



# CAPITAL IMPROVEMENT PLAN POLICY

## 1. Preamble

- 1.1. A **Capital Improvement Plan (CIP)** is a blueprint for planning the municipality's capital expenditures. It coordinates the planning fiscal capacity and physical development and will be used as a management tool for the budget and planning process.
- 1.2. The CIP represents the Municipal Council's best judgement at that time; however, future needs, financial constraints and grant opportunities may result in programmatic changes over the life of the plan.

## 2. Legal

- 2.1. Municipal Government Act Section 87
- 2.2. Federal Gas Tax Agreement

## 3. Purpose

- 3.1. To provide a clear defined process for considering capital projects.
- 3.2. The basic function of a CIP is to provide a formal mechanism for decision making, a link to long range plans, a financial management tool and a reporting document.
- 3.3. To facilitate coordination between capital needs and the Municipality's operating budgets.
- 3.4. To identify the most economical means of financing capital projects, including identifying other sources of funding from federal or provincial programs.
- 3.5. Relates municipal infrastructure to other public and private development and redevelopment policies and plans.
- 3.6. Focuses the attention on community objectives and fiscal capacity.

- 3.7. Informs the public about future needs and projects.
- 3.8. Coordinates the activities of neighboring and overlapping units of local government to reduce duplication.
- 3.9. Encourages careful project planning and design to avoid costly mistakes and help a community reach desired goals.

#### **4. Capital Improvement Plan**

- 4.1. The Municipality will make all capital improvements in accordance with an adopted capital improvement plan (CIP).
- 4.2. The Municipality will develop a five year plan for capital improvements and update it annually.
- 4.3. The Municipality will enact an annual capital budget based on the multi-year capital improvement plan.
- 4.4. The Municipality will coordinate development of the capital improvement budget with development of the operating budget.
  - 4.4.1. Future operating costs associated with new capital improvement will be projected and included in operating budget forecasts.
- 4.5. The Municipality will use intergovernmental assistance to finance only those capital improvements that are consistent with the capital improvement plan and priorities, and the operating and maintenance costs have been included in operating budget forecasts.
- 4.6. The Municipality will maintain all its assets at a level adequate to protect the Municipality's capital investment and to minimize future maintenance and replacement costs.
- 4.7. The Municipality, as part of its capital planning process, will project its equipment replacement and maintenance needs for the next several years and will update this projection each year.
  - 4.7.1. From this projection, a maintenance and replacement schedule will be developed and followed.
- 4.8. The Municipality will identify the estimated costs and potential funding sources for each capital project proposal before it is submitted for approval.
- 4.9. The Municipality will determine the least costly financing method for all new projects.

## 5. Capital Projects

- 5.1. Capital Projects and improvements are major non-recurring assets and projects including:
  - 5.1.1. Replacements and improvements greater than or equal to \$25,000;
  - 5.1.2. Equipment and construction projects greater than or equal to \$25,000 and a useful life of at least five years.
  - 5.1.3. Any project that proposes to use Federal Gas Tax Funds must be included in the CIP.
- 5.2. The Municipality is responsible to maintain existing assets, and the Municipality has a responsibility to maintain the level of service to the community and bring capital assets, facilities and infrastructure into compliance with local, provincial and federal laws.

## 6. Capital Improvement Plan Process

- 6.1. The Chief Administrative Officer in conjunction with Department Heads shall be responsible for coordinating the CIP process.
- 6.2. The Capital Improvement Plan has two distinct parts:
  - 6.2.1. The Capital Budget: Year 1 Projects
  - 6.2.2. The CIP: Year 2-5
- 6.3. Projects should generally be foreseen ahead of time (preferably 2 + years to allow time for planning long-term financing strategies or methods).
- 6.4. Departments shall close or update prior year capital projects and identify new capital or funding needs (Internal).
- 6.5. Identify and develop new capital projects based upon identification by Citizens, Council and administration priorities and regional issues (**External**).
  - 6.5.1. To be included in CIP deliberations for the subsequent fiscal year externally identified projects must be submitted in writing to the Chief Administrative Officer by November 30<sup>th</sup>.
  - 6.5.2. The submission shall provide a narrative with information to include specific information regarding the dimensions, characteristics,

quantities, any unusual conditions and any other useful information to explain the project.

6.5.3. If a councillor submits more than one project by the deadline, the councillor should identify the priority of the projects.

6.6. Upon submission of a project, the Chief Administrative Officer shall prepare a project evaluation report. The report should address or identify:

6.6.1. Fiscal Impacts: Total Capital Cost, Impact on operating budgets, Impact on tax rates and user fees and potential sources of senior levels of government.

6.6.2. Legal Mandate: is the project required to meet provincial or federal regulations

6.6.3. Health and Safety Impacts: Will the project improve the health and or safety of residents in a measurable way.

6.6.4. Environmental, Aesthetics and Social Impacts: Will the project reduce pollution levels, improve appearance of neighbourhoods or ensure community values are achieved.

6.6.5. Economic Development Impacts: Does the project promote the economic vitality of the community.

6.6.6. Project feasibility: Does the project demonstrate that it can be implemented without constraints. What is the timing or phasing that could be reasonably expected. Is there demonstrated public support for the project?

