Staff Report

To	**Committee of the Whole**
Service Area	Infrastructure, Development and Enterprise Services
Date	Monday, May 3, 2021
Subject	**City Operations Campus – Business Case and Staging Plan**

Recommendation

1. That in accordance with the City Operations Campus Business Case, as included in Attachment 1 of report City Operations Campus – Business Case and Staging Plan dated May 3, 2021, the municipal-owned site located at the northwest corner of Watson Parkway South and Stone Road East be approved as the site for the future City Operations Campus.
2. That in accordance with the multi-year Staging Plan, as included in Attachment 2 of report City Operations Campus – Business Case and Staging Plan dated May 3, 2021, staff proceed with site preparation and servicing of the City Operations Campus.
3. That staff proceed with the planning and design of the future facilities consistent with the City Operations Campus Business Case and Staging Plan and be directed to seek Council approval through the annual budget process.

Executive Summary

Purpose of Report

To provide a business case and staging plan for the City Operations Campus. The business case analysis considered various site and configuration alternatives and assessed financial cost, social benefit (i.e. organizational culture, performance, sustainability, accountability and well-being) and level of risk. The staging plan lists the key steps of this multi-staged project.

Key Findings

An in-depth business case has been developed and attached for consideration in Attachment 1 to this report. The business case assesses three future-ready alternatives regarding the following City facilities that are required to deliver critical community services:

- Operations' Fleet Services
- Operations' Public Works
- Guelph Transit
- Corporate Building Maintenance
- Solid Waste Collections
- Parks

The existing facilities are beyond capacity and are near or at end-of-life. Service levels will be further constrained as the city grows and existing health and safety risks exasperated if services remain in the current facilities and are to meet growing demand for services.

The optimal business case alternative is the Centralized City Operations Campus, which:

- is the most cost effective and provides the greatest social benefit and lowest risk exposure of the three alternatives;
- employs sustainable asset management plans and builds capacity to address increasing city demands by leveraging municipally owned land;
- avoids both service disruption and land acquisition;
- effectively mitigates health and safety risks and centralizes services to realize operational efficiencies;
- aligns with the Guelph Innovation District (GID) Secondary Plan and initiates responsible development in this naturally and culturally rich area;
- enables transit electrification by providing a new purpose-built facility that will significantly reduce GHG emissions, which supports Council direction for Guelph to be a Net Zero Carbon community by 2050; and,
- aligns with multiple pillars of Guelph's Strategic Plan and plays a critical role in advancing many strategic objectives.

The development of the City Operations Campus will be planned, designed and developed in a phased approach over the next 10 to 15 years. The staging plan can be found in Attachment 2.

Financial Implications

The capital cost of the recommended alternative is estimated to be between $186 and $228 million, the most cost effective alternative by at least $25 million. Funding will come from a mix of sources including property taxes, development charges, and grant revenues. The facilities have been included in sequential order and funded as part of the 10-year capital forecast, matching both pace of site development and availability of funding. The debt amounts forecast to be used as a cash flow tool for this capital plan are within the debt limitations of the province and the City's Debt Management Policy.

The opportunity to leverage the Investing in Canada Infrastructure Program (ICIP) funding for the transit component of the plan creates a significant financial benefit, reducing the overall tax funded capital requirement by $34 million and reducing the overall debt required. The ICIP grant currently has a deadline of October 31, 2027 for substantial completion of projects, which dictates the need to focus on the purpose-built transit facility first.

In recent years, the City has matured its infrastructure renewal and growth funding strategies to be prepared for the consideration of a project such as a centralized city operations campus. The City's Corporate Asset Management Plan has identified these facilities as priorities in the near to mid-term, as they are forecasted to all reach a poor condition within five years and critical within 10 to 20 years. The Infrastructure Renewal Strategy is building funding capacity to address these needs as part of the goal to reach sustainable infrastructure renewal funding by 2035. This centralized campus plan, at its core, focuses on the responsible care of aging City assets, and while doing so, accommodates growth requirements and creates

efficiencies between service areas that will save time and optimize costs in the long-run. This plan will not require new capital funding strategies; rather it utilizes the long-term strategies already in place.

