

DATE OF MEETING MARCH 15, 2023

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SUBJECT DEPARTURE BAY ROAD WATER AND SEWER PROJECT

OVERVIEW

Purpose of Report

To seek Council direction to amend the budget for the Departure Bay Road Water and Sewer project in the 2023 – 2027 Financial Plan. |

Recommendation

That the Finance and Audit Committee recommend that Council increase the budget for the Departure Bay Road Water and Sewer project in 2023 from \$1,476,798 to \$2,035,400 funded by \$70,711 from the Water Asset Management Reserve Fund, \$463,496 from the Sewer DCC Reserve Fund and \$24,395 from the Sewer Asset Management Reserve Fund.

BACKGROUND

As is normal in a given year, some projects are under budget and some are over budget. In 2022, construction costs have been much higher than anticipated when budgets were prepared. The inflationary pressure has continued into 2023, and items such as equipment, fuel, trucking, and asphalt have seen significant increases. The result has been that many of the City's capital projects are exceeding the allocated budget, which results in more projects requiring specific reporting to the Finance and Audit Committee. |

DISCUSSION

The Departure Bay Water and Sewer project is an upgrade of 550m of sanitary sewer and 135m of watermain on Departure Bay Road between 3480 and 3250 Departure Bay Road. The sewer upgrade is a DCC project, required now due to recent upstream development creating pressure on its capacity. The water portion of the project is replacing a section of ageing asbestos cement (AC) pipe within the area where the sewer upgrades are required.

The project was tendered and closed on February 17, 2022 with four bids received, ranging from a low of \$1,739,478.85 to a high of \$2,143,405.04. Receiving four bids for the project indicates that there is capacity within the construction market to complete the work. The spread between the bidders is typical in a tender for this type of work and it shows that even though the prices are higher than the budget, the tender was competitive. Including a 10% contingency and other costs, an additional \$558,602 is required to complete the project.

FINANCIAL CONSIDERATIONS

The project budget is proposed to be increased by \$558,602 from \$1,476,798 to \$2,035,400 with the additional funding allocated from the Water Asset Management Reserve, the Sewer DCC Reserve Fund, and the Sewer Asset Management Reserve Fund.

The revised projected 2023 closing balances based on approval of the budget increase are \$4,716,034 for the Water Asset Management Reserve Fund, \$3,147,651 for the Sewer DCC Reserve Fund and \$6,555,854 for the Sewer Asset Management Reserve

The level of growth due to development is triggering the need to complete several Sanitary Sewer DCC projects over the next few years. Development across Nanaimo, together with increased costs due to inflation are placing pressure on the Sanitary Sewer DCC Reserve fund to a point where it may not be possible to fund all the required DCC projects from the DCC Reserve. Further discussion around Sewer DCC's will be part of the capital planning process for the 2024 – 2027 Financial Plan.

OPTIONS

1. That the Finance and Audit Committee recommend that Council increase the budget for the Departure Bay Road Water and Sewer project in 2023 from \$1,476,798 to \$2,035,400 funded by \$70,711 from the Water Asset Management Reserve Fund, \$463,496 from the Sewer DCC Reserve Fund and \$24,395 from the Sewer Asset Management Reserve Fund.
 - The advantages of this option: The water and sewer infrastructure on Departure Bay Road will be upgraded, providing sewer capacity for recent development growth and reducing the risk in this area for future watermain breaks.
 - The disadvantages of this option: Less funds will be available in the reserve to support other water and DCC sewer projects.
 - Financial Implications: The 2023 – 2027 Financial Plan will reflect the increased project budget. The additional funding required from the Sanitary Sewer DCC Reserve fund is one of many demands on that reserve fund.
2. That the Finance and Audit Committee does not recommend that Council increase the budget for the Departure Bay Road Water and Sewer project in 2023.
 - The advantages of this option: Funds will be available in the reserve to support other water and DCC sewer projects.
 - The disadvantages of this option: The water and sewer infrastructure on Departure Bay Road will not be upgraded, limiting sewer capacity for recent development growth and increasing risk of sewer overflows and backups at peak flows.
 - Financial Implications: The DCC Sewer project will need to be completed in the near future. Deferring the project to a future year at current inflation rates will likely mean the project will cost more.

SUMMARY POINTS

- Four bids were received for the Departure Bay Sewer and Water project.
- An additional \$471,628 in funding is required to complete the project.
- In 2022, construction costs increased more than expected. Items such as asphalt, gravels, and pipe are much more expensive than in recent years and are the driving factor for much of the cost increases. These inflationary pressures are continuing into 2023.

ATTACHMENTS:

Attachment A: Location Plan |

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