

City of **YELLOWKNIFE**

ANNUAL REPORT 2011



TABLE OF CONTENTS

1	MAYOR’S MESSAGE
2	YELLOWKNIFE CITY COUNCIL
3	COUNCIL GOALS & OBJECTIVES
4	WELCOME TO YELLOWKNIFE
5	NEW GENERAL PLAN GUIDES COMMUNITY GROWTH A comprehensive document that maps city growth over the next 10 years.
6	HOUSE TO CALL HOME FOR WOMEN & CHILDREN Raising money for BETTY House.
7	FIGHTING FIRE IN NEW TRAINING FACILITY Training more firefighters locally at less cost.
8	PAVING PARTNERSHIP N'dilo gets a new road surface.
9	NEW TREATMENT PLANT TO FILTER CITY WATER New filtration system ensures water quality is maintained and improved.
10	CITY SCENES Photographs from around the community.
12	NEW TV SHOW FEATURES YELLOWKNIFE Something about the TV show.
13	ROYALTY IN THE PARK The Prince and his bride draw thousands on their visit to Yellowknife.
14	CUSTOMER SERVICE COMES FIRST One-stop shopping at City Hall.
15	COMMUNICATING IN A TIME OF CHANGE
16	MANAGING MUNICIPAL ASSETS
17	SUMMARY OF 2011 FINANCIAL STATEMENTS

MAYOR'S MESSAGE



I have enjoyed the great pleasure of being mayor of the best city in Canada for the past 12 years, and I look forward to welcoming a new mayor in the upcoming 2012 municipal election.

My time in the mayor's chair will be defined by several projects and initiatives that would not have been possible without dedicated City staff, community vision, partnerships and volunteers. Together we have built the Multiplex, Fieldhouse, Somba K'e Park, SideDoor Youth Centre and Bailey House, a transition house for men. We are now working to raise money to build BETTY House, a transition house for women and children. Major renovations to the Wildcat Café were commenced in 2011 and we look forward to the grand re-opening in 2012. A paving partnership between the City and the community of N'dilo started this year and will be completed in the summer of 2012.

Community beautification has been enhanced over the years through streetscaping projects in the downtown core and Old Airport Road, and the City has been recognized nationally for its efforts to build a more sustainable community.

We have successfully hosted several major conferences, festivals and events over the years, including the 2005 Assembly of First Nations Annual General Meeting, 2008 Arctic Winter Games, 40 years as the Capital of the Northwest Territories, 75 years as a mining settlement, Geoscience Forum, Folk on the Rocks Music Festival, Old Town Ramble and Ride and many more. In 2011, we welcomed royalty and media from all over the world when William and Kate, the Duke and Duchess of Cambridge, visited the city. Television shows such as Ice Road Truckers, Ice Pilots NWT and Arctic Air feature Yellowknife and provide us with a great tourism promotion opportunity.

Moving forward, land assembly and asset management are a major priority for the City. Residential construction has risen significantly in the last couple of years and is expected to continue into the future.

The City also took a new approach in 2011 to address our municipal infrastructure deficit by creating an Asset Management Task Force. The task force is working to establish a long-term asset management plan, which is anticipated to be complete in 2012.

Yellowknife continues to live up to its reputation as a 'little, big city,' and during my retirement I will continue to tell the world about our award-winning, welcoming and caring community.

Gordon Van Tighem
Mayor



KAYLEY ALLIN - CITY OF YELLOWKNIFE

YELLOWKNIFE CITY COUNCIL



LYDIA BARDAK



AMANDA MALLON



BOB BROOKS



SHELAGH MONTGOMERY



PAUL FALVO



CORY VANTHUYNE



MARK HEYCK



DAVID WIND



RHONDA KENNEDY - CITY OF YELLOWKNIFE

COUNCIL MISSION

Council will provide leadership, vision and direction in responding to the needs and aspirations of the community. To meet those needs and aspirations, Council will work co-operatively with staff and residents to provide municipal infrastructure, programs and services that are fiscally responsible and sustainable.

COMMUNITY VISION

A welcoming, inclusive, vibrant and family-oriented city with a strong sense of community pride and volunteerism. We will strive to be self-sufficient leaders in business and education, while actively promoting and protecting our unique history, culture and natural beauty.

CORPORATE VISION

To be the most inclusive, progressive and well-managed community in Canada.

COUNCIL GOALS AND OBJECTIVES

Goal 1 AFFORDABILITY

Objectives:

- Realize opportunities to encourage economic growth and diversity.
- Adopt a sustainable and practical approach to infrastructure deficit reduction.
- Pursue creative market partnerships to promote affordable living.
- Emphasize fairness and transparency in financial decisions, program delivery and land assembly.

Actions:

- Establish a Community Affordability Task Force.
- Review the City's land development policies.
- Develop an implementation plan for housing supply options and partnerships.
- Develop opportunities for joint ventures with other orders of government and/or the private sector to meet the affordability goal.

Goal 2 ENHANCING OUR BUILT ENVIRONMENT

Objectives:

- Maintain, respect, preserve and enhance the natural environment, natural heritage and green space.
- Improve transit, roads, sidewalks, recreation facilities and trails with an emphasis on active transportation.

- Develop smart and sustainable approaches to energy, water and sewer, waste management, and building systems.
- Promote a range of commercial, residential, and institutional development and revitalization opportunities.

Actions:

- Address the infrastructure deficit.
- Develop a plan for the Capital area.
- Develop an implementation plan for district energy.
- Complete and implement a Harbour Plan.
- Develop an implementation plan for downtown revitalization.

