



Budget 101

Presented by:
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Introduction & Objectives for today

1. Basic understanding of the rules applicable to local government budgeting in British Columbia
2. Understanding of the local government budget process
3. Recognition that if you are relatively new in local government – that this can be an asset



Agenda

- What is a budget?
- Budgeting Basics
- Local Government budget process in BC
- The Budget – Components of the Financial Plan
- Public Consultation
- Monitoring the budget

What is a Budget?

More than a simple accounting of revenue and expenditures

- Not boring or overwhelming
- It's a way to demonstrate Council/Board priorities
- Your tool to achieve the mandate and strategic goals set forth by your council or board – understanding your budget is very important!

Budgeting Basics - #1

Planning Matters!

“Don’t tell me what you value, show me your budget and I’ll tell you what you value!”



Budgeting Basics - #2

Budgeting is not just a few weeks of intense meetings - do the work through the year!!

Fees Review

Public input

Strategic Plan development



Budgeting Basics - #3

Policies related to Budget development

Cost Recovery Policy

Asset Management Policy

Surplus/Deficit Policy

Debt Management Policy

Reserve funds Policy

Others....



Budgeting Basics - #4

Transparency Matters - it's not a fad!!

Demystify budget information

Hold all financial plan discussions in OPEN MEETINGS

Public Meetings, Information on Website, Tools to make input easier

	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
	2.65	13359.77	1016.76	101.89	12901.21	12625.01	13686.73	213.05	12941.58
	5.57	925.61	1232.46	1046.6	1152.52	1210.19	2180.86	2100	1938.61
	1.89	2990.29	3408.59	445.21	3400	2956.12	3779.39	325.32	3003.2
	2.52	3000.00	115.00	101.70	1000.00	1000.00	1000.00	774.39	696.84
	4.23	8953.85	8323.28	228.76	5744.81	4654.11	6468.39	3983.6	6088.4
	92.9	1675.65	1859.25	78.12	1914.77	1830.85	2268.69	165.45	2480.94
	1.67	482.46	561	500.00	515.79	558.06	645.75	549	589.68
	5.55	419.47	390.96	390.00	403.78	402.73	329.75	367.56	313.65
	59.8	57.72	80.6	400.00	87.88	35.36	74.00	85.28	56.68
	1.08	1.24	0.99	1.00	17.86	1.88	1.00	1.3	0.71
	0.75	1	0.75	1.00	0.25	3.70	2.5	0	2.5
	1.74	196.66	313.82	14	500.00	710.8	794.06	738.56	738.56
	1.24	173.81	308	2.00	101.00	122.00	150.00	110.00	101.00

Budgeting Basics - #5

Finance Terminology

- **Revenue:** money coming in
 - such as property tax, grants, user fees
- **Flow through revenues:** amounts collected for others
- **Operating expenditures:** day-to-day business
 - eg. wages and benefits, fuel, supplies, maintenance
- **Capital expenditures:** projects that provide long term services
 - eg. infrastructure (roads, water pipes, buildings, vehicles)
- **Reserves** – monies set aside for future uses

