

20
24

CITY OF KITCHENER

Draft
Budget Summary



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CITY OF KITCHENER

2024 DRAFT BUDGET SUMMARY

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2024 CITY OF KITCHENER

Budget at a Glance



Draft Rate Increases and Impact on Homeowner:

The rate increases included in the draft budget and the estimated impact on the average homeowner are shown in the table below. Please note that there may be some differences in calculations due to rounding.

BUDGET	DRAFT RATE INCREASE	ANNUAL IMPACT ON HOMEOWNER	BASIS FOR HOW THE IMPACT IS CALCULATED
Property Taxes	3.90%	\$47	Assessment of \$326,000
Water Utility	4.90%	\$21	Water Consumption of 170m ³
Sanitary Sewer Utility	7.10%	\$39	Water Consumption of 170m ³
Stormwater Utility	7.40%	\$17	Residential Single-Detached, Medium
Total Impact		\$124	

Key Budget Highlights

- **Gross operating expenditures (excluding enterprises):** **\$255,456,252**
- **Gross operating expenditures (including enterprises):** **\$526,332,343**
- **Draft net tax levy:** **\$156,022,861**
- **Assessment growth:** **2.5%**
- **2024 capital budget:** **\$230,361,000**
- **2024-2033 10-Year capital budget and forecast:** **\$1,767,078,900**





2024 CITY OF KITCHENER

Budget Highlights

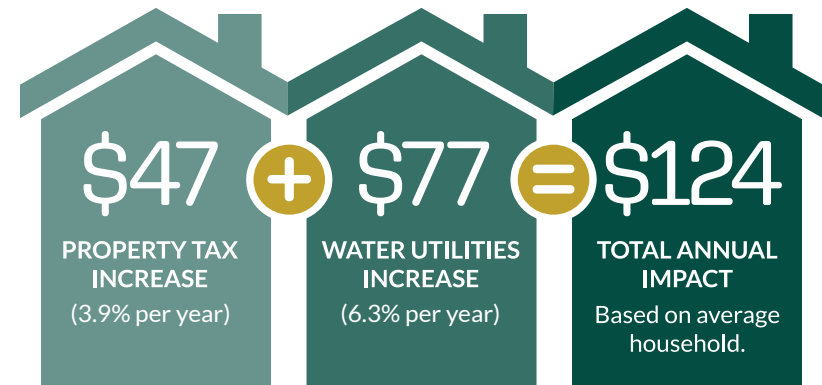
The City of Kitchener’s budget is made up of four components: tax-supported operating, enterprise operating, utilities and capital.

The City’s draft 2024 budget represents a combined annual increase of **\$124 for the average household**, based on the average assessed value of \$326,000 and an estimated water consumption of 170m3.

The City’s operating budget delivers around 50 services to the community including things like snow clearing, recreational programming, and fire suppression.



AVERAGE HOUSEHOLD IMPACT:



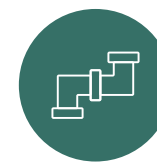
The draft capital budget includes more than **440 projects** with a total cost of **\$1.8 billion** over 10 years, with **\$230 million** of spending in the first year. This includes meaningful investments in areas that are important to the citizens of Kitchener, such as:

- **Rosenberg Community Centre** (\$2.9M in 2024)
- **Mill Courtland Community Centre** (\$2M in 2024)
- **Downtown Fire Hall** (\$7.3M in 2024-2025)
- **Full Road Reconstruction Projects** (\$40M in 2024)
- **Upper Hidden Valley Sewage Pumping Station** (\$19M in 2024)
- **Cycling Infrastructure** (\$700k in 2024, \$7.6M overall)
- **Traffic Calming** (\$424k in 2024, \$4.6M overall)
- **Aquatics Centre at Schlegel Park** (\$56M in 2024-2025)
- **Indoor Turf Field at Schlegel Park** (\$38M in 2024-2025)
- **New Neighbourhood Parks** (\$1.9M in 2024, \$21M overall)
- **Urban Forestry** (\$1.4M in 2024, \$11.5M overall)

TAX DOLLARS AT WORK TO IMPROVE OUR CITY:



150
major facilities



827 km
of sanitary sewers



60,000+
street & park trees



40
winter rinks



37
soccer fields



64
baseball diamonds



24,000
ice hours



2,000 km
of maintained roads



4,275
water hydrants



2,800
sidewalk repairs



616 km
of storm sewers



3,593
parking spaces

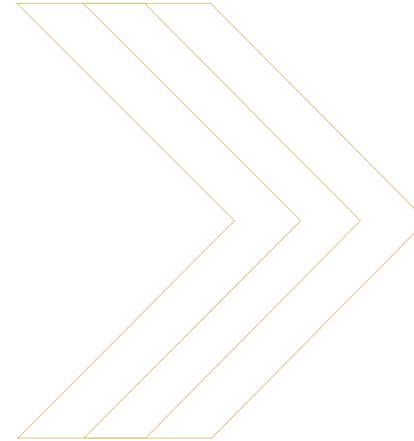


A PROGRESSIVE CITY.

About Kitchener

The city of Kitchener is situated on the traditional territory of the Neutral, Anishinaabeg and Haudenosaunee Peoples. We recognize our responsibility to serve as stewards for the land and honour the original caretakers who came before us. Our community is enriched by the enduring knowledge and deep-rooted traditions of the diverse First Nations, Metis and Inuit in Kitchener today.

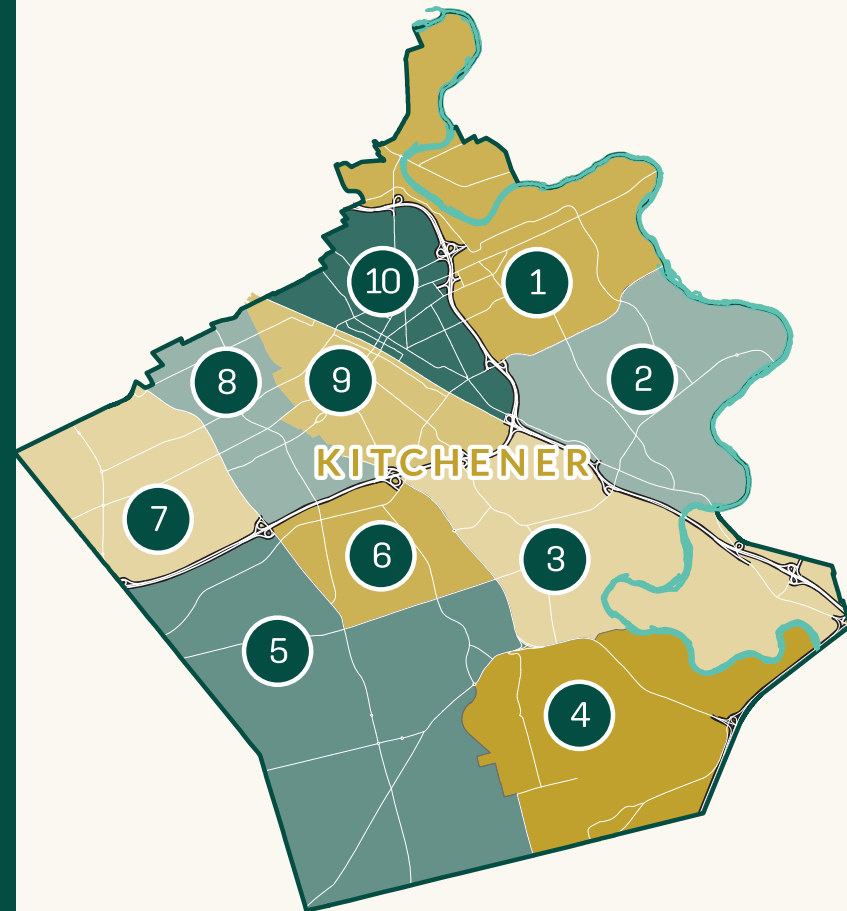
Kitchener is an innovative, caring and vibrant city. It's a place for everyone. It's a place where people come from across Canada and the world to put down roots. They're joining vibrant neighbourhood communities and enriching them with new businesses, cultures to celebrate and innovative ideas to share. It's a place where people have a passion for citybuilding – they're inspired by what Kitchener is becoming and they want to be a part of its vibrant future. By embracing new people and perspectives, Kitchener has always been on the cutting edge.



When Kitchener tries something new, the world follows. We're the anchor of Canada's Innovation Corridor, and our startup density is second only to Silicon Valley. We're the fastest growing startup ecosystem in Canada, creating 30,000 tech jobs in the past 20 years.

With a population of more than 270,000 people, Kitchener is the urban centre of the region. We're connected to the City of Waterloo and part of the Region of Waterloo. The region's post-secondary school system is the core of our tech industry, and with 100,000 students in the region there are new ideas and newer skillsets available every day. This new talent feeds into the world's largest free startup incubator Velocity, located in the Communitel Hub.

CITY OF KITCHENER WARD MAP:

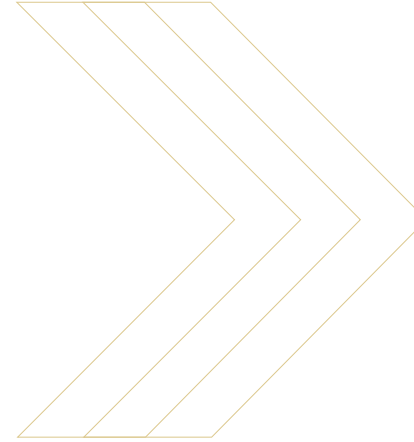


Kitchener is a city where beautiful brick factories have been transformed into condos that flank a modern light rail system. It's a city where you can find established, tree-lined neighbourhoods as well as brand-new neighbourhoods creating their own sense of community.

No matter who you are or where you come from, you belong in **Kitchener**.

2024 CITY OF KITCHENER

City Governance



The City of Kitchener is governed by an elected Mayor and 10 elected City Councillors. Each City Councillor represents one of ten geographic wards. City Council is responsible for the overall governance of the Corporation of the City of Kitchener through approving policies, master plans and strategies.

On July 1, 2023 the Ontario government provided strong mayor powers to 26 municipalities, including Kitchener. As part of this legislation, Kitchener's mayor is responsible for proposing the municipal budget. At the Mayor's direction, City staff have prepared a draft budget for consideration by Council which has been informed by Council and community priorities and in alignment with the city's approved financial guidelines and policies.

The City of Kitchener is structured administratively around five departments, led by the Chief Administrative Officer (CAO). The departments that deliver City services include: Community Services Department (CSD), Corporate Services Department (COR), Development Services Department (DSD), Financial Services Department (FIN) and Infrastructure Services Department (INS).



City Council from left to right: Ward 9 Councillor: Debbie Chapman, Ward 1 Councillor: Scott Davey, Ward 2 Councillor: Dave Schneider, Ward 6 Councillor: Paul Singh, Ward 8 Councillor: Margaret Johnston, Mayor: Barry Urbanovic, Ward 4 Councillor: Christine Michaud, Ward 10 Councillor: Aislinn Clancy, Ward 3 Councillor: Jason Deneault, Ward 7 Councillor: Bil Ioannidis, Ward 5 Councillor: Ayo Owodunni.

2024 CITY OF KITCHENER

General Overview



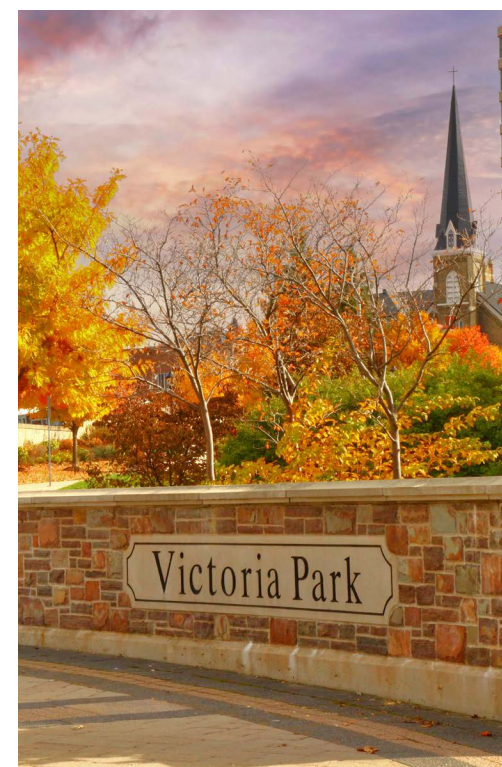
Introduction:

Each year staff prepare an annual operating budget and 10-year capital forecast for Council's consideration. The annual budget helps identify the spending plans and priorities for the municipality for the upcoming year and is informed by the City's strategic plan, various master plans, and feedback from the community. The 2024 budget continues to be impacted by higher-than-normal inflation but still aims to address priorities that are important to Kitchener. The themes for this year's budget are summarized under three priority areas: Supporting City Services, Focus on Infrastructure and Advancing Strategic Priorities.

Supporting City Services:

The 2024 Operating Budget has been prepared using the previous year's budget as a starting point, with the goal of maintaining the programs and services that Kitchener residents and businesses rely on. These base services, often referred to as core services, are delivered efficiently through a five-department structure and include activities such as fire protection, park maintenance, snow clearing, recreational programming and many others.

