2024

CITY OF KITCHENER

Draft Budget Summary

Operating Budget
November 20, 2023

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KITCHENER

Overview by the CFO

Budget Calendar

Date	Topic
Nov 20	Operating Budget Presentation by staff
Nov 27	Capital Budget Presentation by staff
Nov 27	Public Input Night
Dec 4	Mayor's Budget Proposal
Dec 11	Council Amendments due to Clerks
Dec 14	Council Votes on Amendments/Mayor Can Veto
Dec 29	Budget Adopted (Automatic)

Budget Overview

Operating Budget

- $526 million expenditures in total (i.e. tax supported + enterprises)
- $255 million expenditures excluding enterprises (i.e. tax supported)
- Annual delivery of programs and services for the community

Capital Budget

- $230 million in first year
- $1.8 billion over the ten-year forecast
- Projects with defined scope that help address our asset replacement needs

Reserve and Reserve Funds

- $145 million projected to be in Reserve Funds at end of 2023
- Rate Stabilization Reserves help mitigate risk and potential budget fluctuations
- Some Reserves are established for a specific purpose and use

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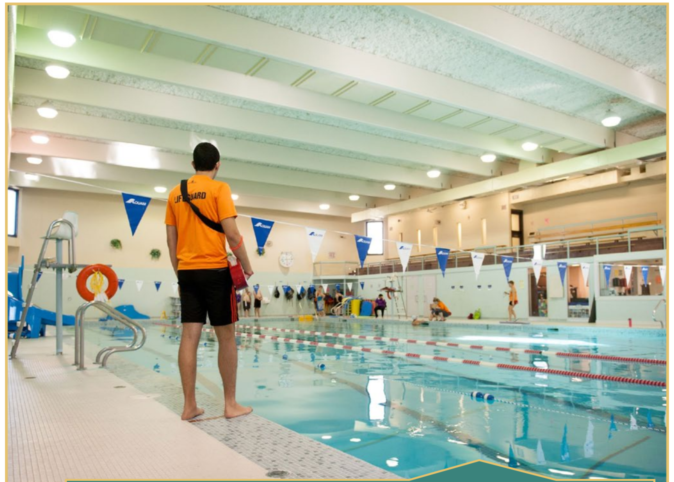
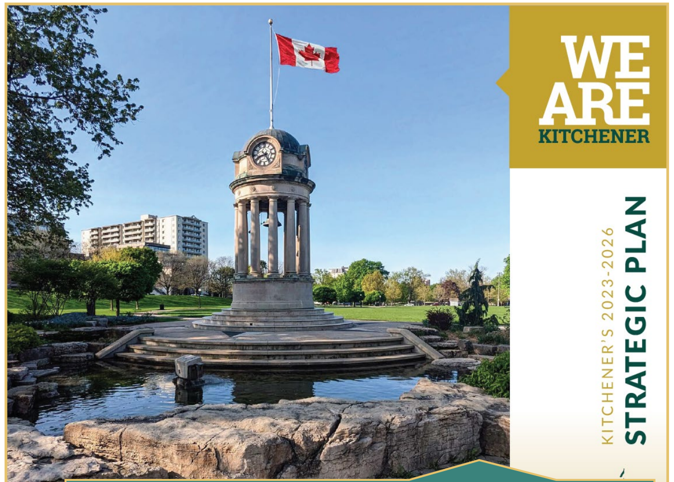
2024 Budget Priorities



Supporting City Services

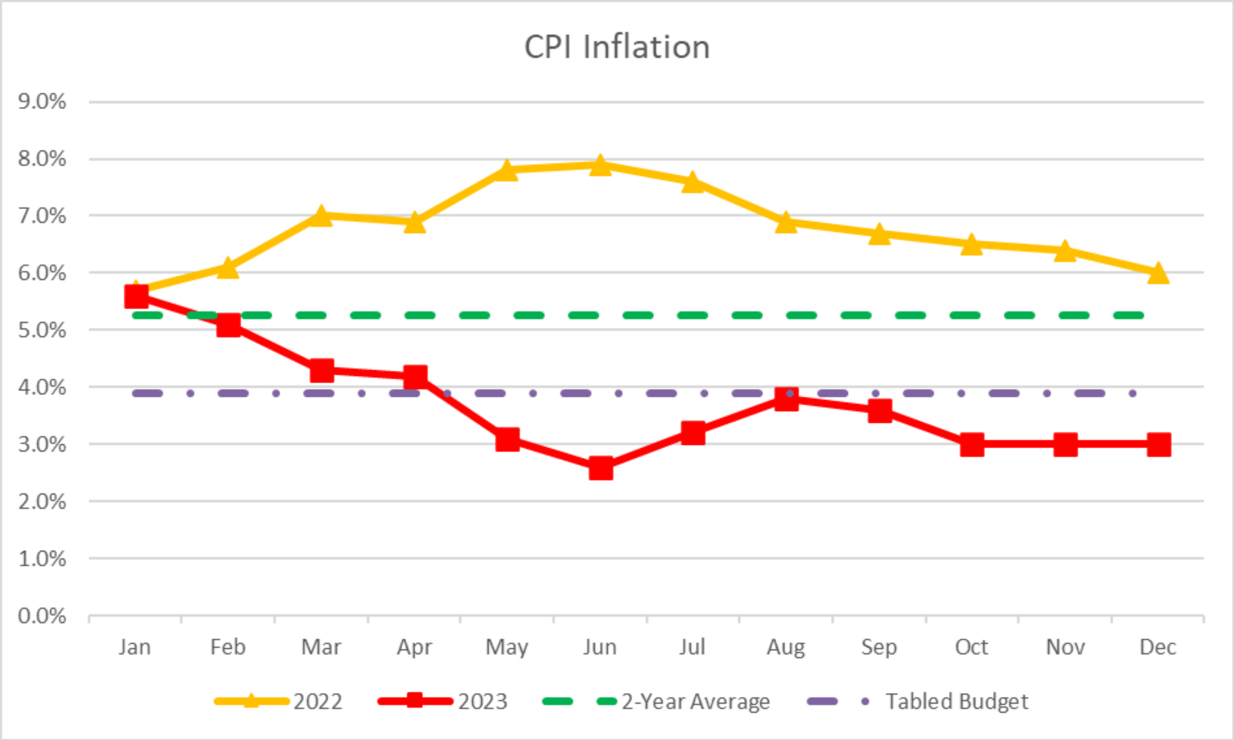
Focus on Infrastructure



Advancing Strategic Priorities

Inflationary Pressures

- Significant inflationary pressures in 2023 with current annual inflation around 4%
- Tax Rate Target would be 5.3% based on 2-year CPI Average
- Increased interest rates by the Bank of Canada have reduced, but not eliminated inflationary pressures