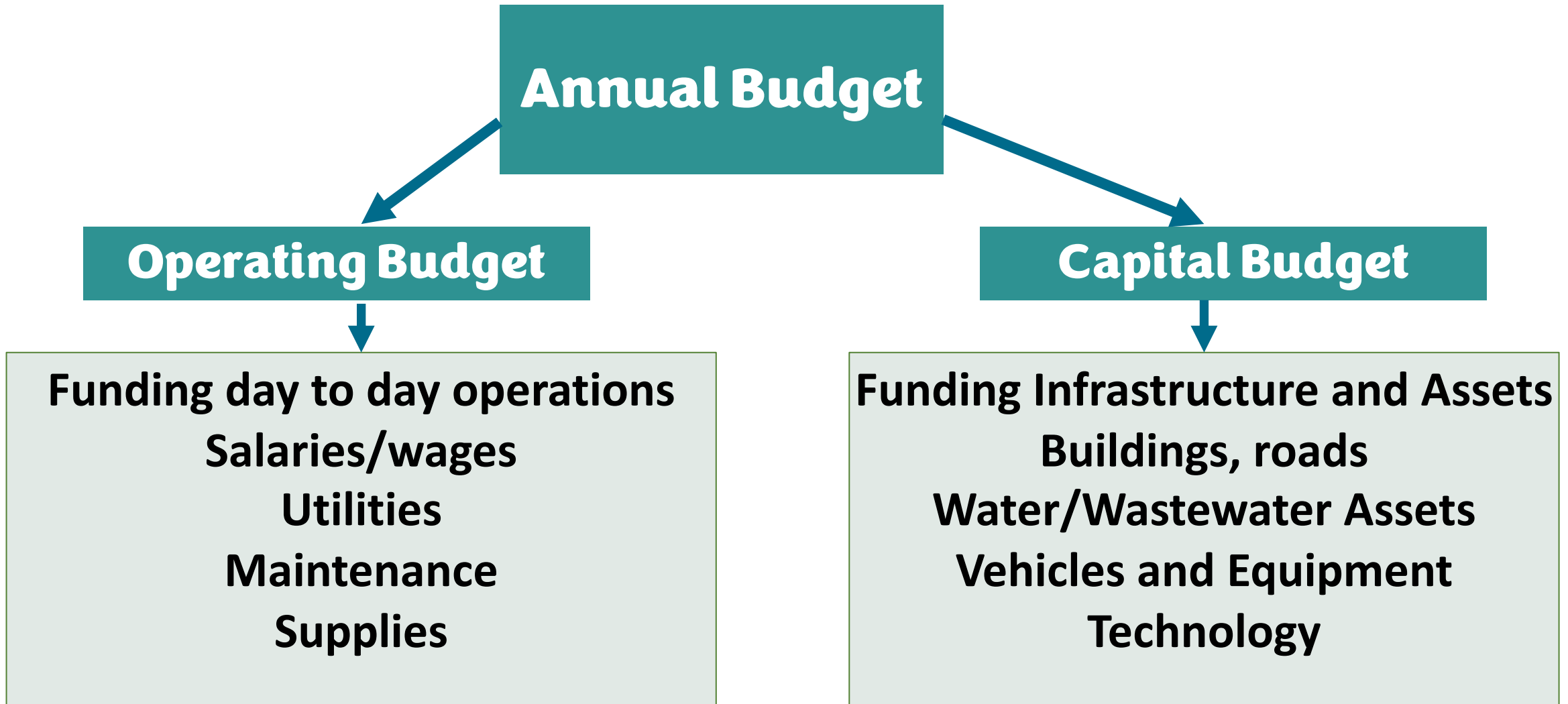
Budgeting Basics - #6

Focus on Service Levels NOT line item expenditures

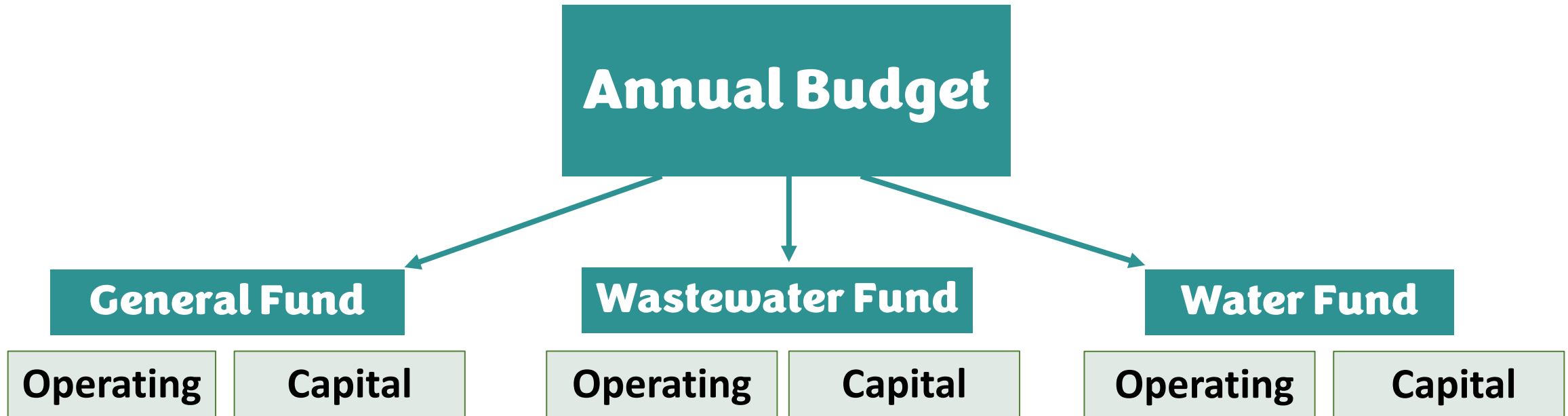
What is a service level?

