

REPORT TO COUNCIL



Date: September 26, 2011
File: 1350-20
To: City Manager
From: Strategic Projects Manager
Subject: John Hindle Drive Funding SR # 203565

Recommendation:

THAT Council receives, for information, the report from the Strategic Projects Manager dated September 26, 2011, with respect to John Hindle Drive Funding.

AND THAT Council supports constructing Phases 2-4 of John Hindle Drive using the existing DCC program;

AND THAT Council directs staff to report back in 2012 with the preliminary design and cost estimates for Phases 2-4 of the road, a status report on the financial balances in the DCC program, and projections regarding the anticipated timing of construction;

AND FURTHER THAT Council direct staff to identify external grant funding for completion of the road in the 2010-2015 timeframe identified in the 20-year Servicing Plan and Financing Strategy.

Purpose:

COUNCIL RESOLUTION FROM THE JULY 11, 2011 P.M. REGULAR MEETING: (SR#203565)

THAT staff report back to Council with respect to the taxpayer contribution for the remainder of John Hindle Drive and the implications of paying for the road with tipping fee revenues.

Background:

Council approved the general arrangement of John Hindle Drive (from Glenmore Road to new Glenmore Landfill Entrance Facilities (phase 1) and then to UBCO (phases 2-4)) in November 2009, subject to the 2030 OCP review, ALC approvals and the 20-year Servicing Plan and Financing Strategy. Council also directed staff to apply for infrastructure grant funding in 2011 or later for the entire road construction.

A budget amendment request of \$2.4 million was approved by Council on June 27, 2011, with funding from the Glenmore Landfill Reserves for Phase 1 of John Hindle Drive and the facilities portion of the project.

Staff have projected the cost of Phases 2-4 based on an evaluation of the Class B estimate of Phase 1 to determine what the impact would be to fund Phases 2-4 of the roadway through landfill revenues.

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DCC Program Background:

John Hindle Drive replaced McKinley Road in the DCC program. It is a new alignment in a location servicing a large existing population and the University of British Columbia-Okanagan. Since the road provides a significant benefit to the existing residents of Kelowna, a cost-sharing formula based on the ratio of existing to future population was used to determine the taxation contribution to the project. The funding for the road is 73.4% taxable benefit, with a 15% tax assist on the remainder with the balance funded from DCC revenues in Roads Sector E.

Phase 1: The landfill has currently budgeted to pay 86% of the pending construction of John Hindle Phase 1. It is designed as a 2-lane rural arterial that can be expanded to accommodate a future 4 lane arterial road. The increased standard provides for the left-turn lane needed today for access and egress from Glenmore Road and at the entrance, for the significant cut-fills required to mitigate the steep existing contours, and the truck climbing lane.

The landfill is anticipated to pay for the road construction and 20 meter dedication through its property, as would be required of a normal developer. The Landfill is also contributing the over width portion of the land required beyond the 20 meter SROW and constructing beyond the normal 2 lane requirement.

Phase 2, 3 and 4 Financed by Landfill: The remainder of the road (including remainder of Phase 1, from the landfill access to the east side of the landfill property) is in pre-design approved by Council as part of 2011 budget and funded by the Landfill (\$75,000). If the landfill paid for all the taxation cost for the completion of the road, a cost of \$8.5 million (level D estimate) would be absorbed by landfill revenues. Landfill tip fees would need to be increased by approximately \$4/tonne to finance the required additional borrowing.

Financing Options:

- 1) *Status Quo:* The road would be financed based on the DCC program. The taxation portion of Phase 1 would be covered by the landfill (current estimate of \$4.7 million). The remaining phases would require taxation funding under the pay-as-you-go capital program equal to 77.4% of the costs. The DCC portion would cover 22.6% of the total cost of Phases 2-4.
- 2) *External Funding:* The City can continue to seek external funding however Council may need to prioritize this project relative to others. This strategy could be combined with either "1" or "3" to reduce the project cost to all contributing parties.
- 3) *Additional Landfill Contribution:* The landfill would cover the taxation portion of Phases 2-4 (\$8.5 million estimated) to complete the four phases of the road. There are two ways to do this:
 - a. Raise tip fees by \$25-30 by 2015 to pay for the road with minimal borrowing.
 - b. Borrow \$8.5 million from Municipal Finance Authority (MFA), internally finance up to \$8.0 million for a one year period and increase tip fees by \$4.00 by 2015. This would be in addition to the \$10/tonne tip fee increase already approved for Jan. 1, 2012. This borrowing cost is based on a 20-year amortization and construction within the next 2-4 years.

Other considerations:

- A referendum or an Alternative Approval Process will be required for the landfill to borrow funding from MFA.
- It would delay setting up reserves for landfill replacement and other unfunded liabilities until 2022 or later.

- The landfill peak traffic (in spring) is accountable for only 10% of the peak hourly load anticipated on this road and only 2% of the normal traffic load therefore it has no significant impact on the future road that warrants an additional landfill contribution.
- Increasing landfill tip fees would have to be explained to other jurisdictions in the region.
- The future road requires ALC approval with a joint application by UBCO and the City.
- The future road has several land acquisitions that could take 2-3 years to acquire and there is insufficient reserves in Sector E for those land acquisitions.

Staff recommend that the City continue to finance Phase 2-4 of John Hindle Drive from the DCC program and continue to explore opportunities for external funding. Staff will continue to update the DCC program to reflect additional design information and costing on the overall.

Internal Circulation:
Director of Finance

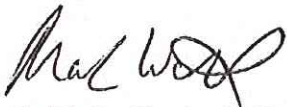
Financial/Budgetary Considerations:

1. Tip fees would need to rise \$30/tonne by 2015 if the landfill financed the Phases 2-4 of the road without borrowing; or
2. Tip fees would need to rise by \$4/tonne by 2015 if the landfill financed the taxation portion of Phases 2-4 of the road project through borrowing \$8.5 million over 20 years.

