



NORTH RED DEER RIVER WATER SERVICES COMMISSION

Annual Meeting

April 8, 2019 @ 9:00 AM

LACOMBE CITY HALL

AGENDA

1. Call to Order
2. Adoption of Agenda
3. Adoption of Minutes
 - 3.1. December 10, 2018 - Regular Meeting (*attached*)
4. Presentation
 - 4.1. BDO Canada LLP – Ryan Wachter
 - 4.1.1. Auditor's Report and 2018 Audited Financial Statements
 - 4.1.2. 2018 Audit Financial Statements for Approval
 - 4.2. 2019 Appointment of Auditors
5. Reports
 - 5.1. Operations (*attached*)
 - 5.2. Administrator (*attached*)
 - 5.2.1. Monthly Report
 - 5.2.2. Financial - February 2019
 - 5.3. Chair
6. Correspondence
 - 6.1. Municipal Affairs - Alberta Community Partnership (ACP) Program
 - 6.2. Municipal Affairs - Ministerial Order No. MSL:008/19
7. Old Business
 - 7.1. Waterline Sale Agreement – City of Red Deer
8. New Business
 - 8.1. Allocation of 2018 Surplus
 - 8.2. 2019 Operating Budget Amendment

8.3. Operational and Administrative Service Contract

8.4. Bylaw 3.3 A bylaw to Amend Water Rate Bylaw #3

8.5. 5-Year Projections

8.6. APC Grant

9. In Camera

10. Next Meeting Date: June 17, 2019 (proposed)

11. Adjournment

NORTH RED DEER RIVER WATER SERVICES COMMISSION
REGULAR MEETING MINUTES
December 10, 2018

In Attendance: Chair Ken Wigmore, Lacombe County Councillor
Mayor Grant Creasey, City of Lacombe
Mayor Rick Bonnett, Town of Ponoka
Mayor Richard Poole, Town of Blackfalds
Justin de Bresser, NRDRWSC Administrator
Jennifer Peterson, Administrative Assistant

Others Present: Albert Frootman, CAO, Town of Ponoka
Myron Thompson, CAO, Town of Blackfalds
Michael Minchin, Manager of Corporate Services, Lacombe County
Preston Weran, Director of Infrastructure, Town of Blackfalds
Jordan Thompson, Operation & Planning Director, City of Lacombe
Angela Smith, Regional Utilities Foreman, City of Lacombe
Amber Mitchell, Engineering Manager, City of Lacombe

Regrets: Councillor Mark Matejka, Ponoka County

1. Call to Order:

Chair Wigmore called the meeting to order at 9:00 am.

2. Adoption of the Agenda:

MOVED by Mayor Poole that the agenda for December 10, 2018, be adopted as presented.

CARRIED

3. Adoption of the Minutes:

Mayor Poole requested that the minutes are corrected under Governance, Vice Chair to read

"Mayor Bonnett nominated Grant Creasey for Vice Chair"

MOVED by Mayor Poole that the minutes for November 5, 2018, be adopted as amended.

CARRIED

4. Reports:

Operations Report

Mr. Thompson introduced the following new City of Lacombe staff that will be working with the Commission at an operational level:

Amber Mitchell, City of Lacombe Engineering Manager, has been with the City for 6 months. Her role with the commission will be to process Crossing Agreements, Right of Way Agreements, as well work with 3rd party organizations requesting connection to the regional line.

Angela Smith, Regional Water and Sewer Foreman, has just started with the City. Her role is mainly to ensure that operations of the regional lines run efficiently.

Each commission member introduced themselves and which municipality they are with.

Mr. Thompson discussed the recent operation activities.

In summary:

- Alberta One calls are down.
- Eramosa has completed software analysis and has begun the integration.

Administrator Report

Mr. de Bresser presented the Administrator's report.

In summary:

- Administration has received the draft sale agreement with the City of Red Deer.
- Will be meeting with Samson Cree Nation on December 12th. Administration has received communication back on the request on the grant application for the feasibility study.
- Still has not received the 2019 water rate from the City of Red Deer. The 2019 Regional Water Commission draft budget is assuming a 2 percent increase from the City of Red Deer.
- Administration is currently working on the 5-year projections and will present at the April meeting. The sale of the line and outcome of the reserves request from the November 5, 2018 meeting will have an impact on the 5-year projection.
- Administration will be working with the County of Lacombe on the City of Lacombe request to look at either a rate stabilisation, return of capital, and or operating reserves back to the commission members. The finding will be presented at the April 2019 meeting.

Mayor Poole asked if Blackfalds can be invited to the meeting(s) with the County of Lacombe when discussing the option of the commission's reserves. Ponoka was also asked if they would like to be part of these discussion. Mr. Myron Thompson said that he will extend the invite to the Town of Ponoka's Finance department.

Administration will invite Blackfalds and the Town of Ponoka to the meeting(s) on discussions of capital reserves.

Chairperson's Report

Chair Wigmore spoke with MP Blaine Calkins regarding the request to supply water to the First Nations. Mr. Calkins indicated that he has not received anything regarding this request as of yet.

Chair Wigmore suggested that the commission request a tour from the First Nation Bands of their place including the water reservoirs. If a tour is arranged, Mayor Creasey, Mayor Poole, and Mayor Bonnett would like to be included.

MOVED by Mayor Poole to accept all Reports presented as information.

CARRIED

5. Correspondence/Information

Nothing at this time

6. Old Business:

2019 Operating Budget

Mr. de Bresser presented the draft 2019 Operating Budget. There were no changes made to the budget since the November 5, 2018 meeting. Red Deer has not provided the 2019 water rate and because of this, there could be adjustments made to the 2019 operating budget at the April meeting.

A discussion occurred on having the County of Lacombe water usage itemized to its own line item instead of grouping it in with Blackfalds. This will provide a true statement to what Lacombe County and the Town of Blackfalds are using. Administration will do this going forward.

MOVED by Mayor Bonnett to adopt the 2019 Operating Budget as presented.

CARRIED

Sale of water line to the City of Red Deer

Mr. de Bresser advised the commission that Administration has received the draft Water Sale Agreement from the City of Red Deer. The agreement has been sent to the Commission's lawyers for legal review. Before the sale of the line proceed the Commission will need to pass a resolution to allow Administration to move forward.

MOVED by Mayor Creasey the approval to have Administration proceed with the sale of a portion of water line and the meter vault that are within the City of Red Deer boundaries, pursuant to the Water Line Sale Agreement as presented and/or amended.

CARRIED

7. New Business:

No new Business at this time.

8. IN Camera

9. Next Meeting:

Monday, April 8, 2019 at 9:00 am, City of Lacombe Council Chambers.

10. Adjournment:

MOVED by Councillor Matejka to adjourn this Meeting at 9:35 am.

CARRIED

Chairperson

Administrator

DRAFT FOR DISCUSSION PURPOSES ONLY

**North Red Deer River Water Services
Commission
Financial Statements
For the year ended December 31, 2018**

North Red Deer River Water Services Commission
Financial Statements
For the year ended December 31, 2018

	Contents
Independent Auditor's Report	1
Financial Statements	
Statement of Financial Position	3
Statement of Operations	4
Statement of Change in Net Debt	5
Statement of Cash Flows	6
Summary of Significant Accounting Policies	7-8
Notes to the Financial Statements	8-15

Independent Auditor's Report

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

Opinion

We have audited the financial statements of the North Red Deer River Water Services Commission (the Commission), which comprise the statement of financial position as at December 31, 2018, and the statement of operations, statement of changes in net debt, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Commission as at December 31, 2018 and its financial performance and its cash flows for the year then ended in accordance with Public Sector Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Commission in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

In preparing the financial statements, management is responsible for assessing the Commission's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Commission or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Commission's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting

North Red Deer River Water Services Commission

Statement of Financial Position

December 31	2018	2017
Financial assets		
Cash	\$ 1,997,021	\$ 6,341,364
Investments (Note 3)	5,000,000	-
Trade and Other Receivables	870,305	1,005,534
	<u>7,867,326</u>	<u>7,346,898</u>
Liabilities		
Accounts payable and accrued liabilities	413,175	390,887
Current Portion of Long-term Debt (Note 4)	736,670	704,542
	<u>1,149,845</u>	<u>1,095,429</u>
Long-term Debt, Net of Current Portion (Note 4)	<u>11,382,079</u>	<u>12,118,749</u>
	<u>12,531,924</u>	<u>13,214,178</u>
Net debt	<u>(4,664,598)</u>	<u>(5,867,280)</u>
Non-financial assets		
Tangible capital assets (Note 6)	30,810,439	31,265,413
Inventory of Supplies (Note 7)	74,841	78,758
	<u>30,885,280</u>	<u>31,344,171</u>
Accumulated surplus (Note 9)	<u>\$26,220,682</u>	<u>\$ 25,476,891</u>

Commitments (Note 11)

North Red Deer River Water Services Commission

Statement of Operations

For the year ended December 31	Budget 2018	2018	2017
Revenue			
Water Sales to Commission Members (Note 10)	\$ 5,762,523	\$ 6,005,778	\$ 5,651,937
Service Fees to Commission Members (Note 10)	140,390	142,848	141,012
Interest income	50,000	173,449	71,068
Rebates & Dividends (Note 12)	30	26	388
Other Revenue	1,500	500	1,750
Total revenue	5,954,443	6,322,601	5,866,155
Expenses			
Accounting and Audit Fees	8,000	9,381	8,321
Board Remuneration	3,800	4,600	4,611
Board Travel	1,350	391	409
Communication	9,152	9,534	8,333
General Material and Supplies	1,450	1,999	2,137
Insurance	3,889	4,240	3,933
Interest Long-Term Debt	570,359	568,157	598,979
Legal	500	4,490	100
Management Fees	56,844	56,844	55,728
Office	150	-	111
Operator Costs	123,887	100,393	112,377
Other Expenses	25	20	5
Other Professional Fees	27,396	18,770	16,662
Purchase of Water	4,096,061	4,284,939	3,878,105
Repairs and Maintenance	9,500	3,846	6,850
SCADA Maintenance	9,025	29,554	8,725
Utilities	3,500	3,565	2,649
Valves	5,000	12,477	546
Amortization of Capital Assets	465,610	465,610	465,610
Total expenses	5,395,498	5,578,810	5,174,191
Excess of revenue over expenses	558,945	743,791	691,964
Accumulated surplus, beginning of year	25,476,891	25,476,891	24,784,927
Accumulated surplus, end of year	\$ 26,035,836	\$ 26,220,682	\$ 25,476,891

The accompanying summary of significant accounting policies and 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	Budget 2018	2018	2017
Excess of revenue over expenses	\$ 558,945	\$ 743,791	\$ 691,964
Acquisition of tangible capital assets	-	(10,636)	-
Amortization of tangible capital assets	465,610	465,610	465,610
	1,024,555	1,198,765	1,157,574
Decrease (increase) in Inventory of Supplies	-	3,917	(6,309)
Net change in net debt	1,024,555	1,202,682	1,151,265
Net debt, beginning of year	(5,867,280)	(5,867,280)	(7,018,545)
Net debt, end of year	\$ (4,842,725)	\$ (4,664,598)	\$ (5,867,280)

North Red Deer River Water Services Commission

Statement of Cash Flows

For the year ended December 31	2018	2017
Operating transactions		
Excess of revenue over expenses	\$ 743,791	\$ 691,964
Items not involving cash		
Amortization	465,610	465,610
Changes in non-cash operating balances		
Accounts receivable	135,229	(325,230)
Inventories of supplies	3,917	(6,309)
Accounts payable and accrued liabilities	22,288	91,257
	<u>1,370,835</u>	<u>917,292</u>
Capital transactions		
Acquisition of tangible capital assets	<u>(10,636)</u>	<u>-</u>
Investing transactions		
Acquisition of investments	<u>(5,000,000)</u>	<u>-</u>
Financing transactions		
Repayment of long-term debt	<u>(704,542)</u>	<u>(673,815)</u>
Net change in cash and bank indebtedness	(4,344,343)	243,477
Cash, beginning of year	<u>6,341,364</u>	<u>6,097,887</u>
Cash, end of year	<u>\$ 1,997,021</u>	<u>\$ 6,341,364</u>

North Red Deer River Water Services Commission

Summary of Significant Accounting Policies

December 31, 2018

**Management's
Responsibility for the
Financial Statements**

The financial statements of 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 of the Chartered Professional Accountants of Canada. The North Red Deer River Water Services Commission (the "Commission") was established for the purposes of constructing and operating a water supply system. The Commission is made up of member municipalities and requisitions funds from its members. The members of the Commission are City of Lacombe, Lacombe County, Ponoka County, Town of Blackfalds, and the Town of Ponoka.

Investments

Investments are recorded at cost unless there has been a decline in the market value which is other than temporary in nature in which case the investments are written down to market value.

Budget Amounts

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

Inventories

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

**Tangible Capital
Assets**

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is available for productive use as follows:

Engineered Structures - Water System	45 to 75 years
Equipment	5 to 45 years

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. Funds received for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general purposes are accounted for as deferred revenue. The revenue is recognized in the statement of operations in the year in which it is used for the specified purpose.

North Red Deer River Water Services Commission

Summary of Significant Accounting Policies

December 31, 2018

Liability for

Contaminated Sites

A contaminated site is a site at which substances occur in concentrations that exceed the maximum acceptable amounts under an environmental 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 attributable to the remediation activities including post remediation operations, maintenance and monitoring. The liability is recorded at net of any expected recoveries.

Use of Estimates

The preparation of financial statements in accordance with Canadian Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

1. Financial Instruments

The Commission utilizes various financial instruments. It is managements 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

2. Bank Overdraft

The Commission has an unused overdraft protection agreement with a maximum overdraft of \$1 million and interest charged at lender prime less 0.25%. Collateral is comprised of a general security agreement specifically pledging all grant proceeds and debenture products. As at year end December 31, 2018 the prime rate was 3.95%.

North Red Deer River Water Services Commission
Notes to Financial Statements

December 31, 2018

3. Investments

	2018	2017
Short-term & medium-term Canadian bank paper notes, Principal protected notes yielding effective annual rates of 2.57% to 4.89% to maturity at cost.	<u>\$ 5,000,000</u>	<u>\$ -</u>

The market value of the Commission's investments was \$4,973,432.

North Red Deer River Water Services Commission
Notes to Financial Statements

December 31, 2018

4. Long-term Debt

Long-term debt reported on the statement of financial position is comprised of the following:

	2018	2017
4.46% debenture, repayable \$66,762, semi-annually, due September 15, 2031	\$ 1,306,535	\$ 1,379,344
4.515% debenture, repayable \$570,688 semi-annually, due June 15, 2031	10,812,214	11,443,947
	<u>12,118,749</u>	<u>12,823,291</u>

Principal and interest repayments are as follows:

	Principal	Interest	Total
2019	\$ 736,670	\$ 538,231	\$ 1,274,901
2020	770,264	504,637	1,274,901
2021	805,389	469,512	1,274,901
2022	842,116	432,785	1,274,901
2023	880,518	394,383	1,274,901
Thereafter	<u>8,083,792</u>	<u>1,544,730</u>	<u>9,628,522</u>
	\$ 12,118,749	\$ 3,884,278	\$ 16,003,027

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 Financial Statements

December 31, 2018

5. Debt Limits

Section 3 Alberta Regulation No. 76/2000 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 order 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, 2018. The debt limit and debt service limit otherwise determined are as follows:

	2018	2017
Total debt limit	\$12,645,200	\$ 11,732,310
Total debt	(12,118,749)	(12,823,291)
Total debt limit exceeded	526,451	(1,090,981)
Debt servicing limit	2,212,910	2,053,154
Debt servicing	(1,274,901)	(1,274,901)
Total debt servicing limit	938,009	778,253

The debt limit is calculated at two times the revenue of the Commission (as defined in Alberta Regulation No. 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.