Why shouldn't I question how many staff members are needed to plow the snow?

Budgeting Basics - #7



Budgeting Basics - #8



- **May be other separate funds in addition to these**
- **Funds are self-balancing**
- **Typically, taxation is primary revenue in General Fund; User Fees in Wastewater/Water**
- **Allocations between funds are based on POLICY decisions**

Budgeting Basics – BC Legislation

Key Legislative Dates

Prior to May 15th	<ul style="list-style-type: none">• Financial Plan Bylaw (before Tax rate bylaw May 15) – March 31 for RDs
May 15th	<ul style="list-style-type: none">• Audited Financial Statements• Tax Rate Bylaw
June 30th	<ul style="list-style-type: none">• Statement of Financial Information• Annual Report
July 2nd	<ul style="list-style-type: none">• Property Taxes Due

Remember fiscal year for local government is calendar year (January 1 - December 31)

Budget Basics – BC Legislation

- **Five (5) Year Financial Plan**

- Approved annually, by bylaw
- Must be approved before property tax rates bylaw is approved
- Council is required to undertake public consultation prior to adoption
- Fiscal year = Calendar year
- Financial Plan can be amended by bylaw at anytime



Budgeting Basics – BC legislation

Financial Plan Components – per legislation

- 5 Years (current year plus 4)
- Proposed funding sources (revenues)
- Proposed expenditures
 - Capital expenditures must be identified separately
 - Debt (principal & interest) also must be identified separately
- Proposed transfers to or from Reserves

Budgeting Basics – BC legislation

“A Balanced Budget” per *Community Charter*

- “proposed expenditures and transfers...for a year must not exceed the total of the proposed funding sources and transfers....”
- **What happens if there is a deficit?**
 - must be included in the next year’s financial plan as an expenditure in that year



