



TO: Committee of the Whole

FROM: Jennifer Taylor, Chief Administrative Officer
Lovely Jane Magnaye, Manager of Finance

DATE: January 11, 2021

RE: **Budget Meeting # 1 (Budget Overview)**

ISSUE:

Administration is preparing the 2021 budget.

BACKGROUND:

Subsection 155(1) of *The Municipalities Act* specifies that a council shall adopt an operating and capital budget for each financial year. Council adopted Resolution #501-20 2021 Budget Timeline on December 21, 2020.

ALTERNATIVES:

There is no alternative for Council on this matter.

FINANCIAL IMPLICATIONS:

There is no financial implication.

ANALYSIS:

The first budget meeting will be a budget overview. A presentation to Committee of the Whole will be conducted to discuss the following:

- Budget and the Budget Process
- Capital Budget and Capital Financing Sources
- Operating Budget (Revenue and Expenditure)
- Things to Consider for Discussion in the 2021 Budget Preparation
- Review of the Strategic Plan and Budget Timeline

The meeting is intended to be a workshop where Administration and Committee of the Whole can discuss matters prior to digging into the numbers. The intended output from the meeting will be Council's Guiding Principles and Priorities for 2021. This will serve as a guide for the Administration in presenting the capital and operating budgets to Council.

The CAO will be away on vacation the week of February 18 and proposes that the budget meeting that week be rescheduled to February 25.

ADMINISTRATIVE RECOMMENDATION(S):

"THAT the budget meeting on February 18, 2021 be rescheduled to February 25, 2021".

ATTACHMENT:

2021 Budget Overview



2021 BUDGET OVERVIEW

Prepared by:
Lovely Jane Magnaye, Manager of Finance

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Scope of the Presentation

- Budget and the Budget Process
- Capital Budget and Capital Financing Sources
- Operating Budget (Revenue and Expenditure)
- Things to Consider for Discussion
- Strategic Plan
- Budget Timeline



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Intended Output

- Council's Guiding Principles and Priorities for 2021

IN ORDER TO SAY YES
TO YOUR PRIORITIES
YOU HAVE
TO BE WILLING
TO SAY NO
TO SOMETHING ELSE.



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Council's Legislative Duties

The Municipalities Act

being

Chapter M-36.1* of *The Statutes of Saskatchewan, 2005* (effective January 1, 2006, except s.474 which comes into force on proclamation of s.8 of c.T-18.1) amended by the *Statutes of Saskatchewan, 2005, c.42; 2006, c.7 and 18; 2007, c.P-13.2, 17, 30 and 32; 2009, c.23; 2010, c.E-9.22, c.3 and 24; 2011, c.9; 2012, c.22; 2013, c.R-9.11, c.19 and c.27; 2014, c.A-3.1 and c.19; 2015, c.A-26.11, c.G-5.101, c.L-30.11, c.21 and c.30; 2017, c.E-4.01; 2018, c.A-21.2, c.C-2.111, c.V-3.2, c.25 and c.42; and 2020, c.30.*

- Council's duty is to maintain the financial integrity of the municipality. -*Subsection 92(f)*
- Council shall adopt an operating and capital budget for each financial year. -*Subsection 155(1)*
- No council shall authorize a tax levy with respect to a financial year unless it has adopted the operating and capital budget for that year. -*Subsection 155(2)*



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What is a Budget?

A budget is an estimation of revenue and expenses over a specified future period of time and is usually compiled and re-evaluated on a periodic basis.

- **Financial Plan**
- **Management Document**
- **Communication Tool**

Budget as a Financial Plan



- Sets out planned expenditures and the means of financing
- Statement of priorities
- Reflects funding policies
- Basis of financial decision making

Budget as a Management Document



- Resource for operational work plan
- Guide to implement and achieve strategic plan goals
- Provides direction in providing mandated services
- Fosters fiscal accountability
- Helps in financial management and implementing internal control

Budget as a Communication Tool

Budget strategically engages the public in local government affairs.



INFORM

- Educate citizens and community stakeholders about budget issues and pressures
- Provides information on the financial health of the municipality



ENGAGE

- Solicit community priorities
- Opportunity to provide input on services/service levels

