

## Staff Report

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<b>Report To:</b>	<b>Council</b>	
<b>Date of Meeting:</b>	September 25, 2023	<b>Report Number:</b> FSD-035-23
<b>Submitted By:</b>	Trevor Pinn, Deputy CAO/Treasurer	
<b>Reviewed By:</b>	Mary-Anne Dempster, CAO	<b>Resolution#:</b>
<b>File Number:</b>		<b>By-law Number:</b>
<b>Report Subject:</b>	South Bowmanville Recreation Centre Funding	

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### Recommendations:

1. That Report FSD-035-23, and any related delegations or communication items, be received;
2. That Council provide direction on the preferred option and associated actions as presented in this report:
  - a) Option 1 – Twin Pad Arena/Aquatic Centre/Gymnasium/Walking Track/Multi-Purpose Rooms/Outdoor Skating Rink
    - That Council approve Option 1, as outlined in this report;
    - That Council approve the revised project cost \$152,907,629 to be funded through debenture funding at the discretion of the Deputy CAO/Treasurer;
  - b) Option 2 – Aquatic Centre/Gymnasium/Multi-Purpose Rooms/Soccer Dome with Walking track/Outdoor Skating Rink
    - That Council approve Option 2, as outlined in this report;
    - That Council approve the revised project cost of \$90,218,381 to be funded through debenture funding at the discretion of the Deputy CAO/Treasurer;
  - c) Option 3 – Twin Pad Arena/Gymnasium/Multi-Purpose Rooms/Soccer Dome with Walking Track/Outdoor Skating Rink
    - That Council approve Option 3, as outlined in this report;
    - That Council approve the revised project cost \$124,134,989 to be funded through debenture funding at the discretion of the Deputy CAO/Treasurer;

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- d) Option 4 – Gymnasium/Multi-Purpose Rooms/Soccer Dome with Walking Track/Outdoor Skating Rink
- That Council approve Option 4, as outlined in this report;
  - That Council approve the project cost of \$64,837,402;
  - That per Resolution #GG-072-22, Option 4 be funded in the amount of \$65,000,000 as included in the 2022 capital budget will be financed through debenture;
3. That the CAO be given delegated authority to negotiate a revised proposal with Colliers Project Leaders for project management services for the project;
  4. That the Outdoor Skating Rinks identified in Report FSD-035-23 be approved to a maximum of \$8,000,000 and that the Deputy CAO/Treasurer is authorized to make an application to the Region of Durham for the necessary debentures for both the Outdoor Skating Rinks and the South Bowmanville Recreation Centre, such terms at the discretion of the Deputy CAO/Treasurer not to exceed 20 years in any single issue;
  5. That the Deputy CAO/Treasurer is authorized to split the debenture into phases at their discretion and in consultation with the Region of Durham
  6. That the CAO be given delegated authority to award contracts for the construction of the two outdoor skating rinks, given an upset budget of \$8,000,000; and
  7. That all interested parties listed in Report FSD-035-23, and any delegations be advised of Council's decision.

## Report Overview

This report is seeking direction from Council on the preferred plan to develop, design, and construct the new South Bowmanville Recreation Centre (SBRC). The intent is to provide a variety of options that will best address the recreation and leisure needs of our residents while at the same time considering both the capital project and preliminary operating budget costs of each option.

This follows the approval to pause the project in February 2023 due to construction market challenges, rising interest rates and some uncertainty as to what specific amenities are needed to serve all residents of Clarington.

All options presented include the necessary amenities to address the immediate need for program and activity space for registered and drop-in programs in Bowmanville. This will be achieved by constructing a large double gymnasium, indoor walking track, and multi-use program/activity space. The options presented also include the construction of a refrigerated outdoor skating rink, as requested by Council in February 2023.

It is the recommendation of staff that when considering the options outlined in this report, Council do so with the intention of finalizing the indoor facility expansion at the South Bowmanville site. This would allow Council to focus any future indoor development recommendations arising from the Parks, Recreation and Culture Master Plan (PRCMP) that is currently underway. While the options provided in this report will serve the recreation and leisure needs of the residents of Bowmanville, there is also a benefit for residents across the Municipality.

Staff are also seeking approval for the proposed outdoor skating rink plan to construct refrigerated outdoor rinks at Courtice Community Complex (CCC) and Diane Hamre Recreation Complex (DHRC). The project would see the CCC rink operational for November 2024 and the DHRC rink operational for November 2025.

## 1. Background

- 1.1 At the February 27, 2023, Joint Committee meeting, [Report CAO-006-23](#) was presented. The recommendations included pausing the SBRC project, expediting the PRCMP to better inform the needs of the community, and directing staff to prepare the design and costing for the construction of outdoor refrigerated skating surfaces to be located centrally, westerly, and easterly within Clarington.
- 1.2 This decision was primarily based on the rising cost estimates for constructing the proposed facility due to construction market challenges and the rising debenture debt borrowing costs.

- 1.3 At its meeting on January 31, 2022, the Committee approved the construction of a swimming pool, twin pad arena, gymnasium and associated administrative space (excluding library, wellness centre and multi-purpose community space) to be built in a single-phase and debentured at an estimated cost of \$65.1 million.
- 1.4 A debenture was issued in June 2022 for \$26.4 million, with interest ranging from 3.35 percent to 4.75 percent, representing \$20 million for the South Bowmanville project. An additional debenture was planned to be issued in 2023 or 2024 for the balance of the project cost.

## **2. Parks, Recreation & Culture Master Plan (PRCMP)**

- 2.1 The 2023 budget approved funding for completing Clarington's PRCMP. The Master Plan will provide Council and staff with a guide to make decisions towards 2036 when Clarington is expected to reach 162,640 residents, which is a growth of 60% compared to the 2021 Census population of 101,427. Existing and projected population projections, utilization and participation data, facility provision levels and trends, and community consultations will form the foundation of the Master Plan.
- 2.2 Staff have initiated this work with Monteith Brown Planning Consultants (MBPC), and the Plan is expected to be completed in September 2024, with significant findings and recommendations presented to the working group in May 2024. However, we have discussed this report and the proposed options with MBPC, and they have provided some comments for our consideration.
- 2.3 Based on previous studies completed for Clarington and their understanding of projected growth and associated recreation and leisure trends, MBPC observed that the proposed gymnasium, walking track and multi-purpose program and activities spaces in all four options have merit.
- 2.4 At this time, it would be premature for MBPC to provide a conclusive opinion on constructing indoor ice pads and/or swimming pools. This level of analysis will form part of the PRCMP work. However, based on their previous work with the Municipality, they are aware that we currently operate two older facilities, Darlington Sports Centre, and the Alan Strike Centre. As we will state in this report, any decision on these amenities will trigger consideration of a review of the viability of these two facilities in our longer-term plans.

