

Municipality of Strathroy-Caradoc
Recreation Facility Infrastructure Renewal Committee
Minutes

Wednesday, June 9, 2021

5:00 p.m.

Electronic Meeting - Zoom

Present: Mayor Joanne Vanderheyden
Deputy Mayor Brad Richards
Councillor Neil Flegel
Councillor John Brennan
Councillor Sandi Hipple
Councillor Frank Kennes
Councillor Steve Pelkman
Councillor Marie Baker
Councillor Larry Cowan

Also Present: Fred Tranquilli, Chief Administrative Officer/Clerk
Jennifer Pereira, Deputy Clerk/ Lottery Licensing Officer
(Recorder)
Bill Dakin, Director of Financial Services
Rob Lilbourne, Director of Community Services

1. Declaration of Pecuniary Interest

None.

2. Presentations

2.1 Financial Implications for Proposed Nustadia Recommendations

Bill Dakin, Director of Financial Services presented a report of the financial implications for the proposed Nustadia recommendations.

1. Decommissioning of Tri-Township Arena - Nustadia's costing/savings of \$708k as presented in the report are based on the capital expenditures identified in the Walterfedy report and the municipal proposed portion of the operating cost. However, in reality due to the age and condition of the

Tri- Township Arena capital costs are focused on health and safety related work or “portable” upgrades (items that can be used elsewhere when the building is demolished) which has been averaging \$30k per year and not the \$608k as reported; the municipality’s contribution to operations at Tri-Township Arena have averaged approximately \$40k per. He commented that the real savings would approximately be \$70k per year (\$30k+\$40K) and not the \$708K as stated in the report.

2. Decommissioning of West Middlesex – The municipality currently has loan payments of \$275k annually or \$1,375,000 left to pay on the renovation from 2010-11. The payments are comprised of \$247k or (\$1,235,000) from Development Charges and \$28k or (\$140,000) from taxation). This loan will be extinguished in 2026 right at the end of the five year window the report suggests.

The Walterfedy report suggests annual capital work of \$350K, however, if the building were to be slated for decommissioning we would see the capital expenses to decrease to approximately \$150K annually so the savings for the first five years would be more likely \$200k. As for operational saving, this would not commence until the building was decommissioned in five years, so the savings for the first five years would be approximately \$200k annually. After year five the municipality would recognize the \$350k in capital and the \$175k in operation or \$525k annually.

Bill Dakin, Director of Financial Services indicates that the next two recommendations are on new builds.

3. Building a Multi-use facility in Mount Brydges would see a capital expenditure of \$13.5 million which would be offset by the \$850k of capital work no longer required to Caradoc Community Centre as that would be part of the expanded facility. The net result is therefore a capital spend of \$12.65 million, however, the expansion and added facilities would also come with an increase in the operating budget of \$75K annually. So taking that capital spend over a fifteen-year time horizon would result in an annual spend of \$844K plus the \$75K operating spend the municipality would see increased annual cost of \$919K.

4. The expansion of the Gemini would see a capital spend of approximately \$26.63 million which would be offset by the 1.3 million of capital work no longer required to the existing building as they would be part of the expansion. The net is therefore a capital spend of \$25.33 million, however, the expanded facility would also increase the operating

budget by an additional \$125k annually. In conclusion, the capital spend over a fifteen-year time horizon would result in an additional annual spend of \$1.7 million plus the \$125K operating spend the municipality would see increased annual cost of \$1.83 million.

Councillor Kennes asks if these estimated costs include interest costs in the case that the municipality borrows the money. Bill Dakin, Director of Financial Services indicates that these figure so not include interest, there would be an addition of interest costs on top of the capital costs.

Councillor Flegel questions the 15-year term, and asks where this term came from as other communities have taken on these types of projects but for a much longer timeline. Bill Dakin, Director of Financial Services indicates that he used this term from the previous West Middlesex project as reference. Fred Tranquilli, Chief Administrative Officer indicates that the municipality has not been in practice of setting money aside for these investments. Using a 15- year guide, the loan can be paid and then this would continue to be put into a reserve in order to repair building at the end of life span.

Councillor Brennan asks what amount of development charges revenue would be available and which items of the project would be eligible for the use of development charges. Bill Dakin, Director of Financial Services confirms that the use of development charges depends on growth and on the type of structure. Councillor Brennan also wonders what percentage of development charges are already forecasted for future projects. Bill Dakin, Director of Financial Services expressed that recreation development charges are about 2.5 million and it is to be used on indoor recreation. He indicates that 1.2 million is already spoken for other projects.

Deputy Mayor Richards wonders how the potential recreation revenues are estimated. Bill Dakin, Director of Financial Services indicates that it is difficult to estimate revenues and these financials are all based on taxation. Rob Lilbourne, Director of Community Services expresses that revenue streams are a modest profit. The recreation has the goal of breaking even with recreation programs, so any new revenue should not be included into the equation.

