City of Kenora

Post Amalgamation Report
Financial Report Card

Where We Were
Where We Have Come
1999 Budget / Actual versus 2005 Budget

May 2005

CONTENTS

A FINANCIAL REPORT CARD

On 1 January 2000, the Towns of Kenora, Keewatin and Jaffray Melick amalgamated to form the City of Kenora. This amalgamation happened for a number of reasons, including streamlining local government administration within the Tri-Municipal area, improved coordination of local government services, as well as the ability to function as one municipal body, allowing the City to attract new industries, such as the post-amalgamation development of a large timber strand mill within the City. Of course, one additional key factor of amalgamation was to reduce local government costs wherever possible, and better position the new City to move forward in a world of constant change and financial pressures.

Since the time of amalgamation, there has been much discussion as to the success, or lack thereof, related to the amalgamation efforts. Questions include:

- Did the amalgamation of the Towns of Kenora, Keewatin and Jaffray Melick result in an overall savings for the City, or were there really no cost savings made?
- If amalgamation did result in savings, then why are residents in all three former municipalities paying more now for taxes than they did pre-amalgamation?
- Have service levels been maintained or improved from those prior to amalgamation, and if not, why are taxpayers paying more?

For some time now, Council has wrestled with the idea of a post-amalgamation report card. Council has stressed the importance of reporting back to Kenora Citizens on the amalgamation, and where it has brought us. The struggle, however, was how to compare where we are today to where we were at amalgamation.

It has been just over five years since the amalgamation of the Tri-Municipal area. Since the time of amalgamation, and indeed even during the period immediately preceding amalgamation, municipalities have operated within a dramatically changing climate. So how then can the City tell its Citizens where amalgamation brought us? It is clear that the world we live in today is very different from the one we lived in five years ago. Municipalities are facing increased financial constraints and pressures, as well as new legislative requirements. The costs of services downloaded to municipalities in 1998 have continued to escalate, and most recently the Province announced the discontinuation of the Community Reinvestment Fund which reconciled these costs, placing even more financial burden on the City and its taxpayers.

As a starting point, the decision was made to compare pre-amalgamation staffing levels to those in the City today. The post-amalgamation staffing report was released to the public in March 2005. That report took staffing levels immediately prior to amalgamation, outlined the staffing cuts under amalgamation and provided a detailed analysis of all post-amalgamation staffing changes, for both the City and its utilities, including a brief narrative description of those changes. This post-amalgamation financial report builds on where the staffing analysis left off, and is best reviewed in conjunction with that report. Staffing changes are but one component, albeit significant, of evaluating where amalgamation has brought us. The unanswered questions remain, however. Where have our tax dollars gone? If amalgamation did cut costs, then why do taxes keep rising, why have we not seen tax rate decreases? Are we really better off as a City, or should we have stayed three independent municipalities?

As outlined in the staffing report card, it is important to reiterate here examples of the new standards / transfers that have resulted in increased responsibilities, and related costs, to municipalities. These include:

- General Government:
  - capping and multiple tax classes – the new tax system is costly and confusing, and results in delays in municipal cash flow
  - costs of most transferred functions did not account for insurance, WSIB, etc.
- Protection to Persons and Property:
  - Fire:
    - Province discontinued inspecting hotels, nursing homes and care homes
    - New mandatory programs, re: risk assessment and public education
    - Discontinuation of up-staffing for land ambulance resulting in increased demands on fire department
  - Police:
    - New adequacy standards – costly training, staffing and other resources
    - Court and young offender consolidations add to municipal transportation and escort costs
- Transportation Services:
  - Thousands of kilometres of roads and highways transferred
  - Provincial research & development design and quality control support eliminated or severely curtailed
  - New standards, i.e. snow removal guidelines and traffic regulatory signs
- Environmental Services
  - Citizens' concerns to Ministry of Environment with regards to odours, vibration, noise, etc. now being referred to municipalities

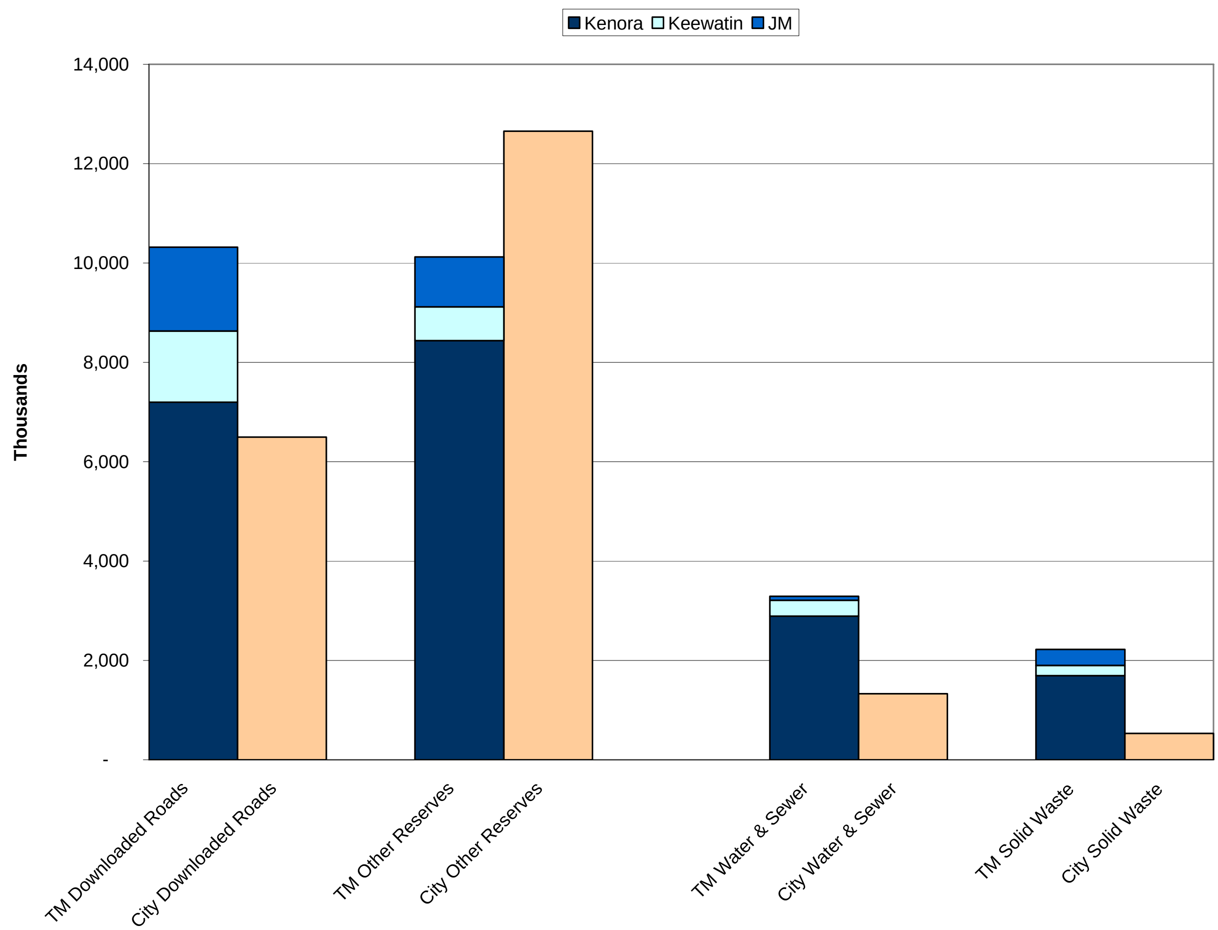
- Health Services
  - New ambulance standards beyond levels provided by Province
  - Transfers of inspection services – restaurants, public pools, etc.
- Social & Family Services:
  - General income support wage increases have not been recognized in the sharing of administrative costs
  - New standards and annual reviews / audits for Homes for the Aged
  - Children's services – legislation has been rescinded that allowed municipalities to retain revenues from persons in receipt of assistance
  - Special services – province returns patients from psychiatric hospitals to the community without sufficient resource to respond to their needs
- Recreation & Culture
  - New playground equipment guidelines
- Planning & Development
  - Municipal approvals of plans of subdivision and Official Plans must ensure provincial interests are taken into account

As stated previously, the intent of this report is to pick up where the staffing report left off, to compare where the City is today as to where it was before amalgamation – a "snapshot in time", so to speak. As such, this report looks specifically at the budgeted City expenditure levels for 2005 or actual City balance sheet accounts as at 31 December 2004, and compares those with the combined pre-amalgamation budgeted and actual operating results for 1999 and the balance sheet of the newly amalgamated City as at 1 January 2000.

MUNICIPAL EQUITY POSITION

Municipal equity represents overall equity, or surplus, of the City, including its water & sewer and solid waste utilities. Equity is comprised of: operating and capital fund surplus / deficits, reserves and reserve funds including those of the water & sewer and solid waste utilities, and investment in Government Business Enterprises (GBE's) which include KMTS, KMTS Mobility, KMTS Net and the Kenora Hydro Electric Corporation Ltd.

The following graph shows the overall changes in municipal reserves and reserve funds since the time of amalgamation:



The graph provides information with regards to the reserve balances brought forward from each of the previous three municipalities as at 31 December 1999, together with the balance of reserves and reserve funds as at 31 December 2004. The following table provides some additional financial detail with regards to overall municipal equity including an analysis of the overall and percentage changes within the City's municipal equity position.

City Reserves & Equity
Detailed 1999 to 2005 Analysis
(in thousands of dollars)

	1999 Tri-Municipal			**Balance**	**Balance**	**Net**	**% Change**
	Kenora	Keewatin	JM	**31/12/99**	**31/12/04**	**Change**	**Budget**
Municipal Reserves							
Downloaded Roads	$ 7,197	$ 1,435	$ 1,687	**$ 10,319**	**$ 6,494**	**$ (3,825)**	**-37.1%**
Other Municipal Reserves	8,439	676	1,006	**10,121**	**12,654**	**2,533**	**25.0%**
	$ 15,636	$ 2,111	$ 2,693	**$ 20,440**	**$ 19,148**	**$ (1,292)**	**-6.3%**
Utility Reserves							
Water & Sewer	$ 2,894	$ 319	$ 80	**$ 3,293**	**$ 1,328**	**$ (1,965)**	**-59.7%**
Solid Waste	1,695	205	322	**2,222**	**532**	**(1,690)**	**-76.1%**
	$ 4,589	$ 524	$ 402	**$ 5,515**	**$ 1,860**	**$ (3,655)**	**-66.3%**
Investment in Government Business Ent.							
Combined Investment				**$ 31,517**	**$ 39,766**	**$ 8,249**	**26.2%**
Net Equity							
Operating	$ -	$ -	$ -	**$ -**	**$ 8**	**$ 8**	**n/a**
Capital *	25	-	-	25	**(1,166)**	**(1,191)**	**-4764.0%**
	$ 25	$ -	$ -	**$ 25**	**$ (1,158)**	**$ (1,183)**	**-4732.0%**
*** Breakdown of Capital Equity (Deficit)**							
Wellness Centre (planned debenture issue)	$ -	$ -	$ -	**$ -**	**$ (1,174)**	**$ (1,174)**	**n/a**
Other	25	-	-	25	**39**	**14**	**56.0%**
	$ 25	$ -	$ -	**$ 25**	**$ (1,135)**	**$ (1,160)**	**-4640.0%**
Consolidated Equity Position							
Combined Reserves & Equity				**57,522**	**58,481**	**959**	**1.7%**
Less: Planned Debenture Issue				**-**	**1,174**	**1,174**	**n/a**
				57,522	**59,655**	**2,133**	**3.7%**

As can be seen from this analysis, there have been significant reductions in the City's reserves for the downloaded roads, water & sewer and solid waste. These changes are not unexpected, and have been discussed in further detail below:

- *Downloaded Roads* – The "downloaded roads" refers to highways, such as Highway 17 and Rabbit Lake Road, which were previously considered to be "connecting links" by the Province. "Connecting links" represented roads that were not fully encompassed by municipal boundaries. Prior to the download of roads to municipalities in the later 1990's, municipalities were eligible to receive between 90% - 100% funding on any expenditures related to those roads. In the Spring of 1997, around the time the connecting links were downloaded, each of the Towns of Kenora, Keewatin and Jaffray Melick received a substantial cheque from the Province. This payment represented a one-time provincial payment of anticipated capital requirements for the downloaded roads for a five year period from the time of downloading, and was placed into downloaded roads reserve funds by each of the former Towns. Each municipality was responsible to determine how and when these monies would be spent on capital requirements for the downloaded roads. Based on this, the downloaded roads reserve funds should have been fully depleted by the end of 2002. The City, however, has attempted to minimize the use of these reserve funds wherever possible, ensuring that the monies were kept for key municipal projects. It is anticipated that a significant portion of the remaining monies will be used within 2005, representing a further significant impact to overall City reserves and reserve funds. It should be noted that, despite the consolidation of the City Downloaded Roads Reserve Fund in the previous analyses, the City continues to track the downloaded roads reserve funds based on the geographic areas for which monies were originally received, ensuring the dollars are reserved for the areas as intended.
- *Water & Sewer Reserves* – The water & sewer reserves have come under increased pressure in the years since amalgamation. Overall net revenue reductions resulted from several factors including water meter implementation and the related estimates of un-billable water, and increased requirements relating to the new safe drinking water regulations. Combined, these factors resulted in more than one rate adjustment, the most recent of which took effect January 2005. The water & sewer utility is discussed in greater detail within the environmental net program cost section of this report. There was one additional factor, however, that also significantly impacted water & sewer reserve balances from the time of amalgamation. In the period immediately preceding amalgamation, the Town of Kenora made the decision to implement a fully metered water service to its customers. In 2001 and 2002, the metering program for the old Town of Kenora represented an incremental expenditure of $1.14 million that was taken from water & sewer reserves.
- *Solid Waste* – Prior to amalgamation, the Towns of Kenora, Keewatin and Jaffray Melick funded solid waste operations from tax dollars. At the time of

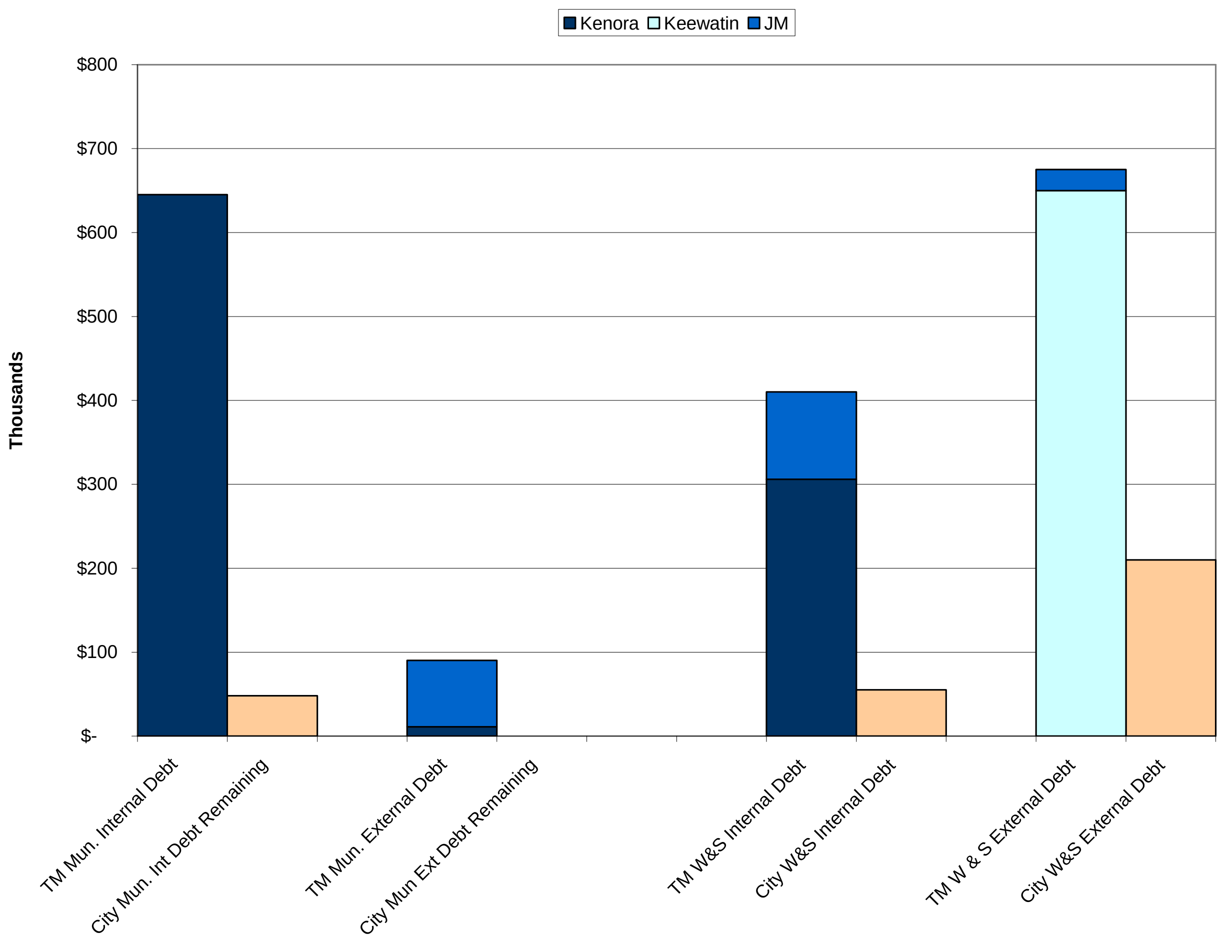
amalgamation, the Tri-Municipal area was in the process of finalizing the location of a new landfill site. In 2000 and 2001, the City spent a combined $1.51 million on the development of the new landfill site, together with the establishment of a transfer facility for solid waste. The Tri-Municipal area had been setting monies aside into reserve for this combined project, and the related expenditure represents the primary draw down of the solid waste reserves.

