



# **Budget 101:**

## **An Introduction to Municipal Budgeting for Middlesex Centre**

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# What is a Budget?

# What is a Budget?

- ▶ Financial Plan
  - Sets out the planned expenditures and the means of financing
  - Statement of priorities
  - Establishes spending limits on programs and services
  - Reflects funding priorities
  - Basis of financial decision making



# What is a Budget?

- ▶ Political Document
- ▶ Management Document
- ▶ It also:
  - links to Operational Plans, Asset Management Plan, Development Charges Study and Master Plans, among others
  - serves as a communications tool to inform and engage residents and the community

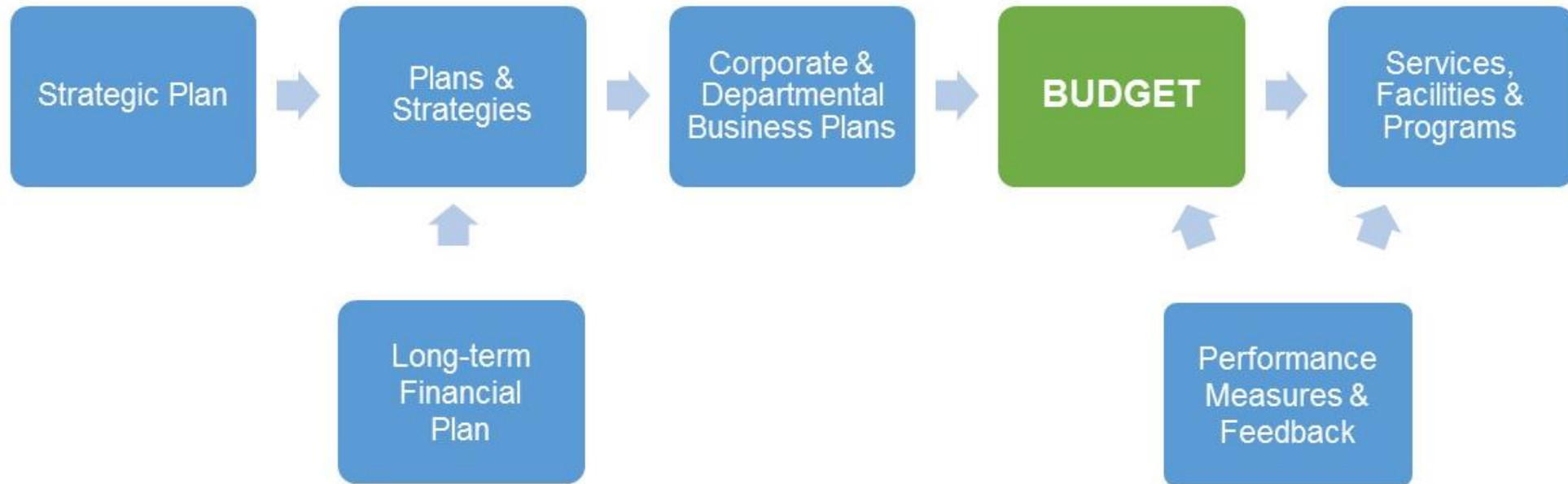


# What is a Budget?

The budget is a key planning document in achieving the municipality's strategic priorities.



# What is a Budget?



**Why do we Budget?**

# Requirements under the Municipal Act

- ▶ Legal requirement: Section 290(1) –
  - Council must adopt estimates of all sums required during the coming year for the purposes of the municipality
  - Budget shall be prepared during the year or in the immediately preceding year.
- ▶ Must present balanced budget: Section 290(2) –
  - The budget shall provide that estimated revenues are equal to the estimated expenditures





# Why do we Budget?



# Why do we Budget? Accountability



We are accountable to:

- Our residents (taxpayers, current, former and future)
- Investors and businesses
- Our creditors



# Why do we Budget? Allocation



We allocate and administer the budget to:

- ▶ Effectively manage and optimize human, financial and physical resources
- ▶ Measure and track progress (qualitative & quantitative)
- ▶ Plan and control resources



# Why do we Budget? Administration



Ultimately to achieve desired results for the benefits of our residents and our businesses



# Our Challenge

- ▶ Meet the needs of as many of our “customers” as possible in a fiscally responsible way.
- ▶ Complicated by:
  - the needs and wants of our residents vary from person to person
  - misperceptions about which services are under the control of the local government





