



SAINT JOHN

Title: Capital Budget Policy

Subject: Capital Budget Policy	Category: Strategic Services
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Area(s) this policy applies to: Cross Corporate	Office Responsible for review of this Policy: Strategic Services
Related Instruments: FAS-001 Asset Management Policy FAS-002 Investment Management Policy FAS-003 Reserves Policy FAS-004 Operating Budget Policy FAS-005 Capital Budget Policy FAS-006 Debt Management Policy	Policy Sponsors: Chief Financial Officer and Chief of Staff
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<div style="border: 2px solid red; padding: 10px; margin: 10px auto; width: 80%;"> <p>Common Clerk's Annotation for Official Record</p> <p>Date of Passage of Current Framework: _____</p> <p>I certify that this Policy was adopted by Common Council as indicated above.</p> <p>_____</p> <p style="text-align: center;">Common Clerk</p> <p style="text-align: center;">_____</p> <p style="text-align: center;">Date</p> </div>	
Contact: Chief Financial Officer and Chief of Staff – Kevin Fudge Telephone – 506-635-2011 Email – kevin.fudge@saintjohn.ca	



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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 amendments 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 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 PRIORITIZATION

1. To strategically manage the City's debt and infrastructure deficit, the General Fund Capital Budget shall comprise of 85% Capital Renewal and 15% for New Capital and shall align with the City's Long Term Financial Plan and the City's Strategic Plan. The Utility Fund will shall comprise of 90% Capital Renewal and 10% for New Capital.
2. For the purpose of this policy, Capital Renewal is defined as any capital investment which renews, refurbishes, repurposes, or replaces an existing asset and does not increase the total lifecycle costs to maintain the asset.

3. 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 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 asset which aim to increase or enhance service level to the residents and taxpayers. Requires amendment to the Long Term Financial Plan, the City strategic plans, and supported by a business cases.

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 shall be, with Council approval;
 - a. Realized as savings resulting in reduced debt financing;
 - b. Used to offset deficits in other approved Capital Budget shortfalls;
 - c. Leveraged to address the infrastructure deficits identified in the Asset Management Plan and the 10 Year Capital Investment Plan.