

DATE OF MEETING FEBRUARY 24, 2025

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SUBJECT **PUBLIC WORKS YARD UPDATES PROJECT:
OPTIONS FOR NEXT STEPS**

OVERVIEW

Purpose of Report

To provide Council with options to progress the Public Works Yard Updates project and seek direction to implement Council's preferred option.

Recommendation

That Council direct Staff to proceed with Detailed Design and Costing and allocate \$1,800,000 funded by \$1,314,000 from the General Asset Management Reserve Fund, \$162,000 from the Sewer Operating Reserve, and \$324,000 from the Water Operating Reserve to undertake the work. (Option 4 in the report).

SUMMARY

At its meeting of December 2, 2024, Council requested that Staff report back on alternative approaches to complete the Public Works Yard project. From Council direction arising from the June 24, 2024, report (Appendix B), this report considers the 'highest priorities in a single phase' approach (the Fleet Maintenance Facility and the Crew/Admin Building), conceptually costed at \$90 million.

The financial options presented are based on the full project. Should Council elect to proceed with a Fleet Maintenance Facility only, the costs shown would be roughly 50% of the full option, although the timeline could be shorter. In this case, future investment would be required in the near term to address the deficient Crew/Admin Building. Splitting the project into two phases loses the cost and operational efficiencies of a single project.

The suggested approach is intended to lead to better accuracy of projected costs, reducing the uncertainty associated with the current concept-only design. This will have the effect of reducing the accompanying contingency. It's also an opportunity to engage a contractor as part of the project team and build better confidence in costs, noting the impending uncertainty in the global economic situation.

Funding options could then be considered with a higher degree of confidence, or a general Council direction could be established now. Council could consider a combination of options presented here which can be considered as scope is refined.

BACKGROUND

Conceptual level plans to improve the Public Works Yard were completed in 2021 following several years of analyses and consultation. Those plans were refined to include phased implementation in 2022 and a value engineering review in 2023 but have remained at a conceptual level since 2021.

Council's original direction was to fund both detailed design and construction fully through long-term borrowing and as Council is aware, elector assent for borrowing was unsuccessful.

At the 2024-DEC-02 Council meeting, Council directed Staff to report back on options for alternative ways to complete the Public Works Yard Updates project.

Beyond the Public Works Yard updates there are a number of significant capital projects on the horizon that are also anticipated to be funded through long term borrowing. As previously directed by Council Staff will be returning with updates and options for the South End Community Centre, Waterfront Walkway, RCMP detachment and Beban Park.

DISCUSSION

The options presented in this report are:

1. Proceed with long-term borrowing with approval of the electorate
2. Fund by increasing property taxes and user rates
3. Fund by increasing property taxes and user rates and deferring other projects to use reserves
4. Detailed design and costing

The funding options presented in the report reflect a change in the cost distribution from previous reports. Previously, all costs including the debt servicing related to borrowing were funded by the General Fund; however, the Public Works Yard also supports sewer and water operations. A distribution of project costs now includes the Sewer Fund and Water Fund providing a portion of funding. Detailed calculations for financial figures presented in the report reflect this change and can be found in Appendix A – Financial Projections.

Option 1: Long Term Borrowing with Electorate Approval

Council could borrow over the long term for the \$90M (or \$45M Fleet-only) option, based on the conceptual-level designs. Until further work is completed on detailed design, there is no new information to share with the community which has not already previously been presented. Through past electoral assent processes, Staff engaged in a high level of communication and engagement with the community about the Public Works Yard project.

Under the *Community Charter* and Council's Debt Management Policy, there is limited ability to borrow either short or long term without the approval of the electorate. Electorate approval could be through either referendum or alternative approval process. Long-term borrowing for projects allocates the cost amongst current and future taxpayers who will all benefit from the service (provides generational equity). Borrowing over the long term is the least impactful to ratepayers.

Attachment A contains a breakdown of the updated impact to the typical home of borrowing the full \$90 million based on Municipal Finance Authority rates at January 29, 2025. The June 2024

Report (Appendix B) provided potential scenarios for funding debt servicing from various sources – either fully from property taxes or a combination of property taxes and reserves.

Should Council wish to proceed with long term borrowing, direction on Council's preferred method of attaining electoral assent and timing will enable preparation of a new borrowing bylaw, and an assent process to support that bylaw.

Option 2: Fund by Increasing Property Taxes and User Rates

The City could fund this project without borrowing by increasing property taxes and user rates to generate the funding required in each year of the project. This would remove the generational equity element of borrowing but would provide an immediate path forward for this project.

Based on the current projected cash flow for the project, property taxes and user fees would be adjusted from 2026 up to and including 2030 to generate the required project funding. The estimated total cost of the project to the typical home totals \$1,686 over five years. Attachment A provides a breakdown by year on the impact to the typical home and the projected impact to the 2025 – 2029 Provisional Financial Plan. This amount would no longer be required following project completion.