The remaining components of City equity have shown either stable or increasing balances during the time since amalgamation, after adjusting for actual or planned debt issuances. City operating and capital surpluses have remained fairly constant, with the exception of the impact of major capital projects to be funded from debt issuance on the overall capital surplus during the period prior to the issuance. For example, the Wellness Centre project is currently showing as a deficit under the City's capital equity, and will be cleared once the related project debt is issued. The outstanding amount to be financed through debenture issue has been included in the analysis of municipal debt position included in the next section. Overall, the City has seen a 25% increase in its other municipal reserves since amalgamation, and a 26.2% increase in its investment in Government Business Enterprises (GBE's).

MUNICIPAL DEBT POSITION

When looking at the municipal equity position, it is also important to consider the municipal debt position. The debt position represents the outstanding long-term liabilities held by the City.

The following graph shows an analysis of pre-amalgamation debt as at the time of amalgamation, together with the remaining related balances as at 31 December 2004.



As can be seen from this graph, the pre-amalgamation debt load has almost been retired, with 2006 representing the final year of any pre-amalgamation debt payment requirement.

Of more interest, however, is the post-amalgamation debt that has been issued. Since the time of amalgamation, the City has issued two significant debts, representing an outstanding obligation of $15.6 million as at the end of 2004. These debt issuances were both based on business case scenarios, which led to new major industrial or commercial developments within City boundaries, representing both increased tax base and significant economic benefits for, including increased employment opportunities within, the City. In addition, the City currently has an outstanding debt obligation of $1.2 million as at 31 December 2004 with regards to the Wellness Centre renovations. It is expected that this debt will be issued following final completion of this project in 2005.

The following table provides more detailed financial information with regards to the City's debt position, both at the time of amalgamation and as at 31 December 2004:

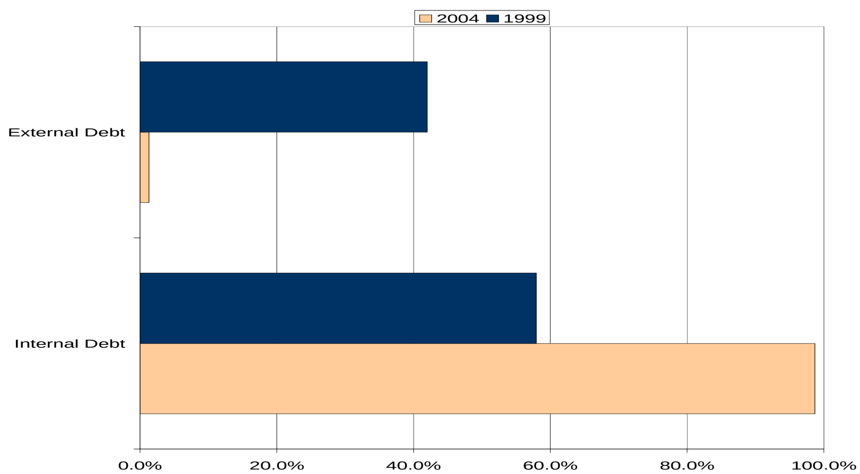
City of Kenora
City Debt
Detailed 1999 to 2005 Analysis
(in thousands of dollars)

	1999 Tri-Municipal						
	Kenora	Keewatin	JM	**Balance 31/12/99**	**Balance 31/12/04**	**Net Change**	**% Change Budget**
Municipal Debt							
Pre-Amalgamation Internal Debt	$ 645	$ -	$ -	**$ 645**	**$ 48**	**$ (597)**	**-92.6%**
Pre-Amalgamation External Debt	11	-	79	**90**	**-**	**(90)**	**-100.0%**
Post-Amalgamation Internal Debt Issue	-	-	-	**-**	**15,623**	**15,623**	**n/a**
	$ 656	$ -	$ 79	**$ 735**	**$ 15,671**	**$ 14,936**	**2032.1%**
Water & Sewer Utility Debt							
Pre-Amalgamation Internal Debt *	$ 306	$ -	$ 104	**$ 410**	**$ 55**	**$ (355)**	**-86.6%**
Pre-Amalgamation External Debt	-	650	25	**675**	**210**	**(465)**	**-68.9%**
	$ 306	$ 650	$ 129	**$ 1,085**	**$ 265**	**$ (820)**	**-75.6%**
Consolidated Debt							
Consolidated City Debt	$ 962	$ 650	$ 208	**$ 1,820**	**$ 15,936**	**$ 14,116**	**775.6%**
Represented By:							
Internal Debt	$ 951	$ -	$ 104	**$ 1,055**	**$ 15,726**	**$ 14,671**	**1390.6%**
External Debt	11	650	104	**765**	**210**	**(555)**	**-72.5%**
	$ 962	$ 650	$ 208	**$ 1,820**	**$ 15,936**	**$ 14,116**	**775.6%**
Incremental Debt Obligation							
Wellness Centre					**$ 1,213**	**$ 1,213**	**n/a**

***** Internal Debt for the Town of Jaffray Melick held by the Town of Kenora in 1999.

There is no question that the City's debt has increased significantly since the time of amalgamation. As stated previously, however, all new debt issued has required justification to Council based on a business case scenario before approval of the related projects. In the case of the two debts issued before the end of 2004, the business case was based on increased property tax dollars that would be used to fund debt payments. In the case of the remaining debenture yet to be issued, the business case was based on an overall reduction of department expenditures that could be used to fund the debt issuance.

There is one additional impact that could be considered when looking at outstanding City debt at the time of amalgamation as compared to the end of 2004. The following chart shows the shift in reliance on internal versus external borrowing by the City:



Since the time of amalgamation, the City has worked towards paying down its external debt, while ensuring any new debt is issued internally. Debt issued internally is held as investments by KMTS Mobility. Prior to amalgamation, this was the practice followed by the former Town of Kenora. The intent of this practice is to maintain control of City debt within the City, giving Council the ability to review rates and reissue debt when either rates fall significantly or it is deemed appropriate to amend repayment terms. KMTS Mobility is guaranteed a return that is higher than it would receive from the bank at the time the debt is issued, and the City is able to borrow at a rate lower than it could from the bank in accordance with the City's banking tender. The internal issuance has also provided somewhat of an internal limit as to the maximum debt that the City will incur, despite the borrowing capacity available based on the annual debt repayment limit as provided by the Ministry of Municipal Affairs and Housing.

Finally, a review of City debt would likely not be complete without reviewing the financial indicators recently received by the City from the Ministry of Municipal Affairs and Housing with regards to City debt. These indicators are based on the City's 2003 completed Financial Information Return (FIR), and include comparative information for what the Ministry deems to be "comparable" municipalities, or Northern municipalities in excess of 10,000 in population.

COMBINATION INDICATOR: LONG TERM DEBT

Both indicator values must exceed the threshold to qualify for a given risk rating.

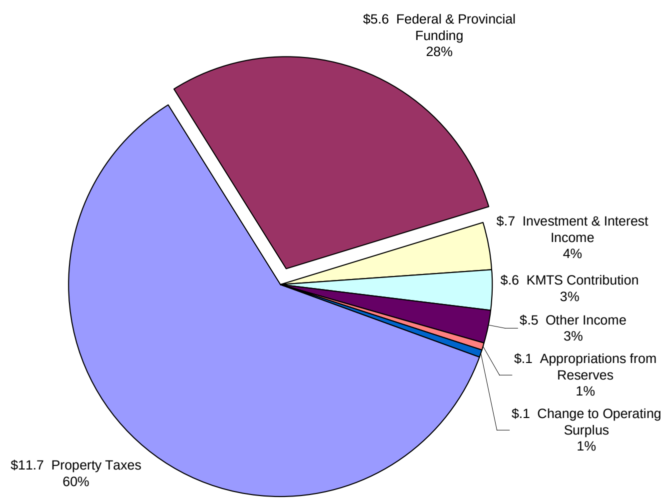
			INDICATORS FOR: NORTH > 10,000		
FINANCIAL INDICATOR	THRESHOLD	VALUE FOR THIS MUNICIPALITY	MEDIAN	AVERAGE	RISK LEVEL
PER HOUSEHOLD DEBT BURDEN	For per household debt burden, less than $400 is considered low, $400 - $1,000 is moderate. Over $1,000 is considered high. Significantly high debt load should be explored further.	$ 1,524	$ 330	$ 439	
OWN PURPOSE DEBT CHARGES AS A % OF MUNICIPAL OPERATING EXPENDITURES	For own purpose debt charges, less than 5% is considered low, 5 - 10% is considered moderate and over 10% is considered high.	4.2%	0.8%	1.0%	LOW
	For example, if debt burden and debt charges are high, then the indicator would be High risk. If debt burden is high and debt charges are moderate, then the indicator would be Moderate risk.				

This information is based on the 2003 outstanding City debt, which represents $7.84 million in outstanding obligations, before accounting for the impacts of debt held by City funded external organizations. For 2004, the outstanding City debt has increased overall by $8.1 million, or 103.4%, with an additional $1.2 million in additional un-issued debt requirements. It is evident from these guidelines that this increase will have a significant impact on the City's overall debt indicator with the Ministry.

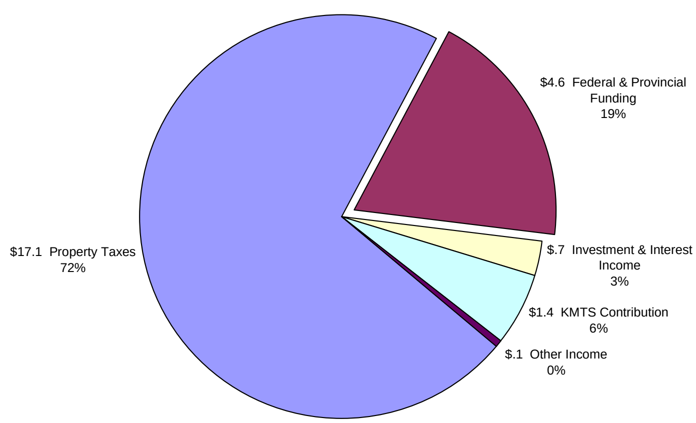
TAX DOLLARS AND OTHER UNALLOCATED OPERATING REVENUES

Unallocated operating revenues are revenues that are not directly attributable to a City program. For example, a fee paid to go swimming is considered a user fee, and is recognized within the department for which it is levied. Unallocated operating revenues include items such as: property taxes, unallocated federal and provincial funding such as the Community Reinvestment Fund (CRF), investment income, contributions from non-consolidated entities (specifically KMTS and KMTS Mobility), and other miscellaneous revenues.

In 1999, property tax revenues represented $11.7 million in annual revenues, or approximately 60% of the combined tax dollars and other unallocated operating revenues for the Tri-Municipal area. Combined Federal and Provincial funding represented an additional $5.6 million, or 28% of overall unallocated revenues, with the remaining 12% made up of miscellaneous revenues. The following pie chart shows the total 1999 Tri-Municipal actual unallocated revenues, together with the percentage each type of funding represents of the total.



In 2005, the unallocated revenue picture looks quite different. Property taxes have increased to $17.1 million, or 72% of the overall unallocated revenues. Combined Federal and Provincial funding has shrunk to $4.6 million (excluding the power dam grant, which replaces previous property tax revenues in 1999, and has been included under property taxes within this pie chart for comparison purposes), or only 19% of total unallocated revenues. The City has increased its reliance on contributions from its non-consolidated entities, KMTS and KMTS Mobility by $.8 million, bringing the KMTS contribution to $1.4 million, or 6% of combined unallocated revenues. It has also eliminated the former reliance on using reserve monies to artificially reduce taxes. The following pie chart outlines 2005 budgeted unallocated revenues for the City.



A more detailed comparison of 1999 unallocated revenues, both budgeted and actual, as compared to 2005 budgeted unallocated City revenues can be found in the table at the top of the following page. As outlined in this table, property tax revenues have risen by over 44% from 1999 to 2005. This factor alone has been a cause for considerable concern for City Taxpayers, and has been a significant factor in the creation of groups such as the Ratepayers After Fair Taxation (RAFT), who are currently pursuing the concept of area rating for property taxation.

City of Kenora
Tax Dollars and Other Unallocated Operating Revenues
1999 to 2005 Analysis
(in thousands of dollars)

	1999 Tri-Municipal Budget	1999 Tri-Municipal Actual	City of Kenora 2005 Budget	**Net Impact Budget**	**Net Impact Actual**	**% Change Budget**	**% Change Actual**
Unallocated Operating Revenues							
Provincial Funding							
CRF	$ 5,621	$ 4,876	$ 4,555	**$ (1,066)**	**$ (321)**	**-19.0%**	**-6.6%**
Special Circumstances	682	682	-	**(682)**	**(682)**	**-100.0%**	**-100.0%**
Net Transition Funding	119	33	-	**(119)**	**(33)**	**-100.0%**	**-100.0%**
Power Dam Grant	-	-	407	**407**	**407**	**n/a**	**n/a**
Investment Income	1,002	747	710	**(292)**	**(37)**	**-29.1%**	**-5.0%**
Donations / Land Leases / Miscellanous	246	546	84	**(162)**	**(462)**	**-65.9%**	**-84.6%**
Contributions from Non-Consol. Entities	610	610	1,450	**840**	**840**	**137.7%**	**137.7%**
Appropriations from Reserves	160	58	-	**(160)**	**(58)**	**-100.0%**	**-100.0%**
Change to Operating Surplus	85	96	-	**(85)**	**(96)**	**-100.0%**	**-100.0%**
	$ 8,525	$ 7,648	$ 7,206	**$ (1,319)**	**$ (442)**	**-15.5%**	**-5.8%**
Net Tax Levy Requirement	$ 11,578	$ 11,672	$ 16,712	**$ 5,134**	**$ 5,040**	**44.3%**	**43.2%**

As outlined in the table, the majority of municipal unallocated revenues have seen declines in the years since amalgamation. The primary exceptions to this are:

- Power Dam Grant – The power dam grant is calculated based on the taxes that would have been payable on power dams had they not been exempted from property taxes by the Province in the years following amalgamation. Realistically, this item could be included under property tax revenues, as was done in the pie chart on the previous page, for comparison purposes.
- Contributions from Non-Consolidated Entities – Specifically, these are contributions to offset taxes from KMTS and KMTS Mobility. The decision was made to increase these contributions in an effort to both enhance the overall City capital program and, to a smaller extent, help offset increased operating expenses and the related tax impacts. These revenues were also adjusted to offset the impacts of the elimination of the 10% mark up on cost recoveries from the utilities. This is discussed further within the general government analysis.
- Net Tax Levy Requirement – Property Taxes.

With the significant climb in net tax levy requirement, it is important to consider what factors, other than expenditures, may have also affected property taxes levied. The most significant factor, being net program costs, will be examined in some detail later on within this report. In addition, the following appendices provide a more detailed analysis of overall municipal operations, which determines the net tax levy requirement:

- Appendix 1 – Combined 1999 Tri-Municipal budget and actual information as compared to the 2005 City Budget
- Appendix 3 – 1999 Tri-Municipal budget and actual information included in Appendix 1, as broken out by the former Towns of Kenora, Keewatin and Jaffray Melick

Property taxes are generated based on the taxable assessment within the City. As such, a review of assessment-related changes within the City may provide some additional insight as to property tax impacts within the City during the time since amalgamation. The following chart provides an analysis of overall changes to weighted assessment between 1999 and 2005.

City of Kenora
Comparative Analysis of Weighted Assessment
1999 to 2005 Analysis
(in thousands of dollars)

	Assessed Values		**%**
	2005	1999	**Change**
Taxable Assessment			
Residential	$ 714,246	$ 633,619	**12.7%**
Multi-Residential	29,104	42,215	**-31.1%**
Commercial	333,347	326,193	**2.2%**
Industrial	223,208	202,416	**10.3%**
Pipeline	34,331	33,059	**3.9%**
Farmlands	171	73	**133.4%**
Managed Forests	55	2	**2764.4%**
	$ 1,334,462	$ 1,237,577	**7.8%**

Weighted assessment is the most useful assessment comparison that the City can use for determining changes in property tax revenues, as different classes of assessments result in a different "weighting" of the tax rate for the purposes of generating the municipal tax levy.

As outlined in the table above, the overall weighted assessment of the City increased by 7.8% from 1999 to 2005, or an average of just over 1.2% per annum. This would represent a theoretical increase of 7.8% in property taxes assuming there were no rate changes over this same period.

The most significant dollar increase experienced in the City's assessment was in the residential class (up by 12.7%). This was despite the increase in household counts being only 253 or 3.6% for this same period. Changes to residential tax rates, and related impacts, are looked at in greater detail later on within this section. Other significant percentage increases, although smaller in dollar value, include farmlands (133.4%) and managed forests (2764.4%). Commercial and pipeline assessment has remained fairly constant, while multi-residential has shown significant reductions.

Industrial assessment has also increased significantly over this period (10.3%). It is important, however, to recognize some of the significant changes to the City's industrial tax base during this same period. There were two major changes that would significantly impact the City's industrial assessment, namely:

- The construction of a new timber strand mill within the City.
- The exemption of the power dams as taxable assessment by the Province.

The following table adjusts the weighted assessment comparison for the above-mentioned factors.

