9:00 A.M.

Present: Mayor L. Krog, Chair
Councillor S. Armstrong (joined electronically)
Councillor H. Eastmure
Councillor B. Geselbracht
Councillor E. Hemmens
Councillor P. Manly
Councillor J. Perrino
Councillor I. Thorpe

Absent: Councillor T. Brown

Staff: J. Rudolph, Chief Administrative Officer
D. Lindsay, General Manager, Development Services/Deputy Chief Administrative Officer
R. Harding, General Manager, Parks, Recreation and Culture (joined electronically)
B. Sims, General Manager, Engineering and Public Works
T. Doyle, Fire Chief
D. Dales, Assistant Chief, Education and Training
L. Mercer, Director, Finance
C. Davis, Manager, Parks Operations
D. Bailey, Manager, Accounting Services
E. Lloyd, Manager, Emergency Program
J. McAskill, Manager, Asset Planning
J. Slater, Manager, Finance
P. Stewart, Manager, Engineering Projects
T. Webb, Manager, Communications
T. Pan, Manager, Sustainability
W. Fulla, Manager, Business, Asset and Financial Planning
S. Gurrie, Director, Legislative Services
K. Robertson, Deputy City Clerk
N. Sponaugle, Communications Advisor
K. Lundgren, Steno, Legislative Services
E. Bassett, 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, 80 Commercial Street, Nanaimo, BC, on Wednesday, 2023-FEB-15 at 9:00 a.m. be adopted as circulated. The motion carried unanimously.

4. REPORTS:

(a) CleanBC Better Homes Rebates Funding 2023

Introduced by Dale Lindsay, General Manager, Development Services/Deputy CAO.

Ting Pan, Manager, Sustainability, provided the following high-level overview of the program.

- Staff have requested that the budget for the CleanBC Better Homes Rebate Program increase from \$66,900 to \$126,900 funded from the Climate Action Reserve Fund;
- The City of Nanaimo has been participating in this program since April 2020
- The rebate can cover a substantial portion of energy retrofits for residents of Nanaimo;
- Participation rates have been steadily increasing, tripling from this time last year; and,
- Despite inflation and other challenges, residents have been taking action.

Committee discussion took place. Highlights included:

- There is no current agreement with CleanBC for the City to receive recognition that it provided these grants; and,
- A list of municipalities that offer incentives is listed on the CleanBC website.

It was moved and seconded that the Finance and Audit Committee recommend that Council increase the budget for the CleanBC Better Homes Rebate Program project from \$66,900 to \$126,900 in 2023 funded from the Climate Action Reserve Fund. The motion carried unanimously.

(b) Brechin Dock Replacement – Project Cost Update

Richard Harding, General Manager, Parks, Recreation and Culture, provided a cost update on the Brechin Dock Replacement project.

Mayor Krog vacated the Shaw Auditorium at 9:13 a.m. and Councillor Thorpe assumed the Chair.

(c) Community Resiliency Investment Program (FireSmart Community Funding and Supports Program)

Introduced by Tim Doyle, Fire Chief.

David Dales, Assistant Fire Chief, provided an overview of the report regarding the application for the UBCM Community Resiliency Investment Program. He noted the

project is contingent on a successful grant application and if it is successful, the 2023-2027 Financial plan will have to be amended.

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

1. Council endorse the City of Nanaimo's application under the UBCM Community Resiliency Investment Program (FireSmart Community Funding and Supports Program); and,
2. Amend the 2023-2027 Financial Plan if the application is successful.

The motion carried unanimously.

(d) Front-Line Engine Purchase for Station 2 – Fire Rescue Master Plan

Tim Doyle, Fire Chief, noted the following:

- The budget for the purchase of a new front line fire engine has increased from \$1,224,300 to \$1,565,618;
- \$141,050 is needed in 2023 to fund the deposit required to place the vehicle order and the remaining \$200,268 will be needed in 2024 once the fire engine is delivered;
- Funding to come from the Strategic Infrastructure Reserve;
- Information used to determine the cost estimate is based on a market analysis and previous fire engine purchases;
- Market forces driving the increased cost of fire apparatus include supply chain issues, inflation, increased demand, and new emission standards; and,

Committee and Staff discussion took place. Highlights included:

- Costs for both 2023 and 2024 will be funded from the Strategic Infrastructure Reserve;
- Manufacturers have assured that the fire engines will arrive in January 2025 to align with the City's Fire Master Plan; and,
- The new front line fire engine came in over budget while the previous two trucks purchased came in slightly under.