This option is not considered desirable but is provided for illustrative purposes. Should Council select this option, Staff would add the project to the 2025 – 2029 Final Financial Plan. It should be noted that the projected cash flow requirements extend beyond the current approved Financial Plan so the full project would not be reflected in the City's Financial Plan until the 2026 – 2030 Financial Plan is adopted by Council.

Option 3: Fund from Reserves, Increasing Property Taxes and User Rates and Deferring Other Projects to Use Reserves

As an alternative to Option 2, the City could fund this project from reserves by deferring other projects along with increasing property taxes and user rates.

Funding for the project could be a combination of approaches of taxation, reserves, and project deferral, along with long term borrowing. For example:

- \$5 million per year in deferred capital projects, which would free up Reserve funding – allocated 73% to General, 9% to Sewer and 10% to Water.
- Portion funded from a lesser amount of long term borrowing.

With respect to deferral, the natural question is “which projects?”. This has not yet been considered, but Staff could complete a detailed review of the City's project plan to create a comprehensive list of projects that could be deferred and the risks associated with each of those deferrals. Staff would then report the findings to Council along with the associated projected tax and user rate impacts.

This would be a less dramatic increase to taxes and user rates than Option 2 and would similarly be a short-term adjustment. However, the 20 Year Investment Plan presented in June 2023 identified that the City had an approx.\$1.0 billion infrastructure funding gap. Recommendations to help address the gap included funding the Public Works Yard Upgrades from long term borrowing. Allocating reserves to the project will increase the infrastructure funding gap and will result in the delaying of other desirable and critical projects. This

contributes to lower service levels, higher risk of infrastructure failure and a delay in supporting growth or other projects that have a high community development value.

Should Council select this option, direction on the project option (i.e. full \$90M or partial \$45M Fleet only). Staff would appreciate discussion around a total value of deferrals that should be worked towards during the review of the City's project plan. Ideally, this direction would be a percentage of the total value of the project. Staff would then present this information to Council at a later date. Staff would complete a detailed review of the City's project plan to create a comprehensive list of projects that could be deferred and the risks associated with each of those deferrals.

Option 4: Detailed Design and Costing

The suggested next step is to advance the project's design to gain greater certainty of costs. The conceptual level plans for this project were completed in 2021 and have not significantly advanced since then. Previous direction was to fund both design and construction costs exclusively through borrowing. This would see a change in that direction and have this project proceed into detailed design now and secure more accurate cost estimating.

Whether the Public Works Updates project proceeds in the short or long term, the design work needs to be completed and is an investment which will hold its value.

More details in design will illustrate that the buildings are no-frills and 'fit for purpose' spaces for operational teams to work out of and provide additional clarity about exactly what is being proposed and the associated costs. A mature design will enable the City to lessen the contingency and inflation costs included in budget recommendations. Given the magnitude of the project, a 25% contingency, plus allowance for inflation/escalation is a significant component dollar value, but prudent at the current concept-level design. As design is brought further along, the proportion of contingency can also be reduced to 10% due to greater level of details being known.

Staff are considering an Integrated Project Delivery (IPD) approach as the means of delivering the detailed design and construction of the project. The IPD process brings contractors, designers, and owners together at the start of the design process to collaboratively solve problems with the benefit of real-time pricing and constructability feedback. When used on major projects like the Public Works Yard Updates, this methodology can reduce overall costs, waste, and prevent surprises during construction, and the process results in a firm cost to build not a cost estimate or projection.

The proposed funding to support this process is \$1.8M. This represents a general average cost to fund a project of this nature to completion of the validation stage of maturity.

The recommended funding sources are:

General Asset Management Reserve Fund: \$1,314,000
Sewer Operating Reserve: \$162,000
Water Operating Reserve: \$324,000

If this option proceeds, Staff will resume intensive work on this project with the goal reporting progress to Council by the end of 2025. Staff would continue to maintain a project page on the City's website and Get Involved Nanaimo to help inform the public about progress.

Other Considerations

During the recent electorate assent process, Council received a number of suggestions to fund the project, including the sale of 2020 Labieux Road for housing development and rebuild the Public Works Yard elsewhere. The property holds the Public Works Yard, a B.C. Housing site, the Vancouver Island Emergency Response Academy (VIERA), and Nanaimo Fire Rescue Station 2. Assuming this suggestion only applies to the land occupied by the Public Works Yard and none of the other facilities, the property would require subdivision.

Following subdivision and rezoning the newly created parcel, selling it, and buying new land to house Operations, it is unlikely enough profit could be generated to offset even a moderate amount of the required project budget. When coupled with the following considerations, this option does not appear feasible:

- 2020 Labieux Road is centrally located in an industrial area, ideally situated to be able to efficiently service the entirety of Nanaimo.
- A large plot of industrial land is in limited supply in areas that are well situated to service the entirety of Nanaimo. The current site occupies 6.2 Ha (15 acres). Industrial land is reportedly worth \$1 – 1.5 million per acre and is highly needed in Nanaimo to support its economic base.
- Servicing a new site with municipal infrastructure is potentially very expensive. The planned updates for the current location include re-use or less expensive upgrades of underground utilities and some facilities, as opposed to 'from scratch' installation.
- Demolition costs would negatively impact sale price.
- Live fire training generates smoke which is likely to generate conflict if located immediately adjacent to residential development.
- This would delay the project by several years, inflation is likely to offset a portion of any revenue which the City could make by selling this land. |