Background

This report responds to staff direction from the October 21, 2019 Council meeting in relation to the preparation, presentation and delivery of a detailed business case and staging plan for a city operations campus.

Parks, Public Works, Fleet Services, Guelph Transit, Corporate Building Maintenance and Solid Waste Resources operate critical City services that require on-site presence and equipment operation. Areas of responsibility include fleet vehicle maintenance (ambulances, transit buses, public works vehicles, forestry equipment, and solid waste packers), snow ploughing and road maintenance, parks and trails maintenance, building maintenance and solid waste collections. Working hours for these divisions include two or three shifts per day, weekend work and emergency on-call. Although some COVID-19 initiated work-from-home policies and procedures may apply, many cannot be adopted fully by these divisions as facility space is required for the coordination of technicians and field staff and storage and maintenance of equipment.

These working conditions were taken into account as part of the City Operations Facilities Needs Assessment, completed in 2019, to determine the facility needs for the Parks, Operations, Fleet Services, Guelph Transit, Corporate Building Maintenance and Solid Waste Resources departments. The approach included interviewing key staff from each of the departments to define service area needs, discuss industry best practices and establish a right-sized functional space program.

Summaries of the existing conditions for each of the sites are as follows:

45 and 50 Municipal Street

These two locations host the Parks, Public Works and Fleet Services divisions. These facilities are in the range of 50 to 60 years old, which is considered the typical life span for this type of construction. Ongoing maintenance and major repairs are performed to keep the facilities functioning, however the facilities require replacement in the short- to medium-term.

The Fleet Services garage at 45 Municipal Street has not kept up with the pace of City growth and is inadequately sized to meet current service demand. It remains the same size as when originally constructed, yet the number of City vehicles has approximately doubled. The size of the facility restricts the ability to add more mechanics to accommodate service demand and work on dual axle vehicles, such as solid waste packers and winter control vehicles. This negatively impacts productivity.

The storage garage at 50 Municipal Street is too small to store Operations and Parks vehicles. As a result, these vehicles are stored outside. This exposes them to the elements which prematurely wears the equipment and lengthens preparation time for vehicle dispatch. The garage layout is not suitable for the large Public Works and Parks vehicles and increases the potential of health and safety incidents. The outdoor yard is also constrained. Management practices are employed to optimize the space, however there is no room to add future Parks vehicles or accommodate the required turning

radiuses for truck and trailer combinations. The wash bay and garage drainage systems are also inadequate and regularly flood the wash bay and garage floor.

Riverside Park

In addition to the 50 Municipal Street location, the Parks Department delivers services from the Riverside Park facility. At Riverside Park, there is an unheated garage for small equipment storage, two greenhouses and a two-storey repair shop/office building that is near end of life. The building is too small for current needs and presents numerous efficiency limitations and does not meet best practices in design.

170 Watson Road South

The existing transit facility is in good physical condition, however there are infrastructure constraints at the site that limit future growth. Bus movement and logistics are constrained due to the layout and size of the bus garage. Guelph Transit is working toward electrifying the bus fleet to meet Council's 100 per cent renewable energy and net zero carbon goals and was recently awarded ICIP grant funding for this initiative. Electric bus chargers required for the overall bus fleet cannot be installed at the existing transit facility without a significant overhaul of the electrical infrastructure and structural modifications. Given the space constraints, this overhaul is not considered a viable investment at this location.

186 Eastview Road

The Corporate Building Maintenance facility was constructed in 1991. The productivity of the Corporate Building Maintenance staff currently working at the 186 Eastview Road facility is directly affected by the design, size, and the layout of the yard. The office/shops/storage building is in fair condition but is too small for current needs and presents numerous efficiency limitations and storage capacity needs.

