



**CITY OF HAMILTON**  
**CORPORATE SERVICES DEPARTMENT**  
**Financial Planning, Administration and Policy Division**

<b>TO:</b>	Mayor and Members General Issues Committee
<b>COMMITTEE DATE:</b>	August 10, 2020
<b>SUBJECT/REPORT NO:</b>	Police Station 40 (Waterdown) Financing Strategy (FCS20062) (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	James Dowling (905) 546-2424 Ext. 5598
<b>SUBMITTED BY:</b>	Brian McMullen Director, Financial Planning, Administration and Policy Corporate Services Department
<b>SIGNATURE:</b>	

**RECOMMENDATION(S)**

- (a) That Appendix “A” attached to Report FCS20062 respecting the financing strategy for Police Station 40, in partnership with the Hamilton Fire Department, be approved and funded by Tax Supported Development Charges debt;
- (b) That the General Manager, Finance and Corporate Services, be authorized to negotiate and confirm the terms, placement and issuance of all debenture issue(s), and / or private placement debenture issue(s), in either a public or private market and / or bank loan agreements and debenture issue(s) and / or variable interest rate bank loan agreements and debenture issue(s), in an amount not to exceed \$8,000,000 Canadian currency in Tax Supported Development Charges municipal debt for the Hamilton Police Station 40 project;
- (c) That the General Manager, Finance and Corporate Services, be authorized to engage the services of all required professionals to secure the terms and issuance of the debenture issue(s) described in Recommendation (b) including, but not limited to, external legal counsel, fiscal agents and Infrastructure Ontario’s Loan Program and the cost of such services be funded from one of the following sources as deemed appropriate by the General Manager of the Finance and Corporate Services: Development Charge Reserves, Non-Obligatory Reserves or Corporate Services Approved Budgets;

- (d) That the General Manager, Finance and Corporate Services, Mayor and City Clerk are individually authorized and directed, on behalf of the City of Hamilton, to enter into and execute all agreements and necessary ancillary documents to implement Recommendation (b) to Report FCS20062 and in order to secure the terms and issuance of the debenture issue(s) described in Recommendation (b) to Report FCS20062, on terms and conditions satisfactory to the General Manager, Finance and Corporate Services and in a form satisfactory to the City Solicitor;
- (e) That the Mayor and City Clerk are authorized and directed to enter into and / or execute, on behalf of the City of Hamilton, all agreements and necessary ancillary documents not requiring any specific signing authority, to secure the terms and issuance of the debenture issue(s) described in Recommendation (b) to Report FCS20062, in a form satisfactory to the City Solicitor and with content acceptable to the General Manager, Finance and Corporate Services;
- (f) That the General Manager, Finance and Corporate Services be authorized and directed to administer all agreements and necessary ancillary documents described in recommendations (d) and (e) to Report FCS20062;
- (g) That staff be authorized and directed to prepare all necessary by-laws, for Council's consideration, for the purpose of authorizing the debenture issue(s) negotiated, placed and secured in accordance with Recommendations (b), (c), (d), (e) and (f) to Report FCS20062.

## **EXECUTIVE SUMMARY**

On June 11, 2020, the Hamilton Police Services (HPS) Board approved Report PSB 20-052 approving the construction of Police Station 40 in partnership with the Hamilton Fire Department (HFD) resulting in a combined Police and Fire facility to service the growth-related needs in Waterdown.

Cost and operational efficiencies will be realized by combining the Fire and Police facilities on a single site, which allows for the Police to have a smaller scale station that still meets the community need, while delivering it several years sooner at a fraction of the cost. Figures provided by the Hamilton Police Service indicate a total project cost of \$8.0 M with avoided capital costs from the initial project estimates of \$17.5 M exclusive of interest-related implications associated with the Development Charge (DC) debt financing.

HPS concluded in its Board Report (PSB 20-052) that a combined station will allow for efficient and effective delivery of Police services, would avoid higher costs of a standalone station and will provide local Police Services to the Waterdown community several years earlier than originally planned.

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The purpose of Report FCS20062 is to obtain Council approval, in accordance with the Ontario Regulation 403/02 and the City's Debt Policy, of the debt financing strategy in order to move forward with the design work required for the combined station as approved in Report PSB 20-052 to the HPS Board. As per Appendix "A" to Report FCS20062, Tax Supported Development Charges municipal debt for the Hamilton Police Station 40 project of an amount not to exceed \$8.0 M Canadian currency is being recommended. DC Debt charges, including interest estimated at \$771.0 K annually over fifteen years, are to be fully funded by the Police DC Reserve, with no direct impact on future Tax Operating Budgets as outlined in Appendix "A" to Report FCS20062.

