

Administrative and Operations Workplace Accommodation Update

EXECUTIVE SUMMARY

As The City continues to experience high population growth, meeting the business unit workplace infrastructure needs has two key challenges. New facilities are required for the additional vehicles, equipment and materials to efficiently service new areas, at the same time that arresting the increasing pace of site and building deterioration is critical to protecting existing asset investment, meeting legislative requirements and continued service delivery.

The investment required for existing sites and buildings and new sites is significantly more than the funding available or the current funding mechanisms can provide. Accordingly, Administration has identified, and is further analyzing, an array of funding and revenue options and strategies to support the required investment needs. In addition, Administration is recommending a city-wide facility portfolio plan to develop a long term strategy that links growth in service needs, with facility conditions and utilization, to determine where best to invest limited funds into the future. This plan will inform where we need buildings in the future, which existing buildings we need to keep and therefore invest in, and which buildings can continue to deteriorate and be disposed of. This will be supported by a number of actions indicated in the 2015–2018 Action Plan relating to optimization of operation's facilities, greater utilization of buildings through Tomorrows Workplace strategies, investment in building lifecycle and greater coordinated planning.

ADMINISTRATION RECOMMENDATION(S)

That the Land and Asset Strategy Committee recommend that Council direct Administration to

1. Continue to explore innovative and sustainable funding options and a funding strategy for city-wide corporate accommodation needs, including the Operation Workplace Centre program and building lifecycle needs, and report back on progress no later than Q3 2015;
2. Review and update Council's approved Corporate Workplace Framework to reflect changes in workplace strategies and report back to Council through Land & Asset Strategy Committee no later than 2015 Q2; and
3. Develop a long term city-wide facility plan for the Corporate Accommodation Building Portfolio; and report back to Council through Land & Asset Strategy Committee no later than 2015 Q4.

PREVIOUS COUNCIL DIRECTION / POLICY

On 2013 September 09, Council approved LAS2013-41, Corporate Accommodation Planning Update and directed Administration to report back through the Land and Asset Strategy Committee no later than Q1 2014 with:

1. Ten year funding requirement models for the Capital Lifecycle Maintenance Program supporting the Corporate Accommodation Buildings Portfolio;
2. Options for an ongoing, predictable, sustainable funding model for the Capital Lifecycle Maintenance Program supporting the Corporate Accommodation Buildings Portfolio; and
3. A corporate strategy for resilient and convenient locations to improve City business service delivery and reduce risk of interruptions to in-person business services to citizens. (This

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direction will be included and reported on work in the further development of the Corporate Customer Service Framework.)

BACKGROUND

The Corporate Accommodation Buildings Asset Portfolio consists of 56 of The Corporation's buildings that support the delivery of important services to citizens and customers by multiple business units (Attachment 1). The Portfolio has three million square feet housing approximately 4500 of the Corporation's 6000 administrative staff. The buildings are located on Operations Workplace Centres and on stand-alone sites such as the Municipal Complex and Ad Valorem building. Essential services operate from the Corporate Accommodation Buildings Portfolio including services such as: development and building permits, ice/snow removal and roads maintenance, Council's legislative operations, 311 and 911 operations, waste removal, and fleet maintenance. Other critical services include: transportation planning, park and pathways management and human resources.

The Corporate Accommodation Buildings Portfolio condition is monitored by industry standard facility condition index. The Portfolio has been tracking in the low range of fair condition and into poor condition and our facility conditions benchmark lower than many other government organizations. (Attachment 2, Appendix A presents facility conditions)

In managing the Portfolio with limited funding and increasing deterioration, Administration currently focuses funding allocations on 10 buildings which house tenants that deliver critical services internally to The City and externally to our citizens and pose the greatest risk to citizen service delivery if not maintained. They are buildings with Council offices and meeting spaces, a Traffic Control Centre, a backup centre for Corporate Security, a Recreation Call Centre, a Corporate Fleet Maintenance Hub, the 911 Operations Centre, the 311 Operations Centre, and the Human Resources Call Centre. Under this risk based approach to accommodation management, funding for buildings is prioritized based on functional/service delivery needs and impacts if the building is compromised.

