

**MINUTES OF THE CAPITAL REGION SOUTHWEST WATER SERVICES COMMISSION
 REGULAR MEETING, HELD ON THURSDAY, DECEMBER 1, 2016 AT 6:00 P.M.
 BEST WESTERN PLUS DENHAM INN & SUITES, TERRACE ROOM,
 5207 – 50 AVENUE, LEDUC, AB.**

1. CALL TO ORDER

Chairman John Schonewille called the meeting to order at 5:58 p.m.

PRESENT:	Chairman John Schonewille	Leduc County
	Councillor Rick Smith	Leduc County
	Mayor Wally Yachimetz	Town of Calmar
	Councillor Terry Balaban	Town of Calmar
	Councillor Kathy Barnhart	Town of Beaumont
	Councillor Bill McNamara (conference call)	Town of Beaumont
	Councillor Doug Lyseng	Camrose County
	Councillor Greg Gillespie	Camrose County
	Councillor Faye Leicht	Village of Hay Lakes
	Deputy Mayor Shannon Yearwood	Village of Hay Lakes
	Vice Chairman Beverly Beckett	City of Leduc
	Councillor Dana Smith	City of Leduc
	Councillor Pat Garrett	Town of Millet

ALSO PRESENT:	Shawn Olson, Commission Manager	City of Leduc
	Rick Sereda, Operations Manager	City of Leduc
	Samantha Folster, Engineering Project Manager	City of Leduc
	Carol Hounsell, Treasurer	City of Leduc
	Amber Ouellette, Accountant	City of Leduc
	Shawn Tooth, Water Technician	City of Leduc
	Shannon Bremner, Recording Secretary	City of Leduc
	Steve Rumley, Vice President, Infrastructure	EIA
	Duane Coleman, CAO	Leduc County

WITH REGRETS:	Mayor Tony Wadsworth	Town of Millet
	Mary Coyne, Project Manager, Infrastructure	EIA
	Graham Backus, Manager of Public Works	Camrose County

2. ADOPTION OF AGENDA

The Provincial approval for the Town of Millet to the join the Commission was added to the agenda under New Business.

- 47-16 **Motion:** It was **Moved** by Councillor Dana Smith that the agenda for the December 1, 2016 Capital Region Southwest Water Services Commission regular meeting be approved as amended.

Carried

3. APPROVAL OF MINUTES

A. Minutes of the September 8, 2016 Regular Meeting

There were no changes to the minutes.

- 48-16 **Motion:** It was **Moved** by Councillor Bill McNamara that the meeting minutes of the September 8, 2016 Capital Region Southwest Water Services Commission regular meeting be approved as circulated.

Carried

4. REPORTS OF OFFICERS

A. Manager's Report

Highway 19 Crossroads ASP

At the last CRSWSC meeting, administration was asked to follow-up with Leduc County to check if there is a mechanism under the development agreement to ensure the comments that were provided to the proponent are addressed during construction. To address the concerns the County committed to having the commission as a party to both the CCC and FAC process guaranteeing that there is a mechanism to check that all of the comments are addressed prior to sign off.

Millet Water Supply Line Project

To date, all of the 300mm HDPE pipe has been installed along Rollyview Road, Range Road 245, Township Road 490, and Range Road 244. All but a few hundred meters of the 550mm pipe has been installed in the City of Leduc. The work at the Booster station has commenced. The building structure is completed and the mechanical subcontractor has begun work inside the building. Work inside the Town of Millet pump house is slated to begin in December. The Commission holds biweekly progress meetings with Select Engineering, Weaver Welding and other stakeholders (Town of Millet, Leduc County, etc.).

The County of Wetaskiwin expressed some concerns in mid-October regarding the number of open excavation pits not yet backfilled along the Millet Water Supply Line alignment. A meeting was held on October 17 with the contractor and consultant and a path forward to expedite the backfill process was discussed. The contractor has worked hard to catch up with all the required backfill and to date there are only a couple of open pits south of the City of Leduc and these are required for access when performing line cleaning.

