

CORPORATE POLICY



Policy Title: **Capital Overhead**
Policy Category: **Financial Control**
Policy No.: FC-018
Department: Corporate Services
Approval Date: February 17, 2007
Revision Date: December 8, 2025
Author: Julie Koppeser
Attachments: N/A
Related Documents/Legislation: N/A

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 capital projects.

PURPOSE:

The purpose of this policy is to define how and when capital overhead is applied, the corresponding capital overhead rate charged to eligible capital projects, and where the overhead is recovered in the operating budget.

DEFINITIONS:

Capital Overhead:

A charge applied to eligible capital projects, via a percentage rate, to reimburse the operating budget for internal resources used to support the capital project. Costs include and are not limited to: staff-related expenses to manage capital projects, to process and release payments, to conduct design work, etc...

Service Delivery Division:

Operating division that identifies the need and subsequently budgets a capital project.

Project Implementation Division:

Operating division that implements and manages a capital project on behalf of another Service Delivery division.

Grant:

A gift, in monetary or in-kind terms, by another government, agency or organization for specified purposes which are usually defined by specified transfer payment agreement terms.

Mandatory Policy, *Municipal Act*: No

Policy Administration Team, Review Date: September 15, 2025

Corporate Management Team, Review Date: October 15, 2025

SCOPE:

This policy applies to all members of the City's organization, including members of Council, and 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:

Eligible Projects

Capital projects with a Project Implementation division from Integrated Planning and Public Works (IPPW), Facility Design & Management Services (FDMS) or Parks, Forestry and Cemetery Services (PFCS) will have a 5% capital overhead rate charged to them.

Grant Funding

Capital overhead will not be charged on grant funding where capital overhead is considered an ineligible expense. Examples include, however, are not limited to: Canada Community-Building Fund, and Provincial Government Grants.

Capital Overhead Revenue

Capital overhead will be charged to the eligible capital project when the Council approved capital funding is released. The corresponding revenue in the operating budget will be assigned to Corporate Transactions. Any annual Capital Project Overhead Revenue (Acct #610101) surplus will be allocated 100% to the Capital Infrastructure Reinvestment Reserve Fund (CIRRF) at year-end.

Capital Overhead Cap

The application of capital overhead on eligible capital projects will be capped at a maximum of \$500,000 per year. Projects with annual funding > \$10,000,000 will have their capital overhead capped at \$500,000 resulting in an overhead rate < 5% being applied to these large projects.

Capital Overhead Exemption

Requests for an exemption (partial or full exemption) to the application of capital overhead on eligible capital projects, due to the detrimental impact of charging capital overhead on the feasibility of completing the project will be considered on a case-by-case basis by the Corporate Management Team.

COMPLIANCE:

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