

Navigating Your Financial Plan

March 8, 2024 ~Brandon

March 22, 2024 ~Winnipeg



MMA requested a presentation by Municipal Support and Advisory Services to municipal administrators that would assist participants in fully understanding the Financial Plan template. It was further requested that the presentation be delivered by the Municipal Support and Advisory Services team consisting of Municipal Services Officers Shelley Jensen, Delores Macksymchuk, Ann Ransom and Randi Salamanowicz. Additional support provided by Kaneena Vanstone.

Overview

- Answers to FAQs re: Financial Plan
- Preparation and filing of Financial Plan
- Preparation and filing of Tax Levy By-law
- Answers to FAQs: Fund Transfers, Borrowing, Deficit Recovery

...and so much more!

The objectives of the presentation are:

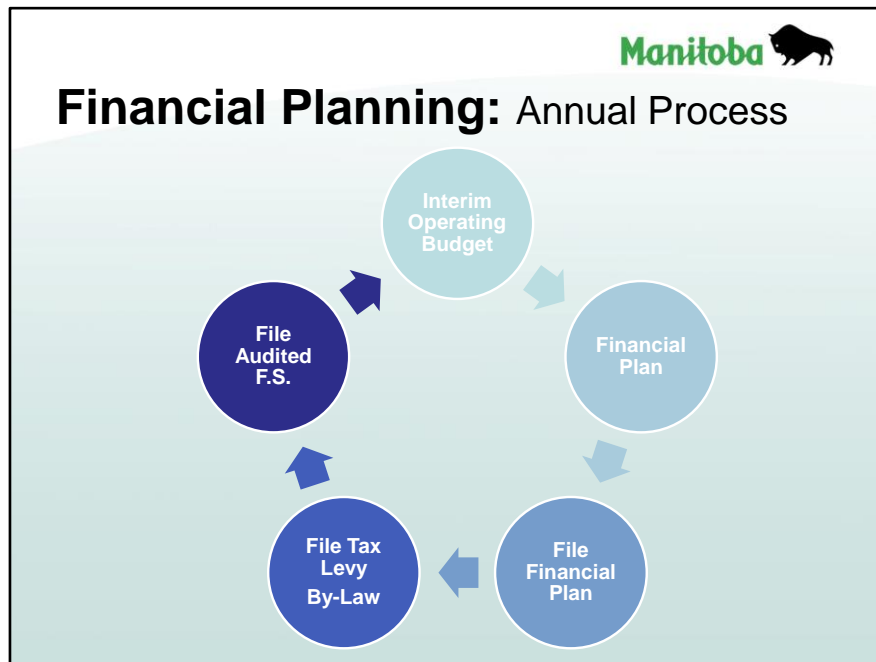
- provide instructions on how to complete the Financial Plan Template with a focus on:
 - expenditures and revenues
 - accumulated surplus and compliance with regulation 49/97
 - calculation of tax revenues (mill rates)
 - deficit approval and recovery process
- review of the process to adopt and file the Financial Plan (May 15th submission deadline)
 - council review and approval
 - public notice
 - public hearing
- review of the process to adopt and file the Property Tax By-law (June 15th submission deadline)

Please contact an MSOs for guidance on municipal administration, operations and/or governance.

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Financial planning is an ongoing annual process. If the annual financial plan is not adopted by December 31st, then council must pass a resolution to adopt an interim operating budget by **January 1st**. No money can be spent until the interim budget is approved. No capital expenditures are to be purchased or agreements entered until the final financial plan is adopted *OR* unless a public hearing is held.

Between the months of January through to March, municipal administrators finalize the draft of a financial plan based on the priorities set by council. Once the final draft of the financial plan has been reviewed by council and given first reading, municipal administrators will give public notice of the public hearing. The plan must be available for public review at the time the notice is posted which must be 21 days before the hearing. The intent of the notice is to provide the public time to review the information prior to the public hearing.

The public hearing is chaired by the Head of Council with all council members in attendance. The financial plan should be presented in a manner that the public can clearly understand the priorities of council and the allocation of resources that support achieving these priorities. The public should be provided adequate time at the end of the presentation to ask questions.

The approved Financial Plan is to be filed with Province **on, or before, May 15th**. Council should also give first reading to the Tax Levy By-law. The Tax Levy By-Law sets the rate of taxes to be levied by portioned assessment, local improvement levies, and/or special service levies. The by-law also sets the date for payment, and if applicable, any discounts for early payment and penalties for late payment. Municipal administrators need to ensure they follow a timeline that permits three readings of the Tax Levy By-law in advance to the submission deadline of June 15th. The Tax Levy By-Law **MUST** be filed with Province on, or before, June 15th as *The Municipal Act* does not permit the granting of extensions for the submission of the Tax Levy By-law.

The appointed auditor *MUST* submit a report to the head of council, and the Minister, **by June 30th** in the year following the fiscal year for which the audit is prepared. The head of council must bring forward the auditor's report to the first regular meeting of council after receiving the report. After the report is received, public notice must be given that the report, and the municipality's financial statements, are available for inspection.

If the auditor's report, or the council's review of the report, indicates that immediate action is required, council must:

- (a) take such action as council considers necessary or advisable to address the matter; and
- (b) advise the minister of the matter and the action council has taken or proposes to take.

We encourage council to invite the auditor to present the report as they will be able to address any questions council may have.

Throughout the financial planning cycle, municipal administrators should provide council with financial reports that compare revenues and expenses to the financial plan adopted. This information should be used to evaluate progress in achieving the priorities of council. Financial statements should be presented, and a council resolution made to accept this information.

