

NORTH RED DEER RIVER WATER SERVICES COMMISSION

Regular Meeting

April 14, 2014

9:00 AM

LACOMBE CITY HALL

LACOMBE AB

AGENDA

1. Call to Order
2. Adoption of Agenda
3. Adoption of Minutes
 - a. December 16, 2013 Regular Meeting – *attached*
4. Presentation
 - a. BDO Canada LLP – Dan Luymes
 - i) Auditor's Report and 2013 Audited Financial Statement
(Draft copies provided in advance)
5. Reports
 - a. Operations
 - b. Administrator
 - i) Monthly Report
 - ii) Financial –1st Quarter
 - c. Chair
6. Old Business
 - a. MOU between Blackfalds and Lacombe County for water allocation in Lacombe County
7. New Business
 - a. 2013 Audit Financial Statements for Approval
 - b. 2013 Allocation of Surplus
8. Next Meeting Date
 - a. To be decided
9. Adjournment

NORTH RED DEER RIVER WATER SERVICES COMMISSION
REGULAR MEETING MINUTES
December 16, 2013

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, Corporate Services Director, Lacombe, NRDRWSC Administrator
Jennifer Peterson, Administrator Assistant, Lacombe

Others Present: Corinne Newman, CAO, Town of Blackfalds
Brad Watson, CAO, Town of Ponoka
Jordan Thompson, Engineering Manager
Chris Huston, Utilities Manager, City of Lacombe

Call to Order:

Chair Christie called the meeting to order at 9:03 am.

1. Adoption of the Agenda:

MOVED by Mayor Bonnett that the agenda for December 16,, 2013 be adopted as presented.

CARRIED

2. Adoption of the Minutes:

MOVED by Mayor Stol that the minutes for November 6, 2013 be adopted as presented.

CARRIED

3. Reports

Chairman's Report

Nothing to report at this time.

Chair Christie thanked the Commission for their hard work and dedication over the past year, and then wished them all a very Merry Christmas and a Happy New.

Operator's Report

Mr. Thompson discussed the recent activities.

In summary:

- Responded to 602 Alberta One-Call Locate requests; 354 – October; 216 -November; 32 – December 1 - 15.
- Operations staff was called out to repair a leaking ball valve at Broadway Reservoir (Blackfalds).

- The “on-the-shelf” drawing and specification package should be received by December 20th from Stantec.

Administrator Report

Mr. Minchin presented the Administrators report.

In summary:

- Evraz matter – have not heard anything as of yet, from the City of Red Deer or Evraz.
- Commission is working to provide the Town of Blackfalds and the Lacombe County with a MOU for water sales.
- The audit process has started. The Auditors will be here the third week of February.
- Financial – 3rd Quarter. Water sales have exceeded projection. The Commission will see an \$80-90 surplus in Operation surplus at the end of the year.

MOVED by Councillor Wigmore to accept the reports as information.

CARRIED

4. Old Business:

- Nothing at this time

5. New Business:

2014 Budget

Mr. Minchin advised the Commission that he has received no comments back from the municipalities regarding the 2014 operational budget. Nothing has changed from the 2014 provisional budget presented at the November 6th meeting.

MOVED by Councillor Wigmore to accept the 2014 Operation and Capital Budget as presented.

CARRIED

Recognition Presentation

Chair Christie present an award to retiring Commission Members Cliff Soper and Gord Svenningsen and thanked them for their time and commitment to the Commission.

Former Commission Member Larry Henkelman was unable to attend.

6. Next Meeting:

Monday, April 14, 2014 at 9 am, City of Lacombe Council Chambers.

7. Adjournment:

MOVED by Mayor Stol to adjourn this Meeting at 9:17 am.

