

**SATURNA ISLAND FIRE PROTECTION SOCIETY
("SIFPS")
MINUTES OF SPECIAL MEMBERSHIP MEETING
January 17, 2010 at 11:00 a.m. at the
Saturna Island Recreation Centre**

DIRECTORS PRESENT:

John Savage – President, John Money - Vice President, Marlies Petura - Secretary, Ron Hall - Treasurer, Tom Koochin, Bernie Ziegler, Hugh Grasswick

Fire Chief: John Wiznuk

Recording Secretary: Marlies Petura

Membership Present: There were 71 members of SIFPS in attendance

1. CALL TO ORDER:

John Savage called the meeting to order at 11:10 a.m.

2. AGENDA

Savage stated that the purpose of this meeting is to establish, or not, a Special Resolution allowing the SIFPS Board to borrow long-term mortgage financing required to build and own the two proposed new Emergency Services Buildings that would replace the one currently in use.

3. PRESENTATION

John Savage began by introducing himself and the members of the SIFPS Board, including those Board Members that were not present, as well as the Fire Chief - John Wiznuk, the Ambulance Chief - David Rees-Thomas and the Project Manager - Wayne Quinn, as well as others who have contributed to the great deal of work that has been done over the past 3 years to get to this point.

The purpose of this meeting is to receive approval from the membership to proceed with obtaining the loan to build the two new emergency services buildings. He drew attention to the posted renderings of the building called ESB#1 which will be the new main hall located just across from the Recreation Centre. An explanation of the floor plans and configuration of the building was given. It was explained that the free-standing wood trim

currently shown on the plans were for illustration purposes only and that the Saturna Recreation Centre Society (SRCS) has final approval over this trim and the outside design of the building. That the outside of the building was approved by the SRCS Board earlier this week and that in due course the final options for the free-standing wood trim will be provided for them to approve.

The second new Emergency Services Building, ESB #2, at 646 Tumbo Channel Road will service the East Point area. It is a 40'X40' large garage style building, which will have some finished interior space for a small meeting room and washroom at the back.

The hand-out (attached to these minutes) was then reviewed in order for the membership to have a complete overview of what has led up to today's meeting.

The start of this project was over 3 years ago and over the last 2.5 years the Board engaged in the following:

1.) Identification and obtaining sites for the two buildings.

ESB#1 was chosen from 3 or 4 possible sites. A lease has been obtained from the SRCS and we have the right to purchase the leased land outright for \$10. The lease payment is \$50/per year and in addition a further \$5000 per year is paid to the SRCS to cover the cost of services provided to the SIFPS for its use in ESB#1.

ESB#2, the site at 646 Tumbo Channel Road, was chosen from at least 5-6 sites that were reviewed. It was purchased and is owned outright by the SIFPS.

2.) Rezoning was also obtained for all three sites, the two new properties are re-zoned to community service and the current hall site has been re-zoned to Rural-general to increase its value for future sale.

3.) Appraisals for all three sites were obtained.

4.) Both sites have been prepared and developed, with an approximate investment of \$200,000.

5.) Consideration was given to a number of building plans and concepts, and the merits of pre-engineered and architect designed buildings. The Board made a decision to proceed with pre-engineered steel buildings and narrowed this down to two finalists to supply the buildings.

- 6.) Several user groups were identified, specifically Parks Canada and Southern Gulf Islands Emergency Commission (SGIEMC). Parks Canada is in the process of finalizing their lease agreement with SIFPS, which will be a pre-paid lease of \$110,000 for 35 years and for a space commitment of no less than 352 sq. ft. This will be due and payable upon obtaining the occupancy permit for ESB #1. The SGIEC has signed a lease agreement with SIFPS, for a one-time lump sum payment, actually comprised of two payments – \$20,000 for use in ESB #1 and \$10,000 for use of ESB#2; these monies are payable upon start of construction of the respective building.
- 7.) An agreement was reached with the Saturna Community Club regarding Saturna Island Rescue (SIR), which includes the ambulance being stationed inside ESB#1. As part of the agreement, SIR will either become part of the BC Ambulance Service, Mayne Island operation, or if this is not possible, it will become part of SIFPS. It is expected that this will be finalized by the end of the first quarter of this year. SIFPS has received \$80,000 from the SRCS which represented funds donated to the ambulance building fund, as well as a further \$5000, which was donated by a grateful individual who received assistance from SIR in the summer of 2009.
- 8.) Application was made for a Disaster Mitigation Grant, this involved an extensive process, which unfortunately was unsuccessful. It did however take an extremely long time to get a final answer, and during that time all indications were that it was a good application and stood a good chance. During the entire waiting time no actual work on the project could proceed, as the grant would not cover any money already spent on the project. In the background however, while waiting some ground work was done with respect to building design, contractors and financing.
- 9.) Arrangement of financing included identification of our financing needs, based on three fundamental components:
 - what is our revenue
 - what are the annual operating costs
 - what are the projected building budgets
- 10.) A total of 8 different financial institutions were approached regarding provision of construction financing (the interim financing necessary to build), and Long term mortgage financing. It was an arduous task as most of these institutions would not come to the table with a proposal. Eventually 3 of the 8 organizations came back to the Board with written proposals. These were the TD Bank, Vancity Savings and the Royal Bank (RBC).

