



REPORT

REPORT TO: Mayor R. Bonnette and Members of Council

REPORT FROM: Ed DeSousa, CGA, Director of Finance and Treasurer

DATE: August 28, 2008

REPORT NO.: FIN-2008-0040

RE: Georgetown Branch Library Renovation/Expansion and Cultural Centre Alterations Revised Costs and Timeframes
File: F05/BU

RECOMMENDATION:

THAT Report FIN-2008-0040 dated August 28, 2008 regarding the Georgetown Branch Library Renovation/Expansion and Cultural Centre Alterations Revised Costs and Timeframes be received;

AND FURTHER THAT if Council wishes to proceed with the Library Renovation / Expansion and Cultural Centre alterations Project that it provide pre-budget approval based on the information included in this report and the other associated reports;

AND FURTHER THAT if the Library / Cultural Centre Project is approved, then a Library Operating Levy be established from 2009-2011 to phase in the operating costs;

AND FURTHER THAT if Council proceeds with the Project, the required interim Development Charge Debt Financing be derived from the Special Infrastructure Levy;

AND FURTHER THAT if Council proceeds with the Project, Council indicate its intent to recover the amounts related to the Cultural Centre Development Charges in the future.

BACKGROUND:

On June 10, 2008, staff provided an update report to Council and the following recommendations were approved:

THAT Report FIN-2008-0023 dated May 28, 2008 regarding the Georgetown Branch Library Renovation/Expansion and Cultural Centre Alterations Update be received;

AND FURTHER THAT, staff report further with revised costs and timeframes in conjunction with the initial 2009 operating and capital budget meeting scheduled for August 11, 2008.

The report indicated the following cost estimates at the time:

Cost of facilities (estimated to 2009)

Georgetown Library Renovation/Expansion -	\$10.6M (Net - \$10.0M)
Cultural Centre Alterations -	<u>\$ 1.9M</u>
TOTAL	<u>\$12.5M</u>

Financing

Development Charges (DCs) – Library	\$ 6.1M
Cultural Centre	<u>\$ 0.8M</u>
	<u>\$ 6.9M</u>

Major Capital Project Reserve Fund - Library	\$ 3.9M
- Cultural Centre	<u>\$ 1.1M</u>
	<u>\$ 5.0M</u>

Sub-Total	\$11.9M
Amount spent to date – Library	<u>\$ 0.6M</u> (Land/Arch. Fees/Furn.)
TOTAL	<u>\$12.5M</u>

Additional LEED Certification Cost Estimates (includes construction and architect fees)

Library -	Certification - \$315,000
	Silver - \$340,000
Cultural Centre -	Certification - \$75,000
	Silver - \$80,000

Additional Cultural Centre Costs

\$500,000 associated with Options 1 and 2 as outlined in report R-2007-0034 which may be subject to community fundraising and/or be deferred beyond the construction period until necessary funds can be allocated. The items include theatre sound board and lighting, interior signage, art display cases, exterior plaza works and landscaping, gallery lighting, etc.

Financing of the Capital Projects

It was indicated that \$6.1M from DCs could be financed as \$1.9M from the current Library Services DC account and \$4.2M interim financed from the Special Infrastructure Levy that was created through the 2008 Operating Budget process. The required DC interim debt financing of \$4.2M for the Library would have an estimated annual carrying cost of \$560,000 for 10 years (principal and interest) for a total amount of \$5.6M over the 10 years. The \$560,000 could be covered by the \$614,000 Special Infrastructure Levy established in 2008. The debt would not have the impact of increasing property taxes as the Special Infrastructure Levy is already included in the annual tax levy amount. The drawback is that the funds would not be available for other infrastructure needs such as roads, bridges, and the repair and maintenance of facilities until future DCs reimburse the Special Infrastructure Fund. At this point, as with the Fire Services Fund, there is no indication as to when the Special Infrastructure Fund would be reimbursed for the interim financing by the future collection of DCs. All indications are that there will be some DCs in the future, but the amount and timing are uncertain at this point in time.

It was also indicated that there is sufficient funding in the Major Capital Project Allocation Reserve Fund to finance the \$3.9M required as the current balance is approximately \$5.8M.

The estimated timeframes at the time of writing the June 2008 report was that construction would start in early 2009, with occupancy by Summer of 2010.

COMMENTS:

Staff reviewed the previous estimates and have not revised the overall capital cost to reflect the potential changes to the temporary site costs which were not clearly known when the previous report was written. There will be a further report from the Director of Library Services and Manager of Facilities outlining the temporary site costs more accurately. There is an estimated increase of approximately \$100K in the costs associated with the Client Representative to oversee the project, but there may be associated decreases with the temporary site costs depending on the decision of Council as to the proposed site. The following costs have been indexed to 2009/10, but given the uncertainty with market conditions and project scope, there may be risks associated with the cost estimates.

Staff has revised the Library funding allocation based on the current architect's estimated costs of the renovation versus the addition to the existing building to more accurately reflect what can be recovered through DCs.

