



CITY OF KITCHENER

2026 BUDGET SUMMARY

Affordable Today, Ready for Tomorrow



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CITY OF KITCHENER

2026 BUDGET SUMMARY

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2026 CITY OF KITCHENER

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Budget at a Glance

Rate Increases and Impact on Homeowner:

The rate increases included in the 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	RATE INCREASE	ANNUAL IMPACT ON HOMEOWNER	BASIS FOR HOW THE IMPACT IS CALCULATED
Property Taxes	2.20%	\$29	Assessment of \$326,000
Water Utility	4.90%	\$24	Water Consumption of 170m ³
Sanitary Sewer Utility	7.00%	\$45	Water Consumption of 170m ³
Stormwater Utility	7.40%	\$19	Residential Single-Detached, Medium
Total Impact		\$117	

Key Budget Highlights

- Gross operating expenditures (excluding enterprises): **\$309,890,000**
- Gross operating expenditures (including enterprises): **\$635,564,000**
- Net tax levy: **\$171,432,000**
- Assessment growth: **1.7%**
- 2026 capital budget: **\$201,471,000**
- 2026-2035 10-Year capital budget and forecast: **\$1,847,986,000**



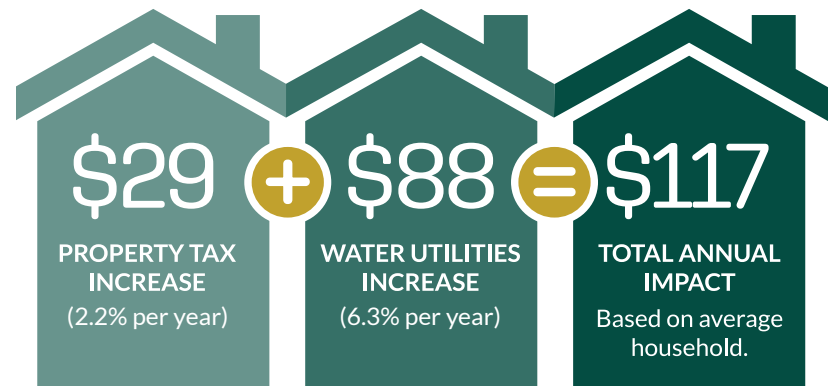
Budget Highlights

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

The City's 2026 budget represents a combined annual increase of **\$117 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:



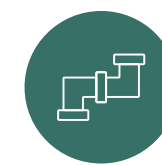
The capital budget includes more than **400 projects** with a total cost of **\$1.8 billion** over 10 years, with **\$201 million** of spending in the first year. This includes meaningful investments in areas that are important to the citizens of Kitchener, such as:

- **Additional Fire Truck** (\$1.5M in 2026)
- **Full Road Reconstruction Projects** (\$45.0M in 2026, \$597M overall in the capital forecast)
- **Community Trail Improvements** (\$1.7M in 2026, \$39.9M overall in the capital forecast)
- **Downtown Arts Facilities (Conrad, Museum SDG Idea Factory)** (\$5M in 2026)
- **Gas Pipelines** (\$10.4M in 2026, \$101.5M overall in the the capital forecast)
- **Tree Planting** (\$3.3M in 2026, \$8.2M overall in the capital forecast)
- **New Neighbourhood Parks** (\$1.5M in 2026, \$22M overall in the capital forecast)
- **Trunk Sewer Inspection & Replacement** (\$6.8M in 2026, \$25.6M overall in the capital forecast)
- **Manchester Pumping Station Rehabilitation** (\$1.9M in 2026, \$16M overall in the capital forecast)
- **Middle Strasburg Creek Naturalization** (\$4.3M in 2026)
- **Idlewood Greenway Stormwater Enhancements** (\$5.4M in 2026)
- **Stirling Avenue Watermain Replacement** (\$2.9M in 2026, \$5.4M overall in the capital forecast)

TAX DOLLARS AT WORK TO IMPROVE OUR CITY:



150
major facilities



890 km
of sanitary sewers



75,500+
street & park trees



40
winter rinks



38
soccer fields



64
baseball diamonds



25,892
ice hours



2,000 km
of maintained roads



4,830
water hydrants



2,800
sidewalk repairs



810 km
of storm sewers



3,625
parking spaces



A PROGRESSIVE CITY.

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About Kitchener

The city of Kitchener is situated on the traditional territory of the Chonnonton, 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.

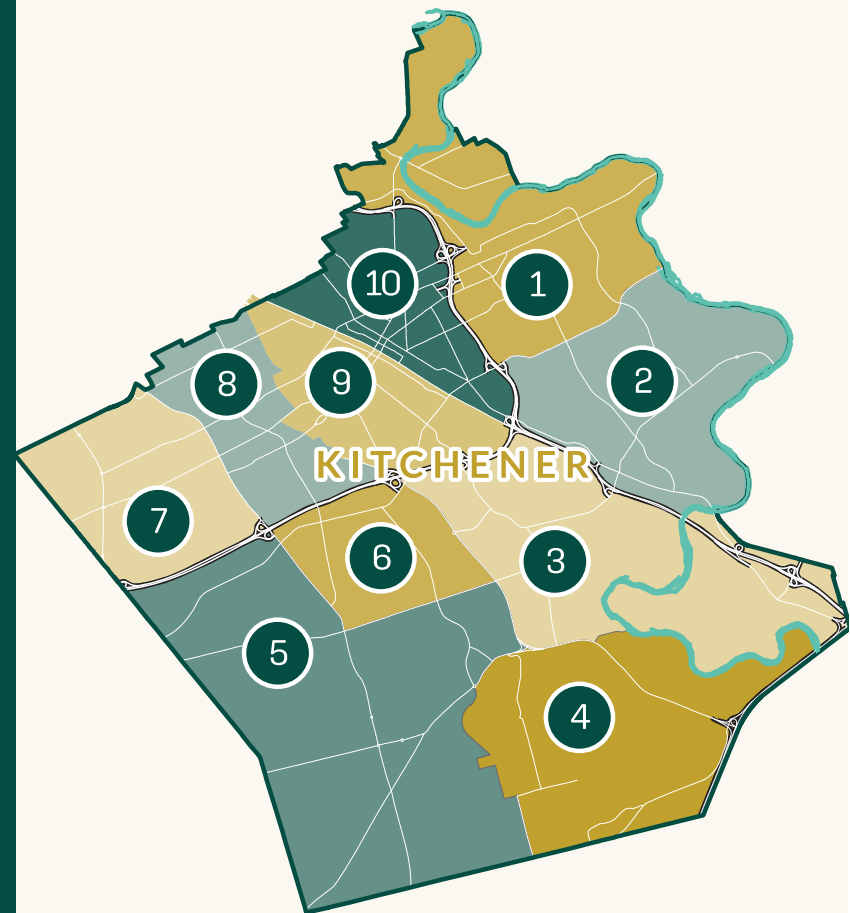
When Kitchener tries something new, the world follows. We're the anchor of Canada's Innovation Corridor, and our startup density is second only to Silicon Valley. We're the fastest growing startup ecosystem in Canada, creating 30,000 tech jobs in the past 20 years.

With a population of approximately 300,000 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 thousands of 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 Communitech Hub.

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**.

CITY OF KITCHENER WARD MAP:



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 left to right, front row to back row: Ward 3 Councillor: Jason Deneault, Ward 8 Councillor: Margaret Johnston, Mayor: Barry Vrbancovic, Ward 4 Councillor: Christine Michaud, Ward 6 Councillor: Paul Singh Ward 1 Councillor: Scott Davey, Ward 10 Councillor: Stephanie Stretch, Ward 5 Councillor: Ayo Owodunni, Ward 2 Councillor: Dave Schnider, Ward 7 Councillor: Bil Ioannidis, Ward 9 Councillor: Debbie Chapman

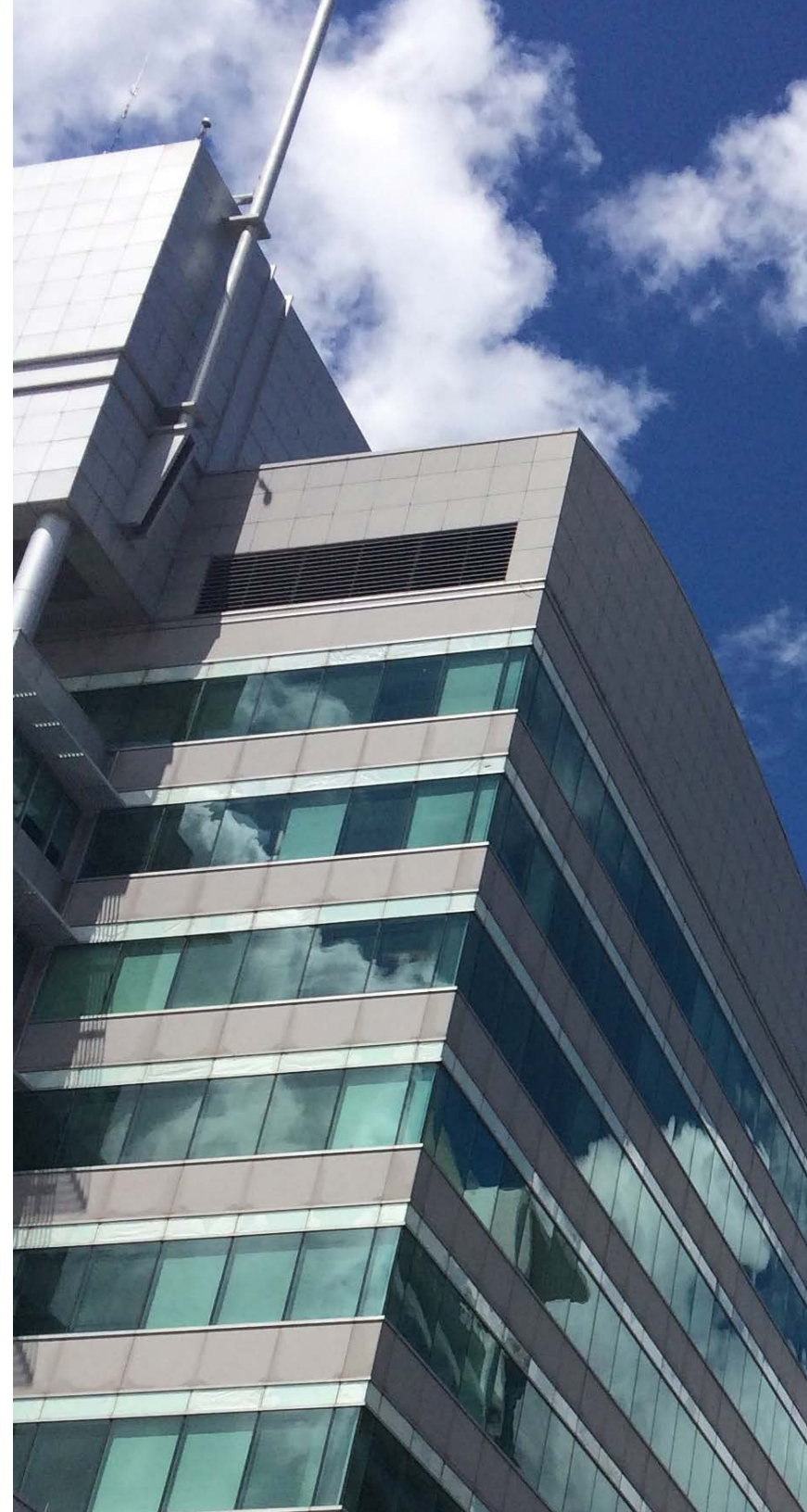
General Overview

AFFORDABLE TODAY, READY FOR TOMORROW

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 2026 budget continues to build on previous years, addressing priorities that are important for the residents of Kitchener. This year's 2026 Budget – "Affordable Today, Ready for Tomorrow" highlights how Kitchener is moving ahead in a responsible way, with smart investments for both now and for the future, while still prioritizing the need for affordable increases during a time of general economic uncertainty. With a 2026 property tax increase of 2.2%, the City of Kitchener once again demonstrates that "it gets it", balancing the need to deliver **Affordable City Services** for residents, while making **Smart Investments in Infrastructure**, and **Focusing on the Future**, with spending in key areas that advance the City's Strategic Plan priorities. A summary of how the City of Kitchener is making progress in all these areas as part of the 2026 Budget is included as follows:



Affordable City Services:

The 2026 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.