**What services do we provide?**



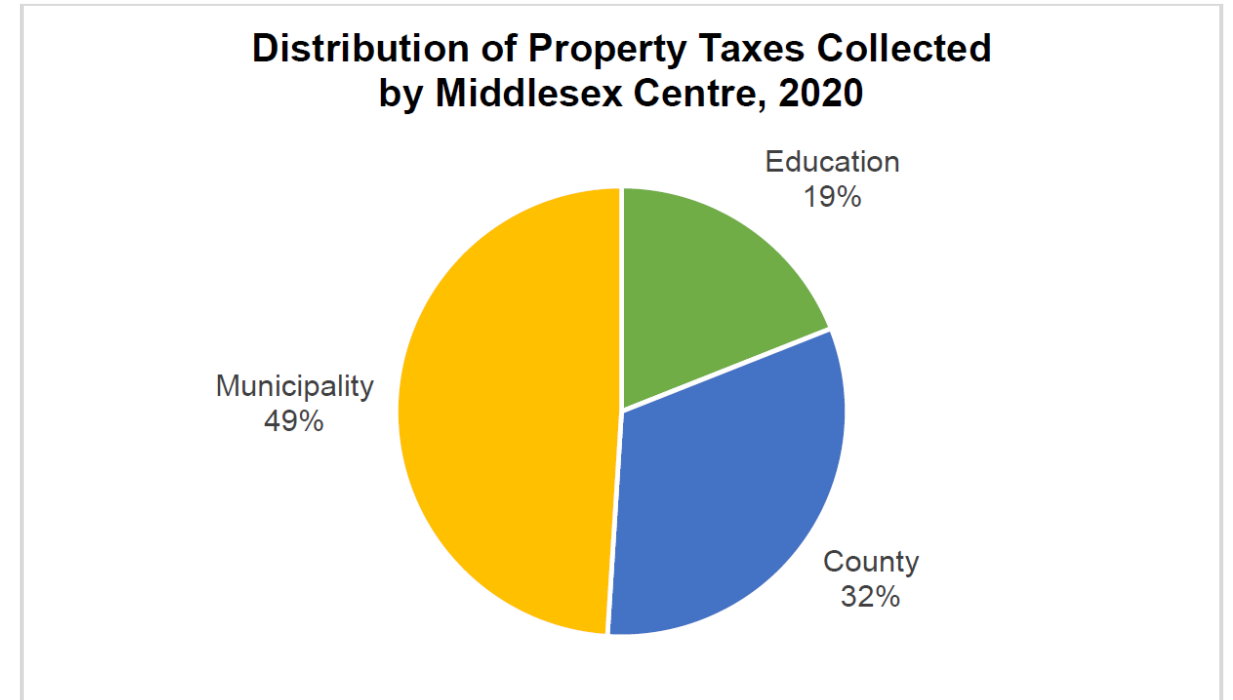
# What services don't we provide?

- ▶ Education – Province and School Boards
- ▶ Health Care – Province
- ▶ Highways – Province
- ▶ Library operations – County of Middlesex
- ▶ Long Term Care Homes – County of Middlesex
- ▶ EMS – County of Middlesex
- ▶ Provincial Parks



# Property Tax Collection

- ▶ Collect property taxes for:
  - Municipality of Middlesex Centre
  - County of Middlesex
  - School Boards





# The Budget Process

# Understanding the Budget Process

- ▶ Municipalities must present a balanced budget, as mandated by provincial legislation.
  - Can incur debt to pay for large capital acquisitions
  - Cannot incur a deficit to fund day-to-day operations
- ▶ Careful analysis must be done regarding the level of services required to meet the expectations of the community balanced against realistic taxation and user fee levels.



# Budget Development - Priorities

This budget reflects our priorities as a community — to support an inclusive, transparent, innovative and traditional Middlesex Centre that provides a financially responsible level of service to the community.

It is focused on the delivery of core municipal services for residents and businesses — while managing to respectfully balance the needs of our urban and rural residents.

**Middlesex Centre:  
A thriving,  
progressive and  
welcoming  
community that  
honours our rural  
roots and embraces  
our natural spaces**



# Cost Drivers



# Four-Stage Budget Process



# Operating Budget

# Operating vs. Capital Budgets

Operating Budget	Capital Budget
Normal operating expenditures and revenues associated with the day-to-day provision of services.	Significant expenditures to acquire, construct or improve land, buildings, engineering structures or machinery and equipment used to provide municipal services with a benefit lasting beyond one year.
Annual Planning - Driven by Departmental Business Plans	Long-term Planning - Five-year Forecast