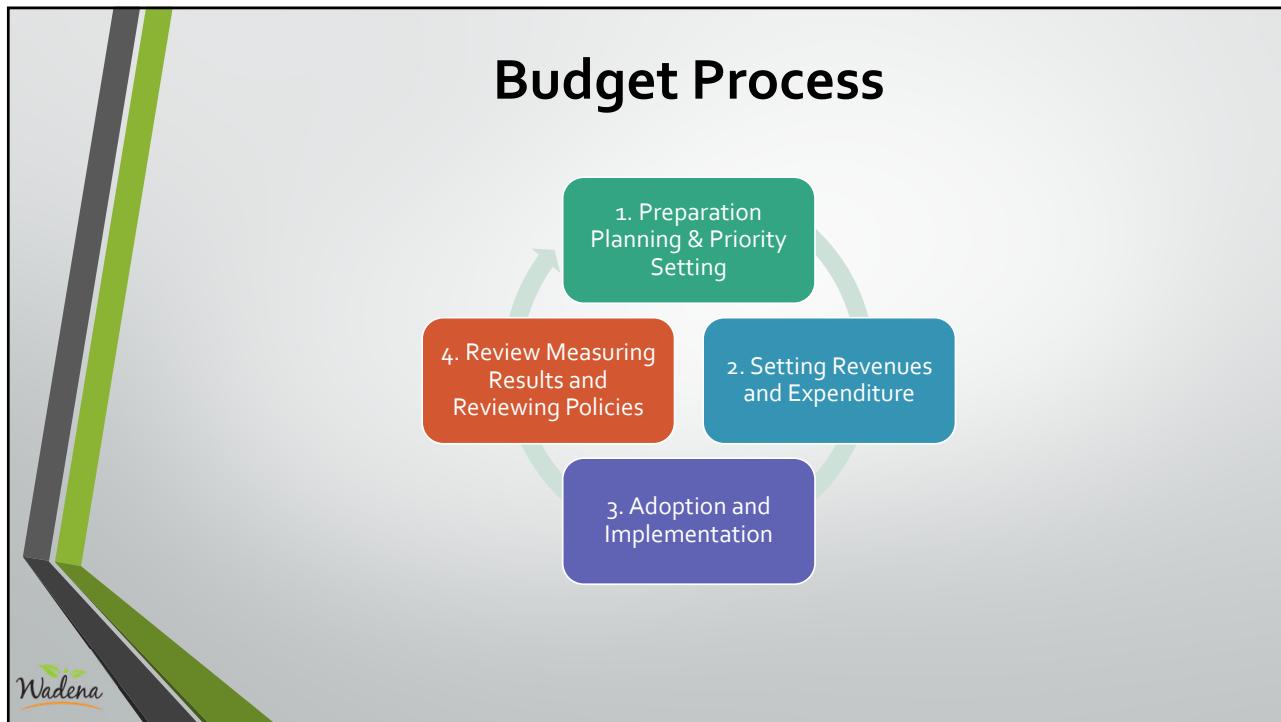
Budget is a key planning document in achieving a municipality's strategic priorities.



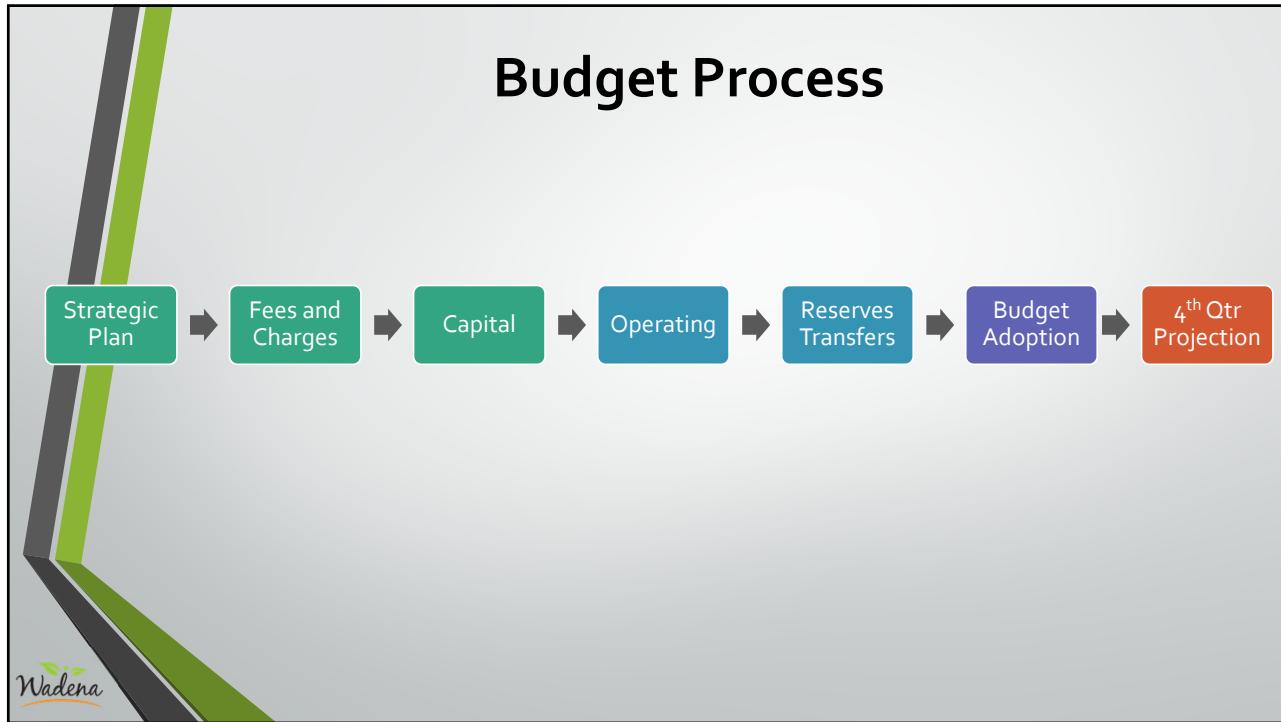
Who are we accountable to?



