
CITY OF KELOWNA

MEMORANDUM

Date: September 7, 2004

File No.: 6240-20

To: City Manager

From: Parks and Leisure Services Department

Subject: Future Aquatic Facility

RECOMMENDATION:

THAT City of Kelowna develop a conceptual design for the future aquatic centre to include a 25 metre main pool and a major leisure waterpark to be located in the Mission Recreation Park;

AND THAT the property tax increase required for the annual operating cost and capital cost debt financing not exceed 4%;

AND THAT the City of Kelowna conduct a public referendum targeted for June 2005 to seek approval of the electorate for long-term borrowing for capital funds dedicated to the future aquatic centre project;

AND THAT Council direct staff to conduct a request for proposal process to retain the services of a qualified design / build team, and a qualified aquatic facility operator;

AND THAT Council direct staff to conduct further research and market analysis to verify attendance and revenue projections, admission fee levels, and facility programming options;

AND THAT a public education and communication strategy be prepared for Council approval;

AND FURTHER THAT Council direct staff to report back in December 2004 with a detailed work plan and budget to complete the necessary work for the public referendum.

Introduction:

"Kelowna is a beautiful urban community with a vibrant and progressive economy...It is the Southern Interior's principal service centre and is renowned as a year-round tourist destination."

"The City will continue to take a leadership role in encouraging a sense of community pride and in undertaking effective, long term planning."

"Kelowna residents have always had a naturally high level of interest in community affairs...this was often expressed through sports and other recreational activities..."

"Consensus was achieved that the City should stress the development of fewer but larger recreational complexes provided they are strategically located in relationship to their service areas."

“...define the City’s role in the provision of recreational facilities emphasising an appropriate balance between recreational facilities which are of a general benefit and those which meet the needs of specialized recreational activities.”

Quotes from “Choosing Our Future” Strategic Plan – December, 1992

Consider to what extent a major aquatic facility will contribute to Kelowna's position as a community of vision and pride coupled with a strong identity for success.

Background:

In June 2003, City Council approved “in principle” a major leisure aquatic facility to be constructed at the Mission Recreation Park site with a target completion date in 2007.

In December 2003, staff presented a report outlining four aquatic facility prototype designs, along with the results of a survey using computer technology. At that time, Council directed staff to determine additional methods to obtain valid public input, and to concentrate on only 2 options;

- **Prototype 2 (Option 1) – Major leisure water park area plus a 25x25 metre main pool**
- **Prototype 4 (Option 2) – Major leisure water park area plus a 50x20 metre main pool**

In March 2004, Council further directed staff to conduct a new statistically valid telephone survey, to determine the public preference and support for tax increases related to this project. Additional research was also conducted on project delivery methods, and detailed operating budget(s) for the future facility.

Dramatic increases in capital construction costs in the spring and summer of 2004 forced the City to re-evaluate the project and related research. During this re-evaluation, a third option to construct the aquatic centre in phases was considered;

- **Prototype 5 (Option 3) - Major leisure water park only in phase 1**

A future Phase 2 would include the 50x20 metre main pool at a time which has not been determined.

Discussion:

A new aquatic centre facility in Kelowna will be the most significant recreation and sports facility addition in our City. A vision for this facility is clearly emerging as a major sports and leisure centre, providing extensive services to Kelowna citizens and visitors alike. This major facility has enormous potential to contribute to the health and well being of Kelowna citizens, and a multi-tiered sport development program. **Active living** opportunities will encompass play, sports, fitness, learning, safety, leadership, family life, social development and community pride.

