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SUBJECT LARGE CAPITAL PROJECTS OVERVIEW

OVERVIEW

Purpose of Report:

To provide Council an overview of potential large capital projects to be funded by long-term borrowing, and set context for major capital expenditures over the short and medium term.

BACKGROUND

The purpose of this report is to provide an overview on several large capital projects that have been discussed at various times over the past several years. These include:

- Nanaimo Operations Centre
- RCMP and Civic Precinct
- Waterfront Walkway – Departure Bay section
- South End Community Centre

Other future capital needs noted in the discussion include a future additional Fire Hall; renovations, upgrades and new facilities at Beban Park and other major Parks, Recreation and Culture facility needs; and the water supply dams.

This report provides a brief overview of the background and scope of each project's financial considerations and potential next steps. Different methods for obtaining approval of the electors, which is necessary for long-term borrowing, are outlined in a separate report for best practices regarding the method of approval to consider based on the capital project and other relevant considerations.

This update is to assist in providing the status of each of these major capital needs and set the context for future planning.

Nanaimo Operations Centre

Background

City operations are currently provided at Public Works, the Parks Operations Yard on Prideaux Street and the Nanaimo Lakes Road Parks satellite yard. These facilities are no longer able to fully meet the operational needs of the organization and the community, and an overall vision has been prepared for the Nanaimo Operations Centre (NOC). A report and business case was presented at the September 22, 2021 Finance and Audit Committee meeting and an update was provided to Council June 20, 2022. The capital required to complete the entire vision was estimated in 2021 to be \$125 million.

Financial Considerations

An alternative NOC Phase 1 for the Fleet Maintenance Facility and ancillary infrastructure works has been prepared that would allow a staged approach to the work. The expected budget required to complete the alternative Phase 1 is approximately \$40 million. This will enable a standalone project to complete the most urgent work, while allowing some time to better understand the City's fiscal position and adapt priorities as needed. Phases 2 – 4 consisting of the administration building, storage and Prideaux are currently estimated at \$100 – 115 million, with low confidence.

Next Steps

This project has been under development for several years and many key decisions have been made to bring it to the current moderate level of maturity. While the project is important to the continued functionality of City operations, it will be Council's decision to proceed or not, and which approach to seek elector approval – Referendum or Alternative Approval Process (AAP). A staff report outlining the best practices for both processes is included in this agenda package (Approval of the Electors). Based on Council discussion, staff will bring forward a report for decision of the recommended process and Bylaw for three readings at a future meeting.

RCMP Detachment Expansion

Background

The current RCMP facility was constructed in the 1980's. As the population of the City of Nanaimo has grown, so too have the policing requirements. The current detachment building no longer meets the operational and space needs of the detachment. Phase I of the project is intended to provide interim relief to the overcrowding by renovating parts of the existing detachment and relocating 22 staff to another nearby City-owned building. Phase 2 involves the development of a new Detachment building on the current site. Staff are working with a consultant team to develop a preliminary design and costing. It may be more cost effective to demolish the existing building once the new structure is operational (rather than try to upgrade and refresh it). Structured parking for RCMP fleet vehicles and security hardening of the site will also be considered in the design.

Financial Considerations

The approved Financial Plan includes \$2.8 million to proceed with Phase 1 renovations and \$2 million for detailed design of the expansion. Phase 2 (new detachment) is expected to be in the range of \$80 - \$100 million.

Timing

Phase 1 is currently underway and expected to provide relief for up to five years (2027). Phase 2 is a much larger project and will need several years to get organized, implemented and become operational. To ensure the project maintains momentum, design work will continue throughout 2023 to bring the level of project maturity to the point where the required budget is better known, and funding could be pursued.

Next Steps

Similar to the Nanaimo Operations Centre, the RCMP facility upgrade and expansion is required given the functionality and space challenges with the current facility. It is likely that an AAP is appropriate once the project reaches a suitable level of maturity.

