



# CITY OF VANCOUVER

## ADMINISTRATIVE REPORT

Report Date: September 18, 2006  
Author: Kenneth Bayne  
Phone No.: 604.873.7223  
RTS No.: 06089  
VanRIMS No.: 08-8000-01  
Meeting Date: September 28, 2006

TO: Planning and Environment Committee

FROM: General Manager of 2010 Games Operations and General Manager of Parks and Recreation in consultation with the Director of Finance

SUBJECT: Olympic Legacy Projects: Funding Options

### **RECOMMENDATIONS**

- A. *THAT Council authorize the following projects to proceed to final design (LEED Gold standard) and tender based on the financial arrangements as documented in this report:*

<i>Facility</i>	<i>Size</i>	<i>Estimated Cost</i>
<i>Curling Venue / Legacy Facility</i>	<i>9,780 m<sup>2</sup></i>	<i>\$49.15 million</i>
<i>Percy Norman Aquatic Centre</i>	<i>5,811 m<sup>2</sup></i>	<i>\$29.96 million</i>
<i>Killarney Rink and Lobby</i>	<i>3,712 m<sup>2</sup></i>	<i>\$14.0 million</i>
<i>Trout Lake Rink</i>	<i>3,500 m<sup>2</sup></i>	<i>\$12.5 million</i>

*and that staff be instructed to report back with final budget estimates related to the City costs prior to awarding the construction contracts.*

- B. *THAT Council agree to contribute \$8.2 million to VANOC towards the construction of the Curling Venue / Legacy Facility at Hillcrest Park; source of funding to be:*
- *\$2.3 million for the new Hillcrest Branch Library as a loan from the Capital Financing Fund to be repaid by an increase in funding in the Operating Budget and subject to Recommendation E;*
  - *\$5.9 million as a loan from the Capital Financing Fund to be repaid from unencumbered revenues in the Park Board Operating Budgets beginning in 2010;*

*internal financing to be on terms acceptable to the Director of Finance, AND THAT this contribution be on the condition that the VANOC contribution to the facility be set at a minimum of \$38.0 million with further design/construction savings accruing to the City.*

- C. THAT Council approve an internal loan of \$1.0 million from the Capital Financing Fund on terms acceptable to the Director of Finance to achieve the LEED Gold rating for the Legacy Facility (\$0.6 million to be paid to VANOC) and Aquatic Centre (\$0.4 million added to the project budget), this advance to be repaid by the Park Board and Library Board from avoided energy costs following conversion of the facility after the 2010 Games.*
- D. THAT Council assume from VANOC responsibility for conversion of the Curling Centre / Legacy Facility to its final Legacy configuration and uses as outlined in this report following the 2010 Games at a cost estimated at \$12.35 million (2010\$) on the condition that VANOC provides an immediate payment to the City of \$10.0 million, equivalent to the present value of that future expenditure.*
- E. THAT Council instruct staff to submit a funding request for the new Hillcrest Branch Library to the 2009 - 2011 Capital Plan planning process as a priority request.*
- F. THAT Council approve additional funding of \$10.46 million (including the \$0.4 million from Recommendation B) to the replacement of Percy Norman Aquatic Centre bringing the total allocation to \$29.96 million; funding to be provided as a loan from the Capital Financing Fund to be repaid from unencumbered revenues in the Park Board Operating Budget beginning in 2010 with financing to be on terms acceptable to the Director of Finance.*
- G. THAT, subject to final design and tendering, Council approve additional funding of \$6.5 million to complete the replacement of both Killarney and Trout Lake community ice rinks in time for the 2010 Games, bringing the total cost to \$26.5 million; source of funding to be:
  - o \$2.0 million from a reallocation of Park Board funding in the 2006 - 2008 Capital Plan (details to be reported back for Council approval);*
  - o \$2.0 million from the inflation adjustment provision in the 2006 - 2008 Capital Plan;*
  - o \$2.5 million as a loan from the Capital Financing Fund to be repaid from unencumbered revenues in the Park Board Operating Budget beginning in 2010, financing to be on terms acceptable to the Director of Finance.**
- H. THAT the Director of Legal Services be authorized to negotiate and execute, on terms and conditions acceptable to the Director of Legal Services and the General Manager of Olympic Operations, any legal agreements and documentation required to carry out and document Council's decisions*

