

# 2019-2028 Capital Investment Outlook - Growth Prioritization Criteria and Capital Planning Principles

## Recommendation

That the June 26, 2018, Financial and Corporate Services report CR\_5668rev, be received for information.

## Previous Council/Committee Action

At the April 27, 2018, City Council meeting the following motion was passed:

That the April 24, 2018, Financial and Corporate Services report CR\_5668 be referred back to Administration to include details on the growth prioritization criteria and capital planning principles for building the 4-year capital budget, and return to Council.

## Executive Summary

This report is intended to provide Council with an understanding of the capital planning principles and prioritization criteria for growth projects that Administration is using as some of the inputs in developing the proposed 2019-2022 capital budget that will be presented in the fall of 2018. These principles and criteria demonstrate that the approach to developing the budget is one that aligns to and supports achieving Council's goals.

## Report

On April 27, 2018, Administration presented the 2019-2028 Capital Investment Outlook (the Outlook) to City Council (refer to Financial and Corporate Services report CR\_5668). The Outlook is the first step in the development and presentation of the proposed 2019-2022 Capital Budget that will be released in October 2018.

The Capital Investment Outlook identified \$18.8 billion of potential infrastructure investment and \$15.0 billion of projected funding, resulting in a potential funding gap of \$3.8 billion over the 10 year period. With limited funding available, decisions related to debt levels, the level of investment in renewal of existing assets, and the prioritization

of new projects are required to allow for the best allocation of the City's limited financial resources.

Administration uses both capital planning principles and prioritization criteria to guide the work of developing the four year capital budget. These two elements are the foundation on which other considerations are added in order to deliver a proposed budget for Council to deliberate, amend and ultimately make the final decision on what is and is not approved.

### **Capital Planning Principles**

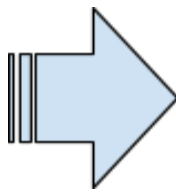
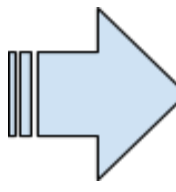
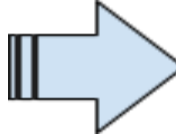
Capital planning principles have been used for the last number of budget cycles. The principles are as follows:

- Prioritize projects to achieve the best results for the City overall;
- Use cash (Pay As You Go and grant funding) for ongoing projects (e.g. rehabilitation and renewal);
- Use borrowing for new significant projects that are eligible according to the Debt Management Fiscal Policy (DMFP);
- Consider borrowing capacity;
- Identify the funding source for debt, if it proposed and if tax supported funded provide the projected increase to property taxes;
- Fund utilities through utility rates;
- Align capital projects to the City's 30-year vision, 10-year strategic goals and outcomes approved by Council;
- Optimize investment in municipal infrastructure to ensure all assets are in a safe condition that allows them to meet intended service levels;
- Allocate resources to achieve an appropriate balance between the renewal of existing infrastructure and the demand for new infrastructure growth; and
- Identify and account for all future operating, maintenance, and renewal costs associated with capital projects, and include those costs in future budgets as appropriate.

### **Administrative Prioritization Criteria - Growth Projects**

Although Council ultimately decides the extent to which investment is made in each growth project, Administration has developed and previously used a framework to help prioritize the capital recommendations to Council. To develop the proposed four year capital budget, Administration will assess all growth projects identified in the ten year Capital Investment Outlook and use prioritization criteria to evaluate and produce an initial ranking of the projects. The criteria uses a value management approach that is consistent with what was used in the development of the proposed 2015-2018 Capital Budget with a few enhancements.

The following table shows the criteria Administration will be using for the current capital budget cycle and how these criteria compare to what was used in the 2015-2018 capital budget cycle. In response to feedback received in the previous budget cycle, instead of having only **one** criterion evaluating how each project aligns to all of the strategic goals, **four** specific criteria will now be used that align with each of the Council goals as approved at the June 12, 2018 City Council meeting (Urban Form and Corporate Strategic Development report CR\_5321).

2015-2018 Criteria		2019-2022 Criteria
Strategic Alignment	<b>Strategic</b> 	Healthy City
		Urban Places
		Regional Prosperity
		Climate Resilience
Mandate	<b>Operational</b> 	Mandate
Geographic Impact		Geographic Impact
Change in Demand		Change in Demand
Level of Service		Level of Service
Capital or Operational Savings		Capital or Operational Savings
Corporate Operational Risk		Corporate Operational Risk
Project Readiness		Removed
Profile Growth & Renewal		

The criteria have been split between strategic and operational, with the first four identified above being grouped as the **Strategic Criteria** and the remaining six the **Operational Criteria**.

Attachment 1 provides a more detailed description of these criteria and the evaluation methodology used for each.

The initial ranking of potential new growth projects based on the prioritization scores in itself will not form the basis of Administration's recommendations to City Council for the

2019-2022 Capital Budget. Project ranking will be further assessed on the basis of transformational impact, the principle of connected, timing and synergies with other projects, relevance to current issues, available funding, and external factors. Over the next few months, Administration will be applying the prioritization criteria along with additional feedback collected through meetings with each member of City Council to further identify and assess potential new growth projects for consideration as part of the proposed 2019-2022 Capital Budget.

### **Corporate Outcomes and Performance Management**

<b>Corporate Outcome(s): The City of Edmonton has a resilient financial position</b>			
<b>Outcome(s)</b>	<b>Measure(s)</b>	<b>Result(s)</b>	<b>Target(s)</b>
The City of Edmonton has a resilient financial position.	City Asset Sustainability (actual expenditure on capital infrastructure divided by required expenditure)	0.94 (2017)	1.00 (2018)
<b>Corporate Outcome(s): The City of Edmonton has sustainable and accessible infrastructure.</b>			
<b>Outcome(s)</b>	<b>Measure(s)</b>	<b>Result(s)</b>	<b>Target(s)</b>
The City of Edmonton has sustainable and accessible infrastructure.	Edmontonians' Assessment: Access to Infrastructure, Amenities and Services that Improve Quality of Life (percent of survey respondents who agree/strongly agree)	68% (2017)	70% (2018)

### **Attachment**

1. Capital Budget Administrative Profile Prioritization Scoring Criteria 2019-2022

### **Others Reviewing this Report**

- K. Block, Acting Deputy City Manager, Citizen Services
- G. Cebryk, Deputy City Manager, City Operations
- R. G. Klassen, Deputy City Manager, Regional and Economic Development
- A. Laughlin, Deputy City Manager, Integrated Infrastructure Services
- L. McCarthy, Deputy City Manager, Urban Form and Corporate Strategic Development
- R. Smyth, Acting Deputy City Manager, Employee Services
- M. Sturgeon, Acting Deputy City Manager, Communications and Engagement