AUDIT COMMITTEE'S REPORT

For the year ended December 31, 2022

The Audit Committee oversees the City's financial reporting process on behalf of City Council. The Committee is comprised of: Mayor Rebecca Alty (ex-officio), Councillor Tom McLennan, Paul Guy, Sue McKinney, Nathan Ensing and Janet Toner.

The Committee reports directly to City Council and has complete access to all City records. The Committee meets regularly with the independent auditors to discuss the independence of the auditors, the scope and key risk areas for the audit, the results of their examinations, the evaluations of the City's internal controls, the overall quality of the City's external financial reporting and other matters required by Canadian public sector accounting standards.

Management has the primary responsibility for the financial statements and the reporting process, including the system of internal controls. Management represents that the City's financial statements are prepared in accordance with Canadian public sector accounting standards. Based on the Committee's review of the financial statements and discussions with Administration and the independent auditors, the Committee recommends that City Council adopt the audited financial statements for the year ended December 31, 2022.

[redacted]

Janet Toner, FCPA, CA, Chair
October 30, 2023

STATEMENT OF FINANCIAL POSITION

As at December 31, 2022 (in thousands of dollars)	2022	2021
Financial Assets		
Cash and cash equivalents (Note 3)	$ 121,403	$ 93,030
Grants receivable (Note 4)	7,088	814
Taxes receivable (Note 5)	1,389	3,239
Water and sewer receivable (Note 6)	1,560	1,451
Other receivable (Note 7)	6,025	7,485
Local improvement charge receivable (Note 8)	13,049	13,598
Land held for resale (Note 9)	2,357	2,745
Total Financial Assets	152,871	122,362
Liabilities		
Accounts payable and accrued liabilities	8,724	7,050
Accrued employee benefits (Note 10)	4,324	3,731
School taxes payable	2,931	2,893
Deposits payable	2,493	2,003
Deferred revenue (Note 11)	24,161	16,417
Debt (Note 12)	30,762	23,279
Landfill closure and post-closure liability (Note 13)	5,252	16,132
Total Liabilities	78,647	71,505
Net Financial Assets	74,224	50,857
Non-Financial Assets		
Tangible capital assets	286,629	279,241
Inventories	1,199	1,111
Prepaids	741	753
	288,569	281,105
Accumulated Surplus (Note 15)	$ 362,793	$ 331,962
Contingencies (Note 16)		
Commitments (Note 17)		
Contractual rights (Note 21)		

See accompanying notes and schedules to the financial statements.

Approved by:

[redacted]

Mayor

[redacted]

City Manager

City of Yellowknife
Box 580
Yellowknife, NT X1A 2N4

October 30, 2023

Crowe MacKay LLP
5103 -51st Street
P.O. Box 727
Yellowknife, NT X1A 2N5

Dear Sirs/Mesdames:

We are providing this letter in connection with your audit of the financial statements of City of Yellowknife (the "City") for the year ending December 31, 2022 for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with Canadian public sector accounting standards.

We confirm that:

Financial Statements

1. We take responsibility and have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated November 21, 2022, for the preparation of the financial statements in accordance with Canadian public sector accounting standards; in particular, the financial statements are fairly presented (or give a true and fair view) in accordance therewith.

2. We have fulfilled our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud.

3. We acknowledge our responsibility for determining the accounting estimates required for the preparation of the financial statements in accordance with Canadian public sector accounting standards. In particular we confirm:

   (a) The estimates reflect our judgment based on our knowledge and experience of past and current events, and on our assumptions about conditions we expect to exist and courses of action we expect to take.

   (b) We confirm the methods, the data and the significant assumptions used in making accounting estimates including:

      (i) the valuation of accounts receivable and the related doubtful account provision.

      (ii) the valuation of inventory at the lower of cost and net realizable value.

      (iii) the carrying value of property, plant and equipment and the related impairment analysis and determination of the estimated useful lives.

      (iv) the valuation of land held for sale at the lower of cost and net realizable value.

      (v) the provision for landfill post-closure costs.

      (vi) accrued employees benefits.

(c) and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of Canadian public sector accounting standards.

No subsequent event requires adjustment to the accounting estimates and disclosures included in the financial statements.

4. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Canadian public sector accounting standards.

5. All events subsequent to the date of the financial statements and for which Canadian public sector accounting standards require adjustment or disclosure have been adjusted or disclosed.

6. The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to the representation letter.

7. All adjustments and reclassifications to our general ledger and financial statement amounts that have been initiated by you have been approved.

8. The significant assumptions used in arriving at the fair values of financial instruments, as measured and disclosed in the financial statements, are reasonable and appropriate in the circumstances.

9. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.

10. The nature of all material measurement uncertainties has been appropriately disclosed in the financial statements, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the financial statements.

11. We have informed you of all outstanding and possible claims, whether or not they have been discussed with legal counsel.

12. The City has satisfactory title to all assets, and there are no liens or encumbrances on the City's assets.

13. We have assessed the ability of the City to continue as a going concern and determined that it is appropriate to prepare the financial statements on a going concern basis.

Other Information

1. We have informed you of all documents that we expect to issue that may comprise "Other information."

2. "Other information" does not and will not contain any material misstatements.

3. "Other information" will or has been provided to you as soon as it is complete. If other information has not been provided by us prior to the date of the audit report, we will provide you the expected timing of such issuance.

We have read and approve the issue of the financial statements.

Yours truly,

City of Yellowknife

[redacted]

City Manager

[redacted]

Director of Corporate Services

(09/13)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

For the year ended December 31, 2022

City of Yellowknife management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards and ensuring all information in the annual report is consistent with the financial statements. This responsibility includes selecting appropriate accounting principles and methods and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

City Council is composed of elected officials who are not employees of the Municipality. City Council is responsible for overseeing management in the performance of its financial reporting responsibilities. City Council carries out its responsibility for review of the financial statements primarily through the Audit Committee. The Audit Committee meets regularly with management to discuss financial matters, including the results of audit examinations. The Audit Committee reports its findings to City Council for its consideration in approving the financial statements for issuance.

The financial statements have been reported on by Crowe MacKay LLP Chartered Professional Accountants. The independent auditors' report outlines the scope of their audit and their opinion on the presentation of the information included in the financial statements.

[redacted]

Sheila Bassi-Kellett
City Manager
October 30, 2023

[redacted]

Kavi Pandoo, MPAcc, CPA, FCCA
Director of Corporate Services
October 30, 2023

FINANCIAL STATEMENTS DISCUSSION AND ANALYSIS

The following Financial Statements Discussion and Analysis ("FSD&A") has been prepared by management and should be read in conjunction with the audited financial statements (the "Statements") and their accompanying notes and schedules. The Statements, as well as the accompanying materials, are prepared in accordance with Canadian public sector accounting standards as established by the Public Sector Accounting Board ("PSAB").

The Statements provide information about the economic resources, obligations and accumulated surplus of the City of Yellowknife (the "City"). The Financial Statements include the following individual statements:

1. **Statement of Financial Position** – provides a summary of the City's financial and physical assets and liabilities.
2. **Statement of Operations and Accumulated Surplus** – Provides a summary of the funds raised by the City and the use of such funds during the year.
3. **Statement of Changes in Net Financial Assets (Debt)** – shows how changes in physical assets occurred through the purchase and disposition of physical assets.
4. **Statement of Cash Flows** – summarizes how the City's cash position changed during the year by highlighting the sources and uses of cash.

The Financial Statements also include schedules that provide details on tangible capital assets, segment disclosures, government transfers and Salaries, Honoraria and Travel Expenses of Council.

FUNDS AND RESERVES

The Statements reflect all resources and operations controlled by the City and include departments, funds and reserves. A fund is a grouping of accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City has established the following funds to achieve and demonstrate compliance with finance related requirements.

