

# Q&A

## Events Centre Financing and Funding

The City of Nanaimo is considering the construction of an events centre that could host larger-scale concerts, touring shows, sports and other cultural and community events. As part of determining whether such a centre would be a good fit for Nanaimo, the City is reviewing financial information and sharing details with the public.

### **How much will the proposed events centre cost to construct?**

The events centre will cost \$80M to build and to prepare the City-owned waterfront location site (1 Port Drive), realign Front Street, create an access road and upgrade sewer and storm lines.

### **It costs money to borrow money. How will that be paid, if not through property taxes?**

The borrowing will be repaid over a 20-year period at an estimated interest rate of 3%, requiring debt payments of \$5.4M annually. The money to service the debt will come from a combination of existing funds:

- Hotel tax (1%) - \$240,000\*
- Strategic infrastructure reserve - \$2.5M
- General revenue - \$1.6M
- Payments in lieu of taxes - \$400,000
- Community Works Fund - \$672,160

Given that the funds already exist, the City of Nanaimo will not be increasing property taxes nor fees because of building the events centre nor because of providing services to 1 Port Drive.

*\*The City continues to engage with the Nanaimo Hotel Association on the process of submitting a joint request to the Provincial Government to increase the hotel tax by 1%.*

### **What is the City's debt servicing capacity? How much does this project increase it? Will there be any room left to borrow?**

The City currently utilizes 11% of its total debt servicing capacity of \$38M. The new borrowing for the events centre would increase the City's utilization of available debt capacity to 25% of the total available debt servicing capacity, leaving about \$29M in debt servicing capacity for other future projects.

### **What does "debt servicing capacity" mean?**

"Debt servicing capacity" is the annual principal and interest payments made on a debt.

### **What happens if unanticipated costs arise during construction?**

The current cost estimate for the events centre includes a contingency. Also, significant investigative site work has been completed to identify any environmental/other issues which should reduce the risk of unplanned expenditures. Current engineering for the events centre have accounted for various potential outcomes.

### **How much will it cost to operate the events centre each year, and how will that be paid?**

Estimated annual costs will be fully funded through facility rentals, suites, tickets, advertising, naming rights, ice rental luxury seats and concessions and catering.

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### **Revenue from an events centre can go up and down. How will the City plan for that?**

Operations of the events centre will generate enough funds for running it as well as for two reserve funds: Facility and Equipment Fund for asset management, and Revenue Stabilization Fund to cover any future revenue shortfalls. The City is not expected to provide an operating subsidy on a long term basis. Within the events centre funding model, \$400,000 remains unallocated per annum and will be used to ensure that there will be no requirement to increase property taxes.

### **Will my property taxes go up to pay for the project?**

In 2016, Council approved the creation of a Strategic Infrastructure Reserve to provide a sustainable funding strategy for priority projects. The creation of this reserve will have a minimum impact on property taxes over the next four years while specific revenue sources are transitioned to the new reserve. This reserve is a source of funding for the events centre debt repayment and will also be used for other priority projects.

### **Will other services lose funding to pay for the events centre?**

No. The City has not and will not cut any services to pay for the events centre, as no service funding has been redirected towards the events centre.

### **If \$1.6M is taken from general revenue, then what money will be in place for other needed projects?**

The \$1.6M in general revenue earmarked for capital projects will be replaced with funding from the Community Works Fund.

### **If the infrastructure reserve fund is used to pay for borrowing, does that mean money won't be in place for other needed projects?**

The Strategic Infrastructure Reserve Fund receives \$3M a year from gaming revenue and Fortis BC agreement proceeds. Only gaming revenue—about \$2.5M—will be used for the events centre debt servicing, leaving \$.6M per annum for other priorities.

### **If the Community Works Fund is used to pay for borrowing, does that mean the City won't be able to use that money for other projects?**

The Community Works Fund will be used for utility amenities and has a current balance of \$7M. The City receives an allocation every year as gas tax grant transfers so the Fund balance will be replenished.

### **If we are using existing funds for loan payments, what happens when we have an unexpected cost such as extensive road repairs from extreme weather?**

The City maintains several types of reserve funds in the case of unforeseen situations:

- Asset management reserves to fund renewal of current infrastructure;
- Development Cost Charges (DCC) reserves to fund new infrastructure needed for growth;
- Special reserves for specific purposes – e.g., Sustainability Reserve, Housing Legacy Reserve; and
- Other Contingency reserves.

The City holds over \$100M in reserves and will still have \$29M in unutilized debt servicing capacity.

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**The City has other capital debts to pay off. Does building the events centre mean those debts won't be paid?**

No, it doesn't. The Nanaimo Aquatic Centre will be paid off in 2020, the Vancouver Island Conference Centre in 2027 and the water treatment plant in 2034. Funding sources for these debts are already provided for in the City's financial plans.

**How can I learn more about the project?**

A newsletter is being mailed to households which will outline the project and share answers to questions raised by the public. A flyer is planned to share voting information prior to the referendum. Additionally, you can attend one of six upcoming public open houses, email [eventscentre@nanaimo.ca](mailto:eventscentre@nanaimo.ca), post your questions on the City's [Facebook](#) and/or [Twitter](#) pages, and visit [www.nanaimo.ca/eventscentre](http://www.nanaimo.ca/eventscentre) to learn more.