

SUNSHINE COAST REGIONAL DISTRICT STAFF REPORT

TO: Finance Committee (Pre-Budget) – October 28-29, 2024

AUTHOR: Kyle Doyle, Manager, Asset Management

SUBJECT: COMMUNITY RECREATION FACILITIES [615] CAPITAL FUNDING UPDATE

RECOMMENDATION(S)

- (1) **THAT the report titled Community Recreation Facilities [615] Capital Funding Update be received for information;**
 - (2) **AND THAT for 2025, the Gibsons and Area Community Centre’s Direct Digital Controls replacement project in the amount of \$374,900 be funded through Municipal Finance Authority 5-Year Equipment Finance Loan;**
 - (3) **AND THAT borrowing up to \$374,900 for a term of 5 years be requested through section 403(1)(a) of the *Local Government Act* (Liabilities Under Agreement) to fund the Gibsons and Area Community Centre’s Direct Digital Controls replacement project;**
 - (4) **AND THAT the Sunshine Coast Regional District authorize up to \$675,300 to be borrowed, under Section 403 of the *Local Government Act*, from the Municipal Finance Authority, for the purpose of the Sechelt Aquatic Centre’s Modified Bitumen Roof Phase 2 replacement project;**
 - (5) **AND THAT the loan be repaid within five years with no rights of renewal;**
 - (6) **AND THAT Capital expenditures for Community Recreation Facility Capital Renewal of up to \$921,700 be included in the 2025 Budget funded through Capital Reserves;**
 - (7) **AND THAT Capital expenditures for Community Recreation Programming of up to \$94,300 be included in the 2025 Budget funded through Capital Reserves;**
 - (8) **AND FURTHER THAT the 2025-2029 Draft Financial Plan be amended accordingly.**
-

BACKGROUND

Since 2016 the Sunshine Coast Regional District (SCRD) has maintained a 20-year Capital Plan for Recreation Facilities [615]. The purpose of this plan is to forecast upcoming expenditures related to the renewal of capital components and to determine the annual funding necessary to complete these projects across 20-years. The Capital Plan is intended to mitigate fluctuations in the taxation on an annual basis related to these expenses. On December 14, 2023 the following resolution was adopted by the Board:

376/23 Recommendation No 5 2024 Community Recreation Facilities Capital Funding Update

[...] AND THAT Capital expenditures for Community Recreation Facility Capital Renewal of up to \$1,232,400 be included in the 2024 Budget funded through Capital Reserves; [...]

The purpose of this report is to provide an update on the 20-Year Capital Plan for Community Recreation.

DISCUSSION

The updated Capital Plan for Community Recreation Facilities has projected a significant increase in total 20-year capital expenditures compared to the previous version of the Capital Plan. The largest impact is simply due to the recent renewal of large components such as the facility roofs with 20-year replacement cycles. The next replacement of these components is now considered in the final year of the Capital Plan and is responsible for more than two-thirds of the increase to the total projected capital expenditures. Several other factors contribute to the nearly 30% increase in projected capital expenditure over the next 20 years:

Additional Contingencies

During the annual review process, it was observed that nearly 60% of the Community Recreation Facilities Capital Plan cost estimates were developed more than five-years ago, before the Covid-19 Pandemic. Estimate contingencies have been increased where cost estimates are greater than five-years old to account for the uncertainty associated with these cost estimates.

Updated Estimates and Estimated Useful Lives

Estimates for roof replacements and key facility components were updated based on newly available costing information from recent projects. The observed performance of some facility components resulted in reductions in Estimated Useful Life values.

Regulatory / Environmental

Additional costs associated with lighting upgrades at recreation facilities due to upcoming changes to the availability of fluorescent lighting have been included in this version of the Capital Plan.

Options and Analysis

The updated capital plan for Community Recreation Facilities does not project to be sustainable for the next 20-years, with service impacts projected to occur as early as 2033 due to funding shortfalls. This projection is influenced by the uncertainty of outdated estimates and the recently observed volatility in project costs since 2020. It is anticipated that improved cost estimates and the return to more stable inflationary environment will allow more confident analyses to be completed going forward.

Despite this, no adjustment to the annual funding is recommended for the 2025 Budget. It is anticipated the upcoming Community Recreation Needs Assessment will help better inform future iterations of the capital plan. The long-term financial outlook for Community Recreation will continue to be monitored and if the shortfall persists a funding adjustment will be brought

forward to align with the timing of the expiry of long-term debt for the newer recreation facilities to better minimize fluctuations in taxation for this service.

Timeline for next steps or estimated completion date

As more explicit direction is provided with respect to the levels of service and lifespans of recreation facilities is developed the capital plan will be adopted to reflect the projected capital renewal investment required to achieve those targets.

STRATEGIC PLAN AND RELATED POLICIES

Capital Planning is related with the 2023-27 Strategic Plan’s Lenses of Service Delivery Excellence and Governance Excellence, and the following SCRD Board Policies: Financial Sustainability Policy; Financial Planning Policy, Asset Management Policy, and Debt Management Policy.

CONCLUSION

The 20-year Capital Plan for Community Recreation has been updated. The projected funding shortfall will continue to be monitored and efforts to improve certainty in cost estimating will be prioritized.

Reviewed by:			
Manager		Finance	X- A. Taylor
GM		Legislative	
CAO	X – T. Perreault	Other	