Municipal Finance 101

How Municipal Services are Funded

Haldimand County relies on several revenue sources to fund programs, services and infrastructure:

Property Taxes	General municipal services, roads, fire, recreation, administration, libraries, etc.
User Fees & Charges	Services used by specific customers (building permits, planning applications, recreation programs, etc.)
Water & Wastewater Rates	Water and wastewater systems (fully funded by users)
Development Charges	Growth-related infrastructure and services
Provincial & Federal Grants	Specific programs, infrastructure and shared services
Investment Income	Supports operations, reserves and strategic priorities
Debt Financing	Major infrastructure projects where costs are spread over time

Understanding Municipal Budgets

Operating

The **operating budget** funds the day-to-day delivery of municipal programs and services, such as:

- Salaries and benefits
- Utilities and fuel
- Road maintenance
- Insurance
- Rec programming

➔ **Running the municipality today**

Capital

The **capital budget** funds the construction, replacement or rehabilitation of major assets, such as:

- Roads and bridges
- Facilities
- Fleet vehicles
- Water infrastructure
- Technology systems

➔ **Building and replacing municipal assets**

Water & Wastewater

Water and wastewater services operate separately from the tax-supported budget.

These systems are funded through user rates rather than property taxes.

➔ **Users pay for the service**

Key Financial Principles

Sustainability - Maintaining affordable services and infrastructure over the long term.

Flexibility - Maintaining the ability to respond to growth, changing priorities and emerging needs.

Vulnerability - Reducing reliance on external funding and factors beyond municipal control.

Understanding Reserves & Reserve Funds

Reserve

A **reserve** is money that Council has set aside for a specific future purpose.

Examples:

- Winter Control Reserve
- Election Reserve
- Equipment Replacement Reserve

Reserve Fund

A **reserve fund** is established through legislation or Council direction and is often supported by dedicated revenue sources.

Examples:

- Development Charges Reserve Funds
- Capital Reserve Funds

Both save money for the future, but reserve funds generally have more formal restrictions on how they can be used.

Debt

Like homeowners and businesses, municipalities may borrow money to finance major projects. Haldimand County follow established debt management principles and maintains a self-imposed debt threshold that is below the Province's allowable limit.

Debt is typically used when:

- The asset will benefit future residents
- The project is too large to fund from current revenues or reserves
- Costs can reasonably be spread over time

How Haldimand Funds Capital Projects

Haldimand follows a financing hierarchy that prioritizes external funding sources before using debt:

1. External revenues
2. Conditional grants
3. Development charges
4. Unconditional grants
5. Reserves/reserve funds
6. Debt

Development Charges - "Growth pays for growth"

Development Charges are one-time fees paid on new development to help fund growth-related infrastructure and services, such as roads, water and wastewater systems, parks, etc.

Investments

The County invests public funds in accordance with its Investment Policy. Investment earnings help offset the tax levy, preserve principal for the Hydro Legacy Fund, and support reserves/reserve funds.

Key Investment Principles

1. Preserve capital
2. Maximize returns
3. Manage risk
4. Use external investment manager
5. Diversify portfolio
6. Manage cash effectively

Hydro Legacy Fund

The Hydro Legacy Fund was established following the sale of Haldimand County Hydro.

Key principles:

- Protect the principal
- Protect purchasing power through indexing
- Use investment earnings strategically
- Support long-term community benefits