80%
of citizens satisfied in level & quality of City services

$1.63 Billion
investment in new, upgraded & renewed public infrastructure

$41 Million
project grant funding from provincial & federal governments

52%
investment in Parks, Buildings & Transportation

City of Kelowna

EXECUTIVE SUMMARY

The City of Kelowna is located on the traditional, ancestral, and unceded territory of the syilx/Okanagan people.

The 10-Year Capital Plan (the Plan) forecasts infrastructure investment for 2022 – 2031. The Plan anticipates current and future cost pressures, stretches the limits of revenues by source, and makes the necessary decisions to put in place essential infrastructure to support a future Kelowna.

The City of Kelowna (the City) plans to invest $1.63 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. Overall, the City's infrastructure investment has increased $131 million from the previous plan across the 12 capital cost centres. 52% of total investment is in Parks, Buildings and Transportation.

The City has $744 million of unfunded projects in the next 10-years across all cost centres. Of this, 70% supports growth and improved services while 30% renews existing infrastructure. This amount increased $121 million from the previous plan. 75% of the unfunded projects are in Parks and Buildings.

The changes in the Plan are primarily due to factors beyond the City's control. Labour shortages, supply chain challenges, rising interest rates, and increased energy costs. These impacts 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 priorities, meeting the objectives of the Official Community Plan and community expectations.

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1 OVERVIEW

The 10-Year Capital Plan (the Plan) is reviewed and updated each year. Doing so, enables the City of Kelowna (the City) to respond to evolving community needs and other influencing factors.

The Plan forecasts $1.63 billion in infrastructure investment required to accommodate growth, enhance services and renew existing infrastructure.

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

- Renewal of critical infrastructure, such as buildings.
- 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.
- Infrastructure investment aligned with the new Official Community Plan (OCP).

INFLUENCING FACTORS & EMERGING ISSUES

Kelowna is transforming into a more vibrant urban city. As one of the fastest growing cities in Canada, Kelowna is rapidly evolving. Its economy is diversifying, neighbourhoods are changing, and people are choosing new ways to get around. By 2040, Kelowna is expected to be home to another 45,000 people. This transition is exciting, bringing new energy, amenities, employment, and educational opportunities. Signs indicate that this pace is unlikely to let up.

This rapid change challenges the way Kelowna has grown in the past. For many, it means increased traffic, home price escalation and the transformation of a small town into a big city. This growth is also taking place in a time of great societal, technological and environmental change. Advances in technology are changing how we work, shop, travel and communicate. The impacts of a changing climate are increasingly being felt.

In this era of rapid growth and change, there are complex choices to be made. We must choose not only where we grow, but how we grow. We must choose how we invest and where we invest. We make these choices by recognizing and building on what we love about this city. These choices are rarely easy and often involve making difficult trade-offs. Kelowna is impacted by ongoing current events at the global and local level.

- **Global.** The factors influencing the Plan are beyond the City's control; these include: labour shortages, supply chain challenges, inflation, rising interest rates, increased energy costs, COVID-19 recovery and climate change.
- **Local.** The City also faces a number infrastructure servicing challenges at the local level. These include rapid growth, community demand for more and enhanced services, and greater need to replace aging assets.

The City is responding to these challenges with progressive land use as well as transportation and infrastructure planning. The recently adopted OCP and Transportation Master Plan (TMP) have set the City on a path to sustainable service delivery, but there will still be challenges ahead.

CHALLENGES AHEAD

Rising costs of borrowing and ongoing COVID-19 recovery has direct impacts to the available funds to invest in public infrastructure.

COVID-19 Recovery. The financial impacts related to COVID-19 have long-term implications. Pay-as-you-go (PAYG) capital funding decreased at the beginning of the Pandemic as a measure to mitigate funding uncertainty. Overall, forecasted PAYG decreased $18 million between 2020 – 2030. There is a concentrated effort to return the PAYG funding to pre-pandemic levels and should reach that amount by 2031. Future PAYG decreases will impede this recovery.

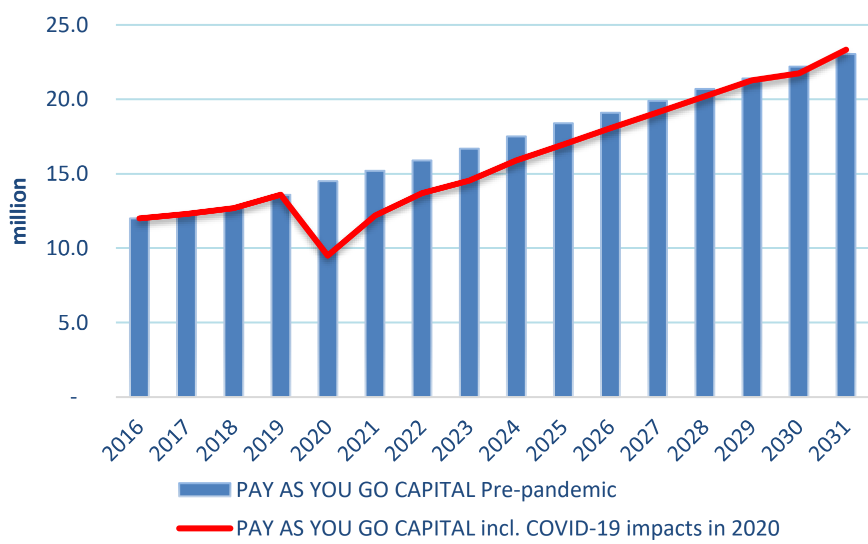


Figure 1. Pay as you go Capital impacts due to COVID-19 Pandemic.
Note: This graph has not been adjusted for inflation.

Borrowing Costs. The current policy of debt repayment is to not exceed 8% of the taxation demand for supported debt and 15% of City-owned source revenues. Debt servicing, as a percentage of taxation demand, is anticipated to exceed this limit due to the borrowing costs of projects in the Buildings cost centre. This policy will need to be reviewed and amended, if necessary, to accommodate this increase.

