



## Finance and Corporate Services Committee Agenda

### 2022 Operating Budget

Monday, November 15, 2021, 10:00 a.m. - 1:00 p.m.  
Electronic Meeting

Due to COVID-19 and recommendations by Waterloo Region Public Health to exercise physical distancing, City Hall is open for select services. Members of the public are invited to participate in this meeting electronically by accessing the meeting live-stream video at [kitchener.ca/watchnow](http://kitchener.ca/watchnow).

While in-person delegation requests are not feasible at this time, members of the public are invited to submit written comments or participate electronically in the meeting by contacting [delegation@kitchener.ca](mailto:delegation@kitchener.ca). Please refer to the delegations section on the agenda below for registration deadlines. Written comments will be circulated prior to the meeting and will form part of the public record.

Accessible formats and communication supports are available upon request. If you require assistance to take part in a city meeting or event, please call 519-741-2345 or TTY 1-866-969-9994.

**Chair: Councillor S. Davey**

**Vice-Chair: Councillor K. Galloway-Sealock**

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Pages

1. Commencement

2. Delegations

*NOTE: For those Delegations wishing to provide feedback on the 2022 Budget, registrations will be referred to the Public Budget Sessions scheduled for November 15, 2021. Please contact [delegation@kitchener.ca](mailto:delegation@kitchener.ca) at least two hours before the start of your preferred meeting for more information.*

3. Discussion Items

*NOTE: Final approval of the 2022 Operating Budget will take place as part of Final Budget Day, scheduled for December 16, 2021.*

- 3.1.a. Introduction from the Chief Administrative Officer
- 3.1.b. General Overview by the Chief Financial Officer
- 3.1.c. Boards
- 3.1.d. Tax Supported Operating Budget
- 3.1.e. Enterprise Operating Budgets
- 3.1.f. Resolution

4. Adjournment

Dianna Saunderson  
Interim Manager, Council/Committee Services & Deputy Clerk

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**REPORT TO:** Finance and Corporate Services Committee

**DATE OF MEETING:** November 15, 2021

**SUBMITTED BY:** Ryan Hagey, Director of Financial Planning, 519-741-2200 ext. 7353

**PREPARED BY:** Ryan Hagey, Director of Financial Planning, 519-741-2200 ext. 7353

**WARD(S) INVOLVED:** All

**DATE OF REPORT:** November 4, 2021

**REPORT NO.:** FIN-2021-58

**SUBJECT:** 2022 Operating Budget

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## RECOMMENDATION:

For discussion.

**Note:** Final approval of the 2021 Operating Budget will take place as part of Final Budget Day, scheduled for December 16, 2021.

## REPORT HIGHLIGHTS:

- Kitchener is **Moving Forward** on shared community priorities, as many of the constraints experienced throughout much of the pandemic begin to lift
- Kitchener is continuing to feel the financial impacts of the COVID-19 pandemic, but is seeing improvement as the province progresses through its *Plan to Safely Reopen Ontario and Manage COVID-19 for the Long-Term*.
- The proposed tax rate increase of 1.9% is in line with Council's tax rate setting policy.
- The proposed Water Infrastructure Program (water, sanitary, stormwater) rate increase of 2.2% is less than half of the forecasted rate increase.
- The total proposed impact on the average homeowner (\$137) is largely due to increasing rates in natural gas (\$90), with the City's gas rate increase being similar to increases within the industry.
- The 2022 budget advances the priorities identified in the 2019-2022 strategic plan, focuses on economic recovery, supports a growing city, responds to community needs, and maintains foundational commitments to core services and infrastructure.

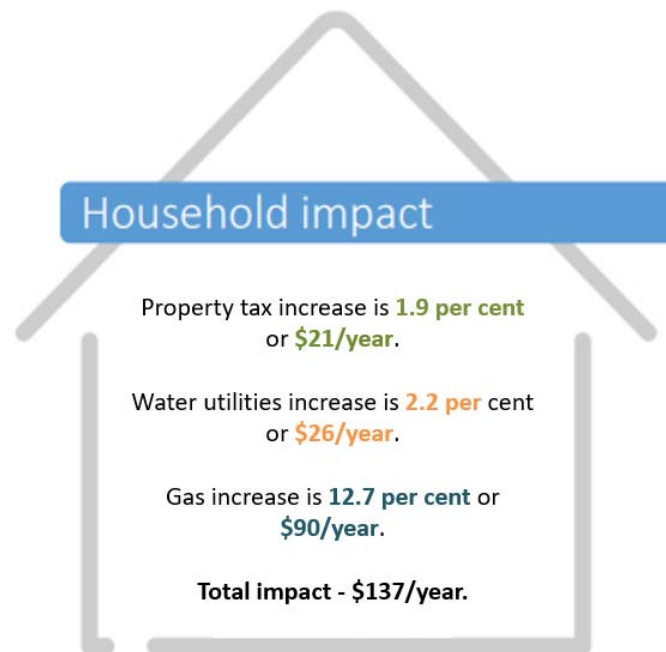
## EXECUTIVE SUMMARY:

The City of Kitchener's proposed 2022 budget is about **Moving Forward** on our shared community priorities. This budget builds on investments made in each of the five goals outlined in our 2019-2022 Strategic Plan, and resumes the long-term capital investments in our infrastructure that will ensure consistent, reliable services to meet the needs of a rapidly growing city. As we begin to emerge from the pandemic, it's important to reflect back on what we have accomplished together as a City over the past few years, while **Moving Forward** with a focus on economic recovery, responding to community needs,

supporting a growing city, and maintaining our commitment to core services and infrastructure that citizens rely on.

The 2022 budget is different from last year's budget without many of the constraints experienced throughout much of the pandemic. The economic environment heading into 2022 is very different than a year ago, with inflation pressures reaching the highest levels in more than a decade. Even in this relatively high-inflation environment, the proposed rate increases are still in-line with, or lower than, previous projections and relevant comparators.

The proposed tax rate increase of 1.9% matches the two-year average for CPI inflation, which is Council's endorsed tax rate setting policy and is well below the current annual rate of inflation (3%). The proposed water utilities rate increase of 2.2% is less than half of the originally projected 4.5% increase for 2022 and is largely driven by passing through Regional increases to water supply and sanitary processing while holding the City's portion of the rate flat at 2021 levels. The natural gas rate increase of 12.7%, while higher than it's been in many years, is consistent with increases proposed by other Ontario gas distribution companies primarily due to price increases for the supply of natural gas.



The ongoing nature of the COVID-19 pandemic has impacted municipal service delivery in 2021, with the expectation this will continue, at least in part, into 2022. Increasing vaccination rates have allowed the Provincial government to progress to more permissive steps in its *Plan to Safely Reopen Ontario and Manage COVID-19 for the Long-Term*, but there is no guarantee 2022 will be a "normal" year for the City's operations. City staff remain optimistic while also preparing to be flexible and work within the framework in place through 2022.

The proposed 2022 operating budget continues to maintain all existing services, with rate increases that are reasonable when compared to inflationary pressures being experienced by the municipality. The City is well aware that COVID-19 will have some lasting impacts on the community, which is why the City is taking a measured approach towards budgeting for operations in 2022.

#### **BACKGROUND:**

The City's operating budget funds the ongoing costs of valued public services citizens use every day. Examples include offering a multitude of programming at the City's parks and community centres, having drinkable water available at the turn of a tap, and maintaining roads in a condition they are safe to drive on all seasons of the year.

The City's operating budget also funds a number of services citizens may not think of when they consider what the City offers them for the taxes and fees they are charged. These services are nonetheless crucial in ensuring the City runs efficiently and effectively. Examples include operating robust information technology systems so citizens are able to sign up for recreation programming offered at parks and community centres, maintaining proper records about the City's water system to ensure compliance with applicable legislation, and having a proper process to purchase the right vehicles and equipment to make the city's roadways driveable, even throughout a Canadian winter.

The operating budget provides funding for all the City's services. It doesn't matter if the service is delivered by frontline staff directly to citizens, or is needed behind the scenes in a supporting role. Funding in the operating budget is used to maintain the City's current service levels, and is used to improve them based on Council direction.

The remainder of this report elaborates on the 2022 operating budget in the following sections:

- Moving Forward - Building On Citizen Priorities
- Overview of the Tax Supported Operating Budget
- Overview of the Enterprise Operating Budgets

## **REPORT:**

### **1) Moving Forward - Building On Citizen Priorities**

The proposed 2022 budget is poised to move the City forward by adapting to the ever-changing pandemic environment and focusing on what matters to our citizens. This includes advancing the priorities identified in the 2019-2022 strategic plan, focusing on economic recovery, supporting a growing city, responding to community needs, and maintaining foundational commitments to core services and infrastructure. Each of these areas is expanded on below.

#### Advancing Work on the Strategic Plan

Council passed a four-year Strategic Plan spanning their term of Council (2019-2022). The plan includes 25 actions, spread over five different goals which are People-Friendly Transportation, Environmental Leadership, Vibrant Economy, Caring Community, and Great Customer Service. Much has already been accomplished on these priorities in previous years, but the 2022 budget includes continued investments on some actions such as the protected cycling network, the Sustainable Urban Forest Strategy, and the continued development of community centres like Huron Brigadoon and Mill Courtland. Investments included in previous year budgets and through this year's budget will help to see the completion of specific actions included in Plan.

#### Focusing on Economic Recovery

In 2021, the City supported business recovery through a series of investments such as the Tourism Adaptation & Recovery Program which provided local restaurants with grants to support patio improvements, and the Arts Sustainability & Recovery Fund which provided grants to professional artists and cultural organizations. The City also partnered with Communitel to provide a variety of supports to start-up companies.

In 2022, the City will continue to support business recovery by launching the Love My Business program later this year. Council will also be presented with new program opportunities and business cases for the following:

- Main Street Ambassadors to provide direct marketing and advisory support to urban shops and restaurants (subject to receiving federal funding)
- A new food, restaurant and retail incubation program
- An incubation program to support entrepreneurs focused on building companies that are tackling the UN Sustainable Development Goals
- Additional potential grant programs including support for festival organizers in 2022

Through the Make It Kitchener 2.0 Strategy, \$5M was earmarked for economic recovery and this will be an important focus for the City as we begin to emerge from grips the pandemic

### Supporting a Growing City

Despite the challenges brought on by the pandemic, significant development continues in Kitchener. The downtown skyline includes a number of cranes and new towers, and new neighbourhoods are being created in greenfield areas like the southwest part of the city. These new homes and residents put pressure on existing resources that struggle to provide existing services to more citizens. The 2022 budget includes funding to support growth areas of the city, and includes staffing requests to deal with increased demands on turf maintenance, building permits, customer service, and project management.

### Responding to Community

If there's one thing we have all learned during the pandemic it's that the status quo has shifted. More people are working remotely, they value personal interaction differently, and they are more mindful of the needs of others. The City has seen and heard the need for change, and the 2022 budget includes funding to fully establish the Equity, Anti-Racism & Inclusion division, as well as funding for Indigenous placemaking in Victoria Park, and the City's share of the regional Indigenous Reconciliation Action Plan. The implementation of the City's Housing for All Strategy and delivering on our corporate climate commitments we know are issues that are top of mind for Kitchener residents and the 2022 budget includes investments that will continue to see progress made in these areas.

### Maintaining Foundational Commitments to Core Services

While there is typically more fanfare for special projects or new facilities, much of the work completed at the City is "core service". These are the day-to-day jobs that must get done to deliver the services many citizens use. Cutting the grass so youth soccer programs can run, cleaning a community centre so a community group can safely hold a meeting, and fixing a watermain break so a neighbourhood can have clean running water are all examples of "core service" work completed everyday by City staff. The 2022 budget maintains all of these existing services and continues to invest in the infrastructure (facilities, roads, pipes) that citizens, often unknowingly, rely on every day.

## **2) Overview of the Tax Supported Operating Budget**

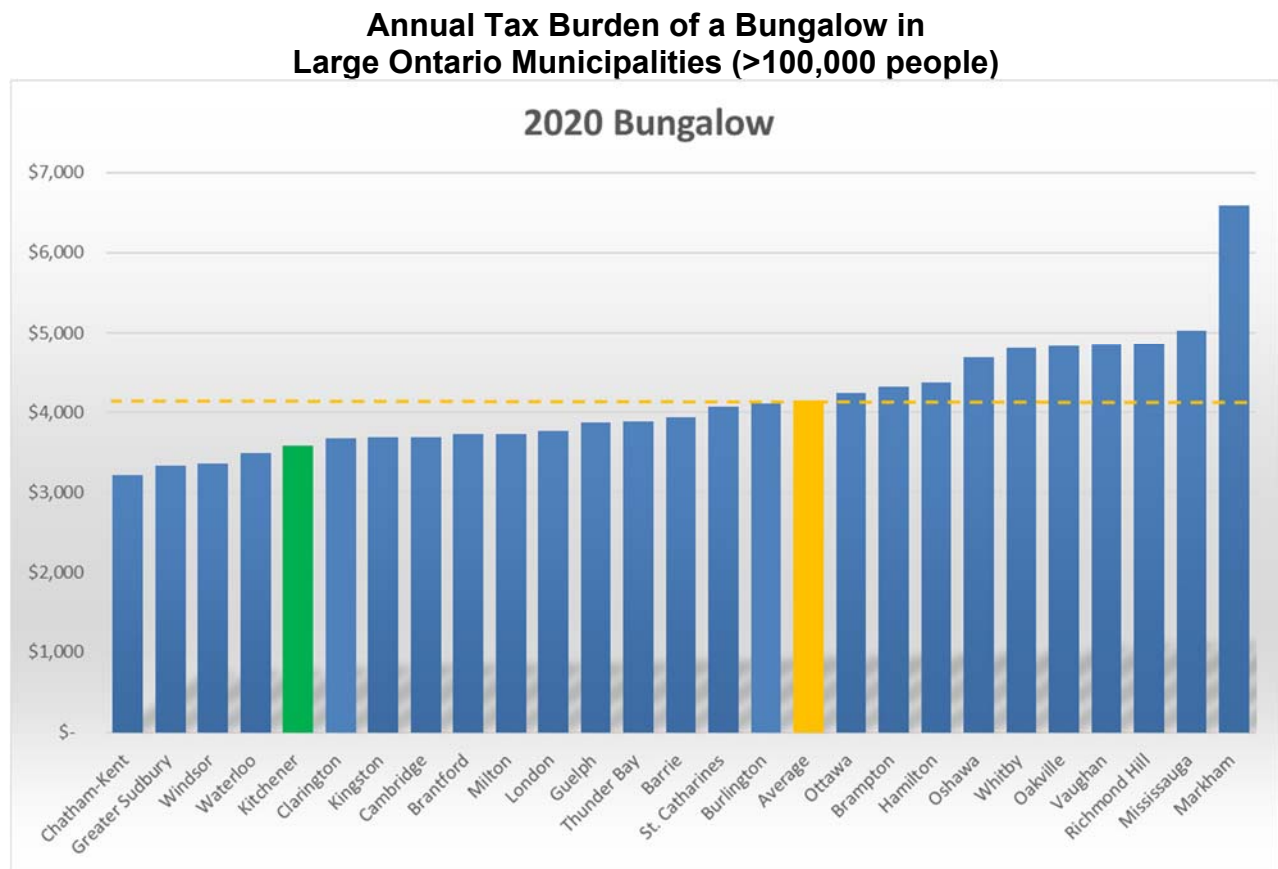
The proposed net tax levy increase is 1.9% and would amount to an additional \$21 per year, or \$1.78 per month on the average Kitchener home (assessed at \$326,000). This level of increase is in line with the City's benchmark level of inflation based on the approved Council policy and is well below the current annual rate of inflation (3%).

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. For a number of years Kitchener has considered a number of factors such as:

- Comparison to other municipalities;
- Inflationary factors; and
- Balance of service levels versus rate increases
- Recent Operating Budget Results

### Comparison to Other Municipalities

The City of Kitchener has one of the lowest tax burdens of large cities in Ontario, and is in line with the other cities in the Region of Waterloo. The graph below shows the 2020 results of BMA's annual tax burden analysis for the same bungalow property in each of Ontario's largest municipalities. Kitchener (\$3,578) holds the fifth lowest ranking in the province and is well below the average (\$4,141).



### Inflationary Factors

The proposed tax rate increase is at the City's inflationary benchmark for budget purposes. As part of the Long Term Financial Plan (LTFP), Council endorsed a multi-year inflation figure when setting the budget which blends the prior year Consumer Price Index (CPI) figure and the current year-to-date (YTD) Consumer Price Index (CPI) figure. Previously, only the current year-to-date CPI figure was used. Using a multi-year figure helps smooth out dramatic changes in inflation like are being seen now. The figures for the 2022 budget are shown in the table below.

### Multi-Year CPI Inflation Calculation

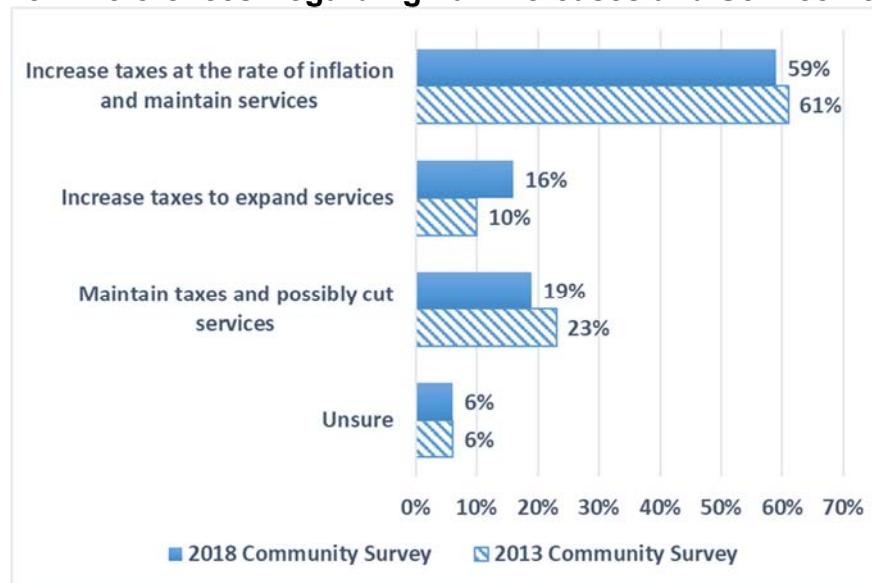
2020 Actual	2021 YTD	Average
0.7%	3.0%	1.9%

As has been the City's long-standing practice, divisional budget targets were controlled in order to meet the overall City tax rate target. Base budget increases were limited to items such as compensation lines based on collectively bargained agreements, utilities, and funding to third party organizations. The remaining budget lines were not provided any inflationary increase, meaning divisions needed to reallocate budgets within their division if there was an expected increase to another budget line.

### Balance of service levels versus rate increases

The proposed tax rate increase also reflects citizen preferences related to service levels and rate increases. These preferences have been reaffirmed through statistically significant community surveys conducted in 2013 and 2018. The graph below shows that Kitchener citizens prefer increasing taxes at the rate of inflation in order to maintain existing services (59% in 2018, down from 61% in 2013) over other alternatives. The proposed tax supported budget is consistent with this direction as it maintains existing City services at an increase around the rate of inflation.

### Citizen Preferences Regarding Tax Increases and Service Levels



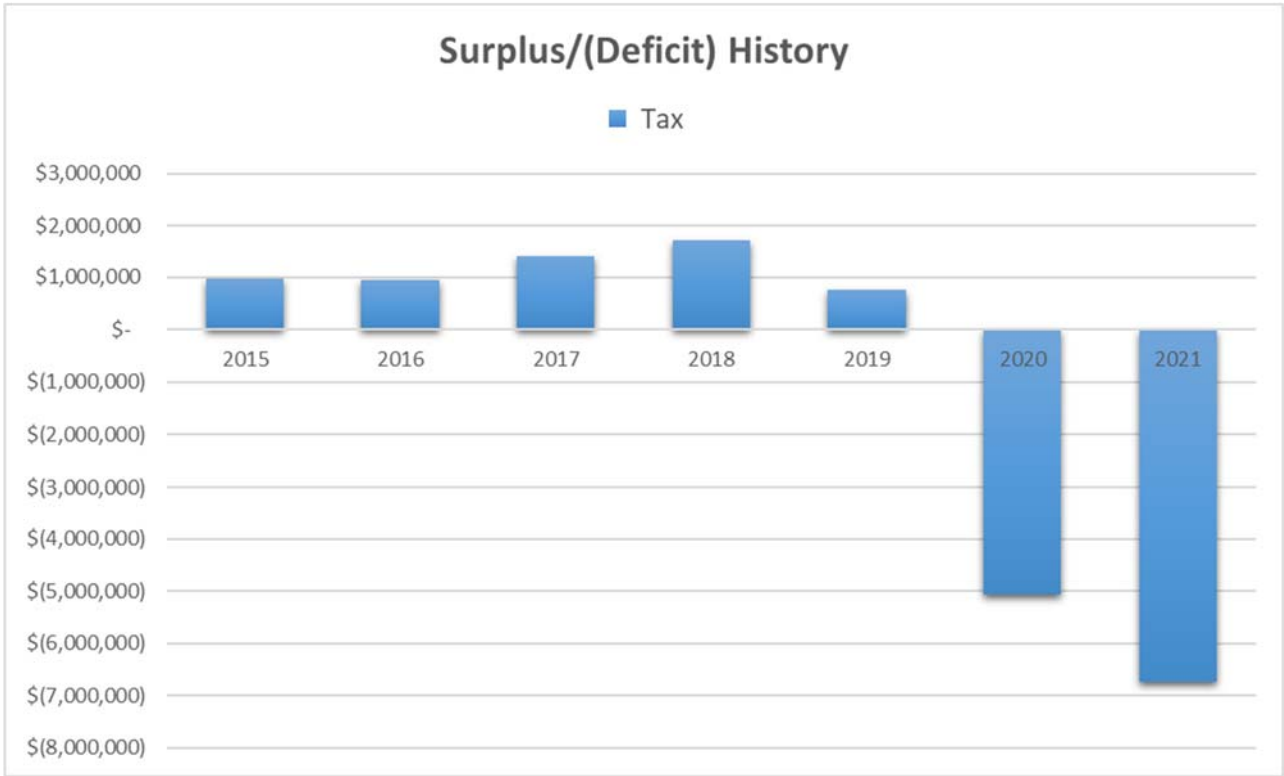
### Recent Operating Budget Results

One final, but important consideration is how the City has performed financially in prior years. Before the pandemic, the City ended the year with a surplus in tax supported operations for five straight years (2015 - 2019). This was an important turnaround from the decade prior to 2015 when the City consistently ended the year with a deficit in tax supported operations. In 2020, the pandemic negatively impacted the City's finances in a dramatic way and resulted in a significant deficit.

The graph below shows the yearend operating budget history for the past few years, all of which were within 1% of budgeted expenditures. It also shows the drastic impacts COVID-19 has had on City finances. The City's normal yearend results demonstrate a high level of the overall accuracy of the City's budget under "normal" circumstances. The deficit in 2020

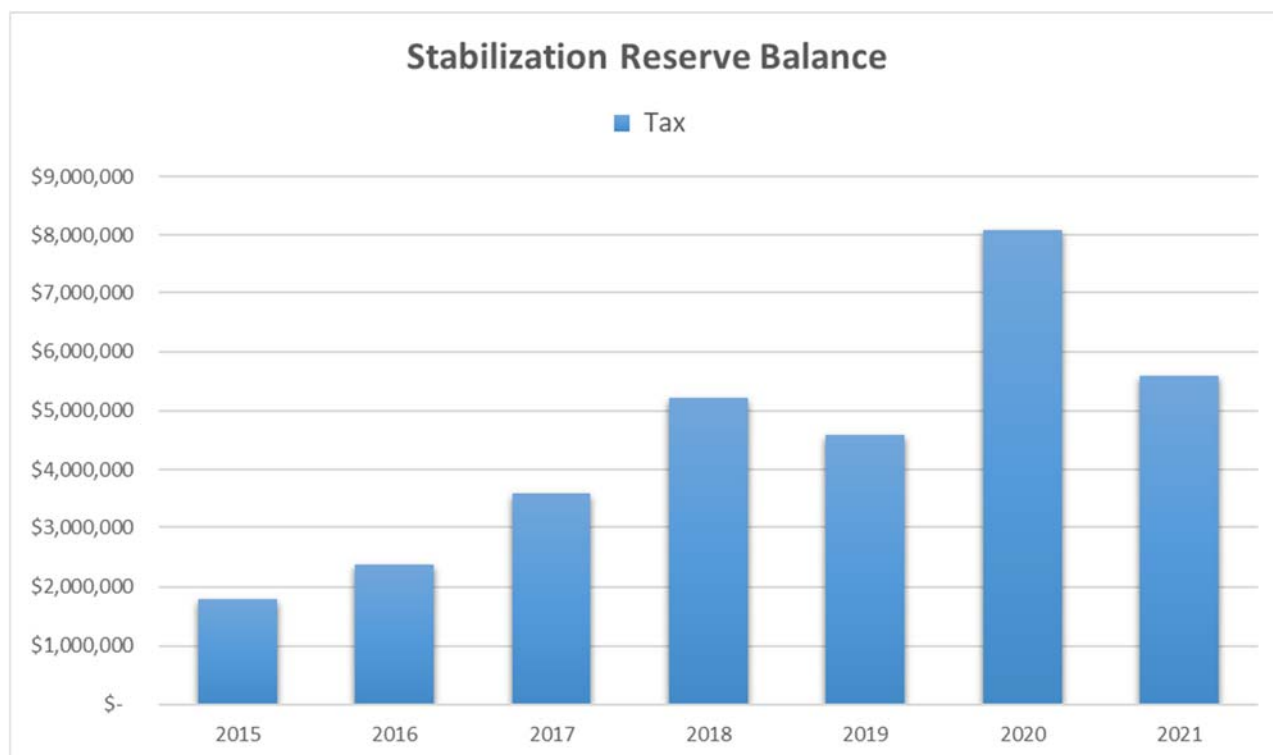


due to the pandemic (\$5.1M) was almost the same size as the combined surplus of each of the previous five years (\$5.8M). The projected deficit for 2021 is \$6.7M (as of the June variance report) is also largely a result of the COVID-19 pandemic.



To manage unexpected deficits (or surpluses) within the tax supported operating budget, the City maintains a Tax Stabilization Reserve Fund (TSRF). The value of maintaining a reasonable balance in the TSRF is being seen through the COVID-19 pandemic. The TSRF will be key in offsetting deficits and avoiding spikes in property tax rates caused by deficits as prescribed in the Municipal Act.

The graph below shows the ending balance of the TSRF for a number of years. Despite a sizeable deficit in 2020, the reserve balance actually grew due to funding provided to the City by the Federal government’s Safe Restart funding program. The City received \$8.4M in 2020 to manage tax supported deficits, but only needed \$5.1M, so was able to carry over the remaining funds to offset financial issues in 2021. In addition, the City has received \$1.7M of Safe Restart funding in 2021 from the Federal government towards the projected tax supported operating deficit and \$2.4M from the Provincial government. All of this funding, as well as the projected 2021 deficit has been reflected in the graph below.



An appendix to this report shows the tax supported operating budget in the same format as the variance report. Like the variance reports, comments have been provided for variances that are more than \$100,000 compared to the prior year's budget.

### **3) Overview of Enterprise Operating Budgets**

The City operates seven enterprises, which are self-sufficient business lines that raise their own revenues to fund their operating and capital costs through user rates instead of being funded through property taxes. The seven enterprises are noted in the table below.

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

\*These enterprises have legislation that prohibits them from using their proceeds to subsidize the tax base or any other enterprise. This means proceeds from these enterprises cannot be used to offset budget pressures in other areas.

While each of the enterprises is managed separately as its own business line, one significant principle is followed by each of enterprises; ensuring 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 COVID-19. The general guidelines for managing these reserve balances are as follows:

- If an enterprise has a positive stabilization reserve balance, the goal of staff is to propose a budget (and any associated rate increase) that ensures the reserve does not become negative, and ideally would achieve the minimum target threshold for the reserve.
- If the stabilization reserve balance is already negative, the goal of staff is to propose a budget (and any associated rate increase) that reduces/eliminates annual operating deficits in each year of the forecast and returns the reserve to a positive balance within the 5-year forecast.

Given the significant impact COVID-19 has had on some enterprises it may not be possible to follow the financial principle noted above, but staff believe the proposed 2022 budgets reflect this principle as much as possible. As we move forward from the pandemic, the City will need to look at plans to correct the financial issues of some enterprises over time.

Summary information about each of the enterprises is provided below. In addition to this, “Enterprise Overviews” are provided later in the package for each enterprise. These overviews are brief and describe the main purpose of the enterprise, provide some benchmarking information, and describe recent challenges/successes.

### **Building**

Despite the pandemic, construction activity continues to be better than expected. The projected deficit in 2021 for Building (\$223,000) is a result of a 10% rate decrease approved by Council and is much better than the budgeted deficit (\$1.5M).

Building activity has been high dating back a number of years, which has built up the Building stabilization reserve to a significant balance. In an effort to right size the reserve balance, Building fees were reduced by 5% in 2017 and were then decreased by another 10% in 2021 based on the continued strong financial performance of the enterprise. No rate change is planned for the next number of years, with projected deficits being fully covered by the Building stabilization reserve. In a response to continued growth and increasing demands to comply with legislation, Building is proposing to add four new staff resources through the 2022 budget, a request that is fully endorsed by the Kitchener Development Liaison Committee (KLDC), formerly known as the Waterloo Region Home Builders Association (WRHBA).

<b>Budget Summary – Building</b>	
2021 Projected Actual	\$223,000 deficit
2021 Accumulated Stabilization Reserve Balance	\$13,631,000 positive
2022 Budgeted Rate Increase	0%
2022 Budgeted Result	\$1,408,000 deficit
2022 Accumulated Stabilization Reserve Balance	\$12,364,000 positive

### **Golf**

Financial results in 2021 for Golf are on target, but still resulting in a projected deficit of \$519,000. Due to the pandemic, the City’s golf courses were closed for five weeks at the start of the golf season to comply with a province-wide lockdown. The 2021 deficit will be fully funded by the combination of Federal/Provincial Safe Restart funding carried over from 2020 and new funding received in 2021.

