

Staff Report

Original signed by: City Manager Johnson

Report Date: November 3, 2021

Meeting Date: November 9, 2021 – Joint Advisory Committee

To: City Manager

From: Director of Community Services

Subject: Pool Renovation Project – Next Steps

PURPOSE

The purpose of this report is to provide additional clarification and information to assist the Joint Advisory Committee in determining the next steps for the Pool Renovation Project.

SUMMARY

- The June 19, 2021 referendum seeking authorization for the Cariboo Regional District to borrow up to \$20 million to renovate the swimming pool at the Arts and Recreation Centre was unsuccessful.
- At the September 21, 2021 Joint Advisory Committee meeting the Committee considered a staff report regarding next steps for the Pool Renovation Project. The recommendation in the report from staff was that the Committee support holding a referendum for the project to coincide with the local government elections October 15, 2022.
- No motion was made on the recommendation and instead staff were directed to provide a report to the next meeting with a recommended approach and required resources to undertake a public consultation and education process for the project.
- At the October 12, 2021 Joint Advisory Committee meeting the Committee considered a staff report that recommended allocating \$15,000 toward a public consultation and education process that would be implemented in the first quarter of 2022. The Committee discussed the matter in considerable detail and then passed a motion to postpone a decision to a future meeting.
- At the same meeting, staff were requested to provide additional information regarding the wording of a referendum question as well as a request for clarification regarding the feasibility of the reduced-scope, phased option for the project that was included as an option in the staff report presented at the September meeting (Option B).
- This report is intended to provide greater clarity regarding Option B, specifically:
 - What is included in the scope of work proposed in Option B and how much of this work is essential?
 - Is it feasible to phase the work as proposed in Option B? What are the impacts of phasing this work?
 - Is it feasible to finance a phased project as proposed in Option B? What are the impacts of financing this work as a phased project?



- Additionally, this report provides a recommended process for the Committee to consider when determining what the next steps for the project should be.
- The request for information by Committee members at the October 12 meeting regarding the wording of the referendum question will be addressed in a separate report at a future meeting.

POLICY

- The Local Government Act stipulates the following:
 - How assent is obtained

159 (1) Unless otherwise provided in this Act, assent of the electors to a bylaw or other matter is obtained only if a majority of the votes counted as valid are in favour of the bylaw or question.

(2) If a bylaw that requires the assent of the electors does not receive that assent, a bylaw for the same purpose may not be submitted to the electors within a period of 6 months from the last submission except with the minister's approval.
- At its September 21, 2021 meeting, the Joint Advisory Committee passed the following resolution:

THAT the North Cariboo Joint Advisory Committee direct staff to prepare a staff report for the October 12, 2021 meeting outlining a recommended approach and required resources to conduct public consultation and education to seek input regarding the proposed Quesnel Arts and Recreation Centre renovation project.
- At its October 12, 2021 meeting, the Joint Advisory Committee passed the following resolution:

THAT the North Cariboo Joint Advisory Committee postpone determination on how to proceed with the proposed Quesnel & District Arts and Recreation Centre pool renovation project communication plan, as outlined in Staff Report 10B/2021 of October 12, 2021, to a future North Cariboo Joint Advisory Committee meeting.

FINANCIAL IMPLICATIONS

- The financial implications will vary depending upon what the Committee determines the next steps for this project will be.
- If no action beyond the status quo is taken there will be no immediate impact on taxation.
- If the Committee decides to proceed with public consultation and/or additional design work, funds will be required to hire a communications consultant (up to \$15,000) and/or an architect and engineers to advance this work (up to \$20,000).
- If the Committee decides to proceed with a phased project over several years, the impact on taxation will vary depending on the number of years the project is phased and the amount of spending planned in each year.
- As an example, if a phased project resulted in a tax increase of \$10 million over 5 years it would equate to an increase in taxation of approximately \$2 million per year which



would equal an increase in residential taxation of \$67.64 / \$100,000 of assessed value per year.

- If a second referendum for the project is held, the impact on taxation will vary depending on how much money is to be borrowed, the term of the borrowing, and the interest rate at the time of borrowing.
- As an example, long term borrowing of \$24.5 million over 25 years, including anticipated increased operating costs, would result in an increase in residential taxation of \$53.19 /\$100,000 of assessed value per year.