City of Kenora
Comparative Analysis of Weighted Assessment
Adjusted for New Large Industrial Development and Power Dams
1999 to 2005 Analysis
(in thousands of dollars)

	Assessed Values 2005	Assessed Values 1999	% Change
Taxable Assessment			
Residential	$ 714,245	$ 633,619	**12.7%**
Multi-Residential	29,104	42,215	**-31.1%**
Commercial	333,347	326,193	**2.2%**
Industrial	116,688	162,818	**-28.3%**
Pipeline	34,331	33,059	**3.9%**
Farmlands	171	73	**133.4%**
Managed Forests	55	2	**2764.4%**
	$ 1,227,941	$ 1,197,979	**2.5%**

As can be seen from this analysis, growth after adjusting for these two major impacts has been closer to 2.5% over this period, or about .4% annually. The industrial property class experienced a significant reduction in assessment (28.3%) before the impacts of the new timber strand mill development. It is important to note that, in conjunction with that industrial development, the City was required to incur considerable development expenditures which, while significantly funded, resulted in a substantial debt for the City. The incremental tax revenues resulting from the new timber strand mill were intended to offset the debt repayment costs. It is apparent that this development was a key factor in helping maintain a small growth in the City's overall assessment base. It could be questioned whether this development would have happened without the City amalgamation process. It is clear that Jaffray Melick did not have the financial resources to independently perform this development. It is unclear whether the Tri-Municipal area would have chosen to cooperate to make this development possible.

Finally, an analysis of tax dollars and other unallocated revenues would not be complete without a more detailed analysis of residential tax rates and assessment impacts for each of the neighbourhoods of Kenora, Keewatin and Jaffray Melick.

As stated previously, residential assessment has seen a growth of 12.7% during the time since amalgamation. The increases in residential assessment have not, however, been consistent within the three neighbourhoods of Kenora, Keewatin and Jaffray Melick. Kenora and Keewatin neighbourhood overall residential assessments have increased by 8.5% and 8.3% respectively. Jaffray Melick neighbourhood overall residential assessment has increased by almost 23.4% for this same period. The City does not have sufficient information to determine whether this significant increase in the Jaffray Melick area is partly due to a concentration of new housing development within this neighbourhood.

The table on the following page examines in detail the average tax impacts within each of the neighbourhoods of Kenora, Keewatin and Jaffray Melick, based on a residential property with an assessed value of $100,000 as at the time of amalgamation. The table provides a breakdown between municipal and education taxes, as well as the combined property tax bill, and gives specific details with regards to tax levy increases / decreases and amalgamation phase in impacts for each of the three neighbourhoods. The "Taxes before Assessment Impacts" line indicates the actual taxes that would be paid in 2005, assuming the property remained assessed at $100,000.

The "Average Assessment Impacts" line provides only a theoretical value, at best, based on what the average assessment related impacts were for that neighbourhood over the period following amalgamation. A review of individual properties within these areas demonstrates that assessment related changes can differ significantly between individual properties, and cannot be reasonably predicted without looking at property specific assessment related information.

City of Kenora

Comparative Analysis of Property Taxes Paid by Neighbourhood
Taxes based on a 1999 Assessment of $100,000 Residential
1999 to 2005 Analysis

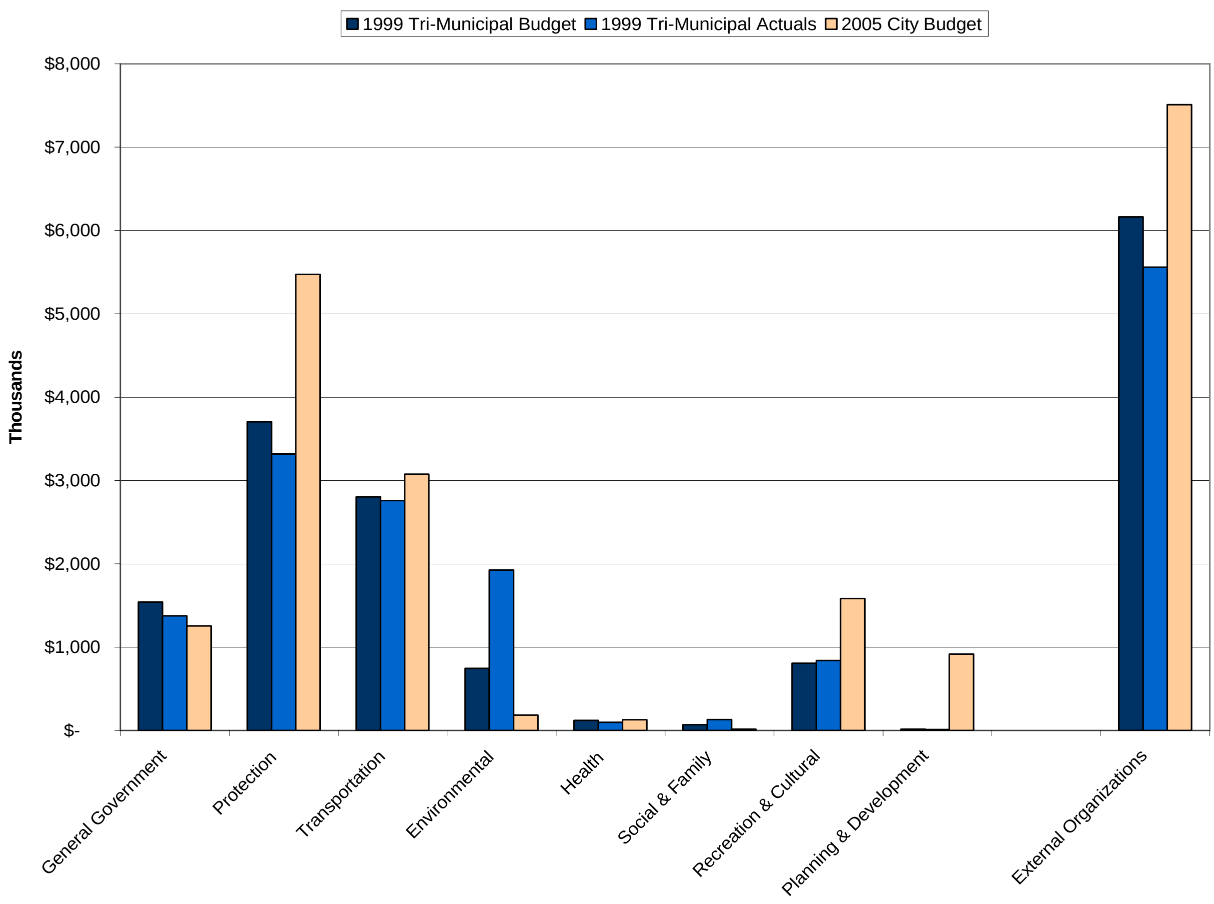
	Kenora		Keewatin		Jaffray Melick	
	Taxes Paid	% Change	Taxes Paid	% Change	Taxes Paid	% Change
Municipal						
1999 Taxes Paid	999.15		826.91		654.12	
Amalgamation Phase In Adjustments	(26.35)	-2.6%	145.89	17.6%	318.68	48.7%
Tax Levy Increases	259.34	25.9%	259.34	31.4%	259.34	39.7%
Taxes before Assessmsent Impacts	1,232.14	23.3%	1,232.14	49.0%	1,232.14	88.4%
Average Assessment Impacts	104.73	10.5%	102.27	12.4%	288.00	44.0%
	1,336.87	33.8%	1,334.41	61.4%	1,520.14	132.4%
Education						
1999 Taxes Paid	414.00		414.00		414.00	
Tax Levy Decreases	(118.00)	-28.5%	(118.00)	-28.5%	(118.00)	-28.5%
Taxes before Assessmsent Impacts	296.00	-28.5%	296.00	-28.5%	296.00	-28.5%
Average Assessment Impacts	25.16	6.1%	24.57	5.9%	69.26	16.7%
	321.16	-22.4%	320.57	-22.6%	365.26	-11.8%
Combined						
1999 Taxes Paid	1,413.15		1,240.91		1,068.12	
Amalgamation Phase In Adjustments	(26.35)	-1.9%	145.89	11.7%	318.68	29.9%
Net Tax Levy Changes	141.34	10.0%	141.34	11.4%	141.34	13.2%
Taxes before Assessmsent Impacts	1,528.14	8.1%	1,528.14	23.1%	1,528.14	43.1%
Average Assessment Impacts	129.89	9.2%	126.84	10.3%	357.26	33.3%
	1,658.03	17.3%	1,654.98	33.4%	1,885.40	76.5%

It is clear from the above table that the Jaffray Melick residential taxpayers have been the most drastically affected in the period since amalgamation, due to both the amalgamation phase in adjustments, and even more significantly by the overall assessment related impacts – an area of substantial concern to Jaffray Melick residents, and groups such as RAFT. Keewatin taxpayers have also experienced considerable adjustments. These were, however, notably less than in Jaffray Melick.

NET PROGRAM COSTS

Net program costs represent the combined operating costs for running the various City programs, net of any revenues generated specific to that program. The net program costs combined with net transfers to City capital and reserve funds, less any unallocated operating revenues, represent the required property tax levy for the City.

The following chart provides an overview of net program costs to the City, comparing 1999 budget and actual information to the 2005 budget. The chart separates the impacts of internal or City controlled costs, and external organization requests. The tables on the following page provide a more detailed analysis of this information.



City of Kenora
Net Program Costs
Detailed 1999 to 2005 Analysis
(in thousands of dollars)

	1999 Tri-Municipal Budget	1999 Tri-Municipal Actual	City of Kenora 2005 Budget	Net Impact Budget	Net Impact Actual	% Change Budget	% Change Actual
City Controlled Programs							
General Government	$ 1,541	$ 1,376	$ 1,255	**$ (286)**	**$ (121)**	**-18.6%**	**-8.8%**
Protection	3,705	3,318	5,473	**1,768**	**2,155**	**47.7%**	**64.9%**
Transportation	2,802	2,759	3,075	**273**	**316**	**9.7%**	**11.5%**
Environmental	747	1,925	185	**(562)**	**(1,740)**	**-75.2%**	**-90.4%**
Health	123	99	128	**5**	**29**	**4.1%**	**29.3%**
Social & Family	70	131	15	**(55)**	**(116)**	**-78.6%**	**-88.5%**
Recreation & Cultural	807	838	1,583	**776**	**745**	**96.2%**	**88.9%**
Planning & Development	16	12	917	**901**	**905**	**5631.3%**	**7541.7%**
External Organizations	6,163	5,559	7,509	**1,346**	**1,950**	**21.8%**	**35.1%**
Combined Total	$ 15,974	$ 16,017	$ 20,140	**$ 4,166**	**$ 4,123**	**26.1%**	**25.7%**

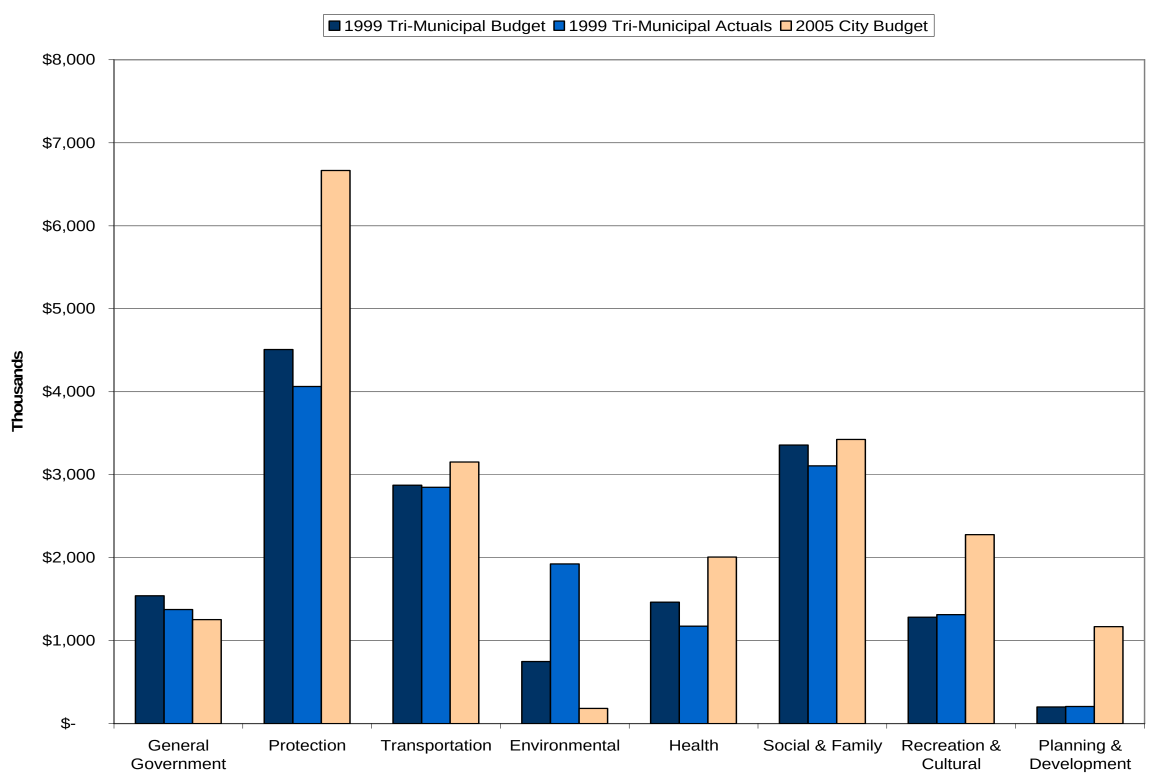
City of Kenora
Net Program Costs
Detailed 1999 to 2005 Analysis
(in thousands of dollars)

	1999 Tri-Municipal Budget	1999 Tri-Municipal Actual	City of Kenora 2005 Budget	Net Impact Budget	Net Impact Actual	% Change Budget	% Change Actual
External Organizations							
Protection							
OPP	$ 802	$ 745	$ 1,193	**$ 391**	**$ 448**	**48.8%**	**60.1%**
Transportation							
Handi Transit	71	91	78	**7**	**(13)**	**9.9%**	**-14.3%**
Health							
Northwestern Health Unit	586	490	750	**164**	**260**	**28.0%**	**53.1%**
Land Ambulance	756	587	1,131	**375**	**544**	**49.6%**	**92.7%**
Social & Family							
Ontario Works & Child Care	1,402	1,332	1,140	**(262)**	**(192)**	**-18.7%**	**-14.4%**
Home for the Aged	518	519	1,184	**666**	**665**	**128.6%**	**128.1%**
Social Housing	1,368	1,125	1,085	**(283)**	**(40)**	**-20.7%**	**-3.6%**
Recreation & Cultural							
Library	337	337	511	**174**	**174**	**51.6%**	**51.6%**
Museum	137	137	185	**48**	**48**	**35.0%**	**35.0%**
Planning & Development							
LOWBIC	186	196	252	**66**	**56**	**35.5%**	**28.6%**
	$ 6,163	$ 5,559	$ 7,509	**$ 1,346**	**$ 1,950**	**21.8%**	**35.1%**

The previous chart and tables demonstrate the significant portion that external organizations represent of the City's overall budget, and therefore the potentially considerable impacts these organizations can have on the City's tax levy requirement. The following appendices provide a more detailed analysis of this information:

- Appendix 2 – Combined 1999 Tri-Municipal budget and actual information as compared to the 2005 City Budget
- Appendix 4 – 1999 Tri-Municipal budget and actual information included in Appendix 2, as broken out by the former Towns of Kenora, Keewatin and Jaffray Melick

Even more useful is a review of the consolidated City net program costs, external and internal combined. This consolidated view provides the clearest picture of shifts in tax dollar requirements – what costs have risen since amalgamation, and where have costs been reduced. It demonstrates areas of significant change, both positive and negative, within the City. This information has been provided in the following chart. The table on the following page provides a more detailed analysis of this data.



City of Kenora
Net Program Costs
Detailed 1999 to 2005 Analysis
(in thousands of dollars)

	1999 Tri-Municipal		City of Kenora	**Net Impact**		**% Change**	
	Budget	Actual	2005 Budget	**Budget**	**Actual**	**Budget**	**Actual**
Overall City Program Costs							
General Government	$ 1,541	$ 1,376	$ 1,255	**$ (286)**	**$ (121)**	**-18.6%**	**-8.8%**
Protection	4,507	4,063	6,666	**2,159**	**2,603**	**47.9%**	**64.1%**
Transportation	2,873	2,850	3,153	**280**	**303**	**9.7%**	**10.6%**
Environmental	747	1,925	185	**(562)**	**(1,740)**	**-75.2%**	**-90.4%**
Health	1,465	1,176	2,009	**544**	**833**	**37.1%**	**70.8%**
Social & Family	3,358	3,107	3,424	**66**	**317**	**2.0%**	**10.2%**
Recreation & Cultural	1,281	1,312	2,279	**998**	**967**	**77.9%**	**73.7%**
Planning & Development	202	208	1,169	**967**	**961**	**478.7%**	**462.0%**
Combined Total	$ 15,974	$ 16,017	$ 20,140	**$ 4,166**	**$ 4,123**	**26.1%**	**25.7%**

As outlined above, this chart and table show some significant shifts in net program costs for the City during the period since amalgamation. This represents, however, simply an overview, and needs to be examined in greater detail.

The following sections of this report break down net program costs by functional area within the City to provide a clearer picture of overall impacts to City spending in the post-amalgamation period. The charts included within the following net program cost sections have been provided based on a uniform scale to facilitate comparisons between functional areas. Due to the significant extent of information contained within these sections, narrative provided has been restricted to a brief overview of changes, combined with some discussion on areas of significant impact within the City. For the most part, the charts and tables depict the post-amalgamation net program cost story. The narrative is simply to provide some additional clarification on significant impacts to the City within the post amalgamation period.

Net Program Costs by Functional Area:

Wage Related Considerations

Before reviewing the detail on net program costs by functional area, it is important to note that there are some general factors that have impacted the various operations throughout the City. One, in particular, represents significant financial impact to the majority of City net program costs – increases related to wages.

The City has experienced two types of wage related increases. The first type of wage related increase is represented by staffing complement changes during the post-amalgamation period. In March 2005, the City released a detailed staffing report card, reviewing all staffing changes for both the City and its various utilities, including reductions at amalgamation together with post-amalgamation staffing changes. This information has not been reiterated within this report. Rather, it is recommended that the Staffing Report Card be reviewed in conjunction with this report.

