



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
 - Basis of financial decision making



What is a Budget?

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

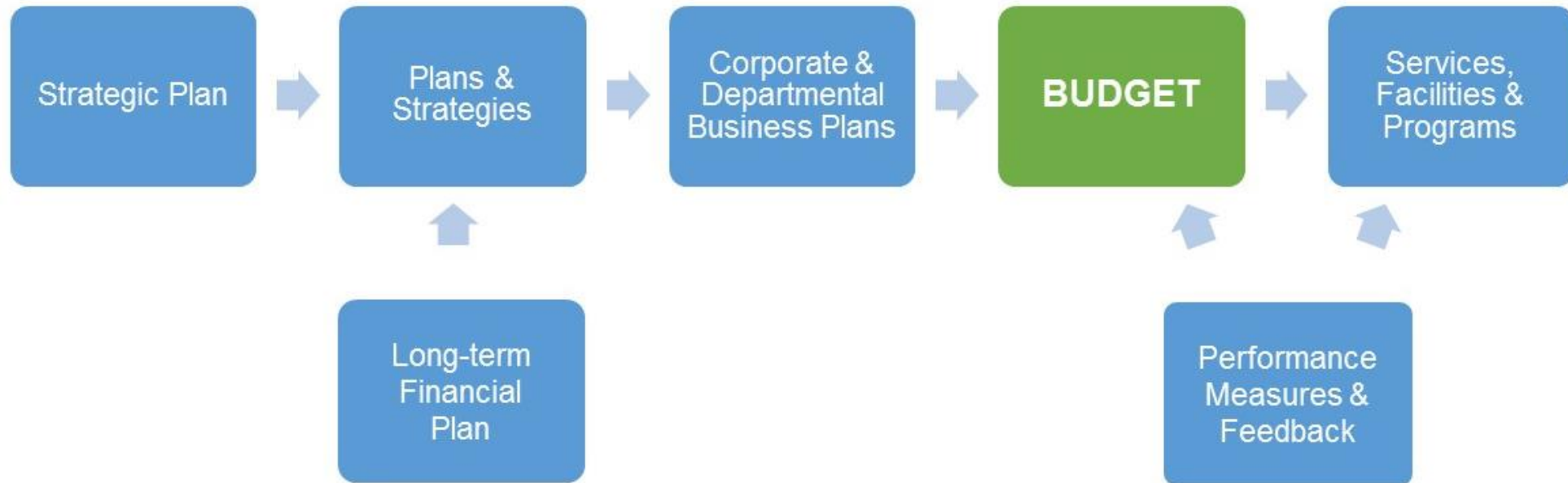


What is a Budget?

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?

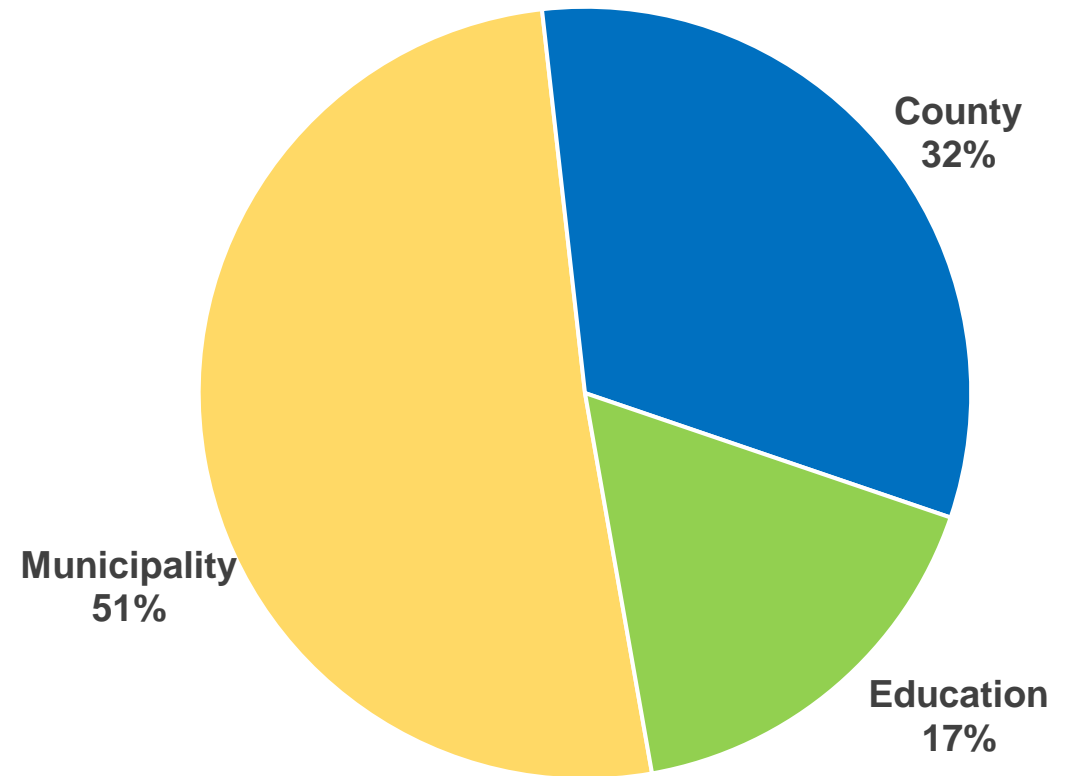
- ▶ Education – Province and School Boards
- ▶ Health Care – Province
- ▶ Highways – Province
- ▶ Libraries – County of Middlesex
- ▶ Long-Term Care Homes – County of Middlesex
- ▶ Ambulance (EMS) – County of Middlesex
- ▶ Provincial Parks