North Red Deer River Water Services Commission
Notes to Financial Statements

December 31, 2018

6. Tangible Capital Assets

					2018
	Engineered Structures	Land	Equipment		Total
Cost,					
beginning of year	\$ 34,776,820	\$ 1,821,692	\$ -	\$	36,598,512
Additions		-	10,636		10,636
Disposals					-
Cost, end of year	\$ 34,776,820	\$ 1,821,692	\$ 10,636	\$	36,609,148
Accumulated amortization,, beginning of year	\$ 5,333,099	\$ -	\$ -	\$	5,333,099
Amortization	465,610	-	-		465,610
Disposals					-
Accumulated amortization, end of year	\$ 5,798,709	\$ -	\$ -	\$	5,798,709
Net carrying amount, end of year	\$ 28,978,111	\$ 1,821,692	\$ 10,636	\$	30,810,439

					2017
	Engineered Structures	Land	Equipment		Total
Cost,					
beginning of year	\$ 34,776,820	\$ 1,821,692	\$ -	\$	36,598,512
Additions	-	-	-		-
Disposals	-	-	-		-
Cost, end of year	\$ 34,776,820	\$ 1,821,692	\$ -	\$	36,598,512
Accumulated amortization, beginning of year	\$ 4,867,489	\$ -	\$ -	\$	4,867,489
Amortization	465,610	-	-		465,610
Accumulated amortization, end of year	\$ 5,333,099	\$ -	\$ -	\$	5,333,099
Net carrying amount, end of year	\$ 29,443,721	\$ 1,821,692	\$ -	\$	31,265,413

North Red Deer River Water Services Commission
Notes to Financial Statements

December 31, 2018

7. Inventories of Supplies

	2018	2017
Valves	\$ 41,846	\$ 45,204
Materials and supplies	8,523	8,523
Pipe	8,512	8,512
Couplings	4,266	4,266
Miscellaneous	11,694	12,253
	<u>\$ 74,841</u>	<u>\$ 78,758</u>

8. Equity in Tangible Capital Assets

	2018	2017
Tangible capital assets	\$ 30,810,439	\$ 31,265,413
Total Long-Term Debt	<u>(12,118,749)</u>	<u>(12,823,291)</u>
	<u>\$ 18,691,690</u>	<u>\$ 18,442,122</u>

9. Accumulated Surplus

The Commission segregates its accumulated surplus in the following categories:

	2018	2017
Unrestricted Operating Surplus	1,407,356	1,375,621
Unrestricted Capital Surplus	233,104	233,104
Operating Reserve	1,268,512	1,250,363
Capital Reserve	3,339,209	2,894,870
Equity in tangible capital assets	\$18,691,690	\$ 18,442,122
Rate Stabilization Reserve	1,280,811	1,280,811
	<u>\$26,220,682</u>	<u>\$ 25,476,891</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 Financial Statements

December 31, 2018

10. 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.

Water sales charged to Commission members are as follows:

	<u>2018</u>	<u>2017</u>
City of Lacombe	\$ 2,769,872	\$ 2,602,751
Town of Ponoka	1,464,979	1,397,499
Town of Blackfalds	1,750,051	1,625,047
Ponoka County	18,926	20,312
City of Red Deer	1,950	6,328
	<u>\$ 6,005,778</u>	<u>\$ 5,651,937</u>

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:

	<u>2018</u>	<u>2017</u>
Lacombe County	71,424	70,506
Ponoka County	71,424	70,506
	<u>\$ 142,848</u>	<u>\$ 141,012</u>

The Commission is provided accounting, management and operations services by the City of Lacombe for a total cost of \$156,499 (2017 - \$178,184).

Included in accounts receivable are \$606,088 (2017- \$995,344) due from various members municipalities.

Included in accounts payable is \$7,367 (2017 - \$7,830) due to various member Municipalities.

North Red Deer River Water Services Commission

Notes to Financial Statements

December 31, 2018

11. Commitments

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 manual or 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. 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" transactions, where one party compensates the other for variance in consumption and/or costs results in an actual cost per cubic metre variance greater than 10%. The rebate received in 2018 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 2017 calendar year and resulted in a rebate of \$0 (2017 -\$0). The reconciled amount and resulting rebate or payable is not calculated until subsequent to year end and as a result is recognized in the financial statements when known or received.

13. Approval of Financial Statements

The Board and Management approved these financial statements.



**North Red Deer
Regional Water
Services
Commission**

5432 56th Avenue
Lacombe, Alberta T4L 1E9

Memorandum

TO: Commission Board Members

FROM: Justin de Bresser, Administrator

DATE: April 8, 2019

RE: 2018 Audited Financial Statements
Approval

REF:13/931
(2018)

PURPOSE:

To present the 2018 audited financial statements for the North Red Deer Regional Water Services for the Board's approval.

BACKGROUND:

The 2018 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 8th of April.

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

ISSUE ANALYSIS:

The 2018 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.

2018 Audited Statements Surplus	\$743,791
Less Debt Principal Payments for 2018	<u>\$704,542</u>
2018 Adjusted Surplus	\$ 39,249

The 2018 budgeted surplus was \$69,401. The difference between actual and budgeted forecast could be contributed to higher interest revenue, higher sales volume to the City of Lacombe and Town of Blackfalds and corresponding increase water purchases. Higher unbudgeted operating cost of SCADA maintenance and legal expense and not needing to use the rate stabilization reserve.

This is the first year that the Commission has not exceeded the debt limit. Increased in revenues as well as paying down the debt has achieved this. Current amount of debt available is \$526,451

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.
2. The Board can direct administration accordingly.

ATTACHMENTS:

- Draft – 2018 Audited Financial Statements – North Red Deer River Water Services Commission.

ACTION/RECOMMENDATION:

THAT the Board approve the 2018 Audited Financial Statements as presented.



**North Red Deer
Regional Water
Services
Commission**

5432 56th Avenue
Lacombe, Alberta T4L 1E9

Memorandum

TO: Commission Board Members

FROM: Justin de Bresser, Administrator

DATE: April 8, 2019

RE: Appointment of External Auditors for
2019-2023

REF: 13/931
(2019)

PURPOSE:

To recommend appointment of auditors for the Commission for 2019 - 2023 fiscal period.

BACKGROUND:

The current contract for audit services will be completed April 2019 following the finalization of the 2018 Audit. Administration listed a Request for Proposal (RFP) on Alberta Purchasing Connection (APC) and on the City's of Lacombe's website soliciting proposals for the 2019 to 2023 period.

ISSUE ANALYSIS:

The RFP was posted from October 15th to November 5th 2018. Three submissions were received from:

1. BDO Canada LLP,
2. RMS (Formally known as Collins Barrow) and
3. MNP

A committee of 3 employees was established to review the proposals over the following criteria:

Understanding the Proposal	5%
Experience with:	
Municipal Audits	5%
Commission Audits	5%
Personnel	10%
Audit Implementation	20%
Additional Services	5%
References	10%
<u>Audit Fee</u>	<u>40%</u>

Total 100%

All 3 submissions were reviewed by the committee and it was noted that the participating firm's had similar experience and expertise with the performance of audits. The audit fees were similar for all three proponents. It is Administrations recommendation to award the contract to BDO Canada LLP. BDO Canada LLP are the Commissions current auditors and their quoted price was the same as they quoted in 2014 with no inflationary increases over the next 5 years.

FINANCIAL IMPLICATIONS:

The annual cost of the audit is \$8,000 per year for a total contract cost of \$40,000

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 Canada LLP as auditors
2. Direct Administration to proceed with a different accounting firm.

ATTACHMENTS:

- n/a

ACTION/RECOMMENDATION:

That the Board appoint BDO LLP of Red Deer, Alberta as the Commission's external financial auditors for the 2019-2023 fiscal years.

M E M O R A N D U M



North Red Deer River Water Services Commission

5432 56th Avenue
Lacombe, Alberta T4L 1E9

Phone: (403) 782-6666
Direct Line: (403) 782-1256
Fax: (403) 782-2234

chuston@lacombe.ca

April 8th, 2018

Attn: NRDRWSC

Re: Operational Report since December 10th, 2018.

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

GENERAL INFORMATION

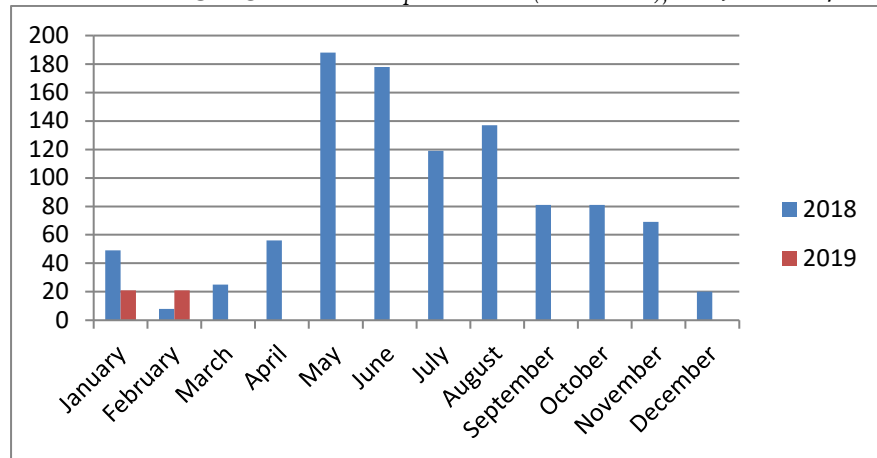
➤ Alberta One-Call Locate Requests:

- 2017 = 1448 locates
- 2018 = 1011 locates

2019

- January – 21 locates
- February – 21 locates

Alberta One-Call Locate Requests 2018 (total 1011); 2019 to date 42



Repair response charges:

- #### ➤
- None to report

Call-Out:

- #### ➤
- Feb.3 – Operator called by RDWTP – Pumphouse ‘B’ (Lacombe) is alarming at Hi-Hi. Operator found reservoir at normal level, but that the level pressure transmitter was frozen.
 - Feb.6 – Operator called by RDWTP – Riverside (Ponoka) valve failing to close completely. Operator manually closed the valve and tested the actuator for proper operation, valve operated worked in auto when tested by RDWTP.

General Information:

- #### ➤
- SCADA – Eramosa found an issue with some of the current hardware being used, Operations is working with them on hardware upgrade options to implement now, instead of when the hardware fails.

If you have any questions or comments regarding the operations described above, please do not hesitate to call or email me.

Regards,

A handwritten signature in blue ink, appearing to read 'L-H', is positioned above the printed name.

Chris Huston
Operations Supervisor



**North Red Deer
Regional Water
Services
Commission**

5432 56th Avenue
Lacombe, Alberta
T4L 1E9

Memorandum

TO: Commission Board Members
FROM: Justin de Bresser, Administrator
DATE: April 8, 2019

RE: Administrator's Report – April 8, 2019

REF: 47/117
(2019)

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

1. Administration received the draft sales agreement from the City of Red Deer for the sale of the water line within the City of Red Deer boundaries. This item is discussed later on the agenda.
2. Administration applied for a grant to help facilitate the possibility of extend water services to the First Nations. This grant is applied for under the Alberta Community Partnership program. Letters of support were sent from both the City of Lacombe and Ermineskin Cree Nation. This grant will be utilized if needed.
3. Administration requested the water agreement in which the Province and Ermineskin Cree Nation sign off. This was brought to Administrations attention when an article was posted on the Globe and Mail. No correspondence came back to the Commission. It is noted that the Commission has **not** made any commitments to proceed with the extension of the water line other than updating the feasibility study.
4. Administration updated 2019 Operating budget for the boards review. This item is up for review later on the agenda.
5. Administration finalized on the 5 year projections and will present. The sale of the section of water line to the City of Red Deer will have an impact on the 5 year projects.
6. As per City of Lacombe's request, Administration meet with representatives of Lacombe County, Town of Blackfalds and Town of Ponoka on the 18th of January to discuss returning excess funds to Commission Members. This information is reflected in the updated 2019 Budget memo.



**North Red Deer
Regional Water
Services
Commission**

5432 56th Avenue
Lacombe, Alberta T4L 1E9

Memorandum

TO: Commission Board Members
FROM: Justin de Bresser, Administrator
DATE: April 9, 2019

RE: February 2019 Variance Report

REF: 47/860
2019

Attached is the 2019 variance report as of February 28 for the regional water commission.

Water sale volumes are right on budget so far this year and consistent with historic averages.

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.

Year : 2019

Budget : FINAL BUDGET

Period : 2

Group by: Default

Account No.	Description	CC1	CC2	CC3	Current	Year to Date	Budget	Variance	% Used
REGIONAL WATER REPORTING									
REVENUES									
06-1-47-35110	Water Sales - City of La				-201,548	-424,627	-2,148,261	-1,723,633	20
06-1-47-35120	Water Sales - Town of P				-104,026	-224,227	-1,140,696	-916,469	20
06-1-47-35130	Water Sales - Town of B				-123,200	-260,062	-1,359,680	-1,099,617	19
06-1-47-35140	Water Sales - Ponoka C				-944	-2,002	-15,267	-13,265	13
06-1-47-35150	Water Sales - City of Re				-136	-345	-1,954	-1,609	18
06-1-47-42200	Line Crossing Agreeemer				0	0	-1,500	-1,500	
06-1-47-55100	Interest Revenue				-3,683	-7,504	-75,000	-67,496	10
06-1-47-55500	Rebates & Dividends				0	0	-30	-30	
06-1-47-85140	Lacombe County Contri				0	0	-73,385	-73,385	
06-1-47-85150	Ponoka County Contribu				0	0	-73,385	-73,385	
06-1-47-92100	Transfer from Reserves				0	0	-1,280,811	-1,280,811	
REVENUES					-433,536	-918,767	-6,169,968	-5,251,201	15
EXPENSES									
06-2-47-11110	Board Wages-City of La				0	0	600	600	
06-2-47-11120	Board Wages-Town of P				0	0	600	600	
06-2-47-11130	Board Wages-Town of B				0	0	600	600	
06-2-47-11140	Board Wages-Lacombe				0	0	1,400	1,400	
06-2-47-11150	Board Wages-Ponoka C				0	0	600	600	
06-2-47-21110	Board Travel-City of Lac				0	0	250	250	
06-2-47-21120	Board Travel -Town of P				0	0	250	250	
06-2-47-21130	Board Travel-Town of Bl				0	0	250	250	
06-2-47-21140	Board Travel-Lacombe (0	0	250	250	
06-2-47-21150	Board Travel-Ponoka Cc				0	0	250	250	
06-2-47-21170	Travel-Administration				0	0	100	100	
06-2-47-21400	Membership Fees				0	0	300	300	
06-2-47-21500	Postage & Freight				0	0	50	50	
06-2-47-21600	Staff & Volunteer Appre				0	0	300	300	
06-2-47-21700	Telephone - Office				20	51	900	849	6
06-2-47-21701	Telephone - Operations				694	1,363	8,072	6,710	17
06-2-47-23000	Management Fees				4,832	9,664	82,984	73,320	12
06-2-47-23100	Accounting and Auditor				0	0	8,300	8,300	
06-2-47-23200	Legal Fees				0	0	500	500	
06-2-47-23900	Other Professional Serv				132	270	16,800	16,530	2
06-2-47-25300	Equipment Repair & Ma				0	0	9,500	9,500	
06-2-47-25301	SCADA Maintenance				0	722	9,025	8,303	8
06-2-47-27400	Insurance & Bond Prem				0	0	3,889	3,889	
06-2-47-34200	Administration				901	1,802	10,812	9,010	17
06-2-47-35100	Purchase of Water				269,469	660,714	4,488,644	3,827,931	15
06-2-47-35200	Operations				7,100	14,610	123,637	109,027	12
06-2-47-51000	Miscellaneous Expense:				23	23	250	227	9
06-2-47-51100	Meeting Supplies				0	0	50	50	
06-2-47-51400	Office Supplies				0	0	150	150	
06-2-47-52400	General Materials & Sup				0	0	750	750	
06-2-47-54400	Utilities-Electricity				396	797	3,500	2,703	23
06-2-47-56400	Valves				0	0	5,000	5,000	
06-2-47-81400	Bank Charges & Interes				0	0	25	25	
06-2-47-83100	Debenture Interest				0	0	539,889	539,889	
06-2-47-83200	Debenture Principal				0	0	736,668	736,668	
EXPENSES					283,567	690,015	6,055,145	5,365,130	11

GL Department Report

Year : 2019

Budget : FINAL BUDGET

Period : 2

Account No.	Description	CC1	CC2	CC3	Current	Year To Date	Budget	Variance	% Used
REGIONAL WATER REPORTING									
REGIONAL WATER REPORTING Total					-149,970	-228,752	-114,822	113,929	199



ALBERTA
MUNICIPAL AFFAIRS

*Office of the Minister
MLA, Leduc-Beaumont*

FEB 11 2019

AR96552

His Worship Grant Creasey
Mayor
City of Lacombe
5432 - 56 Avenue
Lacombe AB T4L 1E9

Dear Mayor Creasey,

Thank you for your grant application under the Mediation and Cooperative Processes component of the 2018/19 Alberta Community Partnership (ACP) program.

