



The City of Kenora, Ontario, Canada

Operating Budget  
2009

Budget Discussion

Introductory  
Information

Budget  
Highlights

Budget  
Pressures

Detailed Budget  
Schedules

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### City Council

From Left to Right:

- ❑ Councillor Chris VanWalleghem, Chair of Community Services
- ❑ Councillor Charito Drinkwalter , Chair of Emergency Services
- ❑ Councillor Andrew Poirier, Chair of Utilities & Communications
- ❑ Mayor Len Compton
- ❑ Councillor Rory McMillan, Chair of Finance & Administration
- ❑ Councillor Wendy Cuthbert, Chair of Property & Community Planning
- ❑ Councillor David McCann, Chair of Operations

### City CAO and Managers

Not Shown:

- ❑ Bill Presentanz, CAO
- ❑ Karen Brown, Manager of Finance & Administration
- ❑ Warren Brinkman, Manager of Emergency Services
- ❑ Sharen McDowall, Human Resources Manager
- ❑ Colleen Neil, Recreation Manager
- ❑ Rick Perchuk, Operations Manager

## Introductory Information

City Council

City CAO and Managers

### **City Strategic Plan and Guiding Principles**

The City’s strategic Plan, Kenora Vision 2009, lays the foundation for the City’s future. This plan sets out the City’s Corporate guiding principles as well as provides the strategic directions for the City.

The guiding principles provide the City with guidelines for evaluating and determining its actions. To help ensure the City budget considerations are done in conjunction with the vision as presented within the strategic plan, the guiding principles are reviewed in conjunction with the budget deliberations, and have been set out below:

- ❑ Kenora will provide fairness in taxation
- ❑ Kenora will provide value for service to the ratepayer
- ❑ Kenora will ensure sound fiscal management
- ❑ Kenora will provide quality of life amenities and services for citizens and visitors
- ❑ Kenora will explore and pursue new opportunities
- ❑ Kenora will value and be responsible to its employees
- ❑ Kenora will understand and respect its citizens
- ❑ Kenora will inform and engage its citizens
- ❑ Kenora will be a steward of the environment

### **Operating Budget Principles**

In developing and reviewing the municipal operating budget for 2009, the City has adhered to certain operating budget principles that it has established to guide overall spending within the budget process. These principles are as follows:

- ❑ Kenora will adhere to and uphold the guiding principles laid out in the City’s Strategic Plan.
- ❑ Kenora will ensure that the budget will maintain the long-term financial viability of the City.
- ❑ Kenora will maintain the integrity of its reserves, and will not fund regular operating expenses from those reserves.
- ❑ Kenora will not issue long term debt unless justified through a business case on an individual basis.

The City Water & Sewer and Solid Waste operations do not form part of the overall City budgets. Rather, a separate budget has been developed for each of these entities eliminating them from the general budget process. This is done to recognize that these operations are independent, self-supporting utilities, funded through user pay and not through City tax dollars.

## **Introductory Information**

City Strategic Plan and Guiding Principles

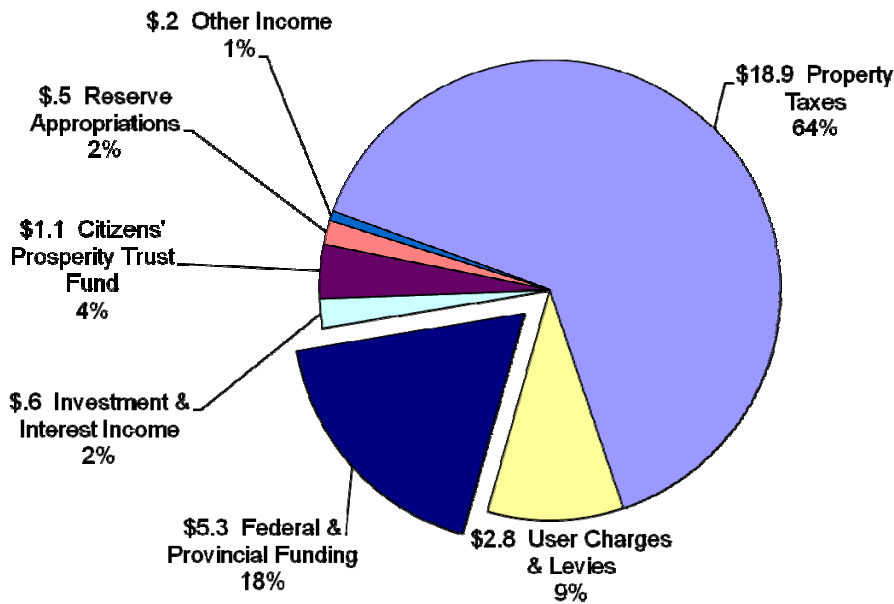
Operating Budget Principles

### Operating Budget Highlights

The 2009 operating budget projects total operating expenditures of \$25.6 million, before capital expenditures and reserve appropriations. Combined operating, capital and reserve requirements total \$33.7 million.

