

Bill No. 339
2021

By-law No. CPOL.-52()-___

A by-law to amend By-law No. CPOL.-52-248, as amended, being “Capital Budget and Financing Policy”, to update the definitions and the policy sections.

WHEREAS section 5(3) of the *Municipal Act, 2001*, S.O. 2001, C.25, as amended, provides that a municipal power shall be exercised by by-law;

AND WHEREAS section 9 of the *Municipal Act, 2001*, S.O. 2001, C.25, as amended, provides a municipality with the capacity, rights, powers and privileges of a natural person for the purpose of exercising its authority;

AND WHEREAS the Municipal Council of The Corporation of the City of London wishes to amend By-law No. CPOL.-52-248, as amended, being “Capital Budget and Financing Policy”, to update the definitions and the policy sections;

NOW THEREFORE the Municipal Council of The Corporation of the City of London enacts as follows:

1. By-law No. CPOL.-52-248, as amended, being “Capital Budget and Financing Policy”, is hereby amended by deleting Schedule “A” to the By-law in its entirety and by replacing it with the attached new Schedule “A”.
2. This by-law shall come into force and effect on the date it is passed.

PASSED in Open Council on August 10, 2021.

Ed Holder
Mayor

Catharine Saunders
City Clerk

First Reading – August 10, 2021
Second Reading – August 10, 2021
Third Reading – August 10, 2021

Schedule “A”



London
CANADA

Capital Budget and Financing Policy

Policy Name: Capital Budget and Financing Policy

Legislative History: Enacted June 13, 2017 (By-law No. CPOL.-52-248); Amended June 26, 2018 (By-law No. CPOL.-355-346); Amended August 10, 2021 (By-law No. CPOL.-_____)

Last Review Date: August 10, 2021

Service Area Lead: Director, Financial Planning and Business Support (or written designate)

1. Policy Statement

The purpose of this policy is to establish a framework for capital budgeting and financing in order to ensure capital investments are budgeted and monitored with a consistent approach, financed in a manner to ensure a funding mix that places a priority on maintaining long-term financial sustainability, and guidelines are established for closing out capital projects.

2. Definitions

- 2.1. **City** – The Corporation of the City of London.
- 2.2. **City Treasurer** – The individual appointed by the municipality as treasurer.
- 2.3. **Development Charges Background Study** – The background study undertaken by the City for its current Development Charges By-law.
- 2.4. **Growth** – A capital project that will service growth and is included in the Development Charges Background Study.
- 2.5. **Lifecycle Renewal** – Rehabilitation or renewal of existing infrastructure due to obsolescence, health and safety concerns, or general deterioration of assets related to use or age.
- 2.6. **Service Improvement** – A new or expanded level of service to the municipality or enhances an operational service area.

3. Applicability

This policy applies to all capital projects undertaken or administered by the City or capital projects that received funding from the City and are undertaken or administered by any of the City’s Local Boards, Commissions, Agencies or Corporations.

4. The Policy

4.1. Standard of Care

The City Treasurer shall have overall responsibility for the capital budget and financing program. The City Treasurer or written designate shall have the authority to implement the capital budget and financing program and establish procedures consistent with this Policy.

4.2. Principles

- 4.2.1. Capital Budget Classifications
 - a) Each capital project shall be classified as:
 - i) Lifecycle Renewal;

- ii) Growth; or
- iii) Service Improvement

4.2.2. Capital Budget Financing

The following guidelines be used when determining the funding mix for each capital budget classification:

4.2.2.1. Lifecycle Renewal

The funding options for Lifecycle Renewal capital budgets shall be allocated in the following 'priority order':

- a) Non Tax/Rate Supported
 - i) Eligible non-tax funding sources such as senior government funding.
- b) Tax/Rate Supported
 - i) Capital levy.
 - ii) Eligible reserve funds, subject to adequate balances as determined by the City Treasurer or designate.
 - iii) Debt financing for Lifecycle Renewal capital budgets shall only be authorized after all other funding options have been applied and exhausted, noting that the objective is to avoid the use of debt financing for this classification.

