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Report To:	Special General Government Committee		
Date of Meeting:	September 16, 2024	Report Number:	PUB-011-24
Authored by:	George Acorn, Director of Community Services, Public Services		
Submitted By:	Lee-Ann Reck, Deputy CAO, Public Services		
Reviewed By:	Mary-Anne Dempster, CAO		
By-law Number:		Resolution Number:	
File Number:			
Report Subject:	South Bowmanville Recreation Centre Aquatic Facility Expansion		

Recommendations:

1. That Report PUB-011-24, and any related delegations or communication items, be received;
2. That the proposed project budget of \$37,050,000 be approved;
3. That the project be financed through debenture and that the Deputy CAO/Treasurer be authorized to split the debenture into phases at their discretion and in consultation with the Region of Durham;
4. That Council support staff in applying for the Provincial Funding opportunity under the Community Sport and Recreation Infrastructure Fund (CSRIF) to offset construction costs;
5. That Council authorize the CAO to negotiate an additional fee with MJMA Architecture & Design (MJMA), to reflect the change in scope for design services to add the aquatic facility;
6. That Council authorize the CAO to negotiate an additional fee with Colliers Project Leaders, to reflect the change in scope for project management services to add the aquatic facility; and
7. That all interested parties listed in Report PUB-011-24, and any delegations be advised of Council's decision.

Report Overview

This report seeks approval for the design and construction of an aquatic facility as part of the ongoing Phase I South Bowmanville Recreation Centre (SBRC) project. This initiative stems from a key indoor recreation recommendation in the Parks, Recreation, and Culture Master Plan (PRCMP). Adding an indoor swimming pool at this stage underscores Council's dedication to meeting Clarington's expanding recreation and leisure needs. As highlighted in the PRCMP, "The strength of parks, recreation, and cultural services is crucial to the community's success and wellbeing."

Approval of this project would enable staff to retain the professional services for architecture, engineering, and project management currently engaged for the South Bowmanville project. By negotiating change of scope fees, the Municipality can more effectively manage the soft costs and timelines associated with constructing the aquatic facility.

1. Background

- 1.1 At the October 15, 2019, General Government Committee meeting Report [CSD-009-19](#) was presented. This report proposed the design/construction of the South Bowmanville Recreation Centre be referred to the 2020 Budget report for consideration. The original concept included a twin-pad arena; double gymnasium; indoor walking track; multi-purpose rooms; community services administration offices; and a branch library. The estimated project budget, at that time was \$48M.
- 1.2 Following discussion during the 2020 budget deliberations, with no approval, Council requested subsequent staff reports considering alternate facility programs and locations, as well as investigation of public-private partnership opportunities.
- 1.3 At the January 31, 2022, Special General Government Committee meeting, a revised SBRC project was approved for \$65.1M. The facility was planned to consist of a twin pad arena, swimming pool, and associated administrative space. In June of that year an initial debenture of \$20M was issued, and staff initiated the project development processes.
- 1.4 During the early planning stages of the project, the impact of the pandemic on the construction market resulted in cost estimate escalations and ongoing uncertainty. Additionally, the completion of the PRCMP, approved in the 2023 budget, would better inform the current and future recreation needs of the community.
- 1.5 As a result, Report [CAO-006-23](#) was presented at the February 26, 2023, Joint Committee meeting, recommending a pause to the SBRC project, expediting of the PRCMP, and consideration for outdoor refrigerated skating rinks in Courtice, Newcastle, and in Bowmanville as part of the SBRC project.

- 1.6 At the September 25, 2023, Council meeting Report [FSD-035-23](#) was presented. The report provided Council four (4) facility program options for South Bowmanville. Option #4 proposed a project to include a gymnasium; multi-purpose rooms; refrigerated outdoor skating rink; and an air-supported sport dome with perimeter walking track. The cost was estimated at \$64.8M, which was within the previously approved \$65.1M, to be financed through the existing debenture.
- 1.7 Arising from discussion of this report, Resolution [#C-122-23](#) included direction to proceed with Option #4 and was amended ([#C-123-23](#)) to include the following:

"That, following the consideration of the Recreation Master Plan, Council consider other options, including, but not limited to, aquatic and ice pads"
- 1.8 Subsequently, the services of MJMA, for design and engineering, and Colliers Project Leaders, for project management, were retained. A municipal staff project team was assembled and work on the new facility development began.