*pursuant to Recommendations A to G herein and as contained in this report, including without limitation, funding, lending, contribution or construction agreements, Trout Lake Community Centre Practice Facility Agreement and amendments to existing venue agreements.*

- I. THAT Council authorize the Director of Legal Services to negotiate and execute an amendment to the Hillcrest Curling Venue Agreement with the Vancouver Organizing Committee for the 2010 Olympic and Paralympic Winter Games ("VANOC"), to permit VANOC to stage the Paralympic curling events at the Hillcrest Curling Venue, on terms and conditions acceptable to the Director of Legal Services in consultation with the General Manager of Olympic Operations.*

### **CITY MANAGER'S COMMENTS**

The City Manager notes that the facilities discussed in this report are the primary legacies that will remain with the City once the 2010 Games are completed. VANOC is committed to providing \$43.0 million towards construction or updating of the Hillcrest Curling Venue/Legacy Facility and the Trout Lake and Killarney Community Centre practice rinks. The public expressed support for a City contribution of \$35.0 million for these legacy facilities and to the replacement of Percy Norman Pool in approving the borrowing questions during the 2005 municipal election. Unfortunately, all four facilities have been victim to the rampant inflation in construction costs over the last three years such that the current estimates to complete the facilities have increased beyond the available funding. Based on final configuration cost estimates, the projects are currently under-funded by approximately \$28.1 million. Faced with increasing costs for the City-funded portion of these facilities and with a request from VANOC for funding support for the Curling Venue / Legacy Facility, Council has difficult choices to make.

VANOC has offered to increase its funding to the centrepiece Vancouver Olympic Centre at Hillcrest Park from \$28.25 million to \$38.0 million, leaving the available funding approximately \$11.15 million below currently estimated costs and has requested the City to fund the balance. While it was not the intention of the original venue agreement, the reality is that if Council wishes to see the building completed as intended, City funding will have to be committed. Moreover, VANOC has asked that the City take on the construction cost risk associated with conversion of the facility after the 2010 Games. Even with a fixed payment from VANOC now and the best conversion cost estimates available from the building designers, this could leave the City exposed to higher costs in 2010 than the \$12.35 million identified in this report.

Council does have a number of options. Council could determine that the existing funding envelope should not be exceeded meaning that one or more components of these facilities would be deferred with the associated funding reallocated to complete other components. If that is the choice Council wishes to make, the City Manager believes that the highest priority should be given to the Curling Venue/Legacy Facility which will become the much needed replacement for Riley Park Community Centre and Ice Rink and for the Vancouver Curling

Club. These facilities are high on the list of priority replacements and will have to be undertaken at City cost if VANOC funding is not available.

It is possible to defer the replacement of Percy Norman Pool and use existing funding to complete the other venues. This option would leave some funding as a contingency for higher than anticipated conversion costs or for the ultimate replacement at a future date. However, replacing Percy Norman Pool as part of the Curling Centre project is an attractive option because of the construction and operating synergies in the development of this facility as a single building and a much shorter construction period. If this replacement does not proceed, the City will be faced with an outdated building requiring duplicated, stand alone systems and staffing and the City will have to replace the facility after 2010 at a cost that is currently too difficult to predict.

Killarney and Trout Lake ice rinks are both slated for redevelopment in upcoming Capital Plans. Advancing these replacements to take advantage of VANOC funding was supported by the public. It also makes sense since deferral will mean temporary changes to other City facilities that cannot be justified for the Olympics alone and that the full cost of the ice rink replacements will be borne by the City in the future.

Rather than put forward proposals that would result in deferral of these projects, staff have concentrated on identifying options that will allow all facilities to proceed as planned. This report outlines an option for funding all of the venues based on the best cost estimates that are currently available. It requires some reallocation of 2006 -2008 Capital Plan funding by the Park Board. It requires the allocation of inflation protection funding in the 2006 - 2008 Capital Plan that was not originally intended to be directed to these facilities. It recommends new funding for the new Hillcrest Branch Library and an indication by Council that this will become a priority request in the 2009 - 2011 Capital Plan to be developed and approved in 2008, a potentially problematic solution should the proposed Strathcona Branch Library also come forward for consideration. However, most importantly, it requires Council and the Park Board to agree to a commitment of future revenues in the Park Board Operating Budget to finance approximately \$18.46 million of the anticipated shortfall. Although some of this funding could be provided in part through a fundraising campaign or in the 2009 - 2011 Capital Plan that decision should not be considered a certainty because of the need for electorate approval of the plan in 2008. Commitment of a known funding source - unencumbered revenues in the Park Board Budget beginning in 2010 - is required if Council wishes to proceed with these projects at this time.

