



CITY OF KITCHENER

2025 BUDGET SUMMARY

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CITY OF KITCHENER

2025 BUDGET SUMMARY

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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	3.90%	\$49	Assessment of \$326,000
Water Utility	4.90%	\$23	Water Consumption of 170m ³
Sanitary Sewer Utility	6.90%	\$41	Water Consumption of 170m ³
Stormwater Utility	7.40%	\$18	Residential Single-Detached, Medium
Total Impact		\$131	

Key Budget Highlights

- **Gross operating expenditures (excluding enterprises):** **\$275,546,378**
- **Gross operating expenditures (including enterprises):** **\$559,422,365**
- **Net tax levy:** **\$164,944,570**
- **Assessment growth:** **1.77%**
- **2025 capital budget:** **\$290,448,000**
- **2025-2034 10-Year capital budget and forecast:** **\$1,866,629,000**

Message from the Mayor

On July 1, 2023 the Ontario government provided strong mayor powers to select municipalities, including Kitchener. While this legislation requires that the Mayor is responsible for proposing the municipal budget, I have endeavoured to do so in a manner consistent with the collaborative approach that exists between Kitchener Council and staff in our work. Based on direction that was provided earlier this year, City staff prepared a draft budget informed by Council and community priorities, and in alignment with the City's approved financial guidelines and policies. The Draft 2025 Budget was presented to Council for consideration and discussion at Budget Committee meetings held on November 18th and 25th. I want to thank Councillors Scott Davey and Bil Ioannidis, Chair and Vice-Chair respectively, for their leadership and support in these meetings and all of Council for their engagement throughout this process.

Kitchener has demonstrated its commitment to considering affordability when setting its budget, consistently delivering tax rate increases that are aligned with the rate of inflation in Ontario. Kitchener's track record speaks for itself when comes to balancing affordability, service demands, and responding to growth related pressures. I'm proud of Council and staff's approach to rate setting, and believe Kitchener is a model of efficient, effective, and sustainable local government in Ontario.

During the past 10 years, **Kitchener's tax rate increases have averaged 2.47%**, below **Ontario inflation which has averaged 2.64%** during that same timeframe.

As part of the Budget, there was \$1M in one-time capital funding unallocated and available to further advance strategic priorities that are important to the community. I support the Draft 2025 Budget that was prepared by staff and presented to Council and propose, based on feedback received from Council and the public, that the City move forward with the following strategic investment related to the additional \$1M in onetime capital funding:

\$1M for a community court investment program that will see 10 basketball or tennis/pickle-ball courts installed or rehabilitated in various wards across the City. This investment will see the installation of new courts in under-serviced areas of the City or enhance the condition of existing courts, recognizing that these types of recreational amenities serve as an important gathering space for residents of all ages in neighbourhoods across Kitchener.

The City's 20-year vision included in the City's 2023-2026 Strategic Plan is "Building a city for everyone where, together, we take care of the world around us – and each other". I'm pleased with where we have landed with the 2025 Budget, for the progressive action that we continue to take as a City to move us closer to achieving that vision, while still balancing affordability and operational service delivery needs.

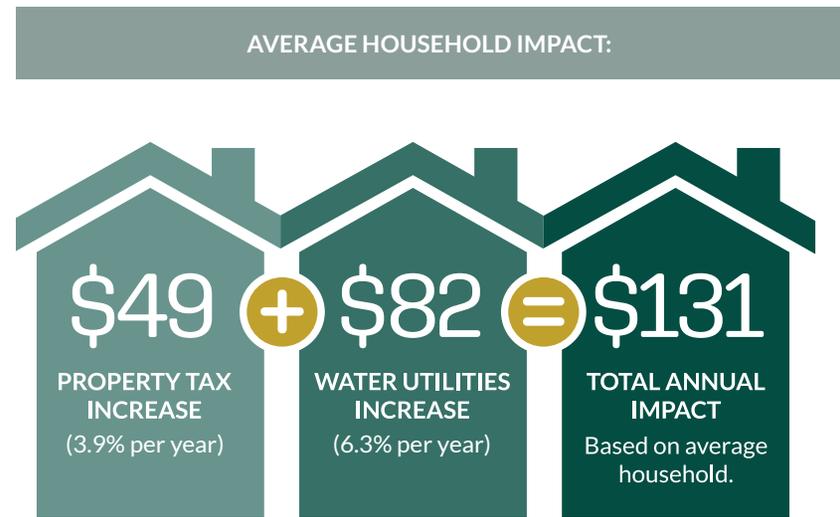
2025 CITY OF KITCHENER

Budget Highlights

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

The City’s 2025 budget represents a combined annual increase of **\$131 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.



The capital budget includes more than **470 projects** with a total cost of **\$1.9 billion** over 10 years, with **\$290 million** of spending in the first year. This includes meaningful investments in areas that are important to the citizens of Kitchener, such as:

- **Kitchener Indoor Recreation Complex** (\$94M in 2025, \$144M overall)
- **Mill Courtland Community Centre** (\$2M in 2025, \$8.5M overall)
- **Centreville Chicopee Community Centre** (\$2M in 2025)
- **Downtown Fire Hall** (\$3.7M in 2025, \$15M overall)
- **New Neighbourhood Parks** (\$2M in 2025, \$21.6M overall)
- **Strasburg Road South & Watermain Extension** (\$8.7M in 2025, \$18.1M overall)
- **Otterbein Sewage Pumping Station Upgrades** (\$8.2M in 2025, \$9.1M overall)
- **Full Road Reconstruction Projects** (\$39M in 2025)
- **Middle Strasburg Creek Naturalization** (\$4.8M in 2025, \$14.5M overall)

TAX DOLLARS AT WORK TO IMPROVE OUR CITY:



150
major facilities



827 km
of sanitary sewers



60,000+
street & park trees



40
winter rinks



37
soccer fields



64
baseball diamonds



24,000
ice hours



2,000 km
of maintained roads



4,275
water hydrants



2,800
sidewalk repairs



616 km
of storm sewers



3,593
parking spaces



A PROGRESSIVE CITY.

About Kitchener

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

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

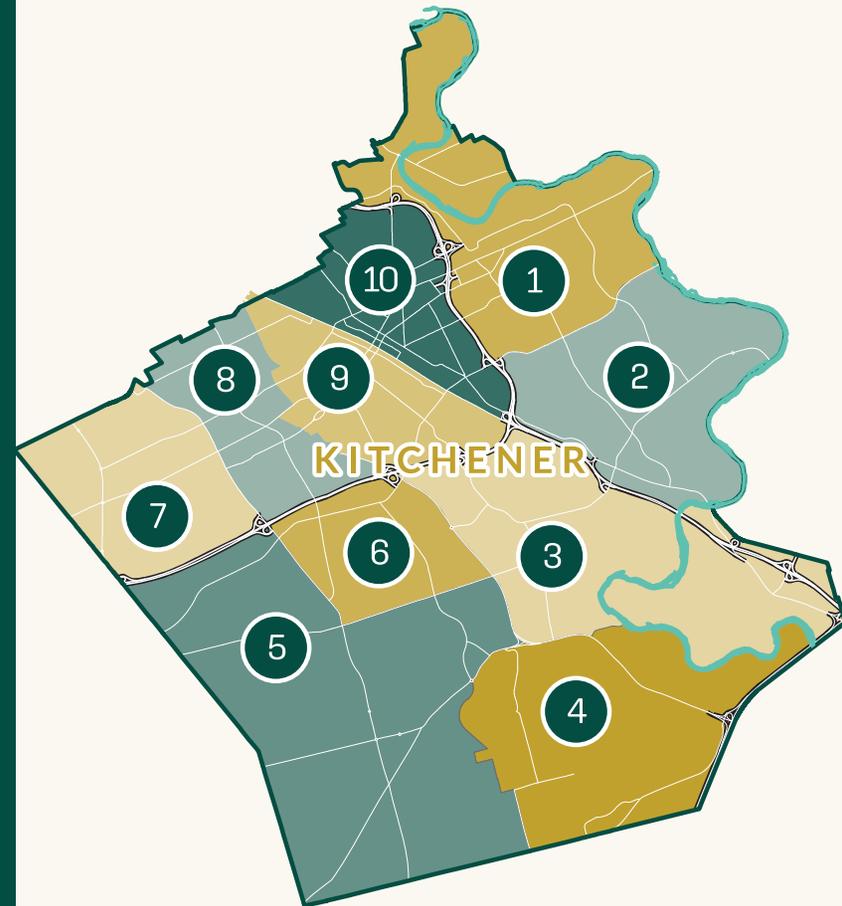
When Kitchener tries something new, the world follows. We're the anchor of Canada's Innovation Corridor, and our startup density is second only to Silicon Valley. We're the fastest growing startup ecosystem in Canada, creating 30,000 tech jobs in the past 20 years.

With a population of 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 100,000 students in the region there are new ideas and newer skillsets available every day. This new talent feeds into the world's largest free startup incubator Velocity, located in the Communitel Hub.

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:



2025 CITY OF KITCHENER

City Governance

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

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

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



City Council left to right, front row to back row: Ward 3 Councillor: Jason Deneault, Ward 8 Councillor: Margaret Johnston, Mayor: Barry Vrbanovic, 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

2025 CITY OF KITCHENER

General Overview

Introduction:

Each year staff prepare an annual operating budget and 10-year capital forecast for Council's consideration. The annual budget helps identify the spending plans and priorities for the municipality for the upcoming year and is informed by the City's strategic plan, various master plans, and feedback from the community.

