



TOWNSHIP OF
**Adelaide
Metcalfe**

Budget 101

An Introduction to Municipal Budgeting for Adelaide Metcalfe

Johnny Pereira, CPA, CGA, Treasurer

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 Township's strategic priorities.



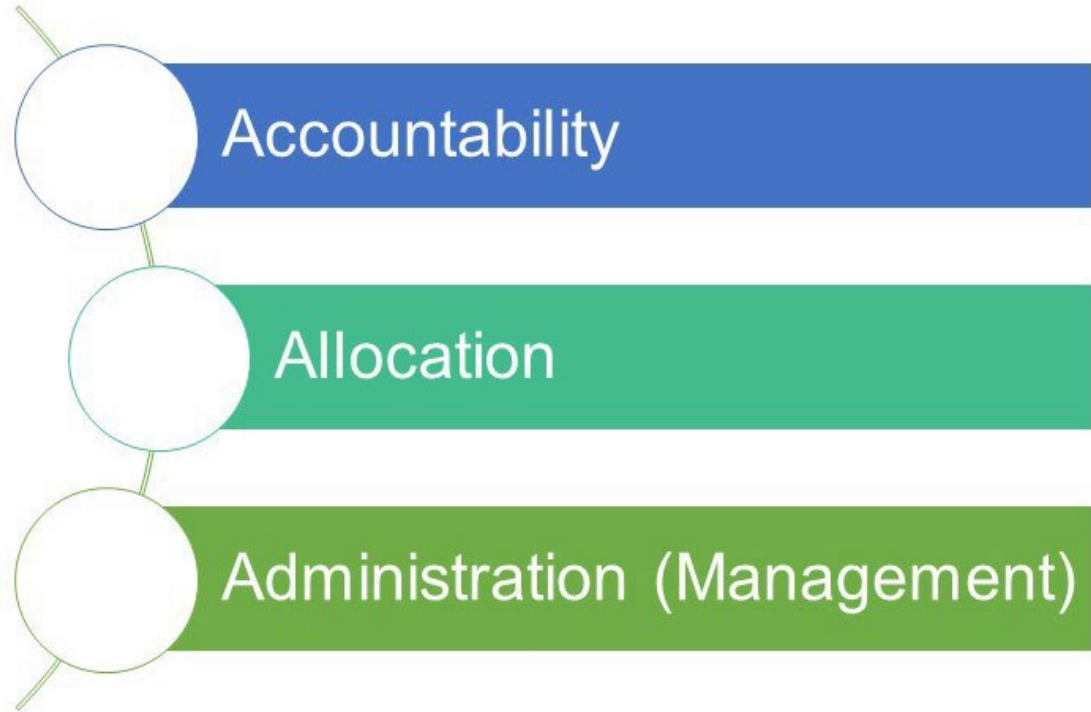
Why do we Budget?

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 a balanced budget: Section 290(2)
 - The budget shall provide that estimated revenues are equal to the estimated expenditures



Why do we Budget?



Our Challenge

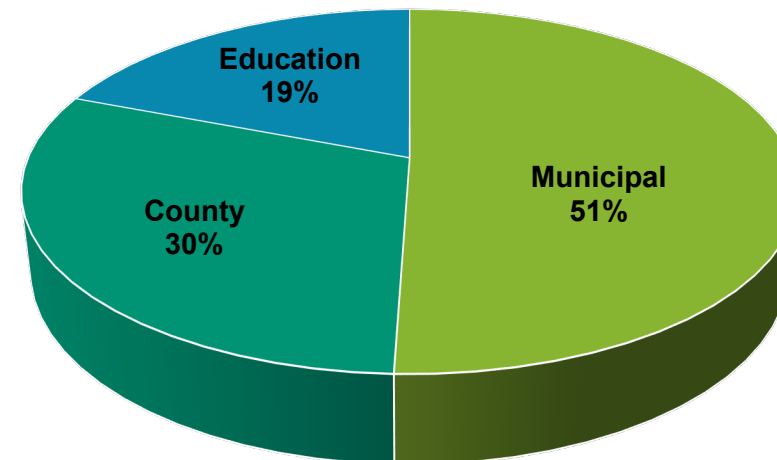
- ▶ Meet the needs of as many of our “customers” as possible in a fiscally responsible way.
- ▶ Complicated by:
 - The needs and wants of our residents vary from person-to-person
 - Misperceptions about which services are under the control of the local government



Property Tax Collection

- ▶ Adelaide Metcalfe collects property taxes for:
 - Township
 - County of Middlesex
 - School Boards

Distribution of Property Taxes Collected by Adelaide Metcalfe, 2024



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 residents.



