

MUNICIPAL BUDGET 101



The basics of municipal
budgeting in Loyalist Township

What is a Budget?

A budget is a political document and financial plan that:

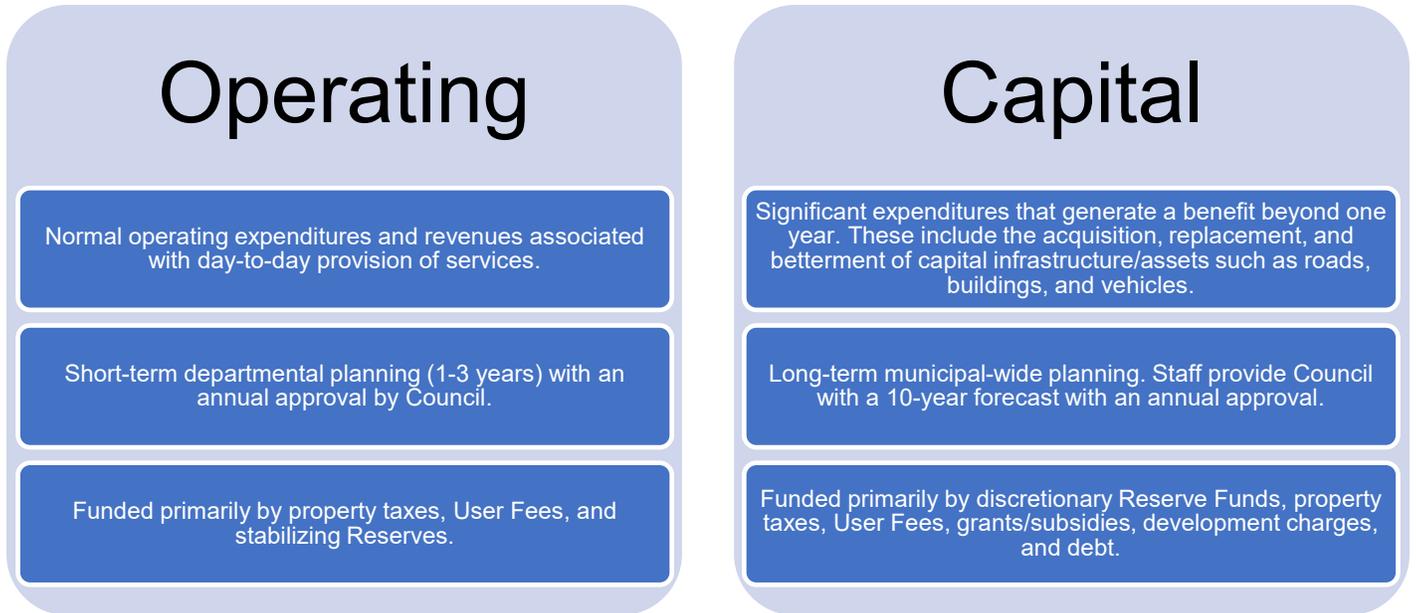


In preparing the draft budget, staff and Council consider various internal and external documents to ensure the Township achieves its strategic initiatives as resolved by Council, such as:

- The Strategic Plan
- Master Plans (e.g., Fire, Recreation)
- The Asset Management Plan
- Internal Policies
- External Agreements
- The Growth Study
- The Development Charges Study
- Water and Wastewater User Rate Study

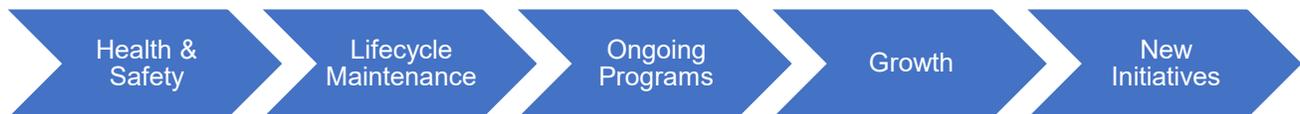
What is a Budget? (Cont'd)

There are two parts to a municipal budget. While both provide service and programs, the types of expenditures and sources of financing differ, but are interdependent. This means that any decisions made on the capital budget will have an operating budget implication and, in some cases, vice versa.



