

Introduction to Municipal Finance at the City of Brampton



Municipal Finance – Glossary of Terms

Accumulated Surplus – represents the net financial position of the City (assets less liabilities)

Annual Budget Surplus / Deficit – difference between current (operating) revenues and expenses for the year

Annual Financial Statement Surplus / Deficit – net change (revenues less expenses) in financial position that impacts the accumulated surplus

Capital Budget – used for infrastructure projects (e.g. construction, acquisition and rehabilitation/major maintenance of roads, buildings, land, vehicles, equipment, etc.)

Current Budget – used for day to day operations (e.g. salaries and wages, goods and services) – also known as operating budget

Current Value Assessment – current value assigned to property by the Municipal Property Assessment Corporation (MPAC)

Payments in Lieu of Taxes (PILs) – payments made by provincial and federal governments on property they own/lease and occupy, equivalent to property taxes

User Fees – funds collected for pay-per-use services (e.g. recreation, transit)

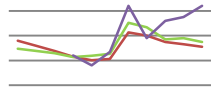
Municipal Finance



One hundred thousand (100,000) seconds = 28 hours



One million (1,000,000) seconds = 12 days



One billion (1,000,000,000) seconds = 32 years

How much does \$100,000 buy?

- 3 Fire training vehicles or
- 4 Fire Prevention Officer vehicles or
- Animal shelter renovation

How much does \$1,000,000,000 buy?

- Operating budget for 2 years or
- Capital budget for 4 years

How much does \$1,000,000 buy?

- 1 platform aerial fire truck or
- 2 pumper/rescue fire trucks or
- Replacement of Fire's self-contained breathing apparatus equipment or
- 1 articulated Züm transit bus or
- 2 standard transit buses or
- 1 day of city staff compensation

Municipal Budgeting - Overview

- Fiscal year January 1 – December 31 (budgeting done annually)
- **Current (operating) budget** – ongoing operation of services
 - Salaries and wages, goods and services
 - 2014 approved current budget \$530 million (gross expenditures)
- **Capital budget** – infrastructure projects
 - Construction, acquisition, rehabilitation / major maintenance and renewal of roads, buildings, land, vehicles, equipment, etc.
 - 2014 approved capital budget \$255 million (10-yr forecast = \$2.1B)
- No budgeted/planned operating deficits permitted (must balance revenues & expenditures)
- Tax rates determined by land use and assessment value
 - Residential, commercial, industrial, farmland

Municipal Budgeting – Funding Sources

Municipal funding sources are limited to the following:

- Property taxes and taxation from other governments (e.g. PILs - payments in lieu of taxes)
- User fees (e.g. recreation, transit)
- Other charges (e.g. administrative fees, licences, penalties, fines)
- Interest income from investments
- Public sector grants (restrictions apply), i.e. gas tax
- Development levies
- External debt

About two thirds of operating expenses are funded by property taxes

Municipal Budgeting - Overview



FUNDING

Property Taxes & User Fees

- Fire Services
- Public Transit
- Planning New Developments
- Enhancing Existing Neighbourhoods
- Economic Development
- Parks and Recreation
- Arts and Culture
- Road Maintenance
- Snow Removal
- Animal Control
- By-law Enforcement

Development Charges

- New Fire Stations
- Expanded Transit System
- New/Expanded Roads
- New Recreation Centres
- Expansion of Existing Recreation Centres
- New Parks
- New Libraries
- Debt capacity allows infrastructure ahead of growth
- Debt service payments charged back to developers

