



MINUTES
SPECIAL
COMMITTEE OF THE WHOLE

Monday, November 9, 2015

8:30 a.m.

City Council Chambers

Present: Councillor R. McMillan, Acting Mayor
Councillor D. Reynard
Councillor L. Roussin
Councillor S. Smith
Councillor C. Wasacase
K. Brown, CAO
H. Kasprick, Manager Legislative Services/City Clerk
L. D'Argis, Corporate Services Manager

Regrets: Mayor D. Canfield
Councillor M. Goss

Guest by Conference Call: Jim Bruzzese, BMA Management Consulting Inc.

A. Call Meeting to Order

Deputy/Acting Mayor R. McMillan called the meeting to order at 8:30 a.m.

B. Public Information Notices

N/A

C. Declaration of Pecuniary Interest & the General Nature Thereof

Mayor Canfield then 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

There were none declared.

D. Presentation

Water & Wastewater Long Range Financial Plan Presentation by BMA

Jim Bruzzese from BMA Management Consulting Inc presented the Long Range Water and Wastewater Financial plan to Council via conference call.

O.Reg 453/07 essentially requires municipal water utilities to develop comprehensive long range financial plans. The City has taken a proactive approach and has included wastewater system. The goal is to ensure the City's water and wastewater operations are financially sound and services can be provided on a sustainable basis.

A long range financial plan is a framework to guide the municipality in planning and decision making. It is a strategic process that provides a municipality with the insights and information they need to make choices necessary to establish financial sustainability. A long range financial plan identifies fiscal issues and opportunities, establishes fiscal policies and goals, examines fiscal trends, produces a financial forecast, and provides for feasible solutions.

The City is experiencing three key challenges with respect to sustainability. The first is an underfunded program for the replacement of existing assets as they come due for replacement. This has resulted in a significant infrastructure deficit. Low reserves with insufficient annual contributions, and affordability considerations.

The City has \$36.5 million in water and \$31.1 million in wastewater assets (historical cost) with a replacement cost of \$127 million in water and \$113 million in wastewater assets for a total of \$240 million. Insufficient transfers to the capital program to achieve full lifecycle replacement of these assets. There is an annual funding gap of \$1.9 million on a replacement cost basis.

The residential cost of service is 25% higher than the survey average for a customer that consumes 200 m³ annually in relation to northern municipalities. Costs for mid to large customers is considerably lower in Kenora than the survey average. Difference across various consumption levels is due to the large proportionate allocation of costs to be recovered from the fixed fee in Kenora. The average in Kenora for a regular 5/8" meter for 200m³ is \$1,233 with the average for the same in northwestern Ontario being \$983. The average blended rate requirement change is forecast to be 10% in 2016; 8% in 2017 and 2018 and 5.5% thereafter.

Reserves/reserve funds are required to provide rate stabilization in the face of variable and uncontrollable factors and to make provisions for replacements/renewals/acquisitions of assets/infrastructure that are currently being consumed. It is also to avoid spikes in funding requirements for large capital projects by reducing their reliance on long-term debt borrowings and to ensure adequate and sustainable cash flows. The City's consolidated Water/Wastewater Reserves are \$1.9 million. This is very low, particularly given the City's water and wastewater capital forecast.

In summary, the plan supports ongoing replacement of existing asset and begins to address the infrastructure deficit. It improves revenue stability, and smooths rate increases while considering affordability for customers.

Members of Council posed questions to Mr. Jim Bruzzese regarding the presentation. In Mr. Bruzzese's opinion there should be a separate fund and the new developer should be responsible for new expansion or growth and charge a development charge for a developer who will hook up to the existing municipal services. There were questions concerns regarding the ongoing deficit. There are concerns that we are not doing anything to address cost of service and efficiencies and we need to be proactive in the planning. There are two components to address the infrastructure deficit. Long range financial plans should include how to address things more efficiently.

There was a direct question regarding the water and sewer services that were added to the iLevel

plant on the Airport Road. This service was put in the early 2000's for the development of the new timber stand plant. There were sufficient studies at this time to prove that the increased tax revenue that would be coming to the City would justify the extension of services. It was clarified that this particular development, several million dollar balance was debt financed and the residential tax payer did not see any increases as a result of this expansion.

It was further clarified that the long range financial plan is a living document and as operations change there will be needed changes. This is the information we have today and looking for Council approval as it is required by the government by end of November. The plan is based on some assumptions and it should be reviewed as assumptions change. Council decides the annual operating budget and this is in no way tying the operating and capital budgets.

Acting Mayor R. McMillan thanked Mr. Bruzzese for his presentation and for the members of the public attendance and interest.

E. Adjournment

The meeting adjourned at 9:40 a.m.