



The Corporation of the District of Saanich

Report

To: Mayor and Council

From: Harley Machielse, Director of Engineering

Date: January 20, 2025

Subject: New Transportation Capital Funding

RECOMMENDATION

That Council receive this report for information.

PURPOSE

The purpose of this report is to respond to Council's motion to report back on options to accelerate the Active Transportation Plan, to inform Council of transportation infrastructure capital funding shortfalls, and to advise on the extended target timeline of the Active Transportation Plan.

BACKGROUND

At the District of Saanich Council meeting on January 10, 2022, Council directed Engineering staff to report back on the options and implications for reducing the implementation timeline of the Active Transportation Plan to 15 years through a phased implementation approach.

Since that meeting, Council has adopted the 2024 Active transportation Plan (ATP) and the Road Safety Action Plan (RSAP), which align to achieve a safe and complete multi-modal transportation network by 2050.

In addition, the District has ambitious transportation goals that are further reinforced in the Official Community Plan, Council Strategic Plan, Climate Action Plan, Urban Forest Strategy, and throughout the neighbourhood and corridor land use plans. These plans are highly dependent on available funding to support implementation and, given the deficit of transportation infrastructure throughout the District, the costs are significant to meet these commitments. To help reduce the cost burden to the municipality, Engineering utilizes multiple strategies such as coordinating and bundling construction activities, not replacing like for like when rehabilitating assets, leveraging development opportunities, seeking external grants (Federal, Provincial, ICBC, etc), and utilizing cost-effective quick build techniques.

The primary sources of funding identified in the Financial Plan come from core, borrowing, development cost charges, Fortis agreement, and the Canada Community-Building Fund (CCBF, formerly Gas Tax) to support the District's transportation plans and policies. As well, prior to adoption of the original ATP, the District created a funding reserve for CCBF, which is currently being used for projects under construction.

Table 1 - Estimated Transportation Funding for next 5 Years

	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>
Core	\$6,593,300	\$8,389,500	\$10,269,960	\$11,740,160	\$13,305,920
Borrowing	\$2,900,000	\$2,200,000	\$1,500,000	\$1,300,000	\$1,100,000
CCBF Reserve	\$3,800,000	\$3,800,000	\$3,800,000	\$3,800,000	\$3,800,000
Fortis Reserve*	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000
DCCs**	\$1,675,000	\$1,721,900	1,770,113	\$1,819,676	\$1,870,627
Total	\$15,568,300	\$16,711,400	\$17,940,073	\$19,259,836	\$20,676,547

* Fortis Reserve consists of 3% of gross revenues collected by FortisBC within the District.

** Development Cost Charges (DCCs) is revenue dependent based on meeting housing projections and includes annual inflationary adjustments.

Annual increases shown in Table 1 reflect the Annual Asset Renewal Funding (AARF) strategy approved by Council in early 2024. DCCs are an assumed funding source to support new assets, when available, but are dependent on a consistent development market.

In 2024, \$6.4 million consisting of accelerated ATP funding, grants, CCBF, and DCC's is dedicated for new transportation infrastructure and programs such as:

- Sidewalks and pedestrian crossings
- Cycling infrastructure
- Traffic signals
- Traffic calming
- Transit improvements
- Street furniture
- Streetlighting
- Street trees
- Green infrastructure
- Safe and active routes to school program
- Speed limit reduction policy implementation
- Road safety program and improvements
- Property purchase
- Emerging transportation issues

The required infrastructure for newly adopted and future plans further draws upon this limited funding.

DISCUSSION

ATP and RSAP Funding Shortfall

Identifying the funding shortfall is complex due to diverse funding sources and strategies for delivering the Active Transportation Plan (ATP) and Road Safety Action Plan (RSAP). This challenge, and the pressures of construction inflation, necessitate evaluating projects by bundling new with renewal infrastructure. Accurately forecasting these over the long term is a challenging exercise. Therefore, the report leverages assumptions grounded in conceptual planning and historical patterns to inform long term projections.

To understand how asset renewal funds are used and bundled with new asset funding, an analysis of previous projects was conducted. The breakdown of renewed and replaced asset vs. new assets constructed as part of a typical Complete Street project, such as the Sinclair Road project, are shown in Figure 1, providing insight into funding allocations for ATP and RSAP implementation, both of which require the integration of renewal and new transportation assets.

