

# Report to Council



**Date:** August 26, 2024  
**To:** Council  
**From:** City Manager  
**Subject:** 10-Year Capital Plan Annual Update – Workshop #2  
**Department:** Corporate Services

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**Recommendation:**

THAT Council receives, for information, the report from Corporate Services dated August 26, 2024, with respect to this year’s annual update to the 10-Year Capital Plan.

**Purpose:**

To present the draft 10-Year Capital Plan to Council for their review and direction prior to staff returning to Council for adoption.

**Background:**

This year’s annual update to 10-Year Capital Plan (Capital Plan) details the City's planned infrastructure investment to support growth, improve services, and renew existing assets.

For this year's capital planning cycle, there are three key touchpoints that give Council a chance to influence the Capital Plan's trajectory. This report is the second in the sequence. The first report provided an overview of the capital planning process, objectives and highlighted the adjustments from the current Capital Plan.

*Previous Council Resolution*

Resolution	Date
THAT Council receives, for information, the report from Corporate Services dated August 12, 2024, with respect to this year’s annual update to the 10-Year Capital Plan.	Aug 12, 2024

**The focus of this report is to review the draft Capital Plan and receive direction from Council prior to returning with the third report on September 9<sup>th</sup> for adoption of the Capital Plan.**

## Capital Plan Investment

The City has many competing infrastructure demands, necessitating tough decisions to optimize spending, maximize community value, and balance wants versus needs. To guide these decisions, the City maintains a rigorous capital planning process that aligns with [Council Priorities 2023-2026](#), Imagine Kelowna, the Official Community Plan and infrastructure master plans. The Capital Plan provides the framework for long-term planning and fiscal management.

The Capital Plan projects an expenditure of \$2.59 billion over 2025 to 2034, with two-thirds allocated to service enhancements and community growth, while the remaining third is dedicated to maintaining services and the renewal of existing assets.

Guided by Council and Corporate Priorities, capital investment will focus on the following:

- Maintaining direction set by Council in last year's Capital Plan.
- Accelerating transportation & mobility infrastructure making it easier for people to get around by vehicle, transit, cycling and walking.
- Community amenities like recreation and community centres to keep pace with Kelowna's population growth and the evolving needs of its residents.
- Parks acquisition and development with big investment plans for recreation and waterfront parks.
- Airport development.
- Reducing environmental footprint and future-proofing infrastructure to be more resilient in the face of changing climate.
- Increased investment in stormwater infrastructure and flood protection.
- Renewal of critical infrastructure.

**Table 1 - Capital Plan investment by Cost Centre.**

Capital Cost Centre	Last Capital Plan (\$ million)	This Capital Plan (\$ million)
Transportation	\$ 373	\$ 726
Buildings	\$ 416	\$ 441
Airport*	\$ 371	\$ 371*
Parks	\$ 288	\$ 358
Water	\$ 147	\$ 201
Wastewater	\$ 211	\$ 194
Stormwater	\$ 44	\$ 86
Real Estate & Parking	\$ 46	\$ 80
Vehicles	\$ 53	\$ 55
Solid Waste	\$ 73	\$ 52
Fire	\$ 14	\$ 18
Information Services	\$ 12	\$ 12
<b>TOTAL</b>	<b>\$ 2,048</b>	<b>\$ 2,594</b>

\* Airport capital is based on last years Capital Plan and will be updated and presented to Council in September prior to adoption of the Capital Plan.

**Transportation** is a Council Priority, leading the City to increase its infrastructure investment twofold to make it easier for people to get around by vehicle, transit, cycling and walking. The total funding for Transportation infrastructure now stands at \$726 million, making it the City's most significant area of investment. The Transportation Acceleration Program (TAP) plans to deliver projects faster with alternative approaches to design, procurement and construction. Notable projects include:

- Highway 33 / Clement Extension - \$135 million
- Sutherland Rd - \$52 million
- Richter St - \$24 million
- KLO Bridge Replacement - \$18 million
- TAP Projects
  - Burtch Rd - \$58 million
  - Glenmore Rd - \$43 million
  - Hollywood Rd - \$34 million
  - Lakeshore Rd - \$29 million
  - Frost Rd Ext. to Chute Lake - \$5 million
- Active Transportation Corridors
- Transit Exchanges
- Major intersection improvements

**Buildings** represent the second-largest area of investment, with \$441 million. This funding is dedicated to expanding facilities such as recreational, community, and protective services to accommodate our expanding population. Additionally, there will be considerable investment focused on the renovation and modernization of existing building assets. Key projects include:

- PRC Redevelopment - \$189 million
- MNP Expansion - \$44 million
- Glenmore Activity Centre - \$24 million
- Mission Activity Centre - \$28 million
- Rutland Activity Centre - \$23 million
- Glenmore Protective Services Building - \$39 million
- Building Renewal - \$80 million

There are several major Building projects not included in the Capital Plan and investment in this cost centre is expected to increase in the future as some of these projects move into the plan. This will be discussed later in the report.

