



DRUMHELLER

COUNCIL POLICY



COUNCIL POLICY #01-04 ✓

CAPITAL FINANCING POLICY

THE PURPOSE OF THIS POLICY

THIS POLICY IS TO PROVIDE GUIDELINES FOR THE DEVELOPMENT OF A LONG TERM CAPITAL FINANCING STRATEGY, WHICH INCLUDES FUNDING REQUIREMENTS FOR ANNUAL CAPITAL EXPENDITURES AND THE DEVELOPMENT OF TARGET RESERVES SO THAT THE MUNICIPAL INFRASTRUCTURE CAN BE MAINTAINED.

POLICY STATEMENTS

1. MUNICIPAL TAX-SUPPORTED CAPITAL EXPENDITURES WILL:
 - A) Be determined annually by the Multi Year Plan ten (10) year average expense required to maintain the infrastructure at its current condition.
 - B) Set a reserve target level in accordance with Attachment 1 - Capital Financing Strategy. Any funds available after the requirements in section A have been met will be allocated to the appropriate reserve.
 - C) Be on a pay-as-you-go basis: borrowing will not be permitted.

2. WATER AND SEWER UTILITY CAPITAL EXPENDITURES WILL:
 - A) Be determined annually by the Multi Year Plan ten {10} year average expense required to maintain the infrastructure at its current condition.
 - B) Be self supporting and financed by utility revenues.
 - C) Set a reserve target level in accordance with Attachment 1. Any funds available after the requirements in section A have been met will be contributed to



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the appropriate reserve.

D) Be on a pay-as-you-go basis: borrowing will be permitted. However, all borrowing must be supported through utility rates and borrowing shall not exceed borrowing limits established by Council for the Utility.

3. EXPENDITURES FOR OTHER SELF-SUPPORTING PURPOSES WILL:

A) Be financed, from various sources, but only through debt when sufficient capital reserves are not available to finance the project

B) When borrowing is required the term shall not exceed the life of the improvement.

4. OPERATING CONTINGENCY RESERVE WILL:

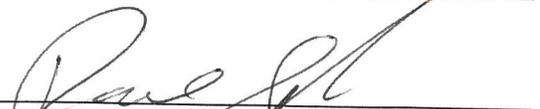
A) Be funded from reserve contributions as outlined by the Long Term Capital Financing Strategy (Attachment 1).

B) Set a reserve target level equal to two to three months worth of operating expenses.

C) Investment income earned on the Operating Contingency Reserve will be applied to the capital reserves.

Adopted by Council

Date: April, 5, 2004



Mayor of Drumheller



Chief Administrative Officer