

July 12, 2018

Ray Ritcey, Chair
Halifax Water
Halifax, Nova Scotia

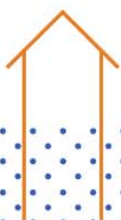
The Annual General Meeting of the Halifax Water Board will be held on Wednesday, July 18, 2018 at 1:00 p.m. at Halifax City Hall on 1841 Argyle Street, Halifax.

AGENDA

1. Chair's Opening Remarks
2. Approval of Minutes of the 2017 Annual General Meeting, held on Friday, August 11, 2017
3. Year End Financial Results – 2017-18
4. Strategic Initiatives Overview
5. Question and Answer Forum
6. Chair's Closing Remarks

Original Signed by:

James G. Spurr
Secretary



**HALIFAX REGIONAL WATER COMMISSION
MINUTES**

**ANNUAL GENERAL MEETING
August 14, 2017**

PRESENT: Commissioner Ray Ritcey, Chair
Commissioner Russell Walker, Vice Chair
Commissioner Steve Streach
Commissioner Lisa Blackburn
Commissioner Craig MacMullin
Commissioner Lorelei Nicoll
Commissioner Jacques Dube

REGRETS: Commissioner Darlene Fenton

STAFF: Carl Yates, General Manager, HRWC
Cathie O'Toole, Director, Corporate Services & Human Resources, HRWC
James Spurr, Legal Counsel, HRWC
Lorna Skinner, Administrative Assistant, HRWC

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CALL TO ORDER

The Chair called the regular meeting to order at 1:00 p.m. in the Halifax Hall of Halifax City Hall, at 1841 Argyle Street.

1. THE CHAIR'S OPENING REMARKS

The Chair welcomed staff and visitors to the 1st Annual General Meeting of the Halifax Regional Water Commission (HW). He proceeded to introduce each Commissioner of the Board as well as participating members of staff.

2. GOVERNANCE REVIEW

The Chair presented an overview of Halifax Water's governance principles which included a description of the roles of the Board of Commissioners and the three Committees of the Board. The presentation also incorporated a brief summary of the Governance Manual.

3. 2016/17 YEAR END FINANCIAL RESULTS

Carl Yates introduced Cathie O'Toole, Director of Corporate Services, and invited her to present the 2016/17 Year End Results. This presentation included HW's financial framework, the aspects that impact HW's finances, the challenges currently facing HW and HW's sustainability strategies. Ms. O'Toole also shared the audit results which included balance sheet highlights, and year end operating results.

4. HALIFAX WATER STRATEGIC INITIATIVES – UPDATE

Carl Yates offered an overview of the strategic initiatives and priorities for HW. This encompassed a review of the strategic priorities for 2016/17 as well as the forthcoming strategic priorities for 2017/18. The priorities for 2017/18 include the Five Year Business Plan, the Information Technology Strategic Plan, Asset Management refinement, significant capital projects such as the Lake Major Dam and Sullivan's Pond Stormwater System, the implementation of the AMI (Advanced Metering Infrastructure) project, and a Lead Service Line Replacement program. Mr. Yates also gave a brief description of the role and responsibilities of the newly appointed Dispute Resolution Officer.

5. QUESTION AND ANSWER FORUM

Commissioner Streach asked Mr. Yates to clarify the difference between a Halifax Water driven water project and a Halifax Regional Municipality driven water project. Mr. Yates responded that the drivers for a Halifax Water project would be focused on the upkeep of existing infrastructure, infrastructure based on growth and compliance with environmental regulations.

An HRM water driven project would be associated primarily with the extension of water or wastewater services to new customers within the service boundary. In those instances, Halifax Water would be working closely with the HRM Planning and Finance Departments providing technical support and project management services as required.

6. CHAIR'S CLOSING REMARKS

There being no further questions or comments, the Chair thanked all those who participated in the meeting as well as those attending and adjourned the meeting at 2:00 p.m.

