

**2012-2013 CAPITAL BUDGET GUIDELINES & TIMETABLE**

**Recommendation**

The Commissioner of Finance/City Treasurer and the Director of Reserves & Investments, in consultation with the City Manager recommends:

That the attached 2012-2013 Capital Budget Guidelines & Instructions and the 2012 Capital Budget Timetable be approved.

**Contribution to Sustainability**

The City of Vaughan Capital Budget process is an allocation of resources to achieve the City's objectives and priorities while maintaining a strong position of financial sustainability.

**Economic Impact**

The economic impact of the 2012-2013 Capital Budget will be fully determined after receipt of the department capital budgets.

**Communications Plan**

Departments will receive the budget guidelines, instruction package and timetable shortly after the capital budget guidelines are approved by Council.

As part of the budget process and integral to building the budget, opportunities for public engagement, consultation and input will be available, with appropriate notice provided. These opportunities consist of the following:

- ❖ Information posted on the City website
- ❖ Public Finance & Administration Committee/Council meetings held throughout the process
- ❖ A public input meeting prior to final budget approval

**Purpose**

The purpose of this report is to obtain Finance and Administration Committee's approval for the 2012-2013 Capital Budget timetable and guidelines.

**Background - Analysis and Options**

The City of Vaughan Capital Budget process provides a forum for long-term planning and establishing construction and service priorities for the future. Starting in 2012, the City will be moving to multi-year capital budgeting with a two year (2012 & 2013) capital budget. For the 2013 budget cycle, the Capital Budget will increase to a four year budget (2013 to 2016) , and will then align with the 2013 to 2016 Operating Budget. The proposed guidelines provide stability and balances the need for service with affordability and the requirement to meet the changing economic conditions.

In preparing the 2012-2013 Capital Budget, departments should focus on projects that maintain a standard of repair and maintenance, general efficiency, generate cost savings, the availability of staff resources to complete their capital plan and the status of the outstanding existing capital projects and the timing of their completion before requesting funding for new projects. Preliminary results for the year ended December 31, 2010 indicate that there are 448 open

capital projects at year end 2010, with approximately \$123 million or 22% unspent, roughly the equivalent of 2 capital budget years. A thorough review of open projects will take place prior to submission of new 2012-2013 requests and priority will be given to a focus on completing outstanding capital projects rather than new funding for additional projects.

The 2012-2013 Capital Budget Guidelines & Procedures (Attachment 1) and the 2012-2013 Proposed Capital Budget Timetable (Attachment 2) have been prepared with the objective of an early 2012 approval. All capital projects will be reviewed within the applicable funding source(s) based on the criteria outlined in the 2012-2013 Capital Budget Guidelines & Procedures, corresponding reserve by-laws where applicable and all City of Vaughan financial policies.

### **Relationship to Vaughan Vision 2020/Strategic Plan**

This report is consistent with the priorities previously set by Council in Vaughan Vision 2020; particularly Ensure Financial Sustainability.

### **Regional Implications**

This is not applicable to this report.

### **Conclusion**

Finance and Administration Committee review and approval of the 2012-2013 Capital Budget Guidelines and Timetable forms the basis for staff to develop the 2012-2013 Capital Budget for Council's deliberation in the fall of 2011.

### **Attachments**

Attachment 1 – 2012-2013 Capital Budget Timetable  
Attachment 2 – 2012-2013 Capital Budget Guidelines

### **Report prepared by:**

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Respectfully submitted,

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Barbara Cribbett, CMA  
Commissioner of Finance/City Treasurer

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Ferrucio Castellarin, CGA  
Director of Reserves & Investments

