

# MUNICIPAL BUDGETING

Understanding the Budget Process



# OVERVIEW



**Each year** the Senior Management Team reviews and updates the 3 year Operating and 5 year Capital Budget. As staff starts the process for the upcoming budget season, the County has also prepared this document to assist our citizens, stakeholders and the general public to better understand the municipal budgeting process.

As with all municipalities, Lethbridge County is faced with the challenge of balancing the annual budget, as mandated through the Municipal Government Act.

Revenue sources must be identified to cover all the anticipated expenditures for day-to-day operations as the budget cannot be in a deficit or surplus position.

In order to balance the budget, a careful analysis of service levels is required that meets all community expectations while maintaining realistic taxation rates and user fees.

**In short, the revenues and expenses must be equal, which can be a challenge with increasing costs (such as general inflation, downloading of costs other levels of government) and expectations from citizens, businesses, and other stakeholders.**

**The budget process involves making many decisions on how to spend taxpayer dollars responsibly and efficiently.**

# FINANCIAL SUSTAINABILITY

As stated in the Strategic Plan:

*"We will live within our means by using our resources wisely. We are prudent with public money and strive to be as efficient and effective as possible in everything that we do."*

This means the County is committed to:

- Ensuring adequate funding for services and infrastructure
- Reviewing all sources of and opportunities for revenue
- Managing expenditures
  - Determining efficiencies
  - Containing costs
- Maintaining reserves for the future
- Leveraging grant funding
- Utilizing debt strategically





# COUNTY CHALLENGES



The County strives to meet the needs of as many of our communities, businesses and stakeholders as possible while operating in a fiscally responsible way. While the County does work towards meeting all needs, the process can become complicated where the needs and wants of our citizens are in conflict with one another.

There is frequent misperception about which services are under the control of the local government and which services are provided by other levels of government. While local governments collect revenues for the Province (school & policing) and Green Acres Foundation along with the annual municipal property tax payment, the funds are simply passed on. The reason for this approach is greater efficiency having one point of collection rather than having each organization bill separately.



# REVENUE- Where does the money come from?

**Lethbridge County uses a variety of revenue sources to fund operations and capital projects.**

Operations are the day-to-day services that are provided throughout the County, such as road grading, mowing, snow removal, garbage collection, etc.

## **Operations are funded through:**

- Taxes
- Grants
- Sales of goods and services
- Service agreements
- Fines and penalties
- Transfers from reserves
- Return on investments

Capital projects involve building or replacing infrastructure such as roads, bridges, buildings, playgrounds, etc.

## **Capital projects are funded through:**

- Grants
- Transfers from reserves
- Proceeds on disposal of retired equipment
- Debentures

*\* Note that taxes are not used to fund capital projects*



# EXPENDITURES- where does the money go?

Lethbridge County provides a variety of services to many different groups

Our stakeholders include:

- Citizens
- Businesses
- Producers and farmers
- Landowners
- Road users
- Community associations
- Neighbouring municipalities
- Irrigation districts and water co-ops
- Provincial and federal government
- And more

**These groups all have different wants and needs in relation to the County's budget.**





# EXPENDITURES- where do tax dollars get spent?

## Some of the services provided by Lethbridge County:

- Road maintenance and repair (grading, gravelling, reconditioning)
- Snow removal
- Weed control and vegetation management
- Agricultural education and workshops for producers
- Garbage collection in hamlets
- Water and wastewater testing and management of utility operations
- Fire protection (through contracts with local departments)
- Park and trail maintenance in hamlets and subdivisions
- Sidewalks, sewer, and water systems in hamlets
- Economic and business development
- Planning and development
- Community Peace Officer program
- Administration of County operations (management of operations and capital projects, administering grants, accounting, customer service, GIS mapping, etc.)



# EXPENDITURES- where do tax dollars get spent?

## **Services Lethbridge County contributes to:**

- Recreation in neighbouring municipalities
- Provincial policing costs
- Community associations within the County
- Family & Community Support Services (FCSS)
- Lethbridge Regional Waste Management Services Corporation (LRWMSC)- transfer stations and recycling
- Chinook Arch Regional Library

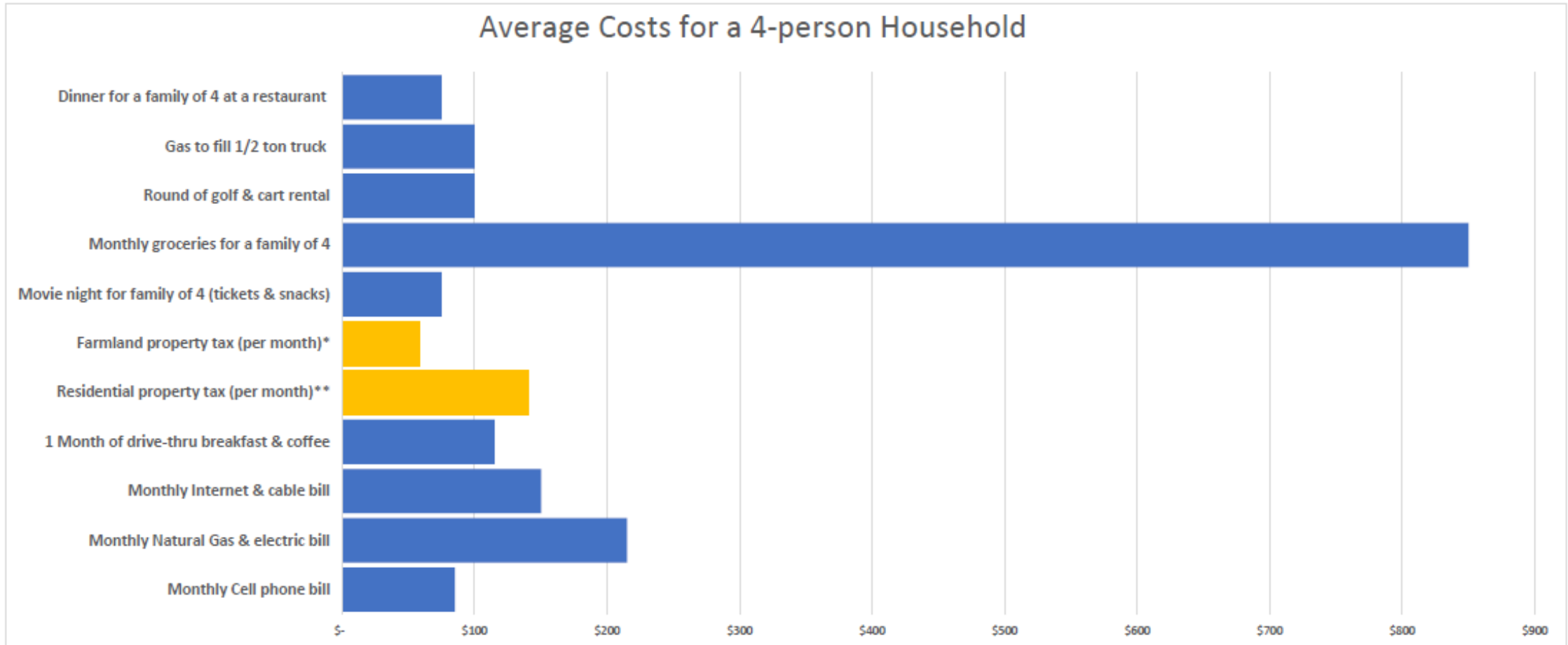
## **Services NOT provided by Lethbridge County:**

- Education and healthcare – Province
- Highways and highway maintenance- Province



# COMPARISON

Another way to consider value for service/dollar is compare municipal costs for services with other standard household purchases.



*\*excluding external requisitions like education and Green Acres. Tax is calculated at the monthly rate on the average assessment of farmland (land only) (\$28,000) at the 2020 farmland tax rate of 24.9373*

*\*\*excluding external requisitions like education and Green Acres. Tax is calculated at the monthly rate on the average assessment of a residence (\$345,000) at the 2020 residential municipal property tax rate of 4.8461.*

# WHAT DO OPERATIONS COST?

**When considering** if you are receiving good value for the services that are provided, it can be helpful to consider the many services the County offers and that there is always an employee on call, available 24/7 to manage the wide variety of emergencies that can take place.

