



INFORMATION ONLY COUNCIL REPORT

To: Paul Gipps, CAO

Date: August 23, 2022

From: Warren Everton, Director of Finance, CFO

Subject: **Capital Carryforward Projects 2022**

STRATEGIC AREA(S) OF FOCUS

Financial planning is an integral component in achieving the objectives of Council's 2022 Strategic Priorities: Invest in Infrastructure, Economic Growth and Prosperity, Strengthen Our Community and Foster Safety and Well-Being. Careful management of the City's revenues, expenses, capital and reserves ensures a healthy and progressive community.

BACKGROUND

At the July 26th Council meeting the 2nd Quarter stats were presented for consideration. As our stats reporting is still a relatively new reporting program for Council meetings the reports are evolving and we are adding new stats all the time.

In the case of our Finance Stats this is the first time we have included the number of capital projects that are on the finance tracking system. The 170 projects reported appears to be a high number however it is not that unusual for LG's in fast growing community to have lots projects underway.

Capital projects are by nature long-term assets which require many months or even years to complete. This is especially true for large projects, which for the City of West Kelowna represents the bulk of the capital spending over the last four years. The City is in good shape with regard to the spending on projects and will be incorporating an update to the capital carry forward listing with the yearly Budget Primer Workshop.

Tracking, updating and summarizing carry-over capital projects is essential to balancing resources, staying within capacity and mitigating inflation risk. The overall percentage of budget used on the attached listing is 75% with 2022 in-progress-capital making up about 10% of the remaining 25%. Currently there are 170 ongoing projects out of a total of 465 representing \$45.2 million out of a total of \$141.7 million approved since 2017.

FINANCIAL IMPLICATIONS

The attached Schedule 1 outlines the functional capital spending areas and summarizes the projects by year of approval. What follows here are general comments about the factors affecting the yearly project totals as well as the intent for the projects from the departmental areas.

Roads:

At 71% of budget, Roads are seeing a reasonable completion rate. This category would actually be completed to a much higher level when considering the 2020 Glenrosa project came in under budget by \$1.3 million. The intent here is to retain the savings and to shift it to other roads projects in the coming budget season. The 2021 projects included the Gellatly Road and Carrington Improvements completed within the year and the Shannon Lake, Bartley and Stevens Interchange in-process and nearing completion now.

Pedestrian Improvements:

Much of the in-progress balance is made up of 2022 projects. The Pedestrian Improvement Program is the largest part of this and is in the early stages of completion for 2022.

Facilities:

Overall percentage of budget completed is at 39% and is mostly due to the 2021 City Hall project which is at a similar point in spending and commitments.

Information Services:

Overall completion is at 40% and is influenced by many factors. The 2021 Server replacement program was held back to scale down the project due to new cloud applications not requiring a server. There were also some savings on 2021 projects such as ortho photos, but these funds will be used toward a new ortho photo service that updates every six months. The 2021 budget software project was also put on hold with Finance and IS identifying the need to replace the full accounting system next year. A number of data and wireless projects are also on hold in order to be installed at the new City Hall. Finally, in 2022 the Council technology replacement program will happen once the new Council is sworn in.

Water:

Comparatively, water projects are the most up to date of all the capital projects on the attached summary. The Rose Valley Water Treatment Plant is at 95% of the 2017 budget and makes up the bulk of the spending for the category. This is somewhat misleading since the project is not fully spent up to this level but is committed under contract.

Conclusion

In summary the capital projects in-process listing has many factors affecting or shaping the numbers as outlined by department. There are also other mitigating factors effecting the completion of the projects not reviewed here. Engineering and Facilities projects in particular, have contingencies established in the budgeted figures and range from 10 to 20%. Until projects are completed these estimates will make up a portion of the amounts outstanding and may remain unspent or re-allocated to other projects in the same functional area.

REVIEWED BY

Corinne Boback, Legislative Services Manager

APPROVED FOR THE AGENDA BY

Paul Gipps, CAO

At the time of writing this report, some of the committed amounts have not been entered into the system due to staff vacation and therefore will actually be higher.

PowerPoint: Yes ☒ No ☐

Attachments:

Schedule 1 Capital Asset Status Report, Aug 15, 2022