



CITY OF NANAIMO CORE SERVICES REVIEW

FINAL REPORT

Prepared by Western Management Consultants,
In association with TCI Management Consultants
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NAVIGATING THIS REPORT

1

Executive Summary

This section summarizes the consultant team's general observations & key findings.

2

Project Overview

This section contains a brief overview of the project, including scope, scope constraints & methodology used to conduct the Core Services Review.

3

Recommendations

This section presents 11 areas identified by the consulting team as needing the City of Nanaimo Council's attention, recommended actions and a summary of estimated cost savings, avoidance and increased revenue.

4

Benchmarking & Best Practices Overview

This section presents an overview of the findings from the Benchmarking & Best Practice review conducted by the consulting team.

5

Management & Staff Consultation Overview

This section presents key themes that emerged from both Management & Staff Surveys conducted by the consulting team.

6

Review Results

These 3 sections summarize the consultant team's detailed analysis, findings and recommendations from the review of the 6 corporate processes, 13 departmental services and 3 external agencies that were in scope for the Core Services Review.

7

Implementation Considerations

This section presents key factors identified by the consulting team as critical to be addressed while implementing the recommendations of this Core Services Review.

8

Appendix

This section contains additional supporting information to the main report.

EXECUTIVE SUMMARY

The City of Nanaimo launched a core services review to assess its organization and operations in preparation for future challenges. A consulting team made up of WMC and TCI was engaged to design and undertake a comprehensive review of selected areas of the organization. This review involved considerable research including benchmarking and best practice examinations; stakeholder interviews; staff input and detailed data gathering in the services areas identified; and extensive analysis of the material assembled. The results of this work are outlined below.

General Observations on Current State

Operationally, Nanaimo is well-positioned – financially sound with high quality services. However opportunities for improvement and cost savings need to be realized.

The consultants found that Nanaimo municipal services are largely of high quality, safe and, extensive, and that they address most community needs. Available survey data showed that residents considered themselves to be generally well-served by their municipality. Through interview and survey feedback, it was clear that most management and staff are committed to providing a high quality of service delivery with effective communications and involvement of the public. That said, there are many opportunities for improvement and cost savings that need to be addressed if Nanaimo and its residents are to fully benefit from City services and if the City is to continue to be an attractive, economically- and socially-vital midsized Canadian city.

Nanaimo compares favorably with similar-sized municipalities

Urban Form/Sprawl – Nanaimo covers a smaller area than most benchmark municipalities, but its population is spread out due to the amalgamation of former communities. This has led to relatively larger investment in infrastructure.

Expenditures – Nanaimo's total expenditures per capita are 92% of those from benchmark communities. Expenditures on hard services, such as water, sewer, solid wastes and transportation are particularly lower than those in comparator communities. Nanaimo's expenditures on Health, Social Services and Housing are very low since these are discretionary services which Nanaimo has chosen until recently not to provide.

Debt – Nanaimo's debt level is relatively low – 89% of the average ratio for similar communities. This results in a per capita debt servicing charge that is only 59% of the average for B.C municipalities and is significantly lower than in Prince George, Kamloops and Kelowna.

EXECUTIVE SUMMARY continued

Assessment and Opportunities for Improvement

The City of Nanaimo's organizational activities are not effectively aligned around a compelling vision and strategic plan for the City as a community and for the municipality as an administrative body.

To ensure that maximum value is achieved from all activities and functions, it is critical that the Council and Administration share a common understanding of the long-term goals of the corporation, and the values and principles that will be used in achieving those goals. The lack of a clear and well-communicated vision and strategic plan was identified as a key roadblock to optimum performance. Goals need to be set and the administration must commit to, deliver, and report on the goals and their achievement. This has not always been the case in the past.

The City of Nanaimo's organization lacks strong corporate structures, controls and measures.

Many organizations grow organically, and have many areas of operational effectiveness. These areas initially tend not to be connected, and as a result are hard to achieve. As municipalities mature, it is important that informal processes be supplemented by formal ones, that generalist practices be replaced by more specialized ones and that the organization builds clear understanding about the most effective way to work together. Efficiency comes from having a single approach for recurring tasks, from maximizing the benefits of standardization and common practice, and from valuing corporate standardization over smaller customized processes. Nanaimo needs to move farther along this path to corporate priority and processes. Corporate priority-setting has been weak and the business cases especially for capital projects have lacked rigour and consistently clear presentation to support Council decision-making. Departments have operated quite independently and there is a need for more interdepartmental coordination and a commitment to follow standardized corporate policies and procedures (e.g. in purchasing).

The City of Nanaimo's organization can improve service delivery by more effective up-to-date planning relative to community needs, service levels and available resources, and by more effective management relative to costs.

Service plans in some areas are in need of updating relative to community priorities, service levels, fees and charges (for example, Parks, Recreation & Environment). Other services could be delivered more efficiently with better performance measurement and improved technology and equipment (for example, Public Works), or by maintaining service with reduced administrative and overhead costs (for example, By-law enforcement). The City should also give consideration to social, health and safety service needs as it expends few funds in this area relative to other BC municipalities.

EXECUTIVE SUMMARY continued

Assessment & Opportunities for Improvement cont'd

Relationships with unions and staff are critical to quality and efficient service delivery.

Solid relationships are at the core of successful service delivery for all municipalities. This is true within the organization, where staff and union relationships are essential. Managers and staff are looking for clearer and more consistent communication and direction from Council and senior management. Furthermore, the existing CUPE contract, while fairly negotiated and approved by past Councils, has provisions that limit productivity improvement, cost-saving opportunities and the reallocation of staff resources to meet changing service needs. The City needs to work with union representatives to address these issues in a constructive manner.

City supported external agencies need to be more effective; City objectives are not being fully met.

The Nanaimo Economic Development Corporation has not clearly established itself as a lead partner in bringing together tourism stakeholders to implement a common tourism and marketing strategy. And its economic development efforts have been hampered by continuous change at the senior management level. The Vancouver Island Convention Centre has been more effective in bringing in meeting business than in attracting conventions which provide the most economic benefit to the community. The Downtown Nanaimo Business Improvement Association has received City funding that exceeds that of most other municipal downtown business improvement organizations. However, it does not offer security services which are provided by many other similar associations. Overall, the City needs to be clearer in its expectations of funded organizations by establishing agreements that include specific targets and it needs to monitor performance more closely.

EXECUTIVE SUMMARY continued

Assessment & Opportunities for Improvement cont'd

Positive change is already underway.

The City Manager and the senior management team are taking action to address directional and communications issues identified in the staff surveys. For example, there have been a number of staff meetings to discuss change and plan for the future, and initiatives have been launched to improve corporate processes, (e.g. financial planning and budgeting, asset management, capital project priorities). Departments have also been working together to identify city-wide priorities and their funding requirements. The City Manager and staff should continue this progress by implementing the recommendations in this report in consultation with Council and the community, to realize associated efficiencies and cost savings.

There are opportunities for increased revenue and cost-savings.

This review has identified the potential for \$1.7 million in annual increased revenue and cost savings (with a present value of \$14.6 million); \$255,000 in one-time cost saving; \$400,000 in one-time revenue increases; and \$2,100,000 in cost avoidance. In addition, this review has identified other opportunities which have the potential for additional financial benefits, but require further analysis to estimate the value of the cost savings and increased revenue.

PROJECT OVERVIEW

INTRODUCTION

On October 20, 2015, the City of Nanaimo issued an RFP for a Core Services Review to

“focus on the particular context, challenges and opportunities facing the City of Nanaimo. The global review is an opportunity to compile a clear foundation of information about the current state of the City’s services and programs, how they have changed over the past decade, and what projections may be into the future. It is expected the review will also generate options for consideration by Council of how challenges may be met and opportunities maximized.”

Upon being awarded the project, WMC in association with TCI, commenced work on the project in December 2015.

OBJECTIVES

The agreed-upon objectives of the City of Nanaimo Core Services Review are:

1. To provide data on the provision and financing of Nanaimo municipal services so that:
 - a. Strengths and gaps are recognized;
 - b. Comparisons to benchmark communities can be made; and
 - c. Areas for improvement are identified.
2. To provide recommendations on areas for:
 - a. Increased efficiencies;
 - b. Cost savings; and
 - c. Capturing opportunities for significant improvement in services or resourcing.
3. To increase community and employee confidence and trust in the operations of the City of Nanaimo, and build trust within the organization.
4. To build ongoing structures and practices within the organization to continue the data gathering and decision-making tools initiated with this project.
5. To prepare the organization for future challenges.
6. To recommend a streamlined and functional organizational structure.

SCOPE

The scope of this project included the following six corporate processes, thirteen departmental services and three external agencies.

Corporate Processes

1. Strategic planning, business planning and budgeting
2. Capital Projects Planning and Development¹
3. Asset Management
4. Project Management¹
5. Purchasing and Contract Administration
6. Performance Measurement

External Agencies

1. Nanaimo Economic Development Corporation, including Tourism
2. Downtown Nanaimo Business Improvement Association
3. Vancouver Island Conference Centre (VICC)

Departmental Services

1. HR Recruitment/Retention/Succession Planning Training
2. HR/Compensation
3. Financial Policies (renamed from the original Treasury and Investments, to include other financial policy areas)
4. Transportation (Operations)
5. Sanitation
6. Fleet Services
7. Police Support
8. Bylaw/Parking
9. Facilities Planning and Operations
10. Recreation Administration, Operations and Environment
11. Permissive Tax Exemptions and Grants
12. Building Permits and Inspections
13. Subdivision, Development, Land Use Planning and Approvals

¹ Capital Projects Planning and Development and Project Management were reviewed together and the detailed findings are presented under the same section

STUDY CONSTRAINTS & CAVEATS

Out-of-scope - The Council Core Services Review Steering Committee requested that the consultant team focus its review efforts on 22 priority municipal services and corporate processes, as well as 3 external agencies. In doing so, the Committee agreed that certain areas of municipal service would not be included in the review. These were:

- The RCMP contract,
- The Fire Department
- Information Technology (IT)
- Waterworks
- Sewers

These service areas account for about 45% of the City of Nanaimo's overall expenditures.

Data - Most of the data contained in this report was provided by City staff upon our request. City staff was very helpful in providing what was asked and every effort has been made to check the accuracy of this data. That said, this Core Service Review is not an audit and, therefore, the time and resources available to independently verify the data were outside the scope of this assignment.

Provisions of the collective agreements - While wages account for about 47% of Nanaimo's expenses (including those service areas mentioned as out-of-scope), the existing CUPE contract precludes any significant reduction in the total wages paid

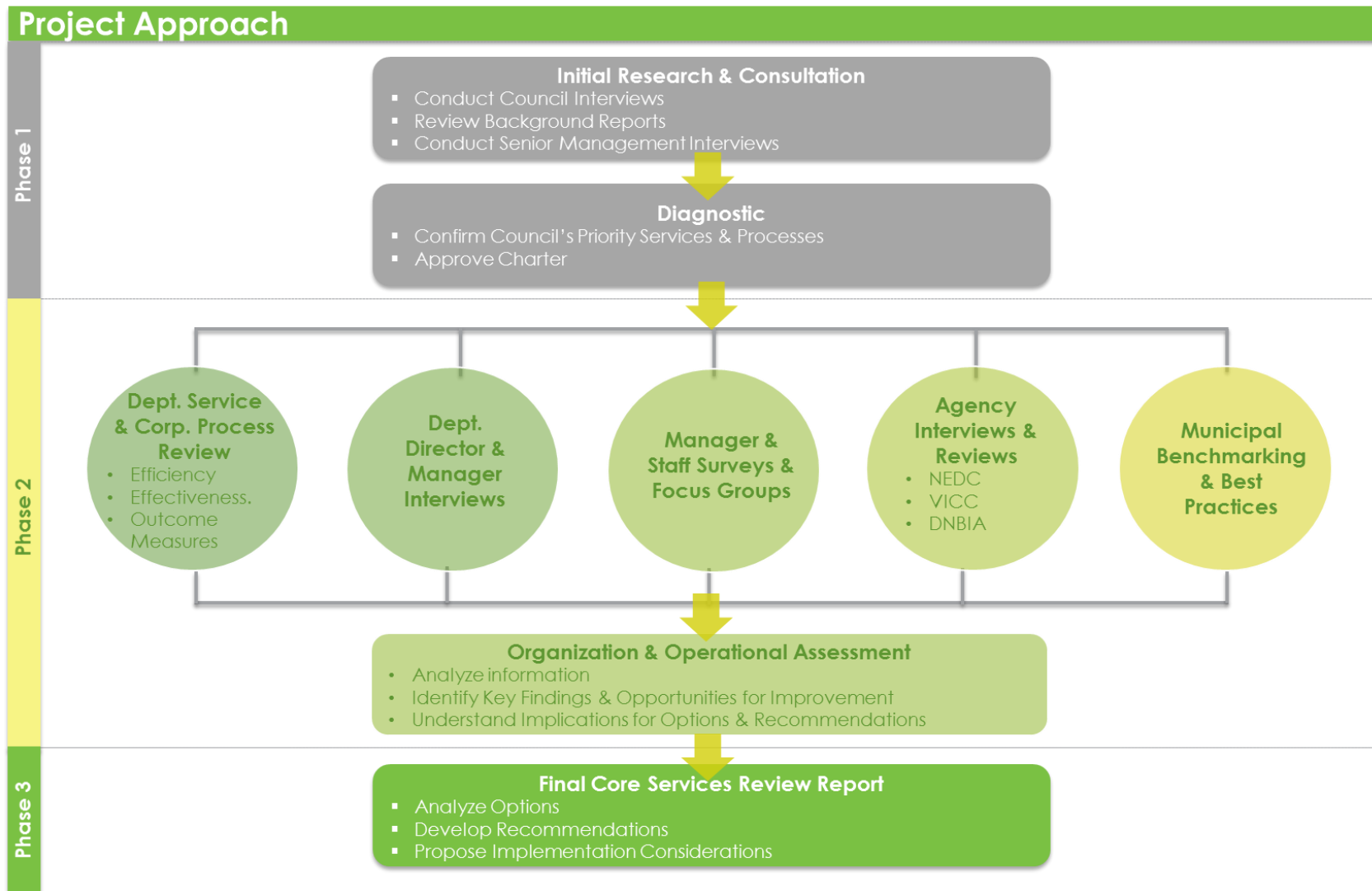
to unionized workers. Except in cases where a service is no longer provided, or in other exceptional circumstances, staff cannot be dismissed and no related cost savings can be realized. Contracting out is usually not an option, because the CUPE contract requires that a contractor pay comparable wages and the City staff whose jobs would become redundant would be reassigned to other work.

Benchmarking and best practices - Information was provided by comparable 6 BC municipalities and their assistance is very much appreciated. Information was also gathered from websites and other research. Again, every effort has been made to ensure the accuracy of the information provided. However, each of these cities has different community needs and Council priorities, and as such a true "apples-to-apples" comparison is not possible. Therefore the information provided should be considered primarily as a guide to assist the City of Nanaimo in its decision-making.

Recommendations vs Options - For the sake of clarity and brevity, Recommendations, rather than Options have been presented. These recommendations represent the Review Team's opinion as to the best option, but do not take into account the reaction of users or other affected persons to the changes that adoption of the recommendation may involve. Council should take this into consideration and may wish to undertake community consultation with respect to certain of these recommendations.

Implementation - Implementing recommendations is beyond the scope of the Review.

METHODOLOGY



*Throughout the project, the team provided bi-weekly reports to the Steering Committee. In addition, the team met with City Council 3 times (Jan, March & April).

RECOMMENDATIONS

The consultants have identified **11 areas** that require the City of Nanaimo's Council's attention. For each area, we have recommended the actions that need to be taken by the Council and / or City Administration in order to address the identified areas effectively. Details are provided in subsequent pages.

1 – Strategic Plan	That the Nanaimo City Council develop a strong and sustainable Strategic Plan to guide the City and give direction to the administration in its development of operational plans and activities.
2 - Policy Framework	That the City of Nanaimo strengthen its corporate policy framework to guide the design, delivery, tracking and reporting of all municipal services and activities.
3 -Staff Capacity	That the City of Nanaimo continue its focus on developing strong staff capacity, choosing tools and methodologies that will enable effective and efficient service delivery.
4 - Finance Policies	That the City of Nanaimo develop financial policies and practices to ensure the economic use of municipal resources, and to work towards future financial sustainability.
5 - IT Infrastructure	That the City of Nanaimo invest in appropriate IT infrastructure to enable efficiencies through consolidation, standardization and automation of key service delivery processes.
6 - Integrated Maintenance	That the City of Nanaimo commit to a single, integrated maintenance program for its physical assets (including buildings and vehicles) and that the management tools to support this initiative be standardized and on behalf of the entire corporation.
7 - Integrated Purchasing	That the City of Nanaimo commit to a single, integrated purchasing system for all municipal acquisitions.
8 - Performance Measures	That the City of Nanaimo commit to the use of service information in decision making by establishing, tracking and publicizing meaningful and timely performance measures.
9 - Community Partnerships	That the City of Nanaimo design clear and accountable guidelines to effectively partner with community organizations and agencies to provide specialized services.
10 - Grant Mandates & Monitoring	That the City of Nanaimo develop proper mandates and effective monitoring, mainly of grants to outside agencies.
11 - Efficiencies and Streamlining	That the City of Nanaimo decide on available opportunities to reduce expenditures and streamline operations.

1-STRATEGIC PLAN

That the Nanaimo City Council develop a strong and sustainable Strategic Plan to guide the City and give direction to the administration in its development of operational plans and activities.

Council Actions

1.C.1	Adopt the 2012 vision created or create a new one. Identify no more than six strategic priorities for the period 2016 to 2019 (one year into the next Council's term). (Refer Strategic Planning, Operational Planning and Budgeting, page 37)
1.C.2	Articulate the full range of community goals and identify and link the City's program outcomes to these. (Refer Performance Measurement, page 51)

Administrative Actions

1.A.1	Develop a four year, rotating Corporate Operations Plan. Departments to prepare 2017– 2019 Operating Plans for each business unit. (Refer Strategic Planning, Operational Planning and Budgeting, page 37)
1.A.2	Prepare an implementation plan to introduce multi-year budgeting, leading to four-year budgeting that coincides with the terms of councils. (Refer Strategic Planning, Operational Planning and Budgeting, page 37)
1.A.3	Create a position with the responsibility of developing and coordinating strategic and operational planning processes. (Refer Strategic Planning, Operational Planning and Budgeting, page 37)
1.A.4	Develop and implement the plans and resources needed to conduct a facilities master plan and parks and recreation master plan. (Refer Asset Management, page 43 and Parks, Recreation & Environment, page 99)
1.A.5	Develop a long term Social Wellness strategy. (Refer Police Support Services, page 86, and Parks, Recreation & Environment, page 99)

2-POLICY FRAMEWORK

That the City of Nanaimo strengthen its corporate policy framework to guide the design, delivery, tracking and reporting of all municipal services and activities.

Administrative Actions

2.A.1	Develop, for Council approval, a Capital Projects Policy. (Refer Capital Projects, page 42)
2.A.2	Foster greater compliance to Purchasing Policies. (Refer Purchasing and Contract Administration, page 48)
2.A.3	Develop a clear policy with Council on sponsorships, naming and partnering so that revenues may be increased without cost to residents. (Refer Parks, Recreation & Environment, page 99)
2.A.4	Need to clarify Bylaw 7073 on Fees charges, rentals and leasing (Refer Parks, Recreation & Environment, page 99)

3-STAFF CAPACITY

That the City of Nanaimo continue its focus on developing strong staff capacity, choosing tools and methodologies that will enable effective and efficient service delivery.

Administrative Actions

3.A.1	Develop a Strategic Organization Development Plan to address employee recruitment, retention, appraisal, succession, development and training needs. (Refer HR Recruitment, Retention, Succession Planning & Training page 57)
3.A.2	Seek to provide greater flexibility in staffing and resource allocation in the Collective Agreement. (Refer HR Compensation, page 65)
3.A.3	Conduct operational reviews of each Municipal program, beginning with those that were not in scope of the Core Services Review, with a target of conducting one or two of such reviews each year. (Refer Strategic Planning, Operational Planning and Budgeting, page 37)
3.A.4	Work with CUPE to ease scheduling issues with aquatics staff, and enhance the capabilities of supervisors in conjunction with CUPE. Alternatively, if this cannot be done consider more assistant managers. (Refer Parks, Recreation & Environment, page 99)
3.A.5	Amend the Exempt Management Policy to provide an alternative method for establishing management wage increases, job evaluation & adjusting the movement within Salary Range Provisions. (Refer HR Compensation, page 65)
3.A.6	Amend the Management Terms & Conditions of Employment Bylaw to reduce the banking of vacation days. (Refer HR Compensation, page 65)
3.A.7	Establish a policy on contracting in and the criteria that would have to be met before this could take place. (Refer HR Compensation, page 65)

4-FINANCE POLICIES

That the City of Nanaimo develop financial policies and practices to ensure the economic use of municipal resources, and to work towards future financial sustainability.

Council Actions

4.C.1	Develop a philosophy on the City's use of debt to fund major capital and infrastructure projects. (Refer Financial Policies, page 68)
4.C.2	Provide governance oversight on the City's investment portfolio. (Refer Financial Policies, page 68)

Administrative Actions

4.A.1	Develop a plan to fund asset renewal requirement post-2017, giving consideration to continuing the current 1% tax charge, amending the value upward or downward, and/or using debt. (Refer Asset Management, page 45)
4.A.2	Continue plans to implement modified zero-based budgeting. (Refer Strategic Planning, Operational Planning and Budgeting, page 37)
4.A.3	Incorporate the City's Debt philosophy in developing a comprehensive Debt Policy. The Debt policy should be integrated with other financial policies including operating and capital budget policies. (Refer Financial Policies, page 68)
4.A.4	Develop a comprehensive revenue policy and cost allocation model that enables the City to fully understand its cost of service delivery. (Refer Financial Policies, page 68)
4.A.5	City should follow its Investment Policy and prepare investment reports and provide updates to Council on a regular basis. (Refer Financial Policies, page 68)

5-IT INFRASTRUCTURE

That the City of Nanaimo invest in appropriate IT infrastructure to enable efficiencies through consolidation, standardization and automation of key service delivery processes.

Administrative Actions

5.A.1	Implementation of a common maintenance management system for all City assets should be agreed upon. (Refer Facilities Management Planning and Operations, page 95)
5.A.2	Implement the planned computerized maintenance management system and integrate it with asset management and work management tools, GIS and financial systems. (Refer Asset Management, page 43 and Transportation Operations, page 73)
5.A.3	Upgrade FleetFocus to a newer version to support downtime measurement and ensure appropriate training. (Refer Fleet Services page 82)
5.A.4	Re-deploy alternatively-sourced GPS technology in all City vehicles. (Refer Fleet Services page 82)

6-INTEGRATED MAINTENANCE

That the City of Nanaimo commit to a common, integrated maintenance framework of programs and organizational structures for its physical assets (including buildings and vehicles) and that the management tools to support this initiative be standardized and on behalf of the entire corporation.

Administrative Actions

6.A.1	Consolidate all facility management responsibilities for all City of Nanaimo facilities in one department. (Refer Facilities Management Planning and Operations, page 95)
6.A.2	Consolidate Police Support Services building maintenance staff with the facility maintenance unit. (Refer Police Support Services, page 86)
6.A.3	Develop and implement the plans and resources needed to bring facility and parks assets to the same level of asset management as is being achieved currently and planned in the future for linear assets. (Refer Asset Management, page 45)
6.A.4	Assess options for the planned maintenance management application including developing a strategy to integrate with asset management and work management tools, GIS and financial systems. (Refer Asset Management, page 45)

7-INTEGRATED PURCHASING

That the City of Nanaimo commit to a single, integrated purchasing system for all municipal acquisitions.

Administrative Actions

7.A.1	Standardize purchasing processes and tools. (Refer Purchasing and Contract Administration, page 48)
7.A.2	Identify opportunities for aggregating purchases of common categories across departments. (Refer Purchasing and Contract Administration, page 48)
7.A.3	Coordinate all vehicle rentals in Fleet Services. (Refer Fleet Services page 82)

8-PERFORMANCE MEASURES

That the City of Nanaimo commit to the use of service information in decision making by establishing, tracking and publicizing meaningful and timely performance measures.

Administrative Actions

8.A.1	<p>Report existing service level targets, identifying the source of each and reporting performance against these. Develop targets for outcome and efficiency measures. Report measures only relative to previous years' performance and targets set by the City of Nanaimo. Ensure measures are comparable across organizations before reporting in relation to other jurisdictions. (Refer Performance Measurement, page 51)</p> <ol style="list-style-type: none"> 1. Establish and Track Outcomes, Service Levels & Performance Measures. (Refer Building Permits and Inspections, page 108 and Subdivision, Development, Land Use Planning & Approvals, page 113) 2. Parks & Fleet - In the short term, ensure that performance measures at an outcome level are developed and reported. In the longer term, develop a suite of performance measures linking asset management and service levels to customers. (Refer Asset Management, page 45) 3. Fleet - Amend cost centre definitions so that predictive/scheduled maintenance and unscheduled repairs are tracked. (Refer Fleet Services page 82) 4. Adopt Council-approved targets for key outcomes and activities. (Refer Transportation Operations, page 73)
8.A.2	<p>Establish priorities so that measures are first developed for outcomes and service levels for all programs – a top-down process – and that these are reported annually to Council and the public. Following this, more detailed measures supporting governance and senior management roles should be developed. (Refer Performance Measurement, page 51).</p>

9-COMMUNITY PARTNERSHIPS

That the City of Nanaimo design clear and accountable guidelines to effectively partner with community organizations and agencies to provide specialized services.

Council Actions

9.C.1	<p>NEDC (Refer NEDC, page 120 and 121)</p> <ol style="list-style-type: none"> 1. Continue to support a community-led and –governed economic and tourism development organization. 2. Continue City level of funding beyond 2017 contingent on a new five-year strategic and accountability plan
9.C.2	<p>DNBIA - Discontinue the City Grant, and replace it with project specific grants as justified. (Refer DNBIA, page 125)</p>
9.C.3	<p>VICC (Refer VICC, page 130)</p> <ol style="list-style-type: none"> 1. Continue to support the VICC in its present form 2. Develop and implement a credible marketing destination strategy in a collaborative effort with all interested parties. 3. Attract a quality hotel with any city funding contingent on development of the destination strategy above 4. Develop and monitor a revised mandate for the management of VICC with defined performance measures 5. Develop a new management contract containing stronger performance incentives prior to the expiry of the existing contract in 2017

Administrative Actions

9.A.1	<p>Explore opportunities to attract the Y to Nanaimo and other partnership opportunities with the school board, RDN and the Snuneymuxw First Nation. (Refer Parks, Recreation & Environment, page 99)</p>
9.A.2	<p>Give the Harewood Community Centre to another Community group. (Refer Parks, Recreation & Environment, page 99)</p>

10-GRANT MANDATES & MONITORING

That the City of Nanaimo develop proper mandates and effective monitoring, mainly of grants to outside agencies.

Administrative Actions

10.A.1	Review the NEDC grant in the context of an updated strategic plan for the City and for NEDC, and in relation to comparable municipalities. (Refer NEDC, pages 120 and 121)
10.A.2	Understand and consider all forms of financial assistance (PTEs, grants and submarket rents) received by applicants when providing funds. No cap should be applied to PTEs. (Refer Permissive Tax Exemptions & Grants page 104)
10.A.3	To ensure maximum consistence in calculating financial support to benefitting organizations, provide an estimated value for property tax and sub market rents if they are not otherwise available. (Refer Permissive Tax Exemptions & Grants page 104)
10.A.4	Improve the level of financial scrutiny in respect of major operating subsidies, including clarification of mandates and expectations against which performance can be measured. (Refer Permissive Tax Exemptions & Grants page 104)
10.A.5	Review of PTEs should last 5 years rather than 3. (Refer Permissive Tax Exemptions & Grants page 104)
10.A.6	Landlords of tenants receiving PTE should be obliged to report change of occupancy or face repayment of any PTE received after the tenant leaves. (Refer Permissive Tax Exemptions & Grants page 104)
10.A.7	Consider not renewing the assistance given to the Island Corridor Rail Foundation, in light of the RDN decision to cease funding this organisation.(Refer Permissive Tax Exemptions & Grants page 104)

11-EFFICIENCIES & STREAMLINING

That the City of Nanaimo decide on available opportunities to reduce expenditures and streamline operations.

Council Actions

11.C.1	Buy 6 more new automated trucks & bins in the near future to realize potential one-time cost savings of \$255,000. (Refer Sanitation, page 77)
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Administrative Actions

11.A.1	<p>Through Reducing Positions</p> <ol style="list-style-type: none"> 1. Eliminate the vacant management position. (Refer Bylaw and Parking Services, page 91) 2. Eliminate the culture and heritage group director position. (Refer Permissive Tax Exemptions & Grants page 104) 3. Eliminate four prisoner guard positions (Refer Police Support Services, page 86)
11.A.2	<p>Through Increasing Revenues</p> <ol style="list-style-type: none"> 1. Negotiate agreements with the Province and Federal Government/RCMP to reimburse the City for costs of supporting non-municipal Nanaimo RCMP Detachment members. (Refer Police Support Services, page 86) 2. Renegotiate parking fees with hotels. (Refer Bylaw and Parking Services, page 91) 3. Clarify Bylaw 7073 and increase arena charges to be in the top 2 or 3 on Vancouver Island, Increase rates for commercial users to the highest amount the market will bear and ensure that commercial uses do not displace public uses. (Refer Parks, Recreation & Environment, page 99)
11.A.3	<p>Through Consolidating Space Requirements</p> <ol style="list-style-type: none"> 1. Close the CPSO office and move staff to SARC. (Refer Bylaw and Parking Services, page 91) 2. Prepare a Facilities Master Plan (Refer Asset Management, page 45) 3. Sell 89 Prideaux and relocate to the Public Works offices when they are rebuilt.(Refer Parks, Recreation & Environment, page 99)
11.A.4	<p>Through Rationalizing Service Levels</p> <ol style="list-style-type: none"> 1. Close the Departure Bay Activity Centre to avoid capital expenditure of \$2.1 million and accommodate users elsewhere. (Refer Parks, Recreation & Environment, page 99) 2. Consider closing Beban pool for 3 months in summer instead of one month to reduce costs. (Refer Parks, Recreation & Environment, page 99)

Administrative Actions continued

<p>11.A.5</p>	<p>Through Operational Improvements</p> <ol style="list-style-type: none"> 1. Capital Project Development, Planning, Budgeting & Management (page 42) <ol style="list-style-type: none"> i. Modify Project Scope Sheets, created for all except Preliminary Projects to include additional information ii. All projects for which a project charter is to be developed should specify the expected estimating confidence at each stage of project development. Capital projects which are identifiable but for which scope and initial project estimation have not been made should be categorized in the Capital Plan as "Preliminary Projects" and costed at best estimate plus 100% for financial planning purposes. iii. Develop criteria for assessing applicability of alternative project delivery models and include assessment of approved processes in project chartering for applicable projects. 2. Purchasing and Contract Administration (Refer page 48) <ol style="list-style-type: none"> iv. Foster increased usage of Purchasing Cards (PCards) v. Automate replenishment orders. 3. Transportation Operations (refer page 73) <ol style="list-style-type: none"> i. Develop and bring forward business cases and budgets to Support increased use of thermoplastic pavement markings and purchase of an asphalt milling machine. 4. Fleet Services (Refer page 82) <ol style="list-style-type: none"> i. Re-write Vehicle Utilization Policy, Amend Vehicle Allowance Policy and increase availability of assigned or pooled City vehicles, estimated to save \$110,000 annually ii. Implement a 12:00 (noon) to 8:00 p.m. shift for mechanics iii. Improve data sources to be able to analyze optimum fleet replacement timing, estimated to result in savings of \$32,546 annually. iv. Modify fuel use reports to Directors and the CAO to show year-over-year comparisons for each unit 5. Police Support Services (Refer page 86) <ol style="list-style-type: none"> i. Consolidate the Financial Analyst with the existing Financial Analyst that supports PRE and E&PW into Financial Services. 6. Bylaw and Parking Services (Refer page 91) <ol style="list-style-type: none"> i. Add consulting expertise as needed for technology and parking planning. ii. Cease payments of \$78,000 to VICC for security.
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Administrative Actions continued

<p>11.A.5</p>	<p>Through Operational Improvements</p> <ul style="list-style-type: none"> 7. Parks, Recreation and Environment (Refer pages 99 & 100) <ul style="list-style-type: none"> i. Provide additional planning and marketing resources. ii. Seek a program for low income users that is easier to administer than LEAP. iii. Develop policy to resolve conflicts between user groups relative to facility use and scheduling. iv. Add marketing capabilities to optimize facility. 8. Subdivision, Development, Land Use Planning & Approvals (Refer page 113) <ul style="list-style-type: none"> i. Improve Coordination between Service Centre and other Community Development sections. ii. Consider the Establishment of a Formal Pre-Consultation Process to Start Development Application Review Process.
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Opportunities for Increased Revenue and Cost Savings

Annual Cost Savings, Avoidance and Revenue Opportunities

Area	Recommendation	Potential Annual Savings / Avoidance / Revenue
Police Support Services	Eliminate four prisoner guard positions under Police Support Services	\$360,000
	Negotiate agreements with the Province and Federal Government/RCMP to reimburse the City for costs of supporting non-municipal Nanaimo RCMP Detachment members.	\$240,000
Fleet Services	Improve data sources to be able to analyze optimum fleet replacement timing	\$32,000
	Re-write Vehicle Utilization Policy, Amend Vehicle Allowance Policy and increase availability of assigned or pooled City vehicles	\$110,000
	Re-deploy alternatively-sourced GPS technology in all City vehicles	\$30,000
Bylaw and Parking Services	Eliminate the vacant management position	\$110,000
	Close the CPSO office and move staff to SARC	\$38,000
	Add consulting expertise as needed for technology and parking planning	-\$20,000
DNBIA	Discontinue the City Grant, and replace it with project specific grants as justified.	\$230,000
Culture and Heritage	Eliminate the culture and heritage group director position	\$140,000
Parks, Recreation and Environment	Close the Departure Bay Activity Centre to recover operating cost savings and achieve increased revenue rentals at other centres	\$36,000
	Give the Harewood Community Centre to another Community group	\$10,000
	Consider closing Beban pool for 3 months in summer instead of one month to reduce costs	\$280,000
Permissive Tax Exemptions and Grants	Consider not renewing the assistance given to the Island Corridor Rail Foundation, in light of the RDN decision to cease funding this organisation	\$121,000
Total estimate for Annual Cost Savings and Revenue Opportunities		\$1,717,000*

* The **Present Value** of these annual savings/revenues amounts to **\$14.6 million**, calculated by discounting the annual savings/revenues at the City's borrowing rate (3%) for 10 years. The discount reflects the fact that future savings/revenues are worth less than current ones.

Opportunities for Increased Revenue and Cost Savings *continued*

One-time Cost Savings, Avoidance & Revenue Opportunities

Area	Recommendation	Potential One-Time Savings / Avoidance / Revenue
Sanitation	Buy 6 more new automated trucks & bins in the near future	\$255,000
Parks, Recreation and Environment	Close the Departure Bay Activity Centre to avoid capital expenditure	\$2,100,000
	Sell 89 Prideaux and relocate to the Public works offices when they are rebuilt	\$400,000
Total estimate for One-time Cost Savings, Avoidance and Revenue Opportunities		\$2,755,000

Opportunities for Increased Revenue and Cost Savings *continued*

Additional opportunities for Increased Revenue and Cost Savings which cannot be estimated without further analysis

Area	Recommendation
Asset Management	Develop and implement the plans and resources needed to conduct a facilities master plan and parks and recreation master plan, with order of magnitude savings estimated at ~\$50,000 ² .
	Implement the planned computerized maintenance management system and integrate it with asset management and work management tools, GIS and financial systems, with the order of magnitude savings estimated at ~\$50,000 ² .
Purchasing and Contract Administration	By implementing all of the recommendations made for Purchasing and Contracting, the City should realize significant cost savings on goods and services procured.
HR Compensation	Amend Exempt Management Policy and Management Terms and Conditions Bylaw.
	Amend the Management Terms & Conditions of Employment Bylaw to reduce the banking of vacation days, which in turn will reduce the growth in City's financial liability which currently stands at over \$510,000.
Fleet Services	Modify fuel use reports to Directors and the CAO to show year-over-year comparisons for each unit, with order of magnitude savings estimated at ~\$10,000 ² .
	Implement a 12:00 (noon) to 8:00 p.m. shift for mechanics, with order of magnitude savings estimated at ~\$25,000 ² .
	Coordinate all vehicle rentals in Fleet Services, with order of magnitude* savings estimated at ~\$5000 ² .
Bylaw and Parking Services	Renegotiate parking fees with hotels.
Parks, Recreation and Environment	Increase arena rental charges to be in the top 2 or 3 on Vancouver Island. Increase rates for commercial users to the highest amount the market will bear and ensure that commercial uses do not displace public uses.
	Develop a clear policy with Council on sponsorships, naming and partnering so that revenues may be increased without cost to residents.
Facilities Management Planning and Operations	Consolidate all facility management responsibilities for all City of Nanaimo facilities in one department – better purchasing practice and oversight of contractors should bring cost savings and better value for money; improved capital project management and estimating should reduce future cost overruns on facility renovations and construction; consistent preventive maintenance and recording of repairs should reduce replacement costs for building system components and maintain warranties.

² Order of Magnitude Estimates should be considered at -50% to +100% level of confidence.

BENCHMARKING AND BEST PRACTICES OVERVIEW

Benchmarking with other BC Municipalities

To provide a further perspective on the City of Nanaimo and its service delivery a benchmark and best practices comparison was undertaken with 6 other BC municipalities of a comparable population size. These municipalities are:

- City of Chilliwack
- City of Kelowna
- City of Kamloops
- District of North Vancouver
- City of Port Coquitlam
- City of Prince George

The benchmark information provided here and elsewhere in the report was gathered from a variety of sources. Interviews were undertaken with City Managers and CAOs of the benchmark municipalities as well as with some of their managers and each municipality provided us with helpful comparative information. The consultant team would like to express our appreciation to all of these City Managers and CAOs and their staff for all the assistance they have provided without which this benchmarking could not have been completed. (Please see Appendix 1, page 133, for a list of key staff who contributed to the Nanaimo Core Services Review). Information has also been gathered from municipal websites and reports, from BC government sources as well as from other municipalities in Canada.

Every effort has been made to ensure the accuracy of the comparative information provided; the consultant team apologizes and takes responsibility for any inadvertent inaccuracies.

Each of the benchmark municipalities, while have a similar sized population, are unique in many ways. Prince George is the most northerly of the communities and its services will be affected by winter weather more than others. Kelowna and Kamloops are interior BC communities while Port Coquitlam, the District of North Vancouver and Chilliwack are within the direct economic influence of the greater Vancouver area.

Each municipality has a different history of development and growth and their municipal councils will have and had different priorities which will account for differences in how services are delivered and related costs. For these reasons the comparative information which follows here and to be found in other sections of this report should be considered only as a guide to better understanding of municipal service delivery and related costs.

City of Nanaimo in Comparison to Benchmark Municipalities

Operationally, Nanaimo is well positioned and compares favourably with similarly sized municipalities in the provision of municipal infrastructure to benefit its residents. Nanaimo has generally more infrastructure per capita as can be seen in the chart³ to the right. Nanaimo has a smaller geographic area than most benchmark municipalities, but its population is spread out due to the amalgamation of the former communities, which has led to relatively larger investment in infrastructure.

Municipality	Population	Area	Exempt Parkland	Storm Sewer	San. Sewer	Water Pipe	Paved Roads
	total	sq.m. per cap.	sq.m. per cap.	metres per cap	metres per cap	metres per cap	metres per cap
Chilliwack	82,918	3,241	44	4	4	5	8
Kamloops	89,417	3,520	607	4	6	7	14
Kelowna	121,422	2,305	154	3	5	3	13
Nanaimo	88,869	1,019*	146	6	7	7	7
N Vancouver Dist.	86,623	1,905	85	6	7	7	4
Port Coquitlam	59,813	576	93	4	3	4	4
Prince George	73,590	4,476	231	5	6	7	11
Average	85,386	2,435	194	5	5	6	9

*Includes parks in Nanaimo owned and operated by other organizations

City of Nanaimo Expenditures Relative to

Benchmark Municipalities - Nanaimo's total expenditures per capita are 92% of those of the benchmark communities. Its expenditures are particularly lower for hard services, such as water, sewer, solid wastes and transportation. Nanaimo has very little expenditure on Health, Social Services and Housing, particularly as compared to the District of North Vancouver but has higher on average expenditures on protective services and particularly with respect to Chilliwack and Port Coquitlam's.

City of Nanaimo Revenues Relative to Benchmark Municipalities - Nanaimo's total revenues from all sources are slightly lower than the average for the benchmark cities. Nanaimo's per capita property taxes and grants in lieu are slightly above average than benchmark cities and higher specifically relative to Chilliwack, Kelowna and Port Coquitlam. 57% of Nanaimo's total revenues are from property tax and grants in lieu. In contrast Nanaimo's fees and charges are lowest among the benchmark municipalities.

City of Nanaimo's Long-term Debt Relative to Benchmark Municipalities - Nanaimo's debt level is relatively low – 89% of the average for the benchmark municipalities and its per capita debt servicing is 59% of the comparative average. Nanaimo's long-term debt is significantly lower than that of Prince George, Kamloops and Kelowna. Chilliwack has the lowest level of municipal debt.

City of Nanaimo Residential Taxes Relative To Benchmark Municipalities - The City of Nanaimo collects a somewhat higher proportion of its taxes from residential taxpayers than do other benchmark municipalities but its property and other charges on an average representative house are lower than the average for the benchmark municipalities.

Conclusion - The City of Nanaimo is well positioned financially relative to its comparators and has invested significant resources into providing needed infrastructure. While its residential property taxes as a percentage of total taxes are slightly higher than average, its revenue from fees and charges (sale of services) are lower. Nanaimo has relatively low long-term debt. While it collects a somewhat higher percentage of its taxes from residential taxpayers on average relative to the other benchmark cities, its taxes on a representative house are lower than all of the benchmark cities, with the exception of Chilliwack (Additional information is provided in Appendix 1, pages 134-138).

³ Chart based on WMC/TCL calculations using data from BC Local Government Statistics, Ministry of Community, Sport and Cultural Development, 2014 data

BEST PRACTICES IN MUNICIPAL SERVICE DELIVERY

City Managers and CAOs were asked via interviews, to identify what they considered their municipal best practices in service delivery to be and what they would like to share with other municipalities based on their experience. The following chart is a summary of the information the consultant team obtained via these interviews and web research. These best practices are consistent with their own experience and have guided them in their review of Nanaimo’s services. The consultant team has also included in the comparison Chart that follows what the team considers to be some of Nanaimo’s best practices. A table with additional information on these best practices is provided at Appendix 2, page 139.

City of Nanaimo	City of Kamloops	City of Kelowna	District of North Vancouver	City of Port Coquitlam	City of Prince George	City of Chilliwack
<ul style="list-style-type: none"> ■ Development Application & Building Permit Review Supported by State-of-the-Art IT Systems ■ Electronic Town Hall Meetings 	<ul style="list-style-type: none"> ■ 3-year Budget Planning & Accountability ■ Leadership in Mapping & GIS ■ Commitment to Public Reporting on Service Levels & Performance Standards 	<ul style="list-style-type: none"> ■ Innovative HR Practices ■ Succession Planning ■ Communications Training for Managers ■ Development & Use Of Service Request Tracking System 	<ul style="list-style-type: none"> ■ Formal Structured Approach to Consultation Prior to Submission of Development Applications 	<ul style="list-style-type: none"> ■ Innovative HR Management Practices ■ Building Good Corporate Culture To Attract People ■ Capital Equipment Replacement & Repair 	<ul style="list-style-type: none"> ■ Innovation in Community Consultation following Core Services Review 	<ul style="list-style-type: none"> ■ Design/Build on Capital Projects ■ Pay-As-You-Go Approach To Capital Projects ■ Partnerships & Service Contracts For Recreation & Cultural Programs & Facilities ■ Labour Relations

Source: BC Benchmark Municipalities

The benchmark municipalities are pursuing a number of best practices in human resources management, in budgeting, in community consultation in business processes, in using technology and systems and in measuring and reporting on their municipal service delivery. These best practices as well as others have been taken to consideration of our review of the City of Nanaimo’s services and our recommendations. Further benchmarking and best practices information can be found in the individual service and corporate process reviews which are provided in this report.

MANAGEMENT & STAFF CONSULTATION OVERVIEW

Methodology

Managers and staff were consulted in this Core Services Review in a number of ways. Directors were interviewed initially to gather information on their services and delivery and the objectives they wished to see achieved through the review. They were then interviewed subsequently on more than one occasion relative to Council's identified priority services for review and the manner in which these services are being provided within their departments. They were also interviewed with respect to how their department participated in overall corporate processes. Managers and staff were consulted through a manager and staff survey and through participation in focus groups that explored specific service delivery issues and challenges.

Confidential manager and staff surveys were distributed through the City's Intranet system as well as made available as paper copies. The manager survey response rate was 84% of potential respondents, and the staff survey was 52%. Based on our experience, these are very good response rates for voluntary surveys of this nature in municipal government.

Themes emergent from Staff Survey

Improved Direction & Communication from Council, Directors & Managers - Staff would like to see clearer and more consistent

direction and communication from Council and their management. The differing views being expressed by Council and the changes which have occurred at the management level have contributed to some unease and lack of clarity as to what priorities and expectations staff are to work towards. Staff would like to see directors and managers take more leadership in conflict resolution amongst staff where this may be affecting productivity and morale. Staff also noted that where there are unmotivated co-workers, this should be addressed by management. Staff would also like to receive more feedback on their work, particularly positive feedback where it is warranted.

Increased Staffing to Match Workloads - Staff have the view that as the City of Nanaimo is growing the demand for municipal services is increasing commensurately. Also, that resident expectations with respect to the quality and range of services to be provided is also increasing. These are leading to increased workload without a commensurate increase in staffing. It was noted few, if any, staff positions have increased and that positions have been reduced in some departments. Staff noted that their workloads are also impacted by the fact that coverage for vacations, sickness and people on leave is not always provided. Some staff also believe that they are undertaking work which extends beyond that which is documented in their job description.

Equipment & Technology Need Upgrading - Staff expressed a variety of concerns with respect to the equipment and technology that they are dependent upon for providing quality service. The current Citrix communications system was cited as becoming obsolete (which was confirmed by the recent unexpected shut down in service). Staff who use vehicles and powered equipment in Public Works and Parks, Recreation & Environment identified that vehicles and equipment are being kept beyond their productive lifespan, and are breaking down and often off line for repairs. When the equipment is not available or breaks down, staff report that this often leads to a lowering of their productivity and challenges in meeting service delivery expectations. Staff would also like to see more opportunities for training in better documented administrative processes, use of software and for new employees. As a result, staff noted that they are not always able to make optimal use of the available software programs.

Improvements to Work Environment Would Support Productivity - Some staff indicated that the facilities they work in and the physical layout or space plan within these facilities could be improved. This was referenced most often with respect to the open work stations in the SARC building and the building configuration and layout within which Protective Services staff operate.

Improved Communications Within Departments & With Other Departments -

Staff who are involved in processes that depend on information and / or support from staff in other departments would like to see improved communications and inter-departmental processes to make the work more productive. Other staff would like to see improved communications within their departments relative to services that are carried out in different sections, particularly if they have an impact on their own work.

Themes emergent from Management Survey

Staffing to Better Match Workload & Customer Service Needs -

Managers in their survey responses also believe that the City is growing and that there is a need to increase staffing to better match workload and customer service needs. They noted that it is difficult to recruit qualified and experienced staff when there are vacancies. In order to reduce the time taken to fill vacancies, they recommend improving the job posting and hiring process. Managers also made numerous comments with respect to the constraints of the collective agreement and relationship with CUPE with respect to use of staff resources, and perceived resistance to change in work methods and use of technology, e.g. GPS. Managers also noted the difficulties in scheduling staff. Coordination and scheduling with permanent part-time staff was noted particularly by managers in Parks, Recreation & Environment.

Clearer Council & Senior Management Direction & Communications -

Managers expressed a desire that Council have a greater understanding of the services they provide and the challenges they face in providing high quality services with limited resources. They would like to have a better understanding of Council's priorities and goals and clearer direction from senior management on their expectations with regard to how managers can best address these priorities. The recent senior management changes were noted as having been disruptive and contributing to the perceived lack of clear direction. Managers would like to see greater trust and respect from Council and senior management for their and their staff's efforts. Managers expressed appreciation for the City Manager's initiation of inter-departmental manager meetings which improve inter-departmental communications and would like to see more of these meetings.

Improvements to Inter-departmental Coordination & Communication -

Managers noted that the City's administration and the functioning of their own departments and sections would be improved with better inter-departmental coordination and communication, particularly with respect to corporate processes and transactions. Examples cited included development approvals processes and bylaw enforcement where effective service involves coordination with other departments. They also noted that capital projects, planning and delivery often involve several departments and that priority setting and the ongoing management of capital projects could be improved.

Summary Comments

The manager and staff survey findings are very consistent with the information that the consultant team received in their other consultation activities. In undertaking the Core Services Review and in considering options and recommendations relative to Council's identified priority services and corporate processes, the team has sought to address the themes for improvement that have been expressed by managers and staff. Further, there were many specific comments in the questionnaire responses which related to a particular service or process and these have been taken into consideration in the service and process reviews, assessments, options and recommendations.

CORPORATE PROCESSES' REVIEW RESULTS

This section summarizes our detailed analysis, findings and recommendations for the six corporate processes (given below) in scope for the Core Services Review. Additional details where applicable is provided in the Appendix of this report.

1. Strategic planning, business planning and budgeting
2. Capital Projects Planning and Development*
3. Asset Management
4. Project Management*
5. Purchasing and Contract Administration
6. Performance Measurement

**The processes Capital Projects Planning and Development, and Project Management were reviewed together and the detailed findings are presented under the same section*

STRATEGIC PLANNING, OPERATIONAL PLANNING and BUDGETING

BACKGROUND AND CONTEXT

Introduction

Strategic planning is the tool with which Council:

- Determines what the City will become (the long term vision)
- Identifies key actions needed to achieve the long term vision (strategies and priorities)
- Identifies important community outcomes and establishes service levels in its programs which will lead to influence of the outcomes

Operational planning (sometimes referred to as business planning) is a tool for Administration to:

- Communicate to Council and the public the key services and service levels provided and how these address the strategies and outcomes Council has identified;
- Identify how funding is being allocated to achieve Council's priorities; and
- Link planned expenditures to the activities and services they support; by extension, this leads to the outcomes Council intends.

Budgeting is the tool which costs the resources needed to deliver the programs and authorizes administrative actions and expenditures to deliver the approved service levels in program areas. Budgeting is usually presented by programs or

departments and by type of expenditure (staffing, equipment, materials, etc.).

The strategic planning, operational planning and budgeting processes are linked to other processes including asset management, service master planning and performance measurement so that they form a cyclical system that enhances how the municipality serves its citizens and demonstrates good governance and management. The components of the planning and budgeting cycle and links to other processes are illustrated in the figure below.

Integrated Planning Framework



This portion of the Core Service Review assesses Strategic Planning, Operational Planning and Budgeting, the green circles in the cycle above. Asset Management and Performance Measurement (gray circles) provide key information for plans and budgets; these are reviewed separately. Service reviews, such as this Core Services Review, and specific plans such as program master plans also provide information upon which plans are based.

BENCHMARKING, BEST PRACTICES and NANAIMO'S PERFORMANCE

Leading municipalities adopt an integrated approach such as the one above. Review of the practices of leading municipalities has provided us the criteria to assess Nanaimo's planning and budgeting processes and where future efforts should be focused. Additional information on benchmarking can be found at Appendix 3, pages 143-148.

The City has prepared a Strategic Plan for the period 2012-2015. The Strategic Plan and previous operational plans contain much of the information in leading practice processes, although perhaps aligned differently.

Leading Practice Criteria		Nanaimo Equivalent	
Long term vision	Developed with community input; describes broad aspirations	✓	Very good description of the target community, lifestyle, economic base, citizens and workers
Council's Strategic Plan	Small number of measurable priority goals to be achieved in Council's term of office	■	Six qualitative priorities stated, matched previous Council's term, but not updated for this Council
Corporate Plan*	Addresses organizational capacity, culture and accountability framework	■	Capacity not addressed in any operational plans; strategic plan initiatives for other areas of concern
Department Operational Plans	Specific links or contribution to strategic plan, corporate business plan or other adopted plans culminating in: <ul style="list-style-type: none"> ■ Service/service level changes ■ New initiatives ■ Targets for outcomes and key service levels 	✓	Some strategic level changes and new initiatives listed <ul style="list-style-type: none"> ■ Some incremental spending or activities are labeled "service levels" which reduces clarity ■ Few outcome of key service level targets found
Operating Budgets	<ul style="list-style-type: none"> ■ Top-down Strategy ■ Service level changes and new initiatives are formally prioritized by contribution toward strategic goals or other criteria ■ Evidence of diligent costing of existing services. ■ Multi-year, matched to Council's term of office 	■	<ul style="list-style-type: none"> ■ Budgets are resource-driven, developed from bottom up. ■ No formal ranking or prioritization of service level changes or new initiatives ■ Modified zero-based budgeting being introduced ■ Single year
Capital Budgets	<ul style="list-style-type: none"> ■ Long term capital plans developed from asset management plans or service master plans for each major program area ■ Formal prioritization process, recognizing strategic plan goals and/or other factors 	✓	<ul style="list-style-type: none"> Long term capital plan in place ✓ Prioritization across departments/programs being addressed

*No Corporate Plan exists. Some of the features of a corporate plan are addressed in the Strategic Plan and have led to action, but the initiatives do not appear to have strong ownership by Administration.

SIGNIFICANT FINDINGS and RECOMMENDATIONS

Findings

- **The lack of a strategic plan for this Council is a noticeable deficiency.** Plans are in place for this Council to address strategic planning in May.

- **Operational planning by departments is not formalized.** Some components were prepared in 2012, primarily describing services provided. This showed no linkages to the Strategic Plan and few links to operating budgets.

- **Operating budgets are prepared for one year only,** whereas leading municipal practice is to prepare multiyear budgets for approval one year after municipal elections (lag time needed to allow new Councils time to establish their strategic plans and priorities).

- Budgeting processes in most departments are resources-driven and not linked to strategic priorities, or delivery of services at a particular level of service or identified work volumes. Current plans are in place to introduce a modified zero-based budgeting approach.

- The **Core Services Review did not include all service areas and processes** limiting opportunity to inform Council and the Administration on opportunities for adjustments to service levels and operational practices.

- While development and coordination of budgeting is an ongoing responsibility of Financial Services, there is **no corresponding assignment of resources and responsibility for strategic and operational planning.**

Recommendations

- City Council should formally adopt the vision created in 2012 or develop its own vision.
- City Council should identify not more than six priorities for the period 2016 to 2019 (one year into the next Council's term). The format of the 2012 to 2015 Strategic Plan is satisfactory for this.

- **Develop a Corporate Operations Plan**
- **Departments should prepare 2017 – 2019** (one year into the next Council's term) **Operating Plans** for each business unit as laid out in Appendix 3, pages 149-150.

- Finance Department should prepare an implementation plan to **introduce multi-year budgeting**, eventually leading to four-year budgeting that coincides with the terms of Councils. A chart showing the proposed budgeting cycle is provided in Appendix 3, page 149.

- **Continue plans to implement modified zero-based budgeting.**

- **Conduct operational reviews of each Municipal program,** beginning with those that were not in scope of the Core Services Review, with a target of conducting one or two of such reviews each year.

- The **CAO should create a position with the responsibility of developing and coordinating strategic and operational planning processes.** This position might also have responsibility for development and coordination of performance measures and the accompanying accountability framework.

CAPITAL PROJECT DEVELOPMENT, PLANNING, BUDGETING & MANAGEMENT

BACKGROUND AND CONTEXT

Introduction

The services delivered by municipal governments rely on capital goods: infrastructure, fleet and equipment, tools and technology. These goods are, by definition, long-lived; they are also expensive to acquire or build, then to operate maintain and renew throughout their lifecycles. How capital projects are identified, developed from conceptual plans, designed or specified for construction or purchase, budgeted, managed and delivered for use impacts their cost and the quality of services they can support. It is important then that the processes used be well thought out and executed.

By including this group of processes as part of the Core Services Review, the City of Nanaimo Council recognizes that even small process improvements could have large cost and service implications. As important, Council requires assurance that the processes reflect leading industry practices and will provide best value capital assets for the community.

Linkage to the City of Nanaimo Strategic Plan

While the most recent Strategic Plan makes few direct references to capital project delivery, priorities including asset management, waterfront development and water resources all involve effective and efficient management of capital planning, development, budgeting, and delivery.

Capital Projects Management

Capital projects are planned, developed, budgeted and delivered by a number of departments: most, by number are the responsibility of Engineering and Public Works, but Parks, Recreation and Environment, Community Development, Police Support, Fire and Information Technology all have capital programs and projects. The majority of assets (roads, water, sewer, drainage) the City now owns were initially built through the subdivision/development servicing process and then transferred over to the City for operation and ultimately renewal. This highlights the importance of setting development servicing standards of the highest quality and that will provide good value throughout the asset life.

Key activities undertaken in capital projects include:

Key Activities
<ul style="list-style-type: none"> ■ Identification ■ Conceptual development ■ Design ■ Specification ■ Budgeting and financial planning ■ Tendering ■ Construction or purchase ■ Commissioning or acceptance ■ Project closure

FINANCIAL IMPACT AND CONSIDERATIONS

The City's 2016-25 capital plan has a total planned outlay of **\$391 million**. This plan includes assets that are designed and constructed or specified and purchased.

In 2015, the City completed 122 capital projects, with planned expenditures of \$8,118,000. There were only five projects which completed with over-expenditures relative to adjusted budget; the remainder were completed at a total of \$2,245,000 or 28% under budget. Funds not expended are returned to the capital funding pools from which they originated.

Estimating Confidence

This large level of under-expenditure was reviewed and it was determined that:

- Exceptionally favorable tender prices accounted for significant savings in some large projects, reflecting changes in local market conditions
- Some projects were reduced in scope after budget approval.

