

**TOWN OF BERWICK
POLICY STATEMENT**

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| | | Policy # 5.015 |
| CAPITAL FINANCIAL MANAGEMENT POLICY | Effective Date: July 12, 2005 | Revision Date: |
| <p>Purpose To provide guidelines for the development of a Capital Improvement Plan and financial management of the Town's capital assets and infrastructure.</p> <p>Objectives The objectives of the Capital Financial Management Policy will be to:</p> <ol style="list-style-type: none"> 1. develop a Capital Improvement Plan for the Town's capital assets and infrastructure; 2. provide a financial management tool for the planning and budgeting of the Town's capital needs on an annual basis; 3. ensure financial stability in the funding of capital assets and infrastructure by prioritizing and scheduling capital projects to fit within the Town's resources; 4. ensure the efficient use of resources by having a multi-year focus that will reduce the need for costly financing of emergency repairs and upgrades when insufficient funding is available; and 5. provide a link to the Town's other long range plans for the future. <p>Capital Project Financing</p> <p>All capital projects undertaken by the Town are ultimately financed by the tax rate in one of three ways:</p> <ol style="list-style-type: none"> 1. <u>Capital out of Revenue</u> ~ when capital projects are funded directly out of the Town's taxation revenue in a given year, the capital cost is an expense in the current year's budget. 2. <u>Transfer to Reserves</u> ~ An allocation of tax revenue received in any given year that is transferred to a reserve is expensed in the Operating Budget for that year. Reserves are then utilized to improve the process of visionary planning for the Town's future by providing for the timely replacement of municipal infrastructure and equipment and avoids large swings in the annual costs of services. 3. <u>Long Term Debt Servicing Costs</u> ~ When capital projects are financed through long term debt, the debt servicing costs for principal and interest due during the year are expensed in the Operating Budget. | | NOTES: |
| Authority: Council Date: 12 July, 2005 | C.A.O. | Ref. Form: |

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| <p>Policy</p> <p>It is the policy of the Town of Berwick to maximize its financial flexibility, minimize its financial vulnerability and ensure long term infrastructure sustainability while safeguarding the interests of its citizens. This will be achieved through the following initiatives:</p> <ul style="list-style-type: none"> (a) Staff will prepare a comprehensive Capital Improvement Plan that will be reviewed annually by Council as part of the preparation of the Town's three-year Capital Budget. (b) Council will develop and adopt a sustainable plan for reducing debt servicing costs and redirecting these costs to the funding of Capital out of Revenue or Transfers to Reserves. (c) Long Term Debt will only be incurred for capital projects with a minimum life expectancy of 10 years. (d) An annual Transfer to Reserves, as set out in the Capital Improvement Plan, will be budgeted for in the Town's Operating Budget. (e) Council will strive annually to maintain a minimum level of funding for capital purposes equal to 30% of the Residential Tax Rate. (2004/05 = 28.5%) | | NOTES: |
| Authority: Council Date: July 12, 2005 | C.A.O. | Ref. Form: |