



Diversified capital funding support to build the ALC is KEY and assures this "Once in a lifetime" community investment will be affordable to Marathon residents and financially sustainable for years to come.

TOWN OF MARATHON

Active Living Centre

Proposed Capital Budget & Financial Plan

Final as of October 28, 2024

timcommissoadvisory.com



Marathon Active Living Centre Proposed Capital Budget and Financial Plan

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Executive Summary

The proposed Town of Marathon Active Living Centre (ALC), when completed, will serve as both a full-service community recreation and leisure centre as well as a new Northwestern Ontario regional tourism destination hub. The one-time proposed **\$77.5 M** total gross capital cost must be considered a “once in a generation” investment in the town’s future (note: includes both hard construction costs which will be confirmed by tender and other related soft costs including architectural design of the ALC). The ALC will foster social interaction and community spirit, deliver new community growth development, and provide a significant enhancement to quality of life for Marathon and nearby First Nation and other communities. At an estimated **\$69.6 M** cost to build (pre-tender), the ALC will be located on a celebrated and historic site overlooking Marathon’s waterfront and its construction will be based on the visionary design prepared by the architectural design consortium of Critchley Hill and Perkins and Will. The ALC, when opened in 2027, will replace the Town of Marathon recreation facilities that are at end of life including the well-used Rec Complex and Lakeview Community Hall which combined total 5,781 sq. meters of indoor leisure space and have provided 123 years of service to community.

This report has been prepared by Tim Commisso Advisory in support of Council’s consideration of proceeding to tender in Q1 2025 for the ALC. The report findings are provided recognizing several project due diligence steps are well underway and that the financial analysis in the report should be viewed as setting the stage for ongoing review and updating of ALC financial plan as the project moves forward. The Town of Marathon enjoys a sound financial position that has been well earned through years of prudent financial management by Council and administration. In moving forward with the proposed ALC, the overall financial position of the Town represents a strategic advantage, and the future financial sustainability of the community must always be at the forefront of any decisions related to the ALC. The report focuses on the following financial elements and in so doing addresses *three key questions*:

A. Proposed ALC Capital Budget (as of October 2024).

- Report provides high level summary breakdown of the capital cost estimates based on most recent Class B construction design drawings (Appendix A). Projected pre-tender ALC capital construction funding plan (2 scenarios) based on projected non-town and town financing sources are also provided (Appendix B).

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- Report includes pertinent financial information and analysis in support of ALC project senior government funding applications and other project funding requests. Currently three (3) detailed funding applications have been submitted or are in preparation stage and these applications represent approximately **76% or \$58.9M** of the proposed total ALC Capital Budget.
- **KEY QUESTION:** *Given the completion of detailed feasibility, advanced design development and pending applications for funding, is proceeding to tender with the ALC recommended at this time?* **ANSWER – YES.**

B. ALC Affordability to Marathon Taxpayers.

- As discussed in the report, a key factor related to affordability is the extent to which the Town is successful in securing non-town funding including newly announced Federal and Provincial recreation facility infrastructure funding programs. The Town has also made excellent progress in securing neighboring First Nation financial support and corporate sponsorship, and plans for community fundraising will also be put in place based on project moving to tender and final contract award. Specific to First Nations support, on October 21st, the Town shared a major announcement of a total of \$1.5M in funding pledges towards the ALC from Biigtigong Nishnaabeg and Netmizaaggamig Nishnaabeg.
- Based on the recommended capital budget funding scenario (Appendix B), the **Town's addition share of overall project capital funding would be 9% or \$7.1M** (Includes \$3.0 already approved for design development and feasibility). Overall, this outcome represents a one-time incremental increase for the average residential property assessed at \$100,000 of approximately **\$208 per year (7.2% increase)** in 2027 (anticipated first full year of operation of ALC).
- **KEY QUESTION - Is the ALC Project affordable to Town of Marathon taxpayers?** **ANSWER - YES**

C. Long-term ALC Financial Sustainability

- As outlined in the report, the long-term financial sustainability of the ALC relies on a few key outcomes, some of which will be required as part of Town Council's final capital budget approval with others tied to the opening of the facility. These outcomes include attracting diversified capital funding sources and minimizing tax supported debenture debt, development of a comprehensive facility business plan inclusive of marketing and ongoing

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revenue generation strategies. Two critical outcomes for the ALC will be achieving maximum operational cost savings associated with the net zero energy rating, as well as achieving ongoing high community usage and regional support. There is no question, with these elements in place, the facility will provide lasting benefits to Marathon and the surrounding communities while remaining financially viable for years to come.

- **KEY QUESTION** – *Will the ALC be financially sustainable from opening day over the long-term?* **ANSWER - YES**

Overall securing diversified non-Town capital funding support representing an estimated 91% of the cost to build the ALC is the #1 key success factor and will ensure the “once in a lifetime” community investment is both affordable to Marathon residents and financially sustainable for years to come.

Recommendations for Consideration by Town Council

The proposed Active Living Centre represents a major legacy capital investment for the Town of Marathon and the following recommendations pertaining to the overall project financial considerations are presented for review and consideration by Council and Administration:

1. THAT Council direct the CAO to proceed to construction tender through a competitive bid process for the Active Living Centre based on the Class B cost estimates provided by Hanscomb (Oct 2024).
2. Subject to the ALC project proceeding, Council supports the following directions for further review and implementation by the CAO:
 - a. That the Town of Marathon additional share of ALC capital project funding proposed in the estimated upset amount of \$4.1 M (5%) be approved from discretionary Town Capital Reserve funds and other non-tax supported source.
 - b. Establish a new Town of Marathon Facility Renewal Reserve Fund (FRRF) and include, commensurate with the opening of the Active Living Centre, an initial contribution of \$65,000 for the ALC.

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3. THAT the Proposed Capital Budget and Financial Plan report dated October 22, 2024, for the Town of Marathon Active Living Centre be received for information.

Report Overview and Key Findings

The Town of Marathon overall enjoys a sound financial position which enables the municipality to undertake a project the size and scope of the ALC. Over many years, council and administration have effectively managed the Town finances in the face of economic changes (both positive and negative) impacting the community. Today, the Town of Marathon maintains a very low tax supported debt level and has uncommitted discretionary funds set aside in a capital reserve fund. Property tax increases in recent years have been fiscally responsible and the property tax base has been growing particularly in the residential class. Potential also exists over the next few years for a significant increase in industrial property assessment class related to mining investment.

This ALC Proposed Capital Budget and Financial Plan report (“the report”) has been prepared based on the ALC’s approved historic waterfront location and the visionary design prepared by the architectural design consortium of Critchley Hill and Perkins and Will. The ALC represents the single largest major capital investment by the Town and accordingly the report is an important piece of the ongoing project feasibility. The report addresses the following key financial elements:

- Projected ALC capital cost estimates based on Class B pre-tender 100% design drawings inclusive of all design and construction contingencies and allowances including the Town’s location. As the project proceeds to more detailed design, the financial plan can be updated and refined.
- Capital budget funding estimates including both Town and Non-Town funding sources.
- Projected Year 1 ALC operating budget including revenues and costs as well as the projected multiyear property tax impact for Town of Marathon residents.
- Long-term financial sustainability considerations for the ALC both on approval of the project and opening of the facility (estimated 2027).

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- Other important financial information and analysis to support the ALC project moving forward to successful completion including preparation and approval of project funding grant applications.

The above elements of this report will continue to be refined throughout the project approval and implementation. This approach of refining the financial plan is a municipal best practice and allows Town Council and the community to fully understand the "dollars" and, more importantly, establishes how the financial impact will be updated and presented to the community over the course of the project. The report provides a summary of the ALC Proposed Capital Budget as of October 2024 inclusive of independent construction cost estimates based on Class B design drawings.