The City follows a robust budget development process which includes setting clear targets for departments to achieve overall budget goals. The 2026 budget prioritized affordability above other factors, so budget instructions to departments emphasized fiscal restraint. One example of this is direction to pause adding any new staff positions. This helped ensure the City could deliver an affordable property tax rate increase while managing other growth-related budget pressures. Taking a thoughtful approach to budgeting each year ensures the budget developed by staff for Council consideration includes only what's viewed as necessary to support the delivery of City services for the upcoming year. Following this approach has resulted in a proposed budget that maintains existing service levels, while at the same time, responds to increased pressures related to providing programs and services for a growing community.

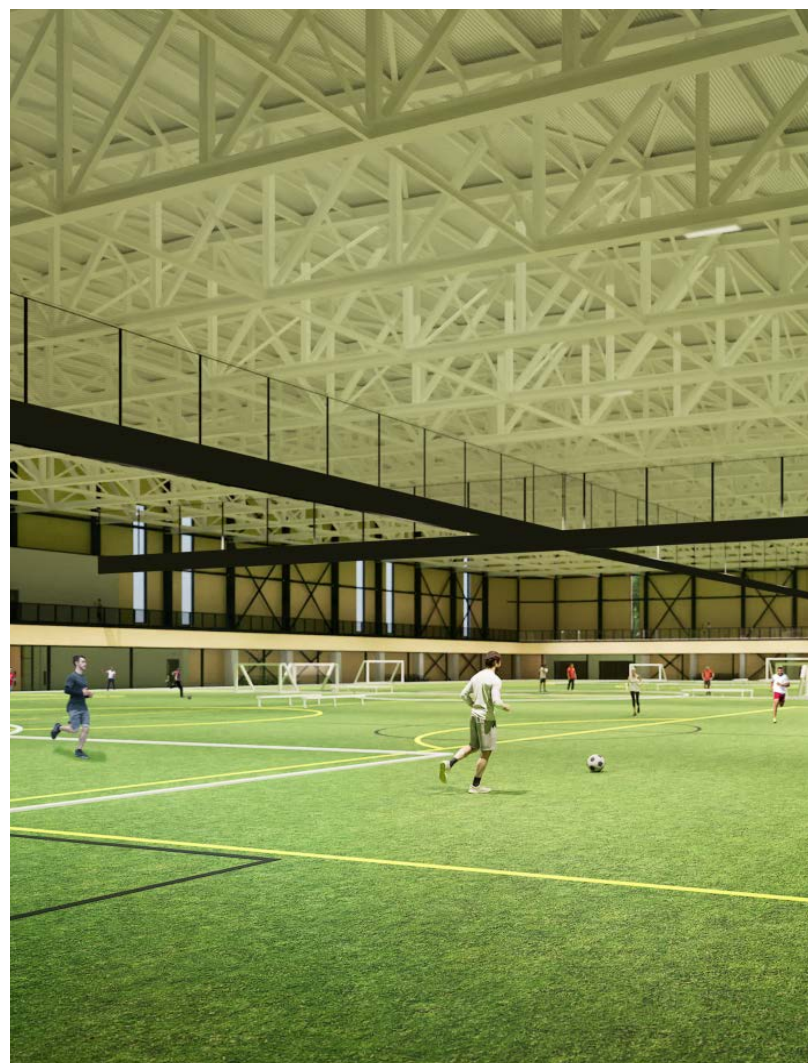
After an extended period of high inflation and interest rate increases, 2025 has presented its own economic challenges. The decision by the current US administration to levy tariffs on its global partners represents a fundamental shift in policy that has upended the Canadian and US trading relationship. US tariffs have the potential to increase the cost of everyday goods and significantly disrupt the Canadian and local economy. Understanding that affordability is top of mind, the



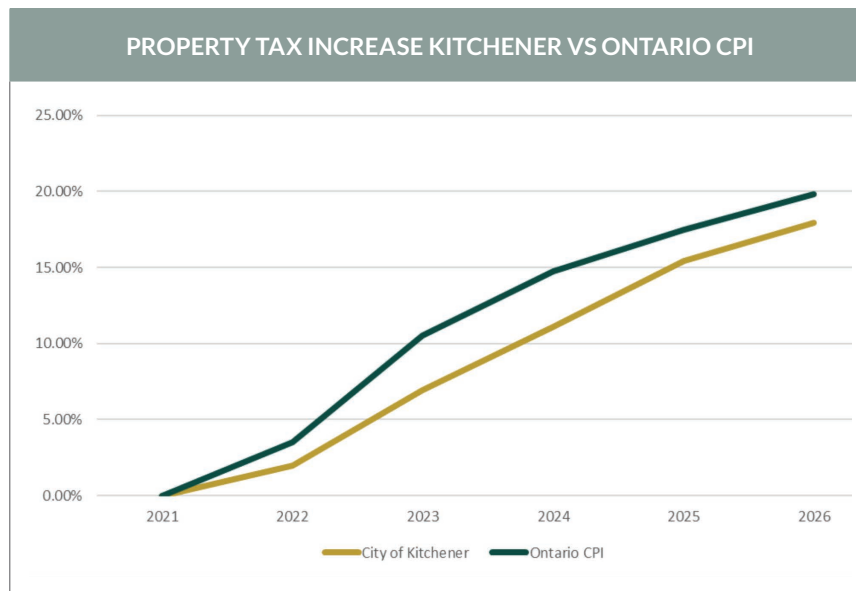
City has taken measures when planning the 2026 Budget to ensure it can continue to deliver valued programs and services for residents while carefully considering the financial impact of any proposed tax increase that's required to support the delivery of those services.

The City of Kitchener has a long history of prioritizing affordable property tax rate increases for residents. For many years the City has used a two-year inflation average as a benchmark to assess whether the proposed property tax increase is reasonable. The 2026 budget contemplates an increase of 2.2%, matching the two-year inflation average (2.2%) for Ontario. This proposed increase not only supports the operating needs for the continued delivery of programs and services, but also addresses operating budget growth-related pressures, including incorporating the full operating costs for the new Cowan Recreation Centre which represented a 0.9% tax related impact on its own.

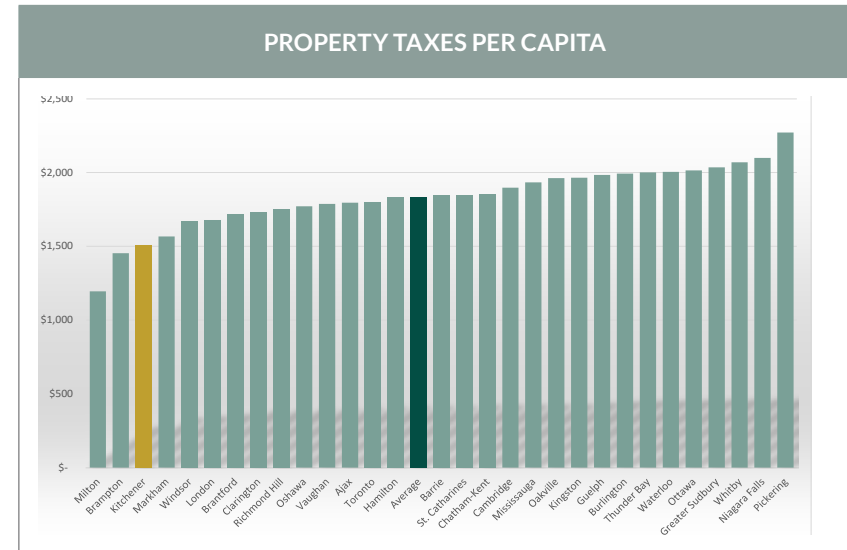
Once completed, the Cowan Recreation Centre will offer a FIFA-sized indoor turf fieldhouse, quad gymnasium, aquatic centre with two pools, cricket practice nets, indoor walking track, and spaces for programs, camps, and community gatherings. Designed to meet growing demand for diverse recreation, the facility will attract provincial and national tournaments, boosting the local economy by supporting restaurants, hotels, and retailers, and helping fund future growth. Earlier this year, Council reviewed the operating model for the new facility. Most operating costs will be covered by users, with remaining tax-related impacts offset by anticipated assessment growth. The City's ability to absorb these costs within a 2.2% property tax increase reflects Kitchener's thoughtful approach to budget planning.



By taking a responsible approach when preparing the annual operating budget, Kitchener has been able to consistently deliver property tax increases below the rate of inflation over the past 5 years as shown in the graph below:



Kitchener's track record in delivering low property tax rate increases for residents isn't something that all municipalities in Ontario have been able to achieve. Kitchener has one of the lowest property tax impacts per capita compared to other large municipalities as shown in the following graph. This demonstrates that Kitchener's focus on affordability isn't just a fad, but an ongoing commitment to operating efficiently and effectively.



The City's commitment to considering affordability as part of the budget and rate setting process should give Kitchener residents confidence that they are getting good value for the services the City provides.

Smart Investments in Infrastructure

The City owns and is responsible for maintaining approximately \$15B worth of assets. These include transportation-focused infrastructure such as roads and bridges; underground infrastructure related to water, wastewater, and stormwater; and community-based infrastructure such as facilities, parks & open spaces, trails 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 sustained population growth. This growth put more demand 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.

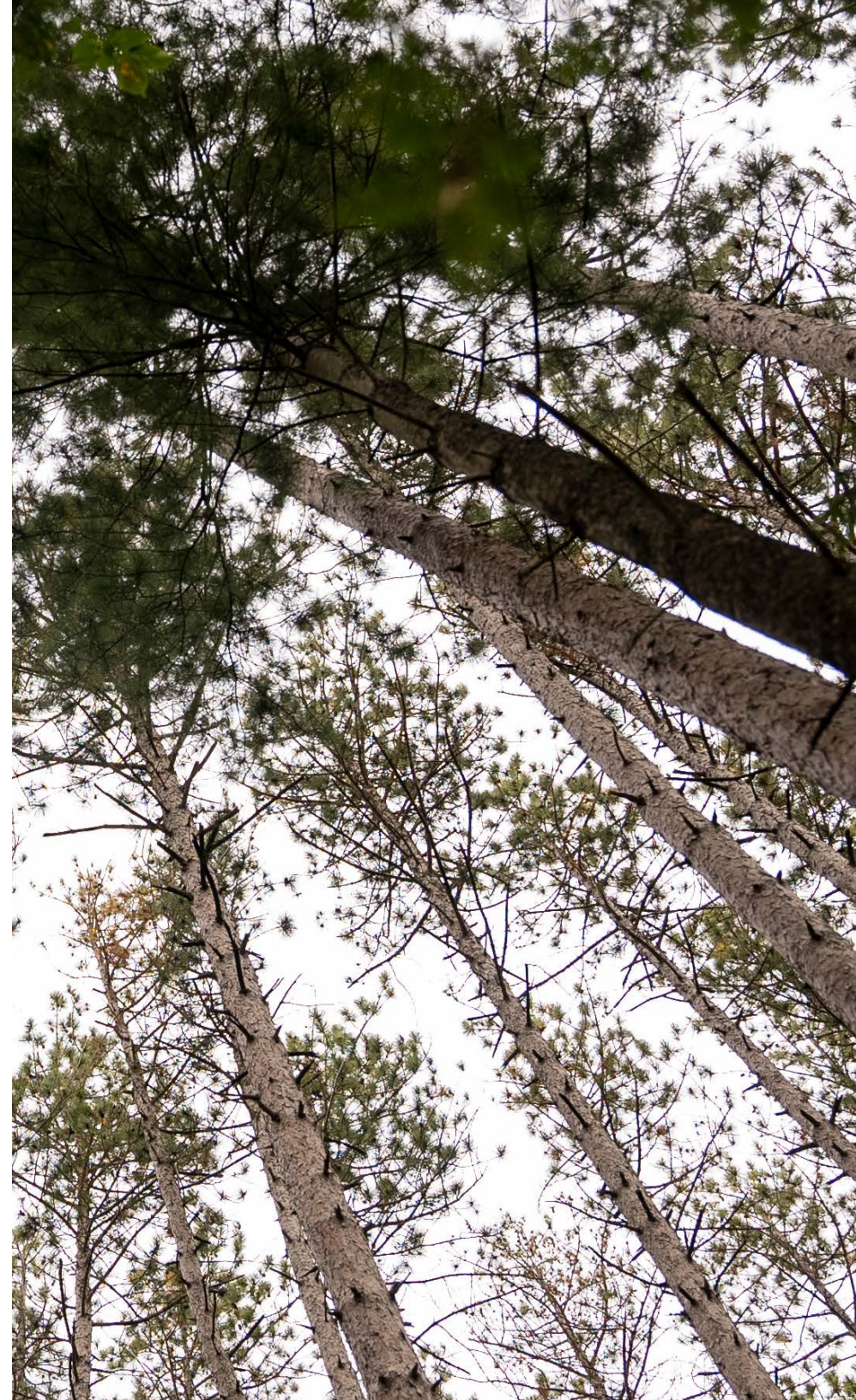
The City's capital budget identifies the infrastructure that is planned to be replaced over the next 10 years. Although the City's planned investment over 10 years is significant, it's still not enough to address all of the City's infrastructure replacement needs. Despite these challenges, the City has been proactive in addressing its infrastructure funding needs, including launching the Water Infrastructure Program (WIP) in 2017 to fund replacement of underground infrastructure (water, sanitary and stormwater). By moving to a more predictable rate model through the WIP program, the City has been able to fund approximately \$555M in capital infrastructure replacements since the program was established. The City is currently in the third year of the most recently approved 2024-2027 WIP program, which will continue to see the City make progress in addressing critical core infrastructure needs.