Similar to 2023, challenging economic conditions persist, and are expected to continue into 2024, with inflation remaining higher than normal (hovering around 4%). The economy is still feeling the lingering effects of the global pandemic, while reacting in real time to increasing geopolitical tensions due to conflicts around the world. This fragile environment has resulted in price volatility, translating into increases impacting the cost of labour and



materials. These pressures have an impact on the costs to deliver city services.

Recognizing that these economic pressures, along with the high interest rate environment that we are experiencing has created affordability challenges for many, staff have prepared a budget that maintains current service levels while at the same time balances the need for reasonable rate increases. For the past few years, the City has used a two-year inflation average as a benchmark to assess whether the proposed property tax increase is reasonable. The draft 2024 budget contemplates an increase of 3.9% which is well below the two-year average (5.3%) in Ontario. This demonstrates the balanced approach that staff have always tried to achieve when preparing the budget.

Focus on Infrastructure:

The City owns and is responsible for maintaining approximately \$9.2B worth of assets. These include hard infrastructure such as roads and bridges; underground infrastructure related to water, wastewater, and stormwater; and community-based infrastructure such as facilities, parks & open spaces, and forestry.

Having sufficient funding for asset replacement is a challenge that all municipalities across Canada are facing. Most of Kitchener's infrastructure was built after the 1950s as the City experienced extensive population growth. This growth put more demands on the need for infrastructure and associated City services without the funding tools available at the municipal level to adequately address future asset replacement needs.

As assets reach their end of life, significant capital investment is needed to replace existing infrastructure. The City's capital budget identifies the

infrastructure that is planned to be replaced over the next 10 years. Although the City's planned investment over 10 years is significant, it's still not enough to address all of the City's infrastructure needs.

Capital cost escalation (30% over the past few years) has put increasing pressure on the City to do more with less, as funding available to replace existing infrastructure doesn't stretch as far. Supply chain issues experienced throughout the pandemic and higher-than-normal inflation has significantly increased construction related costs.

Despite these challenges, the City has been proactive in trying to address its infrastructure funding needs, including launching the Water Infrastructure Program (WIP) in 2017 to fund replacement of underground infrastructure (Water, Sanitary and Storm.) A detailed review of facilities was completed in 2019 that resulted in allocating a greater amount of capital funding toward facility replacement needs, applying for federal and provincial grant opportunities, and successfully securing over \$150M in federal and provincial funding over the past three years, including \$42M from the recently announced Housing Accelerator Fund.

The 2024 Draft Budget continues to build on previous progress by moving forward with a new WIP rate model for the next four years, allocating an additional \$5M in funding in the draft 2024 Capital Budget to address critical facility replacement needs, and by continuing to increase spending on energy related retrofits that not only have an impact by reducing the City's operating costs, but contribute towards a more sustainable, low-carbon future.

The lack of affordable housing, and housing in general across the Province is an issue and something that Kitchener is committed to doing its part to address. Kitchener has signed the Province's housing pledge committing to help facilitate the building of 35,000 homes in Kitchener by 2031. But with additional housing comes the need for additional infrastructure to support growth in the community. Recent changes to the Development Charges Act, under Provincial Bill 23, has the potential to make funding new infrastructure more difficult. Although the Province has committed to making municipalities "whole", without receiving equal funding under this revised funding framework, the City may need to make tough decisions and prioritize what growth related infrastructure and amenities move forward in the future.

A reduction in funding needed to support new development will put increasing pressure on Kitchener, a City that is experiencing significant population growth with approximately 5000 new residents being added each year. Additional assessment growth of 2.5% in 2024 will help to support services needed in a growing community, but increased investment in infrastructure is needed to continue to make Kitchener a place that people want to call home.



Advancing Strategic Priorities:

The City recently launched its 2023-2026 Strategic Plan, which will help guide many of the strategic investments to be included in future budgets. For the 2024 Draft Budget, the proposed strategic priorities for the Mayor and Council's consideration reflect actions identified during the first two years of the 2023-2026 Strategic Plan. This includes additional investments being made under the five goal areas within the Strategic Plan:

- **Building a Connected City Together**
- **Cultivating a Green City Together**
- **Creating an Economically-Thriving City Together**
- **Fostering a Caring City Together**
- **Stewarding a Better City Together**

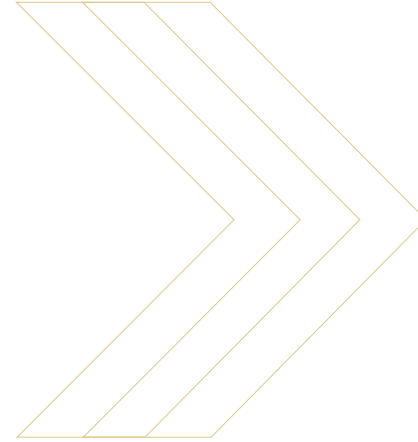
Extensive engagement took place to develop the Strategic Plan for the next four years including the development of a 20-year vision for Kitchener: Building a city for everyone where, together, we take care of the world around us – and each other. Engagement included completing a statistically valid survey and the involvement of a demographically representative resident panel, that helped validate and confirm priorities and actions that are included in the City's Strategic Plan. The 2024 Draft Budget includes approximately \$5.5M in investments that will advance strategic priorities. These initial investments will build on progress made during the last 4 years and will allow the City to hit the ground running in implementing key priorities included in the 2023-2026 Strategic Plan.

In addition to \$5.5M that has already been allocated to Strategic Priorities in the 2024 Draft Budget, \$1M in one-time capital funding is available and unallocated to enable further investments. Suggested options have been included for the Mayor and Council's consideration. Since actions included in the 2023-2026 Strategic Plan are contemplated to start over the first 2 years of the Plan, the Mayor and Council will have flexibility in deciding how quickly to advance certain priorities to help achieve the 20-year vision for Kitchener's future.



In Summary:

The Draft 2024 Budget addresses a number of priorities, from supporting city services that residents and businesses rely on every day, to a focus on infrastructure to address the City's asset replacement and growth-related needs, to providing funding to implement the City's 2023-2026 Strategic Plan that will help shape Kitchener's future. All of these priority areas are important and have been accommodated by carefully preparing a budget to meet the service expectations of citizens while at the same time balancing the need for reasonable rate increases during a time of economic uncertainty.



2024 CITY OF KITCHENER






Economic Considerations

The Consumer Price Index (CPI) represents the change in prices experienced by Canadian consumers. Inflation has slowed significantly after hitting a 40-year high of 7.9% in June 2022, going as low as 2.6% in June 2023. Sustained higher interest rates have helped to curb inflation and interest rates are expected to remain high well into 2024.

The Canadian economy has entered a period of weaker growth with a sharp decline in the second quarter of 2023. This is mainly due to a weakening in consumer spending and a decline in housing activity.

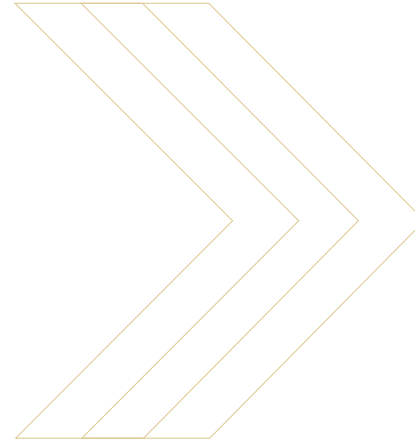
Employment continues to rise as Canada’s population continues to surge however the job market is not as robust as it was in 2022, thus pushing unemployment up to 5.5%.

Supply chain issues including the movement and availability of goods continue to be impacted by the lingering effects of the pandemic, geopolitical conflicts and extreme weather events leading to increased capital cost escalation.

CURRENT ECONOMIC TRENDS:				
				
INFLATION	INTEREST RATES	FUEL	CAPITAL COST ESCALATION	HOUSING COSTS
4.0%	5.0%	\$1.59/L <small>Average fuel price 2023</small>	30%	\$670K <small>Average home price 2023</small>

UNDERSTANDING

The Budget Process



The annual budget advances the City of Kitchener’s values and priorities, which are developed through a long process of listening to the broader community through various public engagement opportunities such as the strategic planning process and through the development of various master plans.

In the first quarter of 2023, budget direction was developed by the Financial Planning team. Budget targets were established using the Council-endorsed inflation policy. The City’s policy is to forecast costs using a two-year inflationary average, which means that we are gradually accommodating the cost increases associated with rising inflation rates.

While keeping tax rate increases around the rate of inflation is an important factor to take into account when setting the budget, it is not the only consideration. The City of Kitchener has considered a number of factors, such as:

- **Comparison to other municipalities**
- **Inflationary factors specific to municipalities**
- **Balance of service levels versus rate increases**
- **Recent operating budget results**

The timeline below reflects the new legislation for the Strong Mayor powers and its impact on the budget approval process.

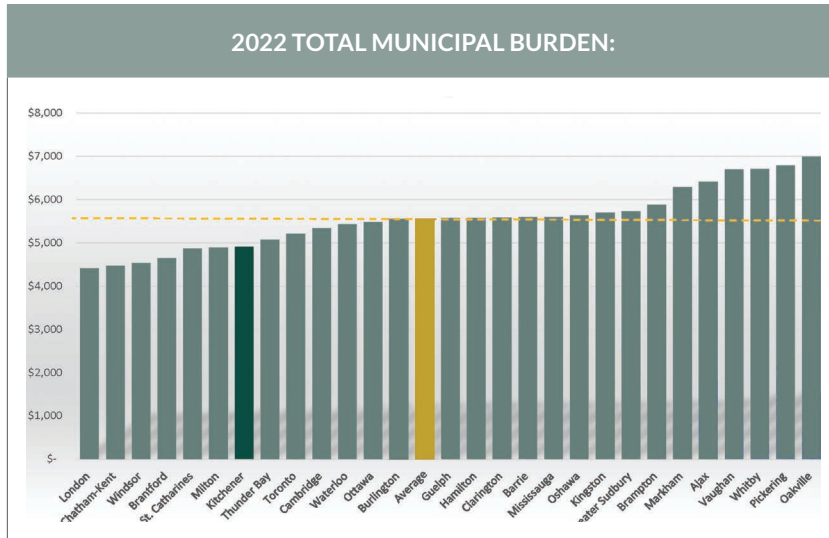
BUDGET PROCESS AND TIMELINE:



Comparison To Other Municipalities:

The City of Kitchener has one of the lowest total municipal burdens (taxes + water charges + sewer charges) of large cities in Ontario. The graph below shows the most recent results of an analysis conducted annually by BMA Management Consulting Inc. Kitchener (\$4,903) holds the seventh lowest ranking in the province and is well below the average (\$5,552).

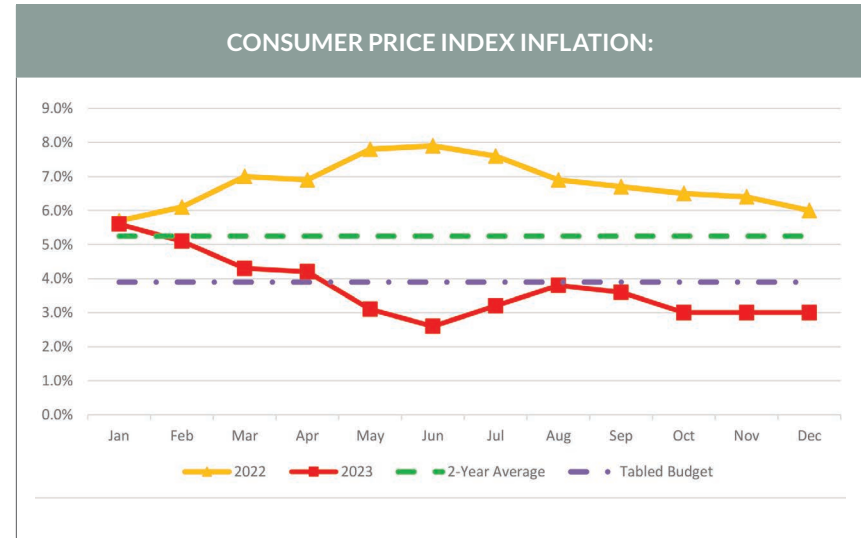
Even comparing locally Kitchener has the lowest overall municipal burden of all the cities in the Region. Again, this points to Kitchener being a comparatively affordable city in which to live.



Inflationary Factors Unique to Municipalities:

The effect of inflation remains a significant impact to the 2024 budget, driving up costs for materials and services used to deliver valued programs and capital improvements for the community. The draft tax rate increase of 3.9% is below the City’s inflationary benchmark for budgeting (5.3%). As part of the Long-Term Financial Plan (LTFP), Council endorsed a multi-year inflation figure when setting the budget. This inflation figure blends the prior year’s Consumer Price Index (CPI) figure and the current year-to-date CPI figure. Using a multi-year figure helps smooth out dramatic changes in inflation.

The figures for the 2024 Draft Budget are shown in the table below.



Balance Of Service Levels vs Rate Increases:

The City of Kitchener has been able to keep annual tax rate increases at or below the rate of inflation for the past 10 years through efficient and effective delivery of services. As citizen expectations continue to increase related to the level of service that the City provides, it will become more challenging for the City to continue this trend.

Generational shifts in the community are putting more demands on services. Customer service expectations related to online services are high, but traditional methods of interacting, communicating, and doing business with the City are still expected by many. Ensuring services are accessible for all is an important consideration, and this goal involves additional service delivery costs.

