



Finance & Administration Committee

**Tuesday, January 10, 2017
4:00 PM**

Henry Baker Hall, Main Floor, City Hall



OFFICE OF THE CITY CLERK

APPOINTMENT OF CHAIRPERSON AND VICE CHAIRPERSON

APPROVAL OF PUBLIC AGENDA

ADOPTION OF MINUTES

Finance & Administration Committee - Public Meeting - Dec 6, 2016 4:00 PM

ADMINISTRATION REPORT

FA17-1 Western Potash Corp. Renegotiation Report - Supplementary

Recommendation

That this report be received and filed.

TABLED REPORTS

FA16-37 Western Potash Corp. – Payment Extension & Renegotiation of Agreement

Recommendation

1. That the Executive Director, Transportation and Utilities, be delegated authority to negotiate and resolve the terms and conditions of an amendment to the existing Water Access Agreement between the City of Regina and Western Potash Corp. (WPC) dated November 15, 2012 (the “Agreement”) as outlined in this report, including the following:
 - a. Providing an extension for WPC to provide payment of the required \$200,000 “stand-by fee” on or before December 31, 2016 to permit the 2017 stand-by fee to be provided on or before June 30, 2017.
2. That the City Clerk be authorized to execute the amended Agreement after review by the City Solicitor.
3. That the Executive Director, Transportation and Utilities, be authorized to negotiate a mutually beneficial amendment to the Agreement to create an opportunity to work with other potential mining operations to optimize the possibility for effluent reuse from the City of Regina’s (City) wastewater facilities and to maximize the potential financial return to the City.
4. That the Administration bring forward a report to City Council regarding the outcome of the negotiations with WPC on the potential for a mutually



OFFICE OF THE CITY CLERK

beneficial amendment to the Agreement and seeking City Council approval of any further amendments to the Agreement.

5. That this report be forwarded to the January 30, 2017 meeting of City Council for approval.

FA16-38 Appointment of Elected Official to the Administrative Boards of the City of Regina Casual Employees Superannuation Plan and the City of Regina Elected Officials' Money Purchase Pension Plan

Recommendation

1. That a member of the Finance and Administration Committee be appointed to the Administrative Boards for the City of Regina Casual Employees' Superannuation Plan and Elected Officials' Money Purchase Plan for a term expiring October 31, 2020.
2. That the member continue to hold their position until such time as their successor is appointed.
3. That an edited version of this report be submitted to the January 30, 2017 City Council meeting for approval.

ADJOURNMENT

AT REGINA, SASKATCHEWAN, TUESDAY, DECEMBER 6, 2016

AT A MEETING OF THE FINANCE AND ADMINISTRATION
COMMITTEE
HELD IN PUBLIC SESSION

AT 4:00 PM

These are considered a draft rendering of the official minutes. Official minutes can be obtained through the Office of the City Clerk once approved.

Present: Councillor Barbara Young, in the Chair
Councillor John Findura
Councillor Bob Hawkins
Councillor Jason Mancinelli

Also in Attendance: Council Officer, Ashley Thompson
Council Officer, Kristina Gentile
Legal Counsel, Jana-Marie Odling
Chief Financial Officer, Ian Rea
Executive Director, City Planning and Development, Diana Hawryluk
Executive Director, City Services, Kim Onrait
Executive Director, Human Resources, John Paul Cullen
Executive Director, Transportation and Utilities, Karen Gasmo
Director, Finance, June Schultze
Director, Water Works, Pat Wilson

APPOINTMENT OF CHAIRPERSON AND VICE-CHAIRPERSON

The Secretary called the meeting to order and following nominations procedures for the position of Chairperson and Vice-Chairperson, it was declared a tie and, deferred to the January 10, 2017 Finance and Administration Committee meeting.

Councillor Barbara Young was nominated to Chair the meeting.

APPROVAL OF PUBLIC AGENDA

Councillor Bob Hawkins moved, AND IT WAS RESOLVED, that the agenda for this meeting be approved, as submitted.

ADOPTION OF MINUTES

Councillor Bob Hawkins moved, AND IT WAS RESOLVED, that the minutes for the meeting held on September 6, 2016 be adopted, as circulated.

ADMINISTRATION REPORTS

FA16-34

Wascana Centre Authority - Building Standards Agreement

Recommendation

1. That the City of Regina contracts with Wascana Centre Authority for joint performance of responsibilities under *The Uniform Building and Accessibility Standards Act*. The terms and conditions as generally set out for a Joint Performance Agreement are based on the following:
 - a. The City of Regina has established a building regulation regime pursuant to the authority of *The Uniform Building and Accessibility Standards Act* and *The Cities Act* so as to perform its duties as a local authority pursuant to *The Uniform Building and Accessibility Standards Act*.
 - b. Both Wascana Centre Authority and the City of Regina are local authorities pursuant to *The Uniform Building and Accessibility Standards Act*.
 - c. *The Uniform Building and Accessibility Standards Act* authorizes local authorities to enter into agreements providing for the joint performance of their duties under *The Uniform Building and Accessibility Standards Act*.
 - d. *The Wascana Centre Act* authorizes an agreement between Wascana Centre Authority and a participating party for any purpose relating to Wascana Centre.
 - e. The City of Regina is a participating party in Wascan Centre Authority pursuant to *The Wascana Centre Act*.
 - f. Wascana Centre Authority has passed a bylaw pursuant to *The Wascana Centre Act* to, among other things, adopt the City of Regina's building regulation and regime and appoint the City of Regina to apply the regime in Wascana Centre.
2. That the Executive Director of City Planning & Development, or designate, be authorized to finalize the remaining terms of an agreement between the City of Regina and Wascana Centre Authority for joint performance of responsibilities under *The Uniform Building and Accessibility Standards Act*.
3. That the City Clerk be authorized to execute the Joint Performance Agreement in the form approved by the City Solicitor.
4. That this report be forwarded to the December 19, 2016 meeting of City Council for approval.

