

Memorandum

Date: December 17, 2019

To: Members of Council

From: Peggy Tollett, General Manager, Community Services

Subject: Caledon East Community Centre Phase 4 Option

The purpose of the memorandum is to provide additional information requested concerning the design of the Caledon East Community Centre (CECC) Phase 4.

In 2017 a Facility Needs Assessment for the Town was conducted to recommend what amenities would be included in the new recreation facilities as part of the 10 year Capital forecast. The 2017 Facility Needs Assessment noted that a fourth pool is to be added to CECC complex as Phase 4 when the Town's population grows to 100,000. However, in 2019 Council made the decision to advance the construction of Phase 4 to the 2023-2026 Term of Council to service the growing Caledon East community and support the rural areas within Caledon.

At the December 10, 2019 General Committee 2020 Budget meeting an amendment was approved by Council to fund the design of the Caledon East Community Centre (CECC) Phase 4 in 2020 in conjunction with the design and construction of Phase 3. The construction of Phase 3 of CECC is planned to begin in 2021. The lower level renovation for the EarlyON centre is scheduled to begin construction in 2020.

Background

In 2019 the Town issued a request for prequalification to short list qualified contractors (public request for prequalification process) with design build experience. The Town then issued a request for tender to the prequalified contractors and an award was made on November 2019 to McDonald Brothers for \$1.65M for a design build contract including the fee for services and work related to the design build team. Within the Phase 3 project a renovation is planned for the EarlyON centre. The EarlyON centre is completely funded by the Region of Peel through the Community Based Early Years and Childcare Capital Funding (CBCP) for \$500,000. One of the conditions for the CBCP funding is that all work is to be completed by December 31, 2020.

As part of the budget deliberations Council inquired if there were any benefits to combining the Phase 4 design with Phase 3.

The detailed design of Phase 4 which includes a pool, the relocation of the Caledon East library branch and public meeting space is projected to cost a total of \$1,312,519 funded as follows:

\$451,894	Tax Levy funding,
\$91,125	Library Development Charges Reserve
<u>\$769,500</u>	Recreation Development Charges Reserve.
<u>\$1,312,519</u>	

While there are opportunities and challenges to aligning the design of the two phases Council should consider whether the full construction of Phase 4 be aligned with Phase 3.

Below are some opportunities and challenges with completing Design ONLY for phase 3 with phase 4

Design phase 3 and 4 - construct only 3 at this time	
Opportunities	Challenges
Streamlined design	Risk in Guidelines, standards, code revisions or changes to be reflected resulting in redesign
Allows funding over multiple years	Risk in change of demographics, community driven need for change in amenity from original design
	Variance in finishes between phases i.e. material selection
	Project final completion will take longer
	The overall cost will be higher as work is stretched out into multiple phases, inflation will be an impact and not
	Increased opportunity to incur design changes due to political, community factors that may arise.
	Risk - difficult to retain the same consultant for the construction and contract administration of phase 4.

This approach is not recommended as the opportunities are not greater than the number of challenges it could impose to the construction phase.

If design and construction for Phase 3 and 4 are combined there are several matters to be considered:

- The contract was awarded to complete the design and construction of Phase 3 and the EarlyOn centre Renovation
- The current contract for Phase 3 will need to be cancelled with the current contractor. Financial costs will be incurred in an estimated amount of \$35,000 to terminate the existing contract.
- Preliminary discussions with the contractor regarding the potential of cancelling the contract have occurred. The contractor has indicated that they are willing to work with the Town. The contractor



is willing to proceed with the EarlyOn centre renovation regardless if the Phase 3 and Phase 4 are re-tendered together.

