

North Red Deer River Water Services Commission



Regular Meeting Agenda

Date:	September 18, 2023	Time:	9:00am
Location:	COUNCIL CHAMBERS LACOMBE AB		
Invitees:	<p>Members: Mayor Grant Creasey, City of Lacombe – Chair Councillor Clayton Nelson, Town of Ponoka– Vice Chair Mayor Jamie Hoover, Town of Blackfalds – Director Councillor John Ireland, Lacombe County – Director Councillor Mark Matejka, Ponoka County – Director</p> <p>Others: Jordan Thompson, NRDRWSC Manager Councillor Thalia Hibbs, City of Lacombe Kevin Ferguson, Mayor, Town of Ponoka Councillor Marina Appel, Town of Blackfalds Councillor Ken Weenink, Lacombe County Councillor Doug Weir, Ponoka County Matthew Goudy, CAO, City of Lacombe Sandra Lund, CAO, Town of Ponoka Kim Isaak, CAO, Town of Blackfalds Charlie Cutforth, CAO, Ponoka County Preston Weran, Director, Town of Blackfalds Tim Timmons, County Manager Lacombe County Michael Minchin, Director, Lacombe County Tracey McKinnon, Senior Manager, City of Lacombe Amber Mitchell, Manager, City of Lacombe Chris Huston, Manager, City of Lacombe Angela Smith, Regional Utilities Foreman, City of Lacombe Denise Bellabono, Legislative Coordinator, City of Lacombe</p> <p>Guests: James Hobson, CFA, Portfolio Manager (<i>Remote</i>) Charet Chahal, CFA, Portfolio Manager (<i>Remote</i>) Joel Sawatzky, Stantec Consulting Ltd. Todd Simenson, Stantec Consulting Ltd. Stephen Weninger, Stantec Consulting Ltd.</p>		
Recorded by:	Iwalani Post - Administrative Assistant NRDRWSC		
1. Call to Order by Chair			
2. Adoption of Agenda			

<p>3. Adoption of Minutes</p> <p>3.1 Regular Meeting Minutes – June 19, 2023</p>
<p>4. Presentations</p> <p>4.1 Expected Return Going Forward vs. Cost of Borrowing (<i>Remote</i>)</p> <ul style="list-style-type: none">• James Hobson, CFA, Portfolio Manager• Charet Chahal, CFA, Portfolio Manager
<p>5. Reports</p> <p>5.1 Administrator</p> <p>5.2 Chair</p>
<p>6. Old Business</p>
<p>7. New Business / Emergent items</p> <p>7.1 Cost of Borrowing and Paying Off Debentures</p>
<p>8. In Camera</p> <p>8.1 FOIP Section 21</p>
<p>9. Next Meeting Date:</p> <p>November 6, 2023 in Council Chambers, City of Lacombe, at 9:00am</p>
<p>10. Adjournment</p>

NORTH RED DEER RIVER WATER SERVICES COMMISSION
MEETING MINUTES
June 19, 2023

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

Others Present: Jordan Thompson, NRDRWSC CAO
Denise Bellabono, NRDRWSC Administrative Assistant
Matthew Goudy, CAO, City of Lacombe
Sandra Lund, CAO, Town of Ponoka
Councillor Ken Weenink, Lacombe 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
Angela Smith, Regional Utilities Foreman, City of Lacombe
Iwalani Post, Administrative Assistant, City of Lacombe

Guests:

Regrets: Justin DeBresser, Acting CAO, Town of Blackfalds
Charlie Cutforth, CAO, Ponoka County
Tim Timmons, County Manager, Lacombe County
Michael Minchin, Director of Corporate Services, Lacombe County
Chris Huston, Utilities Manager, City of Lacombe

1. Call to Order:

Chair Creasey called the meeting to order at 11:02 am.

2. Adoption of the Regular Meeting Agenda

MOVED by Councillor Ireland that the regular meeting agenda for June 19, 2023, be adopted as presented.

CARRIED UNANIMOUSLY

3. Adoption of the Minutes:

3.1. Regular Meeting Minutes of April 3, 2023

MOVED by Mayor Hoover that the minutes for April 3, 2023, be adopted as amended.