The second type of wage related increase is represented by changes to wage rates and / or benefits costs. Since the time of amalgamation, the City has experienced several wage related settlements. Changes in wage rates are primarily driven by Union negotiations, or in some cases arbitration awards. The year 2005 represents the sixth year following amalgamation, and the 2005 budget information includes six years of wage rate adjustments for the City. In addition, in 1998, the Ontario Municipal Employees Retirement System (OMERS) declared a pension holiday for its members, a requirement based on a significant pension surplus within the fund. The holiday meant that neither employees nor employers were required to contribute to OMERS. As such, there are no OMERS related expenses included in the 1999 net program costs presented within this report. The OMERS holiday has since ended.

These two factors combined represent a significant impact to City wages during the post-amalgamation period. Impacts range between approximately 24.5% and 42.9% of wages, depending on employee group impacted. In addition, these percentage impacts are before any other wage adjustments, such as pay grid movement, skill trade adjustments, signing bonuses and benefits enhancements. With wages and benefits representing over half of the City's total operating expenditures, before transfers to other funds, the impacts of these increases represent a significant factor in changes to net program costs for the City.

Net Program Costs by Functional Area:

Inflation

A second general factor that also impacts all the various operations throughout the City would be the impacts of inflation. Inflation factors have not been discussed in detail throughout this report. It is, however, important to recognize that this factor does exist. The following table provides a summary of the Consumer Price Index (CPI), or inflation, for Ontario since 1999, with projected 2005 impacts based on an average of the previous five years:

Consumer Price Index
Province of Ontario
1999 to 2005 Analysis

	City of Kenora 2005 Budget 1992 = 100	Net Impact Budget	**Cumulative % Impact**
Year			
1999	111.0		
2000	114.2	2.9%	2.9%
2001	117.7	3.1%	6.1%
2002	120.1	2.0%	8.2%
2003	123.3	2.7%	11.1%
2004	125.6	1.9%	13.2%
2005 - Projected (Five Year Avg)		2.5%	16.0%

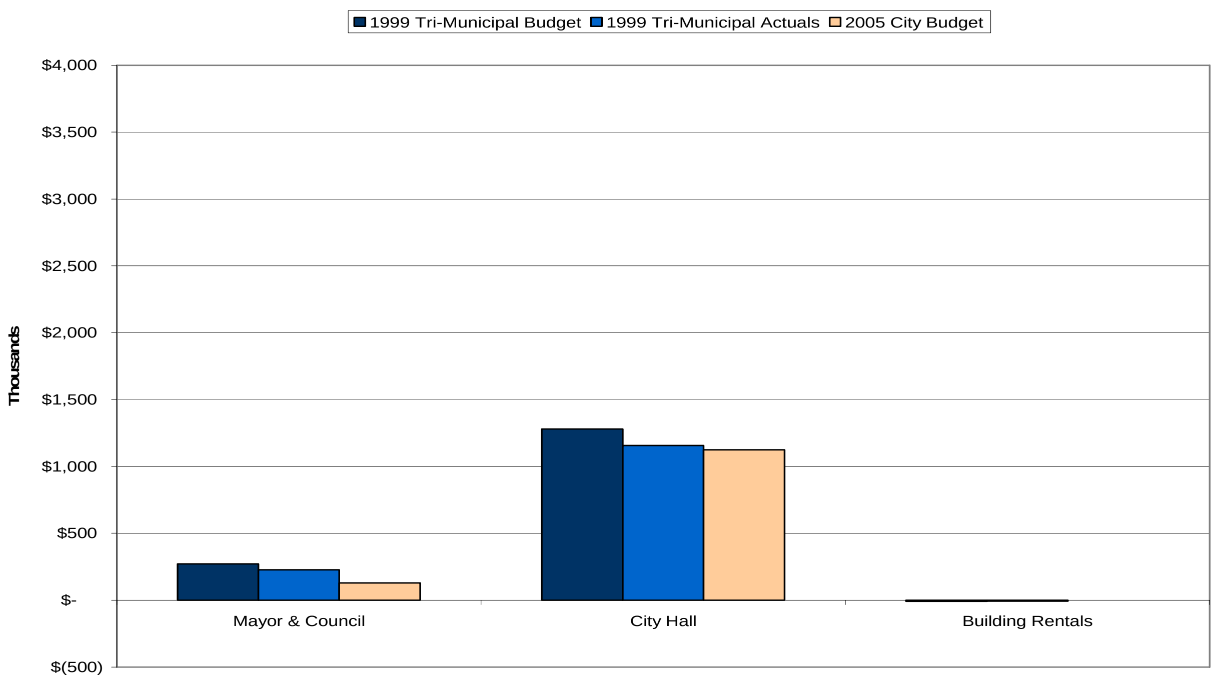
As outlined in the previous table, the CPI or inflation rate shows a cumulative impact of 13.2% from 1999 to 2004. Based on the five year average from 2000 through 2004, a projected percentage change of 2.5% in 2005 brings the total projected cumulative impact to 16.0% from 1999 through 2005. As stated previously, this impact has not been restated throughout this report, but is important information to be considered when reviewing the financial information contained within this report.

Net Program Costs by Functional Area:

General Government

General government represents, for the most part, costs related to the overall administration of the City, and includes operating programs such as Mayor and Council, City Hall and building rentals. Overall, net program costs are down from both the budget and actual 1999 Tri-Municipal consolidated information. The 2005 budget as compared to the consolidated 1999 budget shows a decrease of $.3 million, or 18.6%. The 2005 budget as compared to the consolidated 1999 actual costs reflects a decrease of $.1 million, or 8.8%.

A more detailed breakdown of net costs relating to specific programs within the general government function is provided within the following chart. The table on the following page provides a more detailed analysis of this data.



City of Kenora
Net Program Costs
Detailed 1999 to 2005 Analysis
(in thousands of dollars)

	1999 Tri-Municipal		City of Kenora	**Net Impact**		**% Change**	
	Budget	Actual	2005 Budget	**Budget**	**Actual**	**Budget**	**Actual**
General Government							
Mayor & Council	$ 271	$ 227	$ 130	**$ (141)**	**$ (97)**	**-52.0%**	**-42.7%**
City Hall	1,279	1,156	1,125	**(154)**	**(31)**	**-12.0%**	**-2.7%**
Building Rentals	(9)	(7)	-	**9**	**7**	**-100.0%**	**-100.0%**
	$ 1,541	$ 1,376	$ 1,255	**$ (286)**	**$ (121)**	**-18.6%**	**-8.8%**

Mayor & Council

As can be seen from the above table, Mayor & Council net program costs continue to be down significantly from those within the Tri-Municipal area in 1999, based on both budget and actual. These costs reflect a decrease of 52.0% from the 1999 budget, or 42.7% from the 1999 actual results. This has occurred from the consolidation of three separate municipal Councils into one.

City Hall

City Hall net program costs also continue to be down, albeit only slightly, from those within the Tri-Municipal area in 1999. Overall, these costs reflect a decrease of 12.0% from the 1999 budget, or 2.7% from the 1999 actual results. This continued decrease is significant, as City Hall programs have experienced considerable impacts to net program costs during the time since amalgamation, including:

- Wage related increases, including:
    - The addition of 6.5 full time equivalents within the staffing complement. For more details, see the positions listed under administration within the staffing report card, excluding those listed under planning, Self Help Office and Provincial Offences Act.
    - An overall impact to wages within the department of approximately 25% based on negotiated Union settlements, wage increases and OMERS impacts, before any other wage related adjustments are considered.
- Insurance related increases for liability insurance, representing an incremental cost of $.1 million (106.5%) as compared to the 1999 budget, or $.2 million (133.1%) as compared to the 1999 actual results.
- The loss of the 10% mark up on costs recovered from the utilities. A number of general government costs are charged to the utilities for services provided on

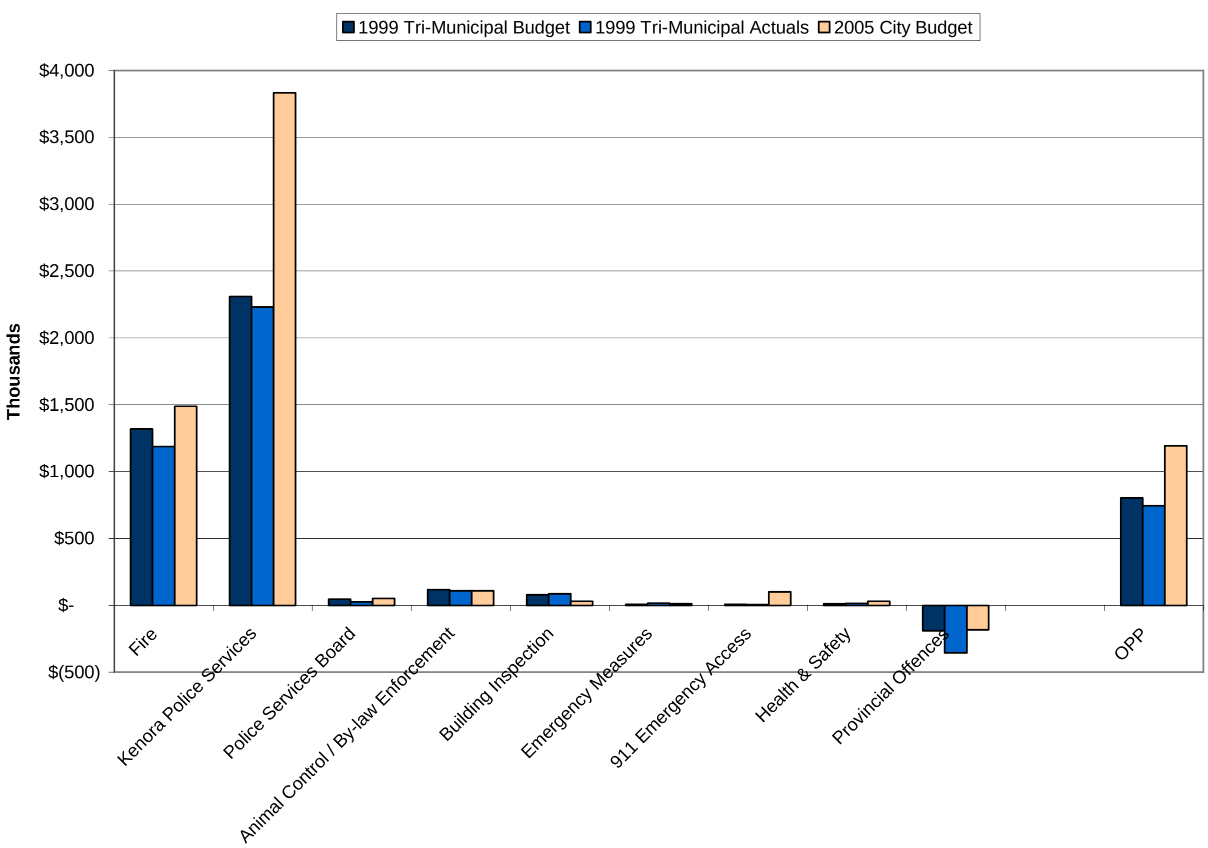
their behalf, for example customer service, billing, collections, etc. These costs are charged directly to those utilities out of the general government line, and used to include a 10% contingency mark up. In the period following amalgamation, a decision was made to remove the 10%. The net impact was a loss in offsetting revenues, or increase in net program costs, of $.2 million upon implementation. Contributions from non-consolidated entities were increased by a corresponding amount to neutralize any impact to the taxpayer related to this decision.

Net Program Costs by Functional Area:

Protection

Protection, also referred to as protection to persons and property, represents operating programs such as fire, policing, animal control, By-law enforcement, building inspection, emergency measures, 911, Health & Safety and Provincial Offences. Overall, net program costs have increased from both the budget and actual 1999 Tri-Municipal consolidated information. The 2005 budget as compared to the consolidated 1999 budget shows an increase of $2.2 million, or 47.9%. The 2005 budget as compared to the consolidated 1999 actual costs reflects an increase of $2.6 million, or 64.1%.

A more detailed breakdown of net costs relating to specific programs within the protection function is provided within the following chart. The table on the following page provides a more detailed analysis of this data.



City of Kenora
Net Program Costs
Detailed 1999 to 2005 Analysis
(in thousands of dollars)

	1999 Tri-Municipal Budget	1999 Tri-Municipal Actual	City of Kenora 2005 Budget	**Net Impact Budget**	**Net Impact Actual**	**% Change Budget**	**% Change Actual**
Protection to Persons & Property							
Fire	$ 1,318	$ 1,187	$ 1,487	**$ 169**	**$ 300**	**12.8%**	**25.3%**
Kenora Police Services	2,310	2,231	3,834	**1,524**	**1,603**	**66.0%**	**71.9%**
Police Services Board	45	26	51	**6**	**25**	**13.3%**	**96.2%**
Animal Control / By-law Enforcement	117	108	109	**(8)**	**1**	**-6.8%**	**0.9%**
Building Inspection	79	85	31	**(48)**	**(54)**	**-60.8%**	**-63.5%**
Emergency Measures	8	15	12	**4**	**(3)**	**50.0%**	**-20.0%**
911 Emergency Access	8	6	101	**93**	**95**	**1162.5%**	**1583.3%**
Health & Safety	10	14	31	**21**	**17**	**210.0%**	**121.4%**
Provincial Offences	(190)	(354)	(183)	**7**	**171**	**-3.7%**	**-48.3%**
OPP	802	745	1,193	**391**	**448**	**48.8%**	**60.1%**
	$ 4,507	$ 4,063	$ 6,666	**$ 2,159**	**$ 2,603**	**47.9%**	**64.1%**

Fire

Fire net program costs have increased from those within the Tri-Municipal area in 1999. Overall, these costs reflect an increase of 12.8% from the 1999 budget, or 25.3% from the 1999 actual results. This increase is due to wage related increases within the department. There was an overall impact to wages within this department of approximately 43% based on negotiated Union settlements, arbitration awards and OMERS impacts, before any other wage related adjustments are considered. Internally, the department has reduced expenditure budgets where possible, including training budgets, to help minimize the impact to the taxpayers, while maintaining the existing full time complement.

Policing

By far, the most significant impact the City has experienced in net program costs has been the overall policing costs. Combined policing costs have increased from those within the Tri-Municipal area by $1.9 million (60.8%) from the 1999 budget, or $2.1 million (69.2%) from the 1999 actual results. The City currently receives policing services from both the Kenora Police Services (KPS), for the former Town of Kenora, and the Ontario Provincial Police (OPP), for the former Towns of Keewatin and Jaffray Melick.

In order to examine why policing costs have increased so significantly, a more detailed review of the two separate policing agencies needs to be considered. Net program costs for both organizations, however, have experienced significant increases during the post amalgamation period.

KPS net program costs have increased by $1.5 million (66.0%) from the 1999 budget, or $1.6 million (71.9%) from the 1999 actual results. Some of the significant factors that have played a role in this increase include:

- Wage related increases, including:
    - The addition of 10.0 full time equivalents within the staffing complement. For more details, see the positions listed under Kenora Police Services within the staffing report card.
    - An overall anticipated impact to wages within the department of almost 31% based on negotiated Union settlements, wage increases and projected 2005 settlements and OMERS impacts, before any other wage related adjustments are considered.
- The introduction of the Adequacy Standard Legislation for policing, and other increased requirements, including Courthouse Security, increased dispatching requirements due to a relocation of the dispatch for fire and after hour calls, etc.

As the Kenora Police Services represents the single, most significant financial impact to the City of any program during the post-amalgamation period, a separate report has been prepared by Dan Jorgensen, Chief Designate, providing additional information with regards to the increase in policing costs. This report has been included as Appendix 5 to this report. This information has only been touched on briefly within this section. Readers are encouraged to review Appendix 5 for additional information.

OPP net program costs have increased by $.4 million (48.8%) from the 1999 budget, or $.4 million (60.1%) from the 1999 actual results. These costs have been partly impacted by wage adjustments within the OPP. A second factor that has impacted these costs was the introduction of a new deployment model by the Province in 2001. This provincially mandated model is used to establish policing hours allocated to municipalities for the provision of policing services. The City's contract with the OPP expired at the end of 2003. Negotiations were held during 2003 between the City of Kenora and the OPP. These negotiations resulted in a new contract, which took effect in 2004. Under the terms of this contract, the City saw an increased allocation of hours from the OPP. This increase was required based on the significant increase in service calls experienced by the OPP within their service area of the City. In 1999, there were 2,509 service calls handled by the OPP within the Towns of Keewatin and Jaffray Melick. In 2004, the number of service calls handled by the OPP had climbed by 206.6% to 7,692.

Building Inspection

Building Inspection net program costs have decreased from those within the Tri-Municipal area in 1999. Overall, these costs reflect a decrease of 60.8% from the 1999 budget, or 63.5% from the 1999 actual results. Prior to amalgamation, there were three full time building inspectors. This decrease is primarily due to the elimination of one full time inspector. To a lesser extent, this change is due to a rate increase and increased building permit activities within the City.

911 Emergency Access

911 Emergency Access net program costs have increased from those within the Tri-Municipal area in 1999. Overall, these costs reflect an increase of 1162.5% from the 1999 budget, or 1583.3% from the 1999 actual results. This change is primarily due to an increase in the number of dispatchers allocated to this program from the KPS – an increase from 1.4 in 1999 to 2.4, plus an additional 50% of 3 incremental dispatchers for a period of three months for training in anticipation of the turn up of the new regional dispatch and the expected resulting call volumes in early 2006.

Health & Safety

While not a significant dollar impact for the City, the health & safety net program costs have increased from those within the Tri-Municipal area in 1999. Overall, these costs reflect an increase of 210.0% from the 1999 budget, or 121.4% from the 1999 actual results. This has occurred due to an increased awareness and focus by the municipality with regards to the health & safety legislation and programs. Increased costs include appeals, physiotherapy and training. The City is currently developing its new Health & Safety Officer in a “train the trainer” capacity to help further promote health & safety programs within the City.