OPTIONS

1. That Council direct Staff to proceed with Long Term Borrowing with Electorate Approval.
 - The advantages of this option: This option would allow the decision to fully fund this project through borrowing to proceed. Long-term borrowing helps fund major capital projects that have a long life span, allocates the cost amongst current and future taxpayers that will all benefit from the project, and is the least impact to taxpayers.
 - The disadvantages of this option: Undertaking a fourth attempt at seeking electorate approval may be poorly perceived. Communications materials from the previous efforts will be re-used and issues with misinformation being shared are expected to remain.
 - Financial Implications: Appendix A provides the updated impact to the typical home for borrowing based on current interest rates and current 2025 1% of taxes.
2. That Council direct Staff to proceed with Funding by Increasing Property Taxes and User Rates.

- The advantages of this option: This would allow the project to be fully funded and would allow the City to avoid financing costs and restrictions.
 - The disadvantages of this option: This will remove the generational equity benefits of financing this project through borrowing. This would be a large increase in property taxes and user rates for 2026 up to and including 2030.
 - Financial Implications: Property taxes and user rates will be adjusted to generate the required cash flow for the project from 2026 and up to and including 2030. Attachment A provides the projected impact on the 2025 – 2029 Provisional Financial Plan and the projected impact to the typical home over the project period 2026 – 2030. The 2026 – 2030 Draft Financial Plan will include all five years of the required cash flow for the project.
3. That Council direct Staff to proceed with Funding by Increasing Property Taxes and User Rates and Deferring Other Projects to use reserves, and provide Staff with the desired target level of project deferrals.
- The advantages of this option: This would allow the project to be fully funded. It will maintain an element of the generational equity in financing through borrowing while also lessening the financing costs. This would be a smaller increase in property taxes and user rates versus Option 2.
 - The disadvantages of this option: This will remove the generational equity benefits of financing this project through borrowing. This will also result in many desired and required initiatives being delayed and service levels dropping.
 - Financial Implications: The 20 Year Investment Plan recommendations were based on funding several larger capital projects including the Public Works Yard Upgrades from borrowing. Funding a portion of the project from reserves will negatively impact the City's infrastructure funding deficit. The impact on Property Taxes and User Rates can not be determined until Staff receives direction on the desired level of project deferrals.
4. That Council direct Staff to proceed with Detailed Design and Costing and allocate \$1,800,000 funded by \$1,314,000 from the General Asset Management Reserve Fund, \$162,000 from the Sewer Operating Reserve, and \$324,000 from the Water Operating Reserve to undertake the work.
- The advantages of this option: This option will allow the project to immediately proceed and demonstrate the City's commitment to creating a no-frills and fit for purpose facility from which Operations Staff can delivery services to the community. Advancing the design will provide greater focus to the project's scope, allow for more precise costing, and will contribute to better public understanding of what is being proposed to be built.
 - The disadvantages of this option: Directing funding to support this option will result in less reserves available to fund other City initiatives.
 - Financial Implications: Based on the 2025 – 2029 Provisional Financial Plan the revised projected closing balances of the reserves are \$14.5M for the General Asset Management Reserve Fund with a minimum reserve balance requirement of \$6.1M, \$12.0M for the Sewer Operating Reserve and \$7.1M for the Water Operating Reserve. The 2025 – 2029 Financial Plan will be revised for final to reflect the funding allocation.

5. That Council provide Staff with alternative direction.]

SUMMARY POINTS

- The Public Works Yard is no longer able to support and sustain the services to a growing community of 110,000.
- The Public Works Updates project has been at a conceptual level of development since 2021. Allowing it to advance into detailed design will allow for more accurate cost forecasting and clarity around what specifically is going to be built.
- The purpose of the Public Works Updates project remains focused on creating a functional place for City crews to work out of as they deliver services to the community.
- There are numerous funding strategies that can be explored for construction; each comes with its own pros and cons and a decision does not necessarily need to be made at this time.

ATTACHMENTS:

Appendix A – Financial Projections

Appendix B – June 24, 2024, Governance and Priorities Committee Report, “Nanaimo Operations Centre / Public Works Yard Project Update”

Submitted by:

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**Public Works Yard Upgrades
Based on 2025 - 2029 Provisional Financial Plan**

Assumptions:

Project costs are allocated 73% to General Fund, 9% to Sewer Fund, and 18% to Water Fund
 Debt servicing based on 20 year amortization at a 4.50% interest rate and a 3.5% actuarial rate @ Jan 29, 2025
 Budget excludes costs and funding allocated to date

Funding Strategy: Long-Term Borrowing for Full Amount

Budget: \$90 million
 Anticipated Borrowing: \$13 million 2026, \$16 million 2027, \$20 million 2028, \$25 million 2029, \$16 million 2030
 Debt Servicing Funded By: Property taxes, water user fees, and sewer user fees