The City's Operations Workplace Centre (OWC) Program includes 570 acres of land on seven active regional and five satellite sites, with 265 acres of future land required for four regional and satellite sites to address the city's growth areas (Attachment 3). These assets are critical to maintaining and servicing The City's essential infrastructure and to enabling service delivery to citizens of Calgary such as snow & ice control and snow storage, roads maintenance, detours signage, parks and pathways maintenance, garbage and recycling pickups, transit services, water main repairs, construction staging for deep utility works, City fleet maintenance and warehousing of materials & equipment. Attachment 3 presents a summary of services delivered by the business units such as Roads, Parks, Waste and Recycling Services, Supply and Fleet Services on OWC sites.

The first significant funding for OWCs was \$64M in 2009, mainly from the Municipal Sustainability Initiative. This funding will be fully expended by Q1 2016 and additional capital and operating budget is required to meet existing gap and future site, facility and business unit operational service needs. The Program has identified a ten year capital plan of \$125M in demand backlog and in the order of \$370M of needs to support 400,000 more population growth

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over ten years. (Attachment 3, Appendix D). A budget request of \$4.8M has been put forward for consideration in the 2015-2018 budget cycle to meet some of the most critical development needs on the OWC sites.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

There is no current dedicated funding program to address OWC site or building needs, or for existing building lifecycle requirements. New funding programs like the Municipal Sustainability Initiative program, preferably on a sustained basis, are greatly needed.

Based on the condition of the Corporate Accommodation Buildings Portfolio and requested capital investment of \$58M in the *Action Plan 2015-2018* business cycle, the overall Portfolio will decrease from “fair” back to “poor” condition as existed before the 2013 flood. By the end of 2018, approximately 60% of current replacement value of the portfolio will be in poor to critical condition, which is an increase of 30% since 2014. Administration has identified more refined investment scenarios to achieve various facility conditions (Attachment 2, Appendix C). In keeping with previous condition reporting, for 10 Key buildings to achieve a target of good, mitigate further deterioration, and support modest improvement of the portfolio, an investment in the order of \$25 to \$30 M/year would be required from 2015-2024.

Annual growth of 25,000 to 40,000 citizens per year will continue to pressure the OWC sites and facilities. Sustained growth will require funding of the backlog of site and facility needs and additional OWC capacity. If population growth is mostly accommodated in the built areas, the overall capital funds and ongoing operating costs for workplace infrastructure will be less. Growth in greenfield areas will trigger a new OWC (\$150M) including additional buildings and facilities to build and operate. Retrofitting existing sites will also cost in the order of \$150M investment, however the redevelopment will address lifecycle backlog at the same time and will not require additional annual operating costs.

Solutions to address growth and lifecycle needs:

Addressing the complex and challenging infrastructure needs for service delivery to citizens will require a multi-pronged and well planned strategy of funding and asset decisions. The following two key initiatives will be critical to provision of the necessary infrastructure to meet business unit service delivery needs.

1. Sustained and alternative funding:

A comprehensive, sustainable and predictable funding model is required to not only meet the urgent and critical needs of the operational business units but also be able to deliver more holistic projects on sites. The Provincial Municipal Sustainability Initiative Program was very effective as it provided sufficient capacity to plan and deliver connected projects to make significant improvements city-wide. Another similar program or sustained funding would enable similar effective and efficient results.

Administration has begun exploring a range of potential funding and revenue options with a goal to achieving a multi-faceted funding program to meet short and long term gaps. The goal is to develop a funding model that could supplement a regular revenue stream to

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address infrastructure needs on OWC sites in a timely and efficient manner. The following actions have been undertaken (Attachment 4):

- In Q4 2012 Directors of the operational business units came together to identify funding opportunities that could be explored further.
- In 2013 Strategic Capital and Operational Accommodation planners along with Finance leads researched these options for definitions, risks, benefits and applicability and developed ranking criteria.
- In 2014 the Directors ranked the options based on the ranking criteria and their suitability to administrative buildings or OWC operations and the corporate finance team was involved to further identify feasibility of the options within the current scenarios on debt, governance and implementation feasibility.