The 2025 budget continues to build on previous years, addressing priorities that are important for the residents of Kitchener. The themes for this year's budget are summarized under three priority areas: Delivering City Services, Investing in Infrastructure, and Advancing Strategic Priorities.

Delivering City Services:

The 2025 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.

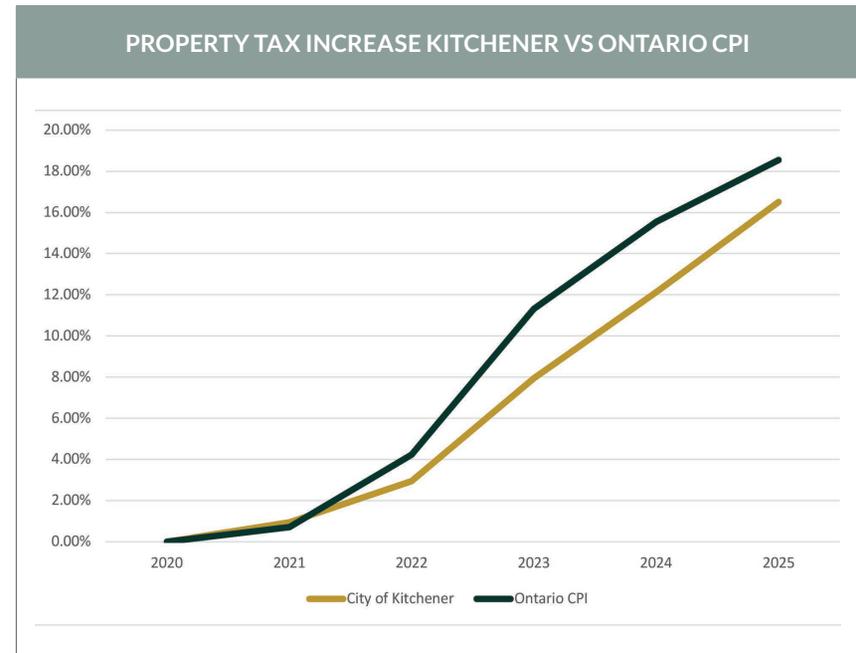
The City follows a robust internal budget review process, which includes setting budget targets that departments are required to achieve. This ensures that what's proposed by staff each year in the operating budget for Council consideration is only what's viewed as necessary to support the delivery of 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 program and services for a growing community.



After an extended period of high inflation and high interest rates, the economy is showing signs of slowing down. This has prompted the Bank of Canada to start cutting interest rates in 2024 and this trend is expected to continue into 2025. The leveling of inflation and reduction in interest rates is an encouraging sign for many who have been struggling to keep pace with rising costs of goods and services. Municipalities have also experienced higher increases in costs over the past few years, but even with these pressures, staff have always tried to find the right balance between the cost to deliver valued programs and services for the residents, while carefully considering the financial impact of any proposed property tax increase that's required to support the delivery of those services.

For the past few years, the City has used a two-year inflation average as a benchmark to assess whether the proposed property tax increase is reasonable. The 2025 budget contemplates an increase of 3.9%, which is in line the two-year inflation average (3.2%) for Ontario. The slightly higher proposed increase compared to the benchmark is due to growth-related pressures that in 2025 exceeds assessment growth, which is slightly lower compared to previous years. One of the main growth pressures in 2025 is the opening of the new southwest library branch that will service the growing population in that part of the City. Operating costs for the new branch alone represent approximately a 0.75% tax rate impact for 2025.

By taking a responsible approach when preparing the annual operating budget, Kitchener's been able to consistently deliver property tax increases that have been below the rate of inflation over the past 5 years (cumulative tax rate increases vs CPI shown in the graph illustrated here).



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

Investing in Infrastructure:

The City owns and is responsible for maintaining approximately \$10B worth of assets. These include hard infrastructure such as roads and bridges; underground infrastructure related to water, wastewater, and stormwater; and community-based infrastructure such as facilities, parks & open spaces, and forestry.

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

The City's capital budget identifies the infrastructure that is planned to be replaced over the next 10 years. Although the City's planned investment over 10 years is significant, it's still not enough to address all of the City's infrastructure replacement needs. Despite these challenges, the City has been proactive in trying to address its infrastructure funding needs, including launching the Water Infrastructure Program (WIP) in 2017 to fund replacement of underground infrastructure (Water, Sanitary and Storm.) By moving to a more predictable rate model through the WIP program, the City has been able to fund approximately \$400M in capital infrastructure replacements since the program was established. The City is currently in the second 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 2025, an additional \$6M from reserves has been allocated to support facility repairs and rehabilitation. This includes \$1.4M 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 \$200M in federal and provincial funding over the past five years. It's important for the City to continue to be proactive in this space, ensuring that funding opportunities are fully explored, including continuing with advocacy efforts for additional infrastructure funding since this represents the most significant funding challenges that municipalities face moving 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 is funded through development charges and not through property taxes, maintaining the concept that growth should pay for growth. As the City continues to expand, particularly in the southwest area of the City, new amenities are needed to support recreational needs. This include \$16M for the construction of a new library branch in southwest Kitchener, \$6M for the Rosenberg Community Centre, and a \$144M for the Kitchener Indoor Recreation Facility that will be located at Schlegel Park and will include an indoor pool, FIFA sized soccer facility, and provide other important gathering space for residents and the community.



Advancing Strategic Priorities:

The City is in the second year of implementation of its 2023-2026 Strategic Plan. The 2025 Budget continues to build on investments made through last year's budget process, with funding allocated within the budget to support actions identified under the five goal areas within the Strategic Plan 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**

Extensive engagement took place to develop the Strategic Plan that 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. Engagement included completing a statistically valid survey and the involvement of a demographically representative resident panel, that helped validate and confirm priorities and actions that are included in the City's Strategic Plan.

The 2025 Budget highlights approximately \$75M in funding that will help to advance strategic priorities. This includes \$56M in Federal and Provincial funding that the City has received to advance housing initiatives. Investments included in this year's budget will build on progress made in the previous year and are needed to implement key priorities and commitments included in the 2023-2026 Strategic Plan. In addition to these investments, based on feedback received from Council and the public, the City moved forward with the following strategic investment related to the additional \$1M in onetime capital funding:

\$1M for a community court investment program that will see 10 basketball or tennis/pickleball courts installed or rehabilitated in various wards across the City. This investment will see the installation of new courts in under-served areas of the City or enhance the condition of existing courts, recognizing that these types of recreational amenities serve as an important gathering space for residents of all ages in neighbourhoods across Kitchener.

In Summary: The 2025 Budget addresses a number of priorities, from delivering city services that residents and businesses rely on every day, to investing in infrastructure to address the City's asset replacement and growth-related needs, to providing funding to implement the City's 2023-2026 Strategic Plan that will help shape Kitchener's future. All of these priority areas are important and have been accommodated by carefully preparing a budget to meet the service expectations of citizens while at the same time balancing the need for reasonable rate increases.



Economic Considerations

The Consumer Price Index (CPI) represents the change in prices experienced by Canadian consumer. Ontario’s monthly inflation rate dropped below 2% in September 2024 for the first time since February 2021. The 1.9% in September brought down the 2025 year-to-date CPI figure to 2.5%, which is in line with forecasts for the year.

After CPI hit a 40-year high of 7.9% in June 2022, the Bank of Canada raised interest rates 10 times in 2022 and 2023 to curb the rate of inflation. With weakening inflation rates the central bank has delivered several rate cuts since June 2024, taking its policy rate to 3.75% with additional reductions expected over the next few month.

Capital costs are still increasing more than CPI inflation, but price increases for construction projects have slowed considerably from recent times that saw 30% jumps in costs from year to year.

CURRENT ECONOMIC TRENDS:				
				
INFLATION	INTEREST RATES	FUEL	CAPITAL COST ESCALATION	HOUSING COSTS
2.5%	3.75%	\$1.58/L <small>Average fuel price 2024</small>	3.9%	\$694K <small>Average home price 2024</small>

UNDERSTANDING

The Budget Process

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

In the first quarter of 2024, budget direction was developed by the Financial Planning team. Budget targets were established using the Council-endorsed inflation policy. The City’s policy is to forecast costs using a two-year inflationary average, which means that we are gradually accommodating the cost increases associated with rising inflation rates.

