

Capital Prioritization Process Update

ISSUE

The Governance and Priorities Committee (Committee) previously provided direction to conduct several prioritization processes in order to allocate discretionary funding such as the one-time Gas Tax doubling and the Reserve for Capital Expenditures for 2020 and 2021. This report provides an overview of the process and associated updates.

BACKGROUND

At its meeting on August 19, 2019, when considering a report from Interim Chief Financial Officer entitled 2020/2021 Business Plan and Budget Options, Committee resolved, in part:

- “1. That the Reserve for Capital Expenditures prioritization process as outlined in the report of the Interim Chief Financial Officer dated August 19, 2019, be approved.”

At the same meeting when considering a report from the Interim Chief Financial Officer entitled 2019 Additional Gas Tax Prioritization, Committee resolved:

- “That the Administration report back regarding the results of the Gas Tax reallocation pool survey and corresponding options.”

At its regular meeting on August 26, 2019, when considering a report from the General Manager of Utilities and Environment entitled Preliminary Low Emissions Community Plan Initiatives, City Council resolved, in part:

- “1. That City Council forward the comprehensive list of items included in the attachment LEC 2020-2021 Actions to the budget prioritization process and request additional information from administration on these projects related to:
 - anticipated emissions reductions;
 - anticipated financial returns on investment; and
 - comments from administration on implementation timelines.”

At the same City Council meeting, Administration provided a verbal update on how these three previously approved individual prioritization processes would be delivered.

As these listings share common projects and are all competing for a limited pool of funding, it was determined that these surveys would be consolidated into one and the Administration would report back regarding the consolidated results and recommended projects to be funded using the Reserve for Capital Expenditures and the Gas Tax reallocation pool.

DISCUSSION/ANALYSIS

In early September 2019, Administration provided Committee with the consolidated survey, as well as an updated appendix with high-level information regarding the anticipated emissions reductions, operating impacts and return on investments (Appendix 1).

For Low Emissions Community (LEC) Plan items, it is important to note that the intent of initial phases of the preliminary initiatives, if funded, includes the development of detailed business cases. These business cases will include confirmation of the anticipated reductions in emissions, the operating impacts, and the development and/or refinement of the return on investment. Those business cases would be reported to City Council prior to further actions being taken.

While completing this prioritization listing, it is important to note that the LEC Plan 2020-2021 Actions (Option 5 in the report as presented to City Council on August 26, 2019) identified not only new projects that require funding to operationalize the plan but also initiatives that are either underway or have a dedicated funding source that support the LEC goals. These initiatives were not included in the prioritization process due to the following reasons:

- they were already underway and simply support the LEC Plan but are not a direct result of it;
- they already have a dedicated source of funding and are not competing for a discretionary funding source; and
- they would have been proposed in the 2020/2021 Business Plan and Budget regardless of the LEC Plan.

City Council will provide the final direction at the 2020/2021 Business Plan and Budget Review (Budget Deliberations) in November 2019 as to whether these projects will ultimately proceed. An overview of the initiatives that were included in the LEC Plan 2020-2021 Actions (Option 5) but were removed from the prioritization process are as follows:

1. The Water Conservation Strategy which aims to address the continued mandate for water conservation first identified in the Water Conservation Implementation Plan in the Long-Term Capital Development and Expansion Plan for Saskatoon Water. At Budget Deliberations, Administration will recommend that \$660,000 for this project be funded from the Waterworks Capital Projects Reserve over 2020 and 2021.
2. The Fleet Fuel Efficiency and Electric Vehicle Pilot Program is intended to investigate alternatives for the corporate fleet to reduce fuel consumption and greenhouse gas (GHG) emissions. This includes right-sizing the fleet, detailing the expected revenue and cost savings of the electric vehicle infrastructure, and investigating external funding opportunities and partnerships before engaging in the implementation. At Budget Deliberations, Administration will recommend that \$200,000 for this project

be funded from the Vehicle Equipment Replacement Reserve over 2020 and 2021.

3. The Landfill Gas Expansion Project – Detailed Engineering Design is intended to expand the current landfill gas collection system, resulting in GHG reductions and potential future revenues. Potential future revenues are dependent upon the results of the engineering analysis for future landfill gas uses.

Examples of revenue sources include the use of landfill gas for power generation and the sale of electricity (current process) or the sale of landfill gas as a heat source. Another potential revenue source could be from future carbon offset credits for the destruction of methane if/when this becomes available in Saskatchewan. At Budget Deliberations, Administration will recommend that \$1.1 million for Phase 1 of this project be funded from the Landfill Replacement Reserve in 2020.

4. The Bus Rapid Transit (BRT) Planning and Construction project involves the development, construction and implementation of a BRT system and a revision to current transit routing in support of BRT implementation called the Transit Plan. The BRT project includes funding for Intelligent Transportation (ITS), sidewalks and curbs, bus pads, station and stop upgrades inside the overall allocation. At Budget Deliberations, Administration will recommend that \$900,000 for this project be funded from the Major Transportation Funding Plan in 2020/2021.
5. The Transit Electrical Vehicle Pilot project involves the implementation of one electric transit vehicle in order to pilot the strategy, cost effectiveness and performance of an electric fleet. Funding of \$375,000 is being provided via the Transit Replacement/Refurbishment program.

In addition to the five initiatives identified above, the Parcel M Feasibility Study (as included in the LEC Plan) aims to further define the potential of the Parcel M site and the utility-scale solar energy project. It would include detailed scope definition, capital and operating cost projections, rate assumptions, GHG savings calculations, return on investment, and possible external funding opportunities and partnerships.

The project is recommended to be funded from the SL&P Electrical Distribution Extension Reserve for \$60,000 in 2020. However, \$3.5 million has still been included in the prioritization process for consideration of future construction.

IMPLICATIONS

This report has no direct financial implications, however, based on the five projects outlined in this report, \$2.92 million of funding will be recommended as part of Budget Deliberations. The current recommended funding sources include the SL&P Electrical Distribution Extension Reserve, Waterworks Capital Projects Reserve, Vehicle Equipment Replacement Reserve, Landfill Replacement Reserve and the Major Transportation Funding Plan, which all have sufficient funding in place for these

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initiatives. A comprehensive reserve forecast will be provided as part of the 2020/2021 Business Plan and Budget Document.

There are no legal, social or environmental implications identified.

NEXT STEPS

Administration will report back to Committee at its October meeting regarding the results of the prioritization survey and recommended initiatives and funding for 2020 and 2021.

APPENDICES

1. Consolidated Prioritization Process List of Initiatives

Report Approval

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