

North Red Deer River Water Services Commission



Regular Meeting Agenda

Date:	June 17, 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, Town of Ponoka – 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 Peter Hall, CAO, Ponoka County Kim Isaak, CAO, Town of Blackfalds Matthew Goudy, CAO, City of Lacombe Tim Timmons, County Manager, Lacombe County Michael Minchin, Director of Corporate Services, 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:</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 – April 08, 2024			
4. Presentations			
5. Reports			
5.1 Administration			
5.2 Chair			

6. New Business / Emergent Items

6.1 Request for Funding Rate Modelling Support

6.2 Drought Response Plan/Policy Update

7. Correspondence

7.1 City of Red Deer, 2023 True-Up Letter

8. In Camera

8.1 May 22, 2024, KPMG Proposal for Advisory Support for Rate Model
Discussions

9. Next Meeting Date

September 16, 2024, in Council Chambers, City of Lacombe, at 9:00am

10. Adjournment

NORTH RED DEER RIVER WATER SERVICES COMMISSION
MEETING MINUTES
April 8, 2024

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

Others Present: Jordan Thompson, NRDRWSC Manager, City of Lacombe
Sandra Lund, CAO, Town of Ponoka
Matthew Goudy, CAO, City of Lacombe
Peter Hall, CAO, Ponoka County
Preston Weran, Director of Infrastructure and Property Services,
Town of Blackfalds
Tracey McKinnon, Senior Manager of Finance, City of Lacombe
Amber Mitchell, Engineering Manager, City of Lacombe
Chris Huston, Manager of Utilities, City of Lacombe
Iwalani Post, NRDRWSC Administrative Assistant, City of Lacombe

Guests: Mitchell Kennedy, CPA, Sr. Manager, BDO Canada LLP
Todd Simenson, Vice President, Western Canada Conveyance Sector
Lead, Stantec Consulting Ltd.

Regrets: Councillor Clayton Nelson, NRDRWSC Director, Town of Ponoka
Kim Isaak, CAO, Town of Blackfalds
Tim Timmons, County Manager, Lacombe County
Angela Smith, Regional Utilities Foreman, City of Lacombe
Matt Sawitsky, Operator, City of Lacombe
Denise Bellabono, Legislative Coordinator, City of Lacombe

1. Call to Order:

Chair Creasey called the meeting to order at 9:02 am.

2. Adoption of the Regular Meeting Agenda

MOVED by Vice-Chair Ireland that the regular meeting agenda for April 8, 2024, be adopted as presented.

CARRIED UNANIMOUSLY

3. Adoption of the Minutes:

3.1. Regular Meeting Minutes of December 4, 2023

MOVED by Vice-Chair Ireland that the minutes for December 4, 2023, be adopted as amended.

CARRIED UNANIMOUSLY

4. Presentations

4.1. 2023 Financial Audit – BDO Canada LLP

Mr. Kennedy of BDO Canada LLP, reviewed the Auditor's Report and 2023 Audited Financial Statements, comprising the financial position as of December 31, 2023. Mr. Kennedy noted two major changes in the statements that fall under new Public Sector Accounting Standards. One is Asset Retirement Obligations – which NRDRWSC does not have (note 14 in Financial Statements), and the second is Financial Instruments which highlights credit, liquidity, and interest rate risks (note 1 in Financial Statements).

The Commission's non-financial assets book value is \$26.2M less amortization, surplus of \$27.2M. Long-term debt payments for 2024 will be \$920,671K. Debt limit has \$5.3M remaining debt capacity.

NRDRWSC Board has requested that Amortization Expenses be included in the annual budget starting in 2025.

Statement of Operations was close to budgeted amounts. Water sales revenue was slightly under budget, and purchase of water expense was similarly under budget. Legal expenses were notably higher than budgeted. Accumulated surplus is \$27.2M, up from \$26.5M in 2022.