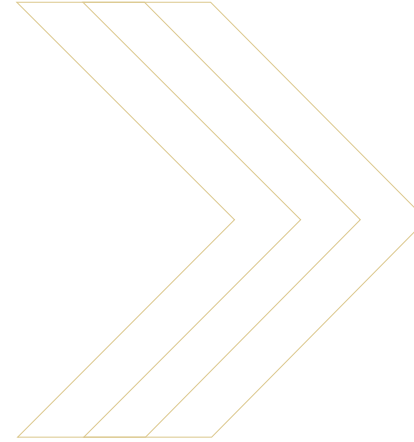
The built environment in the City is in a stage of transition, with a greater emphasis on intensification, changing the landscape of the City – particularly in the downtown core. This urbanization is attracting new businesses and residents but also brings with it new demands for services such as cycling infrastructure, community parks, trails and arts and culture amenities.

Neighbourhoods are also changing, with a greater demand for closer and connected communities. Citizens are raising the bar in terms of how they would like to see budget dollars spent.

Recent Operating Budget Results:

One final, but important consideration is how the City has performed financially in prior years. The City compares actuals to budget through variance reporting three times per year in June, September, and December. These projections help to form the next year's budget.

Prior to the pandemic, Kitchener had established a strong record of regularly ending the year with a small operating surplus. This indicated the budgets established were sufficient to deliver the services included in the budget. During the pandemic (2020-2022) when various restrictions were in place, City operations ended the year in deficits. In 2023, which is the first full year of normal operations since the pandemic, the City is projecting to return to a surplus position. The 2023 year-end projections have been included in the Tax Supported Operating Budget Details by Division as an appendix.



MUNICIPAL VERSUS REGIONAL

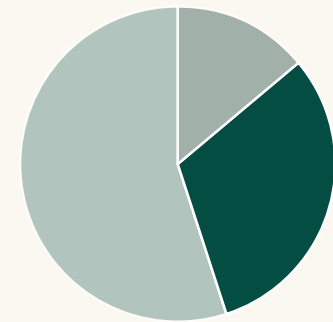
Services Overview

In addition to federal and provincial services, Kitchener residents and businesses receive services from two levels of municipal government: the City of Kitchener and the Region of Waterloo.

SERVICES PROVIDED BY REGION OF WATERLOO:			
 <p>PUBLIC HEALTH AND SOCIAL SERVICES:</p> <p>Harm reduction and affordable housing.</p>	 <p>REGIONAL POLICING AND EMERGENCY RESPONSE:</p> <p>Paramedic and policing services.</p>	 <p>WASTE MANAGEMENT AND WATER TREATMENT:</p> <p>Waste collection, water treatment and wastewater management.</p>	 <p>REGIONAL TRANSPORTATION:</p> <p>Waterloo Regional International Airport, Grand River Transit, ION and regional roads.</p>

BUDGET BREAKDOWN

The City's portion of the tax bill is **31%**, with the Region of Waterloo and local school board portions making up the remainder.



- School Boards 14%
- City of Kitchener 31%
- Region of Waterloo..... 55%

The City of Kitchener provides the remainder of our municipal services, including:



SERVICES PROVIDED BY THE CITY OF KITCHENER:



PARKS AND GREENSPACE:

Maintenance and plantings throughout parks.



RECREATION AND COMMUNITY CENTRES:

Facilities and programming so everyone has a space to play.



TRANSPORTATION AND TRAFFIC:

Caring for our roads so residents can travel safely.



EVENTS AND CULTURE:

Celebrating our community with events and festivals.



FIRE SERVICES:

Keeping our homes and communities safe from fires.

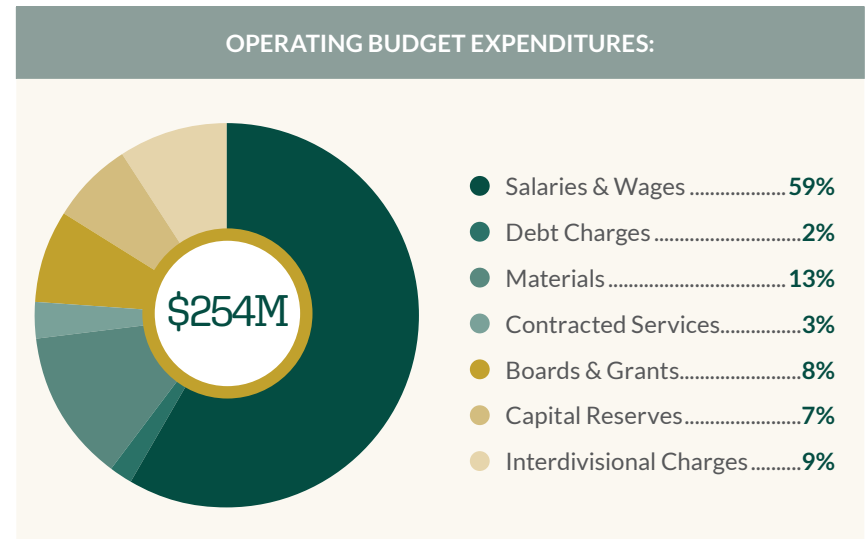
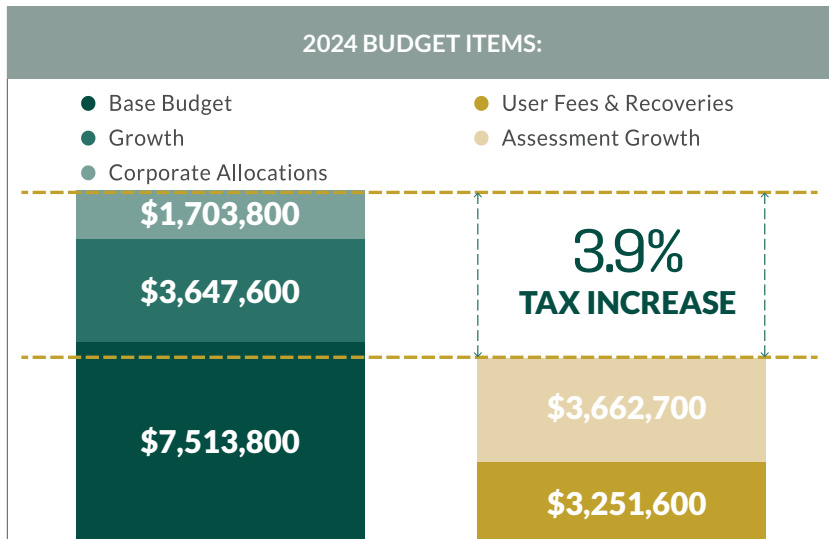
To learn more about the services we offer visit WeAreKitchener.ca

OVERVIEW OF THE

Tax Supported Operating Budget

The draft 2024 net tax levy increase is **3.9%** and would amount to an additional **\$47 per year, or \$3.92** per month for the average Kitchener home (assessed at \$326,000). This increase is in line with the City’s approved Council policy of keeping increases at or below a two-year average of inflation, and is in line with the current annual rate of inflation.

The City’s **\$254 million** tax supported operating budget helps to deliver around 50 core services for Kitchener residents. The operating budget expenditures are made up of the following major components:

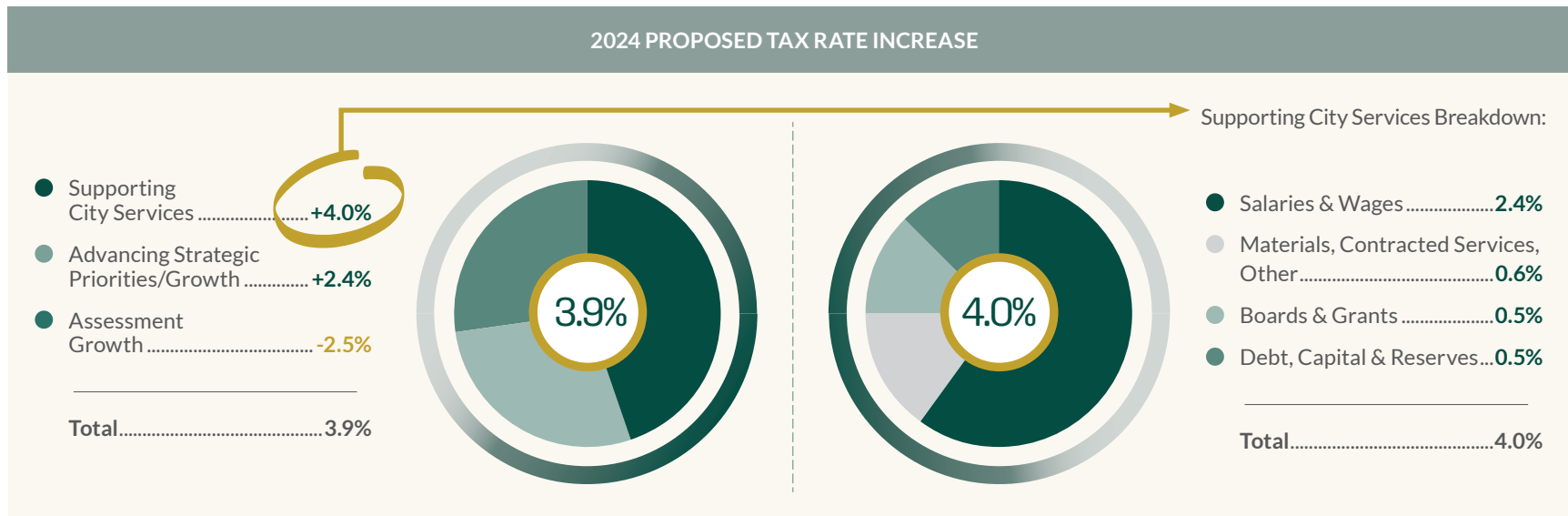


The draft 2024 budget is all about addressing your priorities. The three priorities are: supporting city services, focus on infrastructure, advancing strategic priorities

Supporting City Services

Staff have prepared a budget that maintains current service levels while balancing the need for reasonable rate increases. The base budget which supports the City's core services make up the majority of the tax rate increase.

The following are some of the significant base budget items pertaining to the tax rate increase.



A description of some of the significant base budget items pertaining to the tax rate increase.

Salaries And Wages:

Total compensation makes up the largest portion of the operating budget representing 59% of the City's expenses, which is consistent with most municipalities. To deliver municipal services to approximately 270,000 residents requires a dedicated workforce committed to serving the community. The City's full-time and part-time staff help keep the City running and are represented by the following bargaining groups: The Canadian Union of Public Employees (CUPE 791, CUPE 68 and CUPE 68M), the Kitchener Professional Fire Fighters Association of Canada (KPPFA), International Alliance of Theatrical Stage Employees (IATSE) and the International Brotherhood of Electrical Workers (IBEW). In addition to these bargaining groups the City employs non-unionized staff.

The total wage increase in 2024 reflect the collective bargaining agreements with most unions. The collective agreement between the KPPFA and the City of Kitchener will have expired at the end of 2022, therefore the increase reflects anticipated budgetary needs.

The City's positive relations with the various bargaining groups have resulted in fair wages for staff while maintaining reasonable costs for rate payers.

Capital & Reserves:

The capital reserve contributions increased significantly in 2024 and is mainly driven by the increase to the capital out of current contribution (\$352k) and to address critical capital replacements on City facilities (\$600k). The \$600k will be used to finance \$5M of additional debt to address critical facility replacement needs based on updated building condition assessment information

Materials, Contracted Services & Other:

Inflationary pressures are being felt across all divisions for these budget lines. One example is higher than expected insurance premiums (\$300k).

Boards and Grants:

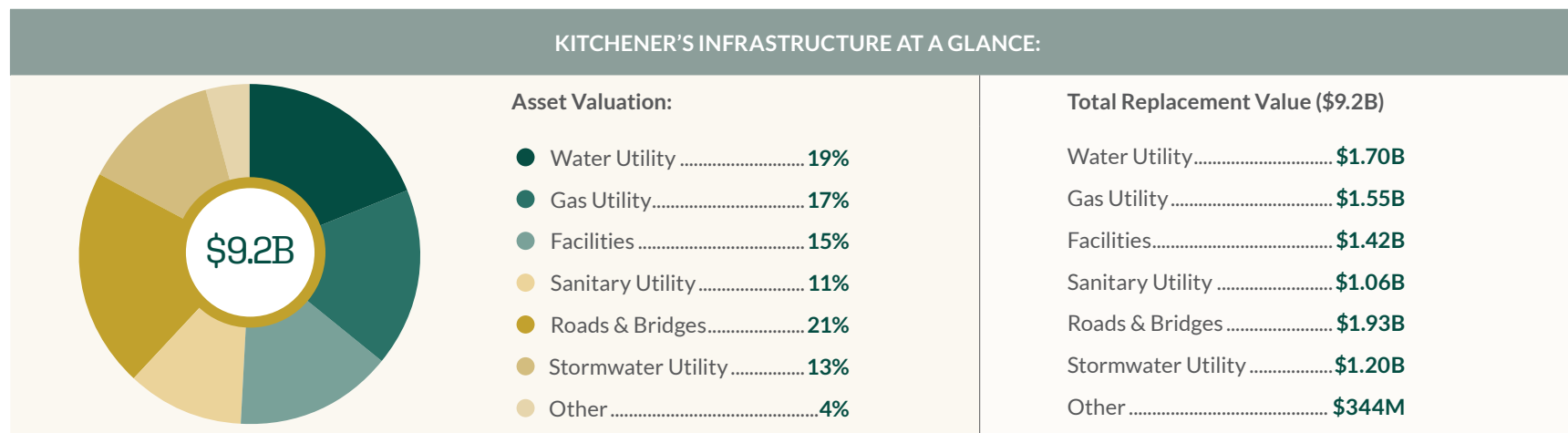
Boards and Grants include the Centre in the Square (CITS) and the Kitchener Public Library (KPL). As per the City's guideline when establishing 2024 budget targets, the operating grants for both CITS and KPL increased by 3.6% resulting in an increase of \$72k and \$437k respectively. Additionally, the KPL received \$119k in growth funding towards the operating costs of the new Southend Branch.

