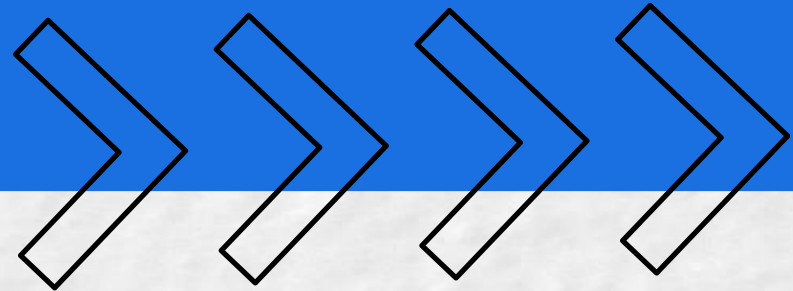


# MUNICIPALITY OF SOUTH HURON 2024 BUDGET BASICS



# LEGISLATIVE REQUIREMENTS



- Section 290 of the Municipal Act
  - *“for each year, a local municipality shall, in the year or the immediately preceding year, prepare and adopt a budget including estimates of all sums required during the year for the purposes of the municipality”*
- O. Reg 284/09 – Budget Measures-Expenses
  - *“municipality may exclude amortization expenses, post employment expenses and solid waste landfill closure and post closure expenses in preparing their budget, however if municipality choose to do so, the municipality before adopting the budget for the year shall prepare a report about the excluded expenses and adopt the report by resolution”*



# HOW YOUR MUNICIPAL BUDGET WORKS: MFOA VIDEO



# OPERATING BUDGET

- Pays for all of the day to day activities of the corporation;
- Examples of operating expenses include; wages, benefits, insurance, supplies, general repairs and maintenance, fuel, utilities, etc



# CAPITAL BUDGET

- Pays for all large investments, replacements or rehabilitation of assets under the municipality's control
- Examples of capital expenditures include; rehabilitation of roads, watermains and sewer mains, new facilities, rolling stock and/or equipment



# BUDGET BASICS:

## LEVY VS SPECIAL AREA RATE VS USER FEE BUDGETS



**Levy** based budgets are supported mainly by property tax dollars collected on all assessed property and include the following;

Policing, Planning, By-Law Enforcement, Fire, Transportation, Recreation, Economic Development, Conservation Authorities, Library, General Administration, Council, Community Grants, Cemetery, Animal Control



**User Fee** based budgets are supported by user fees and permit fees, are full cost recovery and include the following services; Water, Sewer, Solid Waste and Building



**Special Area Rate (SAR)** budgets are supported by property tax dollars collected from specific areas. The Streetlighting budget is a special area rate budget

# HOW ARE MUNICIPAL SERVICES FUNDED?

- Property Taxes
- User Fees
- Permits and License Fees
- Interest on Investments
- Sales
- Donations
- Grants



# FUNDING SOURCES: GRANTS

## OMPF – Ontario Municipal Partnership Fund

- Provinces main general assistance grant to municipalities
- Primarily supports northern and rural municipalities , supporting areas with limited property assessment
- Receive annual allocation notice specifying funding for the calendar year




YEAR	FUNDING ALLOCATION
2024	Unknown
2023	\$1,512,600
2022	\$1,404,200
2021	\$1,344,700
2020	\$1,391,700
2019	\$1,420,400

# FUNDING SOURCES: GRANTS

## CCBF - Canada Community-Building Fund (formerly known as Gas Tax)

- Federal grant flowed through the province
- Support local infrastructure priorities
- Funds not used in any given year must be maintained in a reserve fund
- Asset Management plan recommendation to utilize this source of funding for transportation asset replacement



YEAR	FUNDING ALLOCATION
2024	Unknown
2023	\$334,118
2022	\$320,196
2021	\$628,010
2020	\$306,274
2019	\$306,274



