



Municipality of the County of Kings

Request for Decision

TO Municipal Council

PREPARED BY Karen Kluska, CPA, CA Financial Analyst

MEETING DATE June 5, 2018

SUBJECT Berwick Library Contribution Agreement

ORIGIN

- Letter from Town of Berwick dated September 2, 2016
- 2017/18 Operating and Capital Budgets
- Committee of the Whole minutes dated May 16, 2017
- 2018/19 Operating and Capital Budgets
- Council minutes dated May 15, 2018

RECOMMENDATIONS

- That Council approve amending the wording of the motion approved May 15, 2018 to include the words “with annual debt service” such that the revised motion reads:

That Council approve the contribution to the Berwick Library of a capital amount proportionate to the square footage of the building times the reported percentage of County users (57%) and treat it as the Town of Berwick borrowing a debenture with annual debt service in the amount of \$15,620 per year over 15 years effective the 2017/18 fiscal year.

- That Council authorize the Mayor and CAO to sign the Berwick Branch Library Contribution Agreement with the Town of Berwick.

INTENT

To obtain approval of the proposed contribution agreement.

DISCUSSION

On September 2, 2016, the Town of Berwick wrote to the Municipality asking the Municipality to contribute to the capital cost of building the Berwick Branch Library (the branch library) portion of their new facility. The letter indicated that the branch library occupied 2,190 square feet, or 13% of the total facility. The estimated capital cost of the new building was \$2,550,000. Berwick advised that Municipal residents represent 57% of the users of the branch library.

The branch library proportional capital cost would be 13% of \$2,550,000, or \$331,500. 57% of the \$331,500 is \$188,955. Berwick asked that the Municipality help pay for the cost of the library by entering into a lease agreement for 15 years, with annual rent beginning at \$14,304 annually, escalating at the lesser of CPI and 1.5%.



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During the 2017/18 budget deliberations on May 16, 2017 Committee of the Whole approved the following informal motion:

On motion of Councillor Hirtle and Councillor Allen, that Committee of the Whole recommend that Council direct staff to include \$14,300 in the 2017/18 budget for contributions towards the cost of the Berwick Library location, for a 15 year period, subject annually to Council approval and that we enter into an agreement with the Berwick Library which will be brought back to Council for approval.

FINANCIAL IMPLICATIONS

Staff determined that since we were contributing to the capital construction cost of the facility, not leasing space from the Town of Berwick, the agreement should not be in the form of a lease, but instead a contribution agreement. Further, the Town would be required to charge sales tax if they were renting space to the Municipality, which is not the case.

During the May 7 2018 meeting of Committee of the Whole, staff provided clarification on the differences between a capital contribution and a lease. Staff provided a schedule¹ comparing the total amount that the Municipality would pay if we entered into a lease agreement with the Town of Berwick, with the total amount if we made a capital contribution toward the annual debt service that would be associated with a 15-year loan for the \$188,955 amount, assuming a 3% interest rate.

Under the proposed lease agreement the Municipality would pay \$238,621.44 to the Town of Berwick, plus 4.29% non-rebateable sales tax (HST) for a total cost to the Municipality of \$248,848.75. If the Municipality made a contribution to a 15-year loan, the Municipality's total cost would be \$234,304.20. The average annual payment would be \$15,620. On May 15, 2018, Council passed the following resolution:

That Council approve the contribution to the Berwick Library of a capital amount proportionate to the square footage of the building times the reported percentage of County users (57%) and treat it as the Town of Berwick borrowing a debenture in the amount of \$15,620 per year over 15 years effective the 2017/18 fiscal year.

ALTERNATIVES

No alternatives are recommended.

IMPLEMENTATION

- Upon signature by the Town of Berwick, a cheque will be issued to the Town of Berwick for the 2017/18 fiscal year and the 2018/19 fiscal year contributions.
- Future operating budgets will include a fixed amount of \$15,620 each year for the remaining 13 years, subject to the terms of the agreement.

¹ Appendix 2



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APPENDICES

- Appendix 1 – Draft Berwick Library Financial Contribution Agreement
- Appendix 2 – Proposed Berwick Library Lease Comparison
- Appendix 3 – Letter from Town of Berwick dated September 2, 2016

APPROVALS

Wendy Salsman, Interim Director Finance & IT Date: May 29, 2018

Scott Conrod, Chief Administrative Officer Date: May 29, 2018

FINANCIAL CONTRIBUTION AGREEMENT – BERWICK LIBRARY

THIS AGREEMENT is made as of the _____ day of _____, 2018

BETWEEN:

MUNICIPALITY OF THE COUNTY OF KINGS (the “Municipality”) a body corporate pursuant to the provisions of the *Municipal Government Act* of Nova Scotia and having an office at 87 Cornwallis Street, Kentville, Nova Scotia B4N 3W3

-and-

TOWN OF BERWICK (“Berwick”) a body corporate pursuant to the provisions of the *Municipal Government Act* of Nova Scotia and having an office at 236 Commercial Street, Berwick, Nova Scotia B0P 1E0

WHEREAS Berwick has completed construction of the Berwick Branch of the Annapolis Valley Regional Library;

AND WHEREAS the Berwick Branch portion of the Annapolis Valley Regional Library currently occupies 2,190 square feet of space;

AND WHEREAS residents of the Municipality utilize the library service, the Municipality has agreed to contribute to the capital cost of the library;

AND WHEREAS this Agreement contains the terms of such funding.

NOW THEREFORE, the parties hereby agree as follows:

Section 1. Funding Commitment. Subject to and in accordance with the terms and conditions of this Agreement and in reliance upon the representations, warranties and covenants of Berwick contained in this Agreement,

- (a) the Municipality agrees to provide funding to Berwick for a period of fourteen (14) years relating to the space used for the purpose of housing the Annapolis Valley Regional Library for the Berwick Branch portion only, at 236 Commercial Street, Berwick, Nova Scotia (the “Premises”) and payable pursuant to the terms of this Agreement.
- (b) the Municipality agrees that the funding to Berwick shall be \$15,620.00 per year over the fourteen (14) year period, payable on June 1 each year.

(c) the Municipality agrees to provide an additional \$15,620.00 in the first year, in recognition of the use made of the Library by residents of the Municipality between June 1, 2017 and May 31, 2018.

(d) notwithstanding the above, in the event the Premises occupy less than 2,190 square feet in any year, the funding provided above shall be reduced proportionately in accordance with the following formula:

$$(\text{Square Feet of the Premises}/2,190) \times \$15,620.00.$$

(e) should the Premises be expanded to be greater than 2,190 square feet, no additional funding shall be provided.

Section 2. Term of Grant. The funding commitment commences on the first day of this Agreement and continues until the fourteenth anniversary of this Agreement when it shall end.

Section 3. Early termination. In the event that Berwick fails to operate a public library on the Premises, this Agreement shall terminate immediately and all funding shall cease.

Section 4. Governing Law. The Agreement shall be governed by and construed in accordance with the laws of the Province of Nova Scotia and the laws of Canada applicable therein.

Section 5. Entire Agreement. This Agreement constitutes the entire agreement between the parties pertaining to the subject matter hereof and supersedes all prior correspondence, agreements, negotiations, discussions, and understandings, if any, written or oral.

The Parties sign and seal this Agreement as

follows: In the presence of:

MUNICIPALITY OF THE COUNTY OF KINGS

Peter Muttart, Mayor

Scott Conrod, CAO

Witness

TOWN OF BERWICK

Don Clarke, Mayor

Don Regan, CAO

Witness

APPENDIX 2

**Proposed Berwick Library Lease
Berwick Request**

Annual Lease payment	\$	14,304
Annual percentage increase		1.5%
Number of years		15

**Proposed Berwick Library Capital Contribution
Alternate Proposal**

Loan for 57% of 13% of Capital cost	\$	188,955
Interest Rate		3%
Term		15
Total payments over 15 years	\$	234,304.20
Average Annual payment	\$	15,620.28

