

*TOWN OF DIAMOND  
VALLEY - CAPITAL  
BUDGET 2023 TO 2028  
TEN YEAR CAPITAL PLAN  
2023 -2033*

**2023 FINANCIAL PLAN - CAPITAL BUDGET  
2023 TO 2028 ANDTEN YEAR CAPITAL PLAN  
2023 - 2033**

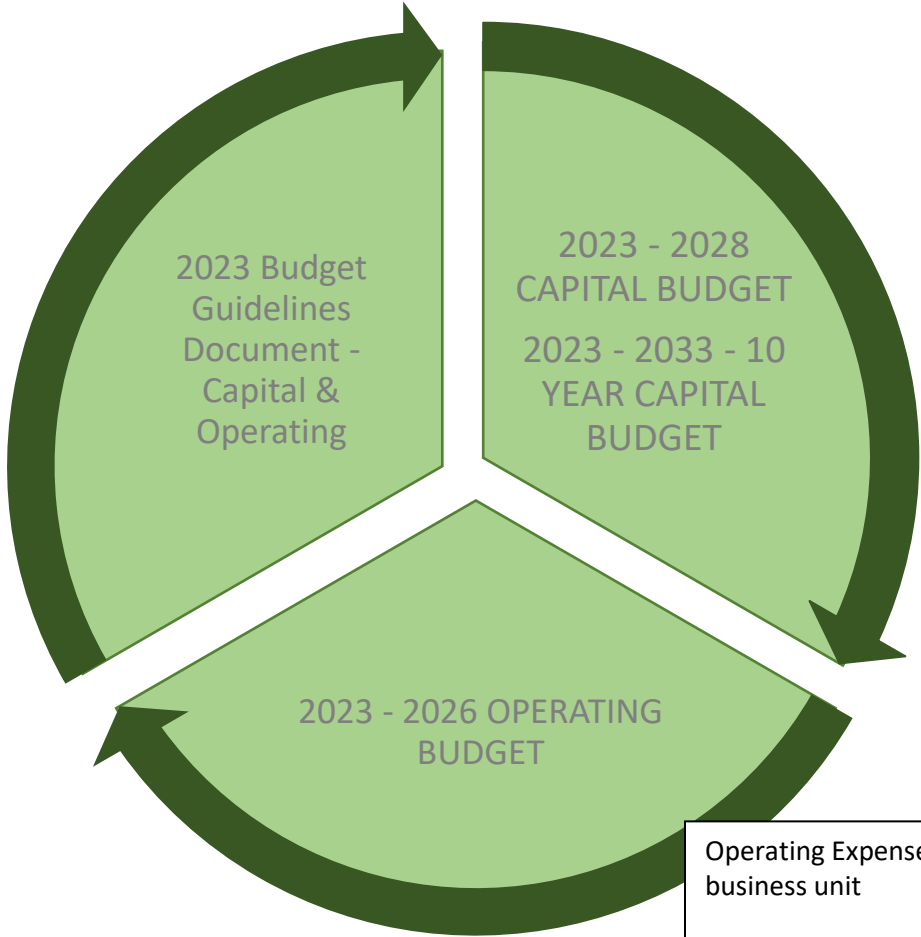
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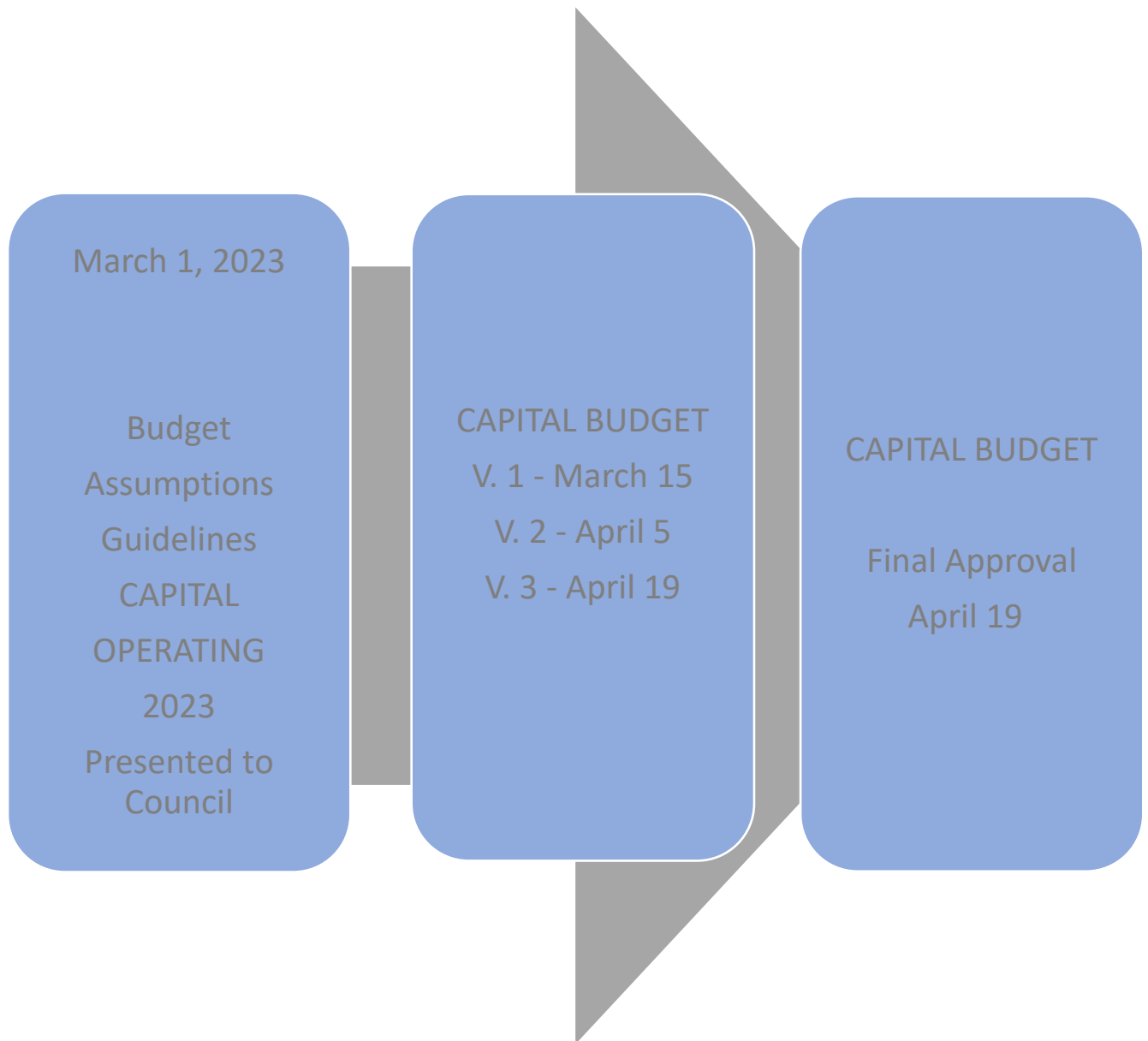
THE 2023 BUDGETING INVOLVES THREE KEY DOCUMENTS