Typical Transportation Project Funding

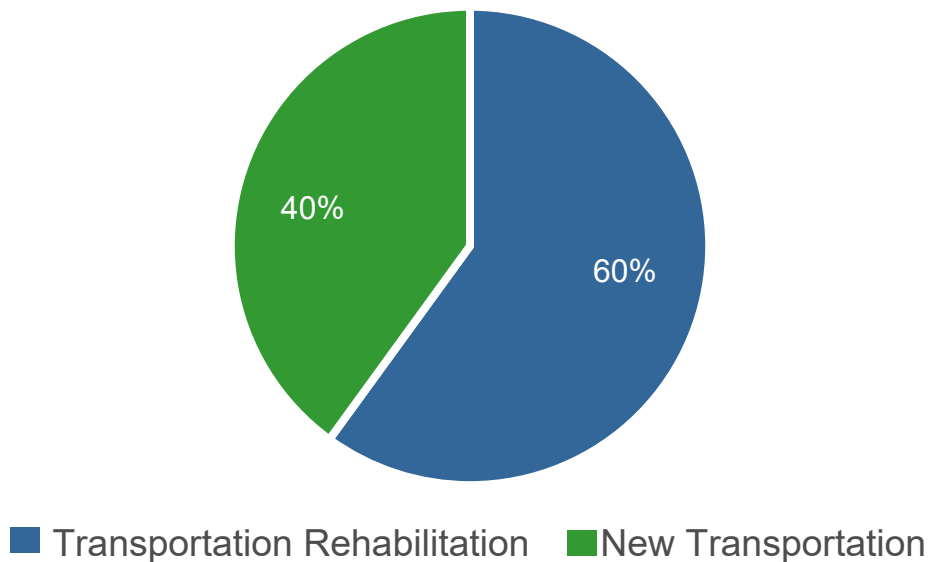


Figure 1: Division of construction funds between rehabilitation and new assets (based on Sinclair Upgrade Project)

The 2024 Annual Asset Renewal Funding (AARF) Council report articulates how construction inflation has outpaced the District's goal to reach sustainable funding levels. It highlights the challenges faced in meeting sustainable funding targets, laying out a strategy projected to resolve funding shortfalls within 15 years. The primary reason for the deficit was due to construction inflation; costs fueled by material and labour inflation, including the large increases experienced during the pandemic, and changes in legislation for contaminated soils; outpacing the Financial Plan's inflationary increases.

As shown in Figure 2, significant funding is necessary to maintain the District's transportation infrastructure. The current ongoing funding levels, "Approved 2024 Funding", represents the District's base level. The AARF proposed strategy includes an increase in renewal funding, contingent on annual tax increases approved as part of the Financial Plan process. The "AARF Deficit" conveys the cumulative funding gap that contributes to a rising asset replacement backlog. The intent of the AARF Funding Strategy is to review the projections and make adjustments that reflect market conditions every 3-5 years.

The AARF Strategy recommends increasing transportation renewal funding, which is essential for maintaining infrastructure and realizing ATP and RSAP objectives. Figure 1 shows that renewal funding constitutes 60% of these projects, underscoring the importance of reimagining asset replacement and bundling projects within ongoing capital planning efforts.