Year	Proposed			Total Payments				
	Payment	HST @ 4.286%		Required	Loan Balance	Principal	Interest	Total
1	14,304.00	\$ 613.07	\$	14,917.07	\$ 188,955	\$ 12,597.00	5,668.65	\$ 18,265.65
2	14,518.56	\$ 622.27	\$	15,140.83	\$ 176,358.00	\$ 12,597.00	5,290.74	\$ 17,887.74
3	14,736.34	\$ 631.60	\$	15,367.94	\$ 163,761.00	\$ 12,597.00	4,912.83	\$ 17,509.83
4	14,957.39	\$ 641.07	\$	15,598.46	\$ 151,164.00	\$ 12,597.00	4,534.92	\$ 17,131.92
5	15,181.75	\$ 650.69	\$	15,832.44	\$ 138,567.00	\$ 12,597.00	4,157.01	\$ 16,754.01
6	15,409.48	\$ 660.45	\$	16,069.93	\$ 125,970.00	\$ 12,597.00	3,779.10	\$ 16,376.10
7	15,640.62	\$ 670.36	\$	16,310.98	\$ 113,373.00	\$ 12,597.00	3,401.19	\$ 15,998.19
8	15,875.23	\$ 680.41	\$	16,555.64	\$ 100,776.00	\$ 12,597.00	3,023.28	\$ 15,620.28
9	16,113.36	\$ 690.62	\$	16,803.98	\$ 88,179.00	\$ 12,597.00	2,645.37	\$ 15,242.37
10	16,355.06	\$ 700.98	\$	17,056.04	\$ 75,582.00	\$ 12,597.00	2,267.46	\$ 14,864.46
11	16,600.39	\$ 711.49	\$	17,311.88	\$ 62,985.00	\$ 12,597.00	1,889.55	\$ 14,486.55
12	16,849.40	\$ 722.17	\$	17,571.57	\$ 50,388.00	\$ 12,597.00	1,511.64	\$ 14,108.64
13	17,102.14	\$ 733.00	\$	17,835.14	\$ 37,791.00	\$ 12,597.00	1,133.73	\$ 13,730.73
14	17,358.67	\$ 743.99	\$	18,102.66	\$ 25,194.00	\$ 12,597.00	755.82	\$ 13,352.82
15	17,619.05	\$ 755.15	\$	18,374.20	\$ 12,597.00	\$ 12,597.00	377.91	\$ 12,974.91
Total Payments	\$ 238,621.44	\$ 10,227.31	\$	\$ 248,848.75	\$ 188,955.00	\$ 45,349.20	\$ 234,304.20	

FUNDING REQUEST BERWICK BRANCH LIBRARY

Total Cost	\$2,550,000
branch library floor area	13%
Branch portion	\$331,500
MOK % of users	57%
MOK share of capital cost	\$188,955.00

Why Berwick should be a Capital Contribution, not a Lease

1	The reason for the funding is to contribute to the capital cost of the building, not to contribute to an annual lease agreement, such as Town of Kentville
2	Total contribution if we make a consistent annual contribution for 15 years is about the same as Berwick has requested
3	A lease requires HST to be charged, which costs an additional \$10k. A grant does not have any HST consequences
4	At the end of the 15 years, the capital cost of the library will be fully paid with no ongoing lease renewal requirements, i.e. the matter is concluded at the end of 15 years

Town of Berwick



OFFICE OF THE MAYOR

September 02, 2016

The Warden and Council
Municipality of the County of Kings
PO Box 100, 87 Cornwallis Street
Kentville, Nova Scotia, B4N 3W3

Dear Warden Brothers and Councillors;

You will be aware the Town of Berwick is constructing a new administration facility which will house the Annapolis Valley Regional Library (AVRL) headquarters, Berwick's administration, executive, finance and recreation departments, the Kings County Community Policing Office, and the Berwick Branch Library.

Berwick Branch Library of course serves residents of the surrounding areas of Kings County as well as the Town's residents. The ratio of users according to AVRL statistics, is 57% County residents, 39% Town and 4% others.. Berwick Council respectfully requests that the Municipality of Kings share in the capital cost of the Branch Library on the basis of that ratio. The Branch Library is to be a space of about 2190 square feet with an adjoining outdoor space under roof of 400 square feet flowing into a small green area in front of the building. The capital cost of the building when landscaping and paving are complete is estimated to be \$2,550,000.

The branch library comprises 13% of the floor area of the building. The proportional estimated cost of the branch library is \$342,773 and 57% of that amount is \$195,380. The Town of Berwick respectfully requests that the Municipality of the County of Kings share in the capital funding in that amount. The Town notes that the MoK recently agreed to share in the lease payments for the Kentville branch library. If such a model is preferred the Town could apply the same lease rate agreed to by the Regional library to 57% of the branch floor area and invoice the MoK \$14,304 annually, escalating at the lesser of CPI or 1.5%.

There is a support group, Friends of the Berwick and Area Library, that is actively fundraising to supply furnishings within the Branch, things like shelving, the circulation desk, study carrels, computer stations, etc., so these costs are not included as capital. The occupants of the building use about 2300 square feet in common and those areas are not included in the lease calculation.

The new facility will be highly efficient in energy use, R40 in walls and under slab, R60 in the ceilings, triple glazing and we hope to incorporate at least some photovoltaics. We expect it will serve the community well for many years. Attached are a plan view of the facility and a curbside rendering for general information. We would be pleased to appear to answer questions if that is desired, or we can respond to emailed inquiries.

Berwick Council thanks you for your consideration of this request.

