

2023 Budget Guide

Understanding Your Municipal Budget

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

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 Municipality of Kincardine residents.

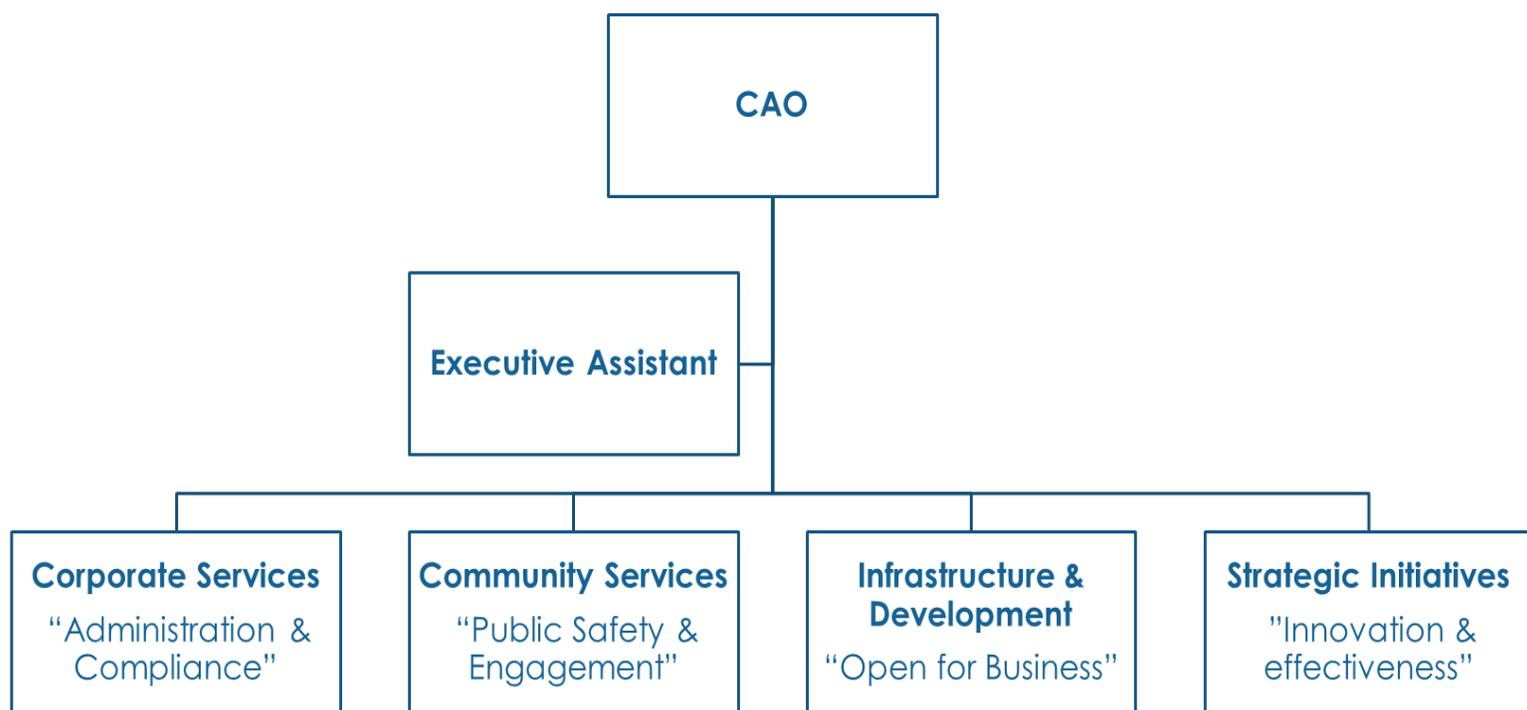
The Municipality of Kincardine is part of a two-tier Government. The County of Bruce forms the upper tier, while Kincardine is one of 8 lower tier Municipalities within the County. The County of Bruce is responsible for key services that residents rely on including:

- County roads
- Libraries and museums
- Social services
- Paramedic services
- Planning
- Long-term care

Lower tier Municipalities, like the Municipality of Kincardine, are responsible for maintaining infrastructure such as:

- Municipal roads and bridges
- Parks & trails
- Recreation facilities
- Fire services
- Winter road maintenance
- By-law enforcement
- Cemeteries
- Tourism

The Municipality is organized into the following departments:



- 1) **Chief Administrative Officer (CAO) & Council:** The Office of the CAO oversees and coordinates all departmental activities in the Municipality and delivers the implementation of Council decisions and directions.