Financial Planning: Roles and Responsibilities

Governance (Council)	Management (CAO)
review and prioritizing types of services/programs	advising council on the operations & financial affairs of the municipality
review and prioritize the level of services/programs	managing and overseeing the delivery of services/programs
review financial reports to inform councils' decisions	consistently provide financial statements & analysis to council
ensure proper financial policies are in place and adhered to	consistently provide financial statements & analysis to council
planning and prioritizing the acquisition of capital assets	adhere to/comply with all tendering and procurement policies (Fed/Prov/Mun)

The CAO prepares, or causes to be prepared, the preliminary budget while taking into consideration key municipal strategy documents such as strategic plans, community development plans and the previous year's 5-year capital plan.

CAOs should provide council clear analysis and recommendations for the allocation of resources. Analysis should include, but is not limited to, financial and legal implications, impact of property taxes, staffing and resources required for delivery of municipal services and risk management considerations.

Just as council should be cautioned not to confuse financial **governance** with financial **management**, CAOs should be cautioned not to confuse financial **management** with financial **governance**. The prioritization and the allocation of municipal resources is the responsibility of those elected in consultation with those hired.

Financial Plan: Template

- Based on four components
 1. Fund Accounting
 2. Categorization of Expenditures
 3. Municipal Services / Programs
 4. Source of Revenue

The Department of Municipal and Northern Relations has engaged KPMG to recommend improvements to the current financial plan template. MMA has representation on the taskforce advising this project. In the meantime, Municipal Support and Advisory Services will continue to provide guidance and assistance to municipal administrators on the use of the current Financial Plan template.

When the current financial plan template was developed, consideration was given to creating a standardized report that provides enough detailed information for council, administration and ratepayers to comprehend and make comparisons from year to year.

The current financial plan template is based on four components.

Component 1 - Fund Accounting: Each “fund” is independent of the other with self-balancing set of accounts recording all related revenues and expenses and residual balances. Fund activities are restricted to serve the purpose for which the fund was established. There are four categories of municipal funds.

The **General Fund** that includes an *Operating Fund* that accounts for all revenue and expenses in operating the municipality; and a *Capital Fund* that accounts for money allocated for the acquisition of major capital items.

The **Utility Fund** that includes a *Utility Operating Fund* that accounts for all revenue and expenses in operating a municipal utility; and a *Utility Capital Fund* that accounts for money allocated for the acquisition of major capital items required by the municipal utility.

The **Reserve and Trust Funds.**

- *Trust Funds* account for cash and/or land held in trust by the municipality such as a cemetery perpetual fund.
- *Reserve Funds* accounts for money allocated for a specific future use such as a machinery reserve used solely for the purposes specified in the establishing by-law.

Component 2. There are nine categories that expenses associated with the delivery of municipal services and programs must be reported under. The **Categorization of Expenditures** allows for the year-to-year comparisons which informs governance and management decisions. The nine categories that expenses must be reported under include:

- General government services;
- Protective services;
- Transportation services;
- Environmental health services;
- Economic development services;
- Public health and welfare services;
- Environmental development services;
- Recreation and culture services; and
- Fiscal services.

Component 3. *The Municipal Act* requires municipalities to provide specific services and/or programs. Standardization of reporting the expenses associated with the delivery of these municipal services and/or programs was again taken into consideration with the development of the financial plan template to accommodate year-to-year comparisons, forecasting and planning.

Component 4. The final component of the financial plan template is the recording of **Sources of Revenue**. The type of revenue to be used to offset expenses may include property taxes, sale of service, special services levies and/or local improvement levies.

Financial Plan: Where to Begin ?



OTHER REVENUE

EXPENDITURES

TRANSFERS

TAXATION

Most municipalities start the preparation work in drafting the Financial Plan in October. The preparation work may include, but certainly not limited to:

- distributing budget worksheets to department leads and councillors to identify “wants” and “needs” for the upcoming year.
- analysis and comparisons of the previous year’s budget and actuals, identifying surpluses or deficits per expense category.
- research and analysis of information that will impact taxation such as assessment, proposed projects and funding programs.

Development of the Financial Plan is expense driven, where **EXPENDITURES** = **OTHER REVENUE** + **TRANSFERS** + **TAXATION**. The equation *MUST* balance as municipalities are not permitted to budget for a deficit or surplus.

Expenditures

Pages 3, 4 and 5

EXPENDITURES =

OTHER REVENUE + TRANSFERS + TAX REVENUE

As previously mentioned, there are nine categories that expenses associated with the delivery of municipal services and programs must be reported under. The *TOTAL* for each **Category of Expenditure** is reported on Page 1. Reported under each category are the expenses associated to the delivery of specific services and/or programs.

Municipal governments exist to provide municipal services and programs on a *cost recovery basis* without causing undue financial burden to the ratepayers. When estimating expenditures, consideration should be given to:

- type of service
- level of service
- cost to provide the services and/or program i.e. staffing, equipment, administration, etc.
- identification of any additional resources needed.

Development of the Financial Plan is Expense driven, so we will begin by reviewing where **EXPENDITURES** are reported on **Pages 3, 4 and 5** of the Financial Plan template.

