

**Deputy City Manager's Office Report to
Priorities and Finance Committee
2020 September 8**

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PFC2020-0894
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Capital Investment Application Recommendations for Municipal Stimulus Program

RECOMMENDATION(S):

That the Priorities and Finance Committee (PFC) recommends that Council:

1. Approve The City's investments proposed for Municipal Stimulus Program (MSP) funding, and approve the capital budget, as identified in Attachment 1, contingent on Government of Alberta's approval of The City's applications; and
2. Direct Administration to submit the City of Calgary Municipal Stimulus Program applications to the Government of Alberta on or before 2020 October 1.

RECOMMENDATION OF THE PRIORITIES AND FINANCE COMMITTEE, 2020 SEPTEMBER 08:

That Council:

1. Receive the full list of projects considered as part of the Municipal Stimulus Program (MSP) funding, both successful and unsuccessful;
2. Approve The City's investments proposed for Municipal Stimulus Program (MSP) funding, and approve the capital budget, as identified in Attachment 1, contingent on Government of Alberta's approval of The City's applications; and
3. Direct Administration to submit the City of Calgary Municipal Stimulus Program applications to the Government of Alberta on or before 2020 October 1.

Opposition to Recommendation 1: Councillor Farrell

Oppositions to Recommendations 2 and 3: Councillor Chu, Councillor Colley-Urquhart, and Councillor Demong

HIGHLIGHTS

- On 2020 July 28 the Government of Alberta (GoA) announced additional funding for infrastructure investments as part of Alberta's Recovery Plan to help with the COVID-19 recovery. The City's share of the \$500 million Municipal Stimulus Program (MSP) is \$152.8 million for capital investments to be completed in 2020 and 2021. Submissions are due on or before 2020 October 1.
- The MSP is intended to provide funding that will create and sustain local jobs, enhance provincial competitiveness and productivity, position communities to participate in future economic growth, reduce municipal red-tape and promote job-creating private sector investment.
- What does this mean to Calgarians? Local job creation, new and improved infrastructure, an increase in Affordable Housing, more equitable services, reduction in operating costs, economic diversification support for the downtown, alignment with The City's Growth and Change Strategy and a more resilient, competitive and attractive city.
- Strategic Alignment to Council's Citizen Priorities: A prosperous city. All Citizen Priorities are reflected in the proposed investments.

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- Infrastructure Calgary supports one of the six main goals of the new Rethink to Thrive strategy (C2020-0699), which looks to optimize financial management of operating and capital budgets and reduce the cost of government by optimizing capital planning and infrastructure investment.

DISCUSSION

On 2020 July 28 the GoA announced additional funding for infrastructure investments as part of Alberta's Recovery Plan to help with the COVID-19 recovery. The City's share of the \$500 million MSP is \$152.8 million for capital investments in 2020 and 2021.

The primary objective of the MSP is to sustain and create local jobs, enhance provincial competitiveness and productivity, position communities to participate in future economic growth, reduce municipal red-tape and promote job-creating private sector investment.

A maximum of five applications may be submitted, with municipalities encouraged to submit fewer applications to minimize administrative and reporting requirements. Applications are due on or before 2020 October 1, and all funds must be spent by 2021 December 31. MSP funding is limited to investments that would not go forward in the absence of support through the MSP in 2020 and 2021. MSP eligibility is similar to the Municipal Sustainability Initiative (MSI) eligibility, with some modifications (e.g. excludes categories and activities with minimal contribution to economic recovery). Investments that previously applied for MSI and/or GTF are not eligible for MSP funding, but investments that have applied for MSI and/or GTF in 2020, or are in the process of applying, are eligible. Eligible investment categories include construction, betterment, rehabilitation and non-routine maintenance of roads, bridges, water and wastewater systems, public transit, and recreation.

The City's unfunded, shovel-worthy investments were reviewed against GoA's MSP guidelines and the Infrastructure Calgary Prioritization Stimulus Criteria approved by Council on 2020 May 11 (C2020-0524). Additional considerations by Service Owners in supporting the proposed investments included investment support of Council approved policy and strategic direction, current work program and ability to resource and deliver the project, especially in COVID-19 context, and ability to expend all the MSP funds supporting it by 2021 December 31.

The resulting investments were discussed and voted on by the Infrastructure Calgary Steering Committee and resulted in the recommended investments for proposed submission to the MSP (Attachment 1). On 2020 September 3, ALT discussed the potential investments and recommended that the proposed investments attached to this report be advanced to PFC.

After exploration and discussion of different approaches to the applications, Infrastructure Calgary recommends an asset class approach to group projects within the maximum of five applications. This meets the GoA's direction that each application result in a clearly defined asset. The asset classes recommended by Infrastructure Calgary are: Facility Revitalization & Renewal, Transportation, Water Infrastructure and Parks & Open Spaces. Multiple investments are bundled within each of these asset classes. Please see Attachment 2 for detailed investment information.

