



2015 BUDGET INFORMATION

This information package is intended to inform our taxpayers about the annual budget process and how the public can provide input on the Township's budget and priorities for the coming year.

Within package, you will find a wide range of information including:

1. common budget and forecast terms;
2. the important plans and studies that support the budget process;
3. what makes up the Township's budget;
4. how tax rates are calculated; and
5. how to have your say about the 2015 budget and Township priorities.

1. COMMON BUDGET AND FORECAST TERMS

a. Assessment Growth

Assessment growth is the additional taxation revenue the Township receives from new homes and businesses that are built each year. This revenue is used to cover the cost of providing services to the new residents and businesses, as well as for longer term financial planning.

b. Capital Budget

The capital budget is the one-time expenditure of funds for major projects, which are often referred to as "infrastructure" projects. The capital budget includes: roads, bridges, culverts, vehicles, equipment, parks, playgrounds, sidewalks, trails, streetlights, and buildings. The capital budget can include the development of new infrastructure, as well as the rehabilitation of existing infrastructure.

c. Debenture

A debenture is a type of long-term loan used as financing for major capital building projects. The debt, including interest, is repayable over 10 to 25 years. Debenture debt spreads the project cost and related tax rate increase over a number of years and ensures that future taxpayers pay their fair share of capital projects being completed today.

d. Development Charges

Development Charges are fees imposed on new development, such as new home and subdivisions, to pay for increased capital costs arising from development of the area. These charges include capital costs related to: public works, fire protection, outdoor recreation, indoor recreation and administration services. There are also area-specific charges for the Rockwood area, which include water and sanitation. Development charges may not cover the entire cost of a capital project, as legislation requires municipalities to fund a portion of most projects. In addition, certain expenditures are exempt from development charges and must be paid entirely by the municipality.

e. General Levy

The general levy, sometimes referred to as the “tax levy”, is the total of all budget expenditures funded by property taxes.

f. Operating Budget

The expenditures (e.g., wages/benefits, supplies, contracted services, utilities etc.) required to deliver day to day Township services. It also includes the revenues that the Township receives (e.g., user fees, interest income, building permit fees, etc.).

g. Reserves/Reserve Funds

Monies set aside for specific purposes, both for operating and capital budget items. There are two main types of reserves/reserve funds:

Statutory/Obligatory – municipalities are required by legislation to establish certain reserve funds (e.g., Development Charges, Parkland)
Discretionary – can be established by council for a specific purpose (e.g., Vehicle/Equipment Replacement, Debt Reduction)

2. Key Documents, Studies & Plans that Support the Budget

Budgets and forecasts rely heavily upon the various studies, plans and strategies that have been adopted by Council. These key supporting documents include the following:

a. County of Wellington Official Plan

The County of Wellington Official Plan was adopted by the Council of the County of Wellington Council in 1999 and was recently amended in 2013, with input from the Township of Guelph/Eramosa and the other member

municipalities. This document contains detailed policies for the growth and development of the Township's settlement areas.

b. Parks and Recreation Master Plan

This Parks and Recreation Master Plan provides the Township of Guelph/Eramosa with a creative, realistic and clear action plan to lead the development of future recreational infrastructure and services through 2022. This plan was completed in 2013 and it establishes 10 year capital priorities for the construction of indoor/outdoor recreation facilities and the development of associated programs and services.

c. Development Charges Background Study

As a requirement under the Ontario Development Charges Act, all municipalities are required to adopt and update a Development Charges study every 5 years. The Township's Development Charges Study was adopted in 2013 and it identifies the new infrastructure, studies and equipment required due to growth, including their estimated cost and approximate timing.

d. Asset Management Plan

The Township's Asset Management Plan serves as a strategic, tactical, and financial document, ensuring the management of the municipal infrastructure follows sound asset management practices and principles, while optimizing available resources and establishing desired levels of service. Asset management planning requires that the most cost-effective and realistic decisions are made regarding the building, operating, maintaining, renewing, replacing and disposing of infrastructure assets. Asset management planning requires that the Township has an in depth understanding of the characteristics and condition of infrastructure assets, as well as the service levels they are expected to meet.