(e) Fire Station 2 Sprung Structure Project

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

- As part of the Fire Station 1 Project, the sprung structure was purchased to be used as a temporary apparatus bay so the Fire Department could remain operational during the demolition of the old station;
- This project includes re-erecting the sprung structure to Fire Station 2 on site of Vancouver Island Emergency Response Academy (VIERA) training facility; and,
- In order to be prepared for construction in 2024, Staff are proposing a new project be added to the 2023-2027 Financial Plan funded from the Special Initiatives Reserve for \$100,000 in 2023 to begin design and permitting work.

Committee and Staff discussion took place. Highlights included:

- With the addition of 20 new firefighters in August 2023 and another 20 in January 2025, the Fire Department is going to be pressed on space in the existing stations;
- The new apparatus expected to arrive in 2025; and,
- Re-erecting the sprung structure will allow for extra space for overflow of equipment.

It was moved and seconded that the Finance and Audit Committee recommend that Council add a project for \$100,000 funded from the Special Initiative Reserve to the 2023-2027 Final Financial Plan to complete design and permitting for the Fire Station 2 Sprung Structure project. The motion carried unanimously.

Mayor Krog returned to the Shaw Auditorium at 9:26 a.m. and resumed the Chair.

(f) Albert and Fourth Street & Utility Upgrade Project

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

- Staff are requesting an increase in budget for the Albert and Fourth Street infrastructure project;
- The UBCM and the Province have awarded the City the maximum Active Transportation Grant for this particular project; and,
- Proposed funding to come from the Water Asset Management Reserve Fund, BC Active Transportation Grant, and Water DCC Contingency Fund.

Committee and Staff discussion took place. Highlights included:

- This is the second increase; the budget increased last year when this project was put on the street for tender;
- The budget estimate for 2022-2023 was approximately \$800,000 and this one is just under \$600,000, putting this project estimate over by approximately \$1.4 million; and,
- This is the first market pricing on the project, it was not tendered before.

Bill Sims, General Manager, Engineering and Public Works, continued the presentation.

- The project will replace the watermain along Albert Street, increasing a loop of watermain servicing on Pine Street as well;
- The existing Catstream culvert is beyond its capacity, and this project is to replace it with a fish friendly culvert;
- This allows the opportunity to improve pedestrian and cycling access along Albert Street; and,
- The breakdown of the revised budget includes \$2.2 million towards underground utilities, \$1.3 million towards roadworks, retaining walls, street lighting, and \$900,000 towards sidewalks and separated cycling lanes.

It was moved and seconded that the Finance and Audit Committee recommend that Council increase the budget for the Albert and Fourth Street & Utility Upgrade project in 2023 from \$3,763,701 to \$4,367,120 funded by \$298,013 from the Water Asset Management Reserve Fund, \$289,986 from the BC Active Transportation Grant and \$15,420 from Water DCC contingency fund. The motion carried unanimously.

(g) Departure Bay Road Water and Sewer Project

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

- Inflation has impacted many of the City projects;
- This is a growth driven Development Cost Charge (DCC) project that has been on the books for quite a while;
- It includes a half a kilometre of sewer upgrades along Departure Bay Road and provides an opportunity to replace the brittle watermain;
- The project is funded from user free funding reserves. Any contingency that is unused at the end of the project will go back into the reserves;
- There are pressures on Sewer DCC Funds with the large amount of growth in the City;
- The structure of the DCC bylaw stretches the construction of the sewers out over a long period of time; and,
- Staff expect to return in front of Council to talk about different strategies.

Committee discussion took place regarding the impact of inflation on City projects and maintaining healthy reserves.

Bill Sims, General Manager, Engineering and Public Works, advised the Committee that Staff intend to return to Council with an asset management update. Staff are conscious of the dramatic increase in prices and going forward, are looking at strategies within affordable limits.

