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City of Kelowna

**MEMORANDUM**

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DATE: Oct. 30, 2006

FILE: 6430-01

TO: City Manager

FROM: Director of Works and Utilities  
Director of Financial Services  
Director of Parks and Leisure Services

**RE: 20-Year Servicing Plan and Financing Strategy (2006 Update)**

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**RECOMMENDATION:**

THAT Council receive the draft 20-Year Servicing Plan and Financing Strategy (2006 update) for information;

AND THAT Council authorize staff to seek stakeholder input into the draft plan and report back following that feedback.

**BACKGROUND:**

The current 20-Year Servicing Plan and Financing Strategy was presented to Council in July, 2005 and became effective in January, 2006.

The recommended 2006 update to the 2020 Servicing Plan reflects changes in land and construction costs, updated completed projects, some scope and funding source changes and more detailed engineering on a number of projects. The proposed infrastructure works are largely the same except for the following key changes:

- (a) TRANSPORTATION – The updated plan largely includes the same roads as the current plan with the following exceptions - Highway 33 (2), Highway 33 (3) and Highway 33 (4) have been combined into Highway 33 (McKenzie – Gallagher Rd.) and University Roads 1, 2, 2B & 3 have been combined into one, UBCO Flyover. Key changes include - Hollywood 7 developer contribution of \$1.2 M. has been removed (for land purchase in advance of development), funding of the UBCO Flyover changed from Province/City sharing 50/50 to equally shared amongst the Province/UBCO/City.

(b) WATER – The current 2020 Plan calls for \$36.2 Million in expenditures on pipes and pumping systems to support growth while the 2020 update identifies \$46.5 Million of expenditures. This reflects increases in material supply costs, installation costs and road restoration costs as well as the additional costs of Ultraviolet equipment at the Cedar Creek pump station (funded from the Utility). The design capacity of the Cedar Creek facility has been increased significantly to include future supply to the Central Mission area. To meet Health Canada turbidity guidelines it is anticipated that the Eldorado intake will ultimately be decommissioned due to raw water quality parameters. Once the Eldorado intake is decommissioned the corresponding supply would be provided from the Cedar Creek facility.

(d) WASTEWATER – The updated plan reflects an increase in Trunk costs of 17% and Treatment costs of 61%. This is based on increases in general construction costs, granular material costs, costs of hauling gravel, costs of PVC pipe and a more detailed design for the Treatment facility. Treatment plant costs have increased from \$33.7 M. in the current plan to \$62.0 M. now.

(c) PARKS – The updated plan retains the current standard of 2.2 hectares of park per 1,000 population. The cost of the updated 2020 program is \$103.6 Million, an increase of 18.7 %. Updated costs are based on the 2006 Assessment Review of land acquisition costs and specific site detail costs.

The total costs of providing this infrastructure in the 2020 Plan update is \$753.0 Million as compared to \$607.2 Million for the current 2020 program. This 24.0 % increase is a result of the changes outlined above. The impact on the funding areas is:

(Millions \$'s)

<u>Funding Sources</u>	<u>Current Program</u>	<u>Update</u>	<u>Change \$'s</u>
Taxation	120.4	158.5	38.1
DCC's	363.7	436.7	73.0
Developer	73.9	84.8	10.9
Province	27.9	32.7	4.8
Utility	<u>21.3</u>	<u>40.4</u>	<u>19.1</u>
Total	\$607.2	\$753.1	\$145.9

The impact on the DCC rates can be seen in attachment Schedule 1

As part of the update exercise a scenario was developed wherein some funding changes have been applied to the updated Roads and Parks programs. This provides a more equitable allocation of DCC and taxation funding. Under the current Roads program there is \$24.0 M. in taxation funding allocated to COB 2 and COB 3 that was previously anticipated from the Provincial Government but then changed to taxation. As this road segment is required due to growth it is recommended that it be treated like any other road in the program. The effect of this is an \$898 increase (14%) in the Sector I DCC Residential 1 rate from \$6,326 to \$7,224. This translates to a 9.0% increase in Roads total DCC's from \$228.8 M. to \$249.0 M. offset by a decrease of \$19.9 M. (14%) in Roads taxation.

