

Understanding Your Municipal Budget



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Introduction

Every time your street is plowed, your garbage or recycling bin is collected, or you visit a park or arena, you are witnessing your tax dollars at work. Municipal budget decisions set the funding for important infrastructure, programs, services, and facilities we depend on to maintain our quality of life.

This guide aims to provide you with information on how the budget works and how it provides for municipal services and infrastructure for Kincardine residents.

Who does what?

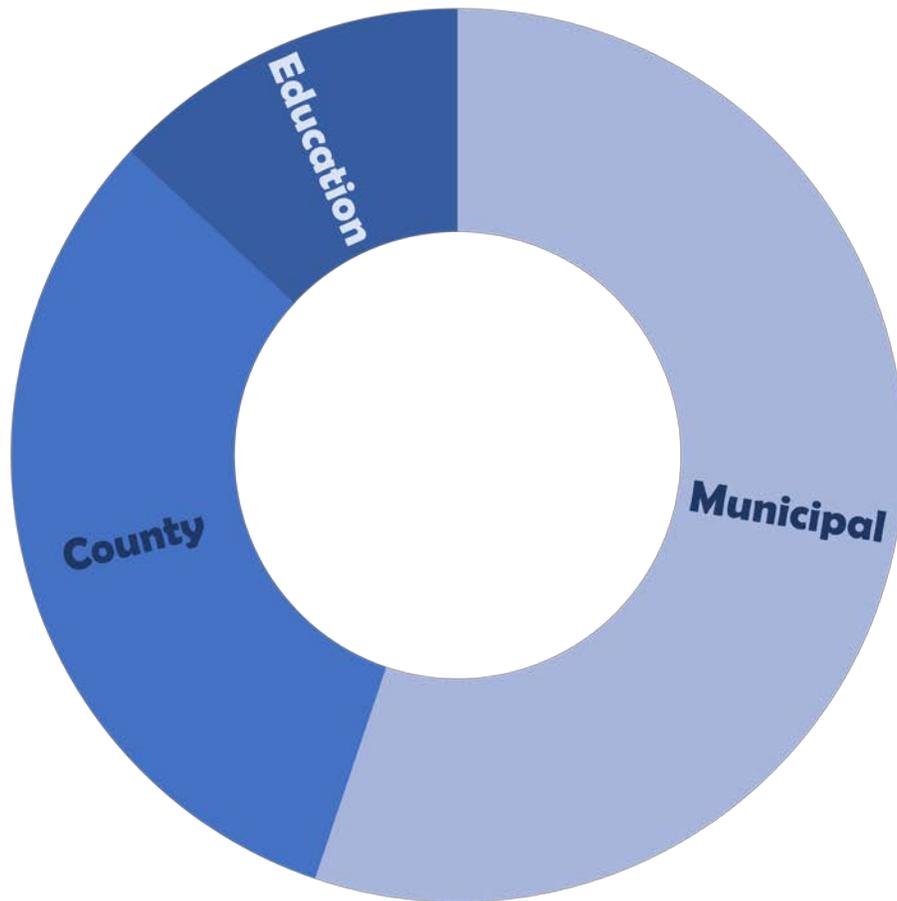
**Have you thought about how your taxes are allocated?
How much money goes to pay for roads, schools, or waste collection?**

Kincardine is part of a two-tier Government. The County of Bruce forms the upper tier, while Kincardine is one of 8 lower tier Municipalities within the County. The County of Bruce is responsible for key services that residents rely on including County roads, libraries and museums, social services, paramedic services, planning, and long-term care.

Lower tier Municipalities, like Kincardine, are responsible for maintaining infrastructure such as Municipal roads and bridges. Kincardine also looks after parks, recreation facilities, fire services, winter road maintenance, local law enforcement, cemeteries, tourism and much more.

Your tax bill

As a result, your tax bill is split into three separate portions: approximately half of it, or 55%, goes to pay for services provided by the Municipality of Kincardine; 32% goes to pay for services that the County of Bruce provides; while 13% is allocated to local School Boards for education.



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Who does what?