In developing the funding proposal in this report, staff also looked at the 2006 - 2008 Capital Plan to identify possible deferrals or reallocations that could be made to provide for the funding shortfall. It is noted that the Capital Plan provided funding of \$350 million, well below the requests from departments which exceeded \$650 million. Moreover, there are other projects in the Capital Plan that will require additional funding and these are seen as the highest priority if deferrals are required.

In conclusion, the City Manager believes that completing these facilities as currently designed and in time for the 2010 Games is important as they represent the legacies the City and public expect; because the replacement of City infrastructure can be achieved with a significant contribution from VANOC; and, because deferral may mean higher future

replacement and operating costs. If Council wishes to proceed with completion of all of these legacy facilities, the City Manager believes this funding strategy is the appropriate approach and therefore RECOMMENDS A to H.

The City Manager also supports the proposal from VANOC to relocate the Paralympic Curling competition from the proposed facility that was to be built in Whistler to the Hillcrest Curling Venue as it affords the City an increased participation in the Paralympic Games with virtually no impact on the conversion of the Curling Venue to its legacy configuration. The City Manager therefore RECOMMENDS approval of I.

### **GENERAL MANAGER'S COMMENTS**

The General Manager of Olympic Operations and the General Manager of Parks and Recreation note that the current inflationary environment in the construction industry has increased the costs of the Games venues and the Percy Norman Aquatic Centre replacement and has led to a situation where the City is being asked to provide additional funding and assume some additional risks to complete the project. In spite of this situation, Council is encouraged to support the recommendation in this report for the following reasons:

1. There is an opportunity to achieve a significant Olympic and Paralympic legacy through the replacement of aging community recreation infrastructure including three community ice rinks, a swimming pool, community centre, curling centre and a branch library.
2. These replacements can be achieved at a significant cost savings to the City through the financial arrangements with VANOC. Even with the increased financial commitment recommended in this report, the City will benefit from replacement facilities currently estimated to cost \$105 million for approximately \$62 million. Without this commitment from VANOC, these facilities will cost the taxpayers at least \$43 million in additional capital and a significant delay in their being available to the public.

The Park Board will consider the recommendations in this report on September 25, 2006 with a subsequent report to Council on the actions taken.

### **COUNCIL POLICY**

The City has signed agreements with VANOC for the provision of venues for the 2010 Games in civic facilities. The Hillcrest Curling Venue Agreement provides for the replacement of Riley Park Community Centre and Ice Rink and the Vancouver Curling Club facility with a new facility to be constructed and paid for by VANOC and turned over to the City after the games in its Legacy Facility configuration. The City has also agreed to provide two community ice rinks to VANOC to use as practice facilities during the games with VANOC contributing \$2.5 million for each facility.

The City develops three year capital plans to guide the capital expenditure program. The 2006 - 2008 Capital Plan was approved in October 2005 and the associated borrowing authorities were approved by the electorate during the November 2005 municipal election.

Those approvals include \$35 million of borrowing authority for the City costs associated with the Olympic Legacy facilities.

Council must approve the budgets and funding sources for capital expenditures.

## **PURPOSE**

The purpose of this report is to update Council on the funding issues related to the Olympic legacy projects at Hillcrest Park, Killarney Community Centre and Trout Lake Community Centre and to seek Council direction on providing additional funding to complete these facilities.

## **BACKGROUND**

In 2002, VANOC and the City entered into formal agreements related to the provision of Olympic venues in the City, including; the Vancouver Olympic Centre which is the venue for curling for the 2010 Winter Olympics at Hillcrest and Nat Bailey Stadium Parks (the Legacy Facility); and, one practice facility at either Killarney or Trout Lake Community Centres. In 2005, the latter arrangement was amended to rebuild both these rinks and make them both available as practice rinks.

- **The Legacy Facility and Aquatic Centre:**

VANOC has undertaken to build and fund the Olympic curling venue at Hillcrest Park and its conversion after the Games into a community legacy facility which includes a curling club, community centre, ice rink and Park Board district area offices (the Legacy Facility).

