

THE CITY OF CALGARY 2013 INFRASTRUCTURE STATUS REPORT

EXECUTIVE SUMMARY

The Infrastructure Status Report is produced every three years, with the goal of providing Council with the information they need to be able to make informed infrastructure investment decisions. It serves as a snapshot in time, providing information on infrastructure condition, as it relates to delivering appropriate levels of service to the citizens of Calgary.

The Infrastructure Status Report provides a high-level analysis of The City of Calgary's five major asset portfolios: machinery and equipment, engineered structures, land improvements, buildings and vehicles.

The 2013 Infrastructure Status Report does not include the approximately \$13 billion in Transit projects from RouteAhead which have not been approved by Council as well as those beyond the next ten years. In addition, this report does not include the financial impact of the 2013 flood.

ADMINISTRATION RECOMMENDATION(S)

That the Land and Asset Strategy Committee recommend that Council receive the 2013 Infrastructure Status Report for information.

RECOMMENDATION OF THE LAND AND ASSET STRATEGY COMMITTEE, DATED 2014 APRIL 24:

That the Administration Recommendation contained in Report LAS2014-12 be approved.

PREVIOUS COUNCIL DIRECTION / POLICY

The Infrastructure Status Report was established in 2004 and is subsequently prepared every three years.

The 2010 Infrastructure Status Report was presented to the Land and Asset Strategy Committee in 2011 June.

BACKGROUND

The Infrastructure Status Report has been prepared every three years in alignment with the business planning and budgeting process and in support of Council's Fiscal Plan for Calgary and Calgary's Municipal Development Plan. The 2013 Infrastructure Status Report is the fourth iteration of the document since the initial publication in 2004.

Following the initial Infrastructure Status Report, The City of Calgary developed Calgary's Asset Management Strategy in 2005 to ensure a corporate-wide approach to asset management. Of the 11 identified essential elements of an effective asset management system, the four elements listed below guide the development of the Infrastructure Status Report:

1. An accurate and consistent inventory for all municipal infrastructure,
2. Continual infrastructure status reporting to enable asset stewards to develop infrastructure investment priorities,

Approval(s): Stevens, Brad concurs with this report. Author: Ballard, Chris
City Clerk's: D. Williams

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3. Alignment between service and infrastructure decisions with future urban form goals, and
4. Benchmarking to measure infrastructure performance.

As a result, the Infrastructure Status Report provides answers to five key questions:

1. What do we own?
2. What is it worth?
3. What condition is it in?
4. What is its remaining service life?
5. What is the infrastructure funding gap?

The Infrastructure Status Report provides The City of Calgary with a reference point to benchmark infrastructure needs. The report identifies investment shortfalls and provides future direction for managing corporate assets.

The current replacement value and age data for the 2013 Infrastructure Status Report (Attachment) represents pre-flood data, reflective of The City's portfolio of assets as of 2013 January 1.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

The 2013 Infrastructure Status Report includes the following key findings:

- Since the last Infrastructure Status Report (2010), The City's infrastructure assets have increased in value, from \$55.14 billion to \$60.48 billion. The primary reasons for this increase in inventory replacement value are: additional inventory, cost escalation and inflationary market conditions and more sophisticated valuation techniques,
- Over the next 10 years, The City of Calgary will require an additional investment of \$7.04 billion to fund infrastructure maintenance, growth and operating requirements. This \$7.04 billion represents the infrastructure funding gap,
- Over the next 10 years, current financing sources are not sufficient to fund medium-term projected capital maintenance programs which are required to support sustainable service delivery to Calgarians – representing a capital maintenance gap of \$1.7 billion. The capital maintenance gap has dropped by more than \$1.5 billion since the 2010 Infrastructure Status Report was published, indicating that additional commitments have been made to maintaining The City's assets, in combination with business units better managing levels of service and risk,
- More than 95% of The City's infrastructure assets are in good or very good physical condition and functional condition. Approximately 1.35% of The City's assets are in poor physical condition, and
- Over the next 10 years, current financing sources are not sufficient to fund projected population or service growth requirements, revealing a gap of \$3.23 billion. This \$3.23 billion represents the capital growth gap.

The City of Calgary also reports the value of its infrastructure assets in its annual financial statements. These statements report depreciated asset values based on original purchase

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costs depreciated over that asset's useful life. Annual financial statements are produced in accordance with the Public Sector Accounting Board's, PS3150 Tangible Capital Asset reporting requirements. These depreciated asset values differ from current replacement values as reported in the Infrastructure Status Report.

While original purchase cost can form a basis for defining associated asset values through applying escalation rates, it is often criticized as not being representative of "true" value of infrastructure assets. Conversely, current replacement value or perceived market value is often difficult to verify and will vary depending on market conditions and inflation. As a result, The City reports both values to Council and stakeholders for a balanced perspective.

Stakeholder Engagement, Research and Communication

The 2013 Infrastructure Status Report is a consolidation of corporate-wide asset data. All City of Calgary asset managing business units have been involved in providing and confirming asset data as well as reviewing and approving the report.

Strategic Alignment

The 2013 Infrastructure Status Report aligns with The Corporation's Asset Management Strategy (2005) and Policy – ALT2010-056 (GN-001(A)) and the categories of an asset management system: Plan, Do, Check, Act. The 2013 Infrastructure Status Report supports the "Check" category of the Policy, specific to managing the performance of asset management.

Social, Environmental, Economic (External)

The City of Calgary defines assets to include all physical infrastructure that is necessary to support the social, economic and environmental services provided by The Corporation. To more efficiently and effectively utilize and maintain The City's assets, Council approved The City of Calgary's Asset Management Strategy and Corporate Asset Management Program in 2005 which effectively set the stage for The City to develop an asset management system. This system is intended to monitor and maintain The City's assets and is the foundation for infrastructure best practices. It also supports The City to provide effective municipal service while balancing smart growth and quality of life. The Infrastructure Status Report is a key component of this asset management system.

Financial Capacity

Current and Future Operating Budget:

The Infrastructure Status Report is presented to Council to provide perspective regarding the state of The City's infrastructure to support capital allocations and infrastructure decision making.

Current and Future Capital Budget:

The findings of this report will help guide business units in determining their future actions and objectives in terms of both asset management and business planning.

Risk Assessment

The two key risk areas are:

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1. The quality of analysis and decision making resulting from nonaligned or nonstandard data and reporting between various business units, and
2. The ability or speed of adoption of the asset management practice as a result of embedded corporate culture and/or resource availability.

Significant risks are associated with deteriorating or failing infrastructure. At a corporate level, the risk to The City includes, but is not limited to, the ability to provide appropriate level of service, alignment with sustainability objectives and financial viability. In accordance with The City's Integrated Risk Management Framework, the Infrastructure Status Report is one mechanism for monitoring and reporting on the status of The City's infrastructure health. Successful implementation of the asset management program and the continued use of the Infrastructure Status Report helps mitigate these risks.

REASON(S) FOR RECOMMENDATION(S):

The 2013 Infrastructure Status Report is a consolidation of asset data compiled by each of the asset managing business units, reporting at an asset class/portfolio level. The 2013 Infrastructure Status Report has been approved by the Administrative Leadership Team (ALT2014-0208).

ATTACHMENT

2013 Infrastructure Status Report