

## **Memo to the West Carling Association Members re Parry Sound Pool and Cultural Centre**

### **Issue**

The West Parry Sound Recreational and Cultural Centre Board (WPSRCCB) passed a resolution on December 14, 2022\* to expand the scope of the project by increasing the size of the pool from **4 lanes to 6 lanes** contingent upon fundraising.\*\*

The Township of Carling's (Carling) representative supported the December 14<sup>th</sup> resolution in absence of clear, overall cost projections and implications for Carling taxpayers, without any formal consultation with Carling taxpayers and, without discussion at Carling Council. Carling is committed to funding 10.5% of operating and capital costs. With current inflation and the proposed expansion of the pool, both capital and operating costs will be higher than previous projections. The December 14<sup>th</sup> resolution proposes that the higher costs will be offset by outside fundraising. Absent adequate fundraising, the only route to access funds would be to return to the municipalities to cover any cost overruns or funding shortfall through debt or increased property taxes, thus impacting the ability of the municipalities to invest in other initiatives.

### **Background**

In the summer of 2021 the West Carling Association (WCA) sent three letters to Carling Council expressing WCA's concerns about the original 4-lane complex as below:

- project costing - overestimated revenues and understated capital and operating expenses and the resulting impact on other projects that might benefit a larger portion of Carling residents
- absence of consultation with Carling taxpayers
- Carling taking on an increased share of costs when two other municipalities reduced their commitment to the project

In September 2021 Carling Council voted to join the pool partnership agreement to build a facility with a 4-lane pool to be located in Parry Sound and not to exceed \$32MM for design and construction. Carling took on an additional share of the costs from 9.2% to 10.5% to compensate for the Municipality of Whitestone (Whitestone) capping its commitment and the Township of McKellar (McKellar) reducing its pledged percentage. Whitestone did not sign as a partner in the project. Voting at the WPSRCCB is weighted according to each partner's share as stated in the partnership agreement. For its 10.5% share of the costs Carling has one vote of the 12 available votes among 6 partners, leaving Carling with little capacity to influence decision-making.

At the December meeting of the WPSRCCB the representative from McKellar abstained from the vote to support the project expansion. On January 24<sup>th</sup>, 2023, McKellar passed a resolution to engage a legal firm to conduct a review of the project partnership agreement, specifically in relation to the McKellar's financial commitments, other responsibilities and the extent of said commitments or obligations moving forward.

## What are the WCA's specific concerns?

### *Capital Costs*

In 2019 and again in 2021 the capital cost of the 4-lane centre was projected at approximately \$32MM. We are now informed that the addition of 2 lanes would be an additional \$1.9MM. In 2019, the projected capital cost for a 6-lane pool complex was **\$36MM**. At the WPSRCCB meeting on December 14<sup>th</sup>, the Chairperson, Donald Sanderson stated that construction costs had recently risen 35% to 45%. A February 2023 report from Statistics Canada shows an average rise of 33.3% in the Building and Construction Price Index (BCPI) and, as high as 46% in Ontario for non-residential buildings since 2017. Using a conservative estimate of a 35% rise in construction costs on a \$32MM build would put the cost of a 6-lane pool at **\$45MM** (1.35 x \$32MM) not \$32MM and not \$32MM plus \$1.9MM.

### *Operating Deficit*

In 2021, the annual operating loss was reported at \$300,000 (Carling's share \$31,500). The information shared at the December WPSRCCB meeting, projected an annual operating deficit of \$450,000 (after fundraising) to cover the cost of expanding the pool to 6-lanes. Factoring in the capital reserve fund of \$400,000, administrative fees of \$250,000 along with another potential cost of \$350,000 built into the agreement for "additions to the site" (e.g., an outdoor skating rink) of up to \$350,000 annually (as adjusted by the annual BCPI for Ontario) there is potential for the operating deficit to be a minimum of \$1.45MM (Carling's share could increase to \$152,000 *not* \$31,500 as was previously reported to Carling residents in 2021. As well, in 2021, Carling's Chief Administrative Officer projected the operating deficit for a for a 4-lane pool at \$2MM overall.

