



MINUTES

FINANCE AND AUDIT COMMITTEE MEETING

Wednesday, April 17, 2024, 9:00 A.M.
SHAW AUDITORIUM, VANCOUVER ISLAND CONFERENCE CENTRE
80 COMMERCIAL STREET, NANAIMO, BC

- Members: Mayor L. Krog, Chair
Councillor H. Eastmure
Councillor B. Geselbracht
Councillor E. Hemmens
Councillor P. Manly (arrived 9:04 a.m.)
Councillor J. Perrino
Councillor I. Thorpe
- Absent: Councillor S. Armstrong
Councillor T. Brown
- Staff: D. Lindsay, Chief Administrative Officer
L. Mercer, General Manager, Corporate Services
W. Fulla, Director, Finance
M. Bryson, Acting Director, Facility and Parks Operations
K. Robertson, Deputy Corporate Officer
G. Whiting, Deputy Fire Chief - Operations
J. Slater, Manager, Financial Services and Special Projects
D. Bailey, Acting Manager, Accounting Services
J. Matheson, Acting Manager, Accounting Services
K. Biegun, Planner
N. Sponaule, Communications Advisor
J. Tonella, Recording Secretary

1. CALL THE MEETING TO ORDER:

The Finance and Audit Committee Meeting was called to order at 9:00 a.m.

2. INTRODUCTION OF LATE ITEMS:

* Denotes electronic meeting participation as authorized by "Council Procedure Bylaw 2018 No. 7272"

- (a) Add Agenda Item 8(a) City of Nanaimo Summary of Audit Findings

3. ADOPTION OF AGENDA:

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

4. PROCEDURAL MOTION:

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):

(d) the security of property of the municipality;

(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; 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 9:00 a.m.

The Finance and Audit Committee moved out of In Camera at 9:34 a.m.

5. ADOPTION OF MINUTES:

It was moved and seconded that the Minutes of the Finance and Audit Committee Meeting held in the Shaw Auditorium, Vancouver Island Conference Centre, 80 Commercial Street, Nanaimo, BC, on Wednesday, 2024-MAR-20, at 9:00 a.m. be adopted as circulated. The motion carried unanimously.

6. PRESENTATIONS:

1. City of Nanaimo Canadian Award for Financial Reporting for the Fiscal Year Ending December 31, 2022

Laura Mercer, General Manager, Corporate Services, noted that the Government Finance Officers Association of the US and Canada established the Canadian Award for Excellence in Financial Reporting program to encourage and assist local governments to go beyond the

minimum requirements of generally accepted accounting principles to prepare annual financial reports. The City has received the Canadian Award for Excellence for Financial Reporting for its annual municipal report, first in 2020 and again in 2021 and 2022.

Mayor Krog presented the City of Nanaimo Award for Financial Reporting for the Fiscal Year Ending December 31, 2022 to City of Nanaimo staff.

7. REPORTS:

1. 2023 Annual Financial Statements

Laura Mercer, General Manager, Corporate Services, noted that per legislation in the *Community Charter*, financial statements must be approved by Council and submitted to the Province before 2024-MAY-15.

Presentation:

1. Liette Bates-Eamer, KPMG, and Sarah Burden, KPMG, provided a presentation regarding the 2023 Summary of Audit Findings. Highlights included:
 - KPMG received all the information necessary to perform the audit in an efficient manner
 - Anticipates issuing a “clean” audit opinion
 - Confirmed that KPMG is independent in their work as the City’s auditors
 - Testing of journal entries to address management override risks; none were found
 - New accounting standard applicable to this year related to recording and disclosing financial instruments has been adopted by the City in these financial statements
 - The City’s investments continue to be held and recorded at cost under the new standard
 - Procedures implemented around the adoption of the Asset Retirement Obligations standard
 - Audit differences include one corrected disclosure difference and two out-of-period adjustments
 - No significant deficiencies in internal controls or minor control deficiencies to be brought to the City’s attention
 - Three new public sector accounting standards for the City to adopt in 2024:

- PS 3400 Revenue
- PS 3160 Public private partnerships
- Public Sector Guideline 8 Purchased Intangibles

Committee and Staff discussion took place. Highlights included:

- No anomalies identified by KPMG
- The \$862 million in non-financial assets is the netbook value of the capital asset and is calculated using the historical cost of the building less accumulated depreciation over time

Dan Bailey, Acting Manager, Accounting Services, gave a brief overview of the statements. Highlights included:

- Noted that statements need to be submitted to the Inspector of municipalities by 2024-MAY-15
- Total 2023 operational surplus was \$9.6 million for general, sewer and water
- The operating surplus was allocated to reserves
- Over \$90 million in operating reserves at the end of 2023
- \$63 million in Development Cost Charges (DCC)
- \$104 million held in statutory reserves
- Most funds held in reserves are set aside to be used towards capital or operating projects in the 2024 – 2028 Financial Plan
- \$38.2 million in outstanding debt at the end of 2023
- \$857 million netbook value for the City's capital assets
- \$77 million in capital assets were acquired in 2023

It was moved and seconded that the Finance and Audit Committee recommend that Council accept the 2023 Annual Financial Statements for the City of Nanaimo. The motion carried unanimously.

