

Buffalo Pound Water Treatment Corporation - 2020 Semi-Annual Report

Date	December 9, 2020
To	Executive Committee
From	Financial Strategy & Sustainability
Service Area	Financial Services
Item No.	EX20-33

RECOMMENDATION

The Executive Committee recommends that City Council receive and file this report.

ISSUE

The Buffalo Pound Water Treatment Corporation (Buffalo Pound) 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* (UMA) between Buffalo Pound and the City. The report supports improved infrastructure stewardship, capital acquisition and capital reinvestments.

IMPACTS

The Corporation provided the required financial information in accordance with the agreement. The September 30 forecast is projecting a surplus of \$1.1 million to be transferred to their operating reserve at the end of the year. The 2020 Capital budget is progressing as planned. The 2021 water, capital and electrical rates have been established and are presented as information.

OTHER OPTIONS

Pursuant to section 7.2 of the UMA, Buffalo Pound must submit a semi-annual report to the City for review. This report is presented to Council annually for information only. As such there are no other options with respect to this report.

COMMUNICATIONS

None with respect to this report.

DISCUSSION

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 per cent) and the City of Moose Jaw (26 per cent). The agreement requires the Corporation to provide the Cities with semi-annual reporting.

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:

2020 Third Quarter Forecast

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

2020 Operating Forecast				
Reported in \$000's				
	Annual Budget	Annual Forecast	Annual Variance	% of Budget
Total Operating Revenue	13,037	13,133	96	0.7%
Total Operating Expenditures	13,016	11,992	1,024	7.9%
Net Operating Surplus/(Deficit)	21	1,141	1,120	8.6%

The COVID-19 pandemic was expected to reduce water demand by reducing discretionary watering and decreased commercial and industrial usage. Lower water sales were offset by higher than budgeted power usage from the City of Regina. Buffalo Pound charges the City for the power used to pump water from the plant to the City. Buffalo Pound recently completed a review of its power usage charges and determined the amount in the budget did not reflect actual power usage.

The operating expenditures are lower than budget by \$1 million following the implementation of Buffalo Pounds' COVID-19 Action Plan. The COVID-19 Action Plan was implemented in April to reduce variable costs in anticipation of lower water sales. Further cost savings were achieved by deferring sludge hauling and disposal while Buffalo Pound pilots a project to remove as much water as possible before disposal to reduce costs. In summary, the September 30, 2020 forecast is projecting an operating surplus of \$1.1 million, 8.6 per cent 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 \$3.1 million at the end of 2020, \$1.1 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 2020 are forecasted at \$25.9 million by year end. Capital expenditures are budgeted, and the associated projects are progressing as planned.

2021 Budget

The UMA outlines that Buffalo Pounds' Board of Directors has the authority to make strategic business decisions, including approving the annual operating and capital budgets for the Corporation and it is presented to City Council as information. The 2021 Budget

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

- Water Rate \$360.00/ML – 1.41 percent increase
- Capital Water Rate \$250.00/ML – 16.28 percent increase
- Electrical Rate \$0.11799/kWh – no increase

Capital

There are no new or unidentified major capital expenditures in excess of \$1 million commencing in 2021. The current ongoing projects that exceed \$1 million are:

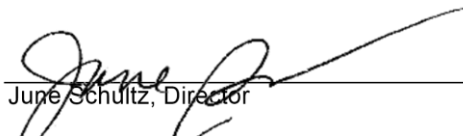
1. The remainder of the Electrical Capital Upgrade Project which consists of the Lake Pump Station Transmission Line Replacement, Lake Pump Station Pumping Upgrades, Power Supply and the UV Corrective Action and Warranty work for \$3.5 million. This project is approximately 90% complete and is expected to be completed in 2021;
2. The Supervisory Control and Data Acquisition (SCADA) upgrade has approximately \$6 million remaining to complete the project. This project was placed on hold pending the outcome of the Plant Renewal Project RFP award; and,
3. The Plant Renewal Project (PRP) continues to progress. The project agreement for the design portion of the project was executed in June 2020 with Graham-AECON. The total cost is estimated at \$252.8 million at a Class 3 level of estimate. Design costs of \$30 million are fully funded within Buffalo Pound's capital budget and reserve. The government of Saskatchewan has recommended to the government of Canada that the project be approved under the Investing in Canada Infrastructure Program which would result in federal/provincial funding of \$163.4 million for construction costs which are estimated to total \$222.8 million. The remaining \$59.4 million in construction cost funding will require financing agreements from the City of Regina and City of Moose Jaw by June 30, 2021.
4. Included in the 2021 Budget is \$7 million for the ongoing principle and interest payments for the \$45 million loan obtained in 2017 for the Electrical Capital Upgrades Project and the anticipated \$60 million loan for the Plant Renewal Project.

DECISION HISTORY

Section 7.2 of the UMA outlines the annual and semi-annual reporting requirements for Buffalo Pound Water Treatment Corporation to City Council. The Corporation presented the 2020 annual submittal at the June 24, 2020 meeting of City Council (IR20-3).

Respectfully Submitted,

Respectfully Submitted,


June Schultz, Director

11/26/2020


Barry Lacey, Exec. Director, Financial Strategy & Sustainability

12/2/2020

Prepared by: Jonathan Barks, Risk Management Advisor

ATTACHMENTS

Appendix A - Buffalo Pound 2020 Mid-Year Report