

# REPORT TO COUNCIL



**Date:** November 28, 2012  
**File:** 0220-30  
**To:** City Manager  
**From:** Capital Assets & Investment Manager  
**Subject:** 2013-2020 Capital Plan Update

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## **Recommendation:**

THAT Council receives for information, the report from the Capital Assets & Investment Manager, dated November 28, 2012 regarding the 2013-2020 Capital Plan Update.

## **Purpose:**

The latest draft of the 2013-2020 Capital Plan (herein termed "2020 Plan") does not include the Highway 33 to City Centre Extension within the planning horizon. Council directed Staff to provide additional detail regarding the inclusion of this project in the 2020 Plan.

Specifically Council requested the following:

- Consequence of phasing the project so that the road could be built to a 2-lane standard with provision for future 4-laning;
- Financial impacts of long-term borrowing to finance the project;
- Compare borrowing exposure with other communities.

## **Background:**

The Highway 33 to City Centre Extension would extend Clement Ave from its terminus at Spall Road to Highway 33 and would provide a by-pass to this heavily congested section of Hwy 97 (see attached figure). This section of road is part of a larger transportation project that would eventually create a bypass arterial roadway from City Centre to UBCO Campus.

The cost of the Highway 33 to City Centre Extension is estimated at \$50.4 million and is designed to full urban standard including curb & gutter, on road bike lanes and concrete sidewalks on both sides. The estimate does not include:

- Proposed grade separated interchange at Spall Rd or a flyover at Dilworth Dr.,
- Rails with Trails Active Transportation Corridor,
- Upgrades required from Gordon Drive to Ellis St.

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The Highway 33 to City Centre Extension has not been included in the 2020 Plan as this project is planned in the 2025-2030 planning horizon of the 20-year Servicing Plan and Financing Strategy approved in conjunction with the Development Cost Charge Bylaw in 2011. Advancement of this large project, even with considerable senior government participation, would require long-term borrowing against Sector "I" DCC reserves, a significant annual reduction in taxation funded capital projects, and the postponement of a large number of DCC-funded roads projects.

Project Phasing:

To reduce the capital cost of this section of road, staff reviewed the possibility of phasing construction by reducing the roadway from 4- to 2-lanes with the plan to expand the road to 4-lanes in the future. The reduction in project cost to build the 2-lane road amounts to less than 10% (~\$5M) because the road section (asphalt and base gravels) make up a small percentage of the overall project cost. The following construction items would need to proceed regardless of the road width:

- Land Acquisition
- Major Utility Relocation (electrical, gas, communication)
- Rail Relocation
- Grading and Creek Re-alignment
- Earthworks and Rock removal
- Bridges and Structures
- Environmental Mitigation
- Electrical (RR crossing & traffic signals, street lights, ducts)
- Engineering

If the road was built to 2-lanes there would be a cost premium to come in later to construct to 4-lanes. These costs would include additional traffic control and coordination to work around a busy roadway as well as remobilization of equipment and costs related to tying into the existing 2-lane road. For the reasons noted above, it would not be cost effective to build the road to 2-lanes with provision for a future 4-laning. In addition, computer modeling suggests that the 2-lane configuration would fill-up with vehicular traffic upon opening. This would create immediate pressure to complete the 4-lane configuration.

One option for reducing capital costs is to design the road to a rural standard which would eliminate curb & gutter and sidewalks. Staff are investigating the cost and feasibility of this option and will report back to Council in January 2013.