2014 Budget – City of Brampton Existing Assets

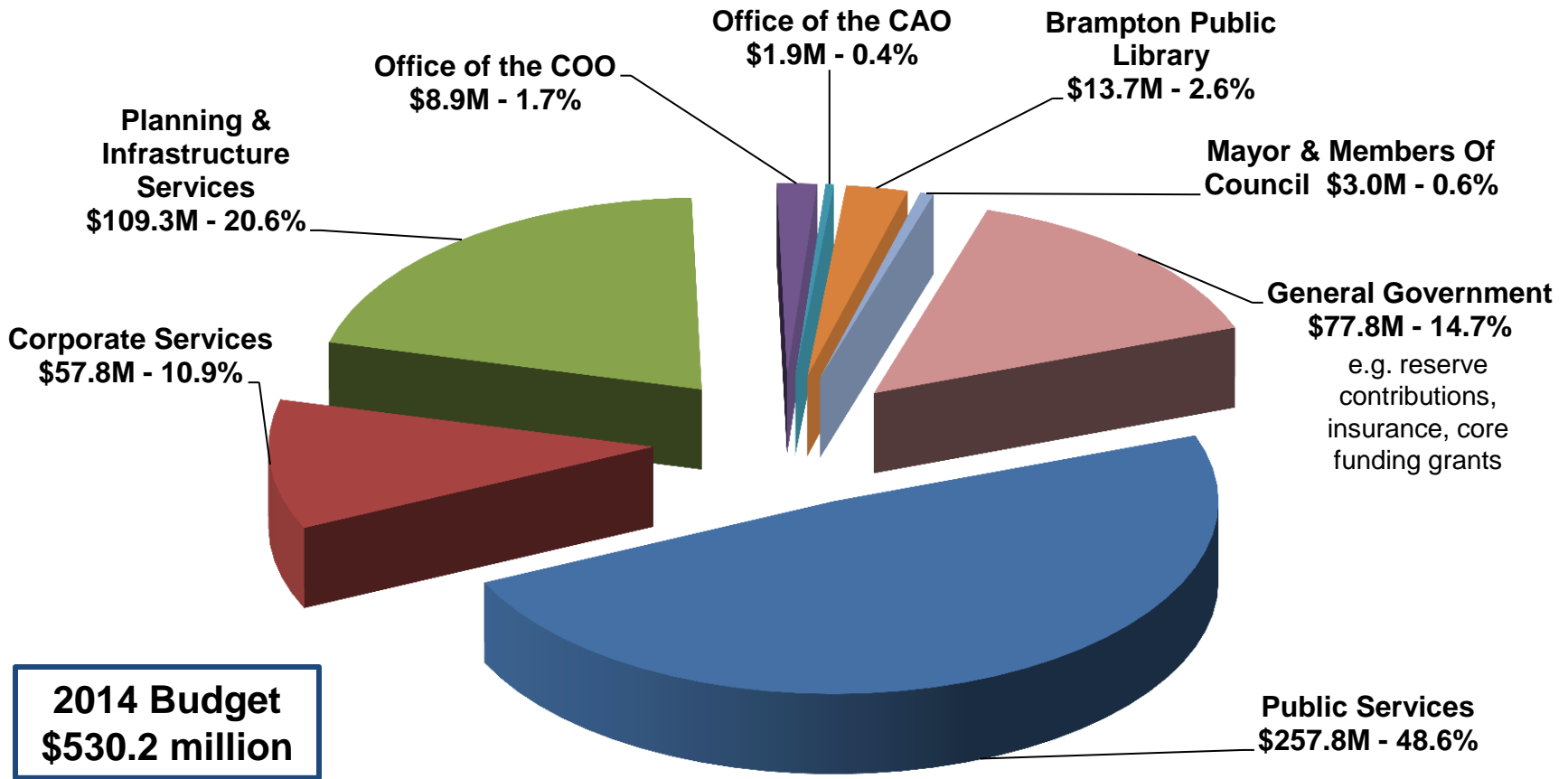
- 3,700 lane kilometres of road
- 4,035 hectares of parkland
 - Including sports fields, playgrounds, pathways and trails, flowers and shrub beds
- 286 Conventional and 73 Züm Transit Buses
- 80 Corporate buildings
 - Including corporate, parks, transit, works, and libraries
- 65 Recreation and community facilities including arenas, pools, theatres, etc.
- 15 Fire stations

\$2.8 Billion in City Assets (excluding land)