10 year Capital Planning  
Justification Document  
TCA Ranking Document  
TCA Ranking Process



Operating Expense – by individual business unit

TIMING OF 2023 BUDGET PROCESS – Capital Budget 2023 – 2028 AND Ten Year Capital Plan 2023 - 2033



## Administration's Role in the Budget Development Process

Administration's role in the budget preparation process is responsibility for both the operating and the capital budgets each calendar year for council's review and adoption in accordance with the legislation, the municipality's financial policies, and the strategic operational plans. The MGA requires councils to adopt both an operating budget (per Section 242) and a capital budget (per Section 245) for each calendar year.

### *Adoption of capital budget*

**245** Each council must adopt a capital budget for each calendar year.

### *Contents of capital budget*

**246** A capital budget must include the estimated amount for the following:

- a) The amount needed to acquire, construct, remove or improve capital property;
- b) The anticipated sources and amounts of money to pay the costs referred to in clause (a);
- c) The amount to be transferred from the operating budget.

Administration will prepare a 10 year Capital Plan for a longer term perspective on the infrastructure needs of the Town of Diamond Valley.

## Definitions

### **Tangible Capital Assets – are non-financial assets having physical substance that:**

- Are held for the use in the production or supply of goods and services, for rental to others, for administrative purposes or for the development, construction, maintenance or repair of other tangible capital assets;
- Have useful lives extending beyond one year;
- Are used on a continuing basis;
- Are not held for re-sale in the ordinary course of operations; and

### **Cost**

- Is the gross amount of consideration given up to acquire, construct, develop or better a tangible capital asset, and includes all costs attributable to acquisition, construction, development or betterment of the tangible capital asset, including installing the asset at the location and in the condition necessary for its intended use.
- A betterment is defined as enhances/expands the capacity of existing assets. If expenditures incurred to maintain the original service level this would be classified as maintenance.

### **Fair Value**

- Is the amount of the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties under no compulsion to act.

### **Net book value**

- of a TCA is its cost , less both accumulated amortization and the amount of any write-downs.

### **Useful life**

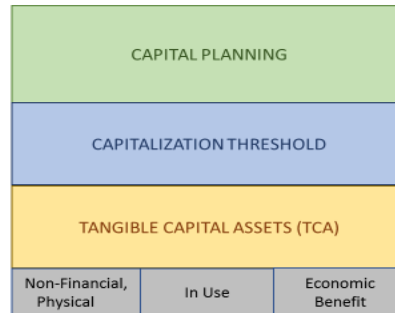
- is the estimate of either the period over which a TCA is expected to be used, or the number of units until the expiration of the asset. The life of a TCA may extend beyond the useful life of a tangible capital asset. The life of a TCA, other than land , is finite, and is normally the shortest of physical, technological, commercial and legal life.

*Source: CPA Canada Standards and Guidance – PS 3150 Tangible capital assets*

# TANGIBLE CAPITAL ASSET ASSUMPTIONS

## 1. STRATEGIC PLANS/POLICY DIRECTION

All budgets shall be prepared in accordance with the policies of the town or as outlined in the Municipal Government Act RSA 200 Chapter M-26 as amended referenced in sections 242(1) to 249(1). The CAO and the Department Managers shall be responsible for the compilation of their department budgets.



It is a requirement of the Town of Diamond Valley to prepare a tangible capital asset budget of five years 2023 – 2028 as well, a five year forecast to plan 2029 – 2033 will be presented providing a longer term forecast on infrastructure and equipment replacement requirements. As outlined by the MGA;

Capital Plan – is a multi-year plan that lists the physical assets, and the infrastructure needs of the Town. It is critical during the Capital budgeting process to complete the necessary needs assessment for the Town of Diamond Valley. Within the Capital Budget are how the projects are to be funded and the commencement and timing of the capital projects.

*The Tangible Capital Assets requests must comply with PS 3150 of the Public Sector Accounting Handbook.*

## 2. INFLATIONARY ASSUMPTIONS:

Where actual project costs are available these should be utilized when determining budget project costs. For the Budget 2023 assume 6.5% inflation costs for projects. For the years beyond the 2023 Budget assume inflation at 4.0% for each year.

### 3. CAPITALIZATION THRESHOLDS

- Land (no threshold; all land to be capitalized)
- Land Improvements \$ 5,000
- Buildings \$ 25,000
- Engineered Structures \$ 25,000
- Machinery & Equipment \$ 5,000
- Vehicles \$ 5,000

This applies to Contributed Assets as well.