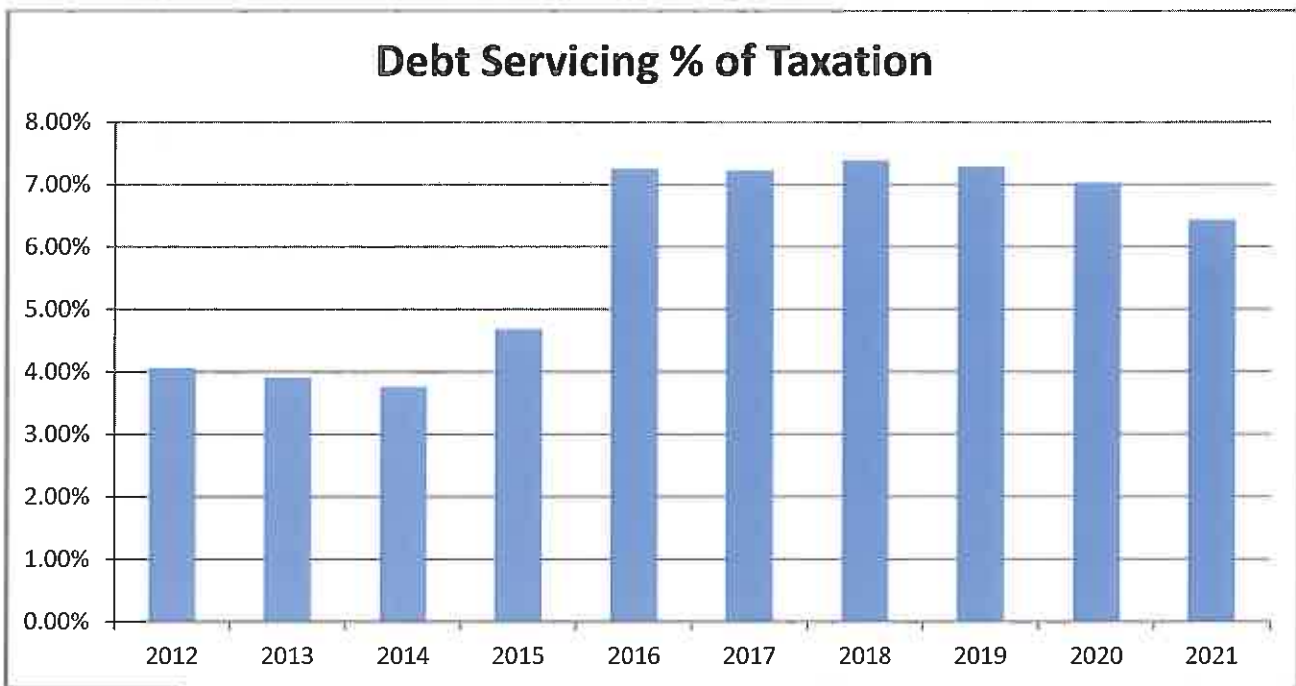
Financial Impacts of Long-Term Borrowing:

For financial analysis, it was assumed that a 50/50 Provincial grant would be received on the construction portions (excluding land) of this DCC project (see discussion on "grants" below). The tax assist on this project is 27% of total project cost with the remainder coming from Sector I DCC reserve.

Trailing is the City's proposed borrowing for capital projects including the borrowing required to fund the construction of the Hwy 33 to City Center Extension assuming the City receives a 50/50 grant.

Police Facilities	starting in 2015, \$41,600,000 - repayment at 4.25% over 20 years
Parkinson Recreation Centre	starting in 2016, \$11,150,000 - repayment at 4.25% over 20 years (assumed 50% Canada 150 <sup>th</sup> grant to fund this \$22.3 M project)
North Glenmore Firehall	starting in 2018, \$3,000,000 - repayment at 4.25% over 20 years
Hwy 33 Ext. DCC	starting in 2015, \$17,089,000 - repayment at 4.25% over 20 years
Hwy 33 Ext. Taxation	starting in 2015, \$13,392,000 - repayment at 4.25% over 20 years
Memorial & Library Parkades	starting in 2015, \$15,000,000 - repayment at 4.25% over 30 years, funded from the IH parkade lease

In total \$102.8 M of new debt is proposed in the 2020 Plan to fund the Police Facilities, PRC, North Glenmore Firehall, Hwy 33 to City Centre Extension and Memorial and Library Parkades. When debt servicing is plotted as a percentage of the total taxation demand it shows that debt servicing exceeds the City's threshold of 5% of tax demand (Fig. 1).



**Figure 1.** Debt servicing as a percentage of taxation demand.

The current informal Council policy of debt repayment not exceeding 5% of the taxation demand will be considered in a broader debt policy context that will be brought to Council in 2013. However, under this borrowing scenario there will be a significant impact on the taxation requirement for the operating budgets in both 2015 (1.1%) and 2016 (2.8%). This will be in addition to the 2% annual increase assumed in the 2020 Plan and will need to be factored into the borrowing decision.

Borrowing Exposure for Other Communities:

The Provincial Government controls the amount of borrowing by municipalities through regulations limiting the annual cost of servicing levels. The maximum value of liability servicing

cost for a given year is 25% of the municipality's controllable and sustainable revenues from the previous year.

As of December 31, 2010, Kelowna had the second highest level of "Total Debt" in the province (Table 1). This includes both the debt issued and borrowing that is authorized but not yet issued. At \$199 million, Kelowna's total debt is significantly higher than most other municipalities. However, much of this debt is for areas that most other municipalities are not involved in; Natural Gas utility (\$49M) and the Airport (\$45M). Kelowna also has the second highest debt servicing per capita among the larger BC municipalities (population greater than 75,000). Unfortunately the table does not provide information on the tax funded debt or the percentage of overall tax demand that may be faced by each municipality. In Kelowna's case, a large portion of its debt is and will be repaid through on-going revenues such as utilities, airport improvement fees and future parkade leases, but it is not possible to determine how that compares to other municipalities.

**Table 1. Analysis of Authorized Debt and Debt Servicing as at December 31, 2010**

Municipalities	BC Stats Population Estimates	Total Debt Issued	Debt Issue per capita	Total Debt	% Capacity Used	Debt Servicing Costs	Debt Servicing per capita
Vancouver	642,843	1,169,960,000	1,820	1,369,558,000	73%	225,429,820	351
Kelowna	121,306	158,851,155	1,310	198,509,514	60%	35,681,846	294
Prince George	75,568	111,123,000	1,471	136,554,000	60%	18,451,790	244
Kamloops	87,110	93,044,566	1,068	103,344,566	55%	19,195,810	220
Victoria	83,362	50,904,576	611	101,304,576	25%	11,365,446	136
Maple Ridge	76,418	40,402,089	529	68,648,274	37%	8,566,075	112
Abbotsford	138,179	96,598,000	699	96,598,000	19%	8,971,000	65
Delta	100,000	19,072,148	191	19,072,148	13%	5,771,258	58
Nanaimo	85,512	38,139,909	446	38,139,909	13%	3,971,122	46
Richmond	196,858	10,442,399	53	10,442,399	8%	7,474,826	38
North Vancouver	88,370	27,648,512	313	27,648,512	9%	3,270,378	37
Langley	104,697	57,417,000	548	57,417,000	9%	3,410,605	33
Saanich	114,140	18,663,493	164	28,894,293	10%	3,424,954	30
Coquitlam	126,594	34,401,028	272	34,401,028	5%	2,604,929	21
Chilliwack	77,975	11,184,070	143	11,184,070	3%	624,012	8
Surrey	462,345	0	-	0	3%	3,500,000	8
Burnaby	227,389	0	-	0	0%	0	0

### Grants

In 2004, the Hwy 97 segment through Kelowna was designated as a Core Network Route on the National Highway System as determined by Transport Canada. The National Highway System supports a strong local and regional economy and cleaner environment. However, the current highway corridor in Kelowna, with 17 traffic signals and the current and forecast levels of delay resulting from congestion, fails to meet the goals and objectives set out by Transport Canada. Computer modeling demonstrates that this parallel limited access road is one way to relieve pressure from Hwy 97. The Phase 2 road segment between Spall and Hwy 33 is one of the critical

components in the entire system, which won't be fully effective until the second Okanagan Lake crossing is completed.

Transport Canada contributed funds towards the planning of the corridor in 2006 under the "Transportation Planning and Modal Integration Initiatives" program. Federal participation in this corridor potentially reduces the City's contribution to 1/3 of the total cost, whereas Provincial participation alone would reduce the City's share to only 50%. To continue attracting federal participation in this corridor, it is important to maintain its association with Hwy 97. Design has proceeded to 30% completion for the entire corridor so that the City can discuss funding opportunities with both senior governments, open files and initiate meaningful discussion with regulatory agencies, and meet Federal requirements to consider alternate project delivery models such as design-build or even P3 build-finance-operate options.

**Summary:**

Highway 33 City Centre Extension would provide a bypass to Hwy 97 and relieve congestion along this busy corridor. The cost for advancement of this project, however, is significant and requires either deferring other transportation and non transportation projects or borrowing or some combination thereof to accommodate this large capital expense. There are several large capital projects in the 2020 Plan that require borrowing to fund. Additional borrowing required to fund Highway 33 to City Centre Extension would add further upward pressure on the City's debt servicing requirements and have taxation impacts.

Council direction is required to develop the plan with a debt servicing level that exceeds the existing informal policy (formal Council debt policy to be established in 2013) and also to set priorities on Capital projects in the 2020 Plan.

Staff will use Councils direction to prepare the final draft 2020 Plan complete with financing assumptions behind all projects. The final draft of the 2020 Plan will be presented to Council in January 2013.

**Internal Circulation:**

A/GM, Community Sustainability  
A/GM, Corporate Sustainability  
GM, Community Services  
A/Director, Communications  
Director, Infrastructure Planning  
Director, Financial Services  
Director, Regional Services  
Roadway Projects 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:



Joel Shaw, Manager, Capital Assets and Investments

Approved for inclusion:

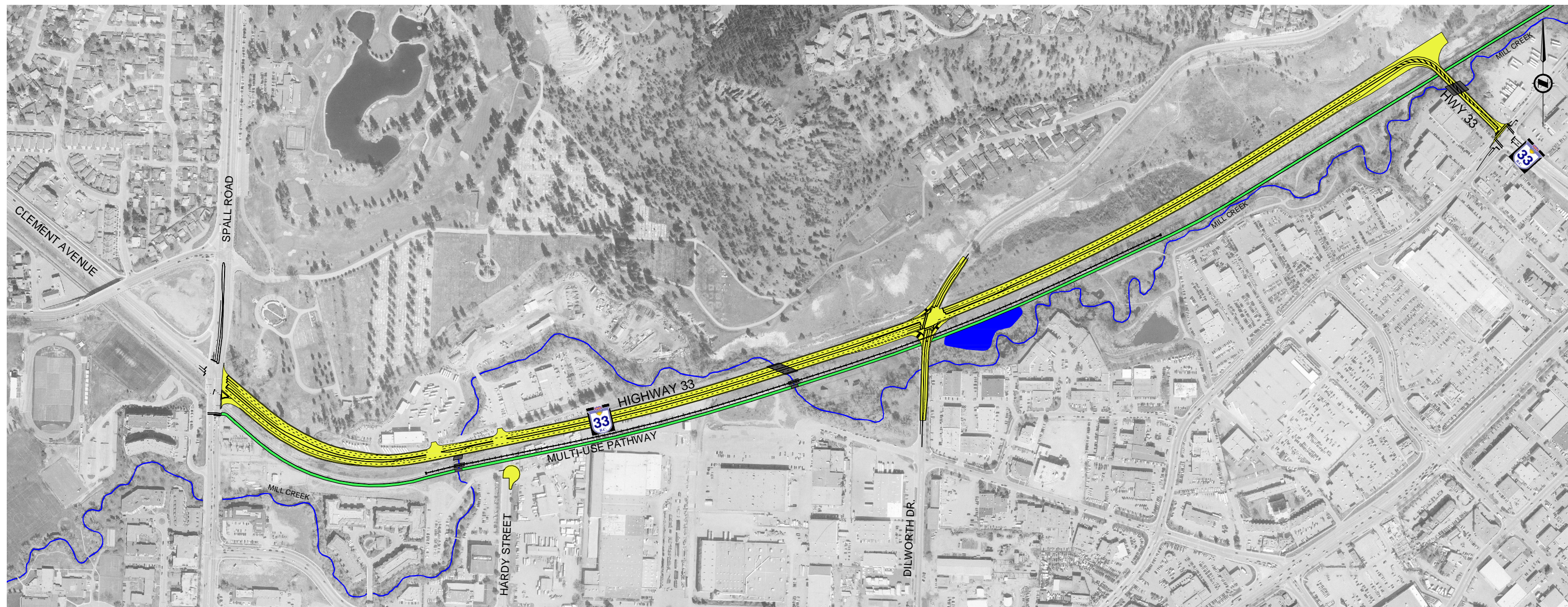


R. Cleveland, Director Infrastructure Planning

Attachment 1: Drawing of Hwy 33 Extension to City Centre

cc: A/GM, Community Sustainability  
A/GM, Corporate Sustainability  
GM, Community Services  
A/Director, Communications  
Director, Infrastructure Planning  
Director, Financial Services  
Director, Regional Services