CARRIED

Chairperson

Administrator

**NORTH RED DEER RIVER WATER SERVICES COMMISSION
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

DRAFT

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Independent Auditor's Report

To the Members of the Board of the
North Red Deer River Water Services Commission

Report on the Consolidated Financial Statements

We have audited the accompanying financial statements of North Red Deer River Water Services Commission, which comprise the Consolidated Statement of Financial Position as at December 31, 2013, and the Consolidated Statements of Operations, Change in Net Assets and Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of North Red Deer River Water Services Commission as at December 31, 2013, and the results of its operations, change in net assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Red Deer, Alberta
April 14, 2014

CHARTERED ACCOUNTANTS

**NORTH RED DEER RIVER WATER SERVICES COMMISSION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2013 For the Year Ended**

	2013	2012
	\$	\$
ASSETS		
Cash	2,853,009	1,492,139
Trade and Other Receivables	656,179	961,782
Due from City of Lacombe	-	379,241
	<u>3,509,188</u>	<u>2,833,162</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts Payable and Accrued Liabilities	347,044	321,203
Current Portion of Long-term Debt	589,444	563,737
	936,488	884,940
Long-term Debt, Net of Current Portion	14,757,858	15,347,301
	<u>15,694,346</u>	<u>16,232,241</u>
Net Debt	<u>(12,185,158)</u>	<u>(13,399,079)</u>
Non-financial assets		
Tangible Capital Assets	33,127,854	33,593,464
Inventory of Supplies	63,413	63,412
ACCUMULATED SURPLUS (Note 7)	<u>21,006,108</u>	<u>20,257,797</u>

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
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Budget	2013	2012
	\$	\$	\$
REVENUE			
Water Sales to Commission Members	5,120,705	5,142,826	4,890,880
Service Fees Charged to Commission Members	134,000	136,432	134,177
Interest income	14,960	32,644	16,662
Other Revenue	-	750	5,914
	<u>5,269,665</u>	<u>5,312,652</u>	<u>5,047,633</u>
OPERATING EXPENSES			
Accounting and Audit Fees	8,875	10,605	8,750
Board Remuneration	4,750	3,550	3,700
Board Travel	2,500	260	372
Communication	9,545	8,787	8,653
General Materials and Supplies	1,300	431	589
Insurance	5,500	4,480	4,331
Interest on Long-term Debt	711,164	714,143	729,322
Legal	1,000	-	125
Management Fees	48,825	47,440	44,730
Office	250	20	-
Operator Costs	100,000	93,139	83,546
Other Expenses	500	799	279
Other Professional Fees	50,882	20,448	12,958
Purchase of Water	3,164,828	3,166,327	2,907,659
Repairs and Maintenance	15,000	7,724	5,374
SCADA Maintenance	11,500	10,764	10,764
Utilities	5,000	4,096	4,246
Valves	5,000	5,717	(2,851)
Amortization of Capital Assets	465,610	465,610	465,610
	<u>4,612,029</u>	<u>4,564,340</u>	<u>4,288,157</u>
EXCESS OF REVENUES OVER EXPENSES	<u>657,636</u>	<u>748,312</u>	<u>759,476</u>
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>93,899</u>	<u>20,257,794</u>	<u>19,498,318</u>
ACCUMULATED SURPLUS, END OF YEAR	<u><u>751,535</u></u>	<u><u>21,006,108</u></u>	<u><u>20,257,797</u></u>

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

**NORTH RED DEER RIVER WATER SERVICES COMMISSION
STATEMENT OF CHANGE IN NET DEBT
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Budget	2013	2012
	\$	\$	\$
INCOME FROM OPERATIONS	657,636	748,312	759,476
Amortization of Capital Assets	465,610	465,610	465,610
Inventory of Supplies	-	-	(6,766)
Net Change in Net Debt	1,123,246	1,213,923	1,218,322
Net Debt, Beginning of Year	(13,399,081)	(13,399,081)	(14,617,403)
NET FINANCIAL ASSETS (DEBT), END OF YEAR	<u>(1,123,246)</u>	<u>(12,185,158)</u>	<u>(13,399,079)</u>

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

**NORTH RED DEER RIVER WATER SERVICES COMMISSION
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	2013	2012
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of Revenues over Expenses	748,313	759,478
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	684,843	878,010
(Increase) in Inventory of Supplies	-	(6,765)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	25,841	(37,179)
	1,924,607	2,059,154
CASH FLOWS FROM INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of Debenture Debt	(563,737)	(539,151)
CAPITAL ACTIVITIES:		
CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	1,360,870	1,520,003
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,492,139	(27,864)
CASH AND CASH EQUIVALENTS - END OF YEAR	2,853,009	1,492,139

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

NORTH RED DEER RIVER WATER SERVICES COMMISSION
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2013

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.

d. Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 Consolidated Financial Statements
For the Year Ended December 31, 2013

1 Significant Accounting Policies continued

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>YEARS</u>
Buildings	25-50
Engineered structures	
Water systems	45-75
Machinery, equipment and furnishings	5-30
Vehicles	10-25

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.