I am pleased to inform you the City of Lacombe has been approved for a grant of \$50,000 in support of the Facilitated Water Line Protocol Development project. In addition, I am waiving the municipal cost-share requirement.

The funding is a grant between the Government of Alberta and City of Lacombe, and is conditional upon receipt of letters of support from all participating parties.

Once the letters of support have been received, the conditional grant agreement will be mailed to your Chief Administrative Officer to obtain the appropriate signatures.

I congratulate the partnership you have established and appreciate the efforts towards this important collaborative initiative. I wish you every success as we work together to strengthen Alberta communities.

Sincerely,

Hon. Shaye Anderson
Minister of Municipal Affairs

cc: Matthew Goudy, Chief Administrative Officer, City of Lacombe
Ken Wingmore, Chairperson, North Red Deer River Water Services Commission
Justin de Bresser, Interim Chief Administrative Officer, North Red Deer River Water Services Commission



ALBERTA
MUNICIPAL AFFAIRS

*Office of the Minister
MLA, Leduc-Beaumont*

AR96391

FEB 06 2019

Mr. Ken Wigmore
Chairperson
North Red Deer River Water Services Commission
5332 – 56 Avenue
Lacombe AB T0C 0J0

Dear Mr. Wigmore,

I am pleased to provide you with a copy of Ministerial Order No. MSL:008/19, approving the sale of approximately 4.9 kilometres of water main and associated assets from the North Red Deer River Water Services Commission to the City of Red Deer.

I wish the commission success in its future endeavours.

Sincerely,

A handwritten signature in blue ink, reading "Shaye Anderson".

Hon. Shaye Anderson
Minister of Municipal Affairs

Attachment: Ministerial Order No. MSL:008/19

cc: Justin de Bresser, Acting Administrator,
North Red Deer River Water Services Commission



**North Red Deer
Regional Water
Services
Commission**

5432 56th Avenue
Lacombe, Alberta T4L 1E9

Memorandum

TO: Commission Board Members

FROM: Justin de Bresser, Administrator

DATE: April 8, 2019

RE: Ministerial Order and Sales agreement

REF: 47/352
(2019)

PURPOSE:

For the Board to approve the execution of the sales agreement between the City of Red Deer and the North Red Deer River Water Services Commission

BACKGROUND:

The Board has been presented information on this sale over the last few years. Recently the Commission applied to the Province and received the ministerial order to proceed with the sale.

ISSUE ANALYSIS:

Administration received the Ministerial order to sell a portion of the water line to the City of Red Deer for the sum of \$1,506,032. The Commission has been presented with a sales agreement from the City of Red Deer and forwarded it on for a legal review.

The legal review came back the opinion that it is equally weighted sales agreement between both the Commission and the City. There are minor amendments in which both the City of Red Deer and the Commission are working through.

The sales agreement is attached along with the legal opinion and it's Administration's request that board provides a resolution to execute the agreement.

Once the sales agreement is executed the City will begin constructing the new meter vault at their expense. This is scheduled for summer construction with a completion date of August/September.

FINANCIAL IMPLICATIONS:

The closing date will be set in August/September of 2019. As this date is in the future there will be no financial benefit arising in 2019. This will be reflected in the upcoming budget for 2020.

LEGISLATIVE AUTHORITY:

- Ministerial Order MSL:008/19

ALTERNATIVES:

1. That the Board approves Administration to execute the sales agreement to the City of Red Deer
2. That the Board directs administration on how to proceed.

ATTACHMENTS:

- Sales Agreement
- Legal review of Sales Agreement

THIS AGREEMENT made as of the day of , 2018.

BETWEEN:

NORTH RED DEER RIVER WATER SERVICES COMMISSION
(hereinafter referred to as the "Vendor")

- and -

CITY OF RED DEER
(hereinafter referred to as the "Purchaser")

AGREEMENT OF PURCHASE AND SALE

WHEREAS:

A. The Vendor is the owner of an approximately 4.91887 kilometre long section of water pipe and associated accessories (the "Assets"), as more particularly described herein;

B. The Purchaser desires to purchase from the Vendor, and the Vendor desires to sell to the Purchaser, the Assets subject to and in accordance with the terms and conditions hereof;

NOW THEREFORE in consideration of the premises and the mutual covenants and agreements hereinafter set forth, the Parties have agreed as follows:

ARTICLE 1
INTERPRETATION

1.1 Definitions

In this Agreement, unless the context otherwise requires:

- (a)** "Agreement" means this agreement and all amendments made hereto by written agreement between the Vendor and the Purchaser;
- (b)** "Appurtenances" means any and all tangible depreciable property and assets owned by the Vendor which are located within or upon the Lands and which are used or are intended to be used to operate the Water Transmission Main, including, but not limited to, valves, hydrants, blow-offs, flush points, all as may be further described in, and those other items described in, Schedule "A" attached hereto, but excepting:
 - (i)** any assets owned by the Purchaser; and
 - (ii)** all such tangible depreciable property and assets owned by the Vendor which are located outside of the Lands and which are used or are intended to be used to operate the balance of the Vendor's water transmission system located downstream of the Water Transmission Main;

- (c) **"Assets"** means the Water Transmission Main, the Appurtenances and the Miscellaneous Interests;
- (d) **"Business Day"** means a day other than a Saturday, a Sunday or a statutory holiday in Edmonton, Alberta;
- (e) **"Closing Date"** or **"Closing"** means the closing of the purchase and sale herein provided for, being either:
 - (i) the day of , 2018; or
 - (ii) the date falling fifteen (15) day after the completion of the Construction;whichever is later, or such other date as mutually agreed to by the Parties in writing;
- (f) **"Construction"** means the construction of a meter vault and shutoff valve at the northern limit of the Water Transmission Main, which the Purchaser shall be responsible for;
- (g) **"Encumbrance"** means any security interest or encumbrance of any kind or nature, including any lien, charge, hypothec, pledge, mortgage, title retention agreement, adverse claim, exception, reservation, lease, restriction, easement, right of occupation, any matter capable of registration against title, option, right of pre-emption, privilege or any contract to create any of the foregoing;
- (h) **"Environmental Deficiency"** means any: (i) groundwater, surface water or aquifer contamination; (ii) soil contamination; (iii) toxic substance or hazardous material emission; or (iv) damage, injury or death caused by any of the foregoing or otherwise, howsoever, caused; that constitutes or has constituted a violation or contravention of Environmental Laws, results or has resulted in an enforceable order by a governmental authority to remedy the same under Environmental Laws, or has given rise to a claim or civil right of action;
- (i) **"Environmental Laws"** means any Laws relating to the protection or enhancement of the environment, occupational health and safety or natural resources, including those relating to the manufacture, use, handling, transportation, treatment, storage, disposal, release, emission or discharge or non-hazardous or hazardous materials;
- (j) **"Lands"** means those lands further described in Schedule "A" to this Agreement;
- (k) **"Laws"** means any law, bylaw, rule, regulation, policy, order, directive or guideline, and any judicial or administrative interpretation thereof, in each case having the force of law on the date of this Agreement;
- (l) **"Miscellaneous Interests"** means, subject to any and all limitations and exclusions provided for in this definition, all property, assets, interests and rights pertaining to the Water Transmission Main and the Appurtenances, or either of them, including without limitation any and all of the following:

- (i) contracts and agreements relating to the Water Transmission Main and the Appurtenances, or either of them;
- (ii) rights to enter upon, use or occupy, the surface of any lands which are or may be used to gain access to or otherwise use the Water Transmission Main and the Appurtenances, or either of them, including crossing agreements; and
- (iii) all records, books, documents, licences, reports and data which relate to the Water Transmission Main and the Appurtenances, or either of them;

but in each case only to the extent that such property, assets, interests and rights pertain to the Water Transmission Main and the Appurtenances, or either of them, to the extent that such property, assets, interests and rights are in the possession or control of the Commission, and in the case of any contract, agreements or rights to the extent that such are assignable or transferrable by the Vendor to the Purchaser;

(m) **"Party"** means a party to this Agreement;

(n) **"Permitted Encumbrances"** means:

- (i) liens for taxes, assessments and governmental charges which are not due or the validity of which is being diligently contested in good faith by or on behalf of Vendor;
- (ii) liens incurred or created in the ordinary course of business as security in favour of the person who is conducting the development or operation of the property to which such liens relate for Vendor's proportionate share of the costs and expenses of such development or operation;
- (iii) builders' and other similar liens in respect of services rendered or goods supplied for which payment is not due;
- (iv) easements, rights of way, servitudes and other similar rights in land (including without limitation rights of way and servitudes for highways and other roads, railways, sewers, drains, gas and oil pipelines, gas and water mains, electric light, power, telephone, telegraph and cable television conduits, poles, wires and cables) which do not materially impair the use of the Assets affected thereby;
- (v) the right reserved to or vested in any municipality or government or other public authority by the terms of any lease, licence, franchise, grant or permit or by any statutory provision, to terminate any such lease, licence, franchise, grant or permit or to require annual or other periodic payments as a condition of the continuance thereof; and
- (vi) Any other Encumbrances identified under Schedule "A" Encumbrances.

(o) **"Purchase Price"** means the sum of money set out in section 2.6;

- (p) **"Specific Conveyances"** means all conveyances, assignments, transfers, novations and other documents or instruments that are reasonably required or desirable to convey, assign and transfer the interest of the Vendor in and to the Assets to the Purchaser and to novate the Purchaser in the place and stead of the Vendor with respect to the Assets, including transfers of easements, utility rights of way, crossing agreements, and other such agreements involving the Assets and their control and ownership;
- (q) **"Third Party"** means any individual or entity other than the Vendor and the Purchaser, including without limitation any partnership, corporation, trust, unincorporated organization, union, government and any department and agency thereof and any heir, executor, administrator or other legal representative of an individual;
- (r) **"this Agreement", "herein", "hereto", "hereof"** and similar expressions mean and refer to this Agreement of Purchase and Sale; and
- (s) **"Water Transmission Main"** means the water transmission main as more particularly described in Schedule "A" to this Agreement.

1.2 Headings

The expressions "Article", "section", "subsection", "clause", "subclause", "paragraph" and "Schedule" followed by a number or letter or combination thereof mean and refer to the specified article, section, subsection, clause, subclause, paragraph and schedule of or to this Agreement.

1.3 Interpretation Not Affected by Headings

The division of this Agreement into Articles, sections, subsections, clauses, subclauses and paragraphs and the provision of headings for all or any thereof are for convenience and reference only and shall not affect the construction or interpretation of this Agreement.

1.4 Included Words

When the context reasonably permits, words suggesting the singular shall be construed as suggesting the plural and vice versa, and words suggesting gender or gender neutrality shall be construed as suggesting the masculine, feminine and neutral genders.

1.5 Schedules

There are appended to this Agreement the following schedules pertaining to the following matters:

Schedule "A" - Water Transmission Main, Appurtenances, Miscellaneous Interests, Lands and Encumbrances

Such schedules are incorporated herein by reference as though contained in the body hereof. Wherever any term or condition of such schedules conflicts or is at variance with any term or condition in the body of this Agreement, such term or condition in the body of this Agreement shall prevail.

1.6 Damages

All losses, costs, claims, damages, expenses and liabilities in respect of which a Party has a claim pursuant to this Agreement include without limitation reasonable legal fees and disbursements on a solicitor and client basis.

ARTICLE 2 PURCHASE AND SALE AND CLOSING

2.1 Purchase and Sale

The Vendor hereby agrees to sell, assign, transfer, convey and set over to the Purchaser, and the Purchaser hereby agrees to purchase from the Vendor, all of the right, title, estate and interest of the Vendor (whether absolute or contingent, legal or beneficial) in and to the Assets subject to and in accordance with the terms of this Agreement.

2.2 Closing

Closing shall take place on the Closing Date if there has been satisfaction or waiver of the conditions of Closing herein contained. Subject to all other provisions of this Agreement, possession, risk and beneficial ownership of the Vendor's interest in and to the Assets shall pass from the Vendor to the Purchaser as of 12:00 p.m. on the Closing Date.

2.3 Specific Conveyances

The Vendor shall prepare the Specific Conveyances at its cost and as required, none of which shall confer or impose upon a Party any greater right or obligation than contemplated in this Agreement. All Specific Conveyances that are prepared and circulated to the Purchaser a reasonable time prior to Closing shall be executed and delivered by the Parties at or before Closing. Forthwith after Closing, the Purchaser shall at its cost circulate and register, as the case may be, all Specific Conveyances that by their nature may be circulated or registered.

2.4 Miscellaneous Interests

The Vendor shall deliver to the Purchaser at Closing the original copies of contracts, agreements, records, invoices, books, documents, licences, reports and data comprising Miscellaneous Interests which are now in the possession of the Vendor or of which it gains possession prior to Closing. Notwithstanding the foregoing, if and to the extent such contracts, agreements, records, books, documents, licences, reports and data also pertain to interests other than the Assets, photocopies or other copies may be provided to the Purchaser in lieu of original copies.

2.5 Form of Payment

All payments to be made pursuant to this Agreement shall be in Canadian funds. All payments to be made at Closing shall be made by cheque.

2.6 Purchase Price

The purchase price payable by the Purchaser to the Vendor for the Assets shall be **\$1,506,032.00**

plus any applicable taxes (the "Purchase Price. At Closing, the Purchaser shall be solely responsible for all sales taxes, transfer taxes, fees, charges, levies or similar assessments which may be imposed by any governmental authority and pertaining to its acquisition of the Assets or to the circulation and registration of the Specific Conveyances and shall remit any such amounts to the applicable governmental authority according to Law.

ARTICLE 3 CONDITIONS OF CLOSING

3.1 Purchaser's Conditions

The obligation of the Purchaser to purchase the Vendor's interest in and to the Assets is subject to the following conditions precedent, which are inserted herein and made part hereof for the exclusive benefit of the Purchaser and may be waived by the Purchaser prior to the respective deadlines:

- (a)** on or before [REDACTED], 2018:
 - (i)** the Vendor shall have obtained and produced to the Purchaser the written consents to the transaction contemplated hereby of each Third Party whose consent is or may be required under the terms of the agreements and documents to which the Assets are subject, including, if applicable, the Minister as required by section 5 of the *North Red Deer River Water Services Commission Regulation* (Alberta);
 - (ii)** the Purchaser shall have conducted, and in its sole discretion be satisfied with, the searches, inspections and reviews in connection with this transaction that it, in its sole discretion, deems appropriate; and
 - (iii)** the Purchaser and the Vendor shall have settled upon the form and content of the Specific Conveyances;

and if any one or more of the foregoing conditions precedent within subsection (a) above has or have not been satisfied, complied with, or waived by the Purchaser, at or before deadline date (unless otherwise extended by agreement of the Parties), the Purchaser may in addition to any other remedies which it may have available to it, rescind this Agreement by written notice to the Vendor;

- (b)** on or before the Closing Date:
 - (i)** the representations and warranties of the Vendor herein contained shall be true in all material respects when made and as of the Closing Date;
 - (ii)** all obligations of the Vendor contained in this Agreement to be performed prior to or at Closing shall have been timely performed in all material respects;
 - (iii)** no change shall have occurred from the date of this Agreement to Closing to the Assets other than changes in the ordinary and usual course of business that are not reasonably expected to have an adverse effect on the Assets; and

- (iv) the Vendor has obtained discharges of any security held by any Third Party encumbering the Vendor's interest in and to the Assets or any part or portion thereof, which discharges are requested by the Purchaser a reasonable time prior to Closing.

and if any one or more of the foregoing conditions precedent within subsection (b) above has or have not been satisfied, complied with, or waived by the Purchaser, at or before Closing (unless otherwise extended by agreement of the Parties), the Purchaser may in addition to any other remedies which it may have available to it, require the Closing and the Closing Date to be extended until such date falling fifteen (15) days after the outstanding conditions precedent have been satisfied or waived.

If the Purchaser rescinds this Agreement within subsection (a) above, the Purchaser and the Vendor shall be released and discharged from all obligations hereunder except as provided in section 9.13.

