

# ***Glossary of Operating Budget Terminology***

## ***General Description of Budget Cost Categories***

### **EXPENSES**

#### **Employee Related Costs**

Salaries, wages and employee benefits include expenses incurred for the following purposes: full-time, part-time and temporary salaries and wages including, regular, overtime, shift premiums and other remuneration to employees.

Benefits include employer's contribution payments to Canada Pension Plan (CPP), Ontario Municipal Employee Retirement System (OMERS), Employers Health Tax, Employment Insurance (EI), Workplace Safety and Insurance Board (WSIB) and any other insurance plans, such as supplementary health and dental.

Includes clothing, tuition, housing and other employee benefits and allowances paid.

#### **Materials & Supplies**

Includes materials purchased by a municipality for its own uses and/or disposal or resale. Materials purchased by the municipality which are subsequently provided to a third party are also included. Also includes expenses not reported in other categories.

#### **Vehicle Expenses**

Includes resources required to operate vehicles such as fuel, parts and insurance.

#### **Building & Grounds**

Includes resources required to maintain buildings and grounds. Includes electricity, natural gas, fuel, supplies and insurance.

#### **Consulting**

External resources contracted to provide advice and expertise, not direct service provider to public. Includes Information technology consulting and professional services, management consulting and professional services and technical consulting and professional services.

#### **Contracted services**

Includes contracting out service delivery, in part or in whole, to an arms length service provider for the purpose of providing or supporting a municipal service. The arms length service provider may be a private contractor, another municipality or another level of government.

## **Agencies & Support Payments**

Included in this category are payments made to external community organizations where the purpose of that organization is consistent with the City's goals of improving the quality of life for its residents. Examples of such organizations are the local Business Improvement Agencies (BIAs), payments to various Conservation Authorities, Community Partnership Programs, and other safety or culture focused organization such as Hamilton Beach Rescue and Festival of Friends. Financial assistance provided under the Ontario Works programs are also included in this category.

## **Reserves/Recoveries**

Included in this category are amounts that are included in the operating budget with the intent to transfer those amounts to a Reserve account to meet the City's financial needs in the future. For example, fleet and computer hardware purchase are required from time to time to enable delivery of City services. Such expenditures for a given item are not incurred each year but in order to make the necessary funds available at the time when required, annual amounts are set aside in the reserve accounts to be used when needed.

## **Cost Allocations**

Some of the City's programs provide services that are consumed internally by other program areas. For example, computers in the City are procured and managed centrally by the Information Technology (IT) Division, but the computers are used by all the other City programs. In applying the "user pay" principle necessary to determine the proper cost of services provided, the IT Division, recovers certain charges from the user departments and holds the funds until the time to replace the computers; such charges are referred to as "cost allocation" payments or recoveries depending on who pays and who recovers.

## **Financial**

The City enters into certain financial transactions that are required as a corporate entity but which may not be linked directly to any of its programs or services used by the public. For example, the City may receive interest on funds held by it or may receive investment income in relation to the funds held in various reserves or sinking fund. Allowances for potential future liabilities may also be held in the Financial group of accounts.

## **Capital Financing**

Capital financing refers to the group of accounts where funds are budgeted to enable the financing of capital projects; in effect, they represent the funding source for the City's capital accounts. Typically, an expenditure is included in the operating budget that is intended to pay for the debt retirement (principal and interest) or, a certain portion of the capital expenditure may be financed directly from the operating budget ("capital from current").

## **Capital Expenditures**

Capital expenditures refer to expenses incurred directly in relation to the acquisition, construction, or procurement of a capital asset; for example, the purchase of land for park development would be a capital expenditure.

## **REVENUES**

### **Fees & General**

Fees and General include revenue from sources such as user fees, licensing and permit fees, leases and rentals, Provincial grants, sale of assets, investment income, fines, penalties and other sundry revenues.

### **Taxes & Rates**

Taxes and Rates related accounts are used to track revenues collected by the City in relation to taxes levied and rates charged for water related services. Tax revenues include supplementary billing, and payment in lieu of taxes from Crown corporations.

### **Grants & Subsidies**

Grants and Subsidies series of accounts track grants received from the Provincial and Federal Governments; they may be one time grants, limited period grants or ongoing grants. Examples of items included in this category are: Federal Rent Supplement, Gasoline Tax Revenue, and Provincial cost sharing for various City programs.

### **Reserves**

Reserves were discussed previously under the Expenditure umbrella where it was noted that monies are set aside each year in a reserve account through a charge to the operating budget for potential use in future years. When that future need arises, the funds from the reserve accounts are transferred back into the operating budget and therefore, these "Revenue Reserve" accounts represent a source of funds for the operating budget from which the various program needs may be met.

## ***General Description of Non-Program Revenues***

### **POA (Provincial Offences Act)**

Fine revenue received for certain traffic and environmental offences as outlined by provincial legislation.

### **Supplementary Taxes**

Property taxation revenue received due to in-year additions to the property tax roll.

### **Tax Capping**

The Province limits the amount of property tax increase that can occur in a given year due to reassessment for the Multi-Residential, Commercial and Industrial property classes. Many communities fund this limitation by limiting tax decreases that occur during a reassessment. The City of Hamilton allows all of the tax reductions to flow through to the taxpayer and funds the tax capping requirement through the levy.

### **Tax Remissions / Write-Offs**

In-year adjustments to the assessed value of properties can result in a reduction in the tax revenue received by the City. A provision for these reductions is made during the budget. These adjustments also include programs such as the vacancy tax rebate, mandated by the Province. Tax incentive programs (such as ERASE and ENTERPRISE grants) are also included in this section.

### **PIL (Payments-in-lieu of taxes) & Right of Way Taxes**

Certain properties, largely provincial and federal, are assessed differently and do not pay property taxes but pay a contribution called payments-in-lieu of taxes. Universities, Colleges, Hospitals and Correctional facilities pay “heads & beds” in lieu of property taxes.