



DATE: February 3, 2020
TO: Mayor and Council
FROM: Paul Gipps, CAO
RE: City Hall Loan Authorization Bylaw

RECOMMENDED MOTION:

THAT Council consider and resolve to read the attached borrowing bylaw three (3) times for the design and construction of its first City Hall.

EXECUTIVE SUMMARY:

This report outlines how the City is eligible to borrow up to \$11 million dollars for design and construction of a City Hall without the need to increase taxes.

The City of West Kelowna has the ability to build its first City Hall without increasing taxes by utilizing its annual reserve contribution to pay the principle and interest on a Municipal Finance Authority (MFA) loan, in addition to using the existing reserve fund slated to build City Hall.

The City has been transferring money annually into a City Hall reserve fund to pay for a long overdue City Hall. The City Hall reserve fund will have a balance of \$7 million (+/-) in 2022 when funds would be drawn. Using this \$7 million will not affect proceeding with our Capital Plan outlined in the 2020 Budget or our 5-Year Financial Plan.

As the City's current debt is below five per cent of its annual revenue calculation, outlined by the Province of British Columbia (BC), the City is eligible to obtain a loan of up to \$11 million from the MFA that would be re-paid through its annual reserve contribution. The City would only borrow what it requires and not exceed \$11 million.



It is important for the public to understand that, in accordance with the BC Local Government Act regulations, the City cannot transfer between its statutory reserves to pay for a water utility. Funds paid by all water users are regulated under a separate bylaw. In addition Council should not transfer general reserves into statutory reserves that only serve a portion of the community.

With two failed public voting processes in 2016, City Council and staff has clearly heard from the public that they do not support a tax increase to build a City Hall. This loan through an Assent Free method addresses those concerns and will not result in tax increases, nor does it divide the community with yet another vote. We understand from our diverse community that gaining consensus on the location, design and other elements is a challenge. However, we can assure the public that by utilizing this loan our services and other infrastructure would not be at risk and no tax increases would be required.

The Referendum in September 2016 was defeated by only 27 votes. Staff and Council will continue to inform and engage those opposed to, and those in support of, a City Hall with the assurances that we have listened to the concerns and have determined how to move forward using an effective financial model that:

- Does not require a vote;
- Does not require tax increases;
- Does not compromise the projects in our 2020 Budget and 5-Year Financial Plan;
- Does not mean we need to borrow the maximum amount of the loan.

In summary, the City Hall reserve fund of \$7 million plus the up to \$11 million loan, which will be fully paid by reallocating less than its annual reserve contribution to the loan, provides up to \$18 million to build the first City Hall and prevents further cost escalation.

Staff are seeking Council's endorsement of its recommendation and have provided a context summary with this report.

BACKGROUND:

Highlights of Historical Context

The City of West Kelowna was incorporated in 2007 and chose to use Provincial seed money and grants to build very necessary sewer systems not yet constructed by the Regional District of Central Okanagan (RDCO). At that time, sewers, connections and upgrading roads from rural to urban (etc) were more of an essential service than building a civic centre. The newly formed District of West Kelowna grew rapidly, and by 2009, the Council and administrative staff had to temporarily relocate to the existing Mt. Boucherie Community Center where our temporary City Hall remains today. For 13 years, the City has been without a City Hall.

Additionally beginning in 2009, the City also took over the existing Lakeview Irrigation District building as a temporary Public Works facility and the Westside Irrigation District building to operate its parks functions from. In addition, the City installed a number of temporary site office trailers to help with the expanding service needs taking up valuable parking facilities that interferes with our arena complex. In 2018, the Engineering department was moved out of our existing and temporary City Hall and the City is currently leasing space in a commercial rental unit on Anders Road. We also recently relocated our Bylaw Compliance department to the Lions Hall in the Westbank neighbourhood to facilitate more space in our Boucherie offices. We continue to run into space challenges throughout our operations and will need to expand again within the next year. All satellite offices incur operational costs to maintain that will largely cease by centralizing staff and service delivery. Further, staff located across the City prevents Council from moving forward with its 2020 – 2022 Council Priorities to achieve the strategic partnership programs with its administration spread across West Kelowna.

Since incorporation 13 years ago, the city has grown significantly from 28,500 to 35,800 residents. With this growth in population and requests for more services, City staff has also grown to 215 staff up from 97 at incorporation. These staff and expanded services all require places to operate. The temporary use of the Mt. Boucherie Community Centre, and temporary site trailers overflowed years ago. The city fundamentally requires adequate infrastructure to effectively deliver its administration and services to our residents, businesses, visitors and customers. Thus, in 2016 two voting processes occurred to increase the efficiency of our administration to our customers. The primary issue to the community, however, was divided views and lack of majority support for tax increases to build a City Hall.

