

City Of Kenora

2006 Operating Budget

The Budget Challenge – “6 & 6”

Public Meeting: 10 May 2006

City of Kenora

2006 Operating Budget

Public Meeting Agenda

- City Budget vs. Utility Budgets
- Guiding Principles
- The Budget as a Public Process
- Operating Budget Highlights
- Major Budget Impacts
 - ◆ Abitibi Mill Closure
- Final 2006 Budget Impacts / Reductions
- Municipal Tax Rates & Residential Taxes
- “6 & 6” – Future Budget Pressures
- Q & A’s
- Public Input – 2007 & Beyond

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2006 Operating Budget

City Budget vs. Utility Budgets

- City Operating Budget does not include costs for City Utilities:
 - ◆ Water & Sewer
 - ◆ Solid Waste (excluding recycling)
 - ◆ KMTS
 - ◆ Kenora Hydro
- The utilities are fully funded through user pay

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Guiding Principles for the Corporation

- 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

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Guiding Principles for the Budget Process

- 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 operating expenses from those reserves
- Kenora will not issue long term debt unless justified through a business case on an individual basis

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The Budget as a Public Process

- Public Meeting on draft five year capital plan
 - ◆ February 2006
- Citizen survey on the 2006 Budget Challenge
 - ◆ On-line through City portal
 - ◆ Paper format
 - ◆ City Hall
 - ◆ Kenora Public Library (Kenora & Keewatin Branch)
 - ◆ New Operations Centre
- Survey results tabulated and distributed, including all comments received, to Council and senior management, for review and discussion in the 2006 operating budget deliberations
- Public Meeting, with opportunity for initial input for 2007

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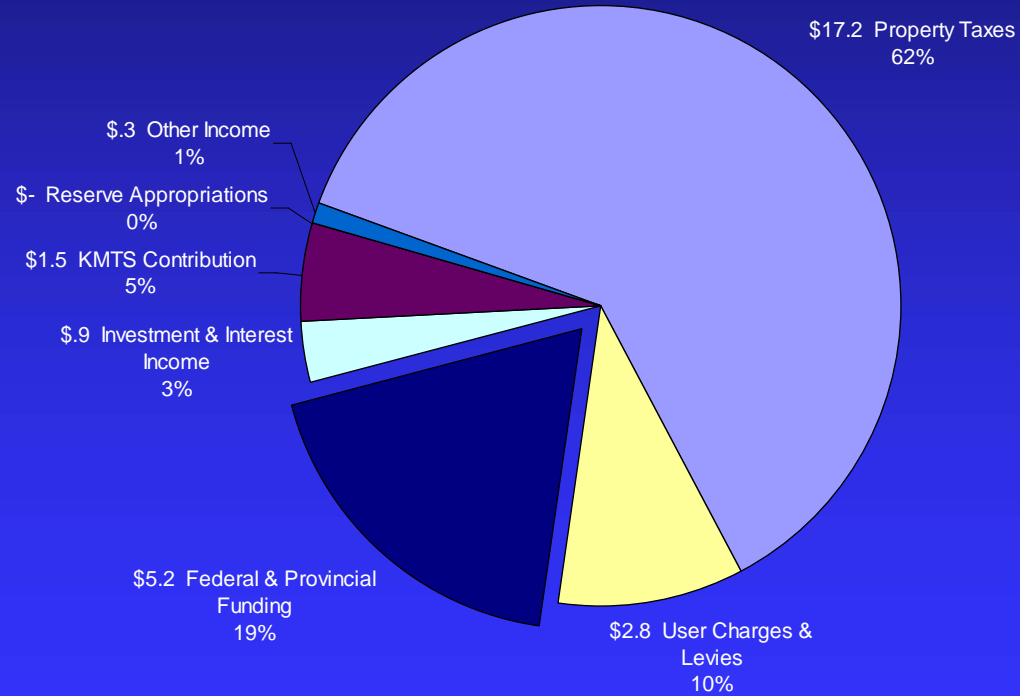
2006 Operating Budget

Operating Budget Highlights

- Budgeted Operating Expenditures - \$24.1 million
- Combined Operating, Capital and Reserve Expenditures - \$32.6 million
- Tax Levy - \$17.2 million
 - ◆ Tax revenues are City's primary source of funding

2006 Municipal Operating Revenues

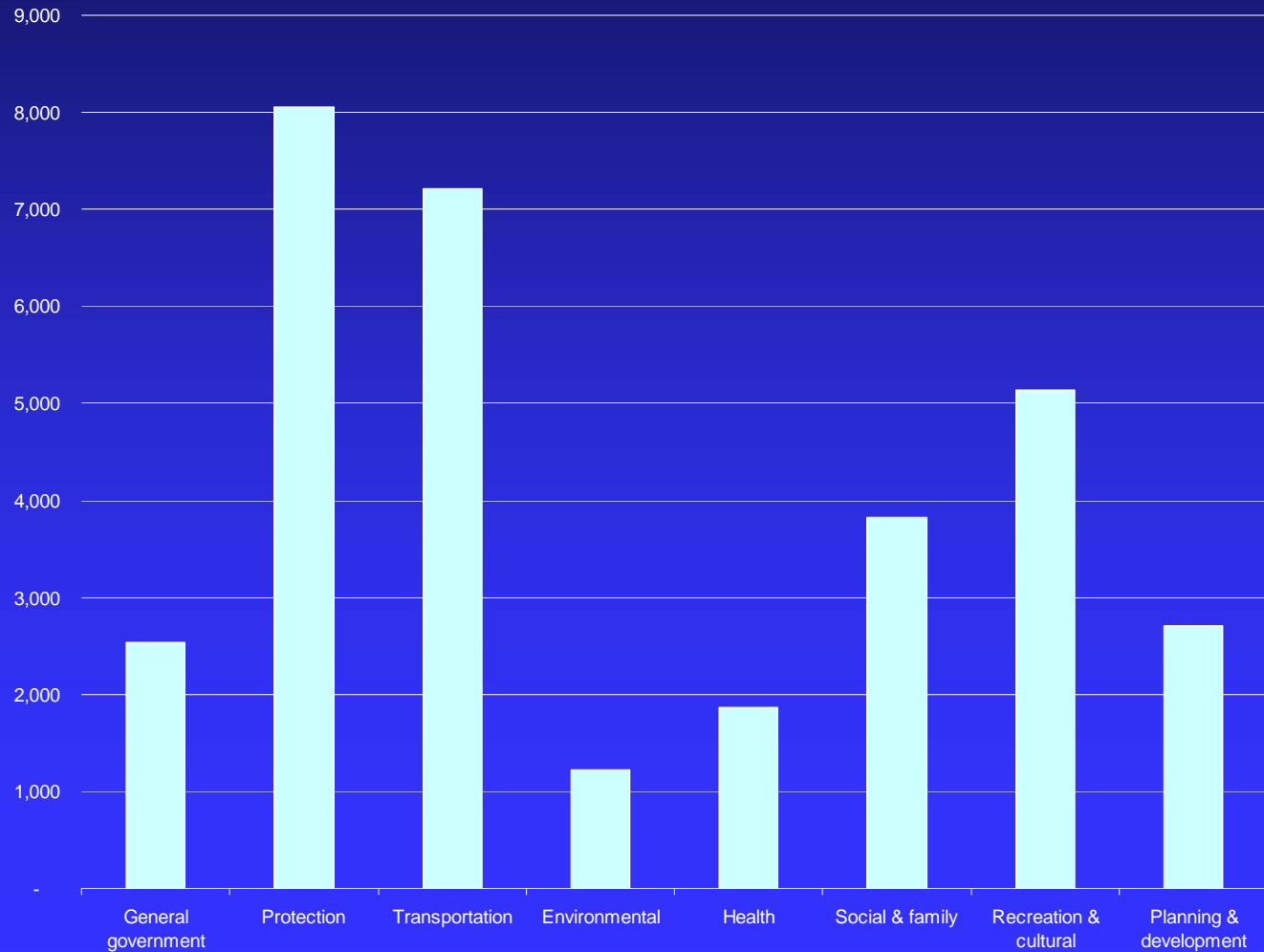
TOTAL: \$27.9 (in millions of dollars)



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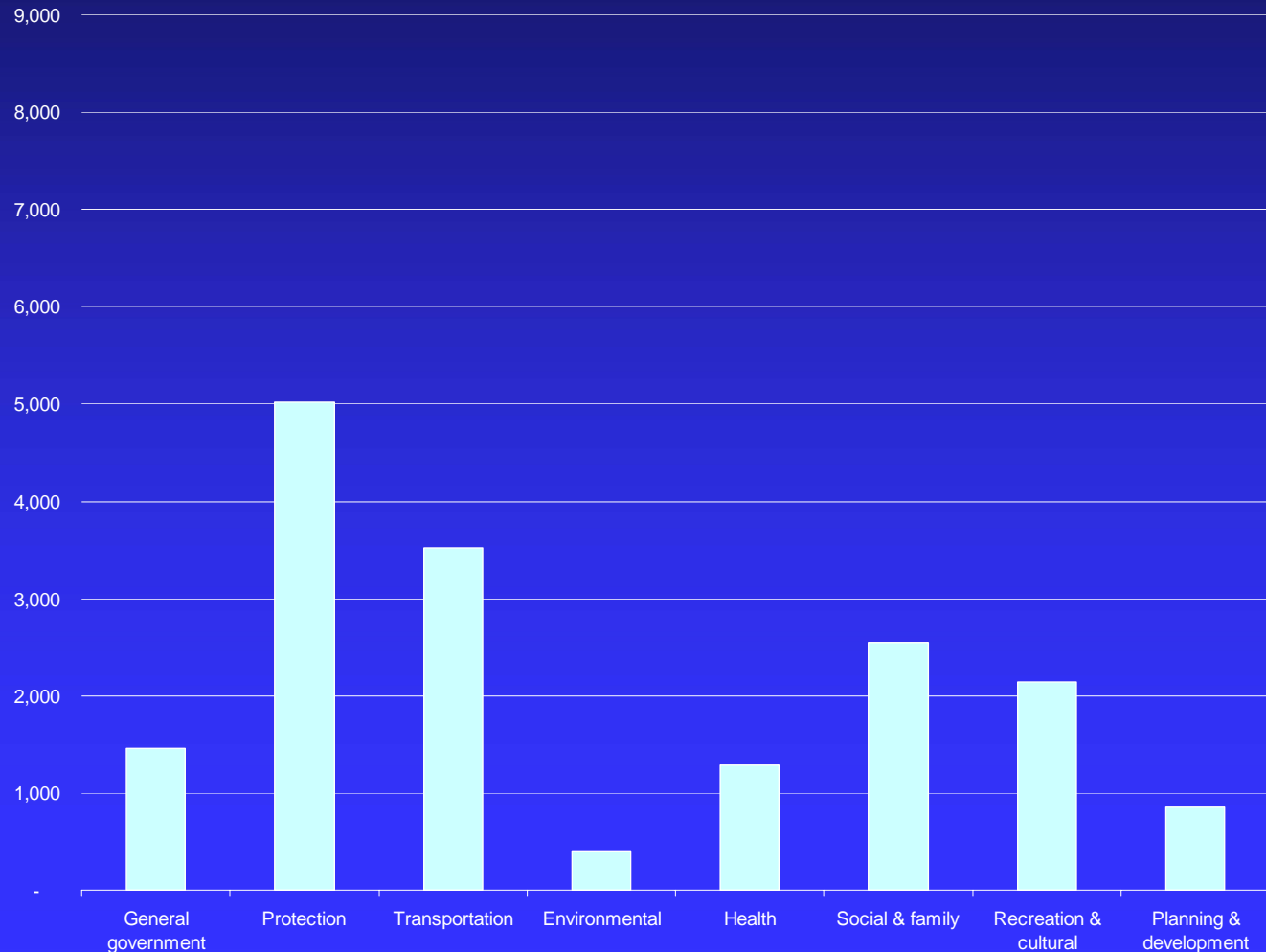
Gross Expenditures



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Net Tax Levy Allocation



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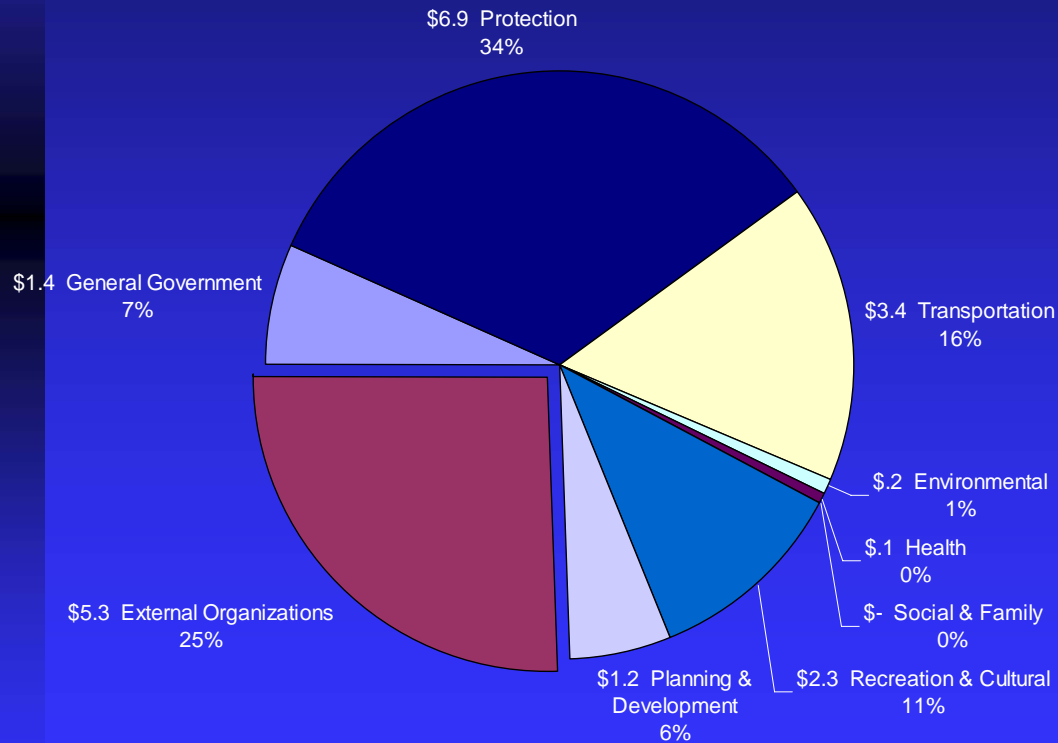
2006 Operating Budget

