

## Report to Committee

- For Council Decision       For Council Direction  
 For Council Information



<b>TOPIC:</b>	Infrastructure Services Building Replacement	August 27, 2024
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### PURPOSE:

To provide information regarding the proposed Infrastructure Services Building Replacement.

### RECOMMENDATION:

That Committee accepts the Infrastructure Services Building Replacement Report for information.

### RATIONALE:

The current Infrastructure Services building is not suitable for the long-term needs of the organization. There are issues surrounding Occupational Health and Safety (OHS) specific concerns, existing building condition and capacity to keep up with service delivery. Options were reviewed to delay the building or expand onto the building, however, they both do not suitably resolve all the issues presented or act sustainably for the long-term needs of the organization.

Administration is taking a planned approach. The following have either already been completed or are planned for in the next few years.

- 2021 - Facility Condition Assessment
- 2023 - Infrastructure Services Feasibility Study
- 2025 - Design
- 2027 - Start of construction
- 2029 - Occupancy

Morinville continues to see significant community growth, and having a safe, suitably sized and efficient workspace is necessary for the provision of critical services for the community.

### REPORT INFORMATION:

Morinville's Infrastructure Services department primarily works out of the Infrastructure Services Yard at 10310 107 Street. Infrastructure Services is responsible for many service areas including:

- Transportation Services
- Parks and Open Spaces
- Utilities (water, sanitary, storm, solid waste)
- Fleet Maintenance
- Building Maintenance
- Capital Projects Management
- Engineering Services (limited)

Currently, the department has 23.25 full-time staff and an additional 14 summer seasonals to provide the service levels associated with these. The Infrastructure Services Building requires workstations for office staff, mechanic bays for fleet repairs, and bullpens for operational staff.

The Infrastructure Services Building was constructed in 1979 when Morinville had a population of 4,207. A small facility expansion which added additional office spaces was completed around 2009, when Morinville's population was approximately 7,636. During this expansion, Infrastructure Services office staff collocated with the department in the expanded building. Today, Morinville now has around 10,500 people, a growth in the community of about 40% since the last expansion.

Due to the number of years since the last facility expansion and the 40% growth of the Town, there are issues with the current facility, including workspace OHS concerns, building condition issues, supply room constraints and staff workspaces. As part of the Facility Condition Assessment and the Infrastructure Services Feasibility Study, options including renovation, expansion, and full replacement were noted. An overview of some of the issues impacting the building are detailed below:

#### **Workplace OHS Deficiencies:**

As an employer, providing safe workspaces is a legal requirement. The assessment of the current Infrastructure Services Building has identified some notable concerns:

1. Ventilation Issues – The shop currently does not meet Safety Code with its ventilation system. This issue is heightened during the winter when the shop bay doors remain closed, so fumes tend to linger in the shop and dissipate into office spaces.
2. Hazardous Material Containment - Infrastructure Services uses various hazardous and flammable materials in its day-to-day operations. The building does not have proper fire-rated containment enclosures for those materials. The work conducted out of the IS building requires quantities of materials that can not be contained in cabinets.
3. Load Bearing Wall Issues - The cinderblock walls in the wash bay are deteriorating due to constant water vapours. An air handling unit was installed in 2023 as a necessary fix to lessen further deterioration of a critical load-bearing wall, however, the walls themselves have not been addressed.
4. Various Code Issues – Various code issues exist around the building as outlined in Appendix A.

#### **Building Condition:**

The Facility Condition Assessment (Appendix A) report includes current issues found with the facility. Two (2) of the more pressing and costly issues are:

1. Roofing Issues – The current roof is at the end of its lifecycle. The roof has already been failing and has allowed water seepage through the ceiling multiple times during rain events. Rainwater drips into staff workstations and throughout the hallways and buckets are used to catch the water. The waterproofing membrane throughout the building has deteriorated, allowing water to seep in.
2. Foundational Issues – There is differential movement in the concrete and sidewalks around the building. The building had settled below the surrounding ground level, and the north side of the building had flooded numerous times. Foundational issues are difficult and expensive to repair.

A fulsome compilation of the other building conditions issues is presented in the attached Appendix A, including envelope issues, structural issues, finishes, HVAC, plumbing, and electrical issues.

**Building Capacity:**

A near-term issue with the current facility is the lack of available space. To accommodate the increased workloads and continue to provide acceptable service levels to the public, we anticipate staffing growth to address unsustainable service level gaps/pressures and increased regulatory requirements in areas such as engineering, mechanics, building maintenance, and parks operations.