Asset Management

Capital/infrastructure planning is constantly improving to ensure the Township meets the provincial asset management regulation (O. Reg. 588/17). The goal is to close the Infrastructure Deficit that all Ontario municipalities are experiencing. When proposing capital projects, staff must adhere to the Township’s capital prioritization policy to evaluate the need and risk:



[Click here](#) to watch a video that further explains the importance of municipal asset management.

A Balanced Budget

The Township is required by provincial law to balance its operating and capital budgets each year. Simply put, the money raised must equal the money spent. To ensure a balanced budget, the Township can:

- Increase its revenues via property taxes and/or User Fees; and/or
- Manage expenditures through adapting or reducing the cost of programs and/or services.

The Township must also consider key budget drivers when prioritizing service levels and initiatives in the operating and capital budgets.



Your Tax Bill

Property taxes are calculated using your property's Current Value Assessment determined by the Municipal Property Assessment Corporation ("MPAC").

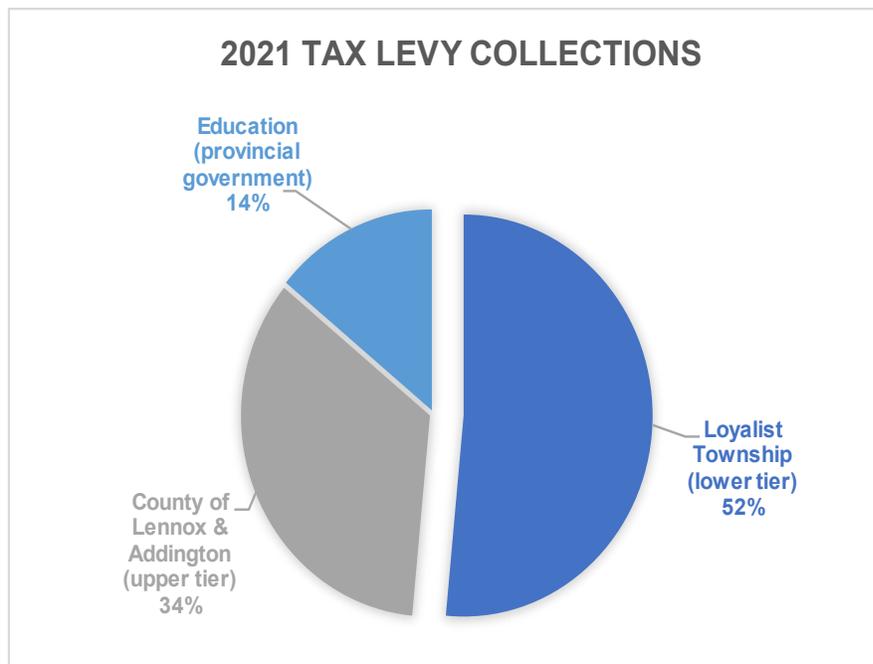


*For the applicable class of property.

[Click here](#) to watch a video that further explains how taxes are levied.

Approximately half of the overall tax levy collected and overall tax rate is controlled and spent by Loyalist Township in order to directly serve you.

