

Report to Council



Date: July 25, 2022
To: Council
From: City Manager
Subject: 10-Year Capital Plan (2022 to 2031)
Department: Financial Services

Recommendation:

THAT Council receives, for information, the second of three reports from the Financial Services Division dated July 25, 2022, to review the 10-Year Capital Plan (2022 to 2031).

Purpose:

To review changes to the 10-Year Capital Plan in more detail and, based on Council's direction, amend the 10-Year Capital Plan as necessary prior to returning to Council for endorsement in August.

Background:

The 10-Year Capital Plan (the Plan) forecasts the City's infrastructure needs from 2022 – 2031. The Plan forecasts \$1.63 billion in infrastructure investment required to accommodate growth, enhance services, renew existing infrastructure, and address climate change. However, given current available funding, there are many projects that the City cannot invest in at this time. These projects account for an additional \$744 million of proposed investment to support service delivery to the community.

This report will explore changes from the previous plan to this Plan in more detail. As part of this report, a Change Summary has been compiled; **the reader is directed to the attachment of this report**. This Change Summary serves to put the changes into context by applying standardized change categories across all cost centres. The meeting will focus on reviewing the changes, answering Council's questions and receiving direction.

The reader is also directed to the attached 10-Year Capital Plan for complete details. Staff introduced this year's annual update of the 10-Year Capital Plan to Council on June 27, 2022; this report is the second of three reports. The third report is expected to be presented in August for final review and endorsement by Council.

Change Summary

There are many reasons that the 10-Year Capital Plan is adjusted each year. The Plan, by design, is a rolling plan that is updated annually. Due to the rolling nature, each year completed projects are removed and new projects and programs are incorporated in year ten of the program. For example, completed projects in 2021 have been removed and projects in 2031 have been added. In addition, the annual update supports the Plan evolving to better reflect changing needs and community expectations and the global environment such as inflation, grant opportunities, and Council endorsement of other plans, such as the 2040 OCP and Transportation Master Plan.











When comparing the previous plan and this plan, in total there are:

- 609 P1 & P2 Projects and Programs;
- 39 of projects have been completed or are in-progress since the previous plan and subsequently been removed from this Plan;
- 53 projects are new in this year's Plan;
- 31 projects have been removed or cancelled;
- 48 projects have no scope or investment changes;
- 224 projects have resulted in changes due to the completion of the 2040 Official Community Plan, Transportation Master Plan, and 20-Year Servicing Plan; and
- 68 projects across 8 cost centres have seen significant cost increase or decrease greater than \$5 million dollars.

Standardized Change Categories

New this year, Council is introduced to standardized change categories. There are two categories. The first category is *Project Change* which are brought about by a change in priority, project timing, new projects added or cancelled, and projects added to align with recently adopted plans (i.e. OCP and TMP). The second category is *Investment Change* reflecting project cost increases or decreases. The purpose of presenting changes in this way is to provide details for the changes while also offering at-a-glance insight into the types of changes occurring. In total, there are 11 business decisions to apply for Project Changes and 7 for Investment Changes. These changes are represented by the various icons and text applications provided in the table below.

Table 1. Change Summary categories applied to P1 & P2 projects or program that have changed from the previous plan to this Plan.






Change Categories		
Project Change		Investment Change
	Elevated from P2 to P1	\$ Increase less than \$1 million
	Dropped from P1 to P2	\$\$ Increase between \$1 million to \$5 million
	Timescale brought forward	\$\$\$ Increase greater than \$5 million
	Timescale pushed back (or deferred beyond 2031)	-\$ Decrease less than \$1 million
	Other change (scope change, consolidated, phased)	-\$ Decrease between \$1 million to \$5 million
	New Project	-\$-\$ Decrease greater than \$5 million
	Cancelled	⊖ No Change
	Alignment with 2040 OCP, TMP, &/or 20-YSP	
	Completed or In-Progress	
	No Change	
BOLD	Projects of note	

Significant and Notable Changes & Impacts by Cost Centre

The following section summarizes the Plans year-over-year change by each cost centre. The section begins with a brief description of the cost centres investment direction followed by a table highlighting the categories of change. This section summarizes the significant change only and **the reader is directed to the attached Change Summary for full details.**

Real Estate & Parking

- Real Estate is focused on ensuring the Land Sales Reserve continues to fund the acquisition of key, strategic real estate assets that create innovative solutions in support of Council and Corporate Priorities, and align with the community’s vision as set out in Imagine Kelowna.
- Parking Services continues to support the Parking Management Strategy, with a focus on maintaining high quality assets while providing expanded options for electrification and exploring innovative technological solutions that enhance the customer experience.