Goal 3 BUILDING SOCIAL CAPITAL (Community Engagement)

Objectives:

- Develop prosperity through strategic partnerships.
- Improve quality of life by promoting healthy and active lifestyle choices.
- Improve community participation and volunteerism opportunities.
- Promote heritage, culture, arts and other unique characteristics of Yellowknife to honour our past and preserve/showcase our history and cultural diversity.

Actions:

- Build and enhance relationships with First Nations, the private and public sectors.
- Develop a communication plan to improve engagement with the community.
- Enhance recreational programs and promote Yellowknife as an excellent place to live and play.

Goal 4 CONTINUOUS IMPROVEMENT

Objectives:

- Be accountable to residents by ensuring open and accessible information flow and accessible decision making.
- Create an environment of mutual respect, open dialogue, and teamwork.
- Recognize and reward performance.
- Be a leader in innovation.

Actions:

- Develop a customer service culture.
- Lead in innovation and best practices.
- Become a preferred employer.
- Develop enhanced accountability measures.
- Streamline Council's committee structure.
- Enhance marketing of Yellowknife.

WELCOME TO YELLOWKNIFE

Yellowknife, the gateway to the North, is a young and dynamic city where opportunity for investment, tourism and business development is thriving.

As the capital of the Northwest Territories, Yellowknife was home to two gold mines for many years. Today it is the staging area for three diamond mines located 300 kilometres northeast of the city, and a fourth diamond mine is undergoing an environmental impact review.

With small-town appeal and big-city amenities, Yellowknife is home to people from all over the world. The city offers a wide variety of services and activities to satisfy people of all ages and interests.

The city is the world's premier location for aurora viewing and thousands of people visit annually to watch the lights dance across the sky.

Yellowknife has a thriving economy, job opportunities and one of the highest family incomes in the country.

STATISTICS - YELLOWKNIFE

- Population: 19,888
- Average Personal Income: \$62,771
- Average Family Income: \$134,645
- Labour Force Participation Rate: 84.5%

AMENITIES

- 13 schools (kindergarten to 12)
- Aurora College, with affiliations to Canadian colleges and universities
- State of the art hospital and medical services
- Fieldhouse
- Two arenas (including a twin-pad arena)
- Curling rink
- Indoor swimming pool
- Public transportation
- Bowling alley
- Pool hall
- Movie theatres
- Live theatre at the Northern Arts and Cultural Centre
- A lively local arts and music scene
- Walking trails, parks and bike paths
- Public library
- Golf course
- Seniors activity centre
- Ski club



ELIZABETH GILBERT - CITY OF YELLOWKNIFE



Residents review presentation boards outlining the City's General Plan during a community open house.

NEW GENERAL PLAN GUIDES COMMUNITY GROWTH

A new General Plan that sets out the community vision for Yellowknife's future growth and development was finalized in 2011, after extensive public consultation, workshops and open houses.

The General Plan includes new land use designations and mapping that addresses concerns and community design values that are important to residents.

"It's a comprehensive document that maps city growth over the next 10 years in terms of land use planning and protection, providing public infrastructure and transportation, and parks and trail networks," says Wenyan Yu, City Planner.

The new General Plan, which is reviewed every five years, also reflects the direction of the City's Smart Growth Development Plan and Strategic Plan.

A copy of the General Plan is available on the City's website at **www.yellowknife.ca**



"It's a comprehensive document that maps city growth over the next 10 years."

HOUSE TO CALL HOME FOR WOMEN AND CHILDREN

Raising money for BETTY House



PHOTO COURTESY OF BHP BILLITON

City of Yellowknife Homelessness Coordinator, Dayle Hernblad, accepts a \$700,000 donation for BETTY House from Paul Harvey, Asset President of BHP Billiton's EKATI Diamond Mine.

Generous community sponsors and fundraising efforts throughout 2011 are bringing BETTY House closer to reality.

The Better Environment to Transition in Yellowknife (BETTY) House is a transitional housing project that will provide safe housing for women and women with children, who are at risk of losing their home and have no place to go.

"Transitional housing helps people regain stability and independence through safe, secure housing. A broad range of programs and supports will also be available to BETTY House clients to help them prepare for permanent housing," says Dayle Hernblad, the City's Homelessness Coordinator.

In 2011, BHP Billiton contributed \$700,000 toward BETTY House, along with \$50,000 from the Yellowknife Community

Foundation, \$935,000 from the federal Homelessness Partnering Strategy for land purchase, and \$25,000 from individuals. The Brick in Yellowknife established a fund-raising campaign to raise \$50,000, and over \$14,000 in proceeds from the 15th Annual Adlair Aviation Women's Golf Tournament were donated to the project.

The estimated cost to build BETTY House is \$6 million. The building will include bachelor units for single women as well as two- and three-bedroom units for women with children.

"We are confident that we will reach our fundraising goal, and when we reach that milestone

we will begin building the place many women and children will call home," says Hernblad.



Conceptual drawing of BETTY House.

BETTY House will be the second transitional housing project built in Yellowknife through the Yellowknife Homelessness Coalition and its partners, including the City of Yellowknife. Bailey House, a 32-bed transitional housing project for men, welcomed its first clients in early 2009.

“The new facility gives us the ability to train more firefighters locally and at less cost.”

A new fire training facility is located at the NWT Emergency Services Training Centre in Yellowknife.



FIGHTING FIRE IN NEW TRAINING FACILITY

It is a race against time for firefighters and rescue workers responding to a call for help, and they must be ready to take action when they arrive at the scene.

When they are not responding to an emergency, firefighters participate in training exercises to improve their skills and response time, which makes the new fire training structure in Yellowknife a welcome addition.

“The new facility is a burn structure where firefighters are presented with the same conditions there would be in a real fire, where it is hot, dark and smoky. The training takes place in a safe and controlled environment,” says Yellowknife Fire Chief Darcy Hernblad.