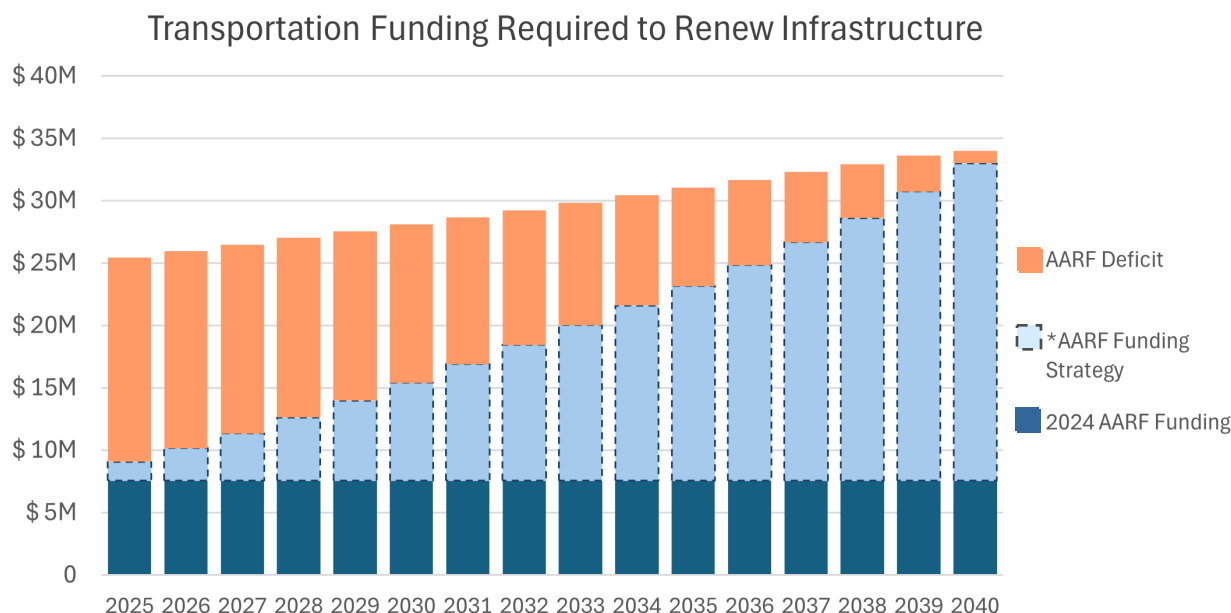


Figure 2 – Available transp. renewal funding compared with target Annual Asset Renewal Fund (AARF)
 * Uncommitted AARF Strategy requires Council Financial Plan approval annually.

As a component of ongoing capital planning, Transportation staff have been working to estimate the costs of implementing the ATP and RSAP. Both plans identify that financial investment, staff resources, and implementation plans will be required for them to be successful. However, given the magnitude of the ATP long-term plan and cost implications, staff focused on the short and medium-term infrastructure improvements for the purpose of this report.

Class 'D' estimates reveal the cost of short and medium-term ATP projects are estimated to be \$253 million, or about \$15.8 million annually in 2024 dollars. A list of estimated project values is in Appendix A.

The financial commitments in the Road Safety Action Plan (RSAP) identified an implementation cost of \$21 million. Notably, \$5 million can be covered through existing resources and other planned work, such as the ATP. However, \$16 million requires additional funding necessitating a projected annual contribution of \$1.6 million over a 10-year period. The RSAP will rely on a strategic mix of taxation and borrowing to fund the plan.

Despite Council increasing new transportation funding by \$2 million in 2022, construction inflation has adversely affected funding for both renewal and new transportation project funding. Although there is a strategy to increase asset replacement funding to address inflationary pressures and funding deficits, no such plan exists for new asset funding. Consequently, new asset funding is eroding each year as it fails to keep pace with the growing costs due to construction inflation. Figure 3 illustrates how this gap affects our ability to fulfill the commitments outlined in the ATP and RSAP.

