

MINUTES
SPECIAL FINANCE AND AUDIT COMMITTEE MEETING
SHAW AUDITORIUM, VANCOUVER ISLAND CONFERENCE CENTRE,
80 COMMERCIAL STREET, NANAIMO, BC
WEDNESDAY, 2023-MAR-29, AT 9:00 A.M.

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

Absent: Councillor S. Armstrong
Councillor T. Brown

Staff: J. Rudolph, Chief Administrative Officer
R. Harding, General Manager, Parks, Recreation and Culture
B. Sims, General Manager, Engineering and Public Works
T. Doyle, Fire Chief
J. Le Masurier, Deputy Fire Chief
B. Corsan, Director, Corporate and Business Development
A. Groot, Director, Facilities and Parks Operations
L. Mercer, Director, Finance
P. Rosen, Director, Engineering
W. Fulla, Manager, Business, Asset and Financial Planning
J. Slater, Manager, Financial Services and Special Projects
T. Webb, Manager, Communications
S. Gurrie, Director, Legislative Services
N. Sponaugle, Communications Advisor
J. Vanderhoef, Steno Coordinator
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:

- (a) Agenda Item 6(b) Large Capital Projects Overview – Add presentation titled “Large Capital Projects Overview”
- (b) Remove Agenda Item 6(d) Harewood Artificial Turf Field Tender Results and Next Steps

3. APPROVAL OF THE AGENDA:

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

4. REPORTS:

(a) Draft Debt Management Policy

Laura Mercer, Director, Finance, provided a PowerPoint presentation. Highlights included:

- The *Community Charter* allows municipalities to utilize external debt to fund capital investments;
- Short-term debt is classified as any debt with a term of five years or less;
- Equipment financing is an example of short-term debt the City has utilized;
- Long-term debt typically has a term of 20 years but can be as long as 30 years;
- Borrowing can only be used for items of a capital nature, such as buildings or certain types of infrastructure, and the term cannot exceed the life of the asset being constructed or purchased;
- Long-term debt, and some short-term debt, requires electoral approval by a Referendum or Alternative Approval Process (AAP);
- Section 189 of the *Community Charter* allows municipalities to borrow internally for some circumstances, from one Statutory Reserve to another to fund projects. There is no requirement for repayment for internal borrowing, but it must be repaid, with interest, by the time the reserve needs the funds;
- A municipality can also borrow from Operating Reserves, and there is no requirement to pay back the loan with interest;
- The Municipal Finance Authority of BC (MFA) provides long-term, short-term and equipment financing to local governments in BC, and all borrowing must be facilitated through the Regional District of Nanaimo (RDN);
- To borrow from MFA, the City must follow certain steps including obtaining Council approval and adoption of a Loan Authorization Bylaw, approval from the Inspector of Municipalities, and electoral approval;
- Short-term loans and equipment borrowing are not facilitated through the RDN, and require Council approval through a resolution and/or bylaw;
- The City uses borrowing as a funding strategy when funds are not adequate to fund the total cost of the capital investment;
- External long-term debt has primarily been used for facilities in the past, and isn't typically the only source of funding for these projects;
- Short-term debt can fund the capital investment portion of implementing a new change in service delivery;
- As of December 31, 2022, the City had \$41,301,912 in external borrowing debt and \$5,975,257 in internal borrowing debt;

- New debt in 2023-2027 Financial Plan includes:
 - Property purchases in 2023 funded from short-term borrowing, with debt repayment to come from taxation;
 - Three sanitation trucks arriving in 2023, funded from equipment financing through MFA;
 - The Millstone Trunk South project in 2023 and Millstone Trunk Central project in 2024 will both be funded from internal borrowing; and,
- The Annual Debt Servicing Limit is \$47.2 million for annual principal and interest payments, as of December 31, 2021, the City was at 13.4% of the current limit.

Committee and Staff discussion took place regarding interest rates for debt repayment.

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

- The Debt Servicing Limit will increase every year as revenues increase;
- The outstanding external debt as of December 31, 2022, was \$41.3M, and the debt per capita was \$399; and,
- External borrowing debt will peak in 2032 for the Welcox Secondary Access Project, and the City's current debt is expected to be paid off in 2052.

Committee and Staff discussion took place regarding postponing projects for emergency debt funding.

