

## **Budget Adjustment Request – Capital Project P.01416.06 – Land Development - Lift Station D – Industrial – Hampton Village Business Park**

### **ISSUE**

This report is to obtain City Council approval for a budget adjustment within Capital Project P.01416.06 – Land Development Trunk Sewer - Lift Station D – Industrial – Hampton Village Business Park, which currently has insufficient funds available to proceed with the construction procurement phase of the Lift Station. The purpose of this report is to seek approval for a budget adjustment in the amount of \$7,457,000 sourced from the Lift Station Reserve.

### **RECOMMENDATION**

1. That City Council approve a budget adjustment increase of \$7,457,000 to Capital Project P.01416.06 – Land Development Trunk Sewers – Lift Station D – Industrial – Hampton Village Business Park;
2. That the budget adjustment be funded from the Lift Station Reserve; and
3. That an exemption to Policy C03-036 Multi-Year Business Plan and Budget Policy be approved to include a contingency of 20% for this project.

### **BACKGROUND**

The Hampton Village Business Park (HVBP) is planned to be a commercial and industrial district located to the east of the existing Hampton Village residential neighbourhood. On September 30, 2019, City Council approved the Municipal Services and Compatibility Agreement between the City of Saskatoon (City) and Kahkewistahaw First Nation (KFN), where the Kahkewistahaw Urban Reserve was approved to be located within the business park.

A servicing agreement was subsequently entered into on July 8, 2021, and as part of the agreement, the City is obligated to service the area with required stormwater and sanitary sewer infrastructure. In early 2022, a clause within the servicing agreement was invoked requesting that site servicing be accelerated to allow development of the Urban Reserve to proceed. Capital Project P.01416 – Land Development – Trunk Sewer – Hampton Village was identified as a Prepaid Land Development project to support this effort.

To provide sanitary sewer services for the HVBP, a new lift station is required because surrounding sanitary infrastructure is at capacity. The scope of work for this project includes design and construction of a new lift station in the HVBP. Capital Project P.01416.06 is supporting the lift station project within the overall development project.

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**DISCUSSION/ANALYSIS**

Project Progress Overview

In July 2022, a design for the new lift station was started by a third-party engineering consultant. In February 2023, construction contractors were prequalified to submit construction bids for the construction of the lift station once the detailed design of the lift station was complete. In May 2023, the lift station design was completed and is now ready to be tendered to the pre-qualified contractors for construction bids.

**FINANCIAL IMPLICATIONS**

On May 9, 2022, City Council approved a budget advancement of \$763,200 to the 2022 budget year from 2024 for Capital Project P.01416 to support engineering efforts to prepare a design for the lift station. At that time, it was noted that a future budget adjustment would be required when the detailed design was complete, and a more accurate cost estimate could be completed.

In November 2022, during the Capital Budget deliberation process, City Council approved a revised project budget to support the lift station construction. A Class 4 Construction Cost Estimate (-30% to +50% accuracy) was completed by the third-party engineering design consultant at the preliminary design stage to determine this revised budget.

In May 2023, a Class 1 Construction Cost Estimate (-10% to +15% accuracy) was completed by the third-party engineering design consultant, resulting in revised cost estimate for the project. In addition to a more accurate cost estimate due to completion of the detailed design, contributing factors to the increased costs include the requirement for a deeper excavation, increased scope to include ancillary connections related to the forcemain and sanitary trunk infrastructure, inclusion of H2S treatment due to length of the forcemain and general inflation impacts.

Currently, Capital Project P.01416.06 has \$7,466,000 of approved funding to support the remaining planned expenditures for the lift station scope of work. Based on the revised construction cost estimate and the remaining engineering fees, the cost to complete the lift station project is as follows:

Remaining Engineering Fees	\$	836,000
Remaining Engineering Contingency	\$	47,000
Engineering Subtotal	\$	883,000
Estimated Construction Fees	\$	10,996,000
Contingency (20%)	\$	2,199,000
Construction Subtotal	\$	13,195,000
Project Subtotal	\$	14,078,000
GST (5%)	\$	704,000
PST (6%)	\$	845,000
Gross Project Costs	\$	15,627,000
Less: GST Rebate	\$	704,000

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Net Budget Required	\$ 14,923,000
Budget Remaining - P.01416.06	\$ 7,466,000
<b>Net Budget Request</b>	<b>\$ 7,457,000</b>

Per Section 4.3(d)(i) of the City’s Budget Policy, contingencies shall correspond with industry standards and shall not exceed 10% (or a percentage determined by City Council) of the total project estimated cost. Due to uncertain market conditions and complexity of certain components of this project, a construction contingency of 20% is included for the lift station installation. Any funds remaining upon project completion will be returned to the Lift Station Reserve. If the construction bid submissions received exceed the estimated construction fees, a future budget adjustment will be required.

The Lift Station Reserve is the funding source for Capital Project P.01416.06 for the Hampton Village Business Park lift station that will serve the catchment areas of the Hampton Village Business Park, Airport Industrial and the Aero Green development and therefore, does not impact the mill rate. The cash flow for the payment of the lift station is based on the terms of the servicing agreement signed on July 8, 2021. Those terms indicate that the lead developer, Kahkewistahaw First Nation, is responsible initially for 50% of the cost of the lift station. The City will charge the lift station levy upon each future subdivision within the catchment area to the various landowners. The levy will proportionately be rebated back to the lead developer over time as each subdivision occurs and the rate is applied. A sunset provision exists at the end of 15 years, that any remainder of the original cost paid for by the Developer to the City not already reimbursed, excluding the amount that relates directly to their lands, will be forwarded back to the Developer. The City will continue to collect the lift station levy upon subdivision for any lands not yet subdivided within the catchment area.

The lead developer, Kahkewistahaw First Nation, has acknowledged the necessity of a revised budget and is aware of the implication of these changes.

**NEXT STEPS**

Pending approval of the budget adjustment, construction tender bid documents are prepared and ready to be issued to the pre-qualified contractors.

**Report Approval**

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