

Report to Council



Date: April 1st, 2019
File: 0220-30
To: City Manager
From: Infrastructure Engineering Manager
Subject: Infrastructure Funding Options

Recommendation:

THAT Council receives, for information, the report from the Infrastructure Engineering Manager dated April 1st 2019, with respect to infrastructure funding options available to local governments.

AND THAT Council directs staff to review further and prioritize the following options:

- Parks Improvement DCC (Parks Development Funding already in progress)
- Storm Drainage DCC
- Storm Drainage Utility
- Fees and Charges Review
- Community Amenity Contribution & Density Bonusing
- Partnerships

AND THAT Staff report back with an implementation plan for the chosen funding options.

Purpose:

To provide Council with information for infrastructure funding options available to local governments and to receive direction from Council on those funding options to review further and develop an implementation plan.

Background:

The City of Kelowna is one of the fastest growing communities in the nation with the population expected to surpass 150,000 in the next ten years placing a demand on infrastructure services. Kelowna is also in a period of transition from an agricultural and tourism based community to a thriving urban center with residents requesting improvements to existing services. Compounding these demands for infrastructure, is the need to replace Kelowna's aging infrastructure nearing the end of its service life.

The 10-Year Capital Plan (2018 – 2027) forecasts a total infrastructure investment of \$1.531 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. Based on traditional funding sources the City is only able to fund \$1.053 billion leaving the City with \$478 million in unfunded infrastructure. This number is expected to grow with rising construction costs and an increase in demand for services.

10-Year Capital Plan (2018 – 2027) – Infrastructure Deficit

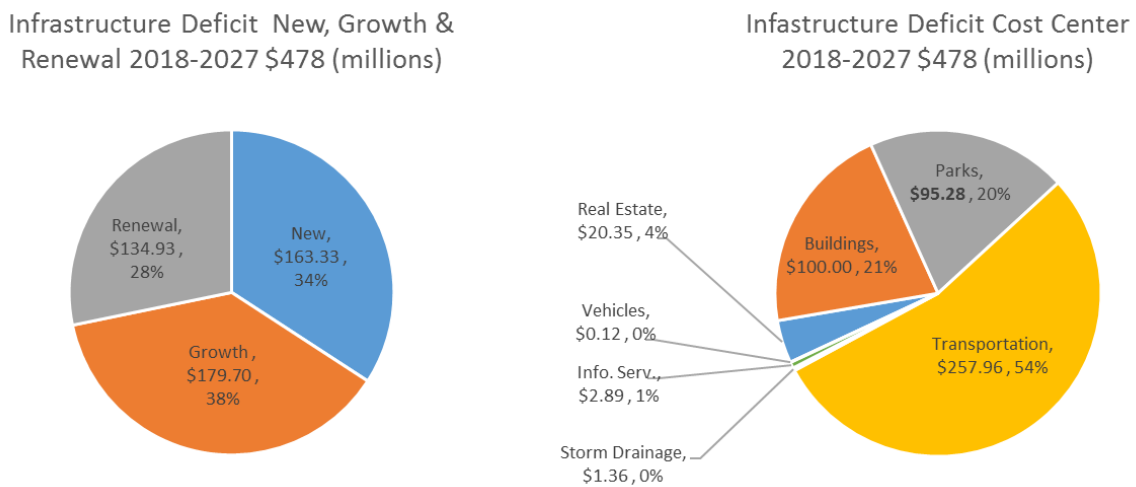


Figure 1. Infrastructure deficit as a percentage of New/Growth/Renewal and Infrastructure deficit by cost center.

This deficit is comprised of \$163 million New (infrastructure to enhance services), \$180 million Growth (infrastructure to accommodate growth) and \$135 million Renewal (to renew existing infrastructure).

The infrastructure deficit is primarily in the General Fund service areas and does not include the following other services: Water, Wastewater, Solid Waste, and the Airport.

Council proactively introduced an Infrastructure Levy that will generate an additional \$50 million to fund infrastructure over the next ten years but new funding strategies are needed to close the infrastructure deficit.

