

Deputy City Manager's Office Report to
Strategic Meeting of Council
2020 May 11

ISC: UNRESTRICTED
C2020-0524

COVID-19 Capital Program Update and Stimulus Readiness

EXECUTIVE SUMMARY

The purpose of this report is to seek Council's approval of proposed Infrastructure Calgary (IC) Prioritization Stimulus Criteria to guide shovel-ready project recommendations should stimulus funding from other orders of government become available. An overview of The City's capital activities related to COVID-19 response and recovery is also provided.

ADMINISTRATION RECOMMENDATIONS:

That Council approve the Infrastructure Calgary Prioritization Stimulus Criteria in Attachment 1, as follows:

- Creates jobs and stimulates the economy
- Contributes to a resilient city
- Enables economic diversification
- Enhances long-term value of assets and reduces operating cost
- Attracts investment and supports the growth and change strategy
- Facilitates equitable services
- Supports post COVID-19 service environment

KEY MESSAGES

- The COVID-19 pandemic is a disruptive event yet The City remains optimistic about its ability to deliver its capital portfolio approved in the One Calgary Service Plans and Budgets, in support of service delivery, Citizen Priorities and quality of life outcomes.
- Infrastructure Calgary is monitoring the risks, issues, impacts and status of capital investments as a result of the COVID-19 pandemic and is working with services that deliver capital investments to support risk mitigation and advance projects where possible.
- The medium and longer term impacts of COVID-19 remain to be understood. Administration will have an ongoing dialogue with Council as we move through response and recovery to consider all impacts and aspects of service delivery.
- Should stimulus funding be made available, The City is prepared to deliver shovel-ready investments that support immediate job creation, economic growth and diversification.
- The City is confident we will get through the pandemic and looks forward to future project successes with industry partners and delivering infrastructure and services benefiting all Calgarians
- The City continues to work with industry partners to maintain construction as an essential service and keep Calgarians working safely through the pandemic.

PREVIOUS COUNCIL DIRECTION / POLICY

On 2015 November 25, the Capital Infrastructure Investment Strategy was approved by Council (C2015-0855) and on 2017 March 6, Council directed that Infrastructure Calgary update this strategy as part of the capital planning for the 2018 budget process (C2017-0214).

On 2018 March 21 (C2018-0304), Council approved the Capital Infrastructure Investment Strategy. Council renamed this document the Capital Infrastructure Investment Principles.

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On 2018 November 29 (C2018-1158), as part of the 2018 November 14 Regular Meeting of Council, Council approved the 2019-2022 Service Plans and Budgets. This included the approval of a \$5.13 billion capital budget for 2019-2023+, which included \$2.05 billion of previously approved capital.

On 2019 November 12 (C2019-1052), as part of the 2020 Adjustments to the One Calgary Service Plans and Budgets, Council approved a recommendation that directed Administration to report back to Council, no later than 2020 February 4, with an update on the capital budget in response to the funding reductions from the 2019 October 24 provincial budget.

On 2020 January 27 and February 3 (C2020-0040), Infrastructure Calgary discussed and recommended proposed capital changes from the One Calgary Service plans and Budget to address an estimated \$73 million shortfall in Municipal Sustainability Initiative (MSI) funding as a result of the 2019 October 24 provincial budget. Council approved Administration's recommendations for 2020-2023+ capital budget relinquishments.

On 2020 April 2, the Intergovernmental Affairs Committee received a verbal update from Acting General Manager Deputy City Manager's Office on capital activities in response to COVID-19. During that update, it was agreed that a strategic session of Council that focused on capital activities would be helpful.

BACKGROUND

The COVID-19 pandemic has significantly disrupted health, livelihoods and the economy. In conjunction with the economic challenges faced in Alberta with the collapse of oil prices, it has also created a level of uncertainty in the delivery of our capital program with regards to:

- the ability to complete projects as per the original schedule and cost
- the actions of the other orders of government, including level of capital funding
- uncertainty within the Engineering, Architecture, and Construction industries

As a result, The City needs to be prepared to quickly react to the changing circumstances, whether it is reducing capital activity due to the availability of human capital, materials, or supply chain disruptions, or increasing activity in response to additional recovery and stimulus funding being available. As we manage our response and work towards recovery, we are reassured by The City's experience and resilience in managing shocks and stresses.

Examples of our historic resilience include development of the Glenmore Reservoir in the 1930s (investment stimulus following economic depression and ambition to manage potable water for a growing community); design and implementation of infrastructure in the 1980s to support Calgary through an economic recession and the Calgary Olympics (LRT system, the Municipal Building and Olympic facilities); and flood mitigation and resilience (completion of the Glenmore gates, several barriers and improved system change) following the 2013 flood.