Focus on Infrastructure

The City owns and is responsible for maintaining approximately \$9.2B worth of assets; including hard infrastructure such as roads and bridges; underground infrastructure related to water, wastewater, and storm water; and community-based infrastructure such as facilities, parks and open spaces, and urban forest. Sufficient funding for asset replacement is a challenge in which all municipalities across Canada are faced with. As assets reach their end of life, significant capital investment is required to replace existing infrastructure. Not only is the City faced with aging infrastructure but also by external pressures such as capital cost escalation, supply chain issues and higher-than-normal inflation.

The 2024 Draft Budget continues to make investments in infrastructure a priority. This builds on previous progress made towards revitalizing assets through comprehensive programs like the Water Infrastructure Program (WIP) and the Facilities Infrastructure Program (FIP).

In addition to taking care of existing infrastructure, the City must also consider new infrastructure required to service new homes. Kitchener has signed the Province’s housing pledge and has committed to help facilitate the building of 35,000 homes by 2031. The funding source for this infrastructure (development charges) has been reduced by provincial legislative changes like Bill 23, which will require the City to issue debt to finance immediate growth priorities and consider delaying projects further out in the capital forecast.



Advancing Strategic Priorities

The City recently launched its 2023-2026 Strategic Plan, which will help guide many of the strategic investments to be included in future budgets. For the 2024 Budget, the proposed strategic priorities for Council's consideration reflect actions identified during the first two years of implementation the 2023-2026 Strategic Plan.

Funding has already been allocated in the draft 2024 budget in order to hit the ground running to implement the 2023-2026 Strategic Plan. Approximately **\$5.5M** has been allocated to advance strategic priorities, including investments being made under the following five strategic goal areas:

Building a Connected City Together

- **\$1.2M** from the Affordable Housing Reserve to advance the implementation of the Housing for All Strategy
- **\$700k** to support the continued implementation of the downtown cycling grid
- **\$300k** for trail improvements along the Walter Bean Trail

Cultivating a Green City Together

- **\$300k** to continue greening the City's fleet, including the replacement of two traditional ice resurfacers with electric
- **\$190k** to advance the City's tree canopy plan
- **\$670k** to support GHG reduction pathways for City facilities and advance the City's facilities capital workplan

Creating an Economically Thriving City Together

- **\$240k** to launch additional special events, including one new major festival in Kitchener in 2024
- **\$117k** for the Creative Hub Affordable Artist Workplace Program, to continue to provide a space to support artists in our community
- **\$150k** to support the launch of the Centralized Service Provider, increasing coordination across City arts and entertainment facilities

Fostering a Caring City Together

- **\$172k** to reduce financial barriers to recreational programming for youth, new Canadians, seniors, and those with low-income
- **\$173k** to expand some community centre hours on weekends
- **\$200k** to create a permanent Indigenous space in Huron Natural Area
- **\$136k** to add library collections to some City-owned community centres in partnership with KPL

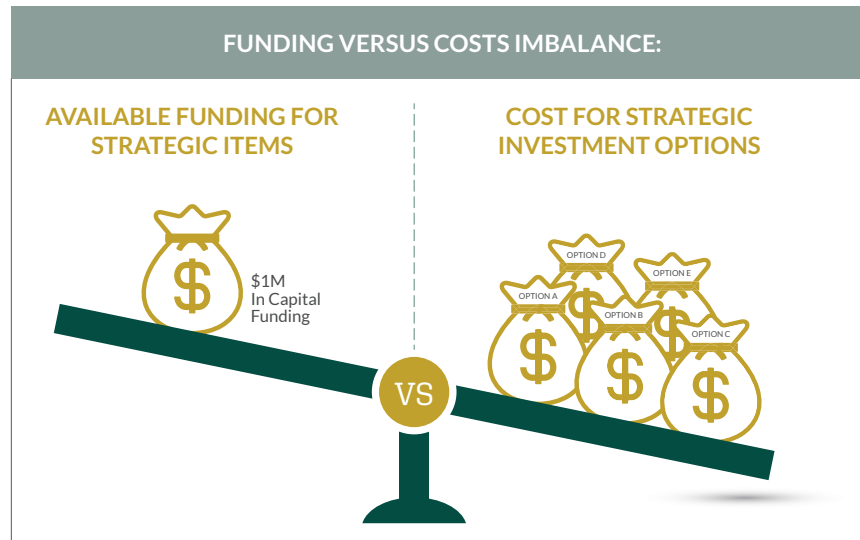
Stewarding a Better City Together

- **\$100k** to advance procurement innovation with the launch of the Pitch Kitchener initiative
- **\$900k** to increase wages for the lowest paid city employees, providing a sustainable wage while remaining a competitive employer

In addition to items that have been built into the City’s draft budget, \$1M in one-time capital funding is available and unallocated. The funding available is a result of one-time dividends received as part of the ENOVA hydro merger.

Potential options for consideration are summarized below. All of these options will help advance the priorities articulated through the Strategic Plan. The complete list of options totals \$2M, so some items will need to be addressed through future budgets.

Further information about strategic items, both built-in items and investment options are included in the appendices.

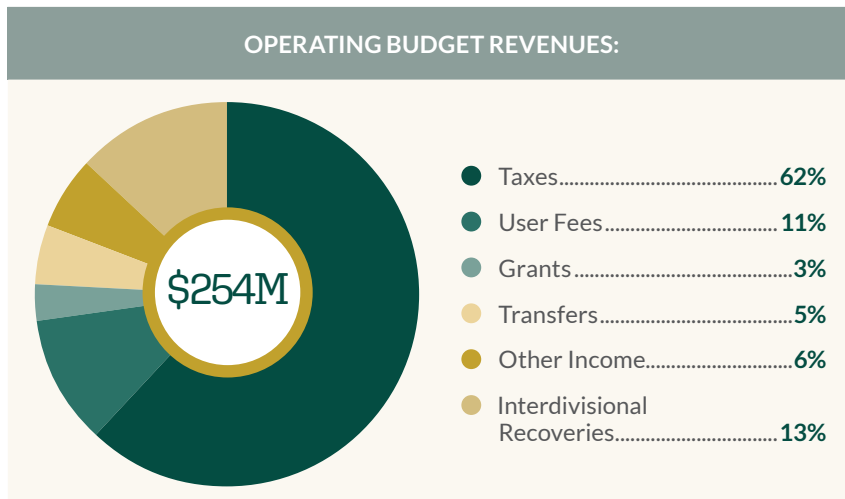


STRATEGIC GOAL AREAS OF FOCUS		
A	Building a Connected City Together	\$500,000
	<ul style="list-style-type: none"> \$200k to support the continued implementation of the City’s Housing for All Strategy \$300k for additional cycling and trail connections that support City-wide Active Transportation Routes 	
B	Cultivating a Green City Together	\$500,000
	<ul style="list-style-type: none"> \$200k for the development of an arena energy strategy as part of the City’s Corporate Climate Action Plan 2.0 \$300k for two additional playground replacements in 2024 	
C	Creating an Economically Thriving City Together	\$200,000
	<ul style="list-style-type: none"> \$100k to Accelerate Commercial Business Approvals \$100k to support the initial implementation of a new Arts & Culture Master Plan 	
D	Fostering a Caring City Together	\$500,000
	<ul style="list-style-type: none"> \$200k to develop a Municipal Newcomers Strategy, including community engagement \$300k to improve access and increase usage at Cameron Heights Pool 	
E	Stewarding a Better City Together	\$300,000
	<ul style="list-style-type: none"> \$100k for a Digital Kitchener Strategy refresh to investigate and adopt technologies to improve service delivery to residents \$200k for the implementation of a city-wide data strategy to build organization-wide data practices to deliver better services for residents 	

Revenues

The city collects revenues through property taxes, user fees and other sources to pay for the approximately **50 core services and programs** it offers to the residents of Kitchener.

It's very important to know that provincial government legislation in Ontario states that "municipalities must pass balanced budgets where the money coming in equals the money going out."



Property Taxes:

The main source of revenue for Kitchener is through the billing and collection of property taxes which account for 62% of the city's revenue at **\$156M**. The Municipal Property Assessment Corporation is responsible for assessing and classifying properties. The City is responsible for setting tax rates and collecting property taxes based on the assessed value and class of the property. Property classes are assigned based on their intended use and different tax rate is applied based on class. The majority of the City's assessment base is made up of residential properties, which is in line with the overall assessment mix of other communities.

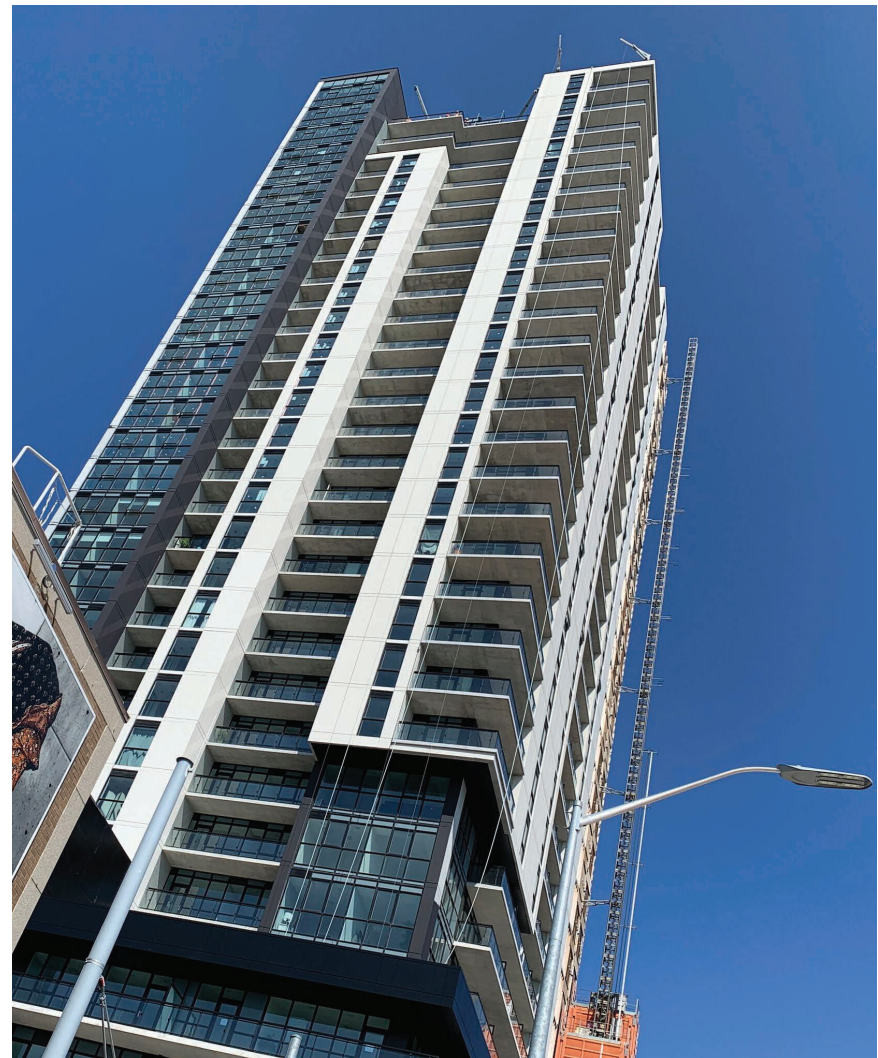
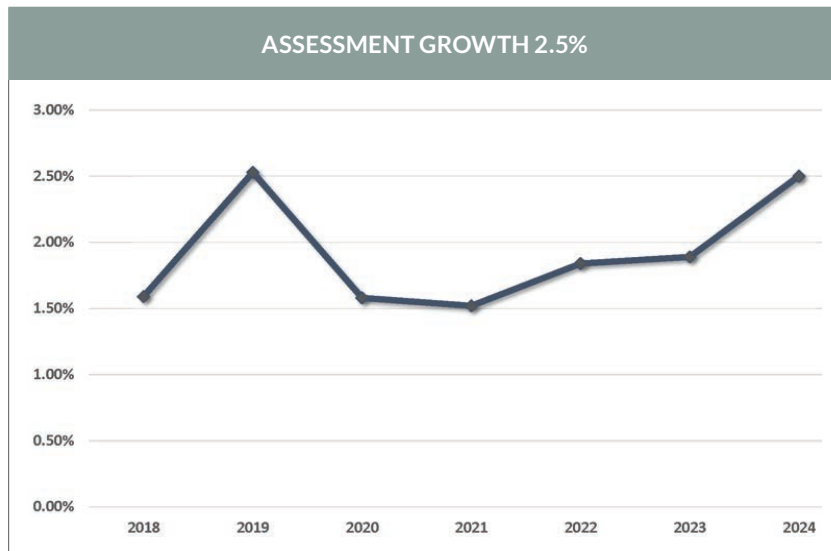
User Fees:

User fee charges are one of the principal funding mechanisms for a range of municipal services. Examples include swimming lessons, site plan approvals, and business licenses. These fees are an efficient revenue source since they allow the city to pay for a service by directly charging those who use it. The City's user fee charges make up 11% of the City's revenues and amount to \$27M. The User Fees Schedule is included as an appendix.

