



**REPORT TO PORT RENFREW LOCAL SERVICES COMMITTEE
MEETING OF WEDNESDAY 05 NOVEMBER 2008**

SUBJECT PORT RENFREW FIRE DEPARTMENT – INTERIM FUNDING FOR FIRE DEPARTMENT PROJECT

PURPOSE

To seek approval from the Port Renfrew Local Services Committee for a strategy to provide interim funding for the capital works project as a component of the 2009 Fire local service area budget.

BACKGROUND

The Capital Regional District (CRD) and the Pacheedaht First Nation have completed an agreement to fund the purchase of apparatus and equipment and to construct a new fire hall. The total cost of the project with inflation, amounts to \$921,100. The Pacheedaht portion of the project is one-half of the total, paid in cash, equating to \$460,550. The CRD portion is paid in land \$120,000, and cash \$340,550.

Port Renfrew share of the project was to be made up as follows:

Sale of old fire hall	\$300,550
Borrowing, 15-year, Municipal Finance Authority (MFA)	<u>\$40,000</u>
Total	\$340,550

Since the original strategy was developed the value of real estate and demand for sales has dropped considerably. As the primary funding for the capital project was based on this value, it is now necessary to develop a new strategy for the project.

The proposed strategy for the funding assumes the sale of the fire hall will be delayed and that the sale price be significantly lower which requires an interim borrowing through the CRD equipment replacement fund and use of available cash reserves on hand. The revised project funding is as follows:

Borrowing, 15-year MFA	\$40,000	(approved by electors)
Transfer funds from equipment replacement	\$75,000	(estimate, total may be higher)
Interim borrowing CRD	<u>\$235,000</u>	(includes allowance for interest)
Total	\$350,000	

DISCUSSION

Equipment Replacement Funds:

The budget for the operation of the Port Renfrew fire service in 2009 moves to a joint Port Renfrew/Pacheedaht budget. To be fair, no equipment replacement funds should be carried forward, i.e. the funds for replacement of the equipment for the service from 2009 should be equally contributed to by both parties. On this basis, these funds are available for use in the capital project.

Interim Borrowing / Sale of Property:

The committee needs to identify the best strategy to complete the fire hall project which neither delays the work nor overburdens tax payers. The borrowing of funds internally as shown will add approximately \$50,000 per year to the budget for five years. In 2009, this will mean an increase in the cost to an

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average homeowner in Port Renfrew from about \$149 in 2008 to about \$450 in 2009-2013. The sale of the building in the next four months for \$235,000 would avoid the need to undertake interim borrowing. If the sale does not proceed in that time, it will be necessary to borrow the \$235,000 and to raise taxes in 2009 to begin repayment. If the sale proceeded in the next four months, but at less than the amount of the borrowing, the difference would be borrowed from the fund with a much lower increase in taxes in 2009. If the sale proceeded outside of the four month window, for the net amount of the borrowing owing at the time, the borrowing could be repaid in 2009, allowing taxes to return to normal levels in 2010.

The committee will need to work with CRD staff to assess a realistic asking price and an acceptable offer in order to move the property in the short term. Until the building is sold, the electors will be assessed the additional cost of the interim borrowing.

ALTERNATIVES

1. That the Port Renfrew Local Services Committee, through the 2009 operating budget, approve the funding strategy outlined in this report which includes transfer of the value of the present equipment replacement funds to the capital project and the interim borrowing of up to \$235,000 from the CRD equipment replacement fund, to be paid back over five years through taxes or from sale of the existing Port Renfrew fire hall, with the balance made up from the MFA \$40,000 borrowing.
2. That the committee direct staff to seek other options.

FINANCIAL IMPLICATIONS

As noted, the interim borrowing of funds represents a major increase in the 2009-2013 budgets, raising the annual cost for an average homeowner in Port Renfrew from about \$149 to about \$450. This increase for 2009 can be mitigated with a quick sale of the old hall for the amount of the borrowing, \$235,000. As this may be unlikely, the increase for 2009 is most likely to be required. A sale in 2009 would however allow the borrowing to be retired in 2009, with subsequent tax reduction to residents in 2010.

RECOMMENDATION

That the Port Renfrew Local Services Committee, through the 2009 operating budget, approve the funding strategy outlined in this report which includes transfer of the value of the present equipment replacement funds to the capital project and the interim borrowing of up to \$235,000 from the CRD equipment replacement fund, to be paid back over five years through taxes or from sale of the existing Port Renfrew fire hall, with the balance made up from the MFA \$40,000 borrowing.



Gary Hendren, ASCT
Local Services Engineering Coordinator