



FINANCE AND ADMINISTRATION COMMITTEE

**Tuesday, September 2, 2014
4:00 PM**

Henry Baker Hall, Main Floor, City Hall



**Public Agenda
Finance and Administration Committee
Tuesday, September 2, 2014**

Approval of Public Agenda

Minutes of the meeting held on August 5, 2014

Administration Reports

FA14-22 Capital Budget Advance Approval - 2015 Purchase of Six
Conventional 40-Foot Low-Floor Buses

Recommendation

1. That in consideration of manufacturing lead times and 2015 service requirements, the purchase of six new replacement conventional low floor transit buses be approved in advance of the approval of the 2015 General Capital budget with funding provided by the Transit Fleet Replacement Reserve.
2. That this report be forwarded to the September 22, 2014 City Council meeting for approval.

FA14-23 Reserve Balances in Comparison to Minimum and Maximum Target
Balances

Recommendation

1. That a transfer be made from the Community Investment Reserve (CIR) to the General Fund Reserve in the amount of \$203,000, comprising \$93,000 and \$110,000 respectively from the Executive Committee and Finance & Administration Committee portions of the CIR.
2. That this report be forwarded to the September 22, 2014 meeting of City Council for approval.

Adjournment

AT REGINA, SASKATCHEWAN, TUESDAY, AUGUST 5, 2014

AT A MEETING OF THE FINANCE AND ADMINISTRATION
COMMITTEE
HELD IN PUBLIC SESSION

AT 4:00 PM

These are considered a draft rendering of the official minutes. Official minutes can be obtained through the Office of the City Clerk once approved.

Present: Councillor Bob Hawkins, in the Chair
Councillor Bryon Burnett
Councillor Shawn Fraser
Councillor Wade Murray

Regrets: Councillor Terry Hincks

Also in Attendance: Committee Assistant, Ashley Thompson
Solicitor, Chrystal Atchison
Chief Financial Officer, Ed Archer
Executive Director, City Planning & Development, Jason Carlston
Executive Director, Transportation & Utilities, Karen Gasmol
Manager, Commercial Assessment, Robert Schultze
Policy Analyst, Liberty Brears

(The meeting commenced in the absence of Councillor Murray.)

(Councillor Bob Hawkins took the Chair.)

APPROVAL OF PUBLIC AGENDA

Councillor Bryon Burnett moved that the open agenda be approved, as amended, after adding communication FA14-21 – submitted by Judith Veresuk, representing the Regina Downtown Business Improvement District, and that the delegations be heard in the order they are called by the Chairperson.

The motion was put and was declared CARRIED UNANIMOUSLY.

ADOPTION OF MINUTES

Councillor Shawn Fraser moved, AND IT WAS RESOLVED, that the minutes for the meeting held on July 8, 2014 be adopted, as circulated.

(Councillor Murray arrived at the meeting)

FA14-19 City of Regina Heritage Building Rehabilitation Program

Recommendation

1. RECEIVE and FILE the consultant’s report entitled “Incentives for Heritage Building Upgrades in Regina” (Appendix A).
2. APPROVE the Heritage Incentive Policy in the form set out in Appendix C to replace the Municipal Incentive Policy for the Preservation of Heritage Properties and direct the Administration to report back on a Bonus Density policy by Q4 of 2015.
3. REMOVE items CR01-254 and FA03-31 from the Finance and Administration Committee’s list of outstanding items.

The following addressed and answered questions of the Committee:

- Ray Plosker, representing himself;
- Roger Mitchell, representing Viterra;
- Joe Ralko, representing himself;
- Ross Keith, representing Nicor Developments Inc.;
- Bill Brennan, representing Heritage Regina

Councillor Wade Murray moved, AND IT WAS RESOLVED, that the recommendations contained in the report be concurred in after adding a recommendation #4 as follows:

4. **That the City of Regina Heritage Building Rehabilitation Program be reviewed prior to 2020, or unless required at an earlier date.**

FA14-20 Lawson Aquatic Centre Improvements

Recommendation

1. Approve the allocation of up to \$271,500 in funding from the Asset Revitalization Reserve (ARR) for the Lawson Aquatic Centre (LAC) improvements.
2. That this report be forwarded to the August 25, 2014, City Council Meeting for approval.