Provincial Offences

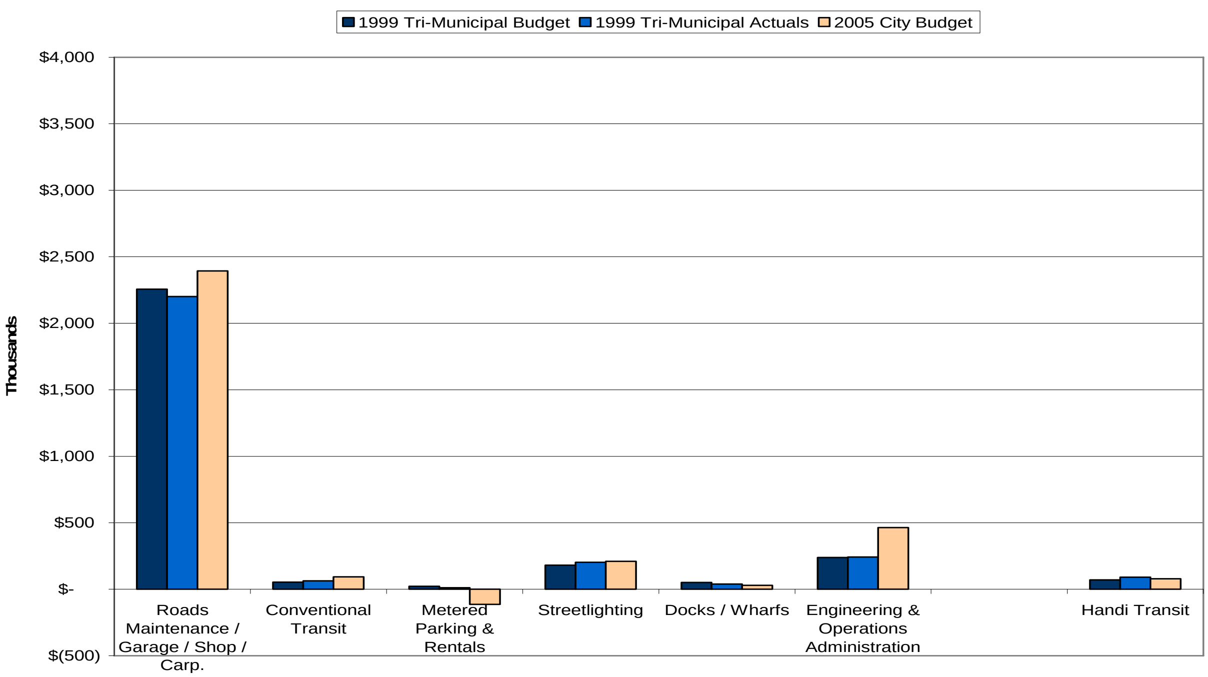
While not down significantly (only 3.7%)as compared to the 1999 budget, the Provincial Offences revenues show a significant reduction (48.3%) as to the 1999 actual operating results. This program is based strictly on fines revenue both levied and collected under the Provincial Offences Act, and can be subject to significant fluctuations. This is one of the services downloaded to municipalities in 1998, and the decline in Provincial Offences revenues continues to be an area of concern for the City.

Net Program Costs by Functional Area:

Transportation

Transportation represents operating programs such as roads, conventional and handi transit, metered parking and parking rentals, streetlighting, docks and wharfs, and Engineering and Operations Administration. Overall, net program costs have increased from both the budget and actual 1999 Tri-Municipal consolidated information. The 2005 budget as compared to the consolidated 1999 budget shows an increase of $.3 million, or 9.7%. The 2005 budget as compared to the consolidated 1999 actual costs also reflects an approximate increase of $.3 million, or 10.6%.

A more detailed breakdown of net costs relating to specific programs within the transportation function is provided within the following chart. The table on the following page provides a more detailed analysis of this data.



City of Kenora
Net Program Costs
Detailed 1999 to 2005 Analysis
(in thousands of dollars)

	1999 Tri-Municipal Budget	1999 Tri-Municipal Actual	City of Kenora 2005 Budget	**Net Impact Budget**	**Net Impact Actual**	**% Change Budget**	**% Change Actual**
Transportation							
Roads Maintenance / Garage / Shop / Carp.	$ 2,257	$ 2,200	$ 2,394	**$ 137**	**$ 194**	**6.1%**	**8.8%**
Conventional Transit	53	63	93	**40**	**30**	**75.5%**	**47.6%**
Metered Parking & Rentals	23	11	(114)	**(137)**	**(125)**	**-595.7%**	**-1136.4%**
Streetlighting	181	203	209	**28**	**6**	**15.5%**	**3.0%**
Docks / Wharfs	50	39	29	**(21)**	**(10)**	**-42.0%**	**-25.6%**
Engineering & Operations Administration	238	243	464	**226**	**221**	**95.0%**	**90.9%**
Handi Transit	71	91	78	**7**	**(13)**	**9.9%**	**-14.3%**
	$ 2,873	$ 2,850	$ 3,153	**$ 280**	**$ 303**	**9.7%**	**10.6%**

Roads

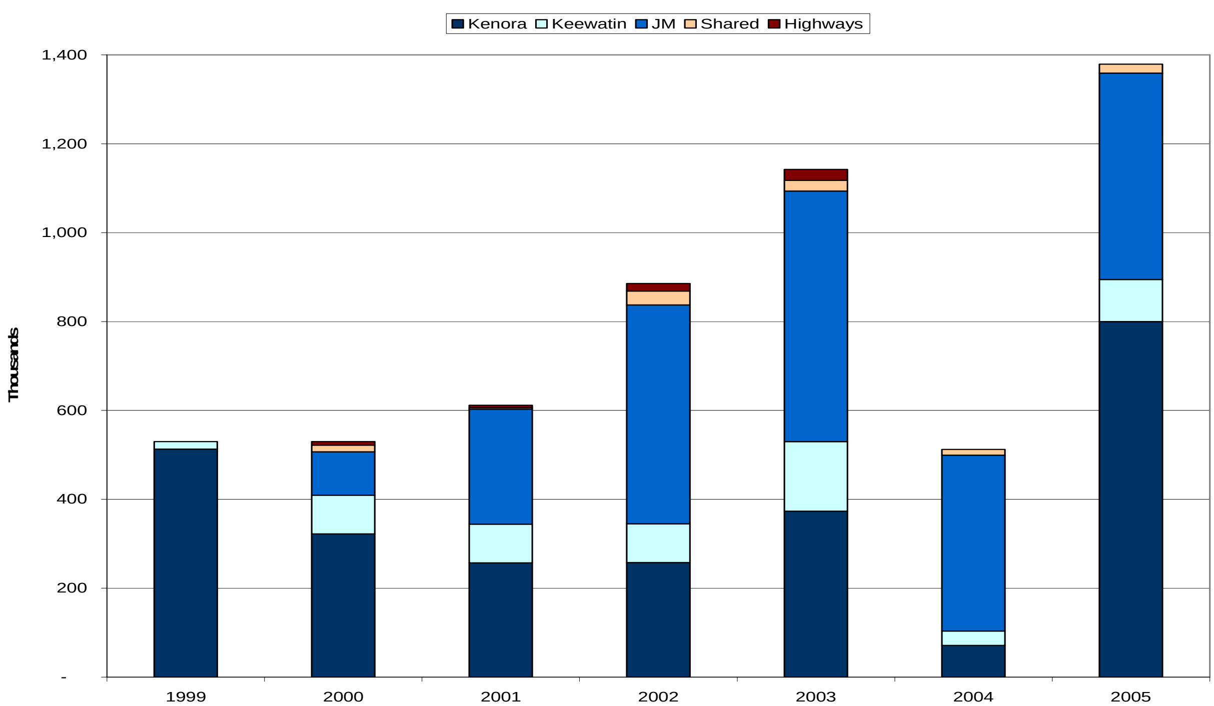
The 2005 operating budget for roads maintenance has been fairly consistent to those relating to 1999. Overall, these costs reflect an increase of 6.1% from the 1999 budget, or 8.8% from the 1999 actual results. Based on wage related impacts, it could be interpreted that there has been a compression of roads work over this period to offset impacts associated with wage related increases. The City is, however, currently performing its roads maintenance program in excess of the overall regular roads program works in the Tri-Municipal area prior to amalgamation. This department has been impacted by:

- Wage related impacts, including:
  - The realignment of the roads and community services departments upon amalgamation. Based on the KPMG report, approximately seven staff in total were transferred from the various roads related departments to the community services departments. Two of these positions, namely the carpenters, have been accounted for in this analysis. The City does not, however, have sufficient information to determine the exact impacts for the remaining five. Non-chargeable employee time, such as vacation and sick time, plus full benefits for these employees was previously charged to the roads department. These costs have now been more accurately reflected within the appropriate community services departments, primarily parks.
  - An overall impact to wages within the department of approximately 25% based on negotiated Union settlements, wage increases and OMERS impacts, before any other wage related adjustments are considered.
- In 1999, the towns of Keewatin and Jaffray Melick both took money from reserves to fund ongoing roads expenditures. This amount represented a

combined $.6 million and $.1 million in budgeted and actual revenues respectively.

- The Jaffray Melick 1999 roads expenditures were significantly overstated due to the major flooding in June 1999, and the resulting disaster area declaration and related road works. The Town of Jaffray Melick received about $1.0 million in disaster relief funding for this work. Roads operating expenditures for the year, however, were $1.1 million in excess of the 1998 levels.
- In 2004, the City performed a consolidation of the three public works facilities for the roads department into one centralized facility. This consolidation resulted in cost savings that were available to divert back to the roads program.

While the analysis of net program costs within this report is dedicated to net operating program costs, an analysis of roads expenditures would not be complete without a review of the related capital program expenditures. The following table depicts the net roads capital expenditures within the City from 1999 through 2005 City budget information. This chart has been scaled separately from all other charts within the net program costs area of this report to provide more detailed information on these expenditures. It should be noted that Jaffray Melick did not perform any roads capital works during 1999.



Following amalgamation, the city worked towards increasing roads capital expenditures. Starting in 2002, the City began an annual contribution, or dividend, from KMTS Mobility of $.5 million, primarily geared to augment the City's capital program. While these additional funds were not intended strictly for the roads program, the City has consistently applied additional funds to the roads capital allocations over the pre-amalgamation period, with the exception of 2004. In 2004, the City's capital program included several larger scale projects which resulted in an overall under spending of the roads capital project. The municipal paving program, representing over $.3 million, was diverted to 2005. It should be noted that the City's capital roads program varies each year, based on overall City capital priorities.

Conventional Transit

Conventional Transit net program costs have increased from those within the Tri-Municipal area in 1999. Overall, these costs reflect an increase of 75.5% from the 1999 budget, or 47.6% from the 1999 actual results. This change is primarily due to an increase in the contracted services for an external provider to run the conventional transit system, which has increased approximately 47% over the 1999 budget or 44% over the 1999 actual results. Fee revenue has remained fairly consistent during this period, dipping slightly since 1999. During this time, routes have been adjusted to provide service where it is required most to help promote increased ridership.

Parking Meters & Parking Rentals

Combined parking meters (referred to in the financial analyses as "metered parking") and parking rentals have shown a significant turnaround during the post-amalgamation period. These programs have gone from an overall operating deficit to a combined net income.

Metered parking net revenues have decreased slightly from those within the Tri-Municipal area in 1999. For the most part, however, this net revenue remains unchanged.

The parking rentals program represents the various City parking lots on which rentals are charged, including the City parkade. The parking rentals program alone accounts for the change within this overall program. This is due to two primary factors:

- The parkade was funded through a debenture issue. The final debenture payment was made in 2004, representing a net $97,239 in reduced expenditures annually for these programs.

- Stall rental revenues have seen a significant increase since 1999. These are up by 34.1% over budget and 41.9 % over actual results from 1999.

Engineering & Operations Administration

Engineering & Operations Administration net program costs have increased from those within the Tri-Municipal area in 1999. Overall, these costs reflect an increase of 95.0% from the 1999 budget, or 90.9% from the 1999 actual results. This change relates to a number of factors, including:

- Wage related increases, including:
    - As part of the amalgamation restructuring, and in accordance with the KPMG report, changes were made to the management structure for the new City. These changes included the creation of two new positions within this specific program, related to the management of the new consolidated City department. This new structure allowed for the increased requirements for administration of the combined City departments. Prior to amalgamation, only the Town of Kenora had an Engineering department. There were no related costs within either Keewatin or Jaffray Melick, and the related administration was performed by City administration within those two municipalities.
    - An overall impact to wages within the department of approximately 25% based on negotiated Union settlements, wage increases and OMERS impacts, before any other wage related adjustments are considered.
- The City has moved fully into the use of a Geographical Information System (GIS). While this implementation had begun prior to amalgamation, the operations budget have increased from pre-amalgamation to account for the ongoing maintenance costs related to this system, an impact of $.1 million in 2005. This system has allowed the consolidation of information from the former three municipal infrastructures to be brought together into one new database. Based on the geographic size of the new City, it would not be possible to track this type of information without having this type of technology in place.

Handi Transit

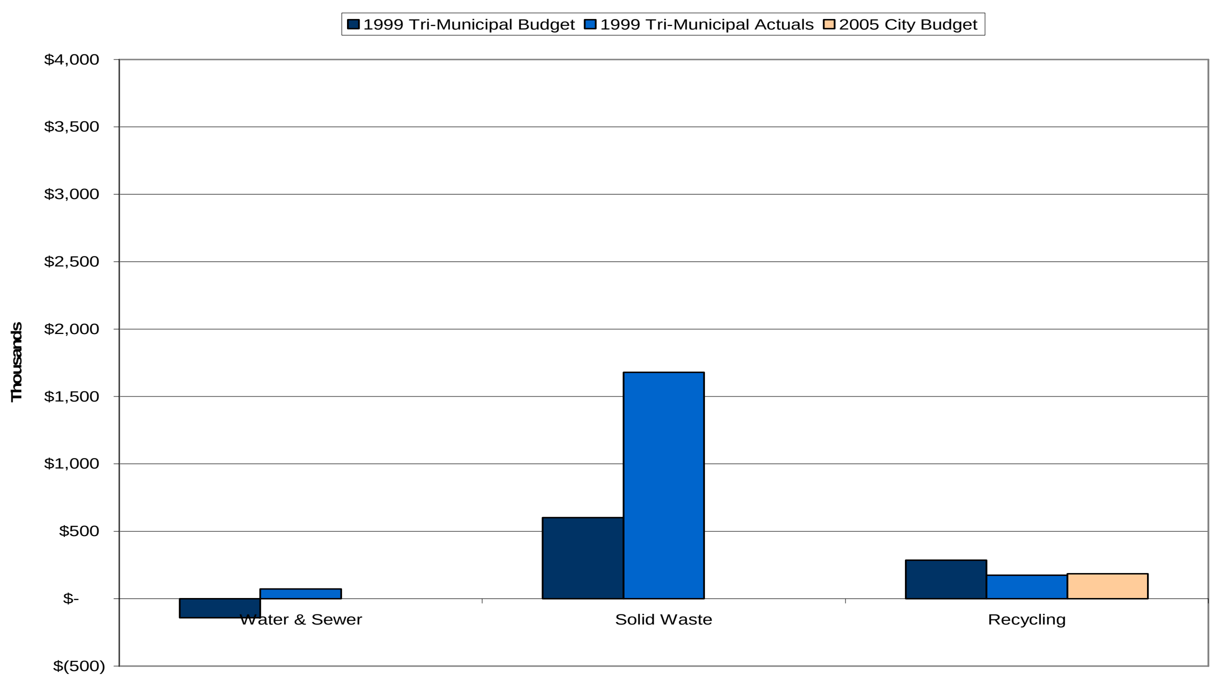
Handi Transit funding from the City has remained fairly stable since amalgamation. In 1999, the Handi Transit received additional funding from each of Kenora, Keewatin and Jaffray Melick to be used towards the purchase of a new bus. This was one time funding, and represents the budget overage in 1999. Handi Transit funding remained unchanged from amalgamation until 2005.

Net Program Costs by Functional Area:

Environmental

Environmental represents operating programs such as water & sewer, solid waste and recycling. Overall, net program costs are down from both the budget and actual 1999 Tri-Municipal consolidated information. The 2005 budget as compared to the consolidated 1999 budget shows a decrease of $.6 million, or 75.2%. The 2005 budget as compared to the consolidated 1999 actual costs reflects a decrease of $1.7 million, or 90.4%.

A more detailed breakdown of net costs relating to specific programs within the environmental function is provided within the following chart. The table on the following page provides a more detailed analysis of this data.



City of Kenora
Net Program Costs
Detailed 1999 to 2005 Analysis
(in thousands of dollars)

	1999 Tri-Municipal		City of Kenora	**Net Impact**		**% Change**	
	Budget	Actual	2005 Budget	**Budget**	**Actual**	**Budget**	**Actual**
Environmental							
Water & Sewer	$ (141)	$ 72	$ -	**$ 141**	**$ (72)**	**-100.0%**	**-100.0%**
Solid Waste	602	1,679	-	**(602)**	**(1,679)**	**-100.0%**	**-100.0%**
Recycling	286	174	185	**(101)**	**11**	**-35.3%**	**6.3%**
	$ 747	$ 1,925	$ 185	**$ (562)**	**$ (1,740)**	**-75.2%**	**-90.4%**

Recycling

Recycling net program costs show a decrease from the net budget for the Tri-Municipal area in 1999 by 35.3%. Costs have, however, increased slightly (6.3%) over the actual operating results from 1999. Prior to amalgamation, City recycling was performed by the Northwestern Ontario Recycling Association (NORA). By 2001, overall net recycling costs had escalated to almost $.5 million. In 2002, the City discontinued its relationship with NORA and commenced its own independent recycling operations, resulting in a significant reduction in overall costs to the City. During this time, the City has experienced a significant increase in the volumes of recycling materials handled.