Looking forward to 2022, a smaller deficit is expected with minor increases in budgeted revenues and expenses. The accumulated deficit in the Golf Stabilization Reserve Fund will remain for many years and will likely not be fully paid off until sometime in the 2040's, after all the Doon Expansion debt is paid off.

<b>Budget Summary – Golf</b>	
2021 Projected Actual	\$519,000 deficit
2021 Accumulated Stabilization Reserve Balance	\$1,066,000 negative
2022 Budgeted Rate Increase	Various based on review of competitors
2022 Budgeted Result	\$463,000 deficit
2022 Accumulated Stabilization Reserve Balance	\$1,542,000 negative

## **Parking**

The demand for on-street and monthly parking has dropped significantly during the COVID-19 pandemic. This is projected to cause a deficit of nearly \$3.3M in 2021. The 2021 deficit will be fully funded by the combination of Federal/Provincial Safe Restart funding carried over from 2020 and new funding received in 2021.

The demand for parking is expected to ease back to pre-pandemic levels by 2023 as the downtown core becomes more animated. Whether it be more people returning to work in-person (even on a part-time basis), more local events, or more people living/visiting others, the need for parking in the downtown core is expected to go up from the levels seen during the lockdown stages of the pandemic. For 2022, the financial results in Parking are still expected to be negative, but return to a positive result in 2023 and beyond.

<b>Budget Summary – Parking</b>	
2021 Projected Actual	\$3,293,000 deficit
2021 Accumulated Stabilization Reserve Balance	\$1,331,000 positive
2022 Budgeted Rate Increase	0%
2022 Budgeted Result	\$990,000 deficit
2022 Accumulated Stabilization Reserve Balance	\$354,000 positive

## **Natural Gas**

In 2021, Gas Delivery is projecting a deficit due to decreased revenues. Moving forward, it is expected to have deficits for the next two years before returning to surpluses in 2024 and beyond. The projected deficits in 2021-2023 will be funded by the balance in the Gas Delivery Stabilization Reserve, which has sufficient funding to cover the projected shortfalls.

<b>Budget Summary – Gas Delivery</b>	
2021 Projected Actual	\$1,099,000 deficit
2021 Accumulated Stabilization Reserve Balance	\$3,320,000 positive
2022 Budgeted Rate Increase	5%
2022 Budgeted Result	\$1,885,000 deficit
2022 Accumulated Stabilization Reserve Balance	\$1,470,000 positive

In 2021, Gas Supply is projecting a nearly \$1M deficit that is similar to what was budgeted. For 2022, Gas Supply is planning for a sizeable deficit of over \$1.7M despite a significant rate increase of 18.5% to Gas Supply rates. The cost of natural gas has increased substantially in the past year, reaching price levels that were common in the early 2000s and most recently in 2013.

<b>Budget Summary – Gas Supply</b>	
2021 Projected Actual	\$984,000 deficit
2021 Accumulated Stabilization Reserve Balance	\$3,300,000 positive
2022 Budgeted Rate Increase	18.5%
2022 Budgeted Result	\$1,737,000 deficit
2022 Accumulated Stabilization Reserve Balance	\$1,597,000 positive

### **Water, Sanitary & Storm Water**

The budgets for these three utilities are being discussed together as they were the combined subject of a comprehensive review called the Water Infrastructure Program (WIP). The WIP review took several months to complete and involved collaboration between several divisions within the City including Asset Management, Engineering, Kitchener Utilities – Gas and Water Utilities, Kitchener Utilities – Sanitary and Stormwater Utilities, Operations – Roads and Traffic, Financial Planning & Reporting, and Communications.

The findings of the WIP review were presented and discussed by Council in 2017 as part of report [INS-17-070 Water Infrastructure Program Summary and Rate Options](#). This report provided information about the infrastructure in each of the utilities and provided Council with investment options for both capital replacement and increased maintenance spending along with 5-year rate options for these utilities. All of the options provided to Council were viable alternatives that would ensure the continued safe operation of these valued utilities. The options offered different alternatives for Council to consider, depending on their attitudes towards cost of service and risk tolerance. Rate increases projected from the original WIP analysis and what has actually been approved/proposed are shown in the table below.

<b>Projected Combined Utility Rate Increases</b>					
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Rate Increase Projection from WIP	6.5%	6.5%	4.5%	4.5%	4.5%
Rate Increase Passed/Proposed	6.5%	6.5%	4.4%	0.9%	2.2%
	✓	✓	✓	✓	

The 2022 combined proposed rate increase of 2.2% is less than half of the forecast rate increase. The proposed increases for both Water (1.4%) and Sanitary (1.6%) simply pass through the projected Region of Waterloo rate increases of water supply and sewage processing on to City customers and nothing else. The proposed increase for Stormwater (6.0%) is required to fund the City's share of projects being significantly funded (\$50M in total) by other levels of government through the Disaster Mitigation and Adaptation Fund (DMAF). The increases for each utility are summarized in the table below.

### Proposed Utility Rate Increases Broken Into Utility

Utility	Rate Change
Water	1.4%
Sanitary	1.6%
Stormwater	6.0%
<b>Total</b>	<b>2.2%</b>

The summary charts below show all of these utilities are projecting surpluses for 2021. For 2022, both Water & Sanitary are proposing relatively small deficits, while Stormwater is proposing a small surplus. In any case, each of the utilities has a positive balance in its stabilization reserve, meaning each utility has some financial capacity to deal with the unexpected.

Budget Summary – Water	
2021 Projected Actual	\$1,460,000 surplus
2021 Accumulated Stabilization Reserve Balance	\$7,458,000 positive
2022 Budgeted Rate Increase	1.4%
2022 Budgeted Result	\$532,000 deficit
2022 Accumulated Stabilization Reserve Balance	\$7,004,000 positive

Budget Summary – Sanitary	
2021 Projected Actual	\$5,550,000 surplus
2021 Accumulated Stabilization Reserve Balance	\$9,185,000 positive
2022 Budgeted Rate Increase	1.6%
2022 Budgeted Result	\$63,000 deficit
2022 Accumulated Stabilization Reserve Balance	\$9,115,000 positive

Budget Summary – Stormwater	
2021 Projected Actual	\$27,000 surplus
2021 Accumulated Stabilization Reserve Balance	\$819,000 positive
2022 Budgeted Rate Increase	6.0%
2022 Budgeted Result	\$101,000 surplus
2022 Accumulated Stabilization Reserve Balance	\$929,000 positive

#### STRATEGIC PLAN ALIGNMENT:

This report supports the delivery of core services.

#### FINANCIAL IMPLICATIONS:

The financial impacts on the average homeowner of services provided to citizens by the City of Kitchener are shown in the table below.

Impact on Homeowner				
	2021	2022	\$ Change	% Change
<b>Taxes</b>	\$ 1,138	\$ 1,159	\$ 21	1.9%
<b>Stormwater</b>	\$ 197	\$ 209	\$ 12	6.0%
<b>Water</b>	\$ 421	\$ 427	\$ 6	1.4%
<b>Sanitary</b>	\$ 530	\$ 538	\$ 8	1.6%
<b>Subtotal (pre Gas)</b>	\$ 2,286	\$ 2,333	\$ 47	2.1%
<b>Gas</b>	\$ 709	\$ 799	90	12.7%
<b>Total</b>	\$ 2,995	\$ 3,132	\$ 137	4.6%

**Assumptions:**

**City Taxes:** Current Assessed Value (CVA) of home valued at \$326,000

**Stormwater:** property classified as Residential Single Detached Medium

**Water & Sanitary:** water consumption of 170m<sup>3</sup> annually

**Natural Gas:** gas consumption of 2,100m<sup>3</sup> annually

**COMMUNITY ENGAGEMENT:**

**INFORM** – This report has been posted to the City’s website with the agenda in advance of the council / committee meeting.

**CONSULT** – Citizens have an opportunity to provide input about priority areas of the budget through a number of processes. Their input comes through public consultation efforts for comprehensive master plans (e.g. Leisure Facilities Master Plan), strategies (e.g. Urban Forestry Strategy, Customer Service Strategy), or specific issues (e.g. City Hall Outdoor Spaces). As part of those processes, staff considers the feedback received from the public as they make their recommendations and share it with Council when those recommendations are presented for approval. The budget is the process whereby Council affirms approved priorities and allocates funds to bring these concepts into reality.

In addition to the opportunities for input on specific topics, staff will continue to employ a suite of traditional and electronic engagement methods in an effort to effectively inform and consult citizens about the budget at large. Staff will proactively provide information about the budget process via media outreach and the City’s website. Citizens are encouraged to provide their input by:

- Writing, emailing or phoning City Hall
- Attending a virtual public input sessions planned for November 15
- Responding to the City’s Facebook/Twitter posts about the budget
- Utilizing Engage Kitchener online budget survey
- Contacting their ward councillor

**PREVIOUS REPORTS/AUTHORITIES:**

There are no previous reports/authorities related to this matter.

**APPROVED BY:** Jonathan Lautenbach, Chief Financial Officer, Financial Services



## Definitions, Abbreviations & Acronyms

### Definitions

**Assessment growth** refers to property taxes from new and/or expanded homes and/or businesses to pay for the services they receive.

**Base Budget** funds programs and services already offered to the public and includes the costs (e.g. staffing, materials, supplies) and revenues (e.g. user fees, recoveries) to deliver the program/service.

**Boards** are separate organizations established by the City to provide programs and services as allowed under the Municipal Act. For Kitchener, the Boards include Centre in the Square (CITS) and Kitchener Public Library (KPL).

**Brownfield** properties are formerly developed sites that are no longer being used for those purposes. In the City context, they are often former industrial or commercial sites with known or suspected pollution.

**Capital Budget** funds investments in municipal infrastructure (or assets) that provide a long-term benefit to the community. Examples of capital costs include building or replacing roads, water mains, vehicles, community centres and parks.

**Capital out of Current** is a funding transfer from the operating budget to the capital pool.

**Capital Pool** is used to fund tax supported capital projects. The capital pool is funded by a) capital out of current, b) debt, c) gas utility investment reserve, and d) hydro utility investment reserve.

**Corporate Allocations** are general expenses like debt charges and contributions to the capital budget.

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

**Debt to Reserve Ratio** is the amount of the City's debt divided by the amount the City has in reserves. The target debt to reserve ratio is 1:1; meaning the City would have one dollar saved in reserves for every dollar of debt it has issued.

**Development Charges** are fees imposed on development to fund growth related capital costs.

**Enterprises** are self-funding business lines operated by the City and are fully funded by their own user rates, not property taxes. The City's enterprises are Golf, Building, Parking, Natural Gas, Water, Sanitary Sewer, and Stormwater.

**Existing Capital Balances** are capital funding that have already been approved by Council, but have not been spent. Some capital projects take multiple years to complete (e.g. road reconstruction, building a new community centre), so the funding may accumulate for future spending.



## Definitions, Abbreviations & Acronyms

**Federal Gas Tax** is annual funding provided to the City by the federal government for capital improvements.

**Impacts Due to Growth** are additional operating costs required to support the expansion of service areas as the city continues to grow.

**Interdivision/Internal Charges** are costs charged by one City division to another City division for work completed on their behalf. For instance, the Building enterprise pays other City divisions for financial, technological, and legal support.

**Issue Papers** are brief documents (typically 1-2 pages in length) that provide information about budget issues, usually relating to new items included in the proposed budget.

**Net Tax Levy** is the amount of funding required from property taxes. It equals all of the tax supported gross expenditures minus all other revenues.

**Operating Budget** funds the day-to-day costs of the municipality to provide its programs and services. Examples of operating costs include salaries and wages for city employees; utility costs, such as water and electricity; and operating supplies, such as road salt.

**Reserve/Reserve Funds** are used to set aside funding now to be used for a specific purpose in the future. The city maintains reserves for both operating purposes (e.g. rate stabilization reserve funds), capital purposes (e.g. fleet and equipment reserve fund) and as required by legislation (e.g. federal gas tax reserve fund).

**Strategic Plan** articulates a vision “together we will build an innovative, caring, and vibrant Kitchener” and mission “proudly providing valued services for our community”, for the City. Following each municipal election, this document is updated with Council’s new strategic goals and key activities for the upcoming term.

**Strategic Initiatives** are program/service enhancements that help achieve the goals of the City’s Strategic Plan.

**Tax Supported** programs/services are funded in part or completely by property taxes. Examples include road & sidewalk maintenance, fire protection, and community centre programming.

**User Fees** are charges for programs and services provided by the City, which reduces dependence on property taxes as a funding source. Typically they are charged for programs/services where customers have a choice on whether or not to use them. Examples of user fees include swimming lessons and marriage licenses.

## Definitions, Abbreviations & Acronyms

### Acronyms & Abbreviations

AIRP – Accelerated Infrastructure Replacement Program  
AMP – Asset Management Plan  
CAO – Chief Administrative Officer’s Department  
CC – Capital out of Current  
CITS – Centre in the Square  
COR – Corporate Services Department  
CPI – Consumer Price Index  
CRM – Customer Relationship Management  
CSD – Community Services Department  
CVA – Current Value Assessment  
DC – Development Charges  
DSD – Development Services Department  
DT – Downtown  
EDIF – Economic Development Investment Fund  
FIN – Financial Services Department  
FTE – Full Time Equivalent  
GHG – Green House Gas  
GIS – Geographic Information System  
INS – Infrastructure Services Department  
KMAC – Kitchener Memorial Auditorium Complex  
KOF – Kitchener Operations Facility  
KPL – Kitchener Public Library  
KU – Kitchener Utilities  
LTFP – Long Term Financial Plan  
MGMT - Management  
MOE – Ministry of the Environment  
MPAC – Municipal Property Assessment Corporation  
MPI – Municipal Price Index  
MTCE – Maintenance  
MTO – Ministry of Transportation  
PIL – Payment in Lieu of Taxes  
PSAB – Public Sector Accounting Board  
ROW – Region of Waterloo  
SWM – Stormwater Management  
TCA – Tangible Capital Asset  
TIG – Tax Increment Grant  
TSRF – Tax Stabilization Reserve Fund  
VPP – Victoria Park Pavilion  
WRHBA – Waterloo Region Homebuilders Association  
WIP – Water Infrastructure Program  
YTD – Year to Date

**Comparative Budget by Division  
Budget 2022**

	2021 Annual Budget	2021 Year-End Projection	2021 Restatements	2021 Restated Budget	2022 Annual Budget	\$ Change vs. Restated Budget	% Change vs. Restated Total Budget	Commentary Budget 2022 compared to Budget 2021 (comments provided for changes over \$100,000)
<b>CHIEF ADMINISTRATOR'S OFFICE</b>								
CAO OFFICE-GENERAL	1,151,707	1,146,707	-	1,151,707	1,176,251	24,544	2.13%	
<b>CHIEF ADMINISTRATOR'S OFFICE TOTAL</b>	<b>1,151,707</b>	<b>1,146,707</b>	<b>-</b>	<b>1,151,707</b>	<b>1,176,251</b>	<b>24,544</b>	<b>2.13%</b>	
<b>COMMUNITY SERVICES DEPARTMENT</b>								
COMMUNITY SERVICES ADMINISTRATION	693,481	668,481	(53)	693,428	692,002	(1,426)	-0.21%	
BY-LAW ENFORCEMENT	2,319,326	2,774,326	(2,061)	2,317,265	2,525,396	208,131	8.98%	Budget increase due to compensation for additional resources related to proactive winter sidewalk enforcement.
CORPORATE CUSTOMER SERVICE	584,312	544,312	-	584,312	741,126	156,814	26.84%	Budget increase due to costs associated with the new main floor service centre.
FIRE	36,832,759	37,027,759	136	36,832,895	37,886,481	1,053,586	2.86%	Budget increase due to compensation costs, including additional fire suppression staff.
NEIGHBOURHOOD PROGRAMS & SERVICES	7,937,134	8,172,134	-	7,937,134	8,385,623	448,489	5.65%	Budget increase due to compensation costs.
SPORT DIVISION	1,989,874	8,699,874	4,177	1,994,051	2,089,943	95,892	4.81%	
<b>COMMUNITY SERVICES DEPT TOTAL</b>	<b>50,356,886</b>	<b>57,886,886</b>	<b>2,199</b>	<b>50,359,085</b>	<b>52,320,571</b>	<b>1,961,486</b>	<b>3.89%</b>	
<b>FINANCIAL SERVICES DEPARTMENT</b>								
FINANCIAL SERVICES ADMINISTRATION	321,342	321,342	-	321,342	325,944	4,602	1.43%	
ACCOUNTING	1,366,432	1,366,432	(238,963)	1,127,469	1,149,309	21,840	1.94%	
ASSET MANAGEMENT	822,344	822,344	(104,316)	718,028	729,004	10,976	1.53%	
FINANCIAL PLANNING	675,425	690,425	435,267	1,110,692	1,175,717	65,025	5.85%	
REVENUE	678,193	678,193	(834)	677,359	320,931	(356,428)	-52.62%	Budget decrease due to addition of new user fee for Mortgage Company information requests.
SUPPLY SERVICES	489,041	489,041	(87,894)	401,147	424,589	23,442	5.84%	
<b>FINANCIAL SERVICES DEPT TOTAL</b>	<b>4,352,777</b>	<b>4,367,777</b>	<b>3,260</b>	<b>4,356,037</b>	<b>4,125,494</b>	<b>(230,543)</b>	<b>-5.29%</b>	
<b>CORPORATE SERVICES DEPARTMENT</b>								
CORPORATE SERVICES ADMINISTRATION	496,898	451,898	-	496,898	535,588	38,690	7.79%	
EQUITY, ANTI-RACISM & INDIGENOUS INITIATIVES	353,609	288,609	-	353,609	649,035	295,426	83.55%	Budget increase due to full-year costs of division created in 2021 with partial-year funding.
MAYOR & COUNCIL	1,466,014	1,641,014	-	1,466,014	1,500,410	34,396	2.35%	
CORPORATE COMMUNICATIONS	1,375,454	1,375,454	-	1,375,454	1,412,195	36,741	2.67%	
HUMAN RESOURCES	2,329,214	2,329,214	105,443	2,434,657	2,518,222	83,565	3.43%	
INFORMATION TECHNOLOGY	5,790,583	5,755,583	(105,459)	5,685,124	5,825,241	140,117	2.46%	Budget increase due to additional funding for Innovation Lab co-op students which enables a full-year, predictable lab workplan.
LEGAL	1,147,051	1,157,051	-	1,147,051	1,132,322	(14,729)	-1.28%	
LEGISLATED SERVICES	1,321,090	1,426,090	759	1,321,849	1,326,520	4,671	0.35%	
<b>CORPORATE SERVICES DEPT TOTAL</b>	<b>14,279,913</b>	<b>14,424,913</b>	<b>743</b>	<b>14,280,656</b>	<b>14,899,533</b>	<b>618,877</b>	<b>4.33%</b>	
<b>DEVELOPMENT SERVICES DEPARTMENT</b>								
DEVELOPMENT SERVICES ADMINISTRATION	642,468	642,468	-	642,468	685,117	42,649	6.64%	
ECONOMIC DEVELOPMENT	6,021,884	6,211,884	744	6,022,628	6,161,326	138,698	2.30%	Budget increase due to additional funding for Film, Music & Interactive Media Officer.
ENGINEERING ADMINISTRATION	137,087	(442,913)	(10)	137,077	(56,927)	(194,004)	-141.53%	Budget decrease due to additional site plan revenue
PLANNING	1,564,442	1,224,442	75	1,564,517	1,592,858	28,341	1.81%	
TRANSPORTATION SERVICES	4,518,359	4,483,359	-	4,518,359	4,557,368	39,009	0.86%	
<b>DEVELOPMENT SERVICES DEPT TOTAL</b>	<b>12,884,240</b>	<b>12,119,240</b>	<b>809</b>	<b>12,885,049</b>	<b>12,939,742</b>	<b>54,693</b>	<b>0.42%</b>	
<b>INFRASTRUCTURE SERVICES DEPARTMENT</b>								
INFRASTRUCTURE SERVICES ADMINISTRATION	640,417	640,417	-	640,417	683,078	42,661	6.66%	
FACILITIES MANAGEMENT	15,353,942	14,433,942	(2,563)	15,351,379	15,915,842	564,463	3.68%	Budget increase due to inflationary increases on compensation and utility costs.

**Comparative Budget by Division  
Budget 2022**

	2021 Annual Budget	2021 Year-End Projection	2021 Restatements	2021 Restated Budget	2022 Annual Budget	\$ Change vs. Restated Budget	% Change vs. Restated Total Budget	Commentary Budget 2022 compared to Budget 2021 (comments provided for changes over \$100,000)
PARKS & CEMETERIES	16,914,931	17,059,931	(18,773)	16,896,158	17,707,267	811,109	4.80%	Budget increase due to growth dollars related to various parks and trails with the largest being RBJ Schlegel along with winter maintenance dollars for the downtown grid. Also includes additional funding for the assisted services related to the sidewalk snow clearing program.
OPERATIONS - ROADS & TRAFFIC	11,668,003	11,468,003	(49,689)	11,618,314	11,907,300	288,986	2.49%	Budget increase due to compensation costs and additional winter growth funding for maintenance of the downtown grid.
<b>INFRASTRUCTURE SERVICES DEPARTMENT TOTAL</b>	<b>44,577,293</b>	<b>43,602,293</b>	<b>(71,025)</b>	<b>44,506,268</b>	<b>46,213,487</b>	<b>1,707,219</b>	<b>3.84%</b>	
<b>NET DEPARTMENTAL EXPENDITURES</b>	<b>127,602,816</b>	<b>133,547,816</b>	<b>(64,014)</b>	<b>127,538,802</b>	<b>131,675,078</b>	<b>4,136,276</b>	<b>3.24%</b>	
<b>GENERAL EXPENSES</b>								
GRANTS & BOARDS	15,597,853	15,597,853	-	15,597,853	15,843,573	245,720	1.58%	Budget increase due to increased transfers to Boards & grants.
GAPPING	(2,100,000)	(4,820,000)	-	(2,100,000)	(2,100,000)	-	0.00%	
CAPITAL AND RESERVE FINANCING	13,624,069	13,624,069	-	13,624,069	13,896,306	272,237	2.00%	Budget increase due to increased funding for capital program and transfers to reserves.
CONTRACT SERVICES	766,094	766,094	-	766,094	782,679	16,585	2.16%	
TAX WRITEOFFS & REBATES	83,202	83,202	-	83,202	78,050	(5,152)	-6.19%	
PROVISIONS - BAD DEBT ALLOWANCE	650,000	650,000	-	650,000	650,000	-	0.00%	
OTHER	1,647,385	3,282,385	-	1,647,385	2,306,313	658,928	40.00%	Budget increase due to allowance for additional compensation costs.
<b>GENERAL EXPENSES TOTAL</b>	<b>30,268,603</b>	<b>29,183,603</b>	<b>-</b>	<b>30,268,603</b>	<b>31,456,921</b>	<b>1,188,318</b>	<b>3.93%</b>	
<b>TOTAL NET EXPENSES</b>	<b>157,871,419</b>	<b>162,731,419</b>	<b>(64,014)</b>	<b>157,807,405</b>	<b>163,131,999</b>	<b>5,324,594</b>	<b>3.37%</b>	
<b>GENERAL REVENUES</b>								
<b>TAXES</b>								
GENERAL LEVY	(132,046,893)	(132,046,893)	-	(132,046,893)	(134,476,556)	(2,429,663)	1.84%	Budget increase due to increased assessment growth revenue.
INT&CARRYING CHRGS	-	-	-	-	-	-		
TAX WRITE-OFFS A.R.B.	800,000	800,000	-	800,000	1,000,000	200,000	25.00%	
TAX W/O COUNCIL DEC	250,000	250,000	-	250,000	250,000	-	0.00%	
SUPPLEMENTARY	(2,170,252)	(2,170,252)	-	(2,170,252)	(2,300,000)	(129,748)	5.98%	
SUPPLEMENTARY TAXES/WRITE-OFFS	(1,120,252)	(1,120,252)	-	(1,120,252)	(1,050,000)	70,252	-6.27%	
LOCAL IMPROVEMENTS	(40,965)	(10,965)	-	(40,965)	(10,180)	30,785	-75.15%	
PAYMENTS IN LIEU	(4,323,044)	(4,323,044)	-	(4,323,044)	(4,466,200)	(143,156)	3.31%	Budget increase due to additional PIL buildings.
	<b>(137,531,154)</b>	<b>(137,501,154)</b>	<b>-</b>	<b>(137,531,154)</b>	<b>(140,002,936)</b>	<b>(2,471,782)</b>	<b>1.80%</b>	
<b>OTHER REVENUE</b>								
INVESTMENT INCOME	(4,040,000)	(2,200,000)	-	(4,040,000)	(4,040,000)	-	0.00%	
PENALTIES AND INTEREST	(3,296,520)	(3,296,520)	-	(3,296,520)	(3,358,964)	(62,444)	1.89%	
CONTRIBUTION FROM ENTERPRISES	(11,165,821)	(11,165,821)	-	(11,165,821)	(11,347,641)	(181,820)	1.63%	
CONTRIBUTIONS FROM RESERVES	(1,350,000)	(1,350,000)	-	(1,350,000)	(1,350,000)	-	0.00%	
CONTRIBUTIONS FROM RESERVES AND ENTERPRISES	(12,515,821)	(12,515,821)	-	(12,515,821)	(12,697,641)	(181,820)	1.45%	Budget increase due to inflationary increases in Contribution from Enterprises
SUNDRY INCOME	(137,924)	(137,924)	-	(137,924)	(120,753)	17,171	-12.45%	
SOLAR ROOF	(350,000)	(350,000)	-	(350,000)	(356,650)	(6,650)	1.90%	
	<b>(20,340,265)</b>	<b>(18,500,265)</b>	<b>-</b>	<b>(20,340,265)</b>	<b>(20,574,008)</b>	<b>(233,743)</b>	<b>1.15%</b>	
<b>GENERAL REVENUES TOTAL</b>	<b>(157,871,419)</b>	<b>(156,001,419)</b>	<b>-</b>	<b>(157,871,419)</b>	<b>(160,576,944)</b>	<b>(2,705,525)</b>	<b>1.71%</b>	
<b>GRAND TOTAL</b>	<b>-</b>	<b>6,730,000</b>	<b>(64,014)</b>	<b>(64,014)</b>	<b>2,555,055</b>	<b>2,619,069</b>		

# 2022 Operating Budget

Finance and Corporate Services Committee  
November 15, 2021



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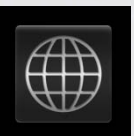
Email **budget@kitchener.ca**

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Phone **519-741-2200 x 7700**

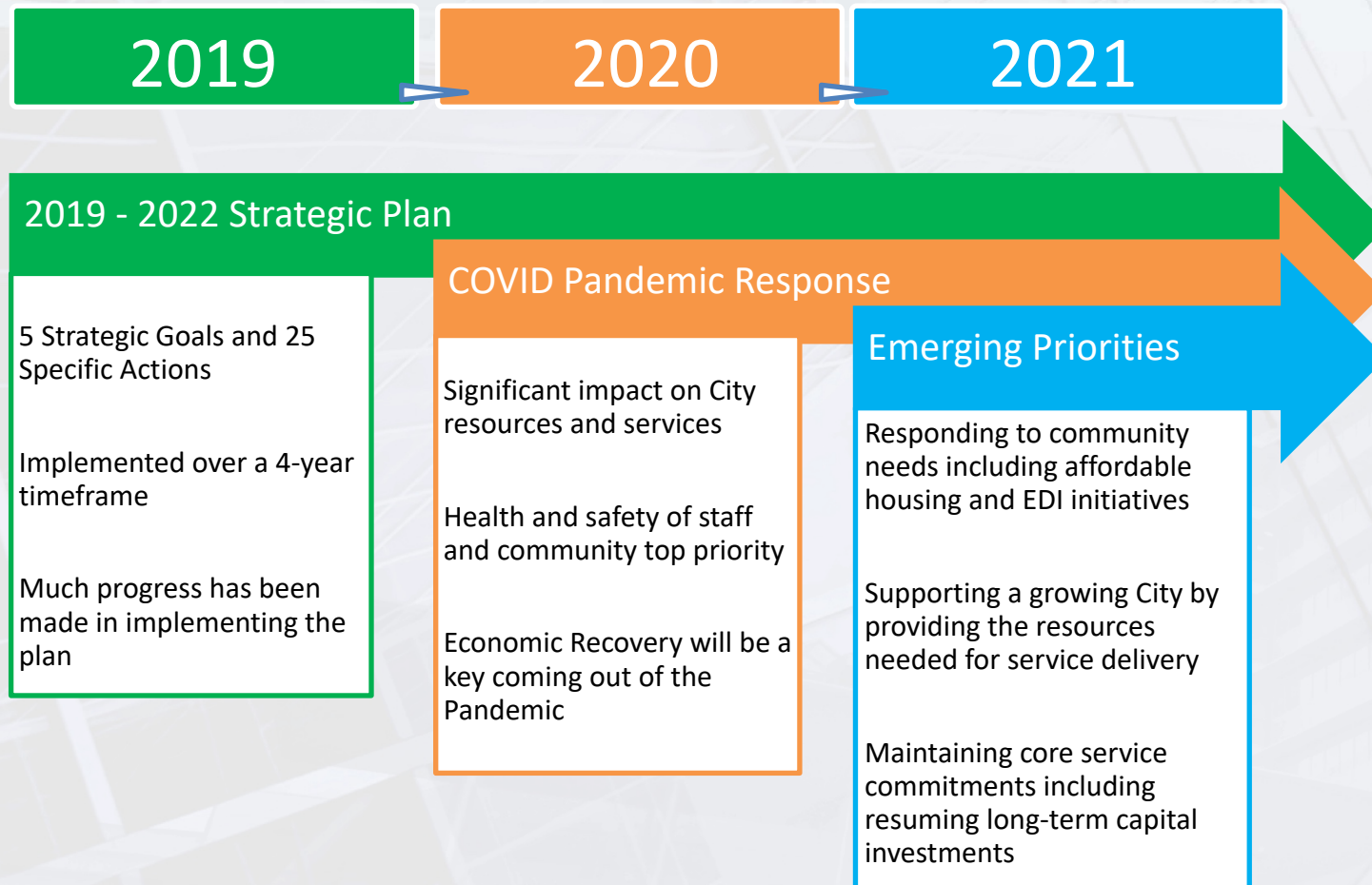
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See more at **www.kitchener.ca/budget**

