



NORTH RED DEER RIVER WATER SERVICES COMMISSION

Annual Meeting

April 10, 2017 @ 9:00 AM

LACOMBE CITY HALL

AGENDA

1. Call to Order
2. Adoption of Agenda
3. Adoption of Minutes
 - a. November 28, 2016 - Regular Meeting (*attached*)
4. Presentation
 - a. BDO Canada LLP – TBD
 - i) Auditor's Report and 2016 Audited Financial Statements
 - ii) 2016 Audit Financial Statements for Approval
 - b. 2017 Appointment of Auditors
5. Reports
 - a. Operations (*attached*)
 - b. Administrator (*attached*)
 - i) Monthly Report
 - ii) Financial - February 2017
 - c. Chair
6. Correspondence
 - a. City of Red Deer – 2016 True-up
 - b. Minister of Municipal Affairs – Ministerial Order MSL 003/17
7. Old Business
8. New Business
 - a. Allocation of 2016 Surplus
 - b. 2017-2021 Budget Projections – Update
9. In Camera

10. Next Meeting Date: June 19, 2017 (proposed)

11. Adjournment

NORTH RED DEER RIVER WATER SERVICES COMMISSION
REGULAR MEETING MINUTES
November 28, 2016

In Attendance: Mayor Steve Christie, City of Lacombe
Mayor Rick Bonnett, Town of Ponoka
Mayor Melodie Stol, Town of Blackfalds
Councillor Ken Wigmore, Lacombe County
Councillor Mark Matejka, Ponoka County
Michael Minchin, NRDRWSC Administrator
Jennifer Peterson, Administrator Assistant

Others Present: Albert Frootman, CAO Town of Ponoka
Preston Weran, Director of Infrastructure, Town of Blackfalds
Chris Huston, Utilities Manager, City of Lacombe
Jordan Thompson, Engineering Manager, City of Lacombe

1. Call to Order:

Chair Christie called the meeting to order at 9:01 am.

2. Adoption of the Agenda:

MOVED by Mayor Bonnett that the agenda for November 28, 2016, be adopted as presented.

CARRIED

3. Adoption of the Minutes:

MOVED by Mayor Stol that the minutes for October 17, 2016, be adopted as presented.

CARRIED

4. Presentation

5. Reports

Mr. Huston discussed the recent activities.

In summary:

- The Alberta One-Call locate requests are down in November. September and October numbers were still high.
- Operations staff were called out to check communications after a planned outage at Red Deer.
- Currently working with Red Deer and their contractors to coordinate the connection of the regional line to the Central Park area. The tee off will occur on Tuesday or Wednesday. The value will remain closed to Central Park until the Agreement is back from the Province with approval.
- Mr. Minchin shared that the agreement was couriered out over a week and half ago directly to the Deputy Minister.

Administrator Report

Mr. Minchin presented the Administrator's report.

In summary:

- The line connection agreement between the Commission and Red Deer has been signed and forwarded to the Deputy Minister. The connection will be a hot tap off a line at one of the Commissions values.
- The 2017 Budget and 5 year plan has been amended to reflect the current water rate presented by the City of Red Deer. The 5 year plan will be brought back in 2017 for support by the Commission once Administration has received the multi year forecast water rates from Red Deer.
- The City of Red Deer did not provide a reason for the increase to the 2017 water rate.

Mr. Minchin presented the financial report.

In summary:

- July and August had slow water sales but in September it picked up.
- Currently on target for 2016. Still looking at a surplus for 2016.

Chairman's Report

The Chair has nothing to report at this time.

MOVED by Mayor Stol to accept as information.

CARRIED

6. Correspondence/Information

City of Red Deer letter – 2017 Water Supply Rate

A copy of the letter was provided to the Commission as information. A discussion occurred to what the reason might have been for the 6% increase in the water rate. Mr. Minchin said that he had not heard and would contact the City of Red Deer to review the long term plan for rates.

MOVED by Councillor Wigmore to accept as information.

CARRIED

7. Old Business:

Operating and Capital Budget 2017

Mr. Minchin shared that the 2017 preliminary budget was provided to the respective member councils for feedback and comments. All comments received by the Commission have been in support of the 2017 budget. Due to the 2017 water rate increase by the City of

Red Deer, the 2017 Operating and Capital Budget was amended. The only change was the reduction to the 2017 operating surplus.

MOVED by Mayor Stol to approve the 2017 Operating and Capital Budget as presented.

CARRIED

2017-2021 Operating Projection

Currently there are no changes to the 2017 -2021 Operating Plan as Mr. Minchin is waiting for the City of Red Deer to provide the multi year forecast water rates. Once Administration receives the information the 2017-2021 projections will be amended and provided to the Commission for support.

MOVED by Councillor Matejka to accept as information.

CARRIED

RFP – Administration and Operations Services

Mr. Minchin shared with the Commission that the RFP package was provided to all the partnering municipalities for consideration. The package was the same one that was used in 2009 by the former Administrator. Administration only received one (1) submission, which was from the City of Lacombe.

The Commission discussed the submission and was in support of the current proposal by the City of Lacombe. It was asked that once the regional wastewater line is operating to look to see if there will be away to have the two Commissions work together on the Administration or/or Operations services.

MOVED by Mayor Stol to accept the RFP proposal as submitted by the City of Lacombe to continue the Administration and Operations services until December 31, 2019.

CARRIED

8. New Business:

9. IN Camera

10. Next Meeting:

Monday, April 10, 2017 at 9 am, City of Lacombe Council Chambers.

11. Adjournment:

MOVED by Mayor Bonnett to adjourn this Meeting at 9:40 am.

CARRIED

Chairperson

Administrator



**North Red Deer
Regional Water
Services
Commission**

5432 56th Avenue
Lacombe, Alberta T4L 1E9

Memorandum

TO: Commission Board Members

FROM: Michael Minchin, Administrator

DATE: April 5, 2017

RE: 2016 Audited Financial Statements
Approval

REF:13/931
(2016)

PURPOSE:

To present the 2016 audited financial statements for the North Red Deer Regional Water Services for the Board's approval.

BACKGROUND:

The 2016 audited financial statements are now complete and ready for the Board's approval. A draft copy is enclosed for the Board's review. Representatives from BDO LLP will provide final copies at the Board meeting on the 10th of April.

Statements must be completed and approved by May 1st and submitted to Alberta Municipal Affairs

ISSUE ANALYSIS:

The 2016 audited statement presentation differs slightly from the annual operating budget in terms of how the operating surplus is presented. The following is a reconciliation of the surplus reported on the audited statements to that of the operating budget.

2016 Audited Statements Surplus	\$1,202,397
Less Debt Principal Payments for 2016	<u>\$ 644,428</u>
2016 Adjusted Surplus	\$ 557,969

The 2016 budgeted surplus was \$137,088. The difference between actual and budgeted forecast was the result of a true up payment from the City of Red Deer of \$348,357 and slightly lower than forecasted operating costs.

FINANCIAL IMPLICATIONS:

Administration has provided a separate memo concerning the allocation of surplus under new business later on in the agenda.

LEGISLATIVE AUTHORITY:

- Section 5(3) of Commission Bylaw 1
- Section 602.33 of the Municipal Government Act, RSA 2000, c M-26

ALTERNATIVES:

1. The Board can approve the statements as presented.

ATTACHMENTS:

- Draft – 2016 Audited Financial Statements – North Red Deer River Water Services Commission.