*\*Some sample costs of operations in Lethbridge County are:*

- The average cost to grade 1 mile of gravel road
  - \$250
- Average annual cost of chemical for Roadside Spraying (weed control)
  - \$113,600
- Average annual cost to insure Lethbridge County fleet (vehicles & heavy equipment)
  - \$70,000
- Cost to purchase a replacement residential water meter
  - \$500
- Cost to install a road sign
  - \$200
- Average cost to gravel 1 mile of road
  - \$5,000
- Average cost for maintenance on 1 mile of calcium base stabilized road
  - \$10,000
- Average Annual Cost of chemical to treat Wastewater Lagoons
  - \$6,000
- Average Annual Cost for Roadside Mowing
  - \$46,000

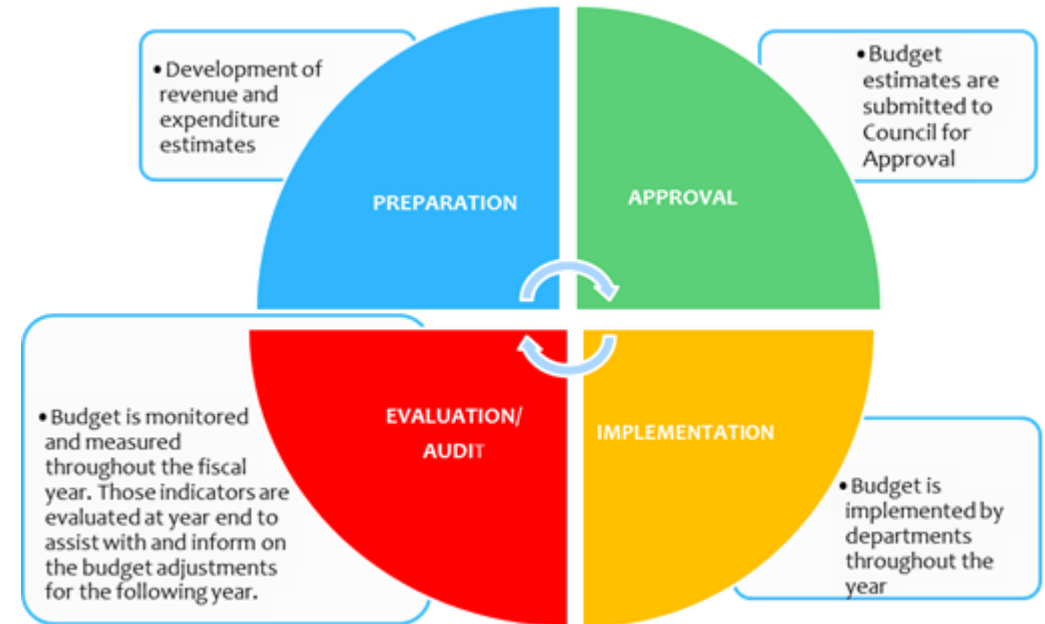


*\*These figures are for information purposes only. The costs are based on best averages and do not account for areas, situations or service requirements that may require more time, equipment and/or material.*