- 2) **Corporate Services:** The Corporate Services department's area of focus is on Administration & Compliance and consists of Legislative Services, Human Resources, Financial Services, and Information Technology.
 - **Legislative Services:** This department includes the Clerk and serves as a primary link between Council and the public, including providing support to Council and Committees. The Legislative Services department also manages Accessibility, Kincardine Community Fund, corporate records management, police services, by-law enforcement, and licensing.

 - **Human Resources:** Responsible for employee & labour relations, recruitment, onboarding, compensation, and Health & Safety.

 - **Financial Services:** Responsible for implementing financial policies that support the overall objectives of the Municipality. The department provides customer service, utility billing, purchasing, insurance and risk management, property tax and revenue services, information technology, and asset management.

3) **Infrastructure & Development:** The Infrastructure & Development department's focus area is "Open for Business" and consists of Environmental Services, Operations, and Development Services.

- **Environmental Services:** Responsible for the provision of water and wastewater services, stormwater, municipal drains, and waste management for the Municipality.
- **Operations:** Responsible for operating and maintaining the hard service infrastructure including roads, fleet, sidewalks, bridges, culverts, and streetlights. It also manages the airport and cemeteries.
- **Development Services:** 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.

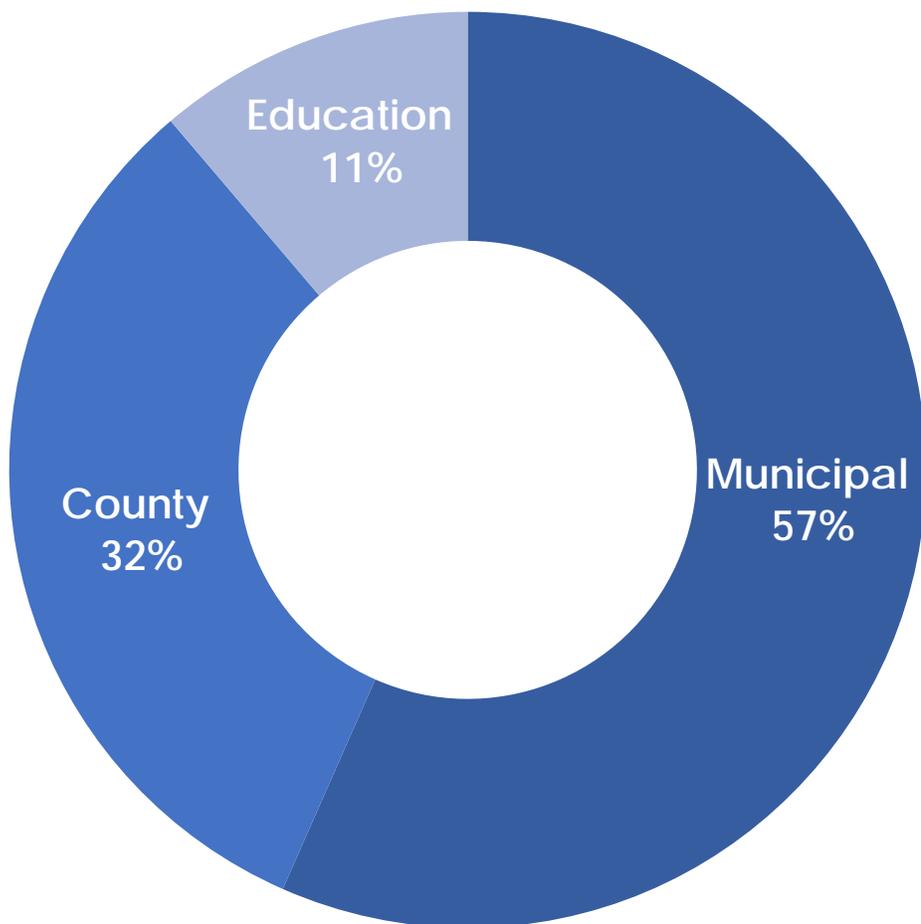
- 4) **Community Services:** The Community Services department is focused on Public Safety & Engagement and consists of Community & Recreation Programs, Parks & Facilities, and Fire & Emergency Services.
- **Community & Recreation Programs:** Responsible for ensuring that residents have access to affordable recreation programs that meet their needs.
 - **Parks & Facilities:** Maintains safe, accessible facilities which include both indoor and outdoor assets and amenities for the enjoyment of all, including community centres, parks, beaches, trails, playgrounds and sports fields.
 - **Fire & Emergency Services:** Responsible for fire rescue, fire prevention and emergency management services, including public education. The department also coordinates the Coast Guard Auxiliary Water Rescue Unit.

