

**MINUTES OF THE CAPITAL REGION SOUTHWEST WATER SERVICES COMMISSION
 REGULAR MEETING, HELD ON THURSDAY, JANUARY 30, 2020 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 6:03 p.m.

PRESENT:	Councillor Rick Smith	Leduc County
	Councillor Kelly Vandenberghe	Leduc County
	Councillor Sam Munckhof-Swain	City of Beaumont
	Councillor Steven vanNieuwkerk	City of Beaumont
	Councillor Doug Lyseng	Camrose County
	Councillor Greg Gillespie	Camrose County
	Councillor Dave Vallee	Village of Hay Lakes
	Councillor Beverly Beckett	City of Leduc
	Councillor Lars Hansen	City of Leduc
	Mayor Tony Wadsworth	Town of Millet
	Councillor Mike Storey	Town of Millet
	Mayor Wally Yachimetz	Town of Calmar
	Councillor Don Faulkner	Town of Calmar

ALSO PRESENT:	Shawn Olson, Commission Manager	City of Leduc
	Rick Sereda, Operations Manager	City of Leduc
	Samantha Folster, Project Manager	City of Leduc
	Carol Hounsell, Treasurer	City of Leduc
	Gerard Del Rosario, Accounting Technician	City of Leduc
	Shannon Bremner, Recording Secretary	City of Leduc
	Councillor David Ofrim	City of Camrose
	Malcolm Boyd, City Manager	City of Camrose
	Shawn Boven, Manager, Public Works	City of Beaumont
	Paula Kreba, P6 Media Photography	

WITH REGRETS:	Councillor Bill Daneluik	City of Beaumont
	Mayor Dawn Pauls	Village of Hay Lakes
	Councillor Krista Gardner	Town of Calmar
	Councillor Kevin Hycha	City of Camrose
	Shawn Tooth, Water Technician	City of Leduc
	Dean Downey, Manager, Utilities	Leduc County

2. ANNUAL REPORT PHOTOS

The Board had updated photos taken by Paula Kreba with P6 Media Photography for the 2019 Annual Report.

3. ADOPTION OF AGENDA

- 01-20 **Motion:** It was **Moved** by Councillor Beverly Beckett that the agenda for the January 30, 2020 Capital Region Southwest Water Services Commission regular meeting be approved as circulated.
- Carried**

4. APPROVAL OF MINUTES

A. Minutes of the November 21, 2019 Organizational Meeting

- 02-20 **Motion:** It was **Moved** by Councillor Sam Munckhof-Swain that the meeting minutes of the November 21, 2019 Capital Region Southwest Water Services Commission organizational meeting be approved as circulated.
- Carried**

B. Minutes of the November 21, 2019 Regular Meeting

- 03-20 **Motion:** It was **Moved** by Councillor Sam Munckhof- Swain that the meeting minutes of the November 21, 2019 Capital Region Southwest Water Services Commission regular meeting be approved as circulated.
- Carried**

5. REPORTS OF OFFICERS

A. Manager's Report

Strategic Plan – High Priority Items

1. *Align the Commission's Master Plan with Members municipal plans. (Communicating with Members - 4.1.1)*
Completed, can be found in section 3.1.1 of the Master Plan.
2. *Provide comprehensive orientations to Board members. (Internal Efficiency – 4.2.1)*
This will be completed before the next election in October 2021.
3. *Provide ongoing training to Board members. (Internal Efficiency – 4.2.1)*
The Board training policy will be brought forward for an update before the next election in October 2021.
4. *Conduct an energy audit. (Internal Efficiency – 4.2.2)*
Administration completed an energy audit of the Boundary Station in 2018. Once the asset sale is complete, and planning for a new Boundary/Booster station is underway, another energy audit of Commission facilities will be completed, likely towards the end of the current strategic plan (2023).

5. *Develop a current governance policy manual. (Internal Efficiency – 4.2.4)*
To be completed by 2022 so it can be shared with the new Board.

6. *Educate Members on water conservation methods. (Managing a Scarce Resource – 4.3.1)*

Recommendations are provided in section 4.5 Water Conservation, in the Master Plan. Essentially, the Commission is doing a good job managing water loss as the overall Commission's infrastructure systems loss is just slightly more than the accuracy of the meters. There are recommendations in that section of the report around things that members can do to increase conservation efforts in their municipalities (i.e. perform water audits). Moving forward, pending agreement from the Board, to accomplish the goal, Administration will start to work on developing promotional education materials containing potential actions customers can take to educate them on ways they can be more water tight. This will be shared with the members technical representatives in the future.

7. *Evaluate crossing agreements within Member rights of way. (Managing a Scarce Resource – 4.3.2)*

A recommendation is included within section 2.1 of the Master Plan regarding protection of the CRSWSC lines. The recommendation states that a CRSWSC policy should be drafted to require member municipalities to have standards that developers must obtain crossing agreements from the CRSWSC and have Commission pipelines identified within planning documents by members. This work will commence in 2020 following finalization of the Master Plan and completion of the EIA Agreement.

8. *Charge reasonable rates to Members. (Master Planning – 4.4.1)*

Completed. This is documented within the Master Plan and is included within the rate scenarios Section 11.1. This is deemed reasonable as a result of the lengthy and detailed discussions had by the Board to find a balanced approach to charge reasonable rates to members while saving for infrastructure upgrades to protect the financial viability of the Commission. The Board played a key role in developing a reasonable rate model for the CRSWSC and should be commended for their efforts.

9. *Provide a simplified utility rate structure summary to Members. (Master Planning – 4.4.2)*

A simplified utility rate pie chart will be included within the Annual Report document.

10. *Request that Members development permitting process includes identifying location of Commission water lines. (Master Planning – 4.4.3)*

This work will commence in 2020 following finalization of the Master Plan and completion of the EIA Agreement.

Leduc County – Sales Agreement

Leduc County signed the option to purchase Agreement on December 9, 2019 for the future new boundary booster station land. Reynolds-Mirth, the Commission's legal representative in this transaction, sent in a caveat to land titles to register the option to purchase. A land appraisal was completed by Dale Commercial Appraisals in November 2019. The appraisal was forwarded from Associated Engineering to Administration on December 23, 2019. The estimated value came in at \$104,800.00 pending adjustments for things like environmental contamination as indicated in the assessment. Associated has provided a quote to perform the Phase 1 Environmental Site Assessment and Hazardous Building Materials Assessment of \$12,700.00 which will occur in early spring once all the snow and ice has thawed.

The Agreement was circulated to the Board as an In-Camera item at the November 21, 2019 meeting and was approved by the Board under *motion 69-19*. A copy of the executed Agreement, caveat and land appraisal are available upon request to Administration.

Millet Water Supply Line Project

Based on the findings of Associated Engineering's report, on February 28, 2019, Administration issued Weaver Welding Notice advising of impacts and damages. In September, a meeting was held with the insurance adjuster. He noted there would be no concern proceeding with having the work completed within the Telford Booster Station as part of the claim. In discussion with Weaver and the adjuster, it was agreed to have Weaver provide pricing for this scope to determine the value upfront. The Commission could then have Weaver complete the work, which would be covered under the claim if the adjuster finds them to be at fault. Weaver agreed to a price to complete this work; their quote was received on January 4, 2020 in the amount of \$12,014.00. Administration gave Weaver permission to proceed with this work on January 6, 2020 with direction to coordinate with Operations and to provide Administration with a schedule of the work. Administration received an update from the insurance adjuster on Wednesday, January 8, 2020 requesting additional information for assessment of liability which Administration will have to compile. Administration is evaluating the request.

Early on January 1, 2020, Administration was contacted by the Town of Millet Public Works department to advise the Commission that they had lost water from the Commission line. It was determined that the repair completed on January 11, 2018 had failed significantly and the main had to be shut down. Weaver was immediately contacted to come repair the line. They mobilized later that day and repairs started early on January 2, 2020. The work was completed and water was

turned back on to the Town of Millet on January 3, 2020 at 3:00 a.m. The Commission did not incur any costs associated with this repair.

Going forward Administration will notify the Chair and Vice-Chair of incidents such as these or when water supply may be interrupted, in addition to communicating with the Board members of the affected municipality. The Chair or Vice-Chair will then determine whether the Board needs to be advised depending on the severity of the incident.

EIA License Agreement for Commission Main Infrastructure and EIA Development

The drawings attached to the Agreement were finalized and the EIA provided the go ahead to the CRSWSC to sign the Agreement. It was signed and sealed by the Commission on December 20, 2019 and sent to the EIA for their execution. We received the final sealed document from the EIA on January 14, 2020. The Agreement is now finalized and executed. This resolves approximately 3 years of negotiation as the original discussion started in August of 2016. The CRSWSC would like to thank the EIA for helping bring this to a close. The executed Agreement can be provided upon request to Administration.

Discovery Park Reservoir

The facility was commissioned on November 4, 2019 and is actively operating. The CRSWSC has never officially received the Discovery Park as an asset. The transfer of assets will be sent over directly to EPCOR, as it was not commissioned prior to the annexation being finalized and is not included within the list of assets in the EPCOR Agreement.

Highway 21 Booster Station Upgrade

Commissioning of the Highway 21 Booster Station was completed and substantial performance achieved on October 10, 2019. The fencing scope changes has been completed. The upgraded security scope was quoted well above market value from Lorac. Associated Engineering estimated the overall price should be approximately half of what Lorac had quoted. Associated Engineering provided Lorac with an alternate supplier and they are currently working on getting updated pricing from this alternate.

History of EPCOR discussions and Master Plan Updates

EPCOR Discussions

Administration was previously 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 noted that the metering stations and the Commission's new booster station would be required to be constructed prior to the transfer of assets. As such, the Commission needs to identify potential land locations for the new booster station prior to finalizing the Agreement. 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.
- 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.
- Discussion was held by the Board during the February 21, 2019 meeting regarding how to proceed with the Water Master Plan given the significant delays caused by the ongoing negotiations with EPCOR pertaining to the potential transfer of assets. The Board passed a motion (motion 04-19) to delay finalizing the Water Master Plan until negotiations with EPCOR are complete, in order to avoid unnecessary rework and costs that would be associated with revising the plan based on the final Agreement with EPCOR.
- A technical meeting was held with EPCOR on March 4, 2019 to discuss the servicing details for Beaumont and to clarify technical assumptions developed as part of the potential asset transfer between EPCOR and the CRSWSC. As a result of this meeting, it appears that EPCOR is able to provide adequate pressure at transfer points to the Beaumont line and from a future connection point from the South end of Edmonton. Associated Engineering will prepare a servicing concept diagram that indicates the points of infrastructure transfer and the point of sale/metering/pressure for review and discussion.

- A meeting was held between Administration and Associated Engineering to discuss CRSWSC operational requirements of the asset transfer with EPCOR. As a result of this meeting, Associated Engineering prepared a Technical Memorandum on May 6, 2019 outlining these operational requirements for further discussion/negotiation with EPCOR.
- A meeting was held on May 9, 2019 with CRSWSC and EPCOR legal counsels to discuss the terms and conditions of the Agreement. Discussions progressed with the legal terms and purchase conditions that the CRSWSC would have if the assets were to transfer. This allowed the lawyers to start to draft documents that will eventually be used if the transfer is approved. More information will be needed from the technical groups to filter into these documents and that meeting is to come.
- A meeting was held on May 14, 2019 to finalize technical discussions on the points of transfer and to further discuss the details that will be included in the revised Water Supply Agreement and the Sale Agreement. A further meeting will be scheduled upon receipt of outstanding deliverables for inclusion in the legal agreements being finalized by both legal teams.
- Administration received a draft Agreement from Brownlee on July 23, 2019. Comments were provided and a revised draft was received and circulated to EPCOR for review on September 6, 2019. The draft was distributed to the Board for comments at the September 19, 2019 Board meeting.
- Minor comments on the current draft of the EPCOR Agreement were received from EPCOR on October 1, 2019. Comments from the Board on the draft EPCOR Agreement were due by October 10; just over half of the members responded with comments. Both the EPCOR comments and a summary of the Board comments were sent back to Brownlee for review on October 24, 2019. A meeting was held with EPCOR on October 28, 2019 to review both their comments and Board concerns. Neither party had significant concern and Brownlee is finalizing the Agreement for signature.
- EPCOR responded with concerns over the depreciated value of the assets not being updated to 2019/2020 depreciation values. The CRSWSC advised that if we are updating to today's depreciation values we should reexamine the assets and bring it back to the Board for consideration, which may delay the entire process. EPCOR agreed to move forward with the Agreement as is. The EPCOR Agreement was finalized and sent to EPCOR for signature on January 2, 2020. EPCOR signed on January 9, 2020 and the Commission executed the Agreement upon receipt. The Board requested that Administration wait until the condition documents are finalized before sharing the Agreement with member municipality administrations. Once the condition documents are finalized and the Board has provided approval to share the executed EPCOR Agreement, the Agreement will be available upon request.

- The Board previously voted to accept the Master Plan with minor revisions at the November 21, 2019 Board meeting (*motion 80-19*). The Master Plan has now been finalized and was distributed to everyone as a separate attachment in an effort to reduce the size of the agenda package and printing. Administration will prepare a presentation outlining the highlights of the Master Plan, which will be presented to the Board at the March 19, 2020 CRSWSC meeting, prior to sharing the presentation with member municipalities at their respective Council meetings.

Ervick/Armena Feasibility Study & Armena Reservoir Upgrades

Administration received a response from Camrose County on November 12, 2019 to the Commission's request on providing the necessary information required to effectively service Armena and Ervick. Associated Engineering completed their review on December 23, 2019 and confirmed that all items had been addressed and met the requirements of the Commission. The letter was passed on to Camrose County on December 24, 2019 and was attached for Board reference. Reservoir modifications commenced on January 10, 2020. The Commission is currently supplying distribution pressure to the community while the facility receives its upgrades.

Operations and Management Contracts

Administration previously advised the Board of the expiration of the Operations and Management contracts which expire on December 31, 2020. The requirements of the previous Request for Proposal (RFP) indicate that only a member of the Commission may bid on the contracts and it prohibits subcontracting the work to a third party (i.e. operations could not be subcontracted to an entity like EPCOR). Administration is preparing to draft a similar RFP to distribute to Commission members in 2020.

As an alternative to the current path forward, the Chairman of the Board has suggested that an RFP is not necessary given that the City of Leduc was the sole respondent previously, and it is unclear if any other member wishes to bid. A request for confirmation of interest in bidding on the contracts was requested to be provided to Chairman Smith by January 15, 2020. On January 16, 2020 it was confirmed that no other member is interested in bidding on the Operations and Management contracts. As no other member is interested in pursuing these contracts, the Board may choose to forgo the preparation of an RFP and instead negotiate directly with the City of Leduc. Direct negotiation with the City of Leduc will not impede the Board from pursuing the RFP option at a later time, should negotiations not result in acceptable terms and conditions. The City of Leduc will work on a proposal to extend management and operations services pending acceptance of the Managers report at this meeting.

Regional Water Customers Group (RWCG)

A letter from the Regional Water Customers Group sent to the Minister of Environment and Parks was copied to the Commission as information. The content discusses the RWCG's concerns with an unresolved water diversion

license application made in 2014. The letter was attached to the report for reference.

New Sarepta Reservoir Assessment

The Commission received a letter from Leduc County on November 19, 2019 with the attached New Sarepta Reservoir and Pumphouse Upgrade Option Analysis report by WSP. It was requested that the CRSWSC look into potentially collaborating with Leduc County and acquiring the reservoir and pumphouse. The letter and report were sent to Associated Engineering for their review. Associated Engineering responded on December 9, 2019 in a letter to the Commission. In summary, the Commission does not participate in storage or distribution. A shared reservoir is not consistent with the Commission's current practice of not maintaining or operating reservoirs for its members and does not offer a point of demarcation. This letter was forwarded to Leduc County on December 20, 2019 with an invitation to the County to meet if they so required. The letters were attached to the Manager's Report for reference. A copy of the WSP analysis is available upon request to Administration.

EIA Reservoir 2

Commission operators worked with EPCOR to bring EIA's Reservoir 2 online over the month of December. The station was put into normal operation on December 17, 2019.

Commission Facility Locates

Commission operators completed 1850 1st Call locates on Commission facilities in 2019 as compared to 2037 in 2018. Commission operators have completed 27 1st Call locates year to date on Commission facilities.

04-20

Motion: It was **Moved** by Councillor Don Faulkner 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. Treasurer's Report

2019 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 2019, Camrose County (86%) fell below the 90% requirement. The Commission as a whole was at 101% of their consumption estimate. Since the Commission as a whole achieved the percent requirement, Administration is recommending that Camrose County not be assessed any additional charges or penalties. However, the 101% 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 5,947,637 m³. The 2019 actual consumption of 5,844,464 m³ is 98% of that amount.

05-20

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 2019.

Carried

Paula Kreba left the meeting at 6:38 p.m.

2019 Financial Update

At yearend, total expenditures are under budget by 1.71%. Management expenses are under budget with 8.9% of the budget remaining. Operational expenses are under budget by 1.39%. Explanations for the variances are discussed later in this report. Please note that there are some additional 2019 transactions and yearend adjustments still pending so the information provided is not final. There will be capital carry forwards into 2020 for the following capital projects:

- 1) 2015.003 Millet Water Line Expansion - \$288,848
- 2) 2017.002 Air Release Manhole Rehab - \$200,000
- 3) 2018.002 Pump for Hwy 21 Booster - \$151,580
- 4) 2019.002 Beaumont Piping Upgrades - \$50,000

Revenue Variances

- Water sales are over budget by 1.3%.
- Interest earned is over budget by 25%. This is a result of the conversion of the ATB chequing account to the new ATB MUSH account which pays the Commission interest on bank deposits. However, yearend adjustments for interest were not completed at the writing of this report so this is not the final number.
- Provincial government grant (Millet waterline) and transfers from other governments (Millet waterline) are both under budget with 100% of the budget remaining. These revenue items will be booked as yearend adjusting entries and will align with the actual expenditures incurred for the capital projects during 2019.
- The Commission has recorded a line loss of 2.37%.

Expenditure Variances

- Other professional fees are under budget by 11.59% due to the Strategic Plan coming in below budget. Also, the December CIBC advisory fees were not posted at the time of the writing of this report.
- 100% of the budget is remaining for audit fees. Audit fees are booked at yearend.
- Legal fees are under budget with 19.9% of the budget remaining.
- Seminars and Conferences is under budget with 100% of the budget remaining due to the fact that the unused \$35,000 for 2018 was carried forward into 2019 (as per the Board Training and Development Policy) and there was no Board participation in 2019 for training opportunities. \$35,000 of the unused 2019 budget will be carried forward to 2020.

- Insurance is over budget by 7.5% due to additions in the policy (Telford Booster, Robinson Reservoir and Boundary Station Pumphouse).
- Engineering fees are under budget with 51.24% of the budget remaining, due partially to some of the expenditures for the Master Plan having not yet been recorded.
- Power is over budget by 7.14% because for the 2019 budget, delivery charges were estimated to be 90% of energy charges. Actual delivery charges for the majority of the year were greater than 90%.
- Gas is under budget with 10.42% of the budget remaining. However, at the time of the writing of this report, not all 2019 expenses had been captured.
- Instrumentation & mechanical is over budget by 11% due mainly to a check valve installation at the boundary station.
- Line maintenance is under budget by 73%.
- Cathodic protection has 100% of the budget remaining, which will help offset the overage in the Cathodic Protection Survey capital project.
- Water purchases is over budget by 0.65% which is consistent with water sales being over budget.

2019 Capital Project Summary

A copy of the 2019 Capital Projects Summary was included in the agenda package for the Board's information. Unless otherwise noted, projects that are in progress or have yet to begin will have their remaining budgets carried forward into 2020 for future completion.

- The Millet Waterline Extension is in progress and has a remaining budget of \$288,848.
- The Air Release Manhole Rehab project with a budget of \$200,000 was put on hold in 2019 but the budget has been carried forward to 2020.
- The Highway 21 booster station is underway and has a budget remaining of \$151,580.
- The Cathodic Protection survey has been completed and is over budget by \$20,000, the \$10,000 saved in the Cathodic Protection operating line item will help offset some of this cost.
- Beaumont Piping Upgrades is in progress and is expected to be below budget. No invoices have been received to date. The budget remaining is \$50,000.

2019 Water Consumption

Water sales and purchases are over budget for 2019 by 1.3% and 0.65% respectively. The 2019 Water Sales and Expenditures Summary report shows the impact of water sales and purchases to December 31, 2019 in comparison to budget.

Water sales are over budget by \$119,657 to December 31, 2019 and purchases are over budget by \$36,117. The effect on operating surplus is \$83,540. This more than offsets the overages in insurance, power and instrumentation and mechanical.

2019 Audit and Audit RFP

The Commission Auditors, Metrix Group LLP are scheduled to complete the 2019 Audit field work on February 13, 2020. The audit report and findings along with the Commission's final financial results will be presented at the AGM on April 16, 2020 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 attached to the Treasurer's Report.

An Audit RFP will have to be posted in 2020, as the Audit contract expires following the completion of the 2019 Financial Statements.

Regional Water Customers Group

The next meeting of the Regional Water Customers Group is scheduled for Monday, May 4, 2020.

Investment Advisory Services

At the November 21, 2020 meeting of the CRSWSC Board of Directors, the Board approved CIBC Wood Gundy Hobson Chahal as the successful proponent to manage the Commission's investment portfolio. On January 7, 2020, the Commission Treasurer met with James Hobson, CFA and Charet Chahal, CFA to discuss the transition of the Commission's investment portfolio. The advisors will handle the details with input and approval from Administration. They will attend the next CRSWSC Board meeting on Thursday, March 19, 2020 to give a presentation to the Board and to answer any questions or address any concerns. At that time, they will also present a revised Investment Policy to provide general investment principles, rules and delegated authority for managing and monitoring the investments of the Capital Region Southwest Water Services Commission.

ATB Financial – Setup of Electronic Funds Transfer

The electronic funds transfer (EFT) setup has been completed on the ATB side giving us the ability to upload EFT files to the bank. A Help Desk ticket has been issued to the City of Leduc's IT Department to complete the setup of EFT in Great Plains, the accounting software. The setup may be delayed awhile due to timing and capacity issues. After the setup has been completed and tested, Electronic Funds Transfer Request Forms will be sent out to all Board members and vendors.

2020 Final Budget

The 2020 Final Operating and Capital Budget will be presented following the Treasurer's report.

06-20

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

Carried

C. 2020 Final Budget Report

At the November 21, 2019 Board meeting, the Board adopted the 2020 Interim Budget. Highlights of the budget adopted on that date were summarized and captured under the *2020 Interim Budget Highlights* section below. The revisions to the budget since adoption of the 2020 Interim Budget were presented as follows:

Capital Budget

- Project 2015.003 – the carry forward for the Millet Waterline Expansion was adjusted from \$290,842 to \$288,848 to better reflect 2019 actuals.
- 2018.002 – the carry forward for the Pump for Hwy 21 Booster was revised from \$294,527 to \$151,580 to reflect 2019 actuals.

Capital Revenue

The capital revenue budget was decreased from \$885,369 to \$740,428 in order to offset the adjustments to the capital budget highlighted above. The capital funding adjustments include the following:

- Drawn from capital reserves was decreased from \$594,527 to \$451,580.
- Provincial government grant funding for the Millet line expansion was adjusted from \$261,517 to \$259,721.
- Transfers from other governments was adjusted from \$29,325 to \$29,127.

Expenditures

- Other professional fees increased by \$500 to allow for the final costs related to the Strategic Plan.
- Engineering fees decreased by \$75,000 to better reflect the 2019 actual expenditures for the Master Plan and the estimated cost outstanding for the completion of the project.
- Natural gas was increased from \$11,100 to \$12,100 to reflect the Federal carbon tax which was effective as of January 1, 2020. The rate for the Federal carbon tax is \$1.05 per gigajoule.

Transfers to Operating Reserves

- Transfers to operating reserves was decreased from \$168,866 to \$157,841 due to an adjustment to the rate stabilization reserve fund.

2021 and 2022 Budgets

- The 2021 and 2022 budgets are adjusted to reflect a \$0.00/m³ rate increase for both years. This is due to recommendations brought forth in the updated Master Plan. The \$0.00/m³ impact on rates will be achieved by reducing the allowances for reserve transfers.

December 31, 2019 Actuals

- The 2019 actual expenditures were updated to reflect the 2019 yearend balances prior to the Audit but these are not the final numbers. Not all accounts payable invoices to December 31, 2019 were processed at the time of this report. In addition, there are still yearend entries to be completed.

2020 Interim Budget Highlights – (As presented at the November 21, 2019 Board Meeting)

Revenue

Water rates

The CRSWSC sales rate for water has increased to \$1.64/m³ from \$1.59/m³ in 2019. The increase is due to a number of factors. The 2020 interim rate for EPCOR was set at \$0.95/m³ up from \$0.93/m³ in 2019. The increase of \$0.05/m³ is required for the following:

- \$0.020/m³ for the EPCOR rate increase.
- \$0.020/m³ increase for General Capital Reserve.
- \$0.010/m³ increase for Operating Reserves.

As per the Board decision at the November 21, 2019 meeting when discussing the Master Plan agenda item, the rate of \$1.64/m³ will be held for the next several years, as outlined in Scenario 5.

Water Flat Rates – Debenture Proceeds

Debenture proceeds charged to the member municipalities on transmission line 2 has remained the same as the 2019 budget of \$93,903. The 2020 budget is based on actual debenture payments (including principal & interest) for two debentures.

Interest

Interest has increased from \$30,000 to \$60,000 based on projected actuals for 2019.

Drawn from Operating Surplus

The drawn from operating surplus budget decreased from \$65,000 in 2019 to \$35,000 in 2020. \$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 budget in 2019 was to fund the development of a Strategic Plan approved by the Board on June 28, 2018 (*Motion 39-18*). This project was completed in 2019.

Accumulated Surplus

The required net balancing amount of \$2,977 will result in an increase to accumulated surplus.

It was recommended that the Board may wish to adopt a policy in regards to accumulated surplus.

Expenditures

- Operational and management contracts are as per contractual agreements. The current contracts expire in 2020 and may go out for RFP before the end of 2020, depending on Board direction. The 2021 and 2022 budgets are based on an estimated annual increase of 3.2%.

