

# Albert Community Centre Funding Options

## ISSUE

The Albert Community Centre Major Repair Reserve does not receive sufficient annual contributions to address the capital renewal needs of this historic building, resulting in progressively decreasing facility condition. This report outlines funding options for capital renewal and enhancement of the Albert Community Centre for consideration during the 2022-2023 Budget deliberations.

## BACKGROUND

The Albert Community Centre (ACC), one of Saskatoon's "Castle Schools", opened as Albert School in 1912, and was later repurposed as a community centre beginning in 1984. ACC is currently home to several long-term tenants, and also hosts a wide variety of events and programs. The third floor or "attic" space is often rented for various gatherings and functions. It is a designated heritage building.

The Facilities Management Department (Facilities) submitted an Information Report titled *Albert Community Centre Major Repair Reserve*, to the Standing Policy Committee on Finance on April 7, 2020. The report summarized the condition and funding status of the ACC Major Repair (ACCMR) reserve. Nearly all civic facilities managed by Facilities are governed by the Civic Building Capital Maintenance (CBCM) reserve, which should receive 1.2% of the new replacement value of the facility to the reserve on an annual basis. ACC is not funded in accordance with the CBCM reserve, rather it is funded through a separate funding formula based on 0.3342% of one mill according to the Capital Reserve Bylaw. From 2005 to 2018, annual reserve contributions gradually increased from \$18,500 to \$25,000. In 2019, contributions were increased to \$50,000. If the ACC capital renewal program was funded in accordance with the CBCM reserve (1.2%), the annual contribution would increase from \$51,000/year to approximately \$146,000/year.

City Council, at its Regular Business Meeting held on May 31, 2021, approved the *Facilities Asset Management Plan report*. This report recommended, in part, that the Facilities Asset Management Plan be considered at the 2022-2023 Budget deliberations with all other asset management plans, and that Administration report to City Council during the 2022-2023 budget deliberations with options to fund the \$5.63M funding gap for Albert Community Centre. Allocation of funding for this gap would bring the facility to good condition over the next 8 years required under the bylaw to enable transition to a CBCM funding model beginning in 2024, with the assumption that adequate funding for annual CBCM contributions are also made.

City Council, at its Regular Business Meeting held on June 28, 2021, received the report *Green and Inclusive Community Buildings Program*, and resolved, in part, that City Council approve and direct the Administration to submit four applications to the Government of Canada's Green and Inclusive Community Buildings Program. One of these applications included an Albert Community Center Retrofit.

### **CURRENT STATUS**

The Administration is allocating available funding in the ACCMR reserve to projects identified in a structural engineering assessment of the building. Current funding will not be sufficient to address the issues identified in the report within the timelines it recommends. Administration has also applied for a Federal *Green and Inclusive Community Buildings Program* grant for ACC.

The Facilities Asset Management Plan indicated that \$5.63M in funding over 8 years is required to bring the facility to good condition. In addition to upfront capital funding, reserve contributions associated with the ACC increase progressively and achieve contributions of 1.2% in year 6. A table of the increased annual contributions is provided in Appendix 1 of this report.

### **DISCUSSION/ANALYSIS**

The following options for funding the funding gap for ACC are being brought forward for consideration during the 2022/2023 budget process and future budgets. In all options, annual reserve contribution increases to bring ACC in alignment with CBCM buildings are also required for long-term financial sustainability.

#### Option 1: Provide Capital Funding of \$3.9M from Reserve for Capital Expenditures

In this option the scope of \$5.63M capital renewal work has been prioritized based on ongoing risk assessments. In 2022 and 2023, \$3.9M is being requested to undertake the most critical capital renewal projects from the Reserve for Capital Expenditures (RCE) and/or reallocation funds, with the remaining funding being required in years 2-8. The prioritized scope of work for 2022 and 2023 includes the following projects as outlined in Appendix 1:

- Structural engineering report recommendations;
- Brick repointing and envelope repairs;
- Window replacement; and
- Heating system renewal.