	Total P1 & P2 projects	20
	Completed or In-Progress	1
	New	3
	Cancelled or removed	1
	No changes	4
	OCP/TMP/20-YSP/MP	0
\$\$\$/-\$\$\$	+/- \$5mil	1

Parks

- Inflation has greatly impacted this cost centre. Cost escalation of almost 30% has been applied to all projects. To accommodate this significant escalation challenge, the focus is on projects that

maximize the delivery of understood Council priorities, such as, timing commitments to significant parks, investment in infrastructure renewal, regularly constructing neighbourhood parks, and utilization of DCC balances.

- Significant park investments that will move forward include: Pandosy, Glenmore, DeHart, Kerry, Casorso, and City Parks.
- As a result of cost escalation, some projects have been deferred or dropped to P2. For example, seven Neighbourhood Parks, Linear Parks, Capital Opportunities and Access for All. Staff have tried to balance the reductions across all the park types where possible.
- Going forward, the City will construct one Neighbourhood park per year starting in 2024. Access for All will be addressed in all new park construction, retrofit partnerships and through grant funding.
- Infrastructure renewal is maintained throughout the Plan, including the recently endorsed Knox Mountain Management Plan.
- There is a need to rebalance DCCs across the Plan. Parks Development DCCs are less than originally forecast and Parks acquisition DCCs are accruing faster. In addition, this must be balanced with taxation in each year of the Plan.

	Total P1 & P2 projects	68
✓	Completed or In-Progress	7
★	New	4
⊗	Cancelled or removed	1
⊘	No changes	0
↑↑	OCP/TMP/20-YSP/MP	4
\$\$\$/-\$\$\$	+/- \$5mil	10

Buildings

- Inflation has greatly impacted this cost centre. Building materials have a greater reliance on global supply chains than other cost centres that can purchase materials locally. It is for this reason that an escalation above 30% was applied to all projects. Investment is in preserving major projects which are known Council priorities such as KCC, and Glenmore Firehall.
- Council has supported greater information and evidence on buildings through ongoing funding for assessments. Following the completion of numerous Building Condition Assessments, along with the existing backlog of deferred renewals and cost escalation, there is a large increase in the General Building Infrastructure Renewal in P2. This only includes like-for-like critical items. It does not include regular renewal items or items inline with Council policy (i.e. energy efficiency upgrades). Additional Building Condition Assessments will increase this amount further in future years.
- Other projects, typically smaller items, have been deferred or dropped to P2 as a result of the cost escalation, such as Rutland Firehall, Rutland Community Police, Parks washroom renewals, Heritage, and Capital Opportunities.

	Total P1 & P2 projects	63
✓	Completed or In-Progress	12
★	New	5
⊗	Cancelled or removed	3
⊘	No changes	0
↑↑	OCP/TMP/20-YSP/MP	0
\$\$\$/-\$\$\$	+/- \$5mil	16

Transportation

- This is the first 10-Year Capital Plan since the endorsement of the TMP. Therefore, many projects have been added, removed, changed in scope, cost estimates and timelines have been updated. The details of these changes are not captured in this report, the reader is directed to the TMP for further information.
- The TMP recognized additional funding of approximately 20% would be needed to support the 2040 OCP. This funding is not reflected in this Plan and will be addressed through future budget requests.
- While the proposed 10-Year Capital Plan was guided by the TMP’s endorsed project list, it must fit expenditures within existing funding projections and consider recent trends with high inflation. As such, some TMP projects are designated P2 in this Plan, while others have scope reductions or timing pushed out. Examples include project timing adjustments for capacity enhancements on Benvoulin and the Casorso Roundabouts, shifting the Abbott ATC (permanent infrastructure) to P2, and scope reductions to the next phase of the Casorso ATC.
- Due to inflation, project costs estimates were escalated over the short term (2023-2025) to stabilize project delivery. Longer term (2026-2031) project costs have not been inflated, reflecting the complexity of shifting linked projects and uncertainty in how inflation will persist. If it continues, additional projects will move from P1 to P2 or more funding is needed. Furthermore, P2 projects may grow by an additional \$90m between 2026 and 2031.

