



Buffalo Pound Water Treatment Plant Corporation - 2021 Annual Report

Date	May 11, 2022
To	Executive Committee
From	Financial Strategy & Sustainability
Service Area	Financial Services
Item No.	EX22-58

RECOMMENDATION

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

ISSUE

Established as a non-profit corporation in 2016, Buffalo Pound Water Treatment Corporation (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. Under the UMA agreement, BPWTC is also required to present an annual report and both operating and capital budget to the City Council. 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 are consolidated into the City's 2021 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 2021 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.
 - h. The projected five-year water demand as provided by each of the Cities.

The 2021 Annual Report and the 2022 Operating and Capital Budget are included as appendices to this report. BPWTC conducted its annual general meeting on April 26, 2022. This provides the requirement needed for compliance with the elements under the *Unanimous Member Agreement*.

2021 Annual Report

Highlights from BPWTC's 2021 Annual Report, attached as Appendix A, include:

- The December 31, 2021 audited financial statements reflect a \$10.11 million excess of revenue over expenses of which \$9.96 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 plant operations surplus of \$0.15 million will be used to offset the Corporation's budget deficit in 2022.

- The Plant Renewal Project progressed in 2021 with the Graham-Aecon Joint Venture Group. The Initial Design Development was completed followed by a Value Engineering process to maintain the critical components and reduce costs where possible. The Joint Venture team further progressed the design to the 60-70 per cent completion to reach a preliminary GMP (Guaranteed Maximum Price) submission in November 2021. Following this submission, additional work was completed to further reduce costs and the final GMP with an optional Lump Sum Alternative Construction Services Proposal submitted at the end of March 2022. The Corporation can accept either proposal and commence construction if the financing commitments are in place, or the Corporation can reject the proposals and complete the project as a Design Bid Build. If either of the proposals are accepted, the construction activities are scheduled to commence in summer 2022. This project has successfully received substantial grant funding through the Federal and Provincial Government under ICIP (Investing in Canada Infrastructure Program) totaling \$163.4 million. This funding required the Corporation to cover at least \$60 million in additional funds, which was completed through a loan supported by both Regina and Moose Jaw. The GMP and optional Lump Sum proposals both exceed the available funding and will require both City Councils to commit to allowing the Corporation to obtain the necessary financing to proceed. A separate report will be prepared to address this issue due to the commercially confidentiality of the information.
- Major capital asset renewal continued in 2021. The Lake Pump Station Pump Upgrades and Pump Upgrades will be completed in early 2022. The control system project progressed, and the UV corrective action project commenced.

2022 Budget

- The 2022 Budget adopted by the BPWTC Board of Directors includes the following approved rates:
 - Water Rate \$360.00/ML (megalitre) – No increase from 2021.
 - Capital Water Rate \$250.00/ML – No increase from 2021.
- Electrical Rate \$0.12931/kWh (kilowatt-hour) – 9.6 per cent increase from 2021.
- The BPWTC total Water and Capital Rates represent 28 per cent of Regina's water consumption rate that consumers pay, the balance of 72 per cent is what it costs the City to operate the water utility. This excludes the base daily rate the City charges for water meters.
- The 2022 Operating Budget projects a \$194,500 deficit. Projected expenditures of \$13.4 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.

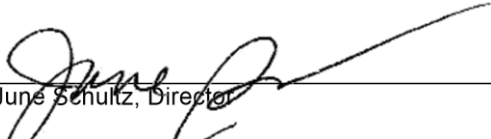
DECISION HISTORY

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 July 14, 2021, meeting of City Council.

Respectfully submitted,

Respectfully submitted,



June Schultz, Director

4/14/2022



Barry Lacey, Exec. Director, Financial Strategy & Sustainability

4/27/2022

Prepared by: Abi Yusuf, Coordinator Financial & Business Support

ATTACHMENTS

Appendix A

Appendix B