5) **Strategic Initiatives:** The Strategic Initiatives department is focused on Innovation & Effectiveness and oversees a wide range of projects that have been identified as priorities for the community. The areas of focus include:

- **Economic development:** Creates opportunities and collaborate with the community to focus on economic prosperity for all. Acts as the “first point of contact” for new or potential businesses relocating to the Municipality.
- **Tourism:** Promotes the Municipality to leverage community assets and attract tourists.
- **Arts, Culture and Heritage:** Promotes, enhances and supports local Arts, Culture and Heritage activities, facilities and programs.
- **Inclusion, Diversity, Equity and Access (IDEA):** Improves inclusion, diversity, equity and access in organizational policies, services, and civic engagement.
- **Physician recruitment:** Works on actions to recruit and retain physicians to the community.
- **Communications and engagement:** Responsible for the overall coordination and management of all communication channels.
- **Strategic plan development and monitoring:** Coordinates, tracks and monitors the organizational strategic plan.

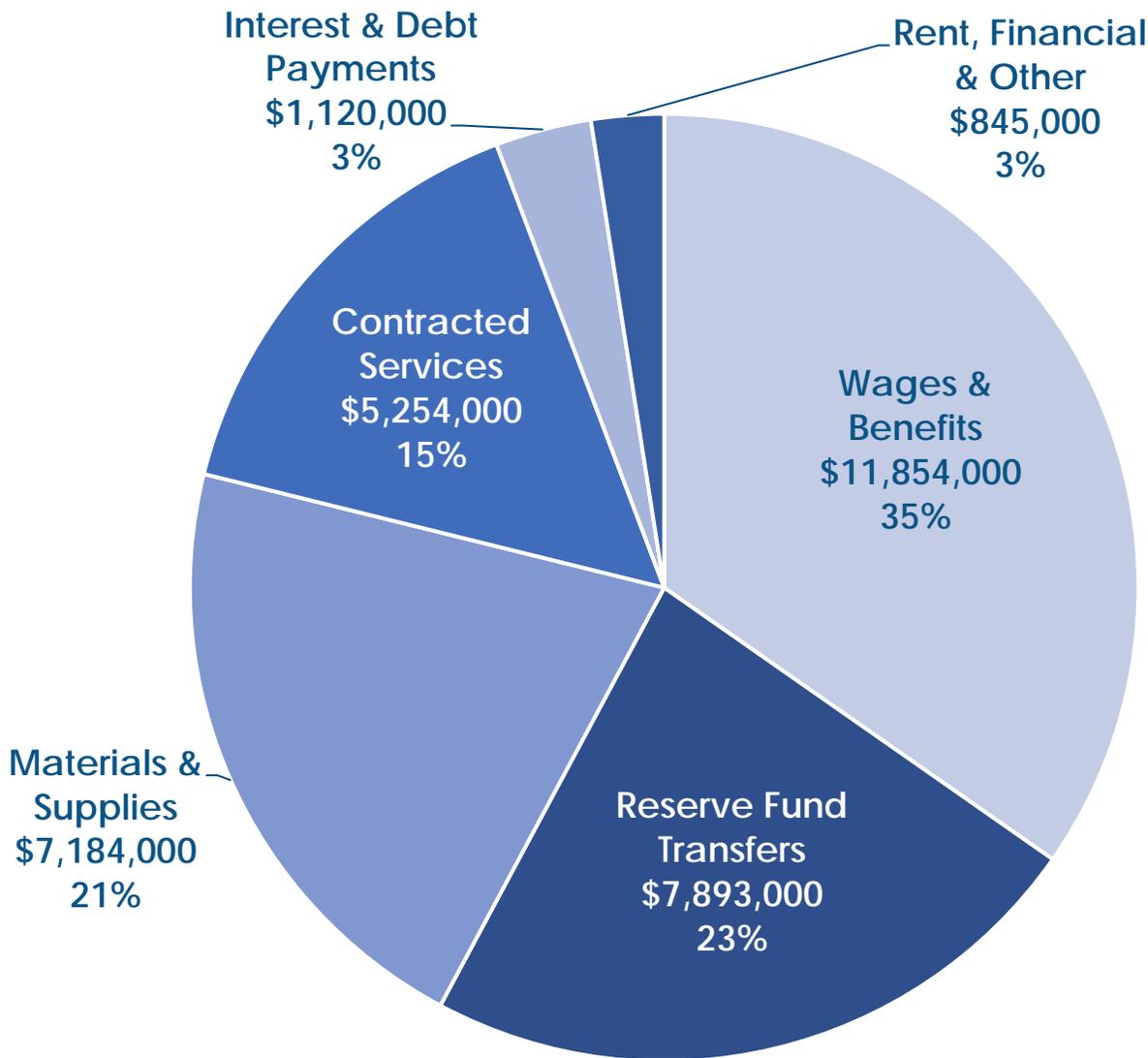
Your tax bill

Your tax bill is split in three separate portions: approximately half of it, or 57 percent, goes to pay for services provided by the Municipality of Kincardine; 32 percent goes to pay for services that the County of Bruce provides; while 11 percent is allocated to local School Boards for education.



Where does the money go?

