

Staff Report

Original signed by: City Manager Johnson

Report Date: January 7, 2021

Meeting Date: January 12, 2021 – Joint Advisory Committee

To: City Manager

From: Director of Community Services

Subject: Arts and Recreation Centre Renovation Referendum

PURPOSE

The purpose of this report is to obtain direction from the North Cariboo Joint Advisory Committee (Committee) with regard to the referendum for the proposed renovation to the Arts and Recreation Centre.

SUMMARY

- This report is seeking direction from the Committee with regard to the referendum for the proposed renovation to the Arts and Recreation Centre, specifically:
 1. The timeline for the referendum
 2. The project scope
 3. The financial implications of the project (operating, capital, borrowing, and taxation levels)
 4. The communications plan

JOINT ADVISORY COMMITTEE POLICY

- The 2021-2025 North Cariboo Recreation and Parks Service Business Plan includes a goal to secure an estimated \$18.5 - \$21.3 million to renovate the swimming pool at the Arts and Recreation Centre. The strategy identified to achieve this goal is for the CRD to hold a referendum in 2021 to obtain approval from the electorate to borrow the funds needed to renovate the facility in 2022.

FINANCIAL IMPLICATIONS

- \$30,000 has been included in the 2021 budget to implement a communications plan for the referendum and for the actual referendum costs.
- No funding has been included in the 2021 budget to advance the design work or hire a project manager prior to the referendum.
- Should the project proceed it is anticipated that long-term borrowing will be required for a project that is expected to cost \$20 million – \$27.6 million depending on the option selected.
- Should the project proceed it is also anticipated that operating costs for the North Cariboo Recreation and Parks Service will increase \$200,000 - \$300,000 / year depending on the option selected.



BACKGROUND

Referendum Timeline:

- The Committee has committed in the Business Plan to hold a referendum for the project in 2021 but have not yet determined when the referendum will be held.
- Historically, referendums are typically held in the spring or in the fall. There isn't time to hold a referendum in the winter of 2021 and summer is widely regarded as a less than ideal time to hold a referendum.
- In order to hold a referendum there are a number of steps that must be taken including preparing and adopting the Loan Authorization Bylaw, obtaining Ministry approval, and allowing for sufficient time to implement a communications plan to ensure the community can make an informed decision.
- There are advantages and disadvantages to a spring referendum vs. a fall referendum:

	Advantages	Disadvantages
Spring Referendum	It is possible that construction could begin as early as the Spring of 2022 if the referendum is successful. Starting construction sooner will likely result in lower project costs.	The communications plan will need to be implemented in the midst of the COVID-19 pandemic. The time line for staff is tighter.
Fall Referendum	It is possible that the COVID situation will improve by the fall and this may make it easier to implement the communications plan for the referendum. If more time is required to define the scope of work or conduct public consultation before the referendum, a fall referendum would provide more time. Staff will have more time to prepare for the referendum.	It will not be possible to start construction in the spring of 2022 if the referendum is successful. Construction may be delayed until 2023. Delays in starting construction will likely result in an escalation in project costs.

- While there are challenges to holding the referendum in the spring of 2021, staff are of the opinion that the benefit of being able to start construction as early as the spring of 2022 makes it the preferred option.
- Assuming a spring referendum, the following time line is proposed:
 - Tuesday, January 12 – Joint Advisory Committee Meeting
 - Initial discussion of the referendum process and options. The Committee may request additional information or clarification before a final decision is made at the February 9 meeting.



Tuesday, February 9 – Joint Advisory Committee Meeting

- Final discussion and approval of all referendum details including the referendum date, scope of work, and financial information. (If required)
- Review of the communications plan. The Committee may request additional information or clarification and a revised plan and materials could be presented at the March 9 meeting if required.

Friday, March 5 – CRD Board Meeting

- Third reading of the Loan Authorization Bylaw and amendment to the Service Establishment Bylaw.
- Following this meeting, the Bylaw will be sent to the Ministry of Municipal Affairs for approval by the Inspector of Municipalities.

March 9 – Joint Advisory Committee Meeting

- Final discussion and approval of the communications plan (if required).

