City of Kenora
Special Committee of the Whole Meeting

AGENDA

Wednesday, June 26, 2019
City Hall Council Chambers
12:00 p.m.

A. Call Meeting to Order

B. Public Information Notices

N/A

C. Declaration of Pecuniary Interest & the General Nature Thereof

Mayor Reynard asked if any Member of Council had any Declarations of Pecuniary Interest and the General Nature Thereof pertaining to any items as follows:-

1) On Today's Agenda
2) From a Meeting at which a Member was not in Attendance

Subject

1. Multi Unit Water Rate
2. AMO Delegation Requests
3. Adjournment

June 19, 2019

City Council
Committee Report

To: Mayor and Council

Fr: Jeff Hawley, Operations & Infrastructure Manager

Re: Sewer and Water Service Rate (Independent of Consumption)

Recommendation:

That Council hereby reconfirms the decision made on May 22, 2018 wherein all buildings consisting of four (4) or more living units, including apartments, condominiums, life leases, 55 plus and similar usage buildings, hereafter referenced as multiplex buildings, be charged a per living unit sewer and water service fee based on the number of living units within the building times the sewer and water service fee for individual homes (based on a 5/8" service line), as per the General Tariff of Fees and Charges By-law; and further

That any increases to existing multiplexes, resulting from implementing this decision be phased in over seven (7) years in equal increments; and further

That Council hereby approve the elimination of the current requirement for individual living unit metering in proposed new multiplex buildings; and further

That By-law 70-2018, a By-law to regulate the Municipal Water Supply and the Provision of Sanitary Sewage Services in the City of Kenora, be amended to reflect these changes; and further

That in accordance with Notice By-Law Number 144-2007, public notice is hereby given that Council intends to amend the Municipal Water Supply and the Provision of Sanitary Sewage Services By-law pertaining to individual meters in buildings of four (4) or more units; and further

That three readings be given to a bylaw for this purpose.

Background:

On May 22, 2018, Council approved By-Law Number 70-2018 in an effort to bring equality to all Sewer and Water Services ratepayers within Kenora. This was brought about due to an inequality whereby multiplex buildings with single meters were not paying the same amount for the Sewer and Water Service fees as either other multiplex buildings with individual meters per living unit or individual homeowners. This imbalance meant that a resident in either a multi-meter multiplex building or a house was paying more than apartment and condo residents serviced by a single meter for the entire building. After careful consideration, it was decided the best course of action to address this difference was to charge such buildings the Sewer and Water Service fee times the number of living units within the building. It was felt that this would be the fairest and most balanced approach to ensure all residents are paying their fair share of the utility cost.

Residents who would be more significantly impacted by this change voiced various concerns with this new By-law. While this is not an exhaustive list, these are some of the key concerns raised by these residents affected by By-law 70-2018:

- Affects landlords ability to maintain properties

- Huge percentage increase in costs
- By-Law will stop all development in Kenora
- A condo or apartment saves the City money in terms of reduced infrastructure therefore the larger the multiplex, the less the building should pay
- “Grandfathering” extended to currently single metered multiplex properties.
- City should consider a 100% recovery model based on consumption
- This is just a money grab

Impact on landlords / Development in Kenora:

Currently landlords can increase their rent 1.8% per year. It has been noted that there are a small amount of renters within the City who are paying $600 per month, with the vast majority of renters paying far in excess of this amount. Notwithstanding, based on a 1.8% increase on a $600.00/rental/month, this means that such an apartment Landlord could increase the revenue by $10.80/month. By contrast, a Landlord with an apartment rented at $1300/month could increase their monthly revenue by $23.40/mo.