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STAKEHOLDER ENGAGEMENT AND COMMUNICATION (EXTERNAL)

- ☐ Public Engagement was undertaken
- ☐ Public Communication or Engagement was not required
- ☐ Public/Stakeholders were informed
- ☒ Stakeholder dialogue/relations were undertaken

Administration has had several conversations with the GoA as these recommendations were being developed to clarify MSP guidelines. Administration also conversed with The City of Edmonton to understand how they are approaching their MSP applications and share information.

Recommended capital investments are often the result of considerable public consultation. Public engagement results from 2017-2019 conducted for One Calgary was used to help inform capital priorities given the quick timelines between stimulus announcement and the submission date of 2020 October 1. Public engagement consulted 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 Economic Perspectives survey which was in field 2020 May 15. Asset management plans also play a significant role in identifying capital priorities.

IMPLICATIONS

Social, Environmental and Economic Implications

On 2020 May 11, the Infrastructure Calgary Prioritization Stimulus Criteria were approved by Council (C2020-0524) to help prioritize investments should stimulus funding be provided. The criteria were drafted to encourage social, environmental and economic considerations and were used to help guide and evaluate the MSP eligible investments recommended in Attachment 1.

- 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

Alignment to Council Policy for proposed MSP investments can be found in Attachment 2.

Social

The MSP investments recommended were evaluated for their ability to facilitate equitable services. Some of the investments proposed for MSP funding speak to social improvements, e.g., the Glenbow Museum Revitalization updates the physical infrastructure of the building to ultimately be more inclusive, accessible, and environmentally sustainable. The inclusion of

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Affordable Housing – redevelopment of existing units and addition of new units - is important in avoiding closures and providing new housing for many Calgarians.

Environmental

Many of the investments proposed for MSP funding encourage environmental stewardship, e.g., solar garden initiative, river access upgrades, biodiversity implementation and naturalization of existing parks and open spaces and to help achieve reduced operating costs. There is also investment for drainage improvement in established communities to reduce the risk of flooding and improve resiliency against the impacts of climate change.

Economic

The COVID-19 pandemic has significantly disrupted health, livelihoods and the economy. The primary objective of the MSP is to sustain and create local jobs, enhance provincial competitiveness and productivity, position communities to participate in future economic growth, reduce municipal red-tape and promote job-creating private sector investment. Together, The City's recommended investments for proposed submission to the MSP are expected to generate an estimated 882 jobs, as calculated using the Calgary Region Input-Output Model (CRIOM) developed by Corporate Economics.

Service and Financial Implications

Administration recommends conditional capital budget, contingent on successful MSP applications. Administration will be monitoring impacts to the approved Service Plans and Budgets and will prioritize investments to optimize the MSP funding in 2020 and 2021.

The capital budget increase in 2020 and 2021 will total \$154,842 thousand, with \$152,831 thousand funded from the MSP and the remainder from off-site levies. An effort was made to consider all Citizen Priorities. Service breakdown is provided in Attachment 1.

There is no impact to the 2020 and 2021 operating budgets. Infrastructure Calgary and Service Owners were mindful in preparing their potential submissions of how potential MSP funded investments could impact operating budgets. Under the MSP, assets must not require operating funding from the province, and investments must not result in municipal tax increases. None of the recommended investments in Attachment 1 will require operating funding from the province or a property tax increase to fund operating costs of capital.

New capital funding request

\$154,842 thousand sourced from MSP and Off-Site Levy (OSL).

Opportunity cost of pursuing the recommendation

This is stimulus funding for projects that wouldn't otherwise go forward in 2020 or 2021. There is no opportunity cost (i.e., this is an incremental opportunity, it does not displace other investments).

RISK

Municipalities will lose access to any portion of their allocation that is not committed to an accepted investment submitted as of 2020 October 1. The disposition of any uncommitted

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funding after 2020 October 1 will be at the discretion of the Minister of Municipal Affairs. It is important that The City submit their applications on or before 2020 October 1.

Construction of eligible MSP projects must begin in calendar year 2020 or 2021. Projects do not need to be complete by the end of 2021, but MSP funds must be expended by the end of 2021. It is critical that all funds associated with investments approved under the MSP are spent by 2021 December 31 or the provincial funding will be lost. For projects that are started but do not fully expend the approved MSP funding for the project, The City will be required to find alternate funding sources to complete the project.

Infrastructure Calgary continues to monitor issues and risks, including the impact of the COVID-19 pandemic on capital delivery, and supports appropriate mitigation measures, working with the corporate Integrated Risk Management team to address the principle corporate risks, include the Infrastructure Management risk.

ATTACHMENT(S)

1. 2020-2021 Capital Budget Increase for the Municipal Stimulus Program (MSP)
funded investments – For Approval
2. Municipal Stimulus Program (MSP) application Investment Summaries

Department Circulation

City/General Manager (Name)	Department	Approve/Consult/Inform (Pick-one)
David Duckworth	City Manager's Office	Approve
Chris Arthurs	DCMO	Approve
Carla Male	CFOD	Approve
Dan Limacher	UEP	Approve
Doug Morgan	Transportation	Approve
Katie Black	Community Services	Approve
Stuart Dalglish	Planning & Development	Approve
Michael Thompson	Green Line	Approve