The Park Board intends to construct a new Percy Norman Aquatic Centre as part of the Legacy Facility development (together called the Vancouver Olympic Centre). The electorate approved borrowing authority of \$19.5 million for this replacement as part of the 2006-2008 Capital Plan. The schematic design analysis has resulted in the Percy Norman Pool and the Legacy Facility being merged into a single building.

During subsequent discussions on post Olympic conversion, sufficient space was identified to include a replacement and upgrade to the Riley Park Branch Library. No City funding has been identified for the library component of the Vancouver Olympic Centre, since VANOC was committed to pay for the conversion.

In the Venue Agreement VANOC committed to contribute \$28.25 million toward construction of this facility and its post-Olympic conversion. VANOC has recently offered to increase its funding commitment to a maximum of \$38.0 million.

The Park Board has developed a Master Plan for Nat Bailey and Hillcrest Parks, which formed the basis of the rezoning of the parks to CD-1 on January 31, 2006. The Master Plan process and the design process have involved and continue to involve the immediate and wider communities through consultation with building and other committees and public information open houses.

- **Killarney and Trout Lake Community Ice Rinks**

Under the Hockey Practice Facility Agreement, the City agreed to provide one practice ice surface to VANOC during the Olympics. As part of the development of the 2006 - 2008 Capital Plan, the City and Park Board determined that these facilities would be provided by advancing replacements for the Killarney and Trout Lake Community Ice Rinks, both of which are scheduled for replacement in upcoming Capital Plans. In 2005, VANOC agreed to transfer \$2.5 million for development of a temporary practice facility to the replacement of the second community ice rink.

VANOC has agreed to provide a contribution to these replacements of \$5.0 million (\$2.5 million to each rink). The electorate approved borrowing authority of \$15.0 million for these replacements as part of the 2006-2008 Capital Plan.

## ***DISCUSSION***

### **1. The Vancouver Olympic Centre**

Program development and design for the new facilities has been proceeding since late 2005. Geotechnical and other studies have been completed, and the site and building layout have essentially been completed. In the most recently developed design scheme the Curling Venue and Aquatic Centre have been joined into a single building. Joint design and construction are delivering efficiencies on the capital costs associated with the two facilities. This integrated recreation facility will also pay long term dividends to customers and to the City and Park Board because of staffing and energy efficiencies.

The pre-design cost estimate for the Legacy Facility was \$28.25 million (2002 \$) which VANOC agreed to fund as part of the Olympic Bid. The 2005 pre design cost estimate for the Aquatic Centre was \$19.5 million and funding for this project was confirmed in the 2006 - 2008 Capital Plan.

Cost escalation in construction since 2002 has significantly outstripped inflation in other areas of the economy and is forecast to continue through 2010. A combination of trade shortages, construction material cost increases due to high world-wide demand, and low interest rates has resulted in price increases averaging up to 12% per year for this year alone. Annual inflation is not expected to drop below 8% until after 2010.

As a result of these pressures and more detailed design work, the cost to construct the Vancouver Olympic Centre has increased from the earlier estimates. Based on the initial schematic design using current Park Board design standards, the cost estimate in escalated dollars calculated to the mid point of construction (2008) was as follows:

	Cost Estimate
• Curling Venue	\$36,800,000
• Legacy Conversion (post Olympics)	\$12,350,000
Including: Community Centre	
Curling Facility	
Library	
• Percy Norman Aquatic Centre	\$29,960,000
Total	\$79,110,000

Recently, VANOC has increased their funding offer to the Legacy Facility to \$38.0 million. With current cost estimates, increased funding from VANOC and the City funding for the aquatic centre, total estimated costs exceeded available funding by more than \$21.5 million.

Staff and the design team and its cost consultants have completed a value engineering exercise and have evaluated a number of options to reduce the size of the building yet maintain its functionality over the anticipated 50 year life span. The creation of a single complex has created construction cost efficiencies in the order of 5 - 10%. While the key program area for the pool, including an 8 lane 50 metre tank, the NHL sized ice rink, and the 8 sheet curling club have been maintained, reductions have taken place in the library, Community Centre, circulation and administrative spaces of the complex.

The VANOC commitment is to seek LEED Silver award for this building. However, current Council policy would require this building to achieve LEED Gold and with a unified building only a single designation can be awarded. Bringing the entire complex to the LEED Gold level carries a premium estimated at \$1.0 million. This amount can be offset by future avoided energy costs and an energy loan, to be repaid by the Park Board and Library Board is recommended as part of the funding package.