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.

3. INVENTORIES OF SUPPLIES

	2013	2012
	\$	\$
Valves	38,921	38,921
Material and Supplies	8,660	8,660
Pipe	8,513	8,513
Couplings	2,707	2,707
Miscellaneous	4,612	4,612
	63,413	63,413

NORTH RED DEER RIVER WATER SERVICES COMMISSION
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2013

4. LONG-TERM DEBT

	2013	2012
	\$	\$
4.46% debenture, repayable \$66,762 semi-annually, due September 15, 2031	1,640,486	1,698,885
4.515% debenture, repayable \$570,688 semi-annually, due June 15, 2031	13,706,815	14,212,153
	15,347,301	15,911,038
Less current portion	589,444	563,737
Long-Term Portion	14,757,857	15,347,301

Principal and interest repayments are as follows:

	Principal \$	Interest \$	Total \$
2014	589,444	685,458	1,274,902
2015	616,323	658,578	1,274,901
2016	644,428	630,473	1,274,901
2017	673,815	601,085	1,274,900
2018	704,542	563,359	1,267,901
Subsequent	12,118,749	3,884,279	16,003,028
	15,347,301	7,023,232	22,370,533

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 Consolidated Financial Statements
For the Year Ended December 31, 2013

5. 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, 2013. The debt limit and debt service limit otherwise determined are as follows:

	2013	2012
	\$	\$
Total debt limit	10,625,304	10,095,267
Current Portion of Long-Term debt	(15,347,302)	(15,911,038)
	(4,721,998)	(5,815,771)
Debt servicing limit	1,859,428	1,766,672
Debt Servicing	(1,274,901)	(1,274,901)
	584,527	491,771

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.

6. EQUITY IN TANGIBLE CAPITAL ASSETS

Net assets invested in capital assets is calculated as follows:

	2013	2012
	\$	\$
Total property, plant and equipment	33,127,854	33,593,464
Current Portion of Long-Term debt	(15,347,302)	(15,911,038)
	17,780,552	17,682,426

NORTH RED DEER RIVER WATER SERVICES COMMISSION
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2013

7. ACCUMULATED SURPLUS

	2013	2012
	\$	\$
	<hr/>	<hr/>
Unrestricted Operating Surplus	1,542,049	1,577,800
Unrestricted Capital Surplus	233,104	233,104
Operating Reserve	706,845	486,517
Capital Reserve	743,559	277,949
Equity in Tangible Capital Assets	17,780,552	17,682,426
	<hr/>	<hr/>
	21,006,109	20,257,796
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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.

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NORTH RED DEER RIVER WATER SERVICES COMMISSION
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2013

8. 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:

	2013	2012
	\$	\$
City of Lacombe	2,512,928	2,368,963
Town of Ponoka	1,416,189	1,390,579
Town of Blackfalds	1,202,014	1,122,055
Ponoka County	11,695	9,283
	<u>5,142,826</u>	<u>4,890,880</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:

	2013	2012
	\$	\$
Lacombe County	68,216	67,088
Ponoka County	68,216	67,088
	<u>136,432</u>	<u>134,176</u>

c. OTHER FEES:

The commission is provided accounting, management and operations services by the City of Lacombe for a total cost of \$140,559 (2012 - \$128,276)

Included in accounts receivable are \$649,937 (2012- \$955,905) due from various member municipalities.

NORTH RED DEER RIVER WATER SERVICES COMMISSION
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2013

9. 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.