Bernadette McIntyre, representing Wascana Centre Authority, addressed the Committee.

Councillor Jason Mancinelli moved, AND IT WAS RESOLVED, that the recommendations contained in the report be concurred in.

FA16-35 2015 Reserve Balances

Recommendation

1. That no transfers be made between reserves as a result of this report.
2. That this report be forwarded to the December 19, 2016 meeting of City Council for approval.

Chad Novak, representing the Saskatchewan Taxpayers Advocacy Group, addressed the Committee.

Councillor Bob Hawkins moved, AND IT WAS RESOLVED, that the recommendations contained in the report be concurred in.

FA16-36 Advance Approval for Capital Projects and Community Investment Allocation

Recommendation

That advance approval be provided for the following items:

1. \$49.4 million be provided for the 2017 General Capital Projects identified in Appendix A to provide sufficient time within each project to meet certain deadlines and completion dates.
2. \$20.2 million be provided for the 2017 Utility Capital identified in Appendix A to provide sufficient time within each project to meet certain deadlines and completion dates.
3. \$3.6 million be provided for the 2017 Community Investments allocation to the Community and Protective Services Committee to allow community investments to be provided to funded agencies without delay.
4. That this report be forwarded to the December 19, 2016 meeting of City Council for approval.

Councillor John Findura moved, AND IT WAS RESOLVED, that the recommendations contained in the report be concurred in.

FA16-37 Western Potash Corp. – Payment Extension & Renegotiation of Agreement

Recommendation

1. That the Executive Director, Transportation and Utilities, be delegated authority to negotiate and resolve the terms and conditions of an amendment to the existing Water Access

Agreement between the City of Regina and Western Potash Corp. (WPC) dated November 15, 2012 (the “Agreement”) as outlined in this report, including the following:

- a. Providing an extension for WPC to provide payment of the required \$200,000 “stand-by fee” on or before December 31, 2016 to permit the 2017 stand-by fee to be provided on or before June 30, 2017.
2. That the City Clerk be authorized to execute the amended Agreement after review by the City Solicitor.
3. That the Executive Director, Transportation and Utilities, be authorized to negotiate a mutually beneficial amendment to the Agreement to create an opportunity to work with other potential mining operations to optimize the possibility for effluent reuse from the City of Regina’s (City) wastewater facilities and to maximize the potential financial return to the City.
4. That the Administration bring forward a report to City Council regarding the outcome of the negotiations with WPC on the potential for a mutually beneficial amendment to the Agreement and seeking City Council approval of any further amendments to the Agreement.
5. That this report be forwarded to the December 19, 2016 meeting of City Council for approval.

Chad Novak, representing the Saskatchewan Taxpayers Advocacy Group, addressed the Committee.

Councillor Bob Hawkins moved, AND IT WAS RESOLVED, that this report be deferred to the January 10, 2017 meeting of the Finance and Administration Committee.

FA16-38 Appointment of Elected Official to the Administrative Boards of the City of Regina Casual Employees Superannuation Plan and the City of Regina Elected Officials’ Money Purchase Pension Plan

Recommendation

1. That a member of the Finance and Administration Committee be appointed to the Administrative Boards for the City of Regina Casual Employees’ Superannuation Plan and Elected Officials’ Money Purchase Plan for a term expiring October 31, 2020.
2. That the member continue to hold their position until such time as their successor is appointed.
3. That an edited version of this report be submitted to the December 19, 2016 City Council meeting for approval.

Councillor Bob Hawkins moved, AND IT WAS RESOLVED, that this report be deferred to the January 10, 2017 meeting of the Finance and Administration Committee.

FA16-39 Review of Outstanding Items

Recommendation

That this report be forwarded to the Executive Committee for consideration.

Councillor Jason Mancinelli moved, AND IT WAS RESOLVED, that the recommendations contained in the report be concurred in.

RESOLUTION FOR PRIVATE SESSION

Councillor John Findura moved, AND IT WAS RESOLVED, that in the interest of the public, the remainder of the items on the agenda be considered in private.

RECESS

Councillor John Findura moved, AND IT WAS RESOLVED, that the meeting recess for five minutes.

The meeting recessed at 4:55 p.m.

Chairperson

Secretary

January 10, 2017

To: Members
Finance & Administration Committee

Re: Western Potash Corp. Renegotiation Report - Supplementary

RECOMMENDATION

That this report be received and filed.