Based on the Class B design drawings, the estimated total gross capital project cost of the ALC is **\$77.5 Million**. This amount is comprised of two major components:

- Capital Construction Costs (hard costs) of \$69.6 M which would be confirmed through a competitive bid process subject to Council support to proceed.
- Capital Costs for Architectural Design and other non-tender items (soft costs) of \$7.9 M

Given both the diverse functional scope of the project and the higher cost of construction in Marathon, the overall cost is comparable to other recent community centre construction projects across Ontario. A key to achieving a construction cost is to move forward to the tender stage expeditiously to ensure maximum exposure of the project well in advance of the 2025 construction season and to attract the most complete bid pricing possible. Appendix B presents the total capital construction costs (hard costs) and related funding requirement that would be confirmed through the tender process for the ALC, subject to Council approval to proceed.

Strategic positioning of the ALC project is critical given the opportunity to maximize benefits related to future community economic growth and quality of life for the Town of Marathon. To secure significant federal and provincial funding, the ALC project must clearly demonstrate regional and community wide economic and strategic benefits. In addition, the ALC must be affordable to Marathon residents upon opening in 2027 and financial sustainable over the lifetime of the facility (+50 years). The following key findings of the report are highlighted.

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Affordability to Marathon Property Taxpayers

- Based on the ability to secure approximately 91% non-Town funding for the one-time ALC total capital costs, the Town's additional share of capital funding would total **\$4.1M**. The amount, which represents 5% of the total project capital funding, ideally would be made available from existing reserves and other non-tax funding sources while minimizing the need for additional long-term town issued long-term debt. As outlined in Appendix A, a total of \$8.5 M in low-interest debt funding is proposed to be issued the Federation of Canadian Municipalities (FCM) – Green Buildings Fund.
- The estimated net impact to operate the ALC compared to the existing Rec Complex is estimated at approximately **\$0.15M net increase** in the Town operating budget. While the overall increase in size of the ALC would suggest a much larger annual net increase, the expectation is there will be new revenue generation opportunities (e.g. concessions, facility rentals) and the significant cost savings that will be realized from reduced energy consumption and waste energy capture. The energy efficiency of the new ALC is based on achieving the Net Zero designation which will deliver very high value for money to the town.
- Based on a Yr. 1 full year of operations of the ALC, the estimated **incremental property tax increase is 7.2% or \$208** in total comprised of a **3.8 % increase** related to the slightly higher net operating cost of the facility and a recommended new facility replacement reserve fund (FRRF) provision of \$75,000 and a **3.4 % increase** tied directly to repayment of a \$8.5 million low-interest loan from FCM. The establishment of the new FRRF is directly aligned and in support of the recommendations of a separate and independent Jan. 2024 report (2023 Facility Condition Assessment by VFA Canada Corp). The opening of the ALC provides the ideal timing to establish this best practice municipal reserve fund.
- Overall, Marathon has been extremely responsible in limiting property tax increases to below inflation over the past number of years. In bringing on the ALC, the need to incrementally increase property taxes by the estimated 7.2%, while greater than current inflation, is both prudent and fiscally responsible given the significant quality of life, community development, economic and tourism benefits provided to the town for many years.
- As outlined in the report (Appendix B), a “what if” alternate scenario for capital funding has been developed which would foresee the town having to provide a much higher percentage (19%) of the capital funding including over \$12.9 M in additional Town funding. This scenario will significantly impact affordability for Marathon taxpayers with a higher projected incremental tax increase of 11.9%.

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Long-term Sustainability of the ALC

Overall, the financial sustainability plan for the proposed Town of Marathon Active Living Centre relies on diversified capital funding sources, development of an ongoing facility business plan which includes ongoing revenue generation and operational and energy efficiency and marketing and engagement strategies to ensure high facility usage and regional support. There is no question, with these elements in place, the facility will provide lasting benefits to Marathon and the surrounding communities while remaining financially viable for years to come.

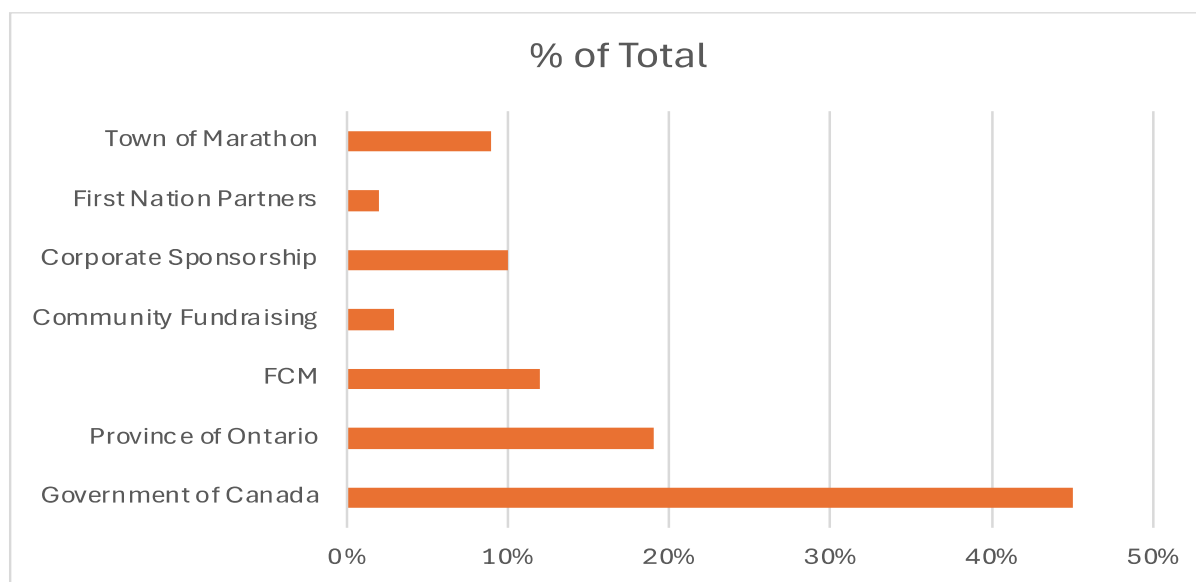
Key Financial Sustainability factors

- **Diversified Capital Funding Sources.** As noted in Table 1 below, currently six (6) separate capital funding partners are included as funders to the ALC capital construction. While it is not the intent of this report to address each of the project funding partners, extensive ongoing efforts are taking place led by the Mayor, CAO and ALC project lead. As noted, the critical financial metric is to achieve an outcome of having the Town of Marathon's contribution to the total capital budget remain at approximately 9% of the total capital cost.

In addition to the one-time capital contributions, the opportunity exists to develop future partnerships with local businesses for sponsorships or naming rights to key facilities. As well, the ALC provides a community-based fundraising campaign, encouraging residents and businesses to contribute through donations, or event-based fundraising.

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Table 1 – Breakdown of Proposed ALC Capital Funding Partners and Proposed % Share



- **ALC Facility Renewal and Replacement Plan.**

- Related to the ALC, once the facility is operational in 2027 (projected), achieving financial sustainability will require that sufficient town funds are in place to meet all future obligations for ongoing scheduled facility renewal expenditures and unforeseen or emergency repair expenses.
- The construction of the ACL allows for a unique opportunity associated with the decommissioning of the current Rec Complex. As noted in the January 2023 Facility Condition Report (VFA Canada Corp. the current Facility Condition Index (FCI) is at a very high/ poor level 0.85 (.20 to .60 is acceptable FCI range), the Rec Complex due to its age and high level of sustained usage over 50 years is by far the Town’s most costly asset from a facility renewal standpoint.
- The construction of the new ALC would have the immediate and indirect benefit of reducing the overall Town facility FCI rating from 0.41 to 0.32. In so doing, the Town is much better positioned to maintain its other total facility asset inventory which encompasses 15,800 sq meters of space.

