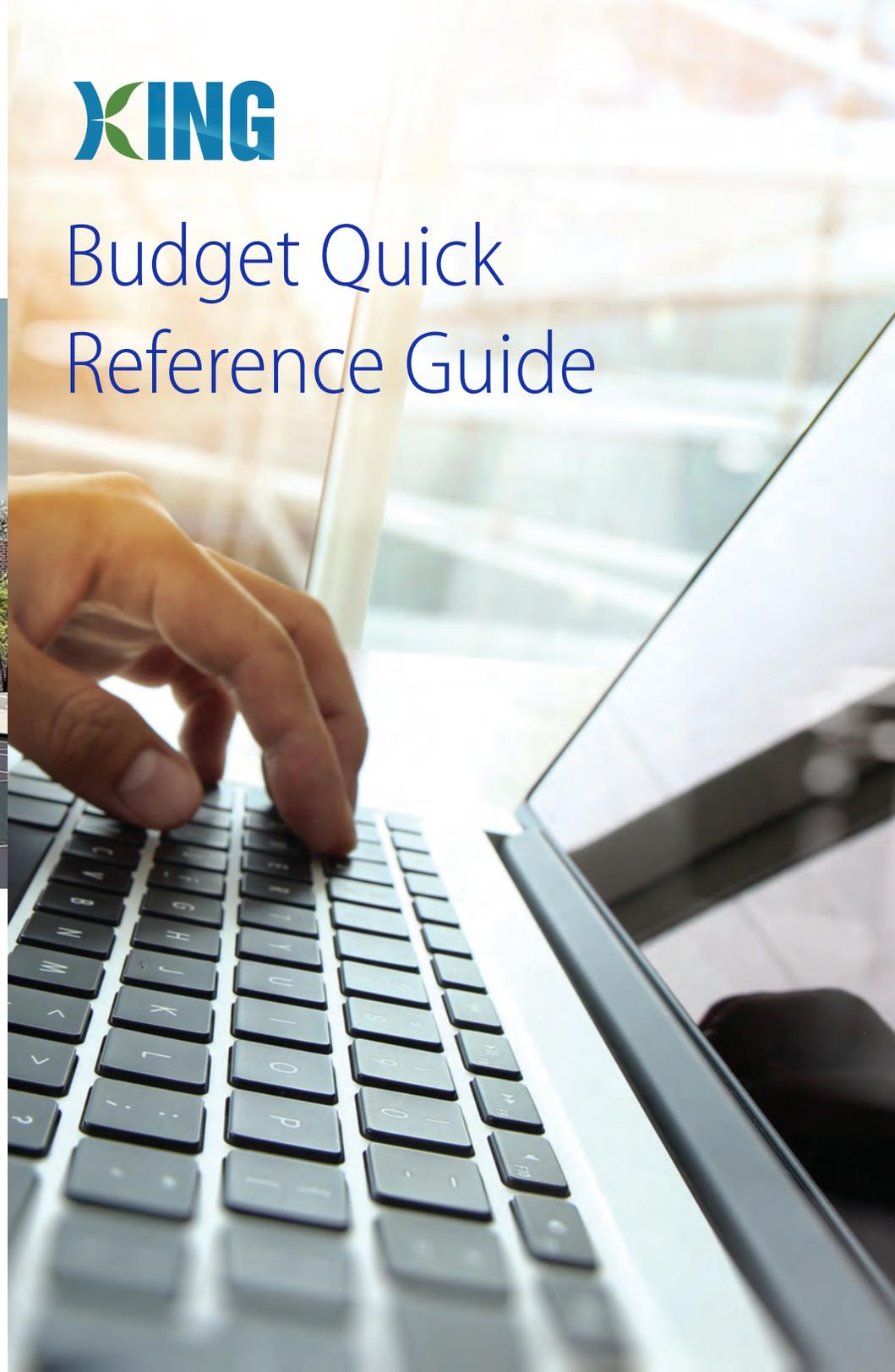




# Budget Quick Reference Guide



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# Long-term budget goals



## Maintain Municipal Infrastructure

Keep the Township's assets (including roads, bridges, buildings, equipment) in a state of good repair



## Invest in the Community

Maintain, extend and improve services as population growth places pressures on services



## Invest in King's Future

Set aside funds (infrastructure reserves) to pay for long-term management\* of municipal infrastructure

\*Maintain, rehabilitate and re-construct

# Operating VS Capital

# Operating vs Capital



## Operating

Operating budgets are for day-to-day expenses to keep the Township's operations running. They include expenditures and revenues such as salaries, maintenance contracts, utilities and office expenses.



## Capital

Capital budgets are long-term and reflect an investment in the future infrastructure needs of the Township. They include the costs of purchase, construction, major repair, replacement and renewal of assets such as roads, bridges, buildings, equipment and technology.



# Property Tax



## Property Tax

Property tax is a major source of revenue for a municipality. Property taxes help pay for the costs of services and facilities that a municipality provides to residents. Property taxes required each year are spread out over all properties, based on Municipal Property Assessment Corporation (MPAC) assessment value and property type. In King Township, property tax is divided into three—School Boards (Province of Ontario), Region of York and King Township.

Distribution of each 2020 tax dollar collected is as follows:  
22.0 cents to the School Board;  
38.7 cents to the Region of York  
and 39.3 cents to King Township.