ACTION/RECOMMENDATION:

THAT the Board approve the 2016 Audited Financial Statements as presented.

NORTH RED DEER RIVER WATER SERVICES COMMISSION

FINANCIAL STATEMENTS

DECEMBER 31, 2016

	Page
Auditors' Report	1
Statement of Financial Position	2
Statement of Operations	3
Statement of Changes in Net Debt	4
Statement of Cash Flows	5
Notes to the Financial Statements	6
Schedules	13

Auditors' Report

To the Commission Members
North Red Deer River Water Services Commission

We have audited the statement of financial position of North Red Deer River Water Services Commission as at December 31, 2016 and the Statements of operations and Consolidated Statement of Cash Flows for the year then ended. These financial statements are the responsibility of the the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the the commission as at December 31, 2016 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

**NORTH RED DEER RIVER WATER SERVICES COMMISSION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016**

	2016	2015
	\$	\$
ASSETS		
Cash	6,097,887	4,975,103
Trade and Other Receivables	680,304	822,614
	6,778,191	5,797,717
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts Payable and Accrued Liabilities	299,630	344,045
Current Portion of Long-term Debt (Note 5)	673,815	644,428
	973,445	988,473
Long-term Debt, Net of Current Portion (Note 5)	12,823,291	13,497,107
	13,796,736	14,485,580
Net Debt	(7,018,545)	(8,687,863)
Non-financial assets		
Tangible Capital Assets (Schedule 1)	31,731,023	32,196,633
Inventory of Supplies (Note 3)	72,449	73,760
ACCUMULATED SURPLUS (Note 8)	24,784,927	23,582,530
Approved on Behalf of the Commission		
_____ Chairman		
_____ Administrator		

The accompanying notes are an integral part of these financial statements.

NORTH RED DEER RIVER WATER SERVICES COMMISSION
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budget \$	2016 \$	2015 \$
REVENUE			
Water Sales to Commission Members (Note 9)	5,567,768	5,485,679	5,760,182
Service Fees Charged to Commission Members (Note 9)	140,000	140,350	138,286
Interest income	42,000	50,059	43,757
Rebates & Dividends (Note 10)	50	348,371	350,662
Other Revenue	1,750	573	1,000
	<u>5,751,568</u>	<u>6,025,032</u>	<u>6,293,887</u>
OPERATING EXPENSES			
Accounting and Audit Fees	8,000	8,243	8,031
Board Remuneration	3,800	4,000	2,900
Board Travel	2,500	317	298
Communication	9,389	8,387	8,748
General Materials and Supplies	1,000	737	711
Insurance	5,500	3,903	4,157
Interest on Long-term Debt	630,473	628,458	656,651
Legal	1,250	300	-
Management Fees	54,321	54,595	52,316
Office	250	120	-
Operator Costs	111,883	101,860	111,314
Other Expenses	500	20	284
Other Professional Fees	46,935	20,283	51,472
Purchase of Water	3,600,362	3,510,318	3,597,885
Repairs and Maintenance	7,500	861	17,497
SCADA Maintenance	11,280	9,014	11,481
Utilities	4,500	2,732	3,525
Valves	5,000	2,877	12,701
Amortization of Capital Assets	465,610	465,610	465,610
	<u>4,970,053</u>	<u>4,822,635</u>	<u>5,005,581</u>
EXCESS OF REVENUES OVER EXPENSES	781,515	1,202,397	1,288,306
ACCUMULATED SURPLUS, BEGINNING OF YEAR	23,582,530	23,582,530	22,294,224
ACCUMULATED SURPLUS, END OF YEAR	<u>24,364,045</u>	<u>24,784,927</u>	<u>23,582,530</u>

The accompanying notes are an integral part of these financial statements.

**NORTH RED DEER RIVER WATER SERVICES COMMISSION
STATEMENT OF CHANGES IN NET DEBT
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Budget	2016	2015
	\$	\$	\$
EXCESS OF REVENUE OVER EXPENSES	781,516	1,202,397	1,288,306
Amortization of Capital Assets	465,610	465,610	465,610
Decrease (Increase) in Inventory Supplies	-	1,311	(6,479)
Net Change in Net Debt	1,247,126	1,669,318	1,747,437
Net Debt, Beginning of Year	(8,687,863)	(8,687,863)	(10,435,300)
NET DEBT, END OF YEAR	<u>(7,440,737)</u>	<u>(7,018,545)</u>	<u>(8,687,863)</u>

The accompanying notes are an integral part of these financial statements.

**NORTH RED DEER RIVER WATER SERVICES COMMISSION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	2016	2015
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of Revenues over Expenses	1,202,397	1,288,116
Items which do not affect cash:		
Amortization of Capital Assets	465,610	465,610
Net change in non-cash working capital balances:		
Decrease (Increase) in Trade and other Receivables	142,310	(176,970)
Decrease (Increase) in Inventory of Supplies	1,311	(6,478)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(44,416)	7,387
	1,767,212	1,577,665
CASH FLOWS FROM INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of Debenture Debt	(644,428)	(616,323)
CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	1,122,784	961,342
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	4,975,103	4,013,761
CASH AND CASH EQUIVALENTS - END OF YEAR	6,097,887	4,975,103

The accompanying notes are an integral part of these financial statements.

NORTH RED DEER RIVER WATER SERVICES COMMISSION
Notes to the Financial Statements
December 31, 2016

1. Significant Accounting Policies

a. Management's Responsibility for the Financial Statements

The financial statements of the North Red Deer River Water Services Commission (the "Commission") are the responsibility of management. They have been prepared in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board. The Commission is constituted under the Municipal Government Act and was approved by the Minister of Municipal Affairs on June 8, 2004, for the purpose of constructing, maintaining, controlling, and managing a regional water system. The members of the Commission are the City of Lacombe, Lacombe County, Ponoka County, Town of Blackfalds, and the Town of Ponoka.

b. Budget Amounts

The budget amounts presented on the statement of financial activities are taken from the commission's annual budget.

c. Revenue Recognition

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Government transfers are received from third parties pursuant to agreement and may only be used for the completion of specific work or for the purchase of tangible capital assets. Revenue is recognized in the period when the related expenses are incurred, or the tangible capital assets are acquired, and the amount is reasonably assured.

d. Use of Estimates

The preparation of financial statements in conformity with public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenue and expenditure during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

e. Inventories

Inventories of materials and supplies for consumption are valued at the lower of cost or net replacement cost.

f. Tangible Capital Assets

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Contributed tangible capital assets are recorded at fair value at the date of contribution and are also recorded as revenue.

NORTH RED DEER RIVER WATER SERVICES COMMISSION
Notes to the Financial Statements
December 31, 2016

f. Tangible Capital Assets continued

The cost, less residual value, of the tangible capital asset are amortized on a straight line basis over the estimated useful life as follows:

<u>ASSET CLASS</u>	<u>2016</u>
Engineered structures	
Water systems	45-75

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

g. Liability for Contaminated Sites

A contaminated site is a site at which substances occur in concentrations that exceed the maximum acceptable amounts under an environment standard.

Sites that are currently in productive use are only considered a contaminated site if an unexpected event results in contamination. A liability for remediation of contaminated sites is recognized when the organization is directly responsible or accepts responsibility; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made.

The liability includes all costs directly attributed to remediation activities including post remediation operations, maintenance and monitoring. The liability is recorded net of any expected recoveries.

2 FINANCIAL INSTRUMENTS

The Commission utilizes various financial instruments. It is management's opinion that the Commission is not exposed to significant interest or currency risks arising from these financial instruments.

The carrying value of these financial instruments approximates their fair value.

NORTH RED DEER RIVER WATER SERVICES COMMISSION
Notes to the Financial Statements
December 31, 2016

3 INVENTORIES OF SUPPLIES

	2016	2015
	\$	\$
Valves	45,750	48,978
Material and Supplies	8,852	8,659
Pipe	8,512	8,513
Couplings	4,266	2,707
Miscellaneous	5,069	4,902
	72,449	73,760

4 BANK OVERDRAFT

The Commission has an unused overdraft protection agreement with a maximum overdraft of \$1 million and interest charged at lender prime less .25%, Collateral is comprised of a general security agreement specifically pledging all grant proceeds and debenture products. As at year end December 31, 2016 the prime rate was 2.70%

NORTH RED DEER RIVER WATER SERVICES COMMISSION
Notes to the Financial Statements
December 31, 2016

5 LONG-TERM DEBT

	2016	2015
	\$	\$
4.46% debenture, repayable \$66,762 semi-annually, due September 15, 2031	1,449,010	1,515,671
4.515% debenture, repayable \$570,688 semi-annually, due June 15, 2031	12,048,096	12,625,864
	13,497,106	14,141,535
Current Portion of Long-Term Debt	673,815	644,428
Long-Term Portion	12,823,291	13,497,107

Principal and interest repayments are as follows:

	Principal \$	Interest \$	Total \$
2017	673,815	601,086	1,274,901
2018	704,542	570,359	1,274,901
2019	736,670	538,231	1,274,901
2020	770,264	504,637	1,274,901
2021	805,389	469,512	1,274,901
Subsequent	9,806,426	2,371,880	12,178,306
	13,497,106	5,055,705	18,552,811

Debenture debt is issued on the credit of the Commission at large. The Commission has agreed to levy upon the member municipalities, a cubic meter water service fee based on actual use sufficient to provide for annual funds to pay principal and interest due each year on debentures and annual operating costs.

NORTH RED DEER RIVER WATER SERVICES COMMISSION
Notes to the Financial Statements
December 31, 2016

6 DEBT LIMITS

Section 3 of Alberta Regulation No. 76/2000 and requires that debt and debt limits for the Commission to be disclosed. The Commission has received approval to borrow up to \$27 million under ministerial orders L:043/05 (\$22,000,000) and L:148/05 (\$5,000,000) to complete the project and as such, has not exceeded its debt limit at December 31, 2016. The debt limit and debt service limit otherwise determined are as follows:

	2016	2015
	\$	\$
Total Debt limit	12,050,064	12,587,774
Total Long-Term debt	(13,497,106)	(14,141,535)
	(1,447,042)	(1,553,761)
Debt servicing limit	2,108,761	2,202,860
Debt Servicing	(1,274,901)	(1,274,901)
	833,860	927,959

The debt limit is calculated at 2 times the revenue of the Commission (as defined in Alberta Regulation 76/2000) and the debt service limit is calculated at 0.35 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify Commissions that could be at financial risk if further debt is acquired. The calculation alone does not represent the financial stability of the Commission. Rather, the financial statements must be interpreted as a whole.

7 EQUITY IN TANGIBLE CAPITAL ASSETS

Net assets invested in capital assets is calculated as follows:

	2016	2015
	\$	\$
Tangible Capital Assets	31,731,023	32,196,633
Total Long-Term debt	(13,497,106)	(14,141,535)
	18,233,917	18,055,098

NORTH RED DEER RIVER WATER SERVICES COMMISSION
Notes to the Financial Statements
December 31, 2016

8 ACCUMULATED SURPLUS

	2016	2015
	\$	\$
Unrestricted Operating Surplus	1,915,441	2,029,457
Unrestricted Capital Surplus	233,104	233,104
Operating Reserve	1,212,773	1,301,221
Capital Reserve	2,429,260	1,963,650
Rate Stabilization reserve	760,432	-
Equity in Tangible Capital Assets	18,233,917	18,055,098
	<u>24,784,927</u>	<u>23,582,530</u>

The Capital Reserve is used to provide funds for specific capital equipment purchases to enhance or improve service delivery. Operating Reserves are funds for emergency situations. Both are funded out of year-end surplus and allocated based on Board Policy.

NORTH RED DEER RIVER WATER SERVICES COMMISSION
Notes to the Financial Statements
December 31, 2016

9 RELATED PARTY TRANSACTIONS

City of Lacombe, Town of Blackfalds, Town of Ponoka, Lacombe County, and Ponoka County are members of the Commission and, as such, have been identified as related parties.

a. WATER SALES:

Water sales charged to Commission members are as follows:

	2016	2015
	\$	\$
City of Lacombe	2,555,540	2,764,335
Town of Ponoka	1,413,211	1,451,612
Town of Blackfalds	1,497,192	1,527,218
Ponoka County	19,734	17,017
	<u>5,485,677</u>	<u>5,760,182</u>

b. SERVICE FEES:

Service fees are based on the actual net operating costs of the Commission and are allocated among various Commission members based on earlier agreement. service fees charged to Commission members are as follows:

	2016	2015
	\$	\$
Lacombe County	70,175	69,143
Ponoka County	70,175	69,143
	<u>140,350</u>	<u>138,286</u>

c. OTHER FEES:

The commission is provided accounting, management and operations services by the City of Lacombe for a total cost of \$166,638 (2015 - \$173,389)

Included in accounts receivable are \$669,947 (2015- \$811,603) due from various member municipalities.

Included in accounts payable is \$14,648 (2015 - \$7,590) due to various member Municipalities

NORTH RED DEER RIVER WATER SERVICES COMMISSION
Notes to the Financial Statements
December 31, 2016

10 REBATES

Based on the terms of the water supply agreement with the City of Red Deer effective September 1, 2005, annual water rates are based on forecasted consumption volume and costs which are subject to annual reconciliation. A "true-up" transaction, where one party compensates the other for variance in consumption and/or cost, is only applicable when the difference between forecasted and actual consumption and costs results in an actual cost per cubic metre variance greater than 10%. The rebate received in 2016 is a result of the reconciliation of actual annual costs and volumes to annual budgeted costs and volumes completed by the City of Red Deer for the 2015 calendar year and resulted in a rebate of \$348,357 (2015- \$350,632). The reconciled amount and resulting rebate or payable is not calculated until subsequent to the year end and as a result is recognized in the financial statements when known or received.

11 SIGNIFICANT AGREEMENTS

a. CITY OF RED DEER

The Commission has entered into a 25 year agreement with the City of Red Deer, expiring August 31, 2030, to purchase water. The agreement may be terminated by either party by giving five year's written notice. Under the agreement, the Commission is obligated to purchase an annual quantity of water to be determined by negotiation between the parties at a rate calculated on a cost of service basis utilizing the principles set out in the American Water Works Association manuals of practice dealing with water rates and charges.

b. RELATED PARTIES

The Commission has entered into agreements with the City of Lacombe, Town of Ponoka, Town of Blackfalds, and Ponoka County to supply water. Under the agreement, the Commission is obligated to provide a maximum allocation of water to each municipality for a price determined annually by October 31st of the prior year.

12 SUPPLEMENTARY CASH FLOW INFORMATION

	2016	2015
	\$	\$
Interest income	50,059	43,757
Interest on Long-term Debt	628,458	656,651

13 APPROVAL OF FINANCIAL STATEMENTS

Commission Board and Administration have approved these financial statements.

