Sturgeon County

Council Policy

Policy Number: ply_Capital_Budgeting_Policy

Capital Budgeting

Date Approved by Council: February 22, 2022	Resolution No.: 057/22
Mayor: Original Signed – Alanna Hnatiw	County Commissioner: Original Signed – Reegan McCullough

1. Purpose

1.1. This policy provides guidance over Sturgeon County's capital planning processes by establishing organizational objectives, responsibilities, and outlining the related procedures.

1.2. Through strategic long-term capital planning, this policy supports optimal resource allocation decisions, including capital investments in growth and asset lifecycle and replacement.

1.3. Optimal resource allocation decisions must ensure long-term financial sustainability and be in alignment with the strategic and corporate business plans.

2. Revision History

Approval Date	*Revision Number*	*Modification*
Year/Month/Date	*1.0*	*New Document*

3. Persons/Areas Affected

Council
County Commissioner
Capital Committee
Residents and Community Stakeholders

4. Definitions

The following definitions and interpretations apply to this policy:

Administration means the County Commissioner or his delegates.

Council means the Council of Sturgeon County.

capital asset enhancement means new asset additions, as well as any improvements to the standards of existing assets.

capital asset lifecycle means capital spending to repair, maintain, and replace an asset, such as a road or building, to a similar standard or service level.

capital budget means a budget adopted in accordance with sections 245 and 246 of the *Municipal Government Ac*t, which includes the costs of the planned capital investments and the anticipated sources of funding and financing.

Capital Committee means a committee of Council established to recommend asset category funding allocations and capital projects to be included in the multi-year capital budget and plan.

capital infrastructure means assets that meet the definition of tangible capital assets in accordance with the Public Sector Accounting Standards, such as roads, bridges, buildings, vehicles, equipment, and land.

commitments mean financial resources restricted through Council approval to be applied to specific projects or programs.

County means the Municipality of Sturgeon County.

County Commissioner means the Chief Administrative Officer of the County.

election year means a year in which a general municipal election is held.

in-flight projects mean projects that have been tendered or have commenced construction. Projects where design has been completed and are “shovel ready” are not considered in-flight projects.

long-term financial sustainability means establishing a multi-year capital plan with funding and financing commitments that allow:

- debt levels to be below the legislated or internal debt limits;
- forecasted reserve balances to be at target levels within the multi-year budget time horizon; and
- for stable tax funding requirements, as approved by Council.

multi-year capital budget means a capital budget which extends beyond a calendar year but does not extend past an election year.

multi-year capital plan means a multi-year capital plan that includes the planned capital acquisitions and related funding. In accordance with section 283.1 of the *Municipal Government Act*, the County must prepare a multi-year capital plan over a period of at least 5 years beyond the current year. The subsequent years of a multi-year budget count against the 5-year requirement. Unlike the multi-year capital budget, the multi-year capital plan does not provide funding or spending authority.

restricted projects mean capital asset lifecycle or in-flight projects, as well as any activities undertaken to meet regulated requirements.

transition year means the year following an election year.

5. Policy Statement

5.1. Sturgeon County is committed to strategic long-term capital planning to provide high-quality and sustainable services to residents and community stakeholders.

5.2. Capital investments must satisfy the objectives of long-term financial sustainability and meet the needs for growth and asset lifecycle and replacement.

5.3. Ensuring long-term financial sustainability creates a constraint, or limit, on the County's financial capacity for capital investments. This policy establishes processes to manage the decision-making within this constraint.

5.4. Adopting a three- or four-year, multi-year budget supports strategic long-term capital planning.

5.5. For the first calendar year after an election year, Council may adopt a single-year capital budget to transition to a new multi-year budget. The transition year provides the newly elected Council time to learn about County operations, interact with each other and the County Commissioner, develop strategic plans and priorities, and provide direction to the County Commissioner.

5.6. The guiding principle of the multi-year budget process is that, over the period of the multi-year budget, the County shall maintain a balanced budget.