Using the 2020 Annual Repayment Limit (ARL) sent by the Ministry, the City Treasurer has calculated an updated ARL of \$202.0 M, shown on Appendix "B" to Report FCS20062. According to this calculation, the updated ARL of \$202.0 M represents a maximum amount which the City could commit to payments related to debt and financial obligations before the statutory limit is breached. The annual debt service requirement for Police Station 40 of \$771.0 K, is not in excess of the updated ARL of \$202.0 M.

Within the City's Debt Policy, DC Debt must be below the limit of 25% of total DC Eligible Costs. Currently, the City's DC Debt as a percentage of eligible costs is forecasted to be at approximately 2.4% in 2020. Therefore, the DC Debt required to complete this project will not significantly increase the risk of exceeding the Council approved limit in the short term.

### **Alternatives for Consideration – Not Applicable**

### **FINANCIAL – STAFFING – LEGAL IMPLICATIONS**

Financial: The financing strategy of Police Station 40 (Waterdown) will have an immediate impact to the Development Charge (DC) debt and overall debt forecasts for the City. Short-term debt obligations will increase by moving the DC Debt requirement from 2025 to 2022. However, the cost avoidance from combining the fire and police facilities will be realized in the long-term debt forecast.

DC Debt charges estimated at \$771.0 K annually over fifteen years on the total DC debt of \$8.0 M will be funded from Police DC Reserves and will have no direct impact on the HPS or the City's Tax Supported Operating Budget.

HPS will review and analyze the annual operating budget impact for Station 40 and will report back to the Hamilton Police Services Board for review and approval.

**Staffing:** Staffing implications associated with Station 40 will be referred to the annual budget process.

**Legal:** Legal Services provides advice with regard to the City's debt financing transactions and may also obtain external legal counsel. This advice will extend to the various contracts and agreements that will need to be executed in conjunction with the issuance of future DC Debt including the debt for Station 40.

## **HISTORICAL BACKGROUND**

In 2014, the Hamilton Police Service (HPS) identified the need for a new Police Station (Station 40) to support the population growth in Waterdown, as well as other outlying communities.

Currently, this area is being serviced by Station 30 (Mountain Station), which covers the largest geographic area of the City making it a challenge to meet acceptable response times and provide quality service.

This proposed new Police Station 40 has been identified in the 2014 and 2019 Development Charge (DC) Background Studies as a standalone facility estimated at \$25.5 M. HPS has also identified it in its annual Ten-Year Capital Plan Report since 2015 and the City of Hamilton has recognized it in its Ten-Year Tax Supported Capital Forecast.

In 2007, the Hamilton Fire Department (HFD) identified the need for a Waterdown Fire Station during the Capital Budget process. The total project cost for the station, apparatus and equipment is \$9.4 M. To date, Council has approved \$5.7 M for land acquisition and facility construction with the remaining funding to be approved via the 2021 budget process. Land acquisition is expected to be completed mid-summer 2020, and subsequently, the design phase will be completed shortly after.

On June 11, 2020, the Hamilton Police Services Board approved report PSB 20-052 for the construction of Police Station 40 in partnership with the Hamilton Fire Department resulting in a combined Police and Fire facility in Waterdown.

The report indicates that HPS approached HFD to discuss a partnership for a combined Police and Fire facility to support the growth-related needs of Waterdown. Both Services have identified the needs in Waterdown and a combined facility will result in significant efficiencies and cost savings for the City, compared to building two separate facilities. This partnership approach is similar to the Multi-Agency Training Academy (MATA) on Stone Church Road East.

HPS and HFD created a joint working committee to examine the feasibility of a combined Police and Fire facility and engaged the City's Energy, Fleet and Facility Management (EFFM) division to discuss facility requirements, operational needs and preliminary budget requirements. HPS also visited a detachment of the Niagara Regional Police Service, which was combined with the Niagara Emergency Medical Services, to examine the scope and feasibility of co-locating with another emergency service provider.

EFFM provided preliminary space programming, high level construction estimates and a preliminary block plan for the HPS portion of the construction project. The HPS portion is proposed to be comprised of 9,250 square feet, costing approximately \$8.0 M including contingency with anticipated completion in 2021 / 2022. These plans and estimates are yet to be validated by a class B estimate by an external consultant and will be completed as part of the preliminary capital works.