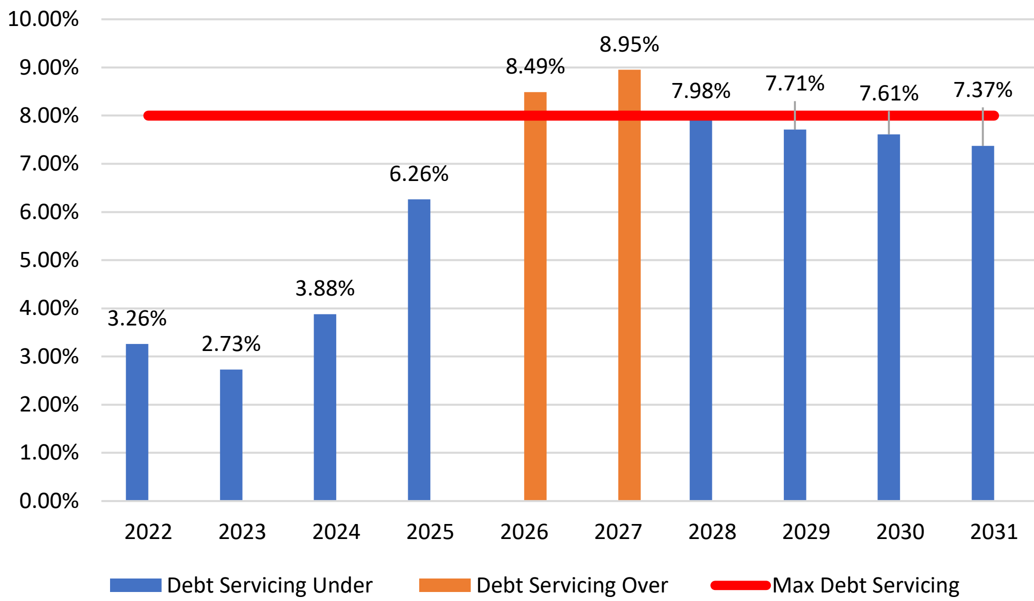


Figure 2. Annual debt servicing as a percentage of taxation demand)

WHAT ARE WE DOING?

The City is taking a proactive approach to address these complex issues:

Alternative Funding. The City continues to review alternative funding options to help reduce the infrastructure deficit, such as a stormwater development cost charge and utility, community partnerships, fees and charges.

Official Community Plan. The recently endorsed 2040 OCP optimizes infrastructure investment through more compact development where services can be more efficiently used by a greater percentage of the community population.

Transportation Master Plan. The TMP was a 4-year process to define the City's transportation vision and priorities over the next 20 years. The TMP works with the OCP to support growth, and help residents make more efficient and sustainable transportation choices through the development of reliable transit, improved road connections, comfortable bicycle routes and walkable neighbourhoods.

The proposed 10-Year Capital Plan was guided by the TMP's endorsed project list, but had to balance future expenditures with current funding projections. As such, some TMP projects are designated P2 in the Plan, while others have had their timing and scope adjusted. Funding for P2 TMP projects will be brought forward for P1 consideration within future annual budget processes. While the proposed Plan has maximized its use of available funding, it is insufficient to deliver the endorsed TMP project list. Recent and future inflation has made this challenge larger.

Parks Master Plan. Currently in-progress. This Master Plan will establish priorities between five park types: city-wide, recreation, community, neighbourhood and linear. As well as identify needs of different stakeholder groups and create a plan for future park development and renewal moving forward.

Buildings Master Plan. Currently in the planning stage. This Master Plan will create a vision and model to assess both infrastructure renewal and new construction to match growth; assess provision and distribution of built services and amenities across the City; and prioritize needs between the different building types. It will provide a tool with which City building expenditure can be planned. This plan will consolidate other functional building plans into one comprehensive document with an eye to ongoing renewal costs.

Asset Management Program. The City has advanced its asset management program and is considered one of the leaders in BC. Recent implementation of the computerized asset management system will better inform infrastructure planning, improve operational efficiency, and extend asset service life.

Ongoing Monitoring. There are many inputs and variables that are considered when preparing a capital project request. These inputs and associated standards are being refreshed to reflect current economic conditions and best practices in long-term capital financial planning. This will then inform updates to the methodology for determining the extent of the infrastructure deficit.

CHANGES FROM THE PREVIOUS PLAN

Priority 1 Project Changes

Overall, the City's infrastructure investment in Funded Projects (P1) has increased $131 million from the previous plan across 12 capital cost centres. The following table compares the City's total investment for funded projects in each Cost Centre in this Plan to the previous plan.

Table 1. Summary of changes from the previous plan and this Plan for funded projects ($ million).

Cost Centre	Previous Plan ($ million)	This Plan ($ million)	Difference ($ million)
Real Estate and Parking	$44	$46	$2
Buildings	$240	$290	$50
Parks	$226	$248	$22
Transportation	$346	$307	$(39)
Solid Waste	$63	$61	$(2)
Storm Drainage	$47	$45	$(2)
Information Services	$11	$12	$1
Vehicle or Mobile Equipment	$50	$55	$5
Fire	$13	$14	$1
Water	$108	$118	$10
Wastewater	$135	$197	$62
Airport	$216	$237	$21
Total	**$1,499**	**$1,630**	**$131**

Big Changes for Funded (P1) Projects

Buildings. Cost escalation of approximately 40% on a significant number of projects driven by global and local factors – inflation, labour and material shortage, as well as overall increased construction costs.

Parks. Cost escalation of approximately 30% on a significant number of projects driven primarily by global influences – inflation, labour and material shortage.

Transportation. Overall capital program decreased relative to the current 10 Year Capital Plan. This decrease reflects a combination of several removed projects, updated funding projections, and a shift towards projects with higher levels of taxation support.

Wastewater. The anerobic digestor was elevated from P2 to P1 and cost escalation has increased Wastewater investment.

Airport. Capital projects have been aligned with 2022 Final Budget forecasted passenger numbers and regulatory requirements at the Airport. The Airport's 10-year Capital Plan is subject to adjustment due to the fluidness of the Airport's recovery from the COVID-19 pandemic. It will continue to be updated while developing the 2023 Preliminary Budget

Priority 2 Project Changes

There is $744 million in unfunded (P2) projects forecast in the next 10-years, an increase of $121 million compared to the previous plan.

Table 2. Summary of changes from the previous plan to this Plan for unfunded projects ($ million).

Cost Centre	Previous Plan ($ million)	This Plan ($ million)	Difference ($ million)
Real Estate and Parking	$13	$40	$27
Buildings	$217	$442	$225
Parks	$48	$113	$65
Transportation	$219	$54	$(165)
Storm Drainage	$24	$21	$(3)
Information Services	$1	$1	$0
Vehicle & Mobile Equipment	$0	$18	$18
Fire	$0	$1	$1
Water	$28	$38	$10
Wastewater	$73	$16	$(57)
Total	**$623**	**$744**	**$121**

Big Changes for Unfunded (P2) Projects

Real Estate & Parking. Additional funding to construct parkades within the South Pandosy and Downtown areas.

Buildings. Cost escalations caused several P1 projects to move to P2. Comprehensive condition assessments of existing buildings identified additional deferred maintenance that requires addressing in the near term. This cost centre accounts for nearly 60% of all unfunded projects.

Parks. Cost escalations caused several P1 projects to move to P2. Parks accounts for 15% of the unfunded projects.