The two-level modular structure was added to the NWT Emergency Services Training Centre on June 9th, thanks to

a partnership arrangement between the City of Yellowknife, BHP Billiton's Ekati Diamond Mine, Diavik Diamond Mine Inc., and the Government of the Northwest Territories.

The benefit of the burn structure being located in Yellowknife extends beyond having a physical space for firefighters to practice fighting structure fires in a confined space.

“In the past, we would send firefighters south for the type of training we do in our new burn structure, which added to our training costs. The new facility gives us the ability to train more firefighters locally and at less cost,” says Hernblad.



PAVING PARTNERSHIP

N'dilo gets new road surface

A historic agreement signed in 2010 between the City and the Yellowknives Dene First Nation turned into reality this past summer when the main road was paved for the first time in the community of N'dilo.

The City and the Yellowknives Dene First Nation (YKDFN) are cost-sharing the \$1.4 million paving project, which is expected to be completed in 2012.

"We started work on the paving project in 2010, providing engineering services to help the community prepare for the actual paving work in 2011 and 2012," says Jordin LeBlanc, Public Works Engineer.

The general contractor for the paving and related roadwork is Det'on Cho Corporation, with engineering services provided by Stantec (formerly FSC Architects & Engineers) and overall project supervision provided by City staff.



The first phase of a two-year paving program in the community of N'dilo was completed during the summer.

FACT FILE

The Department of Public Works and Engineering maintains a total of 125 kilometres of paved and gravel roads and 60 kilometres of sidewalks.



NEW TREATMENT PLANT TO FILTER CITY WATER



SARAH MORLAND - CITY OF YELLOWKNIFE

The access road to the location of the new water treatment plant will include trailhead areas with parking and lookout points.

Preliminary road construction to the future site of the new water treatment plant started in the summer; and the laneway will provide more than just access to the new plant.

Plans to include trailhead areas and viewing points along the access road mean residents and visitors will have a place to park and explore the Tin Can Hill area.

The City is building the water treatment plant in response to new federal guidelines for Canadian Drinking Water Quality, which were adopted as legislation in 2009 by the Government of the Northwest Territories.

“The quality of the City’s drinking water is excellent and the new plant will ensure that water quality is maintained

and improved through a new filtration process,” says Chris Greencorn, Manager of Public Works and Engineering.

The new water treatment plant will be built adjacent to the existing water reservoir at Pumphouse No. 1, which will also be replaced. The original pumphouse was built in 1948 and cannot accommodate the City’s projected water supply demand for the next 25 years.

Construction of the new treatment plant is expected to start in 2013.

“The new plant will ensure that water quality is maintained and improved through a new filtration process.”



The Ruth Inch Pool has swim programs, lessons and fitness activities for toddlers, youth and adults. About 26,000 people attended public swims in 2011.

CITY SCENES



The Fieldhouse features two multi-sports fields, indoor playground for pre-schoolers and a 240-metre, 3-lane running track. Membership visits to the track and play area exceeded 30,000 in 2011.



The Yellowknife Public Library offers an extensive collection of books, CDs, DVDs, as well as a summer reading program, pre-school story time, adult and family literacy initiatives.



Kids and adults stay active during summer at the City's 17 playgrounds, 8 tennis courts, 7 ball diamonds, 4 outdoor sport pitches, 5 basketball courts, curling rink, extensive trail network, 3 indoor and 6 outdoor ice surfaces.



The Municipal Enforcement Division hosts an annual bike rodeo for young children to promote bike safety. Constables also delivered bicycle safety talks to hundreds of elementary school children in 2011.



The Yellowknife Fire Department hosts Fire Prevention Week each year. Activities include school contests, public education events and an open house at the fire hall, featuring sprinkler demonstrations, facility tours and much more.



Christmas in Yellowknife brings the Santa Claus parade and fireworks on New Year's Eve.

NEW TV SHOW FEATURES YELLOWKNIFE



PHOTO COURTESY OF PAT KANE

The cast and crew of Arctic Air filmed on location in Yellowknife throughout 2011.

“A production of this size requires a lot of local resources.”

The cast and crew of Arctic Air, a new television series on CBC, spent a number of weeks in 2011 filming throughout the city, giving local production crews, actors and businesses a chance to get in on the action.

“We received a call in June from Vancouver-based Omni Productions saying they were sending a small production crew to Yellowknife on a pre-scout mission to view possible locations to film Arctic Air,”

says Leslie Valpy, Economic Development Officer.

The NWT Film Commission and the City partnered to give the production crew an extensive tour of Yellowknife, N'dilo, Dettah and Behchoko. The cast and crew from outside Yellowknife, which averaged 50 to 60 people, filmed during September, October and November.

“It was a great experience for the community. The cast

and crew stayed at hotels and dined at local restaurants and bars. A number of other businesses also benefited from the activity as a production of this size requires a lot of local resources, from vehicle, airplane and equipment rental to on-site catering,” says Leslie.

The City assists film production crews with street closure permits, insurance, location scouting, local business contacts, facility and equipment rental.

SPECIAL GRANT & CORE FUNDING

The City of Yellowknife offers funding programs for not-for-profit groups. Special Grant Funding and Core Funding are awarded annually through an application-based process.

For more information, visit
www.yellowknife.ca

2011 Special Grant Funding Recipients

- Range Lake School PAC
- NWT Mining Heritage Society
- Food Rescue
- Status of Women Council
- Northwords Writers Festival
- Yellowknife United Soccer Club
- Kole Crook Fiddlers Association

- Frozen Eyes Photographic Society
- Great Slave Snowmobile Association
- Aurora Fiddlers Association
- Classics On Stage
- Yellowknife Community Gardens Collective
- L'Association Franco-culturelle de Yellowknife
- NWT SPCA
- Yellowknife Church of Christ

ROYALTY IN THE PARK

Yellowknifers rolled out the royalty welcome mat at Somba K'e Park on July 5th when William and Kate, the Duke and Duchess of Cambridge, visited the city during their first royal tour of Canada.

