



## Buffalo Pound Water Treatment Corporation - 2021 Semi-Annual Report

<b>Date</b>	December 8, 2021
<b>To</b>	City Council
<b>From</b>	Financial Strategy & Sustainability
<b>Service Area</b>	Financial Services
<b>Item No.</b>	CM21-28

### RECOMMENDATION

---

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 Cities of Regina and Moose Jaw. 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 \$0.39 million to be transferred to the operating reserve at the end of the year. The 2021 Capital budget is progressing as planned. The 2022 water, capital and electrical rates have been established and are presented as information. There is no financial impact to this report as it is presented to the Council annually for information purpose only.

### OTHER OPTIONS

---

Pursuant to section 7.1 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) Projected 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:

### 2021 Third Quarter Forecast

The chart below outlines the third quarter operating forecast for Buffalo Pound.

<b>2021 Operating Forecast</b>				
<b>Reported in \$000's</b>				
	<b>Annual Budget</b>	<b>Annual Forecast</b>	<b>Annual Variance</b>	<b>% of Budget</b>
<b>Total Operating Revenue</b>	13,007	13,373	366	2.8%
<b>Total Operating Expenditures</b>	12,995	12,984	11	0.1%
<b>Net Operating Surplus/(Deficit)</b>	<b>12</b>	<b>389</b>	<b>377</b>	<b>2.9%</b>

Revenues are projected to be slightly over budget. The weather in 2021 was relatively dry with higher-than-normal temperatures resulting in increased water sales.

The operating expenditure are forecast to be on budget for 2021 with only a slight variance of \$11,000, or 0.1 per cent from budget by year-end.

The year-end 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 \$2.39 million at the end of 2021, \$0.39 million above the target balance. The excess funds will be used to offset the planned budget deficit in 2022.

The capital expenditures for 2021 are forecasted at \$21.60 million by year-end. Capital expenditures are budgeted, and the associated projects are progressing as planned.

### 2022 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 2022 Budget adopted by the Buffalo Pound Water Board of Directors includes the following increases:

- Water Rate \$360.00/ML – No increase
- Capital Water Rate \$250.00/ML – No increase
- Electrical Rate \$0.12931/kWh – 9.5 per cent increase

### Capital

There is one new major capital expenditures in excess of \$1 million commencing in 2022. This new project and the current ongoing projects that exceed \$1 million are described below.

#### New Project

1. De-sludged Lagoons – All six of the process waste lagoons need to be de-sludged before the plant renewal project commences construction in 2022. Capital funding of \$4.0 million will be allocated to this project over two years (2022 and 2023).

#### Ongoing Projects

1. The Supervisory Control and Data Acquisition (SCADA) upgrade has approximately \$6.0 million remaining to complete the project. This project was placed on hold pending the outcome of the Plant Renewal Project RFP award and is now proceeding.
2. 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 \$255.8 million at a Class 2 level of estimate. Design costs of \$32.9 million are fully funded within Buffalo Pound's capital budget and reserve. The government of Saskatchewan and the government of Canada have approved, under the Investing in Canada Infrastructure Program, funding of \$163.4 million for construction costs. The construction is anticipated to cost \$222.9 million. The remaining \$59.5 million in construction cost funding required financing.

The Cities of Regina and Moose Jaw provided approval for borrowing the remaining funds and funds are anticipated to be transferred by early December 2021.

3. Included in the 2022 Budget is \$6.9 million for the ongoing principal 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.

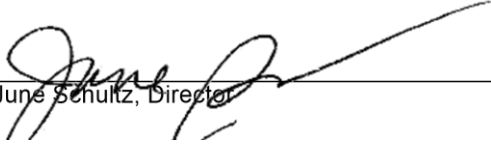
### **DECISION HISTORY**

---

Section 7.1 of the UMA outlines the annual and semi-annual reporting requirements for Buffalo Pound Water Treatment Corporation to City Council. The Corporation presented the 2021 annual submission at the August 11, 2021 meeting of City Council (IR21-3).

Respectfully Submitted,

Respectfully Submitted,



June Schultz, Director

11/8/2021



Barry Lacey, Exec. Director, Financial Strategy & Sustainability

11/25/2021

Prepared by: Abimbola Yusuf, Financial Reporting Advisor II

### **ATTACHMENTS**

Appendix A- Buffalo Pound 2021 Semi-Annual Report