To determine if budgets were biased toward being too conservative (high

values), a sample of 29 completed projects planned, budgeted and managed by Engineering and Public Works were selected and reviewed. In total the projects varied by only 3% from final estimate, although half had variances exceeding +/- 10%. There were no significant differences between estimates made by consulting engineers and those made by City engineers, although this may reflect the situation where consultants used the City's past project costs database in some cases. Further review found that, or some projects, there were enough unique factors present that simply applying the unit costs from the City's past projects database would be lead to inaccurate estimates.

Project estimates are made throughout the development phases: at project identification, conceptual design, half-way through detailed design, at completion of detail design (pre-tender) and post-tender. Adjustments and transfers to budgets are made post-tender to ensure sufficient funding to complete.

For routine projects, unit cost databases from previous completed projects are maintained and updated each year to provide what should be a comprehensive and current base from which to make initial estimates. In other cases, supplier estimates are sought prior to approval. Both of these practices conform to leading practice expectations and should yield reliable estimates.

It appears that, when budgeting for projects where there is risk or uncertainty that is not possible to quantify at the time of the estimate, worst case scenarios are sometimes used. For example, if rock is expected in an underground project but there is no idea how much, the estimator is likely to be conservative in their estimate (this usually only applies at the budget estimate stage). This thinking is exacerbated when the consequences of estimating too low are worse than estimating too high. The Engineering Manager is cognizant of the need to control estimating bias and has attempted to promote learning from experience.

Regardless of the ability to accurately estimate final project costs, the City Administration does not adequately communicate the level of confidence in its estimates, the Council of the public.

BENCHMARKING, BEST PRACTICES and NANAIMO'S PERFORMANCE

Effective capital project delivery requires that processes be established that perform a number of critical elements. Experience has shown that the most important factors in delivering successful projects on time and on budget is to ensure projects are well defined up front and minimize scope changes once a project is underway. Effective project delivery also requires management of expectations, the basis on which success or failure is assessed. This includes expectations regarding project function, capacity and cost, as well as the level of involvement and influence of internal and external stakeholders.

Leading municipal practice is to develop a project management policy to govern all aspects of project development and delivery in terms of the planning and development process steps and roles and responsibilities of key participants. A summary of Nanaimo's performance against leading practices is provided below. Detailed descriptions of leading practices as well as Nanaimo's performance is provided in Appendix 4, pages 151-152.

Leading Practice Criteria		Nanaimo Rating
Policy	<ul style="list-style-type: none"> A policy exists specifying roles and responsibilities to be assigned and how key project activities will be undertaken. 	<ul style="list-style-type: none"> No such policy exists in Nanaimo. There are some standardized procedures in place, governing some roles.
Project Identification	<ul style="list-style-type: none"> Support for services, capacity, function and condition of assets are the primary factors which inform decisions on renewal or replacement. 	<ul style="list-style-type: none"> ✓ Most projects are initiated from an asset management system. Projects initiated from outside the Administration are at higher risk of incomplete initial scoping.
Programming	<ul style="list-style-type: none"> Project charter developed for unique projects, stating objectives, capacity and functional requirements 	<ul style="list-style-type: none"> ✓ Project scope sheets fulfill this requirement for routine projects ✓ Charters for IT projects have been used and for other unique projects are being implemented
Project Delivery Model	<ul style="list-style-type: none"> Criteria are established to choose among project delivery models: design-bid-build; design-build; construction management; and other extended models 	<ul style="list-style-type: none"> Design-bid-build delivery method used mostly, other options considered for unique projects. There are no established criteria that are consistently used for these decisions.
Project Organization and Roles	<ul style="list-style-type: none"> Project organization established: Project Sponsor (retains overall accountability throughout the project) and Project Manager are identified. There is continuity of accountability as the project proceeds through all phases. 	<ul style="list-style-type: none"> ✓ Standard project organization used on most projects; this is being reviewed and updated to ensure accountability while providing flexibility. Facility projects are at higher risk when responsibility transfers across departments to positions with unclear skill levels.
Conceptual Design	<ul style="list-style-type: none"> Conceptual design prepared after analysis of major alternatives. Business cases prepared 	<ul style="list-style-type: none"> ✓ Thorough conceptual design prepared 2-3 years before construction for Engineering projects ✓ Enhanced business cases are being developed
Detailed Design	<ul style="list-style-type: none"> Design standards guide development of architectural and engineering features 	<ul style="list-style-type: none"> Design standards exist only for routine infrastructure projects



Leading Practice Criteria		Nanaimo Rating	
Tendering (for construction to be contracted)	<ul style="list-style-type: none"> Project is tendered 	<ul style="list-style-type: none"> ✓ Projects bundled to achieve efficiencies in many, but not all cases. ▪ Approval of all high value tenders by Council is redundant to capital budget approval, is burdensome and of limited utility. 	
Construction	<ul style="list-style-type: none"> Project manager/construction manager oversees Project is inspected for compliance with specifications and quality control; deficiencies are corrected 	<ul style="list-style-type: none"> ✓ All projects are assigned a project manager ▪ Only projects constructed with external forces are inspected 	
Closure	<ul style="list-style-type: none"> Project commissioning occurs Formal project closure process in place Project Sponsor signs off commissioned 	<ul style="list-style-type: none"> ✓ Commissioning occurs where warranted ▪ Project closure processes are inconstant ▪ Formal project sign off has not been widely used 	
Estimating	<ul style="list-style-type: none"> Level of estimating is progressively refined at each phase Level of estimating confidence is conveyed to stakeholders 	<ul style="list-style-type: none"> ✓ Capital budget estimates are updated throughout design and finalized for capital plan approval. ✓ Confidence in estimates is not articulated 	
Risk Management	<ul style="list-style-type: none"> ✓ Project risk assessment document prepared for major projects 	<ul style="list-style-type: none"> ✓ For engineering projects plans are to include risk commentary on the project sheets. 	

SIGNIFICANT FINDINGS and RECOMMENDATIONS

Findings	Recommendations
<ul style="list-style-type: none"> Project scope sheets are used for all capital projects to record basic project information. 	<ul style="list-style-type: none"> Modify Project Scope Sheets, created for all except Preliminary Projects, to include information on: <ul style="list-style-type: none"> Requirement for a project charter or reference to a standard form project charter Project governance (template or project-specific) and all project roles Project delivery model to be used Other options selected where they are permitted under the Project Management Policy Level of estimating confidence at each stage of the project
<ul style="list-style-type: none"> A clear policy for project management and delivery is lacking. 	<ul style="list-style-type: none"> Develop, for Council approval, a Capital Projects Policy that stipulates: <ul style="list-style-type: none"> Categories of projects and how these are assigned; flexibility of policy requirements is acceptable if criteria for application of policy requirements is stated Project governance, accountability, assignment of responsibility and project roles; these should include standardized frameworks to reflect the size and types of projects undertaken and the criteria that will be used to select the most appropriate for each project. Each project is assigned a Project Sponsor authorized as final decision maker and to whom accountability rests Approved project procurement/delivery methods and criteria for selecting Documentation requirements The use of project charters Project monitoring and reporting requirements Project closure
<ul style="list-style-type: none"> Project budgeting and estimating, while following typically-expected municipal practices, do not communicate the degree of confidence at various stages of development. 	<ul style="list-style-type: none"> All projects for which a project charter is to be developed should specify the expected estimating confidence at each stage of project development. Capital projects which are identifiable but for which scope and initial project estimation have not been made should be categorized in the Capital Plan as "Preliminary Projects" and costed at best estimate plus 100% for financial planning purposes.
<ul style="list-style-type: none"> There is no formal requirement to assess alternative project delivery models, including Design-Build or Construction Management that offer time, cost and risk benefits for certain types of projects. 	<ul style="list-style-type: none"> Develop criteria for assessing applicability of alternative project delivery models and include assessment of approved processes in project chartering for applicable projects.

ASSET MANAGEMENT

BACKGROUND AND CONTEXT

Introduction

Asset Management is an integrated approach involving planning, finance, engineering and operations to effectively manage existing and new assets. The intent is to maximize benefits, reduce risks and provide desired levels of service to the community in a sustainable manner. Asset Management may be considered as a system of processes, but ideally it is seamlessly integrated into the way municipal programs are delivered.

- Land and leasehold improvements, including parks and open spaces, trails, playgrounds, sports fields and outdoor sport facilities, and their amenities such as benches, tables, etc.
- Marine infrastructure (boat launch)
- Buildings and facilities, both public and for internal use, such as offices and shops
- Vehicles and equipment
- Information technology
- Storm drainage systems of pipes, culverts, catchbasins and outfalls
- Transportation system of roads, bridges, curbs, sidewalks, paths, traffic control lights, signs and markings
- Sanitary sewer system of pipes and pumphouses
- Water system of intakes, treatment plant, reservoirs, transmission and distribution pipes, and meters.

Linkage to the City of Nanaimo Strategic Plan

The City's 2012-2015 Strategic Plan included Asset Management a priority to provide sustainable services for the City. The Strategic Plan identified desired outcomes including: optimized infrastructure and facility life, capital financial plans and reserves in place to adequately fund major maintenance and replacement costs, minimized service disruption and risk to public health and property.

Asset Listing and Financial Summary

In Nanaimo's case the assets consist of:

- Lands

	Assets at Cost (\$million)	Accumulated Depreciation (\$million)	Net Book Value (\$million)	Insured Replacement Value (\$million)
Land	\$86	\$0	\$86	\$0
Land and leasehold improvements	\$31	\$16	\$15	\$30
Marine	\$1	\$1	\$0	\$0
Buildings	\$192	\$66	\$127	\$245
Vehicles and equipment	\$31	\$19	\$12	\$19
Information technology	\$9	\$8	\$1	\$8
Storm	\$101	\$28	\$74	\$405
Transportation	\$298	\$159	\$138	\$386
Sewer	\$36	\$12	\$25	\$402
Water	\$242	\$60	\$182	\$719
Work in progress	\$9	\$0	\$9	\$0
Total	\$1,037	\$367	\$670	\$2,214

With over \$2 Billion in assets (insured replacement value), even small improvements in management processes can yield significant long term benefits.

BENCHMARKING, BEST PRACTICES and NANAIMO'S PERFORMANCE

Assets in Nanaimo are not all managed using the same processes. The consultant team identified a set of **7 criteria** to assess Nanaimo's asset management processes and where future efforts should be focused, based on leading municipalities practices. Based on these 7 criteria, the team developed their leading practice assessment checklist which they used to conduct an assessment of the City of Nanaimo's asset management processes. The detailed assessment is provided in Appendix 5, pages 153-157. A high-level summary of the team's assessment is provided below.

1. **Inventory, condition, history and cost** information is complete for all asset classes except facilities, parks and park amenities, where inventory and condition data are currently being captured. Updating of condition information is periodic for most assets, based on specialized assessment programs. Ongoing linkage of maintenance histories to other asset information is yet to be accomplished for all except IT and Fleet.
2. **Service level requirements** are currently being assessed for water, sewer, drainage and transportation infrastructure; no such plans exist for facilities or parks and park amenities, where master plans are out of date (parks) or lacking (facilities).
3. **Current reinvestment rate:** Standard lifespan values are in place for all asset components. Remaining life is established for each asset and translated into 10-year capital plan, where renewal is funded to limits of availability. No reinvestment target rates exist. As assets near end of expected remaining life, adjustments to reinvestment plans are made based on assessed condition and risk/consequences of failure.
4. **Value of the deferred investment backlog:** Capital plan for asset renewals is mostly funded each year. If funding sources are insufficient, deferrals to next fiscal period occur. This is not seen to be a problem currently. Value of deferred investment is not reported.
5. **Funding strategies** are generally in place, although the 1% tax surcharge is planned to end in 2017 and will need to be continued or replaced. Utilities are self-funded; IT and Fleet replacements are funded from dedicated replacement reserves. The team noted some facilities near end of life are not included in capital plan, pending decisions on the scope of renewal projects. This skews financial projections.
6. **Decision tools** that allow for better analysis of end-of-life choices have been identified. Although few are in place at present, plans are to address asset management policy, risk assessment, and maintenance management. Lifecycle costing and performance measurement are not being addressed at this time.
7. **Integrated data management tools** are in place only for IT and Fleet, although manual re-entry of cost information is required. Other asset managers are facing a dilemma in selecting a full-function asset management tool which integrates with SAP and with GIS. There are no known options which perfectly match the unique management needs for all asset types, but choosing unique tools increases costs of owning, supporting and integrating.

SIGNIFICANT FINDINGS and RECOMMENDATIONS

Findings

1. **Responsibility for facilities is fragmented** and there have been inadequate resources applied to complete data capture for all facilities. In Parks, there has not been assignment of dedicated resources and data capture is just beginning.
 - **Better maintenance history data management is needed for water, sewer, roads and facilities** to refine capital renewal plans. Integration of maintenance management, asset management, work management, GIS and financial systems remains a challenge.
 - **Parks and Recreation Master Plan is out-of-date; there is no overarching facilities master plan** resulting in lost opportunities for optimizing utilization of existing capacity and building of new facilities. Recommendations on this are brought forward in the review of Facility Operations.
 - **Outcome and service level measures are not yet developed and reported** so that Council can gauge the impact of its governance decisions on asset performance and service levels to customers. Other performance measures, specific to asset types are not yet developed for management and operational support.
 - The 1% charge to property taxes is scheduled to end in 2017 and there is **no long term plan at present for funding asset renewal**.

Recommendations

- **Identify the plans and resources** needed to bring facility and parks assets to the same level of asset management as is being achieved currently and planned in the future for linear assets.
- **Implement the planned computerized maintenance management system and integrate it with asset management and work management tools, GIS and financial systems.** Target to be able to find a single asset management solution, if possible, that can meet minimal functional needs for all assets.
- Identify the plans and resources needed to conduct a **Facilities Master plan** and update the parks and recreation master plan.
- In the short term, **ensure that performance measures at an outcome level are developed and reported.**
- In the longer term, **develop a suite of performance measures** linking asset management and service levels to customers.
- **Develop a plan to fund asset renewal requirement post-2017**, giving consideration to continuing the current 1% tax charge, amending the value upward or downward, and/or using debt.

PURCHASING and CONTRACT ADMINISTRATION

BACKGROUND AND CONTEXT

Introduction

Purchasing and Stores section is a central corporate service within the Finance department. It serves other City departments by overseeing the purchasing goods and services needed for day to day operations. The department is a centralized unit that supports decentralized purchasing done within each City department. Purchasing also has responsibility for the City's Central Stores warehouse operation. This warehouse stocks commonly used goods and materials including critical use items.

The section is led by the Manager, Purchasing and Stores who reports in to the Finance Director. The manager has responsibility for 2 staff in Purchasing (1 Buyer and 1 Purchasing Admin Clerk) and 4 staff in Central Stores (1 Supervisor, 1 Storekeeper and 2 Stores Clerks).

Linkage to the City of Nanaimo Strategic Plan

The Strategic Plan 2012-2015 commits the City to strong fiscal management, performance accountability, sustainable, and affordable municipal operations that provide effective stewardship of all municipal assets. Purchasing practices contribute to strong fiscal management and effective stewardship by enhancing accountability for spend and optimizing the value obtained from taxpayer dollars.

Objectives

Purchasing Policy Objectives
<ul style="list-style-type: none"> Promote fair, open and transparent purchasing practices for the City's purchase of goods and services; Protect the interests of the taxpayers by ensuring the City obtains the best value for its expenditures; and Establish controls for approval, process, advertising and contract requirements appropriate for a public institution

Note: The Purchasing Policy is approved by council, with the responsibility to develop procedures and guidelines delegated to City management.

Purchasing & Stores Objectives
<ul style="list-style-type: none"> To manage and oversee the acquisition of all goods and services and disposal of assets on behalf of the City. To manage all formal solicitations such as, but not limited to, Tenders, Request for Proposals, Request for Qualifications, Request for Information, Request for Expressions of Interest, Notice of Intent, and Notices of Sale; To ensure all purchases are in compliance with the City's purchasing policies and procedures

Recent Purchasing Initiatives

Recent Initiatives
<ul style="list-style-type: none"> The Finance Department is currently revising the Purchasing Policy and the Purchasing Manual Efforts have been made in a few product categories to explore central tendering of common goods and services across departments to better aggregate volumes in order to achieve cost savings Stores staff is currently analyzing historic usage information in order to determine optimal stocking levels and re-order points for various products in order to improve fulfillment rates in the warehouse City staff has made efforts to update the APL and removing products that are no longer needed and/or are inappropriate. The updated list, when issued, is expected to better align City requirements with vendor product offerings

BENCHMARKING, BEST PRACTICES & NANAIMO'S PERFORMANCE

The consultant team has identified best practices components that should be included in purchasing policies and procedures. There is no single format for what should be included in a Purchasing Policy vs being included as a procedure. Council is responsible for approving policies while management is responsible for approving procedures. The decisions on what the City should include in its Purchasing Policy will depend on which components Council wishes to have input on.

The team reviewed the City's draft Purchasing Policy and proposed SOPs (yet to be developed) to be included in the Purchasing Manual to identify if all best practices components have been addressed and whether they are included in the draft Policy or the proposed SOPs (details provided in Appendix 6, pages 158-160). In many cases, the City's proposed changes are consistent with best practices. The team has highlighted their recommended changes to the draft Purchasing Policy and to the proposed SOPs in the table below:

Best Practice Considerations		Included in Draft Documents	Recommendations
Policy	Compliance with competitive bid laws including trade agreements	No	Include in Policy, instead of Purchasing Manual
	Schedule that details different means of acquisition at different procurement values	Yes - in draft SOPs	
	Schedule of delegated authority detailing which level must approve different procurement value thresholds	Yes - in draft SOPs	
	General operational procurement (when to tender, types of tenders)	Yes - in draft SOPs	
	Conditions that determine the best type of competitive method to use to achieve the desired business outcomes	Yes - in draft SOPs	
	Vendor Performance Evaluation	Yes - in draft SOPs	
	Contracts, awards and document retention	Yes - in draft SOPs	
	Confidentiality of city and vendor information	No	
	Use of Purchasing cards	No	
Purchasing Manual	Contract Planning / Pre Approval of Budget	No	Include in Purchasing Manual
	Contract Templates	No	
	Templates for Tender Documents	No	
	How to Find a Contractor	No	
	Vendor Communication	No	

SIGNIFICANT FINDINGS & RECOMMENDATIONS

Findings	Recommendations
<ul style="list-style-type: none"> The Purchasing & Stores staff are considered to be knowledgeable; many staff reported good receiving good support for their tendering requirements. 	<ul style="list-style-type: none"> Nil
<ul style="list-style-type: none"> Many examples were cited where policies and procedures were not followed in purchasing goods and services (e.g. it is estimated that less than 50% of purchases have POs). 	<ul style="list-style-type: none"> Foster greater compliance to Purchasing Policies, including updating current Purchasing Policy and revising Purchasing Manual (refer to the previous section on benchmarking, best practices and Nanaimo's performance)
<ul style="list-style-type: none"> Lack of standardized processes and tools 	<ul style="list-style-type: none"> Standardize purchasing processes & tools, including developing and using standard templates for tender specifications, tender documents, bid evaluation criteria, and contracts.
<ul style="list-style-type: none"> Departments do not focus on working together to plan for the purchase of common goods and services via a common tender. Utilization of Open Purchase Orders (Open POS) with many vendors, results in less transparency on value for money for these purchases as there is no selection criteria (e.g. price, quality) and no consistency in process. Lack of adequate planning for purchases contributes to the high use of Open POs as department staff direct award purchases when goods are not in stock when required. The Approved Products List (APL) includes products selected by vendors that do not meet departmental requirements. 	<ul style="list-style-type: none"> Identify opportunities for aggregating purchases of common categories across departments. A list of activities in support of aggregating purchases is provided in Appendix 6, page 161.
<ul style="list-style-type: none"> City staff estimate that PCard spend represents approximately \$1 million to \$1.5 million annually. This value is considered to be low given the nature of the City's spend. 	<ul style="list-style-type: none"> Foster increased usage of Purchasing Cards (PCards)
<ul style="list-style-type: none"> Lack of a minimum re-order point system for regularly stocked items in its Stores warehouse. <i>Note: A re-order point is the level of inventory at which point an automatic replenishment of stock occurs in order to prevent stock outs. These levels are generally set by analyzing historic and planned product usage trends.</i> 	<ul style="list-style-type: none"> Automating replenishment orders will improve warehouse fulfillment rates and reduce administrative purchasing requirements. As highlighted in the Recent Purchasing Initiatives section, the City has commenced work analyzing data in support of establishing minimum re-order points.
<p><i>By Implementing all the recommendations made above, the City should realize significant cost savings on goods and services procured.</i></p>	

PERFORMANCE MEASUREMENT

BACKGROUND AND CONTEXT

Introduction

Comprehensive performance measurement can be used to:

- Assist residents in assessing the quality of life in the community
- Determine if programs are achieving the desired results
- Diagnosis where and when to intervene in the system, through policies, to change conditions in a community
- Identify effects of budget decisions on program output volume and quality
- Drive budget development
- Measure efficiency of operations
- Measure value for money

Linkage to the City of Nanaimo Strategic Plan

The City's 2012-2015 Strategic Plan included continued development of the **Balanced Scorecard** monitoring of qualitative and quantitative indicators. Initial plans included developing measures and processes for reporting of results to the community.

City of Nanaimo's Balanced Scorecard

The City's website lists a number of measures that have been reported for programs, using a modified version of the **Balanced Scorecard** approach. This

leading practice is based on the premise that there are multiple important perspectives of an organization that should be measured and reported.



Nanaimo

Source: City of

Note: While the original concept of this approach cited measures in financial, customer, business process and employee areas, the City of Nanaimo has modified this as shown to the right. A list of all the measures in Nanaimo's current Balanced Scorecard is provided in Appendix 7, page 160.

A survey City of Nanaimo departments yielded a rich set of data that is captured, analyzed and used for various purposes. Most measures are volume measures for activities or outputs although almost all departments had measures of service level and efficiency. Understanding performance measures includes understanding the different kinds of measures. A common categorization includes:

- Input measures, which includes measures of the resources consumed in producing a service and the demand for a service
- Output measures such including number and quality
- Process measures, which include efficiency of resource utilization (units of output per unit of input or \$ per unit of output)
- Service levels such as timing (wait time for/frequency) of services, portion of demand met, etc.
- Outcome measures – what difference the City's programs make, from the customers' perspective.

BENCHMARKING, BEST PRACTICES AND NANAIMO'S PERFORMANCE

The consultant team identified 4 leading practices after reviewing literature and performance measurement practices in a large selection of municipalities.

1. **Different Measures are provided to Different Audiences:** Leading municipalities distinguish at least different classes of audiences, each of which has different needs as it fulfills its roles. Based on an organizational governance model, these are the **Public, Council, Management,** and **Regulatory Bodies.** Additional details about these audiences and types of measures that meet their various needs is provided in Appendix 7 page 163.
2. **Compared to Targets:** Performance measures are compared to targets, to provide a goal for the organization and context within which to assess the measured results.
3. **Compared to Other Jurisdictions or Over Time:** Ideally, results are comparable across jurisdictions, leading to identification of better ways of delivering services. In practice, because of the high level of effort needed to ensure measures are comparable, interpretation of the results becomes problematic and the effort difficult to justify. Instead, or as a starting point, organizations should present trends over time of their own performance.
4. **Measures are reported:** Measures are reported to each audience at scheduled intervals. For Council and the public, the best time is at year end, coinciding with financial reports. Selective measures may be reported in the corporate plan or departmental operational plans where needed to support strategic planning and budgeting decisions. Senior management reporting should occur quarterly on volatile service level and volume measures

<i>Leading Practice Criteria</i>		<i>Nanaimo Equivalent</i>
Appropriate measures for audiences	Measures are in place for inputs, processes, outputs, service levels, outcomes and community goals	✓ Many measures of all types are captured, but some important measures are missing from some programs
	Measures are targeted appropriately to each audience	<ul style="list-style-type: none"> ■ Measures on the website are a mixture of all types ✓ Balanced Scorecard conveys broad view of performance; not all categories may be relevant for all audiences.
Use of targets	There are agreed targets for each outcome and service level from a governance decision	<ul style="list-style-type: none"> ■ Very few targets were found in policy or directive from Council
	There are targets for each measure from a management perspective of setting expectations	<ul style="list-style-type: none"> ■ Very few targets were found in management expectations
Measures are compared internally, over time and to other jurisdictions	Measures are developed with a goal of comparability	✓ Balanced scorecard measures generally include historical trends; other than measures provided by regulators, few others are comparable for benchmarking purposes.
Measures are reported	Presentation facilitates understanding	✓ There is good use of tables and graphs in website make reading easier and more understandable.

SIGNIFICANT FINDINGS AND RECOMMENDATIONS

Findings

- While Nanaimo captures many measures of performance, **measures of each type have not been developed for all programs.** In particular, many outcome measures have not been developed to this point.
- There is **little understanding of different audiences' unique needs** and therefore little systematic use of performance measures to support ongoing governance and management decisions.
- There are **few targets or external benchmarks set against which to compare performance.**
- Some managers **expressed hesitation about capturing and reporting certain measures**, fearing that the audiences may draw unfair conclusions of performance.

Recommendations

- Articulate community goals and link the City's program outcomes to these.
- **Establish priorities** so that measures are first developed for outcomes and service levels for all programs – **a top-down process** – and that these are reported annually to Council and the public. Following this, more detailed measures supporting governance and senior management roles should be developed
- **Report existing service level targets**, identifying the source of each and reporting performance against these.
- **Develop targets for outcome and efficiency measures.**
- **Report measures only relative to previous years' performance and targets set by the City of Nanaimo.** Ensure measures are comparable across organizations before reporting in relation to other jurisdictions.
- **Continue to provide explanatory comment** in reporting of performance to guide the audiences' interpretations.
- **Use performance measures as a learning tool as well as an accountability mechanism.**

DEPARTMENTAL SERVICES' REVIEW RESULTS

This section summarizes our detailed analysis, findings and recommendations for the thirteen departmental services (given below) in scope for the Core Services Review. Additional details where applicable is provided in the Appendix of this report.

1. HR Recruitment/Retention/Succession Planning Training
2. HR Compensation
3. Financial Policies (renamed from the original Treasury and Investments, to include other financial policy areas)
4. Transportation (Operations)
5. Sanitation
6. Fleet Services
7. Police Support
8. Bylaw/Parking
9. Facilities Planning and Operations
10. Recreation Administration, Operations and Environment
11. Permissive Tax Exemptions and Grants
12. Building Permits and Inspections
13. Subdivision, Development, Land Use Planning and Approvals

HR RECRUITMENT, RETENTION, SUCCESSION PLANNING AND TRAINING

BACKGROUND AND CONTEXT

Introduction

The Human Resources (HR) Department is responsible for providing specialized advice, assistance and support to the City of Nanaimo's administrative and service delivery organization. It is a foundational service which, while not mandatory, is necessary for the efficient operation of the City and the management of its human resources.

The HR Department's clients are the Council, City Manager, directors, managers and staff of the City. The Department develops all human resources policies, regulations and directions. It maintains employee records, negotiates collective agreements, and seeks to ensure that the City has the appropriate mix and level of management and staff to deliver the City's services to meet the needs of residents.

The HR Department coordinates its services with other corporate departments, e.g. Finance, and provides services to all City departments.

The Department has a total 2015 operating budget net of revenues of \$1,896,583 and has a Director, 2 managers and 9 staff (12 FTEs).

Linkage to the City of Nanaimo Strategic Plan

The HR Department activities support one of the six Strategic Priorities of the City's Strategic Plan 2012-2015, which is "Taking Responsibility to be an Excellent Municipal Government".

Focus of the Review

This service review focuses on whether the Human Resources department has appropriate plans and processes to ensure that the City's workforce has the capability and capacity to fulfil Council's expectations and the City's needs.

Human Resources Department Functions

The Human Resources Department is responsible for:

Key Activities
<ul style="list-style-type: none"> ■ Managing the recruitment process for new employees in coordination with other departments ■ Processes which support the retention and well-being of staff, including orientation and communication of job responsibilities for new employees ■ Preparation of job descriptions ■ Development and coordination of the performance appraisal system to facilitate a discussion between managers and their staff regarding work performance towards departmental and City goals ■ Human resources planning, including succession planning, to ensure that vacancies created through retirements or workers leaving are filled by competent people with up-to-date skills and the requisite experience to meet the City's current and future needs. ■ Training across the organization to support organization development and communications. ■ Providing more specialized training opportunities in order that staff may improve their skills and prepare themselves for career advancement within the City.

Note: The City of Nanaimo's administrative and service delivery organization includes 62 managers and 527.1 staff (FTEs).

RECRUITMENT AND PERFORMANCE APPRAISALS

Recruitment

The recruitment process undertaken by the City is designed to be fair and objective. The HR Department has established "Recruitment Guidelines" which describe the process to be followed and the roles to be played by the HR consultant and the Department's manager wishing to hire. The Recruitment Guidelines provide for three types of appointments:

1. **Direct Appointments** – where there is one internal candidate who has the minimum technical requirements and core competencies for the roles with a review and discussion of the candidate by the Senior Management Team.
2. **Internal Competition Only** – where there may be more than one internal candidate who has the minimum technical qualifications and core competencies for the role, or where the number of candidates is unclear or where these may include unionized candidates, the position would be posted internally.
3. **Internal and External Competition** – where it appears that there are no internal candidates who clearly have the minimum technical qualifications and core competencies, the job is posted both internally and externally simultaneously.

Candidates are put through a screening process which involves various types of assessment including interviews, problem solving scenario questions, candidate presentations, and experience checking. A cross-departmental review panel, which includes a representative of the department with the vacancy, as well as a member of the HR Department staff, and at least one other City employee, participate in the decision-making process.

A weakness of the recruitment process is that it is often undertaken without the benefit of an updated job description or consideration of the changing skill needs associated with new service delivery methods and computerized management tools. Also, it has been reported to us that the recruitment process takes considerable time until a candidate is chosen and then employed. This can often mean that a department is without a needed resource for a period of several months following a vacancy.

Further, the recruitment process focuses first on internal candidates and the identification of "growers" – individuals who have been identified as having potential for career advancement based on their performance appraisals; commitment to the City's goals and the skills, and qualifications upgrading they have pursued to prepare them for a role with greater responsibility. Unfortunately, there is no performance appraisal system in place which identifies these growers on a consistent and systematic basis.

Performance Appraisals

Performance appraisals are generally not being undertaken and if done are not being carried out on a consistent systematic basis across the municipal organization. 70% of staff reported that they have not had a formal performance appraisal in the past year.

A new performance appraisal system had been developed and implemented to a limited extent, but was abandoned due to perceived complexity and resistance by managers. A review of the performance appraisal process and the forms which were intended to be used confirmed that it was overly complex and detailed and, most critically, lacked any linkage to supporting staff training to address developmental needs.

SUCCESSION PLANNING AND TRAINING

Training

Another key consideration for the HR Department going forward is how it can upgrade the skills and knowledge of its managers and staff to meet the continuously changing needs of the City's administration. Training is currently available for all managers and staff and the HR Department has developed a roster of training programs. Managers and staff access this training on a voluntary basis in discussions with the individual to whom they report. Training is not linked to performance appraisals and to future skill needs of the municipal organization. Also while training is available, the City's expenditure on training has been declining (more details can be found in Appendix 8 page 168).

Through our interviews, focus groups and the manager and staff surveys it was clear that greater attention needs to be given to training and development as a means to improving the overall effectiveness and efficiency of the organization. A significant number of managers would benefit from training that would improve their leadership and communication skills, financial literacy and management capabilities. Staff reported they would benefit from skills upgrading and training on the use of equipment and technology.

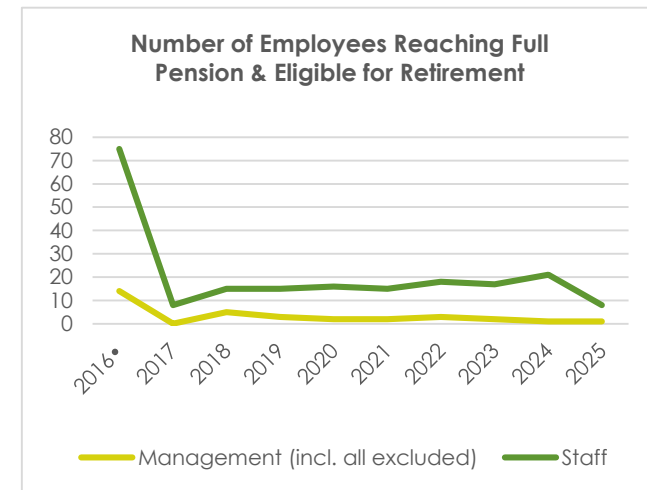
The HR Department has identified the need to further develop its managers and has

developed a new Leadership Model which has not been implemented to date. The Leadership Model identifies four key elements of leadership which each City manager needs to develop if they are going to be an effective leader for the City now and into the future. For additional details on the Leadership Model, please refer to Appendix 8, page 169.

Succession Planning

Staff turnover through voluntary resignations is quite low for all employee groups and has declined significantly since 2011. That said, the workforce is aging and there are many individuals who are currently eligible for retirement. Based on the City's past experience, employees on average are retiring at age 59, with the exception of firefighters who retire at an earlier age. It is important to note that **there are 26 managerial positions and 144 staff positions where the incumbents will be eligible for retirement in the next 5 years.** Also, amongst the remaining City employees will be a number of individuals whose skills and experience are important to the day-to-day "**mission critical**" operations of the City and where finding a replacement in a short time period might be particularly challenging. Please refer to Appendix 8, pages 170-172, for more details.

The City needs to develop a succession plan which identifies management and senior professional and technical positions which are likely to become vacant through retirement in the coming 5 -10 year period. The City needs to determine in advance how it will address these vacancies through training and development activity with current employees with the potential for advancement ("growers"). The City should also give consideration to the current market demand for individuals with the required expertise and experience and the implications this may have for recruitment, looking ahead.



*2016 includes all employees eligible for retirement in 2016 and past years. Source: City of Nanaimo

BENCHMARKING AND NANAIMO'S PERFORMANCE

Benchmarking

The City of Nanaimo has fewer managers relative to its staff complement than is the case in the other benchmark municipalities, as can be seen in the chart which follows.

	City of Nanaimo	City of Kamloops	City of Kelowna	District of North Vancouver	City of Port Coquitlam	City of Prince George	City of Chilliwack
Managers (FTEs)	62	87	117	100	45	66	46
Staff (FTEs)	527	619	748	500	356	450	273
Total	589	706	865	600	401	516	319
Manager: Staff Ratio	1 manager per 9 staff	1 manager per 7 staff	1 manager per 6 staff	1 manager per 5 staff	1 manager per 8 staff	1 manager per 7 staff	1 manager per 6 staff

Source: BC Benchmark Municipalities

Municipal Service Delivery Staffing	Managers (# FTE's)	Staff (#FTE's)	Manager to Staff Ratio
City Administration			
• City Administration	1	3	1 : 3
• Human Resources	1	11	1 : 11
• IT, Legislative & Communications Services	4	25	1 : 6
• Financial Services & Purchasing	7	27.65	1 : 4
Community Development	7	41	1 : 6
Culture & Heritage Services, Including Strategic Partnerships ⁴	1	3	1 : 3
Parks, Recreation & Environment ⁵	10	123.81	1 : 12
Engineering & Public Works	17	129	1 : 8
Protective Services	14	163.67	1 : 12
Totals of all municipal positions (FTE's)	62	527.1	1 : 9

The chart to the left shows the City of Nanaimo's existing management to staff ratio by department. It should be noted that the management to staff ratio varies considerably across departments. Appendix 8, page 163-165 contains a detailed chart with existing staffing by department.

In addition, the City of Nanaimo has certain of its municipal protective services delivered through contract, which includes the RCMP with 3 managers and 139 officer FTEs, and Fire Communications with 15.97 staff FTEs.

⁴ Director includes Strategic Services

⁵ Excludes custodians

SIGNIFICANT FINDINGS AND RECOMMENDATIONS

Findings

The HR Department is generally delivering its services in an appropriate and competent manner.

However, human resources processes and procedures are generally reactive rather than proactive and would benefit from a more strategic and planned approach. The new Director of HR is aware of this. Improvements are needed relative to the time it takes to recruit and place new employees and the Department needs to give more attention to performance appraisal and succession planning.

The City of Nanaimo has a total staff of 589 FTEs which is less than Kamloops and Kelowna but greater than Port Coquitlam, Prince George and Chilliwack. Its overall manager to staff ratio of 1:9 indicates that each manager, on average, is managing a somewhat larger number of staff than is the case for the other benchmark municipalities.

Recommendations

Develop a Strategic Organization Development Plan to Address Employee Recruitment, Retention, Appraisal, Succession, Development and Training Needs: The HR Department needs to take a more strategic and proactive approach to organization development, working together with the City Manager and Senior Management Team. This strategy should be comprehensive and City-wide, and be linked to the City's Strategic Plan. The strategic organization development plan should seek to build the capability and capacity of the City's administrative and service delivery organization. The strategic organization development plan needs to be led and supported by all members of the Senior Management Team and involve and be meaningful to staff at all levels.

The components that should be part of the strategic organization development plan are provided in Appendix 8, page 173.

HR COMPENSATION

BACKGROUND AND CONTEXT

Introduction

The Human Resources Department is responsible for establishing job descriptions and salary and wage levels for all management and staff positions under the direction of the City Manager and with the approval of Council. Remuneration for unionized employees is established in collective agreements through negotiation with the Canadian Union of Public Employees (CUPE) and International Association of Fire Fighters (IAFF) local bargaining units. Management and exempt employee remuneration and terms and conditions of employment have been established through a Council-approved Exempt Salary Administration Policy and the Management Terms & Conditions of Employment Bylaw 2005 No. 7000 as amended effective February 18, 2013.

Linkage to the City of Nanaimo Strategic Plan

The HR Department activities support one of the six Strategic Priorities of the City's Strategic Plan 2012-2015, which is "Taking Responsibility to be an Excellent Municipal Government".

Focus of the Review

This service review focuses on whether the Human Resources department has appropriate plans and processes to ensure that the City's workforce has the capability and capacity to fulfil Council's expectations and the City's needs

Components of Compensation

The key components of compensation at the City of Nanaimo are:

Key Components
<ul style="list-style-type: none"> ■ Management and Staff Job Descriptions ■ Manager Salary & Wage Levels ■ Job Evaluation ■ Annual Market Review ■ Staff Wage Levels (Non-exempt) ■ Movement within Salary Range ■ Relationship between Management & Staff Remuneration Levels ■ Management & Staff Remuneration ■ Management Job Security ■ Vacation Provisions ■ Management & Exempt Employee Overtime ■ CUPE Collective Agreements

COMPONENTS OF COMPENSATION

Management and Staff Job Descriptions

Job descriptions for all management and staff positions have been developed and evaluated using the Hay method. The job descriptions are very detailed and specific in their documentation of roles, responsibilities and tasks. There are currently several hundred separate and individual job descriptions.

In the recent past, the City undertook a comprehensive job evaluation process which had as its goal creating greater equity and balance amongst positions which had similar levels of responsibility, task complexity and accountability and the salaries being paid.

Manager Salary and Wage Levels

Management salaries and wages are established recognizing pay levels in other BC municipalities and are informed by the recruitment process over time. The Council-approved Exempt Salary Administration Policy for manager remuneration (includes exempt staff) has the following components:

- Job Evaluation (Internal Equity)
- Annual Market Review (External Equity)
- Movement within the Salary Range (Performance)

Job Evaluation

The exempt staff salary administration plan involves the classification of all exempt positions into bands, each of which has a corresponding pay structure. There are 11 management bands (3 administrative, 5 management and 3 executive). The bands are linked to a job evaluation system which uses a point ranking approach.

Once a position has been established within a salary band, a manager or any other exempt employee, if there has been a change in their job responsibilities, can request a review of their position and there is a process for doing this. This approach to job evaluation is highly detailed and time consuming to administer and can impact the City's flexibility to change managerial roles and responsibilities to meet evolving service needs.

Annual Market Review

Periodically (usually every 3 years), the City undertakes a salary survey of the remuneration being provided by other BC municipalities and with Council's support can make adjustments to the remuneration level for managers and other exempt positions. Through the Council approved Exempt Salary Administration Policy, the City provides an annual salary adjustment to managerial employees which matches the increase contained within the collective agreement with CUPE, as stated in the following excerpt from the policy:

"The City will provide annual salary adjustments to exempt/management employees that are consistent with the across-the-board increases approved for CUPE Local 401, and will conduct an independent review of exempt/management compensation every 3 years in relation to B.C. municipal comparators to assess whether further adjustments may be required to maintain pace with the market."

Staff Wage Levels (Non-exempt)

The wage levels and increases are established for unionized staff through negotiation with the City's unions CUPE and IAFF. The agreements generally are for 3 years. The current CUPE agreement was established in January 2014 and is in effect until December 2016.

COMPONENTS OF COMPENSATION continued

Movement within the Salary Range

The Exempt Salary Administration Policy provides for movement within the salary range established for each band. In most cases new hires and new internal appointments are paid below the highest salary in the range and their salary increases incrementally over time as they gain experience. The chart which follows illustrates the movement which is followed.

Step	% of Market Rate	Typical Timing
1	94%	New appointment
2	96%	Upon completion of probation
3	98%	After 1 year
4	100%	After 2 years

Source: City of Nanaimo

Relationship between Management and Staff Remuneration Levels

The Exempt Salary Administration Policy, as approved, has a direct impact on the relationship between management and staff remuneration levels. As stated in the policy: "In order to deal with salary compression, the City endeavours to maintain a 10% pay differential between the annual base salary of managers and the annual base salary of union employees they supervise".

Management and Staff Remuneration

The following chart provides an overview of management and staff wages for 2015. The chart shows wages only, excluding benefits, overtime, and wages budgeted/charged to projects. Management wages includes excluded HR positions and excluded Executive Assistant positions; but does not include Council wages.

	2015 Budget \$	2015 Actual \$
Auxiliary Wages	1,493,811	1,520,687
Management Wages	8,495,119	8,063,566
Regular Wages	34,778,870	35,141,346
Paid on Call Wages	123,431	145,000
Temporary Employee Wages	2,242,627	1,753,891
Contract Employees	408,168	377,504
Overtime Wages	1,431,434	1,049,883
Benefits	11,322,393	11,927,244
Temp Labour	(29,212)	
PW Labour Allocations	(1,039,353)	
Auxiliary Labour	(66,460)	
PRE Labour Allocations	(179,156)	
Aquatics Labour Allocations	(11,937)	
Total	58,969,735	59,979,121

Source: City of Nanaimo

Management and Exempt Employee Overtime

Excluding the City Manager and Directors other managers and exempt staff can claim overtime up to 240 hours per year, with the first 80 hours compensated at straight time and the remaining hours at half time to be taken as time off or a combination of time off and cash payment. As can be seen from the chart below, only a small number of managers and exempt employees make a claim for overtime.

Year	# Employees who claimed overtime	Total overtime claimed by Management & Exempt Employees
2013	23	654.8 total hours claimed
2014	26	597.5 total hours claimed
2015	26	723.75 total hours claimed

WAGES & BENEFITS COST ANALYSIS

Management and Staff Wages Cost Analysis

The following chart provides an overview of management and staff wage increases over the last 5 – 10 year periods. The wages data excludes benefits, overtime, wages budgeted/charged to projects. Management wages includes excluded HR positions and excluded Executive Assistant positions. As can be seen from the chart management wages have increased 31% over the past 10 years, but only 4% over the past 5 years. This is due primarily to the reduction in management positions. It is significant to note that the largest increase in wage cost for CUPE employees occurred between 2005 and 2010 and the increase is somewhat lower in the past 5 years. The increase in wage cost is highest for fire services employees and this is a combination of the addition of new positions, as well as negotiated wage increases.

Wages Analysis	2006 Budget	2010 Budget	2015 Budget	10 Year Increase / (Decrease)		Last 5 Year Increase / (Decrease)	
				Net	%	Net	%
Mayor and Council	308,451	341,537	412,447	103,996	34%	70,910	21%
Management Wages	6,198,962	7,812,951	8,136,552	1,937,590	31%	323,601	4%
CUPE	16,995,499	21,071,651	25,788,616	8,793,116	52%	4,716,965	22%
IAFF	5,417,293	6,127,147	9,352,730	3,935,437	73%	3,225,583	53%
Total	28,611,754	35,011,749	43,277,898	14,666,143	51%	8,266,149	24%

Source: City of Nanaimo

Management and Staff Benefits Analysis

The following chart provides an overview of the cost of benefits for management and staff (includes Mayor and Council). The benefits include employer paid CPP, EI and pension, and extended benefits programs (medical, dental, etc.). As can be seen from the chart, benefit costs have increased significantly over the past 10 years.

Benefits Analysis	2006 Budget	2010 Budget	2015 Budget	10 Year Increase / (Decrease)		Last 5 Year Increase / (Decrease)	
				Net	%	Net	%
Management & Staff (includes Mayor and Council)	7,593,022	8,817,034	11,927,244	4,334,222	57%	3,110,210	35%

Source: City of Nanaimo

MANAGEMENT REMUNERATION AND JOB SECURITY

Management Remuneration and Job Security

City of Nanaimo wages for managers are similar to wages paid to managers in other BC cities of comparable population size, and somewhat lower for some positions. Overall, management wage costs have not increased at the rate which overall wage costs for unionized workers, and this is particularly the case for fire services staff. Given that wage increases for managers are linked directly by policy to the wage rates negotiated by CUPE, the lower increase in overall wages can be attributed to a reduction in the number of managers.

Management positions can be eliminated at the discretion of the City Manager, and where there is an incumbent it is subject to the notice and termination of employment provisions of the Management Terms & Conditions of Employment Bylaw. Under the bylaw, the termination of employment of some senior management positions is subject to Council approval. While Nanaimo management salaries are consistent and lower in some cases than other comparable BC municipalities savings in overall management wages could occur if the City chose to amend its Exempt Salary Administration Policy and established a new basis for annual management increases. As can be seen from the chart which follows, only Nanaimo and Prince George directly tie their annual increase to manager salaries to the increase negotiated by CUPE. Kamloops, North Vancouver and Chilliwack take into consideration the increase established in the CUPE collective agreement, as well as other factors. The City of Kelowna does not link its salary increase for managers to a collective agreement and has instituted a performance based increase system.

City of Nanaimo	City of Kamloops	City of Kelowna	District of North Vancouver	City of Port Coquitlam	City of Prince George	City of Chilliwack
<ul style="list-style-type: none"> Increase matched to rate negotiated by CUPE Salary level established through 3-year market review & internal equity considerations as specified in Exempt Salary Administration Policy approved by Council 	<ul style="list-style-type: none"> Set by Council; usually in line with CUPE increase 	<ul style="list-style-type: none"> Not linked to CUPE contract Annual increase based on performance Variable increases depending on position Salary level established by 4 factors: <ul style="list-style-type: none"> market survey economic outlook/CPI; municipal comparison; broader public sector index (Hay Group 60 percentile) 	<ul style="list-style-type: none"> Increase based on: <ul style="list-style-type: none"> consideration of union agreement rate increase municipal comparison Vancouver cost-of-living increase Maintaining internal equity Salary level reviewed based on 3-year market survey 60 percentile of comparable municipalities 50 percentile of comparable public/private positions 	<ul style="list-style-type: none"> Increase indexed to Vancouver Cost-of-Living Increase 	<ul style="list-style-type: none"> Increase same as CUPE – 2% 	<ul style="list-style-type: none"> Increases linked to CUPE Salary level Compare to market, if necessary take to Council & adjust

Source: BC Benchmark Municipalities

BENCHMARKING

Management Wage Comparison with Other BC Cities

The table given below presents a comparison of wage rates paid to managers in the benchmarked BC cities. All cities have used the Hay or other job evaluation method to establish the wage levels or bands and in which band a particular position best fits. Given that the systems and bands vary somewhat, positions common to all municipalities were selected for comparison. For these positions, the maximum annual wage paid to managers in each city was identified from available information provided by the benchmarked municipalities. As can be seen from the chart, the City of Nanaimo has somewhat lower wages for most, if not all positions.

Position Level	City of Nanaimo	City of Kamloops	City of Kelowna	District of North Vancouver	City of Port Coquitlam	City of Prince George	City of Chilliwack
City Manager / CAO	\$180,000	\$262,606	\$261,949	\$263,134	\$213,759	\$222,000	\$230,612
Director / Dept. Head, e.g. Recreation, Planning	\$146,391	\$190,515	\$155,000	\$144,931	\$145,843	\$172,000	\$161,670
Senior Manager, e.g. IT, Engineering, Operations	\$114,299	\$127,101	\$131,000	\$125,501	\$128,115	\$126,000	\$124,215
Manager, e.g. Parks, Accounting	\$93,857	\$108,303	\$114,000	\$103,743	\$109,838	\$107,715	\$106,069
Administrator, e.g. Exec. Asst.	\$63,066	\$70,609	\$66,000	\$79,539	\$74,790	\$67,936	\$69,651

Source: BC Benchmark Municipalities

Collective Agreements Comparison with Other BC Cities

In the benchmark comparison with other BC cities (additional information and analysis provided in Appendix 9, pages 174-176), Nanaimo is the only city which has a "fair wage clause" which requires that if work currently being carried out by a City employee is contracted to an outside supplier, the supplier, as part of its contract, must pay a wage rate equivalent to that paid by the City for the same work. While the benchmark municipalities protect the employment of their employees by offering alternative employment, the work associated with a service can be contracted out if it is deemed appropriate based on a cost benefit analysis.

BENCHMARKING continued

Vacation Provisions in the Management Terms and Conditions of Employment Bylaw

The vacation provisions in the City of Nanaimo's Management, Terms & Conditions of Employment Bylaw provide for an initial vacation period of 4 weeks pro-rated upon hiring up to the fifth year of employment. An additional week's vacation is added for the next 5 years of service, 6 weeks for a subsequent 10 years of service, increasing by 1 week for every 10 years of service thereafter. It should be noted in addition that the City Manager and directors receive an additional week's vacation to compensate for the overtime required in attending Council and other meetings. Nanaimo's vacation allowance for managers is generally consistent with that of other BC municipalities (4 weeks for 0 up to 7 years of service). Of the municipalities and districts surveyed, only the City of Nanaimo and the Regional District of Nanaimo offer 8 weeks' vacation after long service (a table with additional information is provided in Appendix 9, page 178).

Nanaimo managers with vacation entitlements in excess of 20 days per year have the option to either:

- "Bank" vacation (after using 15 days of vacation credits), to be reclaimed in subsequent years as time off only or at retirement / termination, or
- Claim the balance (after using 20 days of vacation credit) as payment in lieu during the year earned

These provisions of the Management Terms & Conditions of Employment Bylaw allow managers (and other exempt employees) to bank large numbers of vacation days over their period of service. The weeks banked if paid out at retirement are paid at the highest salary rate the individual is receiving in his/her last year of service. Overall, this can lead to a significant future financial liability to the City. **The City's current financial liability is approaching \$510,000.** Also, it is questionable whether managers who do not take vacation can be fully productive and the practice could also have adverse impacts on their health. The City could consider reducing its long-term financial liability by insisting that managers take their vacation and only be able to bank it for a limited period of time, and that there be a limited number of vacation days which can be accumulated in the bank. If in the past managers had been limited to banking a total of 6 weeks the current liability would have been reduced by about \$150,000.

SIGNIFICANT FINDINGS AND RECOMMENDATIONS

Findings

- The Exempt Salary Administration Policy 2009 revised April 2015 provides for individuals to receive salary increases in four steps, and this has contributed to a more rapid increase in salary than was the case previously for new hires and some existing employees. Job evaluation approach needs to be simplified. While Nanaimo manager salaries are comparable and lower in some cases than those in other cities amending the Exempt Management Policy to remove the link to wage increases in the CUPE collective agreement would allow for a lower salary increase. Should salary increases be limited in this way it could have a negative impact on retaining and recruiting qualified managers and be a disincentive for Nanaimo staff to seek to become managers. Other options would be to tie increases to the cost of living index or have a graduated performance based system for determining salary increases.
- Provisions of the Management Terms & Conditions of Employment Bylaw allow managers (and other exempt employees) to bank unlimited numbers of vacation days over their period of service. City financial liability (currently over \$510,000) could be reduced if banking of vacation days is restricted. A reduction to 6 weeks would have reduced current liability by \$150,000.
- City of Nanaimo CUPE contract provisions limit management's ability to allocate resources to improve efficiency. E.g. large number of specific job classifications limits reallocation of staff to address changing service needs; provisions regarding permanent part-time staffing and impact on scheduling.
Note: It should be stated that the collective agreement has been negotiated fairly and approved by City Council. It is also appropriate that CUPE seek to ensure the job security and working conditions for the workers it represents.
- The "Fair Wage" clause requires that once a service is provided by the City that the service and any initial or future staff associated with the service are protected from contracting out in future years.

Recommendations

- Amend the Exempt Management Policy to provide an alternative method for **establishing management wage increases, job evaluations & adjusting the movement within Salary Range Provisions**. Implementation considerations are provided in Appendix 9, page 179.
- Amend the Management Terms & Conditions of Employment Bylaw to **reduce the banking of vacation days**
- Seek to **provide greater flexibility in staffing and resource allocation in Collective Agreement**
- Establish a policy on Contracting in and the criteria which would need to be met before contracting in could be implemented.

Note: Detailed assessments that resulted in the above findings and recommendations are provided in Appendix 9, pages 174 - 178.

FINANCIAL POLICIES

BACKGROUND AND CONTEXT - DEBT

Introduction

The City current does not have a comprehensive policy that governs the use and management of debt. By issuing debt, the City commits future revenues into the future for debt servicing and repayment. These future obligations, if not properly managed, may restrict the City's ability to respond to changes service priorities and revenues to future investment opportunities.

Establishing and adhering to a debt policy will ensure that debt is issued and managed for appropriate amounts and reasons and in a way that protects the City's strong fiscal health.

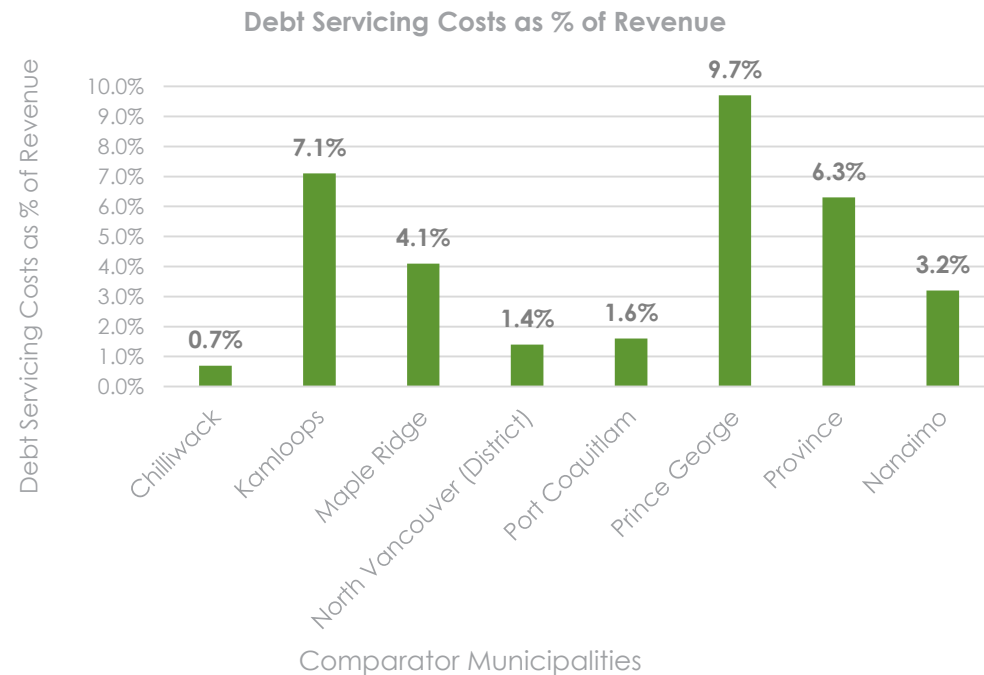
Linkage to the City of Nanaimo Strategic Plan

The Strategic Plan 2012-2015 commits the City to strong fiscal management, performance accountability, sustainable, and affordable municipal operations that provide effective stewardship of all municipal assets. Use of debt is a consideration in the development of sustainable long-term funding strategies for planned capital investment/replacement.

Current State

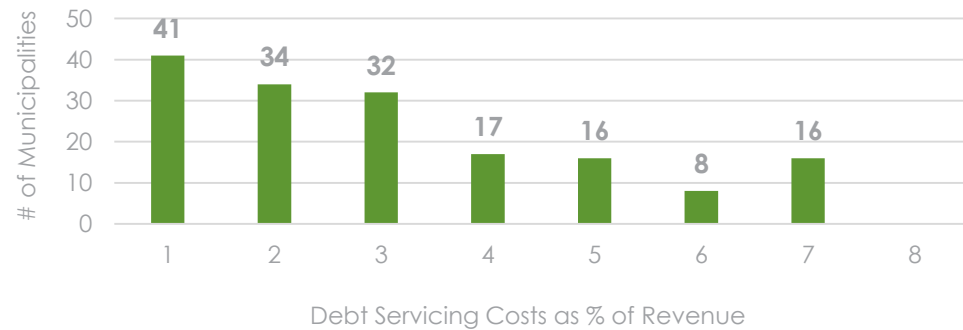
The City has a low level of debt. The Province of BC limits the amount of debt that a municipality can issue using debt service capacity. A municipality's Debt Service Capacity (DSC – annual amount interest and principal repayments) cannot exceed 25% of revenues.

The following table shows the City's current DSC ratio as compared to 6 comparator municipalities as well as the provincial average.



APPETITE FOR DEBT

The use of debt is more expensive than using existing cash resources as interest costs will be incurred over the term of the debt until repaid. Interest costs are currently not prohibitive as interest rates are at historic lows and municipalities generally have good credit ratings due to strong provincial regulation and good assessment bases/stable revenues. (E.g. 30 year debt can be issued with a yield of 3.46%). There is a wide range of appetite for debt amongst BC municipalities as shown in the diagram to the right.