The current phase-in period for affected Landlords and Tenants is five (5) years. Based on today’s sewer and water rates that would mean a rate increase of $17.70/mth in 2019. In the instance of a living unit renting at $600/month, provided the landlord increased his rent the allowed 1.8%, they would incur $6.90 of net additional cost per month ($17.70 Service fee - $10.80 rent increase = $6.90/mth/unit net increase to landlord) or $82.80/unit, for the year. Conversely a $1300/month unit would have $5.70 in net revenue every month or $68.40 per unit, for the year.

Per Month	$600.00/Month Unit	$1,300.00/Month Unit
Monthly Phase in, year 1	$88.96 x 0.2 = $17.70	$88.96 x 0.2 = $17.70
1.8% rent increase	$10.80	$23.40
Net Monthly Impact Per Unit	$(6.90)	$5.70

Assuming a building with 10 living units all at $600/month, the landlord would incur a net additional cost of $828 for the year. The same building would generate $72,000 in revenue for the year. This increased cost represents approximately a 1.15% impact as compared to the annual building revenue.

10 Unit Building	$600.00/Month/unit	$1,300.00/Month/unit
Annual Revenue	$72,000.00/year	$156,000.00/year
Total annual impact per unit	$(6.90) x 12 mth x 10 units = $(828.00)/year	$(5.70) x 12 mth x 10 units = $684.00/year

It must be noted that this is for illustrative purposes only, and does not factor in other costs, and / or cost savings, that may further impact the landlord.

In the example provided above, the 1.15% reduction only occurs if all ten units are renting at $600.00/month. Should that base rental rate be at $984.00/month, there is zero loss to the landlord or project, any rent above $984.00/month results in new revenue. Again, this is prior to factoring in other costs or related savings.

While much has been said about how this By-law will drive away new builds and housing projects, it is important to understand that the rent on new builds would not be constrained by previous rates in setting their initial rental rates. They will understand what the monthly fees will be in relation to those units as new builds would not be phased in. This is no different from construction related to detached housing or buildings with three or fewer living units. There is, however, some validity to the concern that the incremental capital cost of metering the individual living units may be a deterrent. As a result, this is contemplated within the options as contained within this report.

Huge Percentage Increase in Costs:
Under the currently approved By-Law 70-2018, as shown in the example on the previous page, the net impact as compared to annual revenues is just over 1% for a 10 unit rental building if all of the rental units in the building are rented at $600.00/month. In comparison, using the same 10 unit rental building example, there is no net impact for rental units renting at $984.00/month. Rentals above $984.00/month generate new cash flow, resulting from the 1.8% rent increase. Actual per building information can only be calculated looking at those individual buildings on a case by case basis.

A Condo or Apartment Saves the City Money in terms of reduced Infrastructure:
Using a 24 unit subdivision as an example of cost compared to a 24 unit multiplex, infrastructure costs for such a development, assuming a 45 x 100 foot lot, and 50% blasting to install mains, the project would cost approximately $328,600.00.

Our Utility assets are in excess of $240,000,000.00 *(City of Kenora Water and Wastewater Long Range Financial Plan Forecast - page 8)*. As such, this would represent just over one tenth of 1% (specifically 0.137%) of the City's infrastructure, and with a 100 year expected life cycle, the savings would be negligible. To put that into a dollar amount for perspective purposes, for the existing monthly combined service fee, this would be a difference of about $.12.

It must be noted that this is somewhat of a dangerous route for the City to take in factoring into rates charged. For example, should residents residing in the former Town of Keewatin area then pay more as the water treatment plant is located in the former Town of Kenora (Lakeside), and the Sewage Treatment Plant is located in the former Town of Jaffray Melick? The infrastructure required to provide that servicing to Keewatin is significant in relation to the location of the plants. Also, should residents whose sewer and water services are required to go through multiple pumping and lift stations be charged more than those who do not have to rely on this infrastructure? This has been an issue that has been raised in the past by residents who have felt they should not have to incur the costs related to system infrastructure that does not directly service them. Administratively, trying to adjust for these differences would be impossible.