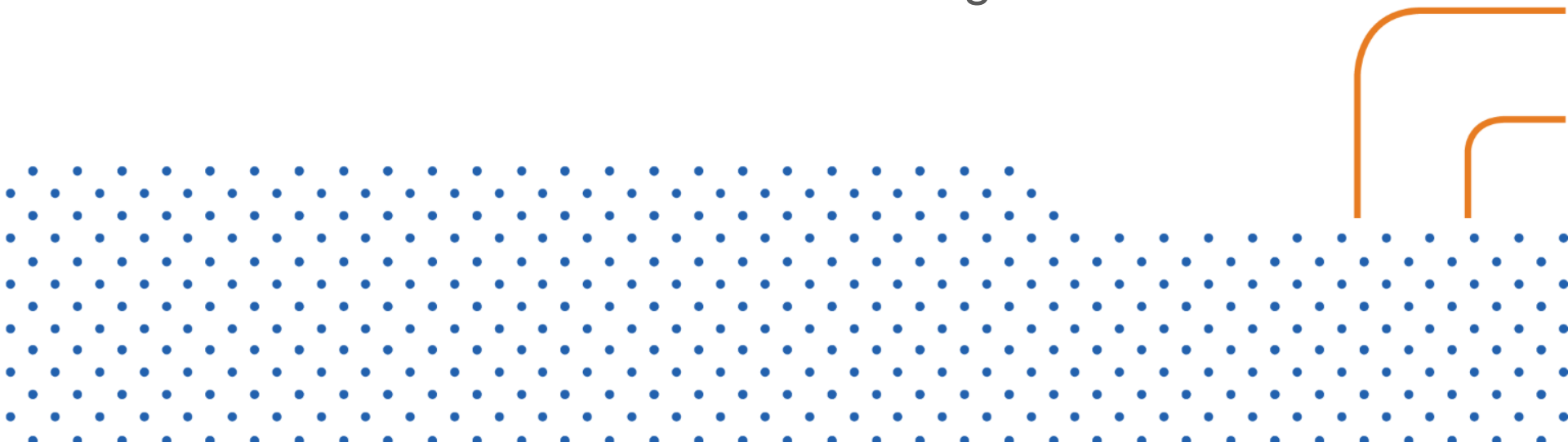
James G. Spurr
Secretary

Commissioner Ray Ritcey
Chair

Year End Results 2017-18

July 18, 2018

Annual General Meeting



Year End Results 2017-18: Highlights

- Halifax Water is a Government Business Enterprise
- Financial statements are prepared under International Financial Reporting Standards (IFRS)
- The Halifax Water Board and the NSUARB focus on NSUARB Accounting and Reporting Handbook results, which are more informative for managing operations and rate setting. (Schedules A to G of audited statements)
- There were no major changes to financial reporting this year
- Grant Thornton are the external auditors, and they issued a clean audit opinion.
- No internal control weaknesses were identified as part of the audit.
- Surplus of \$20.0 M (IFRS) or \$8.8 M (NSUARB)



IFRS vs NSUARB Net Income

- NSUARB Handbook Net Income +\$8.8 M
 - Include non-cash Pension Plan expense -\$5.0
 - Remove debt principle appropriation expense +\$21.2 M
 - Deduct depreciation on contributed assets -\$17.0 M (offset)
 - Amortize contributed capital as revenue \$17.0 M (offset)
 - Various depreciation adjustments on componentized assets and pre-1985 assets -\$3.3 M
 - Loss on OCI Other Comprehensive Income (benefits) -\$1.7 M
-
- IFRS Total Comprehensive Earnings \$20.0 M



Balance Sheet Highlights

- Assets increased by 4.8% to \$1.35 billion
- Work in Progress down \$3.9 M to \$24.6 M. Major projects underway: AMI, Aerotech WWTF, JD Kline Filtration Replacement
- Utility Plant in Service up 4.9% to \$1.26 billion. There were capital additions of \$103.2 M and \$23.6 M in CWWF/Build Canada funding was received.
- Liabilities increased 4.5% due to increase in current liabilities, deferred pension liability and increase in RDC and other reserves
 - Long Term Debt down \$12.5 M
 - Total debt including current portion is \$214.4 M



