

**DATE:** August 31, 2023

**TO:** MAYOR AND COUNCIL

**NAME AND TITLE:** Standing Committee on Finance and Audit

**SUBJECT:** Sustainable Finance Policy

**ATTACHMENT(S):** Staff Report to Standing Committee on Finance and Audit from Kris Dalio, Director of Finance and IT Services dated August 18, 2023  
Proposed Sustainable Finance Policy – August 2023

**RECOMMENDATIONS:**

That Council **CONSIDERS** the proposed Sustainable Finance Policy as attached to the report dated August 18, 2023 from the Director of Finance and IT Services with options that addresses the intent set out in Policy 1.3 including the impact of the status quo, setting a percentage, or using non-market change.

**PURPOSE:**

To update the Sustainable Finance Policy which outlines the guiding principles for the development of sustainable finance at the City.

**STRATEGIC PRIORITIES:**

The Sustainable Finance Policy supports Council’s Goals of “Sustainable Fiscal Management” and “Sustainable Infrastructure”.

**FINANCIAL CONSIDERATIONS:**

Administration presented the attached report on the City’s Sustainable Finance Policy.

The Committee provided comment to a specific area of the policy during discussion:

- (7.2) – To add that decisions involving the use of Council contingency, when practicable, are to be made at a Council meeting subsequent to the meeting of the request to allow time for thoughtful consideration of the request and the opportunity to address any follow-up information that may be required.

This has been added to the attached proposed policy.

The Committee also made the following motion:

“That the Standing Committee on Finance and Audit **RECOMMENDS** that Council considers the proposed Sustainable Finance Policy as attached to the report dated August 18, 2023 from the Director of Finance and IT Services with options that addresses the intent set out in Policy 1.3 including the impact of the status quo, setting a percentage, or using non-market change.”

Administration has provided the following information on the options requested by the Committee for the addition of Policy 1.3:

### **Status Quo**

Some asset groups have dedicated funding sources. Sewer, Water, Solid Waste and Off-Street Parking are funded by the user fees of those services. Snow removal and Roads have their own levy and Fleet needs are provided for through equipment financing. All other capital asset types' reinvestment need are prioritized and compete for limited available funding. Listed below are the major asset types and their average annual reinvestments (AAR's):

<b>2023 Average Annual Re-Investments Summary for Assets Funded by General &amp; GIRF (in millions \$)</b>	
Stormwater Drainage	\$4.9M
Civic Facilities & Parking	\$11.7M
Sidewalks & Walkways	\$1.7M
Parks & Trails	\$1.3M
Streetlights & Traffic Signals	\$2.8M
<b>Total:</b>	<b>\$22.4M</b>

These asset types are funded by gaming funds (which are transferred to the Capital Expenditure Reserve), the General Infrastructure Reinvestment Fund and government grants, such as gas tax revenues. The reliable sources of ongoing funds the City receives in a given year are:

- Gaming funds - \$2.5M
- General Infrastructure Reinvestment Fund - \$2.95M
- Canada Community Building Fund - \$3.5M

The total of these reliable funds is \$8.95M per year. This leaves a substantial gap between what is required and what we are funding. After factoring out reserve balances associated with Snow, Roads, Fleet, Sewer, Water, Solid Waste and Off-Street Parking, the City has approximately \$70M of uncommitted reserves as of December 31, 2022. In the event that our reserves are insufficient for essential capital reinvestment, service levels can only be maintained through securing debt funding. Debt funding comes with its own challenges including a lengthy and uncertain elector assent process as well as a limit placed on how much we can borrow by the Province. The approximate principal borrowing available according to the Province's formula is \$290M. A high level estimate of the replacement cost for some of our facilities are as follows:

<b>Civic Building</b>	<b>High-Level Estimated Replacement Cost</b>
Aquatic Centre	\$72M
CN Centre	\$78M
City Hall	\$33M
Civic Centre	\$31M
Kopar Memorial Arena	\$35M

This table is just to demonstrate how even just the *one* asset type of Facilities could challenge our current financial resources. It is Administration's estimation that the status quo exposes the organization to mid and long term risk of not being able to sustain the service levels and current infrastructure for the City.

### **Percentage vs Non-Market Change (NMC)**

Administration would recommend two options that Council could consider for ongoing commitment to asset reinvestment:

1. "To address infrastructure reinvestment needs, an increase of 1% to the tax levy per year shall be added at the conclusion of all other budget deliberations and transferred to infrastructure reserves."

1% of the existing tax levy equals \$1.29M

2. “To address infrastructure reinvestment needs, any non-market change assessment revenue will be transferred to infrastructure reserves. Non-market change is generally defined as new construction, property class changes, exemption changes, new development or size changes to land (including subdivisions) and zoning changes that may change a property’s density, use and resulting property value.”

2023’s non-market change, as well as the average non-market change over the last five years, is approximately \$1.35M.

The contribution to asset reinvestment is roughly the same in each option. Option 1 is much easier to understand to a reader as it is free of challenging terminology but lacks the background information in this report to give context. It will also be a consistent number, regardless of development activity. This could be viewed as a positive or a negative. Option 2 is more difficult to understand but the reasoning can be derived from the description. As the City takes on new development, it places additional demand for reinvestment, and we set aside their new revenue for those future demands.

The attached policy has been prepared with the wording of Option 2 (the option presented at the Finance and Audit Committee meeting) as a starting point for Council’s discussion.

**SUMMARY AND CONCLUSION:**

The Standing Committee on Finance and Audit requests that Council approve the Sustainable Finance Policy recommended in this report.

**RESPECTFULLY SUBMITTED:**

Councillor Cori Ramsay, Chair  
Standing Committee on Finance and Audit

**MEETING DATE:** September 11, 2023