# Introduction from the CAO

# 2022 Budget – Moving Forward





# 2022 Budget – Highlights



## Operating Budget



1.9% Proposed Tax increase below current rate on inflation (3%)



FTEs requested to address service demands of a growing City



WIP increase of 2.2% is below the forecasted rate for 2022



18% increase in natural gas supply is an issue customers are facing across Ontario

## Capital Projects with Strat Plan Alignment



\$1.6M for Customer Service Enhancements



\$550k (over 3 years) for 40km Speed Limit



\$5.5M (over 10 years) for Urban Forest Implementation



\$350k for Indigenous Placemaking



\$3.6M for Downtown Infrastructure Improvements

## \$1M in Available Capital Funding

A

Creation of Affordable Housing Reserve

B

Addressing the Facility Infrastructure Gap

C

Investment in Community Trails



# General Overview by the CFO

# Budget Calendar



Date	Topic
November 8, 2021	User Fees
November 15, 2021	Operating Budget
November 15, 2021	Public Input
November 29, 2021	Capital Budget
November 30, 2021	Water & Gas Utility Rates
December 16, 2021	Budget Approval

# Budget Overview



## Operating Budget

- \$445 million expenditures in total (i.e. tax supported + enterprises)
- \$198 million expenditures excluding enterprises (i.e. tax supported)
- Annual delivery of programs and services for the community



## Capital Budget

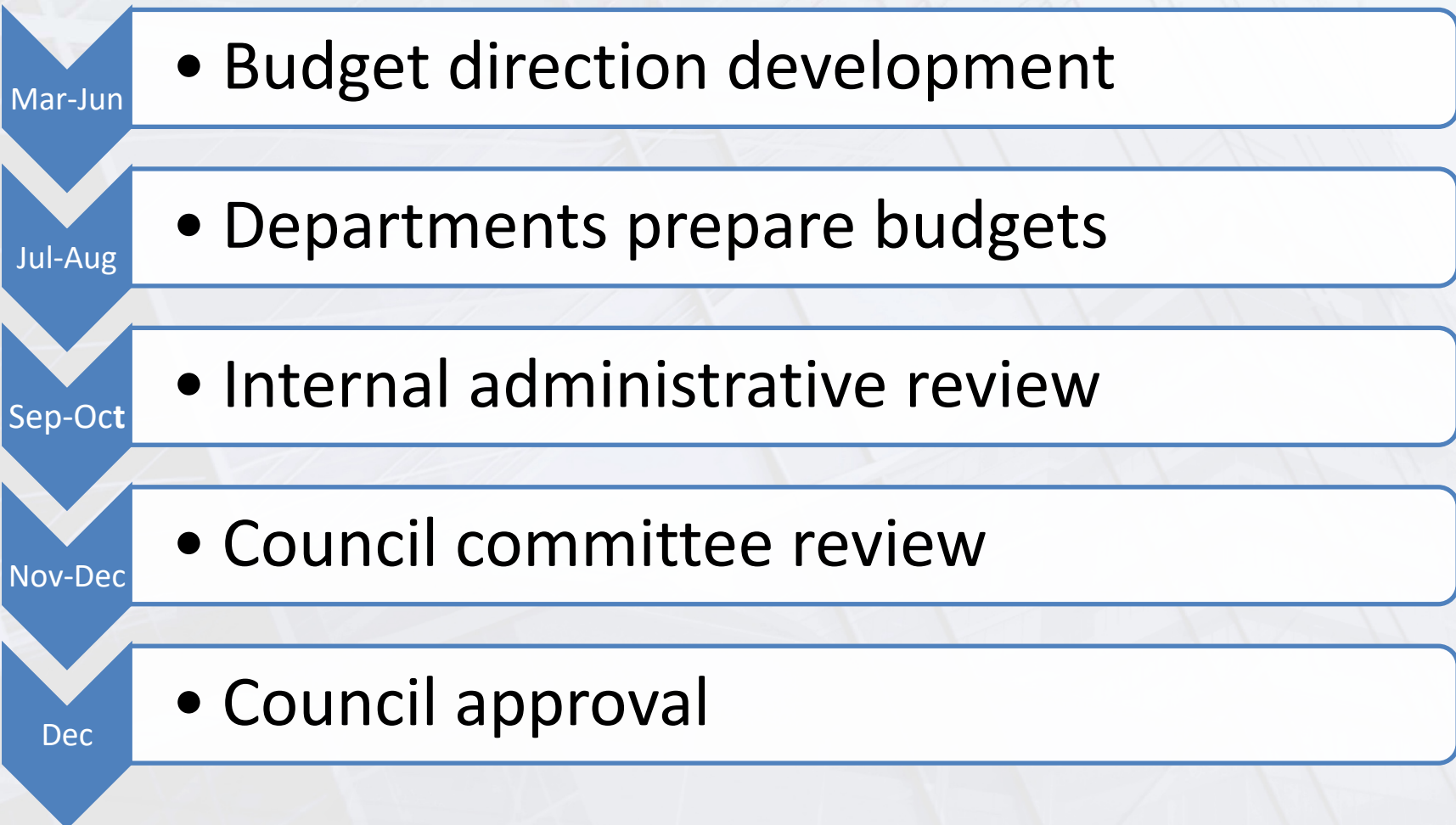
- \$133 million in first year
- \$1.4 billion over the ten-year forecast
- Projects with defined scope that help address our asset replacement needs



## Reserve and Reserve Funds

- \$113 million in total Reserve Funds at end of 2021
- Rate Stabilization Reserves help mitigate risk and potential budget fluctuations
- Some Reserves are established for a specific purpose and use

# Budget Process Timeline





# Economic Considerations



Inflation



Exchange Rate



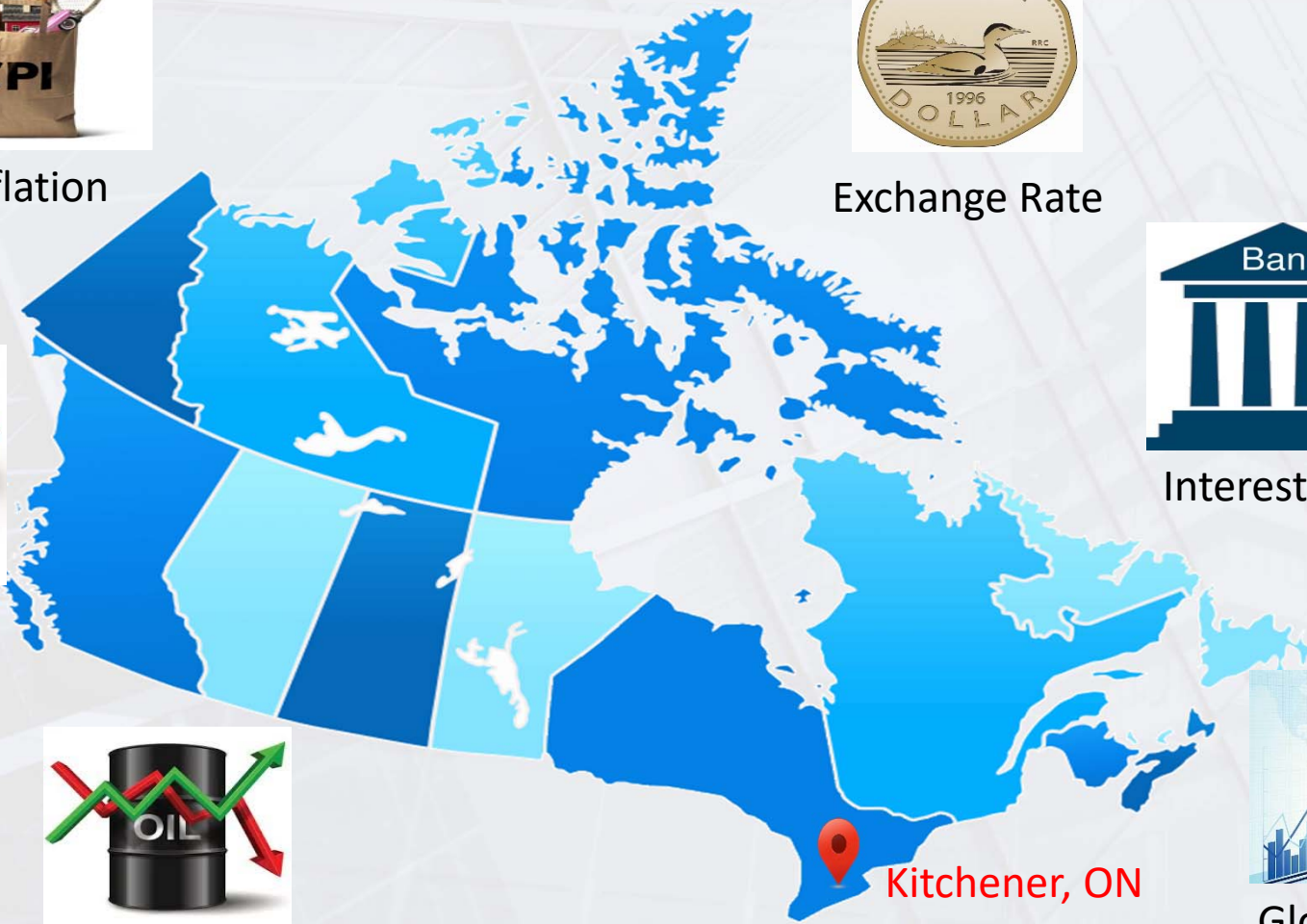
Interest Rates



Affordability



Energy Pricing



Global Trade

# Economic Considerations



## Interest Rates

- Bank of Canada slashed the overnight rate in 2020 in response to COVID
- Rate currently at 0.25% and Bank of Canada could raise rates by the end of 2022
- Cost of borrowing is low but investment returns are limited
- Investment income shortfall has significant budget implications for Kitchener



## Global Trade

- Supply chain issues due to shifts in demand and shutdowns during the pandemic
- Pricing for inventory items and materials increasing due to limited supply
- Significant delay for the delivery of fleet vehicles



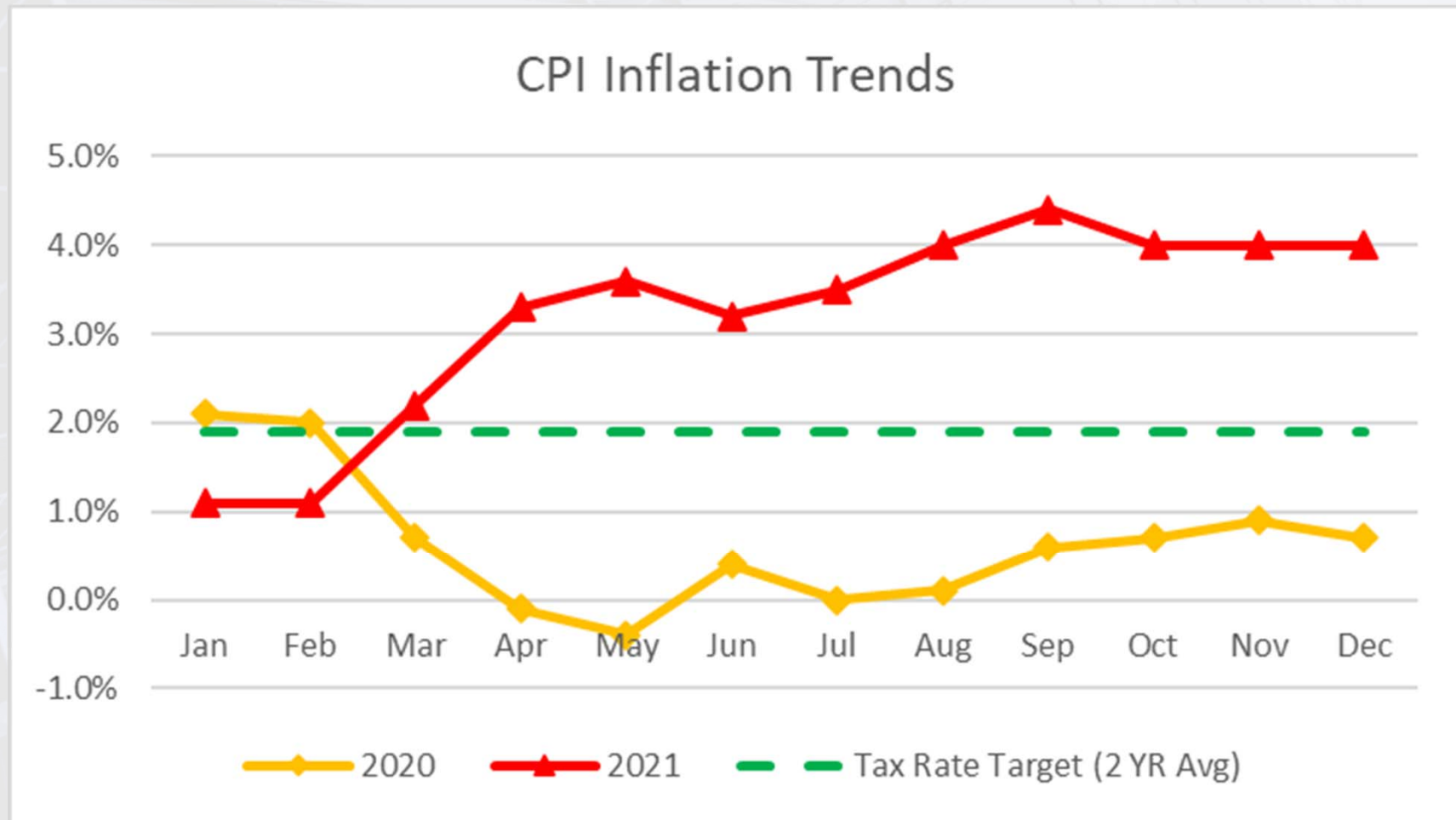
## Energy Pricing

- Reduced supply of natural gas has increased pricing for customers around the globe
- Customers for Kitchener Utilities will see an 18% increase in natural gas supply rate
- Price increase for natural gas is significant but has been this high in the past (2013 and previous)
- Rates are below proposed increases by Enbridge

# Economic Considerations



- Significant inflationary pressures in 2021
- Tax Rate Target is 1.9% based on 2-year CPI Avg (0.7% & 3.0%)

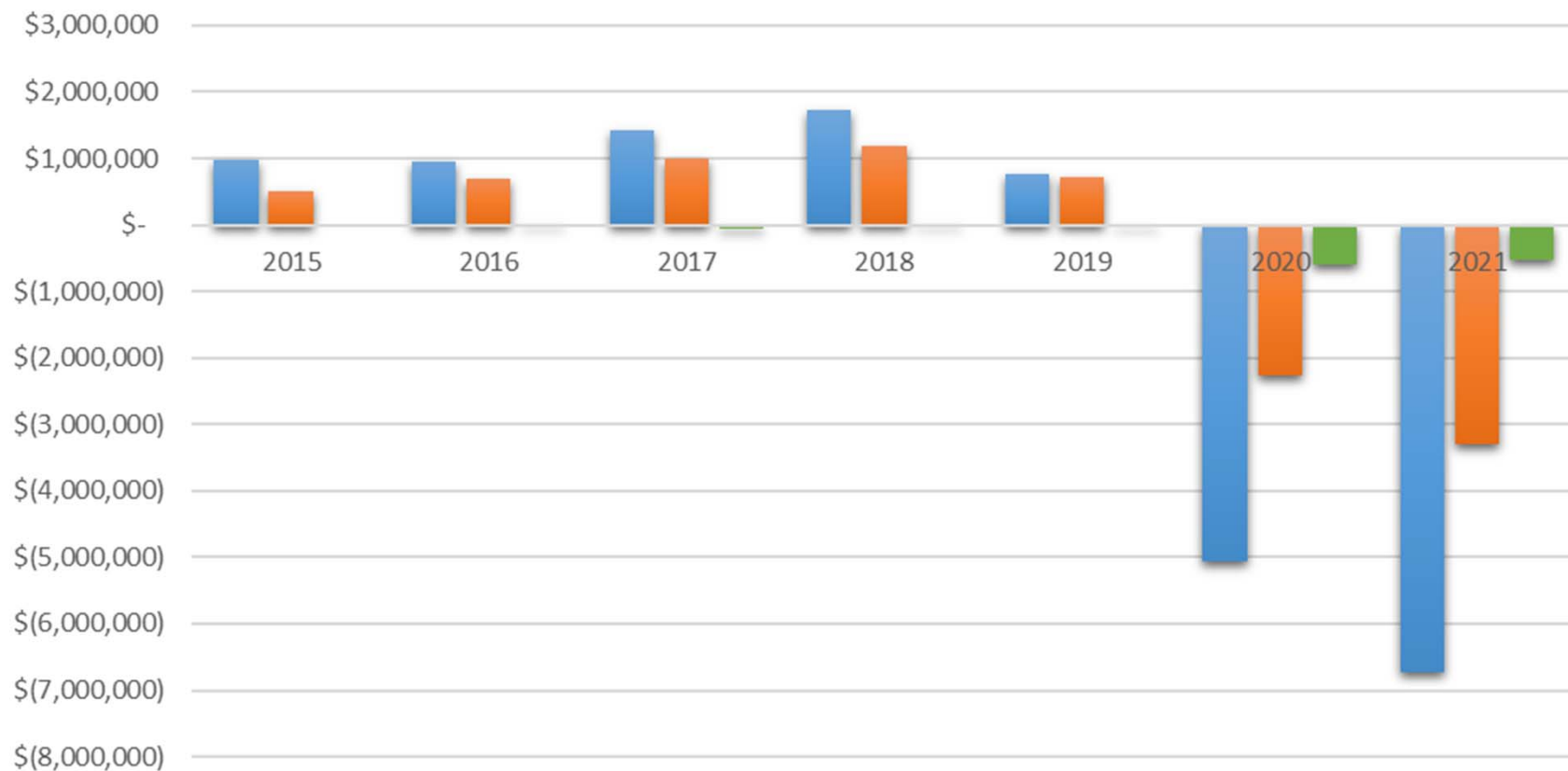


# Financial Impact of COVID



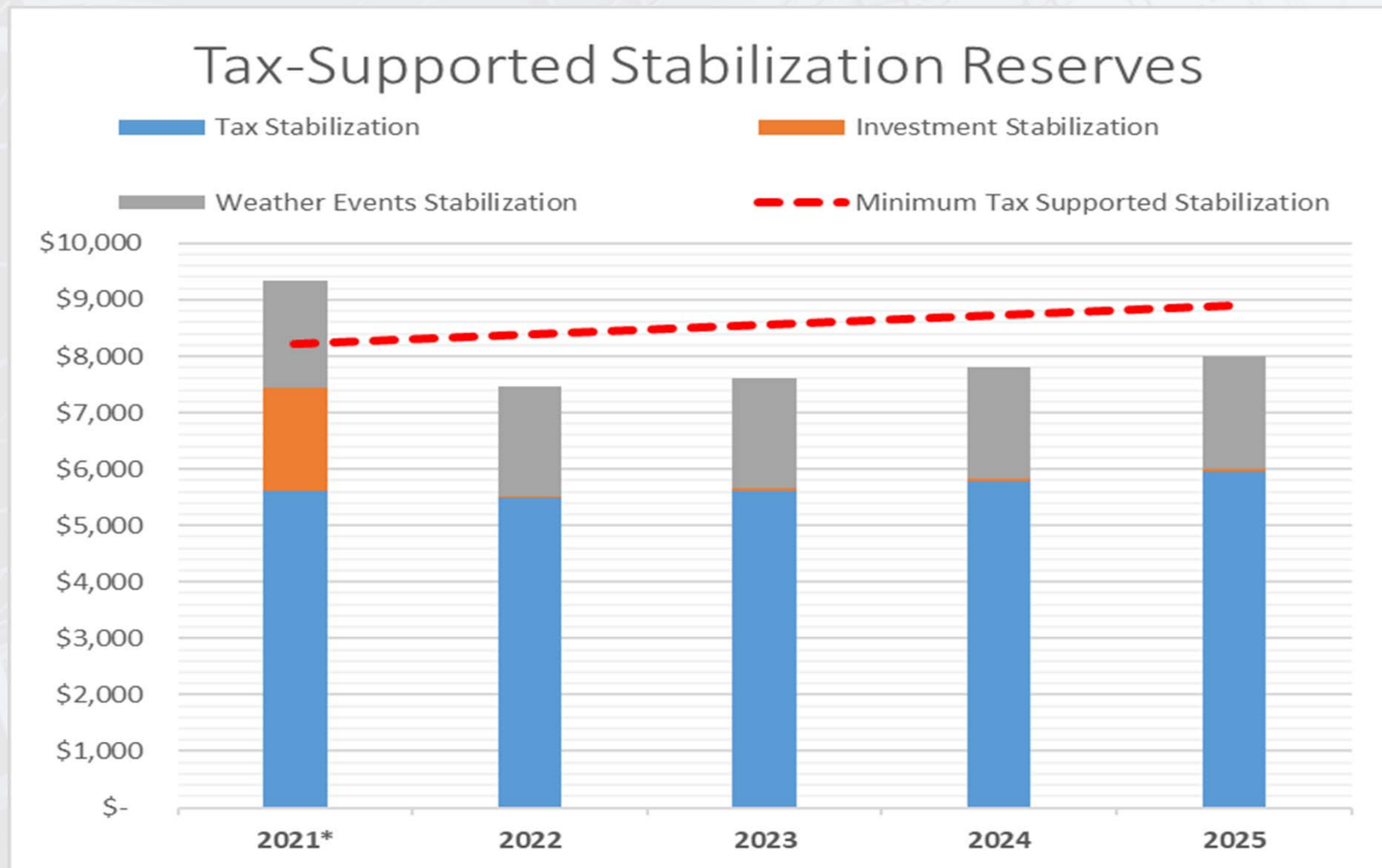
## Surplus/(Deficit) History

■ Tax ■ Parking ■ Golf





# Projected Reserve Balances



\*Balance includes \$815k of remaining Safe Restart/Provincial funding based on projected 2021 operating deficit

# Link to the Long-Term Financial Plan



## Responsible

✓ Action 1.1

✓ Action 1.2

## Flexible

✓ Action 4.2

✓ Action 5.1

✓ Action 6.1

## Sustainable

✓ Action 7.1

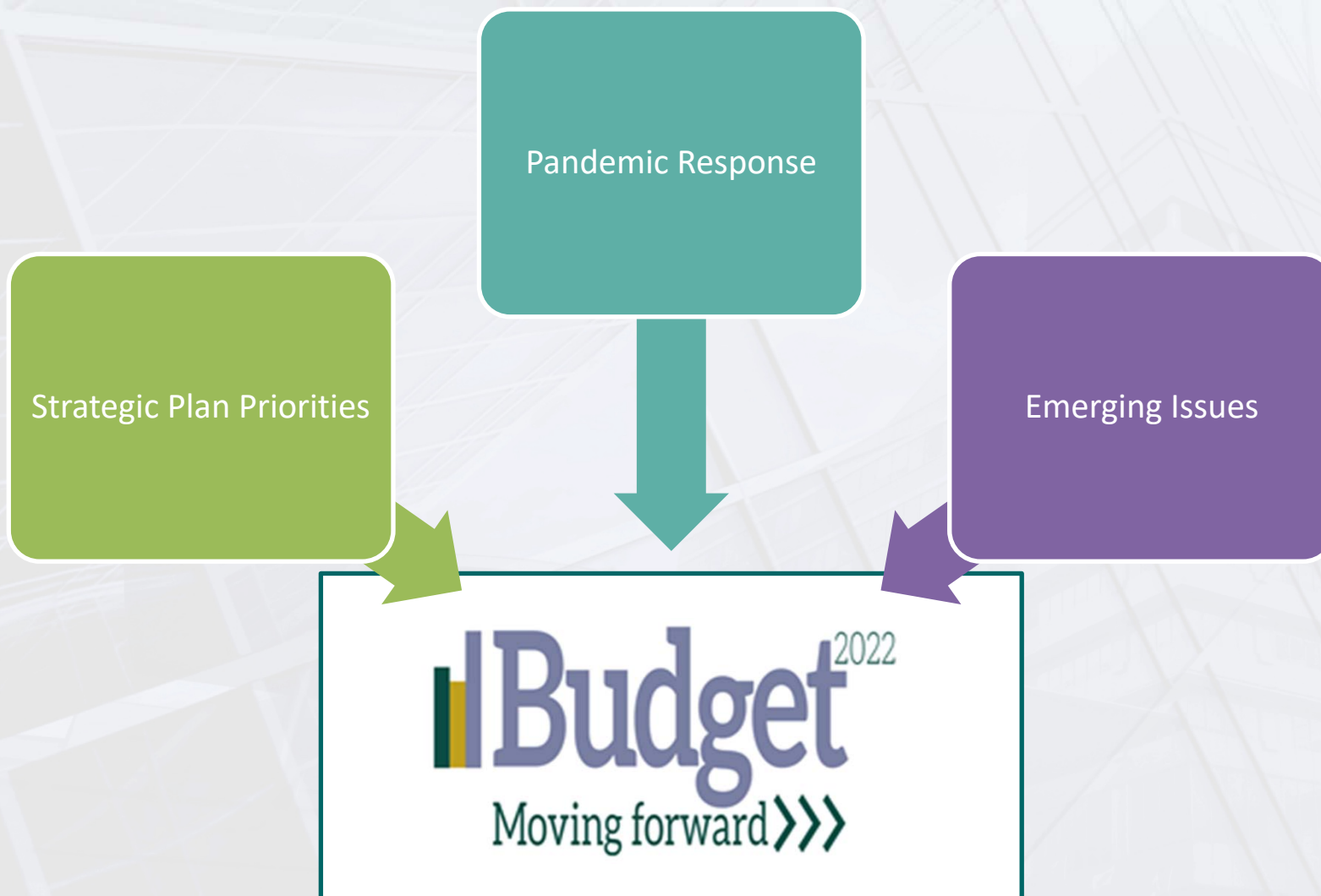
✓ Action 7.2

✓ Action 8.2

✓ Action 9.1



# *Moving Forward* - Building on Citizen Priorities



# Moving Forward – Completing Strategic Actions



## Moving Forward to Complete Actions in City's Strat Plan

Budget provides funding to complete actions included in the Strat Plan aligned with **Great Customer Service, People-Friendly Transportation, Environmental Leadership, Caring Community, Vibrant Economy**

- 2022 Budget marks the last year for implementing the City's Strategic Plan
- Significant investments made over the term of Council



Great Customer Service - \$300K



People Friendly Transportation - \$7.8M



Environmental Leadership - \$3.5M



Caring Community - \$7.3M



Vibrant Economy - \$10.9M





# Moving Forward – Pandemic Response



## Moving Forward with Pandemic Response

Pandemic has been the focus of City resources over the past 18 months

- Health and Safety of staff and community continues to be #1 priority
- Safe Restart funding was extremely helpful in covering deficits in 2020 and 2021
- Economic recovery will be key as we emerge from the pandemic

2021

- 900 staff are placed on declared emergency leave
- \$20.4M in Fed/Prov Safe Restart Funding provided to address significant operating pressures
- Kitchener ends the year with a \$5.1M deficit for tax-supported operations

2020

- Recreation Facilities closed during lockdowns for approximately 9 months (waves 1, 2 & 3) resulting in significant loss in user fee revenue
- COVID-19 Vaccines widely available in Ontario during the summer of 2021
- Like many other organizations Kitchener introduces a COVID-19 Vaccine Policy for City Staff

- Pandemic response expected to continue but with anticipated easing/lifting of restrictions
- Proof of vaccination will help support economic recovery which continues to be a focus for the City
- Financial pressures still exist but user fee revenue expected to return to normal levels if facilities remain open for the entire year

2022

# Moving Forward – Emerging Priorities



## Moving Forward to Support Economic Recovery

2022 Budget includes investments that are aligned with the Strat Plan goal of **Vibrant Economy**

- Make It Kitchener 2.0 Strategy included \$5M for economic recovery
- Proposed tax rate increase of 1.9% represents a reasonable increase well below current annual rate of inflation of 3%
- Community's collective efforts in following public health guidelines will help ensure business can remain open as we emerge from the Pandemic

## Moving Forward to Respond to Community Needs

Budget includes investments that are aligned with the Strat Plan goals of **Caring Community** and **Environmental Leadership**

- Up to \$1M available in Capital for creation of an affordable housing reserve
- \$256k is included in Operating to provide full funding for EDI Division
- \$220k included in Capital for the required infrastructure and addition of an electric ice resurfacer at Activa

# Moving Forward – Emerging Priorities



## Moving Forward to Support a Growing City

Budget includes investments that are aligned with the Strat Plan goals of **people-friendly transportation** and **great customer service**

- Up to \$1M available in Capital to put towards community trails
- \$1.6M investment for centralized customer service counter at City Hall
- Additional resources needed primarily due to growth to support service needs

## Moving Forward to Maintain Core Service & Infrastructure

Budget includes core investments to help keep the City **Moving Forward**

- Up to \$1M available in Capital to help address facilities infrastructure gap
- \$35M investment in WIP road reconstruction projects
- Ongoing operating investments to support day-to-day service delivery

