

Report to Council



Date: June 10th, 2019

File: 2019 Deferred Revenue Project Package

To: City Manager

From: Development Services Department (MB)

Subject: 2019 Deferred Revenue Project Package

Report Prepared by: James Kay, P.Eng, Development Engineering Manager

Recommendation:

THAT Council receives for information the Report from the Development Engineering Manager dated June 10, 2019, regarding the 2019 Deferred Revenue Project Package;

AND FURTHER THAT the 2019 Financial Plan be amended to include up to \$267,900 from accumulated Deferred Revenue Accounts and up to \$106,780 be reallocated from previously approved 2019 Off Site and Oversized budget to complete the 2019 Deferred Revenue Project.

Purpose:

For Council to endorse the proposed 2019 Deferred Revenue Project Package to leverage funds accumulated for incomplete City works projects.

Background:

Deferred Revenue is an important tool in ensuring development funds critical infrastructure upgrades while ensuring fairness, equitable contributions, and coordinated construction. The City of Kelowna is currently holding nearly 500 Deferred Revenue accounts with an average collection date of 2007 and an average value of \$26,455. With fixed funds in an inflationary construction market, it is important to utilize these funds as soon as feasible and support a strategy to incorporate these opportunities into the City's Capital Infrastructure.

Development Engineering has undertaken to evaluate, utilize and deploy these funds in order to realize infrastructure projects where appropriate and practical. While these projects reflect commitments from previous developments, and leverage funds approved in the 2019 budget, a package of projects has been prepared for Council to review.

Current practices

When a development would otherwise pay to design and construct infrastructure that is only a portion of the larger upgrade required, or premature relative to future City infrastructure improvements, Development Engineering reviews the Developer's Consulting Engineer's cost estimate for the proposed works and charges the Developer 125% (100% of cost estimate + 25% for Engineering and Contingency Allowance) of the estimated cost of the works. These funds are collected as Deferred Revenue and held until continued adjacent development has resulted in sufficient funding for City infrastructure to be constructed. It is important to note that Deferred Revenue funds can only be used to construct specified works for a specific frontage. As a result of the limitations on use of Deferred Revenue funds, projects can take years (sometimes decades) to fund, resulting in funds gaining small amounts of interest and not nearly keeping pace with inflation of construction and material costs.

Staff are currently re-evaluating practices with regards to the infrastructure requirements, fund collection, and transfer procedures that will attempt to make collected Deferred Revenue funds available for broader project delivery. Simultaneously, Staff are evaluating partnering and return protocols in order to reduce the funds collected or held for projects that are unlikely to be realized.

Goals and Initiatives

The adoption of the recommendations in this Report to Council will enable the City to continue to work toward the goal of reducing accumulated Deferred Revenue funds over the next 10 years via the following actions:

- Deliver, return, or transfer ~20 Deferred Revenue Agreements each year for 25 years.
- \$150,000 per year from an Off-site/Oversize budget will be used to fill funding gaps.
- Update the Development Engineering Branch's procedures and best practices for collecting Deferred Revenue for future development (emphasizing a desire for developer-built infrastructure).
- Have Council approve the 2019 Deferred Revenue Delivery Package.

Outcomes

The adoption of the recommendations in this Report to Council will result in six projects being funded by 10 Deferred Revenue accounts and the Off-site and Oversize reserve. The delivery of these six projects will result in the deployment of \$267,900 of accumulated Deferred Revenue and the use of \$106,780 from the Development Engineering Branch's Offsite and Oversize accounts to deliver \$374,680 worth of public infrastructure. Prioritization of Deferred Revenue projects was determined using a prioritization ranking scheme developed internally to assess potential projects. The prioritization scheme considers multiple project variables related to the Pedestrian and Bicycle Master Plan, Official Community Plan, funding and financial considerations, and project coordination. A delivered Priority 1 Capital Project was assessed using the developed prioritization scheme to establish a baseline for project selection. Deferred Revenue projects requiring additional funding had to score at least 75% of the Priority 1 Capital Project's score before being considered for this project package.

Table 1: 2019 Deferred Revenue Project Package summary

| Project description | Project Name | Cost estimate |
|----------------------|---|---------------|
| Sidewalk project | Penno Rd at Hwy 97 N | \$28,550 |
| Sidewalk project | Barnaby Rd from Paret Rd to Drummond Ct | \$104,470 |
| Sidewalk project | Rutland Ct north of Commercial Dr | \$48,010 |
| Urbanization project | Anhalt Rd cul-de-sac | \$49,760 |
| Sidewalk project | Guy St between Bay Ave and Manhattan Dr | \$37,950 |
| Sidewalk project | Field Rd south of McCulloch Rd | \$105,940 |
| TOTAL | | \$374,680 |

Internal Circulation To

As the proposed package of projects has implications for multiple department team members, the following individuals have reviewed and are in agreement with this Report to Council:

- Stephen Fleming (City Clerk)
- Ryan Smith (Divisional Director – Planning & Development Services)
- Mo Bayat (Development Services Director)
- Alan Newcombe (Divisional Director, Infrastructure)
- Brian Beach (Infrastructure Delivery Department Manager)
- Joel Shaw (Infrastructure Engineering Manager)
- Rafael Villarreal Pacheco (Integrated Transportation Department Manager)
- Jackie Dueck (Controller - Financial Services)
- George King (Financial Planning Manager)

Legal/Statutory Authority:

Community Charter, Section 19 (3)

Local Government Act, Sections 506

Subdivision, Development & Servicing Bylaw 7900 - Part 4 – City to Perform Work

Subdivision, Development & Servicing Bylaw 7900 - Schedule 1 – Works and Services Requirements

Financial/Budgetary Considerations

The *Development Engineering Branch* has been working with *Purchasing* and *Financial Planning* Departments to ensure that appropriate budgetary and fund transfer considerations have been made to support the delivery of the 2019 Deferred Revenue Project Package. To deliver on the 2019 Deferred Revenue Project Package 1, the Financial Plan will need to be amended to include up to \$267,900 from accumulated Deferred Revenue Accounts and up to \$106,780 will need to be reallocated from previously approved 2019 Off Site and Oversized projects.

The Development Engineering Branch continues to work with Financial Services to develop a long-term funding solution for future annual Deferred Revenue Project Package.

Personnel Implications

While the proposed program leverages inter-departmental resources and involves collaboration between the *Development Engineering Branch; Operations, Utility Planning & Infrastructure Delivery; Purchasing*, and *Financial Planning*, key personnel from these departments are supportive. Design and construction services may be outsourced as needed. No further resources will be required.

External Agency/Public Comments

As per City of Kelowna practice, residents, and businesses within the areas surrounding the proposed works will be contacted prior to any construction to ensure the least amount of disruption possible to the residents and businesses of Kelowna.

Alternate Recommendation(s)

1. If the project delivery package is not approved, it is recommended that a greater emphasis be placed on returns of collected Deferred Revenue funds.

Submitted by:

James Kay, P.Eng, Development Engineering Manager

Approved for inclusion:



Mo Bayat, Director, Development Services

Attachments:

- 1) Presentation - 2019 Deferred Revenue Project Package.pptx

cc:

Divisional Director, Planning & Development Services

Divisional Director, Infrastructure

Financial Planning Manager

Infrastructure Engineering Manager