Net Program Costs

- Net Program Costs = Net Operating Expenditures
- Do not include capital expenditures or reserve appropriations
- Planned Net Program Costs - \$20.8 million
 - ◆ Protection - \$6.9 million (34%)
 - ◆ External Organizations - \$5.3 million (25%)
 - ◆ Transportation - \$3.4 million (16%)

2006 Net Program Costs

TOTAL: \$20.8 (in millions of dollars)



External Organizations

■ NWHU

■ KDSB

◆ Land Amb.

◆ OW

◆ Child Care

◆ Social Housing

■ Pinecrest

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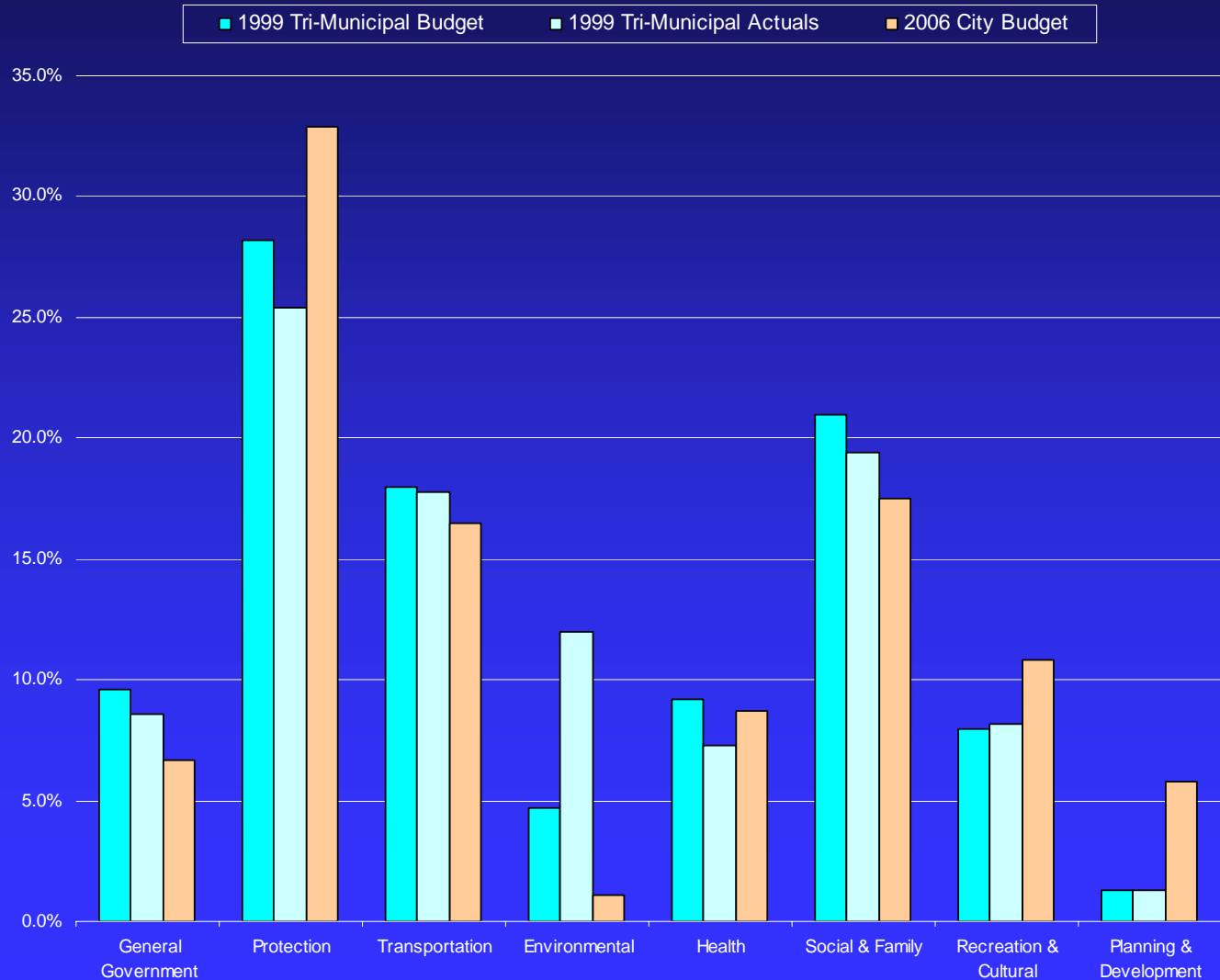
2006 Operating Budget

