



CITY OF YELLOWKNIFE

## GOVERNANCE AND PRIORITIES COMMITTEE REPORT

**Tuesday, October 14, 2025 at 12:05 p.m.**

Report of a meeting held on Tuesday, October 14, 2025 at 12:05 p.m. in the City Hall Council Chamber.  
The following Committee members were in attendance:

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

The following members of Administration staff were in attendance:

S. Van Dine,  
C. Caljouw,  
D. Gillard,  
C. Greencorn,  
C. MacLean,  
K. Pandoo,  
K. Thistle,  
C. White,  
G. White, and  
S. Jovic.

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<u>Item</u>	<u>Description</u>
1.	(For Information Only) Councillor McLennan read the Opening Statement at the Special Council Meeting held immediately preceding this meeting.
2.	(For Information Only) There were no disclosures of conflict of interest.



3. **Committee read a memorandum regarding whether to implement recommendations from the Water and Sewer Rate Structure Review 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 ('Final Report') 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 recommended 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 services to bring their Revenue to Cost Coverage (RCC) between the range of reasonableness of ninety to one hundred and ten percent (90-110%) consistent with best practices; and removing the Equivalent Residential Unit (ERU) from Access Fee charge. These would be implemented over a three-year period.
- 2) Further, simplify the rate structure by rolling the Infrastructure Levy into the water and sewer rates in the fourth year.
- 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 a better cost recovery over time.

In July 2025, upon consideration of the findings contained in the Final Report, Council directed Administration to return to Council with an implementation plan and timeline following a further exploration of options that considers the following:

- 1) The five-year phased approach (~38 percent increase to trucked services) as set out in the Final Report;
- 2) A balanced rate across all categories instead of focusing on trucked services;
- 3) A subsidy for agriculture uses;
- 4) A subsidy for multi-residential uses; and
- 5) Other options that Administration believes will achieve progress towards the Strategic Direction of the City.

While new subsidies for agriculture and multi-residential customers are possible under a new rate structure, Administration believes it is best to address these after the new rate



structure is implemented. Also note, that costs for multi-residential customers are expected to reduce substantially under option 1: Balanced Consumption Rate, and Option 2: Final Report Recommendation, both discussed below.

Committee noted it is a known fact that the City's current rate structure is quite complex and identifying a new rate structure, which satisfies all the objectives highlighted by Council, is a challenging task. Nevertheless, after contemplating several scenarios in its analysis, Administration working closely with the Consultants, is proposing the following three options:

- 1) Option 1: Balanced Consumption Rate: Modify the recommendations in the Final Report in a manner that recognizes the cost of service for all customers while mitigating rate increases to trucked services customers. This includes rates targeting an eighty percent (80%) recovery in the cost of service for trucked customers from the current recovery rate of sixty eight percent (68%).
- 2) Option 2: Final Report Recommendation: Establish water and sewer rates in a manner that reflects the recommendations reflected in the Final Report, with the objective of ensuring the RCC is between ninety and one hundred and ten percent (90-110%) as per industry best practice.
- 3) Option 3: Maintain current cost ratios but apply annual cost increases equally: Establish new water and sewer rates while maintaining current RCC ratios for all customer classes. This option involves applying an equal percentage rate increase across the board as well as implementing the key rate structure changes included in the Final Report.

It is important to note that within a complex cost of service model, with many variables at play and the need to adhere to consistent ratemaking principles, resulting RCCs will always vary slightly from targeted RCCs.

Moreover, please be advised that the bill impacts calculations previously presented to Council have been updated for all three options by using more current costs and water volumes as well as a three percent (3%) inflationary rate increase has been factored into the 2028 projections to mitigate rising costs.

### **Option 1: Balanced Consumption Rate**

Following discussions on the Final Report, Council had directed Administration, amongst others, to research options that (1) provides 'a balanced rate across all categories instead of



focusing on trucked services’, and (2) ‘will achieve progress towards the Strategic Direction of the City’. As a result, Administration is proposing the Balanced Consumption Rate option.

The Balanced Consumption Rate option:

- a) Maintains a recognition of the cost of service. This is an important aspect as it allows the appropriate costs to be tracked and to inform future development decisions.
- b) Is a rate model that applies consistent ratemaking principles.
- c) Allows for the implementation of the rate structure changes reflected in the Final Report.
- d) Significantly mitigates the rate impacts of trucked customers as previously presented.
- e) Includes an adjusted variable/consumption rate for all customers, except bulk, and proposes an RCC ratio of seventy-eight percent (78%) for trucked services customers. In essence, variable costs will be spread across all customer classes as directed by Council.

