

**MINUTES OF THE CAPITAL REGION SOUTHWEST WATER SERVICES COMMISSION
 REGULAR MEETING, HELD ON THURSDAY, FEBRUARY 21, 2019 AT 6:00 P.M.
 KOSMOS BOARDROOM, 5010 - 49 AVENUE, LEDUC, AB.**

1. CALL TO ORDER

Chairman Rick Smith called the meeting to order at 6:29 p.m.

PRESENT:	Councillor Rick Smith	Leduc County
	Councillor Kelly Vandenberghe	Leduc County
	Councillor Bill Daneluik	Town of Beaumont
	Councillor Doug Lyseng	Camrose County
	Councillor Greg Gillespie	Camrose County
	Mayor Dawn Pauls	Village of Hay Lakes
	Councillor Dave Vallee	Village of Hay Lakes
	Councillor Beverly Beckett	City of Leduc
	Mayor Tony Wadsworth	Town of Millet
	Councillor Mike Storey	Town of Millet
	Mayor Wally Yachimetz	Town of Calmar
	Councillor Terry Balaban	Town of Calmar

ALSO PRESENT:	Shawn Olson, Commission Manager	City of Leduc
	Rick Sereda, Operations Manager	City of Leduc
	Pamela Regier, Project Manager	City of Leduc
	Carol Hounsell, Treasurer	City of Leduc
	Lauren Padgham, Accountant	City of Leduc
	Shawn Tooth, Water Technician	City of Leduc
	Shannon Bremner, Recording Secretary	City of Leduc
	Roger Steele, Manager, Technical & Utilities	EIA
	Mary Coyne, Project Manager, Infrastructure	EIA
	Dean Downey, Manager, Utilities	Leduc County
	Keaton Seaby, Manager, Public Works	Town of Beaumont
	Sean Nicoll, Associated Engineering	

WITH REGRETS:	Councillor Sam Munckhof-Swain	Town of Beaumont
	Councillor Lars Hansen	City of Leduc

2. ADOPTION OF AGENDA

01-19 **Motion:** It was **Moved** by Councillor Terry Balaban that the agenda for the February 21, 2019 Capital Region Southwest Water Services Commission regular meeting be approved as circulated.

Carried

3. APPROVAL OF MINUTES

A. Minutes of the November 22, 2018 Organizational Meeting

02-19 **Motion:** It was **Moved** by Councillor Greg Gillespie that the meeting minutes of the November 22, 2018 Capital Region Southwest Water Services Commission organizational meeting be approved as circulated.

Carried

B. Minutes of the November 22, 2018 Regular Meeting

03-19 **Motion:** It was **Moved** by Mayor Dawn Pauls that the meeting minutes of the November 22, 2018 Capital Region Southwest Water Services Commission regular meeting be approved as circulated.

Carried

4. REPORTS OF OFFICERS

A. Manager's Report

Millet Water Supply Line Project

The CRSWSC has received a technical memorandum from Associated Engineering regarding the November 2018 water quality issue in the Millet transmission main. This report provides a full description of the incident, reactive measures taken, and recommendations for the future. It also includes a summary of costs incurred directly by the CRSWSC. In addition to these costs, it is anticipated that the CRSWSC will incur costs from the City of Leduc for additional work required on the Robinson Reservoir project as a result of debris infiltration into the reservoir. This may include costs pertaining to cleaning and disinfection of the reservoir cells and recertification of pumps to maintain warranty. The technical memorandum was circulated to the Board.

Administration has reached out to Weaver Welding to open lines of communication regarding the incident and advise of intent to pursue associated costs. While Weaver Welding has admitted to leaving the additional swab in the launcher, they have indicated that further evidence must be provided regarding the source of the silt and debris in the transmission main prior to further discussion on cost responsibility. Administration will follow up these verbal discussions with a letter summarizing our intent to pursue reimbursement of costs per the terms of the contract in the coming weeks. Associated Engineering's technical memorandum will be appended to the letter.

