



CITY OF YELLOWKNIFE

GOVERNANCE AND PRIORITIES COMMITTEE REPORT

Tuesday, June 24, 2025 at 12:05 p.m.

Report of a meeting held on Tuesday, June 24, 2025 at 12:05 p.m. in the City Hall Council Chamber. The following Committee members were in attendance:

Chair: Deputy Mayor R. Warburton,
Mayor B. Hendriksen, (via teleconference)
Councillor G. Cochrane,
Councillor R. Fequet,
Councillor R. Foote,
Councillor C. McGurk, (via teleconference)
Councillor T. McLennan,
Councillor S. Payne, and
Councillor R. Warburton.

The following members of Administration staff were in attendance:

S. Van Dine,
C. Caljouw,
C. Greencorn,
S. Jovic,
C. MacLean,
K. Pandoo,
C. Saunders,
K. Thistle,
C. White, and
B. Ly.

Item Description

1. (For Information Only)
Councillor Cochrane read the Opening Statement at Special Council Meeting.
2. (For Information Only)
There were no disclosures of conflict of interest.
3. **Committee read a memorandum regarding whether to:**



- 1. accept for information the findings and recommendations of the Final Report of the Water and Sewer Rate Structure Review by Inter Group Consultants; and**
- 2. direct Administration to return to Council with an implementation plan and timeline based on the five year phased approach set out in the Final Report.**

Committee noted that as the City's current water and sewer rate structure was established more than twenty-five years ago, a Water and Sewer Rate Structure Review ('Review') was initiated in the spring of 2021. However, this project experienced some delays due to several events, including public health orders related to COVID outbreaks and the evacuation of Yellowknife due to wildfires in 2023.

As a result, the Final Report of the Review became available in April 2025 and Intergroup Consultants Ltd, ('the Consultants') gave a presentation on their findings and recommendations to the Governance and Priorities Committee (Committee) on April 14, 2025. Briefly, to minimize the water and sewer bill impacts for trucked services customers, the Consultants are recommending the following phased-in approach over five years:

1. To focus on rate rebalancing as a first step; implementation of separate water and sewer rates; adding rate premiums to trucked service; and removing the Equivalent Residential Unit (ERU) from Access Fee charge. These would be implemented over a three-year period. (2026-2028).
2. Further, simplify the rate structure by rolling the Infrastructure Levy into the water and sewer rates in 2029.
3. Finally, by the year 2030, to limit the rate structure components to only demand and consumption charges for both water and sewer utilities.
4. Establishment of a Utility Reserves Account.

The above recommendations focused on rate simplification and a movement towards full cost recovery over time.

Legislative:

The City has authority to establish water and sewer utility rates pursuant to the *Cities, Towns and Villages Act*, City's Fees and Charges By-law No. 4436, as amended, and the Water and Sewer Services By-law No. 4663, as amended.

Financial:

The Water and Sewer Fund is used to maintain and operate all infrastructure related to potable water, both piped and trucked, and collection, treatment and disposal of sewage. Based on its three year rolling budget, the City is anticipating an operating deficit of around \$1.9 million in 2025 as well as a downward trend in the closing balances of this fund after next year with the ending balance in 2027 showing a negative \$1.6 million unless water and sewer rates and fees are increased accordingly.

It is crucial to note that budget allocations from the Water and Sewer Fund have not kept pace with the cost of installing water and sewer infrastructure over the years as it is costing



more to do the same amount of work. In a nutshell, the Water and Sewer Fund should be contributing more towards the Capital Fund for Water and Sewer projects.

Past, Current and Future Land Development:

It is important to recognize that in some instances, trucked services were determined by geography, as there was no infrastructure in place for connection.

It is also vital to understand that different services and cost structure is important with respect to current and future development decisions as hidden subsidies present a complicating factor. For example, large water users might decide to develop areas, which benefit from cross-subsidized rates on trucked services if land prices are less expensive.