Projected Increase to 2025 - 2029 Provisional Financial Plan

	2025	2026	2027	2028	2029
Additional Property Tax Increase	0.0%	0.1%	0.4%	0.5%	0.6%
Additional Sewer User Fee Increase	0.0%	0.2%	0.8%	1.1%	1.2%
Additional Water User Fee Increase	0.0%	0.1%	0.6%	0.8%	1.0%

Projected Cost to the Typical Home

Property Taxes
 Estimated cost per household^{1,2}: \$ 100 Approx. \$13 per \$100,000 of assessed value

User Fees
 Estimated cost per household - sewer³ \$ 10
 Estimated cost per household - water^{3,5} \$ 24

Funding Strategy: Property Taxes, Water User Fees and Sewer User Fees

Budget: \$90 million

Anticipated Cash Flow: \$13 million 2026, \$16 million 2027, \$20 million 2028, \$25 million 2029, \$16 million 2030

Projected Increase to 2025 - 2029 Provisional Financial Plan

	2025	2026	2027	2028	2029
Additional Property Tax Increase	0.0%	5.8%	1.0%	1.3%	1.6%
Additional Sewer User Fee Increase	0.0%	11.9%	1.9%	2.5%	2.9%
Additional Water User Fee Increase	0.0%	8.8%	1.4%	2.0%	2.4%

Projected Cost to Typical Home by Year

	2025	2026	2027	2028	2029
Property Taxes ⁴	\$ -	\$ 179	\$ 220	\$ 275	\$ 343
Sewer User Fees	\$ -	\$ 20	\$ 24	\$ 30	\$ 36
Water User Fees ⁵	\$ -	\$ 47	\$ 56	\$ 70	\$ 86
Total Increase	\$ -	\$ 246	\$ 300	\$ 375	\$ 465

Total Estimated Cost of Project to Typical Home⁶

Property Taxes ⁴	\$ 1,239
Sewer User Fees	\$ 133
Water User Fees ⁵	\$ 314
Total	\$ 1,686

¹ Based on typical home valued at \$783,808, 2025 1% of taxes and average Class 1 change

² Based on full borrowing

³ Based on projected impact in first year after full borrowing is complete

⁴ Based on a typical home valued at \$783,808, average class 1 change

⁵ Based on 3 year (2021 -2023) average seasonal water usage

Numbers have been rounded

ATTACHMENT B



Staff Report for Decision

DATE OF MEETING JUNE 24, 2024

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SUBJECT NANAIMO OPERATIONS CENTRE / PUBLIC WORKS YARD
PROJECT UPDATE

OVERVIEW

Purpose of Report

To provide Council with options to improve facilities at Public Works and seek direction to implement Council's preferred option.

Recommendation

That Council direct Staff to proceed with one of the presented options and prepare a borrowing bylaw in support of the project.

BACKGROUND

Plans have been in development to improve the Public Works Yard for several years. At the June 19, 2023, Council meeting, Council directed Staff to conduct an Alternative Approval Process (AAP) to seek approval of the electors for adoption of "Nanaimo Operation Centre Phase One Borrowing Bylaw 2023 No. 7362". This bylaw would authorize the City to borrow up to \$48,500,000 for Phase One construction of the Nanaimo Operations Centre (NOC).

The total project budget and scope was allocated as follows:

- \$40,000,000 to construct a Fleet and Maintenance Facility, a truck wash and dump facility, and site servicing for the Public Works Yard;
- \$4,500,000 to replace failing storm water management facilities and build a retention pond in Beban Park to handle runoff water from the Public Works Yard;
- \$1,250,000 to retrofit the fire training tower located at the Vancouver Island Emergency Response Academy to facilitate the required additional use of the Public Works Yard; and,
- \$2,750,000 to construct a trail in Beban Park in lieu of frontage improvements normally associated with development.

Following this direction, two AAPs were conducted which were unfortunately not completed successfully.

At the February 12, 2024, Council Meeting, Council directed Staff to prepare funding options for presentation at a later date. The purpose of this report is to present those options to Council and seek direction to implement Council's preferred option.

DISCUSSION

Three options for consideration are outlined in this report:

1. Status Quo
 - Proceed with what was previously proposed with funding options.

2. Modified Status Quo
 - Proceed with what was previously proposed with scope adjustments and funding options.

3. Highest Needs in Single Phase
 - Proceed with a new plan that addresses the highest needs in a single phase, constructing the Fleet Maintenance and Administration buildings.

These options have been developed with the goal of finding a balance of the project’s goals, the City’s current and future needs, and feedback received from the community.

At-a-Glance Comparison – All Options

The following table is intended to provide a very high-level comparison of each option. Detailed information can be found in subsequent sub-sections of this discussion.

Table 1 – At-a-Glance Comparison

	Initial Cost	Long Term Cost	Immediate Benefit	Certainty of Service Continuity	Ease of Implementation
Option One Status Quo					
Option Two Modified Status Quo					
Option Three Highest Needs in Single Phase					

Detailed Discussion - Option One – Status Quo

The first option, ‘Status Quo’, would retain all scope elements previously identified.