In 2009, the City will raise \$18.9 million through general tax dollars. Tax dollars continue to be the City's most significant funding source, representing 64% of combined operating revenues. The next most significant funding sources for 2009 are projected to be federal and provincial funding of 18% and user charges and levies of 9% (excluding those for the utilities). In 2009, the City continues to rely heavily on investment and interest income, representing a combined 6% of the City's overall operating revenues between income from the Citizens' Prosperity Trust Fund and other interest and investment income. In 2008, investment and interest income represented 8% of total operating revenues. This drop in 2009 is as a result of the changes in the global economy and resulting impact in the Canadian interest rates between when the 2008 municipal budget was passed and when the 2009 budget came before Council for final approval.

This does not reflect any revenues for capital expenditures or other non-capital special projects and / or unusual spending.



An analysis of the combined 2009 budgeted expenditures, including reserves and capital allocations, broken out by functional area has been included on the following page, as well as a comparable analysis outlining the allocation of tax dollars.

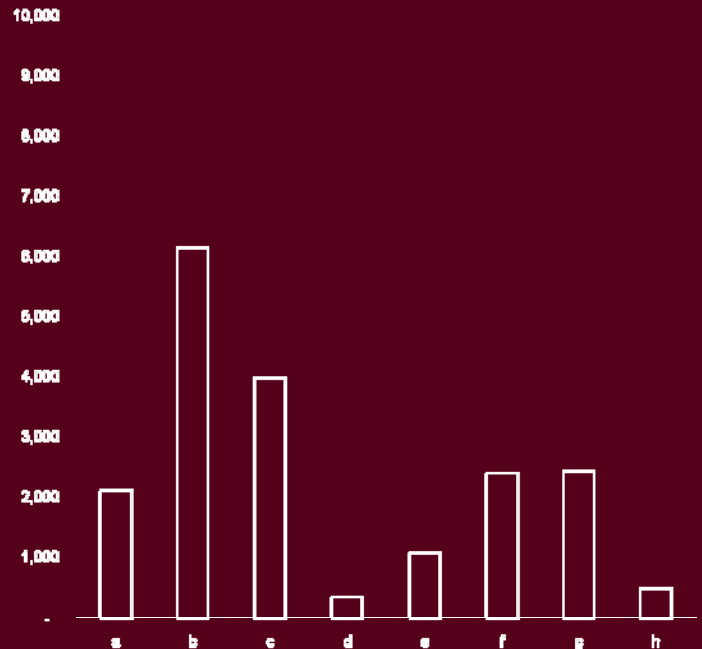
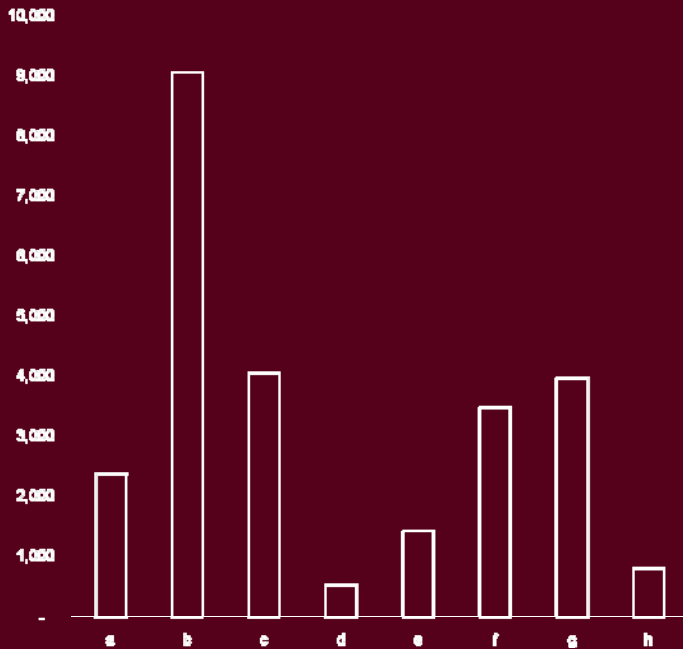
## Budget Highlights

