

December 5, 2018

To: Members
Executive Committee

Re: Buffalo Pound Water Treatment Corporation - 2018 Semi-Annual Report

RECOMMENDATION

That this report be forwarded to the December 17, 2018 City Council meeting for information.

CONCLUSION

The Buffalo Pound Water Treatment Corporation (Corporation) has presented its semi-annual report attached as Appendix A. The report has been prepared based on the requirements defined in the Unanimous Membership Agreement. The report supports improved infrastructure stewardship, capital acquisition and capital reinvestments. It also supports the creation of a sustainable business plan for the Corporation.

BACKGROUND

The Buffalo Pound Water Treatment Corporation is the non-profit corporation that is responsible for the operation and maintenance of the Buffalo Pound Water Treatment Plant. The Corporation provides the Cities of Regina and Moose Jaw with a reliable and affordable supply of safe, high quality drinking water which meet the needs and expectations of consumers.

Under the terms of the Unanimous Membership Agreement (UMA), the Corporation is owned jointly by the City of Regina (74%) and the City of Moose Jaw (26%). The agreement requires the Corporation to provide the Cities with semi-annual reporting.

DISCUSSION

The Buffalo Pound Water Treatment Corporation is exclusively managed by the Board of Directors who are independent from the Cities of Regina and Moose Jaw and have the full authority to make strategic business decisions.

The semi-annual report includes the following information as required by the UMA:

- a) The strategic plan update for the Corporation
- b) Project major capital expenditures in excess of \$1 million
- c) Matters that require the approval of the cities pursuant to Article 5 of the UMA
- d) Six month financial statement for the period ending June 30 and financial projections against budget
- e) Financial and operational performance against stated goals and objectives, including key performance indicator report

- f) Capital and operational plans and budgets for the upcoming year
- g) Reporting on performance of the Board of Directors and any updates on the required skills and experience matrix for future appointments
- h) Information that is likely to materially affect either of the cities

Key information indicated in the semi-annual report is noted below:

2018 Third Quarter Forecast

The chart below outlines the third quarter operating forecast for the Corporation.

Operating			
Reported in \$000's			
	Annual Budget	Annual Forecast	Annual Variance
Total Revenue	11,809	13,311	1,502
Total Expenditures	11,779	11,038	(741)
Operating Surplus/(Deficit)	30	2,273	2,243

The forecast surplus will be transferred to the Operating Reserve at year end. The purpose of the operating reserve is to provide a cushion for years when water sales are below the forecast. The reserve is projected to be \$4.1 million at the end of 2018, \$2.1 million above the target balance. The excess funds are available to be utilized by the Board of Directors.

2019 Budget

The 2019 Budget adopted by the Buffalo Pound Water Board of Directors includes the following increases:

- Water Rate – 2.9% increase
- Capital Water Rate – no increase
- Electrical Rate – 3.0% increase

Capital

The Electrical Capital Upgrade Project (ECUP) was initiated to address several critical risk factors affecting the Corporation. The work was accelerated to address numerous electrical failures due to aging infrastructure at the plant. This project has three distinct elements estimated to cost \$40.4 million and the timelines to complete the phases are:

1. Main Plant Backup Generators – completion Q2 2019
2. 3 km 138 kV Transmission Line from the Main Plant to the Lake Pump Station (LPS) – Q2 2019
3. LPS Electrical Upgrades, Backup Generators and Pump Upgrades – Q1 2021

In November 2017, City Council approved a loan guarantee of \$33.3 million to complete the electrical upgrade work (Bylaw No. 2017-53), this is the City of Regina’s proportionate share of the \$45 million loan. Since the loan guarantee was provided, the Corporation was successful in obtaining funding of approximately \$20.6 million from the Provincial Territorial Infrastructure Component – National Regional Project (PTIC-NRP) Program associated with elements two and

three. This results in the remaining loan funds being available to be used towards the Plant Renewal Project.

The second and third elements of ECUP were delayed to obtain grant funding from PTIC-NRP, as a result the capital forecast is significantly less than was anticipated at the beginning of the year. The delay also resulted in BPWTP not planning to use any of the funds related to the \$45 million loan until 2019.

The Plant Renewal Project is moving forward with the Request for Qualifications closing November 23, 2018 (extension granted from original closing date of November 9, 2018) and a Request for Proposal (RFP) is expected to be issued in early 2019. As identified in the Corporation's 2017 Annual Report, the project is currently estimated to cost between \$127 – \$224 million. Under the UMA, the Corporation requires approval of the Cities to apply for grant funding. To mitigate the risk of that once RFPs are awarded projects are no longer eligible for grant funding, the Corporation will be requesting pre-approval for authorization to apply for any and all grants available from the Federal and/or Provincial Government in the very near future for the Plant Renewal Project.

RECOMMENDATION IMPLICATIONS

Financial Implications

The Corporation has presented the required financial information in accordance to the agreement. They have presented the September 30, 2018 operating results that are projecting a surplus of \$2.3 million to be transferred to their operating reserve at the end of the year. The 2018 Capital budget is progressing, however is delayed from the proposed plan at the beginning of the year due to the delay associated with application for grant funding. The 2019 water, capital and electrical rates have been established and are presented as information.

Environmental Implications

None with respect to this report.

Policy and/or Strategic Implications

None with respect to this report.

Other Implications

None with respect to this report.

Accessibility Implications

None with respect to this report.

COMMUNICATIONS

None with respect to this report.

DELEGATED AUTHORITY

The Buffalo Pound Board of Directors has the authority to make strategic business decisions, including approval of the operating and capital budgets for the Corporation and it is presented to City Council as information.

Respectfully submitted,



June Schultz, Director
Finance

Respectfully submitted,



Barry Lacey, Executive Director
Financial & Corporate Services

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