3.2 Vendor's Conditions

The obligation of the Vendor to sell its entire interest in and to the Assets is subject to the following condition precedent, which are inserted herein and made part hereof for the exclusive benefit of the Vendor and may be waived by the Vendor prior to the respective deadlines:

- (a) the Purchaser shall have obtained and produced to the Vendor the written consents to the transaction contemplated hereby of each Third Party whose consent is or may be required under the terms of the agreements and documents to which the Assets are subject, including, if applicable, the Minister as required by section 5 of the *North Red Deer River Water Services Commission Regulation* (Alberta); and
- (b) the Purchaser and the Vendor shall have settled upon the form and content of the Specific Conveyances.

If any one or more of the foregoing conditions precedent has or have not been satisfied, complied with, or waived by the Vendor, at or before Closing (unless otherwise stated), the Vendor may in addition to any other remedies which it may have available to it, rescind this Agreement by written notice to the Purchaser. If the Vendor rescinds this Agreement, the Purchaser and the Vendor shall be released and discharged from all obligations hereunder except as provided in section 9.13.

3.3 Efforts to Fulfil Conditions Precedent

The Purchaser and the Vendor shall proceed diligently and in good faith and use best efforts to satisfy and comply with and assist the other Party in the satisfaction and compliance with the conditions precedent. If there is a condition precedent that is to be satisfied or complied with prior to Closing, and if, by the time the condition precedent is to be satisfied or complied with, the Party for whose benefit the condition precedent exists fails to notify the other Party whether or not the condition precedent has been satisfied or complied with, the condition precedent shall be conclusively deemed to **not** have been satisfied or complied with.

REPRESENTATIONS AND WARRANTIES

4.1 Representations and Warranties of the Vendor

The Purchaser acknowledges that it is purchasing the Vendor's interest in and to the Assets on an "as is, where is" basis and subject to Permitted Encumbrances, without representation and warranty and without reliance on any information provided to or on behalf of the Purchaser by the Vendor or any Third Party, except the following representations and warranties made by the Vendor to the Purchaser:

- (a) the Vendor is a commission formed by statute under the *Municipal Government Act* (Alberta), is authorized to carry on business in the Province in which the Lands are located, and now has good right, full power and absolute authority to sell, assign, transfer, convey and set over the interest of the Vendor in and to the Assets according to the true intent and meaning of this Agreement, subject to any approvals necessary for the sale of the Assets as contemplated by this Agreement;
- (b) the execution, delivery and performance of this Agreement has been duly and validly authorized by any and all requisite corporate, shareholders' and directors' actions and will not result in any violation of, be in conflict with or constitute a default under any governing document to which the Vendor is bound;
- (c) the execution, delivery and performance of this Agreement will not result in any violation of, be in conflict with or constitute a default under any term or provision of any agreement or document to which the Vendor is party or by which the Vendor is bound, nor under any judgment, decree, order, statute, regulation, rule or license applicable to the Vendor, except where approval is required for the sale of Assets as contemplated by this Agreement;
- (d) this Agreement and any other agreements delivered in connection herewith constitute valid and binding obligations of the Vendor enforceable against the Vendor in accordance with their terms;
- (e) to the current actual knowledge of the Vendor, other than where the authorization and approval of the Minister pursuant to section 5 of the *North Red Deer River Water Services Commission Regulation* (Alberta) may be required, no authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body exercising jurisdiction over the Assets is required for the due execution, delivery and performance by the Vendor of this Agreement, other than authorizations, approvals or exemptions from requirement thereof, previously obtained and currently in force;
- (f) the Vendor has not alienated or encumbered the Assets or any part or portion thereof, the Vendor has not committed and is not aware of there having been committed any act or omission whereby the interest of the Vendor in and to the Assets or any part or portion thereof may be cancelled or determined, and the Assets are now free and clear of all liens, royalties, conversion rights and other claims of Third Parties, created by, through or under the Vendor or of which the Vendor has knowledge;

- (g) none of the interest of the Vendor in and to the Assets is subject to any preferential, pre-emptive or first purchase rights, created by, through or under the Vendor or of which the Vendor is aware, that become operative by virtue of this Agreement or the transaction to be effected by it;
- (h) the Vendor is not a non-resident of Canada for the purposes of the Income Tax Act (Canada);
- (i) the Vendor has not received notice from any Third Party claiming an interest in and to the Assets adverse to the interest of the Vendor and the Vendor has no reason to believe that any such claim may be made;
- (j) the Vendor has not failed to comply with, perform, observe or satisfy any term, condition, obligation or liability which has heretofore arisen under the provisions of, and is otherwise not in breach of, any of the agreements and documents to which the Assets are subject;
- (k) the Vendor has not received notice of default and is not, to the knowledge, information and belief of the Vendor, in any default under any obligation, agreement, document, order, writ, injunction or decree of any Law which might result in impairment or loss of the interest of the Vendor in and to the Assets or which might otherwise adversely affect the Assets;
- (l) no suit, action or other proceeding before any court or governmental agency has been commenced against the Vendor or, to the knowledge, information and belief of the Vendor, has been threatened against the Vendor or any Third Party, which might result in impairment or loss of the interest of the Vendor in and to the Assets or which might otherwise adversely affect the Assets or any rights to, and rights to enter upon, use or occupy the surface of any lands which are or may be used to gain access to or otherwise use the Assets;
- (m) all amounts due and payable to Third Parties prior to the date hereof and pertaining to the Assets have been fully paid;
- (n) in respect of the Assets, there are no financial commitments of the Vendor which are due as of the date hereof or which may become due by virtue of matters occurring or arising prior to the date hereof, other than usual operating expenses incurred in the normal conduct of operations;
- (o) the Vendor holds all valid licenses, permits and similar rights and privileges that are required and necessary under applicable law to operate the Assets as presently operated;
- (p) any and all operations of the Vendor on or in respect of the Assets, have been conducted in accordance with sound industry practices and in material compliance with all applicable Laws;
- (q) the Vendor is not aware of and has not received:
 - (i) any orders or directives which relate to Environmental Deficiencies and which

require any work, repairs, construction or capital expenditures with respect to the Assets, where such orders or directives have not been complied with in all material respects; or

- (ii) any demand or notice issued with respect to the breach of any Environmental Law or health or safety laws to the Assets, including without limitation, respecting the use, storage, treatment, transportation or disposition of environmental contaminants, which demand or notice remains outstanding on the date hereof;
- (r) the Vendor has made diligent inquiries and searches for material documents and information relating to the Assets and for all information reasonably required to make the representations and warranties contained in this Agreement not misleading in light of the circumstances.

4.2 Representations and Warranties of the Purchaser

The Purchaser makes the following representations and warranties to the Vendor:

- (a) the Purchaser is a municipal corporation under the *Municipal Government Act* (Alberta) and is duly organized and validly existing under the laws of the Province of Alberta, is authorized to carry on business in the Province of Alberta, and now has good right, full power and absolute authority to purchase the interest of the Vendor in and to the Assets according to the true intent and meaning of this Agreement;
- (b) the execution, delivery and performance of this Agreement has been duly and validly authorized and will not result in any violation of, be in conflict with or constitute a default under any governing document to which the Purchaser is bound;
- (c) the execution, delivery and performance of this Agreement will not result in any violation of, be in conflict with or constitute a default under any term or provision of any agreement or document to which the Purchaser is party or by which the Purchaser is bound, nor under any judgment, decree, order, statute, regulation, rule or license applicable to the Purchaser;
- (d) this Agreement and any other agreements delivered in connection herewith constitute valid and binding obligations of the Purchaser enforceable against the Purchaser in accordance with their terms; and
- (e) to the current actual knowledge of the Purchaser, other than where the authorization and approval of the Minister pursuant to section 5 of the *North Red Deer River Water Services Commission Regulation* (Alberta) may be required, no authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body exercising jurisdiction over the Assets is required for the due execution, delivery and performance by the Purchaser of this Agreement, other than authorizations, approvals or exemptions from requirement therefore, previously obtained and currently in force.

INDEMNITIES FOR REPRESENTATIONS AND WARRANTIES

5.1 Vendor's Indemnities for Representations and Warranties

The Vendor shall be liable to the Purchaser for and shall, in addition, indemnify the Purchaser from and against, all losses, costs, claims, damages, expenses and liabilities suffered, sustained, paid or incurred by the Purchaser which would not have been suffered, sustained, paid or incurred had all of the representations and warranties contained in section 4.1 been accurate and truthful, provided however that nothing in this section 5.1 shall be construed so as to cause the Vendor to be liable to or indemnify the Purchaser in connection with any representation or warranty contained in section 4.1 if and to the extent that the Purchaser did not rely upon such representation or warranty.

5.2 Purchaser's Indemnities for Representations and Warranties

The Purchaser shall be liable to the Vendor for and shall, in addition, indemnify the Vendor from and against, all losses, costs, claims, damages, expenses and liabilities suffered, sustained, paid or incurred by the Vendor which would not have been suffered, sustained, paid or incurred had all of the representations and warranties contained in section 4.2 been accurate and truthful, provided however that nothing in this section 5.2 shall be construed so as to cause the Purchaser to be liable to or indemnify the Vendor in connection with any representation or warranty contained in section 4.2 if and to the extent that the Vendor did not rely upon such representation or warranty.

ARTICLE 6 PURCHASER'S INDEMNITIES

6.1 General Indemnity

The Purchaser shall be liable to the Vendor for and shall, in addition, indemnify the Vendor from and against, all losses, costs, claims, damages, expenses and liabilities suffered, sustained, paid or incurred by the Vendor which arise out of any matter or thing occurring or arising from and after Closing and which relates to the Assets (including, without restriction, the failure of the Purchaser to fully perform or comply with all terms, covenants or conditions contained within or applicable to any of the Miscellaneous Interests from and after the Closing Date), provided however that the Purchaser shall not be liable to nor be required to indemnify the Vendor in respect of any losses, costs, claims, damages, expenses and liabilities suffered, sustained, paid or incurred by the Vendor which arise out of acts or omissions of the Vendor (including, without restriction, the failure of the Vendor to fully perform or comply with all terms, covenants or conditions contained within or applicable to any of the Miscellaneous Interests from and prior to the Closing Date).

6.2 Limitation

Notwithstanding any other provision in this Agreement, the Purchaser shall not be liable to nor be required to indemnify the Vendor in respect of any losses, costs, claims, damages, expenses and liabilities suffered, sustained, paid or incurred by the Vendor in respect of which the Vendor is liable to and has indemnified the Purchaser pursuant to section 5.1, and the Vendor shall not be liable to nor be required to indemnify the Purchaser in respect of any losses, costs, claims, damages, expenses and liabilities suffered, sustained, paid or incurred by the Purchaser in respect of which the Purchaser is liable to and has indemnified the Vendor pursuant to section 5.2.

ARTICLE 7 PRE-CLOSING INFORMATION

7.1 Production of Documents

At all reasonable times from the date hereof until Closing, the Vendor will use reasonable efforts to locate and obtain, and make available to the Purchaser and deliver to the Purchaser the following information pertaining to the Assets of which the Vendor has possession or to which it has access:

- (a) any agreements and documents to which the Assets are subject;
- (b) mortgages, deeds of trust, security agreements, chattel mortgages and other Encumbrances affecting or related to the Assets;
- (c) evidence with respect to the payment of all payments due under any agreements and documents to which the Assets are subject;
- (d) evidence with respect to the payment of all taxes, charges and assessments pertaining to the Assets;
- (e) permits, easements, crossing agreements, licenses and orders;
- (f) maintenance, repair, and construction records;
- (g) all documents and information relevant to Environmental Deficiencies or other environmental problems pertaining to the Assets;
- (h) any schematics, diagrams, as-built drawings, design drawings, maps, or other such images of the Assets available;
- (i) listings of land titles which are affected by the Assets, and the Lands in which the Assets are located;
- (j) any documents deemed necessary by the Purchaser for the purpose of obtaining the approval of the Minister pursuant to section 5 of the *North Red Deer River Water Services Commission Regulation* (Alberta), and any other approval necessary for the purchase and sale of the Assets; and
- (k) accounting records, policies of insurance, consulting agreements, field contracts and other agreements relating to the operation of the Assets, including but not limited to any and all historical financial records and invoices detailing the original plant costs plus accumulated depreciation at the date of sale.

7.2 Access

At all reasonable times from the date hereof until Closing, the Vendor will allow the Purchaser, and will facilitate, reasonable access to the Assets for the purpose of the Purchaser's due diligence, including for physical inspection of the Assets and the Lands surrounding the Assets, provided that the

Purchaser's actions will not affect the normal operation of the Assets, will not cause damage to the Assets, and will not unreasonably affect the Vendor's rights to the Assets.

ARTICLE 8 GENERAL

8.1 Further Assurances

Each Party will, from time to time and at all times after Closing, without further consideration, do such further acts and deliver all such further assurances, deeds and documents as shall be reasonably required in order to fully perform and carry out the terms of this Agreement. This will include the provision of any consents or approvals which may be required to authorize the transaction, and which may not have been known to the Parties at or before Closing.

8.2 No Merger

The covenants, representations, warranties and indemnities contained in this Agreement shall be deemed to be restated in any and all assignments, conveyances, transfers and other documents conveying the interests of the Vendor in and to the Assets to the Purchaser, subject to any and all time and other limitations contained in this Agreement. There shall not be any merger of any covenant, representation, warranty or indemnity in such assignments, conveyances, transfers and other documents notwithstanding any rule of law, equity or statute to the contrary and such rules are hereby waived.

8.3 Entire Agreement

The provisions contained in any and all documents and agreements collateral hereto shall at all times be read subject to the provisions of this Agreement and, in the event of conflict, the provisions of this Agreement shall prevail. No amendments shall be made to this Agreement unless in writing, executed by the Parties. This Agreement supersedes all other agreements, documents, writings and verbal understandings among the Parties relating to the subject matter hereof (the sale of the Assets) and expresses the entire agreement of the Parties with respect to the subject matter hereof.

8.4 Subrogation

The assignment and conveyance to be effected by this Agreement is made with full right of substitution and subrogation of the Purchaser in and to all covenants, representations, warranties and indemnities previously given or made by others in respect of the Assets or any part or portion thereof.

8.5 Governing Law

This Agreement shall, in all respects, be subject to, interpreted, construed and enforced in accordance with and under the laws of the Province of Alberta and applicable laws of Canada and shall, in all respects, be treated as a contract made in the Province of Alberta. The Parties irrevocably attorn and submit to the exclusive jurisdiction of the courts of the Province of Alberta and courts of appeal therefrom in respect of all matters arising out of or in connection with this Agreement.

8.6 Enurement

This Agreement may not be assigned by a Party without the prior written consent of the other

Party, which consent may be unreasonably and arbitrarily withheld. This Agreement shall be binding upon and shall enure to the benefit of the Parties and their respective administrators, trustees, receivers, successors and permitted assigns.

8.7 Time of Essence

Time shall be of the essence in this Agreement.

8.8 Notices

The addresses for service and the fax numbers of the Parties shall be as follows:

Vendor - North Red Deer River Water Services Commission
5432-56 Avenue
Lacombe, AB T4L 1E9
Fax: 403-782-5655

Attention:

Fax:

Email:

Purchaser - City of Red Deer
Box 5008
Red Deer, AB T4N 3T4

Attention:

Fax: 403-346-6195

Email:

All notices, communications and statements required, permitted or contemplated hereunder shall be in writing, and shall be delivered as follows:

- (a) by personal service on a Party at the address of such Party set out above, in which case the item so served shall be deemed to have been received by that Party when personally served;
- (b) by facsimile transmission to a Party to the fax number of such Party set out above, in which case the item so transmitted shall be deemed to have been received by that Party when transmitted, provided that a receipt confirmation report is produced;
- (c) by email transmission to a Party to the email address of such Party set out above, in which case the item so transmitted shall be deemed to have been received by that Party when transmitted, provided that no receipt rejection or mail undelivered report is produced; or
- (d) except in the event of an actual or threatened postal strike or other labour disruption that may affect mail service, by mailing first class registered post, postage prepaid, to a Party at the address of such Party set out above, in which case the item so mailed shall be deemed to have been received by that Party on the third Business Day following the date of mailing (the date of mailing being the Business Day immediately prior to the postmarked date of the envelope containing the notice, communication or statement or if

the subject envelope has been lost or destroyed, the date of such notice, communication or statement or if undated the date of the transmittal letter accompanying the same).

A Party may from time to time change its address for service, its fax number, or its email address or any or all of them by giving written notice of such change to the other Party.