NORTH RED DEER RIVER WATER SERVICES COMMISSION
SCHEDULE OF TANGIBLE CAPITAL ASSETS
DECEMBER 31, 2016

Schedule 1

	Cost		Amortization				2016	2015
	Beginning of year	End of year	Beginning of year	Amortization	Disposals	End of year	\$	\$
Engineered Structures	34,776,820	34,776,820	4,401,879	465,610	-	4,867,489	29,909,331	30,374,941
Land	1,821,692	1,821,692	-	-	-	-	1,821,692	1,821,692
	36,598,512	36,598,512	-	4,401,879	465,610	-	31,731,023	32,196,633

Draft - For Discussion Only



**North Red Deer
Regional Water
Services
Commission**

5432 56th Avenue
Lacombe, Alberta T4L 1E9

Memorandum

TO: Commission Board Members

FROM: Michael Minchin, Administrator

DATE: April 5, 2017

RE: Appointment of External Auditors for
2017

REF: 13/931
(2017)

PURPOSE:

To recommend appointment of auditors for the Commission for 2017 fiscal year.

BACKGROUND:

The Commission's Auditors recently completed the 3rd year of a 5 year contract for the delivery of auditing services for the Commission. In accordance with the Commission's Bylaws a resolution is required to appoint the auditors for 2017.

ISSUE ANALYSIS:

BDO LLP was awarded a 5 year auditing contract covering the 2014-2018 fiscal years.

FINANCIAL IMPLICATIONS:

The annual cost of the audit is \$8,000 per year.

LEGISLATIVE AUTHORITY:

- Section 5.4 of the Commission's Bylaw 1 requires the annual appointment of the auditors.

ALTERNATIVES:

1. The Board can appoint BDO LLP as auditors
2. Give notice to BDO LLP and issue a new RFP for the upcoming years.

ATTACHMENTS:

- n/a

ACTION/RECOMMENDATION:

That the Board appoint BDO Dunwoody LLP of Red Deer, Alberta as the Commission's external financial auditors for the 2017 fiscal year.

M E M O R A N D U M



North Red Deer River Water Services Commission

5432 56th Avenue
Lacombe, Alberta T4L 1E9

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Direct Line: (403) 782-1268
Fax: (403) 782-5655

jthompson@lacombe.ca

April 3rd, 2017

Attn: NRDRWSC

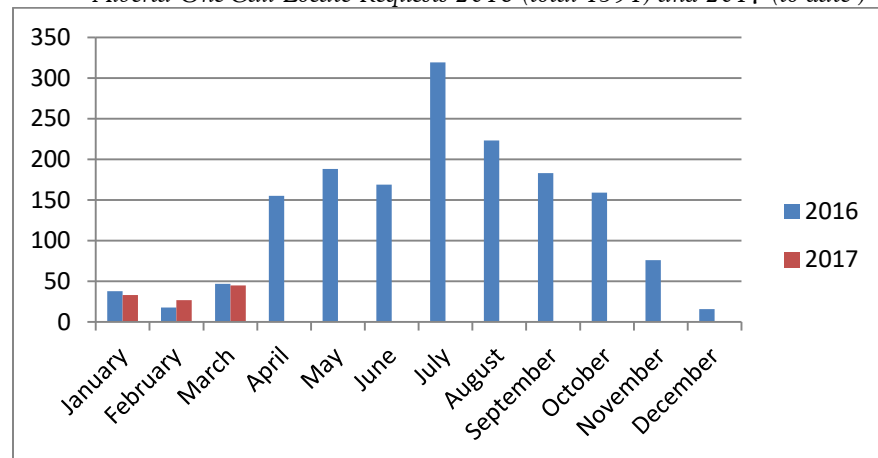
Re: Operational Report since November 28th, 2016.

Since the last update provided to members of the Commission, the City of Lacombe has dealt with the following:

GENERAL INFORMATION

- Alberta One-Call Locate Requests:
 - 2016 - 1591 locates
 - January - 33 locates
 - February - 27 locates
 - March - 45 locates

Alberta One-Call Locate Requests 2016 (total 1591) and 2017 (to date)



Repair response charges:

- January 3 - Red Deer Treatment Plant reported a loss of communication at Wolf Creek. Operator attempted to restore communication with no success. Jan. 9 communication restored on its own. Jan.19 - operator and Stantec visited site and treatment plant to troubleshoot the recent communication issues. Did not find anything and Wolf Creek has had no communication failures since.

Call-Out:

- February 11 - Red Deer Treatment Plant called operator at 2:47pm - the regional computer at the plant is down. Operator called Stantec to troubleshoot the computer, the computer was made operational on Feb.13.
- March 4 - Treatment Plant called operator at 8:36pm - lost communication with the main vault - operator reset modem - communication restored.

Crossing/Proximity Agreements

- The Wastewater Commission has applied for a number of crossing agreements with the Water Commission: 5-wastewater main crossings, 1 water service crossing, and 1 access road crossing. The crossing requests have been reviewed and approved with conditions by engineering services.
- The Wastewater Commission has applied for temporary workspace within the Water Commission's easement east of the Lacombe lagoons for the purpose of

temporarily stockpiling material and backcloping the lift station excavation. The temporary workspace request has been reviewed and approved with conditions by Engineering Services.

- In both cases the Wastewater Commission is required to enter into a “hold harmless” agreement with the Water Commission.
- The Town of Blackfalds is relocating the Broadway Avenue intersection with Highway 2A to tie into a new, unnamed collector road this summer. The Town requested approval from the Water Commission to relocate a portion of the Commission’s fill line to within the new road allowance at no cost to the Water Commission. Engineering Services reviewed the request and approved the relocation with conditions.

General Information:

- Regional Operations Manager has been working with Stantec to keep the regional computer operational at the plant. Operations Manager is asking for approval to proceed with a SCADA Assessment and Recommendation RFP (request for proposal) for the regional water line.
- March locates and site visits have increased due to the start of construction on the regional wastewater line from Lacombe to Red Deer.

If you have any questions or comments regarding the operations described above please don’t hesitate to call or email me.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jordan Thompson', with a stylized flourish at the end.

Jordan Thompson, CET, PMP
Engineering Services Manager



**North Red Deer
Regional Water
Services
Commission**

5432 56th Avenue
Lacombe, Alberta
T4L 1E9

Memorandum

TO: Commission Board Members
FROM: Michael Minchin, Administrator
DATE: April 5, 2017

RE: Administrator's Report – 1st Qtr 2017

REF: 47/117
(2017)

The following is a summary of items Administration has been working on since the Board's last meeting:

1. The Commission received notification in January of the Minister of Municipal Affairs' approval for the Water Supply Agreement between the Commission and City of Red Deer. A copy of the letter is in the correspondence section of the agenda. You will note the approval is for 5 years subject to renewal.
2. Commission staff have been in conversations with both the City and the Province concerning the potential sale of the water line to the City. Staff have communicated a potential sale price range but are waiting on the City to provide an updated water model based on the sale. The Province has outlined what information the Minister will need in order to make a decision. Staff are planning to bring this item back in June to the Commission.
3. The Commission and City have also completed and executed the water supply agreement.
4. Staff have been working with the City to begin delivery of water to Central Park. The City is still working on leaks within their portion of line however the meter has been installed and any water used will be billed to the City.
5. Staff are also working with the Town of Blackfalds to relocate a lateral line and connection to the regional line to facilitate a road realignment. Blackfalds is bearing the cost of the relocation.
6. Staff have also been busy reviewing crossing requests from the North Red Deer Regional Wastewater Commission. This work also includes amending the Water Commission's Blindman River Crossing to facilitate the Regional Wastewater line.

