



Five Year Capital Plan
2010 - 2014

The City of Kenora, Ontario, Canada

Budget Discussion

Introductory
Information

Capital Plan
Highlights

Capital Plan
Discussion

Detailed Budget
Schedules

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City Council



Mayor Len Compton



Councillor Wendy Cuthbert
Chair of Property and Community Planning

Councillor Charito Drinkwalter
Chair of Emergency Services



Councillor David McCann
Chair of Operations

Councillor Rory McMillan
Chair of Finance and Administration



Councillor Jim Parson
Chair of Utilities and Communications

Councillor Chris VanWalleghem
Chair of Community Services

Introductory Information

City Council

City Strategic Plan and Guiding Principles

The City's current corporate strategic Plan lays the foundation for the City's future. This plan sets out the City's 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

Capital Plan Principles

In developing the five-year capital plan for the years 2010 through 2014, the City has adhered to certain capital budget principles that it has established to guide overall spending within the capital budget process. These principles are as follows:

- Projects will be reviewed in conjunction with the principles as set out within the City's strategic plan.
- Priority will be given to projects that have previously received Council commitment.
- Priority will be given to projects which, left undone, would represent a significant safety concern / 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.

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.

Introductory Information

City Strategic Plan and Guiding Principles

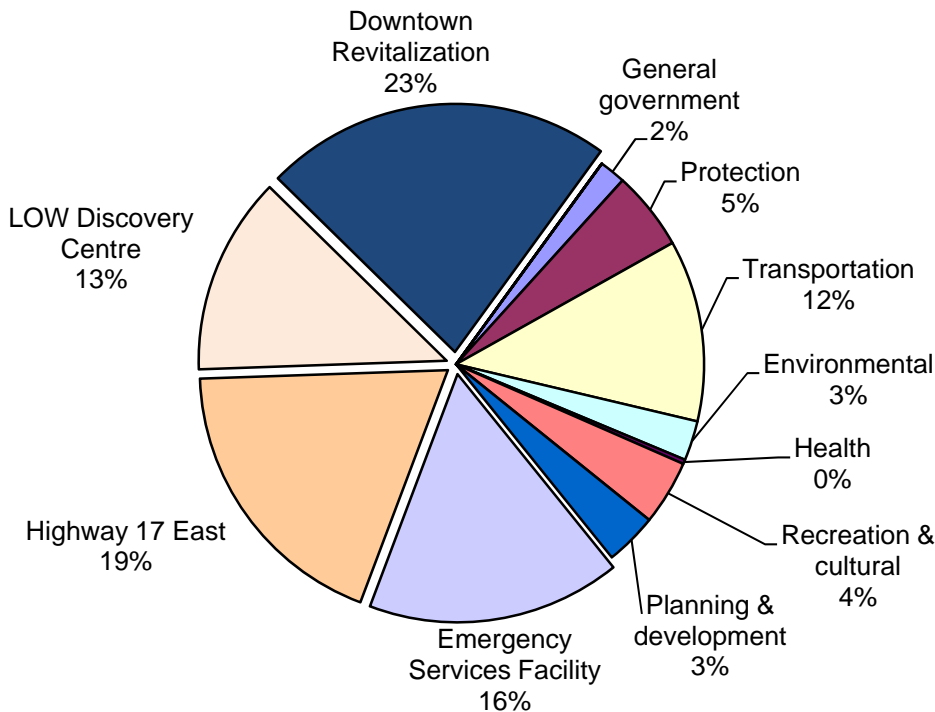
Capital Plan Principles

2010 Capital Plan Highlights

The City of Kenora 2010 Capital Plan represents combined total cost of capital projects of \$24.1 million. Major (or \$1 million dollar plus) projects planned for 2010 include:

- ❑ Emergency Services Facility - \$4.0 million
- ❑ Highway 17 East Rehabilitation - \$4.5 million
- ❑ Lake of the Woods Discovery Centre - \$3.1 million
- ❑ Downtown Revitalization Phase II – Harbourfront - \$5.5 million

The following pie chart shows gross planned capital spending for 2010 by functional area, with the major projects listed above broken out for information purposes:

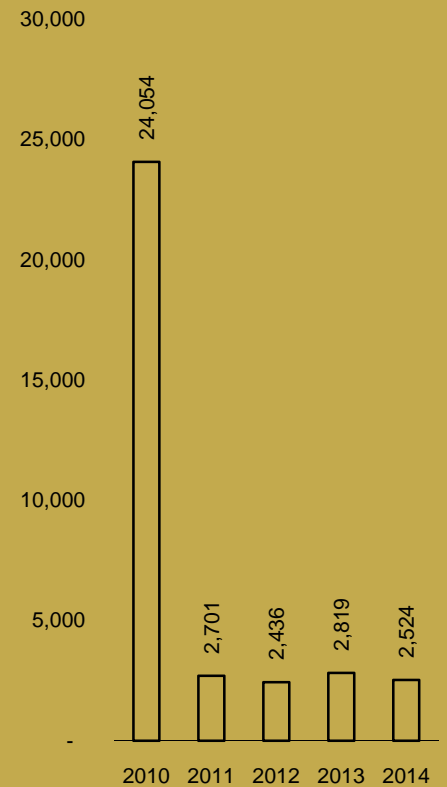


This page includes a chart outlining the gross planned capital expenditures included in the draft 2010 Five-Year Capital Plan. A summary of capital spending contained in the 2010 capital plan total and net cost, by functional area, has been included on the following page.

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, for example, the bridge inventory audit, a biannual requirement, estimated at about \$1 million. Historically, the City has allocated a set amount of tax levy to offset the combined capital and unusual spending. This makes sense from a perspective of “smoothing” budget requirements. 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 2010 (Indexes #1 through #7). The unusual spending included in the City’s 2010 budget is \$.7 million in total costs, with a net tax levy allocation of about \$.3 million.

Five Year Capital Plan
Gross Planned Expenditures
(in thousands of dollars)