It is anticipated that this item will become a long term dispute item between the CRSWSC and Weaver Welding that will require dispute resolution measures under the contract. It should be noted that the CRSWSC has not received any costs from Weaver for the work performed to re-swab and flush the line from the November

incident and it is anticipated that these costs will be presented to the CRSWSC throughout this process as Weaver disputes costs presented to them from the CRSWSC. Resolution of this type of dispute can be expected to be a multi-year process.

It was confirmed that the Town of Millet will not receive any invoices from the CRSWSC related to water provided and hauled by water trucks during the incident, as the CRSWSC will be pursuing recovery from Weaver Welding for these costs.

EIA License Agreement for Commission Main Infrastructure and EIA Development

Since the departure of the EIA's legal representative that was handling the license agreement, the CRSWSC has received no further response or comment from the EIA on the latest revision provided to them on October 3, 2018, despite repeated follow up from our legal counsel, Brownlee LLP. We have recently reached out to William (Bill) Wright, Vice President, Risk, General Counsel & Governance Officer for the EIA, whom we have been advised has assumed responsibilities for this agreement and will continue to follow up on a regular basis so that this matter may be finalized.

The 65th Avenue project completed hydrovac activities for the infrastructure within the EIA and Administration is reviewing the mapping provided for the existing pipeline compared with existing pipeline alignment. There are some inconsistencies in the data received through the 65th Avenue project that we are currently working through with their surveyor.

Discovery Park Reservoir

With the Edmonton Annexation complete, Discovery Park will be turned over to the City of Edmonton rather than Leduc County. The Commission will still own the infrastructure to the Discovery Park air gap and supply them with water. There are discussions ongoing where these assets may transfer to EPCOR along with the rest of the assets in and adjacent to the annexation area per the Master Plan discussions. Until then, the Commission approved a connection to Leduc County so the Commission will continue to bill Leduc County and they will bill EPCOR. The CRSWSC does not have a bylaw that allows for the sale of water to a non-member so Leduc County's involvement is very important.

Construction of the reservoir and booster station is mostly complete. Permanent site services are currently not installed; power is anticipated in March and gas in April 2019. Remington has submitted a crossing request for installation of the gas line into the facility, as it encroaches within 5 metres of the CRSWSC supply line that is currently under review with Administration. Facility turnover to EPCOR is anticipated for May of 2019.

Highway 21 Booster Station Upgrade

The Technical Memorandum was issued by Associated Engineering and was attached for reference. At this time, only one pump will be upgraded to supply peak flows to Armena, with the removed pump to be retained and stored as a spare

pump. The contract is currently posted for tender which closes on February 28, 2019. The new pumps have a significant lead time and the contract completion date is set for October 31, 2019. Project budgets have been adjusted based on revised cost estimates received from Associated Engineering. Budgets have been adjusted to include modifications to the piping system to minimize future shutdowns for pump replacement, concrete base modifications to accommodate the increased pump size, and more current electrical equipment costs.

Strategic Plan

The first of two workshops was held on January 17, 2019 in the City of Beaumont. The first session included discussion between the Board and Administration regarding a SWOT and Risk Analysis of the CRSWSC, as well as discussion on values and principles important to establish our vision and mission. The facilitator of the session, Strategic Steps Inc., will provide a summary of the first workshop in advance of the second session scheduled for March 14, 2019, also to be held in the City of Beaumont. The agendas for the workshops were attached for reference.

Business Elite Canada Article

An article on the CRSWSC was published on January 15, 2019 in Business Elite Canada. The article can be viewed on their website: <https://www.businesselitecanada.com/emag/jan-2019/176/>.

City of Edmonton Annexation

Administration received a letter from the Municipal Government Board (MGB) on November 29, 2018 with a copy of the Order in Council approving the application for the City of Edmonton Annexation. The letter, including the copy of the Order was attached to the report for reference.

EPCOR E.L. Smith Water Treatment Plant Tour

The Board toured EPCOR's E.L. Smith Water Treatment Plant on January 24, 2019.

City of Leduc East Telford Lake ASP

Notification was received from the City of Leduc on February 8, 2019 advising of an application to Council to adopt the East Telford Lake Area Structure Plan (ASP). The letter advises of a public hearing that will be held on Monday, February 25, 2019 prior to the bylaw being considered for a second reading. Written submissions are to be submitted by February 22, 2019 to be considered.