The City remains committed to supporting our vision of *Calgary: a great place to make a living, a great place to make a life*. Our investment in infrastructure supports this vision, key quality of life outcomes and service delivery. The capital portfolio approved in One Calgary is based on service needs of our community and supported by a capital investment management process, guided by Council approved Capital Infrastructure Investment Principles. Given a constrained capital environment, the One Calgary capital budget is comprised primarily of essential projects

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to support service delivery. In response to the MSI funding changes in the 2019 October 24 provincial budget, funding for many of these projects was reduced in 2020 and 2021 (C2020-0040).

INVESTIGATION: ALTERNATIVES AND ANALYSIS

Following the COVID-19 pandemic outbreak, Infrastructure Calgary, in partnership with Service Owners, has worked to support infrastructure investment and prepare for a variety of scenarios given the risks to our resources, supply chain and project delivery schedules. We are also identifying and pursuing opportunities to advance investment.

Below is a summary of initiatives being undertaken by Infrastructure Calgary to support both response to, and recovery from, the COVID-19 pandemic impacts on our capital program.

1. Determination of Critical Capital Investments in a Pandemic Environment

On 2020 March 26, Infrastructure Calgary requested services with capital budgets to review their capital portfolios and determine what capital work could be paused, if required, to ensure that critical investments in a pandemic environment are able to access the resources required to continue without further delays. Guidance was provided to capital teams that defined critical infrastructure and services, and outlined criteria to identify which investments are critical to continue, and those that could be paused. Investments were categorized, in order of criticality, according to:

- 1. *Critical Infrastructure for pandemic related service delivery**
- 2. Health & Safety risk if investment is paused**
- 3. Required for business continuity**
4. Poses a medium-term asset failure risk
5. Will incur significant job losses or financial losses from breaking contracts

*Critical infrastructure refers to assets that are required to maintain the delivery of critical services offered by The City that are essential to the health, safety, or well-being of Calgarians, the environmental health of Calgary, and the effective functioning of government. A temporary (48 – 72 hours) failure, impairment, or disruption of the critical infrastructure could result in catastrophic loss of life, adverse economic or environmental effects, or significant harm to public confidence.

Having a clear understanding of which capital investments are critical during a pandemic, ensure the health and safety of residents or ensure necessary business continuity, enables The City to prioritize and divert required resources to these investments if needed.

The effects of any changes to the capital portfolio and resulting service impacts will be reported through One Calgary performance reporting and brought forward for Council approval as part of service plans and budgets adjustments.

2. Development of a Shovel-Ready Infrastructure List

Infrastructure Calgary is also taking a long-term view, considering how future investment will deliver services, build needed infrastructure, support municipal recovery efforts and help support businesses and residents re-establish livelihoods. A master list of shovel-ready infrastructure projects that support job creation and contribute to economic recovery is in development. The source of this list is the One Calgary unfunded project list and emerging

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needs from services that deliver capital investments across the organization. A sample of this list was shared with the provincial and federal governments for their consideration to support ongoing advocacy efforts, and to help shape the parameters of any potential stimulus funding. The list shared was indicative of the types of projects that could be completed with economic stimulus funds.

Also contributing to The City's "state of readiness" and in anticipation of stimulus funding becoming available, Supply Management is proactively strategizing how to accelerate procurement. Recent engagement with Industry has validated what procurement methods The City could utilize and confirmed there is capacity in the market.

While these methods to accelerate contracts carry many economic benefits, they must be balanced with maintaining safety, quality and value for money.

3. Preparation of Criteria to Apply to Shovel-Ready Infrastructure List

Infrastructure Calgary has drafted prioritization criteria that can be applied to the shovel-ready infrastructure list being developed to respond to any economic stimulus funding The City may receive. These criteria will help The City determine which projects most support residents and aid in economic recovery and position us to move forward quickly. Council is requested to approve these criteria in anticipation of its use by Administration to recommend shovel-ready projects for Council approval in response to stimulus funding availability (Attachment 1).

4. Capital Investment Monitoring and Reporting

We anticipate The City's capital investment portfolio will be impacted long-term by the COVID-19 pandemic. Regular reporting to the Infrastructure Calgary Steering Committee that outlines the status of each capital investment and the issues and risks being experienced both for individual investments, and at the portfolio level, during response and recovery, is under development to help The City successfully navigate through this period.

The purpose of capital reporting is to provide:

- a. A clear understanding of the issues being experienced with capital investments, which could lead to corporate level action to address them
- b. Understanding of the potential risks within the capital portfolio, which can lead to corporate level mitigation strategies
- c. Understanding of the status of each capital investment and its relationship to service impacts (short, medium and long-term).

