



THE CORPORATION OF THE CITY OF VERNON

MEMORANDUM

TO: Patti Bridal, Chief Administrative Officer **FILE:** 5700-01
PC: James Rice, Director, Operation Services **DATE:** May 07, 2024
Geoff Mulligan, Infrastructure Systems Manager
FROM: Rhys Francis, Infrastructure Management Technician
SUBJECT: **IMPACT OF CONSTRUCTION COST ESCALATION ON INFRASTRUCTURE REPLACEMENT**

One of the recommendations of the 2014 Integrated Transportation Framework (ITF) is to report annually to Council on the impact of construction cost escalation on the City of Vernon's capacity to replace road infrastructure.

Construction costs for road infrastructure (sum of road, curb and sidewalk) **decreased by 0.6% from 2023 to 2024**. The slight decrease in costs would appear to match some current market trends and is a significant change from the rapid escalation experienced in 2022. For reference, construction costs for road infrastructure increased by 6% from 2022 to 2023 and by 41% from 2021 to 2022.

Since the ITF was developed in 2014, construction costs for road infrastructure have **increased by 126%** compared to 2024. The increase in construction costs cumulatively from 2014 has reduced the capacity of the 1.9% Infrastructure Levy and the City's ability to renew infrastructure consistent with Council approved asset management plans.

Efforts to mitigate escalating costs are being considered throughout the tender process going forward. Some of the methods being used include early tendering, creating multi-year contracts, extending completion timelines, combining projects, partnering with other local municipalities on projects, and pursuing alternate methods of construction and rehabilitation. The intent is to attract more vendors to increase competition, as well as reduce time constraints that may otherwise drive up costs. Staff have begun implementing some of these methods and intend to continue to do so going forward in an effort to keep costs competitive.

A comprehensive Organizational Asset Management Plan will be presented to Council in September of 2024. This considers the renewal investment requirements of all asset classes that fall within the infrastructure levy asset envelope (transportation, stormwater drainage, facilities, airport, and parks) with projected revenues to identify future sustainability gaps. This Organizational Asset Management Plan will provide recommendations and options for achieving sustainable funding levels. Administration is also presenting a Transportation Asset Management Plan update in August, 2024 that will focus on pavement management strategies for optimizing treatments.

RECOMMENDATION:

THAT Council receive for information the memorandum titled "Impact of Construction Cost Escalation on Infrastructure Replacement" dated May 07, 2024, and respectfully submitted by the Infrastructure Management Technician.

Respectfully submitted:

Rhys

Francis

Digitally signed by:
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Rhys Francis, ASCT
Infrastructure Management Technician

Approved for the Agenda by the CAO