There have been some issues locating deep utilities in the City of Leduc, which have caused delays, however current was passed through the line and its horizontal location is now known. Hydrovac activities are continuing to commence to locate the line prior to the final drills. This is an important locate because the waterline that is being located is a critical transmission line for the City of Leduc. The goal of the Commission is to mitigate all risks prior to construction activities.

There was a frac out incident at the QE2 on ramp north of the 50th street flyover into the City of Leduc. The contractor notified Alberta Transportation.

On a separate project the commission continues to deal with the New Sarepta radio station installation, however it may not be complete before the Millet project is complete. Millet relies on the radio tower to send and receive data, so without the new station being complete, communications will not be completed. As a result the commission may have to utilize temporary communication measures to ensure the line can operate without the radio systems.

To date, the project is on track to be completed on budget. Minor changes orders are still anticipated relative to previously unidentified utilities in the Town of Millet, as well as the difficulty in locating the lines in the City of Leduc.

Millet Water Supply Line Grand Opening

The anticipated project completion for the Millet Water Supply Line project is early in 2017. Early discussions with the Town of Millet suggest it may be beneficial to delay a grand opening ceremony until the spring when a valve or hydrant can be utilized to visually draw water from the system. This will not delay the actual project completion, as water will begin flowing much earlier than the grand opening.

At the previous CRSWSC meeting, it was determined that since this is the Millet Water Supply Line, the grand opening will be hosted in the Town of Millet. The Town is to provide a location for the grand opening and administration can work on arrangements with the Town if requested.

The Town of Millet would like to schedule the grand opening in late April or early May 2017 at the Millet School. The intention is to hold the grand opening while the school is closed. Millet is awaiting permission from the School Board. CRSWSC administration will work with the Town of Millet administration to ensure a successful grand opening event.

EIA License Agreement for Commission Main Infrastructure

The transmission line along the QE2 was relocated to accommodate the EIA shopping center. The new location of the line is not currently protected by an easement agreement or license. This is being worked on between parties with several clauses going back and forth between the EIA and the commission. At this point in time the greatest concern is relative to ensuring the commission would not have a liability to relocate the line in the future. Current comments are with the EIA for review.

Water Master Plan

In 2018 the Water Master Plan is required to be updated. As this work typically goes to the commission's consultant, and as that standing offer agreement is expired, the commission intends to go to RFP to procure both together.

A new standing offer consulting agreement including the scope for a Water Master Plan will be procured towards the end of 2017.

File Management

The Commission now has a dedicated drive on an independent server for all scanned documents. The server is backed up for document security.

Carbon Tax Exemption

At the last meeting on September 8, 2016, the board passed a motion to submit a letter requesting that the commission be exempt from paying the Carbon Tax. Administration mailed a letter on November 3, 2016 to Honorable Shannon Phillips, Minister of Environment and Parks, which was signed by Shawn Olson on behalf of the Chairman of the Board. A copy of the letter can be found appended to this report.

RWCG Meeting

At the RWCG meeting this fall, water demand management measures were discussed. There is some discussion about how draw rates are handled during demand conditions and how quickly we go into water demand management. At this point in time no changes to the best practices for demand management are forthcoming; however the group agreed to have further discussions in the spring. The intent is to ensure that all municipalities are responding to water shortages in the same manner, using the same terminology for water demand conditions, to ensure consistent practices throughout the region.

Water Allocation Update

There has been a delay in the draft bylaw that was to be provided by Brownlee for this December 1st board meeting. We are currently working through these issues with Brownlee. The bylaw is based on no allocations for member municipalities moving forward and instead focusing on ensuring the infrastructure upgrades are planned for such that there will not be a need to restrict water usage in the future. This model is based on examining organic growth projections for each municipality at every master planning cycle to ensure infrastructure is appropriately planned for and financed.