The current building has surpassed suitable capacity. We are already leasing the Transportation Building from Alberta Transportation (month-to-month) and the Annex building. Other needs include additional workstations, change rooms, auxiliary space for parts, supplies, equipment, tools, and gear.

The utilities team was moved from their previous location in the IS Building to the Annex due to numerous OHS-related issues, such as inadequate ventilation in their office space (which was originally a parts storage room).

Enforcement Services also has space needs to accommodate. Prior to 2021, Enforcement worked out of the RCMP Detachment and then moved to the Transportation Yard building when that was no longer possible. Subsequently, Enforcement Services moved into the Annex building in 2023. The intent was that the Annex was a temporary solution until a replacement Infrastructure Services building was in place. This was planned as a mid-term solution for Enforcement Services. The long-term plan is for Enforcement Services to be housed in a new RCMP Detachment.

**Capital Funding Impacts:**

The Infrastructure Services building is included in the Long-Term Capital Plan and the Long-Term Operational Plan as a debt-funded project. The project is identified for debt funding as the magnitude of the project is such that other forms of financing (reserves or taxes) are insufficient or unmanageable. That said, there are benefits to using debt to fund municipal facilities that help support the long-term viability of the community.

1. The cost of the debt is financed equally over an extended period of time, likely 30 years. Spreading the cost over this period results in manageable payment terms for the municipality, while also allocating the cost of the capital asset among both current and future generations of taxpayers. This allows taxpayers who receive value from the facility to share the cost of it equally. As Infrastructure Services serves the entire community throughout the lifespan of the asset, the building replacement is well suited to be debt funding.
2. Using debt is a tool to protect against rising costs in an inflationary environment. By locking in the cost now, the total cost of the project is made certain and protected against the potential for inflationary pressures that would be encountered if municipality elected to save up for the project. Furthermore, the timing of the project is such that it is likely that the municipality will be able to take advantage of lower interest rates than have been available for some time as rates are falling and are projected to hit bottom in 2026 or 2027.
3. Debt is best used for value-added and growth projects that will enhance the long-term viability of the community and quality of life. The Infrastructure Services department manages critical service levels such as snow clearing and water/sewer maintenance, as well as quality of life services such as playground, parks and sports field maintenance.

The Long-Term Capital Plan endorsed by Council in 2023 had identified the Infrastructure Services Building as a debt-funded building in the growth plan. Other renewal projects such as road rehabilitation, utility renewals, and sidewalk replacements have been budgeted for at amounts currently suitable for long-term asset management.

An update to the cost of the building will be shown on the Long-Term Capital Plan for Budget 2025. The previous estimate for the construction was \$6m, and the latest estimate updates those costs to \$10m. The updated costs estimate is based on the architect's estimate as part of the Infrastructure Services Feasibility Study and is in line with recently constructed public works buildings in Westlock, Camrose, and Lacombe. The design cost estimate of \$600k is still valid for 2025.

At current interest rates (5.06%), the bi-annual payments on a \$10m debenture are estimated at \$325,000, meaning the annual cost of borrowing would be approximately \$650,000. However, should interest rates continue to fall and flatline near pre-pandemic levels (3%) by the time a debenture is required, bi-annual payments would be expected to fall to \$255,000, making the annual cost of borrowing \$510,000. This not only saves the municipality \$140,000 annually but also reduces the overall interest on the debt by more than \$4m, from \$9.5m at 5.06% to \$5.4m at 3%.

It is also important to remember that debt services costs are broken down into two components, interest and principal. Interest costs are included as part of the operational budget of the municipality. Debt principal payments are made with net revenue (revenues in excess of expenditures, also referred to as a surplus). The share of the overall cost that is interest changes over time, with the interest component being reduced each year and the principal portion growing each year.

By conducting the design work in 2025, we will be able to firm up the construction cost estimates and any other pertinent information for future capital budgeting. The completion of the design will also allow the project to be "shovel-ready".

If Council chose to defer this project and increase investment in another area of need in the municipality, the amount of additional investment would be a budgetary decision of Council for the 2027 fiscal year as there is no funding allocated or set aside for this project that could be redirected given the intent to fund it with debentures. Council certainly could base additional investment on debt servicing costs avoided by not moving the project forward. Administration would recommend that any cost associated with an interim solution to extend the life of the IS building be deducted from the available funding for investment in road projects. Ultimately the decision to invest additional funding in other areas of need would require an amendment to the Long-Term Capital Plan and would be based on an amount determined by Council.