7. The yearend was completed by mid February this year in order to facilitate the earlier Commission meeting.



5432 56th Avenue
Lacombe, Alberta T4L 1E9

Memorandum

TO: Commission Board Members
FROM: Michael Minchin, Administrator
DATE: April 5, 2017

RE: February 2017 Variance Report

REF: 13/860
2017

Attached is the 2017 variance report as of February 28 for the regional water commission.

Water sales are right on budget so far this year, however, the busy summer months are yet to come.

Expenses remain in line with expectations. No extraordinary expenses have been incurred. As expected the largest purchase to date is the purchase of water from the City of Red Deer.

CITY OF LACOMBE
GL Department Report



GL5330

Page : 1

Date : Apr 05, 2017

Time : 4:14 pm

Year : 2017
Period : 2

Budget : FINAL BUDGET

Account No.	Description	Current	Year To Date	Budget	Variance	% Used
REGIONAL WATER REPORTING						
6 REGIONAL WATER COMMISSION						
1 REVENUES						
47 Regional Water Revenues						
06-1-47-35110	Water Sales - City of Lacombe	-187,318	-399,839	-2,569,249	-2,169,410	16
06-1-47-35120	Water Sales - Town of Ponoka	-99,890	-217,661	-1,438,011	-1,220,351	15
06-1-47-35130	Water Sales - Town of Blackfalds	-103,942	-244,491	-1,553,427	-1,308,936	16
06-1-47-35140	Water Sales - Ponoka County	-2,296	-4,233	-18,981	-14,748	22
06-1-47-35150	Water Sales - City of Red Deer	0	0	-37,400	-37,400	
06-1-47-42200	Line Crossing Fee	0	0	-1,000	-1,000	
06-1-47-55100	Interest Revenue	-4,268	-8,772	-43,511	-34,739	20
06-1-47-55500	Rebates & Dividends	0	0	-30	-30	
06-1-47-85140	Lacombe County Contribution	0	0	-70,195	-70,195	
06-1-47-85150	Ponoka County Contribution	0	0	-70,195	-70,195	
06-1-47-92100	Transfer from Reserves	0	0	-158,000	-158,000	
47 Regional Water Revenues		-397,715	-874,995	-5,959,999	-5,085,004	15
1 REVENUES		-397,715	-874,995	-5,959,999	-5,085,004	15
2 EXPENSES						
47 Regional Water Operating Expenditures						
06-2-47-11110	Board Wages-City of Lacombe	0	0	1,400	1,400	
06-2-47-11120	Board Wages-Town of Ponoka	0	0	600	600	
06-2-47-11130	Board Wages-Town of Blackfalds	0	0	600	600	
06-2-47-11140	Board Wages-Lacombe County	0	0	600	600	
06-2-47-11150	Board Wages-Ponoka County	0	0	600	600	
06-2-47-21120	Board Travel -Town of Ponoka	0	0	250	250	
06-2-47-21130	Board Travel-Town of Blackfalds	0	0	250	250	
06-2-47-21140	Board Travel-Lacombe County	0	0	250	250	
06-2-47-21150	Board Travel-Ponoka County	0	0	250	250	
06-2-47-21400	Membership Fees	0	0	300	300	
06-2-47-21500	Postage & Freight	0	0	50	50	
06-2-47-21700	Telephone - Office	25	50	400	350	13
06-2-47-21701	Telephone - Operations	669	1,338	8,072	6,734	17
06-2-47-23000	Management Fees	4,644	9,288	55,728	46,440	17
06-2-47-23100	Accounting and Auditor Fees	0	0	8,000	8,000	
06-2-47-23200	Legal Fees	0	0	500	500	
06-2-47-23900	Other Professional Services	180	414	46,800	46,386	1
06-2-47-25300	Equipment Repair & Maintenance	0	0	7,500	7,500	
06-2-47-25301	SCADA Maintenance	722	722	8,300	7,578	9
06-2-47-27400	Insurance & Bond Premiums	0	0	3,889	3,889	
06-2-47-34200	Administration	866	1,732	10,392	8,660	17
06-2-47-35100	Purchase of Water	277,688	537,238	3,863,404	3,326,166	14
06-2-47-35200	Operations	6,297	14,190	121,300	107,110	12
06-2-47-51000	Miscellaneous Expenses	0	0	250	250	
06-2-47-51100	Meeting Supplies	0	0	50	50	
06-2-47-51400	Office Supplies	0	32	150	118	21
06-2-47-52400	General Materials & Supplies	5	50	500	450	10
06-2-47-54400	Utilities-Electricity	275	472	3,500	3,028	13
06-2-47-56400	Valves	0	0	5,000	5,000	
06-2-47-81400	Bank Charges & Interest	0	0	25	25	0
06-2-47-83100	Debenture Interest	0	0	601,086	601,086	

GL Department Report



GL5330

Page : 2

Date : Apr 05, 2017

Time : 4:14 pm

Year : 2017

Period : 2

Budget : FINAL BUDGET

Account No.	Description	Current	Year To Date	Budget	Variance	% Used
REGIONAL WATER REPORTING						
06-2-47-83200	Debenture Principal	0	0	673,815	673,815	
06-2-47-99000	Amortization	0	0	465,610	465,610	
	47 Regional Water Operating Ex	291,371	565,526	5,889,421	5,323,894	10
	2 EXPENSES	291,371	565,526	5,889,421	5,323,894	10
	Surplus/(Deficit)	-106,344	-309,469	-70,579	238,890	438
	6 REGIONAL WATER COMMISSION	-106,344	-309,469	-70,579	238,890	438
	REGIONAL WATER REPORTING Total	-106,344	-309,469	-70,579	238,890	438



ENVIRONMENTAL SERVICES

March 24, 2017

Michael Minchin, Commission Administrator
North Red Deer River Water Services Commission
c/o City of Lacombe
5432 – 56 AVE
Lacombe AB T4L 1E9

Dear Mr. Minchin,

Re: 2016 True-up Per the Water Supply Agreement

Each year, we review actual costs and actual usage for the regions and assess whether or not there should be a reconciliation of costs (i.e. a "true-up"). Based on Schedule E of the Water Supply Agreement, if actual usage and costs results in a variance compared to the amounts charged of more than 10%, a "true-up" amount will be charged or paid to reconcile the difference.

The 2016 budgeted revenue requirement for the water utility was \$25.45 million, and the actual revenue requirement was \$24.20 million; a net reduction of \$1.25 million. The primary reason for this reduction is related to a \$1.28 million decrease in revenues.

For NRDRWSC, the actual cost allocated in 2016 was \$3,399,960 and the actual consumption was 2,717,000 m³; or \$1.251/m³. This compares to actual revenue collected of \$3,510,317.65; resulting in a variance of \$110,358. The variance does not exceed 10% of budget; therefore no amount is owing to the region.

Please give me a call if you have any questions or would like to discuss this matter further.

