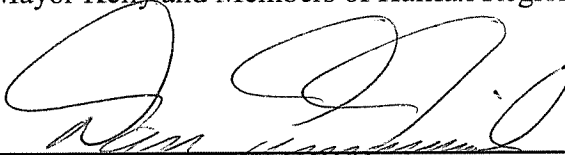


10.6.11

Halifax Regional Council
May 13, 2003

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY:



Dan English, Acting Chief Administrative Officer

DATE: April 28, 2003

SUBJECT: **Award Tender 03-153 Beaver Bank/Kinsac Recreation Centre & Firehall**

ORIGIN

On May 21, 2002, Regional Council approved Capital project CB200399 for construction of the Beaver Bank Kinsac Recreation Centre in the amount of \$900,000, and an area rate of \$0.07 per \$100 of assessed value to finance the construction and on-going operating costs of the new facility.

RECOMMENDATION

It is recommended that:

1. The 2002/03 Capital Budget for the Beaver Bank Kinsac Recreation Centre (CB200399) be increased from \$900,000 to \$1,400,000; and
2. The additional funding for this increase be provided for from the existing area rate for the Beaver Bank Kinsac Recreation Centre with the Beaver Bank Recreation Centre Association responsible for all operating costs; and
3. The Tender 03-153 for the construction of the Beaver Bank Kinsac Recreation Centre and Firehall be awarded to Avondale Construction for a cost of \$2,382,831.00, plus net HST for a total of \$2,536,023.20; and
4. That the funding for this tender be provided from Capital project CBF00444 for the Firehall portion, and from Capital project CB200399 for the Recreation Centre portion as outlined in the Budget Implications section of this report.

BACKGROUND

On May 21, 2002, Regional Council approved an area rate for the Beaver Bank Kinsac area to provide \$900,000 for a new recreation centre. Currently, the area has limited access to buildings that would serve the needs of the community for meetings and interior recreation activities such as schools and gyms. The new Recreation Centre will provide a valuable resource and a focal point for the area. It is planned that the Recreation Centre will be constructed in conjunction with the Beaver Bank Kinsac Firehall and will share building systems.

DISCUSSION

During the design of the facility it became evident that there was a gap between the defined needs received from the Recreation Centre Association and the funding for the Recreation Centre. This was in part due to the high soft costs for land and the combined on site sewer system and the detailed program requirements for a kitchen, wellness room, and a large multi-purpose room. Real Property and Asset Management reviewed with the Recreation Centre Association several options for addressing the funding shortfall. On September 5, 2002, at a meeting of the Recreation Centre Committee, a motion was passed that recommended that “the full amount of the area rate being collected go toward the cost of building the centre”.

\$1,500,000 was approved in the 2002/03 Capital Budget under project CBF00444 to fund the Firehall portion of this project.

The following bids were received on March 26, 2003.

Company	Lump Sum Price (before taxes)	Total Cost (incl.net taxes)
Avondale Construction Limited	\$2,382,831.00	\$2,536,023.20
Blunden Construction (1995) Limited	\$2,482,696.00	\$2,642,308.53
Castle Rock Construction Services Inc.	\$2,531,900.00	\$2,694,675.85
Three “C” Contractors Limited	\$2,570,000.00	\$2,735,225.30

BUDGET IMPLICATIONS

When the Recreation Centre project and the area rate to fund it were approved by Regional Council on May 21, 2002, the total cost budgeted was \$900,000. The area rate was projected to raise \$204,000 in the two years prior to completion of the project. This amount would be used to reduce the amount required to be funded by debt to about \$700,000. The area rate would have then been sufficient to cover the principal and interest payments and provide about \$33,000 annually towards operating costs.

Although \$900,000 was felt to be an indicative cost for a Recreation Centre during budget preparation, detailed consultations with the community identified needs which expanded the scope of the project, and the cost increased to \$1.4 million. It is still possible for the current \$0.07 area rate to cover the cost if the two year up-front funding is applied in a different manner. Instead of using it to provide a "down payment", it would be drawn down over several years to make up shortfalls in the annual required principal and interest payments (see Appendix "A" attached).

There would still be about \$12,000 per year available to assist with operating costs, but some of the revenue generated from the facility would be required. The expanded scope of the facility enhances revenue generation, and it is expected to be sufficient to cover the annual operating costs when combined with the funds available from the area rate. As in all management agreement facilities the recreation centre association understands that they are accountable for the full operating cost burden of the facility. If program revenues are insufficient to cover operating costs, other outside funding or an area rate increase may be required.

A sharp increase in assessment is part of the reason why this approach works. Based on current assessment data \$222,000 will be generated from the area rate up to March 31, 2004.

