

Report to Council



Date: November 1, 2021

To: Council

From: City Manager

Subject: 10-Year Capital Plan (2021 to 2030)

Department: Infrastructure Engineering

Recommendation:

THAT Council receives, for information, the report from Infrastructure Engineering dated November 1st, 2021, to introduce this year's update to the 10-Year Capital Plan.

Purpose:

To introduce the 10-Year Capital Plan and to establish a schedule for further review prior to endorsement consideration.

Background:

This annual update to the 10-Year Capital Plan forecasts the City's infrastructure needs from 2021 – 2030. The Plan forecasts \$1.49 billion in infrastructure investment required to accommodate growth, enhance services, renew existing infrastructure and address climate change. The proposed infrastructure is a critical component for Kelowna to be well-positioned to recover, and emerge stronger, after the COVID-19 pandemic. The 2020 Citizen Satisfaction Survey indicates 91% of citizens are satisfied with the overall level and quality of City services – good asset management and capital planning is key to this success.

Looking forward, this update will continue to advance the vision of a "City of the Future", by:

- Reducing car-dependency and supporting diverse transportation options, like walking and cycling;
- Improving efficiency and safety of the existing road network;
- Building great public spaces for recreation, culture, and increased park spaces to enjoy;
- Continuing to provide high quality drinking water and reliable irrigation supply;
- Providing environmentally responsible and accessible wastewater service to all areas of the City;
- Working with First Nations to improve riparian areas and fish passage to our creeks and streams and to provide sewer and water service to First Nation Lands within City boundaries;
- Making the community more resilient in the face of climate change; and

- Reducing the City's greenhouse gas emissions and carbon footprint with more efficient buildings, fleet vehicles, and biogas collection and reuse at the City Landfill.

The 10-Year Capital Plan is based on the best available information at the time of preparation. As with any capital plan, there are risks with the assumptions associated with funding, construction costs, community priorities and changing legislative requirements. To respond to these changing conditions, the City is committed to updating the 10-Year Capital Plan on an annual basis so that it remains accurate, responsive and practical. By doing so, the 10-Year Capital Plan will help maximize the infrastructure investment in the community where, and when, it is most needed.

A summary of the 10-Year Capital Plan is provided below. The reader is directed to the attached 10-Year Capital Plan for complete details.

Funded Investment

Since the last update, there have been several major factors that have affected the City's capital program. These include the continued financial impacts of the COVID-19 pandemic, construction and land cost escalation, community demand for more and enhanced services, and greater need to replace aging assets and make them more resilient to climate change. These impacts have caused cost and timing changes for some of the funded projects, or Priority 1's (P1), as well as the unfunded projects, or Priority 2's (P2).

Overall, the City's infrastructure investment has increased by \$98 million from the previous plan across 12 Capital Cost Centres. The following table shows the City's total investment by Cost Centre for this Plan compared to the previous Plan.

Table 1 - Infrastructure investment for funded (P1) projects in 10-Year Capital Plan.

Cost Centre	Previous Plan (\$ million)	This Plan (\$ million)	Difference (\$ million)	Change
Real Estate and Parking	\$41	\$44	\$3	↑
Buildings	\$205	\$240	\$35	↑
Parks	\$220	\$226	\$6	↑
Transportation	\$338	\$347	\$9	↑
Solid Waste	\$50	\$63	\$13	↑
Storm Drainage	\$35	\$47	\$12	↑
Information Services	\$10	\$11	\$1	↑
Vehicle or Mobile Equipment	\$43	\$50	\$7	↑
Fire	\$13	\$13	\$0	-
Water	\$103	\$108	\$5	↑
Wastewater	\$124	\$124	\$0	-
Airport	\$208	\$216	\$8	↑
Total	\$1,390	\$1,488	\$98	↑

Buildings increased by \$35 million largely related to cost increases for the Parkinson Recreation Centre replacement. Storm Drainage used existing reserves to leverage grant funding to advance flood protection work along Mill Creek. Vehicle/Equipment Renewal investment increased by \$7 million to address replacement needs and higher purchase prices to maintain a modern City fleet. Water is planning new infrastructure to ensure water quality, support growth, and provide system resiliency. Solid Waste continues to improve the landfill footprint to efficiently accommodate demand for the next

75 years. The Airport is advancing work that was put on hold as a result of lower passengers due to the COVID-19 pandemic.