In addition to the WIP program, a detailed review of facilities was completed in 2019 that resulted in allocating a greater amount of funding towards facilities. Annual funding for facility infrastructure has been increased by approximately \$5M per year since 2019 and facilities continue to be a significant funding priority within the Capital Budget. In 2026, an additional \$3.4M from reserves has been allocated to support facility repairs and rehabilitation. This includes \$1M being allocated from the City's energy retrofit reserve, which was established to ensure the City is replacing

components in facilities with smart energy efficient solutions. This approach will help to reduce the City's overall facility operating costs over time, while also supporting required action to move towards a more sustainable, low- carbon future.

Besides the City's own efforts and strategies to try and address capital funding needs, staff have also pursued federal and provincial grant opportunities, successfully securing over \$200 million in federal and provincial funding over the past five years. This includes \$49.9 million in funding from the Disaster Mitigation and Adaptation Fund (DMAF), \$46.6 million from the Housing Accelerator Fund (HAF), \$24 million from the Building Faster Fund (BFF), and \$19.4 million from the Investing in Canada Infrastructure Fund (ICIF). The City was recently successful in securing \$2.5 million from the Federation of Canadian Municipalities - Growing Canada's Community Canopies fund, which will support the implementation of City's Urban Forest Strategy and the planting of over 19,000 trees over the next three years. The City continues to make smart investments, allocating capital dollars responsibly, while leveraging other funding and grant opportunities to move important priorities forward.

In addition to the rehabilitation of existing infrastructure, the City also needs to provide new infrastructure to support a growing community. This new infrastructure has traditionally been funded through development charges, maintaining the concept that growth should pay for growth. Changes to the development charge framework over the past several years have put pressure on municipalities to consider the use of other funding sources to help move forward with both housing enabling and housing supportive infrastructure.



In June 2025, the City was awarded \$10.2 million from the Building Faster Fund (BFF) for exceeding its housing targets. This was the second year that the City was awarded BFF funding, and the current allocation will be used to help fund two development charge eligible projects, Otterbein Sanitary Pumping Station Capacity Upgrades and Doon South Sanitary Pumping Station Forcemain. Both projects will support further growth and housing in Kitchener with an estimated 5,000 new homes being enabled through these projects. Having housing-enabling infrastructure in place is critical to ensure that the City and Province can meet expected housing targets by 2031, but so is the housing supportive infrastructure that makes communities a place where people want to live and call home. This type of infrastructure includes new parks and playgrounds, trails, recreation facilities, libraries, and inclusive spaces where people come together and develop a greater sense that Kitchener is where they belong.

One of the City of Kitchener's most significant recent investments is the Cowan Recreation Centre, a \$174 million facility located at Schlegel Park in the city's southwest. Fully funded through development charges, the project also received \$30 million in grant funding from the Federal and Provincial governments. It's being delivered using an Integrated Project Delivery (IPD) model - a collaborative approach that brings together designers, builders, and city staff to ensure the facility is completed on time and on budget. Opening in 2026, the Cowan Recreation Centre will be the region's most accessible building, designed to welcome residents of all abilities. It will also be one of Canada's most sustainable recreation centres, built to high environmental standards that reduce energy use and support climate goals. Spanning 220,000 square feet, the facility will expand recreational opportunities with 2,100 new swimming lessons, space for 500 additional Kitchener Minor Soccer participants, and over 7,000 hours of bookable court time. Year-round

indoor cricket practice nets will support training in a growing sport. Integrated with Schlegel Park's outdoor amenities, the centre will become a premier destination for sport and recreation across the region.

Another exciting project that is underway is the construction of Fire Station 8 along with affordable housing. This unique project will meet both practical needs for providing enhanced fire services in the downtown, but will also continue to build on the City's commitment to increasing affordable housing options in Kitchener advancing the City's Housing For All strategy.

Addressing all of the City's new and existing infrastructure needs is not without its challenges, but Kitchener has always found a way to balance taking care of what we have, while still moving ahead with exciting infrastructure projects like the Cowan Recreation Centre, that will not only support residents today but also future residents that will call Kitchener home.



Focusing on the Future

The City's 2023-2026 Strategic Plan looks at what the City can do today to create the community we want to have not just today, but decades from now. This forward look included a new 20-year vision for Kitchener: Building a city for everyone where, together, we take care of the world around us – and each other. Public engagement for the Strategic Plan included a statistically valid survey and the involvement of a demographically representative resident panel, that helped validate and confirm priorities and actions. The end result was a Strategic Plan with five goal areas including:

- **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**

While the Strategic Plan is a compelling vision of a desired outcome, the City's annual budget process provides an opportunity to ensure the right resources are being provided so the vision of the future doesn't just stay an idea but becomes a reality.

The 2026 budget includes \$1.7 million for community trails to help build a connected city where people can move without the need of a car. It also includes \$1.5 million for new neighbourhood parks that will provide much needed green spaces for the local community today and for years to come. There are investments of \$5 million for local arts & culture facilities to help foster a diverse economy that is resilient to a constantly changing trade environment. The budget includes an additional \$150,000 in RISE grant funding to provide additional opportunities for racialized communities as the City fosters a caring environment for all its citizens. Finally, the 2026 budget includes \$2.6 million to modernize core business and technology systems that will keep the City agile in keeping up with modern trends like AI and ensure good stewardship of citizen's tax dollars.

In addition to funding already included in the 2026 budget, there is \$1 million of one-time funding available and unallocated in the budget. Council can provide input as part of the budget process and allocate it to strategic priorities they wish to advance in the next year.



In Summary: The 2026 budget continues the long-standing trend of Kitchener delivering affordable city services to its residents and businesses. It also makes smart investments in infrastructure that will renew existing assets as well as create new ones. The budget is also focusing on the future by funding actions related to Kitchener's 2023-2026 Strategic Plan. All of this makes sure Kitchener is Affordable Today, Ready for Tomorrow.



Economic Considerations

The Consumer Price Index (CPI) represents the change in prices experienced by Canadian consumer. In Q1 2025 inflation rate was 2.2% year-over-year, with the provincial budget projecting full-year 2025 CPI inflation to be 2.3% in Ontario.

The Bank of Canada cut it's policy rate to 2.25% at the end of October 2025 and has indicated this is "about the right level" for interest rates. By cutting the rate, the Bank of Canada aims to ease financial conditions somewhat to support domestic activity and support growth in a weakening economy.

Fuel costs are down year-over-year by nearly 20 cents as a result of the removal of the federal fuel charge (carbon tax) starting April 2025.

Construction costs rose moderately by 3.4% in early 2025 relative to 2024 as the US tariffs have the potential to increase the cost of everyday goods and significantly disrupt the Canadian and local economy.

CURRENT ECONOMIC TRENDS:				
				
INFLATION	INTEREST RATES	FUEL	CAPITAL COST ESCALATION	HOUSING COSTS
1.9%	2.25%	\$1.39/L Average fuel price	3.4%	\$788K Average home price 2025

UNDERSTANDING

The Budget Process

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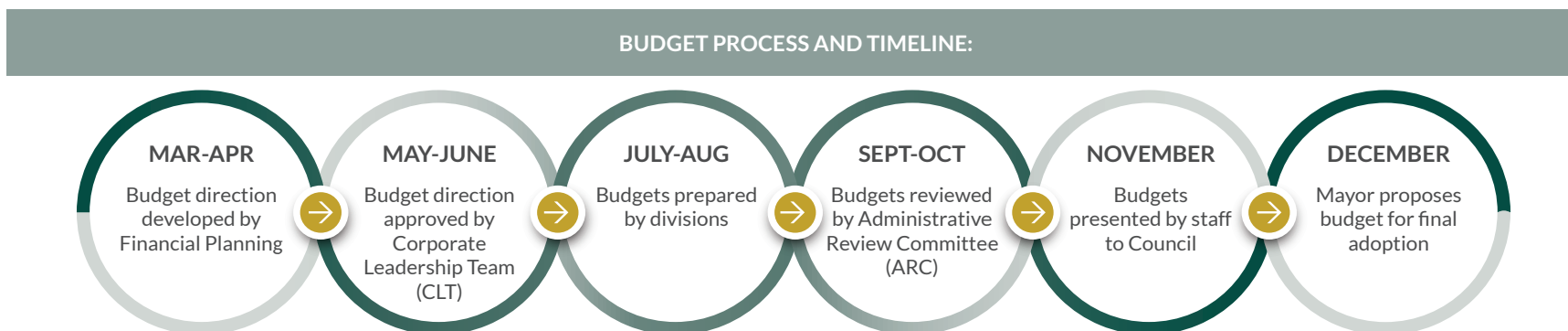
The annual budget advances the City of Kitchener's values and priorities, which are developed through a long process of listening to the broader community through various public engagement opportunities such as the strategic planning process and through the development of various master plans.

In the first quarter of 2025, 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**

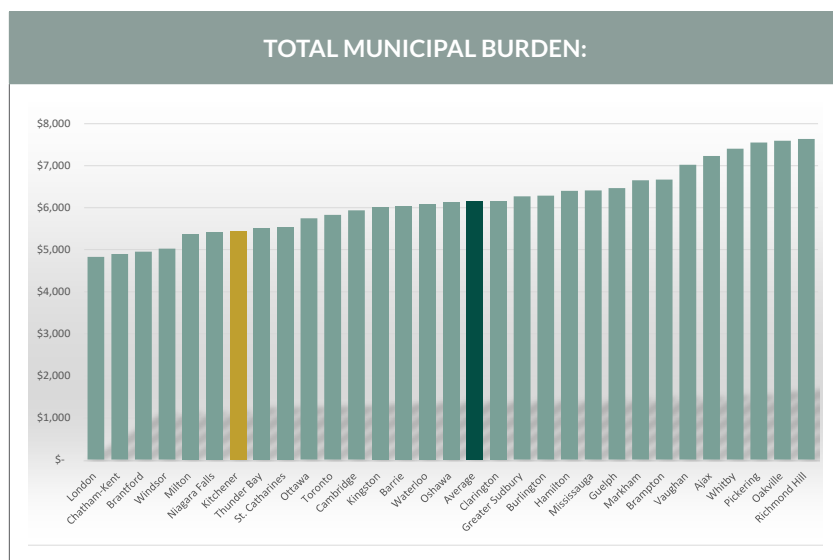
The timeline below shows the high level steps involved with creating and adopting the annual budget and reflects Strong Mayor legislation.



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. for the average residential property. Kitchener (\$5,437) holds the seventh lowest ranking in the province and is well below the average (\$6,150).

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.

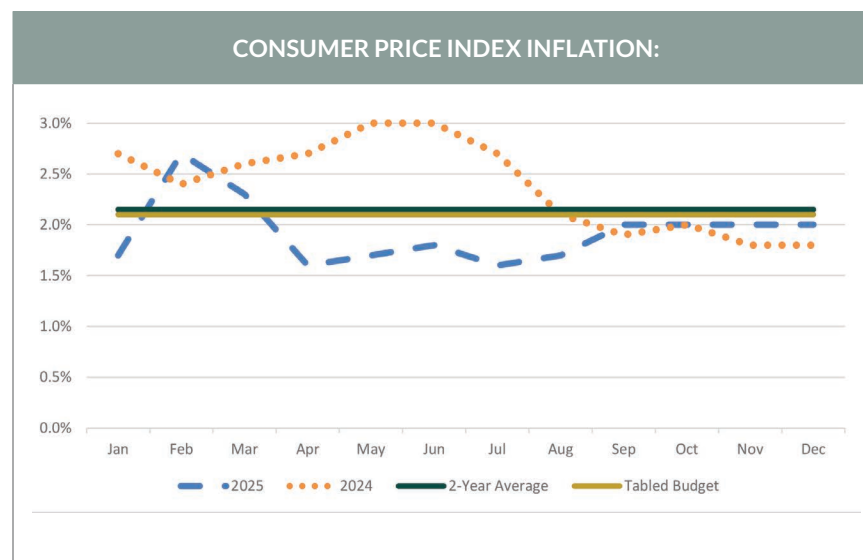


Inflationary Factors Unique to Municipalities:

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.