**While both provide services and programs, the types of expenditures and the sources of finance differ.**



# Departmental Business Plans

- ▶ Each department develops a business plan that considers:
  - Departmental focus
  - Major customers/clients
  - Previous year's achievements
  - Trends and challenges
  - Council work plan/priorities for the term of Council
  - Departmental priorities
  - Financial information/summaries



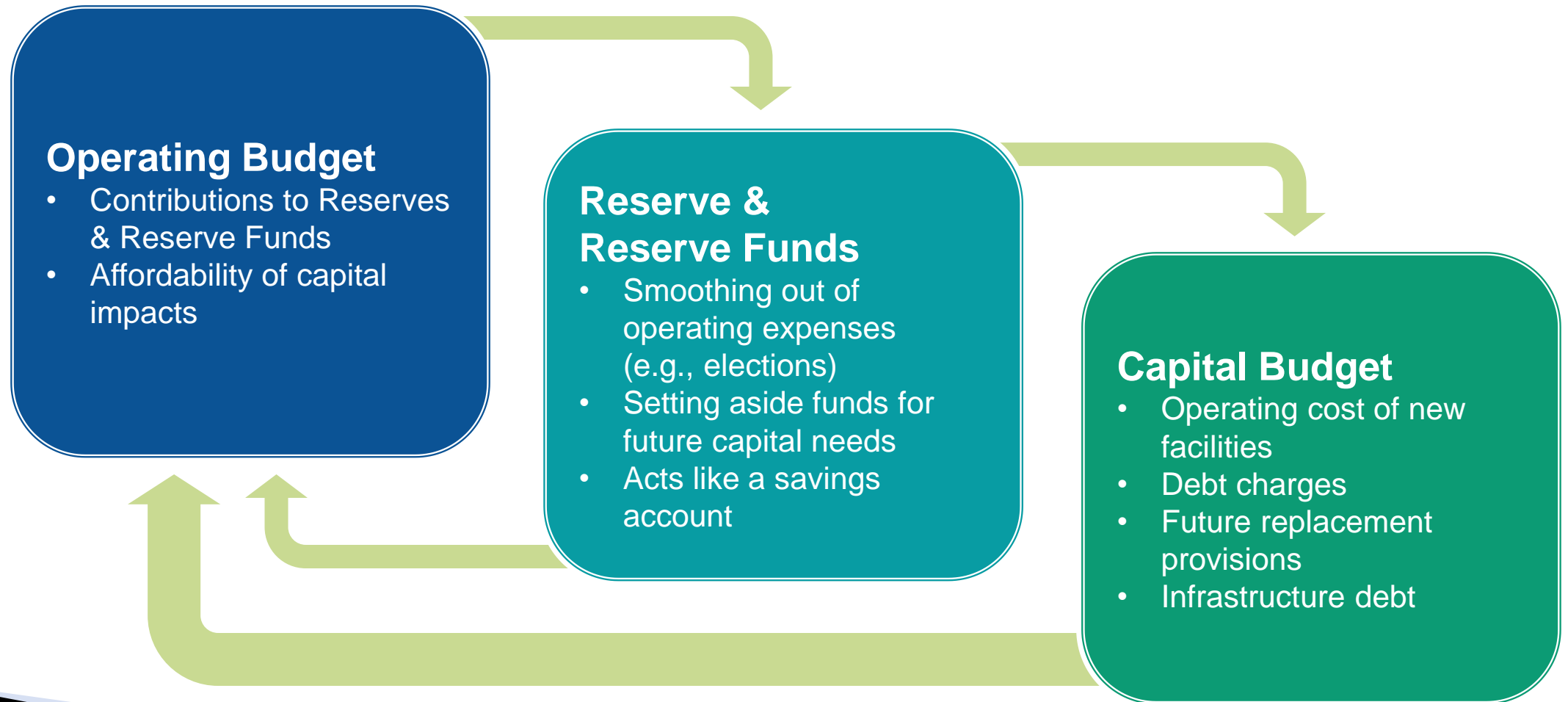


# Non-Discretionary Cost Increases

- ▶ Each year, Middlesex Centre must take into account “non-discretionary” increases in the cost of providing services.
- ▶ These are increases required to the budget for items we cannot directly control.
  - Some of these are similar to what we experience in our own homes – the cost of hydro, gas, phone/internet.