Jake Rudolph, Chief Administrative Officer, spoke regarding fiscal resiliency as a municipality and advised the Committee of upcoming items being brought forward in the future including a DCC project review, fees and charges review, review of the subject of sponsorship, and the potential creation of a storm water utility. The City is seeing the need for some deferrals of projects; however, some projects cannot be deferred. There will be conversation opportunities around capital projects coming to the Special Finance and Audit Committee meeting on 2023-MAR-29.

Bill Sims, General Manager, Engineering and Public Works, spoke regarding the “City of Nanaimo Development Cost Charge Bylaw 2017 No. 7252.”

It was moved and seconded that the Finance and Audit Committee recommend that Council increase the budget for the Departure Bay Road Water and Sewer project in 2023 from \$1,476,798 to \$2,035,400 funded by \$70,711 from the Water Asset Management Reserve Fund, \$463,496 from the Sewer DCC Reserve Fund and \$24,395 from the Sewer Asset Management Reserve Fund. The motion carried unanimously.

(h) Property Tax Due Dates

Introduced by Laura Mercer, Director, Finance.

- The City must adopt a Property Tax Rate Bylaw before May 15th as per the *Community Charter* and under the municipal tax regulation, the City must charge a 10% penalty rate on any outstanding current year tax balances;
- In previous years Council chose to extend the tax penalty dates for all properties to supply some relief to taxpayers as a result of COVID 19;
- Staff recommend keeping the same extension to continue the relief efforts; and,
- The extension is not anticipated to have any financial impact on the budget.

Committee and Staff discussion took place. Highlights included:

- Approximately 5% of taxpayers don't pay their taxes within the due date;
- There are no long-term options for taxpayers who are struggling; and,
- Unclaimed homeowner grants are subject to a penalty after the due date.

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

- Keep the property tax due date at 2023-JUL-04;
- Set the first property tax penalty rate at 2%, due on 2023-JUL-04; and,
- Set the second property tax penalty rate at 8%, due on 2023-AUG-31.

The motion carried unanimously.

(i) Growing Communities Fund

Introduced by Laura Mercer, Director, Finance.

- On 2023-MAR-03, the Province announced that the City would be receiving \$16,088,000 under the Growing Communities Fund;
- This fund is a one-time grant to fund communities infrastructure and amenities demands;
- The Province recently announced details on what the funds can be spent on; and,
- Staff will be returning with a report on recommendations on how to allocate these funds.

Committee and Staff discussion took place. Highlights included:

- The funds will be received in a lump sum payment at the end of March;
- There is a requirement that the funds are spent within five years and that the money is put in a statutory reserve to gain interest;
- There is no opportunity to use the funds for tax reductions; and,
- Funding can be used for land acquisition; however, the details are unclear if there is no plan on using the land for a project within the next five years.

(j) FCM Green Municipal Fund Community Buildings Retrofit Program

Introduced by Laura Mercer, Director, Finance.

- The program helps optimize the energy performance and reduce Greenhouse Gas (GHG) emissions for community buildings owned by municipalities;
- Expected cost of the project is \$250,000. The grant would provide up to \$200,000 in funding, and the City would need to fund the remaining \$50,000;
- The project is not currently in the 2023-2027 Financial Plan; and,
- In order for the project to go forward, it is contingent on a successful grant application.

Committee and Staff discussion took place. Highlights included:

- If the application is deemed successful, the City would not be able to apply for the same funding in the future; and,
- Staff looked through various categories, and there were a number of constraints on the capital project funding stream.

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

1. Council direct staff to submit an application to the FCM Green Municipal Fund Community Buildings Retrofit program for a Corporate Emission Reduction Pathway – Facilities Feasibility Study;
2. That City of Nanaimo contribute \$50,000 to undertake the Corporate Emission Reduction Pathway – Facilities Feasibility Study for which funding is requested from the Green Municipal Fund; and,
3. That the City of Nanaimo acknowledges that should this application be approved, no further projects within the municipality will be eligible under the above noted funding initiative through the Green Municipal Fund's Community Buildings Retrofit initiative.

The motion carried unanimously.

(k) UBCM Disaster Risk Reduction Climate Adaption Fund

Introduced by Laura Mercer, Director, Finance.