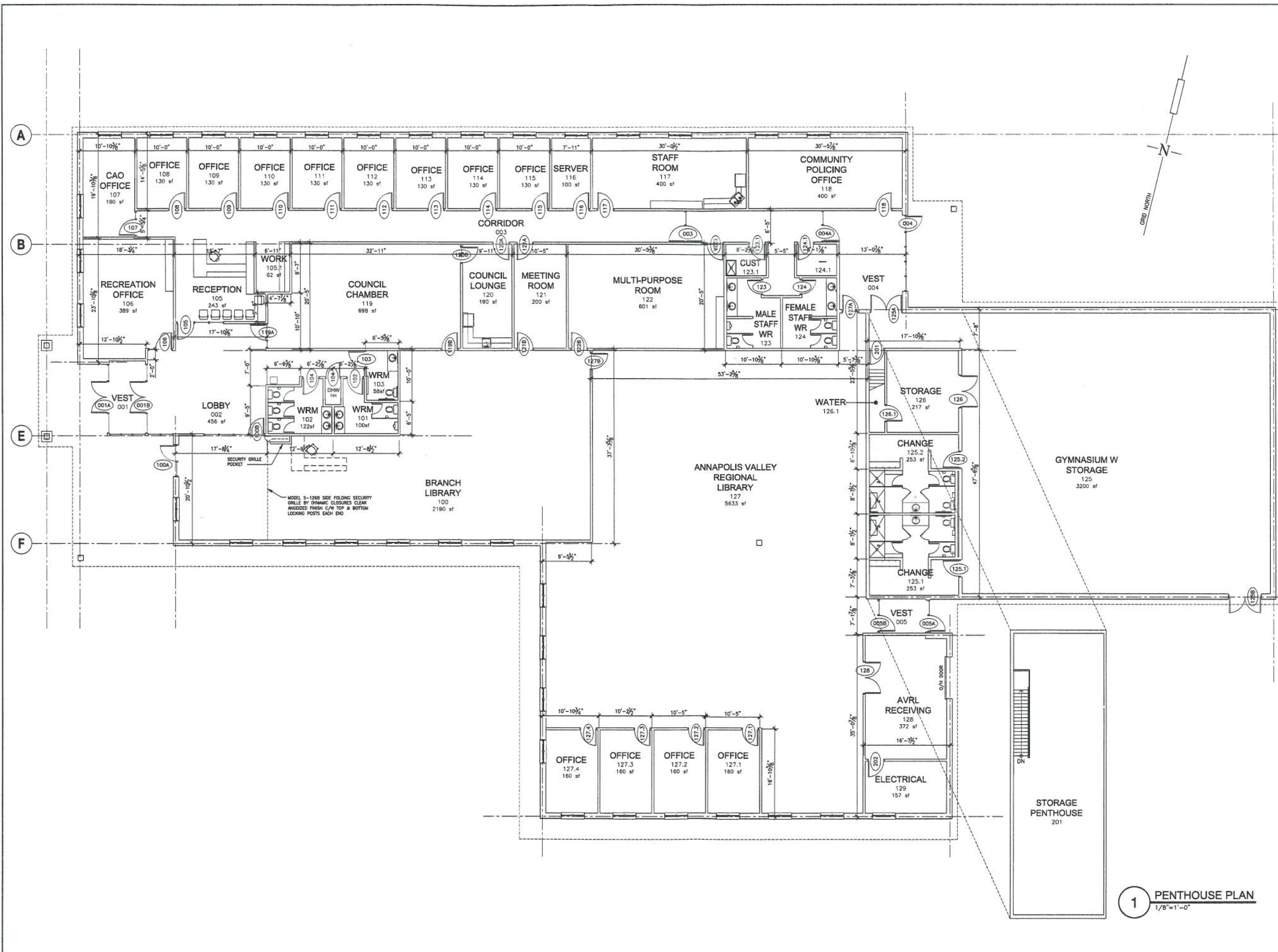
Yours truly



Donald E. Clarke
Mayor, Town of Berwick



ha
harveyARCHITECTURE



No	ISSUE/REVISION	DATE
4	WATER/ELEC	2016.02.04
3	WATER/ELEC	2016.01.28
2	REVIEW	2016.01.21
1	REVIEW	2016.01.18

CLIENT
TOWN OF BERWICK

PROJECT
BERWICK TOWN HALL
 BERWICK, NS

SUBJECT
FLOOR PLAN

DRAWN MAH	PROJECT No. 15065
SCALE 1/8" = 1'-0"	DRAWING No. A-101
DATE 2015.09.16	
In Imper	

1 PENTHOUSE PLAN
 1/8"=1'-0"