



CITY OF KITCHENER

2025 BUDGET SUMMARY

KITCHENER.CA/BUDGET

Capital Budget November 25, 2024

KITCHENER.CA/BUDGET



Overview by the CFO



Budget Calendar

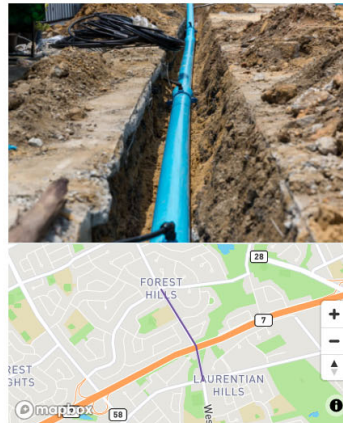
Date	Topic
Nov 18	Operating Budget Presentation by staff
Nov 25	Capital Budget Presentation by staff
Nov 25	Public Input Night
Dec 2	Mayor's Budget Proposal
Dec 9	Council Amendments due to Clerks
Dec 12	Council Votes on Amendments/Mayor Can Veto
Dec 27	Budget Adopted (Automatic)



New for 2025 – Open Book

- Open Book is online tool that provides information about capital projects
 - Description
 - Budget
 - Picture
 - Location
- Check it out at:
kitchener.questica.openbook.com

WESTMOUNT RD OTTAWA TO GREENBRO



Budget to Complete

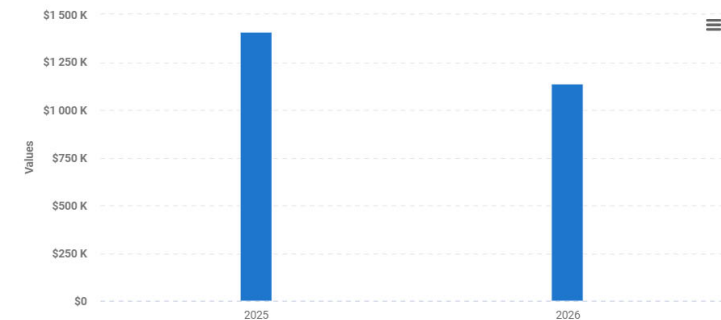
\$2.5M

Total Projected Cost

There are two cast iron watermain along the majority of this stretch of road that were installed in the 1950s. The condition of the watermain has been evaluated and are at the end of their useful life. In addition, the size and location of this watermain in proximity of the expressway makes the section important to replace. As well, the watermain break data supports this conclusion. A single, larger watermain is being proposed to reduce the cost and allow room for other utilities in the corridor.

Project Number: 900701058
Project Category: Infrastructure Renewal
Status: On Track
Strategic Plan Alignment: Core Service

Expenses



Budget Overview



Operating Budget

- \$559 million expenditures in total (i.e. tax supported + enterprises)
- \$276 million expenditures excluding enterprises (i.e. tax supported)
- Annual delivery of programs and services for the community



Capital Budget

- \$290 million in first year
- \$1.9 billion over the ten-year forecast
- Projects with defined scope that help address our asset replacement needs



Reserve and Reserve Funds

- \$140 million projected to be in Reserve Funds at end of 2024
- Rate Stabilization Reserves help mitigate risk and potential budget fluctuations
- Some Reserves are established for a specific purpose and use



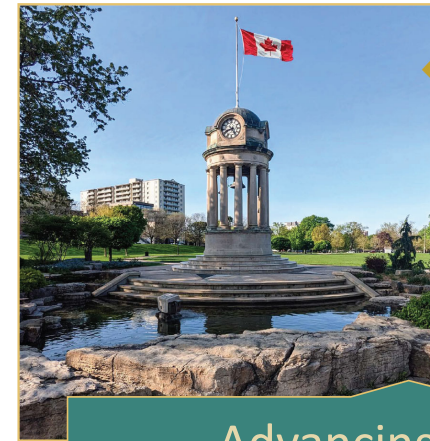
2025 Budget Priorities



Delivering City Services



Investing in Infrastructure



Advancing Strategic Priorities

**WE
ARE
KITCHENER**

KITCHENER'S 2023-2026
STRATEGIC PLAN

Capital Priority Setting

PRIORITY SETTING TO PROVIDE INPUT TO THE CAPITAL BUDGET:



ASSET REPLACEMENT & REHABILITATION NEEDS:

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.



GROWTH RELATED NEEDS:

2022 Development Charge Study reflected in forecast.

Investments in new infrastructure to support new residents.

Maintaining the concept of 'Growth pays for growth'.



STRATEGIC ITEMS:

Implementation of items included in the Strategic Plan.