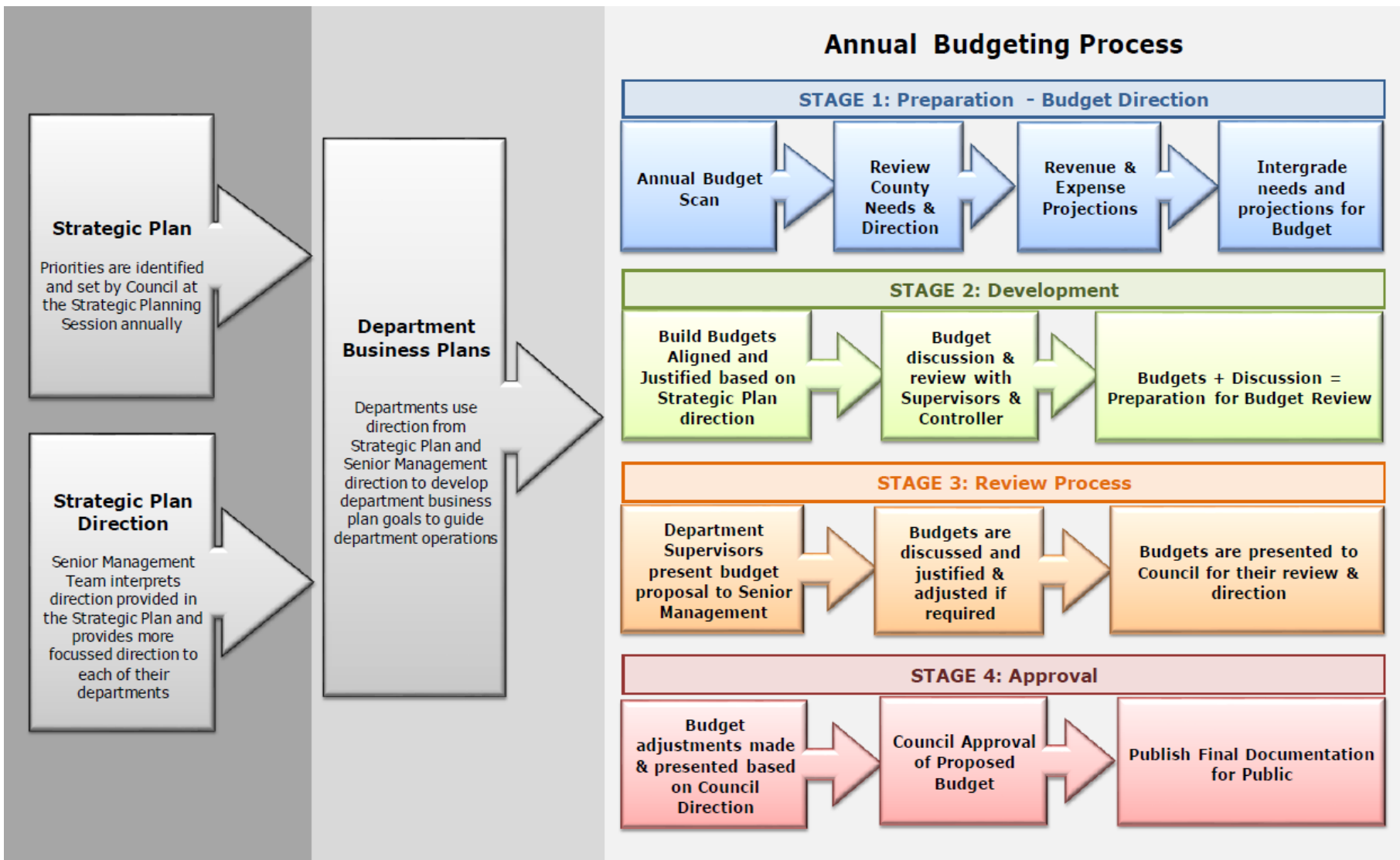
# BUDGET DELIBERATIONS

Department Managers and Supervisors begin a review and preparation of the annual budget in late August and early September each year. A draft of the 3 year Operating and 5 year Capital Budget is prepared and presented to Council for their direction and final approval.

Multi-year budgeting enhances and improves the budget process by reinforcing a commitment to long-term fiscal health, while also providing residents, businesses, and agencies with longer-term information regarding the County's programs, expenses and revenue requirements.







## BUDGET PROCESS

Each step in the budget cycle is vital and requires constant review by all staff involved as well as County Council. The budget is more than just the accounting of revenues and expenses- it is a tool that the County uses as:

- A reflection of policy priorities of Council
- A financial Operating and Capital Plan
- A guide to set the spending limits for programs and service delivery by the County as approved by Council
- A tool for communicating to the citizens as to how tax dollars are being spent within the County

# When determining the budget

Lethbridge County must consider “non-discretionary” increases as part of the cost for providing services. These increases are required in the budget but are outside of the County’s control, similar to costs incurred in our own homes for electricity, gas, insurance and phone/internet services. For the County some of these costs are the same as in a household but include provincial school requisitions, provincial policing costs, local senior housing and library boards and Family & Community Support Services, which are legislated costs municipalities are expected to pay.

Lethbridge County is committed to managing capital projects and infrastructure sustainably while maintaining its long-term viability. This ensures that our extensive investment in infrastructure assets is protected and that our transportation networks, water & sewer services, drainage and facilities will be appropriately maintained and replaced to support the citizens and businesses now and in the future. As essential infrastructure is built, there are ongoing costs of managing and maintaining it that are also factored into the financial plan.

Often people consider the Consumer Price Index (CPI) when determining household increases. As we know, the CPI measures the change in the price of a “basket of goods” frequently purchased by consumers, however municipal governments have their own spending patterns that are different than those of other sectors.