Major Budget Impacts

- Significant increases in the assessment base
- Abitibi mill closure impacts
- Increased demands
 - ◆ Policing
 - ◆ Roads
 - ◆ Insurance
- 2006 Budget Crisis – before all budgets received
- Managers directed to cut where possible and resubmit
- Amended draft reflected an increase of 7.5%

Shifting City Net Program Costs

1999 Tri-Municipal Budget / Actual vs. 2006 Budget



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2006 Operating Budget – Major Impacts

Abitibi Mill Closure

- Most significant single 2006 impact
- Direct job loss – 365 mill jobs
- Anticipated spin-off job loss – conservative 1:1 ratio doubles the job loss
- Estimated economic impacts to the local economy - \$61 million annually
- Utility related losses estimated at \$623K
- Immediate tax losses of 30% - 35% for vacancy rebates
- Estimated assessment related losses of up to 80%, as early as 2006

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Major Impacts - Abitibi Mill Closure

(in thousands of dollars)

	20%	80%	50%
	Phase In *	Loss **	Loss
Anticipated Impacts			
Assessment Related Reduction	\$ 247	\$ 986	\$ 616
Estimated Vacancy Rebate	324	81	202
Combined Projected Loss	\$ 571	\$ 1,067	\$ 819

* A 20% phase in has been discussed with DMA, who are representing Abitibi in reducing the current assessment on the local mill site.

** DMA is estimating the entire loss to Abitibi assessment could be as high as 80% of the current assessed values.

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Final 2006 Budget Impacts

- Initial cuts made with the intent of not reducing service levels
- Draft to Council represented impacts of \$1.1 million, or 7.5% tax rate impact
- Council & City senior management met on several occasions to review options for budget cuts
- Second round cuts made, some of which impact service levels
- Final impact for 2006 budget – 2% on municipal share of residential tax rate

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2006 Budget Reductions

No Service Level Impacts

- Wage freeze for all staff without active agreements for 2006, including Library & Museum
- Freeze grid movement for non-union staff for 2006
- Increased parking revenues
 - ◆ Meter rates from \$.50 - \$.75 / hour
 - ◆ Parking fines from \$7 - \$10
 - ◆ Daily parking in lots from \$.40 - \$.75 / hour
- Extend new internal loans from 15 years to 20
- Reduction in Kenora Police Services Budget Request
- KDSB Ambulance – new 50 / 50 funding

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2006 Budget Reductions

Travel & Training Reductions

- Mayor & Council Travel Cuts
- Eliminate all staff non-mandatory training

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2006 Budget Reductions

Low to Moderate Service Level Impacts

- Elimination of Staff Positions
 - ◆ 1 Licensing Clerk
 - ◆ 1 Carpenter Position
 - ◆ 1 Deputy Fire Chief
 - ◆ 1 Roads Management Position
 - ◆ 3 Roads Union Positions
 - ◆ 1 Storekeeper Position
 - ◆ 1 Recreation Centre Janitor Position
- Total of 9 eliminations of full time staff positions in 2006 budget – 2 non-union and 7 Union

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2006 Budget Reductions

Low to Moderate Service Level Impacts

- Other Staffing Related Reductions
 - ◆ Reduction in City Hall Janitor position from full time to part time
 - ◆ Reduction in Parks position from full time to seasonal
 - ◆ Reduction in Parks seasonal position
- Elimination of Facilities Contract

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2006 Budget Reductions

Service Reductions

- Museum closure over Christmas
- Library Budget Reduction
- Elimination of Seniors Cruise