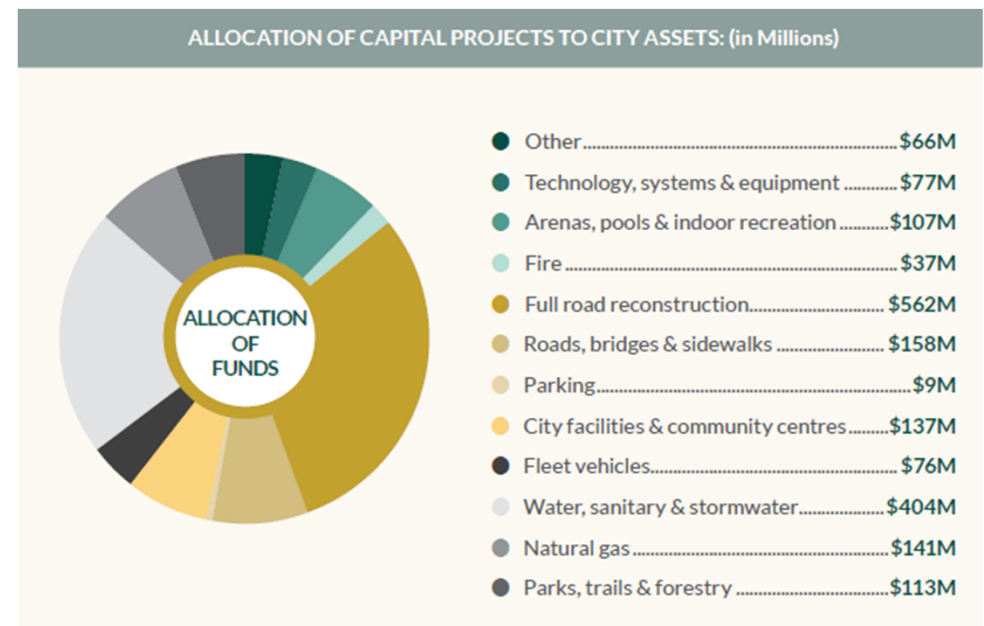
Priorities reflecting corporate and community needs.



Capital Budget Summary

Addressing Kitchener's Infrastructure Needs

- 470 projects with \$1.9B in planned spending over next 10 years
- Majority of Capital Budget is focused on infrastructure renewal
- Capital costs are increasing more than CPI inflation
- Capital funding requirements/shortfalls will need to be addressed over time through future budgets
- More Provincial/Federal funding is needed to fully address municipal infrastructure funding needs





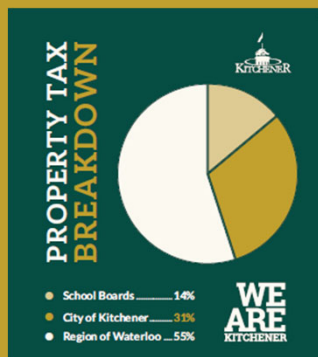
Budget Communication Follow Up Discussion

Communicating City budget information and value for service

- **Objective:** Increase resident understanding of the multiple components of their tax bill (i.e., City, Region and Education)
- **Objective:** Help residents better understand the broad range of programs and services provided to them within the City's portion of the property tax bill.

Existing communication: budget

Bill insert



Your property tax bill is made up of three main components:

Municipal taxes

The tax rate to cover the costs of supplying municipal services is based on city council's adoption of our annual budget which, in 2023, is 4.84%.

Regional taxes

This portion is remitted to the Region for services including public transit, waste management, housing and shelter and public health and emergency services.

Education taxes

This tax rate is set by the Province of Ontario and remitted to the local school board you support.

Videos



"How your city budget works"



"Region vs. City"

Social media

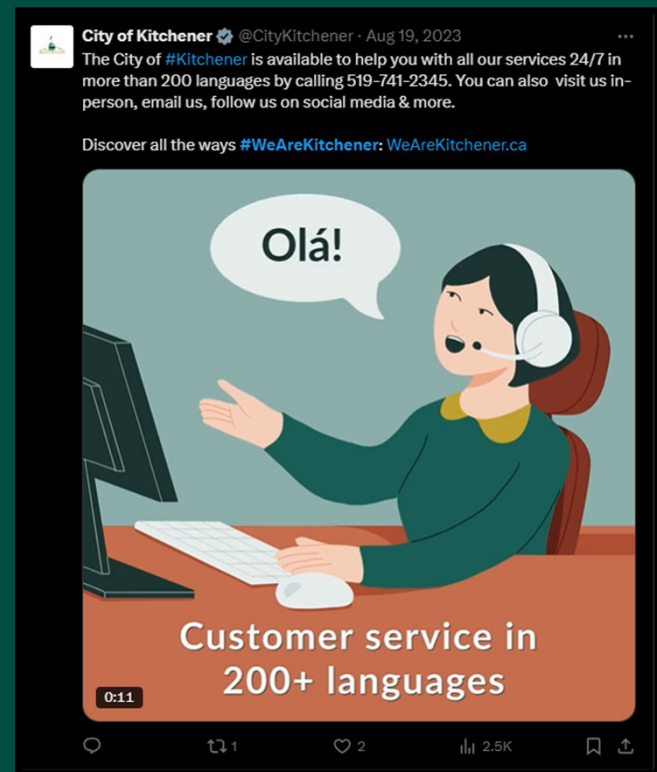
Public engagement



City of Kitchener 2025 Budget

Share your investment priorities to inform Kitchener's 2025 budget

Existing communication: City services



Proposed additional communications (2025)