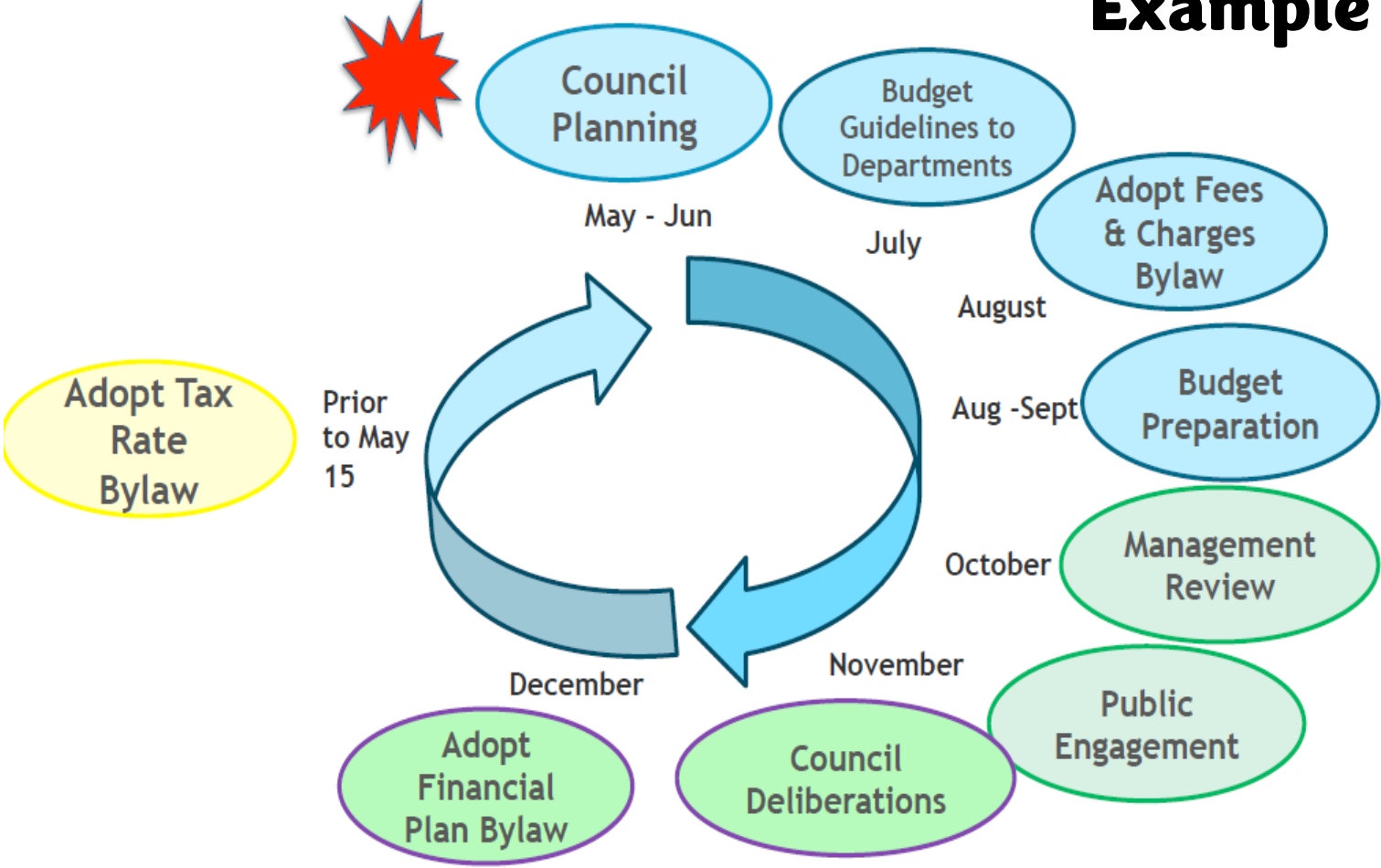
Budgeting Basics – BC legislation

Five Year Expenditure Authorization

	2023	2024	2025	2026	2027
Revenues:					
Revenue from Property Value Taxes	131,066,161	139,406,022	145,191,112	150,616,828	155,652,170
Revenue from Parcel Taxes	201,500	204,265	207,076	209,936	55,191
Revenue from Fees & Charges	57,245,423	59,388,867	62,596,652	64,212,732	65,679,900
Revenue from Other Sources	39,009,235	32,871,637	25,459,872	25,159,586	24,931,228
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	227,522,319	231,870,791	233,454,712	240,199,082	246,318,489
Expenses:					
General Operating Expenditures	164,343,267	155,060,765	158,898,149	161,979,616	164,888,908
Sanitary Sewer Operating Expenditures	5,597,263	5,177,948	5,209,747	5,251,711	5,374,537
Waterworks Operating Expenditures	11,152,795	11,056,112	11,491,413	11,495,769	11,399,450
Interest Payment on Municipal Debt	1,895,615	1,901,291	1,901,290	1,914,294	1,948,308
Amortization	29,655,472	31,365,838	32,217,437	33,074,608	33,916,249
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Annual Surplus/Deficit	14,877,907	27,308,837	23,736,676	26,483,084	28,791,037