- Honorariums and mileage have decreased by \$8,070 and \$250 respectively, which was additional to the 2019 budget to cover Board member's expenses for attending the two Strategic Plan Workshops.
- Audit fees are as per contractual agreement with an estimate for 2021 & 2022 since the current contract expires after the 2019 yearend is completed. The Commission will have to issue an RFP for Audit Services in 2020.
- Other Professional Fees have decreased by \$10,000. The 2019 budget included \$30,000 for the 2019 Strategic Plan which was completed in 2019. The 2020 budget includes an additional \$12,000 increase for higher CIBC Wood Gundy Management Fees plus \$8,000 to cover a guest speaker for the Annual General Meeting (AGM). A guest speaker has been hired for less than half of this allocated budget and serves as an educational opportunity for AGM guests, which aligns with Strategic Plan priority item 4.2.1 to provide ongoing training to Board members. Following the AGM, the Board will determine if this was a valuable experience and determine whether they wish to continue this in the future.
- Debenture payments expense (interest + principal) have remained the same at \$93,303. The 2020 budget is based on the debenture schedules for both debenture 4000845 at \$68,742 annually & 4002395 at \$25,161 annually.
- Line maintenance has decreased from \$50,000 to \$35,000. It was increased in 2019 because the 2018 expenditures were over budget due to two major line breaks. The 2020 budget was adjusted to better reflect the 2019 expenditures.
- Engineering Fees has decreased by \$35,000 over 2019. The Long-Range Master Plan review and update was started in 2018. The unexpended funding from 2019 has been carried forward to 2020 to finish the project.
- Water Purchases – For 2020 EPCOR has recommended an interim rate of \$0.95/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 2020. This represents a \$0.02/m³ increase over the 2019 budget.
- Materials and supplies has increased by \$5,000 in 2020 to allow for the purchase of special gifts to celebrate the 35th anniversary of the CRSWSC.
- The Seminars & Conferences budget for 2020 has increased to \$80,000. This is a result of a carry forward of \$35,000 from 2019 as per the Board Training and Development Policy. The carry forward is funded through the operational reserve and therefore does not impact the rates. An additional \$10,000 was added in 2020 to fund training opportunities for Administration.
- Transfers to Operating Reserves has increased over the 2019 budget. The transfer for General Operating Reserves was increased to \$0.01/m³ in 2019 to \$0.02/m³ in 2020. In addition, \$50,252 was budgeted for the Rate Stabilization Reserve in 2020 in order for it to align with the cap outlined in the Rate Stabilization Reserve Fund Policy.

- All other expense line items have remained unchanged or have not changed by material amounts.

Capital

- Transfers to Capital Reserves has increased in 2020. The increase is due to a \$0.02/m³ increase in the rate for the General Capital Reserves from \$0.04/m³ in 2019 to \$0.06/m³ in 2020. This reserve is intended to fund major unforeseen capital repairs and capital maintenance projects not related to expansion.
- Project 2015.003 – Millet Waterline Expansion. There was no activity on this project in 2019 and the full budget will be carried forward into 2020. This budget is needed as there are still unresolved issues with this project.
- Project 2017.002 – Air Release Manhole Rehabilitation is expected to be completed in 2020 and the full budget has been carried forward.
- Project 2018.002 – Pump for Hwy 21 Booster Station was started in 2019 and expected to be completed in 2020. The unexpended budget is carried forward into 2020.
- Project 2019.001 – Cathodic Protection Survey was completed in 2019.
- Project 2019.002 – Beaumont Piping Upgrades was not completed in 2020 and the budget of \$50,000 is carried forward into 2020.
- Project 2020.001 – Environmental Land Assessment for a new facility was added to the 2020 with a budget of \$50,000. This is in anticipation of EPCOR purchasing the current boundary station on Highway 2 resulting in the Commission having to find a suitable site for a new facility.

07-20 **Motion:** It was **Moved** by Councillor Lars Hansen that the Capital Region Southwest Water Services Commission Board of Directors adopt the 2020 Final Operating and Capital Budget as presented by Carol Hounsell, Treasurer, CRSWSC, with total revenues and transfers from reserves of \$10,568,200 and total expenditures and transfers to reserves of \$10,568,200.

Carried

08-20 **Motion:** It was **Moved** by Councillor Doug Lyseng that the Capital Region Southwest Water Services Commission Board of Directors accept in principle the 2021-2022 forecasted Operating and Capital Budget as presented by Carol Hounsell, Treasurer, CRSWSC.

Carried

6. UNFINISHED BUSINESS

There were no unfinished business items presented.

7. NEW BUSINESS

There were no new business items presented.

8. NEXT MEETING


The next regular meeting of the Capital Region Southwest Water Services Commission will be held on March 19, 2020 at Kosmos Boardroom, located at 5010 – 49 Avenue, Leduc, AB.

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

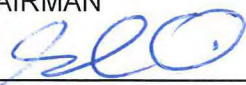
9. ADJOURNMENT

09-20 **Motion:** It was **Moved** by Councillor Steven vanNieuwkerk to adjourn the meeting at 6:53 p.m.

Carried



CHAIRMAN



MANAGER