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- **Future ALC Business and Operating Plan** (*Subject to Council final approval of capital budget and to be prepared in advance of opening of ALC*). The current Rec Complex and Lakeview Community Hall have operated successfully for many years and served the needs of Marathon residents. The new ALC will function at a far more advanced level, and it is recommended that to ensure its viability and sustainability, a separate business and operating plan be prepared by the Town. The plan would outline the key 5-year goals and annual objectives and related actions. Elements of the plan could include:
 - ALC marketing and revenue generation strategy to offset operational expenses and ensure the centre remains financially viable. Potential revenue sources include program fees for fitness classes, swimming lessons, facility rentals for ice, gymnasium, meeting rooms, and other facilities for private events or community events (sports tournaments, cultural festivals), corporate sponsorship.
 - ALC facility operations including maximizing energy efficiency associated with net zero building design rating, staffing and volunteer programs including partnerships with local health organizations, schools including post-secondary (e.g. work placements), facility usage agreements with regional towns and first nation communities to develop targeted programs that serve broader social and cultural needs.
 - Ongoing ALC monitoring and evaluation through regular assessment of the Centre’s financial health and operations will allow for adjustments that ensure continued sustainability.

As indicated earlier, this report encompasses a proposed Capital Budget for the ALC as of October 2024 which includes a high-level project capital costing estimate based on a Class B estimates from Hanscomb Quantity Surveyors and proposed capital funding sources. Related to the ALC Project Financials, several Appendices have been prepared for the report. The appendices provide further detail related to the key financial considerations related to the proposed ALC including:

- Appendix A – Proposed ALC Capital Budget (as of October 28, 2024, based on Pre-tender Class B Capital Cost Estimates)
- Appendix B – Proposed ALC Project Financing Scenarios
- Appendix C – Projected ALC Residential Property Tax Impact
- Appendix D – Forecasted ALC Operating Budget Comparative Summary
- Appendix E – Forecasted Impact of ALC Construction on Town FCI Liability

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Proposed ALC Capital Budget (as of October 2024)

The new ALC will be a state of the art municipal owned and operated facility and will include the following outdoor and indoor community recreation and leisure spaces to fully serve Marathon residents and neighboring communities:

Outdoor

- Active Spaces including Accessible Playground, Basketball, Pickleball, Ping Pong
- Passive Spaces including Open Lawn, Sundeck, Upper and Lower Outdoor Plazas
- Parking Lot including Accessible Parking

Indoor

- Full sized Arena with spectator seating
- 25 M lap pool and leisure pool with spectator area
- Full sized gymnasium and multipurpose program area
- Dedicated seniors room
- Community theatre and meeting/conference space
- Large gallery and exhibit space overlooking waterfront for community/cultural events
- Fitness/training centre
- Bowling facility
- Concession areas
- Public lobby area

Appendix A provides the most recent Capital Budget Plan for the proposed ALC project dated October 2024. Exhibit 1 outlines the approved site plan location and the proposed ALC floor plans depicting the main programmatic and community spaces of the facility. The timeless and innovative plan which encompasses 9,268 square meters or 99,759 square feet of floor space embodies many elements of design excellence namely inclusive, sustainable, resilient and fully integrated.

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Exhibit 1 – Site Plan and Outdoor Facilities



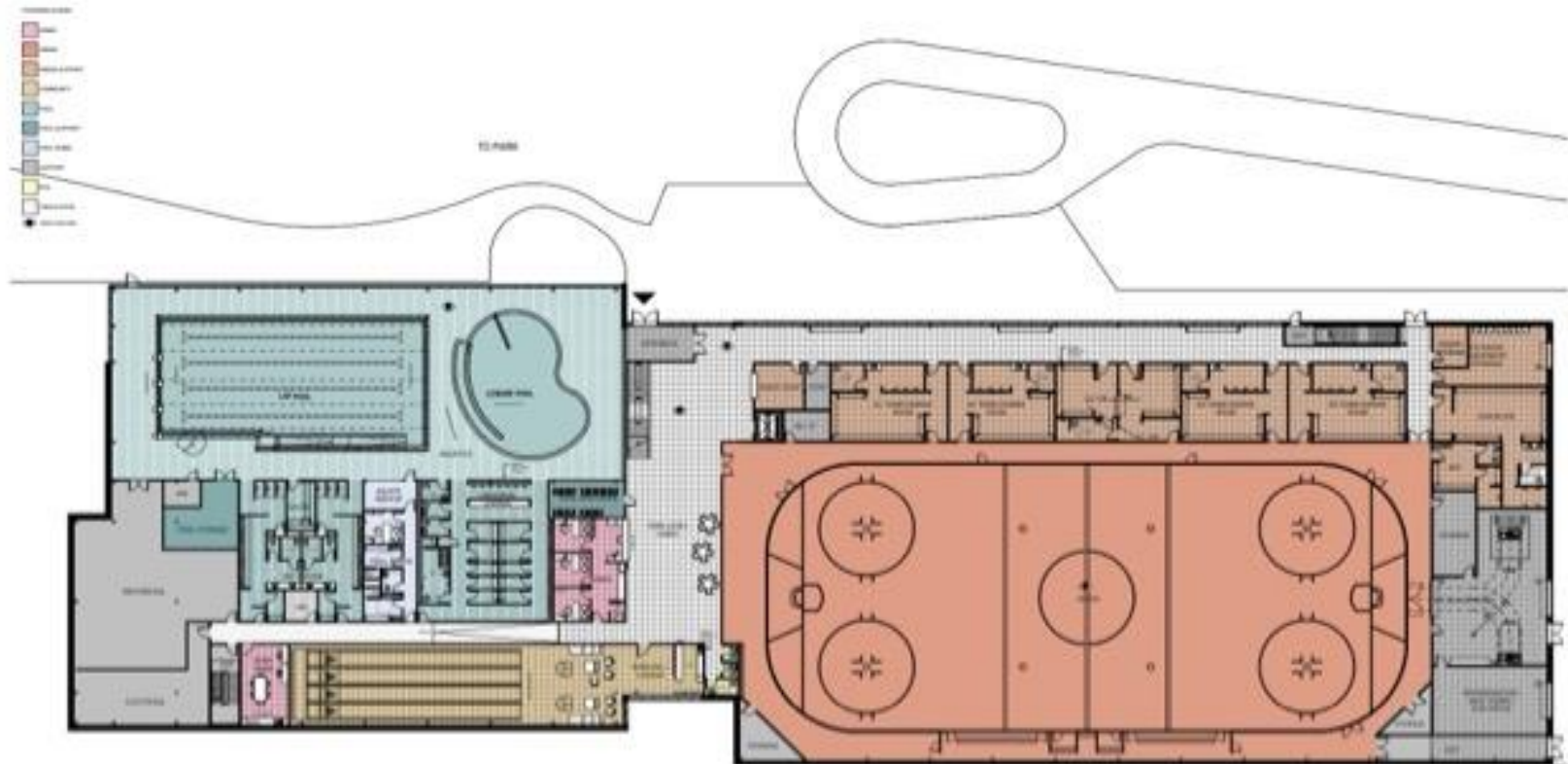
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Exhibit 2 Indoor Floor Plans

