



SAINT JOHN

Title: Capital Budget Policy

Subject: Capital Budget Policy	Category: Policy
Policy No.: FAS-005	M&C Report No.:2018-189
Effective Date: July 9 th , 2018	Next Review Date: (as required)
Area(s) this policy applies to: City wide	Office Responsible for review of this Policy: Finance and Administrative Services
Related Instruments: FAS-003 Operating and Capital Reserves Policy	Policy Sponsor: Commissioner Finance
	Document Pages: This document consists of four (4) pages.

Revision History:

Common Clerk's Annotation for Official Record

I certify that the Capital Budget Policy Statement was adopted by resolution of Common Council on July 9th, 2018.

I certify that the Capital Budget Policy was also adopted by Common Council on July 9th, 2018.

Common Clerk

July 9th, 2018

Date

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POLICY STATEMENT

1. This Policy applies to budgeting by the Municipality for capital funds;
2. Each council shall adopt a Capital Budget for each calendar year;
3. Capital budget shall align with the Council approved Long Term Financial Plan which includes a 10 Year Capital Investment Plan and a 10 Year Debt Plan;
4. Finance Committee will review the 10 year Capital Investment Plan Annually and recommend any major amendment to the Plan to Council for approval;
5. The Capital Budget Policy supports the City to achieve its current and future goals in a fiscally responsible and sustainable manner;
6. Capital Budget Investment decisions shall be evidence based and conform with the Asset Management Policy;
7. The Capital Budget Policy shall comply with all relevant provisions of the *Local Governance Act* and all other applicable legislation.

PRINCIPLES AND STRATEGIES

1. **Affordability** – Capital Budget shall reflect the level of infrastructure investment required to achieve agreed upon service and taxation objectives in the Council approved Long Term Financial Plan;
2. **Ownership** – Only City owned assets, which meet the definition of an asset pursuant to Generally Accepted Accounting Principles, shall be funded in the Capital Budget. Funding agreements prior to the approved Capital Budget Policy Council approval date are exempted from the policy;
3. **Fiscal Responsibility** – The City shall reduce its reliance on debt and address the infrastructure deficit by increasingly funding Reserves and Pay-As-You-Go to fund infrastructure renewal;
4. **Asset Management** – The Capital Budget shall consider the full life-cycle cost based on asset management best practices and adhere to the Asset Management Policy.

CAPITAL PRIORTIZATION

1. In the short term, to strategically manage the City's debt and infrastructure deficit, the capital budget shall comprise of 90% Capital Renewal and 10% for New Capital. This ratio shall be replaced the funding strategy in the City's Long Term Financial Plan;
2. Proposed Capital Budget Projects will be prioritized in the following order:
 - a) **Mandatory** – Must be completed due to legal or regulatory requirements;
 - b) **Risk** – Required to mitigate liability associated with health and safety, mitigate liability or to mitigate sudden asset failure;

- c) ***Priority of Council*** – As stipulated in the 10 Year Capital Investment Plan (Long Term Financial Plan) and supported by evidence based asset management recommendations and are part of the City’s strategic plans;
- d) ***Positive Financial Impact*** – The Capital request is not included in the 10 year Capital Investment Plan but can be supported by a business case that demonstrates a positive financial impact for taxpayers - would require a Council approved adjustment to the Capital Investment Plan and Capital Budget;
- e) ***Discretionary*** – New assets which aim to increase or enhance service levels to the residents and taxpayers. Requires amendment to the Long Term Financial Plan, the City strategic plans, and supported by a business case.

CARRY OVER OF PREVIOUS YEAR APPROVED CAPITAL BUDGET

Approved capital budget projects must be started by the end of the second year after approval.

INTER-GOVERNMENTAL CAPITAL GRANTS

Inter-Governmental capital grants shall only be pursued for Capital projects in line with Council priorities, the approved Capital Budget, and the approved 10 Year Capital Investment Plan.

CAPITAL BUDGET SHORTFALLS & SURPLUSES

1. Common Council must approve any adjustments to the Capital Budget for additional funding to cover Capital Budget shortfalls that exceed the City Managers authority level;
2. Capital Budget Surpluses, where budgeted Capital funds exceed actual capital expenditures shall be, with Council approval:
 - a) Realized as savings resulting in reduced debt financing;
 - b) Used to offset deficit in other approved Capital Budget shortfalls;
 - c) Leveraged to address the infrastructure deficit investments identified in the Asset Management Plan and the 10 Year Capital Investment Plan.