For the 2026 budget, the two-year average of CPI inflation is 2.2%. The tax rate increase of 2.2% is fully in line with the two-year average and accommodates necessary spending on core services, strategic priorities, and growth pressures on City services as the local population continues to increase.

The figures for this year's budget are shown in the graph 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 2024, the City ended the year with an operating surplus and is projecting to end 2025 with a surplus as well. The year-end projections have been included in the Tax Supported Operating Budget Details by Division as an appendix.

CITY VERSUS REGIONAL

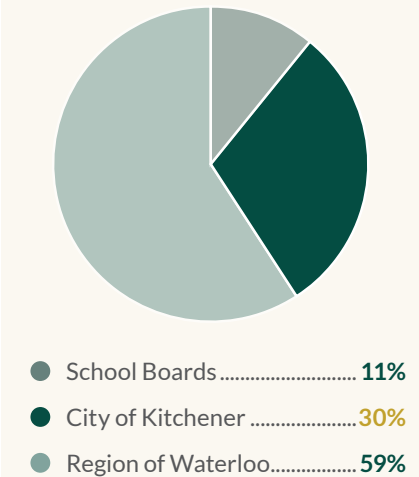
Services Overview

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

BUDGET BREAKDOWN

The City's portion of the tax bill is **30%**, with the Region of Waterloo and local school board portions making up the remainder.



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.

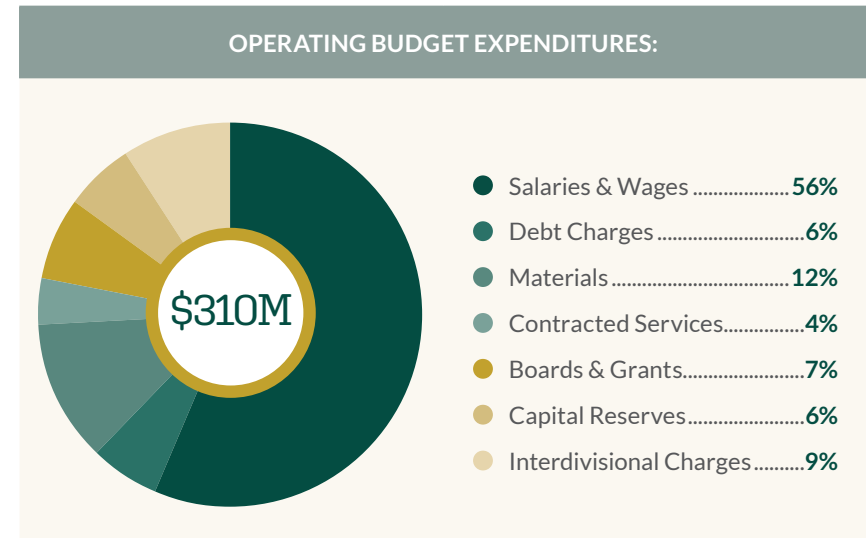
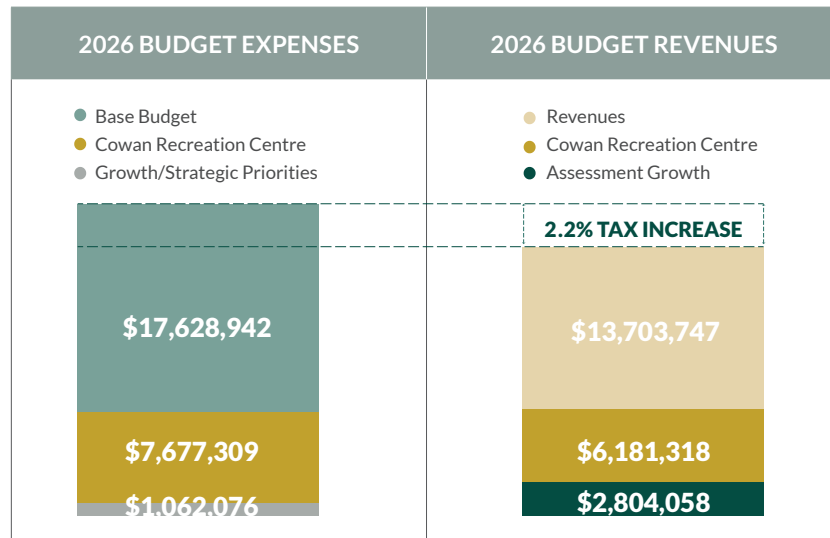
To learn more about the services we offer visit [WeAreKitchener.ca](https://www.kitchener.ca/wearekitchener)

OVERVIEW OF THE

Tax Supported Operating Budget

The 2026 net tax levy increase is **2.2%** and would amount to an additional **\$29 per year, or just over \$2** per month for the average Kitchener home (assessed at \$326,000). The 2026 budget contemplates an increase of 2.2%, which is in line the two-year inflation average (2.2%) for Ontario.

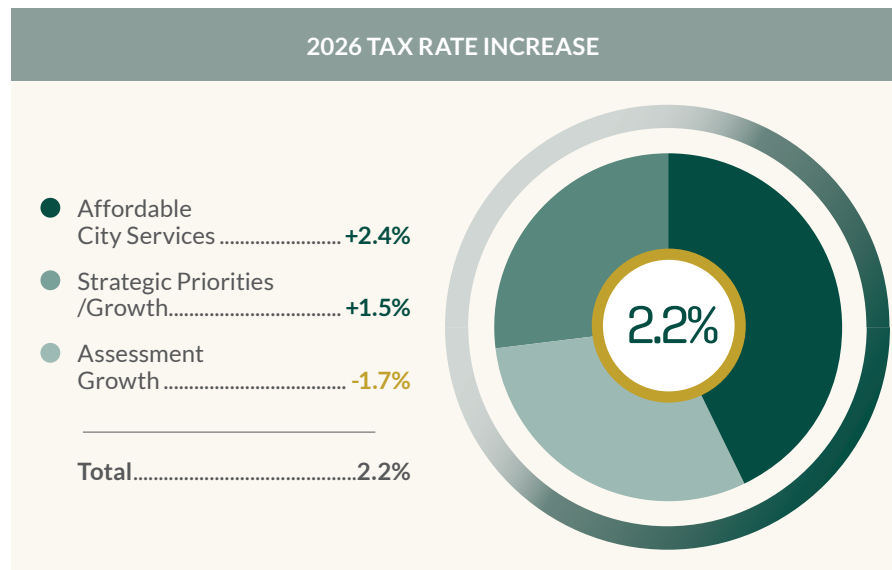
The City's **\$310 million** tax supported operating budget helps to deliver around 50 core services for Kitchener residents. The operating budget expenditures are made up of the following major components:



The 2026 budget is all about addressing your priorities. The three priorities are: **Affordable City Services**, **Smart Investments in Infrastructure** and **Focusing on the Future**.

Affordable 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 significant base budget items pertaining to the tax rate increase include Salaries and Wages, Capital Reserve Contributions and transfers to the Kitchener Public Library and Centre In The Square.

Salaries And Wages:

Total compensation makes up the largest portion of the operating budget representing 56% of the City's expenses, which is consistent with most municipalities. To deliver municipal services to approximately 300,000 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 2026 reflect the collective bargaining agreements with most unions. The collective agreement between the City of Kitchener and CUPE 68 expires at the end of 2025, therefore the increases reflect 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 Contributions

Capital reserve contributions increased by 10% resulting in an increase of \$826k in 2026 which will be used to help fund projects in the City's Capital Budget.

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 2026 budget targets, the operating grants for both CITS and KPL increased by 2.5% resulting in an increase of \$53k and \$355k respectively. Additionally, the KPL operating budget includes \$70k in funding that was previously included in the capital budget.



Smart Investments in Infrastructure

The City owns and is responsible for maintaining approximately \$15B 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 for municipalities all across Canada are faced with. As assets reach their end of life, significant capital investment is required to replace existing infrastructure.

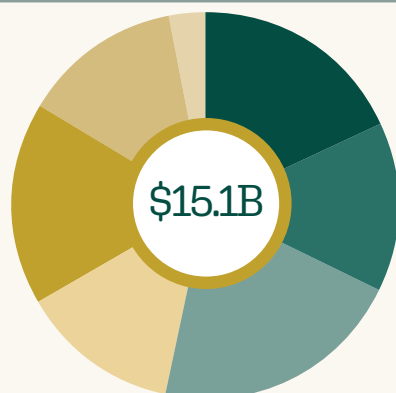
The City has developed asset management plans (AMPs) which will help identify the the areas of greatest need and the expected service levels in those areas

to comply with O.Reg 588/17 Asset Management Planning for Municipal Infrastructure.

The City continues to make smart investments, allocating capital dollars responsibly, while leveraging other funding and grant opportunities to move important priorities forward.

Addressing all of the City's new and existing infrastructure needs is not without its challenges, but Kitchener has always found a way to balance taking care of what we have and are responsible for, while still moving ahead with exciting infrastructure projects like the Cowan Recreation Centre, that will not only support residents today but also future residents that will call Kitchener home.

KITCHENER'S INFRASTRUCTURE AT A GLANCE:



Asset Valuation:

Water Utility	18%
Gas Utility.....	14%
Sanitary Utility	21%
Stormwater Utility.....	13%
Roads & Bridges.....	17%
Facilities.....	13%
Other	3%

Total Replacement Value (\$15.1B)

Water Utility.....	\$2.79B
Gas Utility	\$2.17B
Facilities.....	\$3.14B
Sanitary Utility	\$2.02B
Roads & Bridges	\$2.50B
Stormwater Utility	\$2.01B
Other	\$0.46B

Focusing on the Future

The City is in the third year of implementation of its 2023-2026 Strategic Plan. The 2026 Budget continues to build on investments made through previous year’s budget process, advancing actions identified under the five goal areas within the Strategic Plan. The 2026 budget includes just over \$20M of investments as outlined below. In addition to these investments, an additional \$1M in one-time capital funding is available and unallocated to give Council some flexibility, should there be additional priorities they wish to advance as part of the 2026 Budget.

Building a Connected City Together

- **\$4.2M** of additional Federal Housing Accelerator Funding to continue addressing the housing crisis through the implementation of the City’s Housing for All strategy
- **\$2.4M** for trail upgrades to help people move about without needing a vehicle

Cultivating a Green City Together

- **\$1M** for energy efficiency investments in facilities supporting goals of the Corporate Climate Action Plan 2.0
- **\$3.3M** towards implementation of the City’s tree canopy plan
- **\$1.5M** for new parks where neighbours can come together and play in their local community

Creating an Economically Thriving City Together

- **\$5M** for local arts & culture facilities in the downtown to help build a diverse economy

Fostering a Caring City Together

- **\$150k** in continued funding of the RISE Grant which increases opportunities for Black, Indigenous and racialized communities in Kitchener

Stewarding a Better City Together

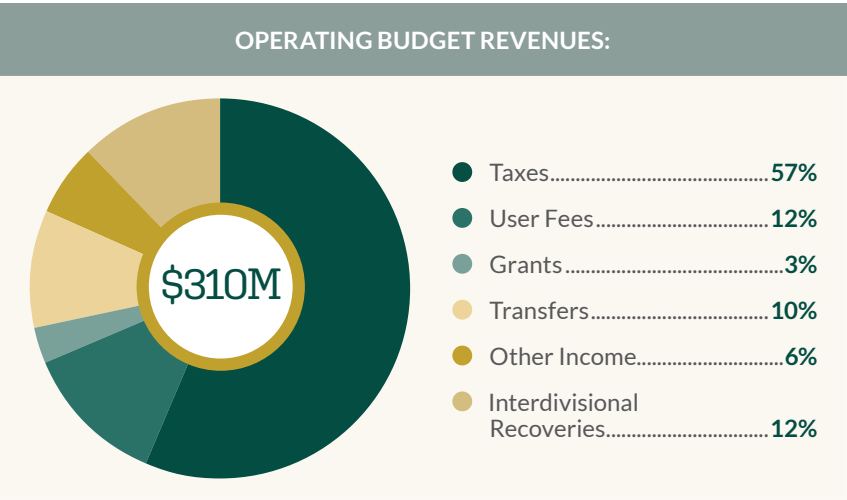
- **\$2.6M** towards the modernization of the City’s core business and technology systems to support continued efficiency in City operations



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 **56% of the city's revenue at approximately \$176M**. 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.