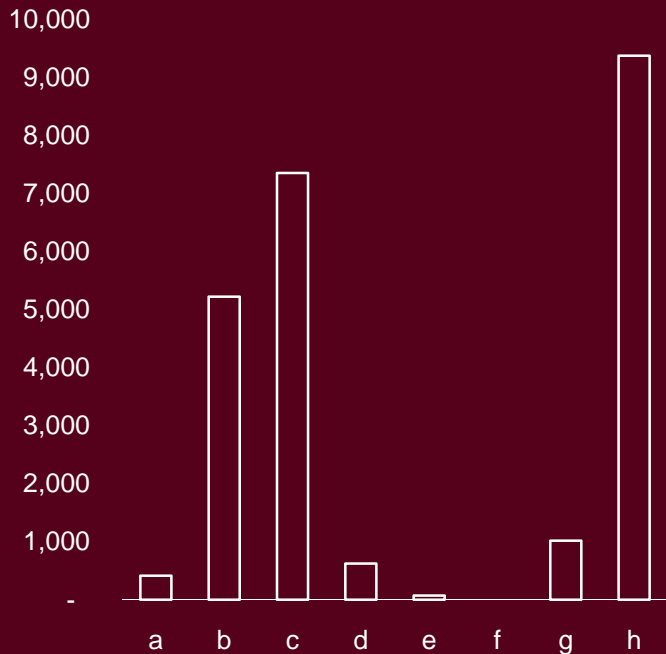
Capital Plan Highlights

2010 Capital Plan Highlights

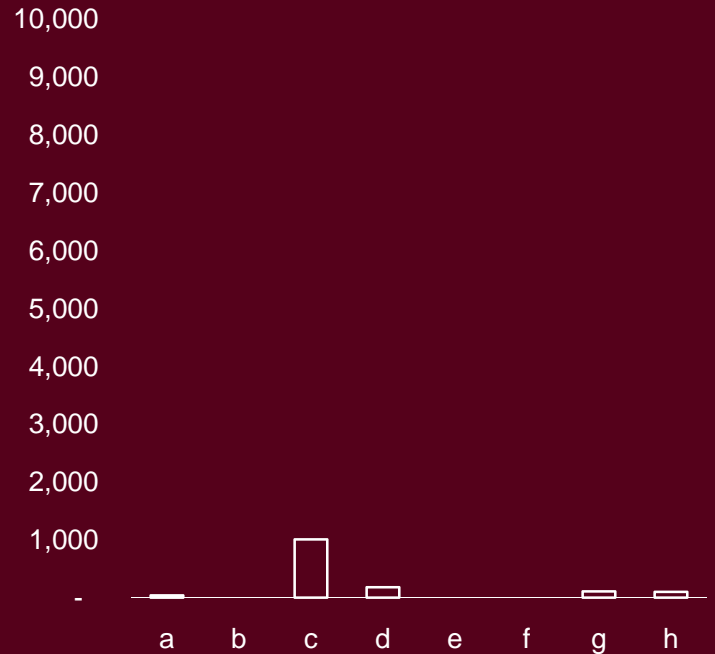
Unusual Spending

2010 Capital Plan

Planned Expenditures by Function – Gross / Net
2010 Planned Costs (in thousands of dollars)



Capital Plan Highlights



2010 Planned Capital Expenditures - Total Cost

a General government	412	1.8%
b Protection	5,219	21.7%
c Transportation	7,348	30.5%
d Environmental	622	2.6%
e Health	70	0.3%
f Social & family	-	0.0%
g Recreation & cultural	1,015	4.2%
h Planning & development	9,368	38.9%
	\$ 24,054	100.0%

2010 Planned Capital Expenditures - Net Cost

a General government	40	2.8%
b Protection	-	0.0%
c Transportation	1,007	70.2%
d Environmental	180	12.5%
e Health services	-	0.0%
f Social & family	-	0.0%
g Recreation & cultural	108	7.5%
h Planning & development	100	7.0%
	\$ 1,435	100.0%

Net Tax Levy Allocation

In 2008, the City allocated about \$2.1 million in tax dollars towards capital and unusual spending. The 2010 plan has an allocation of \$1.7 million in net tax levy, representing a substantial decrease from the 2008 allocation, although comparable to the allocation included in the 2009 budget.

As a result of changes in the global economy following the approval of the 2008 municipal budgets, interest rates in Canada fell drastically. From when the 2008 budget was approved to when the 2009 budget came in final form before Council for approval, the interest rates had dropped by about 2%. For the City of Kenora, this was significant, with anticipated net loss in interest revenues between 2008 and 2009 of just under \$.8 million. The City believes this to be an issue that will turn around over the next few years. In the interim, given the anticipated shorter term nature of this issue, the decision was made in 2009 to partially reduce the net tax levy allocation to capital spending rather than pass on the impact of the lost revenue to the taxpayer, either through increased taxes and / or fees or reductions in local services. For 2010, the City has maintained the 2009 amended spending levels. Planned spending currently reflects a restatement of capital spending to historical levels commencing in 2012. This decision will be actively re-evaluated during the 2011 budget process.

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 equipment replacement. Overall, in 2010, the City is estimating it will put aside just over \$2.0 million into non-utility reserves.

Planned contributions to capital works and special projects from reserve and reserve funds for the 2010 five-year capital plan are:

Capital Works

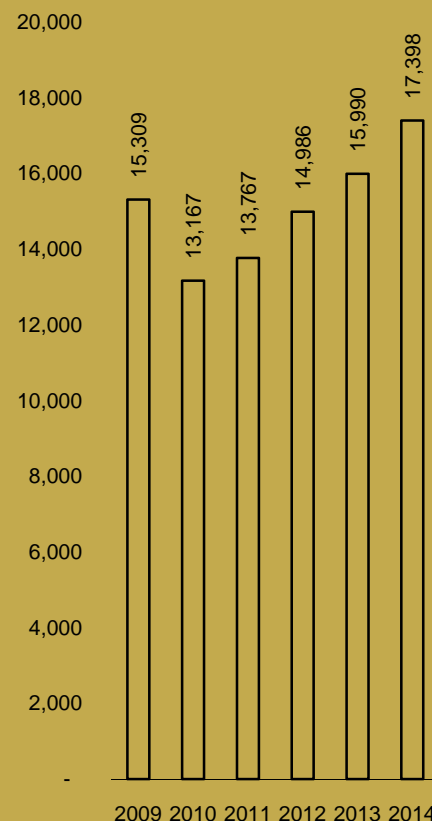
- ❑ 2010 - \$3.8 million
- ❑ 2011 - \$1.1 million
- ❑ 2012 - \$.5 million
- ❑ 2013 - \$.8 million
- ❑ 2014 - \$.3 million