The Municipality is divided into the following departments:

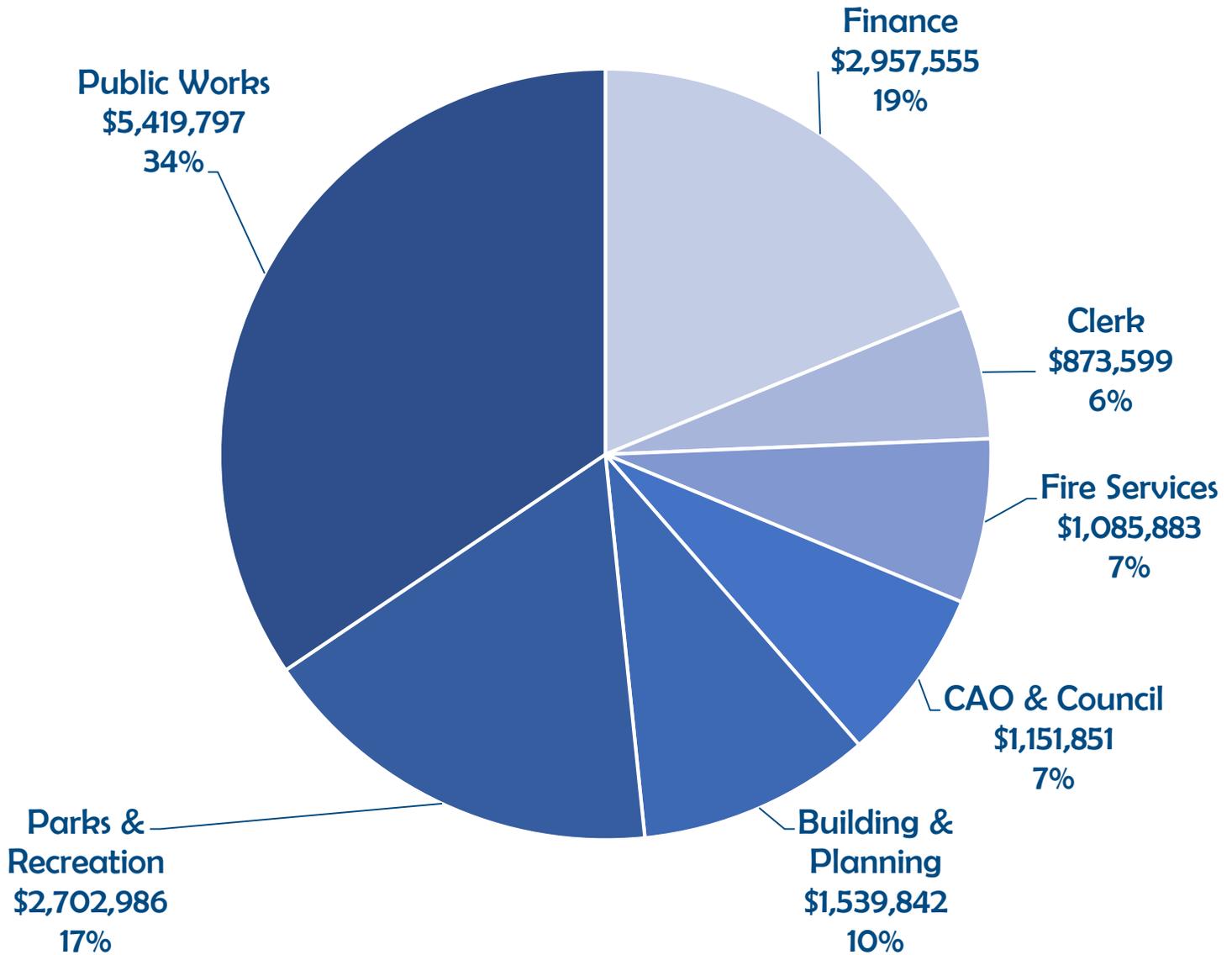


Chart is based on the 2019 net budget per department and excludes taxation revenue, capital transfers, and OMPF grant.

Departments

- 1) Chief Administrative Officer (CAO) & Council:** The CAO's office oversees and coordinates all departmental activities in the Municipality and delivers the implementation of Council decisions and directions. Specifically, the CAO's office has direct oversight of human resource activities and economic development.
- 2) Clerk:** The Clerk's department serves as a primary link between Council and the public and is responsible for support to Council and Committees. The Clerk's department also manages Tourism and Arts, Culture and Heritage, Accessibility, Kincardine Community Fund, corporate records management, and licensing.
- 3) Finance:** This department is responsible for implementing financial policies that support the overall objectives of the Municipality. In addition to advising Council and the CAO on the Municipality's short and long-term finances, the department also provides customer service, utility billing, purchasing, insurance and risk management, property tax and revenue services, information technology, policing, and capital asset management.
- 4) Public Works:** This department is responsible for operating and maintaining the hard service infrastructure including roads, fleet, sidewalks, bridges, culverts, storm water, streetlights, solid waste management, water and wastewater. The department also manages the airport, cemeteries, trails and municipal drains.

