

Policy Statement (optional)

1. The City recognizes the value of a multi-year capital plan as a key tool to support its Strategic Plan, long-term financial planning and asset management strategies.

Purpose

2. The purpose of this policy is to govern the process of creating, funding, and approving the capital budget.

Scope

3. This policy applies to all departments and divisions of the City of Owen Sound that are governed by City Council and/or funded in whole or in part through the municipal tax levy.

Definitions

4. For the purposes of this policy,
“betterment” means a cost that is incurred to enhance the service potential or service life of a capital asset and results in an extension of the asset life;
“capital asset” means an item with physical substance or software with a useful economic life extending beyond 1 year;
“City” means the City of Owen Sound, and a reference to the City is a reference to the geographical area or The Corporation of the City of Owen Sound as the context requires;
“ongoing maintenance” includes but is not limited to painting, mechanical maintenance and replacement of existing parts. Ongoing maintenance is anticipated and ensures an asset will reach it’s estimated useful life, however it does not extend useful life.

Policy

Budget Preparation

5. The Treasurer will prepare detailed instructions and timelines to be followed in the preparation of the capital budget.

6. Each division that is responsible for the maintenance and replacement of capital assets will prepare a capital plan that forecasts required capital investments for no fewer than 10 years into the future.

Minimum Capital Budget Threshold

7. The minimum annual dollar amount to be included within the capital budget is \$10,000 before any internal staff time or overhead.

Project scope within the capital budget

8. The capital budget may include projects that fall within the following categories:
 - a. the acquisition, rehabilitation, replacement, or demolition of capital assets;
 - b. studies and master plans that are not done on a cyclical basis (i.e. that are not done on a cycle of less than five years);
 - c. hiring a consultant (or architect) that will inform a future project to acquire, rehabilitate, replace, or retire a capital asset; and
 - d. betterments.
9. For clarification, a repair or maintenance expenditure designed to maintain an asset in its original state or service level is not a capital expenditure unless it extends the useful life of the asset beyond its original useful life. Such repairs or maintenance shall be included in the operating budget.
10. For clarification, transfers to reserves and debt payments on prior year capital are recorded in the operating budget.

Total Project Cost

11. The total project cost included in the budget must include all planned expenditures to completion of the project.
12. An overhead allocation for internal engineering may be added and must be offset by a matching credit in the operating budget
13. Hourly and other salaried staff time is not budgeted for as this budget is fully anticipated in the operating budget; however actual staff time is coded to capital to capture true project costs. For clarification, any project cost variance that is due to internal staff time is not considered to be a budget overage.
14. Any projects spanning multiple years will include a budget for financing costs where total project cost is greater than \$500,000.

15. Any projects spanning multiple years where actual costs will exceed the approved budget, a financing strategy for the overage must be included in future years' budget presentations.
16. Where due to the type of capital project, there exists the potential for uncontrollable circumstances or events to occur, departments may recommend that a contingency amount be included in the project estimates to recognize the specific risks provided they are clearly identified.

Financing Capital Budget

17. Every year, one per cent (1%) of the prior year's total levy will be allocated to capital charges such that year over year, the aggregate total allocated to capital, capital reserve funds and debt charges grows by a dedicated one per cent (1%).
18. The current year budget will identify funding sources for all projects that are intended to be in progress within the budget year.
19. The use of debt financing will be within the scope and limits defined by the City's Tax Funded Debt Policy and Rate Funded Debt Policy.
20. The use of reserves will be within the scope, limits and purposes defined by the City's Reserve and Reserve Fund policy.
21. All project funding will be identified in the draft budget that is presented to Council.

Budget Approval

22. Approval of a multi-year capital budget will relate to the current year whereas future years will not be considered adopted by Council until they become current.
23. Until the capital budget has been approved by Council, no department will begin any capital project that was not authorized in prior years unless:
 - a. approval has been granted outside of the budget process; or
 - b. the project is considered an emergency and meets the requirements as defined by the Purchasing Bylaw.
24. Once the capital budget is approved, a project must begin within twenty-four (24) months of budget approval. Should a project not commence within this time frame, it must be resubmitted for approval by Council either in a stand-alone report or as part of a subsequent budget submission.
25. Once the capital budget is approved, contracts:

- a. requiring the purchase of goods or services will be approved for project award as per the City's Purchasing By-law, which requires that Council approve any contract award over \$250,000.
- b. with a value greater than \$250,000, for which there is a budget variance of greater than ten per cent (10%) or \$100,000, must be approved by Council and additional funding sources must be identified and confirmed for Council's consideration; and
- c. below \$250,000 that require additional funding may be approved by the Treasurer provided additional funding sources are identified.

Reporting

26. Capital budget reporting will be provided to Council at the end of Q2, Q3 and at year end. Reporting will include at a minimum the status of capital projects, planned completion dates and any known variances from budget.

Policy review

27. The Manager of Corporate Services will review this policy:
 - a. every five (5) years to ensure effectiveness and compliance with current business processes; or
 - b. sooner, if required, based on legislative or other internal policy changes.
28. The Manager of Corporate Services is authorized to make such administrative changes to this policy as appropriate to keep the policy current. Any revision to the policy's intent must be presented to Council for consideration.

Related Information and Resources

Internal

29. Debt Financing Policy
30. Reserve and Reserve Fund Policy
31. Purchasing Bylaw
32. Tangible Capital Asset Policy
33. Procedural Bylaw

External

34. [Municipal Act, 2001](#)

Appendices

35. N/A

Revision History

Authority	Date	Approval	Description of Amendment
Council	2021-07-19	By-law No. 2021-092	
Administration	2024-09-12	Manager of Corporate Services	Formerly Policy FS25 Flipped to new template
Choose an item.	Click or tap to enter a date.	Choose an item.	