



CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Municipal Hall
1229 Esquimalt Road
Esquimalt, B.C. V9A 3P1

Legislation Text

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REQUEST FOR DECISION

DATE: June 22nd, 2022

Report No. CSS-22-006

TO: Laurie Hurst, Chief Administrative Officer

FROM: Blair McDonald, Director of Community Safety Services

SUBJECT:

Public Safety Building (PSB) - Financial Update

RECOMMENDATION:

That Council authorize an increase of \$6 million to the overall PSB budget.

RELEVANT POLICY:

Financial Plan Bylaw, 2022, No. 3054

Public Safety Building Improvements Loan Authorization Bylaw, 2021, No. 3021

STRATEGIC RELEVANCE:

Healthy, Livable and Diverse Community: fully utilize the McLoughlin amenity funds to maximum potential

BACKGROUND:

In March of 2019, Council directed staff to move forward with the construction of a new Public Safety Building (PSB). Staff initiated several steps including:

- establishing an advisory committee
- contracting a Project Manager
- completing a feasibility study
- contracting an architecture firm to produce construction drawings
- public consultation processes including Advisory Planning Commission, Design Review Committee, and numerous Council meetings
- developing a project budget
- initiating a rezoning amendment process for the land upon which the new PSB will be situated
- an OCP amendment process.

Additionally, at Council direction, staff initiated an Alternate Approval Process which obtained elector approval for the necessary borrowing to fund the building. In May of 2021, Council directed staff to move forward with the process of obtaining the funds through borrowing and passed the Public

Safety Building Improvements Loan Authorization Bylaw, 2021, No. 3021. The Township received \$35 million in debt proceeds on September 27, 2021.

Council has previously been presented with the overall project budget. At this point the detailed budget is not released publicly to protect the integrity of the tendering and bidding process. However, the overall budgeted amount of \$42 million was shared publicly.

Since 2019 when the PSB project kicked off, significant global changes have occurred which have impacted supply chain availability, inflation, labour availability and resulted in overall escalating costs for both labour and materials. When originally budgeted, the \$42 million number was believed to be sufficient to complete the project. Unfortunately, the latest budget projections provided by CORE Project Management, in conjunction with Kinetic Construction Ltd. demonstrates a need for additional funding moving forward. Projected costs to complete the building is approximately \$43 million. To re-establish reasonable budget contingencies, an additional \$6 million is required. This would result in an increase of the total budgeted amount to \$48 million.

ISSUES:

1. Rationale for Selected Option

Due to numerous external factors, costs for labour and materials have escalated in an unforeseen way. All building projects in both public and private sectors are experiencing the same thing, with some projects coming in 100% over budget.

It has previously been established that the current PSB has reached the end of its useful life. It is ill suited for the purpose for which it was built. To continue to use the present building, would require a major and costly retrofit.

With the construction of the McLoughlin Point Wastewater Treatment Plant, the Township received amenity funds. Council determined that \$7 million of those funds would be put towards the building of a new PSB. To date, all funds expended on the PSB design, and design and construction of the temporary police and fire facilities has come from the McLoughlin Amenity funding. To date \$4.7 million has been expended. As the agreement states that these funds are to be used for the construction of the PSB, it is likely that these funds would need to be returned to the CRD if the construction of the PSB were not to proceed.

The PSB design resulted from a significant team of subject matter experts determining the use of the building and composition of staff, both present and future. The building is designed to meet the needs of the Township for at least the next half century. The new building is being designed as a carbon neutral facility. While “value engineering” is ongoing throughout the design and construction phases, it is important to complete the building as designed to ensure it will meet the needs of the Township going forward.

It is important to note, that the costs of the PSB are not solely restricted to the construction of the PSB. The Township is also receiving numerous other benefits from the funds expended. The renovations done to the main floor of the Municipal Hall to accommodate the temporary police facility were designed and built in such a way that once the PSB is complete, and police relocate,

the space will be suitable to deliver Township services. Those modifications would have been required for Township purposes in any case, and funds would have to be raised in some alternate manner. In this way, the renovations have been completed as part of the PSB project. Additionally, while the current plan is to sell the temporary fire facilities when the PSB is complete and fire moves to the new building, the temporary facility is a useful building that could easily be converted to suit other Township programs and services. The new PSB contains several rooms that are intended to be programmable space as part of the amenity funds agreement. Lastly, the PSB contains prime commercial space on Esquimalt Road which will generate lease revenue.

2. Organizational Implications

As stated, the current PSB is now beyond its usable service life and would require significant renovation and expansion to meet the needs of Police and Fire Rescue going forward.

This project is being managed within existing department work plans and staffing levels.

3. Financial Implications

The current project budget of \$42 million is comprised of amenity funds and debt proceeds. The amenity funds consist of the initial public safety building improvement funds as well as a transfer from the recreation improvements amenity reserve fund.

An increase to the current budget could be funded from the Township's accumulated surplus account. Utilizing this source of funding would not require an increase in debt payments and would have no immediate budget implications, however it would reduce the amount available to potentially fund future capital projects.

4. Sustainability & Environmental Implications

The PSB will be Carbon Neutral with elevated building performance targets.

5. Communication & Engagement

The Township website has a page dedicated to the PSB project and robust public communication continues via social media channels.

ALTERNATIVES:

1. That Council authorize an increase of \$6 million to the overall PSB budget.
2. That Council provide alternate direction to staff.