# FUNDING SOURCES: GRANTS



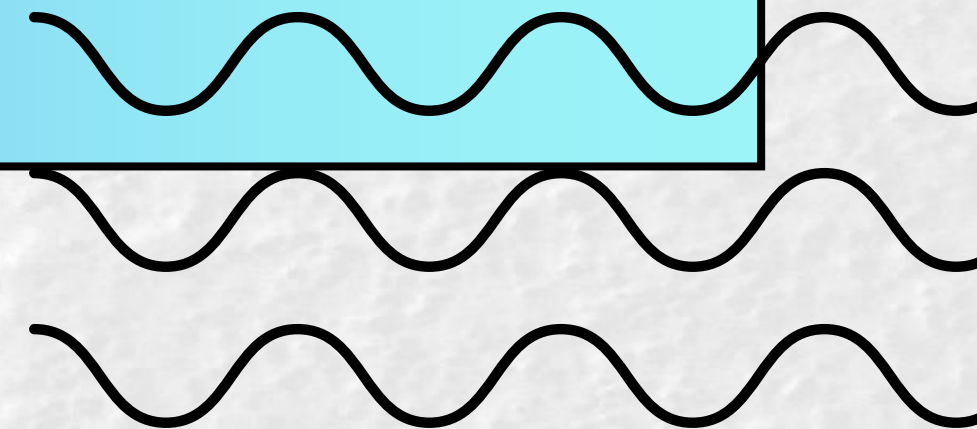
## OCIF – Ontario Community Infrastructure Fund

- Formula based – Changed funding formula calculation beginning in 2023
- Receive annual allocation notice specifying funding for the calendar year
- Asset Management plan – recommended this funding be used for transportation asset replacement

YEAR	FUNDING ALLOCATION
2024	Unknown
2023	\$1,392,308
2022	\$1,210,703
2021	\$688,269
2020	\$688,269
2019	\$673,392

# BUDGET DOCUMENT

- STRATEGIC DOCUMENT FOR COUNCIL IN MOVING MUNICIPALITY FORWARD
- BUDGET NUMBERS CONTAINED IN THE DOCUMENT ARE "BUDGET ESTIMATES"



# OPERATING BUDGET

- Budget estimates adopted
- Quarterly reports of YTD status and explanation of variances
- Detailed report from Department Manager on any budget lines anticipated to be over
- Year end report advises of any overall surplus/deficit
- Surplus/deficit is transferred to/from working fund reserves



# CAPITAL BUDGET

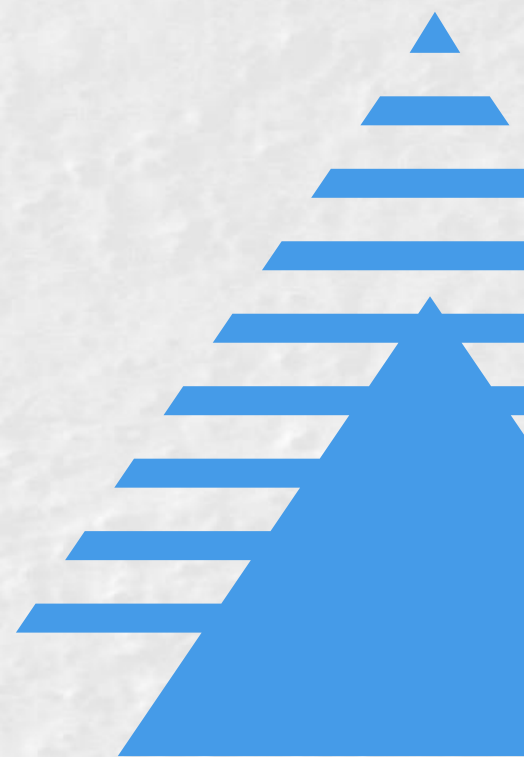
- Budget estimates adopted
- Procurement method used to determine actual costs
  - Request for Tender, Request for Proposal, Request for Quotes
- Council authorizes the award of the project, including any amount over the budget estimate if applicable
- Quarterly capital project status report
- Year end report advising of any projects to be carried forward
- Surplus/deficit is transferred to/from respective capital replacement reserves



# ASSESSMENT



- 2016 was last reassessment year, based on a valuation date of January 1, 2016
- Market increase was phased in equally over 4 years - 2017-2020
- Re-assessment postponed for 2021, 2022, 2023, and 2024
- MPAC has not provided any definitive information on strategy for next re-assessment
- Anticipate some assessment growth, return roll by mid December