### Operating Budget Highlights

## 2009 Operating Budget

Planned Expenditures by Function – Gross / Net  
2009 Planned Costs (in thousands of dollars)

## Budget Highlights



### 2009 Combined Budget Expenditures - Total Cost

a General government	2,373	9.3%
b Protection	9,051	35.3%
c Transportation	4,046	15.8%
d Environmental	519	2.0%
e Health	1,412	5.5%
f Social & family	3,470	13.5%
g Recreation & cultural	3,958	15.5%
h Planning & development	789	3.1%

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\$ 25,618      100.0%

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### 2009 Allocation of Tax Dollars

a General government	2,097	11.2%
b Protection	6,133	32.4%
c Transportation	3,971	21.0%
d Environmental	337	1.8%
e Health	1,072	5.7%
f Social & family	2,391	12.6%
g Recreation & cultural	2,428	12.8%
h Planning & development	480	2.5%

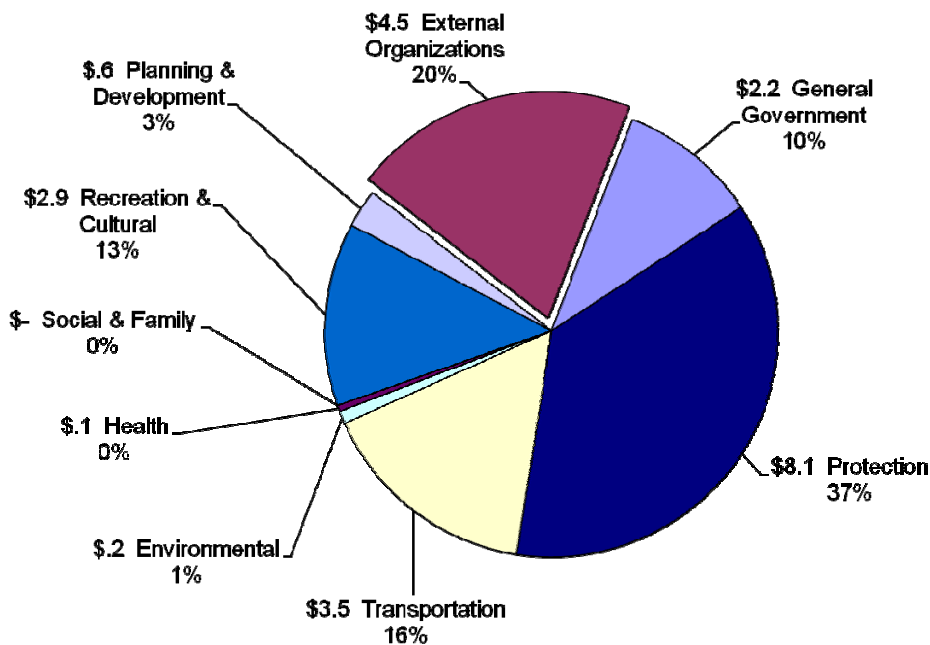
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\$ 18,909      100.0%

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### Net Program Costs & External Organizations

The net costs of the combined operating programs, before capital expenditures and reserve appropriations are projected at \$22.1 million for 2009, including transfers to external organizations. The most significant portion relates to Protection, representing \$8.1 million, or 37% of combined net program expenditures. The next most significant net program cost relates to funds given to external organizations at \$4.5 million (20% of combined net program expenditures), followed by Transportation at \$3.5 million (16% of combined net program expenditures). The following chart provides more detailed information on net program expenditure by function:



The Province mandates 100% of the funds that are transferred to external organizations. These organizations are:

- Northwestern Health Unit
- Kenora District Services Board
- District of Kenora Home for the Aged (Pinecrest)

In 2009, the combined levy to external organizations dropped to \$4.5 million. In 2008, this combined levy was \$5.4 million, an overall reduction of 15.6% in the 2009 levy requirement. This reduction is due to a reduced levy request from the Kenora District Services Board (KDSB) and results from the implementation of the new Provincial Land Tax (PLT) reform, triggering changes to the sharing ratios for the KDSB levy.