Property Tax Collection

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

Distribution of Property Taxes Collected by Middlesex Centre, 2023



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

The budget reflects our priorities as a community — to deliver the highest standard in municipal service in a sustainable, professional and innovative manner.

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

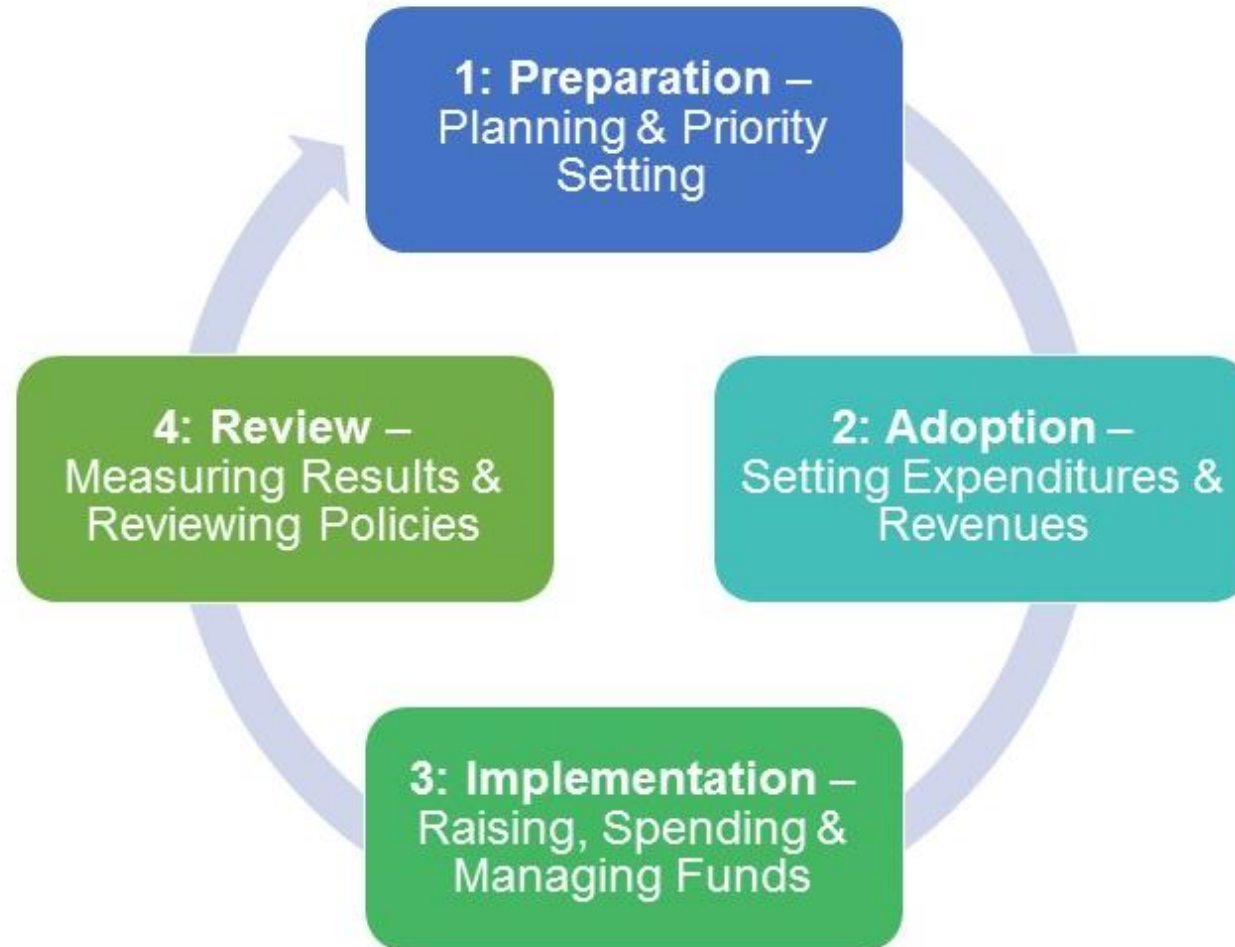
**Middlesex Centre:
A thriving,
progressive and
welcoming
community that
honours our rural
roots and embraces
our natural spaces**