1. **General Fund** - reports on tax supported operations, which include services provided by the City to the residents such as public safety, parks and recreational services, transit services, street maintenance and administrative and governance support.
2. **Capital Fund** - reports on capital projects that are supported by taxes, user fees and/or grants from other orders of government. The Capital Fund is made up of, but is not limited to, reporting on the acquisition and/or construction of: streets, parks and recreation facilities, water and sewer infrastructure and other municipal facilities.
3. **Water and Sewer Fund** – reports on activities related to the provision of piped and trucked water and sewer services. The revenue is derived from user fees.
4. **Solid Waste Management Fund** - reports on activities related to garbage and waste collection services. The revenue is derived from user fees.
5. **Land Development Fund** – reports on activities related to the acquisition, development and sale of municipal lands. The revenue is derived from land sales.
6. **Service Connection Failure Assistance Fund (SCFA)** – established to provide customers with a low-cost program to cover water and sewer service repairs. The revenue is derived from user fees.

City Council has approved the establishment of Reserves. Reserves are a portion of the City's surplus that is retained or set aside for a future use. The City has established three Capital Reserves and five Operating Reserves.

1. **Information Technology Reserve, Mobile Equipment Replacement Reserve, and the Major Community Facility Reserve** – set-up to finance current and anticipated future capital projects, thereby reducing the need to issue debt.
2. **Downtown Development Reserve, Heritage Reserve, Samuel Colley Donation Reserve, Revitalization Initiative Reserve and Community Grant Reserve** – provide designated revenue to fund expenses related to future projects in these areas.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2022 are as follows:

- The 2022 Financial Statements report net financial assets of $74.2 million, an increase of $23.3 million from $50.9 million at the end of 2021. This increase can be attributed to an increase in cash and cash equivalents, as cash from operations exceeded cash used to construct and purchase tangible capital assets and meet financing obligations and decreases in the landfill closure and post-closure liability.
- The financial statements show an annual surplus of $30.8 million compared to $15.8 million in 2021, which is mostly due to the increase in government transfers related to capital and decreases in the landfill closure and post-closure liability.
- The City's accumulated surplus increased from $332 million in 2021 to $363 million at December 31, 2022.
- Revenues increased by $12.1 million (14.6%) while expenses decreased by $2.9 million (-4.4%) from 2021. The increase in revenues is primarily due to higher government transfers ($10.2 million) related to capital projects, which commenced in 2022. The net decrease in expenses is due to increases in salary and wages, materials and supplies, and contracted services which are offset by a decrease in the closure costs of the landfill.
- The City's reserve funds decreased from $11.5 million to $10.1 million. The largest change was a decrease in the Major Community Facility reserve as construction commenced on the aquatic centre.

STATEMENT OF FINANCIAL POSITION

(in thousands of dollars)	2022	2021	Change
Financial Assets	$152,871	$122,362	$30,509
Liabilities	(78,647)	(71,505)	(7,142)
Net Financial Assets	74,224	50,857	23,367
Non-Financial Assets	288,569	281,105	7,464
Accumulated Surplus*	**$362,793**	**$331,962**	**$30,831**

*Accumulated surplus represents the City's net worth and is mainly comprised of the City's capital assets.

The Statement of Financial Position shows the City's overall financial position increased by $30.8 million over the previous year. This is predominantly due to a $30.5 million increase in financial assets, mainly cash and cash equivalents, due to increased government transfers for capital projects, increased investment revenues and an increase in deferred revenue.

Accumulated Surplus *(in thousands of dollars)*		
Investment in Tangible Capital Assets	$266,646	73.5%
Net Surplus	86,026	23.7%
Total Reserves	10,121	2.8%
Accumulated Surplus	**$362,793**	**100.0%**

An accumulated surplus represents that amount by which all assets (financial and non-financial) exceed all liabilities. An accumulated surplus indicates that a government has net resources (financial and physical) that can be used to provide future services.

This City has an accumulated surplus of $363 million. Investment in tangible capital assets makes up 73.5% of the balance in the accumulated surplus with net surplus and reserves making up the remaining 23.7% and 2.8% respectively. More detailed information on the accumulated surplus balance can be found in Note 15.

Significant Trends

(in thousands of dollars)	Average Annual Change	2022	2021	2020	2019	2018
Financial Assets	21.0%	$152,871	$122,362	$107,631	$90,300	$70,100
Liabilities	3.8%	78,647	71,505	75,582	70,823	65,478
Net Financial Assets (Liabilities)	64.2%	$74,224	$50,857	$32,049	$19,477	$4,622

Net Financial Assets (Liabilities) reconciles the excess of revenues over expenses to the net financial assets (financial resources available to finance future transactions). Positive net financial assets are an indicator that the City is able to meet its liabilities and obligations out of the existing assets and has resources to use in the future. Negative net financial assets (liabilities) is an indicator that future resources are required to pay for past transactions events.

The City's net financial position continues to improve. The increase in net financial assets of $23.4 million relates to the timing of the completion of major capital projects. During 2022, several capital projects were delayed for various reasons and this gave rise to increases in cash and cash equivalents, and deferred revenues.

(in thousands of dollars)	Average Annual Change	2022	2021	2020	2019	2018
Reserves	1.7%	$10,121	$11,462	$11,161	$10,847	$10,511

The City transfers funds to reserves every year to meet future operating and capital requirements. Even though there was a reduction of $1.3 million (11.7%) in the reserves in 2022, primarily due to the Major Community Facility Reserve being utilized to fund the construction of the aquatic centre, the reserves have on average increased by 1.7% over the past five years. Nevertheless, the Major Community Facility Reserve will continue to decline in 2023 to fund the ongoing construction of the aquatic centre. The Revitalization Initiative Reserve is also expected to be drawn down and there is no plan to contribute funds into this reserve in the future.

STATEMENT OF OPERATIONS

Revenue

(in thousands of dollars)	Average Annual Change	2022	2021	2020	2019	2018
Municipal Taxes	5.2%	$34,179	$32,235	$31,404	$30,764	$27,928
User Fees and Sale of Goods	3.4%	25,134	23,217	21,498	22,398	22,092
Other*	9.8%	5,643	4,404	3,691	4,079	4,035
Regular Operating Revenue	4.8%	**64,956**	**59,856**	**56,593**	**57,241**	**54,055**
Government Transfers						
Government of Canada	33.5%	14,367	6,737	3,618	3,531	10,955
Government of the Northwest Territories	7.3%	14,167	11,903	14,998	12,677	11,254
	10.3%	28,534	18,640	18,616	16,208	22,209
Land Sales	-	1,091	3,118	1,743	3,190	6,034
Contributed TCA	-	-	909	-	-	146
Total Revenue	3.8%	**$94,581**	**$82,523**	**$76,952**	**$76,639**	**$82,444**

*Includes Development Levies, Licenses, and Permits, Fines, Penalties and Cost of Taxes, Investment Income, and Franchise Fees.

Government transfers, land sales and contributed tangible capital assets have been shown separately as they vary significantly from year to year.

Comparison to Prior Year

Overall, revenue increased by 14.6% from the previous year largely due to increases of $11.1 million in government transfers for capital projects, which included the annual road, water and sewer infrastructure projects, as well as the commencement of the construction of the aquatic centre.

While in general, regular operating revenue increased by 8.5%, municipal taxes increased by 6.0% because of an assessment growth and an increase in the tax rate of 5.04%. User fees and sale of goods on the other hand increased by 8.3% due to cost recovery for the Bypass capital project from the Government of Northwest Territories (GNWT), and higher emergency service ambulance revenues, developer contribution revenues, and Solid Waste Management fees.

Other revenues increased by 28.1% mainly because investment income was influenced by the higher interest rates that prevailed in 2022.

Significant Trends

Municipal tax revenues usually increase with assessment growth and tax rate increases. Going forward, the City expects to see municipal tax revenues continue to increase as a result of assessment growth and annual tax rate increases.