CONCLUSION

With the tabling of report FA 16-37 to the January 10, 2017 Finance and Administration Committee meeting, the Administration was not able to re-negotiate the provisions of the Non-Potable Water Access Agreement with Western Potash Corp. (WPC) prior to the January 1, 2017 deadline. At the deadline, the City of Regina (City) was to receive a \$200,000 stand-by payment from WPC that would reserve WPC's water access during the 2017 calendar year.

As the obligation of WPC to make the \$200,000 stand-by payment on or before January 1, 2017 remains in place, the Administration has provided WPC with a forbearance letter. The letter advised WPC that although the obligation to make the January 1, 2017 stand-by payment remains in place, the Administration will not take steps to enforce the payment obligation until appropriate direction has been provided by City Council. This action was taken in order to protect the City's interests under the Agreement and to reserve the potential for the City to negotiate mutually beneficial amendments to the agreement with WPC that would permit WPC's project to proceed and the City to pursue other opportunities to provide treated effluent to other industrial users.

In addition to providing additional information to the Finance and Administration Committee in this report, the Administration is asking that recommendation #5 of FA 16-37, Western Potash Corp. - Payment Extension & Renegotiation of Agreement (Report), be amended to read: "That the report be forwarded to the January 30, 2017 meeting of City Council for approval".

BACKGROUND

The original report FA 16-37, Western Potash Corp. - Payment Extension & Renegotiation of Agreement, went forward to the Finance and Administration Committee for consideration on December 6, 2016 and was tabled to the January 10, 2017 committee meeting for further consideration, as there were some questions relating to the payments due under the agreement and the process that would be followed if the necessary payments were not made by WPC.

DISCUSSION

A summary of the payments under the Non-Potable Water Access Agreement between the City and WPC are as follows:

- 1) On signing the Agreement, WPC paid the City a \$500,000 commitment fee. This sum is held by the City and was to be credited against the future annual fees WPC would incur for water access under the Agreement if WPC began drawing treated effluent from the City prior to January 1, 2017. As this date has passed and WPC has not commenced drawing treated effluent from the City, this \$500,000 is forfeited to the City.
- 2) As WPC is not drawing treated effluent from the City prior to the January 1, 2017 deadline in the Agreement, a \$200,000 stand-by fee must be paid annually for each year that water does not flow in order for the City to “hold” WPC’s reserved capacity, up to and including 2019. Any stand-by fees paid by WPC to the City are non-refundable and are not credited against future fees under the Agreement.

To date, WPC has not commenced construction of the required infrastructure to begin drawing treated effluent from the City and as a result, the \$200,000 stand-by fee payable on January 1, 2017 has not been provided to the City. WPC’s failure to provide the stand-by fee payment to the City is a breach of the Agreement and the City can take steps to enforce the obligation or to terminate the Agreement. The process to do so involves the provision of certain notices by the City as is required by the Agreement.

The Administration has provided WPC with a forbearance letter advising WPC that although the obligation to make the \$200,000 January 1, 2017 stand-by payment remains in place, the Administration will not take steps available under the Agreement until appropriate direction has been provided by City Council.

All of the terms and conditions of the original Non-Potable Water Access Agreement will remain in effect. The Administration has reserved the potential for the City to negotiate mutually beneficial amendments to the agreement with WPC, should City Council provide approval to do so. The Administration is actively pursuing other opportunities to provide treated effluent to another industrial user, so if amendments with WPC are agreed to, this would permit WPC’s project to proceed and the City to pursue other opportunities that would provide additional revenue to the City.

RECOMMENDATION IMPLICATIONS

Financial Implications

Forbearance of the \$200,000 stand-by fee payment, ensures that all of the terms and conditions of the original Non-Potable Water Access Agreement remain in effect, until such time as City

Council considers matters and reserves the potential for the City to negotiate mutually beneficial amendments to the agreement with WPC.

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 Committee has delegated authority to receive this report as information.

Respectfully submitted,

Pat Wilson, Director Water Works

A handwritten signature in blue ink, appearing to be 'Pat Wilson', with a long horizontal stroke extending to the right.

Respectfully submitted,

Karen Gasmo, Executive Director Transportation & Utilities

A handwritten signature in blue ink, appearing to be 'Karen Gasmo', with a stylized, cursive script.

Report prepared by:

Pat Wilson, Director, Water Works

December 6, 2016

To: Members
Finance & Administration Committee

Re: Western Potash Corp. – Payment Extension & Renegotiation of Agreement

RECOMMENDATION

1. That the Executive Director, Transportation and Utilities, be delegated authority to negotiate and resolve the terms and conditions of an amendment to the existing Water Access Agreement between the City of Regina and Western Potash Corp. (WPC) dated November 15, 2012 (the “Agreement”) as outlined in this report, including the following:
 - a. Providing an extension for WPC to provide payment of the required \$200,000 “stand-by fee” on or before December 31, 2016 to permit the 2017 stand-by fee to be provided on or before June 30, 2017.
2. That the City Clerk be authorized to execute the amended Agreement after review by the City Solicitor.
3. That the Executive Director, Transportation and Utilities, be authorized to negotiate a mutually beneficial amendment to the Agreement to create an opportunity to work with other potential mining operations to optimize the possibility for effluent reuse from the City of Regina’s (City) wastewater facilities and to maximize the potential financial return to the City.
4. That the Administration bring forward a report to City Council regarding the outcome of the negotiations with WPC on the potential for a mutually beneficial amendment to the Agreement and seeking City Council approval of any further amendments to the Agreement.
5. That this report be forwarded to the January 30, 2017 meeting of City Council for approval.

