



CITY OF ST. ALBERT ADMINISTRATIVE BACKGROUNDER

TITLE: PLEBISCITE ON POTENTIAL MAJOR RECREATIONAL FACILITIES

On April 12, 2017 Councillor Hughes provided notice in accordance with Section 23 of Procedure Bylaw 22/2016 that she intended to bring forward the proposed motion below.

In order for Council to debate the motion, the motion must be formally moved.

PROPOSED MOTION(S):

That the City has 3 separate vote on the questions on the ballot, which are:

Do you support that the city build in next 4 years:

Branch Library, Building cost: **\$19 million**, Annual Operating Cost: **\$2 million**, Total estimated tax increase: 3.4% Yes _____. No _____.

Do you support that the city build in next 4 years:

Single Sheet Arena Ice Rink, Building Cost: **\$20.5 million**, Annual Operating Cost: **\$500,000**, Total estimated tax increase: 1.9%. Yes _____. No _____.

Do you support that the city build in next 4 years:

Aquatics Facility, Building Cost: **\$24 million**, Annual Operating Cost: **\$1.8 million**, Total Estimated Tax Increase: 3.5% Yes _____. No _____.

That up to \$10,000 is approved from the stabilization fund for staff to provide resident information and education around the plebiscite questions prior to the election. Yes _____. No _____.

BACKGROUND:

NOTE: The numbers in bold font in the questions above, are estimates provided by Administration. If this Council Motion is passed by Council, Administration will continue to monitor and refine the estimates as necessary for the capital and operating costs related to the facilities referred to in the proposed questions. Should any refinements be required, Administration will return to Council with a

recommendation to amend the text of the questions prior to finalization and printing of the ballots.

On March 13, 2017, Council considered a Council Motion regarding a “Major Capital Projects Plebiscite”. The information and advice provided in the Administrative Backgrounder that was prepared for that Council Motion is also relevant in consideration of this Council Motion. As such, the March 13 Administrative has been provided as an attachment to the agenda report on this new Council Motion.

In the case of the series of questions proposed in this Council Motion, a number of assumptions must be made in order to produce the estimates for the following information in the questions:

Project Cost

- The capital costs provided is based on the amount included in the respective Capital Charters for each project. Each of these projects is at an early conceptual phase of development, so the estimates include a margin of error of +/- 50 percent. Once detailed project designs have been developed there will be more certainty about many aspects of the project and therefore the margin of error will typically reduce to +/- 30 percent.
- In the case of the Aquatics Facility and Single Sheet Arena Ice Rink, capital costs do not include land costs as these projects have been proposed as additions to Servus Place Recreation Centre. If a different site were selected for either of these projects, additional costs for the purchase of land might need to be included.
- Sites for the Branch Library has not yet been finalized. As such land costs are estimates only. Also, characteristics of a selected site may result in higher or lower development costs based on many possible factors.
- Despite estimates, until RFPs are issued for projects and submissions received from interested contractors, there is no certainty on actual project construction costs. The economic climate at the time of the RFP (up to 4 years in the future) could result in higher than expected, or lower than expected, construction costs.

Annual Operating Cost

- This is an estimate based on the operating costs of other similar City owned facilities. For example, operating costs for an aquatics facility are based on the projected 2018 operating costs of Fountain Park Recreation Centre.
- Actual operating costs could be reduced if a project were designed to be an addition to an existing facility, or could be higher if it were developed as a new, stand-alone facility.

Total Estimated Tax Increase

- The estimated tax rate increase associated with any of these projects is based on a number of different assumptions. Depending on the assumptions used, the estimate could be higher or lower.

- To calculate a tax rate increase, one must either assume that either 100% of the capital costs would be funded through property taxes, or that a different, lower proportion of the total project cost is funded through property taxes. Additional funding could be provided from other sources such as reserves, grants, P3's or other partnership arrangements, personal or corporate donations, or other sources. For the total estimated tax increases in the questions above, Administration assumed that 100% of the project would be funded from property taxes.
- An assumption must be made for what the interest rate will be for financing at the time of borrowing, which could be up to 4 years in the future. For the total estimated tax increases in the questions above, Administration assumed that financing would be at an interest rate of 2.938%, the current rate for borrowing from the Alberta Capital Finance Authority. If a borrowing is undertaken at some point in the future, the rate at that time could be higher or lower.
- An assumption must be made for the number of years over which the repayment of the financing will take place. The shorter the repayment period, the higher the borrowing costs, and the higher the associated tax rate increase. If the repayment is spread over a longer period of time, the tax rate increase would be lower. For the total estimated tax increases in the questions above, Administration assumed that the borrowing would be paid back, with semi-annual payments, over a period of 20 years.
- Also, to calculate an estimated tax rate increase, the estimated costs for the proposed future borrowings have been applied to the current assessment base. The assessment base at a future time of borrowing will likely be different than today's. For example, if new development occurs in the City between now and the year when borrowing occurs, the assessment base will have increased and the tax rate increase would consequently be proportionally lower. So, the more the assessment base changes between now and the time of borrowing, the less accurate the estimated tax rate increase will turn out to be.

Interpretation of Results of a Vote on a Question

The result of a vote on a question is not binding on Council unless the question is being asked because of a valid petition, which is not the case with the proposed questions.

The results of a vote on a question will be more meaningful to Council if more electors are believed to have had a high level of understanding of the proposed project. While the City could undertake an extensive campaign to make information available to voters, there is no easy way to determine the level of understanding of any or all of those who cast votes.

If a response of Yes is returned on any of these questions, it is relatively easy to conclude that a majority of electors are supportive of constructing that particular facility at the specified capital cost and are willing to take on the associated operating costs and property tax implication. However, if a No result is returned, interpretation of the result is more difficult. It will be impossible, based only on the

vote result, to determine whether any or all electors were opposed to the proposed project due to the capital cost (either too high or too low), the operating cost, or the borrowing costs, or all of the above, or whether they were opposed to the proposed project at any cost, or if they were opposed to building the proposed project within the 4-year time frame but may be in favour of the project at a different time. There are other interpretations that might also be possible, but without additional information, which may or may not be easily obtainable, it may not be possible to verify any assumptions about why a majority of electors would have voted No on a question regarding any of the proposed projects.

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