## **3. Facility Project Options**

**Option #1 – Twin Pad Arena/Aquatic Centre/Gymnasium/Walking Track/Multi-Purpose Rooms/Outdoor Skating Rink**

- 3.1 This option generally represents the facility development plan that was approved by Council in the 2022 capital budget. Additionally, this option includes the addition of a refrigerated outdoor skating rink. This addition addresses the direction from Council to locate one of the three outdoor rinks centrally in the municipality.
- 3.2 Currently, the Municipality operates five arena pads; there are two additional board-operated single-pad arenas in Clarington. If Council approves this recommendation, staff, with the assistance of the findings in the PRCMP report, will assess the mid to longer-term demand for ice across the Municipality.
- 3.3 In 2010, a major renovation was completed on the Darlington Sports Centre. The objective at the time was to extend the arena's useful life for 10-15 years (to 2025). If it is determined that the demand for ice time is diminishing, staff will consider re-purposing this facility to non-ice activities. By operating the facility as a year-round "dry pad," we can facilitate lacrosse, ball hockey, pickleball, and other uses. This type of operation would generate floor rental revenue for 12 months, with a reduction in the facility's annual operating costs. Any operational savings will help offset the tax levy impact of the new facility.
- 3.4 With the construction of a new aquatic facility in South Bowmanville, the continued operation of the Alan Strike Aquatic & Squash Centre will need to be reviewed. Again, the findings in the PRCMP will be critical to this review, and staff would be considering re-purposing this facility for other recreation and leisure activities. Any operational savings will help offset the tax levy impact of the new facility.
- 3.5 This facility plan will effectively address Bowmanville's lack of programming space. The lack of facilities results in minimal registered and drop-in programs for our residents. With access to school gymnasiums a programming challenge, especially post-pandemic, there is only one full-sized gymnasium in Clarington. This deficiency was noted in the 2017 Indoor Facilities Development Strategy and has only worsened as our population has grown.
- 3.6 The same situation exists for indoor programs and activity spaces in Bowmanville. Currently, staff program preschool, children, and fitness activities in the community hall at the Garnet Rickard Complex. The space is not ideal for this type of programming and, with the other competing needs of the space for events, cannot satisfy our residents' growing demands.
- 3.7 The refrigerated outdoor skating rink will provide a unique opportunity for our residents to enjoy an extended outdoor skating season that would ideally operate from late November into March. For the remainder of the year this space would be an ideal location for other outdoor activities such as markets and pickle ball. This "civic square" will be a focal point for the entire facility.

3.8 The following capital project costing and preliminary operating budget information is provided:

Capital Costs

Estimated Project Budget	
Design Services (8.6% of Construction/Site Development)	\$11,438,000
Project Management	500,000
Construction	125,000,000
Site Development	8,000,000
Construction Contingency (2.5 % of Construction Cost/Site Development)	3,325,000
Furnishings, Fixtures & Equipment	2,000,000
<b>Sub-Total</b>	\$150,263,000
Net HST (1.76%)	2,644,629
<b>Total</b>	<b>\$152,907,629</b>

Notes:

1. Due to site constraints, construction of a new indoor soccer dome is not feasible with this option, existing indoor field will be maintained.
2. Indoor walking track to be integrated into gymnasium design.
3. This option would fill out the northern piece of this property and would not accommodate future indoor development.

Operating Costs:

3.9 The following assumptions were used in determining this preliminary operating budget:

- Twin pad arena will operate year-round and will provide additional ice to existing users as well as accommodate new users.
- Introduction of learn to skate program and expansion of public skating schedule.
- Existing indoor soccer field will remain, with some growth expected.
- Swimming pools will accommodate lessons, public swimming, and swim club rentals.
- Gymnasium and program/activity space will generate rental revenue and accommodate recreation, older adult, and fitness programs.
- Facility will accommodate an expanded summer camp program and better integrate the outdoor spaces.
- Revenue from facility name rights or sponsorships has not been factored into the budget at this time.
- Full-time Facility Supervisor, Aquatic and Recreation Programmers will be located in this facility.
- Facility will operate seven days per week from 6am – 12am and will be adequately staffed with qualified full-time operators.
- Customer service staff will be scheduled, as needed, during facility operating hours.

Budget Item	Dollar Amount
<b>Revenues</b>	
<b>Facility Rental Revenues</b>	\$1,202,000
<b>Program Revenues</b>	845,900
<b>Other Revenues</b>	75,000
<b>Facility Capital Surcharge</b>	175,000
<b>Total Revenue</b>	<b>\$2,297,900</b>
<b>Expenditures</b>	

Budget Item	Dollar Amount
FT Salaries, Wages, Benefits	1,275,700
PT Salaries, Wages, Benefits	1,455,600
Materials & Supplies	136,800
Utilities	687,100
Contracted Services	324,500
<b>Total Expenditures</b>	<b>3,879,700</b>
Net Levy	\$1,581,800
Less Projected 2026 BIS Net Levy*	(175,000)
<b>Revised Net levy</b>	<b>\$1,406,800</b>
* Excludes Debt Servicing Costs	

**Option #2 – Aquatic Centre/Gymnasium/Multi-Purpose Rooms/Soccer Dome with Walking Track/Outdoor Skating Rink**

- 3.10 This option does not include the twin pad arena but does include the refrigerated outdoor skating rink. With the additional space available on the site without the arena, staff are also proposing the addition of a soccer dome, including a walking track around the perimeter of the field. This field would replace the existing indoor field, which would be renovated to accommodate a large double gymnasium.
- 3.11 The current indoor soccer field was opened in 2005 and was intended to serve the needs of the Darlington Soccer Club’s indoor house league program. At that time, there were few indoor soccer options in Durham Region, and youth and adult usage at our facility was strong during the October – March indoor season. This trend continued until surrounding municipalities constructed larger indoor fields.
- 3.12 The proposed soccer dome can be constructed more cost-effectively than traditional building construction. The current indoor soccer field dimensions limit the level of play that can be accommodated on this field. Building a new domed field will significantly expand the range of soccer and other activities. While the current field is suitable for the Darlington Soccer Club’s indoor youth house league program, there are limitations with accommodating the Rep program and other higher levels of indoor play.



