

Budget Guide

Understanding Your Municipal Budget

Why This Matters to You

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.

What Does My Property Tax Bill Pay For?

The Municipality of Kincardine is part of a two-tier system of municipal government. The County of Bruce forms the upper tier, while Kincardine is one of eight lower tier Municipalities within the County. The County of Bruce is responsible for regional services including:

- County roads and bridges
- Libraries and museums
- Social and housing services
- Paramedic services
- Land use planning
- Economic development
- Long-term care homes

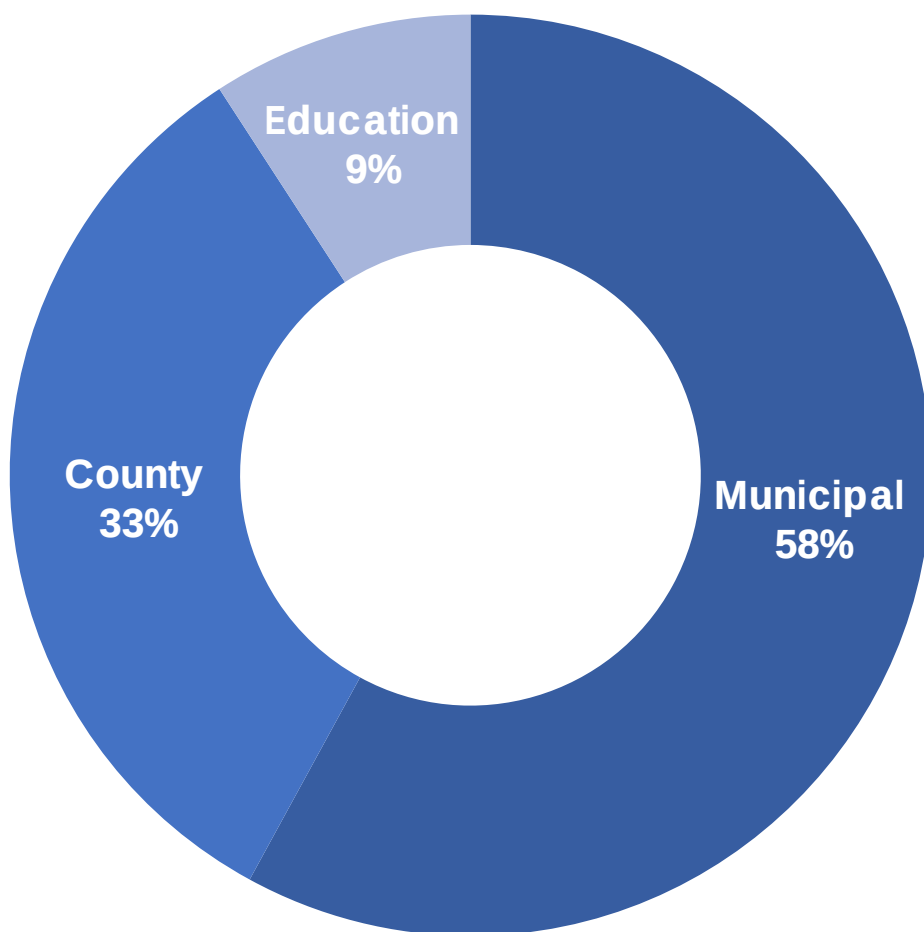
Lower tier Municipalities, like the Municipality of Kincardine, are responsible for maintaining infrastructure and providing services such as:

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

Your tax bill

Your tax bill is split in three separate portions.

Approximately 58% goes towards services provided by the Municipality of Kincardine, 33% supports services provided by the County of Bruce, and 9% is allocated to local school boards for education.



How Every \$100 of Municipal Taxes Is Spent

Below is a chart showing the breakdown of how each \$100 of Kincardine's municipal taxes is spent in the 2026 budget:



Of every \$100 in municipal taxes, \$25 supports roads and transportation systems, while \$19 is contributed toward asset management and the future replacement of infrastructure, facilities, vehicles and equipment.

What is Driving the 2027 Budget?

Like households and businesses, municipalities continue to face rising costs for the services residents rely on every day. Several significant factors are influencing the development of Kincardine's 2027 Budget and creating pressure on municipal finances.