# Moving Forward – Capital Investment Options

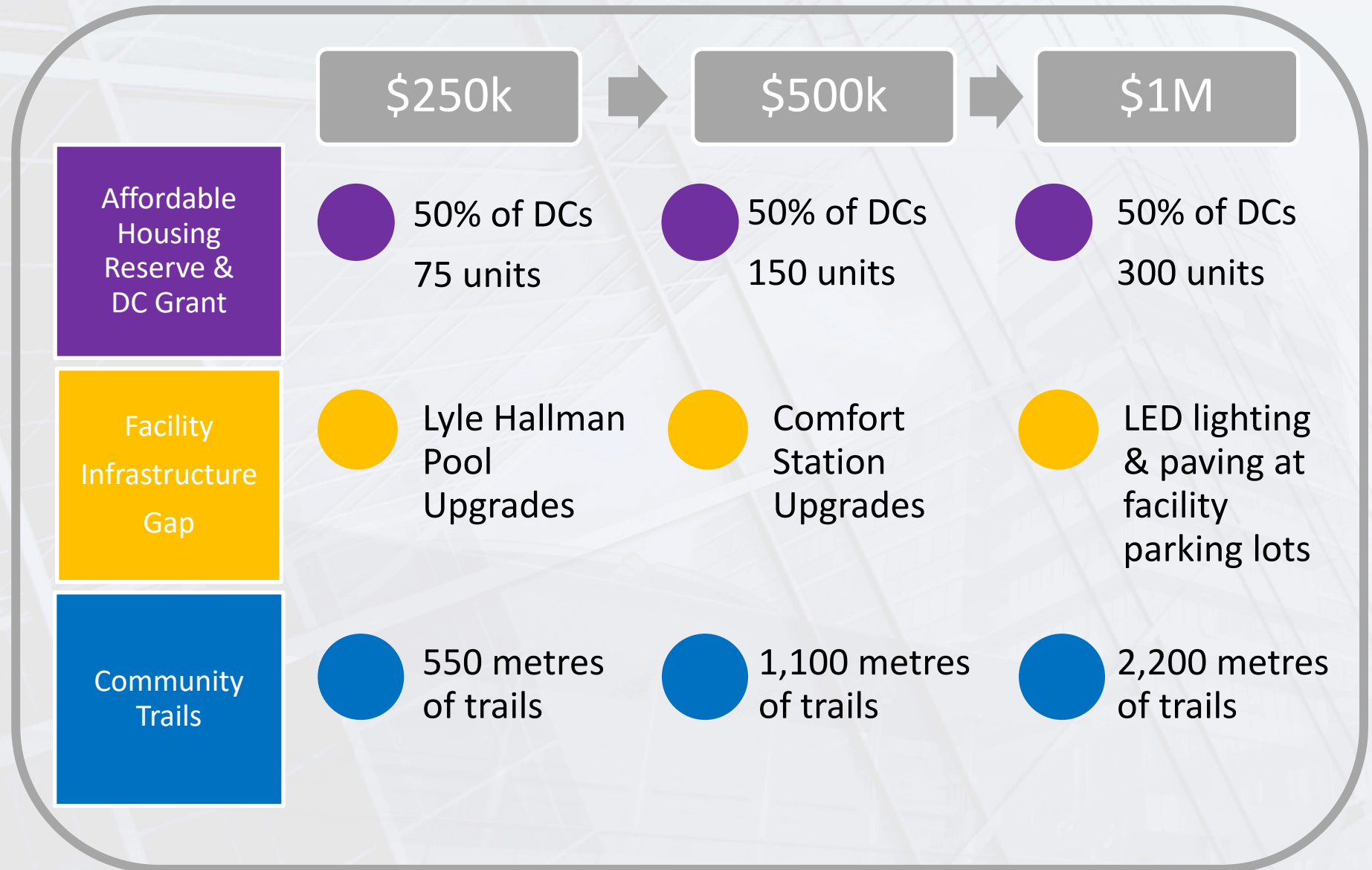


- \$1M available in one-time capital funding
- 3 possible areas of strategic investment have been identified
- Strategic items proposed either align directly with strategic plan actions or reflect other important corporate priorities
- Options provided for each item reflecting different levels of possible investment
- Balance between available funding and level of investment (mix and match of options will be required)





# Moving Forward – Capital Investment Options

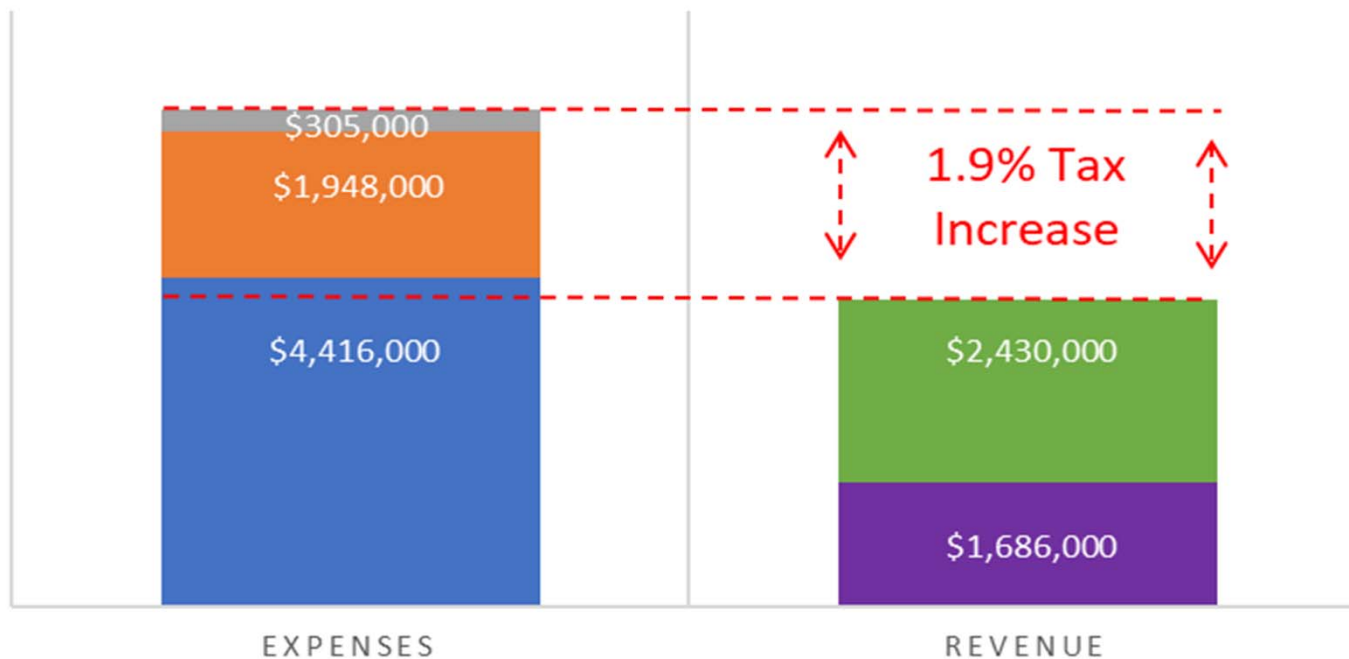


# Proposed 2021 Tax Rate Increase

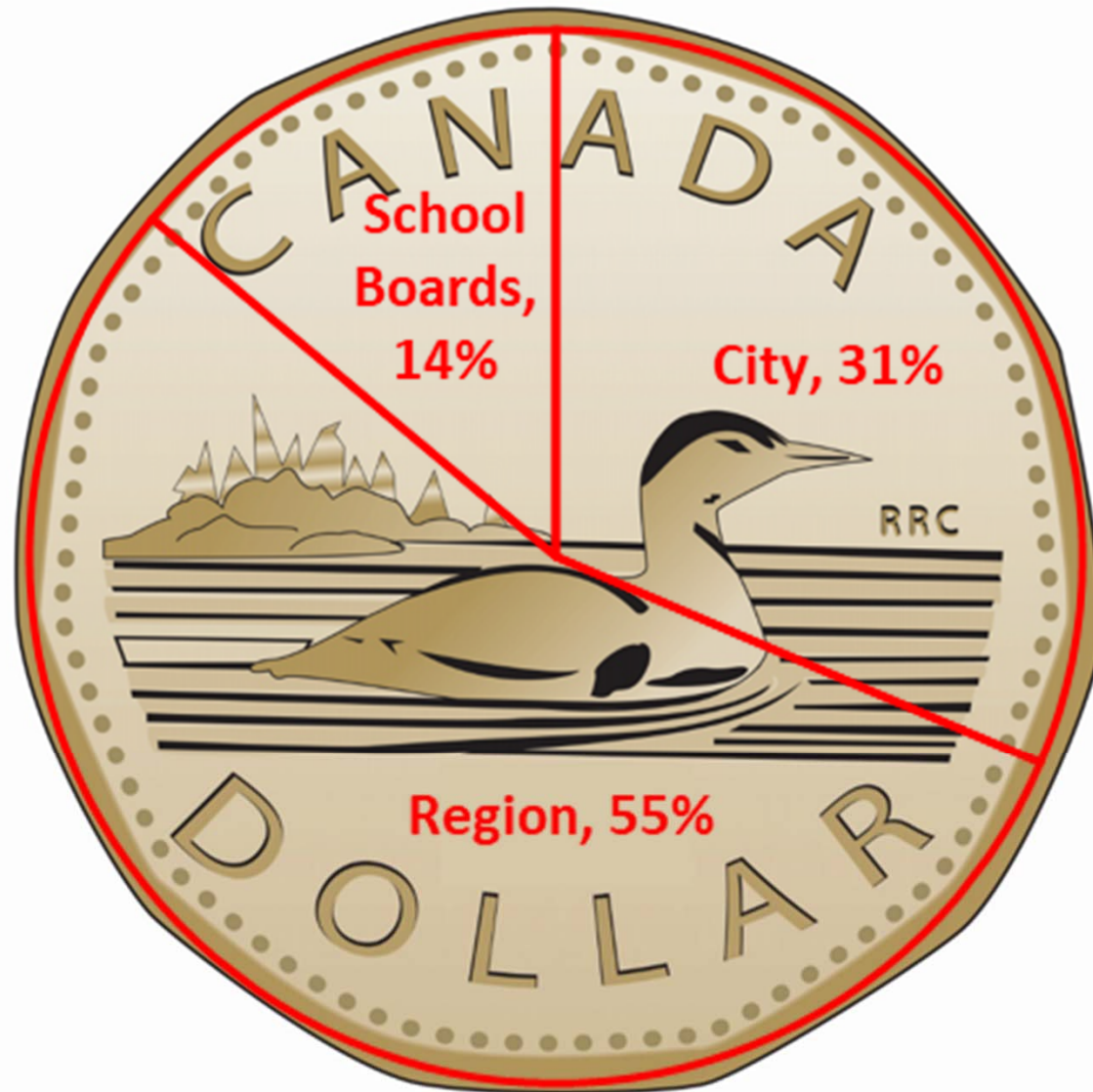


## 2022 BUDGET ITEMS

- Base Budget Increase
- Growth
- Corporate Allocations
- User Fees & Recoveries
- Assessment Growth



# Every Tax Dollar We Collect...





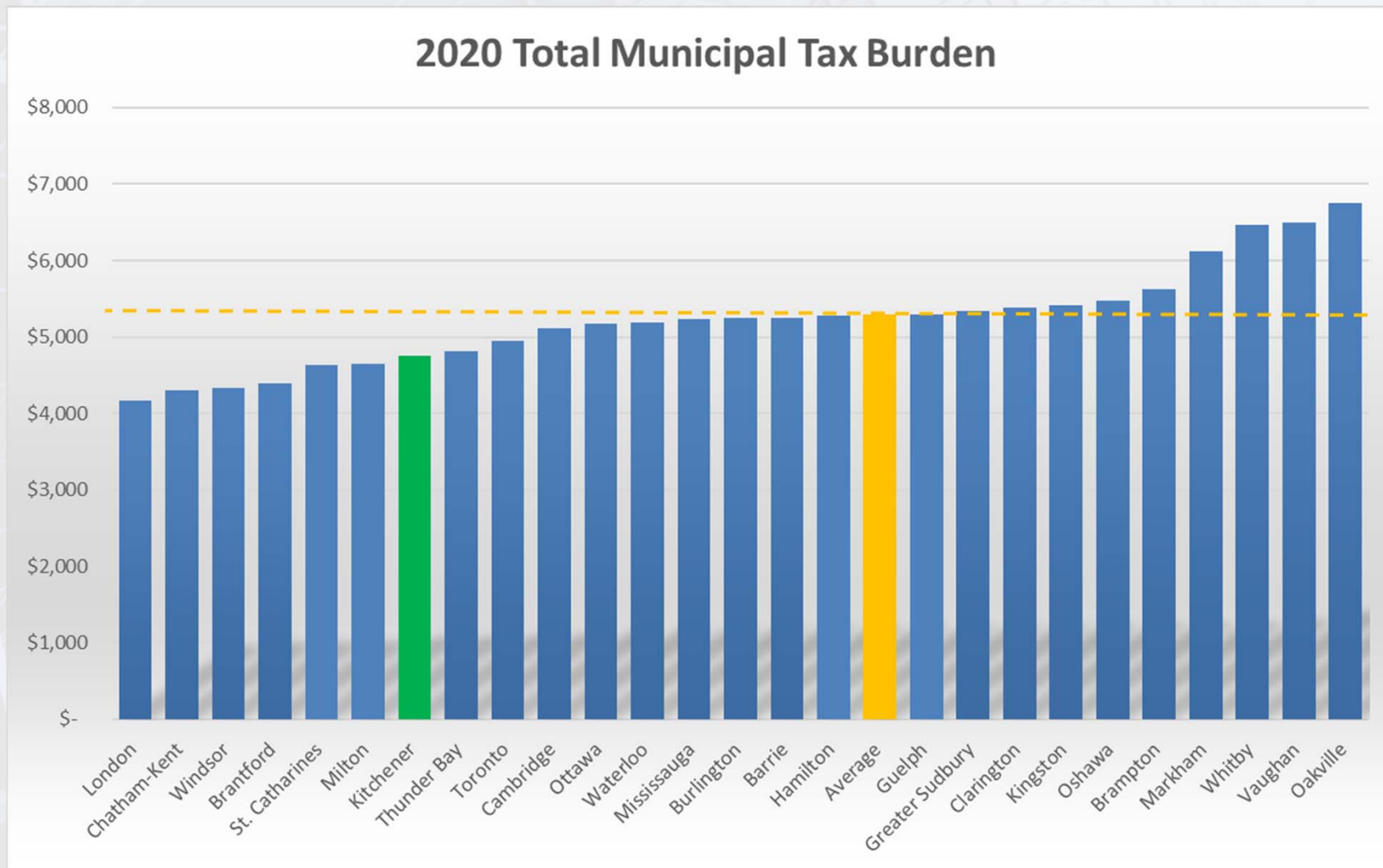
# Proposed 2022 WIP Increase



	2018	2019	2020	2021	2022
Projected	6.5%	6.5%	4.5%	4.5%	4.5%
Revised/Proposed*	6.5%	6.5%	4.4%	0.9%	2.2%
Approved	✓	✓	✓	✓	

\*2.2% includes only passing through the Regional increase for Water and Sewer, while holding the City portion at 0%. It also includes the City's forecasted increase for stormwater in order to meet our DMAF funding commitments

# Municipal Cost Comparison



\*2020 BMA Study – based on combined costs (average property taxes and water and sewer) for Populations Greater Than 100,000

# Proposed Budget Increase



**827 km** of  
sanitary  
sewers



**60,000+**  
street and  
park trees



**40 winter  
rinks**



**2,800**  
sidewalk  
repairs



**150 major  
facilities**



**37 soccer  
fields, 64 ball  
diamonds**



**616 km** of  
storm  
sewers



**2,000 km**  
of road  
maintained



**4,275** water  
hydrants



**24,000** ice  
hours



**3,593**  
parking  
spaces

## Household impact

Property tax increase is **1.9 per cent**  
or **\$21/year**.

Water utilities increase is **2.2 per cent**  
or **\$26/year**.

Gas increase is **12.7 per cent** or  
**\$90/year**.

**Total impact - \$137/year.**



# Final Thoughts



## The City's 2022 Budget is about *Moving Forward*

- Completing the specific actions included in the Strategic Plan
- Continuing with the City's Pandemic Response
- Building on citizen priorities with focus on Economic Recovery, Responding to Community Needs, Supporting a Growing City, while Maintaining Core Service and Infrastructure

## Budget Proposes Reasonable Rate Increases to Support City Services

- 1.9% tax rate increase is well below the current annual rate of inflation (3%)
- 2.2% WIP increase proposes passing on only the Regional increase for Water and Wastewater while maintaining our stormwater commitments related to the \$50M DMAF grant
- Combined household impact for Tax and WIP is \$47 per year
- Gas increase is mainly due to recent price increases for the supply of natural gas

## Looking Ahead

- Revenue shortfalls still expected in 2022 but should be less than experience in 2020 and 2021
- Property tax reassessment has been delayed due the pandemic with timing still TBD
- Will need to revisit the LTFP to see if there are any assumptions that need to be adjusted

# Boards



# Kitchener Public Library (KPL)



- 2022 budget assumes full operations at typical levels and use of \$100k from 2020 operating surplus
- Operating grant increased to \$11.6M in 2022
  - Increase of 1.3% as per City guidelines
- COLA increase of 1.5% for salaries with other expenditures flat lined, adjusted to reflect cost of living as per City guidelines

# Kitchener Public Library (KPL)



## One big step towards more equitable access in Kitchener



**Eliminating fines allowed us to welcome back 33,409 community members to their library, 20% of which were children.**

Staff heard countless stories from customers, particularly parents and newcomers, about how overjoyed they are to return to the library without worry of judgement or penalty.



**Immediately after going fines-free, new library card signups increased by 125%**



**As expected, community members have embraced the shared responsibility of borrowing library items and returning them on time**

Since going fines-free, we witnessed a 93% drop in customers with overdue items. Currently, less than 2% of items in the collection are overdue.

“Kitchener Public Library, this is one more way you are putting people first and one of the many reasons that I love you. I feel so lucky to live in Kitchener”

“There was a long time where I wouldn’t check out books because I was making very little money. My ADHD was running amok, and I always returned my books late. This is a great move!”

# Kitchener Public Library (KPL)



## **REVENUE**

City of Kitchener operating grant  
Provincial Grant  
Other Revenue (partnerships, rentals, etc.)  
Total Revenue

Budget 2021	Projected 2021	Budget 2022
\$ 11,410,596	\$ 11,410,596	\$ 11,558,934
286,755	306,980	306,980
241,000	108,136	273,000
<b>\$ 11,938,351</b>	<b>\$ 11,825,712</b>	<b>\$ 12,138,914</b>

## **EXPENSES**

Programs, Marketing & Resources  
Personnel, Admin & General Costs  
Equipment & Occupancy Costs  
Total Expenses

1,389,400	1,463,290	1,374,400
9,497,274	9,180,499	9,699,097
1,184,677	1,232,314	1,165,417
<b>\$ 12,071,351</b>	<b>\$ 11,876,103</b>	<b>\$ 12,238,914</b>

**Net Revenue / (Expense)**

<b>\$ (133,000)</b>	<b>\$ (50,391)</b>	<b>\$ (100,000)</b>
---------------------	--------------------	---------------------



# Centre In The Square (CITS)



- Operating grant increased to \$1.93M in 2022
  - Increase of 1.3% as per City guidelines
- Mandate B approved in March 2015
- Management changed in October 2015
- Progress jointly with City defining needs and responsibilities all through 2016
- CITS anticipates needing additional funding of \$67,626 from the City in 2022 to fund transitional costs
  - Decrease of 27% from 2021
  - Issue Paper Op 01 provides more information

# Centre In The Square (CITS)



	Budget 2021	Projected 2021	Budget 2022
<b><u>REVENUE</u></b>			
Net Performances	\$ 248,231	\$ 869,098	\$ 1,405,000
Other Revenue (rent, sponsorships, parking, etc.)	305,689	273,851	443,861
City of Kitchener operating grant	1,907,576	1,907,576	1,932,374
City of Kitchener transition costs	92,424	92,424	67,626
Total Revenue	<b>\$ 2,553,920</b>	<b>\$ 3,142,949</b>	<b>\$ 3,848,861</b>
<b><u>EXPENSES</u></b>			
Admin & General	336,211	326,358	405,000
Marketing & Programming	89,555	63,970	105,000
Occupancy Costs	639,888	530,368	765,000
Personnel Costs	1,515,291	1,988,030	2,411,866
Community Development	5,500	66,960	161,700
Total Expenses	<b>\$ 2,586,445</b>	<b>\$ 2,975,686</b>	<b>\$ 3,848,566</b>
<b>Net Revenue / (Expense)</b>	<b>\$ (32,525)</b>	<b>\$ 167,263</b>	<b>\$ 295</b>

## 2021 Budget vs. Projected

50% CEWS included Jan-Jun  
no shows in 2021  
staff reductions until Nov

CEWS included Jan-Oct  
shows start in Nov  
staff reductions until Sep

**CITY OF KITCHENER  
2022 BUDGET ISSUE PAPER**

**ISSUE:** Op 01 – Continuing Transitional Funding for Centre In The Square (CITS)  
**FUND:** Operating  
**DEPARTMENT:** Centre In The Square  
**PREPARER:** Deborah Daub, Director of Finance, CITS  
**BUDGET IMPACT:** \$67,626 (funded from the Tax Stabilization Reserve Fund)

**BACKGROUND:**

In 2016, Centre In The Square (CITS) was allotted \$250,000 for transition funding due to the change to Mandate B that became a new policy from the City of Kitchener for CITS to follow. This transition funding increased the total funding for CITS to \$2,000,000 when it was added to the \$1,750,000 operating grant that was approved for 2016. Since then, the total funding provided to CITS by the City has remained at \$2,000,000, but the transition funding has been decreased each year by the increase in the grant provided to CITS by the City. The transition funding has been \$250,000 in 2016, \$218,500 in 2017, \$182,870 in 2018, \$146,527 in 2019, \$111,311 in 2020, and \$92,424 in 2021. At typical inflation levels, transition funding will be needed through the 2024 budget (i.e. it will not be needed in 2025).

**RATIONALE / ANALYSIS:**

The request reflects the decision taken by City Council in March 2015 tied to the new mandate and the subsequent financial implications for CITS. As a new agreement between CITS and KWS is evolving due to the impacts of COVID-19, and to continue to make the necessary adjustments for the Mandate fiscally possible, CITS is asking for a continuation of this transition funding to leave the total funding for CITS at \$2,000,000 matching the total amount received from the City unchanged since 2016.

In addition, to support several capital projects relating to health and safety, CITS is requesting that any year end operating surplus amounts be retained by CITS and assigned to its capital replacement fund. Any deficits would be split 50/50 between CITS and the City. This is consistent with the current arrangement between CITS and the City. Retaining operating surpluses would help fund upcoming capital projects such as the replacement of the original stage jack lift mechanisms and the replacement of the seating to allow for more AODA seating.

**FINANCIAL IMPLICATIONS:**

The transition funding will support the Front of House costs for our community partners (such as the Grand Philharmonic Choir) and will allow CITS to continue to work with other smaller arts presenting organizations within Kitchener. It also provides support for other Mandate activities such as covering some of the costs of access to the Studio and Main Theatres.

**RECOMMENDATION:**

That approval be granted for additional transitional funding of \$67,626 for the CITS to be disbursed from the Tax Stabilization Reserve Fund at the request of the CITS Board, with Council being notified of the request by email, and

That any year end surplus in 2022 be retained by CITS to help fund its capital projects, but any deficit be split 50/50 between CITS and the City.

# Tax Supported Operating Budget



# Budget Considerations



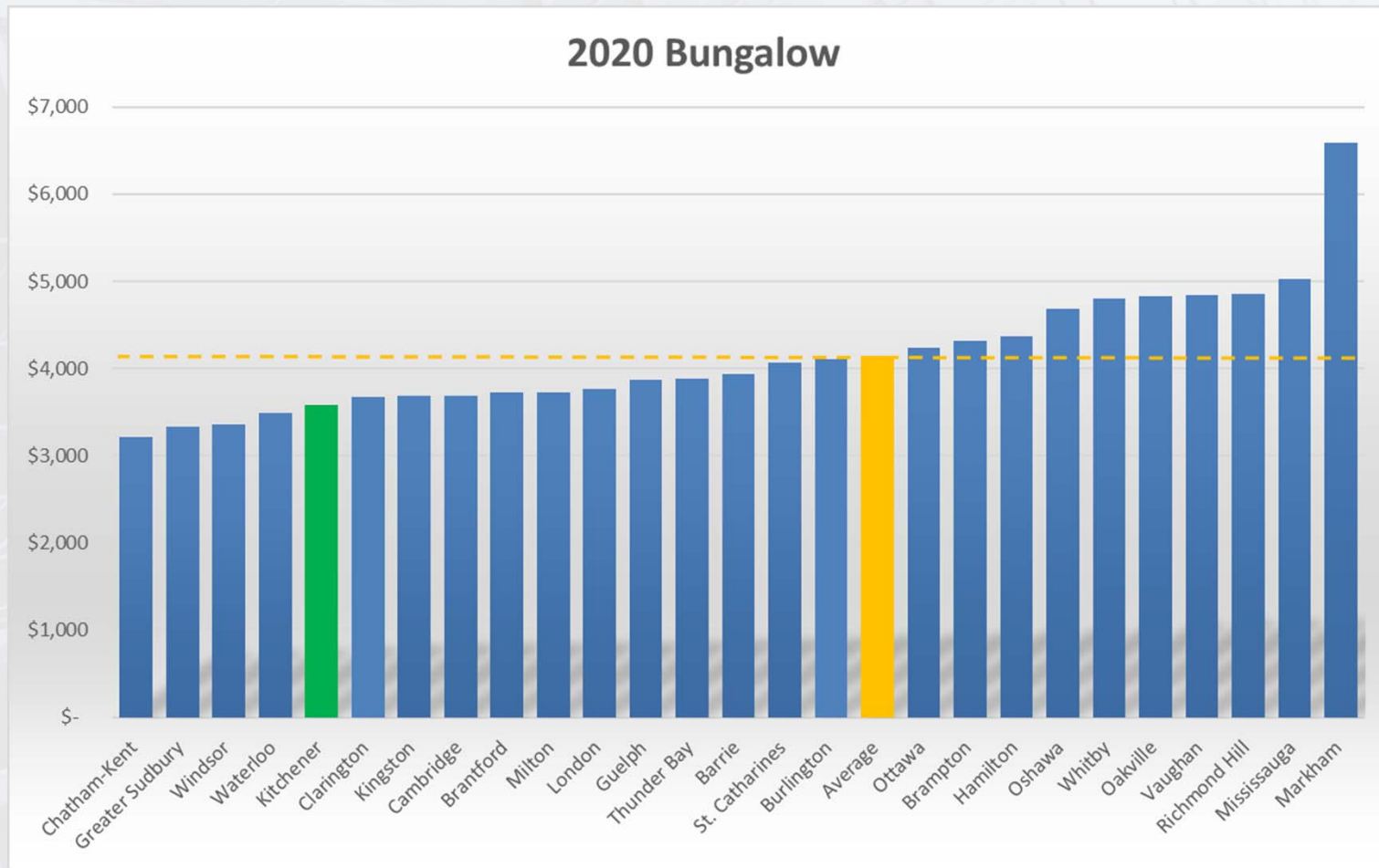
Development of the budget includes:

- Comparison to other municipalities
- Inflationary factors
- Balance levels of service provided with taxpayers' willingness and ability to pay



# Comparative Taxes

## Same Bungalow in Each City



\*2020 BMA Study – Comparison of Average Bungalow Property Taxes for Populations Greater Than 100,000