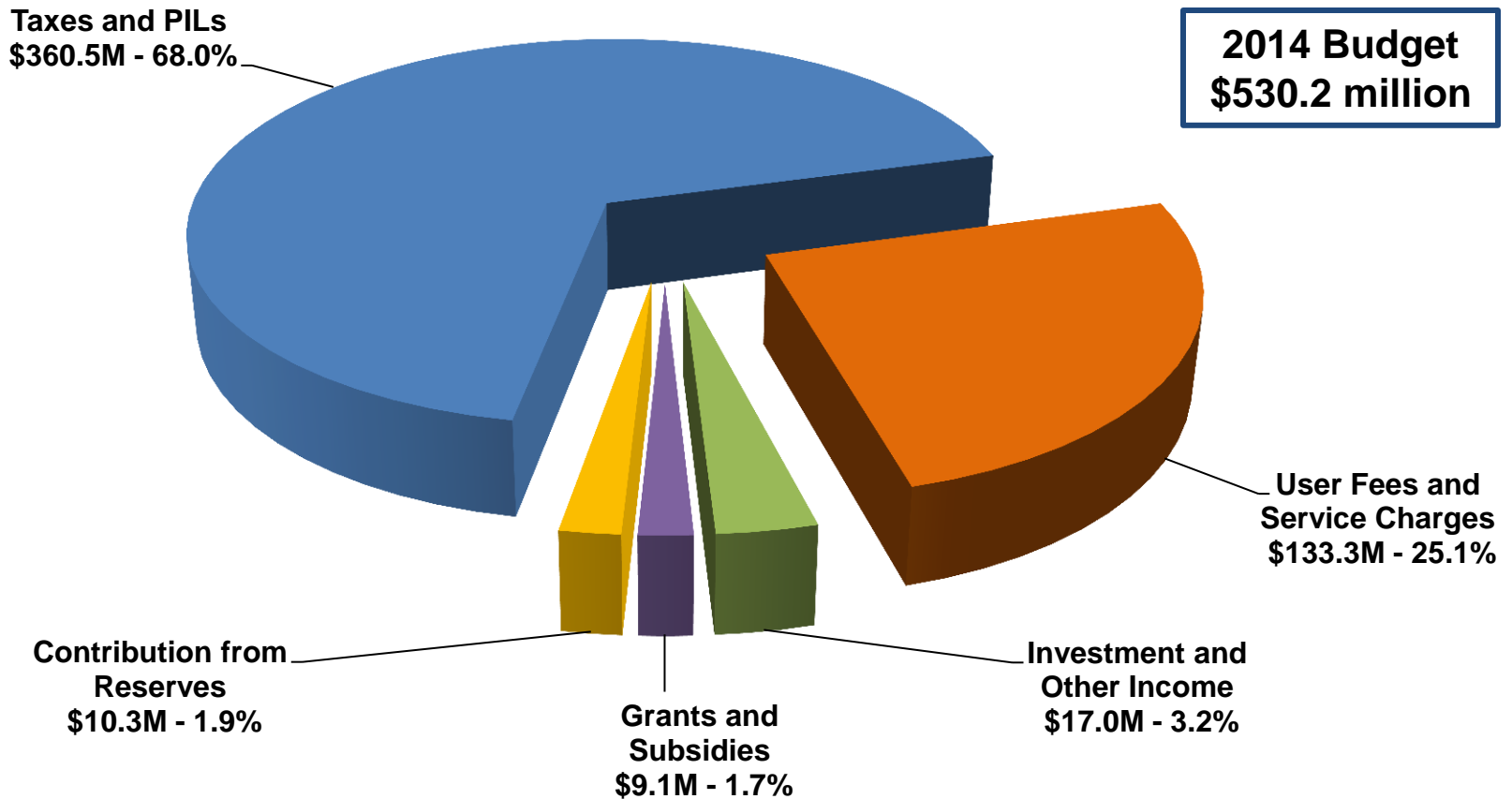
Municipal Budgeting – City of Brampton Process