- 5) Parks and Recreation:** The Parks & Recreation Department is responsible for ensuring that residents have access to affordable, recreation programs that meet their needs. The department maintains safe, accessible facilities which include both indoor and outdoor assets and amenities for the enjoyment of all, including community centres, parks, beaches, playgrounds and sports fields.

- 6) Building and Planning:** This department is responsible for ensuring that building projects meet the minimum standards as set out in the Ontario Building Code. The Planning department is responsible for the development process including site plan, plan of subdivisions, land development, the Municipality's Official Plan, and zoning by-laws. The department also handles by-law compliance and management of municipal facilities including the lighthouse, medical clinic, libraries, and the municipal administration office.

- 7) Fire & Emergency Services:** This department is responsible for fire rescue, fire prevention, and emergency management services, including public education. The department also coordinates the Municipal Health & Safety program and the Coast Guard Auxiliary Water Rescue Unit.



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Where the money comes from

Kincardine's main revenue source comes from property taxes, which accounts for about 58% of the Municipality's total operating budget.

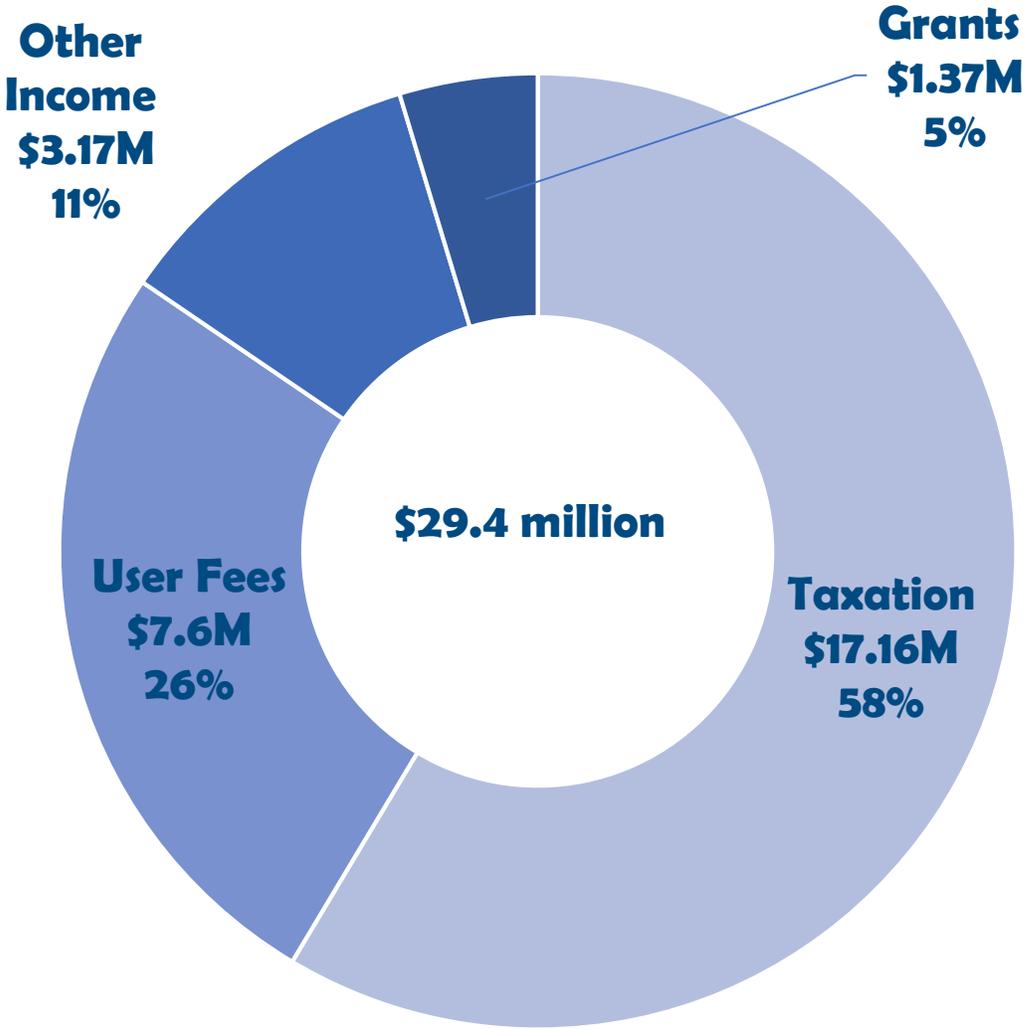
Kincardine also has three rate based programs:

- **Water**
- **Sanitary Sewer**
- **Building Permit services**

These programs are funded entirely by the user in the form of fees, so that property taxes will not be used to fund these services. For example, your water bill is calculated by how much water you use.

