

Report to Council



Date: November 28th, 2022
To: Council
From: City Manager
Subject: 10-Year Capital Plan Overview
Department: Financial Services

Recommendation:

THAT Council receives, for information, the report from Financial Services dated November 28th, 2022, with respect to the 10-Year Capital Plan Overview.

Purpose:

To provide Council with an overview of the 10-Year Capital Plan and outline the process for annual updates.

Background:

The City maintains a rigorous capital planning process that supports Council priorities, Imagine Kelowna and the Official Community Plan; and provides the framework for long-term capital planning and fiscal sustainability.

The City’s infrastructure planning process starts with understanding community expectations and ends with providing infrastructure that delivers the expected services to the community. The 2030 Infrastructure Plan set the direction for infrastructure investment until 2030 and is the City’s strategic capital plan linking the higher-level planning/priority documents (i.e. Council and Corporate Priorities, Imagine Kelowna, and the Official Community Plan) with the 10-Year Capital Plan and the Annual Budget. Recognizing that emerging issues and community priorities change, the 10-Year Capital Plan is updated annually to respond to these changing conditions. The capital projects in the Annual Budget are, in turn, directed by the 10-Year Capital Plan and in the end, these plans lead to public infrastructure that supports services the community depends on.



Figure 1- Capital Planning Continuum.

The latest 10-Year Capital Plan was adopted by Council in August of this year.

Previous Council Resolution

Resolution	Date
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.	August 22, 2022

This report provides a high-level summary of the previous report in preparation for the Preliminary Budget Review. The reader is directed to the August 22, 2022, Council report for complete details. The [10-Year Capital Plan](#) is available online and all project are available via links in the Appendix. Council also has access to an internal application that provides the 10-Year Capital Plan projects in a searchable database. This 10-Year Capital Plan [application](#) is in development and is not available to the public currently.

Discussion:

The current 10-Year Capital Plan forecasts infrastructure investment for 2022 – 2031. The City plans to invest \$1.75 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. The Airport has recently updated their budget from \$237 to \$355 million to align with the 2023 budget forecast and this has increased overall capital investment in the 10-Year Capital plan from what was presented in August.

Table 1. Summary of investment levels by cost centre.

Cost Centre	This Plan (\$ million)	% Total
Airport	\$355*	20%
Transportation	\$307	18%
Buildings	\$290	17%
Parks	\$248	14%
Wastewater	\$197	11%
Water	\$118	7%
Solid Waste	\$61	3%
Vehicle or Mobile Equipment	\$55	3%
Real Estate and Parking	\$46	3%
Storm Drainage	\$45	3%
Fire	\$14	1%
Information Services	\$12	1%
Total	\$1,748	

* Airport capital updated to align with most recent budget forecast.

Labour shortages, supply chain challenges, rising interest rates, and increased energy costs have increased project costs. These cost pressures 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 and Corporate 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.

The Infrastructure Deficit (ID) is comprised of the unfunded portion of all the Priority 2 (P2) projects. Some of the P2 projects are partially funded by confirmed external sources like developer contributions, grants, or utility funding. The unfunded share of the P2 projects is \$610 million and amounts to the Infrastructure Deficit for the next 10-years.

Many of the P2 projects would not proceed without significant external funding from grants or partnerships, so the Infrastructure Deficit is a conservative estimate that will be further refined in future iterations of the 10-Year Capital Plan. Numerous opportunities exist to fund components of this deficit and they will be fully explored and presented to Council in 2023.

The Infrastructure Deficit is a measure that has been tracked since 2018. 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 2- Infrastructure Deficit by year (\$ millions).

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

Capital Planning Process

The Capital Planning Process happens throughout the entire year. The 10-Year Capital Plan is updated annually starting in January with final adoption of the Plan scheduled for the end of June (Figure 2). The process is broken down into four phases as represented by the four colours on the schematic and detailed below:

1. Information gathering – changes in Council priorities, emerging issues, cost and fundings updates.
2. Update System – project information and financials inputted into 10-YCP system.
3. Prepare Draft plan – draft plan is prepared and circulated internally to City staff.
4. Engage Council - two Council reports are prepared and presented to Council to receive direction prior to bringing the 10-Year Capital Plan back to Council for adoption.

The Annual Capital Plan process starts in May and ends in December with adoption of the Preliminary Budget Volume I in December. The 10-Year Capital Plan identifies the projects to be included in the Annual Capital Plan, but project scope, costing and financing are further refined so these projects can be included in the Preliminary Budget. Similarly, the Annual Capital process is broken down into four phases as represented by the colours on the schematic and detailed below:

1. Information gathering – project scope, cost and financing are refined for projects identified for inclusion in Preliminary Budget.
2. Update System – projects are loaded into the Budget Capture System.
3. Prepare Draft Plan – draft Preliminary Budget is prepared and reviewed by City Manager.
4. Engage Council – City Manager presents Preliminary Budget to Council in December.