#### **Contributed Assets:**

Represent items that have been contributed to the Town at no cost to the Town. Examples of such assets would include;

- Spray Park
- Campground

As they will bring value to the Town they must be recorded at “fair value”.

#### **Betterments of Existing Tangible Capital Assets:**

The Town of Diamond Valley will employ capital to maintain the existing physical assets so that they are available for use. These expenditures need to be evaluated to determine whether they “enhance” the tangible capital asset or whether the cost is simply a repair to keep it in its existing condition. To be classified as a betterment it must meet the following criteria;

- Service potential is enhanced;
- Significantly lower operating costs;
- Extend the useful life of the asset; or
- Improved quality of the output.

Enhancements or betterments would be considered a part of the capital budget. Repairs and maintenance would be operating budget activities.

### 4. MAJOR ASSET CLASSIFICATIONS

The following are a list of commonly used asset classifications:

**Engineered Structures** – include engineering and design work, permanent structural works such as roadway systems, water systems, sewer systems, and storm water systems.

**Buildings** – include permanent, temporary or portable building structures, such as offices, garage, warehouses, and recreational facilities intended to **shelter** the following; persons and/or goods; machinery; equipment; and working space.



**Machinery & Equipment**- include equipment that is heavy equipment for constructing and maintaining infrastructure as well as smaller equipment in buildings and offices. It may be installed within a building or is capable of being moved and reinstalled and an alternate facility/location.

**Vehicles** – primarily used for the transportation of persons or things or designed to be towed behind.

**Land** – includes land that is purchased or acquired for value for parks and recreation, building sites, infrastructure (i.e. roadway systems) and other program use, excludes land for resale.

**Land Improvements** – include site improvements that ready land for its intended use, which generally deteriorate or breakdown over time.

## 5. CAPITAL BUDGET DOCUMENTS

The following will be the primary documents that will be utilized for the 2020 – 10 Year Capital Planning Working document:

[TCA and MOE Form](#)

[Ranking Criteria](#)

[Ten Year Capital Plan 2023 to 2033](#)

## 6. OTHER KEY TANGIBLE CAPITAL ASSET ISSUES:

**Studies** – are not considered a Tangible Capital Assets and therefore, should not be included in the Capital Budget. If a study is subsequently used for the purchase or construction of a Tangible Capital Asset, the cost of the study will be capitalized at that time. This would be considered a MOE – major operational expenditure.

**The 2023 Budget Process approval for Tangible Capital Assets will be required to go through a ranking process.**

## 7. RANKING REQUIREMENTS ADDED

The ranking criteria should be identified as either

1. Non-discretionary criteria (CRITICAL)

- Council directed Program/Service (“must”)
  - Required for regulatory/code compliance (mandated; federal/provincial, MGA, other)
  - Essential to support critical operational programs or services
2. Discretionary criteria (COUNCIL STRATEGIC PRIORITY)
    - Council approved Program/Service (“should”) and/or policy (Strategic Priority)
    - Regulatory/compliance impacts (enhance/improve)
    - Fiscal Management (i.e. External funding source, asset end of life management)
    - Community and social impacts
  3. Makes Sense criteria (Administration Recommendation)
    - Supporting business case
    - Positive Return on Investment (ROI)
    - Regional collaboration
    - Necessary upgrades

Once the RANKING PROCESS has been completed an AUTHORIZATION FOR EXPENDITURE (AFE) will be required (APPENDIX A) with link to template for 2020 Capital Budget items only.