The re-evaluation of the project and all the research to date is summarized in this chart:

OPTION	Capital Cost	Capital Cost Tax Impact	Operating Cost	Operating Cost Tax Impact	Total Tax Impact
Option 1 (Prototype 2) –					

Major leisure area plus a 25x25 m main pool	\$25,622,196	2.73%	\$452,711	0.91%	3.64%
Option 2 (Prototype 4) – Major leisure area plus a 50x20 m main pool	\$32,874,301	3.73%	\$875,352	1.55%	5.28%
Option 3 (Prototype 5) - Major leisure only	\$22,640,356	2.38%	\$204,123	0.31%	2.69%

Note: The capital and operating budgets are currently based on 2004 costs. Future influences of the economy, construction climate, tax base and inflation will need to be factored in as the City moves forward with the project and the impact of the financial variables become more clear.

Option 1 (Prototype 2) – Major leisure area plus a 25x25 metre main pool – Staff are recommending this option. It is strongly supported in both public surveys. The concept design satisfies the majority of desirable features and amenities. A very large percent of the residents would be satisfied with a 25-metre pool. Although not all aquatic sports can be completely accommodated with the 25x25 metre main pool, it does provide for many sports and sports development opportunities. The 4 percent target set for taxation increase is achievable for this 25 metre model.

Option 2 (Prototype 4) – Major leisure area plus a 50x20 metre main pool – The very high capital cost has made this option appear unaffordable in our community. There remains a high risk of unpredictable capital cost increases due to volatile inflation. In order to proceed on this option, the City would need to depend on financial reserves to a far greater extent, and there continues to be a high reliance on external funding, sources of which have not been clearly identified. The 4 percent target set for taxation increase is not achievable for the 50-metre model.

Option 3 (Prototype 5) - Major leisure area only in phase 1 – Although the capital cost, operating cost and property tax impact are less, this option provides only some of the future aquatic needs in our community. Certainly the recreational and tourism value is high with the major leisure waterpark, but there is no facility for lane swimming and very limited access for lessons and aquatic courses. There could be design changes to add some component for lane swimming and aquatic lessons, however, those design changes start to bring us back to the concept design of option 1 (prototype 2), which is the recommended option.

A future phase 2 of this option could include the addition of the 50x20 metre main tank. However, there is a good deal of uncertainty on the future costs and at this point there is no commitment to a time schedule for phase 2. The 4 percent target set for taxation increase is not achievable for both phases of this model.

Ipsos Reid survey – The report on the telephone survey conducted in April 2004 indicates substantial overall public awareness and support for a new aquatic centre. Seven-in-ten (70%) residents were aware of the facility prior to receiving the information brochure from the City, and more than eight-in-ten (84%) support its construction. The majority of residents are willing to pay increased taxes for this facility. There is strong support for both the 25 metre and 50 metre design options;

however there appears to be slightly higher support for the option 1 with the 25 metre main pool as compared to option 2 with the 50 metre main pool.

This survey was conducted prior to the dramatic increases on capital construction costs and prior to the staff re-evaluation of the financial model. Therefore the financial models used during the telephone survey are no longer current. Notwithstanding the required changes in the financial model, 65% indicated support for a 2.8% tax increase and 56% indicated support for a 4% tax increase. It is important to realize that although there is slightly lower support for the 4% increase in property tax, *this is still supported by the majority of residents.*

Support for the 4% increase is particularly high among middle-aged residents, residents of Mission/Southeast Kelowna or Dilworth/Glenmore/Clifton/McKinley, and those who were aware of the proposed Aquatic Centre prior to receiving the information from the City. The fact that support for the 4% increase is higher among those previously aware of the Aquatic Centre might suggest that residents will be more inclined to support a larger tax increase once they have been made aware of the facility and its benefits, highlighting how important it is for the City to provide residents with information regarding the proposed facility.

Eight-in-ten (79%) believe it is important to build a new aquatic centre so that children and youth will have a place to play, swim and learn. Another eight-in ten (79%) believe it makes good economic sense given its potential to attract events such as swim meets or synchronized swimming. These important recreational, educational and economic benefits may be influencing the large proportion (78%) indicating that a new aquatic centre is worth it despite its expense.

It is probable that its anticipated impact on tourism might also be motivating support in some residents, with nearly seven-in-ten (66%) believing a new aquatic centre will help draw tourists and other people from around the area to Kelowna.