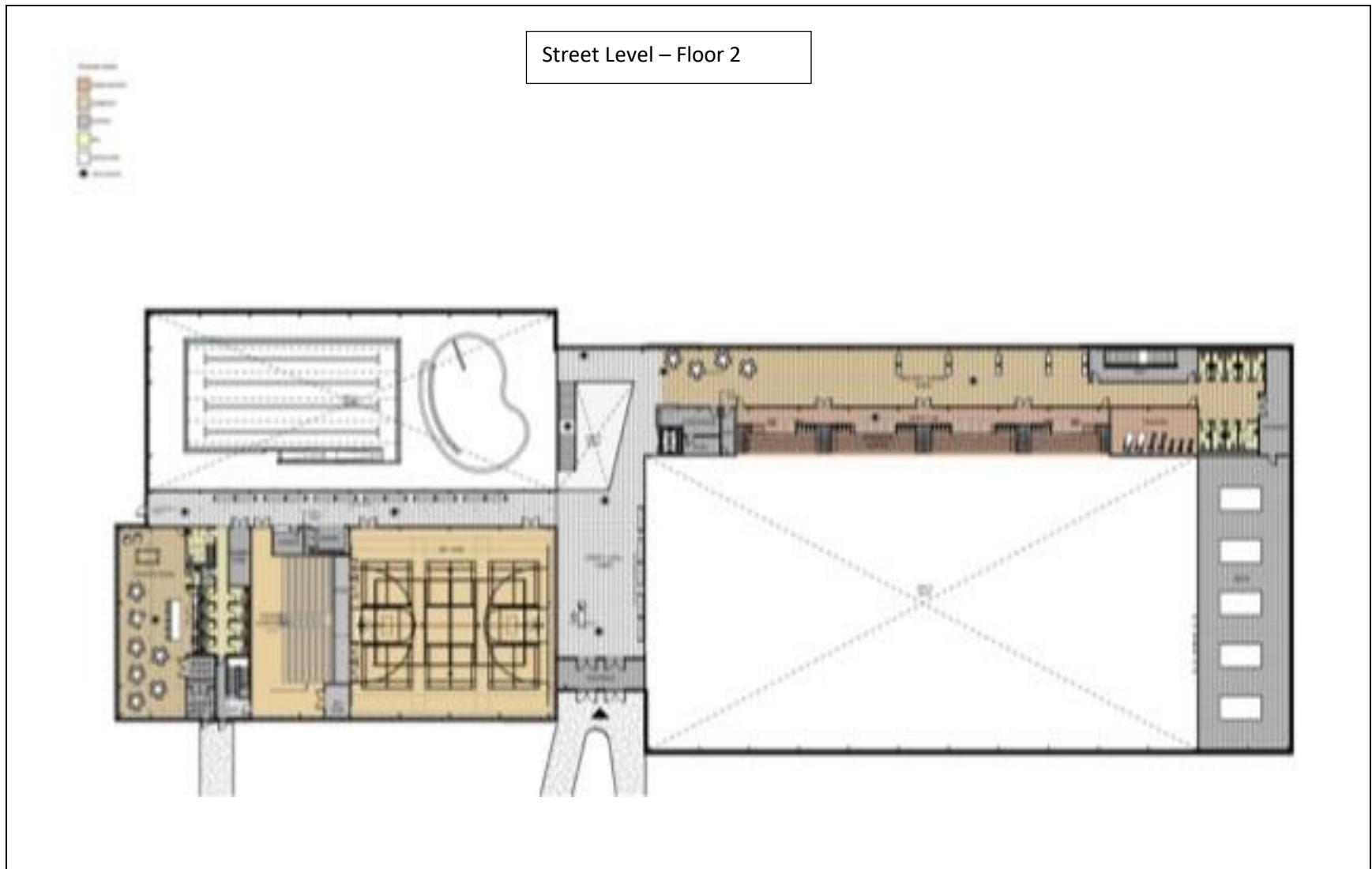
ALC Proposed Design – Indoor Floor Plans

Total Floor Space = 9,268 sq m or 99,759 sq f

Park Level (Floor 1)



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Table 2 provides a summary of the estimated **pre-tender** capital construction cost and funding of the proposed ALC capital construction component (all costs in Millions and exclude HST). Based on the Class B detailed design drawings, the total estimated building construction is **\$69.6 M** (equates to \$7,728 per m2 or \$718 per ft2 - *note*: cost per m2 or ft2 cost excludes site development cost).

Table 2 – Summary of ALC Proposed Capital Construction Costs and Funding Based on Pre-Tender Class B Design Drawings

ACTIVE LIVING CENTRE - CAPITAL FUNDING SCENARIOS (PRE-TENDER ESTIMATED CONSTRUCTION COSTS - HARD COSTS ONLY)

As at Oct 28, 2024

A: PROPOSED CAPITAL COSTS - CONSTRUCTION COSTS BASED ON CLASS B ESTIMATES

Facility Component	Estimated Capital Cost
TOTAL BUILDING COST	\$ 43,276,880
D. Site Development D1 Site Development	\$ 4,202,180
Net Building Cost - Including Site Subtotal	\$ 47,479,060
E. General Requirements and Building Fees	
General Requirements - 10%	\$ 4,747,900
Building Permit/Other Fees	\$ 1,566,800
	\$ 6,314,700
TOTAL CONSTRUCTION COST (EXCLUDING ALLOWANCES)	\$ 53,793,760
Allowances and Contingency	
Design Contingency	\$ 3,227,700
Cash Allowances	\$ 2,910,300
Cost Escalation to Tender	\$ 2,100,000
	\$ 8,238,000
	Subtotal with Allowances and Contingency
	\$ 62,031,760
Construction Location Factor Estimated at 14%	\$ 7,589,100
TOTAL ESTIMATED CAPITAL COST (Pre-Tender Construction)	\$ 69,620,860

**Excludes HST*

B: PROPOSED CAPITAL FUNDING

RECOMMENDED SCENARIO

Financing Partner	Program/Name	Amount	% of Total
Government of Canada	Green and Inclusive Buildings (GICB)	\$ 35,000,000	50%
Province of Ontario	Community Sport and Recreation Infrastructure Fund (CSRIF)	\$ 15,000,000	22%
Federation on Canadian Municipalities	Municipal Community Bldgs - New		
	- Sustainable Municipal Bldgs Grant (15%)	\$ 525,000	1%
	- Maximum Low Interest Loan (85%)	\$ 3,500,000	5%
	- FCM Green Building Feasibility Grant	\$ 200,000	0%
	Subtotal FCM	\$ 4,225,000	6%
Corporate Sponsorship	<i>Under Active Consideration</i>	\$ 8,000,000	11%
First Nation Community Partners	<i>Confirmed</i>	\$ 1,500,000	2%
Community Fundraising	<i>Program Needs to be Developed</i>	\$ 2,000,000	3%
	Subtotal Non-Town	\$ 65,725,000	94%
Town of Marathon	Existing Reserves and Other Funds	\$ 3,895,860	6%
	Subtotal Town	\$ 3,895,860	6%
TOTAL CAPITAL PROJECT FUNDING		\$ 69,620,860	100%

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Given both the diverse functional scope of the project and the higher cost of construction in Marathon, the overall cost is comparable to other recent community centre construction projects across Ontario. A key to achieving a construction cost is to move forward to the tender stage ASAP to ensure maximum exposure of the project well in advance of the 2025 construction season to attract the most competitive bid pricing possible.

ALC Operating Impact/Town of Marathon Financial Capacity

A review of the projected operating budget for the proposed Active Living Centre was completed as part of this ALC financial plan report to compare it with the existing Town of Marathon Recreation Centre (Rec. Complex) and Lakeview Community Hall. In addition to this report, a further independent review of the projected operating budget was prepared for purposes of completing the economic impact of the ALC. Based on the two reports, the Year 1 net operating cost of the new ALC is estimated between **\$890K** and **\$1.18M**. The difference in the projected net operating cost relates to the range in estimated annual utility cost savings that the ALC will realize because of the facility achieving a net zero carbon building design standard.

The projected increase in the ALC net operating cost will be fully accommodated with the Town of Marathon operating budget with **NO** reliance on ongoing federal or provincial funding. The ALC will be “built into” the Town’s base budget as is the case with the existing Rec Centre and Lakeview Community Hall.

For purposes of the analysis, several assumptions were made including the fact that the Rec. Complex will continue to operate “as is” until the opening of the new ALC (2027 target date). This target date for opening the new facility is a best estimate at this time and the actual opening date will be confirmed, subject to Town Council support to proceed to tender and subsequent final approval and financing of the ALC project.

In 2022, the existing Rec. Complex and the Lakeview Community Hall, excluding recreation administration costs, operated at a “bottom-line” net tax supported budget cost to the Town of approximately **\$0.74 M**. The year 2022 was chosen as the base year given the indoor pool was fully operational in that year prior to closing in 2023. At approximately 15.7 % of the overall Town Tax Levy, these two core municipal facilities encompass a major element of the overall Town of Marathon operating budget which reinforces

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the importance of recreation and leisure overall to the quality of life of the community. As outlined in Appendix C, based on the projected first full year of operations for the proposed ALC, the new facility is projected to cost the Town a total of **\$0.89 M net** to operate or an increase of \$150 K approximately.