*Further discussion moved to agenda item **6.1 2023 Audit – Sr. Manager McKinnon***

5. Reports

5.1. Administrator

Manager Thompson presented the Administration Report highlighting that Montana First Nation has reached out to discuss, at a high level, a connection to the NRDRWSC system. Manager Thompson noted that the City of Red Deer Water Rate and Model will be discussed further in agenda item 6.2 and Drought Planning will be discussed further in agenda item 6.3.

MOVED by Vice-Chair Ireland to accept the April 8, 2024, Administrator Report as information.

CARRIED UNANIMOUSLY

6. New Business / Emergent Items

6.1. 2023 Financial Audit

Sr. Manager McKinnon presented the 2023 Financial Audit to be submitted to Alberta Municipal Affairs by May 1, 2024. Sr. Manager McKinnon elaborated that the \$140,083K adjusted surplus can be transferred to Capital or Operational reserve at the Board's discretion. Mitchell Kennedy noted three amendments to the 2023 Financial Audit will be added to final 2023 Financial Audit Report, consolidation of unrestricted surplus, change to Note 6 – Total Debt Limit Remaining, and adding new disclosures that will be adopted this year (Asset Retirement Obligations and Financial Instruments).

MOVED by Mayor Hoover that the Commission approves the North Red Deer River Water Services Commission 2023 Audited Financial Statements as amended with three corrections noted by Mitchell Kennedy.

CARRIED UNANIMOUSLY

MOVED by Councillor Matejka that the Commission approves the \$140,083 transfer of surplus to the Capital Reserve.

CARRIED UNANIMOUSLY

6.2. City of Red Deer 2024 Water Rate

Manager Thompson presented information on the higher than expected City of Red Deer 2024 water rate. Due to the higher rate, Administration is projecting a year-end deficit of \$120K-\$190K. The City of Red Deer stated cited capital improvements and inflation/increase in costs are factors for the increased rate. Manager Thompson advised the Board that a 10-15% Commission water rate increase to members in 2025 is possible to catch up to Red Deer's 2024 rate.

MOVED by Mayor Hoover that the Commission accepts this report as information.

CARRIED UNANIMOUSLY

6.3. Drought Updates

Manager Thompson presented the Red Deer River drought update highlighting that, as of March 2024, the Provinces' 2024 water supply outlook for the Red Deer River Basin is average, and similar to 2020. Operations Manager, Chris Huston, and Manager Thompson are participating in the Drought Emergency Management Support: Water Sharing Agreements Project through the EPA. The EPA is encouraging voluntary water-sharing agreements amongst large water licence holders. The outcome of the project is a Memorandum of Understanding whereby major licence holders commit to collaboration, information sharing, and water reduction commitments. The MOU is strictly voluntary, and the water reduction commitments are not mandatory.

MOVED by Mayor Hoover that the Commission directs Administration to finalize and execute the Red Deer River Basin Water Sharing Agreement Memorandum of Understanding.

CARRIED UNANIMOUSLY

MOVED by Vice-Chair Ireland that the Commission directs Administration to propose updates to Policy 6: Water Rationing including the steps NRDRWSC will take to mitigate the impact of a possible multi-year drought.

CARRIED UNANIMOUSLY

7. Correspondence:

7.1. Letter from Minister Schulz, Drought Action item

In preparation for potentially worsening drought conditions, the Province is bringing together major water licence holders to negotiate water sharing agreements. Water licence holders will be asked to voluntarily reduce water consumption. Six key action items have been identified by the Minister to undertake within the coming months.

7.2. Letter from Minister Schulz, Water-Sharing Negotiations

The Minister provided an update on the water-sharing negotiations and noted that four draft Memorandums of Understanding have been developed covering the Bow River Basin, Red Deer River Basin, Oldman River Basin, and Upper Tributaries of the Oldman River Basin. A public event will be held on April 19th, 2024, to share this achievement, all signatories were invited to participate.

MOVED by Vice-Chair Ireland that the Commission accept the correspondences as information.

CARRIED UNANIMOUSLY

8. In Camera:

MOVED by Mayor Hoover to move In Camera at 9:44 am.