Common rationale for utilizing debt includes:

- Spreading capital costs out over the useful life of the asset so that costs are paid by all the people who will use the asset
- Funding significant infrastructure needs due to both population growth and replacement needs
- Making investments when there is an inability to pay for infrastructure in one year

Alternatives to borrowing to fund major capital and infrastructure projects include **Property taxes, Grants, User charges** and **Development charges**.

Debt can be used to avoid spikes in alternative revenue sources, thereby smoothing the impact of one-time costs on the citizens of Nanaimo. **As an example**, the following table shows the impact of a \$15 million investment in a capital project on the average household. Under Scenario 1, the City borrows the full \$15 million and repays the loan over a 20 year term (assuming a 3% interest rate). Scenario two assumes that the City self-funds the project by temporarily increases property taxes to raise the required funding. Under Scenario 1, the total capital costs is \$4.9 million higher due to interest costs; annual incremental costs are minimized; and payment term is better matched to the life of the asset.

Scenario	Impact per Household (30,000 households)
Scenario 1 – City borrows \$15million and repays the loan over a 20 year term (3% interest rate)	Increase of \$33/year for 20 years
Scenario 2 – City temporarily increases property taxes to raise the required funding	One time increase of \$500 in year 1

Should the City wish to increase its debt capacity, it may consider paying cash for capital projects and infrastructure where it can and utilizing debt for:

- Projects where the useful life of the assets will exceed the term of the financing;
- One time capital improvements that cannot be paid for with cash in one year; and
- Major equipment purchases.

SIGNIFICANT FINDINGS AND RECOMMENDATIONS

Findings

- **Debt** - The City has significant capacity to issue more debt for current and future use.

Recommendations

- **Council should develop a philosophy on the City's use of debt** to fund major capital and infrastructure projects. The City should incorporate this philosophy in **developing a comprehensive Debt Policy**. The **Debt policy should be integrated with other financial policies** including operating and capital budget policies.

Elements to consider including in a Debt Policy are provided in Appendix 10, page 180.

Additional Findings and Recommendations

- **Revenue Policies** - Each department sets its own user fees for services provided. There is no consistency across departments on methodology or criteria for setting fees. In some cases, departments review fees in relation to direct cost of service; however, indirect or "support" costs are not factored into these calculations. The City is unable to make informed, consistent decisions in setting fees for services provided (e.g. cost recovery, level of subsidy, etc.)
- **Investment Policy** - The City has an Investment Policy that provides guidance on how the City should invest its funds. The policy incorporates many municipal best practices, e.g. Purpose, Delegated Authority, Permitted Investments, Prohibitive Investments, Investment Limits, Authorized Investment Dealers and Institutions. The Policy states that management (Manager, Accounting Services) review the investment portfolio on a regular basis and provide reports to Council. The consultant team notes that there is currently a lack of governance oversight to the investment portfolio as investment reports are not being provided to Council.

- That the **City develop a comprehensive revenue policy and cost allocation model** that enables the City to fully understand its cost of service delivery. This policy and model should promote transparency and consistency across Departments, thereby supporting Council in making cost recovery and fee decisions.
- That **Council be enabled to provide governance oversight on the City's investment portfolio**. In order to achieve this oversight, the City should follow its Investment Policy and prepare investment reports and provide updates to Council on a regular basis. The components that should be included in these reports are provided in Appendix 10, page 180.

TRANSPORTATION OPERATIONS

BACKGROUND AND CONTEXT

Introduction

The City of Nanaimo Transportation Operations Section is a part of the Public Works and Engineering Department. The Department provides streets, sidewalks, signage and street lighting that are to provide mobility that is safe, accessible, clean and convenient to drivers, pedestrians, and cyclists. The major components of the City's transportation infrastructure are roads (arterial, industrial, collector and local), bridges, sidewalks, traffic signals and street lights. There

Under the direction of a Manager, the section consists of three units: Roads, which maintains roadways, sidewalks, some paths, bridges, and other driving and walking structures; Traffic, which makes and maintains signs, and maintains traffic signals and pavement markings that regulate traffic flow on roads and sidewalks; and Roads and Traffic Services, which provides analytical asset management support to the other two units.

Linkage to the City of Nanaimo Strategic Plan

The Strategic Plan 2012-2015 commits the City to strong fiscal management, performance accountability, sustainable, and affordable municipal operations that provide effective stewardship of all municipal assets.

Transportation Operations Functions

In Nanaimo's case the transportation assets consist of roads, bridges, curbs, sidewalks, paths and trails, traffic control lights, signs and markings. Responsibility is divided among the Engineering Section of Public Works and Engineering, which plans manages new asset and renewal planning and design, and the Construction Section builds or project manages construction, it is Transportation Operations that provides ongoing maintenance needed to ensure optimal performance of the assets. Transportation Operations also plays a significant role in ensuring that the transportation system is safe, by maintaining signs, signals and markings which regulate traffic. Key activities undertaken by Fleet Services include:

Roads	Traffic
<ul style="list-style-type: none"> ■ Road surface inspection asphalt patching ■ Chip sealing ■ Alley repairs ■ Boulevard maintenance ■ Curb and shoulder repair and maintenance ■ Maintenance and repairs to curbs and guard rails ■ Dust control for gravel roads ■ Sidewalk and walkway inspection and repair ■ Vegetation control affecting road and sidewalk use and safety ■ Bus shelter and bench maintenance and repair ■ Street lighting ■ Bridge inspection and repair ■ Snow and ice control 	<ul style="list-style-type: none"> ■ Signals maintenance and repair ■ Sign manufacture, installation and maintenance ■ Street marking ■ Restoration of vandalized signs ■ Installation of Christmas lights, and banners

FINANCIAL MODEL

Overall

Transportation Operations is funded through general revenues, which funding has historically been constrained by affordability. As a result, activities are driven by funding rather than achievement of service goals and cost trends show low growth. Service levels have not been established for most major activities and there is incomplete information on the optimal level of maintenance needed to ensure best asset value.

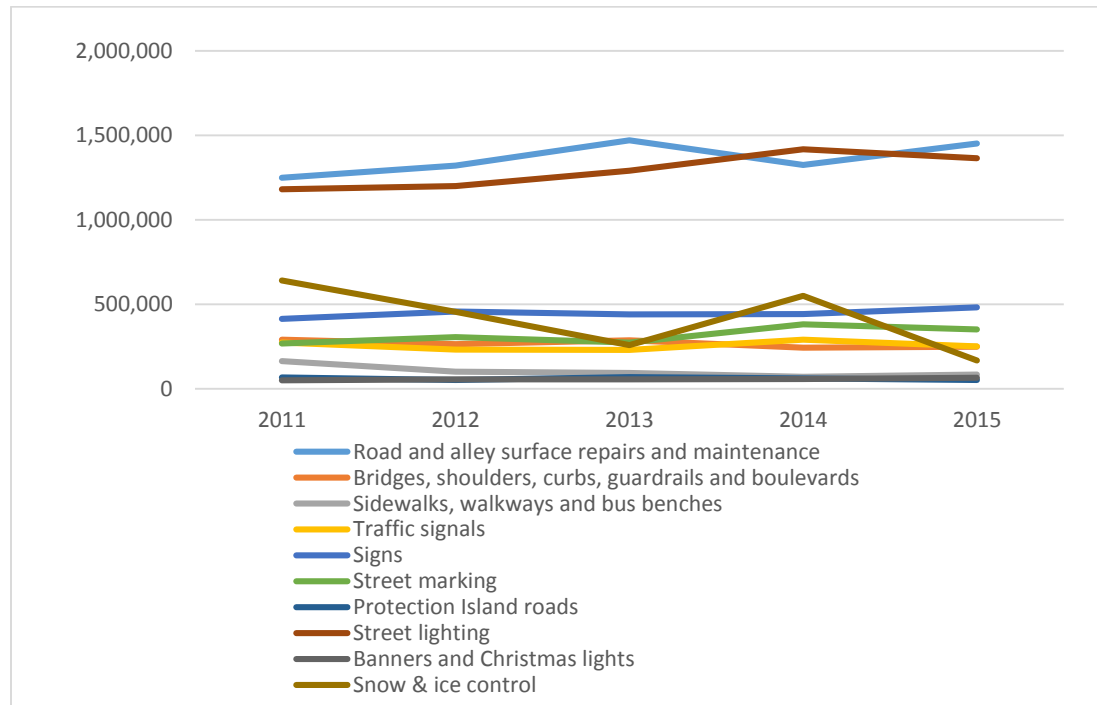
Significant changes to the department's cost structure have been experienced, due to:

- **Street marking** (\$267,000 in 2011 to \$352,000 in 2015): Introduction in 2013 of low VOC paints, which are more expensive and, arguably, need replacement more frequently. The City also installs thermoplastic markings which, while more expensive to purchase and install, last 5-7 years versus one year for paint.
- **Signs** (\$412,000 in 2011 to \$481,000 in 2015): Funding from ICBC has encouraged accelerated replacement of stop signs and other regulatory signs to a higher, more reflective standard. The program is now expanding to work on replacing warning signs to this new, more expensive material. In addition, larger street name signs are being installed.

- **Street lighting** (\$1,182,000 in 2011 to \$1,363,000 in 2015): Escalation of energy costs has increased expense by 55% in the past five years. The City is also converting its owned street lights to LED, to reduce costs and greenhouse gas emissions. Lights owned by BC Hydro are not being converted at this point.

Snow and Ice Control is dependent on weather. Annually, \$600,000 is budgeted with unused funding transferred needed to maintain a reserve fund balance of \$400,000.

Cost trends over the past 5 years (by service)



SERVICE DELIVERY MODEL

City Forces/Contractors Mix

Services are delivered using both City staff and contractors. City staff numbers are maintained at a constant level (28 FTEs) and perform the bulk of activities, with the exceptions where specialized staffing or equipment is required, or where work volumes exceed the City's capacity:

- Crack sealing chip sealing
- Boulevard maintenance
- Curb and shoulder maintenance – large jobs
- Street light maintenance
- Bridge inspection and structural repairs
- 100 of 1,100 km of road snow and ice control
- Signals maintenance
- Some pavement marking
- Brush cutting
- Dust control

In 2015, of \$4,535,608 total expenditures, \$851,219 was for contracted services. The largest amounts were for asphalt maintenance and street light and traffic signal maintenance.

Service Levels

Some service levels have been established, although for many it is unclear by whom the service levels were set. A table of services with corresponding service levels is available at Appendix 11, pages 181-182.

Preventive Maintenance Program

In addition to work performed as a result of the services levels described in Appendix 11, pages 181-182, the pavement management software system (Road Matrix) used by Engineering, models an optimum road rehabilitation schedule. A scientific condition assessment program is completed every three to five years, and data is updated to the pavement management system. Work identified under the program is carried out as either an operating or capital project depending on the scope of the work required. If operating, it is added into the workload plans of Transportation Operations and prioritized if needed.

While all services except traffic signals maintenance are discretionary, there are more compelling reasons to maintain high services levels for some:

- Road surface maintenance (crack sealing and asphalt repair are intended to keep water from penetrating the surface and damaging the road bed, causing costly failure.
- Bridge repairs are similarly intended to maintain the lifespan of the structure and also to ensure safety.
- Some repairs to sidewalks are intended to protect pedestrians from tripping.
- Traffic signs and markings are maintained to ensure visibility, and thus motorist and pedestrian safety

Other services, such as decorative lights and banners are highly discretionary.

Pavement marking and signs work is identified by annual visual inspection supported by a maintenance management system which displays as maps all signs and markings. Condition information is entered in the field. Those requiring maintenance are flagged by the Foreman during inspection and these show as highlights on the map. Work is then assigned to crews by geographic area each day and they can easily see the specific signs, the work required and their locations. Traffic signal controllers are scheduled for semi-annual inspection by contractors.

For roads, bridges, annual inspection is performed by the foreman; with semi-annual inspection of sidewalks (plus ongoing assessment by meter readers). Data is managed through a series of spreadsheets and document tables, with manual transcription of data among them. No computer maintenance/work management system (CMMS) is used.

BENCHMARKING, BEST PRACTICES AND NANAIMO'S PERFORMANCE

Performance Measurement

Transportation Operations has developed a mix of performance measures, both formally and informally. Because Engineering and Public Works conducts periodic pavement surface quality measures, the Pavement Quality Index (PQI) calculated provides one overall program outcome measure for Transportation Operations. However, to this point, **no target has been set**. The next measurement is scheduled for 2016.

The service levels described in Appendix 11, pages 181-182, form effectiveness targets against which to measure if the programs are being delivered as planned. However, the most significant and costly activities (e.g. maintenance and repairs to road surfaces, shoulders etc.) are prioritized within budget limits, and there is no measurement and reporting on actual work done as a portion of the work identified. Even though Engineering and Public Works identified a sample set of measures that could be captured and reported (e.g. Volume of work performed), so far none of these is being measured and reported. At a micro level, performance is measured and managed daily through assignment of work to crews based on the Foreman's expectation of what constitutes a reasonable day's accomplishment. At an operational level, these are adequate, if not scientific. It is very costly to develop precise performance standards for work

activities where each job has different scope and is conducted under varying conditions.

Best Practices

This section summarizes Nanaimo's performance against a number of widely accepted leading practices. A description of these leading practices as well as Nanaimo's performance is provided at Appendix 11, pages 182-184.

Area of Review	Nanaimo's Performance
Mandate	<ul style="list-style-type: none"> ✓ There is reasonable alignment of Transportation Operations' purpose to the City's strategic plan ✓ A Transportation Master Plan is in place which addresses the entire domain of mobility in Nanaimo and sets policy choices. ✓ Lack of clear and adequate policies regarding major service levels (except for snow and ice control)
Service Planning & Resourcing	<ul style="list-style-type: none"> ■ Key service level targets have not been set and there is no long term forecast of the maintenance program required to achieve any level of service. ■ Key activities and workloads are driven by availability of staffing, seasonal considerations and budgets, rather than by service level needs. ■ A highly-functional CMMS is available for signs and pavement markings only. Information for other features (recorded in spreadsheets and Word documents) is cumbersome to enter, analyze and share. Integrated work records, asset management and costing has not been achieved. ■ Priorities for service and responses to requests are based on Foremen's assessment of safety and protection of the asset value, rather than clearly defined priorities based upon the impact of the service to motorists/cyclists and pedestrians ✓ The cost-effectiveness of preventive maintenance is recognized, and the preventive maintenance program is providing value. Overall condition assessment (pavement management index) has not been measured since 2013 so impact of recent decisions is unclear. ✓ Workplace safety is a constant priority and stipulated programs are in place.

SIGNIFICANT FINDINGS AND RECOMMENDATIONS

Findings

- Transportation Operations' key activities and workloads are driven by availability of staffing, seasonal ability to perform certain functions and budgets. Consideration of the impact of maintenance service level targets on the Pavement Quality outcome is limited and informal.

- The capability to plan and manage work toward asset management and public safety goals is impeded by lack of technology support for data capture, management, analysis and decision-making exists for roads.

- There are opportunities to improve cost-effectiveness. Thermoplastic pavement markings are being utilized and there is some evidence to support expansion of this. Purchase of an asphalt milling machine has also been suggested.

Recommendations

- **Adopt Council-approved targets for key outcomes and activities.** Monitor outcome measures and adjust maintenance service levels as needed to achieve desired outcomes. Bring forward the budgets needed to support the service level targets.

- **Implement the planned computerized maintenance management system** and integrate it with asset management and financial systems.

- **Develop and bring forward business cases and budgets** to support increased use of thermoplastic pavement markings and purchase of an asphalt milling machine.

SANITATION

BACKGROUND AND CONTEXT

Introduction

Nanaimo currently provides in house kitchen waste collection weekly and in house garbage collection bi-weekly. Recycling is collected bi-weekly by an outside contractor.

Service calls about garbage issues are very low in relation to the number of collections made, indicating excellent performance. Nanaimo's fees for Sanitation services appear reasonable/less than those in comparable jurisdictions, although service levels differ markedly between communities in respect of frequency of collection and what is collected. In general contracting out appears more costly than in house collection.

Linkage to the City of Nanaimo Strategic Plan

The strategic plan calls for City to excel in waste management.

Context

The Nanaimo waste collection service has been plagued by unreliable equipment, trucks that frequently breakdown on the job

and high repair costs. In part this is due to problems associated with diesel engines made in the 2007 - 2011/12 period. Efforts to meet 2007 EPA environmental regulations resulted in many unsatisfactory solutions by most manufacturers.

More seriously, the design of many of the trucks is flawed, owing to the lifting height being too high for safe working, causing frequent injury. Nanaimo workers lift between 2.5 and 5.5 tonnes of waste per collection per day. From 2012 to 2014, 18 garbage collectors were injured on the job, resulting in total costs of \$429000. WCB experience rates have increased from 33 cents to 60 cents per \$100 of payroll. Further, WCB has decreased the number of collections permitted per worker from 800 to 600. Casual workers have had to be hired to take the place of injured workers and meet WCB requirements.

Workers, most of whom have suffered injury, appear to work hard. They co-operate effectively, completing each other's routes in the event of breakdowns. A meeting with all the current refuse collecting staff revealed that all but one had been injured on the job. The work at present is a young person's occupation; few will reach retirement age as refuse collectors. The facilities provided for workers are well below par.

Many other municipalities have replaced manually loaded trucks with automated ones. This was done primarily to reduce worker injury, not for business reasons. Nanaimo has decided to pursue the same route and Council approved the purchase of two automated trucks in December 2015. The automated trucks are capable of picking up recycling at little extra cost so that a recycling contract could be terminated, saving substantial fees. City Sanitation management had asked for 6 large trucks, plus two small trucks for congested areas. The trucks are to be introduced in three phases.

Nanaimo plans to try the first two trucks out on new routes in Central Nanaimo starting in the Fall. The trucks that have been purchased are identical (except with natural gas engines rather than diesel) to those being used in the Cowichan Valley R.D where they have worked well. One Cowichan truck has been in Nanaimo for inspection by the Nanaimo sanitation crew who were pleased with it. Similar trucks are used in Port Alberni and Saanich. These trucks were checked out by the Nanaimo manager to confirm cycle times.

ORGANIZATION AND STAFFING, FINANCE, PERFORMANCE MEASURES, AND SERVICE LEVELS

Organization and Staffing

The Sanitation, Cemetery and Office Administration Section reports to the Director of the Public Works Department. The manager has three direct reports, a foreman and a clerk dispatcher and operator dispatcher. Nine refuse collectors/operators, two sweeper operators and two sanitation workers report to the foreman. On occasion casual workers are used.

The Ratio of management to staff is 1 to 16, including a vacant position of relief labourer. This is higher than the average for the City of 1 manager to 9 staff.

Finances

Total budgeted expenses for 2016 were \$4.3 million with revenues of \$3.8 million for a net cost of \$0.5 million, after internal charges of some \$1.0 million. Wages accounted for 29% of total expenses, supply and services contracts 45% and materials 5%, the balance being made up of internal charges. The supply and services contracts include roughly \$800,000 for recycling and \$1 million for tipping fees.

Performance Measures

There are no performance measures, but collectors' routes are completed on schedule even if equipment fails. As noted, our impression is that collectors are hardworking.

The City keeps detailed records about service calls, which give some guidance to performance. These are divided into 11 categories as shown in Appendix 12, page 185. The Sanitation Section is not responsible for some categories (e.g. recycling calls are referred to the contractor). The main number of calls, where the section may have some responsibility for inadequate service, relate to garbage and kitchen waste missed and miscellaneous categories. Even in these cases, the Section may have no responsibility, since the householder may have failed to put materials out in time. In 2015, there were a total of 882 calls under the miscellaneous, receptacles, kitchen waste missed, garbage missed and carry out missed. The Section services 27,146 households 52 weeks a year for a total of about 1,330,000 collections a year. The call rate is thus less than 7/100 of 1 percent, which is considered to be excellent.

Service Levels

Garbage is picked up once every other week, kitchen waste every week and recycling every other week. Recycling is collected by a contractor and transported to a centre operated by Progressive Waste on behalf of Multi Material British Columbia (MMBC). The City pays for collection but receives a fee per household for the value of materials collected. There are no collections on public holidays but on the day after. This results in significant savings, as there is no need to pay overtime for working on public holidays, and skipping one day for the 9 statutory holidays in BC day saves nearly two pickups per year.

Residents provide their own garbage bins, but the City provides one kitchen waste bin and recycling bags at no charge. Each resident is restricted to one garbage bin, but may buy tags for up to two additional bags of garbage.

Garbage collectors are said to be accommodating to residents who put out extra bags with no tags or over-fill garbage bins. They also assist residents who are unable to take garbage to the street by collecting garbage from driveways and other areas away from the street.

Nanaimo has the second highest waste diversion rate in British Columbia with 63% of the waste collected being composted or recycled. An education program about the 3Rs provided by the department has contributed to this favourable result

BENCHMARKING

Benchmarking

The Table below compares Nanaimo's current situation with those of five comparable municipalities in respect of automation, contracting, frequency of collection, types of waste picked up and fees.

Nanaimo is one of two communities that are not automated. It collects garbage less frequently than most. Recycling is collected on an average frequency. It is one of three communities that collect kitchen waste. Three communities offer yard waste collection. Minimum garbage bin sizes in Nanaimo are smaller than those in comparable communities. Comparisons of fees must be made with caution because of differences in frequency of service, types of waste picked up and bin sizes, but on the face of it, Nanaimo's fees are substantially less than all those benchmarked. In general contracting out costs more than in house collection.

	Nanaimo	Chilliwack	Kamloops	Port Coquitlam	Prince George	Kelowna	Coquitlam
Automated	No	No	Yes	Yes	Yes	Yes	Yes
Contracted out	Garbage and Kitchen waste – No Recycling - Yes	Yes	Garbage - No Recycling - Yes	No	Garbage - No Recycling through Region	Garbage - Yes Recycling through Region	Yes
Pickup Frequency - Garbage	Bi-weekly	Weekly	Weekly	Bi-weekly	Weekly	Weekly	Bi-weekly
Pickup Frequency - Kitchen	Weekly	NA	NA	Weekly	NA	NA	Weekly Food & Yard Waste
Recycling	Bi-weekly	Weekly	Weekly	Bi-weekly	Bi-weekly	Bi-weekly	Weekly
Annual Fees	\$100	\$192.48	\$135	\$152.30	\$140	\$162.30	\$221
	80litre Garbage bin Recycling in Yellow bags.	120litre Garbage Unlimited recycling	20litre Garbage 245litre recycling bin	120litre Garbage bin	135litre Garbage bin Blue box and Bags	120litre Garbage bin	
Cost Recovery	Full	Full	Subsidy of 2% from general revenues	Full	Full + small reserves accumulated	Full	Full + small reserves

SIGNIFICANT FINDINGS AND RECOMMENDATIONS

Findings

The main issues facing the Department are **injuries to workers and associated WCB costs and restrictions arising from unsuitable equipment**. The **Trucks**, although some are less than ten years old, are also **unreliable and expensive to maintain**.

Best practice is to **automate garbage collection**. Nanaimo plans to introduce automation in a three-phase approach beginning this Fall and Council has authorized the purchase of two new trucks.

- As per the existing plan (Option 1), Council will buy 6 more new automated trucks & bins at a cost of \$6.8 million, maintain weekly kitchen waste collection and bring re-cycling in-house. If the remaining trucks were to be ordered in the near future, there would probably be bulk purchase savings of 5% (\$255,000) on the remaining six trucks and bins and spares and servicing would be standard.
- The consultant team also identified another option (Option 2) which is to buy 2 more new automated trucks & bins at a cost of \$3.8 million, change the collection of kitchen waste weekly to bi-weekly and continue to contract out recycling.

Recommendations

Analysis of both options including comparing pros and cons of each option as well as developing a detailed business model (provided in Appendix 12, pages 186-190) indicates that **the superior service under the Option 1, the potential to pick up yard waste, and the potential saving of \$255,000 slightly outweighs the disadvantage of being unable to contract out again, especially as contracting out sanitation services has not proved to be more economical in other communities**. The City should negotiate an extended period of testing within which recycling may be contracted out again, as it did in respect of bring parking in-house.

Considerations for implementing automation is provided in Appendix 12, page 190.

FLEET SERVICES

BACKGROUND AND CONTEXT

Introduction

Fleet Services is a central corporate service department which serves other City departments by purchasing, maintaining, repairing and fuelling vehicles and small equipment. The department operates from a shop facility in the Public Works Yard, consisting of six service bays equipped with two service pits and three vehicle lifts, one small equipment shop and one welding bay, as well as offices and staff facilities.

The services of providing fleet and equipment to other departments and ensuring best value from the fleet assets is foundational to many other services provided by the City. While these services could be decentralized to individual departments, there is significant gain in specialized expertise and scale economies when the services are centralized to a single department.

Focus of the Review

This review focuses on how the City can achieve least cost and maximum up-time for mobility of its workforce and equipment. It also includes use of employees' use of their private vehicles on City business and take home of City vehicles by employees.

Linkage to the City of Nanaimo Strategic Plan

The Strategic Plan 2012-2015 commits the City to strong fiscal management, performance accountability, sustainable, and affordable municipal operations that provide effective stewardship of all municipal assets. As one of the largest fleet operators in the city, the City's goals for environmental stewardship are also impacted by how well its fleet performs.

Fleet Functions

Key activities undertaken by Fleet Services include:

Key Activities
<ul style="list-style-type: none"> ■ Serving other departments' functional needs for fleet and equipment, through specifying and procuring appropriate vehicles and equipment ■ Ensuring availability of fleet and equipment, through scheduled preventive maintenance and unscheduled repairs ■ Ensuring value through efficient purchasing and dispensing of fuel and other materials ■ Managing lifecycle costs of fleet and equipment

Policy Directions

The primary policy framework for the department consists of:

- Guidelines for vehicle replacement schedules (there may be variations, depending on specific utilization and condition:
 - Cars and light duty trucks and equipment 10 years
 - Heavy trucks and equipment 15 years
 - Garbage trucks 10 years
 - Zamboni ice surface machines 15 years
- For 2015, Council directed the Fleet Manager to achieve a 5% reduction in fuel consumption, as a cost containment measure.
- Council approved an anti-idling policy and has a policy on environmental sustainability.

FINANCIAL MODEL

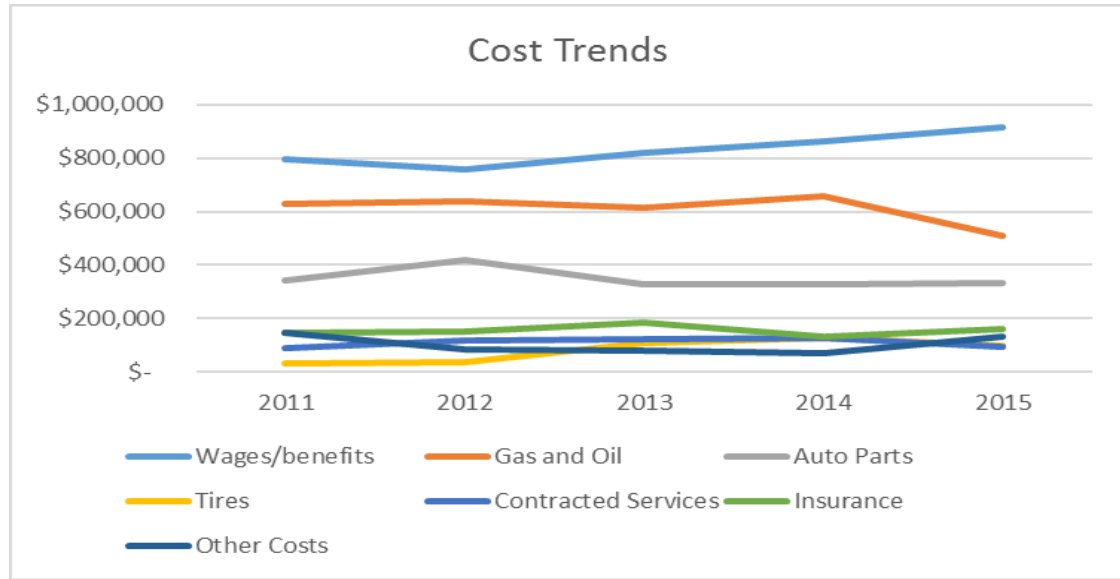
Overall

Costs have been very stable over the past five years, with two exceptions: staff and fuel. Staff costs are driven by number and types of positions and the negotiated wage settlements between the City and its unions. There have been no staffing increases or decreases in the past five years.

In 2015 Council directed the Fleet Manager to reduce fuel consumption by 5%, to reduce costs. Actual fuel consumed has decreased less than 5% throughout 2015, but the price of fuel has declined even more, so savings are apparent. The City has an active program of increasing fuel efficiency through introduction of other technologies (hybrid or electric vehicles, conversions to natural gas or propane) and specification of smaller engines in light vehicles. There is an anti-idling policy and drivers have been trained to operate vehicles in a more fuel efficient manner.

Fleet unit costs are allocated to user departments through charge-out rates (hourly, daily, or monthly) that include all operating costs as well as contribution to an equipment replacement reserve, which is a surrogate for capital cost amortization. Financial Services is consulted and assists in reviewing and establishing charge-out rates.

Expenses and Revenues



Total annual fixed funding for 2015: \$ 2,242,363

User rates for fleet units have increased over the past five years as a result of more frequent rate reviews (now done annually). The difference between rates charged and expenditures is transferred to the fleet replacement reserve. The rates that Fleet Services has been charging user departments have not kept pace with the costs of replacement vehicles as some rates were set too low and based on historic cost rather than replacement costs. The more frequent reviews are intended to mitigate this situation, but this alone will not entirely resolve it. Finance has assessed the adequacy of the Fleet Replacement Reserve and is recommending one-time infusion of \$500,000 from the 2015 surplus to ensure there is sufficient funding to implement planned replacements.

STAFFING, AND SERVICE DEMAND

Organization and Staffing

The organization consist of a Manager (exempt position), a Fleet Services Clerk, a Maintenance/Yardman, a Janitor, a Foreman, a Sub-Foreman, 6 Mechanics and a Mechanic Apprentice. The Maintenance/Yardman also services as the corporate driver trainer (along with another employee from Parks, Recreation and Environment), as well as performs minor facilities and yards maintenance, performs janitorial activities, manages waste bin haul in and haul out, and performs repairs to parking meters. The Manager also serves as manager of public works facilities and is responsible for maintenance of all facilities used by Public Works.

Mechanics work a variety of shifts, beginning at 6:00 a.m. until 5:30 p.m. Industry norms are to service vehicles during hours when they are not being used, with some having mechanical staff on duty 24/7. While Fleet staff do try to coordinate service scheduling to minimize disruption to operations of user departments, downtime cost is increased when units are repaired during the hours they would normally be used.

Service Demand Factors and Issues

New Units: Fleet Services is responsive to the needs of user departments for specification of new units. Departments must seek capital budget approval for new units and justify them. Once Council approves acquisition of a new unit, it is considered to be a permanent addition to the fleet inventory and subject to replacement according to current practices.

Preventive Maintenance: The amount of required preventive maintenance is determined by vehicle manufacturers, fleet industry common practice and Fleet Services' experience. When new vehicles arrive, the Foreman establishes the frequency of each level of preventive maintenance service and their frequency in terms of kilometres, engine hours or calendar time. Fleet Services targets to complete all preventive maintenance work in the month it is due, and work with departments and operators to achieve this and minimize disruption from servicing downtime.

Repairs: Repairs are driven by normal aging and conditions of use. The City has an old fleet that requires significant maintenance. It has been found by industry observers that a balance of repairs to predictive/scheduled maintenance of 50:50 yields the best results of equipment availability. Past practice in Nanaimo has been to code work performed as preventive or non-preventive.

Replacement: Leading practice in fleet management is to replace vehicles when the annual total cost of ownership is at its lowest. Analysis of a sampling of the City's fleet of Light Trucks, Cars and Mini Vans generates an estimated total savings of **\$32,546**.

Utilization: Vehicle utilization is reviewed at least annually, as charge out rates are reviewed. Units with low utilization may be re-deployed, re-configured to improve utilization, or replaced with a more functional unit. Reviews of the City's policies on employees taking vehicles home and fixed rate mileage allowances has surfaced deficiencies, resulting in an **estimated \$110,000 annual over-expenditures**.

Vehicle Tracking Technology: Public Works is implementing GPS tracking all Public Works vehicles and, for Parks, Recreation and Environment vehicles. However successful implementation requires a well-planned roll-out, including assistance from Human Resources and Information Technology Services to develop a change/ implementation plan.

Additional information and analysis of all the above is provided in Appendix 13, pages 192-197.

BENCHMARKING, BEST PRACTICES AND NANAIMO'S PERFORMANCE

Benchmarking

Fleet Services subscribes to E3 Fleet, a non-profit industry fleet management organization which performs periodic reviews of fleet performance, comparing measures to those of other E3 Fleet members. Ongoing membership in this organization is valuable, as it:

- is industry specific;
- provides good benchmark assessment of practices as well as measures; and
- provides other tools, such as the lifecycle cost and replacement tool used in this review.

Service Standard Times: Although the Department does not use service standard times such as published by Mitchell, the Foreman does compare the hours spent to his expectations and addresses variances as part of workorder close-out/ quality assurance = review.

Ownership vs Rental: Our brief analysis indicates that owning fleet units is more cost effective than month-to-month renting.

Contracted vs in-house work: There are few opportunities for the City to increase contracting of repairs, hence this benchmarking information on this topic was not obtained.

Best Practices

The consultant team has compiled a summary of leading fleet practices, against which the team compared Nanaimo's Fleet Services (Appendix 13, pages 197-199). Highlights of this summary are given below.

Area of Review	Nanaimo's Performance
Mandate	<ul style="list-style-type: none"> ■ Some areas of uncertainty regarding use of rented vehicles and responsibilities under Use of City Vehicles Policy. ✓ Utilizes the best practice model with a centralized fleet management which manages the entire life cycle ✓ Fleet management take an active role in assisting customers in assessing vehicle requirements
Use of Vehicles	<ul style="list-style-type: none"> ■ Personal use not tracked; moreover, take home policy is weak ✓ Vehicle access is based on multiple options ✓ Flat rate reimbursement policy is costly
Vehicle Replacement	<ul style="list-style-type: none"> ✓ Lifecycle costing and charge out rates are used ✓ Better analytical approaches to replacement are available and will likely result in savings
Chargeback and Vehicle Replacement Funding	<ul style="list-style-type: none"> ■ Establishment and funding of adequate reserves for vehicle replacement exists ■ Excessive costs (accidents, abuse, and negligence) are directly charged to user departments.
Maintenance Expense	<ul style="list-style-type: none"> ■ The best practice of twenty-four hour seven days a week emergency service is not warranted by size of City operations, although some extension of shop hours is warranted ■ Replacement vehicles are made available when required, except for specialized units.
Fleet and Fuel Monitoring	<ul style="list-style-type: none"> ✓ Technology exists to assist in controlling unauthorized purchase or use of fuel. ■ Regular collection of metrics occurs for fleet units ■ Little measurement for Fleet Services as an organization
Information and Reporting	<ul style="list-style-type: none"> ■ Regular meetings with customers assist in addressing performance problems and issues as they arise does not occur
Other	<ul style="list-style-type: none"> ✓ Fleet managers take an active role in promoting driver safety. ✓ Fleet managers take an active role in promoting "green" initiatives

SIGNIFICANT FINDINGS AND RECOMMENDATIONS

Findings

- The replacement cycles for some categories of vehicles is not optimal.

- The **current vehicle utilization policy is costly** in that this is considered as a perk of some jobs rather than an operational requirement.
- The Vehicle Allowance Policy results in excessive costs to the City.

- GPS technology in use is expensive and provides limited functionality
- Management does not have a clear set of objectives for use of this technology and has not insisted on management's rights to monitor employee performance.

- Management would like to **measure downtime**, the single best measure of fleet effectiveness, but this is not supported by FleetFocus in the version of the software used.

- The City is not able to compare its Fleet performance against industry standard measures of predictive-to-unpredicted costs

- Current reporting of departmental performance in reducing fuel consumption has not been effective in that it does not promote accountability.

- The current process for vehicle rentals allows for the possibility of departments renting from outside while City vehicles are available, resulting in excessive costs.

- The City incurs more fleet downtime than is necessary as servicing is only available from 6:00 a.m. to 6:00 p.m.

Recommendations

- **Improve data sources** to be able to analyze optimum fleet replacement timing, estimated to result in savings of **\$32,546 annually**.

- **Re-write the Vehicle Utilization Policy** to ensure City vehicles are only taken home when the vehicle itself is needed to respond to an after-hours event.
- **Amend the Vehicle Allowance Policy** to provide guidelines on least cost use of City and private vehicles and to reimburse all private vehicle use at a per-kilometre rate
These are estimated to save **\$110,000 annually**

- **Re-deploy alternatively-sourced GPS technology** in all City vehicles, identifying specific objectives desired and the change management needed to achieve them, estimated to save **\$30,000 annually**.

- **Upgrade FleetFocus** to a newer version to support downtime measurement and train the Fleet Clerk in using the features of the new software version.

- **Amend cost centre definitions** so that predictive/scheduled maintenance and unscheduled repairs are tracked.

- **Modify fuel use reports** to Directors and the CAO to show year-over-year comparisons for each unit.

- **Coordinate all vehicle rentals in Fleet Services.**

- **Implement a 12:00 (noon) to 8:00 p.m. shift for mechanics**

POLICE SUPPORT SERVICES

BACKGROUND AND CONTEXT

Introduction

The Police Act requires that all municipalities larger than 5,000 population maintain a police force. Options are an independent municipal police force or utilization of the RCMP under the Provincial Policing Agreement. If the latter service delivery is selected, the agreement stipulates:

"2.5 The Province will, or any Municipality may, provide, without any cost to Canada, all necessary Support Staff; such staff will meet the job and other related requirements as determined by the [RCMP] Commissioner."

"2.7 If the Province or a Municipality does not provide the Support Staff required by sub-article 2.5, Canada may provide, upon reasonable notice to the Province or Municipality, resources in place of such Support Staff, and the Province [or municipality] will pay 100 per cent of all the costs incurred by Canada to provide such resources."

Linkage to the City of Nanaimo Strategic Plan

The 2012 – 2015 Strategic Plan includes a social development strategy vision which

states: Nanaimo will be known as a community which nurtures a caring, healthy, inclusive and safe environment and which empowers and enables its citizens to realize their aspirations and hopes. It will also be known as a leader in addressing social issues through its commitment to capacity building and partnering.

Police Support Services

The City of Nanaimo provides municipal employees as a support to the RCMP; in some cases, municipal employees have taken on roles that were formerly assumed, at significantly higher cost, by RCMP members. The services provided to Police fall into a number of broad categories:

Key Service Categories
<ul style="list-style-type: none"> ■ Customer-facing services such as reception and switchboard; ■ Records creation, coding, access, and management; ■ Management of fleet; ■ Management of buildings and grounds; ■ Guarding of prisoners; ■ IT support; ■ Financial and administrative support; ■ Crime prevention coordination; ■ Enforcement of provincial commercial vehicle and dangerous goods regulations.

In short, the City provides all of the administrative and related support services which allow the RCMP detachment to function. The other function of Police Support is to administer the \$21 million contract with the RCMP to ensure that the terms of the agreement are satisfied.

Municipal enforcement, crime prevention and auxiliary police programs are all discretionary. While custody of prisoners is mandatory, the stipulated level of service requires one guard for each 11 prisoners. The City currently exceeds this, providing a minimum of one male and one female guard at all times.

The Nanaimo RCMP Detachment provides policing to a surrounding rural area (7 members) and two First Nations (2 members). These members are supported by Police Support.

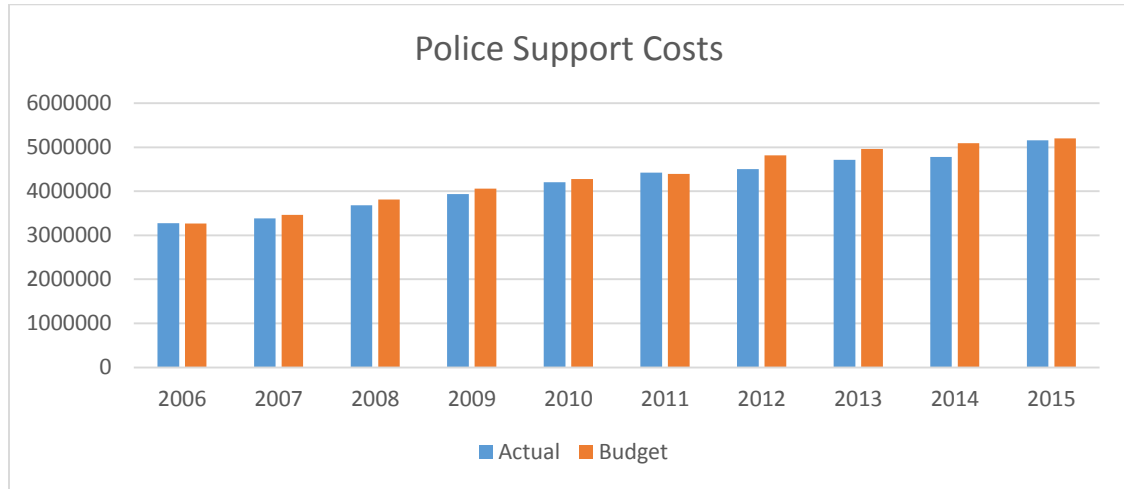
FINANCIAL MODEL AND ORGANIZATION

Financial Model

Costs have increased by 57% over the past decade, reflecting growth in labour-related costs and increased staffing levels.

Major expenditure areas include:

Areas	\$
Support services	\$3,661,924
Buildings and grounds	\$476,089
Custody of prisoners	\$920,087
Municipal enforcement	\$200,909
Crime prevention programs	\$97,443
Auxiliary Police	\$8,663
Total	\$5,365,115



Organization & Staffing

All persons working in the detachment require either security clearance or to be escorted at all times by a staff member who does have clearance. As a result, most services to the RCMP are provided by municipal staff, with the Police Support organization being almost self-sufficient within the civic administration. Security is a significant concern to the RCMP and impacts the ability to maintain staffing levels. A new hire must wait for security clearance to be granted, which normally takes 6-8 months. In the interim, services are maintained through a balance of prioritization or tasks, workload reassignment (cross-training among staff is high), use of part-time or casual staff, or overtime.

External contractors are used for some building trades functions (electrical, communication, plumbing, etc.). Some external contractors have received security clearance, a significant advantage that also demonstrates services can be effectively provided from organizations external to Police Support.

The **primary workload drivers** are **number of case files opened, number of prisoners, and number of public requests for information or services** such as criminal record checks.

The City has limited ability in the short term to influence any of these drivers. For the mandatory services, the City does not determine what its staff must provide or, in most instances, how tasks will be performed. These are all determined by the RCMP.

BENCHMARKING, BEST PRACTICES AND NANAIMO'S PERFORMANCE

External Perspective on Staffing

A high-level analysis of six comparable police support organizations indicates that the overall staffing in Nanaimo Police Support is amongst the lowest of the other jurisdictions.

Dispatch Services: Langley and Saanich provide dispatch services internally, whereas other municipalities have dispatch consolidated elsewhere. Consolidation of dispatch centres, transferring municipal dispatch staff to other jurisdictions or agencies can result in less savings than expected. Dispatchers perform other duties such as records functions that must be assumed by remaining staff once dispatchers are transferred. One manager suggested that up to 50% of dispatchers' time is so spent.

Support services: No other police support organizations are as self-contained as Nanaimo. All other comparable organizations have at least some services such as IT support, building maintenance and custodial and fleet support provided by other municipal departments. In both Prince George and Langley, municipal staff perform forensic identification functions that are provided elsewhere by RCMP civilians or sworn members. Prince George also provides a crime analyst. The municipal police services in Delta and Saanich have sworn members in other positions that would be filled by civilians in RCMP detachments.

Special Program Staffing: Each municipality provides some discretionary special program staffing such as community policing coordination (Nanaimo, Kamloops and Prince George), victim services (Nanaimo and Prince George), commercial vehicle regulation enforcement (Nanaimo), firearms program (Kelowna), and pawnshop regulation enforcement (Kelowna). These services are seen as providing public safety functions that would otherwise fall to the RCMP. The number of staff assigned to these functions is as low as two and as high as 16.

Contracted vs in-house work: Delta relies on Surrey to provide gaols and guarding. Saanich contracts out guarding of prisoners. All used part-time and casual staffing to a greater or lesser extent to fill in for absences. All RCMP support units experienced the same problem of continual recruitment of part-time and casual staff, as these staff tend to apply for full-time positions.

Additional details can be found at Appendix 14, pages 200-202.

Best Practices - Providing Better Support to RCMP

Statistics from the Nanaimo RCMP Detachment indicate that, while crime rates are decreasing, the total number of calls is increasing. An estimated 25% of responses are for non-criminal, calls to deal with persons, many suffering from mental illness, acting unacceptably, but not criminally.

While the RCMP provides the only 24 hour-a-day response service to this type of incidents, members have limited training and tools to deal with non-criminal matters. In some other jurisdictions, police officers are being supplemented by psychologists, social workers and mental health professionals who broaden the skills and resources that can be accessed to better serve the wellness needs of those who are the subject of social disorder complaints and the security concerns of the public at large.

Some of these additional resources may be available from Island Health or Provincial agencies or the non-profit sector. The City could facilitate access to external resources and coordination of internal and external resources.

SIGNIFICANT FINDINGS AND RECOMMENDATIONS

Findings	Recommendations
<ul style="list-style-type: none"> A high proportion of RCMP responses are made to non-criminal complaints for which the response is costly and not optimally effective. 	<ul style="list-style-type: none"> Develop a long term Social Wellness strategy that engages the Province (Ministry of Children and Family Development, Ministry of Health), Island Health, local non-profit groups, City Recreation, Social Planning, Fire/Rescue and RCMP staff in identifying better options and resources for dealing with social disorder and promoting social wellness.
<ul style="list-style-type: none"> The use of separate guards for male and female prisoners is unique to Nanaimo and costly. 	<ul style="list-style-type: none"> Eliminate 4 prisoner guard positions to achieve cost savings estimated at \$360,000 annually.
<ul style="list-style-type: none"> There is an opportunity to bill the RCMP or the Province for support provided to the two members serving First Nations and seven Provincial Police members. Allocating direct and indirect costs based on case files generated, an estimated \$240,000 annually could be recoverable. 	<ul style="list-style-type: none"> Negotiate agreements with the Province and Federal Government/RCMP to reimburse the City for costs of supporting non-municipal Nanaimo RCMP Detachment members, estimated at \$240,000 annually.
<ul style="list-style-type: none"> Overall staffing levels are mostly amongst the lowest of comparable jurisdictions, excepting as noted for guards. 	<ul style="list-style-type: none"> Nil
<ul style="list-style-type: none"> The Financial Analyst supports Police Support and other Protective Services departments. 	<ul style="list-style-type: none"> Consolidate the Financial Analyst with the existing Financial Analyst that supports PRE and E&PW into Financial Services
<ul style="list-style-type: none"> Building maintenance functions are provided internally by Police Support for RCMP facilities, a unique circumstance and not optimal for the City as a whole. 	<ul style="list-style-type: none"> Consolidate the building maintenance staff with Facility Operations.

BYLAW AND PARKING SERVICES

BACKGROUND AND CONTEXT

Introduction

The Bylaw Section of the Social and Protective Services Department provides parking, security and bylaw enforcement services.

Bylaw enforcement is complaint driven and voluntary compliance is sought. The number of complaints has risen 75% in the past 5 years, but clearance has remained high at 93%.

The Bylaw Section staff interacts primarily with the public, enforcing bylaws, providing security and enforcing parking regulations. However, it also interacts with other departments and the RCMP on an as needed basis.

Linkage to the City of Nanaimo Strategic Plan

Effective bylaw enforcement and adequate controlled parking are consistent with the City's desire to excel in the provision of municipal services

Bylaw Section Services

The Bylaw Section's services include:

Key Services
<ul style="list-style-type: none"> ■ Bylaw enforcement that includes; property maintenance, noise, traffic and highways signs. ■ Liaison with RCMP ■ Animal control ■ Maintaining parking facilities, parking enforcement ■ Monitoring downtown and parkade security, and assisting other city departments on security issues ■ Planning new parking controls in other areas of the City and the introduction of new technology for Parking, e.g. mobile applications.

Note: The Section contracts out night monitoring of parkades

Focus of the Review

The purpose of this service review is to examine the efficiency and effectiveness of the bylaw section's activities in respect of bylaw enforcement, provision and monitoring of parking facilities and provision of security in the downtown.

STAFFING AND FINANCES

Staffing

The Bylaw Services section of the Social and Protective Services Department has a staff of 13, including two management positions, one of which is vacant. There are four parking patrollers, who also enforce bylaws, and one parking clerk. There are four other bylaw enforcement officers, including one Senior Officer, plus a clerk and stenographer.

The section has two management positions, one of which is vacant. The overall acting manager is currently responsible for Bylaws, Regulation, Security and Parking. The vacant management position is Manager Parking Services and Assistant Manager of Bylaws, Regulation and Security. There is one senior bylaw enforcement officer and three bylaw enforcement officers, a clerk and stenographer in the SARC building. The management staff ratio is 1 to 5.5 in this section, but would drop to 1 to 11, below the average of 1 to 9, if the vacant management position is not filled.

A Community Policing and Services Office (CPSO) is a three-minute walk from the SARC building. Four bylaw enforcement officers/parking patrollers and a parking clerk staff the office. They are available to discuss security issues, bylaw infractions,

and enforce parking regulations in the downtown. Parking fines may be paid at this office or in the SARC building. A satellite station for the Nanaimo RCMP Bike Unit also works out of the CPSO office. Office hours are nominally 8.15am to 4.15pm 7 days a week. However, the office is sometimes closed during the lunch hour and for coffee breaks. The CPSO Office is rented at an annual cost of \$38,000. The Lease expires in August 2016.

An Environmental Protection officer, with power to enforce bylaws, is located in the Parks, Recreation and Environment Department.

Two Municipal Enforcement officers, whose primary function is to enforce regulations respecting commercial transport, are located in the Police Support Services Department. These officers have security clearance, special constable powers and access to secure RCMP communications networks. Both the environmental protection officer and the Municipal Enforcement Officers enforce parking by laws, outside the downtown.

Subject to the consideration of a full organisation review there would seem to be little to gain from amalgamating all bylaw staff in the Bylaw Section.

Finances

The 2016 budget shows **operating expenditures of \$2.8 million** and revenues (from Parking) of \$1.83 million for a net expenditure of about \$964 million.

Wages at \$1.1 million are the major cost closely followed by supply and services contracts at \$900,000. These contracts are primarily for evening and night security in the downtown, for coin collection and meter rental and software.

Capital projects, costing some \$1.7 million are budgeted over the next five years for parking infrastructure maintenance and upgrading. In addition, there is a regular replacement of parking meters and upgrading of parking technologies, such as mobile applications, provision of in vehicle computers so that staff have access to files on site and can prepare reports on site rather than making notes that require transcription in office.

SERVICE LEVELS AND PERFORMANCE MEASURES

Service Levels

Bylaw enforcement is mainly complaint driven, unless a situation involves public safety, as in the case of derelict buildings, or bylaw officers become aware of nuisances, such as Panhandlers, during their normal patrols. The Bylaw policy is to seek voluntary compliance with regulations and only in extreme cases are offenders taken to court. Most recently policy has changed and bylaw officers are becoming more proactive in looking for significant breaches of bylaws.

Parking regulations are enforced with discretion, rather than with a view to maximizing revenues. Parking was contracted out until May 2012 but was brought in-house on a test basis (until the end of 2015) to provide a more friendly/ambassador service and improved security. The understanding with CUPE is now expired and the City is now unable to contract out its parking services. City bylaw officers provide daytime security services in the downtown, including parkades to ensure public safety. There are additional costs, estimated at \$60,000 per year, associated with the decision to bring parking in-house.

Bringing parking services in-house is believed to have improved planning capabilities, given a higher profile to

security services with uniformed officers patrolling the downtown seven days a week, and improved the coordination with social and protective services and the RCMP. Less aggressive attitudes to parking offences resulted in some decrease in parking fines, which together with increases in wages reduced the operating surplus compared to the era of contracting out. Adjustments to Parking fees and replacement of some free parking by paid parking should make up the difference.

Contracted Services - The City pays a contractor for the supply of meters and a citation system under a contract expiring in 2018. It also pays for the collection of coins from coin operated meters. Evening security patrols are also contracted out.

Performance Measures

There are **no performance measures** in place. However, there are written procedures for a number of bylaws (Barking dogs, Noise, Unsightly property, Nuisance property, Structure Removal/Demolition, etc.) and written procedures for other bylaws are being prepared.

Data are kept on the number of calls received each year, the number completed, the number still active and the average time required to complete a file, either by complaint resolution or by the time the alleged offender is taken to court. Few cases reach the Courts. The manager uses the Tempest software to review each case and determine how it advances, and then discusses any difficulties in staff meetings with the officers concerned, rather than analysing the historic data shown below.

There has been a remarkable increase (76%) in the number of calls received from 2011 to 2015. The increases in the number of calls from 2011 to 2014 reflect increased activity since parking became an in-house responsibility. (The 32% increase from 2014 to 2015 cannot be easily explained). A chart with details about the Bylaw calls received and cleared from 2011 to 2015 is provided at Appendix 15, page 203.

The clearance rate on calls has remained stable in the low 90% range. Given the increase in the number of calls received, the high and stable rate of clearance suggests there was some spare capacity in the section in earlier years. Calls relate to environmental offences take longest to resolve, as they are generally more complex.

BYLAW ADJUDICATION, BENCHMARKING AND OTHER OBSERVATIONS

Bylaw Adjudication

In 2012 Nanaimo joined 50 other municipalities in adopting a Bylaw adjudication system that allows residents to take their disputes related to minor bylaw infractions, such as municipal traffic bylaw offences, to an independent adjudicator working outside the traditional courtroom.

The adjudication system saves time and money and makes efficient use of court resources, as it eliminates the roles of court and court registries in the administration and hearing of these disputes. Adjudication is used primarily for traffic offences.

Nanaimo is able to select which bylaws it wishes to be covered by the adjudication system.

Benchmarking

All of our benchmark municipalities have a complaint driven and compliance approach to bylaw enforcement. If bylaw officers see a property-related or other bylaw infraction which might pose a risk to public safety will be undertaken an investigation on an information basis. Most BC municipalities of comparable size, including our benchmark municipalities, provide parking enforcement services using in-house staff, the exception being Kamloops, which contracts out its parking services. Most municipalities also use the adjudication system for minor bylaw disputes.

Other Observations

Some areas of the City, especially around The Nanaimo General Regional Hospital, the University area and the Brechin Hill area (Departure Bay ferry) have major parking problems and it is likely that some form of parking control (metering) will need to be introduced there.

The section has introduced new technologies, such as license plate recognition, that enhance productivity

Planning for and implementing new technologies and parking controls will require some management time but the amount needed is not known.

Bylaw officers presently use cameras and notebooks to record potential infractions and return to their office to write up their notes. Productivity could be improved if Officers were used with laptop computers or iPads.

A downtown hotel rents parking space from the City, which it resells to guests at a considerable mark-up. The Hotel is not satisfied with the level of security.

SIGNIFICANT FINDINGS AND RECOMMENDATIONS

Findings

- One vacant Management position

- The SARC building has enough space to accommodate the CPSO staff.

- The Section contributes **\$78,000 towards the cost of security in the VICC**. It is not clear that this service is the responsibility of the Section, since the security is only provided in the VICC offices and stairwells. However, VICC claims it needs to supplement the security in the parking area in order to avoid issues for Conference visitors

- A downtown hotel rents parking space from the City, which it resells to guests at a considerable mark-up. The Hotel is not satisfied with the level of security.

- More management time and expertise is required to ensure adequate technology and parking planning.

Recommendations

- **Eliminate the vacant management position** to realize annual savings of ~ \$110,000. However, given the added responsibilities the current manager may not have time to plan additional parking and technology introduction.

- **Close the CPSO office and move staff to SARC** - The only reason not to do this is the potential reaction of the downtime business community. Closing this office would save **\$38,000 annually**.

- **Cease payments to VICC for security** - The \$78,000 paid to VICC seems to be unjustified and should cease. However this will result in no net saving to the City, as it will reduce Bylaw cost but increase VICC costs

- **Renegotiate parking fees with hotels** - The mark-up upon reserved parking seems excessive but may reflect the hotel's concern about inadequate security. The Section should try to renegotiate the contract at a higher rate with improved security.

- **Add consulting expertise as needed for technology and parking planning** - A rough estimate is that this would cost \$30,000 every 18 months or \$20,000 per year. It may be that another manager in the Department has capacity to do this.

Not filling the management vacancy, and closing the CPSO office would save \$ 148,000 a year less \$20,000 for consultants, resulting in a **net annual potential saving of \$128,000**.

FACILITIES MANAGEMENT, PLANNING AND OPERATIONS

BACKGROUND AND CONTEXT

Introduction

The City of Nanaimo provides services to the public in buildings located across the City, and owns facility assets currently valued at in **excess of \$245 million**. Facilities Management, Planning & Operations is a foundational service which ensures that these buildings are provided and maintained in a manner which supports effective, efficient, safe and accessible service delivery.

The facilities include relatively new purpose-built buildings, e.g. SARC; older buildings, including City Hall and buildings which came to the City through amalgamation, many of which have been renovated to provide services not anticipated in their original construction. These buildings require a significant outlay of resources on an annual basis, both to address capital construction requirements and ongoing maintenance.

Focus of the Review

This review focuses on the manner in which facilities management services are provided and the opportunities for improved service delivery, cost savings and control.

Linkage to the City of Nanaimo Strategic Plan

Effective facilities management, planning & operations are critical to ensuring the City's building assets are safe, clean and well maintained to support services to residents and provide an appropriate work environment for the City's employees. These assets are a key element of the City's overall responsibility for asset management with respect to all of its infrastructure and this one of six priorities identified in the City Strategic Plan. Facilities management also supports the City's environmental and sustainability goals by managing energy consumption and reducing greenhouse gas emissions in the operation of City buildings.