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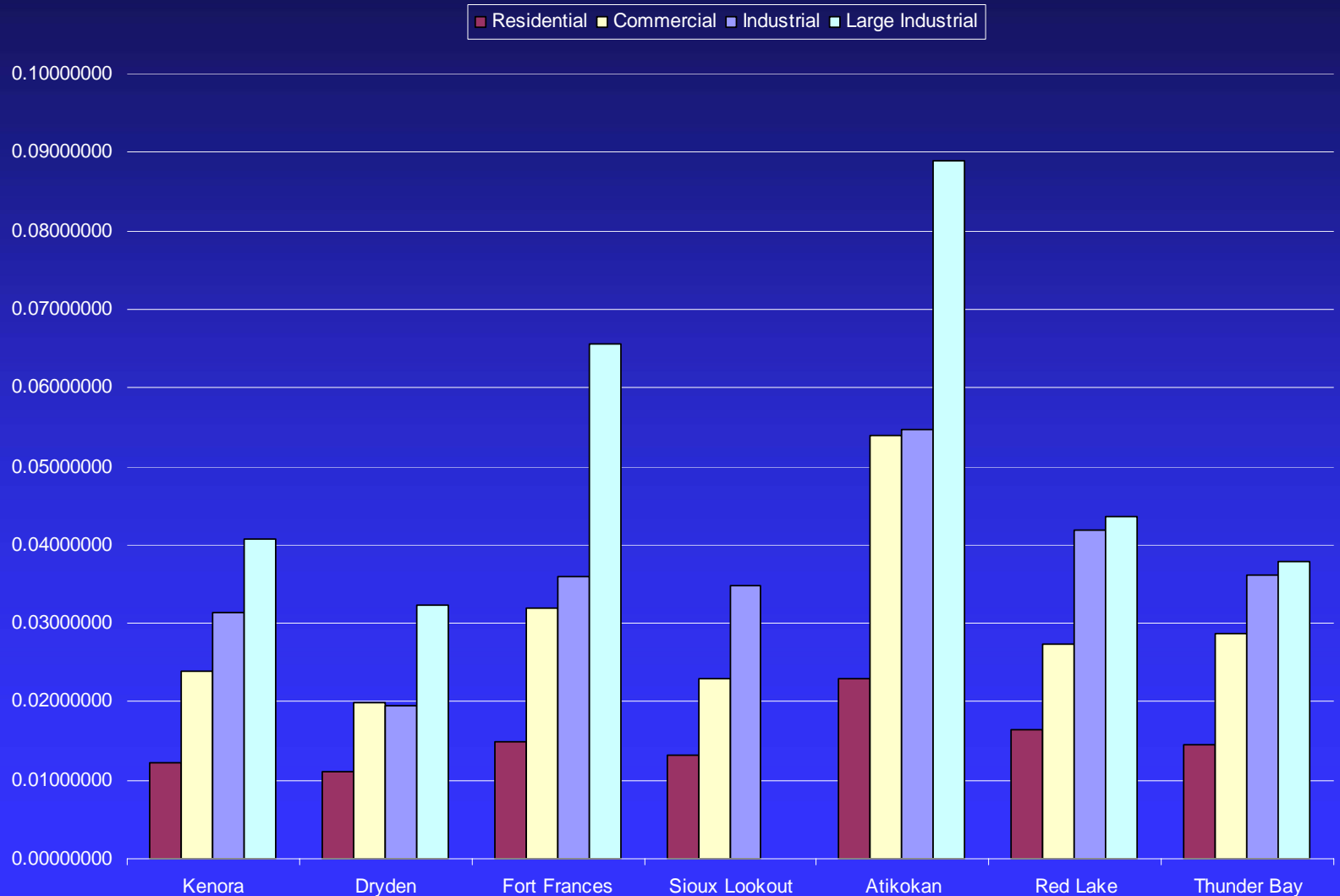
Municipal Tax Rates & Taxes

Where Does Kenora Stand?

- Survey of 6 other Northwestern Ontario Municipalities
- Based on 2005 tax rates, out of the seven municipalities
 - ◆ Kenora is 2nd lowest residential tax rate
 - ◆ Kenora is 3rd lowest commercial tax rate
 - ◆ Kenora is 2nd lowest industrial tax rate
 - ◆ Kenora is the median for large industrial tax rate
- Comparison is based on municipal tax rates only, and is independent of assessment related information
- 2006 rates not available for most municipalities