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

- The Debt Servicing Limit peaks in 2033 at \$38.5 million with a per capita cost of \$312.87;
- The Debt Management Policy was created to provide guidelines on how and when to use debt to fund investments, as well as ensure the City's Debt Management is in compliance with statutory requirements;
- Key Administrative Processes in the policy include:
 - Utilizing business cases to help Staff make informed decisions on proposed investments;
 - Payment plans for internal borrowing; and,
 - Annual reporting processes.
- The City currently defaults to the debt servicing limit in the *Community Charter*; however, Staff don't recommend going to the maximum limit as it would limit future Councils and leave less room for unexpected borrowing costs;
- Staff requested consideration from Council on a potential change to the debt limit;
- Staff also requested future consideration on wording in the Debt Management Policy to require electoral approval for all long-term borrowing upon adoption of the policy; and,
- Once Council has provided feedback on the Debt Management Policy, Staff will consult with external auditors to ensure compliance with accounting standards, and later provide an updated policy for Council adoption.

Committee and Staff discussion took place regarding the calculation of debt projections and the review process for the Debt Management Policy if adopted.

(b) Large Capital Projects Overview

Introduced by Jake Rudolph, Chief Administrative Officer.

- The four major projects under review include the Nanaimo Operations Centre, RCMP detachment, Waterfront Walkway and South End Community Centre;
- The Nanaimo Operations Centre (NOC) is essential due to seismic and capacity issues, space, as well as issues around access to facilities for female employees;
- The RCMP building is undersized for the current needs of the detachment, and two offsite buildings are currently required to house additional employees;
- Public engagement for the Waterfront Walkway has occurred in the past but lacked discussions around cost; and,
- The South End Community Centre (SECC) has been in discussion for several years, and partnership conversations are now underway with external agencies.

Presentation:

Poul Rosen, Director, Engineering, provided a presentation. Highlights included:

- The NOC would include consolidation of the Parks Operations buildings on Nanaimo Lakes Road and Prideaux Street, as well as numerous building reconfigurations and upgrades at both the Prideaux Street location and the Public Works site on Labieux Road;
- The work will occur over a number of phases, and was estimated to cost \$125 million in 2021;
- Phase 1 of the project would include a fleet maintenance facility and support infrastructure consistent with site development;
- Last year Council directed Staff to use additional scope and risk evaluation. Staff will present a report to Council in the spring with scope and risk evaluation results and a cost estimate for Phase 1;
- The administration building will be designed as a durable, post-disaster building and will not have a lot of esthetic features; and,
- The fleet maintenance building will be a large shop with offices and parts storage.

Bill Corsan, Director, Corporate and Business Development, continued the presentation. Highlights included:

- The current RCMP building is approximately 42,000 square feet, but current staffing levels require approximately 70,000 square feet;
- By 2046, it is expected the detachment will need to be approximately 110,000 square feet to meet operational needs;
- The project is planned in two phases, with the first phase including expanding into the former Fire Administration building and renovating the existing detachment;
- Construction is anticipated to begin in 2026-2027 and would take approximately two years to complete;
- The overall project cost estimate is \$80-\$100 million;

- The Waterfront Walkway Implementation Plan was completed in 2017, which identified priority sections of the Walkway, including Departure Bay to Downtown;
- In 2019, work was completed on the section between Departure Bay and the BC Ferries terminal, which recommended a green shores approach to include bike lanes, a pedestrian area, and beach access;
- The project aligns with City Plan goals and provides opportunities for First Nations partnerships; and,
- Total construction costs are expected to be around \$30-\$38 million for the section between Departure Bay and the BC Ferries terminal.

Committee and Staff discussion took place regarding the challenges of completing the sections under the jurisdiction of the Port Authority.

Richard Harding, General Manager, Parks, Recreation and Culture, continued the presentation. Highlights included:

- The SECC is the last unfulfilled major project in the 2005 Parks, Recreation and Culture Master Plan;
- Last year Council provided funding to take it from a concept to a feasibility study;
- Project work has included the creation of a Steering Committee, stakeholder engagement with potential partners of the facility, and utilizing materials received from various groups during the Reimagine Nanaimo process;
- Depending on partnerships, the building could be approximately 40,000 to 60,000 square feet in size, and cost around \$40-\$80 million;
- Staff will bring a final study to Council later this year outlining the potential building height and location; and,
- The building concept would be similar to Oliver Woods Community Centre, but on a larger scale and would include potential partnerships with Island Health, Vancouver Island Regional Library, School District 68, among other partners.