2014 Current Budget – Total Expenditures

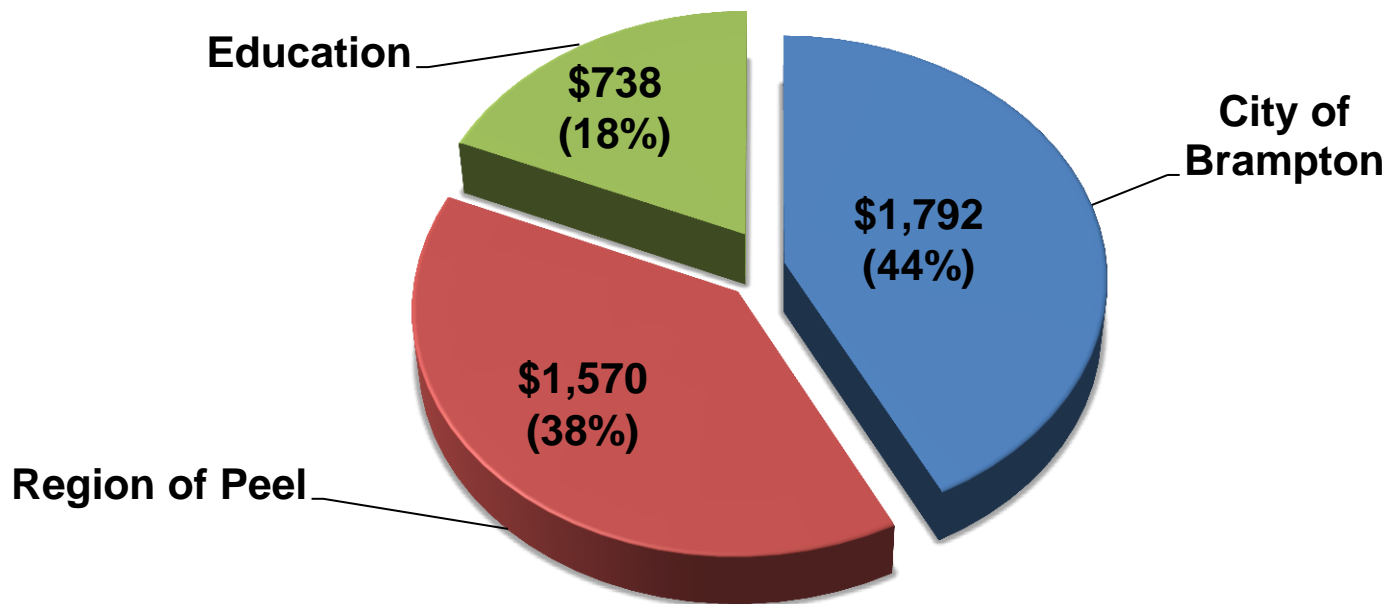


2014 Current Budget – Funding Sources



