

July 10, 2020

Craig MacMullin, MBA, CPA, CGA, Chair
Halifax Water
Halifax, Nova Scotia

The Annual General Meeting of the Halifax Water Board will be held on Thursday, July 16, 2020 at 10:00 a.m. In an effort to stem the spread of COVID-19, this meeting will be held virtually using "Go to Meeting".

AGENDA

1. Chair's Opening Remarks
2. Approval of Minutes of the 2019 Annual General Meeting, held on Thurs., July 18, 2019
3. Strategic Initiatives Overview
 - a. 2019/20 Accomplishments
 - b. 2020/21 Goals
4. Major Capital Initiatives for 2020/21
5. Year End Financial Results – 2019/20
6. Question and Answer Forum
7. Chair's Closing Remarks

Heidi
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Heidi Schedler
Secretary





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Strategic Priorities for 2019/20

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- Implement new telephony system in the Customer Care Centre - **Complete**
- Implement a Corporate Customer Service Strategy by March 2020 – **Paused to align with Customer Portal implementation**
- Customer Connect/AMI project – **98.0% complete, with 82,000 meters installed as of March 31, 2020**
- Continue to roll out and enhance use of Computerized Maintenance Management System (CMMS) **Plan for next CMMS Enhancements completed, and projects completed or underway**



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Strategic Priorities for 2019/20

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- Data analytics – take water loss control to a new level with better data analytics and AMI data; and select a better analytics tool for asset management. **Water Services are piloting artificial intelligence, and Itron Analytics was implemented in 2019/20. Selection of analytics tools for asset management deferred.**
- Commence project for SAP system upgrade/ERP replacement. **Business processes mapped, RFP conducted, and contract award subject to securing necessary capital approvals.**
- Initiate project to select a system for Regulatory reporting. **Underway.**



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Strategic Priorities for 2019/20

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- Wet Weather Management – continue advancements in wastewater management and refine the cost benefit analysis. [Focus on Fairview/Clayton Park areas - \$2.5M lining project.] **On-going, due to a delayed NSUARB capital approval.**
- Resource Recovery – initiate RFP process for Biosolids Processing or Biosolids Energy Recovery. **Internal study of available technologies/industry scan completed. RFP is under development and issuance is imminent.**
- Achieve Environmental Management System - ISO Designation in 2019/20 for all WWTF facilities and develop plan for corporate wide expansion of EMS . **EMS audits complete for Halifax, Mill Cove, and Eastern Passage WWTF. Registration audits are planned for later this year. Three-year plan for corporate EMS expansion commencing April 1, 2021.**



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Strategic Priorities for 2019/20

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- Energy Management Initiatives - \$1 M in investments and seasonal energy management initiatives are planned that will result in 3% energy savings and approximately 1,800 tonnes CO2e in GHG reductions. **Achieved**
- Cogswell District Energy System – Finalize business case and design, make application to the NSUARB to confirm regulated business status. **Application was made to the NSUARB and the status as a regulated business was confirmed**
- Water Quality Master Plan – Complete Tailored Collaboration with Water Research Foundation on Lake Recovery in 2019. **Almost complete. An extension was granted to incorporate more data and this will result in a better decision support tool. Completion is expected this year**



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Strategic Priorities for 2019/20

- Lead Service Line Replacement – Continue with replacement program (target is 300 per year); and explore ways to ensure lead service lines are replaced in conjunction with municipal street renewals. [A proposal to enhance the Lead Service Line Replacement Program was approved by the Halifax Water Board in November and is currently before the NSUARB for approval.](#)
- Safety and Security Program – Continue to improve CBS results and achieve target for new organizational indicator regarding average Internal Safety Audit score. [All Safety related targets were achieved, including the new organizational indicator regarding average Internal Safety Audit score.](#)



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Strategic Priorities for 2019/20

- Wastewater Research Initiative – Initiate NSERC research program in collaboration with Dalhousie University. [NSERC application approved. Research expanded to include COVID-19 related research.](#)
- Asset Management – implement three Asset Management Implementation Teams (AMITs) for three asset classes as a pilot project; and complete the Infrastructure Master Plan. - [Complete](#)
- Complete updated Integrated Resource Plan and file with Halifax Water Board, Fall or 2019. - [Complete](#)
- Enterprise Risk Management – Develop formal ERM system and finalize risk appetite and tolerance levels (Phase II). – [Complete](#)



