



POLICY

Capital Asset Funding

Capital Asset Funding	
Policy Number 140-005	Supersedes Policy Number: Not Applicable
Effective Date 2013-02-19	Approval By Council (Motion Number): 06-02b-13

1.0 Purpose

To provide guidelines for financing the final acquisition/project cost of capital assets/infrastructure for the Town of Wolfville. These guidelines will:

- Provide staff direction in developing long term capital investment plans.
- Enhance financial stability in funding capital assets by ensuring financial resources are considered in prioritizing projects/acquisitions.
- Assist Council in addressing infrastructure deficit issues by outlining alternative financing options which, over the long term, should provide financial flexibility in maintaining capital assets in a sustainable manner.

2.0 Scope

This Policy is applicable to Town of Wolfville employees involved in the preparation of the annual Capital Budget, and related long term Capital Investment Plan (CIP).

3.0 References

- 3.1 Nova Scotia Municipal Government Act
- 3.2 Nova Scotia Municipal Finance Corporation

4.0 Definitions

- 4.1 **Capital Asset** – generally any asset acquisition/project where the total cost exceeds \$5,000 and the asset has an expected useful life exceeding one year. Final decisions on asset classification are based on professional judgement utilizing generally accepted accounting principles.
- 4.2 **Debenture Proceeds** – funding from long term debt obligations usually obtained through the Nova Scotia Municipal Finance Corporation.



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4.3 **Debt Service Ratio** – as defined and reported by Service Nova Scotia and Municipal Relations, the ratio of debenture repayments (principal and interest) to total own source revenue.

4.4 **Own Source Revenue** – generally includes all annual Town Operating Fund revenue, net of contribution to Annapolis Valley Regional School Board, and excluding external grant revenue not related to property assessment (grant in lieu of taxes).

4.5 **Reserves** – funds set aside for future financing requirements.

5.0 Policy

In order to assist in the preparation of the annual Capital Budget, and related long term capital investment plan (CIP), the Town of Wolfville will consider the following in identifying funding sources:

5.1 Asset Category

- For example municipal buildings, fire equipment, trucks/vans, or heavy equipment.

5.2 Life span

- Capital assets with an expected useful life of less than 10 years will be funded by reserves.
- Capital assets with an expected useful life equal to or greater than ten years will be funded by reserves and debenture proceeds.

5.3 Debentures

- The term of the debt repayment will not exceed the expected useful of the asset.
- Whenever possible, as determined by funding requirements of the CIP, the term of the debt repayment will not exceed 50% of the expected useful life of the asset.
- The Town debt service ratio shall not exceed the limit established by the province (currently 15%).
- In years where total debt repayment (principal and interest) required from the operating budget is lower than the previous year, the amount of the reduction should be added to the annual transfer to the Town's Capital Reserve Fund.

5.4 Capital Cost

- Where the capital cost of the asset is less than \$50,000, or where external funding sources reduce the net cost to the Town below \$50,000, then reserve funds will be used.



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The following guidelines will be used for long term planning purposes and annual budget requirements:

Asset Category	Preferred Funding Source
Municipal Buildings <ul style="list-style-type: none"> • Town Hall • Public Works 	Debenture proceeds
Fire Equipment <ul style="list-style-type: none"> • Including trucks 	Reserves (shared with County of Kings)
Trucks/vans/light equipment	Reserves
Heavy Equipment	Reserves
Street Infrastructure <ul style="list-style-type: none"> • Pavement • Storm sewer • Sanitary sewer • Water Lines 	Debenture proceeds
Parking Lots	Debentures or reserves
Sidewalks/active corridors	Debentures
Street lighting	Debentures
Sewer Treatment Plant	Debentures
Water Treatment	Debentures and/or reserves
Recreation/Leisure/Community Facilities <ul style="list-style-type: none"> • Rec. Centre • Library • Visitor Information Centre • Decorative lights 	Debentures and/or reserves



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Asset Category	Preferred Funding Source
Parks and open space	Reserves
Water Utility Assets	Debentures and reserves as permitted by Utility and Review Board approvals.

A handwritten signature in blue ink, appearing to read 'D. M. Maudin', is written over a horizontal line.

CAO

March 10, 2016

Date