Corporate Policy

CP.7.1.16

Section: Corporate Services

Subsection: Finance

Subject: Capital Budget Policy

Approval Authority: 2026.06.24-CR-02

Effective Date: June 24, 2026

1. Policy Statement

Council recognizes that capital infrastructure is essential to delivering safe, reliable, and effective municipal services. The Town of Innisfil is committed to budgeting strategies that support the Long-Range Financial Plan principles of financial sustainability, maximizing financial flexibility, and minimizing financial vulnerability.

2. Purpose

The purpose of the Capital Budget Policy is to establish a consistent, transparent, and fiscally responsible framework for planning, financing, approving, and managing capital expenditures for the Town of Innisfil. This policy supports the Town's long-term financial sustainability, asset management objectives, service delivery standards, legislative compliance, and strategic priorities.

The policy is intended to ensure that capital investments are:

- Aligned with Council-approved strategic priorities, asset management, and master plans and studies
- Affordable and sustainable over the long term
- Prioritized based on community need, risk, and regulatory requirements
- Funded using prudent and appropriate financing strategies
- Managed in accordance with applicable legislation, including the Ontario Municipal Act, 2001 and Ontario Regulation 588/17: Asset Management Planning for Municipal Infrastructure.

3. Definitions

Capital Budget: The Town's overall budget plan to purchase, build, maintain, repair, and replace assets including infrastructure. Capital assets also directly and indirectly impact the operating budget as funds are needed to cover day-to-day operating expenses associated with the newly created asset. It also includes study projects that support asset development and long-term objectives.

Capital Program Project: A capital program project is a group of similar capital projects or related program of work that share a common funding source and type of work. The approved capital program budget represents the total budget authorized for all projects within the program and provides flexibility to manage budget variances between individual projects. Savings realized on one project may be used to offset additional costs on another project within the same program, provided the total approved program budget is not exceeded. Examples include the “Roads Rehabilitation Program” and the “Fleet Services Sustain (Replace) Vehicles & Equipment Program.”

Capital Project: The planning, acquisition, replacement, upgrade, or expansion of capital assets. Capital projects can also be for engineering and planning projects, assessments, studies, and Non-Tangible Capital Assets. The length of the project will depend on the complexity of the project or asset. A capital project has a lasting benefit beyond one year and a gross cost exceeding $10,000.

Non-Tangible Capital: Project costs associated with capital assets that are not recorded as Tangible Capital Assets or amortized for financial reporting purposes. Examples include studies, historical treasures, works of art and natural resources.

Scope Change: A material deviation from the capital project scope approved through the budget or subsequent authorization process, including changes to the project’s purpose and deliverables.

Tangible Capital Assets: Non-financial assets having physical substance with an expected useful life of more than one year.

4. Responsibility

Council is responsible for:
- Establishing priorities through the Strategic Plan
- Establish budget guidelines and priorities by way of Budget Policy and other financial policy documents
- Review, deliberate and approve the Budget
- Review and approve capital budget amendments as identified in 6.8(b)
- Ensuring long-term financial sustainability

CFO/Director of Corporate Services is responsible for:
- Ensuring that the Town’s financial policies and recommended budgets are financially sustainable, and reflective of the Town’s Strategic Plan
- Overseeing the budget process, including engagement, communication and administration of the Budget, both internally and externally
- Applying appropriate risk assessments associated with the capital forecast and advise the CAO and Council of same
- Together with the Treasurer may approve an increase to an existing Council approved Capital Project, provided that cumulatively the budget increase per project does not exceed $50,000

Treasurer is responsible for:
- Planning, leading and coordinating the overall preparation of the Budget, both internally and externally.
- Ensuring adherence to budget policies and financial policies as approved by Council

- Developing capital funding and financing strategies for the Budget to ensure long-term affordability
- Monitoring reserve and reserve funds balances and debt levels
- Coordinating with Local Boards to incorporate their budget requirements into the Budget and forecasts
- Together with the CFO/Director of Corporate Services may approve an increase to an existing Council approved Capital Project, provided that cumulatively the budget increase per project does not exceed $50,000

Service Area Leaders and Project Leads are responsible for:
- Identifying capital requirements
- Maintaining asset condition information
- Preparing capital project submissions
- Managing capital projects within the approved project budget

5. Application

The policy applies to all service areas responsible for the control, administration and management of the Town’s capital budgets.

6. Administration

6.1 Term of Capital Budget and Forecast

In accordance with the Multi-Year Budget Policy, the capital budget will always be a minimum 10-year plan. Council will approve a 2-year capital budget and receive an 8-year forecast.

6.2 Types of Capital Projects

a) Infrastructure renewal or replacement projects are for the purpose of preserving existing capital assets and preventing costly replacement in the future, or lifecycle replacement of existing assets. Capital planning shall be informed by the Town’s Asset Management Plan and lifecycle analysis to support sustainable infrastructure renewal.
b) Growth-related capital projects are for the purpose of acquiring new capital assets to provide an established level of service within the Town due to growth and development. All growth-related capital projects proposed in the capital plan shall meet the Town’s long-term needs and priorities, as identified in the Town’s Master Plans, which are informed by the Official Plan and Secondary Plans.
c) Other capital projects include, but are not limited to studies, technology systems, software upgrades, and Non-Tangible Capital Assets.