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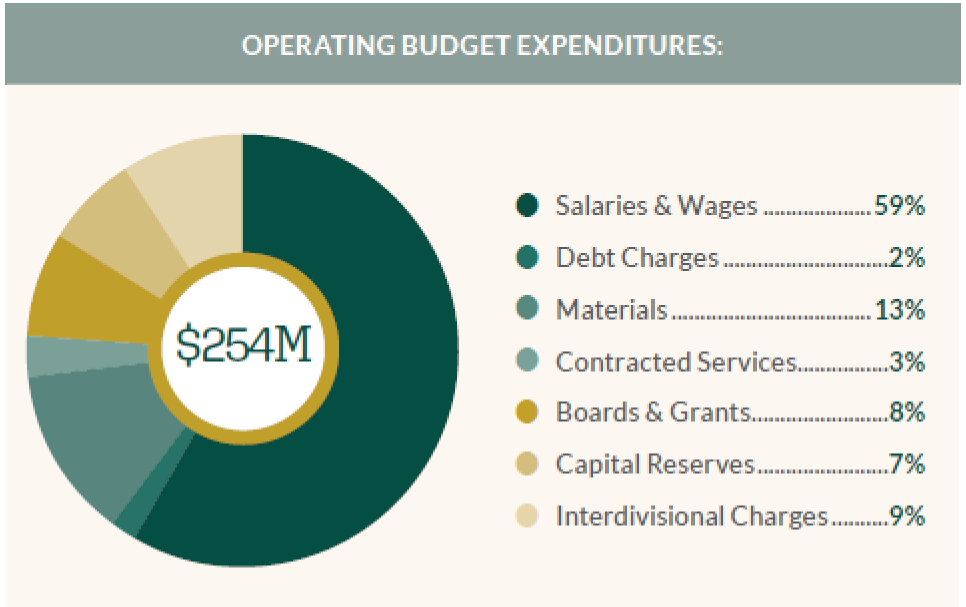
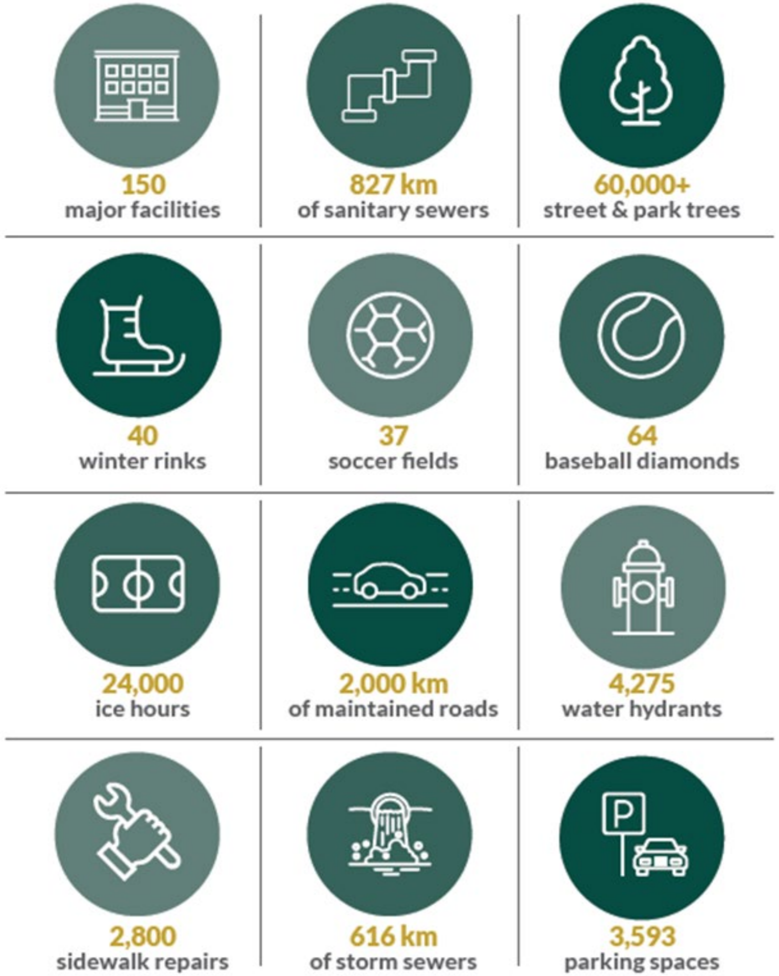
Supporting City Services

Delivering ~50 Core Services for Kitchener

- $254M Operating Budget supports activities such as fire protection, park maintenance, winter maintenance, recreational programming, etc.





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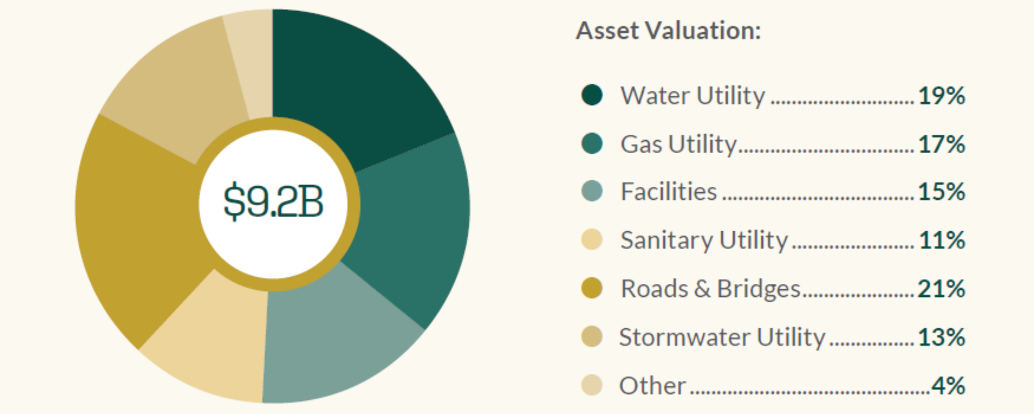
Focus on Infrastructure

Taking Care of What We Own

- City is responsible for $9.2B of assets



- Capital Cost escalation in recent years (~30%) has put additional pressure on municipalities to do more with less

- Ways Kitchener has been proactive in trying to address its infrastructure needs:

✓ Water Infrastructure Program (WIP) to address water, sanitary, and stormwater systems

✓ Facility Infrastructure Program (FIP) to address aging City facilities including:
  - $5M in additional funding in 2024
  - Use of energy retrofit reserve to make smart energy improvements

✓ Securing over $150M over the past 3 years in grant funding (DMAF, ICIF, CCBF, HAF)

Focus on Infrastructure

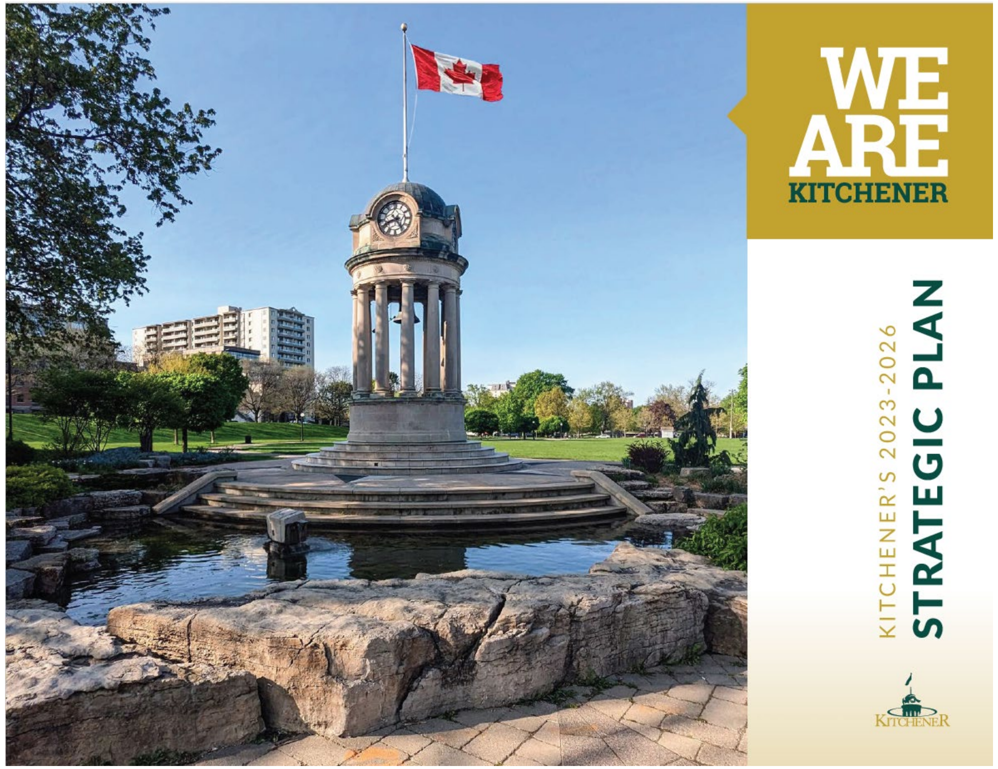
New Infrastructure for a Growing Community

- A growing city requires additional infrastructure, amenities, and services to be provided for new residents and businesses
- Development Charges (DCs) help to pay for the upfront costs of new infrastructure related to growth
- Assessment growth helps to fund increased service demands of adding new residents while also helping to reduce the overall tax burden for citizens
- Changes to the Development Charges Act under Bill 23 could impact/delay the timing of new infrastructure in future years
- For first time, City will issue significant DC debt to help fund growth related projects included the 10-year capital forecast
- Hopeful the Province will make good on its promise to make municipalities “whole” but funding growth related projects under the current DC framework remains challenging

Advancing Strategic Priorities

Delivering on Community Priorities

- City recently launched its new 2023-2026 Strategic Plan that includes a new 20-year vision for Kitchener
- The plan includes five goal areas:
  - 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
- $5.5M of investments already included in the proposed budget to advance strategic priorities
  - Issue paper Op 01 in Appendix F
- $1M of one-time funding is available and unallocated which would enable further investments
  - Issue paper Op 02 in Appendix F



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Advancing Strategic Priorities