2. British Columbia Social Procurement Initiative (BCSPI) 2024 Annual Review

Introduced by Laura Mercer, General Manager, Corporate Services.

- British Columbia Social Procurement Initiative (BCSPI) asked the City to sign a letter of support requesting grant money from the Province to help fund the organization; however, BCSPI was unsuccessful in securing any new grant funding
- To continue the initiative, BCSPI transitioned to a fee for service model resulting in the annual membership fees increasing by approximately 20%

- The City's fee for 2024 is \$13,000
- BCSPi provides the City with support and training opportunities, but does not provide additional benefits reflective of the higher cost
- The City has a membership with the Canadian Collaboration for Sustainable Procurement for training of staff

Committee and Staff discussion took place. Highlights included:

- There is no fee if the City cancels the membership and rejoins again in the future
- Discussion regarding whether other organizations benefit from the City of Nanaimo being part of the BCSPi
- The Canadian Collaboration for Sustainable Procurement offers multiple sessions throughout the year to talk about other organizations best practices

It was moved and seconded that the Finance and Audit Committee direct Staff to not renew the City's membership with the British Columbia Social Procurement Initiative. The motion carried unanimously.

3. Update of Reserve Policy

Laura Mercer, General Manager, Corporate Services noted that the Reserve Policy needed to be updated to reflect the changes and additions resulting from the bylaws adopted by Council on 2024-APR-08.

Committee and Staff discussion took place regarding the use of the General Financial Stability Reserve for emergencies.

It was moved and seconded that the Finance and Audit recommend that Council amend Reserve Policy COU-231 to include the new Online Accommodation Platform Reserve Fund and reflect the changes to the Housing Legacy Reserve Fund. The motion carried unanimously.

4. Community Resiliency Investment Program (FireSmart Community Funding and Supports Program)

Geoff Whiting, Deputy Fire Chief, requested Council's support in applying for a grant under the Community Resiliency Investment Program for FireSmart activities in the City of Nanaimo. If successful, the 2024 – 2028 Financial Plan would need to be amended to include this grant.

It was moved and seconded that the Finance and Audit Committee recommend that Council endorse an application to the Community Resiliency Investment Program (FireSmart Community Funding and

Supports Program), and if successful the 2024-2028 Financial Plan be amended to include this grant. The motion carried unanimously.

5. Non-Market Housing Permissive Exemption Policy Options

Introduced by Laura Mercer, General Manager, Corporate Services.

Presentation:

1. Jamie Slater, Manager, Financial Services and Special Projects, and Kasia Biegun, Planner, provided a presentation. Highlights included:
 - In September 2023, the City had a number of Permissive Tax Exemption (PTE) applications from nonprofit organizations that were operating non-market housing; however, the City's current grant policy and guidelines document did not have specific provisions and policy criteria to evaluate the applications
 - Non-market housing is a range of housing options where the cost of housing is lower than the average cost of market housing due to some level of subsidization and it includes temporary, supportive and social housing
 - Temporary housing includes temporary beds, support and emergency services, and stays range from one night to longer depending on each individual's needs
 - Supportive housing is permanent housing that is subsidized to be lower than the average cost of market housing and has onsite supports for people to transition out of homelessness
 - Social housing is defined as permanent housing, where individuals and families live independently with no onsite supports
 - Data provided by nonmarket housing providers include approximately:
 - 259 temporary housing beds
 - 338 supportive housings units
 - 1,452 Social Housing units
 - The majority of these parcels are owned by government agencies
 - The City reviewed 13 jurisdictions PTE policies and only a few have PTE polices for non-market housing
 - PTEs are very difficult to end after they have been granted

- Properties that are already on the PTE list or bylaw should be maintained, as many of these properties have older agreements or do not have agreements that would assist with the cost of property taxes
- Considerations when granting PTE for non-market housing includes:
 - Housing needs report and Provincial housing targets
 - Shift of costs to existing residential taxpayers
 - Existing mechanisms for property tax relief related to housing
- City of Nanaimo is seeing 150 new non-market housing units built every year; however, the target is 525 units per year
- Non-market housing falls under two categories, Class 1 Residential and Class 3 Supportive Housing
- Staff are recommending bringing forward a new policy for PTE which would include legacy properties, temporary housing and supportive housing
- Social Housing is not recommended for PTE; however, this does not exclude property tax relief or assessment reduction
- If a social housing provider is willing to restrict the use of the property and put a covenant on title and enter into a long-term housing agreement, BC Assessment will then examine the property for evidence of long term financial and profit restrictions
- If there is evidence, BC Assessment can reduce the value of the property by up to 70%
- Staff to bring forward a policy for Council approval

Committee and Staff discussion took place. Highlights included:

- Discussion regarding social housing categories and what falls under the assessment reduction
- Gap between the need for affordable housing and what is being built
- Discussion regarding the Downtown Tax Exemption program
- BC Assessment follows criteria to ensure fairness in assessing the value of the property and its use
- Interest in a 5-year tax exemption for affordable housing
- Concerns regarding fairness and a shift onto other taxpayers in the City

It was moved and seconded that the Finance and Audit Committee recommend that Council direct Staff to bring forward a new 'Permissive Tax Exemption' policy that includes criteria for non-market housing as outlined in the Staff report dated 2024-APR-17, and a separate 'Other Grants Policy' for the City's other grant programs. The motion carried unanimously.