With regards to the ASP, the CRSWSC has 2 sections of transmission main within the area identified within the ASP. The first is the transmission main to Millet which is located on the East side of Lions Park Road in the road right of way. The second is the transmission main to New Sarepta which is located on the South side of Township Road 500 in the road right of way. In both locations, these mains are located within the road right of way rather than a CRSWSC easement which is common practice for the CRSWSC. The Commission has no objections to the proposed ASP.

History of EPCOR discussions

In the last Commission meeting, Administration was asked to present the chronological events regarding the discussions with EPCOR. These are being retained in the Manager's Report moving forward to keep the Commission up to speed on negotiations. Below are the events as they took place:

- On June 8, 2017, at the CRSWSC Commission meeting, in the Manager's Report, under the Annexation discussions, an April 25th meeting between the City of Edmonton, EPCOR, Leduc County and the CRSWSC was referenced having been held where three options were discussed; 1) EPCOR purchase Commission assets within annexation boundary, 2) EPCOR purchases water from a Commission member, and 3) annexation area waits for servicing to come from the new lines from Edmonton (an independent system). It was decided that any further discussions would have to happen during the Master Plan revisions in 2018. This was reaffirmed in the November meeting.
- At the April 26, 2018 Commission meeting, Associated Engineering presented three viable options for the future of the Commission. Rough financials were discussed and Option 2 (EPCOR purchases CRSWSC assets within annexation area and provides additional connection North of Beaumont) was the least expensive option presented. A motion was passed by the CRSWSC Board (motion 21-18) to invite the Board Chair and/or Vice Chair to attend discussions with EPCOR. There are no minutes for this section of the meeting as it was an In-Camera discussion.
- On May 18, 2018, the first meeting with EPCOR was held at the City of Leduc Operations building. Associated presented the same three options to EPCOR as previously presented to the Board. EPCOR indicated that they preferred to own and operate utilities that were within City of Edmonton borders but made no preference to either of the options, which this scenario met as this was the first time seeing the information and modelling would need to be done to further any discussions. The CRSWSC representatives present at the meeting indicated that Option 2 appeared to be preferable but that any decisions, and prior to any negotiations occurring, the Board would need to vote and agree on the preferred option at the next CRSWSC meeting.
- On June 28, 2018, at the next Board meeting, with updated draft figures, Administration asked the Board to approve a recommendation to pursue Option 2 in further discussions with EPCOR as this appeared to be the best financial option for the Commission. The majority of the Board voted in favor of pursuing Option 2 (motion 43-18).
- On July 4, 2018 a meeting was held between EPCOR and Associated Engineering with Administration present to discuss modelling scenario's and required system pressures, etc.
- On August 10, 2018 a meeting between EPCOR, Associated Engineering, Administration and the Board Chair and Vice Chair was held to discuss going

down the path of pursuing Option 2. EPCOR asked the Commission to provide a summary of assets and their value, as well as energy consumption costs. A follow up meeting was scheduled for October 12, 2018 to further these discussions. The requested information was provided and the copies were provided to the Board at the September 20, 2018 Board meeting, along with a summary of the meeting.

- On October 12, 2018, the Commission met again with EPCOR. EPCOR presented a draft agreement of purchase and sale of the Commission assets. A copy of the agreement with comments by both the Commission and legal representation, Reynolds Mirth Richards & Farmer, was provided in the November 22, 2018 Manager's Report.
- On December 10, 2018, the Commission met with EPCOR and provided a copy of the agreement with comments that was included in the November 22, 2018 Manager's Report noted above for their review. There was further discussion regarding the logistics of assets to be transferred, timelines and the operational requirements from each group within these timelines. Discussions included the demarcation point(s) and location of the meter chamber, as well as the location for the three other meter chambers potentially being located within each of the three reservoirs (Nisku East, Nisku West, and Beaumont Reservoir). It was agreed that the Commission will commence drafting an operational plan with the assistance of Associated Engineering, which defines the logistics of the asset transfer which is to be appended to the agreement. It was noted that the booster station will be constructed in the future when needed; however, it is important that the Commission identifies potential land locations for the new booster station prior to finalizing the agreement.
- On February 1, 2019, Administration technical members met with Associated Engineering to discuss an operational plan to better understand how assets would be transferred, the timelines, and the operational requirements for each period of asset ownership and transfer. At this meeting it was determined that further modelling and investigation regarding system pressures was required at the potential Beaumont connection from EPCOR. Associated Engineering's modeler is reviewing these technical details with EPCOR's modeler directly so that Administration has sufficient information to finalize these requirements which will be an Appendix to the purchase of sale agreement. A follow up meeting is being scheduled with EPCOR in early March to review and discuss the operational plan and transfer.