Inflation and Rising Costs:

Inflation continues to affect many of the goods and services the Municipality purchases, including fuel, construction materials, equipment, technology, maintenance services, and contracted work. Rising costs can increase the price of maintaining roads, facilities, vehicles, water systems, and other municipal infrastructure. The Municipality is using a 3% inflation factor in developing its 2027 budget assumptions.

Investing in Infrastructure:

Kincardine owns and maintains hundreds of millions of dollars worth of infrastructure, including roads, bridges, water and wastewater systems, parks, facilities, and equipment. To ensure these assets can be repaired and replaced in the future, the Municipality continues to make annual contributions to its Lifecycle Reserve Fund.

For 2027, \$6.385 million is proposed to support long-term infrastructure sustainability and reduce future infrastructure funding pressures. To help address the Municipality's infrastructure funding gap and ensure assets can be replaced when needed, the draft 2027 budget includes an increase in the infrastructure levy equivalent to a 3% tax rate increase.

What is Driving the 2027 Budget?

Employee Compensation and Benefits:

Municipal services are delivered by skilled employees who maintain infrastructure, provide public safety, deliver recreation programs, operate facilities, and support municipal operations. Wage and benefit costs are expected to increase in 2027 due to annual inflationary adjustments and higher employee benefit costs.

Policing Costs:

The Municipality receives policing services through the Ontario Provincial Police (OPP). Based on information currently provided by the Province, OPP costs are expected to increase in 2027 by 11%. These costs are largely outside of municipal control but must be funded through the annual operating budget.

Debt Repayment:

The Municipality uses debt as one of several tools to finance major infrastructure projects that benefit the community over many years. Annual debt servicing costs are expected to be approximately \$2 million in 2027 and support projects such as bridge rehabilitation, road reconstruction, servicing infrastructure, and emergency response equipment.

Economic Uncertainty:

Broader economic factors, including trade uncertainty, tariffs, and supply chain challenges, continue to affect municipal purchasing and construction costs. While the exact impact is difficult to predict, these pressures may influence the cost of future municipal projects and services.

What is Driving the 2027 Budget?

Helping to Offset Costs:

While there are significant budget pressures, the Municipality also works to reduce the impact on taxpayers by:

- ✓ Pursuing provincial and federal grant funding;
- ✓ Supporting assessment growth through development;
- ✓ Reviewing user fees and other revenue sources;
- ✓ Identifying operational efficiencies and cost savings; and
- ✓ Maintaining long-term financial plans and reserve funds

Where Does Municipal Revenue Come From?

Property taxes are the Municipality of Kincardine's largest revenue source, accounting for approximately 60% of its total operating budget.

