

City of Sarnia
Financial Policy Statement

Capital Budgeting

1. Only projects that meet the provincial definition of “capital” and exceed \$75,000 in cost will be included in the Capital Budget.
2. Capital projects will be classified as:
 - Lifecycle Maintenance
 - Replacement and upgrading of existing assets including road and sewer infrastructure, sidewalks, water, fleet equipment, information technology, parks and buildings
 - New Initiatives
 - One-time projects that provide new or improved level of service i.e. new library or community centre driven by desire to improve services for existing residents rather than by growth
 - Growth Related Capital
 - New or expanded municipal infrastructure to support residential or business growth
3. A five year capital forecast will be prepared to help plan reserve needs and project debt requirements.
4. The impact of future operating costs for capital projects will be considered as part of the capital budget. Since these costs will carry over to future operating budgets, these costs will include financing and operating costs projected over a five year period.
5. Status reporting on capital works in progress will be provided to Council at least three times per year.

Debt Management

1. No capital project will be approved that would cause the City’s debt to exceed the debt limit established by the province.
2. Debt financing will be employed as a means of financing capital projects that are related to increased /new services to residents for new initiatives.
3. The length of debt should not exceed the useful life of the underlying asset.
4. Debt financing for lifecycle/ongoing projects will be reduced and ultimately eliminated. The City will move over time to a pay-as-you-go approach to financing all lifecycle capital projects, replacement/refurbishment of assets and ongoing capital programs by contributing to the City’s vehicle and equipment reserves and capital reserve funds on an annual basis based on depreciation and lifecycle costing. This includes buildings, vehicles and infrastructure.

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Management of City Reserves

1. With respect to monitoring City reserves, City Council will approve:
 - The establishment of and the purpose for new reserves
 - The closure of Reserves that are no longer required
 - The transfer of funds to and from Reserves through the Annual Budget process
 - Any individual allocations or other disbursements of funds held in Reserves that are not included in annual Operating or Capital Budgets
 - That regular financial reports including Reserve balances, commitments and targets are to be prepared and presented to Council on a regular basis

2. Reserve and Reserve Funds will be classified as:
 - Stabilization Reserves
 - Program Specific Reserves
 - Vehicle and Equipment Replacement Reserves
 - Building Reserves
 - Capital Reserves
 - Corporate Reserves
 - Development Charges Reserves

3. Reserves will be reviewed on an annual basis to determine their adequacy and a report will be prepared to Council highlighting the target balances compared to existing balances and reserve projections.

4. City Reserves and Reserve Funds will be supported by a financial plan identifying contribution sources and projected disbursements required to meet planned future obligations to be funded by Reserves.

5. Reserve Funds will be invested in accordance with City investment policy.

6. Interest on Reserve Fund balances will be calculated and added on a monthly basis based on current interest rates.

Other

1. No project expenditures within two years of project approval will require that the project be brought back to Council for re-confirmation of its approval.

2. No Capital budget project overruns are to be incurred until Council is informed and additional funding is allocated to the project.

3. Projects which are initiated as part of a senior government initiative will not commence until funding is secured.

4. No growth-related capital works will be undertaken without securing financing from benefiting landowners if landowner funding is required.

Approved
June 13, 2005