Facilities Management, Planning & Operations Functions

Facilities management involves the following activities:

Key Activities
<ul style="list-style-type: none"> ■ Demand Maintenance: undertaking building and system repairs on a daily and ongoing basis due to breakdowns and as required. ■ Preventative Maintenance: undertaking a specific program of maintenance to ensure that repair requirements are minimized and that the building envelope and equipment are kept in good condition and that preventative maintenance on the equipment fulfills any warranty requirements. ■ Janitorial Services: maintaining the cleanliness of all city buildings ■ Energy management and conservation: installing energy saving technologies for lighting and internal building climate control and other activities to reduce energy consumption and greenhouse gas emissions. ■ Asset Management: capital planning for facilities as part of the City's overall asset management of all assets e.g. roads, sewers, trails etc. ■ Space planning: accounting for all space within City buildings, how it is being used and by whom and developing plans to optimize use and to limit the leasing of non-city owned buildings and associated costs. Space planning also contributes to decisions regarding the Asset Plan and the repurpose or sale of buildings where departmental service requirements can no longer be met.

SERVICE DELIVERY MODEL AND DEPENDANCIES

Service Delivery Model

The City of Nanaimo has ownership of the following facility assets currently valued at in excess of \$245 million.

- 39 civic buildings,
- 7 cultural buildings/installations
- 19 field houses,
- 71 playgrounds
- Other outdoor spaces, signage, plaques and benches which need to be maintained, renovated or replaced over time.

Management of these facilities includes monitoring and repair of the building envelope, the HVAC system, and other safety and domestic systems. Facilities management does not include maintenance of the process technologies within municipal buildings. These include ice-making equipment in the arenas and water treatment technology in the water treatment plant building which involve specialist knowledge not normally included in facilities management responsibilities.

Facilities management involves **Demand Maintenance, Preventative Maintenance, Janitorial Services, Energy management and conservation, Asset Management** and **Space planning** as explained in the previous section.

These facilities management services are currently delivered on a decentralized basis. These services are delivered both by city staff as well as by outside contractors. Individual buildings are being managed by managers in various City departments, e.g. Manager, Fleet has responsibilities for public works buildings, and the Manager, Building Inspections has responsibility for the SARC building. These departmental managers have other principal responsibilities; facilities management is a secondary responsibility for these managers.

A Facilities Planning and Operations section was established in the Parks, Recreation & Environment department in 2014. The Facilities Planning and Operations section has 2015 budgeted expenditures of \$6773,380 less revenues of \$67,700 for net operating costs of \$606,104 with staffing of 4.5 (FTE's).

The Facilities Planning and Operations Section has been managing parks and recreation facilities and engaged in asset management and capital planning activities which have included project management of facility renovations in buildings which are the responsibility of other departments. Its principal focus has been on parks and recreation capital projects, supporting other departments as time and resources permit.

Relationship to other Corporate Processes

Facilities management is dependent upon and should be actively involved in all of the following Corporate Processes.

1. Strategic planning, business planning and budgeting
2. Capital projects planning and development
3. Asset management
4. Project management
5. Purchasing and contract administration
6. Performance measurement

Other sections in this report identify current practices and how they could be improved.

SIGNIFICANT FINDINGS

PR&E Facilities Planning and Operations is pursuing a more comprehensive approach to asset management and capital planning for all civic buildings. Its mandate however is unclear and not fully accepted at the corporate level for all components of facilities management. It has undertaken a number of renovation and energy projects both for PR&E and on behalf of other departments and agencies including the Port Theatre, Public Works, Vancouver Island Conference Centre, Vancouver Island Military Museum.

To support its asset planning work the section has commissioned building condition assessments for the principal buildings in Parks, Recreation and Environment but building condition assessments are lacking for many city buildings. Often when undertaking capital projects as it lacks resources it depends on resources in other departments e.g. project managers in Public Works

Space planning is currently receiving insufficient attention because of the lack of clarity of mandate and decentralized approach. Currently, the City has underutilized space in one of its newest buildings –SARC and is paying to lease space elsewhere e.g. Bylaw Office

Decentralized janitorial service - having direction of janitors by departmental managers relative to their own buildings is seen as positive by some managers but there is no system to ensure that cleanliness in buildings is consistent and maintained over time.

Cleanliness Standards - PR&E Facilities Planning and Operations has through the retention of a consultant established a set of cleanliness standards however roll out and accountability for maintaining these standards will depend on cooperation of the departmental managers. A comprehensive space plan which identified all space within city buildings could provide the basis for implementing the cleanliness standards and if coupled with a time assessment for cleaning activities could ensure that staffing levels are appropriate.

Inconsistent practices - Given the current approach to facilities management demand and preventative maintenance practices are inconsistently applied. Departmental managers assess their own building repair needs and contract with outside suppliers. Preventative maintenance is not being carried out regularly and while there has been an attempt to establish a program it is not being followed. A lack of a consistent approach to preventative maintenance will lead to higher repair costs, jeopardize warranties and shorten the lifecycle of building system components.

Information management - PR&E Facilities Planning and Operations is using Tempest and a computerized maintenance management system -SAP Maintenance Management module to record maintenance information but demand and preventative maintenance is not being recorded consistently for all city buildings. Public Works is looking to purchase a different system for maintenance of its assets which would require the City's IT department to support two different systems.

Different contracting processes – The current approach has resulted in different departmental managers using different contracting processes. Multiple contractor and supplier lists are being used and different selection criteria are being followed. There is limited bulk purchasing and attempts by the Purchasing Section in Finance to work with facility managers to carryout joint tenders have lacked cooperative agreement with departmental facility managers able to opt in or opt out. It was also reported that departmental managers are not following the purchasing policies which have been established by Finance. It is also difficult to track maintenance and repair expenses as these are accounted for in each department's budgeted accounts along with other expenditure to outside suppliers. Further it was reported to us that the oversight of contractors is constrained by resource availability in PR&E Planning and Operations and departmental managers do not have the technical knowledge in some cases.

SIGNIFICANT FINDINGS AND RECOMMENDATIONS

Findings

A new approach to facilities management, planning and operations is needed to ensure that the City's buildings are managed appropriately. The City's buildings are essential to providing high quality service to the public and can be a source of pride for residents. The City's buildings are part of its "brand" as they illustrate in a visual way the attractiveness of the community which supports investment. The City's buildings also can contribute to city employee productivity and workplace satisfaction and health. The City can realize future cost savings through improved facilities related purchasing and capital project management as part of a new approach which strengthens accountability and control. Also the new approach should lead to better value for money expended by better oversight of contractors and their performance. A more consistent approach to preventative maintenance and improved information management relative to both demand and preventative maintenance will improve asset management and reduce repair and replacement costs for building components in the future.

This new approach involves the following options which were considered:

- **Decentralized Facilities Management with Corporate Asset Management, Planning & Standard Setting Confirmed as PR&E Facilities Planning and Operations.**
- **Consolidate all Facilities Management responsibilities in one department and confirm mandate corporately.**

A detailed description of both options as well as a comparison of each option's pros and cons is provided in Appendix 16, pages 204-206.

Recommendations

Based on our analysis, the consultant team recommends the following:

1. **Consolidate all Facilities Management responsibilities in one department.** Undertake a review of resources requirements and where they can come from organizationally from across departments. As part of this review consider the best reporting relationship of the consolidated Facilities Management functions within the City's departmental structure – PR&E or other.
2. **A common maintenance management system for all City assets should be agreed upon and implemented.** Departments with asset management responsibilities should, with the assistance of the City's IT Department, determine their maintenance management system which best meets all City departmental requirements. Consideration should be given to ensuring that the selected system will integrate with other existing City systems, e.g. financial system, geographic information system.

PARKS, RECREATION AND ENVIRONMENT

BACKGROUND AND CONTEXT

Introduction

Parks, Recreation & Environment (PRE) is central to Nanaimo's vision of being a distinctive, inclusive place to live and play, with endless recreation, sports and outdoor opportunities for all.

PRE facilities get **over 1 million uses** per year from an estimated 25% of Nanaimo's residents. PRE is the **second largest department** in terms of staff and net expenditures, after Protective Services. PRE contracts out many of its service support requirements e.g. grounds maintenance. Excluding the Facilities Section, covered elsewhere in this report, the Department has seven managers, one assistant manager, 109 FTE staff and 42 casuals. The ratio of managers to FTE staff is nearly 1 to 14; if casuals are included the ratio rises to 1 to 19.

The PRE Department has the largest and most interactive relationship with the public of any City department. Operating hours are long; public safety requires frequent inspection of facilities and also dictates staffing levels. PRE offers many diverse programs and facilities and just keeping operations running smoothly is a challenge, especially in light of the many restrictions imposed by the collective agreement with CUPE. For example, aquatic programs require qualified lifeguards in attendance or else a pool may have to be closed. Lifeguards can choose to work a minimum of zero hours so it can take many calls to find sufficient staff to keep pools open.

Although services levels are established and maintained based on public expectations and staffing levels, more could be done in measuring staff productivity and setting and enforcing minimum performance standards. The focus of staff and management is on improving service delivery within the framework of existing budgets and the Collective agreement.

Linkage to the City of Nanaimo Strategic Plan

Good recreational facilities and parks are important to attract business and for the wellness and enjoyment of the community. Nanaimo's vision is to be a distinctive, healthy place to play with endless recreation sport and outdoor activities for all.

Focus of the Review

The purpose of this service review is to assess the processes used in awarding, administering and monitoring grants, sub market rents and PTEs and identity areas for improvement.

City of Nanaimo's Recreational Facilities

Nanaimo is well supplied with parks and facilities, including some owned/operated by others (see table below). Most facilities are newer than average and have long lives with proper maintenance, with exception of some older buildings which were acquired during amalgamation and have been re-purposed.

Facility Type	
<ul style="list-style-type: none"> ■ Over 140 Parks totalling 1299 hectares with numerous park amenities throughout ■ Trails covering 170 kms. ■ 4 Arenas 	<ul style="list-style-type: none"> ■ 3 Pools (2 indoor and 1 outdoor) ■ 3 Community Centres & 2 Activity Centres ■ 71 playgrounds; 4 water parks, 27 sport fields and various park amenities

SERVICE LEVELS, OUTCOMES, FINANCIAL MODEL AND LEAP PROGRAM

Service Levels & Outcomes

Service levels are high with long opening hours for many facilities. For example on weekdays the NAC is open from 6am to 10pm, Beban Pool is open from 6am to 7.50pm, and Oliver Woods Community Centre from 9am to 10.30pm.

One measure of outcomes is the number of users. In 2015 PRE estimates there were over 1 million uses of its pools, arenas and centre, and at least 25% of resident make use of those facilities). In addition an unknown number of residents, likely a higher % than those using its fixed facilities make use of parks and trails.

Financial Model

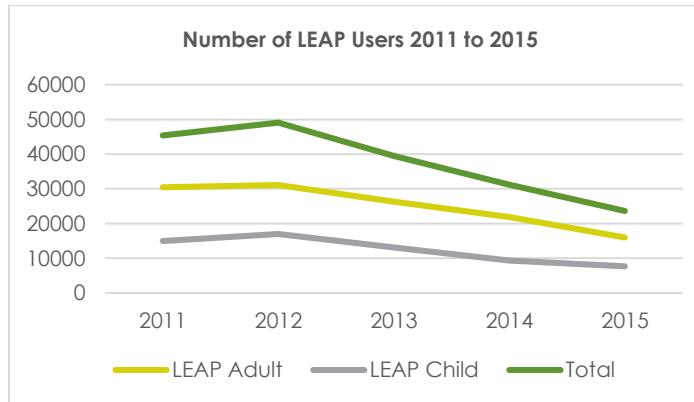
Excluding revenues and expenses of Facilities Management, PRE **revenues are about \$8 million** and **expenses \$19.3 million** for a **net cost of \$11.3 million** according to the 2016 draft budget, the second largest net cost after Protective Services. The principal sources of net costs are Parks, Aquatics, Recreation and Arenas. The net cost per person is \$59 for parks, \$39 for aquatics and \$10 for arenas, compared to \$57 per capita for roads. The table that follows shows the principal sources of revenue and expenses (2016) budget.

Activities	Revenues \$M	Expenses \$M	Income / (Net Cost) \$M	Cost per capita
Parks operation	0.2	5.6	(5.4)	\$59.35
Aquatics	2.7	6.4	(3.7)	\$39.01
Arenas	1.4	2.4	(1.0)	\$10.05
Community Development*	1.0	0.2	0.8	
Recreation	2.3	3.4	(1.1)	
Total**	8.0	19.3	(11.3)	
Cost per capita (parks, aquatics & arenas only)				\$108.41
Transportation Roads				\$57.22

**Mainly RDN funds; ** Includes other functions*

LEAP (Leisure Economic Access Pass)

The LEAP program permits low-income persons to use Nanaimo's recreational facilities at no cost. The program requires an extensive investigation of the financial circumstances of applicants if there is to be proper screening. In the past screening was inadequate and many unqualified persons gained free admission. As can be seen in the chart below **the number of successful applicants has dropped by over 50% since its peak of 49,000 in 2012**, as the result of better screening. However, this has come at the expense of considerable staff time spent assessing applications.



Staff believe that some successful applicants never use the facilities. It may be that a small fee for application process (\$10-\$20) or user fee (say \$2) would deter those persons whose application is not serious and save time spent assessing such applications. It would also be desirable to find another plan to assist low-income residents that would have a lower administrative burden.

BENCHMARKING, BEST PRACTICES AND NANAIMO'S PERFORMANCE

Nanaimo's Recreational Facilities in comparison with Benchmark Municipalities

	Nanaimo	Chilliwack	Kamloops	Kelowna	District N Vancouver	Port Coquitlam	Prince George
Population	88869	82918,	89417,	121422	86623	59813	73590
Parks							
Number	143	100	26	272	105	26	151
Hectares*	1299	362	5431	1864	1186	1032	1697
Per capita (meters)	146	44	607	154	137	173	231
Parks as % of city area	14	1	17	7	7	30	5
Trails							
km	170	75	80	75	73	46	112
Per capita (meters)	1.9	0.9	0.9	0.6	0.8	0.8	1.5
Arena							
number	4	2	5	4	3	2	5
Pools							
Number	3	3	4	2	3	5	2
Community Centre							
Number	3	2	2	1	15	2	2
Activity Centres	2	3	3	3		2	
*includes regional and provincial parks, and parks operated by the others on behalf of the municipality					Source: BC Local Government Statistics		

Nanaimo is well supplied with parks and recreational facilities compared to benchmark cities. A higher proportion of the total City area is parkland than any other except Kamloops and Port Coquitlam. It has more km of trails per capita.

Fees, Charges, Rentals & Leasing

	Nanaimo	Kamloops
Overall policy	Fees and charges not to be the primary source of funds	Recover 50% of operating costs
Commercial Policy	Not specified	Minimum of 125% of cost or 14% of Gross Revenues
Adults	Maximum 50% of cost	Maximum 80% of operating cost
Youth	Maximum 25% of costs	Maximum 50% of operating costs

The Community Charter allows municipalities to charge "reasonable" charges for use of municipally owned recreational facilities. However a review of the applicable Bylaw 7073 Consolidated indicates that the bylaw lacks clarity. Relevant details of this bylaw are provided in the Appendix 17, page 207. Nanaimo's policies contrast in clarity with those of Kamloops, as shown below. Moreover, Bylaw 7703 does not cover leasing for which there is no policy, only ad hoc decisions. Note also that it is not clear whether the Bylaw refers to cost of the whole department or of specific facilities. If the latter, then fees for some facilities, e.g. arenas, already exceed 50%.

A comparison with benchmark municipality facilities for pools show that Nanaimo's charges are generally in line with others. However, arena charges for ice are above smaller island communities but substantially below Victoria area and lower mainland community rates. Detailed tables with benchmarking information is provided in Appendix 17, page 208.

SIGNIFICANT FINDINGS AND RECOMMENDATIONS

Findings

- The long term Master Plan or Service Level Plan for PRE is outdated

- The Departure Bay Activity Centre is sinking and may be impossible to rebuild. The cost of rebuilding, if possible, is estimated at \$2.1 million. Few programs are offered at Departure Bay and most users could be accommodated elsewhere, with the possible exception of the 40/50 table tennis players who need large spaces to accommodate and store tables.

- The Harewood Activity Centre offers few programs, needs renovation and might best be given to other groups, such as Search and Rescue, who are believed to be looking for new premises

- The collective agreement limits the authority of managers and supervisors and results in excessive management time being used in activities such as getting/scheduling qualified staff to work in Aquatic facilities.

- Arena fees are below average for Vancouver Island, general admission fees are close to the highest

- Bylaw 7073 Consolidated which sets fees and charges is too vague
- There is no policy on leasing

- While programmers are active in seeking out new programs and modifying existing ones to meet client needs, there is no overall look at changing markets and the ways in which facilities and programs might need modifying.
- There are limited marketing resources in the department, although marketing is critical to establish user needs and attract them to PRE & E programs.

- The Parks Yard and offices at 89 Prideaux Street are old and could be sold and relocated at the Public Works yard once those offices are rebuilt

Recommendations

- **Prepare a new long term Master Plan** and provide the PRE Director with the resources necessary to do so

- **Close and remove the Departure Bay Activity Centre** to avoid capital expenditure of \$2.1 million and accommodate users elsewhere. Operating cost savings of about \$30,000 a year would also be expected. Rental revenues at other centres might increase a little, say by \$6,000 (half the current level of \$12,000).

- **Give the Harewood Activity Centre to another Community group.** Savings of \$10,000 annually in operating costs and avoiding significant future renovation costs

- **Work with CUPE to ease scheduling issues with aquatics staff**
- Enhance the capabilities of supervisors in conjunction with CUPE. If this cannot be done consider more assistant managers.

- Increase arena rental charges to be in the top 2 or 3 on Vancouver Island
- Increase rates for commercial users to the highest amount the market will bear and ensure that commercial uses do not displace public uses
- **Clarify Bylaw 7073**
- **Develop and apply a leasing policy**

- Provide **additional marketing resources**
- Add marketing capabilities to optimize facility usage

- **Sell 89 Prideaux and relocate to the Public works offices** when they are rebuilt. The Prideaux property is assessed at \$400,000

Findings

- While the LEAP program benefits many socio-economically disadvantaged people administering the LEAP program is very demanding of management and administrative time

- Nanaimo has no policy on sponsorships, partnering and naming rights

- User groups compete for the same facilities at the same time. (lacrosse vs. skating) and some groups expect to have priority of usage because of a past fund raising effort

- When Beban pool is closed in summer for maintenance attendance at the NAC increases by about the same amount

- Health related organization have expressed interest in proving programs and even taking space in recreational facilities

Recommendations

- **Seek a program for low income users that is easier to administer** than LEAP. Consider a nominal fee of \$2 or more dollars for users per session and/or a nominal application fee to deter applicants who never use the facilities and waste administrators time

- **Develop a clear policy with Council on sponsorships, naming and partnering** so that revenues may be increased without cost to residents.
- Naming rights values vary greatly and reliable information is difficult to obtain. \$4 million annually for Manchester City Stadium, \$1 million annually for Air Canada Centre \$50,000 annually for Molson Coors Centre in Halifax. Save on Foods is said to have paid \$125,000 a year for naming rights in Victoria although the operator received most of this, not the City. \$20,000 to \$50,000 annually is guesstimate as to what Nanaimo might receive for NIC or NAC naming. BC Ferries would be a target, since three of its ferry routes dock in Nanaimo.
- Explore opportunities to attract the Y to Nanaimo and other partnership opportunities with the school board, RDN and the Snuneymuxw First Nation
- Explore naming opportunities

- **Develop policy to resolve conflicts between user groups** relative to facility use and scheduling.

- **Consider closing Beban pool for three months** in summer instead of one month to reduce costs, by an estimated \$140,000 per month to realize additional savings of \$280,000 per year. Note this estimate is approximate and represents the middle of a considerable range.

- Examine the potential to **incorporate wellness-linked programs** in some facilities as part of a broader social and community health and safety strategy.

PERMISSIVE TAX EXEMPTIONS AND GRANTS

BACKGROUND AND CONTEXT

Introduction

In 2015, Nanaimo spent about **\$8.7 million in total on these items, an increase of 1.5% over the prior year.** Grants were \$5.1 million, Permissive and Revitalization Tax Exemptions (PTEs) were \$1.6million and rent subsidies \$2.2 million. For the purpose of this review, Grants have been interpreted broadly to include social, cultural and recreational grants as well as operating grants/subsidies to major agencies. Financial support from a municipality is sometimes a requirement for funding from other levels of Government.

Linkage to the City of Nanaimo Strategic Plan

Grants and PTEs are given to organizations that promote economic health, social equity and cultural vitality.

Focus of the Review

The purpose of this service review is to assess the processes used in awarding, administering and monitoring grants, sub market rents and PTEs and identify areas for improvement.

Allocation by Type of Funding and Organization

Grants accounted for about 66% of the total, PTEs about 18% and sub-market rents 25%.

184 organizations benefitted from these programs but 11 received 72 % of the total, and the top four (The Port Theatre, NEDC, VICC, and the Nanaimo Museum) received over 58%. An individual organization may receive funding from all three types of funding: PTEs, grants, and sub-market rents. At least one organization, the VICC, pays no property tax, not because it receives a PTE, but because it operates out of a municipal building, which is statutorily exempt from tax. Had VICC been subject to tax and granted a PTE and been charged a rent at the same level as the Port Theatre, the total cost would have risen to about \$11 million.

Three quarters of the sub-market rent category is attributed to three organizations (The Port Theatre, the Nanaimo Museum and McGirr). These sub-market rents are all estimates based on what the properties might be rented for and the amounts are highly speculative. Moreover, other organizations, such as the Vancouver Island Convention Centre (VICC) are not allocated rents because they are treated as municipally owned. A table with additional details on the allocation of Grants, Permissive Tax Exemptions and Sub-market Rents for 2015 is provided in Appendix 18, page 209.

Departmental Responsibilities

Four departments are responsible for some part of the total spent on grants, sub- market rents and PTEs.

Department	Responsibilities
Culture & Heritage	<ul style="list-style-type: none"> Provides operating and project grants The principal liaison for operating subsidies to outside agencies, such as the DNBI, NEDC, VICC, the Port Theatre and Nanaimo Museum.
Social and Protective Services	<ul style="list-style-type: none"> Administer community service and social development grants
Parks, Recreation and Environment	<ul style="list-style-type: none"> Administer travel assistance grants for sports and other recreational grants.
Finance	<ul style="list-style-type: none"> Administers Permissive Tax Exemptions

GRANTS AND PERMISSIVE TAX EXEMPTIONS

Grants

In 2015, **\$5.1 million** was provided in grants. There are **15 cash grant programs**, as shown below, but the vast majority (72%) of the funds were provided as operating subsidies to four organizations, NEDC, VICC, the Port Theatre and the Nanaimo Museum. NEDC and VICC are the subject of separate reports. Most other funds are provided for social and cultural reasons.

Cash grant programs

1. Culture and Heritage Operating Grants
2. Culture and Heritage Project Grants
3. Downtown Residential Conversion Tax Exemption Program
4. Heritage Home Grant Program
5. Heritage Façade Improvement Grant Program
6. Nanaimo Hospitality Grant Program (Tourism)
7. Tourism Development Fund (Tourism)
8. Sport Event Hosting Grant Program (Tourism)
9. DNBlA Event Fund
10. DNBlA Façade Grant Program
11. Program Development Fund
12. Community Service Grant Program
13. Social Development Grant Program
14. Grants Advisory Committee Programs (PTEs And OTHER)
15. Travel Assistance Grant Programs (Parks)

Permissive Tax Exemptions (PTEs)

In 2015 the City gave **\$1.6 million** in PTEs, 14% higher than 5 years earlier. The increase was due mainly to the increase in taxes over that period as the major successful applicants are unchanged. 108 applicants were successful in 2015. The top four applicants received 38% of PTEs.

Municipalities are permitted under the Community Charter, Part 7, Division 7, to exempt certain properties from municipal tax for up to 10 years, such exemptions are called Permissive Tax Exemptions (PTE). Relevant details of the Charter is provided in Appendix 18, page 210.

Nanaimo's PTE Policy (revised in 2011), requires that PTEs be given only under the following circumstances:

- a. **The goals, policies, and general operating principles of the municipality as a whole are reflected in the organizations that receive support;**
- b. **Exemptions are not given to services that are otherwise provided on a private, for profit, basis, this would provide an unfair advantage;**
- c. **The services provided by the organizations should be an extension of municipal services and programs and must fall under the responsibility of local government, senior government program costs must not be transferred to property taxpayers as this would represent a downloading of senior government costs to local taxpayers.**

The criteria set out in the Policy seem sensible and, in most cases, reasonably easy to apply. All buildings and properties that receive a PTE must be reviewed by the Grants Review Committee every three years to ensure they continue to meet specific criteria set out in their applicable category. Our review of the major successful applications, indicate that the eligibility criteria have been applied correctly. There are few changes in the status of major successful applicants over time and the three year review period could be extended to five years, saving Committee and staff time. The Grants Review Committee can review matters more frequently if circumstances dictate.

One minor matter that may require more frequent attention concerns organizations that move. The PTE remains with the property, which may be rented to ineligible tenants.

BENCHMARKING

Permissive Tax Exemptions (PTEs)

Nanaimo's PTE policies are close to those of other municipalities in many respects. Some, such as Prince George have tried to restrict the growth in the cost of PTEs by imposing a cap on the amount it is prepared to pay. This initiative failed due to adverse public reaction. However, other municipalities, such as Kamloops and North Vancouver, have successfully imposed a cap. Caps may be applied in an across the board cut or selectively with some applicants receiving 100% and others less. Kamloops requires the PTE for new recipients to be phased over a three-year period.

Note that in 2015, a PTE/RTE of \$121,000 was given to the Island Corridor Rail Foundation, an organisation that the RDN decided not to continue funding in 2016.

Sub-market rents

The majority of the funds allocated to this category are artificial, in the sense that they are estimates and not based on actual rents. Comparisons with other areas are not relevant since each may use different methods of estimation.

SIGNIFICANT FINDINGS AND RECOMMENDATIONS

Findings

- The cost of PTEs rises as property values increase and as mill rates rise. Others have capped PTEs and grants. Should Nanaimo follow suit, and, if so, should caps be applied equally across all recipients or should some be protected?

- The full extent of the benefits being provided to individual organizations is currently not known or taken into account by the various granting and PTE bodies, when making decisions.
- For organizations such as the VICC, that operate out of municipal buildings and are not subject to tax, Property tax and sub market rent is not allocated. Hence the "true" cost of the organization is not evaluated.

- Major operating subsidies of over \$100,000 do not appear to be receiving adequate financial scrutiny, nor are there sufficient quantitative performance measures provided to judge how successful the recipients have been in meeting their goals.

- Evaluating PTE applicants is time consuming for staff and Committee members (with reviews every 3 years). Today it is up to the staff to track situations when tenants change occupancy.

- In 2015 a PTE/RTE of \$121,000 was given to the Island Corridor Rail Foundation, an organisation that the RDN decided not to continue funding in 2016.

Recommendations

- **No cap should be applied.** Caps lead to controversy and are unnecessary since the majority of the funds are going to relatively few applicants. It makes more sense to monitor more carefully the provision of funds to those organizations, than apply rough justice to all.

- **Understand and consider all forms of financial assistance** (PTEs, grants and submarket rents) received by applicants when providing funds.

- **Where Property tax and sub market rents are not shown** e.g. in the case of municipal properties, **provide an estimated value**, to ensure some consistency in evaluating the comparative financial support provide to each organization.

- **Improve the level of financial scrutiny in respect of major operating subsidies.** Include in this clarification of mandates and expectations against which performance can be measured. **Give Finance a lead role in applying this scrutiny. This would diminish the role of the Director of Culture & Heritage considerably and the current vacant position can be eliminated.**

- **Review of PTEs should last 5 years rather than 3.** Landlords of tenants receiving PTE should be obliged to report change of occupancy or face repayment of any PTE received after the tenant leaves. However, PTEs in excess of \$100,000 should be monitored annually to see if there are any exceptional circumstance that may warrant change, as is the case with the Island Rail Corridor Foundation below.

- **Consider not renewing** this assistance in light of the RDN decision to cease funding this organisation.

BUILDING PERMITS AND INSPECTIONS

BACKGROUND AND CONTEXT

Introduction

The building permit application review and building inspection processes are critical to ensuring that all buildings constructed within the City are safe.

The Community Development department reviews building permit applications and conducts inspection under municipal policies which reflect the requirements of the Community Charter, Land Transfer Act and land use regulations and ensures that all buildings in Nanaimo conform to the BC Building Code to ensure public safety. (The department also processes development planning related applications, issues business licenses and provides real estate services).

Focus of the Review

This review focuses on the administration, process, service delivery and reporting in regards to building permit issuance and on-site inspection of construction to ensure that buildings meet the requirements of the BC Building Code.

Linkage to the City of Nanaimo Strategic Plan

Building Inspection Services supports the Strategic Plan's commitment to provide a safe environment for Nanaimo residents

through its enforcement of the BC Building Code in residential and commercial construction.

Building Permits and Inspections' Customers

The Building Inspection Services section serves two principal groups of primary customers:

Primary Customers
<ul style="list-style-type: none"> ■ Nanaimo residents seeking to build a home or undertake a renovation or upgrade to their home ■ Owners of larger residential and commercial properties who wish to undertake a major renovation or building project, or have been required to upgrade their building on the basis of an inspection

Building Permits and Inspections Initiatives

The Building Services section has worked closely with the City of Nanaimo's Information Technology & Legislative Services Department and has put in place systems to support the processing and tracking of building permits. The Building Services section can receive building permits and provide feedback to the applicant online. Building Inspection staff, when undertaking an inspection at various points in the construction process can complete the building inspection report remotely while at the construction site using a hand-held digital communication device, which automatically updates the building permit file on the City's server and prints out a copy of the report which can be provided immediately to the contractor or owner.

The Building Services section worked closely with the Development Process Review Committee, which consisted of 3 Council members and 6 members of the development community between 2012 and 2014 to review various aspects of building permit processing and inspection, including the following:

- **Single Family Building Permit Process Review** – reviewing the plan check procedure and internal processes and confirming the 3-week permit processing target for issuance
- **Commercial Building Permit Process review**
- **Building Permit Fees Review**, which resulted in changes to building permit fees and charges

SERVICE DELIVERY MODEL

Staffing

Building Inspection Services are provided by a section of the Community Development Department. The Building Inspection Services section has 1 manager and 16 staff of the Community Development Department as shown below.

	Management	Staffing
Community Development Admin	1	2
Planning	1	9
Development Service	1	2
Engineering & Subdivisions	2	8
Building Inspections	1	16
Real Estate	1	4
Business Licensing	0	2
Total	7	43

Source: City of Nanaimo

Revenues and Expenses

The Community Development department has a budget of \$5,388,001 of which \$1,671,312 is for Building Inspection services in 2015. Building Inspection services seeks to be revenue/cost neutral by collecting building permit and inspection fees as a matter of policy. The Building Inspection Services section has been able to fulfill this

policy objective with costs exceeding revenue by less than 5% as shown below.

Cost Centre 5421 Building Inspections*	2012 \$	2013 \$	2014 \$	2015 Budget \$
Revenue	1,285,190	1,158,196	1,586,447	1,330,000
Wages & Benefits	1,450,657	1,557,003	1,514,982	1,525,041
Expenses	138,173	147,784	119,623	146,271
Net	(303,639)	(546,591)	(48,157)	(341,312)
% of Revenue	(4.25%)	(2.11%)	(.32%)	(3.89%)

*does not include Service / Permit Centre

Source: City of Nanaimo

Building Permit and Inspection Service Delivery

Building permits for both residential and commercial buildings are processed by the Building Inspection Services section. Permit information and forms can be found on the City's website and permit applications can be submitted to the service centre or on-line. The permit applications are received, reviewed and once approved provide the basis for a series of building inspections keyed to the steps of the construction process. Building inspections can be booked on-line and within 24 hours' notice will be ready / processed for the next day. As mentioned earlier, building inspectors can complete inspection reports remotely using hand-held digital communications devices, updating files automatically and providing a report to the applicant. Building Inspection Services provides excellent information on the City's website including construction guides to inform and educate residents. Nanaimo's building permit and inspection service delivery represents best practice and it was one of the first BC building departments to adopt remote inspection reporting.

Service Demand Factors and Issues

The number of development-related applications and building inspection-related applicants received by Community Development are affected by the following factors which lead to increases and decreases in service demand:

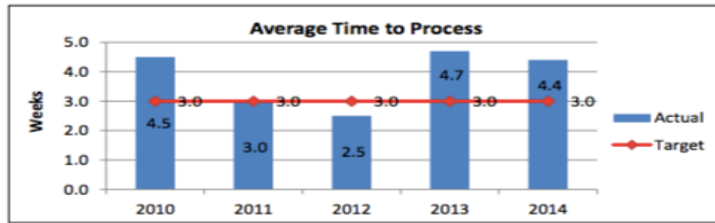
- **Economic Conditions & the Business Cycle** - When the local economy is growing and employment is high, both businesses and residents are more likely to make investments in property development and building renovation
- **Seasonality** - Winter months see less construction activity due to weather, but this is less the case in Nanaimo than in northern BC communities

NANAIMO'S PERFORMANCE MEASURES AND BENCHMARKING

Outcomes, Service Levels and Performance Measures

SP11 - Average Time to Process a Building Permit

Objective	Measure	Target	Initiative
To provide effective customer service at a reasonable cost	Average time to process a building permit (days)	21 days (3 weeks)	Development Process Review Committee (2012)



	2008	2009	2010	2011	2012	2013	2014
Actual	3.9	4.5	4.5	3.0	2.5	4.7	4.4
Target	3.0	3.0	3.0	3.0	3.0	3.0	3.0

This measures the average time from receipt of application to approval for a building permit for a new Single/Two Family Dwelling.

Source: City of Nanaimo

Benchmarking

As can be seen from the following chart, Nanaimo processes a similar number of permits to Kelowna per staff member, but fewer permits per staff member than the cities of Prince George and Chilliwack. The City of Kamloops processes a larger number of applications per staff member than Nanaimo, however the average dollar value of the construction and, therefore, the average complexity of the projects is lower.

	City of Nanaimo	City of Kamloops	City of Kelowna	District of North Vancouver	City of Port Coquitlam*	City of Prince George	City of Chilliwack
# of Building Services Staff	17	16	32	15	13	4	5
# of Building Permits Processed	1091	1618	2155	842	689	509	731
Average # of Permits Processed per Staff Member	64	101	67	56	53	127	146
Total Construction Value of Building Permits Processed (\$)	230,428,039	190,860,634	350,823,660	245,524,432	60,000,000	125,680,458	120,482,147
Average Construction Value of Building Permits Processed (\$)	211,208.10	117,960.84	162,795.2	291,596.72	87,083	246,916	164,818

* includes fire sprinkler, plumbing & onsite service permits

Source: BC Benchmark Municipalities

The Building Services section tracks building permit applications through the approval process. The chart to your left summarizes the reporting of outcomes, service levels and performance measures as they currently exist. As can be seen in the chart, the Building Inspection Services section reports on its service standard for single-family building permit processing in the City's "Balanced Scorecard".

It can be seen that even though the Building Inspection Services section has implemented state-of-the-art information systems and amended its processes on the basis of direction from the Development Services Review Committee, that it is currently unable to fulfill its target of processing single family dwelling permits on average within a 3-week period. It has been reported that this is due to staffing difficulties and the lengthy time required for the recruitment process.

SIGNIFICANT FINDINGS AND RECOMMENDATIONS

Findings

Nanaimo's building permit processing and inspection services represent best practice in service delivery and are delivered on a consistent cost recoverable basis. It has recently updated its practices based on input from a Development Services Review Committee. Establishing and managing to deliver its services against published performance targets would be an extension of its commitment to best practices.

Recommendations

Establish and Track Outcomes, Service Levels & Performance

Measures: The Building Inspection Services section of the Community Development Division should extend its best practice by establishing outcomes, service levels and performance measures as follows.

- Outcomes – e.g. No building or related construction fatalities or injuries due to failure to meet Building Code requirements
- Service levels – Established target review periods for residential building permits and commercial / multi-family building permits
- Measures:
 - Percentage of building permit applications which are completed within targeted review periods
 - Percentage of building inspections completed within 24 hours of request by applicant or his designated contractor
 - Building inspection revenues equivalent to or exceed costs annually

Once the outcomes, service levels and performance measures are established and published, data should be gathered and reported on annually. Building Inspection Services management should seek to achieve these performance targets for service while maintaining review quality and advice to applicants. The Building Inspection Services section should maintain its policy of being revenue neutral such that its fees cover its expenses.

SUBDIVISION, DEVELOPMENT, LAND USE PLANNING AND APPROVALS

BACKGROUND AND CONTEXT

Introduction

The City of Nanaimo's Community Development Department is mandated to review applications for development under provincial legislation, including the Community Charter, Land Transfer Act. (The department also processes building permit applications, issues, and business licenses and provides real estate services assisting the City to purchase and sell properties).

The Community Development Department with its Planning & Design and Engineering & Subdivision Sections has two important policy tools: **planNANAIMO** – the Official Community Plan and the **Zoning Bylaw**. The Official Community Plan establishes the policies which will guide land use and development decisions for properties across the City. The Zoning bylaw (pursuant to and supportive of the Official Community Plan) establishes the permitted use of land, buildings and structures within the City, taking into account the relationship between land uses, e.g. zoning ensures that industrial land uses are separated from residential land uses to reduce the impact on residents of industrial noise and traffic, amongst other impacts. The Community Development Department has also developed other policies and plans to guide development decisions, including neighbourhood plans, environmental policies, and affordable housing strategies.

Linkage to the City of Nanaimo Strategic Plan

The Nanaimo Strategic Plan was adopted by Nanaimo City Council on July 9, 2012 and makes specific reference to the Vision as provided in planNANAIMO, the City's Official Community Plan.

"Nanaimo will be a community that respects people. It will hold neighbourhoods as the building blocks of the city. Nanaimo will be safe and supportive for people of all ages and all income levels. It will be an attractive place to live with the historic downtown core forming the "heart" of the city. Change in the city will be based on the foundation of community participation. Nanaimo will be a community that respects and preserves the environment and one that is pedestrian friendly. It will be a city of social and economic opportunity that has a diverse economy and a wide range of social, recreational, cultural and artistic amenities and services"

The Nanaimo Strategic Plan also states that the City's Mission is "Preserving and enhancing Quality of Life in Nanaimo through efficient, effective, affordable delivery and facilitation of municipal services". The Nanaimo Strategic Plan also identifies as one of its local government priorities, "Moving forward on planNANAIMO goals" and Vision, which were strongly endorsed by the public.

The Community Development Department through its planning, engineering and building inspection service delivery is also guided by the four Pillars of Sustainability - "Economic Health, Environmental Responsibility, Social Equity and Cultural Vitality".

"Waterfront Enhancement" is a key strategic priority of the Strategic Plan and the Community Development Department has been actively pursuing this through the Port Drive Waterfront Master Plan preparation process.

Focus of the Review

The purpose of this service review is to assess the development applications process and how it is carried out relative to efficiency, effectiveness and customer service.

SERVICE DELIVERY MODEL

Staffing

The Department has staffing of 50 (FTEs). This consists of 7 manager and 43 staff positions and a management to staff ratio of 1:6. Of this, 4 managers and 19 staff are involved in development applications review, as shown in the chart below.

	Management	Staffing
Community Development Admin	1	2
Planning	1	9
Development Service	1	2
Engineering & Subdivisions	2	8
Building Inspections	1	16
Real Estate	1	4
Business Licensing	0	2
Total	7	43

Source: City of Nanaimo

Revenues & Expenses

The Community Development Department has a total budget of \$5,388,001 with revenues of \$2,888,009, leaving a net operating budget of \$2,500,992 in 2015.

Community Development managers and staff receive applications and review them

relative to the provisions of the City's Official Community Plan and its Zoning Bylaw. There are two groups of primary users of subdivision, land use planning and community development services:

- **Property-owning residents** who wish to build on a property they own
- **Developers and their representatives**, including contractors, planners, engineers, lawyers, who wish to construct multi-residential, commercial or industrial buildings with a profit motive

Planning & Engineering & Subdivision managers are the individuals most involved in providing development -related applications review.

Planning & Design - Planning & Design is responsible for processing development applications; rezoning; development permits; development variance permits, and Board of Variance applications. Planning & Design is also responsible for developing planning policy and preparing neighbourhood plans and other planning research in response to Council requests and changes in provincial legislation. The Planning & Design section carries out the application review relative to the OCP and other land use policies, including receiving comments from other departments and external agencies. The section also arranges and conducts a public meeting whereby members of the public can attend and provide their views on the application and proposed development. Applications may be reviewed by the Planning Services Advisory Committee (PSAC), the Design Advisory Panel or the Board of Variance, dependent upon the type of proposed development or land use related change. Once the review is completed it is submitted to Council for approval. Planning & Design also comments on all development applications, including building permits and subdivision applications to ensure they are consistent with the City's growth-related bylaws. The Planning & Design section reviews and issues liquor license applications, waste stream management license applications and reviews business license applications relative to land use compliance.

Engineering & Subdivision - The Engineering and Subdivision section is responsible for processing subdivision development applications. The engineering staff in this section provide comments on subdivision development applications relative to OCP requirements and other land use policies, and to linkages to the City's water, sewer, roads and other infrastructure. The engineering staff also liaises with Public Works relative to the City's own capital program as City development and infrastructure projects must follow many of the same approval processes as developer and resident development applications.

APPLICATION PROCESSES AND OTHER SUPPORT

Service Delivery Support Provided by Other City Departments and External Agencies

Public Works, Parks, Recreation & Environment and Protective Services are often asked to provide comments on development-related applications.

External agencies, e.g. BC Ministry of Transportation, Ministry of Water, Land & Air Protection and Ministry of Health are often also asked to provide comments on development-related applications. This is particularly the case with subdivision applications.

The number of development-related applications received by Community Development are affected by such factors as the economic and business cycle and growth in population which impact service demand.

Development Application Review Process

Development application review processes differ somewhat dependent upon the type of application and development proposed.

Development permit applications involve review by staff and by the Design Advisory Panel and Council approval. Rezoning applications involve review by staff, a required public hearing and approval by Council. Each type of application has a well-documented review process with supportive flowcharts and milestones. An overview of the Development Permit review process is provided in Appendix 19, page 211.

Subdivision applications involve a review by staff and with external public agencies, e.g. BC Hydro, BC Ministries, but do not require a public meeting or approval by Council. The Director of Community Development is authorized under the Land Transfer Act and appointed by Council to approve subdivision applications and public consultation is not a formal requirement of the application review process. The Director, at his discretion, can arrange for an informal public meeting with neighbours near the proposed subdivision, but this is not a legislated requirement. An overview of the subdivision application review and approval process is provided in Appendix 19, page 211.

Processing of Applications

Applications can be received at the Service Centre in paper or digital form. When applicants come to the service centre in the SARC building, their initial inquiry is responded to by the engineering, development technical or the planning assistant, who discusses the proposed development with the applicant. Based on the needs of the applicant, they can obtain access to more senior Planning or Engineering staff.

Applicants can submit their applications and required documents electronically via the Internet. The department is promoting the use of digital media for the exchange of information between the department and the applicants. This makes the review process more efficient and reduces the paper storage, photocopying requirements etc. Details of how the department achieves this is provided in Appendix 19, pages 211-212.

BENCHMARKING AND NANAIMO'S PERFORMANCE

Benchmarking

In our experience **communications issues** and **lack of clarification** with regard to application requirements are common to the application review process in many cities and were recognized by some of our benchmark cities. All benchmark cities cited the importance of a meeting with city staff at the beginning of the review process and the need to document requirements. The District of North Vancouver has a pre-application consultation and short form application which it uses to address this issue prior to accepting a full application. Details of the specific processes / guidelines followed by benchmark cities is provided at Appendix 19, page 213.

Many Ontario cities including London, Hamilton, Ottawa, Kitchener, Mississauga, Kingston, have taken the decision to make a pre-application consultation meeting a mandatory part of their application review process. They have done so to improve communications and customer service with applicants, and to ensure that application requirements for each development proposal are fully documented prior to the applicant commitment significant time and resources to the development of an inadequate or incomplete formal application. Details of the specific processes / guidelines followed by the 6 cities in Ontario is provided at Appendix 19, page 214.

Outcomes, Service Levels and Performance Measures

While Nanaimo Community Development tracks subdivision development-and other development planning related applications through the approval process, it provides only limited information on the expected time it will take to carry out a review to the development community on its website page. The Department has extensive information on applications and its processes and has established informal time targets for processing. That said, based on our interviews, the use of this information to "drive" processing to meet these targets was not apparent. There is no reporting on the extent to which the Department is meeting these targets to Council or on its website page.

Best Practice - Each year the **City of Kamloops** publishes an annual report on Development on its website. In this report, Kamloops has established time targets for all its application review processes and reports on how successful it has been in meeting these targets and how it is attempting to improve its efficiency to do so. An excerpt from the Kamloops Development & Engineering Services Dept. 2015 Annual Report is provided in Appendix 19, page 215.

A further best practice in city development-related reporting is to go beyond the provision of application-related review processes and time standards. Cities are now developing reports linked to their strategic plan and Community Official Plan and providing information on the extent to which development approved through their development application review processes fulfills objectives of the Community Official Plan. The **City of Edmonton** is a leader in this regard, reporting on such objectives as compact urban form; transportation and accessibility, and environmental sustainability. An excerpt from the City of Edmonton's report is provided in Appendix 19, page 216.

SIGNIFICANT FINDINGS AND RECOMMENDATIONS

Findings

- Based on the municipal benchmarking and best practices and our interviews, focus groups and manager and staff surveys, it is apparent that the current informal pre-consultation process and coordination between the Service Centre and other sections within the department could be improved and that a more formal pre-consultation and application meeting, attended by relevant City staff would lead to greater applicant satisfaction, a more streamlined process with fewer incidents of new requirements emerging which the applicant is asked to fulfill and which leads to a lengthening of the time to application approval.
- The Community Development Department has well developed and communicated development application processes supported by up to date information systems which represent best practices. That said while the information is available the department has not established and/or communicated its expected outcomes, service levels and performance measures to the public.
- It is not apparent that the department is using performance measures to manage its application processing and staff efforts towards performance targets.

Recommendations

- **Improve Coordination between Service Centre and other Community Development sections and Establish a Formal Pre-Consultation Process to Start Development Application Review Process** - The Planning & Design and Engineering & Subdivision sections of Community Development should establish a more formal pre-consultation and application process. The process would include an initial consultation meeting with Service Centre staff who would provide information on the application review process and its general requirements. An initial pre-application information request to form the basis of discussions at the meeting should be instituted with an associated fee.
- **Establish, Track and Report Outcomes, Service Levels & Performance Measures** - The Community Development Department should establish outcomes, service levels and performance measures as follows.
 - Outcomes – to achieve the goals of planNANAIMO, e.g. intensification of residential housing in the downtown
 - Service levels – establish and publish target review periods for specific application types
 - Measures – percentage of applications which have been reviewed within the targeted review periods

Data should be gathered and reported on annually making use of its state of the art information systems. In addition to reporting on development application review processes against published review time targets, the Community Development Department should work towards developing high level outcome measures reporting reflective of its Community Official Plan.

Implementation considerations for the above recommendations are provided in Appendix 19, page 217.

EXTERNAL AGENCIES' REVIEW RESULTS

This section summarizes our detailed analysis, findings and recommendations for the three external agencies (given below) in scope for the Core Services Review. Additional details where applicable is provided in the Appendix of this report.

1. Nanaimo Economic Development Corporation (NEDC)
2. Downtown Nanaimo Business Improvement Association (DNBIA)
3. Vancouver Island Conference Centre (VICC)

NANAIMO ECONOMIC DEVELOPMENT CORPORATION

BACKGROUND AND CONTEXT

Overview

The Nanaimo Economic Development Corporation (NEDC) was incorporated in June, 2011 as a not-for-profit corporation wholly owned and largely funded by the City of Nanaimo. NEDC also receives a grant from the Regional District of Nanaimo.

The Mission of the Nanaimo Economic Development Corporation is **to build a prosperous community through economic opportunity**. It does this by providing services of investment attraction, business retention and expansion, and tourism marketing for the City of Nanaimo and its outlying areas.

NEDC encompasses functions previously administered in part by City of Nanaimo municipal staff. NEDC staff, with the exception of the CEO, continues to be bound by municipal collective agreements.

NEDC operates as a private-sector-led corporation, governed by a board of up to a maximum of 17 Directors representing the major business and academic interests of Nanaimo and region. City Council appoints the directors which can include a First Nations and a City representative. In addition, NEDC's tourism activities are guided by a Tourism Leadership standing committee.

Linkage to the City of Nanaimo Strategic Plan

Creation and funding of NEDC was an action item outlined in the *City of Nanaimo 2010-2015 Strategic Plan*. NEDC's creation supports the ambitions of Nanaimo to be recognized as "One of BC's most Successful Cities by 2025" and the commitment in the City's 2012-2015 Strategic Plan to promote economic health and a thriving economy. NEDC's role evolved out of recommendations made to the City in the *Nanaimo 2011 Economic Development Strategy* report which supported the positioning of economic development as a high-level, visible activity in the community.

NEDC Functions

NEDC carries out a diverse mix of functions that include:

Economic Development	Tourism
<ul style="list-style-type: none"> Business investment & attraction Business retention & expansion Entrepreneur & start-up support Business inquiries & workshops Business articles & social media marketing Quarterly & annual economic updates Support to partner organizations 	<ul style="list-style-type: none"> Tourism marketing campaigns Social media coverage Media relations and familiarization trips Brochures—e.g. Nanaimo Bar Trail Support for stakeholder & grant programs Visitor centre services Cruise ship, event & conference support

Four-Year Highlights

Highlights of developments over the past four years include NEDC's contribution to:

Economic Development	Tourism
<ul style="list-style-type: none"> Attracting FedEx, Helijet, Tilray medical cannabis facility and new air services Forums for business input and education Networking at Square One co-working space & technology incubator GDP and other areas of business growth 	<ul style="list-style-type: none"> Favourable media coverage Increased social media activity Growth in hotel occupancy, airport traffic Increased visitor centre visits Support for a tourism-related 'hotel tax' Support for new product development

FINANCIAL MODEL—A Mix of Funding Sources but NEDC is Largely Dependent on the City's Grant

Revenue Model—Fixed Funding

NEDC's agreement with the City specifies annual funding for NEDC of **\$1,375,450**, or another amount as determined by the City.

NEDC also provides development services for the Regional District of Nanaimo under a 10-year agreement to contribute up to **\$177,000** per year.

Revenue and Expense Overview

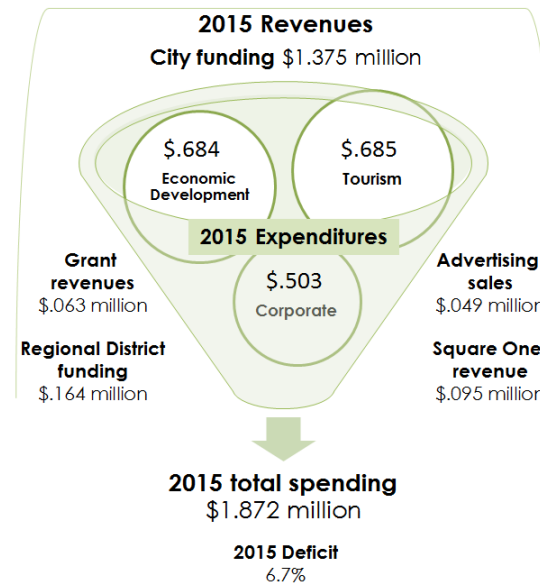
NEDC's revenue sources and expenditures in each of its three operating streams (corporate, economic development and tourism) are shown opposite for 2015.

During the first 4 full years of operation wages, salaries and benefits have averaged 41.7% or two-fifths of total expenses. Elimination of one position is budgeted to result in lower costs in 2016.

Staffing costs	Total spend	% of expenses
2012 Actual	\$608,893	43.9%
2013 Actual	\$695,072	38.1%
2014 Actual	\$791,969	43.1%
2015 Actual	\$779,329	41.6%
2016 Budget	\$692,430	34.9%

Impact of SquareOne on Costs

In 2014 NEDC set up a downtown co-working and technology incubator rental space called SquareOne. Net costs in 2015



after rental income added \$152,870 to NEDC's economic development expenses.

Other Sources of Revenue

NEDC receives grants from external sources, collects rental revenue from SquareOne and earns advertising and sponsorship revenue from its tourism activities. As shown below, revenue from these sources has increased in total since 2012 relative to city funding, and is budgeted to grow in 2016. While tourism revenues declined in 2015, additional grants and sponsorship programs are budgeted for 2016. Square One rental revenues began to make an impact in 2015 and are budgeted to increase by 47% in 2016, potentially reducing net costs to \$85,200.

	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Budget
Total NEDC Revenue	\$1,859,969	\$1,640,715	\$1,674,305	\$1,747,373	\$1,981,899
City Funding	\$1,593,785	\$1,392,012	\$1,375,450	\$1,375,450	\$1,375,450
Leveraged Funds Ratio	17%	18%	22%	27%	44%

Financial Implications of Consolidated Organizational Model

NEDC's model of combining economic and tourism development into one organization reduces duplicate costs and results in savings from:

- One executive leadership position
- One general administrative assistant
- One set of shared equipment, occupancy and utility costs
- One set of corporate communications costs (e.g. annual report)
- One board & volunteer development
- Potential increase in purchasing power for marketing and other materials.

MISSION AND OVERALL RANGE OF FUNCTIONS—A Potentially Broad Range of Expectations

Mission

The Mission of the Nanaimo Economic Development Corporation is to build a prosperous community through economic opportunity.

Within NEDC's purpose is the mission for Tourism Nanaimo to contribute to building a prosperous community through economic opportunity, by promoting Nanaimo as a year-round leisure tourism destination and an attractive destination to hold meetings, conventions and sporting events.

Key Functions

Cross-Canada research shows that these purposes can encompass a wide range of expected outcomes and supporting functions as determined by the strategic plans of and resources available to each agency or city department.

Research by the International Economic Development Council indicates that over 50% of Canadian respondents state that their services include the core functions of:

- Business retention and expansion
- Marketing/business recruitment
- Research and analysis
- Small business start-ups & support
- Tourism development or promotion
- Local/downtown development
- Grant administration.

NEDC Core Focus

NEDC's current core functions are shown on the right, compared to a sample range of services provided in other cities.

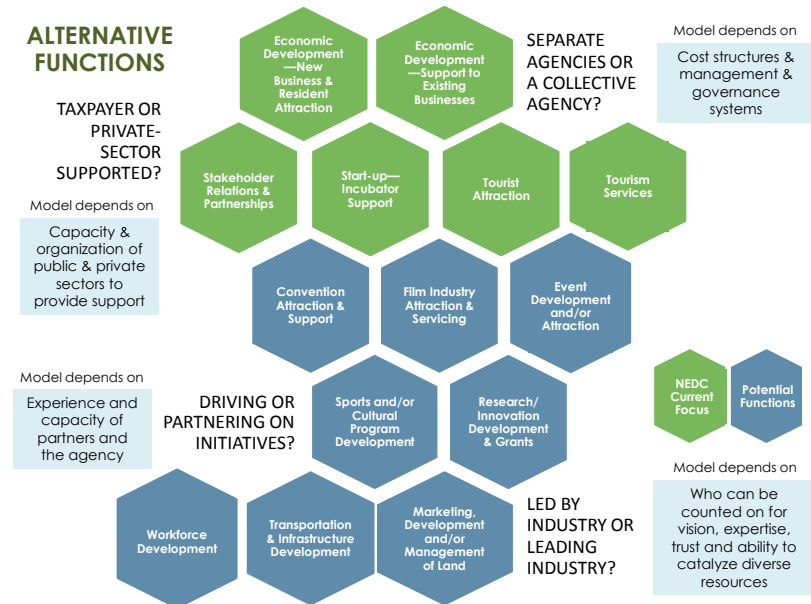
The range of functions in any one community can be quite diverse depending on availability and funding of other similar service providers.

Regardless of the range of functions, the three primary activities supported by NEDC and similar organizations involve the following:

- **Marketing** of the community to attract new businesses, visitors and residents
- **Development** with stakeholders of products/programs to enhance community appeal
- **Servicing** new arrivals and existing enterprises to improve their experience in the community.

Depending on the size and skills within the development organization, some aspects of the above may be subcontracted under oversight to outside suppliers (e.g. marketing materials). NEDC's expenditures for non-occupancy and non-administrative goods and services reflect these practices as they account for 47% of total 2015 spending.

Other aspects, such as program or product development initiatives, often need to be delivered in partnership with government, business, academic or community groups. Successful outcomes depend on the ability to collaborate with outside agencies, sometimes as a lead agency or as a supportive partner, depending on where core capability is strongest.



NEDC PERFORMANCE TO-DATE—Issues Have Been Raised that Call for Scrutiny

Overview of Issues and Observations

Economic and tourism development is both a competitive and a collaborative activity that can encompass many functions and participants. This presents numerous management challenges to delivery agencies across Canada including NEDC. The consultant team has identified the following key areas where NEDC has been challenged by and criticized. Detailed analysis of our findings and advised action is provided in Appendix 20, pages 217-224. A summary of our findings for each are provided below.