Budget Process

Example of a budget timeline



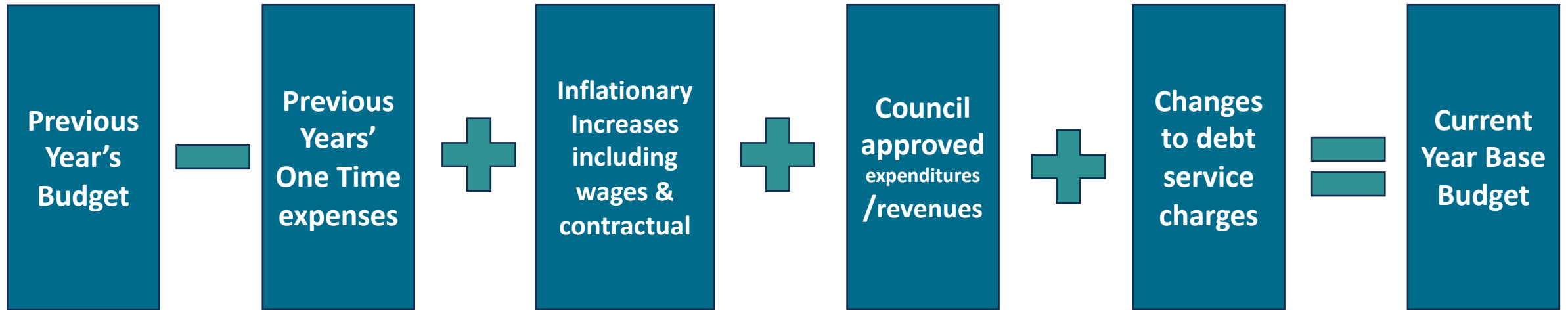
Budgeting Process

Developing Budget Guidelines

(the start of a budget message)

- Provide direction on service levels
- Thoughts on priorities
- Consideration of tax rates
- What is important to emphasize in this budget?

Starting Point – Base Budget



Staff prepares base budget as a starting point for council discussions

Revenue

- **Property taxes and user fees** – PRIMARY revenue sources for most local governments
- Some revenues have **specific requirements** for how they can be spend (“conditional”)
 - *provincial legislation, municipal bylaws, council policy, grant agreements*
- How reliable is the revenue source?
- Estimate conservatively when possible (e.g. building permit revenue)



Revenue: *Typical Sources*

- **Property taxes, local service taxes, parcel taxes**
- User fees, sale of services, utility fees
- Grants
- Development Cost Charges
- Investment income
- Non cash revenue...e.g. infrastructure assets received through development activity



User Fees

- Each community needs to decide **what services to charge for and what to provide as part or core services**
- **Examples** – fees for cemeteries, recreational facilities, business inspection, copies of documents, subdivision, rezoning applications etc....
- Fees can cover the service but no more (what does this actually mean?)



Grants

- **Unconditional**
 - Very few, mostly for smaller organizations
- **Conditional**
 - eg. Canada Community-Building Fund
 - Federal/Provincial Infrastructure
- Incrementality
- Timing
- Local objectives vs. Provincial / Federal

Revenue from Debt (Borrowing)

- Interest cost associated with long term debt adds significantly to the cost of a project
- Delay in construction may also add costs!
- **Why Borrow?**
 - Spreads cost of the assets over their useful life
 - Minimizes spikes in tax requirements

Expenditures

- ✦ Must be in financial plan to be legal, except an emergency
 - ✦ Debt Principle/Interest
 - ✦ Capital Expenditures
 - ✦ Operating Expenditures
 - ✦ Prior year's deficiency
- **Exception provided for emergency expenditures**, subject to certain requirements
 - Council must have a procedure to authorize the expenditures
 - Expenditures must be reported at an open meeting
 - Follow up with financial plan amendment to include the expenditures

Capital Spending

- May be funded by taxes, reserves, grants
- The virtues of long-term planning
- “Capital Spending Envelope”

Reserves

- Reserve funds are established by bylaw
- Reserve funds function like a savings account – can be used as a funding source in operating or capital budgets