Friday, April 15 – CRD Board Meeting

- Final approval by the Board to proceed with the referendum.

Monday, April 18 – Friday, June 18

- Implement Communications Plan.

Saturday, June 19

- Referendum held.

Project Scope

- In order to proceed with the referendum it is necessary to define the project scope to establish a project budget and to ensure that the community understands what will be constructed if the referendum is successful.
- The scope should outline what the project entails without being so specific that it doesn't allow sufficient flexibility in the final design.
- To date, the City/CRD has hired a design team to develop a Schematic Design, which is an early stage in the design process.
- This design concept will be useful when making presentations to the public with the understanding that while details can be expected to change as the design is further refined, the general concept and key components will be maintained.
- The design concept prepared to date includes the following key components:
 - Retaining the existing 25-metre pool but replacing the tile around the pool.
 - Demolition of the existing leisure pool, hot tub, and saunas.
 - Construction of a new, larger leisure pool that includes a lazy river feature, tots area, open area that can be used for practice swimming lanes, and various play features, hydro jets, and other elements.
 - Construction of a new, larger whirlpool



- Construction of new dry and steam saunas
- Renovated family change rooms
- The design concept developed also included the option of adding a waterslide.
- The addition of a waterslide is a significant component that should be defined as either being 'in the scope' or 'outside the scope' in order to communicate expectations to the public and to allow the City/CRD to establish an estimated cost for the project.
- The option of including the waterslide will have a significant impact on both the project capital cost and the operating expenses for the department.
- The capital cost to include the waterslide option is approximately \$3 million. The estimated cost to operate the waterslide is \$80,000 - \$100,000 annually.
- Facilities that have waterslides often find that after the initial excitement and novelty of the slide fades the ongoing costs to operate the slide frequently result in them being closed to the public more often than they are available as a means to control costs and in response to declining demand for the feature.

Project Cost and Construction Schedule

- An updated cost estimate for the project based on the current schematic design was obtained in the spring of 2020.
- The estimated project cost at that time was approximately \$18.5 million (without the waterslide) and \$21.3 million (with the waterslide).
- The Cost Consultant advises that construction costs are not escalating as rampantly as they have in recent years as a result of COVID-19 and are expected, at least in the short term, to increase relatively modestly.
- The Cost Consultant advised that based on current trends it is reasonable to assume that costs will not to increase by more than 4% / year in the short term.
- If we anticipate the project proceeding in 2022 or early 2023, a budget of \$20 million (without the waterslide) and \$23 million (with the waterslide) is reasonable.
- It should be noted though that while these projected costs are assumed to be reasonable at this time, construction costs are always unpredictable and if there is a sudden increase in demand following the COVID-19 pandemic, it could result in rapidly escalating construction costs.
- Construction for the project is expected to take approximately 12-14 months.

Public Access during Construction

- The estimated timeline and budget for the project does not take into consideration keeping portions of the pool open to the public anytime during the construction period.
- There may be public demand to keep the 25-metre pool open as often as possible during construction in order to accommodate the swim clubs and other pool users and to minimize the impact on facility staff.
- Continuing to provide public access to the 25-metre pool during portions of the construction period will add considerable complexity to the project, which can be



expected to add approximately 3 months to the project schedule and approximately 20% in additional cost (an estimated \$4 million - \$4.6 million).

- Additionally it can be expected that keeping the 25 metre pool open while construction is in progress and the leisure pool, hot tubs, and saunas are closed will likely result in an increased operating deficit due to decreased revenues.
- On the other hand, closing the 25 metre pool during construction can be expected to save approximately \$10,000 - \$15,000 / month in operating costs (\$120,000 – 210,000 over the course of construction).
- Closing the 25-metre pool for the entire construction period will negatively impact swim clubs who will either be required to book space in other communities or shut down until the facility reopens.
- Closing the 25-metre pool throughout the construction period will also have a significant impact on aquatic staff who can expect to be laid off for 12-14 months. It is likely that some of these employees will allow their certifications to lapse and/or seek other employment or educational opportunities during this time and this could result in difficulties recruiting staff when construction is complete.