User fees and sales of goods have historically been following an upward trend as higher rates are implemented to keep up with rising costs. Unfortunately, these fees are anticipated to marginally increase in the future.

Other revenues, which remained relatively stable over the past five years but increased exponentially in 2022 is projected to grow as interest rates are predicted to stay strong in the foreseeable future.

Government transfers fluctuate from year-to-year as they are based on the number of capital projects in progress as well as the availability of funding from the GNWT and the Federal Government. The start of the construction of the aquatic facility meant that the 2022 government transfers were greater than normal. However, between 2023 and 2027, these capital project transfers are expected to be more in-line with prior years.

Land sales oscillate from year to year based on the lots available for sale and the market demand for land. In 2022, land sale revenues were lower; however, in 2023, the City is hoping to reverse this trend with the addition of sixteen (16) industrial lots in the Engle Phase 2 Business District. In the same occurrence, activities related to construction that were down in 2022 due to supply chain issues created by COVID are expected to pick up gradually.

Expenses

(in thousands of dollars)	Average Annual Change	2022	2021	2020	2019	2018
General Government*	2.6%	$13,884	$13,079	$12,810	$13,152	$12,534
Community Services	1.0%	13,037	11,938	11,473	12,143	12,294
Planning & Development**	-4.0%	1,381	1,605	1,397	1,502	1,666
Public Safety	4.8%	9,440	8,773	9,055	8,662	7,867
Public Works & Engineering	4.3%	13,154	12,395	12,089	12,103	11,132
Solid Waste Facility***	3.2%	3,578	3,484	3,326	3,170	3,156
Water and Sewage	4.1%	15,849	14,650	14,339	13,688	13,531
Interest on Long-term Debt	15.9%	899	783	855	515	566
Regular Operating Expenses	3.2%	71,222	66,707	65,344	64,935	62,746
Land	-	465	1,339	355	152	914
Landfill Closure and Post-Closure Cost (Recovery)	-	(10,879)	(3,346)	798	859	(481)
Minor Capital	-	2,942	1,986	2,497	3,946	3,787
Total Expenses	-1.2%	**$63,750**	**$66,686**	**$68,994**	**$69,892**	**$66,966**

*Corporate Services and Mayor and Council activities are included in General Government as this better represents the major activities and operations of the City.

**Land Development costs are removed and shown below regular operating expenses.

***Landfill Closure and Post-Closure costs are removed and shown below regular operating expenses.

Land and Minor Capital costs have been shown separately as they vary considerably from year to year. Landfill closure and post-closure costs are also shown separately as costs have had major fluctuations, especially over the prior two years.

Comparison to Prior Year

In 2022, there was a net decrease in total expensesof 4.4% from 2021 due to increases in salary and wages, materials and supplies, contracted services and minor capital which are offset by a decrease in the closure costs of the landfill. Regular operating expenses were higher predominantly due to full resumption of City services, including recreation facilities, following the removal of all COVID restrictions in April 2022. As a result, contracted services, salaries and utility costs increased accordingly. The decrease in the landfill liability is due to additional work undertaken at the site which has increased the capacity and longevity of the facility.

Significant Trends

Over the last five years, the City's regular operating expenses increased an average of 3.2% per year. This trend is expected to continue firstly as general costs continue to rise due to inflation and, secondly, because salaries, wages, and benefits will increase as a consequence of annual pay rises as agreed under the terms of the different Collective Bargaining Agreements. Staffing costs are also expected to escalate as and when new full-time positions are introduced to maintain an adequate level of service.

As a result of record snowfalls, increase in materials costs as well as high fuel and heating costs, the Public Works and Water and Sewer functions observed a swelling in their operating expenses by a combined 7.2% ($2.0 million). Since the delivery of the municipal services of piped or trucked water and sewer, garbage collection, maintenance and repair of the City's sidewalks and roadways are crucial services, the overheads associated with these amenities will continue to mount upwards.