This report provides an overview of a number of funding options available to local governments that the City can use as a basis for developing a comprehensive funding strategy to address the infrastructure deficit.

The City is exploring the following funding options:

- Development Cost Charges (DCC) – expansion of the existing DCC program to include Parks Improvement and Storm Drainage DCCs. The taxation assist factors are also being reviewed.

- Storm Drainage Utility – a utility similar to Water and Wastewater Utilities where serviced properties pay for Storm Drainage services.
- Parcel Tax – a tax applied to parcels that benefit from the provision of service(s).
- Local Area Services – a tax or charge that benefitting property owners pay for service upgrades (i.e. drainage, streetscaping).
- Fees and Charges – potential increases to the set of fees and charges collected from those who benefit from the use of a service, as per the rate established in the Fees and Charges bylaw.
- Density Bonus Zoning – Density Bonusing is intended to provide options for the developer to build either to the “base” density or to a higher level of density, if they provide certain amenities or affordable housing.
- Community Amenity Contributions (CACs) - CACs are amenity or financial contributions provided by property developers to pay for the impacts of growth on services when City Council grants development rights for additional units or floor area through rezoning.
- Partnerships – agreements between the public sector and the private sector to deliver local government infrastructure, which can take a wide range of forms (e.g. Prospera Place, CNC, KU Soccer Dome).
- Infrastructure Levy – an annual levy collected for the purpose of infrastructure investment.
- Long-term Capital Borrowing – the City currently uses long-term borrowing to fund capital improvements (ex. Police Service Building, Wastewater Treatment Expansion). Review borrowing capacity.
- Provincial and Federal Grants – the City actively applies for and receives grants from senior levels of government. Based on historic average of grants received in the last 10-years, a forecast has been estimated for the next 10-Years.

The Reader is directed to the attached report for the details of each funding option.

The table below ranks the funding options based on the potential financial impact and the complexity of implementing the funding option.

Tool	In Use	Staff Knowledge	Financial Impact	Complexity
Parcel Tax	Yes	High	High	Moderate
Infrastructure Levy	Yes	High	High	Moderate
Parks Improvement DCC	No	High	High	Moderate
Storm Drainage DCC	No	Med	Med	Moderate
Storm Drainage Utility	No	Med	Med	High
CAC & DB	No	Med	Med	High
Fees & Charges	Yes	High	Med	High
LAS	Yes	High	Low	Moderate
Partnerships	Yes	High	Med	High

Given that the City has recently introduced an Infrastructure Levy that receives funding from general taxation it is recommended the City explore the next highest 'non-taxation' funding options which include:

- Parks Improvement DCC (in progress)
- Storm Drainage DCC
- Storm Drainage Utility
- Fees and Charges Review
- Community Amenity Contribution & Density Bonusing
- Partnerships

It is recommended that the above be reviewed and prioritized in more detail and that a plan be developed for the implementation of above funding options.

Internal Circulation:

Community Communications Manager
Deputy City Manager
Divisional Director, Community Planning & Strategic Investment
Divisional Director, Corporate Strategic Services
Divisional Director, Financial Services
Divisional Director, Infrastructure
Policy & Planning Department Manager
Financial Analyst, Infrastructure Planning

Considerations not applicable to this report:

Financial/Budgetary Considerations:
Legal/Statutory Authority:
Legal/Statutory Procedural Requirements:
Existing Policy:
Personnel Implications:
External Agency/Public Comments:
Communications Comments:
Alternate Recommendation:

Submitted by:

J. Shaw, Infrastructure Engineering Manager

Approved for inclusion:



A. Newcombe, Divisional Director, Infrastructure

Attachment 1 – Funding Options Report
Attachment 2 – Funding Options Presentation

cc: Deputy City Manager
Divisional Director, Community Planning & Strategic Investment
Divisional Director, Corporate Strategic Services
Divisional Director, Financial Services
Divisional Director, Infrastructure