**Parks** investment will rise to \$358 million over the next decade, as the City commits to build vibrant, animated parks for the community to connect, enjoy and experience. Park washroom investment within the Parks Cost Centre partially explains the uptick in costs, with the principal increase attributed to rising construction costs for park facilities. Big Park projects include:

- Parkland Acquisition - \$166 million
- Parkinson Recreation Park - \$41 million
- Glenmore Recreation - \$41 million
- City Park - \$31 million
- Dehart Park - \$11 million

- Rutland Recreation Park - \$8 million
- Mission Recreation Park - \$6 million
- Neighbourhood Park Program

**Water.** It is projected that \$201 million will be invested in water infrastructure over the next decade to ensure the provision of high-quality potable water and dependable irrigation to all City customers. Big Water projects include:

- Integration of GEID with City Water Utility.
- Infrastructure to support growth and renew of existing assets.
- Land purchase for a future Water Treatment Facility.

**Wastewater.** The City treats close to 40 million litres of wastewater from homes, businesses, and industry each day. With the community's expected growth, this volume will continue to increase. The focus is to ensure environmental stewardship, community preparedness and resiliency while meeting regulatory requirements. That is why the City plans to invest \$194 million in the next 10 years. Major investment include:

- Infrastructure to support growth and renew aging assets.
- Expansion of the Wastewater Treatment Plant - \$40 million.

**Stormwater and Flood Protection.** Investment in stormwater infrastructure will utilize natural and engineered solutions to improve resiliency, flood mitigation and water quality which are increasingly important in the face of a changing climate. Recent capital investment to improve Mill Creek capacity and divert more flow to Mission Creek through an upgraded diversion structure prevented Mill Creek from spilling its banks during the heavy rains last year. To keep going with this critical work, Stormwater investment has more than doubled to \$86 million.

- Mill Creek Flood protection is the largest project at \$51 million.
- Infrastructure to improve resiliency, flood mitigation and water quality entering Okanagan Lake.
- Infrastructure to support growth and renew aging assets.

**Solid Waste.** Efficient and effective daily operations and long-range capital planning ensures the Glenmore Landfill will serve Kelowna and surrounding communities well into the future. That is why \$52 million worth of capital investment is planned in the next 10 years to ensure the site is future-ready and there are continued plans to:

- Expand the landfill footprint.
- Manage the Stockpile and Reprocessing Areas.
- Implement a new stormwater management program.

**Real Estate & Parking.** Investment focuses on strategic land acquisition and providing state-of-the-art, well-maintained parking facilities. In response to rapid growth new parkades are planned for South Pandosy and Downtown. Overall, investment in Real Estate & Parking infrastructure is \$80 million with large investment in:

- General Land acquisition
- New Downtown Parkade - \$35 million
- South Pandosy Parkade - \$15 million

**Information Services** is a small, but important investment area as the City continues its digital-first transformation. To get there, investment of \$12 million is planned in the next 10 years. As the City embraces more cloud-based technology, the focus is on:

- Major systems projects to eliminate legacy systems.
- Refreshing the user-experience by streamlining access to information.
- Enabling staff to be more mobile by purchasing hardware that allows for greater flexibility.

**Vehicle or Mobile Equipment** funds all the City’s vehicles and equipment except for fire trucks and equipment. The City maintains a reliable, sustainable fleet and continues to modernize it by going Green to reduce GHGs by purchasing EV, hybrid or hydrogen vehicles where available. The \$55 million capital investment will go towards:

- Replacing aging vehicles and adding to the fleet to accommodate growth.

**Fire.** The well-established capital program at the Fire Department ensures fire trucks, equipment and communication systems remain up-to-date in order to keep firefighters and the community safe. It is a relatively small capital program as most costs are operational and fire stations are accounted for in the Buildings cost centre. Investment in the Fire cost centre is forecasted at \$18 million. Big projects include:

- Vehicle/Equipment Renewal
- New Fire trucks and equipment to support growth
- Implementing NG-911

**Capital Plan Funding**

Funding for the Capital Plan comes from 4 primary sources totaling \$2.59 billion. Approximately 35% of funding is from external sources comprised of Development Cost Charges and Grants from senior governments. City funding sources include General Taxation and Reserves and Borrowing totaling approximately 65%.

General Taxation and Reserves fund approximately \$1.02 billion (39%) of the plan. These sources are grouped due to similarities in funding flexibility permitting the City discretion in meeting its strategic financial plan to help ensure equity between current and future taxpayers. The primary sources in the Reserve category include the General Fund, Restricted Reserves and the user pay funded Water, Wastewater and Airport Utilities.