Some services or programs, such as recreation programs and garbage collection, have user fees which pay for a portion of the service.

The chart below is taken from the Municipality's 2019 Operating Budget and provides an idea of the percentage of funding generated in each area.

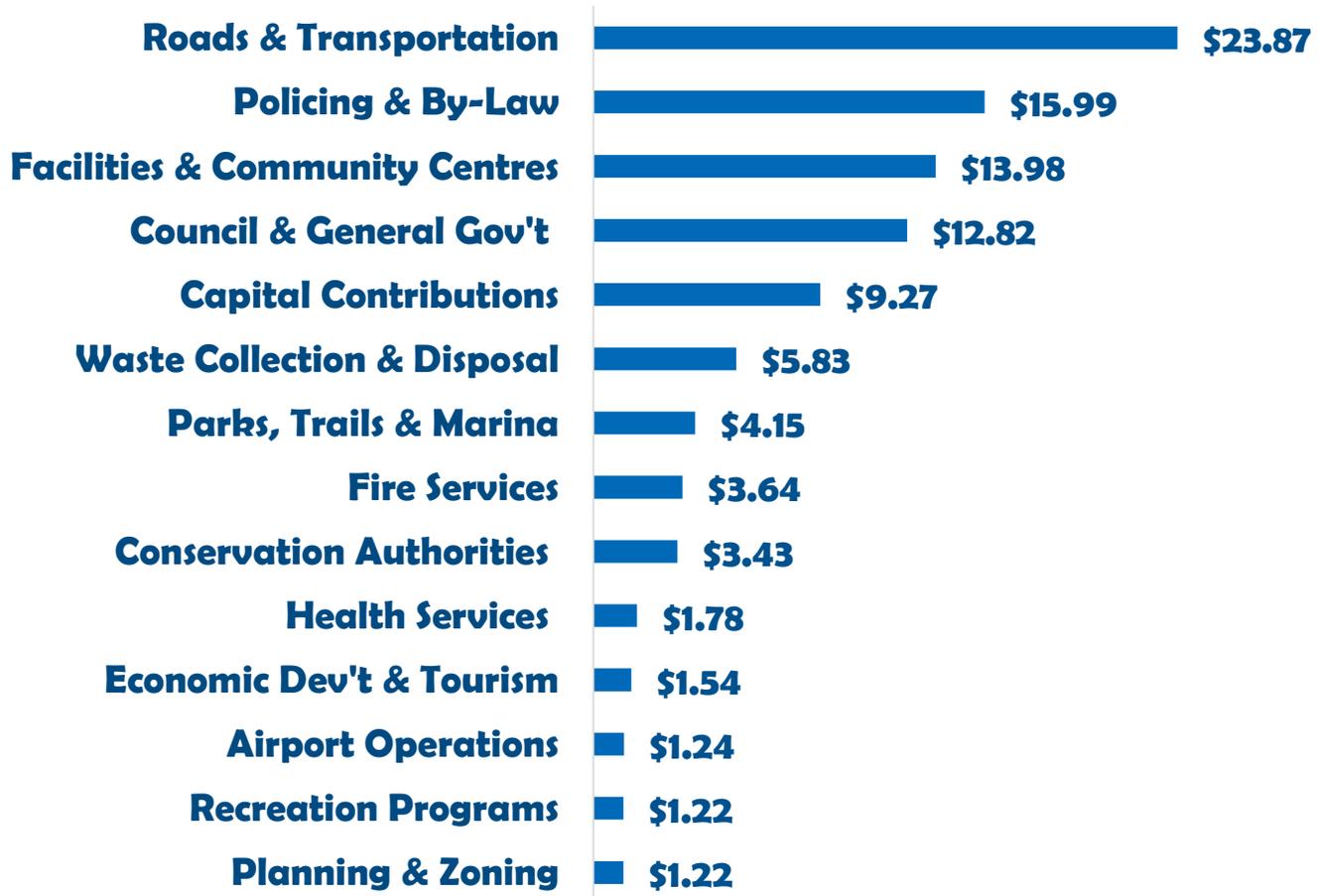


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Your tax bill

So, what exactly does Kincardine's portion of your tax bill pay for? Below is a chart showing the breakdown of how each \$100 of Kincardine's municipal taxes is spent in the 2019 budget:



As you can see, 40% of the total tax bill pays for transportation systems and policing. Roads & Transportation include services such as snow removal, fleet, bridge repairs, and streetlights.

