

CORPORATE LIFECYCLE MAINTENANCE IMPLEMENTATION PLAN

EXECUTIVE SUMMARY

In response to Council's approval, in principle, of recommended capital investments on 2017 March 06 (Council report C2017-0214), Administration is bringing forward the Corporate Lifecycle Maintenance implementation plan to address high-priority requirements within The City's facility and affordable housing portfolio, including, but not limited to, envelope renewals, systems upgrades, accessibility improvements, and protection of heritage assets.

The City owns and operates administration and community facilities, as well as affordable housing properties. These community facilities and spaces are essential to the delivery of parks and recreation programs and fire services, and provide affordable homes to citizens. Lack of investments in this portfolio will result in major service disruptions, risks to health and safety of employees and citizens, and the emergence of serious fiscal risks such as accumulating capital and operating pressures that cannot be sustained over the long term.

The recommended lifecycle projects in the Corporate Lifecycle Maintenance implementation plan will provide immediate economic stimulus to Calgary and improve the condition of The City's asset base. These investments will improve The City's facility condition index while supporting and sustaining complete and resilient communities.

ADMINISTRATION RECOMMENDATION(S)

The Priorities and Finance Committee recommends that Council:

1. Receive for information the Corporate Lifecycle Maintenance implementation plan in Attachment 1.
2. Approve capital budget increases as per Attachment 2 to be funded by corporate capacity identified by Infrastructure Calgary.
3. Forward this report and attachments as urgent business to the 2017 April 10 Combined Meeting of Council for final approval.
4. Request that Attachment 2 remain confidential pursuant to the *Freedom of Information and Protection of Privacy Act* (FOIP Act) sections 23(1)(b), 24 (1)(a) and 24(1)(g) until approved by Council.

RECOMMENDATION OF THE PRIORITIES AND FINANCE COMMITTEE, DATED 2017 APRIL 04:

That Council:

1. Receive for information the Corporate Lifecycle Maintenance implementation plan in Attachment 1;
2. Approve capital budget increases as per Attachment 2 to be funded by corporate capacity identified by Infrastructure Calgary; and
3. Keep Attachment 2 confidential pursuant to Sections 23(1)(b), 24(1)(a) and 24(1)(g) of the *Freedom of Information and Protection of Privacy Act* (FOIP Act) until approved by Council.

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PREVIOUS COUNCIL DIRECTION / POLICY

At its 2017 March 06 Strategic meeting, Council adopted report C2017-0214 which included the following direction:

"Direct Administration to return with implementation plans, including refined capital estimates, public consultation plans and financing strategies, to the Priorities and Finance Committee or the appropriate Standing Policy Committee as soon as possible for final approval by Council."

Prior to receiving the direction above, as part of the Action Plan Mid Cycle Adjustments report to Council on 21 November 2016, Council approved the Capital Investment Plan and authorized the Deputy City Manager to continue to identify capital funding sources, including allocations and efficiencies from existing capital budgets and to transfer funds to the Budget Savings Account. The Deputy City Manager was directed to return to Council no later than Q2 2017 with recommendations for new, or currently unfunded investment projects.

BACKGROUND

Infrastructure Calgary is a corporate program created to align and optimize capital investments and strengthen investment decision making and the processes involved in capital planning management.

In response to Council direction, Infrastructure Calgary established a Director led sub-committee of the Steering Committee to lead the identification, evaluation and selection of potential projects. The sub-committee looked at funding sources identified through a corporate capacity review to determine the best alignment based on funding restrictions and guidelines.

Projects were assessed according to four key filters determined by the sub-committee: Strategic Alignment, Project Readiness, Project Financials and Project Value and Benefit. After application of these filters, a peer review process looked at a project's ability to provide short term economic stimulus, add resilience in the community, including flood protection, maintain and preserve The City's existing infrastructure and community assets through lifecycle funding, build a great community through legacy investments, and leverage public and private investment.

As a result of this work, Infrastructure Calgary recommended twenty-one programs/projects, including Corporate Lifecycle Maintenance, to Council and received approval in principle.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

The Corporate Lifecycle Maintenance implementation plan relates to administration and community facilities, including affordable housing, heritage buildings and public-facing facilities that enable a variety of parks, and recreation programs and essential fire services. These investments will contribute to citizen health, safety, and quality of life, while realizing economic and environmental benefits for Calgary.