The complete **Ipsos Reid Survey Report** is available in the Council reading file.

Operating Budget - The work to develop a reliable operating budget consisted of identifying key principles, assumptions and standards, and then 'building' a budget with all the predicted expenses and revenues for both option 1, option 2 and option 3. Several key operational elements were sufficiently quantified and qualified including;

- Staffing model,
- Public attendance,
- Program and rental volumes,
- Energy requirements,
- Administration services,
- Maintenance and janitorial requirements for interior and adjacent exterior spaces, and
- Fluctuations in the first 5 year period.

There is clear evidence that the net operating budget requirements will be less expensive than predicted from the preliminary estimates in 2003. The initial budget model provides for a "typical municipal model" in order to create a benchmark for comparisons with future public private partnership proposals the City will receive for the operation of the facility.

During the re-evaluation of the project and all research to date, staff made a number of adjustments (which are reflected in the summary chart above) in anticipation of P3 aquatic facility operator which includes;

- Increased revenues as a result of increased admission fees, and
- Reduction in expenses as a result of the P3 operator.

Energy savings that will result from the utilization of new technologies such as geothermal energy sources are not included in this budget model. Staff will pursue both the capital costs and operational savings for energy alternatives as the project proceeds to the schematic design stage.

The complete **Operating and Budget Implications Report** is available in the Council reading file.

New Research Component – Staff are recommending additional research and market analysis is needed to verify the projections for revenues, fees, attendance, trends, as well as recreation and tourism behaviours. The City and our partners need to understand the marketplace for this major facility in order to finalize designs, budgets and related agreements.

Project Delivery Models - Staff is recommending that the City seek public private partnerships through a competitive 'request for proposal' process in order to determine the design / build team, and operator for this facility. There are several qualified and knowledgeable professionals who have already expressed an interest in this project, and the City will benefit as a result of this open, competitive process. The process would allow design/build proposals and operator proposals either separately or on combined basis, should proponents wish.

Public Education and Communication Strategy – Consultation and communication with the residents in Kelowna will continue to play a key role in the planning and progress of this major new facility. Staff will develop a multi-dimensional strategy which will include additional research, displays, open-houses, forums, discussion groups or workshops in order to ensure a very high level of public consultation, input and knowledge of this project.

Public Referendum - Staff is recommending that the public referendum be targeted for June 2005 with one specific borrowing bylaw question for funds dedicated to the future aquatic centre project; This will provide sufficient time for all the preparation work identified to be thoroughly completed.

Future Aquatic Facility Program and Schedule - The following list defines the work to be completed for Council approval in order to prepare for the public referendum targeted for June 2005;

	ITEM OR ACTION	TARGET DATE
1	<ul style="list-style-type: none">- Request for Proposal documents for the design / build team, and operator for this facility- Budget for work necessary for the referendum- Initiate Public education and communication strategy report	October 2004
2	<ul style="list-style-type: none">- Successful design / build team and operator for this facility- Ongoing Public education and communication progress	December 2004
3	<ul style="list-style-type: none">- Report on additional research and market analysis- New concept/schematic facility design- Capital cost estimates on new design- Energy alternatives and financial impact- Ongoing Public education and communication progress	February 2005

4	- Recommendation on referendum question and date - Ongoing Public education and communication progress	March 2005
5	- Publicise the referendum and continue with the public education and communication campaign	March – June 2005
6	- Conduct the borrowing bylaw referendum	June 2005

The Mission Recreation Park Development Committee has recently been advised of these recommendations and this report to City Council.

Should Council not accept the staff recommendations set out above, either Option 2 (50meter/major leisure) or Option 3, (major leisure only) are possible as well. The Council resolution would need to identify the acceptable Option and adjust the taxation levels accordingly. Council could also delay the whole project and ask staff to pursue other third party funding opportunities.

David L. Graham
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Recreation Services Manager

P/c Director of Financial Services
City Clerk