- Phase One Fleet Maintenance Building
- Stormwater Management
- Beban Park Trail
- Fire Training Tower Fuel Conversion

This option would provide all the same benefits previously described in project documentation, including a safe and effective work environment to maintain the City’s fleet, stormwater management practices meeting City standards, completion of a loop of trails around Beban Park in lieu of works and services, and elimination of wood burning at the existing Fire Training Tower.

The budget for this option is \$48.5M, however a maximum borrowing amount of \$48.0M would be required as the City has successfully secured \$500k in grant funding from the BC Active Transportation Grant for the Beban Park Trail. Borrowing repayment options include:

- Repayment funded by property taxes only, which would result in an estimated yearly cost per household for the typical Nanaimo home of \$74; or,
- Repayment funded 50% by property taxes and 50% by General Asset Management Reserve Funds, which would result in an estimated yearly cost per household for the typical Nanaimo home of \$37.

Detailed Discussion - Option Two – Modified Status Quo

The second option, 'Modified Status Quo' would include all elements of the first option minus the Beban Park Trail and Fire Training Tower Fuel Conversion.

- Phase One Fleet Maintenance Building
- Stormwater Management

The Beban Park Trail was proposed to be undertaken in lieu of works and services, nominally consisting of a sidewalk, along the Public Works Yard frontage on Labieux Road as part of the NOC Project. Under City bylaws, Council could waive the requirement for works and services and not undertake any pedestrian improvements as part of the NOC project.

Detailed design of the Beban Park Trail is nearly complete. Once the design is done, this project could be held as a 'shovel ready' project until other funding sources become available if Council wishes.

The Fire Training Tower Fuel Conversion could be funded in the near term from reserves or included as a project in the 2025-2029 Financial Plan. However, this would likely require another project to be reprioritized.

The budget for this option is \$44.5M. Borrowing repayment options include:

- Repayment funded by property taxes only, which would result in an estimated yearly cost per household for the typical Nanaimo home of \$69; or,
- Repayment funded 50% by property taxes and 50% by General Asset Management Reserve Funds, which would result in an estimated yearly cost per household for the typical Nanaimo home of \$34.

Detailed Discussion - Option Three – Highest Needs in Single Phase

Finally, the third option, 'Highest Needs in Single Phase' would represent a fundamental change in the scope of work for this project.

- Single Phase – Fleet Maintenance and Administration buildings
- Stormwater Management

Although the Fleet Maintenance building was singled out as the highest priority component of the overall upgrade to Public Works, the need for more general office and crew space is also an urgent priority.

This option would complete the two highest priority items for the Public Works Yard, the Fleet Maintenance and Administration buildings in one single phase of work. These are the two most expensive improvements to the Public Works Yard, and in order to complete either of these

improvements without extreme tax and corporate project planning adjustments, borrowing is required. Other future improvements to the Public Works Yard are both less urgent and less costly. As such, the portion of the project requiring borrowing could be completed in a single phase with this option, and additional future improvements to the Public Works Yard could be funded through regular project planning.

An urgent need for general office and crew workspaces at the Public Works Yard remains. Current facilities continue to be augmented to try and keep up with demands, but also continue to fail to address the core issues. For example, another temporary trailer is in the process of being added to provide space for Staff to work, but this is another costly and unsustainable temporary band-aid which doesn't fix the growing problems with this workspace.

Under this option, the configuration of the buildings would change from the Nanaimo Operations Centre (NOC) Master Plan. The existing master plan has the Fleet Maintenance building on the south end of the Yard and the Administration building on the north end of the Yard.