Transfers to other external organizations that remain at the discretion of the City in determining budget allocation, specifically the Ontario Provincial Police, the Kenora Handi Transit, the Kenora Public Library, the Lake of the Woods Museum and the Lake of the Woods Development Commission, are included within the respective functional areas, and are not included within the external organizations information.

## Budget Highlights

### Net Program Costs & External Organizations

## 2009 Major Budget Impacts

Despite the implementation of the new assessment in 2009, the 2009 budget season was one of significant challenges for the City. The following table provides a high level overview of some of the major impacts the City experienced in its 2009 budget process (in thousands of dollars):

	Budget Impact	% Impact on Tax Rate
<b>Major Tax Rate Impacts</b>		
Policing	\$ (516)	3.1%
Recycling	(157)	0.9%
Recreation Facility	(200)	1.2%
External Organizations		
Mandated	840	-5.0%
Handi Transit / Library / Museum / Dev Comm.	(78)	0.5%
Wage Impacts	(233)	1.4%
Lost Interest / Investment Income due to Rate Decline	(782)	4.6%
O.M.P.F. Provincial Funding Loss	(168)	1.0%
KMTS Jan / 08 Dividend	(166)	1.0%
	\$ (1,460)	8.7%
<b>Offsetting Incremental Revenues / Cost Reductions</b>		
Incremental tax room due to new assessment	\$ 347	-2.1%
Net residual operating budget impacts	161	-1.0%
Reduction in net capital spending	429	-2.5%
	\$ 937	-5.6%
<b>Combined Major Impacts</b>	\$ (523)	3.1%

It should be noted that the above table shows major impacts only. It does not break out any amounts related to other items, such as increased utilities or professional fees. These impacts have been netted with any reductions made in the City's budget under "Net residual operating budget impacts". The following is some discussion on the major impacts within the table:

**Policing** – Despite the pending transition to the Ontario Provincial Police (OPP) for City wide policing services starting July 18, 2009, the City continued to face some increased costs relating to policing. Originally, it was anticipated that the transition to OPP policing services would occur during 2008. In comparing the Kenora Police Service (KPS) and OPP budgets on an annualized basis, the incremental cost to the City in 2009 resulting from this delay in transition to July 18, 2009, represents approximately \$539K. The actual increase in policing costs based on budget submissions was \$516K. In effect, had this transition occurred in 2008, the City would have had no incremental policing costs in 2009. The annualized 2009 KPS budget represents an increase of just over \$1 million from the 2008 budget levels, an increase of about 6.2%. A significant portion of this increase occurred as wages included in the 2008 budget were based on 2006 rates.

**Recycling** – Prior to 2009, the City was able to sell recyclable materials collected, the proceeds of which was used to help offset costs related to recycling operations. Today, the City is no longer able to sell its recyclables and is facing new costs for shipping these recyclables. In addition, the City is reflecting a reduction in its budgeted Provincial funding related to the recycling programs in 2009.

## Budget Pressures

### 2009 Major Budget Impacts



## 2009 Major Budget Impacts (Cont.)

**Recreation Facility** – The City continues to face increasing costs related to the provision of recreation facilities. For the 2009 budget, a portion of the increase relates to the 2008 facility staff restructuring. In 2009, the City plans to engage an external consultant to provide an overall view of recreation services within the City. Costs for that study have been shown separately under “non capital special projects / unusual spending”.

**External Organizations - Mandated** – As noted previously, in 2009, the combined levy to external organizations dropped to \$4.5 million. In 2008, this combined levy was \$5.4 million, an overall reduction of 15.6% in the 2009 levy requirement. This reduction is due to the amended sharing ratios for the KDSB resulting from the implementation of the new Provincial Land Tax (PLT) reform. Of the remaining external organizations, the Northwestern Health Unit levy was unchanged from 2008, and Kenora’s share of the District of Kenora Home for the Aged Levy was up about 1.3%.

**Other External Organizations** – Overall, the impact related to the other external organizations (more specifically the Kenora Public Library, the Lake of the Woods Museum, the Kenora Handi Transit and the Lake of the Woods Development Commission) represented one of the lower impacts in the 2009 budget deliberations. The original requests received from these organizations represented combined increases of about \$232K. In reviewing the budget and looking for efficiencies and reductions, however, the allocations to these external organizations was reduced from the original requests to represent a combined increase of \$78K.

