

Purpose:

This policy is to provide guidelines for the administration of the capital budget funding and subsequent reporting of: transfers, cancellations, additions, deferrals, funding source changes or the completion of capital projects.

Policy Statements:

1. Transfers between Projects

The City Manager may approve cost and funding transfers between capital projects provided:

- a. The project providing the funding is more than 75% expended, and has a surplus balance and;
- b. The project providing the funding and the project receiving the funding have the same funding source and;
- c. The amount requested to be transferred is a maximum of \$50,000 and does not increase the receiving projects budget by more than an amount equal to the original budget cost .

Departments will complete the 'Capital Budget Funding Transfer' form to route and facilitate the transfer. A budget change, rounded to the nearest thousand, is required for both the funding and the cost amount.

2. Project Additions/Deletions

Cost and funding changes between the operating budget and capital budget may occur provided the item has already been approved as part of a budget, and:

- a. Where a non-capital item has been approved as part of capital and the actual costs and funding will be transferred to operating when the capital review is undertaken, at a minimum on a yearly basis or;
- b. Where a capital item has been approved as part of operating and the actual costs and funding will be transferred to capital when the operating review is undertaken, at a minimum on a yearly basis.

A budget change is required for both the funding and the cost amount.

3. Project Cancellation

- a. Projects that are cancelled will return any excess funding to the original funding source within 30 calendar days.
- b. Departments will supply an explanation for the cancellation.

4. Project Deferral Limitation

Budgeted projects that have not been completed within four years of the last budgeted expenditure require the following action:

- a. If total expenses are within 0% - 25% of the total approved expenses the unused funding will be returned to the original funding source(s) in the same proportion as the funds were applied. The job will be closed and if the project is a requirement in the future a new request must be submitted for Council approval. Departments will supply an explanation for the deferral.
- b. If total expenses are within 26% - 50% of the total approved expenses the department will write a report explaining the project expenses to date and the plans for completing the project. The department will suggest a recommendation to Council for approval and resulting action.
- c. If the total expenses are within 51% - 99.99% of the total approved expenses the department will write a report outlining the plans for completing the project. The department will suggest a recommendation to Council for approval and resulting action.

5. Funding Source Change

Funding source changes may occur within the capital budget provided:

- a. The funding change is the result of a discrepancy between the submitted 'capital budget detail' and the 'capital plan' which requires correction.
- b. The funding change is the result of the capital project being ineligible for the original noted funding source.
- c. The funding change is the result of the original funding source becoming unavailable.

- d. The funding change is the result of information which makes a different funding source more feasible.

If the funding source is changed the original funding will be returned to its original source within 30 calendar days.

Funding source changes must be communicated in written format between Financial Services and the relevant department.

6. Completed Capital Projects:

- a. Completed projects with a surplus balance, after transfers, will have the excess funding returned to the original funding source(s).
- b. Completed projects with a deficit balance, after transfers, will have additional funding requested through Council approval.

7. Required Information

All information required, as noted in this policy, should be forwarded to the Budgets & Investments Financial Analyst(s) in Financial Services for compilation into the report to Council.

8. Capital Report to Council

All projects affected by this policy must be reported to Council on an annual basis concurrent with the submission of the annual audited report to Council or as soon after as possible.

Policy Monitoring and Evaluation:

The Capital Budget Funding Policy will be evaluated five years from date of approval, a review may also occur anytime prior to the five year review date.

Scope/Application:

This policy applies to all departments, boards and committees, agencies and other organizations that fall within the reporting entity of The City of Red Deer.

Inquiries/Contact Person:

Direct inquiries to the Divisional Controller or Financial Analyst in the Budgets & Investments area within the Financial Services Department.

Authority/Responsibility to Implement:

The authority to establish and monitor compliance to this policy is the responsibility of the Director of Corporate Services or delegate.

References/Links:

1. MGA Section(s) 245, 246, 248(2)
2. 5324-CA Capitalization of Tangible Capital Assets Policy
3. 5320 – C Capital Budget Policy
4. 5320.02 – C Capital Budget Contingency Policy
5. 5322 – CA Use of Construction Financing for Capital Projects
6. Capital Budget Funding Transfer Form
7. Unbudgeted (New) Capital Projects Form

Document History:
Council Resolution Date: November 29, 2010
Council Resolution Revision Date: