

North Red Deer River Water Services Commission



Regular Meeting Agenda

Date:	April 8, 2024	Time:	9:00am
Location:	COUNCIL CHAMBERS LACOMBE AB		
Invitees:	<p>Members: Mayor Grant Creasey, City of Lacombe – Chair Councillor John Ireland, Lacombe County – Vice Chair Councillor Clayton Nelson, Lacombe County – Director Mayor Jamie Hoover, Town of Blackfalds – Director Councillor Mark Matejka, Ponoka County – Director</p> <p>Others: Jordan Thompson, NRDRWSC Manager Sandra Lund, CAO, Town of Ponoka Kim Isaak, CAO, Town of Blackfalds Matthew Goudy, CAO, City of Lacombe Peter Hall, CAO, Ponoka County Tim Timmons, County Manager, Lacombe County Preston Weran, Director of Infrastructure and Property Services, Town of Blackfalds Senior Manager Tracey McKinnon, City of Lacombe Manager Amber Mitchell, City of Lacombe Manager Chris Huston, City of Lacombe Manager Angela Smith, City of Lacombe Operator Matt Sawitsky, City of Lacombe Legislative Coordinator, Denise Bellabono, City of Lacombe</p> <p>Guests: Mitchell Kennedy, CPA, Sr. Manager, BDO Canada LLP</p>		
Recorded by:	Iwalani Post - Administrative Assistant NRDRWSC		
1. Call to Order by Chair			
2. Adoption of Agenda			
3. Adoption of Minutes			
3.1 Regular Meeting Minutes – December 4, 2023			
4. Presentations			
4.1 2023 Financial Audit – BDO Canada LLP			
5. Reports			
5.1 Administration			
5.2 Chair			

6. New Business / Emergent Items

6.1 2023 Financial Audit – Sr. Manager McKinnon

6.2 City of Red Deer 2024 Water Rate

6.3 Drought Updates

7. Correspondence

7.1 Letter from Minister Schulz, Drought Action Items

7.2 Letter from Minister Schulz, Water-Sharing Negotiations

8. In Camera

8.1 Legal (FOIP Section 24)

8.2 Legal (FOIP Section 24)

9. Next Meeting Date

June 17, 2024, in Council Chambers, City of Lacombe, at 9:00am

10. Adjournment

NORTH RED DEER RIVER WATER SERVICES COMMISSION
MEETING MINUTES
December 4th, 2023

In Attendance: Mayor Grant Creasey, NRDRWSC Chair, City of Lacombe
Councillor John Ireland, NRDRWSC Vice-Chair, Lacombe County
Councillor Clayton Nelson, NRDRWSC Director, Town of Ponoka
Mayor Jamie Hoover, NRDRWSC Director, Town of Blackfalds
Councillor Mark Matejka, Director, Ponoka County

Others Present: Jordan Thompson, NRDRWSC CAO
Matthew Goudy, CAO, City of Lacombe
Preston Weran, Director of Infrastructure and Property Services,
Town of Blackfalds
Tracey McKinnon, Senior Manager of Finance, City of Lacombe
Chris Huston, Manager of Utilities, City of Lacombe
Matt Sawitsky, Operator, City of Lacombe
Denise Bellabono, Legislative Coordinator, City of Lacombe
Iwalani Post, Administrative Assistant, City of Lacombe

Guests:

Regrets: Sandra Lund, CAO, Town of Ponoka
Peter Hall, CAO, Ponoka County
Kim Isaak, CAO, Town of Blackfalds
Tim Timmons, County Manager, Lacombe County
Michael Minchin, Director of Corporate Services, Lacombe County
Amber Mitchell, Engineering Manager, City of Lacombe
Angela Smith, Regional Utilities Foreman, City of Lacombe

1. Call to Order:

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

2. Adoption of the Regular Meeting Agenda:

MOVED by Vice-Chair Ireland that the regular meeting agenda for December 4th, 2023, be adopted as amended.

CARRIED UNANIMOUSLY

3. Adoption of the Minutes:

3.1. Organizational & Regular Meeting Minutes of November 6th, 2023

MOVED by Councillor Nelson that the minutes for November 6th, 2023, be adopted as presented.

CARRIED UNANIMOUSLY

4. New Business / Emergent Items:

4.1. 2024 Water Rate Bylaw 2nd/3rd Reading

CAO Thompson presented the second and third reading of Bylaw 3.8, an amendment to Bylaw 3, for the 2024 Water Rate adjustment to members be set to \$2.18/m³, consistent with the 2024 Operating Budget.

MOVED by Vice-Chair Ireland that the Commission approve the second reading of Bylaw 3.8 as presented.

CARRIED UNANIMOUSLY

MOVED by Mayor Hoover that the Commission approve the third reading of Bylaw 3.8 as presented.

CARRIED UNANIMOUSLY

4.2. Chair Report – ECN Meeting at The Legislative Assembly of Alberta

Chair Creasey reported on the attendance of the Chair and CAO at the Legislative Assembly, as guests of the ECN, on December 1st. The meeting with the ECN representatives, Minister of Transportation, and Minister of Indigenous Relations included: discussions on the Commission's position as a neutral third-party contractor unprepared to exceed \$150K of project expenses without reimbursement; the ECN's desire to complete the waterline project with a request for the government to provide funds for an updated cost report. Chair Creasey and CAO Thompson confirmed the government's willingness to extend grant dollars to cover Commission expenses to date (up to \$150K), and that the project will allow future water connection to the other four nations.

5. Next Meeting Date:

MOVED by Vice-Chair Ireland that the next Commission meeting date be set for April 8th, 2024, due to the holiday on April 1st, 2024.

CARRIED UNANIMOUSLY

6. Adjournment:

MOVED by Councillor Nelson to adjourn the meeting at 9:18 am.

CARRIED UNANIMOUSLY

Chairperson

Administrator

**North Red Deer River Water Services
Commission
Financial Statements
For the year ended December 31, 2023**

DRAFT

North Red Deer River Water Services Commission
Financial Statements
For the year ended December 31, 2023

Contents

Independent Auditor's Report	1
Financial Statements	
Statement of Financial Position	3
Statement of Operations	4
Statement of Change in Net Financial Assets (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, 2023, 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, 2023 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.