- Citizens who are current, former and future taxpayers
- Investors and Businesses



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Contents of Budget

(Section 156 of *The Municipalities Act*)

The operating budget of a municipality is required to include the estimated amount of each of the following expenditures and transfers by the council for a financial year:

- (a) the amount needed to provide for the operations of the municipality;
- (b) the amount needed to pay all debt obligations with respect to borrowings by the municipality;
- (c) the amount needed to meet the sums that the municipality is required by statute, to raise by levying taxes or other amounts that the municipality is required to pay;
- (d) the amount to be transferred to reserves;
- (e) the amount to be transferred to capital;
- (f) the amount of any operating deficit incurred in the previous financial year;
- (g) the amount needed to acquire, construct, remove or improve capital property.



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Components of Annual Budget

Capital and Operating

- Both provide for the services/programs delivered
- Types of expenditures and sources of financing differ
- Operating budget provides for the annual cost to deliver services and maintain infrastructure
- Capital budget provides for investments in infrastructure (assets) that provide long term benefit



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Capital and Operating Relationship

1. Payments on principal and interest on debentures to cover the cost of capital expenditures are budgeted as estimated expenditures in the operating budget.
2. The undertaking of capital project necessitates, on completion, funds to cover its operation.
3. Current operating revenues may be drawn on to finance capital projects. The more that it is required to be contributed from the current operating revenues, the greater the impact on the operating budget.



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Capital Budget

- Significant expenditures to acquire, construct or improve land, buildings, engineering structures or machinery and equipment used to provide municipal services with a benefit lasting beyond one year.



Related Documents for Review:

- ✓ 5-year Capital Budget
- ✓ Tangible Capital Asset Policy (P2019-002)



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Capital forecast represents the municipalities best estimate of the capital expenditures it proposes to undertake and how it intends to finance them over a period of time.



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Capital Financing Sources

- Long Term Borrowing
- Grants
- Special Charges/Levy
- Reserves
- Sale of Fixed Assets



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Capital Financing Sources

LONG TERM BORROWING

- avoids heavy burden of taxation on ratepayers in a year and presents several fluctuations in the mill rate over time
- effective method of equating costs and benefits, since those who will benefit from the asset over its lifetime also share in its cost

The debt limit for the Town of Wadena in 2019 was \$1,872,422

Debt Limit and Limitations on Borrowings and Loan Guarantees - Section 161, 162 of *The Municipalities Act*



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Long Term Borrowing



Principal Loan Amount: \$1,049,300

Current Balance: \$844,226

Interest Rate: 3.99%

Payment Schedule: \$130,000 Paid Annually

Principal Amount: \$96,304.41

Interest Amount: \$33,695.59

Term: 10 years (8 years remaining)

TOWN OF WADENA PROVINCE OF SASKATCHEWAN

BYLAW NO. 11-18

A BYLAW OF THE TOWN OF WADENA IN THE PROVINCE OF SASKATCHEWAN
TO PROVIDE FOR CREATION OF A DEBT NOT PAYABLE WITHIN THREE YEARS

WHEREAS the Council of the Town of Wadena deems it desirable and necessary to create a debt not payable within three years, in the amount of One Million Forty Nine Thousand Three Hundred dollars (\$1,049,300), for the purpose of financing the cost of construction of a dressing rooms addition on the Wadena Rec Centre; and

WHEREAS the amount of the existing debt of the Town of Wadena is the sum of One Hundred Ninety Thousand, Eight Hundred Ninety Nine dollars and Ninety Nine Cents (\$190,899.99) no part of which, either principal or interest, is in arrears;

NOW THEREFORE, Council of the Town of Wadena in the Province of Saskatchewan enacts as follows:

1. THAT pursuant to Section 164 of *The Municipalities Act*, a debt not payable within three years shall be created in the amount of One Million Forty Nine Thousand Three Hundred dollars (\$1,049,300); and
2. THAT the amount of said debt shall be payable in installments in years 2019 to 2022 inclusive, payable at least annually, and with interest at a rate of 4.19% per annum for the first five year term, interest negotiable thereafter at no greater than prime plus one percent (+1%);
3. THAT the amounts paid to retire said debt may exceed those provided for in this bylaw where the Council of the Town of Wadena has concluded it would be in the best interests of the Town to make such greater payments;
4. THAT the amounts paid to retire said debt may be lower than those provided for in this bylaw where the principal amount borrowed is less than the total listed herein;
5. THIS bylaw shall come into force and take effect on the date of approval being issued by the Saskatchewan Municipal Board, Local Government Committee.

