

Staff Report



Financial Services Department

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REPORT TO: Finance and Corporate Services Committee

DATE OF MEETING: February 2, 2023

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

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

WARD(S) INVOLVED: All Wards

DATE OF REPORT: January 24, 2023

REPORT NO.: FIN-2023-061

SUBJECT: 2023 Final Budget Day

RECOMMENDATION:
For discussion.

REPORT HIGHLIGHTS:

- Detailed reports/presentations related to the Operating and Capital budgets have already been reviewed and discussed by Committee in dedicated meetings.
- The final budget package provides supplemental information which will ultimately result in an approved budget and property tax levy for all City services.
- The proposed tax rate increase of 4.8% is an impact of \$56 to the average household and is well below the current rate of inflation.
- Community engagement included Public Budget Night (January 9) and an online survey which was open for over a month and had 390 responses.
- This report supports the delivery of core services.

BACKGROUND:

The budget is the City of Kitchener's annual financial plan, and is the primary basis of financial decision making. The budget process includes stand alone meetings to discuss the Operating and Capital budgets, as well as opportunities for public input. All of this culminates in budgets being passed as part of the final budget day discussion and approval. The budget process allows Council to prioritize the programs and services delivered by the City and sets direction for the work to be completed this year as well as future years referenced in the budget forecast.

This final budget day package is meant to supplement more thorough content discussed during the Operating and Capital budget days and posted on the City's website (kitchener.ca/budget). The final budget day content is primarily meant to provide follow up information requested about the Operating and Capital budget, and provide information required by the Municipal Act.

*** This information is available in accessible formats upon request. ***
Please call 519-741-2345 or TTY 1-866-969-9994 for assistance.

REPORT:

The City's 2023 budget materials have been posted on the website (kitchener.ca/budget) since early December and includes the following components:

- Proposed Budget Summary
- Appendix A - Operating Budget
- Appendix B - Capital Budget
- Appendix C - Issue Papers
- Appendix D - Reserve and Reserve Funds
- Appendix E - User Fee Schedule

New content related to final budget day will be posted in advance of the meeting on February 2, 2023 under Appendix F – Final Budget Day.

Information Required by the Municipal Act

Regulation 284/09 of the Municipal Act requires that before Council adopts the annual budget, it must first receive a report about “excluded expenses” and adopt that report by resolution. This resolution is included as part of the Final Budget Day resolution. Public Sector Accounting Board (PSAB) changes effective in 2009 require the annual Consolidated Financial Statements to be prepared using full accrual accounting. As a result, certain expenses are included in the financial statements that are not included in the budget. For the City of Kitchener these include amortization expense on tangible capital assets and employee future benefits expense/(income).

Amortization expense on tangible capital assets of \$55.6M was recorded in the 2021 consolidated financial statements. This expense is meant to represent the rate at which the City is depleting its assets (based on historical cost). It can therefore be used as a rough indication of what should be budgeted for replacement of these assets.

Employee future benefits expense/(income), which includes the sick leave benefit plan, post-retirement benefits, and future payments to the Workplace Safety and Insurance Board was (\$0.1M).

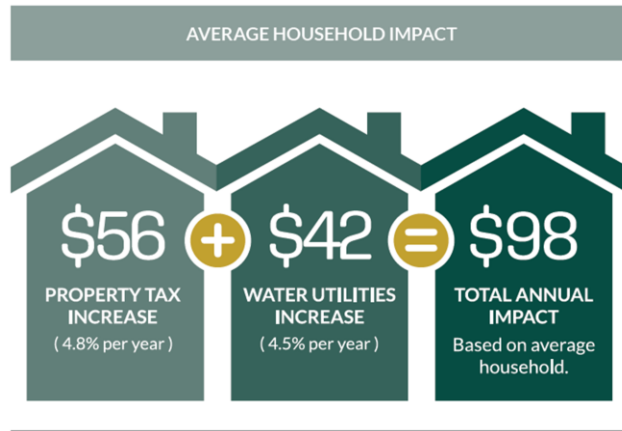
If these items were excluded in the financial statements, the 2021 accumulated surplus would increase by \$55.5M (the combined amount of amortization expense on tangible capital assets and employee future benefits expense/(income)). There is no impact on future tangible capital asset funding requirements based on the exclusion of these expenses.

STRATEGIC PLAN ALIGNMENT:

This report supports the delivery of core services.

FINANCIAL IMPLICATIONS:

The proposed tax rate increase of 4.8% is an impact of \$56. The water utilities (water, sanitary, stormwater) rate increase of 4.5% approved by Council on December 12 is an impact of \$42.



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 the Strategic Plan, 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 consider 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 continue to use multiple methods to effectively inform and consult citizens about the budget at large. Staff have proactively provided information about the budget via media outreach and the City’s website, and have prepared videos explaining several budget/finance topics to better inform residents. Citizens have been encouraged to provide their input into the budget process by:

- Attending a public input session on January 9
- Completing the online budget survey on Engage Kitchener
 - A total of 390 responses were received on the survey which closed January 17
 - Results of the survey are included in the final budget day content
- Contacting their ward councillor

PREVIOUS REPORTS/AUTHORITIES:

- FIN-2022-482 2023 User Fees
- FIN-2022-188 2023 Water Utilities Rates
- INS-2022-486 2023 Natural Gas Rates
- FIN-2023-035 2023 Operating Budget
- FIN-2023-041 2023 Capital Budget and 10-Year Forecast

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