10. SUPPLEMENTARY CASH FLOW INFORMATION

	2013	2012
	\$	\$
Interest income	<u>32,644</u>	16,662
Interest on Long-term Debt	<u>714,143</u>	<u>729,322</u>

11. 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
FOR THE YEAR ENDED DECEMBER 31, 2013**

Schedule 1

	Cost					Amortization				2013	2012	
	Beginning of year	Acquisition	Change in assets under construction	Disposals	Write Down	End of year	Beginning of year	Amortization	Disposals	End of year	\$	\$
Engineered Structures	34,776,820	-	-	-	-	34,776,820	3,005,049	(465,610)	-	3,470,659	31,306,161	31,771,771
Land	1,821,692	-	-	-	-	1,821,692	-	-	-	-	1,821,692	1,821,692
	36,598,512	-	-	-	-	36,598,512	(3,005,049)	(465,610)	-	(3,470,659)	33,127,854	33,593,464

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M E M O R A N D U M



North Red Deer Regional Water Services Commission

5432 56th Avenue
Lacombe, Alberta T4L 1E9

Phone: (403) 782-6666
Direct Line: (403) 782-1268
Fax: (403) 782-5655

jthompson@lacombe.ca

April 7, 2014

Attn: NRDRWSC Commission

Re: Operational Report since January 1, 2014 to current

Since the last update provided to members of the Commission (December 12th), the City of Lacombe has dealt with the following issues:

GENERAL ISSUES

- Responded to 193 Alberta One-Call Locate Requests:
 - January - 97 locates
 - February - 37 locates
 - March - 59 locates

Repair response charges:

- Dec.27th, 2013 - A water leak surfaced in Ponoka near the Lucas Reservoir. The operator coordinated with Town of Ponoka Staff to confirm the source of the leak is likely NRDRWSC owned pipe. Pidherney's was contacted to expose and repair the water line.
- Jan.6th, 2014 - Pidherney's exposed the source of the water leak to be a rusted buried valve in a section of pipe that was previously a well water supply line. The valve was replaced and backfilled. Landscaping, concrete and asphalt road restoration work is outstanding but is planned to be completed this summer.
- March 26th, 2014 - The emergency lighting was observed to be off at Riverside - the operator replaced the batteries and confirmed the lighting is operational.

Call-Out:

- Jan.21st, 2014 - 4:45 p.m. - No communication with Pump House "C" - The modem was reset by the operator and communication was restored.
- March 4th, 2014 - 3:33 a.m. - The operator received a notification that a valve failed to open at Eastrail - The valve was checked and Red Deer confirmed that control was restored.

Crossing/Proximity Agreements -

- Atco Pipeline requested temporary permission to cross the NRDRWSC right-of-way on NE27-41-26-W4 with above ground rubber tire equipment. The details of the request were reviewed and approved.
- Telus Communication Inc. provided Administration with a "working within proximity notification" for communications cable installation work within 30m of the NRDRWSC right-of-way (South Street, Blackfalds). The notification was received as information.
- Glencoe Resources requested two proximity agreements to conduct work within 30m of the NRDRWSC right-of-way (SE-18-42-25 W4, NE-7-42-25 W4). The details of the request were reviewed and approved.
- Glencoe Resources requested a crossing agreement with the NRDRWSC to install a gas pipe on (NE-7-42-25 W4). Glencoe Resources accepted the standard NRDRWSC crossing agreement as is. Administration will process the application further once the crossing agreement fee has been received.

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 10, 2014

RE: Administrator's Report – 1st Qtr 2014

REF: 47/117
(2014)

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

1. Administration attended a flood prevention workshop in Drumheller in February. The purpose was to examine potential flood risks associated with drinking water supplies. The City of Red Deer was also in attendance. No action is required from the Water Commission. The Regional Wastewater Commission has been incorporating emergency storage options in their design.
2. Administration is working the long term water forecast for the City of Red Deer. Water demand has increased significantly in the last two years.
3. Administration has received drawings from Evraz concerning connection to the Commission's regional line. Administration will be returning the drawings as they still do not have the approval of the City.
4. Commission members may be receive correspondence from a citizen group concerning fluoride. It appears that this may become an issue again.