A notable portion of City building systems (e.g. electrical and mechanical components) and envelopes (e.g. roofs) are beyond their useful life. The poor physical condition of these facilities

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poses significant risk to The Corporation due to age-related deterioration coupled with a widening funding gap. This can involve risks to legislative compliance, negative service delivery impacts to citizens, the possible future closure of citizen's homes, and occupant health and safety. Therefore, the additional budget request through the Corporate Lifecycle Maintenance program will mitigate some of these risks (Attachment 1).

In order to develop the list of proposed lifecycle and maintenance projects, Administration reviewed and evaluated unfunded projects along with emerging opportunities. These projects are substantially shovel-ready, contributing to The Corporation's efforts to stimulate the economy.

Stakeholder Engagement, Research and Communication

The Corporate Lifecycle Maintenance working team and Infrastructure Calgary Director Subcommittee consulted with representatives of affected business units on the potential projects, evaluation methodology and process.

Strategic Alignment

Prudent and timely capital investments in lifecycle and maintenance align to and support Council Priorities for 2015-2018, including a well-run City, as well as the geographic, targeted and community themes in the Council approved Capital Investment Plan. There is also strong alignment with Calgary Economic Development's 10-Year Economic Strategy for Calgary: Building on our Energy, and the recommendations are also in alignment with The City's seven key result areas in the Economic Resilience Strategy.

Social, Environmental, Economic (External)

Each investment project offers unique social, environmental and economic benefits. The collective impact of the proposed investment is enhanced resilience, a range of economic benefits including regional employment creation, gross domestic product, regional gross input, regional income, and more efficient cost management for The Corporation. The proposed investments support program and service delivery and maintain community infrastructure.

Investments in The City's building assets ensure continuity of City operations and safer and more sustainable space for occupants and visitors to administrative and community facilities, and safer housing for existing and future tenants of City-owned affordable housing properties. They would also contribute to the intentional and responsible management of current and future maintenance costs. Timely and efficient capital investments tend to arrest the rapid deterioration rate of existing building conditions, which in turn help to avoid increasing costs to maintain assets in poor condition. Investments in The City's building portfolio will also result in increased environmental efficiencies including reduced GHG emissions.

Financial Capacity

Current and Future Operating Budget:

There are minimal operating budget impacts for these projects. Any impacts associated with the capital project will be absorbed within the existing operating budget.

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Current and Future Capital Budget:

A capital budget increase, as outlined in Attachment 2, is requested for Corporate Lifecycle Maintenance. This budget request is to be funded by corporate capacity identified by Infrastructure Calgary. The requested amount is consistent with the information provided by Infrastructure Calgary as part of report C2017-0214, which was approved by Council, in principle, on 2017 March 6.

Risk Assessment

From an Integrated Risk Management perspective, one identified risk is internal capacity to deliver the proposed projects. To mitigate this risk, Infrastructure Calgary considered internal resourcing and worked with the business units, both delivery and enabling, to assess their ability to contribute successfully to the execution of these projects. The ability to deliver the identified projects in the current budget cycle with no additional net impact on the operating budget (i.e. human resources) was also considered as a rating criterion in the course of the assessment process. No significant resourcing concerns were identified.

If the funding capacity within the existing capital budgets is not applied to the recommended projects it may delay the advancement of capital investment and associated benefits.

REASON(S) FOR RECOMMENDATION(S):

The Corporate Lifecycle Maintenance program recommendations have been identified based on their ability to accelerate capital investment, provide short-term economic stimulus, enable more efficient management of maintenance costs, add resilience in the community, and maintain and preserve The City's existing infrastructure and assets through timely and appropriate lifecycle investments.

The recommended projects offer a means to invest in the community by using existing capital budgets, with no new debt financing. Without capital funding to arrest the accelerating trend of deterioration in existing facilities and homes, building conditions will decline at a faster rate, resulting in higher operating and maintenance costs to The City in the future. Capital investments for the remainder of the budget cycle for this program will help to avoid ongoing failures of systems and building envelopes that increase The City's operating pressure.

ATTACHMENT(S)

1. Infrastructure Calgary Implementation Plan - Corporate Lifecycle Maintenance
2. Financing Strategies - Infrastructure Calgary Implementation Plan - Corporate Lifecycle Maintenance (Confidential)