

<i>Policy Category</i>	<i>Name of Policy</i>
<i>Financial</i>	<i>Capital Financing Policy</i>

Policy Owner	Corporate Services, Financial Management and Planning
Approval Body	Council
Authorization Reference:	Council Minutes CL 18-2019 October 17, 2019: Minute Item 12.1 (COTW 8-2019 October 3, 2019) Report CSD 51-2019
Effective Date	October 17, 2019
Review by Date	October 2020

1. Policy

This policy establishes principles and practices for preparing Niagara Region's Capital Budget, operating impacts and multi-year capital forecast and the prudent use of funding. The Region recognizes the importance of creating a capital financing strategy. This strategy will utilize the following principles:

1.1. Ensure long-term financial sustainability and flexibility

- a. On an annual basis, the multiyear capital plan shall be analyzed for funding requirements.
 - i. Projects that are aligned to asset management should utilize reserves and any deficiencies shall be communicated and considered in the operating budget before utilizing debt.
 - ii. Projects that are supporting growth should be funded with development charges.
 - iii. Projects that are new strategic investments should be funded with debt.
 - iv. The cost of servicing the debt and operating impacts of capital will be requested in the operating budget in the year the capital program is approved.
 - v. Favourable timing variances on debt charges or operating impacts resulting from timing of project completion will be utilized to substitute previously approved debt or fund pay as you go for projects aligned to the asset management plan or otherwise as approved in the budget.
- b. To the extent practicable, the hierarchy and principle of allocating funding will be in the following order.
 - i. External sources that are known to the project should be utilized first
 - ii. Federal Gas Tax will be allocated to reduce the use of reserves or debt funding.

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- iii. Development Charges Reserve will be allocated in accordance to the methodology included in the Development Charge background study.
- iv. Reserves (pay as you go) will be allocated as defined under C-F-013 Reserve and Reserve Funds Policy and as updated from time to time to support renewal investment and state of good repair projects as identified in the asset management plan.
- v. Debt will be utilized for growth and strategic investment projects.

1.2. Maintain a Strong Credit Rating

- a. The Region will undertake due diligence and consider the impacts of debt financing on the Regions credit rating.

1.3. Adhere to Statutory Requirements

- a. On an annual basis, the capital budget will be developed including a multi-year capital plan and include a financing strategy adhering to legislative requirements including but not limited to asset management regulations and compliance to the provincially mandated 25% annual repayment limit.

2. Purpose

Niagara Region prepares a Capital Budget annually as required by the Municipal Act. In addition, multi-year capital forecasts are prepared to plan funding for upcoming capital requirements. This policy will establish the principles Niagara Region will undertake to ensure financial sustainability, flexibility, transparency and legislative compliance of its capital funding program.

3. Scope

This policy applies to the following:

- a. Capital budget financing for projects.
- b. Operating budget impacts required to support the approved Capital projects including but not limited to debt servicing costs, operations and maintenance.
- c. The administration and management of the issuance of debt for approved capital projects.

The Budget Control By-Law defines the Region’s authority over Agencies, Board and commissions and this policy shall comply congruently.

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3.2. Roles and Responsibilities

- a. The Responsibility of Regional Council
 - i. To approve the annual budget.
 - ii. To pass debenture by-law prior to the issuance of debentures.

- b. The Responsibilities of the Corporate Leadership Team
 - i. To recommend and support the budget submissions to Council.

- c. The Responsibilities of the Financial Management and Planning Team
 - i. To transparently consolidate and present budget considerations to Council in accordance with the policy.
 - ii. To direct staff on strategy to meet Council’s expectations of the annual budget.
 - iii. To recalculate the Annual Repayment Limit (O. Reg. 403/02, s. 4(1)) each year.
 - iv. To manage the administration of the debenture issuances.
 - v. To lead the annual credit rating review process.

- d. The Responsibilities of Project Managers
 - i. To provide sufficient information to determine the type of project for the financing strategy.
 - ii. To provide required capital project information including specific external funding sources.

4. References and Related Documents.

4.1. Legislation, By-Laws and/or Directives

- a. Municipal Act, 2001, S.O. 2001, C .25
- b. Tile Drainage Act, R.S.O. 1990, c.T.8
- c. Local Improvement Act, R.S.O. 1990, C. L.26
- d. Asset Management Planning for Municipal Infrastructure O.Reg. 588/17
- e. Budget Control By-law No. 2017-63

4.2. Procedures

5. Related Policies

- a. Operating Surplus/Deficit Policy (C-F-022)
- b. Reserve and Reserve Fund Policy (C-F-013)

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6. Document Control

The electronic version of this document is recognized as the only valid version.

Approval History

Approver(s)	Approved Date	Effective Date
Regional Council	October 17, 2019	October 17, 2019

Revision History

Revision No.	Date	Summary of Change(s)	Changed by