It should also be noted that sewer and water infrastructure installation charges for such developments, as well as any other system upgrades required to accommodate a proposed development, are borne by the developer, not the City. So there really is no savings. Even in situations wherein Council has determined to provide financial support to help incentivize housing, the consistent direction by Council has been to not take that support from water and sewer revenues.

There is an argument that could be made for reduced rates to help encourage intensification. Realistically, this would not equate to the difference in costs of providing services to multiplex buildings in comparison with single dwelling units. It could, however, help incentivize multiplex buildings. This theory does mean that the

City's sewer & water utility would be looking for its non-multiplex customers to continue to pay a higher rate to offset the reduced per living unit rate on multiplex buildings. It is one that could be considered a form of compromise for the implementation of the system.

For these reasons, a decrease in the per living unit rate charged to multiplex buildings is not recommended by City staff. Given Council's previous direction to pursue a lower per living unit charge for multiplex building, however, Council could consider a reduced rate per living unit for those buildings. The reason would be to help encourage housing densification in order to help address Kenora's current housing crisis. It must be noted here that, to ensure the legality of the different rate, the reduced rate should apply to all multiplex buildings, including condominiums and life leases. It would also apply to multiplex buildings that currently have individual metering per living unit, and are charged accordingly.

"Grandfathering":
There has been a lot of discussion around grandfathering the existing buildings. This can be done, but it must be recognized that in doing so the remaining ratepayers will continue to pay roughly 8% more than what they would otherwise need to for the City to continue to collect the same amount of money in the long term. Currently the incremental revenue that would be generated from charging the service charge on a per living unit basis on all multiplex buildings represents approximately 8.75% of the utility's annual revenue. Collecting this revenue is fair in that all residents would then be paying their fair share of the utility costs.

Grandfathering creates an exception to the rule. The City has already observed significant pressure applied by potential developers to abolish the current by-law, or to obtain an exemption from it. While we do not want to push prospective developers away, these fees are intended to ensure the Utility can continue to operate and supply services to Kenora's citizens. If the cost of operation is not equally distributed to all users, it will result in some users carrying a larger burden of the cost than others (as is the case until By-Law 70-2018 is fully implemented). Allowing developers to avoid these costs, simply adds to the burden on those paying a higher cost for the service now.

At the end of the day, Grandfathering would maintain the current unfair burden on citizens and fails to achieve Council's directive to develop a system that ensures all users pay the same amount. Further, as these revenues represent approximately 8.75% of the Utility's annual revenue, current rate payers could see lower increases than currently outlined under the BMA financial study, if the current By-law is upheld. Conversely, if Grandfathering is allowed, there will continue to be an additional burden of over 8% on current rate payers.

For these reasons, we do not recommend that Council consider grandfathering, although a modified version of grandfathering is presented within the options to this report so that Council is aware that it was seriously considered during this review.

100% consumption cost recovery model:
The sewer and water service fee takes into account the operating costs of maintaining the Utility's $240 million *(City of Kenora Water and Wastewater Long Range Financial Plan Forecast - page 8)* worth of infrastructure, equipment, and staffing. There are many examples of consumption based systems creating a negative feedback loop, whereby consumption decreases and rates must increase continually in an attempt to maintain revenue levels. The more rates go up, the less product is consumed. In

fact, this was evidenced in when City-wide water metering was introduced in the City in the 2000's, there were significant reductions in water consumption.

This type of system could result in the need for additional, ongoing rate adjustments being required, placing the utility's operating budget in a state of potential flux and uncertainty.

Further, many landlords calling for this, fail to realize it could negatively impact them. Unless tenants are directly responsible for water, they have no incentive to mitigate consumption.

For these reasons, we strongly recommend that Council not consider a cost recovery model.