CARRIED UNANIMOUSLY

Councillor Mark Matejka left the meeting at 10:30am.

MOVED by Vice-Chair Ireland to return to Open Meeting at 10:37 am.

CARRIED UNANIMOUSLY

MOVED by Mayor Hoover that the Commission directs Administration to convene a Joint Steering Committee (JSC) with the City of Red Deer under section 20(3) of the Water Supply Agreement to "... engage in a process of strategic planning regarding such issues as the supply and delivery of Water, Water Conservation, capital expenditures and rates, and rate increases or decreases;...".

CARRIED UNANIMOUSLY

MOVED by Vice-Chair Ireland that the Commission directs Administration to finalize and execute the Waterline Extension Grant Agreement.

CARRIED UNANIMOUSLY

9. Next Meeting:

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

Adjournment:

MOVED by Mayor Hoover to adjourn the meeting at 10:42 am.

CARRIED UNANIMOUSLY

Chairperson

Manager

Administration Reports

Administrative, Financial & Operational

Date: June 17, 2024

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



ADMINISTRATIVE

MOU Drought Working Group

- May 2, 2024, the NRDRWSC CAO sent a drought update to all Member CAOs.
- [This report](#) summarizes the outcomes of the working group meetings that took place on May 23, 2024 in support of the Water Sharing Agreements. The meetings enable MOU signatories to discuss basin conditions in real time and make collaborative water sharing decisions.
- Recent precipitation and cooler temperatures continue to improve conditions in the basin. Reservoir levels and stream flow are within normal ranges for this time of year. Glennifer Reservoir is targeting and maintaining a fill rate that roughly follows the 75th percentile with no concerns in achieving normal storage levels to maintain normal downstream flows.
- Based on conditions in the basin, operational needs and other observations, the MOU Signatories have made the unanimous decision not to activate the Water Sharing Agreement at this time.

Waterline Extension

- The NRDRWSC and Transportation and Economic Corridors (TEC) executed the waterline extension grant agreement.
- Stantec continues updating the feasibility study including a detailed cost estimate and alignment evaluation.
- Administration will be recruiting a Senior Project Manager to manage the project day-to-day funded by the extension grant.
- A Board representative on a technical committee and governance committee will be required. A decision will be required in September.

FINANCIAL

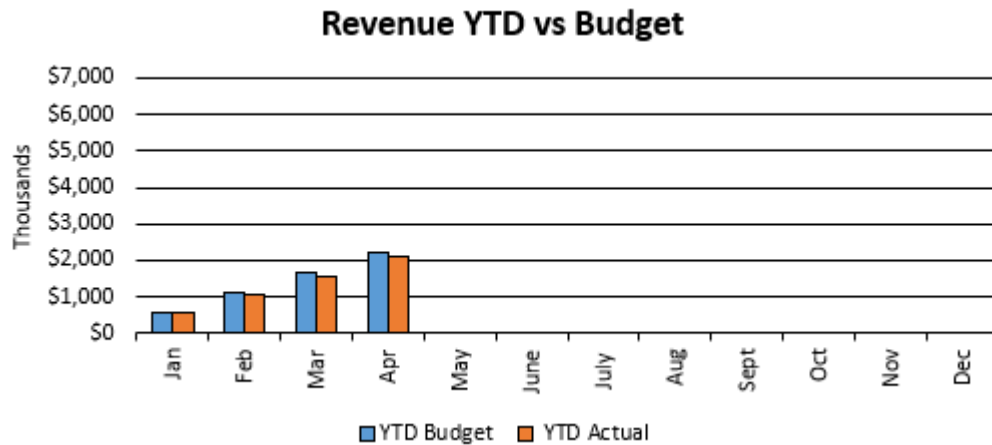
As seen in Table 1, overall 2024 water volumes as of April are higher by 1.35% than the actual 2023 levels for the same period.