Independent Auditor's Report

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 a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Commission to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants
Red Deer, Alberta
April 8, 2024

North Red Deer River Water Services Commission
Statement of Financial Position

December 31	2023	2022
Financial assets		
Cash (Note 2)	\$ 8,771,027	\$ 8,726,182
Investments (Note 3)	8,089,389	7,936,804
Trade and other receivables	858,333	609,188
	<u>17,718,749</u>	<u>17,272,174</u>
Liabilities		
Accounts payable and accrued liabilities	401,639	463,526
Deferred revenue (Note 4)	8,224,957	7,960,003
Current portion of long-term debt (Note 5)	920,671	880,518
	<u>9,547,267</u>	<u>9,304,047</u>
Long-term debt, net of current portion (Note 5)	7,163,121	8,083,791
	<u>16,710,388</u>	<u>17,387,838</u>
Net financial assets (debt)	<u>1,008,361</u>	<u>(115,664)</u>
Non-financial assets		
Tangible capital assets (Note 7)	26,156,453	26,611,912
Inventory of supplies (Note 8)	75,440	75,440
	<u>26,231,893</u>	<u>26,687,352</u>
Accumulated surplus (Note 10)	\$ 27,240,254	\$ 26,571,688

Commitments (Note 12)

North Red Deer River Water Services Commission
Statement of Operations

For the year ended December 31	Budget 2023	2023	2022
Revenue			
Water sales to Commission members (Note 11)	\$ 6,388,382	\$ 6,253,763	\$ 6,088,152
Service fees to Commission members (Note 11)	144,770	139,310	115,989
Interest income	98,231	286,834	192,365
Other revenue	1,000	500	2,594
Provincial grants	-	150,000	-
Total revenue	6,632,383	6,830,407	6,399,100
Expenses			
Accounting and audit fees	9,364	13,255	9,040
Board remuneration	5,814	4,250	5,400
Board travel	3,197	958	3,478
Communication	624	-	-
General material and supplies	9,000	10,400	8,884
Insurance	12,475	6,329	6,223
Interest long-term debt	394,383	391,633	430,155
Legal	5,000	63,149	37,569
Management fees	301,503	301,504	63,324
Office	1,040	-	209
Operator costs	-	-	100,654
Other professional fees	41,550	45,300	78,281
Purchase of water	4,806,832	4,780,851	4,427,729
Repairs and maintenance	2,727	14,503	4,807
SCADA maintenance	24,853	66,318	24,606
Utilities	7,868	7,932	8,811
Valves	2,020	-	1,962
Amortization of capital assets	444,962	455,459	455,459
Total expenses	6,073,212	6,161,841	5,666,591
Excess of revenue over expenses	559,171	668,566	732,509
Accumulated surplus, beginning of year	26,571,688	26,571,688	25,839,179
Accumulated surplus, end of year	\$ 27,130,859	\$ 27,240,254	\$ 26,571,688

North Red Deer River Water Services Commission
Statement of Change in Net Financial Assets (Debt)

For the year ended December 31	Budget 2023	2023	2022
Excess of revenue over expenses	\$ 559,171	\$ 668,566	\$ 732,509
Amortization of tangible capital assets	444,962	455,459	455,459
	<u>1,004,133</u>	<u>1,124,025</u>	<u>1,187,968</u>
Decrease (increase) in inventory of supplies	-	-	(352)
Net change in net financial assets (debt)	1,004,133	1,124,025	1,187,616
Net debt, beginning of year	<u>(115,664)</u>	<u>(115,664)</u>	<u>(1,303,280)</u>
Net financial assets (debt), end of year	<u>\$ 888,469</u>	<u>\$ 1,008,361</u>	<u>\$ (115,664)</u>

North Red Deer River Water Services Commission
Statement of Cash Flows

For the year ended December 31	2023	2022
Operating transactions		
Excess of revenue over expenses	\$ 668,566	\$ 732,509
Items not involving cash		
Amortization	455,459	455,459
Changes in non-cash operating balances		
Accounts receivable	(249,145)	16,437
Inventories of supplies	-	(352)
Accounts payable and accrued liabilities	(61,887)	79,107
Deferred revenue	264,953	7,960,003
	<u>1,077,946</u>	<u>9,243,163</u>
Capital transactions		
Acquisition of tangible capital assets	-	-
Investing transactions		
Acquisition of investments	(152,585)	(173,689)
Financing transactions		
Repayment of long-term debt	(880,518)	(842,116)
Net change in cash and bank indebtedness	44,843	8,227,358
Cash, beginning of year	8,726,182	498,824
Cash, end of year	\$ 8,771,025	\$ 8,726,182

North Red Deer River Water Services Commission

Summary of Significant Accounting Policies

December 31, 2023

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.

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

Investments

Investments in derivatives and equity instruments quoted in an active market are carried at fair value with transaction costs expensed upon initial recognition. Investments in interest bearing securities are recorded at amortized cost. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

Financial Instruments

Accounts receivable, accounts payable are measured at cost. Investments and long-term debt is measured at cost or amortized cost. For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense. All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations. Transaction costs are added to the carrying value for financial instruments measured using cost or amortized cost.

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

Long-term Debt

Long-term debt is initially recognized net of any premiums, discounts,

fees and transactions costs, with interest expense recognized using the effective interest method. Long-term debt is subsequently measured at amortized cost.

Deferred Revenue

Deferred revenues represent government transfers, donations, and other amounts which have been collected, but for which the related services have yet to be performed or agreement stipulations have been met. These amounts will be recognized as revenues when revenue recognition criteria have been met.

Revenue Recognition

Revenue from transactions with no performance obligation is recognized at realizable value when the commission has the authority to claim or retain an inflow of economic resources and identifies a past transaction or event giving rise to an asset.

Revenue from transactions with performance obligations is recognized as the performance obligations are satisfied by providing the promised goods or services to the payor. User fees are recognized over the period of use, sales of goods are recognized when goods are delivered.

