

Five Year Capital Plan  
2011 - 2015

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 David Canfield



Councillor Ron Lunny  
Chair of Finance



Councillor Charito Drinkwalter  
Chair of Community & Protective Services



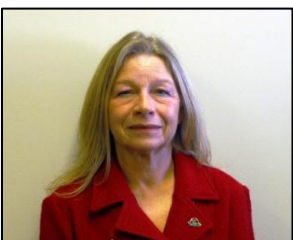
Councillor Rod McKay  
Chair of Operations



Councillor Rory McMillan  
Chair of Corporate Services



Councillor Louis Roussin  
Chair of Property & Community Planning



Councillor Sharon Smith  
Chair of Economic Development

## 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 2011 through 2015, 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

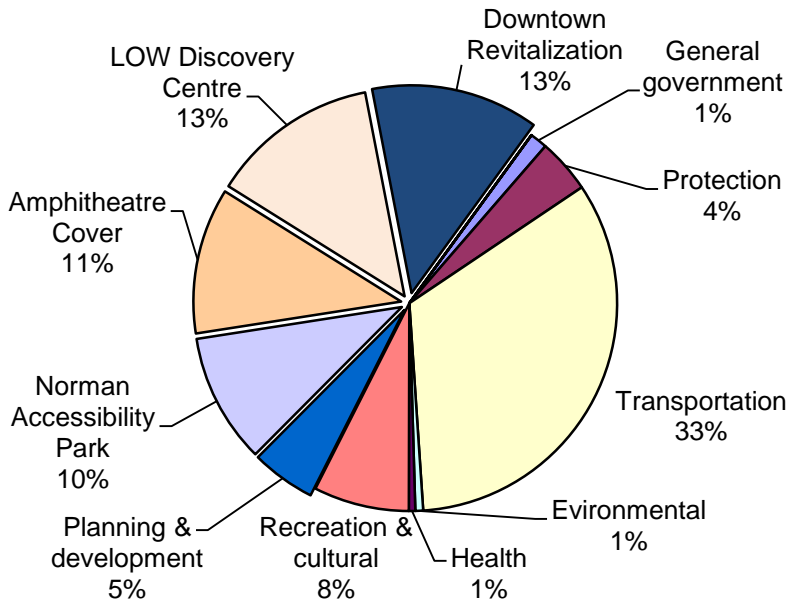
Capital Plan Principles

### 2011 Capital Plan Highlights

The City of Kenora 2011 Capital Plan represents combined total cost of capital projects of \$13.2 million. Major (or \$1 million dollar plus) projects planned for 2011 include:

- ❑ Amphitheater Cover - \$1.5 million
- ❑ Lake of the Woods Discovery Centre Completion - \$1.7 million
- ❑ Downtown Revitalization Phase II – Completion - \$1.7 million
- ❑ Norman Accessibility Park- \$1.3 million

The following pie chart shows gross planned capital spending for 2011 by functional area, with the major projects listed above broken out for information purposes:

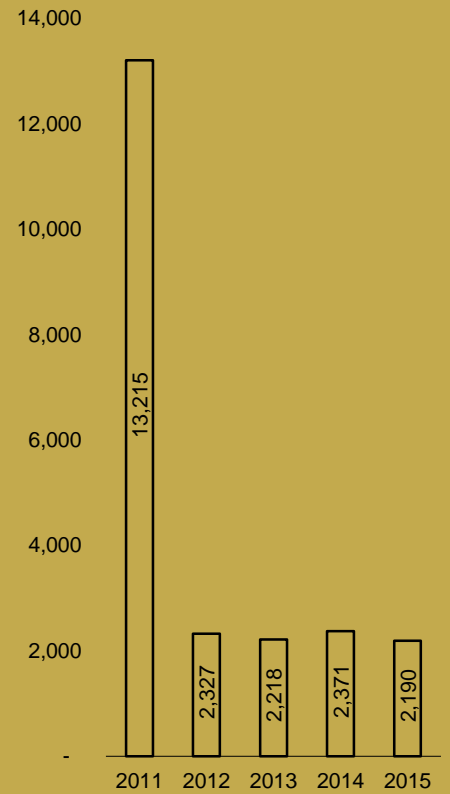


This page includes a chart outlining the gross planned capital expenditures included in the draft 2011 Five-Year Capital Plan. A summary of capital spending contained in the 2011 capital plan total and net cost, by functional area, has been included on the following page.