This is just a 'Money Grab':
This revenue is intended to cover the cost of the operation of the Utility. Prior to By-law 70-2018 the cost of supplying sewer and water to these buildings was being largely paid for by the remainder of Kenora residents. Therefore, this is not a 'money grab' but a request that these buildings, and tenants, simply pay their equal share, which they did not do until this By-law was implemented. Additional revenues resulting from the implementation of this billing model would be used to offset overall rate increases for all City users.

City Survey
At Council's request, a survey was provided in order to provide an avenue for the City to receive feedback from all City sewer & water ratepayers. The results were initially distributed to Council in April 2019, and have been attached to this report for Council's reference. There were just over 1,500 responses to the survey received. In developing the survey, staff worked with a number of individuals representing various groups directly impacted by this change. Every effort was made to make the survey neutral from any position, while respecting the input of the individuals consulted. As a result, the explanations related to why the City had implemented this change, including how the average ratepayer would be impacted by its implementation, was not included. As a result, the City did receive some feedback that the survey was difficult to understand. In addition, controls to restrict input from an IP address were also not placed on the survey, resulting in the opportunity for individuals to complete the survey multiple times. This issue can be seen in the comments from the survey, wherein there are multiple identical responses received. It is difficult at best to understand how significantly this may have impacted the survey results.

Options for Council Consideration
While we recognize that not all decisions made by the City will be received favorably by all ratepayers, the current recommendation strikes the most balanced, and fairest, approach to ensuring all residents are paying their equal share of utility cost. In addition to the issues outlined above, the following options were considered before drafting the final recommendation that has been included within this report for Council consideration:

<u>Option #1:</u>
Council reconfirms the decision made on May 22, 2018 wherein all multiplex buildings consisting of four (4) or more living units be charged a per living unit service fee based on the number of living units within the building, times the sewer and water service fee for individual homes (based on a 5/8" service line), as per the General Tariff of Fees and Charges By-law.

That any rate increases to existing multiplexes, resulting from implementing this decision, be phased in over seven (7) years in equal increments. Along with this seven (7) year phase in to mitigate the potential for financial hardship on affected residents, Council would also eliminate the requirement for individual living unit metering in new multiplex buildings.

It is recommended that Council pursue this option.

Option #2:

Remove the requirement for individual living unit metering in proposed new multiplex buildings. This eliminates a significant cost to the developer.

This does not prohibit a developer from implementing individual metering on a per unit basis should they chose, however that would be their decision.

It is recommended that Council pursue this option.

Option #3:

To further incentivize housing starts, and until such time that the housing shortage has been reduced, it is recommended that all multiplex buildings, be charged a per living unit service fee equivalent to fifty percent (50%) of the sewer and water service fee for individual homes (based on a 5/8" service line), as per the General Tariff of Fees and Charges By-law, times the number of living units within the building.

As this option maintains an additional burden on the remaining sewer & water utility customers, it should be considered an interim method of attempting to incentivize new multiplex starts, and not a permanent differentiation between rate payers. As a result, this discounted rate should be reviewed at a future date and a decision made as to whether or not the fees should be brought into alignment such that all living units pay an equal amount of the sewer and water service fees. This review should occur once Council determines that a sufficient impact has been made on Kenora's housing stock.

In order to reflect the need for a balanced approach, whereby all recipients of sewer and water services must pay the same amount for these services, this discounted rate shall be applied to both existing and future multiplex buildings of four (4) units or more, with the expectation that in time this discount will be reviewed and phased out such that those receiving a discount shall eventually pay the same sewer and water service fees as all other rate payers.

As this recommendation represents a significant reduction to the impact to existing single metered multiplex buildings, the phase in period would be reduced to three (3) years.

Though it is acknowledged that legally Council has a great deal of latitude on such matters, this approach is not recommended by City staff for the reasons as already discussed within this report.

Option #4:
Grandfather the Kenora District Services Board. This is risky as it creates two tiers of rate payers, whereby Kenora District Service Board's (KDSB) is not contributing their fair share of the cost of providing Sewer and Water Services to residents.

