

City of Kenora 2021-2025 Five-Year Capital Plan



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Kenora City Council



From left to right:
Councillor Rory McMillan
Councillor Mort Goss
Councillor Kirsi Ralko
Councillor Chris Van Wallegem
Councillor Sharon Smith
Councillor Andrew Poirier
Seated: Mayor Daniel Reynard



City Strategic Plan and Guiding Principles

As we finish the final year of our strategic plan, the City will be conducting an extensive review of the previous strategic priorities as the basis to develop a new plan. This process will help in the development of a plan that builds upon our past strategic plan and continues to provide direction to Council for the next five years. The cornerstones of our current Strategic Plan are the Vision and Mission Statements.

Vision Statement

Kenora is a City of choice, renowned as a sustainable, lifestyle community supported by a Municipality committed to excellence.

Mission Statement

To deliver quality, cost-effective Municipal Services.

The City's values as defined in its Strategic Plan, provide the City with guidelines for evaluating and determining its actions. To help ensure the City budget considerations are done in conjunction with these values as presented within the strategic plan, they are reviewed in conjunction with the budget deliberations, and have been set out below:

- **Trust and Respect:** We demonstrate integrity, honesty, fairness, transparency and accountability in all of our actions, fostering a corporate culture intended to promote trust and respect of our staff, our community and our partners.
- **Communication:** We ensure respectful and inclusive communications with our staff, community and partners.
- **Commitment:** We value employees that are committed to service the interests of the community.
- **Innovation:** We strive for continuous service improvements through innovation, leadership and best practices.
- **Preparedness:** We consider community, public and workplace safety in every decision that we make.
- **Fiscal Responsibility:** We manage the municipal finances in a responsible, prudent and transparent manner.
- **Environmental Stewardship:** We are committed stewards of the land and lakes that enrich our lives.



City Brand and Brand Promise

In 2013, Council officially adopted the City's new Brand recognizing Kenora as "North America's Premier Boating Destination".

Council further adopted the resulting Brand Promise, which reads as follows:

Kenora is North America's Premier Boating Destination. We are the connection to Lake of the Woods and its 14,522 Islands.

Through our events and amenities we celebrate our history and build our future.

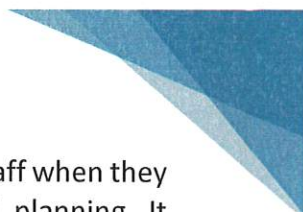
We love our lake; we are its stewards and we nurture its pristine environment.

Where possible, recognition of the Brand and Promise was given consideration in reviewing the City's proposed capital projects and unusual spending within this five-year plan.

Capital Plan Principles and Capital Prioritization Process

In late 2018, the senior leadership team developed a Capital Prioritization Process that would adhere to certain capital budget principles to help guide the City's capital budgeting process. These principles are as follows:

- Projects will be reviewed in conjunction with the principles as set out within the City's strategic plan and in recognition of the City's Brand and Brand Promise.
- Priority will be given to projects which, left undone, would represent a significant safety concern or hazard to the community.
- Priority will be given to projects based on need, with funds allocated primarily to higher need areas.
- Priority will be given to meaningful projects that are eligible for funding from senior levels of government.
- Priority will be given to coordinating projects between departments to help ensure that unnecessary spending is eliminated.
- Priority will be given to projects that are necessary in meeting legislative or regulatory requirements.



The Capital Prioritization Process is designed to serve as a tool that will assist City staff when they are determining which projects should be prioritized in capital budgeting and planning. It provides a strategic risk-based approach to planning that can be integrated into the City's current capital budgeting and planning process through a simple application of the capital prioritization methodology.

The process represents a risk-averse and quantitative approach to asset management planning. It provides a structure and defined method to achieve consensus between decision-makers that may have different motivations or priorities. The output of this methodology will result in decisions that closely align with the City's organization and strategic priorities and allow for both qualitative and quantitative assessments.

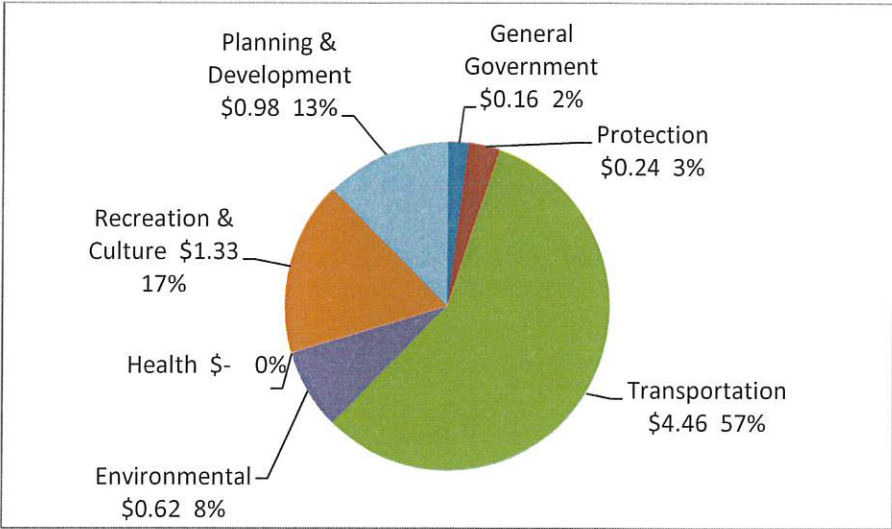
The intent of the process is not to remove the influence of decision-makers on capital planning. Rather it is designed to provide flexibility in the management of the capital planning process while ensuring that all projects are prioritized according to consistent criteria.