CARRIED UNANIMOUSLY

4. Presentations

5. Reports

5.1. Administrator

CAO Thompson presented the Administration Report highlighting a meeting with the CAO of the South Red Deer Regional Wastewater Commission, discussions with representatives from the Louis Bull Tribe regarding potential regional connection and an invitation for Louis Bull representatives to attend future Commission board meetings.

YTD Water volumes are higher than 2022 levels by 5.57% and expenses are 3.74% lower than budgeted. The Commission has a YTD net deficit of approximately \$76K, of which \$33K is related to the water system expansion.

Operations implemented a weed maintenance control plan and are developing a reservoir drawdown plan in consultation with local operators.

MOVED by Councillor Ireland to accept the June 19, 2023 Administrator Report as information.

CARRIED UNANIMOUSLY

5.2 Chair

Chair Creasey provided a verbal report of his communication with another member of Maskwacis and directed them to the Commission website for further information and board meeting dates.

MOVED by Councillor Matejka to accept the June 19, 2023 Chair Reports as presented.

CARRIED UNANIMOUSLY

6. Old Business

7. New Business / Emergent Items

8. In Camera:

MOVED by Vice-Chair Nelson to move In Camera at 11:09 am.

CARRIED UNANIMOUSLY

MOVED by Mayor Hoover that the Commission return to Open Meeting at 12:06 pm.

CARRIED UNANIMOUSLY

MOVED by Vice-Chair Nelson that the Commission directs the Administration to return the updated project plan, and final waterline extension MOU with ECN, and Grant Agreement with Alberta for the Commission's consideration at a future meeting.

CARRIED UNANIMOUSLY

MOVED by Councillor Ireland that the Commission directs the Administration to finalize the ECN membership and water supply agreements for the Commission's consideration at a future meeting.

CARRIED UNANIMOUSLY

MOVED by Vice-Chair Nelson that the Commission directs the Administration to cap the Commission unreimbursed waterline extension costs to \$150,000 and then project is put on hold.

CARRIED UNANIMOUSLY

9. Next Meeting:

Monday, September 18th, 2023, at 9:00 am, City of Lacombe Council Chambers

Adjournment:

MOVED by Councillor Matejka to adjourn the meeting at 12:09 pm.

CARRIED UNANIMOUSLY

Chairperson

Administrator

Administration Reports



Administrative, Financial & Operational

Date: September 18, 2023

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

ADMINISTRATIVE

- Administration has initiated its internal budget preparation processes.
- The Board typically considers the budget during their November regular meeting.
- A delegation from Louis Bull Tribe requested to attend the November 6th meeting to introduce themselves to the Board and highlight the Nation's possible future connection to the regional water line.

Waterline Extension

- Sent letter to the Province [copy in camera] seeking revisions to their proposed grant agreement and outlining the Commission's expectations.
- Administration has had follow-up verbal discussions with the Province and will update the Board as needed.

FINANCIAL

As seen in Table 1, overall, 2023 water volumes for January to July are higher by 6.93% than the actual 2022 levels for the same period.

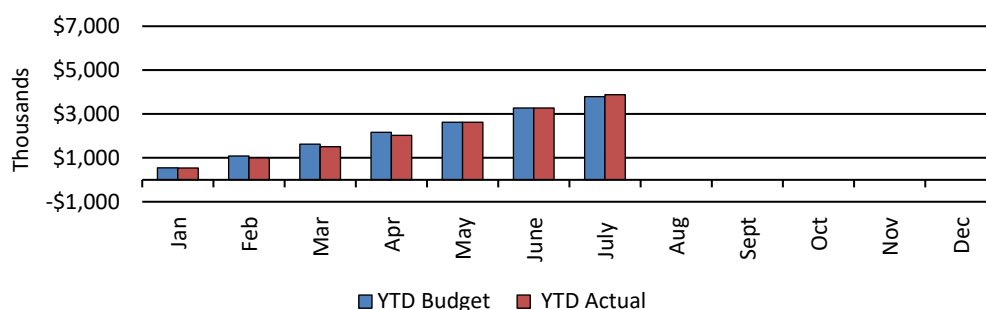
Table 1 - Water volumes (in cubic meters) - January to July

Member	2022	2023
City of Lacombe	736,471	774,048
Blackfalds	466,620	505,256
Lacombe County	34,059	39,756
Ponoka	399,627	430,486
Ponoka County	4,755	5,749
Total	1,641,532	1,755,295

Revenue

As of July, YTD (year to date) actual revenues are higher than the YTD budgeted revenues by \$89,675 or 2.31%

Revenue Actuals vs Budget YTD

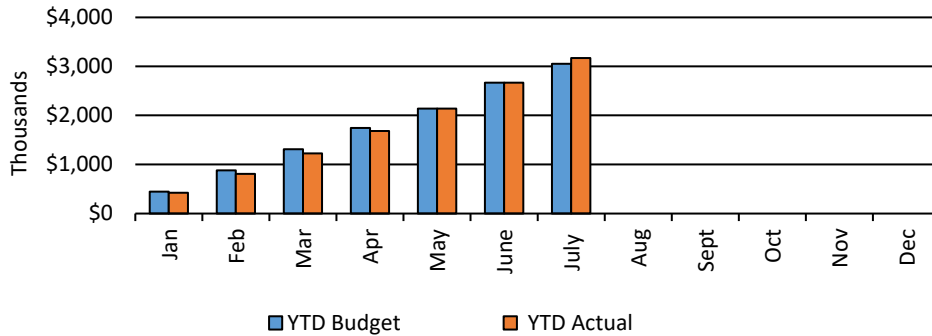


Expenses

As of July, the YTD actual expenses are higher than YTD budgeted expenses by \$114,487 or 3.61%. Expenses over budget include:

- 43K of Legal fees relating to the water system expansion expected to be offset by grant revenue.
- Other Professional Services \$31K for Engineering fees attributed to resolving SCADA Communication issues.
- Water Purchases from CRD \$42K due to higher than budget water purchased.

Expenses Actuals vs Budget YTD

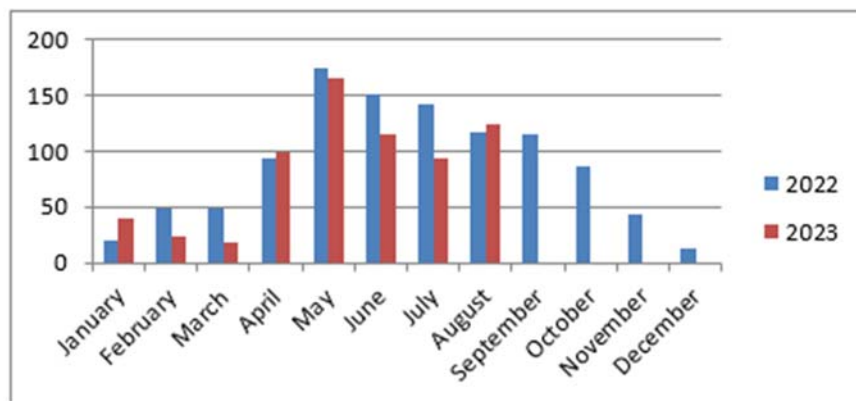


Surplus/Deficit

As of July 2023, the Water Commission has a YTD net deficit of approximately \$24K. Legal Fees related to the water system expansion are expected to be covered by grants.

OPERATIONAL

Alberta One-Call Locate Requests:



June - 115 locates July - 94 August - 125 locates
 2022 = 1052 (2021 = 1048)
2023 to date = 679

Notable activities since last report:

- Regional reservoir refresh for all the facilities. Planning is underway in Lacombe to use specified volumes to move a large amount of water and check meter reading accuracy using the “draw down test.”
- SCADA communication issues were a problem throughout the year. This has resulted in increased costs from our consultant (see attached report summarizing the activities to date). Our consultant has provided a list of future recommendations as well.
- Water meter testing was completed in August; all meters passed the testing. Although recently, Blackfalds Railway’s amplifier faulted in the meter. This is the second time the amplifier has faulted in the last few years. We found out that this type of E+H water meter will be obsolete in 2024, the decision was made to replace the meter.

Upcoming Activities:

- Fall meeting with member operators to discuss the regional system and their respective operations. Outline future meetings, and brainstorm shared training opportunities amongst the group.

