



Date: April 2, 2004

TO: Board Members - Parks and Recreation
FROM: General Manager - Parks and Recreation
SUBJECT: Capital Cost Escalation

RECOMMENDATION

- A. *THAT the Board endorse Recommendations A and B in the City Council report "2003 - 2005 Capital Plan Funding Adjustments".***
- B. *THAT the Board approve Capital Plan transfers in the amount of \$1,375,000 in the Park Board Capital Plans 2003 - 2005 and 2000 - 2002 as detailed in Appendix 2.***

POLICY

The Board approves capital plans.

BACKGROUND

The 2003 - 2005 Capital Plan when approved by the voters in November 2002, contained \$45.5 million of expenditures towards the renewal of parks and recreation infrastructure. The plan includes the replacement of 2 community centres, 1 pool and the redevelopment of the Queen Elizabeth Park Reservoir - deck.

Since that time an additional nearly \$5 million has been raised through community centre association contributions, donations and most significantly a \$4.0 million Canada/BC infrastructure award for the Sunset Community Centre.

All projects included in the 2003 - 2005 plan were based on preliminary cost estimates finalized in the summer of 2002. Since that time the Lower Mainland has seen an unprecedented escalation in construction costs. In the last year alone costs have risen by as much as 12 - 18% overall and as high as 30% for specific trade components. This trend has resulted in significant project shortfalls in a number of the major projects both in the City and Park Board.

On January 27, 2004, Council approved a Capital Grant of up to \$1.18 million for the Millennium Sports Facility. At the time Council instructed its Capital Plan Review committee to make recommendations on the strategy to deal with cost escalation and funding the Millennium project.

DISCUSSION

Overview

The attached Council report (Appendix 1) outlines that strategy. The Board is requested to reallocate \$695,000 from GST savings, project surpluses and project deferrals. The report also recommends adding \$680,000 of DCL funding to the Park Board budget. In addition, the #1 Kingsway project will receive a further \$3.8 to \$4.6 million of funding (for all civic components) and the Sunset Community Centre will be brought back to Council in 2005 for escalation funding that might be in the \$2 - 3 million range.

Financial Requirements

The shortfalls for each project includes DCL payments to be made as listed below:

Project	Shortfall
Mt. Pleasant Community Centre #1 Kingsway	\$3.8 - 4.6 million
Killarney Pool	\$.825 million
Queen Elizabeth Reservoir	\$.55 million
Sunset Community Centre	\$1.8 million ^{1*}
Millennium Sport Facility	\$1.0 million
	T O T A L
	\$7.8 - 8.6 million

^{1*} estimate if built today

Mount Pleasant Community Centre #1 Kingsway

The civic portion of this project has an estimated funding shortfall of \$4.6 million. This excludes housing. The Council report suggests additional funding from CAC's, DCL, and GST savings.

Killarney Pool

This project has an estimated shortfall of \$825,000 comprised of \$132,000 for the DCL payment, with balance attributed to construction costs. Without additional funding this would result in a number of components needing to be deferred. Staff anticipate that with the approval of these additional funds, the ozone system, acoustic treatment, higher efficiency boilers, water slide and possibly a multipurpose room can be included in the project tender.

Queen Elizabeth Reservoir

This project costs have escalated as a result of construction costs as well as two other factors: special construction techniques on the reservoir top and the Wedding pavilion code and infrastructure requirement are significant. Staff continue to look for a private donation to realize the entire project, and will tender the Wedding Pavilion as a separate price, unless a donation is secured prior to tender.

Sunset Community Centre

The Board has recently awarded an architectural contract to design a 30,000 sq. ft. LEED Silver Community Centre. Tender is not due until the spring 2005. The amount of cost escalation a year from now is difficult to predict, therefore the report asks Council to reconfirm its commitment to the centre, and advises that a further \$2 to \$3 million may be requested in 2005.

Millennium Sport Facility

The Millennium project funding has already been approved by the Board and Council, and the report recommends that the \$20 million cost shared fund be the source.

Funding Sources

As part of the funding package the Board needs to identify \$1,375,000. The Council report recommends that \$680,000 in DCL funds be added to the Park Enhancement and Playing Field accounts. These accounts are currently solely funded by capital from revenue. This infusion of DCL permits the Board to reallocate current capital funds to the Killarney and Queen Elizabeth Park projects. This source of funding substitution does not change the ability to undertake any planned projects in Park Enhancements and Grass Playing fields.

Another source of funding is the surplus generated at False Creek Community Centre in the amount of \$112,000. GST savings from various projects scheduled for 2004 and 2005 listed in Appendix A, amounting to \$126,6000 can be utilized without affecting planned projects since GST was budgeted for, but is no longer required to be remitted. The remaining \$456,400 are re-allocations from Capital Plans as noted:

Concessions (2000 - 02)	\$261,400
Bloedel Conservatory pre 2000	\$185,000
Facility Development Contingency (2004, 2005)	\$ 10,000

The Concession account currently has \$530,000, leaving a balance of \$268,600. The long term concession redevelopment strategy has yet to be finalized and there are no major current projects that need funding beyond \$268,600.

The Bloedel Conservatory account has accumulated funds from energy savings, which were achieved after a capital project was completed in 1999. These funds were originally intended to repay the Brockton Wall capital account, which were reallocated temporarily in 1998 to fund the energy conservation project. Since the Brockton Wall project can now be funded from the 2003 - 05 Seawall improvement account, the Bloedel funds are available.

The Facility Development contingency account for 2004 and 2005 can be reduced by \$10,000 and utilized as intended for projects that required funding but were not budgeted.

When the 2004 Capital Budget is brought forward, it will reflect the adjustments described in this report. In particular, the proposed 2005 contributions will be included in the 2004 budget.

SUMMARY

The attached City Council report lays out a strategy to deal with cost escalation which has arisen in a number of capital projects. Total escalation is estimated to be in the order of \$7 - 9 million and all the projects are related to parks and recreation facilities.

Prepared by:

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