8.9 Invalidity of Provisions

In case any of the provisions of this Agreement should be invalid, illegal or unenforceable in any respect, the validity, legality or enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

8.10 Waiver

No failure on the part of any Party in exercising any right or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or remedy preclude any other or further exercise thereof or the exercise of any right or remedy in law or in equity or by statute or otherwise conferred. No waiver of any provision of this Agreement, including without limitation, this section, shall be effective otherwise than by an instrument in writing dated subsequent to the date hereof, executed by a duly authorized representative of the Party making such waiver.

8.11 Amendment

This Agreement shall not be varied in its terms or amended by oral agreement or by representations or otherwise other than by an instrument in writing dated subsequent to the date hereof, executed by a duly authorized representative of each Party.

8.12 Agreement not Severable

This Agreement extends to the whole of the Assets and is not severable without Purchaser's express written consent or as otherwise herein provided.

8.13 Execution and Delivery

This Agreement may be executed in counterpart and delivered by facsimile transmission, electronic transmission, in portable document format or such similar method, each copy of which so executed shall be deemed to be an original.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

[EXECUTION PAGES TO FOLLOW]

IN WITNESS WHEREOF the Parties have executed this Agreement as of the day and year first above written.

**NORTH RED DEER RIVER WATER
SERVICES COMMISSION**

Per: _____

Per: _____

CITY OF RED DEER

Per: _____

Per: _____

SCHEDULE "A"

Water Transmission Main, Appurtenances, Land and Encumbrances

1. **Water Transmission Main** – North Red Deer Water Services Commission line between SW3 39-27-4 and NE15 39-27-4. As set forth within the Water Transmission Pipeline Contract No. 1 Record Drawings, Drawing Numbers 3333-1-104 and 3333-1-105
2. **Appurtenances** – The following assets owned by the North Red Deer Water Services Commission within the City of Red Deer and Red Deer County:
 - (a) all pipes, valves, meters, meter chambers, meter vaults, measurement instruments, bends, tees, elbows, and related assemblies and facilities owned by the North Red Deer Water Services Commission connected to and utilized in the operation of, the Water Transmission Main identified above;
 - (b) all other connected facilities and assemblies used and required for the operation of the Water Transmission Main described above and its connected assemblies and facilities; and
 - (c) all security fencing and gating surrounding or otherwise securing all or any of the foregoing.
3. **Miscellaneous Interests** – All property, assets, the interests and rights owned by the North Red Deer Water Services Commission pertaining to the Water Transmission Main and the Appurtenances, or either of them, but only to the extent that such property, assets, interests and rights pertain to the Water Transmission Main and the Appurtenances, or either of them, including without limitation any and all of the following
 - (a) **Contracts/Agreements** – Contracts and agreements relating to the Water Transmission Main and the Appurtenances, or either of them, including:
 - (i) all crossing agreements and license agreements;
 - (ii) any and all insurance claims, rights of recovery, choses in action, claims or actions in favour of the North Red Deer River Water Services Commission related to or affecting the Water Transmission Main and Appurtenances; and
 - (iii) any and all current or pending permits, agreements, orders, licenses, approvals, registrations, authorizations, indicia of authority, instruments or similar arrangements relating to the use, operation, or enjoyment of the Water Transmission Main and Appurtenances and issued in favour of the North Red Deer River Water Services Commission, to the extent assignable.
 - (b) **Rights** – Rights to enter upon, use or occupy, the surface of any lands which are or may be used to gain access to or otherwise use the Water Transmission Main and the

Appurtenances, or either of them, including crossing agreements, including those set out below:

- (i) **Rights Of Way Registered Instruments** – all easements, rights of way, leases or other arrangements under which the assets comprising the Water Transmission Main and Appurtenances are maintained and operated in their current location;
- (ii) **Rail Crossing Licenses** – to be provided by the North Red Deer River Water Services Commission; and
- (iii) **Crossing Agreements** – to be provided by the North Red Deer River Water Services Commission;

in each case as further defined within or determined by the Specific Conveyances;

- (c) **Records** – All records, books, documents, licences, reports and data which relate to the Water Transmission Main and the Appurtenances, or either of them.

- 4. **Lands** – No Lands (real property titles) are being acquired in this transaction.
- 5. **Encumbrances** – The Assets are being acquired free and clear of all encumbrances.

THIS AGREEMENT made effective the ____ day of ____, 2018.

BETWEEN:

NORTH RED DEER RIVER WATER SERVICES COMMISSION
(hereinafter referred to as the "**Assignor**")

AND:

CITY OF RED DEER
(hereinafter referred to as the "**Assignee**")

ASSIGNMENT OF CONTRACTS

WHEREAS:

A. The Assignor is the holder of certain contracts as more particularly described within Schedule "A" attached hereto (the "**Contracts**"); and

B. Pursuant to an agreement between the Assignee and the Assignor effective the ____ day of ____, 2018 (the "**Sale Agreement**"), the Assignor agreed to transfer and assign to the Assignee all of the Assignor's right, title and interest in and to the Contracts, together with all rights and benefits to be derived from the Contracts, for the balance of the respective terms of the Contracts and any renewals thereof.

NOW THEREFORE in consideration of the execution of the Sale Agreement, and the sum of One (\$1.00) Dollar paid by the Assignee to the Assignor, the receipt and sufficiency of which is hereby acknowledged, the parties hereby covenant and agree as follows:

1. ASSIGNMENT

The Assignor hereby assigns to the Assignee all of the Assignor's right, title and interest in the Contracts, together with all rights and benefits to be derived from the Contracts, for the balance of the respective terms of the Contracts and any renewals thereof subject to the observance and performance by the Assignee of the terms, covenants, and conditions contained in the Contracts which are shown as to be performed or observed by the Assignor.

2. EFFECTIVE TIME

This assignment shall be effective at and as of the ____ day of ____, 2018.

3. ASSUMPTION BY ASSIGNEE

The Assignee hereby assumes all obligations to observe and perform the terms, covenants, and conditions on the part of the Assignor to be observed or performed throughout the balance of the respective terms of the Contracts from and after the effective date of this Agreement.

4. DEFINED TERMS

All capitalized terms in this Agreement, unless otherwise defined herein, shall have the same meanings ascribed to them respectively in the Sale Agreement.

5. SUBORDINATE DOCUMENT

This Agreement is executed and delivered by the parties hereto pursuant to and for the purposes of the provisions of the Sale Agreement. The provisions of the Sale Agreement shall prevail and govern in the event of a conflict between the provisions of the Sale Agreement and this Agreement.

6. ENUREMENT

This Agreement shall be binding upon and shall enure to the benefit of each of the parties hereto and their respective trustees, receivers, receiver-managers, successors and assigns.

7. FURTHER ASSURANCES

Each party hereto will, from time to time and at all times hereafter, at the request of the other party but without further consideration, take or refrain from taking all such action and execute and deliver all such further documents as shall be reasonably required in order to fully perform and carry out the terms hereof.

8. PREAMBLE INCORPORATED

The parties hereby confirm and ratify the matters contained and referred in the preamble to this Agreement and agree that the same are expressly incorporated into and form part of this Agreement.

9. NOTICE

Unless the Assignee provides alternate information by notice to the Assignor, all future notices, approvals, consents, authorizations or other communications required to be provided to the Assignee with regard to interests in land or agreements concerning land (including crossing agreements and licenses) will be in writing and will be sent to the Assignee by personal delivery, prepaid registered mail (with a signed receipt acknowledgement), fax (with a receipt confirmation report) or email to the address shown below:

City of Red Deer
Box 5008
Red Deer, AB T4N 3T4
Attention:
Fax: 403-346-6195
Email:

10. COUNTERPARTS

This Agreement may be executed in several counterparts each of which when so executed shall be deemed to be an original, and such counterparts shall constitute one and same instrument and notwithstanding their date of execution shall be deemed to bear date as of the date of this Agreement.

IN WITNESS WHEREOF the parties hereto have executed this Agreement to be effective on the date first above written.

**NORTH RED DEER RIVER WATER
SERVICES COMMISSION**

Per: _____

Per: _____

CITY OF RED DEER

Per: _____

Per: _____

SCHEDULE “A”

THE CONTRACTS

1. Utility Right of Ways:

a.

b.

c.

2. Rail Licenses

a.

b.

c.

3. Crossing Agreements:

a.

b.

c.

4. Other:

a.

b.

c.

LAND TITLES ACT

TRANSFER OF UTILITY RIGHT OF WAYS
--

NORTH RED DEER RIVER WATER SERVICES COMMISSION (the “**Commission**”) is the registered holder of those utility right of way agreements registered in the Land Titles Office for the Alberta Land Registration District and described within Schedule "A" attached hereto (the "**Utility Right of Ways**") and does hereby transfer the Utility Right of Ways to the **CITY OF RED DEER**, together with all rights granted by the *Land Titles Act* to the Commission and subject to all liabilities imposed by the *Land Titles Act* on the Commission.

In Witness Whereof the Commission has executed this Transfer this ____ day of _____, 2018.

**NORTH RED DEER RIVER WATER
SERVICES COMMISSION**

Per: _____

c/s

Per: _____

SCHEDULE "A"

The Utility Right of Way Agreements

Instrument (Right of Way) #	Plan	Within Quarter	Title No. Affected by associated Right of Way
052 151 933	062 7087	SW 3-39-27-4	812 037 401
062 570 231	062 7087	SW 3-39-27-4	812 037 401
052 330 865	062 7087	NW 3-39-27-4	832 304 582
062 570 228	062 7087	NW 3-39-27-4	832 304 582
052 330 803	062 7087	NW 3-39-27-4	002 300 877
062 570 227	062 7087	NW 3-39-27-4	002 300 877
052 330 781	062 7087	NW 3-39-27-4	832 304 581

LAND TITLES ACT

TRANSFER OF UTILITY RIGHT OF WAYS
--

NORTH RED DEER RIVER WATER SERVICES COMMISSION (the “**Commission**”) is the registered holder of those utility right of way agreements registered in the Land Titles Office for the Alberta Land Registration District and described within Schedule "A" attached hereto (the "**Utility Right of Ways**") and does hereby transfer the Utility Right of Ways to the **CITY OF RED DEER**, together with all rights granted by the *Land Titles Act* to the Commission and subject to all liabilities imposed by the *Land Titles Act* on the Commission.

In Witness Whereof the Commission has executed this Transfer this ____ day of _____, 2018.

**NORTH RED DEER RIVER WATER
SERVICES COMMISSION**

Per: _____

c/s

Per: _____

SCHEDULE "A"

The Utility Right of Way Agreements

Instrument (Right of Way) #	Plan	Within Quarter	Title No. Affected by associated Right of Way
052 179 980	062 7087	SW 10-39-27-4	152 220 822 +1
072 057 451	062 7087	SW 10-39-27-4	152 220 822 +1
052 151 936	062 7087	SE 10-39-27-4	062 183 166
062 570 229	062 7087	SE 10-39-27-4	062 183 166
052 179 979	062 7087	NE 10-39-27-4	972 219 278
062 570 230	062 7087	NE 10-39-27-4	972 219 278
052 151 931	052 6218	SE 15-39-27-4	092 461 725

LAND TITLES ACT

TRANSFER OF UTILITY RIGHT OF WAYS
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NORTH RED DEER RIVER WATER SERVICES COMMISSION (the “**Commission**”) is the registered holder of those utility right of way agreements registered in the Land Titles Office for the Alberta Land Registration District and described within Schedule "A" attached hereto (the "**Utility Right of Ways**") and does hereby transfer the Utility Right of Ways to the **CITY OF RED DEER**, together with all rights granted by the *Land Titles Act* to the Commission and subject to all liabilities imposed by the *Land Titles Act* on the Commission.

In Witness Whereof the Commission has executed this Transfer this ____ day of _____, 2018.

**NORTH RED DEER RIVER WATER
SERVICES COMMISSION**

Per: _____

c/s

Per: _____

SCHEDULE "A"

The Utility Right of Way Agreements

Instrument (Right of Way) #	Plan	Within Quarter	Title No. Affected by associated Right of Way
052 179 927	052 6218	SE 15-39-27-4	152 199 283
062 085 566	052 6218	SE 15-39-27-4	152 199 283
052 179 928	052 6218	NE 15-39-27-4	152 199 250
062 085 567	052 6218	NE 15-39-27-4	152 199 250
062 002 551	062 8020	NE 15-39-27-4	932 023 872
072 115 346	062 8020	NE 15-39-27-4	932 023 872

THIS AGREEMENT made effective the _____ day of _____, 2018.

BETWEEN:

NORTH RED DEER RIVER WATER SERVICES COMMISSION
(hereinafter referred to as the "**Vendor**")

AND:

CITY OF RED DEER
(hereinafter referred to as the "**Purchaser**")

GENERAL CONVEYANCE

WHEREAS:

A. The Vendor has agreed to transfer the assets described in Schedule "A" hereto (hereinafter referred to as the "**Water System**") to the Purchaser and the Purchaser has agreed to purchase the Water System from the Vendor; and

B. The Vendor has entered into an agreement of purchase and sale of assets made effective the _____ day of _____, 2018 (the "**Sale Agreement**") with the Purchaser and this General Conveyance is being executed and delivered in accordance with Section 2.3 of the Sale Agreement.

NOW THEREFORE in the consideration of the execution of the Sale Agreement, as well as the covenants and agreements hereinafter set forth, the parties hereby covenant and agree as follows:

1. CONVEYANCE

The Vendor, pursuant to and for the sum of \$1,506,032.00 plus any applicable taxes paid by the Purchaser to the Vendor, hereby transfers the Water System to the Purchaser and assigns, transfers, conveys and sets over to the Purchaser the entire right, title, estate and interest of the Vendor in and to the Water System for the Purchaser to have and to hold absolutely, together with all benefit and advantage to be derived therefrom.

2. EFFECTIVE TIME

This Conveyance shall be effective at and as of the _____ day of _____, 2018.

3. ASSUMPTION BY PURCHASER

The Purchaser hereby assumes all obligations respecting the ownership, maintenance and operation of the Water System from and after the effective date of this Agreement.

4. DEFINED TERMS

All capitalized terms in this Agreement, unless otherwise defined herein, shall have the same meanings ascribed to them respectively in the Sale Agreement.

5. SUBORDINATE DOCUMENT

This Agreement is executed and delivered by the parties hereto pursuant to and for the purposes of the provisions of the Sale Agreement. The provisions of the Sale Agreement shall prevail and govern in the event of a conflict between the provisions of the Sale Agreement and this Agreement.

6. ENUREMENT

This Agreement shall be binding upon and shall enure to the benefit of each of the parties hereto and their respective trustees, receivers, receiver-managers, successors and assigns.

7. FURTHER ASSURANCES

Each party hereto will, from time to time and at all times hereafter, at the request of the other party but without further consideration, take or refrain from taking all such action and execute and deliver all such further documents as shall be reasonably required in order to fully perform and carry out the terms hereof.

8. PREAMBLE INCORPORATED

The parties hereby confirm and ratify the matters contained and referred in the preamble to this Agreement and agree that the same are expressly incorporated into and form part of this Agreement.

9. COUNTERPARTS

This Agreement may be executed in several counterparts each of which when so executed shall be deemed to be an original, and such counterparts shall constitute one and same instrument and notwithstanding their date of execution shall be deemed to bear date as of the date of this Agreement.

IN WITNESS WHEREOF the parties hereto have executed this Agreement to be effective on the date first above written.

**NORTH RED DEER RIVER WATER
SERVICES COMMISSION**

Per: _____

Per: _____

CITY OF RED DEER

Per: _____

Per: _____

SCHEDULE "A"

THE WATER SYSTEM

That treated water system owned and actively operated by the Vendor and located within the City of Red Deer and Red Deer County, as set forth within Water Transmission Pipeline Contract No. 1 Record Drawings, Drawing Numbers 3333-1-104 and 3333-1-105, provided by the Vendor to the Purchaser prior to the execution of this Agreement, and which Water System consists of:

1. Water Transmission Main:

(a) Specifications:

O.D. (mm)	W.T. (mm)	Material	Type	Length (km)
780.3	32.50	DR 25 PVC	Supply	4.91887

(b) Location: North Red Deer Water Services Commission line between SW3 39-27-4 and NE15 39-27-4; and

(c) Description – treated water supply main providing treated water.