Councillor Wade Murray moved, AND IT WAS RESOLVED, that the recommendations contained in the report be concurred in.

ADJOURNMENT

Councillor Bryon Burnett moved, AND IT WAS RESOLVED, that the meeting adjourn.

The meeting adjourned at 5:20 p.m.

Chairperson

Secretary

September 2, 2014

To: Members,
Finance and Administration Committee

Re: Capital Budget Advance Approval – 2015 Purchase of Six Conventional 40-Foot Low-Floor Buses

RECOMMENDATION

1. That in consideration of manufacturing lead times and 2015 service requirements, the purchase of six new replacement conventional low floor transit buses be approved in advance of the approval of the 2015 General Capital budget with funding provided by the Transit Fleet Replacement Reserve.
2. That this report be forwarded to the September 22, 2014 City Council meeting for approval.

CONCLUSION

The Fleet Capital Bus Replacement Program calls for the replacement of six 1997 New Flyer buses in 2015. These buses have exceeded their design life and all are starting to exhibit potentially significant corrosion to some structural components and should be retired from service soon. Saskatchewan Government Insurance (SGI) indicated, following a June 2014 inspection of structural component corrosion on one of these buses, they would allow the bus to remain in service for 12 months with a re-inspection to occur in June 2015. Staff do not expect the bus to successfully pass the re-inspection next June, and the cost of repairing the structural components would be prohibitive in the context of the remaining service life. Staff also anticipates that some, if not all, of the other 1997 New Flyer buses may be subject to similar orders in the near future. Replacing all six buses at this time will mitigate the risk of reduced public transit services.

The City has an active multi-year contract with Nova Bus Industries (NOVA), and they can deliver six buses by March 2015 if they receive a purchase order for them by October 1. This precedes the planned approval of the 2015 capital budget by two months. Waiting for the planned 2015 General Capital budget approval in December of this year would result in the replacement buses arriving in late 2015. It is highly probable that at least some of the 1997 New Flyer buses will need to be removed from service prior to then.

The funding for the replacement of these buses is included in the draft 2015 capital budget, and the Administration is recommending pre-approval of this portion of the 2015 capital budget to facilitate the issuance of the purchase order.

BACKGROUND

In 2010, Council approved a five-year fleet plan that provides long-term sustainable funding to allow the fire and transit fleets to be upgraded and maintained based on industry standards. Since the plan was implemented, 57 new buses have been purchased including 33 in the last

two years. As a result, the entire bus fleet was low-floor accessible as of March of this year. The average age of the bus fleet is now 5.2 years, which is within industry standards.

The Transit Fleet Capital Replacement Program calls for the replacement of six 1997 New Flyer buses in 2015. These buses are now 17 years old, 2 years beyond their life expectancy and replacement cycle. The New Flyer buses are built on mild-steel frames and subsequently corrosion has been and continues to be an on-going issue.

DISCUSSION

During a recent scheduled safety inspection, one of the New Flyer buses was found to have considerable corrosion on the frame at the front wheel area. SGI was consulted and they will allow one year of continued use with a re-inspection due in June 2015. It is expected that the bus will need to be removed from service at that time until repairs are completed. However, repairing the bus would not be practical due to the time and cost required, as the bus is scheduled for replacement in 2015.

While SGI has only identified one bus as an issue at this time, the remaining 1997 New Flyer buses all have the same approximate mileage and are exhibiting similar corrosion issues. If it becomes necessary to remove these buses from service, transit service to the public could be affected, similar to February 2013 when three routes were temporarily suspended due to a shortage of buses. Replacing all six buses at this time will mitigate the risk of reduced public transit services.

The Transit Fleet Capital Bus Replacement Program calls for the replacement of these six 1997 New Flyer buses in 2015. The City has an active multi-year contract with NOVA for the supply of conventional 40-foot low-floor buses. NOVA advises that from date of order, the current wait time for a new bus is about one year. However, NOVA is aware of our bus replacement plan and also advises that they already have the six City of Regina buses slotted in their production line, which would allow for delivery of the buses in March 2015, provided that a purchase order is received no later than October 1, 2014.

