

Budget Process – Ten-Year Capital Works Program component: Investment Planning

Background

The ten-year capital works program (PDI) groups together investment projects that the Ville de Montréal (the City) plans to carry out over the next ten years to maintain its infrastructure and encourage its economic development. This management and planning tool takes into account the needs of the population and the agreed upon service levels. It informs the population of the directions taken and the strategic choices made to determine the level of taxation and the service levels of the various municipal activity sectors.

The City owns assets with a replacement value estimated at approximately 66 billion dollars (\$66 billion). Over the next ten years, the City plans to invest \$19.5 billion, of which 70.3% will be allocated to protecting and maintaining its assets.

Given the City's limited financial capacity and the condition of its assets, several of which are nearing the end of their useful life, an asset management strategy is currently being developed. Its objective is to maintain the City's service offer and, as much as possible, to obtain an optimal return on these assets.

Purpose of the audit

To ensure that the City has strategies that enable it to plan its capital investments based on its long-term needs, financial resources and strategic vision.

Results

Aware of investment needs attributable to its aging infrastructure, the City has, for the past two years, been preparing an investment budget for a period of ten years, rather than three years, to ensure integrated strategic planning. The City has put in place several policies and directives regarding the development of the PDI. An annual internal report on knowledge of the assets has been produced since the establishment of the PDI.

However, some practices aimed at aligning long-term needs and financial resources with the City's strategic vision have not been implemented. Compliance with the investment planning and funding strategies in effect is sometimes lacking. The information disclosed in the budget document and financial accountability report is incomplete, making it difficult to assess the extent to which the PDI aligns with the City's needs and matches its long-term financial capacity, and whether achievements correspond to budget forecasts.

Main Findings

Identification of Needs to Ensure the Short-, Medium- and Long-Term Maintenance of Assets Based on Their Condition, Lifecycle, Service Levels and Operational Planning Tools

- The annual report of January 31, 2022, on knowledge of the condition of the City's assets revealed several failures on the part of the business units to meet the directive. The work to be done to enable the City to have a complete picture of the condition of its assets and then to define its asset management strategy is huge. Defining the stakeholders' roles and responsibilities and ensuring their buy-in to this work are essential.
- To eliminate all confusion regarding the scope of the pre-budget consultation, consideration should be given to improving the consultation document by clarifying it, thereby ensuring that its objective is to survey the citizens' level of satisfaction with the City's infrastructure.
- There is no corporate portfolio identifying all the programs and investment projects.
- The technology tools used to develop the PDI and project files, as well as the investment funding forecasts, are outdated and not adapted to the City's needs, increasing the risk of errors.

Existence of a Long-Term Funding Plan

- Balancing the budget is only done for the coming year despite the fact that there is a requirement under the *Balanced Budget Policy* to predict the short- and medium-term impact of each project on the operating budget (OB).
- The impact of the PDI on the OB is not considered for all projects and programs within the financial framework.

Investment Funding Strategies

- Some measures provided for under the *Debt Management Policy* have not been applied.
- For the period 2015–2020, both investments and cash payments were lower than those planned in the Programme montréalais d'immobilisations: perspectives 2015-2024 (PMI), while borrowing was higher.

Allocation of Budget Envelopes Between the Business Units

- There is no consistent, structured multi-criteria analysis for the prioritization of all the City's investments.

Accountability

- Other than the notion of lowering the debt ratio below the 100% mark in 2027, there are no specific objectives or indicators establishing a link between the City's directions and asset management in the budget document.
- The annual financial accountability report does not present comparative data between what was planned in the PDI and what actually occurred, especially regarding investments, cash payments, the debt ratio and government subsidies for capital works.

In conjunction with these results, we formulated various recommendations to the business units, which are presented on the following pages.