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 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, Adelaide Metcalfe 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 Expenditures

- ▶ On average 94% of the operating expenses of the Township fall into 8 expenditure categories

Expenditures	%	\$
Transfer TO Reserve Funds	32.3%	\$2,284,983
Wages & Benefits	23.2%	\$1,640,927
Subcontracted Services	21.2%	\$1,499,601
Repairs, Maintenance & Equipment Rental	11.6%	\$ 822,224
Insurance	2.2%	\$ 154,723
IT	1.5%	\$ 106,703
Fuel	1.4%	\$ 101,677
Utilities	1.1%	\$ 78,605

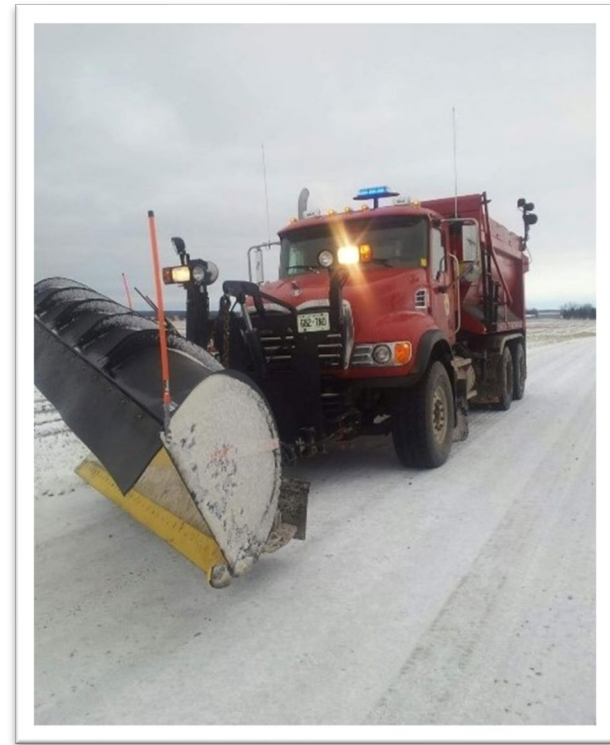
Note: The majority of the Transfer to Reserves are for capital projects.