Expenditures: General Government

GENERAL GOVERNMENT SERVICES	Last Year Budgeted	Last Year Actual	This Year Budgeted	Next Year Budgeted
Legislative				
General Administrative				
Chief Administrative Officer and Staff				
Office				
Legal				
Audit				
Assessment				
Taxation				
Other General Government				
Elections				
Conventions				
Damage Claims and Liability Insurance				
Intergovernmental Relations				
Grants - General				
Other General Government-Sundry				
Past Service Pension Payments				
Unallocated Employee Benefits				
SUB-TOTAL GENERAL GOVERNMENT SERVICES	0.00	0.00	0.00	0.00
Recoveries (deduct) - Utility				
TOTAL GOVERNMENT SERVICES - TO PAGE 1	0.00	0.00	0.00	0.00

Types of expenses that would be recorded under the category *General Government Services* may include, but certainly not limited to:

- council remuneration
- salaries and benefits of administration staff
- operating the office i.e. supplies
- payment to auditing firm
- payment for assessment
- costs associated with collection of property taxes
- at minimum, budget for by-election when not a general election year
- “intergovernmental relations” is referring to any joint meetings with other municipalities i.e. discussion of mutual aid agreements
- grants awarded by the municipality that are not recorded under another category i.e. Recreation and Culture grants would be recorded under this expense category
- “other” is any other expense that does not fit within a listed service/program, but fits within the expense category

Recoveries: Applicable to only those municipalities that provide water and/or sewer services. The amount of staff time/supplies used to prepare, record and follow-up on utility billings should be recorded here and recorded in the Utility Operating Fund Budgeted Revenue and Expenditures (**Page 6**).

Expenditures: Protective Services

PROTECTIVE SERVICES				
Police				
Fire				
Emergency Measures				
Emergency Measures Organization				
Flood Control				
Ambulance Services				
Other				
Other Protection				
Building Inspection				
Electrical Inspection				
Plumbing Inspection				
Other Safety Inspections				
License Inspection				
Animal and Pest Control				
Other - Traffic Services				
Other				
TOTAL PROTECTIVE SERVICES - TO PAGE 1	0.00	0.00	0.00	0.00

Types of Expenses that would be recorded under the category *Protective Services* may include, but certainly not limited to:

- RCMP contract or costs associated with municipal police force
- municipal fire force, may include building, equipment, salary/stipends and 911 costs
- emergency measures training, emergency plan and exercises, natural disaster costs
- inspections such as building, electrical, plumbing
- animal control contract or officer, boarding kennel fees

Expenditures: Transportation Services

TRANSPORTATION SERVICES								
Road Transport					Transportation Services Sub-Total Forward from Page 3			
Administration					Last Year Budgeted	Last Year Actual	This Year Budgeted	Next Year Budgeted
Engineering					0.00	0.00	0.00	0.00
Roads and Streets								
Unallocated Costs								
- Wages and Benefits								
- Equipment Fuel								
- Equipment Repairs and Maintenance								
- Equipment Insurance and Registration								
- Workshop and Tool Operations								
-								
-								
Road Construction and Maintenance								
- Labour								
- Materials								
- Rentals								
-								
-								
Transportation Services Sub-Total Forward to Page 4					0.00	0.00	0.00	0.00
					TOTAL TRANSPORTATION SERVICES - TO PAGE 1			
					0.00	0.00	0.00	0.00

Types of Expenses that would be recorded under the category *Transportation Services* may include, but certainly not limited to:

- engineering contracts or in-house costs

Expenditures: Environmental Health

ENVIRONMENTAL HEALTH SERVICES				
Garbage and Waste Collection				
Garbage Collection				
Nuisance Grounds				
Other Environmental Health				
Municipal Wells				
Public Rest Rooms				
Other _____				
TOTAL ENVIRONMENTAL HEALTH SERVICES - TO PAGE 1	0.00	0.00	0.00	0.00

Types of Expenses that would be recorded under the category *Environmental Health Services* may include, but certainly not limited to:

- contracts or in-house costs such as labour and equipment

Expenditures: Public Health & Welfare

PUBLIC HEALTH AND WELFARE SERVICES				
Public Health				
Health Unit				
Cemeteries				
Other _____				
Medical Care				
Medical Officer				
Other _____				
Hospital Care				
Hospital Care				
Other _____				
Social Assistance				
Social Assistance				
Other _____				
TOTAL PUBLIC HEALTH & WELFARE SERVICES-TO PAGE 1	0.00	0.00	0.00	0.00

Types of Expenses that would be recorded under the category *Public Health and Welfare Services* are self-explanatory.

Point of Clarification: Social Assistance line item. *The Manitoba Assistance Act* (s. 16.2 (1) to 16.2(5)) requires all municipalities to pay an annual amount to the Province as a contribution toward the cost of providing general and shelter assistance to a person who receives assistance.

Expenditures: Environmental Development

ENVIRONMENTAL DEVELOPMENT SERVICES				
Planning and Zoning				
Community Development				
General Land Assembly				
Urban Renewal				
Beautification and Land Rehabilitation				
Urban Area Weed Control				
Grant				
Other _____				
TOTAL ENVIRONMENTAL DEVELOPMENT SERVICES - TO PAGE 1	0.00	0.00	0.00	0.00

Types of Expenses that would be recorded under the category *Environmental Development Services* are self-explanatory.

Expenditures: Economic Development

ECONOMIC DEVELOPMENT SERVICES	Last Year Budgeted	Last Year Actual	This Year Budgeted	Next Year Budgeted
Natural Resources				
Agriculture				
Destruction of Pests				
Protective Inspections				
Rural Area Weed Control				
Drainage of Land				
Veterinary Services				
Water Resources and Conservation				
Grants				
Regional Development				
Industrial Development				
Other Economic Development				
Tourism				
Public Receptions				
TOTAL ECONOMIC DEVELOPMENT SERVICES - TO PAGE 1	0.00	0.00	0.00	0.00

Types of Expenses that would be recorded under the category *Economic Development Services* may include, but certainly not limited to:

- costs associated with oil and gas exploration
- wild life management i.e. beavers

Point of Clarification: Water Resources and Conservation (*The Watershed Districts Act* (s. 26(1) and 26(2))

Prior to February 28 of each year, the Watershed Districts Board is to submit a statement of operating costs to each included municipality that specifies the portioned amount the municipality is to raise.