**Wage Impacts** – This represents the impacts related to the settlements with the various City Unions and resulting adjustment to non-union wages.

**Declining Interest Rates** – This was the most significant impact faced by the City in its 2009 budget process. As a result of changes in the global economy over the past year, interest rates in Canada have fallen drastically. Since the 2008 budget was approved to when the 2009 budget came in final form before Council for approval, the interest rates have dropped by about 2%. For the City of Kenora, this is significant. In 2008, the City’s operating budget reflected an estimated \$2.3 million in investment related income (not including interest charged on outstanding property taxes or arrears). In 2009, the City is projecting closer to \$1.5 million in investment related income – a net loss of just under \$.8 million.

**OMPF Funding Loss** – Since the introduction of the Ontario Municipal Partnership Fund (OMPF) Funding in 2005, the City has been aware that the funding formulas meant an eventual loss in funding for Kenora. During this time, the City has been actively lobbying the Province to ensure no cuts were made, and to adjust the City’s calculations to be the same as our Northern counterparts, which would mean significantly more funding for the City. To date, we have been unsuccessful, and the first official OMPF reduction came with the 2009 budget. While there were offsetting reductions in cost through the upload of social assistance costs, this upload was offset through other cost increases through the KDSB, resulting in no net offset to the City.

**KMTS Jan / 08 Dividend** – The City continued to receive a dividend from the KMTS entities until it was sold at the end of January 2008. This revenue is no longer available to the City.

Following several reviews of the budget, both by Council and City administration, and in keeping with Council direction to maintain City service levels, the final budget impact was determined to be 3.1% on the City’s tax rates, excluding the industrial and the large industrial property classes. This percentage increase is based solely on the increased policing costs for 2009.