CONCLUSION

With the existing economic conditions in the potash industry and the potential for the City to provide treated effluent access to other commercial users, it is in the City’s interest to enter into discussions with WPC to see if the Agreement can be amended in a mutually beneficial fashion.

In order to provide for sufficient time to have productive negotiations, the Administration is recommending that an interim amendment to the Agreement be entered into with WPC wherein the City would agree to delay receipt of the upcoming \$200,000 stand-by fee payment that will become due on January 1, 2017 to become payable on June 30, 2017. This time will allow both

parties to review the Agreement in the hope of negotiating mutually beneficial terms.

BACKGROUND

On November 15, 2012, the City and Western Potash Corp. (WPC) entered into a Water Access Agreement (the “Agreement”) which would provide WPC with access to treated effluent for use in its potash solution mine near Milestone, Saskatchewan.

The key commercial terms of the Agreement, which were approved by City Council in CR 12-96 are attached in Appendix A to this report and include the following items:

- The term of Agreement is to supply treated effluent to WPC’s mine for 45 years.
- The City will provide WPC with access for up to 60,000 cubic meters of recycled water per day for the first six years of mine operation (flow expected to begin 2016), and up to 42,240 cubic meter per day for the remaining 39 years of the Agreement.
- WPC paid to the City a commitment fee of \$500,000 upon execution of the Agreement. If WPC begins drawing treated effluent from the City prior to January 1, 2017, this \$500,000 fee is to be credited against the future annual fees WPC would incur for water access under the Agreement. If WPC fails to draw treated effluent prior to January 1, 2017, the \$500,000 commitment fee will be forfeited to the City.
- In addition to the \$500,000 commitment fee, if WPC is not drawing treated effluent from the City prior to January 1, 2017, it must pay an annual stand-by fee of \$200,000 for each year that water does not flow, up to and including 2019. Any stand-by fees paid by WPC to the City are non-refundable and are not credited against future fees under the Agreement.
- If WPC does not begin to draw treated effluent on or before December 31, 2019, the City has the option to terminate the Agreement and keep any commitment, connection and stand-by fees previously paid.
- WPC will own the water supply infrastructure, and be responsible for all capital costs associated with that infrastructure and any modification to existing City owned infrastructure that is necessary.

To date, WPC has not commenced construction of the required infrastructure to begin drawing treated effluent from the City and such activity is not expected to occur in the near future as WPC is in the process of re-scoping and adjusting the timing of its Milestone Potash Project due to the changing economics in the potash industry. It would therefore be in WPC’s interests to renegotiate certain terms of the Agreement.

When the Agreement with WPC was negotiated and finalized, no other potential industrial or mining groups had approached the City with interest in its wastewater effluent. With the changing market conditions and other projects in Saskatchewan in development, there is the potential for the City to market this resource to other industrial or mining groups. In order to realize on the potential to market treated effluent to other users, it would be in the City’s interest

to renegotiate certain terms of the Agreement, as well.

DISCUSSION

In the four years that have passed since the Agreement was signed, the economics of the potash industry have changed dramatically. WPC has now re-scoped its Milestone Potash project and has formally requested that the City revisit the following terms of the Agreement, in the hopes that the Agreement can be more economical for WPC's future mining plans:

- Optional termination date - If WPC does not draw treated effluent from the City on or before December 31, 2019, the City has the option to terminate the Agreement and keep any commitment, connection and stand-by fees previously paid by WPC. WPC is looking to extend the date upon which it would have to draw treated effluent and upon which the City's option to terminate would occur until December 31, 2024.
- Commitment Fees - WPC paid the City a \$500,000 commitment fee on signing the Agreement which is to be credited against the future fees WPC would incur for water access under the Agreement, if WPC draws treated effluent prior to January 1, 2017. WPC is looking to extend the date whereby the \$500,000 commitment fee amount is still credited against future fees WPC would incur for water access from January 1, 2017 to January 1, 2020.
- Annual Standby Fees - The Agreement currently provides for a payment of \$200,000 by WPC to be paid annually to the City to maintain the Agreement if WPC does not draw treated effluent from the City on or before January 1, 2017. WPC is looking to amend the Agreement to negate the requirement to pay annual stand-by fees or to reduce the payment required down from \$200,000.
- Maximum Daily Water Supply - WPC currently has access to up to 60,000 cubic meters of recycled water per day for the first six years of mine operation and up to 42,240 cubic meter per day for the remaining 39 years of the Agreement. WPC is looking to significantly reduce the City's commitment to provide the preferential right to access its wastewater effluent. This reduction could free up capacity for the City to pursue other commercial users of its wastewater effluent.

With the existing economic conditions in the potash industry and the potential for the City to provide treated effluent access to other commercial users, it is in the City's interest to enter into discussions with WPC to see if the Agreement can be amended in a mutually beneficial fashion. If the current Agreement is not reviewed, there is the potential that WPC would be unable or unwilling to meet the remaining terms of the Agreement, resulting in the loss of a potential future revenue source for the City.

