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DEPARTMENT: ALL DEPARTMENTS

TITLE: CAPITAL INVESTMENT PLAN (CIP) FRAMEWORK / BUDGET POLICY

Minutes reference date: 12 December 2006

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**PURPOSE:**

The Town of Amherst is developing a Capital Investment Plan (CIP) to strategically plan for future capital projects and to meet the requirements of the Federal Gas Tax Transfer Agreement with the Province of Nova Scotia. The CIP serves as a rational method of determining the most cost effective expenditure of capital dollars based on priority ranking and financial feasibility.

**POLICY:**

**Organizational Responsibility**

The Treasurer or designate will lead the CIP project, with the support of the Capital Investment Plan Committee. The committee will comprise of a representative from each department. The coordinator will be responsible for leading the CIP project, which will include:

- Developing the related CIP policies; and
- Determining the Town's financial viability.

The Committee will assist the coordinator with these tasks, as well as making the final recommendations surrounding the capital projects and their rank. The committee will be involved with:

- Proposing new capital projects;
- Selecting the capital projects for the CIP;
- Ranking the projects; and
- Assisting the coordinator wherever possible.

**Time Frame**

The CIP has a four to six week time frame with the first year serving as the Town's capital budget while the remaining years serve as planning years. The CIP will be reviewed annually and with each review, new projects may be added to the CIP to meet current and future changes within the Town. The new projects will be ranked against the same criteria as the existing projects.

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### Categories

Through the CIP a replacement schedule will be developed and followed. The Town will maintain all of its assets at a level adequate to protect the Town's capital investment and to minimize future replacement costs.

Town infrastructure will be rated in categories as follows:

Streets & Curbs	Storm Mains
Sidewalks	Equipment and Vehicles
Water Mains	Buildings
Sanitary Mains	Land

In each category the elements deemed to be in greatest need of replacement from the CIP are selected based on individual ranking procedures.

### Ranking

The Town of Amherst may consider the following criteria when ranking CIP projects:

Health and Safety Impacts	Uncertainty of Risk
Quality of Life	Inter-Municipal Effects
Environmental Impacts	Relationship to Other Projects
Aesthetic and Social Impacts	Economic Development Impacts
Distribution Effects	Project Feasibility
Impact of Deferral	

The criteria areas will be given various ranking numbers according to the Town's current strategic goals. The criteria will be updated and revised to meet the Town's new goals and priorities as necessary.

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### **Budgeting**

A Request for Decision (RFD) is prepared for each capital item requesting approval in the capital budget with consideration given not only to the ranking of the elements within their respective databases but also to such factors as:

1. Corporate goals / objectives
2. Regulatory requirement
3. Reduction of potential liability
4. Cost benefit
5. Maintenance of basic level of service

The RFD will identify the estimated costs and potential funding sources for each capital project request before it is submitted to Council. With this information the Town will determine the least costly financing method for all new projects.

### **Financing**

Once the projects have been ranked and selected, the CIP will help outline how the Town will finance the selected projects. In order to do so, the following considerations may be made:

- Percentage of the annual budget allotted to the current and future projects
- Fiscal and budget impacts
  - Determine the total capital costs.
  - Determine the impact on the operating budget.
  - Determine the impact on the tax base, tax rate, and user fees.
  - Determine any available funding that can be directed towards the project.

Council may take these components under consideration when deciding how the projects will be financed, and over how many years they may be financed.