

## TRANSPORTATION PLANNING AUDIT – PROJECT PRIORITIZATION

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### EXECUTIVE SUMMARY

The City Auditor's Office issued the Transportation Planning Audit – Project Prioritization Report to Administration on July 8, 2015. The report includes Administration's response to four recommendations raised by the City Auditor's Office to provide greater transparency to support Council's understanding of the project prioritization process, enhance objectivity of the project prioritization process, ensure that funds are allocated to projects with the potential to provide greater return, and ensure full alignment with The City's strategic plans. Administration accepted all recommendations and will implement action plans from July 31, 2016 through to April 30, 2018, prior to the next update of Transportation's 10-year capital infrastructure plan, Investing in Mobility (IIM), in 2018.

### RECOMMENDATIONS:

1. That Audit Committee receive this report for information; and
2. That Audit Committee recommend that Council receive this report for information.

### RECOMMENDATION OF THE AUDIT COMMITTEE, DATED 2015 JULY 16:

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That the City Auditor Recommendations contained in Report AC2015-0561 be approved.

### PREVIOUS COUNCIL DIRECTION / POLICY

Bylaw 30M2004 (as amended) established the position of City Auditor and the powers, duties and functions of the position. Under the City Auditor's Office Charter, the City Auditor presents an annual risk-based audit plan to Audit Committee for approval. The City Auditor's Office 2015 Annual Audit Plan was approved on November 6, 2014.

The City Auditor is accountable to Council and subject to the oversight of Audit Committee under Bylaw 48M2012 (as amended).

### BACKGROUND

This audit was undertaken as part of the approved City Auditor's Office 2015 Annual Audit Plan. The objective of this audit was to evaluate processes related to the effective prioritization of Transportation capital projects during portfolio planning. We examined prioritization processes utilized in IIM 2015-2024.

### INVESTIGATION: ALTERNATIVES AND ANALYSIS

To achieve the long-term strategy set out in the Municipal Development Plan, The City has identified \$5.6B in transportation projects that need to be completed or initiated over the next decade. However, The City anticipates a \$2B funding gap for the period 2015-2024. Prioritization of projects assists The City in ensuring that available funding is directed to projects that can provide the most significant contribution to the long-term strategy. The Transportation department uses IIM to support Council's capital budget decisions by presenting a portfolio of prioritized projects.

## **TRANSPORTATION PLANNING AUDIT – PROJECT PRIORITIZATION**

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Elements of an effective prioritization process have been implemented by Transportation Planning. A balanced scorecard approach is used to align prioritization criteria to The City's long-term strategy. With two exceptions, the criteria align to long-term plans. Controls are in place to provide reasonable assurance over the integrity of the data used to support the prioritization criteria. Transportation Planning communicates the progress against long-term transportation plans to Council on a regular basis. We observed in reviewing the communication that funding shown in IIM was supported by anticipated cash flows.

A fully defined process of project prioritization is not in place. Transportation Planning has not established a portfolio management plan with formal procedures and guidelines describing how projects are to be evaluated and ranked in order to be included in the portfolio, how funding is to be allocated to projects, how to deal with exceptions to the process, and how to measure projects on a common basis within the same category. A portfolio management plan setting out how projects are to be evaluated, prioritized and allocated funding will provide additional objectivity and transparency to the project prioritization process.

Prioritization criteria in IIM focus on alignment of the Transportation portfolio to The City's long-term strategic goals and objectives, but no assessment is performed to capture the cost-benefit ratio or projected payback of projects. To ensure that funds are allocated to projects with the potential to provide greater return, Transportation Planning should include a cost-benefit analysis as part of the evaluation and prioritization process.

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

This audit was conducted with Transportation Planning's Transportation Strategy Manager acting as the principal audit contact within Administration. Additional support and cooperation was provided by Calgary Transit's Strategic Planning Manager and staff in both Transportation Planning and Calgary Transit.

### **Strategic Alignment**

Audit reports assist Council in its oversight of the City Manager's administration and accountability for stewardship over public funds and achievement on value for money in City operations.

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

N/A

### **Financial Capacity**

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

N/A

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

N/A

## **TRANSPORTATION PLANNING AUDIT – PROJECT PRIORITIZATION**

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### **Risk Assessment**

The activities of the City Auditor's office serve to promote accountability, mitigate risk, and support an effective governance structure.

The City's Action Plan 2015-2018 document contains a Capital Plan for the period 2015-2019<sup>1</sup> that totals \$7.6B. Transportation projects represent one-third of the total. Given the relevance of Transportation projects to The City's Capital Plan, we examined Transportation Planning's processes to prioritize projects based on alignment to long-term plans and value maximization, the integrity of the data used in the prioritization process, and communication with Council. We focused on the Mobility Hubs and Transit Corridors category of IIM 2015-2024 as it contains the greatest total dollar amount of funded and unfunded projects (\$2.2B), and two distinct prioritization criteria for project selection.

#### **REASON FOR RECOMMENDATIONS:**

Bylaw 48M2012 (as amended) states: "Audit Committee receives directly from the City Auditor any individual Audit Report and forwards these to Council for information."

### **ATTACHMENT**

AC2015-0561 Transportation Planning Audit - Project Prioritization

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<sup>1</sup> The 2015-2019 Capital Plan includes the 2015-2018 Capital Budget as well as the full budget of projects that are anticipated to commence in 2019.