As well, the extra 1" asphalt taxation amenity (\$7.8 M.) has been changed from taxation funding and it is now charged to new growth. The result is an increase of \$165 (2.7%) in Sector I roads rates and between \$172 (2%) and \$408 (4%) in non Sector I rates. This increases DCC funding by \$6.4 M. with a corresponding decrease in taxation funding.

Combining the 2 changes above results in an increase to the Sector I rate of \$1,062 (17%) over the updated program or \$2,182 (42%) over the current program.

A further change is recommended to reduce the Parkland assist to 8% from 10% which increases the DCC rate by \$78. The effect on funding was a decrease in taxation of \$2.0 M. with a corresponding increase in the DCC total.

The impacts on the funding areas are:

(Millions \$'s)			
<u>Funding Sources</u>	<u>Current Program</u>	<u>Update w COB/Asph /Parks Changes</u>	<u>Change</u>
Taxation	120.4	132.3	11.9
DCC's	363.7	463.2	99.5
Developer	73.9	84.8	10.9
Province	27.9	32.7	4.8
Utility	<u>21.3</u>	<u>40.4</u>	<u>19.1</u>
Total	\$607.2	\$753.4 *	\$146.2

(\* \$300,000 difference is due to the 1% admin charge)

The impact on the DCC rates can be seen in attachment Schedule 2.

Additional information on the programs is provided in the attached schedules 1-4.

Staff intends to hold 2 open houses, one on November 9th from 4:00 p.m. to 7:00 p.m. at the Ramada Lodge and the other on November 15th from 4:00 p.m. to 7:00 p.m. at City Hall Council Chambers, with presentations to stakeholders and the general public at 5 p.m. At this session staff will be available to answer questions on the various plans and the financing strategy. Surveys will be provided to attendees to seek feedback. As well, staff will work with key stakeholders such as the Urban Development Institute and interested neighbourhood organizations to provide additional information and clarification. Once their feedback is received staff will report with an amended servicing plan and financing strategy. The following is a schedule of events:

Presentation to City Council – November 6  
Public Consultation Meetings – November 9 and November 15  
Acceptance of Input – by December 5  
Report back to Council – January 8/07  
New rates effective – April 1/07

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John Vos

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Paul Macklem

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David Graham

Attachments

# 2020 PLAN UPDATE (In 2006)

## SCHEDULE 1

2020 Major Services - Updated Funding Sources (\$ Millions)							
Major Service	Prov. Grant	Developer Construct	DCC's / Reserves	Taxation	Utility User Rates	Totals	% of Total
Arterial Roads	32.7	81.6	228.8	147.0		490.1	65.1%
Water Distribution		3.3	26.0		17.1	46.5	6.2%
Wastewater Trunks		0.0	28.5		3.7	32.3	4.3%
Wastewater Treatment			61.1		19.5	80.6	10.7%
Parkland Acquisition			92.2	11.5		103.6	13.8%
Updated Totals	32.7	84.8	436.7	158.5	40.4	753.0	100.0%
% of Total	4.3%	11.3%	58.0%	21.0%	5.4%	100.0%	
Current Totals	27.9	73.9	363.7	120.3	21.3	607.2	
% Change	17.1%	14.8%	20.0%	31.7%	89.7%	24.0%	

## UPDATED RATES

<u>ROADS</u>	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>F</u>	<u>E</u>
	S.E. Kelowna	South Mission	NE of Inner City	North of Hwy 33	South of Hwy 33	North of Inner City
Sector	10,380	11,997	3,332	7,067	4,535	4,833
Common	6,326	6,326	6,326	6,326	6,326	6,326
Total Roads	16,706	18,323	9,659	13,394	10,861	11,159
% change	36	8	13	33	42	15

<u>WATER</u>	<u>A</u>	<u>B</u>	<u>D</u>
Updated	1,646	1,292	2,943
% change	9	10	10

