

DATE OF MEETING JUNE 20, 2022

AUTHORED BY POUL ROSEN, DIRECTOR, ENGINEERING

**SUBJECT NANAIMO OPERATIONS CENTRE UPDATE AND PHASE 1 OPPORTUNITY**

## **OVERVIEW**

### **Purpose of Report**

To provide Council with an overview of a potential initial phase for the Nanaimo Operations Centre and provide an opportunity to move the project forward. |

### **Recommendation**

That Council direct Staff to undertake Nanaimo Operations Centre Alternative Phase 1 feasibility assessment of an engineered wetland, storm sewer and multiuse trail, and complete the stage 2 environmental by allocating \$120,000 from the General Capital Reserve.

## **BACKGROUND**

At the September 22, 2021 Finance and Audit Committee meeting, Staff presented a master plan vision for the Nanaimo Operations Centre (NOC) and a supporting business case. The report included architectural renderings for the site, split into multiple phases. For reference, that report is Attachment A.

The need for the project is driven by several factors, including:

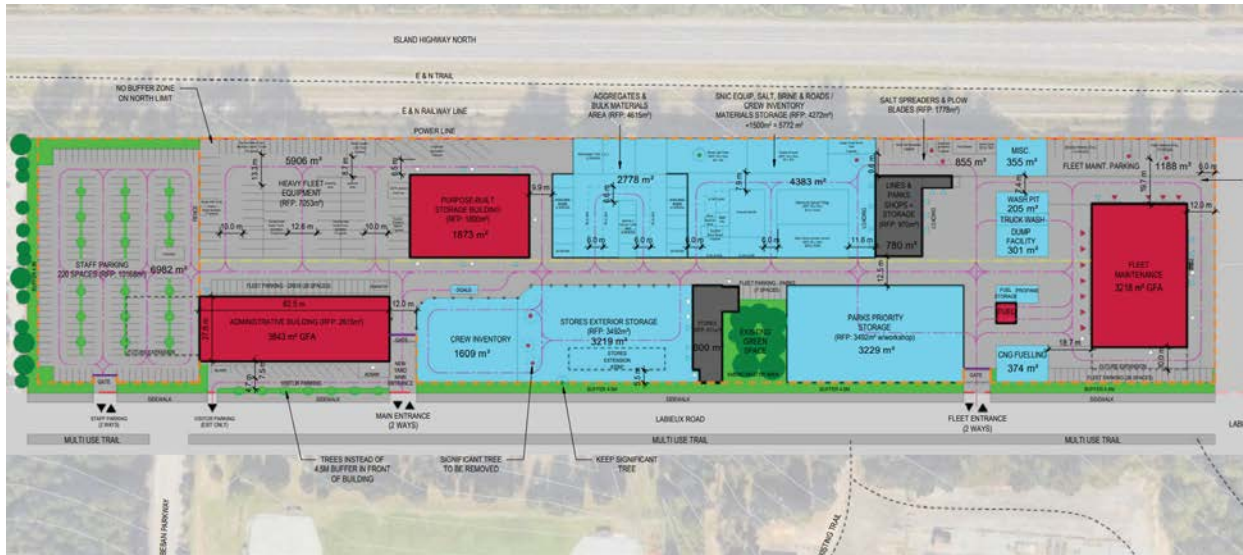
- 1) The age and condition of the existing buildings
- 2) The lack of space and capacity for Staff to provide City services in a growing community
- 3) Shortcomings in seismic, environmental, accessibility, gender equity and other considerations
- 4) Opportunity to optimize operations across the City, drive efficiency, and resilience.

The mission statement for the project is as follows:

*To address the long-standing and increasingly unsustainable health, safety, environmental and operational shortcomings of the site in a fiscally responsible manner.*

The master plan and architectural concepts focused on meeting the utilitarian needs of the organization. While the building concepts may appear simple and utilitarian, they are expected to be durable and able to withstand a modest earthquake allowing for the City to respond in a post disaster scenario.