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

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

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

BUDGET PROCESS AND TIMELINE:

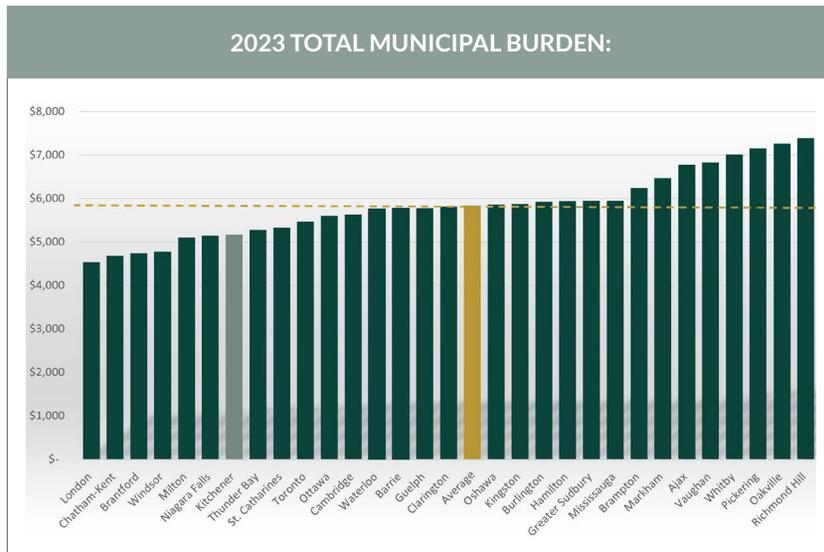




Comparison To Other Municipalities:

The City of Kitchener has one of the lowest total municipal burdens (taxes + water charges + sewer charges) of large cities in Ontario. The graph below shows the most recent results of an analysis conducted annually by BMA Management Consulting Inc. Kitchener (\$5,165) holds the seventh lowest ranking in the province and is well below the average (\$5,838).

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.

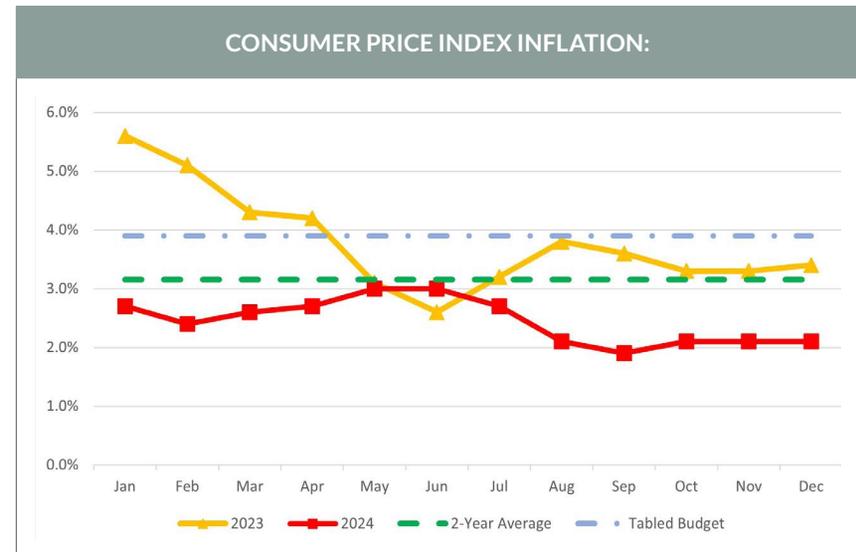


Inflationary Factors Unique to Municipalities:

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 2025 budget, the two-year average of CPI inflation is 3.2%. The tax rate increase of 3.9% is above the average, but accommodates strategic priority investments and the 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.

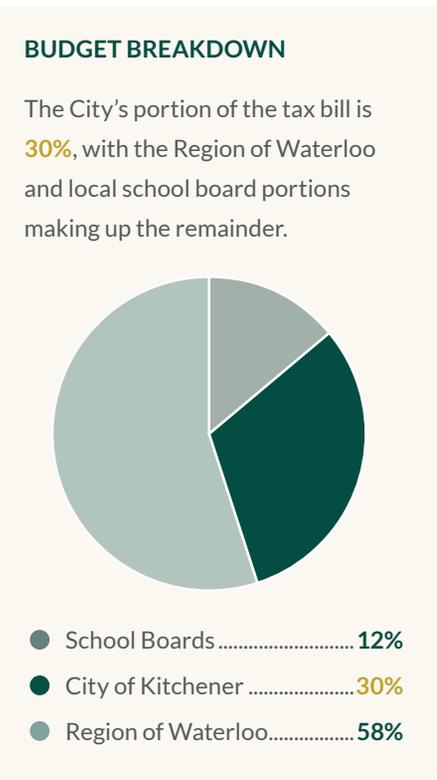
Prior to the pandemic, Kitchener had established a strong record of regularly ending the year with a small operating surplus. This indicated the budgets established were sufficient to deliver the services included in the budget. During the pandemic (2020-2022) when various restrictions were in place, City operations ended the year in deficits. In 2023, the City ended the year with an operating surplus and is projecting to end 2024 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:			
			
<p>PUBLIC HEALTH AND SOCIAL SERVICES:</p>	<p>REGIONAL POLICING AND EMERGENCY RESPONSE:</p>	<p>WASTE MANAGEMENT AND WATER TREATMENT:</p>	<p>REGIONAL TRANSPORTATION:</p>
<p>Harm reduction and affordable housing.</p>	<p>Paramedic and policing services.</p>	<p>Waste collection, water treatment and wastewater management.</p>	<p>Waterloo Regional International Airport, Grand River Transit, ION and regional roads.</p>



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



SERVICES PROVIDED BY THE CITY OF KITCHENER:



PARKS AND GREENSPACE:

Maintenance and plantings throughout parks.



RECREATION AND COMMUNITY CENTRES:

Facilities and programming so everyone has a space to play.



TRANSPORTATION AND TRAFFIC:

Caring for our roads so residents can travel safely.



EVENTS AND CULTURE:

Celebrating our community with events and festivals.



FIRE SERVICES:

Keeping our homes and communities safe from fires.

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

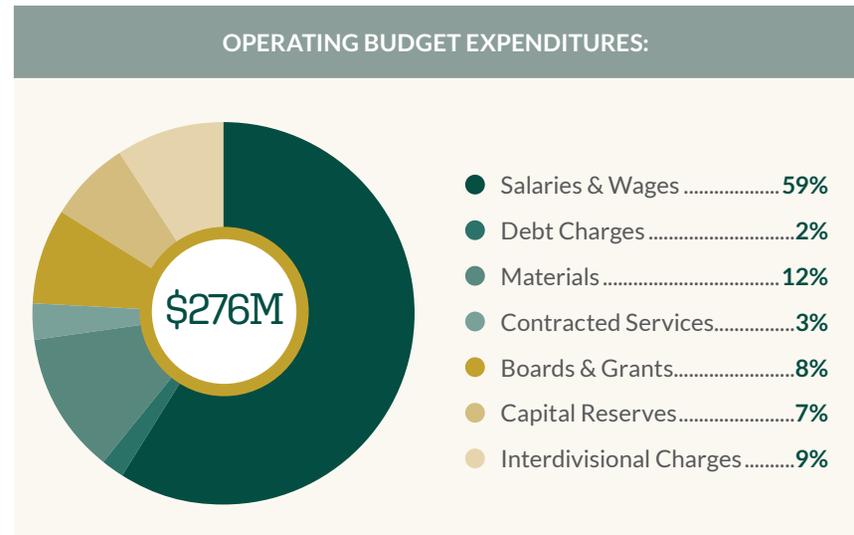
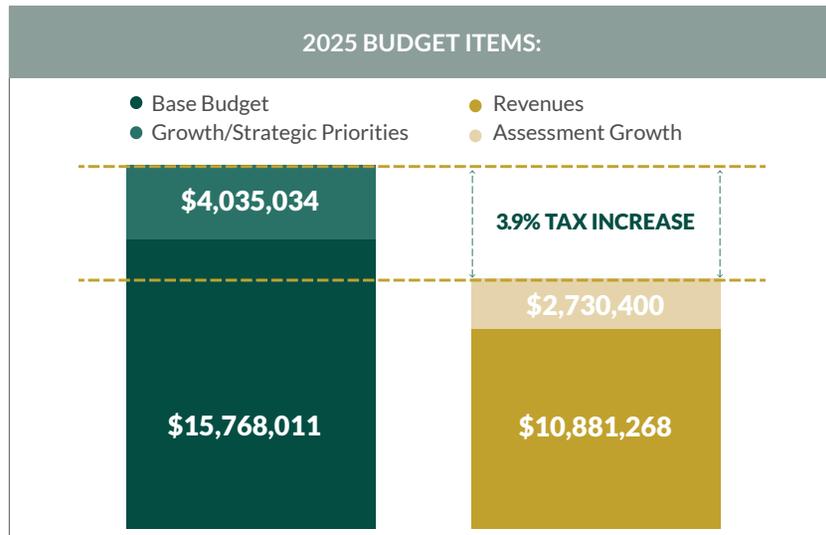
OVERVIEW OF THE

Tax Supported Operating Budget

The 2025 net tax levy increase is **3.9%** and would amount to an additional **\$49 per year, or \$4** per month for the average Kitchener home (assessed at \$326,000). The 2025 budget contemplates an increase of 3.9%, which is in line the two-year inflation average (3.2%) for Ontario. The slightly higher proposed increase compared to the benchmark, is due to growth-related pressures that in 2025 exceeds assessment growth, which is lower compared to previous years.

One of the main growth pressures in 2025 is the opening of the new southwest library branch that will service the growing population in southwest Kitchener.

The City's **\$276 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:



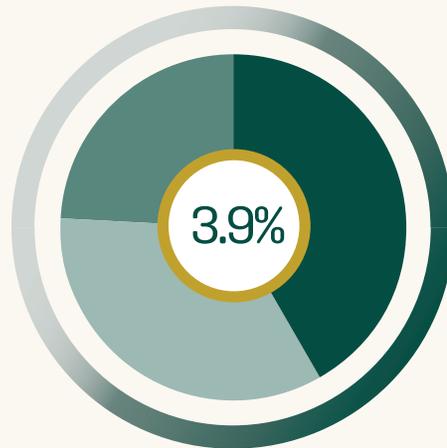
The 2025 budget is all about addressing your priorities. The three priorities are: delivering city services, investing in infrastructure and advancing strategic priorities

Delivering 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.