Assessment Growth:

Assessment growth is new property tax revenue caused by changes to the makeup of the City. This can be from new properties being built, or from existing properties being redeveloped or expanded.

The additional tax revenue generated through assessment growth is beneficial to help offset the costs of tax supported services, which helps reduce the need for tax rate increases. The City has averaged around 1.67% of assessment growth over the last decade. For 2024 it is higher, coming in at 2.49%. For 2024 all of the growth related expenses have been fully covered by the additional assessment growth with the remaining amount being used to reduce the property tax increase and reduce the overall tax burden for citizens.



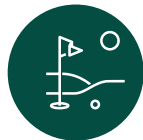


Enterprise Budget Overview

In addition to tax-supported services, the city also operates seven business lines (enterprises) that are funded by their own user rates and not from property taxes. These services are:



BUILDING



GOLF



PARKING



NATURAL GAS



WATER



SANITARY SEWER



STORMWATER

Each enterprise charges customers fees or utility rates that fully cover the costs of providing the service, so no tax dollars are needed to fund these services. In fact, two of the enterprises (parking and natural gas) pay a dividend to the city (the enterprise owner), which help offset the need for property tax increases.

Building, Water, Sanitary Sewer and Stormwater are not allowed to pay a dividend to the city based on their governing legislation. While each of the enterprises is managed separately as its own business line, one significant principle is followed by each of the enterprises; financial sustainability. Each enterprise has its own stabilization reserve fund that is used to manage fluctuations in financial operating results from year to year. In years that end with positive results, the surplus funds are held in reserve and are used to fund deficits from unexpected circumstances such as the pandemic.



Building Enterprise Overview



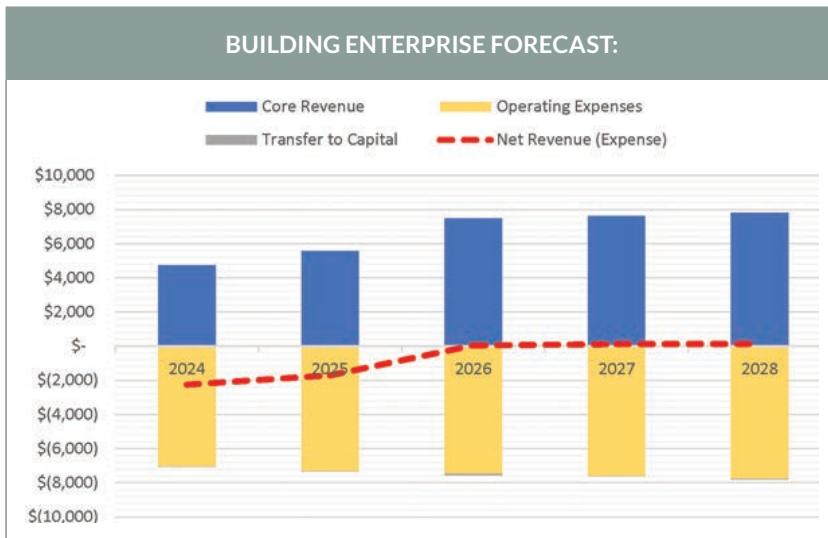
Operating Model And Philosophy:

The Building enterprise is responsible for the administration and enforcement of the Building Code Act and Building Code. The Building Enterprise ensures that construction in Kitchener meets the minimum requirements prescribed in the Building Code

Services Provided:

The Building Enterprise provides most of its services to external customers, largely related to building permits and on-site inspections. Building also administers the final grading approvals for low-rise residential buildings.

The following chart includes the 2024-2028 Building forecast (000's):



Note: Detailed Building projections are included in the appendices.

Recent Challenges:

Permit issuance has been slower due to a decrease in quality or lack of detail on construction drawings for permit submission, as well as compliance requirements with a comprehensive Building Code. The lack of experienced contractors completing the work onsite is an issue for our inspectors. Other Building Departments are experiencing the same, and Kitchener Building staff are continuing to monitor to find solutions.

The Building Inspectors are piloting a new software program for customers to schedule and plan their inspection route efficiently. Building went partially live on June 23, 2022 and the full rollout will continue well into 2024.

Recent Successes:

In response to ongoing recruitment challenges, Building staff took the initiative to find solutions for hiring new building inspectors. They created a presentation of City of Kitchener construction projects and presented it to the Architecture Construction Engineering students at Conestoga College in hopes to highlight Kitchener as a vibrant growing community and attract future building inspectors. Staff also worked with Human Resources to receive approval to hire an intern who is partially qualified with Provincial testing.

The Building Enterprise can now receive credit card payments for some online services.

Golf Enterprise Overview



Operating Model And Philosophy:

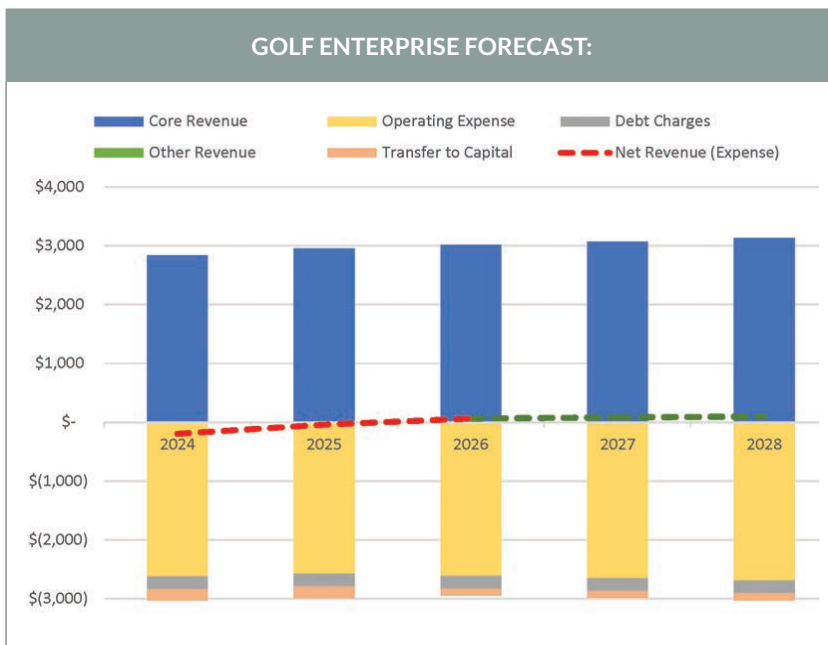
Kitchener Golf manages two golf courses with options for players of every level of the game while providing an affordable golf experience for all.

Services Provided:

Kitchener Golf operates golf properties and facilities at both Doon Valley and Rockway Golf Courses, offering affordable, recreational golf opportunities as well as facilitated camps and clinics, leagues, tournaments and events.

Kitchener Golf facilities are open from dawn to dusk seven days a week during the golf season, which can run between April-November dependent on weather. During the off season, the facilities can be utilized for special occasions and provide a public space for winter walking, snow shoeing and cross-country skiing.

The following chart includes the 2024-2028 Golf forecast (000's):



Note: Detailed Golf projections are included in the appendices.

Recent Challenges:

The expansion of Highway 401 project alongside the Doon Valley Golf Course is still underway. Modification to holes 1 and 8 of the Classic 9 resulted in the Classic 9 operating as a 7-hole course from April through to the end of July. In August, the 18-hole course was reduced to 10 holes for a period of 2 weeks while the Grand River Bridge’s west bound lanes were demolished. Rockway Golf Course has experienced increased vagrancy, vandalism, and theft.

Each year the Golf Enterprise paid a dividend to the City of \$75k and in light of recent challenges and its projected deficits, the dividend transfer to the City has been eliminated in the 2024 Draft Budget.

Recent Successes:

Interest in membership remains high, in 2023 Kitchener Golf sold out of memberships in all categories. Green fee rounds are up from 2022. The Classic 9-hole course at Doon Valley officially re-opened all 9 holes on August 1, 2023. Doon Valley Golf Course is excited to be offering a new program for youth through a partnership with RBC First Tee Community Golf starting in September 2023. Rockway Golf Course officially celebrated 85 years of operation after the pandemic postponed the initial celebration planned for 2020. A 2-day event including a reception and shotgun tournament reunited the Rockway community in September 2023.

Parking Enterprise Overview



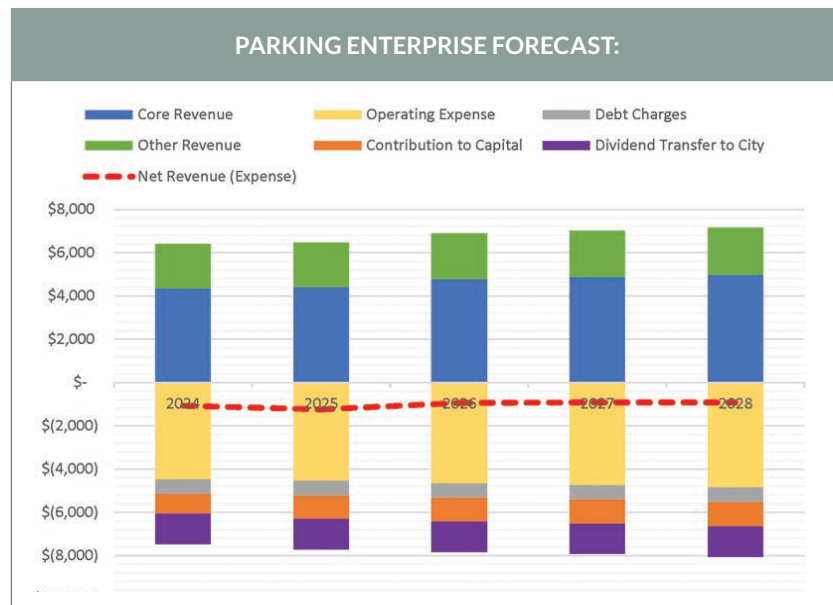
Operating Model And Philosophy:

The Parking Enterprise's goal is to be self-funded and financially sustainable while providing accessible and convenient parking in the downtown core at a fair price. This helps the City achieve and balance economic development, compact urban development and transportation objectives.

Services Provided:

The Parking Enterprise manages and operates the City’s downtown parking portfolio, which currently consists of five parking garages, 14 surface lots, on-street meters and free parking spaces (totaling 3,625 spaces). It has direct responsibility for the operation, maintenance, capital rehabilitation and fiscal management of the City’s public parking infrastructure.

The following chart includes the 2024-2028 Parking forecast (000’s):



Note: Detailed Parking projections are included in the appendices.

Recent Challenges:

Public use of the parking facilities continues to change due to the evolution of hybrid/virtual working conditions. Parking revenues are down locally and nationally; in the 20-30% range when compared to pre-pandemic levels. Kitchener is on the low end (~ 20%) of the range given economic recovery related to recent city building objectives such as reduced parking rates and downtown intensification. As a result of the change in Parking demands and projected deficits, the dividend transfer to the City has been adjusted and reduced by \$600k in the 2024 Draft Budget. The City will continue to monitor the financial stability of the Parking Enterprise and its ability to be a self-sustaining Enterprise with dividends paid to the City.

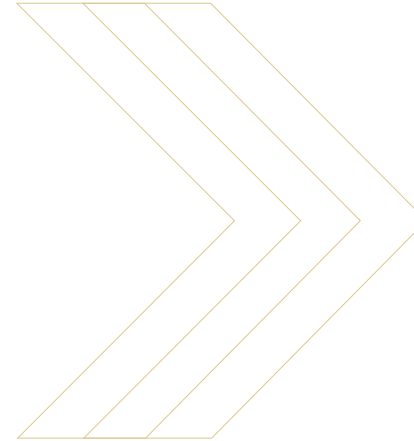
Recent Successes:

License Plate Recognition (LPR) technology is a powerful tool that fosters secure and automatic access control, streamlines parking enforcement and provides valuable insights for parking program optimization – all while using a vehicle license plate as a credential. LPR technology has been deployed in gated and non-gated parking facilities bringing forth enhanced customer experiences and more innovative business intelligence. The new system includes a web-based, self-service, online customer portal and mobile app. Parking customers can set up and manage their on-line profile, request parking, make on-line parking permit purchases, register payment method. Monthly customers will also be able to choose parking products, set up recurring payments, register multiple vehicle license plates, view parking history, and join a waiting list.



2023 CITY OF KITCHENER

Utilities Overview



City of Kitchener owns and operates four utilities that comprise the Water Infrastructure Program (WIP) and Natural Gas. The utilities include:

- Water
- Sanitary
- Stormwater
- Gas

The budgets for the Water, Sanitary and Stormwater were the combined subject of a comprehensive review called the Water Infrastructure Program (WIP).