2. SBRC Phase I Project Status

- 2.1 Following is a summary of the status of the project and scheduled future milestone dates:

Completion of FBP and Concept Design: MJMA finished the Functional Building Program (FBP) and Concept Design Plan earlier this summer.

Schematic Design Phase: The Schematic Design Phase was completed at the end of August.

Design Development Phase: Work in this phase has commenced and will include finalizing details for all interior spaces, receiving a Class B project costing report, and preparing preliminary building permit drawings for submission during the construction documents phase. This Phase is scheduled for completion mid October

Construction Documents Phase: The preparation of tender drawing and specifications is scheduled to commence mid October and be completed mid February 2025.

Construction Procurement Phase: The construction tender and award phase is scheduled for Mid February to Mid April 2025.

Construction Phase: The project construction period is scheduled to commence mid April 2025, with construction completion for August 2026.

- 2.2 The addition of the aquatic facility will need to effectively be phased in, without impacting the July 2026 completion date for the initial phase of construction. Following successful fee negotiation with MJMA and Colliers, the project team will develop a detailed plan to achieve this objective.

3. Parks, Recreation & Culture Master Plan

- 3.1 The 2023 budget approved funding for completing Clarington's PRCMP. The Master Plan will provide Council and staff a guide to base decisions on recreation and leisure requirements through 2036 when Clarington is expected to reach 162,640 residents. This 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.
- 3.2 Following the award of this contract to Monteith Brown Planning Consultants (MBPC), a staff working group, led by a steering committee, worked with the consultants on completing the various phases of this project. One of the deliverables in the report was to provide recommendations on future indoor recreation development, that would effectively satisfy the recreation, and leisure needs of this growing community.
- 3.3 One of the recommendations included in the PRCMP, specifically related to the current project at SBRC is to:

Explore the feasibility of constructing an indoor aquatic centre concurrently with the first phase of the South Bowmanville Recreation Centre, which should be designed to support both community programming and competitions (although this should not delay the current process)...
- 3.4 Recreation and leisure facilities, programs, and services suffered drastically, with provincially mandated closures, during the COVID-19 pandemic. Where permitted to do so, Clarington developed safe and effective processes to offer facilities and services to our residents. This contrasted with many municipalities who simply closed their doors until permanent re-opening direction was provided by the Province.
- 3.5 This approach allowed for a faster return to a business-as-usual which resulted in recreation programs and activities, including swimming lesson participation, return to pre-pandemic levels. This trend has continued with demand in many areas exceeding those pre-pandemic participation numbers.
- 3.6 The current demand for aquatic programs will continue to increase, given the population growth projections over the planning period of this master plan. With limited capacity to grow within existing facilities, the potential to return to long waitlists for swimming lessons is a real possibility.
- 3.7 As highlighted in the findings of the PRCMP, any analysis of the ratio of swimming pools to population needs to take into consideration the limitations at the Alan Strike Aquatic and Squash Centre. Originally constructed in 1982, a major renovation completed in 2014 planned to extend the useful life of the facility for 10-15 years. While the facility remains in sound condition, the limitations remain and the breadth of programs and activities possible do not match either the Courtice Community Complex or Diane Hamre Recreation Complex for aquatic programming.

3.8 The provincial government announced on August 19, 2024, that applications for the CSRIF will be accepted ongoing until all \$200 million in funding has been awarded. Intake for the funding is now open. Given the recommendations forthcoming in the PRCMP and the introduction of the funding, staff are recommending moving forward with endorsement for the addition of the aquatic facility from Council so we are positioned to apply for funding. If successful, the Municipality could be eligible for up to \$10 million in funding, with projects requiring completion by March 31, 2027.

4. Proposed Facility Program

- 4.1 The proposed aquatic facility will consist of a 25 metre 6 or 8 lane main pool, a teaching pool, therapy pool, universal changerooms, large viewing area, staff change facilities, lifeguard and staff spaces, and large on-deck storage. The facility will be designed with good accessibility to pool tanks and dedicated accessible change facilities will be provided.
- 4.2 The design of the main pool will consider the needs for lane and public swimming, swimming lessons, and aquafit classes.
- 4.3 The facility will also provide multi-purpose space, near the pool, to accommodate aquatic leadership programming, sessional aquatic staff training, and other activities.
- 4.4 The increased traffic within the facility, will require expanded common area spaces, which has been accounted for in the proposed project budget.