HPS created an internal working committee to examine the feasibility of this smaller scale station, rather than a full standalone station. It will require reviewing things such as operational deliverables, realigning existing patrol / division boundaries, review staffing requirements and response times, population densities and growth rates, traffic patterns, redeployment of existing staff and all other operating impacts.

As a result of the work of the internal committee, HPS concluded that a combined HPS / HFD station will meet the needs of the community, will allow for the efficient and effective delivery of both services, would result in potential cost savings to the City and will provide a Police Station to the Waterdown community several years earlier, compared to a standalone police station.

## **POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS**

Report FCS20062 meets the requirements of Ontario Regulation 403/02 and the City of Hamilton's Debt Policy, whereby Council authority is required to issue debt.

## **RELEVANT CONSULTATION**

Hamilton Police Service, Finance staff, was consulted in the writing of Report FCS20062.

Legal Services staff was consulted in the writing of Report FCS20062.

## **ANALYSIS AND RATIONALE FOR RECOMMENDATIONS**

The 2019 DC Background Study identified a standalone \$25.5 M Police Station 40 forecasted in 2025. The service standard limitation and the forecasted pace of growth only permitted \$3.5 M of the overall cost to be included in the calculation of the current DC rates. The balance of \$22.0 M was identified as a post period benefit, meaning that it would service growth that would occur post-2031.

While the combined Police Fire facility allows the timing of the Police Station 40 to move forward and the costs to decrease compared to expectations when the 2019 DC Background Study was completed, the in-period cost being levied on developers through the current DC rates is not affected. The changes allow the Police DC Reserves to be forecasted at a sustainable position. The previous plan would have required the experienced pace of growth to accelerate, the timing of the project to be delayed or contributions from the Tax Capital Levy in order for the project to be affordable.

By partnering with Fire, Police is able to meet the service demands resulting from growth in the Waterdown area at an earlier timeframe through generating cost efficiencies and an affordable financing plan of the station.

Tax Supported Development Charges municipal debt for the Hamilton Police Station 40 project of an amount not to exceed \$8.0 M Canadian currency is being recommended.

According to Ontario Regulation 403/02, Council shall, before giving authorization for capital work that would require a long-term debt or financial obligation, have the City Treasurer calculate an updated ARL using the most recent ARL determined by the Ministry. The most recent ARL, determined and sent in writing by the Ministry to the City Treasurer, is the 2020 ARL in the amount of \$275.8 M and is based on 2018 Financial Information Returns.

Using this 2020 ARL, the City Treasurer has calculated an updated ARL of \$202.0 M, shown on Appendix “B” to Report FCS20062. The 2020 ARL was adjusted for possible debt service charges of \$64.1 M corresponding to approximately \$669.2 M of debt which has been approved by Council in 2020 and prior years but not yet issued. The 2020 ARL was then further adjusted for debt service charges assumed or discharged on debt in 2018 and 2019, as well as City Housing Debt. According to this calculation, the updated ARL of \$202.0 M represents a maximum amount which the City could commit to payments related to debt and financial obligations before the statutory limit is breached. The annual repayment requirement for Police Station 40 of \$771.0 K, is not in excess of the updated ARL of \$202.0 M. Assuming a 15-year term and 5% interest rate, the \$202.0 M updated ARL corresponds to approximately \$2.1 B of additional borrowing capacity.

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Within the City's Debt Policy, DC Debt must be below the limit of 25% of total DC Eligible Costs.

Currently, the City's DC Debt as a percentage of eligible costs is forecasted to be at approximately 2.4% in 2020. Therefore, the DC Debt required to complete this project will not significantly increase the risk of exceeding the Council approved limit in the short term.

The remaining recommendations in Report FCS20062 are required to obtain the necessary approvals to engage professionals, negotiate, place and secure debt and execute the necessary agreements.

## **ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN**

### **Healthy and Safe Communities**

Hamilton is a safe and supportive City where people are active, healthy, and have a high quality of life.

### **Built Environment and Infrastructure**

Hamilton is supported by state-of-the-art infrastructure, transportation options, buildings and public spaces that create a dynamic City.

## **APPENDICES AND SCHEDULES ATTACHED**

Appendix "A" to Report FCS20062 – Police Station 40 Proposed Financing Strategy

Appendix "B" to Report FCS20062 – City of Hamilton Treasurer's Updated 2020 Annual Repayment Limit

JD/dt