In order to provide for sufficient time to have productive negotiations, the Administration is recommending that an interim amendment to the Agreement be entered into with WPC wherein

the City would agree to delay receipt of the upcoming \$200,000 stand-by fee payment that will become due on January 1, 2017 to become payable on June 30, 2017. This time will allow both parties to review the Agreement in the hope of negotiating mutually beneficial terms.

Providing WPC with a revised Agreement is beneficial to the City for the following reasons:

- 1) Revised terms of treated effluent access will enable WPC to be successful in proceeding with construction of a potash solution mine, a mine which would provide a positive economic impact and job creation in the Regina region;
- 2) Revised terms with WPC would provide additional revenue for the City through the sale of treated effluent; and
- 3) Renegotiating the agreement with WPC to reduce the total amount of wastewater effluent required creates an opportunity for the City to enter into negotiations with other potential customers. The City produces approximately 65,000 - 70,000 cubic meters of wastewater effluent on an average day. The additional capacity freed up by renegotiating with WPC increases the opportunity to negotiate with other viable partners, which could lead to increased economic benefits for the City and the region.

Any further amendments to the Agreement would be brought back to Council for approval.

RECOMMENDATION IMPLICATIONS

Financial Implications

If the Agreement with WPC is amended, the potential revenue to the City will be decreased. However, current market conditions make it unlikely that the revenue contemplated in the original Agreement would be realized. By renegotiating, the City has an increased likelihood of an ongoing revenue source from the WPC and regains treated effluent capacity currently held by WPC that can be used to negotiate with other potential users.

Any potential revenue from this Agreement is not part of the current utility model and has not been included as a budget item.

Environmental Implications

This area of the Province has limited water resources; providing access to effluent for industrial use reduces the use of raw water from the water system. As well, by re-using effluent from the WWTP, less effluent enters Wascana Creek. An Environmental Assessment was completed by Western Potash and received Provincial approval in 2013.

Policy and/or Strategic Implications

The Administration's recommendation to enter into renegotiating the agreement with WPC is consistent with the City's Official Community Plan, as it will "minimize social and environmental impacts and improve the health and safety of the city and region", OCP Health and Safety Goal #2. As well, it will "foster an environment conducive to economic vitality and competitiveness which supports the standard of living of residents in Regina and the surrounding region", OCP Economic Development Goal #1.

Other Implications

None with respect to this report.

Accessibility Implications

None with respect to this report.

COMMUNICATIONS

A communications plan will be developed to explain any proposed changes to the agreement.

DELEGATED AUTHORITY

The recommendations contained in this report require City Council approval.

Respectfully submitted,
Pat Wilson, Director Water Works



Respectfully submitted,
Karen Gasmo, Executive Director Transportation &
Utilities



Report prepared by:
Pat Wilson, Director, Water Works

APPENDIX A

City of Regina Water Supply of Recycled Water to Western Potash Corp.

Draft Key Commercial Terms

This term sheet sets out the key commercial terms and conditions upon which the City of Regina ("COR") will provide recycled water access to Western Potash Corp. ("WP") for WP's proposed Milestone Potash Solution Mining Project ("WP Mine"). This term sheet is intended to advance discussions towards the completion of definitive agreements to be made between the City and WP in connection with such supply.

Commercial Terms

I. Term:

COR will provide WP with access to recycled water for a period of 45 years from the start of water flow, which is anticipated to begin by December 31, 2014 but no later than December 31, 2019. If no water flows by December 31, 2019 or any commitment or connection fee payment is not received in full upon the specified date, the contract becomes null and void.

II. Recycled Water Quality:

Access to recycled water shall be provided by COR through a connection to COR's waste water treatment plant such that treated effluent will be diverted from Wascana Creek to WP. The COR will endeavour to supply WP with access to fully treated effluent of a quality that meets or exceeds the limits specified within the COR's annual Operating Permit, however, while the COR will use reasonable efforts to supply effluent within the Operating Permit, the COR will not be responsible for any quality variations that may occur in the composition of the effluent. WP acknowledges and agrees that the quality and composition of the recycled water may vary from time to time and that the COR will not be responsible for any cost or expense that may be required to treat recycled water to be used by WP.

The parties acknowledge that the COR is planning a refurbishment and expansion of its waste water treatment plant. The parties will work together to preserve WP's access to treated effluent as contemplated herein, following such planned refurbishment.

III. Recycled Water Access Volumes:

COR will provide WP with an exclusive right to access a maximum of up to 60,000 cubic metres per day of recycled water during the first 6 years of flow and a maximum of up to 42,240 cubic metres per day for the remaining 39 years of the contract, which will be deemed the "Maximum Daily Water Supply". WP acknowledges and agrees that the

COR cannot guarantee or warrant that the Maximum Daily Water Supply of recycled water will be available each day as flows will fluctuate below and above the Maximum Daily Water Supply. The COR and WP agree to collaboratively pursue any reasonable engineering and construction solutions, at WP's sole expense, that may allow recycled water to be available to WP at a rate of 2500 cubic metres per hour for the first 6 years of flow and at a rate of 1760 cubic metres per hour for the remaining 39 years of the contract, but WP acknowledges and agrees that the COR is not responsible for controlling, adjusting or compensating WP for any variations in flow that may occur, or the impacts those variations may have upon WP.

