

## City Staff Report

**Report Date:** May 24, 2018  
**Meeting Date:** June 5, 2018

**To:** Mayor & Council  
**From:** City Manager Byron Johnson  
**Subject:** Public Works Facility – Cost Update & Next Steps

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### Purpose

The purpose of this report is to update Council on the current plans and cost estimates for the Public Works Facility (PWF). This report will also discuss the alternatives that the City will need to consider should the referendum not succeed. Finally, the timetable for this project will be reviewed.

### Summary

#### A. Project Rationale:

**The works yards have reached the point where complete replacement is required.** Relocation away from this site is required regardless of the outcome of the referendum. Problems with the existing site are as follows:

##### i) **Location:**

- The current works yards are located on the banks of the Quesnel River, split into two sections by Davies Road and well below the flood plain determination (.8 to 2.4 metres). If the existing site were to be utilized it would have to be elevated, the regulatory problems associated with this are discussed later.

##### ii) **Condition:**

- The nine separate buildings which make up the works yards are very old (oldest 1940's, "new" PW building 1975), they have outlasted their expected life spans.
- None of the current buildings are purpose built Public Works buildings, the layout is very spread-out resulting in crews and functions not being centralized.
- Since 2001 the City has been planning on replacing these buildings. Since this plan, maintenance has been at a minimal standard, with no major upgrades.
- An independent engineering firm Westedge Engineering has been hired to provide an independent opinion on the condition of the existing PW facilities. This is to provide third party assurance for those people who feel that the existing facilities are not too bad yet. Their report will be coming to a future regular Council meeting in June.

##### iii) **Highest and best use of River Front lands:**

- Achieving the best use of lands in the municipality is always a consideration whenever there are land use decisions made by Council. The lands of the old public works yards



could be better used for recreation/park purposes, or other riverside development (such as an RV Park). The City recently received a grant to formulate a Waterfront Development plan.

- Public Works yards are more of a light industrial type use, this fits very well with the area on Sword Road where the new site is located (neighbouring uses include a pulp mill, concrete plant, landfill, and SPCA).

**iv) Responsibility as an Employer**

- The City has a responsibility to provide a safe and reasonably comfortable worksite for our public works employees. There are 63 Public Works employees who will be based out of the new PWF when completed.
- The City should also be providing a worksite that is operationally efficient and cost effective.

**B. Decisions to Date:**

The current and previous Councils have made the following decisions on this file:

- In 2001, City Council started a continuing allocation of funding to start to build a reserve towards replacing the Public Works yards. At that time it was recognized that the existing buildings could not be turned into an effective yard.
- From 2001 to the selection of the Sword Road site, staff considered many different locations which could be re-purposed for a public works facility. This includes the Airport maintenance shops, the Canfor shop, the old Finning Building, a shop on North Fraser Drive, etc. The combination of needs for Public Works include a central location, a lot size with a minimum 5 acres, and a suitable building. When studied in detail, none of the alternative locations worked.
- In 2013 the City determined that the site on Sword Road was the best possible available location, Council approved purchasing the lands. Staff was directed to develop a plan for a greenfield project (a brand new build on a fresh site).
- In 2016, after a comprehensive design process, A49 Architecture completed the design for the new PWF. This design has been modified several times to simplify the design and reduce the floor area, with changes designed to reduce the construction cost.
- The City provided water servicing to the new PWF site in 2016.
- The funding package for the building was put to an Alternate Approval process to obtain elector assent, this ultimately failed with 10.75% of eligible voters against the project.
- Council decided to wait to hold a referendum on the funding for this project, having it coincide with the General Municipal Election of October 2018 (General Voting Day October 20<sup>th</sup>). Waiting until the municipal election will allow the best voter turnout possible, and is most cost effective.

**C. Outcomes of This Referendum:**

**i) If the referendum results in a permissive vote in favour of borrowing:**

- In 2019 the project will be approved to move to Detail Design phase, resulting in a complete set of construction documents.



- Also in 2019 a Request for Qualifications (RFQ) will be held to determine the successful construction firm.
- Physical site preparation works will be done in 2019.
- Construction of new facility to start Spring 2020, finishing in 2021.
- Fall 2021, relocation into new facility, demolish existing public works yard.
- Revitalize the riverfront lands to new uses.

ii) **If the referendum does not achieve approval:**

- The City will start contributing an annual amount into the Public Works Reserve sufficient to allow this project to be commenced in 10 years. Saving up in advance for the project.
- The final completed PWF will follow the same design that has been approved by Council, the cost will only be increased for the inflationary impacts. This inflationary impact is assumed to be 3% per year over each year of delay.
- The cost of the facility in 2028 is estimated at \$13,777,000 the annual tax contribution to achieve this will be \$1,135,000 this represents a 7.5% tax increase. Taxes collected for this purpose will be set aside in a dedicated reserve, with interest added to the account yearly. The interest rate on earnings is assumed to be 2% per year.