Extensive community consultation occurred in statutory and non-statutory formats to inform and engage internal and external audience groups and individuals. A summary of the most recent and statutory consultation outcomes from 2016 are noted below:

March 23, 2016 – May 3, 2016: Alternative Approval Process (AAP)

This vote resulted in 3,871 eligible electors (voters) voting against the borrowing bylaw and it was defeated. This means out of the 26,034 eligible electors (voters) 3,871 voters cast a ballot to object to tax increases (more than 10 per cent of eligible voters cast a ballot in opposition so it was defeated).

September 17, 2016: Assent Vote (also called a Referendum)

The Referendum failed by only 27 votes.

4,185 voted YES

4,212 voted NO

Throughout the historical public process, including the statutory voting in 2016, the community was divided with vote 'yes' and 'no' groups expressing their view. Key themes of opposition and support embedded in this report to demonstrate the importance to continue to address those concerns today, and to prevent misinformation. Should Council adopt the recommendation in this report, continued communications and engagement will be undertaken through stakeholder meetings, open houses, community visioning integration, events, social and mainstream media relations once the loan has been approved (estimated by late March 2020).

Consultations about City Hall land and how the City spends its reserve funds is part of the annual Budget process. Beginning in late January, staff expanded those consultations to include increased stakeholder outreach meetings, events, social and mainstream media posts regarding Council's strategic priorities and next steps.

RECOMMENDED FUNDING MODEL AND NEXT STEPS:

Council's new administration has completed a thorough review of the plan for its first City Hall and how to move forward in the most fiscally responsible manner and incorporating feedback from the public. With an annual contribution of \$700,000, the reserve is expected to reach \$7 million in 2022. At this rate of contribution, with construction costs escalating every year, the likelihood of saving enough reserves to develop a city hall without borrowing is highly unlikely.

The City's annual reserve contribution is less than the annual repayment of the principle and interest for the MFA loan. The City would only borrow the actual amount it requires, and payments

would be based on actual amounts once the funds are accessed. As a matter of course, full disclosure of our progress, revenue and expenses would be included in our annual budget process and consultations with the public.

Reserve and Loan Structure

Borrowing Amount Rate and Term	Annual Reserve Contribution	Annual Residual Reserve Balance	Potential Residual Reserve Use (example)
Up to \$11 M Approx 2.5% 25 – 30 Years	\$ 700,000	\$83,165	Restore Mt. Boucherie Community Centre

Allocating the Annual Residual Reserve Funds

The balance/savings not used of the annual reserve contribution of \$83,165 could be directed to supplement the community center reserve (currently at \$650,000) to restore the Mt. Boucherie Community Centre and return this facility to our community. West Kelowna has been without a community center for 13 years, and the City’s recreation team had to eliminate or adjust many community programs to accommodate the loss of this facility. The return of this facility back to the public as soon as practical is also a priority for staff as part of delivering Council’s 2020 – 2022 Strategic Priorities. Community consultation on restoration design and use of this facility would also commence during Council’s current term should the recommendation in this report be adopted.

Location, Design and Construction

Staff are reviewing all suitable city-owned land options and, in parallel, are evaluating potential private land sites in West Kelowna. Staff are not proceeding with options such as building its City Hall on leased land. Governed legally, all BC municipalities negotiate land without public comment and, once the legal agreements are in place, staff provide a Report to Council on the outcome of those negotiations to seek Council’s preferred option and staff outline next steps. This step is anticipated to occur in Spring/Summer 2020.

The existing design concept is being updated to compress and refine the design based on concerns from the public that the initial City Hall design concept reflected overbuild. The updated design process also includes the potential for other government/institutional organizations to cost-share ground-floor space through lease agreements with the City. This approach will offset capital and operating costs and staff will have more information regarding these options as part of the overall project plan. Staff are also looking at ensuring the design of the facility will be easily expandable to address any long term future expansion needs. The current \$18 million design and construction costs that have been identified from this exercise were completed utilizing expertise from the BC and Okanagan development communities.

Staff have prepared the attached borrowing bylaw for Council’s consideration. Staff are working on key themes of concern and support to ensure Council remains aware of how historical feedback has been and will continue to be considered during all stages of the City Hall project. Moving forward, staff will continue to inform and engage the community about issues and

opportunities that remain important to them through the City's existing print, online and community relations tools and methods. In addition to ongoing issues management consultations, two phases of structured design consultation are being planned for City Hall (Preliminary Design in 2020 - 2021 and Detailed Design in 2021 - 2022). Ongoing public information materials will be provided to our stakeholders and the public in late February based on the outcome of Council's resolution regarding this report, and as staff await the outcome of the borrowing process in March 2020.

Powerpoint: Yes No

Attachments:

1. City Hall Loan Authorization Bylaw