



Canada's Tournament Capital

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## Community Climate Action Plan Funding Strategy

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## Executive Summary

In June 2021, the City adopted the Community Climate Action Plan (CCAP), which outlines a set of strategies, actions, and targets to reduce community greenhouse gas (GHG) at a pace that is consistent with national and international efforts to limit global warming to 1.5°C.

Economic considerations were included for all strategies and actions in the CCAP, including a preliminary five-year budget for implementing the plan's short-term priority programs (Appendix A). Some CCAP actions will require considerable funding to implement, and over the course of the initial five-year budget period, this amount is estimated to top out at \$4.225 million annually.

Since 2008, revenue from the Province's Climate Action Revenue Incentive Program (CARIP) has been used to establish a Climate Action Fund (CAF) reserve and support numerous corporate and community-based climate action initiatives. However, notwithstanding its recent retirement, the CARIP would have been insufficient to wholly fund the implementation of the CCAP.

Administration is proposing to use the remaining CAF reserve funds (~\$750,000) to implement some of the short-term CCAP actions while a proposed Climate Action Levy is introduced, which would increase current taxation funding by 0.35%. These funds would be set aside in a specific reserve and used to support the implementation of the CCAP over the medium- to long-term.

## Situational Overview

In 2010, the City introduced the Sustainable Kamloops Plan, which has provided a foundation for building a more sustainable community. And while much progress has been made in advancing community sustainability, there is still much more to do, particularly with respect to efforts that address climate change.

In 2021, Council approved the CCAP, which identifies 8 Big Moves, 24 strategies, and 66 specific actions that have the potential to reduce community GHG emissions by 30% by 2030 and up to 80% by 2050 (over the 2007 baseline).

The CCAP's implementation will benefit our community's health, economy, environment, and quality of life while increasing our resilience to the impacts of climate change.

Economic and financial considerations were included for all strategies and actions in the CCAP, and a preliminary five-year budget for implementing the CCAP's short-term initiatives was presented to the Committee of the Whole in April 2021. These high-level cost estimates did not identify funding sources or personnel implications as they were offered to provide Council an understanding of the potential cost impacts of implementing the CCAP.

Several of the items presented were based on preliminary high-level assumptions; however, the fact remains that there is going to be a need to fund the initiatives contained within CCAP.

Table 1 outlines the overall funding required to deliver on the CCAP's goals without consideration of additional funding sources. Appendix A provides more detail on each of the program initiatives as they relate to the CCAP's Big Moves.

**Table 1 - Summary of Funding Required to Implement the CCAP (2022-2026)**

	2022	2023	2024	2025	2026
Funding Required	\$2,660,000	\$3,255,000	\$3,505,000	\$3,325,000	\$4,225,000

Over the course of the initial five-year period, the funding needed to implement and sustain the program tops out at an estimated \$4.225 million annually. Considering the lead time required to ramp up the implementation of the CCAP's short-term actions, Administration recognizes the need to gradually develop the full funding plan over the course of five years.

### Historical Funding

Until recently, the primary funding source for the City's sustainability initiatives has been the Climate Action Revenue Incentive Program (CARIP), a provincial grant program that reimbursed local governments 100% of the carbon taxes paid in a program year for publicly reporting their annual municipal GHG emissions. The City has used the funds generated through the CARIP to establish a Climate Action Fund (CAF), which has supported numerous initiatives demonstrating the potential to reduce community or municipal GHG emissions. The Province of BC retired the CARIP after the 2020 program year.

Notwithstanding the loss of what has been a predictable revenue source for the City's climate action initiatives, the CARIP alone would have been insufficient to wholly fund the CCAP's implementation. This is not a challenge unique to Kamloops as several municipalities are introducing a climate action component to their municipal taxation rates.

As noted to Council in June 2021, some of the CCAP's priority actions will require considerable funding to implement. While some of these funding needs are very specific (e.g. the \$1 million annual increase needed to accelerate the build-out of the active transportation network), other medium- and long-term financial impacts are currently less certain, such as the cost to significantly reduce the GHG emissions of municipal medium- and heavy-duty fleet vehicles and civic buildings.

The purpose of this proposal is to outline potential options for Councils' consideration to establish a funding stream to implement the short-, medium-, and long-term actions in the CCAP while reducing the volatility on taxation changes. Setting aside specific funds rather than presenting one-off climate action projects each budget cycle will provide a degree of certainty and predictability for supporting the ongoing funding needed to implement the CCAP and meet its GHG emissions reduction targets.

