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**City of Kelowna  
MEMORANDUM**

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**Date:** July 19, 2006  
**File no:** 6240-20  
**To:** City Manager  
**From:** Director of Recreation Parks and Cultural Services  
**SUBJECT: Mission Recreation Park – Future Aquatic Centre**

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**RECOMMENDATION:**

**THAT** City Council approve the schematic design for the Mission Recreation Park Aquatic Centre as presented to City Council by the Integrated Design Team in the July 24, 2006 meeting of City Council;

**AND THAT** City Council accept the Guaranteed Maximum Price proposal from PCL Westcoast Constructors Inc. subject to approval of the City's Loan Authorization Bylaw and entering into a design/build contract for the Aquatic Centre satisfactory to the City of Kelowna and PCL;

**AND THAT** the financial strategy set out in the July 19, 2006 report from the Director of Recreation Parks and Cultural Services be approved by Council;

**AND THAT** the 2006 Financial Plan be amended to increase the Mission Recreation Park Aquatic Centre budget by a further \$36,712,544 with funding sources as detailed in Appendix 'A'.

**AND THAT** Council forward Bylaw No. 9654, being Amendment No. 1 to Mission Recreation Park (Legacy) Aquatic Centre Construction Loan Authorization Bylaw No. 9359, for readings consideration;

**AND FURTHER THAT** Council direct staff to follow the Alternative Approval Process to seek public approval of the bylaw amendment.

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**Background:**

The schematic design for the Aquatic Centre has been completed by the Integrated Design Team (IDT) based on the major leisure centre and the 50 meter sport pool. Details on the design will be presented to Council in the July, 24 Council meeting. PCL has presented a budget for the construction of the facility. The City's cost consultant has verified in a letter (attached as Appendix B) that the budget price offers good value for money. The Early Partnering Agreement with PCL requires that the design and budget be considered for acceptance at this point in the process. PCL has confirmed their willingness to honour the budget price as a Guaranteed Maximum Price (GMP) for the project, as shown in their letter (attached as Appendix C). In addition to the \$41.2 M set out in the letter, the City's budget includes \$2.9 M for, furnishings and equipment, legal fees, consulting services, project supervision, costs already incurred, and a contingency. The total project budget is \$44.1 M.

To date, budgeted funding for a new aquatic facility has been provided to ensure that design and other pre-construction work could be completed. While Council has been provided with total project cost estimates over time, a project budget to completion has yet to be approved and is now included in this report. Appendix A (attached) has been provided by the City's Financial Services Department and sets out the funding sources for the budget amendment.

Staff and our cost consultant believe that this project will continue to be subject to rapid cost escalation and are recommending that City Council accept the GMP as set out by PCL. There are a number of conditions which the City can meet, pending Council's direction on the required borrowing approvals. PCL has noted that the City must approve at least \$700,000 in value engineering changes to the design. The IDT have already created a list of cost saving measures and we are confident that they can be included without reducing the functionality of the facility. PCL have also committed to any savings generated will be shared 50 / 50 between the City of Kelowna and PCL at the end of the project.

As previously reported to Council, the total capital cost for this project has now risen to \$44.1 M. The approved capital budget for the facility is \$32.9 M. The attached Financing Plan (Appendix D) shows the proposed funding for the project and the projected impact on the City's general taxation levels. The increased level of debenture borrowing from \$20M to \$29.5M requires an amendment to the Loan Authorization Bylaw 9359.

The Loan Authorization Bylaw requires a public approval process either by Referendum or the Alternative Approval Process (AAP). The estimated minimum time period for a Referendum is approximately 4 months however staff recommend 6-7 months to allow for a full public communication program in conjunction with the Referendum. The estimate for the AAP is approximately 2.5 months. The Guaranteed Maximum Price proposal from PCL is subject to further escalation if the City is not able to enter into a construction contract or sign a Letter of Intent by mid-October 2006. Therefore, the City needs to have full approval of the Loan Authorizing Bylaw by mid-October.

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A referendum cannot be completed within this time frame. Staff is therefore recommending that the City use the AAP for the bylaw amendment. A timeline to complete the AAP demonstrates that it can be completed by mid-October. This approval mechanism is available to municipalities in British Columbia specifically to assist in completing legal agreements such as this with PCL. If the City's timeline for loan authorization extends beyond that requested by PCL (mid-October), then the project will experience significant additional cost escalation. At the current rate of escalation this could impact the cost by 2% per month or \$800,000 per month.

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David Graham  
Director of Recreation Parks and Cultural Services

P/c      Development Manager, Recreation Parks and Cultural Services  
            Civic Properties Manager  
            Director of Financial Services

Attachments