### *Revenues and Fundraising*

The YMCA recently advised the WPSRCCB that a large facility with a 6-lane pool is not sustainable in an area of less than 30,000 people. The WPSRCCB reports the current population of the pool catchment area at 19,867 and stated that it will reach the target population by 2036. Not only could this mean lower revenue from memberships until at least 2036; the prediction of population growth reported at the December 14<sup>th</sup> meeting is speculative and requires more analysis. YMCAs in nearby communities have seen decreasing memberships and been forced to close. The existing YMCA in Parry Sound closed its gym in 2020. Based on similar YMCA facilities, a family membership fee for the Centre (2 adults and 1 or more children) could be \$2000 annually.

Expansion from a 4-lane to a 6-lane pool is dependent on fundraising to pay for the additional two lanes - \$10MM (\$5MM for capital and \$5MM for the operating deficit). We are concerned that fundraising will be challenging. Barrie, with a population of over 212,000, with higher household incomes, and a much larger commercial tax base recently cancelled its pool project after it raised only about \$7MM in 2 years.

## **Questions to ask the WPSRCC Board**

- What are the capital and operating costs of the project taking inflation and the increase in the number of lanes into account? Ask that this information be posted on the project fundraising website.
- What is the proposed size of the facility? The original plan was to build a 4-lane pool in a 49,000 square foot building, previously called Option A. The December 14<sup>th</sup> resolution for the 6-lane pool facility was silent on the size of the building. In 2021, Option B for a 6-lane pool facility was a 59,000 square foot building.
- Do CS&P architects have a conflict of interest in that they have been awarded a \$2.2MM contract for building design and contract administration services going forward and have been acting as consultants to the project and prepared the financial projections?
- The WPSRCCB is discussing a 6-lane competition pool versus a 4-lane recreation pool. Competition pools require different standards (must be dug deeper and wider than the original 4-lane pool). What additional assessment has been done on the Smith Crescent property (particularly recent soil samples) to determine the suitability of the property to accommodate the expanded project?
- There has been discussion at the WPSRCCB about generating revenue from holding swim meets in the new facility with a 6-lane pool. To qualify to hold swim meets there are standards that must be met (equipment and space). Has the cost of meeting those standards been built into the projected cost of the proposed 6-lane complex?

## **Questions to ask Carling Council**

- Should there be cost overruns, fundraising challenges or lower than projected membership uptake what contingencies does Carling have in place to meet its share of any shortfall?
- What is the projected impact of the pool complex on taxes in Carling?
- What is the potential financial impact on other projects and services?

## **What are the next steps for WCA?**

- Forward our concerns and questions to the WPSRCCB
- Continue to monitor the decisions of the WPSRCCB and Carling Council with respect to the pool complex and provide updates to our members
- Request that Carling conduct an independent review of the finances and feasibility of the project
- Urge Carling to work with its area partners to build a financial model relevant for all municipalities that reflects potential changes in operating costs to better understand the financial impact of the pool project
- Monitor the outcome of the legal review of the partnership agreement initiated by McKellar

- Request that Carling seek independent legal advice regarding the veracity of the partnership agreement given the material change to the project
- Urge Carling to provide regular communication and meaningful consultation with its residents regarding this project

If you have any questions or concerns we encourage you to reach out to Carling Council (including Mayor Susan Murphy) at [smurphy@carling.ca](mailto:smurphy@carling.ca) and/or the WPSRCC Board at [info@wpspoolandrec.ca](mailto:info@wpspoolandrec.ca) with any comments or concerns.

\* To view the December 14<sup>th</sup>, 2022 meeting of the pool board it is available on YouTube at: [https://www.youtube.com/watch?v=1lpi4L\\_BL6w&t=157s](https://www.youtube.com/watch?v=1lpi4L_BL6w&t=157s)

\*\*For more detailed information on fundraising go to the project fundraising website: <https://wpspoolandrec.ca/>