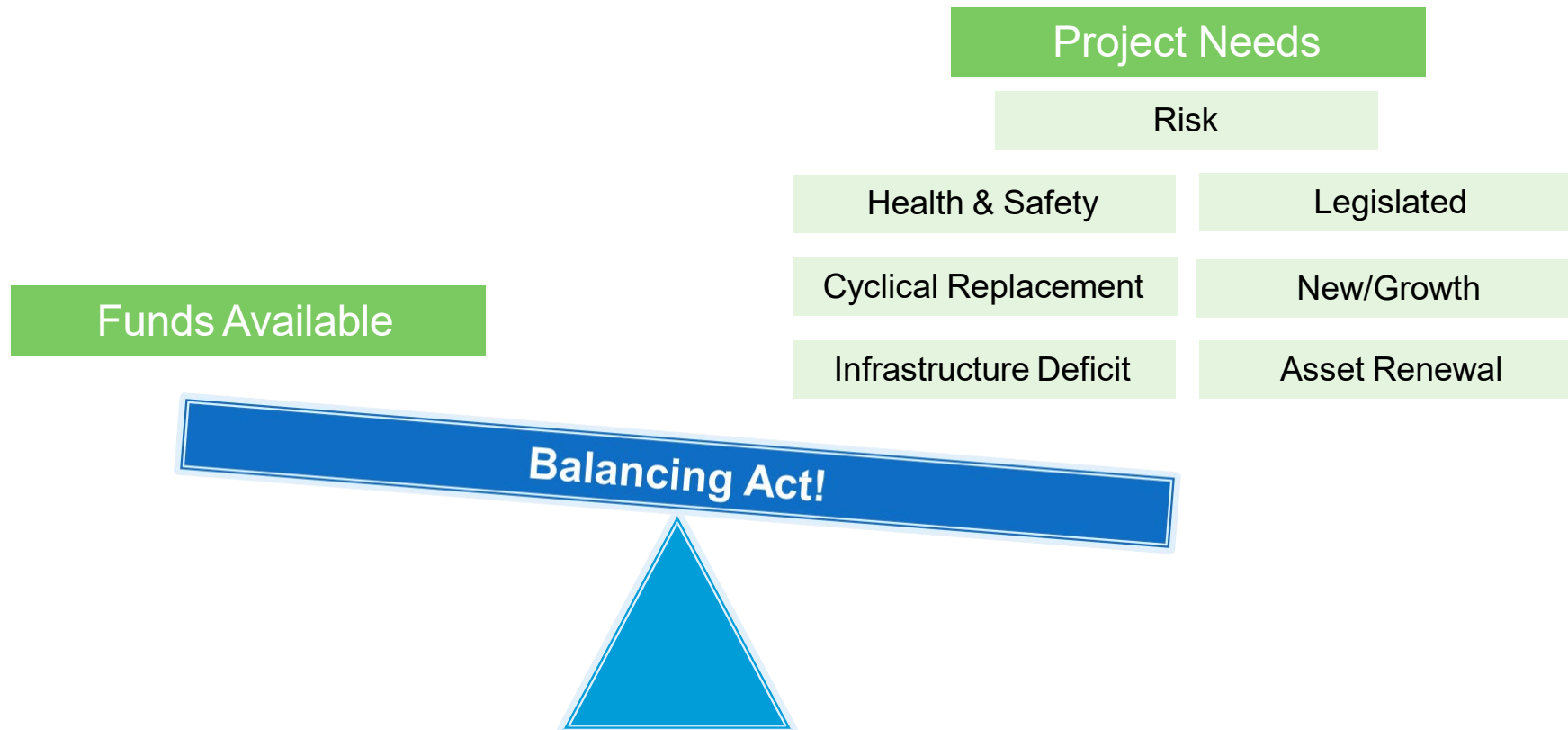
Capital Budget

What is the Capital Budget?