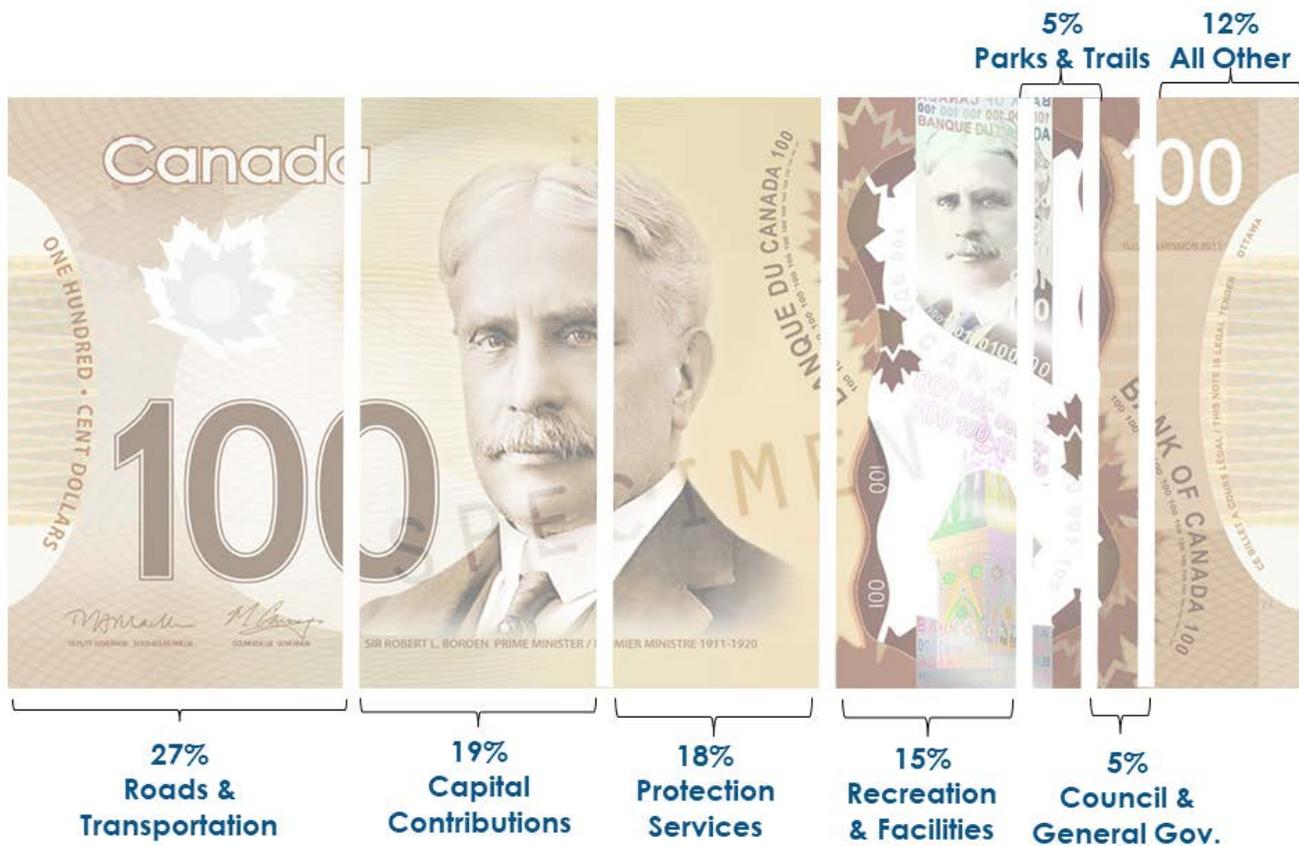
The Municipality's share of the property taxes is used to fund operating expenses which can be broken down into these primary categories:



Figures are based on the 2022 Operating Budget

Where does the money go?

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 2021 budget:



Over 25% of the total tax bill pays for roads and transportation systems, including services such as snow removal, fleet, bridge repairs, and streetlights. Capital contributions make up 19% of the total tax bill, with these funds going towards the replacement of infrastructure, equipment, facility upgrades, and fleet.