Brownlee has sent back multiple iterations of the bylaw that still require work. Upon completion of the bylaw, to avoid further delay, it will be e-mailed to all board members so that a discussion on the merits and feedback relative to the bylaw can be obtained at the first board meeting in 2017.

Water Projections

As the commission moves from an allocation based system to an unallocated system, it is important that the commission be aware of any significant growth that may alter the timelines necessary for future infrastructure investments. In

reviewing the water demand projections provided to the commission, there is a significant increase in water demands projected at the Edmonton International Airport (31% increase from 2017 to 2021) and in Camrose County (182% increase from 2017 to 2021). At this point in time administration is asking for details relative to both organizations growth so that the commission can have its engineers examine:

1. The projected water demands moving forward to the 15 and 20 year horizon (or full build out of the developments triggering the increased water demand projections). This information will be used to determine if there needs to be any adjustment to the currently planned or unplanned CRSWSC infrastructure upgrades.
2. Confirmation of available storage volumes in the municipality/organizations. The commission is looking for confirmation that the municipalities/organizations will have the commissions mandated (two times average day demand plus fire flow) storage volumes available at their respective reservoirs throughout the growth.

It was noted that the projected increase for Camrose County is due to growth for the Ervick Industrial Park; although this will not be an extension of the CRSWSC line.

49-16

Motion: It was **Moved** by Mayor Wally Yachimetz that the Capital Region Southwest Water Services Commission receives as information the Manager's Report as presented by Shawn Olson, Commission Manager, CRSWSC.

Carried

B. Operator's Report

Commission operators have completed **1568** 1st Call locates year to date on Commission facilities as compared to **1837** last year at this time.

September 27, 2016 – In Calmar, Nason Contracting Ltd. setup a permanent connection from our onsite PLC to a new Rotork valve that was installed on our fill line as a result of the water storage expansion project. The valve was installed as a high level shut off and not for flow control purposes, commission operators requested a connection electronically to the valve to ensure it remains in either the fully open or fully closed position.

During the same visit, a temporary connection was made to the Town of Calmar's LIT (level induced transmitter), the existing LIT located in the CRSWSC's room takes readings of the Town's old circular reservoir. This allowed the Town to drain any of the (now three) different water storage bodies onsite during construction. The CRSWSC's flow control valve is currently still looking at the Town's LIT for control; we will have Nason revert to the old LIT when the project is complete.

October 3, 2016 – Nason Contracting Ltd. programmed a fourth flow setpoints for the City of Leduc. Commission operators felt it was needed to soften the flow variations in the commission system. The goal for commission operators is to maintain reasonable flow through the commission system at all times.

October 6, 2016 – At the Boundary Station, Goodwin Roof Inspection & Consulting Ltd. (Goodwin) performed a detailed roof inspection. In summary, the roof has reached its life expectancy and then some. Goodwin is recommending one of two options; spend roughly \$10,000 repairing some deficiencies, which will extend the life of the roof by less than five years, or replace the roof at a cost of approximately \$75,000. Commission operators are recommending a full replacement.

October 12 & 21, 2016 – Capital H₂O was contracted to complete our annual Cl₂ analyzer inspections. Every site was visited with the exception of Calmar.

October 18, 2016 – Leduc Plumbing and Heating performed our annual heater/furnace inspection program. No issues were found.

October 19, 2016 – Leduc Plumbing and Heating Electrical Services was contracted to replace the existing solenoid valve at our City of Leduc fill station. The solenoid (which is designed to close in the event of a power fail) had begun to leak.

November 21, 2016 – Capital H₂O inspected Calmar's chlorine analyzer.

Radio Upgrade Project – Tower locations have been agreed upon at all locations. Public consultation is underway, which will take approximately 90 days to complete. Once we have approval from the respective jurisdictions, construction will begin.

50-16

Motion: It was **Moved** by Councillor Kathy Barnhart that the Capital Region Southwest Water Services Commission receive as information the Operator's Report as presented by Rick Sereda, Operations Manager, CRSWSC.