Area	Observations
<p>Range of activities & choice of initiatives:</p> <ul style="list-style-type: none"> ■ Role in convention marketing ■ Role in event & filming services ■ Role in waterfront development ■ SquareOne facility ■ Visitor centre 	<p>While NEDC's mission outlines a general mandate, there is no clear agreement with Council and key stakeholders on specific priorities for NEDC. As a result, NEDC has largely focused on the customary functions of an economic and tourism development organization as shown in green in the chart on the previous page—but has fallen short of meeting full stakeholder expectations.</p> <p>Now that NEDC has completed four full years of operation, it is an appropriate time to update its strategic plan and its service agreement with the City. This would enable NEDC to reprioritize and clarify its goals and objectives based on broad stakeholder input.</p>
<p>Sources of funding</p> <ul style="list-style-type: none"> ■ Levels of non-city funding ■ Restricted access to hotel taxes 	<p>A review of other economic and tourism development organizations across Canada indicates that NEDC's structure and level of funding for economic development generally align well with comparable mid-size cities—being neither at the high nor very low end. However, the comparative analysis suggests that NEDC's level of funding for tourism growth lags behind a number of mid-size benchmarked cities.</p>
<p>Staff resources & costs</p> <ul style="list-style-type: none"> ■ Level of staffing costs ■ Staff functions 	<p>Based on general analysis there appears to be limited internal capacity for substantive new activities. A broadening of collaborative working partnerships with other community groups and municipal staff may provide opportunity to redefine or redistribute some staff functions to either internal or external sources with the best capability for effective delivery. An example might be the compilation of economic statistics. NEDC resources could then be redirected to higher priority areas.</p>
<p>Outcomes to-date</p> <ul style="list-style-type: none"> ■ Few new business 'wins' ■ Event/other business 'losses' 	<p>Detailed analysis indicates that NEDC can point to a number of accomplishments in raising the awareness of Nanaimo as a destination for tourists, businesses and residents through its marketing activities but less in the way of clearly attributable outcomes in expanding the economy.</p>
<p>Relationships</p> <ul style="list-style-type: none"> ■ Development of stakeholder relationships 	<p>There have been a number of reported missteps in NEDC's development of relationships with stakeholders and potential partners due to various reasons. Strong organizational and individual relationships are essential to the success of NEDC, for which deliberate action is needed from NEDC. More open exchange with Council around the purpose and strategy of NEDC is also essential.</p>
<p>Organizational policies & practices</p> <ul style="list-style-type: none"> ■ Compliance with municipal policies ■ Governance structure & practices 	<p>NEDC faces challenges to ensure effective governance structures and processes are established and adhered to. Ongoing board development to strengthen the effectiveness of governance processes and regular communication with Council will enable NEDC's multi-sector board directors to keep contributing their skills and experience to the health of the economy and the community as a whole.</p>

BENCHMARKING—One Structure and Size Does Not Fit All

Perspectives on Structure and Scale

Economic and tourism development are discretionary activities that depend on the ambitions of a community to grow and prosper. They are undertaken in varying ways and to varying degrees of success by cities across Canada.

A 2009 Union of B.C. Municipalities survey concluded that "one size does not fit all. There is no single best model for local economic development and there are a number of different options available to local governments."

Benchmarking with Mid-Size Cities across Canada

While business and tourism sectors in smaller cities often lack the critical mass to support independent organizations, data from a sample of mid-size cities across Canada (provided in Appendix 20, pages 226-229) indicate that independent organizations are becoming more common for both economic and tourism development in cities of size similar to Nanaimo. These arm's-length organizations are funded to varying degrees by municipalities, regions, and in some cases by higher levels of government. They are governed and guided by largely private-sector boards of directors and are referred to as economic development organizations (EDOs) and

destination marketing organizations (DMOs).

Comparing Expenditure Levels for Economic Development – A comparative analysis of Nanaimo against 13 other cities, indicates that NEDC appears to be at a relatively average level of spending.

Comparing Expenditure Levels for Tourism – Non-profit DMOs—either city-specific or regional—are the primary models for delivering tourism marketing and development services in mid-size cities across Canada. As with EDOs, there appears to be no consistent 'perfect' model for the scale and range of spending undertaken by DMOs. But annual spending and staffing levels in the comparative cities in many cases exceed those of Nanaimo.

Dual-Purpose EDO/DMOs – The difficulty of amalgamating existing independent EDO and DMO organizations with often divergent interests has hindered many cities in creating a consolidated economic/tourism development agency. However, a comparison of five such dual-purpose entities with NEDC indicates that NEDC's expenditures and staffing levels are roughly in line or lower than the similar-sized cities of Sault Ste. Marie, Peterborough, Brantford and Kingston, all in Ontario.

Selected B.C. Benchmarks – Further analysis of expenditures and funding for economic and tourism development in 5 other B.C. cities shows that:

- NEDC's spend for economic development is similar to that of Kelowna's regional South Okanagan Economic Development Commission.
- Prince George brought its economic development activities back into a municipal service in 2015 with estimated annual savings of \$500,000 in city funding, bringing its total economic development budget closer to that of Nanaimo.
- Regional participation in funding (Kelowna/North Vancouver/Chilliwack) helps to boost both economic & tourism budgets while reducing the proportion of funding from the primary city.
- NEDC relies heavily on City funding of tourism services in contrast to four of the benchmarked communities who benefit from receiving hotel tax revenues for general tourism marketing purposes.
- Tourism development in Nanaimo as a whole is now benefitting from hotel tax revenues but the additional funds are to be used for incremental sports & event programming as specified by the Nanaimo Hotel Association and will not be added to NEDC's discretionary revenues.

CONCLUSIONS OF THE CORE REVIEW OF NEDC—A Need for Greater Clarity and Priority

Suitability of Structure

NEDC has had a number of challenges and difficulties over its first four years of operation. While the model for NEDC is a best practice, there need to be improvements in how the work gets done, communication to stakeholders, and its relationship with the municipality. The structural choice is between improving performance under the present model, or considering a different option. The possibilities include:

- **Retain the NEDC model and improve execution of its priority functions**
- **Bring both economic and tourism development back in-house as municipal services**
- **Separate the economic and tourism development functions under different models of governance and operation.**

The current model is intended to combine strengths in **marketing** with facilitation of **development** projects to attract and retain both businesses and tourists. An in-house model, where economic development is a municipal service, typically is better in **service delivery**, for example in expediting new business entry and land development. Pros and cons of the different models are outlined in Appendix 20-B, pages 240-241.

Our research and review of comparable organizations indicates that an independent, non-profit and community-governed organization is a 'best practice' for economic and tourism development in a Canadian community of the size and stage of development of Nanaimo.

When executed successfully, this type of arm's-length, community-governed organization enables greater representation, engagement, and contribution of the business community in development of all sectors of the economy. However, open communication and a mutually respectful relationship between the independent organization and the municipality are of paramount importance.

We recognize that the inability of NEDC to earn the full trust of the Nanaimo Council and administration is having an impact on the future delivery of both economic and tourism development functions.

The option of returning economic and tourism development functions back into a municipal service model (in whole or in part) may provide more immediate access to municipal policy makers and service departments but also has costs and risks associated with it. These may include the risks of community disengagement, loss of some expertise, in-house competition among municipal departments for resources, and a change in focus to providing responsive services but being less proactive in marketing and new business development.

We also recognize that tourism development, which is highly marketing-oriented, could once again be separated from economic development. However, there are several successful dual-purpose models from which NEDC can draw lessons, and leading practices promote coordination even when delivery is through separate organizations.

Recommendation on Structure

We recommend that NEDC should continue in its present structure, but with much stronger planning and accountability measures.

Success Factors for NEDC in Future, drawn from Best Practices

A key priority for NEDC will be to regain the trust and confidence of its shareholder. To be successful in the future, NEDC needs:

- A clearly-stated mandate and scope of activity that is understood by all stakeholders
- A supportive community and Council
- Sufficient funding, diversity of funding and exceptional management of the funds
- Competent, professional practitioners and competent, knowledgeable board
- Strong partnerships within the community
- Acknowledgement of obstacles to be overcome and a plan to overcome them
- Effective accountability mechanisms that tie performance measures to strategic goals

Recommendation on Funding

With respect to future City funding of NEDC, we propose two options:

1. **Make the City level of NEDC funding beyond 2017 contingent on a new five-year strategic and accountability plan for NEDC and development of the overall Nanaimo economy**
 - This option delays decisions about funding but addresses the future role, direction and capacity of NEDC in developing the local economy.
 - NEDC has been guided to-date by an economic development strategy developed in 2011 and by a tourism strategy developed in 2012. At the same time, the City's strategic plan, developed in 2012 with extensive community consultation, has provided guidance through its focus on waterfront and transportation enhancement.
 - Nonetheless, it is now almost 5 years since the role of NEDC in the overall enhancement of the City and region's economic health has been strategically reviewed, taking into account all sectors of the economy and competitive conditions.
2. **Reduce the City's grant to NEDC over 3 years beginning in 2017 while encouraging greater external funding**
 - This option can provide the City with a budgeted schedule of savings and, over time, may encourage greater private sector funding of NEDC projects and operations.
 - Any sudden reduction in City funding may signal loss of confidence in the NEDC concept and could risk waning of community support and board commitment. A reduction in scale of resources could also affect capability and discourage alternative sources of support.

We recommend that Option One is the preferred option for ensuring that NEDC can be an effective arm's-length community-focused organization.

Option One calls for a new strategic plan for NEDC as outlined on page 240.

Development of the strategic plan is expected to require funding beyond the current revenue sources for NEDC. Supportive funding for this project should therefore be sought from senior levels of government and from the business community.

Should capacity and funding for renewal of NEDC's strategic plan not be available, a more focused annual business planning process is recommended with in-depth City Council review each year of a key existing or proposed new purpose (such as business retention and expansion or support to emerging economic sectors). This would enable more comprehensive discussion of the role that NEDC can play in delivering on its strategic purposes and future goals.

DOWNTOWN NANAIMO BUSINESS IMPROVEMENT ASSOCIATION

BACKGROUND AND CONTEXT

Overview

A Business Improvement Association (BIA) is widely accepted, usually self-funded, mechanism used by business and property owners to encourage business and increase property values, often in decayed or formerly decayed areas of downtowns. BIAs are agencies which are independent of Cities and responsible for managing their own affairs.

The Downtown Nanaimo Business Improvement Association (DNBIA) covers a large area in the City, consisting of two relatively small well developed areas of business in a comparatively large area. The DNBIA operates under two bylaws, created under the petition against process. Bylaw no. 7168 for BIA 1 (downtown) and Bylaw no. 7169 for BIA2 (Old City Quarter). Bylaws run from June 2013 to June 2018, with increases each year of about 1.5% in the service tax levied on property owners (Kelowna and Prince George have increases closer to 3% per annum).

The DNBIA currently represents 700 businesses and 300 property owners. A recent survey suggests the DNBIA has the support of most of those that pay the levy and a majority of those did not petition against adoption of the current Bylaws.

Business also supports the DNBIA by serving on its many committees. The DNBIA is required to provide the City with annual and monthly financial reports. The DNBIA also provides its annual budget to Council and there are two City appointed officials on the Board. Additional information regarding BIAs and the DNBIA is provided in Appendix 21, ages 240-241.

Linkage to the City of Nanaimo Strategic Plan

The DNBIA grew out of the work started in 1999 by the Downtown Strategy Team and continued into 2001 by the Downtown Action and Advisory Committee. The emphasis on economic development and culture is supportive of the strategic plan.

DNBIA Mandate and Objectives

The mandate of the DNBIA as expressed in the bylaws and strategic objectives as expressed on its own website are:

Mandate	Strategic Objectives
<ul style="list-style-type: none"> Carry out studies/reports. Improve, beautify, and maintain streets and buildings. Remove graffiti. Conserve heritage properties. Encourage business through marketing promotion and special events. 	<ul style="list-style-type: none"> Development of Downtown Nanaimo as the City's arts, culture, and entertainment district. Business recruitment and development to sustain, strengthen, and broaden the business mix. Residential development to grow the downtown population as the foundation for permanent vitality.

Achievements

DNBIA's achievements include:

Projects & Activities	Projects & Activities
<ul style="list-style-type: none"> Canadian Urban Institute National "Brownie" Award for Terminal Ave Project Area Wide Designation for Terminal Avenue Project 6 Signature Events – All Growing in Attendance Numbers and Popularity New Life to Nanaimo's Christmas Kick off 	<ul style="list-style-type: none"> Opened 2 Areas as Public Space - China Steps/Lois Lane & Cappy Yates Park OCQA/DNBIA Relationship Integration Purchase of new community stage that is suitable for all forms of performing art Founding partner of the Nanaimo Rail Trail Founding partner of the Nanaimo Train Station restoration

FINANCIAL MODEL

Overall

Total revenues in 2014/5 were **\$473,000**. \$228,000 (48%) came from a Local Service Tax. \$228,000 (48%) came from a matching grant from City. \$15,000 came from miscellaneous sources.

Expenses in 2014/5 were \$538,000 and exceeded revenues by \$64,000. Wages and benefits amounted to 39%, Advertising 17%, Events 14%, Capital projects 14%, and Office related 10%.

The Budget for 2015/6 shows revenues of \$568,000 and expenses of \$687,000 resulting in a deficiency of \$118,000. The anticipated increase in revenues is due to an expected grant from the City to further the development potential of Terminal Avenue.

DNBIA Levy

The DNBIA obtains revenues from two levies, one from BIA 1, and one from BIA 2.

City Grant

The City matches the amount of the levies in the form of a grant. This matching grant from the City to the DNBIA is unusual / unprecedented. There is no other municipality known that receives such a

grant and its existence has made the DNBIA the envy of other BIAs.

Under the old Downtown Nanaimo Partnership (2001 to 2010) the then BIAs paid a levy, which the City matched. The 2009 to 2013 bylaws and the current bylaws contain no such provision. The continued payment of a matching grant appears to have arisen from a misinterpretation of Section 4 of the bylaws which provides for specified \$ amounts of grants. However, Section 6 of the Bylaw provides for cost recovery of all cost of service by means of a local area service tax. In other words, the grants are intended to be the mechanism by which the City transfers the service tax to the DNBIA, not an addition to the tax. Whether Council intended the bylaws to provide for grants and errors were made in drafting them is not known.

The misinterpretation of the DNBIA bylaws has been occurring for years. In a report to Council dated 25 March 2015 by a former member of staff, it was stated that, "the existing bylaws (2009 to 2013) include a grant each year that was intended to approximately match the taxes collected in the two BIA areas. The perceived logic behind this matching grant was that it is the desire of or understanding that all tax payers of Nanaimo wish to retain and promote a vibrant downtown, not just the downtown merchants".

Comparative Financial Data

	Kelowna	Kamloops	Maple Ridge	Prince George	Chilliwack	Port Coquitlam	Nanaimo
Levy 2015 \$000	\$804	\$209	\$208	\$226	\$300	\$179	\$229
Annual % increase	3	NA	NA	3	1.5	1.7	1.5
Government Other \$000	\$94	\$143	NA	\$124	\$70	NA	\$229 \$110
Total \$000	\$899	\$351	\$391	\$350	\$370	NA	\$568*
Salaries + benefits \$000	\$250	\$111	NA	NA	NA	NA	\$191

Note: Most expense data has been suppressed as some municipalities were unwilling to permit detailed disclosure.

BENCHMARKING, BEST PRACTICES & NANAIMO'S PERFORMANCE

Benchmarking

Nanaimo raises more money by levy than Kamloops, Maple Ridge Port Coquitlam and Prince George. It raises 30% less than Chilliwack and less than a third that of Kelowna. (Please refer to the table under Financial Model for details).

All communities obtain some additional funds from government or other sources, such as sponsorship. Northern BIAs get special funds available only to Northern communities. In some cases, such as Kelowna, the government funds are provided in return for the BIA providing security and other services. As mentioned earlier, no other BIA receives as much from Government as Nanaimo and none do so in the form of a grant matching the levy.

The degree to which Government itself provides services in the BIA also varies. Some receive free hanging baskets, others get special grants because they are located in the North. Nanaimo's BIAs receive the benefit of City provided security and street cleaning services, which are generally provided by the BIAs themselves in other communities and which are major expenses.

BIAs in communities that experience heavy snow provide extra snow cleaning services in the BIAs. Nanaimo's BIAs have little need of this service.

Nanaimo's permanent staff of 4 is greater than that in Prince George and Kamloops but less than the 5 in Maple Ridge and Kelowna.

Expenditures by activity are confidential, at the request of some BIAs, but generally Nanaimo spends far less than average on security, somewhat more on salaries and benefits and internal administration and considerably more on events and marketing. Additional information providing comparative data on other BC BIAs is provided in Appendix 21, page 243.

Best Practices

In discussions with other BC BIAs, the DNBIA was occasionally cited as exhibiting best practices, partly perhaps as one of the oldest established BIAs in BC it was one with which most were familiar. In Canada as a whole, the Junction Gardens area of Toronto is noted as having achieved the most success in recent years. It has been mentioned in the New York Times as one of the top 40 places in the world to visit. The Junction was for many years a blighted, highly congested area of the City, with high vacancies and a dubious reputation. What turned the area around was a combination of events. First, rising real estate prices to the south forced new relatively affluent young buyers North from Bloor Street, West (which had itself been the site of Canada's first BIA). These new residents provided a ready market for upscale retailers, coffee shops (Starbucks was an early entrant). Second the BIA focussed its efforts on a quarter mile strip of Dundas West that had frequent public transit. Third, business itself was creative, bringing in many new activities, such as brew pubs and eco grocery stores. Finally the BIA has a strong working relationship with the City of Toronto, which really believes in the benefits that BIAs can bring. The budget for the Junction BIA is \$268,000

One lesson for Nanaimo is the critical importance of local residents and the importance of a focused effort on small areas. The part of Dundas Street to the west of the Junction Gardens BIA still lags behind in terms of its vitality. Similarly the south east side of the original Bloor Street West BIA, languished behind the prosperous rest of the BIA for many years due in part to the existence of a large funeral parlour and parking lot. Another key to success is the enterprise and initiative of business itself.

OBSERVATIONS AND OPTIONS

Observations

The DNBIAs mandate is expressed entirely in qualitative terms and it is difficult to quantify how well it has met its mandate. It certainly has made some progress towards the four areas mentioned in its mandate. At the same time, there are certain areas that need more attention.

Successes

- The Brownfields work on Terminal Avenue is a major achievement in terms of studies and reports
- The Old Quarter and the Commercial street hub are recognized as being lively, attractive, prosperous secure places
- The DNBIAs has 6 signature events and 7 sponsored events, that are all attract locals and visitors
- Heritage properties are well looked after throughout the BIAs (with the added support of Cultural and Heritage Department funding)
- Business has been encouraged and a survey shows a high level of satisfaction with the efforts of the DNBIAs (albeit from a small sample).
- The absence of a sufficient negative vote against the DNBIAs by law at time of renewal also suggests overall satisfaction.
- The business community has been active on the many committees the DNBIAs has established.

Improvement Ideas

- Development of BIA 1 outside the Commercial street hub has been lacking. In part this is due to the large area covered by the BIA. The most successful BIAs have been in much smaller areas - sometimes only one street.
- The decayed nature of the main entry to the City poses large problems, which to its credit the DNBIAs is trying to address with the brownfield studies.
- Lack of a sufficiently large working and resident population in the downtown. The DNBIAs role here is only advocacy. The main responsibilities for changing this situation lie with business, developers and City Planners.

Recommendation

The City Grant: There is no authority under the bylaws establishing the DNBIAs to continue the payment of the matching grant. The present value of the grant (\$230,000 per year) over ten years (discounted at 3%) is nearly **\$2 million**. The consultant team recommends that **the City Grant should be discontinued, and that instead project specific grants should be provided as justified**. The pros and cons of continuing the grant are provided in Appendix 21, page 244.

Additional Comments

Downtown residency: The success of BIAs is closely linked to the number of local residents. The DNBIAs advocacy can only do so much. The City needs to intensify its efforts to encourage housing in the downtown.

VANCOUVER ISLAND CONFERENCE CENTRE

BACKGROUND AND CONTEXT

Introduction

The purpose of Vancouver Island Conference Centre (VICC) is to bring visitors to the City and create economic impact from their spending. The VICC is an attractive, purpose built facility that occupies a prime location in one of the City's major retail areas.

VICC has 38,000 square feet of quality facilities that have been well maintained since it opened in 2008. Costs of construction were higher and net operating cost are considerably higher than forecast for a variety of reasons – e.g. No parking or retail revenues, lack of quality hotels, management without adequate incentives, poor forecasting, etc.

What does not seem to be well understood is that Conference Centres are never economically viable entities. Their purpose is to create economic impact through the expenditures of conference attendees. The recent consultants' report on the VICC and Hotel shows that under the most favourable circumstances the annual operating subsidy required to support the facility will

remain around the current level of \$1.1. The consultants predict that if all goes well and a new adjacent hotel is built and a destination strategy implemented the economic impact per dollar invested will rise from the current level of \$2.35 to \$3.60.

The growth of conference business at VICC, which has the greatest economic impact, has stalled in recent years. Meeting business has grown, possibly somewhat at the expense of other meeting facilities in the City. The conference business may have reached its potential until more quality hotel space is available but management performance and City oversight must also be questioned.

In addition to operating subsidies, the VICC debt repayments amount to \$2.4 million annually. (Some of this debt properly belongs to those parts of the complex from which VICC derives no benefit, namely retail and parking areas). In comparing VICC's performance with that of other city agencies, such as the Port Theatre, it should be noted that VICC has no property tax bill.

Linkage to the City of Nanaimo Strategic Plan

The VICC is linked to the City's Economic Development Strategy, in particular to its focus on tourism.

VICC's Achievements

VICC's achievements include attracting international conferences, a number of aboriginal conferences and a number of repeat events.

Repeat Events	Repeat Events
<ul style="list-style-type: none"> ■ Western Cities Human Resources ■ Job's Daughters ■ Real Estate Webmasters 	<ul style="list-style-type: none"> ■ International Symposium on Sturgeon ■ National Aboriginal Fisheries Forum ■ Aboriginal Business Match

ISSUES AND FACTORS AFFECTING VICC'S VIABILITY

The VICC loses more money per square ft. of space than its competitors

The operating subsidy provided by the City to VICC ranged for about \$0.9 million to \$1.2 million in its first five years of operation (excluding City room rental revenues). In 2014 the average subsidy to comparable tier 3 spaces was \$814,000 - almost one third less. In part this was due to lower non-event revenue from parking and retail, which amounted to \$1.22 per ft. for VICC compared to an average of \$8.26 for its competition. On the other hand VICC charges \$78,000 for security to the Bylaws section, although the security is almost entirely provided on VICC premises. VICC considers this charge is justified because VICC personnel need to monitor activity in the parking area to supplement City security.

The VICC is also assigned debt, which it is unable to pay. Some of the debt would be more properly assigned to parking and retail spaces from which the VICC does not benefit, even so, there is no prospect of The VICC ever being able to make any debt payments.

Should there be no improvement in the VICC operations and its ability to attract new business, the **subsidy from the city is likely to rise to \$1.3 million.**

The convention business has been static for the past 5 years, as has the probable economic impact

Meeting business has grown considerably from 299 in 2011 to 399 in 2015. Some of this business could possibly have been accommodated in other meeting space in Nanaimo. Conferences generate the largest economic impact because more attendees to conferences come from outside Nanaimo than for other events, such as meetings, and conference attendees tend to stay longer. Number of room nights generated by VICC attendees is given below:

	2013	2014	2015
Room nights	17,990	19,900	14,888

Source: A recent consulting report on VICC & Hotel 2016

In our view insufficient attention has been paid to attracting conferences by both VICC management and the City manager to whom the VICC was assigned. The critical sales manager position has been vacant for some time and will not be filled until September. Management claims recruitment of qualified conference sales staff is difficult, even so the time taken to fill the position seems to be unacceptably long. A review of reasons for lost business showed one former sales person persistently gave no reason. This appears to have been a case of little interest in the work. One of the more frequent reasons for lost business, given by other sales staff, was, "not enough quality hotel rooms". Knowing this, and that a new hotel was some years away at best, it is surprising that more emphasis was not given to pursuing conventions of a size that Nanaimo's hotels could accommodate.

Insufficient reasons given to persuade conference delegates to come to Nanaimo

The BC convention market is highly competitive with facilities comparable or better to those in the VICC, located in Victoria, Vancouver, Whistler and other centres. These cities have been promoting themselves as tourist destinations for many years and may appear to have more attractions to offer convention visitors than Nanaimo. The recent consultants' report on the VICC and Hotel concluded that increased economic impact depended in part on a "collaborative destination marketing" plan for Nanaimo that does not exist. In our opinion, the absence of such a plan, which would have to include not only marketing but also the enhancement of /addition to the main attractions of Nanaimo, is the most critical element in the success of the VICC.

ISSUES AND FACTORS AFFECTING VICC'S VIABILITY continued

Nanaimo is also the best gateway to the West Coast, Central and Northern Vancouver Island, providing another plank in a new destination marketing strategy

Conditions in the Nanaimo Hospitality Association (NHA) agreement regarding use of the Hotel Tax Levy, which were agreed to by the City, precludes use of the levy for promoting Conference business. This restriction needs to be removed.

Lack of Quality Hotel Rooms

Conference delegates usually require name brand quality hotel rooms. As the table below shows Nanaimo has less than half the ratio of quality hotels rooms per sq.ft. of meeting space than all but one of its competitors.

The recent consultants' report and the VICC itself, claim that the lack of quality hotel space prevents the attraction of large conventions. 5,000 delegate nights are said to have been lost due to an insufficiency of quality hotel rooms from 2011 to 2015.

A small vacant area of land exists close to the VICC. The position is ideal but the footprint is so small that construction of a

150-room hotel would be expensive. The consultants estimated there would be an investment shortfall of some \$4.4 million unless the developer gives up a normal 15% development profit. Even then the cost of an overhead pedway from hotel to the VICC is not included. The implication is that the Hotel will look to the City for financial concessions. The same report also concluded that there was room for only one additional 150-room quality hotel in Nanaimo.

	Nanaimo	Victoria	Whistler	Penticton	Prince George	Parksville
No. Rooms*	775	4,952	4,528	900	1,633	595
Sq. Ft Space**	45,720	142,438	93,733	53,849	41,479	27,080
Space/room	59	29	21	59	25	46
Ratio Nanaimo to Others	1	2.0	2.8	1	2.4	1.28

Source: A recent consulting report on VICC & Hotel 2016

**Rooms in Branded hotels and in other hotels with more than 50 rooms
Conference Centre space and hotels with more than 1500 sq. FT of meeting space*

Unclear VICC Mandate and Weak Monitoring

VICC's mandate is general and gives no guidance as to how it is expected to perform. The focus should be on generating conferences from out of the Nanaimo area, so as to maximise economic impact, rather than on financial performance, although this cannot be ignored. In light of the vague mandate it is not surprising that monitoring by City staff to date has been ineffective.

Insufficient incentives for Staff and Management

Conference Management of VICC is contracted out to a management group that has little financial incentive to promote. The management group currently receives \$85,000 annually (5% of revenues). Staff is unionised and have only minor productivity incentives. The VICC success depends heavily on the efforts of its sales staff. Most sales organisations reward success with substantial bonuses. Without such incentives staff can always blame failure on external factors, such as the lack of hotel space.

ALTERNATIVE USES OF THE VICC PROPERTY

Two potential users were identified, as follows:

- **Vancouver Island University (VIU)** has a mild interest in using some of the facility for an MBA classroom, but would require additions to the communication equipment and enhanced bus services. VIU use would be an addition to existing conference use, not a replacement. The road forward would not be simple. Assuming suitable space could be found in VICC, VIU would have to persuade the Ministry to fund most of the purchase or a long-term lease. VIU would also have to find its 19% share of the capital as well as the operating costs. Initial interest would be in 66 square metres of "classroom" space for 34 foreign masters students from Monday to Thursday during the School year. Break-out space and enhanced 24-hour bus service from VICC to VIU would be needed. The foreign students would bring life and spending to the downtown.
- **The Casino** - Should the Casino wish to upgrade/expand its operations, the high ceilings of the VICC and potential to re-use the audio and visual capabilities, might make the VICC property suitable without too much change. The casino currently has about 17,000 feet of gaming space. Whether the casino would require many of the meeting rooms is unknown. The benefit to the City in terms of additional economic impact is not clear since the existing operation already brings some benefits.

Most other major potential users would need significant changes to the building and for many it would be cheaper to buy raw land and build from scratch, although the VICC does have a prime site downtown. A significant issue militating against repurposing is that the space is on the second floor, which is not very acceptable for many uses in small cities where ground floor business is the rule.

A web search to find examples of sales of conference centres to private buyers failed to find any but very small examples, mainly centres where the main business was accommodation, e.g. a hotel.

At some price, guesstimated at around \$20 million, there might be a buyer for some unknown purpose. If there were such a buyer re-zoning would probably be needed and the new purpose would have to be acceptable to Council.

As a last resort, if the burden of subsidy appears too great it has been suggested to VCC should be shuttered. The City did a preliminary study of the cost of closure some time ago. Subject to reservations about the sources used and the quality of the assumptions, the cost of closure, for security, maintenance etc. was considerable and the City would have no compensating economic impact.

We conclude that the current use as a Conference Centre is likely the highest and best use of the property. Given this conclusion, the debt that is assigned to VICC is not going to be repaid from its operations and should be written off as non-recoverable.

RECOMMENDATIONS

The City should continue to support the VICC in light of the lack of credible other uses.

A strong collaborative effort should be made by all interested parties to **develop and implement a credible marketing destination strategy**, together with the development of existing/new attractions. Details of a model that may be useful to consider is provided in Appendix 22, page 245.

Efforts should continue to be made to **attract a quality hotel** but any City funding should be contingent on the development of the destination strategy.

A **revised mandate for the management of VICC** with defined performance measures should be developed and supervised closely led by the Finance department staff.

A **new management contract containing stronger performance incentives should be developed** prior to the expiry of the existing contract in 2017

IMPLEMENTATION CONSIDERATIONS

A great deal of work and time has been invested in determining some next steps for the City of Nanaimo as it develops to be a successful mid-sized city. Putting these plans into action is an even more challenging proposition, and the following have been identified as important factors to be addressed during the implementation phase of this work.

Community Input to the Proposed Plan

City Council made a commitment to seek citizen and stakeholder input to this plan once the recommendations and proposed actions were identified. It will be important to design and implement a consultation process that enables full understanding and discussion of the concepts outlined in the plan.

Dedicated Resources for Plan Implementation

Successful implementation of the plan recommendations will require dedication of staff and budget resources to oversee the work. Establishment of a project office for a period of six months to a year is a method used by many municipalities to ensure these important change initiatives are thoroughly and professionally put in place.

Specific Implementation Considerations for individual recommendations

In many cases, specific thoughts about implementation have been included with the recommendations. These are summarized at the end of each of the sections above with additional details in the respective Appendices.



APPENDIX

The following pages contain appendices with additional information, where relevant to the main report presented above.

APPENDIX 1 – BENCHMARKING

Benchmark Municipalities Who Have Contributed to the Nanaimo Core Services Review:

We would like to thank all of the senior city managers and their staff, including those listed below, who have contributed significantly to our understanding of municipal services delivery as it is being carried out in BC municipalities.

<p>City of Prince George Ms Kathleen Soltis, City Manager Mr. David Dyer, GM Engineering & Public Works Ms Rae-Ann Emery, Director, Human Resources Ms Gina Layte Liston, Director of Public Works</p>	<p>City of Kelowna Mr. Ron Mattiussi, City Manager Ms Leah Rodgers, Executive Assistant to the City Manager Mr. Darryl Astofooroff, Public Works Manager Ms Lynn Walter, Revenue Manager Mr. Stu Leatherdale, Director of HR & Corporate Performance Mr. Joe Creron, Divisional Director of Civic Operations</p>
<p>City of Chilliwack Mr. Peter Monteith, Chief Administrative Officer Mr. Glen Savard, Director of Finance Ms Trish Alsip, Confidential Secretary, Administration Mr. Steve Clegg, Environmental Services Specialist</p>	<p>District of North Vancouver Mr. David Stuart, Chief Administrative Officer Ms Cindy Rogers, Manager, Human Resources</p>
<p>City of Kamloops Mr. David Trawin, Chief Administrative Officer Ms Shannon Wallis, Executive Assistant to the CAO Jen Fretz, Director of Public Works</p>	<p>City of Port Coquitlam Mr. John Leeburn, Chief Administrative Officer Mr. Shawn Hagan, Manager of Building Ms Kristen Meersman, Director of Engineering & Public Works Mr. Ross Maki, Engineering Technologist Ms Ellen Whitcomb, Human Resources Advisor Mr. Vern Kucy, Environmental Projects Officer</p>

Additional Benchmark Information is provided in the following charts:

City of Nanaimo Expenditures Relative to Benchmark Municipalities - Consolidated Expenses Per Capita as at December 31, 2014

Municipalities	General Government	Protective Services	Solid Waste Mgmt and Recycling	Health, Social Services and Housing	Development Services	Transportation and Transit	Parks, Recreation and Culture	Water Services	Sewer Services	Other Services	Amortization	Total Expenses
Chilliwack	88	332	69	0	164	146	188	67	71	3	225	1,353
Kamloops	129	481	83	2	54	307	345	132	69	18	299	1,920
Kelowna	173	402	89	6	39	265	278	46	103	122	506	2,030
Nanaimo	156	472	45	0	65	137	310	80	48	0	227	1,541
North Vancouver Dist.	180	447	94	26	32	82	399	184	166	0	175	1,785
Port Coquitlam	136	377	56	0	38	91	246	130	109	0	196	1,379
Prince George	222	575	43	8	29	290	312	80	81	38	264	1,941
Average	155	441	68	6	60	188	297	103	92	26	270	1,672
Nanaimo relative to average	101%	107%	65%	0%	109%	73%	104%	78%	52%	0%	84%	92%

WMC/TCI calculations using data from BC Local Government Statistics, Ministry of Community, Sport and Cultural Development, 2014 data, http://www.cscd.gov.bc.ca/lgd/infra/statistics_index.htm

City of Nanaimo Revenues Relative to Benchmark Municipalities - Sources of Revenue Per Capita, 2014 \$

Municipalities	Total Own Purpose Taxation & Grants in Lieu	Sale of Services	Transfers from Federal Gov'ts	Transfers from Provincial Gov'ts	Transfers from Regional & Other Gov'ts	Investment Income	Developer Contributions	Disposition of Assets	Other Revenue	Total Revenue
Chilliwack	829	506	0	61	53	19	97	(4)	24	1,585
Kamloops	1,089	630	22	151	40	51	247	(19)	37	2,249
Kelowna	982	903	18	163	3	69	251	37	0	2,426
Nanaimo	1,089	426	143	39	14	35	111	16	28	1,902
North Vancouver Dist.	1,020	970	46	71	15	43	45	(9)	47	2,248
Port Coquitlam	955	475	3	8	13	37	112	(4)	35	1,634
Prince George	1,280	773	8	79	54	48	50	12	0	2,304
Average	1,035	689	36	90	26	45	141	6	23	2,088
Nanaimo relative to average	105%	62%	399%	43%	53%	79%	79%	258%	121%	91%

WMC/TCI calculations using data from BC Local Government Statistics, Ministry of Community, Sport and Cultural Development, 2014 data, http://www.cscd.gov.bc.ca/lgd/infra/statistics_index.htm

City of Nanaimo's Long-term Debt Relative to Benchmark Municipalities - Municipal Long-term Debt, 2014 (\$)

Municipalities	Long Term Debt Per Capita	Total Debt Financing Per Capita
Chilliwack	79	9
Kamloops	1,082	126
Kelowna	870	170
Nanaimo	572	51
North Vancouver	237	30
Port Coquitlam	378	25
Prince George	1,367	200
Average	655	87
Nanaimo relative to average	87%	58%

WMC/TCI calculations using data from BC Local Government Statistics, Ministry of Community, Sport and Cultural Development, 2014 data, http://www.cscd.gov.bc.ca/lgd/infra/statistics_index.htm

City of Nanaimo Residential Taxes Relative To Benchmark Municipalities - 2014 Residential Tax as % of Total Taxes, Municipal Residential Taxes Per Capita

Municipalities	Residential as % Total Taxes	Municipal Residential Taxes Per Capita (\$)
Chilliwack	69	505
Kamloops	60	622
Kelowna	70	649
Nanaimo	67	705
North Vancouver D.	72	684
Port Coquitlam	59	539
Prince George	54	637
Average	64	620
Nanaimo relative to average	104%	114%

WMC/TCI calculations using data from BC Local Government Statistics, Ministry of Community, Sport and Cultural Development, 2014 data, http://www.cscd.gov.bc.ca/lgd/infra/statistics_index.htm

City of Nanaimo Residential Taxes Relative to Benchmark Municipalities - Taxes & Charges on a Representative House – 2014

Municipalities	House Value	Total Residential Property Taxes & Charges
Chilliwack	325,943	3,282
Kamloops	343,111	3,934
Kelowna	451,036	3,933
Nanaimo	325,354	3,697
North Vancouver D.	1,017,997	5,937
Port Coquitlam	527,408	4,134
Prince George	224,834	3,725
Average	459,383	4,092
Nanaimo relative to average	71%	90%

WMC/TCI calculations using data from BC Local Government Statistics, Ministry of Community, Sport and Cultural Development, 2014 data, http://www.cscd.gov.bc.ca/lgd/infra/statistics_index.htm

APPENDIX 2 – MUNICIPAL BEST PRACTICES

Best Practices in Municipal Service Delivery- Nanaimo and Benchmark Municipalities

Through interviews with the City Managers and CAOs the information presented in the following Chart was obtained. Each interviewee was asked to identify what they considered their municipal best practices in service delivery to be and what they would like to share with other municipalities based on their experience. These best practices are consistent with our own experience and have guided us in our review of Nanaimo’s services. We have also included in the comparison Chart which follows what we consider to be some of Nanaimo’s best practices.

City of Nanaimo	City of Kamloops
<p>Development Application & Building Permit Review Supported by State-of-the-Art IT Systems *</p> <ul style="list-style-type: none"> • Applicants can access their subdivision application file online & review comments as they are submitted by various departments • Building permits can be submitted electronically & inspectors can provide owners with print-outs on site of their inspection reports, thus providing excellent customer service 	<p>3-year Budget Planning & Accountability</p> <ul style="list-style-type: none"> • All managers & supervisors establish budgets based on looking back 3 years & looking 3 years ahead • Managers establish budget & are then accountable for expenditures & performance which is reviewed annually
<p>Electronic Town Hall Meetings*</p> <ul style="list-style-type: none"> • To facilitate communications & consultations with residents, Nanaimo has established electronic Town Hall meetings which are broadcast on community television & where residents can submit questions using various social media, including Twitter, Facebook & e-mails • The Town Hall meetings have been used effectively to provide input into the 2015 City budgeting process 	<p>Leadership in Mapping, GIS & Community Wi-Fi</p> <ul style="list-style-type: none"> • Kamloops has established electronic mapping & GIS to support City administration & to make information available to the public • Kamloops has instituted Internet & Wi-Fi, which is available across the City on the Kamloops Network at no cost
	<p>Commitment to Public Reporting on Service Levels & Performance Standards</p> <ul style="list-style-type: none"> • Kamloops publishes annual reports on its service delivery & its achievements relative to performance targets, e.g. development application & building permit processing, and recreation services relative to numbers of residents served, fees & recoveries

* WMC/TCI identified best practices

City of Kelowna	City of Port Coquitlam
<p>Innovative HR Practices</p> <ul style="list-style-type: none"> • Kelowna has been recognized for its approach to succession planning & performance appraisal • Performance appraisal focused on staff development & training • Discussions with employees focus on 3 different considerations: <ol style="list-style-type: none"> 1. Helping the person carrying out his / her job better & with greater personal satisfaction 2. Discussion on progress towards goals & objectives 3. Prepare them for a different job that they would aspire to, including work experience, training, other initiatives that would help the individual to improve performance & prepare for career goals 	<p>Innovative HR Management Practices</p> <ul style="list-style-type: none"> • Implementing integrated performance appraisal & succession planning approach • Performance appraisals undertaken with management now being piloted with unit supervisors with the intention to adapt for use with bargaining unit & employees • Performance appraisals focused on accomplishments relative to individual jobs – see as a coaching opportunity • Port Coquitlam has targeted replacement planning for key individuals & have developed individual performance plans to assist the individual in being successful in a job that becomes available in future
<ul style="list-style-type: none"> • With regard to succession planning, key positions across the organization which are mission critical are identified, including both management & bargaining unit positions, e.g. a water pump repair technician may be a mission critical position & one which is difficult to recruit externally • A review is undertaken to determine candidates who could potentially fill the position from within the organization • Each year sr. management reviews these positions & candidates at a one-day retreat to identify any actions which may be needed address gaps, including assisting individuals to acquire the necessary skills required for advancement • Particular attention is given to individuals who may have potential & are “diamonds in the rough” & development plans are put in place to bring them along in the longer term 	<p>Building Good Corporate Culture To Attract People</p> <ul style="list-style-type: none"> • Focus on providing training in business skills, teamwork & effective communications • Managers are provided access to specialists who can provide them with up-to-date information on topics such as labour relations & have retained an external executive coaching organization to advise managers
<p>Communications Training for Managers</p> <ul style="list-style-type: none"> • Recognizing that managers are increasingly communicating with the media & general public with regard to the municipal services they provide, the City has made a commitment to provide communications training to assist its managers in this regard 	<p>Capital Equipment Replacement & Repair</p> <ul style="list-style-type: none"> • Have developed a formal monitoring system & are using data to reduce the number of repair calls & related expenditures • Have been able to reduce the number of inspections from semi-annual to annual inspections
<p>Development & Use Of Service Request Tracking System</p> <ul style="list-style-type: none"> • The City has developed a service request tracking system to support operations 	

<ul style="list-style-type: none"> • The system logs complaints, issues, requests for service from residents • Action is taken & recorded in response to service request • Service requests are then analyzed to look for patterns & trends, e.g. with respect to potholes are these occurring on only one street as a result of traffic patterns, or are there other factors which need to be investigated before taken remedial action 	
City of Prince George	District of North Vancouver
<p>Innovation in Community Consultation following Core Services Review</p> <ul style="list-style-type: none"> • Following Core Services review, established multi-year community consultation process to provide input to planning, including capital plan & budget • Started consultation with key stakeholders, e.g. Chamber of Commerce & other community organizations • Consulted with the residents of 5 different neighbourhoods on a face-to-face / table-to-table basis in well-attended community meetings • Identified common themes & issues which the City could address that were relevant to each neighbourhood • Viewed as very successful by residents and Council and will be undertaken again October 2016 	<p>Formal Structured Approach to Consultation Prior to Submission of Development Applications*</p> <ul style="list-style-type: none"> • Recognizing the importance of ensuring that both the developer / owner & the District have a full understanding of a proposed development, the District has put in place a more formal process of communication & consultation related to development applications • The District has established a mandatory pre-application submission & fee which requests specific details on the proposed development, but does not require any studies or other professional research to be undertaken in order to complete the simplified forms
<ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> • Based on this initial submission, a pre-consultation meeting is held with the applicant & representatives from all municipal departments who would be involved in the review • The applicant is provided with guidance as to the requirements associated with a successful formal application & this guidance is documented, leading to more complete application submissions & much less likelihood that additional study & research requests will be made by the District at a later date in the approval process <p><i>* Information obtained from website.</i></p>

City of Chilliwack
<p>Design/Build on Capital Projects</p> <ul style="list-style-type: none"> • Saving significant \$s by using design/build contracts for capital projects • Tender capital projects, contractors with design/build capabilities compete & City selects on basis of experience & price • Design/build contracts are used for facilities we well as infrastructure, e.g. sewer lines, road upgrades <p>Pay-As-You-Go Approach To Capital Projects</p> <ul style="list-style-type: none"> • City does not use debt financing for capital projects & pays for new facilities on a pay-as-you-go basis, thereby avoiding interest charges
<p>Partnerships & Service Contracts For Recreation & Cultural Programs & Facilities</p> <ul style="list-style-type: none"> • Programs & facilities operated by for profit and non-profit organizations based on agreements with the City • Council sets fees, operators seek to maximize revenue by growing resident participation / attendance
<p>Labour Relations</p> <ul style="list-style-type: none"> • Good labour relations; work closely with CUPE to implement new work methods, use of technology & systems, e.g. GPS

Source: BC Benchmark Municipalities

APPENDIX 3 – STRATEGIC PLANNING, BUSINESS PLANNING & BUDGETING

Benchmarking

Leading Practice – the Criteria for Assessment

Leading municipalities adopt an integrated approach such as the one above. Review of the practices of leading municipalities provides the criteria to assess Nanaimo's planning and budgeting processes and where future efforts should be focused.

Long-term visions

- General in nature, but describe the community and its inhabitants: who they are and why they live where they do
- Permissive of a broad range of actions
- Developed with community input

Shorter-term goals

- Establish broad goals to guide decision making
- Assess community needs, priorities, challenges and opportunities
- Identify opportunities and challenges for government services, capital assets, and management
- Develop and disseminate broad goals
- Matched to Council's term of office
- More specific but provides administrations with the freedom to examine many alternatives that could lead to the outcomes being accomplished
- Small number of goals (4-6), focused on selected priority areas (i.e. strategic choice)
- Stated in measurable terms (i.e. outcomes)
- Are actionable and compel Administrations to develop initiatives within business plans to support them

Operational Planning

Corporate

Because much of the success of strategy depends on a city's operational environment, cities strive to enhance the following areas:

- Organizational capacity (for example, fiscal and human resources)
- Sound management practices and process
- Enabling infrastructure (for example, information technology)
- Effective communication

- Develop leadership and management strategies to enhance the organization's culture and
- Corporate accountability framework and performance measures

Corporate Plans also address how the Administration will address Council's priorities:

- Proposing adjustments in service levels and reallocation of resources
- Acquiring additional resources or engaging external partners
- Other initiatives

Departmental

- Link departmental outcomes, corporate strategies and strategic goals
- Links departmental outcomes and key service levels
- Presents performance targets on outcomes and key service levels
- Identifies changes to services levels resulting from implementation of Council's strategies, constrained resources or other reasons
- Presents alternatives for spending/taxation/fee levels in terms of impacts on services and outcomes
- Forecast of revenues and expenditures

Service Master Plans

- Developed for group of related services
- Confirms mandate and governance/regulatory framework
- Assesses performance against outcomes
- Reviews services in terms of demand, service level and choices, service delivery models and choices
- Examines drivers of change: social, environmental, economic, cultural, demographic, regulatory, political; trends and impacts
- Often include public input to determine client needs/preferences
- Often present service level recommendations

- Develops infrastructure and operating needs to provide recommended service levels over the planning horizon (typically 10 years)
- Expect to find master plans for: water, sanitary sewer, solid wastes, transportation, parks, culture and recreation, facilities, information technology, human resources, finance, planning (other than Official Community Plan, which is often an adjunct to a strategic plan), fire/rescue, etc.

- Expect to find master plans developed around broader community issues: tourism, economic development, homelessness, environmental stewardship, etc.

Budgeting

- Aggregated by business unit or service groups, rather than by larger departments, to be resilient to organizational rearrangement
- Directly resulting from operational plans
- Implements financial policies
- Develop and evaluate financial options
- Offer choices necessary for Council to adopt a budget

There are some general trends that can be identified in the field of alternative budgeting methodologies:

- Although there is wide agreement on the principles of integrating budgeting with strategic goals and qualitative performance measurement, there is no one right answer for how to do so.
- All municipalities surveyed (indeed, all of which the Consulting Team is aware) practice some form of incremental budgeting. When we asked other municipalities about zero based budgeting as an alternative, interviewees stated that the large effort required for this method is beyond the capacity of staff to handle. As an alternative to zero-based budgeting, some forms of zero-based (or program) reviews are employed by some municipalities. Of those surveyed, only Calgary and Sudbury do this. Staff from Victoria noted that they are required to provide zero-based budgeting for specific cost objects such as training, travel and consultants.
- There is recognition that there are also no simple, step-by-step procedural rules for any of the alternative methods which can be quickly implemented to realize the potential improvements of alternative budgeting methods over incremental budgeting. Almost every implementation is unique and customized to each situation within a general framework of principles and overall approaches.
- Very few organizations attempt to implement new budgeting methodologies within a single annual budget cycle. Municipalities tend to phase-in new budget methodologies on a department-by-department basis or a number of years.
- In many cases, elements of methodologies (i.e. zero based reviews) which analyze services and service levels are implemented separately from budget processes. The results of these types of reviews are typically used to inform subsequent budget cycles.
- Finally, while most of these methodologies have been introduced in municipal governments with an intention of realizing cost savings, there is little evidence that they do so.

RATING NANAIMO'S PLANNING AND BUDGETING PROCESSES

	<i>Criteria</i>	<i>Nanaimo Equivalent</i>
Long term vision	General in nature, but describe the community and its inhabitants: who they are and why they live where they do	★★★★★ Very good description of the target community, lifestyle, economic base, citizens and workers
	Permissive of a broad range of actions	★★★★★ Sufficiently broad
	Developed with community input	★★★★★ Extensive input sought
<i>Strategic Plan</i>	Matched to Council's term of office	★ Matched previous Council's term, but not updated for this Council
	Small number of goals (4-6), focused on selected priority areas (i.e. strategic choice)	★★★★★ Six strategic priorities stated
	More specific but provides administration with the freedom to examine alternatives that could lead to the outcomes being accomplished	★★★★★ Stated as outcomes and potential strategies and/or initiatives
	Measures and targets for each goal	★★ Qualitative targets only
	Council ownership	★★★★ Includes message from Mayor and Council
	Evidence of choices or prioritization	★★★ Impact of financial constraints considered in selecting strategic priorities
	Actionable as program/ service changes or initiatives	★★★★★ Clear, actionable potential strategies and initiatives presented
	<i>Corporate Plan*</i>	Addresses organizational capacity (for example, fiscal and human resources)
Develop leadership and management strategies to enhance the organization's culture		★★ Initiative included in Strategic Plan to adopt a Public Service Excellence Program "to guide, support and further develop an innovative, highly professional, continually improving civil service committed to adoption of best practices."
Corporate accountability framework and performance measures		★★★ Initiatives included in Strategic Plan goal for Taking Responsibility. Otherwise, no Corporate Business Plan exists. Strategic initiative for Balanced Scorecard exists, but no other actions for further development of performance measures.
Sound management practices and process		★ Not addressed in any plans
Effective communication.		★★★★★ Initiative included in Strategic Plan Develop a comprehensive Communications Policy and Strategy, including guidelines for effective stakeholder consultation and exploring options for 'Town Hall Council Meetings'.
<i>Department Operational Plans</i>	Evaluate current and recent performance and make case for adjustments	No performance assessments offered within the operational plans
	Specific links or contribution to strategic plan, corporate business plan or other adopted plans	None

	Criteria	Nanaimo Equivalent
	Recognition/mapping of services to ongoing program outcomes	None
	Influence of relevant public input	None
	Influence of other external factors	★★★ Significant events (internal and external) are cited
	All of above culminating in: <ul style="list-style-type: none"> Service/service level changes New initiatives 	★★ Service level changes and new initiatives listed and described as asset renewal, upgrade or addition or strategic projects. Some incremental spending or activities are labeled "service levels" which reduces clarity.
	Presents performance measures and targets for outcomes and key service levels	★ Not within operational or corporate plans
	Presents alternatives for spending/taxation/fee levels in terms of impacts on services and outcomes.	None, except for service level changes and new initiatives.
	Innovations or significant efficiencies	★★★ Cites some examples
<i>Operating Budgets</i>	Aggregation of cost objects/line items into broader groupings	★★★★ Aggregation of cost objects into broader groupings.
	Top-down strategy allocates available resources	★★★ Budgets are developed from bottom up, resulting in resources required. Budgeting is mostly resource based, rather than workload based, reflecting the inflationary and other cost changes in staffing and other resources.
	How is base calculated?	★★★★ Proposed budget reconciled to previous year with adjustments calculated and explained. Corporate wide changes to wages. Departmental changes: resource volume changes and specific price changes
	Service level changes and/or new initiatives from business plan are costed as adjustments within or additions for consideration in proposed budget	★★ "Service level" packages are often resource packages, that are described and justified

	Criteria	Nanaimo Equivalent
	Service level changes and new initiatives are formally prioritized or ranked: <ul style="list-style-type: none"> ■ Contribution toward strategic goal ■ Other criteria 	★★★ No formal ranking or prioritization of service level changes or new initiatives
	<ul style="list-style-type: none"> ■ Evidence of diligent costing of existing services. ■ Targeted reductions/efficiencies ■ Zero-based or other reviews, including zero-based line items 	★★ Budget aggregations are mostly by organizational units, not by services or programs. Reductions are sometimes targeted (5% fuel savings, for example).
	<ul style="list-style-type: none"> ■ Multi-year approvals linked to multi-year business plans Diligent review of changes proposed after approval in first year	★★ Operating budgets are for single year; capital plan is approved for 5 years.
<i>Capital Budgets</i>	Long term capital plans <ul style="list-style-type: none"> ■ from each major program area master plans 	★★★★★ Long term capital plan in place
	Formal prioritization process, recognizing strategic plan goals and/or other factors	★★★★ Prioritization is in place; interdepartmental prioritization is not strong
	Funding of capital projects within limits of each funding source	★★★★ Capital projects funded within source limits
	Operating impacts of capital budget defined	★★★★★ Nanaimo does this

*No Corporate Plan exists. Some of the features of a corporate plan are addressed in the Strategic Plan and have led to action, but the initiatives do not appear to have strong ownership by Administration.

Corporate Operations Plan – Proposed Planning & Budgeting Cycle

Election Year	Planning and Budgeting Cycle
2018	2019 - 2023
2022	2023 - 2027
2026	2027 - 2031

Operational Plan Outline

- Overview of Business Unit*
- Goals
- **Services outputs provided**
 - An output is something tangible that a customer receives or experiences. Services are the accumulation of activities, tasks and processes that produce the output. For example, an output for a recreation centre is a customer visit. The service is recreation programs or access to recreation facilities. A tax statement is an output of the property taxation service.
- **Program outcomes**
 - What, ultimately, do the service outputs attempt to influence or achieve?
- **Link to Strategic Plans**
 - How do the ongoing operations of the business unit contribute to Council's identified priorities?
 - Are there adjustments to service levels proposed to either directly support Council's strategic priorities or as a result of priority-setting needed to reallocate resources to other business units so they can support Council's strategic priorities?
- **Key trends/issues**
 - Changes in external or internal operating environments which impact volume or level of services
 - How above changes are reflected in resources proposed
 - Outcome and service level implications of proposed budget
- **Outcome targets**
 - How will achievement of service level targets influence outcomes?
- **Key service level targets**
 - For key service levels – should account for 80% of budget expenditures



- **Specific initiatives to implement Council's priorities**
 - **Budget breakdowns**
 - Aggregated by program or service
 - Major changes from previous period: growth, service levels, capital impact, etc.
-

*Business units are:

- | | | | |
|------------------------|-------------------------|--------------------------|---------------------------|
| ■ Water | ■ Water Resources | ■ Information Technology | ■ Human Resources |
| ■ Storm drainage | ■ Roads/Traffic | ■ Legislative Services | ■ Corporate Communication |
| ■ Culture/Art/Heritage | ■ Parks and Recreation | ■ Sanitary sewer | ■ Police |
| ■ Engineering | ■ Community Development | ■ Sanitation | ■ Parking |
| ■ Police Support | ■ Bylaw Enforcement | ■ Environment | ■ Fire/Rescue |
| ■ Fleet | | | |

APPENDIX 4 – CAPITAL PROJECT DEVELOPMENT, PLANNING, BUDGETING & MANAGEMENT

Rating Nanaimo's Performance

	Criteria	Nanaimo Grade
Policy	A policy exists specifying roles and responsibilities to be assigned and how key project activities will be undertaken.	★★ No such policy exists in Nanaimo. There are some standardized procedures in place, governing some roles.
Project Identification	Capacity, function and condition of assets are the primary factors which inform decisions on renewal or replacement.	★★★★ Most projects are initiated from an asset management system. Projects initiated from outside the Administration are at higher risk of incomplete initial scoping.
	Master Plans exist for common program areas	★★★★ Exist for many systems and services; no Facilities Master Plan and some others are obsolete.
Programming	Project charter developed for unique projects	★★★ First project charter being developed for LED street lights. No others are used, except in IT. Project Scope Sheets and Project Communication Plans are developed at beginning of Engineering projects; plans are to introduce project charters in Engineering and Water Resources projects that: <ul style="list-style-type: none"> • Are one-of-a-kind • Are multi-departmental or jointly developed with external partners • Are politically-or publicly-sensitive • Have critical timing
	Analysis confirms capacity and functional requirements.	★★★★ Most projects are routine renewal of infrastructure; capacity is assessed in other studies. In past rarer new or expanded facility projects may not have been programmed before budget approval. This has been changed so that, for example, programming for the expansion of the RCMP Detachment Building is being performed prior to capital budget approval.
	Project Sponsor approves program.	★★ For most projects, this role not assigned at this stage, except by organizational position.
Project Delivery Model	Criteria are established to choose among project delivery models: design-bid-build; design-build; construction management; and other extended models	★★★ Design-bid-build delivery method used mostly, other options considered for unique projects. There are no established criteria that are consistently used for these decisions.
Project Organization and Roles	Project organization established: Project Sponsor (retains overall accountability throughout the project) and Project Manager are identified. Responsibilities and reporting relationships established, if not previously in project charter	★★★★ Standard project organization used on most projects; this is being reviewed and updated to introduce Engineer of Record and to devise leaner, more flexible models for some projects. Informal handoff process and loss of accountability

	Criteria	Nanaimo Grade
	so that there is continuity of accountability as the project proceeds through all phases. Project Sponsor approves decisions to proceed with next phases.	are being addressed in Engineering projects; facility projects are at higher risk when responsibility transfers across departments to clients who may not have sufficient project management skill sets.
Conceptual Design	Conceptual design prepared after analysis of major alternatives.	★★★★★ Good processes for choosing and utilizing external design consultants. Thorough conceptual design prepared 2-3 years before construction for Engineering projects
	Initial business case prepared	★★★ Few prepared and those that have been are insufficient in considering and assessing alternatives. This is currently being improved.
Detailed Design	Architectural and engineering design features established.	★★★★★ Appropriate reviews and public involvement.
	Precise specifications are made.	★★★★★ Done
	Tender documents are prepared.	★★★★★ For construction that is contracted
Tendering (for construction to be contracted)	Project is tendered	★★★★★ Projects bundled to achieve efficiencies in many, but not all cases. Approval of all high value tenders by Council is redundant to capital budget approval.
	Project Sponsor makes contractor selection and final commitment to proceed.	★★★★★ Project Manager manages selection, in accordance with Purchasing policies.
Construction	Project is inspected for compliance with specifications and quality control; deficiencies are corrected	★★★ All engineering projects completed by contractors are inspected, those projects built by the City's own forces do not currently have an inspector assigned.
Closure	Project commissioning occurs	★★★★★ For water treatment plants a commissioning plan was developed and used; also used in facilities projects.
	Records are gathered and/or updated	★★★★★ Records are created and updated
	Project Close Summary including; <ul style="list-style-type: none"> • deliverables completed/not completed • success factors achieved • variance summary • lessons learned 	★★★ In Engineering, project closure performed with formality. Lessons learned was once formally conducted, but is now limited to informal assessment of only some projects. In Facilities, post-closure is less formal.
	Project Sponsor signs off commissioned project	★★★ Engineer of Record role being established for this function for engineering projects; no similar role for others.
Estimating	Level of estimating is progressively refined at each phase	★★★★★ Capital budget estimates are updated throughout design as capital plan is finalized each year. Pre-tender +/- 10% estimate prepared, usually after final capital budget approval.
	Level of estimating confidence is conveyed to stakeholders	★ Not conveyed to Council and public
Risk Management	Project risk assessment document prepared for major projects	★★★ For engineering projects plans are to include risk commentary on the project sheets.