2. Appurtenances – The following assets owned by the North Red Deer River Water Services Commission within the City of Red Deer and Red Deer County:

(a) All pipes, valves, meters, meter chambers, meter vaults, measurement instruments, bends, tees, elbows, and related assemblies and facilities owned by the North Red Deer River Water Services Commission connected to and utilized in the operation of, the Water Transmission Main identified above;

(b) All other connected facilities and assemblies used and required for operation of the Water Transmission Main described above and its connecting assemblies and facilities; and

(c) All security fencing and gating surrounding or otherwise securing all or any of the foregoing.

3. Miscellaneous Interests - All property, assets, interests and rights owned by the North Red Deer River Water Services Commission pertaining to the Water Transmission Main and the Appurtenances, or either of them, but only to the extent that such property, assets, interests and rights pertain to the Water Transmission Main and the Appurtenances, or either of them, including without limitation any and all of the following:

(a) Contracts/Agreements – Contracts and agreements relating to the Water Transmission Main and the Appurtenances, or either of them, including:

(i) crossing agreements and license agreements;

- (ii) any and all insurance claims, rights of recovery, choses in action, claims or actions in favour of the North Red Deer River Water Services Commission related to or affecting the Water Transmission Main and Appurtenances; and
 - (iii) any and all current or pending permits, agreements, orders, licenses, approvals, registrations, authorizations, indicia of authority, instruments or similar arrangements relating to the use, operation, or enjoyment of the Water Transmission Main and Appurtenances and issued in favour of the North Red Deer River Water Services Commission, to the extent assignable.
- (b) **Rights** - Rights to enter upon, use or occupy, the surface of any lands which are or may be used to gain access to or otherwise use the Water Transmission Main and the Appurtenances, or either of them, including crossing agreements, including those set out below:
- (i) **Rights Of Way Registered Instruments** - instrument numbers registered at the Land Titles Office (AB):

Instrument (Right of Way) #	Plan	Within Quarter	Title No. Affected by associated Right of Way
052 151 933	062 7087	SW 3-39-27-4	812 037 401
062 570 231	062 7087	SW 3-39-27-4	812 037 401
052 330 865	062 7087	NW 3-39-27-4	832 304 582
062 570 228	062 7087	NW 3-39-27-4	832 304 582
052 330 803	062 7087	NW 3-39-27-4	002 300 877
062 570 227	062 7087	NW 3-39-27-4	002 300 877
052 330 781	062 7087	NW 3-39-27-4	832 304 581
052 179 980	062 7087	SW 10-39-27-4	152 220 822 +1
072 057 451	062 7087	SW 10-39-27-4	152 220 822 +1
052 151 936	062 7087	SE 10-39-27-4	062 183 166
062 570 229	062 7087	SE 10-39-27-4	062 183 166
052 179 979	062 7087	NE 10-39-27-4	972 219 278
062 570 230	062 7087	NE 10-39-27-4	972 219 278
052 151 931	052 6218	SE 15-39-27-4	092 461 725
052 179 927	052 6218	SE 15-39-27-4	152 199 283
062 085 566	052 6218	SE 15-39-27-4	152 199 283
052 179 928	052 6218	NE 15-39-27-4	152 199 250
062 085 567	052 6218	NE 15-39-27-4	152 199 250
062 002 551	062 8020	NE 15-39-27-4	932 023 872
072 115 346	062 8020	NE 15-39-27-4	932 023 872

together with all other easements, rights of way, leases or other arrangements under which the assets comprising the Water Transmission Main and Appurtenances are maintained and operated in their current location.

- (ii) **Rail Licenses** – to be provided by the North Red Deer River Water Services Commission and further determined by the parties pursuant to the terms of the Specific Conveyances, to the extent assignable.
 - (iii) **Crossing Agreements** – to be provided by the North Red Deer River Water Services Commission and further determined by the parties pursuant to the terms of the Specific Conveyances, to the extent assignable.
- (c) **Records** – All records, books, documents, licences, reports and data which relate to the Water Transmission Main and the Appurtenances, or either of them.



**North Red Deer
Regional Water
Services
Commission**

5432 56th Avenue
Lacombe, Alberta T4L 1E9

Memorandum

TO: Commission Board Members

FROM: Justin de Bresser, Administrator

DATE: April 8, 2019

RE: Allocation of 2018 Surplus

REF:
47/860/2019

PURPOSE:

To propose allocations of the 2018 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 2018 that is 465,610).

Operating – equals 100% operating surplus until the reserve reaches the equivalent of 90 days of the cash operating expenses. The 2018 operating surplus (after amortization and less debt payments) was \$39,249. (\$743,791 less \$704,542 principle debt payment).

The 2018 operating reserve target is \$1,434,511 (2017 target was \$1,345,599).

ISSUE ANALYSIS:

Based on policy, Administration is proposing the following allocations:

Operating Reserve

Operating Reserve Opening Balance	\$1,268,512
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Portion of 2018 Surplus	<u>\$ 39,249</u>
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2019 Opening Balance	\$1,307,761
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2018 operating reserve target is	\$1,434,511 (As noted above)
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Stabilization Reserve

Opening Balance	\$1,280,811
2018 True Up	<u>\$ 0</u>
2019 Opening Balance	\$1,280,811

Capital Reserves

Capital Reserve Opening Balance	\$3,339,209
2018 Amortization	<u>\$ 465,610</u>
2019 Opening Balance	\$3,804,819

Administration is recommending that the balance of the 2018 surplus be allocated to the operating reserve.

As identified during the presentation of the financial statements, the surplus was achieved without accessing the stabilization reserve. This amount will remain in the rate stabilization reserve use in 2019.

Administration is also recommending that an amount equivalent to the 2018 amortization be transferred to the capital reserve as per policy.

FINANCIAL IMPLICATIONS:

The transfer to reserves has no immediate impact on the 2019 operating budget. .

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 2018 be allocated to the Capital Reserves; and
2. That an amount equal to \$39,249 be transferred to the Operating Reserve.



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 River Water Services Commission



2019 Operating Budget
Amended

Prepared by Justin de Bresser
April 8 2019

2019 Operating Budget (Updated April 8, 2019)

The North Red Deer River Water Services Commission transports potable water from the City of Red Deer to its member municipalities. Currently, the Commission delivers water to all its members. The 2019 budget forecasts revenues based on the water demand estimates provided by the member municipalities. The largest costs to the Commission are the purchase of water from the City of Red Deer and debenture payments.

The following is a summary of changes included in the 2019 operating budget followed by the budget itself.

Administration meet with representatives of the County of Lacombe, Town of Blackfalds and the Town of Ponoka to discuss the City of Lacombe's request to return excess funds to Commission members.

The representatives felt the request from the City of Lacombe was warranted to a certain extent with the 2 following recommendations made.

1. Return the rate stabilization reserve in 2019

In the last several 5 year plan the Commission was to return \$215,000 per year back to Commission members. Although budgeted, this transfer was never needed as the surplus from increased water volume and reduced operating expenses resulted in surpluses. The updated budget presented represents the total \$1.28 million getting return in 2019.

2. Amortization built into the rate.

Historically, the Commission has built into the water rate the amount of amortization each year. The City of Lacombe presented that the idea that accounting for full depreciation within the current rate places unfair burden on current ratepayers in member communities. The updated rate presented in the 2019 budget does not account for amortization. This will reduce the capital reserve transfer that happens each year also and policy 7/12 (The Capital & Operating Reserve Policy) will be amended.

Other considerations:

Capital Reserves:

City of Lacombe presented a recommendation of reducing the Capital reserve to a total of \$1,000,000. The representatives felt that this approach would put the Commission in difficult position if repairs are needed in the future. It good governance to hold adequate capital reserves for unforeseen circumstances. It was noted that there is good life remaining in the current line, although the Commission inherited the lateral lines that feed the members reservoirs. These lines pose the biggest risk to the commission as the condition of these lines are unknown. It would be administrations recommendation to complete the condition assessment of these lines at a future date.

Sale of Water line to the City of Red Deer:

This sale is not reflected in either the current rate or the 5 year projections. Depending on the closing date of the sale, Administration will present options to the board. These options may include paying down the smaller debenture, transferring funds into capital reserve or as the board directs.

Water Costs

The 2019 operating budget is based on a 2% increase in water rates from the City of Red Deer. The rate from the City of Red Deer may increase from \$1.47 to \$1.50 per cubic metre effective March 1st, 2019. The Commission will receive a formal letter from the City at the end of November. The details of the rate and impact on the budget are outlined on page 3.

The City of Red Deer confirmed that the 2019 water cost are \$1.50 per cubic meter.

Water Sales Volumes

Water sales volumes for 2019 have been reviewed based on the estimates and actuals from the 2018 budget. Actual consumption for 2018 is estimated to be slightly higher than forecasted for both Blackfalds and Lacombe. Whereas, the Town of Ponoka and County of Ponoka are showing they may miss 2018 budget target. Administration is forecasting slower growth in the coming years and this is reflective in the 2019 estimates. Included in the estimate is a change to the water loss estimate. Water forecasts are outlined in page 4 of this document.

Other Operating Revenues and Expenditures

In addition to water purchases and sales volume estimate adjustments, Administration has also reviewed all expenses for the Commission and made a number of adjustments. The following is a summary of those adjustments. The operating budget starts on page 5.

Revenues

1. Increase in line crossing fees of \$500 to reflect growing income.
2. Increase County contributions based on agreement
3. Increase of \$25,000 in interest revenue to reflect bond portfolio.
4. Increased Transfer from Reserves \$1,280,811 to return the rate stabilization reserve to commission members.

Expenses

5. Decrease in Telephone – Office by \$180.
6. Increase of \$1,140 in Management Fees as per contract.
 - a. Increase of \$25,000 to account for the extra work outside the scope of the current management contract. This will include attending meetings with the engineering firms to complete the feasibility study for the First Nations.
7. Increase in \$300 in Accounting and Auditor Fees

8. Water purchases are based on projected water volumes and the new City of Red Deer rate.
- ~~9. Amortization remains unchanged. As this is a non-cash expense, the reserve policy will see this transferred to capital reserves at the end of the year in 2019.~~
10. Reduced accounting for Amortization within rates in the amount of \$465,610

Water Rates

Administration is proposing to reduce the rate to \$1.50 per cubic meter until December 2019. This is a temporary reduction and members are advised that rates will return to historic ranges in 2020. A new rate Bylaw will be brought forward at the December 2019 meeting effective January 1st 2020. The operating surplus is projected at \$114,822

**North Red Deer River Water Services Commission
2019 Water Sales Forecast**

2018 City of Red Deer Rate	\$	1.470
2019 City of Red Deer Rate	\$	1.500
% Change		2.00%

<u>Water Purchases</u>	<u>January</u>	<u>February</u>	<u>March to December</u>	<u>Total</u>
Lacombe	104,690	92,275	1,160,362	1,357,327
Ponoka	58,015	53,877	606,053	717,945
Blackfalds	69,236	60,014	728,088	857,337
Ponoka County	770	674	8,185	9,630
City of Red Deer (Not included)	-	-	-	-
Water Loss	4,733	4,141	50,285	59,159
Subtotal	237,444	210,981	2,552,973	3,001,398

Price per m3 (excludes Red Deer)	1.4700	1.4700	1.5000
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<u>Cost of Water</u>				
City	153,894	135,644	1,740,543	2,030,081
Ponoka	85,282	79,199	909,080	1,073,561
Blackfalds	101,777	88,220	1,092,132	1,282,129
Ponoka County	1,132	991	12,278	14,401
City of Red Deer	-	-	-	-
Water Loss	6,957	6,087	75,427	88,472
Subtotal	349,043	310,142	3,829,460	4,488,644

Other Expenses (excludes Amortization)	<u>1,566,500.70</u>
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Total Operating Costs	6,055,145.00
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Less non-water Revenue & Delivery Revenue from City of Red Deer	<u>1,506,065.00</u>
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Total Water Sale Revenue Required	4,549,080.00
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<u>Water Sales Required</u>				
City	216,708.30	191,009.25	1,740,542.82	2,148,260.37
Ponoka	120,091.05	111,525.39	909,080.06	1,140,696.50
Blackfalds	143,318.52	124,228.20	1,092,131.80	1,359,678.52
Ponoka County	1,594.65	1,395.32	12,277.68	15,267.65
Subtotal	481,712.52	428,158.16	3,754,032.36	4,663,903.04
Operating Surplus				114,823
Price per m3	\$ 2.0700	\$ 2.0700	\$ 1.5000	
Rate Increase (Decrease)			-27.54%	

**North Red Deer River Water Services Commissio
2019 Water Sales Forecast**

		2018	
	<u>Jan to Sep</u>	<u>Oct to Dec</u>	<u>Total</u>
City of Lacombe	1,013,352	330,536	1,343,888
Town of Ponoka	539,008	171,829	710,837
Town of Blackfalds	646,609	202,240	848,849
Lacombe County	-	-	-
Ponoka County	7,301	1,870	9,171
City of Red Deer	3,010	919	3,929
Water Loss	<u>43,930</u>	<u>11,976</u>	<u>55,906</u>
	2,253,210	719,370	2,972,580

2019 (Estimated)

	<u>January</u>	<u>February</u>	<u>March to December</u>
City of Lacombe	104,690	92,275	1,160,362
Town of Ponoka	58,015	53,877	606,053
Town of Blackfalds	69,236	60,014	728,088
Ponoka County	770	674	8,185
City of Red Deer	300	278	3,391
Water Loss	<u>4,733</u>	<u>4,141</u>	<u>50,285</u>
	237,744	211,259	2,556,364

Historical

	<u>Actual 2015</u>	<u>Actual 2016</u>	<u>Actual 2017</u>
City of Lacombe	1,361,741	1,258,887	1,282,142
Town of Ponoka	715,080	696,163	688,423
Town of Blackfalds	752,324	737,533	800,516
Ponoka County	8,383	9,721	10,006
City of Red Deer		-	12,170
Water Loss	<u>52,169</u>	<u>14,696</u>	<u>55,906</u>
	2,889,697	2,717,000	2,849,163

City of Lacombe	2.50%	-7.55%	1.85%
Town of Ponoka	1.22%	-2.65%	-1.11%
Town of Blackfalds	10.93%	-1.97%	8.54%
Ponoka County	14.27%	15.96%	2.93%
City of Red Deer			0.00%
Water Loss	39.08%	-71.83%	280.42%
Total	4.77%	-5.98%	4.86%

Budget Department by Category

From Category: 47 To Category: 47
 Account Code: 06-1-??-????? To : 06-2-??-?????