# 2021 Local Household Cost Comparison



# Ontario Inflation

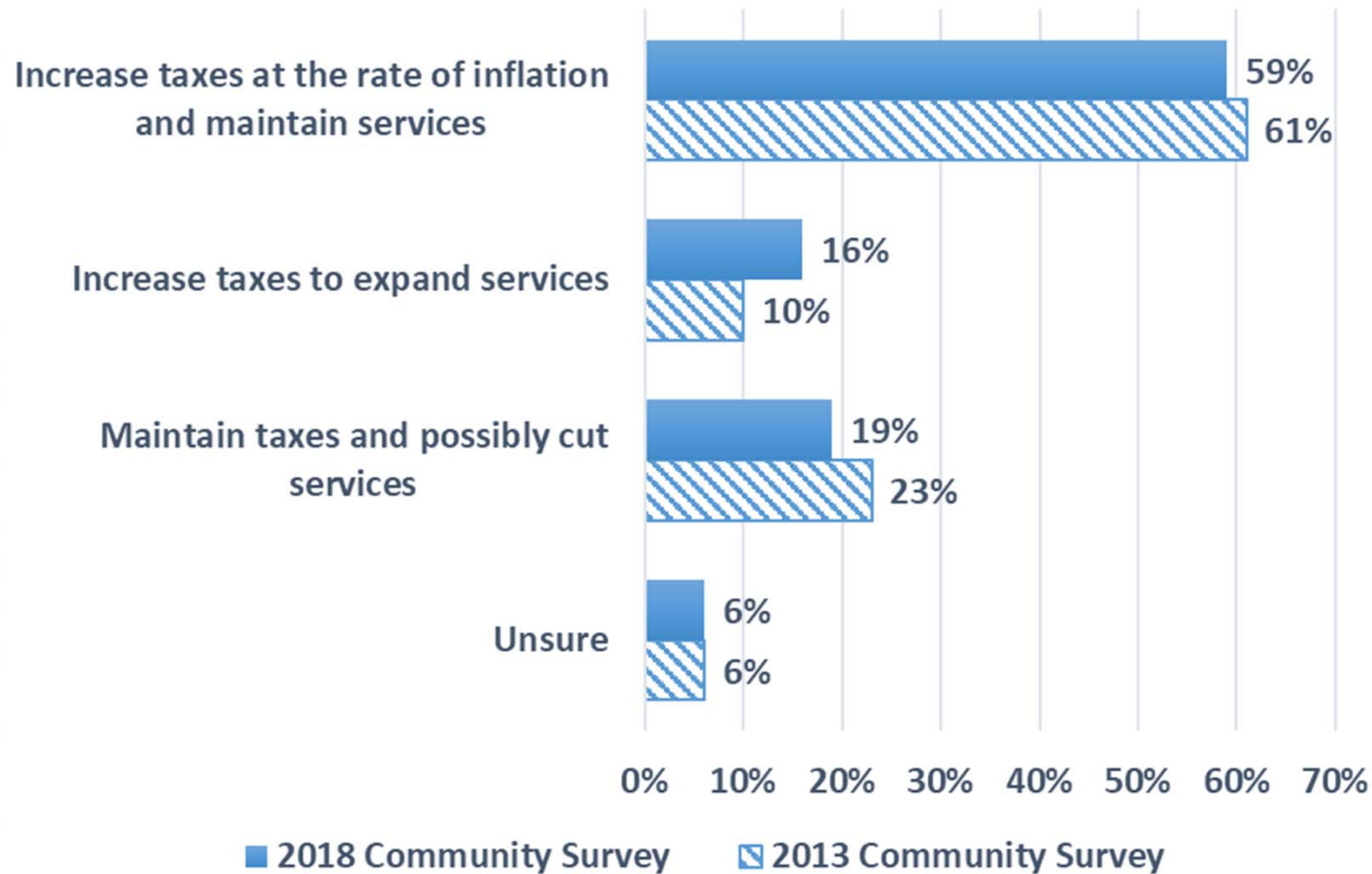


- Average Consumer Price Index (CPI) = 1.9%

2020 Actual CPI	2021 YTD CPI	2-Year Average
0.7%	3.0%	1.9%

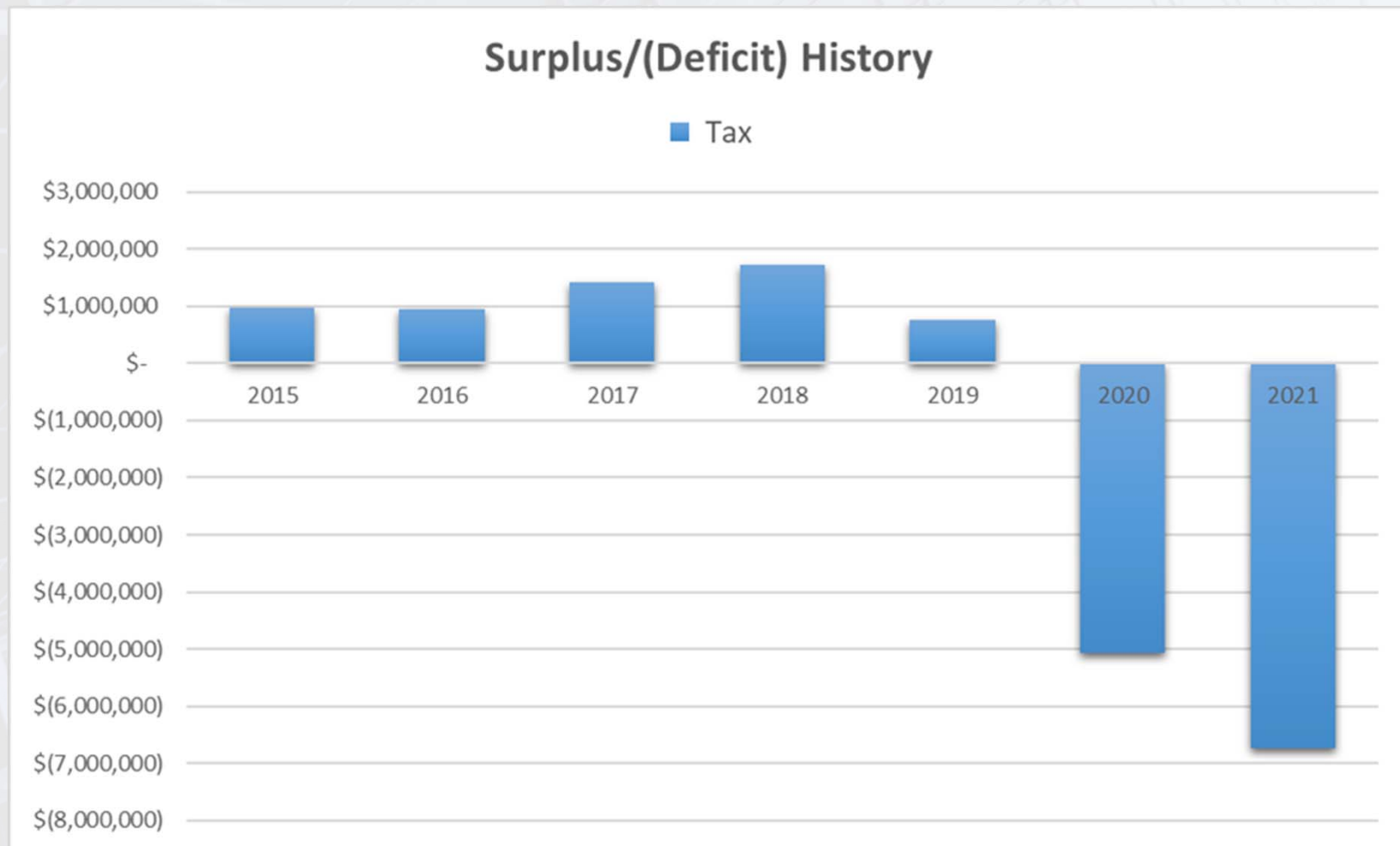
- Inflation is increasing significantly in 2021 after a lower than normal increase in 2020

# Taxes and Service Levels





# Recent Operating Results





# Tax Supported Expenses and Revenues

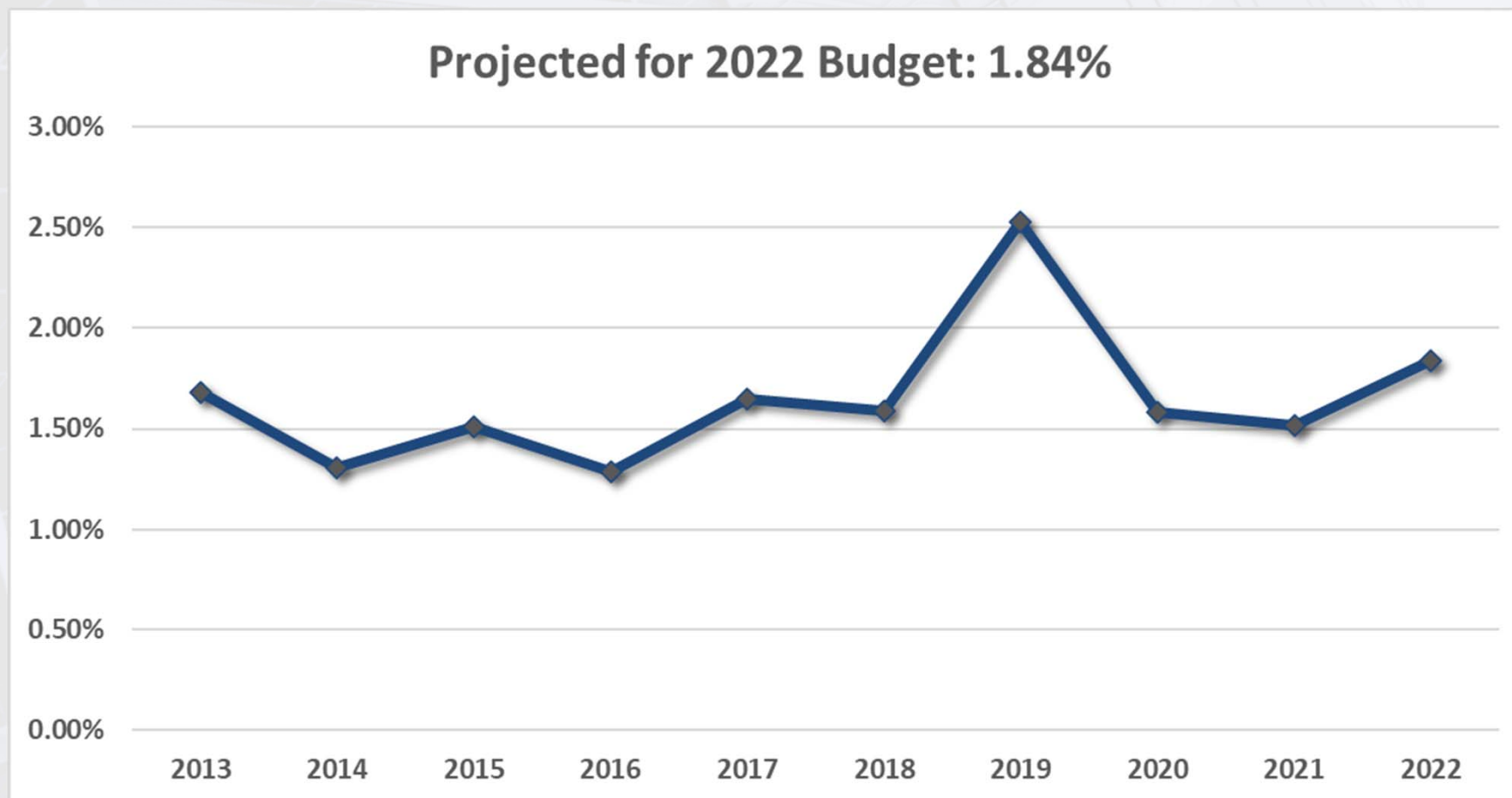


# Assessment Growth



- Assessment growth is additional property tax revenue created by:
  - New development
  - Redevelopment of existing properties
  - Expansions to existing properties
- Assessment growth helps offset the costs of delivering programs & services
  - If there wasn't assessment growth, tax increases would be higher

# Assessment Growth History



# A 1% Change to the Tax Levy



Average home  
\$11



(assessed value of \$326,000)

Net Tax Levy  
\$1.3M





# Budget Components



- As noted in the Long Term Financial Plan, the operating budget has different components:
  - Base Budget
    - Core programs and services that the City provides for citizens on an annual basis
  - Corporate Allocations
    - General expenses like debt charges and contributions to capital/reserves
  - Impacts Due to Growth
    - Additional operating costs required to support the expansion of service areas as the City continues to grow



# 2022 Tax Levy Change Detail



Item	(000's)	Levy %
Salaries and Wages	3,587	2.67%
Utilities	335	0.25%
Boards	173	0.13%
Technology License Fees	99	0.07%
Other Changes (items under \$100k)	222	0.17%
Gas Dividend	(182)	-0.14%
Internal Recoveries (net of Internal Charges)	(253)	-0.19%
Other Revenues (e.g. Fire Dispatch Recovery, Penalties & Interest)	(276)	-0.21%
Userfee Revenues	(975)	-0.72%
<b>Base Budget Adjustments</b>	<b>2,731</b>	<b>2.03%</b>
Contributions - Capital And Reserves	520	0.39%
Debt Charges - Capital Pool	(214)	-0.16%
Debt Charges - EDIF	(825)	-0.61%
Transfer to Facilities Infrastructure Program (60% of EDIF Debt)	495	0.37%
Transfer to Make It Kitchener 2.0 (40% of EDIF Debt)	330	0.25%
<b>Corporate Budget Adjustments</b>	<b>305</b>	<b>0.24%</b>
Additional Fire Suppresion Staff	542	0.40%
Schlegel Park	342	0.25%
Huron Brigadoon Community Centre	258	0.19%
Equity, Anti-Racism & Indigenous Initiatives	256	0.19%
Proactive Sidewalk Inspection	163	0.12%
Winter Bike Lane Maintenance	113	0.08%
Winter Trail Maintenance	90	0.07%
BMO Building Operating & Maintenance	60	0.04%
Assisted Services Snow Clearing Program	50	0.04%
Regional Radio & Dispatch Cost Increase	48	0.04%
Conrad Centre Operating & Maintenance	25	0.02%
<b>Growth Budget Adjustments</b>	<b>1,948</b>	<b>1.44%</b>
Assessment Growth	(2,430)	-1.81%
<b>TOTAL</b>	<b>2,555</b>	<b>1.90%</b>

# Issue Papers - Tax



I#	Title
Op 02	Enhancing City Services and Resourcing City Growth

**CITY OF KITCHENER  
2022 BUDGET ISSUE PAPER**

**ISSUE:** Op 02 – Enhancing City Services and Resourcing Growth Needs  
**FUND:** Operating and Capital  
**DEPARTMENT:** Various  
**PREPARER:** Ryan Hagey  
**BUDGET IMPACT:** None (seeking approval of FTEs only)

**BACKGROUND:**

In preparing the 2022 budget, staff have identified a number of positions required to manage growth pressures on the City, and deliver enhanced services in select areas. This issue paper requests the approval of FTEs, all of which are fully funded in the proposed tax supported budget, so only approval of FTEs is being sought.

**RATIONALE / ANALYSIS:**

The positions being requested are detailed below. The number of FTEs is shown in brackets.

**More Efficient Human Resource Processes (1 FTE – new add)**

The Human Resources (HR) division has not grown in size since 2011, however the City's need for HR services has increased significantly over the past decade. For example, requests to hire (the process that triggers filling any vacant role) have increased by 69% in the past decade. A review of 17 comparable municipalities' HR teams showed Kitchener HR is understaffed by 3.3 FTEs. When compared to local area municipalities, the figure jumps to 6.5 FTEs.

One new FTE is being requested which will focus on implementing recommendations from internal audits (Recruitment and Hiring Audit; On-Call and Overtime Audit, Equity Audit) that will improve practices and/or reduce costs in these areas. In addition, the role will coordinate and lead opportunities for digital transformation within the division, leveraging technology to improve effectiveness and productivity to create capacity within the HR team to focus on the substantially increased demand for recruitment and labour relations support.

**Maintain Support Services in Critical Service Delivery (1 FTE – currently on contract)**

The Support Services group provide administrative support across various Infrastructure Services divisions providing critical services. This includes administrative tasks such as payroll entry, accounts receivable, and records management. It also includes work management tasks such as creating work orders, processing material tickets (e.g. leaf, salt, environmental compliance related to hazardous waste, etc.) and providing quality assurance activities for work orders. The continued growth in the city and an ongoing emphasis on data collection related to the City's commitment to compliance with asset management related regulations has meant more granular data collection related to front line work activities, resulting in significant increases in work order processing.

Over the past 12 months, a service improvement review has been conducted in this area and has confirmed that the workload exceeds the number of existing staff. A number of process reviews are underway to help reduce inefficiencies and diminish non-value-added work however these will not be sufficient to address the workload of this group. One new FTE is being requested to ensure critical service delivery, legislative compliance and to manage the data needs of a growing city.

**CITY OF KITCHENER  
2022 BUDGET ISSUE PAPER**

**Turf Maintenance – Maintaining Service Delivery with a Growing City (2 FTEs – new adds)**

As the City continues to grow, so too does the amount of turf maintained by the City in parks, along boulevards and in open spaces. Over the past 5 years alone, more than 70ha, equivalent approximately 130 soccer fields, or one turf route, has been added. Each route is managed by two staff and associated equipment which has, for many years been managed by adding temporary resources. In 2021, two routes relied solely on temporary resources with no FTE staff available to support route delivery.

With a team of 40 staff managing more than 17 individual turf routes, the turf area within Parks and Cemeteries is in need of support for the existing Supervisor to help manage staff and maintain oversight of the turf program. A new position of Assistant Supervisor - Turf will help address this pressure. This role will hold year-round functions, support winter maintenance activities and helping provide on call coverage, and mirrors the management model in place in both Sportsfields and Park Infrastructure and Amenities.

A turf specialist is also required to provide daily operations support working with the team on care and maintenance of the growing turf portfolio, but also provides additional skills that support the maintenance and operation of irrigation systems, provides specialist advice and knowledge of fertilizing and turf care programs and leads turf rehabilitation and restoration projects. With the high demands at RBJ Schlegel, and at a number of other sites where elevated turf standards are required and supported in particular by irrigation, ensuring adequate resourcing is available to ensure robust maintenance practices are in place is key. During winter, the Turf Specialist will support winter operations.

**Creation of a Single Service Counter at City Hall (1 FTE – new add)**

In conjunction with a request in the capital budget it is proposed that as many as up to 32 existing staff, from service areas across City Hall, will be working from a single physical location on the main floor. To ensure the best possible customer experience – and continuous improvement – there will be substantial work required to ensure staff from the many areas are demonstrating consistency in customer service philosophy, business practices, processes, policies and standards of service. Additionally, there will be a need to troubleshoot issues and customer complaints and escalations as they arise. While all other staff for the support centre will be from the City's existing staff complement, one new FTE – a support centre supervisor – will be required to support all of this work and ensure a single, positive customer experience. Making the in-person customer experience at City Hall the best it can be for members of the community will require an on-site supervisor who can co-ordinate not only the day-to-day operations of the centre, but who will also have the daily direct line of site into in-person delivery that is needed to identify and drive service experience improvements across all areas.

**Ongoing Support for Local Creative Industries (1 FTE – currently on contract)**

In an effort to become a global leader in Creative Industries, the City established a Film, Music & Interactive Media Office (FMIMO) two years ago. Since then FMIMO has been successful in recruiting multiple filming productions to the city, developed programs for local professional musicians (e.g. Music 4 Good, Create & Connect Fund, Professional Development Series), and has explored the opportunity to support a digital research hub focused on visual effects for film,

**CITY OF KITCHENER  
2022 BUDGET ISSUE PAPER**

animation and interactive media. In order to build on the momentum built over the past two years, a permanent staff resource is required to replace the contract position which expires early in 2022.

**Design Support for Engineering Projects (1 FTE – new add)**

The City's ability to undertake in-house engineering design, develop specifications, and provide reliable as-built drawings requires the services of in-house technologists and engineers. Growing demands from the City's road reconstruction program and calls to complete an increasing number of infrastructure repairs and upgrades in a cost-effective manner, have resulted in a requirement for an additional Engineering Design Technologist (EDT). The primary function of the EDT is to produce preliminary designs and design drawings. The ability for the City to undertake in-house engineering design, produce timely and reliable as-built drawing records, and develop and maintain specifications requires the services and experience of staff skilled in specialized software like AutoCAD. Growing demands and upcoming opportunities to complete work in a cost-effective manner have resulted in a need to add one new EDT (funded completely by capital projects), which will reduce the need to procure consultants to provide these services.

**Increased Facility Project Management (2 FTEs – new adds)**

Council has made financial commitments to renewing existing City facilities through a State of Good Repair (SOGR) program as well as building new facilities in growth areas of the city (e.g. the aquatics centre at Schlegel Park). In order to achieve the requirements of these projects, two new Design and Construction Project Managers (D&C PM) are required. D&C PMs are responsible for all stages of projects including scope development, planning, feasibility studies / business case development, detailed design, construction, and commissioning. Using project management methodology and construction contract administration industry standard practices, each D&C PM ensures the project is on budget, on time, and a high level of quality. Devoting enough time and effort to each project is essential to ensuring its successful completion. Assigning a number of projects over the workload capacity of a D&C PM will result in negative impacts on budget, quality, and/or schedule.

**Improved Facility Asset Management Information (1 FTE – currently on contract)**

In order to meet legislated requirements related to asset management, the City needs to have complete information about the facilities it owns/manages, the building systems components within, the condition of components, and costs related to the lifecycle of the components. This information is foundational in developing sound asset management plans, which seek to minimize total costs of ownership by making the right investments at the right time. Facility Infrastructure Technician (FIT) role is critical to ensure data from diverse sources is integrated together properly. The FIT will provide quality assurance oversight on work orders for staff and contractors (currently more than 700/month), support field technicians to accurately track maintenance activities and costs, and validate Building Condition Assessment (BCA) data before it is uploaded into the City's asset management software. FIT roles have become highly sought after by municipalities as legislative compliance is mandatory in the next three years. Competition with other municipalities trying to meet legislated deadlines, a backlog of existing data, and the ongoing need for this role are propelling the need for a permanent staff position.



**CITY OF KITCHENER  
2022 BUDGET ISSUE PAPER**

**Better Planning of Facility Projects (1 FTE – new add)**

Facilities Management has focused on developing and implementing a formalized capital planning process, in collaboration with stakeholders. The long-term vision is to have a multiple year prioritized capital plan, with validated projects, created to facilitate resource planning. This also prepares the City to respond to grant applications for identified needs. The Facility Infrastructure Analyst (FIA) will be focused on prioritizing projects based on the data collected in the City's asset management software and stakeholder input. The FIA will support corporate priorities such as sustainability and accessibility goals, analyze current long-term needs and expected demands on divisions, and integrate State of Good Repair (SOGR) needs with stakeholder needs to achieve efficiencies and minimize disruptions to programs and business operations.

**FINANCIAL IMPLICATIONS:**

No new funding is required for these FTEs.

**RECOMMENDATION:**

That a total of eleven new FTEs as outlined above in the issue paper be approved.

# Enterprise Operating Budgets

# 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	
Golf	Natural Gas
Building	Water
Parking	Sanitary Sewer
	Stormwater

# Enterprise Summary



- Only one of the seven enterprises are projected to have a negative stabilization reserve at the end of this year
- Three are allowed by legislation to pay a dividend to the tax base

	+ve Reserve Balance	-ve Reserve Balance
City Dividend Allowed	Gas Delivery Parking	Golf
City Dividend Not Allowed	Building Water Sanitary Stormwater	

- Goal should be to have all enterprises in a positive position within the short term planning horizon, but will be difficult with impacts of COVID-19
- Enterprise Overviews included in package provide highlights about each enterprise

## Building Enterprise

### Operating Model/Philosophy:

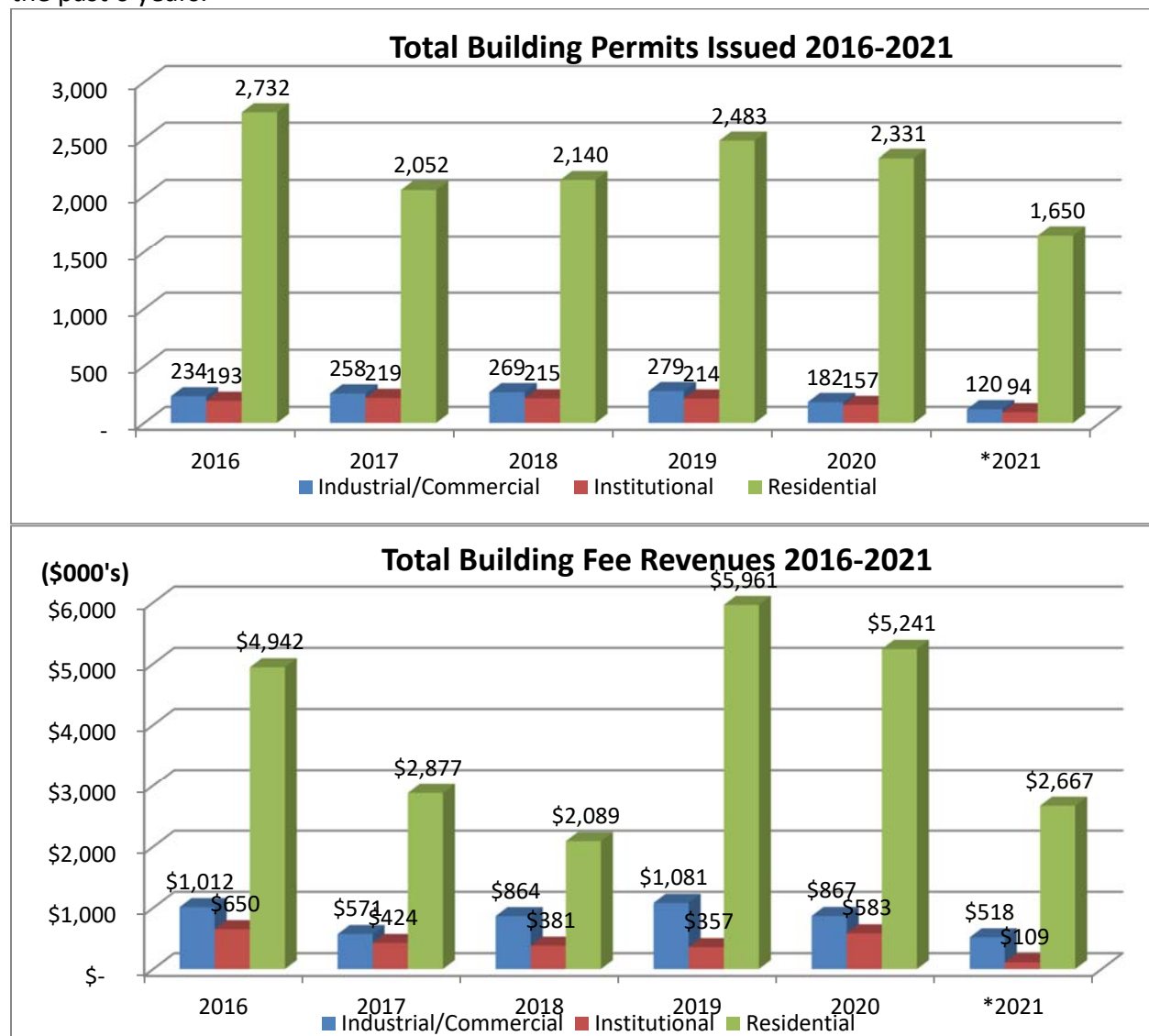
The Building enterprise is responsible for the administration and enforcement of the Building Code Act and Building Code. The mandate of the Building enterprise is to ensure construction within the City meets the minimum requirements as prescribed in the Building Code.

### Services Provided:

The Building enterprise provides a majority of its services to external customers for building permit issuance and on-site inspections. Building also administers the final grading approvals for new low-rise residential buildings.

### Benchmarking:

The charts below outline the total number of building permits issued and fees collected over the past 6 years.



\* 2021 – Year-To-Date (YTD) January 1st to July 31st



**Primary Legislation:**

The Building enterprise is governed by the Provincial Building Code including referenced legislation such as the Planning Act, Development Charges Act, and other construction standards. The main purpose of the Building Code is to ensure the buildings in which citizens live, work and play are safe through the issuance of building permits and site inspections. Building permit revenues must only be used for the administration and enforcement of the Building Code.

**Customer Base:**

The majority of Building customers are the private sector, and their experience in building regulations is diverse, from minimal to knowledgeable. Customers of Building include single time users such as do-it-yourself homeowners, repeat homebuilders, and non-residential applicants. The 2021 Year-To-Date (YTD Jan. 1 – July 31) breakdown of Building's customer base is 88% residential, 8% industrial/commercial and 4% institutional.

**Recent Challenges:**

Despite the ongoing COVID-19 pandemic, permit activity YTD remained extremely active, especially for Do-It-Yourself homeowner projects including converting a single unit into a duplex. With an increase in permit activity, management received more than normal customer complaints related to the length of time to secure a building permit especially from Do-It-Yourself customers. Staff understand the need to start construction as soon as possible, but as the quality of permit submissions decreases and complexity of the project increases, more time is required to complete statutory duties while balancing customer service.

The 2<sup>nd</sup> and 3<sup>rd</sup> waves of the pandemic caused the Province to issue more Emergency Orders (EO) for essential services and multiple amendments. The EOs permitted certain qualified projects like new residential construction to proceed while other non-essential projects had to pause. Building staff continued to invest a significant amount of time and effort into understanding the implications, revising processes, and most importantly communicating the changes to customers.

The EOs allowed specific temporary health services and residential shelters to occupy a building without a building permit but require the Building Division to complete a full review of the proposal and complete monthly inspections. To date the Building has been involved with four qualifying projects including the former downtown bus terminal being converted into a COVID "tent" testing facility.

Although efforts to add an online option to the Building public portal is underway, this project is not complete. Lastly, the Building Division requires qualified and experienced Building Officials to enforce the Building Code and offer customer service, which are in high demand in Ontario. This has led to more time going into recruitment processes.

**Recent Successes:**

Additional electronic efficiencies were realized as non-residential projects were brought onto the online public portal for application filing. Customers can now apply from their work office

**CITY OF KITCHENER  
ENTERPRISE OVERVIEW**



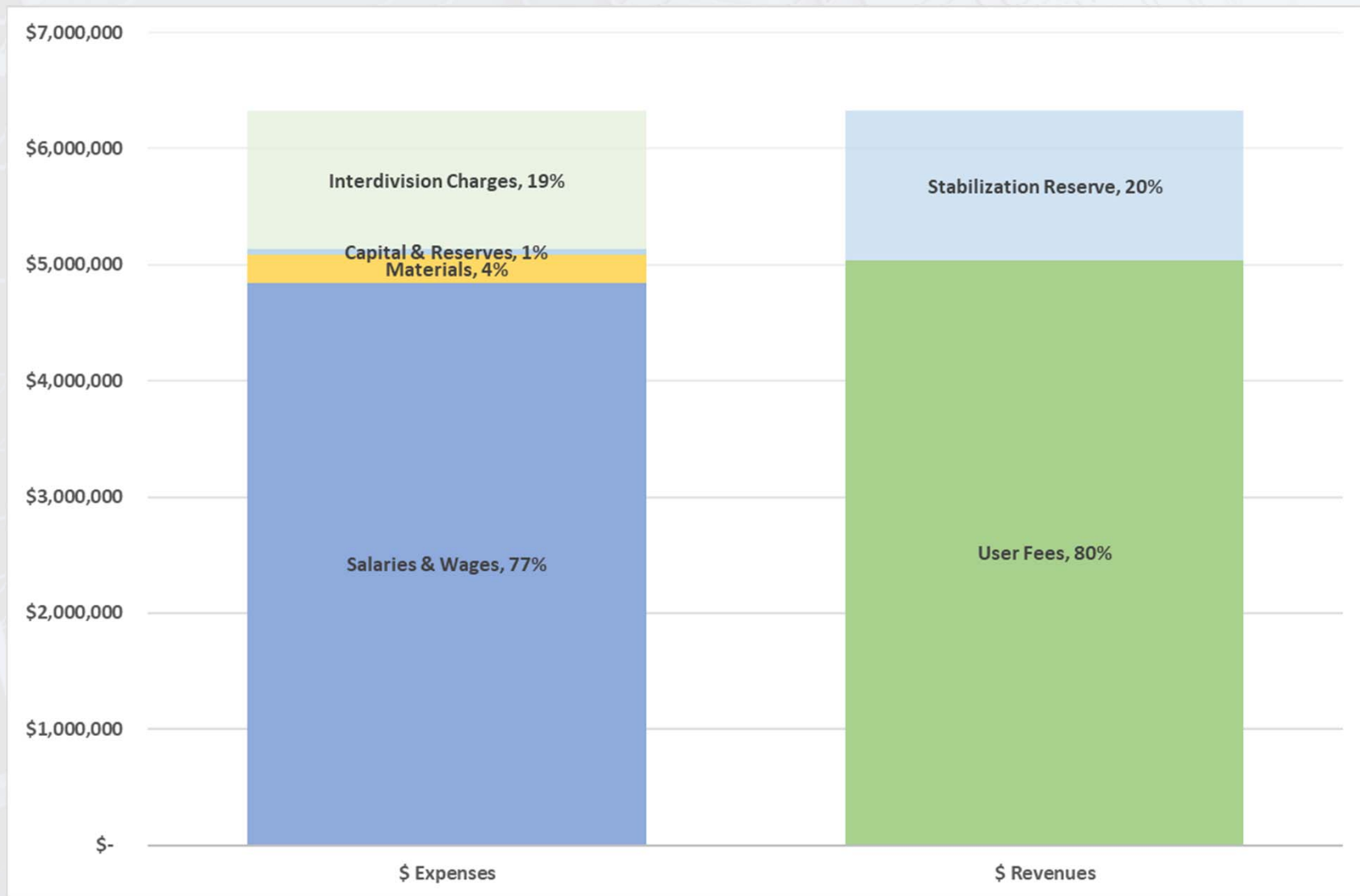
for institutional, commercial, and industrial projects. Customers are very pleased with the savings in time.