It was explained that all construction financing rates are based on "Prime Rate" and that it is currently 2.25%.

Of these proposals the Royal Bank was quickly eliminated for two reasons, 1) the construction financing was prime rate plus an additional 4.1% and 2) they wanted a personal guarantee from each Board member.

Vancity's rate for construction financing was prime rate plus 2.25% and their mortgage financing rates would be set at the time when we were finished building.

TD presented a construction financing rate of prime plus 1%. Their mortgage rate was quoted as being set at the time of the loan if a fixed rate mortgage was obtained or if a variable rate mortgage was obtained and that the variable mortgage rate would be set prime rate plus 0.75%.

Based on these proposals the Board has agreed to the TD contract for the Construction financing, subject to the Special Resolution approval.

For the Mortgage Financing the Board has the option to shop around, and will negotiate a final contract for the best rate at the time the buildings are completed, which must be as quickly as possible before interest rates rise.

- 11.) There are two more big items to settle before building can start. One was the choosing of the building supplier. The Board had two finalists in the bidding process Permasteel and Ferro, it was viewed that both had good products and bid on identical specifications. The Board chose Permasteel, as it committed to provide a bond on material, labour and delivery and their bid was considerably lower due to inclusion of all doors including the big overhead doors. This quote was substantially less than what the Board had budgeted for the supply and erect contract.

The second item to settle is to obtain the SIFPS membership's authorization to borrow long-term mortgage monies. This is a requirement of the Societies Act – that a special resolution must be passed by a minimum of 75% of those members present at the meeting who vote.

FINANCIAL INFORMATION

John Savage then reviewed the financial information starting with the Cash Flow. Total revenue through taxation is \$200,000 for 2010, which is within the \$0.85 per \$1000 assessment allowed by the current CRD By-Law maximum. Subtracted from this amount is the operational budget of \$100,000, the \$5000 lease payment to SRCS and the estimated mortgage payment of \$58,000, leaving a total of \$37,000 available for other costs and emergencies.

The total increase in taxation is expected to amount to approximately \$0.09 per \$1000 of assessment.

Savage explained that the actual operational expenses for 2009 were \$82,000, well below what has been budgeted for 2010. It was explained that all of these calculations have been done conservatively, in order to be prudent and to err on the side of caution. The cost of the mortgage was calculated to be \$9.73 per \$1000 X 12 months, based on an interest rate of 6% and amortized over 12 years. This interest rate is intentionally higher than today's rates and again if the building is complete to lock up by June there is a greater probability that the interest rates will be more favorable than later in the year. There is also a provision in the contract with TD for a 10% pre-payment option without penalty. This allows for pre-payment by SIFPS if it has extra monies available, which in turn will help reduce the mortgage faster; we are advised that the cost of this provision will only add approximately 5/100 of 1% to the interest rate at the time of setting up the mortgage.

The major assets of SIFPS were presented as at January 1, 2010, as follows:

-Current Hall	\$155,000
-ESB#1 Land/Lease	\$ 96,000
-ESB#2 Land	\$106,000
-Cash available	\$180,000

(The cash available is the net of the amount required to operate SIFPS until August 2010 [approx. \$8000 per month X 7months] and includes the Ambulance donations of \$85,000.)

-Pre-Paid leases	\$140,000
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(SGIEMC \$30,000 upon construction, Parks Canada \$110,000 upon occupancy)

The total assets amount to \$537,000, and are owned debt free and does not include the trucks and equipment also owned by SIFPS.