Cost of facilities (indexed to 2009/10)

Georgetown Library Renovation/Expansion -	\$10.6M (Net - \$10.0M)
Cultural Centre Alterations -	<u>\$ 1.9M</u>
TOTAL	<u>\$12.5M</u>

Financing

Development Charges (DCs) – Library	\$ 6.0M
Cultural Centre	<u>\$ 0.8M</u>
	<u>\$ 6.8M</u>

Major Capital Project Reserve Fund - Library	\$ 4.0M
- Cultural Centre	<u>\$ 1.1M</u>
	<u>\$ 5.1M</u>

Sub-Total	\$11.9M
Amount spent to date – Library	<u>\$ 0.6M</u> (Land/Arch. Fees/Furn.)
TOTAL	<u>\$12.5M</u>

Additional LEED Certification Cost Estimates (includes construction and architect fees)

There were discussions at the June 10th Council meeting centered on the issue of LEED certification and what level of certification may be achievable given that the project is partly a renovation. There will be a report prepared for the architect (Chamberlain) by Enermodal Engineering Ltd. The report to Council will outline which features are currently included in the cost of construction and a list of additional features (with costs) to improve the building's energy efficiency and sustainability. The administrative costs associated with LEED certification will also be illustrated. Any costs associated with the additional energy efficient features and the LEED certification administrative costs will need to be added to the total costs above of \$12.5M and funded using the same allocation between DCs and the Major Capital Project Reserve Fund as illustrated above.

Additional Cultural Centre Costs/Community Fundraising/Eligible Grants

As part of the discussions at the June 10th Council meeting, the issue was raised of offsetting some of the additional capital costs associated with the Cultural Centre or mitigating some of the Library capital costs through community fundraising was raised. The Director of Library Service and Director of Recreation and Parks will bringing forth a report on September 15th that addresses the issue as well as a reference to eligible grants.

Total Capital Construction Costs

There has been no change to the overall capital construction cost of \$12.5M, but the overall costs could change due to:

- Market conditions and project scope at time of tendering
- Temporary site costs
- Energy efficient initiatives and LEED certification administrative costs
- Options 1 and 2 related to the Cultural Centre
- Community fundraising
- Eligible grants

There will be a contingency amount established to fund the potential additional costs using the annual Library Operating Levy amount in 2009 and 2010 which was the same concept used with the Gellert Community Centre. If the Library Operating Levy is approved by Council, the \$200,000 in 2009 and the \$400,000 in 2010 (total of \$600,000) will be transferred to the capital project to fund potential additional costs.

Additional Annual Operating Costs

As previously stated, there will be additional costs associated with the construction of the capital projects. It was originally estimated that there would need to be a 1% dedicated tax increase in each of two years to phase the costs or \$250,000 per year over the two years. Staff has revised the estimate to 0.8% dedicated tax increase over the three years of 2009 to 2011 or \$200,000 per year over the three years for a total of \$600,000. The costs include \$325,000 for additional staffing (\$130,000 of which is dedicated to Monday openings) and the balance of \$275,000 for utility and maintenance costs.

Capital Project Construction Timeframes

It was originally anticipated that construction would start in early 2009 with completion by the Summer of 2010. The time frames have been adjusted to start construction in December of 2009 and completion/occupancy by April of 2011.

Cultural Centre Development Charge Amounts

As indicated in this report, \$800,000 is being proposed to be financed from DCs from the Recreational Services component. As part of the last DC by-law, there was no amount included relating to the Cultural Centre alterations. The DC Act allows the funds to be withdrawn from existing DCs and recovered through a future by-law, but Council must indicate its intention to do so. The next review of our existing DC by-law is scheduled for 2012 or earlier.

RELATIONSHIP TO STRATEGIC PLAN:

The undertaking of the capital projects would directly promote the following Strategic Plan objectives:

1. To maintain and enhance our historic downtowns and vibrant commercial areas to provide for shopping services, cultural amenities and entertainment (C.6).
2. To provide infrastructure and services that meets the needs of our community in an efficient, effective and environmentally sustainable manner (G.1).

FINANCIAL IMPACT:

The financing of the capital projects is outlined in the COMMENTS section of this report. Additional financing is currently available to complete the projects at a total cost of \$12.5M (net cost of \$11.9M), with interim DC debt financing from the Special Infrastructure Levy established in 2008. The total cost of \$12.5M excludes those items identified in the Total Capital Construction Costs above. The operating costs of \$200,000 per year or 0.8% dedicated tax increase over three years has been included in the 2009 Operating Budget forecast that will be presented to Council on September 15th.

COMMUNICATIONS IMPACT:

The outcome of the report will be communicated to the groups involved with the projects to date. The groups include the Georgetown Branch Planning Committee and the Cultural Centre Stakeholders Group. The Library Board and the Georgetown BIA will also be informed of Council's decision on the capital projects.

ENVIRONMENTAL IMPACT:

The projects will be incorporating LEED principles in design and construction. There will be an associated report that will outline additional features related to energy efficiency and sustainability, and costs that Council may want to consider incorporating in to the projects.

CONSULTATION:

This report was prepared with consultation from the CAO and Department Heads. The Georgetown Branch Planning Committee and the Cultural Centre Stakeholders Group have been involved in providing the necessary information for this report.

CONCLUSION:

Staff has provided Council with the estimated construction costs and timeframes if it wants to proceed with the projects. Financing is available, but the DC component will need to be interim debt financed from the Special Infrastructure Levy. There are associated reports that will be on the Council agenda for September 15th that need to be considered as part of this report. The operating budget costs will also be presented to Council on September 15th as part the 2009 Operating Budget forecast.

Respectfully submitted,

Ed DeSousa, CGA
Director of Finance and Treasurer

Dennis Y. Perlin
Chief Administrative Officer