



MINUTES

GOVERNANCE AND PRIORITIES COMMITTEE MEETING

Monday, June 24, 2024, 1:00 P.M.
SHAW AUDITORIUM, VANCOUVER ISLAND CONFERENCE CENTRE
80 COMMERCIAL STREET, NANAIMO, BC

Members: Councillor E. Hemmens, Chair
Mayor L. Krog
Councillor T. Brown* (joined electronically 1:01 p.m., disconnected 2:11 p.m.; reconnected 2:42 p.m.)
Councillor H. Eastmure
Councillor B. Geselbracht
Councillor P. Manly
Councillor J. Perrino
Councillor I. Thorpe

Absent: Councillor S. Armstrong

Staff: D. Lindsay, Chief Administrative Officer
L. Mercer, General Manager, Corporate Services
B. Sims, General Manager, Engineering and Public Works
W. Fulla, Director, Finance
S. Gurrie, Director, Legislative Services
P. Rosen, Director, Engineering
M. Lonsdale, Senior Project Manager
N. Sponaule, Communications Advisor
J. Tonella, Recording Secretary

1. CALL THE MEETING TO ORDER:

The Governance and Priorities Committee Meeting was called to order at 1:00 p.m.

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

2. INTRODUCTION OF LATE ITEMS:

- (a) Add Agenda item 4(a) Minutes of the Governance and Priorities Committee Meeting held in the Shaw Auditorium, Vancouver Island Conference Centre, 80 Commercial Street, Nanaimo, BC, on Monday, 2024-JUN-12 at 7:00 p.m.
- (a) Agenda Item 6(d)(a) Nanaimo Operations Centre/Public Works Yard Project Update – Add PowerPoint presentation titled “Nanaimo Operations Centre/Public Works Yard Project Update”

3. APPROVAL OF THE AGENDA:

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

4. ADOPTION OF THE MINUTES:

It was moved and seconded that the Minutes of the Governance and Priorities Committee held in the Shaw Auditorium, Vancouver Island Conference Centre, 80 Commercial Street, Nanaimo, BC, on Monday, 2024-JUN-12 at 7:00 p.m. be adopted as circulated. The motion carried unanimously.

5. AGENDA PLANNING:

a. Upcoming Topics and Initiatives

Sheila Gurrie, Director, Legislative Services, spoke regarding topics and initiatives scheduled for upcoming Governance and Priorities Committee (GPC) meetings. Highlights included:

- The draft Alternative Approval Process Policy and an update on major capital projects are scheduled for the next GPC meeting 2024-JUL-15
- The School Zone Policy Update has been forwarded to the Public Safety Committee

It was moved and seconded that the Governance and Priorities Committee recommend that Council direct Staff to include the following topics on the 2024-OCT-28 Governance and Priorities Committee Meeting schedule, subject to Staff's discretion if items need to be deferred due to the size of the agenda:

- Incentives that support City Plan
- Amenity Cost Charge Bylaw Project

- Development Cost Charge Bylaw Update Project
- DPA8 Form and Character Design Guidelines

The motion carried unanimously.

It was moved a seconded that Staff provide an update on progress on City Plan Integrated Action Item 16 regarding updating the Urban Tree Canopy Management Strategy, conducting a tree canopy assessment and updating tree protection bylaws and development guidelines to bring urban tree management into alignment with City Plan objectives and targets. The motion carried unanimously.

6. REPORTS:

a. Prosperous Nanaimo:

1. Nanaimo Operations Centre / Public Works Yard Project Update

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

- As directed by Council on 2024-JUN-17, alternative funding sources were considered to reduce the impact on property taxes
- There is an option to fund some of the borrowing/repayment from the Asset Management Reserves; however, it impacts the City's Asset Management Plan
- The Fleet Maintenance and Administration buildings are the most important components of the overall Master Plan

Presentation:

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

Option 1 - Status Quo

- The City has secured a grant of just under \$500,000 for part of the funding
- This option requires future borrowing for the Administration building as it is not part of this scope

Option 2 – Modified Status Quo

- This option was made to reduce the amount of borrowing required

- The railway along Beban Park was removed from the scope which was intended to be completed as part of the works in lieu of Frontage Works and Services
- Removed the Fire Training Tower Fuel Conversion from the borrowing and it will be incorporated into the project plan
- Future borrowing for the Administration building is required

Option 3 – Highest Needs Single Phase

- The Fleet Maintenance Building and the Administration Building would be merged together spatially and placed at the north end of the yard
- Reasons for the placement of the Fleet Maintenance Building at the south end of the yard was due to noise and to separate the heavy fleet movements from pedestrian and light vehicle movements
- Placing them close to each other, but separated from the yard, allows them to be done in one project
- Anticipated borrowing of approximately \$90 million which provides less long-term costs as there would be less exposure to inflation and borrowing costs

Relative Comparison – All Options

- Future borrowing would not be required for Option Three as the other upgrades are small enough projects to do without requiring borrowing
- Option Three's immediate benefit is high as it resolves the urgent needs for the Fleet Maintenance Building and office and crew space
- In Option Three the Fleet Maintenance Building provides a large benefit to Public Works; however, it casts some uncertainty over the future of the Administration Building
- Option Three is a much larger project so implementation will be slightly more challenging than Options One and Two
- The potential timeline includes:
 - 2024-JUL-15 GPC – Draft Alternative Approval Process (AAP) policy for consideration/adoption