6. Give Where You Live Grant Application Update Harry Wipper Park

Mike Bryson, Acting Director, Facility and Parks Operations.

- The City submitted a grant application to the Nanaimo Foundations Give Where You Live fund for the Rocky Point Neighbourhood Association's Partners in Parks (PIP) Project at Harry Wipper Park
- If successful, the City will see additional amenities added to the Partners in Parks Project

Committee and Staff discussion took place. Highlights included:

- This is the first time the grant has gone through the Nanaimo Foundations "Give Where You Live" fund
- The Rocky Point Neighbourhood Association raised \$80,000 and recently identified the "Give Where You Live" fund to cover costs of additional amenities to the Park
- The City's parks planner works with the groups to come up with a plan for the playground and the groups can come to the City with fundraising, in-kind donations or donations from connections within the community
- Projects are getting harder to achieve due to the increase in prices
- The grant application has been submitted and results will be released late spring, early summer; however, the project can proceed

7. Marie Davidson BMX Park Redevelopment

Mike Bryson, Acting Director, Facility and Parks Operations, noted that the park is shovel ready; however, there is trouble with getting financing in place to finalize it.

It was moved and seconded that the Finance and Audit Committee recommend that Council increase the 2024 project budget for the Marie Davidson BMX Park by \$330,000 from \$1,507,827 to \$1,837,827 and fund the increase from the Growing Communities Fund Reserve. The motion carried unanimously.

8. 2024-2028 Financial Plan Update

Introduced by Laura Mercer, General Manager, Corporate Services.

Presentation:

1. Wendy Fulla, Director, Finance, provided a presentation. Highlights included:

- Presentation reflects changes made since the adoption of the provisional budget in January including updates to estimates and new information received and Council directives
- The projected property tax increase for 2024 increased from 8.4% to 8.5% due to the increase in the IT base budget
- 0.7% of the 2024 increase relates to projects
- Using reserves to lower property taxes
- 2024 User Fee increases are 4% for sewer, 6% for water and 3.2% for sanitation
- The 10-year average property tax increases was 3.3% (2014-2023) and the 5-year average was 5.1% (2019-2023)
- An 8.4% property tax increase on a typical single family home with an average Class 1 assessment would result in a \$222 increase to their taxes (excludes collections from the City for other governments)
- Provided the breakdown of \$2,861 total property taxes for the average
- The average home pays \$6.41 per day for City services
- \$267.8 million of total 2024 revenues provides funding for annual operating and maintenance, projects and contributions to infrastructure renewal reserves; however, it excludes new borrowing and transfers from reserves as they are considered funding sources, not revenue sources
- The City's largest revenue is property taxes at 58.2%
- \$200.6 million will be spent for annual operating and maintenance resources that deliver day-to-day City services
- Community Safety and Royal Canadian Mounted Policed (RCMP) makes up a large portion of the operating budget

Committee and Staff discussion took place regarding adjustments to the provisional budget.

Wendy Fulla, Director, Finance, continued the presentation. Highlights included:

- Changes to budget drivers include an increase of \$512,000 or 0.4% to the budget
- Revised final property tax increase is 8.4%
- Listed changes to the budget that do not impact property taxes
- Listed changes to be incorporated in the budget before it goes to Council 2024-APR-29
- RCMP contract is currently budgeted at 95% for all five years
- Noted that the RCMP member contract expired 2023-MAR-31
- The RCMP contract reserves current projected closing balance is \$4.2 million with a minimum balance requirement of \$2.7 million. If needed, funds could be drawn from that reserve for any additional retro that may be required to pay

Committee and Staff discussion took place. Highlights included:

- Last year, any surplus that came from what was budgeted for the RCMP contract was put in the RCMP contract reserve
- Discussion regarding ongoing RCMP contract negotiations and funding
- Budgeting the RCMP contract at 92% results in the 8.5% tax increase to go down to 7.7% and 7.2% in 2025, as the contract would go back up to 95% in 2024

Wendy Fulla, Director, Finance, continued the presentation, and noted that the Financial Plan Amendment Bylaw and Property Tax Bylaw will go to Council for first three readings on 2024 APR 29.

It was moved and seconded that the Finance and Audit Committee recommend that Council budget the RCMP contract at 92% for 2024 and 95% for 2025 to 2028 for the 2024 - 2028 Financial Plan. The motion carried unanimously.

8. QUESTION PERIOD:

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

9. ADJOURNMENT:

It was moved and seconded at 11:56 p.m. that the meeting adjourn. The motion carried unanimously.

CHAIR

CERTIFIED CORRECT:

DEPUTY CORPORATE OFFICER