$5.5M in Strategic Investments Included in the Budget

Building a Connected City Together

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

Cultivating a Green City Together

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

Creating an Economically Thriving City Together

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

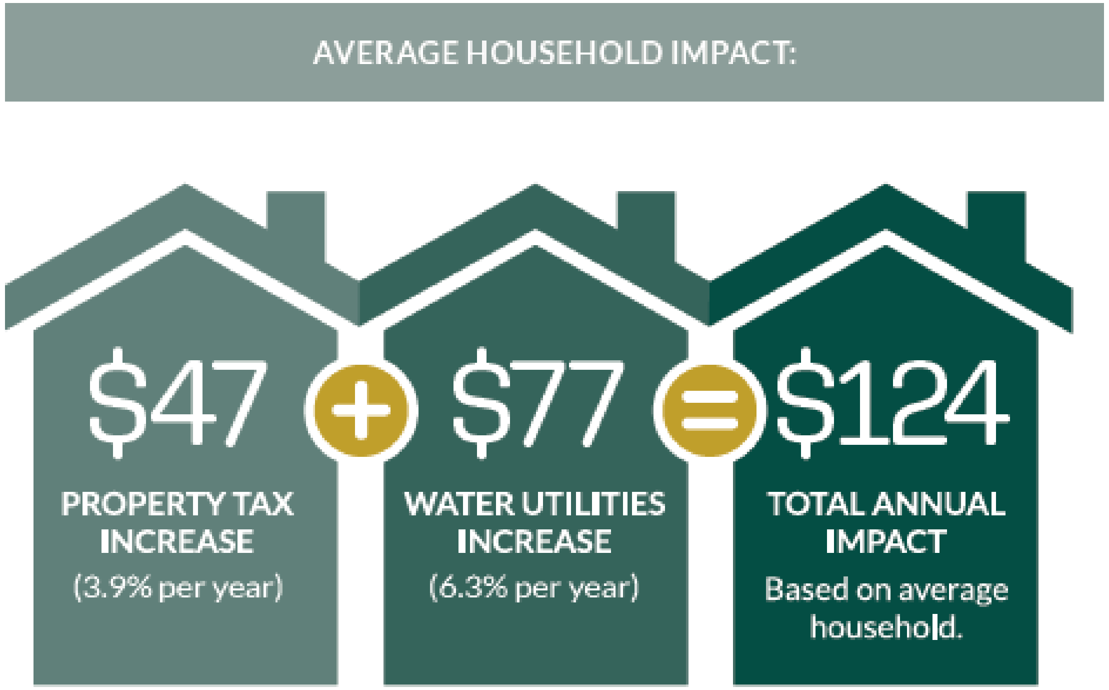
Fostering a Caring City Together

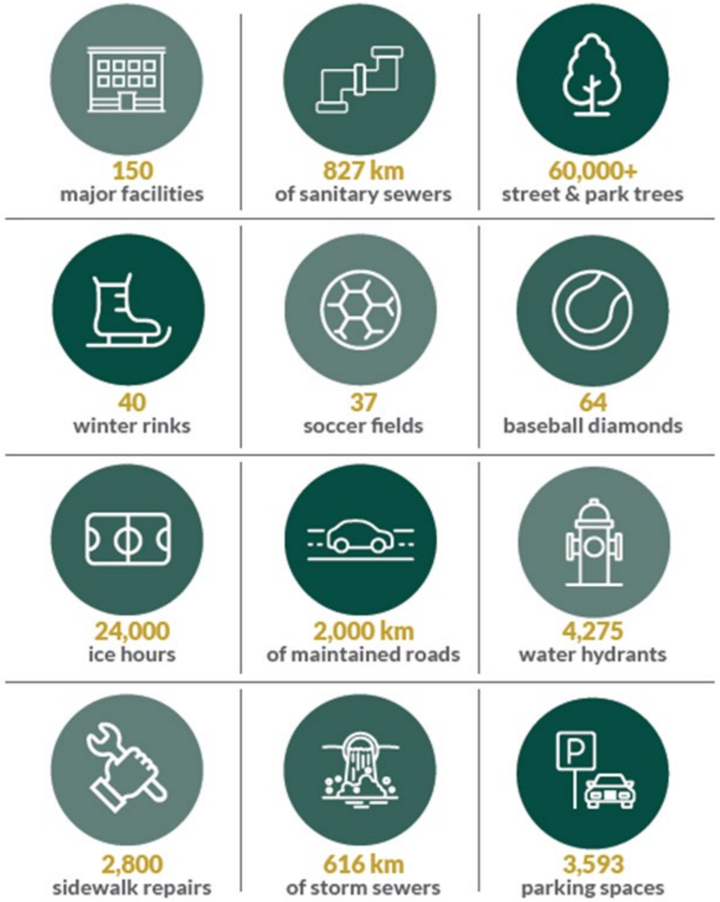
- $172k to reduce financial barriers to recreational programming for youth, new Canadians, seniors, and those with low-income
- $173k to expand some community centre hours on weekends
- $200k to create a permanent Indigenous space in Huron Natural Area
- $136k to add library collections to some City-owned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

Stewarding a Better City Together

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

Household Impact





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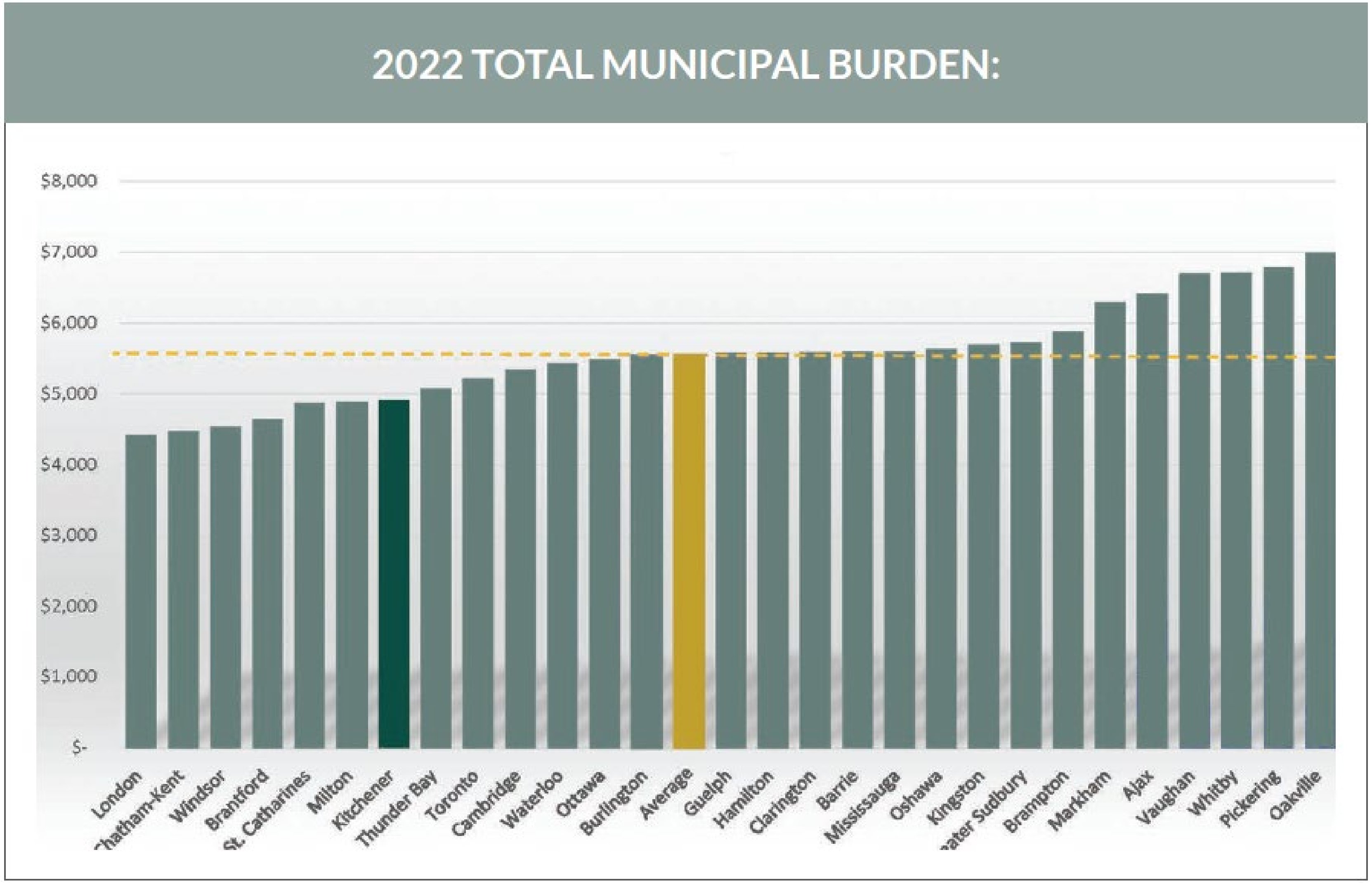
Comparison to Other Municipalities