Long Term Borrowing

- The purpose of the referendum is to seek voter assent to authorize the CRD to borrow money for the project.
- Once the project scope is established and a budget is confirmed, the Committee will need to determine how much money it anticipates borrowing for the project.
- Generally speaking, there are two approaches that can be taken with regard to deciding how much money should be borrowed for a project like the Arts and Recreation Centre Pool Renovation Project.
- The first approach is to seek authorization to borrow the full amount for the project and the other is to seek authorization to borrow some lesser amount, often selected arbitrarily based on assumptions made regarding how large an increase in taxation the electorate will support, with the assumption that other funding will be secured so the project can proceed.
- For the West Fraser Centre project the CRD sought authorization to borrow \$7.5 million (approximately 36.5% of the final project cost). The balance of funds for the project came from grants, donations, fundraising, and capital reserves and the project was able to proceed. In the case of this project, much of the alternate funding had already been secured prior to the referendum.
- For the proposed Multi-Centre project the CRD sought authorization to borrow \$15 million which was 50% of the estimated \$30 million project cost however the City/CRD were unable to secure the balance of funds needed to complete the project and as a result the project did not proceed which delayed construction of the new arena by at least 7 years during which time construction costs escalated considerably.
- The primary advantage to seeking authorization to borrow the full amount is that it ensures the project can proceed immediately if the referendum is successful. The



primary disadvantage is the perception that requesting authority to borrow a larger amount of money may result in the referendum failing.

- The primary advantage to seeking authorization to borrow a lesser amount is that it will result in a lower increase in taxation, which may be more palatable to voters and result in a more favourable response to the referendum. The primary disadvantage is that the project will be delayed while alternate funding sources are secured which will result in escalating construction costs or that alternate funding is not found and the project cannot proceed at all.
- Obtaining authorization to borrow up to the full project cost does not preclude the City/CRD from pursuing grants and other sources of funding for the project. The CRD is not required to borrow the full amount if it isn't required because other funding has been secured.
- The cost of borrowing and its impact on taxation will vary depending on the amount of money borrowed, the term, and the interest rate provided.
- Assuming that we borrow \$20 million over 25 years it is estimated that the cost to the North Cariboo Recreation and Parks ratepayers would be \$1.1 million/year, which would result in a residential tax rate increase of \$37/\$100,000 of assessed value.
- The estimated increase to the annual operating budget as a result of the renovation is \$200,000 (without the waterslide) which will result in an increase in taxation of \$8/\$100,000 of assessed value.
- The 2021 residential rate for North Cariboo Recreation and Parks is projected to be \$144/\$100,000 of assessed value. Based on the borrowing assumption provided above, the increase to the residential tax rate would be approximately \$45/ \$100,000 of assessed value (\$37 for borrowing and \$8 for operating cost increases).
- Under this scenario, the residential tax rate would increase to \$195/\$100,000 of assessed value in 2022.
- Under the current five year financial plan the total tax requisition in the final year of the plan is \$4.85 million, which is under the current maximum limit set in the Service Establishment Bylaw of \$4.9 million.
- With the anticipated \$1.1 million in borrowing and additional \$200,000 in increased operating costs, the requisition cap will not be sufficient and it will be necessary to increase it as part of the referendum.
- Depending on the option chosen, the new bylaw requisition limit would likely be set to \$7 million or \$241/\$100,000 of assessed residential value.

Post Referendum Timeline:

- If the referendum is held in the spring of 2021 and is successful it is possible that construction could start as early as spring 2022 however, this will require meeting some very tight timelines.
- The current design has been completed to the Schematic Design phase, which is an early phase in the process. Considerable work and time will be required by the architect and engineers to advance the design through the Design Development stage and Construction Documents stage prior to tendering.



- The procurement method selected is also a factor in determining how quickly the project can be tendered. There are advantages and disadvantages to each of the different procurement options and one of those considerations will likely be how quickly the project can proceed to construction.
- If Construction Management is selected, for example, tendering can begin on early phases of the work prior to completion of the design for later phases, which can result in an earlier start to construction.
- If Stipulated Sum is selected, tendering cannot proceed until all construction documents are complete and ready to tender which may take more time and impact when construction can start.
- Regardless of which procurement method is selected, if the Committee decides to proceed with a spring referendum, it is advisable that steps be taken prior to the referendum to ensure that a Project Manager can be hired as quickly as possible following a successful referendum and that the design team selected to advance the project through construction is in place and ready to proceed immediately following the referendum, if not before.