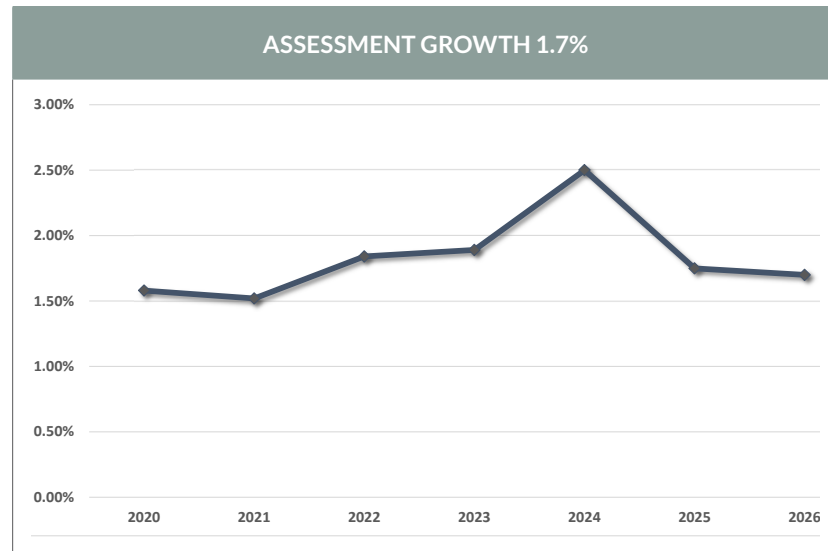
User Fees:

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 **12% of the City's revenues and amount to \$38M**. 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 helps offset the costs of providing tax supported services to the community. For 2026 assessment growth is 1.7% and offsets the growth related costs in the budget.





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



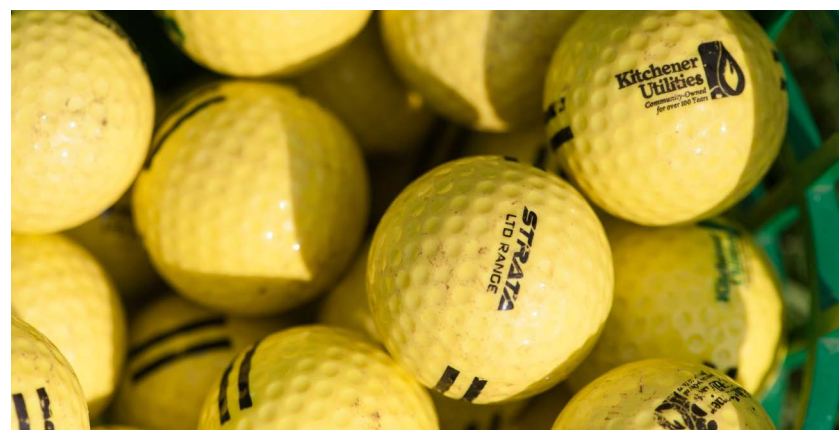
SANITARY SEWER



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



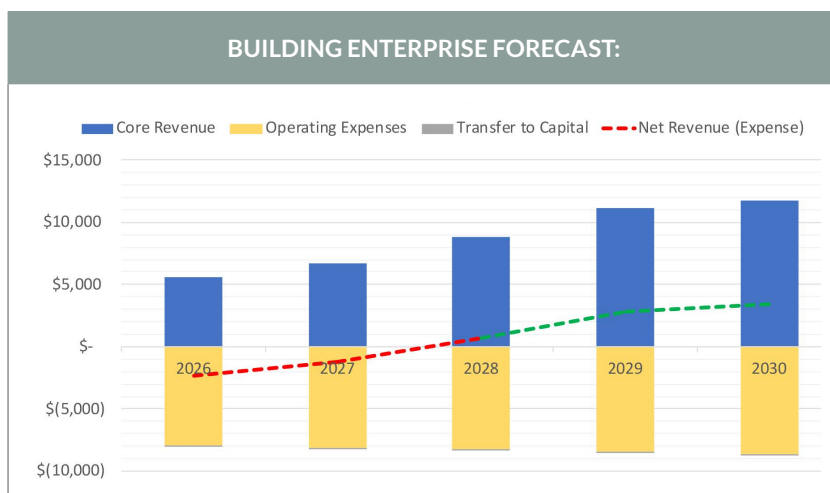
Operating Model And Philosophy:

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 2026-2030 Building forecast (000's):



Note: Detailed Building projections are included in the appendices.

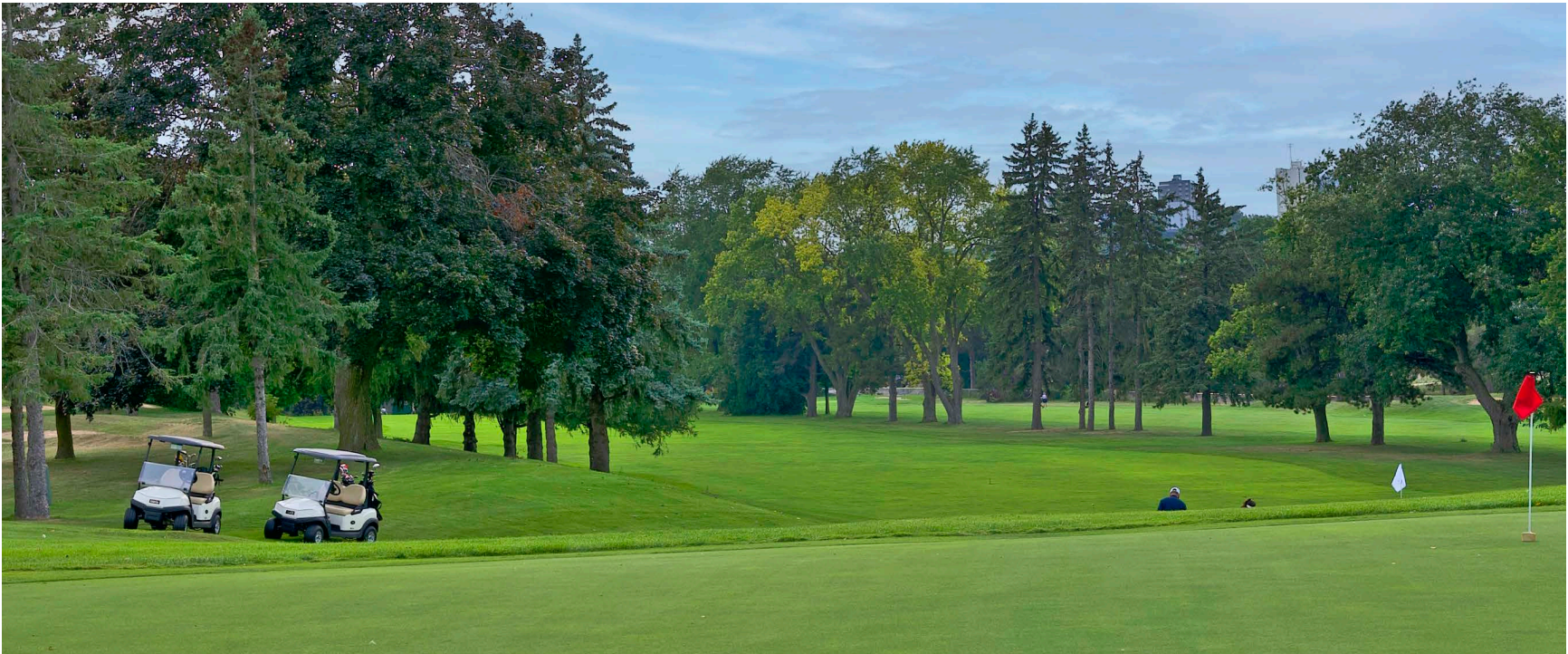
Recent Challenges:

This year the economic outlook did not improve for the City and locally in terms of new building projects. In fact, with reported job losses and threats of a tariff and actual tariff on construction materials, this caused increased uncertainty. New single detached building activity in Q1 showed an increase, but slowed down in Q2. Although the Bank of Canada has lowered its rate a few times this year, high mortgage rates coupled with buyer uncertainty has put a damper on all types of construction.

Recent Successes:

On January 1, the 2024 Ontario Building Code came into effect, replacing the 2012 code. The 2024 code included over 2000 code changes. To support both staff and customer knowledge transfer, the Annual Industry Workshop focused on the 2024 code, offered over 2 days due to the volume of changes and was available in both in-person and virtual options. The in-person sessions proved to be very popular with almost 200 attendees on both days. To help support customer service, a new and free customer workshop on code training for existing buildings was offered. Lastly, staff completed actions and pilots on Accelerating Commercial Business Approvals.

Golf Enterprise Overview



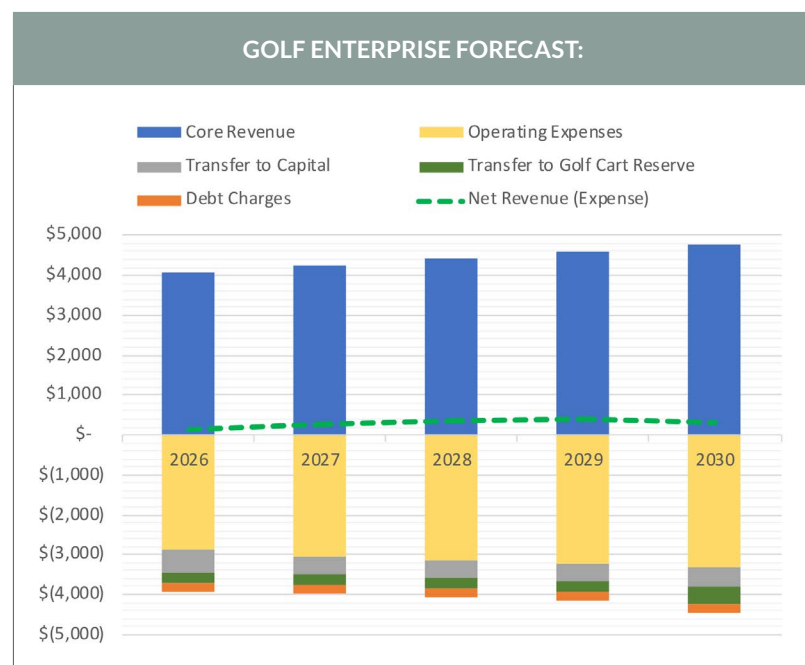
Operating Model And Philosophy:

Kitchener Golf manages two golf courses - Doon Valley and Rockway, offering options for players of every level of the game while providing an affordable golf experience for all.

Services Provided:

Kitchener Golf operates its facilities from dawn to dusk, seven days a week during the golf season (April-November, weather permitting). Kitchener Golf offers recreational golf, camps, clinics, leagues, tournaments, and events. In the off-season, the facilities are used for special occasions and winter activities like walking, snowshoeing, and cross-country skiing.

The following chart includes the 2026-2030 Golf forecast (000's):



Note: Detailed Golf projections are included in the appendices.

Recent Challenges:

Doon Valley Golf Course: Ongoing irrigation issues and recent erratic weather have begun to impact turf and green health. Proactive monitoring and investment in long-term solutions will be essential to maintaining course quality.

Rockway Golf Course: Safety and security have become key priorities following the Iron Horse Trail extension and increased community presence near the course.

Recent Successes:

Doon Valley Golf Course: Impact of the highway 401 expansion has been successfully managed, with operations running smoothly. Completion remains on track for 2025.

Rockway Golf Course: Drainage issues on holes 4, 5, and 6 have been resolved through infrastructure upgrades and improved water flow, reducing closures and enhancing course conditions.

This summary highlights Kitchener Golf's commitment to providing accessible golf experiences while addressing operational challenges and celebrating recent successes.