e. Road Needs Study

The Roads Needs Study for the Township is an updated inventory of the road network and provides a condition assessment and traffic data for each road in the Township. This study estimates the costs to address deficiencies in the roads infrastructure. Potential projects are identified for consideration in a ten-year program for improvements to the road system for guidance in prioritizing future projects.

f. Municipal Bridge Inspection Report

The Municipal Bridge Inspection Report provides an inventory of the bridge structures within the Township and documents the condition of each structure. This report makes recommendations based on the data collected and review of previous inspection reports with regard to the repair, rehabilitation or replacement work to be completed by the Township.

g. Water and Wastewater Rate Study

The Water and Wastewater Rate Study was adopted in 2011. After looking at the relevant laws, the current and future system needs and the existing infrastructure backlog, this study recommended new water rates for the users of the Township's water system. These new rates are meant to ensure the sustainability of our water and wastewater system, so that we can provide a level of service our users have come to expect.

h. Other

There are a number of other master plans, studies and strategies that contribute to the development of the annual budget and forecasting process.

Other items that impact the Township's budget and forecast process are:

- i. Departmental User Fees and Charges;
- ii. Provincial Legislation and Regulations;
- iii. Established Policies and Procedures.

3. What Makes up the Township's Budget?

The Township's budget consists of the following components:

a. Operating Budget

The operating budget includes all of the expenditures, such as wages, benefits, supplies, contracted services, utilities etc, which are required to deliver the day-to-day Township services. The operating budget also includes the revenues that the Township expects to receive through user fees, interest income and permit fees.

The Township approves a Net Operating Budget, which is calculated as the Total Estimated Operating Expenditures less Operating Revenues and Recoveries. Included in the Revenue and Recoveries are the other Taxation Revenues including Payments in Lieu of Taxation (PIL for

Federal and Provincial lands), Linear Properties (Railway Lines and Hydro Corridors) and Taxable (Shared PIL) properties.

b. Capital Budget and 10 Year Forecast

The capital budget and 10 year forecasts include one-time expenditures for major projects (often referred to as “infrastructure”) such as roads, bridges, culverts, vehicles/equipment, parks, playgrounds, sidewalks, trails, streetlights, and buildings. It includes both the development of new and the rehabilitation of existing infrastructure.

The budget covers a one year period (the upcoming budget year) while the 10 year forecast covers the capital needs estimated for subsequent years. The 10 year forecast period is reviewed and revised annually as part of the budget process. The funding for capital projects comes from a wide range of different sources, with the most common ones listed below:

- Development Charges
- Reserves and Reserve Funds - Debenture Debt
- Federal Gas Tax
- Provincial and Federal Grants (when available)

4. How Tax Rates are Calculated

The following is a simplified explanation of the complicated process of calculating property tax:

Step 1) Calculate Total Operating Levy Requirement

Total Operating budget Expenditures
- Operating Revenues (including Grants, Transfers & User Fees)
= Total Operating Levy Requirement

Step 2) Calculate Total Capital Levy Requirement

Total Capital budget Expenditures
- Capital Revenues (including Grants & Transfers)
= Total Capital Levy Requirement

Step 3) Amount to be Raised by Taxation

Total Operating Levy Requirement
+ Total Capital Levy Requirement
= Amount to be Raised by Taxation

Step 4) Update Tax Ratios

All property classes have a defined ratio, relative to the Residential Tax Class, which is set at 1.000. By comparison, the ratio for the Commercial Class is 1.4500. Tax policy refers to changing (usually lowering) a non-residential ratio, which transfers the tax burden to other property classes, primarily to the Residential class. Tax policy decisions are the responsibility of the County of Wellington, in consultation with the seven member municipalities.

Step 5) Tax Rate Calculation

Amount to be Raised by Taxation
Total Assessment & Tax Ratios

5. Have Your Say

To deliver the best and most efficient services to the community, input from the public is essential.

There are a number of ways to have your say!:

Contact information for Mayor White and members of Council can be found on the Township website at: <http://get.on.ca/town-hall/committee/mayor--council.aspx/members.aspx>

- Call the municipal office and speak with CAO Kim Wingrove or Treasurer Linda Cheyne: 519-856-9596
- Email: info@get.on.ca
- Attend the Budget Public Meeting – Date to be scheduled shortly