## 2. Killarney and Trout Lake Community Rinks

The replacement of the Killarney Community Ice Rink and Lobby is the final component of the upgrade to the Killarney Community Centre complex undertaken in recent capital plans. Both the Community Centre (2000) and the indoor pool (2006) projects have been completed. Design work for the ice rink replacement and completion of the adjoining community centre, pool and rink lobby has been completed and, subject to available funding, construction tenders can be called within six months.

Trout Lake Community Centre Complex includes both a full community centre and ice rink and is the highest priority for replacement on the Park Board Facilities Master plan after Riley Park. Master plan work related to the redevelopment of John Hendry Park and the Community Centre complex is underway and design work for the ice rink replacement is approximately five months behind Killarney.



Based on current design and cost experience with other ice facilities in the lower mainland the cost to complete these two community ice rink replacements is estimated at \$26.5 million: \$14.0 million for Killarney and \$12.5 million for Trout Lake. This compares to the available funding of \$20.0 million provided from the 2006 - 2008 Capital Plan (\$15.0 million) and VANOC (\$5.0 million) and leaving a current funding shortfall of \$6.5 million.

### 3. Financial Summary

The following table summarizes the current estimated costs to complete the Olympic legacy projects and the funding that is available:

	Hillcrest Facility		Ice Rinks		Total
	Legacy Facility	Aquatic Centre	Killarney Rink	Trout Lake Rink	
<b>Projected Costs</b>					
Construction <sup>1</sup>	36.80 million	29.96 million	14.0 million	12.5 million	
Legacy Conversion <sup>2</sup>	12.35 million	-	included	included	
<b>Total</b>	<b>\$49.15 million</b>	<b>\$29.96 million</b>	<b>\$14.0 million</b>	<b>\$12.5 million</b>	<b>\$105.61 million</b>
<b>Funding</b>					
VANOC	38.00 million	-	2.5 million	2.5 million	43.0 million
Interest on Conversion Advance	2.35 million				2.35 million
City Capital Plan	-	19.5 million	7.5 million	7.5 million	34.5 million
<b>Total</b>	<b>\$40.35 million</b>	<b>\$19.5 million</b>	<b>\$10.0 million</b>	<b>\$10.0 million</b>	<b>\$79.85 million</b>
<b>Funding Shortfall</b>	<b>\$8.80 million</b>	<b>\$10.46 million</b>	<b>\$4.0 million</b>	<b>\$2.5 million</b>	<b>\$25.76 million</b>

1. Construction cost estimates are based on current design and costs estimates taken to the mid-point of construction in 2008.
2. Legacy Conversion costs are estimated at \$10 million in 2006 dollars and \$12.35 million in 2010 dollars.

VANOC has increased the funding available to the Legacy Facility to \$38.0 million. VANOC has indicated that costs above the current estimate will mean a redesign of the Legacy Facility that will significantly impact on the quality of the building and its ability to meet the functional requirements of the City following the post games conversion.

### **ALTERNATIVES/OPTIONS**

The total shortfall on the Community Legacy Projects is \$25.76 million. Of this shortfall, Council is fully responsible for the shortfall on the Aquatic Centre (\$10.46 million) and the Ice Rinks (\$6.5 million). However, it is apparent that, unless funding to cover the shortfall on the Legacy Facility can be identified, this facility is in jeopardy. VANOC is looking to the City to provide for funding shortfall.

Council has a number of options available to deal with this funding shortfall.

***Defer Components of the Legacy Projects:***

Some of the proposed facilities could be deferred to ensure the highest priority components go ahead within the available funding envelope.

- One option could involve deferring the replacement of the aquatic centre (\$19.5 million) to fund the shortfalls in the Legacy Facility (\$8.8 million) and the two community ice rink replacements (\$6.5 million), leaving \$4.2 million in contingency funds or for the eventual replacement of Percy Norman Pool. While this might seem an attractive option, this would mean that the Riley Park Centre would move into the new facility in 2011, leaving the existing pool to be replaced in a future capital plan. In the interim, undetermined costs would be incurred to retain the existing pool separate from the Legacy Facility. It would also mean that the new Vancouver Olympic Centre could be under construction for six or seven years with impacts on the services provided and on the community.
- Council could defer the replacement of one of the two community ice rinks and divert the funding to the Vancouver Olympic Centre shortfall. This would mean VANOC funding of \$2.5 million toward replacement of one of the ice rinks would be foregone and the City would eventually have to fund the replacement in full. As VANOC requires two practice facilities delaying one replacement could also mean moving to another location, potentially outside Vancouver. Finally, the funding available from this deferral would not be sufficient to complete the Hillcrest Facility and additional funding sources would have to be identified.