- 3.13 The current indoor soccer field is a popular location for our drop-in indoor walking program. By incorporating the walking track into the soccer field perimeter construction, a longer rubber-based track will increase the popularity of this location. Staff will also be able to develop new walking programs, and there will be benefits for the existing Lakeridge Health Cardiac Rehabilitation Program.
- 3.14 The following capital project costing and preliminary operating budget information is provided:

Capital Costs:

Estimated Project Budget	
Design Services (8.6% of Construction/Site Development)	\$6,708,000
Project Management	500,000
Construction	70,000,000
Site Development	8,000,000
Construction Contingency (2.5 % of Construction Cost/Site Development)	1,950,000
Furnishings, Fixtures & Equipment	1,500,000
Sub-Total	\$88,658,000
Net HST (1.76%)	1,560,381
<b>Total</b>	<b>\$90,218,381</b>

Notes:

1. Outdoor Skating Rink refrigeration system will be required with this option.
2. Indoor Walking Track to be designed on soccer dome interior perimeter.
3. This option would fill out the northern piece of this property and would not accommodate future indoor development.

**Operating Costs:**

3.15 The following assumptions were used in determining this preliminary operating budget:

- The existing indoor soccer facility will be renovated into a large double gymnasium.
- The new soccer dome will provide a full-sized indoor field that will attract higher levels of play, split field usage and year-round play.
- Swimming pools will accommodate lessons, public swimming, and swim club rentals.
- Gymnasium and program/activity space will generate rental revenue and accommodate recreation, older adult, and fitness programs.
- Facility will accommodate an expanded summer camp program and better integrate the outdoor spaces.
- Revenue from facility name rights or sponsorships has not been factored into the budget at this time.
- Full-time Facility Supervisor, Aquatic and Recreation Programmers will be located in this facility.
- Facility will operate seven days per week from 6am – 12am and will be adequately staffed with qualified full-time operators.
- Customer service staff will be scheduled, as needed, during facility operating hours.

<b>Budget Item</b>	<b>Dollar Amount</b>
<b>Revenues</b>	
<b>Facility Rental Revenues</b>	\$517,000
<b>Program Revenues</b>	850,900
<b>Other Revenues</b>	75,000

<b>Budget Item</b>	<b>Dollar Amount</b>
Facility Capital Surcharge	75,000
<b>Total Revenue</b>	<b>\$1,517,900</b>
<b>Expenditures</b>	
FT Salaries, Wages, Benefits	980,400
PT Salaries, Wages, Benefits	1,254,600
Materials & Supplies	126,000
Utilities	551,000
Contracted Services	253,700
<b>Total Expenditures</b>	<b>\$3,165,700</b>
<b>Net Levy</b>	<b>\$1,647,800</b>
Less Projected 2026 BIS Net Levy*	(175,000)
<b>Revised Net levy</b>	<b>\$1,472,800</b>
<b>* Excludes Debt Servicing Costs</b>	

**Option #3 – Twin Pad Arena/Gymnasium/Multi-Purpose Rooms/Soccer Dome with Walking Track/Outdoor Skating Rink**

- 3.16 With the inclusion of a twin pad arena in this option, the comments regarding future ice needs apply in this case. If this goes forward, staff will consider the future for Darlington Sports Centre and the possible re-purposing.
- 3.17 With no aquatic centre proposed, the overall building footprint would accommodate the construction of the domed indoor soccer field, with the walking track.
- 3.18 The following capital project costing and preliminary operating budget information is provided:

Capital Costs:

Estimated Project Budget	
Design Services (8.6% of Construction/Site Development)	\$9,288,000
Project Management	500,000
Construction	100,000,000
Site Development	8,000,000
Construction Contingency (2.5 % of Construction Cost/Site Development)	2,700,000
Furnishings, Fixtures & Equipment	1,500,000
Sub-Total	\$121,988,000
Net HST (1.76%)	2,146,989
<b>Total</b>	<b>\$124,134,989</b>

Notes:

1. Outdoor Skating Rink to be integrated into twin pad refrigeration system.
2. Site constraints will limit any further indoor expansion on this site.
3. This option includes renovating existing indoor field to gymnasium space.

Operating Costs:

3.19 The following assumptions were used in determining this preliminary operating budget:

- Twin pad arena will operate year-round and will provide additional ice to existing users as well as accommodate new users.
- Introduction of learn to skate program and expansion of public skating schedule.

- The new soccer dome will provide a full-sized indoor field, that will attract higher levels of play, split field usage and year-round play.
- Gymnasium and program/activity space will generate rental revenue and accommodate recreation, older adult, and fitness programs.
- Facility will accommodate an expanded summer camp program and better integrate the outdoor spaces.
- Revenue from facility name rights or sponsorships has not been factored into the budget at this time.
- Full-time Facility Supervisor, and Recreation Programmer will be located in this facility.
- Facility will operate seven days per week from 6am – 12am and will be adequately staffed with qualified full-time operators.
- Customer service staff will be scheduled, as needed, during facility operating hours.

<b>Budget Item</b>	<b>Dollar Amount</b>
<b>Revenues</b>	
<b>Facility Rental Revenues</b>	\$1,397,000
<b>Program Revenues</b>	264,000
<b>Other Revenues</b>	75,000
<b>Facility Capital Surcharge</b>	150,000
<b>Total Revenue</b>	\$1,886,000
<b>Expenditures</b>	
<b>FT Salaries, Wages, Benefits</b>	972,400
<b>PT Salaries, Wages, Benefits</b>	656,400
<b>Materials &amp; Supplies</b>	66,000

Budget Item	Dollar Amount
Utilities	621,000
Contracted Services	273,700
<b>Total Expenditures</b>	<b>2,589,500</b>
<b>Net Levy</b>	<b>\$703,500</b>
<b>Less Projected 2026 BIS Net Levy*</b>	<b>(175,000)</b>
<b>Revised Net levy</b>	<b>\$528,500</b>
<b>* Excludes Debt Servicing Costs</b>	

**Option #4 – Gymnasium/Multi-Purpose Rooms/Soccer Dome with Walking Track/Outdoor Skating Rink**

- 3.20 This option was developed considering the previously approved project budget of \$65.1M and could be considered as the first phase of a two-phase overall site development plan. The primary focus of this option is to provide residents with the much-needed community program space in the gymnasium and multi-purpose rooms. The soccer dome construction will also provide a better facility that will attract higher-level soccer play as well as other activities.
- 3.21 The following capital project costing and preliminary operating budget information is provided:

Capital Costs:

Estimated Project Budget	
Design Services (8.6% of Construction/Site Development)	\$4,816,000
Project Management	500,000
Construction	50,000,000

Site Development	6,000,000
Construction Contingency (2.5 % of Construction Cost/Site Development)	1,400,000
Furnishings, Fixtures & Equipment	1,000,000
Sub-Total	\$63,716,000
Net HST (1.76%)	1,121,402
<b>Total</b>	<b>\$64,837,402</b>

Notes:

1. This option includes renovating existing indoor field to gymnasium space.
2. This building footprint of this option would accommodate further expansion on this site in the future.