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or are the result of a direct financial return. Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be determined. Transfers where stipulations give rise to a liability are recognized as revenue as the stipulation liabilities are settled.

North Red Deer River Water Services Commission

Summary of Significant Accounting Policies

December 31, 2023

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. there is no known contaminated site as of December 31, 2024

Asset Retirement Obligation

A liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset at the financial statement date when there is a legal obligation for the commission to incur retirement costs, the past transaction has or event giving rise to the liability has occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made. The best estimate of the liability includes all costs directly attributable to asset retirement activities, based on information available at year-end. The best estimate of an asset retirement obligation incorporates a present value technique, when the cash flows required to settle an asset retirement obligation are expected to occur over extended future periods.

When a liability for an asset retirement obligation is initially recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related tangible capital asset. The asset retirement cost is amortized over the useful life of the related asset. At each financial reporting date, the commission reviews the carrying amount of the liability. The commission recognizes period-to-period changes to the liability due to the passage of time as accretion expense. Changes to the liability arising from revisions to either the timing, the amount of the original estimate of undiscounted cash flows or the discount rate are recognized as an increase or decrease to the carrying amount of the related tangible capital asset. The commission continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

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.

Areas of the financial statements that contain estimates are as located in amortization, interest revenue and expenses.

DRAFT

North Red Deer River Water Services Commission

Notes to Financial Statements

December 31, 2023

1. Financial Instruments

The Commission is exposed to credit risk, liquidity risk, and interest rate risk from its financial instruments. This note describes the Commission's objectives, policies, and processes for managing those risks and the methods used to measure them. Further qualitative and quantitative information in respect of these risks is presented below and throughout these financial statements.

Credit risk:

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Commission is exposed to credit risk through its cash, accounts receivable, and investments.

The Commission manages its credit risk by credit approval process and holding cash at federally regulated chartered banks and cash accounts insured up to \$100,000. The Commission measures its exposure to credit risk based on historical experience regarding collections. The maximum exposure to credit risk at the financial statement date is the carrying value of its cash and accounts receivable as outlined in Note 2. Accounts receivable arise primarily as a result of sales receivable. Based on this knowledge, credit risk of cash and accounts receivable are assessed as low.

The Commission manages exposure to credit risk for portfolio investments by ensuring adequate diversification and by maintaining its investments are in compliance with Commission Investment Regulations. As a result, the Commission has reduced exposure to market or value risk. The maximum exposure to credit risk on portfolio investments is outlined in Note 3.

Liquidity risk

Liquidity risk is the risk that the Commission will encounter difficulty in meeting obligations associated with financial liabilities. The Commission is exposed to liquidity risk through its accounts payable, long-term debt, and investments.

The Commission manages this risk by maintaining a balance of short term or highly liquid investments and staggers maturity dates of investments for cash flow needs. Also to help manage the risk, the Commission has in place a planning, budgeting and forecasting process to help determine the funds required to support the normal operating requirements. The Commission measures its exposure to liquidity risk based on extensive budgeting.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Commission is exposed to interest rate risk through its long-term debt and the value of portfolio investments.

The Commission manages interest rate risk on its long-term debt by holding all debt through MFA at a fixed rate, with refinancing typically being completed at the ten or fifteen year mark. Therefore, fluctuations in market interest rates would not impact future cash flows and operations relating to long-term debt. See Note 5 for interest rates and maturity dates for long term debt.

2. Cash

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, 2023 the prime rate was 7.2%.

The cash balance of \$8,771,027 (2022 - \$8,726,182) consists of restricted cash in the amount of \$8,224,957 (2022 - \$7,960,003). This restricted cash is funding received from the Government of Alberta used for the extension of the Ponoka pipeline to Maskwacis.

3. Investments

	<u>2023</u>	<u>2022</u>
Short-term & medium-term Canadian bank paper notes, Principal protected notes yielding effective annual rates of 1.65% to 3.65% to maturity at cost.	<u>\$ 8,089,389</u>	<u>\$ 7,936,804</u>

The market value of the Commission's investments was \$8,089,389 (2022 - \$7,936,804).

4. Deferred Revenue

	<u>2023</u>	<u>2022</u>
Deferred Grants	<u>\$ 8,224,957</u>	<u>\$ 7,960,003</u>

Deferred grants consist of funds received for eligible capital projects as approved by the Province, which are scheduled for completion in the future.

The deferred grant amount consists of funding received from the Government of Alberta for the extension of the Ponoka pipeline to Maskwacis.

North Red Deer River Water Services Commission
Notes to Financial Statements

December 31, 2023

5. Long-term Debt

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

	2023	2022
4.46% debenture, repayable \$66,762, semi-annually, due September 15, 2031	\$ 871,871	\$ 980,952
4.515% debenture, repayable \$570,688 semi-annually, due June 15, 2031	7,032,143	7,983,357
	7,904,014	8,964,309
Current portion	920,671	842,116
	6,983,343	8,122,193

Principal and interest repayments are as follows:

	Principal	Interest	Total
2024	\$ 920,671	\$ 354,230	\$ 1,274,901
2025	962,655	312,246	1,274,901
2026	1,006,554	268,347	1,274,901
2027	1,052,454	222,447	1,274,901
2028	920,671	354,230	1,274,901
Thereafter	3,041,009	233,356	3,274,365
	\$ 7,904,014	\$ 1,744,856	\$ 9,648,870

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, 2023

6. 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, 2023. The debt limit and debt service limit otherwise determined are as follows:

	2023	2022
Total debt limit	\$ 13,360,813	\$ 12,798,201
Total debt	<u>(8,083,792)</u>	<u>(8,964,309)</u>
Total debt limit (exceeded)	<u>5,277,021</u>	<u>3,833,892</u>
Debt servicing limit	2,338,142	2,239,685
Debt servicing	<u>(1,274,901)</u>	<u>(1,274,901)</u>
Total debt servicing limit	<u>1,063,241</u>	<u>964,784</u>

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, 2023

7. Tangible Capital Assets

	2023			
	Engineered Structures	Land	Equipment	Total
Cost,				
beginning of year	\$ 31,538,802	\$ 1,821,692	\$ 330,229	\$ 33,690,723
Additions	-	-	-	-
Disposals	-	-	-	-
Cost, end of year	\$ 31,538,802	\$ 1,821,692	\$ 330,229	\$ 33,690,723
Accumulated amortization,, beginning of year	\$ 7,000,618	\$ -	\$ 78,193	\$ 7,078,811
Amortization	422,436	-	33,023	455,459
Disposals	-	-	-	-
Accumulated amortization, end of year	\$ 7,423,054	\$ -	\$ 111,216	\$ 7,534,270
Net carrying amount, end of year	\$ 24,115,748	\$ 1,821,692	\$ 219,013	\$ 26,156,453

	2022			
	Engineered Structures	Land	Equipment	Total
Cost,				
beginning of year	\$ 31,538,802	\$ 1,821,692	\$ 330,229	\$ 33,690,723
Additions	-	-	-	-
Disposals	-	-	-	-
Cost, end of year	\$ 31,538,802	\$ 1,821,692	\$ 330,229	\$ 33,690,723
Accumulated amortization, beginning of year	\$ 6,569,624	\$ -	\$ 53,728	\$ 6,623,352
Amortization	430,127	-	24,465	455,459
Disposals	-	-	-	-
Accumulated amortization, end of year	\$ 7,000,618	\$ -	\$ 78,193	\$ 7,078,811
Net carrying amount, end of year	\$ 24,538,184	\$ 1,821,692	\$ 252,036	\$ 26,611,912

North Red Deer River Water Services Commission
Notes to Financial Statements

December 31, 2023

8. Inventories of Supplies

	2023	2022
Valves	\$ 41,321	\$ 41,321
Materials and supplies	8,660	8,660
Pipe	8,513	8,513
Couplings	5,485	5,484
Miscellaneous	11,462	11,110
	\$ 75,441	\$ 75,088

9. Equity in Tangible Capital Assets

	2023	2022
Tangible capital assets	\$ 33,690,723	\$ 33,690,723
Accumulated amortization	(7,534,272)	(7,078,811)
Total long-term debt	(8,083,792)	(8,964,309)
	\$ 18,072,659	\$ 17,647,603

10. Accumulated Surplus

The Commission segregates its accumulated surplus in the following categories:

	2023	2022
Unrestricted Operating Surplus	2,992,568	2,929,291
Unrestricted Capital Surplus	233,104	233,104
Operating Reserve	1,132,242	1,132,242
Capital Reserve	4,809,678	4,629,448
Equity in tangible capital assets	\$ 18,072,660	\$ 17,647,603
	\$ 27,240,252	\$ 26,571,688

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, 2023

11. 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:

	2023	2022
City of Lacombe	\$ 2,740,187	\$ 2,752,245
Town of Ponoka	1,570,167	1,475,864
Town of Blackfalds	1,779,384	1,841,262
Ponoka County	19,350	18,781
Lacombe County	144,675	-
	\$ 6,253,763	\$ 6,088,152

During the year the Town of Blackfalds purchased 49,717 m3 (2022 - 47,972 m3) of water from the Commission and resold the water to Lacombe County to service the Aspelund Business Park. The cost of water attributed to the Town of Blackfalds, above, includes the water it resold to Lacombe County.

During the year the City of Lacombe purchased 17,888 m3 (2022 - 13,910m3) of water from the Commission and resold it to Lacombe County to service the Wildrose Business Park. The cost of water attributed to the City of Lacombe, above, includes the water it resold to Lacombe County.

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:

	2023	2022
Lacombe County	55,307	44,715
Ponoka County	84,003	71,274
	\$ 139,310	\$ 115,989

The Commission is provided accounting, management and operations services by the City of Lacombe for a total cost of \$301,504 (2022 - \$163,978).

Included in accounts receivable are \$742,388 (2022 - \$595,972) due from various members municipalities.

Included in accounts payable is \$71 (2021 - \$6,802) due to various member Municipalities.

North Red Deer River Water Services Commission
Notes to Financial Statements

December 31, 2023

12. 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, Lacombe County 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.

13. Rebates

Based on the terms of the water supply agreement with the City of Red Deer effective September 1, 2005, annual water rates are based on forecasted consumption volume and costs which are subject to annual reconciliation. A "true-up" transaction, where one party compensates the other for variance in consumption and/or costs, results in an actual cost per cubic metre variance greater than 10%. The Commission may receive a rebate as a result of the reconciliation of actual annual costs and volumes to annual budgeted costs and volumes completed by the City of Red Deer. 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. There was no rebate recognized or receivable for the 2022 or 2023 fiscal years.

14. Asset Retirement Obligation

The Commission does not have any asset retirement obligations as defined by PS 3280 (Property and Equipment) during the reporting period. As of April 8, 2023, management has determined that no such obligations exist for the Commission's tangible long-lived assets.

North Red Deer River Water Services Commission
Notes to Financial Statements

December 31, 2023

15. Approval of Financial Statements

The Board and Management approved these financial statements.

DRAFT

Administration Reports



Administrative, Financial & Operational

Date: April 8, 2024

Presented by: CAO, Sr. Finance Manager, Operations Supervisor

ADMINISTRATIVE

- Participated in several meetings with Red Deer regarding rate modelling. Report enclosed.
- Participated in several drought planning workshops with Red Deer and other regional partners. Report enclosed.
- 2023 Audited Financial Statements are ready for Board approval.

Waterline Extension

- The Waterline Extension Grant Agreement is before the Board for consideration.
- Montana First Nation reached out to discuss, at a high level, a connection to the NRDRWSC system.

FINANCIAL

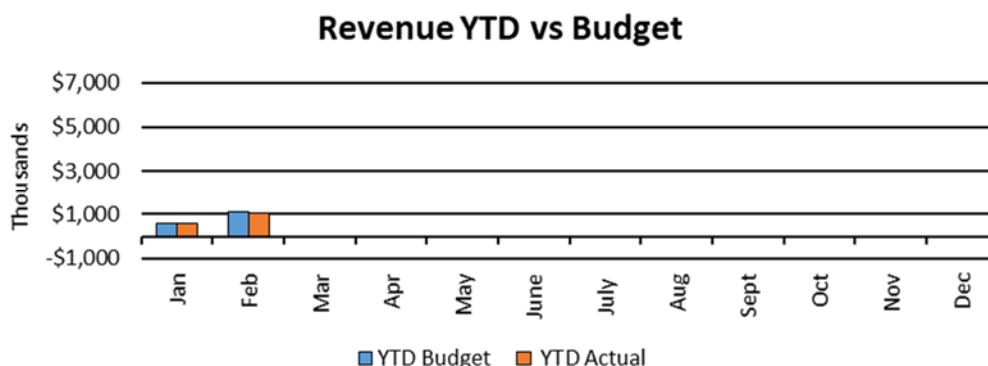
As seen in Table 1, overall 2024 water volumes for January and February are higher by 3.5% than the actual 2023 levels for the same period.

Table 1 - Water volumes (in cubic meters) - January and February

Member	2023	2024
City of Lacombe	204,806	202,448
Blackfalds	127,228	130,641
Lacombe County	9,444	10,519
Ponoka	108,140	122,009
Ponoka County	972	783
Total	450,590	466,400

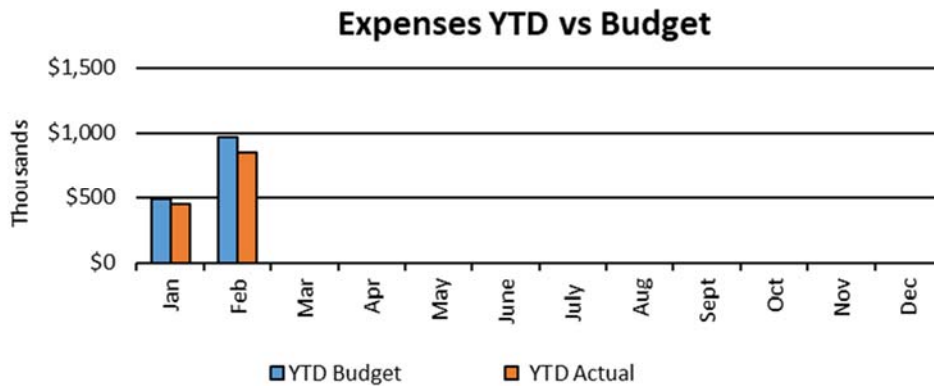
Revenue

As of February, YTD (year to date) actual revenues are lower than the YTD budgeted revenues by \$63,889 or 6.07%.



Expenses

As of February, the YTD actual expenses are lower than YTD budgeted expenses by \$110,601 or 12.96%. The water purchase cost is under budget by \$113K, accounting for this under budget variance.

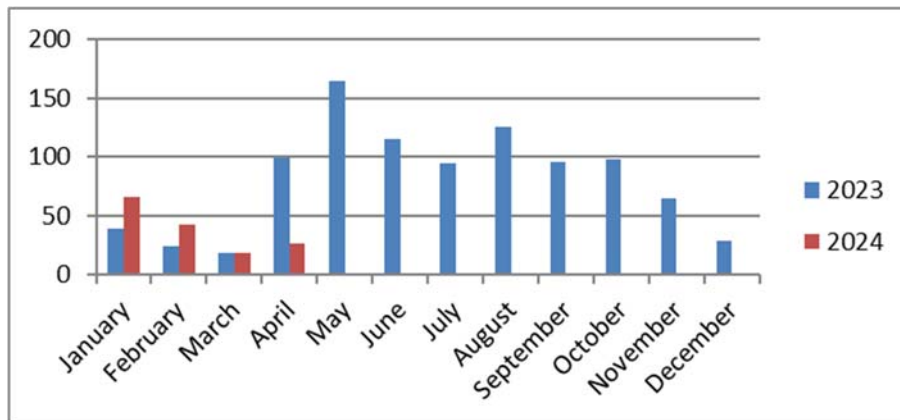


Surplus/Deficit

As of February 2024, the Water Commission has a YTD net surplus of approximately \$46K.

OPERATIONAL

Alberta One-Call Locate Requests:



2023 = 966 (2022 = 1052)

2024 to date = 152

Notable activities since the last report:

- Participated in workshops focused on Water Sharing Agreements as part of the Province's Drought Emergency Management Support initiative.

Upcoming Activities:

- Continue collaborating with stakeholders from the Red Deer River Basin on a regional approach for responding to the predicted multi-year drought.

North Red Deer River Water Services Commission

5432 56th Avenue

Lacombe, Alberta T4L 1E9

Phone: (403) 782-6666 www.nrdwsc.ca/

Request For Decision



2023 Audited Financial Statement

Date: April 8th, 2024

Prepared by: Tracey McKinnon, Sr. Manager of Finance

Presented by: Tracey McKinnon, Sr. Manager of Finance

PURPOSE:

To present the 2023 audited financial statement for the North Red Deer River Water Services Commission for the Board’s approval.

ACTION/RECOMMENDATION:

THAT the Commission approves the North Red Deer River Water Services Commission 2023 Audited Financial Statement as presented.

AND

THAT the Commission approves a \$140,083 transfer to the Capital Reserve

ISSUE ANALYSIS:

Completion and Presentation:

- The Commission can now review and approve the finished and prepared NRDRWSC 2023 draft audited financial statement.
- BDO LLP will present the audited financial statement at the Board meeting on April 8th, 2024.
- Deadline for submitting the Audited Financial Statements to Alberta Municipal Affairs is May 1st.

Operating Surplus Presentation:

- The audited statement presents the operating surplus differently compared to the annual operating budget.
- Chart 1 provides a reconciliation of the surplus reported on the audited statements to the operating budget surplus.