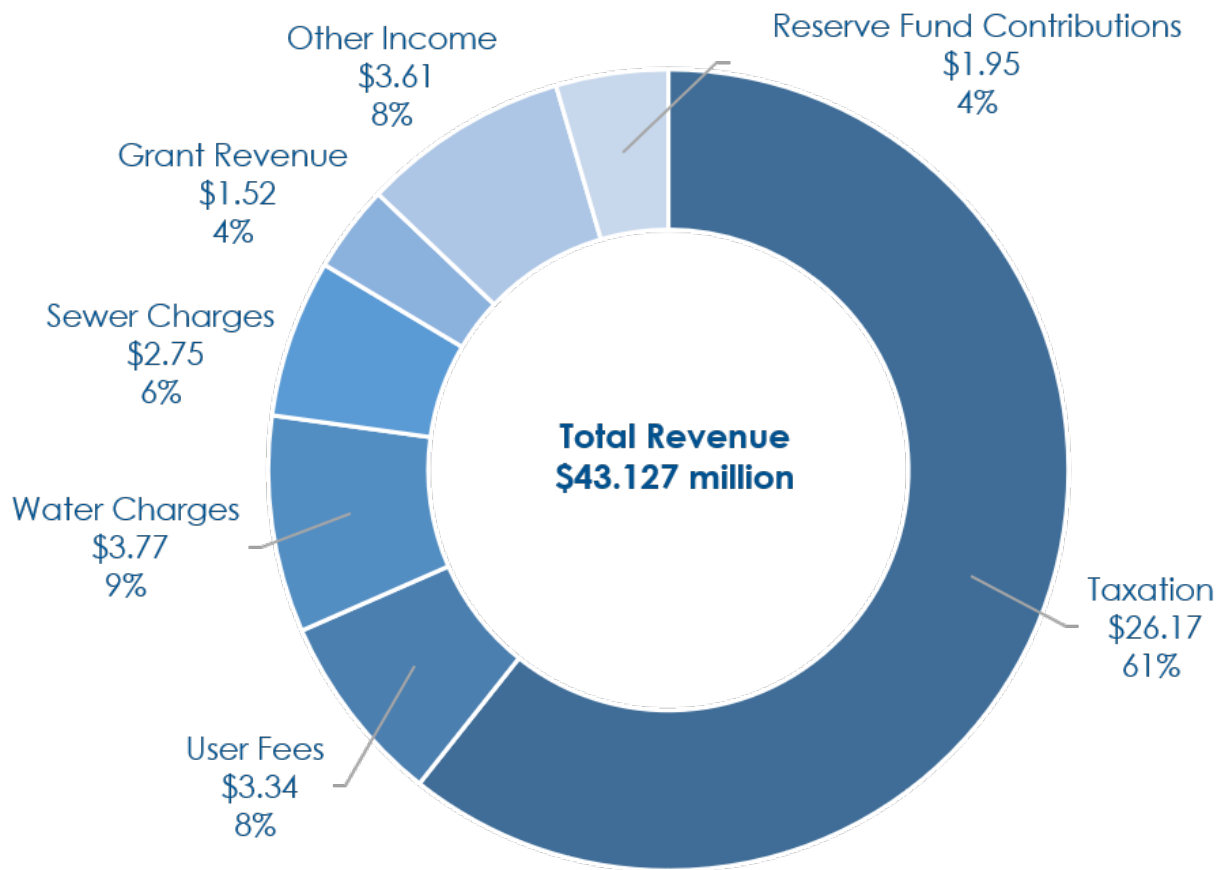
The Municipality also has three rate-based programs:

- Water
- Wastewater
- 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 2026 Operating Budget and provides an idea of the revenue generated in each area.



Understanding the Budget

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 & wastewater 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 wastewater infrastructure
- A new community centre
- Vehicles and equipment
- Road Reconstruction
- Bridge reconstruction
- Fire trucks
- A new playground
- Building upgrades
- Airport runway

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.

Reserve Funds: Saving for the Future

Planning Today for Tomorrow's Infrastructure

Just like homeowners save for major repairs and replacements, municipalities set aside money each year to help pay for future infrastructure needs.

Reserve funds are dedicated savings accounts that help ensure money is available when roads, bridges, vehicles, facilities, water systems, and other municipal assets need to be repaired or replaced.

By contributing to reserve funds each year, the Municipality can reduce its reliance on debt, avoid sudden tax increases, and better plan for future infrastructure investments. The Municipality's Lifecycle Reserve Fund plays a key role in supporting the long-term sustainability of municipal assets.

Why Are Reserve Funds Important?

Without reserve funds, the Municipality would have fewer options when major infrastructure reaches the end of its useful life.

Reserve funds help the Municipality:

- ✓ Replace aging infrastructure
- ✓ Respond to unforeseen emergencies
- ✓ Reduce borrowing and debt costs
- ✓ Smooth out tax increases over time
- ✓ Support long-term financial sustainability

Reserve Funds: Saving for the Future

Lifecycle Reserve Fund

One of the Municipality's most important reserve funds is the Lifecycle Reserve Fund.

This reserve helps pay for the rehabilitation and replacement of existing municipal assets, including:

- Roads and bridges
- Water and wastewater infrastructure
- Municipal facilities
- Vehicles and equipment
- Parks and recreation assets

For 2027, approximately \$6.385 million is proposed to be contributed to the Lifecycle Reserve Fund to help maintain municipal infrastructure and reduce future funding pressures. A dedicated infrastructure levy equivalent to a 3% tax rate increase will be included in the draft 2027 budget to support this long-term investment strategy.