## Property Taxes and MPAC

Property taxes are based on the following:

- Assessment by Municipal Property Assessment Corporation (MPAC)
- Assessment base = value of all properties put together
- Budget = how much it costs to provide service to all properties
- Tax rate = Budget ÷ Assessment Base

# Did You Know...

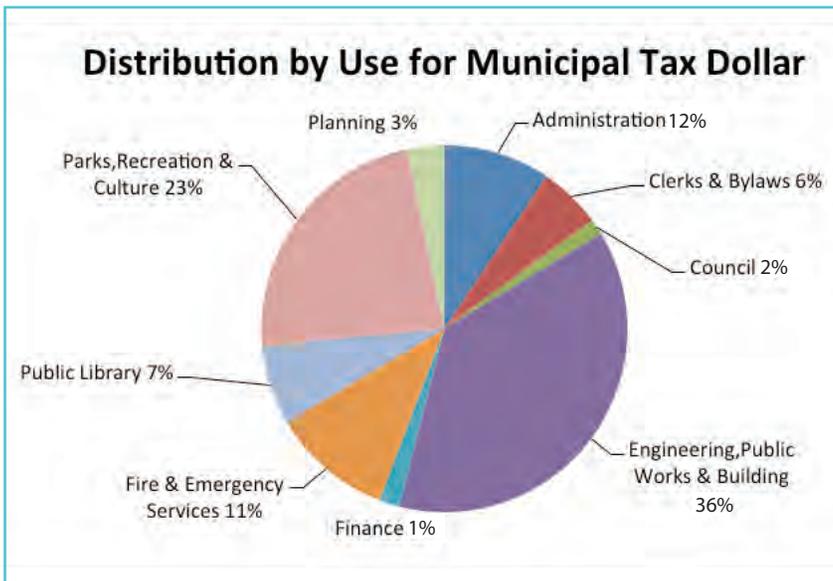
## Did You Know...

Taxes are used to pay for things like...

Sidewalks (\$135 per metre)

Ongoing road maintenance (\$8,300 per kilometre)

Paving a gravel road (\$90,000 per kilometre)



How MPAC assess property values:

<https://youtu.be/Uikghy2Yz10>

# Glossary

## Glossary

### **Assessment growth**

The additional value of assessed properties (e.g. new properties) added to a municipality in a given year.

### **Budget – balanced**

Where revenues plus other funding sources equal expenditures

### **Budget – base**

The previous year’s approved budget before any budget changes are reflected for current or future years.

### **Budget – capital**

Forecasted funding and costs categorized by projects. Capital budgets include the cost of purchase, construction, major repair, replacement and renewal of assets. Capital budgets are long-term and reflect an investment in the future of the Township.

### **Budget – operating**

Forecasted revenues and costs to run the city for a one-year period. Operating budgets are for day-to-day expenses to keep the Township’s operations running. A municipality’s operating budget must be balanced (i.e. projected revenues must equal projected costs).

### **Budget deficit**

Occurs when actual costs exceed actual revenues. In the operating budget, the shortfall must be covered by a draw from reserves in order to maintain a “balanced budget”. In the capital budget, approval must come from Council to increase funding for the project that has exceeded its budget.

### **Budget surplus**

Occurs when actual revenues exceed actual costs. The operating budget, includes provisions for contributions to and/or draw

from reserves in order to maintain a “balanced budget”. In the capital budget, any unencumbered project balance of funds must be returned to the reserve(s) from which funding was obtained for the project.

### **Debenture**

A loan secured finance long-term investment of municipal infrastructure.

### **DC – Development Charges**

Fees collected from developers, at the time a building permit is issued, to pay for infrastructure such as roads, transit, water and sewer infrastructure, community centres and fire and police facilities in new developments.

### **Debt – DC-supported**

External debt secured for capital projects that will ultimately be paid back, including interest, through the collection of development charges from builders.

### **Debt – external**

Debt secured from sources outside the Township (i.e. not from internal Township accounts).

### **Debt – internal**

Debt used to fund capital projects secured from Township reserves. Loans are paid back, with interest at the prevailing rate(s), to the reserve.

### **Debt – tax-supported**

External debt secured for capital projects that will ultimately be paid back, including interest, through property taxes.

# Glossary

## **Depreciation**

The cost that reflects the loss in value of the Township's assets annually (wear and tear).

## **Funding – one-time**

Funding that is not ongoing and does not form part of the "base budget". Can be used to fund one time or emergency costs. Cannot be used to fund ongoing expenses such as salaries. Examples include annual surplus funds or draws from reserves.

## **Funding – ongoing**

Funding that is sustainable through an ongoing source (e.g. property taxes) and forms part of the "base budget". Used to fund ongoing expenses. Examples include property taxes, recurring revenues and permanent transfers from other levels of government.

## **Infrastructure maintenance deficit**

The accumulated shortfall in savings for repair and replacement of Township assets. The shortfall is calculated by taking depreciation costs of all assets and deducting the amount set aside for future repair and replacement of those assets.

## **Infrastructure levy**

The portion of property taxes collected for the purpose of funding repair and replacement of Township assets.

## **MPAC**

Municipal Property Assessment Corporation. Its role is to accurately assess and classify all properties in Ontario. The assessments provided by MPAC are used to calculate the property taxes payable by property owners.

## **Reserves**

Earmarked revenue that is not tied to any specific asset and is not required to be segregated. Reserves may be established for a predetermined purpose. Often referred to as "contingency" or "rainy day" funds.

## **Reserve Funds**

Revenues which are earmarked, segregated and restricted to meet the purpose of the reserve fund. A reserve fund is established based on a statutory requirement or a defined financial commitment/liability payable in the future. There are two types: obligatory and discretionary.

### **Reserve Funds - Obligatory**

Funds segregated, as mandated by statute (e.g. Development Charges) or as a result of a legal agreement (e.g. subdivision agreement). To be used solely for the purpose prescribed for them.

### **Reserve Funds - Discretionary**

Reserve funds that are created by Council to earmark revenue to finance a future expenditure (e.g. hospital, university, road widening, facility construction).