## **Alternatives to a Building Replacement:**

The architect who conducted a 2023 Infrastructure Services Feasibility Study, identified two other alternatives to a full replacement:

### **1) Do Nothing / Status Quo (Delay building replacement)**

There will be a lower initial capital outlay (compared to a new building) to repair the urgently required condition items. However, the cost of a new building will be deferred, which will lead to a higher cost for the new building in the future (in line with construction inflation adjustments).

Some of the risks associated with this option are :

- a) OHS Safety deficiencies will need to be rectified, including ventilation issues, hazardous material containment issues, and potential mould problems.
- b) Urgent building condition items already identified will require repairs to ensure safety implications do not arise out of disrepair or inaction. Further attention to the condition of the building will be required on an ongoing basis. This means unavoidable increased costs.
- c) No improvements to building capacity will impede the ability to maintain service levels moving forward. The Town's managed assets are increasing every year, and that comes with requirements for more planning, engineering, maintenance, operation, emergent repair response, responding to resident concerns, and any other asset management obligations and service level delivery expectations.

### **2) Existing Building (Expansion or Renovation)**

Depending on the scope of expansion, the overall costs may be close to, or higher than, a new building. The rationale is the construction will be much slower and less productive since they need to work with existing operations continuing. The work would also have to be done in phases, further slowing down overall construction. Additionally, there may be a requirement to bring existing aspects of the building to be code compliant, so the scope of work may have to extend into electrical, mechanical or other scopes.

Expanding or renovating onto the same building will create challenges to continue operations during construction. Since there are hazardous materials (asbestos) throughout the building, there will be times when staff have to be quarantined off construction zones.

Some of the other risks associated with this option are :

- a) OHS Safety deficiencies will still need to be rectified, including ventilation issues, hazardous material containment issues, and potential mould problems.
- b) With an expansion onto an existing building, urgent building condition items already identified will require repairs to ensure safety implications and liability do not arise out of

disrepair. Further attention to the condition of the building will be required on an ongoing basis, resulting in increased costs.

- c) Expanding the current building would provide additional space for supplies, equipment and staff workspaces. The mechanic bays are not conducive to expansion since it is bookended by a load bearing wall and a carpentry bay. The building expansion could provide additional office space but likely not further operational working space. The office space may be expandable into the empty green space to the north.

**Recommendation:**

The report is provided for information regarding Administration’s recommendation to complete the design project in 2025, with anticipated construction beginning in 2027, as noted in the current Long-Term Capital Plan.

**IMPACT:**

The decision to change the current plan of a building replacement to either a building expansion or deferment will increase operational maintenance costs, shift costs in the long-term capital plan and negatively affect the overall service delivery capabilities of the department.

**NEXT STEPS:**

Administration currently has a replacement building identified in the Long-Term Capital Plan. Changes will be made if directed by Council.

**PREVIOUS COUNCIL ACTION:**

At the June 25, 2024 Regular Meeting of Council, Council directed Administration to provide a report outlining the rationale for the replacement of the current Infrastructure Services building and include options for deferment and the savings that could result in road and sidewalk rehabilitation for 2025 Budget deliberations.

**ALIGNMENT:**

Morinville 2022-2025 Strategic Plan:

Goal 2 – Community Safety and WellBeing – Morinville is a community that collaboratively prioritizes the safety and well-being of residents and businesses

Goal 3 - Financial Stewardship - Manage Morinville’s current and future infrastructure needs with diligent planning and affordable spending

**CONSULTATION/ENGAGEMENT:**

An Infrastructure Services Feasibility Study was completed in 2023 that consulted various departments throughout the organization.

**ALTERNATIVES:**

- Alternatives highlighted in previous sections.

<b>PRESENTER:</b>	J. Betteridge, Manager Infrastructure Services	<b>ATTACHMENTS:</b> <ul style="list-style-type: none"><li>• Appendix A – Facility Condition Assessment</li></ul>
<b>PREPARED BY:</b>	J. Betteridge, Manager Infrastructure Services T. Nosko, Manager Finance Services	
<b>CLEARANCES:</b>	M. Hay, Acting Chief Administrative Officer S. Edwards, General Manager Community and Infrastructure Services	