

MINUTES
FINANCE AND AUDIT COMMITTEE MEETING
SHAW AUDITORIUM, VANCOUVER ISLAND CONFERENCE CENTRE,
80 COMMERCIAL STREET, NANAIMO, BC
WEDNESDAY, 2023-APR-19 AT 8:30 A.M.

Present: Mayor L. Krog
Councillor S. Armstrong (joined electronically)
Councillor T. Brown (joined electronically at 10:03 a.m.; disconnected at 11:43 a.m.)
Councillor H. Eastmure
Councillor B. Geselbracht
Councillor E. Hemmens
Councillor P. Manly
Councillor J. Perrino
Councillor I. Thorpe

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
T. Doyle, Fire Chief (joined electronically)
L. Bhopalsingh, Director, Community Development
B. Corsan, Director, Corporate and Business Development
A. Groot, Director, Facility and Parks Operations
J. Holm, Director, Development Approvals
L. Mercer, Director, Finance
D. Osborne, Director, Recreation and Culture
W. Fulla, Deputy Director, Finance
D. Bailey, Acting Manager, Accounting Services
G. Bell, Manager, Arenas
A. Breen, Manager, Culture and Special Events
K. Gonzales, Manager, Aquatics
D. Johnston, Manager, Recreation Services
J. Matheson, Acting Manager, Accounting Services
T. Pan, Manager, Sustainability
P. Stewart, Manager, Engineering Projects
M. Van Zyl, Manager, Construction Projects
M. Duerksen, Assistant Manager, Parks, Recreation and Culture
S. Gurrie, Director, Legislative Services (joined electronically)
K. Robertson, Deputy City Clerk
N. Sponaugle, Communications Advisor
J. Vanderhoef, Steno Coordinator
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 8:30 a.m.

2. 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*.

Community Charter Section 90(1):

- (k) negotiations and related discussions respecting the proposed provision of a municipal service that are at their preliminary stages and that, in the view of the Council, could reasonably be expected to harm the interests of the municipality if they were held in public.

The motion carried unanimously.

The Finance and Audit Committee moved “In Camera” at 8:30 a.m.

The Finance and Audit Committee moved out of “In Camera” at 8:32 a.m.

3. INTRODUCTION OF LATE ITEMS:

- (a) Reorder Agenda Heading 6 Presentations to follow Agenda Heading 7 Delegations.
- (b) Agenda Item 8(j) Parks, Recreation and Culture Fees and Charges – Replace Attachment B titled “Updated Fee Schedule 2023 to 2027” with the attached version.
- (c) Agenda Item 8(j) Parks, Recreation and Culture Fees and Charges – Remove Darcie Osborne, Director, Recreation and Culture as presenter and replace with Richard Harding, General Manager, Parks, Recreation and Culture.
- (d) Agenda Item 8(j) Parks, Recreation and Culture Fees and Charges – Add delegation from Brian Cornborough.

4. APPROVAL OF THE AGENDA:

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

5. ADOPTION OF THE MINUTES:

It was moved and seconded that the following minutes 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, 2023-MAR-15 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, 2023-MAR-29 at 9:00 a.m.

The motion carried unanimously.

6. PRESENTATIONS:

(a) Summary of Audit Findings

Liette Bates-Eamer, Lead Audit Engagement Partner, KPMG, provided a PowerPoint presentation on the 2022 summary of audit findings. Highlights included:

- The next steps would be for Council to accept the financial statements at the 2023-MAY-01 Council meeting;
- The one risk that is required to be identified by professional standards is the risk of fraud due to management override of control;
- The risk was addressed with standard procedures which included looking at journal entries, significant estimates, or unusual transactions;
- There were no issues, and the testing addressed the risk;
- The areas of audit focus included:
 - Tangible capital assets and developer contributed capital assets
 - Cash and investments
 - Revenues and receivables
 - Salaries and benefits
 - Expenses, procurement, and payables
- One minor uncorrected adjustment was identified that was not considered material in the audit;
- One corrected difference was identified in the notes in the presentation of commitments;
- Management went through the assessment to clear out items that had been disclosed that were not formally committed under a contract or a purchase order and reduced the disclosure;
- No significant deficiencies in internal controls were identified; and,
- The following new accounting standards that will be applicable in 2023:
 - Asset retirement obligations
 - Financial instruments

Committee discussion took place. Liette Bates-Eamer, Lead Audit Engagement Partner, KPMG, confirmed that they did not come across any cause for concern regarding oversight of management and procedures in the audit.

7. REPORTS:

(a) 2022 Annual Financial Statements

Introduced by Laura Mercer, Director, Finance.