Transportation. Net reduction. The Transportation P2 list was updated to reflect the TMP. The TMP refined the project list through a cost effectiveness lens, resulting in a smaller P2 list. Some projects were removed, some projects were elevated to P1, and some projects were moved beyond 2031. If inflation is persistent over a longer term, the value of P2 projects will increase in the absence of additional funding. Scenario 3 projects from the TMP are not included in the 10 Year Capital Plan P2 list, as the majority are beyond the 20-year planning horizon.

Wastewater. The anerobic digestor was moved from P2 to P1 reducing the deficit in this cost centre.

INFRASTRUCTURE DEFICIT & FUNDING GAP

The Infrastructure Deficit (ID) measures the difference between the cost of all the P1 and P2 projects identified in the Plan and the funding available to complete those projects.

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 3. Summary of Infrastructure Deficit (ID) by year ($ million).

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

Funding Gap

The funding gap is determined by the available funding compared to the total funding needed for both P1 and P2 projects.

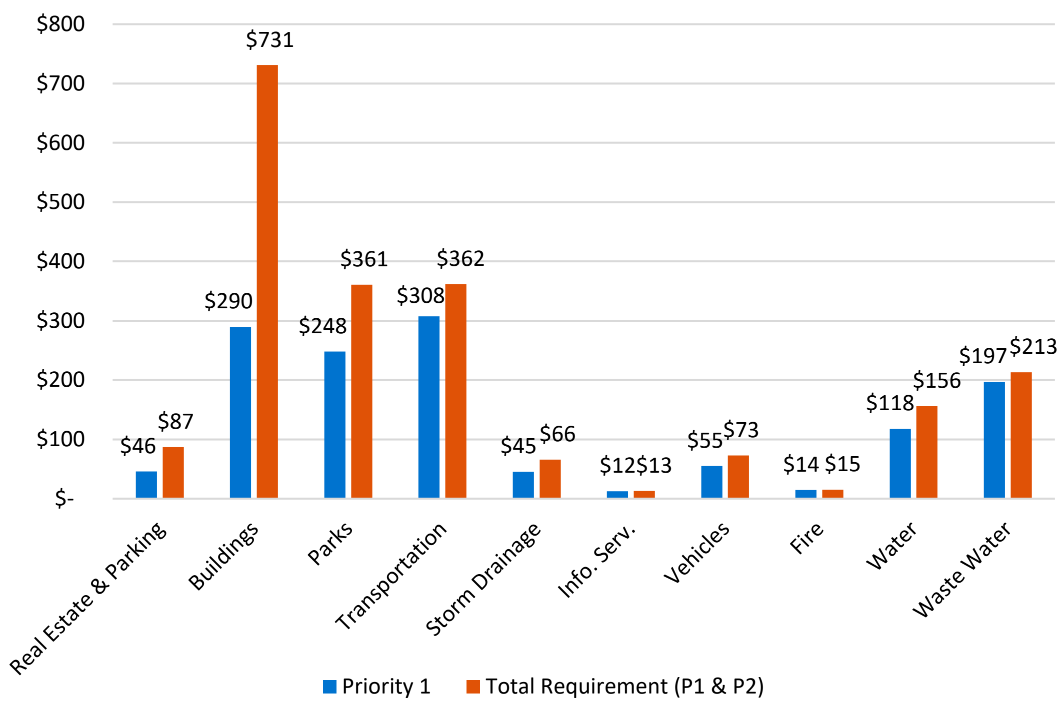


Figure 3. Investment Priority of funded projects versus funded & non-funded projects ($ millions).

Currently, three cost centres are the primary contributors to this funding gap, they are:

Buildings. Total: $442 million funding shortfall and accounts for close to 60% of the total unfunded investment in the Plan. There are several large projects totaling $374 million that are unfunded, they are:

- Kelowna Community Theatre - $102 million
- City Yards Replacement - $81 million
- Kelowna Museum Replacement - $75 million
- General Buildings Renewal (Services, Shell and General) - $58 million
- Prospera Place Renovations - $17 million
- Capital Opportunities & Partnership Fund - $17 million
- Glenmore Recreation Activity Centre–Development - $13 million
- Memorial Arena - Adaptive Reuse- $11 million

Transportation. Total: $54 Million. This funding gap has been reduced compared to the previous plan due to the adopted Transportation Master Plan earlier in 2022. There are several large projects totaling $20 million, they are:

- Abbott DCC (Rose - Gyro), ATC - $9 million
- KLO Rd Mission Creek Bridge Replacement - $6 million
- Road Renewal - $5 million.

Parks. Total: $113 million. There are several large projects totaling $70 million, they are:

- Sutherland Bay Park - Expansion, Including Poplar Point Dr Realignment - $17 million
- Irrigation Renewal - $12 million
- Boat Launch - Land Acquisition and Facility Renewal - $12 million
- Gallagher Park - $11 million
- Neighborhood Park Development- $13 million
- Community Parks Development - $8 million

COMPLETED COMMUNITY CAPITAL PROJECTS

Despite challenging times, the City continues to deliver world-class infrastructure that supports community services. The most recent Citizen Survey (2022) indicates 80% of citizens are satisfied with the overall level and quality of City services. This Plan will continue to meet the community's expectation by delivering infrastructure that aligns with Council and community priorities. Some recent examples are:

Transportation & Mobility

More trips by transit, carpooling, cycling & walking:

- Opened Ethel Street Active Transportation Corridor (ATC) between Rose and KLO Road, providing residents with access to a dedicated pedestrian and bike route separate from vehicle traffic all the way from Cawston Avenue to Raymer Avenue.
- Received a $2.4 million senior government grant to extend the Houghton Road ATC from Rutland to the Okanagan Rail Trail
- Widened Lakeshore Road bridge over Bellevue Creek to two lanes of vehicle traffic, buffered bike lanes in each direction and added a multi-use pathway.

Vibrant Neighbourhoods

Animated parks & public spaces and key sites are proactively planned:

- Opened Phase 3 of Glenmore Recreation Park featuring two sport fields and an off-leash dog park.
- Completed final phase of Rutland Centennial Park featuring a basketball court, ping pong tables, new landscaping and lighting.
- Improved the Cook Road boat launch, including parking lot upgrades.
- Completed designs for Tall Grass and Ballou neighbourhood parks and unveiled design and construction schedule for the future of City Park.

Environmental Protection

Adaptable in the face of climate change:

- Awarded $9 million Environmental Quality Grant from senior government for the Kelowna septic system elimination and sewer connection project, which includes eliminating over 600 aging septic fields from Central Rutland, Rio/Rialto, and a creek crossing for future servicing of the Hall Road connection area.
- Reduced greenhouse gas emissions at the Glenmore Landfill through the collection of landfill gas and reuse.
- Added Electric vehicle charging stations.
- Improved flood protection to Mill Creek.