Table 1 - Water volumes (in cubic meters) - January to April

Member	2023	2024
City of Lacombe	416,602	404,642
Blackfalds	252,323	258,153
Lacombe County	20,962	20,547
Ponoka	222,459	241,746
Ponoka County	2,062	1,637
Total	914,408	926,725

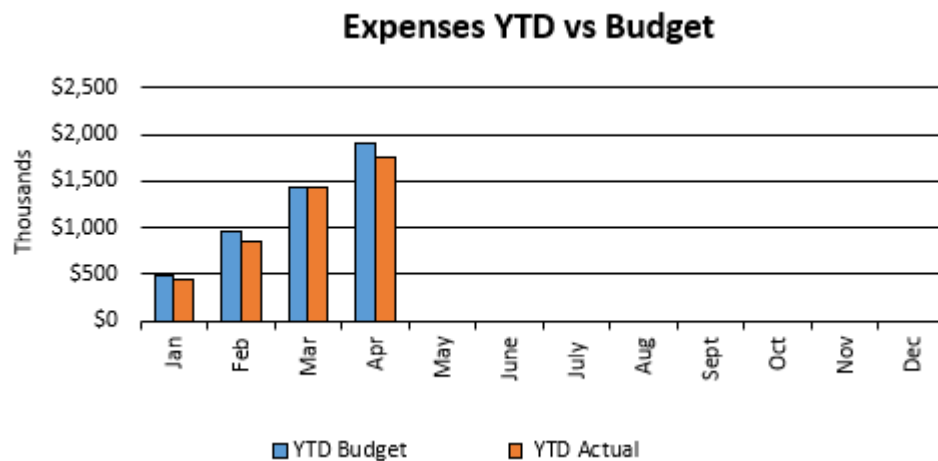
Revenue

As of April, YTD (year to date) actual revenues are lower than the YTD budgeted revenues by \$141,080 or 6.74%.



Expenses

As of April, the YTD actual expenses are lower than YTD budgeted expenses by \$115,597 or 8.86%. The water purchase cost is under budget by \$174K, accounting for this under budget variance.

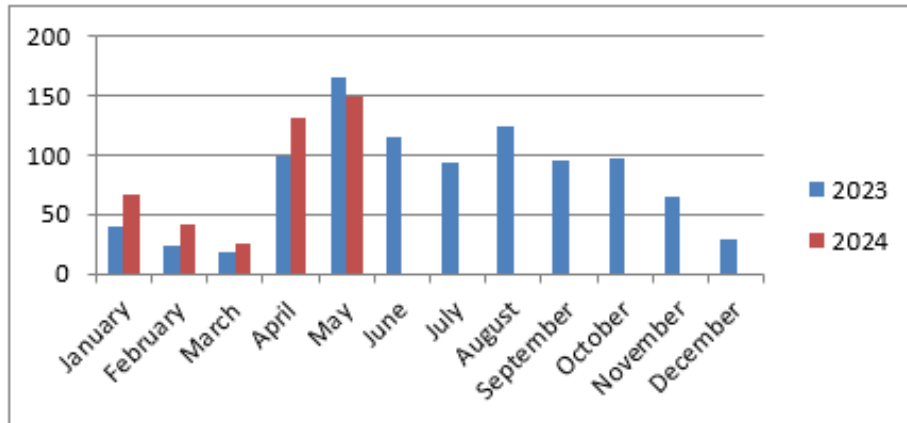


Surplus/Deficit

As of April 2024, the Water Commission has a YTD net surplus of approximately \$14K.

OPERATIONAL

Alberta One-Call Locate Requests:



2023 = 966 (2022 = 1052)
2024 to date = 416

Notable activities since the last report:

- Continue to participate in the bi-weekly drought Water Sharing MOU meetings.

Upcoming Activities:

- Firewall hardware upgrade at the water treatment plant.

Request For Decision

Utility Rate Model Review Part 1

Date: June 17, 2024

Prepared by: Jordan Thompson, CET, PMP

Presented by: Jordan Thompson, CET, PMP



PURPOSE:

To seek funding authorization for Advisory Support for Rate Model Discussions with the City of Red Deer

ACTION/RECOMMENDATION:

- A. **[Recommended]** THAT the Commission authorizes up to \$40,000 from the Operating Reserve to fund Part 1 of the Utility Rate Model Review as proposed.

