

Borrowing most equitable way to finance rec centre

by Doug Holmes

There are three primary funding sources for municipal capital projects: reserves, government grants, or borrowing. No source is better than another; each is best used in different ways.

Reserve funds are accumulated from taxation and are often used to upgrade existing municipal equipment and infrastructure. For financial stability, it's important for a municipality to maintain adequate levels of reserves since local governments are not permitted to run deficit budgets.

A decade ago, the District of Summerland's reserves were depleted, but they've been gradually replenished and by the end of last year a total of \$42.5m was held in various reserve accounts. We are now in a better position to address our aging infrastructure, as evidenced by the road repaving and water main replacements undertaken this summer and fall.

The provincial and federal governments can also support municipal infrastructure through grant funding, however they usually come with strings attached to help government achieve its own priorities. When applying for grants we need to align our local needs with federal/provincial goals such as addressing climate change and environmental protection. That's why we've been successful with grant applications for projects like organic waste processing, erosion control, water conservation, solar panels, EV charging stations, and bike paths.

With that in mind, we applied to the federal government for a \$25m grant to construct the proposed new recreation centre as a net-zero carbon building. Governments today are unlikely to fund a run-of-the-mill swimming pool but they might be interested in supporting a rec centre that achieves net-zero emissions using rooftop solar, geothermal, and heat reclamation from the adjacent arena.

Unfortunately, the government hasn't provided a timeline for processing the grant applications. As we wait for a response, Council is proceeding with a referendum on borrowing for a new recreation centre knowing that construction costs will only increase if we delay. Hopefully we will hear about the grant prior to the Nov. 4 referendum date.

Borrowing is the third tool in the municipality's capital funding toolbox. Provincial legislation requires public approval of long-term municipal borrowing, so Summerland electors will go to the polls to answer the question: *"Do you support the Corporation of the District of Summerland borrowing up to \$50 million with interest, over a period not exceeding 30 years in order to finance the construction of a new recreation centre to be located at 8820 Jubilee Road E., by way of Loan Authorization Bylaw No. 2023-016?"*.

Like taking out a mortgage to buy a home, debt financing makes sense for major capital projects like recreation centres. The District benefits from the triple-A credit rating of the Municipal Finance Authority, which makes funds available to local governments at interest rates below those offered by chartered banks.

Borrowing is also the most equitable means of financing the asset because it ensures the cost is not paid solely by today's taxpayer but by future users of the facility as well. Yet, on Nov. 4, it will be entirely up to today's taxpayers to decide whether or not to take on the debt.

For further information on the referendum, visit: summerland.ca/recreationcentre

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