<u>TRUNKS</u>	<u>Not S. Mission</u>	<u>S. Mission</u>
Updated	1,143	1,533
% change	18	8

<u>TREATMENT</u>	
Updated	2,542
% change	51

<u>PARKS</u>	
Updated	3,532
% change	19

**2020 PLAN UPDATE (In 2006)**

SCHEDULE 2

**UPDATED RATES WITH EXIST. BENEFIT FOR COB 2 & 3 ALLOCATED TO NEW GROWTH**

**AND LESS 1" ASPHALT. PARKS ASSIST REDUCED TO 8%**

**2020 Major Services - Updated Funding Sources (\$ Millions)**

Major Service	Prov. Grant	Developer Construct	DCC's / Reserves	Taxation	Utility User Rates	Totals	% of Total
Arterial Roads	32.7	81.6	255.3	120.8		490.4	65.1%
Water Distribution		3.3	26.0		17.1	46.5	6.2%
Wastewater Trunks		0.0	28.5		3.7	32.3	4.3%
Wastewater Treatment			61.1		19.5	80.6	10.7%
Parkland Acquisition			92.2	11.5		103.6	13.8%
<b>Updated Totals</b>	<b>32.7</b>	<b>84.8</b>	<b>463.2</b>	<b>132.3</b>	<b>40.4</b>	<b>753.3</b>	<b>100.0%</b>
<b>% of Total</b>	<b>4.3%</b>	<b>11.3%</b>	<b>61.5%</b>	<b>17.6%</b>	<b>5.4%</b>	<b>100.0%</b>	
Current Totals	27.9	73.9	363.7	120.3	21.3	607.2	
<b>% Change</b>	<b>17.1%</b>	<b>14.8%</b>	<b>27.3%</b>	<b>9.9%</b>	<b>89.7%</b>	<b>24.1%</b>	

**UPDATED RATES**

<b>ROADS</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>E</b>
	S.E.	South	NE of	North of	South of	North of
	Kelowna	Mission	Inner City	Hwy 33	Hwy 33	Inner City
Sector	10,552	12,405	3,512	7,377	4,834	5,003
Common	7,388	7,388	7,388	7,388	7,388	7,388
Total Roads	17,941	19,794	10,900	14,765	12,222	12,391
% change	46	17	28	46	59	28
<b>WATER</b>	<b>A</b>	<b>B</b>	<b>D</b>			
Updated	1,646	1,292	2,943			
% change	9	10	10			
<b>TRUNKS</b>	<b>Not S. Mission</b>	<b>S. Mission</b>				
Updated	1,143	1,533				
% change	18	8				
<b>TREATMENT</b>						
Updated	2,542					
% change	51					
<b>PARKS</b>						
Updated	3,610					
% change	22					