Project timing has been adjusted for nine funded P1 projects in Parks, Transportation, and the Airport, resulting in three occurring sooner and six occurring later. Timing has been adjusted to reflect available investment and changing community needs.

Table 2 - Timing changes for major projects in 10-Year Capital Plan.

Cost Centre	Project	Previous Plan	This Plan	Timing
Parks	Glenmore Recreation Park - Future Phases	2029	2026	Sooner
	Casorso Park	2028	2029-2030	Later
Transportation	Casorso 3 AT (KLO Rd - Barrera Rd)	2023-2024	2022	Sooner
	Richter 1 (Sutherland - KLO)	2022-2023	2024	Later
	Stewart 3 DCC (Crawford - Swamp Rd)	2025	2030	Later
Airport	Airport Hotel and Parking Development	2027 & 2028	2022 & 2023	Sooner
	Airport Airside Equipment	2022 & 2027	2023-2025 & 2028-2030	Later
	Airport Airside Pavement Rehabilitation	2021-2022 & 2025	2023 & 2026-2027	Later
	Airport East Lands Roads and Servicing	2021	2022	Later

The City's capital program has grown to keep pace with the demands of a growing community while at the same time relying less on general taxation as a primary funding source. Grants, user fees, reserves, and borrowing make-up a bigger share of funding the capital program. For example, the capital program from five years ago was \$848 million and funded 18% from general taxation whereas today the Plan is \$1.49 billion funded 11% from general taxation. Similarly, general taxation funding for capital or Pay-as-you-go capital, has steadily decreased as a percentage of the overall tax demand from 21% to 8% between 2010 to 2021. Figure 1 provides all the funding sources for the 10-Year Capital Plan.

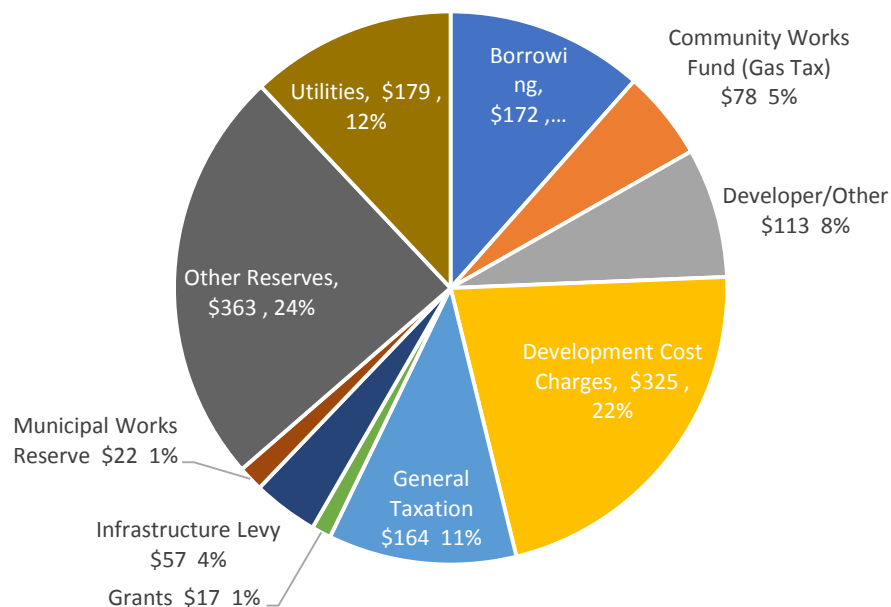


Figure 1 - Funding sources for 10-Year Capital Plan (\$ millions)

Unfunded Investment

The unfunded, or P2 projects, forecast for the next 10-years decreased by \$91 million compared to the previous 10-Year Capital Plan.

Table 3 - Unfunded (P2) infrastructure in 10-Year Capital Plan.