The following information will be required to support the AFE:

- I. **CRITERIA – Reference to the Type of Tangible Capital Asset.**
- II. **DESCRIPTION – Describe the project/program and the purpose.**
- III. **JUSTIFICATION –**
  - a. **Why? Details on why the project or program is being recommended.**
  - b. **What? The benefits of the project/program.**
  - c. **Who? Who will be managing the project third party vs internal resources.**
  - d. **Overall Cost/Benefit analysis to ensure this is the appropriate decision.**
- IV. **ALTERNATIVES AND OPTIONS – if there are choices available, please discuss.**
- V. **CHANGES IN OPERATIONS – whether it is an increase or decrease in FTE’s other efficiencies should be discussed. Any additional information that can support the project.**
- VI. **FINANCIAL REQUIREMENTS – ROI (Return on Investment), CASH FLOW/FFO – Funds from Operations. Additional financial impact to the organization.**
- VII. **FUNDING SOURCES – MAJOR FUNDING SOURCES**
  - a. **Cash flow**
  - b. **Borrowing**
  - c. **Debt Financing**
  - d. **Grant possibilities**

## 8. FUNDING OPTIONS

There are internal and external sources of funding that are available to the Town of Diamond Valley to support capital expenditures.

Internal sources include:

- Taxes – a user fee is utilized whereby the revenue is dedicated to a specific expenditure or project.
- Reserves – financing capital projects through reserves is the reverse of borrowing, instead of borrowing to finance capital projects and repaying the debt in the future, reserves reverse that timetable.
- Local Improvement Levy – charge is added to existing property tax bills on residential/commercial/industrial properties to pay for additional or improved infrastructure that border on resident’s properties. The value is based on the capital expenditure and is spread out over a number of years.
- Developer Fees – a charge to developers to pay for the costs of growth related to capital projects. These charges would capture services such as sewers, watermains, and roads/sidewalks.

External sources include:

- Grants – government transfers are utilized to encourage residents to stay in their community. They fund large infrastructure projects and would result in considerable hardship for the town if they were required to fund on their own.

The primary funding options available to the Town are:

- MSI – Capital (\$120,000 base funding/48% on a per capita basis, 48% based on education property tax requisitions and 4% based on kilometers of local roads. This fund ends in 2023 and will be replaced with the Local Government Fiscal Framework (LGFF) beginning in 2024.
- Provides funding on a broad range of categories:
  - Municipal roads
  - Bridges
  - Public transit – vehicles/facilities
  - Emergency services facilities/equipment
  - Parks, Recreation and Sports Facilities
  - Solid Waste Management
  - Water/Wastewater
- Canadian Community Building Fund (CBBF) – will run until 2024. Provides predictable, long term, stable funding for Canadian municipalities to help them build and revitalize local public infrastructure.

Eligible project categories include:

- Local roads and bridges
- Highways
- Public transit
- Wastewater
- Storm water
- Solid waste
- Sport infrastructure
- Recreational infrastructure
- Community energy systems
- Cultural infrastructure

- Other Municipal Grants that are available can be found at :

<http://www.municipalaffairs.alberta.ca/all-grants>

# APPENDIX A – TCA\_MOE FORM 2023

<b>TOWN OF DIAMOND VALLEY</b>			
<b>TCA and MOE FORM - 2023 FINANCIAL PLAN</b>			
<b>DEPARTMENT:</b>	<input type="text"/>	<b>FUNDING SOURCE:</b>	<input type="text"/>
<b>DATE SUBMITTED:</b>	<input type="text"/>		
<b>PROJECT TITLE:</b>	<input type="text"/>		<b>FUNDING ESTIMATE:</b>
<input type="text"/>			<input type="text"/>
<b>PROJECT TIMING - START DATE:</b>	<input type="text"/>	<b>COMPLETION DATE:</b>	<input type="text"/>
<b>TANGIBLE CAPITAL ASSET (TCA)</b>	<input type="text"/>	<b>MAJOR OPERATING EXPENDITURE:</b>	<input type="text"/>