Carried

C. Treasurer's Report

2016 Financial Update

After ten months of operations up to the end of October, there should be approximately 16.67% of the budget remaining. Some management expenses are under budget due to the timing of expenses. Overall, operating expenses are under budget with some fluctuations within line items. Overall, total expenses are slightly under budget for the year with 22.38% of the budget remaining.

Revenue Variances

- Water sales are under budget for the period. Overall the water consumption projections for all municipalities is below the target for 2016

at 78.71% (after 10 months it should be approximately 83.33%). The decreased consumption is likely due to a very wet summer.

- Flat rate debenture proceeds are under budget because the budget included a payment amount for the Armena line debenture which hasn't been applied for yet.
- Interest income is over budget with -7.64% of the budget remaining. This is a result of an additional \$500,000 deposit to investments in December 2015. Interest income will be over budget at year end.
- The Commission has recorded a line loss of 3.04% to date.

Expenditure Variances

- Water purchases are under budget for the period with 21.27% of the budget remaining. This is consistent with water sales being under budget.
- Insurance has been paid for 2016. The insurance premium was over budget at about 104% of the budgeted amount. The budget was \$20,000 and the actual was \$20,752.
- Power and gas are under budget due to a warmer winter and rate fluctuations. It is anticipated that expenditures on power and gas will be under budget at year end. Power will be below budget because of the new contract with Enmax effective April 1, 2016 which offers a significantly lower rate than we were previously paying. (new rate = \$0.05473/KWh; old rate = \$0.08318).
- No expenditures for audit fees have been incurred in 2016 to date. Audit fees are incurred at year end but are based on a contractual amount that aligns with the budget.
- Facility maintenance is under budget with 84.47% of the budget remaining due to the boundary station arc flash inspection and study which will be deferred to 2017.

Capital Expenditures

- Capital expenditures are below budget with 52.15% of the overall budget remaining. This is due to:
 - a. The Armena Line project completion is still stalled due to radio communications issues.
 - b. The Calmar radio communications tower is delayed until 2017.
 - c. The boundary station transfer switch project has not started and is carried over to 2017.
 - d. The Millet line expansion started at a later date than anticipated and the tender came in lower than budget so we expect to realize some savings. The project won't be completed until 2017.

2017 Interim Budget

The 2017 Interim Operating and Capital Budget will be presented following the Treasurer's report.

2016 Water Consumption

As a result of a very wet summer, water sales and purchases are under budget to date and anticipated to remain under budget for 2016. Included in the agenda package you will find a report titled "2016 Water Sales and Expenditures Projections." This report shows the actual impact on water sales and purchases to October 31, 2016 in comparison to budget. It also shows the projections for year end.

Water sales are below budget by \$331,818 to October 31, 2016 and purchases are below by \$222,816. The effect on operating surplus is -\$109K. It is anticipated that water sales will be below budget by an estimated \$398K by year end and purchases will be below budget by \$267K for a projected impact on operating surplus of -\$131K. This will be partially offset by anticipated savings in other areas such as power and gas and facilities maintenance.

ALARIE Insurance Reciprocal Wind-Up

The commission received follow-up correspondence informing us that the amount of the distribution payment we will be receiving from ALARIE has increased from \$21,494.74 to \$26,361.03 as a result of additional information that has come to light which alters the proposed distribution of assets. As discussed by Shawn Olson at the September 8, 2016 Board meeting this distribution payment is a result of the Alberta Local Authorities Reciprocal Insurance Exchange (ALARIE) divvying up of assets following the settlement of the last of their claims. The CRSWSC will be receiving this amount out of a total of \$13,500,000 of net surplus assets that were held by ALARIE. This amount corresponds to commission's distribution % increasing from 0.15922% to 0.19527% which is based on the CRSWSC contributions and claims.