#### Option 2: Grant Funding

Appendix 2 summarizes grant opportunities that may be available to fund the required capital upgrades to ACC. The most significant opportunity is the Green and Inclusive Community Buildings (GICB) program. This program provides Federal funding equal to 80% of eligible costs. An extensive multi-Departmental effort, and engagement with the ACC Management Committee, was undertaken to apply by the July 6, 2021 deadline. The total grant application for ACC was approximately \$8.1M, of which the City of Saskatoon (City) would need to contribute approximately \$1.6M if successful. The scope of improvements included in the GICB grant application are greater than the capital renewal scope so as to meet the criteria within the grant program and include additional energy retrofits as an example. The grant program requires the work to be completed by 2026, allowing funding to be phased in over time. The City's contributions could come from sources such as the RCE and/or reallocation funds. The Administration anticipates feedback on the application in fall 2021.

The Saskatchewan Heritage Foundation may provide funding, but it is expected that the potential grant will be in the order of \$25,000 to \$50,000. Federation of Canadian Municipalities (FCM) funding is available for significant greenhouse gas reduction retrofits but only a small portion of the necessary capital renewal work would qualify for this program, and the necessary energy savings to qualify will be challenging to achieve in a historic building. No other current grant opportunities as significant as the GICB have been identified.

### Option 3: Community Fundraising

In this option Administration approaches community stakeholders of ACC, in particular the ACC Management Committee, to fundraise in the community. Work at the ACC would need to be approved as a municipal project to receive donations and the Corporate Financial Services Division would need to be authorized to accept donations and issue appropriate receipts to donors. Fundraising is not typically led by Facilities and significant work would need to occur to build capacity and to conduct engagement with the community. Capital funding would be required to initiate this work, including funding for engagement and project management. This option is not believed to be viable for addressing the immediate needs of the building and is more of a long-term shift in the terms of reference of the ACC Management Committee.

### Option 4: Borrow from CBCM

Given the timelines and uncertainties around grant funding and community fundraising at this time, an alternative to all options is to borrow the required upfront funds from CBCM for ACC while the other options are pursued further. This option creates risk with uncertain repayment to CBCM but does allow for the necessary upgrades of ACC to proceed in 2022 and 2023. This option would result in delays of other CBCM work and would require approval of an exemption to the capital reserve bylaw to allow CBCM funds to be spent on projects not within the scope outlined in the bylaw. The \$3.9M in improvements identified in Appendix 1 for 2022/2023 fall within the typical scope of CBCM work.

### Option 5: Combination of Options 1-4 Above

A combination of any of the above options could be considered to help reduce the full impact on one source of funding.

## **FINANCIAL IMPLICATIONS**

Appendix 1 summarizes information previously reported in the report *Facilities Asset Management Plan* report, which was approved by City Council at its Regular Business Meeting held on May 31, 2021. The capital renewal requirements outlined in Appendix 1 are costs required to bring the building up to a standard similar to a CBCM building in good condition. To achieve long-term financial sustainability, after these capital repairs are made, transition to a CBCM funding model would ensure that the condition of the facility can be maintained in the long-term.

Appendix 1 identifies \$6.5M in expenses in the first 8 years and \$0.87M in reserve contribution funding in the first 8 years, resulting in a funding shortfall of \$5.63M.

Funding this shortfall can be done over multiple years and Appendix 1 provides a project prioritization and cost breakdown where \$1.7M in additional capital funding is required in 2022 and \$2.2M is required in 2023, for a total of \$3.9M for the 2022/2023 budget. The remaining funding would be requested in future budgets.

### **OTHER IMPLICATIONS**

Capital renewal planning for the ACC included a preliminary Triple Bottom Line analysis. Scoring the current renewal plans resulted in scores of “On Track”, “Meeting Expectations”, “Leading the Way”, and “Exceeding Expectations”. During design, additional work will be undertaken to determine how to best optimize TBL outcomes.

### **NEXT STEPS**

This report presents options for funding the initial capital requirements for ACC, for consideration during the 2022/2023 budget process and future budgets. Next steps will be determined based on direction from City Council.

### **APPENDICES**

1. Asset Management Plan Funding Background and Project Cost Forecast
2. Grant Research

#### Report Approval

Written by: Chris Richards, Asset Preservation Manager, Facilities Management

Reviewed by: Gord Hundebly, Facilities Manager, Facilities Management

Craig Senick, Facilities Manager, Facilities Management

Troy LaFreniere, Director of Facilities Management

Brian Casey, Senior Financial Business Partner, Corporate Financial Services

Kari Smith, Director of Finance, Corporate Financial Services

Approved by: Angela Gardiner, General Manager, Utilities and Environment

Admin Report - Albert Community Centre Funding Options.docx