Asset Management Planning

Managing Municipal Infrastructure for the Long Term

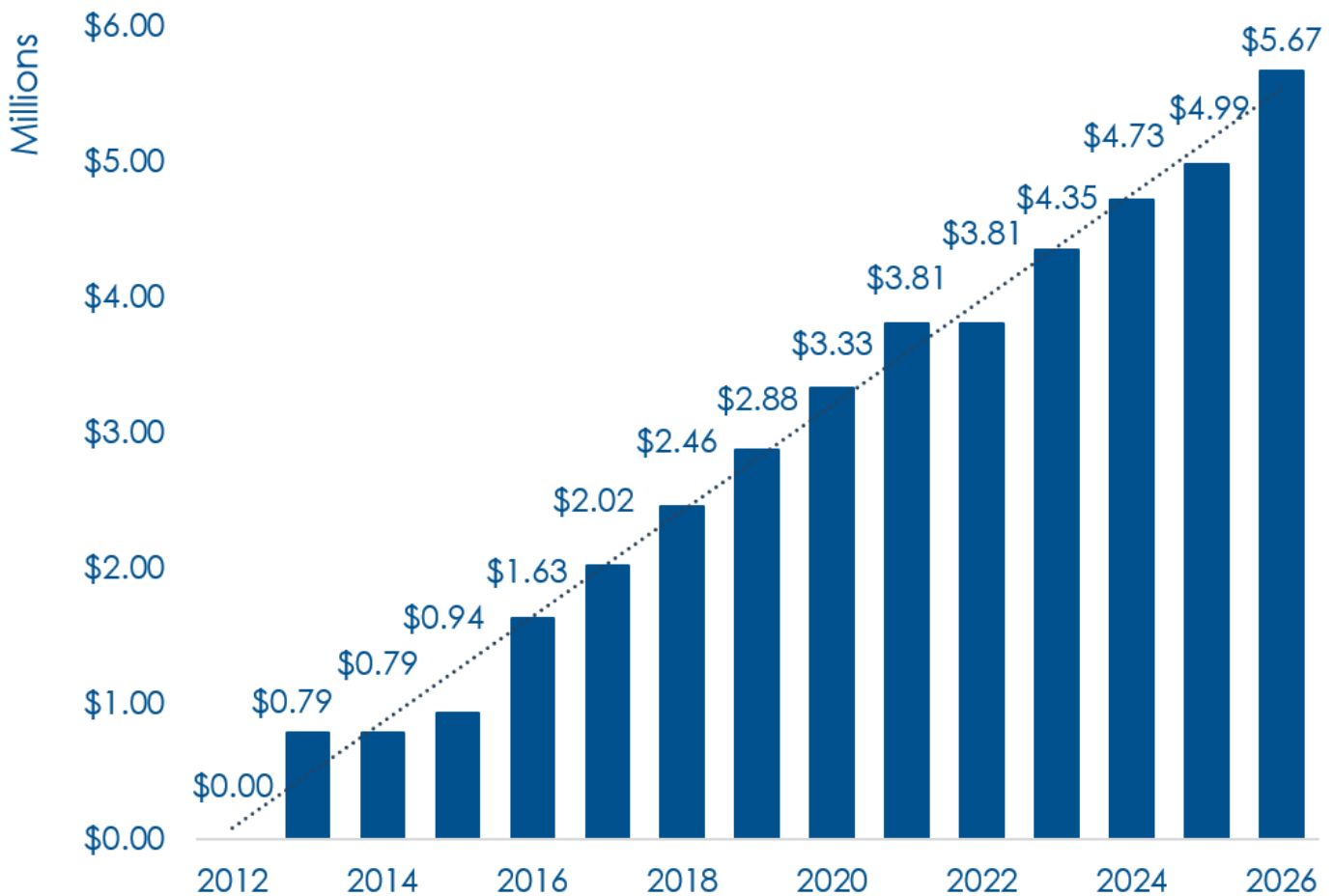
Municipal governments are responsible for maintaining a vast network of infrastructure that supports daily life, including roads, bridges, water and wastewater systems, parks, facilities, vehicles, and equipment. Across Ontario, municipalities own the majority of public infrastructure assets, with the estimated cost to eliminate the municipal infrastructure backlog exceeding \$52 billion.

Asset Management Planning helps municipalities understand what assets they own, what condition they are in, how long they are expected to last, and how much funding will be required to maintain, rehabilitate, or replace them over time. This information helps Council make informed decisions about infrastructure investment priorities and long-term financial sustainability.