Public Engagement:

The Interim Report of the Review was made available on the City PlaceSpeak website between June 4 to July 21, 2023 where members of the public were able to engage and give their feedback. While the Review contains recommendations regarding a range of 'technical issues', the recommendations regarding 'rate structure' received the most attention during the public engagement process. Many comments received during the public engagement process of the Review, and sent subsequently via e-mail to City counsellors, raised a number of points in support of continued cross-subsidization of trucked services by customers on piped services, or the establishment of one residential rate.

The following key issues were raised during the engagement process:

1. Is having different utility rates for trucked and piped services customers fair? Is this consistent with best practices?
2. Are there opportunities to mitigate the rate impact on trucked services customers?
3. What utility rate principles should be considered in establishing rates?

Issues:

1) Is having different utility rates for trucked and piped services customers fair? Is this consistent with best practices?

- i) The Review indicates that having different rates for the trucked and piped services is consistent with best practices. Establishing rates based upon readily identifiable costs is fair and an industry best practice. For example, the American Water Works Association (AWWA) manual states that *"...recognizing and recovering the costs associated with different types of demand from the appropriate customer classes avoids subsidies among customer classes and minimizes potential subsidies within customer classes."* Therefore, when practical and appropriate, even subsidies within customer classes should be minimized.
- ii) During engagement, some members of the public pointed to other city services that are available to all residents (aquatic centre, other recreational facilities,



etc.) and suggested a utility rate system that is almost similar in nature. But according to the Consultants, this is not an appropriate comparison. A utility is different from nearly all the other services that the City provides, where everyone has access. Utility costs can be readily identified and for sustainable utilities, the recovery of these costs is ideally based on usage and cost recovery.

Therefore, it is imperative that the establishment of water and sewer rates is based on clearly identified rationale. For example, in 2024, combined trucked water and sewer services paid about only Sixty-four percent (64%) of their cost of service; and the Review highlighted that this was not the result of an informed policy decision, but a situation that evolved over time.

2) Are there opportunities to mitigate the rate impact on trucked services customers?

- i) The AWWA manual states that properly designed rates should recover costs as nearly as practicable. At this point, it would be helpful to consider what is included in the trucked water and sewer rates included in the Final Report (2027 forecast):

Costs	Amount(\$)	Explanation
Contracted Services:	\$1,982,000	Directly contracted delivery / pick-up
Accounting and General Admin:	\$140,000	Based on customer ratio
Treatment and Supply:	\$246,000	Based on consumption ratio (5%)
Transmission and Distribution:	\$0	Already removed for trucked customers
Total	\$2,367,000	

- ii) As depicted in the above table, the trucked services revenue in 2024 was \$1,514,000, which did not even cover the directly contracted services. It should also be noted that transmission and distribution costs for trucked services customers have already been removed by the Consultants to mitigate the rate impact on trucked services customers and to be responsive to concerns raised during the public engagement process.
- iii) The Review also found that there is no practical opportunity to reduce trucked services costs and that reducing the rate impact on trucked customers would clearly require some form of continued cross-subsidy, from piped services customers to trucked services customers. As reflected in the Final Report, should this decision be made, it is recommended that the cross-subsidy be transparent. Understanding the true cost of service is important for future development decisions and to ensure that rate policy is not unduly influencing the market (such as the real estate market).



3) What utility rate principles should be considered in establishing rates?