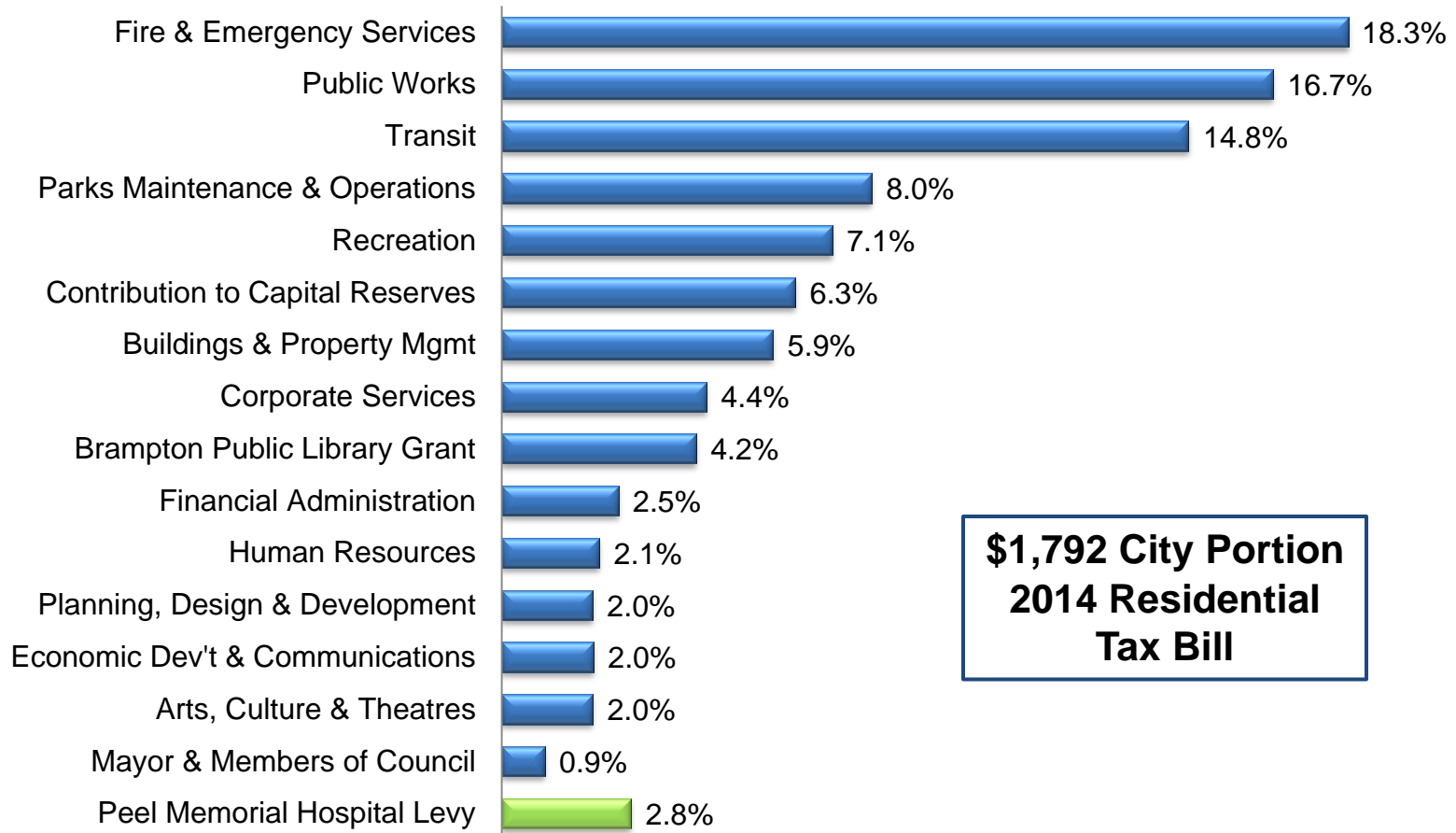
2014 Current Budget – Taxes

Total 2014 Residential Tax Bill (\$4,100)