The Waterloo Region Home Builder's Association, Kitchener Liaison Committee dates back to the 1990's. This year a Terms of Reference was completed and supported by the Liaison membership. The Liaison Committee includes various industry stake holders and the following DSD Division's; Engineering, Planning and Building. As part of the new Terms of Reference, the name was revised to the Kitchener Development Liaison Committee (KDLC) to articulate the interest is development related.

During the pandemic, Building supported prompt customer service through multiple Industry Updates highlighting the regulation changes and City processes. In looking back, Building continues to serve the industry well even through the noted challenges, that a pandemic presents.

Lastly, through ongoing and prudent financial measures including continued high level of permit activity, the Building Stabilization Reserve remains positive and sustainable over the 5-year projection period.

# Building Enterprise Expenses & Revenues



# Building Enterprise 5 Year Projection



(000's)	Budget 2021	Projected 2021	Budget 2022	Budget 2023	Budget 2024	Budget 2025	Budget 2026
<b>REVENUE</b>							
Building Permit Revenue	4,236	5,111	5,023	5,250	5,248	5,288	5,399
Interest Income	21	31	13	14	14	13	12
Total Revenue	4,257	5,143	5,035	5,264	5,262	5,301	5,410
<b>EXPENSES</b>							
Direct	4,679	4,278	5,335	5,392	5,424	5,533	5,722
Indirect	1,087	1,087	1,109	1,131	1,154	1,177	1,201
Total Expenses	5,766	5,365	6,444	6,523	6,578	6,710	6,923
<b>Net Revenue (Expense)</b>	<b>(1,509)</b>	<b>(223)</b>	<b>(1,408)</b>	<b>(1,260)</b>	<b>(1,316)</b>	<b>(1,409)</b>	<b>(1,512)</b>
* Transfer (to)/from Stabilization Reserve	1,509	223	1,408	1,260	1,316	1,409	1,512
<b>Overall Enterprise Result</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>STABILIZATION RESERVE FUND</b>							
Opening Balance	13,711	13,711	13,631	12,364	11,233	10,034	8,730
* Add: Transfer (to)/from Enterprise	(1,509)	(223)	(1,408)	(1,260)	(1,316)	(1,409)	(1,512)
Add: Interest revenue/(expense)	300	143	142	129	117	104	91
<b>Closing Balance</b>	<b>12,502</b>	<b>13,631</b>	<b>12,364</b>	<b>11,233</b>	<b>10,034</b>	<b>8,730</b>	<b>7,308</b>
Minimum Benchmark (100% of expenses)	5,766	5,365	6,444	6,523	6,578	6,710	6,923
Maximum Benchmark (150% of expenses)	8,649	8,048	9,666	9,785	9,867	10,065	10,384
Revenue Rate Assumption	-10%	0%	0%	0%	0%	0%	0%

Issue paper Op 03 Managing Growth Pressures in the Building Division

**CITY OF KITCHENER  
2022 BUDGET ISSUE PAPER**

**ISSUE:** Op 03 – Managing Growth Pressures in the Building Division  
**FUND:** Operating  
**DEPARTMENT:** Development Services Department – Building Division  
**PREPARER:** Mike Seiling, Director/Chief Building Official  
**BUDGET IMPACT:** None (already included in the proposed budget)

**BACKGROUND:**

The Building Enterprise continues to experience high levels of permit volume especially all of the residential sectors including Do-It-Yourself (DIY) customers and multi-storey development. As a result of this ongoing workload, the Building Enterprise requires additional staff resources to meet industry demands and legislated inspection requirements.

**RATIONALE / ANALYSIS:**

The Building Division operates as a self-funding enterprise and is regulated by the Building Code Act. Council members receive monthly permit statistics that continues to show high activity levels with respect to building permits. Recently, the newspaper media wrote two separate articles addressing the high volumes of building permit activity. For example, the total number of building permits issued in the calendar years of 2019, 2020 and 2021 (9 months) are respectively: 2984, 2670 and 2408 (to Sept. 30), with the 2021 year-end projection being 3000+.

The request is to add the following Building Division full-time equivalent (FTE) resources:

- 1-Municipal Building Official (MBO) III (plan examiner),
- 1-Municipal Building Official III (inspector), and
- 2-Municipal Building Official II (inspector).

The four MBO positions are required to meet the customer service needs of responding to customer questions, changes, and/or meeting legislated time frames prescribed in the Building Code. The project scope and complexity of the multi-storey projects has substantially increased from a decade ago, and at the same time has increased the amount of resource time to complete our statutory obligations. Also, the Planning division has reported site plan applications (SPA) have increased. The 5-year average for SPA is 117 while the 2021 projection is 150, or 28% higher than average. SPAs are an upstream indicator of future work volume in the Building Division and are needed to support great customer service.

The two MBO III positions (plans examiner & inspector) work on projects that are large in size and typically more complex including multi-storey buildings. Another plan examiner position is required because more time is required to complete the legislated plan review and the subsequent resubmissions. In many cases the resubmission review does not occur until at least 30 days after the customer resubmits, which results in delays in permit issuance. The additional inspector is required to handle the additional amount of workload from permits issued as far back as 2019. As noted previously, these projects are complex, and often have multiple changes during the construction build. The inspector must review proposed changes to verify if a revision is required and more importantly verify Building Code compliance. Also, the MBO III position will complete additional work duties including sign permits and condominium conversion applications.



**CITY OF KITCHENER  
2022 BUDGET ISSUE PAPER**

The two MBO II positions are necessary as this group completes the inspections on low rise residential projects both new and renovations including DIY customers. As noted in the Enterprise Overview, a majority of the issued permits are residential type. For example, one residential sector that requires significant support is owners duplexing their home. The total number of duplex permits issued in the calendar years of 2018, 2019, 2020 and 2021 (9 months) are respectively: 137, 194, 269 and 249. Duplex permits (new rental unit) are often completed by a DIY to obtain the permit and complete the renovations. The DIY customers require additional assistance at both the permit and inspection stage, and this takes staff resource time. Also, the residential sector has been consistently active over a decade and staff have focused their inspection time on ensuring the homes were safe for occupancy. After occupancy, permit holders are required to obtain final inspection. With no construction slowdown, staff had little time to follow up with the owner (occupied home) to close the open building permit.

The additional resources will support the present work backlog and help manage forecasted workload. The Waterloo Region Home Builder's Association, Kitchener Development Liaison Committee supported the request of the 4 additional FTEs at the September 17, 2021 meeting.

**FINANCIAL IMPLICATIONS:**

The cost for the four additional FTEs is \$375,000 and has been built into the proposed 2022 Building enterprise budget.

**RECOMMENDATION:**

That a total of four new FTEs for the Building enterprise as outlined above in the issue paper be approved.

## Golf Enterprise

### Operating Model/Philosophy:

Kitchener Golf provides an affordable golf experience for all.

### Services Provided:

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

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

### Benchmarking:

The chart below outlines the 2021 prices at several privately-owned public golf courses in the area. Kitchener Golf's prices are at the low end of the spectrum in comparison to other local golf courses. In 2022, a bump in fees is proposed to bring Kitchener Golf closer to its competition. The addition of new golf management software in 2021 will allow Kitchener Golf to create promotional opportunities that target slower periods and be more proactive in offering specials and discounts when necessary.

	Kitchener	Merry Hill	Cambridge	Puslinch	Elmira
Primetime	\$49	\$45	\$62	\$54	\$55
Off-Peak	\$38.75	\$42	\$52	\$50	

### Primary Legislation:

A Level Playing Field agreement signed with National Golf Course Owners Association states that municipal golf courses will pay a dividend to their municipality equal to the sum of property and income taxes. This ensures that municipal golf courses are not at an unfair advantage.

### Customer Base:

Both Doon Valley and Rockway golf courses are open to Kitchener Golf members and public green fee players. As a result of COVID-19 regulations no tournament or junior golf camps were offered this season.

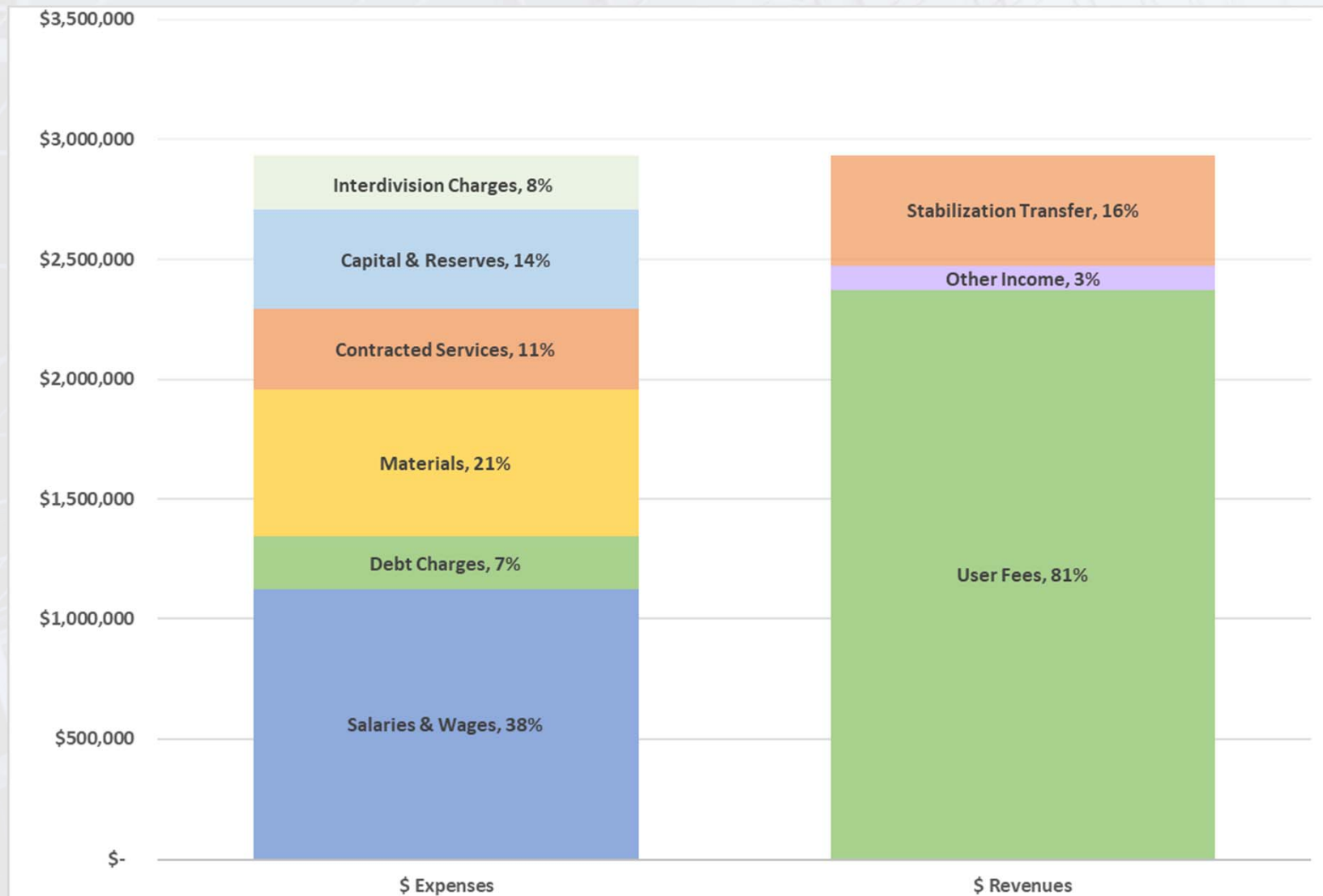
### Recent Challenges:

Operating and meeting the challenges of COVID-19. Kitchener Golf initially opened on April 16, but then closed on April 17 for the provincial wide lockdown that ended on May 22 resulting in a loss of 5 weeks of business. The MTO Highway 401 expansion project alongside the Doon Valley Golf Course started and a temporary cart path had to be installed to ensure access to the south holes of the golf course could remain open during construction.

### Recent Successes:

Kitchener Golf installed new golf management software that has improved the online booking experience, our ability to communicate with our customers.

# Golf Enterprise Expenses & Revenues



# Golf Enterprise 5 Year Projection



## CITY OF KITCHENER GOLF ENTERPRISE 5 YEAR OPERATING BUDGET PROJECTION

(000's)

	Budget 2021	Projection 2021	Budget 2022	Budget 2023	Budget 2024	Budget 2025	Budget 2026
<b>OPERATIONS</b>							
Revenue	2,395	2,413	2,471	2,630	2,674	2,711	2,749
Expenses	2,272	2,286	2,303	2,338	2,373	2,409	2,445
	123	127	168	292	301	302	304
<b>OTHER EXPENSES</b>							
Transfer - Golf Cart Repl. Reserve	88	88	90	91	93	95	97
Debt Charges	217	217	217	217	217	217	217
Transfer to Capital	266	266	249	241	97	108	116
	571	571	556	549	407	420	430
<b>Net Profit (Loss) before Dividend</b>	(448)	(444)	(388)	(257)	(106)	(118)	(126)
Dividend Transfer to City	75	75	75	75	75	75	75
<b>Net Revenue (Expense)</b>	(523)	(519)	(463)	(332)	(181)	(193)	(201)
Safe Restart Phase 2 funding	146	496					
* Transfer (to)/from Stabilization Reserve	377	23	463	332	181	193	201
<b>Overall Enterprise Result</b>	-	-	-	-	-	-	-
<b>STABILIZATION RESERVE FUND</b>							
Opening Balance	(1,032)	(1,032)	(1,066)	(1,542)	(1,892)	(2,095)	(2,312)
* Add: Transfer (to)/from Enterprise	(377)	(23)	(463)	(332)	(181)	(193)	(201)
Less: Interest Expense	(32)	(11)	(13)	(18)	(22)	(24)	(27)
<b>Closing Balance</b>	(1,441)	(1,066)	(1,542)	(1,892)	(2,095)	(2,312)	(2,539)
Minimum Benchmark (10% of total revenue)	240	241	247	263	267	271	275
Maximum Benchmark (15% of total revenue)	359	362	371	395	401	407	412

## Parking Enterprise

### Operating Model/Philosophy:

The Parking Enterprise's goal is a self-funded, financially sustainable enterprise providing accessible and convenient parking in the downtown core at a fair price. It is very important to the core as it 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, 15 surface lots, on-street meters and free parking spaces (totaling 3,701 spaces). It has direct responsibility for the operation, maintenance, capital rehabilitation and fiscal management of the City's public parking infrastructure.

### Benchmarking:

The table below outlines current prices of monthly parking for surface and garage facilities in the downtown and other local comparators.

Current Parking Operators Monthly Parking Fees before HST		
Provider	Surface	Garage
Major 3rd party Private Business	\$118.65	\$125.00
City of Waterloo	\$119.85	\$153.07
City of Kitchener - Downtown	\$140.35	\$159.38

### Primary Legislation:

Not applicable.

### Customer Base:

All garage and surface facilities are open to anyone living, working or visiting the downtown. 2021 is the second year in a row where less monthly parkers and daily customers are projected than the year previous. The customer base has declined significantly in 2021 as a result of the COVID-19 pandemic with a projected reduction of about 27% over 2019. Projected revenue for daily use in all parking facilities is projected to decline by 80% in 2021 over the 2019 actuals.

Inventory has stayed relatively constant with no recent redevelopments of surface lots.

### Recent Challenges:

The Parking Enterprise is experiencing a negative impact from the COVID-19 pandemic with a significant drop in revenue due to a reduced monthly/hourly parking demand. The reduced demand is a direct result of temporary closures of businesses, necessary physical distancing measures and work from home protocols. At the time of preparing the budget, the projected deficit for parking operations in 2021 is estimated to be \$3.3M



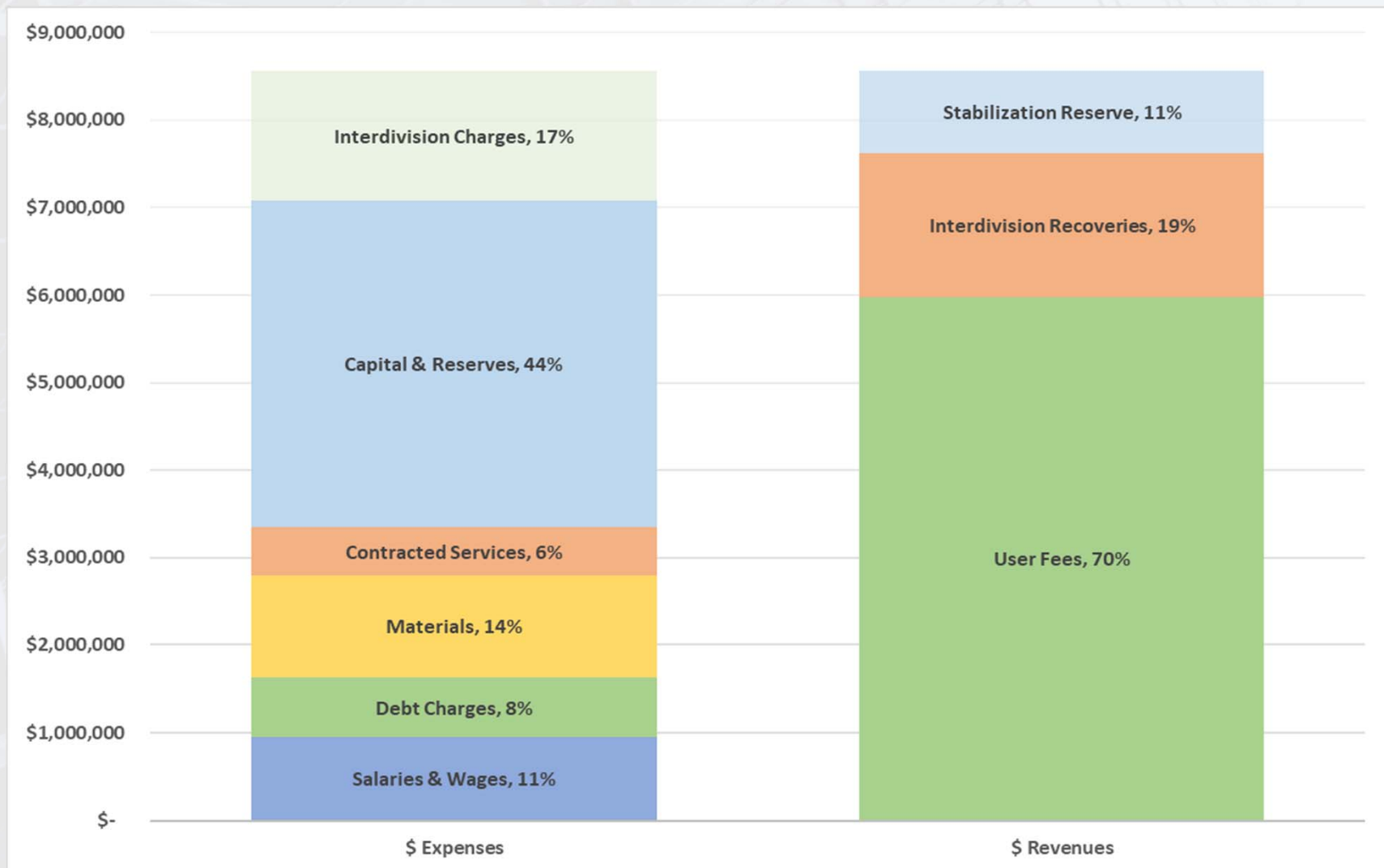
**CITY OF KITCHENER  
ENTERPRISE OVERVIEW**



**Recent Successes:**

While the pandemic was a challenge for the enterprise from an economic perspective, it provided the opportunity to undertake significant repairs and restoration within the parking structures with limited impact on customers. As an example, aesthetic enhancements of the Duke & Ontario garage that had been delayed for a number of years are now being completed along with concrete repairs at City Hall in advance of a full return to regular operations.

# Parking Enterprise Expenses & Revenues



# Parking Enterprise 5 Year Projection



(000's)	Budget 2021	Projected 2021	Budget 2022	Budget 2023	Budget 2024	Budget 2025	Budget 2026
<b>REVENUE</b>							
Hourly	808	181	646	1,026	1,041	1,057	1,110
Monthly	3,047	2,801	3,910	4,391	4,516	4,646	4,781
Metered	1,188	475	1,141	1,498	1,521	1,543	1,621
Other	644	565	667	726	757	768	780
Economic Development Subsidies	1,263	1,263	1,261	1,279	1,299	1,318	1,338
<b>Total Revenue</b>	<b>6,950</b>	<b>5,284</b>	<b>7,625</b>	<b>8,921</b>	<b>9,134</b>	<b>9,333</b>	<b>9,630</b>
<b>EXPENSES</b>							
General	4,607	4,540	4,661	4,899	5,026	5,167	5,325
Debt Charges	674	674	674	674	674	673	674
Transfers to Capital fund	1,363	1,363	1,281	1,243	1,270	1,428	1,448
<b>Total Expenses</b>	<b>6,644</b>	<b>6,577</b>	<b>6,615</b>	<b>6,816</b>	<b>6,971</b>	<b>7,268</b>	<b>7,447</b>
<b>Net Profit before Dividend</b>	306	(1,293)	1,010	2,105	2,163	2,065	2,183
<b>Dividend Transfer to City</b>	2,000	2,000	2,000	2,000	2,000	2,000	2,000
<b>Net Revenue (Expense)</b>	<b>(1,694)</b>	<b>(3,293)</b>	<b>(990)</b>	<b>105</b>	<b>163</b>	<b>65</b>	<b>183</b>
Safe Restart Phase 2 Funding	673	2,704					
* Transfer (to)/from Stabilization Reserve	1,021	589	990	(105)	(163)	(65)	(183)
<b>Overall Enterprise Result</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>STABILIZATION RESERVE FUND</b>							
Opening Balance	1,885	1,885	1,331	354	463	631	703
* Add: Transfer (to)/from Enterprise	(1,021)	(589)	(990)	105	163	65	183
Add: Interest Revenue (Expense)	22	35	14	4	5	7	7
<b>Closing Balance</b>	<b>886</b>	<b>1,331</b>	<b>354</b>	<b>463</b>	<b>631</b>	<b>703</b>	<b>893</b>
Minimum Benchmark (10% of total revenue)	695	528	762	892	913	933	963
Maximum Benchmark (15% of total revenue)	1,043	793	1,144	1,338	1,370	1,400	1,445

# Utilities Overview



- City of Kitchener owns and operates 4 utilities:
  - Water
  - Sanitary
  - Stormwater
  - Gas
- 2022 rate increases largely driven by external factors
- Rate impacts have been minimized to the greatest extent possible

Water Infrastructure Program  
(WIP)

# Key Rate Drivers



## Infrastructure Investment Needs

- 1950's infrastructure is at/coming to the end of its useful life
- Aging infrastructure = higher operating & maintenance costs
- Failing infrastructure = more service disruptions for customers



## 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
- Natural gas commodity costs are up 18%
- Water & sanitary costs from the Region of Waterloo are up 2.9%



# WIP: 5 Year Rate Options



	2018	2019	2020	2021	2022
Projected	6.50%	6.50%	4.50%	4.50%	4.50%
Revised	6.50%	6.50%	4.40%	0.90%	2.20%
	✓	✓	✓	✓	

WIP Rate Increase by Utility	
Water	1.4%
Sanitary Sewer	1.6%
Stormwater	6.0%
Total WIP Rate Increase	2.2%



## Gas Utility

### **Operating Model/Philosophy:**

Provide customers with safe, dependable and economical natural gas. Provide prompt, cost effective and professional services related to rental water heaters. Promote conservation, greenhouse gas reduction (GHG) and operate 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 business, responding to gas emergencies involving gas line hits, gas odour, carbon monoxide, and gas utility locates.

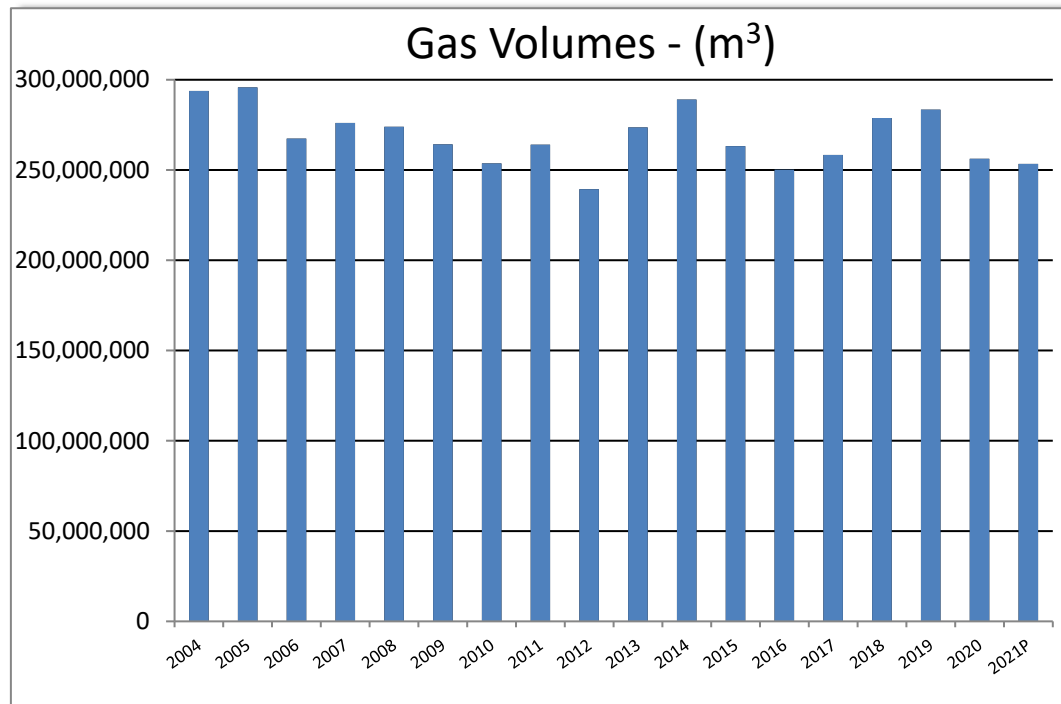
Regulatory Affairs: Ensuring compliance with codes, rules and regulations imposed by government agencies and regulators.

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

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

### **Benchmarking:**

Over the past number of years, the mix of customers has shifted to more residential and less industrial. This impacts the gas supply and distribution system as it becomes more sensitive to weather driven peak hourly and daily demand for natural gas. This challenges the system as it must be designed and capable of delivering natural gas under peak conditions to meet firm customer demands. Therefore, the annual volume will be largely impacted due to the weather conditions.



**Primary Legislation:**

Technical Standards and Safety Act 2000

Ontario Regulation 210/01 Oil and Gas Pipeline Systems

Canadian Standards Association Z662-19 Oil and Gas Pipeline Systems Code

Canadian Standards Association Z246.1-21 Security Management for Petroleum and Natural Gas Industry Systems Code

Canadian Standards Association B149.1-20 Natural Gas and Propane Installation Code

Ontario Regulation 212/01 Gaseous fuels

Ontario Regulation 184/03/215 Fuel industry certificates

Measurement Canada – Gas Meters

Electricity and Gas Inspection Act

Ontario Energy Board – Gas Distribution Access Rule, Demand Side Management Guidelines, Code of Conduct, Storage and Transportation Access Rule

Climate Change Mitigation and Low-Carbon Economy Act, 2016, S.O. 2016, c. 7

**Customer Base:**

Natural Gas: 75,000

Rental Water Heaters: 43,000

**Recent Challenges:**

In recent years, there has been an increase in development activity within the City of Kitchener. As the gas utility has infrastructure within Regional and City roads, we are required to move our infrastructure at their direction and largely at our cost. In addition, customer driven projects, such as installation of gas piping in subdivisions, are funded 100% by the utility. In order to meet schedule requirements of the Region of Waterloo and developers, there has been increased pressure on the capital budget.

The number of gas meters replaced annually fluctuates based on Measurement Canada's requirements which takes into account the age and accuracy of the meter. To test the accuracy of the meter, a representative sample is collected and tested by a third party. If the results are within tolerance, the meter life can be extended. In 2021 there was a large number of gas meters that required replacement which will continue in 2022, putting additional pressure on the budget.

Natural gas commodity pricing has been low and stable for a number of years however, due to lower natural gas production, liquid natural gas (LNG) shipment overseas, and the use of natural gas for electricity generation, the price of natural gas has risen sharply and is having large fluctuations in pricing. This increase in cost and swings in pricing has made it challenging to maintain gas supply rates.

In June of 2021, the City of Kitchener and Regional Council approved TransformWR Climate Change Strategy, targeting to cut carbon emissions and shifting energy use from fossil fuels. The transformative change that will significantly impact Kitchener Utilities business model is, *"By 2050, business and homes no longer use fossil fuels for space heating and cooling, and water heating"*. This strategy will significantly impact revenue and customer rates for both the gas delivery and the rental water heater business of Kitchener Utilities. In order to plan for the transformation from natural gas to cleaner energy sources council approved, "an FTE be added to support Kitchener Utilities with developing, implementing, a Kitchener Utilities Low-carbon Sustainable Business Strategy that will support the transition to reduce greenhouse gases".