The Consultants have relied upon the key guiding principles of the American Water Works Association Manual for their Review and they are as follows:

- i) ***Recover Full Cost of Providing Service:***
This ensures that the utility is sustainable in the long term and not underfunded or subsidized by other municipal revenues.
- ii) ***Rates Should Reflect the Costs to Serve Customers***
- iii) ***Rates and Fees Should be Easy to Understand:***
The goal should be to have one demand and one consumption charge that customers can understand. Having a number of fixed fees and the use of an outdated Equivalent Residential Unit concept results in a current fee structure that is overly complicated.
- iv) ***Send a Price Signal to Consumers Regarding the Costs of Consumption:***
This principle is about using a combination of fixed and variable rates that result in charging higher users more than lower users.
- v) ***Ensure Administrative Efficiency and Simplicity***
- vi) ***Implement Separate Rates and Fees for Water and Sewer Utilities***
- vii) ***Unexpected Changes to Customers Bills Should be Minimized***

The recommendations contained in the Final Report are consistent with the above-mentioned principles and efforts have been made to minimize the rate impacts on trucked customers.

Potential Water & Sewer bill increases:

The Final Report highlights the need for a clear rationale to underpin utility rates, one that is aligned with utility best practices and tied to the cost of service. Establishing this rationale and targeting a ninety percent (90%) Revenue to Cost Coverage Ratio (RCC) for trucked services over the next three (3) years will result in the following projected bill impacts on Yellowknife residents and businesses:



Estimated Water and Sewer bill Impacts

Customer Class	Phased Approach: W&S Rate and Fee Changes Only		
	Annual %	Annual \$	3 Year \$ Impact
Residential Average Bill (12 M3)	0.0%	\$0	\$0
Multi-Residential			
Average Bill (200 m3)	-0.7%	-\$125	-\$375
High Consumption (347 m3)	-5.2%	-\$3,636	-\$10,907
Commercial			
Average Bill (40 m3)	-1.7%	-\$68	-\$203
Low Consumption (3 M3)	-9.2%	-\$526	-\$1,578
High Consumption (1,348 m3)	-0.3%	-\$319	-\$957
Trucked			
Average Bill (8 m3)	9.6%	\$231	\$693
Low Consumption (5 m3)	8.9%	\$167	\$501
High Consumption (130 m3)	5.9%	\$724	\$2,173
Mid-Consumption (66 m3)	4.7%	\$326	\$977

With respect to the estimated Water and Sewer bill impacts, please note the following:

- i) Residential customers on piped services will see no impact as their rates are currently covering the cost of service. Multi-residential and commercial customers would see reduced bills while trucked services customers will see an increase.
- ii) Increase in trucked services cost is the primary driver for the proposed escalating rates for trucked services customers.
- iii) The proposed increase for trucked services customers spans three years. Therefore, the average bill will increase by about \$19.25 per month in 2026, again in 2027, and again in 2028.
- iv) At the end of this three-year period, the bills for average trucked services customers will have increased by about \$693, a thirty-eight percent (38%) increase. Trucked services customers will then be covering about ninety-percent percent (90%) of their cost of service, considered within the range of reasonableness.
- v) There is a high degree of confidence that the final financial impacts will not differ materially from the estimates provided above.

Council Strategic Direction/Resolution/Policy include:

Strategic Direction #2: Service Excellence



Focus Area 2.1	<u>Asset Management</u> Planning, implementing and maintaining assets to reliably, safely and cost effectively deliver services for current and future community needs.
Key Initiative 2.1.1	Advancing the asset management framework, including long term funding strategies.
Strategic Direction #3:	Sustainable Future
Focus Area 3.2	<u>Growth Readiness</u> Ensuring land development supports economic readiness and community priorities.
Key Initiative 3.2.2	Completing land development tools and strategies that support growth readiness.
Key Initiative 3.2.4	Sustaining infrastructure capacity for future growth.
Motion #0058-17	That Council direct Administration: <ol style="list-style-type: none">1. To undertake an analysis of water rates within the context of Council's priorities (Community Sustainability and Strengthen and Diversify the Economy) and return prior to the end of 2017 with analysis on the financial implications and recommendations going forward.2. To, in the interim, charge the "bulk rate" as prescribed in the Fees and Charges By-law for water consumption above 15,000 litres for customers on trucked water with adjustments retroactive to January 1, 2017 until a full analysis of trucked water rates and recommendations is presented.