Reserve policy helps frame requirements in Financial Plan

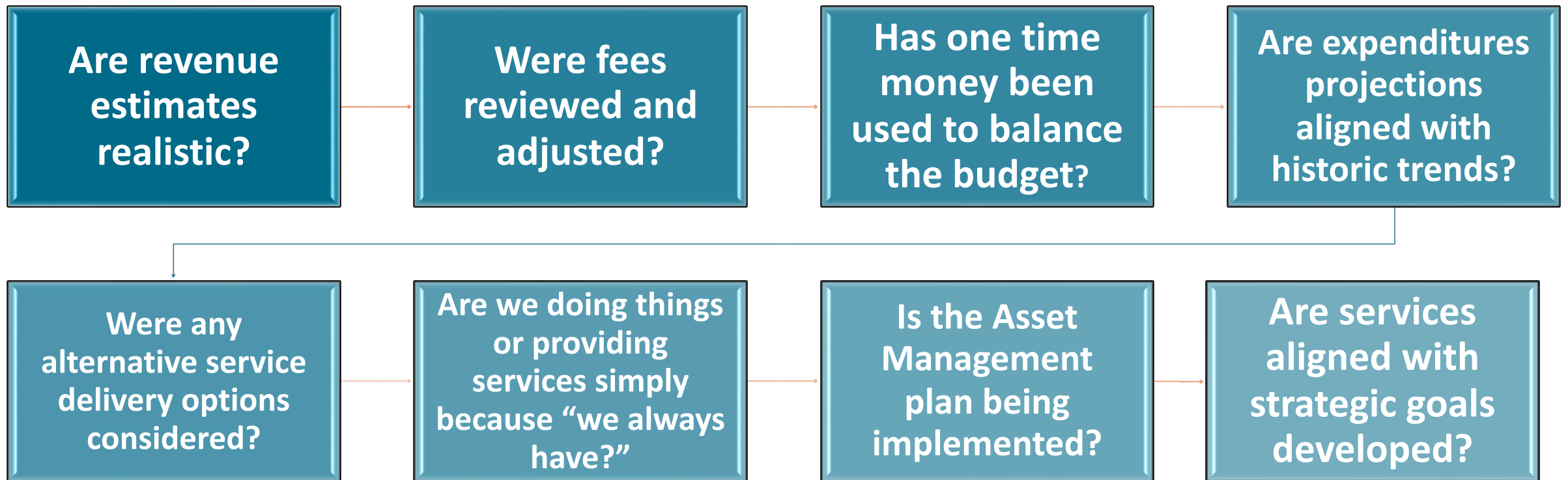
Can be either operating or capital – not intended for ongoing funding

Shall we lower taxes with operating (non-capital) reserves?



The Budget Process

Questions to ask/consider when looking at Base Budget



Public Process

Required by Community Charter – but not defined

A council must undertake a process of public consultation regarding the proposed financial plan before it is adopted

Transparency Matters!!

Public budget meetings – demystify the number

have narrative; not just numbers

Post on website

Keep discussion honest, open AND in an OPEN meeting



Budget Message

Developing a Budget Message

Include:

- Assumptions made
- Factors affecting the budget (financial, environmental, inflation)
- Focus on some of the changes from prior year – demystify
- Establish overall message

Tax Rates – relationship to budget

So, the budget has been prepared, public consultation complete and council has now adopted the financial plan bylaw...now what?

The Financial Plan must include council's objectives and policies related to property value tax distribution (distribution of property taxes among classes)

So you have a financial plan...now what?

Monitoring the budget



- Ensure accountability by reviewing the budget
 - Compare budgets to actuals - quarterly
 - Report publicly, including projections to year-end
 - Also allows council to monitor whether goals and objectives are being met
- Amend the financial plan throughout the year, as required (by bylaw)

Key takeaways....

- ✓ **Understand legislation**
- ✓ **Establish budget guidelines, ensure transparency**
- ✓ **It's an ongoing cycle!**
- ✓ **Make sure that PLANNING is an integral part of the budget process. Don't let policy get away from you!**
- ✓ **Never pass a budget without understanding the numbers!**
- ✓ **Most importantly, ask questions. Challenge the way things have always been done.**
- ✓ **Demystify the budget for the public**

Thank you!

Budget 101

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