# BUDGET BASICS:

## TAX LEVY VS TAX RATE



**Tax Levy** is the amount of money collected through taxes that is required to fund services and support capital plan



**Tax rate** is the rate used to calculate taxes to be collected based on levy amount required to fund services.

Assessment Value \* Tax Rate = Tax Levy (amount of Tax \$ collected)

# MPAC VIDEO:

## HOW YOUR PROPERTY TAX IS CALCULATED



$$\begin{array}{r} \$240,000 \uparrow 5\% \\ \times \\ 0.125\% \\ \hline \$300 \end{array}$$

$$\begin{array}{r} \$300,000 \uparrow 5\% \\ \times \\ 0.125\% \\ \hline \$375 \end{array}$$

$$\begin{array}{r} \$420,000 \uparrow 15\% \\ \times \\ 0.125\% \\ \hline \$525 \end{array}$$

# BUILDING THE BUDGET

Managers draft  
Operating & Capital  
Budgets

Aug/Sept

Budget review with  
Finance/CAO

Aug/Sept

Public Communication  
Budget Education

Sept/Oct

Budget Basics

Sept. 25th

Budget Deliberations

Oct/Nov

Budget Adoption

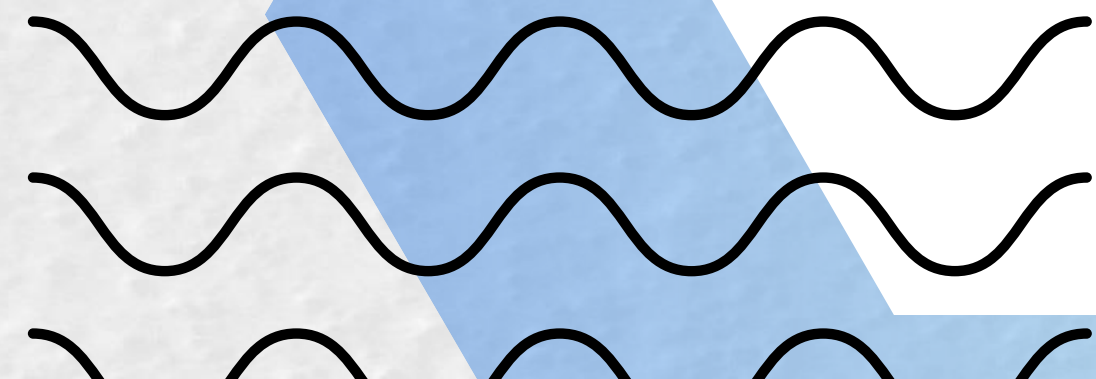
Dec.





# COMMUNICATION STRATEGIES

- Focus on budget education
- Series of posts on social media throughout September and October
- Budget schedule on website



# 2024 BUDGET DEVELOPEMENT STRATEGY



- Maintain current levels of service
- Debt Management Strategies
  - Debt Management policy adopted November 2021
- Principles of Asset Management Plan
  - Long term capital plan
  - Continuation of financial strategy identified within 2023 budget
- Levy increase on base budget for lines impacted by cost-of-living increases, contracts, utilities, etc



# COMMUNITY GRANTS/ COMMITMENTS



- \$59,631 committed through Memorandums of Understanding
  - Exeter Business Improvement Area
  - South Huron Chamber of Commerce
  - South Huron Medical Recruitment
  - Thames Rd Elimville Community Park
  - Huron Perth United Way
- \$25,000/year Sponsorship Huron Country Playhouse (2020-2029)
  - Due to COVID sponsorship extended to 2031 at no additional cost

# **DEBT: MMAH GUIDELINES AND LIMITS**

- **MINISTRY OF MUNICIPAL AFFAIRS AND HOUSING (MMAH) OFFERS GUIDANCE IN THE FORM OF A 25% ANNUAL REPAYMENT LIMIT (ARL) FOR MUNICIPALITIES (O. REG 403/02)**
- **DEBT CANNOT EXTEND BEYOND THE LIFETIME OF THE CAPITAL WORK FOR WHICH THE DEBT WAS INCURRED AND CANNOT EXCEED 40 YEARS.**



# DEBT:

## HOW IS THE ARL CALCULATED?

The ministry calculates 25% of the municipality's annual own-source revenue:

Municipal Own-Source Revenue

X

Municipal Own-Source Revenue

=

25% of Own-Source Revenue

Then subtracts municipal debt and other financial obligations to determine the ARL:

25% of Own-Source Revenue

-

Annual payments for existing debt & other financial commitments

=

**ARL**

**Annual Repayment Limit (ARL)** = max amount that a municipality can pay each year in principal and interest payments for its long term debt and other long-term financial commitments.