Based on consultation with the City's solicitor, it is not recommended that Council pursue this option.

Option #5:
Eliminate the per living unit charge on multiplex buildings, including those currently independently metered by living unit. It is anticipated that this would be a further loss in existing City revenues of roughly 1.5%. The future loss of revenues related to proposed new services cannot be reasonably calculated at this time. This would result in a further shift onto those living in detached dwelling units, as the City would need to adjust rates to account for this loss in revenue. Ultimately, the average homeowner would at this point be paying roughly 10% more than they would have under the current approved bylaw, before any consideration given to the impact of new developments.

Based on consultation with the City's solicitor, it is not recommended that Council pursue this option.

Budget:

The current By-law Number 70-2018, with recommended changes, ensures all residents with sewer and water, share the cost equally and provides an appropriate and adequate revenue stream for the Utility.

Risk Analysis:

There is an existing shift to the average residential user wherein they are paying roughly 8% more than what they would otherwise be paying under the new billing system that was approved by Council in order to generate the same system revenue. The risk is the issue over equity to our system users. There is an additional risk related to new development related to the recommended option, which would be partially mitigated through removing the requirement for independent metering of each living unit. While this option is not recommended, this risk could be further mitigated through a reduction of 50% to the multiplex per living unit service fee presented under option #3.

Communication Plan / Notice By-law Requirements:

By-law required. Distribution: J. Hawley, B. Paudel, K. Brown, H. Kasprick, C. Eddie, Public Notice in accordance with By-law Number 144-2007.

Strategic Plan or other Guiding Document:

Goal #1: Develop Our Economy
1-1 The City will provide clear and decisive leadership on all matters of economic growth in Kenora and surrounding district.

Goal #2: Strengthen our Foundations
2-1 The City will ensure that our municipal infrastructure is maintained using available resources with the intent of moving towards all City infrastructure being in good state of repair to ensure certainty, security and long-term stability of our systems.

2-2 The City will keep in the forefront that there is a significant infrastructure deficit, and current and future Councils will need to continue to work towards allocating sufficient resources to be able to adequately address this issue.

June 24, 2019

City Council
Committee Report

To: Mayor and Council

Fr: Adam Smith, Development Services Strategist

Re: 2019 AMO Conference Delegation Requests

Recommendation:
No recommendation. The intent of this report is to provide background information and proposed delegation requests for Council consideration to enable staff to submit the delegation requests for the upcoming AMO Conference.

Background Information:
Similar to previous years, the 2019 AMO Conference will have an opportunity to meet with provincial ministers. The deadline for submission of these meeting requests is July 5th. Based on a review of the previous issues packages combined with some recent developments, staff are proposing the following issues to be discussed.

NOHFC Funding for Affordable Housing—Ministry of Energy, Northern Development and Mines

Affordable housing has long been identified as a need in Kenora, not only to affect homelessness but to attract workers and compensate for demographic trends. The City of Kenora has previously indicated it's concerns around inflexible government funding programs that distort municipal priority setting. This extends to the NOHFC as housing is not perceived to be a catalyst for economic development despite evidence to suggest otherwise. The KDSB has been recently rejected in its application for support to proceed with a Regional Housing Strategy and the City of Kenora would like to leverage dollars from the Province to off-set the cost of extending municipal water and sewer.

Connecting Links Program: Ministry of Transportation

Kenora bridges are multi-million dollar structures, some worth tens of millions of dollars, which used to receive between 80% - 100% capital funding from the Province. The City owns and maintains 18 vehicular bridges that cannot be ignored. Kenora's bridge infrastructure is aging and represents a potentially major cost to the City that cannot feasibly be maintained only through municipal tax dollars and without assistance from the Province. A significant share of this infrastructure is on Highway 17 which is the primary route of the Trans-Canada Highway in Ontario. Although Highway 17A serves as an alternate route and by-pass around Kenora, when there is an accident, all traffic is diverted into the City. Moreover, it serves as a conduit into Kenora for surrounding communities including Wauzhusk Onigum First Nation and Obashkaandagaang First Nation. Unfortunately, Kenora is not eligible for funding under the Connecting Links program despite fitting within the policy of the program. Highway 17 is a critical roadway that serves provincial and municipal interests, carries long distance provincial highway traffic moving through communities, as well as local traffic within the community. We are in an extremely unique situation when compared to any other municipality in Ontario and are desperately seeking sustainable sources of Provincial funding to address the burden related to our bridges.