Breaking Down the Budget

Every year, Municipal staff put forward a preliminary budget and then the Mayor and Council, with input from Kincardine residents and businesses, make choices about Municipal services and programs. It is an ongoing process as each year budgets are drafted, revised, reported, presented, approved, adopted, and monitored.

When taking a high-level view of the budget, it can be broken down into two categories: Operating Budget and Capital Budget.

The Operating Budget focuses on the shorter, day-to-day term, while the Capital Budget focuses on the long-term, and can cover a number of years (or budget periods).

Operating Budget

The Operating Budget covers those daily or monthly expenses that keep a municipality operating. This portion of the budget is used to ensure that business runs smoothly and that essential day-to-day services are provided to residents. The operating budget is funded primarily through property taxes and user fees.

Examples include:

- **Garbage collection**
- **Winter road maintenance**
- **Streetlights**
- **Recreation programs**
- **Parks and trails**
- **Fire and policing services**
- **By-law enforcement**
- **Water & Sewer services**
- **Physician recruitment**
- **Cemetery services**

Capital Budget

The **Capital Budget** provides for the infrastructure needs of the **Municipality** as identified in our **Asset Management Plan**. The **Capital Budget** is funded through property taxes, reserve funds, development charges, debt and grants. The capital budget is used to either build or rehabilitate assets that will last for more than one year.

Examples include:

- **Water and sewer infrastructure**
- **Construction of a new community centre**
- **Vehicles and equipment**
- **Road Reconstruction**
- **Bridge reconstruction**
- **Fire trucks**
- **A new playground**
- **Tennis courts**
- **Building upgrades**

Balancing the Budget

The Ontario Government legislates that money coming into a municipality must equal money going out. This is also known as a balanced budget. This is unlike Federal and Provincial Budgets, which are permitted to operate with an annual deficit.

Municipal Councils generally have three main choices at budget time, none of which are easy:

- 1. Increase taxes and maintain an existing level of service, or add further services**
- 2. Maintain the existing tax rates (or reduce tax rates) and reduce services**
- 3. Find other sources of revenue or find efficiencies**

Just like homes and businesses, external costs for the Municipality increase: hydro, postage, insurance, contractors, parts, equipment, training – these are all costs that cannot be controlled.

Good fiscal stewardship involves ensuring that we have a balanced budget every year, that there are sufficient funds for service delivery, contingencies for unexpected expenses, and that we have reserve funds to maintain our infrastructure.

Debt – Building for the Future

The Municipality's capital projects are funded by a variety of sources including debt. Debt is borrowed money that needs to be paid back, with interest, at a later date. Municipal debt can be an important capital financing tool, and can be used to fund capital projects such as rehabilitating a bridge or constructing a new water treatment facility. Incurring debt helps to align the payments of an asset with its lifespan, such as borrowing money for a new fire truck.

Municipalities can only incur long-term debt for capital projects, however a municipality may temporarily borrow money to pay for operating expenses while waiting to receive taxes and other revenues for the year.

Ontario legislation sets out the maximum amount that a municipality can pay in principal and interest payments in the year. This is called the Annual Repayment Limit (ARL), and it is set at 25% of annual own-source revenues (property taxes, user fees & investment income). Kincardine's 2019 ARL was \$10 million, with actual principal and interest payments of less than \$0.9 million.