# DEBT: SOUTH HURON'S CURRENT POSITION



- “Projected” Debt amount as of Dec. 31, 2023      \$ 22,993,757
- “Projected” Debt Servicing as of Dec. 31, 2024      \$ 2,452,696
- South Huron’s projected ARL with commitments is 10.7%
  - Provincial maximum is 25%
  - Ministry considers anything over 10% high risk

Amounts are an ‘estimate’ based on committed debt for Recreation projects

# DEBT: SOUTH HURON'S CURRENT POSITION

Debt Allocation by Category (including 2023 commitment)	Debt (projected Dec. 31, 2023)	
Water Infrastructure	\$	8,380,209
Sewer Infrastructure		7,642,406
Recreation Facilities		6,971,142
	<b>Total</b>	<b>\$ <u>22,993,757</u></b>

# DEBT MANAGEMENT STRATEGIES

- Debt Management policy adopted November 2021
  - Established debt limits
    - Maximum annual debt servicing limit of 12.5%
    - Intention to reduce to 10% by the year 2030
  - Term restrictions
    - Term of debt will not exceed the lessor of (i) expected useful life of the capital investment and (ii) 30 years
  - Direction for retiring debt
  - Types of debt
  - Parameters on internal borrowing from reserves and reserve funds



**POLICIES**

**PROCEDURE**



# RESERVES AND RESERVE FUNDS

Reserves are an appropriation from net revenues at the discretion of Council

- Do not reference any specific asset
- Do not require segregation as in the case of a reserve fund
- Are often referred to as “contingency” funds
- Interest earned is reported as part of the general fund revenue
- Protects taxpayers from any major volatility in tax rates
- Drawn upon when unforeseen or non-recurring events occur

## Examples

- Capital replacement reserves
- Winter control stabilization reserve



# RESERVES - ACTIVITY SCHEDULE

RESERVES	BALANCE DEC.31,2022	Transfers In		Transfers Out		BALANCE DEC.31,2023	2023 Estimate		
		Contributed from	Interest	Contr from	Transfer to		Transfer to	Estimated Amounts Committed to Projects(Contribution)	ESTIMATED BALANCE DEC.31,2023
		General	Earned	Capital	General		Capital		
Working Fund Reserve	4,683,168.22					4,683,168.22	(796,612.98)	3,886,555.24	
Benefits Contingency Reserve	211,185.85					211,185.85		211,185.85	
Insurance Claims Contingency Reserve	5,939.50					5,939.50		5,939.50	
Green Initiatives (Energy MgmtPlan)	9,175.86					9,175.86		9,175.86	
Election Reserves	9,500.04	6,333.36				15,833.40	3,166.68	19,000.08	
Community Improvement Program	245,000.00					245,000.00		245,000.00	
OPP Contract Stabilization Reserve	303,839.00					303,839.00		303,839.00	
Winter Control Stabilization Reserve	512,574.00					512,574.00		512,574.00	
SHRC Rodeo	89,900.53					89,900.53		89,900.53	
SH Early Childhood LC	9,915.75					9,915.75		9,915.75	
Huron Park Fire (Dept Specific Reserve)	7,681.00					7,681.00		7,681.00	
Transportation Reserve (Dept Specific Reserve)	57,332.00					57,332.00		57,332.00	
Tree Replacement Reserve	10,000.00					10,000.00		10,000.00	
Streetlight Reserve (Dept Specific Reserve)	213,860.01					213,860.01		213,860.01	
South Huron Water (Dept Specific Reserve)	2,764,016.02					2,764,016.02	(479,922.00)	2,284,094.02	
South Huron Sewers (Dept Specific Reserve)	249,826.94					249,826.94		249,826.94	
Solid Waste (Dept Specific Reserve)	(136,703.39)					(136,703.39)	44,572.00	(92,131.39)	
Exeter Cemetery Fence	136,005.47					136,005.47	(136,005.47)	-	
<b>TOTAL</b>	<b>9,382,216.80</b>	<b>6,333.36</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,388,550.16</b>	<b>(1,364,801.77)</b>	<b>8,023,748.39</b>	