ISSUE ANALYSIS:

At its regular meeting on [September 13th, 2021](#), the Commission endorsed a review and audit of the City of Red Deer Utility Rate Model. On [April 8, 2024](#), the Board resolved the following:

“THAT the Commission directs Administration to convene a Joint Steering Committee (JSC) with the City of Red Deer under section 20(3) of the Water Supply Agreement to “...engage in a process of strategic planning regarding such issues as the supply and delivery of Water, Water conservation, capital expenditures and rates and rate increases or decreases...””

Advisory Support for Rate Model Discussions

Administration requested a proposal from KPMG for advisory support in reviewing the City of Red Deer rate model. The review will be completed in two parts.

1. The anticipated outcome of Part 1 is a report outlining the following:
 - The general approach used by the City to determine rates charged to the Commissions and other City and external utility ratepayers;
 - A description and proportion of cost components of the City’s cost of service to the Commissions;
 - A general assessment of where the City’s rate-making approach is aligned/misaligned with common industry standards observed by KPMG for other utilities;
 - Limitations and assumptions made as part of the rate model review;
 - Additional questions/focus areas that may be addressed through a cost of service study; and,
 - Other potential next steps/considerations for the Commissions and the City.
2. While a Cost of Service Study (COSS) is out of scope for Part 1, it will be considered as a possible “Part 2” following the rate model review.

Administration seeks the Board's authorization to fund Part 1 at a cost of up to \$40,000 from the operating reserve. This cost includes KPMG’s base fee with their 7%

administrative charge and a small contingency. Should the North Red Deer Regional Wastewater Services Commission (NRDRWWSC) also authorize funding for Part 1 of the scope of work, the expenses will be equally divided between the water and wastewater commissions. KPMG is qualified to perform the scope of work. Administration is proposing to sole source this scope of work (Part 1) and, to seek competitive bids for the Part 2 Cost of Service Study.

The NRDRWSC Administration and the City of Red Deer have tentatively set a kickoff meeting for the Rate Model review. If the proposal is approved by the Board, the review will commence in July and continue through to October 2024.

Joint Steering Committee (JSC) Representatives

The Commission's water supply agreement allows the Joint Steering Committee to be composed of up to three representatives from each Commission and City. The CAO intends to represent the NRDRWSC, and the City of Red Deer is anticipated to appoint one representative. Administration seeks confirmation from the Board on whether it wishes to appoint a Director or other representative(s) to the Joint Steering Committee in addition to the CAO.

ALTERNATIVES:

The Commission may choose to:

- A. ***[Recommended]*** THAT the Commission authorizes up to \$40,000 from the Operating Reserve to fund Part 1 of the Utility Rate Model Review as proposed.

OR

- B. [Alternative] THAT the Commission directs Administration to include the cost of the Utility Rate Model Review Part 1 in the 2025 budget for the Board's consideration.

OR

- C. [Alternative] THAT the Commission appoints CAO Thompson and ***[mover to specify up to two name(s)]*** to be the NRDRWSCs representatives on the Joint Steering Committee.

OR

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

IN CAMERA ATTACHMENTS:

- May 22, 2024, KPMG Proposal for Advisory Support for Rate Model Discussions

Request For Decision

Water Restriction Policy Engagement Options

Date: June 17, 2024

Prepared by: Nancy Hackett, City of Lacombe

Presented by: Jordan Thompson, CAO



PURPOSE:

To seek a decision on the level of engagement the Board's desires for the water restriction policy update.

ACTION/RECOMMENDATION:

THAT the Commission approves the *[mover to choose: Express, Balanced, or Expanded]* engagement option for the water restriction policy update.

ISSUE ANALYSIS:

To date, the Commission has operated without significant water service disruption. However, concern for long-term drought conditions has raised the question of what role the Commission would play in managing water resources and reacting to conditions imposed by others (such as the water supplier or the Provincial authorities). At its [April 8th Regular meeting](#), the Board resolved the following:

"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."