Solid Waste Collections Operations Facility

Before 2017, a 1,100 sq. m. (12,000 sq. ft.) solid waste packer covered storage structure was located at 45 Municipal Street. This covered storage structure was demolished due to insufficient structural capacity and a new storage structure has yet to be constructed. With solid waste packers stored outside and not covered, the vehicle assets and associated equipment are exposed to the elements, which causes premature wear, reduced asset life and increased need for maintenance.

Overall, the existing facilities are aging, at or near end-of-life, space constrained and do not meet industry standards. Further, when the right-sized functional space requirements were compared to the existing facilities, it was concluded that all the existing buildings and sites were significantly undersized to accommodate future growth. As such, significant modifications to the existing infrastructure and facility layouts, as well as additional land are required to create efficient functional work environments.

Several land options including existing facility sites, the Guelph Innovation District (GID) lands, the Hanlon Creek Business Park, the lands adjacent to the Waste Resource Innovation Centre, and the former IMICo site were considered. Based on

this detailed analysis, the City-owned land adjacent to the existing Waste Resource Innovation Centre site (located at the northwest corner of Watson Parkway South and Stone Road East), was determined as the optimal site to develop a centralized City Operations Campus to accommodate Operations and Fleet Services, Guelph Transit and Corporate Building Maintenance.

The existing 170 Watson Road South facility was determined to be suitable through repurposing for the Parks department.

Business Case and Alternatives Assessment

Given the state of the existing facilities, action is needed. Quantitative and qualitative evaluation criteria have been applied to the business case study with highlights summarized in the sections below (further details are included within the business case analysis in Attachment 1). The business case evaluated the following three future-ready alternatives.

Alternative	Description	Notes
Alternative 1: Rehabilitation and Expansion	Existing facilities are rehabilitated and renovated. Additional locations are developed and constructed for expansion purposes to meet functional space requirements.	Investments can be made to rehabilitate existing facilities. Land parcels are assumed to be available and can be acquired to meet functional space requirements and City growth. Temporary staff relocation will be required during rehabilitation of the existing facilities.
Alternative 2: New Decentralized Facilities	New locations are developed and constructed to meet functional space requirements. The facilities are situated in a decentralized arrangement. Following the relocation of operations to the new facilities, existing facilities are to no longer be used and sold.	Land parcels are assumed to be available and can be acquired to meet functional space requirements and City growth.
Alternative 3: Centralized City Operations Campus	New locations are developed and constructed to meet functional space requirements. The facilities are centralized at the Watson-Stone location. Following the relocation of operations to the new facilities, existing facilities are to no longer be used and sold.	Land at the Watson-Stone location is City-owned and meets functional space requirements and City growth.

Business Case Findings

The financial cost, social benefit and level of risk analysis are summarized below.

Alternative	Estimated Cost ($)	Risk Assessment Score (scale 7 to 140)	Social Benefit Score (scale 5 to 75)
Alternative 1: Rehabilitation and Expansion	$210 to $257 million	60	55
Alternative 2: New Decentralized Facilities	$219 to $268 million	41	65
Alternative 3: Centralized City Operations Campus	$186 to $228 million	30	69

Alternative 3, a Centralized City Operations Campus, is the most cost effective, provides the greatest social benefit and has the lowest risk exposure. This alternative employs sustainable asset management plans and builds capacity to address increasing city demands by leveraging municipal-owned land. Health and safety risks are mitigated, and service area groups are co-located to enhance operational efficiencies. The centralized campus model aligns with the GID Secondary Plan and initiates responsible development in this natural and cultural rich area. The centralized campus further enables transit electrification by providing a new location for a purpose-built facility and will significantly reduce GHG emissions, a critical driver for achieving Council's goals for 100 per cent renewable energy and net zero carbon by 2050.

Financial Cost Analysis

Facility functional space and site area requirements for each service area were considered for the analysis. The analysis included costs associated with facility rehabilitation, site decommissioning, land acquisition, site preparation, facility new construction, and temporary space rental. Financial costs are summarized in Appendix 5 of the Business Case Attachment 1 for the alternatives. Alternative 3 is the most cost-effective solution by at least $25 million.