APPENDIX 5 – ASSET MANAGEMENT

Leading Practice – the Criteria for Assessment

Review of the practices of leading municipalities provides the criteria to assess Nanaimo's asset management processes and where future efforts should be focused.

In 2000, a National Research Council document, *Asset Management 101: A Primer*, presented to the Federation of Canadian Municipalities a basic model for Asset Management as six questions:

- What do you own?
- What is it worth?
- What is the deferred maintenance?
- What is its condition?
- What is the remaining service life?
- What do you fix first?

This model served many organizations, including the City of Nanaimo, well in their initial approaches to Asset Management. But Asset Management practices have evolved to more sophisticated approaches in recent years. Our leading practice assessment checklist consists of:

1. Inventory Status

- What do you own?
- Where is it located?
- What is it worth?
- How old is it?

2. Condition Assessment

- What is its condition?
- What is its planned and remaining service life?

3. Infrastructure Deficit

- What is the value of the deferred investment backlog?
- What is current reinvestment rate?

4. Current and Future Needs

- Service level requirements – function and capacity
- Investment requirements
- Funding strategies

5. Decision Tools

There are processes and tools in places such as lifecycle costing and performance measures to assess:

- Risks and consequences of failure
- Alternative renewal/refurbishment strategies/what if analyses
- Impact of funding strategies

6. Priority Setting

- What will you fix?
- What will you replace?
- What will you dispose of?
- When?

7. Information Management Tools

- Integration of maintenance management, work management applications and GIS to the infrastructure management tools
- Track the total cost of ownership (TCO) of assets

Assets in Nanaimo are not all managed using the same processes. Our assessment focused on:

- Water
- Sewer
- Drainage
- Transportation
- Fleet
- Parks
- Facilities
- Information Technology
- Fleet

Rating Nanaimo’s Asset Management Processes

Nanaimo’s current Asset Management practices were compared to the criteria mentioned above. Results are presented in the table below.

	Water Utility	Sewer Utility	Drainage	Transportation	Parks and Amenities	Facilities	IT Equipment	Fleet
1. Inventory Status								
• What do you own?	✓	✓	✓	✓	In progress	In progress	✓	✓
• Where is it located?	✓	✓	✓	✓	In progress	N/A	✓	N/A
• What is it worth?	✓	✓	✓	✓	✓	✓	✓	✓
• How old is it?	✓	✓	✓	✓	✓	✓	✓	✓
2. Condition Assessment								
• What is its condition?	Underground features not accessible; rely on repair history and age	Camera inspections conducted on small percentage of mains each year	Manual inspections on annual cycles	Condition measured every 3 years; visual inspections conducted annually	Playgrounds inspected on semi-annual schedule; other amenities in progress	Largest facilities inspected in 2012; all PRE facilities now complete; others in progress.	Condition tracked through repair histories	Condition tracked through periodic maintenance, repair histories and end-of-life reviews.
• What is its remaining service life?	Use standardized values to plan renewal; adjusted for risk and condition as renewal is nearer.							
3. Infrastructure Deficit								
• What is the value of the deferred investment backlog?	Capital plan is mostly funded each year. If funding sources are insufficient, deferrals to next fiscal period occur. This is not seen to be a problem currently. Value of deferred investment is not reported.							
• What is current reinvestment rate?	Remaining life is established for each asset and translated into 10-year capital plan, where renewal is funded to limits of availability. No reinvestment target rate exists and renewal projects in the asset management plan total \$193 million for the 2016-2025 period: 19% of book value or 8.7% of replacement value. Not all of these projects are funded under current funding strategies. As older infrastructure approaches end of life, the renewal needs will increase beyond those of the short term.							
4. Current and Future Needs								
• Service level requirements – function and capacity	Master Plans exist for these water and transportation. Engineering studies are conducted to assess capacity and function, identifying upgrades and renewals.				Parks and Recreation Master Plan is out-of-date.	No Facilities Master Plan in place. Studies are	Usually conducted as part of	Conducted at time of replacement

	Water Utility	Sewer Utility	Drainage	Transportation	Parks and Amenities	Facilities	IT Equipment	Fleet	
					Some studies are performed on a case-by-case basis	performed on a case-by-case basis.	application planning.	or by user request	
• Investment requirements	10-year capital plan developed from standardized replacement/renewal timelines and standard replacement costs or from other estimates.								
• Funding strategies	Established as partially self-funded utilities		Identified in general capital plans				Funded from IT Reserve	Charge-out rates fund replacement reserves	
	1% tax surcharge provides stable funding source for most capital renewal but this is scheduled to end in 2017. No longer term funding strategy is yet developed						Funded through annual contributions	Funded through rates; being revised to reach sufficiency.	
5. Decision Tools									
• Life cycle costing	Total cost of ownership is generally not available except as developed for specific conceptual design analyses.							Integrated costing of operations and maintenance by unit; charge-out rates consider total lifecycle costs	
• Performance measures	Performance measures for these assets are not yet developed			Pavement condition index measured and reported	Not developed	Facility condition index calculated	Downtime measured	Average age of fleet calculated; downtime measurement is not supported	
• Risks and consequences of failure	Performed at elementary levels for most assets; plans are to develop a better risk assessment tool for water, sewer, drainage and transportation and other asset types; business continuity plans are not in place for facilities or IT.								
• Options for consideration/ what if analyses	Performed by engineers as part of detailed design stage of project development for new or renewal.				Studies, plans performed on case-by-case basis	Performed by architects/engineers as	Performed as special studies or at time of renewal for	Assessments at time of planned	

	Water Utility	Sewer Utility	Drainage	Transportation	Parks and Amenities	Facilities	IT Equipment	Fleet
						part of renewal or new design; option studies performed.	servers and networks	maintenance or major repair
<ul style="list-style-type: none"> Financial strategy effectiveness 	10-year capital plan includes all renewals identified in the asset management system; current plans will increase project projections to 20 years, based on asset renewal.				Some facilities near end of life are not included in capital plan, skewing projections.		IT replacement reserve is assessed	Equipment replacement reserve is assessed
6. Priority Setting								
<ul style="list-style-type: none"> What will you fix? Replace? Dispose of? 	Renewal, replacement and disposition decisions are made as assets approach end of expected life. Where possible, condition and risk and consequences of failure is assessed. Better risk analysis tools are being planned. Options for renewal or replacement are assessed.							
<ul style="list-style-type: none"> When? 	Standard replacement times, adjusted based on history, condition (if available) and risks. Adjustments are made for assets in road rights-of-way to create concurrent projects.						Guideline for replacement	Rules for replacement to be optimized
7. Information Management Tools								
<ul style="list-style-type: none"> Integration of maintenance management, asset management, work management and GIS 	All assets are mapped in GIS and linked to Inventory on AM spreadsheets; except traffic signs and pavement markings have an integrated GIS information management tool for history and condition.				SAP selected; data capture in progress and location data being captured	SAP selected; data capture in progress	BMC Service Desk Express Fibre-optic lines in GIS	Fleet Focus application
	Dilemma exists in selecting a full-function asset management tool which integrates with SAP. There are no options which perfectly match the unique management needs for all asset types, but choosing unique tools increases costs of owning, supporting and integrating.							
<ul style="list-style-type: none"> Total cost of ownership 	Not calculated							Calculated for rates

APPENDIX 6 – PURCHASING & CONTRACT ADMINISTRATION

Best Practice Components for Inclusion in Policy and Procedures

We reviewed the City’s draft Purchasing Policy and proposed SOPs (yet to be developed) to identify if all best practices components have been addressed and whether they are included in the draft Policy or the proposed SOPs.

We have provided suggestions on what components should be included in the Purchasing Policy and in Procedures in the following two tables:

- Best Practice Components for Inclusion in Policy
- Best Practice Components for Inclusion in Procedures

We reviewed the City’s draft Purchasing Policy and proposed SOPs (yet to be developed) to identify if all best practices components have been addressed and whether they are included in the draft Policy or the proposed SOPs.



Best Practice Policy Considerations	Included in Revised Draft Policy	Included in Proposed SOPs
Objectives / Purpose	✓	
Compliance with competitive bid laws including trade agreements		
Compliance obligations of City staff & departments	✓	
Authorities and responsibilities of procurement staff, department heads, other staff	✓	
Schedule that details different means of acquisition at different procurement values		✓
Schedule of delegated authority detailing which level must approve different procurement value thresholds		✓
General operational procurement (when to tender, types of tenders)		✓



Conditions that determine the best type of competitive method to use to achieve the desired business outcomes		✓
Conditions where Single and Sole Sourcing procurements are allowed	✓	
Defining purchases that are exempt from the policy	✓	
Reporting to requirements to Council	✓	
Ethical and environmental considerations	✓	
Vendor Performance Evaluation		✓
Contracts, awards and document retention		✓
Conflict of interest including code of conduct for behavior of City staff	✓	
Confidentiality of city and vendor information		
Use of Purchasing cards		
Joint procurements with other municipalities	✓	
Requirements for bid/performance bonds	✓	



Best Practice Purchasing Manual Considerations	Included in Proposed Procedures
How to Develop a Contract	✓
Contract Planning / Pre Approval of Budget	
Purchase Order Requisitions	✓
Obtaining Quotes & Bids	✓
Drafting Contracts	✓
Payment Methods	✓
Purchase Orders	✓
Contract Amendments	✓
Competitive Bid Process Requirements	✓
Contract Templates	
Templates for Tender Documents	
How to Find a Contractor	
Use of Vendor Prequalification	✓
Bid evaluations for vendor Selection	✓
Vendor Communication	
Vendor Performance	✓

-  Consider including in Purchasing Policy rather than in Procedures
-  Consider developing component for inclusion in Policy or SOP

Implementation Considerations

For the recommendation to identify opportunities for aggregating purchases of common categories across departments, a list of activities in support of aggregating purchases is given below.

- Improve the capital project planning process so that goods and services requirements are known in advance and can be incorporated into consolidated tenders.
- Conduct spend analysis of historic, current and planned purchases (product category and volumes) to identify opportunities for consolidated tenders.
- Perform an analysis of the current spend via Open POs (\$10 million) to identify smaller purchases that could be aggregated and tendered.

APPENDIX 7 – PERFORMANCE MEASUREMENT

Nanaimo’s Current Balanced Scorecard Measures

Program and Service Delivery

- Average age of sewer mains
- Average age of storm drains
- Average age of water mains
- Fire/Rescue response time
- Hectares of open space
- Kilometres of trails
- Participation in rec & cultural programs
- Pavement quality index
- Square Metres of rec facilities
- Time to process a building permit
- Water quality

Social Perspective

- Child Fitness (Rec Programs)
- Criminal Code offenses
- Funding for Cultural Activities
- Public Art
- Quality of Life
- Response to Homelessness
- Unemployment Rate
- Youth Crime rate

Financial Perspective

- Average value of a SFD
- Commercial Tax Rate
- Debt as % of Revenue
- Debt per Capita
- Delegate days at VICC
- Industrial Tax Rate
- New Construction Revenue
- Reserves as % of Expenditures
- Residential Taxes & User Rates
- Sports Tourism

Environmental Perspective

- Air Quality Index
- Alternate Transportation Modes
- Community GHG emissions
- Corporate GHG emissions
- Facility energy consumption
- Fuel efficiency of fleet
- Protection of ESA's
- Urban density
- Urban forests
- Waste diverted from landfill
- Water consumption

Customer Perspective

- Business satisfaction w/services
- Hotel occupancy rate
- Satisfaction with City services
- Satisfaction with communications
- Value for taxes (businesses)
- Value for taxes (citizens)

Employee Perspective

- Employee absenteeism
- Employee engagement
- Employee turnover
- Time lost due to injury
- Training cost as % of expenditure

Different Measures are provided to Different Audiences

Leading municipalities distinguish at least different classes of audiences, each of which has different needs as it fulfills its roles. Based on an organizational governance model, these are:

Audience	Purpose	Type of Measure					
		Input	Process	Output	Service Level	Outcome	Goal
Public/Council	Assess the quality of life				✓		✓
Public/Council	Assess value for money					✓	✓
Public/Council	Track progress toward community goals				✓		✓
Council/Management	Assess program effectiveness				✓	✓	
Council/Management	Measure operational effectiveness			✓	✓		
Management	Measure operational efficiency		✓	✓			
Council/Management	Identify impact of budget decisions			✓		✓	
Council/Management	Drive performance-based budgets		✓	✓			
Council/Management	Drive inputs-based budgets	✓					

Rating Nanaimo's Performance

	Criteria	Nanaimo Rating
Appropriate measures for audiences	Measures are in place for inputs, processes, outputs, service levels, outcomes and community goals	★★★ Many measures of all types are captured, but some important measures are missing from some programs
	Measures are targeted appropriately to each audience	★★ Measures on the website are a mixture of all types ★★★★ Balanced Scorecard conveys broad view of performance; not all categories may be relevant for all audiences.
Use of targets	There are agreed targets for each outcome and service level from a governance decision	★★ Very few targets were found in policy or directive from Council
	There are targets for each measure from a management perspective of setting expectations	★★ Very few targets were found in management expectations



	Criteria	Nanaimo Rating
Measures are compared internally, over time and to other jurisdictions	Measures are developed with a goal of comparability	★★★ Balanced scorecard measures generally include historical trends; other than measures provided by regulators, few others are comparable for benchmarking purposes.
Measures are reported	Presentation facilitates understanding	★★★★ There is good use of tables and graphs in website make reading easier and more understandable.

APPENDIX 8 – HR RECRUITMENT, RETENTION, SUCCESSION PLANNING & TRAINING

City of Nanaimo Staffing

The City of Nanaimo has 62 managers (FTEs) and 527 staff (FTEs) as shown in the following chart:

Municipal Service Delivery Staffing	Managers (# FTE's)	Staff (#FTE's)	Manager to Staff Ratio
City Administration			
City Administration – City Manager / CAO; Deputy	1		1 : 3
Secretary / Admin. Assistant(s)		3	
• Human Resources			1 : 11
Human Resources Services	1	11	
• IT, Legislative & Communications Services			1 : 6
Information Technology Services	2	17	
Legislative Services	1	6	
Communications	1	2	
• Financial Services & Purchasing			1 : 4
Financial Services ⁶	6	21.65	
Purchasing & Stores	1	6	
Community Development			1 : 6
Community Development Admin.	1	2	
Planning, incl. Development Application Approval ⁷	2	11	
Approvals Engineering	2	8	
Building Permits & Inspections	1	16	

⁶ GMs Corporate and Community Services, positions eliminated in 2016, Manager Finance Community Services, position moved to Finance in 2016

⁷ Includes all planning staff except engineering



Municipal Service Delivery Staffing	Managers (# FTE's)	Staff (#FTE's)	Manager to Staff Ratio
Real Estate Services	1	4	
Culture & Heritage Services, Including Strategic Partnerships			1 : 3
Culture & Heritage Services Admin. ⁸	1	3	
Parks, Recreation & Environment			1 : 12
PR&E Administration*	1	1	
Recreation Programs & Community Centre Operations ⁹	2	18.76	
Arena Programs & Operations	1	12.24	
Aquatic Programs & Operations	2	45.47	
Parks Programs & Operations	1	30.84	
Environmental Services		2	
Facilities Management Admin.	3		
Civic Properties excluding Parks		4	
Parks Facilities		1.50	
Custodial Services		8	
Engineering & Public Works			1 : 8
Engineering & Public Works Admin.	1	1	
Engineering Services & Construction	10	36	
Transportation	1	21	
Storm Drainage	.25	12.50	
Sanitation/Solid Waste Mgt/Cemeteries	1	13	
Yards	1	2	
Fleet Management	1	12	

⁸ Director includes Strategic Services

⁹ Excludes custodians

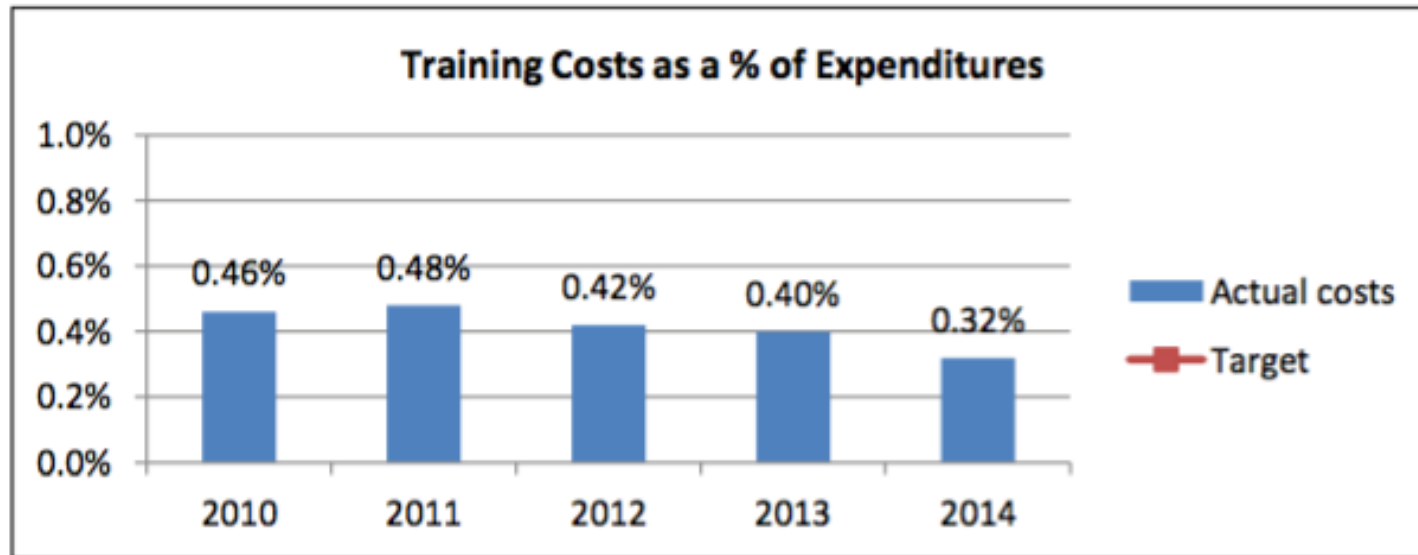


Municipal Service Delivery Staffing	Managers (# FTE's)	Staff (#FTE's)	Manager to Staff Ratio
Sanitary Sewer Operations	.25	8.50	
Waterworks Operations	1.5	23	
Protective Services			1 : 12
Protective Services Admin.	1	1	
Emergency Measures	1		
Fire Services	8	86 FF+1.8 Admin=87. 8	
Police Support Services			
Municipal	2	61.87	
License Issuance (business, marriage, dogs, etc.)		2	
Regulatory Services (Bylaw Enforcement)	1	6	
Parking Enforcement	1	5	
Totals of all municipal positions (FTE's),	62	527.1	1 : 9

Training

Training expenditures have been declining. Managers and staff can request training but training is not linked to performance appraisal, specific corporate goals, or an organization development strategy.

Training Costs as a % of City Expenditures



Source: City of Nanaimo

Leadership Model

Human Resources Department has developed a leadership model but has not implemented it as yet.



The Leadership Model identifies the key values which an individual should demonstrate in their interactions with staff and others as follows:

City Values (Leading by Example)

- Accountability
- Collaboration
- Integrity
- Respect
- Service

Self-Aware (Leading Yourself)

- Emotionally mature
- Adaptable
- Resilient
- Confident
- Agile

Inspiring (Leading Others)

- Supportive
- Positive
- Invested in others
- Influencer
- Excellent Communicator

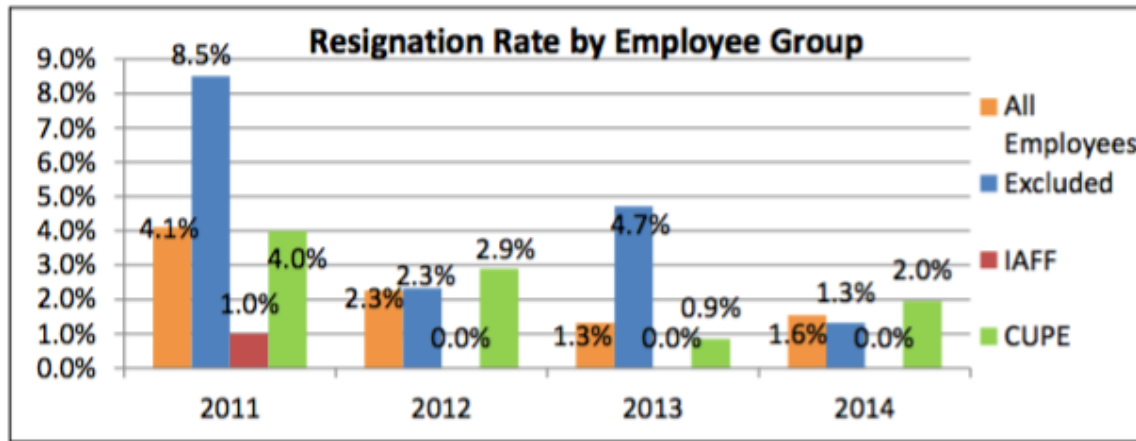
Conceptual (Leading the Organization)

- Creative
- Complex thinker
- Visionary thinker
- Problem solver
- Politically astute
- Organizationally savvy

The Leadership Model would be supportive of improvements to the capabilities of managers by providing them with the appropriate values and the recognition of the need to demonstrate and communicate these values effectively. The Leadership Model promotes the development of “soft skills” and has merit. However, in and of itself it will not address the management development needs apparent within Nanaimo's municipal organization.

Staff Turnover & Retirement & the Need for Succession Planning

Staff turnover through voluntary resignations is quite low for all employee groups and has declined significantly since 2011 as can be seen in the following chart:



Source: City of Nanaimo

Note: These statistics include permanent employees who voluntarily resigned their position during the year.

That said, the workforce is aging and there are many individuals who are currently eligible for retirement. Based on the City's past experience, employees on average are retiring at age 59, with the exception of firefighters who retire at an earlier age. It is important to note that there are 26 managerial positions where the incumbents will be eligible for retirement in the next 5 years. Also, amongst the remaining City employees will be a number of individuals whose skills and experience are important to the day-to-day "mission critical" operations of the City and where finding a replacement in a short time period might be particularly challenging. The following charts show the number of managers and staff positions where the incumbents are eligible for retirement now and in the coming ten years, and the average age of retirement based on the City's experience.

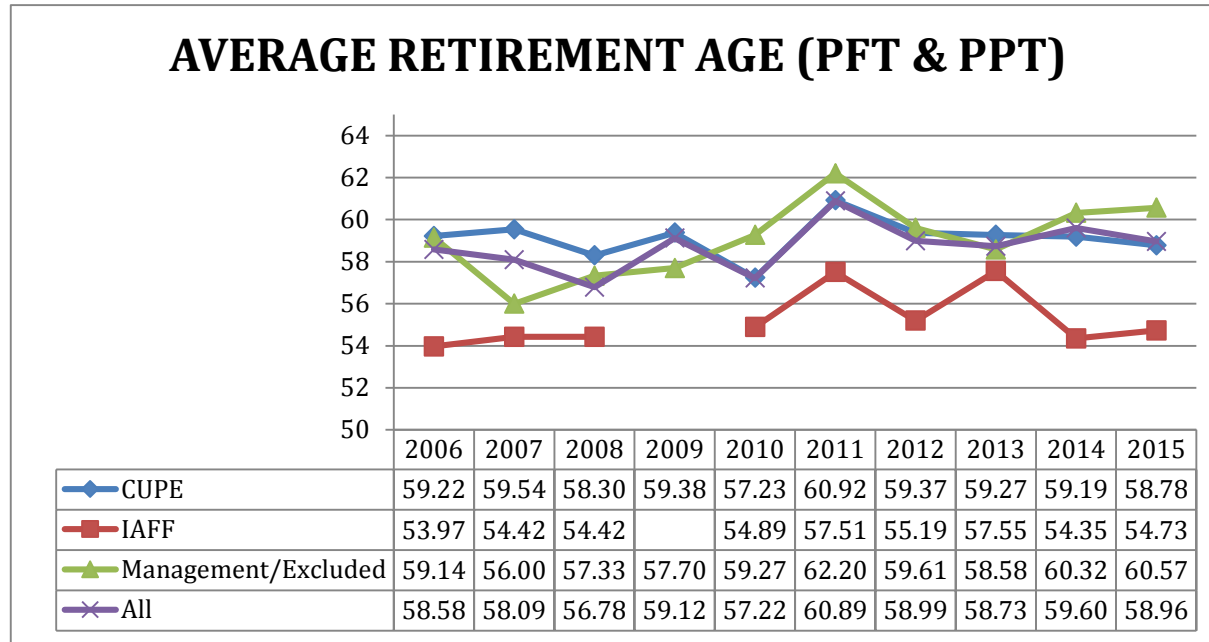


Management & Staff – Eligible for Retirement Now & Looking 10 Years Ahead

Number of Employees Reaching Full Pension & Eligible for Retirement		
Year Eligible for Retirement	Number of Positions	
	Management (incl. all excluded)	Staff
2016•	14	75
2017	0	8
2018	5	15
2019	3	15
2020	2	16
2021	2	15
2022	3	18
2023	2	17
2024	1	21
2025	1	8

2016 includes all employees eligible for retirement in 2016 and past years Source: City of Nanaimo

City of Nanaimo Employees - Average Age at Retirement

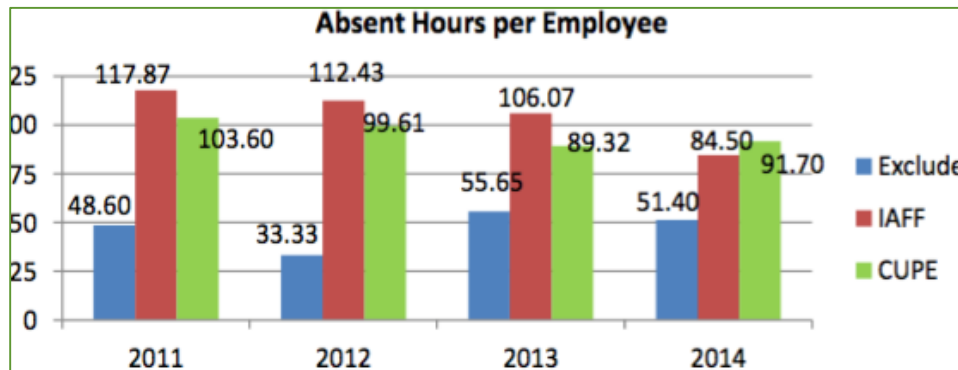


Source: City of Nanaimo

The City needs to develop a succession plan which identifies management and senior professional and technical positions which are likely to become vacant through retirement in the coming 5 -10 year period. The City needs to determine in advance how it will address these vacancies through training and development activity with current employees with the potential for advancement ("growers"). The City should also give consideration to the current market demand for individuals with the required expertise and experience and the implications this may have for recruitment, looking ahead.

Absenteeism

High absenteeism is often an indicator of organization dysfunction, low productivity and poor morale. It can also indicate that a Human Resources Department and a city's management is giving insufficient attention to such issues. This is not the case with the City of Nanaimo where absent hours for employees have generally been declining over the past several years as can be seen in the following chart.



Source: City of Nanaimo

Implementation Considerations

The components that should be part of the strategic organization development plan are:

- Implementation of a comprehensive performance appraisal system
- An inventory and assessment of the current workforce's skills, knowledge and experience
- An assessment of how the City's requirements for knowledgeable and skilled people is changing due to demographic and technological factors
- An assessment of likely retirements and the implications this has for the City relative to retained knowledge and its transfer, and opportunities for skills and knowledge upgrading
- Leadership and team-building to improve communications and cooperation within and across departments
- A training and development strategy which links to the performance appraisal system and which addresses perceived weaknesses in organizational capability

APPENDIX 9 – HR COMPENSATION

Collective Agreements Comparison with Other BC Cities - Working Together for the Benefit of Nanaimo Taxpayers, City Managers & CUPE

City of Nanaimo CUPE contract provisions limit management's ability to allocate resources to improve efficiency and also limits contracting out as a way to reduce costs to the taxpayer if existing services could be provided by external suppliers. It should be stated that the collective agreement has been negotiated fairly and approved by City Council. It is also appropriate that CUPE seek to ensure the job security and working conditions for the workers it represents.

The current CUPE contract limits the City as an employer's right to reduce the number of employees in any classification unless they cannot be gainfully employed (Clause 27(a)). This language coupled with a previous arbitration award puts limits on a manager's discretion on how work can be organized and carried out.

The provisions of the collective agreement ensure that an employee's employment is protected and that the City offer alternative employment if work were to be contracted out. This is common to many BC municipal collective agreements. However, there is also additional language in Articles 31 and 32 of the collective agreement, include what is referred to as the "fair wage clause". This clause initially only covered outside workers but was expanded to cover all employees and has been in place for many years within the City. The provisions of Articles 31 and 32 effectively restricts contracting out a service in most situations.

It is significant to note that in the benchmark comparison with other BC cities, as can be seen in the following chart, Nanaimo is the only city which has a "fair wage clause" which requires that if work currently being carried out by a City employee is contracted to an outside supplier, the supplier, as part of its contract, must pay a wage rate equivalent to that paid by the City for the same work. While the benchmark municipalities protect the employment of their employees by offering alternative employment, the work associated with a service can be contracted out if it is deemed appropriate based on a cost benefit analysis.

Chart X: Benchmark Municipalities – Provisions of Collective Agreements Regarding Contracting Out

City of Nanaimo	City of Kamloops	City of Kelowna	District of North Vancouver	City of Port Coquitlam	City of Prince George	City of Chilliwack
<p>The City of Nanaimo has the right to contract out. However, the conditions make it such that this is not possible. For any service being contracted out, all current employees must be employed in alternative jobs at the same rate of pay or higher. Based on a “fair wage clause” any external contractor taking on responsibility for an existing City service must pay a wage rate equivalent to that previously paid by the City,</p>	<p>The employer has the right to contract out but must inform the union & engage in a feasibility process to compare in-house vs. out-of-house costs. If City determines that it still wishes to contract out, it must provide employees with over 10 years’ service alternative employment and for others employees a severance payment</p>	<p>The employer has the right to contract out but must inform the union & engage in a feasibility process to compare in-house vs. out-of-house costs. If City determines that it still wishes to contract out, it must provide employees with over 10 years’ service alternative employment and for others employees a severance payment</p>	<p>The employer has the right to contract out any work, however, such contracting out shall not affect the continued employment of those persons covered by this agreement</p>	<p>The employer has the right to contract out any work, however, such contracting out shall not affect the continued employment of those persons covered by this agreement</p>	<p>Contracting out is allowed if no one loses their job.</p> <p>Employees must be offered alternative employment in the City – no “fair wage provision”.</p>	<p>The employer agrees that full-time employees shall not be laid off as a result of contracting out work or services; employees must be offered alternative employment.</p>

The current collective agreement with CUPE also provides for a joint job evaluation process whereby staff complete job evaluation questionnaires, asserting that there have been changes to their work which should receive higher pay. This can lead to friction between employees, their managers and the HR Department.

An issue which is directly affecting the productive use of management time and the allocation of resources involves permanent part time employees who wish to set their own hours and availability. This is having a significant impact on operations in the aquatics facilities as managers are having difficulty ensuring sufficient coverage to open pools. The task of scheduling has become very time-consuming which takes managers away from other duties.

One of the ways that municipalities can improve efficiency and the quality and safety of their service delivery is to employ technology and the new opportunities provided by internet based applications. An example is the use of Global Positioning Systems (GPS) and related applications to improve vehicle and transportation efficiency and energy conservation (& greenhouse gas reduction). It has been reported to us that there has been some resistance by CUPE to the introduction of this technology.

All of our benchmark municipalities reported that they have or are in the process of implementing GPS technology in all their vehicles and are using the information to improve efficiency and to support public safety by monitoring vehicle speeds and providing accurate information in the event of an accident.

The "internet of everything " is going to bring many changes in future which can benefit municipal service delivery, employee working conditions and public safety and communications. The City and CUPE should work together to plan for this future.

Assessments

Movement Within Salary Range for Managers

The Exempt Salary Administration Policy 2009 revised April 2015 provides for individuals to receive salary increases in four steps as can be seen in the following chart:

Chart : Movement Within Salary Range Effective May 2014

Step	% of Market Rate	Typical Timing
1	94%	New Appointment
2	96%	Upon Completion of Probation
3	98%	After 1 Year
4	100%	After 2 Years

Previously in the Exempt Salary Administration Policy 2009, as identified in the chart below, the policy provided for a lower starting level and a longer time period for a management employee to receive the maximum salary level.

Chart : Movement Within Salary Range Effective July 2011

Increment	% of Market Rate	Typical Timing
1	88%	New Appointment
2	90%	Upon Completion of Probation
3	92%	After 1 Year
4	95%	After 2 Years
5	98%	After 3 Years
6	100%	After 4 Years

The policy, as amended and effective May 2014, will have contributed to a more rapid increase in salary than was the case previously for new hires and some existing employees. Clearly, it would be in the City’s financial interest to hire qualified individuals at the lowest salary step or increment for the position. However, this is subject to market conditions and it may be that the most desirable candidates would not be attracted if they were not paid at a higher level than the first or second step or increment. That said, Council could realize the cost saving by amending the Movement Within Salary Range to one which is the same or similar to that which was effective in July 2011.

Vacation Provisions in the Management Terms & Conditions of Employment Bylaw

Vacation	Nanaimo	Capital Reg. Dist.	Coquitlam	Delta	Fraser Valley Reg. Dist.	Fraser Fort George Reg. Dist.	Kelowna	Reg. Dist. Nanaimo	Richmond	Saanich	Surrey
3 Weeks	N/A	N/A	N/A	N/A	1-3 calendar years	N/A	N/A	N/A	N/A	N/A	1-4 years
4 Weeks	1st calendar year (pro-rated); 2-4 calendar years	1-8 years	1-7 years	0-7 years	4-9 calendar	1-5 years	0-5 years	1-4 years	N/A	0-8 years	5-11 years
5 Weeks	5-9 calendar years	9-16 years	8-15 years	8-15 years	10 calendar years & thereafter	6-10 years	5-9 years	5-13 years	0-23 years	9-16 years	12-18 years
6 Weeks	10-19 calendar years	17-30 years	16-25 years	16-23 years	No increase	11-14 years	10+ years	14-19 years	24+ years	17+ years	19-23 years
7 Weeks	20-29 calendar years	33 days max. after 30 years	26+ years	24-29 years	No increase	15+ years	No increase	20-24 years	No increase	No increase	24+ years
8 Weeks	30+ calendar years	No increase	No increase	30+ years	No increase	No increase	No increase	25+ years	No increase	No increase	No increase

Source: City of Nanaimo

Management & Exempt Employee Overtime

As mentioned in Components of Compensation page 58, only a small number of managers and exempt employees make a claim for overtime. While the City could reduce its costs by eliminating this provision of the Bylaw, given that employees are clearly not abusing the policy and the small amount of money involved seeking to reduce costs by eliminating the provision would be ill-advised.

Implementation Considerations

Recommendations

- Amend the Exempt Management Policy to provide an alternative method to **establish Management Wage increases for Job Evaluations & adjusting the movement within Salary Range Provisions.**

Implementation Consideration

*With a view to reducing its overall management costs, the City could consider amending its Exempt Management Policy with regard to the linkage of management wage increases to increases negotiated in the CUPE agreement for staff and establish another basis upon which salary increases for managers could be made. The City should also consider establishing an alternative approach to the current point based job evaluation system. Also, the City should consider adjusting the movement within salary range provisions to provide for a lower initial salary as a percentage of the final salary within the range than the current 94%. Also, consider extending the range to a greater number of steps than the current 4 steps, which currently results in the top salary level being achieved after 2 years. **In considering these changes, the City should take into account market and internal equity factors which could affect the City's ability to attract and retain qualified people to meet its current and future needs.***

APPENDIX 10 – FINANCIAL POLICIES

Implementation Considerations

Recommendations

- **Council should develop a philosophy on the City's use of debt** to fund major capital and infrastructure projects. The City should incorporate this philosophy in **developing a comprehensive Debt Policy**. The **Debt policy should be integrated with other financial policies** including operating and capital budget policies.
-
- That **Council be enabled to provide governance oversight on the City's investment portfolio**. In order to achieve this oversight, the City should follow its Investment Policy and prepare investment reports and provide updates to Council on a regular basis. These reports should include at a minimum:
 - A listing of the investment portfolios held at the end of the reporting period;
 - A statement concerning the performance of the portfolio during the reporting period; and
 - A statement from the delegated manager as to whether all investments were made in accordance with the Investment Policy.

Implementation Consideration

Elements to consider including in a Debt Policy include:

- Guidance on when it is appropriate to use debt (e.g. purpose)
- Consideration of matching debt term to useful life of assets
- Limitations on the amount of outstanding debt (e.g. maximum DSC as % of revenue; ratio cash reserves to debt, etc.)
- Definition of the types of permissible debt

Investment reports to Councils should include at a minimum:

- A listing of the investment portfolios held at the end of the reporting period;
- A statement concerning the performance of the portfolio during the reporting period; and
- A statement from the delegated manager as to whether all investments were made in accordance with the Investment Policy.

APPENDIX 11 – TRANSPORTATION OPERATIONS

Existing service levels for Transportation Operations:

As mentioned in the summary report (page 69), some service levels have been established, although for many it is unclear by whom the service levels were set.

Service	Service Level
Crack sealing	30 km of road each year
Power washing of the downtown core paver bricks	Bi-annually
Snow and Ice Control	Prioritizes arterials and collectors; ploughing and sanding residential areas within 96 hours unless conditions necessitate crews return to major roads.
Street centreline painting	Semi-annually
Repainting of curbs in downtown core	Annually
Brush cutting	Annually, except gateway sign areas monthly
Other vegetation control	Annually, or more if needed
Traffic median and island maintenance	Annually
Dust control	Annually
Road maintenance and asphalt patching	Determined each year, based on inspections, which determine the need for work to be done, and availability of staffing, which limits the amount of work that can be done. Priorities are established and some work is deferred. In essence, service level is set by budget limits.
Shoulder maintenance	
Guard rail maintenance	
Curb maintenance	
Sidewalk maintenance	
Walkway maintenance	
Bridge maintenance	
Crosswalk and stop bar maintenance	
Reflective markers	
Sign maintenance	
Christmas decoration installation and removal	
Street banner installation and removal	Twice per year
Protection Island pothole repair	3 times annually, except through residents' association if needed

Service	Service Level
Street light maintenance	As required
Traffic signal maintenance	Preventive maintenance bi-annually; repairs as required
Traffic counter and speed board installation and removal	At request of Engineering
Utility cut patching	Within 60 days of request
Alley maintenance	inspected and determined if a priority

Leading Practice in Roadways Management & Nanaimo's performance

This section offers an illustrative description of these elements based upon our direct experience with a range of these functions over the years and our research in the field.

Area of Review/ Leading Practice	Nanaimo Performance
Mandate and Direction	
The functions that the Roadways Management department align with the purpose and strategic direction of the organization	There is alignment of Transportation Operations' purpose to the City's strategic plan.
The organization's entire network of transportation infrastructure is treated as an integrated set of assets and guided by a set of policies that clearly guide all major business decisions.	A Transportation Master Plan is in place which addresses the entire domain of mobility in Nanaimo and sets policy choices.
There are clear and adequate policies regarding major service levels provided	Except for snow and ice control, it is unclear how service level targets have been set.
Service Planning and Resourcing	
Growth of the inventory of assets drives the volume of activities and services provided. Specific needs, plans and funding are determined from a long perspective using an asset life cycle approach, with operating funding allocated based effective management of the roadway assets' life.	Roadway surface area growth is small: a few km per year being about 0.5%. Some features, such as demarcated bike lanes, are growing rapidly and are having a workload impact. Key service level targets have not been set and there is no long term forecast of the maintenance program required to achieve any level of service.

Area of Review/ Leading Practice	Nanaimo Performance
All roadway assets are documented in detail. Systems for roadways, sidewalks and trails are capable of describing location so that the condition and work history of each can be tracked and monitored with precision.	Roadway assets are well-inventoried. Only signs and pavement markings have a system which records condition and work history. For other features, records are in spreadsheets and Word documents.
Condition assessment performed regularly, the results of which are used to plan, prioritize, resource and schedule work.	Condition assessments are performed.
Computerized information systems facilitate information sharing and analysis.	A highly-functional CMMS is available for signs and pavement markings only. Information for other features is cumbersome to enter, analyze and share.
Service standards are clearly documented for each type of work that is performed.	There is good documentation of the resources needed for each work activity, but little in terms of service standards.
Priorities for service and responses to requests are clearly defined based upon the impact of the service to motorists/cyclists and pedestrians.	Work initiation, from public request or from condition assessment, is prioritized based on Foremen's assessment of safety and protection of asset value.
Preventive and predictive maintenance is recognized as the most cost effective and efficient service delivery model, with standards clearly defined for each type of asset and performed on predefined schedules that reflect the risk of failure of each.	The cost-effectiveness of preventive maintenance is recognized, and condition assessment, the key activity in preventive maintenance, is regularly performed. Other key service levels and targets have not been established and linked to schedules.
Service, repair and replace decisions are all understood as both financial decisions service level decisions that incorporate evolving user requirements. All such decisions are evidence based.	The asset maintenance program addresses most aspects of rehabilitation decisions; plans are in place to improve this to a higher standard.
Workplace safety is a constant priority, supported by a formal safety program, training, education and audits.	Safety is importance to management and staff and stipulated programs are in place.
Work is assigned to the most appropriately skilled resource based upon the nature of the work required. The balance of outsourced and in-house labour is assessed to ensure best value is sought in changing competitive markets for services.	The staffing mix is inflexible, but generally has the skill mix needed. Specialized functions, such as traffic signal maintenance, are contracted. Dynamic application of contracting criteria is not feasible within the current collective agreement.
The organization embraces a quality focused culture, constantly seeking to deliver the highest standard of service as effectively and efficiently as possible, continually striving to improve.	Staff and managers are very focused on quality of the service they deliver. There is experimentation with different methods and materials in attempts to gain the most value from available funding.
All work processes are documented and accessible, and all staff are properly trained for their work functions.	Some work processes are documented.
All work is recorded in a computerized system that allows analysis of the cost and service patterns of each component of the transportation system.	Integrated work records, asset management and costing has not been achieved.
Costs are continually monitored and analyzed to confirm, refine, update and plan how resources are deployed and funds invested.	Costs are monitored for budget compliance. Many decisions are made on non-financial considerations.



Area of Review/ Leading Practice	Nanaimo Performance
Decisions about what services to provide through internal resources and which should be contracted to external providers are strategic decisions, made based upon a specific analysis of the qualitative and financial benefits to the organization and the risks associated with each.	These decisions are skewed by the constraints of the current collective agreement.
Where outside contractors are used, there are clear performance expectations set in contract, and ongoing monitoring of performance against standards.	Contract specifications are clear and there is monitoring by the Foremen and Roads Management Specialist.
Regardless of to whom work is assigned – in-house Transportation Operations staff, other in-house staff, or contractors – work can be tracked for backlogs and completion.	Backlog management is not in place for pavement.

APPENDIX 12 - SANITATION

Service Calls

CALLS FOR SERVICE		
CALLS FOR	DURATION	TOTAL CALLS
Garbage – recycling	2014-Jan-01 – 2014-Dec-31	114
	2015-Jan-01 – 2015-Dec-31	119
	2016-Jan-01 – 2016-Apr-30	47
Garbage – residential miscellaneous	2014-Jan-01 – 2014-Dec-31	742
	2015-Jan-01 – 2015-Dec-31	174
	2016-Jan-01 – 2016-Apr-30	96
Garbage – receptacles	2014-Jan-01 – 2014-Dec-31	25
	2015-Jan-01 – 2015-Dec-31	32
	2016-Jan-01 – 2016-Apr-30	4
Garbage – needle pick-up	2014-Jan-01 – 2014-Dec-31	23
	2015-Jan-01 – 2015-Dec-31	40
	2016-Jan-01 – 2016-Apr-30	13
Garbage – litter/dumping	2014-Jan-01 – 2014-Dec-31	315
	2015-Jan-01 – 2015-Dec-31	365
	2016-Jan-01 – 2016-Apr-30	131
Garbage – kitchen waste tagged	2014-Jan-01 – 2014-Dec-31	22
	2015-Jan-01 – 2015-Dec-31	35
	2016-Jan-01 – 2016-Apr-30	5
Garbage – kitchen waste missed	2014-Jan-01 – 2014-Dec-31	62
	2015-Jan-01 – 2015-Dec-31	233
	2016-Jan-01 – 2016-Apr-30	103
Garbage – carry out request	2014-Jan-01 – 2014-Dec-31	9
	2015-Jan-01 – 2015-Dec-31	33
	2016-Jan-01 – 2016-Apr-30	13
Garbage – carry out missed	2014-Jan-01 – 2014-Dec-31	9
	2015-Jan-01 – 2015-Dec-31	75
	2016-Jan-01 – 2016-Apr-30	40
Garbage – tagged	2014-Jan-01 – 2014-Dec-31	303
	2015-Jan-01 – 2015-Dec-31	178
	2016-Jan-01 – 2016-Apr-30	41
Garbage – missed	2014-Jan-01 – 2014-Dec-31	139
	2015-Jan-01 – 2015-Dec-31	378
	2016-Jan-01 – 2016-Apr-30	174

[g/forms/Engineering/Calls for Service](#)

Comparison of Options

There are two options for automation in Nanaimo operating, which result in similar operating cost, different levels of service to residents and significant difference in capital costs.

Whichever choice is made there are a number of common issues. First there may be some residents who object to automation, partly because of cost, but partly for other reasons. So far as cost is concerned, Nanaimo's current fees are lower than most, albeit with some differences in service levels. The initial increases in cost that are expected with automation will still leave fees somewhat below those of most other municipalities. Other objections may include problems with animals eating through carts and garbage being tipped on the floor. Most of these objections also apply to the current system. The City has prepared an education program to deal with such matters.

Option 1 Buy six more new automated trucks at a cost of \$5.1 million to be introduced in three phases. Automation will require the purchase of new bins for kitchen garbage and recycling, which will be charged back to residents. Recycling, which is currently contracted out, will be brought in-house, saving a considerable amount of money each year. Residents would be required to buy 3 new bins. 80litres for garbage, 120litres for kitchen waste and 245litres for recycling. Larger garbage bins would be available at extra cost, but there would be no possibility of buying tags for extra garbage. Kitchen waste bins would be considerably larger than at present and there would likely be capacity to pick up some yard waste. Recycling bins would be much larger than blue boxes and bags.

The City's decision to deferring purchase of six automated trucks means the possible loss of a potential 5% discount (\$255,000) on remaining six trucks and bins, according to the dealer. In addition, purchasing all trucks close together will maximize the common components and minimize the need for spares inventory. Should prices rise before the additional order is placed the potential loss will be larger.

The full breakdown of costs of Option 1 is shown below. One impact would be that costs are expected to increase by about 7% annually for the next 7 years at a total cost for a typical user of \$54 before falling by a total of \$26 in 2023 and 2024.

There are no explicit contingencies for unknown costs or problems in this business case but management believes it has been conservative in its cost assumptions. The phased approach will allow the City to amend its approach as needed before implementing automation across the City

The other main issue with Option 1 is that once recycling is taken in-house it will be virtually impossible, in light of the restrictions of the collective agreement, to contract out again. If circumstances change the inability to contract out may become a problem, although there is nothing known at present that suggests this may be so.

Finally, in an effort to reduce its losses, MMBC may require recycling materials be sorted into plastic and metal vs. paper products. The trucks would not have enough capacity (compartments) to store each type of recycling. Consequently there is a possibility that frequency of kitchen waste collection would be reduced from every week to every two weeks. Other cities (Victoria and Saanich) already collect kitchen waste only every two weeks and the new kitchen bins would have capacity to store two weeks supply.

Option 2. As in option one except that only two more automated trucks would be required, the collection of kitchen waste would be changed from weekly to bi-weekly and recycling would continue to be contracted out. In this case residents would not need to purchase recycling bins.

Fewer trucks would use half the fuel and require half as much maintenance. There would be no need to purchase recycling bins. Only half as many staff would be required. On the other hand, recycling collection fees would still have to be paid.

Annual costs would be roughly the same under this option, depending on the life of the bins (15 or 20 years)

Aside from this, the main advantage of Option 2 is that no commitment is made to bringing recycling in house.

The main disadvantages of Option 2 are:

- The public may react unfavorably to the reduction in frequency of garbage collection, although as noted, should MMBC require re-sorting, Option 1 may also result in the same reduction in service
- The Union is likely to react unfavourably to the loss of jobs (these objections may intensify with the next generation of automated trucks potentially being driverless). Offsetting this, there are likely other jobs in the City that are not so backbreaking, which many sanitation workers will take anyway as they age. An improvement in the facility in which they are housed could go some way to ameliorating Union complaints. The facilities are well known to be substandard but plans to improve them regularly fall to the back of the queue.
- Management feel the diversion rates will decline if residents are required to sort recycling, although sorting by residents currently occurs in other areas, such as the RDN, without apparent deleterious effects.

The City currently collects garbage from 171 downtown businesses. Access to these businesses is difficult and time consuming and businesses pay only residential fees. With larger automated trucks the situation will be worse. The Department would prefer not to service these businesses. We are told Port Alberni no longer collects form businesses. Consideration should be given to contracting out business collection or, if this is not possible, raising fees to cover all costs.

Solid Waste Collection Business Model Analysis

Assumptions:

1. All costs in 2016 dollars
2. Automated collection requires property owner to purchase up to 3 carts from City
3. Transition costs excluded - promotion, computer software, temporary staffing



CITY OF NANAIMO CORE SERVICES REVIEW REPORT



Summary of Options:

	Manual Collection	Automated Collection			
		Recycling In-House - 5 Yr Transition	Recycling In-House - Fully Implemented	Recycling Contracted Out - 5 Yr Transition	Recycling Contracted Out - Fully Implemented
Impact to Users:					
Carts for automated pick up	none	must purchase 3 types of carts	must purchase 3 types of carts	must purchase 2 types of carts	must purchase 2 types of carts
Estimated Cost of Carts/Property Owner	\$ -	\$ 157.00	\$ 157.00	\$ 102.00	\$ 102.00
<p>initial cost to purchase carts the City will provide financing (5 years) for current users re purchase of carts new users must purchase carts outright</p>					
City Resources:					
FTE's	9.00	8.00	8.00	4.00	4.00
Solid Waste Collection Units	10.00	8.00	8.00	4.00	4.00
City - Annual Operating Expenditures:					
Wages and Benefits	\$ 925,765	\$ 845,765	\$ 845,765	\$ 513,322	\$ 513,322
Employment Expenses	\$ 1,250	\$ 1,250	\$ 1,250	\$ 1,250	\$ 1,250
Garbage Collection (i.e. Tipping Fees)	\$ 1,004,306	\$ 1,004,306	\$ 1,004,306	\$ 1,004,306	\$ 1,004,306
Recycling Contract	\$ 702,877	\$ -	\$ -	\$ 702,877	\$ 702,877
Fleet Repairs	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Monthly Fleet Charges	\$ 703,420	\$ 643,631	\$ 643,631	\$ 321,816	\$ 321,816
Other Services	\$ 21,600	\$ 21,600	\$ 21,600	\$ 21,600	\$ 21,600
Materials and Supplies	\$ 32,520	\$ 32,520	\$ 32,520	\$ 32,520	\$ 32,520
Other Internal Charges	\$ 19,556	\$ 19,556	\$ 19,556	\$ 19,556	\$ 19,556
Total City expenditures - before carts	\$ 3,421,294	\$ 2,578,628	\$ 2,578,628	\$ 2,627,246	\$ 2,627,246
Cost of carts for current users		\$ 4,251,246		\$ 2,761,956	
Total Expenditures	\$ 3,421,294	\$ 6,829,874	\$ 2,578,628	\$ 5,389,202	\$ 2,627,246
Estimated # of Users	27,078	27,078	27,078	27,078	27,078
Annual City - O & M \$/user	\$ 126	\$ 95	\$ 95	\$ 97	\$ 97
Recovery of Carts - 5 year repayment	\$ -	\$ 31	\$ -	\$ 20	\$ -
	\$ 126	\$ 127	\$ 95	\$ 117	\$ 97

Current Manual Business Model - Level of Service:

Manual collection of garbage, recycling and kitchen waste
 Weekly kitchen waste collection in-house
 Bi-weekly garbage collection in-house
 Bi-weekly recycling collection by contractor

Automated Business Model Recycling In-House - Level of Service :

Fully automated collection including recycling
 Bi-weekly garbage and recycling collection in-house
 Weekly kitchen waste collection in-house

Benefits/Risks of Current Business Model:

Benefits No change in level of service provided to residents
Risks MMBC may require split stream collection of recycling to receive full incentive
 May be difficult to change to contracted out recycling in the future

Automated Business Model Recycling Contracted Out - Level of Service :

Fully automated collection of garbage and kitchen waste
 Manual collection of recycling material
 Bi-weekly garbage and kitchen waste collection in-house
Bi-weekly recycling collection by contractor - not automated pick up
Reduced level of service for kitchen waste collection

Benefits/Risks of Alternative Business Model:

Benefits No requirement for residents to purchase recycling carts
Risks Customer complaints regarding kitchen waste cart odor in warmer months
 Lower level of service may encourage residents to divert from kitchen waste to garbage waste
 Limited market in the Central Island for recycling contractors
 MMBC may require split stream collection of recycling to receive full incentive

Additional Information - Split Stream Recycling

In the future MMBC may require the City to move to split stream collection to receive the full incentive. The current automation model can be adapted to meet this requirement.

Kitchen waste cart collection could be adjusted from weekly to bi-weekly collection to allow for one stream of recycling to be collected each week. This model is not anticipated to result in any material increase to collection cost to the City. Currently kitchen waste is offloaded to a facility located at Duke Point whereas recycling will be offloaded to a facility located on 10th Street, a shorter driving distance. Depending on recycling volumes there is the potential for an additional trip to offload recycling on certain days.

There would be a cost to residents for adopting this model as they would be required to purchase a second recycling cart to allow for separation of the recycling streams.

Current Collection Model:

Week 1 Garbage Cart and Kitchen Waste Cart
Week 2 Recycling Cart and Kitchen Waste Cart

Proposed Split Stream Collection Model:

Week 1 Garbage Cart and Recycling Cart (Stream 1)
Week 2 Kitchen Waste Cart and Recycling Cart (Stream 2)

Compliance with split stream collection may be voluntary rather than mandatory with communities who do not comply receiving a smaller incentive which is second option the City could consider.

Implementation Considerations

Automation poses a number of issues, which need to be addressed in implementation. First there may be some residents who object to automation, partly because of cost, but partly for other reasons. So far as cost is concerned, Nanaimo's current fees are lower than most, albeit with some differences in service levels and other matters. The initial increases in cost that are expected with automation will still leave fees somewhat below those of most other municipalities. Other objections may include problems with animals eating through carts and garbage being tipped on the floor. Most of these objections also apply to the current system. The City has prepared an education program to deal with such matters.

APPENDIX 13 – FLEET SERVICES

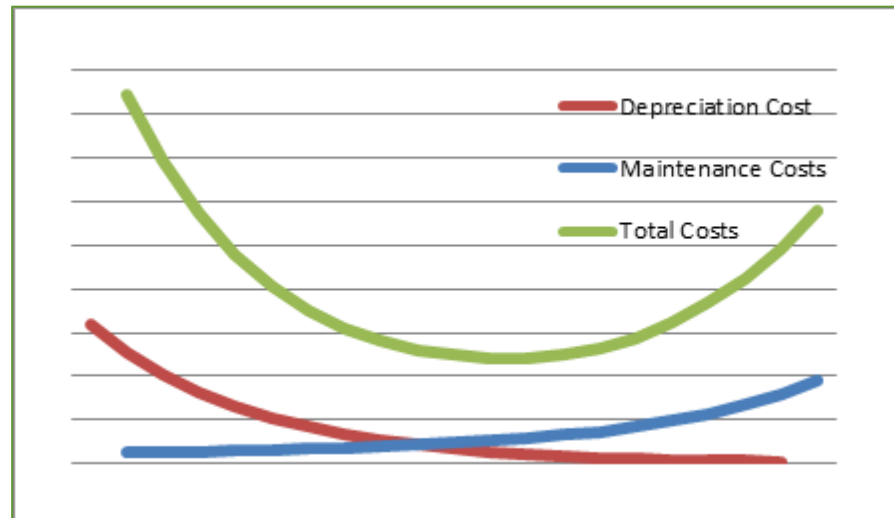
Balances of the equipment replacement reserve fund over the past five years

Equipment Depreciation Fund	City Fleet	Zamboni	Fire	Total
Opening Balance 2011	3,730,325	170,161	418,452	4,318,939
2011 Contributions	518,276	33,053	558,424	1,109,754
Replacements	(1,882,179)	-	(582,683)	(2,464,862)
Closing Balance 2011	2,366,422	203,214	394,193	2,963,830
2012 Contributions	667,832	33,593	562,774	1,264,200
Replacements	(25,272)	(173,101)	(773,498)	(971,871)
Closing Balance 2012	2,115,975	63,707	183,470	2,363,153
2013 Contributions	774,393	29,597	563,609	1,367,600
Replacements	(368,870)	(33,503)	(149,375)	(551,749)
Closing Balance 2013	2,521,498	59,801	597,704	3,179,004
2014 Contributions	905,533	30,156	508,553	1,444,243
Replacements	(440,489)	(4,710)	(5,547)	(450,747)
Closing Balance 2014	2,986,542	85,246	1,100,711	4,172,501
2015 Contributions	1,023,913	51,712	537,522	1,613,141
Replacements	(531,613)	-	(163,389)	(695,002)
Closing Balance 2015	3,478,843	136,959	1,474,844	5,090,646

Service Demand Factors & Issues – Detailed Analysis

Replacement: The Fleet Manager has tried to address high breakdown experience of some units through a program of reducing the replacement cycle for the most demanding units and changing specifications for some, such as new solid waste collection vehicles being ordered as CNG fueled, as experience with diesel engines for this application has proven to be maintenance-heavy.