Parking Enterprise Overview



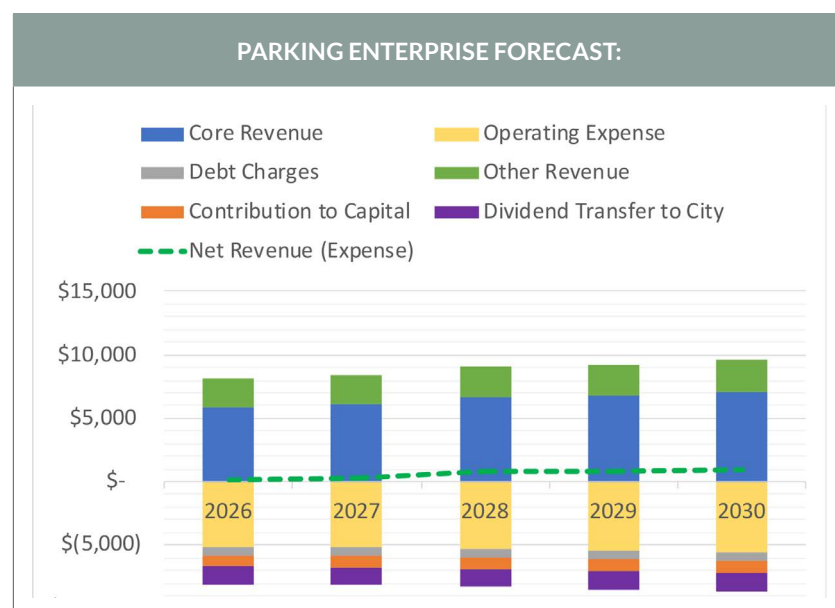
Operating Model And Philosophy:

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 2026-2030 Parking forecast (000's):



Note: Detailed Parking projections are included in the appendices.

Recent Challenges:

Public use of the Parking Enterprise parking facilities continues to change due to the continued evolution of hybrid/virtual working conditions. Parking revenues are still down locally and nationally but are showing signs of improvement. Kitchener's parking revenue has improved since last year given economic recovery related to recent city building objectives such as downtown intensification.

2026 projections are based on the conditions experienced by the Parking Enterprise in 2025. These projections illustrate that the Parking Enterprise can be expected to achieve a net gain of \$140K in 2026.

Recent Successes:

The Charles & Benton and Kitchener Market garage repairs were completed in a timely manner this summer. Customers were only impacted mildly for a duration of approximately eight weeks.

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 enhanced customer experiences and more innovative business intelligence. The new system includes a web-based, self-service, on-line customer portal and mobile app. Parking customers can setup 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.

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).

A comprehensive WIP review was completed in advance of the 2024 budget with collaboration between several divisions within the City, including Asset Management, Engineering, Kitchener Utilities – Gas and Water, Kitchener Utilities – Sanitary and Stormwater, Operations – Roads and Traffic, Financial Planning and Communications.



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

	2022	2023	2024	2025	2026
Projected	4.5%	4.5%	6.3%	6.3%	6.3%
Revised/Proposed	2.2%	4.5%	6.3%	6.3%	6.3%
Approved	✓	✓	✓	✓	

The 2026 combined WIP rate increase is 6.3%. This includes increases to Water (4.9%) and Sanitary (7.0%) which are driven by infrastructure investments as well as Regional rate increases to the City for water supply and wastewater treatment. The Region's rate to provide these services have increased above what was originally forecasted through the WIP review and will place significant pressure on the water and sanitary sewer rates going forward. The City has been able to accommodate additional Regional increase within its originally projected rates, but future rates may need to be adjusted to accommodate additional changes. 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.

	2025	2026	\$ CHANGE	% CHANGE
Water	\$490	\$514	\$24	4.9%
Sanitary	\$636	\$681	\$45	7.0%
Stormwater	\$260	\$279	\$19	7.4%
TOTAL	\$1,386	\$1,474	\$88	6.3%

The 2026 rate increase of **6.3%** is driven by external factors, such as:







INFRASTRUCTURE INVESTMENT NEEDS:

1950's infrastructure coming to end if 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:

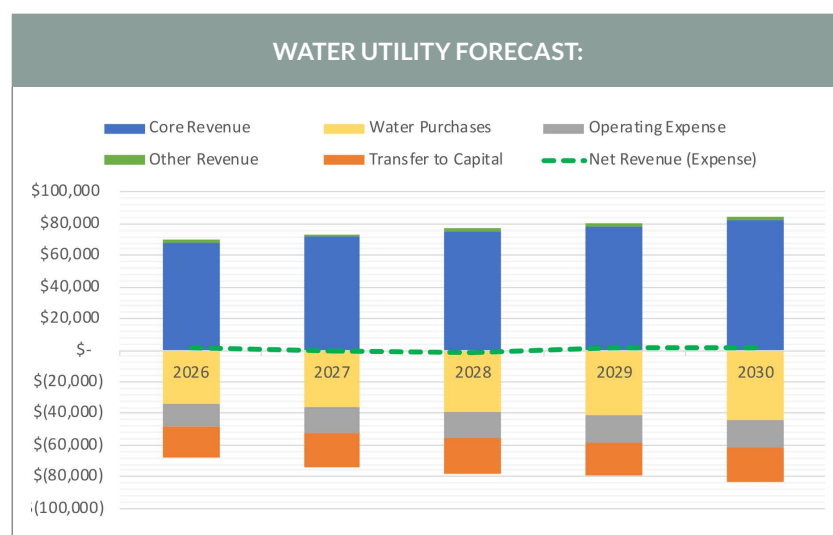
The Water Utility provides customers with quality, dependable, and economical distribution of water while operating in an environmentally sensitive manner and promoting conservation.

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 2026-2030 Water forecast (000's):



Note: Detailed Water projections are included in the appendices

Recent Challenges:

- The Regional of Waterloo costs for the supply of water have increased beyond the 2024 WIP projection
- Sediment control and rehabilitation costs associated with watermain breaks near watercourses continues to be extensive
- The winter of 2024/25 required resource allocation for snow removal around hydrants as well as implementing the frozen water service avoidance program.
- Customer communication for various water programs (water meter, backflow prevention) was a challenge during the Postal Strike
- Uncertainty surrounding tariffs and cost implications for materials
- Two new watermain replacement projects were added to the capital forecast (Westmount Road-Glasgow St to Victoria St S, and Lancaster St-Bridgeport Rd to Bridge St). These watermain replacements are on Regional roads, and work will be done at the same time as Regional road work in order to be cost effective and to minimize disruption to citizens.

Recent Successes:

- Continuing with on-going maintenance programs including valve operation and replacement, watermain cleaning, meter replacement and hydrant operation
- 5-year average for watermain breaks dropped from 73 to 66/year
- Continuing with watermain replacement projects as outlined in the City of Kitchener Engineering & Water Utility Capital Forecast
- Customers continue to sign up for e-billing

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.

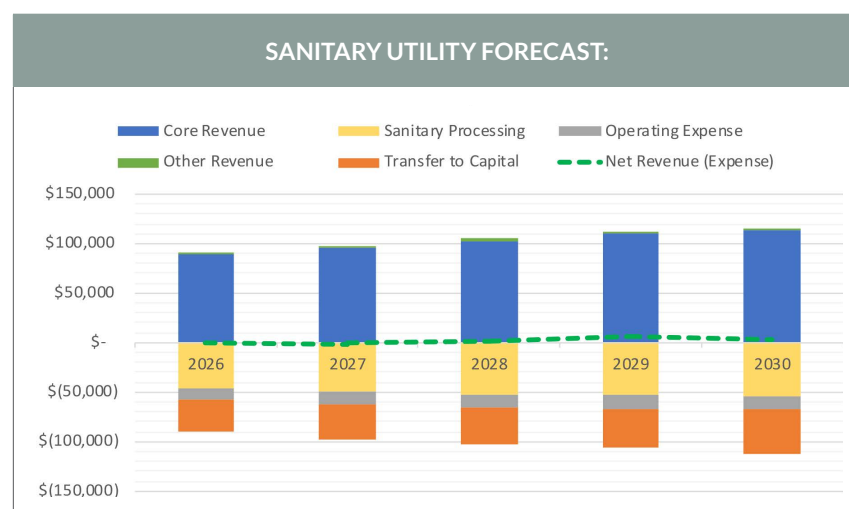
Services Provided:

Nearly every residential, commercial, industrial, and institutional building in the city generates wastewater. In total, this equates to over 65,000 customers billed for sanitary service and approximately 300,000 people served. The City's sanitary network comprises approximately 890km of sanitary mains, approximately 13,400 manholes and 23 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 inspection, maintenance, rehabilitation, and replacement**
- **Supervisory control and data acquisition (SCADA) for pumping stations**
- **Sewer trunks, mains & lateral inspection, rehabilitation, and replacement**
- **Flow monitoring and hydraulic modeling**
- **Closed circuit television (CCTV) inspection program**
- **Sewer flushing program**
- **Emergency response**
- **Service connection blockage inspection, clearing and removal**
- **Cave-In/ Dye Testing**
- **Hydro Excavation**
- **Update Sanitary System Asset Management Plan, including Proposed Levels of Service**
- **Sanitary Environmental Compliance Approvals**

The following chart includes the 2026-2030 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.

Recent Successes:

In 2025, the utility has begun implementing various programs recommended in the Sanitary Master Plan, including the installation of flow monitors to help inform initiatives to reduce inflow and infiltration, and enhanced CCTV pipe inspection programs, which are improving the utility's ability to prioritize pipe rehabilitation projects and reduce risks of infrastructure failure.

Recently, the Sanitary Utility has been reclassified to a Wastewater Class III licensed facility through the Ontario Ministry of Environment, Conservation, and Parks. A utility's wastewater classification is defined based on several factors including operational requirements, system complexity, and risk. Over the last couple of decades, the City has been replacing aging sanitary sewer pipes helping to mitigate risks of network failure. This reduced risk has helped the sanitary network transition to a Class III designation. This transition will have no impact on operations for the City.

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 29 managed subwatersheds; approximately 810 kilometers of storm sewer mains; over 27,500 manholes and catch basins; over 140 oil-grit separators; and 114 constructed stormwater management facilities (SWMFs) that are under City ownership and maintenance

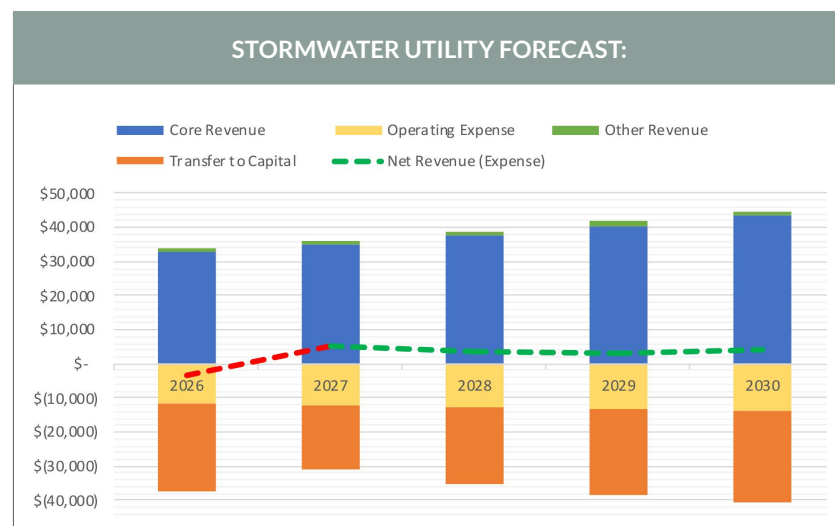
The Utility has developed an Integrated Stormwater Management Master Plan (ISWM-MP, 2016) that identifies stormwater priorities across the City and helps inform the City's capital program to 2030. A large number of the priorities identified in the 2016 Stormwater Master Plan are currently being delivered through the Federal Disaster Mitigation and Adaptation Fund (DMAF) Program.

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 modeling
- 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 2026-2030 stormwater forecast (000's):



Recent Challenges:

More extreme storm events continue to be experienced annually. When these high intensity rain fall events happen over a short period of time, they can overwhelm local stormwater infrastructure causing flooding in parts of neighborhoods across the City. These more intense storms are expected to continue, and in some projections, intensify over the next several decades. This will require close examination of Kitchener's stormwater network, and will require proactive planning to expand the capacity of our system to accommodate these anticipated storms.

Additionally, the City's DMAF program has faced significant cost escalations since the program was initiated in 2018/19. Kitchener, similar to most cities

across North America, saw significant inflation and cost pressures over the last several years, particularly just after the end of the pandemic. This has resulted in budgetary pressures on the DMAF program, resulting in the Stormwater Utility needing to implement various strategies to help mitigate these financial impacts, including deferring some non-essential work until after the DMAF program is complete in 2032; leveraging the innovative work of the DMAF program to secure additional provincial, federal and non-government grants (for example, through the Federation of Canadian Municipalities); and joint capital planning with other city divisions to leverage shared infrastructure needs and joint funding. Elevated construction pricing is expected to continue impacting infrastructure rehabilitation and replacement projects going forward.