- **Radio campaign** – series of ads during budget process and before each tax bill.
- **Digital advertising** – geotargeted to Kitchener residents



Strategic Addition Discussion



Strategic Addition Funding

- \$1M of one-time funding available in capital
- No specific options recommended by staff, but have identified priority areas for investment
 - City Facilities
 - Outdoor Recreation
 - Corporate Climate Action Plan
- Strategic Item issue papers included in Appendix G
 - Op 01 Strategic Additions



Capital Funding Sources

10 Year Capital Funding Sources

FUNDING SOURCES THAT COMPRISE 10 YEAR CAPITAL FORECAST:



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



10-Year Capital Funding Sources

Funding Source	(000's)		
	2024	2025	Change
Capital Pool	210,606	204,471	(6,135)
Development Charges	315,543	290,677	(24,866)
Enterprises	972,185	1,082,137	109,952
Reserves	113,409	125,396	11,987
CCB Fund	70,659	75,463	4,804
Facilities Infrastructure	40,440	42,030	1,590
Grants	47,064	46,425	(639)
Other	-	-	-
Total	1,769,906	1,866,599	96,693



Tax Supported Capital Pool

- Capital Pool (aka C/C) is fully balanced in all 10 years
 - Appendix C, page C2
- Includes:
 - Capital out of Current
 - Annual Debt Issue
 - Gas Utility Investment Reserve
 - Hydro Utility Investment Reserve



Adjusting the Capital Budget

Adjustments in one area require...

- CHANGE to OTHER CAPITAL PROJECTS
 - Current project impact
- CHANGE in RESERVE CONTRIBUTION
 - Future project impact
- CHANGE in C/C
 - Current tax impact
- CHANGE in DEBT
 - Future tax impact

Debt



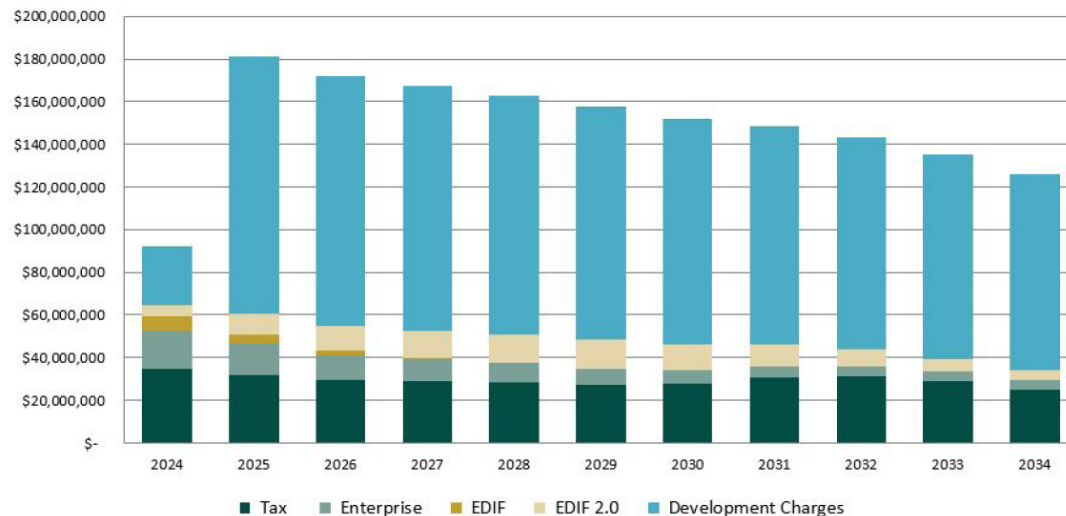
Debt

- Debt is funding the city has borrowed to complete capital projects
 - Similar to getting a mortgage to buy a house
- Interest rates and terms are fixed when debt is issued with no option to open and renegotiate
 - Like a closed, fixed rate mortgage



Debt Forecast

DEBT OUTSTANDING:



- 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.