Waterfront Walkway

Background

The Waterfront Walkway project has been identified in each of the last three Council Strategic Plans, and again identified at Council's March 13th strategic priorities session. In 2017, the City completed an overall Implementation Plan for the creation of a continuous walkway from Departure Bay to the Nanaimo River Estuary. The plan was completed with significant positive input from the community and revealed strong public support for the development of the waterfront walkway.

In 2019, Staff developed a detailed plan for the waterfront walkway using a green shores approach between the BC Ferries Terminal in Departure Bay and Departure Bay Beach. This included archeological, geotechnical, environmental, and coastal erosion specialists providing their input to the project. The project has been presented to Snuneymuxw First Nation (SFN), the Department of Fisheries and Oceans, and the Province of BC to gain feedback and help steer the design. The green stores approach accounts for sea level rise, mitigates potential for steep slope erosion, and restores original foreshore habitat.

The project is supported in the City Plan through a connected, green and prosperous Nanaimo lens.

Financial Considerations

Preliminary construction have been calculated to be in the range of \$30 - \$38 million in 2022. This cost estimate is subject to market conditions at the time of implementation.

Next Steps

Staff propose to update the cost estimate to current figures and return to a future meeting to confirm proceeding with Council. While there is significant public support, funding is subject to voter approval.

This project could be included as part of a future referendum question, either independently or in conjunction with the South End Community Centre as well as other possible recreational priorities.

South End Community/Wellness Centre

Background

A Feasibility Study is underway for the South End Community/Wellness Centre. A steering committee has been working on the study since January of last year and key partner engagement sessions have been conducted with a view to potential partnerships in the proposed facility. An “environmental scan” (interviews with other school districts, community services and community centres already in partnership) has also been completed to assist with early development of governance and best practices associated with joint use agreements. Based on work to date the facility could be between 40,000 and 60,000 square feet in size depending on the uses and partnerships established.

Financial Considerations

A draft concept has now been prepared and will be presented to Council at a future date. Although the scope could vary in size depending on final approved uses and partnerships, it is expected that the capital cost of a facility of this nature could be in the range of \$40-80 million. There would also be operational cost implications, which could vary depending on factors such as the details of partnership agreements. As the project matures, more detailed cost information will be established.

Next Steps

Draft concept options as well as locations will be presented to Council and the public later this year. This project could be included as part of a future referendum question, as outlined in the staff report “Approval of the Electors”, either independently or in conjunction with the Waterfront Walkway as well as other possible recreational priorities.

Other Future Needs

While the projects noted above have been discussed previously, it is important to consider context and look forward at all the other major funding pressures the City may experience in the future. An update to the City’s Asset Management Plan and 20 Year Investment Plan is underway and will be presented to Council in the near future. While the asset information is still being collected and analyzed, with cost escalation it is conceivable that funding towards asset renewal will continue to be challenging, in particular with facilities. There will be considerable future funding pressures to maintain existing infrastructure, facilities and services as well as adding new facilities based on the City’s growth and needs as identified in City Plan and other planning processes. Considering the aging condition of some facilities, the operational needs of the City and the sustainment/enhancement of services, the following items provide further context:

Beban Park Master Plan and Facility Implementation Plan

Beban Park is a major gathering place for recreational, sporting, and social events for the City and Region. Beban Park Master Plan includes a number of recommendations for potential facility updates, improvements and potential new facilities on site. The facility also plays a critical role in emergency response, in particular with evacuees. The main facility was originally constructed in the 1970’s, with various improvements and additions over the years. Many of the electrical, heating, ventilation and air conditioning systems are original and are forecast to require

replacement in the foreseeable future. The roof and parts of the structural systems are also in need of investment soon. This could be an opportunity to review potential enhancements or upgrades through an emissions reduction lens. The capital requirements can vary depending on the scope of the project, but they could also include major updates to add more recreational and social space as well as improving accessibility. Under the Beban Park Master Plan, the site also provides opportunity for new facilities in partnership with sport, culture and other recreational and social organizations.

