

Deputy City Manager's Office Report to  
Priorities and Finance Committee  
2019 June 04

ISC: UNRESTRICTED  
PFC2019-0674

## **Maximizing Value from City Assets - Update**

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### **EXECUTIVE SUMMARY**

The City of Calgary has large and wide-ranging asset portfolios. In response to recent challenges, including insufficient funding for specific projects and the current downtown tax shift discussions among other challenges, Council requested that the asset portfolios be reviewed to maximize asset value. This report outlines the key components of a corresponding Asset Sale Review and provides a strategy to execute the review.

#### **ADMINISTRATION RECOMMENDATION:**

That the Priorities and Finance Committee recommends that Council approve the attached Asset Sale Review Strategy.

### **PREVIOUS COUNCIL DIRECTION / POLICY**

On 2019 January 28, Council reviewed the Consideration of Unfunded Long Term Projects (C2019-0135) and directed Administration to refine options to optimize funding, financing and schedules for four unfunded projects. These options were to consider a number of financial conditions, among them - maximizing value from The City's asset portfolio.

On 2019 April 01, Council reviewed the Downtown Tax Shift Response – Updated (C2019-0352) and adopted Recommendation 5 which directed Administration to continue its work on maximizing value from City assets, returning to Priorities and Finance Committee with an update on 2019 June 04.

### **BACKGROUND**

In January 2019, Council was presented with options to fund and finance the following four unfunded long-term projects: Foothills Fieldhouse, Events Centre, BMO Centre expansion, and Arts Commons. The challenges to funding all four projects at this time, were identified. Council requested that Administration refine the financial modelling to consider, but not be limited to, the following conditions:

- Maximize uncommitted cash reserves available for project funding and financing,
- Minimize financing costs,
- Prioritize the use of restricted funding sources where possible,
- Maximize partner funding contributions,
- Maximize the number of projects that can be completed,
- Minimize the overall credit rating impact,
- Refine scope to reduce project costs where possible,
- Sequence the projects to reduce overall costs, and
- Maximize value from our asset portfolio.

This final condition, that focuses on maximizing the value from The City asset portfolio, is the origin of the Asset Sale Review outlined in this report.

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### **INVESTIGATION: ALTERNATIVES AND ANALYSIS**

The purpose of the Asset Sale Review (“Review”) is to identify City assets that could be sold, in whole or in part, to produce greater value for Calgarians, and to determine if such measures are feasible.

The Review will be straightforward but thorough. First, a work team of subject matter experts will compile a list of candidate assets (i.e. “long-list”). Then, a Steering Committee of General Managers and Directors will apply agreed upon criteria to the long-list and identify feasible asset sales (i.e. “short-list”). Assets in the short-list will then undergo detailed investigations to determine potential opportunities and obstacles with any sale. The Steering Committee and the Administrative Leadership Team will then recommend potential asset sales to Council. Finally, Council will decide on which assets to sell, along with the timeframe and conditions for any sale.

The Asset Sale Review Strategy provided in Attachment 1 provides further details on the approach, a proposed governance structure, roles, deliverables and a schedule.

In addition to the Review, The City has other existing initiatives related to asset sales. Real Estate and Development Services has an ongoing land rationalization process that identifies parcels no longer required for business unit operations. These parcels constitute a surplus inventory that is leveraged for other City purposes or is sold for the highest return. Supply Management also oversees a surplus asset disposal program. Working with business units, items are declared surplus and then sold or disposed in the most appropriate manner to obtain the best overall value for The City. These established asset sale programs will continue during the Review.

### **Stakeholder Engagement, Research and Communication**

The Review is planned as an internal initiative to determine potential asset sales. The following departments have been identified as asset stewards and will have representatives on the work team and Steering Committee: Chief Financial Office, Community Services, Deputy City Manager’s Office, Transportation, and Utilities and Environmental Protection. A complete list of current asset classes by business unit, is included in Attachment 1.

Beyond City departments, several City partner organizations also steward City assets. These organizations have separate and varied governance structures and their inclusion in the Review requires further consideration by the Steering Committee.

### **Strategic Alignment**

The Asset Sale Review Strategy is consistent with the Council direction to maximize value from the City asset portfolio with respect to the Unfunded Long Term Projects and the Downtown Tax Shift discussions held earlier in 2019.

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### **Social, Environmental, Economic (External)**

The Review provides an opportunity to rationalize asset ownership. Assets ultimately sold to the market provide a new funding source that allows The City to achieve a wide range of social, environmental and economic goals.

### **Financial Capacity**

#### ***Current and Future Operating Budget:***

There are no implications on the operating budget as a result of this report. There may be operating budget savings should Council decide to sell City assets in the future.

#### ***Current and Future Capital Budget:***

There are no implications on the capital budget as a result of this report. There may be capital budget savings should Council decide to sell City assets in the future.

### **Risk Assessment**

No risks have been identified for this internal exploration. Risks will be identified in an upcoming report should asset sales be recommended to Council in the future.

### **REASON(S) FOR RECOMMENDATION(S):**

This report fulfills the commitment to provide Council with an interim update on the progress made on maximizing value from City assets.

### **ATTACHMENT(S)**

1. Attachment 1 – Asset Sale Review Strategy