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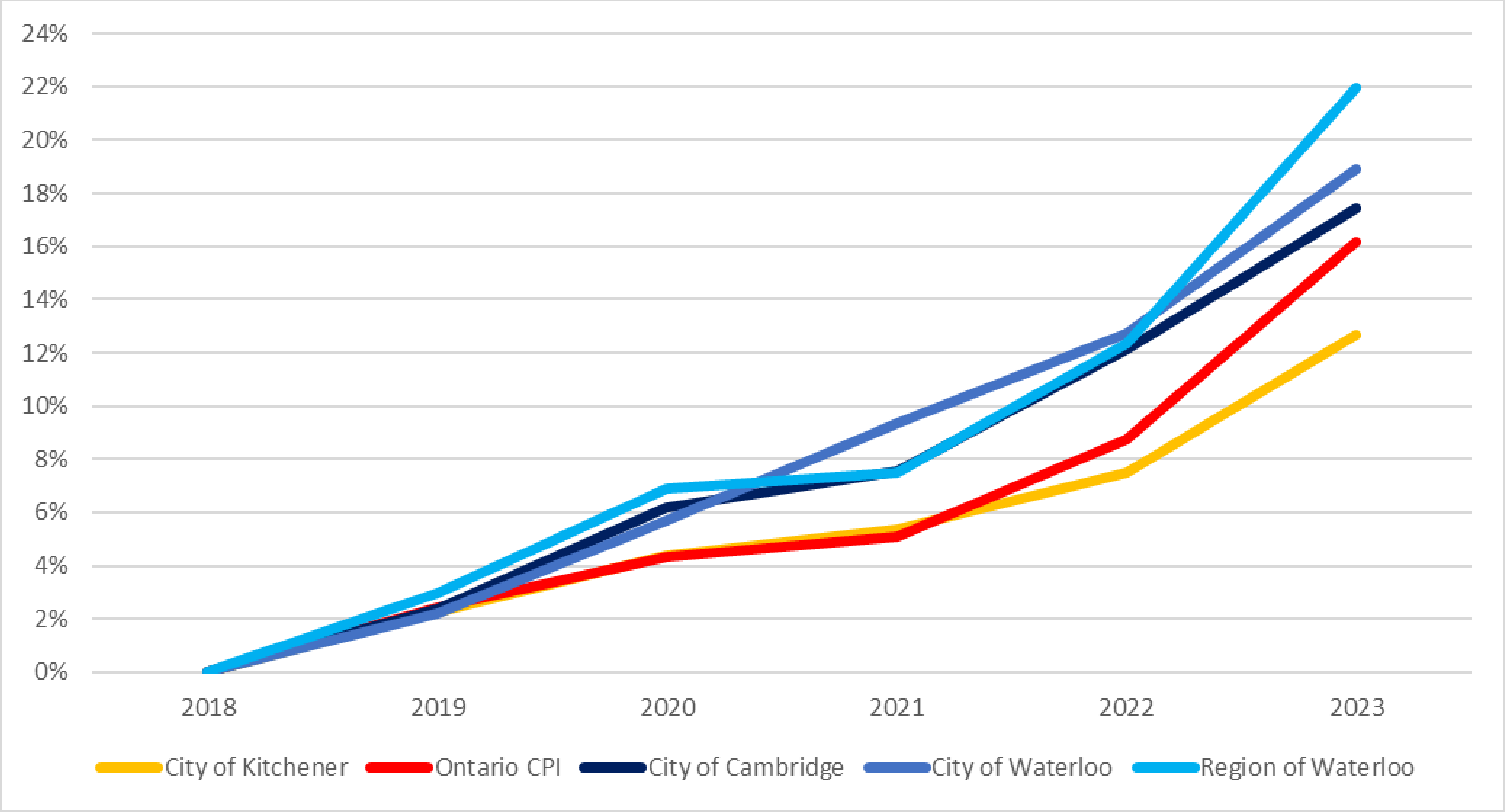
Cumulative Tax Rate Comparison: Local Cities & Region



5-Year Average Increase	
Region	4.09%
Waterloo	3.53%
Cambridge	3.27%
Ontario CPI	3.06%
Kitchener	2.42%

Summary

Supporting City Services

- 2024 budget maintains existing programs and services for residents
- Inflationary pressures are impacting the City's operating and capital costs
- Proposed tax increase of 3.9% is well below two-year CPI inflation benchmark (5.3%)

Focus on Infrastructure

- City infrastructure is aging and needs rehabilitation/replacement
- Capital cost escalation of 30% over the past few years putting pressure on budgets
- Budget includes increased funding for City facilities and underground infrastructure

Advancing Strategic Priorities

- $5.5M towards strategic investments already included in 2024 budget
- $1M in unallocated funding is available to put towards strategic investments
- Strategic investment options have been identified in each strategic goal area

Boards

APPENDIX B 26

Kitchener Public Library (KPL)

- 2024 budget assumes full operations
- Base operating grant from City increased to $12.6M
  - Increase of 3.6% as per City guidelines
- Growth funding of $119k also included for new south end library branch
  - Additional funding required in 2025
- Implementation of new salary scale planned for summer 2024

Kitchener Public Library (KPL)

KITCHENER PUBLIC LIBRARY

	Budget 2023	Projected 2023	Budget 2024
REVENUE			
City of Kitchener operating grant	$ 12,132,850	$ 12,132,850	$ 12,569,633
Southwest community library	-	-	119,335
Provincial Grant	306,980	306,980	306,980
Other Revenue (partnerships, rentals, etc.)	251,500	345,000	260,169
Total Revenue	**$ 12,691,330**	**$ 12,784,830**	**$ 13,256,117**
EXPENSES			
Programs, Marketing & Resources	1,432,600	1,456,400	1,417,600
Personnel, Admin & General Costs	10,027,023	10,017,023	10,570,461
Equipment & Occupancy Costs	1,231,707	1,311,407	1,268,056
Total Expenses	**$ 12,691,330**	**$ 12,784,830**	**$ 13,256,117**
Net Revenue / (Expense)	**$ -**	**$ -**	**$ -**

Centre in the Square (CITS)

- Operating grant increased from $2.012M to $2.084M
  - Increase of 3.6% as per City guidelines
- Working to fill vacancies in the calendar resulting from KW Symphony closure
- Preparing for new leadership change in early to mid-2024

Centre in the Square (CITS)