The couple's official welcoming ceremony to Yellowknife took place in the park, where thousands of residents, entertainers, political leaders and royalty fans gathered to get a glimpse of the Duke and Duchess.

The event was over in a few hours but it took careful planning and long hours to get the grounds ready to accommodate thousands of people, including media from all over the world.

"City staff spent several weeks preparing the park site and surrounding areas," says Dave Hurley, Facilities Manager.

As the big day grew closer, City crews moved from planting flowers and lawn maintenance to setting up

secure areas and seating.

"We erected security fencing, staging area, seating, and the media area. We had to be prepared as we were expecting several thousand people to attend the event," says Dave.

The royal visit to Yellowknife and the Northwest Territories generated about \$16 million in media coverage in Canada and the United States alone, according to NWT Tourism.



"We were expecting several thousand people to attend."

The Duke and Duchess of Cambridge visited Yellowknife in July.

- Yellowknife Gymnastics Club
- Fédération Franco-Ténoise
- Yellowknife Curling Centre
- YWCA Yellowknife
- Société Radio Taiga

2011 Core Funding Recipients

- Yellowknife Golf Club
- Yellowknife Play Group
- St. John Ambulance
- Northern Arts and Cultural Centre
- Festival of the Midnight Sun
- Yellowknife Seniors Association
- Special Olympics NWT
- Aurora Arts Society
- Yellowknife Guild of Arts and Crafts
- Yellowknife Association for Community Living
- Side Door Ministries
- Yellowknife Ski Club
- NWT Council for Persons with Disabilities
- Folk on the Rocks
- Foster Family Coalition of the NWT
- Ecology North
- Canadian Championship Dog Derby Association
- Yellowknife International Airshow

CUSTOMER SERVICE COMES FIRST

One-stop shopping at City Hall

“Businesses and residents want government services that are easy to find and readily accessible.”

The City of Yellowknife is making significant changes to better serve residents, business people, potential investors and visitors.

City departments worked together throughout 2011 to develop a new one-stop shopping system to improve municipal service delivery.

“We are creating an environment that will enable people to access services in a more convenient location, from both a physical and electronic perspective,” says Bob Long, City Administrator.

In the past, people contacted individual City departments

to rent a facility, get visitor information, access business licences or pay bills. Customer service representatives are now available in a single location at City Hall to help customers through in-person visits, telephone inquiries and e-mail correspondence.

“Businesses and residents want government services that are easy to find and readily accessible and we will be working throughout 2012 to continue improving the new one-stop shopping approach,” says Bob.



PAT KANE

COMMUNICATING IN A TIME OF CHANGE



Communication is critical to understanding the needs and interests of community members, which is why the City reviewed its communication methods and developed a plan to better coordinate the flow of information and increase public access to that information.

“We want people to be well-informed about municipal

projects, activities and programs so they are confident with the decision-making process,” says Debbie Gillard, City Clerk.

Developing the plan, Communicating in a Time of Change, included a review of existing communication practices, interviewing community stakeholders, encouraging residents to

participate through an online survey, and evaluating the use of social media and branding.

Several recommendations - from increasing community engagement, managing media relations to introducing social media - are outlined in the plan.

A copy of the plan is available on the City's website at www.yellowknife.ca

MANAGING MUNICIPAL ASSETS



City staff fix a water main break.

Municipalities across the country are being challenged to fund and replace aging infrastructure and invest in new assets.

The City of Yellowknife owns, maintains and operates extensive municipal infrastructure and assets, including: roads, sidewalks, water and sewer systems, water treatment plant, landfill, parks and trail networks, and sport and recreational facilities.

Developing a long-term asset management plan is a

key priority for Yellowknife's municipal leaders, who took a new approach to address infrastructure issues by creating an Asset Management Task Force.

The task force includes senior City staff, mayor, deputy mayor, members of the private sector and business leaders.

"The group meets regularly to examine the condition of existing infrastructure and to discuss the best approach to invest in this infrastructure, which

deteriorates over time and has a defined service life. We work as a team to address present and future infrastructure needs of the community," says Carl Bird, Director of Corporate Services.

An Asset Management Plan is expected to be completed in 2012. The final plan will include recommended investments in the City's infrastructure for the next two decades, debt requirements, funding sources and plans for other facilities.

SUMMARY OF 2011 FINANCIAL STATEMENTS

During 2011, the City recorded total revenues from all sources of \$62.06 million (2010 - \$58.68 million). The City had budgeted \$57.36 million and the main sources of the budgetary variance were higher than anticipated User Fees and Sales of Goods and Services (\$19.06 million actual vs. \$17.33 million budget), and Government Transfers (\$16.71 million actual vs. \$14.00 million budget). Investment income was also higher than budgeted by \$195,000, due to higher than anticipated levels of investment and improved returns on investment.

During 2011, the City recorded total expenses for all activities of \$53.78 million (2010 - \$49.78 million). The City had budgeted \$51.44 million and the main sources of the budgetary variance were Contracted and General Service expense (\$9.38 million actual vs. \$8.44 million budget), Utilities expense (\$2.93 million actual vs. \$2.73 million budget), Vehicle Operations and Maintenance (\$1.13 million actual vs. \$667,000 budget) and Minor Capital (\$5.41 million actual vs. \$4.24 million budget).