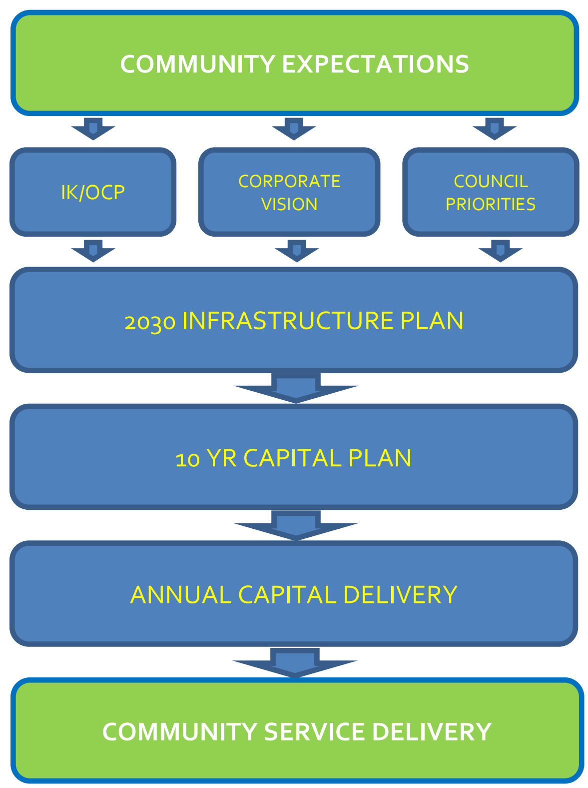
2 SUSTAINABLE SERVICE DELIVERY

10-YEAR CAPITAL PLAN

The 10-Year Capital Plan is part of the City's rigorous capital planning process that supports Council priorities, Imagine Kelowna and the Official Community Plan and provides the framework for long-term planning and fiscal sustainability. It is updated annually to better respond to emerging issues and changing community needs. The 10-Year Capital Plan serves two purposes:

1. Deliver on Council priorities and community needs by prioritizing infrastructure investment within limited funding.
2. Outline the financial constraints and the associated impacts on infrastructure and service delivery.

INFRASTRUCTURE PLANNING PROCESS



Economic resiliency is a Council priority aimed at efficient and sustainable service delivery supported by well-maintained world class infrastructure. The City's infrastructure planning process starts with understanding community expectations and ends with providing infrastructure that delivers the expected services to the community.

Council endorsed the 2030 Infrastructure Plan in April 2016 and set the direction for infrastructure investment until 2030. The 2030 Infrastructure Plan is the City's long-term strategic capital plan and is the link between the higher-level planning documents including Imagine Kelowna, the Official Community Plan, Council and Corporate Priorities and the infrastructure delivery plans which include the 10-Year Capital Plan and the Annual Capital Plan.

Recognizing that emerging issues and community priorities change, the 10-Year Capital Plan was developed and updated annually to respond to these changing conditions. The Annual Capital Plan is, in turn, directed by the 10-Year Capital Plan and in the end, the City turns these plans into actual public infrastructure that supports services the community depends on.

Adequate financing needs to be in place to schedule and undertake each capital investment. The 10-Year Capital Plan looks at revenue sources such as utility rates, taxes, fees, development cost charges, grants, reserves or borrowing. As the City faces competing priorities, difficult decisions need to be made to optimize the spending to provide the most value to citizens and balance needs versus wants.

The 10-Year Capital Plan provides the framework for long-term planning and fiscal management and allows the City to look ahead and answer four fundamental questions:

1. "What do we need?"
2. "Why do we need it?"
3. "How are we going to pay for it?"
4. "How much will it cost to operate and maintain?"

Answering these questions allows the City to anticipate current and future cost pressures, stretch the limits of revenues by source, and make the necessary decisions to put in place essential infrastructure to support a future Kelowna. By doing so, this plan will help maximize the investment in the community where and when it is most needed.

CONSIDERATIONS

The 10-Year Capital Plan contains infrastructure projects for all City service areas. Several documents have been used in this Plan's preparation. These include:

- Imagine Kelowna
- Council priorities 2019 – 2022
- 2030 Infrastructure Plan
- 10-Year Capital Plan 2021 – 2030 (last year's plan)
- 2040 Official Community Plan
- 2040 Transportation Master Plan
- 20 – Year Servicing Plan & Financing Strategy
- Principles & Strategies for Financial Strength & Stability
- Infrastructure Master Plans and Asset Management Plans
- 2045 Airport Master Plan and Airport 10-Year Capital Plan

3 FUNDED PROJECTS

INFRASTRUCTURE INVESTMENT

This 10-Year Capital Plan forecasts $1.63 billion in infrastructure investment required to accommodate growth, enhance services, and renew existing infrastructure assets.

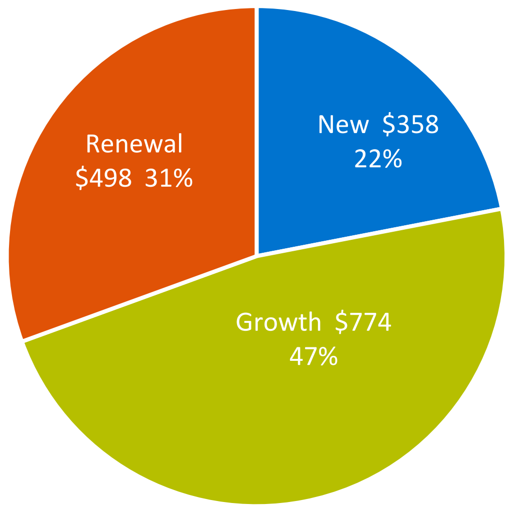


Figure 4. Funded new, growth, & renewal investment by total amount and per cent.

Recognizing these future demands, infrastructure required to support growth accounts for $774 million (47%) of total investment and new infrastructure to support enhanced or improved services accounts for $358 million (22%) of the plan. There is approximately $498 million (31%) allocated to renew existing infrastructure to maintain existing services.

The Plan forecasts $1.13 billion in infrastructure to accommodate growth and improve services to the community. This new and growth infrastructure will require additional funding to operate and maintain. Renewal of existing infrastructure is assumed to have no additional operational impacts because budgets are currently in place to support existing infrastructure.

COST CENTRE FORECAST

The 10-Year Capital Plan forecasts $1.63 billion of capital investment across 12 cost centres.