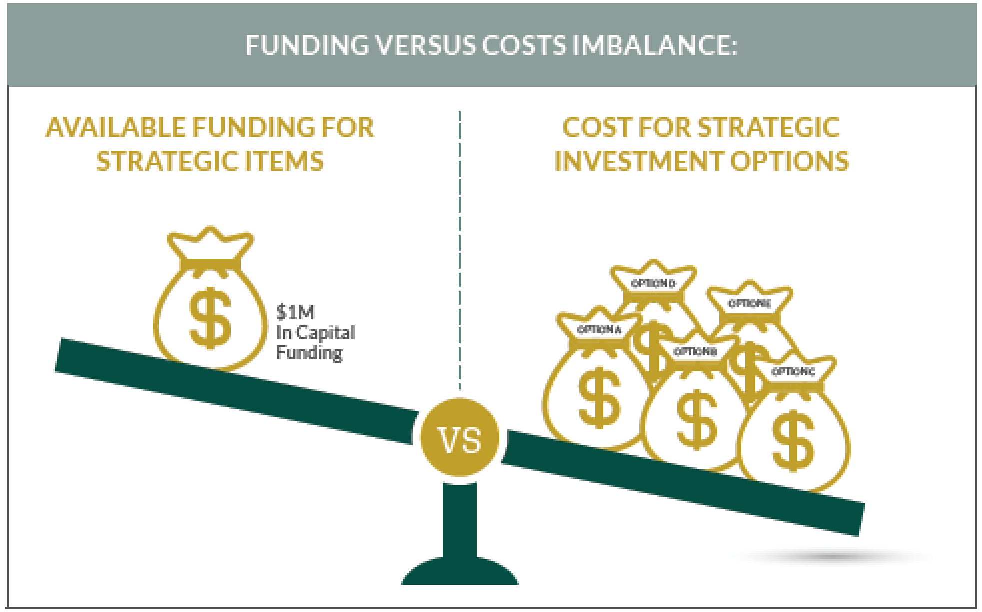
CENTRE IN THE SQUARE

	Budget 2023	Projected 2023	Budget 2024
REVENUE			
Net Performances	$ 1,498,000	$ 1,962,822	$2,154,217
Other Revenue (rent, sponsorships, parking, etc.)	527,489	408,867	333,046
City of Kitchener operating grant	2,011,602	2,011,601	2,084,019
Total Revenue	**$ 4,037,091**	**$ 4,383,290**	**$4,571,282**
EXPENSES			
Admin & General	425,000	652,091	705,991
Marketing & Programming	103,000	104,811	104,000
Occupancy Costs	815,500	726,854	816,415
Personnel Costs	2,564,667	2,725,223	2,707,757
Community Development	128,450	93,472	83,451
Total Expenses	**$ 4,036,617**	**$ 4,302,451**	**$4,417,614**
Net Revenue / (Expense)	**$ 474**	**$ 80,839**	**$ 153,667**

Strategic Investment Options

Investment Options Summary

- $1M in unallocated capital funding
- Proposed options have been identified in each goal area



Investment Options Details

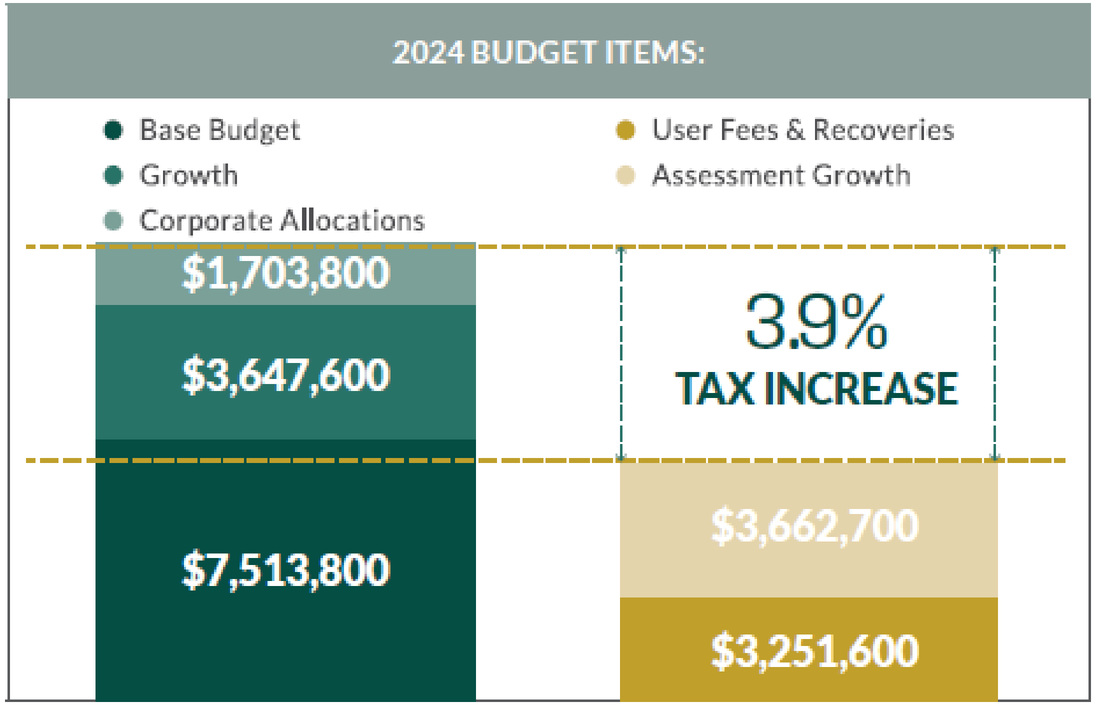
- All options total $2M, so some will have to wait to be implemented in future years
- Issue paper for all of the options (Op 02) included in Appendix F

STRATEGIC GOAL AREAS OF FOCUS		
A	Building a Connected City Together	$500,000
• $200k to support the continued implementation of the City's Housing for All Strategy • $300k for additional cycling and trail connections that support City-wide Active Transportation Routes		
B	Cultivating a Green City Together	$500,000
• $200k for the development of an arena energy strategy as part of the City's Corporate Climate Action Plan 2.0 • $300k for two additional playground replacements in 2024		
C	Creating an Economically Thriving City Together	$200,000
• $100k to Accelerate Commercial Business Approvals • $100k to support the initial implementation of a new Arts & Culture Master Plan		
D	Fostering a Caring City Together	$500,000
• $200k to develop a Municipal Newcomers Strategy, including community engagement • $300k to improve access and increase usage at Cameron Heights Pool		
E	Stewarding a Better City Together	$300,000
• $100k for a Digital Kitchener Strategy refresh to investigate and adopt technologies to improve service delivery to residents • $200k for the implementation of a city-wide data strategy to build organization-wide data practices to deliver better services for residents		

Tax Supported Operating

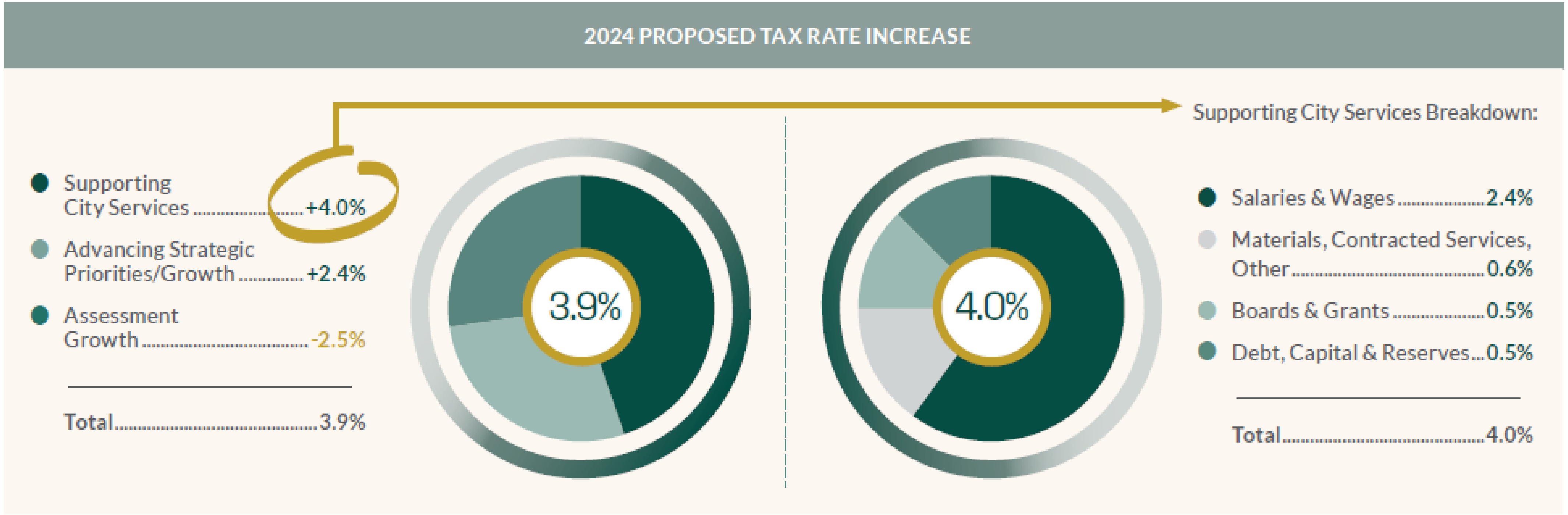
Calculating the Tax Increase

- Draft tax increase ensures the City can continue to deliver existing programs & services to residents
- Assessment growth of 2.5% has been used to cover growth related operating impacts and to reduce the overall tax burden for citizens
- Inflation continues to be a major driver of the proposed increase



Draft Tax Increase Breakdown

- Budget by division are shown in Appendix B (p.1-2)