WP may nominate a daily water supply for a particular calendar year which is greater or less than the Maximum Daily Water Supply, by September 30 of the prior year, by providing written notice of such nomination to COR. The COR may in its sole discretion accept or reject such nomination.

IV. Incremental Volumes:

With the COR's approval, WP may obtain access to recycled water at a rate higher than the Maximum Daily Water Supply.

The COR will have full right and ability to grant access to any treated or untreated effluent that may exist beyond the Maximum Daily Water Supply for its own use or to a third party. However, if COR provides access to effluent to one or more third parties, such third-party access will be on an interruptible basis and subject to WP's effluent access up to the Maximum Daily Water Supply on a priority basis.

For any cubic metre above the Maximum Daily Water Supply, WP will be required to pay the current year per cubic metre rate (\$0.25 per cubic metre in 2014 which shall be inflated by 1% annually).

V. Connection Fee:

WP agrees to pay to the COR for access to the Maximum Daily Water Supply, at WP's option, either:

- **Annual Fee Option.** An annual connection fee equal to the annual rate per cubic metre (\$0.25 per cubic metre) times the Maximum Daily Water Supply volume times 365 days (21.9 M cubic metres per year) which will be payable by January 15th of each calendar year. In the event that WP nominates a daily water supply that is greater or less than the Maximum Daily Water Supply and the COR accepts such nomination, the annual connection fee for that year will be adjusted accordingly. The rate per cubic metre will be inflated 1% per year starting in 2015.

OR

- **Up-Front Fee Option.** An "up-front" connection fee based on the following schedule:
 - From the time the definitive agreement is signed until December 31, 2012 - \$80,000,000.
 - Between January 1, 2013 & December 31, 2013 - \$85,500,000.
 - Between January 1, 2014 & December 31, 2014 – \$90,000,000 or a split payment of \$45,000,000 in 2014 & \$47,250,000 in 2015
 - Between January 1, 2015 & December 31, 2015 - \$94,500,000 or a split payment of \$47,250,000 in 2015 & \$49,612,500 in 2016
 - Between January 1, 2016 & December 31, 2016 - \$99,225,000 or a split payment of \$49,612,500 in 2016 & \$52,093,125 in 2017
 - Between January 1, 2017 & December 31, 2017 - \$104,186,250 or a split payment of \$52,093,125 in 2017 & \$54,697,781 in 2017
 - Between January 1, 2018 & December 31, 2018 - \$109,395,563 or a split payment of \$54,697,781 in 2018 & \$57,432,670 in 2019
 - Between January 1, 2019 and December 31, 2019 - \$114,865,341

A connection fee payment option must be selected and committed to in writing prior to any water flow commencing.

All payments will be non-refundable and immediately released to the COR.

VI. Commitment Fee:

WP will pay \$0.5 M to the COR upon execution of the definitive agreements for the implementation of the arrangements described in this term sheet.

If WP starts flowing water or makes an upfront connection fee payment prior to December 31, 2016, the commitment fee will offset the annual or upfront connection fee payable by Western Potash, in the first year water flow commences.

If Western Potash has not started flowing the water by December 31, 2016, the commitment fee will become non-refundable and immediately forfeited to the COR.

In the event WP does not draw water by December 31, 2016, WP shall prior to January 15th of each such year following pay the COR an annual stand-by fee of \$0.2M. All such stand-by fees paid will be non-refundable.

In the event that WP does not commence flowing water by December 31, 2019, the COR shall have the option, at its sole and unfettered discretion to terminate the contract with no refund of any payments made to the COR.

VII. Operations & Maintenance Costs:

WP agrees to enter into an operating and maintenance agreement with the COR wherein the COR will provide operating and maintenance services to WP on a cost plus basis, as follows:

- An estimate of the Annual Operating and Maintenance Plan will be mutually agreed to by WP and the COR annually, during the last quarter of the current operating year for the next annual operating cycle.
- WP shall be responsible for the payment to COR of any and all costs related to the operation and maintenance of the pipeline, including, but not limited to labour plus benefits, overtime and market supplements, insurance, materials, supplies, equipment, consultants, contractors, and, any other costs included within the Annual Operating and Maintenance Plan.
- The operating and maintenance contract will be billed/paid monthly at the following rates:
 - o COR will be paid 17% overhead on the annual maintenance costs, including the electricity amount billed to WP (the "Overhead Charge"); and,
 - o COR will be paid a 15% mark-up on the annual maintenance costs (but not including the electricity amount billed to WP) plus the Overhead Charge to an annual maximum of \$200,000.
- WP will be directly responsible for related utilities including power, gas, telephone and data.

Either party may cancel the Operations & Maintenance contract upon the provision of 12 months prior written notice.

WP acknowledges and agrees that all capital replacement and risk of the infrastructure rests with WP and WP will indemnify and save the COR harmless from and against any loss or damage due to or occurring from the maintenance, repair, rehabilitation, or operation of the infrastructure unless such damage is caused by the COR's negligence .

VIII. Pump House/Pipeline Capital Costs:

All Capital Costs related to the construction of the pipeline, the pump house and the access road to the pump house, are the sole responsibility of WP. WP will own the pipeline and the pump house and be responsible for any and all liability related thereto.