However, to date there have been two objections filed regarding the proposed distribution which may result in further adjustments. One of the objections was from Strathcona County and a second one was filed by the Commission Board Member Mayor Tony Wadsworth from the Town of Millet. A copy of Mayor Wadsworth's objection is attached for your information. It is important to note that he is filing the objection as an informed individual who played a key role in setting up ALARIE and he is not filing his objection for either of the entities he represents. Any further objections are to be filed by November 30, 2016 and respondents have the right to state their side of the matter when the application is heard in court on Monday, December 19, 2016. Since this matter is not fully resolved, the amount of the distribution for the CRSWSC may be adjusted again.

51-16

Motion: It was **Moved** by Councillor Terry Balaban that the Capital Region Southwest Water Services Commission receive as information the Treasurer's Report as presented by Carol Hounsell, Treasurer, CRSWSC.

Carried

D. 2017 Interim Budget Report

Proposed 2017 Interim Budget Highlights

Revenue

Water rates

The CRSWSC sales rate for water has increased to \$1.33/m³ from \$1.25/m³ in 2016. The increase is due to a number of factors. The 2017 interim rate for EPCOR was set at \$0.85/m³ up from \$0.82/m³ in 2016. This rate has been approved as the interim rate by the RWCG. The increase of \$0.08/m³ is required for the following:

- \$0.03/m³ for the EPCOR rate increase.
- \$0.075/m³ increase for the Future Water Expansion Reserve.
- \$0.0075/m³ decrease for the transfer to the rate stabilization reserve since the rate stabilization is capped at \$161,053 based on the Rate Stabilization Reserve Fund Policy.
- \$0.0175/m³ decrease in the rate to cover management and operating expenses. Management expenses are lower than in 2016 due mainly to a decrease in professional fees because the filing/records project was completed in 2016. Operating expenses are higher by \$39,000 overall (*after expenses are adjusted for water purchases and reserve transfers*) but the increase in consumption more than offsets the revenue requirements for the increased expenses.

Interest

Interest has increased from \$22,500 to \$40,000 based on projected actuals for 2016 and budgeted reserve transfers for 2016 being invested.

Accumulated Surplus

It was decided not to draw funds from accumulated surplus for the Annual Revenue Requirement and Rate Design Policy due to the low balance in accumulated surplus at 2015 year end. The required net balancing amount of - \$2935 will result in an increase to accumulated surplus.

The rate stabilization reserve balance is currently \$31,500 which is \$129,553 below the 15% cap of \$161,053. \$0.015/m³ was budgeted as a reserve transfer in 2016 to replenish this reserve. The \$0.015/m³ budgeted reserve transfer for 2016 and the reduced \$0.0075/m³ budgeted reserve transfer for 2017 will result in this reserve reaching its cap.

Expenditures

- Operational and management contracts are as per contractual agreements.
- Honorariums and Mileage have not changed and AUMA rates have remained unchanged.
- Legal fees have increased by \$5,000 to cover any additional legal fees required for contract review or review of policies or bylaws.
- Audit fees are as per contractual agreement.
- Other professional fees has decreased due to the filing/records system project being completed in 2016.