# RESERVES - CAPITAL REPLACEMENT RESERVES

RESERVES	BALANCE DEC.31,2022	Transfers In			Transfers Out		BALANCE DEC.31,2023	2023 Estimate	
		Contributed from	Interest Earned	Contr from Capital	Transfer to General	Transfer to Capital		Estimated Amounts Committed to Projects(Contribution)	ESTIMATED BALANCE DEC.31,2023
		General	Earned	Capital	General	Capital			
CAPITAL REPLACEMENT RESERVE-USER FEE PRGS	3,459,367.18						5,701,613.10	(4,136,660.29)	1,564,952.81
Sewers Capital Replacement Reserve	123,421.47	891,186.64					1,014,608.11	(1,489,795.93)	(475,187.82)
Water Capital Replacement Reserve	3,302,218.97	1,338,194.64					4,640,413.61	(2,552,636.68)	2,087,776.93
Landfill Capital Replacement Reserve	33,726.74	12,864.64					46,591.38	(94,227.68)	(47,636.30)
CAPITAL REPLACEMENT RESERVE-LEVY PRGS	9,339,656.71						10,179,953.10	(1,063,917.62)	9,116,035.48
General Admin Capital Replacement Res	420,296.68	31,710.64					452,007.32	3,855.32	455,862.64
Dedicated Capital Levy	180,168.92				(180,168.92)		-		-
Fire Capital Replacement Reserve	1,976,378.47	114,820.64					2,091,199.11	(532,189.68)	1,559,009.43
Building/Dev Capital Replacement Reserve	35,446.09	1,639.36					37,085.45	819.68	37,905.13
Bridges/Culverts Replacement Reserve	265,000.00						265,000.00		265,000.00
Transportation Capital Replacement Reserve	5,278,844.56	760,047.23					6,038,891.79	(341,308.32)	5,697,583.47
Streetlighting Capital Replacement Reserve	544,726.34	19,012.80					563,739.14	(177,918.60)	385,820.54
Cemetery Capital Replacement Reserve	130,885.24	4,452.64					135,337.88	2,226.32	137,564.20
Recreation Capital Replacement Reserve	507,910.41	88,782.00					596,692.41	(19,402.34)	577,290.07

# RESERVES AND RESERVE FUNDS



Reserve Funds are established by Council and/or when a statute requires

- Must remain segregated from general operating funds
- Based on statutory requirements or future financial commitments
- Usually have restrictions and rules around collection and use

Example

- Development Charges Revenues

# RESERVES AND RESERVE FUNDS



## **Obligatory**

- Created when provincial or federal statute requires that revenues are segregated from general municipal revenues
- Can also be created as a result of a legal agreement
  - e.g. Canada Community Building Fund (Gas tax)

## **Discretionary**

- Created when Council wishes to earmark revenue to ensure funds are available as required to finance a future expenditure
  - e.g. Exeter-Cemetery Columbarium