To: **Chris Huston** Company: **North Red Deer River Water Services Commission**

From: **Joel Pretorius** Our File: **CM2023-20**

Cc: **joel.pretorius@eramosa.com** Date: **September 7, 2023**

Subject: **Annual Maintenance De-Brief**

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DE-BRIEF:

Eramosa Engineering Inc., a CIMA+ Company (EEI), was requested by the North Red Deer River Water Services Commission (NRDRWSC) to provide a de-brief over the past year. The de-brief will cover the services provided by EEI, highlight the work performed, and provide recommendations for the way forward.

EEI has a maintenance agreement with NRDRWSC for the 2023 year. Maintenance contracts are structured from 01 January to 31 December. Any maintenance work performed is done through a request base by Chris Huston and his team. All work performed is logged in a site work report, and that report is included in the monthly invoice statement. The report includes the following: date, personnel, hours per personnel per day, description of work performed per day per personnel and a summation of hours per individual for the invoicing period.

EEI is responsible for the PLC, HMI, SCADA, and Network support for the NRDRWSC. EEI, as a system integrator, does not involve itself in the electrical side of any Control Panels, MCC or VFDs. We have previously advised electricians on our thought process when troubleshooting, but do not physically test, replace or configure any electrical systems. EEI provides its services across all ten plants, which include Blackfalds Railway, Blackfalds Broadway, Red Deer Vault, Wolf Creek, Ponoka East, Ponoka Lucas, Ponoka 39th, Lacombe A, Lacombe B and Lacombe C. Although EEI is responsible for the categories mentioned above, it is essential to take note of the other vendors providing services. These are:

- Telus – Manages the AWS Cloud services, including network monitoring and management of VPN connections, firewall rule changes and traffic routing.
- EZ Mobile – Manages the Rogers Private APN cloud and outstation cellular connections.
- NRDRWSC IT Group – IT-related setup, configuration and management.
- Stantec – PLC and HMI Programming Services.

An overview of the reported issues and work performed is described below. For detailed technical information, please refer to the respective site work reports. The issues have been listed in terms of severity and impact on operations and EEI's ability to support the NRDRWSC.

1. **Remote connectivity:** When issues are reported, the first response from EEI is to connect to the site in question remotely. Remote connectivity was impossible when the initial issues commenced in February this year. This was a recurring problem which EEI worked on resolving. At first, communication was sent to all the relevant parties (Telus, EZ Mobile, NRDRWSC IT and Stantec), requesting if any changes had been made on their respective sides. The feedback from all parties was that no changes had been made. EEI created an action list to narrow down the problem. The result was that when a Rogers LTE SIM was used, a drastic change in

speed and repeatability was observed, enabling EEI to connect to the site remotely. This was brought to EZ Mobile's attention, who then mentioned that they needed to replace their aged firewall. The firewall was replaced in August, but EZ Mobile aborted its firewall replacement after EEI tested the speed and repeatability, and no changes were seen. The following replacement date is TBC.

2. **SCADA Response times:** Significant delays occurred when working on the SCADA system and changing pages/screens. Values were not being updated/refreshed, and this caused operator frustration. EEI made changes to the SCADA scripting, which resolved the delays.
3. **Lacombe B Valve Control:** On three different occasions this year, the same problem was reported. The fill valve malfunctioned and could not be controlled in remote auto mode. The problem was solved using two methods. To further prevent this problem from re-occurring, details have been included in the recommendations section.
4. **AWS Cloud Services:** There was unauthorized activity on the AWS account. The Telus Team detected this. After consultation with EEI, multi-factor authentication (MFA) was incorporated into the AWS account to aid in additional security.

A list of recommendations has been created as a guide for the NRDRWSC to consider. EEI can gladly assist with each of these.

1. The remote connectivity issue still exists at this point. While we wait for EZ Mobile to confirm their firewall replacement date, creating a chain of command system is advised. This system would prevent any of the vendors or suppliers (EEI, Telus, etc.) from making any changes to the system without written consent and notification of the NRDRWSC team. All changes made must be documented and archived for ease of reference in the future.
2. It is advised to perform an asset assessment of the current operational equipment in terms of PLCs, HMIs, IT Servers and SCADA system. This assessment will create a roadmap for the NRDRWSC team and provide insight into where you are, where you want to go and what you need to do to get there. It will highlight equipment that is obsolete and no longer supported.
 - o The assessment would include your current firewall's status and MFA incorporation.
 - o Included would be the option for remote viewing and control of the Ignition SCADA system by the operational team when not in the office. This could be via laptop, tablet or cellular device.
3. For the Valve Fill issues experienced at Lacombe B, there are three options to help troubleshoot the issue from re-occurring. The first is to keep stock of the SA terminal (power) strip. The part number and information are contained in the SWR. The second is to keep stock of a spare Analogue Output card as described in the SWR. The third and final option is to keep a spare CPU in stock. This is the most expensive option and should only be considered once options one and two have been tried, tested and given time to work.