- Debenture payments expense (interest + principal) has remained very close to the same as budgeted for in 2016. It is anticipated the Armena project will be completed in 2017 and that the funding for the debenture for the Armena line extension will be received in 2017. Only one payment of \$11,557 (principal & interest) will be required in 2017.
- Computer maintenance, supplies & licenses has increased in 2017 due to UPS batteries replacement.
- Instrumentation & mechanical has increased due to this line item being over budget in 2016.
- Telephone expenses have decreased over 2016 due to contracts being lower than anticipated in 2016.
- Other Communication Maintenance has increased in 2017 due to an upgrade being required to the central control panel monitors at Strathcona County for automated meter reads.
- Line Maintenance has increased over 2016 due to being over budget in 2016 and additional costs being anticipated in 2017.
- Easement Leases has increased slightly due to the additional water line added for Millet possibly resulting in increased calls to Alberta One Call for line locates.
- Engineering Fees has increased to allow for any additional engineering costs related to construction inspections that are completed on the Commission's behalf.
- Insurance has increased because the 2016 insurance premiums were higher than budgeted.
- Water Purchases – For 2017 EPCOR has set an interim rate of \$0.85/m³. Members of the RWCG have agreed to this interim rate. Administration recommends that the CRSWSC use this as its budgeted water rate for the 2017.
- Power has decreased over the 2015 budget due to a new contract with ENMAX that was signed in 2016 which gives the Commission a much lower rate. The new rate is \$0.05473/KWH. The contract period is for the five years from April 1, 2016 to March 31, 2021. This is a savings from the previous contract rate which was \$0.08318/KWH.
- Gas has increased due to two new facilities being added in 2017. Also, the impact of the new carbon tax has been estimated.
- Facility maintenance has decreased due to the boundary station roof inspection having been completed in 2016 and the being budget reduced accordingly.
- "Transfers to Operating Reserves" has decreased over the 2016 budget. The reserve transfer required to replenish the Rate Stabilization Reserve was reduced due to the reserve reaching its cap.
- All other expense line items have remained unchanged or have not changed by material amounts.

Capital

- "Transfers to Capital Reserves" has increased in 2017. The increase is due to a \$0.075/m³ increase to the reserve for the Future Water System

Expansion. This will increase the reserve transfer amount from \$0.11/m3 in 2016 to \$0.185/m3 in 2017.

- Project 2013.002 – Armena Waterline Expansion will not be completed by the end of 2016 as previously anticipated and will extend into 2017. Therefore dollars have been budgeted for this project in 2017.
- Project 2015.001 – Calmar Radio Communication Tower was not completed as planned in 2016 and has been carried forward to 2017.
- Project 2015.003 – Millet Waterline Expansion was started but not completed in 2016 and will be carried forward into 2017. The 2017 budget was adjusted to reflect the update to the cost estimate after the tender was awarded.
- Project 2016.002 – Boundary Station Transfer Switch was not completed in 2016 and has been carried forward into 2017 with an increased budget of \$200,000.
- Project 2017.001 – Boundary Station Roof Replacement is new for the 2017 budget.
- Project 2017.002 – Air Release Manhole Rehabilitation is new for the 2017 budget.

52-16 **Motion:** It was **Moved** by Councillor Pat Garrett that the Capital Region Southwest Water Services Commission adopt the 2017 Interim Operating and Capital Budget as presented by Carol Hounsell, Treasurer, CRSWSC, with total revenues and transfers from reserves of \$12,096.723 and total expenditures of \$12,096,723.

Carried

53-16 **Motion:** It was **Moved** by Councillor Faye Leicht that the Capital Region Southwest Water Services Commission Board of Directors accept in principle the 2018-2019 forecasted Operating & Capital Budget as presented by Carol Hounsell, Treasurer, CRSWSC.

Carried

5. UNFINISHED BUSINESS

There was no unfinished business presented.

6. NEW BUSINESS

A. Provincial Approval for the Town of Millet to join the Commission

The Province of Alberta has approved the addition of the Town of Millet to the Capital Region Southwest Water Services Commission. The Order in Council document was provided to Board members for reference. The Town of Millet was formally welcomed to the Commission as Directors.

- 54-16** **Motion:** It was **Moved** by Mayor Wally Yachimetz to nominate two Directors from the Town of Millet to represent the Town of Millet on the Capital Region Southwest Water Services Commission, which will eliminate the two Directors at Large positions currently representing the Town of Millet.

Carried

7. NEXT MEETING

The next regular meeting of the Capital Region Southwest Water Services Commission will be held on February 16, 2017 at the Best Western Plus Denham Inn & Suites, located at 5207 – 50 Avenue, Leduc, AB.

Dinner at 5:30 p.m. and the meeting will begin at 6:00 p.m.

8. ADJOURNMENT

- 55-16** **Motion:** It was **Moved** by Councillor Bill McNamara to adjourn the meeting at 6:49 p.m.

Carried



CHAIRMAN



MANAGER