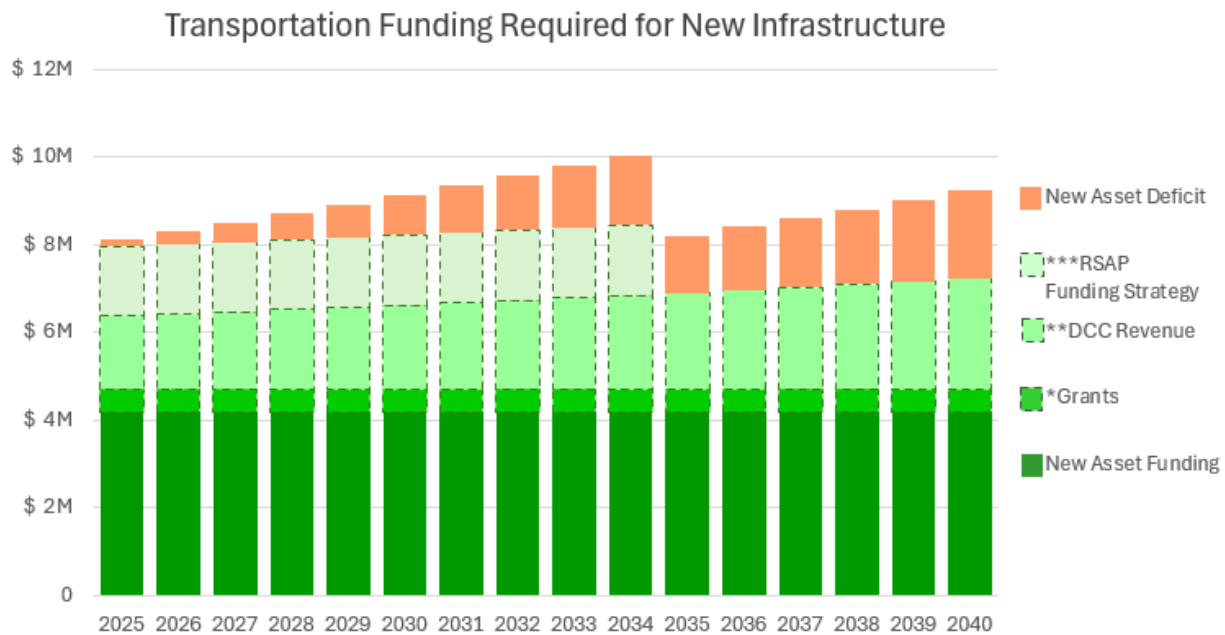


Figure 3: Available transportation funding for new assets compared with funding required to meet ATP short/medium-term projects.

** Uncommitted grant funding based on historical 5-year average.*

*** Projected Development Cost Charge (DCC) revenue with annual inflationary increases*

**** Uncommitted RSAP funding will require Council Financial Plan approval for taxation and borrowing.*

While the annual increase in AARF Strategy aid in reducing the funding deficit, the stagnant level of “New Asset Funding” creates a growing fiscal shortfall. Figure 3 assumes the following:

- The District will be successful in achieving grant funding based on the historical average (avg \$500k/yr).
- Housing projections will be met to support anticipated DCC revenues (\$1.68M/yr).
- DCC bylaw inflationary adjustments will be approved annually.
- RSAP funding (\$1.6M/yr for 10 years) will require a strategic mix of taxation and borrowing approved through the Financial Plan process.

As a result, the “New Asset Funding Deficit” represents the remaining, and growing, deficit to meet the timeline of the ATP short and medium-term projects.