On receiving the statement, the included municipality must raise the amount specified by:

a) levying and collecting a tax on the value of the part of the total municipal assessment that pertains to all the rateable land or rateable land and buildings in the included area. If a municipality has lands in more than one watershed district, the municipality will levy its share of the operating costs for all watersheds that the municipality has lands. If charging a levy, the levy would be reported on **PAGE 8** of the Financial Plan.

OR

b) in accordance with a by-law of the municipality based on the value of the part of the total municipal assessment that pertains to rateable land or rateable land and buildings within the municipality, the municipality would include the submitted operating costs to **PAGE 5** of the Financial Plan.

Expenditures: Recreation & Culture

RECREATION AND CULTURAL SERVICES				
Recreation				
Community Centers and Halls				
Swimming Pools and Beaches				
Golf Courses				
Skating Rinks and Arenas				
Parks and Playgrounds				
Other Recreational Facilities				
Grants				
Museums				
Libraries				
Other Cultural Facilities				
TOTAL RECREATION & CULTURAL SERVICES - TO PAGE 1	0.00	0.00	0.00	0.00

Types of Expenses that would be recorded under the category *Recreation and Culture Services* are self-explanatory.

Transfers: *TO* Reserves

PAGES 5 & 13

TRANSFERS				
General Reserve				
Specific-Purpose Reserves:				
- Equipment Replacement				
- Capital Development				
- Gas Tax				

TOTAL TRANSFERS - TO PAGE 1	0.00	0.00	0.00	0.00

Municipalities may transfer funds **FROM** *Reserves* **TO** the *General Operating Fund* to pay for capital projects.

This records the connection between the *Capital Budget* (**Page 13**) and the *General Operating Fund* (**Page 5**)

Transfers from *reserves* to fund *capital projects* are recorded on **Page 13 – Part 2**

Other Revenue

Page 2

EXPENDITURES =

OTHER REVENUE

+ TRANSFERS + TAX REVENUE

Other Revenue is reported on **Page 2** and **Page 8** and is mainly comprised of grants, fees and rentals. The TOTAL is reported on **Page 1**.

There are several other types revenues such as:

- fines and penalties collected in violation to local by-laws such as late payment of taxes
- charges for services such as private lane snow removal
- sales of goods and services i.e. maps, photocopying, disposal of capital assets, tax certificates
- rent of municipal facilities and/or equipment
- fees collected for issuing licences and permits; and
- accessing various funding programs.

Revenue: Other

	Last Year Budgeted	Last Year Actual	This Year Budgeted	Next Year Budgeted
Other Revenue				
Taxes Added				
Tax Penalties				
Licenses				
- Animal				
- Business				
- Other				
Permits				
- Building				
- Other				
Fees				
Sales of Service				
- General Government				
- Protective				
- Transportation				
- Environmental/Health				
- Public Health and Welfare				
- Environmental/Development				
- Economic Development				
- Recreation and Culture				
- Other				
Sales of Goods				
Rentals				
Trailer Park Rentals				
Trailer Park Fees / Grading Leases				
Concessions and Franchises				
Returns from Investments				
Development and Deduction Fees				
Unconditional Grants - Municipal Operating				
- Other				
- Other				
Conditional Grants				
- Federal Government				
- Federal - Gas Tax				
- Provincial Government			0.00	
- Municipal Government				
- Other				
- Other				
Other Income				
Total Other Revenue - Page 1	0.00	0.00	0.00	0.00

Types of Revenue that would be recorded under the category *Other Revenue* may include, but certainly not limited to:

- estimated additional property tax due to an increase in assessment during the current year (supplementary taxes)
- estimated interest to be charges on tax arrears
- estimated fees to be collected
- services a municipality provides for a fee and may include private works, tennis court fees
- expected net gain on sale of equipment (example grader blades)
- any anticipated rentals fees for example, park fees, municipal hall rentals
- all conditional provincial grants are to be detailed on the Sundry Revenue and Expenditure Analysis **Page 9 Part 2**.

Point of Clarification: Trailer Park Fees are referred to as *Converted Fees*.

Prior to 1997, municipalities had the authority to collect a fee on mobile homes. The Assessment Branch requests information from municipalities annually on the number of sites, fee and previous year mill rate. A formula is applied to "convert the fees" to an equivalent assessment. This "equivalent assessment" is added to the total assessment for the School Divisions Education Requisition (**Page 8**) This creates fairness in the collection of education levies.

Note: The *Mobile Home Licence Fee By-Law* may be amended, but if repealed, cannot be replace. Since 1997, all mobile home parks are included in the Assessment.

Point of Clarification: Several municipalities collect “*Grazing Lease*” fees on pastureland leased from the province for domestic animal grazing within their municipality. Leases are short-term in nature, limit use and hold no option to transfer. The Real Estate Services Branch with the Province of Manitoba applies a formula to the lease fees to calculate an equivalent assessment. A payment schedule is then provided to the municipalities. This “equivalent assessment” is added to the total assessment for the School Divisions Education Requisition (**Page 8**)

TRANSFERS

EXPENDITURES =

OTHER REVENUE +

TRANSFERS

+

TAX REVENUE

Transfers: *FROM* Reserves

Page 2

Transfers From				
- Accumulated Surplus				
- Reserves (Page 13)			0.00	
Total Transfers - Page 1	0.00	0.00	0.00	0.00
TOTAL OTHER REVENUE AND TRANSFERS PAGE 8	0.00	0.00	0.00	0.00

Municipalities may transfer funds **FROM** *Accumulated Surplus* and/or *Reserves* (**Page 2**) to:

- balance the budget
- pay for a capital project

Transfers: Reserve Regulation

- Accumulated Surplus may be used to:
 - balance general operating fund
 - capital costs

The Accumulated Surplus and General Reserve Regulation 49/97

$$AS + GRF - T \geq 20\% \text{ of } E$$

Municipalities may transfer monies from their accumulated surplus to:

- balance their budget i.e. cover the shortfall between expenditures and revenues
- pay for a capital project

Regardless of the reason, when council is considering a proposed transfer from Accumulated Surplus and/or General Reserve the municipality must maintain a balance in the accumulated surplus and general reserve fund (combined) equal to or greater than 20% of prior years' expenditures.

