

Recovery Park Project Capital Budget Adjustment

ISSUE

City Council approved a budget of \$31,100,000 at its December 2019 meeting for the Recovery Park Project. The project is broken down into several components.

The Administration received prices for the design-build project on May 20, 2021, and the lowest price results in the overall budget to be exceeded by approximately \$6,400,000, requiring the overall budget to be increased to \$37,500,000.

BACKGROUND

History

At its December 2019 meeting, City Council received a report from the Administration providing options on the Recovery Park Project. When fully operational, the new facility will offer visitors a combined service for waste disposal and recycling. Each option was presented with a Class D estimate (-30% to +50% accuracy). City Council approved the option to build the Recovery Park Project with a total budget of \$31,100,000.

At its February 2020 meeting, City Council also approved the following funding options with projected borrowing values, depending on whether Investing in Canada Infrastructure Program (ICIP) federal funding would be received:

Table 1:

	Reserves or Operating Contribution	Borrowing	ICIP	Total	Property Tax Phase-in Required	Additional Property Tax Increase Required in 2022
Original Project Approval	\$12.8	10.6	-	\$23.4	\$0.95	0.04%
Revised with ICIP Funding	\$12.8	8.9	9.4	\$31.1	\$0.87	0.00%
Revised without ICIP Funding	\$12.8	18.3	-	\$31.1	\$1.64	0.32%

Current Status

As the project progressed in 2020, the work was separated into a design-build project component and several in-house conventional project components. The Administration applied for Federal and Provincial funding through the ICIP for the design-build component of the Recovery Park Project. The project has received conditional approval for ICIP funding for a total of \$14,299,000.

Public Engagement

The Cities Act and The Public Notice Policy Bylaw No. 8171 require that City Council give public notice before borrowing money. On August 27, 2018, a public notice was given for a borrowing amount of \$12,786,000. No additional public notice will be required as the project will be borrowing less than this amount.

City of Saskatoon's Current Approach

The Administration has extensively reviewed all aspects of the design-build project and there is limited opportunity to adjust scope to reduce the cost without impacting planned operations and functionality. The Administration is actively working with the lowest priced proponent to identify value-engineering cost savings.

The following are the timelines for the Recovery Park Project:

- Design-build project start date – July 1, 2021;
- New landfill access road completed – July 30, 2021;
- Project substantial completion date – June 30, 2023; and
- Facility used by public – fourth quarter 2023.

Upon approval of the adjusted budget, the Administration will finalize the Recovery Park Project Agreement with the Contractor prior to July 1, 2021, for substantial completion of June 30, 2023.

The Administration will create an operational plan for the various diversion streams by April 2023.

OPTIONS

Option 1 - Fund the Full Project

To fund the full project and increase the Capital Project #2050 – Recovery Park by \$6,400,000 to a total budget of \$37,500,000. This option ensures that all functionality of the project is maintained.

Option 2 - Remove Public Art from the Project

The current project budget allocates \$310,000 for public art as per the City of Saskatoon's (City) Public Art Policy.

City Council may elect to not include public art in the Recovery Park Project as this budget item does not impact the functionality of the facility. This would result in Capital Project #2050 – Recovery Park to be increased by \$6,090,000 to a total budget of \$37,090,000. This option is not in alignment with City Council Policy No. C10-025, Public Art so is not recommended.

RECOMMENDATION

That the Standing Policy Committee on Environment, Utilities and Corporate Services recommend to City Council:

1. That Option 1 – Fund the Full Project be approved and Capital Project #2050 – Recovery Park be increased by \$6,400,000 to a total budget of \$37,500,000;
2. That the budget adjustment be funded as follows:
 - a) Increase Investing in Canada Infrastructure Program (ICIP) funding by \$4,913,000;
 - b) Increase operating contribution funding by \$865,000; and
 - c) Increase Borrowing by \$622,000.

RATIONALE

At its December 2019 meeting, City Council received a report from the Administration providing options on the Recovery Park Project. Each option was presented with a Class D estimate (-30% to +50% accuracy). City Council approved the option to build the Recovery Park Project with a total budget of \$31,100,000.

The \$31,100,000 Class D estimate was completed prior to COVID-19. Since December 2019, there have been significant price increases in building materials, including the following examples:

- Lumber prices have been very volatile and have increased by approximately 300%;
- Steel prices have increased by approximately 60%; and
- The supply chain of manufactured goods has been significantly impacted, which results in schedule risks for contractors.

The Administration has been actively procuring the design-build project for the last eight months through a best value procurement process. During the procurement, the two proponents have each committed a significant amount of resources to pursue this project. Throughout the procurement process, the City also modified the contract where possible to ensure an efficient project site is available for the contractor.

FINANCIAL IMPLICATIONS

The original project budget approved at City Council on August 27, 2018, had borrowing of \$10,600,000 to fund the project. The property tax phase-in to make annual repayments for the \$10,600,000 in borrowing was estimated at \$951,200, in which \$865,000 was added to the operating budget in 2019 and \$86,100 was expected to be added to the operating budget in 2022. The public notice Intent to Borrow report for this project was approved for up to \$12,786,000 in borrowing at the August 27, 2018 City Council Public Meeting.

With the larger ICIP funding of \$14,299,000, the increased project budget of \$37,500,000 will have borrowing of \$9,511,000, which results in an estimated \$1,086,700 annual debt repayment if borrowed over ten years. The Administration will not borrow on this project until the funds are required, and the final terms and interest rate of this borrowing will be determined at that time. The already existing phase-in of \$865,000 along with funds transferred from an expiring loan in 2023 of \$221,700 is expected to be sufficient to make the repayments on this loan. Therefore, no further property tax increases are proposed.

If Option 1 is chosen, the budget will be updated to \$37,500,000, which requires an increase of \$865,000 in operating contribution (for a total operating contribution of \$3,460,000) resulting from the prior mill rate increase that can be applied to the project as borrowing will be later than originally anticipated; an increase of \$622,000 in borrowing (for a total of \$9,511,000 in borrowing); and an increase of \$4,913,000 in ICIP funding (for a total of \$14,299,000 in ICIP funding). The remaining reserve contributions of \$10,230,000 remain unchanged.

ADDITIONAL IMPLICATIONS/CONSIDERATIONS

The Recovery Park Project includes moving facilities that accommodate the planned landfill cell expansion so that the landfill's airspace may be fully utilized. If the landfill's cell expansion is not constructed, the City is projected to run out of Airspace by 2024, putting the landfill at risk for being able to accept materials and incurring additional operational costs to transfer waste to other landfills. The project also includes the installation of a lined pond that will capture the runoff from the western landfill face. This pond is a permit requirement to operate the landfill in compliance with the Saskatchewan Ministry of Environment's requirements.

COMMUNICATION ACTIVITIES

A webpage, saskatoon.ca/recoverypark, has been created which includes a project description, timelines, key features and concept plan. Prior to construction beginning, a news release will be issued about the project and the purpose. Updates will be provided to the public and media throughout the duration and upon completion of the project. Messaging will include the types of materials that will be accepted at Recovery Park and the convenience of accepting numerous materials at one location. Communications and marketing initiatives will also be developed to educate users about Recovery Park and existing programs that may transition over to Recovery Park, such as the Household Hazardous Waste Days.

Report Approval

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