Social Benefit and Level of Risk Analysis

The alternatives were scored against social benefit and risk categories. Social benefit categories included organizational culture, performance, sustainability, accountability and well-being.

A centralized operations campus will positively influence the City of Guelph's position as an employer of choice in our sector and strengthen the organization's ability to retain and attract high-performing employees and teams. This enhances the public service value chain whereby engaged staff deliver better public service.

Risk categories included service delivery, employees, public, physical environment, reputation, financial and regulatory. Refer to Appendix 6 and 7 of the Business Case in Attachment 1.

Efficiencies and Savings

Older facilities use more energy compared to new facilities. An energy benchmarking review was conducted on the 45 and 50 Municipal Street facilities. It determined that the energy use intensity, or energy consumption per unit of

conditioned space, of these existing facilities perform worse than the national median of similar properties[1]. By designing and constructing to meet or exceed current building standards, energy consumption, energy cost and related greenhouse gas (GHG) emissions can be reduced by at least 58%. Therefore, if new same-sized versions of the 45 and 50 Municipal Street facilities were constructed, the new facilities would save approximately $85,000 per year in energy costs and reduce GHG emissions by 251 tonnes of carbon dioxide equivalent (CO2e) per year. A further reduction would be achieved when designing to higher building performance standards (such as Zero Carbon Building, LEED). Refer to Appendix 8 in the Business Case Attachment 1 for more details in regards to building maintenance savings.

Centralizing facilities reduces capital investment costs, as seen when Alternative 3 (centralized model) is compared to Alternatives 1 and 2 (decentralized models). Less overall land is required for the sites as site efficiencies can be achieved, which reduces site preparation and servicing costs. New land acquisition is avoided as the proposed centralized model utilizes municipally owned land. Acquiring new land is dependent on availability of land and real estate market fluctuations.

The centralized model offers vehicle maintenance services on-site for the departments that require such service. This will reduce travel times between operating and maintenance yards and reduce vehicle downtime. Vehicle maintenance tooling costs are reduced by limiting equipment redundancy and optimizing maintenance equipment use.