2025 TAX RATE INCREASE

● Delivering City Services	+3.1%
● Advancing Strategic Priorities/Growth	+2.5%
● Assessment Growth	-1.77%
<hr/>	
Total.....	3.9%





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

Salaries And Wages:

Total compensation makes up the largest portion of the operating budget representing 59% of the City's expenses, which is consistent with most municipalities. To deliver municipal services to approximately 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 2025 reflect the collective bargaining agreements with most unions. The collective agreements between the City of Kitchener and CUPE 791 and IBEW will expire in 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.

Debt, Capital & Reserves:

Interest on long term debt and capital reserve contributions increased by \$252k and \$317k respectively in 2025. This increase will be used to help fund projects in the City's Capital Budget.

Materials, Contracted Services & Other:

Inflationary pressures are being felt across all divisions for these budget lines with significant impacts in computer software costs of \$266k and contracted services of \$448k.

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 2025 budget targets, the operating grants for both CITS and KPL increased by 2.6% resulting in an increase of \$54k and \$330k respectively. Additionally, the KPL received \$1.181M in growth funding towards the operating costs of the new South-end Branch.

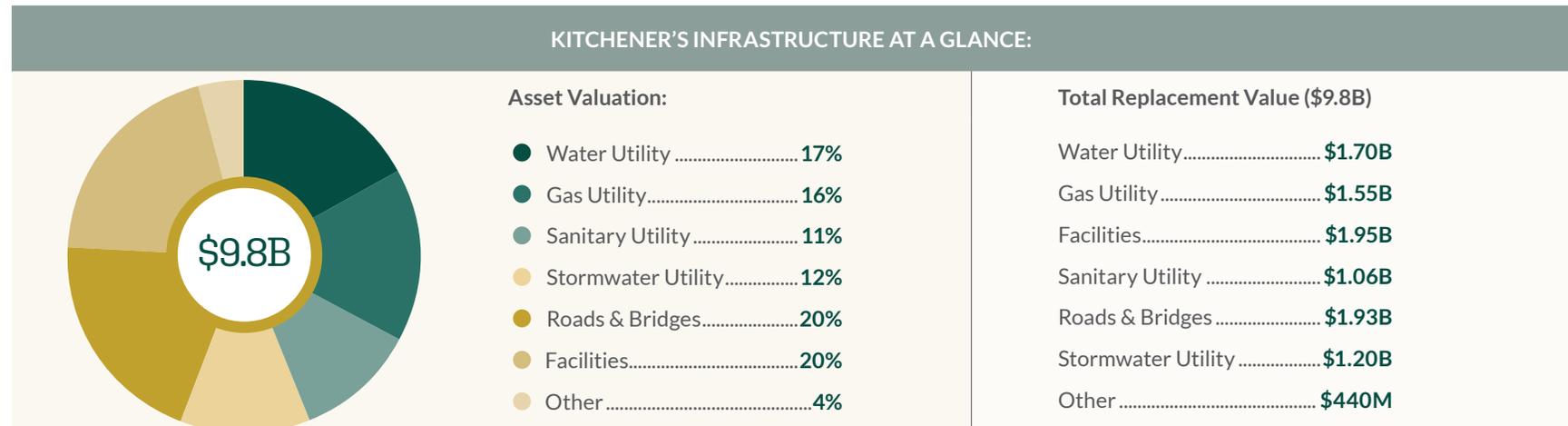
Investing in Infrastructure

The City owns and is responsible for maintaining approximately \$9.8B 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 2025 Budget continues to make investments in infrastructure a priority. This builds on previous progress made towards revitalizing assets through comprehensive programs like the Water Infrastructure Program (WIP) and the Facilities Infrastructure Program (FIP).

In addition to existing infrastructure, the City must also build new assets for its growing population. Significant investments in roads, water, and sewer are being made to ensure new housing stock can be built in Kitchener. As well, new community amenities like the Kitchener Indoor Recreation Complex (KIRC), southwest library branch, and Rosenberg Community Centre are being added in developing areas of the city.



Advancing Strategic Priorities

The City is in the second year of implementation of its 2023-2026 Strategic Plan. The 2025 Budget continues to build on investments made through last year’s budget process, advancing actions identified under the five goal areas within the Strategic Plan. The 2025 budget includes \$75M 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 2025 Budget.

Building a Connected City Together

- **\$42M** from the Federal Housing Accelerator Fund to support the continued implementation of Housing for All
- **\$14M** from the Provincial Building Faster Fund to support the continued implementation of Housing for All
- **\$750k** to support the official plan comprehensive update

Cultivating a Green City Together

- **\$8.6M** towards advancing actions in the parks masterplan, including network improvements, Upper Canada Park and McLennan Park
- **\$2.3M** for energy efficiency investments in facilities through HVAC replacements, supporting goals of the Corporate Climate Action Plan 2.0
- **\$1.3M** towards implementation of the City’s tree canopy plan
- **\$800k** for green fleet improvements including the replacement of 3 ice resurfacers to electric

Creating an Economically Thriving City Together

- **\$780k** in operating and capital funding to support the activation of the Conrad Centre
- **\$200k** to support more community events

Fostering a Caring City Together

- **\$150k** for expanded hours at community centres (additional sites)
- **\$100k** to increase spots in summer camps for youth
- **\$150k** for the development of outdoor pool strategy

Stewarding a Better City Together

- **\$2.75M** towards the replacement and modernization of the City’s HR and payroll system
- **\$500k** towards future proofing the City’s digital services
- **\$275k** for the replacement of the City’s customer relationship management software



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Region of Waterloo

503B

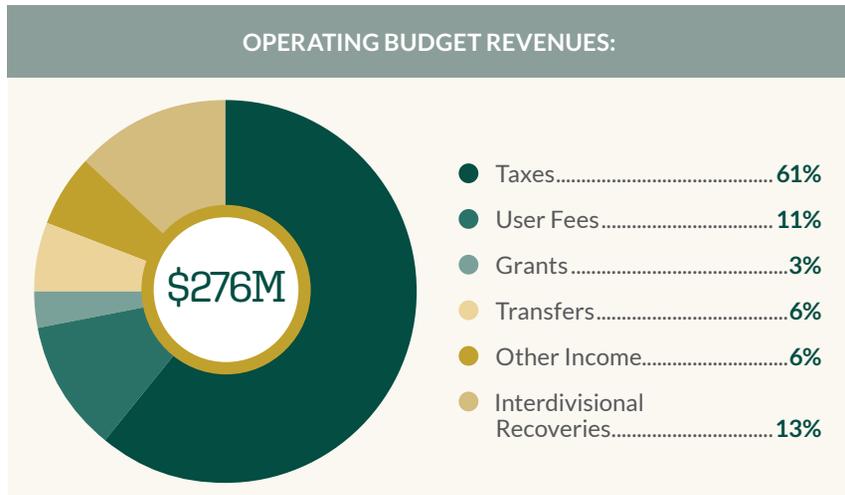


GRT

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 61% of the city's revenue at approximately **\$170M**. The Municipal Property Assessment Corporation is responsible for assessing and classifying properties. The City is responsible for setting tax rates and collecting property taxes based on the assessed value and class of the property. Property classes are assigned based on their intended use and different tax rate is applied based on class. The majority of the City's assessment base is made up of residential properties, which is in line with the overall assessment mix of other communities.

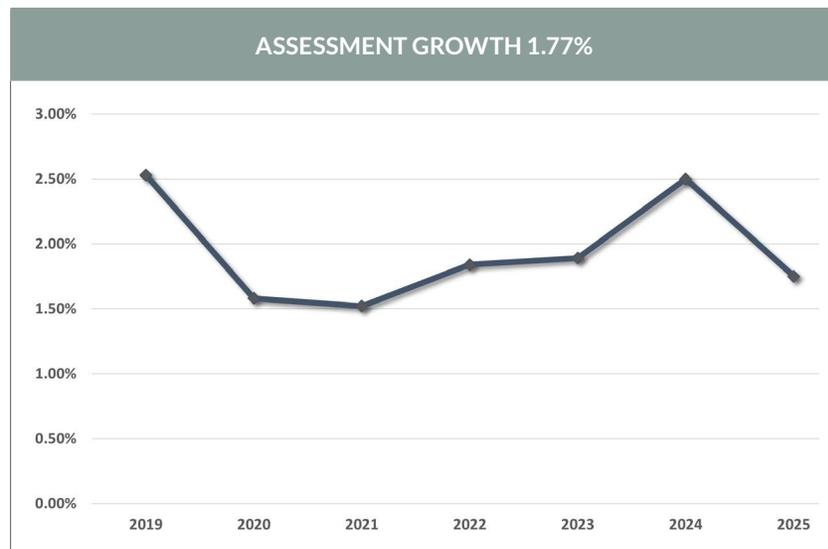
User Fees:

User fee charges are one of the principal funding mechanisms for a range of municipal services. Examples include swimming lessons, site plan approvals, and business licenses. These fees are an efficient revenue source since they allow the City to pay for a service by directly charging those who use it. The City's user fee charges make up 11% of the City's revenues and amount to \$30M. 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 2025 assessment growth is 1.77%, which is not enough to cover all 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