While the seventy-eight percent (78%) is outside of the typical range of reasonableness expected of a Revenue to Cost Coverage (RCC), Administration believes it strikes the right balance between the cost challenges of trucked customers and the long-term financial sustainability of the provision of the water and sewer services in Yellowknife.

This option is depicted as follows:

Customer Type	2028 Forecast			COS Results (\$000)	RCC Ratio
	Water (A)	Sewer (B)	Total (C=A+B)	D	E = C/D
<b>Pipped Service</b>	<b>5,871</b>	<b>3,509</b>	<b>9,380</b>	<b>8,839</b>	<b>106.1%</b>
Residential	2,811	1,752	4,563	4,251	107.3%
Multi-Residential	1,065	609	1,675	1,384	121.0%
Commercial	1,895	1,081	2,976	2,763	107.7%
Bulk (Inc. Unmetered)	99	66	166	102	162.0%
Community gardens/surface lines	0	0	0	338	0.0%
<b>Trucked</b>	<b>690</b>	<b>1,208</b>	<b>1,897</b>	<b>2,438</b>	<b>77.8%</b>
<b>Total</b>	<b>6,590</b>	<b>4,717</b>	<b>11,277</b>	<b>11,277</b>	<b>100.0%</b>

The bill impacts are presented below:



	W&S Rate and Fees Charges only (Annual)		3-Year Rate Impact*	3-Year Cumulative Impact
	%	\$	\$	\$
<b>Residential</b> – Average bill (12m3)	1.5%	23	70	140
<b>Multi-Residential:</b>				
Average bill 2" and 22.7 ERU (200 m3)	-2.6%	-485	-1,456	-2,911
3" and 129 ERU (347 m3)	-6.3%	-4,379	-13,137	-26,274
<b>Commercial:</b>				
Average bill 1" and 5.5 ERU (40 m3)	-3.3%	-129	-387	-774
1" and 15 ERU (3 m3)	-9.5%	-545	-1,636	-3,271
3" and 104 ERU (1,348 m3)	-2.1%	-2,429	-7,288	-14,575
<b>Trucked:</b>				
Average bill (1 ERU and 8 m3)	1.8%	41	122	244
Low consumption (5 m3)	4.2%	76	227	455
High consumption: 1 ERU and 130 m3	4.7%	581	1,743	3,485
2 ERU and 15 m3	4.7%	115	345	690
8 ERU and 66 m3	3.5%	244	733	1,466

*\*The annual impact of the rate increase over today's rates.*

**Option 2: Final Report Recommendation**

The Consultants recommended this option as it aligns with utility best practices and is tied to the cost of service. This option establishes rates within the recommended range of reasonableness of between ninety and one hundred and ten percent (90-110%) of the cost of service and is the most attractive from a financial perspective.

It is worth noting that the adjustments, as shown below, resulted in lower rate impacts (~1 percent) for trucked services customers (than previously presented) largely due to an increase in water volumes:



Customer Classes	Bill Impacts as showed in the Final Report			Updated Bill Impacts to Year 2028		
	Annual %	Annual \$	**3-Year Rate \$ Impact	Annual %	Annual \$	**3-Year Rate \$ Impact
<b>Residential</b> – Average bill (12m3)	0.0%	\$0	\$0	0.0%	\$0	\$0
<b>Multi-Residential:</b>						
Average bill 2" and 22.7 ERU (200 m3)	-0.7%	-\$125	-\$375	-2.5%	-\$472	-\$1,476
3" and 129 ERU (347 m3)	-5.2%	-\$3,636	- \$10,907	-5.2%	-\$4,355	-\$13,065
<b>Commercial:</b>						
Average bill 1" and 5.5 ERU (40 m3)	-1.7%	-\$68	-\$203	-3.2%	-\$126	-\$378
1" and 15 ERU (3 m3)	-9.2%	-\$526	-\$1,578	-9.5%	-\$545	-\$1,635
3" and 104 ERU (1,348 m3)	-0.3%	-\$319	-\$957	-2.0%	\$2,337	\$7,011
<b>Trucked:</b>						
Average bill 1 ERU (8 m3)	9.6%	\$231	\$693	8.6%	\$209	\$627
Low consumption (5 m3)	8.9%	\$167	\$501	8.0%	\$151	\$453
Mid-consumption 8 ERU (66 m3)	4.7%	\$326	\$977	3.8%	\$271	\$813
High consumption: 1 ERU (130 m3)	5.9%	\$724	\$2,173	4.9%	\$608	\$1,824

