

POLICY

#460



	Title: Capital Priorities Policy
Legal References: Municipal Government Act	Policy Category: Engineering Services
Cross References: Tangible Capital Assets Policy Corporate Strategic Plan	Effective Date: December 1, 2015 Revision Date:
<p>Purpose:</p> <p>The purpose of the Capital Priorities Policy is to establish criteria to guide Administration in developing and maintaining a priority list for sequencing of <i>Capital Infrastructure Projects</i>. The projects should align with the County's current strategic plan and have been developed in response to a corporate business need or service demand.</p> <p>Definitions:</p> <p>"Capital Infrastructure" means a system or works that is used to provide a public service and may include, but not be limited to, water or wastewater systems, public transportation systems, storm drainage systems, flood protection, fire protection, public recreation, public facilities, acquisition or improvement or development of land, vehicles or equipment and includes the planning or engineering related to the specific system or works.</p> <p>"Capital Infrastructure Project" means a County project that has a budget greater than \$400,000 and will result in the creation of a new or improved <i>tangible capital asset</i>.</p> <p>"County" means Rocky View County.</p> <p>"Engineering Report" means a report generated by a professional who is licenced to practice engineering or architecture in Alberta that evaluates a <i>capital infrastructure</i> need and identifies estimated probable costs to implement a resulting project.</p> <p>"Priority List" means a numerical list of <i>capital infrastructure projects</i> requiring budgeting and workforce scheduling.</p> <p>"Project Proponent" means the party or department that has requested the <i>capital infrastructure project</i> be considered under this Policy. The Project Proponent is considered the champion of the <i>capital infrastructure project</i> and plays a key role in the project delivery process.</p> <p>"Project Brief" means the high level summary that formalizes the project, documents the business or community need, captures the project scope, identifies risks and establishes the requirements for successful completion. The Brief will be used in the <i>ranking</i> process to determine the timing of work proceeding.</p> <p>"Ranking" means the procedure by which all existing or proposed <i>capital infrastructure projects</i> are assessed for budgeting and workforce schedule considerations.</p> <p>"Strategic Plan" means the County Council's current Strategic Plan that sets the framework for priorities in day to day business in Rocky View County. Alignment with the strategic plan shall be considered in the ranking of <i>capital infrastructure projects</i> or initiatives.</p> <p>"Tangible Capital Asset" means a non-financial asset having a physical substance. <i>Tangible capital assets</i> are recognized as assets on the County's financial statements when the asset is put into use for its intended purpose.</p>	

Policy Statements:

1. County Administration will establish a 10 year capital priorities list which may be revised annually.
2. The policy will identify an objective ranking system with a needs based approach that will be used in prioritizing County investment in *capital infrastructure projects*.
3. The County intends to make sound investment decisions as it relates to the construction of *capital infrastructure* and through the ranking process will prioritize projects that align with County strategic plans, incorporate community level priorities and provide desired services to the public.
4. The County, through this policy, will establish an annual capital infrastructure program that will see projects advance in accordance with their *ranking* and the annual budgeting process. A *priority list* shall be maintained for use in the annual budgeting process.
5. The County shall follow established standards and sustainable practices, including life cycle cost analysis, when selecting solutions to service delivery via *capital infrastructure*.
6. The County may utilize third party engineering assessments, as needed, to develop *project briefs* or preliminary design reports. These costs are eligible under this policy.

Eligibility

7. Projects eligible for advancement under this policy:
 - a. must have a project budget value over \$400,000;
 - b. must create a new or improved *tangible capital asset*;
 - c. may claim third party engineering costs as an expense.

Ranking Criteria

8. Administration will rank *capital infrastructure projects*, using the information contained in the approved *project brief* and corresponding engineering reports, on an annual basis.
9. Re-evaluation of a *capital infrastructure project* may occur during the annual ranking process should any of the inputs to the *project brief* change in a material way that affects the *ranking* score.
10. Administration will prioritize those *capital infrastructure projects* that have identified funding sources not including tax revenue support under this policy. Options available may include stakeholder contributions, local improvement taxation, available government grant programs or other third party sources.
11. Ranking shall be based on responses to the following weighted criteria:

Strategic Significance (maximum of 19 points)

The criteria included in this category are designed to measure the strategic importance, both current and historic, of the capital project being considered.