[Signature]
MAYOR

[Signature]
CHIEF ADMINISTRATIVE OFFICER



Certified a true copy of Bylaw #11-18
adopted by resolution of Council on
June 11, 2018

[Signature]
Administrator



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Capital Financing Sources

GRANTS

- form of transfer payments from the provincial and federal governments
- these are not expected to be repaid in the future, or the result of a direct financial return.
- these can take in a form of:
 1. Conditional Grants
 2. Unconditional Grants
 3. Payments in lieu of taxes
 4. Revenue sharing or tax sharing agreements



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Capital Financing Sources

SPECIAL CHARGES/LEVY

- can be levied to generate revenue to be applied against the cost of capital expenditures
- sometimes called as Development Charges or Local Improvement Levy because it is levied to cover growth related capital costs associated with new development
- a way of ensuring that servicing costs relating to new development are paid for by the occupants in areas experiencing growth rather than by all property taxpayers

Example: Curbs and Paving at Pierce Avenue

- Taxpayers of Pierce Ave paid Local Improvement Levy from 2015 - 2019



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Capital Financing Sources

RESERVES

- often established for pre-determined purpose to be used at the discretion of the elected body

GL Account	Class	Debit	Credit
310-100-100 - Reserve - Cemetery Perpetual Care	Surplus	96,745.75	
310-100-120 - Reserve - Bust / Statue Perpetual Care	Surplus	3,148.01	
310-100-140 - Reserve - Planning, Development	Surplus	56,635.00	
310-100-210 - Reserve - Fire Hall / Library Building	Surplus	5,073.99	
310-100-215 - Reserve - Emergency Preparedness	Surplus	8,000.00	
310-100-300 - Reserve - Transportation Capital	Surplus	91,000.00	
310-100-400 - Reserve - Environmental Health	Surplus	46,345.46	
310-100-501 - Reserve - Health Care	Surplus	24,470.00	
310-100-715 - Reserve - Municipal Reserve Properties	Surplus	2,415.53	
310-100-720 - Reserve - Aquatic Centre	Surplus	10,000.00	
310-100-730 - Reserve - Museum	Surplus	47,954.37	
310-100-740 - Reserve - Recreation Centre	Surplus	15,523.71	
310-100-750 - Reserve - Playground Equipment	Surplus	3,000.00	
310-100-760 - Reserve - Tourism	Surplus	6,250.00	
310-100-770 - Reserve - Curling Rink	Surplus	44,411.00	
310-100-790 - Reserve - Sports Grounds	Surplus	4,000.00	
310-100-800 - Reserve - Utilities Infrastructure	Surplus	793,991.18	
310-100-820 - Reserve - Hall	Surplus	24,620.00	
310-100-826 - Reserve - Wadena Cares Crisis Fund	Surplus		
310-200-100 - Reserve - Unappropriated	Surplus		76,834.00
Balance as of December 31, 2020		General Ledger Totals:	0.00 1,360,418.00

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Capital Financing Sources

OTHER SOURCES OF FUNDS

- **Sale of Fixed Assets** can be used for the acquisition of other fixed assets i.e., trade of tool cat for a brand-new tool cat



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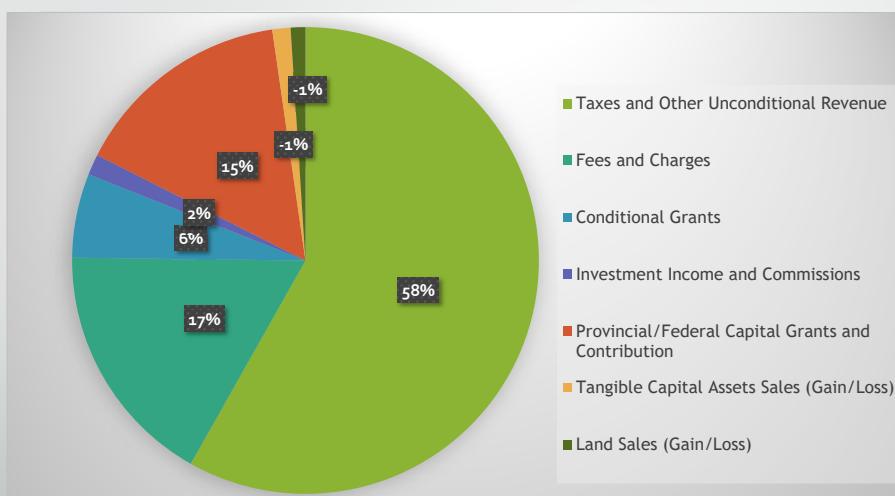
Operating Budget

Preparing the operating budget is facilitated by a formally adopted vision, goals and policies of the council.

These includes established policies and best practices on service levels for operations and maintenance, public image goals, personnel policies, facilities usage and fees, and so on.

- Revenue
- Expenditure

Revenue



Based on 2019 Audited Financial Statement

Sources of Revenue

TAXES

- levies that may be made upon the assessment of property within a government's jurisdiction
- calculated using *ad valorem* basis of taxation meaning that your property taxes increase appropriately with the value of your property
- Percentages of value are used to calculate taxable assessments from assessed values determined by assessment appraisers.
 - Non-arable (range or pasture) land - 45%
 - Other (cultivated) agricultural land - 55%
 - Residential, multi-unit residential and seasonal residential - 80%
 - Commercial, industrial, elevator, railway, resource and pipeline - 85%



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Assessment Details

Tax Classes	Assessment Total	Total Number
Non-Arable	\$358,560	2
Other Agricultural	\$27,005	3
Residential	\$58,150,560	715
Multi-Unit Residential	\$1,869,440	6
Seasonal Residential	\$0	0
Commercial and Industrial	\$36,087,800	164
Elevators	\$0	0
Railway R/W and Pipeline	\$204,700	2

Tax Status	Assessment Total
Exempt	\$28,801,760
Taxable	\$67,896,305
TOTAL	\$96,698,065



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Sources of Revenue

FEES AND CHARGES

- rates are established and charged for a service or benefit received i.e., facility rental, custom work
- fines and penalties assessed against persons found to be in violation of a local government law
- fees for special privileges related to the regulatory powers granted by the local government i.e., licenses and permits
- sales of supplies
- recreation fees including program fees
- general office services, tax certificate fees



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Sources of Revenue

CONDITIONAL GRANTS

- these grants require certain conditions be met before the funds are turned over to the municipal government
- these usually include that the money be spent on a specific purpose and often that municipalities provide the matching funds like providing 25% of the funds to complete a 75% grant

UNCONDITIONAL GRANTS

- grants provided with no strings attached
- municipalities can use these funds as they see fit



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Sources of Revenue

GRANTS IN LIEU OF TAXES

- payment to the municipality in a form of a grant equal to what the property taxes would be if the property is taxable
- paid to the municipalities, but the school division is entitled to its share, based on the same proportion that taxes on taxable property are shared



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Sources of Revenue

REVENUE-SHARING OR TAX-SHARING AGREEMENTS

- Government transfer that provides more stable and ongoing revenue sources and are usually provided as unconditional

INVESTMENT INCOME AND COMMISSIONS

- normally realized through the government's right to invest money and earn interest or dividends. Most common sources are bank accounts, term deposits and investment certificates.
- normally includes interest on securities, loans advances

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Sources of Revenue

SALE OF TANGIBLE CAPITAL ASSETS AND LAND SALES

- Sales of goods and properties made by the local government in accordance with the legislation


Wadena
Where Big Dreams Grow

Last updated: 1/16/2019

Description	Property Size (Sq Ft)	Zoning	Price	GST	Total Price	TPP
934 Pierce Ave Lot 16, Blk 2, Plan 86405753	70' X 11' (7,910 sq ft)	Residential (serviced)	\$10,000.00	\$500.00	\$10,500.00	TPP
957 Pierce Ave Lot 10, Blk 53, Plan 82407763	59' X 11' (6,490 sq ft)	Residential (serviced)	\$3,245.00	\$162.25	\$3,407.25	TPP
871 Tolm Dr Lot 15, Blk 2, Plan 86405763	60' X 11' (7,140 sq ft)	Residential (serviced)	\$3,570.00	\$178.50	\$3,748.50	TPP
129 Perry Dr Lot 3, Blk 51, Plan 77H11177	60' X 12' (7,500 sq ft)	Residential (serviced)	\$8,875.00	\$443.75	\$9,318.75	
131 Perry Dr Lot 2, Blk 51, Plan 77H11177	60' X 12' (7,500 sq ft)	Residential (serviced)	\$8,875.00	\$443.75	\$9,318.75	
105 Perry Dr Lot 8, Blk 52, Plan 77H11177	60' X 12' (7,500 sq ft)	Residential (serviced)	\$8,875.00	\$443.75	\$9,318.75	
107 Perry Dr Lot 7, Blk 52, Plan 77H11177	60' X 12' (7,500 sq ft)	Residential (serviced)	\$8,875.00	\$443.75	\$9,318.75	
109 Perry Dr Lot 6, Blk 52, Plan 77H11177	60' X 12' (7,500 sq ft)	Residential (serviced)	\$8,875.00	\$443.75	\$9,318.75	
111 Perry Dr Lot 5, Blk 52, Plan 77H11177	Irregular (6,781 sq ft)	Residential (serviced)	\$8,875.00	\$443.75	\$9,318.75	
128 Perry Dr Lot 4, Blk 52, Plan 77H11177	Irregular (7,405 sq ft)	Residential (serviced)	\$8,875.00	\$443.75	\$9,318.75	
130 Perry Dr Lot 3, Blk 52, Plan 77H11177	60' X 12' (7,500 sq ft)	Residential (serviced)	\$8,875.00	\$443.75	\$9,318.75	
132 Perry Dr Lot 2, Blk 52, Plan 77H11177	60' X 12' (7,500 sq ft)	Residential (serviced)	\$8,875.00	\$443.75	\$9,318.75	

Full list can be viewed at our website: townofwadena.com

The Town of Wadena now has 24 properties for sale.

In 2020, the Town sold 2 properties and the Atrium.

In 2019, the Town sold the Dental Clinic and 3 other other properties.



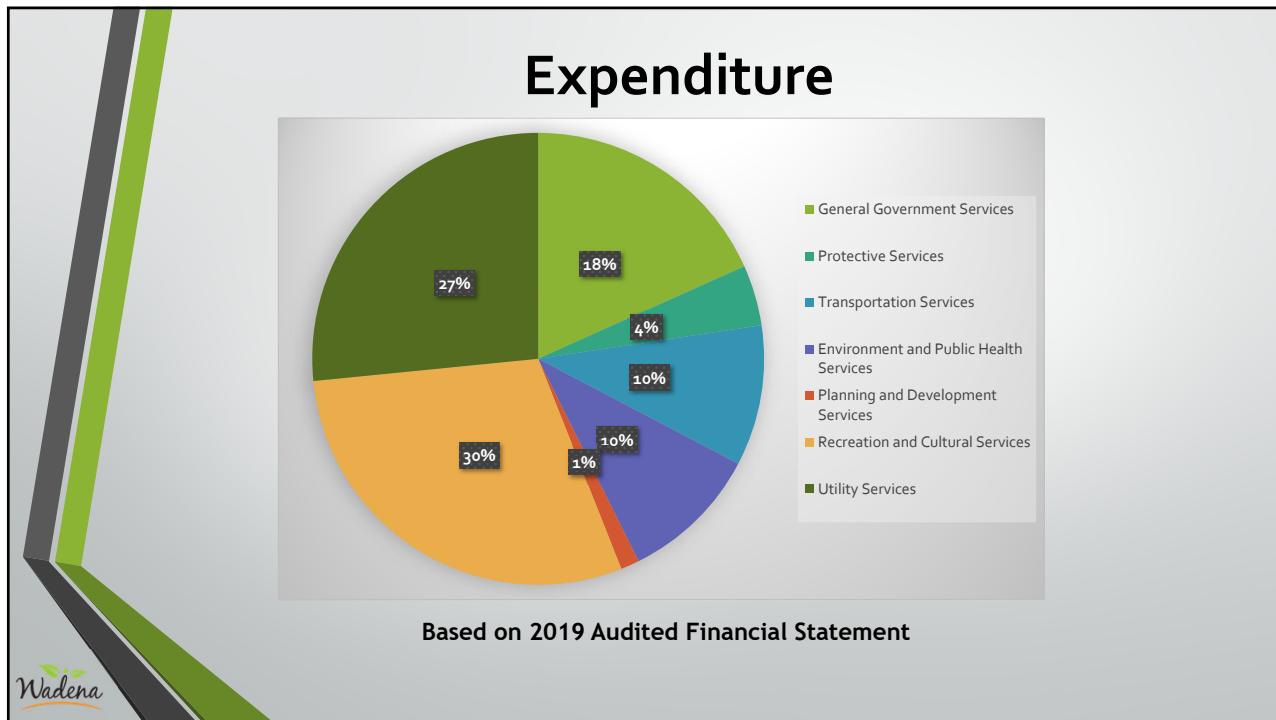
Sources of Revenue

OTHER SOURCES

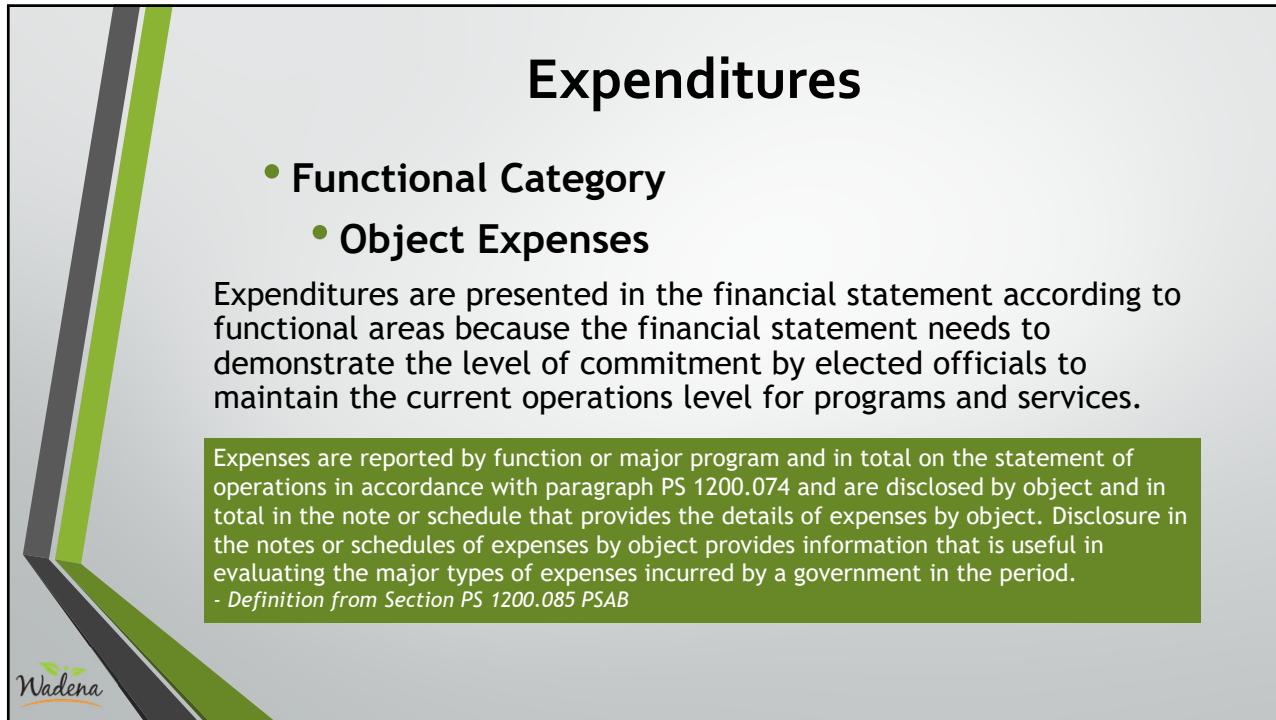
- gifts, donations, sponsorships
- reimbursements, refunds, other recoveries and collections
- refunds or rebates government

Administration does not include these other sources during budget preparation.





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Functional Categories

- General Government Services (GG)
- Protective Services (PS)
- Transportation Services (TS)
- Environmental and Public Health Services (EH)
- Planning and Development Services (PD)
- Recreation and Cultural Services (RC)
- Utilities Services (UW, US)



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Functional Categories

- **GENERAL GOVERNMENT SERVICES**
 - Council and General Administration
- **PROTECTIVE SERVICES**
 - Policing, Law Enforcement
 - Fire Protection
 - Investigation Services
 - Emergency Measures and Disaster Prevention
 - Ambulance and Paramedic Services
 - Animal Control



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Functional Categories

- **TRANSPORTATION SERVICES**

- Vehicles and Common Equipment Fleet
- Roads, Streets, Walks, Lighting
- Public Transportation

- **ENVIRONMENTAL AND PUBLIC HEALTH SERVICES**

- Environmentally regulated services
- Waste Management
- Control of pests and weeds
- Public Health Services
- Family and Community Support Services
- Cemeteries and Crematoriums
- Other Public Health and Welfare



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Functional Categories

- **PLANNING AND DEVELOPMENT SERVICES**

- Land Use Planning, Zoning and Development
- Economic/Agricultural Development
- Subdivision and Development
- Public Housing Operations
- Land, Housing and Building Rentals

- **RECREATION AND CULTURAL SERVICES**

- Parks and Recreation
- Culture: Libraries, Museums and Halls
- Tourism



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Functional Categories

- **UTILITIES SERVICES**

- Water Supply and Distribution
- Waste Water Treatment and Disposal



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Object Expenses

- Wages, Salaries and Benefits
- Professional and Contractual Services
- Utilities
- Maintenance, Materials and Supplies
- Grants and Contributions
- Tangible Capital Asset Depreciation
- Interest
- Allowance for Uncollectible
- Other



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Object Expenses

- **WAGES, SALARIES AND BENEFITS**

- remuneration and pay for all employees
- employer's contributions to benefit plans
- fees paid for regular and special services rendered

- **PROFESSIONAL AND CONTRACTUAL SERVICES**

- expenditures made to acquire services from the business sector



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Object Expenses

- **UTILITIES**

- covers purchase of utility services i.e., power, heat, phone, whether from private or public companies

- **MAINTENANCE, MATERIALS AND SUPPLIES**

- covers items purchased as goods and supplies that are consumed in the course of the municipality's operations or used in the maintenance and repair of the municipality's assets



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Object Expenses

- **GRANTS AND CONTRIBUTIONS**

- contributions made from the municipality to any person, business, organization or other government outside agency for which there is no service or product is exchanged.

- **TANGIBLE CAPITAL ASSET DEPRECIATION (AMORTIZATION)**

- non-cash expense item recorded to amortize capital assets over their useful lives (Accrual Accounting)



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Object Expenses

- **INTEREST**

- items associated with principal and interest payments on long-term and short-term external debt and discounts given for the prompt payment of taxes

- **ALLOWANCE FOR UNCOLLECTIBLE**

- an amount set aside in accounting records to offset anticipated losses from uncollected accounts receivable or from the sale of a disposable asset.

