

**Report from** Financial Management Services, Director

**Date of Report:** June 4, 2019

**Date of Meeting:** June 17, 2019

**Report Number:** FMS-B020-2019

**File:** 68.32.153

**Subject:** Canada Summer Games Legacy Projects Funding

## Recommendation

That the additional funding for the City of St. Catharines' portion of the Canada Summer Games Sport and Ability Centre and a new Rowing Centre on Henley Island of \$8.72 million be approved from the following sources:

- One-time top-up of Federal Gas Tax of \$4,185,000;
- Unallocated extra hydro dividends from St. Catharines Hydro of \$3,912,000;
- Increase in the Infrastructure Levy of 0.5% (to 1.5%) for 2020 which equals \$523,000; and
- Unallocated 2018 Year-end surplus of \$100,000; and

That the remaining 2018 year-end surplus of \$343,000 be allocated to the following reserves:

- Winter Control Reserve \$200,000
- Tax Stabilization Reserve \$143,000

## Background

At its meeting of May 13, 2019, Council approved the following motion:

“That Council approve in principle the request to engage the Canada Summer Games Host Society and other prospective capital / operating partners to pursue the establishment of the Canada Summer Games Sport and Ability Centre and a new Rowing Training Centre on Henley Island; and

That Council approve \$8.72 million of funding in addition to the original amount of \$1.28 million for a maximum funding commitment of \$10 million towards the Canada Summer Games Infrastructure Plan subject to the satisfaction of the following pre-conditions:

- funding approval from upper levels of government and other partners, satisfactory to fund the full capital cost of the Games;
- partnership contribution commitments from the City of Thorold, Regional Municipality of Niagara, Brock University and Canada Summer Games Host Society, which together with the City of St. Catharines commitment are satisfactory to fund the full capital costs of the Canada Summer Games Sport and Ability Centre; and

- a terms and conditions of an operating agreement and governance model to be approved by City Council;

And that a further report come back to the BSC meeting of June 17”

This is the report requested with regards to the identification of funding sources.

## Report

At its meeting of December 19, 2016, Council authorized the allocation of \$320,000 in capital funding for the 2021 Canada Summer Games in each of the four years from 2018 to 2021. This approval also included early budget approvals for the 2018, 2019, 2020 and 2021 capital budgets for these amounts.

In the 2018 and 2019 capital budget amounts of \$320,000 have been included, with \$32,000 coming from the tax levy as capital out of revenue and \$288,000 being funded by debentures. The capital budget amounts for 2020 and 2021 have been included in the capital forecast to be funded in the same manner as 2018 and 2019. Therefore, the original request for capital infrastructure for 2021 Canada Summer Games of \$1,280,000 has been funded by \$128,000 from the tax levy, as capital out of revenue, and the remaining \$1,152,000 will be funded by debentures.

At its meeting of May 13, 2019, Council approved in principle additional capital funding for the Canada Summer Games Infrastructure Plan in the amount of \$8.72 million. The following is staff’s recommendation on how this additional capital could be funded.

In March 2019, the Minister of Infrastructure and Communities provided a one-time top-up of Gas Tax Funds. This one-time top-up will provide additional support to municipalities that face infrastructure deficits to support improved productivity, economic growth, clean environment and help to build strong cities and communities. The gas tax top-up funding is expected to be transferred following royal assent of the Federal Budget 2019. This one-time top-up amount is equal to the amount of Federal Gas Tax funds received in 2018. In 2018, the City of St. Catharines received \$4,185,215.50. This is the amount that the City is expecting to receive in June 2019 as the one-time top-up.

With the cancellation of the Shickluna project, funds reserved by St. Catharines Hydro for that project were considered as possible special dividends to be declared. At its Annual General Meeting on May 29, 2017, St. Catharines Hydro provided a cheque to the City of St. Catharines for extra dividends in the amount of \$4 million. In addition, in June 2018 the City received another dividend in the amount of \$1.75 million due to Horizon’s merger with Alectra.

During the 2019 budget process, Council approved the allocation of \$838,000 to capital projects and equipment reserves from the special hydro dividends received. At its meeting of May 13, 2019 Council approved the allocation of \$1 million to cover a funding shortfall in the Meridian Centre Capital Project - the result of a funding pledge

not being upheld. Therefore, \$3,912,000 of the special hydro dividends remain unallocated. Therefore, it is recommended that this amount be used to fund the Canada Summer Games Park and Henley Rowing Centre.