Applicable legislation, by-laws, studies, plans include:

1. *Cities, Towns and Villages Act S.N.W.T. 2003;*
2. *Fees and Charges By-law No. 4436, as amended.*
3. *Water and Sewer Services By-law No. 4663, as amended.*
4. *City of Yellowknife Water & Sewer Rate Structure Review: Final Report (DM#793472)*

Committee noted that the City of Yellowknife's water and sewer services rate structure has been in place for more than twenty-five (25) years and no longer reflects the complexities of current service delivery realities. The Consultants are recommending changes that reflects industry best practice as established by the AWWA to simplify the City's rate structure and minimize subsidies.



Mr. David Nightingale and Hayitbay Mahmudov, representatives of the InterGroup Consultants Ltd., were in attendance to answer questions.

Committee recommends that Council:

1. **accept for information the findings and recommendations of the Final Report of the Water and Sewer Rate Structure Review by Inter Group Consultants; and**
2. **direct Administration to return to Council with an implementation plan and timeline following a further exploration of options that consider the following:**
 - i. **the five-year phased approach (~38% increased to truck services) set out in the consultant's final report;**
 - ii. **a balanced rate across all categories instead of focusing on trucked services;**
 - iii. **a subsidy for agricultural uses;**
 - iv. **a subsidy for multi-residential uses; and**
 - v. **other options that Administration believes will achieve progress towards the Strategic Direction of the City.**

MOVE APPROVAL

(For Information Only)

4. Committee recessed at 1:23 p.m. and reconvened at 1:34 p.m.

(For Information Only)

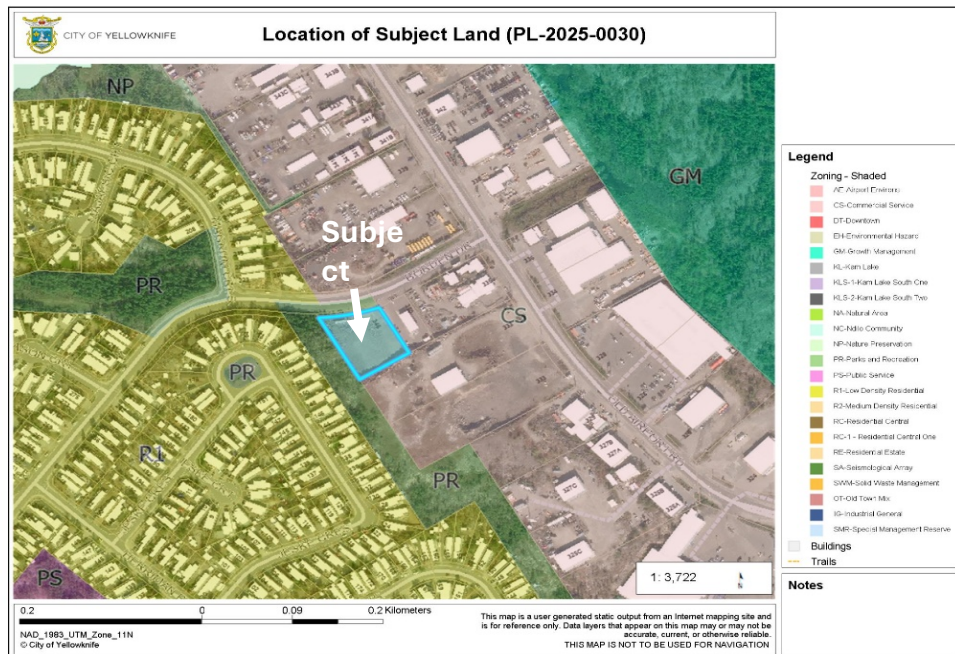
5. Committee heard a presentation from Wessam Bou-Saleh, a representative of Stantec, regarding whether to approve the Discretionary Use to allow a Similar Use to a Hotel on Lot 31, Block 512 and Plan 4740 (346 Borden Drive).
6. **Committee read a memorandum regarding whether to approve a Discretionary Use application (PL-2025-0030) to allow a Similar Use to a Hotel on Lot 31, Block 512 and Plan 4740 (346 Borden Drive).**