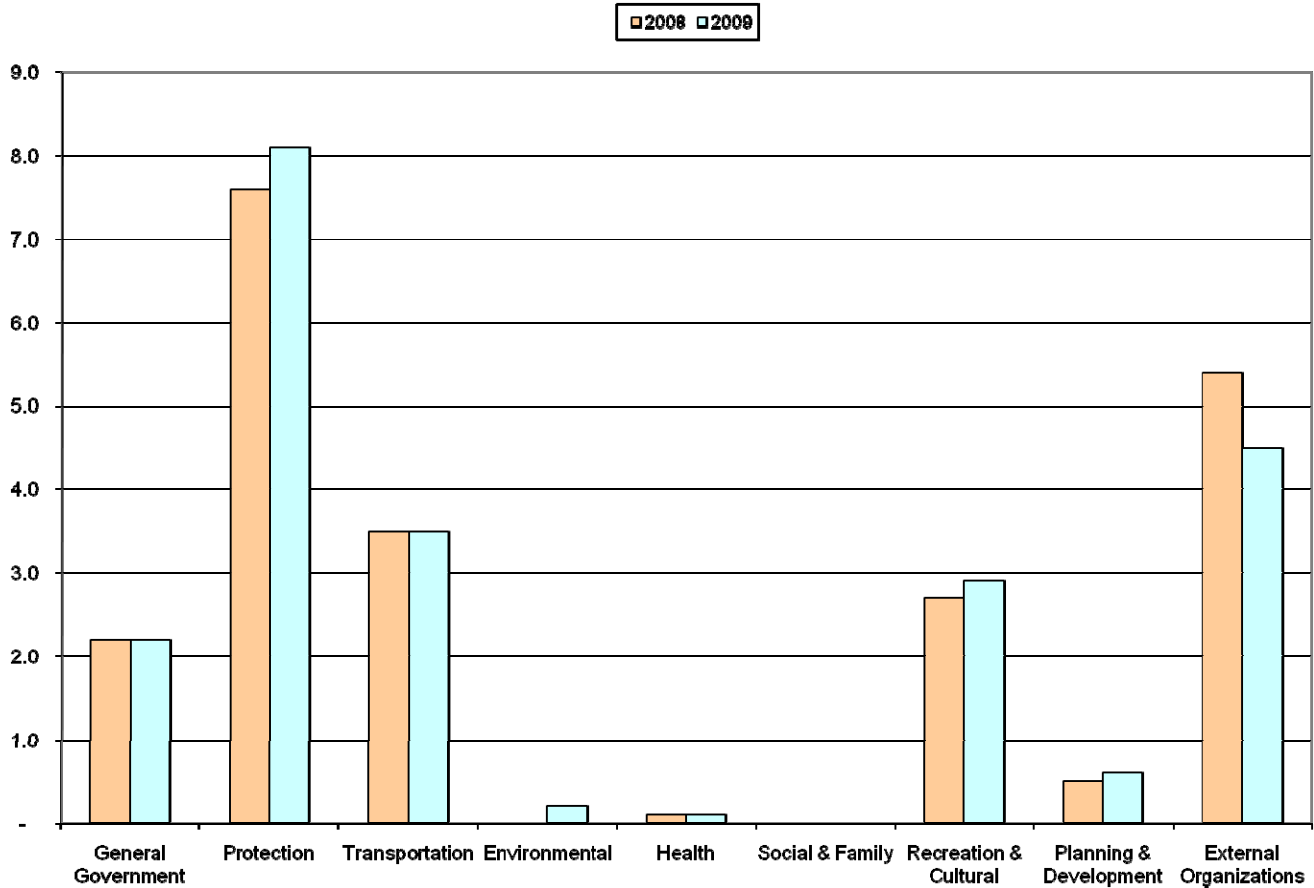
## Budget Pressures

### 2009 Major Budget Impacts (Cont.)

### Shifting City Net Program Costs 2008 Budget vs. 2009 Budget

When understanding the pressures the City faces with regards to its budget process, it is useful to look at the shifts in net municipal program costs, or where the City is planning to spend its tax dollars.

The following page includes a chart outlining shifts in the dollars allocated to the various City program costs by functional areas, including related transfers to external organizations, from 2008 to 2009.



As is evidenced in the chart, the significant upward shifts have occurred primarily in Protection, Environmental, Recreation & Cultural and Planning & Development. Costs related to Protection (policing) Environmental (recycling), Recreation & Cultural (primarily recreation facilities) have been reviewed under the 2009 Major Budget Impacts section of this report. The increase in Planning & Development was also discussed to some extent through the “Other External Organizations” represented partly by the Lake of the Woods Development Commission representing

As discussed previously, some of these incremental costs have been offset by the significant decrease in combined levy request from the External Organizations.

## Looking to the Future

As the City looks forward to 2010 and beyond, there are both positive and negative impacts that will impact future years' budgets. These include:

- ❑ **OMPF Funding Losses** – Continued potential OMPF Funding Losses, and while historically the Province has not reduced this funding, at least not without referencing other related savings, the upload of Social Assistance costs is continuing so offsetting reductions in OMPF funding is also expected to incur. In theory, this should be revenue neutral to the City, however the uploaded savings are generally accessed to offset other increasing costs by the related external organization.
- ❑ **Policing Costs** – With the transition to OPP on 18 July 2009, the City will be able to access the remaining savings that will occur as a result of this change in policing. A portion of those savings (estimated at \$449K) was realized in 2009 with the mid-year transition. Anticipated savings for 2010 are estimated at \$539K, based on 2009 budget submissions before any economic adjustments for 2010.
- ❑ **Global Economy** – The City is not immune to the impacts of the global economy, nor are our taxpayers. It is difficult to predict at this point when the economy will recover, although some economists are anticipating a turn around within one to two years.
- ❑ **Interest Revenues** – Tied directly to the impacts of the global economy, the City will not experience the same levels of interest revenues in 2009 as compared to previous years. It is expected that this is a shorter term issue, and with the turn around of the economy will come increased investment income for the City to use to offset tax impacts.
- ❑ **Phase in of New Assessment** – As part of the four year phase in of assessment, the City will now have access to information on assessment values through the remaining three years of the assessment for predicting tax revenues. In addition, the City was required to recognize assessment related decreases in the first year of the new assessment. The remaining three years related to the phase in relates to recognizing the assessment related increases, 25% per annum.
- ❑ **Infrastructure Deficit** – The City continues to struggle with a significant infrastructure deficit, one that continues to grow annually.
- ❑ **External Organizations** – Despite the relief in 2009, there appears to be little to no ongoing relief from the continued impacts relating to the demands from external organization, many of which are outside of the City's control.

When combining these factors, it is evident that the City will only continue to struggle to offset fairness in taxation to our taxpayers, while balancing increasing and uncontrollable budget demands and significant revenue reductions.

## Budget Pressures

Looking to the Future