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



Capital Budget – A Balancing Act



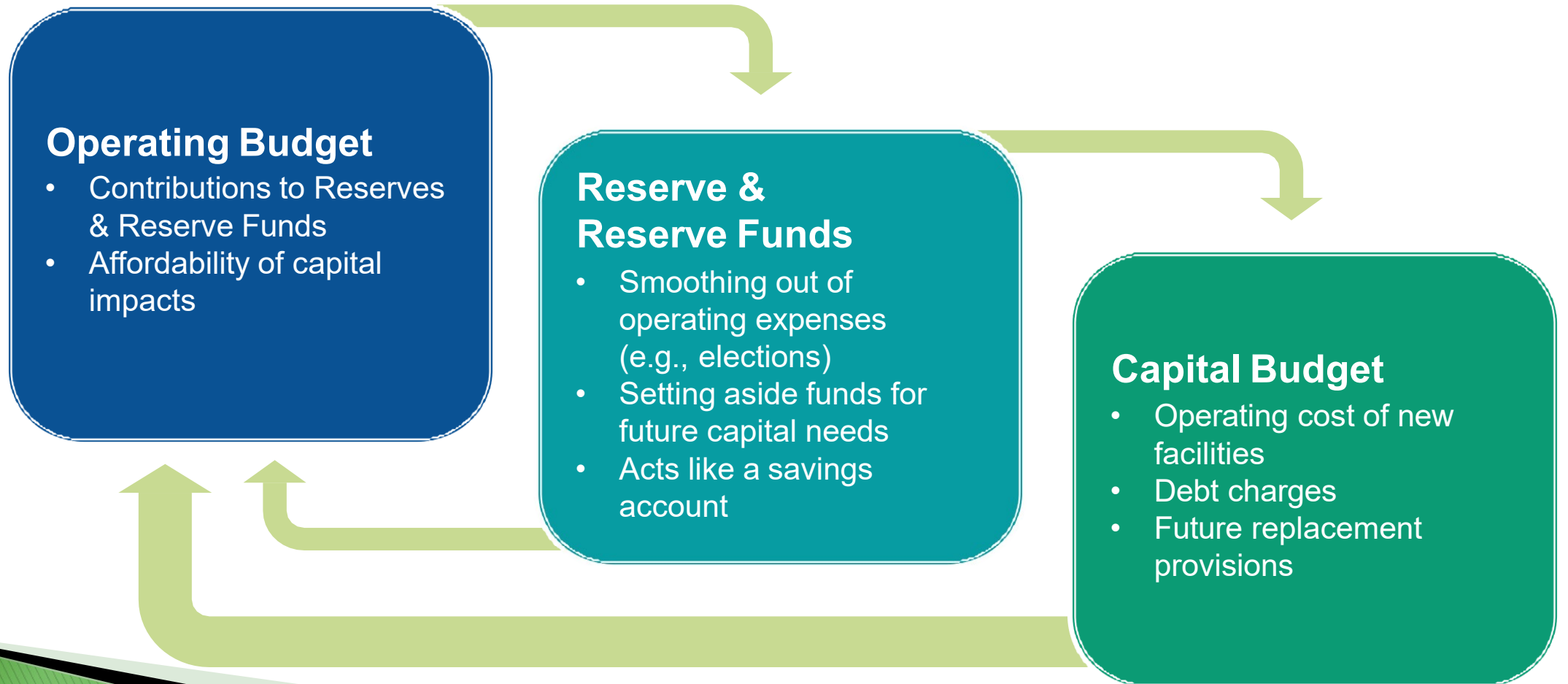
Capital – Standard Submission

- ▶ 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



Operating and Capital Budget

Separate, yet interconnected



Funding the Budget

Revenue and 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 – Kerwood wastewater & Centre Rd water/wastewater
 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.**



Balancing the Budget – The Tax Levy



Property Tax Calculation



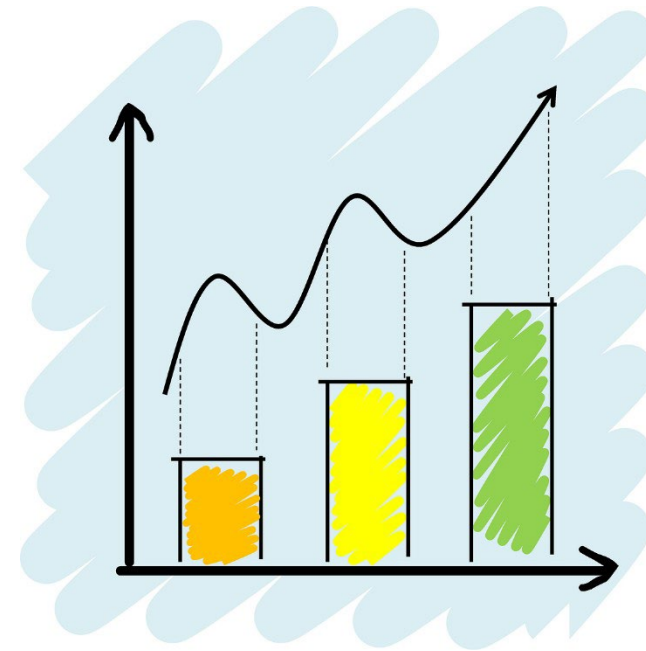
Year-End Deficit or Surplus

Deficit

- ▶ First charge on next year's budget
- ▶ Can fund from reserves or reserve 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 Township’s current business plans
- ▶ Delivers mandated services – at existing levels of service
- ▶ 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 the Treasurer

- ▶ 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 Township'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 the sustainability of assets/services
 - Long-term financial planning vs. single-year or term-of-office approach



Stay in Touch!



TOWNSHIP OF
Adelaide Metcalfe



jpereira@adelaidemetcalfe.on.ca



519-247-3687 ext. 8205



adelaidemetcalfe.on.ca



[@twpadelaidemetalfe](https://www.facebook.com/twpadelaidemetalfe)