The 2015 General Capital budget is scheduled for approval in December of this year; waiting for this approval would result in the replacement buses arriving in late 2015. Transit fleet size reduction can be avoided by advance approval of the funding to enable a purchase order to be issued to NOVA by October 1, 2014. This will secure the spots on the production schedule and ensure delivery of the six buses in March 2015.

RECOMMENDATION IMPLICATIONS

Financial Implications

Transit Fleet Replacement Reserve funding of \$3,000,000 is included in the 2015 Transit Fleet Replacement Plan for the purchase of six new replacement buses. The recommendation does not alter the funding requirement for 2015, only the timing of approval. Payment for the buses would not be due until after the buses are delivered in March 2015.

The Transit Fleet Replacement Reserve is projected to have a 2014 ending balance of approximately \$2,800,000. The Reserve has sufficient funds to support the recommended purchase and, if approved as presented, will have a 2015 ending balance of approximately \$2,600,000. This is within the prescribed limits established for this Reserve.

Environmental Implications

None with respect to this report.

Policy and/or Strategic Implications

Replacing the six New Flyer buses in March 2015 will help ensure the delivery of public transit service will not be adversely affected by a shortage of available buses.

Other Implications

None with respect to this report.

Accessibility Implications

None with respect to this report.

COMMUNICATIONS

None with respect to this report.

DELEGATED AUTHORITY

This report requires City Council approval.
Respectfully submitted,



Kari Koivisto, Director
Fleet Services Department

Respectfully submitted,



Ed Archer
Chief Financial Officer

Report prepared by:
Kari Koivisto, Director, Fleet Services
Mike Alexander, Manager, Fleet Capital & Maintenance Program

KK/MA

September 2, 2014

To: Members,
Finance and Administration Committee

Re: Reserve Balances in Comparison to Minimum and Maximum Target Balances

RECOMMENDATION

1. That a transfer be made from the Community Investment Reserve (CIR) to the General Fund Reserve in the amount of \$203,000, comprising \$93,000 and \$110,000 respectively from the Executive Committee and Finance & Administration Committee portions of the CIR.
2. That this report be forwarded to the September 22, 2014 meeting of City Council for approval.

CONCLUSION

Section 8.1, Schedule A of *The Regina Administration Bylaw*, Bylaw 2003-69 requires the Chief Financial Officer (CFO) to submit a report to City Council on or before September 30th of each year that ensures appropriate balances are maintained in the City's reserves.

In accordance with this bylaw, a review of the City of Regina reserves has been conducted. This report contains balances for reserves that fall within and outside their target minimum and maximum ranges, recommended reserve transfers, as well as explanations regarding why a replenishment or reduction is not recommended for some reserves that are outside of their target ranges.

BACKGROUND

Municipalities maintain reserves for three purposes:

- a) To smooth the effect of spending decisions on property taxation;
- b) To finance unexpected/emergency spending requests;
- c) To minimize debt financing requirements.

Generally, determining the sufficiency and appropriateness of reserve levels is a matter of judgement. As more information about the condition and life cycle management costs of the city's assets become available, perspectives regarding current thresholds will likely change. Overall, more data about asset condition will drive discussions about increased reserve balances to avoid debt levels that could affect our credit rating.

Section 8.1, Schedule A of *The Regina Administration Bylaw*, Bylaw 2003-69 requires the CFO to submit a report to City Council on or before September 30th of each year that includes the following:

- (a) a list of every reserve in Schedule A that as of the previous December 31st had a balance that is greater than its maximum target balance or less than its minimum target balance;
- (b) a list of recommended transfers to and from the reserves set out in clause (a) that will bring these reserves within the target minimum and maximum ranges;
- (c) where there are reserves that are to remain outside the range, a three year plan that sets out how these reserves will be replenished or reduced to the target minimum and maximum ranges; and
- (d) where the conditions in clauses (b) and (c) cannot be met, the report shall advise of the rationale for not replenishing or reducing the reserve balance.

This report addresses the above requirements.

A full description of the use of each reserve can be found in Schedule A of *The Regina Administration Bylaw*, Bylaw 2003-69. The established Reserve Policy stipulates that the policy be reviewed every four years. Based on this, if Administration deems necessary, the City reserves could be reviewed earlier to properly determine the purpose, scope, and overall management of each reserve. As well, minimum and maximum target limits for the reserves may be impacted by future reviews and assessments of asset condition.