In providing this projected net operating cost for first full year of operation, the report acknowledges that the estimated operating expenditures and revenues are initial best estimates and will need to be refined and updated as the ALC project moves forward. The bottom-line with respect to facility operations is that the proposed ALC (excluding debt charges) will cost more to operate than the current Rec. Complex and Lakeview Community Hall. However, relative to the increased size of the ALC (approx. 3400 sq M), on an operational basis, the new ALC is anticipated to be far more cost efficient and provide the Town with a significant net cost reduction on a net cost per square meter basis.

These operational savings will be generated from ongoing reduced energy consumption in the new ALC particularly related to the new pool area and arena ice operations which are estimated in the +/- \$100 K savings range for each area. One of the major operational benefits of the ALC is the coexistence of the new pool and arena in a single building envelope allowing for maximum opportunity to reduce utility costs through waste heat recovery. In addition, unlike the existing Rec complex, the significant facility renewal requirements and ongoing repairs to the ALC will be minimal for several years of operation while the ALC facility is relatively new and under various warranties.

With respect to human resource requirements to operate the ALC, the Town is well positioned to fully transfer operations to the existing and experienced staff team that manage and operate the existing Rec Complex and Lakeview Community Hall. By consolidating the two facility operations into one new facility (ALC), the Town expects to continue to operate the facility with a combined full-time and part-time complement of +/- 21 qualified and trained staff. Depending on ALC program demand and facility rentals, ongoing adjustments to ALC staff levels are anticipated and will be administered by the experienced Recreation Services management team.

Overall, the construction of the new ALC provides a significant long-term financial sustainability benefit to the Town based on decommissioning the existing Rec Complex which is at end of life and currently has a high/poor **FCI rating of 0.85**. In addition to the

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ALC being designed and constructed to a very high energy efficiency rating (Net Zero Building Design Standard), the proposed ALC will provide more opportunities for net cost savings.

In the absence of being able to confirm the level of total non-town funding support at this time, the best approach to address the question of affordability is to apply two scenarios and provide an estimated “bottom-line” financial impact for each on a) Town of Marathon Budget and b) Town of Marathon taxpayer using a residential property assessed at \$100,000 of Current Value Assessment (CVA). The projected fiscal impact analysis of the proposed ALC based on two scenarios is outlined in Appendix B and summarized below in Table 3. Scenario #1 reflects the “bottom-line” impact of achieving a capital financing ratio for the ALC of 91%/9% (Non-Town/Town) and Scenario #2 reflects a financing ratio of 84%/16% (Non-Town/Town). While resulting in a higher one-time incremental property tax impact estimated at 11.9%, the Town does have the ability to manage this risk given it has available debenture capacity to fund the ALC.

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Table 3 – Summary of Residential Property Tax Impacts

Town Budget Impact	Scenario 1 Recommended	Scenario 2 Alternate
2024 Town Tax Levy	\$5,671,232	\$5,671,232
Incremental Impacts on Town Budget (2027 Forecast)		
Annual Debt Charges – Proposed ALC (FCM Low Interest Loan)	\$187,950	\$456,450
Change in ALC Operating Cost (projected 2027) vs Rec Complex (2021)	\$152,773	\$152,773
Initial provision to ALC Facility Replacement Reserve Fund	\$65,000	\$65,000
Total Net Impact on Budget	\$405,723	\$674,223
Budget Impact Expressed as % Increase or Decrease in Town Tax Levy	7.2%	11.9%

Property Tax Impact	Scenario 1 Recommended	Scenario 2 Alternative
Total 2024 Annual Property Taxes Paid – Residential Property with \$100,000 CVA	\$2921.00	\$2921.00
Annual Incremental Property Tax Impact of ALC (Projected for 2027 Budget Year)	+\$208	+\$348

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In addition to the above, the construction of the ALC allows for a major opportunity to reduce the Town's future facility replacement cost liability specifically in relation to the current Rec Complex. As noted in the Jan 2023 Facility Condition Report (VFA Canada Corp.), the current Facility Condition Index (FCI) of the Rec Complex is at an extremely poor level of 0.85 (.20 to .60 is acceptable). The Rec Complex due to its age and high level of sustained usage over 50 years is by far the Town's most costly existing asset to maintain from a facility renewal standpoint.

As outlined further in addendum 3, the ALC when completed and fully operational will be incorporated into the Town's life cycle management system based on an advanced methodology that utilizes independent expert facility condition assessments including detailed and ongoing quantification of the FCI for the new facility.

The construction of the new ALC would have the immediate and indirect benefit of reducing the overall Town facility FCI rating **from 0.41 to 0.32**. In so doing, the town is much better positioned to maintain its other facility asset inventory which comprises 15,800 sq meters of space. In addition, as calculated in Appendix E, the forecasted total Town investment of **\$9.1M** over 20 years to maintain the existing Rec Complex would not be required and these funds would be much better directed to the long-term asset renewal of the ALC. This report fully supports the VFA report recommendation to establish a new Town of Marathon Facility Replacement Reserve Fund which would include the new ALC based on the project moving forward.

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Report Appendices

Appendix A – Proposed ALC Capital Budget (based on Pre-tender Class B Capital Cost Estimates)

Appendix B – Proposed ALC Capital Funding (Recommended and Alternate)

Appendix C – Forecasted ALC Operating Budget Comparative Summary

Appendix D – Projected ALC Residential Property Tax Impact

Appendix E – Forecasted Impact of ALC Construction on Town FCI Liability

To better understand the five appendices several Key Financial Performance Measures have been identified and noted below for the ALC.

Key Financial Performance Measures – ALC

The following key financial performance measures will guide and monitor the ongoing development of the ALC project from an overall financial perspective.

1. Total ALC Project Capital Cost – includes the total one-time capital cost to build the ALC with contingencies and allowances.
2. Total ALC Project Capital Financing – includes the total capital financing to fully fund the capital cost including Town of Marathon funding sources and Other or Non-Town funding sources:
 - a. % Town Share of Project Financing – estimated 9% of total project capital financing provided by the Town.
 - b. % Non-Town Share of Project Financing – estimated 91% percentage of total project capital financing from Non –Town Sources (note: the higher the Non-Town Share, the lesser the impact on the Town Property Tax Levy).
3. Total Long-Term Debt Required – total long term debenture debt to be issued by the Town to fund the ALC. Debt is a common funding source for any major capital project and allows future taxpayers and users to contribute to the upfront cost.

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4. Total Annual Debenture Repayment Charges – total annual repayment of principal and interest on long term debt. For purposes of this report, debt is all low-interest debenture issued by FCM (subject to approval of ALC as eligible project) and principal and interest repayment is assumed to be over 30 years @ interest rate of 3.5 %.
5. Incremental Town Tax Levy Impact – total “bottom-line” incremental impact on the Town of Marathon budget related to the construction and operation of the new ALC. The impact is expressed as both total dollar amount (\$) and a percentage (%) change in the Town Tax Levy.
6. Impact on Residential Taxes Assessed at \$100,000 – total “bottom-line” estimated incremental impact of the ALC on the residential property taxes for a home assessed at \$100,000 (Current Value Assessment) within the Town of Marathon.