- Under legislation in the *Community Charter*, financial statements must be approved by Council and submitted to the Province before May 15th of each year;
- The City's auditors, KPMG, have completed the audit work and anticipate issuing a clean audit opinion that the statements fairly represent the financial position of the City as of 2022-DEC-31, once Council has accepted the statements;
- Highlights of the financial statements at 2022-DEC-31 include:

- \$290.4 million in cash and investments
- \$238.9 million in reserves
- \$65.4 million in Development Cost Charge (DCC) Reserves
- \$81.9 million in Statutory Reserves
- \$41.3 million in outstanding debt
- \$810 million in network value for capital assets
- The City has a capital asset policy that establishes the threshold that Staff used to determine if an asset is capital or operating in nature;
- In June, Staff will be presenting the 20-year investment plan and asset management update; and,
- The financial statement asset number differs from the 20-year investment plan as Staff does not account for every asset in the financial statements and the assets are depreciated.

Committee and Staff discussion took place regarding Staffs process for reviewing companies that perform the financial audits.

It was moved and seconded that the Finance and Audit Committee recommend that Council accept the 2022 Annual Financial Statements for the City of Nanaimo. The motion carried unanimously.

(b) 2022 Annual Parking Reserve Fund Report

Laura Mercer, Director, Finance, introduced the 2022 Annual Parking Reserve Fund Report. She noted the City has two parking Reserve Funds, the Old City Neighbourhood Reserve Fund and the Off-Street Parking Reserve Fund that collect cash in lieu of payments.

Committee and Staff discussion took place regarding using the funding towards improvements identified at the 2023-APR-17 Council meeting and future transit shelters.

8. DELEGATIONS:

(a) Jovonne Johnson re: Risebridge Community Centre Hours of Operation and Request for Funding

Jovonne Johnson, provided a verbal presentation regarding Risebridge Community Centre. Highlights included:

- Risebridge currently provides outreach services funded by Island Health;
- A warming centre was previously funded by the City and the Union of BC Municipalities (UBCM) Strengthening Communities Services Program;
- Staff or volunteers are working 8 hours a day, 7 days a week;
- There is a lack of resources in the community and places for people to go;
- It is difficult not having a place to direct people to go to get clean clothes, laundry services, basic food, and shelter;
- It is helpful for support workers to have a known location where they can provide support to people applying for detox treatment and housing;

- The library should not be the only place that is relied upon in the community to service the extreme need;
- Risebridge is requesting \$15,000 per month for the next three months to be used to operate 4 days a week to provide resource centre access and shelter space;
- In summer there is less of a need for warm clothes and a dry place to stay, so the funding will help get them through for the next three months until then;

Committee discussion took place. Highlights included:

- Risebridge does not currently offer showers;
- They operate outreach services and a resource access tent in Parksville;
- There are 10 full time volunteers and 40-50 other volunteers;
- They have applied for every grant in the last two years that they were eligible for;
- The money requested will help get them through the next few months until grants are released;
- Risebridge does not have many of the credentials that make them eligible for many grants due to the fact that they are a newer organization, they do not have charity status, and they do not have three years of financial records;
- The funding they received from Island Health is for outreach services only;
- They are heavily relied upon from Community Safety Officers (CSO), Bylaw, Security, and RCMP to drop people off or to direct them to the centre;
- \$300,000 has been received in awarded funding over the last two years;
- The cost of operation is \$890 per day to provide 4.5 hours of service with half of volunteer capacity;
- Staff get paid \$25 as a support worker or helpful community member and \$30 as a director;
- No staff gets paid more than 20-25 hours a week although they work closer to 60 hours per week;
- 60% of the funding would be used for wages;
- Part of their Island Health contract is doing real time data collection and they have counted 92 new faces in the last week;
- On 2023-JAN-26, they worked with CSOs and Bylaw to bring in as many unhoused individuals as they could during the snowstorm; and,
- The role of the Systems Planning Organization (SPO) is to coordinate efforts around these fundings.

Lisa Bhopalsingh, Director, Community Planning, advised the Finance and Audit Committee that the City distributed \$157,000 to Risebridge for warming between December 16 and the end of March. She noted that there is approximately \$42,000 left that could be used toward a cooling centre through the UBCM funding to be used by the end of the fiscal funding period. Staff have been in contact with different organizations regarding using the funding for cooling services.

It was moved and seconded that the Finance and Audit Committee recommend that Council direct Staff to consult with Risebridge and return to Council with a report on options for funding.