Financial Services staff has reviewed and confirmed the budget implications outlined above. Cash flow projections were analysed over a 18 year period based on \$1.4 million debentured over 15 years at 5.5 percent, and an assumption of a 3 percent increase each year in area rate revenue and operating expenses (Appendix A).

CAPITAL FUNDING ALLOCATION			
Funding Source			
Project	Capital Funding	Project #	Source
Kinsac Recreation Centre	\$1,400,000*	CB200399	\$ 0.07 Area Rate
Kinsac Firehall	\$1,500,000	CBF00444	debt funded general rate
Funding Disbursements			
Total Funding available			\$2,900,000.00
Tender 02-153			\$2,536,023.20
Land Purchase and associated costs			\$133,688.00
Consulting fees			\$129,000.00
Miscellaneous			\$9,992.00
Contingency			\$91,297.00
Balance			\$0.00

Yearly Operating Costs		
	Yearly Operating Costs**	Funding source
Kinsac Recreation Centre	\$42,200	area rate \$12,000** program revenues \$30,200**
Kinsac Firehall	\$45,800	Fire Services Operating Budget F731

*\$900,000 is currently approved in 02/03 Capital Budget, the additional \$500,000 is as per Recommendation # 1 of this report.

**estimated

The total cost of the firehall and Recreation Centre will be split 52/48 between the two approved Capital project accounts which is based on the recommended funding and the relative square footage to the two projects. The availability of funds has been confirmed by Financial Services.

FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves, as well as any relevant legislation. The recommendations of this report also reflect the intent of HRM's recently adopted tax structure with respect to rural fire. If approved, this would increase the approved 2002/03 Capital Budget with no net increase as the additional debt funding will be covered from area rate revenue.

ALTERNATIVES

1. Council can choose not to award this tender. This is **not** the recommended alternative. There is an identified need in the community for the new recreation centre and the current lease for the building currently housing the Kinsac Volunteer Fire Department apparatus expires in 2003 and possibly cannot be extended. The current Beaver Bank Volunteer Fire station does not have the capacity to accommodate any additional apparatus or staff. As a result fire protection of this area would drop below acceptable levels.
2. Council may choose not to approve the increase to the capital Budget. This would require a substantial reduction in the scope of the project. This is **not** the recommended alternative.

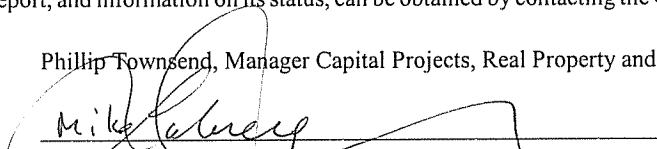
ATTACHMENTS

Appendix "A" Cash Flow Projections for Beaver Bank Kinsac Recreation Centre

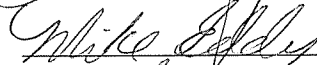
Additional copies of this report, and information on its status, can be obtained by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

Report Prepared by: Phillip Townsend, Manager Capital Projects, Real Property and Asset Management, 490-7166

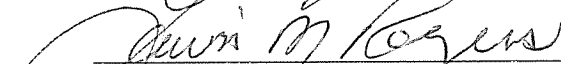
Report Approved by:



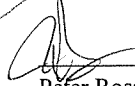
Mike Labrecque, Director, Real Property and Asset Management, 490-4851



Mike Eddy, Chief Director, Fire and Emergency Services, 490-4238



Lew Rogers, Director, Recreation, Culture and Heritage, 490-5978



Peter Ross, Manager, Procurement, 490-6499

Appendix "A"
Cash Flow Projections for Beaver Bank Kinsac Recreation Centre

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Beginning Balance	0	102,000	222,500	164,682	115,372	74,673
Area Rate Revenue	102,000	120,500	124,115	127,838	131,674	135,624
Debenture Payment	0	0	170,333	165,200	160,067	154,933
Operating Expenses	0	0	11,600	11,948	12,306	12,676
Ending Balance	102,000	222,500	164,682	115,372	74,673	42,688
	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Beginning Balance	42,688	19,524	5,293	109	4,088	17,352
Area Rate Revenue	139,693	143,883	148,200	152,646	157,225	161,942
Debenture Payment	149,800	144,667	139,533	134,400	129,267	124,133
Operating Expenses	13,056	13,448	13,851	14,267	14,695	15,135
Ending Balance	19,524	5,293	109	4,088	17,352	40,025
	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18
Beginning Balance	40,025	72,236	114,116	165,803	227,435	111,422
Area Rate Revenue	166,800	171,804	176,958	182,267		
Debenture Payment	119,000	113,867	108,733	103,600	98,467	
Operating Expenses	15,589	16,057	16,539	17,035	17,546	18,072
Ending Balance	72,236	114,116	165,803	227,435	111,422	93,349