

Report to Council



Date: August 22, 2022
To: Council
From: City Manager
Subject: 10-Year Capital Plan
Department: Financial Services

Recommendation:

THAT Council receives, for information, the third of three reports from Financial Services dated August 22, 2022, with respect to the 10-Year Capital Plan (2022 to 2031);

AND THAT Council adopts the 10-Year Capital Plan;

AND FURTHER THAT Council receives, for information, an update on the Frost Road project.

Purpose:

To provide Council with the 10-Year Capital Plan for their adoption.

Background:

This 10-Year Capital Plan (the Plan) forecasts infrastructure investment for 2022 – 2031. The Plan anticipates current and future cost pressures, stretches the limits of revenues by source, and makes the necessary decisions to put in place essential infrastructure to support a future Kelowna.

Discussion:

The City of Kelowna (the City) plans to invest \$1.63 billion in infrastructure in the next 10 years. Of this, 69% supports growth and improved services to the community while 31% renews aging infrastructure to maintain existing services. Overall, the City's infrastructure investment has increased \$131 million from the previous plan across the 12 capital cost centres.

The City has \$744 million of unfunded projects in the next 10-years across all cost centres. Of this, 70% supports growth and improved services while 30% is needed to renew existing infrastructure. This has increased \$121 million from the previous plan. Three quarters of the unfunded projects are in Parks and Buildings.

The cost changes in the Plan are primarily due to factors beyond the City's control including labour shortages, supply chain challenges, rising interest rates, and increased energy costs. These impacts are coupled with rapid growth and community demand for enhanced services at a time when existing infrastructure requires replacement.

Despite these challenges, the City continues to deliver world-class infrastructure and services. Many capital projects continue to be completed; delivering on Council priorities, meeting the objectives of the Official Community Plan and community expectations. Capital investment focuses on the following areas:

- Renewal of critical infrastructure,
- Parks acquisition and development,
- Alignment with the adopted Transportation Master Plan (TMP): Transportation & mobility infrastructure making it easier for people to get around by vehicle, transit, cycling and walking.
- Flood protection infrastructure to protect the community against the effects of climate change and flooding,
- Community amenities like recreation centres and public space to keep pace with Kelowna's population growth and the evolving needs of its residents,
- Airport development aligned with post-pandemic passenger forecasts.
- Infrastructure investment aligned with the new Official Community Plan (OCP).

Staff reviewed this year's annual update of 10-Year Capital Plan with Council in two previous reports (June 27 and July 25, 2022). This report is intended for final review and endorsement by Council. 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.**

Changes from the Previous Plan to This Plan

Council was introduced to standardized change categories during the second of three Council Reports (July 25, 2022). 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. **The reader is directed to view the Change Summary that is available by clicking the link on the last page of the 10-Year Capital Plan.**

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

- 611 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;
- 226 projects have resulted in changes due to the completion of the 2040 Official Community Plan (OCP), Transportation Master Plan (TMP), and 20-Year Servicing Plan;* and
- 69 projects across 8 cost centres have seen significant cost increase or decrease greater than \$5 million dollars.*

**Updated from last report on July 25, 2022.*

Funded Investment

Overall, the City's infrastructure investment for funded projects (P1) has increased \$131 million from the previous plan across 12 capital cost centres. The following table compares the City's total investment for funded projects in each Cost Centre in this Plan to the previous plan.

Table 1. Summary of changes from the previous plan and this Plan for funded projects (\$ million).

Cost Centre	Previous Plan (\$ million)	This Plan (\$ million)	Difference (\$ million)
Real Estate and Parking	\$44	\$46	\$2
Buildings	\$240	\$290	\$50
Parks	\$226	\$248	\$22
Transportation	\$346	\$307	\$(39)
Solid Waste	\$63	\$61	\$(2)
Storm Drainage	\$47	\$45	\$(2)
Information Services	\$11	\$12	\$1
Vehicle or Mobile Equipment	\$50	\$55	\$5
Fire	\$13	\$14	\$1
Water	\$108	\$118	\$10
Wastewater	\$135	\$197	\$62
Airport	\$216	\$237	\$21
Total	\$1,499	\$1,630	\$131

The funding for all cost centre P1 projects come from 10 sources. Approximately 40% of funding will come from external sources such as Development Cost Charges, Grants, Community Works Fund, Developer, and Other Contributions. City funding sources such as General Taxation, Infrastructure Levy, Reserves, Borrowing, and Utilities are approximately 60%.

Unfunded Investment

The unfunded, or P2 projects, forecast for the next 10-years increased by \$121 million compared to the previous 10-Year Capital Plan. The 10-Year Capital Plan forecasts \$744 million of unfunded capital investment across 12 cost centres.

Table 2. Summary of changes from the previous plan to this Plan for unfunded projects (\$ million).