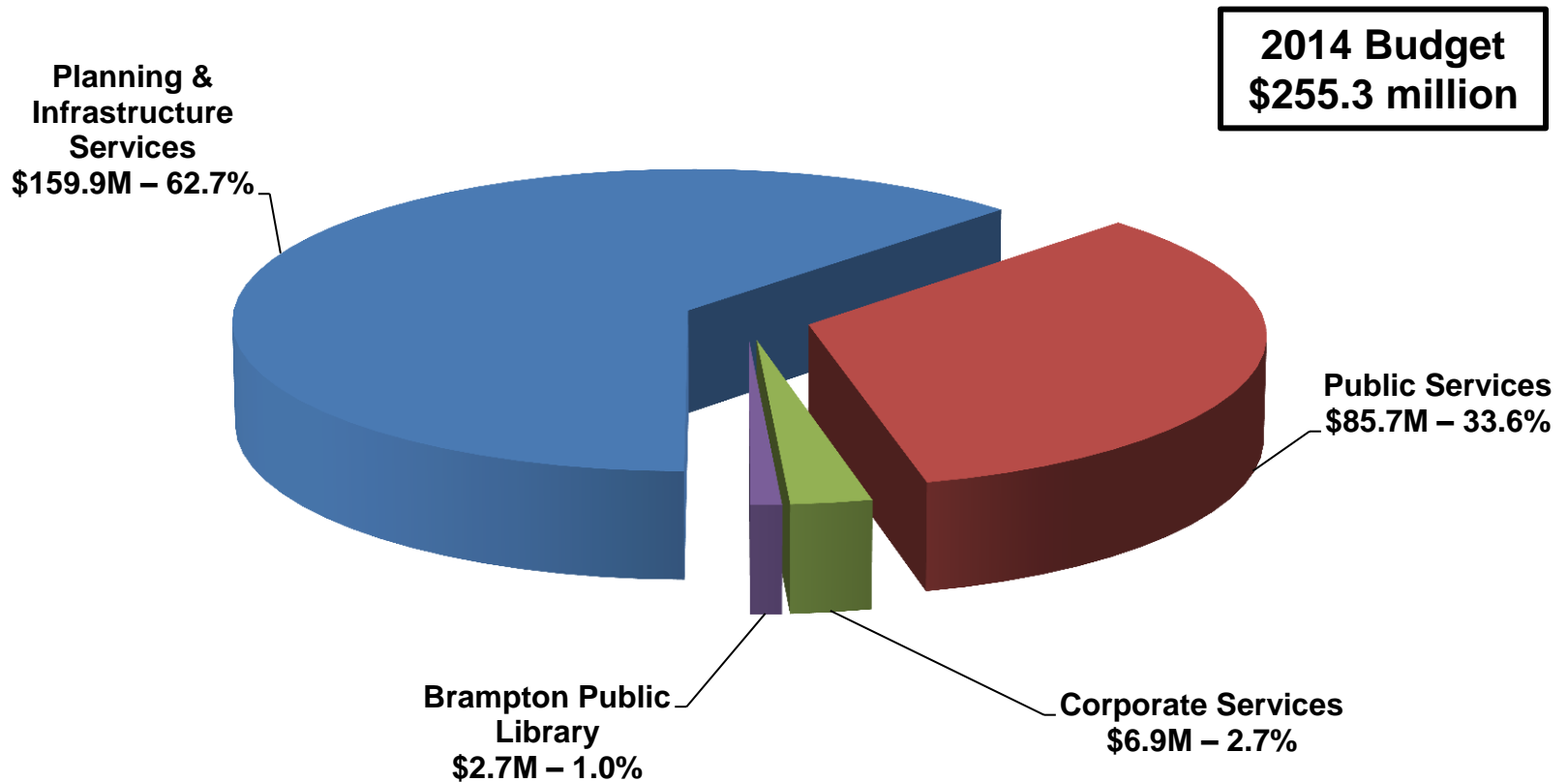


* Based on average 2014 residential MPAC assessment value of \$364,000

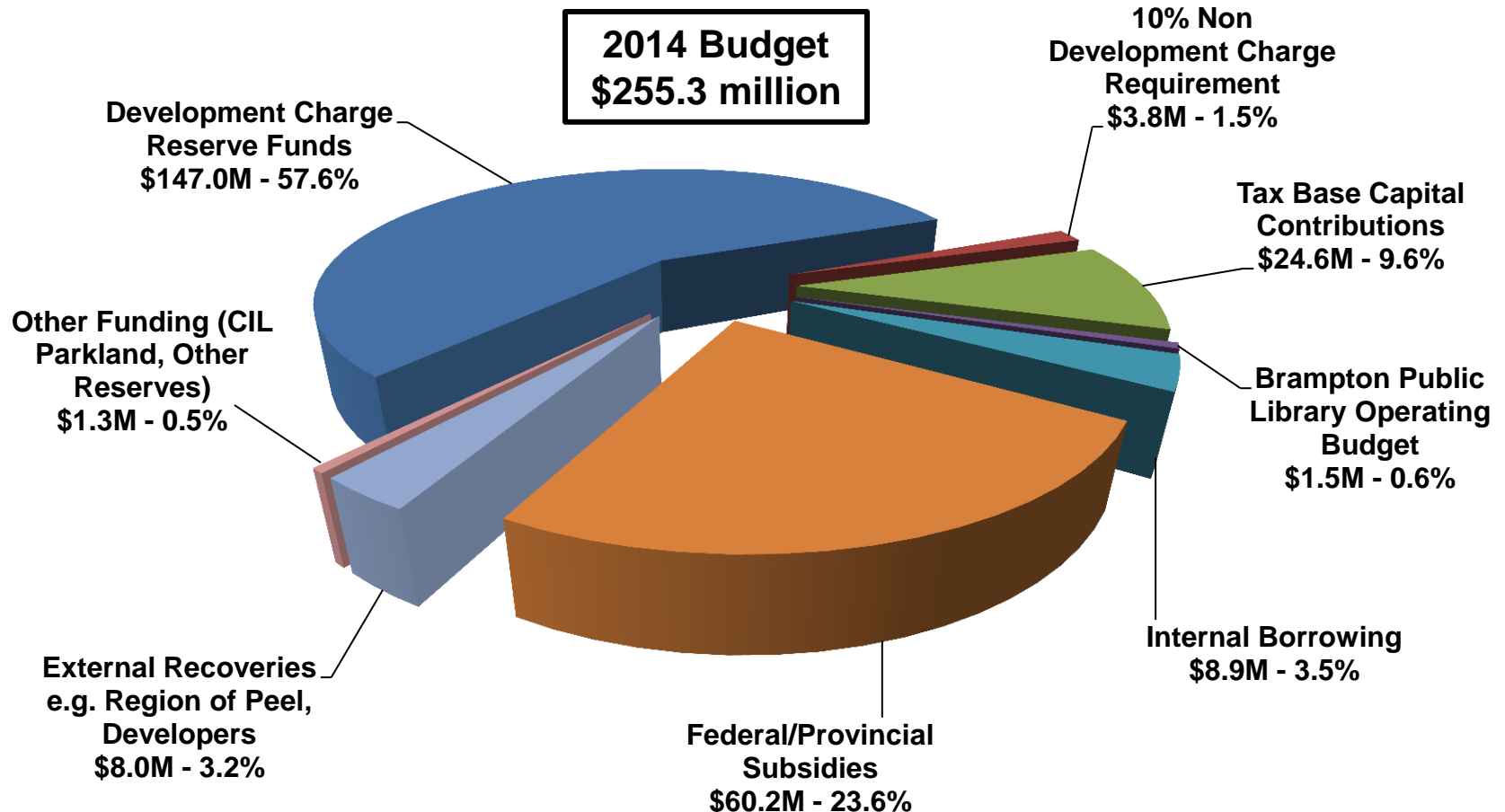
2014 Current Budget – Where City Taxes Go



2014 Capital Budget – Infrastructure Investments



2014 Capital Budget – Funding Sources



Reserves and Reserve Funds

- Reserves and reserve funds are established by Council to assist with long term financial stability and financial planning.
- Funds are set aside to help offset future obligations and pressures.
- Funds are drawn upon to finance specific purpose expenditures as designated by Council, to minimize tax rate fluctuations due to unanticipated expenditures and revenue shortfalls, and to fund ongoing projects and programs.
- Reserves are primarily used for general operating shortfalls. Reserve funds are primarily capital in nature and are used for specific purposes.
- **General** – e.g. General Rate Stabilization, Interest Rate Stabilization, Asset Repair and Replacement
- **Specific** – e.g. Municipal Elections, Peel Memorial Centre for Integrated Health and Wellness, Insurance, Workers' Safety Insurance Board
- **Obligatory/legislated** – e.g. Development Charges, Gas Tax

Municipal Budgeting and Financial Reporting

- Municipalities are required to prepare their annual financial statements in accordance with Canadian Generally Accepted Accounting Principles (GAAP), as established by the Public Sector Accounting Board (PSAB).
- As of January 1, 2009, municipalities are required to fully account for their tangible capital assets (e.g. roads, bridges, building).
- Annual financial reporting presents consolidated expenditures, revenues and reserve/reserve fund balances and includes other non-cash items not included in the budget, including depreciation, developer contributions (i.e. assumptions) and other adjustments.

Next Steps

- “2014 Current Budget Year End Forecast and Reserve / Reserve Fund Status (as at September 30, 2014)” report will be presented to Council on December 3
- Preliminary budget discussions will commence at the Council Workshop on January 27