



Municipal Finance 101

June 16, 2025

Agenda

- Overview of the Municipal Act (MA)
- Operating Budget
- Reserves/Reserve Funds
- Capital Budget
- Long-term Planning

Municipal Act



Overview of the Municipal Act

- **Role of Treasurer**
 - Collect all money payable, deposit funds, pay all debts and expenditures, keep accurate records, report to Council and invest funds
- **Annual approval of the budget**
 - Operating and Capital expenditures
- **Budget must be balanced**
 - Non-funded requirements
- **PSAB Requirements O.Reg 284/09**
 - Reconciliation of non-funded items

Operational Budget



Operating Budget

- **Expenses**
 - Compensation, Goods & Services, Utilities, Debt, Transfer to Reserve Funds
- **Revenues**
 - Property Tax, Water & Wastewater Rates, User Fees, Permit Fees, Fines and Penalties
- **Variances**
 - Not good or bad on their own
 - Why they happened and how they are addressed is important
 - Within control/outside control
- **Annual surplus/deficit**
 - Can be caused by either revenue or expense
 - Importance of contingency reserves

Operating Budget continued

◡ Assessment

- Municipal Property Assessment Corporation (Provincial body)
 - Responsible for all assessment across the province
 - Provide municipalities with assessment rolls annually
 - Adjustments to properties due to changes of specific property updated as they occur
- Reassessment has not occurred since 2016
- Reassessment does not add to tax revenue (revenue neutral)
- Assessment growth is the amount of new assessment added each year (revenue positive)
- Tax class ratios account for difference in use of types of properties

Taxes payable on a property are based on:

Tax Rate x Assessment x Tax Class Ratio = Taxes Payable

Reserves & Reserve Funds



Reserves & Reserve Funds

○ Definitions

- Reserves have no reference to a specific asset, do not earn interest, do not require segregation and may be established for a pre-determined purpose.
- Reserve fund means a fund with assets that are segregated and restricted to meet the purpose of the reserve fund, all interest earnings derived from reserve fund assets must remain and accumulate in that reserve fund.

There are two types of reserve funds: obligatory and discretionary.

- **Obligatory reserve funds** are created when a provincial statute requires that revenue received for specific purposes is segregated from the general revenues of the municipality.
- **Discretionary reserve funds** are created under the Municipal Act when Council wishes to earmark revenue to finance a future expenditure for which it has the authority to spend money, and to set aside a certain portion of any year's revenues so that the funds are available as required.

Capital Budget



Capital Budget

- **Types of Capital**
 - Infrastructure Renewal – replacing assets we already own
 - Growth – building new assets to support new residents/businesses
 - Service Enhancement – adding or expanding existing services
- **Sources of Funding**
 - Tax and user fee revenues
 - Development Charges
 - Grants
- **Operating impacts from Capital**
 - New or expanded services require operating budget to operate, maintain and replace
- **Impact of deferring Capital**
 - Infrastructure Renewal and Growth don't go away, they are still required and add to future pressures

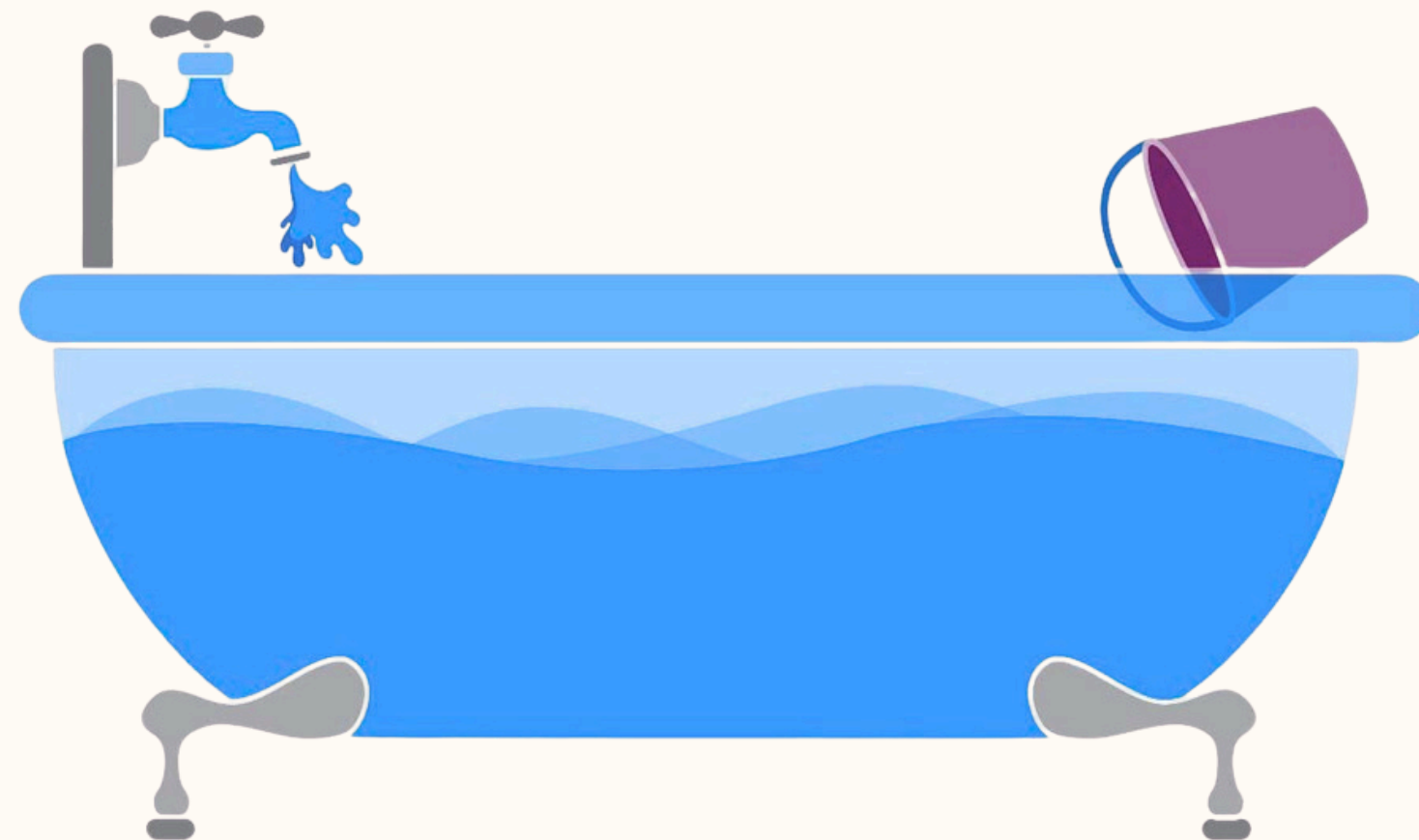
Long Term Planning



Long Term Planning

How does it all tie together?

Faucet:
Annual
operating
budget



Bucket:
Annual
capital
budget

Bathtub:
Annual Operating
Expenses
Reserve Funds and Debt

Long-Term Planning continued

- **Multi- year Operating Budget**

- Reflects approved Master Plans, Official Plan, Strategic Plans
- Provides projection of the annual cost of implementing
- Pace at which they are implemented dictates the rate at which expenses and revenues increase
- Annual confirmation of budget still required

- **Capital Forecast**

- Incorporates Asset Management Plan, Master Plans, Official Plans and Strategic Plans
- Identifies timing of capital investment based on end of life or need for expanded services

- **Reserve Fund and Debt Forecasts**

- Demonstrate sustainability of capital forecast
- Align with corporate policies



Questions?

