

CORPORATE POLICY



Policy Title: **Capital Budget**
Policy Category: **Financial Control**
Policy No.: FC-012
Department: Corporate Services
Approval Date: Feb. 17, 2007
Revision Date: June 19, 2023
Author: Brad Witzel
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 formalizes a transparent process for the development and funding of all capital projects.

PURPOSE:

The purpose of this policy is to govern the creation of 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 as 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 and release of payments, design etc...

Internal Resource Support:

Includes but is not limited to: design services, project management, contract administration, and review of reports.

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Mandatory Policy, *Municipal Act*: No

Policy Administration Team, Review Date: May 29, 2023

Corporate Management Team, Review Date: May 24, 2023

SCOPE:

This policy applies to all City of Waterloo employees including members of Council, full, part-time and contract staff.

POLICY COMMUNICATION:

The approved 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. Any questions regarding the policy can be directed to the Director, Financial Planning & Asset Management.

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 unless otherwise authorized by Council, 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, **with any annual index change capped at 10% and that the average be** 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.