Considerations not applicable to this report:

External Agency/Public Comments: Legal/Statutory Authority:
Legal/Statutory Procedural Requirements:
Existing Policy:
Personnel Implications:
Communications Comments:

Submitted by:



M. Watt, Strategic Projects Manager

Approved for inclusion:

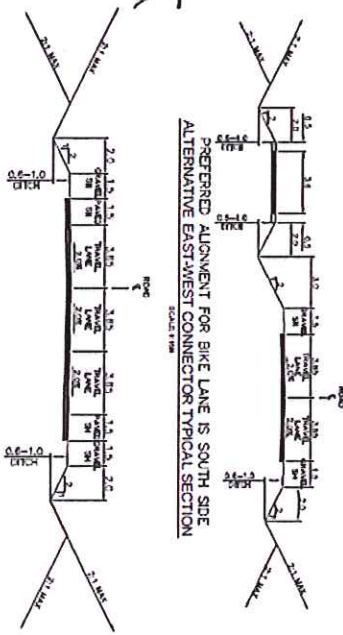
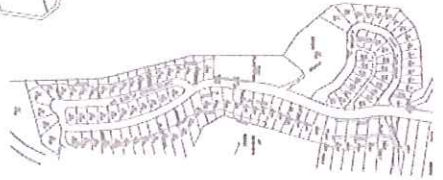
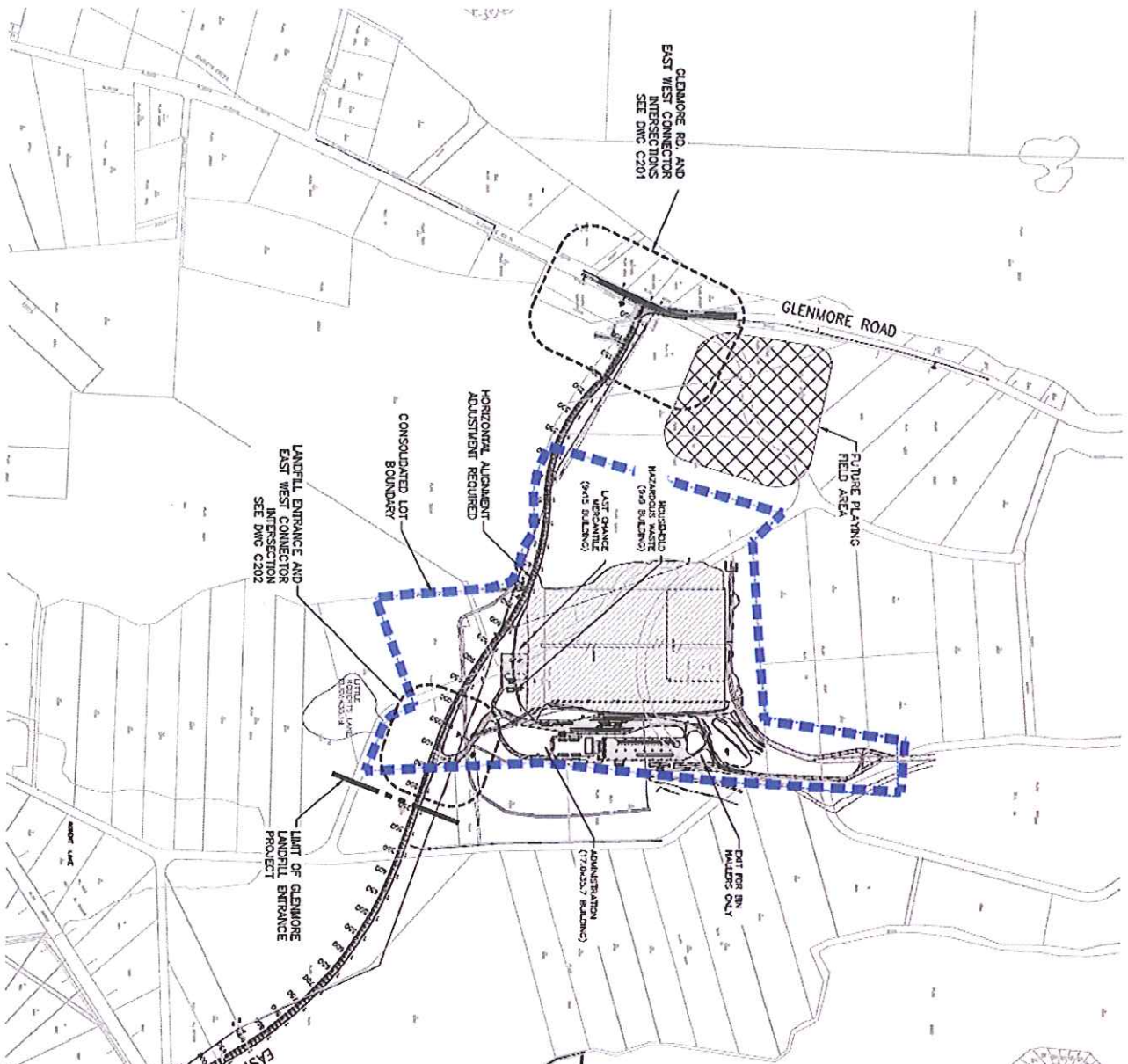


R. Cleveland, Director, Infrastructure Planning

Attach 1: John Hindle Drive Drawing

cc: General Manager, Community Sustainability
General Manager, Community Services
Director, Financial Services
Director, Design & Construction Services
Director, Civic Operations
Director, Communications

Attach 1: John Hindle Drive Drawing



1" = 10'