1. County Critical Objective (Max 11pts – select all that apply)

If a capital project directly addresses a critical objective, the relative attractiveness of that project increases.

- A. Identified in a strategic plan, comprehensive plan, project plan, other study or a Council decision. (7 points)
- B. Allows Council and Administration to maintain an existing service standard or operational requirement previously committed to by Rocky View County.(4 points)
- C. Important but not critical. (1 point)

2. Resource Allocation in Previous Years (Max 8pts – award up to 2 criteria)

Has the capital project or related projects consistently been identified as priorities in prior fiscal periods? (Max 6 points)

- A. The County has identified this program area as a priority and allocated resources for over 5 years. (6 points)
- B. The County has identified this program area as a priority and allocated resources within the last 5 years. (4 points)
- C. The project was never identified in prior fiscal periods. (0 points)

Financial Impact and Benefit (maximum of 30 points)

The criteria included in this category are designed to measure the financial impacts and benefits of the capital project being considered. In order to appropriately evaluate the capital project under this category, financial tools such as net present value may be utilized.

3. Nature of the Investment (Max 4pts – select one criteria)

Does the capital improvement request replace or maintain an existing asset or provide for a new capital asset?

- A. Maintenance of an existing asset (4 points)
- B. Replacement of an existing asset (3 points)
- C. Expansion of an existing asset (2 points)
- D. New capital asset (1 point)

4. Capital Costs (Max 5pts – select one criteria)

These represent the annual total costs, including future year capital costs. Also to be considered is whether the proposed project will reduce future capital costs, for example, a rehabilitation project that averts a more expensive, subsequent replacement, and the extent of such savings.

- A. Lower future capital costs (5 points)
- B. High future capital costs (-5 points)
- C. No impact (0 points)

5. Annual Costs (Max 6pts – select all that apply)

The expected change in operation and maintenance costs. Operating departments provide year-by-year estimates of the additional costs or reductions likely in the operating budget because of the new project. Also to be considered is changes in revenues, which may be affected by a project, for example, the loss of property taxes incurred when private land is used for a capital project.

- A. Lower operating costs (3 points)
- B. Higher source of revenues (2 points)
- C. Increases in productivity or opportunity (1 point)
- D. Higher operating costs (-1 point)
- E. Lower source of revenues (-2 points)
- F. No impact (0 points)

6. Project Timing and Cost Benefit (Max 5pts – select all that apply)

Project implementation is often time sensitive and unnecessary costs can be incurred if critical infrastructure projects are delayed. A priority should be placed on projects that are ready for implementation and have low risk scopes that can be managed from a schedule perspective.

- A. Implementation under County control (no complicated regulatory approvals, land acquisition, 3rd party agreements) (3 points)
- B. Project requires completion within 10yr timeframe (2 points)
- C. Project need is beyond a 10 year timeframe (-5pts)

7. Implication of Deferring the Project (Max 10pts – select all that apply)

Deferring capital projects is tempting for hard-pressed governments, but an estimate of the possible effects, such as higher future costs and inconvenience to the public, provides valuable guidance in proposal assessment.

- A. Deferral of the capital project will significantly increase the cost of the project (4 points)
- B. Deferral of the capital project will significantly increase the inconvenience to the public (3 points)
- C. Deferral of the capital project will increase operating costs (2 points)
- D. Deferral of the capital project will inhibit productivity improvements (1 point)

Community and Regional Benefit (maximum of 43 points)

The criteria included in this category are designed to measure the community and regional benefit, including public perception of a capital project.

8. Health and Safety Effects (Max 5pts – select all that apply)

This criterion includes health-related environmental impacts like reductions/increases in traffic accidents, injuries, deaths, sickness due to poor water quality, health hazards due to sewer problems, etc.