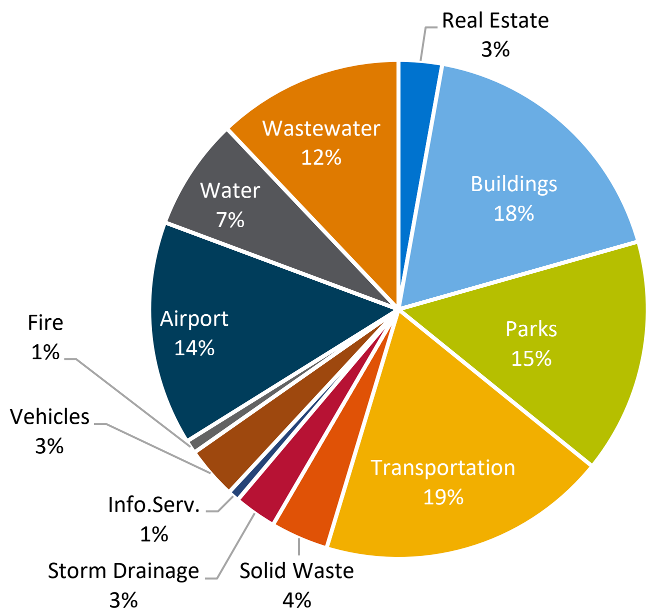


Figure 5. Investment for each cost centre by per cent.

Investment in capital projects is allocated across the various cost centres. Transportation, Parks and Buildings cost centres account for 52% of overall investment to deliver on Council Priorities, invest in infrastructure renewal and meet community expectations. Water, Wastewater, Storm Drainage and Solid Waste is 26% to meet regulatory requirements. The Airport is 14% to align with post-pandemic passenger forecasts and to meet regulatory travel requirements. The remaining 8% supports Fire, Vehicles, Information Services and Real Estate &Parking.

MAJOR CHANGES FOR FUNDED PROJECTS

Significant changes between this update and the previous 10-Year Plan are listed below:

Real Estate & Parking. Overall net investment in Real Estate and Parking infrastructure has increased by $2 million.

- Electric Vehicle Infrastructure and Strategic Initiatives - New project added at a cost of $1 million.
- Parking Infrastructure – Net investment increase of $1 million.

Buildings. Overall net investment in Buildings infrastructure has increased by $49 million. The primary driver of these year over year changes are cost escalations of approximately 40%.

- Parks and Recreation Buildings – Net investment increase of $43 million
    - Kelowna Community Campus - Net investment increase of $32 million.
    - Capital News Centre – Expansion- Net investment increase of $11 million.
- Building Renewal, Rehabilitation & Infrastructure Upgrades- Net investment increase of $5 million.

Parks. Overall net investment in Parks infrastructure has increased $22 million. The primary drivers of these changes are revised project scope, timing related to the 20-Year Servicing Plan and cost escalation.

- DCC Parkland Acquisition- Net investment increase of $33 million.
- Neighbourhood Park Development – Net investment decrease of $4 million
- Community Park Development – Net investment decrease of $12 million
    - Casorso Park – Net investment decrease of $5 million.
    - Gallagher Park – Net investment decrease of $8 million and dropped to P2.
- Recreation Park Development – Net investment decrease of $5 million.
- City-wide Park Development – Net investment decrease of $400k
    - Bluebird Beach Park DCC – Net investment increase of $5 million
    - Kerry Park - Future Phases - Net investment increase of $3 million.
    - Sutherland Bay Park – Expansion, including Poplar Point Dr Realignment – Net investment decrease of $8 million and dropped to P2.

- Linear/ Natural Area Park Development – Net investment increase of $7 million.

Transportation. Overall net investment in Transportation infrastructure has decreased by $39 million (relative to the last 10-Year Capital Plan). Key changes are due to the reprioritization process that occurred through the TMP to better align with Imagine Kelowna and the 2040 OCP. An accounting of changes was presented to Council on Jan 18, 2021; some notable examples of removed projects are listed below:

- Ridge Rd (Cara Glen - Union) - Project removed with a cost of $30 million. This project was 100% Development construct in the previous plan.
- Gallagher 1 (Lago Vista - Gallagher) - Project removed with a cost of $12 million.
- Sexsmith 5 (Longhill - Acland) – Project removed with a cost of $10 million.
- Union / Valley Realignment – Project removed with a cost of $3 million

Solid Waste. Overall net investment in Solid Waste infrastructure has decreased by $2 million.

- Stockpiles and Reprocessing Areas Relocation – Net investment decrease of $3 million.
- Landfill Liner Design and Construction - Net investment increase of $1 million.

Storm Drainage. Overall net investment in Storm Drainage infrastructure has increased by $2 million.

- Brandt's Creek Climate Change Resiliency Projects - Project added at a cost of $1 million.
- Stormwater Pond Asset Renewal Program - Project added at a cost of $1 million.

Information Services. Overall net investment in Information Services infrastructure has increased by $1 million.

- Major Systems Projects- Net investment increase of $1 million.

Vehicle or Mobile Equipment. Overall net investment in Vehicle or Mobile Equipment infrastructure has increased by $5 million to renew existing vehicles, accommodate growth and modernize fleet to reduce GHG emissions.

Fire: No significant net increase/decrease to Fire.

Airport. Overall net investment in Airport infrastructure increased by $21 million due to the alignment of projects with 2022 Final Budget passenger forecasts. The Airport's 10-year Capital Plan is subject to adjustment due to the fluidness of the Airport's recovery from the COVID-19 pandemic and will continue to be updated while developing the 2023 Preliminary Budget.

- Airport Terminal Expansion South- Project removed at a cost of $37 million.
- Airport Parking, Roadways, Terminal Building Renovations and Airport Mill Creek Realignment - Net investment increase of $24 million.
- Airport Airside Pavement Rehabilitation - Net investment increase of $18 million.
- Airport Land Purchases, Car Rental Facility, Airside Equipment and Combined Operations Building – Net investment increase of $16 million.

Water. Overall net investment in Water infrastructure has increased by $10 million related to the alignment with the OCP growth scenario.

- Kelowna Water Integration Plan - Project added at a cost of $8 million.
- PRV Upgrades (Potable System) - Project added at a cost of $2 million.

Wastewater. Overall net investment in Wastewater infrastructure has increased by $62 million related to alignment with the OCP growth scenario.

- Digestion Facility - P2 elevated to P1 at a cost of $50 million.
- New Harvey Downtown (Water St) Crossing - P2 elevated to P1 at a cost of $10 million.

OPERATIONS & MAINTENANCE IMPACTS

Infrastructure investment decisions should consider asset lifecycle costs which includes both capital and operating expenses. Municipal infrastructure is designed to last a long time, varying from 20 – 100 years, and the operating expense can amount to 70 - 80% of the lifecycle cost, which is why it is important to consider operational impacts when making capital investment decisions.