### 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 2011 (Indexes #1 through #7). The unusual spending included in the City’s 2011 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)



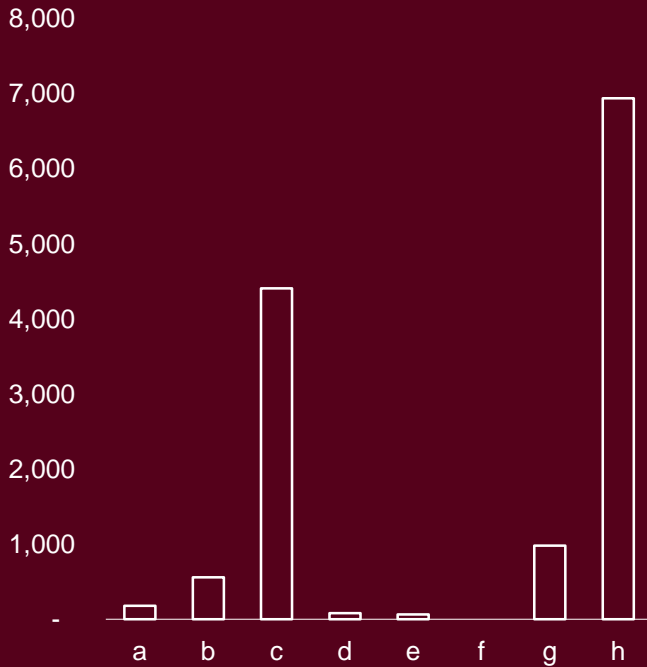
## Capital Plan Highlights

### 2011 Capital Plan Highlights

#### Unusual Spending

## 2011 Capital Plan

Planned Expenditures by Function – Gross / Net  
2011 Planned Costs (in thousands of dollars)



## Capital Plan Highlights



### 2011 Planned Capital Expenditures - Total Cost

a General government	180	1.5%
b Protection	558	4.2%
c Transportation	4,407	33.3%
d Environmental	80	0.6%
e Health	66	0.5%
f Social & family	-	0.0%
g Recreation & cultural	981	7.4%
h Planning & development	6,943	52.5%
<b>\$ 13,215</b>		<b>100.0%</b>

### 2011 Planned Capital Expenditures - Net Cost

a General government	40	2.8%
b Protection	27	1.8%
c Transportation	1,160	79.4%
d Environmental	-	0.0%
e Health services	-	0.0%
f Social & family	-	0.0%
g Recreation & cultural	81	5.5%
h Planning & development	153	10.5%
<b>\$ 1,461</b>		<b>100.0%</b>

### Net Tax Levy Allocation

In 2008, the City allocated about \$2.1 million in tax dollars towards capital and unusual spending. The 2011 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 2010 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 2011, the City has maintained the 2010 spending levels. Planned spending currently reflects a phase in restatement of capital spending to historical levels commencing in 2014. This decision will be actively re-evaluated during the 2012 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 2011, the City is estimating it will put aside just over \$1.8 million into non-utility reserves.

Planned contributions to capital works and special projects from reserve and reserve funds for the 2011 five-year capital plan are:

#### Capital Works

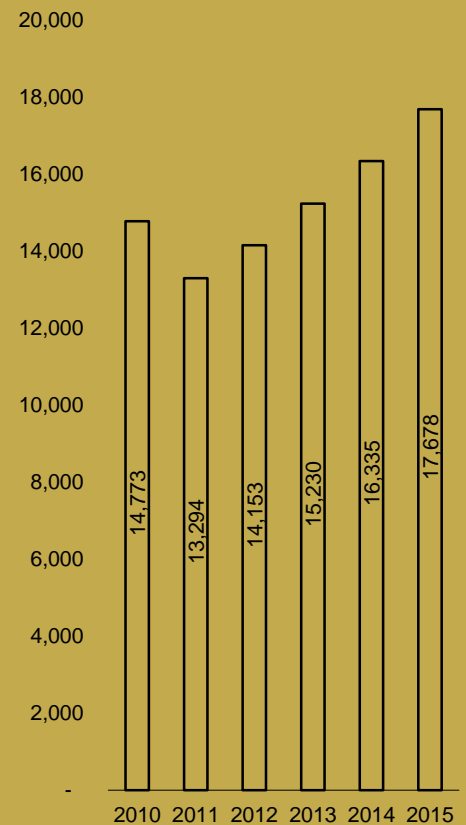
- ❑ 2011 - \$3.4 million
- ❑ 2012 - \$ .7 million
- ❑ 2013 - \$ .6 million
- ❑ 2014 - \$ .5 million
- ❑ 2015 - \$ .4 million

#### Special Projects

- ❑ 2011 - \$ .4 million
- ❑ 2012 - \$ .2 million
- ❑ 2013 - \$ .1 million
- ❑ 2014 - \$ .2 million
- ❑ 2015 - \$ .0

This page includes a chart outlining the projected non-utility reserve and reserve fund balances, based on approved capital expenditures included in the 2011 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 2011 will be continued throughout the period 2012 through 2015. There is opportunity to increase the contingency reserve in 2011 due to an increase in the police services grant in Ontario Municipal Partnership Fund (OMPF). This proposal is being brought forward to council for consideration.

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



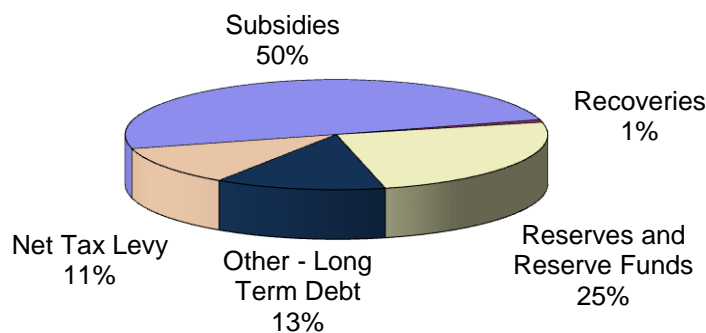
## Capital Plan Highlights

Net Tax Levy Allocation

Reserves and Reserve Funds

### Other Funding Sources

The proposed primary source of funding for the 2011 capital plan approved project is subsidies from senior levels of government, representing 50% of all planned capital spending for 2011. In 2010, 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. These projects are expected to be completed in 2011. The next most significant funding source is appropriations from reserves and reserve funds, representing an additional 25% of capital funding. This is followed by anticipated long term debt issuance, representing 13% of planned capital spending for 2011. For 2011, 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 2011:



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 \$4.6 million, or a net tax levy requirement of \$4 million. If you combine the City's ongoing infrastructure under spending, the reductions total \$26 million, or a net tax levy requirement of \$25.4 million.

All projects listed above continue to be City priorities. In 2011, deleted projects related primarily to 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 and an infrastructure under spending analysis can be found in Index #10 of this budget.

## Capital Plan Highlights

Other Funding Sources

Deleted Projects



### Review of Higher Value 2011 Capital Projects

The following table summarizes capital projects included in the 2011 five year capital plan approved project lists (in thousands of dollars) that have a total cost estimate of \$100,000 or higher:

#### City of Kenora

#### Higher Value 2011 Approved Capital Projects

(in thousands of dollars)