Attachment 1: Drawing of Hwy 33 Extension to City Centre



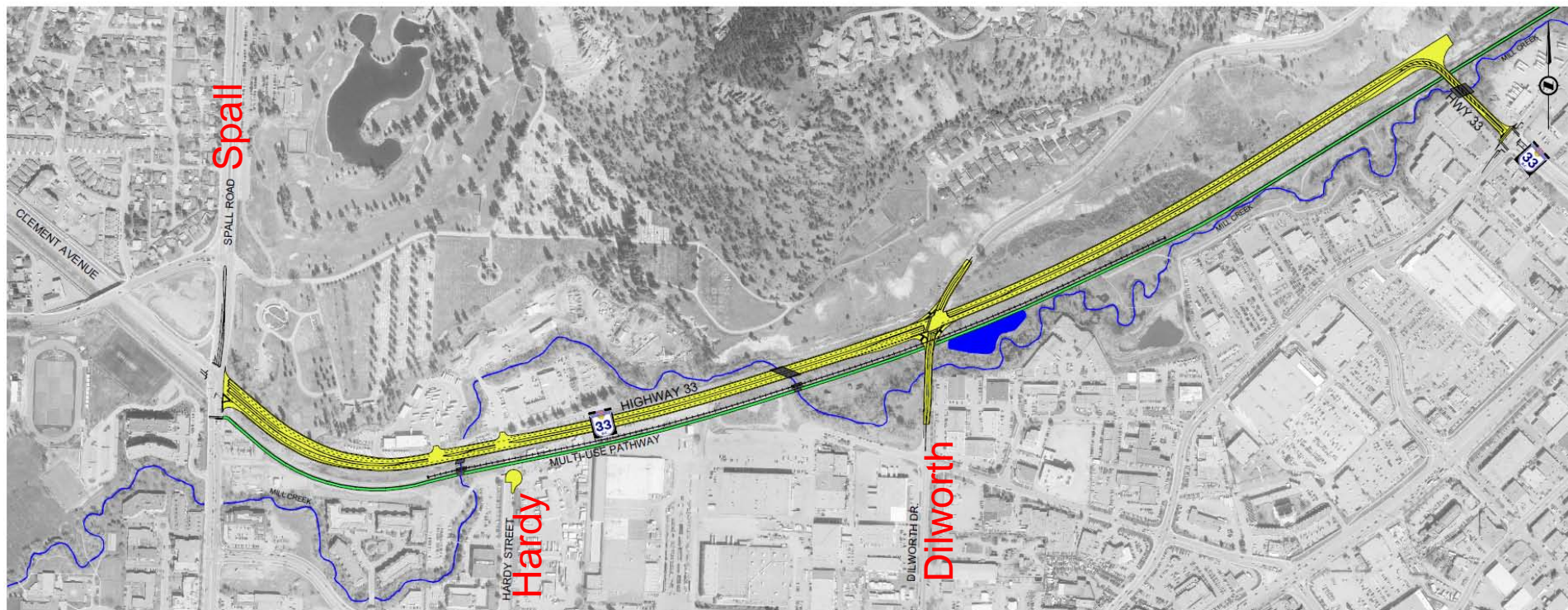
# 2013 - 2020 CAPITAL PLAN

Report to Council, 2012.12.03





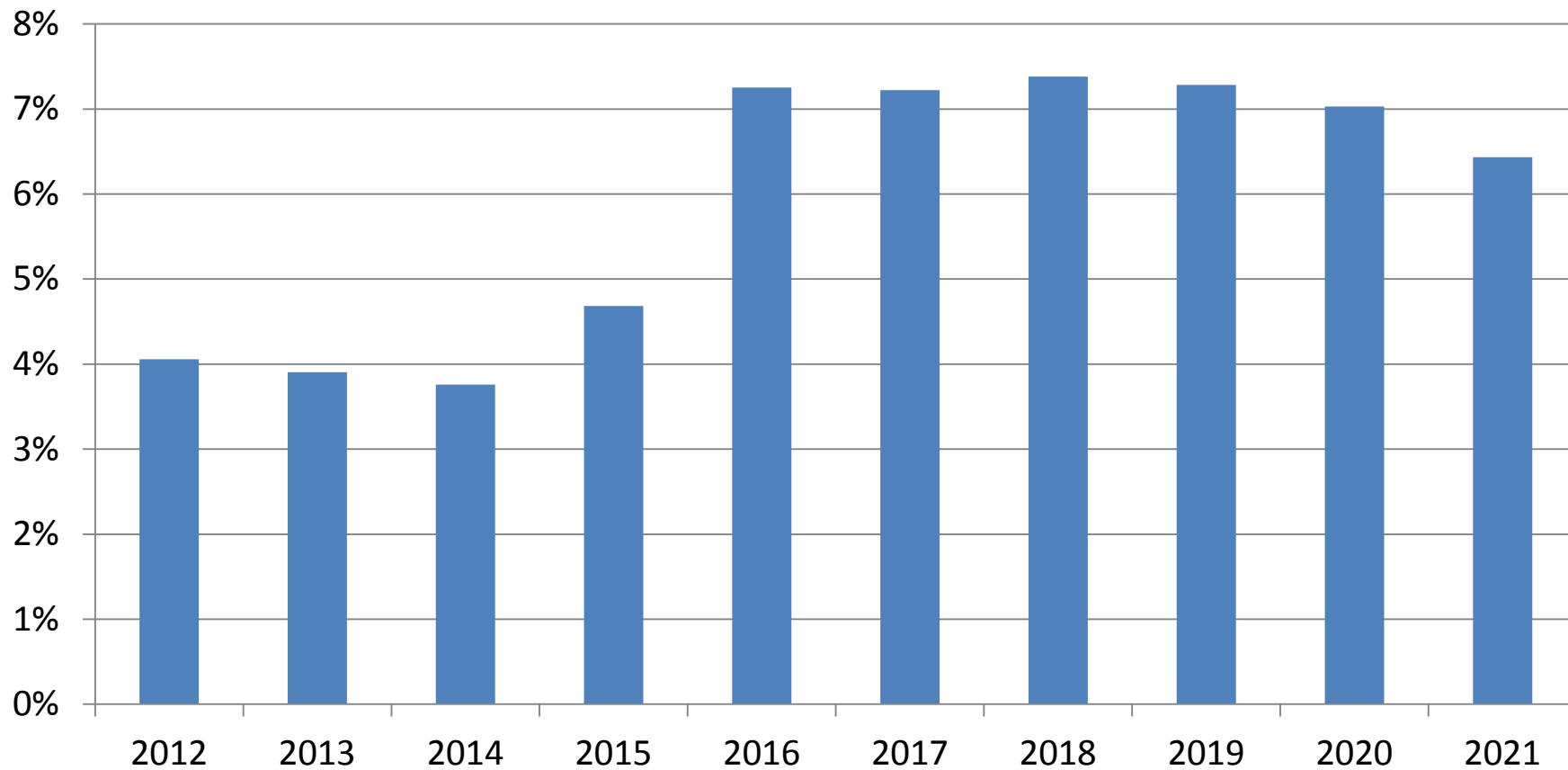
# Highway 33 to City Centre Extension



# BORROWING

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## Debt Servicing % of Taxation



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