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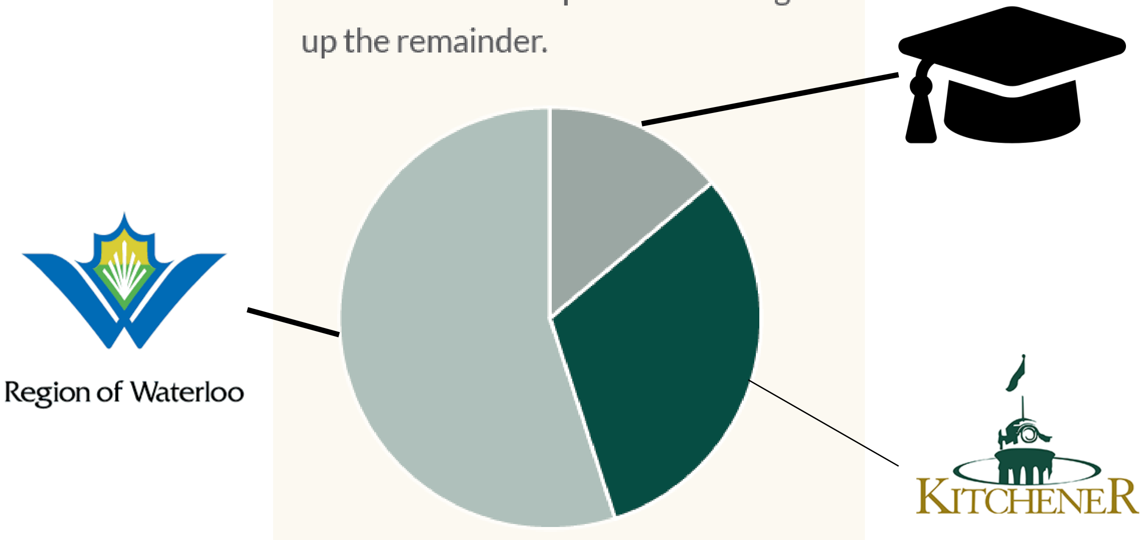
Total Property Taxes

- City collects all of the property taxes for itself, the Region & school boards

- Region of Waterloo is the largest part of the local property tax bill

BUDGET BREAKDOWN

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



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

APPENDIX B 37

User Fees – Appendix E

- User fees are a widely-used alternative to fully funding programs & services from property taxes
  - Normally used where customers have a choice
- For 2024, fees are generally increasing by 4%
  - Exceptions are noted in the user fee schedule and in issue paper Op 03
- Detailed listing of user fees can be found in Appendix E

Tax Issue Papers – Appendix F

IP #	IP Name	Comment
Op 04	Kitchener Waterloo Symphony Funding	Funding previously budgeted for KW Symphony will be maintained to support operations at the Conrad Centre and enable investment in local arts & culture groups and beyond.
Op 05	Additional Tax Supported Budget Staffing Resources to Support City Services	New staff resources being added to continue providing services to a growing city, and achieving strategic objectives.

Enterprises

What are Enterprises?

- Self-sufficient business lines that raise their own revenues through user rates instead of being funded through property taxes

City of Kitchener Enterprises	
Building	Water
Golf	Sanitary Sewer
Parking	Stormwater
	Natural Gas

Enterprise Dividends

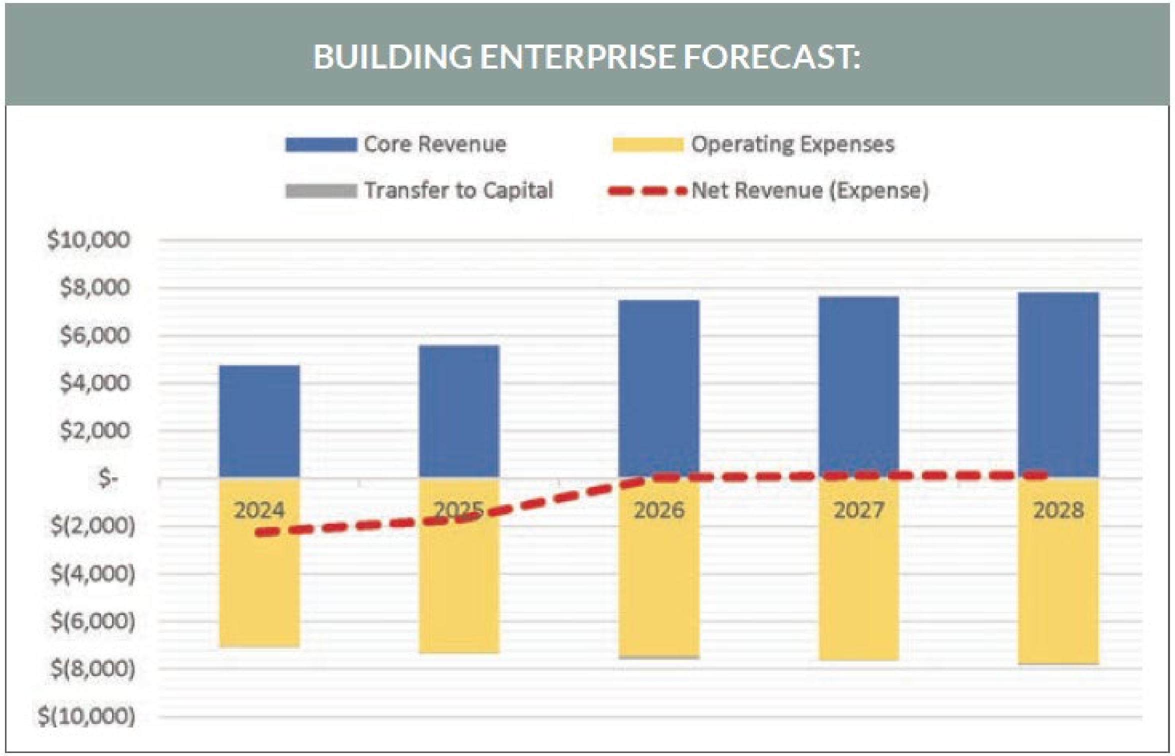
- Tax base has received dividends from some enterprises, where it is not prohibited by legislation
  - Golf, Parking & Natural Gas

- Dividend amounts for 2024 have been adjusted based on enterprise performance as follows:
  - Golf: dividend eliminated ($75k)
  - Parking: dividend reduced by $600k (from $2M to $1.4M)
  - Gas: dividend held flat at 2023 level ($15.8M)

Building

- Overview
  - Budget Summary p.31-32

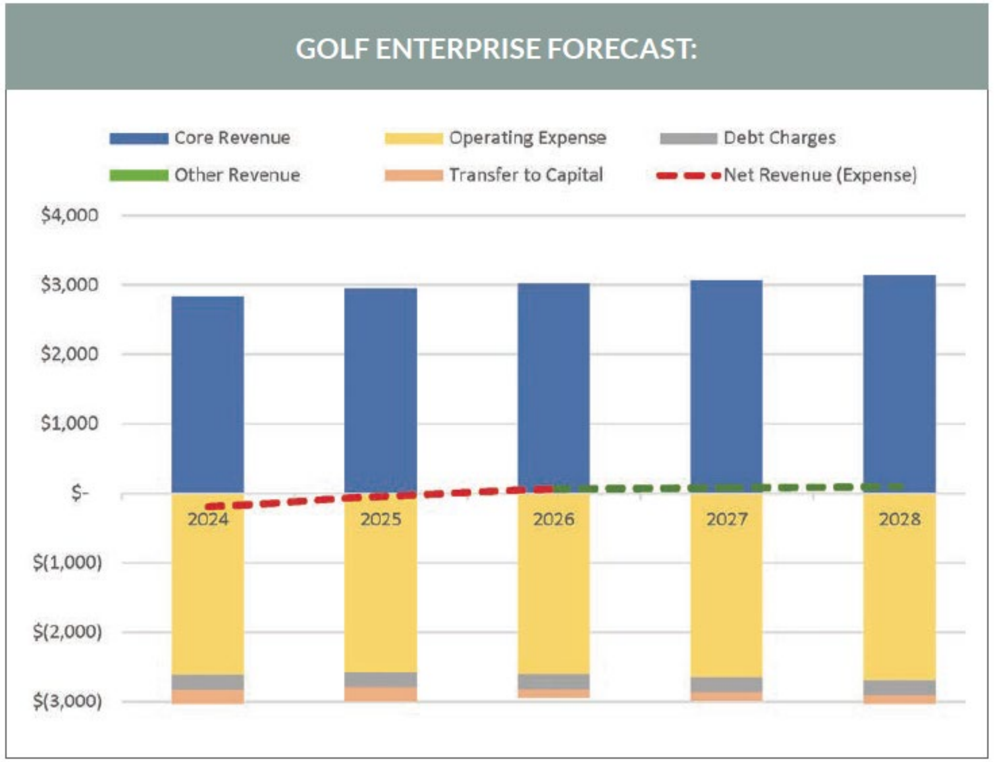
- 5-Year Forecast
  - Appendix B (p.3)