Operating Costs:

3.22 The following assumptions were used in determining this preliminary operating budget:

- The existing indoor soccer facility will be renovated into a large double gymnasium.
- The new soccer dome will provide a full-sized indoor field that will attract higher levels of play, split field usage and year-round play.
- Gymnasium and program/activity space will generate rental revenue and accommodate recreation, older adult, and fitness programs.
- Facility will accommodate an expanded summer camp program and better integrate the outdoor spaces.
- Revenue from facility name rights or sponsorships has not been factored into the budget at this time.

- Part-time Facility Coordinator Full-time Recreation Programmer will be located in this facility.
- Facility will operate seven days per week from 6am – 12am and will be adequately staffed with qualified full-time operators.
- Customer service staff will be scheduled, as needed, during facility operating hours.

<b>Budget Item</b>	<b>Dollar Amount</b>
<b>Revenues</b>	
<b>Facility Rental Revenues</b>	\$497,000
<b>Programs Revenue</b>	234,000
<b>Other Revenue</b>	42,000
<b>Facility Capital Surcharge</b>	75,000
<b>Total Revenue</b>	\$848,000
<b>Expenditures</b>	
<b>FT Salaries, Wages, Benefits</b>	487,300
<b>PT Salaries, Wages, Benefits</b>	576,000
<b>Materials &amp; Supplies</b>	41,000
<b>Utilities</b>	340,000
<b>Contracted Services</b>	139,500
<b>Total Expenditures</b>	\$1,583,800
<b>Net Levy</b>	\$735,800
<b>Less Projected 2026 BIS Net Levy*</b>	(175,000)
<b>Revised Net levy</b>	\$560,800
<b>* Excludes Debt Servicing Costs</b>	



## 4. Project Management Services

- 4.1 In September 2022, Colliers Project Leaders was awarded a contract to provide project management services to assist the Municipality with developing, designing, and constructing this recreation centre. Following the decision to pause the project, the contract with Colliers was cancelled, and work completed to date was invoiced and paid in full.
- 4.2 Given the amount of background work completed before the decision to postpone, there is an economic benefit to obtaining approval from Council to re-engage Colliers to complete this project. If approved, municipal staff will request a revised fee proposal for project management services, working on behalf of the Municipality, on this design-bid-build project. We will also request a revised project schedule that is intended to align with the projected opening of this facility in 2026.

## 5. Proposed Outdoor Skating Rinks Program

- 5.1 At the February 20, 2023, Joint Committee meeting, the following resolutions were approved:

That Staff be directed to prepare a design and costing proposal to create an outdoor refrigerated skating surface (trail and/or pad) with a budget not to exceed \$20 million of the funds earmarked for the South Bowmanville Recreation Complex.”

That a central skating location be explored first, with a Western (Courtice) and Eastern (Newcastle/Orono) to be considered based on budgetary feasibility; and

That the changes in the project scope be funded by the previously approved debenture and development charges for the South Bowmanville Recreation Centre.

- 5.2 Staff are recommending the addition of an outdoor skating rink in all the South Bowmanville options in this report that will effectively address the desire to have an outdoor rink located centrally within the municipality.
- 5.3 Based on preliminary investigations into potential locations, staff recommend the two additional outdoor skating rinks be built at the Courtice Community Complex and Diane Hamre Recreation Complex. The Courtice location is planned to be operational in November 2024, with the Newcastle rink to be operating in November 2025.

- 5.4 The outdoor skating rinks are planned to be 60" X 120" oval skating pads. They will provide 4-5 months of skating during the winter season. Mechanical and equipment rooms will be constructed adjacent to the pads. These concrete pads will deliver multi-use opportunities during the non-winter seasons, including pickleball courts, market areas, etc. These rinks are intended to operate with minimal staffing resources; however, we will need to increase the operating budgets for increased utility and maintenance costs.