5. Financial Considerations

Capital Budget and Financing

5.1 The table below provides the estimated costs for the capital component of the SBRC aquatic facility and multi-purpose space:

SBRC Aquatic Facility – Estimated Capital Costs

	Cost Estimate
Construction	\$29,750,000
Site Preparation	500,000
Project Contingency (10% of construction and site costs)	3,025,000
Design/Engineering/Project Management (10% of construction and site costs)	3,025,000
Furnishings, Fixtures & Equipment	750,000
Total Estimated Capital Cost	\$37,050,000

- 5.3 The construction cost estimates are based on the cost per square foot assumptions provided in the Parks, Recreation, and Culture Master Plan. Construction for the aquatic centre portion is estimated at \$950 per square foot, with an overall size estimate of 25,000 square feet. The multi-purpose space is estimated to be approximately 10,000 square feet, at a cost of \$600 per square foot.
- 5.4 Financing this project would require an additional debenture, like the financing structure of the current phase of the SBRC. The duration of the debenture is anticipated to be twenty years, with the timing and structure to be determined at the discretion of the Deputy CAO/ Treasurer.
- 5.5 Based on the estimated timing of the project, a portion of the debenture (50 per cent) would likely be obtained in the fall of 2026, with debt servicing payments beginning in 2027. The remaining portion (50 per cent) would be obtained in the fall of 2027, with payments beginning in 2028. Economic conditions will be monitored in advance to determine the optimal structure and timing of the debenture, with consideration given to the current and forecasted interest rate environment at the time of issuance.

Financing Strategy and Debt Implications

- 5.6 The Bank of Canada recently lowered its policy rate to 4.25 per cent at its September 2024 meeting. It's anticipated that two more 25 basis point reductions will occur before the end of the year, bringing the policy rate down to 3.75 per cent by the end of 2024. Current forecasts assume the policy rate to be reduced to 3.00 per cent by the end of 2025.
- 5.7 Beyond 2025, it's anticipated that the Bank of Canada policy rate will settle at its neutral rate. The neutral interest rate represents a target rate that is neither stimulative nor restrictive and is intended to keep the economy operating at a steady state. The most recent estimate from the Bank of Canada has the neutral rate of interest in the range of 2.25 to 3.25 per cent.
- 5.8 Given the above, staff estimate an average debenture interest rate of 3 per cent in 2026 and beyond.

5.9 The table below provides an estimate of the annual debt servicing costs, along with the estimated total cost of the debenture (principal and interest). The table assumes a twenty-year debenture with an average annual interest rate of 3.00 per cent. The table also assumes that the debenture would be split over a two-year period.

SBRC Aquatic Facility – Estimated Principal and Interest

Debenture Amount	Year of Issuance	Estimated Annual Payment	Estimated Total Cost		
			Principal	Interest	Total
\$18,525,000	2026	\$1,245,000	\$18,525,000	\$6,378,000	\$24,903,000
18,525,000	2027	1,245,000	18,525,000	6,378,000	24,903,000
			\$37,050,000	\$12,756,000	\$49,806,000

5.10 Like the current phase of the SBRC, the debt servicing costs associated with the aquatic facility and multi-use space would be partially recoverable through development charges. The Municipality is currently in the process of updating its Development Charge (DC) Background Study and By-law. The share of debt servicing costs recoverable through DC's will be determined through the DC study and by-law update.

5.11 The current phase of the SBRC has been included in past DC studies and includes a DC recoverable growth portion of 70 per cent. Assuming the 70 per cent growth share is also applied to the new aquatic facility phase, the table below provides an estimate of the financing sources for the annual debt servicing costs. This represents a preliminary estimate as the actual share attributable to growth will be determined through the DC study update.

SBRC Aquatic Facility – Estimated Debt Servicing Growth Shares

Debenture Amount	Year of Issuance	Estimated Annual Payment	Estimated Growth Share	
			Growth (70%)	Non-Growth (30%)
\$18,525,000	2026	\$1,245,000	\$871,500	\$373,500
18,525,000	2027	1,245,000	871,500	373,500
			\$1,743,000	\$747,000

5.12 The estimated growth share of the total annual debt servicing costs related to the SBRC aquatic facility is approximately \$1.7 million. This amount would be eligible for DC Parks and Rec Services Reserve Fund funding.

5.13 The total estimated non-growth share of \$747,000 would need to be funded through non-DC sources. This portion of the debt servicing cost will be included in the operating budget and must be funded through tax levy or reserve fund transfers.

Parks and Recreation Services Debentures

5.14 The debenture for the SBRC aquatic facility would add to the debentures already approved for Parks and Rec services. The table below provides the projects that have already been approved for debenture financing and are being funded wholly, or in part, from the DC Parks and Rec Services Reserve Fund.