Development cost charge (DCC) funding accounts for \$665 million (26%) of all capital investment. Eligible road, storm, sewer, water and park projects

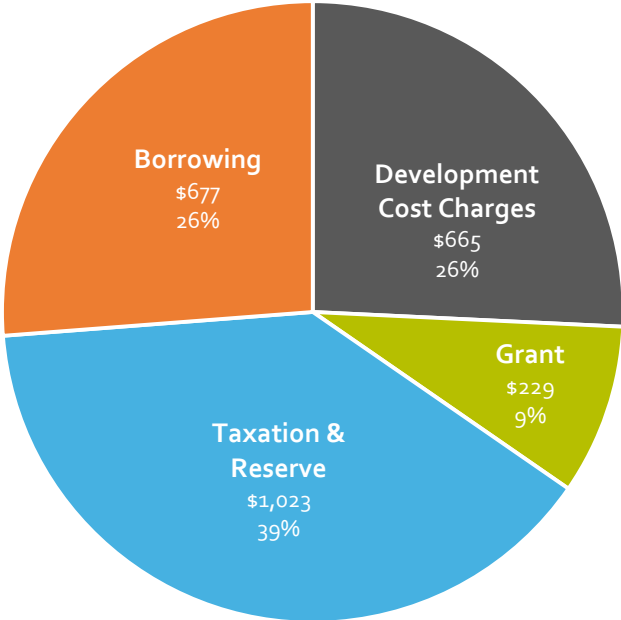


Figure 1. Funding sources (\$ millions). Total \$2.59 billion.

align with the 20-Year Servicing Plan & Financing Strategy and growth requirements in the 2040 Official Community Plan.

A total of \$229 million (9%) in this Capital Plan is projected from various provincial and federal grant programs. These include project specific grants such as the Disaster Mitigation Assistance Fund for works along Mill Creek, to the more generalized Federal infrastructure funding streams like the Housing Accelerator Fund and Community Works Fund (previously known as “gas tax”) and Provincial Growing Communities Fund. Grants will only be pursued for the City’s priority projects and grant funding will not increase the scope of a project without Council endorsement. This plan’s long-term financial strategy relies on unconditional grant opportunities only.

**Infrastructure Projects not in the Capital Plan**

Previously, the Capital Plan presented Priority 1 projects (funded) and Priority 2 projects (unfunded). Priority 2 projects were used to calculate the Infrastructure Deficit (ID) and annually reported to Council. The ID quantifies the City's funding responsibility for all P2 projects after deducting contributions from external sources like DCCs, grants, utilities, or partnerships. The following table is from last year’s Capital Plan and is reported here for reference.

*Table 2. Summary of Infrastructure Deficit (ID) by year (\$ million).*

	2018	2019	2020	2021	2022	2023
<b>ID (\$millions)</b>	\$463	\$396	\$388	\$430	\$610	\$612
<b>ID % of funded capital</b>	44%	31%	29%	29%	37%	30%

Staff are currently reassessing the methodology for determining the ID, as it encompasses several variables. Exclusions from the Capital Plan can happen due to multiple reasons such as funding shortages, underdeveloped design or scope, ongoing partnership discussions, or constraints in execution capabilities. This is part of ongoing asset management work that will look at the longer-term financial sustainability of service delivery. Staff expect to complete this work in 2025 Q1 and will report to Council.

Listed below are big-ticket projects that make up the ID and not currently in the Capital Plan, but actively being worked on. As projects are better understood through rigorous planning (design, scoping, stakeholder engagement), they will be added into the capital plan and funded accordingly. It is worth noting that many of these projects will not proceed without significant external funding from grants or partnerships.

*Table 3. Major projects not in the Capital Plan.*

Transit Operations & Maintenance Facility
Rotary Centre for the Arts - Expansion
Community Theatre Replacement
Kelowna Art Gallery Envelope Replacement
KLO Fire Hall – New Construction
Rutland Fire Hall - Renovation
Civic Yards Replacement
Parks Operations Yard Renewal
Kelowna Police Services Building Expansion
North Glenmore Policing Office
Rutland Community Policing Office Expansion
Water Treatment Facility
Wastewater Digester Facility

**Financial/Budgetary Considerations:**

The 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 Capital Plan is a forecast of infrastructure projects, as Council's approval of these projects occurs during the annual budget process.

**Internal Circulation:**

General Manager, Corporate Services  
Divisional Director, Partnership & Investment  
General Manager, Infrastructure Division  
Asset Manager  
Financial Planning Manager  
Budget Supervisor  
Fire Chief  
Fleet Services Manager  
Information Services Department Manager  
Infrastructure Operations Department Manager  
Parks & Buildings Planning Manager  
Transportation Engineering Manager  
Utility Planning Manager  
Utility Services Manager

**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, Asset Management and Capital Planning Manager

**Approved for inclusion:** J. Sass, General Manager, Corporate Services

Attachment 1 - 10-Year Capital Plan (2025 – 2034)

Attachment 2 - 10-Year Capital Plan Presentation

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