



MINUTES
SPECIAL COMMITTEE OF THE WHOLE
Thursday, September 21, 2023
9:00 a.m.
City Hall Council Chambers

Livestream Recording: <https://kenora.civicweb.net/Portal/>

Present:	Mayor A. Poirier (arrived at 9:05 a.m.) Councillor R. Bernie Councillor G. Chaze (opened meeting as Chair) Councillor B. Manson Councillor L. Moncrief Councillor K. Van Belleghem
Regrets:	Councillor L. Koch
Staff:	Kyle Attanasio, CAO, Heather Pihulak, Director of Corporate Services/City Clerk, Greg Breen, Director of Engineering & Infrastructure, Ryan Marsh, Director of Finance, David Pratt, Director of Fire & Emergency Services, Roberta Marsh, Director of Human Resources, Risk & Insurance, Janis Pochailo, Director of Planning & Building Services, Dave Mellor, General Manager of Engineering

Call Meeting to Order

Deputy Mayor Chaze called the meeting to order at 9:00 a.m.

Land Acknowledgement

Delivered by Councillor Manson

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 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 #160-2022, 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. 2024 Draft Utility Budget

Request for Budget Decision – Water & Wastewater Rate Increase

The City is required under O.Reg 453/07 to establish a long-range financial plan for its drinking water utility; there is no requirement to do so for the wastewater utility but the City’s plan includes wastewater. The purpose of the plan was to provide an approach to long-term financial management and align short term actions with long term financial strategies. The objectives of the plan include:

- To protect and maintain assets;
- Provide stability and predictability in rates;
- Fair distribution of resources between current and future ratepayers;
- Sustainable cash flows financial flexibility; and
- To establish a reserve target balance

In September 2020, City Council approved the Water and Wastewater long range financial plan (WWLRFP) which proposed water and sewer rate increases of 3.1% annually from 2021 through 2026. That rate is already approved and in our tariff of fees.

The importance of the WWLRFP is a dynamic document that should be periodically reviewed and updated to amend assumptions, assist in adjusting to any financial changes, and to revisit financial goals and future strategies. There have been some significant occurrences that have dramatically altered the assumptions and expectations built into the WWLRFP and the conclusions drawn therein are no longer accurate.

Ryan Marsh, Director of Finance, reviewed some of the assumptions and changes.

Request for Budget Decision #1

In 2021, Council decided to freeze the rates due to the pandemic, meaning in 2021 there was a zero percent increase, which was scheduled to be 3.1% and as a result we lost revenue. As it stands, approximate amount is \$1M and forecasting another \$1.1M through to 2026 for a total of \$2.2M. Due to the global pandemic there has been significant economic shocks including inflation and supply demand. These are significant increases that we are seeing that were not contemplated in the long range plan. Another factor is the capital budget impacts. We looked at the capital plan there is a 14.3% increase in the draft budget compared to 2021. Our capital needs have changed as they weren’t fully contemplated in the long range plan. These pressures adding to the operating and capital budgets have put significant strain on the reserve. It is a gauge on how well we are financially doing and it is forecasted we will go into the negatives by 2028.

Our asset management identifies that we are in a deficit of where we should be with capital work. We are running a deficit of \$4.2M annually.

The long range plan should have a cost recovery focus in terms of recovering our operating costs and planning for future capital needs. We need to consider this in all our rates and reviews. There has been a notice of motion regarding the water rate review, and administration will be proceeding with procuring the review process.

Currently the rates are set to increase by 3.1% into 2026. With this report, is to change the 3.1% increase to a 4.8% increase which is a change of 1.7% which will change the trajectory of our reserve account.

Administration is seeking Council approval to increase water and wastewater user rates for the 2024 budget as follows:

- 3.1% increase currently stipulated in the Tariff of Fees and Charges Bylaw from 2024-2026 be increased to 4.8% for 2024 and 2025 budget years

Administration has determined this number after carrying out some short-term financial forecasting using the draft 2024 and 2025 water and wastewater budgets.

The proposed changes to the water and wastewater user rates is estimated to increase operating revenues by approximately \$189,000 in 2024 and \$392,000 in 2025.

It was questioned what kind of assumptions were made for inflation when building this budget. We should also be factoring in the development that is occurring throughout our community which will add users to the utility and benefit the other users on the system.

It was noted that continuing to defer the cost associated with running these utilities is not a good idea. The impacts of these decisions are understood, but also very aware of the impacts of deferring costs. Increasing the costs to our customers in the long term is the solution to addressing these deficits, believe we need to add additional users to the system to share the costs. Fully in support of the growth in our community but cannot make assumptions based on anomalies and we can't build assumptions on those.

Council does not support any type of increase beyond the 3.1% increase that is already built and approved.

Request for Budget Decision #2:

Capital sewer and water work that was deferred earlier this year for 2025-2027 years. In the state of the reserves which is trending into the negative, certain infrastructure projects were classified as a lower priority in an effort to keep the reserve balances in the positives. There was no way to add these capital projects back in this year, but in 2024 would like to add these projects back in. The Regina Avenue sewer and water project in 2024 \$1.43m. This area of town has issues in the Rideout area. When there are breaks, it is hard to isolate.