- A new procurement process will need to be initiated
- Re-tendering will delay the project by approximately 5 to 6 months to start work as a result of the new procurement process and a new contract to be executed

In considering combining the design and construction of Phase 3 and 4 combined there are a number of opportunities and challenges listed below:

Design and construction Phase 3 and 4 concurrently	
Opportunities	Challenges
Design and create efficiencies when designing and constructing both phases concurrently	Town has awarded Phase 3 for Design and Construction - Consideration required
Construct once, less congestion on campus	Funding challenges to complete the entire scope
Duration of construction timeline is reduced	Constructing pool before sufficient population base is reached results in over servicing, increased cost, decrease revenue
Cost effective to retain, design and construct both phases concurrently	
Mitigate duplication of connection - connecting link will be temporary until phase 4 is	
Better ability to phase construction and allow programs to continue	
Less program interruption	

Capital Costs:

The estimated cost for the design and construction of Phase 4 is \$17.5 million. Phase 4 includes a pool, relocation and expansion of the Caledon East library branch and additional meeting spaces. The funding is shown below:

\$6,025,000	Tax Funding
\$1,215,000	Library Development Charges
<u>\$10,260,000</u>	Recreation Development Charges
<u>\$17,500,000</u>	

Operating costs:

At this time a detailed analysis has not been conducted. Staffing levels have not been determined at this time. However, estimated annual/on-going operating costs associated with advancing Phase 4 including expenses and revenues of \$1,124,961:

\$634,570	Recreation (revenue assumptions based on current population levels)
<u>\$490,391</u>	Library
<u>\$1,124,961</u>	

In order to fund the future operating costs Council may choose to fund the operating costs over a number of years beginning in 2021. Further detailed information will be provided in future budgets if approved. Following industry best practices, staff recommend phasing in operating costs for new facilities.

Funding options for Phase 3 and 4 design and construction

Should Council choose to proceed with both design and construction Phase 3 and 4:

- The growth-related or development charges (DC) components (i.e. \$11.5 million) of the incremental \$17.5 million in one-time capital costs for the design and construction of Phase 4 costs could be “borrowed” from other DC reserves (e.g. Roads)
- The non-growth or tax component (i.e. \$6.0 million) of the incremental \$17.5 million in one-time capital costs for design and construction could be funded over the next three years through property taxes or debentured externally.

Funding by taxes

Funding through the tax funded capital program over the remaining 3 years of the Council term (e.g. \$2 million per year).

Funding by External Debenture – 10 years

Funding through an external debenture would result in an incremental \$730,000 in annual debt servicing costs (principal and interest payments based on a 10 year debenture and current interest rates). This would be added to the phase-in of operating costs noted above beginning in 2021. That is, in addition to the phase-in operating costs noted above the budgets would increase by another \$243,333 ($=\$730,000/3$) to phase in the debt-servicing costs on a \$6 million debenture.

Funding by External Debenture – 20 years

Funding through an external debenture for a 20-year term would result in an incremental \$450,000 in annual debt servicing costs (principal and interest payments based on current interest rates). That is, in addition to the phase-in operating costs noted above the budgets would increase by another \$150,000 ($=\$450,000/3$) to phase in the debt-servicing costs on a \$6 million debenture.

Other Financial Implications:

If the construction and design of CECC phase 4 occurs over the remaining term of council (2020-2022), Staff are currently projecting to be in a deficit at the end of 2022 in Recreation Development Charges (DC) reserve funds. The Town may have to borrow additional internal/external debt to fund the deficit in the reserve.

There is the added complication with Bill 108, which moves soft services, such as Library and Recreation services, out of the development charges recovery framework and into a new Community Benefit Charge (CBC) framework effective January 2021.

Accordingly, the lack of regulations introduces a number of unknowns as follows:

- Whether financing costs of soft services can be included in the cost of a projected/future CBC's
- Whether there will be further cash flow issues as a result of Bill 108 (e.g. full repayment of DC deficits once soft services are removed from the DC framework);
- Lack of clarity around potential transition rules between DC soft services and CBC's.

Staff will continue to monitor DC reserve balances to determine whether internal borrowing will be necessary in future budgets.