The net result to City taxpayers if the referendum fails is as follows:

- If the same project is built, but it is funded over 10 years versus a 30 year debenture, the annual cost to the taxpayers for that 10 year period will be much higher. The numbers are as follows:
  - Assuming a debt of \$8,500,000 at 3.5% interest, annual payment amounts are as follows:

	<u>Payment</u>	<u>% tax increase</u>
○ 25 year debenture	\$531	3.5%
○ 30 year debenture	\$476	3.2%
➤ Assuming 10 year saving, no incremental debt	\$1,135	7.5%
- This project will be subject to more inflation, given the extended construction timeline. Using a 3% inflation factor, as suggested by the SSA, the Quantity Surveyor, the incremental inflationary cost of delaying this project is \$2,901,000.

Comparison of the Current Project Versus 2028 Build:

	<u>2018</u>	<u>2028</u>
Total Capital Cost (\$000's)	\$10,876	\$13,777
Use of Savings / Reserves	\$-2,739	\$- 900
Total Borrowing (see note below)	\$ 8,500	
Annual Cost	\$ 476	\$ 1,135

Note: The \$8,500,000 borrowing in 2018 includes funding for demo of old site (\$230K), this is not included in capital cost.



In the opinion of staff, the replacement plan proposed in this report, utilizing the City's borrowing power, is the best long-term approach to solving this community problem. Although it adds interest costs to the project, a long term debenture spreads the cost of the asset out over its useful years. The taxpayers that benefit from the facility are the ones that pay for it.

**When this information was discussed with the Executive Committee, the recommendation was that Council endorses the previous Council decisions regarding location and design for the Public Works Facility, AND THAT Council is recommended to approve engaging the public in a referendum concurrent with the Municipal General Election, asking for permissive authority to borrow up to \$8,500,000.**

It should be noted that the Referendum is not asking the question of what should be built, where it should be built, and how much should be spent, that work has already been completed. This referendum asks for permissive authority for borrowing only.

### **Recommendation**

**THAT Council direct staff to bring forward a borrowing bylaw, specific referendum question, and any other required information, to allow the referendum to proceed at the Municipal General Election in October 2018;**

**AND THAT Council also directs staff to bring forward to an upcoming Council meeting the public engagement plan for this proposal.**

### **Statutory Requirements**

Prior to borrowing from the Municipal Finance Authority, it is required by statute to obtain elector approval.

### **Council Policy**

No policy considerations.

### **Strategic Objective**

A long-term strategic initiative of Council has been to focus on Infrastructure Re-investment. This replacement project is the single biggest infrastructure problem that hasn't been addressed at this point. This Council has been putting aside more funding for this project indicating a recognition that this facility is in dire need of replacement.

### **Financial Implications**

Financial implications of this project are included in the body of the report. The cost savings of combining this referendum with the general election is estimated at \$15,000 to \$20,000.

### **Background**

#### **Project Description:**

The vision for this project is to build a unified public works yard which includes all public works and utilities functions, mechanical and other shops, purchasing, covered storage for the equipment, administration space and a lunchroom. The buildings include a main building which will house all of the key functions, heated enclosed storage for some of the equipment, and covered storage for the balance of the equipment. The site will also include ancillary storage buildings for sand, salt, pipe, etc and a fueling station.



Once the project construction is completed, the old site on the Fraser River will be decommissioned and the buildings owned by the City will be demolished as appropriate.

Please refer to Attachment 1 for conceptual drawings of the facility.