# RESERVE FUNDS - ACTIVITY SCHEDULE

	Balance Dec. 31, 2022	Transfers In		Transfers Out		Balance Dec. 31, 2023	Estimated Amounts Committed to Projects (Contribution)	BALANCE
<b>OBLIGATORY RESERVE FUNDS-DEFERRED REVENUE</b>								
DEVELOPMENT CHARGES-Other Services	31,696.18	5,023.73				36,719.91	(11,100.00)	25,619.91
DEVELOPMENT CHARGES - Fire	74,181.59	9,547.71				83,729.30		83,729.30
DEVELOPMENT CHARGES-Transportation	326,719.15	28,910.29				355,629.44		355,629.44
DEVELOPMENT CHARGES-Sewers System	440,414.09	23,685.18				464,099.27	(322,000.00)	142,099.27
DEVELOPMENT CHARGES-Water System	103,825.42	33,000.43				136,825.85		136,825.85
DEVELOPMENT CHARGES-Parks & Recreation	437,079.12	67,135.73				504,214.85		504,214.85
<b>TOTAL DEVELOPMENT CHARGES</b>	<b>1,413,915.55</b>	<b>167,303.07</b>	-	-	-	<b>1,581,218.62</b>	<b>(333,100.00)</b>	<b>1,248,118.62</b>
Parkland Reserves	143,664.48	2,000.00				145,664.48	(64,000.00)	81,664.48
Canada Community-Building Fund (gas tax)	269,581.84	167,058.88				436,640.72	(385,741.00)	50,899.72
OCIF Funding	1,076,366.76	1,044,230.00				2,120,596.76	(1,862,570.00)	258,026.76
OCLI ( Cannabis)	24,423.60					24,423.60		24,423.60
<b>TOTAL OBLIGATORY RESERVES FUNDS &amp; DEFERRED REVENUE</b>	<b>2,927,952.23</b>	<b>1,380,591.95</b>	-	-	-	<b>4,308,544.18</b>	<b>(2,645,411.00)</b>	<b>1,663,133.18</b>

# RESERVE FUNDS - ACTIVITY SCHEDULE

	BALANCE DEC.31,2022	Transfers In			Transfers Out		BALANCE DEC.31,2023	Estimated Amounts Committed to Projects(Contribution)	BALANCE DEC.31,2023
		Contributed from General	Interest Earned	Contributed from Capital	Transfer to General	Transfer to Capital			
<b>DISCRETIONARY RESERVE FUNDS</b>									
Dashwood Community Development Fund	87,476.91						87,476.91		87,476.91
Webber Pit Reserve Fund	36,631.41						36,631.41		36,631.41
Exeter Cemetery - Expansion	1,411.12						1,411.12		1,411.12
Exeter Cemetery-Columbarium	61,837.73						61,837.73		61,837.73
Landfill Perpetual Care Fund	913,124.06						913,124.06	105,000.00	1,018,124.06
AMENITY FEE-Community Funding-Goshen	650,347.20						650,347.20	(50,805.84)	599,541.36
AMENITY FEE-Community Funding-Grand Bend	313,672.38						313,672.38	10,833.50	324,505.88
BLDG CODE- Revenue Stabilization Reserve Fund	489,015.62						489,015.62	(263,289.00)	225,726.62
BLDG CODE-Legal/Insurance Reserve Fund	364,899.50						364,899.50		364,899.50
BLDG CODE-Capital Reserve Fund	178,845.48						178,845.48		178,845.48
Modernization Fund	482,524.29						482,524.29	(482,524.29)	-
<b>RESERVE FUNDS - Sub Total</b>	<b>3,579,785.70</b>						<b>3,579,785.70</b>		<b>2,899,000.07</b>
Kirkton Woodham Pool	44,114.11						44,114.11		44,114.11
<b>TOTAL DISCRETIONARY RESERVE FUNDS</b>	<b>3,623,899.81</b>	-	-		-	-	<b>3,623,899.81</b>	<b>(680,785.63)</b>	<b>2,943,114.18</b>

# BUDGET PRESSURES

## ASSET MANAGEMENT

- Infrastructure deficit
- Annual Capital Requirements to maintain
- Inflation index
- Contribution to reserves for future replacement

## NO ASSESSMENT INCREASE

- Re-assessment deferred since 2021
- Impact of hike in real estate prices unknown
- Ontario government to conduct review of property assessment and taxation system

## COST OF LIVING

- Last year CPI was 6.9% as of Sept 2022
- Most recent CPI available is 3.2% for July 2023
- Impacts on gravel prices, vehicle costs, **fuel**, utilities, etc.

## STAFFING

- Minimum wage increases
- Difficulties recruiting staff and filling positions
- Overall wage/benefits increases due to grid movements and COLA increases



# SOUTH HURON'S RESIDENTIAL TAX RATES

YEAR	Urban Tax Rate (Increase over prev. yr)	Rural Tax Rate (Increase over prev. yr)
2023	0.78%	2.21%
2022	1.72%	2.48%
2021	0.00%	0.00%
2020	1.66%	0.85%
2019	1.17%	0.15%

Data Source:  
Tax rate bylaws

THANK YOU

QUESTIONS/COMMENTS