The Plan forecasts $1.13 billion in infrastructure to accommodate growth and improve services to the community. This new and growth-related infrastructure will require additional funding to operate and maintain. The operational impacts for the General Fund and Utilities will require approximately $15.93 million and $17.25 million respectively of additional funding by 2031. The General Fund cost centres will be primarily funded by taxation while Utilities and Solid Waste will be accounted for in their respective funding models.

Renewal of existing infrastructure is assumed to have no operational impacts because operational budgets are currently in place to support existing infrastructure.

Table 4. Forecasted operational and maintenance (O&M) impacts for each service area based on historical data.

Cost Centre (General Fund)	New + Growth Capital Investment ($ million)	O&M Capital Investment % (10-Year Average)	O & M Forecast by 2031 ($ million)
Real Estate & Parking	$40	12.49%	$5.00
Buildings	$176	1.35%	$2.38
Parks	$94	2.87%	$2.70
Transportation	$241	1.75%	$4.22
Storm Drainage	$30	3.89%	$1.17
Information Services	$4	2.72%	$0.11
Vehicles & Equipment	$10	3.68%	$0.37
Total	**$595**	**2.70%**	**$15.93**

Cost Centre (Utilities & Self-funded)*	New + Growth Capital Investment ($ million)	O&M Capital Investment % (10-Year Average)	O & M Forecast by 2031 ($ million)
Solid Waste (Self-funded)	$52	10.51%	$5.47
Water (Utility)	$66	2.55%	$1.68
Wastewater (Utility)	$137	7.37%	$10.10
Total	**$255**	**6.80%**	**$17.25**

* *Information for Airport and Fire cost centres not included.*

4 FUNDING SOURCES

FUNDING SOURCES

The funding for all cost centre P1 projects come from 10 sources.

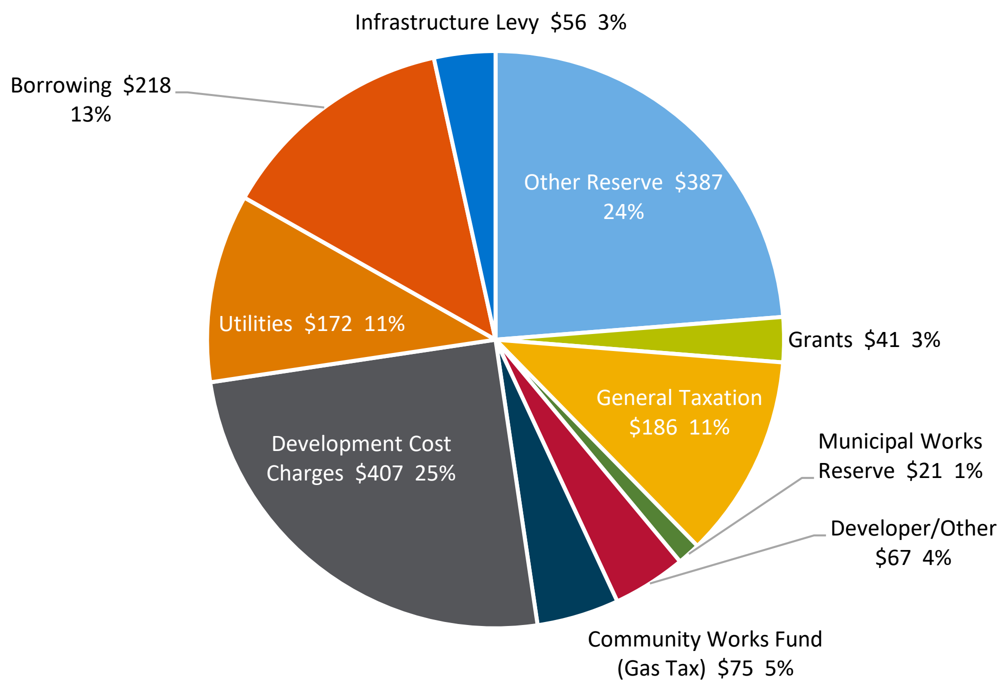


Figure 6. Funding sources for 10-Year Capital Plan ($ millions). Total $1.63 billion.

Approximately 40% of funding will come from external sources such as Development Cost Charges, Grants, Community Works Fund, Developer, and Other Contributions. City funding sources such as General Taxation, Infrastructure Levy, Reserves, Borrowing and Utilities are approximately 60%.

General Taxation

The City's capital program has increased to keep pace with the demands of a growing community while at the same time relying less on taxation as a primary funding source. At $186 million over the next 10 years, General Taxation contributes 11% of the capital investment. Grants, user fees, reserves, and borrowing make-up a larger share of the funding for the capital program. For example, the capital plan from six years ago was $848 million and funded 18% from taxation whereas today the Plan is $1.63 billion and funded 11% from taxation.

Infrastructure Levy

The Infrastructure Levy (IL) was approved in 2019 with an increase occurring in the 2020 budget, and ongoing thereafter. The amount to be contributed to the IL reserve over the next 10 years is $56 million ($5.6 million annually). It is worth noting that the IL is not indexed with inflation.

Table 5. Projected appropriations from infrastructure levy ($ millions).

Cost Centre	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	Total
Parks	1.3	1.7	1.4	1.4	1.9	1.7	0.9	3.0	0.1	-	13.3
Transportation	3.0	2.3	1.7	2.3	1.3	3.9	4.2	4.1	4.4	4.2	31.5
Storm Drainage	1.6	1.9	2.6	1.9	3.3	-	-	-	-	-	11.3
Total	**5.9**	**5.9**	**5.7**	**5.6**	**6.5**	**5.6**	**5.1**	**7.1**	**4.5**	**4.2**	**56.1***

**Total appropriations of $56.1 million are net of the reserve opening balance and investment interest earned on the reserve funds.*

Municipal Works, Community Works & Other Reserves

Reserve funds are used to fund infrastructure to prevent large fluctuations in annual general taxation requirements. There is a total of $387 million (24%) in total general reserve funding. Community Works Fund reserve, which is funded from Gas Tax, accounts for $75 million. The Solid Waste reserve accounts for $61 million. The Municipal Works reserve was established in 2015 and will fund $21 million worth of Buildings renewal projects in the next 10 years.

Development Cost Charges

Development cost charge (DCC) funding accounts for $407 million (25%) of all capital investment. The timing of DCC projects must coincide with the availability of DCC revenues. Should revenue not be realized due to slower growth, the timing of DCC projects may be adjusted.

Utilities

Utilities' funding sources are primarily from user fees collected for services such as Water and Wastewater. Approximately $172 million will be re-invested in projects that directly benefit the respective services where fees were collected.

Borrowing

Debenture borrowing of $218 million (13%) is required to fund significant buildings projects. The debt analysis only reports on debt according to the General Fund and the taxation impact of these borrows.