- 2024-JUL-22 Council – Direction for AAP and three readings of borrowing bylaw
- AAP – September/October
- Spring 2025 – Borrowing process begins
- Fall 2025 – First borrowing occurs
- Previously presented funding options focused on funding from taxation for debt servicing

Laura Mercer, General Manager, Corporate Services, and Wendy Fulla, Director, Finance, spoke. Highlights included:

- Considered borrowing funds from the General Asset Management Reserve to fund some of the borrowing costs for each project
- For Options One and Two, 50% of the funding would come through property taxation and the other 50% from the General Asset Management Reserve
- For Option Three, 75% of funding would come through property taxation and 25% through the General Asset Management Reserve
- Costing for future phases of the project are subject to change and borrowing will be required for those
- Using reserve funding reduces the property tax increase but also reduces the amount of funding available for projects that are currently in the plan or about to be in the plan

Committee and Staff discussion took place. Highlights included:

- Borrowing from the City's General Asset Management Reserve and repaying the fund over time through taxes to avoid the interest rates from borrowing
- The projected closing balance in the General Asset Management Reserve is just under \$13.9 million
- If Council wanted to use money from the General Asset Management Reserve, \$6-7 million could be used for this project
- Funding by debt servicing through the Asset Management Reserve would incur higher interest costs over the life of the project, but it would have the biggest impact on lowering the property tax amount

- It is difficult to borrow from a reserve as a lot of them have projects attached
- Option Two does not include the Administration Building in the crew space, leaving funding for that future phase uncertain
- In 2024, the City is putting \$12.6 million into the General Asset Management Reserve and it will go up to \$19 million in 2025
- The 1% annual increase to property taxes and the set funding from property taxes for the General Asset Management Reserve only applies to the renewal of existing infrastructure
- There is not a dedicated funding source for new infrastructure
- Funding is available to renew existing infrastructure through the three asset management reserves: General, Sewer, and Water
- Option Three allows the Fleet Maintenance and Administration Buildings to be constructed in one area while the yard continues to operate
- It is likely that the City would not need to pursue borrowing to fund the remaining work in Option Three as the budget and complexity is lower, and could be integrated within the yearly capital planning
- Completing the Administration and Fleet Buildings upfront has a higher initial cost, but overall significant reduction in costs of the whole project in the 20-year payback period
- The Administration Building needs to be near the Fleet Maintenance Building as it includes crew space
- If the project were to go through, there would be a minimal impact on 2025 taxes as the borrowing wouldn't happen until Fall 2025. The City would have up to five years to borrow the total estimated amount, but only what is needed would be borrowed each year
- Approximately \$10 million in cost savings from inflation by doing the Administration Building and the Fleet Services Building at the same time, which does not include costs for debt servicing

- If Option One was to go forward, the bylaw would be to borrow up to \$48.5 million and money would only be drawn down as it was needed
- Concerns regarding Option Three limiting the City's ability to borrow money for other projects
- For Option Three, other projects beyond the Administration and Fleet Maintenance Buildings are mostly interior renovations that could be done without borrowing while the future Administration Building in Option One would require borrowing
- Option Three addresses the public's uncertainty regarding the future phases

Councillor Brown disconnected from the meeting at 2:11 p.m.

- Option Three would see the main buildings completed with \$90 million and in one phase of borrowing
- Concerns regarding Option Three limiting funding for other projects and combining the Fleet Maintenance and Administration Building
- Option Three would require \$7.3 million in annual debt funding, bringing the City's debt servicing limit to 24.1%
- In 2026 and 2027, debt on the Vancouver Island Conference Centre will drop off, decreasing the debt servicing limit
- All funding needs to be borrowed within five years of approval of the borrowing and it is important to not borrow more than needed as it cannot be returned

It was moved and seconded that the Governance and Priorities Committee recommend that Council direct Staff to proceed with the 'Status Quo' option and prepare a borrowing bylaw in support of the project. The motion was defeated.

Opposed: *Councillors Eastmure, Geselbracht, Hemmens and Manly*

Committee and Staff discussion took place and noted that the average homeowner can expect an increase in their taxes of \$139 per year to get both buildings done in Option Three.

It was moved and seconded that the Governance and Priorities Committee recommend that Council direct Staff to proceed with the 'Highest Needs in

Single Phase' option and prepare a borrowing bylaw in support of the project. The motion carried.

Opposed: *Mayor Krog, Councillors Perrino and Thorpe*

Councillor Brown reconnected to the meeting at 2:42 p.m.

Committee and Staff discussion took place regarding concerns using funds from the Asset Management Reserve as those funds are used for emergencies and for other projects.

It was moved and seconded that the Governance and Priorities Committee recommend that Council direct Staff to look at other funding options with respect to debt servicing. The motion carried unanimously.

7. QUESTION PERIOD:

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

8. ADJOURNMENT:

It was moved and seconded at 2:45 p.m. that the meeting adjourn. The motion carried unanimously.

CHAIR

CERTIFIED CORRECT:

CORPORATE OFFICER