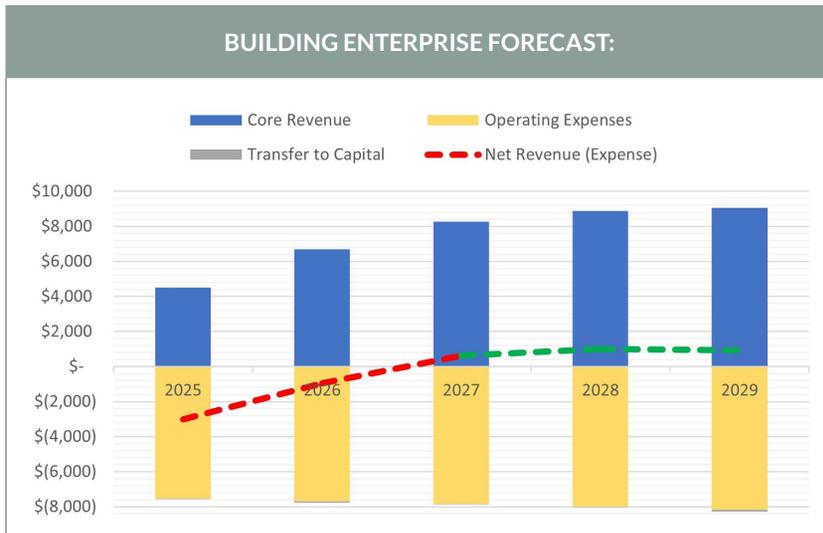
Operating Model And Philosophy:

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 2025-2029 Building forecast (000's):



Note: Detailed Building projections are included in the appendices.

Recent Challenges:

Higher interest rates have led to higher mortgage rates. This has caused an overall slow down in the construction and permit sector.

As reported last year, Building staff continue to deal with incomplete and uncoordinated construction drawings on permit submissions. This leads to increased complaints and longer processing times. Staff have met with customers to get a better understanding of the root causes and will continue to monitor.

The pilot project of new software for customers to schedule their own inspections still needs some work and will be retested in 2025.

Recent Successes:

To promote communication and information sharing with our external customers, Building staff have shared 15+ bulletins and notices. One of the industry Bulletins highlights the new 2024 Building Code, which takes effect January 1, 2025.

Building staff are in the process of learning the 2400+ code changes. Building staff will provide in-person and virtual presentations of the key code changes. This will be presented in November 2024 at no cost to the industry. Given the large number of code changes, two separate presentations are planned: low rise residential and everything else. Work is also progressing on the Accelerating Commercial Business Approvals.

Golf Enterprise Overview



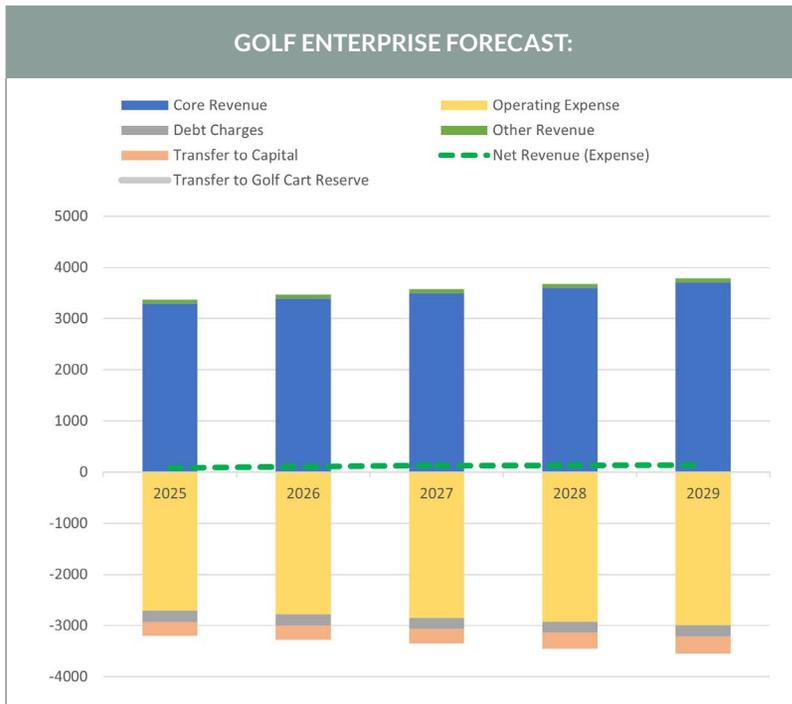
Operating Model And Philosophy:

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 2025-2029 Golf forecast (000's):



Note: Detailed Golf projections are included in the appendices.

Recent Challenges:

The expansion of Highway 401 project alongside the Doon Valley Golf Course is still underway with expected completion in 2025.

Rockway Golf Course has experienced drainage issues primarily due to inadequate water flow management, which has led to regular closures of holes 4, 5 and 6. Addressing these drainage concerns is crucial for ensuring consistent playing conditions and maintaining the overall quality of the course.

Recent Successes:

- Introduction of revised membership categories to enhance member satisfaction and inclusivity.
- Increased interest in memberships and green fee rounds.
- The return of academy programs and summer camps at Doon Valley, fostering a love for golf and developing future enthusiasts.

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:

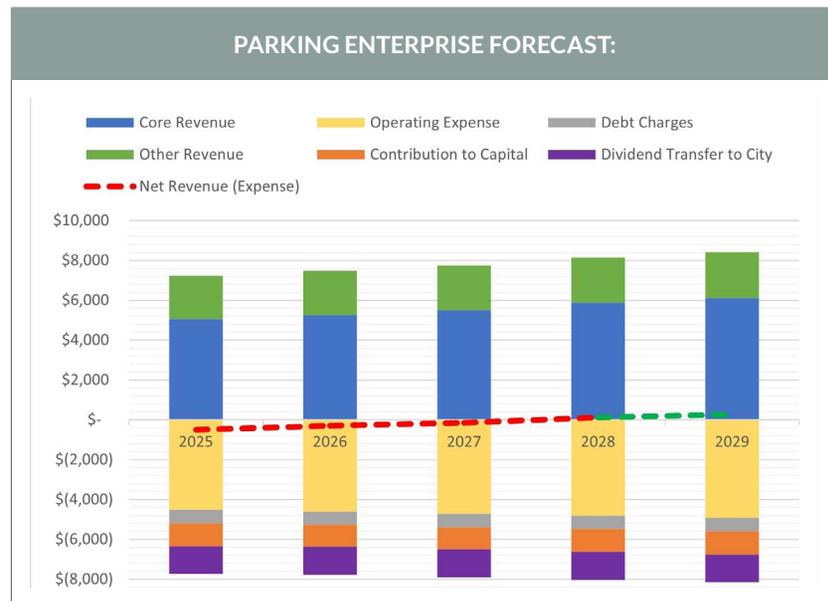
The Parking Enterprise's goal is to be self-funded and financially sustainable while providing accessible and convenient parking in the downtown core at a fair price.

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 2025-2029 Parking forecast (000’s):



Note: Detailed Parking projections are included in the appendices.

Recent Challenges:

Public use of the parking facilities continues to change due to the evolution of hybrid/virtual working conditions. Parking revenues are down locally and nationally; in the 20-30% range when compared to pre-pandemic levels. Kitchener is on the low end (~ 20%) of the range given economic recovery related to recent city building objectives such as reduced parking rates and downtown intensification.

Recent Successes:

Repairs to the City Hall garage were completed in a timely manner in the summer of 2024. Staff and customers returned to the garage on August 6, 2024 after a duration of five 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 forth 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 (Visa/Mastercard credit / Debit Visa/Mastercard). 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 WIP review was completed in advance of the 2024 budget and took several months to complete with collaboration between several divisions within the City, including Asset Management, Engineering, Kitchener Utilities – Gas and Water Utilities, Kitchener Utilities – Sanitary and Stormwater Utilities, Operations – Roads and Traffic, Financial Planning and Reporting and Communications



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

	2021	2022	2023	2024	2025
Projected	4.5%	4.5%	4.5%	6.3%	6.3%
Revised/Proposed	0.9%	2.2%	4.5%	6.3%	6.3%
Approved	✓	✓	✓	✓	

The 2025 combined WIP rate increase is 6.3%. This includes increases to Water (4.9%) and Sanitary (6.9%) 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 2025 WIP rates do not reflect these increases but adjustments will need to be made in future years. 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.