Some Directors expressed interest in the Commission engaging with member communities for the water restriction policy update. This report presents three engagement options for the Board to consider.

Existing Operating Bylaws and Policies

Under its [Drought Response Plan](#), Alberta has declared Stage 4 Drought Response (out of 5 stages) and has facilitated [water-sharing agreements with major water users](#) (MOUs), including the NRDRWSC. In the future, if the drought situation in the Red Deer River basin becomes significantly worse, major water licensees have agreed to voluntarily reduce their peak water demand by 5-10%. Under the MOU, the Commission agreed to recommend that its member communities implement a 5-10% reduction in peak water use.

The Commission's [Operating/Governing/Governance Bylaw 1](#) establishes minimum annual water allocations for each municipality. Section 7.3 of the Bylaw states:

"Where the capacity of the system is insufficient to deliver the water requested by the Members, the Members shall be allocated the available capacity proportionately based on the previous year's volumes, until such time as the Commission is able to fully supply the volume required."

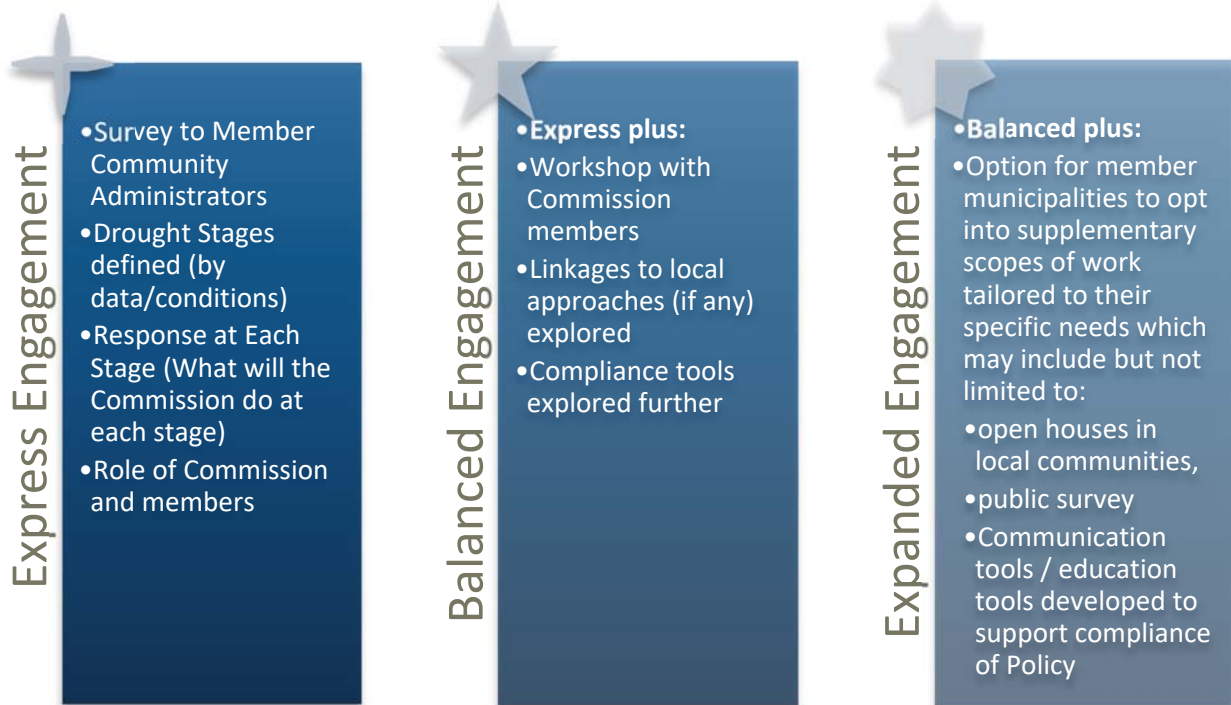
The Commission also has [Policy No. 6, "Water Rationing Policy](#), which describes water rationing in the event of significant situations that may result in a threat to the water supply and necessitate water conservation measures. This Policy was passed in April 2009, meaning it has been about 15 years since it was last updated. As an older policy, it is not specific to longer-term drought or other chronic water supply shortages.