If only one of the contemplated ice rinks is to be completed, the Board and Council would have to make a difficult choice between Trout Lake and Killarney.-

***Identify Additional Funding to Complete the Community Legacy Program:***

The other options involve identifying additional funding sources to complete the facilities anticipated in the venue agreements and in the 2006 - 2008 Capital Plan. The balance of this discussion is focussed on an option that would see completion of Hillcrest Facility and the replacement of both community ice rinks.

**1. Curling Venue / Legacy Facility**

The current shortfall on the Vancouver Olympic Centre is \$8.8 million. If Council wishes to provide funding to ensure the centre is completed as contemplated, the following financial strategy is proposed:

- Council assume from VANOC responsibility for conversion of the Legacy Building after the games. Conversion costs (inflated to 2010) are estimated at \$12.35 million. In return for this commitment, VANOC would prepay the City for these costs based on the currently estimated \$10.0 million and the City would assume the construction cost and funding risk. Based on current interest rates, and assuming the funds are received in the near future, this prepayment should grow to an amount close to the anticipated conversion costs by 2010.

- Council agree to fund the proposed Hillcrest Branch Library in the Legacy Facility. This branch has been proposed but has never been funded by the City. If this branch is to be included, the City could provide a contribution to the facility of \$2.3 million to recognize the costs associated with the inclusion of the branch library. If Council chooses to forego this branch the facility shortfall will be reduced by \$2.3 million. Funding for the \$2.3 million contribution would be provided as a loan from the Capital Financing Fund. This financing would be repaid by an increase in the Operating Budget or through a funding request to the 2009-2011 Capital Plan. Council should also be aware that additional funding to furnish and outfit the branch will have to be provided in the 2009 - 2011 Capital Plan.
- Council to make an additional contribution to the facility to a maximum of \$4.15 million, source of funding to be a loan from the Capital Financing Fund to be repaid from unencumbered revenue in the Park Board Operating Budget beginning in 2010.

It should be noted that an alternative to committing future unencumbered revenues in the Park Board budget, the Board could request funding in the 2009 - 2011 Capital Plan. Any such request would have to be considered based on the priorities in that Capital Plan. As Council will need to provide funding for this project when it is approved, using the certain funding source is appropriate.

Any City contribution to the Legacy Facility should only be made on the condition that the VANOC contribution to the facility be set at a minimum of \$38.0 million. Any savings realized through the design and construction period would accrue to the benefit of the City, reducing the overall contribution. Cost increases driven by increases in the Olympic program requirements would be the responsibility of VANOC.

## 2. Percy Norman Aquatic Centre

The current shortfall on the aquatic centre is \$10.46 million, including \$0.4 million to achieve LEED Gold standard. Should Council wish to proceed with this project as currently designed, the following is proposed.

- Provide an internal loan of \$10.46 million from the Capital Financing Fund to finance this facility in the interim. Repayment would be from unencumbered revenue in the Park Board Operating Budget (\$10.06 million) beginning in 2010 and avoided energy costs (\$0.4 million) from the upgraded LEED standard.

As with the Hillcrest Centre, Park Board will be also be able to request offsetting funding in the 2009 - 2011 Capital Plan.

### 3. Killarney and Trout Lake Community Ice Rinks

The current shortfall in funding for the two community ice rink replacements is estimated to be \$6.5 million. If Council wishes to complete these replacements, the following options are proposed:

- Ask the Park Board to reallocate or defer \$2.0 million of funding in the 2006- 2008 Capital Plan. Park Board would be expected to establish priorities in future capital plans for any project deferrals;
- Allocate \$2.0 million of inflation adjustment funding in the 2006 - 2008 Capital Plan to the community ice rink replacement. This funding was provided in the Capital Plan to deal with situations where construction cost inflation jeopardized projects in the plan;
- Provide internal financing for \$2.5 million from the Capital Facilities Fund on terms acceptable to the Director of Finance to be repaid by the Park Board from unencumbered revenues in the Park Board Operating Budget beginning in 2010.

