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**February 20, 2019****Background:**

Driven by historical annual capital spending rates that average 65%, capital planning and budgeting strategies over the last 3 budget cycles have focused on improving the delivery of capital projects by implementing stage gating for major capital projects; better aligning cash flow funding estimates with project timelines and activities; and improving capital project management strategies to enhance the City's capacity to deliver capital projects.

While some improvement has been made, annual capital spending rates continue to be, on average, below 70% as summarized in the table below:

	2014	2015	2016	2017	2018 Projection
Capital Spending Rate	62.8%	68.3%	60.2%	59.3%	67.9%

With unfunded capital needs to address the City's State of Good Repair (SOGR) backlog, service improvement and growth projects rising *and* the ratio of debt servicing costs to property tax revenue close to the City's 15% threshold over the 10 year period, it is necessary that the City maximizes its use of debt funding and increases its debt and non-debt funding capacity with strategies that will advance City capital priorities in a responsible way.

It is therefore recommended that City Council direct that the Chief Financial Officer and Treasurer undertake the following key capital strategies, namely:

1. That the City's 10-year Capital Budget and Plan's expenditure and funding sources be reassessed in time for the 2020 Budget process to ensure that the timing of capital project cash flow estimates and associated funding are aligned to actual project timelines, activities and capacity to deliver;
2. That efforts continue to update and improve the City's asset management policies, standards and practices and report back together with Council's consideration of the City's Asset Management policy for approval by July 2019, as required by Provincial legislation;
3. That a methodology be developed to integrate official, service and master planning with the capital planning and budgeting process and that criteria be established to support

the setting of SOGR, Service Improvement and Growth capital project priorities by City Council, to be phased in over the term of Council; and

4. That the following strategies to increase the City's funding capacity be developed for implementation, beginning with the 2020 Budget process:
  - a. Redirect a portion of the Municipal Land Transfer Tax revenue from funding ongoing service delivery to capital project funding;
  - b. Maximize the use of Development Charges funding for growth related capital projects;
  - c. Leverage City asset value and reinvest proceeds from the sale of City assets to fund capital priorities; and,
  - d. Partner with Provincial and Federal government and the private sector to maximize funding opportunities.

Sincerely,

Gary Crawford  
Councillor, Ward 20  
Scarborough Southwest