In 2022, an increase in demand for emergency and municipal enforcement services resulted in Public Safety witnessing a surge in their operating costs, which increased from $8.8 million in 2021 to $9.4 million in 2022. While the City continues to increase its delivery of emergency medical services (EMS), traditional fire services and other components of public safety services, the costs associated with delivery of these key services will continue on an upward movement.

Land costs will continue to fluctuate from year to year based on the work needed to prepare each site for sale and the volume of land sales.

Landfill closure and post-closure liability is subject to significant measurement uncertainty and changes in assumptions. Significant changes in landfill capacity will also impact the liability. The additional work undertaken at the solid waste facility to extend the life of the site is contributing to increased capacity at the landfill which led to decreases in the liability estimate for 2022.

Minor capital expenses will continue to fluctuate from year to year and are influenced by both the level of capital expenditure as well as the type of capital projects taking place. In 2023, minor capital expenses are expected to be higher than 2022 levels.

FUTURE OUTLOOK

Located along the ancient Precambrian shield of Great Slave Lake, Yellowknife is located on Chief Drygeese territory, which from time immemorial has been the traditional land of the Yellowknives Dene First Nation. We respect the histories, languages, and cultures of all other Indigenous Peoples including the North Slave Métis, and all First Nations, Métis, and Inuit whose presence continues to enrich our vibrant community.

Yellowknife is a lively and inclusive community, home to almost 22,000 residents who enjoy an urban lifestyle on the edge of pristine wilderness. As the capital city of the Northwest Territories, the City is a crossroads for people from across the Northwest Territories and the Canadian arctic, and Council and the City work hard to ensure that all people who live, work and play in Yellowknife can count on the best possible municipal programs and services.

A Balancing Act

The City of Yellowknife's population growth has slowed in recent years, but its infrastructure requirements has not. New neighbourhoods, facilities, roads, parks, and trails have been developed, and they contribute positively to the fabric of life in Yellowknife. However, they also contribute to increasing maintenance and replacement costs, which are also facing upwards pressure from older, ageing assets.

There has also been growth in external pressures, especially from a regulatory perspective, including: the need to maintain the City's water license, a complex, multi-year process that requires the City to make significant capital investments and to demonstrate ongoing regulatory compliance when drawing water and depositing waste and wastewater; the need to implement increasingly rigorous safe work practices, legislated by the Workers' Safety and Compensation Commission and essential to keeping our staff and residents safe; and the need to participate in the Giant Mine Remediation project to ensure the project's progress is consistent with the best interests of Yellowknife citizens and businesses.

Exacerbating these growth pressures is the reality that development has slowed in recent years and the annual increase in the City's total taxable assessment was only 0.90% for 2022, resulting in minimal natural growth in taxation revenue. While the City strives to respond to emerging growth and pressure, without an increased assessment base even minor cost increases translate more directly to a property tax increase.

The challenge is amplified by the ongoing formula funding shortfall. In 2014, the GNWT identified and acknowledged that its communities were annually underfunded by a total of $40 million. Of this $40 million shortfall, the City of Yellowknife was underfunded by $11 million each year. Despite recent efforts to reduce this gap, it still exceeds $9 million per year, which significantly reduces the City's ability to deliver services and to build and maintain infrastructure. The City continues its lobbying effort to encourage the GNWT to better support strong communities and a diversified economy, and to deliver a written plan to fully close this funding gap.

In addition, there are also ongoing citizen concerns with social issues. While these are not within the City's municipal government mandate, their impact requires the City to collaborate on solutions.

Working to Enhance Quality of Life

Reliable, safe, and cost-effective provision of essential services remains the City's core priority. These responsibilities also encompass seeking more efficient ways to provide services, proactively identifying new opportunities to improve how the community's infrastructure is acquired and maintained, and delivering more of what citizens expect.