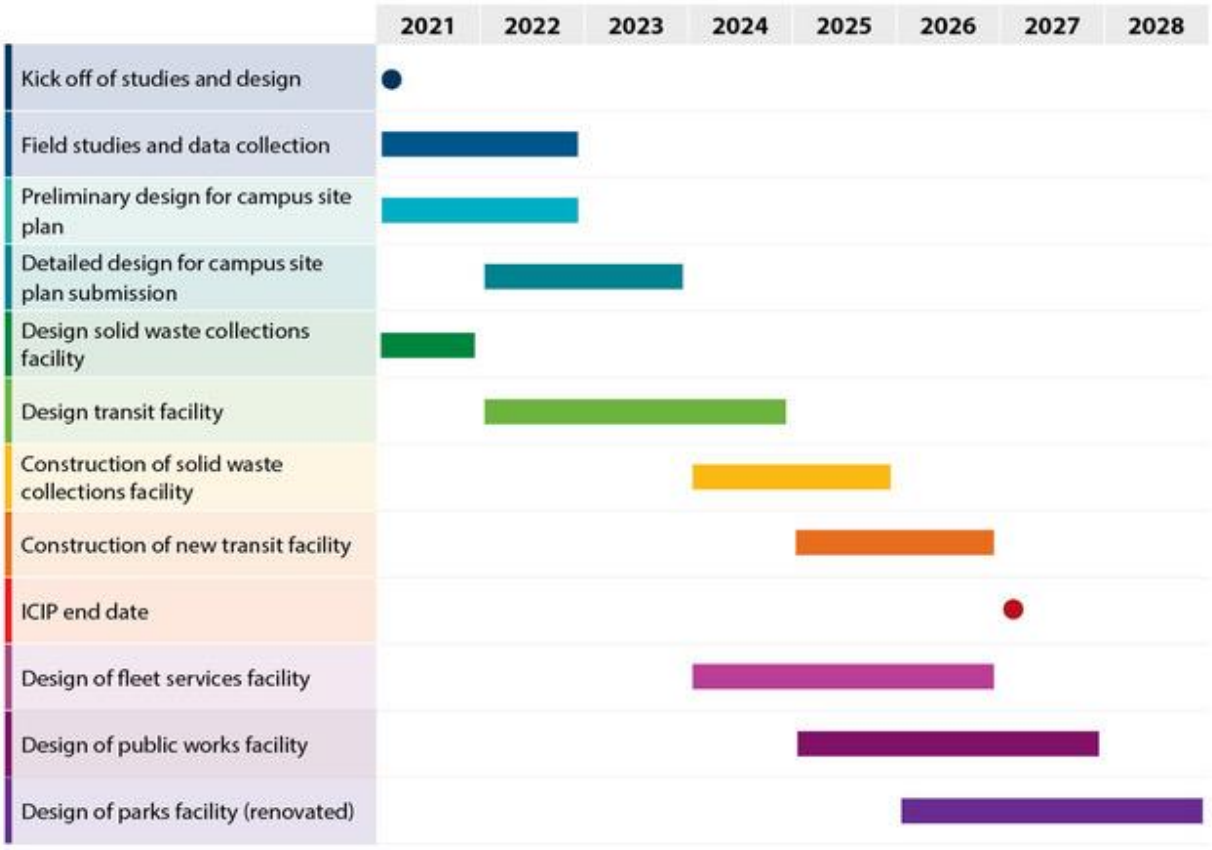
New purpose-built facilities result in operational and vehicle maintenance savings. With adequate covered storage, a significant reduction in maintenance costs required for the vehicle assets (valued at approximately $49 million) and associated equipment is anticipated. In addition, startup times of vehicles and equipment will be reduced. Optimal site layouts will streamline vehicle maintenance activities and enhance yard management and improve vehicle access. At this stage of the plan, a centralized campus is more efficient and cost effective than a decentralized alternative. Detailed design will fully inform and quantify operational savings.

Staging Plan

A preliminary staging plan has been prepared based on the information available to date. Short- to medium-term tasks are listed with greater certainty. Longer-term forecasts are estimated and will be revised as studies and design work progresses.

A summary of key tasks are listed below. Regular progress updates to Council will be provided through Tier 1 Project reporting and the development and site plan approval processes. Refer to Attachment 2 for the detailed staging plan.

[1] Energy Star Portfolio Manager Technical Reference Canadian Energy Use Intensity by Property Type



Planning and Design Update

The Watson-Stone location is approximately 74 acres in size with considerable elevation differences, cultural significance and environmentally sensitive areas. The Campus site is complex and requires in-depth environmental studies and engineering servicing design.

In 2020, a phase 1 environmental site assessment was completed. Environmental monitoring and sub-surface investigations are now underway. A full year of environmental investigations and data gathering is required to comply with site plan approval requirements. Analysis of the findings will be used to determine site constraints and inform the overall City Operations Campus site plan design. The campus site plan design will satisfy the City's Official Plan and Zoning By-law, including the applicable requirements from the GID Secondary Plan. The City Operations Campus site plan is for the overall campus and will not include facility level detail. Subsequently, individual site plans for each facility will be designed with each facility detailed design phase.

The design of the Solid Waste Collections Operations Facility is underway and the implementation phasing has been integrated in the overall staging plan. The location of the proposed facility is within the existing Solid Waste area, west of the Organic Waste Processing building and in close proximity to the other proposed operations campus buildings. The facility will include office and coordination space, employee amenities, enclosed high-bay area for minor maintenance on collections equipment, wash bays for trucks, heavy equipment and carts, and open-walled covered space for further vehicle storage.