Table 6. Infrastructure Projects that require borrowing.

Cost Centre	Project	Year	Borrowing ($ million)
Buildings	Kelowna Community Campus Building, Site Work/Field Relocation & Net-zero Carbon Emissions	2023	$154.6
	Capital News Centre - Expansion, 2 Ice Sheets & Multi-use Facility	2025	$34.7
	North Glenmore Fire Hall (Station #5) - Construction	2024	$6.4
	City Hall - Envelope Renewal	2025	$7.5
	Mission Activity Centre - Construction	2025	$8.8
	City Yards - New offices	2029	$6.3
		Total	**$218.3**

Grants

Consistent with the City's Financial Principles & Strategies, the Plan uses only confirmed grants as part of the financial strategy. As grants become available this will reduce reliance on taxation and other funding sources. A total of $40.7 million (3%) is budgeted in the Plan to be funded from confirmed provincial/federal grants. Storm Drainage and Airport Cost Centres have been approved for up to $22 million of the federal Disaster Mitigation and Adaption Fund grant and Wastewater Cost Centre has been approved for up to $9 million of the federal Investing in Canada Infrastructure Program grant. Both grants require the City to come up with its share of funding to leverage the full amount.

Table 7. Federal/Provincial funding ($ millions).

Cost Centre	Project	Assumed Funding ($ million)
Transportation	Pedestrian Bridge Renewal	$0.1
Storm Drainage	Mill Creek Flood Protection	$13.8
Airport	Mill Creek Realignment	$3.3
	Airport Biosecurity	$2.7
	Airport Combined Operations Building	$7.1
	Airside Lighting and Supporting Infrastructure	$0.1
	Airport Runway End Safety Area	$4.6
Wastewater	Sewer Connections	$9.0
	Total	**$40.7**

Developer & Other Contributions

Developer and Other Contributions provide $67.2 million (4%) towards capital projects in this Plan.

Table 8. Developer, Community, & Other Contributions ($ millions).

Cost Centre	Assumed Funding ($ million)
Real Estate	$2.3
Buildings	$0.4
Parks	$0.5
Transportation	$13.8
Information Services	$0.5
Airport	$44.0
Water	$1.5
Wastewater	$4.2
Total	**$67.2**

FUNDING TYPES

Funding types include General Fund and Self-Funded. Each funding type consists of various funding sources.

General Fund

There are nine capital Cost Centres funded from the General Fund (Real Estate, Buildings, Parks, Transportation, Storm Drainage, Information Services, Vehicles, Fire, Solid Waste).

The General Fund is made up of several funding sources including Taxation, Gas Tax, Surplus/Reserves, DCC Reserves, Debenture/Borrowing, Federal/Prov Grants, Developer/Community Contributions, Municipal Works Reserve, Utility revenue and the Infrastructure Levy. The commitment from all funding sources is $1.08 billion.

Table 9. General Fund funding ($ millions).

General Funding Source	Amount ($ million)
Other Reserve	$189
General Taxation	$186
Municipal Works Reserve	$21
Developer/Other	$17
Community Works Fund (Gas Tax)	$75
Development Cost Charges	$296
Utilities	$7
Infrastructure Levy	$56
Borrowing	$218
Grants	$14
Total	$1,079

Revenues from landfill tipping fees contribute to the Solid Waste reserve in the General Fund, in turn the Solid Waste Cost Centre is funded from the Solid Waste reserve. Water and Wastewater are primarily funded from their dedicated self-funded reserves and not the General Fund. The Airport is fully-funded from its own self-funded reserve and is not funded by the General Fund.

Utility Fund

Water and Wastewater utility revenue funding provides $7 million towards General Fund capital investment in this Plan. Airport utility revenue does not contribute to the General Fund capital investment.

Water and Wastewater.

Water and Wastewater infrastructure is funded primarily from Utility, DCC reserves, Grants, Reserves and Developer/Community/Other Contributions. The cost for Water and Wastewater capital projects is $314.8 million and is funded from the following sources.

Table 10. Water & Wastewater Utility funding ($ millions).

Water and Wastewater Funding Source	Amount ($ million)
Development Cost Charges	$111.8
Dev/Community/Other Contributions	$5.7
Utility Revenue	$164.8
Grant	$9.0
Reserve	$23.5
Total	**$314.8**

Airport

The Airport's capital projects are split by business segment: Airside, Groundside, Terminal, and Airport Improvement Fee. Each segment maintains a reserve where the net of revenues and expenditures are contributed for future use of that business segment, including capital development.

In the event the capital funding required exceeds the funds available for capital development the Airport will reassess the timing and scope of the project as well as the ability to increase fees and the capacity to take on additional debt when determining the best way to fund the development.

During the 10-year term, additional debt is forecasted to be taken out for capital development within the Airport Improvement Fee (AIF) business segment. Airport debenture affects the overall debt capacity of the City and these impacts must be considered holistically.

Table 11. Airport Funding Sources 10-Year Capital Plan ($ millions).

Airport	Amount ($ million)
Reserves	$174.8*
Developer/Other	$44.0
Grants	$17.8
Total	**$236.6**

**35.0 million will initially be funded through debt, with annual debt repayments funded through the AIF reserve.*

5 UNFUNDED PROJECTS

UNFUNDED INFRASTRUCTURE INVESTMENT

Infrastructure projects that are lower priority and not fully funded are deemed Priority 2 (P2) projects. The unfunded projects (P2) forecast for the next 10-years increased to $744 million.

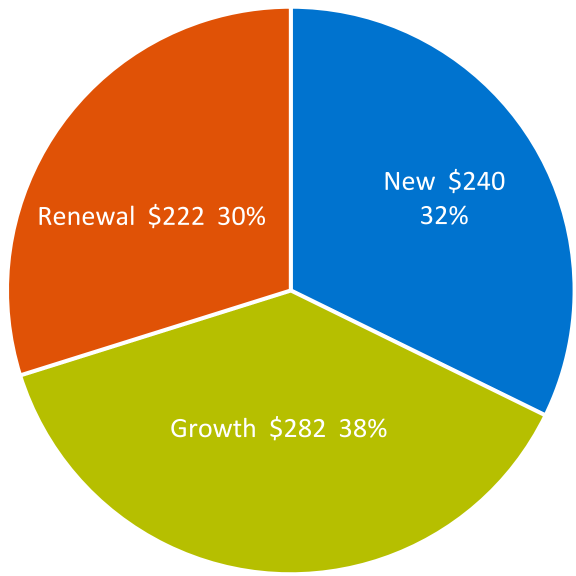


Figure 7. Unfunded new, growth, & renewal investment by total amount and per cent.