CONSTRUCTION BUDGET

The numbers presented include the cost of the land and lease, development of the lots, as well as a contingency fund of \$108,000 for unexpected expenses.

ESB#1	\$825,000
ESB#2	<u>\$336,000</u>
For a total of	\$1,161,000

FINANCING REQUIRED

Taking the construction budget of \$1,161,000 and subtracting the assets available of \$677,000, leaves an outstanding amount of \$484,000. SIFPS more detailed Cash Flow calculations indicate that the mortgage required will only be \$440,000 largely due to the fact that the mortgage won't start until after the SIFPS receives its next tax revenue payment in August, 2010; these calculations also show SIFPS with a healthy Cash Balance of \$106,000 at December 31, 2010. So although the resolution asks for approval of up to \$500,000 of long term debt, we anticipate it will be less than that.

RESOLUTION

The Board of Directors of the Saturna Island Fire Protection Society unanimously recommend to the membership adoption of the following special resolution:

SPECIAL RESOLUTION

BE IT RESOLVED that effective this date, the Board of Directors of the Saturna Island Fire Protection Society ("SIFPS") is hereby authorized to have SIFPS borrow up to \$500,000.00 in long-term financing to build and own its two new Emergency Services Buildings.

The beliefs of the Board of Directors are that:

- we don't spend any more money than is needed to provide proper facilities
- need to spend money to build proper facilities
- taxpayers' money is a responsibility and needs to be spent prudently

The expectations of the Board of Directors are that:

- we believe we should be able to build both buildings for these monies
- we hope to be able to build them for somewhat less, ending up with a mortgage of less than \$500,000
- we expect to be able to pay off the mortgage in less than 12 years.

4. SPECIAL RESOLUTION

John Savage then again read the Special Resolution out to the meeting:

BE IT RESOLVED that effective this date, the Board of Directors of the Satuma Island Fire Protection Society ("SIFPS") is hereby authorized to have SIFPS borrow up to \$500,000.00 in long-term financing to build and own its two new Emergency Services Buildings.

MOTION: Moved by John Savage and seconded by Bernie Ziegler to adopt the Special Resolution.

DISCUSSION:

A question from the floor asked what amount of play was left in the current levy of \$0.85 per \$1000 if the tax revenue from the CRD is increased to \$200,000, John Savage stated that currently the limit is \$206,000. If it was needed to be raised any further then the electorate would have to vote for this at a referendum but this is not planned nor expected to be necessary. Hugh Grasswick stated that the overall assessments on the island have increased and it is expected that with new construction the overall increase will be spread out.

A request for clarification of the lease payment to the SRCS was requested and John Savage confirmed that the \$50 per year is the lease

payment and the \$5000 per year which is in perpetuity is for use of the services such as the geothermal field and septic field, although this may have to be revisited, as the SIFPS has recently become aware that the geothermal field will be unavailable for its use.

Question was asked if the value of the assets of ESB#1 and ESB#2 are not actually able to be converted to offset the cost of construction and that the development cost of \$200,000 is also not an asset. Savage responded that the development cost were already reflected in the construction budget and have been spent.

Hubertus Surm asked if the intent was to get a mortgage rate for 12 years. Savage confirmed that the amortization period would be 12 years, however mortgage renewal would happen at the 5 year interval. Mr. Surm stated he was concerned that the rates would be much higher in 5 years time and would cost much more than anticipated. Savage responded that worst case scenario with high interest rates the mortgage could be amortized for a longer period of time, he also pointed out that it is the intention of the Board to avail itself of the pre-payment option and each year the mortgage will be less. Mr. Surm then asked what happens if the mini pumper breaks down and Savage replied that there is always a contingency reserve of approximately \$40,000 per year in the operating budget to cover emergencies and operate the services well. A further question from Mr. Surm regarding the voting procedure was answered by John Savage that it is currently a requirement of the By-laws of the Society that voting be by a show of hands and that this requirement is longstanding.

Geri Crooks asked if detailed construction budgets were available for viewing and this was confirmed.

A question from the floor asked if the SIR operating budget had been included in the SIFPS budget. The response from Savage was that at this time the approximate \$10-12,000 were not included because the SIFPS had been asked to await the outcome of the Saturna Community Club's (SCC) discussion with BC Ambulance Service. The expectation is that the current projected operational budget of \$100,000 will cover this additional expense.