Leading practice in fleet management is to replace vehicles when the annual total cost of ownership is at its lowest. This optimal strategy for replacement has been confirmed within the fleet industry as well as in accounting and economics practice. The total cost of ownership consists of depreciation in market value (highest annual costs are in the first years, declining in remaining years) and operations and maintenance costs (fuel, insurance, repairs and maintenance, which increase with vehicle age). These cost trends are shown conceptually in the figure at right as the red and blue lines, respectively. The sum of annual depreciation and operations and maintenance costs, the annual cost of ownership, is shown as the green line, a “U” shaped curve. The optimal replacement point is at the lowest point on the “U.”



In years subsequent to the optimal replacement point, costs over the minimum on the curve are excessive and avoidable through replacement.

A sampling of the City's fleet of Light Trucks, Cars and Mini Vans was selected and assessed against this practice. Operations and maintenance (annual lifecycle cost – maintenance) cost histories were extracted from the Fleet Focus management system and averaged for the units in each sample type. Depreciation (annual lifecycle cost – capital) was estimated by researching Canadian Black Book, an online service which tracks wholesale (auction) prices of vehicles in various Canadian markets. This source, while somewhat imprecise for the specific units and circumstances of Nanaimo's fleet, did provide realistic depreciation curves.

This data was entered into a spreadsheet provided by E3 Fleet Services, a non-profit industry fleet management service to which the City subscribes. This spreadsheet calculates and graphs total ownership costs, as described above, accounting for inflation and interest costs.

The analysis suggests that the City retains some units too long:

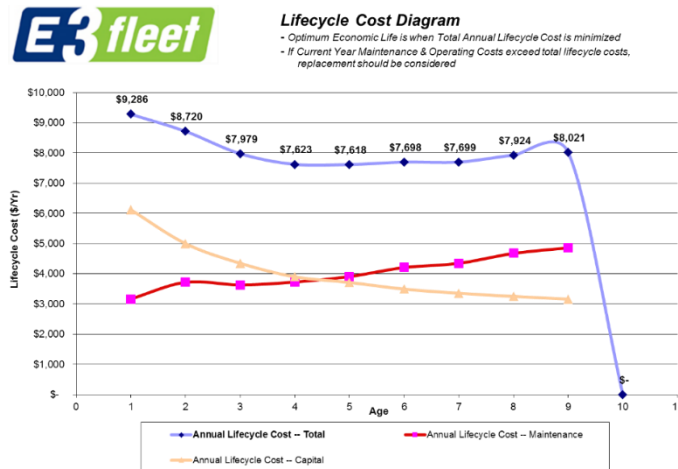
- For pick-up trucks currently retained for 10 years, a saving of \$869 per unit was calculated if the units are replaced after year five
- For cars, currently retained for 10 years, a saving of \$278 per unit is calculated if the units are replaced after year six
- For mini-vans, currently retained for 10 years, there are no savings calculated from earlier replacement, as total lifecycle costs declined throughout the nine years for which data is available.

An estimate of savings for these two vehicle classes is presented below.

Unit Type	Number	Estimated Savings per Unit	Total
Cars	4	\$278	\$3,000
Light trucks and vans	34	\$869	\$29,546
Total			\$32,546

Details of the Fleet Optimal Replacement analysis is shown below.

Light Trucks



Three pickup trucks of vintage 2005 and 2006 were chosen.

Disregard the year 10 value on the blue line in these graphs, as an unintended artifact of the spreadsheet; Fleet Focus only has nine years of data.

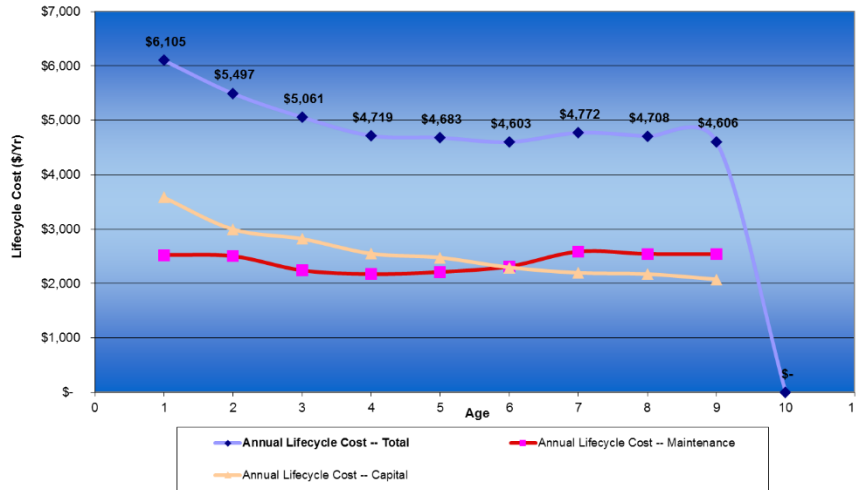
The optimum replacement point for these light trucks is after year 5. In years following, total costs begin to increase: excess and avoidable lifecycle costs average \$869 for each truck.

Cars



Lifecycle Cost Diagram

- Optimum Economic Life is when Total Annual Lifecycle Cost is minimized
 - If Current Year Maintenance & Operating Costs exceed total lifecycle costs, replacement should be considered



Three 11-year old Toyota Prius vehicles were sampled.

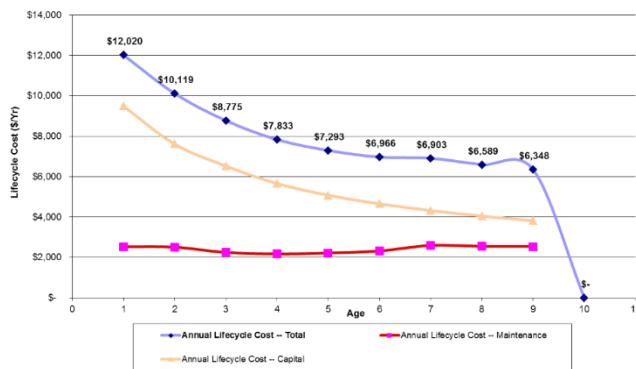
This analysis suggests that the optimum replacement point is after year six, although the operations and maintenance costs are abnormal and the annual lifecycle curve is quite flat. In years following, total costs begin to increase: excess and avoidable costs are (in order of subsequent year): an average of \$278 in avoidable lifecycle costs is incurred by each car.

Mini Vans



Lifecycle Cost Diagram

- Optimum Economic Life is when Total Annual Lifecycle Cost is minimized
 - If Current Year Maintenance & Operating Costs exceed total lifecycle costs, replacement should be considered



Two 10-year old Dodge minivans were sampled.

This analysis shows continually declining annual lifecycle costs, suggesting that the current practice of replacement at 10 years is optimal these minivans.

The analyses are sensitive to depreciation values. The online service used for this analysis is somewhat crude; a more precise service is available by subscription. For heavy equipment, services such as marketbook.ca are available to track recent auction results and listings. The thinner market for specialized equipment, particularly some used by municipalities, makes use of this tool less precise than the ones for light vehicles, but an aggregate analysis for common equipment types (dump trucks, tractor backhoes, etc.) should be achievable and will be an improvement over current estimating practice.

Not included in this analysis is the impact of unscheduled breakdowns on user productivity. Downtime is not currently measurable as it is not supported by the older version of Fleet Focus used. But downtime is a cost, born by user departments. This cost also rises in the last years before replacement, as has been experienced most visibly in Sanitation.

Public Works and Parks, Recreation and Environment managers have also noted excessive downtime for tractor backhoes and the Fleet Manager notes increasing costs of repairs. A review of the current 15-year replacement cycles for tractor backhoes is suggested.

Utilization: Vehicle utilization is reviewed at least annually, as charge-out rates are reviewed. Units with low utilization may be re-deployed, re-configured to improve utilization, or replaced with a more functional unit.

There were anecdotal observations of staff in some departments of under-utilized equipment. These were reviewed and determined to be partially substantiated. A crane truck configured for multiple purposes is one example and is being replaced. Some pool cars show low use.

We reviewed the City's policy on employees taking vehicles home. The relevant sections of the Use of City Vehicles Policy, dated 1999, are:

Authorized employees who regularly take City vehicles home, other than the designated stand-by employees in Local 401, are required to sign an authorization form RE: payroll deductions of \$100.00 per month. Employees who take City vehicles home are considered to be receiving a personal benefit under Income Tax Act 17.

Employees who take City vehicles home are responsible for maintaining all records required and all monetary commitments that the Income Tax authorities may claim RE: personal use of City vehicles.

This policy is deficient in a number of ways:

- There are no specific criteria for determining who should be designated standby;
- There is no delegation of responsibility stating who has authority to approve take home permission;
- The policy appears to permit, and is interpreted to mean, an employee to take a vehicle home every day, even if he or she is only on standby some days;
- There is only need to take a vehicle home if it carries equipment which must be available immediately when the standby employee is summoned; unless timely response to events is crucial, it is acceptable that these employees be provided a key to the yard, drive their personal vehicle there and pick up the City unit to respond;
- It appears that Foremen, as an employee class, were given take-home authorization as a perk; current management, while agreeing that this is lax, has been hesitant to challenge the expected resistance of staff to changes;
- Excessive personal use of City vehicles is wasteful (we estimate 10 units each workday @ 12 km round trip @ \$0.60 per km for 200 days per year = \$14,400 per year in excess vehicle lifecycle costs is experienced) and impacts the public's perception of the City and its employees.

Conversely, we reviewed reimbursement of employees for use of their private vehicles on City business. Low use (less than 3,600 km per year) is reimbursed at \$0.54 per km, an allowance that is non-taxable per CRA rules. Employees traveling between 3,600 and 9,599 km per year are

reimbursed at a flat rate or \$525 per month (\$6,300 per year) which is taxable. Those traveling over 9,600 km per year receive \$650 per month (\$7,800 per year), again taxable. A few senior managers are provided an allowance in addition to their compensation and do not provide actual use data. In comparison to the costs of reimbursement of private vehicles, the average annual lifecycle cost of a Toyota Prius in the fleet was calculated to be less than \$5,000.

An analysis performed by Financial Services showed:

- that those traveling a 3,600 km per year are reimbursed at a rate of \$1.75 per km
- those traveling 9,599 km per year are reimbursed at a rate of \$0.66 per km
- those traveling 9,600 km per year are reimbursed at a rate of \$0.81 per km
- those traveling 14,999 km are reimbursed at a rate of \$0.52 per km
- While those who travel the most km (two traveled in excess of 15,000 km in 2015) are inadequately compensated, compared to the per km rate, those who travel lesser amounts are over-compensated. In total, the City is spending \$96,000 more than would be required if all employees were paid \$0.54 per km.

Vehicle Tracking Technology - Public Works implemented GPS tracking for its snow plows, as a means of being able to prove when and where roads were plowed. The use has expanded to all Public Works vehicles and, for Parks, Recreation and Environment vehicles, in progress. CUPE has concerns regarding privacy so implementation and use has been restricted as management has not asserted its rights to manage employees.

The GPS devices are provided under contract from Webtech Wireless and Alamein. The service includes an online reporting tool. Costs are about \$60 per unit per month, including cell phone costs for data transmission. The Fleet Manager advises that newer, more functional and less expensive equipment and services are now available.

The potential uses of GPS are wide-ranging:

- Tracking use of hourly-charged vehicles
- Monitoring snow and ice control locations plowed or sanded
- Route planning and optimization
- Idle-time monitoring
- Cost analysis and reduction
- Customer response time measurement
- Vehicle performance data collection
- Employee time tracking

Implementation of this technology requires that operational and management objectives be understood and defined, policies, processes and employee roles be developed to achieve the objectives sought. A well-planned roll-out, including assistance from Human Resources and Information Technology Services to develop a change/ implementation plan, will be needed for successful implementation.

Service Levels, Outcomes & Performance Measures - Fleet Service levels involve preventive/predictive maintenance intervals and fleet **availability**. For the City of Nanaimo, preventive maintenance intervals are determined by the Fleet Manager, in consideration of manufacturers' recommendations, Nanaimo's experiences, and experiences of other fleets. The most significant outcome, availability, is usually measured by its converse, downtime. Unfortunately, this cannot be measured with the current version of Fleet Focus, the asset management software application used.

Other important indicators of success are:

- operations and maintenance costs, which are tracked by unit and reviewed annually;
- utilization, which is tracked by unit through fuel consumption and reviewed annually.

No other performance measures are in place.

Summary of leading fleet practices & Nanaimo's Fleet Services' performance

Area of Review/ Leading Practice	Nanaimo Performance
Mandate	
Mandates should be clearly defined and priorities of the greater organization should be understood by fleet management and its customers.	Some areas of uncertainty regarding use of rented vehicles and responsibilities under Use of City Vehicles Policy. Fleet staff do understand overall organizational priorities.
A centralized fleet management which manages the entire life cycle is the preferred model.	Nanaimo does this.
Fleet management take an active role in assisting customers in assessing vehicle requirements, particularly in regards to specialty vehicles.	Nanaimo does this.
Use of Vehicles	
Personal use of fleet vehicles should be tracked and charged back to the employee.	Personal use not tracked; moreover, take home policy is weak
The needs assessment review should identify options for vehicle access including determining the need for an assigned vehicle, access to a vehicle pool or personal use of the employees own auto.	A business case is required to justify new purchases; some vehicles are pooled for use by multiple users/groups; some employees use personal vehicles for reimbursement although the vehicle allowance policy results in excessive costs
Vehicle Replacement	
Adoption of the life cycle costing model provides the best value to the customer over time. The customer should be strongly encouraged or required to follow recommendations made by fleet management.	Lifecycle costing is available and charge-out rates reflect this. Better analytical approaches to replacement are available and will likely result in savings
Chargeback and Vehicle Replacement Funding	
Establishment and funding of adequate reserves for vehicle replacement is preferred.	Nanaimo does this; reserve balance is being improved and charge-out rates are now reviewed annually.



Area of Review/ Leading Practice	Nanaimo Performance
Chargeback of fuel and maintenance directly to the customer provides incentive for the customer to monitor fuel consumption and perform regular maintenance.	Fuel chargeback for hourly vehicles would be administratively expensive. Excessive costs (accidents, abuse, negligence) are directly charged to user departments.
Maintenance Expense	
Twenty four hour seven days a week emergency service	Not warranted by size of City operations, nor permitted by the collective agreement; an afternoon shift until 8:00 p.m. is permitted
Replacement vehicles are made available when required.	A pool of replacement light vehicles is available, but this does not apply to specialized units. Fleet works with users to attempt minimize disruption from downtime. Some extension of shop hours would further reduce downtime.
Fleet and Fuel Monitoring	
Technology exists to assist in controlling unauthorized purchase or use of fuel.	Computrol fueling system is secure and effective. Fuel use is monitored.
Regular collection of performance information and metrics assists in managing the fleet and evaluating fleet performance.	Fleet Focus fleet maintenance software is used and generates detailed information about fleet units, including fuel use. Less information is gathered about performance of the Fleet Department as an organization.
Information and Reporting	
Systems with web interface ability facilitates the exchange of information with customers.	Not warranted by size of City operations
Regular meetings with customers assist in addressing performance problems and issues as they arise.	This is not done.
Other	
Fleet managers take an active role in promoting driver safety.	Driver/operator training is provided and all accidents are reviewed.



Area of Review/ Leading Practice	Nanaimo Performance
Fleet managers take an active role in promoting "green" initiatives	The City has an active program of increasing fuel efficiency through introduction of other technologies (hybrid or electric vehicles, conversions to natural gas or propane) and specification of smaller engines in light vehicles. There is an anti-idling policy and drivers have been trained to operate vehicles in a more fuel efficient manner.

APPENDIX 14 – POLICE SUPPORT

Allocation of Costs To Federal and Provincial Policing

Allocation of Police Support Workload – Based on Case Files

	Number	Percentage of Total
City	35,407	93%
Non-City	2,493	7%
Total	37,900	100%

Included Support Costs

	Cost centre	Total Costs	City Portion – 93%	Non-City Portion – 7%
Auxiliary constables	2631	\$8,093	\$8,663	\$570
Crime prevention	2651	\$97,433	\$91,024	\$6,409
Support services	2601	\$3,535,344	\$3,302,795	\$232,549
Total		\$3,641,440	\$3,401,912	\$239,528

Included costs:

- administration
- record keeping
- exhibit management
- court liaison
- information services

Excluded costs:

- Buildings & Grounds (cc 2701/2706) - reimbursement agreement in place
- Emergency Communications (911) (cc 2711) - municipal partners co-fund this (not a Provincial responsibility)
- Keep of Prisoners (cc 2761) - reimbursement already in place
- Municipal Enforcement (Bylaw) (cc 2612) - no service supplied to rural area
- Victim Services/Restorative Justice (cc 2661/2662) - province provides funds directly to programs

External Perspective on Staffing

We contacted counterpart police support organizations to determine level of staffing and support provided:

- Kamloops (RCMP)
- Kelowna (RCMP)



- Prince George (RCMP)
- Langley (RCMP)
- Saanich (municipal)
- Delta (municipal)

Each provided organization charts (or verbally provided number of positions of each type) and we interviewed managers in most organizations as we attempted to make functions comparable across the different organizational structures, position responsibilities and position titles. Without significantly more effort, achieving true comparability is not possible. That said, there are some overall findings of note from this exercise. Detailed comparison information is presented in the Appendix.

Langley and Saanich provide dispatch services internally. For other municipalities, dispatch is consolidated elsewhere. Consolidation of dispatch centres, transferring municipal dispatch staff to other jurisdictions or agencies can result in less savings than expected. Dispatchers perform other duties such as records functions that must be assumed by remaining staff once dispatchers are transferred. One manager suggested that up to 50% of dispatchers' time is so spent.

No other police support organizations are as self-contained as Nanaimo. As shown in the table to the right, there are examples where IT support, building maintenance and custodial and fleet support are provided by other municipal departments.

Municipality	IT	Building Maintenance	Fleet Support
Nanaimo	Internal	Internal	Internal
Kelowna	Internal	External	Internal
Kamloops	Internal	External	External
Langley	Internal	External	Internal
Prince George	External	External	External
Saanich	External	External	Internal
Delta	Internal	External	Internal

In both Prince George and Langley, municipal staff perform forensic identification functions that are provided elsewhere by RCMP staff (civilian or sworn members). Prince George also provides a crime analyst. The municipal police services in Delta and Saanich are have sworn members in other positions that would be filled by civilians in RCMP detachments.

Each municipality provides some discretionary special program staffing: community policing coordination (Nanaimo, Kamloops and Prince George), victim services (Nanaimo and Prince George), commercial vehicle regulation enforcement (Nanaimo), firearms program (Kelowna), pawnshop regulation enforcement (Kelowna). These services are seen as providing public safety functions that would otherwise fall to the RCMP. The number of staff assigned to these functions is as low as two and as high as 16.

Delta relies on other jurisdictions to provide goals and guarding. Saanich contracts out guarding of prisoners. All used part-time and casual staffing to a greater or lesser extent to fill in for absences. All RCMP support units experienced the same problem of continual recruitment of part-time and casual staff, as these staff tend to apply for full-time positions.

With adjustments made for these differences, the overall staffing in Nanaimo Police Support is amongst the lowest of the other jurisdictions.

Benchmarking details

	Nanaimo	Kelowna	Kamloops	Langley	Prince George	Saanich	Delta
Members Funded	140	179	130	185	128	156	170
Caseload	8,911	10,748	8,516	12,490	10,188	3,946	5,267
Total staffing	48.5	63.5	47	72.5	41	61	43.5
Dispatch				21		24	
Prisoner Guards	9	N/A	5	4.1	4	Contracted	N/A
Special Programs: Commercial Vehicles, Firearms, Pawnshops, Crime Prevention, Victim Services, etc.	3	5.5	2	16	3	4	0
Staffing net of dispatch* and special programs	36.5	58	40	41.9	34	40.2	43.5
Records, information, switchboard, reception, stenos and secretarial	31.5	46.5	36	34	30.5	25	30
Exhibits and Court Liaison	3	6	4	4.5	5.5	4	5.5
Administration, finance, purchasing and supply	4	6	2	4	1	4	3
IT	3	2	2	2			3
Fleet & Equipment	1	2	0	1	0	1	1
Buildings	4	0	0	0	0	0	0
Forensics, Crime Analysis, Ident Support	0	0	0	2	2	0	0
Manager, Assistant Mgr	2	1	3	4	2	3	1
Total, less guards, dispatchers, and special programs	36.5	58	40	41.9	34	45	43.5
Ratio of Police Support to RCMP staff	0.26	0.32	0.31	0.23	0.27	0.29	0.26
Major Differences:							
Dispatchers handle records duties				✓		✓	
Sworn members perform some duties						✓	✓
Fleet supported externally			✓		✓		
Buildings supported internally	✓						
Finance support provided externally					✓		✓

APPENDIX 15 – BYLAW / PARKING SERVICES

Bylaw Calls Received and Cleared 2011 to 2015

Year	Number Calls received	% Growth year over year	Number complete	% Complete	Number Active	% Active
2015	2142	32	2000	93.4	142	4.6
2014	1626	19	1508	92.7	118	7.3
2013	1365	2	1275	93.4	90	6.6
2012	1339	7	1251	93.4	88	6.6
2011	1214	-	1140	93.9	74	6.1
Average	1537	NA	1517	93.3	102	6.6

APPENDIX 16 – FACILITIES MANAGEMENT, PLANNING & OPERATIONS

Options for Change, with Strengths and Weaknesses

A new approach to facilities management, planning and operations is needed to ensure that the City's buildings are managed appropriately. The City's buildings are essential to providing high quality service to the public and can be a source of pride for residents. The City's buildings are part of its "brand" as they illustrate in a visual way the attractiveness of the community which supports investment. The City's buildings also can contribute to city employee productivity and workplace satisfaction and health. The following options were considered:

Option A

Decentralized Facilities Management with Corporate Asset Management, Planning & Standard Setting Confirmed as PR&E Facilities Management Mandate

Decentralized building management by departmental managers would continue.

PR&E Facilities Management would have the lead for facilities asset management and capital planning and be responsible for PR&E capital projects. It would continue to assist with capital projects in other department's buildings as resources allow under a clarified mandate.

Janitorial services would remain decentralized but standards would be set corporately by PR&E Facilities Management and monitored through periodic inspections.

The most significant change from current practice would be the oversight of maintenance and repairs and costs as carried out by other departments through implementation of a common maintenance management system and database for all demand and preventative maintenance and a cooperative approach with departmental managers to ensuring that repairs and maintenance are recorded consistently.

PR&E Facilities Management would work with Purchasing in Finance and departmental managers would be mandate to undertake joint tendering where better pricing and cost control would result. Criteria and types of tenders for inclusion would be determined and approved by Finance and senior management corporately.

Strengths of Option A

Option A would provide a more consistent approach to facilities management including purchasing should lead to some cost savings.

Option A does not require organizational change or reallocation of staff resources

Weaknesses of Option A

With Option A it is difficult to ensure that purchasing and standards are maintained over time.

With Option A demand maintenance and especially preventative maintenance programs and data may not be maintained overtime and maintenance management system underutilized.

With Option A capital project implementation responsibilities spread across several departments and PR&E Facilities Management does not have the resources to support all facility and capital project requirements.

Option B

Consolidate All Facilities Management Responsibilities in One Department & Confirm Mandate Corporately

Consolidate all facilities related asset management, capital planning, capital projects, space planning and maintenance of building envelope, HVAC, safety and domestic systems. It would also have responsibility for all renovation and repair and janitorial services in civic buildings. Facilities Management would have responsibility for all facilities-related purchasing and support and have maintenance management system and information responsibilities. This option will require resources from various departments involved now in facilities management to be brought together to support the consolidated service delivery including the Assistant Manager, Police Support Services and the Project Manager in Public Works who assists with the management of Facility related capital projects.

Departmental managers would become clients of PR&E Facilities Management not managers of their own buildings.

Service Agreements would be developed in consultation with departmental managers to define level of service to be provided. A Facilities Management Users Committee could be established to set priorities and to monitor service agreements.

Strengths of Option B

More consistent approach to facilities management but with greater control over purchasing and accountability for costs should lead to cost savings.

One system for maintenance management and data entry should lead to improved preventative maintenance and lower replacement costs.

Reallocated resources should lead to better priority setting and project management of facility capital projects and oversight of contractors.



Bulk tendering should increase and a more consistent approach to purchasing and the following of purchasing policies should lead to cost savings and greater accountability.

Weaknesses of Option B

Option B could be disruptive to current practices and existing departmental manager roles and responsibilities as the new approach is implemented.

Reallocation of resources may have collective agreement impacts.

Other departments may be concerned about favouritism to PR&E priorities.

APPENDIX 17 – PARKS, RECREATION & ENVIRONMENT

Bylaw 7073 Consolidated – as related to Fees, Charges & Rentals

The Community Charter allows municipalities to charge “reasonable” charges for use of municipally owned recreational facilities. Nanaimo Bylaw 7073.03 ,7303.04 &7303.06 contain Schedule B General Principles for Fees, Charges & Rentals (FCE). It states that fees, charges and rentals should not be the primary source of funds for PRE operations. Children are to be subsidized up to 50% of the adult rate and seniors and students up to 25%.

Bylaw 7073 lacks clarity. By deduction one can determine that, if FCE are not to be a primary source of funds they are not to exceed 50% of the cost of operations. PRE Management has not looked at the Bylaw in this light. The Bylaw does not state whether the 50% limit should apply to each facility or program offered by PRE. If it is intended to be by facility then the Department is in breach of the Bylaw because arenas already receive about 62% of their funding from FRE. The Bylaw also makes no mention of FRE for commercial users. Nanaimo’s policies contrast in clarity with those of Kamloops.

If Nanaimo's overall policy were to recover 50%, as in Kamloops, for its main facilities that are capable of generating significant revenues, namely pools and arenas, it would need to increase revenues, or cut costs, by \$350,000, as shown below. There are a variety of ways in which this might be achieved. A 10% increase in arena fees would bring in \$140,000. Additional revenues could also be achieved if an accommodation could be reached with lacrosse players extending their hours of use until later in the day, resulting in fewer ice sheets being converted to dry floors. Cost savings could also be achieved by extending the summer shutdown of the Beban pool, as it is clear that the NAC can accommodate the Beban users.

Facility	Revenues	Expenses	Net cost	Recovery %
Aquatics	2.7	6.4	3.7	
Arenas	1.4	2.4	1.0	
Total	4.1	8.8	4.7	46.5
Increase to recover 50%	0.35			50

Source: Cowichan survey 2014/5

A comparison with benchmark municipality facilities for pools show that Nanaimo's charges are generally in line with others. However, arena charges for ice are substantially below those of other arenas on Vancouver Island. See Tables below.

Comparison of Pool Charges – Nanaimo, Benchmark Municipalities & Others

Public Admissions Comparison - 2016

(Richmond, City of Vancouver, Prince George, Coquitlam, North Vancouver, Kelowna, North Vancouver Commission, Saanich, Delta, Nanaimo)

	Richmond*	City of Van.	Pr. George	Coquitlam	North Van.	Kelowna**	Saanich	Surrey	Delta	Nanaimo
Adult	6.70	6.15	6.95	6.00	5.95	10.75	6.50	6.25	6.75	7.00
Senior	5.45	4.40	5.30	4.50	4.45	8.50	5.50	4.75	4.75	5.25
Student	5.45	4.40	5.30	4.50	4.45	7.25	5.50	4.75	4.75	5.25
Child	4.85	3.10	3.75	3.00	3.00	6.00	3.25	3.25	4.00	3.75
Family	15.35	3.10 p.p.	5.25 1st adult + 3.75 per child	n/a	\$3.00 p.p. min. \$5.70	26.50	13.00	\$3.25 p.p.	\$4.00 p.p.	14.00
Seniors +	n/a	n/a	n/a	3.00 (85 yrs +)	n/a	n/a	n/a	1.75(90+)	n/a	free(80 +)

* all prices include taxes

*Richmond has a tiered payment system, the prices above reflect the fees charged for Watermania. Minoru fees reduced by 25%

** Kelowna (H2O) is operated by the YMCA, fees include unlimited access to the pools, fitness facilities and all programs

Comparison of Ice Time Charges – Nanaimo & Other Vancouver Island Communities

Community	Primetime rentals Ice Minors \$ per hour	Primetime rentals Dry floor Minors \$ per hour	Prime time rentals ice Adults \$ per hour
Nanaimo	87.20	49.34	174.41
Victoria	127.35	45.63	221.78
Oak Bay	127.05	NA	243.60
Sidney	121.80	46.20	232.05
Port Alberni	94.50	53.55	194.25
Cowichan	93.45	45.15	155.93
Parksville	87.39	52.72	166.90

Source: Cowichan survey 2014/5

APPENDIX 18 – PERMISSIVE TAX EXEMPTIONS & GRANTS

Allocation of Grants, Permissive Tax Exemptions and Sub-market Rents 2015

Organization Name	Grant \$000	PTE \$000	Sub-market Rent \$000	Total \$000	% of all Grants PTEs & Rents
Port Theatre	579	286	1,104	1,969	21
NEDC	1,483*		8	1,491	16
VICC	1,267***	**	-	1,267	14
Nanaimo Museum	355	7	266	628	7
McGirr	120	41	297	458	5
DNBIA	230	-	-	230	2
Nature Trust	-	164	-	164	2
Loaves & Fishes	137	4	-	141	2
Nanaimo Art Gallery	124	12	-	136	1
Island Corridor	-	121		121	1
SPCA	75	6	20	101	1
Total top 11	4,371	641	1,695	6,707	72
Total top 4	3,684	612	1,687	5,355	60
173 others	725	976	539	2,240	28
Grand Total	5,096	1,617	2,234	8,947	100

Note: In all cases advisory committees assist City managers. The Downtown Nanaimo Business Improvement Association (DNBIA) and the Tourism Section of the Nanaimo Economic Development Association (NEDC) provide other grants. Grants provided by NBIA and NEDC are not included in the table above to avoid double counting as both organizations receive a substantial part of their funding from the City.

* The grant of \$1,483,000 given to NEDC include \$1,375,000 operating, \$40,000 Sports Grants and \$68,000 for Tourism Development.

** Municipally owned not subject to tax

*** Includes rental payments by City for use of VICC facilities

Permissive Tax Exemptions & Relevant details of the Community Charter, Part 7, Division 7 Charter

Municipalities are permitted under the Community Charter, Part 7, Division 7, to exempt certain properties from municipal tax for up to 10 years, such exemptions are called Permissive Tax Exemptions (PTE).

Section 24 of the Charter gives municipalities authority to exempt:

- property owned by a not-for-profit corporation;
- property owned by a local authority; and
- property owned by a public authority and occupied by another authority or not-for-profit.

Section 25 provides authority to exempt eligible partnering, heritage, riparian, cemetery or golf course property for any period set out in the exempting bylaw. Key to these exemptions is the ability to make agreements with property owners respecting the extent of the exemption and the conditions under which it will be offered. These agreements may require owners to satisfy conditions, such as placing a restrictive covenant on the property or repaying the exemption amount under specified circumstances

Section 26 provides authority to exempt land or improvements or both, from the municipal portion of property value taxes for the purposes of encouraging various types of economic, social or environmental revitalization within a community. Revitalization tax exemption programs may apply to a small area or areas, a certain type of property or properties, a particular activity or circumstance related to a property or properties, or an entire municipality

Exemptions under Section 24 automatically provide exemptions from school, RDN, hospital and other taxes. Exemptions under other sections do not.

Nanaimo's PTE policy was reviewed in July 2011 and a report submitted to Council by the Chair of the Grants Advisory Committee. That report recommended fairly minor changes to the policy. The Report's findings were broadly accepted and became policy in August 2011.

APPENDIX 19 – SUBDIVISION, DEVELOPMENT, LAND USE PLANNING & APPROVALS

Development Permit Process



Prior to Submitting an Application

- Determine Application Requirements:
 - (1) See the Development Permit Application form or the City of Nanaimo's website www.nanaimo.ca for base requirements.
 - (2) Book a pre-application meeting with Staff to determine additional items required.
 - (3) Book a site meeting with appropriate consultants in attendance. ****A coordinated design team is important****
- Prepare application requirements and/or hire the appropriate professional(s) for the necessary information

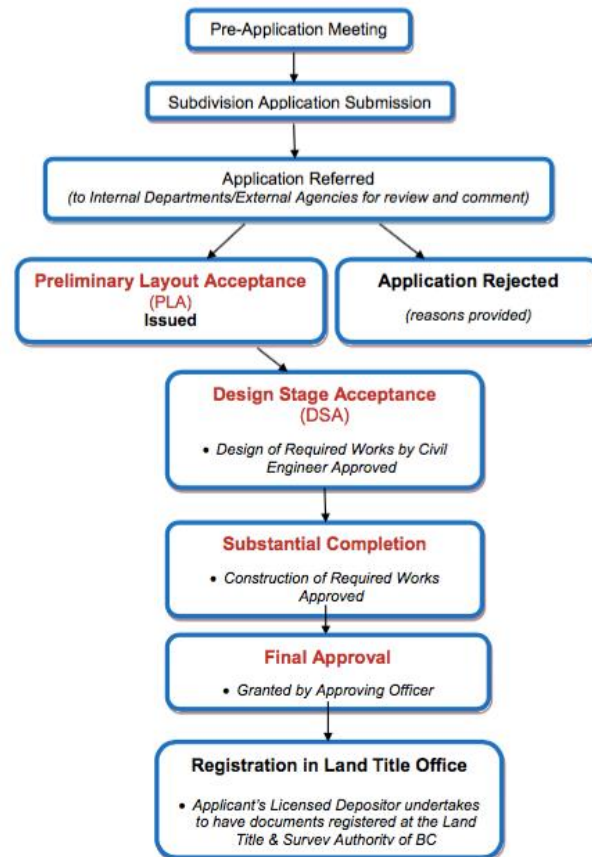
<div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;"> <p>1 Submit Application</p> <ul style="list-style-type: none"> - Ensure all requirements are provided. Incomplete applications will be returned to applicant <p style="text-align: right; font-size: small;">Process Begins</p> </div> <div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;"> <p>2 Design Advisory Panel Meeting (DAP)</p> <ul style="list-style-type: none"> - Presentation to committee by owner (or representative), architect, landscape architect - Recommendation from committee - Written response to committee recommendation required <p style="text-align: right; font-size: small;">Weeks 1 - 2</p> </div> <div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;"> <p>3 Comprehensive Review</p> <ul style="list-style-type: none"> - Referrals sent to internal City departments and external agencies - Correspondence with applicant re: outcome of comprehensive review - Submission of revised plans and additional documents if necessary - Staff's position formalized <p style="text-align: right; font-size: small;">Weeks 1 - 4</p> </div>	<div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;"> <p>4a Council (Major Variances)</p> <ul style="list-style-type: none"> - Report formalizing Staff's recommendations goes to Council for approval <p style="text-align: right; font-size: small;">Weeks 5 - 8</p> </div> <div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;"> <p>4b Posting (No Variances / Minor Variances)</p> <ul style="list-style-type: none"> - Project Summary prepared and "posted" for Council's review and approval by General Manager <p style="text-align: right; font-size: small;">Weeks 5 - 8</p> </div> <div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;"> <p>5 Development Permit & Registration</p> <ul style="list-style-type: none"> - Upon approval, a Development Permit is prepared and forwarded to applicant/owner - Notice of Permit is forwarded to the Land Title and Survey Authority of BC for registration on title </div>
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Additional Information

Once approved, a Development Permit is valid for two years. If the project has not been substantially started within two years and an extension is required, a new application must be submitted, along with an application fee and a written rationale indicating the reasons for the extension.

If the project has been substantially started and the building process requires no amendments, the original Development Permit is in effect until the project is completed.

The Subdivision Approval Process



Processing of Applications

Applications can be received at the Service Centre in paper or digital form. When applicants come to the service centre in the SARC building, their initial inquiry is responded to by the engineering, development technical or the planning assistant, who discuss the proposed development with the



applicant. Applicants may have drawings or other information which they share with staff and / or they may be seeking information or clarification with regard to their proposed development. If the Service Centre staff are unable to respond adequately to the inquiry, they contact more senior Planning or Engineering staff who are located on floors higher up in the building who then come to the Service Centre to provide assistance. Applicants are encouraged to request a consultation meeting with Planning and Design or Engineering and Subdivision staff to review their proposed development prior to submitting their complete application. Applicants may or may not request this meeting prior to submission of their documents.

Applicants can submit their applications and required documents electronically via the Internet. The department is encouraging applicants to access information and forms from the City's website and to provide as much information in digital form as possible. The Community Development Department is making use of Prospero and Tempest software to track applications as they are being processed and to record comments received from other City departments and agencies.

All paper applications and documents are scanned so that a digital file is created for each application. The department is able to record comments and suggested changes to documents, drawings and maps digitally and is able to share these via the internet with applicants and their professional advisors e.g. planners, engineers, designers. Applicants for subdivision approval can receive a confidential password which allows them to access their application file remotely via the Internet and this allows them to follow progress on their application and to review the comments and recommended changes in real time. This makes the review process more efficient and reduces the paper storage, photocopying requirements.

Specific processes / guidelines followed by benchmark cities

Subdivision Development Application Review Process – Pre-Application Consultation: Formal / Informal						
City of Nanaimo	Kamloops	Kelowna	District of North Vancouver	Port Coquitlam	Prince George	Chilliwack
Pre-application meeting encouraged, informal discussion in Service Centre	Pre-application Meeting with DES staff for preliminary assessment – encouraged, not mandatory	Pre-Application Meeting encouraged – non mandatory	<p>Formal pre-application process with fee prior to submitting formal application</p> <p>Applies to subdivision, zoning, OCP and major development plan proposals</p> <ul style="list-style-type: none"> Meeting with Development Planner to ensure all issues are addressed 	<p>Submit Application for Preliminary Layout Review</p> <ul style="list-style-type: none"> Not mandatory, no fee Prelim. Layout Review Letter provided describing requirements, e.g. additional permits 	<p>Process begins with submission of formal application to planner.</p> <p>Planner checks zoning & describes subdivision application process. Planner identifies plans, letters of credit, development charges, etc. which may be required.</p>	<p>Informal pre-application process</p> <ul style="list-style-type: none"> developer should contact Development & Regulatory Services Department, Land Development Division, to discuss the feasibility of the proposal provide sketch no fee required

Best Practices in Ontario Cities – Pre-Application Consultation

Ontario Cities Development Application Review – Pre-Application Process						
	Hamilton	London	Kitchener	Mississauga	Ottawa	Kingston
Subdivision	<ul style="list-style-type: none"> • Mandatory pre-consultation meeting • Form requesting pre-consultation • Fee \$1,065 	<ul style="list-style-type: none"> • Mandatory pre-consultation meeting 	<ul style="list-style-type: none"> • Mandatory pre-consultation meeting • Fee \$1,193 	<ul style="list-style-type: none"> • Mandatory pre-consultation meeting • Application for meeting made online 	<ul style="list-style-type: none"> • Mandatory pre-consultation meeting 	<ul style="list-style-type: none"> • Mandatory pre-consultation meeting
Zoning Amendment	<ul style="list-style-type: none"> • Mandatory pre-consultation meeting • Form requesting pre-consultation • Fee \$1,065 	<ul style="list-style-type: none"> • Mandatory pre-consultation meeting 	<ul style="list-style-type: none"> • Mandatory pre-consultation meeting • Fee \$598 	<ul style="list-style-type: none"> • Mandatory pre-consultation meeting • Application for meeting made online 	<ul style="list-style-type: none"> • Mandatory pre-consultation meeting 	<ul style="list-style-type: none"> • Mandatory pre-consultation meeting
OP Amendment	<ul style="list-style-type: none"> • Mandatory pre-consultation meeting • Form requesting pre-consultation • Fee \$1,065 	<ul style="list-style-type: none"> • Mandatory pre-consultation meeting 	<ul style="list-style-type: none"> • Mandatory pre-consultation meeting • Fee \$598 	<ul style="list-style-type: none"> • Mandatory pre-consultation meeting • Application for meeting made online 	<ul style="list-style-type: none"> • Mandatory pre-consultation meeting 	<ul style="list-style-type: none"> • Mandatory pre-consultation meeting
Site Plan Approval	<ul style="list-style-type: none"> • Mandatory pre-consultation meeting • Form requesting pre-consultation • Fee \$1,065 	<ul style="list-style-type: none"> • Mandatory pre-consultation meeting • Complete Request for Site Plan Consultation 	<ul style="list-style-type: none"> • Mandatory pre-consultation meeting • Fee \$836 	<ul style="list-style-type: none"> • Mandatory pre-consultation meeting • Application for meeting made online 	<ul style="list-style-type: none"> • Mandatory pre-consultation meeting 	<ul style="list-style-type: none"> • Mandatory pre-consultation meeting

Kamloops Application Processing Times

An excerpt from the Kamloops Development & Engineering Services Dept. 2015 Annual Report.

	TARGET	2015		2014	2013	2012	2011
		Ann. Avg.	Ann. Perf.	Ann. Perf.	Ann. Perf.	Ann. Perf.	Ann. Perf.
BUILDING AND DEVELOPMENT ENGINEERING DIVISION							
Residential-Building Permit	3 wks	2.1 wks	74%	65%	67%	76%	78%
Commercial/ Multi-family Building Permit	4 wks	3.8 wks	70%	74%	80%	88%	77%
PLANNING AND DEVELOPMENT DIVISION							
Rezoning	10 wks	10 wks	88%	93%	83%	96%	91%
Development Permit	6 wks	5.9 wks	85%	89%	84%	86%	72%
Development Variance Permit	6 wks	5.6 wks	92%	86%	85%	95%	70%
Business Licence							
Commercial	15-18 dys	16 dys	82%	78%	76%	71%	80%
Home-based	1-3 dys	1 dy	100%	100%	100%	100%	100%
Subdivision							
Preliminary	4 mos	3.3 mos	74%	92%	100%	90%	60%
Final	1 mos	.75 mo	83%	96%	100%	89%	54%
Development Referrals							
Planning	15 dys	13 dys	72%	85%	68%	70%	70%
Commercial Building Permit Review	15 dys	10 dys	83%	84%	84%	88%	84%
Engineering Drawing Review	20 dys	23 dys	74%	77%	80%	72%	77%
Subdivision Preliminary	20 dys	19 dys	71%	67%	74%	63%	73%
Subdivision Final	10 dys	5 dys	85%	97%	100%	93%	78%

The Way Ahead: Outcome Measures & Targets Approved by Edmonton City Council

**The Way Ahead: Outcome Measures and Targets
Approved by City Council**

OUTCOME MEASURE	2018 TARGET
1. EDMONTON IS ATTRACTIVE AND COMPACT	
1.1 New Residential Units in Mature Areas (as a % of new residential units city-wide)	25%
1.2 Edmontonians' Assessment: Well-designed Attractive City (% of survey respondents who agree/strongly agree)	55%
2. THE CITY OF EDMONTON HAS SUSTAINABLE AND ACCESSIBLE INFRASTRUCTURE	
2.1 Infrastructure Density (City's population divided by the total kilometres of infrastructure)	Increase over previous year
2.2 Edmontonians' Assessment: Access to Amenities and Services that Improve Quality of Life (% of survey respondents who agree/strongly agree)	70%
3. EDMONTONIANS USE PUBLIC TRANSIT AND ACTIVE MODES OF TRANSPORTATION	
3.1 Transit Ridership (Rides per capita)	105.0
3.2 Journey to Work Mode (% of survey respondents who select auto passenger, transit, walk, cycle or other)	25.9%
4. GOODS AND SERVICES MOVE EFFICIENTLY	
4.1 Business Satisfaction: Goods and Services Transportation (% of survey respondents who are satisfied/very satisfied)	53.0%
4.2 Travel Time and Reliability for Goods and Services Movement (time in minutes: seconds to drive 10 km route)	<11:00 - 50% of the time <14:00 - 85% of the time
5. EDMONTONIANS ARE CONNECTED TO THE CITY IN WHICH THEY LIVE, WORK AND PLAY	
5.1 Reported Volunteer Rate (% of survey respondents who report volunteering in the past 12 months)	55%
5.2 Edmontonians' Assessment: Connected to Community (% of survey respondents who feel connected)	45% (2017 target)
6. EDMONTONIANS USE FACILITIES AND SERVICES THAT PROMOTE HEALTHY LIVING	
6.1 Health and Wellness (% of survey respondents who report increased health and wellness)	90%
6.2 Recreation Facility and Library Attendance (# of visits per capita)	≥12
6.3 City Park Usage (% of survey respondents who report using a City park in the past 12 months)	83%

Implementation Considerations

Recommendations

- Improve Coordination between Service Centre and other Community Development sections and Establish a Formal Pre-Consultation Process to Start Development Application Review Process - The Planning & Design and Engineering & Subdivision sections of Community Development should establish a more formal pre-consultation and application process. The process would include an initial consultation with Service Centre staff who would provide information on the application review process and its general requirements.

Implementation Considerations

- A specific pre-application information request should be developed which would be completed by applicants prior to developing their formal application. Service Centre staff could assist applicants to complete the form and schedule a review meeting. This completed pre-application form should be reviewed and then form the basis for discussion at a formal (or mandatory) pre-consultation meeting. There could be a fee to offset the additional administrative requirements. At this meeting the applicant would meet with the relevant planner who would have responsibility for the application and with representatives of all City departments who, based on the pre-consultation application, would be providing comments with regard to any subsequent formal development application. A summary of the comments and directions provided to the applicant should be prepared in the form of a directional letter advising the applicant of what they should provide in their formal application, including all required drawings, engineer's reports, traffic and environmental studies, etc. This directional letter should be placed on file electronically and form the basis of the initial review by the designated planner of the formal development-related application when it is submitted.

-
- **Establish, Track and Report Outcomes, Service Levels & Performance Measures** - The Community Development Department should establish outcomes, service levels and performance measures as follows.
 - Outcomes – to achieve the goals of planNANAIMO, e.g. intensification of residential housing in the downtown
 - Service levels – establish and publish target review periods for specific application types
 - Measures – percentage of applications which have been reviewed within the targeted review periods

- Data should be gathered and reported on annually making use of its state of the art information systems. In addition to reporting on development application review processes against published review time targets, the Community Development Department should work towards developing high level outcome measures reporting reflective of its Community Official Plan.

APPENDIX 20 – Nanaimo Economic Development Corporation (NEDC) Detailed Analysis

Background – See Pages 113 and following in the main report for further background

Overview

The Nanaimo Economic Development Corporation (NEDC) was incorporated in June, 2011 as a not-for-profit corporation wholly owned and largely funded by the City of Nanaimo. NEDC also receives a grant from the Regional District of Nanaimo.

The Mission of the Nanaimo Economic Development Corporation is **to build a prosperous community through economic opportunity**. It does this by providing services of investment attraction, business retention and expansion, and tourism marketing for the City of Nanaimo and its outlying areas.

Within NEDC's purpose is the mission for Tourism Nanaimo *to contribute to building a prosperous community through economic opportunity, by promoting Nanaimo as a year-round leisure tourism destination and an attractive destination to hold meetings, conventions and sporting events.*

NEDC encompasses functions previously administered in part by City of Nanaimo municipal staff. NEDC staff, with the exception of the CEO, continues to be bound by municipal collective agreements.

NEDC operates as a private-sector-led corporation, governed by a board of up to a maximum of 17 Directors representing the major business and academic interests of Nanaimo and region. City Council appoints the directors which can include a First Nations and a City representative. In addition, NEDC's tourism activities are guided by a Tourism Leadership standing committee.

Linkage to the City of Nanaimo Strategic Plan

Creation and funding of NEDC was an action item outlined in the *City of Nanaimo 2010-2015 Strategic Plan*. NEDC's creation supports the ambitions of Nanaimo to be recognized as "One of BC's most Successful Cities by 2025" and the commitment in the City's 2012-2015 Strategic Plan to promote economic health and a thriving economy. NEDC's role evolved out of recommendations made to the City in the *Nanaimo 2011 Economic Development Strategy* report which supported the positioning of economic development as a high-level, visible activity in the community.

NEDC PERFORMANCE TO-DATE—Issues have been raised that call for scrutiny—Detailed Analysis

Overview of Issues

Economic and tourism development is both a competitive and a collaborative activity that can encompass many functions and participants. This presents numerous management challenges to delivery agencies across Canada including NEDC.

NEDC has been challenged by and criticized in a number of areas including:

- Its **range of activities and choice of initiatives**
 - Role in convention marketing
 - Role in event & filming services
 - Role in waterfront development
 - SquareOne facility
 - Visitor centre
- Its **sources of funding**
 - Levels of non-city funding
 - Restricted access to hotel taxes
- Its **staff resources & costs**
 - Level of staffing costs
 - Staff functions
- Its **outcomes to-date**
 - Few new business 'wins'
 - Event/other business 'losses'
- Its **relationships**
 - Development of stakeholder relationships
- Its **organizational policies & practices**
 - Compliance with municipal policies
 - Governance structure & practices

Factors Affecting NEDC's Choice of Initiatives and Range of Activities

Given a fixed level of city and regional funding, NEDC has had to choose where to allocate its budget among a wide range of possible activities. Several factors influence NEDC's role in the breadth of potential activities:

- The clarity of its mandate relative to other community groups
- Its goals and objectives as developed in a strategic plan
- The funding and resources available to carry out its mandate and achieve its goals.

While NEDC's mission outlines a general mandate, there is no clear agreement with Council and key stakeholders on specific priorities for NEDC. As a result, NEDC has largely focused on the customary functions of an economic and tourism development organization as shown in green in the chart on the previous page—but has fallen short of meeting full stakeholder expectations.

Two areas of focus where NEDC could be 'filling a gap' are the marketing of Nanaimo's **convention centre** and promotion and provision of one-stop services for **filming**.

Research into comparative staffing and costs of these specific services is beyond the scope of this review. But we have found references in three benchmarked communities to their expenses or staffing levels in these areas. A 2015 marketing plan for Prince George targets \$50,500 in annual spending plus one sales manager position for marketing of its convention centre. Abbotsford includes the marketing and management of the Fraser Valley Tradex & Exhibition Centre in its Tourism Abbotsford Society, adding substantially to its annual budget. Tourism Kelowna dedicates a director of sales and a sales coordinator to co-op marketing programs for meetings and conventions.

With regard to filming, municipalities tend to follow a "one-stop shop" model for interacting with and permitting film projects. As an example, Kelowna includes \$110,000 in its annual budget for servicing film productions. This service is carried out by a designated film coordinator with knowledge of locations and authority to communicate within the municipality for approvals.

Whichever organization is held accountable for delivery of these specific functions, clear delineation of responsibility is required to avoid duplication of or gaps in efforts and to ensure that the region's brand is presented consistently.

Advised Action. Now that NEDC has completed four full years of operation, it is an appropriate time to update its strategic plan and its service agreement with the City. This would enable NEDC to reprioritize its goals and objectives based on broad stakeholder input.

Many municipalities renew their strategies on a frequent basis around a unifying set of goals and a clearly-defined set of desired outcomes. Included as part of the planning process should be consideration of objectives for diversifying services and funding, and for communicating progress on goals to stakeholders.

An updated strategic plan could build upon the *Nanaimo 2011 Economic Development Strategy* report prepared for the City prior to NEDC's incorporation and the *Nanaimo and Region Tourism Strategic Plan* dated January 2013. These reports set some of the priorities that NEDC has subsequently undertaken to carry out.

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Another area of reported issue is NEDC's role in the **development of Nanaimo's waterfront**. A vision and guiding principles for downtown waterfront development were framed by a committee in 2014 but progress on development has been slow. Both the *Nanaimo 2011 Economic Development Strategy* report and the *Nanaimo and Region Tourism Strategic Plan* highlighted the need for downtown development as a catalyst for economic and tourism development.

There are many examples of economic development agencies who take a lead role in developing a city's land assets and even form for-profit corporations for this purpose. Examples range from Chilliwack, Squamish and Surrey in B.C. to New York City. In this province the development agencies are set up as land development corporations under the Community Charter, section 185. Others, like North Vancouver as an example, have relied successfully on municipal staff to play the lead role in waterfront development based on a well-articulated vision and strategy.

Although NEDC has played some part in trying to 'move the conversation to action' the extent of the role it is expected to play remains unclear. Where an economic development agency is tasked with this purpose, funding may be sought from various sources including senior levels of government and partnerships with private-sector developers.

Advised Action. Greater clarity is required regarding Council's expectations about the role that NEDC should be playing in waterfront development. This could be clarified as part of a future strategic plan for the community. Definition of the roles of all participants is essential if duplication or overlap or conflict of efforts is to be avoided.

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One of NEDC's more proactive initiatives has also been questioned: its investment in the **SquareOne** technology start-up incubator located downtown in the Harbour City area. Establishment of a business incubator was one of the top-level priority strategies identified in the *Nanaimo 2011 Economic Development Strategy* report.

Rent-up of this facility was slow to start but it is near full-occupancy at present. The costs of a downtown lease and high-tech communication infrastructure associated with this co-working space have been high and are not fully covered by rental revenue. The 2015 budget shortfall was approximately \$150,000 and, even with full occupancy, an \$85,000 shortfall is budgeted for 2016.

Creation of 'business centres' for start-up companies is common in communities seeking growth. The benefits of these centres often start out as qualitative. In Nanaimo, the companies and individuals using SquareOne 'desks' benefit from the community-building and networking value of sharing a common facility. Nanaimo has two other commercial 'incubators' on industrial sites but overall Nanaimo as a community lacks the widespread self-help networks available in larger populations centres such as the Lower Mainland. And SquareOne's location adds to the vitality of the downtown core.

The longer-term benefits of incubators such as SquareOne come from the growth of entrepreneurial businesses and new job creation. As current occupants expand their businesses they will seek their own facilities, leaving SquareOne to incubate another round of start-ups to benefit from the lower costs of starting a company in Nanaimo. While costs of such facilities can be managed to reduce deficits, taxpayer support is often needed and has to be weighed against other economic priorities.

Advised Action. In updating its strategic plan NEDC should review its future role in supporting entrepreneurial businesses. In the interim it should seek opportunities to reduce costs and operational obligations related to SquareOne.

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At times there have been concerns about Tourism Nanaimo's **Visitor Centres**—including visitor numbers, location and cost. Relocation of Nanaimo's year-round centre off Highway 19, operation of a seasonal centre at the HBC Bastion location on Front Street and a Street Team project have notably increased the number of visitors at the centres to 24,847 in 2015. This compares to about a quarter of the visitors serviced at Victoria's Visitor Centre.

Total costs for the Visitor Centres are budgeted at \$168,500 for 2016 with \$30,700 in revenue from Destination B.C. grants and retail sales, for a net annual cost of \$138,000. Additional visitor services by Tourism Nanaimo staff are provided at events, conferences and cruise ship visits.

While tourists are increasingly using online sources of destination information, a North American survey of over 500 visitor centres indicates that visitor centres are still often "the face" of the destination and are being redesigned and located in high traffic areas such as downtown where they cater primarily to foot traffic.

Although there is a net cost to visitor services, Nanaimo's visitor centres continue to attract a healthy number of tourists and provide access to personalized information and advice. They also provide a source of information on the profile of tourists, which is now being supplemented by an online visitor experience survey prompted by posters and email-sign-up boxes in key locations around the region. Results from the first three years of the survey show that top Nanaimo region activities include nature parks and trails, beaches and local shops.

Advised Action. Continued support of Visitor Centres and visitor services is advised by current research.

Factors Affecting NEDC's Sources of Funding

This report includes a review of other economic and tourism development organizations across Canada, showing their structures, levels of funding and staff complements. Although there is significant variability in organizational models and funding sources, NEDC's structure and level of funding for economic development are generally in line with comparable mid-size cities—being neither at the high nor very low end.

However, the comparative analysis suggests that NEDC's level of funding for tourism growth lags behind a number of mid-size benchmarked cities. In some cases, the higher-funded tourism organizations benefit from significant regional or more senior government levels of funding. In

other cases, the tourism organizations share in the revenue from local accommodation (hotel) taxes. Others have higher funding to accommodate a wider breadth of functions.

The collection of a hotel tax in Nanaimo is a new undertaking agreed upon in March of 2015. A 2% municipal & regional district hotel room tax (MRDT) is submitted to the Ministry of Finance by accommodation operators. This flows first to the City of Nanaimo and then to the Nanaimo Hospitality Association (NHA) which has responsibility for administering MRDT revenue and directing how this revenue is spent. In turn, the NHA contracts with the NEDC for its expertise to implement specific funded initiatives. The Business Plan that supports the NHA agreement with the City specifies the uses to which the hotel tax revenues will be put, namely: 45% to creation of new or enhanced multi-day festivals and events; 35% to support specific aspects of Nanaimo's *Sports Tourism Plan*; and 20% for marketing activities.

As a result of the MRDT agreement, the overall tourism sector in Nanaimo will benefit from an estimated \$360,000 and more in annual revenues to support sporting events and festivals. This will bring total annual funding for tourism development and marketing in Nanaimo and its region to more than \$1.3 million (including NEDC corporate cost allocation)—in line with a number of comparable municipalities.

However, MRDT funds do not form part of NEDC's revenue stream. Hotel tax funds cannot as currently structured be directed to existing or enhanced NEDC functions such as promotion of meetings and conventions.

Nonetheless, NEDC is providing its expertise in administering grants and projects on behalf of the NHA (under one year agreements) but is not compensated for its administrative expenses. These expenses are being absorbed by NEDC within its current level of City funding.

Of related interest is the recent announcement in Penticton B.C. that the city's tourism and hospitality associations are planning to amalgamate into a unified organization with a total budget of over \$1 million that will include substantial hotel tax revenue. This is occurring to prevent separate organizations from using multiple brands that confuse the visiting public.

Advised Action. NEDC is already seeking alternative sources of funding from both public and private sectors. Success of these efforts will require stakeholder clarity on NEDC's scope and priorities, as defined through a strategic plan. For the near term however, NEDC's viability is expected to remain largely dependent on City of Nanaimo and Regional District funding.

Factors Affecting NEDC's Staff Resources & Costs

Resources also affect what NEDC can and cannot do. In carrying out its mandate NEDC currently has a total full-time complement of 7 staff positions and 3 seasonal positions as outlined on the next page. The following analysis summarizes the current allocation of staff time to key functions.