Development Charges



Development Charges (DCs)

- Fees imposed on development to fund “growth-related” capital costs
 - Typically paid at the building permit stage
 - Provisions for delayed payment for some building types
- Principle is that “growth pays for growth”
 - Financial burden is not borne by existing taxpayers

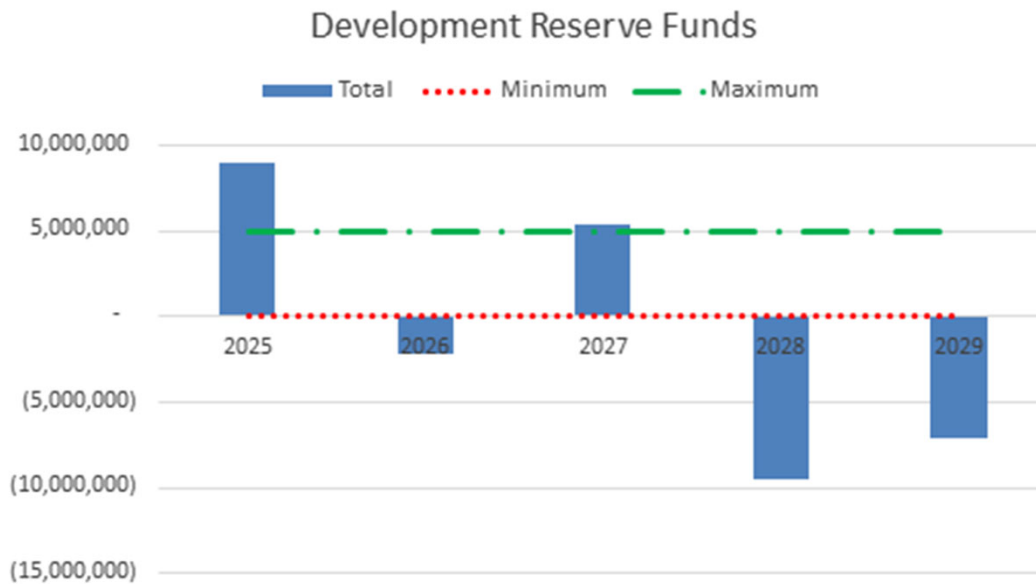


Development Charges Act

- DC Act sets out details of the method of calculation
- City updated DC by-law & background study in 2022, with new rates effective July 1, 2022
 - Administrative changes to comply with legislation
 - Updated project costs & timing



DC Reserve Forecast



- DC revenues impacted by the rate of growth
- Large projects in the next few years will draw on DC reserves
 - Kitchener Indoor Recreation Centre (KIRC)
 - Strasburg Road
 - Otterbein Pump Station
- DC debt being issued
 - Debt costs will be fully funded by future DCs

Reserve Funds (Appendix D)



Reserve Funds

- Reserve funds have been collected by the City for a specific purpose or an unanticipated event
 - Similar to a personal savings account or RRSP
- Reserve balances have generally been positive, but many are below the minimum funding targets
- The next few slides discuss the City's reserve framework and show reserve levels



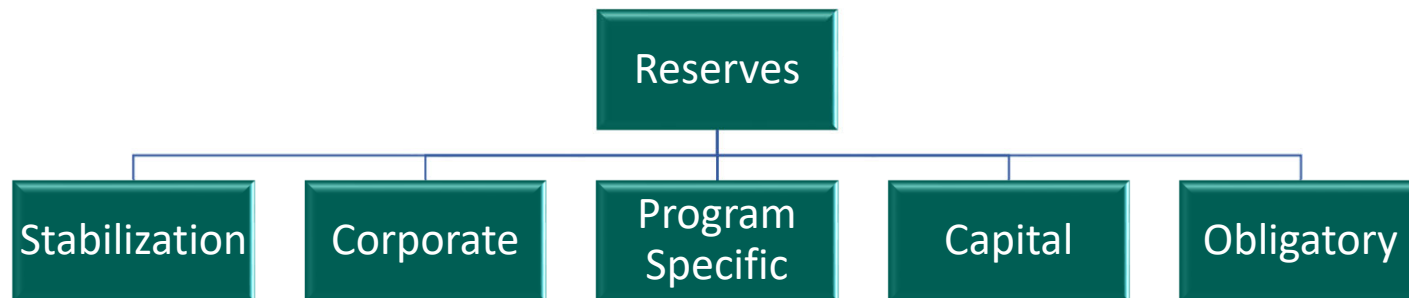
Reserve Fund Policy Highlights

- Reserve funds will only be used for the specific or intended use for which it was established
- Individual reserve funds should not have a negative balance
- Target levels for each individual reserve fund and for reserve funds as a collective
- Five categories of reserve fund