**DESCRIPTION OF PROJECT:**

**ASSET CLASS:**

**JUSTIFICATION:**

*Detail why the project is being recommended, potential benefits and costs.*

**STAFF ADDITIONS/DELETIONS:**

**INCREMENTAL OPERATING IMPACT:**

*\*Please insure that these are reflected in your Operating Budgets.*

**OTHER INFORMATION AS NECESSARY:**

## APPENDIX B – TCA RANKING CRITERIA

### 2023 CAPITAL BUDGET PROCESS - Current Year Capital Projects

			Risk Level - High	Risk Level - Moderate	Risk Level - Low	WEIGHT	RANK	SCORE
	CRITERIA	DESCRIPTION	3 CRITICAL	2 HIGHLY RECOMMENDED	1 LOW PRIORITY	5	3	15
1	<b>Non-Discretionary</b>	Project spending that is a regulatory requirement and is not at the discretion of the Town of Turner Valley  Necessary for the safety of residents Contractual obligation to continue to fund	*Council directed program/activity to adhere to strategic objectives *Required for regulatory/code compliance; (Environmental; OH&S; Licensing; Government mandated; MGA; etc.) *Contractual obligation to fund and complete the project	*Essential to support critical operational programs of the Town. *Delivery of essential services.	*A lower-ranked "non-discretionary" project, which Council may not fully support or remains undecided  *Third party funding is available which could reduce project costs	5	3	15
2	<b>Community Development/Growth Management Destination Community</b>	Aligns with the strategic priorities and key results as outlined by Council.	*Implements and/or conforms with Council written and/or adopted plan	*Conforms with a departmental plan or policy	*Conforms with past practice	5	3	15
3	<b>Optimized Service Delivery and Fiscal Responsibility</b>	Capital investment to reduce and save on operating costs	*ROI is greater than 6% annually	*ROI between 4% and 6% annually	*ROI between 0% and 4%	5	3	15
4	<b>Infrastructure Renewal</b>	Programs that relate to asset maintenance or expenditures that have recurring/annual cycle	*Asset failure highest risk level to public.  (Risk = Consequence of failure X probability of failure)	*Asset failure having medium criticality or risk. *Annual replacement program, essential to avoid a predictable material failure in the current budget period.	*Asset failure having low criticality or risk  *Necessary replacement deferral will result in increased maintenance cost to the Town.	5	3	15
5	<b>Adopted Master Plan</b>	Complements and supports the Town's long range plans	*Implements and/or conforms with Council adopted written policy/plan	*Conforms with an established business unit policy/plan	*Conforms with an established departmental policy/plan (ie. Facilities - swimming pool/pathway)	4	3	12
6	<b>Health &amp; Safety</b>	Meets quality of life, OH&S safety and/or health requirements (public and staff)	*Urgent to meet emergency situations to remedy or prevent major health or safety hazards	*Essential to remedy or prevent a major health or safety hazard	*Potential hazard - deferral would increase significant levels of hazard	5	3	15
7	<b>Service Levels &amp; Standards</b>	Current Town services and programs provided which residents are accustomed to	*Significantly improves service delivery and will be utilized by multiple users	*Moderately improves service delivery	*Minimum level of improvement to service delivery	3	3	9
8	<b>Community</b>	Engaging public by communicating information and identifying/addressing community priorities and values	High impact on broader Community goals (environment, economy, social, public services)	Medium impact on broader Community goals (environment, social, public services)	Low impact on broader Community goals (environment, economy, social, public services)	4	3	12
9	<b>Operational Program Support</b>	Project supports operational programs and/or activities (including programs and/or initiatives already underway)	*Essential for critical operations (ie. IT systems, core service delivery)	*Meets and /or supports new initiatives and operational programs	*Sustains/maintains standard operations	3	3	9
Total Score								117

\*Total score ` 117 with respect to #2 and #3 can only utilize one in the total.

\*\*Total possible score – in the right hand column.

WEIGHT - represents the critical nature of the project, NON - DISCRETIONARY will be ranked highest at 5 lowest would be 1

RANK - would be 1 to 3 based on high/medium/low