## 6. Financial Considerations

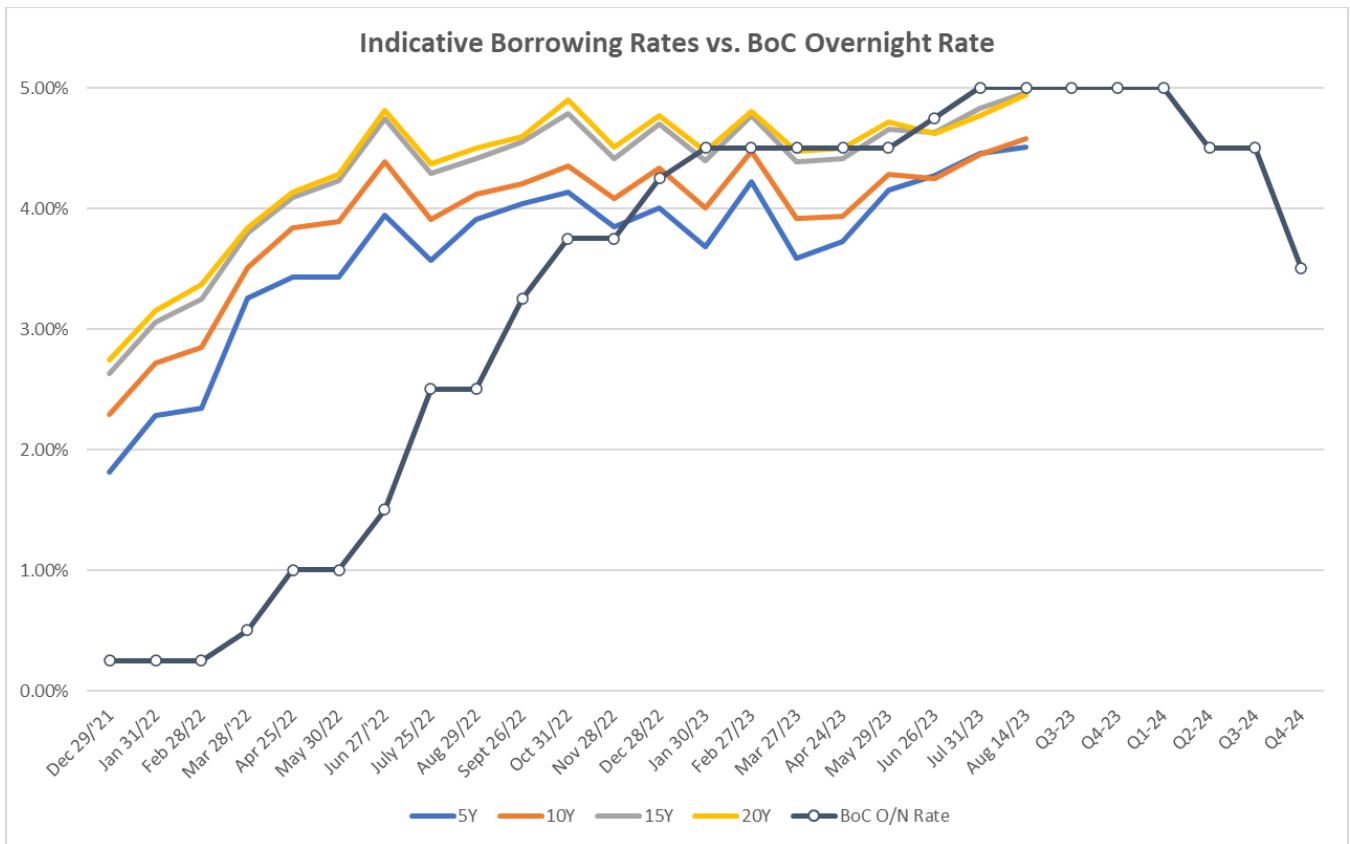
### Current Economic Considerations

- 6.1 In its [July 2023 Monetary Policy Report](#), the Bank of Canada has renewed the flexible inflation-targeting strategy until December 2026. The current target is 2% within a range of 1% to 3%. This target is for the Consumer Price Index (CPI), which does not reflect the building costs that impact the Municipality of Clarington; however, stable consumer inflation can assist in mitigating building indices.
- 6.2 In June 2022, inflation was approximately 8.1%; in June 2023, it was 2.8%, indicating a return to the target range. While this is not indicative of long-term inflation, it does suggest that the measures taken in the past twelve months are working to reduce inflation to the average level.
- 6.3 The critical tool the Bank of Canada used to reduce inflation was to increase interest rates to slow the economy. This impacts the Municipality and residents by increasing the cost of borrowing. Over the past ten years, interest rates have been relatively low compared to current interest rates.
- 6.4 While interest rates are expected to level off, Staff expect a slower return to a lower interest rate. The following chart shows the interest rates since 1992; the current rate is not unusual given the past 30-year trend.



(source: [Canada Interest Rate - 2023 Data - 1990-2022 Historical - 2024 Forecast - Calendar \(tradingeconomics.com\)](https://tradingeconomics.com/canada/interest-rate)).

- 6.5 Given the current interest rates and historical trends, it is not advisable to delay construction to try to “time the market.” It is not sure when or if interest rates will return to the levels of 2020 to 2022 or even the 2.00% levels seen before the COVID-19 Pandemic.
- 6.6 Staff have assumed an interest rate of 5.00% in the debt projections for this report. Given the volatility in the interest market, the Region of Durham could not provide a forecast for indicative rates; however, the Region provided a chart comparing the historical indicative rates to the Bank of Canada rate.



6.7 While there was a spread between indicative rates and the Bank Rate, this spread has decreased over the past two years. This results from market expectations of the interest rate in the long term. The actual interest rate will be locked in when the Region of Durham issues the debenture, Staff will be working with the Region to optimize the timing of debentures to maximize the benefit to the Municipality.

**Funding Strategy and Debt Implications**

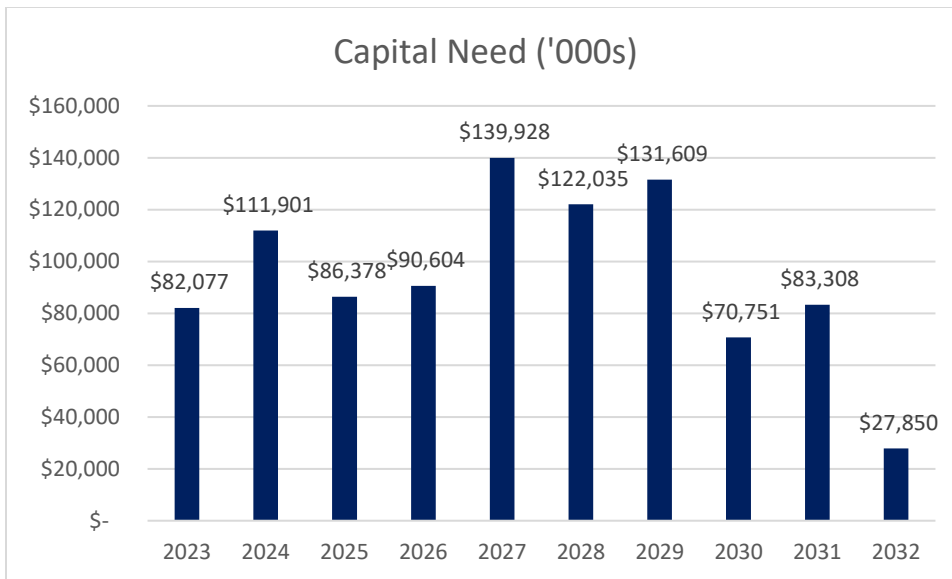
6.8 The Municipality of Clarington collects development charges on new development to fund capital-related expenses to support growth in the community. As part of this charge, some development charges are collected for recreational services and facilities including indoor and outdoor amenities. The South Bowmanville Recreational Facility was identified as part of the 2021 DC Study, as well as other outdoor amenity spaces.

6.9 Development charges will only pay for the growth component; historical caps and benefits to existing taxpayers are factored into the eligibility calculation. It is estimated that 70% of the cost of the recreation centre is eligible for development charge recovery. This amount has been included in the projections.

- 6.10 The Municipality is allowed to borrow from internal resources to fund long-term debt. This may be done from Development Charges Related Reserve Funds or another source; however, any long-term debt, even those from internal sources, must be done in consultation with the Region of Durham.
- 6.11 The Municipality is restricted by the Municipal Act 2001 to an Annual Repayment Limit (ARL), which is equal to 20% of the Municipality's own source revenue. The current ARL is \$22,029,858, with approximately \$19,890,500 available January 1, 2023. Although debt may be funded through development charges, the debt servicing costs (principal plus interest) still count towards the ARL. Further, while development charge-funded debt counts towards the debt limit, the development charge revenue does not count towards the "own-source revenue"; it is expressly excluded. This causes a situation where high-growth municipalities may be impacted on their ability to utilize debt for asset management if their capacity is tied towards non-tax-supported growth-related debt.
- 6.12 The Municipality has outstanding debt with a current cost of \$3.3 million, leaving approximately \$18.7 million of debt servicing space available.