Reserve Fund Categories

- Summaries on next few slides broken down into the 5 different categories





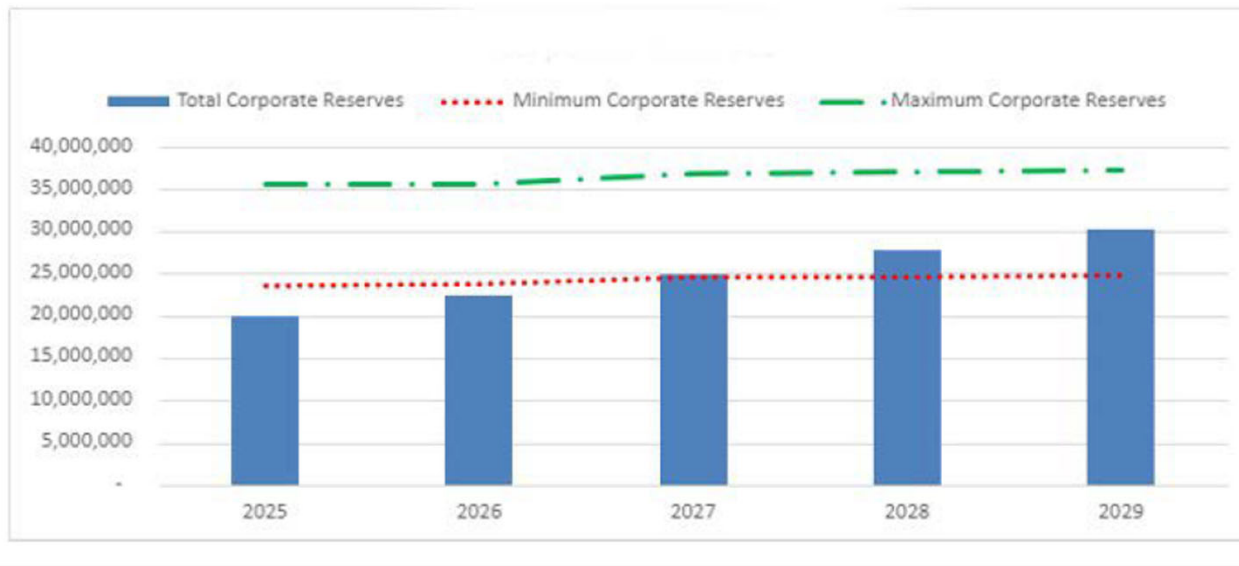
Reserve Fund Forecast Stabilization (App D, p. 1 & 6-7)





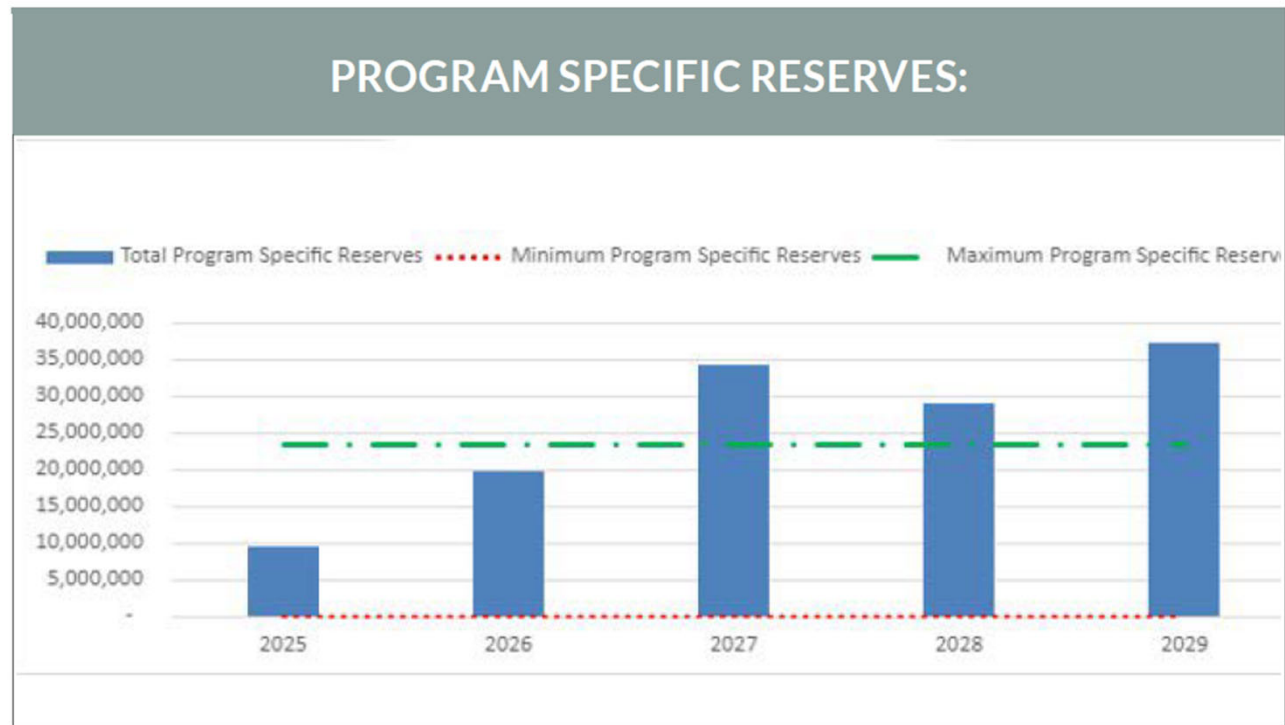
Reserve Fund Forecast Corporate (App D, p. 2 & 7)

CORPORATE RESERVES:



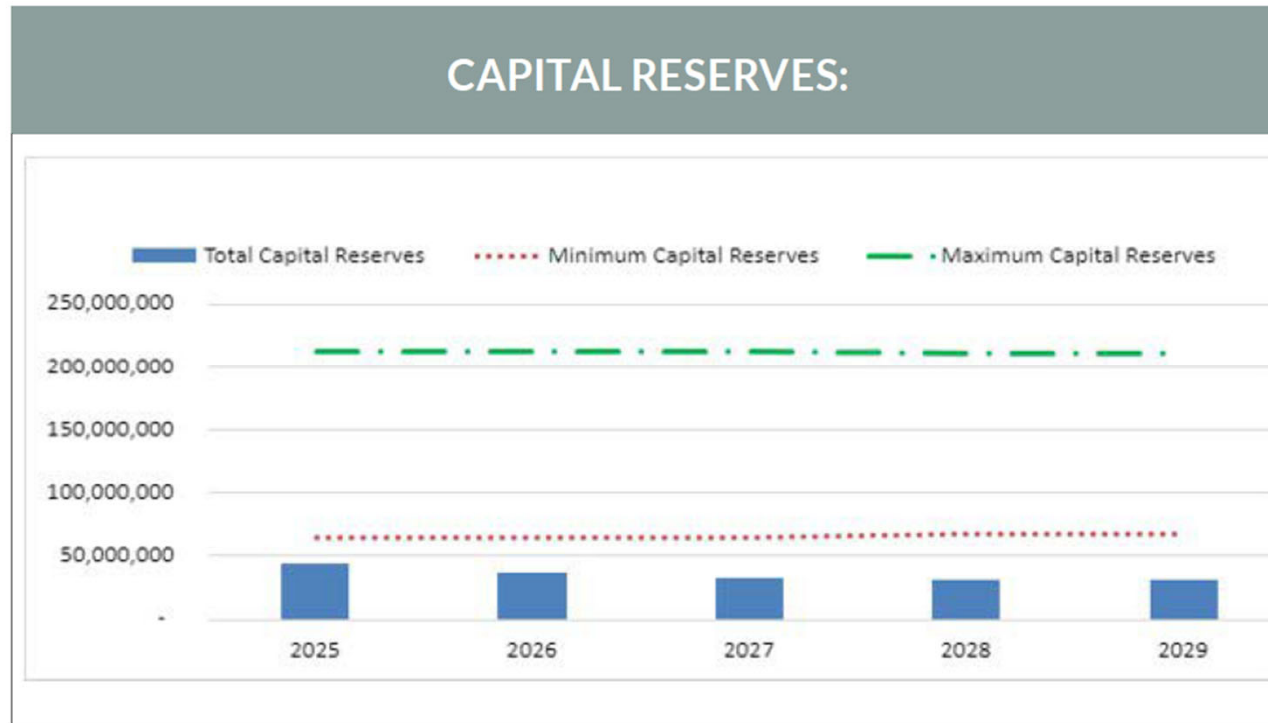


Reserve Fund Forecast Program Specific (App D, p. 3 & 8)