Due to pandemic related supply chain challenges and significant increases in steel prices the supply of water heaters and associated parts for the rental program has seen price increases in excess of 20%. Given the hold on user fees for 2021, this has exerted significant pressure on program margins and resulted in a need for rental price increases for 2022.

#### **Recent Successes:**

Kitchener Utilities is continuing to promote energy conservation programs. The \$250 on-bill credit for furnace upgrades was a huge success and resulted in exhausted funds within the first quarter of 2021. Additionally, promoting rebates for energy efficiency upgrades to commercial and industrial customers to reduce their carbon footprint. Evaluating programs, new technologies, and partnering with local utilities and government to enhance awareness of energy conservation programs.

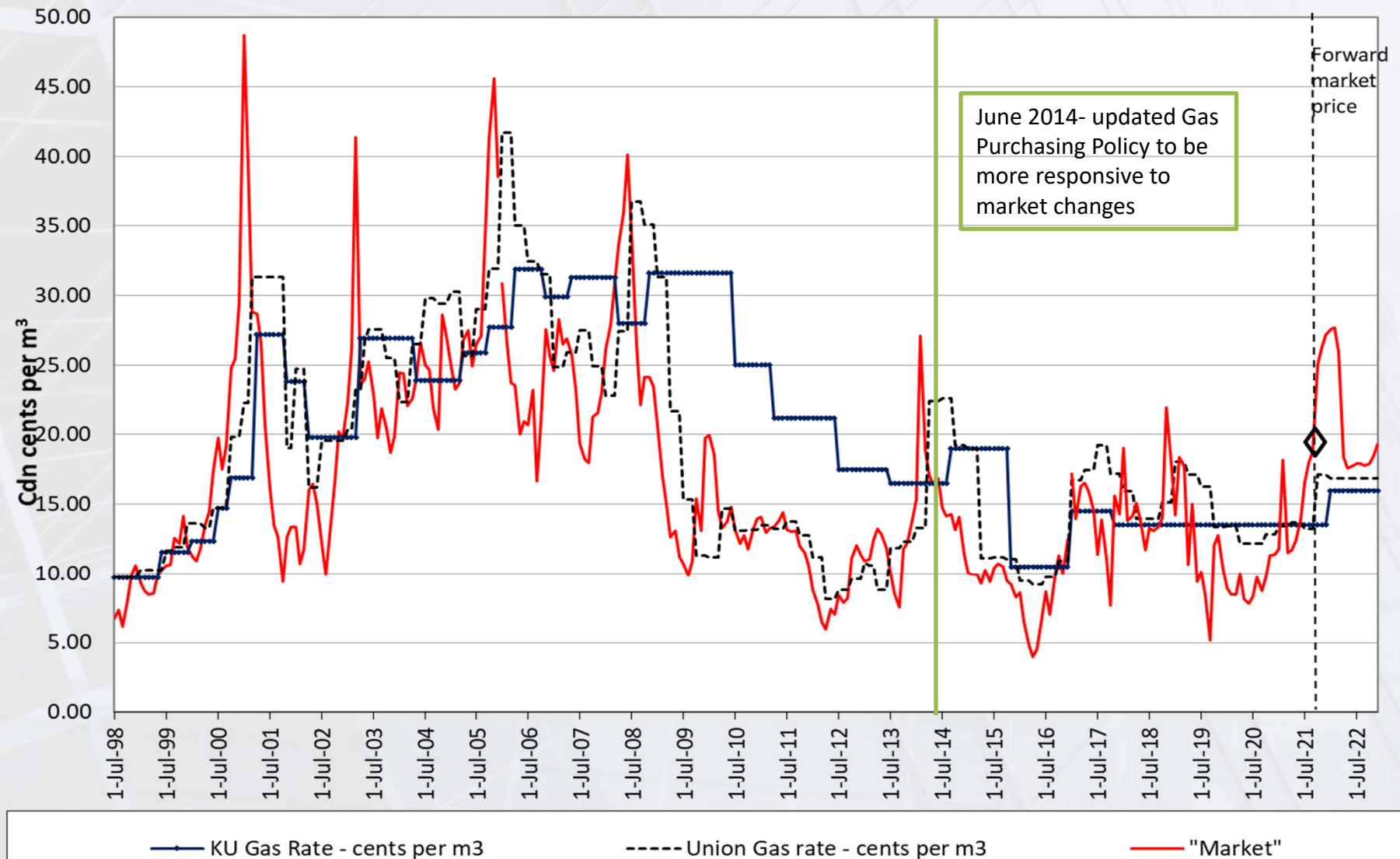
A new process of testing the meter sample a year ahead of time will provide added time to estimate the number of meters that need to be replaced in a given year.

Worked with the Ontario Energy Board (OEB) and the Ministry of Energy, Northern Development, and Mines to deliver and administer the COVID-19 Energy Assistance Program (CEAP) for both residential and small business customers to provide utility bill relief to those who were financially impacted due to the pandemic.

# Gas Utility – Commodity Rate Trends

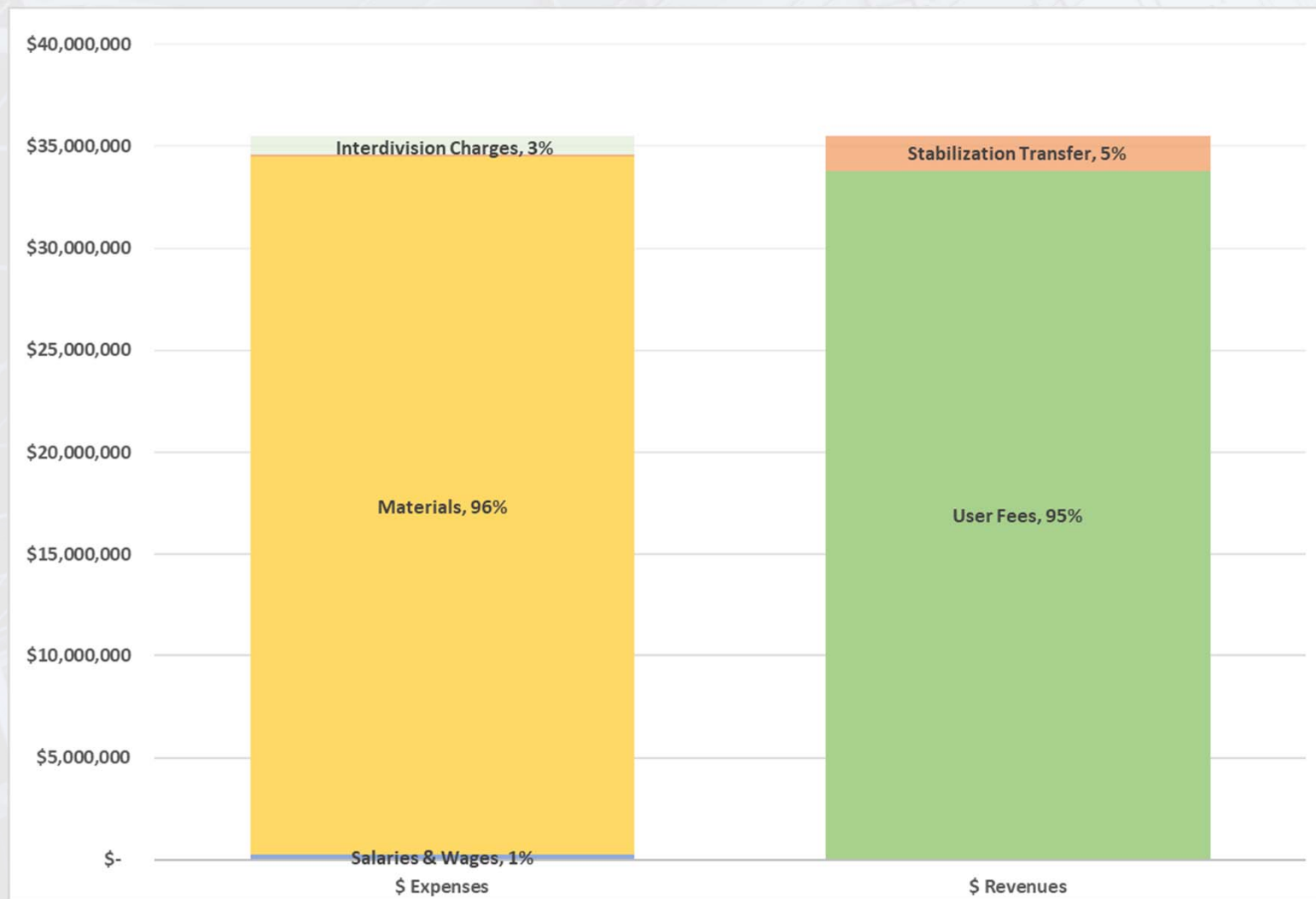


## NG Market Price vs KU Gas Rate vs Union South Gas Rate





# Gas Supply Utility Expenses & Revenues

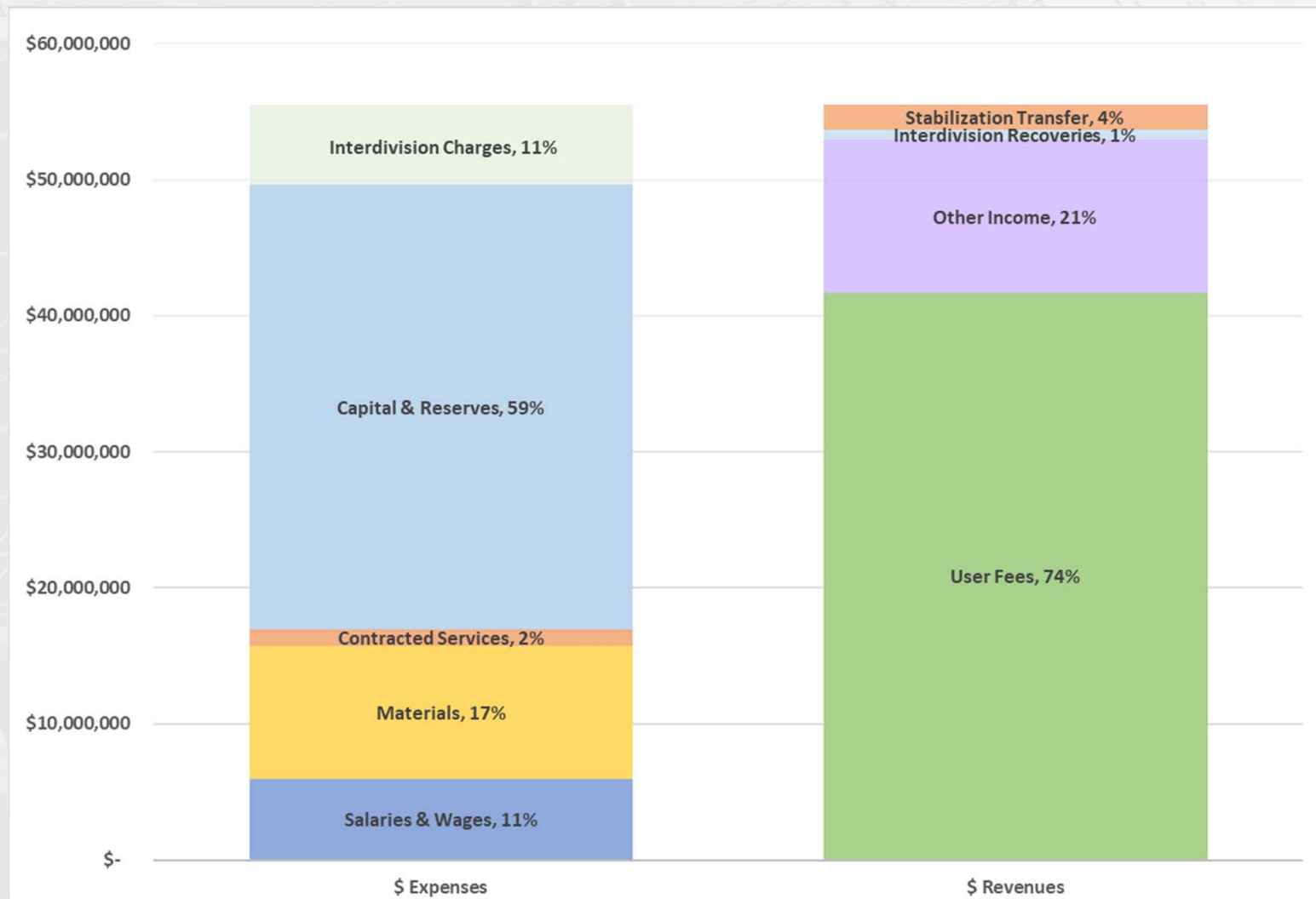


# Gas Supply Utility 5 Year Projection



(000's)	Budget 2021	Projected 2021	Budget 2022	Budget 2023	Budget 2024	Budget 2025	Budget 2026
Revenues	29,350	28,486	33,793	36,433	36,644	37,700	38,545
Expenses	30,700	29,470	35,530	36,240	36,965	37,704	38,458
<b>Net Revenue (Expense)</b>	<b>(1,350)</b>	<b>(984)</b>	<b>(1,737)</b>	<b>193</b>	<b>(321)</b>	<b>(4)</b>	<b>87</b>
*Transfer (to)/from Stabilization Reserve	<b>1,350</b>	<b>984</b>	<b>1,737</b>	<b>(193)</b>	<b>321</b>	<b>4</b>	<b>(87)</b>
<b>Overall Enterprise Result</b>	-	-	-	-	-	-	-
<b>Gas Utility (Supply) Stabilization</b>							
Opening Balance	4,240	4,240	3,300	1,597	1,807	1,505	1,517
* Add: Transfer (to)/from Enterprise	(1,350)	(984)	(1,737)	193	(321)	(4)	87
Add: Interest revenue(expense)	77	44	34	17	19	16	16
<b>Closing Balance</b>	<b>2,967</b>	<b>3,300</b>	<b>1,597</b>	<b>1,807</b>	<b>1,505</b>	<b>1,517</b>	<b>1,620</b>
Minimum Benchmark (10% of total revenue)	2,935	2,849	3,379	3,643	3,664	3,770	3,855
Maximum Benchmark (15% of total revenue)	4,403	4,273	5,069	5,465	5,497	5,655	5,782
Gas Rate (January - October)	13.50	13.50	16.00	17.25	17.35	17.85	18.25
Gas Rate (November - December)	14.00	13.50	16.00	17.25	17.35	17.85	18.25

# Gas Delivery Utility Expenses & Revenues



# Gas Delivery Utility 5 Year Projection



(000's)	Budget 2021	Projected 2021	Budget 2022	Budget 2023	Budget 2024	Budget 2025	Budget 2026
<b>Gas Delivery</b>							
Revenues	39,430	38,406	41,348	43,277	45,260	46,379	46,305
Expenses	17,511	17,313	18,376	18,611	18,941	19,249	19,610
Gross Profit	21,919	21,093	22,972	24,666	26,319	27,130	26,695
Gross Profit %	55.59%	54.92%	55.56%	57.00%	58.15%	58.50%	57.65%
<b>Other Programs</b>							
Revenues	11,691	12,056	12,276	12,508	12,744	12,986	13,232
Expenses	7,849	8,217	8,608	8,767	8,928	9,093	9,262
Gross Profit	3,842	3,839	3,668	3,741	3,816	3,893	3,970
Gross Profit %	32.86%	31.84%	29.88%	29.91%	29.94%	29.98%	30.00%
Transfer to Gas Capital	10,799	10,799	12,989	12,948	13,172	13,826	13,649
<b>Net Profit (Loss) before City Dividend</b>	14,962	14,133	13,651	15,459	16,963	17,197	17,016
Dividend Transfer to City	15,232	15,232	15,536	15,847	16,164	16,487	16,817
<b>Net Revenue (Expense)</b>	<b>(269)</b>	<b>(1,099)</b>	<b>(1,885)</b>	<b>(388)</b>	<b>799</b>	<b>710</b>	<b>199</b>
* Transfer (to)/from Stabilization Reserve	269	1,099	1,885	388	(799)	(710)	(199)
<b>Overall Enterprise Result</b>	-	-	-	-	-	-	-
<b>STABILIZATION RESERVE FUND</b>							
Opening Balance	4,374	4,374	3,320	1,470	1,097	1,907	2,637
* Add: Transfer (to)/from Enterprise	(269)	(1,099)	(1,885)	(388)	799	710	199
Add: Interest revenue(expense)	76	45	35	15	11	20	27
<b>Closing Balance</b>	<b>4,181</b>	<b>3,320</b>	<b>1,470</b>	<b>1,097</b>	<b>1,907</b>	<b>2,637</b>	<b>2,863</b>
Minimum Benchmark (10% delivery revenue)	3,943	3,841	4,135	4,328	4,526	4,638	4,631
Maximum Benchmark (15% delivery revenue)	5,915	5,761	6,202	6,492	6,789	6,957	6,946
<b>CAPITAL RESERVE FUND</b>							
Opening Balance	3,280	3,280	623	228	231	234	237
Add: Interest revenue(expense)	40	23	5	3	3	3	3
Less: Transfer to capital	(2,680)	(2,680)	(400)	-	-	-	-
<b>Closing Balance</b>	<b>640</b>	<b>623</b>	<b>228</b>	<b>231</b>	<b>234</b>	<b>237</b>	<b>240</b>
Minimum Benchmark (50% avg balance in 10 yr forecast)	6,800	6,800	6,900	6,900	6,900	6,900	6,900
Maximum Benchmark (150% avg balance in 10 yr forecast)	20,300	20,300	20,600	20,600	20,600	20,600	20,600

Issue paper Op 04 Complying with Natural Gas Regulations

**CITY OF KITCHENER  
2022 BUDGET ISSUE PAPER**

**ISSUE:** Op 04 – Complying with Natural Gas Regulations  
**FUND:** Operating  
**DEPARTMENT:** Infrastructure Services - Utilities  
**PREPARER:** Parmi Takk, Manager of Gas Measurement and Service  
**BUDGET IMPACT:** None (already included in proposed budget)

**BACKGROUND:**

The Gas Measurement and Service team is responsible for above grade gas infrastructure (regulator stations, meters, above grade piping) and installation, maintenance and service for the rental water heater business. During the 2021 Management Review (a requirement of the Distribution and Safety Integrity Management Program), several gaps were identified as described below.

Safety and Loss Management System

The operation and maintenance of the City of Kitchener's Natural gas distribution system must meet the requirement of CSA Code Z662-19 (Oil and Gas Pipeline Systems). Section 3 of the Code requires that "Operating companies shall develop and implement a documented safety and loss management system for the pipeline system that provides for the protection of people, the environment and property". This safety and loss management system is currently in place and being managed for the gas distribution system by the Manager for Training and Programs for below grade infrastructure; however, specific aspects of this program need to be built and maintained for all above ground infrastructure including all our meter sets and regulator stations. Code requirements that are currently not being met for the Gas Measurement and Service department include:

- The establishment of competency requirements and an on-going competency and training program (CAP) that includes a process for evaluation of the effectiveness of the training provided and for maintaining records.
- Contractor selection and performance monitoring that ensures services are performed in a manner that conforms to the requirements of the safety and loss management system.
- Documented procedures for the installation, operation, maintenance and emergency response of the regulator stations and all meter sets (these documents will provide the basis for the training).

Maintenance Programs

The maintenance programs that are currently within the envelope of this group include:

- Monthly maintenance checks of the three district regulator stations.
- Annual maintenance and operation checks at the current 43 Rooftop Piping Locations (these are locations where intermediate pressure is on the rooftop of buildings as well as our meter sets).
- Large meter set maintenance program, over 1,500 locations.

The regulator station checks are being completed monthly and this program was implemented in 2020. The 43 rooftop locations need to be mapped (as this is a code requirement) and a maintenance program needs to be developed including working with customers to ensure access to the roof, especially in case of an emergency.



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Currently the rooftop locations are being checked on an ad-hoc basis and there is no large meter set maintenance program in place. Due to the complexity of this program and the number of appurtenances involved, a mobile computerized maintenance program for these assets needs to be developed.

**Audit Program**

In March 2021, the Technical Standards and Safety Authority (TSSA) completed an audit on the commercial side of the utility (Rental Water Heater (RWH) business). One major finding was that we are to be auditing our sub-contracted work including all of our RWH installations and the maintenance work associated with the rental water heaters. An audit program needs to be developed and implemented prior to TSSA's next audit.

In addition, the Safety and Loss management system also requires that an audit program be developed for work completed on the distribution side. Currently, a contractor is used for the meter replacement program for all over-due meters and an audit program also needs to be developed and implemented for this program.

**10-Year Inspection Program**

Section 16 of Ontario Regulation 212/01 (Gaseous Fuels) requires that for a distributor to supply gas, it must have inspected the appliance or work at least once within the previous 10 years or the distributor has inspected the appliance or work in accordance with a quality assurance inspection program. The gas utility will be required to show documentation related to this program during the next Z662 audit currently scheduled for November 2022.

**RATIONALE / ANALYSIS:**

The position will provide operational and regulatory support for the above ground (metering and regulator assets) of the gas utility as well as the commercial (non-regulated) appliance rental business.

- Prepare all procedures for the installation, operation and maintenance including emergency response at our regulator stations, large meter sets and residential sets. Develop, implement, and maintain a training program to meet the requirements of Z662-19.
- Develop and implement an on-going QA/QC audit program of the sub-contractors used on the distribution side of the metering system as well as for the RWH business.
- Develop and implement mobile maintenance programs for the rooftop infrastructure and the large meter sets within the system.
- Develop a quality assurance inspection program to document compliance to the 10-year inspection program.

**FINANCIAL IMPLICATIONS:**

The cost of the new Program Manager position is \$102,279. The costs of this position will be split 50/50 between the Gas operating budget, and the Gas Meters capital account.

**RECOMMENDATIONS:**

That one new FTE for the Gas Utility as outlined above in the issue paper be approved.

## Water Utility

### Operating Model/Philosophy:

Provide customers with quality, dependable, and economical distribution of water. Promote conservation and operate in an environmentally sensitive manner.

### 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.

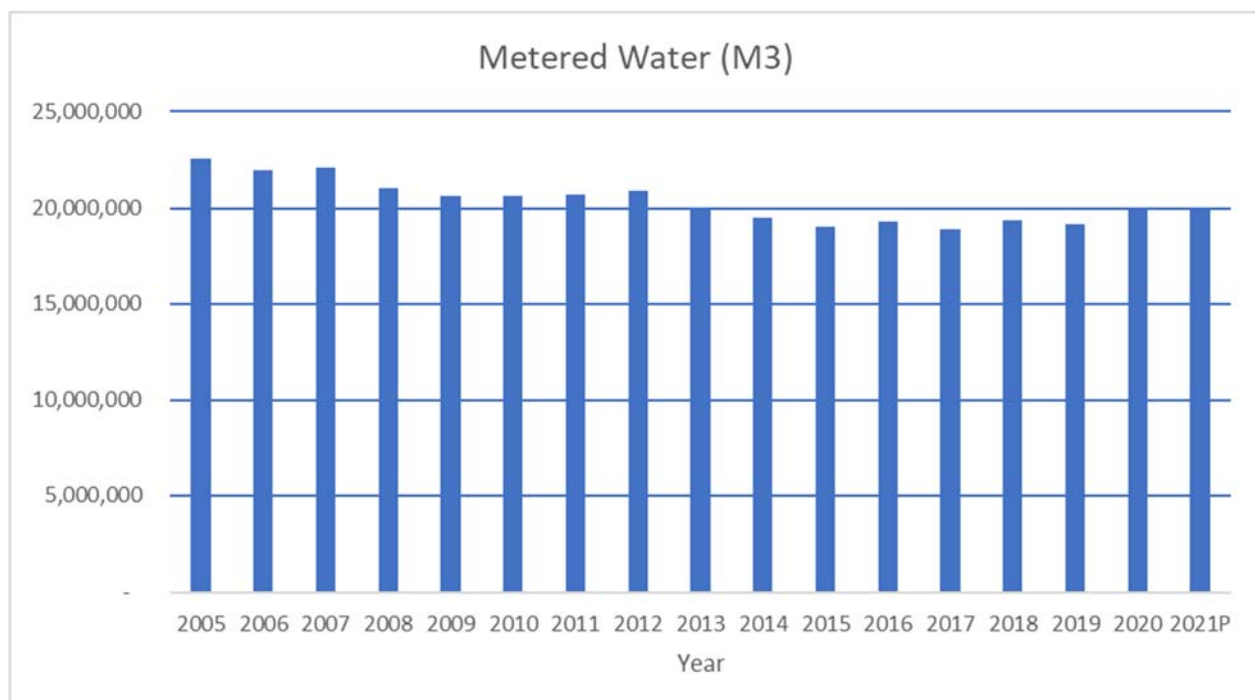
Conservation: Promoting conservation programs, which help customers reduce the amount of water used which save both money and conserves energy.

### Benchmarking:

Water conservation practices have decreased individual household water use over time, however development (additional customers) have increased the overall consumption. With COVID there was initially a decrease in commercial/industrial/institutional usage while businesses were closed and an increase in residential consumption.

The 5-year average of watermain breaks dropped from 95 to 79 due to 2015 (a very cold year) no longer counting in the average.

Unaccounted for water was 9.1% in 2020 (below the 10% target).



**CITY OF KITCHENER  
ENTERPRISE OVERVIEW**



**Primary Legislation:**

Safe Drinking Water Act, 2002.

Ontario Regulation 170/03 Drinking Water Systems

Ontario Regulation 128/04 Certification of Drinking Water System Operator and Water Quality Analysis

Ontario Regulation 169/03 Ontario Drinking Water Quality Standards

Ontario Regulation 188/07 Licensing of Municipal Drinking Water Systems

Watermain Disinfection Procedure

**Customer Base:**

Water: 68,700 (based on number of water meters)

**Recent Challenges:**

The Ministry of Environment, Conservation and Parks inspection identified an instance of non-compliance with the City of Kitchener in early 2020 for new watermain not being mapped within 12 months of installation. A work plan was submitted which represents a higher level of service for the production and cataloguing of as-recorded information. Work continues to map the infrastructure in a timely fashion for both new development and reconstruction work. Additional resources may be required to meet the requirements.

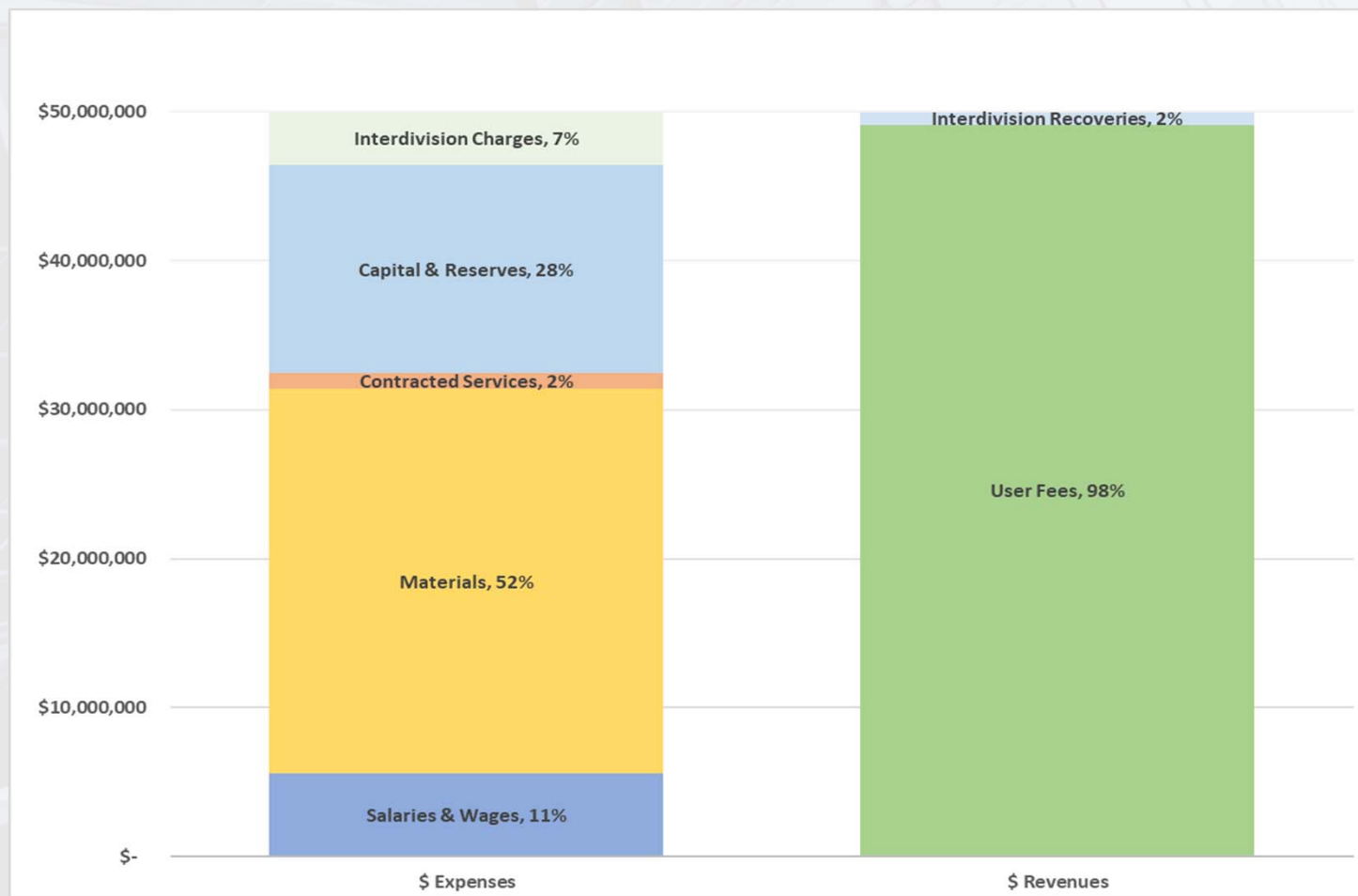
In 2021, the COVID-19 impacts were less than in 2020, however there were still some challenges including:

- Additional private water sampling sites were developed since most of the sampling sites were closed businesses and community centres. Relief to decrease the number of samples as well as to decrease the fall lead sampling was also obtained.
- Limited access to customer homes prevented non-emergency water meter replacement/repair activities. As a result, there is a backlog of meter maintenance work. Contractor assisted replacement are taking place in the second half of the year.
- Delay in hiring of vacant positions for front-line staff as well as a delay in training sessions
- Staggered starts and reduced vehicle capacity
- Highlighting the need for mobile maintenance inspections. A mobile inspection for hydrants is anticipated to be rolled out in late 2021.