Cost Summary for PWF:

<u>Component</u>	<u>Cost (\$000's)</u>
Site Development	\$766
Main Building	\$5,801
Enclosed Vehicle Bays	\$757
Covered Vehicle Bays	<u>\$582</u>
Subtotal	\$7,906
Construction Contingencies	<u>\$1,157</u>
<b>Total Construction Costs</b>	<b>\$9,063</b>
Planning & Design	\$ 896
Ancillary Buildings new site	\$882
Paving new site	<u>\$115</u>
<b>Total new site</b>	<b>\$10,956</b>
Demo old sites	\$230
<b>Total Project Cost</b>	<b>\$11,186</b>
Non-Capital costs included above	<u>\$- 310</u>
<b>Total Capital, new PWF</b>	<b>\$10,876</b>

Funding for Project:

Funding sources are as follows:

Public Works Reserve	\$1,739
Capital Reinvest reserve	\$1,000
New Debt	\$8,447
<b>Total</b>	<b>\$11,186</b>



## Other Issues:

### i) Financing Cost of Debenture

- Assuming a debt of \$8,500,000 at 3.5% interest, annual payment amounts are as follows:

	<u>Payment</u>	<u>% tax increase</u>
o 25 year debenture	\$531	3.5%
o 30 year debenture	\$476	3.2%

- Each 1% increase to interest rates, adds \$85 to the annual repayment amount

The cost assumptions built into the PWF are as follows:

- The design, space requirements, and construction materials are the same as the project was previously determined and presented to the public.
- Costs are based on unit rates as of Qtr 1 of 2018, assuming the project will be tendered in 2020, inflation between 2018 and 2020 is assumed at 3% per year (built into the contingency).

### ii) Changes to Proposal

During the previous Alternate Approval process a number of changes were made to the proposal to make it more cost effective, these were made with the assistance of the FSAC Committee. These have been maintained in the current version of the project. These modifications include:

- The use of tilt-up concrete slab construction. This is the lowest cost construction method, it includes insulation sandwiched between layers of concrete.
- The paving budget was minimized to include only heavier traffic areas, as this project moves forward, the paved area will be expanded only as required.
- The storage buildings were downsized to the minimum required.
- The design and finish of the main building were simplified. The look and finish is comparable to a big box store.
- Ancillary buildings were removed from the main contract, allowing local firms to bid on these part of the project, expanding the local benefits of the project, and hopefully getting more competitive bidding.

### iii) Operational Advantages to Building the Project as a Single Build

- Minimal disruption during construction – construction on the greenfield site at Sword Road will be done by contractors, without any significant involvement by City crews. This will result in the least amount of disruption allowing City crews to continue their regular functions.
- Operationally it is much better if City crews work from one site. It results in more effective use of resources and makes it easier to manage. Building this as a single phase project means that when public works is ready to relocate to the new PWF, they will move as a group. No phased construction options are being considered at this point due to the operational difficulties this would create.

### iv) Flood Plain and Riparian Issues

- The City would not be able to re-build at the existing site unless it exempted itself from its own Flood Plain Bylaw No. 1187. As the body responsible for building regulation in Quesnel, the City should not be following practices that it would not allow from a developer.



- The City would be required to increase the elevation of the site in order to clear the flood plain prior to building new buildings (.8 to 2.4 metres). However, there is no fill allowed within a 30 meter setback for the riparian area (this would eliminate half of the existing yard space).
- While the 200 year flood plain determination has not been re-estimated in Quesnel for a number of years, there seems to be a consensus that the elevation has increased. If the City were to re-develop the site, the City would need to hire a Qualified Professional to consider the elevation required.
- A big concern will be to prevent sedimentation reaching the Quesnel River, if the site is elevated with fill.
- The flood plain issues are a strong argument to building the PWF at the Sword Road Site, they make it significantly more difficult to rebuild at the existing site.

**v) Other Sites Considered:**

Over the years since the City has considered replacing the works yards, the following buildings and sites have been given consideration.

1. The Airport, utilizing the existing shops and offices, and adding more space as required. The Airport buildings were built to a high standard, and the City already owns the airport and all its buildings. This option would still have required new buildings to accommodate all of the uses at the Public Works facility.

The deciding factor against this is the location of the airport at the extreme northern edge of town, this would have had a significant impact on operations costs each year due to the crews and equipment spending more time commuting to and from the actual work location.

2. The Finning Site was evaluated in detail. The building and site was tight from a space requirement perspective. In addition, the Finning Building is old, the City would be vacating one old site in need of a lot of improvements, and moving into another.
3. Other sites considered were a logging shop on North Fraser Drive and the Canfor Shop, neither one met the space requirements.

**Concurrence**

Directors:

- Corporate & Financial Services
- Public Works Operations
- Capital Works & Infrastructure
- Development Services

**Options**

**Attachments**

1. Conceptual Drawings of the Proposed New Public Works Facility
2. Photographs – Existing Public Works Facility Shown in the 1972 High Water