Yours truly,

Tim Ainscough, P. Eng.
Environmental Services Manager
JF/lms

c. Director of Development Services
Environmental Services Administrative & Accounting Supervisor
Water Superintendent





ALBERTA
MUNICIPAL AFFAIRS

*Office of the Minister
MLA, Lesser Slave Lake*

AR88032

JAN 10 2017

Mr. Steve Christie
Chairperson
North Red Deer River Water Services Commission
5432 - 56 Avenue
Lacombe AB T4L 1E9

Dear Mr. Christie,

I am pleased to provide you with a copy of Ministerial Order No. MSL:003/17., which authorizes the North Red Deer River Water Services Commission to provide water supply services to the City of Red Deer in accordance with the Water Supply Agreement signed on November 16, 2016. Please note that this authorization is valid for five years. A request to renew may be considered at that time.

In the future, should the North Red Deer River Water Services Commission wish to provide these services to additional non-member municipalities, in accordance with Section 602.11(b) of the *Municipal Government Act*, ministerial approval should be in place prior to the commencement of services.

If you have further questions on this matter, please contact Sarah Ranson, Manager, Municipal Sustainability and Information with Municipal Affairs. Ms. Ranson can be reached at 310-0000, then 780-422-8325, or sarah.ranson@gov.ab.ca.

Sincerely,

Hon. Danielle Larivee
Minister of Municipal Affairs

Attachment: Ministerial Order No. MSL:003/17.

cc: Michael Minchin, Administrator, North Red Deer River Water Services Commission



ALBERTA
MUNICIPAL AFFAIRS

*Office of the Minister
MLA, Lesser Slave Lake*

MINISTERIAL ORDER NO. MSL:003/17

I, Danielle Larivee, Minister of Municipal Affairs, pursuant to Section 602.11 of the *Municipal Government Act*, make the following order:

That the North Red Deer River Water Services Commission is hereby authorized to provide water supply services to the City of Red Deer in accordance with the Water Supply Agreement signed on November 16, 2016.

That this authorization shall remain in effect for five years, or until such time that the Minister rescinds the authorization.

Dated at Edmonton, Alberta, this 10th day of January, 2017.

Danielle Larivee
Minister of Municipal Affairs



**North Red Deer
Regional Water
Services
Commission**

5432 56th Avenue
Lacombe, Alberta T4L 1E9

Memorandum

TO: Commission Board Members
FROM: Michael Minchin, Administrator
DATE: April 5, 2017
RE: Allocation of 2016 Surplus

REF:
47/860/2017

PURPOSE:

To propose allocations of the 2016 operating surplus to reserves in accordance with Commission policy.

BACKGROUND:

In accordance with the Commission's capital and operating reserve policy (see attached), annual surpluses are to fund contributions to the capital and operating reserves in the following amounts:

Capital – equal to the annual amortization expense (for 2016 that is 465,610).

Operating – equals 100% operating surplus until such time as the reserve reaches the equivalent of 90 days of the cash operating expenses. The 2016 operating surplus (after amortization and less debt payments) was \$557,969. This amount included a true up rebate of \$348,357.

The 2016 operating reserve target is \$1,250,363.

ISSUE ANALYSIS:

Based on policy, Administration is proposing the following allocations:

Operating Reserve

Operating Reserve Opening Balance	\$1,212,773
Portion of 2016 Surplus	<u>\$ 37,590</u>
2017 Opening Balance	\$1,250,363
 2016 operating reserve target is	 \$1,250,363

Stabilization Reserve

Opening Balance	\$ 760,432
2015 True Up plus 2016 surplus	<u>\$ 520,379</u>
2017 Opening Balance	\$1,280,811

Capital Reserves

Capital Reserve Opening Balance	\$2,429,260
2016 Amortization	<u>\$ 465,610</u>
2017 Opening Balance	\$2,894,870

The 2016 operating surplus of \$557,969 includes \$348,357 which is the result of a true up payment from the City of Red Deer for 2015 sales and an unallocated surplus of \$209,612.

With the target operating reserve of \$1,250,363 being met with only a portion of the 2016 surplus, Administration is recommending that the balance of the 2016 surplus be allocated to the rate stabilization reserve.

Administration is also recommending that an amount equivalent to the 2016 amortization be transferred to the capital reserve as per policy.

FINANCIAL IMPLICATIONS:

The transfer to reserves has no immediate impact on the 2017 operating budget. Funding from the rate stabilization reserve in the amount of \$158,000 is being transferred to the 2017 operating budget to ensure water rates remain unchanged.

LEGISLATIVE AUTHORITY:

- Commission Policy #7

ALTERNATIVES:

1. Apply transfers to reserves as proposed.
2. Vary transfers as per Board direction.
3. Return surplus through rebates to Member municipalities.
4. Do nothing and retain surplus in unrestricted operating surplus.

ATTACHMENTS:

- Commission Policy #7 - CAPITAL & OPERATING RESERVES

ACTION/RECOMMENDATION:

THAT the Board approve the following transfer to reserve:

1. That an amount equal to the annual amortization for 2016 be allocated to the Capital Reserves; and
2. That an amount equal to \$37,590 be transferred to the Operating Reserve; and
3. That \$520,379 be transferred to the Rate Stabilization Reserve

Further, that the Board direct Administration to update the 5 year Operating Projections to incorporate the additional true up revenue.



CAPITAL & OPERATING RESERVES

Policy No. 7 (2012)

Replaces: 7 (2010)

Date Passed: August 20, 2012

Purpose of Policy

To provide guidelines and appropriate controls to maintain reserve account balances and reserve account contributions.

Policy Statement

1. In compliance with this policy and the Municipal Government Act, the establishment of all reserve accounts and the transfers to and from these accounts require Board Commission approval.
2. The annual capital reserve contribution will be equal to the greater of:
 - a. the annual amortization expense incurred by the Commission and reported in the Commission's annual audited financial statements; or
 - b. the ten year rolling average annual expense for replacement of existing capital infrastructure.

These annual contributions will be placed in an asset replacement reserve (an unrestricted capital reserve account).

3. In addition to the annual 10-year rolling average contribution to preserve the status quo, an additional unrestricted capital reserve account with a target balance of \$1,000,000 will be maintained to cover unexpected equipment failures or emergencies and to provide investment income to assist in funding annual capital requirements.
4. One hundred percent of any annual general operating surplus will be placed in an operating reserve account to ensure proper working capital and to provide for any emergency operating expenses or to fund rate stabilization initiatives of the Commission. The target for the operating reserves is the equivalent of 90 days of cash general operating expenses (which also includes debt servicing payments).
5. Reserve account balances will be reviewed on a periodic basis by Administration, with recommendations made to the Board.

Definitions

1. Annual General Operating Surplus is the excess of revenue over expenses (excluding non-cash expenses i.e. amortization), for operating activities, as consistent with the Commission's audited financial statements.
2. General Operating Expenses are the general government operating expenses

consistent with the City's annual audited financial statements for the most recent year (excluding non-cash expenses i.e. amortization).

3. Reserve Accounts represent amounts appropriated from surpluses for designated requirements.
4. Unrestricted Capital Reserves Accounts represents amounts appropriated from surpluses and are not restricted in their use by provincial legislation.