RECOMMENDATION

- **This report is provided for information.**
- **The staff recommendation to the Committee remains unchanged from the recommendation made at the September 21, 2021 meeting which is that the North Cariboo Joint Advisory Committee recommend to the CRD Board of Directors that a second referendum be held for the pool upgrade project at the Arts and Recreation Centre on October 15, 2022 to coincide with the local government elections.**
- **To assist the Committee in determining what the next steps for the project should be, staff have proposed a process for the Committee to follow in this report and staff recommend that the Committee complete steps 1 – 4 of this process. Staff have proposed recommended actions at each step.**

BACKGROUND

What is the scope of work proposed in Option B?

- Option B was based on a \$6 million project scope, with minor changes, that the Committee approved for submittal to the Federal Strategic Priorities Fund in 2017.
- The project scope in 2017 was developed with input from an architect and engineers with a cost estimate provided by a Quantity Surveyor. It was prepared with the intent of identifying a work plan that would represent the best use of \$6 million if it were applied toward the project, which was the maximum allocation that could be received under the grant.
- This project scope focused on improvements that could be made within the \$6 million budget cap and included the replacement of aging equipment, upgrades of certain amenities, and construction of components to support a future expansion of the facility.
- More specifically, the project scope included exterior upgrades, replacement of tile in the pool areas, replacement of the pool gutter system, construction of a new viewing area, upgrades to the family change rooms, a structural upgrade to accommodate solar panels, construction of a new mechanical room, and general mechanical and electrical upgrades.
- The project scope did not include the demolition of the existing leisure pool, hot tub, and saunas and construction of new, larger upgraded pool amenities, nor did it include repairing/replacing the roof.
- This project scope was used as the basis for Option B, with minor adjustments, because it provided a reasonable estimate of what a reduced-scope, phased project might



include and it was possible for the Quantity Surveyor to re-cost the project without the need to re-hire the architect and engineers to re-evaluate the scope of work.

- If the Committee would like to proceed with a reduced-scope project, whether it is phased or completed all at once, hiring an architect and sub-consultants will be required to help define the project scope.
- If a design team were engaged to help define the project scope, the Committee should provide clear direction with regard to the objectives, assumptions, and parameters of the project, such as:
 - What is the objective of the project? For example: Is it to provide minimal repairs that will extend the life of an existing amenity or is there a broader objective to create a public amenity that will attract and retain residents, particularly families, encourage investment in the community as part of a larger economic development strategy, and better meet the recreation needs of the community?
 - What assumptions should be made about the project scope? For example: Should we assume that this project is a temporary measure prior to an expansion of the facility? Or should we assume that the project, when completed, will be the extent of renovation to the facility for the foreseeable future?
 - Are there any parameters for the project that should be considered? For example: Are there any budget constraints (such as a maximum or targeted project budget) or program limitations?

How much of Option B is essential work?

- VDA Architects in their 2017 Facility Condition Assessment report note *"In general, the Quesnel Arts and Recreation Centre appears to be one of the better maintained facilities of its era that VDA has observed."* Further in their 2017 Schematic Design Report they state *"The existing facility has many years on it by now, but it has been well maintained and, in the opinion of the consulting team, worthy of retaining and improving."*
- If the objective of the Committee is to only address life safety issues at the Arts and Recreation Centre, this can be accomplished by maintaining the status quo.
- If the Committee's objective is not simply focused on life-safety issues and rather to improve, maintain, and extend the life of the facility, Option B is a reasonable starting point to address deficiencies in the building that are not necessarily life-safety issues.
- If the Committee decided to proceed with Option B in order to improve, maintain, and extend the life of the pool facilities at the Arts and Recreation Centre, we would need to hire design consultants to assist in the process of evaluating and determining which improvements should be included in the project scope. It is expected that through the process of evaluating the project scope, some work currently included in Option B would be removed and some work currently not included would be added based on the objectives, assumptions, and parameters set by the Committee.
- The VDA report however clearly indicates on numerous occasions that the facility, while well maintained for its age and currently safe for the public to use, is not only showing wear but that it has dated amenities that no longer meet the needs of the community.



- Revitalizing core recreation infrastructure is essential to improve resident retention and attraction, meet community needs, and to support economic growth and community well-being.
- A reduced-scope project like Option B that doesn't include a new, modern leisure pool will not meet the needs of the community or support resident retention/attraction and economic growth.

How practical is it to undertake a phased project?