P2 projects to support growth accounts for $282 million (38%) and new infrastructure to support enhanced or improved services accounts for $240 million (32%). There is approximately $222 million (30%) for renewal of existing infrastructure to maintain existing services. Without increased funding these projects remain unfunded and contribute to the Infrastructure Deficit.

COST CENTRE FORECAST

The 10-Year Capital Plan forecasts $744 million of unfunded capital investment across eight cost centres.

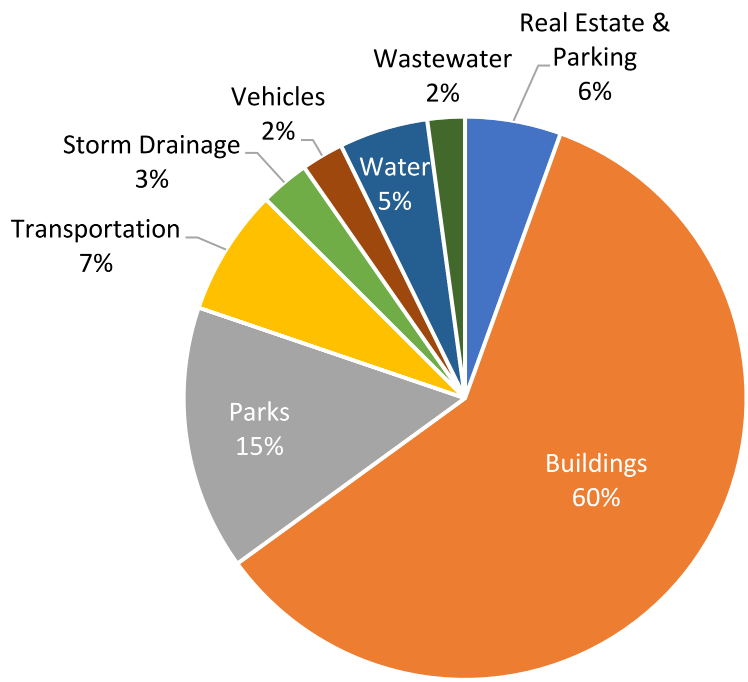


Figure 8. Unfunded investment for each cost centre per cent.

Unfunded capital projects occur in eight of the 12 cost centres. Buildings and Parks account for 75% of the unfunded projects in the Plan, Transportation accounts for 7%, Water, Wastewater and Storm Drainage is 10% and the remaining 8% consists of Vehicles and Real Estate & Parking.

INFRASTRUCTURE DEFICIT

The Infrastructure Deficit is comprised of the City's share of funding for all P2 projects net of funding from other sources including DCCs, grants, utilities and/or partnerships. The City's share of the P2 projects is $610 million and represents the City's Infrastructure Deficit for the next 10-years.

Table 12. Infrastructure deficit for unfunded project ($ millions).

Infrastructure Funding Category	Cost	Funding	
		City	Other*
Renewal	$222	$211	$11
Growth	$283	$206	$77
New (enhance service)	$239	$193	$46
Total	**$744**	**$610**	**$134**

**Other includes DCC's, Grants, Utilities and Partnerships.*

MAJOR CHANGES FOR UNFUNDED PROJECTS

The total value of unfunded P2 projects have increased by $121 million to $744 million in this Plan. The main drivers for the increase are noted below. This list does not include many of the smaller changes related to cost increases and reductions, project additions and deletions and impacts related to changes in project timing.

Real Estate and Parking. Overall net investment in Real Estate and Parking infrastructure has increased by $27 million.

- New Parkades - Design and Construction - Net investment increase of $28 million. The previous Plan only included the design phased as the construction phase was beyond the previous plan's time horizon.

Buildings. Overall net investment in Buildings infrastructure has increased significantly. Primarily driven by cost inflation of approximately 40%, previous P1's becoming P2's, and improved data on existing asset conditions. This has resulted in a net increase of $224 million:

- Kelowna Museum - Replacement Construction- Net investment increase of $70 million. The previous 10-Year Capital Plan only had the design amount, this plan has design and construction amounts.
- General Building Infrastructure Renewal (Services, Shell and General) - Net investment increase of $41 million.
- Kelowna Community Theatre - Replacement Construction- Net investment increase of $27 million.
- City Yards - Replacement Construction- Net investment increase of $21 million.
- Prospera Place - Renovations- Net investment increase of $16 million.

Parks. Overall net investment in Parks infrastructure has increased significantly driven by cost inflation of approximately 30%, revised Park Development projects and limited forecasted funding by 2031. This has resulted in a net increase of $65million.

- Sutherland Bay Park - Expansion, Including Poplar Point Dr Realignment- Moved from P1 to P2. Total: $17 million.
- Gallagher Park- Moved from P1 to P2. Total: $11 million.
- Community Parks Development - Pacific Court Park renamed as Generic Community Park. Total: $8 million.
- Neighborhood Park Development- Moved from P1 to P2. Total: $13 million.

Transportation. Overall investment in Transportation infrastructure has decreased $164 million due to integration of the recently adopted TMP resulting in revised projects and timing. Some projects were removed, some projects were elevated to P1, and some projects were moved beyond 2031. If inflation continues, P2 projects in transportation may grow by an additional $90m between 2026 and 2031.

- Clement 2- Hwy 33 Ext. (Clem & Hwy 33-1): Construction pushed beyond 2031 and planning elevated to P1 net decrease of $59 million.
- Master Planned Primary AT Routes- Project removed. Total: $14 million.

Storm Drainage. Overall net investment in Storm Drainage infrastructure has decreased by $3 million.

- Trench Place - Geotechnical - Project removed. Total: $2 million.
- Small dam upgrades - Project removed. Total: $1 million.

Information Services. No significant net increase/decrease.

Water. Overall net investment in Water infrastructure has increased by $10 million. This cost centre is funded from the Water utility and as project needs arise utility rates will be brought to Council for consideration.

- Water Filtration Land Purchase - Project added. Total: $10 million.

Wastewater. Overall net investment in Wastewater infrastructure decreased due to the inclusion of DCC funding for the growth component of the Digestor and additional funding requirement for downtown growth based on the OCP. This has resulted in a net decrease of $57 million.

- Digestion Facility- P2 elevated to P1. Total: $44 million.
- New Harvey Downtown (Water St) Crossing- P2 elevated to P1. Total: $11 million.

6 APPENDIX

Click on the cost centre names below to view its detailed financials.

300-Real Estate & Parking

308-Information Services

301-Buildings

310-Vehicles

302-Parks

311-Fire

304-Transportation

312-Airport

305-Solid_Waste

313-Water

306-Storm Drainage

314-Wastewater

7 CHANGE SUMMARY

For a summary of changes between the previous plan and this Plan, follow this link: Change Summary