

INFRASTRUCTURE CALGARY: Q1 2017 STATUS UPDATE

EXECUTIVE SUMMARY

In response to Council direction during Mid-Cycle Adjustments in November 2016, Administration is recommending, in principle, program and project level infrastructure investments to support The City's continued efforts to enhance capital investment. The recommended projects are new, or currently unfunded with proposed funding coming from corporate reserves, off-site levy funds, unallocated and relinquished capital funds and grant funding. The projects identified are strategically aligned with Council Priorities and the Council approved Capital Investment Plan (Attachment 2), and support Calgary Economic Development's 10 year Economic Strategy. The recommended projects 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.

If approved, implementation plans for each project will be brought to the Priorities and Finance Committee or appropriate Standing Policy Committee for consideration and approval. Some of the implementation plans require further information and decisions from the Federal and Provincial government and will be brought forward after their respective budget announcements.

ADMINISTRATION RECOMMENDATION(S)

That Council:

1. Approve, in principle, the recommendations in Attachment 3.
2. Direct Administration to return with implementation plans for the recommended programs/projects in Attachment 3, to the Priorities and Finance Committee or a Standing Policy Committee, as soon as possible.
3. Direct Administration to release individual project implementation plans once approved by Council.
4. Request that Attachments 3, 4 and 5 remain confidential pursuant to Sections 23(1)(b), 24(1)(a) and 24(1)(g) of the Freedom of Information and Protection of Privacy Act until all implementation plans are approved.

PREVIOUS COUNCIL DIRECTION / POLICY

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. This work is done in collaboration with internal and external stakeholders.

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Infrastructure Calgary has been working to address the needs of Calgarians by increasing the velocity of value added capital investment through its Capital Infrastructure Investment Strategy (Attachment 1). In 2016 there was intentional corporate focus to increase the capital investment from the annual average of \$1.2 billion (2010 - 2015) by more than 25%. Efforts continue to enhance and accelerate the capital investment in 2017 and future years. In addition to this, Council adopted a Capital Investment Plan intended to provide short and long term value for Calgarians through targeted, strategic investment. This is to be accomplished through a collaborative effort with other levels of government, the private sector and public institutions to align and optimize capital investments that will create jobs, build and maintain needed infrastructure and attract and retain people, business and investment in Calgary.

The work of Infrastructure Calgary is informed by ongoing research The City conducts about the needs and changing priorities of Calgarians, gauging their perceptions on quality of life, the economy and infrastructure investments. Findings indicate that Calgarians perceptions about quality of life and the economy have weakened. A majority of Calgarians believe that The City has an impact on their quality of life and an obligation to support the local economy. There continues to be support for The City to prioritize infrastructure investment as a way to improve quality of life and agreement that now is a good time to invest in new projects (*Economy, Quality of Life and Infrastructure Survey Report, August 2016*).

INVESTIGATION: ALTERNATIVES AND ANALYSIS

Investment Projects Recommendation Process

Infrastructure Calgary established a Director led sub-committee of the Steering Committee to lead the identification, evaluation and selection of the recommended projects and their funding allocation using the capacity identified. The Administrative Leadership Team was consulted on, and approved, the process and projects. The methodology used is outlined below.

Corporate Capacity for Capital

To identify funding for additional capital investment, Infrastructure Calgary completed a comprehensive capacity review that looked at potential funding sources including reserves, off-site levy funds, unallocated, relinquished capital funds, efficiencies and grant funding.

New or Currently Unfunded Project Identification

To identify the projects for consideration, the Infrastructure Calgary sub-committee reviewed departmental unfunded priority lists, The City's "Building our Community" infrastructure proposal provided to the Government of Canada and the Government of Alberta, emerging needs from departments, and solicited project priorities from the Administrative Leadership Team and Infrastructure Calgary Steering Committee.

Project Assessment and Selection

Projects were assessed according to four key filters determined by the sub-committee:

1. *Strategic Alignment* – to Council Priorities and the geographic, targeted and theme areas identified in the Capital Investment Plan. Most of the recommended projects have multiple alignments.