6.6.7. Distributional Effects: Who benefits from the proposed project?

6.6.8. Disruption: How much disruption or inconvenience is caused by the project?

6.6.9. Impact of Deferral: What are the implications of deferring the project?

6.6.10. Risk Assessment: What degree of risk or uncertainty is inherent in acquiring the asset (demand, obsolescence)

6.6.11. Inter-municipal Effects: does the project impact relationships with other municipal units, is there an opportunity for inter-municipal cooperation.

6.6.12. Relationship to other projects: are there advantages from this project accruing to other projects.

- 6.7. The report shall provide a recommendation that classifies the project as:
  - 6.7.1. Essential: High priority projects that are necessary for the municipality. These include projects that are required to complete a major public improvement; projects that address an emergency or remedy a condition dangerous to public health, welfare or safety, projects that would provide facilities for a critically needed community plan.
  - 6.7.2. Desirable: High priority projects that should be addressed as funding becomes available.
  - 6.7.3. Acceptable: Worthwhile projects to be considered if funding available. These are projects that are adequately planned, but not absolutely required and could be deferred to a subsequent year if budgets reductions are necessary.
  - 6.7.4. Deferrable: projects which are desirable but not essential and can be postponed without detriment to the provision of other services.
- 6.8. Prior to the considering its annual operating budget, the Financial Services Committee shall convene to review the Capital Projects Evaluation Report.
- 6.9. The Financial Services Committee will evaluate the CIP Evaluation Report and determine final decisions on projects to recommend to Council.
  - 6.9.1. The Financial Services Committee shall determine the priority of projects by ranking each project contained in the evaluation report.
  - 6.9.2. A project must receive at least an average 75 percent of the overall ranking to be included in the CIP.
- 6.10. The Financial Services Committee decisions shall provide the Chief Administrative Officer with direction to proceed with formulating the annual CIP and with inclusion of the first year CIP items within the recommended fiscal year budget.
  - 6.10.1. The Chief Administrative Officer may request that the Chair of the Financial Services Committee reconvene a meeting of the Committee to review proposed CIP prior to a recommendation to Council being finalized.
- 6.11. Approval of the CIP is not a commitment to finance approved projects, but is a statement of policy regarding the Municipality's approach to meeting its future capital needs.

- 6.12. The Municipal Council shall be way of resolution approve the Capital Budget and CIP. The capital budget approved by Council establishes the spending authority for a capital projects contained in year 1 of the document only.
- 6.13. In-year amendments / adjustments to the approved Capital Budget and Plan that defer, accelerate or change the scope of an approved capital project, or add a new capital project require Council approval.
  - 6.13.1. A separate report requesting approval to adjust the approved capital budget and / or capital plan must be submitted to Council. At a minimum, the report must include details of projects being added, accelerated, requiring increased funding along with details of projects being decelerated as well as the associated change in total project costs, or otherwise adjusted in order to ensure that the Council approved 5-year capital budget and plan for the requesting City Program or Agency remain unchanged.

## **7. Financing**

- 7.1. Area Rates/Local Improvement Charges: A capital project may be supported by creating a new area rate to cover capital charges or by area rates established already established in bylaw or policy.
- 7.2. Federal or Provincial Funds: Upper levels of government will often make funds available for a specific project or type of project. The Municipality for the most part has no direct control over the amount of money received.
- 7.3. Developer Contributions: The Municipality may partner with a developer to complete a project where municipal funds are not available to complete the improvements.
- 7.4. Capital Funding: Funds for capital projects budgeted in the General Operating Fund Budget, General Operating Reserve or Capital Reserve Fund.
- 7.5. Debt Financing: Proceeds from the issuance of debentures with the debt service paid from the General Operating Fund.
- 7.6. Sewer User Fees: Funding for wastewater rehabilitation projects may be financed from annual maintenance charges levied against the users of the service.

## **8. Debt Management**

- 8.1. Prior to the issuance of long term debt, the Municipality must seek the approval of the Minister of Municipal Affairs in accordance with Section 88 of the Municipal Government Act.

- 8.2. Debt will be considered for capital projects under the following circumstances:
  - 8.2.1. The capital item is a long term asset with a useful life of more than 5 years.
  - 8.2.2. The asset has a useful life expectancy that equals or exceeds the length of debt financing.
- 8.3. The Municipality will confine long-term borrowing to capital improvements or projects that cannot be financed from current revenues.
- 8.4. On all debt-financed projects, the Municipality will make a down payment of at least **10 percent** of the total project cost from current revenues.
- 8.5. Total debt service for general obligation debt will not exceed 15 percent of total annual locally generated operating revenue.
  - 8.5.1. The Municipality will strive to achieve a limit of 3.5% on a municipality's debt-to-uniform-assessment ratio.
- 8.6. Total general-obligation debt will not exceed that provided for by the Department of Municipal Affairs.
- 8.7. The Municipality will not use long-term debt for current operations.

## **9. Repeal**

- 9.1 All former policies and/or practices of Council with respect to capital improvement planning are hereby repealed.