NSUARB Handbook Results

	Actual YTD 2017/18 '000	Actual YTD 2016/17 '000
Operating Revenue	\$138,145	\$137,997
Operating Expenses	\$99,437	\$92,822
Operating Profit (Loss)	\$38,708	\$45,175
Non Operating Revenue	\$4,486	\$3,322
Non Operating Expenditures	\$34,376	\$34,622
Net Surplus before OCI	\$8,819	\$13,875
Pension Plan Expense	(\$5,015)	(\$5,017)
OCI	(\$1,750)	\$743
Net Surplus (Deficit)	\$2,054	\$9,601

Results by Service		
	2017/18 '000	2016/17 '000
Water	\$1,043	\$3,731
Wastewater	\$2,884	\$3,484
Stormwater	(\$124)	\$1,643
Net Surplus (Deficit)	\$3,804	\$8,858

Results by Activity		
	2017/18 '000	2016/17 '000
Regulated Activities	\$2,203	\$7,626
Unregulated Activities	\$1,600	\$1,232
Net Surplus (Deficit)	\$3,804	\$8,858

Net surplus before OCI, plus accrued pension expenses is \$3.804 million. The tables on the right show the break down by service area, or regulated and unregulated activities.



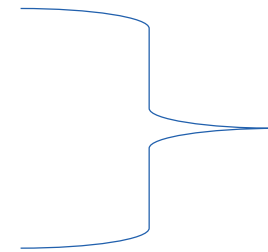
Revenues

- The rates for water and wastewater service came into effect April 1, 2016. Stormwater rates were adjusted July 1, 2017.
- Operating Revenues were \$148 k greater than prior year and \$2.6 M greater than budget.
- Consumption was budgeted to decrease by 3%. Actual billed consumption was 0.05% higher than prior year.
- Consumption increased 0.7% for large meter customers, consumption declined 1.1% for small meter customers
 - Both are opposite of the prior year
- There were 501 new metered customer accounts in 2017/18, compared to a projection of 638.



Expenses

- Operating expenses \$1.2 M under budget
 - Depreciation \$1.3 M under budget
 - Debt servicing costs \$4.7 M under budget
 - There were \$1.9 million in new cost containment initiatives in 2017/18 and the cumulative impact of the program is \$6.6 million
- A Cost Containment report is filed annually with the NSUARB



Due to timing
of capital
projects



Summary

- The financial position continues to be strong and the Cumulative Operating Surplus of \$20.5 M enables a budget deficit of \$12.1 M in 2018/19 and no rate increase.
- Consumption, cost containment and capital expenditures, will determine timing of next rate application. Currently, the next rate application is projected for Fall 2019, for rate changes April 2020
- Capital expenditures continue to be a focus. The 2018/19 Capital Budget is \$73.4 M. Expenditures drive cash flow, debt requirements, and depreciation. Additionally, there are some large projects carried forward (AMI, Aerotech WWTF, JDK, Lake Major Dam)