Poul Rosen, Director, Engineering, continued the presentation. Highlights included:

- An update to the City's Asset Management Plan will come forward in the spring;
- Most of the building systems at the Beban Park Complex are original, and will be due for upgrade or replacement within the next 10 years;
- The City expects to need a new Water Supply Dam in 2061, based on climate change and population growth; and,
- A new fire hall will be required soon to accommodate future emergency services.

Committee and Staff discussion took place. Highlights included:

- Culture venues in the downtown could include a new facility for the art gallery, additional performance space in the Port Theatre, and utilizing the Shaw Auditorium in the Vancouver Island Conference Centre for cultural performances;

- Due to increased awareness around earthquake risk, the NOC buildings would be built to withstand a seismic event and be operational post-disaster;
- The current RCMP building was not designed to current seismic requirements; however, the new building would be built to operate post-disaster;
- The Reimagine Nanaimo process identified a need for more indoor recreation space. The SECC would help attain that goal, and act as an emergency reception area for the south end; and,
- The Beban Park Complex could provide opportunities to partner with other agencies to better utilize the facilities when it comes time to upgrade.

Poul Rosen, Director, Engineering, continued the presentation. Highlights included:

- Market and Staff capacity determine what projects the City can take on; and,
- One project can be reviewed by the Committee at a time, and decisions will be made as plans evolve.

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

- Most major projects will be funded through long-term debt;
- Borrowing is a good option for large projects as it provides intergenerational equity;
- Costs are estimated by year for each project, assuming the borrowing for long-term debt is 20 years and short-term debt is five years; and,
- The assumed long-term interest rate is 4.66%, which was the MFA's indicative lending rate when cost estimates were created.

Jake Rudolph, Chief Administrative Officer, continued the presentation, and advised the Committee that borrowing levels will continue to rise and fall with time, and that the major capital projects are long-term investments for the City.

The Finance and Audit Committee recessed the meeting at 10:42 a.m.

The Finance and Audit Committee reconvened the meeting at 10:59 a.m.

(c) Approval of the Electors

Sheila Gurrie, Director, Legislative Services, provided a presentation. Highlights included:

- When deciding between a Referendum or Alternative Approval Process (AAP), history, scale, cost, public expectation and timing of the proposal needs to be evaluated;
- An AAP is the best approach for a project required to provide municipal services;
- An AAP is more convenient as electors are given at least 30 days to provide input, they only need to submit a response if they are opposed, and it is less expensive than a Referendum;
- A Referendum follows the same process as an election, with a yes or no question on a ballot, and therefore the cost is much higher than an AAP;
- A Referendum can be held at the same time as an election to save on costs, and up to two questions can be placed on a ballot to gain feedback on two separate projects; and,

- A Referendum is the usual process for community amenity projects such as the SECC or Waterfront Walkway.

Jessica Vanderhoef, Steno Coordinator, provided the Committee with an example AAP timeline, outlined the difference between an AAP and a Referendum, and provided the Committee with a visual example of the impact Phase 1 of the NOC project could have on the City's liability servicing limit if Council were to proceed.

Sheila Gurrie, Director, Legislative Services, continued the presentation. Highlights included:

- Electors expect to be consulted prior to implementing a Major Capital Project, and often a Referendum is the process considered for community amenity projects;
- Public input, open houses, feedback, and a communications strategy are required for either process;
- Timing needs to be considered for when an AAP or Referendum is held so as many people can participate as possible; and,
- Decisions for the current Council's term could include NOC Phase 1, Waterfront Walkway, SECC and the RCMP building.

Committee and Staff discussion took place. Highlights included:

- The City is required by legislation to publish two consecutive notices in the newspaper; however, an engagement strategy would be developed to advertise as widely as possible, regardless of the process;
- Once elector approval is received for a project, Staff have five years to take action; and,
- If a Referendum fails, Staff must wait six months before returning with an adjusted bylaw, borrowing amount, or project.

Poul Rosen, Director, Engineering, continued the presentation and advised the Committee that Staff would bring an update on the NOC project to Council in the spring, and would present updates on other Major Capital Projects as they come available.

5. QUESTION PERIOD:

Council received no questions from the public regarding agenda items.

6. ADJOURNMENT:

It was moved and seconded at 11:45 p.m. that the meeting adjourn. The motion carried unanimously.

C H A I R

CERTIFIED CORRECT:

CORPORATE OFFICER