Let's explain further. The *Accumulated Surplus and General Reserve Regulation* (Regulation 49/97) establishes the maximum amount of money that a council may transfer in a fiscal year from its accumulated surplus and from its general reserve fund to its operating budget or capital budget. This is calculated in accordance with the following formula:

$$AS + GRF - T \geq 20\% \text{ of } E$$

In this formula:

AS is the amount of the accumulated surplus reported at the end of the previous fiscal year;

GRF is the amount of money in the general reserve fund;

T is the amount of the proposed transfer;

≥ means greater than or equal to;

E is the total of all expenditures at the end of the previous fiscal year excluding the amount for education requisitions

To calculate, refer to the following areas of the municipality's latest audited financial statements:

AS Note: Accumulated Surplus

GRF Schedule Of Change in Reserve Fund Balances – Schedule 6 (usually)

GRF Schedule of General Operating Fund Expenses – Schedule 13 (usually)

Councils must obtain approval for any transfers in excess of limitations set out in the Regulation.

Revenue: Calculation of Tax Levies

Page 8

$$\begin{aligned} \text{EXPENDITURES} &= \\ \text{OTHER REVENUE} &+ \text{TRANSFERS} + \\ \text{TAX REVENUE} & \end{aligned}$$

TAX REVENUE is reported on **Page 8** of the financial plan template.

Remember, municipal governments exist to provide municipal services and programs *on a cost recovery basis* and without causing undue financial burden to the ratepayers.

When estimating revenue, consideration should be given to:

- tax burden to ratepayers;
- impact of reassessment;
- rate of inflation; and
- methods of taxation: “At Large” levy, Business levy, Special Service Levy/Local Improvement Levy.

Tax Revenue: Education Requisition

- Property Tax Mill Rates worksheet on MMO
- School Divisions provide a letter with requisition amount (\$). The municipality converts the requisition \$ to a Mill Rate

On or before March 15th, the Province of Manitoba will advise municipalities of the Education Special Levy (ESL) for the coming year. School Divisions, within your municipality, are also legislated to provide the requisition amounts to be levied on or before March 15th.

Reference: Part IX of *The Public Schools Act* R.S.M. 1987, c. P250
Sections 183 to 190

As tax statements are not issued for grazing lease and converted fee (trailer park) properties, municipalities must allocate a portion of the revenues they receive to the local school divisions.

Step 1: Report revenues on **Page 2**.

Step 2: Enter grazing lease / converted fees assessment, as provided on MMO's *Property Tax Mill Rates* worksheet to the Education section on **Page 8** under the Grazing Leases and/or Converted fees column.

Step 3: Calculate the allocation amount and enter under Revenues – Grazing leases and/or Converted fees column.

Calculation is: assessment figure x mill rate divided by 1000.

Step 4: The allocation amount is to be carried forward and reported on **Page 1**.

Tax Revenue: Local Urban Districts

Page 7



EXPENSES



=



REVENUE

The LUD committee must prepare an annual service plan, that once approved by the committee, is submitted to council for review. Council may consult the LUD Committee prior to adopting the plan by resolution. The Service Plan is then reported on **Page 7** of the Financial Plan template. Each LUD within a municipality has an associated **Page 7**.

Of note, council will ensure services are delivered and revenues raised in accordance with the Plan. The LUD committee has no authority to provide direct delivery of service or to manage funds.

Guidance on the operation of LUDs is available in section 3.4 of *The Municipal Act Procedures Manual*. Please refer to sections **120(1)** Responsibility of council and **118(2)** A service plan for more information.

Tax Revenue: Debenture Debt Charges

TEMPLATE: Page 11

GENERAL Operating Fund

- Part 1: Debenture Debt Charges
- Part 2: Summary (by area)

The Municipal Act establishes two approaches for municipal borrowing, which are:

- debenture debt recovered by mill rate on “at large” assessment; and
- local improvement which has options for bent recovery including mill rate, per parcel, frontage or combination. The tax base may include all assessment including otherwise exempt, or a specific properties.

Page 11 of the Financial Plan Template is for reporting the Debenture Debt Charges for the **General** Operating Fund.

Part 1: Debenture Debt Charges provides the detail of each general debenture

Part 2: Summarizes the information reported in **Part 1** and is reported to **Page 8**

Tax Revenue: Debenture Debt Charges

TEMPLATE: Page 12

UTILITY Operating Fund

- Part 1: Debenture Debt Charges
- Part 2: Summary (by area)

The source documents for debenture debt and special service levies are the by-laws passed by council and approved by The Municipal Board. All debenture debt and special service levies are to be entered and updated annually. *Municipal Annual By-Law Maintenance* is located on MMO and available in January of each year. An accompanying guidebook and templates are available on MMO under ***Manitoba Municipalities Online Documents***.

Page 12 of the Financial Plan Template is for reporting the Debenture Debt Charges for the **Utility** Operating Fund.

Part 1: Debenture Debt Charges provides the detail of each general debenture

Part 2: Summarizes the information reported in **Part 1** and is reported to **Page 8**

Tax Revenues: SSL / LIL

- Special Services & Local Improvement Levies
 - municipalities may establish special service and/or local improvement levies that link cost of service/capital to those properties which benefit
 - by-law approval of The Municipal Board
 - may levy on assessment, per parcel, frontage or combination
 - may levy on whole municipality or certain area/properties

More information on when, how and why to use a Special Service or Local Improvement levy has been made available as handout. *The Municipal Act* Procedures Manual is another great resources. Please contact an MSO to explore this topic further.