It was moved and seconded that the motion be amended to add the words “and the Nanaimo Systems Planning Organization” after the word Risebridge.

The vote was taken on the amendment.

The motion carried unanimously.

The vote was then taken on the main motion, as amended, as follows:

That the Finance and Audit Committee recommend that Council direct Staff to consult with Risebridge and the Nanaimo Systems Planning Organization and return to Council with a report on options for funding.

The motion, as amended, carried unanimously.

7. REPORTS (CONTINUED):

(c) 2022 Annual Development Cost Charges Reserve Fund Report

Laura Mercer, Director, Finance, provided an overview of the 2022 Annual Development Cost Charges (DCC) Reserve Fund report. The purpose of the DCC Fund is to take contributions from developers and fund specific infrastructure projects that are required due to growth. She noted that on December 31, 2022, the balance in the DCC fund was \$65,416,377.

(d) 2023-2027 Financial Plan Update

Introduced by Laura, Mercer, Director, Finance.

Presentation:

Laura Mercer, Director, Finance provided a PowerPoint presentation regarding the 2023-2027 financial plan update. Highlights included:

- The projected property tax increase for 2023 is 6.4%;
- In recent years, Council used reserves to lower the cost of taxes in response to COVID 19;
- Staff are currently working on an asset management update;
- 2023 user fee increases as a result of utility rate review:
 - Sewer 4%
 - Water 5%
 - Sanitation 2.3%
- The 10-year average of property tax increases from 2013-2022 is 2.7%;
- Other government levy information is being received, and Staff should have all of the information by the time the 2023-2027 Financial Plan Bylaw is presented in May;

- For 2023, single family residential properties are looking at a 12% increase in assessed value;
- When looking at property tax potential increases for an individual property its important to consider how the assessed value changed in relation to the average property assessment change;
- Based on the revised tax increase, a single-family dwelling with an assessed value of \$808,873 would pay a total of \$2,625 for their City portion of property taxes;
- Based on 2022, this represents an increase of \$157 for taxes, \$30 for water fees, \$6 for sewer fees, and \$5 for sanitation fees;
- The total revenue for 2023 is \$266.6 million;
- The revenue provides funding for annual operating and maintenance, projects, and contributions to infrastructure renewal reserves;
- The 2023 operating budget is \$184.4 million for day-to-day City services;
- There have been major changes to budget drivers since December 2022 resulting in a reduction of 0.95% or \$1,207,700, bringing revised property tax increase down to 6.4% from previous estimate of 7.3%;
- The City will receive approximately \$1.1 million in revenue for 2023;
- An additional \$2 million is expected to be received in interest income;
- The City has been able to secure better rates on investments due to rising interest rates; and,
- Other changes that occurred that did not result in a property tax increase included project plan changes, Fortis BC operating agreement, Growing Community Fund Grant, and an adjustment to the sanitation budget.

Committee and Staff discussion took place regarding the Fortis BC Operating Agreement in relation to the Strategic Infrastructure Reserve Fund.

Laura Mercer, Director, Finance, continued the presentation, advising the Committee that the next steps were for the 2023-2027 Financial Plan Amendment Bylaw and the Property Tax Bylaw to come to the 2023-MAY-01 Regular Council Meeting for their first three readings, and then return to the 2023-MAY-08 Special Council Meeting for adoption.

Councillor Brown joined the meeting electronically at 10:03 a.m.

Committee and Staff discussion took place regarding the use of \$1.1 million out of the Special Initiatives Reserve Fund to reduce property taxes.

It was moved and seconded that the Finance and Audit Committee recommend that Council direct staff to eliminate the \$1.1 million in funding from the Special Initiatives Reserve previously allocated to reduce property taxes in 2023. The motion carried.

Opposed: Mayor Krog, Councillors Armstrong, Perrino, and Thorpe

The Finance and Audit Committee meeting recessed at 10:15 a.m.

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

(e) Growing Communities Fund Allocations

Introduced by Laura Mercer, Director, Finance.

- The City received \$16,088,000 in March from the provincial government under the Growing Communities Fund;
- The Growing Communities Fund is designed to help local governments prioritize local infrastructure and amenities projects to enable community growth;
- Staff have proposed that the funds be split in two ways;
- The first group would allocate \$8 million for funding of future budget shortfalls in the current 2023-2027 Financial Plan;
- With the current market conditions as they are, it is anticipated that several projects in the current Financial Plan will need further funding to be completed;
- The Growing Community Fund can be used instead of depleting the City's reserves;
- The second group would allocate the remaining \$8,088,000 for funding of new projects for consideration in the upcoming 2024-2028 Financial Plan;
- The City is still waiting on an announcement for the Community Works Fund, the current agreement ends in March 2024;
- The Community works Fund revenue is not included in the 5-year plan other than 2023;
- Staff will return to Council once they receive details on the new agreement;
- The City received approximately \$4 million from the Community Works Fund in 2022; and,
- Combination of the two funding opportunities provides potential to add funding for many projects to come into the Financial Plan.