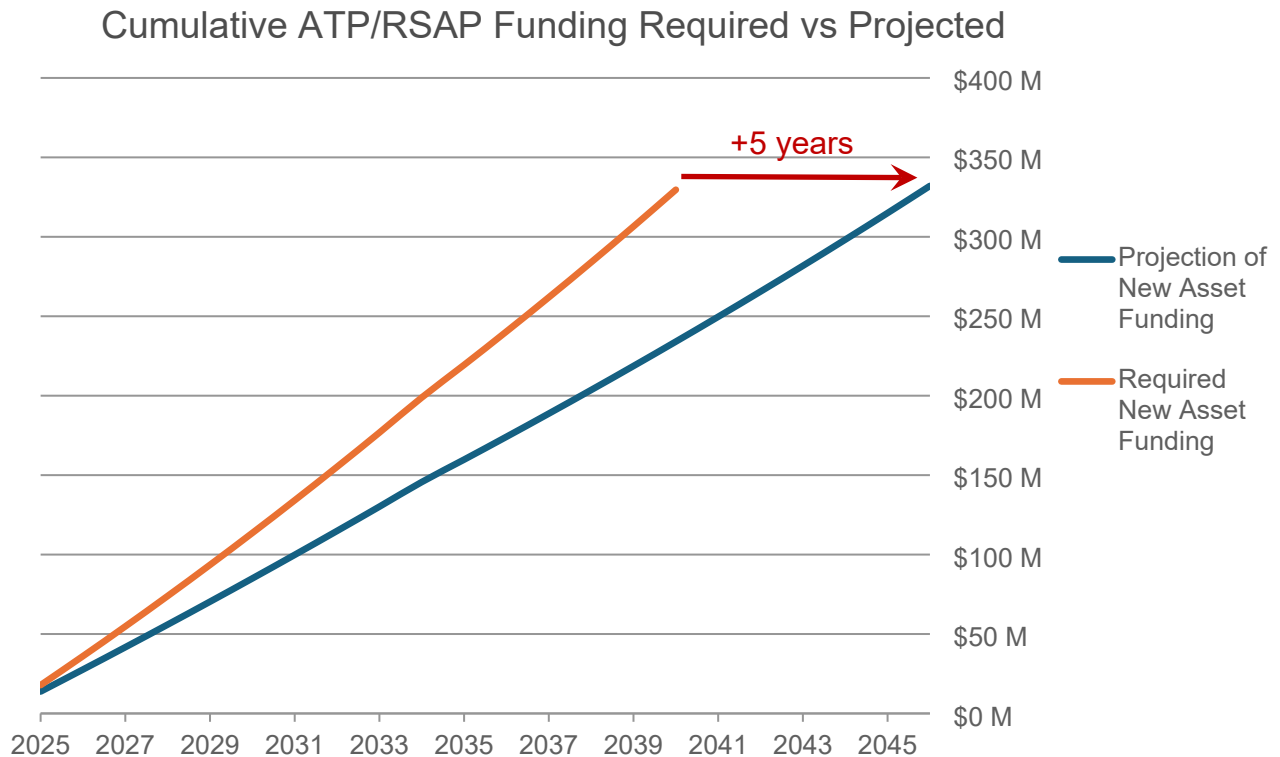


Figure 4: New Asset Required Funding vs. Projected Funding for Short/Medium-Term ATP and RSAP

With limited new asset funds available, and a shortage of asset renewal funds, a backlog of projects is expected to grow (orange portions of Figures 2 and 3), pushing the completion of the short and medium-term priority ATP and RSAP projects to 2044. This year-over-year impact of funding deficits is demonstrated in Figures 2 and 3. In Figure 4, the cumulative impact is evident, delaying the completion of short- and medium-term priority ATP projects by five (5) years.

It is important to note that several factors could further extend these timelines. The analysis relies on annual approval of funding increases as outlined in the AARF and RSAP strategies over a 15 and 10-year period, respectively. Any unapproved funding increases will negatively impact the projected timeline. Moreover, the analysis assumes consistent annual DCC, CCBF, and grant revenues, both based on projections and historical patterns. Variability in these revenue sources could affect timelines either positively or negatively.

Options for Reducing Funding Shortfall

These potential strategies could mitigate the funding shortfall but are insufficient solutions alone. Staff will assess these options as resources and priorities permit. They are presented for Council's consideration without a need for immediate action.

1. Grant Funding

Staff regularly solicits grants from higher levels of government and the Union of British Columbia Municipalities (UBCM), securing an average of \$500,000 annually. Due to their competitive nature, grants are unreliable and typically cover only a small portion of project budgets. Projects are primarily funded through capital funds, with grants used to bridge

minor gaps or redirect capital resources elsewhere. To alleviate the tax burden, staff will continue pursuing grant funding.

2. Reallocate Vehicle Road Space to Active Transportation

Staff have employed quick build techniques to construct cost-effective infrastructure for active users. The “curb-plunks” and crosswalk enhancements have reallocated excess road space to provide physical and spatial protection for vulnerable road users. This finite approach offers cost savings by repurposing existing road capacity instead of undertaking costly purpose-built ATP infrastructure. These have been effective, but there are only a few roads remaining in the ATP that have sufficient pavement width for vehicle lanes *and* barrier protected bike lanes

Further cost savings are possible if roads with redundant capacity, verified by network analysis, are repurposed for active transportation, and/or partial road closures are implemented. This option applies primarily to local-residential and potentially some collector roads. However, reallocating road space can face public resistance due to concerns over parking space reduction and perceived loss of road capacity. Although opportunities for such reallocations are limited, significant savings and improved infrastructure use can result.

3. Development

Development Cost Charges (DCCs) are used as part of the funding for new assets, contributing on average, \$1.675 million annually. The current Development Cost Charge Bylaw (2020) predates the 2024 ATP, leaving some ATP network upgrades ineligible for DCC funding.

The impetus for building out the active transportation network is driven not only by the District’s climate goals, but also by its limited transportation network capacity. With limited space for more vehicles on Saanich roads, development and the resulting densification will cause the District to reach its transportation network capacity. Diversifying the options for transportation, such as active transportation and transit, will delay and may prevent this scenario. Updating the DCC program and increasing these charges will reduce the general tax burden required to support new asset funding.

In addition, development frontage improvements provide an opportunity to meet ATP and RSAP objectives. While development locations can be ad hoc and disconnected from other infrastructure improvements, over time they contribute to the long-term priorities.

4. Automated Traffic Enforcement (ATE)

Automated traffic enforcement, such as speed and red-light cameras, could generate future revenue for the District. This would require new provincial legislation but could be effective in reducing intersection collisions and reducing speeds, while also funding new assets.

New funding from an ATE program may assist in closing the gap but is likely to be a limited revenue source. For example, in 2018 Regina and Saskatoon, both with a population similar to the combined core municipalities, had an average net revenue of approximately \$780,000 after contractor fees and the provincial portion. This would have represented about \$384,000 in net revenue for a municipality the size of the District of Saanich.