5.7. Flexibility is essential to the effective operation of the County, and accordingly, the capital budget is a “living document". The budget process must provide the ability for multi-year capital plans to quickly shift in response to the dynamic operating environment.

6. Process

6.1. As part of the single-year or multi-year budget development, the County Commissioner will present the forecasted multi-year tax rate impacts to Council for preliminary direction. This forecast will factor in projected inflation, in-year amendments, significant variances, and other relevant impacts.

6.2. Based on Council's direction, the County Commissioner will determine the total funding available for the multi-year capital plan. The multi-year capital funding will be first applied to capital asset lifecycle requirements. The remaining funding will be available for capital asset enhancement projects.

6.3. Council will confirm the funding allocations (i.e. percentages) for capital asset enhancement projects, within the multi-year capital budget period, to the following categories:

a) Externally, self-funded, or mandated programs
b) Transportation
c) Public Safety
d) Community
e) Economic Development
f) Internal

6.4. The County Commissioner will develop a multi-year capital budget and multi-year capital plan, including a prioritized project listing for each category based on analysis from the respective program areas.

6.5. The Capital Committee will recommend the multi-year capital budget and plan through project evaluation, prioritization, and deliberation. As part of confirming the multi-year capital budget and plan, the Capital Committee will also confirm project timing and sequencing, within the categories and under the multi-year funding constraint.

6.6. Council will consider the recommended capital budget for approval.

6.7. Council will review and update the recommended capital plan annually.

6.8. In the subsequent years after the approval of the multi-year budget, the multi-year capital budget will be reaffirmed by Council via an annual check in process. Subject to Council's approval, the budget reaffirmation will adjust the multi-year budget for differences in forecasts and estimates, changes to regulatory requirements, and changes in direction from Council.

6.9. After the approval of the multi-year budget, a mid-cycle update will be completed. The mid-cycle update will consist of a strategic and comprehensive review with Council that draws on public consultation, considers a broader perspective as part of an environmental scan, and assesses the strategic plans and their alignment with the ongoing multi-year capital budget.

7. Capital Budget Amendments

7.1. The multi-year capital budget must be balanced; therefore, capital budget amendments must include corresponding amounts of funding or financing.

7.2. Any Council proposed or approved increase to the capital budget which exceeds the multi-year funding constraint will be referred to the Capital Committee to rebalance the multi-year capital budget.

7.3. The Capital Committee shall rebalance the multi-year capital budget through the deferral or removal of projects. When rebalancing the plan, the Capital Committee shall not adjust projects and programs that are categorized as restricted.

7.4. The Capital Committee's recommendations will be presented to Council for approval. If the multi-year capital budget is not rebalanced within the funding constraint, a tax rate increase will be required.

7.5. If Council chooses to manage the funding requirements of the multi-year capital budget through a tax rate increase, an interim financing source may be required due to the timing of tax collection. Interim financing sources can be utilized, such as reserve funds, provided they are available and approved by Council.

8. Responsibilities

Council shall:

- Provide direction regarding the multi-year tax funding for capital investment.
- Approve the multi-year capital budget.
- Set the capital category funding allocations over the multi-year budget period within the funding constraint.
- Receive recommendations from the Capital Committee.

The Capital Committee shall:

- Evaluate, prioritize, and recommend projects to be funded in the multi-year capital budget within the funding allocations determined by Council.
- Recommend the timing and sequencing of projects prior to commencement within the multi-year capital budget and subsequent multi-year capital plan.
- Recommend amendments to the capital budget and plan, including deferral or removal of projects to rebalance within the funding constraint.

The County Commissioner shall:

- Determine the multi-year capital funding constraints.
- Develop funding strategies for the multi-year capital budget and subsequent multi-year capital plan.
- Prioritize capital projects based on appropriate criteria.
- Determine long-term asset lifecycle requirements.

9. Review Period

This policy shall be reviewed at least every four years.