

# Staff Report

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Original signed by: City Manager Johnson

**Report Date:** November 8, 2018  
**Meeting Date:** November 13, 2018 – Joint Planning Committee  
**To:** City Manager  
**From:** Director of Community Services  
**Subject:** Pool Renovation Referendum

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## PURPOSE

The purpose of this report is to obtain a recommendation from the North Cariboo Joint Planning Committee (NCJPC) to the Cariboo Regional District Board (CRD) that they approve holding a referendum to authorize borrowing for a renovation of the swimming pool at the Arts and Recreation Centre.

## SUMMARY

- At its regular meeting on October 9, 2018 the NCJPC passed a resolution, recommending that the CRD submit an application to the Investing in Canada Infrastructure Program: Community Culture and Recreation for a full renovation of the swimming pool at the Arts and Recreation Centre.
- The estimated cost of the project in April 2017 was \$15.5 million. The project cost has escalated since April 2017 due primarily to market conditions and is now estimated to be approximately \$19.5-\$20 million, with the potential to continue to escalate, resulting in a project cost that is between \$20 and \$25 million at the time of tendering.
- The program guidelines stipulate that *“If a local government intends to borrow a share of costs, a bylaw to authorize the borrowing of funds should receive third reading by a local government prior to submitting an application to the program. A copy of that bylaw should accompany the application.”*
- The application deadline is January 23, 2019.
- In order to submit an application to the program, the CRD should commit to hold a referendum for the project and provide first three readings of the Loan Authorization Bylaw before the application deadline.
- In order to meet this timeline, a recommendation from the NCJPC to the CRD Board to hold a referendum to authorize borrowing for the project should be made at the November 13, 2018 NCJPC meeting.
- Approval at the November 13, 2018 meeting will provide sufficient time for CRD staff to prepare the bylaw so that it can receive first, second, and third reading at the January 18, 2019 Board meeting, prior to the application deadline on January 23.
- In order to prepare the loan authorization bylaw, CRD staff need to know in order to stipulate in the bylaw, the maximum amount that the CRD may borrow for the project.
- It is recommended that the referendum be based on borrowing up to \$8 million over a 20 year term.



- Public information related to the referendum will need to inform voters of the tax implications of the project, including the cost of borrowing and any additional operating expenses.
- It is anticipated that the net increase to the operating budget to manage and maintain a larger and more complex swimming pool may be up to \$200,000/yr.

## RECOMMENDATION

- **THAT the North Cariboo Joint Planning Committee recommend to the CRD Board of Directors that the CRD approve holding a referendum for a renovation to the swimming pool at the Quesnel and District Arts and Recreation based on borrowing up to \$8 million over a twenty year term;**
- **AND FURTHER THAT CRD staff be directed to bring forward a Loan Authorization Bylaw for consideration and first, second, and third reading prior to the January 23, 2019 deadline so that it may be included in the project application to the Canada Infrastructure Program: Community, Culture, and Recreation.**

## JPC POLICY

- At its regular meeting on October 9, 2018, the Committee passed the following resolution:

THAT the North Cariboo Joint Planning Committee recommend to the CRD Board of Directors that the CRD submit an application to the Investing in Canada Infrastructure Program for a full renovation of the swimming pool at the Quesnel and District Arts and Recreation in accordance with the Schematic Design Report completed by VDA Architecture in April 2017.

## FINANCIAL IMPLICATIONS

- The financial implications of borrowing \$8 million over a twenty year term, combined with the anticipated increase in operating costs of \$200,000/year will result in an increase in NCRP taxation of \$750,000/year which equates to an increase in the residential tax rate of approximately \$30/\$100,000 of assessed value.
- The current tax rate is approximately \$154.00/\$100,000 of assessed value.
- An increase of \$30/\$100,000 of assessed value represents an increase of approximately 19.5% over the current level of taxation.

## BACKGROUND

### Projected Project Cost

- The cost estimate for a full renovation of the swimming pool, based on the Schematic Design completed by VDA Architecture in April 2017 was approximately \$15.5 million. (Document Attached)
- The Quantity Surveyor who provided this cost estimate has indicated that the current cost for the project is likely \$19.5 - \$20 million.
- He further indicated that construction costs have escalated substantially in recent months, primarily as a result of market conditions, and that if the trend continues, the



project cost by the time it is put out to bid, could be notably higher than \$20 million, possibly as high as \$24-\$25 million.

- \$25 million is considered the upper limit for the potential cost of the project, taking into consideration market conditions and price escalation in addition to providing for appropriate project contingencies.