As with the Hillcrest Centre, Park Board will be also be able to request offsetting funding in the 2009 - 2011 Capital Plan.

Should Council agree to changes in the funding package for these facilities, the Director of Legal Services should be instructed to amend the Venue Agreements with VANOC accordingly and, with the City Manager, be authorized to execute the amended agreements on behalf of the City.

### 3. Paralympic Curling

Due to cost pressures, Whistler has decided to not build the curling rink and VANOC has determined that Paralympic curling and sledge hockey would be better hosted in existing facilities in the Lower Mainland. The location selected for sledge hockey is the new UBC hockey arena and for curling the Hillcrest facility.

While this moves away from the compact Paralympic Games in Whistler it does profile sledge hockey and curling in the larger facilities. From Vancouver's perspective, it does achieve a greater City presence in the delivery of the Paralympic Games. The challenge for all the partners will be to achieve a close knit community for Paralympic athletes in the geographically split venues.

For Vancouver, there will be no increase in capital or operating costs associated with the relocation of the curling competition. The Hillcrest Curling Venue Agreement will be revised to reflect the fact that Vancouver will host both the Olympic and Paralympic curling events.

### **FINANCIAL IMPLICATIONS**

Completion of the Vancouver Olympic Centre and the community ice rinks as envisioned will require commitment of significant additional resources. The completion option outlined above involves:

Funding Source	Funding Shortfall	Facility
	\$(25.76) million	
Interim financing from CFF with priority request to 2009 - 2001 Capital Plan	2.30 million	Hillcrest Library
Energy Loan for LEED Gold	1.00 million	Legacy Facility Aquatic Centre
Internal financing from the CFF to be repaid from Park Operating budget beginning in 2010	18.46 million	Legacy Facility Aquatic Centre Community Ice Rinks
Reallocation of Parks Capital in 2006 - 2008 Capital Plan	2.00 million	Community Ice Rinks
Allocation of Inflation Adjustment Funding from 2006 - 2008 Capital Plan	2.00 million	Community Ice Rinks

- Internal financing of \$2.3 million from the Capital Financing Fund for the library component of the Legacy Facility. Repayment of this financing would be sought in the 2009 - 2011 Capital Plan and Council approval of this allocation should be viewed as giving high priority to this funding request;
- Internal Financing of \$1.0 million from the Capital Financing Fund to ensure LEED Gold standard at the Curling and Aquatic Centre to be repaid from avoided energy costs after conversion of the building to Park Board and Library uses;
- Internal financing from the Capital Financing Fund of \$18.46 million on terms acceptable to the Director of Finance. As noted, repayment of this financing would be funded from unencumbered revenues available in the Park Board Operating Budget beginning in 2010, with the Park Board free to seek alternative funding from the 2009 - 2011 Capital Plan.
- Reallocation / deferral of \$2.0 million of Park Board capital from the 2006 - 2008 Plan. To the extent that projects are deferred, the Park Board will be expected to provide funding from future Capital Plan allocations;
- Allocation of \$2.0 million of inflation adjustment funding in the 2006 - 2008 Capital Plan. A total of \$8.0 million is available in the plan for inflation adjustments. The allocation to the Olympic facilities that were not intended to draw from it, reduce Council's ability to provide inflation adjustments for other construction related projects;

In addition to this financial arrangement, by accepting the financial risk associated with conversion of the Curling Centre / Legacy Facility, Council may be required to provide additional funding in 2010 to ensure the planned configuration for the building.

As noted above, the maximum City contribution to the Legacy Facility should carry the condition that the VANOC contribution should be set at a minimum \$38.0 million with any savings through the design and construction period accruing to reduce the City contribution.

The final cost sharing arrangements are subject to federal and provincial government approval.

### **CONCLUSION**

As a result of significant cost inflation, the funding necessary to complete the Community Legacy Projects related to the 2010 Games has increased beyond the amounts available from VANOC and the City. If the Legacy Facility, Aquatic Centre and two community ice rinks are to be completed by 2010 as planned, Council will have to increase the funding available. There are a number of options, including deferring some components of the program to remain within available funding or increasing the amount of funding available to the projects.

If Council wishes to have the facilities completed as planned, this report outlines a financial strategy for achieving that outcome. It is noted that successfully completing agreements with VANOC will require approval of the federal and provincial governments.

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