

December 13, 2017

To: Members
Executive Committee

Re: Buffalo Pound Transfer of Assets

RECOMMENDATION

1. That the Executive Director, Financial & Corporate Services be delegated authority to:
 - a. negotiate, finalize and approve an Agreement to Transfer Assets between the City of Regina, the City of Moose Jaw and Buffalo Pound Water Treatment Corporation (BPWTC), as well as any ancillary agreements, assignments or documents needed to complete the transfer of all assets, including lands, leasehold interests and permits;
 - b. obtain the consent, approvals, authorizations or orders of any Government authorities required for the assignment of the lease and for the transfer of the assets to permit BPWTC to continue operation of the plant.
2. That the City Clerk be authorized to execute the Agreement as well as any ancillary agreements or documents prepared by the City Solicitor to complete the transfer of the assets.
3. That this report be forwarded to the December 18, 2017 meeting of City Council for approval.

CONCLUSION

On January 1, 2016, the Cities of Regina and Moose Jaw (the “Cities”) incorporated BPWTC as a non-profit corporation under *The Non-Profit Corporations Act, 1995* with the City of Regina owning 74 Class A voting memberships in BPWTC and the City of Moose Jaw owning 26 Class A voting memberships. As a non-profit, there is an Unanimous Membership Agreement (UMA) that was created and approved and governs the relationship between the parties. The purpose of creating BPWTC was to modernize the governance structure and to continue to provide both cities with a reliable, efficient source of safe, high-quality and affordable drinking water.

While BPWTC has been operating the plant for the past two years, all of the plant assets are still in the name of the Cities as the registered owners. In order to ensure that the plant assets are properly reflected within the financial statements of BPWTC and to ensure compliance with Public Sector Accounting Standards, it is recommended that the Cities transfer their respective interests in the plant assets to BPWTC and BPWTC wishes to obtain these plant assets. As BPWTC is the operator of the Water Treatment Plant and both Cities retain their respective membership interests in BPWTC, it makes sense for BPWTC to own the assets directly.

Administration is recommending that the authority to approve the Transfer of Assets Agreement be delegated to the Executive Director, Financial & Corporate Services.

BACKGROUND

- On December 21, 2015, City Council approved Report CR15-141 which included recommendations that created BPWTC;
- Set out the voting memberships in BPWTC so that Regina was issued 74 Class A voting membership shares therefore owning 74% and the Moose Jaw received 26 Class A voting membership shares, owning 26%; and
- Delegated authority to the Chief Financial Officer to finalize the UMA.

January 1, 2016, was the effective date of the UMA. Under the former Joint Venture agreement that was in place prior to the incorporation of BPWTC, the assets of the plant were recorded on the Financial Statements of the Buffalo Pound Water Administration Board and then consolidated proportionately on the statements of each respective city. Pursuant to the UMA, the assets were recorded proportionately on the Financial Statements of each City per their respective ownership percentage and a new statement of assets was included with the BPWTC financial statements to itemize the assets.

As of December 31, 2016, the assets were not on BPWTC's Financial Statements. Per the UMA, the assets were on a separate "Schedule of Assets" report audited by Deloitte. The statements of the two cities did not change materially, other than pursuant to the UMA which simplified the ownership method.

With the Agreement to Transfer Assets, the assets will now be recorded on the financial statements of BPWTC. This will strengthen the financial presentation of BPWTC, and provide an approach that is more useful to the users of the BPWTC Financial Statements such as Financial Institutions. There will be no impact on the City of Regina's Financial Statements as these assets will be proportionately included as they always have been. It also supports BPWTC as a Para Municipal Corporation using these assets to provide a service that is municipal in nature and entitling them to the GST rebate attributed to municipalities.

DISCUSSION

The transfer of the assets to BPWTC meets the following objectives:

- 1) More transparent financial statements; with the exception of 2016, the financial statements of Buffalo Pound have included the assets for the previous 62 years. In order to ensure that the Plant Assets are properly reflected within the financial statements of BPWTC and to ensure compliance with Public Sector Accounting Standards the transfer of assets needs to occur.

- 2) Recording the assets of the corporation on their financial statements strengthens the financial position (financial “bottom line”) of the corporation and supports the separate identity of the corporation.
- 3) To establish a model that protects the Plant’s ability to operate in a business-like manner, with a particular focus on satisfying the stewardship responsibilities of the Cities and its end-user customers.

In light of the above objectives, on November 20, 2017, the BPWTC Board considered a report on the transfer of the assets and approved a resolution to approve of the execution of an Agreement to Transfer the Assets, subject to the approval of the Cities.

The current plant assets include the land and leased property where the plant is located along with all fixed assets, machines, machinery, equipment, fixtures, furniture, instruments, tools and other tangible property used in the operation of the Plant. The Transfer Agreement specifically lists all of the assets and the leases and land to be transferred. The Lands and Leased Property are set out in Appendix A to this report.

As the sale of the assets is to BPWTC as the Cities’ subsidiary corporation, the Transfer Agreement will provide that BPWTC is deemed to have paid the net book value of the plant assets. The net book value is the original value of the assets, less any impairments, depreciation and other accounting charges as recorded in the financial statements and reporting prepared and maintained by each of the Cities.

The Agreement will deal with taxes on the assets, assumption of liabilities, insurance and will provide for a list of representations and warranties and closing conditions.

RECOMMENDATION IMPLICATIONS

Financial Implications

From a financial perspective, the goal is to move towards having BPWTC as a business that is more self-sufficient and independent. As a separate legal entity, BPWTC should record the assets it uses in the course of its business on its financial statements. To ensure compliance with Public Sector Accounting Standards, the transfer of assets needs to occur.

Environmental Implications

None related to this report.

Policy and/or Strategic Implications

None related to this report.

Other Implications

None related to this report.

Accessibility Implications

None related to this report.

COMMUNICATIONS

Public Notice is required for this transaction as this will involve a sale of land for less than fair market value and without a public offering. Public Notice was provided in the Leader Post, the City's public notice board and the City's website on December 2, 2017.

Communications to date have included extensive discussions between the City of Regina, the City of Moose Jaw, the Plant and the Board. Further communication to all parties will be required once the Transfer of Assets Agreement is in place.

DELEGATED AUTHORITY

The recommendations contained in the report require City Council approval.

Respectfully submitted,



**June Schultz, Director
Finance**

Respectfully submitted,



**Barry Lacey, Executive Director
Financial & Corporate Services**

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