Communication Plan:

- A comprehensive communication plan will be required to ensure that the electorate is informed about the project, it's tax implications, and referendum details (such as where and when to vote).
- The plan will need to incorporate COVID-19 protocols and utilize on-line technology where appropriate to ensure that the public can engage, ask questions, and receive information prior to voting.
- CRD and City Communications staff will prepare a Communications Plan and core materials (such as a Project Q & A) for presentation to the Committee in February.
- In order for the Communications Plan and materials to be developed, direction from the Committee is required with regard to the date of the referendum, the scope of work, and financial information (such as the project budget and amount of borrowing to be authorized).
- As part of the Communications Plan, the Committee may wish to identify specific spokespeople for the project.
- The Committee may also wish to provide direction to staff prior to development of the plan regarding specific communication messages that it would like emphasised in the Communications Plan and materials.

OPTIONS

Referendum Date:

1. That the referendum date be set for June 19, 2021.
2. That the referendum date be set for November 6, 2021.
3. Any other action deemed appropriate by the Committee.



Project Scope:

1. That the project scope include the following:
 - Retention of the existing 25-metre pool but replacement of the tile around the pool.
 - Demolition of the existing leisure pool, hot tub, and saunas
 - Construction of a new, larger leisure pool that includes a lazy river, tots area, open area that can be used for practice swimming lanes, and various play features, sprays, and jets.
 - Construction of a new, larger whirlpool
 - Construction of new dry and steam saunas
 - Renovated family change rooms
2. That the project scope include the items noted above in addition to a waterslide.
3. Any other action deemed appropriate by the Committee.

Project Budget:

1. That the project budget be set at \$20 million (assumes no waterslide and no public use of the pool during construction)
2. That the project budget be set at \$23 million (assumes the waterslide is included but no public use of the pool during construction)
3. That the project budget be set at \$24 million (assumes no waterslide but some public access is provided to the 25 metre pool during construction)
4. That the project budget be set at \$27.6 million (assumes the waterslide is included and some public access is provided to the 25-metre pool during construction).
5. Any other action deemed appropriate by the Committee.

Borrowing Amount:

1. That borrowing for the project be set at 'up to 100% of the project cost' with the understanding that grants, donations, and other sources of funding will be pursued but will not be required for the project to proceed.
2. That borrowing for the project be set at 'up to 75% of the project cost' with the understanding that the project will not proceed until the balance of funding is secured through grants, donations, or other sources.
3. That borrowing for the project be set at 'up to 50% of the project cost' with the understanding that the project will not proceed until the balance of funding is secured through grants, donations, or other sources.
4. Any other action deemed appropriate by the Committee.

Borrowing Term:

1. That the term for borrowing be 25 years.
2. That the term for borrowing be 20 years.
3. Any other action deemed appropriate by the Committee.



RECOMMENDATIONS

THAT THE NORTH CARIBOO JOINT ADVISORY COMMITTEE RECOMMEND to the CRD BOARD OF DIRECTORS THAT

1. A referendum date for the Arts and Recreation Centre Pool Renovation Project be set for June 19, 2021.
2. The project scope include retention of the existing 25 meter pool but replacement of the tile around the pool, demolition of the existing leisure pool, hot tub, and saunas, construction of a new leisure pool, whirlpool, and saunas, and renovated family change rooms.
3. Borrowing for the project be up to \$20 million over a 25 year term (100% of the estimated project cost not including the waterslide and assuming that the 25 meter pool will remain closed during construction);

AND THAT THE NORTH CARIBOO JOINT ADVISORY COMMITTEE direct staff to prepare a communications plan for the proposed referendum for presentation to the Committee at the February 9, 2021 meeting;

AND FURTHER THAT THE NORTH CARIBOO JOINT ADVISORY COMMITTEE direct staff to prepare a Loan Authorization Bylaw and Service Establishment Bylaw Amendment as required for the referendum for approval by the CRD Board of Directors.