Administration met with Leduc County administration on February 6, 2019 to identify a potential land parcel for a future booster station. Administration is preparing a letter to Leduc County requesting a memorandum of agreement (MOA) with the right of first refusal to a land parcel identified, in order to secure the parcel until such time that the CRSWSC can purchase it for booster station development. Administration is awaiting confirmation from Associated Engineering on the suitability of the potential land parcel identified prior to sending the request to Leduc County.

Master Plan

The ongoing negotiations with EPCOR pertaining to the potential transfer of assets has significantly delayed completion of the Master Plan. It is anticipated that the EPCOR negotiations will extend until late 2019. There are two options for how the Commission can proceed with finalizing the Master Plan.

The first option (Option 1) is to continue to delay completion until negotiations with EPCOR are finalized. The risk with the first option is that the rate analysis may not be complete in time for 2020 budget planning. Should negotiations with EPCOR delay finalizing the Master Plan, a sensitivity analysis could be performed to understand various factors on potential rate adjustments for 2020.

The second option (Option 2) is to finalize the Master Plan based on the results of negotiations to date. This second option would still require Administration to finalize all the details and operational requirements involved in the current negotiations prior to the April 4, 2019 Board Meeting. Administration would then move forward to complete the rate analysis and present a final draft of the Master Plan for the June 20, 2019 Board Meeting. The risk of the second option is having to make further changes to the Master Plan or operational requirements should negotiations with EPCOR vary from our current understanding of requirements.

The Board discussed the two options in detail, including the expected costs related to each option. In both options there will be additional costs from Associated Engineering for assisting with the EPCOR negotiations. Option 2 would require assumptions to be made by Associated Engineering based on the current state of negotiations in order to finalize the Master Plan. There is potential for more costs in Option 2 if there are changes to the assumptions made, which would require the finalized Master Plan to be reopened and revised. EPCOR has not yet completed their modelling, so there is still possibility of change to the option that is currently being pursued in these negotiations. The water rate analysis portion of the Master Plan is completed by a third party, which has been delayed so these costs are not incurred in vain should there be changes in the EPCOR negotiations.

There are risks with both options; however, in consideration of cost, the Board agreed that it would be best to wait to finalize the Master Plan (Option 1). With this option, Finance will be asked to prepare a water rate analysis if the Master Plan is not finalized in time for the 2020 budgeting.

04-19

Motion: It was **Moved** by Councillor Mike Storey that the Capital Region Southwest Water Services Commission approves to proceed with Option 1, to delay finalizing the Water Master Plan until negotiations with EPCOR are complete.

Carried unanimously

The Village of Hay Lakes had requested further clarifications on statements presented by Associated Engineering in the draft Master Plan discussion at the November 22, 2018 Board meeting regarding inadequate storage capacity of their reservoir. Associated Engineering issued a letter on January 16, 2019 explaining

the methodology used to make this determination. The Village requested further information such as project costs for a reservoir expansion and a recommended consultant that could undertake such work. Administration provided a rough estimate so that the Village could understand the order of magnitude cost. It was also recommended that the Village post an RFP in order to select a consultant that could provide a more accurate estimate and assist with design and construction. Associated Engineering's letter and CRSWSC correspondence were attached to the report for reference.

05-19

Motion: It was **Moved** by Councillor Doug Lyseng 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 completed **2037** 1st Call locates on Commission facilities in 2018 as compared to **2228** in 2017. Commission operators have completed **159** 1st Call locates year to date on Commission facilities.