A general bump in revenues is usually experienced when ATE is adopted, but annual revenues generally level off after the initial adoption period when drivers have adjusted their

driving behaviors. The UBCM has sent several resolutions on behalf of municipalities for the province to allow ATE to be implemented at the local government level with no success so far.

5. Permit Parking

The Road Safety Action plan considers parking permits and fees as a potential revenue stream. For example, the City of Victoria generates about \$14.3 million a year in revenue from fees collected from street parking, surface lots and parkade structures, while Vancouver generates \$1.75 million per year from residential parking permits. Some considerations for the District include:

- Saanich lacks the density and urban cores that Vancouver and Victoria have that create demand for on-street parking.
- Saanich doesn't have any city-owned parkades.
- Paid parking can be seen as another financial burden on residents and businesses especially when the area has historically been free.
- Residential parking permits can be resource intensive to administer, diminishing revenue potential.
- A reduction in available parking has been proven to reduce car ownership and could promote the shift to sustainable transportation modes.

A parking study, including public consultation, will be required to determine the best areas and potential revenue from parking fees and permits. It's expected that any consideration for paid parking would be phased over an extended period.

ALTERNATIVES

- 1. That Council receive this report for information.**
- 2. That Council direct staff to include an inflationary increase for new transportation assets as part of the 2026 Financial Plan Budget Guidelines.**

Beginning in 2026, it's projected that an annual inflationary adjustment will be needed to account for the effects of construction inflation on the short and medium-term timelines of the Active Transportation Plan (ATP) and Road Safety Action Plan (RSAP). This adjustment aims to address inflationary impacts on Core Funding for new transportation assets. The first annual increase would be approximately \$147,000, or 0.08% property tax increase, starting in 2026.

While this option doesn't address the shortage of AARF to support ATP and RSAP projects, it does stop the funding deficit for New Asset Funding as shown in Figure 5. Implementation of this option would reduce the delay in completing short and medium-term ATP priorities and RSAP from 20 years to 19 years.

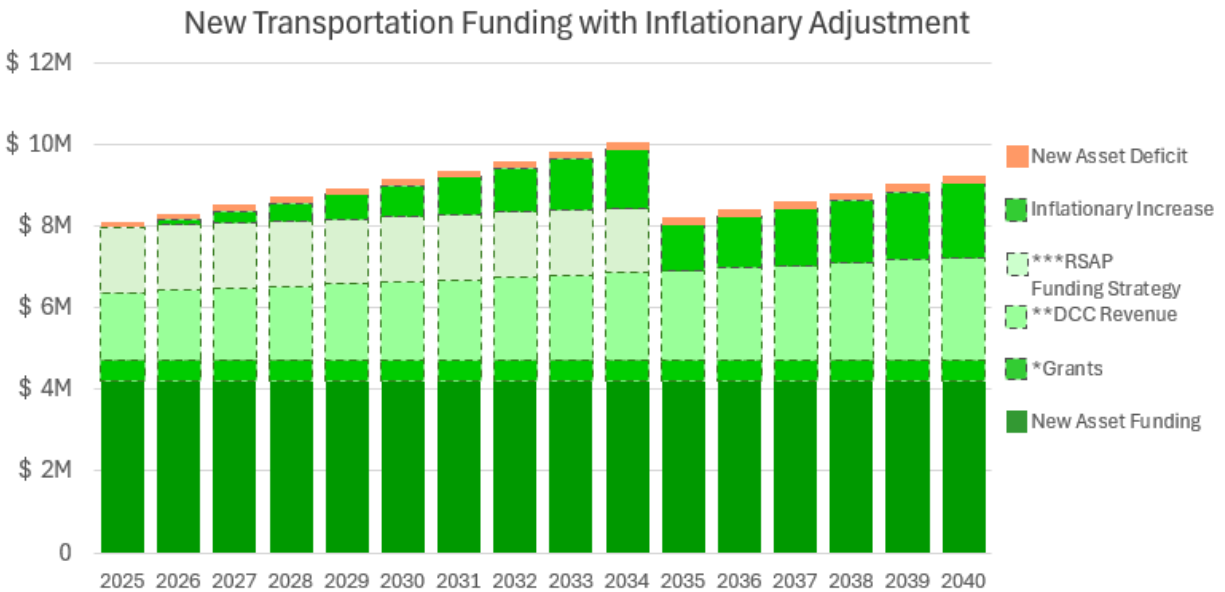


Figure 5 – New Transportation Assets funding with annual inflationary increases.

