

DECISION/DIRECTION NOTE

Title: Funding of Dehumidification Units

Date of Meeting: June 17, 2019

Report To: Committee of the Whole

Councillor and Role: Councillor Sandy Hickman, Chair, SJSEL

Ward: N/A

Decision/Direction Required: Whether to reallocate funding or borrow the remaining share of the Mile One dehumidification project.

Discussion – Background and Current Status:

In 2014/15 SJSEL staff identified the need to replace the air handling units on the roof of Mile One with upgraded dehumidification units. At the time, the project was approved to be financed with \$2.95M coming from gas tax monies and the remainder, \$3,032,037, being borrowed. Over the life of the debt SJSEL would reimburse the City approximately \$212K per year from the \$800K in capital funding SJSEL receives each year. The project has been completed and the monies would ordinarily have been borrowed in the near future.

In reviewing the total capital requirements of SJSEL however, it was felt it would be prudent to review this decision with the goal of not borrowing the remainder of the dehumidification project. This would place SJSEL in a much improved position to fund future capital requirements.

The capital requirements of SJSEL are substantial. As per the attachment, there are approximately \$5.7M worth of capital needs identified out to 2023. Of this total, \$1.3M is high priority and another \$2.7M is medium priority, for a total of \$4M. As per the last line of the table one can see there is just sufficient funding to complete all the listed projects. If borrowing takes place, available capital funding is reduced by approximately \$1M through 2023.

At the time the original dehumidification was approved the gas tax allocation of 50% combined with borrowing met the City's long term debt policy when there is cost shared funding available. In addition, gas tax monies were the only source of funding available at that time. The 2014-2019 gas tax program is allocated as shown below. Also shown are the estimated receipts for the next round of gas tax funding.



2014-2019 Gas Tax	
Streets Rehab	6,274,281.00
Mews	12,999,275.00
Mile one	2,950,000.00
	22,223,556.00
2019-2024 Gas Tax	
2019/2020	4,672,474.00
2020/2021	4,577,822.00
2021/2022	4,785,904.00
2022/2023	4,785,904.00
2023/2024	4,993,988.00
	23,816,092.00

As shown, \$13M was held as the City's 50% share of the Mews replacement with the remaining balance to be borrowed. Since this allocation occurred however, there has been a substantial delay in the construction of the Mews replacement for several reasons. In addition, the City has made an application to avail of a federal cost shared program whereby the Federal and Provincial governments would pay two thirds of the cost leaving the City to pick up 33%. As a result of the delay and the new cost-shared program there is less of a demand on the 2014-2019 gas tax funding program leaving the City with a few potential scenarios:

1. Reallocate \$3.032M from the current gas tax program to pay for the balance of the humidifier project. Then allocate the first year – or potentially even more – of the next gas tax program to the MEWS centre. In this scenario the City will have ample funding to meet its requirement for the MEWS. Either of these scenarios results in less borrowing for the City.
2. If the MEWS replacement is approved under the federal program the City's contribution would be reduced to 33%. While this amount would be borrowed it would provide more flexibility to allow gas tax funding to deal with other necessary capital projects.

ST. JOHN'S

Key Considerations/Implications:

1. Budget/Financial Implications

By not borrowing for the dehumidification project SJSEL can better fund its capital requirements, the City will see a lower level of debt outstanding, and annual debt charges, including interest, will be lower.

2. Partners or Other Stakeholders

3. Alignment with Strategic Directions/Adopted Plans

4. Legal or Policy Implications

5. Privacy Implications

6. Engagement and Communications Considerations

7. Human Resource Implications

8. Procurement Implications

9. Information Technology Implications

10. Other Implications

Recommendation:

It is recommended the \$3.03M be reallocated from the current gas tax agreement to negate the borrowing requirement for the dehumidification project. A decision on whether to allocate future gas tax funding or borrow our 33% share for the Mews Center project can be made at a later date.

Prepared by/Date:

Approved by/Date:

Attachments:

