

Providing a Concise Summary of the Budget

The original recommended practice was developed by the Government Finance Officers Association (GFOA). Some aspects of the practice have been revised by the Financial Management Capacity Building Committee (FMCBC) for use by Nova Scotia municipal governments. The original GFOA recommended practice is *Providing a Concise Summary of the Budget*, approved by the Committee on Canadian Issues in 2001.

Recommendation

The GFOA recommends that in a municipality's budget documentation, a concise summary and guide to the key issues and aspects of the operating and capital components of the budget should be included to ensure public is educated and involved in the budget process. A concise summary of the budget should be made publicly available for both the proposed budget and the adopted budget.

Purpose

The purpose of a concise summary of the budget is to inform the users of the budget. A concise summary explains at a high level to the citizens of a municipality where their tax dollars are coming from and how their tax dollars are being spent.

Background

The budget is one of the most important documents a municipality prepares. It identifies the services to be provided and how the services will be financed. Because of the time required to read and understand all of the budget documents, a concise summary of the budget and guide outlining the key issues and aspects of the budget is valuable to provide education and involve the public.

Considerations in Policy Development

The summary of the budget can be provided in many formats and can vary in size, scope, and detail. It may include one or more of the following: a transmittal letter, a budget message, an executive summary, or a budget in brief. At a minimum, a summary should do the following:

- Summarize the major changes in priorities, if any, from the previous budget year and articulate the priorities and key issues in the proposed budget:
 - State the priorities and the factors that inspired any changes;
 - Put forward the strategies and provide updates as they occur; and

- Include the financial priorities of the municipality.
- Identify and summarize major financial factors and trends affecting the budget. The following items are examples of factors and trends that should be examined:
 - Significant changes in revenue collections and tax rates;
 - Tax burden;
 - Changes in service levels;
 - Current and future debt obligations;
 - Significant increase/decrease in reserve fund balance;
 - Major changes in property assessments (commercial vs. residential);
 - Changes in non-tax revenues (growth indicators such as population, assessment, services provided, etc.);
 - Inflation; and
 - Utility rates.
- Provide financial summary data on revenues, other resources, and expenditures for at least a three-year period. Using the following table assuming the budget year is 2008-2009.

	2006-2007	2007-2008		2008-2009
	Actual	Approved Budget	Projection	Proposed Budget

- Define a balanced budget and describe the requirements for balancing the budget. In Nova Scotia, municipalities are required to have a balanced budget; the *Municipal Government Act* does not allow municipalities to plan for operating deficits; the budget must be balanced (see part 4–Finance, Section 72 <http://www.gov.ns.ca/snsmr/muns/manuals/pdf/mga/mga04.pdf>). Surpluses, however, can occur through budget management and cost control and can vary from year to year.

If at year-end, a municipality does find itself to be in a deficit position, the full amount of that operating deficit must be repaid within one year. It is important that the budget summary contain this information. It is also important to define what is considered to be a balanced budget and lay out the requirements that determine whether or not the budget is balanced.

Appendices

Appendix I: Example of a Concise Budget Report

Appendix I: Example of a Concise Budget Report

Municipality of West Hants 2003/2004 Concise Budget Report

1. Summary of Highlights and Challenges

Highlights: Council has enthusiastically endorsed the funding of the Regional Library (\$50,000) and the Avonview High School Soccer fields (\$10,000) from its capital bank account.

Challenges:

West Hants faced budget challenges in four (4) key areas this year in determining its tax rate:

- Our surplus this year just ended March 31, 2003 was \$30,315 versus \$143,090 the previous year. We have a history of plowing back our surpluses into the following year's budget to alleviate the tax burden. The smaller this revenue source, the larger amount of taxes is needed to fund our budget.
- Fire protection expenditures in the past have only kept pace with operating costs. Fire departments are facing huge capital requirements in replacing their equipment.
- RCMP costs are up.
- As our assessment increases, our School Board costs escalate as well.

2. Financial Factors and Trends

Tax Burden: The percentage of income that West Hants residents have to pay as property taxes. The Municipality of West Hants is faced with increasing assessment and expenditures. The effect of which is an increase of the tax burden born by our residents.

Change in Residential Assessment & Tax Rates

	2003	2004
(per \$100)	\$ 0.85	\$ 0.91
	\$	
Res. Assessment	100,000	\$ 104,000
Total Property Tax	\$ 850.00	\$ 946.40
Tax Burden	1.70%	1.89%

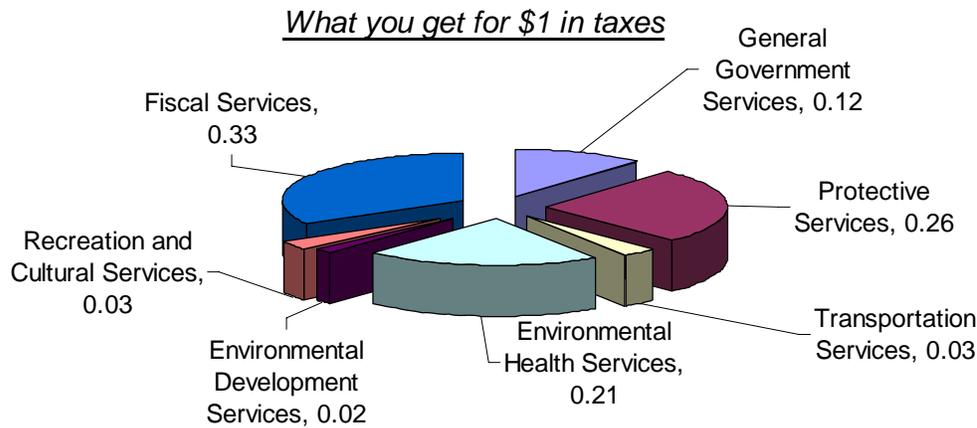
Assuming we had \$50,000 in household income, and using \$100,000 of residential assessment as an example, our tax burden will have increased from 1.7% to 1.89%, or an increase of about 1%. This calculation does not include any area rates such as sewer or paving that may be levied as well.

Significant Changes:

Tax Rates: After our recent history of lowering our tax rates, West Hants has gone from a residential rate of \$.84 in 2001-2002 to \$.91 per \$100 of assessment this fiscal year. As mentioned earlier, West Hants faced significant expenditure challenges due to the fire departments' crucial need of capital equipment funding.

Changes in property assessment: In December of each year we receive the filed assessment roll for the coming year. Some key changes are shown below:

	2002	2003	% Change
Residential	\$ 397,032,900	\$ 413,000,900	4%
Commercial	\$ 31,097,800	\$ 34,217,500	10%
Resource	\$ 28,981,400	\$ 28,999,800	0%
Business Occupancy	\$ 11,229,600	\$ 11,016,883	-2%



This is a simple example using a (\$1) dollar. Our residential tax rate this year is \$.91 per \$100 of assessment. Therefore 33% of the 91 cents represents Fiscal Services.

1. SUMMARY OF REVENUES & EXPENDITURES				
	Actual	Budget	Budget	%
REVENUES	2002/2003	2002/2003	2003/2004	Change in Budget
Taxes	\$ 4,914,093	\$ 4,860,538	\$ 5,394,008	10.98%
Grants In Lieu of Taxes	\$ 69,884	\$ 70,062	\$ 74,704	6.63%
Services Provided To Other Governments	\$ 986,541	\$ 1,040,713	\$ 1,146,550	10.17%
Sales of Services	\$ -	\$ -	\$ -	
Other Revenue From Own Sources	\$ 184,909	\$ 219,926	\$ 201,631	8.32%
Unconditional Transfers From Other Governments	\$ 381,621	\$ 381,406	\$ 379,911	0.39%
Conditional Transfers From Federal Or Provincial Governments or Agencies	\$ 6,947	\$ 8,295	\$ 7,350	-11.38%
Conditional Transfers From Other Local Governments	\$ -	\$ -	\$ -	
Other Transfers, Collections For Other Governments	\$ 348,431	\$ 348,431	\$ 129,000	62.98%
	\$ 6,892,426	\$ 6,929,371	\$ 7,333,154	5.83%
EXPENDITURES				
General Government Services	\$ 802,092	\$ 813,004	\$ 850,425	4.60%
Protective Services	\$ 1,817,113	\$ 1,818,365	\$ 1,929,882	6.13%
Transportation Services	\$ 158,568	\$ 166,237	\$ 208,343	25.33%
Environmental Health Services	\$ 1,448,562	\$ 1,491,586	\$ 1,544,876	3.57%
Public Health and Welfare Services	-	-	-	
Environmental Development Services	\$ 127,429	\$ 129,887	\$ 132,032	1.65%
Recreation and Cultural Services	\$ 137,218	\$ 144,865	\$ 223,969	54.61%
Fiscal Services	\$ 2,371,129	\$ 2,365,427	\$ 2,443,627	3.31%
Extraordinary or Special Items	\$ -	\$ -	\$ -	
Surplus (Deficit)	\$ 30,315	\$ -	\$ -	0.00%
	\$ 6,892,426	\$ 6,929,371	\$ 7,333,154	5.83%

2. Balanced Budget Requirement:

Council annually approves a balanced budget. The *Municipal Government Act* does not allow municipalities to plan to have operating deficits; therefore, the budget must be balanced. Surpluses, however, can occur through budget management and cost control and can vary from year to year. If a municipality does find itself to be in a deficit, the full amount of that operating deficit must be repaid within one year, and as such, budgeted in the following year.

References

Government Finance Officers Association. Providing a Concise Summary of the Budget, Approved May 2001.

<http://www.gfoa.org/downloads/rpCCIprovidingconcisesummarybudget2001.pdf>.

Municipality of West Hants. 2003/2004 Concise Budget Report.

Nova Scotia. Municipal Government Act. R.S.N.S. 1998, c. 18. Part 4—Finance Section 72, Estimates of required sums.

<http://www.gov.ns.ca/snsmr/muns/manuals/pdf/mga/mga04.pdf>.