Special Projects

- ❑ 2010 - \$.4 million
- ❑ 2011 - \$.1 million
- ❑ 2012 - \$.2 million
- ❑ 2013 - \$.1 million
- ❑ 2014 - \$.1 million

This page includes a chart outlining the projected non-utility reserve and reserve fund balances, based on approved capital expenditures included in the 2010 Five-Year Capital Plan, as well as contributions to Non-Capital Special Projects / Unusual Spending and some minor contributions to other operating items. This chart assumes that the preliminary estimated reserve appropriations for 2010 will be continued throughout the period 2011 through 2014, with the exception of the contingency reserve allocation. This allocation was increased in 2010 to reflect budgeted savings achieved through consolidating policing services for the City with the Ontario Provincial Police (OPP), previously provided through a hybrid policing arrangement comprised of both the Kenora Police Services and the OPP.

Projected City Reserves and Reserve Funds (in thousands of dollars)



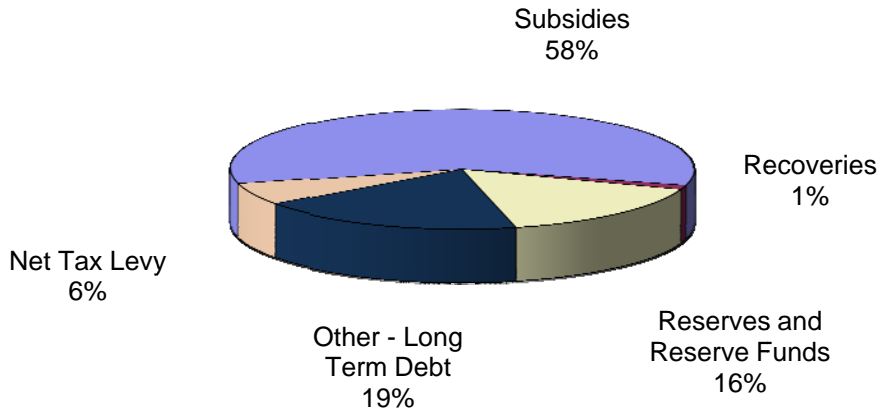
Capital Plan Highlights

Net Tax Levy Allocation

Reserves and Reserve Funds

Other Funding Sources

The proposed primary source of funding for the 2010 capital plan approved project is subsidies from senior levels of government, representing 58% of all planned capital spending for 2010. In 2009, the City was very fortunate in securing funding towards a number of planned works through a number of programs such as NOHFC and FedNor (Downtown Revitalization) and Build Canada (Discovery Centre and Highway 17 East rehabilitation) to name just a few. The next most significant source of funding is anticipated long term debt issuance, representing 19% of planned capital spending for 2010. This is followed by appropriations from reserves and reserve funds, representing an additional 16% of capital funding. For 2010, these percentages are significantly impacted as a result of a number of significant projects planned, with related infrastructure funding from senior government. The following pie chart illustrates the breakdown of funding sources for capital spending planned in 2010:



This information does not include additional projects being contemplated through Long Term Debt Financing in Index #8. Projects included in Index #8 have not received Council approval to proceed at this time. Some of the projects being considered for debt financing are also dependent on funding from senior levels of government.

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 projects with a total cost of \$7.6 million, or a net tax levy requirement of \$7.6 million,

All projects listed above continue to be City priorities. In 2010, deleted projects related primarily to road works for which there is not sufficient funding available at this time. Should additional funding be made available, these projects would become a priority for potential funding. A complete list of deleted projects can be found in Index #10 of this budget.