# Operating and Capital Budgets: Separate yet Independent



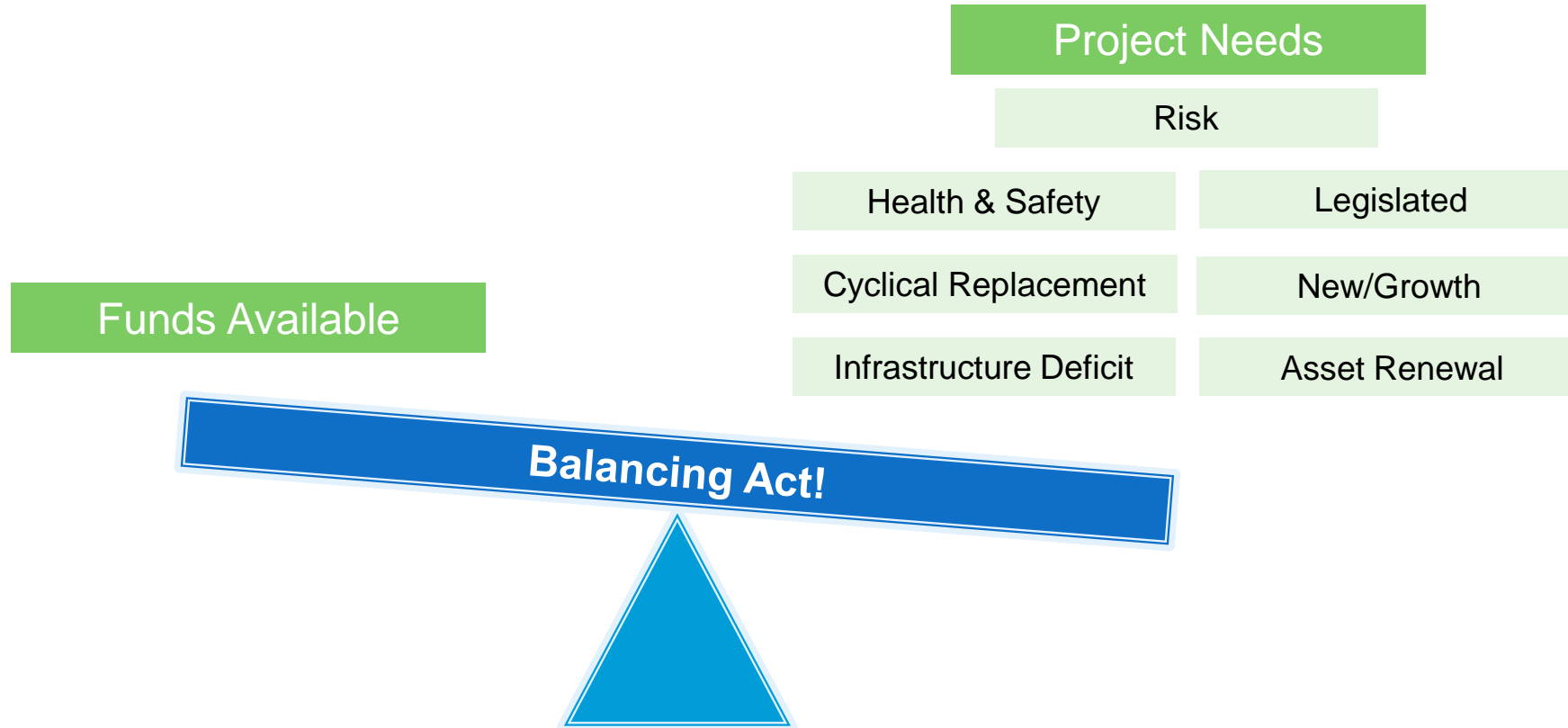
# Capital Budget

# What is the Capital Budget?

Sets out the municipality's anticipated capital expenditures and how they are to be financed.



# Capital Budget: A Balancing Act



# Capital – Standard Submission

- ▶ When a new capital project is proposed, process starts with a standard submission looking at:
  - Description of project
  - Reason for project
  - Priority (legislative, health & safety, asset management and/or replacement, new project)
  - Total estimated cost
  - Consequence of not funding
  - Impact on future operating costs
  - Possible funding sources
  - Dependency or relation to other capital projects



# Revenue for Capital Projects



- ▶ Municipalities have access to other forms of funding for capital projects:
  - Grants from the Provincial or Federal Governments and Donations
  - Proceeds from borrowing
  - Reserve Funds (funds saved up over a time for large projects)
  - Development Charges
- ▶ Part of Council's decision-making process each year is to determine what levels of funding for services should come from the various sources of revenue.