Cost Centre	Previous Plan (\$ million)	This Plan (\$ million)	Difference (\$ million)
Real Estate and Parking	\$13	\$40	\$27
Buildings	\$217	\$442	\$225
Parks	\$48	\$113	\$65
Transportation	\$219	\$54	\$(165)
Storm Drainage	\$24	\$21	\$(3)
Information Services	\$1	\$1	\$0
Vehicle & Mobile Equipment	\$0	\$18	\$18
Fire	\$0	\$1	\$1
Water	\$28	\$38	\$10
Wastewater	\$73	\$16	\$(57)
Total	\$623	\$744	\$121

Unfunded capital projects occur in eight of the 12 cost centres. Buildings and Parks account for 75% of the unfunded projects in the Plan, Transportation accounts for 7%, Water, Wastewater and Storm Drainage is 10% and the remaining 8% consists of Vehicles and Real Estate & Parking.

Infrastructure Deficit

The Infrastructure Deficit (ID) is comprised of the City’s share of funding for all the P2 projects. There is \$744 million in P2 projects, but some of these projects would be supported by developer contributions, grants, or external funding sources. These external funding sources have been deducted from the \$744 and the City’s share of funding to advance these projects is \$610 million. This is the City’s Infrastructure Deficit (ID) forecast for the next 10-years.

As a percentage of funded capital investment, the ID trended down in 2018 and 2019 due to the increased revenue from the Infrastructure Levy and the Parks DCC. The ID remained relatively constant as a percentage of funded capital (~30%) for 2020 and 2021 but has increased in 2022 due to global influences and the renewal needs identified in the Buildings cost centre.

Table 3. Summary of Infrastructure Deficit (ID) by year (\$million).

	2018	2019	2020	2021	2022
ID (\$millions)	\$463	\$396	\$388	\$430	\$610
ID % of funded capital	44%	31%	29%	29%	37%

Frost Road Update

During the second of three presentations on the 10-Year Capital Plan to Council (July 25, 2022), Council inquired about the Frost Road Project (Frost 1 – Killdeer to Chute Lake). The following information is provided in response to Council’s inquiry.

Previous Council Resolution

Resolution	Date
THAT staff investigate low-cost alternatives to addressing traffic from the South Mission.	January 18, 2021

On January 18, 2021, Council heard a report from staff that looked at major changes to the DCC Roads Program proposed by the TMP. This included the deferral of Frost Road beyond 2040 due to competing priorities and cost constraints. Council directed staff to “staff investigate low-cost alternatives to addressing traffic from the South Mission”.

Council received a subsequent update on the project from the City Manager’s Office on September 15, 2021. This email provided the following information:

- Currently all funding in the South Mission Sector Road DCC program reserves (Sector B) is committed to the South Perimeter Road project and related improvements to Stewart Rd West and Casorso Road.

- The Contractor for SPR (Arthon) will receive a lump sum payment upon completion plus annual payments equal to 80% of South Mission Roads DCC annual revenue (approximately \$1 million) per year until SPR is fully paid. Repayment is projected to be complete by 2028.
- To accommodate increased traffic flow from SPR, the City needs to complete downstream improvements to Stewart Road West and Casorso Road. This will occur gradually over the coming years as traffic increases, starting 2022.
- The current DCC estimate for Frost Road is \$4 million and includes improvements to the Chute Lake Road intersection. The previous commitments for SPR and Stewart Rd account for all Sector B DCC revenue and sufficient reserve funding for Frost Rd is not available until 2035. This project may be advanced if development increases and funding becomes available.

Staff subsequently revised the TMP, 10-Year Capital Plan and DCC Program (underway) to include Frost Rd for construction in the 2035 timeframe. This timeframe recognizes that Sector B is already committed to funding the SPR as well as downstream improvements of Stewart Rd that will help develop a third north-south corridor to the area.

Developing a plan for advancing Frost Rd requires a clear understanding of project scope and cost. It is for this reason that the 2022 budget included \$120,000 for planning and design of Frost Rd. This budget is to confirm the road and intersection designs as well as an updated cost estimate. Additional considerations include the identification of any property requirements and impacts to existing utilities. Staff have selected a consulting firm, identified a project manager, and the work is underway. Furthermore, staff are exploring alternative funding arrangements that may be able to advance the planned construction timeframe and will return to Council with a report in Q2 of 2023.

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.

Conclusion:

This year’s update involved three touch points with Council. This is the final report and is intended for final review and adoption by Council.

Internal Circulation:

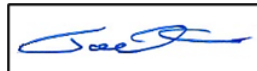
- Airport Finance & Corporate Services
- Asset Management & Capital Planning
- Building Services
- Fire Services
- Financial Planning
- Information Services
- Integrated Transportation
- Parks & Buildings Planning
- Utility Planning

Considerations not applicable to this report:

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

Submitted by:
J. Shaw, Acting Divisional Director Financial Services

Approved for inclusion:



J. Shaw, Acting Divisional Director Financial Services

Attachments:

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

cc:
Divisional Director, Partnerships & Investment
Divisional Director, Active Living and Culture
Divisional Director, Corporate and Protective Services
Divisional Director, Corporate Strategic Services
Divisional Director, Financial Services
General Manager, Infrastructure Division
Fire Chief
Department Manager, Infrastructure Operations