Councillor Flegel feels that council has worked hard in order be in a good financial position leaving them in a position to go into debt without effecting taxation and asks what the municipality's debt position currently is, and what interest rates we would receive through Infrastructure Ontario. Bill Dakin, Director of Financial Services shares that by 2030 the

municipality will be debt free if we don't incur any more debt. The municipality's annual repayment limit is 25 million and the municipality is currently around 4 million. The interest rate on new debt would be approximately 2.3%. Fred Tranquilli, Chief Administrative Officer reiterates that Council continue to look at the bigger picture as there are other master plans that will require funds as well.

Councillor Kennes wonders if the demolition costs are accounted for and what those costs would be. Bill Dakin, Director of Financial Services says that these costs are not accounted for in this report. Rob Lilbourne, Director of Community Services estimated that the cost of demolition would be estimated at 1 million.

Bill Dakin, Director of Financial Services presented the financial impact on taxation. The scenarios provided use a fifteen-year time horizon for comparison purposes and \$175k is equal to a 1% swing in tax. Any and all increases or decreases are for these projects alone and do not take into consideration any other increases or decreases which will be required for other capital or operations.

He indicates that for recommendations #3, and #4 the build out would result in an increase in taxation of 14.5% for capital and 1.10% for operation for a total increase of 15.6% for these projects alone. (fifteen-year horizon). He adds that this increase would not take in account cost of living tax rate increase.

For recommendations #1, and #2 due to the timing involved they are split out for Years 1-5 and Years 6-15 and then combined for an overall fifteen-year time horizon:

- Years 1-5 would result in a decrease in taxation of -1.3% for capital and -0.2% for operation for total of -1.5% decrease. (five-year horizon)
- Years 6-10 would result in a decrease in taxation of -1.8% for capital and -1.7% for operation for total of -3.5% decrease. (ten-year horizon)
- Using the two calculations above to create a fifteen-year time horizon for comparison purpose the decommissioning's would result in a decrease in taxation of -1.6% for capital and a -1.2% for operations for a total of -2.8% decrease

The total net result would be a taxation increase of 12.8% (15.6-2.8)

Fred Tranquilli, Chief Administrative Officer indicates that the increase in taxation would remain in order to maintain the infrastructure and would not end after the 15-year term.

Councillor Brennan requested clarification that the percent increase would still be subject to any fundraising, grants or other eligible money. Fred Tranquilli, Chief Administrative Officer asks Council to keep in mind that this is all based on 2021 dollars and these amount will defiantly fluctuate.

Councillor Flegel wonders if is there a dollar value that this would represent in a tax rate increase and what would the tax increase be on an average home. Bill Dakin, Director of Financial Services estimates that on an average home the tax increase would approximately be \$300 per year.

2.2 Community Consultation and Feedback Process - For Discussion

Rob Lilbourne, Director of Community Services indicates that outside of the Nustadia Study, staff drafted an email and sent it out to over 60 user groups which requested for them to share within their groups for feedback. Rob Lilbourne, Director of Community Services requests Council direction on how to proceed forward with public consultation including a timeline to get that public feedback.

Mayor Vanderheyden suggests that they wait for the results from email and then perhaps proceed with a virtual zoom meeting. Fred Tranquilli, Chief Administrative Officer considers being sensitive to the timeframe as the summer could be busy for some and suggests making a deadline of September.

Councillor Baker wonders if the director received any correspondence back, and asks if we could provide groups various options for responses through different platforms. Rob Lilbourne, Director of Community Services confirms that he has not received any correspondence back as of yet.

Councillor Pelkman suggests conducting a mail out that is in the form of a minor census. Fred Tranquilli, Chief Administrative Officer confirms that the data has been collected through the tax office to determine what the growth has been since 2016. Bill Dakin, Director of Financial Services indicates that growth is approximately 3.8%.

Councillor Flegel feels that it is important on gathering an understanding on rates and grants. This may reflect in the decision. He agrees that a mail out would be beneficial and notes the signs in the community are for Council and is the community's way of expressing their feedback. He feels that since the Chippewa's should be a central part of this discussion as we have had a long standing relationship with them. Mayor Vanderheyden indicates that she did send out correspondence to the Chippewas but has not had a response as of yet, but indicates she will continue to reach out.

Councillor Kennes suggest presentations from the major user groups, he feels that we need to take time to go through this process.

Councillor Pelkman also agrees with Councillor Kennes and feels the end of the summer would be a good deadline.

Councillor Baker also agrees and feels it would allow the opportunity for both Council and user groups to ask questions.

Mayor Vanderheyden suggests that we aim for the end of August in order to set up meeting times to hear from the user groups. Fred Tranquilli, Chief Administrative Officer recommends to consider concluding the public consultation by September.

Councillor Brennan supports that recommendation and that these consultations be recording and archived in the case that one councilor is not able to attend.

Moved by Councillor Brennan

Seconded by Councillor Kennes

THAT: the end of September be the deadline for public engagement consultation; and

THAT: the consultations be recorded and archived; and

THAT: the public consultation process include four meetings where members of the community will be offered the opportunity to appear before the Committee to provide feedback.

Carried

3. Unfinished Business

None.

4. Enquiries or Comments by Members

None.

5. Schedule of Meetings

To be determined.

6. Adjournment

Moved by Councillor Brennan

Seconded by Councillor Kennes

THAT: the meeting adjourn at 6:50 p.m.

Carried

Mayor

Clerk