

APPENDIX D

CORPORATE POLICY



Policy Title: **Definition of Capital**
Policy Category: **Financial Control**
Policy No.: FC-010
Department: Corporate Services
Approval Date: February 17, 2007
Revision Date: August 10, 2015
Author: Cassandra Pacey
Attachments:
Related Documents/Legislation:

Key Word(s): Budget, Capital

POLICY STATEMENT:

The Council for the City of Waterloo is committed to demonstrating financial leadership and sustainability. This policy assists in formalizing a defined and transparent process for defining capital projects.

PURPOSE:

The purpose of this policy is to define capital projects and minimum threshold to be included in the capital budget.

DEFINITIONS:

Capital Asset:

A capital asset is an item with physical substance (the exception being software) with a useful economic life extending beyond one fiscal year.

Ongoing Maintenance:

Ongoing maintenance includes but is not limited to painting, mechanical maintenance, and replacement of existing parts.

Betterment:

Betterment is a cost incurred to enhance the service potential of a tangible capital asset by either increasing productivity or service capacity and results the extension of the asset life.

SCOPE:

This policy applies to all members of the City's organization including members of Council, full, part-time and contract staff.

Mandatory Policy, *Municipal Act*: No

Policy Administration Team, Review Date: July 10, 2015

Corporate Management Team, Review Date July 15, 2015

POLICY COMMUNICATION:

Council will receive this policy for approval. If approved, the policy will be posted on the city's intranet. Staff will be advised of the policy via distribution to the Operational Leadership Team and Corporate Management Team.

POLICY:

Minimum Capital Budget Threshold:

The minimum annual dollar amount to be included within the Capital Budget is \$10,000.

Examples of acceptable capital budget items:

There are many projects that may be considered eligible for the capital budget beyond those that fit the definition of an asset.

Examples of acceptable items to be included in the capital budget are as follows:

- Maintenance projects requiring significant funding or will be completed in stages over multiple years.
- Soft projects such as studies and consultant work that are usually the precursor to changes in operations or the implementation of capital projects.
- Projects that are a result of an agreement for services or funding between Municipalities, the Region or other Government body.
- An obligation to make capital expenditures or major maintenance expenditures as part of an agreement to sell or lease a property.
- A project that improves operational effectiveness.

COMPLIANCE:

In cases of policy violation, the City may investigate and determine appropriate corrective action.

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CORPORATE POLICY



Policy Title: **Capital Budget**
Policy Category: **Financial Control**
Policy No.: FC-012
Department: Corporate Services
Approval Date: Feb. 17, 2007
Revision Date: May 13, 2019
Author: Julie Koppeser
Attachments:
Related Documents/Legislation:

Key Word(s): Budget, Capital

POLICY STATEMENT:

The Council for the City of Waterloo is committed to demonstrating financial leadership and sustainability. This policy assists in formalizing a defined and transparent process for the development and funding of capital projects.

PURPOSE:

The purpose of this policy is to govern the items that will assist in creating the capital budget.

DEFINITIONS:

Capital Project:

A capital project is an item identified and funded through the Council Approved Capital Budget or an item funded through the Financial Requests Outside the Budget Process.

Overhead:

A fee applied via a percentage to reimburse the operating budget for internal resource support. Costs include but are not limited to: staff related expenses to manage projects, process & release of payments, design etc...

Internal Resource Support:

Internal Resource Support can include but is not limited to: design services, project management, contract administration, and review of reports.

POLICY NUMBER: FC-012

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Mandatory Policy, *Municipal Act*: No

Policy Administration Team, Review Date: April 12, 2019

Corporate Management Team, Review Date: April 24, 2019

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SCOPE:

This policy applies to all members of the City's organization including members of Council, full, part-time and contract staff.

POLICY COMMUNICATION:

Council will receive this policy for approval. If approved, the policy will be posted on the city's intranet. Staff will be advised of the policy via distribution to the Operational Leadership Team and Corporate Management Team.

POLICY:

1. That projects appearing in the Capital Budget adhere to the minimum balance threshold identified in the Council approved policy, Definition of Capital (FC-010).
2. Projects will be reviewed and use the criteria below to assist in the decision making of identifying which projects would be automatically funded post Budget Approval (Routine projects) and which projects would need to return to Council with a report before funding is released (Non-Routine projects):
 - a. **Financial Materiality**
 - i. Projects receiving funding greater than \$2.5M over the 1 year period (one year budget approval)
 - ii. Projects receiving funding greater than \$5M over the 3 year period (multiple year budget approval)
 - b. **High Public/Council Interest**
 - c. **Request by Council**
3. That all reserve funds financing capital expenditures must, at a minimum, have a positive balance, with the exception of Development Charges reserve funds which are permitted to carry a negative balance to be recouped over the course of Background Study projection.
4. That all expenditures within the current capital budget be inflated according to the five year rolling average third quarter, Toronto construction price index updated with each budget process and that expenditures within the capital budget forecast be inflated by 2%.
5. That reserves and reserve funds that provide funding for the capital budget will receive annual transfer allocations as approved within the base Operating Budget or as approved by Council.
6. All proposed capital expenditures accessing Industrial Land Account (ILA) funding are subject to a staff report request to Council and Council approval, prior to commencement of the project, unless approved as Routine.
7. For Capital Project Overhead charges related to projects, refer to the Capital Overhead policy (FC-018).

COMPLIANCE:

In cases of policy violation, the City may investigate and determine appropriate corrective action.

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Capital Budget Assumptions

The following assumptions have been used in creating the current budget and nine year capital forecast.

1. An inflation rate of 2.94%, the five year rolling average third quarter, Toronto, construction price index, has been applied to expenditures in 2020-2022. 2% per year has been applied to the forecast period of 2023-2029. This is in alignment with, the financial control policy: FC-012 Capital Budget Policy.
2. The annual contributions from the operating budget to the Capital Reserve Fund and Capital Infrastructure Reinvestment Reserve Fund have also been inflated by 2.94% for 2020-2022, and 2% for the forecast period.
3. Debt and long term financial obligations with respect to the debt limit have been updated to include the entire capital forecast. The Municipal Act, Regulation 403/02 permits a maximum of 25% of net operating revenues may be used to fund principal and interest charges for debt. The City of Waterloo is well under the legal limit.
4. Staff will look for opportunities to partner with the community and investigate future city wide parking opportunities.
5. Unless otherwise stated, capital budget figures have been rounded to the nearest \$1,000.