November 22, 2018 – QQR Mechanical Contracting Ltd. inspected the check valve located downstream of pump 102 at the Boundary station due to a loud slamming noise that happened during pump sequencing. Normal wear and tear led to the valve no longer travelling properly, causing it to jam open then consequently shut. The valve has since been removed and we are expecting a replacement valve in short order.

January 8, 2019 – Chamco Industries Ltd. performed a basic inspection including a vibration analysis of all three pumps at the Boundary station.

January 8, 2019 – Phoenix Fence Corp. repaired a vandalized fence at our Hwy 21 booster station. The perpetrators were apparently looking for recyclable metals as a small section of the grounding wire for our radio tower was missing. This incident was reported to the RCMP. The Board discussed potential security equipment for this site in the future to help address vandalism, as this was not the first occasion. Security measures may be considered within the scope of the Highway 21 project depending on available project contingency once the tender closes and the project cost is identified.

January 17, 2019 – NCGI Construction Ltd. visited our Beaumont fill station to investigate a faulty signal that was affecting the level display of Beaumont's St. Vital reservoir. It was theorized that a power surge had damaged the transmitter between the CRSWSC's SCADA system and Beaumont's SCADA system.

January 24, 2019 – Chamco Industries Ltd. returned to the Boundary station to replace the packing on pumps 103 and 104.

January 30, 2019 – JWPM Tower and Antenna Systems repaired the grounding wire at our Hwy 21 booster station.

February 7, 2019 – NCGL Construction Ltd. returned to our Beaumont fill station to replace the failed transmitter. We are happy to report that the replacement of the transmitter appears to have fixed the level display for St. Vital.

- 06-19** **Motion:** It was **Moved** by Mayor Wally Yachimetz 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

2018 Customer Sales

Bylaw 02-2015, section 6.7 states that Commission members are required to pay a minimum of 90% of the volume requested by the member for the year. In 2018, Camrose County (48.27%) fell below the 90% requirement. The Commission as a whole was at 105.43% of their consumption estimate. Since the Commission as a whole exceeded the % requirement, Administration is recommending that Camrose County not be assessed any additional charges or penalties. However, the 105.43% of estimated consumption referenced above is based on a 97% recovery rate that is used for budgeting. The estimated annual consumption submitted to the RWCG was 5,690,428 M3. The 2018 actual consumption of 5,819,638 M3 is 102.3% of that amount.

- 07-19** **Motion:** It was **Moved** by Mayor Tony Wadsworth that the Capital Region Southwest Water Services Commission Board of Directors agrees to waive the requirement for Camrose County to pay a minimum of 90% of their estimated volume requirement for 2018.

Carried unanimously

2018 Financial Update

At yearend, total expenditures are over budget by 1.97%. Management expenses are under budget with 3.45% of the budget remaining. Operational expenses are over budget by 2.18%. Explanations for the variances are discussed below. Please note that there are some additional yearend adjustments still pending so the information provided is not final. There will be capital carry forwards into 2019 for the following capital projects:

- 1) 2015.003 Millet Water Line Expansion - \$290,842
- 2) 2017.002 Air Release Manhole Rehab - \$200,000
- 3) 2018.002 Pump for Hwy 21 Booster - \$300,000 (increased from \$200,000 in the 2018 budget).

***Revenue Variances***

- Water sales are over budget by 5.43%.
- Interest earned is below budget with 62.9% of the budget remaining. This is due to lower than anticipated returns on investments. However, yearend adjustments for interest were not completed at the writing of this report so this is not the final number.
- Capital provincial government grant funding is below budget and showing as a negative revenue because the City of Leduc was invoiced in 2018 for their share of some of the 2017 Millet line expenditures which meant that in 2017 recoveries from the City were understated and grant revenue was overstated. The negative revenue balance offsets this overstatement as some of the Provincial grant recognized in 2017 had to be adjusted for in 2018.
- Some yearend accounting entries are still to be posted.
- The Commission has recorded a line loss of 3.04%. The budget is always based on an approximate line loss of 3%, so this is reasonable.