3. That Council direct staff to include a \$2.5M increase annually in the Financial Plan process to accelerate completion of the short and medium-term ATP priorities and RSAP in 10 years.

While this is not a recommended option, this option is presented in response to Council's motion to present options to accelerate the ATP. As shown in Figure 6, the cumulative funding from this option completes the short and medium-term ATP priorities and RSAP five (5) years earlier (within 10 years) than the original timeline.

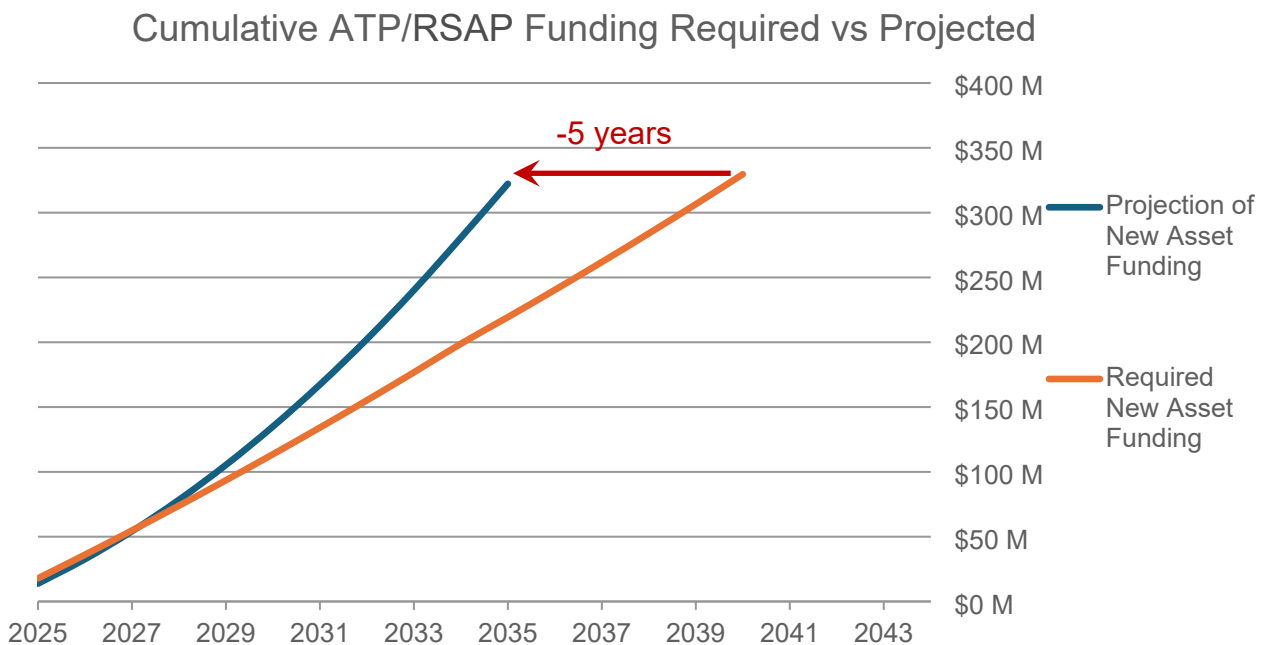


Figure 6 – Cumulative ATP/RSAP accelerated funding projection with \$2.5M increase annually for 10 years.

It is important to note that this option would be in addition to annual increases required to support the Annual Asset Renewal Funding (AARF) strategy and to support the Road Safety Action Plan (RSAP).

This option could be funded through a combination of borrowing and property tax increases, but both would result in significant strain on the municipality. Borrowing would necessitate an Alternative Approval Process and could further limit the District's financial capacity to undertake major facility rehabilitation projects, as identified in the Strategic Facilities Master Plan.

Staff have not completed an extensive financial analysis to fully understand the financial implications of this options concerning borrowing and property tax impacts. Should this be an option supported by Council, a more detailed evaluation would be conducted as part of the 2025 Financial Plan process.

