



**MINUTES**  
**SPECIAL COMMITTEE OF THE WHOLE**  
**Tuesday, January 5, 2021**  
**8:30 a.m.**  
**Virtual Attendance**

Due to the COVID-19 Pandemic, Council met electronically as permitted by Council's Procedural Bylaw. Citizens and our Media Partners are encouraged to view the virtual meeting via the Public Live Stream Event recorded at:

<https://video.isilive.ca/kenora/2021-01-05.html>

**Present:** Mayor D. Reynard  
Councillor M. Goss  
Councillor R. McMillan  
Councillor A. Poirier  
Councillor K. Ralko  
Councillor S. Smith  
Councillor C. Van Wallegghem

**Staff:** Kyle Attanasio, CAO, Heather Pihulak, Manager of Administration/City Clerk, Charlotte Edie, Manager of Finance/Treasurer, Jon Ranger, Deputy Treasurer

**Call Meeting to Order**

Mayor Reynard called the meeting to order at 8:30 a.m.

**Blessing & Land Acknowledgement**

***Delivered by Councillor Ralko***

As we gather, we recognize that we are on Treaty Three Lands which are steeped in rich Indigenous history and home to many First Nations and Metis people today. We continue to be thankful for the partnerships with our Indigenous people.

We give thanks for the many blessings we enjoy in the City of Kenora. We seek wisdom in our minds, clearness in our thinking, truth in our speaking and always love in our hearts, so that we may try always to unite the Citizens of Kenora. Let these principles guide us in our decision making.

**Public Notices**

Take Notice that as required under Notice By-law #144-2007, Council intends to adopt the following items at this Special Meeting of Council:

N/A

## **Declaration of Pecuniary Interest & General Nature thereof**

i) On Today's Agenda

ii) From a Meeting at which a Member was not in Attendance

There were none declared.

### **Deputations**

None

---

## **1. Water/Wastewater Budget Review**

Since amalgamation the City has run its water and wastewater operations as a separate utility, funding operations fully through user fees. For 2019 the City's water operations treated and distributed about 2.4 million cubic meters of clean water with a sewage treatment volume of 3.1 million cubic meters for the same period.

The City's infrastructure related to water and wastewater operations includes over 136km of water mains and 129 kms of wastewater mains as well as both water and wastewater treatment plants. Unique to Kenora from many other northern municipalities the City's topography has resulted in 5 water booster pumping stations for different pressure zones, 64 sewage pumping stations and maintenance of about 350 residential and business grinder pumps. This adds both to the complexity and costs of maintaining the Kenora water and wastewater distribution and collection systems. In addition, the City is also responsible for the ongoing repair and maintenance, as well as eventual replacement of about 4,900 water service and about 4,800 wastewater service connections within its water system. This also includes operation and maintenance of some summer services such as Coney Island and Hwy 17W water services. This demonstrates how unique Kenora is to northern Ontario.

There continues to be a shortfall in ongoing water and wastewater system operations as a means of sufficiently funding ongoing system capital requirements. Options available to the City for this are few – reduce service levels and or expenditures, increase revenues, debt financing or government funding, when available, in order to maintain an adequate reserve balance.

A review of the City's existing infrastructure indicates in the past there has been a serious under spending with regards to the replacement of our aging water and wastewater systems. Over the past several years there has been a significant increase in the spend in the water and wastewater systems for capital works. Based on current operations, the City cannot cut expenditures without compromising the safety and integrity of the water and wastewater operations, or the quality of the water produced. As such, service level reductions or decreased water and wastewater related expenditures are not viable options for the City.

In 2020, BMA updated the City's long range financial plan (including rate structure) for the City to provide strategies, principles and policies to guide financial decision-making. The plan links together short and long range decisions and provides an understanding of the implications on operating budget, capital budget, reserves/debts, and assets. The City's goal is to ensure they can provide water/wastewater services on a sustainable basis. This

plan ends in 2026 and a project to complete another long term financial analysis will take place in 2025.