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 and Asset Management

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 and priorities
 - Major customers/clients
 - Previous year's achievements
 - Trends and challenges
 - Council work plan and priorities
 - Financial information/summaries

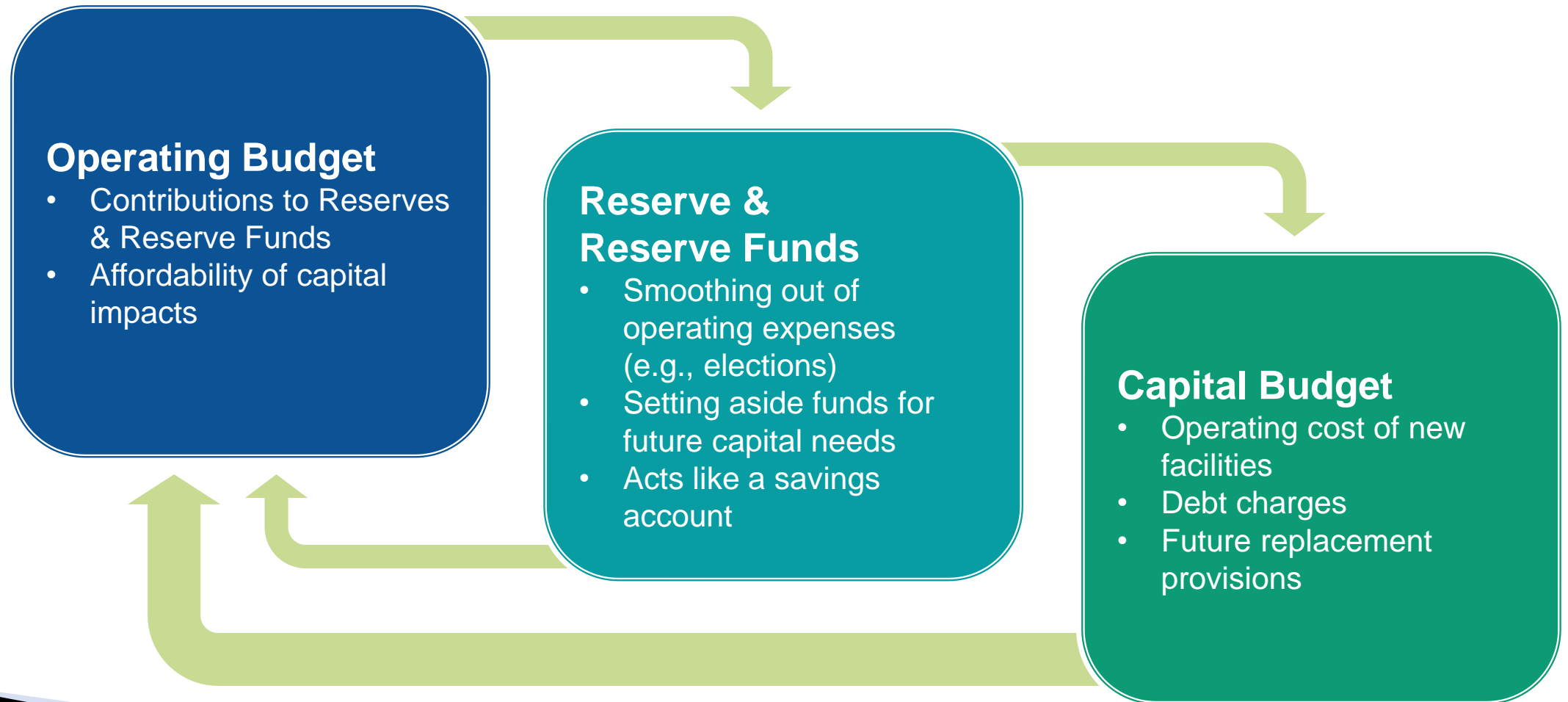


Non-Discretionary Cost Increases

- ▶ 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 from inflation – the cost of hydro, gas, phone/internet
 - Consumer Price Index
 - Construction Price Index