Budget Detail: FINAL BUDGET

Year: 2019

Account Code	Account Description	2018 ACTUAL VALUES	2018 FINAL BUDGET	2019 FINAL BUDGET	Variance	Var %
REGIONAL WATER COMMISSION						
REVENUES						
Regional Water Revenues						
06-1-47-35110	Water Sales - City of Lacombe	-2,769,871	-2,660,343	-2,148,260	512,083	-23.84
06-1-47-35120	Water Sales - Town of Ponoka	-1,464,979	-1,469,568	-1,140,696	328,872	-28.83
06-1-47-35130	Water Sales - Town of Blackfalds	-1,750,051	-1,600,138	-1,359,680	240,458	-17.68
06-1-47-35140	Water Sales - Ponoka County	-18,926	-24,922	-15,267	9,655	-63.24
06-1-47-35150	Water Sales - City of Red Deer	-1,950	-7,550	-1,954	5,596	-286.39
06-1-47-42200	Line Crossing Agreement Fee	-500	-1,500	-1,500	0	0.00
06-1-47-55100	Interest Revenue	-173,449	-50,000	-75,000	-25,000	33.33
06-1-47-55500	Rebates & Dividends	-26	-30	-30	0	0.00
06-1-47-85140	Lacombe County Contribution	-71,424	-70,195	-73,385	-3,190	4.35
06-1-47-85150	Ponoka County Contribution	-71,424	-70,195	-73,385	-3,190	4.35
06-1-47-92100	Transfer from Reserves	0	-215,000	-1,280,811	-1,065,811	83.21
Total REVENUES		-6,322,600	-6,169,441	-6,169,968	527	
06-2-47-11110	Board Wages-City of Lacombe	750	1,400	600	-800	-133.33
06-2-47-11120	Board Wages-Town of Ponoka	750	600	600	0	0.00
06-2-47-11130	Board Wages-Town of Blackfalds	750	600	600	0	0.00
06-2-47-11140	Board Wages-Lacombe County	1,750	600	1,400	800	57.14
06-2-47-11150	Board Wages-Ponoka County	600	600	600	0	0.00
06-2-47-21110	Board Travel-City of Lacombe	0	250	250	0	0.00
06-2-47-21120	Board Travel -Town of Ponoka	149	250	250	0	0.00
06-2-47-21130	Board Travel-Town of Blackfalds	59	250	250	0	0.00
06-2-47-21140	Board Travel-Lacombe County	40	250	250	0	0.00
06-2-47-21150	Board Travel-Ponoka County	119	250	250	0	0.00
06-2-47-21170	Travel-Administration	24	100	100	0	0.00
06-2-47-21400	Membership Fees	195	300	300	0	0.00
06-2-47-21500	Postage & Freight	105	50	50	0	0.00
06-2-47-21600	Staff & Volunteer Appreciation	285	300	300	0	0.00
06-2-47-21700	Telephone - Office	1,069	1,080	900	-180	-20.00
06-2-47-21701	Telephone - Operations	8,465	8,072	8,072	0	0.00
06-2-47-23000	Management Fees	56,844	56,844	82,984	26,140	31.50
06-2-47-23100	Accounting and Auditor Fees	9,381	8,000	8,300	300	3.61
06-2-47-23200	Legal Fees	4,490	500	500	0	0.00
06-2-47-23900	Other Professional Services	8,174	16,800	16,800	0	0.00
06-2-47-25300	Equipment Repair & Maintenance	3,846	9,500	9,500	0	0.00
06-2-47-25301	SCADA Maintenance	29,554	9,025	9,025	0	0.00
06-2-47-27400	Insurance & Bond Premiums	4,240	3,889	3,889	0	0.00
06-2-47-34200	Administration	10,596	10,596	10,812	216	2.00
06-2-47-35100	Purchase of Water	4,284,939	4,096,061	4,488,645	392,584	8.75
06-2-47-35200	Operations	99,655	123,637	123,637	0	0.00
06-2-47-51000	Miscellaneous Expenses	738	250	250	0	0.00
06-2-47-51100	Meeting Supplies	88	50	50	0	0.00
06-2-47-51400	Office Supplies	0	150	150	0	0.00
06-2-47-52400	General Materials & Supplies	1,326	750	750	0	0.00
06-2-47-54400	Utilities-Electricity	3,565	3,500	3,500	0	0.00
06-2-47-56400	Valves	12,476	5,000	5,000	0	0.00
06-2-47-81400	Bank Charges & Interest	20	25	25	0	0.00
06-2-47-83100	Debenture Interest	568,157	570,359	539,889	-30,470	-5.64
06-2-47-83200	Debenture Principal	704,542	704,542	736,668	32,126	4.36
06-2-47-99000	Amortization	465,610	465,610	0	-465,610	0.00
Total EXPENSES		6,283,351	6,100,040	6,055,146	-44,894	

Budget Department by Category

From Category: 47		To Category: 47		Budget Detail: FINAL BUDGET		
Account Code: 06-1-??-?????		To : 06-2-??-?????		Year: 2019		
Account Code	Account Description	2018 ACTUAL VALUES	2018 FINAL BUDGET	2019 FINAL BUDGET	Variance	Var %
	Regional Water Revenues (Surplus)/Deficit	-39,249	-69,401	-114,822	45,421	
Report Total -->		-39,249	-69,401	-114,822	45,421	

Budget Department Report

GL5290

Date: Mar 25, 2019

Page:

3

Time: 11:12 am

2019 FINAL BUDGET

Account Code ID	Account Name Description	Status	Quantity	Rate	Burden %	Amount
06-1-47-35110	Water Sales - City of Lacombe					
1173	January Purchases	A	104690.00	-2.07	0.0000	-216,708
1173	February Purchases	A	92275.00	-2.07	0.0000	-191,009
1173	March to December Purchases	A	1160362.00	-1.50	0.0000	-1,740,543
	Total		Water Sales - City of Lacombe			-2,148,261
06-1-47-35120	Water Sales - Town of Ponoka					
1174	January Purchases	A	58015.00	-2.07	0.0000	-120,091
1174	February Purchases	A	53877.00	-2.07	0.0000	-111,525
1174	March to December Purchases	A	606053.00	-1.50	0.0000	-909,080
	Total		Water Sales - Town of Ponoka			-1,140,696
06-1-47-35130	Water Sales - Town of Blackfalds					
1175	January Purchases	A	69236.00	-2.07	0.0000	-143,319
1175	February Purchases	A	60014.00	-2.07	0.0000	-124,229
1175	March to December Purchases	A	728088.00	-1.50	0.0000	-1,092,132
	Total		Water Sales - Town of Blackfalds			-1,359,680
06-1-47-35140	Water Sales - Ponoka County					
2413	January Purchases	A	770.00	-2.07	0.0000	-1,594
2413	February Purchases	A	674.00	-2.07	0.0000	-1,395
2413	March to December Purchases	A	8185.00	-1.50	0.0000	-12,278
	Total		Water Sales - Ponoka County			-15,267
06-1-47-35150	Water Sales - City of Red Deer					
4121	2019 Delivery Charges - Jan - Feb	A	579.00	-0.49	0.0000	-284
4121	2019 Delivery Charges - Mar - Dec	A	3409.00	-0.49	0.0000	-1,670
	Total		Water Sales - City of Red Deer			-1,954
06-1-47-42200	Line Crossing Agreement Fee					
3753	Based on \$250 per applicant	A	1.00	-1500.00	0.0000	-1,500
	Total		Line Crossing Agreement Fee			-1,500
06-1-47-55100	Interest Revenue					
2566	Interest @2% on Bank Account	A	1.00	-75000.00	0.0000	-75,000
	Total		Interest Revenue			-75,000
06-1-47-55500	Rebates & Dividends					
2567	AADM&C	A	1.00	-30.00	0.0000	-30
	Total		Rebates & Dividends			-30
06-1-47-85140	Lacombe County Contribution					
1176	2019 Contribution	A	1.00	-73385.00	0.0000	-73,385
	Total		Lacombe County Contribution			-73,385
06-1-47-85150	Ponoka County Contribution					
1177	2019 Contribution	A	1.00	-73385.00	0.0000	-73,385
	Total		Ponoka County Contribution			-73,385

Budget Department Report

GL5290

Date: Mar 25, 2019

Page:

4

Time: 11:12 am

2019 FINAL BUDGET

Account Code ID	Account Name Description	Status	Quantity	Rate	Burden %	Amount
06-1-47-92100	Transfer from Reserves					
4122	Return excess surplus as per 5 yr plan	A	1.00	-1280811.00	0.0000	-1,280,811
	Total	Transfer from Reserves				-1,280,811
06-2-47-11110	Board Wages-City of Lacombe					
1080	4 Meetings per Year	A	1.00	600.00	0.0000	600
	Total	Board Wages-City of Lacombe				600
06-2-47-11120	Board Wages-Town of Ponoka					
1081	4 Meetings	A	1.00	600.00	0.0000	600
	Total	Board Wages-Town of Ponoka				600
06-2-47-11130	Board Wages-Town of Blackfalds					
1082	4 Meetings Per Year	A	1.00	600.00	0.0000	600
	Total	Board Wages-Town of Blackfalds				600
06-2-47-11140	Board Wages-Lacombe County					
1083	4 Meetings	A	1.00	1400.00	0.0000	1,400
	Total	Board Wages-Lacombe County				1,400
06-2-47-11150	Board Wages-Ponoka County					
1084	4 Meetings	A	1.00	600.00	0.0000	600
	Total	Board Wages-Ponoka County				600
06-2-47-21110	Board Travel-City of Lacombe					
1085	2018 Budget	A	1.00	250.00	0.0000	250
	Total	Board Travel-City of Lacombe				250
06-2-47-21120	Board Travel -Town of Ponoka					
1086	2018 Budget	A	1.00	250.00	0.0000	250
	Total	Board Travel -Town of Ponoka				250
06-2-47-21130	Board Travel-Town of Blackfalds					
1087	2018 Budget	A	1.00	250.00	0.0000	250
	Total	Board Travel-Town of Blackfalds				250
06-2-47-21140	Board Travel-Lacombe County					
1088	2018 Budget	A	1.00	250.00	0.0000	250
	Total	Board Travel-Lacombe County				250
06-2-47-21150	Board Travel-Ponoka County					
1089	2018 Budget	A	1.00	250.00	0.0000	250
	Total	Board Travel-Ponoka County				250
06-2-47-21170	Travel-Administration					
1090	Travel & Expenses	A	1.00	100.00	0.0000	100
	Total	Travel-Administration				100
06-2-47-21400	Membership Fees					

Budget Department Report

GL5290

Date: Mar 25, 2019

Page:

5

Time: 11:12 am

2019 FINAL BUDGET

Account Code ID	Account Name Description	Status	Quantity	Rate	Burden %	Amount
6	AADM&C	A	1.00	300.00	0.0000	300
Total		Membership Fees				300
06-2-47-21500	Postage & Freight					
7	Postage & Handling	A	1.00	50.00	0.0000	50
Total		Postage & Freight				50
06-2-47-21600	Staff & Volunteer Appreciation					
4120	Former Board Recognition	A	1.00	300.00	0.0000	300
Total		Staff & Volunteer Appreciation				300
06-2-47-21700	Telephone - Office					
8	Administrative Cell - New contract	A	1.00	900.00	0.0000	900
Total		Telephone - Office				900
06-2-47-21701	Telephone - Operations					
1167	Monitoring Cell Phones (\$672 per month)	A	1.00	8072.00	0.0000	8,072
Total		Telephone - Operations				8,072
06-2-47-23000	Management Fees					
9	Mgt - Jan to Dec	A	1.00	57984.00	0.0000	57,984
9	Increase to include work for the First Nations feasibility study, Attending Meetings etc.	A	1.00	25000.00	0.0000	25,000
Total		Management Fees				82,984
06-2-47-23100	Accounting and Auditor Fees					
1104	Auditor - Based on Contract - Last Year	A	1.00	8300.00	0.0000	8,300
Total		Accounting and Auditor Fees				8,300
06-2-47-23200	Legal Fees					
1091	Legal Fees	A	1.00	500.00	0.0000	500
Total		Legal Fees				500
06-2-47-23900	Other Professional Services					
1092	Alberta First Call	A	1.00	6500.00	0.0000	6,500
1092	Other	A	1.00	1000.00	0.0000	1,000
1092	Water Testing	A	1.00	2800.00	0.0000	2,800
1092	General Engineering	A	1.00	1500.00	0.0000	1,500
1092	Right of Way Survey	A	1.00	5000.00	0.0000	5,000
Total		Other Professional Services				16,800
06-2-47-25300	Equipment Repair & Maintenance					
1170	Repair & Maintenance	A	1.00	9500.00	0.0000	9,500
Total		Equipment Repair & Maintenance				9,500
06-2-47-25301	SCADA Maintenance					
1169	SCADA Maintenance (\$752/month)	A	1.00	9025.00	0.0000	9,025
Total		SCADA Maintenance				9,025

Budget Department Report

GL5290

Date: Mar 25, 2019

Page:

6

Time: 11:12 am

2019 FINAL BUDGET

Account Code ID	Account Name Description	Status	Quantity	Rate	Burden %	Amount
06-2-47-26200	Building Rent					
14	Rent	A	1.00	0.00	0.0000	0
	Total	Building Rent				0
06-2-47-27400	Insurance & Bond Premiums					
10	Insurance	A	1.00	3889.00	0.0000	3,889
	Total	Insurance & Bond Premiums				3,889
06-2-47-34200	Administration					
19	Acct - Jan to Dec	A	1.00	10812.00	0.0000	10,812
	Total	Administration				10,812
06-2-47-35100	Purchase of Water					
1171	January to February Purchases	A	448425.00	1.47	0.0000	659,185
1171	March to December Purchases	A	2552973.00	1.50	0.0000	3,829,460
1171	City of Red Deer -Jan to Feb	A	1.00	0.00	0.0000	0
1171	City of Red Deer - Mar to Dec	A	1.00	0.00	0.0000	0
	Total	Purchase of Water				4,488,644
06-2-47-35200	Operations					
1168	Operation Expenses	A	1.00	123637.00	0.0000	123,637
	Total	Operations				123,637
06-2-47-51000	Miscellaneous Expenses					
11	Miscellaneous	A	1.00	250.00	0.0000	250
	Total	Miscellaneous Expenses				250
06-2-47-51100	Meeting Supplies					
3089	Commission Meetings	A	1.00	50.00	0.0000	50
	Total	Meeting Supplies				50
06-2-47-51400	Office Supplies					
12	Paper/Forms etc.	A	1.00	150.00	0.0000	150
	Total	Office Supplies				150
06-2-47-52400	General Materials & Supplies					
1761		A	1.00	750.00	0.0000	750
	Total	General Materials & Supplies				750
06-2-47-54400	Utilities-Electricity					
1166	Meter Stations	A	1.00	3500.00	0.0000	3,500
	Total	Utilities-Electricity				3,500
06-2-47-56400	Valves					
2568	Repairs	A	1.00	5000.00	0.0000	5,000
	Total	Valves				5,000
06-2-47-81400	Bank Charges & Interest					
15		A	1.00	25.00	0.0000	25

Budget Department Report

2019 FINAL BUDGET

Account Code		Account Name	Status	Quantity	Rate	Burden %	Amount
ID	Description						
Total			Bank Charges & Interest				25
06-2-47-83100		Debenture Interest					
1763	Laon No. 4000001 (\$2,000,000 loan)	A	1.00	59092.00	0.0000	59,092	
1763	Loan No. 4000002 (\$17,000,000)	A	1.00	480797.00	0.0000	480,797	
Total			Debenture Interest				539,889
06-2-47-83200		Debenture Principal					
1172	Loan No. 4000001 (\$2,000,000)	A	1.00	76091.00	0.0000	76,091	
1172	Loan No. 4000002 (17,000,000)	A	1.00	660577.00	0.0000	660,577	
Total			Debenture Principal				736,668



**North Red Deer
Regional Water
Services
Commission**

5432 56th Avenue
Lacombe, Alberta T4L 1E9

Memorandum

TO: Commission Board Members

FROM: Justin de Bresser, Administrator

DATE: April 8, 2019

RE: Operational and Administrative Service Contract **REF:** 13/931 (2019)

PURPOSE:

To request that the Administration Service Contract is increased in 2019 by \$25,000 to cover the additional requirements of Administration with the First Nations Regional Water Tie-in project.

BACKGROUND:

On October 30, 2018, the Chair and Administrator met with Ermineskin Cree Nation to discuss the possibility of a tie-in to the regional waterline. Since that meeting the Chair and Administrator has met with the other three Bands, Louis Bull First Nation, Montana First Nation and Samson First Nation, to discuss their interest in the project. To date 74 hours collectively (All Commission members) has been incurred. Out of the 74 hours the City of Lacombe spent 26 hours at an estimated cost of \$3,250. Administration has no intent to claim the hours previously spent.

The current contract for administrative and operational services was awarded to the City of Lacombe on November 28, 2016. The City proposed rates for the first period to cover 18 months with increases of approximately 2% for 2018 and 2019. This contract will expire on December 31, 2019.

ISSUE ANALYSIS:

In review of the current contract it was noted that it does not take into account the additional requirements from Administration with facilitating of the First National Regional Water Tie-in project. Administration is asking that the Service Contract be increased in the amount of \$25, 000 for 2019. The funds are included in the new budget presented to the Board later on the agenda.

It is noted that the operations section of the contract has historically come under budget.

2018 - \$23,982 under

2017 - \$9,122 under

2016 - \$10,023 under

The fees for this project will only be charged to the Commission on an as needed per hourly base at \$125 per hour. This will be signed off by the Commission Chair prior to payment.

FINANCIAL IMPLICATIONS:

The management contract cost for 2019 year will increase to a max of \$82,984 from the original price of \$57,984.

LEGISLATIVE AUTHORITY:

- Clause 6.12 of the Commission's Bylaw 1 – Duties of Manager

ALTERNATIVES:

1. That the Board approve the increase of the 2019 Service Contract of \$25,000 for the additional requirements of Administration in handling the First Nation Regional Water Tie-in project at a per hour rate of \$125.
2. Direct Administration accordingly

ATTACHMENTS:

- n/a

ACTION/RECOMMENDATION:

That the Board approve the increase of the 2019 Service Contract of \$25,000 for the additional requirements of Administration in handling the First Nation Regional Water Tie-in project at a per hour rate.