Chart 1- 2023 Surplus Reconciliation

Explanation	2023 Actuals	2023 Budget
2023 Audited Statement Surplus	\$668,566	\$559,171
Less 2023 Debt Principal Expense	-\$880,518	-\$880,518
Plus Amortization Expense	\$455,459	\$444,962
Less Transfer to Reserves Expense	-\$103,424	-\$103,424
2023 Adjusted Surplus	\$140,083	\$20,191

The 2023 budgeted surplus was \$20k, compared to the \$140K adjusted surplus.

Summary Explanation of Year-End Variance:

Revenue Variance:

- Actual revenue is \$198K over budget.
 - \$140K deficit in water sales and member contributions.
 - \$188K surplus in interest revenue.
 - \$150K unbudgeted surplus for provincial grants related to the water line expansion (offset by expenditures).

Expenditure Variance:

- Expenditures are \$78K over budget.
 - 26K surplus for purchase of Water from the City of Red Deer
 - \$41K deficit for SCADA costs
 - \$63K deficit in various categories, including expenses related to the water line expansion (Legal).

Debt Capacity:

In 2023, the Commission has approximately \$5.3M remaining debt capacity, providing the ability to borrow if necessary.

Recommendation:

The recommendation is to transfer a surplus of \$140,083 to the Capital Reserve.

LEGISLATIVE AUTHORITY:

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

ALTERNATIVES:

The Commission may choose to:

A. ***[Recommended]***

1: THAT the Commission approves the North Red Deer River Water Services Commission 2023 Audited Financial Statement as presented.

AND

2: THAT the Commission approves the \$140,083 transfer of surplus to the Capital Reserve.

OR

B. [Alternative] THAT the Commission directs Administration on how it wishes to proceed.

ATTACHMENTS:

- Draft-2023 Audited Financial Statement-North Red Deer River Water Services Commission. (included earlier in the agenda)

Request For Decision

2024 City of Red Deer Water Rate

Date: April 8th, 2024

Prepared by: Jordan Thompson, CAO

Presented by: Jordan Thompson, CAO



PURPOSE:

To advise the Board of a projected year-end operating deficit due to a higher than expected rate increase from the City of Red Deer.

ACTION/RECOMMENDATION:

THAT the Commission accept this report as information.

ISSUE ANALYSIS:

Red Deer City Council has approved their 2024 rate to the Commission: \$1.78/m³ (8.54% higher than their 2023 rate). The 2024 NRDRWSC Operating Budget assumed \$1.70/m³.

Due to the higher rate, Administration is projecting a year-end deficit of \$120K-\$190K. The Commission has adequate operations reserves to cover the projected 2024 deficit. However, since the Commission's water purchase costs make up 92% of its operating costs overall, Red Deer's rate directly impacts the Commission's rate to members. For this reason, members are advised to expect a rate increase in 2025. Administration is investigating options to mitigate the member rate increase for the Board's consideration at a future meeting. However, the Board is advised that a 10-15% water rate increase to members in 2025 is possible to catch up to Red Deer's 2024 rate plus an estimated 5-10% increase in 2025.

One option to mitigate the 2025 increase is to make a mid-year amendment to the Utility Rate Bylaw such that the 2024 member rate reflects the 2024 Red Deer increase.

Affordability is an important topic in our communities and the NRDRWSC, and its member municipalities, seek predictable utility rates. Because water purchase costs, the Commission's (and by extension, the water utilities of Commission members') largest expense, is outside of its direct control, when those costs increase unexpectedly, it is very difficult for the Commission (and its members) to maintain predictable water rates for its members (and ratepayers) year over year. Still, increased costs to the utility should be reflected in the sales rate, and Red Deer's rate increase may result from bona fide cost increases. An in-camera report expands on the Administration's recommended next steps with respect to Red Deer's rates.

ALTERNATIVES:

The Commission may choose to:

- A. **[Recommended]** THAT the Commission accept this report as information.

OR

B. [Alternative] THAT the Commission directs Administration to propose an amendment to the member utility rates at its June 17th, 2024 regular meeting.

OR

C. [Alternative] THAT the Commission directs Administration how it wishes to proceed.

ATTACHMENTS:

- January 29th, 2024 email from City of Red Deer RE: North Red Deer Regional Water Commission draft 2024 rate.

From: John Fluney <John.Fluney@reddeer.ca>
Sent: Monday, January 29, 2024 2:36 PM
To: Jordan Thompson
Subject: RE: North Red Deer Regional Water Commission draft 2024 rate

You don't often get email from john.fluney@reddeer.ca. [Learn why this is important](#)

Good afternoon,

Just to confirm City Council approved the 2024 Utility Bylaw which includes North Red Deer Regional Water Commission rate of \$1.78 per cubic meter effective March 1, 2024.

Thanks.

John Fluney CPA, CA
Division Controller – Community Services Division
CSV Business Excellence
The City of Red Deer
587-679-3669

From: Monica Evans <Monica.Evans@reddeer.ca>
Sent: Monday, December 4, 2023 3:40 PM
To: Jordan Thompson <jthompson@lacombe.ca>
Subject: North Red Deer Regional Water Commission draft 2024 rate

Good morning Jordan,

We have recently evaluated our water financial and rate allocation models and have tentatively established rates for 2024, subject to Council approval. Please be advised that the unit rate for the supply of water under the Water Supply Agreement with North Red Deer Regional Water Commission is expected to increase to **\$1.78** per cubic metre, effective March 1, 2024. The Utility Rate Bylaw is going to Council for approval on January 23-26, 2024. We will notify you once rates are approved.

The North Red Deer Regional Water Commission rate was calculated on a cost of service basis, utilizing the principles set out in the American Water Works Association manuals of practice. The price was derived using an estimated volume of 2,945,116 cubic metres, which is a 0.2% increase over the forecast 2023 volume of 2,940,088 m³. The 2023 rate is an increase of 8.5% above the 2023 rate of \$1.64 per cubic metre.