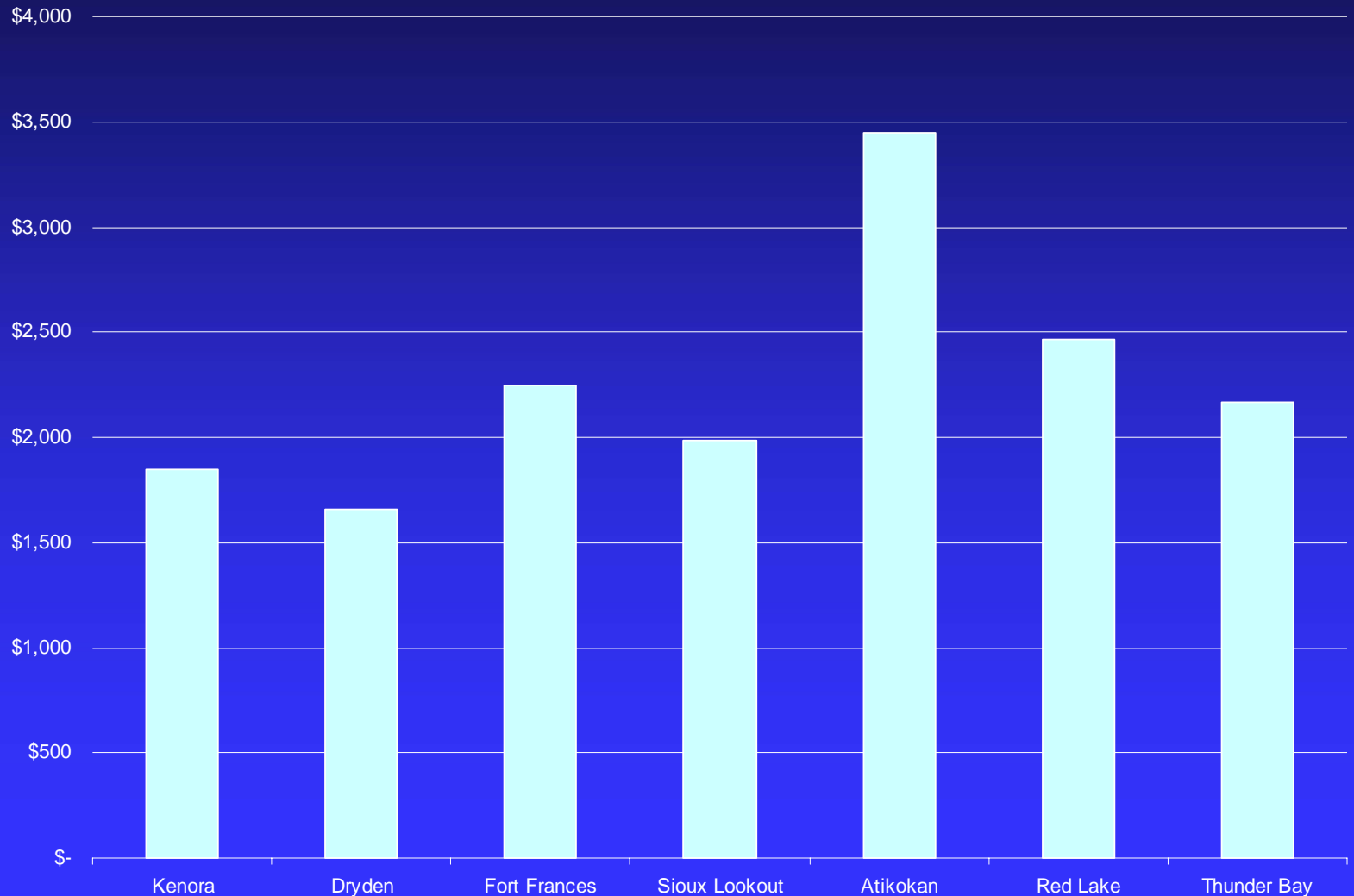
Municipal Tax Rate Comparisons

2005 Tax Rates



Residential Municipal Tax Comparison

2005 Taxes Paid - \$150K Residential Assessment



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“6 & 6” – Future Budget Pressures

What is “6 & 6”?

- Kenora is anticipating significant reductions in revenues related to both the Abitibi Closure and projected reductions in Provincial Funding through the Ontario Municipal Partnership Fund (OMPF)
- 2006 represents the first of 6 years over which these reductions are anticipated
- These 6 years represent a period of significant budget challenge for the City

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“6 & 6” – Future Budget Pressures

Abitibi Mill Closure

- Currently estimating 50% reduction in assessment
- Combined estimated loss is 80%
 - ◆ Incremental loss may be experienced as early as 2006, and may need to be reflected in 2007 budget
 - ◆ Remaining assessment may be subject to vacancy rebates of between 30% - 35%
- Anticipate the City will not know actual impacts until December 2006
- Anticipated additional loss as much as \$248K for 2007 (1.7% tax impact)