**North Red Deer
Regional Water
Services
Commission**

5432 56th Avenue
Lacombe, Alberta T4L 1E9

Memorandum

TO: Commission Board Members
FROM: Justin de Bresser, Administrator
DATE: April 8, 2019

RE: Commission Bylaw #3.3 – Water Rate

REF: 47/200
(19)

PURPOSE:

To present for the Board's consideration Bylaw #3.3, a bylaw to amend the Commission's Water Rate Bylaw #3.

BACKGROUND:

Each year Administration prepares the rate bylaw to be consistent to the budget presented to Commission members.

ISSUE ANALYSIS:

Section of 602.07(1)(b) of the Act states that a Commission shall pass a bylaw governing the fees to be charged by the commission for services provided to its customers or any class of customers.

The Commission's Bylaw #1 establishes the administration of the Commission, including how the annual rate is to be established. Bylaw #1 does not actually establish the rate itself. Bylaw 3 established the rate for members beginning in 2016.

Based on the amended budget presented at this meeting, Administration has prepared this bylaw to align with the budget.

Unlike a municipal council, the Board may pass a bylaw in one meeting by simple majority vote.

FINANCIAL IMPLICATIONS:

Based on the 2019 budget, Administration has recommended returning the rate stabilization reserve back to Commission members. If this bylaw is not passed the rate stabilization reserve will not be utilized.

ATTACHMENT:

1. Bylaw 3.3 – A Bylaw to Amend Commission Bylaw 3

RECOMMENDATION:

Administration is recommending that the Commission give all three readings to Bylaw 3.3

NORTH RED DEER RIVER WATER SERVICES COMMISSION

BYLAW 3.3

BEING A BY-LAW OF THE BOARD OF DIRECTORS OF THE NORTH RED DEER RIVER WATER SERVICES COMMISSION TO AMEND COMMISSION BYLAW 3, THE 2016 WATER RATE BYLAW

WHEREAS the North Red Deer Water Services Commission has been established by the Lieutenant Governor in Council under Alberta Regulation 105/2004 made pursuant to Part 15.1 of the Municipal Government Act, RSA 2000, c. M-26; and

WHEREAS the Board of Directors of the North Red Deer Water Services Commission has been duly appointed pursuant to section 602.04(3)(b) of the said Act and the Board of Directors now wishes to make a Bylaw pursuant to section 602.07(1)(b) of the said Act establishing the per unit rate to be charged for the sale of water to its member municipalities and customers;

WHEREAS the Board of Directors of the North Red Deer Water Services Commission approved Commission Bylaw 3 in 2016 to establish an annual utility rate and the Board wishes to amend this Bylaw to incorporate a separate annual utility rate for non-member customers:

NOW THEREFORE the Board enacts the following:

1. Commission Bylaw 3 is hereby amended in the following manner:

a. Section 3 is deleted in its entirety and replaced with the following:

“3. The rate to be charged for the sale of potable water as of April 1st, 2019 to members by the Commission is hereby set at \$1.50 per cubic meter of measured water.”

b. Section 3.1 is deleted in its entirety and replaced with the following

“3.1. The rate to be charged for the sale of potable water as of April 1st, 2019 to customers by the Commission is hereby set at \$1.997 (\$1.50 for potable water and \$0.497 for delivery) per cubic meter of measured water.”

2. This bylaw comes into force upon final adoption.

Read a first time **8 day April of 2019**

Read a second time this **8 day April of 2019**

Read a third time and adopted this **8 day April of 2019**

CHAIR

MANAGER



**North Red Deer
Regional Water
Services
Commission**

5432 56th Avenue
Lacombe, Alberta T4L 1E9

Memorandum

TO: Commission Board Members

FROM: Justin de Bresser, Administrator

DATE: April 8, 2019

RE: 2019-2023 Budget Projections – Update

REF: 47/934
(2019)

PURPOSE:

To present to the Board for discussion the Commission's 2019-2023 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 2019-2023. The document is a planning document and is the basis for the 2019 operating budget.

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 slower water growth from previous years due to slower development growth.
2. Water loss based on 1% annual growth
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 water volume assumed to stop in 2019 due to sale of water line
6. Operations based on current customer base and current asset inventory.
7. Deploying in full the rate stabilization reserve in 2019. This has reduced the members rates just for 2019.
8. No True Up amounts are worked into this plan
9. No change to debt payments.

10. Maintain annual operating surplus of \$62,000 to \$151,000 per year.
11. Impact of potential sale of a portion of line to the City is not yet factored in.

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 a lower rate in 2019 and then returns to a normal range in 2020 – 2023. This plan has taken out full accounting for depreciation in future years. Stable water demand and stable non water supply costs has rates ranging from \$2.02 to \$2.17 per cube in 2023. . The plan maintains a projected surplus annually that could be applied against future rate increases and/or offset lower than expected water sales. The target is for an average 2.3% annual increase from years 2021 – 2023.

Given the projected water rate increases from the City, the Commission's rate is expected to increase starting in 2019 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:

- 2019-2023 Projected Operations Budget – North Red Deer Water Services Commission

ACTION/RECOMMENDATION:

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



North Red Deer River Water Services Commission

2019-2023 Projected Operating Budget

April 8 , 2019

**North Red Deer River Water Services Commission
2019 -2023 Assumptions**

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<u>City of Red Deer Rate</u>	1.50	1.53	1.56	1.59	1.62
% Increase	2.0%	2.0%	2.0%	1.9%	1.9%
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<u>Cost Escalators</u>					
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	2,035,991	2,087,088	2,138,651	2,190,670	2,243,165
Ponoka	1,076,918	1,102,855	1,128,972	1,155,278	1,181,790
Blackfalds	1,234,031	1,283,884	1,335,235	1,388,134	1,442,610
Lacombe County (thru Blackfalds)	51,975	53,550	55,146	56,763	58,417
Ponoka County	14,445	15,025	15,631	16,250	16,880
City of Red Deer	5,952	-	-	-	-
Water Loss	88,739	90,959	93,210	95,480	97,767
Subtotal	4,508,051	4,633,361	4,766,845	4,902,575	5,040,629
<u>Water Sales Required</u>					
Cost of Water	4,508,051	4,633,361	4,766,845	4,902,575	5,040,629
Other Expenses	1,547,095	1,538,844	1,543,843	1,548,956	1,554,187
Less Non Water Revenue	- 1,504,111	- 216,920	- 218,324	- 219,742	- 221,174
Plus Surplus	<u>117,211</u>	<u>32,966</u>	<u>42,464</u>	<u>82,591</u>	<u>79,230</u>
Subtotal	4,668,246	5,988,251	6,134,828	6,314,380	6,452,872
Water Sales Volume (excl loss)	3,005,366	3,028,340	3,055,670	3,083,380	3,111,500
<u>Regional Water Rate</u>	1.500	2.027	2.108	2.148	2.174
		35.13%	4.00%	1.90%	1.21%

**North Red Deer River Water Services Commission
2019 -2023 Water Sales Forecast**

Histocial Consumption

	Actual <u>2011</u>	Actual <u>2012</u>	Actual <u>2013</u>	Actual <u>2014</u>	Actual <u>2015</u>	Actual <u>2016</u>
City of Lacombe	1,150,948	1,192,004	1,240,649	1,328,507	1,361,741	1,258,887
Town of Ponoka	700,402	699,781	699,205	706,460	715,080	696,163
Town of Blackfalds	526,983	564,434	593,449	678,191	752,324	715,517
Lacombe County	-	-	-	-		22,016
Ponoka County	3,560	4,662	5,771	7,336	8,383	9,721
Water Loss	<u>39,407</u>	<u>11,252</u>	<u>49,987</u>	<u>37,509</u>	<u>52,169</u>	<u>14,696</u>
	2,421,300	2,472,133	2,589,061	2,758,003	2,889,697	2,717,000
Change						
City of Lacombe	1.36%	3.57%	4.08%	7.08%	2.50%	-7.55%
Town of Ponoka	-0.46%	-0.09%	-0.08%	1.04%	1.22%	-2.65%
Town of Blackfalds	0.46%	7.11%	5.14%	14.28%	10.93%	-4.89%
Lacombe County						
Ponoka County	31.61%	30.96%	23.79%	27.12%	14.27%	15.96%
Water Loss	-18.41%	-71.45%	344.25%	-24.96%	39.08%	-71.83%
Water Loss (% of Total)	1.63%	0.46%	1.93%	1.36%	1.81%	0.54%

Sales Volume Forecast

% Changes	Actual <u>2016</u>	Actual <u>2017</u>	Actual <u>2018</u>	Projected <u>2019</u>	Projected <u>2020</u>	Projected <u>2021</u>
City of Lacombe	-7.6%	1.8%	4.8%	1.0%	0.5%	0.5%
Town of Ponoka	-2.6%	-1.1%	3.3%	1.0%	0.4%	0.4%
Town of Blackfalds (excludir	-4.9%	7.8%	5.6%	1.00%	2.0%	2.0%
Lacombe County (County Es	0.0%	32.2%	17.9%	1.00%	1.0%	1.0%
Ponoka County (County Esti	16.0%	2.9%	-8.3%	5.0%	2.0%	2.0%
City of Red Deer	n/a	0.0%	-67.72%	1.0%	n/a	n/a
Water Loss	-71.8%	280.4%	4.8%	1.0%	0.5%	0.5%
	Actual <u>2016</u>	Actual <u>2017</u>	Actual <u>2018</u>	Projected <u>2019</u>	Projected <u>2020</u>	Projected <u>2021</u>
City of Lacombe	1,258,887	1,282,142	1,343,888	1,357,327	1,364,110	1,370,930
Town of Ponoka	696,163	688,423	710,837	717,945	720,820	723,700
Town of Blackfalds	715,517	771,407	814,539	822,687	839,140	855,920
Lacombe County	22,016	29,109	34,310	34,650	35,000	35,350
Ponoka County	9,721	10,006	9,171	9,630	9,820	10,020
City of Red Deer		12,170	3,929	3,968	-	-
Water Loss	<u>14,696</u>	<u>55,906</u>	<u>58,573</u>	<u>59,159</u>	<u>59,450</u>	<u>59,750</u>
	2,717,000	2,849,163	2,975,247	3,005,366	3,028,340	3,055,670

**North Red Deer River Water Services Commission
2019 -2023 Operations Budget**

	2019 Budget	2020 Projected	2021 Projected	2022 Projected	2023 Projected	2024 Projected
<u>Revenues</u>						
Water Sales - City of Lacombe	\$ 2,148,260	\$ 2,765,051	\$ 2,889,920	\$ 2,959,471	\$ 3,010,273	\$ -
Water Sales - Town of Ponoka	1,140,696	\$ 1,461,102	\$ 1,525,560	\$ 1,560,715	\$ 1,585,933	1,579,607
Water Sales - Town of Blackfalds	1,311,650	\$ 1,700,937	1,667,587	1,768,907	1,838,516	1,897,989
Water Sales - Lacombe County	48,030	\$ 70,945	70,236	73,780	75,932	77,612
Water Sales - Ponoka County	15,267	\$ 19,905	19,520	20,701	21,523	22,218
Water Sales - City of Red Deer	1,954	\$ -	-	-	-	-
Line Crossing Fee	1,500	1,500	1,500	1,500	1,500	1,500
Interest Revenue	75,000	75,000	75,000	75,000	75,000	75,750
Rebates & Dividends	30	30	30	30	30	30
Lacombe County Contribution	73,385	70,195	70,897	71,606	72,322	73,045
Ponoka County Contribution	73,385	70,195	70,897	71,606	72,322	73,045
Miscellaneous Revenue						
Rate Subsidization	1,280,811	-	-	-	-	-
Subtotal - Revenue	\$ 6,169,968	\$ 6,234,860	\$ 6,391,147	\$ 6,603,316	\$ 6,753,351	\$ 3,800,796

Expenses

Board Wages-City of Lacombe	\$ 600	\$ 600	\$ 600	\$ 600	\$ 600	\$ 600
Board Wages-Town of Ponoka	600	600	600	600	600	600
Board Wages-Town of Blackfalds	600	600	600	600	600	600
Board Wages-Lacombe County	1,400	1,400	1,400	1,400	1,400	1,400
Board Wages-Ponoka County	600	600	600	600	600	600
Board Travel-City of Lacombe	250	250	250	250	250	250
Board Travel -Town of Ponoka	250	250	250	250	250	250
Board Travel-Town of Blackfalds	250	250	250	250	250	250
Board Travel-Lacombe County	250	250	250	250	250	250
Board Travel-Ponoka County	250	250	250	250	250	250
Travel- Administration	100	100	100	100	100	100
Membership Fees	300	300	303	306	309	312
Postage & Freight	50	50	51	52	53	54
Staff & Board Appreciation	300	300	300	300	300	500
Telephone - Office	900	1,080	1,080	1,080	1,080	1,080
Telephone - Operations	8,072	8,072	8,476	8,900	9,345	9,812
Management Fees	82,984	56,844	57,981	59,141	60,324	61,530
Accounting and Auditor Fees	8,300	8,300	8,300	8,300	8,300	8,300
Legal Fees	500	500	505	510	515	520
Other Professional Services	16,800	16,800	16,968	17,138	17,309	17,482
Equipment Repair & Maintenance	9,500	9,500	9,595	9,691	9,788	9,886
SCADA Maintenance	9,025	9,025	9,115	9,206	9,298	9,391
Insurance & Bond Premiums	3,889	3,889	3,928	3,967	4,007	4,047
Administration	10,812	10,596	10,808	11,024	11,244	11,469
Purchase of Water	4,488,645	4,633,361	4,766,845	4,902,575	5,040,629	5,040,629
Operations	123,637	123,637	126,110	128,632	131,205	133,829
Miscellaneous Expenses	250	250	258	266	274	282
Meeting Supplies	50	50	52	54	56	58
Office Supplies	150	150	155	160	165	170
General Materials & Supplies	750	750	773	796	820	845
Utilities-Electricity	3,500	3,675	3,859	4,052	4,255	4,468
Valves	5,000	5,000	5,150	5,305	5,464	5,628
Bank Charges & Interest	25	25	25	25	25	25
Debenture Interest	539,889	570,359	538,231	504,637	469,512	432,785
Debenture Principal	736,668	704,542	736,670	770,264	805,389	842,116
Amortization	-	-	-	-	-	-
Subtotal - Expenses	\$ 6,055,146	\$ 6,172,205	\$ 6,310,688	\$ 6,451,531	\$ 6,594,816	\$ 6,600,368

Surplus/Deficit (+/-)	\$ 114,822	\$ 62,655	\$ 80,459	\$ 151,785	\$ 158,535	-\$ 2,799,572
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Rate Stabilization Reserve

Opening Balance	1,280,811	-	-	-	-	-
Annual True Up	-	-	-	-	-	-
Withdrawal	1,280,811					
Closing Balance	-	-	-	-	-	-



**North Red Deer
Regional Water
Services Commission**

5432 56th Avenue
Lacombe, Alberta T4L 1E9

Memorandum

TO: Commission Board Members

FROM: Justin de Bresser, Administrator

DATE: April 8, 2019

RE: Support for the ACP Grant Application

REF: 13/132
(2019)

PURPOSE:

To recommend support for the Alberta Community Partnership (ACP) Program Grant.

BACKGROUND:

As Administrators of the Commission the City of Lacombe applied for the Mediation and Cooperative Processes grant to help facilitate the water line protocol development project. (Feasibility Study)

ISSUE ANALYSIS:

Commissions are unable to apply for this grant and as a result the City of Lacombe has applied on the Commissions behalf. A condition of this grant is to have letters of support from at least 2 parties. Administration has received letters from the City of Lacombe and also Ermineskin Cree Nation. These letters of support are sufficient to remove the conditions from the grant.

Administration is requesting a motion of support from the board. This support will strengthen the application and will acknowledge that all parties are in support of utilizing this grant.

FINANCIAL IMPLICATIONS:

The grant application itself called for a matching portion from the municipality. The City successfully asked for this matching portion to be waived as this was a Province lead project.

ALTERNATIVES:

1. The Board can support the Alberta Community Partnership Grant Application
2. Direct Administration on how to proceed

ATTACHMENTS:

- Municipal Affairs - Letter

ACTION/RECOMMENDATION:

That the Board support the Alberta Partnership Grant Application