All costs of capital replacement and risk related to the operation of the pipeline and the pump house will be the sole responsibility of WP. WP will indemnify and save the COR harmless from and against any loss or damage due to or occurring from the construction, maintenance, repair, rehabilitation, presence or operation of the pipeline and the pump house, or the effluent that WP accesses, unless such damage is caused by the COR's negligence .

WP will compensate and fully reimburse the COR for any capital infrastructure improvements which are agreed to by both parties and are required by the COR to modify COR's infrastructure to accommodate the supply of effluent to WP.

IX. Land Lease for Pump House on COR Property:

WP agrees to lease the required land for the pump house at a rate of \$2,000 per acre/year, with a 10% rate increase every 5 years. Subject to the City's security and reasonable operational requirements, the COR will grant WP full and unfettered access to the pump house and the access road to the pump house.

WP will construct and maintain any related access roads to the pump house. If a subdivision or lease-subdivision is required, WP shall be responsible for any and all related costs.

The pump house will be located on the COR property near or adjacent to the COR's Disinfection Building, at its waste water treatment facility. The specific location, space requirements and access will be subject to both parties approval.

X. Pipeline Right of Way

COR will grant WP a permanent right-of-way/easement on COR lands for the purposes of constructing, operating and maintaining WP's effluent pipeline from the pump house. Subject to the City's security and reasonable operational requirements, the COR will grant WP full and unfettered access to the pipeline.

WP will make a one-time payment to the COR in the amount of \$7,200/acre (current estimate 8 acres) for a life time easement on COR lands for the purposes of constructing and operating the effluent pipeline.

Other Proposed Terms

XI. Open Access Pipeline:

If another party requests service off of WP's pump house and pipeline, WP shall be responsible for any such arrangements and any and all third party liability relating to such arrangements shall be WP's responsibility. In the event that any such third party service requires access to or connection with COR infrastructure, the COR may, in its sole discretion, accept or reject such third party service.

XII. Environmental/Regulatory:

The COR shall be the proponent for the water supply arrangements and will make commercially reasonable efforts to obtain all required environmental and regulatory approvals.

WP shall reimburse the COR for the costs incurred in relation to (i) the environmental/regulatory approval processes for the process water supply arrangements, at agreed upon rates for operation and maintenance and (ii) any costs relating to mitigation or payments required to be made as a result of the environmental/regulatory approval process.

XIII. System Development and Operation

WP shall, at its sole cost and expense, be responsible for coordinating all design, engineering, procurement, construction management, operation and management of the pump house, pipeline and any related infrastructure or work.

If requested by WP, the COR will provide information and assistance through a joint development committee (the “JDC”). WP acknowledges and agrees that the COR will not be providing any professional advice or services in relation to the project and the COR’s role in the JDC would be for information purposes only. All risk and decision making authority will be WP’s.

WP will reimburse COR for its time and expenses incurred as a result of being part of the JDC at the agreed upon rates for operation and maintenance.

XIV. Conditions Precedent:

Definitive agreements to implement the arrangements described in this term sheet are subject to the following conditions precedent:

- (a) The COR and WP obtaining a written waiver, pursuant to section 39(3) of *The Saskatchewan Water Corporation Act* of Saskatchewan Water Corporation’s exclusive right to provide water and works to areas in which water and works are not being provided;
- (b) WP obtaining a water rights license from the Saskatchewan Watershed Authority pursuant to section 50 of *The Saskatchewan Watershed Authority Act*;
- (c) WP internal approvals;
- (d) City Council approval of commercial terms, environmental data/impacts, and final agreement conditions/details; and,
- (e) COR receiving all required environmental approvals.

Nothing in this term sheet is intended to create legally binding obligations between COR and WP until definitive agreements are signed by both WP and COR.

ACKNOWLEDGED AND AGREED to by Western Potash Corp. and the City of Regina
as of the dates indicated below:

WESTERN POTASH CORP.

Per: _____

Date: _____

CITY OF REGINA

Per: _____

Date: _____

December 6, 2016

To: Members
Finance & Administration Committee

Re: Appointment of Elected Official to the Administrative Boards of the City of Regina Casual Employees Superannuation Plan and the City of Regina Elected Officials' Money Purchase Pension Plan

RECOMMENDATION

1. That a member of the Finance and Administration Committee be appointed to the Administrative Boards for the City of Regina Casual Employees' Superannuation Plan and Elected Officials' Money Purchase Plan for a term expiring October 31, 2020.
2. That the member continue to hold their position until such time as their successor is appointed.
3. That an edited version of this report be submitted to the January 30, 2017 City Council meeting for approval.

CONCLUSION

The Finance and Administration Committee should consider and appoint a member to the Administrative Boards for the City of Regina Casual Employees' Superannuation Plan and the City of Regina Elected Officials' Money Purchase Pension Plan.

BACKGROUND

City of Regina Bylaw No. 8589 *A Bylaw of the City of Regina Concerning a Plan for Certain Employees and Elected Officials* delegates authority to the Finance and Administration Committee to appoint one of its members to the Administrative Boards for the City of Regina Casual Employees' Superannuation Plan and the City of Regina Elected Officials' Money Purchase Pension Plan. This report is being brought forward to facilitate the appointment for both these boards for a four-year term, expiring on October 31, 2020.