Stadium District

The planned improvements to the Stadium District are considerable and could include: the addition of stadium seating in all three venues; shared washrooms; change rooms; parking; press boxes; and, an artificial turf on the Serauxman Stadium Baseball Field. Other updates could be included to allow the district to host a variety of events. Capital over time could be in the range of \$5 to \$10 million depending on the level of amenities included.

Culture Venues in the Downtown

A desire has been expressed for upgraded or expanded cultural facilities in the downtown including a new or expanded Nanaimo Art Gallery and updates to the Nanaimo Museum. Updated pricing has not been established for the two venues but could be substantial if all desires are achieved over a period of time.

Parks and Trails

As the City's parks and trails continue to expand, and the infrastructure ages, there will be a continued desire for upgrades as well as new facilities added (i.e.: trails, playgrounds, waterparks, sports fields, washroom buildings, lighting, parking, and skateboard parks etc.). Through the ReImagined and other planning processes, these amenities were identified as highly valued and desired by the community. As much as the community values these assets, it was identified in various surveys and focus groups that amenities are in need of upgrades. Improvements to recently acquired parks (Linley Valley, East Wellington, Park Avenue, Westwood Lake etc.) as well as updates to existing park amenities are desired.

Water Supply Dam

The City's water supply dam at Jump Lake has provided excellent service to the community since it was constructed in the 1970's. As a result of significant water conservation efforts by the community, the City has been able to delay upgrades to the dam for decades while continuing to support growth. The latest estimate is that the current dam will be sufficient until 2061; however, exactly when an upgrade is required is subject to change, in particular with a shifting climate or consumption trends. The cost for upgrading the dam is expected to be over a hundred million, which should be considered in the context of other borrowing, timing and the City's total debt capacity. The timing of the dam upgrade is beyond the horizon of this report and evaluation; however, the trailing debt servicing could impact the ability to accelerate the dam should it be needed.

There is also a need to seismically upgrade the South Fork Dam and that may also require borrowing.

Future Emergency Services

In a growing City with evolving emergency response requirements, it is anticipated that additional facilities will be required. Fire Services call volumes and growth pressures are projected to require investment in a new facility within 10 years. With growth and rising call volumes, the timing of this new facility may need to be accelerated. The cost of a new fire hall would be expected to be in the range of \$20-30 million.

Other Facilities

The City has well over 100 facilities and buildings ranging in size, age and use. These facilities provide the administration, emergency response, recreational and operational services for which the City is responsible. While the City strives to maintain these facilities, there will come a time when significant investment is needed, likely over the next several decades. For example, emissions reductions goals could drive mechanical, electrical or building envelope projects that may be the impetus for larger more holistic upgrades. The upcoming asset management review will help forecast the required level of investment and funding to allow the services to remain sustainable.

DISCUSSION

The City has a broad spectrum of major capital needs forecasted over the foreseeable future. Many of these are to support and sustain the existing services the City relies upon, while others are focused on emerging needs, shifting services and adapting to a changing environment.

While every effort has been made to bring projects forward and complete appropriate due diligence, it is not possible to have each potential project at the same level of maturity. For example, once a cost estimate has been prepared, it has a shelf life. This means that at a given point in time, there will be numerous potential projects to consider; however, they will not have the same level or quality of information to compare.

A decision will often need to be made on a specific project or initiative, while information on the other projects may not be as accurate or mature. The intent here is to contextualize major future expenditures. An illustrative timeline is below:

Project	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
NOC – Phase 1		█								
RCMP					█					
NOC – Phase 2, 3, 4						█				
Future Fire Station								█		
Major Recreation Facility Renovation						█				
Waterfront Walkway – Departure Bay				█						
South End Wellness Centre		█								

FINANCIAL IMPLICATIONS

Each project has a differing level of cost estimate maturity, ranging from reasonable certainty for NOC Phase 1, to speculative for a future fire station. Costing needs to mature to the point of enough confidence to approach the electorate for approval in borrowing. Current values, which should be considered “indicative” with low confidence, could be in the following range:

<u>Project</u>	<u>Potential range \$M</u>	<u>Potential time frame</u>	<u>Level of confidence</u>
NOC – Phase 1	\$35 – 40	2024 – 2027	Moderate
NOC – Phase 2, 3, 4	\$100 - 115	2028 – 2032	Low
RCMP	\$80 – 100	2027 – 2029	Low
Future Fire Station	\$20 – 30	2030 – 2032	TBD
Facility Renovations	\$30 +	2028 – 2029	TBD
Waterfront Walkway – Departure Bay	\$30 – 38	2026 – 2028	Low
South End Wellness Centre	\$40 – 80	2025 – 2027	Low
Other potential facilities	TBD	TBD	TBD

At this point, all projects are assumed to be funded from debt. For municipalities in BC, the pay back period for borrowing can be as long as 30 years, likely within the timeframe of other major funding requirements. This means that borrowing decisions now can impact the City’s financial flexibility for decades.

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 and receiving approval of the electorate. Recently, with global inflation and unpredictable pricing, it can add an extra layer of difficulty.

An indicative pattern of cash flow and borrowing over the next 10 years to fund the above projects is contained in Attachment C.

Since there are several assumptions built into the funding strategy, such as a timing, Council and community approval, it is speculative to translate the impact on an average individual home. Projects have widely varying start years and cash flow requirements over the next ten years. Shifting timing, varying costs, along with cost of borrowing all impact and will have a different impact than is shown in the attachments.

A year-by-year potential illustration of borrowing cost impacts on taxation increases is shown on Attachment A.

CONCLUSION

Each of these potential projects has merit and benefit the community; however, some have a more direct impact on the community, others are necessary for continued basic services. Next steps and timing for each potential major project will differ; however, in the near future, Council will be asked for direction and decisions moving forward. The information within this report is an overview to set the context and inform future decisions on specific projects or borrowing.

SUMMARY OF NEXT STEPS

The potential timeline above, intended to contextualize major future expenditures, is an illustrative timeline of borrowing, starting in 2024, for the four large capital projects as well as a future Fire Hall Station and other capital projects that would be funded from borrowing. In the near future, work will proceed as follows:

- Staff propose to come forward to Council with remaining key decisions surrounding the Nanaimo Operations Centre Phase I and the method recommended for obtaining electoral approval. Once Council provides direction, staff will return with the Borrowing Bylaw for three readings, then proceed with seeking approval of the electors. A Council report for decision is proposed for mid 2023, with future phases coming forward in 2026.
- Similar to the Nanaimo Operations Centre, proceeding to an AAP for the RCMP facility would be a decision of Council in the future and would be the recommended approach by staff, once further design is completed. If Council directs staff to proceed, we would return with a Borrowing Bylaw for three readings in advance of seeking elector approval, likely in late 2025.
- Staff will continue the plan development of a South End Community Centre and report back to Council as progress is made and decisions are needed. For cost savings and efficiency, there is potential to combine a Referendum process with the Waterfront Walkway or other related Recreation and Culture priorities.
- As noted above, there are still several considerations that need to be addressed with respect to the Waterfront Walkway. Key items include: updated costing, environmental approvals, SFN support and resolution of riparian and property interests. Staff propose to continue to report back to Council with progress as it occurs and seek further direction. Once the key issues are resolved elector approval could be sought through a Referendum process (ideal) or an AAP in 2024.

SUMMARY POINTS

- The City has forecast the need for various major potential projects, some of which are critical to essential services.
- This report provides a brief overview of the background and scope of each project; financial considerations and next steps.
- All projects are assumed to be funded from debt. For municipalities in BC, the payback period for borrowing can be as long as 30 years, likely within the timeframe of other major funding requirements.
- If these projects are funded by long-term borrowing, the City must obtain approval of the electors either by Assent Voting (Referendum) or the Alternative Approval Process (AAP).
- Project timing and borrowing requirements will unfold over the next decade.

ATTACHMENTS

Attachment A – Projected impact of debt servicing
Attachment B – 20 year projected debt servicing - External
Attachment C – 20 year projected outstanding debt - External |

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