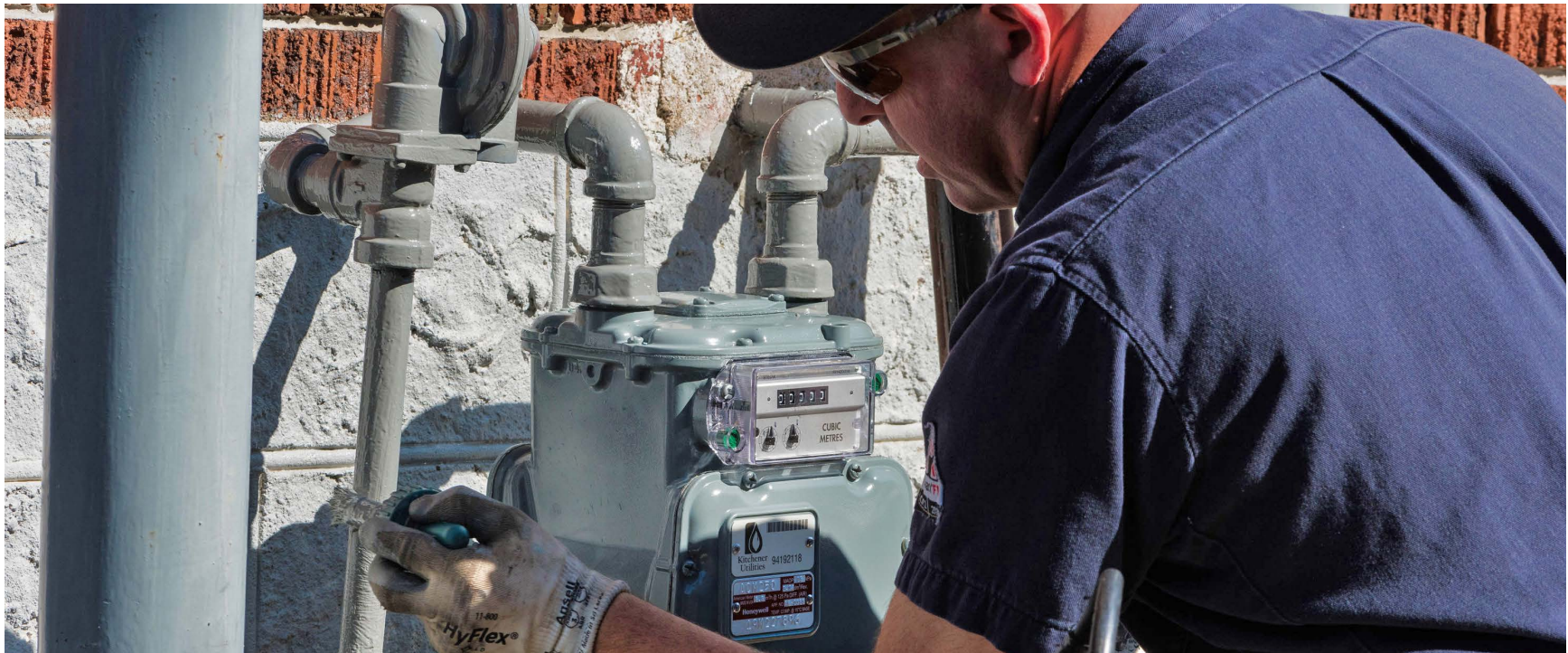
Recent Successes:

In 2025, the City progressed to construction on several DMAF projects that saw stormwater management features installed in City parks. These projects included very active engagement with the public and First Nations, and feedback from these engagement initiatives was used to inform the design and placement of infrastructure that will ultimately be installed in local parks, including stormwater ponds, multi-use trails and updated park and recreation amenities. These facilities improve the City's ability to manage stormwater and also enhances green space and park amenities, creating inclusive and welcoming community gathering spaces.

In 2025/26, the City will be updating the 2016 Stormwater Management Master Plan. This work will involve engagement with the public to help develop the scope and priorities for the new/updated Master Plan.

NOTE: Detailed Stormwater projections are included in the appendices.

Gas Utility Overview



Operating Model And Philosophy:

Kitchener Utilities provides customers with safe, reliable, and economical natural gas. We provide 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.

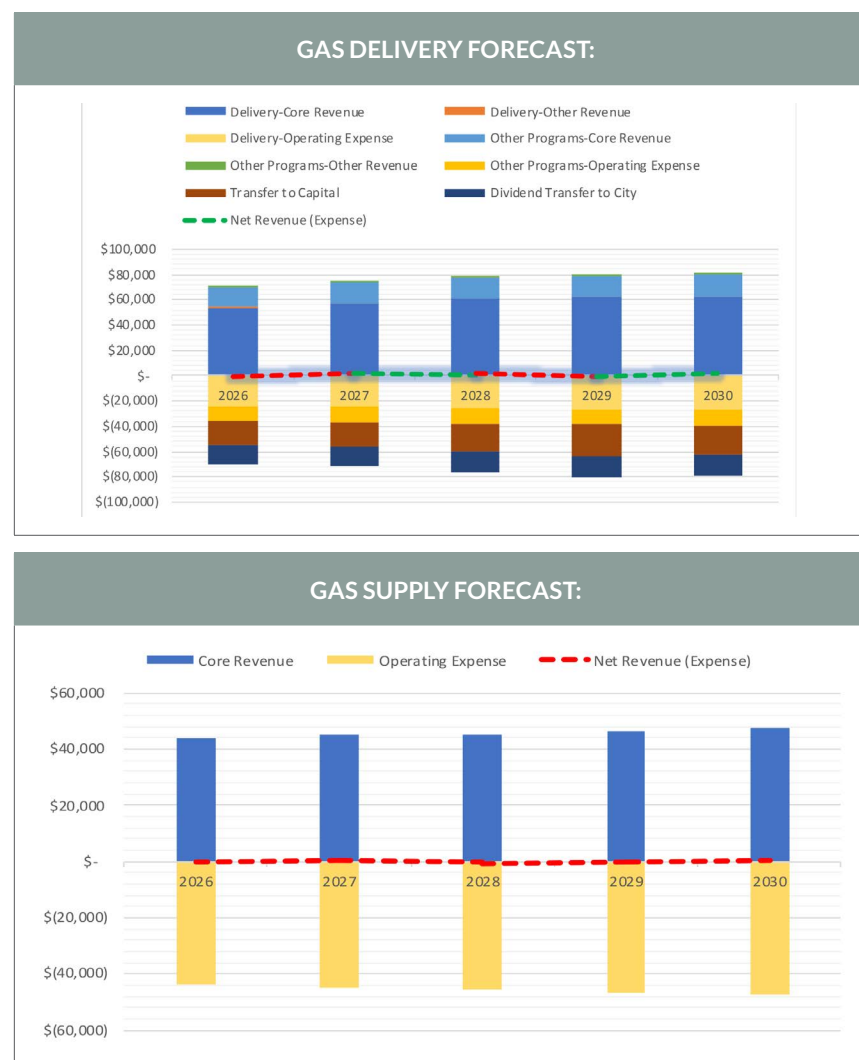
Gas Distribution: As a natural gas distributor, Kitchener Utilities delivers natural gas to consumers. Work includes installing and replacing meters, underground pipe installation and maintenance, providing gas services to homes and businesses, responding to gas emergencies involving gas line hits, gas 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 greenhouse gas (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 quick and efficient service for repair and replacement of tanks.

The adjacent charts include the 2026-2030 Gas Delivery and Supply forecast (000's):



Recent Challenges:

- A new meter protection program was initiated to address code requirements related to protection of meter sets that are at risk of damage from vehicular traffic. Potential locations will be assessed for vulnerability and if determined to be at risk, protection will be provided by either installing bollards or cage enclosure.
- Completion of the Gas Asset Management Plan, which identified a gap in funding requirements for the next 10 years and needs to invest in aging gas infrastructure.
- US tariffs have impacted the cost of water heaters manufactured in the U.S.A. To help offset these added costs, we have moved part of our product line to a supplier that manufactures outside the U.S.A., allowing us to avoid those additional expenses for that line.
- Increases to the Demand Side Management (DSM) program were made in the capital forecast in order to help fund the Home Renovation Saving Program (HRSP) for Ontario residents.

Recent Successes:

- Gas revenues vary with weather conditions. The 2024/2025 was a very cold winter resulting in a surplus that is decreasing pressure on the 2025 budget.
- Implementing quarterly gas supply rate adjustment to better respond to the volatility of the natural gas market.
- Successful intervention in Enbridge rebasing application in front of Ontario Energy Board (OEB) mitigated the initial rate increases proposed by Enbridge. The application proposed changes to the next 5-year rates that were significantly higher than the current rate. Kitchener Utilities' participation helped reduce or defer most of the proposed increases.
- Continued to promote the smart thermostat \$75 on-bill credit to customers who upgrade their existing manual or programmable model to a smart thermostat model. Since implementation of the program in 2022, the program is averaging 350-500 applications per year. Application volumes are consistent year over year.
- Offered a condensing water heater rebate to upgrade from non-condensing to a condensing water heater model, including tankless water heaters, and increased the rebate amount from \$400 to \$500. A total of 173 condensing water heater upgrades were completed in 2024.
- Kitchener Utilities provided 24 energy audit subsidies to Reep Green Solutions. The volume of energy audit subsidies dropped substantially due to the Canada Greener Homes program that was discontinued.

- Recently implemented a contractor audit program to enhance customer satisfaction, educate contractors, and ensure code compliance.
- Phase 2 of the KU Clean Energy Transition Strategy project kicked off at the beginning of 2024. Consulting teams have been hired to support the KU Clean Energy Transition Strategy project and are working to investigate the potential business activities that were identified in phase 1. A specialized consulting team is exploring a potential thermal energy network to support new development areas. In addition, an evaluation of solar energy opportunities at City-owned properties is nearing completion, and its findings are already informing facility planning and contributing to the broader strategic framework.
- The majority of statutory meter exchanges for 2025 have already been completed which allows staff to get a head start on 2026 work.
- Inspection of all indoor and rooftop meter sets, that are not covered in the annual leak survey, are complete. Maintenance and repair work identified during these inspections have been prioritized and are in progress.

Detailed Gas projections are included in the appendices.

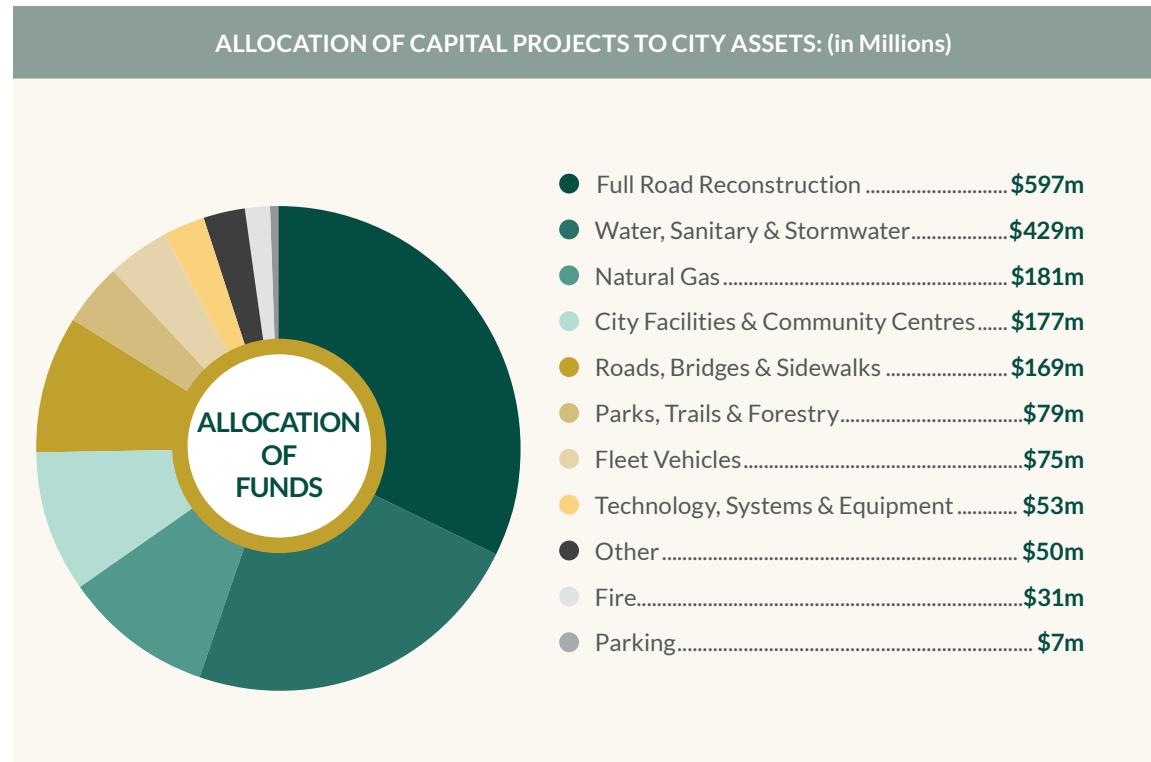


Capital Budget Overview

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 2026-2035 includes over 400 projects at \$1.8B.