	2024	2025	\$ CHANGE	% CHANGE
Water	\$467	\$490	\$23	4.9%
Sanitary	\$595	\$636	\$41	6.9%
Stormwater	\$242	\$260	\$18	7.4%
TOTAL	\$1,304	\$1,386	\$82	6.3%

The 2025 rate increase of **6.3%** is driven by external factors, such as:



INFRASTRUCTURE INVESTMENT NEEDS:

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





REGULATORY COMPLIANCE:

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





COMMODITY SUPPLY COSTS:

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

Water Utility Overview



Operating Model And Philosophy:

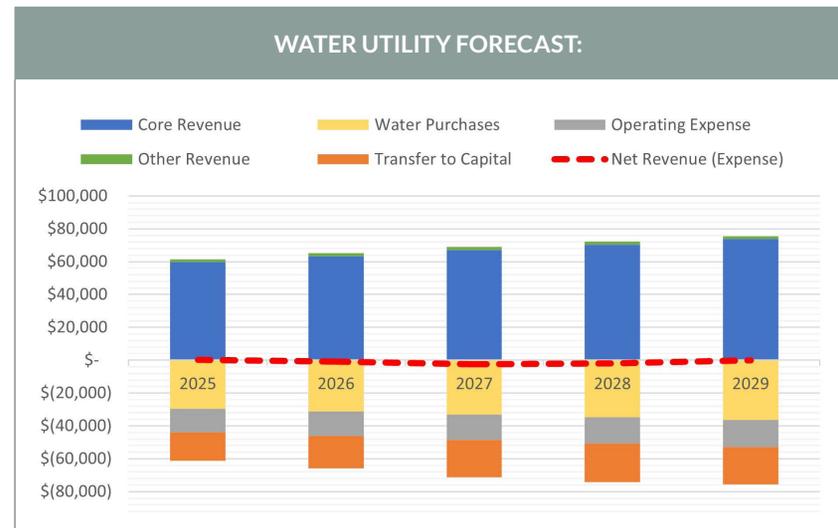
The Water Utility provides customers with quality, dependable, and economical distribution of water while operating in an environmentally sensitive manner and promoting conservation.

Services Provided:

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

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

The following chart includes the 2025-2029 Water forecast (000's):



Note: Detailed Water projections are included in the appendices

Recent Challenges:

- Costs on capital projects continue to be well above pre-pandemic levels, with some projects being postponed or delayed.
- Costs continue to increase for the Regional supply of water.
- Although the number of watermain breaks in 2023 decreased over previous years, sediment control and rehabilitation costs associated with watermain breaks near watercourses continues to be extensive.
- Commencing a water distribution related analysis related to the Official Plan Growth Scenarios, Intensification, and Infrastructure Technical Background Study.

Recent Successes:

- 2024 Water Infrastructure Program (WIP) was endorsed by Council in fall 2023 and built on the foundation of the 2018 WIP. It aims to establish utility rates for the water, wastewater and stormwater utilities that will ensure sustainable service delivery through regulatory compliance, risk mitigation and customer affordability. The WIP identifies areas of investment needs including capital, maintenance, customer engagement, etc.
- In addition to regular water valve operating checks, the critical valves along the Light Rail Transit (LRT) were also operated. The operation required coordination with the Region and some evening work. The valves are relatively new but are deemed to be critical due to potential impacts to the LRT.
- Hired additional locating staff and records management support to comply with Bill 93 “An Act to amend the Building Broadband Faster Act, 2021 and the Ontario Underground Infrastructure Notification System Act, 2012” as well as a locates review. The Act identifies strict adherence to a 5-day locate completion timeframe with possible fines and loss claims.
- The Drinking Water License was renewed, including council re-endorsement of the Operational Plan and Financial Plan as well as re-accreditation of the Operating Authority (Kitchener Utilities).

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.

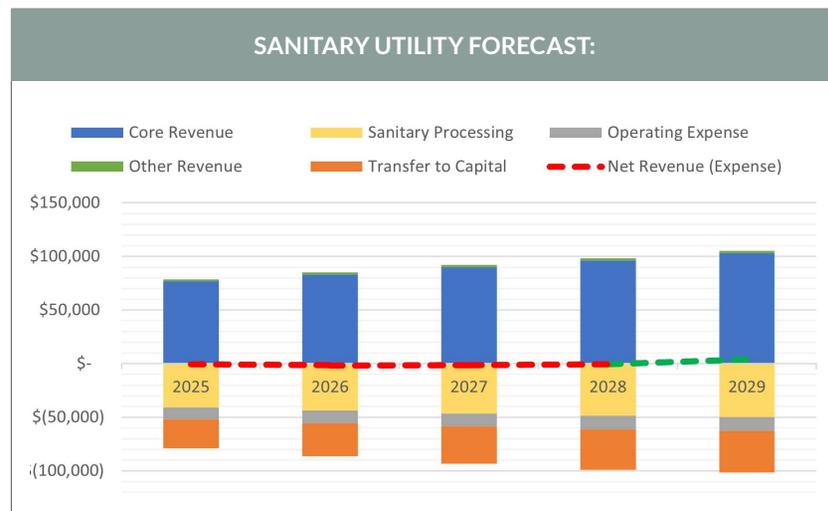
Services Provided:

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 882km of sanitary mains, approximately 13,200 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 2025-2029 Sanitary forecast (000's):



Recent Challenges:

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

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

Recent Successes:

The City of Kitchener has recently transitioned to a Consolidated Linear Infrastructure Environmental Compliance Approval (CLI-ECA) process for its Sanitary network, which provides greater oversight for the City to preauthorize and manage impacts of new infrastructure, retrofits, maintenance, operations and monitoring of the system. In 2024, the Sanitary Utility completed Kitchener’s first ever Sanitary Master Plan, which highlights key capital and operating priorities to ensure the sanitary system can provide consistent and reliable services. Over the next several years, the utility will start undertaking many of the recommendations from the master plan, including the implementation of inflow and infiltration reduction programs, enhanced CCTV pipe inspections, flow monitoring, and capital initiatives to address high risk and poor condition infrastructure.

In 2024/25 the Sanitary Utility will be transitioning from a Wastewater Class IV licensed facility to a Wastewater Class III licensed facility. 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, which have helped mitigate risks in the sanitary network and facilitated this transition to a Class III. This transitioning from a Class IV to a Class III facility will have no impact on operations, as all current utility operators will already have the appropriate licensing for the new system classification. The Class III designation also aligns better with the utility classification of surrounding area municipalities, offering greater access to qualified operators if/when needed.

NOTE: Detailed Sanitary projections are included in the appendices.

Stormwater Utility Overview



Operating Model And Philosophy:

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

Services Provided:

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

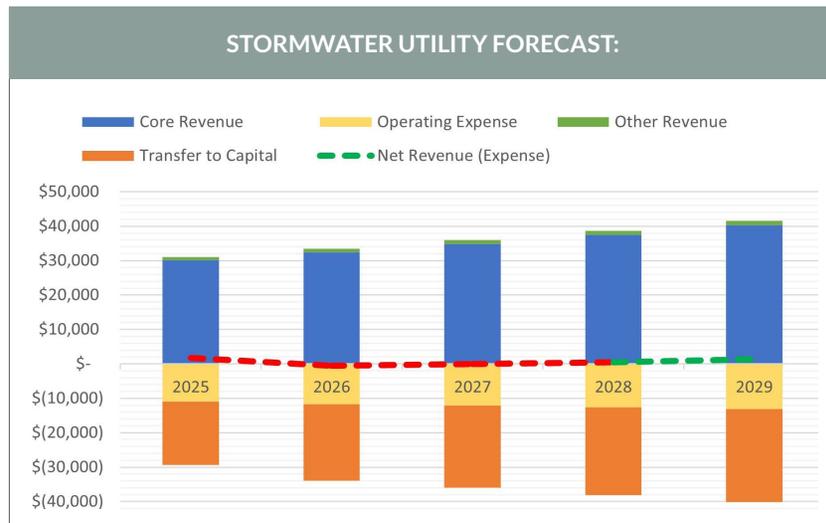
The stormwater system is comprised of 26 managed subwatersheds; approximately 800 kilometers of storm sewer mains; over 27,000 manholes and catch basins; 125 oil, grit separators; and 116 constructed stormwater management facilities (SWMFs).

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

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

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

The following chart includes the 2025-2029 stormwater forecast (000’s):



Recent Challenges:

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

There is an existing backlog of legacy projects and aging infrastructure identified in previous stormwater audits that will be completed as funding becomes available. Focusing on preventative maintenance will maintain and improve current service levels but will require higher budget allocations to support this transition.

Construction cost escalations seen over the last couple of years due to inflation and other economic challenges (e.g., supply chain, fuel costs, etc.) are beginning to

stabilize; however, these elevated prices persist and continue to impact current and future budget needs for replacement and rehabilitation of infrastructure.

Recent Successes:

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

As part of the DMAF program, the City has been actively engaging with communities to implement a variety of stormwater management infrastructure (e.g., stormwater ponds) in local parks. These facilities not only enhance the City’s ability to manage stormwater quantity (i.e., flooding) and quality (i.e., pollution) concerns, but provide an opportunity to enhance green space and park amenities, creating welcoming community gathering spaces. The City of Kitchener has recently transitioned to a Consolidated Linear Infrastructure Environmental Compliance Approval (CLI-ECA) process for its Stormwater network, which provides greater oversight for the City to preauthorize and manage impacts of new infrastructure, retrofits, maintenance, operations and monitoring of the system.

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

NOTE: Detailed Stormwater projections are included in the appendices.