**Recent Successes:**

- Discoloured water complaints decreased significantly below 2019 numbers. The Region of Waterloo's Strange Street Water Pumping station is off-line and undergoing upgrades for manganese treatment.
- Approximately 130km of watermain were cleaned in 2020, with the 2021 program scheduled to commence in September
- Approximately 14% of water valves were operated and broken valves replaced to allow for quicker isolation for water emergencies
- Implementation of a >6m watermain connection allowance under specific circumstances to allow high-traffic roads to be back in service sooner

# Water Utility Expenses & Revenues



# Water Utility 5 Year Projection



(000's)	Budget 2021	Projected 2021	Budget 2022	Budget 2023	Budget 2024	Budget 2025	Budget 2026
<b>REVENUE AND EXPENSES</b>							
Sale of Water	47,586	49,721	48,633	51,065	53,884	57,075	60,451
Water Supply	23,516	24,678	24,174	24,875	25,596	26,338	27,102
Gross Profit	24,070	25,043	24,459	26,190	28,288	30,737	33,349
GROSS PROFIT %	50.6%	50.4%	50.3%	51.3%	52.5%	53.9%	55.2%
<b>MISCELLANEOUS REVENUE</b>							
Other Revenue	489	508	495	517	536	557	578
<b>EXPENSES</b>							
Operating	10,572	9,897	11,001	11,910	12,595	13,041	13,501
Transfer to capital (Road Reconstruction)	10,386	10,386	11,020	11,692	12,406	13,162	13,965
Transfer to capital (Other)	3,807	3,808	3,465	3,620	4,276	4,523	4,473
	24,765	24,091	25,486	27,222	29,277	30,726	31,939
<b>Net Revenue (Expense)</b>	<b>(206)</b>	<b>1,460</b>	<b>(532)</b>	<b>(515)</b>	<b>(453)</b>	<b>568</b>	<b>1,988</b>
* Transfer (to)/from Stabilization Reserve	206	(1,460)	532	515	453	(568)	(1,988)
<b>Overall Enterprise Result</b>	-	-	-	-	-	-	-
<b>STABILIZATION RESERVE FUND</b>							
Opening Balance	7,538	7,538	7,458	7,004	6,562	6,177	6,809
* Add: Transfer (to)/from Enterprise	(206)	1,460	(532)	(515)	(453)	568	1,988
Add: Interest revenue(expense)	138	78	78	73	68	64	71
Less: Transfer to capital reserve	(332)	(1,618)	-	-	-	-	-
<b>Closing Balance</b>	<b>7,138</b>	<b>7,458</b>	<b>7,004</b>	<b>6,562</b>	<b>6,177</b>	<b>6,809</b>	<b>8,868</b>
Minimum Benchmark (10% of total revenue)	4,759	4,972	4,863	5,107	5,388	5,708	6,045
Maximum Benchmark (15% of total revenue)	7,138	7,458	7,295	7,660	8,083	8,561	9,068
<b>CAPITAL RESERVE FUND</b>							
Opening Balance	3,993	3,993	5,397	5,059	4,919	4,274	2,615
Add: Excess from stabilization reserve	332	1,618	-	-	-	-	-
Less: Transfer to Capital	(270)	(270)	(400)	(200)	(700)	(1,700)	(200)
Add: Interest revenue(expense)	79	56	62	60	55	41	30
<b>Closing Balance</b>	<b>4,134</b>	<b>5,397</b>	<b>5,059</b>	<b>4,919</b>	<b>4,274</b>	<b>2,615</b>	<b>2,445</b>
Minimum Benchmark (50% avg balance in 10 yr forecast)	9,900	9,900	8,902	8,902	8,902	8,902	8,902
Maximum Benchmark (150% avg balance in 10 yr forecast)	29,800	29,800	26,705	26,705	26,705	26,705	26,705
% Increase in Water Retail Rate	0.00%		1.40%	5.00%	5.00%	5.00%	5.00%
% Increase in Region Wholesale Rate	0.00%		2.90%	2.90%	2.90%	2.90%	2.90%
% Increase in Consumption	0.00%		0.79%	0.00%	0.50%	0.88%	0.87%



## Sanitary Sewer Utility (Wastewater)

### Operating Model/Philosophy:

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

### Services Provided:

Nearly every residential, commercial, industrial, and institutional building in the city generates wastewater. In total, this equates to over 65,000 customers billed for this service. The City's sanitary network comprises approximately 870km of sanitary mains, over 12,800 manholes and 22 pumping stations.

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

- The Water Infrastructure Program (WIP) – previously known as AIRP
- Pumping station rehabilitation and replacement
- Trenchless sewer rehabilitation
- Trunk sewer replacement
- Sewer main & lateral repair
- Pumping station maintenance
- Flow monitoring and hydraulic modeling
- Closed Circuit Television (CCTV) inspection program
- Sewer flushing program
- Year round on-call staff (emergency response)
- Service connection blockage clearing
- Supervisory Control and Data Acquisition (SCADA) for pumping stations

### Primary Legislation:

- *Clean Water Act*
- *Environmental Assessment Act*
- *Ontario Water Resources Act*
- *Canadian Environmental Protection Act, etc.*

### Recent Challenges:

*Operational:* The impacts of COVID-19 have delayed some sanitary services and have required alternative means of delivery for others. Staff continue to prioritize work and address the most critical infrastructure and maintenance needs to ensure reliable and high-quality sanitary services are provided to customers. 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

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ENTERPRISE OVERVIEW**



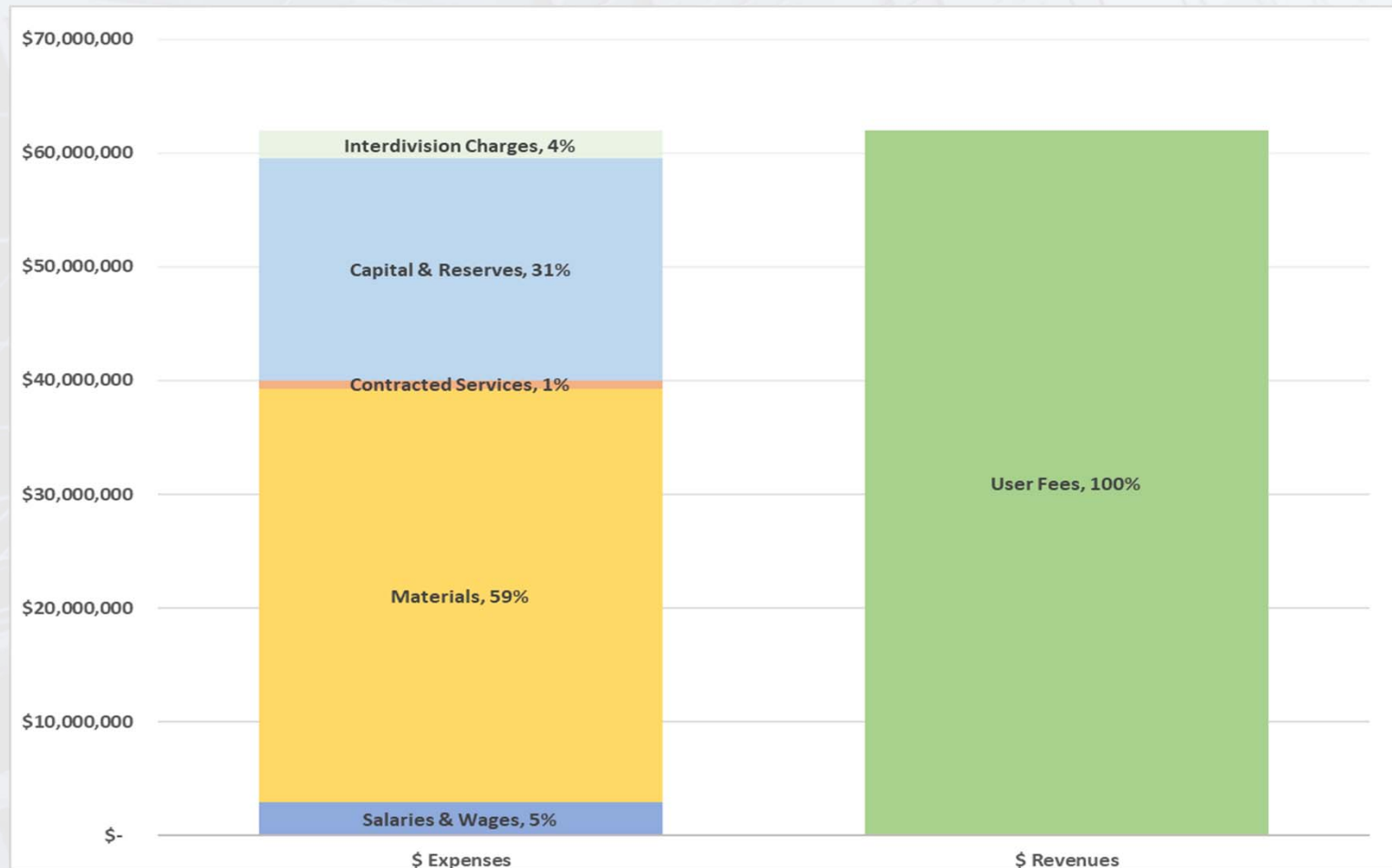
address infrastructure needs, helping reduce the risk of system failures and service interruptions.

*Budgetary:* Construction costs for replacement and rehabilitation of infrastructure from 2004 to 2021 were significantly greater than the CPI rate of inflation.

**Recent Successes:**

- The construction has started on the Middle Strasburg Trunk Sanitary Sewer which will provide the required sanitary capacity for growth in south-west Kitchener.
- The implementation of a state-of-the-art Supervisory Control and Data Acquisition (SCADA) system for the monitoring and control of the City's 22 sanitary sewage pumping stations has commenced. Several stations are now online with SCADA, with the remaining anticipated to be completed in 2022.
- The City is currently developing an Integrated Sanitary Master Plan that will provide a detailed assessment of the City's sanitary sewage infrastructure and help prioritize capital investments and programs for the next 20 years. The completion of the Master Plan is anticipated in 2022.

# Sanitary Utility Expenses & Revenues



# Sanitary Utility 5 Year Projection



(000's)	Budget 2021	Projected 2021	Budget 2022	Budget 2023	Budget 2024	Budget 2025	Budget 2026
<b>REVENUE AND EXPENSES</b>							
Sewer Surcharge	59,338	61,235	60,765	63,196	66,050	69,627	73,392
Cost of Sewage Processing	32,933	30,469	33,521	34,834	36,375	38,129	39,961
Gross Profit	26,405	30,766	27,244	28,362	29,675	31,498	33,431
GROSS PROFIT %	44%	50%	45%	45%	45%	45%	46%
<b>MISCELLANEOUS REVENUE</b>							
Other Revenue	1,282	793	1,165	1,210	1,257	1,312	1,371
<b>EXPENSES</b>							
Administration	2,524	2,513	2,556	2,605	2,658	2,711	2,761
Maintenance	5,035	4,237	5,562	5,787	6,021	6,264	6,517
Sewage Rebates	851	684	851	865	900	936	978
Transfer to capital (Road Reconstruction)	15,412	15,412	16,352	17,350	18,408	19,531	20,722
Transfer to capital (Other)	3,163	3,163	3,151	2,661	2,711	3,095	2,835
	26,985	26,009	28,472	29,268	30,698	32,537	33,813
<b>Net Revenue (Expense)</b>	<b>702</b>	<b>5,550</b>	<b>(63)</b>	<b>304</b>	<b>234</b>	<b>273</b>	<b>989</b>
* Transfer (to)/from Stabilization Reserve	(702)	(5,550)	63	(304)	(234)	(273)	(989)
<b>Overall Enterprise Result</b>	-	-	-	-	-	-	-
<b>STABILIZATION RESERVE FUND</b>							
Opening Balance	9,348	9,348	9,185	9,115	9,479	9,812	10,187
* Add: Transfer (to)/from Enterprise	702	5,550	(63)	304	234	273	989
Add: Interest revenue(expense)	172	97	96	95	99	102	106
Less: Transfer to capital reserve	(1,321)	(5,810)	(103)	(35)	-	-	(273)
<b>Closing Balance</b>	<b>8,901</b>	<b>9,185</b>	<b>9,115</b>	<b>9,479</b>	<b>9,812</b>	<b>10,187</b>	<b>11,009</b>
Minimum Benchmark (10% of total revenue)	5,934	6,124	6,077	6,320	6,605	6,963	7,339
Maximum Benchmark (15% of total revenue)	8,901	9,185	9,115	9,479	9,908	10,444	11,009
<b>CAPITAL RESERVE FUND</b>							
Opening Balance	6,396	6,396	12,463	10,912	8,068	5,129	2,155
Add: Excess from stabilization reserve	1,321	5,810	103	35	-	-	273
Add: Capital closeouts	-	3,006	-	-	-	-	-
Less: Transfer to capital	(2,810)	(2,810)	(1,782)	(2,974)	(3,000)	(3,000)	(2,400)
Add: Interest revenue(expense)	4	61	128	95	61	26	(3)
<b>Closing Balance</b>	<b>4,911</b>	<b>12,463</b>	<b>10,912</b>	<b>8,068</b>	<b>5,129</b>	<b>2,155</b>	<b>25</b>
Minimum Benchmark (50% avg balance in 10 yr forecast)	11,707	11,707	12,303	12,303	12,303	12,303	12,303
Maximum Benchmark (150% avg balance in 10 yr forecast)	35,120	35,120	36,910	36,910	36,910	36,910	36,910
% Increase in Retail Sewer Rate	0.00%		1.60%	4.00%	4.00%	4.50%	4.50%
% Increase in Region Wholesale Rate	0.00%		2.90%	3.90%	3.90%	3.90%	3.90%
% Increase in Consumption	0.00%		0.79%	0.00%	0.50%	0.88%	0.87%

Issue paper Op 05 Complying with New Sanitary & Stormwater Legislation  
Issue paper Op 06 Supporting the Delivery of the Federal DMAF Program

**CITY OF KITCHENER  
2022 BUDGET ISSUE PAPER**

**ISSUE:** Op 05 – Complying with New Sanitary & Stormwater Legislation  
**FUND:** Operating  
**DEPARTMENT:** Infrastructure Services – Sanitary and Stormwater Utilities  
**PREPARER:** Bu Lam, Director, Sanitary and Stormwater Utilities  
**BUDGET IMPACT:** None (already included in the proposed budget)

**BACKGROUND:**

As the owner of the water, sanitary sewer and stormwater system, Council has oversight responsibilities and a standard of care to ensure:

- All standards and regulatory requirements are met;
- Maintenance and capital activities keep infrastructure in a state of good repair;
- Systems are appropriately staffed and supervised with qualified persons;

In large part, these responsibilities are met through the approval of budgets and resources, including allocation of staffing.

The Ministry of Environment, Conservation and Parks (MECP) is modernizing Ontario's environmental approval process for sanitary and stormwater systems, aligning this process to the same regulatory standard to how drinking water systems are managed in the Province. Kitchener's application deadline for this new regulation is **January 21, 2022** and a full transition to the new regulatory framework is expected for the City within the next 12 months. This will impose maintenance levels for sanitary and stormwater networks that the City currently falls short of meeting.

In 2017, the Water Infrastructure Program (WIP) was introduced to provide a sustainable funding model to address maintenance and capital investments to achieve levels of service requirements for water, wastewater and stormwater services for all Kitchener customers. As part of the initial program review in 2017 (INS 17-070), a gap analysis revealed an approximate 18 FTE gap in maintenance capacity (both planning and field personnel) for sanitary and stormwater services, combined. This capacity gap has hindered the Sanitary and Stormwater Utility's (SSU) ability to keep pace with maintenance needs and to meet regulatory compliance.

**RATIONALE / ANALYSIS:**

A range of factors are creating increased challenges for SSU to sustain core service levels for sanitary and stormwater, including:

- Regulatory changes that will come into force within the next 12 months that will cause many of SSU's maintenance programs to be non-compliant;
- A staggering proportion (>90%) of sanitary maintenance is performed reactively, posing a significant risk for infrastructure failure, service disruptions, cost impacts and chronic staff burnout;
- Growth over the next 10+ years will produce a significant influx of new assets that will exacerbate the current backlog and further strain current staffing resources;
- Defined maintenance programs are still lacking in many program areas (e.g., Low Impact Development and oil grit separator units), leaving much of this infrastructure not currently maintained and the City presently non-compliant in these areas.



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- Workorders and service requests have increased significantly in the last decade and are projected to increase further with asset growth. However, staffing capacity has not increased since 2017, when an 18 FTE capacity gap was identified as part of the WIP review;

The most significant barrier for SSU to sustain and improve service delivery and meet regulatory requirements is a lack of capacity for planning, prioritization and data analysis. Currently, there are no resources directly assigned to these responsibilities. Supervisory staff capacity is largely devoted to managing a steady stream of reactive service requests and workorders. This leaves little capacity for proactive maintenance planning and program development, as well as a reduced ability to be on site to supervise work. A reactive maintenance approach not only increases the cost of work (between 6 to 10 times more expensive over the long term), but it will also increase risks to public and environmental health when infrastructure fails.

Adding capacity to support planning and prioritization through the addition of two new FTEs will help the utility close gaps in maintenance workflow and develop required maintenance programs for regulatory compliance. These positions are needed immediately from the 18 FTE gap that was identified in the 2017 WIP review (further positions will be identified in the next WIP review). The two new FTEs will infuse much needed capacity to sustain day-to-day operations, help quantify the maintenance gap, identify additional resourcing needs, and ultimately create efficiencies that will support better service delivery/reliability and reduce risk of system failures.

**FINANCIAL IMPLICATIONS:**

The cost for the two additional FTEs is \$214,500 and has been built into the proposed 2022 Sanitary and Stormwater utility budgets. Further, with the added capacity to support analysis, planning, and prioritization, it is anticipated that annual sanitary and stormwater maintenance budgets will be more effectively spent, translating into cost efficiencies for operations and maintenance over time.

**RECOMMENDATION:**

That a total of two new FTEs for the Sanitary and Stormwater Utilities as outlined above in the issue paper be approved.

**CITY OF KITCHENER  
2022 BUDGET ISSUE PAPER**

**ISSUE:** Op 06 – Supporting the Delivery of the Federal DMAF Program  
**FUND:** Capital  
**DEPARTMENT:** Infrastructure Services – Sanitary and Stormwater Utilities  
**PREPARER:** Bu Lam, Director, Sanitary and Stormwater Utilities  
**BUDGET IMPACT:** None (included in DMAF Capital projects)

**BACKGROUND:**

Kitchener signed the Disaster Mitigation and Adaptation Fund (DMAF) agreement with Infrastructure Canada in 2020. DMAF is a \$125M program that supports flood mitigation and adaptation capital initiatives in Kitchener over the next 7-years (program ends March 2028). There are 95 discrete capital projects approved as part of City of Kitchener's DMAF Agreement, many of which are high-visibility projects that require substantial community input and engagement.

DMAF is a cost-shared program, with Canada providing reimbursement of up to 40% of eligible costs to a threshold of \$49.990M. However, should the City not be able to deliver on the 95 projects approved under the Agreement within the program timeframe (by March 2028), there is a risk that the City will leave portions of the approved funding unclaimed.

**RATIONALE / ANALYSIS:**

Currently, the delivery of the DMAF program has been slower than anticipated due to staffing challenges and a more onerous than anticipated administrative/reporting requirement. This has led to significant delays in project delivery over the last two years and has/will result in significant project stacking over the next 3-5 years. Project stacking will further strain already limited capacity in the division and risk DMAF projects not being completed within the program timelines and result in unclaimed DMAF dollars becoming void. To mitigate these risks additional resources are required.

One new FTE is required to support DMAF program delivery. Capacity to advance projects is presently stretched, including for public engagement, and this reduced capacity increases the risk that the City will not be able to fulfill its obligations under the DMAF program. An options analysis concluded that an additional FTE is the only feasible approach. A temporary contract position is not possible, as the capacity needed would be fulfilled by a unionized role and the use of a temporary contract beyond 18-months would not be allowed under the collective agreement. Further, an 18-month contract would not provide sufficient term to address capacity needs for the duration of the DMAF program.

**FINANCIAL IMPLICATIONS:**

The cost for a new FTE is \$105,500 and will be recovered from the corresponding DMAF capital projects the position supports.

**RECOMMENDATION:**

That one new FTE for the Sanitary and Stormwater Utilities as outlined above in the issue paper be approved.

## Stormwater Utility

### Operating Model/Philosophy:

The Stormwater utility treats and controls stormwater generated in 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 770 kilometers of storm sewers; over 26,500 manholes and catch basins; over 100 oil, grit separators; and 110 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 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
- Water Infrastructure Program (WIP)
- Low Impact Development (LID) in WIP Projects
- Sewer Mains, Catchbasin & Manhole Maintenance and Repair
- Watercourse/Bridge/Culvert Maintenance and Repair
- SWMF Maintenance & Sediment Removal
- Catchbasin Cleaning Program
- Spills Response

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.

### Primary Legislation:

There is existing legislation that dictates certain requirements for stormwater management, which guide the City's provision of stormwater services. The key pieces of legislation include:

- *Clean Water Act,*
- *Environmental Assessment Act,*
- *Ontario Water Resources Act,*
- *Canadian Environmental Protection Act,*
- *Canadian Fisheries Act, etc.*

**Recent Challenges:**

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

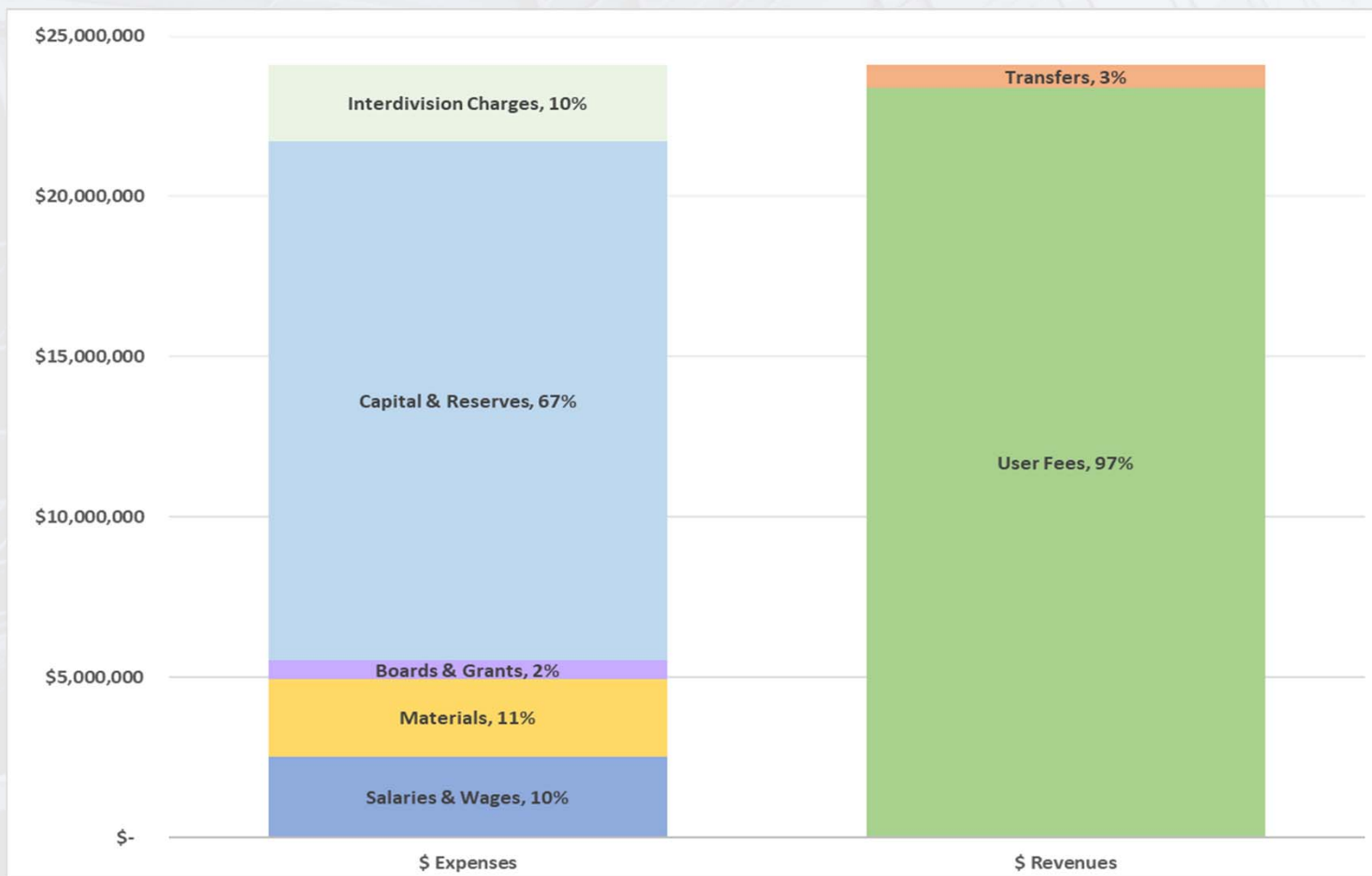
*Budgetary:* (1) There is an existing backlog of legacy projects and aging infrastructure identified in previous stormwater audits that will be completed as funding becomes available. (2) Implementing a larger focus on preventative maintenance will maintain and improve current service levels, but will require higher budget allocations to support this transition. (3) Construction costs for replacement and rehabilitation of infrastructure from 2004 to 2021 were significantly greater than the CPI rate of inflation.

**Recent Successes:**

*Operations and Maintenance:* Annual maintenance of stormwater ponds continues to improve the functionality of these important stormwater management assets that help mitigate flooding in neighborhoods across the City.

*Capital Works:* The City continues to implement the \$125M federal Disaster Mitigation and Adaptation program, which provides up to a 40% cost-share for the City's stormwater projects prioritized in the ISWM-MP.

# Stormwater Utility Expenses & Revenues





# Stormwater Utility 5 Year Projection



(000's)	Budget 2021	Projected 2021	Budget 2022	Budget 2023	Budget 2024	Budget 2025	Budget 2026
<b>REVENUE</b>							
Stormwater Charge	21,806	21,822	23,306	24,753	26,048	27,406	28,837
Other Revenue	749	670	787	828	865	903	944
	<u>22,555</u>	<u>22,492</u>	<u>24,093</u>	<u>25,581</u>	<u>26,913</u>	<u>28,309</u>	<u>29,781</u>
<b>EXPENSES</b>							
Administration	2,298	2,485	2,470	2,520	2,571	2,620	2,673
Maintenance	4,215	4,016	4,303	4,899	5,522	5,773	6,036
Storm Water Credit Program	555	574	591	626	658	691	725
Grants to Charities/Places of Worship	551	503	584	619	650	682	717
Transfer to capital (Road Reconstruction)	2,289	2,289	3,979	5,707	5,874	5,221	6,525
Transfer to capital (Other)	12,598	12,598	12,065	10,995	11,581	12,917	12,944
	<u>22,506</u>	<u>22,465</u>	<u>23,992</u>	<u>25,366</u>	<u>26,856</u>	<u>27,904</u>	<u>29,620</u>
<b>Net Revenue (Expense)</b>	<b>49</b>	<b>27</b>	<b>101</b>	<b>215</b>	<b>58</b>	<b>405</b>	<b>161</b>
* Transfer (to)/from Stabilization Reserve	(49)	(27)	(101)	(215)	(58)	(405)	(161)
<b>Overall Enterprise Result</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>STABILIZATION RESERVE FUND</b>							
Opening Balance	784	784	819	929	1,154	1,224	1,642
* Add: Transfer (to)/from Enterprise	49	27	101	215	58	405	161
Add: Interest revenue(expense)	11	8	9	10	12	13	17
<b>Closing Balance</b>	<b>844</b>	<b>819</b>	<b>929</b>	<b>1,154</b>	<b>1,224</b>	<b>1,642</b>	<b>1,820</b>
Minimum Benchmark (10% of total revenue)	2,181	2,182	2,331	2,475	2,605	2,741	2,884
Maximum Benchmark (15% of total revenue)	3,271	3,273	3,496	3,713	3,907	4,111	4,326
<b>CAPITAL RESERVE FUND</b>							
Opening Balance	380	380	3,078	2,943	2,346	1,094	459
Add: Capital closeouts	-	2,889	-	-	-	-	-
Less: Transfer to capital	(210)	(210)	(170)	(625)	(1,265)	(640)	-
Add: Interest revenue(expense)	-	19	35	28	13	5	6
<b>Closing Balance</b>	<b>170</b>	<b>3,078</b>	<b>2,943</b>	<b>2,346</b>	<b>1,094</b>	<b>459</b>	<b>465</b>
Minimum Benchmark (50% avg balance in 10 yr forecast)	8,675	8,675	8,898	8,898	8,898	8,898	8,898
Maximum Benchmark (150% avg balance in 10 yr forecast)	26,024	26,024	26,693	26,693	26,693	26,693	26,693
% Increase in Retail Stormwater Rate	6.00%		6.00%	6.00%	5.00%	5.00%	5.00%
% Growth - Residential	0.25%		0.25%	0.25%	0.25%	0.25%	0.25%
% Growth - Non Residential	0.25%		0.25%	0.25%	0.25%	0.25%	0.25%

# Resolution

# Operating Budget Resolution



- Resolution to be passed by Committee regarding follow up items for staff