Cost Centre	Previous Plan (\$ Million)	This Plan (\$ Million)	Difference (\$ Million)	Direction
Real Estate and Parking	\$38	\$12	\$26	↓
Buildings	\$264	\$217	\$47	↓
Parks	\$32	\$48	\$16	↑
Transportation	\$294	\$219	\$75	↓
Storm Drainage	\$30	\$24	\$6	↓
Information Services	\$2	\$1	\$1	↓
Water	\$10	\$29	\$19	↑
Wastewater	\$47	\$76	\$29	↑
Total	\$717	\$626	\$91	↓

The total decrease of \$91 million is realized, in part, by deferring major projects, such as the Kelowna Museum Replacement, beyond the 2030 timeframe. Additionally, the Transit Operations & Maintenance Facility has been transferred to the operating budget. These changes impact six unfunded projects in three cost centres, totaling \$166.4 million.

Table 4 - Deferred unfunded P2 projects beyond 10-Year planning horizon.

Cost Centre	Project	Reason	Project Cost (\$ Million)
Transportation	Airport Way Interchange Proposed Partnership	Deferred beyond 2030	\$35.0
	Transit Operations & Maintenance Facility	Removed as Capital Project. Transferred to Operating budget	\$41.1
Real Estate & Parking	New Parkades - Design & Construction	Deferred beyond 2030.	\$25.0
Buildings	Kelowna Museum - Replacement Construction	Deferred beyond 2030.	\$47.6
	Memorial Arena - Adaptive Reuse	Deferred beyond 2030.	\$6.8
	Prospera Place - Renovations	Deferred beyond 2030.	\$10.9
Total			\$166.4

The Infrastructure Deficit is comprised of the City's share of funding for all the P2 projects. The Infrastructure Deficit was trending down in 2019 and 2020 due to the increased revenue forecasts from the Infrastructure Levy and the Parks DCC but has increased in 2021 related to the financial impacts of

the COVID-19 Pandemic, cost escalation and investment pressure for large Buildings and Parks projects.

Table 5 - Summary of Infrastructure Deficit by year (\$ Millions)

2018	2019	2020	2021
\$463	\$396	\$388	\$430

Since 2018, the reported Infrastructure Deficit has decreased by \$33 million despite the financial challenges associated with the COVID-19 Pandemic. The Infrastructure Deficit has increased 11% since the last update from \$388 million to \$430 million. This is not unexpected as cost increases are currently widespread across many sectors.

Next Steps

This year's update will involve three touch points with Council. This report is intended to introduce the 10-Year Capital Plan and get preliminary feedback from Council. The next report will explore the 10-Year Capital Plan in more detail and ensure alignment with Council priorities. The final report is expected to be presented before year-end and is intended for final review and endorsement by Council.

Financial/Budgetary Considerations:

The 10-Year Capital Plan is based on sound financial information and assumptions and will be used to guide the Annual Capital Plan as part of the annual budgeting process. The 10-Year Capital Plan is a forecast of infrastructure investment, as Council's approval of projects occurs during the annual budget process.

Internal Circulation:

Acting Director, Infrastructure
Airport Director
Budget Supervisor
Community Engagement Manager
Divisional Director, Active Living and Culture
Divisional Director, Community Planning
Divisional Director, Corporate and Protective Services
Divisional Director, Corporate Strategic Services
Financial Planning Manager
Fire Chief
Fleet Services Manager
Information Services Department Manager
Infrastructure Operations Department Manager
Parks & Buildings Planning Manager
Senior Airport Finance & Corporate Services Manager
Transportation Engineering Manager
Utilities Planning Manager
Utility Services Manager

Considerations applicable to this report:

Financial/Budgetary Considerations:

Considerations not applicable to this report:

Legal/Statutory Authority:

Legal/Statutory Procedural Requirements:

Existing Policy:

Personnel Implications:

External Agency/Public Comments:

Communications Comments:

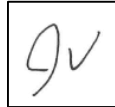
Alternate Recommendation:

Submitted by:



J. Shaw, Infrastructure Engineering Manager

Approved for inclusion:



J. Vos, Infrastructure Divisional Director

Attachment 1 - 10-Year Capital Plan (2021 – 2030)

Attachment 2 - 10-Year Capital Plan Presentation

cc: Airport Director
 Acting Director, Infrastructure
 Divisional Director, Active Living and Culture
 Divisional Director, Corporate and Protective Services
 Divisional Director, Corporate Strategic Services
 Divisional Director, Financial Services
 Fire Chief