Capital Plan Highlights

Other Funding Sources

Deleted Projects

Review of Higher Value 2010 Capital Projects

The following table summarizes capital projects included in the 2010 five year capital plan approved project lists (in thousands of dollars) that have a total cost estimate of \$100,000 or higher:

	Total Cost	Net Tax Levy
General Government		
City Hall Roof Replacement	\$ 100	\$ -
Protection		
Emergency Services Facility	3,981	-
Fire - Pumper Replacement	425	-
Fire - Pumper Replacement	421	-
Fire - Radio Comm Upgr	200	-
Transportation		
Municipal Paving Prg	695	429
Surface Treated Roads Prg	210	186
Gravel Roads Prg	250	250
Sidewalks Prg	100	100
Highway 17 East	4,500	-
Conventional Transit Bus	400	-
Main St. Wharf	200	-
Wharf Repair	500	-
Tandem Axle Plow Truck	200	-
Environmental		
Waste / Recycle Truck	105	-
Redesign Recycle Building	500	162
Recreation & Cultural		
Anicinabe Park Washroom	350	50
RInC Program	471	-
Planning & Development		
DTR - Wayfinding Signage	100	-
LOW Discovery Centre	3,100	-
DTR - Phase II Harbourfront	5,450	-
KRC Parking Lot / Infrastructure	650	-
Total Significant Projects	22,908	1,177
Projects less than \$100K	1,146	258
Total Planned 2010 Capital	\$ 24,054	\$ 1,435

** DTR - Downtown Revitalization

More detailed information on all of the 2010 approved capital projects included in the budget can be found in Index #3.

Capital Plan Discussion

Review of Higher Value 2010 Capital Projects

Long Term Debt Financing Considerations

The City has identified several significant projects which are not currently included in the approved 2010 five year capital plan project lists. The net costs for these projects are well in excess of what the City historically contributes to capital expenditures through the tax levy. The following projects, shown with their total projected cost, are currently being considered in the 2010 five year capital plan, but would require long term debt financing to proceed, over and above projects approved for funding through long term debt issuance:

- ❑ Fire 100' Platform Truck - \$1.0 million
- ❑ Railway Street Rehabilitation - \$2.6 million
- ❑ Winnipeg River West Branch Bridge - \$6.9 million
- ❑ Darlington Bay Bridge - \$.7 million
- ❑ Bay Street Overpass - \$1.7 million
- ❑ Seventh Avenue South Bridge - \$3.5 million
- ❑ Convention / Performing Arts Centre - \$7.5 million
- ❑ Beaches, Parks & Trails - \$3.5 million
- ❑ Norman Transportation Park - \$2.1 million
- ❑ Downtown Revitalization Phases III, IV & V - \$13.8 million

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. Information included in this Index is based on projected external borrowing costs.

The City's current annual debt repayment limit, as calculated by the Province, is almost \$9.0 million. In comparison, while the City does not currently have any outstanding long term debt, it intends to issue long term debt projected at \$8.6 million in 2010 to fund capital works. This will represent anticipated annual repayment obligations of \$.6 million between municipal operations and City utilities combined. Based on this, the City has sufficient room within its annual debt repayment limit to consider the additional projects as outlined in Index #8 in the 2010 five year capital plan. The associated debt repayments would represent incremental obligations that must be funded through either alternate revenue sources, reductions in expenditures or increased tax levy.

Ultimately, the decision must be made as to which, if any, of these projects are considered priority items for the City, and whether they should be financed through either internal or external long term debt. Council must, however, balance the priority of the projects, together with the longer term impacts to capital and / or other spending, or ultimately the tax rate, to ensure the City maintains fairness in taxation, while ensuring the projects implemented are in accordance with the City's strategic directions. Pursuing any of these projects will result in bringing on new debt in the face of the City's existing, and significant infrastructure deficit. As such, all these projects are being held pending the development of a business plan that would ultimately support the issuance of the related long term debt financing.