CITY OF LACOMBE
GL Department Report



GL5330

Page : 1

Date : Apr 11, 2014

Time : 11:46 am

Year : 2014

Period : 3

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	-221,788	-632,968	-2,443,966	-1,810,998	26
06-1-47-35120	Water Sales - Town of Ponoka	-117,269	-339,972	-1,431,150	-1,091,178	24
06-1-47-35130	Water Sales - Town of Blackfalds	-101,622	-294,399	-1,248,769	-954,370	24
06-1-47-35140	Water Sales - Ponoka County	-1,186	-3,285	-11,021	-7,736	30
06-1-47-42200	Line Crossing Fee	0	0	-1,000	-1,000	
06-1-47-55100	Interest Revenue	-3,070	-8,658	-33,000	-24,342	26
06-1-47-55500	Rebates & Dividends	0	0	-50	-50	
06-1-47-85140	Lacombe County Contribution	0	0	-67,000	-67,000	
06-1-47-85150	Ponoka County Contribution	0	0	-67,000	-67,000	
47 Regional Water Revenues		-444,934	-1,279,282	-5,302,955	-4,023,673	24
1 REVENUES		-444,934	-1,279,282	-5,302,955	-4,023,673	24
2 EXPENSES						
47 Regional Water Operating Expenditures						
06-2-47-11110	Board Wages-City of Lacombe	0	0	1,750	1,750	
06-2-47-11120	Board Wages-Town of Ponoka	0	0	750	750	
06-2-47-11130	Board Wages-Town of Blackfalds	0	0	750	750	
06-2-47-11140	Board Wages-Lacombe County	0	0	750	750	
06-2-47-11150	Board Wages-Ponoka County	0	0	750	750	
06-2-47-21110	Board Travel-City of Lacombe	0	0	500	500	
06-2-47-21120	Board Travel -Town of Ponoka	0	0	500	500	
06-2-47-21130	Board Travel-Town of Blackfalds	0	0	500	500	
06-2-47-21140	Board Travel-Lacombe County	0	0	500	500	
06-2-47-21150	Board Travel-Ponoka County	0	0	500	500	
06-2-47-21170	Travel-Administration	0	205	0	-205	
06-2-47-21400	Membership Fees	0	0	200	200	
06-2-47-21500	Postage & Freight	0	50	150	100	34
06-2-47-21700	Telephone - Office	0	50	305	255	16
06-2-47-21701	Telephone - Operations	0	1,338	9,084	7,747	15
06-2-47-23000	Management Fees	4,100	12,300	50,202	37,902	25
06-2-47-23100	Accounting and Auditor Fees	0	0	8,900	8,900	
06-2-47-23200	Legal Fees	0	0	500	500	
06-2-47-23900	Other Professional Services	0	883	38,372	37,489	2
06-2-47-25300	Equipment Repair & Maintenance	0	22,536	7,500	-15,036	300
06-2-47-25301	SCADA Maintenance	897	1,794	10,800	9,006	17
06-2-47-27400	Insurance & Bond Premiums	0	0	5,500	5,500	
06-2-47-34200	Administration	765	2,295	9,366	7,071	25
06-2-47-35100	Purchase of Water	0	531,658	3,114,356	2,582,698	17
06-2-47-35200	Operations	0	13,095	96,300	83,205	14
06-2-47-51000	Miscellaneous Expenses	0	0	500	500	
06-2-47-51100	Meeting Supplies	0	0	250	250	
06-2-47-51400	Office Supplies	0	0	250	250	
06-2-47-52400	General Materials & Supplies	35	35	500	465	7
06-2-47-54400	Utilities-Electricity	0	772	5,000	4,228	15
06-2-47-56400	Valves	0	0	5,000	5,000	
06-2-47-83100	Debenture Interest	36,583	36,583	685,458	648,875	5
06-2-47-83200	Debenture Principal	30,179	30,179	589,443	559,264	5
06-2-47-99000	Amortization	0	0	465,610	465,610	

CITY OF LACOMBE
GL Department Report



GL5330

Page : 2

Date : Apr 11, 2014

Time : 11:47 am

Year : 2014

Period : 3

Budget : FINAL BUDGET

Account No.	Description	Current	Year To Date	Budget	Variance	% Used
REGIONAL WATER REPORTING						
	47 Regional Water Operating Ex	72,559	653,773	5,110,796	4,457,023	13
	2 EXPENSES	72,559	653,773	5,110,796	4,457,023	13
	Surplus/(Deficit)	-372,375	-625,509	-192,159	433,350	326
	6 REGIONAL WATER COMMISSION	-372,375	-625,509	-192,159	433,350	326
	REGIONAL WATER REPORTING Total	-372,375	-625,509	-192,159	433,350	326



**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 10, 2014

RE: Sale of Water to County Via Blackfalds REF:13/351(2014)

At its August 2013 Board meeting, the Regional Water Commission approved a request from Lacombe County to supply an area within the County with Commission water via the Town of Blackfalds. This was subject to a Memorandum of Understanding between the parties as this was non-conventional method and required the approval of the Commission.