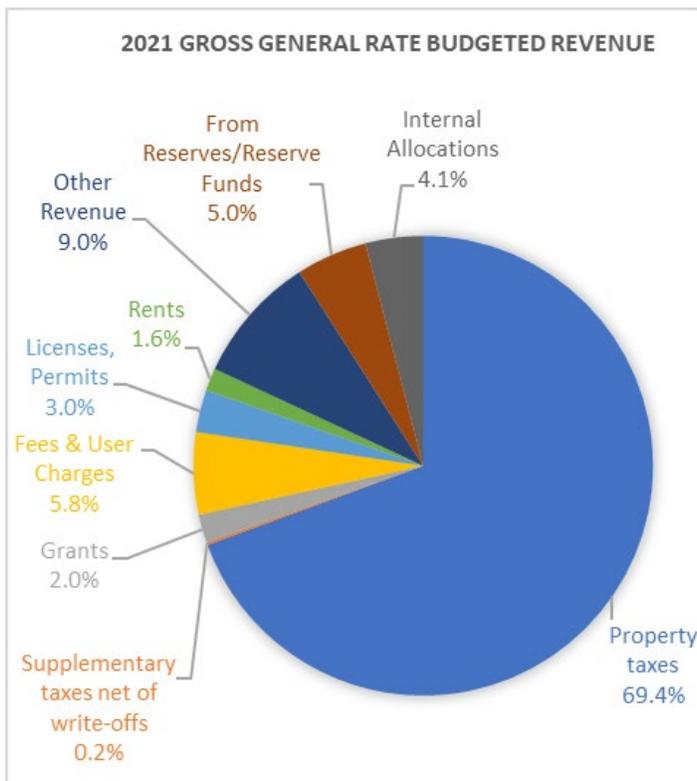
The remainder of your tax bill is collected on behalf of the County of Lennox & Addington and the Province of Ontario (Education).



How money is raised

General Rate (Municipal-wide) Services - Operating

Your property tax bill only pays for municipal-wide services (the general rate), and therefore excludes special area services such as water and wastewater, and the Amherst Island Ferry. If you live in Amherstview, your taxes will also fund the Amherstview Transit system through a separate Area Rate.



While most programs and services are fully funded by property taxes, some user-pay programs/services are partially funded by way of User Fees collected, such as:

- Garbage bag tags
- Recreational programs/rentals
- Permits/planning applications

As approximately 70% of money raised comes from property taxes, it is important for the Township to incorporate the contribution and use of stabilization Reserves in its annual budget to ensure residents receive some form of stability in their annual tax bill relative to the Township's levy requirement.

How money is raised (Cont'd)

Special Rate (Area-specific) Services - Operating



Capital Revenues

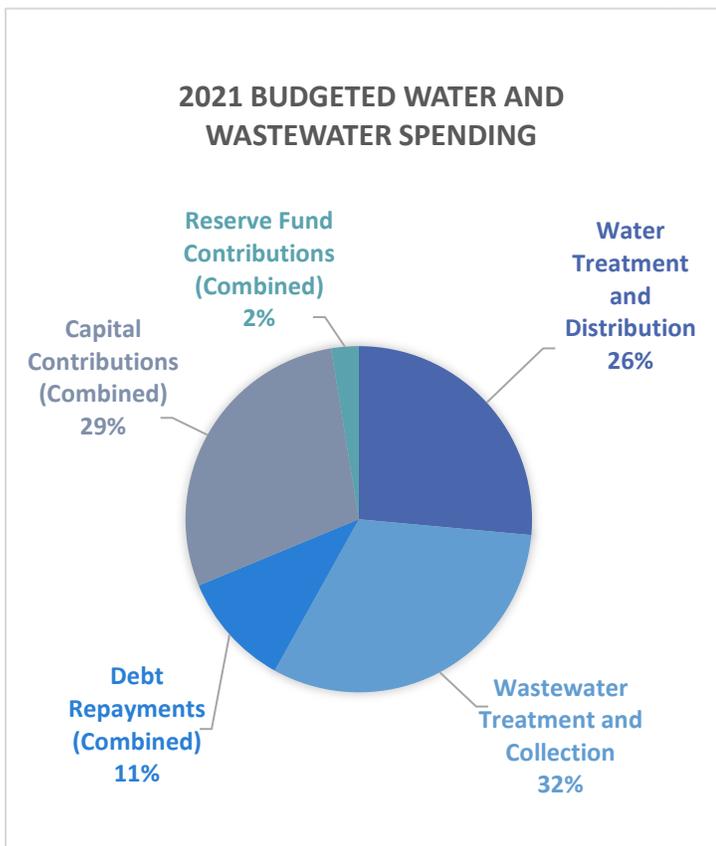
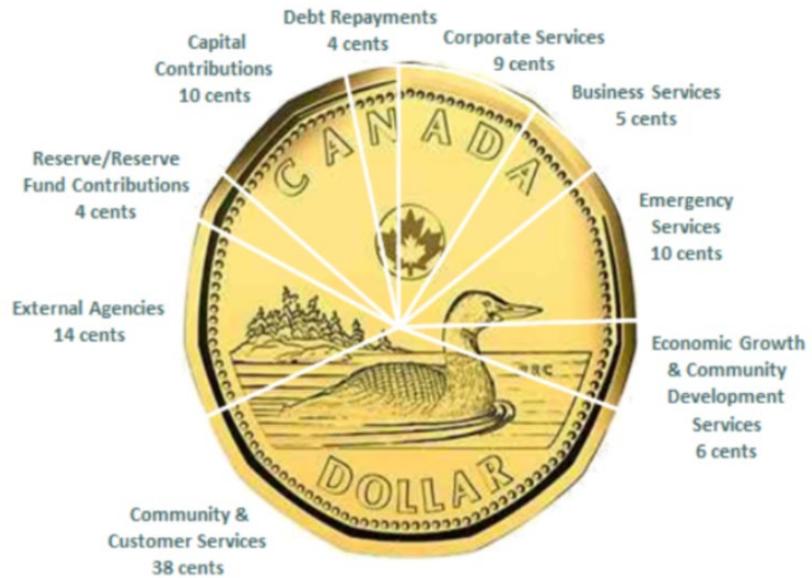
Capital revenue will vary each year depending on the make-up of approved capital projects. Projects are funded primarily by:

Allocations from operating budget (capital contributions)	<ul style="list-style-type: none"> • Council approves an allocation to the capital reserve fund for current year or future use, and is segregated between general and special rate.
Existing Reserves/discretionary Reserve Funds	<ul style="list-style-type: none"> • Funds set aside for specific use as approved by Council and in accordance with the Township's Reserve & Reserve Fund Policy.
Development Charges	<ul style="list-style-type: none"> • Fees collected primarily by developers upon permit issuance to construct a new building. • Used to fund/recover general rate capital projects deemed necessary to service growth in the municipality.
Other obligatory Reserve Funds	<ul style="list-style-type: none"> • An annual allocation (grant) under the Federal Gas Tax program.
Impost fees	<ul style="list-style-type: none"> • Fees collected primarily by developers upon permit issuance to construct a new building. • Used to fund/recover water and wastewater capital projects deemed necessary to service growth in the municipality.
Grants/subsidies	<ul style="list-style-type: none"> • Annual provincial allocations such as Ontario Municipal Partnership Fund and the Ontario Community Infrastructure Fund. • Application-based grants that are project specific.
Debt	<ul style="list-style-type: none"> • Subsequently issued to cover any infrastructure deficit when approved. • Debt repayments are legislatively capped at the Annual Repayment Limit (see glossary).

How Money is Spent

The Township's goal is to provide services to ratepayers in a fiscally responsible manner.

In 2021, one dollar of your general rate Township Tax Levy was budgeted to the following departments/items:



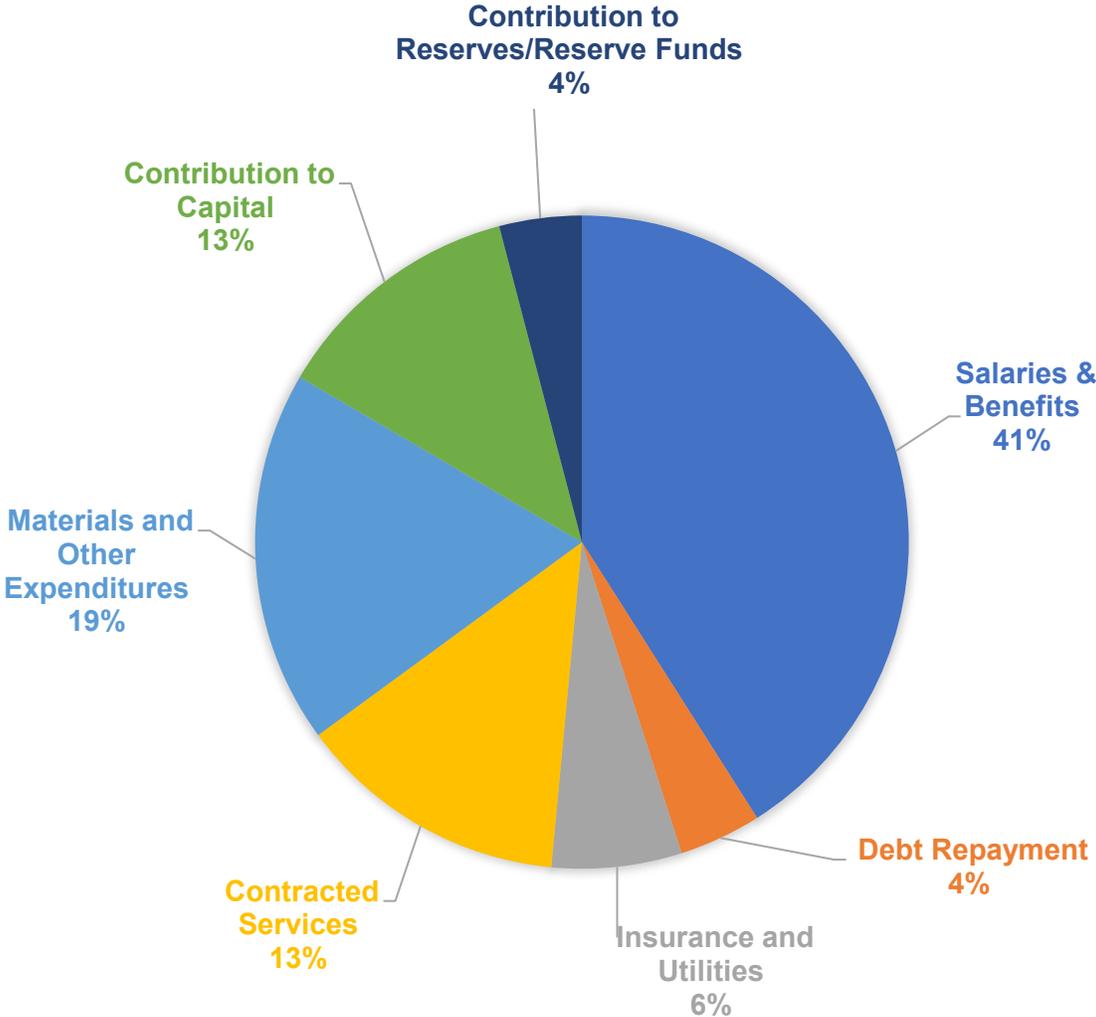
A large portion of costs associated with the treatment and distribution/collection of water and wastewater are fixed in nature. This means that despite the volume of water and wastewater produced/collected, a stable revenue requirement is important to recover from users and is why you see a fixed charge on your utility bill.

The user rate study identifies the need to address capital infrastructure replacement and to save for the future. Rates are designed to ensure consistent capital contributions can occur to delay any need for debt in the service rate.

The Township maintains, operates, or manages the other service rate areas, Amherst Island Ferry and Amherstview Transit. Capital infrastructure for these services is owned by the Ministry of Transportation and the City of Kingston, respectively. As such, annual spending purely represents operational and contracted costs to provide these services in the municipality.