1. Residential 1 - Single Family Development - by growth area - by service type												
Comparison to current rates												
									DRAFT			
									SCHEDULE 3			
	Sector / Rate											
GROWTH AREA		Roads		Water		Sewer Trunks		Treatment		Parks		Total
City Centre (Updated)	I	7,388	A	1,646	A	1,143	A	2,542		3,610		16,329
Current	I	5,206	A	1,507	A	972	A	1,689		2,957		12,331
Clifton/Glen. Hghld (Updated)	I	7,388	D	2,943	A	1,143	A	2,542		3,610		17,626
Current	I	5,206	D	2,869	A	972	A	1,689		2,957		13,693
Glenmore Valley (Updated)	I	7,388		GEID	A	1,143	A	2,542		3,610		14,683
Current	I	5,206		GEID	A	972	A	1,689		2,957		10,824
Rutland (Updated)	I	7,388		RWW	A	1,143	A	2,542		3,610		14,683
Current	I	5,206		RWW	A	972	A	1,689		2,957		10,824
North East Rutland (Updated)	C	10,900		BMID	A	1,143	A	2,542		3,610		18,195
Current	C	8,532		BMID	A	972	A	1,689		2,957		14,150
Hwy 33 - North East (Updated)	D	14,765		BMID	A	1,143	A	2,542		3,610		22,060
Current	D	10,102		BMID	A	972	A	1,689		2,957		15,720
Hwy 33 - South West (Updated)	F	12,222		BMID	A	1,143	A	2,542		3,610		19,517
Current	F	7,675		BMID	A	972	A	1,689		2,957		13,293
University / Airport (Updated)	E	12,391		GEID	A	1,143	A	2,542		3,610		19,686
Current	E	9,677		GEID	A	972	A	1,689		2,957		15,295
McKinley (Updated)	E	12,391		GEID		N/A		N/A		3,610		16,001
Current	E	9,677		GEID		N/A		N/A		2,957		12,634
Hall Road (Updated)	I	7,388		SEKID	A	1,143	A	2,542		3,610		14,683
Current	I	5,206		SEKID	A	972	A	1,689		2,957		10,824
Southeast Kelowna (Updated)	A	17,941		SEKID		N/A		N/A		3,610		21,551
Current	A	12,302		SEKID		N/A		N/A		2,957		15,259
S.W. Mission (Updated)	B	19,794	B	1,292	B	1,533	A	2,542		3,610		28,771
Current	B	16,904	B	1,176	K	1,422	A	1,689		2,957		24,148
BMID Serviced by Black Mountain Irrigation District												
SEKID Serviced by South East Kelowna Irrigation District												
RWW Serviced by Rutland Water Works												
GEID Serviced by Glenmore Ellison Irrigation District												
N/A Not Applicable as Sewer will not be in that area within the 20 Year period												

### Comparison to current rates

DRAFT

**SCHEDULE 4**

	Sector / Rate									
GROWTH AREA	Roads		Water		Sewer Trunks		Treatment	Parks	Total	
City Centre (Updated)	I	3,842	A	560	A	617	A	1,373	3,610	10,002
Current	I	2,707	A	512	A	525	A	912	2,957	7,613
Clifton/Glen. Hghld (Updated)	I	3,842	D	1,001	A	617	A	1,373	3,610	10,443
Current	I	2,707	D	908	A	525	A	912	2,957	8,009
Glenmore Valley (Updated)	I	3,842		GEID	A	617	A	1,373	3,610	9,442
Current	I	2,707		GEID	A	525	A	912	2,957	7,101
Rutland (Updated)	I	3,842		RWW	A	617	A	1,373	3,610	9,442
Current	I	2,707		RWW	A	525	A	912	2,957	7,101
North East Rutland (Updated)	C	5,668		BMID	A	617	A	1,373	3,610	11,268
Current	C	4,437		BMID	A	525	A	912	2,957	8,831
Hwy 33 - North East (Updated)	D	7,678		BMID	A	617	A	1,373	3,610	13,278
Current	D	5,253		BMID	A	525	A	912	2,957	9,647
Hwy 33 - South West (Updated)	F	6,356		BMID	A	617	A	1,373	3,610	11,956
Current	F	3,991		BMID	A	525	A	912	2,957	8,385
University / Airport (Updated)	E	6,443		GEID	A	617	A	1,373	3,610	12,043
Current	E	5,032		GEID	A	525	A	912	2,957	9,426
McKinley (Updated)	E	6,443		GEID		N/A		N/A	3,610	10,053
Current	E	5,032		GEID		N/A		N/A	2,957	7,989
Hall Road (Updated)	I	3,842		SEKID	A	617	A	1,373	3,610	9,442
Current	I	2,707		SEKID	A	525	A	912	2,957	7,101
Southeast Kelowna (Updated)	A	9,329		SEKID		N/A		N/A	3,610	12,939
Current	A	6,397		SEKID		N/A		N/A	2,957	9,354
S.W. Mission (Updated)	B	10,293	B	439	B	828	A	1,373	3,610	16,543
Current	B	8,790	B	400	K	768	A	912	2,957	13,827

SEKID Serviced by South East Kelowna Irrigation District

GEID Serviced by Glenmore Ellison Irrigation District

N/A Not Applicable as Sewer will not be in that area with

N/A Not Applicable as Sewer will not be in that area within the 20 Year period