As the City's asset management plan database becomes more populated with information on the City's assets, decision-makers will be able to better utilize the information for making informed decisions on capital asset spending. Currently the City is in the process of updating its asset management data. The City's asset management plan is intended to be a living document with ever changing information to be utilized by staff and the senior leadership team for making informed decisions.

The City utilities are dealt with through an independent budget process, in accordance with Council direction to establish these operations as self-supporting utilities independent of tax dollars. A separate budget is developed for each of these entities.

2021 Capital Plan Highlights

The City of Kenora 2021 Capital Plan includes \$7.78 million in total cost of capital projects. The following pie chart shows gross planned capital spending for 2021 by functional area in millions:



Transportation, or more specifically, roads and bridges continue to represent the largest demand on City capital resources as well as the most significant portion of the City’s infrastructure funded through property tax dollars.

The City’s net tax levy allocation to capital spending is \$1.66M in 2021. Of this amount, 90%, or \$1.5M is allocated directly to spending on municipal roads. In 2021, federal government funding is helping with roads projects to bring total spending for roads up to \$2.27M in 2021.



Unusual Spending

The City's five year capital plan includes non-capital works classed as "Non-Capital Special Projects / Unusual Spending" (referred to as "unusual spending"). While these works are not capital in nature, they are budgeted for through the City's five year capital planning process. Unusual spending refers to larger value non-capital works that are not typical from year to year. The City has listed out the "Non-Capital Special Projects / Unusual Spending" in Index #9 of the capital budget. This spending is not included in the total capital spending in 2021 (Indexes #1 through #7). The unusual spending included in the City's 2021 budget is \$1.71 million in total costs, with a net tax levy allocation of about \$.34 million.

Net Tax Levy Allocation

For 2021, the City is allocating close to \$2 million of the net tax levy to its combined capital and unusual spending programs.

Reserves and Reserve Funds

To help equalize, stabilize and fund certain annual capital expenditures, the City has established a number of reserves and reserve funds. All funds set aside in either reserves or reserve funds are allocated to a specific purpose. Certain expenditures are fully funded through reserves, such as vehicle/equipment replacement. Overall, in 2021, the City is estimating it will put aside approximately \$4 million into non-utility reserves. Many reserve funds are set at an annual contribution amount, and others are based on the income from the department. The reserve allocations that dependent on net income from the department at the end of the year include; Building rentals, Building inspection, 911 emergency access, Health & Safety, Parking rentals, Docks & Wharfs, Recycle, and Land planning. In 2021 the intent is to set up a new reserve for recreation equipment only and eliminate the fitness equipment annual capital spend allocation in the 5 year budget.



Planned contributions to capital works and special projects from reserve and reserve funds for the 2021 five-year capital plan are:

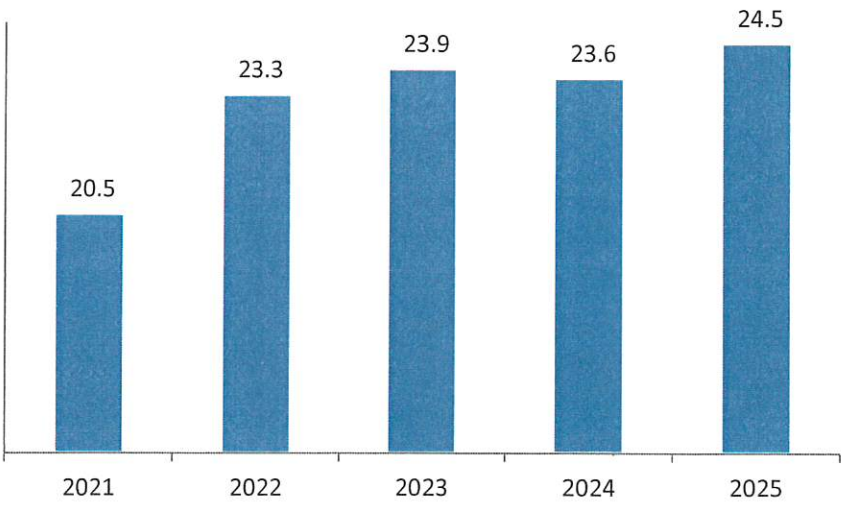
Capital Works

- 2021 - \$2.71 Million
- 2022 - \$1.51 Million
- 2023 - \$1.27 Million
- 2024 - \$1.95 Million
- 2025 - \$1.04 Million

Special Projects

- 2021 - \$ 0.96 Million
- 2022 - \$ 0.25 Million
- 2023 - \$ 0.03 Million
- 2024 - \$ 0.18 Million
- 2025 - \$ 0.06 Million