### **Debt Forecast**

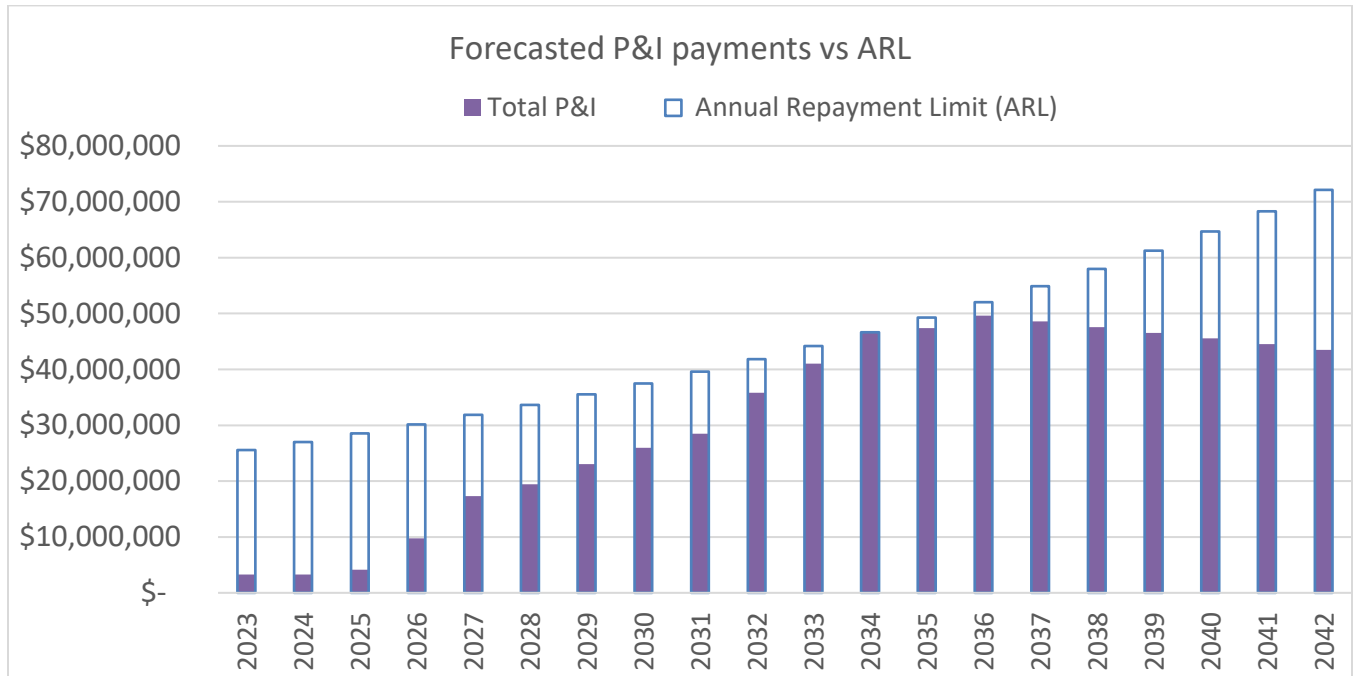
- 6.13 In determining the debt limitations of the proposed four options, several general assumptions have been made which are consistent throughout the four scenarios presented in the following subsections.
- 6.14 The Municipality is working on its asset management plan to update asset conditions and forecast the required investments to reduce the backlog and eliminate the infrastructure deficit. For the purposes of this analysis, the current backlog has been assumed to be cleared over a ten-year period, with debt being used to cover any shortfall from tax levy increases and grants. While work has been assumed for the next ten years, the debenture issued for the work is assumed to follow four years later. The following chart shows the estimated, based on current information, capital needs in thousands until 2032 from the Asset Management Plan and known DC needs. The following does not include the SBRC or the Public Works Yard, which are dealt with in the scenarios:



- 6.15 This is based on current timing; the work identified has not yet been included in budgets, and by the time the work is budgeted, designed, and completed the ten-year period would likely begin in 2027/2028. Therefore, the debenture issued is assumed to be four years later.
- 6.16 As the Municipality refines its AMP and long-term financial plan it is anticipated that debt needs will change, and the timing could be smoother to prevent budget volatility and ensure stability in the tax levy.
- 6.17 Interest rates are assumed to be 4.00% in 2024, 3.50% in 2025 and 3.00% thereafter. This is based on projections from CIBC economists as well as internal staff review of economic factors. It is also assumed that debt would be issued on October 1 of each year and that all debt is issued for 20 years.
- 6.18 For the purposes of determining the Municipality's ARL, the own source revenue has been assumed to be 5.6%. This assumption is based on 4.1% for the levy target (including 1.5% allocated annually to capital) and 1.5% for new growth in assessment.
- 6.19 The following debt forecasts include the Newcastle Community Park (\$3,217,500) and funding for two outdoor rinks as identified earlier in this report (\$8,000,000). The South Bowmanville Recreation Centre and the Public Works Yard are both assumed to be debentured over a two-year period. Short-term borrowing can be used to finance the working capital required, including borrowing from reserve funds.

**Option #1 - Twin Pad Arena/Aquatic Centre/Gymnasium/Walking Track/Multi-Purpose Rooms/Outdoor Skating Rink**

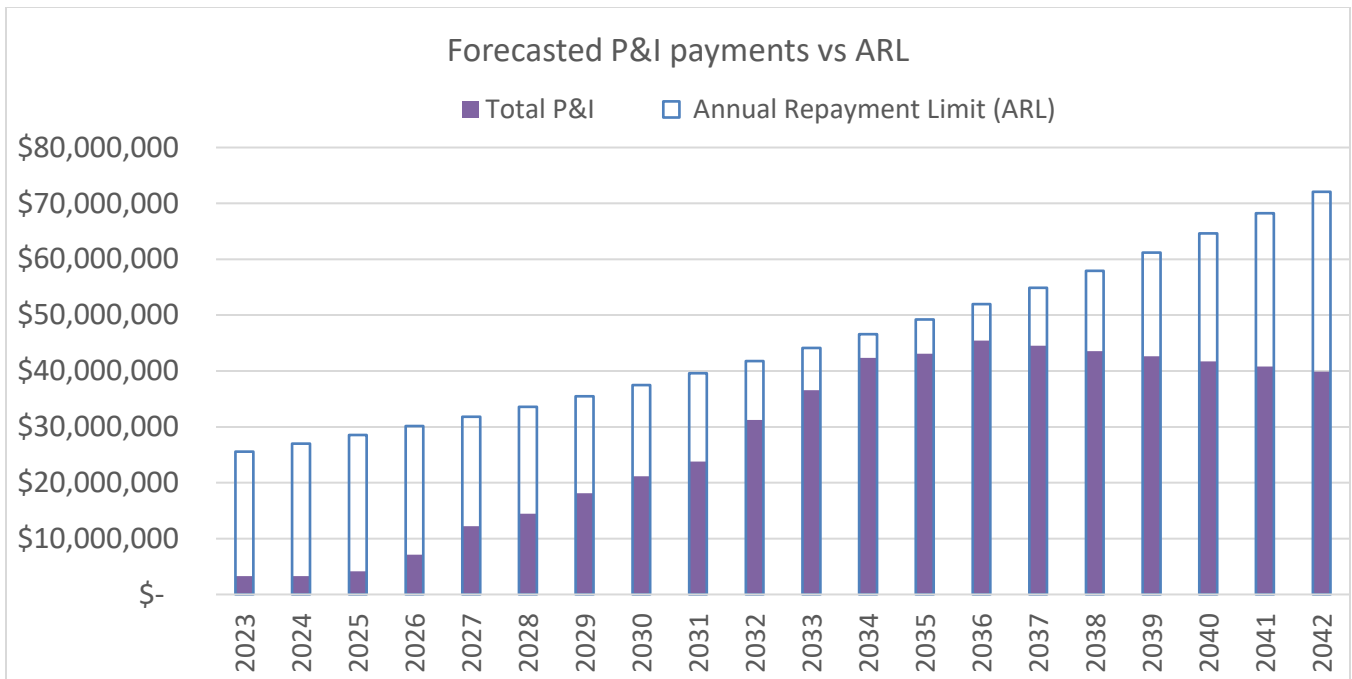
6.20 The following debt forecast represents the required financing for Option 1 of \$152,908,000. This forecast assumes an additional \$175,000 in own source revenue based on the debt repayment surcharge.