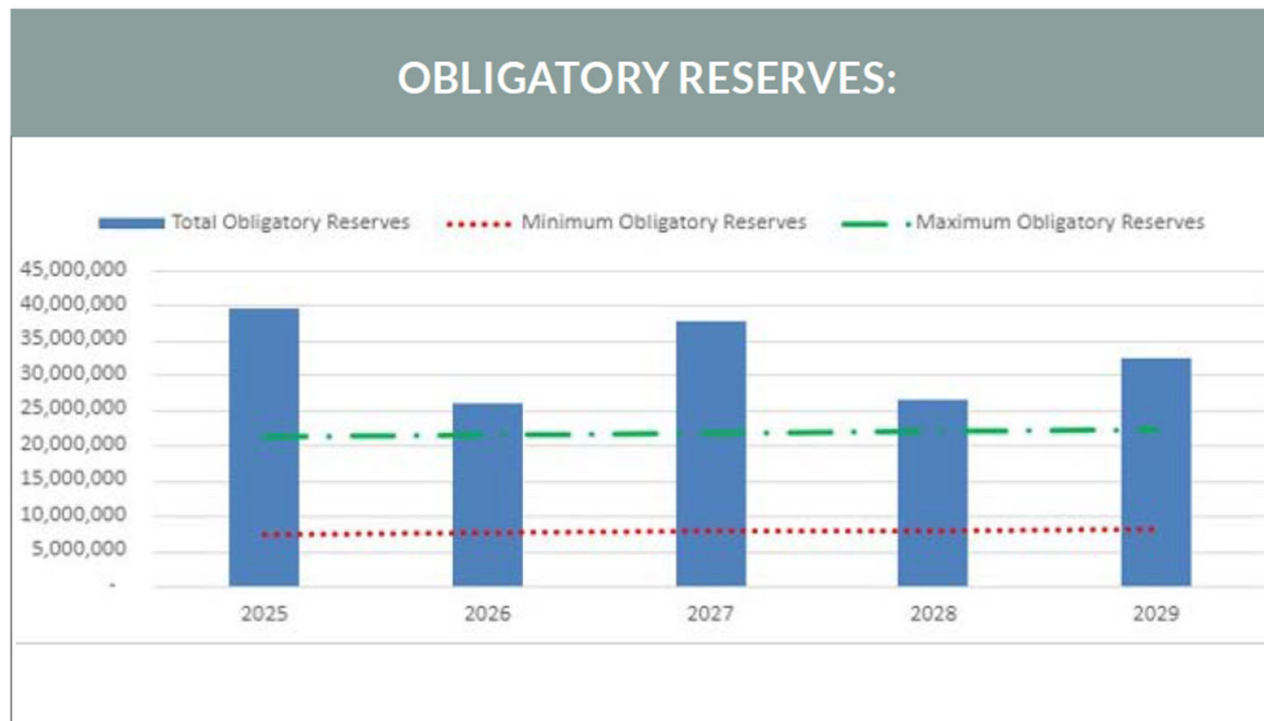


Reserve Fund Forecast Capital (App D, p. 4-5 & 9-10)





Reserve Fund Forecast Obligatory (App D, p. 5 & 10)





Capital Budget Format



Capital Budget Pages

- Pages are ordered by department, then division
- Subprojects have been broken out from Parent projects
- New projects identified by a ☒
- Estimate qualities identified for projects over \$1M (excluding general provision accounts)
- Type Column
 - Three classes of estimates (A, B & C) based on the quality of information available
 - “T” = Triple funded projects
 - Funded by Stormwater, Water & Sanitary
 - Used for Full Road Reconstruction projects
 - “TS” = Triple funded projects with sidewalk infill



Quality of Estimates

For projects over \$1M (excluding general provision accounts)

Class A

- Based on construction drawings from detailed design
- Typically includes a contingency of 5% to 8%

Class B

- Based on preliminary functional designs
- Typically includes a contingency factor of 20% to 30%

Class C

- Based on preliminary sketches/plans with minimum scope
- Typically includes a contingency factor of 40% to 60%



Capital Forecast (Appendix C) & Issue Papers (Appendix G)



Highlighted Budget Changes > \$250,000

Community Services p.4-16

Division	Project	Page	Comment
Fire	Major Fleet Equipment	C 7	Added \$500K/year for 5 years from 2030-2034 to reflect projected costs of replacement vehicles.
Golf	Doon - General Maintenance & Course Improvements	C 8	Added \$991K over 10-year forecast to fund increasing need for capital repairs at Doon Club House and course maintenance.
Golf	Rockway - General Maintenance & Course Improvements	C 9	Added \$1.1M over 10-year forecast to fund increasing need for capital repairs at Rockway Club House and course maintenance.



Highlighted Budget Changes > \$250,000

Community Services p.4-16

Division	Project	Page	Comment
Neighbourhood Programs & Services	Chandler Mowat Community Centre Splash Pad	C 10	Added \$670K for full reconstruction of the splash pad surface and introduction of new modern features and controls.



Highlighted Budget Changes > \$250,000 Corporate Services p.17-22

Division	Project	Page	Comment
Corporate Comms	Website Refresh	C 17	Brought forward the Website Refresh budget from 2031 to 2026 based on expected need.
TIS	Computer Infrastructure Provision	C 22	Added \$6M over 10-year forecast to fund the purchase and lifecycle maintenance of technology infrastructure.
TIS	WREPNet Fibre Project/Web Infrastructure	C 22	Added \$314K over 10-year forecast to fund increased monthly rates due to inflationary increases.



Highlighted Budget Changes > \$250,000

Development Services p.23-41

Division	Project	Page	Comment
Economic Development	Conrad Centre for the Performing Arts	C 24	\$850K was added over 10-year forecast to fund the purchase and maintenance of theatrical equipment.
Engineering	Stirling Ave S CN Rail Bridge/ Resurfacing City Streets	C 28 & C 38	Reallocated \$2.7M from Road Resurfacing to repair Stirling Ave CN Rail overpass which has been deemed to be in poor condition. More information in issue paper Cap 01.



Highlighted Budget Changes > \$250,000 Development Services p.23-41

Division	Project	Page	Comment
Engineering	Road Reconstruction Projects (WIP Road Reconstruction Program) NOTE: These are projects with type "T" or "TS"	C 29-33	Adjustments made based on priority of projects and funding constraints. Significant components of the infrastructure that comprises these projects have been identified as being at the end of its life cycle and requires replacement. More information in issue paper Cap 02.



Highlighted Budget Changes > \$250,000 Development Services p.23-41

Division	Project	Page	Comment
Planning	Land Acquisition for Future Housing	C 40	Added \$10M grant funding from the Building Faster Fund.
Planning	Heritage Property Grant Program	C 40	Added \$588K over 10-year forecast to expand the existing grant program.