Overall Master Plan developed in 2021



In 2021, the recommended budget to move the project forward in optimal sequence was \$125 million, with an uncertainty of +30% to -20%. Given the strong inflationary pressure over the past year, and the predicted future escalation over the 5-6 years of the project, staff expect the actual cost to be closer to the upper end of that estimate (i.e. +30%).

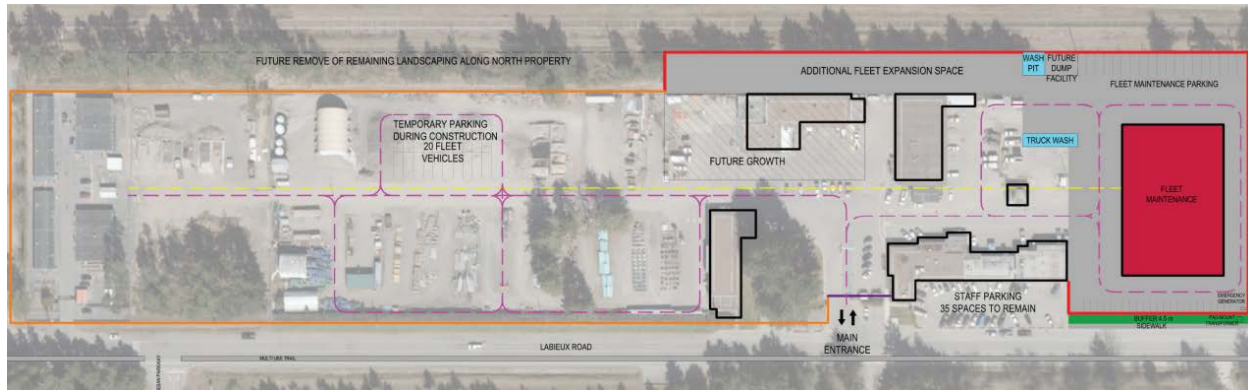
Given inflation and the volatility in supply chains, it is making prediction of project costs particularly challenging. This is especially true for projects with long timelines or that require complex budget setting processes, such as is required for borrowing. Considering the broad financial picture, it may not be prudent to undertake a project of this magnitude at this time. It may not be wise to commit such a large portion of the City’s borrowing capacity to one project, although the need is clear and present, and set a budget that is likely to require adjustment as it proceeds. In an effort to balance operational needs of the organization with fiscal and asset reality, an alternative Phase 1 was developed that could allow for a break to occur after completion. In other words, a Phase 1 was developed that could be completed as a stand alone project allowing the City to balance other priorities in the future as needed.

This report puts forward the details of the alternative Phase 1 and sets out next steps.

**DISCUSSION**

The scope of the alternative Phase 1 generally includes the fleet maintenance facility as well as essential aspects required for support, such as utility upgrades, road frontage upgrades, and temporary adjustments to the operation. The building concepts are the same as previous, the only change is to the timing and some ancillary elements.

## Alternative Phase 1 Layout



There are changes and trade-offs necessary to allow the alternative Phase 1 to be a stand alone project. For example, the electrical service would need to be permanent and the location and details of items like the vehicle wash and cleaning area adjusted.

The downside to only moving forward with the alternative Phase 1 is that it doesn't solve many of the long standing and ongoing issues that are driving the overall project; however, it would resolve some of the highest priority operational, capacity and risk issues within the fleet maintenance facility – a critical component for the City's operations along with response and recovery in an emergency event.

If Phase 1 were to move forward in the foreseeable future, the recommended budget is \$40 million. While this amount may appear high relative to scope of the project, a large portion of the budget is allocated to escalation and risk contingency which may or may not materialize. There is also considerable utility installation to be completed that would ultimately support future phases, but must be constructed first. There are no feasible grant funding opportunities for a project like this, and it would require the City to undertake borrowing.