# **Funding the Budget – Revenue & Expenditures**



# Sources of Funding

- ▶ Municipalities use a variety of revenue / funding sources to pay for a wide range of services, including:
  1. Property taxes
  2. Grants from Federal and Provincial Governments
  3. User fees – General (revenue from services such as recreation, planning applications, building permits etc.)
  4. User Fees – Water, Wastewater and Stormwater rates (funded directly by users)
  5. Transfers from Municipal Reserve Funds – includes discretionary and obligatory (Development Charges)
  6. Debt Funding – not revenue source, but available to municipalities to fund capital projects
  7. Other miscellaneous revenues
- ▶ **Part of Council's decision-making process each year is to determine what levels of funding for services should come from the various sources of revenue.**



# Operating Expenditures

- ▶ On average 75% of the operating expenses of the municipality fall into 6 expenditure categories

Expenditure	2021	2020	2019	2018	2017
Transfer to Reserve Funds	27.3%	28.6%	26.9%	25.2%	20.2%
Salaries & Benefits	24.3%	24.3%	22.2%	23.5%	24.8%
Sub-contract	7.0%	7.6%	7.6%	9%	10.1%
Policing	6.5%	6.8%	6.4%	6.7%	7.2%
Debt Payments	5.6%	5.9%	7.7%	4.6%	8.3%
Hydro	3.1%	3.0%	2.7%	4.0%	4.3%

Note: The majority of the Transfer to Reserves are for capital projects.



# Balancing the Budget – The Tax Levy



# Property Tax Calculation

HOW ARE MY PROPERTY TAXES CALCULATED?



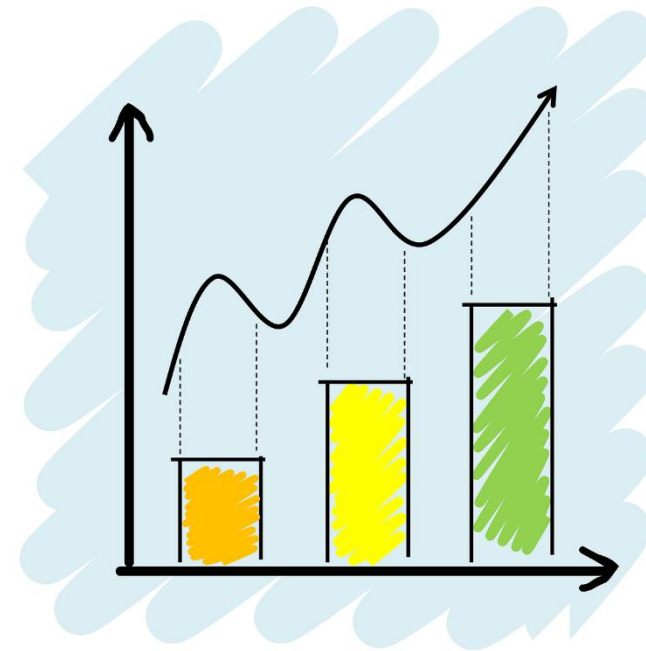
# Year-End Deficit or Surplus

## Deficit

- ▶ First charge on next year's budget
- ▶ Can fund from reserves or reserve fund (tax rate stabilization fund)

## Surplus

- ▶ Have policies in place to transfer to reserves for future requirements



# **Staff Support for Budget Development**

# Role of the Budget Team

- ▶ Determine best “estimates” for the future costs and revenues to be incorporated into the budget
- ▶ Ensure the budget is in line with the Municipality’s current business plans
- ▶ Deliver mandated services – at existing levels of service
- ▶ Educate citizens and community stakeholders about the budget and services being provided
- ▶ Engage with residents/local businesses to solicit community priorities, providing an opportunity for the community to provide input on services/service levels
- ▶ Evaluates the implications of current and projected programs before including them in the budget for council deliberation
- ▶ Manages risks and sensitivities to changes in economy and assumptions
- ▶ Creation of a user friendly document that outlines a budget that everyone can understand



# Role of Treasurer/Director of Corporate Services

- ▶ Ensure that statutory financial responsibilities are met
- ▶ Maintain compliance with generally accepted accounting principles (GAAP) set by the Public Sector Accounting Board (PSAB)
- ▶ Enforcement of established internal controls, policies, procedures and standards for all functions
- ▶ Custodian of the municipality's financial resources
- ▶ Manage debt/capital financing
- ▶ Provide council with information regarding finances
  - Regular financial reporting
  - Provide details to assist council in strategic decision making
- ▶ Financial and strategic advisor to ensure sustainability of assets/services – long-term financial planning vs. single-year or term-of-office approach
- ▶ Subject expert for area which treasurer has responsibility





# Stay in Touch!



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