Procedure

1. Commission Manager to:
 - a. Recommend to the Board Commission approval of the establishment of and changes to reserve accounts.
 - b. Recommend transfers to or from reserve accounts through a formal reserve reporting process.
 - c. Recommend to Board a strategy to replenish the asset replacement reserve if the annual reserve contribution falls below the ten year rolling average for existing infrastructure.
2. Reserve accounts and transfers will be reported to and approved by the Board.
3. The Commission Manager will undertake a detailed review of reserve requirements every three years.
4. Interest earnings are intended to be applied to a reserve if there are external requirements based on legislation or agreements. Interest will normally be applied at the Commission's short-term investment earnings rate.
5. The unrestricted capital reserves shall maintain a minimum balance of \$1,000,000.
6. The annual capital reserve contribution will be equal to the greater of:
 - a. the annual amortization expense incurred by the Commission and reported in the Commission's annual audited financial statements; or
 - b. the ten year rolling average annual expense for replacement of existing capital infrastructure
7. Any annual general operating surpluses will be placed in an operating reserve accounts;
8. The General Operating Reserve shall maintain a balance equal to 90 days of general government expenses.

Chairperson

Manager



**North Red Deer
Regional Water
Services
Commission**

5432 56th Avenue
Lacombe, Alberta T4L 1E9

Memorandum

TO: Commission Board Members

FROM: Michael Minchin, Administrator

DATE: April 5, 2017

RE: 2017-2021 Budget Projections – Update

REF: 47/934
(2017)

Purpose

To present to the Board for discussion the final draft of the Commission's 2017-2021 Operational Budget.

Background

Administration has prepared an updated 5 year operations budget for the Regional Water Services Commission. This document is intended to provide the Board with a projection of the expected operations of the Commission for the period 2017-2021. The document is a planning document and is the basis for the 2017 operating budget.

This document is the third draft and incorporates the most recent estimate from the City of Red Deer for 2017-2021 water rates. Any changes in the plan are outlined in red below.

The document is 3 pages. The first page outlines the cost escalators and projected City of Red Deer water rates. Page 2 outlines the forecasted water volumes for the Commission. Page 3 outlines the projected budget for the next 5 years.

Issue Analysis

The projections have been prepared based on the following assumptions:

1. Water forecasts based on a combination of 4 year average and expected growth.
2. Water loss based on 2% of total annual consumption.
3. Water forecast done on year by year basis.
4. City rate applied based on an average monthly consumption for first two months (non-seasonally adjusted).
5. City of Red Deer rates based on projections provided by the City. **The City has now provided its 5 year forecast for water rates. The average increase has been lowered from 4.7% to 3.6% from 2017 to 2021. Adjustments have also been to the rate stabilization reserve to lower the average Commission rate increase from 2.65% to 1.67%**

6. Operations based on current customer base and current asset inventory.
7. Application of known true up reserves including true up revenue received in 2016.
8. No change to debt payments.
9. Maintain annual operating surplus of \$125,000 to \$145,000 per year except for 2017 where the surplus has been reduced to \$70,500 to reflect higher than City of Red Deer water rate increase.
10. Include projected City of Red Deer water revenue for 2017 and 2018.
11. Impact of potential sale of a portion of line to the City is not yet factored in but expected to be completed by end of 2018.
12. Includes most recent results for 2016 as well as the recommended transfers to and from the rate stabilization reserve

Administration is awaiting an updated 5 year rate projection from the City and is using most recent information from the City.

The plan itself calls for very stable rates over the next five years. This is due to increasing water demand and stable non water supply costs. The plan maintains a projected surplus of \$125,000 annually that could be applied against future rate increases and/or offset lower than expected water sales except for 2017 where the surplus was reduced to ensure no change in water rates for 2017.

Given the projected water rate increases from the City, the Commission's rate is expected to increase starting in 2018 even with the application of true up reserves.

Alternatives

1. The report is prepared for information. Administration is seeking input from the Board on any possible changes. No other alternatives are proposed at this time.

Attachment

- 2017-2021 Projected Operations Budget – North Red Deer Water Services Commission – April 5, 2017 version

Action/Recommendation

- Administration is recommending that this report be received for information.



North Red Deer River Water Services Commission

2017-2021 Project Operating Budget

Draft 3

April 5, 2017

*City of Red Deer Rates based 2017-2021 forecast of December 7, 2016

**North Red Deer River Water Services Commission
2017 -2021 Assumptions**

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
<u>City of Red Deer Rate</u>	1.38	1.42	1.46	1.51	1.55
% Increase	6.2%	2.9%	2.8%	3.4%	2.6%

<u>Cost Escalators</u>	2017	2018	2019	2020	2021
Rates					
General	1%	1%	1%	1%	1%
Utilities	5%	5%	5%	5%	5%
Materials	3%	3%	3%	3%	3%
Contract	2%	2%	2%	2%	2%

<u>Cost of Water</u>					
Lacombe	1,731,396	1,815,186	1,884,977	1,969,025	2,041,397
Ponoka	969,064	1,009,918	1,042,513	1,082,534	1,115,659
Blackfalds	1,014,522	1,095,203	1,171,095	1,259,642	1,344,734
Lacombe County (thru Blackfalds)	32,319	35,225	38,029	41,297	44,516
Ponoka County	12,791	13,944	15,053	16,353	17,624
City of Red Deer	27,333	28,400	-	-	-
Water Loss	<u>75,979</u>	<u>80,443</u>	<u>84,359</u>	<u>88,999</u>	<u>93,186</u>
Subtotal	3,863,404	4,078,319	4,236,026	4,457,850	4,657,116

<u>Water Sales Required</u>					
Cost of Water	3,863,404	4,078,319	4,236,026	4,457,850	4,657,116
Other Expenses	2,026,469	2,031,772	2,037,233	2,042,652	2,048,194
Less Non Water Revenue	- 351,344	- 410,268	- 392,211	- 384,173	- 346,154
Plus Surplus	<u>70,578</u>	<u>125,000</u>	<u>125,000</u>	<u>125,000</u>	<u>125,000</u>
Subtotal	5,609,107	5,824,823	6,006,048	6,241,329	6,484,156

Water Sales Volume (excl loss)	2,768,605	2,815,406	2,843,607	2,893,279	2,944,470
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<u>Regional Water Rate</u>	2.030	2.069	2.112	2.157	2.202
	0.00%	1.92%	2.08%	2.13%	2.09%

**North Red Deer River Water Services Commission
2017 -2021 Water Sales Forecast**

Page 2

Histocial Consumption

	Actual <u>2007</u>	Actual <u>2008</u>	Actual <u>2009</u>	Actual <u>2010</u>	Actual <u>2011</u>	Actual <u>2012</u>	Actual <u>2013</u>	Actual <u>2014</u>	Actual <u>2015</u>	2016 <u>Projected</u>
City of Lacombe	1,168,822	1,200,431	1,219,621	1,135,454	1,150,948	1,192,004	1,240,649	1,328,507	1,361,741	1,253,106
Town of Ponoka	795,012	866,298	767,791	703,634	700,402	699,781	699,205	706,460	715,080	705,555
Town of Blackfalds	462,420	478,435	515,855	524,584	526,983	564,434	593,449	678,191	752,324	713,085
Lacombe County	-	-	-	-	-	-	-	-	-	22,500
Ponoka County	-	116,099	4,844	2,705	3,560	4,662	5,771	7,336	8,383	8,902
Water Loss	<u>42,469</u>	<u>171,715</u>	<u>61,116</u>	<u>48,296</u>	<u>39,407</u>	<u>11,252</u>	<u>49,987</u>	<u>37,509</u>	<u>52,169</u>	<u>54,448</u>
	2,468,723	2,832,978	2,569,227	2,414,673	2,421,300	2,472,133	2,589,061	2,758,003	2,889,697	2,757,596
Change										
City of Lacombe		2.70%	1.60%	-6.90%	1.36%	3.57%	4.08%	7.08%	2.50%	-7.98%
Town of Ponoka		8.97%	-11.37%	-8.36%	-0.46%	-0.09%	-0.08%	1.04%	1.22%	-1.33%
Town of Blackfalds		3.46%	7.82%	1.69%	0.46%	7.11%	5.14%	14.28%	10.93%	-5.22%
Lacombe County										
Ponoka County				-44.16%	31.61%	30.96%	23.79%	27.12%	14.27%	6.19%
Water Loss		304.33%	-64.41%	-20.98%	-18.41%	-71.45%	344.25%	-24.96%	39.08%	4.37%
Water Loss (% of Total)		6.06%	2.38%	2.00%	1.63%	0.46%	1.93%	1.36%	1.81%	1.97%