Improving Capacity to Address Substance Abuse: Ministry of Health and Long-Term Care

In 2019, policing costs in the City of Kenora stood at $789 per household rising from $720 the year prior and greatly exceeding the provincial average. In terms of City operating expenses, 21% consisted of policing costs. In the past, the City has seen costs driven by alcohol dependency, however, the presence of methaphemine has further complicated the development of upstream solutions to mitigate both the financial and social costs methaphemine addiction has on the community. Currently, Kenora and by extension, Northwestern Ontario does not a have a treatment centre for this drug which leads to management through the criminal justice system and emergency room which is much more costly and ineffective. Complex addicitons require multi-faceted solutions and the City of Kenora has been working extensively with local partners to determine a path forward.

An enhanced street patrol program will help alleviate pressure on the police to direct those in crisis to the appropriate centres of care. However, moving forward, a holistic treatment centre for addiction is desperately required in Kenora. To combat addiction, particularly for methaphemine, treatment must go beyond the traditional 30-day model. It must be conducted with a lens to providing housing supports so that those dealing with addiction can effectively break the cycle of crisis.

Public Transit Funding Criteria – Ministry of Infrastructure

Despite the lack of funding programs for the City's roads and bridges, there remains an overabundance of public transit dollars available to the City yet cannot effectively use given its limited transit system. While this may support a vital service for larger urban centres, Kenora and many other small, rural communities would much rather have these dollars allocated to core infrastructure projects.

The City of Kenora views narrow eligibility criteria and inflexible government programs as a significant issue that affects priority-setting. With the recent announcement on intake for the Public Transit Stream, the City of Kenora was allocated approximately $1.1 million to support a transit capital project. The City has applied under the program to use some of this allocation towards the purchase of a Handi-Transit bus and garage for the vehicles. However, this leaves approximately, $1,000,000 of the provincial allocation left unspent. The City of Kenora is seeking to use the remaing dollars allocated for the purpose of other capital works such as roads and bridges.

ICIP Application Rural and Northern Stream: Railway Street— Ontario Ministry of Agriculture, Food and Rural Affairs

The City of Kenora has submitted a funding application under the Investing in Canada Infrastructure Program – Rural and Northern Stream with a request of $1,583,946.67 from the Ontario Government. The total cost of the project is approximately $5,019,622.85 and will lead to a complete reconstruction of a 1.7 kilometre roadway with improvements that will greatly enhance vehicular and pedestrian safety, create a new active transportation corridor and improve land drainage. There are also broader economic development goals attached to this project as it will help accommodate a major housing development that is anticipated near the boundary of the project scope. The City is seeking the Ontario Government's approval of the application so it may improve deteriorating assets and foster positive economic outcomes.

Budget: N/A

Risk Analysis: Although there isn't a recommendation assigned to this report. There is a high external risk this report is designed to mitigate. With a new government in place and in the process of undertaking extensive program reviews, the proposed issues could affect policy development at the provincial level.

Communication Plan / Notice By-law Requirements: N/A

Strategic Plan or other Guiding Document:
1-6 The City will lobby senior government for additional supports for local industry and business in relation to ongoing workforce development

2-15 The City will be an active and vocal champion for fair funding from provincial and federal governments, including gas tax and other transfer allocations. Priority will be given to initiatives that directly address the infrastructure and community development challenges of the city