Expenditure Variances

- Seminars and Conferences is under budget with 55.38% of the budget remaining due to the fact that the unused \$35,000 for 2017 was carried forward into 2018 (as per the Board Training and Development Policy) and Board members only opted for one professional development opportunity in 2018.
- Engineering fees are under budget with 41.52% of the budget remaining due to update to the Water Master Plan being budgeted here and the plan was not completed by the end of 2018. \$125,000 of the \$250,000 budgeted for the Master Plan has been carried forward into the 2019 budget.
- Power is over budget by 31.08% because the 2018 budget estimated delivery charges to be 45% of energy charges, when in actuality they were approximately 90% of the delivery charges. There is concern with the continual increase to transmission and delivery costs, which is a concern for municipalities as well. It was suggested that individuals may wish to attend an Alberta Energy Regulator (AER) meeting to voice their concerns on this matter.
- Facility Maintenance is over budget by 45.83% due to the fact that the additional costs for the boundary station roof replacement was re-classed from capital to operating.
- Instrumentation & mechanical is over budget by 35.84% due mainly to a pump repair.
- Line maintenance is under budget by 24.5%.
- Cathodic Protection has 100% of the budget remaining.
- Water purchases is over budget by 5.47% which is consistent with water sales being over budget by a similar percentage.

2018 Capital Project Summary

A copy of the 2018 Capital Projects Summary was attached for information. The final work for the Armena Line is complete and the Commission has received the balance of the Water for Life grant and the debenture funding. It is anticipated that the Millet line project will be fully completed by the end of 2019. Funding and expenditure budgets have been carried forward to the 2019 budget for the Millet water line project. The air release manhole rehab project has also been carried forward to the 2019 budget with an increased budget of \$300,000.

2018 Water Consumption

Water sales and purchases are over budget for 2018 by 5.43% and 5.47% respectively. The report titled “*2018 Water Sales and Expenditures Variances.*” was included in the agenda package. This report shows the impact of water sales and purchases to December 31, 2018 in comparison to budget.

Water sales are over budget by \$440,886 to December 31, 2018 and purchases are over budget by \$277,205. The effect on operating surplus is \$163,681. This more than offsets the overages in power, instrumentation and mechanical and facility maintenance.

2018 Audit

As of the writing of this report the Commission Auditors, Metrix Group LLP (formerly Hawkings Epp Dumont) are scheduled to begin the 2018 Audit review on February 12, 2019. The audit report and findings along with the Commission's final financial results will be presented at the AGM on April 18, 2019 as per best practice. Copies of the Audit Engagement Letter, the Audit Planning Letter and the Fraud Letter confirming that there is no knowledge of any actual, suspected or alleged fraud, were included in the agenda package.

Remuneration and Expenses Policy

The approved Remuneration and Expenses Policy has been signed and a copy was provided to the Board for reference.

08-19

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

Carried

D. 2019 Final Budget Report

2019 Final Budget Adjustments

On November 22, 2018, the Board approved the 2019 Interim Budget. Highlights of the budget approved on that date are recapped later in this report. Presented to the Board at this time is the 2019 Final Budget. The changes to the budget since adoption of the 2019 Interim Budget are as follows:

Capital Budget

- Project 2015.003 – the carry forward for the *Millet Waterline Expansion* was adjusted from \$292,674 to \$290,842 to better reflect 2018 actuals.
- 2018.002 – the carry forward for the *Pump for Hwy 21 Booster* was revised from \$185,000 to \$300,000 based on information from Associated Engineering Tech memo.
- Project 2019.001 – A new capital item, *Cathodic Protection Survey* was added for \$50,000.
- Project 2019.002 – A new capital item, *Beaumont Piping Upgrades*, was added for \$50,000.

Capital Revenue

The capital revenue budget was increased from \$677,674 to \$890,842 in order to offset the adjustments to the capital budget highlighted above. The capital funding adjustments include the following:

- Drawn from capital reserves was increased from \$385,000 to \$600,000.
- Provincial government grant funding for the Millet line expansion was adjusted from \$263,165 to \$261,517.
- Transfers from other governments was adjusted from \$29,509 to \$29,325.