Committee and Staff discussion took place. Highlights included:

- Staff recommend that the funds cover short falls and have opportunities for new projects; however, Council can decide where the funds are allocated;
- The funding can be used to fund the planned land purchases in 2024 instead of debt funding which impacts the taxation in 2024;
- The result of this would be approximately a 1% reduction;
- The Community Works Fund has to be spent by 2024 and can't be used for land purchases; and,
- Staff anticipates there to be \$7.7 million left in the Community Works Fund at the end of 2023 and \$552,000 at the end of 2024.

Jake Rudolph, Chief Administrative Officer, advised the Committee that the money will remain in the reserve fund until Council decides what they want to allocate the money towards.

(f) Harewood Artificial Turf Field Tender Results and Next Steps

Richard Harding, General Manager, Parks, Recreation and Culture, provided a summary of the report. He noted that the artificial turf fields are major facilities that can last over 80 years (with turf fields turn over in 10-year cycles) and that Staff

strongly support these facilities because they provide sport amenities in the community. School District 68 has provided \$700,000 to support this project.

Committee and Staff discussion took place. Highlights included:

- The lifespan of turf fields is 12-14 years;
- The two artificial turf fields at Beban Park each get 2,000-3,000 hours of use per year;
- Studies show that there are no health concerns associated with these fields;
- The chances of any microplastic getting into the environment from the infill is slim;
- Users can get six times the use on turf fields compared to natural grass fields because natural grass has a limit to how much you can play on it;
- There is no way to maintain a natural grass field without herbicides and insecticides;

If Council waited on this project, Staff would have to change the scope of work on the project to justify later going back out for tender

Doug Wournell, Sports Architect, provided the Committee with information regarding the different types of infill used and Nanaimo's plan to use SPR (recycled tires).

Committee and Staff discussion took place regarding the cost overruns for the project.

Councillor Brown disconnected from the meeting 11:43 a.m.

It was moved and seconded that the Finance and Audit Committee recommend that Council increase the budget for the Harewood Artificial Turf Field project in 2023 from \$4,937,100 up to \$9,957,070 with the additional \$5,019,970 funded from:

- \$3,000,000 Growing Communities Fund (GCF) Reserve Fund
- \$1,489,970 Strategic Infrastructure Reserve Fund
- \$330,000 Casino Reserve
- \$200,000 Private Contribution – School District 68

The motion carried.

Opposed: *Councillors Geselbracht and Manly*

(g) White Street Sewer Project

Phil Stewart, Manager, Engineering Projects, advised the Committee that due to rising costs the White Street Sewer project requires an additional \$235,614 to complete.

(h) Community Watershed Restoration Grant – 2023 Intake Two

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

It was moved and seconded that the Finance and Audit Committee recommend that Council approve a total of \$11,907.25 for the 2023 Community Restoration Grant's second intake allocations as follows:

- Applicant Name: Nanaimo Area Land Trust/syuwé'ñct Elementary School (formerly Coal Tyee)
 - Project: Northfield Marsh Restoration
 - Recommend: \$2,500.00
- Applicant Name: Walley Creek Streamkeepers/Nanaimo Area Land Trust
 - Project: Walley Creek-Reach Two Bank Stabilization
 - Recommend: \$2,000.00
- Applicant Name: Pacific Gardens Cohousing
 - Project: Pacific Gardens (Zone 3) Wildlife Habitat/Wetland Restoration Project
 - Recommend: \$7,407.25

The motion carried unanimously.

(i) 580 Fitzwilliam Street Building Upgrade Project

Bill Corsan, Director, Corporate and Business Development, advised the Committee that Staff have been working on a phased approach to address the need for space challenges for the RCMP. The first phase includes relocating 22 staff members from the current detachment into the former fire administration building at 580 Fitzwilliam Street and completing renovations at 303 Prideaux Street. The building requires security upgrades, new technology, and renovations to support the RCMP staff that will be moving to the new building.

Committee and Staff discussion took place regarding the potential addition to develop a sidewalk in this area.

It was moved and seconded that the Finance and Audit Committee recommend that Council increase the budget for the 580 Fitzwilliam Street Building Upgrade project in 2023 from \$750,000 to \$1,145,000. The \$395,000 difference to be funded from the RCMP Contract Reserve. The motion carried unanimously.