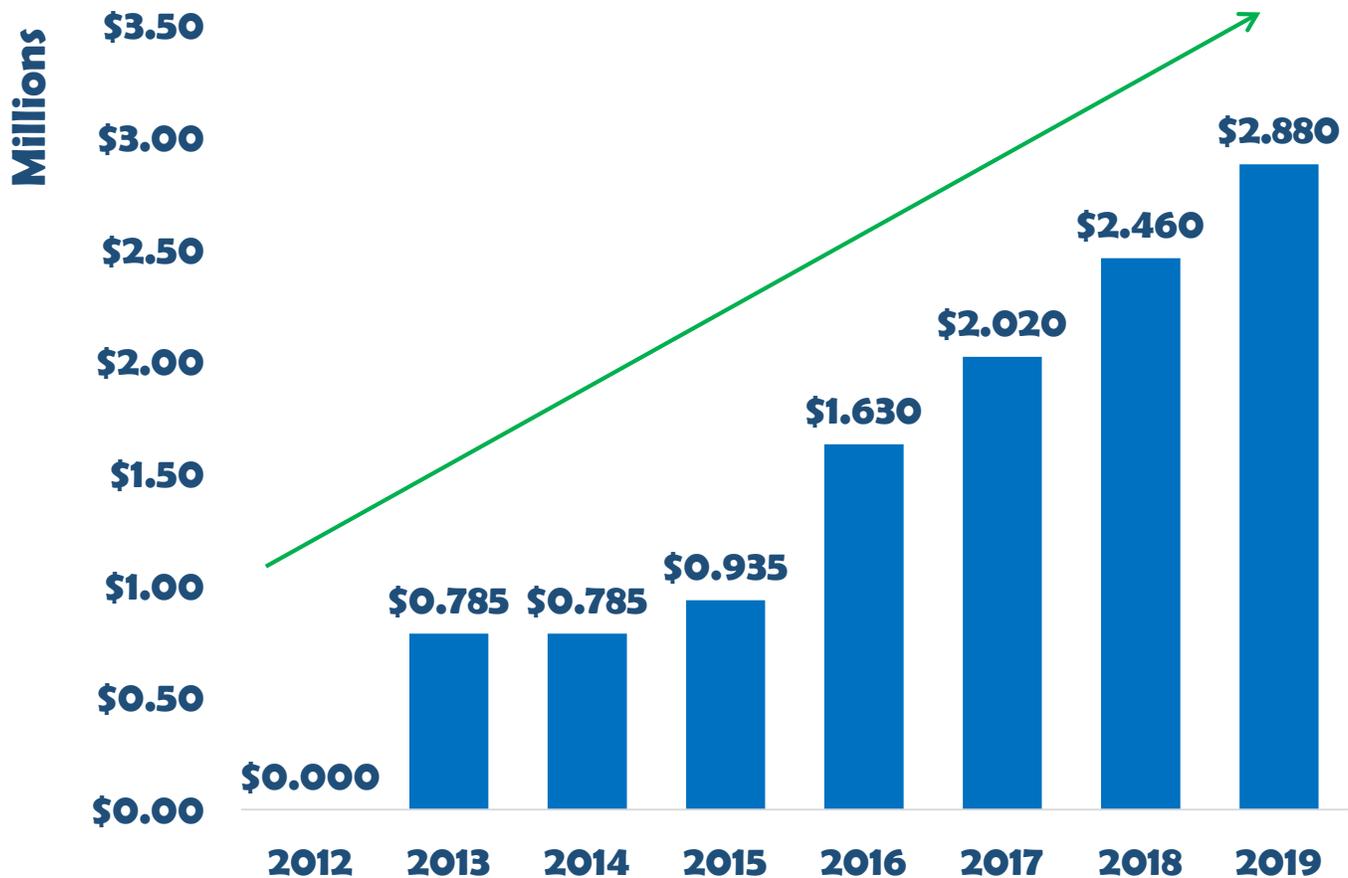
In 2017, Kincardine adopted a Debt Management Policy that sets out a framework for borrowing and establishes thresholds and other self-imposed limitations. This policy will help ensure that the Municipality is only taking on reasonable debt levels in circumstances where it is appropriate and responsible.

Asset Management Planning

Like every other municipality in Ontario, Kincardine also continues to struggle with closing the “infrastructure gap”. Kincardine’s 2016 Asset Management Plan (AMP) estimated our annual infrastructure deficit to be \$7.228 Million. This means that Kincardine should be investing over \$7 million more than we are currently spending each year on our existing infrastructure.

Maintaining and improving our infrastructure will continue to require investment. Since 2013, Kincardine has been making significant progress in saving for the future through our Lifecycle Reserve Fund. This Reserve Fund was specifically established to hold funds that will help pay for ongoing and future asset rehabilitation and replacement.

Lifecycle Reserve Fund Annual Contributions



As you can see by this chart, Kincardine has been gradually allocating more funds annually into our Lifecycle Reserve Fund. By doing so, we are helping to ensure the sustainability of our infrastructure and our ongoing ability to service the community in the future.



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Want to learn more?

To find out more about the budget, visit our website at www.kincardine.ca or contact the Treasury office:

**Municipal Administration Centre
1475 Concession 5
Kincardine, Ontario
N2Z 2X6**

Telephone: 519-396-3468

Email: treasury@kincardine.ca

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