The Municipality of Kincardine's 2022 Asset Management Plan identified approximately \$975 million in municipal infrastructure assets. The plan estimated annual lifecycle requirements of \$20.9 million, compared to available annual capital funding of approximately \$9.7 million, resulting in an annual infrastructure funding gap of approximately \$11.2 million. This means the Municipality would need to invest an additional \$11.2 million annually to fully fund the replacement and rehabilitation needs of existing infrastructure.

The Municipality is currently updating its Asset Management Plan, with completion expected in 2027. The updated plan will provide revised asset valuations, lifecycle requirements, and long-term funding projections to support future budget and capital planning decisions.

Closing the Infrastructure Gap



The Municipality has steadily increased annual funding dedicated to infrastructure renewal and replacement. These investments help address the infrastructure funding gap identified through Asset Management Planning and support the long-term sustainability of municipal services.

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 2026 ARL is \$8.892 million, with actual principal and interest payments of ~ \$2 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.

How the Budget is Developed

Planning for the Future:

The Municipal Budget is developed through a year-round process involving staff, Council, the Mayor, and community input. Throughout the year, staff review service levels, infrastructure needs, reserve fund requirements, growth projections, and financial forecasts to prepare a draft budget for consideration.

Public feedback is an important part of the process and helps inform budget priorities and service levels. Residents are encouraged to participate in public meetings, surveys, and other engagement opportunities during budget development.

Strong Mayor Powers and the Budget:

Under Ontario's Strong Mayor legislation, the responsibility for proposing the annual budget rests with the Mayor. Council has the opportunity to review the proposed budget, bring forward amendments, and vote on any proposed changes within a legislated review period. The budget is then finalized through the process established under the Municipal Act and related regulations.

How the Budget is Developed

The municipal budget is developed through a structured process that includes planning, community input, financial analysis and review by the Mayor and Council. While the formal approval process takes place in early 2027, work on the budget begins months in advance.



Did You Know?

While the formal budget approval process occurs over several weeks, municipal staff spend months preparing forecasts, evaluating infrastructure needs, and developing financial information to support informed decision-making.



Who Approves the Budget?

Under Ontario's Strong Mayor legislation, the Mayor is responsible for proposing the annual budget. Council has the opportunity to review the proposed budget, bring forward amendments and vote on any changes within a legislated review period.



The 2026 municipal election will take place prior to the formal 2027 budget approval process. If a new Mayor is elected, the budget process and timelines may be adjusted.

MythBusters

MYTH #1

The Municipality can simply spend its reserve funds instead of increasing taxes.

FACT

Reserve funds are savings set aside for future infrastructure replacement, emergencies, and other specific purposes. Using reserves to pay for ongoing operating expenses would provide only temporary relief and create larger financial challenges in the future. The Municipality relies on reserve funds to replace roads, bridges, vehicles, facilities, and other assets without creating sudden tax increases.

MYTH #2

Municipalities can run deficits like the Federal and Provincial governments.

FACT

Ontario municipalities are required by law to adopt a balanced budget. Annual revenues must be sufficient to cover annual expenditures. Municipal governments cannot routinely finance operating deficits through borrowing.

MYTH #3

Property Taxes can pay for water and wastewater services.

FACT

Water and wastewater services are funded through user fees paid by customers. Property taxes are not used to subsidize normal water and wastewater operations, and water revenues are not used to fund unrelated municipal services.

MythBusters

MYTH #4

The Municipality has complete control over all budget increases.

FACT

Many municipal costs are outside the Municipality's direct control. Inflation, insurance, fuel, employee benefit costs, OPP policing costs, utilities, construction costs, and legislated requirements can all increase from year to year and affect the municipal budget.

MYTH #5

Existing property taxpayers pay for all growth-related infrastructure required by new development.

FACT

Growth-related infrastructure is often funded in part through development charges paid by developers when new homes, businesses, and subdivisions are built. Development charges help fund eligible infrastructure needed to support growth, reducing the amount that would otherwise need to be funded through existing taxpayers. However, development charges are governed by provincial legislation and cannot be used to fund every municipal service or infrastructure need.

Get Involved

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

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