Parks and Recreation Services Debentures

	Debenture	Year	Est. Interest	Est. Total Cost
SBRC - Current Phase (1 of 3)	\$20,000,000	2022	\$10,930,000	\$30,930,000
Newcastle Park	3,217,500	2024	1,622,500	4,840,000
Outdoor Skating Rinks	8,000,000	2024	4,035,000	12,035,000
SBRC - Current Phase (2 of 3)	40,000,000	2024	20,176,000	60,176,000
SBRC - Current Phase (3 of 3)	5,000,000	2025	2,036,000	7,036,000
SBRC - Aquatic Phase (1 of 2)	18,525,000	2026	6,378,000	24,903,000
SBRC - Aquatic Phase (2 of 2)	18,525,000	2027	6,378,000	24,903,000
Total	\$113,267,500			\$164,823,000

5.15 The debenture for the current phase of the SBRC (\$65 million) was approved in 2022 and was split into multiple debentures. The debentures in 2024 and beyond have not yet been obtained; therefore, the total estimated costs represent a staff estimate based on an interest rate assumption. The Region will issue the debenture for 2024 projects in late September, after which staff will have the final debt schedules and total debenture costs.

5.16 The table below provides the estimated annual debt servicing costs associated with the Parks and Rec Services debentures. The table also provides the amount of the total debt servicing costs that are attributed to growth (i.e., financed through the DC Parks and Rec Services Reserve Fund) and the costs that are not attributable to growth (i.e., non-DC financed). As mentioned, any non-growth share will be included in the annual operating budget and will be funded through either tax levy or reserve fund transfers.

Estimated Debt Servicing Costs – Parks and Rec Services

	2025	2026	2027	2028
SBRC - Current Phase (1 of 3)	\$1,508,000	\$1,508,000	\$1,511,000	\$1,516,000
Newcastle Park	242,000	242,000	242,000	242,000
Outdoor Skating Rinks	602,000	602,000	602,000	602,000
SBRC - Current Phase (2 of 3)	3,009,000	3,009,000	3,009,000	3,009,000
SBRC - Current Phase (3 of 3)	0	352,000	352,000	352,000
SBRC - Aquatic Phase (1 of 2)	0	0	1,245,000	1,245,000
SBRC - Aquatic Phase (2 of 2)	0	0	0	1,245,000
Total	\$5,361,000	\$5,713,000	\$6,961,000	\$8,211,000
Funding Source				
Parks and Rec DC	\$4,005,000	\$4,252,000	\$4,254,000	\$5,129,000
Non-DC	\$1,355,000	\$1,461,000	\$2,707,000	\$3,082,000

- 5.17 The 2024 year-end balance in the DC Parks and Rec Services Reserve Fund is currently estimated at approximately \$1.6 million. Although debt servicing costs exceed the current unallocated balance, future cash flows into the DC Reserve Fund should work to offset the shortfall. If cash flows are insufficient to cover the shortfall, the Municipality will need to short-term borrow from other Reserve Funds.
- 5.18 The Parks, Recreation, and Culture Master Plan has forecasted extensive growth in the Municipality over the next ten years. If growth materializes according to the forecast, DC cash flow will be sufficient to cover the debt servicing costs. However, if growth is slower than forecast, it may cause DC cash flow issues.

5.19 The table below provides a high-level estimate of anticipated DC revenue for Parks and Recreation Services, based on the assumption that future building permit activity is more in line with historical trends. The table provides an estimated remaining balance after accounting for the debt servicing costs identified above. The remaining balance represents an estimate of the remaining funds available to be used for other projects beyond debt servicing (i.e.: Parks, Rec, and Culture Master Plan).