When combining all services, money budgeted to be spent in 2021 was segmented between seven categories:

**2021 BUDGETED EXPENDITURES BY SEGMENT
ALL MUNICIPAL SERVICES**



To better understand which services are provided and controlled by your local government, some examples of Township services from each department/division are listed below:

Corporate Services Council, Clerk, and Chief Administrative Officer

- Information technology/cyber security.
- Maintenance of cemeteries.
- Administration of by-law enforcement & animal control contracts.
- Management of crossing guards.
- Marketing, communication, and public engagement - social media, website, communication initiatives.

Business Services Treasurer

- Finance - accounting, payroll, reporting, budget administration, financial planning.
- Human resources - lifecycle management, health & safety, and training of personnel.
- Asset management - maintenance of the Asset Management Plan, developing asset lifecycle strategies.

Community & Customer Services Public Works, Recreation & Facility Maintenance, and Heritage, Culture, & Tourism

- Operation and/or maintenance of
 - Roads and sidewalks (including County-owned roads) such as plowing, crack sealing, and ditching.
 - Bridges and culverts.
 - Streetlights.
 - Landfills
 - Most municipally-owned fleet.
 - Stormwater infrastructure.
 - Recreation facilities and programs, including the pool and area.
 - Heritage and culture facilities - community buildings and libraries.
 - Parks & sportsfields.
 - The Amherst Island Ferry.
- Administration of garbage/recycling collection contracts.
- Administration of the transit service contract.

Economic Growth and Community Development Services Engineering, Development, Planning, Building, Water, and Wastewater

- Building inspections and permits
- Planning applications, zoning, and property standards.
- Management of new residential, commercial, industrial, and institutional development.
- Operation and maintenance of water & wastewater treatment plants
- Operation and maintenance of water and wastewater distribution/collection systems.
- Management of most high-value capital projects.

Emergency Services Fire

- Fire/911 response.
- Education and training of fire safety and prevention.
- Operation and maintenance of fire stations and fire fleet.

External Agencies Serviced externally but requisitioned through taxes

- Ontario Provincial Police.
- Conservation Authorities.

Glossary of Terms

The following definitions may assist you when reviewing the annual budget binder or watching budget meetings:

Annual Deficit occurs when the annual operating expenditures exceed revenue. Deficits must be either budgeted to be recovered in the following year or absorbed by Reserves (such as rate stabilization Reserves).

Annual Repayment Limit or “ARL” is legislated by the Ministry of Municipal Affairs and Housing whereby a municipality’s total debt repayments must not exceed 25% of own-sourced revenue. This ARL is reported on schedule 81 of the municipality’s Financial Information Return.

Annual Surplus occurs when the annual operating revenue exceeds expenditures. The Township has a Surplus & Deficit Management Policy in place that allows for the distribution of unrestricted annual surplus to various stabilizing Reserves and capital Reserve Funds for future use.

Area Rate is a separate tax rate and levy requirement imposed in an area of a municipality to fund programs/services specifically tailored to that area. In Loyalist Township, the taxpayers residing in Amherstview pay an area rate for the Amherstview Route 10 Transit system.

Asset Management Plan is a strategic document that states how a group of assets are to be managed over a period. The plan describes the characteristics and condition of infrastructure assets, the levels of service expected from them, planned actions to ensure the assets are providing the expected level of service, and financing strategies to implement the planned actions.

Capital Asset (also known as infrastructure) is a non-financial asset having physical substance that:

- Is held for use in the production or supply of goods, the delivery of services, or to produce program outputs.
- Has a useful life extending beyond one fiscal year with the intent to be used on a continuing basis.
- Is not intended for resale in the ordinary course of operations.
- The Township has beneficial ownership and control of.
- That is used to achieve Township objectives.

County Tax Levy is the tax levy of the Township's upper tier municipality (the County of Lennox & Addington) to fund County-wide services that the Township does not provide, such as social services, long-term care, paramedic services, and libraries. The County sets the tax ratios for all its lower tiers, develops its own budget, and calculates its own tax rate. The Township must collect and remit the tax levy on the County's behalf.