Committee noted that the City of Yellowknife received a Discretionary Use application to develop a 75-room travel lodge at 346 Borden Drive. The travel lodge will provide culturally appropriate accommodation for medical travelers and caretakers from Nunavut who are seeking medical and professional services in Yellowknife that may not be available in their home communities. Larga Kitikmeot Ltd., who is the developer of this travel lodge, is contracted by the Government of Nunavut to provide these services. Larga Kitikmeot Ltd. already has a similar establishment in Yellowknife.

The subject land is located within the Old Airport Road commercial corridor that is designated for variety of uses, including automobile sales and repair, medical and health services, and hotel. Adjacent land uses include various commercial uses, light industrial uses, undeveloped land and residential uses (Map 1). The subject property is currently vacant.



‘Similar Use’ means a development deemed by Council to be similar in nature to a permitted or discretionary use in Zoning By-law No. 5045, as amended. The proposed travel lodge shares similar functions to a hotel but only serves a specific clientele. No medical care is provided within the travel lodge. Therefore, it is considered a Similar Use to a Hotel from a planning perspective, which allows for a more precise examination of its land use impacts and related zoning requirements. Similar Use is listed under Discretionary Use in the CS Zone, which is subject to the decision of Council. Council shall make decisions and recommend conditions on Discretionary Use (section 3.2.1. of the Zoning By-law).



Map 1. Map of the subject land the surroundings.

Council Strategic Direction/Resolution/Policy include:

Strategic Direction #1: People First

- Focus Area 1.1: Reconciliation
Continuing to nurture positive and respectful relations with Indigenous governments, organizations and peoples.
- Key Initiatives 1.1.1: Continuing to strengthen relations with Indigenous governments and peoples.
- Focus Area 1.3: Liveable Community
- Key Initiative 1.3.6: Working with all partners towards a safe, supportive and compassionate community for all.

Strategic Direction #3: Sustainable Future



Focus Area 3.3:	Robust Economy Doing our part to stimulate and amplify economic development opportunities.
Key Initiatives 3.3.3	Aligning with regional and territorial economic opportunities.

Applicable legislation, by-laws, studies, plans include:

1. *Community Planning and Development Act S.N.W.T. 2011, c.22;*
2. Community Plan By-law No. 5007, as amended;
3. Zoning By-law No. 5045, as amended; and
4. Planning Report, June 2025.

Legislative

The *Community Planning and Development Act* states that a zoning bylaw must specify one or more of the uses of land and buildings that may be permitted at the discretion of a development authority.

Section 25(2) of the Act states that a development authority may, subject to any applicable conditions, approve an application for a development permit for a use of land or a building specified in a zoning bylaw as a use that may be permitted at the discretion of a development authority, if the development authority is satisfied that all the requirements of the bylaw are met.

Community Plan By-law No. 5007, as amended

The subject land is designated 'Old Airport Road Commercial' under the Community Plan, which is intended to serve as a major commercial corridor in the city and regional service centre. This proposed development is consistent with the character of the Old Airport Road Commercial Land Use Designation and meets the objective to provide for a mix of temporary accommodations to support regional visitors who are in the City for shopping or medical appointments (objective 13). The proposed development also meets multiple Community Plan policies to build within the existing footprint of the City in terms of climate change mitigation, municipal infrastructure, and development sequencing.

The Community Plan supports the City's effort towards reconciliation with all Indigenous Peoples. This proposed development will provide accommodation in a culturally appropriate manner for Inuit, which is an opportunity for the City to strengthen relations with Indigenous communities. The subject land is not located within the Interim Land Withdrawal on Commissioners Land inside the City's municipal boundary, as shown in Map 18 of the Community Plan.

