

# Explainer: Public Works Facility Cost Increase

March 1, 2023



The District of Squamish adopted the 2023-2027 Financial Plan in December 2022, which begins to address and incorporate post pandemic inflation, supply chain disruptions and contractor availability pressures.

Over the last several months the District's Procurement Department has seen several competitions bidding significantly over budget which has required the District to re-evaluate project scope, timelines, and funding sources in order to adapt to the additional cost pressures and schedule delays.

The new Public Works Facility is facing these same challenges.

A [Report to Council from Community Services staff](#) was discussed at the February 28<sup>th</sup> Committee of the Whole, which outlined a revised cost estimate for the project as it reaches the Class B\* indicative project estimate.

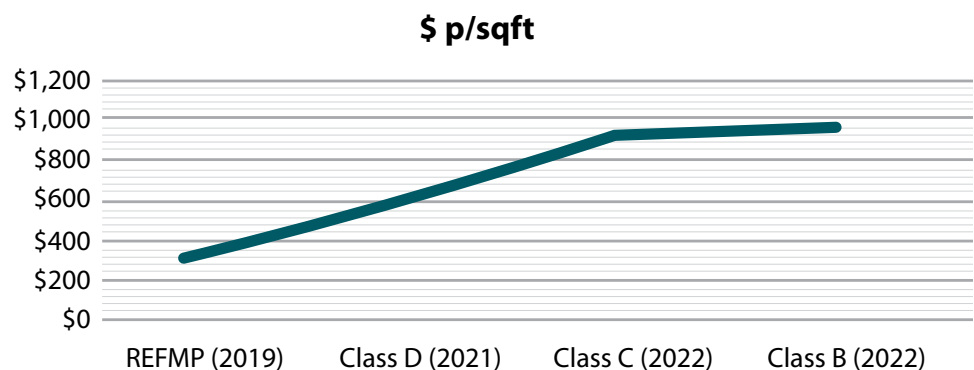
## What is the issue?

At the February 28th Committee of the Whole Council heard from staff informing that the Public Works Facility project Class **B\*** indicative project estimate is \$37M. The Public Works Facility is included in the District's Financial Plan at the Class **C** cost estimate of \$26.4M, funded by a combination of debt and reserves.

As the Class B indicative project estimate must be included in the Financial Plan, Council agreed for staff to bring forward a cost estimate update including funding options for consideration during the April 2023-2027 Financial Plan Bylaw amendment.

## Why have costs increased so much?

Since endorsement of the Real Estate and Facilities Master Plan (REFMP)\*\* in 2019, project costs (consultants, materials, transport and labour) have escalated significantly as the District moves through the cost estimate process.



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## Additional Cost Pressure

Additional cost pressure has resulted from:

- Industry professionals underestimating cost escalations and inflation; numbers are very difficult to estimate in current market conditions (post 2021 escalation and inflation numbers are significantly higher than the prior ten years).
- A delay in construction due to a second Alternative Approval Process.
- An increase in sustainability and climate resiliency requirements (in particular, flood) since the REFMP was adopted – the District mandated emission (GHGe) requirements for 2030, adding pressure to construction costs not previously estimated.
- Soil contamination remediation requirements; typically difficult to estimate scope and cost prior to site drilling/testing.
- Additional scope added for moving salt sheds.
- Requirements of Archaeological management have steadily increased.

## Are there ways to reduce costs?

A third-party quantity surveyor was engaged to confirm that project costs match market costs received by the project team. Options are being provided to reduce project costs by some degree, which need to be weighed against the needs of a growing community. The design has been carefully developed to build the right-sized facility for the future needs of Squamish.

## How will the cost increases be funded?

Eligible funding sources for the Public Works Facility project include land reserve, debt, grants or taxes. Staff are currently reviewing these options and their impacts on projects in the 2023-2027 Capital Plan and will bring forward a recommendation at the scheduled Financial Plan Amendment on April 18, 2023 for Council review.

## What are the impacts on other projects?

The Public Works facility is just one of more than 36 projects under the total +\$200M REFMP that are currently either in planning or under construction. For projects still in the planning stage, cost escalations are being experienced across the board and so, with this in mind, staff are reviewing project costs on all REFMP projects. (Projects not experiencing this cost escalation are: the Alex Munro Fire Hall No. 1 which was completed on budget; Fire Hall No. 2 which has a confirmed Class A estimate (pricing is locked in as much as possible) and is currently under construction. The current [\\$16.3M grant project](#) for Brennan Park Recreation Centre (retrofit and upgrade work) is currently working towards a Class A estimate with inflationary costs being considered).

This review will also take into consideration other important capital works that are already contained within the five-year financial plan and the 10-year capital plan. Priority setting in the wake of new (higher) cost estimates will involve assessing the risks of pushing projects out into the future, and considering the downstream impacts on other projects.

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## What are the next steps?

Council agreed for Staff will bring forward an amended project budget, including funding options for consideration, during the April 2023 financial plan bylaw amendment.

## Where can I learn more?

Read the Report: [February 28th Report to Council](#)

Watch the presentation and Council discussion:  
[www.youtube.com/@DistrictofSquamish/videos](http://www.youtube.com/@DistrictofSquamish/videos)

Backgrounder: [How We Got Here](#)

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\*Estimates are provided at different stages in the development of the project, from Class D estimates prepared at the conceptual stage to Class A estimates once the award of a construction contract has been made. A Class B estimate is considered the detailed design stage, and is the point at which the project can put out a Call for Tenders.

\*\* Since 2019, the District has been advancing the Real Estate and Facilities Master Plan (REFMP) to:

- a. Replace existing facilities that have been professionally assessed as end of life (including inferior seismic and unsafe work conditions);
- b. Construct new facilities required to meet the growth of the community; and,
- c. Deliver these facilities in a fiscally responsible manner.

The Public Works facility, Fire Hall #1 (Alex Munro) and Fire Hall #2, were identified in the REFMP as critical facilities needing immediate replacement.

Public Works plays an important role in providing water, waste water, roads and drainage services and emergency response. The current Public Works facility is beyond end of life. A new facility built to manage climate impact and seismic standards ensures the District's continued and improved ability to provide and respond effectively to service the needs of the community.

For strategic prioritization under the REFMP, see Attachment 1 [REFMP Project Priority in the Report to Council](#) (p. 10 of the PDF).