	Total P1 & P2 projects	185
✓	Completed or In-Progress	5
★	New	0
⊗	Cancelled or removed	0
⊘	No changes	0
↑↑	OCP/TMP/20-YSP/MP	178
\$\$\$/-\$\$\$	+/- \$5mil	29

Solid Waste

- As the central site for all regional solid waste serving approximately 200,000 people, efficient daily operations and long-range planning ensure that the site can meet the needs of today as well as into the future.
- Meeting Provincial regulations for Design, Operations, and Closure Plan, the City operates a progressive, environmentally-aware site that reduces and diverts waste where it can - more than 30% of materials are recovered and sent off-site to be repurposed into new products.
- Long-range capital planning ensures consistent user fees, while being able to adjust as user and site needs evolve. Efficient and effective compaction of materials means the site can continue to serve the community and surrounding area well into the future.

	Total P1 & P2 projects	24
✓	Completed or In-Progress	1
★	New	2
⊗	Cancelled or removed	0
⊘	No changes	11
↑↑	OCP/TMP/20-YSP/MP	0
\$\$\$/-\$\$\$	+/- \$5mil	0

Storm Drainage

- Mill Creek is the largest project in this cost centre. This reflects the importance of the project and the opportunities provided by the \$55M Disaster Mitigation and Adaptation Fund Grant. There remains a significant funding variance of approximately \$13 million. These additional funds are required to fully leverage this grant and maximize flood mitigation benefits.
- There continues to be an increase in the number of unfunded, or P2, projects in this cost centre. To address this growing concern, staff has developed new project selection criteria. These criteria result in only high-impact unfunded projects making it onto the P2 list for Council’s consideration.
- Compared to previous plans, this Plan has a greater focus on water quality and asset renewal projects. This redistribution in funding is supported by Imagine Kelowna goals, multiple OCP Pillars and Objectives, as well as current Council Priorities.

	Total P1 & P2 projects	50
✓	Completed or In-Progress	1
☆	New	12
⊗	Cancelled or removed	20
⊘	No changes	4
↑↑	OCP/TMP/20-YSP/MP	0
\$\$\$/-\$\$\$	+/- \$5mil	0

Information Services

- We are living in a time of digital transformation. Therefore, the City is transitioning to more cloud-based services. This has decreased capital requirements. However, it’s important to note that this change will increase operating budgets going forward.
- There is a focus on supporting greater staff mobility and location flexibility. End-user workstations need to be more mobile and available at any location; all future purchases will reflect this approach.
- An emerging area will include focus on Cyber Security. A strategy is currently underway to better understand the City’s needs.

	Total P1 & P2 projects	10
✓	Completed or In-Progress	1
☆	New	0
⊗	Cancelled or removed	0
⊘	No changes	4
↑↑	OCP/TMP/20-YSP/MP	0
\$\$\$/-\$\$\$	+/- \$5mil	0

Vehicles & Equipment

- Supply issues have required vehicle purchases to be pushed into subsequent years. This has been compounded by higher acquisition costs for vehicles and equipment due to cancellation of Government Price Concessions.
- Having a modern fleet with features drivers and operators want is a benefit to the City because it increases parts availability, drivability, meeting environmental standards, and resale value.

However, there are increasing cost for these technological advancements, such as electric vehicles for Light Fleet and Heavy Fleet: Electric/hybrid/hydrogen where available, for Heavy Fleet.

	Total P1 & P2 projects	4
✓	Completed or In-Progress	0
☆	New	0
⊗	Cancelled or removed	0
⊘	No changes	0
↑↑	OCP/TMP/20-YSP/MP	0
\$\$\$/-\$\$\$	+/- \$5mil	1

Fire

- Overall, accounting for the addition of 2031 and accommodation for inflation, the Fire Department P1 10-year Capital Plan has an overall increase of approximately \$1 million over 10 years.
- Inflation impacts have been calculated to ensure funding is sustainable for fleet replacement. The internal fleet program projects replacement needs to 2045, so as each year advances, the impact of the previous year needs to be considered in relation to the year added at the 10-year mark. In this instance, adding 2031 increases cost by \$578k for the planned replacement of two Bush Trucks.
- There is an overall decrease due to moving timeline forward and review of required equipment replacement timelines for additional vehicles and equipment.
- There is an overall decrease in Communication Systems due to a reconfiguration of required upgrades for NG911 and redundant technologies, as well as moving into 2031 and removing 2021.