Zoning By-law No. 5045, as amended

The subject property is zoned CS – Commercial Services under the Zoning By-law. The CS Zone is dedicated for commercial areas along the major transportation corridors for use that require large lots and a high degree of accessibility of these corridors. Hotel is a permitted use in the CS Zone, which means such use meets the intent and character of the



zone. Planning analysis shows that the proposed development is a compatible use after examining the criteria prescribed above in section 4.6.4. of the Zoning By-law. Detailed analysis is available in the Planning Report. Council may establish a more stringent standard for this Discretionary Use if deemed necessary, according to section 4.6.5. of the Zoning By-law.

Departmental Consultation

The Public Works and Engineering Department has provided comments on the number of proposed driveways and drainage, which will be addressed in the development permit process.

The Public Safety Department has commented on the requirements of fire lane, which has been communicated to the developer and addressed in the development permit process.

The Lands and Building Services Division requires the development to meet the Building By-law, and the developer will apply for a building permit. Building Services considers the proposed travel lodge as a Group C, Hotel (residential) occupancy instead of a care occupancy, which is consistent with the planning interpretation.

Public Consultation

A notice of application was posted on the subject land on May 13, 2025. Neighbouring landowners and lessees within 30 metres of the subject land have also been notified of the proposed development in accordance with the *Community Planning and Development Act*. A total of thirteen (13) comments have been received via email. Comments identified concerns of the proposed development, such as traffic and parking, which have been addressed in the planning analysis. Detailed comments and considerations are available in the Planning Report (Attachment No. 1).

Committee noted that Larga Kitikmeot Ltd. proposes to develop a 75-room travel lodge to provide culturally appropriate accommodation for medical travelers from the Kitikmeot Region of Nunavut who need to access medical and professional services. The subject land is located in the Old Airport Road commercial corridor and is zoned CS – Commercial Services. The travel lodge is considered a Similar Use to a Hotel given its nature of operation. A Similar Use is listed under Discretionary Use in the CS Zone, which is subject to the decision of Council, with or without conditions.

The proposed travel lodge meets the discretionary use review criteria as listed in section 4.6.4. of the Zoning By-law. In summary, Hotel is a permitted use in the CS Zone, and a hotel-like land use is considered compatible in the CS Zone as well. The proposed travel lodge is believed to have a less “commercial” nature and land use intensity compared to a conventional hotel. The nearby residential area to the west sits on top of a hill and is separated by a 30-m-wide undeveloped land with vegetation, which helps mitigate any potential impact of the proposed development. The proposed development is consistent with the nature and appearance of CS Zone and is within the land use norm of the surroundings. The proposed development conforms to Community Plan By-law No. 5007, as



amended and Zoning By-law No. 5045, as amended. The proposed development aligns with Council's strategic directions to strengthen relations with Indigenous governments and peoples (#1 People First); to create a safe, supportive and compassionate community for all (#1 People First); and to align with regional and territorial economic opportunities (#3 Sustainable Future). Therefore, it is recommended that the Discretionary Use (Similar Use to a Hotel) on Lot 31, Block 512 and Plan 4740 (346 Borden Drive) be approved. The Development Officer will then review zoning requirements and issue the development permit if Council approves this discretionary use.

Committee recommends that Council approve the Discretionary Use to allow a Similar Use to a Hotel on Lot 31, Block 512 and Plan 4740 (346 Borden Drive).

MOVE APPROVAL

- (For Information Only)

7. Councillor Payne left the meeting at 2:03 p.m.
- (For Information Only)

8. Committee heard a presentation from Administration regarding progress update on Climate Action Plan 2026-2036.
- (For Information Only)

9. Councillor R. Foote left the meeting at 2:14 p.m.
- (For Information Only)

10. Committee continued its discussion regarding progress update on Climate Action Plan 2023-2036.
11. The meeting adjourned at 2:17 p.m.