Gas Utility Overview



Operating Model And Philosophy:

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

Services Provided:

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

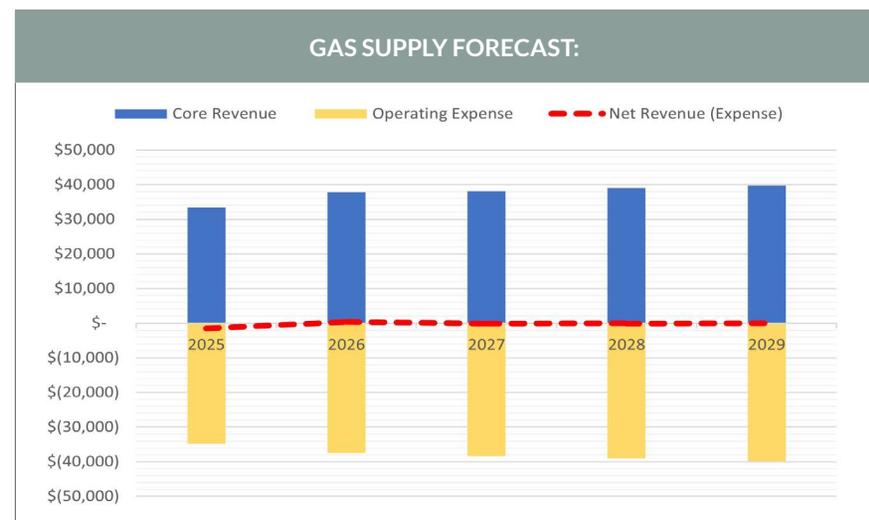
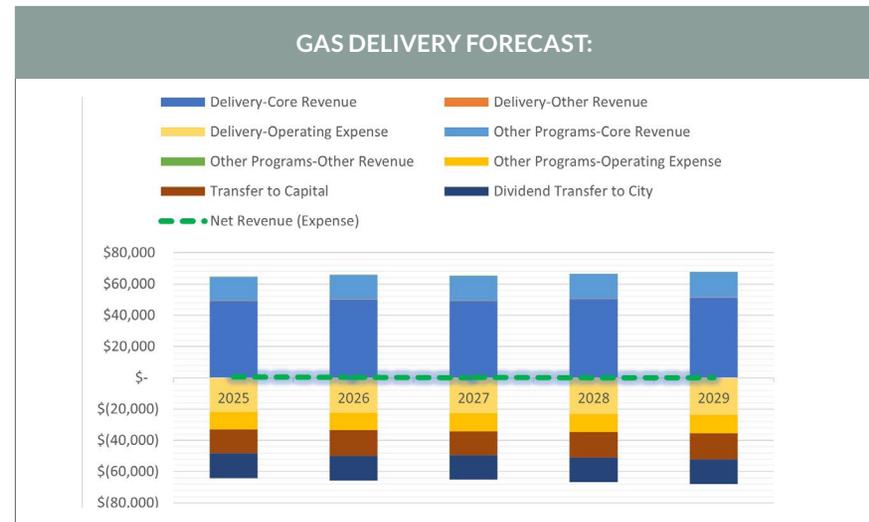
Gas Distribution: As a natural gas distributor, Kitchener Utilities delivers natural gas to consumers. Work includes installing and replacing meters, underground pipe installation and maintenance, providing gas services to homes and businesses, responding to gas emergencies involving gas line hits, gas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

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

Conservation: Developing and promoting 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 24/7 service for repair and replacement of tanks.

The adjacent charts include the 2025-2029 Gas Delivery and Supply forecast (000's):



Recent Challenges:

Gas revenues are weather-dependent. Warmer winters cause a deficit and colder winters result in a surplus. The 2023/2024 winter was mild resulting in a deficit due to reduced revenues. This puts additional pressure on rates heading into the 2025 budget.

Aging infrastructure is increasing the demand for capital replacement projects. The list of assets to be replaced due to condition or code compliance is growing, triggering the need for updating the comprehensive asset management plan and increased capital investment.

A new meter protection program is required to address code requirements related to meters in residential driveways. All meters must be protected against impact due to vehicular traffic. Kitchener Utilities has a program to comply with this requirement for most types of meters.

Recent Successes:

Hired additional locating staff and records management support to comply with Bill 93 “An Act to amend the Building Broadband Faster Act, 2021 and the Ontario Underground Infrastructure Notification System Act, 2012” as well as a locates review. The Act identifies strict adherence to a 5-day locate completion time-frame with possible fines and loss claims.

Launched a new e-billing solution. The new solution provides Green Button functionalities to all gas customers as required by O. Reg 633/21: Energy data in addition to enhanced customer experience.

Completed a \$1.2M project to replace the Graber Regulator Station. The new pressure regulating station increases the capacity of the distribution system and enhances the system’s reliability.

Adopted a flexible gas purchase strategy that allowed Kitchener Utilities to benefit from historically low gas market prices. The savings in gas deals are passed directly to customers.

Successfully intervened in Enbridge’s rebasing application in front of Ontario Energy Board (OEB) mitigating the initial rate increases proposed by Enbridge. The application proposed rate changes over the next 5 years rates that were significantly higher than the current rate. Kitchener Utilities’ participation helped reduce or defer most of the proposed increases.

A slowdown in new development projects allowed Kitchener Utilities to redirect resources to address existing infrastructure replacement projects. This has reduced the backlog of assets to be replaced due to condition or code compliance issues.

Kitchener Utilities continue to promote the \$75 on-bill credit to upgrade existing manual or programmable thermostat model to a smart model.

Kitchener Utilities provided 214 energy audit subsidies to Reep Green Solutions. The team works together on evaluating programs, new technologies, and partnering with local utilities and government to enhance awareness of energy conservation programs and pilot new technology, and to support the transition to a low-carbon community.

A water heater manufacturer provided in-house product training and updates on combi-boilers and their ability to support dual water heating and space heating.

Completed contractor training including updated expectations through our new contract. Expected increases in comprehensive service including additional photos of work completed, service levels with customers, and expanded communications to expedite installations.

A survey was completed with Kitchener residents to understand their interest in high efficiency water heaters, water softeners and other low carbon offerings. 47% of the respondents were very or somewhat interested in high-efficiency options, 46% were interested in heat pumps and 43% were interested in water softeners. The Customer Relationship Management (CRM) program will be used

to collect further data to assist in the retention of customers and their potential transition to higher efficiency and low carbon options.

Phase 1 of the KU Clean Energy Transition Strategy project; Guiding principles was endorsed by council in 2023.

Phase 2 of the KU Clean Energy Transition Strategy project kicked off at the beginning of 2024. Based on diverse engagement, several types of potential energy business activities have been identified under four main themes, which are: providing energy products and services; planning for and reporting on our gas distribution system; providing the gaseous fuels of tomorrow; and providing system-scale energy services. Staff sub teams are working to investigate each business activity, and work to procure consultant support is underway.

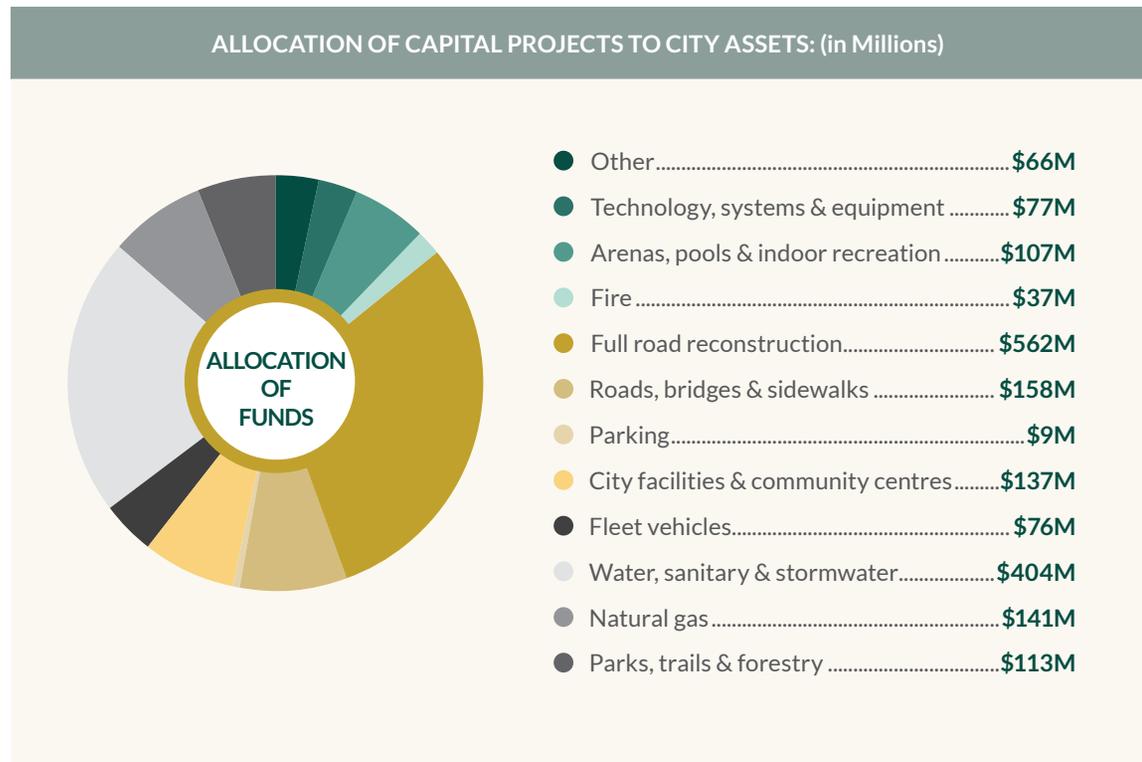
Detailed Gas projections are included in the appendices.

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 2025-2034 includes over 470 projects at \$1.9B.