Water & Sewer and Solid Waste Utilities

Prior to amalgamation, the Tri-Municipal area continued to use tax dollars to fund both the water & sewer and solid waste utilities. During the post-amalgamation period, the City determined that a separation between the water & sewer and solid waste utilities and property taxes would be put in place. This separation eliminated any of the previous dependency on property taxes. Additional operations information related to these two utilities has been provided on the following pages.

Water & Sewer

The City has seen significant increases in both the water & sewer revenues and expenditures in the post-amalgamation period. The table on the following page provides more detailed information on water & sewer operations, for both consolidated 1999 Tri-Municipal budget and actual information, and the 2005 City budget.

City of Kenora
Utility Operations - Water & Sewer
Detailed 1999 to 2005 Analysis
(in thousands of dollars)

	1999 Tri-Municipal		City of Kenora	Net Impact		% Change	
	Budget	Actual	2005 Budget	**Budget**	**Actual**	**Budget**	**Actual**
Net Activity							
Revenues							
Operating Revenues	$ 3,835	$ 3,768	$ 5,128	**$ 1,293**	**$ 1,360**	**33.7%**	**36.1%**
Interest Income on Reserves	-	6	-	**-**	**(6)**	**n/a**	**-100.0%**
	3,835	3,774	5,128	**1,293**	**1,354**	**33.7%**	**35.9%**
Expenditures							
Operating Expenditures	2,919	3,170	3,993	**1,074**	**823**	**36.8%**	**26.0%**
Net Operations	$ 916	$ 604	$ 1,135	**$ 219**	**$ 531**	**23.9%**	**87.9%**
Applied To:							
Capital Expenditures	$ 1,169	$ 271	$ 2,094	**$ 925**	**$ 1,823**	**79.1%**	**672.7%**
Increase (Decrease) in reserve balance	(394)	405	(959)	**(565)**	**(1,364)**	**143.4%**	**-336.8%**
Contribution to (from) tax dollars	141	(72)	-	**(141)**	**72**	**-100.0%**	**-100.0%**
	$ 916	$ 604	$ 1,135	**$ 219**	**$ 531**	**23.9%**	**87.9%**

There is no question that it is a very different world today that the water & sewer utility operates in than it did pre-amalgamation. Spurred on by the Walkerton tragedy in May 2000, a raft of new legislation has been introduced, imposing new standards and requirements for water and sewer operations. This has represented significant impacts for the water & sewer operations, including increased costs, and multiple rate impacts.

The current operations continue to be separated from any reliance on property taxes. It is evident, however, that there is not sufficient net revenues generated through these operations to deal with the City's existing and aging water & sewer infrastructure. The City continues to work towards establishing its water & sewer operations as a fully independent system and plans to contract out an overall review of these operations in 2005 to ensure these operations continue to support all of the systems needs, both today and tomorrow.

Solid Waste

The following table provides more detailed information on solid waste operations, for consolidated 1999 Tri-Municipal budget and actual information, and 2005 City budget.

City of Kenora
Utility Operations - Solid Waste
Detailed 1999 to 2005 Analysis
(in thousands of dollars)

	1999 Tri-Municipal Budget	1999 Tri-Municipal Actual	City of Kenora 2005 Budget	Net Impact Budget	Net Impact Actual	% Change Budget	% Change Actual
Net Activity							
Operating Revenues	$ 569	$ 609	$ 1,643	**$ 1,074**	**$ 1,034**	**188.8%**	**169.8%**
Operating Expenditures	1,117	1,330	1,561	**444**	**231**	**39.7%**	**17.4%**
Net Operations	$ (548)	$ (721)	$ 82	**$ 630**	**$ 803**	**-115.0%**	**-111.4%**
Applied To:							
Capital Expenditures	$ 937	$ 80	$ 272	**$ (665)**	**$ 192**	**-71.0%**	**240.0%**
Increase (Decrease) in reserve balance	(884)	877	(190)	**694**	**(1,067)**	**-78.5%**	**-121.7%**
Contribution to (from) tax dollars	(601)	(1,678)	-	**601**	**1,678**	**-100.0%**	**-100.0%**
	$ (548)	$ (721)	$ 82	**$ 630**	**$ 803**	**-115.0%**	**-111.4%**

The elimination of the reliance of solid waste expenditures on property taxes had a significant impact in helping to minimize tax rate impacts during the years since amalgamation. The transformation of these operations to full user pay has also had a significant impact on reducing the volumes of garbage handled. There has been an offsetting increase in municipal recycling volumes as a direct result of the implementation of a full user pay system.

During the post-amalgamation period, the City has seen increased compliance and regulation issues related to solid waste. This has impacted the operations of both the Kenora Area Landfill and the Transfer Facility, and resulted in an overall increase in operating costs.

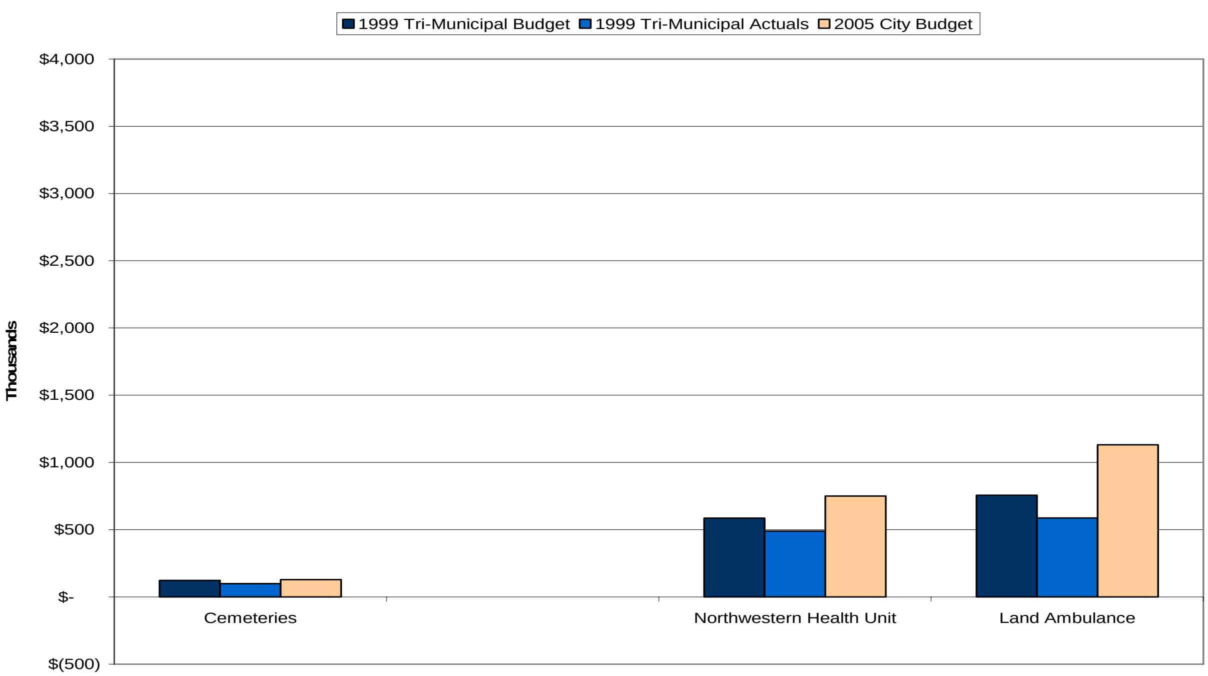
It should be noted that the 1999 contributions from tax dollars have been significantly overstated due to monies being transferred to solid waste reserves to be used towards the combined development of the new Kenora Area Landfill and Transfer Facility Station. This represented an additional $.9 million in tax contributions in 1999.

Net Program Costs by Functional Area:

Health

Health represents operating programs such as cemeteries, Northwestern Health Unit and land ambulance. Overall, net program costs have increased from both the budget and actual 1999 Tri-Municipal consolidated information. The 2005 budget as compared to the consolidated 1999 budget shows an increase of $.5 million, or 37.1%. The 2005 budget as compared to the consolidated 1999 actual costs reflects an increase of $.8 million, or 70.8%.

A more detailed breakdown of net costs relating to specific programs within the health function is provided within the following chart. The table on the following page provides a more detailed analysis of this data.



City of Kenora
Net Program Costs
Detailed 1999 to 2005 Analysis
(in thousands of dollars)

	1999 Tri-Municipal		City of Kenora	**Net Impact**		**% Change**	
	Budget	Actual	2005 Budget	**Budget**	**Actual**	**Budget**	**Actual**
Health							
Cemeteries	$ 123	$ 99	$ 128	**$ 5**	**$ 29**	**4.1%**	**29.3%**
Northwestern Health Unit	586	490	750	**164**	**260**	**28.0%**	**53.1%**
Land Ambulance	756	587	1,131	**375**	**544**	**49.6%**	**92.7%**
	$ 1,465	$ 1,176	$ 2,009	**$ 544**	**$ 833**	**37.1%**	**70.8%**

Cemetery

The cemetery operations are treated similarly to an external organization, with net program costs representing the combined operating and capital contributions from the municipality. Cemetery net program costs have been relatively stable during the years since amalgamation. Overall, these costs reflect an increase of 4.1% from the 1999 budget, or 29.3% from the 1999 actual results. The 1999 actual results were down by 17.9% from 1998 operations. This was primarily due to an under-spending in 1999 on the cemetery capital program.

Northwestern Health Unit

Transfers to the Northwestern Health Unit costs have increased from those within the Tri-Municipal area in 1999. Overall, these costs reflect an increase of 28.0% from the 1999 budget, or 53.1% from the 1999 actual results. In 1999, the Province amended the funding formula that determined the requirement for municipalities to fund health units. This formula had changed from 25% in 1997, to 100% in 1998, and then was reduced to 50% in 1999. At the time the 1999 budget was passed, there was still some uncertainty as to how this would impact the Tri-Municipal area. The budget over estimated the municipal requirement. As such, the comparison to 1999 actual information is more reliable for this program.

Land Ambulance

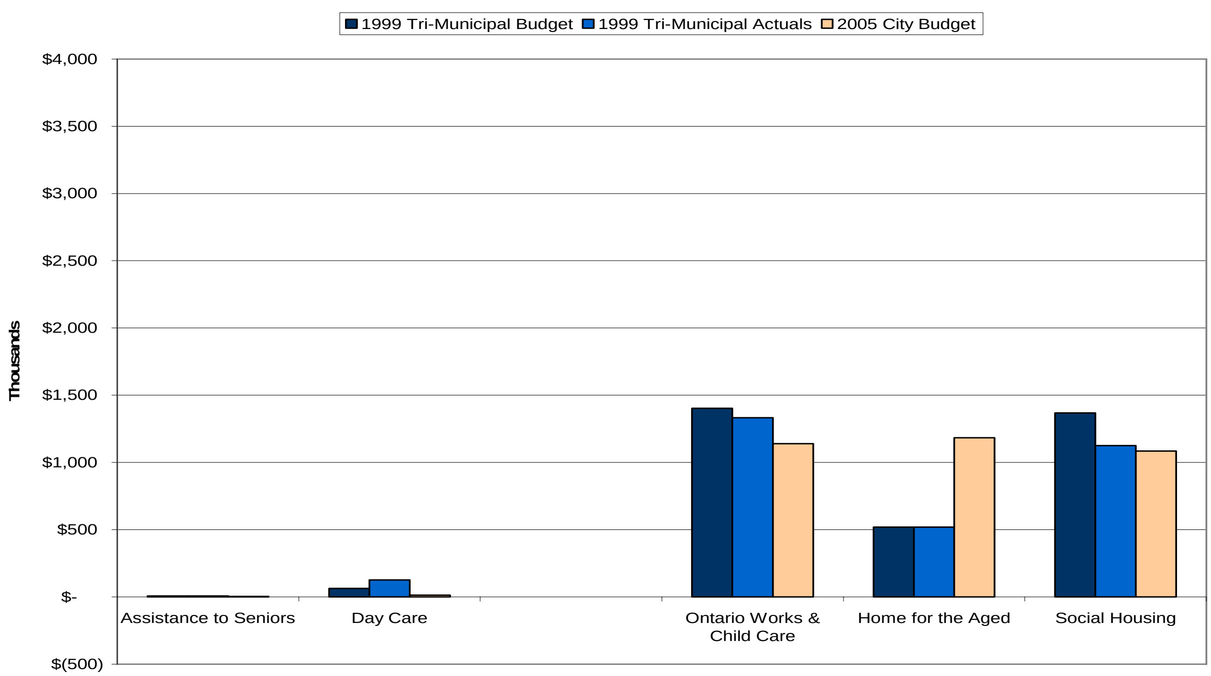
Transfers for Land Ambulance costs have increased from those within the Tri-Municipal area in 1999. Overall, these costs reflect an increase of 49.6% from the 1999 budget, or 92.7% from the 1999 actual results. The most significant factor affecting land ambulance costs was the recent arbitration award between land ambulance staff and the Kenora District Services Board (KDSB). Compounding this impact was the failure of the Province to provide to properly recognize this arbitration award and make the appropriate adjustments towards their share of funding land ambulance services, resulting in a significant impact for all municipalities within the Kenora Region.

Net Program Costs by Functional Area:

Social & Family

Social & Family represents operating programs such as assistance to seniors, day care, Ontario Works & child care, Home for the Aged and Social Housing. Overall, net program costs have increased from both the budget and actual 1999 Tri-Municipal consolidated information. The 2005 budget as compared to the consolidated 1999 budget shows an increase of $.1 million, or 2.0%. The 2005 budget as compared to the consolidated 1999 actual costs reflects an increase of $.3 million, or 10.2%.

A more detailed breakdown of net costs relating to specific programs within the social & family function is provided within the following chart. The table on the following page provides a more detailed analysis of this data.



City of Kenora
Net Program Costs
Detailed 1999 to 2005 Analysis
(in thousands of dollars)

	1999 Tri-Municipal		City of Kenora	**Net Impact**		**% Change**	
	Budget	Actual	2005 Budget	**Budget**	**Actual**	**Budget**	**Actual**
Social & Family							
Assistance to Seniors	$ 7	$ 6	$ 2	**$ (5)**	**$ (4)**	**-71.4%**	**-66.7%**
Day Care	63	125	13	**(50)**	**(112)**	**-79.4%**	**-89.6%**
Ontario Works & Child Care	1,402	1,332	1,140	**(262)**	**(192)**	**-18.7%**	**-14.4%**
Home for the Aged	518	519	1,184	**666**	**665**	**128.6%**	**128.1%**
Social Housing	1,368	1,125	1,085	**(283)**	**(40)**	**-20.7%**	**-3.6%**
	$ 3,358	$ 3,107	$ 3,424	**$ 66**	**$ 317**	**2.0%**	**10.2%**

Day Care

Day Care net program costs have shown a significant reduction during the years since amalgamation. Overall, these costs reflect a decrease of 79.4% from the 1999 budget, or 89.6% from the 1999 actual results. In an effort to either eliminate or significantly reduce the deficit related to the day care program, the City underwent a detailed review of its Day Care operations during the post-amalgamation period. This review resulted in a restructuring of the department, including the elimination of three full time equivalent positions, resulting in substantial cost savings for the City.

External Organizations

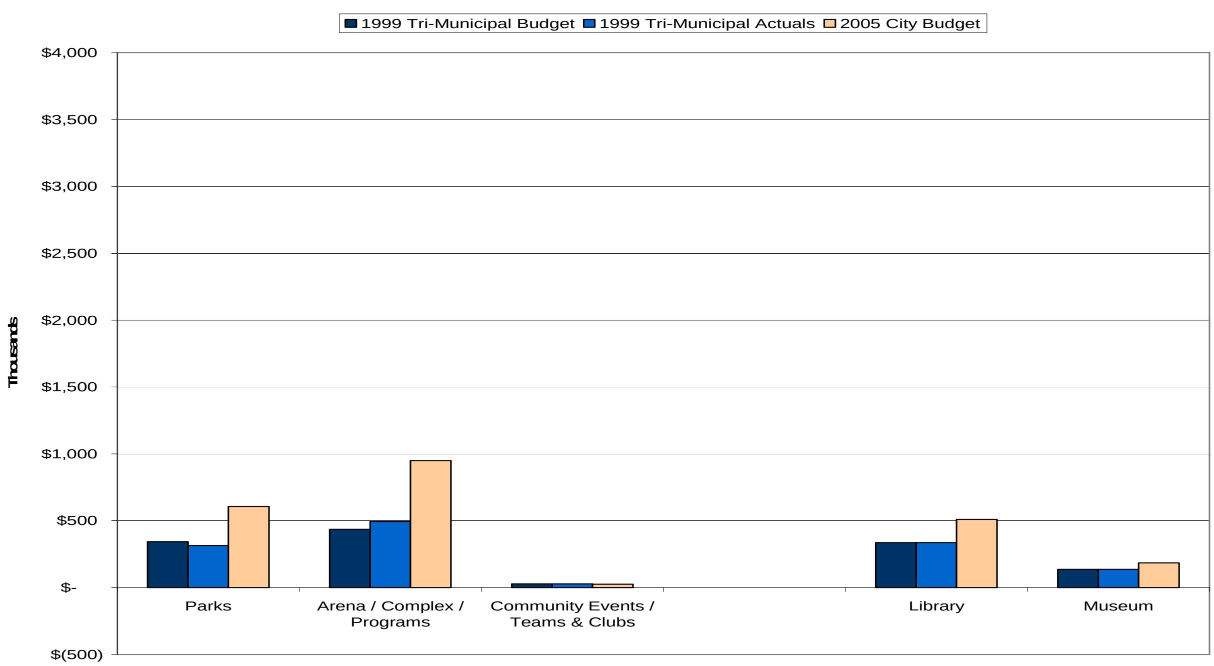
The City currently pays Ontario Works & Child Care and Social Housing costs to the KDSB. The Home for the Aged represents costs paid to the District of Kenora Home for the Aged (Pinecrest). Overall, levies paid to these external organizations for these programs have increased during the post amalgamation period. With the exception of municipal representation on the related Boards, the City generally has little influence on the financial levies imposed by these organizations. The levies are based on their operations, which are bound by legislative guidelines and requirements. The KDSB levies for these programs have decreased during the post-amalgamation period. These decreases, however, have been more than offset by increases such as those for land ambulance, discussed previously, and Pinecrest.