Financial Implications

The staff recommended business case alternative is the most cost effective by approximately $25 million and will be implemented over a 10 to 15 year timeframe, which assists with the affordability of the long-term financial strategy. Leveraging the ICIP funding for the transit component of the plan creates a significant benefit by reducing the overall tax funding capital requirement by $34 million.

In recent years, the City has matured its infrastructure renewal and growth funding strategies to be prepared for the consideration of a project such as a centralized city operations campus. The City's Corporate Asset Management Plan has identified all of these facilities as priorities in the near to mid-term given their age. The Infrastructure Renewal Strategy has started to build funding capacity to address this need over the next ten years. This plan at its core is about taking care of our aging assets, and while doing so, accommodating city growth requirements and creating efficiency between our service areas that will save time and optimize costs in the long run. This plan is not expected to require new capital funding; rather to continue the long-term strategies already in place.

The capital cost of this plan is estimated to be $207 to $228 million and will be funded through a mix of revenue sources including property taxes, development charges, and grant revenues. The grant revenues currently include the ICIP transit stream of $34 million as well as an allocation of Federal Gas Tax, however given the long-term nature of this plan, staff will continue to advocate and apply for all grants available to reduce the direct municipal cost. Planned development charge funds are $56 million, however, the final total will be dependent on final facility design and size. The facilities have been included in sequenced order and funded as part of the 10-year capital forecast.

The operating costs of this plan over time will be funded through a variety of user fees (transit, solid waste), and property taxes. While the centralization of the services to one campus will drive cost effectiveness, the growth aspect of this project will mean operating costs will increase with each facility opening. The City has advanced a Growth Funding Strategy through budget presentations over the past two years, requiring property tax assessment growth to be directed to fund growth-related operating costs. Similar to the funding strategy being implemented for two significant facility projects in the City, staff will begin to incorporate long-term operating funding strategies to mitigate tax impacts in the year of a facility opening.

Debt has been forecasted to be used as a cash flow tool for this capital plan. Utilizing debt to spread capital cost over a longer period of time is an appropriate fiscal tool and is supported by the Council approved Debt Management Policy. The debt capacity being held for this project totals $126.3 million as included in the 2021 budget. The City's financing strategy is within the debt limitations set by the province and the City's Debt Management Policy.

Strategic Plan Alignment

The City Operations Campus directly aligns with the Strategic Plan and enables progress on a number of strategic initiatives, as follows:

Sustaining our future

- Mitigating climate change by reducing Guelph's carbon footprint through transit electrification and the development of new facilities that will meet or exceed up to date efficiency standards.
- Planning and designing an increasingly sustainable city through the development of infrastructure in the Guelph Innovation District that supports population and economic growth for future generations in Guelph.

Building our future

- Developing the new City Operations Campus responds to Guelph's growing and changing social, economic and environmental needs.
- Enabling the Fleet Services and Corporate Building Maintenance service areas to effectively maintain existing community assets.

Navigating our future

- Enabling Public Works and Parks operations to improve and maintain the safety, efficiency and connectivity of the whole transportation system.
- Electrifying transit to improve efficiency and reduce GHG emissions.

Working together for our future

- Improving health and safety conditions and functionality of Parks, Public Works, Fleet Services, Guelph Transit, Corporate Building Maintenance and Solid Waste Collection Resources workspaces to attract and develop accountable employees who work collaboratively and creatively to deliver services.
- Applying asset management practices for end-of-life facilities as part of a long-term financial and resource strategy that is achievable and affordable.

This report, including the business case and staging plan delivers on the CAO's 2021 Performance Objective 3.

Consultations

Staff within the following departments were consulted and provided information, review and insight:

- Economic Development and Tourism
- Engineering and Transportation Services
- Environmental Services
- Facilities and Energy Management
- Finance
- Guelph Transit
- Human Resources
- Legal, Realty and Court Services
- Operations
- Parks
- Planning and Building Services

Attachments

Attachment-1 Detailed Business Case Analysis

Attachment-2 Detailed Staging Plan

Attachment-3 Operations Campus Presentation

Departmental Approval

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