Golf

- Overview
  - Budget Summary p.33-34

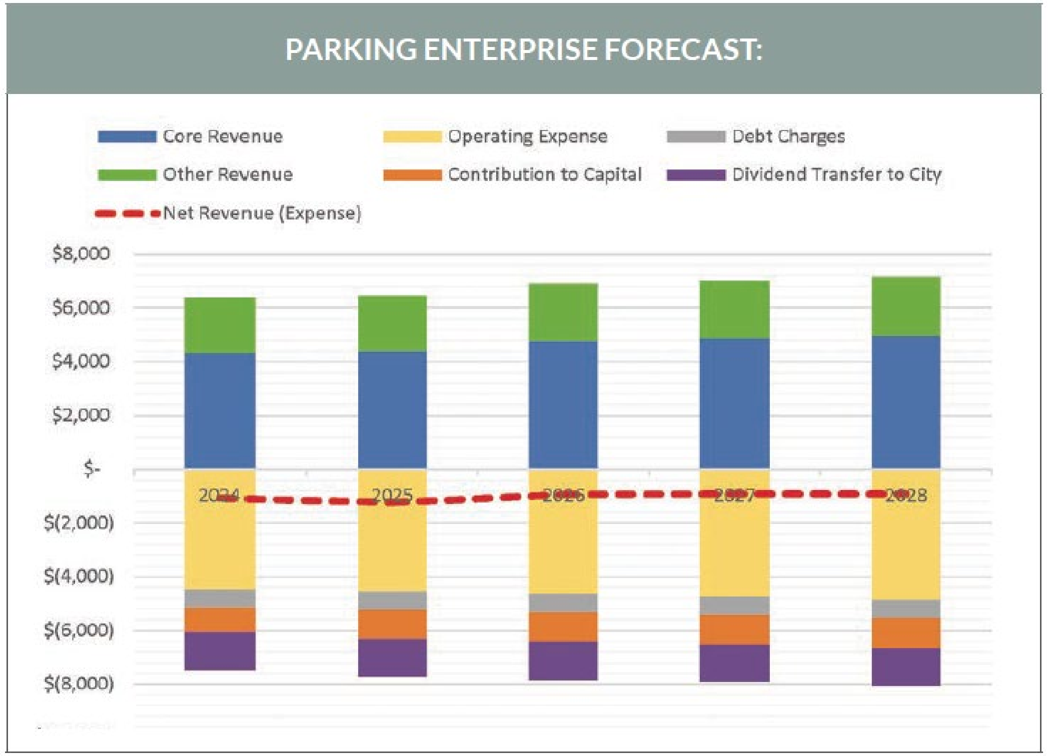
- 5-Year Forecast
  - Appendix B (p.4)



Parking

- Overview
  - Budget Summary p.35-36

- 5-Year Forecast
  - Appendix B (p.5)



APPENDIX B 45

WIP Rates & Resources

- Combined annual WIP rate increase of 6.3% is required over next four years to fund planned workplan

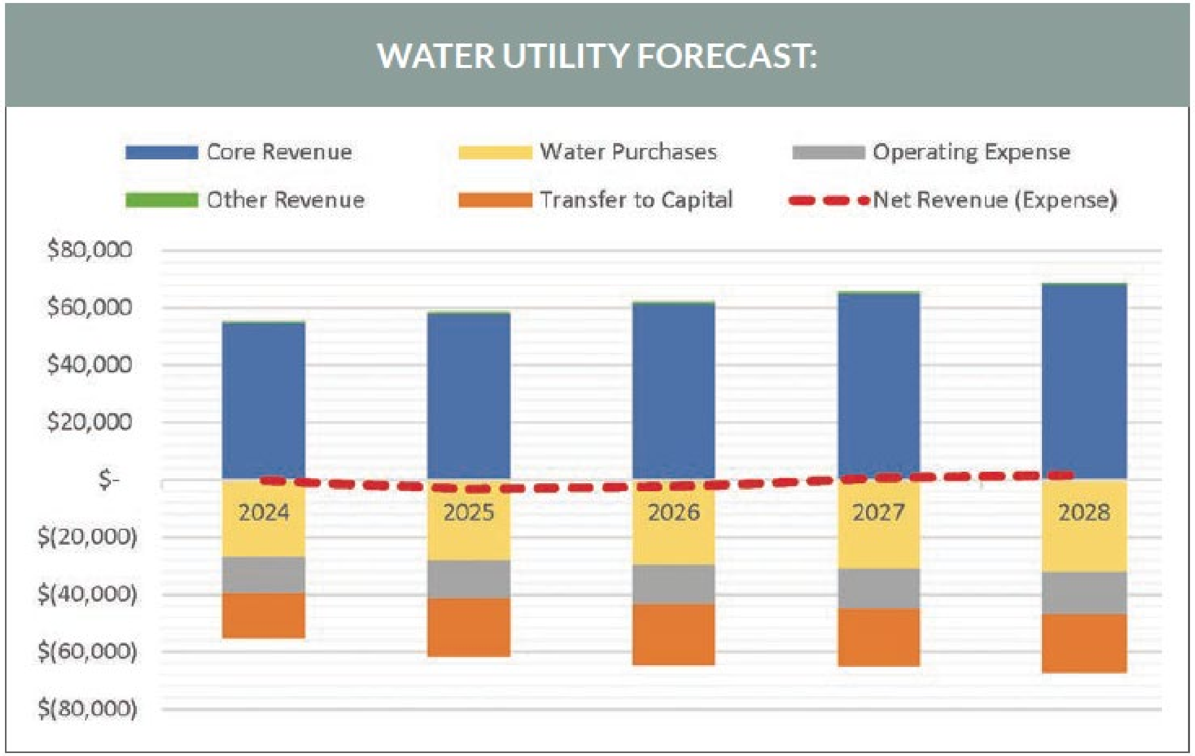
- Also requires additional 11.5 FTEs (full time equivalents)
  - 8 FTEs included in 2024 budget

- More details included in issue paper Op 06 in Appendix F

Water

- Overview
  - Budget Summary p.39-40

- 5-Year Forecast
  - Appendix B (p.6)