The City has been experiencing challenges with an underfunded program for replacement of existing assets as they come due for replacement. Accordingly, the City adopted a 5.5% increase in water and wastewater rates for 2019 and a further increase of 5.5% in 2020. Under the long range financial plan, rates are planned to be increased 3.1% in 2021, followed by 3.1% in 2022 and the foreseeable future. It should be noted that the BMA study projection ends in 2026 where it projects approximately \$6.1M from net operations in 2026. Currently, the utility is not at this level of net operations with \$4.58M projected for 2021.

Because we are not implementing the 3.1% increase in 2021, it will change our net impact.

Councillor Poirier is there any assumptions built in for revenue growth or are you just going with the same hookups or users and projecting out 3.1% increase. Jon indicated the only additional ones included are the multi-unit and WON hookups. Outside of that we don't have any other additional revenues.

Councillor Poirier point of clarification under page 6 under rate structure don't agree with that statement. When you look at surplus, this is not sustainable. Don't support that paragraph under rate structure. We are never going to get rid of infrastructure deficit unless we debt finance. Jon can have a look at the wording on this paragraph and try to make improvements.

Mayor Reynard asked for some explanation of some of these numbers on page 7. The 2020 it is showing revenues of \$10,375M which is the budget. Mayor Reynard wants to know facts and what is the actual revenue for 2020. That is the starting point for moving these forward.

When looking at these reserves, we have two reserves. The water treatment plan reserve fund is a separate fund that at the end of 2019 had a balance of \$1,285,544 and is earning interest. This reserve fund is intended to be used when a new or significant renovation is required to the water treatment plant. The water treatment plant reserve fund is not intended to be used for system funding.

From our BMA report, what the leading practice is for water and wastewater reserves is to carry a 2-3% of replacement asset value. Our replacement asset value is \$392M. That gives us a recommendation of \$7.8-11.8M to have in our reserves. If you include the WTP reserve it is still far below this amount.

The analysis of the system funding available includes all of the operating expenditures at this time. Jon reviewed the actual and projected numbers with Council.

Councillor Smith questioned if we need to be concerned about the risk of the reserves being so low. There is always a concern about budget amendments where we require more funds throughout the year. We do internal finance so if we were to finance we would debt finance at 3% or we could look at external sources. It is important to know what that debt financing does cost us. Normally we look to see what the rates are with Infrastructure Ontario before we debt finance.

We included an option for Council of an increase to rates of 1.55% (half of 3.1%). The budget as it is presented does not include any increase, as directed by Council. If we included half of that amount it could be an option for increased revenues to the system. It could reduce the potential burden to the system and future needs of the system. Gives us a slightly better position for the long term.

Councillor Smith is concerned about what happens at the end where the numbers really increases and compounds. We need to be cognizant of this budget for future years.

Kyle wanted to ensure that Council had options to consider when reviewing this budget. Looking at the projects that need to be done that is where we begin. We do have a few debt issuances right now pertaining to water and wastewater. We have received a fair bit of funding for water projects and that is difficult to predict. They are changing the funding structure and it is starting to change again with ICIP projects.

We have done some pretty significant projects over the past couple of years and have had significant funding on these projects which it is difficult to reflect and if these projects had not been done our reserves would look quite different. We have had healthy reserves and because of those we have been able to capitalize on these funding opportunities and this is a positive story. Let's start looking seriously at some of these ideas to ensure we are on the right path. Kyle will move forward without the increase to the rates for 2021. BMA is a good starting point as we can see where the debt is and will show us what position we are in before those two options.

Jon reviewed the operating budget summary along with actuals from past three years and the 2020 preliminary and the 2021 budget. He reviewed each budget area with the details with the three year budgeting for each department.

Jon moved to the five year capital and unusual spend budget. He reviewed the projects and provided various explanations to the projects.

Mayor Reynard would like to see similar to our major capital projects summary where we are provided a summary of the 5 years. Council would like to see this so that they can see a pattern and progression year after year. This makes it easier for Council to determine where the priorities are within the system. If we take the suggestion of bundling the projects and spreading the projects over a number of years, is it possible to bundle and do 2-3 years' worth of work. Is that too difficult to do all at one time. Are there points in the capital budget that we can take advantage of doing a lot of work and spreading the cost over a number of years if it's practical? This is something we could look at internally.

Jon will take out the 1.55% option from the draft budget as there were only two members of Council supporting this increase. Jon will also provide a summary page for the five years. Council would also like the schedule changed on page 7 to reflect a projection as opposed to the 2020 budget. Staff will make it clearer to what those figures are.

Councillor Van Wallegghem clarified the increase percentages. 3.1% is over \$300,000 so half of that would have been around \$150,000. Finance staff will clarify.

Charlotte Edie left meeting at 9:45 a.m.

## 2. Solid Waste Budget Review

Mukesh Pokharel joined the meeting at 9:50 a.m. to review the Solid Waste Budget review.

In 2020, the city received collected approximately 25,686 tons of waste, including recycling.

The City continues to comply with the waste diversion transition Act and the resource recover & circular economy Act and continues to make changes in its Solid Waste Division to provide this service. Ongoing changes to this Division will continue while still ensuring the ongoing viability of the operation on a user pay basis.

The last year that the user fee changed was several years ago. It is recommended that another user fee review is conducted. This draft budget includes an increase in a few areas and the bag tag rate would remain the same.

The Province of Ontario has officially announced that the blue box program would be transitioning to full producer responsibility where producers of blue box materials will be responsible for providing blue box services in the community. The producer responsibility program will save operating cost of blue box to the municipalities. According to the proposed regulation, the transition of the municipalities will begin from January 1, 2023 to December 31, 2025. Upon completion of the transition to the new producer responsibility regulation, the City would not be obligated to provide blue box collection to their residents. The city may choose to work with producers to provide collection services. This is not a requirements and would only be done through a mutually agreed upon contract. As per the resolution passed from City Council, the City of Kenora would be looking to transition in January 2023. It may not be up to the City when we transition in that period as there will be work that needs to be agreed upon. The savings would not be recognized in the Solid Waste budget but would be reflected in the operating budget. It works hand in hand with the collection because they are coming with solid waste. We are subsidizing blue box by approximately \$200,000. If the producers take over the collection of the recyclable materials, there would be no driving force to maintain curbside pickup.

In addition to the Kenora Area Landfill and Kenora Area Solid Waste Transfer Station, the City continues to monitor the closed Tri-Municipal Landfill site, related to a post-closure plan. Costs related to this post-closure care will continue for a minimum of twenty-five years following the closure of the site in 2000.

The remaining useful life of the Kenora Area Landfill site is directly related to the volume of waste hauled into it. In 2002, the City has disposed of 24,017 tons of municipal solid waste to the landfill. The estimated total tons of municipal waste disposed to the Kenora Area Landfill up to date are 297,711 tons. With the diversion of the City's solid waste to this site, the anticipated remaining life of the site is projected at 25.3 years.

Based on current requirements, any future City landfill site would be an engineered site with leachate containment and a leachate treatment facility to deal with the leachate. This type of site would be more costly to build and operate. Anticipated costs related to the development of a future site are \$5-7M. Additionally, there would be closure costs related to the existing site. While closure costs for the site will be done in phases as the site is filled, final cost for the closure is estimated at \$2.3M.

The following operational changes and equipment purchases were made in 2020 in order to improve the overall operational efficiencies of the City Transfer Facility and landfill: two new comingle trucks to replace two aging trucks; new recycle compaction trailer; four sets of big bellies for the downtown; an aggregate pit was developed near the landfill to supply granular materials to cover the garbage daily; a concrete pad was constructed under the recycle canopy to better serve the recycle drop of customers.

At the end of 2020 we are projecting \$2.5M in reserves and have some significant capital projects coming in the next couple of years. In 2023 we will see a \$1.1M and start to build up after that. These amounts are based on the proposed rate increases for 2022.

Due to COVID, bag tag sales has increased substantially. We encourage the public to buy bag tags and put at curbside collection. The sales increased tremendously and the use of curbside collection increased.

Jon reviewed the 2021 operating and capital budget and projects.

The intended rate change would come through a change to the Tariff of Fees and Charges bylaw. Start to prepare the increase to the rates and communicate to public.

All three budgets will come forward to Council in three separate reports to the January 12 Committee of the Whole meeting.

Meeting adjourned at 10:35 a.m.