Highlighted Budget Changes > \$250,000

Financial Services p.43-44

Division	Project	Page	Comment
Financial Reporting & ERP Solutions	SuccessFactors Payroll	C 43	\$2.75M added in 2025 for replacement of Peoplesoft and Payroll systems with SAP SuccessFactors
Financial Reporting & ERP Solutions	SAP S/4HANA Upgrade	C 43	\$15M added over 2026-2029 for upgrade to SAP S/4HANA system. More information in issue paper Cap 03.



Highlighted Budget Changes > \$250,000

General Expense p.45-46

Division	Project	Page	Comment
Boards	Central Library Capital Campaign	C 45	\$2.2M added in 2034 facility as it reaches 20 years old.
General Expense	Bramm Yards Environmental Assessment	C 46	\$1M grant funding from the Building Faster Fund.
General Expense	Strategic Addition	C 46	\$1M added in 2025 for Council's discussion/direction. More information in issue paper Op 01.



Highlighted Budget Changes > \$250,000 Infrastructure Services p.47-64

Division	Project	Page	Comment
Facilities Management	Kitchener Indoor Recreation Complex (KIRC)	C 47	Added \$46M to 2025 for the Council-approved design of the KIRC.
Facilities Management	Facility Maintenance Projects	C 47	Added \$5.5M to 2025 based on facility needs. More information in issue paper Cap 04.



Highlighted Budget Changes > \$250,000 Infrastructure Services p.47-64

Division	Project	Page	Comment
Gas	Gas Pipelines	C 51	Added \$2.2M in 2025-2026 to replace aging infrastructure to ensure compliance with the Natural Gas Distribution System Integrity Management Program (DSIMP).
Gas	Gas Meter Installation	C 51	Added \$468k in 2025-2026 to support the installation of meter protection at approximately 1,000 locations throughout the City to ensure compliance with Technical Standards and Safety Authority (TSSA) requirements.



Highlighted Budget Changes > \$250,000 Infrastructure Services p.47-64

Division	Project	Page	Comment
Roads & Traffic	Sidewalk Repair/ Replace	C 52	Added \$2.4M over the 10-year forecast to address inflationary increases of concrete supply costs.



Highlighted Budget Changes > \$250,000 Infrastructure Services p.47-64

Division	Project	Page	Comment
Parks & Cemeteries	Upper Canada Park	C 57	Added \$1.5M in 2025 to support the final phase of development.
Parks & Cemeteries	McLennan Park	C 58	Added \$2.0M in 2025-2028 for comprehensive master planning and transitioning of park amenities.



Highlighted Budget Changes > \$250,000 Infrastructure Services p.47-64

Division	Project	Page	Comment
Sanitary	- Pumping Station Replacement - Manchester SPS Rehab	C 59	Transferred \$10.3M from Pumping Station Replacement general provision account to Manchester SPS Rehab.
Sanitary	Moore Sewage Pumping Station	C 59	Project was initially scheduled for 2023 however it has been closed out and rebudgeted to 2027.
Sanitary	- Trunk Sewer Rehab - Ottawa Trunk Sewer Rehab	C 59	Transferred \$3.8M from Trunk Sewer Rehab general provision account to Ottawa St Trunk Sewer project.



Highlighted Budget Changes > \$250,000 Infrastructure Services p.47-64

Division	Project	Page	Comment
Stormwater	Various Projects	C 61-62	The cost and timing of several projects have been adjusted. As more projects have progressed through detailed design, this has provided a better understanding of the required work and required budget. Every reasonable effort is being made to meet the timelines in the \$50M DMAF grant agreement.
Stormwater	Hidden Valley Creek Improvements	C 61	Funds have been advanced to 2025 to address urgent erosion work. Total cost of the project has decreased resulting in a reduction to the budget of \$3.5M.
Stormwater	DMAF – Sandrock Hydro Corridor SWM	C 62	Added \$3M grant funding from the Building Faster Fund.



Highlighted Budget Changes > \$250,000 Infrastructure Services p.47-64

Division	Project	Page	Comment
Water	Ottawa Watermain Looping	C 63	Added \$800K in 2025 to loop the watermain beneath Schneider Creek to remove a dead end watermain that is longer than our required Design Guidelines.
Water	Frederick St Watermain Replacement	C 63	Added \$375K in 2025 to replace the watermain on Frederick St between Duke St E and Weber St E.



Highlighted Budget Changes > \$250,000 Infrastructure Services p.47-64

Division	Project	Page	Comment
Water	• Highway 7 Extension – Secondary Watermain • Victoria St – Frederick to Bruce • Fischer Hallman – Forest Hill to Expressway • Westmount Rd – Ottawa to Greenbrook	C 63-64	These projects have been moved out in the forecast to coincide their timing with work being done by the Region.