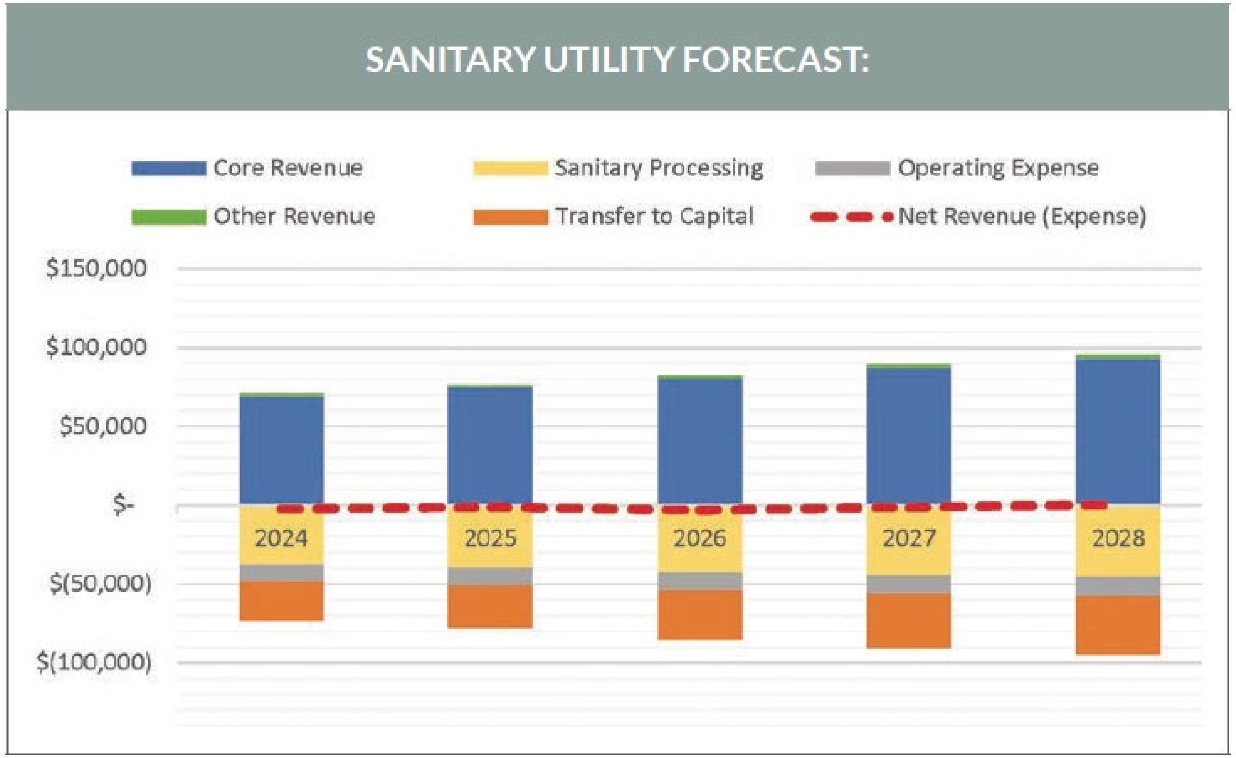


APPENDIX B 47

Sanitary

- Overview
  - Budget Summary p.41-42

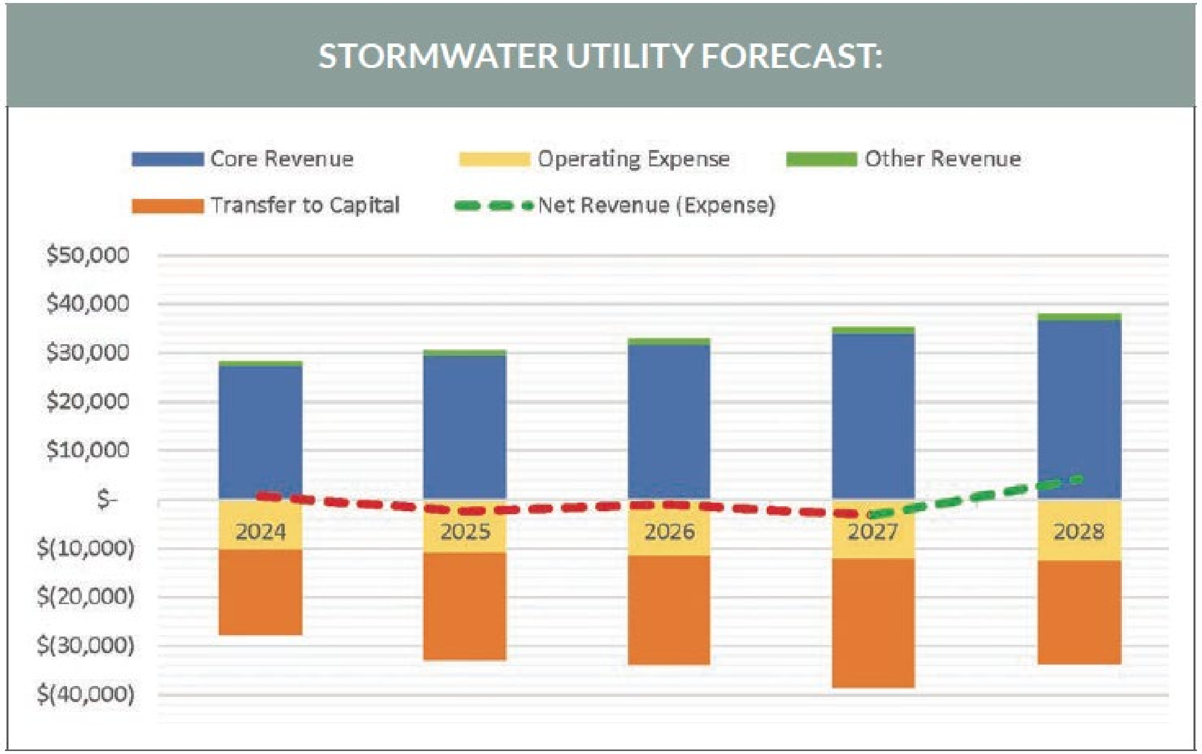
- 5-Year Forecast
  - Appendix B (p.7)



APPENDIX B 48

Stormwater

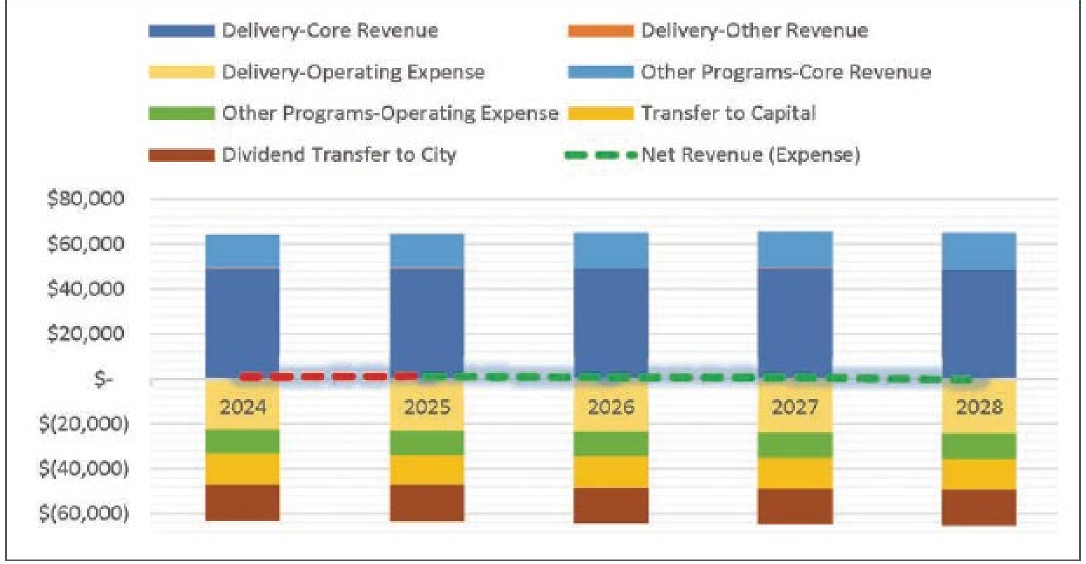
- Overview
  - Budget Summary p.43-44
- 5-Year Forecast
  - Appendix B (p.8)



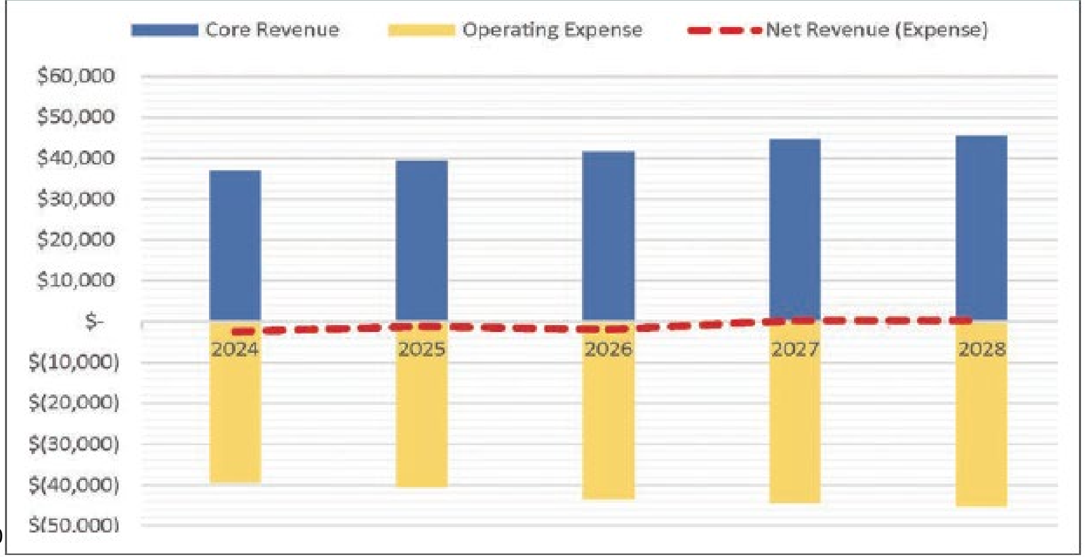
Natural Gas

- Overview
  - Budget Summary p.45-48
- 5-Year Forecast
  - Appendix B (p.9)

GAS DELIVERY FORECAST:



GAS SUPPLY FORECAST:



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