- The funding stream is designed to support eligible applicants in reducing risks from future disasters due to natural hazards and climate related risks;
- The City submitted a joint application with Snuneymuxw First Nation to fund a hazard risk and vulnerability assessment and risk mapping project;
- The City has applied under Category 1 Foundational Activities;
- It will provide up to a maximum of \$150,000 in funding;
- The grant deadline was 2023-FEB-25, and an announcement is expected by 2023-JUN-24; and,
- The project is contingent on a successful grant application.

Evan Lloyd, Manager, Emergency Program, spoke regarding Foundational Activities, which are important in understanding the risk profile for a community. He noted that if the funding is not received, the project will not go forward.

It was moved and seconded that the Finance and Audit Committee recommend Council approve the submission of the joint application with Snuneymuxw First Nation to the UBCM Disaster Risk Reduction-Climate Adaptation Fund Category 1 stream for a Hazard Risk and Vulnerability Assessment and Risk Mapping project, and that Council commits to City staff providing overall grant management. The motion carried unanimously.

(l) 2022 Budget Carry Forwards

Laura Mercer, Director, Finance, introduced the 2022 budget carry-forwards which includes 70% of projects that are work in progress, 29% that are delayed or not started, and 1% that are substantially complete.

Committee discussion took place regarding the reason for delay on the Mary Davidson Bike Park and when the project will be completed.

(m) 2022 Surplus Allocation

Introduced by Laura Mercer, Director, Finance.

- At the end of 2022 the City had a \$8.9 million surplus from the following 3 operating funds:
 - General Fund (\$8.6 million)
 - Sewer Fund (\$224,302)
 - Water Fund (\$198,344)
- The largest variances in the general fund came from the RCMP contract, wages and benefits, interest income, and building permit revenue;
- Position vacancies contributed to the majority of the surplus for both the Sewer Fund and Water Fund;
- Staff are recommending allocating surplus to the following:
 - \$3 million to the RCMP Contract Reserve
 - \$130,000 to the Snow and Ice Reserve
 - \$2.3 million to the Special Initiatives Reserve
 - \$2.1 million to the Property Acquisition Reserve
 - \$1,014,000 to the General Capital Reserve
- The money allocated to the RCMP Contract Reserve and the Snow and Ice Reserve would both contribute to bringing up the reserves to their minimum balances;
- Money being allocated to the Special Initiatives Reserve would be used to fund the new accounting standard for the City's asset retirement obligation liability;
- The Property Acquisition Reserve can be used for future land purchases; and,
- The General Capital Reserve will give Council flexibility to fund future capital projects.

Staff and Committee discussion took place. Highlights included:

- Each year all positions are included in the budget;
- For any positions that were not filled in 2022, they are still included in the budget in 2023;
- The City is actively trying to fill positions, some positions are ones Council has just approved this year and others are the result of retirement;

- The asset retirement obligations standard requires the City to look at environmental standards that could impact facilities such as removing asbestos/lead paint;
- An underground fuel tank is an example of legal obligations around contaminants in that the City must clean it up properly;
- In the 2023 financial statements the City has to record a liability and have the money set aside; and,
- Staff are recommending putting an additional \$1.5 million into the RCMP Contract Reserve to start to cover any potential short falls for the projected salary increase.

It was moved and seconded that the Finance and Audit Committee recommend that Council approve the allocation of the 2022 operating surplus as follows:

| | |
|---------------------------------|---------------------|
| 1. General Fund | |
| a. RCMP Contract Reserve | \$ 3,000,000 |
| b. Snow and Ice Control Reserve | 130,000 |
| c. Special Initiatives Reserve | 2,300,000 |
| d. Property Acquisition Reserve | 2,100,000 |
| e. General Capital Reserve | <u>1,014,855</u> |
| | <u>\$ 8,544,855</u> |
| 2. Sewer Fund | |
| a. Sewer Reserve | <u>\$ 224,302</u> |
| 3. Water Fund | |
| a. Water Fund | <u>\$ 198,344</u> |

The motion carried unanimously.

5. QUESTION PERIOD:

Council received no questions from the public regarding agenda items

6. ADJOURNMENT:

It was moved and seconded at 10:22 a.m. that the meeting adjourn. The motion carried unanimously.

CHAIR

CERTIFIED CORRECT:

DEPUTY CITY CLERK