Net Program Costs by Functional Area:

Recreation & Cultural

Recreation & cultural expenditures represent operating programs such as parks, arena / complex / programs, community events and teams and clubs, library and museum. Overall, net program costs have increased from both the budget and actual 1999 Tri-Municipal consolidated information. The 2005 budget as compared to the consolidated 1999 budget shows an increase of $1.0 million, or 77.9%. The 2005 budget as compared to the consolidated 1999 actual costs also reflects an approximate increase of $1.0 million, or 73.7%.

A more detailed breakdown of net costs relating to specific programs within the recreation & cultural function is provided within the following chart. The table on the following page provides a more detailed analysis of this data.



City of Kenora
Net Program Costs
Detailed 1999 to 2005 Analysis
(in thousands of dollars)

	1999 Tri-Municipal Budget	1999 Tri-Municipal Actual	City of Kenora 2005 Budget	Net Impact Budget	Net Impact Actual	% Change Budget	% Change Actual
Recreation & Cultural							
Parks	$ 343	$ 315	$ 607	**$ 264**	**$ 292**	**77.0%**	**92.7%**
Arena / Complex / Programs	436	495	950	**514**	**455**	**117.9%**	**91.9%**
Community Events / Teams & Clubs	28	28	26	**(2)**	**(2)**	**-7.1%**	**-7.1%**
Library	337	337	511	**174**	**174**	**51.6%**	**51.6%**
Museum	137	137	185	**48**	**48**	**35.0%**	**35.0%**
	$ 1,281	$ 1,312	$ 2,279	**$ 998**	**$ 967**	**77.9%**	**73.7%**

Parks

Parks net program costs have increased from those within the Tri-Municipal area in 1999. Overall, these costs reflect an increase of 77.0% from the 1999 budget, or 92.7% from the 1999 actual results. This change relates to a number of factors, including:

- Wage related increases, including:
  - The realignment of the roads and community services departments upon amalgamation. Based on the KPMG report, a number of staff were transferred from the various roads related departments to the parks departments. Unfortunately, the City does not have sufficient information to adjust for the exact impacts of this transfer. However, non-chargeable employee time, such as vacation and sick time, plus full benefits for these employees was previously charged to the roads department. These costs have now been more accurately reflected within the parks department.
  - The post-amalgamation restructuring of the parks and cemetery departments, together with an increment of four full time equivalent positions within the parks department. This realignment was performed to provide both improved administration within the parks department and increased service levels, including greater efficiencies within and enhancements to the grass cutting program. For more details, see the positions listed under community services – parks & cemetery within the staffing report card.
  - An overall impact to wages within the department of approximately 25% based on negotiated Union settlements, wage increases and OMERS impacts, before any other wage related adjustments are considered.

Arena / Complex / Programs

Arena / Complex / Programs net program costs have increased from those within the Tri-Municipal area in 1999. Overall, these costs reflect an increase of 117.9% from the 1999 budget, or 91.9% from the 1999 actual results. This change relates to a number of factors, including:

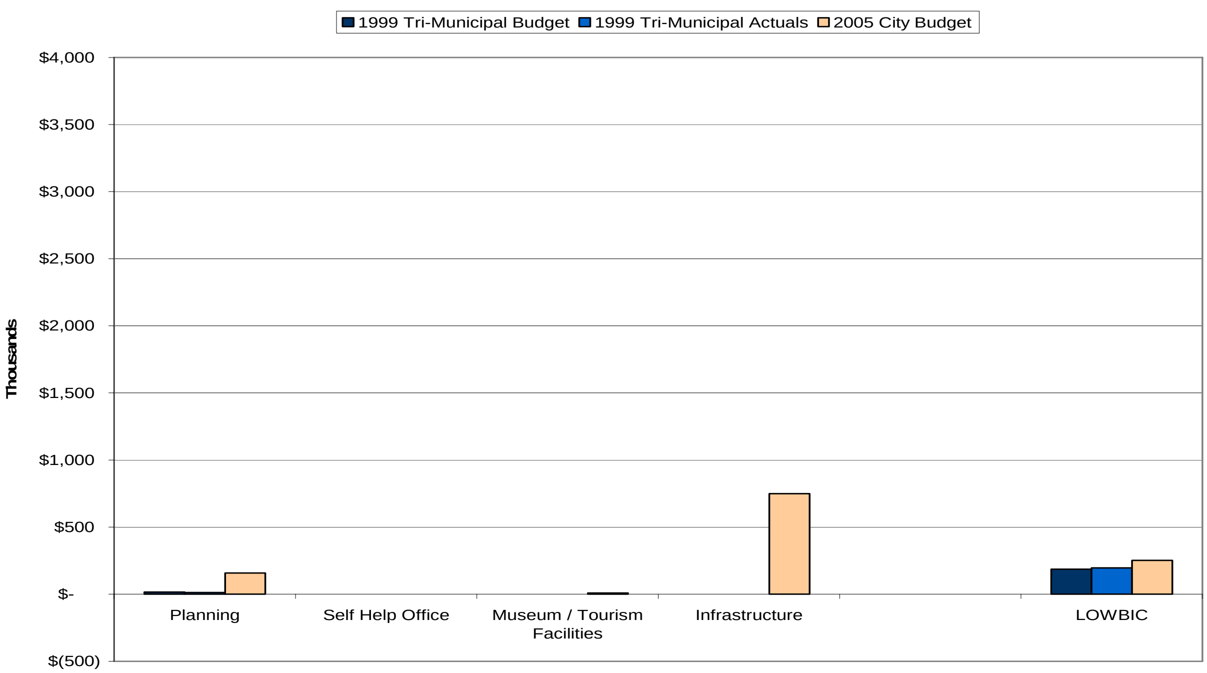
- Wage related increases, including:
  - As part of the restructuring in accordance with the KPMG report at the time of amalgamation, changes were made to the management structure for the new City. These changes included the creation of a new position within this specific program, related to the management of the new consolidated City community services department. This new structure allowed for the increased requirements for administration of the combined City departments. Prior to amalgamation, only the Town of Kenora had a separate recreation department. The related administration in the Towns of Keewatin or Jaffray Melick was performed by City administration within those two municipalities.
  - The addition of one full time equivalent position within this department. For more details, see the positions listed under community services – Kenora Rec Centre within the staffing report card.
  - An overall impact to wages within the department of approximately 25% based on negotiated Union settlements, wage increases and OMERS impacts, before any other wage related adjustments are considered.
- New requirements, and the related costs, under Electrical Safety Authority (ESA).
- The inclusion of costs related to a new contract for facilities management for the City, based on the consolidated facilities inventory.
- The introduction of the anticipated long term debt annual repayment amount for the construction of the new Wellness Centre – budget impacts of $.2 million in 2005.
- Significant increases in the costs of utilities related to the facilities. In 1999, the consolidated utilities for the recreation facilities were well under $.2 million. In 2005, these are projected to be slightly in excess of $.3 million. This represents an increase of 88.6% as compared to the 1999 budget, or 78.6% as compared to the 1999 actual results. These costs are driven not only by increases in utilities paid for in 1999, but also new utility costs, relating to water & sewer and garbage collection charges not previously paid by this program.

Net Program Costs by Functional Area:

Planning & Development

Planning & development expenditures represent operating programs such as planning, Self Help Office, Museum and tourism facilities, infrastructure debt repayments and the Lake of the Woods Business Incentive Corp (LOWBIC). Overall, net program costs have increased from both the budget and actual 1999 Tri-Municipal consolidated information. The 2005 budget as compared to the consolidated 1999 budget shows an increase of $1.0 million, or 478.7%. The 2005 budget as compared to the consolidated 1999 actual costs also reflects an approximate increase of $1.0 million, or 462.0%.

A more detailed breakdown of net costs relating to specific programs within the planning & development function is provided within the following chart. The table on the following page provides a more detailed analysis of this data.



City of Kenora
Net Program Costs
Detailed 1999 to 2005 Analysis
(in thousands of dollars)

	1999 Tri-Municipal Budget	1999 Tri-Municipal Actual	City of Kenora 2005 Budget	**Net Impact Budget**	**Net Impact Actual**	**% Change Budget**	**% Change Actual**
Planning & Development							
Planning	$ 16	$ 12	$ 158	**$ 142**	**$ 146**	**887.5%**	**1216.7%**
Self Help Office	-	-	-	**-**	**-**	**n/a**	**n/a**
Museum / Tourism Facilities	-	-	9	**9**	**9**	**n/a**	**n/a**
Infrastructure	-	-	750	**750**	**750**	**n/a**	**n/a**
LOWBIC	186	196	252	**66**	**56**	**35.5%**	**28.6%**
	$ 202	$ 208	$ 1,169	**$ 967**	**$ 961**	**478.7%**	**462.0%**

Planning

Prior to amalgamation, the individual Towns of Kenora, Keewatin and Jaffray Melick did not have a planning department. Rather, these services were contracted through the Lake of the Woods Business Incentive Corp. (LOWBIC). At the time of amalgamation, the decision was made to increase the City's focus on planning and long term economic growth strategies. Planning net program costs have primarily been impacted by:

- Ongoing costs related to a separate planning department.
- Wage related increases, including:
  - The addition of 2.0 full time equivalents within the staffing complement, representing the establishment of a new planning department. For more details, see the positions listed under administration – planning within the staffing report card.
  - An overall impact to wages within the department of approximately 25% based on negotiated Union settlements, wage increases and OMERS impacts, before any other wage related adjustments are considered.

Infrastructure

Infrastructure expenditures are simply the debt repayment charges related to the recent development required in conjunction with the construction of a new timber strand mill within the City. There were no related costs prior to amalgamation. These costs are paid entirely by the new tax dollars generated on this new large industrial development. As such, there was no cost to Kenora Taxpayers related to this development.

APPENDICES

The following appendices provide some greater detail with regards to both overall municipal operations and net program costs, and can be summarized as follows:

Appendix 1 – Overall Municipal Operations Analysis

Appendix 1 provides a summary analysis of overall municipal operations, and the net tax levy requirement for the 1999 Tri-Municipal area, both budget and actual, as compared to the 2005 City budget information.

Appendix 2 – Net Program Costs Detailed Analysis

Appendix 2 provides a more detailed analysis of net program costs by functional area with external organizations separated from internal costs for the 1999 Tri-Municipal area, both budget and actual, as compared to the 2005 City budget information.

Appendix 3 – Overall Tri-Municipal 1999 Operations Analysis

Appendix 3 provides an additional breakdown of the overall municipal operations 1999 budget and actual information presented in Appendix 1, as broken out by the former Towns of Kenora, Keewatin and Jaffray Melick.

Appendix 4 – Tri-Municipal 1999 Net Program Costs Detailed Analysis

Appendix 4 provides an additional breakdown of the net program costs by functional area 1999 budget and actual information presented in Appendix 2, based on the former Towns of Kenora, Keewatin and Jaffray Melick.

Appendix 5 – Rising Policing Costs – The KPS Experience

Appendix 1:

Overall Municipal Operations Analysis

City of Kenora
Overall Municipal Operations
1999 to 2005 Analysis
(in thousands of dollars)

	1999 Tri-Municipal		City of Kenora	**Net Impact**		**% Change**	
	Budget	Actual	2005 Budget	**Budget**	**Actual**	**Budget**	**Actual**
City Controlled Programs							
General Government	$ 1,541	$ 1,376	$ 1,255	**$ (286)**	**$ (121)**	**-18.6%**	**-8.8%**
Protection	3,705	3,318	5,473	**1,768**	**2,155**	**47.7%**	**64.9%**
Transportation	2,802	2,759	3,075	**273**	**316**	**9.7%**	**11.5%**
Environmental	747	1,925	185	**(562)**	**(1,740)**	**-75.2%**	**-90.4%**
Health	123	99	128	**5**	**29**	**4.1%**	**29.3%**
Social & Family	70	131	15	**(55)**	**(116)**	**-78.6%**	**-88.5%**
Recreation & Cultural	807	838	1,583	**776**	**745**	**96.2%**	**88.9%**
Planning & Development	16	12	917	**901**	**905**	**5631.3%**	**7541.7%**
	$ 9,811	$ 10,458	$ 12,631	**$ 2,820**	**$ 2,173**	**28.7%**	**20.8%**
External Organizations	$ 6,163	$ 5,559	$ 7,509	**$ 1,346**	**$ 1,950**	**21.8%**	**35.1%**
Consolidated Net Program Costs	$ 15,974	$ 16,017	$ 20,140	**$ 4,166**	**$ 4,123**	**50.5%**	**55.9%**
Unallocated Operating Revenues							
Provincial Funding							
CRF	$ 5,621	$ 4,876	$ 4,555	**$ (1,066)**	**$ (321)**	**-19.0%**	**-6.6%**
Special Circumstances	682	682	-	**(682)**	**(682)**	**-100.0%**	**-100.0%**
Net Transition Funding	119	33	-	**(119)**	**(33)**	**-100.0%**	**-100.0%**
Power Dam Grant	-	-	407	**407**	**407**	**n/a**	**n/a**
Investment Income	1,002	747	710	**(292)**	**(37)**	**-29.1%**	**-5.0%**
Donations / Land Leases / Miscellanous	246	546	84	**(162)**	**(462)**	**-65.9%**	**-84.6%**
Contributions from Non-Consol. Entities	610	610	1,450	**840**	**840**	**137.7%**	**137.7%**
Appropriations from Reserves	160	58	-	**(160)**	**(58)**	**-100.0%**	**-100.0%**
Change to Operating Surplus	85	96	-	**(85)**	**(96)**	**-100.0%**	**-100.0%**
	$ 8,525	$ 7,648	$ 7,206	**$ (1,319)**	**$ (442)**	**-15.5%**	**-5.8%**
Transfers to Own Funds							
Reserves and Reserve Funds	$ 2,786	$ 2,174	$ 1,809	**$ (977)**	**$ (365)**	**-35.1%**	**-16.8%**
Capital	1,343	1,129	1,969	**626**	**840**	**46.6%**	**74.4%**
	$ 4,129	$ 3,303	$ 3,778	**$ (351)**	**$ 475**	**11.5%**	**57.6%**
Net Tax Levy Requirement	$ 11,578	$ 11,672	$ 16,712	**$ 5,134**	**$ 5,040**	**44.3%**	**43.2%**

Appendix 2:

Net Program Costs Detailed Analysis

City of Kenora

Net Program Costs

Detailed 1999 to 2005 Analysis

(in thousands of dollars)

	1999 Tri-Municipal		City of Kenora	**Net Impact**		**% Change**	
	Budget	Actual	2005 Budget	**Budget**	**Actual**	**Budget**	**Actual**
General Government							
Mayor & Council	$ 271	$ 227	$ 130	**$ (141)**	**$ (97)**	**-52.0%**	**-42.7%**
City Hall	1,279	1,156	1,125	**(154)**	**(31)**	**-12.0%**	**-2.7%**
Building Rentals	(9)	(7)	-	**9**	**7**	**-100.0%**	**-100.0%**
	$ 1,541	$ 1,376	$ 1,255	**$ (286)**	**$ (121)**	**-18.6%**	**-8.8%**
Protection to Persons & Property							
Fire	$ 1,318	$ 1,187	$ 1,487	**$ 169**	**$ 300**	**12.8%**	**25.3%**
Kenora Police Services	2,310	2,231	3,834	**1,524**	**1,603**	**66.0%**	**71.9%**
Police Services Board	45	26	51	**6**	**25**	**13.3%**	**96.2%**
Animal Control / By-law Enforcement	117	108	109	**(8)**	**1**	**-6.8%**	**0.9%**
Building Inspection	79	85	31	**(48)**	**(54)**	**-60.8%**	**-63.5%**
Emergency Measures	8	15	12	**4**	**(3)**	**50.0%**	**-20.0%**
911 Emergency Access	8	6	101	**93**	**95**	**1162.5%**	**1583.3%**
Health & Safety	10	14	31	**21**	**17**	**210.0%**	**121.4%**
Provincial Offences	(190)	(354)	(183)	**7**	**171**	**-3.7%**	**-48.3%**
	$ 3,705	$ 3,318	$ 5,473	**$ 1,768**	**$ 2,155**	**47.7%**	**64.9%**
Transportation							
Roads Maintenance / Garage / Shop / Carp.	$ 2,257	$ 2,200	$ 2,394	**$ 137**	**$ 194**	**6.1%**	**8.8%**
Conventional Transit	53	63	93	**40**	**30**	**75.5%**	**47.6%**
Metered Parking & Rentals	23	11	(114)	**(137)**	**(125)**	**-595.7%**	**-1136.4%**
Streetlighting	181	203	209	**28**	**6**	**15.5%**	**3.0%**
Docks / Wharfs	50	39	29	**(21)**	**(10)**	**-42.0%**	**-25.6%**
Engineering & Operations Administration	238	243	464	**226**	**221**	**95.0%**	**90.9%**
	$ 2,802	$ 2,759	$ 3,075	**$ 273**	**$ 316**	**9.7%**	**11.5%**
Environmental							
Water & Sewer	$ (141)	$ 72	$ -	**$ 141**	**$ (72)**	**-100.0%**	**-100.0%**
Solid Waste	602	1,679	-	**(602)**	**(1,679)**	**-100.0%**	**-100.0%**
Recycling	286	174	185	**(101)**	**11**	**-35.3%**	**6.3%**
	$ 747	$ 1,925	$ 185	**$ (562)**	**$ (1,740)**	**-75.2%**	**-90.4%**
Health							
Cemeteries	$ 123	$ 99	$ 128	**$ 5**	**$ 29**	**4.1%**	**29.3%**
	$ 123	$ 99	$ 128	**$ 5**	**$ 29**	**4.1%**	**29.3%**
Social & Family							
Assistance to Seniors	$ 7	$ 6	$ 2	**$ (5)**	**$ (4)**	**-71.4%**	**-66.7%**
Day Care	63	125	13	**(50)**	**(112)**	**-79.4%**	**-89.6%**
	$ 70	$ 131	$ 15	**$ (55)**	**$ (116)**	**-78.6%**	**-88.5%**