	Total P1 & P2 projects	47
✓	Completed or In-Progress	1
☆	New	10
⊗	Cancelled or removed	1
⊘	No changes	5
↑↑	OCP/TMP/20-YSP/MP	0
\$\$\$/-\$\$\$	+/- \$5mil	0

Airport

- The Plan is aligned with passenger forecasting that was used to develop the 2022 Final Budget.
- The Airport's 10-year Capital Plan will continue to be updated while developing the 2023 Preliminary Budget and will be subject to change due to the fluidness of the Airport's recovery from the COVID-19 pandemic.
- The changes in the Plan are mainly being driven by (i) a shift into the recovery phase of the COVID-19 pandemic, (ii) significant Airport Capital Infrastructure Project grants that were awarded by the Federal government in 2022, and (iii) the significant impact inflation is anticipated to have on the cost of projects that were deferred due to COVID-19.

	Total P1 & P2 projects	42
✓	Completed or In-Progress	2
☆	New	8
⊗	Cancelled or removed	1

⊘	No changes	1
↑↑	OCP/TMP/20-YSP/MP	0
\$\$\$/-\$\$\$	+/- \$5mil	3

Water

- The recent update to the 20-Year Servicing Plan considered future utility servicing needs. This identified the City’s long-term water needs. The majority of transmission mainline costs are to convey water from the two largest reservoirs: Knox Mountain and Dilworth Mountain. This includes pressure zone upgrades at Dilworth Reservoir identified in Pressure Zone 419 (Knox Mountain to Dehart Rd South Mission) project.
- There is a focus on water infrastructure renewal to ensure the City’s existing assets continue to deliver high-quality drinking water and reliable irrigation water. This includes efficient Automated metering technology city-wide by 2026. Due to market conditions, additional budget advanced to 2023 to fast-track this initiative.
- The Water Integration Plan is new in this Plan. This integration planning effort includes considerations for interconnections with other systems to ensure redundancy and continual access to an uninterrupted water source.
- Water regulations may change in the future. To be future focused, it is necessary to secure land for future water filtration site. Therefore, a location must be near Okanagan Lake and Knox Mountain Reservoir. This acquisition is highlighted in the upcoming North End Plan at approximately \$10 million.

	Total P1 & P2 projects	56
✓	Completed or In-Progress	6
★	New	5
⊗	Cancelled or removed	2
⊘	No changes	14
↑↑	OCP/TMP/20-YSP/MP	19
\$\$\$/-\$\$\$	+/- \$5mil	2

Wastewater

- The recent update to the 20-Year Servicing Plan considered future utility servicing needs. Growth in the Core Area has triggered necessary Sewer Trunk and Lift Station Upgrades.
- There is additional biosolids capacity needed. This may include investment in a new Digester. Council will be presented with options for this major investment in the coming months.
- Expansion of sewer systems to areas currently serviced by septic treatment systems. This project is supported by a \$9 million grant.
- Facilities and Linear Renewal is maintained to ensure the overall condition and performance of the existing systems.

	Total P1 & P2 projects	40
✓	Completed or In-Progress	2
★	New	4
⊗	Cancelled or removed	2
⊘	No changes	5
↑↑	OCP/TMP/20-YSP/MP	23
\$\$\$/-\$\$\$	+/- \$5mil	6

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.

Next Steps

Final review and adoption by Council of the 10-Year Capital Plan in August 2022.

Conclusion:

To review changes to the 10-Year Capital Plan in more detail and, based on Council’s direction, amend the 10-Year Capital Plan prior to returning to Council for endorsement in August.

Internal Circulation:

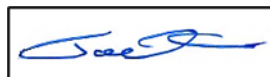
- Design Technician, Utility Planning
- Divisional Director, Partnership & Investments
- Fire Chief
- Fleet Services Manager
- General Manager, Infrastructure
- Information Services Director
- Parks & Buildings Planning Manager
- Real Estate Department Manager
- Senior Airport Finance & Corporate Services Manager
- Strategic Transportation Planning Manager
- Transportation Engineering Manager
- Utility Engineer

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, Acting Financial Services Divisional Director



Approved for inclusion: J. Shaw, Acting Financial Services Divisional Director

- Attachment 1 – 10-Year Capital Plan (2022-2031)
- Attachment 2 – 10-Year Capital Plan Change Summary
- Attachment 3 – 10-Year Capital Plan Presentation

Attachment 4 – 10-Year Capital Plan Appendix/Presentation

cc: Divisional Director, Partnership & Investments
 Divisional Director, Active Living and Culture
 Divisional Director, Corporate and Protective Services
 Divisional Director, Corporate Strategic Services
 General Manager, Infrastructure
 Fire Chief
 Infrastructure Operations Department Manager