



Buffalo Pound Water Treatment Plant Corporation - 2020 Annual Report

Date	June 16, 2021
To	Executive Committee
From	Financial Strategy & Sustainability
Service Area	Financial Services
Item No.	EX21-45

RECOMMENDATION

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

ISSUE

The Buffalo Pound Water Treatment Corporation (BPWTC) was established as a non-profit corporation on January 1, 2016. BPWTC is responsible for the operation and maintenance of the Buffalo Pound Water Treatment Plant and provides the cities of Regina and Moose Jaw with a reliable and affordable supply of safe, high quality drinking water which meets the needs and expectations of consumers, as well as the water quality standards regulated by the Province of Saskatchewan. Under the terms of the *Unanimous Membership Agreement (UMA)*, BPWTC is owned jointly by the City of Regina (74 per cent) and the City of Moose Jaw (26 per cent).

Pursuant to the UMA, the BPWTC Directors have the authority to make strategic business decisions, including approval of the operating and capital budgets. This report is presented to City Council as information.

IMPACTS

As Buffalo Pound Water Treatment Corporation is a municipal corporation of the City of Regina, the audited financial statements have been consolidated into the City's 2020 Annual Report and Consolidated Financial Statements at the City's ownership share of 74 per cent.

OTHER OPTIONS

None related to this report.

COMMUNICATIONS

The approved 2020 Annual Report will be published on the Buffalo Pound Water Treatment Corporation website.

DISCUSSION

Section 7.2 of the *Unanimous Members Agreement (UMA)* sets out the following annual report and annual membership meeting requirements presented in this report.

1. BPWTC is required to submit to Council as an information item an annual report which includes the following information:
 - a. the Corporation's annual report, including the audited financial statements for the period ending December 31 and the Corporation's financial and operational performance against stated goals and objectives for the previous year, including a key performance indicators report; and an updated risk review;
 - b. any revisions to long-term strategic plans or capital asset plans;
 - c. an operating and capital budget for the next fiscal year and an operating and capital budget projection for subsequent fiscal years contemplated in the current strategic or capital assets plans;
 - d. pro forma audited financial statements prepared in accordance with generally accepted accounting principles;
 - e. accomplishments during the fiscal year along with explanations, notes and information as is required to explain and account for any variances between the actual results and the strategic and capital asset plans;
 - f. project major capital expenditures in excess of \$1 million;
 - g. matters that require the approval of the Cities; and
 - h. the projected five-year water demand as provided by each of the Cities.

The 2020 Annual Report and the 2021 Operating and Capital Budget are included as appendices to this report. BPWTC conducted its annual general meeting on April 19, 2021. This provides the requirement needed for compliance with the elements under the *Unanimous Member Agreement*.

2020 Annual Report

Highlights from BPWTC's 2020 Annual Report, attached as Appendix A, include:

- The December 31, 2020 audited financial statements reflect a \$11.5 million excess of revenue over expenses of which \$10.5 million pertains to the Corporation's net investment in Plant Renewal Project, Lake Pump Station Pump and electrical upgrades and other capital investments. The remaining surplus of \$1 million was used to bring the Corporation's unappropriated surplus in line with targeted levels. This included funding the capital replacement reserve, which reduces the amount of debt required for plant renewal. The Corporation has \$88 million of accumulated surplus of which \$82 million relates to the Corporation's investment in tangible capital assets, \$4 million relates to the capital replacement reserve and \$2 million is unappropriated.
- The Plant Renewal Project progressed in 2020 with the selection of a design-build team from Graham-Aecon Joint Venture Group, awarded in June 2020. In December 2020, Graham-Aecon submitted the final Preliminary Design Report, a major milestone in the project. The project expects to receive a Guaranteed Maximum Price (GMP) submission in August 2021. Once received, Buffalo Pound can accept the GMP and begin construction or reject the GMP and complete the project as a Design-Bid-Build. If the GMP is accepted, construction would begin in January 2022.
- Major capital asset renewal continued in 2020. Phases 2 and 3 of the electrical upgrade projects, which includes the Transmission Line which was completed in 2020 and Lake Pump Station Pump Upgrades and Backup Power will be completed in 2021.

2021 Budget

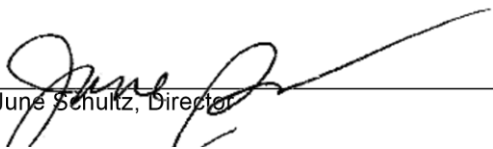
- The 2021 Budget adopted by the BPWTC Board of Directors includes the following approved rates:
 - Water Rate \$360.00/ML (megalitre) – 1.41 per cent increase from 2020.
 - Capital Water Rate \$250.00/ML – 16.28 per cent increase. This rate will be fixed for the 20-year term of the debt being used to pay for the plant renewal project.
- Electrical Rate \$0.11799/kWh (kilowatt-hour) – no increase.
- The BPWTC total Water and Capital Rates represent 29 per cent of Regina's water consumption rate that consumers pay, the balance of 71 per cent is what it costs the City to operate the water utility.
- The 2021 combined Water and Capital Rate increase was just over 7 per cent which represents \$0.04/m³ which impacts the water consumption rate of consumers by 1.9 per cent.
- The 2021 Operating Budget projects a \$11,600 surplus. Projected expenditures of \$13 million will be offset mainly by revenues from water and power charges.
- The Capital Budget continues investment in major infrastructure needs. Surpluses at year-end will be transferred to Operating and Capital Reserves. The Budget is provided in Appendix B.

DECISION HISTORY

Section 7.2 of the UMA outlines the annual reporting requirements for Buffalo Pound to City Council. These requirements include but are not limited to, annual financial statements and subsequent year operating and capital budgets. Buffalo Pound annual submittals were last presented at the June 30, 2020 meeting of City Council.

Respectfully Submitted,

Respectfully Submitted,


June Schultz, Director

5/28/2021


Barry Lacey, Exec. Director, Financial Strategy & Sustainability

6/3/2021

Prepared by: Jonathan Barks, Financial Business Partner

ATTACHMENTS

- Appendix A - 2020 BUFFALO POUND ANNUAL REPORT FINAL
- Appendix B - 2021 BUDGET APPROVED SEPTEMBER 30 2020