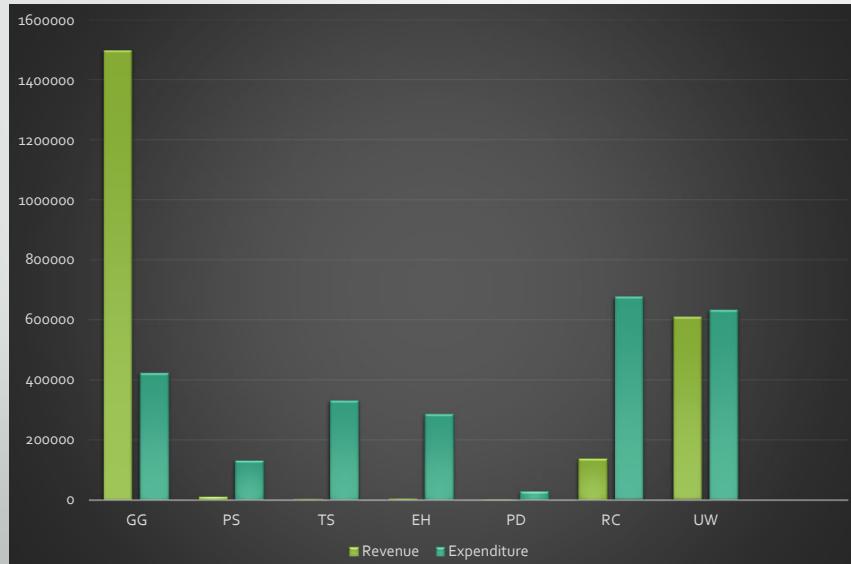
- **OTHER**

- Unclassified elsewhere in the system i.e., losses on sale of tax title property, frontage taxes on municipal property, and any other expenditure not previously provided for



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Revenue vis-a-vis Expenditure



Things to Consider for Discussion

- **Revaluation 2021**

- What are the impacts of revaluation?
- Percentage value for commercial, industrial, elevator, railway, resource and pipeline will be at 85%, previous year was 100%

- **COVID-19 Pandemic**

- Previous Council suspended late charges for unpaid accounts receivable and utilities
 - Facilities have less revenue but still incur regular expenses
 - Some of the businesses are still trying to recover from the impact of the pandemic

- **National and Provincial Policies**

- What are the impacts of carbon tax increase?

Things to Consider for Discussion

- **Population and Assessment Base Growth**
 - Was there an increase/decrease in the population?
 - Would there be new houses/buildings to be constructed?
- **Social Context**
 - What are topics at coffee rows?
 - What are the community issues or concerns?
 - How immediate are these concerns?
- **Staff**
 - What are issues and concerns from staff?
 - Turnover rate



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Strategic Plan

Town of Wadena Vision 2024

"Wadena provide a full range of opportunities and sustainable municipal services that are the foundation for overall community growth."

Council Mission Statement 2020

"The purpose of Wadena Town Council is to make evidence-based decisions on the provision of municipal programs and services to meet the needs of our citizens."



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Strategic Plan

MILESTONES

Milestone	Supports Vision/Mission
Water / Sewer Main assessment.	
Consider efficiencies in equipment use - snowblower. Backhoe and internal operations (operators/training).	
Consider Fleet Management System.	
Need 5-year capital budget more realistic and based on more realistic planning.	
Revise the Official Community Plan.	
Develop a Town emergency plan.	
Review/revise mutual aid agreements.	
RFP Hall - Determine Cost of Operations (some historical data required).	
Ensure that Committees are accountable through reporting to Council and following bylaws and Terms of Reference and where no Terms of Reference exist have them developed and approved by Council.	
Stabilize the organization after a year of change and previous years of issues.	



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Budget Meetings

Approve Interim Budget 2021	December 7, 2020
Council Budget Meeting 1 (Overview)	January 14, 2021
Council Budget Meeting 2 (Capital)	January 28, 2021
Council Budget Meeting 3 (Revenue)	February 11, 2021
Council Budget Meeting 4 (Expenditure 1)	February 25, 2021
Council Budget Meeting 5 (Expenditure 2)	February 18, 2021
Council Budget Meeting 6 (Final Review)	March 11, 2021
Final Council meeting to approve 2021 budget	March 25, 2021
	April 5, 2021

Each Councilor will receive a budget meeting package for review before any meetings.

We encourage everyone to **send questions ahead of time** by contacting the Manager of Finance.
 Email: wadenafinance@sasktel.net
 Phone: (306)338-4252



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What is Council's Direction for the 2021 Budget?

Does Council want no tax increase or increase up to certain %?

Does Council want to consider other Capital Financing Sources?

What are Council's priorities?

Which functional area(s) Council would like to prioritize this year?

Administration requests for 2021 Budget Guiding Principles from Council

Thank you!!!