As part of the 2016 budget process, Council approved an Infrastructure Levy to address infrastructure funding gaps. The City's infrastructure policy identifies eligible renewal and replacement projects to be funded by this levy. The Canada Summer Games Park and Henley Rowing Centre meet the intent of this levy. The infrastructure levy, when introduced, was set at one percent of the City's portion of the prior year's tax levy. This percent has not increased since the levy was introduced in 2016; although, the City's infrastructure deficit has risen due in part to increasing construction costs that have risen faster than inflation. Therefore, staff recommends that the infrastructure levy percentage be increased to 1.5% for 2020 and that the additional 0.5% be used as one of the funding sources for the Canada Summer Games Park and Henley Rowing Centre. The additional 0.5% is estimated to generate infrastructure levy dollars of \$523,000.

As indicated in the 2018 Year End Report and Reserve Update to the Budget Standing Committee (BSC) on April 24, 2019 and to Council on May 13, 2019, the City ended its 2018 fiscal year in a surplus position. Beyond the amount that is required for 2019 budget allocation of \$1.106 million, there is an additional \$443,000 which is unallocated. Therefore, staff recommends that the final \$100,000 required to complete the funding for the City's share of the Canada Summer Games Park and Henley Rowing Centre come from the 2018 unallocated year-end surplus. The following is the recommended allocations of the remaining \$343,000 of the 2018 year-end surplus:

- Winter Control \$200,000
- Tax Stabilization Reserve \$143,000

## Financial Implications

The following table summarizes the funding for the City of St. Catharines' \$10 million capital contribution to the Canada Summer Games Infrastructure Plan, which includes the Canada Summer Games Park that will be located at Brock University and a Rowing Centre at the Henley Rowing Course for the 2021 Canada Summer Games.

Description	Amount
Original Amount (\$320,000 x 4 years) – Dec 19, 2016	\$1,280,000
Additional Amount (May 13, 2019)	\$8,720,000
<b>Total Contribution from City of St. Catharines</b>	<b>\$10,000,000</b>
<b>Funding Sources:</b>	
Capital out of Revenue (\$320,000 x 10% x 4 years)	\$128,000
Debenture (\$1,280,000 - \$128,000)	\$1,152,000
One-time top-up of Federal Gas Tax	\$4,185,000
Unallocated extra hydro dividends from St. Catharines Hydro	\$3,912,000

Infrastructure Levy 0.5% Increase (\$104,598,121 (2019 Tax Levy Amount) x 0.5%)	\$523,000
Unallocated 2018 Year End Surplus	\$100,000
<b>Total Funding</b>	<b>\$10,000,000</b>

## Relationship to Strategic Plan

The Canada Summer Games 2021 supports the City's economic, social and cultural sustainability goals by working with regional partners to support the development of our country's amateur athletes by creating events that draw the community together, encourages local engagement and investment and attracting new visitors to the community to enjoy, support and grow our local economy.

Participating in this partnership investment opportunity supports the following goals of Council's Strategic Plan:

- Economic Sustainability – develop partnerships to enhance economic vitality of the community.
- Social Sustainability - connect people, places and neighbourhoods.
- Cultural Sustainability – support cultural festivals and events that build civic pride, encourage local engagements and attract people to the community.

## Conclusion

Staff recommends that the City's additional contribution of \$8.72 million to the Canada Summer Games Park and Henley Rowing Centre be funded by the following sources:

- One-time top-up of Federal Gas Tax of \$4,185,000
- Unallocated extra hydro dividend from St. Catharines Hydro of \$3,912,000
- Increase in the Infrastructure Levy of 0.5% (to 1.5%) for 2020 which equals \$523,000; and
- Unallocated 2018 Year-end surplus of \$100,000.

In addition, staff recommends the approval of the allocation of the remaining 2018 year-end surplus of \$343,000 to the following reserves:

- Winter Control Reserve \$200,000
- Tax Stabilization Reserve \$143,000.

### Prepared and Submitted by:

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### Approved by:

Dave Oakes

Deputy Chief Administrative Officer