EEI has appreciated the opportunity to serve the NRDRWSC team once again. Should there be any further questions, please do not hesitate to contact us.

Request For Decision



Cost of Borrowing and Paying off Debentures

Date: September 18, 2023

Prepared by: Tracey McKinnon, Sr. Manager of Finance

Presented by: Tracey McKinnon, Sr. Manager of Finance

PURPOSE:

To review the financial impact of paying off debentures.

ACTION/RECOMMENDATION:

- THAT the Commission approve this report as information.

ISSUE ANALYSIS:

Introduction:

At the April 2023 Commission meeting, the question arose whether it would be wise to pay off debentures using the available cash balance. This analysis aims to compare the cost of borrowing through debentures with the interest earned on investments to determine the most financially prudent course of action.

Current Outstanding Debt as of September 8th, 2023:

There are currently two loans outstanding:

- 4000001: Outstanding balance of \$936K, interest rate 4.46%, term ending September 2031.
- 4000002: Outstanding balance of \$7.59M, interest rate 4.515%, term ending June 2031.

Penalty for Early Repayment of Loan:

The stop loss penalty quoted for early repayment of the loans is:

- Loan 4000001- \$32K
- Loan 4000002- \$277K

Total Amount Required to Pay Off Both Debentures Today:

The total amount required to pay off both debentures today is \$8.8M as shown in Table 1.

Table 1: Total Amount Required to Pay off Debentures

Debenture Principle	Stop-Loss Penalty	Total Payout
\$ (8,528,958)	\$ (300,000)	\$ (8,828,958)

Cash in the Bank

The General Bank Account Balance as of September 8th, 2023: \$732K

The Grant Bank Account Balance as of August 31st, 2023: \$8.23M. The \$8.23M grant is intended to fund future Capital expansion so will be excluded from this analysis.

Current Value of Investments:

CIBC Investment Account as of August 14th, 2023: \$7.32M.

Ability to Pay off Loans

The \$732K cash available in the bank plus the \$7.32M investments, is not enough to cover the \$8.8M Total Payout shown in Table 1.

Cost of Borrowing/Stop Loss Penalty versus Income Earned From Investments:

The cost of the debentures over the next eight years is \$1.737M in interest payments.

The opportunity loss of cashing in investments is the interest generated from investments. The total return projected by CIBC Wood Gundy on investments for the next eight years is projected to be at least \$2.53M.

Financial Implications:

The cost of borrowing versus interest earned is shown in Table 2 below:

Table 2: Interest Expense versus revenue earned on Investments

Year	Debenture Interest Expense	Investment Interest Revenue	Net Income/ (Loss)
2023	\$ (374,531)	\$ 200,000	\$ (174,531)
2024	\$ (333,472)	\$ 238,361	\$ (95,111)
2025	\$ (290,541)	\$ 251,873	\$ (38,668)
2026	\$ (245,653)	\$ 265,385	\$ 19,732
2027	\$ (198,717)	\$ 278,596	\$ 79,879
2028	\$ (149,642)	\$ 305,730	\$ 156,088
2029	\$ (98,328)	\$ 320,426	\$ 222,098
2030	\$ (44,674)	\$ 331,564	\$ 286,890
2031	\$ (1,456)	\$ 341,541	\$ 340,085
Total	\$ (1,737,014)	\$ 2,533,476	\$ 796,462

Conclusion:

The interest earned from investments and bank interest outweighs the penalties and interest paid for the debentures. Therefore, it is not recommended to pay off debentures with cash and investments. This approach would preserve the Commission's liquidity and potentially yield higher returns through investments and interest earned.

ALTERNATIVES:

The Commission may choose to:

1. THAT the Commission accepts this report as information

OR

2. THAT the Commission direct Administration how it wishes to proceed.

ATTACHMENTS:

N/A