All special service and local improvement by-laws must be submitted and approved by The Municipal Board prior to including the levies on your Financial Plan. The requirements to obtain Municipal Board approval are found under sections 310 to 325 of *The Municipal Act*. Please refer to s. 10 of *The Municipal Act* Procedures Manual for further information on the process and sample documents. To ensure a new special service or debenture debt levy obtains approval for inclusion in the current year's budget municipalities should start the process well in advance.

Please contact Jesse Oyugi, Municipal Finance Officer for more information.

Tax Revenue: Deficit Recovery

- Section 6.3 of *The Municipal Act Procedure Manual* provides several options that council may consider for recovery of a general operating fund deficit.
- All GOF deficit recoveries are to be reported in the following years' Financial Plan

Section 6.3 of the Municipal Act Procedures Manual provides guidance on deficit recover. MSOs may also provide further assistance in reporting a general operating fund deficit and exploring the options for deficit recovery.

When a municipality shows a deficit on Schedule 14 of the Audited Financial Statement, council **MUST** request deficit recovery from the Minister. The letter to the Minister, accompanied by a resolution of council, shall include:

- i) confirmation of the amount of the general operating fund deficit
- ii) The explanation for the deficit,
- iii) and proposed method of deficit recovery.

General Operating Fund deficit recovery options, include:

1. recovery by transfer from accumulated surplus or general reserves or specific reserve funds.
2. recovery by levy in one or more future years. There will be an increase to the municipal tax rate.
3. or a combination of both.

If Applicable: **APPROVED** deficits should be reported on **Page 9**. If the deficit is being recovered from reserves or surplus, the transfer should be reported on **Page 2**. If the deficit is being recovered through taxation, it should be included on **Page 8** on the "Deficit Recovery – General" line.

Tax Revenue: Rural Area & General Requirements

Page 10

- Part 1: Analysis of Expenditures Benefitting Rural Area
- Part 2: Calculating of Rural and “At Large” Requirements

The council of a municipality in which a local urban district is situated must not levy the LUD, a tax imposed in the rest of the municipality to provide a service that is already being levied for within the district. Reference section 121 of *The Municipal Act*.

This is where the authority to charge a rural levy comes from. Essentially, it means that if an LUD is providing a service, and the rural area is also getting the same service, then the rural levy must include those costs for the rural area (they can't be at large). Conversely, if an LUD is not providing a service, then it can't be included in the rural levy, since section 121 isn't engaged.

Tax Revenues: “At Large” Levy

Example: applying a *mill rate* of 8.000 mills

Farm Property

- Fair Market Value (assessment) \$500,000
- Portioned (taxable) Assessment (FMV) 26%
- \$130,000 x 8.000 mill rate = \$1,040 taxes owed

Residential Property

- Fair Market Value (assessment) \$500,000
- Portioned (taxable) Assessment (FMV) 45%
- \$225,000 x 8.000 mill rate = \$1,800 taxes owed

General taxation is the basic method of taxation, where property owners pay municipal taxes based on their taxable (**portioned**) value (**assessment**).

All property is assessed at **F**air **M**arket **V**alue and categorized based on use. ONLY a portion of the fair market value is taxable, as legislated through *The Municipal Assessment Act*.

Commercial: portioned assessment is 65% of the fair market value of the property.

Residential: portioned assessment is 45% of the fair market value of the property.

Farm: portioned assessment is 26% of the fair market value of the property.

All municipalities use a mill rate that is then multiplied to the portioned assessed value of property to calculate the property taxes owed.

READ THROUGH EXAMPLE ON SLIDE

1 mill collects \$1.00 for every \$1,000 of portioned assessment

Tax Revenues: MILL RATE

HOW MUCH DOES 1.000 MILL COLLECT IN TAXES IN MY MUNICIPALITY?

Total Portioned Assessment / 1,000

“MILL RATE” : As used in property tax, 1 mill is equal to \$1 dollar in property tax levied per 1,000 dollars of a portion of the properties assessed value

FAQ: HOW MUCH DOES 1.000 MILL COLLECT IN TAXES IN MY MUNICIPALITY?

Response: Total Portioned Assessment divided by 1,000

Tax Revenues: Business Levy

- Business Tax
 - tax imposed on business assessment
 - maximum tax rate is 15%
- Business Fee
 - tax imposed on each business
 - maximum fee is \$50

Business Tax or Business Fee must be passed on a separate by-law or included in the Property Tax By-law.

If your municipality has a business tax by-law and council decides not to implement it, best practice is to rescind the by-law and provide a copy of the approved by-law (3rd reading) to Assessment. This will reduce assessment costs as they will no longer have to maintain business assessment.

Many municipalities record their cable fees in the Business Tax/Fees area on **Page 8** (column **C**, row **49**).

Sundry

Page 9

- Part 1: Grants in Lieu of Taxes
- Part 2: Conditional Transfers and Grants
- Part 3: Transfers to Recover Previous Years' Deficit (General)
- Part 4: Transfers to Recover Previous Years' Deficit (Utility)

Part 1: Grants in Lieu of Taxes and Part 2: Conditional Transfers and Grants

Provincial grant amounts are finalized when the provincial budget has passed in the legislature. For reoccurring grants, municipalities should budget the same amount of funding as received the previous year.

Part 3: Transfers to Recover Previous Years' Deficit (General)

- i) Previous year operating deficit and method of recovery require Minister approval
- ii) **APPROVED** deficits should be reported on **Page 9**. If the deficit is being recovered from reserves or surplus, the transfer should be reported on **Page 2**. If the deficit is being recovered through taxation, it should be included on **Page 8** on the "Deficit Recovery – General" line.

Part 4: Transfers to Recover Previous Years' Deficit (Utility)

Municipally owned public utilities are expected to operate on a breakeven basis; however, if an operating deficit exceeding \$10,000 or 5% of the utility's operating budget is anticipated or occurs, the Municipal Act requires municipalities to apply to the PUB for approval of the deficit and recovery methodology. Typically, municipalities will address deficits either through the use of accumulated surplus, reserves, rate increases, rate rider surcharges, tax levies or grant monies. Detailed information about the reporting requirements for operating deficits can be found in Board Order No. 151/08.

If Applicable: Utility Operating Fund

TEMPLATE: Page 6



REVENUE



=



EXPENSES

Utility Operating Fund Template – **Page 6**

Revenues must Expenses for a balanced budget.

Revenue budgeted includes utility rates, grants and transfers from General Operating Fund (Reported on **Page 5**) and/or Utility Reserves (Reported on **Page 13**)

Expenses budgeted include delivering the services, the administration costs associated with this, any transfers to capital (Reported on **Page 13**), any debenture debt charges (Reported on **Page 12**) any Deficit Recovery (Reported on **Page 9**) and any transfers to a Utility Reserve.

Changes to water and sewer rates require approval from the Public Utilities Board **before** the budget is passed.

Subsection 164(5) of *The Municipal Act* requires municipalities to receive approval from the Public Utilities Board for utility fund deficits and their recovery. Please contact the Public Utilities Board for further information on utility deficit approvals.

Once the recovery is approved, the amount of the deficit should be reported on **Page 9- Part 4** and **Page 12**. The corresponding rate rider or transfer from reserves / accumulated surplus should be reported in the revenue section on the utility budget **Page 6**.

Capital Budget: for the Current Year

TEMPLATE: Page 13

- Part 1- Capital Expenditures
 - General Operating Fund (Reported on **Page 5**)
 - Utility Operating Fund (Reported on **Page 6**)
 - Reserve Fund (**Part 2**)
 - Borrowing (**Part 3**)
- Part 2- Reserve Fund Withdrawals
- Part 3- Borrowing

Frequently Asked Question

How do I budget for multi-year capital projects?

There are two approaches to budgeting for multi-year capital projects. Municipalities should ensure they use the method that provides the most transparency for their citizens. The first approach is to budget in the initial year for the total estimated cost of the project and funding sources on **Page 13 - Part 1**.

The second approach is to report only the estimated costs and funding sources for the current year on **Page 13 – Part 1** and report the remaining costs and funding sources of the project in the appropriate years on the 5-year Capital Expenditure Program **Page 14**.

Is there more than one way to complete the capital budget?

There are two ways in which the capital budget may be completed. One is to report the capital projects and purchases only on the capital budget, and the other method is to flow the capital projects through the operating fund. Generally, the first method (reporting only in the capital budget) is recommended to avoid inflating the operating budget for capital expenditures and revenues. The second method is most appropriate when the capital project involves grants from other levels of government.

Capital Budget: Reserve Fund Withdrawals

PART 2. GENERAL AND SPECIFIC-PURPOSE RESERVE FUND WITHDRAWALS					
Reserve Name and By-Law No.	General Fund Transfers		Utility Fund Transfers		Cash Resources
	To Operating	To Capital	To Operating	To Capital	
					Opening Balance in Reserve
	0.00				
		0.00			
			0.00		
				0.00	

Page 2 Part 1 Page 6 Part 1

Part 2 records:

- the name of the reserve fund to be used as reported in **Part 1**
- the amount of reserve funds to be moved to General Operating Fund (revenue reported on **Page 2**) or to Capital Expenditures (**Part 1**)
- the amount of reserve funds to be moved to Utility Operating Fund (revenue reported on **Page 6**) or to Capital Expenditures (**Part 1**)
- the opening balance of reserve funds to be used

Capital Budget: Borrowing

PART 3. BORROWING (Subject to Municipal Board Approval)					
PROPOSAL	TEMPORARY FINANCING			REPAYMENT	
	Bank Loan	Operating Loan	Reserve Loan	Amount	Term
TOTAL - Part 1	0.00	0.00	0.00		

Part 3 records:

- description of proposed project
- the amount being borrowed either by bank loan, operating loan or reserve loan
- the annual principal and interest payment
- repayment term

Frequently Asked Question

What if the debenture hasn't been approved yet?

All anticipated capital projects and purchases which will be funded in full or in part by borrowing will require application to the Municipal Board. Approval from The Municipal Board may be obtained at any time during the year but must be obtained prior to starting the project or making the purchase.

5 Year Capital Expenditure Program

TEMPLATE: Page 14

- Description of Capital Expenditures
- Prioritization of the purchase over 5 years
- Identification of Funds
 - Operating
 - Reserves
 - Borrowing

The 5-Year Capital Expenditure Program is a 5-year capital forecast. This allows municipalities to plan coherently for their long-term needs by developing and maintaining the infrastructure required to deliver quality municipal services. The 5-year capital forecast is also used by citizens and other key stakeholders, such as financial institutions, to determine the municipality's plans and priorities.

The forecast should cover 5 years starting in the next fiscal year as the **Page 13** already covers the current year. Many municipalities extend their forecast to 10 or even 20 years.

The 5-Year Capital Expenditure Program should include all capital projects that the municipality expects to commence during the next 5 years. The forecast should fully identify sources of funding for the projects, as well as the priority that Council places on each project. This document can aid council and administration in the development of the municipality's asset management planning.

Financial Plan: Public Notice

Example of Legislated Timeline

January 3, 2024	January 22, 2024	January 22, AND February 5 th , 2024	February 11, 2024	February 12, 2024
Start of 40 Days	Post Notice of Public Hearing	Publish Notice of Public Hearing	End of 40 Days	Public Hearing

The public hearing is an important opportunity for ratepayers to understand a municipalities financial well-being and council's priorities. Ensure that proper notice of the public hearing is given as per **s. 420** *The Municipal Act*.