The City also acquired \$17.88 million worth of Tangible Capital Assets in 2011 (2010 - \$20.10 million). Some of the major acquisitions include:

- Work in progress worth \$10.27 million as follows:
 - Water Treatment Plant - \$2.01 million
 - Niven Lake Phase 7 infrastructure - \$3.78 million
 - Streetscaping initiatives - \$1.35 million
 - New cell at Landfill - \$3.13 million

- New assets worth \$7.61 million as follows:
 - 2011 Paving program - \$2.20 million
 - 2011 Water and Sewer program - \$2.28 million
 - Fire Station #1 Expansion and Live Fire Training Structure - \$513,000
 - Upgrades to Recreational Facilities - \$355,000
 - Upgrades to Service Facilities - \$303,000
 - Parks and Trails - \$245,000
 - Mobile Equipment - \$941,000
 - Technical and Other Equipment - \$769,000

The Solid Waste Management Fund continued to experience challenges during 2011. The cost of processing recyclable materials and bio-hazardous materials continued to rise faster than the revenues received from tipping fees and from sale of recyclable materials. The City continues to look for ways to reduce costs and increase revenues. Details about future actions are contained in sections related to Funds.

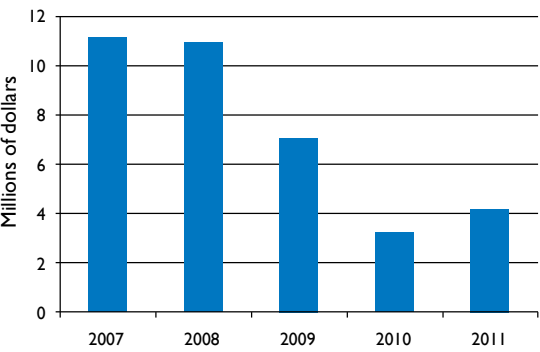
The Land Development Fund continues to invest in land for resale. Subdivisions in Niven Lake Phase 7 continue to be completed and sales of lots are beginning to pick up. Lot sales in Engle Business District have not been forthcoming. Plans are being formulated to make changes to the zoning requirement that would help attract investment in that area. New subdivisions in Kam Lake (light industrial/commercial) and at Grace Lake (waterside residential) were identified for development in 2011, with the majority of the work now progressing. The Land Development Fund is in a negative position from a cash flow perspective. The Fund's investments in municipal infrastructure in new subdivisions results in an increase in the amount of Tangible Capital Assets held by the City. The cash outlay is not recovered until the lots that have been developed are sold. The City also holds a significant amount of land for resale which has a book value of just over \$3.8 million but which has a potential sales value exceeding \$17 million.

ANALYSIS • FINANCIAL POSITION

The Consolidated Statement of Financial Position provides an indication of the City's ability to meet its current obligations. It reports the City's financial and non-financial resources, obligations and accumulated surplus as at December 31, 2011 on a comparative basis. This statement is used to evaluate the City's ability to finance its activities and to meet its liabilities and commitments. The City's net financial asset position is an important financial indicator on the Consolidated Statement of Financial Position.

As of December 31, 2011, the City was in a net financial asset position of \$4.2 million (2010 - \$3.2 million). The change in net financial assets is a result of an excess of revenues over expenses of \$8.3 million and amortization of Tangible Capital Assets of \$8.9 million, offset by a net investments in Tangible Capital Assets of \$16.3 million. The level of net financial assets from year to year is generally reflective of the level of investment in capital and land development.

The change in Net Financial Assets over the past five years reflects an increase in the level of investment in Tangible Capital Assets and land development, in particular for new subdivisions in Niven Lake and the Kam Lake bypass road. As cash is used to invest in capital, there is a reduction in financial assets and an increase in non-financial assets. This trend should reverse itself, or at least stabilize, as lots are sold in these and future subdivisions.



CONSOLIDATED SUMMARY STATEMENT OF FINANCIAL POSITION

As at December 31, 2011 (in thousands of dollars)

	2011 Actual	2010 Actual
Financial Assets		
Cash	\$ 17,699	\$ 16,373
Receivables	9,483	7,816
Land Held for Resale	3,843	2,398
	31,025	26,587
Liabilities		
Accounts Payable and Accrued Liabilities	11,545	10,874
Wages, Retirement Benefits, Post-Retirement Benefits, and Compensated Absences Payable	1,566	1,504
Deferred Revenue	8,498	5,020
Long-Term Debt	3,877	4,690
Provision for Landfill Closure and Post-Closure Cost	1,331	1,253
	26,817	23,341
Net Financial Assets	4,208	3,246
Non-Financial Assets		
Capital Assets	217,225	209,899
Inventory	383	413
Prepays & Deferred Expenses	437	417
	218,045	210,729
Accumulated Surplus	\$ 222,253	\$ 213,975

Financial assets have increased by just under \$4.5 million primarily due to the following:

- Cash and Cash Equivalents - Increase by \$1.3 million
- Sundry Receivables - increase by \$1.7 million -
- Land for Resale - increase by \$1.5 million

It is not unusual for variations such as these to occur in these areas. In most cases, such variations are caused by the timing of receiving payments for receivables or paying outstanding bills. The increase in land available for resale reflects the increased activity in development that has occurred in 2011 compared with 2010.

This is partially offset by an increase in liabilities, or financial obligations, of just under \$3.5 million primarily due to the following:

- Accounts Payable and Wage-Related Liabilities - increase by \$390,000
- Deferred Revenue - increase by \$3.5 million
- Deposits Payable - increase by \$400,000
- Long-Term Debt - decrease by \$800,000

Deferred revenue occurs mainly when capital projects funded by grants from other orders of government are deferred. In 2011 the City received

its full allocation of Gas Tax Funding from the federal government. This funding has been earmarked for investments in water and sewer infrastructure, in particular a new water treatment plant. The City will only record the cash received as revenue when expenditures related to the Gas Tax funded projects are completed. Since there was less expenditure on those projects in 2011 than expected, the revenue that was not recorded has to be accounted for as deferred revenue. It is anticipated that the investment in water and sewer infrastructure over the next two to three years will result in the deferred revenue being recognized and expended.