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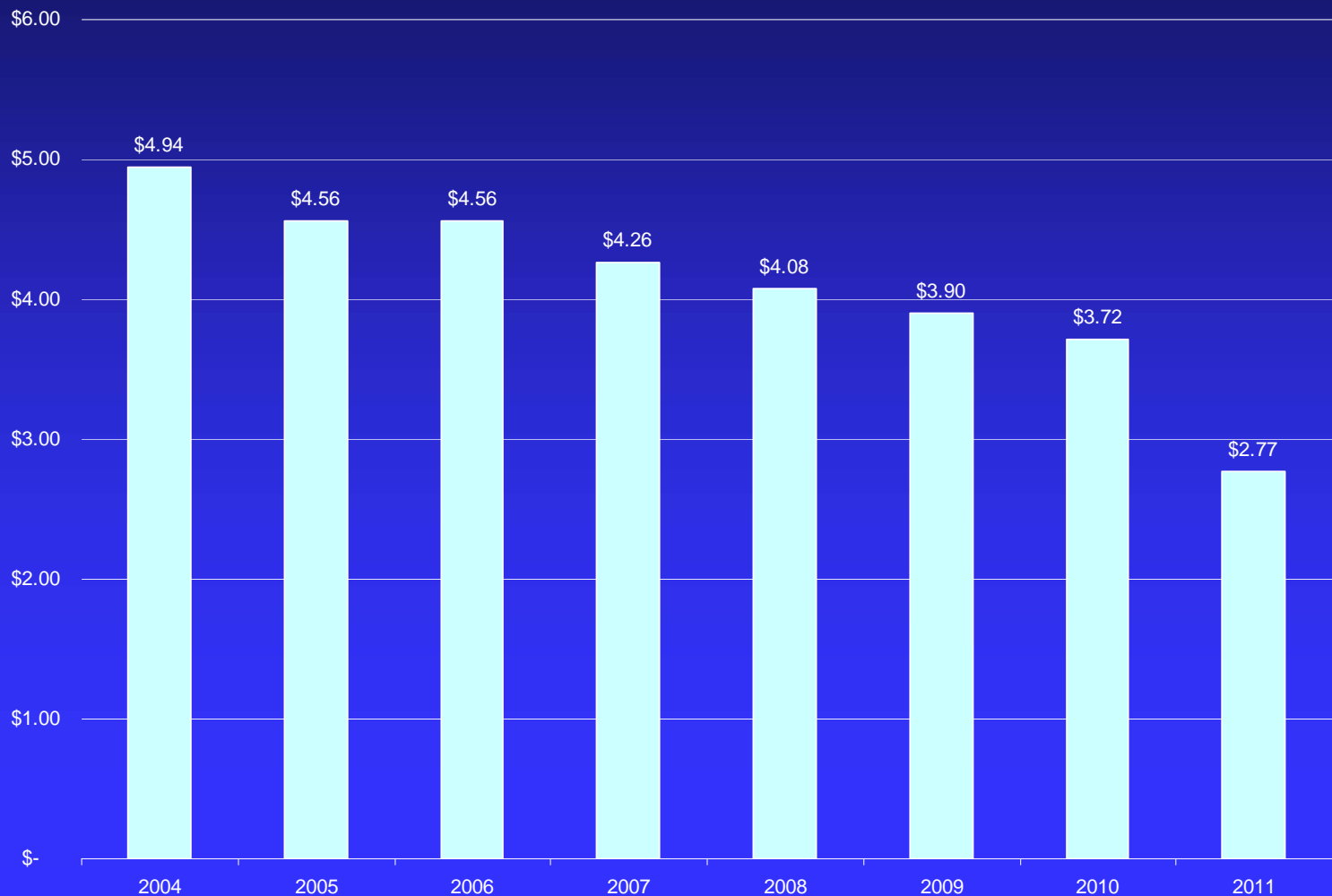
“6 & 6” – Future Budget Pressures

OMPF Funding

- Current estimated social services deficit related to this funding is about \$1.05 million for 2006
- Anticipated loss of \$1.8 million annually by 2011 from the approved 2005 level – not including
 - ◆ \$.39 million in CRF reconciliation received in 2004
 - ◆ \$1.05 million anticipated downloaded services shortfall
- An elimination of the reconciliation of downloaded costs
- Additional \$1.0 million of “stabilization” funding included in allocation up to 2011, the long term viability of which is not known

“6 & 6” – Future Budget Pressures

OMPF Funding (in millions of dollars)



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“6 & 6” – Future Budget Pressures

The Infrastructure Deficit

- Entire outstanding obligation not known
- Most significant non-utility deficit is Roads & Bridges
 - ◆ \$5.0 million estimated average annual deficit
 - ◆ Even with a projected 2/3's funding, this deficit will continue to grow
- Plan to work towards quantifying this deficit over next few years

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“6 & 6” – Future Budget Pressures

Other Potential Impacts

- Little to no relief from the continued impacts relating to the demands from external organizations
 - ◆ Health Unit – Changes in Municipal funding formula for health from 50% to 25% from 2005 through 2007
 - ◆ 45% in 2005, but increase in NWHU levy
 - ◆ 35% in 2006, but no decrease in NWHU levy
- Pressure from ratepayer associations
- Continued reductions in industrial tax rates
- City will continue to struggle to offset fairness in taxation to our taxpayers, balancing increasing /uncontrollable budget demands with significant revenue reductions

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“6 & 6” – Future Budget Pressures

Next Steps – Where do we Go From Here?

- Continued Departmental Review
 - ◆ Review of all City staff, with scope from front line staff to senior management
 - ◆ CAO ultimately responsible for final recommendations made to Council
- Continued Service Delivery Review
 - ◆ eg., Policing, Solid Waste
- Proposed KDSB review of Ontario Works delivery
- Increased opportunities for public input

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Public Meeting

- Q & A's
- Public Input Session
 - ◆ Looking Ahead to 2007 & Beyond