It was questioned if it was possible to bundle all the projects under one contract. If we bundle a large group of projects what we have seen the costs have come in 25% to 30% higher because of the living allowances and travel required. We are in a bit of niche in Kenora where we are nearing the peak where we do not need to look outside of Kenora. We are getting best pricing if you look at cost per unit.

There may be projecting rate decrease in rates, we may not see that. Can we borrow against the Prosperity Trust Fund where we pay ourselves back. The debt we are recommending later is from the Prosperity Trust Fund, our concern is that once we get up to the \$10 to \$11M in debt, we are not generating enough revenue income from the investment to cover those revenues we use in the operating budget which ensures the taxpayers are not negatively impacted by the sale of the utility. We may hit the upper limit on what we can borrow from ourselves without significantly impacting that. We have a lot of debt on the books, and we will be going to market. The funds required to support the hospital build is not built into the budget and we would turn to debt to support that as well.

Consensus of Council is that they are not willing to take on debt we can't afford. Council thanked Administration for the report with options to debt finance additional capital works. These reports have never come before Council before to consider, and it is helpful to see these types of reports. Council would like to revisit it in 2025 if we have more information on other projects and better understanding of other projects and implications to the budget.

When we sit down to do the long-range financial plan, we want to ensure they consider debt in that plan. We will also ensure they consider growth through that process.

Kyle Attanasio, CAO advised we are looking for consensus from Council to advance the utility budgets to the Committee of the Whole meeting in October for ultimate approval. The decisions that have been made, are the impacts to the reserve balance. There will be an increase in revenue and the new draft will be ready for Friday, October 6th.

The only increases coming forward would be the \$115,000 in water and wastewater charges for miscellaneous charges. It already includes the formally approved 3.1% increase already built in, so no changes to the draft in that area. Then the solid waste will come forward.

Council took a 15 minute recess, 10:00 a.m. to 10:15 a.m.

Capital Project Review

Kyle Attanasio, CAO provided Council with the draft capital budget does not in any way drive a tax increase to a resident. Any capital work added would have a corresponding tax effect. Last year we did \$16.5M and \$1M of that came from tax payer dollars. Other sources of funding were some type of funding, or other sources. The pressure of our capital needs is going to increase, and the dependency we have on outside funding is significant to ensure there is minimal impacts to the tax needs.

Ryan Marsh reviewed the overall funding sources within the capital budgets as well as the summary of changes for capital projects.

Administration then reviewed the draft capital projects and presented questions pertaining to each project.

Kyle reminded Council of the proposed timelines for the capital budget process. Today we will review each project and then adjourn. Council will then see the capital budget as directed by today's discussion in November.

Council would like to see the age of the equipment on the capital project sheet. Dave will also provide the trickle-down effect of replacing one and where that vehicle ends up.

We are starting to see higher standard on our storm sewer and under the various forms of water management from legislation from the province, we have a certificate of approval for our stormwater system, but it also includes how we will maintain the system in the future. They have provided us with a set of standards on how the province expects us to maintain the system.

There was a question if there was an opportunity with this funding to ensure that the play structure at Central could be fully accessible instead of doing some of the finishing work. When we started looking at playgrounds in the community, none of our parks were barrier free. We focused on Norman Park to ensure that park was barrier free, access free. When we work with LAS on playground equipment where we receive a 23% group discount. The grant application that we put in, it is tough to go back and change the agreement that signed. We could go and seek new applications for that site, to address concerns that have been received. Not sure we would be successful in negotiating an agreement that has already been approved. The location is essentially a bog area, and therefore results in drainage issues. They are bringing up grades and you can still see water sitting there now. This gives us funds to ensure that the drainage is improved. By not making our City owned assets accessible we are sending a negative message to our community. The Sustainability Advisory Committee has also asked for a lens on our projects. We will continue our discussions with the Accessibility Advisory Committee to ensure we are meeting the expectations of the committee. Council does not agree with amending the current funding agreement to change from landscaping improvements, to adding new accessible features. Would prefer if we looked for further funding to add/enhance the features already there with new funding opportunities that may exist.

The Coney Island playground replacement project may need to be amended because \$50,000 is likely low. We will leave it for this year's budget but will revisit for next round of budgets.

Community Safety Officers can do CPTED analysis on buildings, facilities, and other general areas to make recommendations for improvements to address safety items that can be implemented. It is not a prohibited cost, and maybe you join the group to be part of it. There are a few options. It could be brought forward during operating budget discussion, to have someone trained in house to make these assessments.

Council would like to see the Art Centre's blinds moved up. The Art Centre reserve didn't start until the building opened. The reserve contribution was paused, and there likely isn't enough money in the reserve to do the work prior to that. The interest is in advancing that to 2024 to get the certification. Administration will look at the reserves and be prepared for next meeting discussion.

Council questioned the long-term plan to eliminate the brick sidewalks we have throughout the downtown. There are concerns about advancing the timelines to replace all those bricks and move to concrete sidewalks. Is there time to have that conversation around the active transportation plan.

There was no direction from Council to remove any projects contained within the budget. There are a few follow ups before the next meeting.

Tuesday, October 3rd Council will receive budget decision reports in advance of October 12th. Agenda will be to receive direction from Council on each report on the 12th to advance the next budget meeting.

Meeting adjourned at 12:19 p.m.