DISCUSSION

As of December 31, 2013, the reserves presented in Appendix 1 were outside of their target minimum and maximum range. In accordance with Section 8.1, Schedule A, of *The Regina Administration Bylaw*, the following recommendations are made:

General Utility Reserve – Council approved total funding of \$22.6 million from this reserve in 2014 for various capital projects related to Water and Sewer Utility. As well, due to sufficient balance in this reserve, it is anticipated up to \$17 million may be transferred out of this reserve in 2014 to fund previously approved capital projects that were originally planned to be funded with debt, thereby eliminating the need to issue debt. If a transfer is required approval will be requested from Council at that time. Based on these expected transactions, no transfer is recommended as these deductions are expected to bring this reserve balance to approximately \$48 million by the end of 2014, which is within its target range.

Solid Waste Reserve – In 2014, Council approved total funding of \$18.1 million from this reserve for the general capital program. In addition, total forecasted expenditures in 2014 amount to \$1.1 million, including \$340,000 for renovation to Building A at City yard and \$806,000 for landfill closure and post-closure liability. These outflows, along with projected inflows of \$12.5 million will bring this reserve balance by end of 2014 to approximately \$14.7, which is slightly above its maximum target range. However, no transfer is recommended as this year-end balance is a projection based on estimated numbers at this time.

Land Development Reserve – In 2014, total inflows of approximately \$6.3 million, including a dedicated contribution of \$6 million in land sales and \$314,000 in capital transfers, is expected to help fund Council approved projects related to land development, totalling \$22.2 million. As a result, the reserve balance by the end of 2014 is expected to be approximately \$1.8 million. Although this amount is slightly below its minimum target balance for this reserve, no transfer is recommended into the reserve at this time because this year-end balance is a projection based on estimated numbers.

Fleet Replacement Reserve (Transit and Small Tools) – Due to a portion of the mill rate being dedicated as an inflow to this reserve, it is expected that this reserve will increase in the next few years. Based on projections made, the Transit Fleet Reserve is expected to increase to within its target range by 2015. The excess amount of \$21,000 in the Small Tools Fleet Reserve is considered small with low impact on the City’s reserve position. As a result, a transfer is not recommended for either reserve.

Community Investment Reserve (CIR) (Executive Committee and Finance and Administration Committee) – Due to no outstanding commitments related to community investments in 2014, it is recommended that a transfer be made from this reserve to the General Fund Reserve to bring the CIR within its target range. A total transfer of \$203,000, comprising \$93,000 and \$110,000 from the Executive Committee and Finance & Administration Committee respectively, is therefore recommended.

For information purposes, the reserves presented in Appendix 2 are within their target minimum and maximum range.

RECOMMENDATION IMPLICATIONS

Financial Implications

Because reserves comprise a significant component of the City’s overall financial position, it is essential to ensure that year-end reserve balances remain sufficient and appropriate. The recommendations contained in this report are consistent with this goal.

Environmental Implications

None related to this report.

Strategic Implications

Reserves are a key element required to support Council’s goal to improve financial viability. Specifically, appropriate reserve balances will help minimize debt financing requirements and facilitate effective service planning, especially related to asset renewal decisions.

Other Implications

None related to this report.

Accessibility Implications

None related to this report.

COMMUNICATIONS

None related to this report.

DELEGATED AUTHORITY

The disposition of this report requires Council approval.