Where the money comes from

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

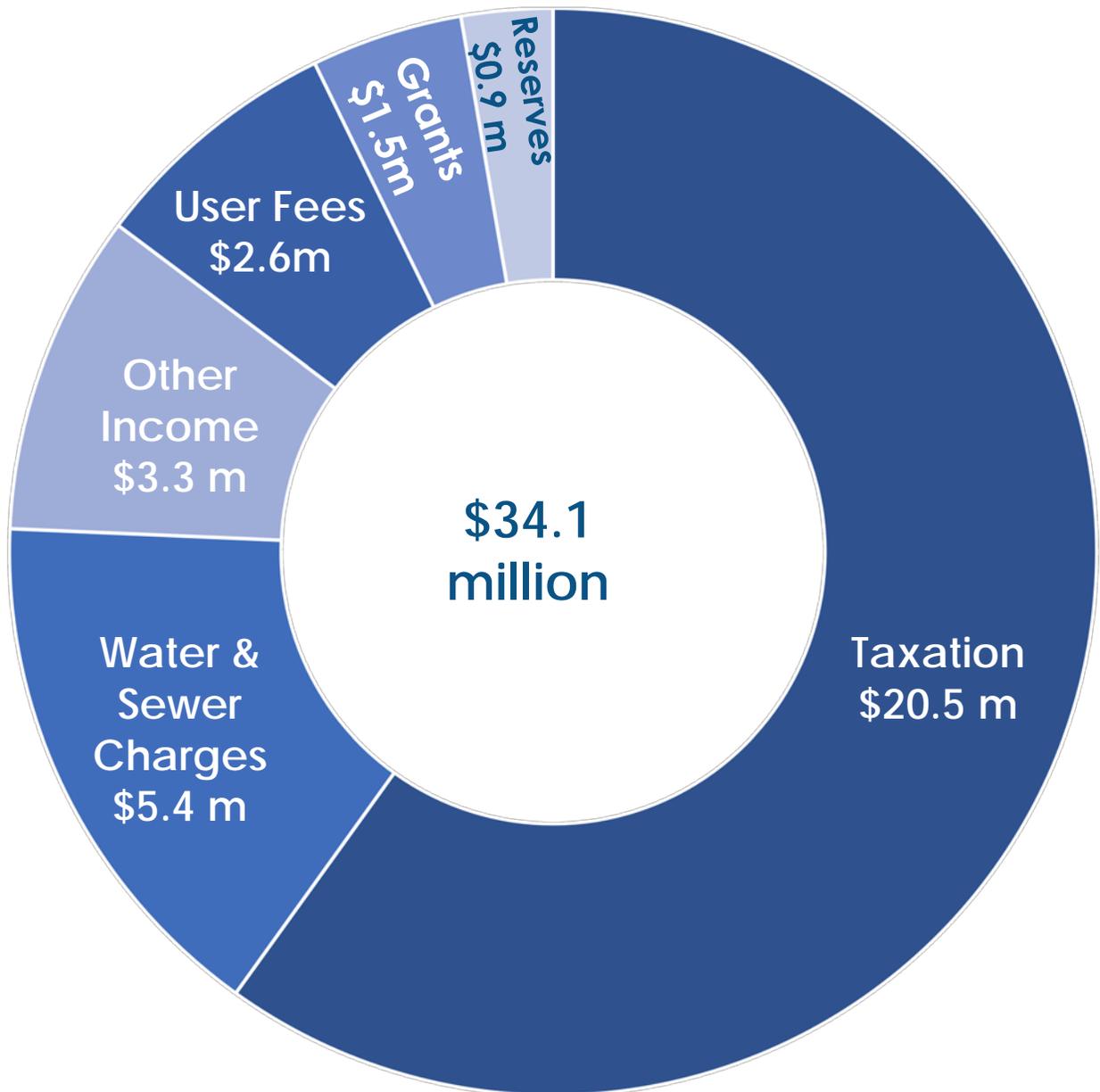
The Municipality also has three rate based programs:

- 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 2021 Operating Budget and provides an idea of the funding generated in each area.



Breaking Down the Budget

Every year, municipal staff put forward a preliminary budget and then 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
- Pickleball 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 2022 ARL is \$6.89 million, with actual principal and interest payments of \$1.12 million.

The Municipality of Kincardine also has 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

Ontario's 444 municipalities own the majority of public infrastructure assets in the province, a larger share of assets than both the provincial and federal governments combined. Keeping assets in a state of good repair helps to maximize the benefits of public infrastructure, and ensures assets are delivering their intended services in an acceptable condition. It is estimated that the municipal infrastructure backlog is \$52 billion (2020), which is the cost to bring municipal assets into a state of good repair.