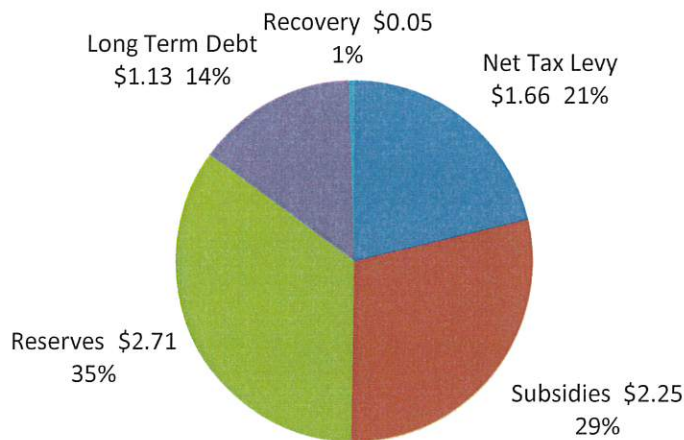
In 2021, the City is anticipating maintaining the overall balance of non-utility reserves over the next five years. The increase from 2021 to 2022 is mainly due to some larger land sales expected to take place in the next two years. The following chart illustrates the projected non-utility reserves in \$ millions over the next five years:



Other Funding Sources

Another proposed source of funding for the 2021 capital plan is funding from senior levels of government including a planned use of the City's Federal Gas Tax funding. Combined, this subsidized funding represents an anticipated 29% of the City's 2021 planned capital spending.

The remaining funding sources for the 2021 capital plan are represented by issuing long term debt (\$1.13M), net tax levy (\$1.66M) and recoveries (\$.05M). The following pie chart illustrates the breakdown of funding sources for capital spending planned in 2021:





Deleted Projects

Generally, sufficient funding is not available to meet the various requests submitted under the City's capital plan process. Projects that are not approved through the capital plan process are tracked on a deleted list. Based on available funding, the City has cut capital and unusual spending projects combined of a total cost of \$23.35M, most of which were deleted as no federal or provincial funding was available for some of the larger projects. Otherwise these projects would have to be funded through the net tax levy or debt financing.

All projects listed as deleted continue to be City priorities. Should additional funding be made available, these projects may become a priority for potential funding, pending the development of those plans. A complete list of deleted projects can be found in Index #10 of this budget.

Projects for Long Term Debt Financing

The City has identified several significant projects for consideration of funding with long term debt. Typically, the net costs for projects on this list are well in excess of what the City historically contributes to capital expenditures through the tax levy.

These projects are being held for Council consideration pending the development of a business plan that would support the associated long term debt issuance to fund the related project. Index #8 of this budget provides some summary budget information on these projects, including the proposed year of implementation, total projected cost; total anticipated funding through long term debt issue, estimated annual repayment amounts, and the potential percentage impact on the tax rate if costs relating to the debt repayment were added directly to property taxes.

Review of Higher Value 2021 Capital Projects

The following table summarizes capital projects included in the 2021 capital plan approved project lists (in thousands of dollars) that have a total cost estimate of \$100,000 or higher:

	Total Cost
General Government	
CCTV camera project	100
Transportation	
Municipal Paving	1,444
Lajeunesse Bridge	566
Beggs Arch Culvert	249
Highway 17 East paving	550
Surface Treated Roads	225
Bridge engineering design based on 2020 inspection	100
Sidewalk plow	225
Sidewalk plow	180
Tandem sander/plow cf	316
Tandem sander cf	263
Environmental	
Storm Sewers	230
Co-mingle truck cf	152
Co-mingle truck cf	152
Recreation & Cultural	
Parking control enhancements	800
Planning & Development	
Harbourfront redevelopment design	975
Total Significant Projects	6,527
Projects less than \$100K	1,257
Total Planned 2021 Capital	\$ 7,784



Infrastructure Deficit

As with most municipalities, Kenora has a significant infrastructure deficit.

The most significant portion of the non-utility infrastructure deficit is represented by the City's road and bridge infrastructure. In 2021, the draft budget includes estimated capital and unusual expenditures of \$3.18 million on City roads and bridges. In comparison, the City's entire tax levy allocation to capital and unusual spending is only \$2 million for 2021.

In 2017, the City produced, with the help of funded consultants, an Asset Management Plan. This plan indicates an annual funding requirement of \$3.38 million for roads and \$4.04 million for bridges and culverts. So compared to the \$3.18 million being spent in the 2021 capital and unusual spending budget this would leave an annual deficit of \$4.24 million being spent on roads & bridges.

In regards to storm system, the 2017 asset management plan recommends an annual spend of \$742,000, and the 2021 capital/unusual spend budget shows spending of \$380,000 leaving a deficit of \$362,000.

While the City continues to address the infrastructure deficit to the best of its ability, senior government funding will have to make up the short fall in the long run.

1	Five Year Capital Plan Summary of Total Cost: 2021 - 2025
2	Five Year Capital Plan Summary of Net Tax Levy: 2021 - 2025
3	Capital Budget Summary: 2021
4	Capital Budget Summary: 2022
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