

MUNICIPALITY of COLCHESTER
LONG RANGE PLANNING PROCESS

September 2004

CAPITAL BUDGETING PROCESS

Purpose:

This program was first discussed as part of the long range planning process that concluded in June 2004.

It's purpose is to establish a process for development of a five year capital budget which is to be approved annually at budget time.

Program Intent:

The intent of the program is to enable Council to establish capital planning on both an intermediate and long term basis, and annually update the plan.

Capital Projects Included in the Capital Budgeting Process:

The definition of capital includes projects, equipment and acquisitions that meet CICA Accounting Guidelines. Under these guidelines, capital items are those that have a useful life exceeding the current accounting period (more than one year).

Eligible projects are any that receive Council approval and are allowed under the Municipal Government Act (1999).

Capital Items not Recommended for Inclusion in the Capital Budgeting Process:

There is also minor capital work that is part of the regular budgeting process. This is identified as capital out of revenue and amounts are requested by departments within their total operating budget requests.

Time Frame:

A reasonable time frame is required to complete the annual process prior to March 31st. Meetings to discuss projects are identified in conjunction with regularly scheduled Council Committee meetings. Council may wish set aside time for other special Council Committee meetings for any stage within the proposed time frame.

1. October- Send notice to Council and staff of capital budgeting process, with request to identify new projects for November Council Committee.
2. November Council Committee meeting- Review and discuss status of existing projects. List and identify new projects submitted by Council and staff. At this stage, Council identifies which

projects should proceed to be costed by staff and direction on which projects are to be brought forward in the budgeting process.

3. February Special Council Committee meeting dealing with the “Maintenance” budget- Staff review the current capital budget approvals. Staff review the preliminary capital list of new projects by reporting estimated project costs based on industry standards, length of time to complete these projects, estimated new annual operating costs, if any, and identification of potential funding sources for each project. Council directs setting priorities for these projects and identifies proposed year of project commencement.

4. March Special Council Committee meeting dealing with “additions or deletions” to the general operating budget- From direction at the special February Council Committee meeting, staff propose the five year capital budget for discussion, concentrating on the new projects.

5. March Council meeting- Council approves the five year capital budget.

Sources of Funding:

The capital budget will show the sources of funding. Based on priorities, Council may wish to seek Federal Provincial Infrastructure Funding and make approval of this source of funding as a pre-requisite for proceeding on a project. Funding may come from the following sources:

- Expended against general operations in one year
- Borrowing from Municipal Finance Corporation
- Transfer from operating surplus, Special Operating Reserve, Special Capital Reserve, or Other Special Reserves established by Council for capital projects, equipment or acquisitions
- Transfer from the internal Municipal Infrastructure Reserve. Funding principles for this reserve are outlined in the Program recently approved by Council.
- External sources, such as the Federal Provincial Infrastructure Program.

Setting Project Priority:

Council will set priorities through the budgeting process. Criteria to be used in setting priorities is as follows:

- Legal or regulatory requirements
- Available funding sources
- Operational needs
- Previous approvals
- Links to strategic goals

Clerk’s Annotation For Official Policy Book	
Date of Notice to Council Members of Intent to Consider (7 days minimum): <u>September 16, 2004</u>	
Date of Passage of Current Policy: <u>September 30, 2004</u>	
I certify that this Policy was adopted by Council as indicated above.	
_____	_____
Municipal Clerk	Date