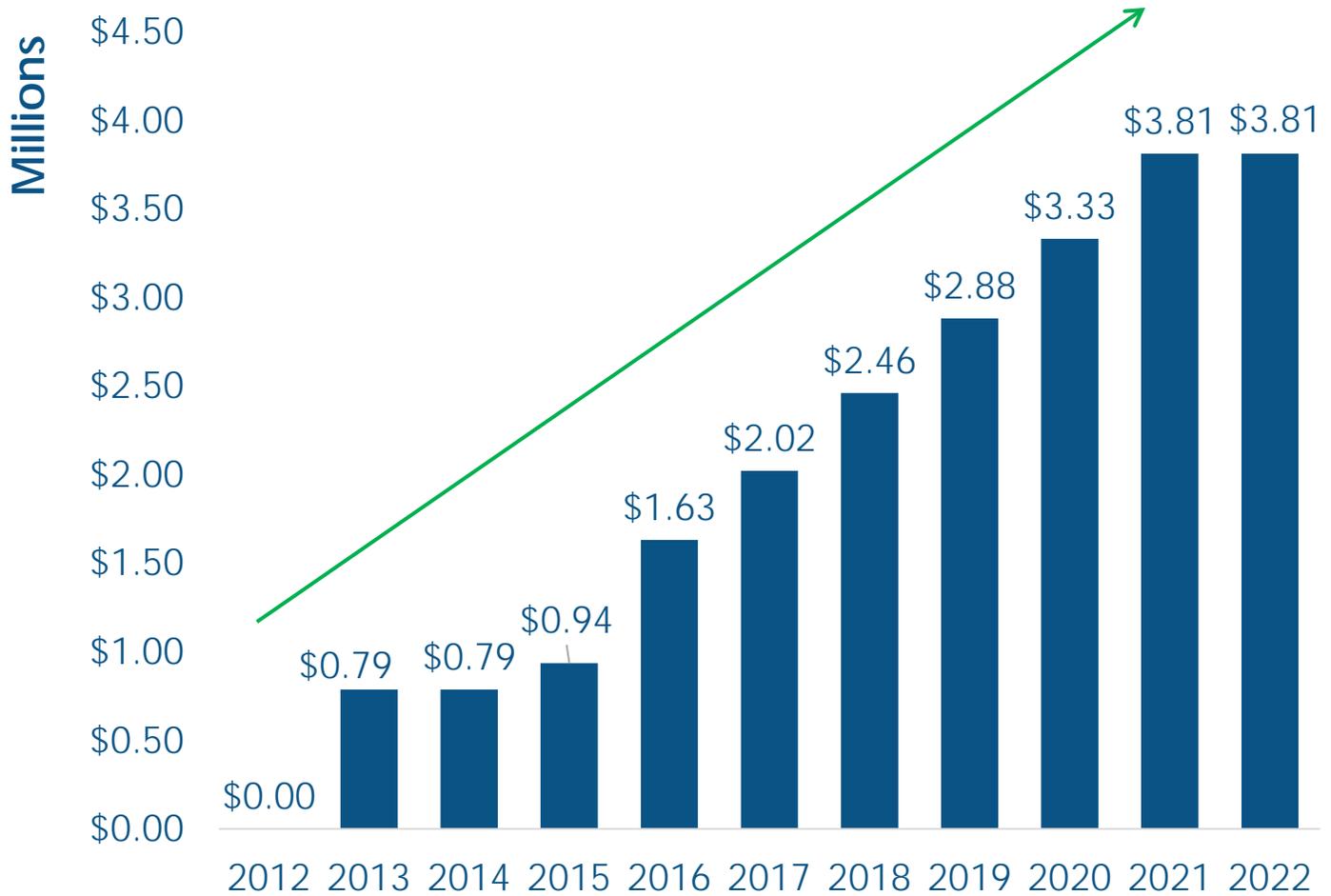
The Municipality of Kincardine has updated its Asset Management Plan (AMP) in 2022 to be aligned with the regulatory requirements of O. Reg. 588/17. The total replacement cost for all infrastructure assets owned by the Municipality is \$975 million. The annual lifecycle cost of assets is estimated at \$20.9 million, with current capital funding of \$9.7 million. Kincardine has an annual funding gap of \$11.2 million, meaning we should be investing \$11.2 million more each year on upgrading our existing infrastructure.

Asset Management Planning

Maintaining and improving our infrastructure will continue to require ongoing investment.

Since 2013, The Municipality of 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, with the aim of reducing the infrastructure deficit.

Annual Lifecycle Reserve Fund Contributions



As you can see by this chart, the Municipality of 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.

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

www.facebook.com/municipalityofkincardine/

If you require this document in an alternative format, please contact 519-396-3468.