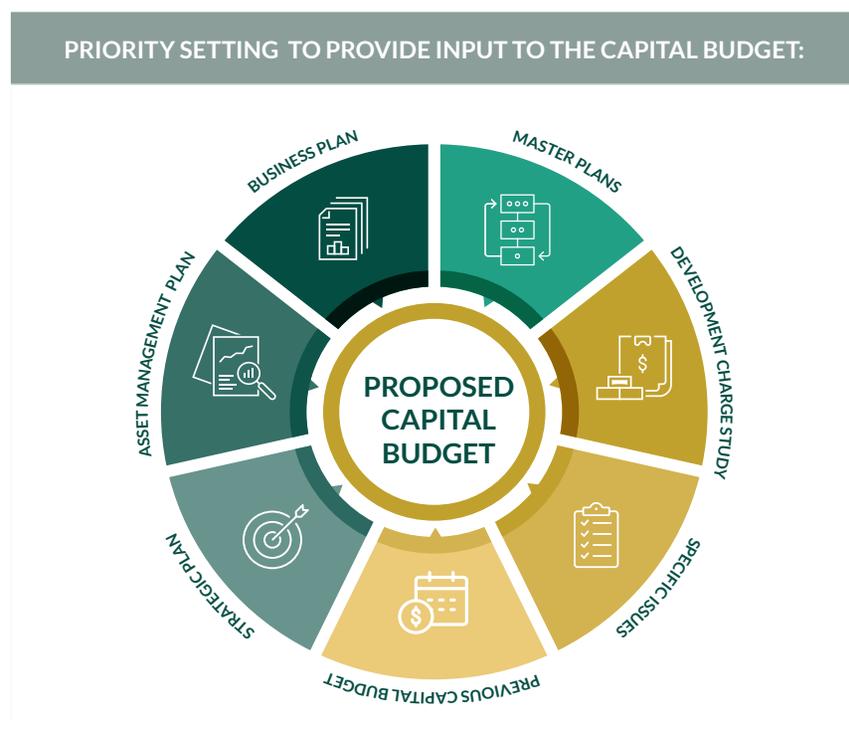
The adjacent chart shows the allocation of capital projects to city assets:



Setting Capital Budget Priorities:

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

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



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

The 2025 Budget includes meaningful investments in areas that are important to the citizens of Kitchener, including:

- **Kitchener Indoor Recreation Complex** (\$94M in 2025, \$144M overall)
- **Mill Courtland Community Centre** (\$2M in 2025, \$8.5M overall)
- **Centreville Chicopee Community Centre** (\$2M in 2025)
- **Downtown Fire Hall** (\$3.7M in 2025, \$15M overall)
- **New Neighbourhood Parks** (\$2M in 2025, \$21.6M overall)
- **Strasburg Road South & Watermain Extension** (\$8.7M in 2025, \$18.1M overall)
- **Otterbein Sewage Pumping Station Upgrades** (\$8.2M in 2025, \$9.1M overall)
- **Full Road Reconstruction Projects** (\$39M in 2025)
- **Middle Strasburg Creek Naturalization** (\$4.8M in 2025, \$14.5M overall)

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



The Capital Budget is funded through various sources:

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

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

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

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

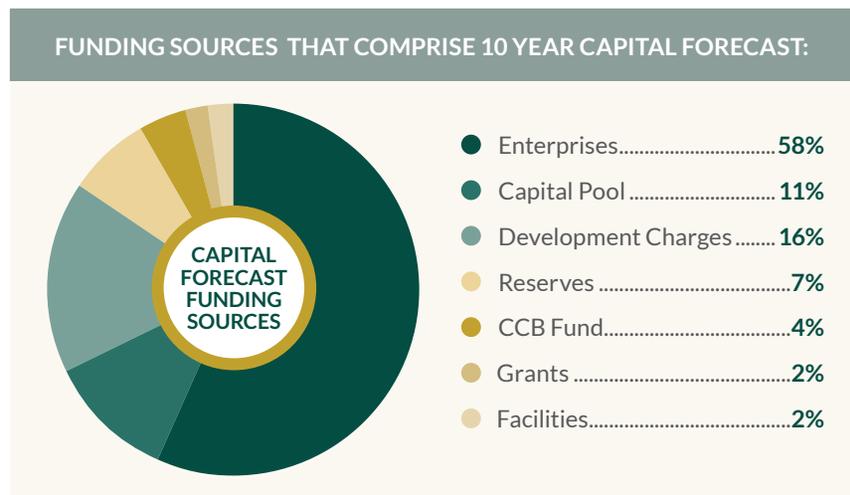
Canada Community Building (CCB) Fund: Formerly known as Federal Gas Tax funding.

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

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

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

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

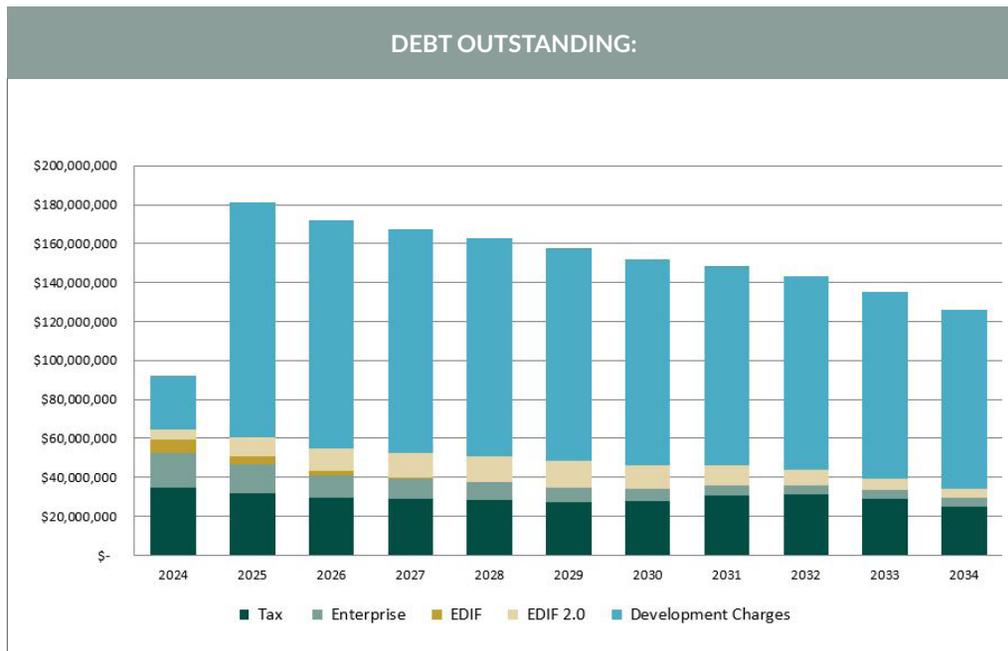


Half of the funding comes from enterprises. A significant portion of this comes from the Water Utilities (water, sanitary & storm) and is invested in full road reconstructions. Other significant funding sources include the capital pool, development charges, and reserves.

Debt

Debt is funding the City has borrowed to complete capital projects. The City 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:

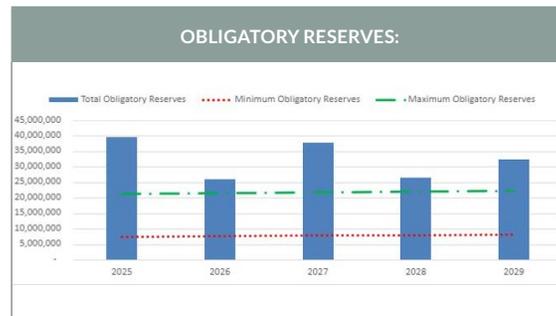


- Tax supported debt, which is issued each year to help fund the Capital Pool hovers around the \$20M mark
- Enterprise debt which will be repaid from non-tax sources. These include the Golf enterprise, Parking enterprise, the Kitchener Rangers, and cemetery debt.
- EDIF (Economic Development Investment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

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

2025 BUDGET SUMMARY

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

KITCHENER CITY HALL

Public Sector Accounting Board (PSAB) Budget Reconciliation

The City prepares two main financial documents each year, the Budget and the Financial Statements. The Budget looks ahead at what is planned to happen during the upcoming year and is used to set rates like property taxes. The Financial Statements look back at what actually happened over the past year and report the financial transactions of the City.

The format of the Financial Statements is highly regulated and must adhere to Public Sector Accounting Board (PSAB) standards. The format of the Budget is not regulated in the same way and allows municipalities to present this content in a way that is the most meaningful to its Council and citizens.

The table below includes the PSAB adjustments in an effort to show a summarized version of the City's budget in PSAB format.

Accrual Based Budget Summary	2024 Budget	2025 Budget
Approved Operating Revenues	526,526,156	559,422,365
Approved Operating Expenditures	526,526,156	559,422,365
Approved Surplus	-	-
Remove/Add: PSAB Related Adjustments for Accrual Budgeting:		
Contributions from capital and reserve funds	(14,170,544)	(16,571,741)
Contributions to capital and reserve funds	107,189,013	118,911,827
Debt principal repayments	5,356,704	5,314,123
Amortization of tangible capital assets	(63,715,961)	(63,715,961)
Non-tangible capital asset expenditures	(39,904,983)	(39,904,983)
Capital grant funding	22,283,548	29,075,000
Unfunded accrual for employee future benefits obligation	(554,590)	(554,590)
Total PSAB Adjustments	16,483,187	32,553,675
Annual Surplus for Financial Statement Purposes	16,483,187	32,553,675