### Preferred Option

Administration is proposing to use existing funds in the CAF reserve while a dedicated CCAP funding pool is established. The CAF's current balance is approximately \$750,000. Using the remaining CAF monies strategically over the initial five-year cycle will allow for less expensive initiatives to be implemented while the overall funding pool is built out.

A proposed Climate Action Levy will increase the current taxation rate by 0.35% per year. These funds will be set aside in a specific reserve and used to support the CCAP's implementation over the medium- to long-term.

The target annual contribution needed to implement the CCAP is \$4.225 million, which allows for a 2.0% annual inflationary increase over the period.

## Financial Consideration: Proposed Solution

For purpose of this analysis, the following assumptions were made:

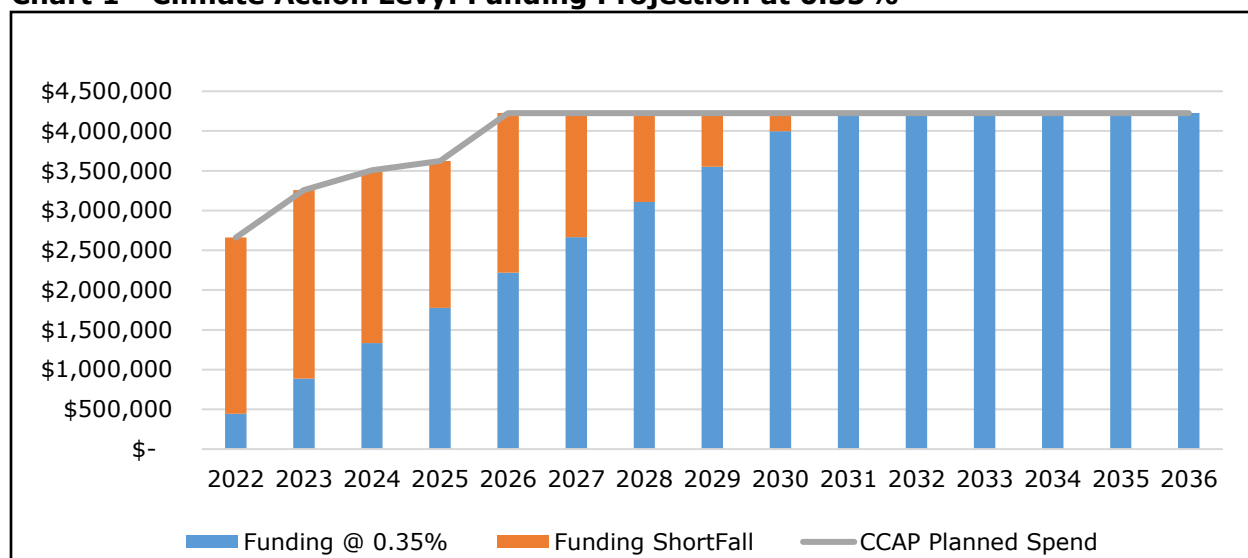
- annual taxation growth – 1.0%
- taxation increase 2022 – 4.89% (estimate)
- taxation increase 2023–2028 – 2.49% (based on the City’s approximate 10-year average taxation increase 2013-2021)
- projected CCAP spend in 2026 remains flat at \$4.225 million annually

Annual taxation dollar impact associated with the proposed Climate Action Levy is outlined in Table 2.

**Table 2 - Climate Action Levy: Funding Projection at 0.35%**

Year	Annual Taxation Increase	Annual Fund Contribution	Combined Tax Contribution	Combined Contribution before Spend
2022	0.35%	\$444,000	0.35%	\$444,000
2023	0.35%	\$888,000	0.70%	\$1,322,000
2024	0.35%	\$1,332,000	1.05%	\$2,664,000
2025	0.35%	\$1,776,000	1.40%	\$4,440,000
2026	0.35%	\$2,220,000	1.75%	\$6,660,000
2027	0.35%	\$2,664,000	2.10%	\$9,324,000
2028	0.35%	\$3,108,000	2.45%	\$12,504,000
2029	0.35%	\$3,552,000	2.80%	\$16,056,000
2030	0.35%	\$3,996,000	3.15%	\$20,052,000
2031	0.35%	\$4,440,000	3.50%	\$24,492,000
2032	0.00%	\$4,440,000	3.50%	\$28,932,000

Using a rate of 0.35% applied over the next 10 years allows for a purposeful buildup of the \$4.225 million required to fund the implementation of the CCAP. As evident in Chart 1, there will be a funding shortfall in the initial years of introducing the Climate Action Levy. To address this, the remaining CAF monies will be used to fund less costly short-term actions while planning for the more complex initiatives is undertaken (e.g. developing an existing civic building renewal strategy). In addition, the remaining CAF monies can be leveraged to secure available external funding opportunities.

