

How Capital Budgets work

Home for Sale

Cost to purchase is \$180,000

We've saved up \$20,000

We can put down another \$10,000

So, we need a \$150,000 mortgage



Cost to heat is \$3,000/yr

Mortgage payments are \$10,500/yr

Painting exterior/replacing roof

Add a garage/finish basement/hot tub

Add another bedroom over garage

Municipal Budget

= Capital budget

= Reserves

= Capital from operating ("pay as you go")

= Debt



= Operating cost of capital

= Debt charges

= State of good repair

= Service improvements

= Growth