Expenditures

- Insurance was decreased from \$30,000 to \$25,500 since insurance was 30% under budget in 2018.
- Power was increased from \$127,959 to \$168,834. Power was \$40K over budget in 2018 because delivery charges were at approximately 90% of energy charges. The interim budget had estimated delivery charges to be 44% of energy charges.

Transfers to Operating Reserves

- Transfers to operating reserves was decreased from \$144,230 based on \$0.025/M3 to \$57,692 based on \$0.01/M3. This was necessary in order to offset the decrease in interest revenue and the increase in expenditures resulting from an increase in the power budget.

December 31, 2018 Actuals

- The 2018 Actuals were updated to reflect the 2018 yearend balances prior to the Audit but these are not the final numbers. At the writing of this report, there were some additional final yearend entries to be processed.

2019 Interim Budget Notes

(As presented at the November 22, 2018 Board Meeting prior to the changes above)

Revenue

Water Rates

The CRSWSC sales rate for water has increased to \$1.59/m³ from \$1.47/m³ in 2018. The increase is due to a number of factors. The 2019 interim rate for

EPCOR was set at \$0.93/m³ up from \$0.89/m³ in 2018. The increase of \$0.12/M³ is required for the following:

- \$0.04/m³ for the EPCOR rate increase.
- \$0.075/m³ increase for Future Water Expansion Reserve.
- \$0.005/m³ increase in the rate to cover increases in management and operating expenses.

Water Flat Rates – Debenture Proceeds

Debenture proceeds charged to the member municipalities on transmission line 2 has increased from a budget of \$81,141 in 2018 to \$93,903 in 2019. The 2018 amount was based on the actual payments on the Highway 21 line debenture and an estimate for one payment in 2018 on the Armena line debenture. The Armena line debenture was received in 2018 therefore the 2019 budget is based on actual debenture payments (including principal & interest) for both debentures.

Interest

Interest has increased from \$46,000 to \$62,000 based on projected actuals for 2018 and budgeted reserve transfers for 2018 being invested.

Operating Surplus

The drawn from operating surplus budget increased from \$35,000 in 2018 to \$65,000 in 2019. \$35,000 is to offset the carry forward for unused seminar and conference funds based on the *Board Training & Development Policy*. The additional \$30,000 will be used to fund the development of a *Strategic Plan* approved by the Board June 28, 2018, Motion 39-18.

Accumulated Surplus

The required net balancing amount of \$6,130 will result in a decrease to accumulated surplus.

Expenditures

- Operational and management contracts are as per contractual agreements.
- Honorariums and mileage have increased by \$8,070 and \$250 respectively, to include the 2 day Strategic Plan. The revised honoraria rates used in the 2019 Budget are based on AUMA proposed 2019 Rate Schedule (which has not yet been approved). The increased rates are intended to offset any decreases to net income that result from the removal of the one-third tax free allowance.
- Legal fees include an additional \$15,000 to cover review of legal documents consistent with 2018.
- Audit fees are as per contractual agreement.
- Other Professional Fees has increased by \$30,900 to include \$30,000 for the 2019 Strategic Plan, which has been funded through the Operating reserve as approved by the Board. Additional \$1,200 increase for higher CIBC Wood Gundy Management Fees. Website hosting was moved to the computer maintenance budget in 2019.



- Debenture payments expense (interest + principal) has increased over 2018, as 2018 was an estimate for the Armena line debenture and included only one payment. The Armena debenture was pulled in 2018 therefore the 2019 budget is based on the debenture schedules for both debenture 4000845 & 4002395.
- Instrumentation & Mechanical has increased \$10,000 as it has been combined with Electrical & Mechanical.
- Engineering Fees has decreased by \$125,000 over 2018. The Long Range Master Plan review and update was started in 2018 and the unexpended funding has been carried forward to 2019 to finish the project.
- Water Purchases – For 2019 EPCOR has recommended an interim rate of \$0.93/m³. The Regional Water Customers Group agreed to this interim rate and administration recommends that the CRSWSC use this as its budgeted water rate for 2019.
- Seminars & Conferences is \$70,000 in 2019. This is a result of a carry forward of \$35,000 from 2018 as per the Board Training and Development Policy. The carry forward is funded through the operational reserve and therefore does not impact the rates.
- Transfers to Operating Reserves has increased over the 2018 budget. The transfer for General Operating Reserves was increased to \$0.04/m³ in 2019 from \$0.025. In addition, nothing was budgeted for the Rate Stabilization Reserve for 2018.
- All other expense line items have remained unchanged or have not changed by material amounts.