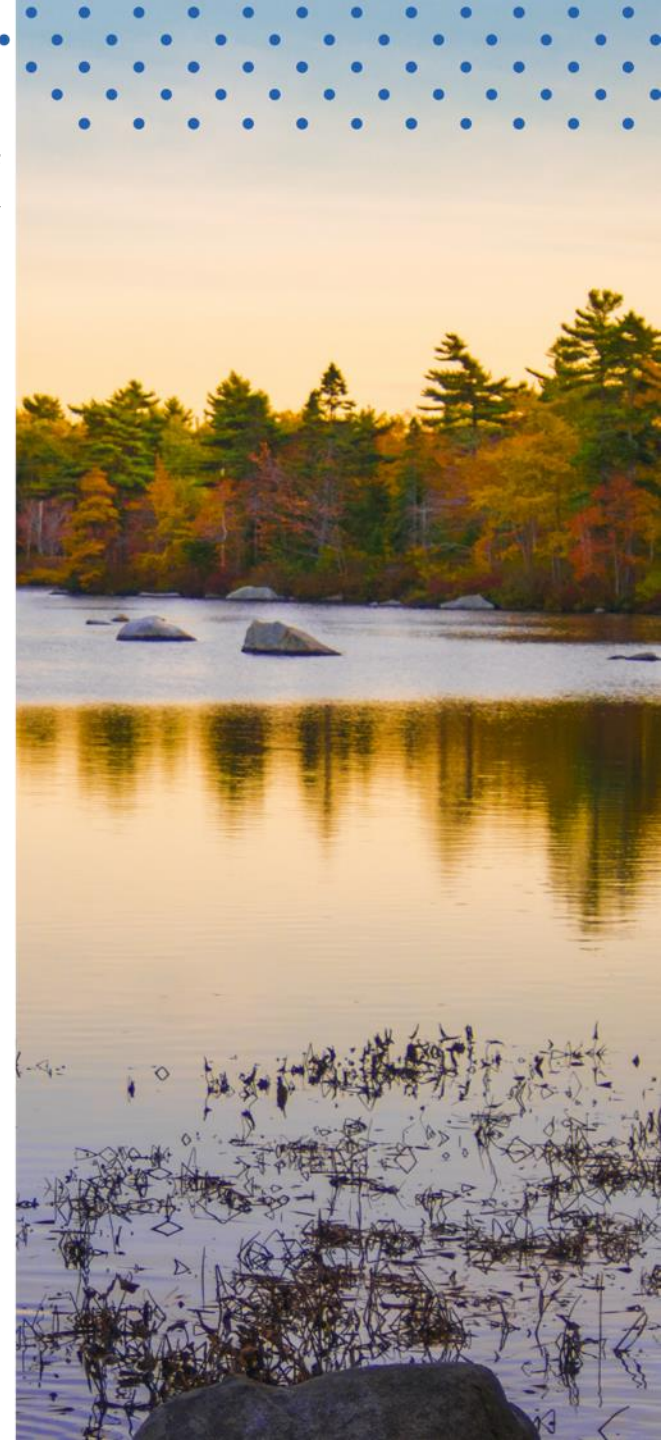
ITEM #4
HRWC Board
July 18, 2018

Strategic Initiatives Overview

Annual General Meeting
July 18, 2018

Carl D. Yates, M.A.Sc., P.Eng.
General Manager

**STRAIGHT from
the SOURCE**



Strategic Overview

- Review of 2017/18 Strategic Priorities
- Overview of 2018/19 Strategic Priorities



Strategic Priorities for 2017/18: A Year in Review

- Develop Five Year Business Plan [2018/19 to 2022/23]
 - ✓ Approved by HW Board in January/18
- Complete IT Strategic Plan [contract awarded to Mariner Innovations]
 - ✓ Completed in October/17
- Refine Asset Management plans to close the information gaps
 - ✓ 14 Distinct Asset Management Plans Developed



Strategic Priorities for 2017/18: A Year in Review

- Ramp up lead service line replacement program [application in front of NSUARB to permit financial incentive for private service laterals and establish By-Law through HRM for loan program].
 - ✓ NSUARB approved application in August/17 for financial incentive and subsequent application for loan program in February/18.



Strategic Priorities for 2017/18: A Year in Review

- Complete construction of Aerotech WWTF
 - ✓ Construction completed by July/18
- Complete construction of Sullivan's Pond stormwater system
 - ✓ Construction completed by December/17
- Complete rehabilitation of NW Arm Trunk Sewer
 - ✓ Construction completed by December/17
- Complete replacement of cast iron pipes from Chain Lake to Quinpool Road [circa 1856, 1862 and 1896]
 - ✓ Construction completed by November/17
- Replace transmission main along #102 Highway from Hammonds Plains Road to Bedford reservoir
 - ✓ Construction completed in October/17



Strategic Priorities for 2017/18: A Year in Review

- Construct new dam at Lake Major
 - ✓ Contractor selected but construction delayed pending regulatory approval from NS Environment; Construction underway in June/18.
- Complete replacement of filter underdrains and media at J.D. Kline water supply plant [Pockwock]
 - ✓ Initial pilot project uncovered asbestos in underdrain formwork which increased costs and necessitated a revised tender; two of eight filters completed with the rest to be completed this fiscal year.



