

DATE OF MEETING JUNE 17, 2020

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SUBJECT FIRE STATION NO. 1

OVERVIEW

Purpose of Report

To obtain Finance and Audit Committee approval to increase the budget for the Fire Station No. 1 project.

Recommendation

That the Finance and Audit Committee recommend that Council direct Staff to:

1. Proceed with the Fire Station No. 1 project; and,
2. Amend the 2020-2024 Financial Plan to increase the budget in year three (2022) by \$3M from \$3,740,269 to \$6,740,269 with the additional funding from the General Capital Reserve and the General Asset Management Reserve.

BACKGROUND

Replacement of the existing Fire Station No. 1 was recommended in the 2017 Business Case Report, "Renovation vs. Replacement" and was endorsed by Council at the May 8, 2017 Council meeting. The project scope and budget were set from this report. The scope identified a 1583m² facility and a corresponding \$17 million overall project budget. Electorate approval to borrow up to this amount was subsequently received in 2018. The new facility is intended to be a post-disaster structure housing, in addition to central fire fighting forces, Fire Administration, Fire Dispatch, and the City's Emergency Coordination Centre.

A public tender was issued in January 2020, following a third party estimate of construction cost that indicated affordability within the current budget. In March 2020, overlapping with the project's tender period, COVID-19 was declared a Pandemic by the World Health Organization and varying degrees of States of Emergency were being declared by governments across the world, including British Columbia. In April 2020, the City extended the tender close date to May 12, 2020 and issued an instruction to bidders to assume that safe work restrictions currently in place, due to COVID-19, would persist for the duration of the contract.

On May 12, 2020, 9 tenders were received, an excellent response. The lowest bid price was \$15.4 million, with three others within 3% of this figure, indicating a high degree of accuracy in pricing, and a tight specification. Clearly, bidders understood the project's scope and design. Unfortunately, the lowest bid price was \$2.8 million higher than can be afforded within the \$17 million budget. The tender is open for the City's acceptance until August 10, 2020.

DISCUSSION

The Project Team implemented all possible measures of diligence during the design and tender period to keep the project within scope and budget. Examples include:

- Re-planning the delivery strategy to avoid the need for a temporary fire station (approx. \$1.5 million savings).
- Revisiting and challenging the entire space needs assessment and project functional requirements.
- Implementation of the Project Management Framework, complete with cost estimates of increasing accuracy and a stage gate prior to tender.
- Engagement of an independent cost consultant to advise on costs from the start of design through to tender.
- Two value engineering exercises to reduce costs and optimize the design.
- Implementation of an integrated design process involving fire fighters and dispatchers through the development of functional requirements and design.
- Engagement of an Architect with extensive experience in fire station design.
- Engagement with the construction community, well in advance of the tender, to advertise the project and to attract interest.

As a result of the above measures, the demolition and construction costs per square metre are 10% less than anticipated in the original business case, and other project costs (\$4.4 million) remain in line with the 2017 business case (\$4.5 million).

During the tender, bidders were instructed to allow for COVID-19 restrictions, to continue through the duration of the contract. Any changes to the restrictions would be subject to negotiation in the future. The cost consultant indicated that the 'COVID premium', seen across building projects in the lower mainland, could be up to 20% for complex projects such as this one. There was no extension to the construction schedule to accommodate issues arising from the pandemic, which may have added some additional cost pressure.

While the longer term impact of the pandemic on the construction industry remains unclear, Staff believe that the coincidence of the pandemic with the tender period, may have resulted in a 'COVID premium', driven by a number of factors aside from this future uncertainty, including:

- Supply chain disruption
- Labour availability and resultant cost pressures
- Labour productivity and resultant schedule pressures
- Uncertain Health & Safety overhead (likely to gain clarity in coming weeks)

The low tender price would require an increase to the budget of \$3 million, approximately 18% higher than the approved budget of \$17 million and would bring the revised project budget to \$20 million. This includes contingency to deal with the cost of post-contract risks retained under contract, a necessity when dealing with a project of this magnitude.

OPTIONS

1. That the Finance and Audit Committee recommend that Council direct Staff to:
 1. Proceed with the Fire Station No.1 project; and,
 2. Amend the 2020-2024 Financial Plan to increase the budget in year three (2022) by \$3 million from \$3,740,269 to \$6,740,269 with the additional funding from the General Capital Reserve and the General Asset Management Reserve.
 - A competitive price has been received for this project, it is ready for construction, and the additional budget will allow it to move forward and open as planned in the fall of 2022.
 - Is the most cost certain approach.
 - This option will address the pressing need to replace the aging facility at the end of its useful life and provide safety and certainty for Fire operations.
 - This avoids necessary minimum building expenses (estimated \$1.5-2M) to ensure the building remains useable for several critical functions.
 - The facility houses several critical functions ensuring the safety and well being of our citizens: Fire Administration, Dispatch and crews along with the City's Emergency Coordination Centre.
 - Additional funding will be required, and is proposed as follows:
 - i. Up to \$1.5 million from Asset Management Reserve.
 - ii. Up to \$1.5 million from General Capital Reserve.
 - iii. Savings in other general projects funded from general revenue in 2020 to be used first.
2. That the Finance and Audit Committee recommend that Council direct Staff to cancel the tender and revise the design to retender in the future.
 - Canceling the project would cause the project to lose momentum. There is no guarantee that a better price will be achievable in the future, and there is a risk that pricing may increase. There is \$1.6 million in sunk costs to date.
 - The schedule to address building deficiencies would be delayed by a year or more
 - The City may suffer damage to its reputation as a tendering authority, and the market may choose to not engage to the same degree next time as a result of lost credibility.
3. That the Finance and Audit Committee recommend that Council direct Staff to cancel the tender and completely reconsider the project as part of a larger precinct strategy.
 - This would avoid spending funds now and creates an opportunity for a more integrated 'Responder Precinct' including RCMP, social housing, and BCEHS.
 - Necessary intermediate expenses to replace or upgrade the roof, boiler, dismantle the hose tower and seismic retrofits are estimated to be \$1.5 – 2 Million
 - This option would likely delay the replacement of the Fire Station for a minimum of four to five years. The existing station is past its useful life, does not meet current life safety or seismic codes, and is an ongoing maintenance cost. |

SUMMARY POINTS

- An additional \$3 million is required to proceed with the Construction of the Fire Station No. 1 project as planned.
- The Fire Station No. 1 project is shovel-ready with a competitive lump sum price open for acceptance by the City.
- Proceeding with the project addresses the pressing need to replace the aging facility at the end of its useful life.
- The fire station has been carefully designed and redesigned to meet functional requirements of this critical service, with careful attention to cost and schedule.
- The pandemic is believed to have impacted the construction market for complex projects such as this one.

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