

# Report to Council



**Date:** December 3, 2018  
**File:** 0610-50  
**To:** City Manager  
**From:** Divisional Director, Financial Services  
**Subject:** Funding the Infrastructure Deficit  
Report Prepared by: Chris Gregson, Financial Analyst

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## **Recommendation:**

THAT Council receives for information, the report from the Divisional Director, Financial Services dated December 3, 2018 with respect to funding the infrastructure Deficit;

AND THAT Council directs staff to research specific funding options identified in this report and report back to Council in the first quarter of 2019 on a funding approach that addresses the infrastructure deficit.

## **Purpose:**

To provide Council with information on potential funding opportunities so that Council can direct staff to further explore options in order to address the 10-Year Capital Plan's forecasted \$477 million infrastructure deficit in the general fund.

## **Background:**

Municipal infrastructure gets people and goods moving, provides safe drinking water, handles our waste, creates spaces for sport and recreation, and helps protect our homes against flooding and other natural disaster. The delivery of these essential public services is reliant on a strong foundation of municipal infrastructure. This foundation enables our communities and local businesses to grow and ensures Canadians can lead safe and healthy lives.

Municipalities own the core infrastructure assets that are critical to the quality of life of Canadians and the competitiveness of our Country. Almost 60% of Canada's core public infrastructure is owned and maintained by municipal governments. This amounts to an estimated \$1.1 trillion dollars or \$80,000 per household. Asset Management professionals across the country have identified reinvestment as lower than recommended targets required to maintain infrastructure in a good state of repair. This

underinvestment will allow infrastructure to deteriorate to levels that lead to costly reconstruction and increased risk of service disruption.

The 10-Year Capital Plan at the City of Kelowna forecasts a total general fund infrastructure investment of \$1.05 billion required to renew existing infrastructure and to put in place the necessary infrastructure to accommodate growth and meet the community's evolving service expectations. The City's general fund is forecasted to provide funding of \$573 million leaving a \$477 million infrastructure deficit in the general fund.

Staff have identified the following preliminary funding opportunities that in principle will contribute to lowering the infrastructure deficit:

- Infrastructure Levy - an annual levy collected for the purpose of infrastructure investment.
- Development Cost Charges (DCC) – charges developers pay to service growth. Current program already in place, plus considering new DCCs for Parks development and Storm Drainage infrastructure.
- Developer Incentives.
- Storm Drainage Utility – a utility similar to Water and Wastewater Utilities where serviced properties pay for Storm Drainage service.
- Fees and Charges Review.
- Alternative service delivery models.
- Local Area Services – benefitting property owners pay for service upgrades (i.e. wastewater, water, drainage, street scaping).

A common best practice tool in BC Municipalities financial toolkit is the use of a tax levy that is used to specifically address their City's infrastructure deficit. The District of West Vancouver, City of Vernon, Port Moody and Saanich on Vancouver Island, have all successfully implemented an infrastructure levy on their tax notices where the funding collected is contributed to a specific reserve that is designated to fund capital projects that will directly reduce the infrastructure deficit.

In quarter one of 2019 staff will provide Council with additional detail on the funding opportunities identified in this report that will help determine a City of Kelowna funding approach, and then subsequent development of a strategic plan for implementation of the chosen opportunities.

**Financial/Budgetary Considerations:** There will be a revenue budget impact to the funding opportunities chosen – these revenue impacts to be determined in 2019. There may be funding required for consultant assistance to develop strategic plan for implementation.

**Considerations not applicable to this report:**

**Internal Circulation:** N/A

**Legal/Statutory Authority:** N/A

**Legal/Statutory Procedural Requirements: N/A**

**Existing Policy: N/A**

**Personnel Implications: N/A**

**External Agency/Public Comments: N/A**

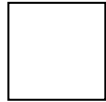
**Communications Comments: N/A**

**Alternate Recommendation: N/A**

Submitted by:

Genelle Davidson, CPA, CMA  
Divisional Director, Financial Services

**Approved for inclusion:**



cc: Joel Shaw, Infrastructure Engineering Manager