Geri Crooks asked if the ambulance is responsible for paying for the outside of the building that it will be occupying. John Savage stated that that would be included, and that the \$85,000 will be used directly for the ambulance portion of the building, final calculations will have to be made to confirm actual square footage, etc.

Question from the floor asked if the \$85,000 is sufficient to cover all the costs of that part of the building. Savage responded that it is doubtful that it will cover all the costs.

Question from the floor asked what will happen if SIR does not become part of SIFPS, does this mean there will be extra charges for SIR. Savage restated that based on the agreement between the SIFPS and the SCC there are only two options – SIR either becomes part of BC Ambulance Service (BCSA), Mayne Island or they join SIFPS. If SIR becomes part of BCAS then the SIFPS and the BCAS will have to come to a commercial arrangement regarding their use of the facility. If SIR becomes part of SIFPS the commitment has always been that SIFPS will provide a facility and operating funds. The questioner then asked what happens if VIHA withdraws its current funding. Savage responded that these discussions have not yet taken place as SIFPS has been asked by SCC/SIR to await the completion of their discussions with BCAS.

John Gaines stated he has some discomfort because the overall budget numbers seem very light to him and felt that no actual attempt to obtain bids for other than structures are reflected in the presentation. He asked if items such as engineering specifications, and geotech requirements have been accounted for. John Savage stated that they are included in the building costs and in fact the geotech requirements have been done for ESB#1 and will be done shortly for ESB#2. Gaines then asked if paving is included. Wayne Quinn answered that the building price includes final grading but not paving or landscaping.

Mr. Gaines asked if the costing was from full net cost from contractors and not include any cushion that might be received by local people doing work and tax receipt deductions. John Savage stated the costs were not arrived at based on the expectation of donations etc. from local contractors, that they were intended to reflect commercial rates. However, he is hopeful that there will be some such savings if local contractors are used.

Phil Mesner asked if landscaping is guaranteed for the ESB#2 site and Savage confirmed it was part of the rezoning process and is a requirement by Islands Trust covenant.

Mr. Surm asked if the society would put a priority to finishing the ambulance building inside first since they have no place currently. John Savage stated that we are working to get economies of scale by getting both buildings done at once, therefore as we need each of the sub-trades we hope that the larger amount of work, as compared to one building or part of a building, will get the best price from them. Therefore it is doubtful that the ambulance part would be finished first. Mr. Surm then asked what

happens if you run out of money? Mr. Savage responded in that event the Board would have to take action to ensure that both the ambulance and fire department are fully functional, which might mean that some of the bells and whistles on the buildings will have to wait.

Geri Crooks asked what the dollar value for our part of the outside of the building is because we don't have that much money, and it isn't broken out in the budget. John Savage stated that a commitment has been made to the Community Club that the \$85,000 will be used first for the provision of the ambulance portion of the facility.

Geri Crooks stated she fears there will not be any money left for the inside of the building. John Savage stated that the commitment is to finish the building.

Question was asked regarding how much of the budget covers the actual construction to lock up or to a finished building. Savage confirmed that the budget is for completion of the buildings, the lock up he earlier referred to had to do with the timeline for the erection of the buildings and the need to get this done by June, to hopefully be able to avail ourselves of better interest rates, as compared to later in the year.

Tony Simmonds stated he did not see complete plans on the walls and wondered how a budget could be complete without them and that therefore it perhaps lacked accuracy. He stated that that it was already pointed out that paving was not included, what else is missing? Mr. Savage responded that the buildings were to completion, he went on to say that the 2 buildings to lock up cost \$37.72 sq.ft. but does not include the site preparation or the cement they will sit on, nor the inside costs. He went on to state that the SIFPS has substantially more money in the budget to build the interiors of both buildings and includes \$108,000 contingency funds to cover any unexpected expenses, which undoubtedly there will be some. Savage further explained that currently both buildings are coming in substantially under budget for the supply and erection part and effectively that increases the amount of money in the contingency fund. He went on to say that he believes there are enough buffers in the budget that any not previously budgeted item won't tip us over the edge.

Richard Blagborne stated that he also had apprehensions on the construction budget. He felt that it is the Society's responsibility to show what the budget really is and that the buildings are being constructed to a standard that is good for the community. That it would give the community some confidence that what is being built actually can be built for the budget presented.