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Appendix A: Active Living Centre – Proposed Capital Budget (Total Pre-tender Hard Costs and Soft Costs)

ACTIVE LIVING CENTRE - PROPOSED CAPITAL BUDGET (TOTAL CAPITAL COST INCLUDING HARD AND SOFT COSTS) As at Oct 23, 2024

A: PROPOSED CAPITAL COSTS

Facility Element	Major Components	Estimated Capital Cost *
CAPITAL COSTS INCLUDED IN TENDER (HARD COSTS)		
A. Building Shell	A1 Substructure/Foundation	\$ 2,307,380
	A2 Structure	\$ 8,595,470
	A3 Exterior Enclosure	\$ 6,681,600
	Subtotal	\$ 17,584,450
B. Interiors	B1 Partitions and Doors	\$ 4,555,480
	B2 Finishes	\$ 3,003,990
	B3 Fittings and Equipment	\$ 4,836,080
	Subtotal	\$ 12,395,550
C. Services	C1 Mechanical	\$ 9,623,020
	C2 Electrical	\$ 3,673,860
	Subtotal	\$ 13,296,880
	TOTAL BUILDING COST	
D. Site Development	D1 Site Development	\$ 4,202,180
	Net Building Cost - Including Site	\$ 47,479,060
E. General Requirements and Building Fees	General Requirements - 10%	\$ 4,747,900
	Building Permit/Other Fees	\$ 1,566,800
	Subtotal	\$ 6,314,700
	TOTAL CONSTRUCTION COST (EXCLUDING ALLOWANCES)	\$ 53,793,760
Allowances and Contingency	Design Contingency - 6%	\$ 3,227,700
	Cash Allowances	\$ 2,910,300
	Cost Escalation Contingency to Tender (3%)	\$ 2,100,000
	Subtotal	\$ 8,238,000
Subtotal with Allowances		\$ 62,031,760
Construction Location Factor	Estimated at 14%	\$ 7,589,100
Subtotal Total Construction Cost (Pre-Tender)		\$ 69,620,860
CAPITAL COSTS NOT INCLUDED IN TENDER (SOFT COSTS)		
	Post Tender Construction Contingency - 4%	\$ 2,784,834
	Architectural Design Services - 6.45%	\$ 3,863,550
	Furniture, Fittings and Equipment	\$ 750,000
	Other (Geotechnical, Survey)	\$ 498,470
Subtotal		\$ 7,896,854
TOTAL ESTIMATED CAPITAL COST (Pre-Tender)		\$ 77,517,714

*Excludes HST

B: PROPOSED CAPITAL FUNDING

Financing Partner	Program/Name	Amount	% of Total
Government of Canada	Green and Inclusive Buildings (GICB)	\$ 35,000,000	45%
Province of Ontario	Community Sport and Recreation Infrastructure Fund (CSRIF)	\$ 15,000,000	19%
Federation on Canadian Municipalities	Municipal Green Fund	\$ -	-
	- Building Grant (15% of Loan amount)	\$ 1,140,000	1%
	- Low Interest Loan	\$ 7,600,000	10%
	- FCM Green Building Feasibility Grant	\$ 200,000	0%
Corporate Sponsorship	Under Consideration	\$ 8,000,000	10%
First Nation Community Partners	Confirmed	\$ 1,500,000	2%
Community Fundraising	Program to be Developed	\$ 2,000,000	3%
Subtotal Non-Town		\$ 70,440,000	91%
Town of Marathon	Existing Reserves and Other Funds	\$ 4,077,714	5%
	Prior Approved Funding - Feasibility/Design	\$ 3,000,000	4%
	Subtotal Town of Marathon	\$ 7,077,714	9%
TOTAL CAPITAL PROJECT FUNDING		\$ 77,517,714	100%

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Appendix B: Active Living Centre – Capital Funding Scenarios

ACTIVE LIVING CENTRE - CAPITAL FUNDING SCENARIOS (PRE-TENDER ESTIMATED CONSTRUCTION COSTS - HARD COSTS ONLY)

As at Oct 28, 2024

A: PROPOSED CAPITAL COSTS - CONSTRUCTION COSTS BASED ON CLASS B ESTIMATES

Facility Component	Estimated Capital Cost
TOTAL BUILDING COST	\$ 43,276,880
D. Site Development D1 Site Development	\$ 4,202,180
Net Building Cost - Including Site Subtotal	\$ 47,479,060
E. General Requirements and Building Fees	
General Requirements - 10%	\$ 4,747,900
Building Permit/Other Fees	\$ 1,566,800
	\$ 6,314,700
TOTAL CONSTRUCTION COST (EXCLUDING ALLOWANCES)	\$ 53,793,760
Allowances and Contingency	
Design Contingency	\$ 3,227,700
Cash Allowances	\$ 2,910,300
Cost Escalation to Tender	\$ 2,100,000
	\$ 8,238,000
Subtotal with Allowances and Contingency	\$ 62,031,760
Construction Location Factor Estimated at 14%	\$ 7,589,100
TOTAL ESTIMATED CAPITAL COST (Pre-Tender Construction)	\$ 69,620,860

*Excludes HST

B: PROPOSED CAPITAL FUNDING

Financing Partner	Program/Name	RECOMMENDED SCENARIO		ALTERNATIVE SCENARIO (Info only)	
		Amount	% of Total	Amount	% of Total
Government of Canada	Green and Inclusive Buildings (GICB)	\$ 35,000,000	50%	\$ 25,000,000	36%
Province of Ontario	Community Sport and Recreation Infrastructure Fund (CSRIF)	\$ 15,000,000	22%	\$ 10,000,000	14%
Federation on Canadian Municipalities	Municipal Community Bldgs - New				
	- Sustainable Municipal Bldgs Grant (15%)	\$ 525,000	1%	\$ 1,500,000	2%
	- Maximum Low Interest Loan (85%)	\$ 3,500,000	5%	\$ 8,500,000	12%
	- FCM Green Building Feasibility Grant	\$ 200,000	0%	\$ 200,000	0%
	Subtotal FCM	\$ 4,225,000	6%	\$ 10,200,000	15%
Corporate Sponsorship	Under Active Consideration	\$ 8,000,000	11%	\$ 8,000,000	11%
First Nation Community Partners	Confirmed	\$ 1,500,000	2%	\$ 1,500,000	2%
Community Fundraising	Program Needs to be Developed	\$ 2,000,000	3%	\$ 2,000,000	3%
	Subtotal Non-Town	\$ 65,725,000	94%	\$ 56,700,000	81%
Town of Marathon	Existing Reserves and Other Funds	\$ 3,895,860	6%	\$ 12,920,860	19%
	Subtotal Town	\$ 3,895,860	6%	\$ 12,920,860	19%
TOTAL CAPITAL PROJECT FUNDING		\$ 69,620,860	100%	\$ 69,620,860	100%

FCM Low Int. Debt - \$3.5 M
LT Debt assumed for 30yrs at 3.5%
Based on \$53.7 K per \$ 1.0 M
\$ 187,950

FCM Low Int. Debt - \$8.5 M
LT Debt assumed for 30yrs at 3.5%
Based on \$53.7 K per \$ 1.0 M
\$ 456,450

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Appendix C: Forecasted Active Living Centre Net Operating Budget Comparative Summary

FORECASTED ACTIVE LIVING CENTRE NET OPERATING BUDGET COMPARATIVE SUMMARY

OPERATING EXPENDITURES (NET OF REVENUES)

REC CENTRE/ALC BUDGET ITEMS	FULL YEAR 2022 - FORECAST	FULL YEAR 2027 - FORECAST	DIFFERENCE
		\$ -	\$ -
Ice Arena	\$ 355,510	\$ 400,000	\$ 44,490
Concession (New for ALC in 2027)		\$ (60,000)	\$ (60,000)
Community Hall/New ALC Seniors and Multipurpose Space	\$ 59,766	\$ 65,000	\$ 5,234
Pool Facilities	\$ 289,072	\$ 350,000	\$ 60,928
Special Events	\$ 22,883	\$ 25,000	\$ 2,117
Community Theatre	\$ 7,789	\$ 25,000	\$ 17,211
Gymnasium Facilities (New for ALC in 2027)		\$ 75,000	\$ 75,000
Bowling Facility	\$ 2,207	\$ 10,000	\$ 7,793
Subtotal Net Operating Expenditures	\$ 737,227	\$ 890,000	\$ 152,773

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Appendix D: Projected Active Living Centre – Residential Property Tax Impact