What Would an Updated Policy No. 6 Cover?

- drought stages and responses (e.g. levels and triggers such as snowpack, or matching the Province’s or the City of Red Deer’s levels)
- drought operating protocols at each stage (e.g. what happens at each stage, what is ramped up or down and by whom)
- compliance approaches (such as voluntary incentives, education or penalty)
- defined role of the Commission and members during a drought

Engagement Levels:

Three engagement options for updating the policy have been proposed below.



EXPRESS ENGAGEMENT (LESS TIME AND NO COST):

Tactics: An introductory survey will be sent to Member municipality Administrations to gather information on their current drought response plans and desired outcomes from the Commission’s updated policy. Staff will produce a draft policy update informed by the survey results and based on research of readily available information.

Result: Updated policy document for the Board's consideration.

Timeline: Completion at the end of 2024.

Cost Estimate: No additional cost (add to current work for staff).

BALANCED ENGAGEMENT (MEDIUM TIME AND MODERATE COST):

Same as above, with additional consultation with the Administrations of member communities and Commission Directors.

Tactics: A third-party contractor will support Administration with multiple engagements with Commission Directors and Member Administration to gather input, ideas, and responses to the data and collaborate on a drought response. This could take the form of workshops with the member Administrations and Commission Directors in late summer/Fall.

Result: Updated policy document for the Board to review and adopt, including enhanced regional collaboration in its development.

Timeline: Secure a third-party contractor by September 2024, complete consultations/workshops with members by the end of 2024, and finalize the policy by Q2 2025 (Q2).

Cost Estimate: \$20,000 - \$40,000

EXPANDED ENGAGEMENT (MOST TIME AND COST TBD):

Same as above, with the option for member municipalities to opt into supplementary scopes of work tailored to their specific needs.

Tactics: This may include a thorough review of individual municipality drought response policies, public engagement initiatives, and the development of communication materials.

Result: A policy document that integrates in-depth regional and public input, ensuring that both the Commission and its member municipalities are deeply-aligned on their drought response.

Timeline: Initial municipal engagement on supplementary work by September 2024, Secure a third-party contractor by December 2024. The rest of the schedule depends on the supplementary work identified by member municipalities.

Cost Estimate: TBD – The Administration will summarize the results of the third-party contractor RFP for the Board's consideration by December 2024.

ALTERNATIVES:

- A. ***[Recommended]*** THAT the Commission approves the ***[mover to choose: Express, Balanced, or Expanded]*** engagement option for the water restriction policy update.

OR

- B. [Alternative] THAT the Commission accepts this report as information.

OR

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

ATTACHMENTS:

None.



UTILITY SERVICES

May 14, 2024

VIA EMAIL

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

Dear Mr. Thompson,

RE: 2023 True-up per the Water Supply Agreement

Each year, The City reviews actual costs and actual usage for the regions and assess whether there should be a reconciliation of costs (i.e. a "true-up"). Based on Schedule E of the Water Supply Agreement, if actual usage and costs results in a variance compared to the amounts charged of more than 10%, a "true-up" amount will be charged or paid to reconcile the difference.

Table with 4 columns: Allocations, 2023 Budget, 2023 Actual, Change. Rows include Operating Expenses, Depreciation/Amortization, Cost of Capital, Non-Tariff Revenues, Net Revenue Requirement, Rate Base, Usage, Volume m3, Usage Rate per m3, Revenue Requirement, Revenue Received, Change (under collected).

The variance, highlighted, does not exceed 10% of budget; therefore, no amount is owing to the City. Please give me a call if you have any questions or would like to discuss this matter further.

Regards,

Handwritten signature of Alex Monkman

Alex Monkman, P. Eng.
Water Superintendent
ME/SM

c. Utility Services Manager
CSV Accounting & Financial Supports Supervisor