*\*\* The 3-year rate impact column represents the impact over today's rates, not the cumulative cost impact over the 3-year implementation period. For example, the average trucked services bill in year 3 would be about \$52 per month higher (\$627 / 12 months). However, the cumulative cost impact over the 3-year implementation (2026-28) is \$1,254 (\$209 + \$418 + \$627).*

*\*\*\* The three-year rate impact for multi-residential and commercial customers are almost the same as in Option 1 above due to the fact that the current consumption rate for these*



*customers are very close to the average consumption rate across the system and the changes that are being made to the ERU concept.*

**Option 3: Maintain current cost ratios but apply annual cost increases equally**

The third option considered maintains the current RCC ratio of all customer classes while applying an equal percentage rate increase across the board. This option will allow trucked customers to continue paying only sixty eight percent (68%) of the costs incurred to serve them while also permitting the implementation of several of the key recommendations in the Final Report, including the separation of water and sewer rates, the simplification of rates and the elimination of the outdated ‘equivalent residential unit’ charges. It also comprises a three percent (3%) inflationary adjustment in 2028 to address funding shortfalls mentioned above.

This option is the least advisable as it does not provide a clear rationale for the establishment of utility rates.

The estimated bill impacts of this option are as follows:

	W&S Rate and Fees Charges only (Annual)		3-Year Rate Impact*	3-Year Cumulative Impact
	%	\$	\$	\$
<b>Residential – Average bill (12m3)</b>	0.5%	7	22	43
<b>Multi-Residential:</b>				
Average bill 2” and 22.7 ERU (200 m3)	-0.1%	-11	-33	-67
3” and 129 ERU (347 m3)	-5.1%	-3,556	-10,667	-21,333
<b>Commercial:</b>				
Average bill 1” and 5.5 ERU (40 m3)	-1.0%	-41	-122	-245
1” and 15 ERU (3 m3)	-9.3%	-539	-1,616	-3,232
3” and 104 ERU (1,348 m3)	0.5%	541	1,624	3,248
<b>Trucked:</b>				
Average bill (1 ERU and 8 m3)	0.6%	14	43	85
Low consumption (5 m3)	0.6%	10	31	62
High consumption: 1 ERU and 130 m3	0.8%	95	286	572
2 ERU and 15 m3	0.6%	14	42	83
8 ERU and 66 m3	0.7%	45	135	270



*\*The annual impact of the rate increase over today's rates*

### **Other Considerations**

On September 22<sup>nd</sup>, 2025, a member of the public made a presentation on water rates to City Council. This presentation proposed a new consumption-based structure with rates ranging from \$5.77 per cubic meter to \$7.62 per cubic meter, with the average being \$6.94 per cubic meter.

The Consultants assessed the proposal and made the following observations:

- i) The proposal does not separate water and sewer rates.
- ii) The proposal moves the full utility revenue to a variable source (consumption). Adopting this structure is risky, as it will increase the revenue volatility. Revenue predictability is a crucial component for confident utility sustainability planning. All the peer municipalities reviewed, except one (Iqaluit), have a fixed cost component in their rate structure for similar reasons. This concern is also raised in the American Water Works Association (AWWA) manual (Chapter IV.7). Briefly, a purely variable rate structure is not consistent with best practices and is not financially solid.
- iii) The rationale behind the proposed rate structure appears to be missing.
- iv) A quick calculation based upon this hypothetical scenario shows that the average bill for piped residential customers would increase by four percent (4%) per year for 3 years while the average bill for trucked residential customers would decrease by about eleven percent (11%) per year for three years.
- v) The presentation also points to the issue of 'fairness' and references the AWWA manual best practices. However, as reflected in Appendix A of the Final Report (Engagement Summary):
  - 1) the 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, as reflected in the underlined portion of this quote.
  - 2) The AWWA manual further notes that ***"properly designed rates should recover the cost, as nearly as practicable, of providing service to a customer or a class of customers and minimize cross-subsidies among customer classes."***
  - 3) Minimizing cross-subsidies and recovering costs, as nearly as practicable, are typical rate-setting objectives in the AWWA manual and in other seminal literature.
- vi) Finally, it would be very difficult within the utility industry to find a utility rate structure that defines fairness as 'the same price for all customers, regardless of readily identifiable costs and clearly differentiated service delivery models'.

*\*\*This proposal has not been fully modeled due to the substantive issues discussed above.*



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. This will be mitigated by a 3 percent increase in utility rates in 2028 that is already built into the rate model for the rate options discussed above.