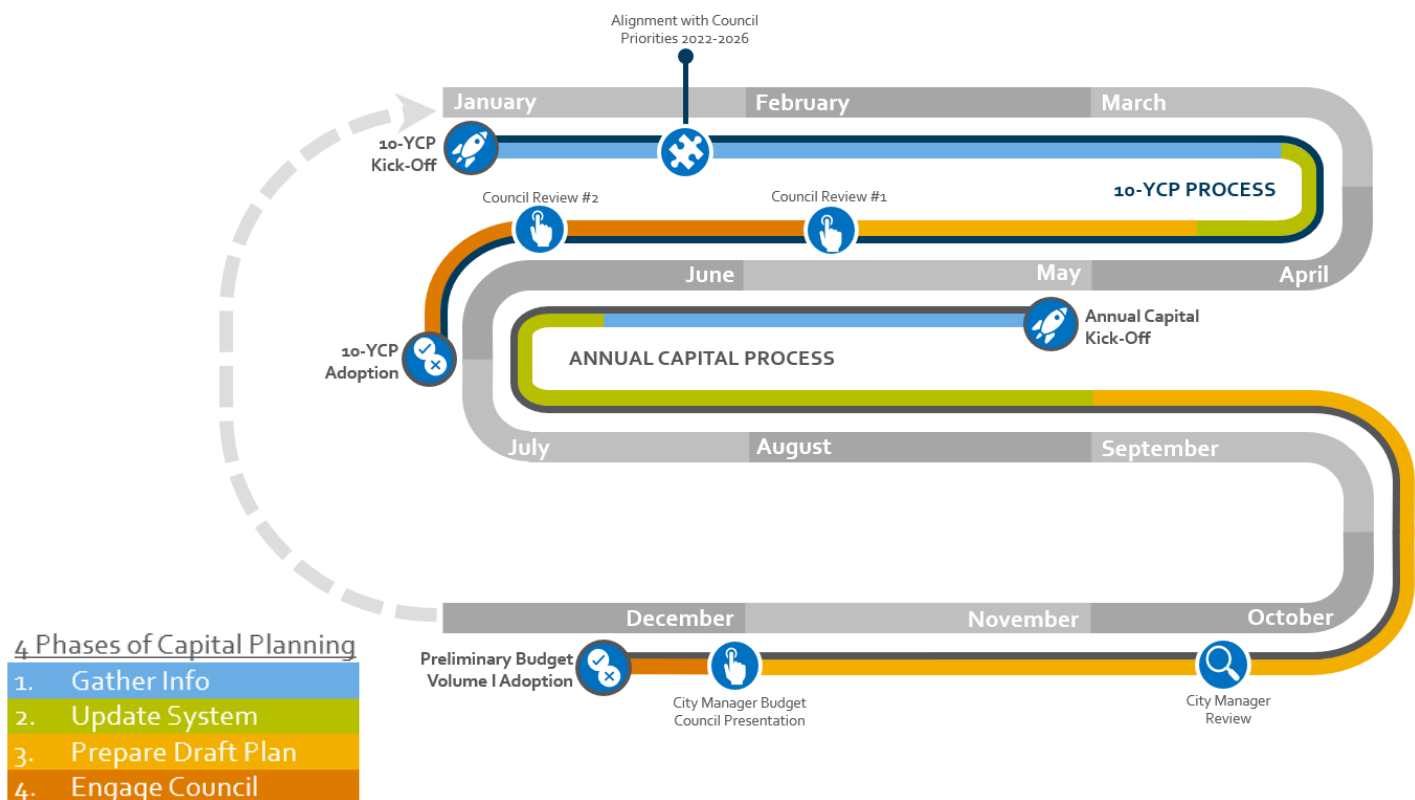


Figure 1- Capital Planning process and timeline.

Conclusion:

The 10-Year Capital Plan provides the framework for long-term planning and fiscal management and is responsive to emerging issues and changing community priorities. This long-term approach allows the City to stretch the limits of revenue by source, and make the decisions to put in place essential infrastructure to support a future Kelowna. By doing so, the capital investment in the community is maximized where and when it is most needed.

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.

Considerations not applicable to this report:

Legal/Statutory Authority:

Legal/Statutory Procedural Requirements:

Existing Policy:

External Agency/Public Comments:

Communications Comments:

Submitted by:

J. Shaw, Asset Management and Capital Planning Manager

Approved for inclusion:



cc:

Attachments: Attachment 1 – Capital Plan Overview Presentation