Since this approval, some questions have arisen concerning the authority of the Commission to grant such a request. Since there are a number of new members to the Commission, I will provide a brief explanation of each of the governing documents that affect water supply for the Commission and its members.

1. Water Authorization Act

This provincial act provided for the "inter basin" transfer necessary to provide for the supply of water from the Red Deer River to the Commission members. The maximum amount under this authority is 13,391 decameters (13,391,000 cubic metres) annually and issued under license #00189571.

2. Water license

This license authorizes the Commission to divert up to 13,391 decameters (13,391,000 cubic metres) annually at a rate to not exceed 0.54 cubic metres per second. It is valid until August 2, 2031

3. North Red Deer River Water Services Commission Regulation

This Provincial Regulation is the creation document for the formation of the Regional Water Services Commission'

- a. Section 3 of the Regulation provides authority to the Commission to operate a water supply system.

4. Commission Bylaw #1 approved by Minister November 2, 2004

Commission Bylaw #1 outlines the details of the operation of the Commission. Section 2.1 outlines the purpose of the Commission:

- a) *To provide wholesale water services to its Members;*
- b) *Provide water services to any customer on such terms and conditions as the Commission may determine.*

Section 7.1 provides for the volumes to be provided to each member:

<i>Town of Blackfalds</i>	<i>1,903,000 m3</i>
<i>City of Lacombe</i>	<i>4,862,000 m3</i>
<i>Town of Ponoka</i>	<i>2,097,000 m3</i>
<i>Lacombe County</i>	<i>400,000 m3</i>
<i>Ponoka County</i>	<i><u>400,000 m3</u></i>
<i>Total</i>	<i>9,662,000 m3</i>

*and the Commission shall undertake to provide capacity within the system to supply the volume of water annually requested by each member up to the allocation identified. The Commission **may** at its discretion, provide to Members volumes of water exceeding these allocations.*

Section 9.1 outlines the only restriction in use of water

The Commission shall not sell Water Services to a Member and a Member shall not resell Water Services to any customer for the purpose of the supply of Water Services to a confined feeding operation or for injection into any geological subsurface structure or formation.

- 5. City of Red Deer Agreement dated October 25, 2004
The City of Red Deer agreement outlines the volume and conditions for the sale of water by the City to the Commission

Section 13 outlines the restrictions of resale of water by the Commission to:

- (1) *Customers located within the Commission's Boundaries identified in Schedule,*
- (2) *Customers outside of the Commissions Boundaries who are identified in Schedule,*
- (3) *The City will consider Commission requests for additional customers from time to time.*

Outside customers included Red Deer County and the Montana Band

- 6. Member Agreements (Blackfalds and Commission dated September 9, 2005)
Finally, the supply agreement between the Commission and its individual members outlines condition for use and sale of water

Clause 3(j) outlines the conditions:

The Member shall use or resell any or all of the Water bought from the Commission for the purpose of distributing the Water

- (i) To customers located within the Member Boundaries; and*
- (ii) To customers located outside to the Member's Boundaries, that may be authorized the Commission.*

I hope this clarifies the role and responsibilities of the Commission and the Members involved in this particular case.



**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 10, 2014

RE: Allocation of 2013 Operating Surplus

REF:
47/860/2014

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:

1. Capital – equal to the annual amortization expense (for 2013 that is 465,610)

Capital Reserve Opening Balance	\$743,559
2013 Capital Surplus	<u>\$465,610</u>
2014 Balance	\$1,209,169

2. Operating – equal 100 operating surplus until such time as the reserve reaches the equivalent of 90 days of the cash operating expenses. The surplus (after amortization and less debt payments) for 2013 was 184,576

Operating Reserve Opening Balance	\$706,845
2013 Operating Surplus	<u>\$184,576</u>
2014 Balance	\$891,421

Target (as of 2013)	\$1,165,516
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Administration is recommending that the Board approves these transfers to reserves as presented.



CAPITAL & OPERATING RESRVES

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