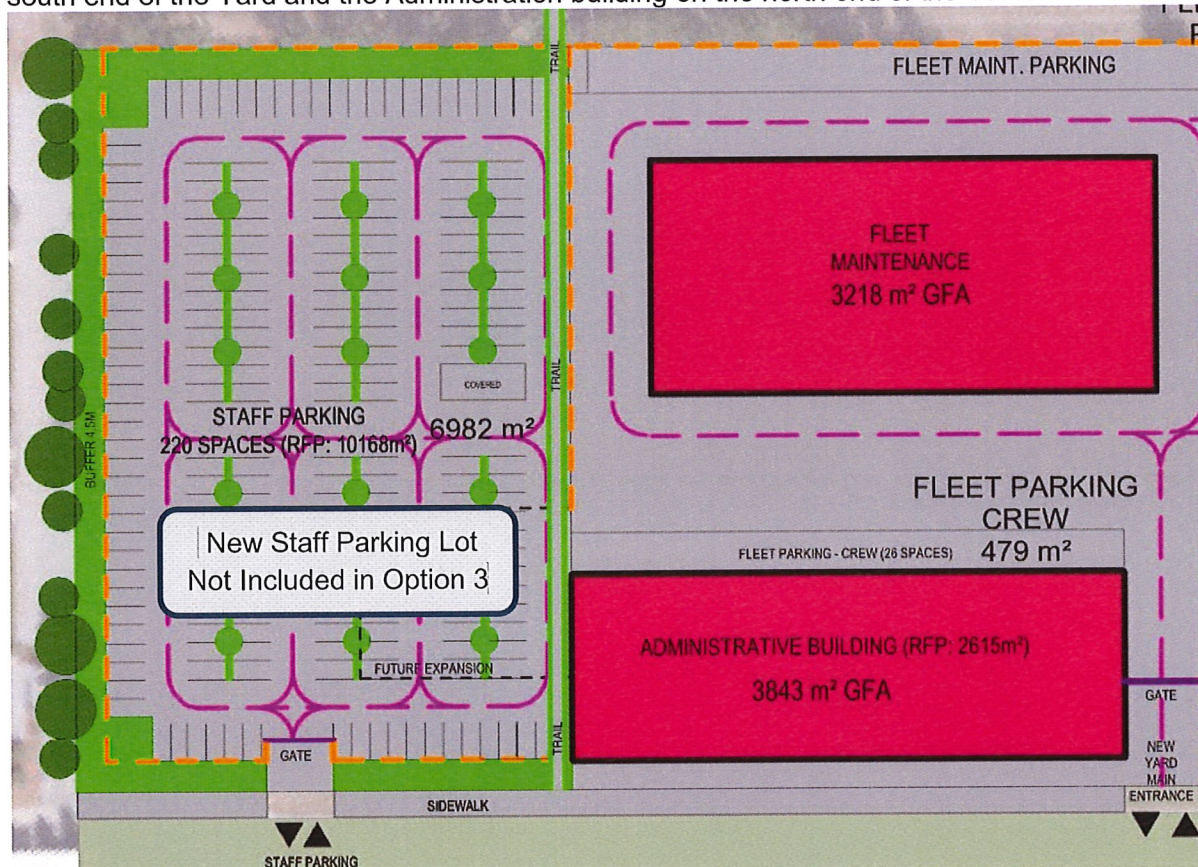


Figure 1 – Option 3

As shown in Figure 1, the Fleet Maintenance and Administration buildings would be located at the north end of the planned working areas of the NOC/Public Works Yard. Establishing these buildings at this location in the Public Works Yard would allow normal operations to continue with a minimal level of disruption during construction and would remove the immediate need to retrofit the Fire Training Tower. This option also provides significant savings in inflation costs by constructing the Administration building now, with savings projected to be approximately \$10M.

The original NOC Master Plan envisioned the implementation would occur over 4 contiguous phases. The phases were originally broken up that way to allow for continued operations of Public Works during implementation. When the decision was made to build Phase 1 first, it was never a question about the need for future phases, it was more about taking things one step at a time. Given the challenges and risks in securing funding approval for several significant capital projects, as well as some of the concerns expressed about a long-term project split into phases, it calls into question whether securing funding approval for future phases is feasible.

With the importance of additional office and crew space, there is an option to revisit the phasing and proceed with a single borrowing approval request now to address the City's most urgent needs at the Public Works Yard. Although it is more costly than just the Fleet Maintenance building, its approval would provide certainty that Public Works and Park Operations will have the capacity to continue providing the services the community is accustomed to in a safe and sustainable manner.

The downside to a combined building is the centralization of more heavy vehicle activity closer to pedestrian and light vehicle activity. There is also the concern with noise having heavy equipment shops next to office working areas. This is one of the reasons the Fleet building would ideally be separated from the Administration building; however, given the cost savings of a combined building and certainty this option provides to implement drastic improvements to the working conditions, it is believed to be worth the trade off.

The projected budget for this option is \$90M Borrowing repayment options include:

- Repayment funded by property taxes only, which would result in an estimated yearly cost per household for the typical Nanaimo home of \$139; or,
- Repayment funded 75% by property taxes and 25% by General Asset Management Reserve Funds, which would result in an estimated yearly cost per household for the typical Nanaimo home of \$104.

It must be noted that while this represents the largest initial cost of the three options presented, it also represents a significant savings versus a four-phased implementation over the projected lifecycle of the project. All four phases of NOC are preliminarily estimated to cost \$163M which would be secured through borrowing. Between the elimination of \$73M of borrowing, the associated repayment costs of those borrowed funds, and the significant escalation/inflation costs for the most expensive element of the NOC Master Plan (the Administration building) the City can save substantial costs while immediately addressing the most urgent issues at the Public Works Yard by proceeding with this option.

Next Steps

Staff have spent considerable effort reviewing possible supplementary and alternative funding avenues for this project. For instance, shortening the amortization period to reduce the cost of borrowing; however, the high impact on taxes and the lack of generational fairness makes this unfavorable. Staff have previously recommended borrowing as the most appropriate method to fund this project and continue to believe that is the case. Staff are still investigating other funding sources and expect to have clarification from the Province shortly as to whether these options are viable. Once that clarity is provided, Staff can fully update Council on the variety of options that have been considered if that is desired.