6.21 Based on the assumptions, the Municipality would meet the ARL in 2034 but would not exceed it.

**Option #2 – Aquatic Centre/Gymnasium/Multi-Purpose Rooms/Soccer Dome with Walking Track/Outdoor Skating Rink**

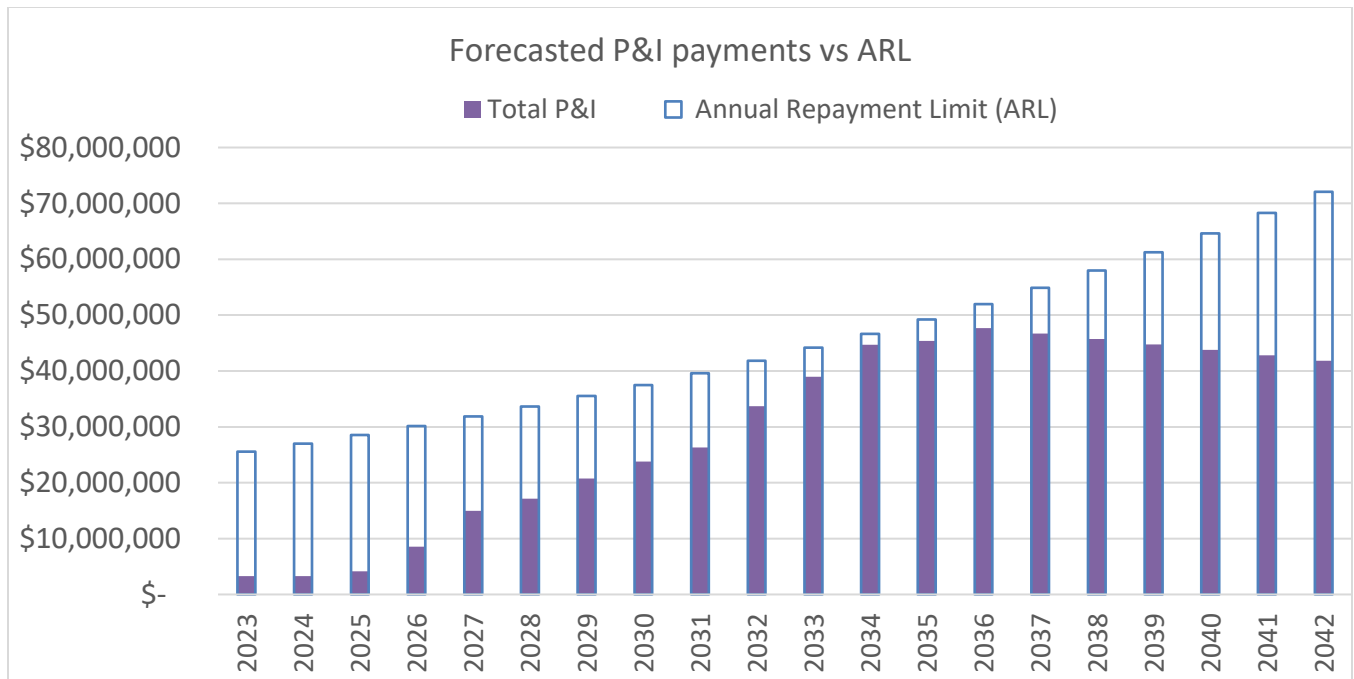
6.22 The following debt forecast represents the required financing for Option 1 of \$152,908,000. This forecast assumes an additional \$75,000 in own source revenue based on the debt repayment surcharge.



6.23 Based on the assumptions, the Municipality would not exceed the ARL at any point between now and 2042.

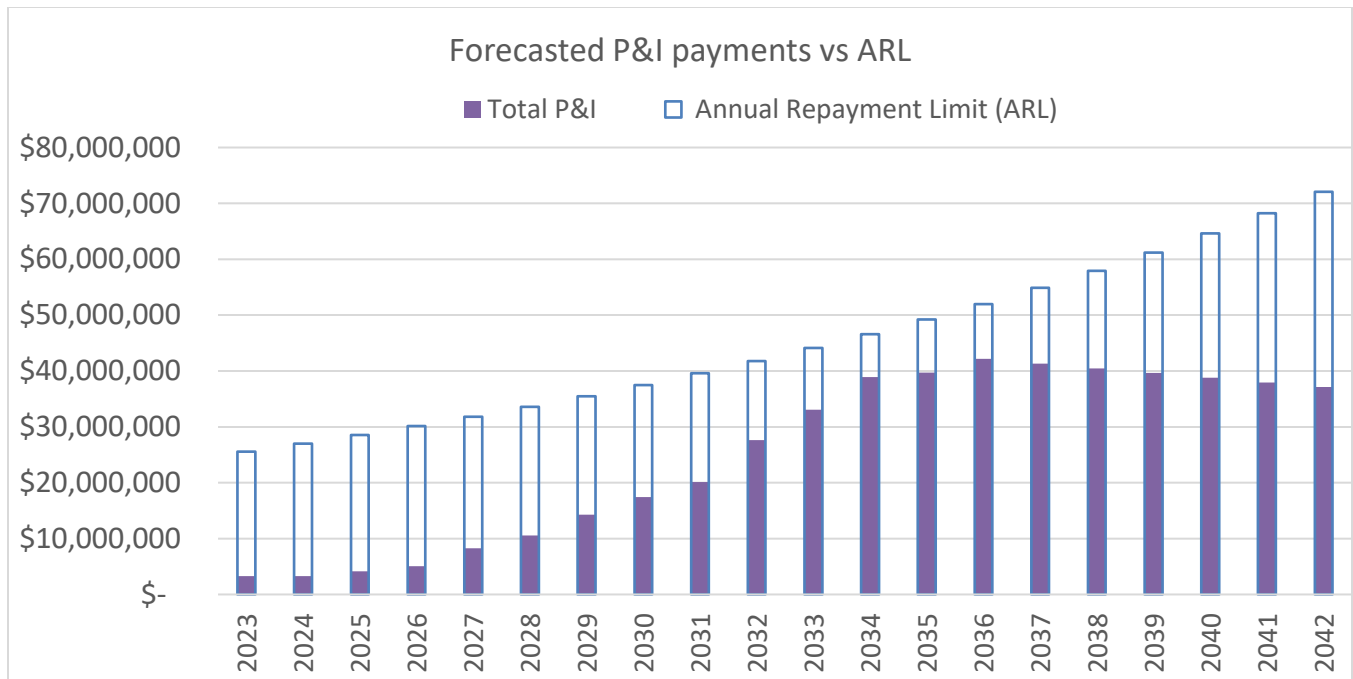
**Option #3 – Twin Pad Arena/Gymnasium/Multi-Purpose Rooms/Soccer Dome with Walking Track/Outdoor Skating Rink**