The WIP review took several months to complete and involved collaboration between several divisions within the City, including Asset Management, Engineering, Kitchener Utilities – Gas and Water Utilities, Kitchener Utilities – Sanitary and Stormwater Utilities, Operations – Roads and Traffic, Financial Planning and Reporting and Communications



Rate increases projected from the original WIP analysis compared to the actual rates for those years are shown in the table below.

	2020	2021	2022	2023	2024
Projected	4.5%	4.5%	4.5%	4.5%	6.3%
Revised/Proposed	4.4%	0.9%	2.2%	4.5%	6.3%
Approved	✓	✓	✓	✓	


The 2024 combined approved rate increase equals 6.3%. The approved increases for both Water (4.9%) and Sanitary (7.1%) is largely driven by infrastructure investment needs at the Region (water supply and wastewater treatment and at the City (water distribution and wastewater collection). The proposed increase for Stormwater (7.4%) is required to fund the City's share of projects being significantly funded (approximately \$50M) by other levels of government through the Disaster Mitigation and Adaptation Fund (DMAF).

It is expected that WIP utility increases will need to remain higher than typical CPI inflation to account for construction cost escalation and other cost pressures.

The increases for each utility are summarized in the table below.



	2023	2024	\$ CHANGE	% CHANGE
Water	\$446	\$467	\$21	4.9%
Sanitary	\$556	\$595	\$391	7.1%
Stormwater	\$225	\$242	\$17	7.4%
TOTAL	\$1,227	\$1,304	\$77	6.3%

The 2024 rate increase of **6.3%** is driven by external factors, such as:





INFRASTRUCTURE INVESTMENT NEEDS:

- 1950's infrastructure coming to end of its useful life.
- Aging infrastructure = higher operating and maintenance costs.
- Failing infrastructure = more service disruptions for customer.

REGULATORY COMPLIANCE:

- All utilities have many regulatory restrictions.
- New legislative requirements being added each year.
- New resources required to ensure utilities comply with new regulations.

COMMODITY SUPPLY COSTS:

- Cost increases in these areas are unavoidable.
- Water and sanitary costs from the Region of Waterloo are increasing.

Water Utility Overview



Operating Model And Philosophy:

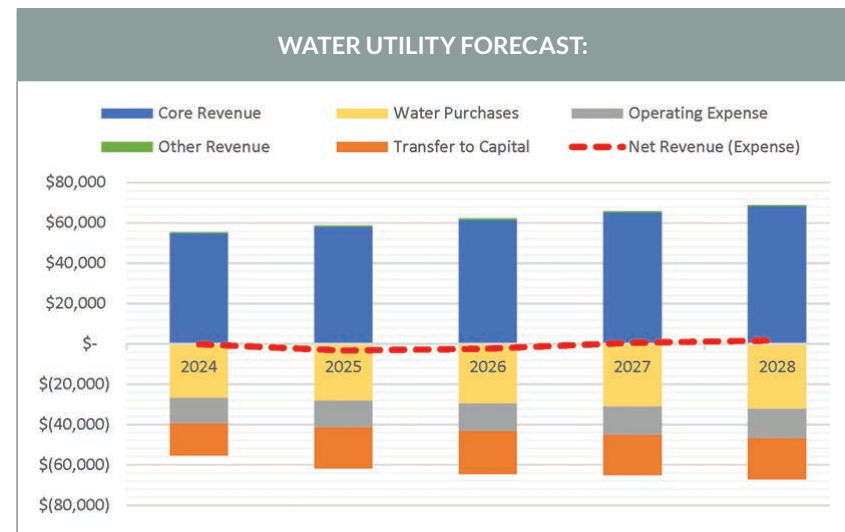
The Water Utility provides customers with quality, dependable, and economical distribution of water while operating in an environmentally sensitive manner and promoting conservation.

Services Provided:

Water Distribution: Monitoring, installing, replacing and repairing the network of water mains, meters and services to ensure a reliable and safe supply of water.

Conservation: Promoting conservation programs, which help customers reduce the amount of water used, which saves both money and conserves energy.

The following chart includes the 2024-2028 Water forecast (000's):



Note: Detailed Water projections are included in the appendices

Recent Challenges:

- Costs on capital projects continue to be well above pre-pandemic levels, with some projects being postponed or delayed.
- Costs continue to increase for the Regional supply of water.
- Bill 93 “An Act to amend the Building Broadband Faster Act, 2021 and the Ontario Underground Infrastructure Notification System Act, 2012” became legislation in the spring of 2021. The Act identifies strict adherence to a 5-day locate completion timeframe with possible fines and loss claims. A locates review was undertaken and identified resourcing needs associated with the new legislated requirements.
- Sediment control and rehabilitation costs associated with watermain breaks close to watercourses have been extensive.

Recent Successes:

- 2024 Water Infrastructure Program (WIP) was endorsed by Council in fall 2023 and built on the foundation of the 2018 WIP. It aims to establish utility rates for the water, wastewater and stormwater utilities that will ensure sustainable service delivery through regulatory compliance, risk mitigation and customer affordability. The WIP identifies areas of investment needs including capital, maintenance, customer engagement, etc.
- In addition to regular water valve operating checks, the critical valves along the LRT were also operated. The operation required coordination with the Region and some evening work. The valves are relatively new but are deemed to be critical due to potential impacts to the LRT.
- Rolled out a hydrant mobile field inspections which minimized data entry and provided for faster deficiency follow-up

Sanitary Utility Overview



Operating Model And Philosophy:

The Sanitary Sewer Utility collects and removes wastewater generated within Kitchener and neighbouring municipalities in an efficient, cost effective and environmentally responsible manner. The wastewater is then transferred to the Region of Waterloo for treatment and disposal in compliance with legislative and regulatory requirements.

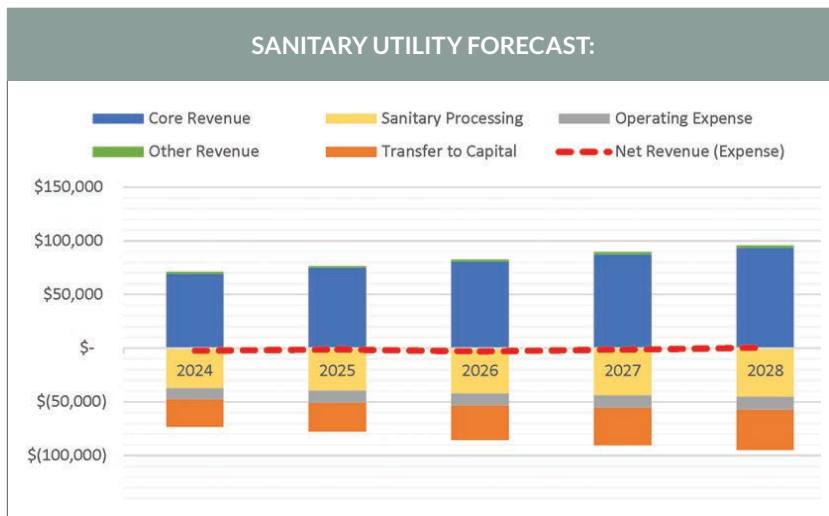
Services Provided:

Nearly every residential, commercial, industrial, and institutional building in the city generates wastewater. In total, this equates to over 65,000 customers billed for this service. The City's sanitary network comprises approximately 882km of sanitary mains, approximately 13,200 manholes and 22 pumping stations.

The Sanitary Utility performs a wide range of activities and programs that together support the provision of safe and reliable collection of raw sewage, including:

- **Pumping station maintenance, rehabilitation, and replacement**
- **Sewer trunks, mains, & lateral rehabilitation and replacement**
- **Flow monitoring and hydraulic modeling**
- **Closed circuit television (CCTV) inspection program**
- **Sewer flushing program**
- **Emergency response**
- **Service connection blockage removal clearing**
- **Supervisory control and data acquisition (SCADA) for pumping stations**
- **Sanitary Environmental Compliance Approvals**

The following chart includes the 2024-2028 Sanitary forecast (000's):



Recent Challenges:

In many parts of the City, sanitary assets are nearing the end of their lifecycle and require increased funding and resources to undertake preventative and corrective maintenance. Annual sanitary utility rate increases provide critical funding to address infrastructure needs, helping reduce the risk of system failures and service interruptions.

Inflation and other economic factors (e.g., supply chain, fuel price increases) have increased operating and capital costs. These cost increases will impact current and future budgets as well as capital repair and replacement schedules over the next several years.

Recent Successes:

The City of Kitchener has recently transitioned to a Consolidated Linear Infrastructure Environmental Compliance Approval (CLI-ECA) process for its Sanitary network, which provides greater oversight for the City to preauthorize and manage impacts of new infrastructure, retrofits, maintenance, operations and monitoring of the system.

NOTE: Detailed Sanitary projections are included in the appendices..

Stormwater Utility Overview



Operating Model And Philosophy:

The Stormwater utility treats and controls stormwater runoff generated by impervious surfaces across the city in an efficient, cost effective and environmentally responsible manner to comply with legislative and regulatory requirements.

Services Provided:

The utility provides funding to operate, maintain, rehabilitate, replace and build stormwater infrastructure across the city. There are over 70,000 properties in the city that are billed for the stormwater management service based on the amount of their impervious area and the runoff they generate.

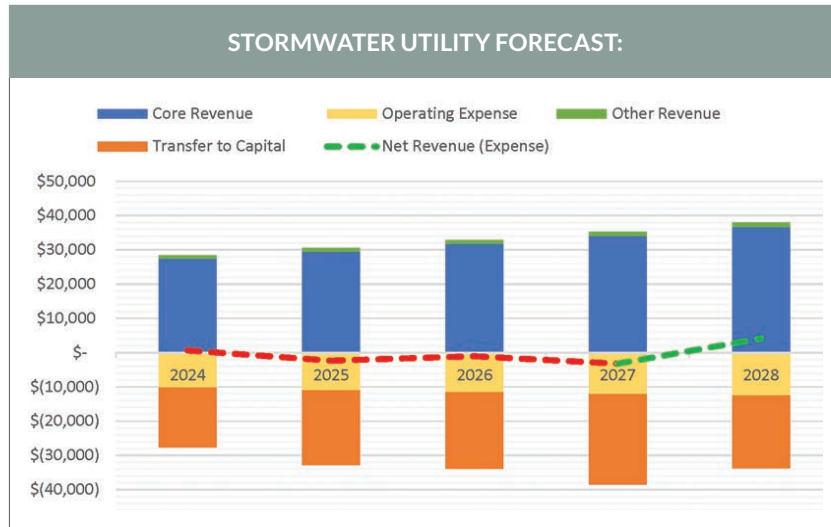
The stormwater system is comprised of 26 managed subwatersheds; approximately 800 kilometers of storm sewer mains; over 27,000 manholes and catch basins; 125 oil, grit separators; and 116 constructed stormwater management facilities (SWMFs).

The Utility has developed an Integrated Stormwater Management Master Plan (ISWM-MP, 2016) that identifies stormwater priorities across the City and helps inform the City’s capital program to 2030. The Utility also carries out recurring operations and maintenance as well as other programs that include:

- Stormwater Management (SWM) Monitoring Program
- Sediment Management Program
- Watercourse Improvement Program
- SWM Facility Retrofit Program
- Drainage Improvement Program
- Hydraulic and hydrological modelling
- SWM Infrastructure Implementation Program
- Low Impact Development (LID)
- Sewer mains, laterals, catchbasin, & manhole maintenance and repair
- Watercourse/Bridge/Culvert Maintenance and Repair
- SWMF Maintenance & Sediment Removal
- Catchbasin Cleaning Program
- Spills Response
- Stormwater Environmental Compliance Approvals

The utility also funds a credit program to incentivize private property owners to help manage stormwater on their property, reducing the volume of runoff (rain and snow melt) that is directed to the City’s stormwater system.

The following chart includes the 2024-2028 stormwater forecast (000’s):



Recent Challenges:

Storm events are becoming more severe and intense, which has a direct impact to the entire stormwater system by either causing damage or exceeding the capacity of existing infrastructure in an unpredictable manner.

There is an existing backlog of legacy projects and aging infrastructure identified in previous stormwater audits that will be completed as funding becomes available.

Focusing on preventative maintenance will maintain and improve current service levels but will require higher budget allocations to support this transition.

Construction costs for replacement and rehabilitation of infrastructure continue to increase due to inflation and other economic challenges (e.g., supply chain, fuel costs, etc.). This will have direct impacts on current and future budgets as well as capital repair and replacement schedules over the next several years.

Recent Successes:

The City continues to implement the \$125M federal Disaster Mitigation and Adaptation Fund (DMAF) program, which provides up to a 40% cost-share for the City’s stormwater projects prioritized in the ISWM-MP.

The City of Kitchener has recently transitioned to a Consolidated Linear Infrastructure Environmental Compliance Approval (CLI-ECA) process for its Stormwater network, which provides greater oversight for the City to preauthorize and manage impacts of new infrastructure, retrofits, maintenance, operations and monitoring of the system.

The City recently rehabilitated a section of Montgomery Creek situated close to Wilson Park. This work included repairs to protect critical infrastructure, the re-alignment of an existing trail, creating park seating, installing a new pedestrian bridge, relocating a gas pipeline, and planting over 700 native trees and 4000 native shrubs along the creek’s banks. The project showcases how flood control, ecological improvements, and community spaces can work in harmony. By expanding the floodway, water quantity is managed, while riparian zones improve water quality by mitigating sediment and pollutant issues. This work has also created a new fish habitat and a sanctuary for birds.