- Committee members, while discussing options related to the pool upgrade project, have questioned whether or not it is practical to phase the work described in Option B recognizing that phasing a project over multiple years will be less efficient, result in more frequent disruptions for the public, and cost more due to mobilization/demobilization and cost escalation later years of the project.
- Based on the scope of work in Option B, some of the work can clearly be undertaken without having a significant impact to the public or resulting in facility closures. This relates primarily to work to the exterior of the building like the replacement of cedar siding (which is currently part of the Option B scope of work) and the roof (which is currently is not in the Option B scope of work).
- The majority of the work proposed however is not to the exterior of the building. It is to the interior, primarily the pool area, and this work will impact the public and require closures and if done over multiple years will result in annual disruptions and inconvenience to the public and staff.
- The estimated cost for Option B is \$10 million phased over five years, or approximately \$2 million per year, resulting in an increase in taxation to the NCRP service of approximately 48% over and above any other tax increase approved, without voter assent.
- The Quantity Surveyor's estimated cost for Option B, phased over five years, considers the impact of inflation over the course of the project which adds \$1 million to the budget that could be avoided if the work was done at one time.
- Phasing a multi-million dollar project over multiple years is less efficient, more disruptive, and more expensive than undertaking the work at one time. The primary reason to consider phasing the work is to avoid the need for long-term borrowing and the referendum required to authorize it.

The argument for and against holding a referendum:

- Financing a major capital project by increasing taxes and/or using capital reserves/surplus is a viable option if the work can be done without the need to phase the project. In the case of the pool renovation project, this option is only possible if the project can be done without exceeding the spending limit for the North Cariboo Recreation Service which either means phasing the work over multiple years, delaying the start of the project until capital reserves are large enough to fund the full project, or undertaking a very small project scope.
- Any project over \$10 million would almost certainly require long-term borrowing.



- A project under \$10 million could be financed through borrowing, self-financing through increases in taxation and/or the use of reserves/surplus, or a combination of both.
- The argument for holding a referendum and financing a major capital project through borrowing is that it is usually the fairest and most cost-effective option available. It provides voter assent, generational equity, and with favourable interest rates is a cost-effective option.
- A number of concerns have been raised regarding the holding of a second referendum for the pool renovation project. These include staffing issues, potential voter confusion, grants, and the perception that holding a second referendum is inappropriate:
 - CRD staff capacity is a factor that should be considered when any referendum is held but it shouldn't be a deterrent to proceeding. With ample time, staffing concerns can be addressed through appropriate resourcing. It stands to reason that any additional cost for resourcing can be rationalized when compared to the impact that inflation will have on delays in advancing a major capital project.
 - Voter confusion caused by holding a similar referendum in 100 Mile House in the spring of 2022 is unlikely to impact a referendum held later in the same year in Quesnel since the referendums would be held in two separate, distinct areas of the regional district. Communications material for each project would be targeted to residents within separate taxation areas and are unlikely to be widely distributed to other regions of the CRD. In addition, each project is expected to have its own unique branding and messaging and the referendums will not occur at the same time, with one planned for the spring and the other proposed in the fall.
 - Grants can help fund a major capital project and reduce the amount of funding required from local taxation however, delaying a referendum to secure grant funding, based on recent experience, is unlikely to benefit taxpayers. It is much more likely that any grant obtained will be more than offset by the cost of inflation experienced while trying to secure the grant.

Infrastructure grant programs are often under-funded and over-subscribed and the amount of time spent waiting for a grant to be announced and then waiting for confirmation that the grant was successful is often in excess of one year. Many of the grants the City and CRD obtain are less than \$1 million, and it is relatively rare that a grant program will make a multi-million dollar investment in smaller communities. The cost of inflation on large capital projects last year was estimated to be 10.5%. If a similar rate of inflation were to continue, the estimated cost to taxpayers for each year of delay could amount to millions of dollars, depending on the project scope. Grants are worth pursuing, and can be used to reduce the amount of borrowing required, but should not be counted on or be a reason to delay a referendum.
 - As noted in the September 21 staff report, holding a second referendum for the project may be viewed negatively by those who believe the CRD should accept the outcome of the first referendum and either abandon the project or significantly alter its scope. Despite this opinion, Provincial legislation clearly permits holding additional referendums for the same project.



Arguably, there are only two reasons not to consider holding a second referendum for a project: 1) there is no reason to expect the outcome of a second referendum will be different. In the case of the pool renovation project there is reason to expect that the outcome of a second referendum may be different, given how close the first referendum vote was and that a larger voter turnout can be expected if the referendum is held to coincide with local government elections. 2) There is no longer political support for the project to proceed.