RESULTS OF OPERATIONS • ACTUAL COMPARISON

The Consolidated Statement of Operations reports the City's changes in economic resources and accumulated surplus for 2011 on a comparative basis. The Statements indicate that the City increased its accumulated surplus during the year because annual revenues exceeded expenses.

During 2011, the City recorded consolidated revenues of \$62.06 million (2010 – \$58.68 million), which included government transfers, taxation and user fees/sale of goods. Consolidated expenses totaled \$53.78 million (2010 - \$49.78 million). As a result, the City's accumulated surplus increased by \$8.28 million (2010 - \$8.90 million).

CONSOLIDATED REVENUE

for the years ended December 31 (in thousands of dollars)

	2011		2010		Variance	Variance %
Taxation	\$ 22,375	36%	\$21,478	37%	\$897	4%
User Fees, Sales of Goods and Services	20,596	33%	19,682	34%	914	5%
Government Transfer						
Operating	2,781	4%	2,155	4%	626	29%
Capital	13,933	22%	13,234	23%	699	5%
Investment, Fines and Penalties and Franchise Fees	2,373	4%	2,128	4%	245	12%
	\$ 62,058		\$58,677		\$3,381	6%

Percentages may not add up to 100% due to rounding

Revenues improved from 2010 to 2011 due to several factors. User Fees and Sales of Goods and Services were \$914,000 higher than in 2010. A large portion of this increase was due to a full year of activity in the Fieldhouse which opened in the fall of 2010. This, plus a general increase in recreational user fees of 3%, accounted for \$346,000 of this increase. The remaining increase was due to an increase in land sales of \$169,000 and an increase in tipping fee revenue at the Solid Waste Facility of \$340,000. This was due mainly to an increase in the amount of bio-hazardous waste collected by the City for treatment by a third party contractor. General fee hikes across all user fee categories also contributed an additional \$59,000 increase in revenues over 2010.

Government transfers were \$1.33 million higher than in 2010. However, in 2010 there was a one-time capital contribution from the GNWT in

the amount of \$3.61 million. This contribution represented the GNWT's share of the construction of the Kam Lake Bypass road, which was completed in 2010. The resultant net increase of just over \$4.94 million was due to the recognition of a number of federal transfers. A decrease in the amount of funding under the Municipal and Rural Infrastructure Funding (MRIF) of \$296,000 was offset by the addition of \$508,000 for the City's Smart Growth initiatives. The deferred revenue liability had accounted for Gas Tax funding that had been received in prior years but for which there had not been eligible expenditures. In 2011 expenditures on the water treatment plant, landfill expansion and other water and sewer projects resulted in an increase in recognition of approximately \$4.91 million of Gas Tax revenue that had previously been identified as deferred revenue.

CONSOLIDATED EXPENSES BY ACTIVITY
for the years ended December 31 (in thousands of dollars)

	2011		2010		Variance	Variance %
General Government	\$ 10,562	20%	\$10,495	21%	\$67	1%
Water and Sewage	9,740	18%	9,170	18%	570	6%
Transportation and Public Works	9,594	18%	8,575	17%	1,019	12%
Recreation and Culture	6,945	13%	6,478	13%	467	7%
Protective Services	5,676	11%	5,329	11%	347	7%
Minor Capital	5,563	10%	4,266	9%	1,297	30%
Environmental and Public Health	2,659	5%	2,231	4%	428	19%
Land Development	2,150	4%	2,411	5%	(261)	-11%
Fiscal	891	2%	823	2%	68	8%
	<u>\$ 53,780</u>		<u>\$49,778</u>		<u>\$4,002</u>	<u>8%</u>

Percentages may not add up to 100% due to rounding

Consolidated Expenses grew by \$4.00 million or eight percent over the previous year. In the Transportation and Public Works Activity, Amortization expenses were \$3.27 million (2010 - \$2.60 million), Fleet O&M was \$709,000 (2010 - \$527,000). The Water and Sewer Fund experienced increases in Utility expenses - \$1.09 million (2010 - \$893,000) and Sewer Connection Failure Assistance program operations - \$594,000 (2010 - \$288,000). In the Recreation and Culture activity, the City had a full year of operation of the Fieldhouse for the first time. Operating expenses for the Fieldhouse were

\$697,000 (2010 - \$307,000). In the Environmental and Public Health activity, the variance in expenses is due to higher operating costs for the Solid Waste Management Facility. Contracted costs were \$417,000 (2010 - \$343,000), Repairs and Maintenance were \$206,000 (2010 - \$54,000) and Amortization was \$230,000 (2010 - \$157,000).

In most activities, the increased cost of utilities played a large part in pushing expenses upwards. In 2011, Northland Utilities filed a General Rate Application (GRA) which saw utility rates rise an

average of 1.8%. As the price of oil rose during 2011, so did the cost of automobile and heating fuel. This impacted the cost of operating the City's recreational facilities, water and sewer system and its fleet of mobile equipment and stationary engines. Amortization expenses across all activities experienced either a positive or negative variance. Finally, across all activities, Salaries, Wages and

Benefits increased and this had an impact on each activity's expenses. Of the \$2.08 million variance not previously explained, \$787,000 can be attributed to additional increases in salary expenses. The remaining \$1.30 million is related to changes in expenses related to minor capital projects. Variance explanations by object follow.