6.24 Based on the assumptions, the Municipality would not exceed the ARL at any point between now and 2042.

**Option #4 – Gymnasium/Multi-Purpose Rooms/Soccer Dome with Walking Track/Outdoor Skating Rink**



6.25 Based on the assumptions, the Municipality would not exceed the ARL at any point between now and 2042.

**Facility Capital Surcharge**

6.26 It is apparent that most municipalities are coping with competing capital priorities, greater resident expectations and limited capital funds, and Clarington is no different. Many municipalities have introduced facility rental and program usage surcharges to provide alternate sources of funding for the building of new recreation facilities or by growing reserves to fund future repairs and replacement of existing facilities.

6.27 This practice can be found in many municipalities, including in and around Durham Region. This surcharge is supplemental to other forms of capital project funding, such as development charges and infrastructure funding from other levels of government. In other cases, it is a fee directed to reserve funds to finance future repairs and replacements of building infrastructure. Examples can be found where this surcharge is applied to rental rates, expressed as a dollar amount or as a % of the rental rate. The fee can also be applied to program registrations, memberships and other activities and services.

6.28 This revenue option is being considered and would need to be specifically approved by Council. We have included a revenue line in the preliminary operating budget summaries for each facility option Council is considering. This amount is based on a surcharge for all facility rentals in this new facility, in addition to a charge for each

program registration that occurs in the facility. The primary source of revenue will be generated through a surcharge for ice rentals.

- 6.29 This would represent a new strategy for Clarington and at this time, we have provided an estimate for possible revenues for this new recreation centre. Further discussion will be needed to assess the feasibility of expanding this charge to rentals and program activities across the Community Services department. This would involve assessing the overall benefit of the service to the greater community versus a specific benefit to a particular user group.

### **Provincial and Federal Funding Opportunities**

- 6.30 Provincial and Federal funding grants are practical ways to offset the costs of major capital projects. Staff have had previous success in seeking funding opportunities for various projects. Funding for infrastructure projects is not the only opportunity, there are also funding opportunities available to support building a sustainable Recreation Complex in a way that puts the Municipality on a path to Net Zero and supports the Climate Change Action Plan.
- 6.31 Often major infrastructure programs result in a 33-33-33% funding split, if successful between federal, provincial, and municipal levels of government. While different funding opportunities have different structures, this is most common with previous infrastructure grants. Sustainability funding opportunities vary more based on funding sources and criteria, providing an equally sound opportunity to reduce costs. While most grant opportunities have not been announced for 2024 yet, there are some ongoing funding opportunities; however, most require the submissions to include design and sustainability information that will not be ready until after approvals are in place, and some design work has been completed.
- 6.32 The internal Grant and Climate Administration teams will continue to work with the project team to monitor and support funding applications to secure funding support to offset the project costs.

### **Annual Operating Budget**

- 6.33 Community Services staff have prepared a preliminary 2026 budget for each proposed facility option. Consideration was also given to the existing Bowmanville Indoor Soccer facility operating deficit projected for the 2026 budget year.
- 6.34 The estimated net levy represents a tax levy increase of approximately 0.9% (in addition to the debt repayment amount) in the first year (2026) based on the 2023 levy. The start date is expected to be 2026, so the actual increase is likely lower. Further, this amount could be reduced by a naming sponsor for the facility.

**Tax Levy Impacts**

6.35 The tax levy impacts of debt will assume a 70% development charge recovery, the levy impact is shown as a percentage of the 2023 tax levy \$72,443,900.

	<b>Debt Servicing (Tax Portion)</b>	<b>Levy %</b>	<b>Operating Cost</b>	<b>Levy %</b>	<b>Total Levy %</b>
<b>Option 1</b>	\$3,289,275	4.54%	\$1,406,800	1.95%	6.49%
<b>Option 2</b>	1,737,920	2.40%	1,472,800	2.03%	4.43%
<b>Option 3</b>	2,577,341	3.56%	528,500	0.73%	4.29%
<b>Option 4</b>	535,499	0.74%	560,800	0.77%	1.51%

6.36 Based on the 2023 assessment information, which is not likely to vary significantly as a result of the assessment freeze, the average home would be impacted by \$15.84 for every 1% increase in the levy. Therefore, the total tax levy impact to the average household would vary between \$23.92 to \$102.80.

**7. Concurrence**

This report has been reviewed by the Director of Community Services, who concurs with the recommendations.

**8. Conclusion**

It is respectfully recommended that Council provide direction on the preferred facility development option, as outlined in this report, to best serve the residents of this community. Upon receiving direction on the preferred development plan, staff will initiate the procurement for design and project management services.

The South Bowmanville facility will provide the residents of Bowmanville and beyond a community hub where programs and activities for all ages will greatly serve those communities' recreation and leisure needs.

Staff Contact: Trevor Pinn, CPA, CA, Deputy CAO/Treasurer, 905-623-3379 ext.2602 or tpinn@clarington.net.

Attachments:

Attachment 1 – SBRC Proposed Facility Options, Preliminary Operating Budget

Interested Parties:

The following interested parties will be notified of Council's decision:

- The Region of Durham Finance Department