Current Value Assessment or "CVA" is the assessed value that MPAC deems appropriate to calculate your property tax levy. Assessments are completed every four years with any increase in assessment being phased in over that period. Decreases in current value assessment are 100% applied in the first year of the new assessment. [Click here](#) to watch a video to further understand this phase-in process.

Development Charge is a charge legislated under the *Development Charges Act, 1997* that allows a municipality to impose a charge to fund capital projects or studies that are deemed necessary to service new growth under the notion that growth pays for growth. Charges must accompany a by-law and development charges study that forecasts growth and relevant growth-related projects.

Education Tax Levy is the tax levy of the province to fund the operations and capital infrastructure of schools. The Township must collect and remit the tax levy on the province's behalf.

Financial Information Return or "FIR" is the main data collection tool used by the Ministry of Municipal Affairs and Housing to collect financial and statistical information for all municipalities. The *Municipal Act, 2001* requires that each municipality will annually report on its financial affairs, accounts, and transactions in the form of the FIR. This data is available for public review online.

Growth Assessment is the sum of assessed values that are added to the assessment base because of growth, such as new construction or major renovations. This value is added to the budget in the following year, but partial year growth assessments are estimated annually and are included under supplemental taxes. Growth assessment does not immediately result in more income for a municipality as new or changing property values will redistribute how much each ratepayer must pay. Revenue can only be increased by increasing the levy requirement/budget.

Impost Fees (almost known as collection charges) is a charge allowable under the *Municipal Act, 2001* that imposes fees to fund water and wastewater capital projects that are deemed necessary to service growth. The collection and use of these charges are regulated by a by-law and thus are not included under Development Charges.

Infrastructure Gap is the value of current infrastructure relative to the value of infrastructure that is needed. Often this is quantitatively measured as the gap in funds between what is needed and what is available. When the need exceeds available resources, it may be referred to as an Infrastructure Deficit.

Municipal Property Assessment Corporation or “MPAC” is an independent, non-profit corporation funded by all Ontario municipalities to assess and classify all properties within the province in accordance with the *Assessments Act* and other regulations within Ontario. Fees paid to MPAC are paid through the County Tax Levy.

Procurement Policy is the internal policy approved by Council that regulates procurement or “purchasing” by the Township to ensure a fair and equitable acquisition of goods and/or services.

Public Sector Accounting Board or “PSAB” is a regulatory board that sets public sector accounting standards. These standards represent the accounting framework that Canadian municipalities must adopt to ensure consistent treatment of accounting transactions. The Township’s annual audited financial statements are in accordance with these standards.

Reserve is an allocation of funds that is not restricted by by-law or legislation but can be specific to projects that are of a nature prescribed and managed by approval of Council. A reserve is typically held in the general bank account and does not receive an annual interest allocation unless invested in accordance with the Township’s Invest Policy. Reserves are administered and managed under the Township’s Reserve & Reserve Fund Policy.

Reserve Fund is a fund set aside for a specific purpose as required by legislation, by-law, or agreement and can be obligatory (externally restricted) or discretionary (internally restricted). Reserve funds are held in separately grouped bank accounts and receive an interest allocation. Reserve funds are administered and managed under the Township’s Reserve & Reserve Fund Policy.

Township Tax Levy is the portion of the overall tax levy that the Township retains and controls to provide certain services.

User Fee is a fee charged for user-pay services, such as recreational programs, bag tags, water and wastewater, and blue bins. While most user-pay services are partly subsidized by other sources of revenue, such as taxes or grants, the *Municipal Act, 2001* allows for the imposition of these fees to reach a cost recovery level that is appropriate to the public and Council while remaining comparable to neighboring municipalities.

Weighted Assessment is the Current Value Assessment multiplied by the tax ratio. In the case of the Township, tax classes and ratios are set by the County. Certain classes, such as commercial, industrial, multi-residential, or farm, will have a higher or lower tax ratio than the residential class, yielding a shift in property tax revenue between classes. Diversifying the assessment base is therefore beneficial to ensure larger tax ratio classes are bringing in more of the overall levy requirement.