- A. Positive impact on public health (3 points)
- B. Positive impact on public safety (2 point)
- C. No impact (0 points)

9. Community and Citizen Benefits (Max 11pts – select all that apply)

Economic impacts such as property values, the future tax base, added jobs, income to citizens, changes in business income, and the stabilization (or revitalization) of neighborhoods. Such impacts may apply more to capital projects related to growth and expansion than to infrastructure maintenance though deteriorating structures can adversely affect business.

- A. Add to tax base (4 points)
- B. Promote economic development (3 points)
- C. Create employment in a County community (3 points)
- D. Stabilize or revitalize neighborhood(s) (1 point)

10. Environmental, Aesthetic, and Social Effects (Max 11pts – select all that apply)

A catch-all criterion for other significant quality-of-life related impacts, this includes community appearance, noise, air and water pollution effects, households displaced, damage to home, effect on commuters, changes in recreational opportunities, etc.

- A. Improved environmental protection effort (clean air, land and water) (5 points)
- B. Improved quality of life for residents (i.e. noise, light pollution) (3 points)
- C. Improves community appearance (2 points)
- D. Improves recreational/cultural opportunities (1 point)

11. Distributional Effects (Max 5pts – select one criteria that best applies)

Estimates of the number and type of persons likely to be affected by the project and nature of the impact. Equity issues are central here – who pays, who benefits.

- A. Significant multi-jurisdictional benefit (5 points)
- B. County wide benefit (4 points)
- C. Benefits one area of the County (2 point)
- D. No impact (0 points)

12. Public Perception of Need (Max 5pts – select all that apply)

This criterion refers to project assessment of (a) the extent of public support; (b) interest group advocacy and/or opposition.

- A. Identified in comprehensive plan, project plan or other study (3 points)
- B. Specific request of the Council (2 point)
- C. Knowledge of public perception of need unknown (0 points)
- D. Public opposition (-1 point)

13. Effect on Inter-jurisdictional Relationships (Max 6pts – select all that apply)

Possible beneficial/adverse effects on relationships with other jurisdictions or quasi-governmental agencies in the area constitute this criterion. Such effects, e.g., waste disposal via landfills in other jurisdictions, are likely to require special regional co-ordination and could impair the proposal's attractiveness.

- A. Inter-jurisdictional benefit will be achieved (3 points)
- B. Inter-jurisdictional project that has the support of another community or agency (2 points)
- C. Inter-jurisdictional project that will need to obtain approval from another municipality (1 point)

Project Feasibility (maximum of 8 points)

The criteria included in this category are designed to measure the certainty of information available and the likelihood that a project would proceed and be successful.

14. Feasibility and Planning of Implementation (Max 5 pts – select one criteria)

This element is a measure of (a) special implementation problems (e.g., physical or engineering constraints) and (b) compatibility with capital planning horizons established by the County.

- A. Feasibility of implementation is manageable and project is planning completion within 10 budget years (5 points)
- B. Feasibility of implementation presents special challenges and project is planned for completion within 10 budget years (3 points)
- C. Feasibility of implementation is manageable and project is planning completion beyond 10 budget years (2 points)
- D. Feasibility of implementation presents special challenges and project is planned for completion beyond 10 budget years (0 points)

15. Certainty of Information Supplied (Max 3pts – select one criteria that best applies)

Amount of uncertainty and risk – For each proposal, each of the above criteria will have associated with it some degree of uncertainty as to cost estimates, effect on service quality, or impact of new procedures. When substantial uncertainties exist regarding any of the evaluation criteria for any proposal, the County should consider estimating, at least in broad terms, the amount of uncertainty – probability of occurrence – and the magnitude of the likely negative consequences.

- A. Certainty of the cost estimate is high based on recent bid document or publicly advertised price (3 points)
- B. Certainty of the cost estimate is high based engineering estimate (2 points)
- C. Certainty of the cost estimate is moderately high based on best professional judgement.(1 point)