Strategic Priorities for 2017/18: A Year in Review

- Complete Phase 2 of Cityworks [linear infrastructure] and develop and implement Phase 3 [treatment plants and pump stations].
 - ✓ Both Phases completed successfully.
- Full customer service through the Customer Care Centre [further integration of Cayenta, Cityworks and SAP and implementation of enhanced telephony systems].
 - ✓ Integration work completed but telephony system delayed to 2018/19.
- Implementation of AMI project; complete pilot in Tucker Lake, Beavercreek area, refine the business processes and extend to other service areas [3 Year program].
 - ✓ Pilot completed successfully, business processes refined and roll out extended to Halifax area; 20,000 meters installed by end of June/18.



Strategic Priorities for 2017/18: A Year in Review

- Implement Stormwater Rate amendments consistent with NSUARB Decision [tiered rate for residential customers and credit system for non-residential].
 - ✓ Amendments implemented in July 2017. In October 2017 Halifax Water began to bill the HRM ROW charge on the utility bill, pursuant to direction from Council.
- Wet Weather Management; measure progress in current priority areas and expand reach to next priorities [contributions from operations, engineering and regulatory services].
 - ✓ Measurement framework developed with clear targets to be achieved in priority areas.



Strategic Priorities for 2017/18: A Year in Review

- Push for regulatory compliance for all Wastewater Treatment Facilities by end of fiscal year.
 - ✓ Target objective surpassed with 94% compliant by March/18.
- Complete Central and East Wastewater Master Plan and Regional Water Plan.
 - ✓ Master Plans in progress. To be complete by Fall 2018.
- Recalibrate Regional Development Charge in light of master plan results [including West Wastewater Master Plan].
 - ✓ RDC reviewed and results within tolerance limits set by NSUARB.



Strategic Priorities for 2018/19:

- The prime year for meter installations in relation to Customer Connect [expect to have close to 50,000 meters installed].
- Further inroads in wet weather management [approx. \$6 million in capital for trenchless technology to reduce I&I; expanding efforts this year in all areas with a particular focus in Clayton Park/Fairview/Bridgeview].
- Construct new dam at Lake Major.
- Application to NSUARB to update Regional Development Charge.



Strategic Priorities for 2018/19

- Complete first phase of website [static content] and get second phase underway [Customer Characteristics via Web Portal].
- Develop Biosolids Strategy [Contract with Walker Environmental is up at March 31/19].
- Complete second generation of the Integrated Resource Plan.
- Negotiate new Collective Agreements.
- Conduct Actuarial Valuation of HRWC Employees' Pension Plan



Strategic Priorities for 2018/19

- Align projects to secure funding from the federal-provincial bilateral infrastructure program [Total of \$828 million federal funding over 10 years].
- Get wastewater research plan underway with Dalhousie University with Natural Sciences and Engineering Research Council [NSERC] application.
- Continue with NSERC research chair for water [focus on source water quality].
- Amend policies to include aspects of cannabis laws.



Strategic Priorities for 2018/19

- Complete Design and Business Plan for District Energy System in relation to Cogswell Redevelopment and subject to HRM Council decision, seek approval from NSUARB to implement as a regulated service.
- Continue to embed safety culture throughout organization.
- Obtain certification of Environmental Management System to new ISO 140001 standard and expand EMS to Dartmouth WWTF.
- Develop Enterprise Risk Management System.



Do not follow where the path may lead.
Go instead where there is no path and
blaze a trail.



**STRAIGHT from
the SOURCE**



Questions or
Comments?

