

December 4, 2019

To: Members
Executive Committee

Re: Buffalo Pound Water Treatment Corporation - 2019 Semi-Annual Report

RECOMMENDATION

That this report be forwarded to the December 16, 2019 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 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:

2019 Third Quarter Forecast

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

2019 Operating Forecast

Reported in \$000's

	Annual Budget	Annual Forecast	Annual Variance	% of Budget
Total Operating Revenue	12,828	13,023	195	1.5%
Total Operating Expenditures	12,542	11,317	1,225	9.8%
Net Operating Surplus/(Deficit)	286	1,706	1,420	11.3%

The water sales are projected to be \$195,000 greater than the 2019 budget due to the warm dry summer which increased the demand. The operating expenditures are forecast to be \$1.2 million under budget primarily due to a reduction in chemical usage which is reflective of the improvement in the lake water quality directly linked to the amount of water released from Diefenbaker dam. In summary, the September 30, 2019 forecast is projecting an operating surplus of \$1.7 million, 11.3% greater than budgeted.

The yearend surplus will be transferred to the Corporation's Operating Reserve. The purpose of the operating reserve is to provide a cushion for years when water sales are below the forecast. The operating reserve is projected to be \$3.6 million at the end of 2019, \$1.6 million above the target balance. The excess funds above the target balance can be transferred to the Capital Reserve by the Board of Directors.

The capital expenditures for 2019 are forecasted at \$16.5 million by year end.

2020 Budget

The 2020 Budget adopted by the Buffalo Pound Water Board of Directors includes the following increases:

- Water Rate \$355.00/ML – no increase
- Capital Water Rate \$215.00/ML – 14.36% increase
- Electrical Rate \$0.11799/kWh – 6.4% increase

Capital

There are no new or unidentified major capital expenditures in excess of \$1 million commencing in 2020. The current ongoing projects that exceed \$1 million are:

1. The remainder of the Electrical Capital Upgrade Project which consists of the Main Plant Redundant Power Supply; Lake Pump Station Transmission Line Replacement and the Lake Pump Station Pumping Upgrades and Power Supply for \$40.4 million;
2. The Supervisory Control and Data Acquisition (SCADA) upgrade for \$6 million. The budget was increased for 2020 based on a higher level of cost estimate with the completion of the predesign phase. This project was placed on hold pending the outcome of the Plant Renewal Project RFP award; and,
3. The Plant Renewal Project (PRP), encompassing over 30 smaller projects with a total cost in the range of \$127 to \$224 million, is required to ensure the long-term viability of the treatment plant. A budget of \$140 million was set as a placeholder in the budget until such time as the design is advanced which is expected in Q1 2020. The project contemplates using grant funds from other levels of government should they be approved to help offset any required financing for the project.

Included in the 2020 Budget is \$3 million for the ongoing principle and interest payments for the \$45 million loan obtained in 2017 for the Electrical Capital Upgrades Project.

RECOMMENDATION IMPLICATIONS

Financial Implications

The Corporation provided the required financial information in accordance to the agreement. The September 30 forecast is projecting a surplus of \$1.7 million to be transferred to their operating reserve at the end of the year. The 2019 Capital budget is progressing as planned. The 2020 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

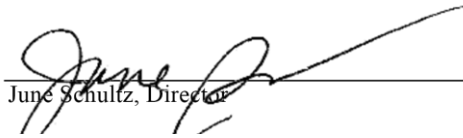
None with respect to this report.

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,

Respectfully submitted,


June Schultz, Director

11/18/2019


Barry Lacey, Exec. Director, Financial Strategy & Sustainability

11/22/2019

Report prepared by: Abiodun Akindele, Financial Management Analyst