4.2.2.2. Growth

The funding options for the non-growth component of the Growth capital budgets, as determined by the Development Charges Background Study, shall be allocated in the following 'priority order':

Non Tax/Rate Supported

- i) Eligible non-tax funding sources such as senior government funding, provided that non-tax funding sources are used first to reduce the total expenditure before the growth/non-growth funding splits are applied.

Tax/Rate Supported

- ii) Capital Levy after consideration is first given to Lifecycle Renewal and second given to Service Improvement capital budgets.
- iii) Eligible reserve funds, subject to adequate balances as determined by the City Treasurer or designate.
- iv) Debt financing, provided that all other funding sources are exhausted.

Funding options for the growth component of the Growth capital budgets, as determined by the Development Charges Background Study, shall be funded from development charges supported funding sources, such as but not limited to eligible obligatory reserve funds and debt financing.

4.2.2.3. Service Improvement

The funding options for Service Improvement capital budgets shall be allocated in the following 'priority order':

- a) Non Tax/Rate Supported
 - i) Eligible non-tax funding sources such as senior government funding.

- b) Tax/Rate Supported
 - i) Capital Levy after consideration is first given to Lifecycle Renewal capital budgets.
 - ii) Eligible reserve funds, subject to adequate balances as determined by the City Treasurer or designate.
 - iii) Debt financing, provided that all other funding sources are exhausted.

The City Treasurer or written designate shall have the authority to set and adjust administrative capital financing targets that support the general guidelines identified above.

4.2.3. Capital Budget Development

The capital budget shall be developed in accordance with the following guidelines:

- a) A rolling ten (10) year capital plan shall be developed and maintained.
- b) The expenditure for each capital project shall be budgeted in the year spending is reasonably anticipated to occur, noting that sufficient budget must be in place to support the full estimated amount of the procurement, before procurement approval.
- c) The budget for capital projects shall include all reasonably known or anticipated costs each year the budget is requested, including but not limited to the impacts of inflation, non-refundable HST and a reasonable contingency.
- d) New capital budget funding requests that are introduced outside of the budget process shall be referred to the next budget cycle unless the request is directed to be brought forward by Municipal Council or is deemed urgent by the City Treasurer.
 - i) New capital budget requests that meet the criteria noted above, shall include a recommended source of financing as deemed appropriate by the City Treasurer or written designate.
- e) Debt financing shall be applied in accordance with the Council approved Debt Management Policy.

4.2.4. Capital Budget Monitoring and Close Out

- a) The City Treasurer or written designate, at their discretion, may close out capital project accounts.
- b) The City Treasurer or written designate shall allocate the net disposition of surplus funding for all closed capital projects as follows:
 - i) With respect to capital levy surplus, the City Treasurer or written designate shall review the balance of the capital receipts account and shall determine if funding is allocated to the capital receipts account to be used as a potential funding source for unfunded capital requests, or, allocated to an applicable tax supported reserve or reserve fund.
 - ii) Water and Wastewater & Treatment capital rates shall be returned to the appropriate rate supported reserve or reserve fund.
 - iii) The City Treasurer or written designate shall review the balance of the reserve or reserve fund which originally funded the capital project and shall determine if funding is allocated back to the respective reserve or reserve fund or

allocated to the capital receipts account to be used as a potential funding source for unfunded capital requests.

- iv) Debt financing shall be released resulting in a reduction of authorized debt.
- c) If during the capital budget monitoring process it is determined that a capital project will be significantly over budget, a separate report and associated source of financing shall be brought forward for Municipal Council approval or be brought forward during the multi-year budget process, including annual budget updates.
- d) The Civic Administration shall submit two monitoring reports to Municipal Council which will be known as the Mid-Year Monitoring Report and Year-End Monitoring Report and shall include:
 - i) A summary of the life-to-date capital budget.
 - ii) A listing of life-to-date projects three (3) years or older with no future budget.
 - iii) A listing of capital projects to be closed, including an explanation of capital projects with a variance greater than \$50,000, noting that capital projects with a variance to budget of less than \$50,000 shall be reported in aggregate only.