**Chart 1 - Climate Action Levy: Funding Projection at 0.35%**

The recommendation to use the existing CAF monies and increase taxation funding by 0.35% to establish a Climate Action Levy is seen as prudent given the current taxation situation and ongoing COVID-19 recovery while also recognizing the urgency to implement the CCAP.

### Short-term Implementation

The following CCAP action items are recommended to be funded by the remaining Climate Action Fund monies for immediate implementation.

**Table 3 – CCAP Actions to be Funded by the Climate Action Fund**

Big Move Strategy	CCAP Program	Funding Request (2022-2026)
Active Mobility (2A)	Develop and implement an incentive program for E-bike/cargo bike purchases as per the Electric Vehicle (EV) & E-Bike Strategy.	\$10,000/year
Active Mobility (2A)	Increase the availability of publicly accessible, secure, end-of-trip bike storage amenities in major neighbourhood centres and other key destinations.	\$75,000/year
Zero Carbon Homes & Buildings (4A, 4B)	Develop municipal incentive programs that “top up” existing government and utility-based rebate programs for high-performance buildings and low-carbon energy systems, etc.	\$50,000/year
Zero-Carbon Civic Operations (7A)	Develop programs and end-of-trip amenities to encourage employees to use transit, low-carbon, and active transportation modes for commuting and work-related travel.	\$20,000/year
<b>Total Funding Request (Climate Action Fund reserve):</b>		<b>\$155,000/year</b>

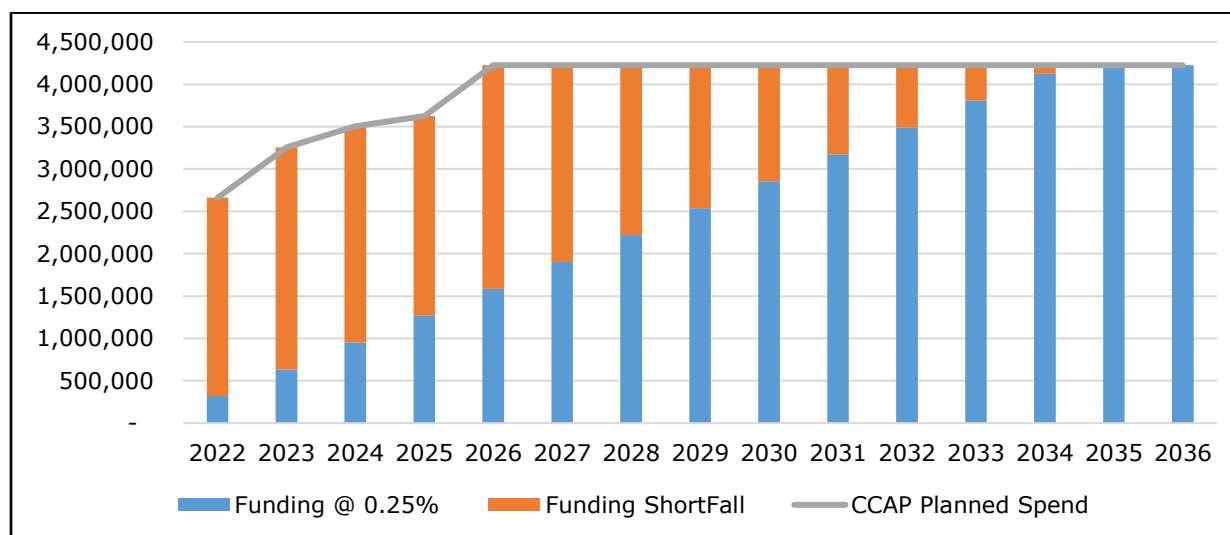
As monies become available through the Climate Action Levy and/or other external funding sources, other short-term CCAP action-items will be implemented as per the program list

outlined in Appendix A. The remaining Climate Action Fund monies are projected to be exhausted at the end of five years, at which time these initiatives will be funded through the proposed Climate Action Levy.

