

**SUMMARY  
TAX IMPACT AND TOTAL PROJECT COST BY SCENARIO**

**December 2019**

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In their report, Oak Bay contemplated some financial implications, but the estimated cost and revenue impact of the three timeframes requested, were not quantified.

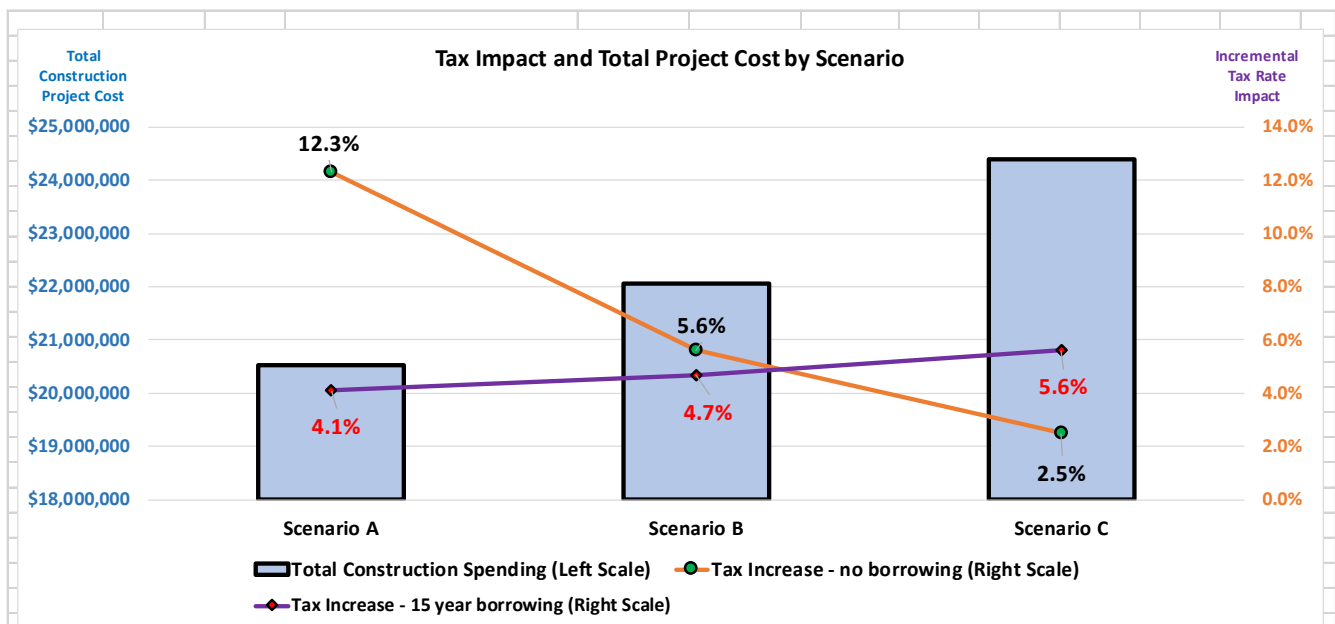
Their analysis did identify primary project issues related to:

- flexibility to be able to commit to the project
- their inability to sufficiently raise tax rates to fund the project
- inability to manage a project of this size, and
- the increased financial pressure on other unfunded asset liabilities

Using the financial data presented by Oak Bay and the project timeframes of 4 years, 10 years and 27 years, Capital Regional District (CRD) staff performed a high level analysis of cost and revenue implications.

Costs estimates included in Oak Bay's report were used and adjusted to address project risk and the impact of time. Most notable assumptions that resulted in additional project costs were the assumption of project management fees in order to complete the project, annual inflation to address time value of money and a factor of current construction price inflation to reflect current market conditions. The adjusted cost estimates are approximately 18%, 27% and 40% higher than the \$17.3 million estimate, under each different timeframe.

Assuming cash reserves for the project are used, the cost estimates result in an estimated tax revenue impact of 12.3%, 5.6% and 2.5%, respectively. Alternatively, if Oak Bay borrows long-term Municipal Finance Authority (MFA) debt with 15 year repayment terms, the estimated tax revenue impact could be 4.1%, 4.7% and 5.6%. The table and a graph below summarize the estimated project costs and the related revenue requirements of both tax and debt financing. These estimates are highly sensitive to other cost implications Oak Bay may not yet have identified and the funding strategy ultimately deployed by Oak Bay.



### Scenario Description & Assumptions

**Scenarios:**

A	4 Year Project (2021 to 2024) - Total Cost: \$20,518,489
B	10 Year Project (2021 to 2030) - Total Cost: \$22,050,465
C	27 Year Project (2021 to 2047) - Total Cost: \$24,402,309

**Assumptions:**

Base 2019 estimates: Rutland cost is \$7,500,000 and Humber cost is \$9,815,000 for a total cost of both phases of \$17,315,000  
 Construction inflation assumption: Year 1 to 10, 3%; Year 11 onward, 2%  
 Project incurs an external management fee premium of: years 1 to 4, 10%; years 5 to 8, 7.5% and year 9 onward, 5%  
 Current reserves available for utilization in this project is \$9,659,993  
 Long-term borrowing is based on 15 year MFA financing at 2.75%

	Construction Period Assumption...		
	4 Years Start: 2021 End: 2024	10 Years Start: 2021 End: 2030	27 Years Start: 2021 End: 2047
<b>Total Construction Cost (post inflation &amp; management premium)</b>	\$20,518,489	\$22,050,465	\$24,402,309
<b>Unfunded Construction Costs (Total cost less existing reserves)</b>	\$10,858,495	\$12,390,471	\$14,742,315
<b>Average Annual Construction Spending over Construction Period</b>	\$5,129,622	\$2,205,046	\$903,789
<b>%age impact (increase) if unfunded construction costs paid for 100% via tax requisition over the following periods:</b>			
4 years	12.3%		
10 years		5.6%	
27 years			2.5%
<b>%age impact (increase) if unfunded construction costs paid for 100% via MFA LT borrowing over the following periods*:</b>			
10 years	5.8%	6.6%	7.8%
15 years	4.1%	4.7%	5.6%
20 years	3.3%	3.8%	4.5%
25 years	2.8%	3.2%	3.8%
30 years	2.5%	2.8%	3.4%
<b>*Will be mitigated as debt is paid off, depending on financing scenario</b>			