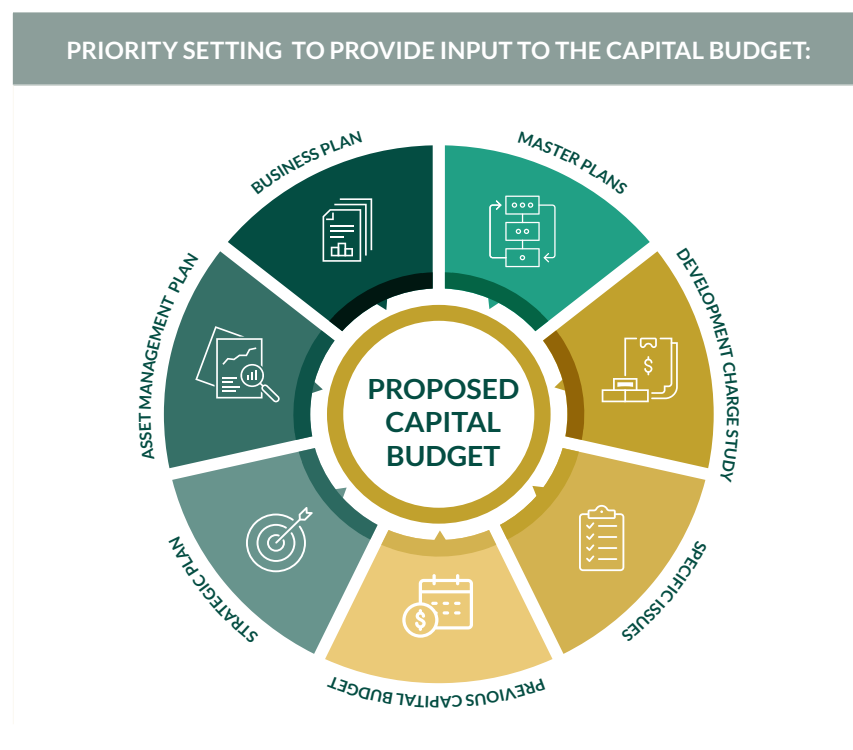
The adjacent chart shows the allocation of capital projects to city assets:



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:



	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.

The 2026 Budget includes meaningful investments in areas that are important to the citizens of Kitchener, including:

- **Additional Fire Truck** (\$1.5M in 2026)
- **Full Road Reconstruction Projects** (\$45.0M in 2026, \$597M overall in the capital forecast)
- **Community Trail Improvements** (\$1.7M in 2026, \$39.9M overall in the capital forecast)
- **Downtown Arts Facilities (Conrad, Museum SDG Idea Factory)** (\$5M in 2026)
- **Gas Pipelines** (\$10.4M in 2026, \$101.5M overall in the the capital forecast)
- **Tree Planting** (\$3.3M in 2026, \$8.2M overall in the capital forecast)
- **New Neighbourhood Parks** (\$1.5M in 2026, \$22M overall in the capital forecast)
- **Trunk Sewer Inspection & Replacement** (\$6.8M in 2026, \$25.6M overall in the capital forecast)
- **Manchester Pumping Station Rehabilitation** (\$1.9M in 2026, \$16M overall in the capital forecast)
- **Middle Strasburg Creek Naturalization** (\$4.3M in 2026)
- **Idlewood Greenway Stormwater Enhancements** (\$5.4M in 2026)
- **Stirling Avenue Watermain Replacement** (\$2.9M in 2026, \$5.4M overall in the capital forecast)



Cowan Recreation Centre

One of the City of Kitchener's most significant recent investments is the Cowan Recreation Centre, a \$174 million facility located at Schlegel Park in the city's southwest. Fully funded through development charges, the project also received \$30 million in grant funding from the Federal and Provincial governments. It's being delivered using an Integrated Project Delivery (IPD) model - a collaborative approach that brings together designers, builders, and city staff to ensure the facility is completed on time and on budget. Opening in 2026, the Cowan Recreation Centre will be the region's most accessible building, designed to welcome residents of all abilities. It will also be one of Canada's most sustainable recreation centres, built to high environmental standards that reduce energy use and support climate goals. Spanning 220,000 square feet, the facility will expand recreational opportunities with 2,100 new swimming lessons, space for 500 additional Kitchener Minor Soccer participants, and over 7,000 hours of bookable court time. Year-round indoor cricket practice nets will support training in a growing sport. Integrated with Schlegel Park's outdoor amenities, the centre will become a premier destination for sport and recreation across the region.

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.

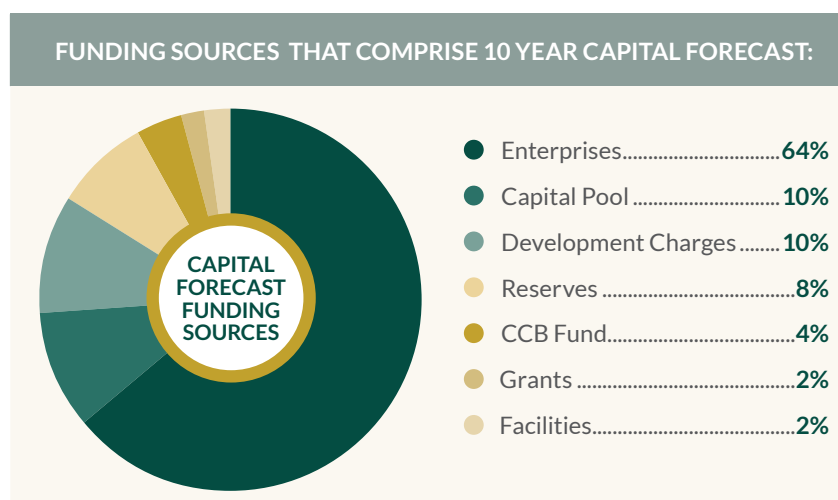
Canada Community Building (CCB) Fund: Formerly known as Federal Gas Tax funding.

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 percentage of each funding source making up the 10 year capital forecast:

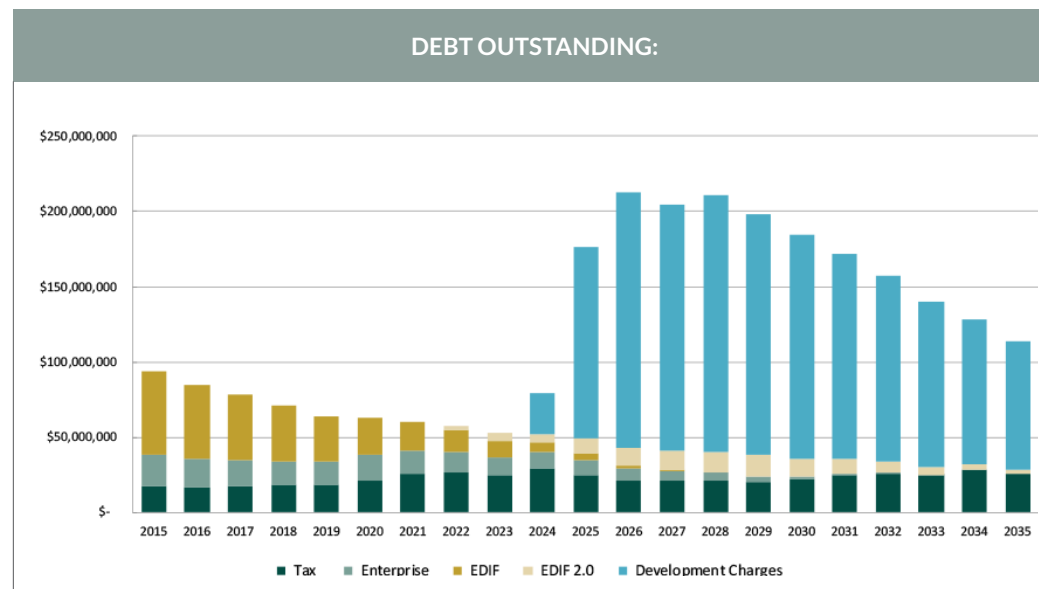


More than half of the funding comes from enterprises. A significant portion of this comes from the Water Utilities (water, sanitary & storm) and is invested in full road reconstructions. Other significant funding sources include the capital pool, development charges, and reserves.

Debt

Debt is funding the City has borrowed to complete capital projects. The City has had decreasing debt levels for the past decade, but will see increasing debt in order to fund growth related infrastructure needed as the city continues to grow.

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

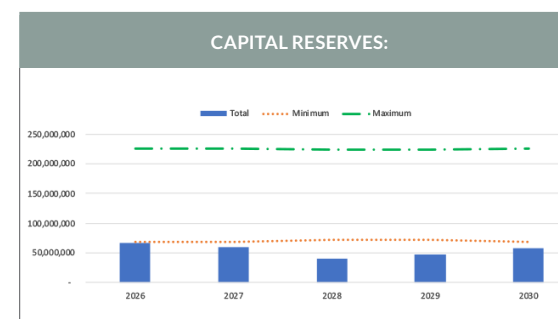
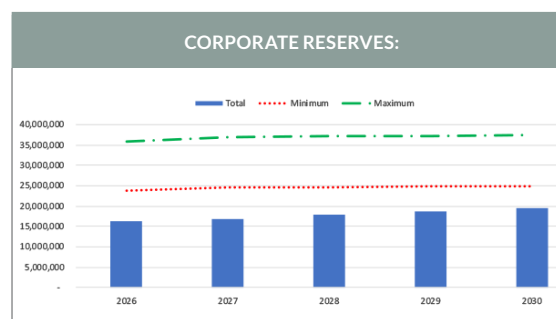
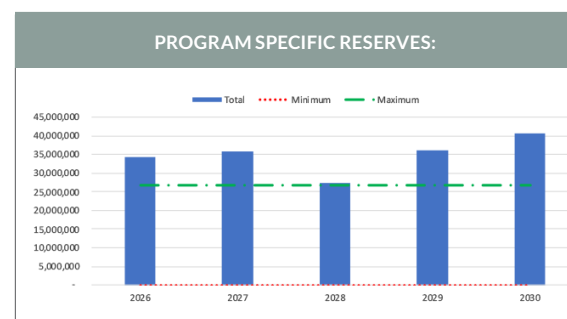
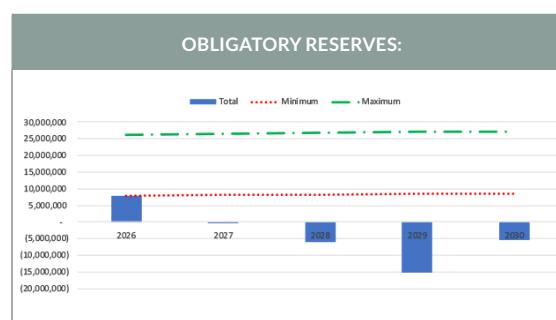
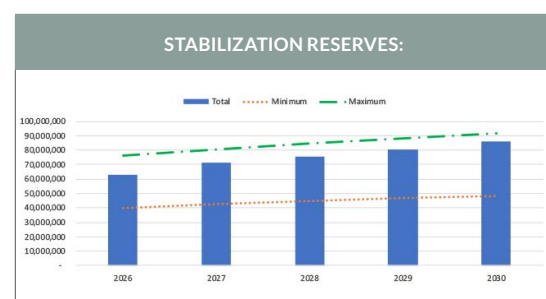


- **Tax supported debt is issued to help fund the Capital Pool.**
- No Capital Pool debt is being issued in 2026
- **Enterprise debt is repaid from non-tax sources. These include the Golf enterprise, Parking enterprise, the Kitchener Rangers, and cemetery debt.**
- **EDIF (Economic Development Investment Fund) debt was issued to fund EDIF projects and will be fully paid off in 2027.**
- **EDIF 2.0 debt will be issued between 2022-2029 to mobilize the Make It Kitchener 2.0 Strategy and will be fully paid off by 2039.**
- **DC debt is issued for growth related projects funded by development charges (DCs). This debt has no impact of tax/utility rates.**

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, Obligatory 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

2026 BUDGET SUMMARY

[KITCHENER.CA/BUDGET](https://kitchener.ca/budget)