Beyond the financial burdens, implementing such a large-scale initiative would encounter challenges, including constraints on internal and external resources to manage the increased volume of construction projects. The limited availability of local consultants and contractors could also lead to elevated local construction inflation. Additional staff resources would be required to handle the additional workload within Engineering Department and elsewhere in supporting departments. Coordination with internal and external organizations such as other municipalities, utility companies, and developers would be challenging and may create delays to the projects or interim solutions. Finally, the public would experience continuous travel delays around the District for the duration of 2025-2035 as projects are completed on several corridors at once.

Considering the aforementioned challenges and the financial implications of “scaling” up for this alternative, staff do not recommend it.

4. That Council provide alternative direction to staff.

FINANCIAL IMPLICATIONS

There are no financial implications for the Recommendation.

For Alternatives 2 and 3, both have varying financial implications that should be considered among the other strategies in place. Table 2 provides an overview of the annual property tax implications (based on 2025 dollars) for each Alternative.

Table 2 – Summary of potential annual property tax increases for each Alternative with other asset funding strategies for the next 10-15 years (based on 2025 Financial Plan).

	Alternative 2	Alternative 3
Annual Asset Renewal Funding (AARF) Strategy (15yrs)	1.50%	1.50%
Road Safety Action Plan (RSAP) – Taxation increases for Borrowing	0.09%	0.09%
New Transportation Asset Funding Inflationary Increase (ongoing)	0.08%	-
New Transportation Accelerated Funding (10yrs)	-	1.43%
Annual Property Tax Increase - Total	1.67%	3.02%

Staff's recommendation when balancing the demands of the Financial Plan process with respect to the strategies outlined in Table 2, priority should be given to Annual Asset Renewal Funding over new infrastructure strategies. The stewardship of existing assets is recommended as a foundational principle prior to increasing capacity to build new.

In addition to the capital investment needed for new transportation projects, these assets necessitate new funding for operations and maintenance (O&M). Typical transportation assets require 1.5% of new asset value for O&M, which results in about \$1.8 million in additional operational funding required by 2040. These increases have historically been included as non-discretionary increases in the Financial Plan process.

STRATEGIC PLAN IMPLICATIONS

This initiative aligns closely with Council Strategic Plan themes of Housing and Transportation:

- Objective 3.2 - Connecting Centres, Corridors, and Villages with sustainable transportation.
- Objective 3.3 - Supporting housing density with sustainable transportation options.
- Objective 4.1 - Accelerating the ATP implementation timeline and supporting regional multi-modal transportation.
- Objective 4.2 - Supporting sustainable transportation for higher housing density, and reducing reliance on vehicle trips in Saanich.
- Objective 4.2 - Improving accessibility in the District by installing infrastructure that meets modern standards and prioritizing equity deserving areas for new infrastructure.

CONCLUSION

Current funding levels are not sufficient to complete the short and medium-term ATP priorities and RSAP within the 15-year target timeframe and is expected to be delayed by five (5) years based on current strategies and funding levels. While strategic allocations in the 2024 Financial Plan incorporate core funds, Development Cost Charges (DCC), and grants, these remain insufficient to fully meet the District's ambitious transportation objectives. The funding shortfall, particularly for new asset projects, underscores the importance of continued innovation within existing resources.

The pursuit of additional revenue streams such as Automated Traffic Enforcement and permit parking presents viable but challenging opportunities that require legislative support and strategic implementation. Meanwhile, reallocating road spaces and leveraging development offer cost-efficient options but have limitations and secondary impacts. Moving forward, a focus on responsible stewardship of current assets over immediate expansion is recommended when balancing financial priorities. Continued collaboration with higher levels of government will be vital in addressing funding gaps and advancing these transportation plans effectively.

Prepared by: Jason Hodgins, Manager of Infrastructure Design and Construction

Reviewed by: Troy McKay, Senior Manager of Transportation and Development Services

Reviewed by: Paul Arslan, Director of Finance

Approved by: Harley Machielse, Director of Engineering

Attachments: Appendix of Short and Medium-Term ATP Class D Estimates

ADMINISTRATOR'S COMMENTS:

I endorse the recommendation from the Director of Engineering.

Council will shortly begin focused deliberations on the 2025-2030 Financial Plan, which will provide an opportunity to consider the overall financial position of the District in relation to all services provided and priorities of Council. In this context, I emphasize and support the comments included above that alternatives 2 and 3 are not recommended. If Council remains interested in budget increases to support acceleration my recommendation is that those discussions proceed as part of broader budget deliberations to ensure that the financial and service-level implications for all the District's services and priorities can be appropriately weighed are considered.

Brent Reems, Chief Administrative Officer