This exercise has not yet identified readily available or sufficient funding options that will address the funding gap and sustain a healthy OWC development program or meet accommodation building lifecycle needs. Further research work is recommended in 2015 on innovative and sustainable funding options for a comprehensive long-term investment strategy.

2. A long term, integrated city-wide facility plan

The development of a city-wide facility plan will direct investment to the right buildings and sites for long term sustainability of delivery with the most efficient use of funding. Currently, without a city-wide plan, all buildings are considered important to invest in. However, as some buildings will deteriorate into critical condition, it is not worth putting investment into them. And as new strategies such as Tomorrow's Workplace provide alternative and flexible approaches, a more city-wide view and access to buildings for multiple users and purposes is more effective. In its current scope, this facility plan's scope is non-citizen facing buildings. It would be most effective if this facility plan extended beyond the buildings stewarded by Corporate Properties & Buildings to include the broader scope of all City-owned buildings. This broader facility plan could also add consideration of any direction from Council resulting from the review of ward offices.

There will not be sufficient funding to meet all needs in the future, and needs will change. A city-wide portfolio plan will match strategies and the right assets to keep or add, and identify those that can be eventually disposed or demolished.

Stakeholder Engagement, Research and Communication

The ongoing work is led by Corporate Properties & Buildings with working and director groups comprised of Roads, Parks, Waste and Recycling Services, Water Resources/Water Services, Calgary Transit, Fleet Services, and Finance & Supply. Representatives and subject matter experts on strategic accommodation both administrative and operational also participated in the working groups.

Strategic Alignment

Providing the necessary site and facility infrastructure for service delivery, maintaining assets and protecting investments aligns with:

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- Council's Fiscal Plan priority area to "become a more effective and disciplined organization"
- the 2020 Sustainability Direction to provide funding sufficiency and to optimize corporate assets through infrastructure and risk management
- City of Calgary Asset Management Strategy, the Corporate Asset Management Program including; the State of Asset Management Report, the Infrastructure Status Report, the Corporate Asset Management Plan, and The City of Calgary Asset Management Policy.

Social, Environmental, Economic (External)

A comprehensive city-wide plan and facilities in good condition will provide the following value:

- Service delivery to citizens in a more efficient, timely and safe manner;
- Efficient approaches to projects that extend beyond business cycles without compromising deliverables or delivery of services to citizens; and
- Green solutions resulting in low carbon or carbon-neutral including Low Impact Development principles, renewable energy generation and urban/brown field developments.

Financial Capacity

Current and Future Operating Budget:

None with this report.

Current and Future Capital Budget:

None with this report.

Risk Assessment

The risk of inadequate funding and not applying the limited funding in a planned manner, with an understanding of what is most needed in the future, will result in lack of the necessary infrastructure to deliver services to citizens. Costs will be greater in the future, as buildings deteriorate at a faster rate once they are in poor condition. Safety and compliance issues will become more prevalent.

REASON(S) FOR RECOMMENDATION(S):

As the challenges to fund the needs of a growing city and demand for services changes and increases, the expectation of fully funding the site and facility infrastructure required, and addressing the backlog of lifecycle needs is not realistic. Other measures must be taken to address the challenge including exploring a variety of types of funding; new ways of more effectively providing facilities; and decisions on how to accommodate the services differently. These efforts will position The City to best support service delivery and cost effectiveness.

ATTACHMENT(S)

1. Map – Corporate Accommodation Buildings Portfolio
2. Corporate Accommodations Buildings Portfolio
3. Operation Workplace Centres
4. Buildings and OWC Funding Options & Analysis