The CPI calculates household spending patterns that focus on food, shelter, transportation, health/personal care, clothing/footwear and recreation; none of which are typical purchases for local governments. Council is conscious of this and considers how cost increases affect both County operations and taxpayers.





# BUDGET CONSIDERATION

**Some guidelines followed by management when preparing the budget for Council's review include:**

- Maintaining a reasonable annual tax support increase (generally not greater than 2.5%)
- Review of revenue streams and user fees
- Grant funding availability
- New initiatives, department changes and one-time additional operating expenditures are discussed and reviewed for consideration
- Non-discretionary costs and legislative requirements (new and old are reviewed)
- Capital expenditures are not funded through general taxation

**A Departmental Budget Submission is the detailed action plan that supports the department's plans for the year. It is the "engine" to implement departmental strategy, and:**

- Is a financial narrative of how tax funds are allocated
- Communicates how departments plan to allocate resources to achieve priority departmental initiatives for the coming year
- Describes core services and the financial resources dedicated to those services



**Given the** current economic uncertainty, the following significant factors provide some influence, and when creating a budget and planning for long term Financial Stability.

### **INFRASTRUCTURE DEFICIT**

Replacement of aging infrastructure originally constructed well over 20 years ago (in some cases) requires annual funding to reach sustainable replacement levels. Major replacement cost estimates are reviewed annually to ensure accurate of budget figures that are as accurate as possible.

### **NEW INFRASTRUCTURE DEMAND**

There is increasing demand for new infrastructure to meet current demand and standards, as well as vehicle size and traffic intensity. Many assets are reaching an age where maintenance is critical and increasingly costly. Infrastructure replacement funding is a priority.

### **PUBLIC SAFETY COSTS**

The cost to provide police in rural municipalities is being pushed down to the municipal level from the Province and the costs are determined at that level without input from the County.

### **GROWING RANGE OF RESPONSIBILITIES**

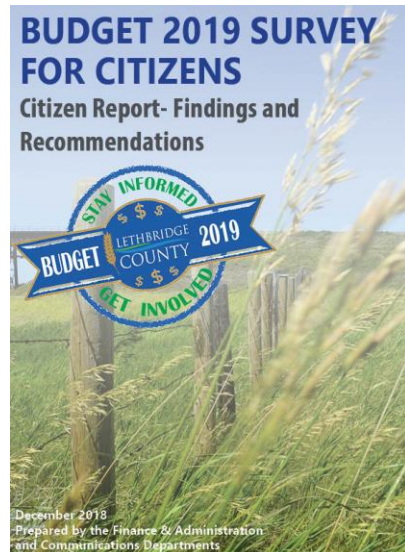
The breadth of social and environmental issues that municipalities are expected to address continues to increase. Transportation and water and wastewater treatments also continue to be key cost drivers.



# PUBLIC ENGAGEMENT & COUNCIL

Council and staff are committed to receiving public feedback on County projects and initiatives. This feedback helps to guide the budget process and make decisions on future spending. Several different opportunities have been offered for citizens and other stakeholders to give input:

- Surveys
  - Budget surveys (2019 & 2020)
  - Business survey (2018)
  - Communications Survey (2018)



- Coffee with Council- these sessions are scheduled quarterly to give citizens and businesses the opportunity to speak to their Councillor one-on-one in an informal setting. Some sessions in 2020 have been cancelled due to the COVID-19 pandemic, however Council looks forward to hosting future sessions once it is safe to do so.
- Council put together a recorded message for Lethbridge County citizens in lieu of the in-person Coffee with Council. See link below.

<https://www.youtube.com/watch?v=xvqodhfRnAw&feature=youtu.be>

# ADDITIONAL RESOURCES

View financial documents at

<http://lethcounty.ca/government/financial-publications>



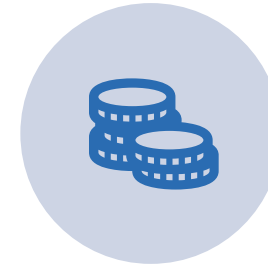
2019 FINANCIAL  
STATEMENTS



2019 ANNUAL  
REPORT



2019 ANNUAL  
REPORT HIGHLIGHTS



2020 BUDGET

To stay up-to-date on the 2021 Budget process, visit  
<http://lethcounty.ca/citizens/budget-2021>