Sales Volume Forecast

% Changes	Actual <u>2016</u>	Projected <u>2017</u>	Projected <u>2018</u>	Projected <u>2019</u>	Projected <u>2020</u>	Projected <u>2021</u>
City of Lacombe	-8.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Town of Ponoka	-1.3%	0.4%	0.4%	0.4%	0.4%	0.4%
Town of Blackfalds (excluding Count	-5.2%	4.0%	4.0%	4.0%	4.0%	4.0%
Lacombe County (County Estimate)	n/a	5.0%	5.0%	5.0%	5.0%	5.0%
Ponoka County (County Estimate)	6.2%	5.0%	5.0%	5.0%	5.0%	5.0%
City of Red Deer	n/a	n/a	0.0%	-100.0%		
Water Loss	4.4%	2.0%	2.0%	2.0%	2.0%	2.0%

	Budget <u>2016</u>	Projected <u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
City of Lacombe	1,313,050	1,253,106	1,265,640	1,278,300	1,291,080	1,303,990	1,317,030
Town of Ponoka	714,930	705,555	708,380	711,210	714,050	716,910	719,780
Town of Blackfalds	699,660	713,085	741,610	771,270	802,120	834,200	867,570
Lacombe County	5,450	22,500	23,625	24,806	26,047	27,349	28,720
Ponoka County	9,650	8,902	9,350	9,820	10,310	10,830	11,370
City of Red Deer			20,000	20,000	-	-	-
Water Loss	<u>42,840</u>	<u>54,448</u>	<u>55,540</u>	<u>56,650</u>	<u>57,780</u>	<u>58,940</u>	<u>60,120</u>
	2,785,580	2,757,596	2,824,145	2,872,056	2,901,387	2,952,219	3,004,590

**North Red Deer River Water Services Commission
2017 -2021 Operations Budget**

Page 3

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
	Actual	Projected	Projected	Projected	Projected	Projected
<u>Revenues</u>						
Water Sales - City of Lacombe	\$ 2,555,540	\$ 2,569,249	\$ 2,644,803	\$ 2,726,761	\$ 2,812,706	\$ 2,900,100
Water Sales - Town of Ponoka	1,413,211	1,438,011	1,471,493	1,508,074	1,546,375	1,584,956
Water Sales - Town of Blackfalds	1,451,517	1,505,468	1,595,758	1,694,077	1,799,369	1,910,389
Water Sales - Lacombe County	45,675	47,959	51,324	55,011	58,992	63,241
Water Sales - Ponoka County	19,734	18,981	20,318	21,775	23,360	25,037
Water Sales - City of Red Deer	-	37,400	37,400	-	-	-
Line Crossing Fee	250	1,000	1,000	1,000	1,000	1,000
Interest Revenue	50,059	50,560	51,066	51,577	52,093	52,614
Rebates & Dividends	348,371	30	30	30	30	30
Lacombe County Contribution	70,175	70,877	71,586	72,302	73,025	73,755
Ponoka County Contribution	70,175	70,877	71,586	72,302	73,025	73,755
Miscellaneous Revenue	323					
Rate Subsidization	-	158,000	215,000	195,000	185,000	145,000
Subtotal - Revenue	\$ 6,025,030	\$ 5,968,412	\$ 6,231,364	\$ 6,397,909	\$ 6,624,975	\$ 6,829,877

<u>Expenses</u>						
Board Wages-City of Lacombe	\$ 1,750	\$ 1,400	\$ 1,400	\$ 1,400	\$ 1,400	\$ 1,400
Board Wages-Town of Ponoka	750	600	600	600	600	600
Board Wages-Town of Blackfalds	750	600	600	600	600	600
Board Wages-Lacombe County	-	600	600	600	600	600
Board Wages-Ponoka County	750	600	600	600	600	600
Board Travel-City of Lacombe	-	-	-	-	-	-
Board Travel -Town of Ponoka	143	250	250	250	250	250
Board Travel-Town of Blackfalds	74	250	250	250	250	250
Board Travel-Lacombe County	-	250	250	250	250	250
Board Travel-Ponoka County	89	250	250	250	250	250
Travel- Administration	11	-	-	-	-	-
Membership Fees	377	300	303	306	309	312
Postage & Freight	50	50	51	52	53	54
Telephone - Office	307	400	400	400	400	400
Telephone - Operations	8,080	8,072	8,476	8,900	9,345	9,812
Management Fees	54,595	55,728	56,843	57,980	59,140	60,323
Accounting and Auditor Fees	8,243	8,000	8,000	8,160	8,160	8,160
Legal Fees	300	500	505	510	515	520
Other Professional Services	10,100	46,800	47,268	47,741	48,218	48,700
Equipment Repair & Maintenance	861	7,500	7,575	7,651	7,728	7,805
SCADA Maintenance	9,014	9,014	9,104	9,195	9,287	9,380
Insurance & Bond Premiums	3,903	3,942	3,981	4,021	4,061	4,102
Administration	10,183	10,392	10,600	10,812	11,028	11,249
Purchase of Water	3,510,318	3,863,404	4,078,319	4,236,026	4,457,850	4,657,116
Operations	101,860	121,300	123,726	126,201	128,725	131,300
Miscellaneous Expenses	-	-	-	-	-	-
Meeting Supplies	15	15	15	15	15	15
Office Supplies	120	120	124	128	132	136
General Materials & Supplies	295	500	515	530	546	562
Utilities-Electricity	2,732	3,500	3,800	3,990	4,190	4,400
Valves	2,877	5,000	5,150	5,305	5,464	5,628
Bank Charges & Interest	20	25	25	25	25	25
Debenture Interest	628,458	601,086	570,359	538,231	504,637	469,512
Debenture Principal	644,428	673,815	704,542	736,670	770,264	805,389
Amortization	465,610	465,610	465,610	465,610	465,610	465,610
Subtotal - Expenses	\$ 5,467,063	\$ 5,889,873	\$ 6,110,091	\$ 6,273,259	\$ 6,500,502	\$ 6,705,310

Surplus/Deficit (+/-)	<u>\$ 557,967</u>	<u>\$ 78,539</u>	<u>\$ 121,273</u>	<u>\$ 124,650</u>	<u>\$ 124,473</u>	<u>\$ 124,567</u>
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Rate Stabilization Reserve

Opening Balance	760,432	1,280,811	1,122,811	907,811	712,811	527,811
Annual True Up	520,379	-	-	-	-	-
Withdrawal	-	158,000	215,000	195,000	185,000	145,000
Closing Balance	1,280,811	1,122,811	907,811	712,811	527,811	382,811