### Options Considered

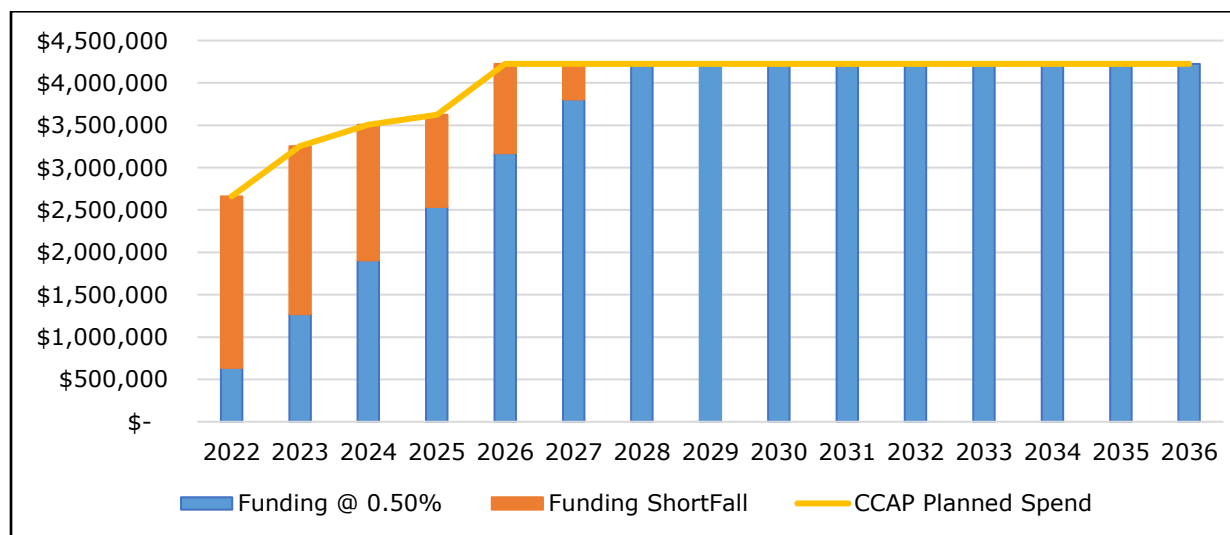
A taxation-based Climate Action Levy using 0.25% and 0.50% funding amounts was also considered. However, to achieve the target annual contribution needed to support the CCAP's implementation (\$4.225 million), a 0.25% taxation levy would require nearly 14 years to achieve steady state (i.e. 2034). As this level of funding is insufficient to support the CCAP's 2030 emissions reduction target, it is not recommended.

**Chart 2 - Climate Action Levy: Funding Projection at 0.25%**



The other option outlined below mirrors the Asset Management Funding Strategy adopted by Council in 2019. Under this option, a 0.5% taxation levy would require seven years to meet the target annual contribution.

**Chart 3 - Climate Action Levy: Funding Projection at 0.50%**



## **Maintain the Status Quo**

As a Council-adopted plan, and given the urgency to address climate change, the option of relying on ad hoc or external funding was not considered. Setting aside specific funds rather than presenting one-off climate action projects through the budget cycle will make the impact on taxation more predictable and the ability to achieve the CCAP's objectives more certain.

## **Risk Analysis**

As noted in the CCAP, the financial impacts of climate change are rising globally as weather-related disasters like floods, storms, and wildfires become more frequent, more extreme, and more expensive. In Canada, catastrophic weather events totalled over \$18 billion in insured losses between 2010 and 2019, and there was triple the number of catastrophic events than in the 1980s. In 2018, an estimated \$615 million was spent on fire management and suppression operations in BC with significant additional costs associated with evacuations, property losses, declining tourism, and impacts on agriculture from the devastating wildfire season.

Insurers and taxpayers are already sharing the costs of recovering from severe weather damage. For every dollar of insurance claim paid to households and businesses, governments are spending much more to repair the damage to public infrastructure. The cost from the impacts of uncontrolled climate change has been estimated to equate to at least 5% of global gross domestic product, yet studies consistently show it would cost less to make the deep emission cuts needed to avoid the worst impacts. Therefore, investments in reducing emissions and increasing resilience today will limit the future costs borne by our society and community.

## **Proposed Schedule**

The proposed funding strategy would begin in the 2022 fiscal period and extend for a 10-year period. Over this time, it is expected that the annual amount of funding available to support the CCAP's implementation will grow to \$4.44 million/year.