#### Grant Funding

- Under the Infrastructure Program: Community Culture and Recreation local governments are eligible for funding up to 73.33% of the project cost.
- Based on the upper limit of \$25 million for the project cost, the grant could potentially provide up to \$18,333,250, which would result in a local government share of \$6,666,750.
- This assumption is based on the CRD receiving the maximum funding possible under the grant and no other smaller grants or donations being secured.
- The local government share may vary depending on the actual project cost at the time of tendering, the amount of grant funding the CRD receives under the program, and other sources of funding that the City/CRD may secure.

#### Borrowing Options

- While the Loan Authorization Bylaw will stipulate the maximum amount of borrowing permitted, the CRD is not required to actually borrow the full amount stipulated in the bylaw. It is simply a cap on the amount that may be borrowed.
- To establish the maximum borrowing permitted under the bylaw for the project, the NCJPC may consider a variety of factors and various options.
- One option is to set the borrowing limit as low as possible so that it reflects the minimum contribution that the Committee feels may be required for the project to proceed.
- The risk to this approach is that if project costs are marginally higher than anticipated or funding from grants and other sources is slightly lower than expected, there may not be sufficient funding for the project to proceed, even if there is strong community support for it to move forward.
- A second option may be to seek authorization to borrow the maximum amount of money that the Committee anticipates may be required to ensure that the project proceeds, regardless of whether or not a major grant application is successful.
- The risk to this approach is that even if the community is supportive of the project, there are limitations on how much people are willing to pay and if the maximum borrowing permitted exceeds this threshold, there may not be sufficient support for a referendum to be successful.
- In order to provide the project with the best chance of success the amount of proposed borrowing should not be so high as to negatively impact the referendum's outcome while still being sufficient to ensure that even if there are some unexpected costs or some grant opportunities aren't fully realized, the project may still be sufficiently funded to proceed, at the discretion of the Committee.



### North Cariboo Recreation and Parks Service Taxation Cap

- One additional factor that is worth considering is the overall cap on the NCRP Service.
- The current cap is \$4.9 million (or \$3.2095/\$1,000 of assessed value of land and improvements). Planned taxation for 2019 is approximately \$3.9 million.
- If the amount proposed to be borrowed will result in annual taxation that exceeds the overall cap on the NCRP Service, it will be necessary to have a two part referendum question: one that seeks authorization to borrow money for the project, and another that seeks authorization to increase the cap on taxation for the Service.
- If practical, it may be advisable to keep the amount of borrowing to a level that doesn't require an increase to the overall Service cap in order to avoid adding a level of complexity to the referendum process that may confuse people.

### Operating Costs

- A significant expansion of the swimming pool is expected to result in an increase in operating costs.
- A larger, busier pool will inevitably require additional lifeguard staff and the waterslide will require a dedicated staff person to monitor it, when it is in use.
- Additionally, the new water features will require additional mechanical systems to operate which will increase utility costs and maintenance.
- Some of these expenses will be offset by increased revenues however it is anticipated that the net increase in the operating budget could be as high as \$200,000/yr.

### Conclusion

- In light of the above, it is recommended that the referendum be based on borrowing up to \$8 million over a 20 year term.
- This level of borrowing can be accomplished without a need to increase the overall taxation cap for the NCRP Service, should be sufficient to complete the project if we are successful in obtaining a substantial grant, and is expected to result in a taxation increase that many residents will consider reasonable if they support the project.
- Borrowing \$8 million over a twenty year term will result in an increase to taxation of approximately \$550,000/ year.
- Additionally, it is anticipated that operating costs may increase as much as \$200,000/ year due to the increased size and complexity of the facility and additional staffing requirements.
- The combined impact on the operating budget is anticipated to be as high as \$750,000/ year which equates to a tax increase of \$30/\$100,000 of assessed value.

### **ATTACHMENTS**

- Schematic Design Report – VDA Architecture, April 2017



## OPTIONS

1. Recommend to the CRD Board of Directors that staff be directed to prepare a Loan Authorization Bylaw for approval by the Board for a swimming pool renovation project at the Arts and Recreation Centre based on borrowing up to \$8 million over a twenty year term.
2. Recommend to the CRD Board of Directors that staff be directed to prepare a Loan Authorization Bylaw for approval by the Board for a swimming pool renovation project at the Arts and Recreation Centre based on borrowing an amount of money determined appropriate by the Committee.
3. Any other action deemed appropriate by the Committee