Similarly, Staff have previously recommended an AAP as the most appropriate method to gain community approval to undertake borrowing to fund this project and continue to believe that is the case. If directed by Council, Staff will return with a borrowing bylaw in support of Council's preferred option and request Council direction to begin the process of planning an AAP at that time.

FINANCIAL CONSIDERATIONS

Appendix A – Financial projections provides more detailed projections of the financial impact of borrowing for each of the above options. Each option has two funding scenarios:

- Scenario A is based on the full cost of debt servicing being funded from property taxation; and,
- Scenario B is based on a portion of debt servicing being funded from property taxation and a portion being funded from the General Asset Management Reserve Fund.

For each option, the projected impact to a typical household and the estimated cost per \$100,000 of assessed value is shown. The projected impact is based on a typical home valued at \$783,808, based on current 1% of taxes, an interest rate of 4.58% and assumes the full amount is borrowed for each option.

In addition, for each option, the revised projected property tax increases are shown. The tables show the current projected property tax increases based on the approved 2024 – 2028 Financial Plan and the revised projected property tax increases forecasts the property tax rate including the applicable debt servicing for the option. For Option Three – Highest Needs in Single Phase, the borrowing timeframe extends beyond the current Five (5) Year Financial Plan. This means in 2029 and 2030 (note principal payments on fall borrowing begin the year after the funds are borrowed) there will be an impact to property taxes to fund the debt servicing costs associated with the applicable borrowing.

The City plans to only borrow the funds required, and timing will be based on cash flow requirements for the project. Each borrowing will be for a 20-year amortization. Generally, the interest rate is fixed for the first ten years and is reset after ten years and again five years later at 15 years. The actual cost of borrowing may vary from the attached projections based on the interest rate in effect at the time of borrowing and at the reset points.

The attached projections include a conservative increase in the property tax base due to community growth. If the growth is higher or lower than the estimate, this will impact the projected property tax increase.

In June 2023, Staff presented the 20 Year Investment Plan and Asset Management Plan Update to Council along with recommendations to help address the City's infrastructure funding gap. The recommendations included funding major capital projects under development including the Nanaimo Operations Centre from borrowing. The analyses in that presentation assumed the debt servicing cost of this borrowing would be funded from property taxation. Funding a portion of the debt servicing from the General Asset Management Reserve Fund will reduce the funding available for other infrastructure projects thereby increasing the projected infrastructure funding gap and may require other projects to be reprioritized based on available funding. There may be other options for funding, such as Amenity or Development Cost

Charges, but the funding available through these options is unknown at this time and is not anticipated to be significant in comparison to the project budget. |

OPTIONS

Staff are seeking Council's direction to proceed with one of the presented options and prepare a borrowing bylaw in support of the project. The options are:

1. That Council direct Staff to proceed with the 'Status Quo' option and prepare a borrowing bylaw in support of the project.
 - The advantages of this option: This option moves forward with the upgrades for the most urgent aspect of Public Works and completes several other projects which will benefit the community.
 - The disadvantages of this option: This option only includes direction to proceed with the Fleet Maintenance building. It leaves the urgent Administrative and Crew Space needs with an uncertain future.
 - Financial Implications: The required funding for this option is \$48.5M, which would be secured by \$48.0M in borrowing and \$0.5M in grant funding. Debt servicing would be funded from property taxation or a combination of property taxation and reserve funding.

2. That Council direct Staff to proceed with the 'Modified Status Quo' option and prepare a borrowing bylaw in support of the project.
 - The advantages of this option: This option moves forward with the upgrades for the most urgent aspect of Public Works.
 - The disadvantages of this option: This option only includes direction to proceed with the Fleet Maintenance building. It leaves the urgent Administrative and Crew Space needs with an uncertain future. It doesn't include the trail which is viewed as in lieu of works and services or the Fire Training Tower Fuel Conversion which is required to ensure safe use of the future Fleet Maintenance building.
 - Financial Implications: The required budget for this option is \$44.5M, which would be secured by borrowing. Debt servicing would be funded from property taxation or a combination of property taxation and reserve funding.

3. That Council direct Staff to proceed with the 'Highest Needs in Single Phase' option and prepare a borrowing bylaw in support of the project.
 - The advantages of this option: Is that it moves forward with all the most urgent needs of Public Works including Fleet, Administration and Crew Space. There is a lower overall cost because the site is more compact, there is less delay, and hence less exposure to inflation. This would complete the works requiring borrowing in a single phase and provide certainty that the services the community relies on can continue to be delivered safely and sustainably. This option would also save the City significant costs over the lifecycle of the entire NOC project.
 - The disadvantages of this option: It has a higher initial cost. It also leads to a slightly less than ideal overall Public Works Operations Yard layout.

- Financial Implications: The required budget for this option is \$90M, which would be secured by borrowing. Debt servicing would be funded from property taxation or a combination of property taxation and reserve funding.

SUMMARY POINTS

- There are three options for consideration to move forward with upgrades to Public Works including multiple funding strategies. These options have been developed with the goal of finding a balance of the project's goals, the City's current and future needs, and feedback received from the community.
- Borrowing is still the recommended primary funding strategy.
- Electoral Approval will be required to borrow the necessary funds for whichever option is selected.
- The Alternative Approval Process (AAP) is still the recommended method to gain Elector Approval for borrowing.