Respectfully submitted,



June Schultz,
Director, Finance

Respectfully submitted,



Ed Archer
CFO

APPENDIX 1

RESERVES THAT FALL OUTSIDE THEIR TARGET RANGE

Reserves	Reserve Purpose	December 31, 2013 Balance	Target Minimum	Target Maximum	Within Range?	Recommended Action
		\$(000's)				
General Utility Reserve	Provides funding for capital projects and operating deficits related to utility services	85,179	33,000	80,000	No	No transfer is recommended due to financing requirements for ongoing capital projects
Solid Waste Reserve	Provides funding for capital projects and operating expenditures related to solid waste management	21,402	300	13,000	No	No transfer is recommended due to financing requirement for ongoing capital projects
Land Development	Provides funding for capital projects related to land development and other general capital program	17,710	2,000	12,000	No	No transfer is recommended due to financing requirement for ongoing capital projects
Fleet Replacement Reserve (Transit)	Provides funding for the replacement of various transit fleets and equipment	407	1,800	3,600	No	No transfer is recommended as forecasts anticipate reserve will be within its target limits in 2015
Community Investments Reserve (Exec Comm)	Provides funding for deficits in community investment grants allocated by the executive committee, and also used to carryover unspent grant funds allocated to executive committee	243	0	150	No	Transfer of \$93,000 to the GFR is recommended to bring this reserve within its target range
Community Investments Reserve (F & A)	Provides funding for deficits in community investment grants allocated by the F & A committee, and also used to carryover unspent grant funds allocated to the F & A committee	135	0	25	No	Transfer of \$110,000 to the GFR is recommended to bring this reserve within its target range
Fleet Replacement Reserve (Small Tools)	Provides funding for the replacement of various small tools fleets and equipments	105	42	84	No	No transfer is recommended as the excess amount in this reserve is not material
Total		125,181				

APPENDIX 2

RESERVES THAT FALL WITHIN THEIR TARGET RANGE

Reserves	Reserve Purpose	December 31, 2013 Balance	Target Minimum	Target Maximum	Within Range?	Recommended Action
		\$(000's)				
General Fund Reserve	Provides funding for Council approved general capital projects, local improvement work, and short-term operating expenditures.	27,574	17,045	34,090	Yes	No action is required
Planning and Sustainability Reserve	Provides funding for approved capital projects related to planning and sustainability	6,726	500	7,000	Yes	No action is required
Social Development Reserve	Provides funding for affordable housing projects and social development initiatives within the City	5,654	n/a*	n/a*	Yes	No action is required
Asset Revitalization Reserve	Provides financing for City's asset revitalization projects	5,611	0	10,000	Yes	No action is required
Winter Road Maintenance Reserve	Provides funding for annual operating expenditure related to winter road maintenance programs	3,523	3,523	3,923	Yes	No action is required
Fleet Replacement Reserve (Civic)	Provides funding for the replacement of various civic fleets and equipments	3,190	2,500	5,500	Yes	No action is required
Regina Police Service General Reserve	Provides funding for deficits in the annual operating budget of the police and approved capital projects	1,440	400	2,000	Yes	No action is required
Fleet Replacement Reserve (Fire)	Provides funding for the replacement of various fire fleets and equipments	832	450	900	Yes	No action is required
Asphalt Reserve	Provides funding for repairs and purchase of equipment for the asphalt plant	819	300	1,500	Yes	No action is required
RRI Stadium Reserve	Provides funding for the RRI operating projects and other approved capital projects related to RRI	710	n/a*	n/a*	Yes	No action is required

Reserves	Reserve Purpose	December 31, 2013 Balance	Target Minimum	Target Maximum	Within Range?	Recommended Action
		\$(000's)				
Employer-Provided Parking Reserve	Provides funding exclusively for the operation and capital improvement of the city Hall parkade and other parking sites used for employee parking	685	400	6,000	Yes	No action is required
Facilities Reserve	Provides funding for the City's portion of Mosaic Stadium capital projects	600	100	750	Yes	No action is required
Technology Reserve	Provides funding for capital projects and upgrades related to the City's technology	757	400	3,000	Yes	No action is required
Golf Course Reserve	Provides funding for capital expenditures and any operating deficits in the golf course program	554	500	2,000	Yes	No action is required
Cemetery Reserve	Provides funding for capital improvements and potential operating deficits of the City's cemeteries	507	0	625	Yes	No action is required
Pest Management Reserve	Provides funding for a continued proactive approach for mosquito control within the City	337	0	700	Yes	No action is required
Operational Commitments Reserve	Provides funding for operational expenditures related to municipal elections and property assessment revaluations	161	0	800	Yes	No action is required
RPS Radio Equipment Reserve	Provides funding for capital and operating expenditures for radio communications system jointly used by the City and the Regina Police Service	155	100	6,000	Yes	No action is required
Community Investments Reserve (C & PS)	Provides funding for deficits in community investment grants allocated by C & PS committee, and also used to carry over unspent grants funds allocated to C & PS committee	134	0	175	Yes	No action is required
Total		59,969				