## **Conclusion/Recommendation**

Financing is a key challenge for any municipality seeking to meet its climate action commitments. The funding sources that the City has traditionally used for its climate action initiatives (e.g. the Climate Action Revenue Incentive Program and external grants) are insufficient to achieve the deep and sustained GHG emission reductions required to meet the CCAP's targets.

The recommendation to introduce a Climate Action Levy to help fund the CCAP's implementation is an example of emerging practices being undertaken by leading municipalities in the province. Actions to mitigate the impacts of climate change will require investments by the City, residents, businesses, institutions, and developers, many of which will also boost the local economy and enhance community health.

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**Completed by the Corporate Services Department**

**Proposed Funding Options**

There are two components of this proposed business case.

The first is the implementation of the items as identified in Table 3. As indicated, these items will be funded using the remaining Climate Action Fund (CAF) reserve, which is estimated to have a balance of approximately \$750,000 (as of year-end 2021).

Successful implementation of the Community Climate Action Plan requires a reliable, sustainable funding source. It is therefore recommended that **beginning in 2022, for a period of no less than 10 years, a Climate Action Levy of 0.35% be added to annual civic taxation funding**. The funds generated through the Climate Action Levy will be distributed to various programs and project owners based on their priority in the Community Climate Action Plan and then moving down through the rankings until all the items are funded and operationalized. Consideration will also be given to opportunities to leverage external funding sources such as grants, etc.



## APPENDIX A - Community Climate Action Plan - Financial Plan (2022–2026)

BM	CCAP Priority	Action	Budget Type		Budget Year				
			Operating	Capital	2022	2023	2024	2025	2026*
PROPOSED UNFUNDED PROGRAMS (i.e. new requests or additional to existing budget):									
2A	High	Build out a connected active transportation network by 2030, starting with completing connections along north–south and east–west corridors, followed by filling in any gaps to ensure key feeder connections to core routes.		✓	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
2A	High	Increase the availability of publicly accessible, secure, end-of-trip bike storage amenities in major neighbourhood centres and other key destinations.		✓	75,000	75,000	75,000	75,000	75,000
2A	High	Develop and implement an incentive program for E-bike/cargo bike purchases as per the Electric Vehicle (EV) & E-Bike Strategy.	✓		10,000	10,000	10,000	10,000	10,000
2B	Medium	Improve infrastructure and amenities (e.g. seating, pads, shelters, real-time bus arrival information) to encourage transit use.		✓	250,000	250,000	250,000	250,000	250,000
3A	Medium	Implement the City’s EV and E-bike Strategy, prioritizing support for home, workplace and public EV charging infrastructure.	✓		240,000	240,000	240,000	240,000	240,000
3A	Medium	Encourage private sector investment in new EV charging infrastructure.	✓		20,000	20,000	20,000	20,000	20,000
4A	Very High	Develop municipal incentive programs that “top up” existing government and utility-based rebate programs for high-performance buildings and low-carbon energy systems, etc.	✓		50,000	50,000	50,000	50,000	50,000
4B	High	Develop incentives, financing tools, and marketing campaigns to encourage and promote residential and ICI building retrofits.	✓		120,000	240,000	240,000	360,000	360,000
7A	Very High	Develop and implement corporate energy and emissions policies and strategies to increase energy efficiency and phase out fossil fuel use in new and existing civic buildings and infrastructure.		✓	500,000	1,000,000	1,000,000	1,000,000	1,000,000
7A	Very High	Develop and implement a Green Fleet Strategy that reduces overall vehicle use, and prioritizes the use of zero-emissions fleet vehicles and renewable fleet fuels.		✓	250,000	250,000	500,000	500,000	1,100,000
7A	Very High	Develop programs and end-of-trip amenities to encourage employees to use transit, low-carbon, and active transportation modes for commuting and work-related travel.	✓		20,000	20,000	20,000	20,000	20,000
8C	Low	Undertake new green infrastructure pilot projects to trial emerging techniques (e.g. more cost-effective ways of ensuring adequate soil volumes for optimal plant growth), and integrate successful measures into infrastructure and development projects on public lands.		✓	125,000	100,000	100,000	100,000	100,000
TOTAL PROPOSED UNFUNDED PROGRAMS:					2,660,000	3,255,000	3,505,000	3,625,000	4,225,000