There are several other activities that Infrastructure Calgary is working on to support the response, ongoing investment and recovery. These include supporting the work of the Task Forces, particularly Employee Support and Service Delivery, Economic Resilience and Business Support, monitoring grant opportunities and coordinating applications as well as ongoing work to manage The City's unfunded corporate infrastructure investment list.

Stakeholder Engagement, Research and Communication

Infrastructure Calgary and internal partners have increased conversations with industry (e.g. Calgary Construction Association, Alberta Roadbuilders and Heavy Construction Association, the Alberta Joint Industry Response Team) and partners (e.g. University of Calgary, Southern Alberta Institute of Technology, Calgary Municipal Land Corporation and Alberta Owners groups

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such as City of Edmonton, Alberta Infrastructure, Alberta Transportation, Canada Infrastructure Bank) to monitor and manage issues and risks to our capital projects, align our investment needs, share information and advocate for investment in Calgary.

Considerable public consultation and research data from 2017-2019 conducted for One Calgary is used to help inform capital priorities. This includes One Calgary Roll-Up Engagement & Research Insights that help set Council Directives; Value Characteristics, Service Targets, Service Plan Previews; and the 2019 Citizen Satisfaction Survey. Infrastructure Calgary continues to work with Customer Service & Communications on opportunities to engage and conduct citizen research, e.g. the upcoming Economic Perspectives survey which is in field 2020 May 15.

Strategic Alignment

Infrastructure Calgary helps implement The City's "Three Conversations, One Calgary" framework and follows Council's Five Strategic Plan Principles (PFC2018-0445). The program directly addresses the commitment to service-based plans and budgets and contributes to Council's Five Guidelines to Administration approved by Council on 2018 February 28: integrated service delivery, engaged leadership, trust and confidence, investment and value, and cooperative alliances (C2018-0201).

Infrastructure Calgary also supports Citizen Priorities, particularly a Well-Run City and a Prosperous City, and is in alignment with Imagine Calgary goals, the Municipal Development Plan and Calgary Transportation Plan.

Social, Environmental, Economic (External)

The City of Calgary is working with contractors and consultants to prioritize health and safety and minimize the impact of COVID-19 on active projects, following guidelines from Occupational Health & Safety and Alberta Health Services.

The City recognizes that the Calgary Construction Association, BILD and other industry partners have put key safety protocols into place and is grateful for their diligence and support.

Financial Capacity

Current and Future Operating Budget:

Infrastructure Calgary and Service Owners are mindful of how the application of potential stimulus funding could impact operating budgets. Many of the shovel-ready projects are maintenance and repair investments that may reduce operating costs.

Current and Future Capital Budget:

At this point, there is no significant impact on the projected year end capital spend. As outlined in this report, Administration is monitoring impacts to capital projects and programs on a regular basis and Finance will continue to monitor monthly spending. Administration is prepared to pivot to actualize stimulus funding and /or to adjust our capital plan in alignment with longer term decisions regarding service impacts.

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Risk Assessment

There is now a formal reporting mechanism approved by the Infrastructure Calgary Steering Committee in April 2020 to collect and quantify capital reporting specific to the impact of COVID-19.

To date, as a result of the COVID-19 pandemic event, we are seeing stable ability to delivery the capital program with some exceptions in accessing resources such as human capital, equipment and materials and cost impacts, and procurement issues due to the pandemic. Labour concerns center around difficulty securing personal protective equipment (PPE) and some workers failing to present on-site. A loss of productivity due to physical distancing and cost impacts are being monitored. The City is responding on a case by case basis to notification by vendors of any challenge to meet contractual obligations, requests for change orders, or future compensation/relief relating to pricing uncertainties. There is also a risk that some contractors will be insolvent due to the COVID-19 pandemic. Conditions are changing rapidly and often issues that seem significant can generally be resolved.

Due to the physical distancing safety protols of COVID-19, alternative approaches tocitizen engagement for projects, including all online delivery, is being explored. This could impact residents' participation and acceptance.

Infrastructure Calgary will continue to monitor issues and risks and support appropriate mitigation measures, working with the corporate Integrated Risk Management team to address the principle corporate risks, include the Infrastructure Management risk. A Critical Infrastructure dashboard is also being created for the Calgary Emergency Management Agency (CEMA) and issues will continue to be addressed by CEMA and Administration.

REASON(S) FOR RECOMMENDATION(S):

Infrastructure Calgary is recommending Council approve Calgary Prioritization Stimulus Criteria to aid in the future recommendation to Council shovel-ready investments to ensure The City can optimize potential future stimulus funding.

ATTACHMENT

Attachment 1 – Infrastructure Calgary Prioritization Stimulus Criteria