6.3 Capital Budget Project Requests

Each Capital Budget project request shall include the following information. Staff may review and revise the required information during each budget cycle to ensure all relevant data necessary for prioritization and decision-making is available:

a) Project description, justification and implications
b) Alignment with master plans, strategic and asset management objectives

c) Estimated capital and operating costs
d) Proposed funding sources
e) Forecasted cash flow of capital costs
f) Project timing and lifecycle implications; and
g) Identified risks and dependencies.

6.4 Funding Capital Projects

The Town shall strategically utilize eligible funding sources including:

a) Growth revenues such as Development Charges (DCs) and other growth funding revenues such as Community Benefit Charges, Cash-in-lieu of Parkland
b) Grants and external revenues
c) Town and other reserve & reserve funds where applicable
d) Debt financing of a capital project. Decisions on debt financing a capital project will be informed by evaluating the cost-benefits of using debt, and consider factors such as fiscal sustainability, fiscal health, the expected useful life of the asset and intergenerational equity(sharing of asset costs between current and future users and taxpayers), and debt limits set-out in Town's Debt Management Policy.

6.5 Grant Funding

The Town shall actively pursue applicable provincial and federal infrastructure funding opportunities. Grant-funded projects shall consider:

a) municipal matching requirements;
b) future operating impacts;
c) project readiness; and
d) long-term affordability.

Acceptance of grant funding remains subject to Council approval where required.

6.6 Capital Reserve Funds

The Town shall maintain capital reserve funds to support the capital budget, promote long-term financial sustainability, and reduce reliance on debt and unexpected tax increases. The capital reserve funds help ensure that infrastructure and major assets can be repaired, replaced, or expanded in a planned and affordable manner.

Annual contributions to the Capital Reserve Fund through the 1% Capital Levy shall be aligned with long-term infrastructure funding requirements identified through asset management planning and reviewed as part of each annual budget cycle.

Additional details regarding the Town's reserves and reserve funds, including target balances, funding sources, and purposes, are set out in the Town's Reserve and Reserve Fund Policy.

6.7 Prioritization of Capital Projects

The Capital Budget will be informed by the Town's Strategic Plan, master plans and studies. Projects will be prioritized base on need and risk, including consideration of the following:

a) Legislative or regulatory compliance
b) Public health and safety
c) Asset condition and risk of failure

d) Service level impacts
e) Growth requirements
f) Strategic alignment
g) Financial impacts – full lifecycle cost of assets, including operating, maintenance, replacement, and disposal costs.

6.8 Budget Controls

a) The approved capital budget establishes the capital spending authority, subject to applicable Town policies, such as the Procurement By-law.
b) Budget amendments that require Council approval include:
   - material change in scope
   - change in funding type/source
   - cancelling or deferring an approved project
   - adding a new capital project
   - request to increase the project budget by more that $50,000
c) Together the CFO/Director of Corporate Services and Treasurer may approve an increase to an existing Council approved Capital Project, provided that cumulatively the budget increase per project does not exceed $50,000
d) When an approved capital project is completed, cancelled or closed, the unused funding shall be returned to its original funding source
e) The receipt of grant funding does not provide Staff with authority to increase spending on a capital project. Where grant funding is received for an existing capital project, an equivalent amount of Town funding shall be returned to the original funding source. Council approval is required where grant funding would result in an increase to an existing project budget or the creation of a new capital project.

6.9 Closure of Capital Project

A Capital Project will be closed if any of the following criteria are met:

a) Project completed at or under budget
b) Project completed over budget and additional funding has been approved through Council or the CFO and Treasurer approval
c) Project cancelled or deferred
d) There has been no activity for 18 months
e) There is a substantive change in the scope of the capital project

When a capital project is closed, any remaining funding will be returned to the originating funding source.

Invoices received after the closure of a capital project require Treasurer authority to approve payment of the invoice from the funding source(s) originally approved for the project; that is, providing the total cost of the project is within the original project budget. Invoices not within the original budget must be addressed according to section 6.8 of this policy.

6.10 Program Capital Projects – Annual Review

Unexpended balances associated with active Program Capital Projects may be carried forward into the subsequent fiscal year, subject to an annual review by Finance and Council approval through the year-end reporting process.

6.11 Budget Monitoring and Reporting

a) The Treasurer will report quarterly to Council on the status of capital projects and performance versus budget. These reports will include updates on the project status and timelines, budget variances, and may include requests for capital project amendments such as the request for additional funds, or material changes in scope.

b) Service area leaders, in consultation with Finance Staff, will prepare and submit a Report to Council for any budget amendments outside of the annual budget process. These budget amendments may include a request to increase a capital project budget greater than $50,000, scope changes, consolidation, deferral, or closing of a capital project. These budget amendments may be reported as part of the Finance quarterly report or as a separate report to Council.

6.12 Policy Review

This policy shall be reviewed at least once every Council term, or earlier as required by legislative changes, financial conditions, or Council direction.

7. Exceptions

There are no exceptions to this Policy.

8. References

Asset Management Plan
Long Range Financial Plan
Multi Year Budget Policy
Reserve and Reserve Fund Policy
Tangible Capital Asset Policy

9. Revision History

Revision No.	Date	Summary of Changes	Approval Authority
V1	2011.08.10	Adoption	CR-191-08.11
V2	2026.06.24	Update	2026.06.24-CR-02