The Terms of Reference for the Board are attached as Appendix A.

DISCUSSION

The composition of both Administrative Boards includes the following representatives, as outlined in Bylaw 8589:

- three persons appointed by the City Manager
- one member of the Finance and Administration Committee.

The appointments to these Administrative Boards have historically been the same people on both Boards so that they effectively operate as one Board. This Administrative Board meets quarterly, at the call of the Chair and in any event at least once every three months. A pension Advisory Committee, as specified under *The Pension Benefits Act, 1992* appointed by the Executive of the Canadian Union of Public Employees Local No. 21 is also invited to attend all regular and special meetings of the Board.

The board typically meets five times per year for approximately two hours.

There is a Board mandated Education Policy that requires a Trustee, in their first year, to complete either Foundations of Trustee Management (three day course) or the Trustee Development Program (four day course). Both programs require the participant to pass an exam. In addition to completing one of the programs noted above, new trustees are also required to complete 20 hours of continuing education. By completion of the third year of a four year term, Trustees are expected to complete wither Advanced Trustee Management Standards or the Advanced Trustee Development Program, in addition to the required 20 hours of continuing education.

Once all basic education requirements have been met, Trustees are expected to attend 30 hours of continuing education. Trustees can apply for an exemption from completing the basic education requirements based on their education and work experience.

The Committee should consider the appointment of a member to the Boards for a term expiring October 31, 2020.

RECOMMENDATION IMPLICATIONS

Financial Implications

None related to this report.

Environmental Implications

None related to this report.

Strategic Implications

None related to this report.

Other Implications

None related to this report.

Accessibility Issues

None related to this report.

COMMUNICATIONS

After the appointment is approved by the Committee, it will be included with the listing of committee members which is communicated to all departments, media, and other interested parties.

DELEGATED AUTHORITY

The recommendations in this report require City Council approval.

A handwritten signature in dark ink, appearing to read "Erna Hall", is positioned above the typed name of the signatory.

Respectfully submitted,
Erna Hall Deputy City Clerk

APPENDIX A

Casual Employees' Superannuation & Elected Officials' Money Purchase Pension Plan

Trustee Terms of Reference

Title: Administrative Board Trustee

SUMMARY:

This position is one of four similar positions which make up the Administrative Board. The Board is responsible for administering the plan in accordance with the *Pension Benefits Act, 1992* (Saskatchewan); the *Income Tax Act* (Canada); and Schedule "A" and Schedule "B" of the Casual Employees' Superannuation & Elected Officials' Money Purchase Pension Plan. The position acts in the capacity of trustee and as such stands in a fiduciary relationship to members, former members and any other persons entitled to benefits pursuant to the Plan. The Board administers the Plan via the Pensions & Disability Administration Department of the City of Regina.

RESPONSIBILITIES/ACCOUNTABILITIES:

- Administer the plan in accordance with *The Pension Benefits Act, 1992* (Saskatchewan), the *Income Tax Act* (Canada) and conditions of Schedule "A" and Schedule "B" of the Casual Employees' Superannuation & Elected Officials' Money Purchase Pension Plan.
- Stand in a fiduciary relationship to members, former members and any other persons entitled to benefits pursuant to the Plan.
- Hold in trust for the benefit of the members, former members and any other persons entitled to benefits pursuant to the Plan, any fund established or contract arising pursuant to the plan.
- Act in good faith and in the best interest of members, former members and any other persons entitled to benefits pursuant to the Plan.
- Not prefer the interest of one person entitled to benefits pursuant to the Plan over the interests of any other person so entitled.
- Actively participate in all Board Meetings, Special Board Meetings and education initiatives of the Board.
- Prepare for all Board Meetings, Special Board Meetings and education initiatives of the board by thoroughly reviewing the agenda and associated material provided prior to the related meeting.
- Attend a minimum of 3 of 4 board meetings annually.
- Comply with the policies and rules of the Administrative Board.

QUALIFICATIONS:

Knowledge, Abilities, Skills & Attributes:

- Understanding of the pension industry
- Understanding of Schedule "A" and Schedule "B" of the Casual Employees' Superannuation & Elected Officials' Money Purchase Pension Plan
- Knowledge of Board governance
- Understanding of the distinction between governance and management
- Basic investment knowledge
- Ability to understand and contribute to policy development
- Ability to formulate effective decisions
- Ability to work as part of a team
- Ability to maintain partnerships with internal and external customers
- Have no conflict of interest or legal impediment that would interfere with the exercise of the director's independent judgement, including the duty of loyalty owed to the Plan members
- Intelligence, perceptiveness and good judgement
- Maturity, integrity & fairness
- Innovative, sound business acumen
- Well regarded in the community
- Prior Board experience
- Ability to think strategically
- Time, energy and commitment to serve as a director, including a commitment to learning.

Education/Experience:

Typically the knowledge, skills, and abilities required for this position are obtained through a demonstrated interest in pensions, governance, investments or protecting the interests of others. These skills may have been developed through active participation in a business area related to pensions, including finance, legal, and/or collective bargaining.

WORKING/OTHER CONDITIONS:

Normal office environment conditions apply with considerable use of computer.