CONSOLIDATED EXPENSES BY OBJECT
for the years ended December 31 (in thousands of dollars)

	2011		2010		Variance	Variance %
Salaries, Wages and Benefits	\$ 20,594	38%	\$19,434	39%	\$1,160	6%
Contracted and General Services	9,375	17%	9,176	18%	199	2%
Amortization	8,933	17%	7,936	16%	997	13%
Minor Capital	5,412	10%	4,072	8%	1,340	33%
Fiscal and Administration	3,906	7%	4,022	8%	(116)	-3%
Utilities	2,928	5%	2,525	5%	403	16%
Land Expenses	1,504	3%	1,735	3%	(231)	-13%
Vehicle O&M	1,128	2%	878	2%	250	28%
	\$ 53,780		\$ 49,778		4,002	8%

Percentages may not add up to 100% due to rounding

The increase in Salaries, Wages and Benefits is primarily due to experience increases. Each year, employees receive step increments. This factor accounted for approximately 3.5% of the 6% increase in salaries. The remainder was due to a general increase as a result of the collective bargaining agreement that was completed early in 2011. Across all activities, savings from vacancies is often offset by increases in casual labour and/or overtime. The increase in amortization is reflective of the replacement of old infrastructure with new infrastructure. Since amortization is based on straight-line, and the cost of installing new infrastructure is higher than the cost of the infrastructure that has been replaced, the annual amortization for that infrastructure will naturally increase. The addition of the new Fieldhouse to the City's Tangible Capital Asset inventory also served to increase the amount of amortization expense, as would happen whenever a new asset is put into service.

Minor Capital expenses generally tend to track evenly from year to year. Expenses in this area include regular maintenance and/or replacement

of motors, pumps, gensets and other equipment that requires periodic mid-life cycle modifications for 2011 but whose costs fall below the threshold for capitalizing. As well, some plans and studies which are expended as Capital Projects but are not tangible in nature are also accounted for as Minor Capital Expenses. Some minor capital expenses of note that have resulted in the increase are:

- \$141,000 for a water license study in order to prepare for the renewal of the City's water license;
- \$787,000 for work related to the Con Mine Geothermal project (due diligence on the part of the City) and other Community Energy planning studies;
- \$232,000 for Wildcat Café renovations; and
- \$82,000 for Housing and Affordability Strategy (Eco-Housing)

The balance of the variance in Minor Capital expenses is made up of a variety of small differences.

The increase in both Utilities and Vehicle O&M was due to a significant increase of both heating and automobile fuel during 2011.

BUDGET COMPARISON

The consolidated budget shown in the Statements has been adjusted to reflect the differences in reporting format compared to budgeting format.

CONSOLIDATED REVENUE

for the years ended December 31 (in thousands of dollars)

	Budget		Actual		Variance	Variance %
	2011		2011			
Taxation	\$ 22,319	39%	\$ 22,375	36%	\$ 56	0%
User Fees, Sales of Goods and Services	18,912	33%	20,596	33%	1,684	9%
Government Transfers						
Operating	-	0%	2,781	4%	2,781	
Capital	14,000	24%	13,933	22%	(67)	19%
Investment, Fines and Penalties and Franchise Fees	2,132	4%	2,373	4%	241	11%
	\$ 57,363		\$ 62,058		\$ 4,695	8%

Percentages may not add up to 100% due to rounding

Government transfers budget is not broken down between operating and capital at the time the budget is established. By Council policy, all government transfers are to be used for capital expenditures; however, during the year, some of the items identified as capital do not end up meeting the definition or the thresholds established for capitalization. For those expenditures, the amount of government transfers used to acquire those assets is reclassified for reporting purposes. Overall, the 19% variance in government transfers is due to a delay in recognizing federal Gas Tax transfers from 2010 as some infrastructure projects had not progressed as far as anticipated and the revenue from the Gas Tax was deferred. Under the User Fees, Sales of Goods and Services category, Land Sales for 2011 were \$4.20 million (2010 - \$2.71 million) and Solid Waste Tipping Fees were \$1.66 million (2010 - \$1.26 million). During 2011, a large number of lots in the Niven Lake subdivision that had been in inventory since 2009 were sold. The increase in tipping fees

was due mainly to a larger amount of bio-hazardous material that was recovered and brought to the Landfill for treatment and disposal.

The overall Consolidated Budget by Object differs from that which is shown in the 2011 Budget Summary due to the change in the treatment of Capital Expenditures when reporting in the Statements. In the budget, total anticipated Capital Expenditures is included in the budget; however, in the Statement of Operations, only those minor capital items that are expensed in the year that they are completed are recorded as part of the budget. The Tangible Capital Assets that will be amortized over the life of the asset are not included as an expense in the Statements but as an increase in the investment in Tangible Capital Assets on the Statement of Financial Position. The reconciliation of the budget amount, as it appears in the 2011 Budget Summary and as it appears in these Statements, follows.

RECONCILIATION OF BUDGET - BUDGET SUMMARY VS FINANCIAL STATEMENTS

for the years ended December 31 (in thousands of dollars)

Budget as per 2011 Budget Summary	\$ 73,440
Less Capital Expenditures	<u>26,231</u>
	\$ 47,209
Plus Minor Capital	<u>4,235</u>
Budget as per 2011 Financial Statements	\$ 51,444

CONSOLIDATED EXPENSES BY OBJECT

for the years ended December 31 (in thousands of dollars)

	2011		2011		Variance	Variance %
Salaries, Wages and Benefits	\$ 21,062	41%	\$20,594	38%	\$468	2%
Contracted and General Services	8,438	16%	9,375	17%	(937)	-11%
Amortization	9,176	18%	8,933	17%	243	3%
Minor Capital	4,235	8%	5,412	10%	(1,177)	-28%
Fiscal and Administration	3,514	7%	3,906	7%	(392)	-11%
Utilities	2,728	5%	2,928	5%	(200)	-7%
Land Expenses	1,624	3%	1,504	3%	120	7%
Vehicle O&M	<u>667</u>	1%	<u>1,128</u>	2%	<u>(461)</u>	-69%
	\$ 51,444		\$53,780		(2,336)	-5%

Percentages may not add up to 100% due to rounding

MAJOR ACTIVITIES

The City is in the process of designing and building a new water treatment plant. The new plant is required in part due to the age of the existing plant but, for the most part, due to changes in water treatment standards promulgated by Health Canada and adopted by the GNWT in its regulations. The City is required to comply with these regulations or face potential penalties.