Capital

- “Transfers to Capital Reserves” has increased in 2019. The increase is mainly due to a \$0.075/m³ increase to the reserve for the Future Water System Expansion. This will increase the reserve transfer rate from \$0.26/m³ in 2018 to \$0.335/m³ in 2019.
- Project 2015.003 – Millet Waterline Expansion was not fully completed in 2018 and will be carried forward into 2019. The 2019 budget was adjusted to reflect the 2018 expenditures and the projected cost to complete.
- Project 2016.002 – Boundary Station Transfer Switch was not completed in 2018 and is no longer expected to be completed going forward, therefore it has not been carried forward to 2019.
- Project 2017.002 – Air Release Manhole Rehabilitation is expected to be completed in 2019 and the full budget has been carried forward.
- Project 2018.001 – Air and Vacuum Release Valves is expected to be completed in 2018 therefore no carry forward to 2019.
- Project 2018.002 – Pump for Hwy 21 Booster Station was new for 2018 with a budget of \$200,000 and the unexpended budget is carried forward into 2019.

Councillor Beverly Beckett left the meeting at 7:14 p.m.

09-19 **Motion:** It was **Moved** by Councillor Greg Gillespie that the Capital Region Southwest Water Services Commission Board of Directors adopt the 2019 Final Operating and Capital Budget as presented by Carol Hounsell, Treasurer, CRSWSC, with total revenues and transfers from reserves of \$10,240,754 and total expenditures and transfers to reserves of \$10,240,754.

Carried

10-19 **Motion:** It was **Moved** by Councillor Kelly Vandenberghe that the Capital Region Southwest Water Services Commission accept in principle the 2020-2021 forecasted Operating and Capital Budget as presented by Carol Hounsell, Treasurer, CRSWSC.

Carried

5. UNFINISHED BUSINESS

There was no unfinished business presented.

6. NEW BUSINESS

A. EPCOR Water Supply Agreement

The Regional Water Customers Group (RWCG) and EPCOR have approached an agreement on the renewal of the 20-year water licensing agreement. The Commission previously received an updated copy of the Agreement from the lawyers for signature, which was distributed to the Board on December 18, 2019 for comment.

After collecting comments from the Board, an error was found in the Agreement with regards to annual water supply quantities in Clause 3(b)(ii) in both Schedules A and C, which inaccurately referenced *that Scheduled Year* instead of *that Non-Scheduled Year*. Brownlee acknowledged the error and indicated that revisions were necessary for all RWCG members, including those that have already executed the new agreement.

Brownlee made these revisions and provided the final version of the Agreement on February 15, 2019. The Agreement is now ready for signature by Chairman Smith and Administration. Correspondence with Brownlee and the final version of the Water Supply Agreement were distributed to the Board. Board members were thanked for their time in reviewing the Agreement in detail and submitting their questions and feedback.

11-19 **Motion:** It was **Moved** by Mayor Tony Wadsworth that the Capital Region Southwest Water Services Commission Board of Directors agree to sign the EPCOR Water Supply Agreement.

Carried unanimously



7. NEXT MEETING

The second Strategic Plan workshop will take place on March 14, 2019 at the Coloniale Golf Course Clubhouse, located at 10 Country Club Drive, Beaumont, AB.

The next regular meeting of the Capital Region Southwest Water Services Commission will be held on April 4, 2019 at Kosmos Boardroom, located at 5010 – 49 Avenue, Leduc, AB.

Dinner will be served at 5:30 p.m., with the meeting to follow at 6:00 p.m.

8. ADJOURNMENT

12-19 **Motion:** It was **Moved** by Mayor Wally Yachimetz to adjourn the meeting at 7:24 p.m.

Carried



CHAIRMAN



MANAGER