Thank you,,

Monica Evans, CPA, CMA
CSV Accounting & Financial Supports Supervisor
CSV BUSINESS EXCELLENCE | THE CITY OF RED DEER
MOBILE: 403-396-9006

Request For Decision

Red Deer River Drought Update

Date: April 8th, 2024

Prepared by: Jordan Thompson, CAO

Presented by: Jordan Thompson, CAO



PURPOSE:

Minister Schulz's February 2024 letter on the drought, among other things, indicates, *"Water license holders will be asked to voluntarily take less water in order to ensure that there is water available for as many users as possible."*

Minister Schulz's March 28th follow-up letter says, *"...the conclusion of the largest water-sharing negotiations in Alberta's history will be a landmark achievement for all involved and an example to the rest of Canada. Accordingly, this achievement will be shared with the public and the media in a press conference in Calgary on Friday, April 19th. All signatories are invited to participate, please contact EPA.Minister@gov.ab.ca to confirm your attendance."*

ACTION/RECOMMENDATION:

THAT The Commission directs Administration to finalize and execute the Red Deer River Basin Water Sharing Agreement Memorandum of Understanding.

AND

THAT The Commission directs Administration to propose updates to Policy 6: Water Rationing including steps the NRDRWSC will take to mitigate the impact of a possible multi-year drought.

ISSUE ANALYSIS:

Water Supply Outlook

As of March 2024, the Province's 2024 water supply outlook for the Red Deer River Basin is average and similar to 2020. The critical water shortage in southern Alberta and the need to maintain Alberta's commitment to Saskatchewan and Manitoba as per the [Master Agreement on Apportionment](#) remain the primary concerns for the province. Even though the drought forecast for the Red Deer River Basin is not dire this year, the province is also very concerned about the year-over-year impact of prolonged drought on the Red Deer River Basin.

This spring, a Provincial state of emergency is still possible, which may impact major water license holders in the Red Deer River Basin. The NRDRWSC is a major license holder, with the fourth-largest total water allocation from the Red Deer River Basin.

Red Deer River Basin Top 5 Water License Holders by Volume	Total Allocation (m3)	Purpose
CITY OF RED DEER	27,903,733	Municipal
NOVA CHEMICALS CORPORATION	23,858,940	Industrial
ATCO ELECTRIC LTD.	22,075,490	Commercial
NORTH RED DEER RIVER WATER SERVICES COMMISSION	13,391,000	Municipal
MOUNTAIN VIEW REGIONAL WATER SERVICES COMMISSION	13,343,955	Municipal

The City of Red Deer may implement mandatory water restrictions within the City this summer. However, Red Deer will initially roll out an education campaign this spring to solicit voluntary reductions in water consumption under “Stage 1” of their [outdoor water restrictions guide](#). In addition, they are developing a corporate drought management plan, which is expected to be rolled out before summer.

Additional information from Alberta.ca/drought:

- **As of November 10th, 2023**, there are five water shortage advisories on in the Red Deer River Basin
- **As of February 26th, 2024**, the Red Deer River below Burnt Timber Creek the flow was measured to be 4.35 m³/s, the fourth lowest winter measurement in the past 15 years.
- **As of March 6th, 2024**, the Gleniffer Reservoir (Dickson Dam) current storage is 50%. Normal for this time of year is between 53% and 64%.
- **As of March 11th, 2024**, the two snow survey locations in the Red Deer River Basin were both average.
- **As of March 11th, 2024**, forecasted flow volumes in the Red Deer River Basin are expected to be slightly below average to average.

Water Sharing Agreement (MOU)

The NRDRWSC Operations Manager and CAO are participating in the *Drought Emergency Management Support: Water Sharing Agreements Project* sessions funded by Alberta Environment and Protected Areas (EPA). EPA is encouraging voluntary collaborative water-sharing agreements amongst large water licence holders, First Nations, and key stakeholders within the South Saskatchewan River Basin (which includes the Red Deer River Basin).

The outcome of these sessions is a Memorandum of Understanding (MOU) whereby major license holders voluntarily commit:

1. to further collaboration and information sharing in regularly scheduled meetings with major license holders and the Province,
2. to collaborate with major license holders and the Province to establish trigger events for when drought response measures from major Red Deer River Basin license holders are warranted. Such triggers will be based on conditions within the Red Deer River Basin and Alberta’s need to maintain its allotment commitment to Saskatchewan and Manitoba,
3. to implement drought response measures to reduce water consumption by 5-10% when an MOU trigger event occurs.

The Commission’s participation in the MOU is strictly voluntary, and its water reduction commitments are not mandatory. Instead, the province strives to solicit coordinated voluntary water usage reductions across the basin if and when they are needed to, in theory, avoid taking emergency action.

The advantages of participating in the MOU are:

1. It is non-binding.
2. It allows the NRDRWSC to participate with major license holders in the Red Deer River Basin and the province to share information, coordinate and prepare for a possible multi-year drought.
3. Since the river allotment to Saskatchewan is measured downstream of where the Red Deer River meets the South Saskatchewan River (east of Empress), every cubic meter reduced in the Red Deer River basin may be an extra cubic meter that can be utilized by license holders in southern Alberta, who are currently experiencing a dire water shortage.

The final MOU is included in the agenda's In-Camera section.

Policy 6: Water Rationing

Currently, the NRDRWSC 2009 [Water Rationing Policy](#) outlines the Commission's intended actions if the safety of the drinking water supply is threatened. The requirements for implementing a Stage 1 restriction have not been met, so no action is triggered under the current policy. However, the Policy does not contemplate taking any measures in response to a forecasted multi-year drought.

Given the Province's concern about a prolonged multi-year drought and the proposed commitment in the MOU to drought response measures, the Board should consider updating the 2009 policy to include the steps the NRDRWSC will take to mitigate the impact of a possible multi-year drought.

The NRDRWSC has few tools to implement water restrictions, so it is vital to have the cooperation and support of member municipalities to do so.

Water Conservation Guidelines

Red Deer has invited the NRDRWSC to participate in a working group to update their water conservation guidelines. When their guidelines are implemented this spring, those guidelines can be a framework for municipalities in the region to follow or adopt if they choose. The new guidelines are expected to include 4-stages with increasing levels of restriction. Stage 1 will involve voluntary restrictions focusing on advisories, education, and information sharing.

Administration will share Red Deer's new guidelines with the Board when they are complete.