PROJECTED ACTIVE LIVING CENTRE- RESIDENTIAL PROPERTY TAX IMPACT

ITEM /DESCRIPTION	RECOMMENDED CAPITAL FINANCING SCENARIO	ALTERNATIVE CAPITAL FINANCING SCENARIO (Info only)
2024 TAX LEVY - TOWN OF MARATHON as per approved Town Budget	\$ 5,671,232	\$ 5,671,232
Incremental NET Budget Impact of Proposed ALC		
1. Change in Facility Net Operating Cost vs Existing Rec Centre (App C)	\$ 152,773	\$ 152,773
2. Recommended Annual Budget Provision to NEW ALC Facility Renewal Reserve Fund	\$ 65,000	\$ 65,000
3. Forecasted Annual Debenture Repayment Charges (P&I) related to FCM Debt (App B)	\$ 187,950	\$ 456,450
	\$	\$
Subtotal	\$ 405,723	\$ 674,223
TOTAL FORECASTED INCREMENTAL TOWN NET BUDGET IMPACT		
<i>Total Forecasted Impact of ALC Expressed as a % Increase in Residential Taxes for Property Assessed at \$100,000</i>	7.2%	11.9%
Estimated Residential Property Tax Impact		
1. 2024 Property Taxes Paid by Residence Assessed at \$100,000 (no change from 2016 MPAC assessment)	\$ 2,921.00	\$ 2,921.00
2. Incremental Property Tax Impact of ALC (2027 Forecast - YR 1 of full year operation)	\$ 208.97	\$ 347.26

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Appendix E: Forecasted Long-term Impact of Active Living Centre on Marathon Facility Index (FCI) Liability

FORECASTED LONG-TERM IMPACT OF ACTIVE LIVING CENTRE ON MARATHON FACILITY CONDITION INDEX (FCI) LIABILITY

FACILITY CONDITION INDEX RELATED ITEMS	Total Town of Marathon	Existing Rec Complex	Total Excl Rec Complex	% Change
Current Facility Replacement Value	\$ 97,936,339	\$ 19,812,769	\$ 78,123,570	-20.2%
Facility Size in Square Metres	19,989	4,200	15,789	-21.0%
Facility Condition Index Cost (Deferred/now needs plus 5 year projection)	\$ 40,344,690	\$ 16,749,506	\$ 23,595,184	-41.5%
FCI Ratio Calculation	41.2%	84.5%	30.2%	-26.7%

Proposed Total 20 yr spending based on target of 2% of CFRV * <i>as a percentage of CFRV</i>	\$ 45,800,000 47%
Estimate of Total 20yr spending based on target of 2% of CFRV * based on Construction of new ALC and closure of Rec Complex <i>as a percentage of CFRV</i>	\$ 36,718,078 47%
Estimated FCI Liability Funding Savings (20 Years)	\$ 9,081,922.10

** In estimating these total 20 yr savings, the establishment of a new Facility Renewal Reserve Fund to assist in achieving the reduction in FCI for Town, will also need to include ongoing facility renewal for the new Active Living Centre with 5-10 years timeframe ideally.*

Report Addendum

Addendum 1: ALC Addresses Gap in Regional Services – Community Indoor Recreation and Leisure Facilities

The new ALC will serve as a vital community resource not only for Marathon but also for neighboring towns within a two-hour drive which represents a total regional population of approx. 20,000 people. These communities will benefit in several ways:

- **Regional Recreation and Sports Hub:** The ALC will offer access to facilities and programs not available in smaller surrounding towns, such as 25 M swimming pool, accessible gym space, dedicated programming space and organized sports leagues. Residents from neighboring towns can participate in regional competitions and events hosted at the centre.
- **Cultural and Educational Resource:** The ALC will host regional events, workshops, and cultural events and performances that attract visitors from across Northern Ontario, promoting tourism and cultural exchange between communities.
- **Health and Wellness Outreach:** The centre’s wellness programs will be open to residents of nearby towns, providing much-needed health services and educational opportunities.
- **Economic Development:** The centre will stimulate local and regional economic growth by attracting visitors for cultural events, sports tournaments, and conferences, supporting local businesses in Marathon and nearby towns.
- **Youth and Older Adult Engagement Across Communities:** The facility will create intergenerational programs and activities that engage youth and elders from surrounding towns, fostering a stronger sense of community and shared cultural pride.

This high-level summary provides an assessment of the current recreation and leisure service gaps in the communities within a two-hour drive of Marathon, Ontario, including First Nations communities. The focus is on municipally owned indoor recreation facilities, such as arenas, indoor pools, community centres, multi-purpose gyms, and seniors’ centres.

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Table 4: Summary of Community Recreation and Leisure Facilities Within 2 Hour Drive of Marathon

Community Name	Existing Community Recreation and Leisure Facilities
Manitouwadge	Arena (Manitouwadge Recreation Centre) Community Centre (Manitouwadge Recreation Centre includes some multi-use rooms) Fitness Centre (Manitouwadge Fitness Centre, limited equipment) Seniors Centre (Seniors Centre is within the community centre)
Terrace Bay	Terrace Bay Arena Fitness Centre (small gym within Michael King Hall) Community Centre (Michael King Hall serves as a general community centre)
Schreiber	Arena (Schreiber Recreation Centre) Fitness Centre (small, limited equipment) Community Hall (Schreiber Recreation Centre has limited multi-use space)
Biigtigong Nishnaabeg (Pic River First Nation)	Community Centre (limited access, small space for general use) Gymnasium (access through school)
Netmizaaggamig Nishnaabeg (Pic Moberg First Nation)	Wellness Centre (fitness and wellness programs, youth activities and sports, events)
Biinjitiwaabik Zaaging Anishinaabek (Pays Plat First Nation)	Small community hall (used for gatherings and events)
White River	Arena (White River Community Centre) Community Centre (White River Community Centre serves as a general multi-use space) Small gym (within the community centre)

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Summary of Key Service Gaps Across the Region

1. **Lack of Indoor Pools and Aquatic Programs:** All communities, including Marathon, lack an indoor pool facility, forcing residents to travel significant distances to access aquatic programs. This gap is particularly critical for children’s swim lessons, rehabilitation, and seniors’ aquatic fitness programs.
2. **Limited Gymnasium and Fitness Facilities:** Most communities have small gyms with limited equipment, and in some cases, the facilities are shared with schools, reducing access for the public. There are no full-scale fitness centres in the region, limiting access to fitness classes, weight rooms, and exercise equipment.
3. **Lack of Dedicated Seniors’ Centres:** Except for Marathon and Manitouwadge, there are no dedicated spaces for seniors in many communities, which restricts the ability to offer programs tailored to older adults. There is currently a high need to expand recreational and social services that promote healthy aging in these regions.
4. **Limited Multi-Purpose Spaces for Indigenous and Cultural Programming:** Across the region, there are minimal dedicated spaces for Indigenous cultural programs, traditional activities, and language preservation efforts. Most First Nations communities have basic community halls but lack spaces specifically designed for cultural and recreational use.
5. **Youth and Arts Program Gaps:** Youth-specific programming is limited, particularly for indoor sports, arts, and cultural activities. No community in the region has an arts centre or performance space dedicated to fostering youth engagement in cultural and creative activities.

As noted in the summary table above, communities within a two-hour drive of Marathon experience significant gaps in indoor recreational and leisure services, including pools, gyms, seniors’ centres, and dedicated programming and cultural spaces. This creates a strong case for support of the ALC located in Marathon to not only serve town residents but also to address the needs of the broader region, offering essential recreation and wellness services vital to quality of life.

By incorporating a full-service facility that includes an indoor pool, multi-purpose gym space, and dedicated program spaces, the new Marathon ALC will serve as a regional hub for recreation, wellness, and cultural engagement, benefiting the surrounding communities.

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Addendum 2: Value for Money of ALC

Over the past ten years, several reports and studies have been prepared regarding the value for money and feasibility of the proposed new Active Living Centre (ALC) in the Town of Marathon. A key document is the *Comprehensive Feasibility Study* conducted by True Grit Engineering, FORM Architecture Engineering, and MNP LLP. This study completed in 2017 evaluated the clear need for a new facility to replace the town's current recreation complex, focusing on sustainability, cost-effectiveness, and community benefit. The new ALC centre will enhance residents' quality of life, improve property values, attract tourists, and boost both physical and mental health in the community. In addition, a separate *Case for Funding Support* report was prepared in 2019 by MNP in association True Grit Engineering and Form Architecture. The ALC when opened in 2027, will replace the Town of Marathon recreation facilities that are at end of life including the well-used old Rec Complex and Lakeview Community Hall which combined total 5,581 sq. M of indoor leisure space and have provided 123 years of service to the community.