ATTACHMENTS

Attachment A – Funding Scenarios Summary

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APPENDIX A

**Nanaimo Operations Centre
Based on 2024 - 2028 Financial Plan**

Assumptions:

Debt servicing based on 20 year amortization at 4.58% @ June 4, 2024
 Estimated cost per household is for the typical home valued at \$783,808
 Budget excludes costs and funding allocated to date

Option #1 Status Quo

Budget: \$48.50 million
 Funding: \$0.50 million BC Active Transportation Infrastructure Grant
 \$48.00 million borrowing
 Anticipated Borrowing: \$11.20 million 2025, \$17.28 million 2026, \$19.52 million 2027

Projected Impact to the Typical Home

Scenario A - Debt Servicing Fully Funded by Property Taxes

Estimated cost per household for the typical home: \$ 74 ^{1,2}
 Estimated cost per \$100,000 of assessed value: \$ 9 ^{1,2}

	2024	2025	2026	2027	2028
Projected Property Tax Increases	7.7%	7.2%	4.1%	2.5%	2.7%
Revised Projected Property Tax Increases	7.7%	7.3%	4.8%	3.2%	3.5%

Scenario B - Debt Servicing Funded 50% by Property Taxes and 50% by General Asset Management Reserve Fund

Estimated cost per household for the typical home: \$ 37 ^{1,2}
 Estimated cost per \$100,000 of assessed value: \$ 5 ^{1,2}

	2024	2025	2026	2027	2028
Projected Property Tax Increases	7.7%	7.2%	4.1%	2.5%	2.7%
Revised Projected Property Tax Increases	7.7%	7.2%	4.4%	2.8%	3.1%

**Nanaimo Operations Centre
Based on 2024 - 2028 Financial Plan**

Assumptions:

Debt servicing based on 20 year amortization at 4.58% @ June 4, 2024
 Estimated cost per household is for the typical home valued at \$783,808
 Budget excludes costs and funding allocated to date

Option #2 Modified Status Quo

Budget: \$44.50 million
 Funding: \$44.50 million borrowing
 Anticipated Borrowing: \$7.70 million 2025, \$17.28 million 2026, \$19.52 million 2027

Projected Impact to the Typical Home

Scenario A - Debt Servicing Fully Funded by Property Taxes

Estimated cost per household for the typical home: \$ 69 ^{1,2}
 Estimated cost per \$100,000 of assessed value: \$ 9 ^{1,2}

	2024	2025	2026	2027	2028
Projected Property Tax Increases	7.7%	7.2%	4.1%	2.5%	2.7%
Revised Projected Property Tax Increases	7.7%	7.2%	4.6%	3.2%	3.5%

Scenario B - Debt Servicing Funded 50% by Property Taxes and 50% by General Asset Management Reserve Fund

Estimated cost per household for the typical home: \$ 34 ^{1,2}
 Estimated cost per \$100,000 of assessed value: \$ 4 ^{1,2}

	2024	2025	2026	2027	2028
Projected Property Tax Increases	7.7%	7.2%	4.1%	2.5%	2.7%
Revised Projected Property Tax Increases	7.7%	7.2%	4.4%	2.8%	3.1%

**Nanaimo Operations Centre
Based on 2024 - 2028 Financial Plan**

Assumptions:

Debt servicing based on 20 year amortization at 4.58% @ June 4, 2024
 Estimated cost per household is for the typical home valued at \$783,808
 Budget excludes costs and funding allocated to date

Option #3 Highest Needs in Single Phase

Budget: \$90.00 million
 Funding: \$90.00 million borrowing
 Anticipated Borrowing: \$7.27 million 2025, \$16.635 million 2026, \$25.18 million 2027, \$24.28 million 2028, \$16.635 million 2029

Projected Impact to the Typical Home

Scenario A - Debt Servicing Fully Funded by Property Taxes

Estimated cost per household for the typical home: \$ 139 ^{1,2}
 Estimated cost per \$100,000 of assessed value: \$ 18 ^{1,2}

	2024	2025	2026	2027	2028
Projected Property Tax Increases	7.7%	7.2%	4.1%	2.5%	2.7%
Revised Projected Property Tax Increases	7.7%	7.2%	4.6%	3.2%	3.8%

Scenario B - Debt Servicing Funded 75% by Property Taxes and 25% by General Asset Management Reserve Fund

Estimated cost per household for the typical home: \$ 104 ^{1,2}
 Estimated cost per \$100,000 of assessed value: \$ 13 ^{1,2}

	2024	2025	2026	2027	2028
Projected Property Tax Increases	7.7%	7.2%	4.1%	2.5%	2.7%
Revised Projected Property Tax Increases	7.7%	7.2%	4.5%	3.0%	3.5%

¹ Based on 2024 1% of taxes, average Class 1 change, and for complete borrowing

² Rounded to nearest dollar