In 2023, planned operational investments prioritize essentials, with a purposeful emphasis on sustaining a strong and effective staff complement with initiatives that include implementing the talent management strategy developed in 2022 to adapt staffing practices to the rapidly changing labour market, renewing the City's job classifications to ensure employees are paid fairly and competitively for their contributions, and managing position growth to respond to increased demand for core services. Other investments include developing a public engagement framework to obtain and consider stakeholder input in a consistent and effective manner; advancing the City's Reconciliation Action Plan; carrying out the City's Economic Development Strategy and working with the Yellowknives Dene First Nation to execute the Joint Economic Development Strategy; and continuing to imbed asset management principles and practices into processes throughout the organization.

Infrastructure investments in 2023 will also concentrate on core and essential infrastructure. This focus has taken on added importance – and challenges – in the post-COVID reality of high inflation, supply chain issues, and human resource limitations experienced by both the City and its contractors.

The City draws its water from the Yellowknife River, and the submarine intake line has reached the end of its life expectancy. Planning and design work has been underway for several years and in 2019 the City secured $25.8 million in federal funding towards the then-estimated replacement cost of $32 million. Post-COVID, the estimated expenditure requirement has increased substantially and staff continue to seek external support for the funding shortfall to ensure replacement of this critical piece of infrastructure that ensures safe drinking water for all area residents.

The Fire Hall building no longer has the capacity to support the staff, operating, and occupational health and safety requirements necessary to meet the emergency and fire service needs of the community. In February of 2021, Council approved a recommendation to expand and renovate the existing building, based on Class D estimates. Subsequent design work, combined with unexpectedly high rates of inflation, are predicting higher costs that initially anticipated.

Lift station #1 is approaching the end of its useful life, and infill development is creating added pressure on this critical piece of infrastructure. Budget 2023 included allocations to replace it, based on Class D estimates; however, inflationary pressures are now suggesting costs well in excess of those estimates.

In light of the increased costs now being anticipated for these major capital projects, staff are recommending adjustments to the organization's ten-year capital plan that will see several initiatives pushed into future years in an effort to even out the demands on the capital fund. These will be reflected in the Budget 2024 document.

Consultation, planning, and design work for a new Aquatic Centre began several years ago, and in the fall of 2021, voters authorized the City to borrow up to $10,001,000 towards its construction. Site work began in the summer of 2022, with the majority of the construction slated for 2023 towards an anticipated completion date in 2024. This is the largest capital project undertaken by the City to date, and the design-build approach means the cost is fixed.

Citizens have entrusted the City with the care and maintenance of a significant array of assets. These assets are crucial to the reliable delivery of municipal services and programs, and represent significant investments. The City continues to strengthen it asset management processes in order to ensure that our buildings, roads, pipes, parks, trails, and technology are properly looked after to obtain maximum benefit from each investment.

Final Thoughts

On August 16th, 2023, the City was evacuated due to forest wildfires. The total costs associated with evacuation of residents, forest fire fighting prevention, development of fire prevention barriers, support to residents during the evacuation, costs associated with re-entry to the City, clean-up of the fire prevention measures, professional and administrative costs for administering cost recovery are not fully known presently.

As a result of the aforementioned uncertainty, as a one-off, the City has opted not to transfer any funds from the General Fund to the Capital Fund at this point in time. As a reminder, the Funds Stabilization component of the City's Budget Policy guides that the General Fund maintains a balance of no less than 10.0% and no more than 15.0% of budgeted expenses in any given year. To meet these latter criteria, on a yearly basis, the City has transferred surplus funds from the General Fund to the Capital Fund. However, as at 31 December 2022, the General Fund balance will remain at $14.9 million, which will equate to 32% of the 2022 budget expenditures net of amortization.

Notwithstanding the above, the City is in a robust financial position with healthy reserve balances and a solid strategic plan reflected in its forecasted three-year operating and 10-year capital plan. While it is anticipated the wildfire evacuation will continue to impact operations and revenues for the foreseeable future, there are signs of economic recovery, including indications of several new developments.

The City will continue to monitor key economic indicators, sources of revenue and spending levels as part of its sound fiscal approach during these uncertain times.

[redacted]

Kavi Pandoo, MPAcc, CPA, FCCA
Director of Corporate Services
October 30, 2023