Compared to the existing Rec Centre, the operation of the new ALC is estimated at approximately **\$0.15M net increase** in the Town operating budget. While the overall increase in size of the ALC would suggest a much larger annual net increase, the expectation is there will be new revenue generation opportunities (e.g. concessions, facility rentals) and the significant cost savings that will be realized from reduced energy consumption and waste energy capture. The energy efficiency of the new ALC is based on achieving the Net Zero designation which will deliver extremely high value for money to the town.

The Active Living Centre project is currently being strategically advanced through a comprehensive project management approach and structure under the joint leadership of the Daryl Skworchinski, CAO of the Town of Marathon and an experienced external Project Lead, Eric Zakrewski, principal of Phoenix Consulting. The ALC project in recent years has been given approval by Town Council related to:

- new siting on a celebrated and historic waterfront location
- provision for dedicated funding of \$3.0 M for ALC design development
- direction for the ALC the meeting a net zero energy building design standard.

Currently the members of the external design development and construction management team working on the ALC project includes:

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- Architectural Design Consortium of Critchley Hill and Perkins and Will
- HAPA Collaborative – Site Design
- TBT Engineering Consulting Group
- Hanscomb Quantity Surveyors

Recently the Town has also engaged external consulting firms, KKR advisors and Tim Commisso Advisory to prepare updated reports to Council related to the ALC economic and tourism impact and ALC proposed capital budget and updated financial plan as of October 2024. The ALC financial plan report specifically addresses the ALC operating impact and Town of Marathon’s financial capacity to successfully develop and complete this major legacy project. In addition, the report speaks directly to the questions of affordability for Marathon taxpayers as well the key elements for ensuring long financial sustainability of the ALC.

As the project moves forward, the Town CAO and the Project Lead will rely on a both internal staff members and external professional resources to execute all facets of the ongoing ALC project management plan including capital construction. The Town is very experienced in major project procurement requirements including comprehensive competitive bid processes which will be applicable to the ALC.

Most recently, the Town celebrated the grand opening of its new Marathon Works and Operations facility which was successfully completed on time and on budget. Overall, the Town fully appreciates the complexity and scale of the ALC project and has the in-depth expertise and resources to implement the project while ensuring maximum value for money all residents, project funding partners and other key stakeholders.

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Addendum 3: Town of Marathon Active Living Centre - Facility Life Cycle Management

The Town of Marathon has adopted a comprehensive and strategic approach to life cycle infrastructure management of all facilities which will apply fully to the Active Living Centre when constructed and operational in 2027. Current Town facility assets include a total of:

- 49 buildings
- 19,989 square meters of floor space.
- Replacement value of \$97.9 M
- Overall Facility Condition index of 0.41

As outlined below in further detail, the life cycle management approach encompasses an advanced municipal best practice methodology that utilizes independent expert facility condition assessments including quantification of a key metric called the **Facility Condition Index (FCI)** for each facility. In January 2024, Town Council received and approved the 2023 Facility Condition Report from VFA Canada Corp inclusive of the current Rec. Complex which has an extremely high or very poor FCI of 0.85. The ALC on opening as a new facility under various warranties would have an initial FCI of Excellent or 0.00.

The comprehensive methodology that currently applies to the life cycle asset management and will encompass the ALC, includes the following elements:

Initial Asset Survey

On-site assessment activities are performed by qualified external assessment teams and include kickoff and closeout meetings, the review of studies and drawings, conducting interviews with maintenance staff, coordinating access to buildings through site staff and the collection of information from the facility's staff.

Visual assessment

The assessment teams consisting of architectural, electrical/mechanical consultants inspect all the assets. In conjunction with the asset surveys, the team was escorted by and worked with Town personnel responsible for maintenance and getting an in-depth viewpoint of problem areas. The type and condition of building systems such as roofing, mechanical equipment, interior finishes, plumbing, electrical, etc., were observed. Existing asset requirements and sensible improvements were noted and recorded by the team.

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The criteria used to determine the priorities, categories and primary systems are as follows:

- Priority One - Currently critical or immediate concerns (within 1 year) Should be addressed immediately (including violations of life safety building, and electrical codes)
- Priority Two - Potentially critical or short-term concerns (within 1-2 years) Should be corrected in the near future, to maintain the integrity of the building, including Systems that are functioning improperly or not at all.
- Priority Three - Necessary - Not yet critical or longer-term concerns (within 3-5 years). Should be corrected to maintain the integrity of the building, including systems that have exceeded their expected useful life, but are still functioning.
- Priority 4 - Functional need Items that represent a sensible improvement to the existing conditions. These items are not required for the most basic function of a facility; however, Priority 4 projects may improve overall usability and/or reduce long term maintenance.
- Priority 5 - Does not meet current codes/standards Items that do not conform to existing codes but are grandfathered in their existing condition. No immediate actions are required, although the items will need to be addressed if any significant work is performed on the building.

Facility Requirement Categories

- Code Compliance - Violations of building codes or other conditions which pose a hazard to building occupants. (Examples: emergency lighting, missing guardrails).
- Building Integrity - Components or systems which are broken or in poor condition. The condition of these systems affects the integrity of the building (Examples: leaking roofs, outdated equipment).
- Functionality - Conditions which inhibit the current use of the space and do not necessarily affect the integrity of the building's systems. (Examples: poor temperature control, insufficient electrical service).
- Appearance - Problems with the building's appearance which are not functional in nature. (Examples: painting, worn carpet).
- Energy - Conditions which adversely affect energy usage. (Examples: single pane windows, pipe insulation).
- Air Quality - Conditions which affect the environmental quality of the air. (Examples: insufficient ventilation).
- Water Quality - Conditions which affect the environmental quality of the water. (Examples: no backflow prevention).
- Hazardous Materials - Visible observations or client-supplied reporting indicating probable presence of hazardous materials. (Subject to limitations outlined in contract) (Examples: asbestos, lead based paint, CFC's, PCB's).

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Asset Current Replacement Value

The buildings assessed are broken down into their systems using Unifomat codes to level 3. The cost of each system is then obtained by utilizing RS Means (leading construction cost data base) and applying soft costs. The systems are then added to produce the Current Replacement Value (CRV) of the building.

Replacement Cost Estimating

For each requirement, one or more proposed actions are established, and a recommended action identified. VFA assessors base the recommended action on an “in kind” replacement or the current technology available utilizing their experiences and good engineering practice. The corrective work was then estimated using R.S. Means Estimating Data accessed directly by VFA facility. A soft cost factor of 1.25x was applied to both systems and non-renewal requirements. For work not covered by R.S. Means, a lump sum figure was inserted and described in the text of the requirement.

Building and Other Codes Used

The on-site assessment performed by VFA’s specialized facilities assessment professionals, include review of all major building systems for Code Compliance. The latest issue dates of the codes utilized are:

- National Building Code of Canada
- National Construction Code
- Other codes as applicable

Facility Condition Index

VFA has automated a standard process for assessing the relative condition of buildings, facilitating comparison both within and among institutions. For each building, the Facility Condition Index (FCI) is developed which measures the relative number of current requirements in the building. The total value of existing requirements is divided by the current replacement value of the building, resulting in the FCI. The higher the FCI, the poorer the condition of the facility.

The FCI standards are:

- Excellent. 0.00 to 0.10 (FCI = 0.00 will apply to ALC on opening of facility)
- Good. 0.10 to 0.20
- Fair. 0.20 to 0.60

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- Poor. Greater Than 0.60. (FCI = 0.85 - 2023 rating for existing Rec Centre)

Funding Scenario Analysis

VFA integrates both deferred maintenance and capital renewal projections into comprehensive facility funding analyses. Various strategies can be assessed and compared including various funding levels, various distributions of funding, and testing of assumption parameters. Replacement and renewal costs are adjusted by the assumed inflation rate of 2% per year, over the duration of the analysis. For current requirements that are not corrected, a backlog deterioration rate of 2% per year is assumed in addition to inflation adjustments. Utilizing different factors, various Funding schemes can be analyzed and their effect on the asset's condition (FCI) projected.