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2. *Project Readiness* – an assessment of whether a project is ready for investment. This assessment considered the status of design/approvals, asset ownership, land ownership and/or stewardship, environmental permits, leading infrastructure, level of engagement, resource capacity and/or an alternate delivery option.
3. *Project Financials* – considered project cash flows, potential for external funding (e.g. grants, private contributions), and operating impacts (cost avoidance, reduction or additional cost).
4. *Project Value and Benefit* – assessment of economic, social and environmental indicators where available and applicable to determine the overall value, benefit and return the project provides to Calgarians.

Peer Review

Administration worked together to complete the project assessments. Projects that met the intention of the filters advanced for consideration to the sub-committee peer review process. The peer review took into consideration several factors, including 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.

Funding Alignment

After the filtering process identified a more refined list of projects for consideration, the Infrastructure Calgary sub-committee looked at funding sources identified through the corporate capacity review to determine the best alignment based on funding restrictions and guidelines. The eligibility of off-site levy funds was also reviewed and to the greatest extent possible, these funds are included in the funding allocation recommendations for projects.

The investments recommended in Attachment 3 leverage and maximize existing or confirmed funding, are in many cases shovel ready, and provide economic, social and environmental benefits to Calgarians. Some of the projects are also legacy, city shaping projects that likely would not receive funding or be completed otherwise. The recommended projects are a combination of community and city-wide level investments and a mix of short, medium and long term projects. If approved in principle, implementation plans for each project will be brought to the Priorities and Finance Committee or an appropriate Standing Policy Committee for consideration.

Stakeholder Engagement, Research and Communication

Building on the stakeholder engagement and collaboration done to shape the Capital Investment Plan, Infrastructure Calgary consulted with the Director's Integrated Growth Committee, members of the Administrative Leadership Team, Infrastructure Calgary Steering Committee, Network members, enabling service providers (Law, Supply, Finance, Real Estate) on the potential projects, evaluation methodology and process. The approach and projects were shared with Calgary Economic Development.

Strategic Alignment

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Recommended capacity projects align with Council Priorities for 2015-2018 and 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* which speaks to a collaborative effort between business, government and community partners to position Calgary as the location of choice for business and investment, foster trade and develop Calgary's workforce. 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 and flood protection, a range of economic benefits including regional employment creation, gross domestic product, regional gross input, and regional income. The proposed community investments support program and service delivery and maintain community infrastructure.

Financial Capacity

Current and Future Operating Budget:

There are no net operating budget impacts identified in this report. One of the criteria in the selection of projects was minimal operating budget impacts. Any impacts associated with the proposed capital projects will be absorbed within the existing operating budgets.

Current and Future Capital Budget:

The corporate capacity review identified business unit budget savings and other corporate funding capacity. New capital budgets for the programs and projects that use this capacity will be requested with the implementation plans. In the future, a new corporate approach to capital investment prioritization will be used, and will help to identify capacity when opportunities arise with other levels of government to match grant funding for new infrastructure programs and projects.

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 successfully contribute to execution of these projects. No significant resourcing concerns were identified.

A potential risk of reallocating funds for the recommended projects is that it draws funding away from other potential projects. This risk is mitigated by the selection of projects that bring economic, social and environmental value to The Corporation and the city. Projects that are not being recommended for funding right now can still be considered for funding as part of the next Action Plan cycle.

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):

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The proposed capital infrastructure projects are recommended based on their ability to accelerate capital investment, 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. Many of the projects are shovel ready, and bring economic, social and environmental benefits to the city.

The recommended projects are a way to invest in the community by using existing capital budgets, off-site levy and grant funding, with no new debt financing. Some of the projects are also legacy, city shaping projects that likely would not receive funding or be completed otherwise. The recommended projects are a combination of community and city-wide level investments and represent a range of short to long term investments.

ATTACHMENT(S)

1. Capital Infrastructure Investment Strategy
2. Capital Investment Plan
3. Confidential
4. Confidential
5. Confidential