Operating and Capital Budgets: Separate yet Independent



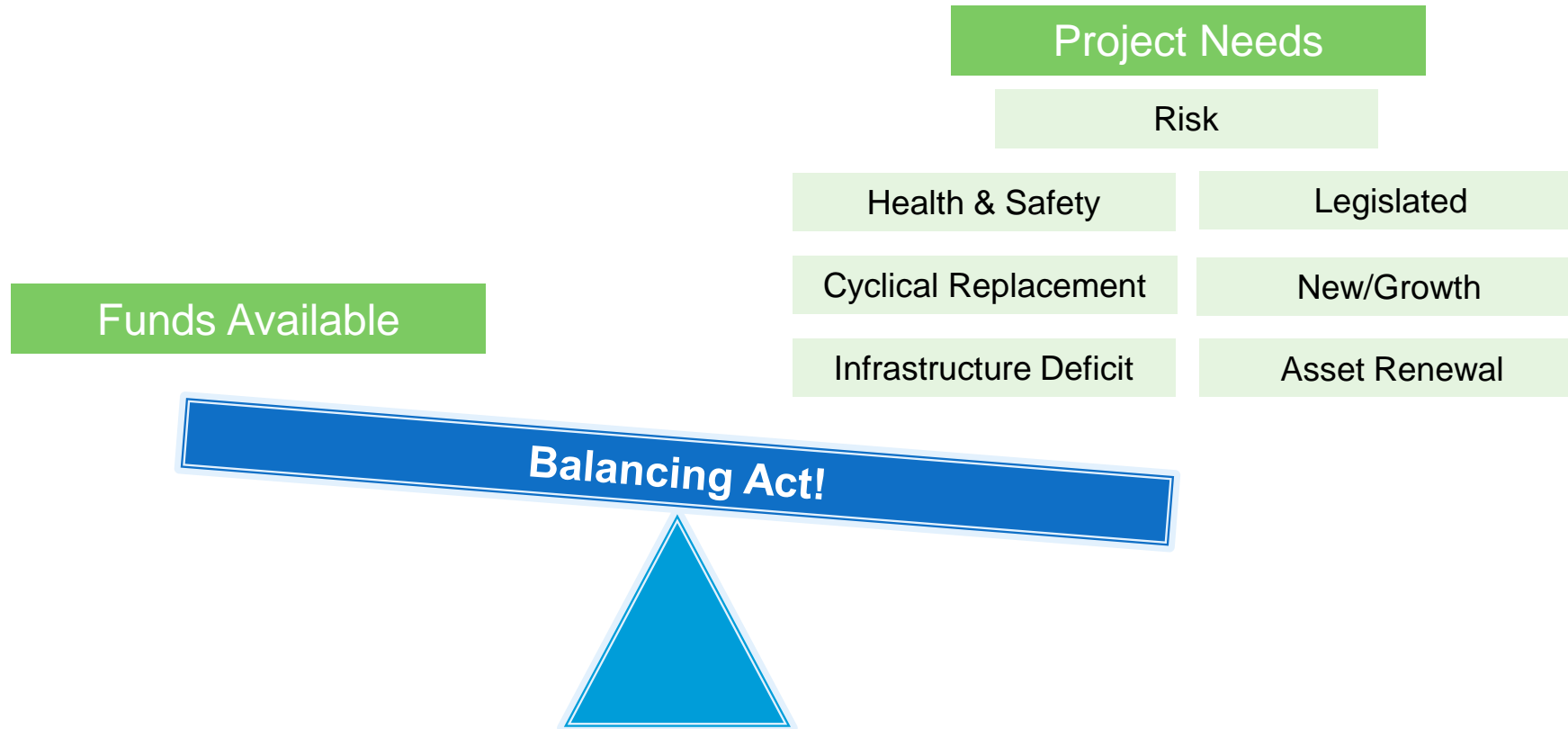
Capital Budget

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 by the municipality over time for large projects)
 - Development Charges



Funding the Budget – Revenue & Expenditures

Sources of Funding

- ▶ Municipalities use a variety of revenue / funding sources to pay for a wide range of services and capital projects, 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 80% of the operating expenses of the municipality fall into 6 expenditure categories

Expenditure	2023	2022	2021
Transfer to Reserves/Reserve Funds	34.8%	31.5%	26.9%
Wages & Benefits	22.9%	23.2%	23.0%
Subcontracted Services	11.8%	12.4%	13.2%
Repairs, Maintenance & Equipment Rental	4.5%	4.7%	4.6%
Debt - Principal/Interest	4.4%	4.9%	5.5%
Utilities	4.0%	4.4%	4.7%

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?



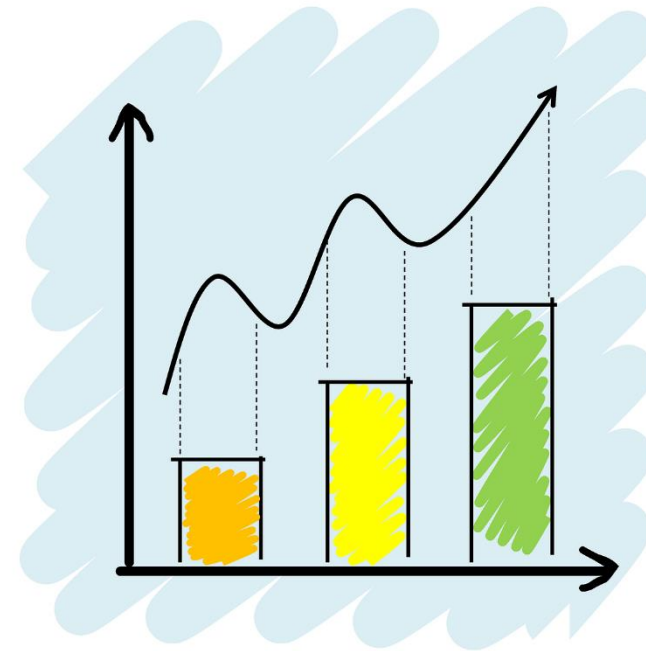
Year-End Deficit or Surplus

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

- ▶ Determines best “estimates” for the future costs and revenues to be incorporated into the budget
- ▶ Ensures the budget is in line with the Municipality’s current business plans
- ▶ Delivers mandated services – at existing levels of service
- ▶ Educates residents and community stakeholders about the budget and services being provided
- ▶ Engages residents/local businesses to solicit community priorities, providing an opportunity for the community to provide input on services and 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
- ▶ Creates a user friendly document that outlines a budget that everyone can understand



Role of Treasurer/Director of Corporate Services

- ▶ Ensures that statutory financial responsibilities are met
- ▶ Maintains compliance with generally accepted accounting principles (GAAP) set by the Public Sector Accounting Board (PSAB)
- ▶ Enforces established internal controls, policies, procedures and standards for all functions
- ▶ Serves as the custodian of the municipality's financial resources
- ▶ Manages debt/capital financing
- ▶ Provides council with information regarding finances
 - Regular financial reporting
 - Provides details to assist council in strategic decision making
- ▶ Provides financial and strategic advice to ensure sustainability of assets/services – long-term financial planning vs. single-year or term-of-office approach



Stay in Touch!



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