NOTE: Detailed Stormwater projections are included in the appendices.

Gas Utility Overview



Operating Model And Philosophy:

The Gas Utility provides customers with safe, dependable and economical natural gas. It also provides prompt, cost effective and professional services related to rental water heaters while promoting conservation, greenhouse gas (GHG reduction) and operating in an environmentally sensitive manner.

Services Provided:

Gas supply: Kitchener Utilities purchases and manages the gas supply to meet customer requirements.

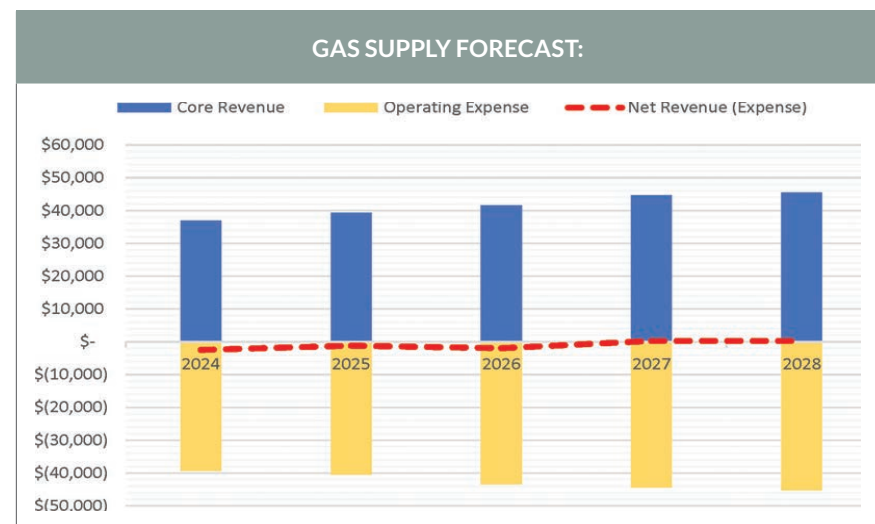
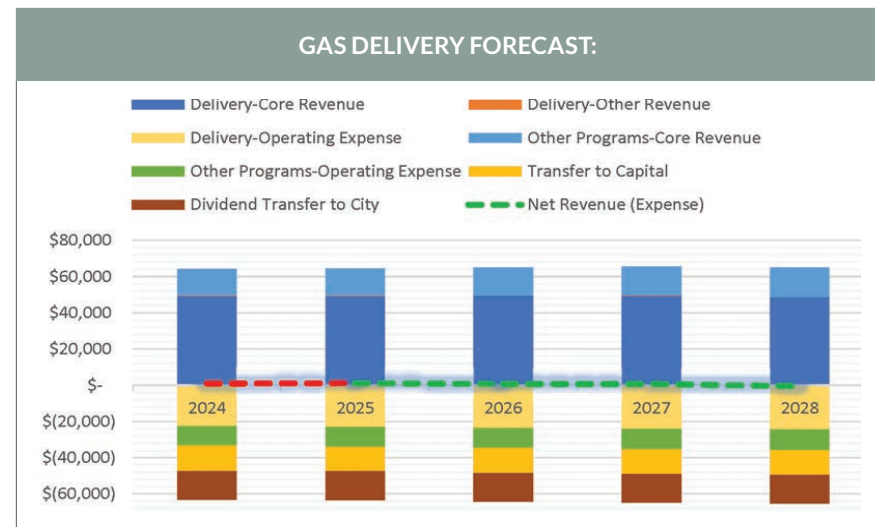
Gas Distribution: As a natural gas distributor, Kitchener Utilities delivers natural gas to consumers. Work includes installing and replacing meters, underground pipe installation and maintenance, providing gas services to homes and businesses, responding to gas emergencies involving gas line hits, gas odour, carbon monoxide, and gas utility locates.

Regulatory Affairs: Ensuring compliance with codes, rules and regulations imposed by government agencies and regulators.

Conservation: Developing and promoting GHG reduction and conservation programs which help customers save money and conserve energy.

Water Heater Rentals and Service: Supply and service water heaters on a rental basis, providing 24/7 service for repair and replacement of tanks.

The adjacent charts include the 2024-2028 Gas Delivery and Supply forecast (000's):



Recent Challenges:

Bill 93 “Getting Ontario Connected Act, 2022” was approved in the spring of 2022. The Act identifies strict adherence to a tighter locate completion timeframe with possible fines and loss claims due to delays. Additional resources were approved to meet the new requirements.

The number of gas meters replaced annually fluctuates based on Measurement Canada’s requirements, which takes into account age, meter type, and level of resealing/reverification. A representative sample is therefore collected for small residential meters and tested by a third party; if the results are within tolerance, the meter life can be extended. Larger meters are removed from the system and either reverified or scrapped. The cost of meters and volume correctors has greatly increased (in some cases by 50%), putting additional pressure on the capital budget.

Gas revenues are weather-dependent. Warmer winters cause a budget deficit and colder ones result in surplus. The 2022/2023 winter was a mild one resulting in a deficit that is increasing the pressure on 2024 budget.

In June of 2021, the City of Kitchener and Regional Council approved the TransformWR Climate Change Strategy, which targets cuts to carbon emissions and shifting energy use from fossil fuels. The transformative change that will significantly impact Kitchener Utilities business model is, “By 2050, business and homes no longer use fossil fuels for space heating and cooling, and water heating”. In order to plan for the transformation from natural gas to cleaner energy

sources, a Low Carbon Energy Plan has been initiated in 2023 to determine the vision, mission and direction of the gas utility. Additional resources have been added to successfully deliver the plan. This is putting additional pressure on the capital budget.

Enbridge is proposing new rates for the next 5 years. The new proposal significantly impacts Kitchener Utility rate with Enbridge (T3 rate) adding a pressure to the operating budget. Due to supply chain challenges and significant increases in commodities and services, such as gas meters, water heaters and contractor pricing, Delivery and User Fees have increased to meet the changing environment.

Recent Successes:

Kitchener Utilities is continuing to promote energy conservation programs. A smart thermostat program was recently introduced and provides customers with a \$75 on-bill credit to upgrade their existing model to a smart thermostat model. The federal government introduced the Greener Homes program mid-2021 and includes rebates for heat pumps and other energy efficiency upgrades. KU provides energy audit subsidies to REEP Green Solutions and since program launch, 372 energy audit subsidies have been completed. The team works together on evaluating programs, new technologies, and partnering with local utilities and government to enhance awareness of energy conservation programs and pilot new technology and to support the transition to a low-carbon community.

A water heater manufacturer provided in-house product training and updates on energy efficient water heater models, including heat pump water heaters. Heat pump water heaters were ordered on a pilot basis and will be installed and monitored.

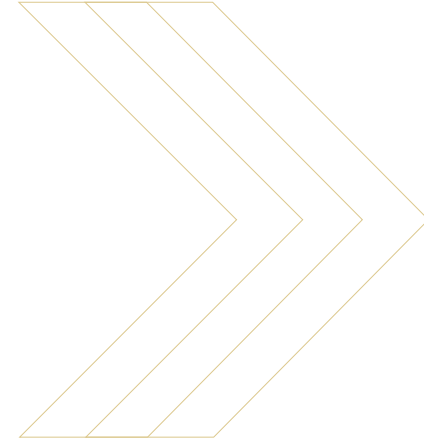
A CRM (Customer Relationship Management) system was approved for the rental water heater business. The system will be used to track and understand customer interests on various products, which will help in both retention and growth of the rental program. Additionally, this will enable better customer communication and updates on program offerings for customers. Another benefit is tracking customer interest in energy efficiency water heaters or low carbon product offerings as we transition.

A senior strategist, carbon and energy planning was hired to develop a low carbon energy plan for Kitchener Utilities. The plan is currently in phase I – consulting and engaging with customers and stakeholders.

Kitchener Utilities has been able to help blend natural gas rates with fixed and market rates to mitigate rate impacts to customers in a rising market. Kitchener Utilities current natural gas supply rate is substantially lower than other natural gas utilities.

Kitchener Utilities revised its contract parameters with Enbridge. The revised parameters reduce the annual cost of Enbridge services resulting in savings in operating budget.

Detailed Gas projections are included in the appendices.



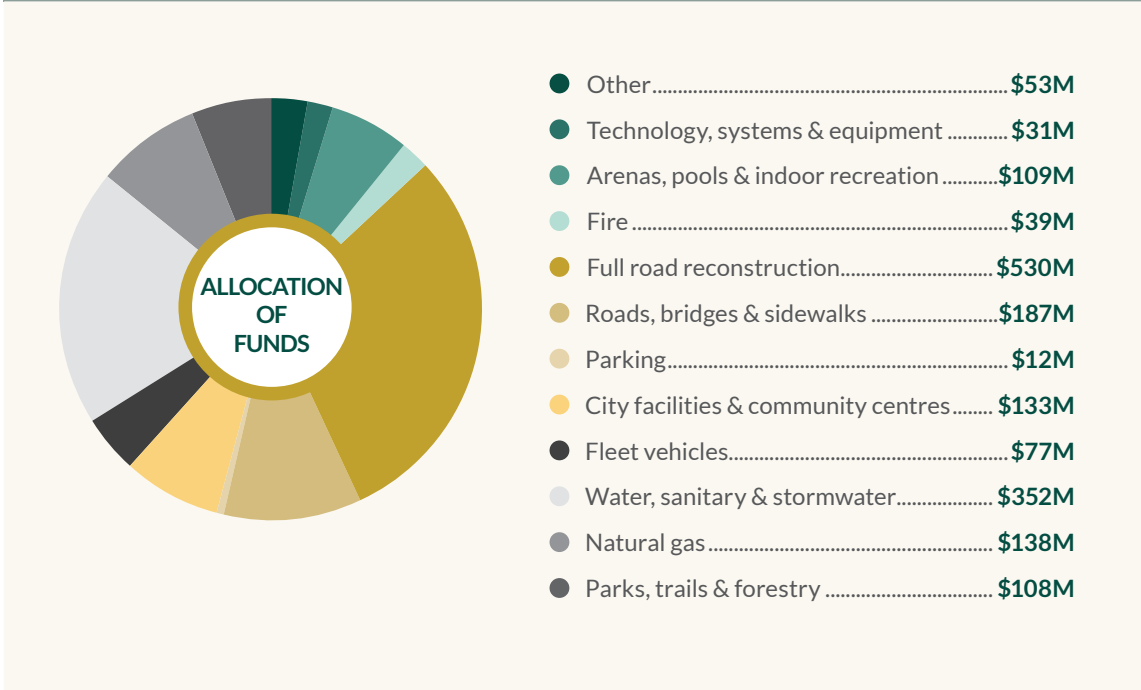
Capital Budget Overview

ALLOCATION OF CAPITAL PROJECTS TO CITY ASSETS: (in Millions)

The City’s capital budget funds investments in infrastructure (assets) that offer a long-term benefit to the community. Examples include parks, roads, and sanitary sewers. The projects included in the Capital Budget often take a number of years to complete, either creating new assets or renewing existing assets. The term of the budget is 10 years, which helps establish capital priorities for both the near future and the medium-term.

The 10 year approved budget and forecast for the year 2024-2033 includes over 440 projects at \$1.8B.

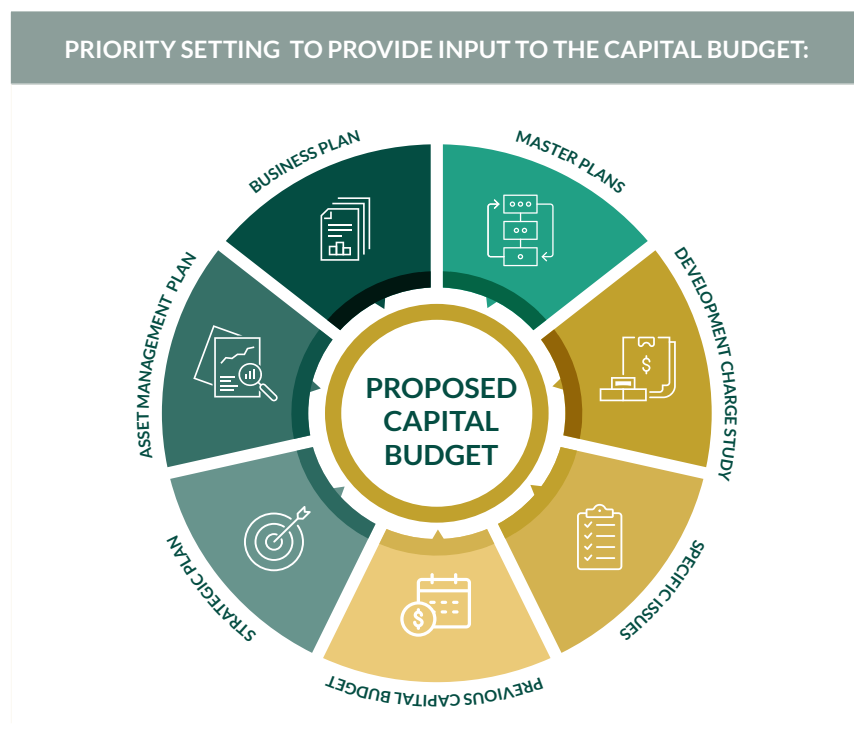
The adjacent chart shows the allocation of capital projects to city assets:



Setting Capital Budget Priorities:

The Capital Budget reflects the priorities established by Council through many different consultation processes, which are shown in the graphic below. Through these processes and then ultimately the budget, Council determines which projects are completed first, within various constraints (e.g. funding & staff availability).