City of Kenora
Net Program Costs
Detailed 1999 to 2005 Analysis
(in thousands of dollars)

	1999 Tri-Municipal Budget	1999 Tri-Municipal Actual	City of Kenora 2005 Budget	Net Impact Budget	Net Impact Actual	% Change Budget	% Change Actual
Recreation & Cultural							
Parks	$ 343	$ 315	$ 607	**$ 264**	**$ 292**	**77.0%**	**92.7%**
Arena / Complex / Programs	436	495	950	**514**	**455**	**117.9%**	**91.9%**
Community Events / Teams & Clubs	28	28	26	**(2)**	**(2)**	**-7.1%**	**-7.1%**
	$ 807	$ 838	$ 1,583	**$ 776**	**$ 745**	**96.2%**	**88.9%**
Planning & Development							
Planning	$ 16	$ 12	$ 158	**$ 142**	**$ 146**	**887.5%**	**1216.7%**
Self Help Office	-	-	-	**-**	**-**	**n/a**	**n/a**
Museum / Tourism Facilities	-	-	9	**9**	**9**	**n/a**	**n/a**
Infrastructure	-	-	750	**750**	**750**	**n/a**	**n/a**
	$ 16	$ 12	$ 917	**$ 901**	**$ 905**	**5631.3%**	**7541.7%**
External Organizations							
Protection							
OPP	$ 802	$ 745	$ 1,193	**$ 391**	**$ 448**	**48.8%**	**60.1%**
Transportation							
Handi Transit	71	91	78	**7**	**(13)**	**9.9%**	**-14.3%**
Health							
Northwestern Health Unit	586	490	750	**164**	**260**	**28.0%**	**53.1%**
Land Ambulance	756	587	1,131	**375**	**544**	**49.6%**	**92.7%**
Social & Family							
Ontario Works & Child Care	1,402	1,332	1,140	**(262)**	**(192)**	**-18.7%**	**-14.4%**
Home for the Aged	518	519	1,184	**666**	**665**	**128.6%**	**128.1%**
Social Housing	1,368	1,125	1,085	**(283)**	**(40)**	**-20.7%**	**-3.6%**
Recreation & Cultural							
Library	337	337	511	**174**	**174**	**51.6%**	**51.6%**
Museum	137	137	185	**48**	**48**	**35.0%**	**35.0%**
Planning & Development							
LOWBIC	186	196	252	**66**	**56**	**35.5%**	**28.6%**
	$ 6,163	$ 5,559	$ 7,509	**$ 1,346**	**$ 1,950**	**21.8%**	**35.1%**

Appendix 3:
Overall Tri-Municipal 1999 Operations Analysis

City of Kenora
Net Program Costs
Summary Pre-Amalgamation Analysis
(in thousands of dollars)

	Kenora		Keewatin		Jaffray Melick		**Consolidated**	
	Budget	Actual	Budget	Actual	Budget	Actual	**Budget**	**Actual**
City Controlled Programs								
General Government	$ 713	$ 561	$ 310	$ 341	$ 518	$ 474	**$ 1,541**	**$ 1,376**
Protection	3,402	3,212	109	69	194	37	**3,705**	**3,318**
Transportation	1,668	1,653	454	429	680	677	**2,802**	**2,759**
Environmental	445	1,348	113	227	189	350	**747**	**1,925**
Health	81	62	14	11	28	26	**123**	**99**
Social & Family	70	131	-	-	-	-	**70**	**131**
Recreation & Cultural	656	695	76	72	75	71	**807**	**838**
Planning & Development	6	1	2	-	8	11	**16**	**12**
	$ 7,041	$ 7,663	$ 1,078	$ 1,149	$ 1,692	$ 1,646	**$ 9,811**	**$ 10,458**
External Organizations	$ 3,478	$ 3,274	$ 1,074	$ 867	$ 1,611	$ 1,418	**$ 6,163**	**$ 5,559**
Consolidated Net Program Costs	$ 10,519	$ 10,937	$ 2,152	$ 2,016	$ 3,303	$ 3,064	**$ 15,974**	**$ 16,017**
Unallocated Operating Revenues								
Provincial Funding								
CRF	$ 3,366	$ 2,651	$ 957	$ 915	$ 1,298	$ 1,310	**5,621**	**4,876**
Special Circumstances	355	355	67	67	260	260	**682**	**682**
Net Transition Funding	-	33	119	-	-	-	**119**	**33**
Power Dam Grant	-	-	-	-	-	-	**-**	**-**
Investment Income	736	491	182	179	84	77	**1,002**	**747**
Donations / Land Leases / Miscellanous	193	490	28	28	25	28	**246**	**546**
Contributions from Non-Consol. Entities	550	550	60	60	-	-	**610**	**610**
Appropriations from Reserves	-	27	10	31	150	-	**160**	**58**
Change to Operating Surplus	-	11	76	76	9	9	**85**	**96**
	$ 5,200	$ 4,608	$ 1,499	$ 1,356	$ 1,826	$ 1,684	**$ 8,525**	**$ 7,648**
Transfers to Own Funds								
Reserves and Reserve Funds	$ 2,214	$ 1,420	$ 240	$ 246	$ 332	$ 508	**2,786**	**2,174**
Capital	1,149	982	148	140	46	7	**1,343**	**1,129**
	$ 3,363	$ 2,402	$ 388	$ 386	$ 378	$ 515	**$ 4,129**	**$ 3,303**
Net Tax Levy Requirement	$ 8,682	$ 8,731	$ 1,041	$ 1,046	$ 1,855	$ 1,895	**$ 11,578**	**$ 11,672**

Appendix 4:
Tri-Municipal 1999 Net Program Costs Detailed Analysis

City of Kenora
Net Program Costs
Detailed Pre-Amalgamation Analysis
(in thousands of dollars)

	Kenora		Keewatin		Jaffray Melick		**Consolidated**	
	Budget	Actual	Budget	Actual	Budget	Actual	**Budget**	**Actual**
General Government								
Mayor & Council	$ 140	$ 98	$ 40	$ 41	$ 91	$ 88	**$ 271**	**$ 227**
City Hall	573	463	279	307	427	386	**1,279**	**1,156**
Building Rentals	-	-	(9)	(7)	-	-	**(9)**	**(7)**
	$ 713	$ 561	$ 310	$ 341	$ 518	$ 474	**$ 1,541**	**$ 1,376**
Protection to Persons & Property								
Fire	$ 1,134	$ 1,032	$ 70	$ 61	$ 114	$ 94	**$ 1,318**	**$ 1,187**
Kenora Police Services	2,310	2,231	-	-	-	-	**2,310**	**2,231**
Police Services Board	45	25	-	-	-	1	**45**	**26**
Animal Control / By-law Enforcement	53	45	39	41	25	22	**117**	**108**
Building Inspection	12	22	31	32	36	31	**79**	**85**
Emergency Measures	5	10	1	2	2	3	**8**	**15**
911 Emergency Access	(9)	(9)	-	(2)	17	17	**8**	**6**
Health & Safety	9	13	1	1	-	-	**10**	**14**
Provincial Offences	(157)	(157)	(33)	(66)	-	(131)	**(190)**	**(354)**
	$ 3,402	$ 3,212	$ 109	$ 69	$ 194	$ 37	**$ 3,705**	**$ 3,318**
Transportation								
Roads Maintenance / Garage / Shop / Carp.	$ 1,186	$ 1,166	$ 417	$ 385	$ 654	$ 649	**$ 2,257**	**$ 2,200**
Conventional Transit	21	24	16	22	16	17	**53**	**63**
Metered Parking & Rentals	23	11	-	-	-	-	**23**	**11**
Streetlighting	150	170	21	22	10	11	**181**	**203**
Docks / Wharfs	50	39	-	-	-	-	**50**	**39**
Engineering & Operations Administration	238	243	-	-	-	-	**238**	**243**
	$ 1,668	$ 1,653	$ 454	$ 429	$ 680	$ 677	**$ 2,802**	**$ 2,759**
Environmental								
Water & Sewer	$ (83)	$ 153	$ -	$ (6)	$ (58)	$ (75)	**$ (141)**	**$ 72**
Solid Waste	356	1,134	75	195	171	350	**602**	**1,679**
Recycling	172	61	38	38	76	75	**286**	**174**
	$ 445	$ 1,348	$ 113	$ 227	$ 189	$ 350	**$ 747**	**$ 1,925**
Health								
Cemeteries	$ 81	$ 62	$ 14	$ 11	$ 28	$ 26	**$ 123**	**$ 99**
	$ 81	$ 62	$ 14	$ 11	$ 28	$ 26	**$ 123**	**$ 99**
Social & Family								
Assistance to Seniors	$ 7	$ 6	$ -	$ -	$ -	$ -	**$ 7**	**$ 6**
Day Care	63	125	-	-	-	-	**63**	**125**
	$ 70	$ 131	$ -	$ -	$ -	$ -	**$ 70**	**$ 131**

City of Kenora
Net Program Costs
Detailed Pre-Amalgamation Analysis
(in thousands of dollars)

	Kenora		Keewatin		Jaffray Melick		**Consolidated**	
	Budget	Actual	Budget	Actual	Budget	Actual	**Budget**	**Actual**
Recreation & Cultural								
Parks	$ 222	$ 204	$ 46	$ 40	$ 75	$ 71	**$ 343**	**$ 315**
Arena / Complex / Programs	406	463	30	32	-	-	**436**	**495**
Community Events / Teams & Clubs	28	28	-	-	-	-	**28**	**28**
	$ 656	$ 695	$ 76	$ 72	$ 75	$ 71	**$ 807**	**$ 838**
Planning & Development								
Planning	$ 6	$ 1	$ 2	$ -	$ 8	$ 11	**$ 16**	**$ 12**
Self Help Office	-	-	-	-	-	-	**-**	**-**
Museum / Tourism Facilities	-	-	-	-	-	-	**-**	**-**
Infrastructure	-	-	-	-	-	-	**-**	**-**
	$ 6	$ 1	$ 2	$ -	$ 8	$ 11	**$ 16**	**$ 12**
External Organizations								
Protection								
OPP	$ -	$ -	$ 347	$ 327	$ 455	$ 418	**$ 802**	**$ 745**
Transportation								
Handi Transit	63	76	3	5	5	10	**71**	**91**
Health								
Northwestern Health Unit	334	301	126	63	126	126	**586**	**490**
Land Ambulance	454	385	147	73	155	129	**756**	**587**
Social & Family								
Ontario Works & Child Care	889	918	118	137	395	277	**1,402**	**1,332**
Home for the Aged	359	359	47	48	112	112	**518**	**519**
Social Housing	866	712	195	123	307	290	**1,368**	**1,125**
Recreation & Cultural								
Library	251	251	70	70	16	16	**337**	**337**
Museum	137	137	-	-	-	-	**137**	**137**
Planning & Development								
LOWBIC	125	135	21	21	40	40	**186**	**196**
	$ 3,478	$ 3,274	$ 1,074	$ 867	$ 1,611	$ 1,418	**$ 6,163**	**$ 5,559**

Appendix 5:

Rising Policing Costs – The KPS Experience

Rising Policing Costs in the City of Kenora
The Kenora Police Service Experience

Introduction

There are basically three factors that account for the increase in the Kenora Police Service budget during the period from 1999 to 2004:

1. Increased staffing levels
2. Wage increases
3. Inflation

Increased Staffing

1999 – 27 police officers, 18 full & part time civilians for a total of 45 employees

2004 – 33 police officers, 24 full & part time civilians for a total of 57 employees

Driving Forces Behind Staffing Increases

In the late 1990's a number of things were happening:

1. Calls for service had been steadily increasing. In 1999 there was a marked increase of 1700 calls for service over 1998.
2. A study was conducted to determine adequate staffing levels based on calls for service in the City of Kenora.
3. The Province of Ontario was in the process of implementing the Adequacy Standards Regulation for policing.

4. The Charter of Rights as well as the ever increasing availability of improved investigative tools, techniques and procedures continued to fuel the demands placed on police officers by the courts and the public.

5. On top of police dispatch, the police communications centre assumed responsibility for alarm monitoring, 911 calls, fire department dispatch and after hours call out of City of Kenora employees.

6. Courthouse Security was downloaded to municipalities.

Calls for Service

In 1999 Chief Curtis and OPP Detachment Commander, Inspector Dennis O'Sullivan examined the issue of adequate staffing. A policing model based on calls for service was developed by the OPP Costing Branch under the supervision of Policing Services Advisor Alan Phibbs. Based on a figure of *14,082* incidents per year, the final report recommended a *front line complement of 38 constables.*

In 1999 the Kenora Police Service responded to *14, 414 incidents with a total complement of 20 front line constables.*

In 2000 the Kenora Police Service hired 4 front line constable recruits, taking advantage of the newly created Community Police Partnership program, which continues to fund 50% of the costs of these officers up to a cap of $30,000 per officer per year.

Calls for service continued to increase, peaking in 2001 at 16,334 incidents and then beginning to decline in 2002 at roughly the same time as the 4 officers hired in 2000 were beginning to hit their stride as effective police officers. Over the next few years 2 more constables were hired, one of these under the CPP grant program bringing the KPS complement of front line constables to 26 in 2004.

With a total of 13,823 incidents in 2004 the police service remains almost *12 front line constables under the recommended staffing level.*

Increased Expectations

As Canadian policing moved into the 21st century the courts became increasingly tired of a police community that, in the opinion of the courts, was not policing to the standard they expected. Acting in good faith was no longer an acceptable response when police failed to respect charter rights or charged the wrong person. Numerous instances of wrongful convictions being uncovered by DNA and other new techniques created a public perception that the police were falling down on the job and doing sloppy work. The public and courts now demand that police be painstakingly thorough in their respect of charter rights and their use of every piece of technology available.

Modern technology, in the form of advanced scientific techniques, computerized information storage and improved investigative techniques have created an environment where police have more tools at their disposal than ever before. Unfortunately, the expectation that police use everything at their disposal means that once simple investigations take two, three or even more times as long. Multiple data bases have to be maintained. The typewriter and file cabinet have been replaced by RMS, ViCLAS, the DNA Databank, Powercase, the Sex Offender Registry. The demand on the front line officer to know all and do all has increased training needs and made specialized positions such as Community Services Officer, Intelligence Officer and Forensic Identification Officer full time positions.

In response to these demands, on January 1st, 2001 The Adequacy Standards Regulation under the Police Services Act of Ontario was made law and police services were legislated to comply with the Standards. Regular policing services audits compel the Kenora Police Service to devote considerable time and staff hours simply to ensuring that increasingly complex systems and procedures are being maintained. The Adequacy Standards also compelled the service to create one full time communications supervisor's position as well as several full time positions for police officers.

While all this has been going on the public continues to demand day to day policing. They would like officers walking the beat. They would like a radar unit set up on their street. They want an officer to knock on doors in their neighbourhood when their car is vandalized. The public has the right to expect good policing, but it is becoming increasingly difficult for police services to be all things to all people. Policing continues to become more complex and as there are no signs of this trend slowing down it is reasonable to believe that expectations on the police will continue to increase.

The simple fact is that increased calls for service combined with increased expectations demand increased staff if the police service is to meet the municipality's obligation under section 4 of the Police Services Act to supply adequate and effective policing.

Civilian Staffing

The downloading of courthouse security to municipalities has forced the police service to hire two special constables to perform this function. It should be noted that the administration of the police service at the time this download occurred protested this added responsibility until 2002. At that time it became evident, through events in Southern Ontario and a warning from the Regional Justice, that not providing full time security staff at the courthouse was exposing the Chief and Police Services Board to possible contempt of court charges.

Secondly, the central dispatch concept essentially downloaded functions performed by other City of Kenora departments on to the police service. While this may have allowed staff reductions for these other departments, it increased the workload of the police service's dispatchers. Combined with increasing calls for service it became necessary to utilize two dispatchers during peak periods. This required the hiring of additional part time staff. The implementation of a Regional 911 system will increase the workload to the point that full time double dispatch will be required.

Finally, the amalgamated City of Kenora has resulted in the police service having one by-law enforcement officer, formerly employed by the Town of Keewatin, added to the payroll.

Wage Increases and Inflation

Both wage increases and inflation are beyond the control of the administration of the police service. The only comment that can be offered is that both are a reality that the administration is forced to deal with.

Conclusion

The administration of the police service is keenly aware that policing costs have climbed considerably and continue to do so. The administration is also keenly aware of its, and the municipalities obligations under the Police Services Act of Ontario.

The events described earlier in this report represent a period of great change for police services across the province. Many of these changes have come simultaneously and in a relatively short time span. The administration of the Kenora Police Service during this time span has been forced to deal with these changes with limited resources, but has always strived to be fiscally responsible.

It is the intention of the 2006 administration to remain fiscally responsible. Steps are being taken to review all aspects of the police service in an effort to ensure the service is operating as efficiently as possible. Whether significant cost savings can be realized remains to be seen and it seems likely that costs will continue to rise, but council may be assured that the police service will continue to strive to provide adequate and effective policing in as cost effective a manner as possible.

Respectfully submitted, May 19th, 2005.

Dan Jorgensen,
Deputy Chief of Police,
Chief Designate