Recommended approach to determine next steps:

- The staff recommendation is to proceed with a second referendum based on the same project scope as the first referendum. The reasoning for this recommendation is as follows:
 - The 'full scope' project was based on the best advice of the architect and engineers hired by the City/CRD to conduct a facility condition assessment and recommend a design concept for the renovation, taking into consideration input from facility users and staff.
 - A 'reduced scope' option will not meet the needs of the community or support resident retention/attraction and economic growth. The inclusion of a new, large, modern leisure pool is essential to achieve economic development objectives and to meet the needs of a broad range of people in the community, including people with a disability and the elderly. A new, modern leisure pool can only be realized as part of a full renovation of the pool area, making any 'reduced scope' option, little more than a stop-gap solution.
 - A 'reduced scope' option may extend the life of existing infrastructure but it is unlikely to attract new users to the facility and will only serve to delay the full renovation of the pool, which will inevitably still be required in the future to meet community needs. Delaying the full renovation will result in a more expensive project in the future, resulting in Quesnel area residents making do for some time with a well-maintained but increasingly outdated facility that doesn't meet their needs.
 - Long term borrowing, authorized by a referendum, is the fairest and most cost-effective option to finance this major capital project. It is entirely appropriate to hold a second referendum provided political support for the project remains and there is good reason to expect that a different outcome is possible. If the referendum is held October 15, 2022 to coincide with the local government elections it can be expected that voter turnout will be higher than it was for the first referendum which could lead to a different outcome.
- If the Committee does not support the staff recommendation above or would like to work through a process to explore options and arrive at their own conclusion, it is recommended that the Committee consider the following process to determine the next steps for the project.
 1. Confirm that there is commitment from the Committee to take some action beyond the status quo.



Prior to the previous referendum the Committee had agreed in a joint statement that they supported the project as proposed. An important first step in this process is for the Committee to determine whether or not support for the project has changed following the June referendum or if the Committee still feels that action beyond maintaining the status quo is required.

While there are no immediate life-safety issues that need to be addressed in the short term, taking no action beyond the status quo will inevitably result in deferring a renovation or replacement to the future when the project will cost more.

Staff recommend that the Committee confirm its intent to take action on the pool renovation project beyond 'maintaining the status quo'.

2. If the Committee supports taking some action beyond the status quo, the Committee should determine what the project objective is.

Is it strictly to extend the life of an existing amenity? Is it to invest in a public amenity in order to attract and retain residents, encourage investment, and meet the changing needs of the community? Is it something else?

If the Committee confirms its intent to take action on the pool renovation project beyond 'maintaining the status quo', staff recommend that the Committee identify the project objective as 'To make the necessary investments to modernize and upgrade the pool facilities at the Arts and Recreation Centre in order to attract and retain residents, encourage economic development and investment, and better meet the needs of our community.'

3. Once the Committee has identified what the objective of the project is, the Committee should determine what, if any, parameters should be set for the project and what, if any, assumptions should be made regarding the project.

If the Committee determines that the project objective is 'To make the necessary investments to modernize and upgrade the pool facilities at the Arts and Recreation Centre in order to attract and retain residents, encourage economic development and investment, and better meet the needs of our community', staff recommend that no parameters or assumptions be established for the project.

If the Committee determines a different project objective it may be helpful to define project parameters and assumptions, such as whether or not it should be assumed that the project should be considered a 'complete project' or 'the first step prior to a larger renovation'.

4. Once the Committee has identified the project objective and any parameters and assumptions for the project, it should next approve a project scope, an estimated project cost, and determine how it plans to finance the project.

The Committee may require additional information to finalize the project scope and estimated project budget, in which case, a funding allocation should be made to hire a design team and cost consultant to review the scope of work with staff with a recommendation made to a future Committee meeting.

The decision on how to finance the project can likely be made in advance of finalizing the project scope and project budget since the previous decisions made should provide sufficient information to understand the order of magnitude of the



project which should be sufficient to determine which financing option is most beneficial; self-financing or borrowing.

Staff recommend that a referendum be held for the Pool Renovation Project unless the order of magnitude of the project is small enough that it can be self-financed and completed as a single project at one time.

If the Committee has decided to proceed with a 'reduced-scope' project, staff recommend that an allocation of up to \$20,000 be made in the NCRP budget to hire a cost consultant and design team (an architect and engineers) to recommend a project scope and budget based on the project objective, parameters and assumptions of the Committee.

5. If it is determined that long-term borrowing is the preferred financing option, a referendum date should be secured, a time-line for the referendum established, CRD resourcing concerns addressed, issues related to the referendum question resolved, and a communications plan developed. If self-financing is selected as the preferred financing option, the appropriate budget amendments should be made. These decisions can be addressed at a future Committee meeting.