In preparing the Capital Budget each year, staff reviews the previous Capital Budget against new priorities identified throughout the year through these consultation processes. If new priority projects have been identified, they are discussed by senior staff as part of the comprehensive internal review of the Capital Budget. Priority is placed on projects related to:



	<p>ASSET REPLACEMENT & REHABILITATION NEEDS:</p> <ul style="list-style-type: none"> Developed based on asset management plans & condition assessments. Progress being made through the Water and Infrastructure Program, (WIP). Addressing the facility infrastructure gap continues to be a priority. Preventative maintenance activities are also important.
	<p>GROWTH RELATED NEEDS:</p> <ul style="list-style-type: none"> 2022 Development Charge Study reflected in forecast. Investments in new infrastructure to support new residents. Maintaining the concept of 'Growth pays for growth'.
	<p>STRATEGIC ITEMS:</p> <ul style="list-style-type: none"> Implementation of items included in the Strategic Plan. Priorities reflecting corporate and community needs.

The 2024 Draft Budget includes meaningful investments in areas that are important to the citizens of Kitchener, including:

- **Rosenberg Community Centre** (\$2.9M in 2024)
- **Mill Courtland Community Centre** (\$2M in 2024)
- **Downtown Fire Hall** (\$7.3M in 2024-2025)
- **Full Road Reconstruction Projects** (\$40M in 2024)
- **Cycling Infrastructure** (\$700k in 2024, \$7.6M overall)
- **Traffic Calming** (\$424k in 2024, \$4.6M overall)
- **Aquatics Centre at Schlegel Park** (\$56M in 2024-2025)
- **Indoor Turf Field at Schlegel Park** (\$38M in 2024-2025)
- **New Neighbourhood Parks** (\$1.9M in 2024, \$21M overall)
- **Urban Forestry** (\$1.4M in 2024, \$11.5M overall)

Capital forecast details by division as well as related issue papers included in the appendices.



The Capital Budget is funded through various sources:

Enterprises: Funding transferred from the City’s seven Enterprises .

Tax Supported Capital Pool: Funding from the operating budget, debt, and the gas & hydro utility investment reserves to support the tax supported capital program.

Development Charges: Funding collected from development for growth related infrastructure.

Reserves: Funding saved up ahead of time by the City.

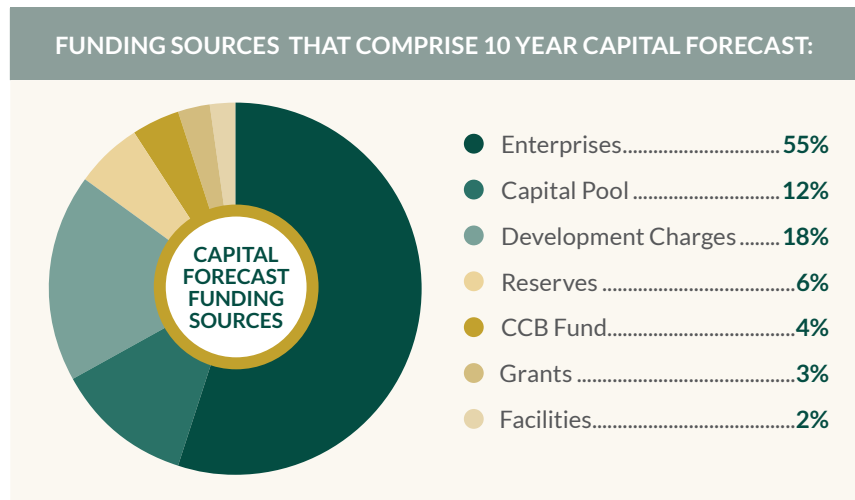
Canada Community Building (CCB) Fund: Formerly known as Federal Gas Tax funding.

Grants: Funding from other levels of government and other agencies.

Facilities Infrastructure: Funding from the facilities infrastructure reserve for City building repairs.

Additional details on the Capital Pool forecast is included in the appendices.

The following chart shows the % of each funding source making up the 10 year capital forecast:

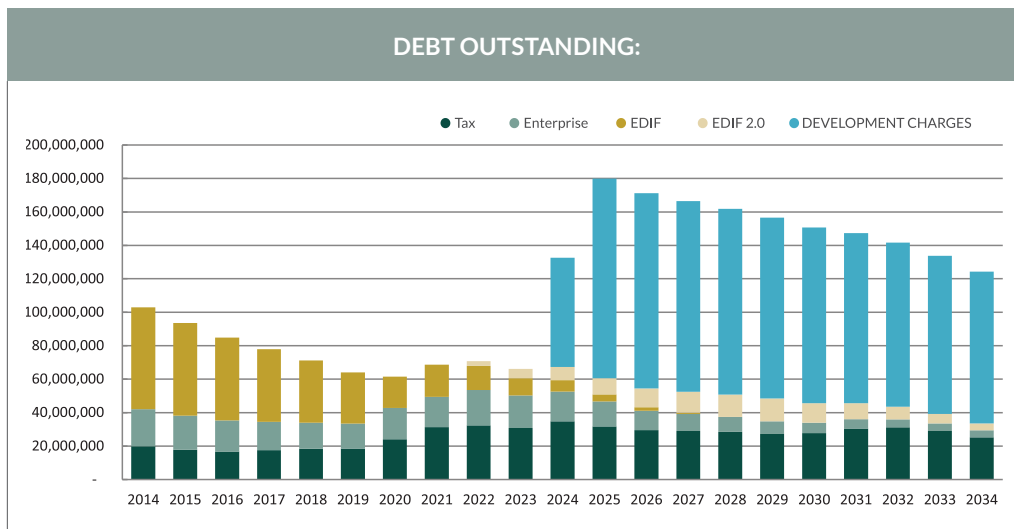


Half of the funding comes from enterprises. A significant portion of this comes from the Water Utilities (water, sanitary & storm) and is invested in full road reconstructions. Other significant funding sources include the capital pool, development charges, and reserves.

Debt

Debt is funding the City has borrowed to complete capital projects. The City is managing down its debt load and is tracking well against industry and provincial benchmarks. This is a very positive financial position.

The chart below shows the total debt outstanding broken into components:

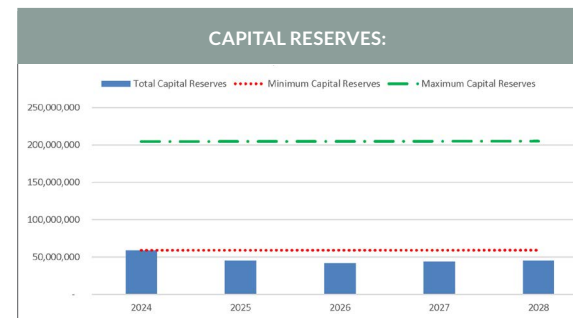
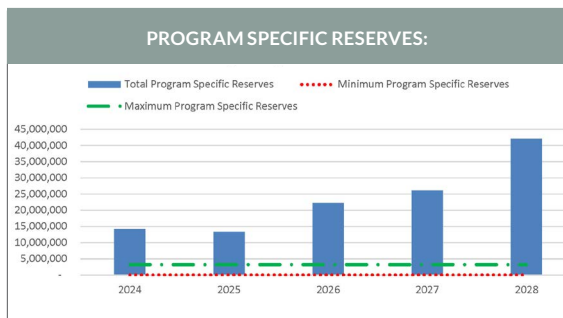
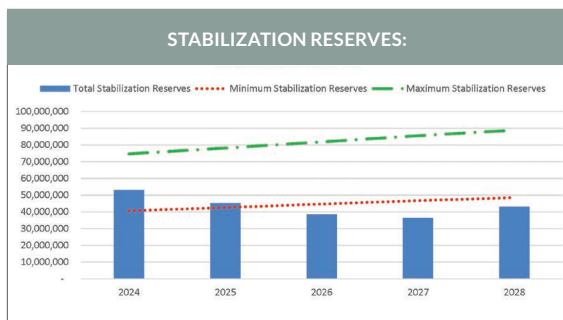


- Tax supported debt, which is issued each year to help fund the Capital Pool hovers around the \$20M mark
- Enterprise debt which will be repaid from non-tax sources. These include the Golf enterprise, Parking enterprise, the Kitchener Rangers, and cemetery debt.
- EDIF (Economic Development Investment Fund) debt that was issued to fund EDIF projects and will be fully paid off in 2027.
- EDIF 2.0 debt that was issued in 2022 and be fully paid off by 2039.
- DC debt which is issued for growth related projects funded by development charges (DCs). This debt will be fully repaid by future DCs and has no impact on tax/utility rates. The amount of potential DC debt issued in 2025 will depend on DC cash flows which have been negatively impacted by changes in Provincial legislation such as Bill 23.

Reserve and Reserve Funds

Reserve funds are raised for a specific purpose or to protect against unanticipated costs. The City has five categories of reserve funds; Corporate Reserves, Capital Reserves, Development Reserves, Program Specific Reserves, and Stabilization Reserves.

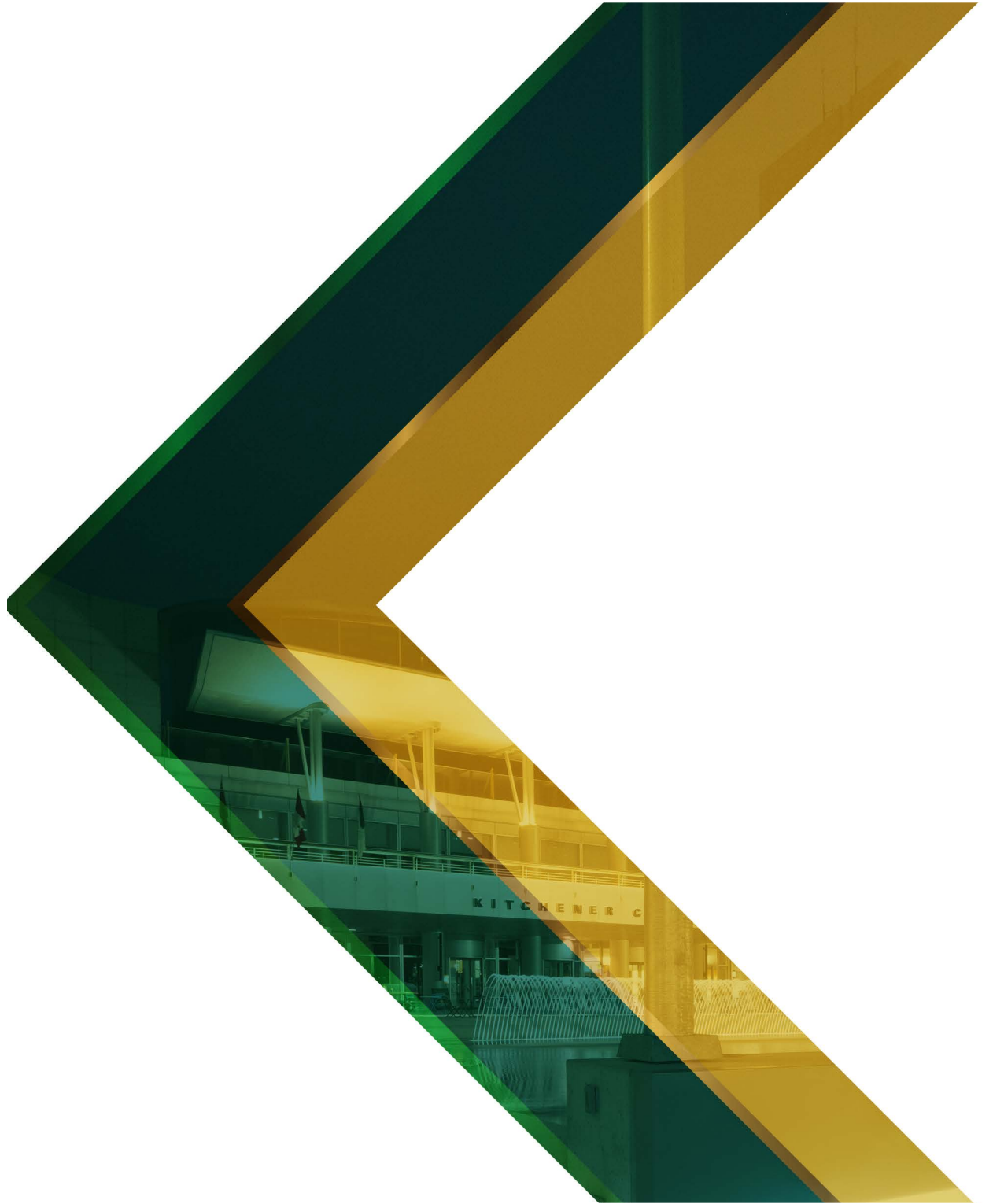
Minimum and maximum balances have been established for these reserve funds based on best practices and benchmarks. These minimum/maximum targets have been consolidated for each category to show how the City is doing in achieving these targets.





CITY OF KITCHENER
2024 DRAFT BUDGET SUMMARY

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