(j) Parks, Recreation & Culture Fees and Charges

Delegation:

Brian Cornborough spoke in opposition to the increased fees to rent the fields. He advised the Committee of his concerns regarding the overall maintenance of the fields and noted that other municipalities do not charge minor sport associations to rent fields. Previously, he has made requests to address the dilapidated bleachers and has offered to paint them.

Committee and Staff discussion took place. Highlights included:

- Sports groups actively help with maintenance of the fields;
- The request to paint the bleachers was delayed due to weather;
- There is a work order in place to have the bleachers painted and they are being moved today;
- The fees charged for fields is not necessarily for revenue, but more for maintenance costs; and,
- There are issues if there is no charge as groups can book the fields and then not show, preventing others from using the field.

The Finance and Audit Committee meeting recessed at 12:08 p.m.

The Finance and Audit Committee meeting reconvened at 12:41 p.m.

Presentation:

Richard Harding, General Manager, Parks, Recreation and Culture, provided a PowerPoint presentation. Highlights included:

- The Parks, Recreation and Culture Master Plan is part of the City Plan;
- In 2015 nationally many cities got together to create Pathways to Wellness (CRPA);
- Some of the key areas of focus as per the Pathways to Wellness:
 - Recreation as an essential public good
 - Part of quality of life sector
 - Community at the Core
 - Access to recreation
 - Connect people
- Parks, Recreation and Culture provides a number of upstream services;
- The gross expenditures for Parks, Recreation and Culture is approximately \$28 million and approximately \$7 million in revenue on a good year; and,
- Revenue from Fees and Admissions in the report are taken from 2019 (pre-pandemic).

Committee and Staff discussion took place. Highlights included:

- The fees and charges are typically reviewed and increased every three years; however, the City has not increased the fees since 2015;
- There were a number of issues that occurred from 2015 onwards that prolonged the increased fees;
- A core services review was conducted in 2016; and,
- Staff was previously ready with a fees and charges recommendations in 2020; however, all the facilities shut down shortly after in response to COVID 19.

Darcie Osborne, Director, Recreation and Culture, continued the PowerPoint presentation. Highlights included:

- Registered programs are outside the scope of the fees and charges bylaw;
- They are pre-registered, so individuals have to commit prior to attending;

- The City provides facilities to hundreds of groups and organizations to provide Parks, Recreation and Culture services throughout the City;
- Over the years Council has provided a number of programs and services to ensure all citizens have access despite the Fees and Charges Bylaw;
- There are a number of grants provided to help groups and organizations to assist in making programs and services available to citizens;
- With the assistance of the Advisory Committee on Accessibility and Inclusiveness, Staff has the ability to be current and dialed in to what the community needs are;
- The outcomes the report has strived to recognize include keeping an active and healthy community, the provision of quality recreation services accessible to all, and that the changing needs and demands of the community are addressed;
- Staff conducted a thorough review based on five considerations:
 - Fees that provide accessibility for most taxpayers
 - Fees that are straight forwards and easily administered
 - Fees that mirror cost of living increases
 - Fee rates that are comparable to other Vancouver Island municipalities
 - Fees that provide subsidized admissions to children, students, and seniors
- Staff have been in regular communication with user groups over the potential and expected fee increases; and,
- Council can make changes to the fees and charges at any point in their term if desired.

Kathy Gonzales, Manager, Aquatics, spoke regarding the suggested user rate classification changes including the youth admission rate, family admission rate, and rental group admission rate.

Committee and Staff discussion took place regarding the recent job fair held at the Nanaimo Aquatic Centre.

Darcie Osborne, Director, Recreation and Culture, advised the Committee that Staff received over 45 resumes for the business services areas and that there are currently 19 grade 8, 9, and 10 students participating in the first level of lifeguard certification.

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

1. Support the user rate classification system, pricing structure, and percentage increase as outlined in Attachment B to the 2023-APR-19 staff report for a four-year period (September, 2023 – August, 2027); and,
2. direct Staff to bring forward an amendment to the Fees and Charges Bylaw No. 7336 to incorporate the new classification system and price structure.

The motion carried unanimously.

9. QUESTION PERIOD:

The Finance and Audit Committee received no questions from the public regarding agenda items.

10. ADJOURNMENT:

It was moved and seconded at 1:34 p.m. that the meeting adjourn. The motion carried unanimously.

C H A I R

CERTIFIED CORRECT:

DEPUTY CITY CLERK