The Commission's legal obligations

Excerpt from City of Red Deer Supply Agreement:

*The City may impose reasonable restrictions on the delivery of Water, provided that the City shall treat all of its customers affected by the **Force Majeure**, including the Commission, fairly, equitably and without preference, consistent with any operating constraints then in effect.*

Excerpt from NRDRWSC Supply Agreement to Members:

*The Commission may impose reasonable restrictions on the delivery of Water, provided that the Commission shall treat all of its customers affected by the **force majeure**, including the Member, fairly, equitably and without preference, consistent with any operating constraints then in effect.*

A confidential legal review is included in the in-camera section of the agenda package.

ALTERNATIVES:

The Commission may choose to:

A. [Recommended]

1. THAT the Commission directs Administration to finalize and execute the Red Deer River Basin Water Sharing Agreement Memorandum of Understanding.

AND

2. THAT the Commission directs Administration to propose updates to Policy 6: Water Rationing including the steps the NRDRWSC will take to mitigate the impact of a possible multi-year drought.

OR

B. [Alternative] THAT the Commission directs Administration to make the following amendment to the Red Deer River Basin Water Sharing Agreement Memorandum of Understanding:

- *[mover to specify amendments]*

OR

C. [Alternative] That the Commission directs Administration how it wishes to proceed.

ATTACHMENTS:

- **[In-Camera] March 20 Legal Memorandum**
- **[In-Camera] Final 2024 Water Sharing Memorandum of Understanding – Red Deer River Basin**
- **[In-Camera] GOA Companion Document to MOU**



ALBERTA
ENVIRONMENT AND PROTECTED AREAS
Office of the Minister

Dear Water License Holder,

As you know, our province is currently in a drought. Unfortunately, we have received little precipitation so far this winter. These conditions mean there is potential for the drought to worsen this year, and we must be prepared.

Our province is taking action in accordance with Alberta's water shortage management plan. This plan ranges from Stage 1, which is a minor drought, to Stage 5, which can lead to a declaration of an emergency. We are currently in Stage 4.

Alberta has stood up a Drought Command Team, and a first draft of a 2024 Drought Emergency Plan has been completed and is being refined. We have also initiated drought modelling work that will help us predict and maximize the province's water supply.

The province is also bringing together an external advisory panel of leaders from various sectors to provide advice on drought preparations and to advise on how Alberta can make water more available over the long term.

Finally, and most importantly, starting February 1st, 2024, the Drought Command Team will be bringing together major water licence holders to negotiate water sharing agreements.

Water licence holders will be asked to voluntarily take less water in order to ensure that there is water available for as many users as possible. These negotiations will be the largest water-sharing effort that has ever been initiated in Alberta and the first since 2001.

In Alberta, there are 25,000 water licence holders that hold licences for 9.5 billion cubic metres of water. The Drought Command Team will select and prioritize negotiations with Alberta's largest water licence holders in an effort to secure significant and timely reductions in water use.

However, even if you are not identified as a major water licence holder, your support is still needed to help fully prepare Alberta for a severe drought. All Albertans will need to use less water to ensure that water is available to as many users as possible.

That is why I am writing to all water licence holders to ask that the following action be undertaken in the coming months:

1. Review and understand the conditions of your licence(s).
2. Review and understand how much water your business or organization uses and identify ways to reduce your use of water.
3. Take immediate action by investing in water conservation technologies that will help your business or organization reduce water use.
4. Develop drought plans now in case they are needed in the spring or summer.
5. Enter your licence onto Alberta's Digital Regulatory Assurance System (DRAS). DRAS is a secure online platform which will help licence holders compile and view all parts of their license(s) for greater transparency, completeness, accuracy and timeliness when managing their water licences and water use.
6. Monitoring water availability in your area using rivers.alberta.ca and take action to reduce your water use if your area is under a water shortage advisory.

If you have any questions or require any additional information, please call us toll free at: 310-3773 (in Alberta), or email: epa.drought@gov.ab.ca.

Alberta has successfully navigated droughts before and has a long, proud history of coming together during tough times. I know we can count on you and all of Alberta's other water licence holders to take the actions necessary to get through these challenging times.

Sincerely,

A handwritten signature in black ink that reads "Rebecca Schulz". The signature is written in a cursive, flowing style.

Rebecca Schulz,
Minister of Environment and Protected Areas



ALBERTA

ENVIRONMENT AND PROTECTED AREAS

Office of the Minister

Dear Water Licence Holder,

Thank you for participating in Alberta's water-sharing negotiations over the past two months. By working to develop these water-sharing agreements, you have demonstrated the leadership, dedication and community spirit that makes Alberta great.

Negotiating water-sharing agreements is the most effective tool available to conserve water and reduce the risks posed by drought. Similar agreements struck in 2001 played a critical role in helping communities, irrigators and businesses survive and thrive. This year's discussions were the largest in Alberta's history, with licensees participating who have access of up to 90 per cent of the water that is allocated in the Red Deer, Bow and Old Man River basins.

As a result of this hard work, four draft memorandums of understanding (MOUs) have been developed covering the:

- Bow River Basin
- Red Deer River Basin
- Oldman River Basin
- Upper Tributaries of the Oldman River Basin.

While we were hoping to announce the conclusion of this important work at the end of March, it has become clear that more time will be required for each water licence holder to finalize their approval through your respective governance processes. **I am writing you to ask that you complete this work no later than April 18th, 2024.**

The conclusion of the largest water-sharing negotiations in Alberta's history will be a landmark achievement for all involved and an example to the rest of Canada. Accordingly, this achievement will be shared with the public and the media in a press conference in Calgary on Friday, April 19th. All signatories are invited to participate, please contact EPA.Minister@gov.ab.ca to confirm your attendance.

Thank you again for your generosity, ingenuity and participation. On behalf of Alberta's government, I applaud your leadership and I look forward to working further with you to manage these agreements and maximize Alberta's water supply.

Sincerely,

A handwritten signature in black ink, reading "Rebecca Schulz". The signature is written in a cursive, flowing style with a large initial 'R' and 'S'.

Rebecca Schulz
Minister of Environment and Protected Areas

CC: All stakeholders.