Estimated DC Receipts – Parks and Rec Services

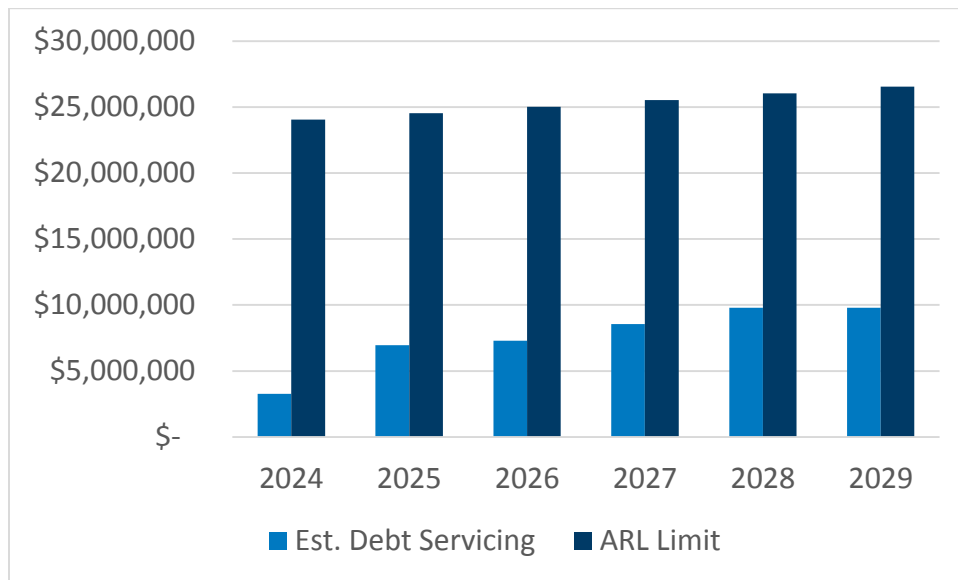
	2025	2026	2027	2028
DC Debt Servicing Costs	(\$4,005,000)	(\$4,252,000)	(\$4,254,000)	(\$5,129,000)
Est. DC Revenue	5,656,000	5,878,000	6,562,000	6,209,000
Remaining	\$1,651,000	\$1,626,000	\$2,308,000	\$1,080,000

Annual Repayment Limit

5.20 The Municipality’s debt servicing costs are restricted by the Municipal Act 2001 to an Annual Repayment Limit (ARL), which is calculated based on 25 per cent of the Municipality’s own source revenue. The current ARL is \$24,052,600. The Municipality’s annual debt servicing costs, regardless of the funding source (ie. Development charges or tax support), can not exceed this ARL.

5.21 The chart below provides a forecast for the ARL and debt servicing costs for the next five years. The estimate is based on all existing debt servicing obligations, with the addition of the new debentures outlined above.

Estimated Annual Repayment Limit and Debt Servicing Costs



Operating Budget and Financing

5.22 The following preliminary operating revenue/expenditure summaries have been provided for the addition of an aquatic facility to the SBRC project:

SBRC Aquatic Facility – Estimated Operating Budget Impact

	\$ Estimate
Revenues	
Facility Rental Revenues	\$20,000
Programs Revenue	616,900
Other Revenue	33,000
Facility Capital Surcharge	75,000
Total Revenue	\$744,900
Expenditures	
FT Salaries, Wages, Benefits	\$493,100
PT Salaries, Wages, Benefits	678,600
Materials & Supplies	85,000
Utilities	211,000
Contracted Services	113,500
Total Expenditures	\$1,581,200
Levy Impact	\$836,300
Estimated Debt Servicing Costs	\$747,000
Total Estimated Operating Impact	\$1,583,300

5.23 The above amounts have been annualized and reflected in 2026 numbers. If approved, the preliminary operating budget will be updated for the 2026 budget submission.

6. Strategic Plan

This report aligns with Clarington’s Strategic Plan 2024–26 in the following areas:

C.4.1: Promote and support local art, culture, and heritage sectors through implementation of the Parks, Recreation and Culture Master Plan.

C.4.2: Begin construction of a new multi-use recreation facility and complete design and begin construction of the South Bowmanville Recreation Centre.

7. Climate Change

The aquatic facility will be designed in accordance with the Municipality's Sustainable and Resilient Design Guideline, focusing on both mitigating and adapting to the impacts of climate change. To reduce its environmental footprint, the facility will be designed to incorporate energy-efficient systems to reduce emissions and conserve resources. Further, by incorporating the design measures included in the Sustainable and Resilient Design Guideline, the facility will be better equipped to handle future climate risks, aligning with the corporation's goals for sustainable and resilient infrastructure.

8. Concurrence

This report has been reviewed by the Deputy CAO/Treasurer who concurs with the recommendations.

9. Conclusion

It is respectfully recommended that Council approve the recommendations in this report allowing staff to take the steps necessary to facilitate the addition of an aquatic facility into the ongoing SBRC project.

Staff Contact: George Acorn, Director, Community Services, 905-623-3379 x2502 or gacorn@clarington.net.

Attachments:

Not Applicable

Interested Parties:

There are no interested parties to be notified of Council's decision.