Function and (Number of Staff)	MARKETING		DEVELOPMENT		SERVICES			Total
	Marketing, Communications & Social Media	Business & Stakeholder Relations	Research & New Products	Grants & Program Administration	Visitor Centre Operations	Visitor & Event Servicing	Management & Admin.	
Economic Development (2)	15%	53%	17%	5%			10%	100%
Destination Mktg. & Communication (2)	70%	27%					3%	100%
Destination Development (1)			25%	30%		35%	10%	100%
Visitor & Event Services (2)				5%	67%	28%		100%
Corporate (2)	10%	60%					30%	100%

NEDC staff include:

- 2 corporate staff: 1 senior executive position (CEO) and 1 administrative assistant
- 2 economic development staff: *Economic Development Officer, Economic Development Coordinator*
- 3 tourism development staff: *Destination Marketing Officer, Destination Development Specialist, Stakeholder & Communications Specialist*
- 2 visitor services staff: *Visitor Services Specialist, Visitor Information Counsellor & Clerk*
- 3 Seasonal visitor service staff.

Based on general analysis of the staff levels and functions performed, there appears to be limited internal capacity for substantive new activities.

Comparative benchmark analysis later in this report shows that the number of full-time staff employed by NEDC is relatively low compared to its level of funding, particularly in the area of economic development. As staff and salary structures were inherited from the City, there is limited opportunity to address this issue without significant reorganization.

The effectiveness and conduct of individual staff in carrying out their functions is beyond the scope of this review. This is a matter for the CEO and NEDC Board to assess.

Could NEDC function with fewer resources? Based on a more detailed review of the duties of each position and our benchmark comparisons later in this report, a reduction

of staff in any one area would likely put undue burden on the remaining staff person, requiring a narrower focus of responsibilities and risking reduced levels of service. While some duties could in part be carried out externally, the remaining staff person would need to provide oversight.

Any reduction of staffing levels would also need to comply with the city's collective agreement since NEDC staff other than the CEO remain covered by its provisions.

A further consideration affecting staff levels are functions that NEDC performs on behalf of the City and the Nanaimo Hotel Association such as administration of grants directed at tourism (e.g. Tourism Development Fund) and periodic compilation of economic data.

Advised Action. A broadening of collaborative working partnerships with other community groups or municipal staff may provide opportunity to redefine or redistribute some staff functions to either internal or external sources with the best capability for effective delivery. An example might be the compilation of economic statistics. NEDC resources could then be redirected to higher priority areas.

Factors Affecting NEDC's Performance and Outcomes

What has NEDC accomplished in its first four years of operation? More detailed analysis later in this report indicates that NEDC can point to a number of accomplishments in raising the awareness of Nanaimo as a destination for tourists, businesses and residents through its marketing activities but less in the way of clearly attributable outcomes in expanding the economy.

Many cities struggle with validating the impacts of their development agency activities. Performance metrics for both economic and tourism development are typically a mix of rates of activity and broad outcome measures. Some examples are provided in Appendix A to this report. While rates of activity (which are under the control of the economic or tourism development agency) are frequent performance measures in annual reports, their impact on economic outcomes is not always clear. In fact, outcomes such as contributions to employment and GDP are the result of many factors that cannot usually be attributed to any one organization. However, development agencies often report on economic outcomes to illustrate general trends.

More recently the success of both economic and tourism development functions is measured not only by their contributions to expanding particular business sectors of the local economy but

also by their impact on strengthening the overall sustainability and well-being of a community. These broadly-based benefits tend to argue for some level of public support and funding in partnership with the private sector.

The degree of success of economic and tourism development functions, and often of the efforts applied, largely depends on two factors: what **assets** the community has to offer; and what **collaborative actions** the community is willing to undertake to attract and then to support and retain the businesses and tourists who arrive.

It is difficult to say definitively that Nanaimo's status as a 'go-to' place for business and tourism has risen substantially since NEDC was established. There is evidence that online travel advisory services are promoting Nanaimo as a tourist destination but this has not to-date resulted in notable new business for the region's hospitality sector or its convention business. More recently media momentum, spurred by NEDC, has begun to build around Nanaimo as the 'affordable backyard' of Vancouver for both businesses and new residents.

Advised Action. A coordinated strategy for both economic and tourism development that is focused on clear objectives would enable stakeholders to better understand NEDC's role and goals, and monitor its performance in contributing to Nanaimo's

economic health. In addition to a future strategy, development of an accountability plan would enable NEDC to assess performance relative to expectations in a structured way.

Factors Affecting NEDC's Relationships

There have been a number of reported missteps—some would call these failures—in NEDC's development of relationships with stakeholders and potential partners. Several of these missteps have resulted from insufficient engagement with stakeholders. Others may have been the result of poor understanding of the respective roles and governance responsibilities of NEDC and its stakeholders and partners. Some have resulted from interpersonal issues. Frequent turnover of CEOs who have come from outside the community has also hampered the development of longer-term relationships. And the degree of leadership to be provided by NEDC as a lead organization has been questioned, especially in relationships where authority and control are at issue.

Two of the key relationships of any economic and tourism development agency are with its key shareholders, the city and region, and with the business community at large. However, an independent agency is often seen more as an advocate for business and less as a part of a municipal regulatory body. This puts it in a position of potential conflicts if good relationships are not well maintained.

Advised Action. There is no doubt that strong organizational and individual relationships are essential to the success of NEDC. The responsibility for strengthening relationships starts with the NEDC Board and CEO, and requires building trust and credibility for NEDC as an organization and for its leadership and staff as individuals. Focus on collaborative working relationships and investment in frequent engagement with stakeholders is required. More open exchange with Council around the purpose and strategy of NEDC is also essential if NEDC is to build collaborative relationships with its shareholders and throughout the community.

Factors Affecting NEDC's Organizational Policies and Practices

Economic and tourism development have in the past been managed largely as separate functions. Increasingly, however, the development of the tourism economy is being recognized as a sub-sector of economic development, albeit with its own supplier and customer segments. Fully coordinated efforts at portraying a region consistently to all markets are seen to add

greater economic value than individual, fragmented efforts. In the case of Nanaimo the unified message is becoming one of accessibility and affordability and growing amenity.

The City of Nanaimo and region have been fortunate in bringing economic and tourism development together under 'one roof.' Many communities find this to be a difficult step because of competing interests among various business sectors who continue to believe that attracting and growing industrial firms is distinctly different from attracting tourism consumers.

However, having one voice, one unified brand message and one strategy for developing both the economy and tourism and also convention business is proving to be a best practice in many cities across North America. This is the case in Edmonton where economic development and tourism teams work together as divisions of the Edmonton Economic Development Corporation (EEDC) on overall strategy and specific projects. For example, EEDC finds that downtown redevelopment projects can be built to attract both new businesses and tourist visits.

More fundamental to NEDC's organizational structure is its establishment as an arm's length corporation, owned by the City but not governed by restrictive covenants. Under NEDC's articles of incorporation day-to-day control is

assigned to its directors, allowing a measure of confidentiality in discussions with new business prospects. Shareholder control is exercised through the vote of a Council-appointed representative and appointment of a Progress Board that includes the Mayor, two councillors and the City Manager to nominate NEDC board directors who are reappointed once a year by Council for up to 10 years.

Differing views over the desired degree of Council influence and control over economic development have led some cities to stay with an in-house model that provides greater opportunity for Council's influence. Arguments pro and con the two models are shown in Appendix B, drawn from a study for the City of Abbotsford. Of note is a December 2015 decision by the City of Abbotsford to adopt a "fusion" model that combines the key advantages of both an in-house and arm's-length model of economic development. This model will let Council set policies for an internal department to follow but will engage sector-specific advisory groups from the private sector.

Having created an arm's-length model, Nanaimo has also been fortunate in attracting a voluntary board of directors to NEDC that includes representatives from multiple sectors in the local economy as well as a First Nations representative and a voting City representative. Many traditional business sector organizations have directors drawn from relatively narrow fields such as retail, hospitality, real estate, or professional services.

The existence and continuing development of a strong multi-sector NEDC board can serve to grow local governance capability. Because the Nanaimo region has a fairly low critical mass of major businesses and institutions, opportunities for individuals to learn the skills of governance are fewer than in larger economic centres.

However, one of the first challenges of any new organization is to ensure effective governance structures and processes.

During its first four years there have been reports that NEDC has failed to follow some of the policies and procedures appropriate to its role as a municipally-funded agency. For example, financial scrutiny has uncovered instances of expense charges that did not comply with municipal rules. These were later addressed through adoption of new policies. Some of its decisions, such as the investment in SquareOne, have also been questioned about their advisability and extent of due diligence.

Nonetheless, a 2012 *Rethinking Nanaimo* document by the Greater Nanaimo Chamber of Commerce recommended that NEDC remain politically independent with an open and

transparent governance model. It also recommended that bylaws be reviewed regularly for their relevance and that there be engagement with stakeholders to enhance inclusive governance.

Advised Action. Ongoing board development to strengthen the effectiveness of governance processes and regular communication with Council will enable NEDC's multi-sector board directors to keep contributing their skills and experience to the health of the economy and the community as a whole.

BENCHMARKING—One structure and size does not fit all – Additional Details

Perspectives on Structure and Scale

Economic and tourism development are discretionary activities that depend on the ambitions of a community to grow and prosper. They are undertaken in varying ways and to varying degrees of success by cities across Canada.

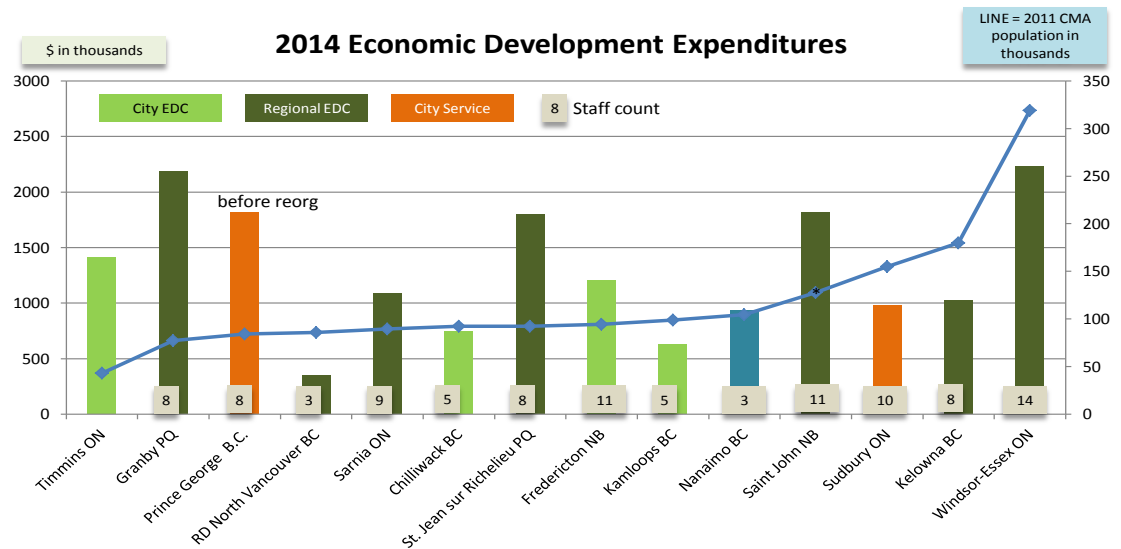
A 2009 Union of B.C. Municipalities survey found that the "majority of local governments rely on some combination of in-house delivery models, with approximately one-third of all local governments (35%) employing an (economic development officer)." However, given that B.C. has only nine metropolitan areas above 50,000 in population, with a corresponding low critical mass of businesses, the survey found that "in general, in-house models were considered more effective than arm's-length models," although only 16% of respondents said they had a separate economic development department.

The survey on balance concluded that "one size does not fit all. There is no single

best model for local economic development and there are a number of different options available to local governments."

Benchmarking with Mid-Size Cities across Canada

While business and tourism sectors in smaller cities often lack the critical mass to support independent organizations, data from a sample of mid-size cities across Canada (shown below and on the following page) indicate that independent organizations are becoming more common for both economic and tourism development in cities of size similar to Nanaimo. Not all mid-size cities are included since their data may not be segregated or publicly available.



These arm's-length organizations are funded to varying degrees by municipalities, regions, and in some cases by higher levels of government. They are governed and guided by largely private-sector boards of directors and are referred to as economic development organizations (EDOs) and destination marketing organizations (DMOs).

Comparing Expenditure Levels for Economic Development

The chart comparing EDOs on the previous page shows that there is no one consistent model for EDOs, although those that serve a region beyond the primary city tend to have higher budgets and staffing levels than those serving only a single city.

Nanaimo's economic development expenditures and staffing levels are shown for 2015 and include 50% of corporate costs as well as gross expenses for SquareOne.

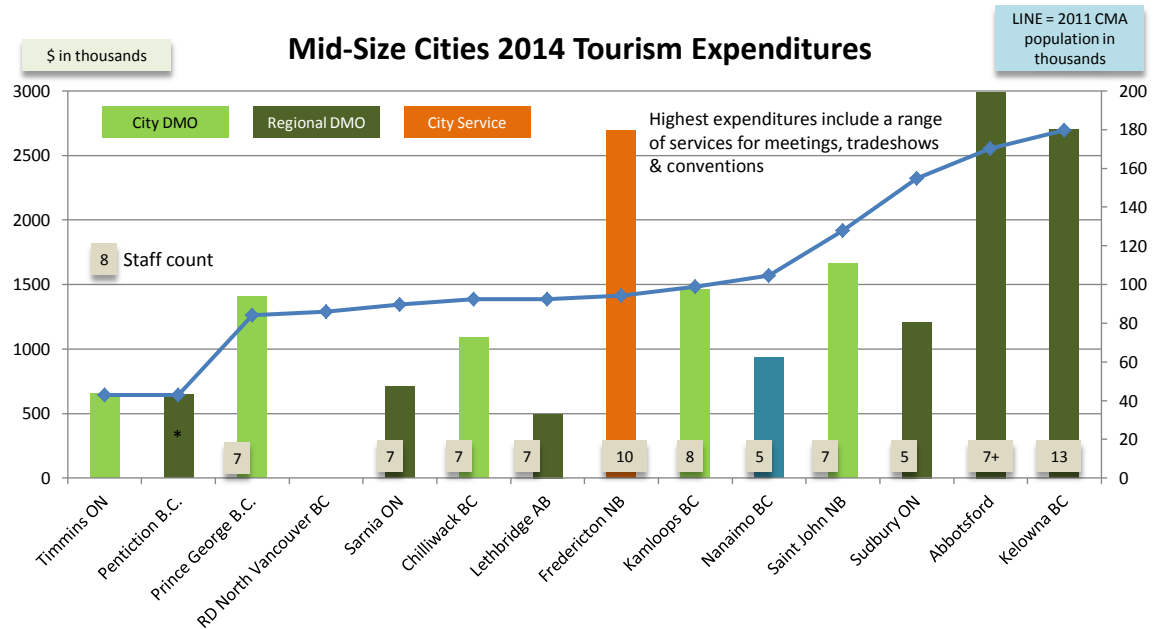
NEDC appears to be at a relatively average level of spending compared to the cities shown.

Note that not all mid-size cities are included since sourcing full data requires in-depth research.

Comparing Expenditure Levels for Tourism

Non-profit DMOs—either city-specific or regional—are the primary models for delivering tourism marketing and development services in mid-size cities across Canada, as shown below.

As with EDOs, there appears to be no consistent 'perfect' model for the scale and range of spending undertaken by DMOs. But annual spending and staffing levels in the comparative



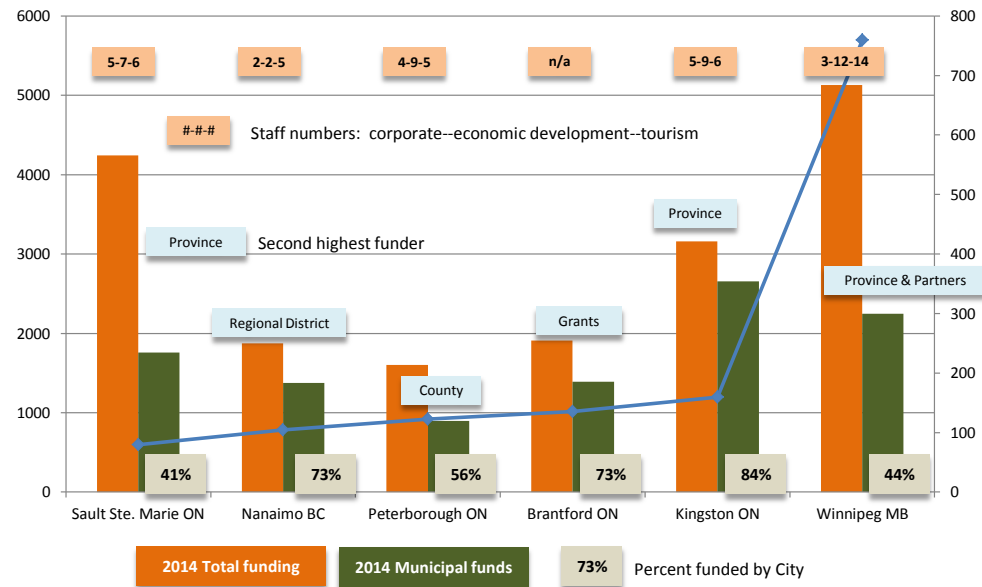
cities exceed in many cases those of Nanaimo. Once again Nanaimo's expenditures are for 2015 and include 50% of corporate costs.

Dual-Purpose EDO/DMOs

The difficulty of amalgamating existing independent EDO and DMO organizations with often divergent interests has hindered many cities in creating a consolidated economic/tourism development agency.

However, shown below are five such dual-purpose entities compared to NEDC. Here again NEDC's expenditures and staffing levels are roughly in line or lower than the similar-sized cities of Sault Ste. Marie, Peterborough, Brantford and Kingston, all in Ontario. Winnipeg's EDO/DMO is obviously on a higher scale—as is Edmonton which also supports a combined organization with tourism being a division of economic development.

Combined EDC & DMO: 2014 Expenditures



Selected B.C. Benchmarks

Further analysis of expenditures and funding for economic and tourism development in selected B.C. cities (shown on the following page) indicates that:

- NEDC's spend for economic development is similar to that of Kelowna's regional South Okanagan Economic Development Commission.
- Prince George's brought its economic development activities back into a municipal service in 2015 with estimated annual savings of \$500,000 in city funding, bringing its total economic development budget closer to that of Nanaimo.
- Regional participation in funding (Kelowna/North Vancouver/Chilliwack) helps to boost both economic & tourism budgets while reducing the proportion of funding from the primary city.
- NEDC relies heavily on City funding of tourism services in contrast to four of the benchmarked communities who benefit from receiving hotel tax revenues for general tourism marketing purposes.
- Tourism development in Nanaimo as a whole is now benefitting from hotel tax revenues (as previously described) but the additional funds are to be used for incremental sports & event programming as specified by the Nanaimo Hotel Association and will not be added to NEDC's discretionary revenues.

Comparative Funding of Economic & Tourism Development in Selected Cities in B.C.

Segregated data is not readily available for Port Coquitlam & Maple Ridge where functions are included in broad city departments.

B.C. Benchmarks Ranked by Total Spend	2014 Data for Economic Development			2014 Data for Tourism Development				Economic and Tourism Development Combined		
	Total Spend	City Funding	% from City	Total Spend	Hotel Tax Revenue	City Funding	% from City	Total Spend	City Funding	% from City
Kelowna *****	\$918.2	\$608.7	66%	\$2,700.0	\$344.4	\$1,400.0	52%	\$3,615.0	\$947.4	26%
Prince George	\$1,820.7 2015 est.	\$1,024.9 \$500.0	56%	\$1,404.7	\$790.3	\$327.0	23%	\$2,849.6	\$1,351.9	47%
Chilliwack	\$740.4 ****	\$550.0	74%	\$1,311.7	\$450.4	\$181.1	8%	\$2,525.1	\$1,000.4	40%
Nanaimo 2015 data	\$935.2 *	\$541.0 **	58%	\$937.1 *	***	\$834.5 **	89%	\$1,872.3 **	\$1,375.5	78%
Kamloops	\$629.1	\$573.7	91%	\$1,462.8	\$363.5	\$1,009.6	69%	\$1,529.3	\$610.1	40%
North Vancouver	\$350.0 *****	\$140.0 *****	40%	n/a	n/a					

* Figures include 50% allocation of NEDC corporate/administrative expenses to each development function.

** Contribution from the City of Nanaimo to Tourism is imputed by subtracting tourism revenues from total tourism spending. The City's contribution to Economic Development is then imputed by subtracting its imputed contribution to tourism from total City funding for NEDC. A deficit of \$124,911 was incurred in 2015.

*** The MRDT (hotel tax) agreement with the City does not add to NEDC revenue.

****Excluding land corporation data: property development revenue of \$9.5 million in 2014 and rent revenue of \$473,000.

*****A 3-year \$1.05 million program is funded 20% each by the City and Regional District of N. Vancouver.

***** Excludes \$110,000 spending for Kelowna film commission.

Nanaimo's Tourism Funding Commitment

It is noteworthy that, for the term of a five year period beginning in January 2015, the City of Nanaimo has agreed with the Nanaimo Hotel Association (NHA) to continue to allocate a minimum annual amount of \$570,000 to NEDC (or its successor) specifically to enhance the tourism appeal of the city and support growth of its tourism industry. This commitment backs up NHA's application for a 2% Municipal and Regional District Hotel Room Tax (MRDT) which is expected to add over \$300,000 per year in additional support to Nanaimo's tourism sector outside of NEDC's budget. The City of Nanaimo also provides other grants to tourism and sports programs that fall outside of funding of NEDC's operating budget. In 2015 these amounted to more than \$100,000 and are referred to in Appendix 18.

ECONOMIC & TOURISM ACTIVITIES OF NEDC – A diversified mix of initiatives

Only a brief illustrative overview of NEDC’s activities to-date is included in this report.

Economic Development

New Business Recruitment

- Businesses attracted
 - Tilray plant in 2014—135 staff in 2016
 - FedEx daily flight service in 2014
 - Helijet seasonal service in 2014
- Research and communications
 - Business sector profiles/articles
 - Economic data & impact studies
- Entrepreneur & startup support
 - 28 SquareOne incubator spaces
- Media coverage
 - Feb. 2016 article: *Vancouver Island’s hinterland attracts refugees desperate to buy a family home*
 - *Business in Nanaimo* publication distributed with Globe and Mail
 - Media attention on SquareOne

Existing Business Support & Expansion

- Local inquiries & support services
- Community capacity building
 - Multi-sector partnerships, e.g. with Vancouver Island University and Nanaimo Airport
- Business sector forums/workshops
 - 8 forums in 2014 and 3 in 2015
 - Conference Board *Western Business Outlook* in 2016

Tourism Development

- Marketing Campaigns and Media Coverage
 - Marketing campaigns to grow awareness (focus on short haul markets in B.C., Alberta, Seattle markets): 3 multi-media targeted campaigns planned for 2016
 - Among top 2015 media picks for ‘must visit’ and ‘best value’
 - 30+ travel features; 14 media hosted in 2015, yielding positive print features
 - Liaison/support to the travel trade in key markets
- Destination Development
 - Collaboration on sports and event bids, and support when taking place
 - Assistance with local new product development and promotion
 - Stakeholder programs
- Grant Program Administration
 - Sport program grants: \$20,000 in City grant funding; grants to 25 distinct events
 - Awarded Tourism Development Fund to 20 projects in 2014-15; restructured for 2016
 - Administering Municipal and Regional District Tax (MRDT) grants program on a year-to-year basis
- Tourist Visitor Servicing—Visitor Centre, Information Kiosk and Street Team
 - Visitors in 2015: **24,847**, boosted by location move & volunteer Street Team pilot project
 - Visitor servicing at the cruise ship terminal and 6 events and 3 conferences in 2015
 - Volunteer/ambassador programs; in-market visitor experience surveys
 - Tourism publications: brochures, map, banner ads, visitor guide
- Social Media Activity in 2015
 - Twitter 28% increase; Facebook 40% increase; LinkedIn 39% increase
 - #ExploreNanaimo campaign activity shown below.

Social Media Activity	2015 followers	New in 2015	Change in 2015
Facebook	6,379	825	15%
Twitter	8,671	687	9%
Instagram	2,659	1,279	93%
Website 2015 Activity	Total visitors	Unique visitors	Passport downloads
	8,641	7,294	1,462

ECONOMIC AND TOURISM DEVELOPMENT OUTCOMES FOR NANAIMO – Impacts are often difficult to validate

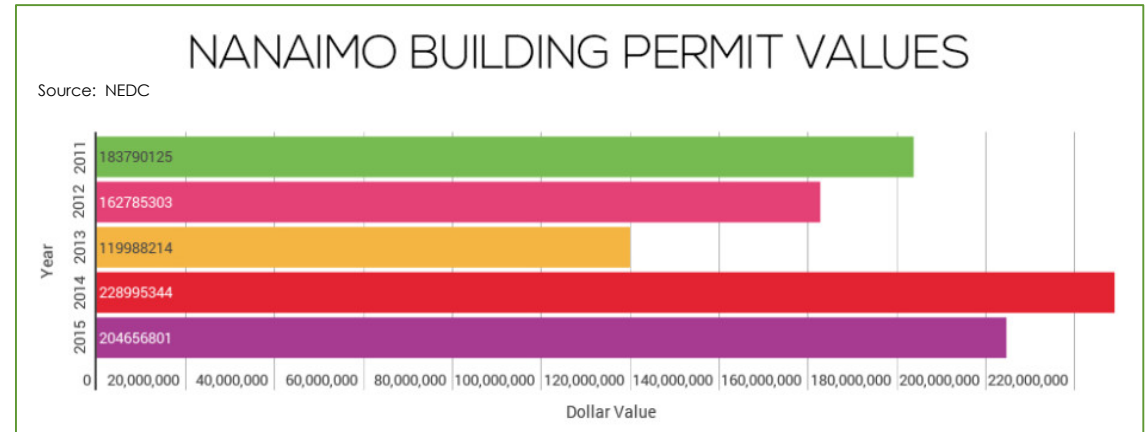
Impact of NEDC on Economic Development

It is difficult in most cases to attribute change in Nanaimo’s overall economic profile directly to specific NEDC activities over the past four years. However, NEDC has carried out a number of economic impact studies—in 2013 on the tourism and technology sectors and in 2015 on the opening in Nanaimo of the Tilray medical cannabis facility—showing the multiple benefits of growth in these areas. More recent business developments are highlighted in NEDC’s current Business in Nanaimo magazine with commentary on economic and job creation impacts.

In general, growth in GDP, employment and building permits has occurred since the start of this decade.

- Nanaimo’s GDP has grown by 8.3% from 2010 to 2014, primarily driven by health care, transportation and warehousing, educational services and business services.
- In mid-2012, employment levels began rising and this trend continued into 2015. Nanaimo has ranked 1st or 2nd in employment growth over this period compared to similar-sized B.C. cities. Approximately 40% of Nanaimo’s population is employed.
- The value of building permits in 2015 was \$205 million, above previous levels

but below a high of \$229 million in 2014. About 75% of the value is from residential permits. Compared to similar-sized B.C. cities, Nanaimo ranked first in building permit growth rates for 2014.



- Taxes paid by property owners with gross taxes over \$250,000 increased 19% from \$22.5 to \$26.8 million over the 2011 to 2014 period.
- Growth in the number of business incorporations has increased notably in 2014 and 2015 in the Regional District of Nanaimo and in the City. Comparative data for BC also shows a slight upward trend. However, 2014 and 2015 City numbers are below the peak of 790 incorporations in 2007 which then fell off in subsequent years.

BUSINESS INCORORATIONS	2010	2011	2012	2013	2014	2015
British Columbia	30,305	30,853	31,066	32,225	34,951	37,934
Regional District of Nanaimo	610	623	613	610	722	747
City of Nanaimo	420	385	369	386	481	528
Nanaimo City Share of B.C.	1.4%	1.2%	1.2%	1.2%	1.4%	1.4%

Source: B.C. Statistics

Impact of NEDC on Tourism Development

Overall, significant change since 2012 in Nanaimo's tourism economy cannot be directly attributed to specific activities by NEDC's *Tourism Nanaimo*. However, growth in key tourism-related areas, such as hotel occupancy and airport passenger volume, has occurred over the past four years as shown to the right. Other observations include:

- In 2014 business license data from the City of Nanaimo indicates that there were 324 businesses in the tourism-related accommodation & food service sectors in Nanaimo, an increase of 10 from 314 in 2010. These accounted for 5.42% of all businesses.
- Data on Tourism Information Centre visitors and Convention Delegate days indicates varied levels of growth.

	Visits to Tourism Info Centre	VICC Delegate Days
2015	24,847	23,488
2014	21,078	19,895
2013	20,422	19,535
2012	n/a	27,811
% change 2013-2015	21.7%	20.2%

Source: NEDC

- Hotel occupancy in Nanaimo compares favorably with Kelowna & Kamloops but is below that of Prince George & Victoria. 2015 saw an increase in Nanaimo's occupancy rate.

Hotel Occupancy Rate	2015	2014	2013	2012
Greater Victoria	68.9%	67.4%	67.5%	62.2%
Prince George	67.2%	70.0%	68.4%	58.4%
Kelowna	60.9%	58.0%	56.6%	52.3%
Nanaimo	60.1%	58.3%	58.2%	54.1%
Kamloops	54.0%	55.0%	61.5%	57.7%

Source: Destination B.C.

- Travel statistics show a steady increase in Nanaimo airport's passenger volume compared to more consistent levels in comparative cities.

Airport Passenger Volume	2015	2014	2013	2012
Kelowna	1,444,583	1,602,153	1,489,083	1,441,132
Prince George	430,044	445,929	426,709	418,589
Comox	321,014	318,521	313,186	327,908
Kamloops	292,582	312,895	290,394	275,424
Nanaimo	283,268	270,440	225,251	186,665
Seaplane passengers		148,831	153,157	150,756

Source: Destination B.C. and Nanaimo Port Authority

- Attraction of cruise ships and convention delegates remains below potential. Cruise ship passenger volume continues to be small.

Nanaimo	2015	2014	2013	2012
Cruise Ship Revenue Passengers	5,326 (3 ships)	5,390 (3 ships)	12,382 (2 ships)	9,222 (small cruisers)

Source: Destination B.C.

- B.C. Ferry traffic has been relatively consistent in recent years except for a drop-off in passengers arriving at and departing Departure Bay.

Ferry Vehicles & Passengers (million)	y/e March 2016 to end of Feb 2016	y/e March 2015	y/e March 2014	y/e March 2013
Horseshoe Bay to Departure Bay				
Vehicles	1.113	1.156	1.170	1.173
Passengers	3.144	3.286	3.310	3.340
Tsawwassen to Duke Point				
Vehicles	.564	.610	.593	.597
Passengers	1.367	1.393	1.375	1.396

Source: B.C. Ferries

OVERALL OBSERVATIONS - An organization still in a development stage

Financial Dependence

NEDC's overall budget of \$1.375 million is generally in line with comparable mid-size cities. However, while NEDC remains largely dependent of City funding, it is common in other mid-size cities for a larger portion of the tourism marketing budget to be funded either by the tourism sector through a hotel tax or by senior levels of government.

Performance

Over the four years of its active operation, NEDC has carried out the customary basic functions delivered in mid-size cities across Canada. Nonetheless, it is difficult to link specific NEDC activities to significant positive impacts on the local economy, with a few key exceptions. Also, factors such as relationship and policy issues and high CEO turnover have contributed to poor perceptions of NEDC's performance among some stakeholders.

Mandate and Governance

NEDC operates as an arm's-length, community-governed organization dedicated to its mandate of supporting the economic health of Nanaimo and region. However, the scope and priority of its activities do not appear to be well defined with its stakeholders.

NEDC Strengths, Weaknesses, Threats and Opportunities

Strengths	Opportunities to build on strengths
Dual focus on economic & tourism development	Ensure a well-coordinated and focused strategy
An independent board of community leaders	Build trust in a community-led organization
Consultation with business on their needs	Strengthen capability to consult & engage
Basic contributions to economic growth	Clearly define the mandate & role of NEDC
Regional participation	Engage a wider groups of communities & partners
Costs & activities similar to other mid-size cities	Focus better on outcomes & innovative strategies

Weaknesses	Opportunities to address weaknesses
Inherited, diversified mix of activities	Develop a strategic plan with clear focus & priorities
Unclear impact of activities on economy	Agree on an accountability framework
High turnover in executive leadership	Raise transparency & accountability of new CEO
Limited relationship with City and Council, focused mainly on an AGM and annual report	Agree on improved process for interactive dialogue and diligent reporting to Council & the community
Strained relationships with key community partners	Start a new dialogue
High comparative ratio of public support for tourism	Develop a plan for greater tourism sector support
Issues & absence of internal financial & HR support	Access expertise and systems
Terms and costs of SquareOne initiative	Review options for NEDC's future participation
Ambiguous role in convention & event attraction	Define NEDC's role & resources in this area

Threats/Risks	Opportunities to address threats & risks
A highly competitive global business and tourist destination marketing environment	Develop a community plan for enhancing Nanaimo & its region as a destination for visitors & businesses
Lack of confidence in NEDC & its Board	Hold NEDC accountable to a future strategic plan
Cuts in public sector funding	Build a case for private sector support
Limited capacity within business sectors to increase funding support for NEDC	Consult with business community on priority areas for partnerships
Technology/regulatory/social impacts on future of existing and start-up businesses	Be more innovative in support programs; e.g. updates on the collaborative/sharing economy
Low critical mass within newer business sectors	Expand interactive support systems in growth sectors
Disagreement on how to develop Nanaimo's infrastructure and land base to support future economic & tourism development	Agree on leadership and respective roles of key players in the development process, including the City, NEDC & industry/community organizations
Putting Nanaimo "on the map" is more of a task than NEDC alone can handle	Establish partnerships and collaborative agreements in the context of a community plan

CONCLUSIONS OF THE CORE REVIEW OF NEDC—A Need for Greater Clarity and Priority

Suitability of Structure

NEDC has had a number of challenges and difficulties over its first four years of operation. While the model for NEDC is a best practice, there need to be improvements in how the work gets done, communication to stakeholders, and its relationship with the municipality. The structural choice is between improving performance under the present model, or considering a different option. The possibilities include:

- **Retain the NEDC model and improve execution of its priority functions**
- **Bring both economic and tourism development back in-house as municipal services**
- **Separate the economic and tourism development functions under different models of governance and operation.**

The current model is intended to combine strengths in **marketing** with facilitation of **development** projects to attract and retain both businesses and tourists. An in-house model, where economic development is a municipal service, typically is better in **service delivery**, for example in expediting new business entry and land development. Pros and cons of the different models are outlined in Appendix B.

Our research and review of comparable organizations indicates that an independent, non-profit and community-governed organization is a 'best practice' for economic and tourism development in a Canadian community of the size and stage of development of Nanaimo.

When executed successfully, this type of arm's-length, community-governed organization enables greater representation, engagement, and contribution of the business community in development of all sectors of the economy. However, open communication and a mutually respectful relationship between the independent organization and the municipality are of paramount importance.

We recognize that the inability of NEDC to earn the full trust of the Nanaimo Council and administration is having an impact on the future delivery of both economic and tourism development functions.

The option of returning economic and tourism development functions back into a municipal service model (in whole or in part) may provide more immediate access to municipal policy makers and service departments but also has costs and risks associated with it. These may include the risks of community disengagement, loss of some expertise, in-house competition among municipal departments for resources, and a change in focus to providing responsive services but being less proactive in marketing and new business development.

We also recognize that tourism development, which is highly marketing-oriented, could once again be separated from economic development. However, there are several successful dual-purpose models from which NEDC can draw lessons, and leading practices promote coordination even when delivery is through separate organizations.

Recommendation on Structure

We recommend that NEDC should continue in its present structure, but with much stronger planning and accountability measures.

Success Factors for NEDC in Future, drawn from Best Practices

A key priority for NEDC will be to regain the trust and confidence of its shareholder. To be successful in the future, NEDC needs:

- **A clearly-stated mandate and scope of activity that is understood by all stakeholders**
 - The purposes and areas of focus set out for NEDC in 2011 and 2012 need to be prioritized and resourced for changing conditions. This requires agreement and regular review between the NEDC Board and Council. Preferably this should include agreement on a new strategic plan for NEDC for the next 3 to 5 years, and annual NEDC business plans in support of its strategic priorities.
- **A supportive community and Council**
 - Support from Council can best be provided through regular reviews of strategic priorities and of the role of NEDC in partnering on economic and tourism development.
 - It will also be important to coordinate the efforts of surrounding communities. NEDC now provides services for the Regional District of Nanaimo and cooperates on tourism marketing with other Vancouver Island communities. A larger area for cooperation could be considered in the future but should ensure continued support for local interests.
- **Sufficient funding, diversity of funding and exceptional management of the funds**
 - NEDC is sufficiently funded for carrying out, with reasonable expectation of success, the core customary functions of an economic and tourism development organization. If, however, broader functions are desired—examples could include one-stop servicing of film productions, dedicated convention marketing and leadership in land development—more resources may be needed.
 - While total current NEDC funding is not out of line with other mid-size cities, NEDC is more dependent on City funding than several comparable organizations. NEDC should work towards diversifying its revenue base to include non-municipal sources.
 - A zero-based budget review of NEDC's efficiency and effectiveness in using its existing funds is beyond the scope of this review but would be beneficial in helping to prioritize its activities and spending in the context of local needs.
- **Competent, professional practitioners and competent, knowledgeable board**
 - An independent economic and tourism development organization is seen by many municipalities as beneficial in building and improving local leadership and commitment.
 - Nanaimo's City Council follows general good practices for Board development by ratifying director appointments on an annual basis on the recommendation of a Progress Board. Leadership capability and dedication should continue to be important in Board director selection.
 - The Board of NEDC is accountable for CEO selection and performance review. This is agreed to be good governance practice but can be enhanced by soliciting Council input on performance goals.
- **Strong partnerships within the community**
 - This is one of the most important success factors for an economic and tourism development organization. However, experience in other jurisdictions indicates that bringing together a diversity of local interests can be difficult, and it has been so in a number of cases for NEDC. Regular, open review of progress and/or issues in this area with City Council and administration is considered to be a good practice.
- **Acknowledgement of obstacles to be overcome and a plan to overcome them**
 - Even best practice models have their constraints and face community obstacles. Rather than focusing only on the 'wins,' learning from the 'losses' is often beneficial.
 - Keeping abreast of issues and obstacles facing economic development staff also facilitates early attention to areas requiring special attention or further investigation.

- **Effective accountability mechanisms that tie performance measures to strategic goals**
 - Agreement on an effective and potentially innovative accountability process is critical to the future success of organizations such as NEDC and is required for transparency and good governance. An accountability framework will enable regular monitoring and adjustment of strategies to changing conditions.
 - Best practices recognize that performance measures for economic and tourism development organizations should focus on outcomes, such as jobs created, but also recognize the value of measuring the contribution the organization makes toward development objectives that are influenced by various factors.

Recommendation on Funding

With respect to future City funding of NEDC, we propose two options:

1. **Make the City level of NEDC funding beyond 2017 contingent on a new five-year strategic and accountability plan for NEDC and development of the overall Nanaimo economy**
 - This option delays decisions about funding but addresses the future role, direction and capacity of NEDC in developing the local economy.
 - NEDC has been guided to-date by an economic development strategy developed in 2011 and by a tourism strategy developed in 2012. At the same time, the City's strategic plan, developed in 2012 with extensive community consultation, has provided guidance through its focus on waterfront and transportation enhancement.
 - Nonetheless, it is now almost 5 years since the role of NEDC in the overall enhancement of the City and region's economic health has been strategically reviewed, taking into account all sectors of the economy and competitive conditions.
2. **Reduce the City's grant to NEDC over 3 years beginning in 2017 while encouraging greater external funding**
 - This option can provide the City with a budgeted schedule of savings and, over time, may encourage greater private sector funding of NEDC projects and operations.
 - Any sudden reduction in City funding may signal loss of confidence in the NEDC concept and could risk waning of community support and board commitment. A reduction in scale of resources could also affect capability and discourage alternative sources of support.

We recommend that Option One is the preferred option for ensuring that NEDC can be an effective arm's-length community-focused organization.

Option One calls for a new strategic plan for NEDC.

Development of the strategic plan is expected to require funding beyond the current revenue sources for NEDC. Supportive funding for this project should therefore be sought from senior levels of government and from the business community.

Should capacity and funding for renewal of NEDC's strategic plan not be available, a more focused annual business planning process is recommended with in-depth City Council review each year of a key existing or proposed new purpose (such as business retention and expansion or support to emerging economic sectors). This would enable more comprehensive discussion of the role that NEDC can play in delivering on its strategic purposes and future goals.

A new strategic plan is preferred as a next step toward agreement on future funding as it would enable:

- Integration of diverse business sector interests and City strategic objectives into economic objectives to guide NEDC's future direction and its future activities in support of both existing and emerging businesses
- Comprehensive review of NEDC's future role in furthering the overall economic health of the community relative to other local organizations—including where it would lead, partner or support development of new opportunities
- Focused and sequenced prioritization of NEDC objectives and activities within the constraints of budgets, timing and capability
- Review of opportunities to weave together classic economic and tourism development approaches with bold, contemporary strategies
- Agreement on an accountability plan and transparent performance review process linked to strategic goals
- Review of key targets for diversified, alternative sources of partnerships and funding
- Agreement on the role that Nanaimo will play within the whole B.C. coastal economic zone to complement growth in the larger urban centres of Metro Vancouver and Victoria.

NEDC APPENDIX A: EXAMPLES OF MEASURES OF PERFORMANCE

The following are a few examples of measures of success of economic and tourism development agencies, drawn from a random range of research. There is no single municipality that we have identified that stands out as an unquestioned 'best practice' in terms of a model for measuring the performance of their economic and tourism development efforts.

The metrics shown below in alphabetic order measure, for the most part, outcomes such as total number of jobs created, but also levels of activity such as the number of visitor inquiries processed or meetings held with business prospects. In addition to numerical performance tracking, testimonials (examples of success that encourage others) and surveys of satisfaction about the scope and quality of influence of an organization are used by many municipalities to add further validation of the impact of their economic and tourism development services.

As a best practice, measures of success need to be tailored to the circumstances of each city or region to make them more meaningful to the goals and objectives articulated in each individual city's strategic plan. For example, the *Nanaimo 2011 Economic Development Strategy* report suggested performance measures for the economic development priorities that were outlined for the City in that report.

TOP TEN MEASURES USED IN CANADIAN ECONOMIC DEVELOPMENT	VANCOUVER BC ECONOMIC DEVELOPMENT	WINNIPEG MB ECONOMIC DEVELOPMENT & TOURISM	OTTAWA ON TOURISM	HALIFAX NS ECONOMIC DEVELOPMENT
Building permits—commercial	Number of companies by size	Businesses attracted, launched, expanded, retained	Convention room nights	Access to broadband
Building permits--industrial	Number of 'green' companies	Business investment files	Event room nights	Brand recognition
Business closures	Number of companies/jobs/ investment attracted to city	Capacity development meetings & projects	Hotel rooms sold by origin	Business confidence
Inquiries received	Number of creative jobs	Investor contributions	Hotel rooms sold by rate type	Decision times for major projects
Jobs created full time	Number of employment-related immigrants	Jobs created and/or retained	Media visits and media reps	Income and quality of labour force
New business investment attracted	Number of green jobs	Economic performance & tourism economy statistics	Overnight hotel occupancy	Jobs and unemployment
New businesses opened	Number of startups	Marketing & communications analytics	Overnight leisure stays	Public & private investment levels
Population	Personal income per capita	Media relations—number of stories & value of media	Social media followers	Research and incubation space
Unemployment rate	Total number of jobs	New investment attracted	Travel trade leads and sales calls	Room nights sold
Workforce	Total value of commercial & industrial assessment	Tourism partnership statistics	Website visits—total and unique	Tax base
Source: Economic Developers Association of Canada		Visitor service statistics		

Perspective on metrics from reviews of best practices

One study in Ontario notes that its attempts to measure differences in performance between the two models [in-house and external] encountered two problems. “The first is attribution. There are flaws in attributing progress in a local economy to a particular organization, let alone to its service delivery model. The second is inconsistency in the use of indicators. In the field of economic development, there are no universal standards for key performance indicators or data sources although professional associations such as the Economic Developers Association of Canada and Economic Development Council of Ontario are encouraging the use of these indicators. Responses from participants in this study indicated that external corporations had performance indicators more readily available.” Source: *Comparing economic development corporation and internal department models: Service delivery in Southern Ontario* prepared by Paul Parker and Evonne Donaher, School of Environment, Enterprise & Development, University of Waterloo, Waterloo, Ontario, 2012.

A project undertaken for the U.S.-based *International Economic Development Council* (IEDC) to develop a comprehensive set of metrics for high-performing EDOs acknowledged the challenges of EDO performance measurement. In IEDC's 2013 report titled, *Making It Count*, the study noted that: “jobs is a frequently used metric, but it is also problematic because it doesn't truly measure an EDO's performance.” The study also concluded that there is no “standard” set of metrics.

In reviewing best practices, the IEDC Metric Task Force proposed four categories of metrics—categories that could assist DMOs as well as EDOs in measuring performance:

- **Internal metrics** that measure activities that help an EDO conduct its business as an organization (e.g. diversity of funding from various sources)
- **Program metrics** that measure performance on the EDOs functions (e.g. business expansion and retention metrics)
- **Relationship management metrics** that measure efforts made by EDOs to build and strengthen relationships with internal and external stakeholders (e.g. communications activities, depth of involvement with key partners)
- **Community metrics** that measure the well-being of the community, which EDOs may have limited control over but which may track developments in the community and help to identify community needs (e.g. demographic makeup, airport passengers, museum visits, etc.)

In addition, the IEDC study suggested that EDO metrics could be considered at several levels of importance: **core metrics** that are most relevant to the EDO based on its community's economic challenges and the community's strategic development plan; **important metrics** that may be better indicators of outcomes but require greater resources to assemble; **bonus metrics** which are mission-specific and/or linked to the EDOs strategic plan but may require special effort to collect; and **fringe metrics** that are innovative but are not commonly used (e.g. new markets opened for existing businesses, educational opportunities for entrepreneurs, number of jobs filled by college graduates).

In general the study recommended that the EDO begin its development of metrics with its strategic plan, that it start small, get buy-in from stakeholders, make some metrics temporary and take credit responsibly for its achievements.

Reference: <http://www.iedconline.org/book-store/edrp-reports/making-it-count-metrics-for-high-performing-edos/>

NEDC APPENDIX B: Topics to Consider when Selecting a Model for Economic Development

Relationship with Business Community

In-House Model	Arm's-Length Model
Enables coordinated services	Economic development staff are viewed more as an advocate for business, and less as part of the regulatory body.
Provides business community with direct access to the decision-makers	Greater assurance of privacy and confidentiality
Subject to Freedom of Information requests so great care is required to maintain confidential information	Maintaining an office outside of local government (even if economic developer is still directly employed by local government) enhances relationship with business community

Relationship with Council & City Departments

In-House Model	Arm's-Length Model
Proximity to other local government departments enhances information sharing and coordination of activities	Physical separation of economic development office creates communication challenges
Allows greater opportunity for political influence and control over economic development activities.	Could possibly lead to a sense of disconnect and consequently a loss of political support for the economic development organization
Enables economic developers to exert greater influence on the direction of local government policy	Separation from Council control reduces influence of politics on decision-making

Finances

In-House Model	Arm's-Length Model
Overhead costs are absorbed within government budgets	May have greater access to non-traditional sources of funding through partnerships, sponsorships, for-profit ventures, etc.
Ability to cover financial overruns by savings in other departments and, on the other side, financial savings may fund overruns by other departments	Some funding programs are not available to municipalities but are available to non-profit corporations. Municipal funding clearly sets who the economic development office is accountable to.
Financial statements would be generated through the City's Finance department	The set-up (or disposal) costs of an external corporation could be quite significant. For example, legal fees, office furniture, computers, printers, phone system, etc.
	An arm's-length corporation would have to pay for rent, utilities, phone and internet, insurance and auditing fees, tec.

Administration

In-House Model	Arm's-Length Model
Having access to all areas of local government can ensure that economic development remains a top-of-mind issues and is considered in all other areas of government	This model would require the economic development director to spend more time on administrative functions as opposed to the core function of economic development
Involving the economic development director in excessive meetings and issues detracts from the economic development function	Flexibility is enhanced by having non-union staff. Contract labour can be moved in and out as project demands change
Requirement for senior staff and Council approvals increase time and effort required to respond quickly to business demands (e.g. making an unscheduled out-of-town trip to meet a client)	

Source: Abbotsford Council Report Attachment F to COR 20-2015, March 16, 2015, File No. 6750-01—Discussion Paper on Economic Development Models

Comparison of Models for Delivery of Economic Development Functions

	PRIVATE	PUBLIC	PUBLIC/PRIVATE
Examples of Organizations	chambers of commerce, industry associations, business district improvement associations; may include independent agencies	units of local government (departments and programs)—in-house model	economic development organizations—external or joint model
Funding Sources	typically membership dues, but some receive government grants and investment funds	government funding as part of municipal operating budget; typically not reflected in separate economic development budgets; less expectation for sourcing additional funds	base budget typically funded through grants from the municipalities they represent, augmented by other sources including private sector and senior government support
Cost Factors	responsible for all costs as reported in annual reports; independent staffing	integration with city administration and collective labour agreements; expenses typically absorbed in corporate services or other city department budget lines	typically responsible for all mandate and operating costs as reported in formal annual reports; staffing is independent but may be part of municipal collective agreements
Legal Form	non-profit	government department or agency	non-profit
Governing Body	board of directors elected by membership, with financial and decision-making authority	formally governed by mayor and city council; typically reports administratively to CAO	elected and appointed individuals, with financial and decision-making authority
Representation	speaks effectively on interests of the business sectors it represents	speaks effectively on community and public sector interests	structure can allow input from all sectors of community
Boundaries	not restricted by political boundaries—open to multi-jurisdictional participation	bounded by jurisdiction but may cooperate with other jurisdictions	not restricted by political boundaries—open to multi-jurisdictional participation
Structural Advantages	structure allows confidentiality on important issues (e.g. identity of prospects); flexibility in mandates and independence of government control	alignment with Council and access to policy makers; close communication with other municipal services and with community planning initiatives	structure allows confidentiality on important issues (e.g. identity of prospects) and arm's-length operation separate from the political process; however, mandates are typically jointly-set with local government
Activity Focus	effective as a networking and marketing model and as a lobby group for policy changes; can be involved in development projects and community improvement	Effective as a service and infrastructure provider (e.g. building permits, business licenses, roads, sewers, water lines); also provides direct access to incentives (tax abatement, grants, etc.)	no standardized functions but mostly focused on enhancing existing business and attracting new business; effective as a marketing model and catalyst for business development projects; can provide services or facilitate access to services
Typical Application	a form of business network, governed by the interests of members but may include: building attractive communities, ensuring community advancement via a pro-business climate, promoting the community, representing the voice of the business community, and reducing transactional friction by maintaining a network	this model is typically employed in established municipalities with ageing infrastructure and a historic reliance on traditional industries to ensure strong connections between the associated planning, public works, engineering and other municipal departments	these corporations usually perform optimally when a) they are located in newer, suburban growth type cities with a large land supply and new economy type businesses; and b) they are able to rely on a separate group of dedicated municipal staff mandated to deal with other development issues as their main priority
Partnerships	may partner with either other model	More prone to inter-government partnering	more partnering with business-sector groups
Risks	emphasis on sectorial interests	emphasis on procedural accountability which can reduce flexibility and limit scope	driven by alternate goals than are not aligned with political or community interests

Sources: *A Comparative Review of Economic Development Service Delivery Costs* prepared by Amer & Associates for Kingston Economic Development Corporation, July 2015; *The Evolution of Local Economic Development in Canada—A Policy Brief* prepared by Lochaven Management Consultants Ltd. for the Federation of Canadian Municipalities, 2011; *Comparing economic development corporation and internal department models: Service delivery in Southern Ontario* prepared by Paul Parker and Evonne Donaher, School of Environment, Enterprise & Development, University of Waterloo, Waterloo, ON. 2012; WMC

APPENDIX 21 – Downtown Nanaimo Business Improvement Association (DNBIA)

Creation of BIAs in BC

Sections 211 to 215 of the Community Charter permits the creation of BIAs through a petition for a local service area and imposition of a local service tax for the service. Property owners or Council may initiate petitions. Those done under Council's initiatives are subject to a petition *against* process. For the BIA to succeed, less than 50% of the property owners in the service area, representing less than 50% of the assessed value must petition against the initiative.

Benefits of BIAs

Successful BIAs have transformed some areas of some cities, not only bringing benefits to local businesses and property owners but also to the community at large through increased property taxes, tourism, safety, preservation and renewal of historic properties and a more enjoyable environment in which residents can live shop, eat, be entertained and work safely.

Typical Activities of BIAs

Alone, or with the help of a city, typical activities include:

- Street clean up (remove graffiti, needles, sweep, light)
- Safety (patrols, closures)
- Beautification (parklets, trees and flowers, facade restoration)
- Amenities added (public gathering places, toilets)
- Event/festival organization and funding (farmers markets, live entertainment)
- Member benefits (advertising discounts)
- Special offers and discounts to tourists
- Free/discount parking
- Marketing (area marketing and promotion. Work with local tourism agencies to promote city)
- Attracting new business
- Advocacy on behalf of members

DNBIA Area of Operations

The DNBIA covers a large area. The overall boundaries of the DNBIA are approximately from the Waterfront to Comox to Milton to Fry. BIA 2 is entirely surrounded by BIA1 (see Appendix 4: Map). Steep hills and Terminal Avenue, "The Trench" divide the two BIAs that make up the DNBIA. BIA 2 is more compact, and is surrounded by BIA1. There are some destination businesses in both areas. (A destination business is defined as a business that can attract customers from considerable distances regardless of its immediate surroundings). In BIA 1 destination businesses, such as Hartmanns and the Harbour Chandler, are relatively remote with few close neighbouring businesses. The main concentration of business is in Port Place,

Commercial Street and closely adjacent areas, including parts close to the harbour. In BIA 2 destination businesses, such as McLeans and Damsels, are surrounded by other businesses and give the feeling of a distinct community.

The construction of The VICC, Diana Krall Square and façade restoration have resulted in significant improvement in the core of BIA1. There remains a need to upgrade the appearance, nature and amount of business in other areas especially along Terminal Avenue, the main entry into down town.

In summary, the DN BIA has a difficult area to upgrade, although one that has substantial potential, especially given its location along the waterfront

Comparative Data on other BC BIAs

	Kelowna	Kamloops	Maple Ridge	Prince George	Chilliwack	Port Coquitlam	Nanaimo
Levy 2015 \$000	\$804	\$209	\$208	\$226	\$300	\$179	\$229
Annual % increase	3	NA	NA	3	1.5	1.7	1.5
Government Other \$000	\$94	\$143	NA	\$124	70	NA	\$229 \$110
Total \$000	\$899	\$351	\$391	\$350	\$370	NA	\$568*
Assessment							
Members Property Business	443 783	250 850	300 700	250 500	240 300-350	NA	300 700
Date of Inc.	Nov 1989	2002	2006	1999	1995	NA	1988
Staff number	5	2 + ambassadors	5	2	4 + security co	4	4
Directors	15	16	6	14	15	NA	10
Committee Numbers	NA	3	3	4	3	NA	5
Salaries + benefits \$000	\$250	111	NA	NA	NA	NA	191

* Budget 2015/16

Note: Most expense data has been suppressed, as some municipalities were unwilling to permit detailed disclosure.

Pros & Cons of Continuing the City Grant

The City Grant. There is no authority under the bylaws establishing the DNBIA to continue the payment of the matching grant. Should Council wish to do so it could treat the payment like any other grant. The pros and cons of continuing the grant are as follows:

Pro.

- The structure of the DNBIA and its activities are predicated on receiving a substantial grant. Staffing and many of its current activities would have to be cut back should the grant not be made
- Removing the grant would send a signal to the BIAs that the City has lessened interest in their success
- The DNBIA has had some successes in areas such as the Terminal Avenue Brownfield Redevelopment Project, that are above and beyond the activities of some of its contemporaries
- The DNBIA has the continued support of its members as seen by member satisfaction surveys and failure of the petitions against the Bylaws. A substantial number of volunteers work on DNBIA committees.
- The geographic structure of the two BNIAs, intersected by a very poorly developed artery that provides the main entry to the City requires resources beyond the norm. The most successful BIAs have operated in a very compact area, sometimes just along one street. The DNBIA's achievements need to be measured against the difficulty of the task it has set itself.
- The development of a larger downtown population is critical to the economic viability of downtown Nanaimo. The DNBIA's efforts in this regard can only go so far.
- The success of the downtown affects the prospects of the VICC and tourism in general

Con

- No other city provides such a grant. The rationale for BIAs is self-help, with Cities' involvement generally limited to ensuring that all business and properties that benefit pay the price through a service tax.
- The present value of the grant (assumed to be \$230,000 per year) over the next ten years discounted at the BC Municipal Financial Authority's 10-year lending rate of about 3% is about \$2 million.
- The activities of the DNBIA, apart from the Brownfield work, do not appear to reflect a difference in scope or innovation than might be expected given its substantially higher revenues than those of most BIAs in other municipalities.
- Business and property owners in the downtown are the primary beneficiaries of improvements there and should pay for that benefit.
- The DNBIA works with Tourism, the Hotel Association and the NEDC to a limited extent but it has not succeeded in making any breakthroughs that would result in significant increases in the number of tourists.
- The main drivers of success in BIAs are the businesses themselves. Innovation and a willingness to take risk have been the hallmarks of success in other BIAs, not subsidy.
- The Downtown enjoys the benefit of other City services, such as security, parking and help from Parks in watering. The DNBIA spends much less on safety activities than other BIAs. Moreover snow clearance, which is a part of other BIAs expenses, is not done by the DNBIA

APPENDIX 22 – Vancouver Island Conference Centre (VICC)

Creating a Distinct Identity for the City of Nanaimo

A model for what might be done to create a distinct identity for the City, taking advantage of existing resources and skills, is the Tamarack Centre in West Virginia. This Centre, which attracts 500,000 visitors annually, features arts, crafts and specialty foods from the area. Nanaimo and its surrounds have an ample supply of such items. A good location would be at the gateway to downtown, on Terminal Avenue.