Capital Plan Discussion

Long Term Debt Financing Considerations

Accessibility for Ontarians with Disabilities

In accordance with the Accessibility for Ontarians with Disabilities Act, the City will be required to identify barriers to accessing City facilities, prioritize correction of these barriers and develop removal strategies. The City has commenced identifying these barriers through the Building / Facility Management department. Estimated costs for correcting barriers identified to date are over \$.2 million, with a number of City facilities not yet inspected. The City's 2010 planned spending includes a number of projects related to correcting accessibility issues at: City Hall, the Operations Facility, the Library and the Museum. In addition, commencing in 2010, the City has begun putting aside \$30,000 annually into an accessibility reserve, intended to help address accessibility issues as they are identified.

Budget Pressures – The Infrastructure Deficit

As with most municipalities, the City has a significant infrastructure deficit. The entire outstanding obligation is not currently known, although the City is currently actively working to establish a capital asset inventory and valuation for tracking purposes.

The most significant portion of the non-utility infrastructure deficit is represented by the City's road and bridge infrastructure. In 2010, the draft budget includes estimated expenditures of about \$5.8 million on City roads and bridges. There is an additional proposed spending of \$.4 million on City storm sewers related to the City's Kenora Recreation Centre Parking Lot project, bringing total spending on roads and bridges to about \$6.2 million for 2010. In comparison, the City's entire tax levy allocation to capital spending is only \$1.4 million for 2010. It should be recognized, however, that 2010 is an unusual year due to infrastructure funding received from senior levels of government. After adjusting for this unusual spending, normalized spending on roads and bridge infrastructure would be closer to \$1.3 million.

In contrast, the City estimates that annual capital spending on roads and bridge infrastructure should be closer to \$6.9 million, more than five times normalized 2010 spending. The table on the following page provides an overview of the City's road and bridge inventory, including storm sewers, sidewalks, streetlights and street signs. The table provides information on lengths / quantities included in the inventory, as well as replacement costs and expected useful life. This table shows that, even if the City was able to achieve two thirds funding on all related expenditures, annual spending should still be almost \$2.7 million.

A significant portion of this infrastructure was previously funded primarily through the Province. This funding source has been discontinued. This concern is compounded by the commitment of the remaining downloaded roads reserve monies from Province to the downtown revitalization project. The infrastructure is aging, and represents a potentially significant cost to the City that cannot feasibly be funded primarily through tax dollars.

Even more disconcerting is that the City's infrastructure deficit is not limited to roads and bridges alone. Similar deficits exist, albeit to a lesser extent, for City assets such as buildings and facilities, and equipment.

Capital Plan Discussion

Accessibility
For Ontarians
With Disabilities

Budget Pressures - The
Infrastructure Deficit

City of Kenora
Roads & Bridges Infrastructure
Estimated Future Annualized Capital Needs
(in thousands of dollars)

	Length / Quantity	Cost / km or Unit Cost	Useful Life	Annualized Cost / km	Annualized Total Cost
Kenora Roads					
Asphalt	64 km	\$ 225	25	\$ 9	576
Surfact Treatment	5 km	150	10	15	75
Gravel	1 km	100	5	20	20
	70				671
Keewatin Roads					
Asphalt	18 km	\$ 225	25	\$ 9	162
Surfact Treatment	14 km	150	10	15	210
Gravel	1 km	100	5	20	20
	33				392
Jaffray Melick Roads					
Asphalt	43 km	\$ 225	25	\$ 9	387
Surfact Treatment	18 km	150	10	15	270
Gravel	159 km	100	5	20	3,180
	220				3,837
Combined Roads Requirements					\$ 4,900
Other					
Storm Sewers	39 km	\$ 350	50	\$ 7	273
Sidewalks	120 km	100	25	4	480
Streetlights	1,700	0.5	25	-	34
Street Signs	10,000	0.1	20	-	50
					\$ 837
Total Requirements Before Bridges					\$ 5,737
Bridges					
Kenora	9	\$ 59,171	75	\$	790
Keewatin	3	17,130	75		228
Jaffray Melick	5	6,292	75		84
	17			\$	1,102
Pedestrian Bridges	3	3,177	75		42
Combined Bridges Requirements					1,144
Total Requirements					\$ 6,881
Net Requirements (assuming 2/3's funding)*					\$ 2,670

* Assumes 2/3's funding on Roads, Bridges and Storm Sewers only.