With large projects involving borrowing, it can be very difficult to adjust the budget later on, which is why it is important to complete suitable due diligence prior to setting a budget. Recently with global inflation and unpredictable pricing, it can add an extra layer of difficulty in setting budgets. The development of the recommended budget has included the following:

- Detailed programming and forecasting for space needs
- Preparation of an architectural concept focused on utilitarian needs
- Creation of a risk register to assist with setting contingency amounts and the completion of due diligence such as environmental investigations to mitigate risk
- A professional quantity surveyor preparation of a Class D construction cost estimate
- Budget setting in accordance with the City's project management framework and best practices

While the recommended budget is not a guarantee, and there are a number of unforeseeable factors that could influence future costs, it has been prepared with a well thought out plan and appropriate due diligence.

Borrowing of this magnitude would require assent of the electorate, either through a referendum or an Alternative Approval Process (AAP). Given the criticality and non discretionary nature of City Operations, an AAP could be a preferable process, however this can be determined later.

While the scope of the Phase 1 project is generally well known, there are several key areas where we can improve our understanding of the risk and feasibility to assist in future budget setting. The existing storm sewer at Public Works and downstream requires renewal. It will be necessary to replace this pipe as part of Phase 1, as well as provide enhanced storm water retention and water quality improvements. There is a possibility that both of these objectives can be met with an engineered wetland at the south east corner of Beban Park near the side of Labieux Road at Dorman Road. A concept design and feasibility assessment of the engineered wetland would provide clarity to the project moving forward.

Labieux Road adjacent to Beban Park and Public Works does not have sidewalk. As part of the development of the NOC, there will be a need to consider what improvements should be made to the streetscape. There is an opportunity to consider extending the Beban multiuse trail along the west side of Labieux Road to provide walking and cycling connections through that stretch of the road. Confirming the feasibility and cost of this option would provide clarity to the overall project.

Previously, Council approved funding for environmental investigations into contaminated soils at Public Works. That work is in progress and thus far the only contaminant of concern is salt from the stockpile that entered the ground years ago before it was covered. The salt doesn't appear to have migrated far, but additional funding is required to complete the delineation and documentation. This documentation is required to be completed before any site redevelopment can occur.

There are other aspects of the Phase 1 project where it would be useful to have additional information, such as forecasting future fleet electrification needs. Since this is continuously evolving, as those needs and opportunities arise, they will be put forward for consideration.

In advance of making a decision on borrowing funds for NOC, it would be prudent to complete additional due diligence on the storm, trail and environmental at this time. The cost of that due diligence is expected to be \$120,000.

## CONCLUSIONS

To ensure the City can continue to provide basic community services, there needs to be capital investment in the operations facility. While it is important that improvements are made, the global financial outlook and the City's overall asset portfolio and financial capacity needs to be considered. To maintain corporate financial flexibility, a smaller but critical first phase of NOC project has been developed. To move the project forward at this time it is prudent to complete further due diligence.

## **OPTIONS**

1. That Council direct Staff to undertake Nanaimo Operations Centre Alternative Phase 1 feasibility assessment of an engineered wetland, storm sewer and multiuse trail, and complete the stage 2 environmental by allocating \$120,000 from the General Capital Reserve.
  - The advantages of this option is that it would provide clarity to several unknowns and risks associated with the project. It would provide more certainty for future budget considerations and bring the site one step closer to redevelopment.
  - There aren't any disadvantages of this option.
  - Financial Implications: By allocating funds to this project, it reduces the funding available for other projects. A budget bylaw amendment is necessary for this allocation and will be brought forward at a future date.
  
2. That Council direct Staff otherwise |

### **SUMMARY POINTS**

- The Nanaimo Operations Centre is envisioned to be a utilitarian facility that would allow the City to continue to provide reliable services in a growing community.
- An alternative Phase 1 has been developed that would address most urgent needs of the operation and allow future financial flexibility.
- The budget necessary for Phase 1 is expected to be \$40 million.

### **ATTACHMENTS:**

Attachment A – Information Report, September 22, 2021 Finance and Audit Committee meeting

Attachment B – PowerPoint Presentation

#### **Submitted by:**

Poul Rosen  
Director, Engineering |

#### **Concurrence by:**

Laura Mercer,  
Director, Finance

Bill Sims  
General Manager, Engineering and Public Works