	Total Cost	Net Tax Levy
<b>Protection</b>		
Fire - Pumper Replacement	421	-
<b>Transportation</b>		
Municipal Paving Prg	760	<b>703</b>
Surface Treated Roads Prg	266	<b>200</b>
Gravel Roads Prg	100	<b>100</b>
Sidewalks Prg	100	<b>100</b>
Highway 17 East (carry over from 2010)	985	-
Conventional Transit Bus (carry over from 2010)	400	-
Wharf Rehabilitation	984	-
Replace Roads Loader	225	-
Tandem Axle Plow Truck (carry over from 2010)	223	-
<b>Recreation &amp; Cultural</b>		
Rotary Way Trail - Phase II	118	<b>17</b>
Anicinabe Park Washroom (carry over from 2010)	228	-
Pavilion Upgrades	201	-
Compressor Replacement	280	<b>24</b>
<b>Planning &amp; Development</b>		
DTR - Wayfinding Signage	100	-
Amphitheatre Cover	1,500	-
LOW Discovery Centre (carry over from 2010)	1,726	-
Furnish Harbourfront	125	-
DTR - Phase II Harbourfront (carry over from 2010)	1,724	-
Dufresne Island North Access	100	-
KRC Infrastructure (carry over from 2010)	287	-
Norman Accessibility Park	1,332	<b>153</b>
<b>Total Significant Projects</b>	<b>12,185</b>	<b>1,297</b>
Projects less than \$100K	1,030	<b>164</b>
<b>Total Planned 2011 Capital</b>	<b>\$ 13,215</b>	<b>\$ 1,461</b>

## Capital Plan Discussion

### Review of Higher Value 2011 Capital Projects

More detailed information on all of the 2011 approved capital projects included in the budget can be found in Index #3.

### Long Term Debt Financing Considerations

The City has identified several significant projects which are not currently included in the approved 2011 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 2011 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:

- ❑ Railway Street Rehabilitation - \$2.6 million
- ❑ Winnipeg River West Branch Bridge - \$5.4 million
- ❑ Keewatin Channel Bridge - \$1.1 million
- ❑ Darlington Bay Bridge - \$.7 million
- ❑ Bay Street Overpass - \$1.7 million
- ❑ Seventh Avenue South Bridge - \$3.6 million
- ❑ Convention / Performing Arts Centre - \$7.5 million
- ❑ Beaches, Parks & Trails - \$3.5 million
- ❑ Norman Transportation Park - \$2.5 million
- ❑ Downtown Revitalization Phases III & IIV - \$11.3 million
- ❑ Rest Stop – Jack Robinson Park - \$.6 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 estimated at \$10 million in 2011 to fund capital works. This will represent anticipated annual repayment obligations of \$.5 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 2011 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

### **Recreation Facilities Strategy**

In January of 2010, an independent review of the city's recreation facilities was completed by Scatliff and Associates. The focus of the review was on rationalizing the current supply of targeted major facilities, identifying economies that could be achieved and proposing a short and long-term plan for the development and operation of major facilities in the City. The report contains 22 recommendations for improvements to existing recreation facilities and operations at total implementation cost of \$18 million. The 2011 budget contains several project identified by this report however they have been excluded pending further consideration regarding specific project priorities and funding levels.

### **Beaches, Parks and Trails Development Project**

In conjunction with the City of Kenora's tourism development strategy and its economic development plan, city council identified beaches, parks & trails as being key infrastructure which would turn Kenora into a destination community. As a result a study was completed in Aug of 2010. The scope of study called for conceptual site plans & recommendations for five park areas within the City, including:

- Anicinabe Park
- Garrow Park
- Coney Island Park
- Beatty Park
- Portage Bay

The study contains a multitude of recommendations for improvements to existing beaches parks and trails and a total implementation cost of \$15 million. Like the recreation facilities strategy, the 2011 budget contains several projects related to this initiated that have either been deleted or added to the long term debt list pending further business case development and priority setting.

It should be noted that a similar study was conducted for Norman Park and will be used in conjunction with the Beaches, Parks and Trails Development Project for business case development and project priorities.

## **Capital Plan Discussion**

Recreation Facilities  
Strategy

Beaches, Parks and Trails  
Development Project

### **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 2011, the draft budget includes estimated expenditures of about \$2.2 million on City roads and bridges. In comparison, the City's entire tax levy allocation to capital spending is only \$1.5 million for 2011.

In contrast, the City estimates that annual capital spending on roads and bridge infrastructure should be closer to \$5.5 million, more than three times the entire tax levy allocated to all capital spending. Index 10 illustrates a comparison between budgeted expenditures and estimated annualized replacement costs. This table shows that the city is under spending its roads, bridges and storm sewer infrastructure by nearly \$4.4 million in 2011.

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**

Budget Pressures - The  
Infrastructure Deficit