Dan Thachuk asked again if the asset value, monies spent on site purchase and preparation, should be within the construction costs since they have already been spent. Savage confirmed that these assets are part of the construction budget.

John Money stated that quite a bit of money is in the contingency fund and other line items in the construction budget have been added to with contingency in mind. The figures were not pulled out of thin air. The building quotes are well below 50% of overall cost and there remains much more than 50% for interior finishing.

Statement from the floor was made that there is no confidence in the figures presented and the Board was asking everyone to just trust them.

A question from the floor asked what the confirmation of the lock up date is, to which John Savage stated that it is an ambitious June 15, 2010. Inside completion is yet to be confirmed pending approach to sub-contractors.

Sue Syverson stated that although paving is a necessary thing, talking about what is left out such as landscaping and pretty outsides on the buildings won't make either the ambulance or the fire services operate better. She stated that it sounded like some of the comments show no confidence in the Board. The Board is composed of members of our community and with all the time they have spent on this they are not likely to lead us down a bad financial path or hang us out to dry. If we can't trust the people in our community that have donated this much time to this project then who do you trust?

John Gaines stated he was not suggesting that the Board was not trusted. It was just that the reality is, in his opinion, that to build a building it is not a matter of 50% to lock-up and 50% to finishing. He expressed the concern that the numbers are just too low and more hard facts are needed going into this. He stated that the Board will not get increase in the mil rate so the only option if it goes over budget is to increase the term of the mortgage. That makes him uncomfortable as he already pays \$1800 per year in fire protection. Without more hard information he does not feel that people can vote intelligently.

Geri Crooks stated that it was not an issue of trust, but that knowledge is power and we should not leap into this with our eyes shut.

John Savage stated that he understood that the questions were not a matter of personal distrust of the Board, or its members; but more a matter of confidence in the proposal. Savage went on to say that at this point it is up to the members to decide if they do or don't have confidence in the

Board to go forward. The choice is for the members to make the decision to either vote for or against the resolution.

A statement was made from the floor that this amounts to spending 25 cents per day for ambulance and fire protection and are we arguing about spending a quarter a day.

John Savage stated that there is little time to get this done. The TD proposal needs a response by January 31, and Permasteel needs a reply now.

A suggestion was made to table this for another week to allow more information to be circulated. John Savage stated this was not an option.

Brian Hollingshead said there were only three questions:

1. Are the 2 fire halls necessary—the answer is yes
2. Do I have faith and confidence in this group—the answer is yes
3. 9 cents per \$1000 assessment will capture a lot of properties in the \$400,000 value which equates to \$36 per year.

Bernie Ziegler reminded that the home owner's insurance for the East Point home owners will be reduced substantially once that fire hall is in place.

Hubertus Surm stated it was not about trusting the Board just interested in the facts.

Brent Sohler stated that if there is no paving in the construction budget it needs to be there as this is a must have for both ambulance and fire crews. Not having paving is not acceptable.

Teresa Higgins still felt that she was unsure if there was going to be authorization for enough money to get the job done properly and requires other figures and needs more information. Savage stated that the tremendous amount of work done by the various people over the years has resulted in the hand out you have. It was designed to give not only you but also the Board members the comfort that we have enough money to get the job done.

VOTE

John Savage then called the question.

Before the vote was conducted, John Savage declared a brief recess – during which the SIFPS Board held a brief meeting to receive and review the following membership applications submitted just before the start of the membership meeting.

The following are all either residents or property electors and were therefore automatically processed as members upon receipt by the Board of their application:

<i>Brian Hollingshead</i>	<i>Phil Mesner</i>
<i>Jean Morgan</i>	<i>Valerie McMillan</i>
<i>Jean Hollingshead</i>	<i>Ian Gaines</i>
<i>Robert Montgomery</i>	<i>Margaret Paterson</i>
<i>Peter Clark</i>	<i>Richard Blagborne</i>

A question from the floor asked what the outcome was of the application for membership and it was confirmed that all 10 applicants were now members and therefore eligible to vote on the Special Resolution.

The membership meeting was then reconvened and the vote conducted; it was counted by a show of hands, in accordance with the SIFPS' Constitution.

There were a total of 68 votes cast:

Yes	66 votes
No	2 votes

The Special Resolution passed by 97% of those members who voted.

5. ADJOURN

Motion: John Savage adjourned the meeting at 1:00pm.

John Savage, President

Marlies Petura, Secretary