The project is expected to take three years to complete with commissioning anticipated in 2014. The final design is near completion. Construction is expected to start soon. Projected cost of the new plant is approximately \$22 million. In order to fund this project, Council has approved a by-law authorizing the City to borrow \$20 million.

The City has also identified a need to accelerate the replacement of corrugated metal pipe (CMP)

infrastructure. There has been an increasing number of failures of the CMP sewer system and emergency replacement can cost up to twice as much as planned replacement. At the current level of investment in CMP replacement, the project would not be completed until 2023. The City is developing a plan that would see the CMP replacement program completed by 2017.

The City continues on a high pace of land development, creating a variety of housing choices for current and future Yellowknife residents. Work is almost complete in the Niven Lake Phase 7 subdivision. Over the past five years, the City has invested over \$12 million in land development and new infrastructure in this area. The City has also made arrangements for renewed interest in developing Niven Lake Phase 5 (Bayview Estates) which will be a multi-family residential area. Other

areas of future development include a light industrial/commercial subdivision in the Kam Lake area, large waterfront lots in the new Grace Lake development area and a mixed density development at Kam Lake Road and Coronation Drive. These areas contain a mix of private sector-managed and City-managed developments.

The City has completed negotiations with Yellowknife Condominium Corporation #8 (Northlands) regarding assistance in addressing their aging infrastructure. An MOU will guide a process whereby Northlands residents will agree to a Local Improvement Charge (LIC) to pay for the replacement of their privately owned water and sewer infrastructure with new infrastructure which meets municipal standards. The City will be required to borrow up to \$16 million to complete this project. The total cost of the project, including financing charges, will be recovered from the residents of Northlands through the LIC over a 25-year period.

PLANNING CONSTRAINTS

There are inherent business risks in running a municipality. The nature of a city is such that the services provided are those that are of basic necessity. The treatment and distribution of potable water; the collection and treatment of raw sewage; the provision of fire and ambulance services and the construction and maintenance of roads and sidewalks are all considered essential to the well-being of residents. There are many issues that can arise that may strain resources when providing these services. In addition, it is the responsibility of the municipality to provide adequate recreational facilities, parks and trails to support the physical and mental well-being of residents.

The City's ability to maintain its essential services is contingent upon its ability to provide modern, well-functioning infrastructure to support its operations. The risks of inadequate funding for infrastructure replacement and maintenance cannot be overstated. Failures in the City's water and sewer system could result in health and environmental issues. The City must ensure that adequate resources are available to stay on top of infrastructure requirements.

A significant portion of the City's funding (26%) comes from other orders of government. The City allocates this funding to its Capital Plan. One of the issues surrounding this funding is that it is not indexed with the cost of doing business. So, the City is required to manage a "fixed income" from these other orders of government in an environment where the costs of constructing our capital infrastructure continue to rise each year. With construction costs increasing each year, the amount of corrugated metal pipe that can be replaced from one year to the next is reduced, given the same level of funding. As well, should there be a significant change to the funding levels provided by either the GNWT or the Government of Canada, Council would have to examine its priorities and consider other potential sources of funding. In order to mitigate this risk, a long-term asset management plan is being put in place that would guide the budgeting process over the next 25 years.

The property taxes collected by the City are calculated on the assessment base of homes, business and government offices within its boundaries and represent 74% of the General Fund revenue to the City (36% on a consolidated basis). During slow periods of growth, which the City has experienced recently, it is necessary to increase tax rates to provide adequate resources to fund the ever-increasing cost of providing basic services. Alternatively, the City would have to look at all programs and rationalize the continuation of existing services and service levels. It is all a balancing act. Over the past 15 years, the City's overall tax rate increases have been less than the increase in the general cost of living or the Consumer Price Index (CPI). Since the CPI does not fairly represent the inflationary pressures faced by a municipality, the City has developed its own index based on the weighted cost of its expenditures. The Municipal Pricing Index or MPI has been developed to help guide the City in determining its revenue requirements to meet its obligations to residents. Future tax increase levels will be guided by the MPI which will serve as a cap on tax increases, in the absence of changes in service levels. This new approach to calculating the City's revenue requirements should serve to mitigate this risk.

CONCLUSION

The financial position of the City remains strong. There is adequate funding available to meet the City's medium-term capital needs. The City's net financial position remains positive and provides the City with the flexibility to adapt to unforeseen changes. The City has embarked upon a more aggressive approach to both land development and infrastructure replacement. Although the City will be taking on more debt, the low interest rates coupled with a solid financial plan will assist the City to provide adequate resources to retire that debt.

Based on its solid financial planning regime, the City continues to provide the level of services expected by its residents, and continues to work toward improving those levels of service where appropriate. The City is proud to present these financial statements to its stakeholders. They reflect a positive position for the City and suggest that the future will remain just as positive.

The City's complete Financial Statements can be viewed at www.yellowknife.ca - forms and publications.



Engle Business
District



Hordal &
Bagon



Enterprise Drive
Extension & Grace Lake



Niven Lake Phase V
Niven Lake Phase VII

Land for Sale



For more information, contact
City of Yellowknife
Planning and Development Department
867.920.5611 or 867.920.5614
www.yellowknife.ca