When this Act requires public notice to be given of a public hearing, the municipality must:

1. identify the period starting 40 days before the public hearing. Example: if a Public Hearing was scheduled for February 12, 2024 then 40 days **PRIOR** to the public hearing would start on January 3rd, 2024.
2. within the 40-days identified, the municipality must post the notice of the public hearing at the municipal office for at least 14 days **PRIOR** to 7 days before the Public Hearing. Example: if a Public Hearing was scheduled for February 12, 2024 the latest the public notice could be posted in the municipal office is 21 days PRIOR to the Public Hearing (14 days of the minimum positing + 7 days prior to the public hearing)
3. publish the notice at least twice in a newspaper or other publication having general circulation in the municipality. The published notices must be 6 days apart. Example: if a Public Hearing was scheduled for February 12, 2024 and the newspaper is published every 2 weeks, then the latest the public notice could be published is January 22, 2024 and with a separation of minimum of 6 days between postings and 7 days **PRIOR** of the public hearing, the 2nd posting could easily be posted February 5th.

If there is no newspaper or other publication having general circulation in the municipality, the municipality must give public notice of the matter by posting the notice in a conspicuous manner at the municipal office and at least two other public places in the municipality. The postings of such notice must be for at least 14 days and 7 days prior to the public hearing.

Financial Plan: Public Hearing

Presentation may include, but not limited to:

- council sharing priorities
- highlighting key points such as:
 - changes to municipal services and/or programs
 - ↑ or ↓ in mill rates (taxes)
 - current debt and repayment
 - current reserves (purposes) and balances
- info graphics, handouts, responses to FAQs

The Financial Plan Public Hearing presentation should highlight key information and provide additional context to the numbers being presented.

Information presented at a Financial Plan Public Hearing may include, but not limited to:

- council's priorities for the upcoming year;
- highlighting changes in services;
- increase/decrease in tax rate,
- current debt and payment,
- current reserves, purpose and balances

The use of info graphics to communicate financial information as well as handouts and prepared responses to anticipated questions may also be beneficial.

Some other items to be taken into consideration such as, but not limited to:

- the size, location and accessibility of council chambers as other venues may be more conducive to public participation.
- direction from Council about the format of the hearing, who will be presenting, and what information should be covered.

Frequently Asked Questions

- Revising the Financial Plan
- Key Actionable Items
- Missed Legislated Submission Dates
- Tax Statement Production Process

Does another Public Hearing need to be held if changes are made to the Financial Plan?

A public hearing must be held if the changes to the financial plan increase taxation, increase transfers from reserves or accumulated surplus, and/or increase to the capital budget.

What are the key actionable items in the Financial Plan Process?

1. Council gives 1st reading to Financial Plan with administration setting the dates of the public hearing that will allow for Public Notice requirements.
2. Financial Plan Public Hearing
3. Council gives 2nd and 3rd reading to the Financial Plan. Approved and certified (signed) copy to be uploaded to MMO by May 15th.
4. The Calculation of Tax Levies (Page 8 of the Financial Plan) is the basis of the Tax Levy By-law. Council may give 1st reading to Tax Levy By-Law once the Financial Plan has been approved.
4. Council to give 2nd and 3rd reading to Tax Levy By-law. Approved and certified (signed) copy to be uploaded to MMO by June 15th.

Great care should be given to allocate enough time to undertake all required action within the Financial Plan process to comply with all legislated timelines.

What if the legislated submission deadlines (Financial Plan (May 15th) and Tax Levy By-Law (June 15th) are not met?

It is imperative to meet the May 15th legislated submission deadline for the Financial Plan as the budget process allocates resources for the year, provides transparency and creates an opportunity for citizens to provide input. Under section 162(5) of *The Municipal Act*, municipalities may request an extension in writing. Municipalities will need to explain the extenuating circumstances that warrant an extension. i.e. revised financial plan requiring another public hearing.

The Municipal Act does not permit the granting of extensions for the submission of the Tax Levy By-law by the legislated submission date of June 15th.

What are the Key Actionable Items of the Tax Statement Production Process?

1. Municipality must submit all required documents to MMO. Instructions and templates are available under “MMO Guidebook and Templates. DO NOT REVISE THE TEMPLATES.
2. Provincial staff will conduct a cursory review of information uploaded by municipality to ensure data was transferred correctly.
3. DRAFT or “Office Copy” of the tax statements will be provided to the municipality to review and approve.
4. Tax statements will be printed and mailed to the municipality.
5. Municipality typically mail tax statements one month prior to payment deadline. However, municipalities **MUST** mail out tax statements no later than August 31st.

Help Us Help You

- How do you plan to use what was presented today?
- If we presented the same topic, what else would you want to know?
- What was the most memorable point made?

That concludes the formal presentation. The MSOs are available to answer questions on the 2024 Financial Plan. The MSOs are also available to discuss any other municipal administration inquiries participants may have as well.

Participants are also invited to complete the ***“Please Follow Up with Me”*** form made available upon registration. Please complete this form and hand in to Kaneena Vanstone. The MSO team will follow up with all requests in a timely manner.

Please, take a few minutes to answer one, two or all three of the questions being posed. A form was provided to all participants upon registration. Please complete this form and hand in to Kaneena Vanstone. Your responses will assist us to improve our presentations and deliver information.

The Municipal Support and Advisory Services team would like to thank MMA for the opportunity to present on this topic today. Thank-you MMA for continuing to offer valued professional development opportunities to all municipal administrators. I would like to invite Adrienne Bestland, Executive Director of Manitoba Municipal Administrators to share information on upcoming events being offered to municipal administrators.