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. Concisely, the Water and Sewer Fund should be contributing more towards the Capital Fund for Water and Sewer projects.

It also pertinent to note that the implementation plan will also include reviewing the City's current billing and metering systems to ensure they can accommodate the new water and sewer rate structures. Any upgrades that are required will need additional funding.

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.

Next Steps:

The next stage is to develop an implementation plan to introduce the recommendations of the Final Report, including but not limited to, setting up a Water and Sewer Rate Policy,



updating of the billing and metering systems, phasing-in rate changes, updating and implementing the relevant fees and charges by-law, and establishing a utility reserve.

Council Strategic Direction/Resolution/Policy include:

**Strategic Direction #2:**

**Service Excellence**

Focus Area 2.1

Asset Management

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

Growth Readiness

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:

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.

Motion #0137-25

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.

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

*Cities, Towns and Villages Act S.N.W.T. 2003;*

Fees and Charges By-law No. 4436, as amended;

Water and Sewer Services By-law No. 4663, as amended; and

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 Balanced Consumption Rate option is consistent with Council's motions and reflect industry best practices as established by the AWWA to simplify the City's rate structure and minimize subsidies.

David Nightingale and Hayitbay Mahmudov, representatives of the InterGroup Consultants Ltd., were in attendance to answer questions. Committee reviewed the options presented with the majority speaking in favour of Option 3.

**Committee recommends that Council:**

- (i) **Approve amendments to the water and sewer rate structure and direct Administration to bring forward the necessary amending by-laws that:**
  - a. **Maintains the current Revenue to Cost Coverage (RCC) ratio of all customers while applying an equal percentage rate increase across the board;**
  - b. **Includes a three percent (3%) inflationary adjustment in 2028;**
  - c. **Separates water and sewer rates;**
  - d. **Simplifies rates by eliminating the 'equivalent residential unit' (ERU) charge;**



- (ii) a. **Direct Administration to include consideration of subsidies for agricultural uses and multi-residential uses in the Workplan Garden Plot, to be reviewed once the overall rate structure has been implemented.**
- b. **Direct Administration to include a review of the future state of surface water lines, and trucked subcategories for residential, multi-residential, and commercial in the Workplan Garden Plot.**

### MOVE APPROVAL

(For Information Only)

- 4. Councillor Arden-Smith left the meeting at 1:02 p.m.

(For Information Only)

- 5. Committee accepted for information a memorandum regarding Budget 2026 Public and Council Input.

Committee noted that the City of Yellowknife invited residents to help shape the 2026 Budget by submitting project proposals from August 17, 2024 to August 15, 2025 utilizing an online form. Residents were asked to consider Council’s Strategic Directions as well as tax and service implications. The online form allowed residents to submit a complete project proposal, together with cost estimate for their submission.

Committee was provided with copies of the submissions received from the public and Council regarding Budget 2026.

Council Strategic Direction/Resolution/Policy include:

**Strategic Direction #1: People First**

Focus Area 1.3 Liveable Community  
Supporting all residents to participate in the social fabric and physical space of our community.

Key Initiative 1.3.1 Providing affordable and diverse recreation and arts opportunities for residents.

**Strategic Direction #2: Service Excellence**

Focus Area 2.1 Asset Management  
Planning, implementing and maintaining assets to reliably, safely and cost effectively deliver services for current and future community needs.

Focus Area 2.2 Capacity  
Balancing service levels with human and fiscal resources.



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**Strategic Direction #3: Sustainable Future**

Key Initiative 3.2.4 Sustaining infrastructure capacity for future growth.

Applicable legislation, by-laws, studies, plans include:  
*Cities, Towns and Villages Act*

(For Information Only)

6. Committee recessed at 1:15 p.m. and reconvened at 1:25 p.m.

(For Information Only)

7. Committee continued its discussion regarding Budget 2026 Public and Council Input.

(For Information Only)

8. Councillor Payne left the meeting at 2:15 p.m.

(For Information Only)

9. Committee continued its discussion regarding Budget 2026 Public and Council Input.

10. Administration provided an analysis of the submissions received from both the public and Council Members. In response to question from Council, Administration undertook to provide information on the following items:

- a. Niven Lake Ravine Multi-Use Trails Project;
- b. Increased Accessible Parking;
- c. Where within the budget would be the appropriate location to address the addition of crosswalks or speed bump locations; and
- d. Projected timeline and cost for the Asset Management initiative.

11. The meeting adjourned at 2:21 p.m.