

February 18, 2014

## Capital Fund Audit

### Background

The City's Capital Fund held assets valued at approximately \$5.1 billion at December 31, 2012. The purpose of the Capital Fund is to maintain, replace, and upgrade assets for civic use, such as streets, bridges, parks, buildings and utilities.

Following a comprehensive review of the existing capital program in 2011, the City implemented a multi-phase and longer term approach to capital planning and budgeting. Since then, changes that have been made to improve capital program include:

- Introduction of a long term 10 year capital strategic outlook to plan and manage assets;
- Linkage of the existing medium term three year capital strategic outlook to the 10 year strategy plan, outlining budgets for specific capital programs; and
- Addition of two year spend forecasts to the existing short term one year budget for spend tracking.

Capital planning and reporting is now classified based on services provided to citizens, in addition to classifying capital programs based on departments. The 2012-2014 capital plan approved by Council outlines \$702 million investments in capital programs in the following categories:

- Community facilities: \$79 million
- Parks and open spaces: \$39 million
- Housing: \$60 million
- Public safety: \$13 million
- Transportation: \$154 million
- Utilities and public works: \$228 million
- Civic infrastructure: \$95 million
- Contingency and overhead: \$34 million

In addition, the City has begun reporting annually on departmental service metrics in efforts to increase transparency and accountability of spending. These are outlined in the annual capital and operating budget and include over 250 metrics across City departments.

### Scope

This review focused on the efficiency and effectiveness of the City's capital planning process. The following areas were reviewed:

- Governance and management oversight of capital planning;
- Accountability and transparency of capital spending;
- Accounting, budgeting and reporting processes; and
- Capital program performance metrics.

### Conclusion

The review found that the City has made significant changes to the capital planning process in recent years to improve financial rigour and accountability of capital spending.

The review team felt that management should continue to build on the current framework and provide items that would further enhance the reporting of capital program deliverables, including:

- Establishing enhanced progress reporting of program deliverables based on business plans;
- Assessing the impact of new emerging projects on the deliverables within the existing capital programs;
- Formally refreshing the existing capital budget policies to align with the 10 year framework; and
- Communicate the structured process for requesting additional capital funding to departments.

Management have reviewed the report and agreed to implement all of the review team's recommendations.