**City of Vaughan  
2012 - 2013 Capital Budget Process Timetable**

<b>Date</b>	<b>Activity</b>
July 6, 2011	Budget instruction packages issued to depts.
Sept. 2, 2011	Department submissions due
Sept. 2011	<ul style="list-style-type: none"> <li>- Submission review, analysis, &amp; consolidation</li> <li>- Director Working Group Prioritization</li> </ul>
Oct. 2011	Senior Management Team (SMT) deliberations
Early Nov. 2011	Finalizing the draft budget for presentation
Mid. Nov.2011 – Jan. 2012	Finance and Administration Committee deliberations
Late Jan. 2012	Public input meeting & Council approval <small>(Public notice requirement is 14 days)</small>

## City of Vaughan 2012 Capital Budget Guidelines & Instructions

### Definition:

A Capital expenditure must have a gross cost exceeding \$20,000 and be required for the purpose of constructing, acquiring or improving lands, buildings, engineering services, machinery and equipment or furniture and fixtures. The project must be undertaken for the purpose of providing municipal services, have a lasting benefit beyond one year and/or extend the life of the asset. Non-recurring studies should be included in the capital budget.

**An expenditure for repair or maintenance designed to maintain an asset in its original state is not a capital expenditure.**

### Guidelines & Instructions

Starting in 2012, the City will be moving to a 4 year multi-year capital budget with the first two year (2012 & 2013) capital budget in 2012, and increasing another 2 years to a rolling 4 year budget in 2013.

Each capital budget request should include a project justification which references appropriate source information to support the project. Examples of appropriate source information would include reference to the Development Charge Background Study, life cycle requirements as provided in the Long Range Financial Planning Model, CityWide TCA Inventory, Council Extracts and existing Departmental programs.

The Senior Analyst, Asset Management can provide assistance on our current TCA inventory. The web-based software, CityWide, can provide reports on life cycle costing and remaining service life of TCA's to assist departments in planning capital acquisitions. For capital replacement items, Reserves and Investments will be verifying the need for replacement by consulting CityWide inventory.

The Grant Specialist will review all capital submissions with a view to developing external funding sources. Please contact Bonnie-Lyn Gow at Ext 8425 if you require some assistance before you prepare your capital budget submission.

Capital budget requests must include a 3% administration fee to cover internal administration costs related to the project. The only exception to this are projects funded through AMO gas tax grants.

On the capital project detail sheet, please identify, as accurately as possible, operating budget impacts including additional staffing requirements relating to each capital project. Please also ensure that projects are identified by ward using the new 2010 ward boundaries.

Each capital budget submission must be approved by the respective department head prior to submission to Finance.

In preparation of each capital project, please also consider the implications on the resources of other departments and clearly identify the impact on the project summary sheet.

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## City of Vaughan 2012 Capital Budget Guidelines & Instructions

In preparation of capital budgets, please consider the status of outstanding existing capital projects, and the likelihood of their completion before requesting funding for new projects.

The value of projects approved will depend on the amount of funds available in a particular funding source and the impact on the City's overall finances. The criteria used for prioritizing funding within a funding source for a capital project includes but is not limited to consideration of the following:

- Pre-Budget approval obtained
- Additional funds required to complete previously approved projects
- Legal or Regulatory requirements
- Net revenue generating, cost savings or efficiency improvement projects
- Growth related projects
- Infrastructure repair projects
- Equipment replacement projects
- New service levels

### **Public Sector Accounting Board (PSAB) and Capital Budget**

Effective January 1, 2009, municipalities must conform to PSAB Section 3150 Tangible Capital Assets (TCA). This is a significant change to financial reporting. Each department has inventoried and valued all their tangible capital assets up to December 31, 2010.

Please submit the total cost of a project in one capital submission, including design, engineering, other consulting, equipment and/or construction, which efficiently captures eligible tangible capital asset costs. Where assets are pooled together in one capital submission, please indicate the breakdown of individual assets on the submission. Continue to highlight the toggle box on the project summary sheet if the asset can be classified as a TCA.

For the purposes of capital budgeting, please continue to submit capital projects in excess of \$20,000 as per the definition above. However, please keep in mind that for actual reporting purposes, Finance will be analyzing operating accounts for tangible capital assets that meet the threshold amounts and making adjustments of actual and budget numbers from operating to capital.

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