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Strategic Priorities for 2019/20

- Complete five year update of Regional Development Charge, consult with stakeholders, and file application with NSUARB. **Complete. NSUARB Decision expected within two months.**
- Talent Management – Role out on-line training tools and increased support for supervisors and develop career paths for key positions. **On-line training tools implemented, meetings and supports for supervisors were increased and career paths developed but not yet rolled out**
- Payroll Project – Replace payroll system and implement an employee self serve portal on April 1, 2020. **Implementation delayed to July/August due to impact of COVID-19 on training, and some configuration tasks taking longer than anticipated**



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Five Year Business Plan Highlights (2020/21 – 2024/25)

- Implementation of the 2019 IRP and optimizing processes to plan, procure and deliver capital projects - \$708.5 million in planned capital spending
- Enhanced customer service
- Enhanced lead line replacement program
- Wet weather management
- Employee satisfaction
- Regulatory compliance
- Environmental stewardship
- Water and wastewater research
- Technology investments



STRAIGHT from
the SOURCE 



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Water Services

- Water research program
 - Lake recovery
 - Geosmin
- Continue Lake Major upgrades
- Initiate Pockwock upgrades
- Assure distribution system water quality during main breaks
- Implement enhanced lead service line replacement program
- Complete lead service line renewals in conjunction with municipal street renewals
- Complete dam safety review and develop strategy to address findings

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Wastewater & Stormwater Services

- Complete first year of wastewater research and evaluate
- Confirm plan for HHSP upgrades to meet 2040 environmental compliance
- Complete wet weather management projects and explore private side I&I reduction
- Develop level of service standard for odour and strategy to achieve it
- Interface with municipality on flooding issues and stormwater
- Evaluate success of doing large cross culvert work in house

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Engineering & Information Services

- NSUARB acceptance of 2019 IRP
- Optimize capital project delivery and improve % of annual capital budget spent
- Obtain approvals for East/Central depot consolidation
- Support HRM Cogswell Area Redevelopment
- Water supply plant upgrades JD Kline and Lake Major
- Delivery of key IT projects (payroll, customer portal, ERP)
- GIS update of impervious area
- Implement risk-based condition assessment and improved decision-making tools for asset management

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Regulatory Services

- NSUARB approval of updated Regional Development Charge
- Commence corporate implementation of EMS
- Maintain regulatory compliance and enhance reporting
- Ensure large water plants have NSE approvals or permission to operate
- Implement new permitting system for engineering approvals
- Evaluate ISO45001 (safety) certification and complete physical security audit
- Discuss point of sale disclosures with the NS Real Estate Commission

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Corporate Services

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- Customer experience – Customer Portal & use of AMI data
- Billing – possible transition to HRM print shop, monthly billing and improved collections
- Enhancing linkages between Customer Care Centre and operations through CMMS
- Operational and financial benefits of new enterprise resource planning system (ERP)
- Updated funding strategies – water and wastewater rates, RDC, updated impervious area data and stormwater rate structure, adequacy of other fees and charges including the manual read fee for non-RF customers
- Improved Management and Board reporting

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Administration

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- Obtain by-law and approvals for the Cogswell District Energy System
- Operationalize enterprise risk management
- Update Governance Manual and board reporting
- Train new supervisors and develop skills for all leaders in providing feedback
- Train all employees on psychological health and safety
- Enhance customer communications – a) water and wastewater rate increases and b) stormwater service

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2020/21 Business Plan

Vision

We will provide our customers with high quality water, wastewater and stormwater services. Through adoption of best practices, we will place the highest value on public health, customer service, fiscal responsibility, workplace safety and security, asset management, regulatory compliance and stewardship of the environment. We will fully engage employees through teamwork, innovation and professional development.

Mission

To provide world class service for our customers and our environment.

Strategic Objectives

Administration	Water Services	Wastewater & Stormwater Services	Engineering & Information Services	Regulatory Services	Corporate Services
<ul style="list-style-type: none"> Obtain by-law and approvals for Cogswell District Energy System Operationalize enterprise risk management Update Governance Manual and Board reporting Train new supervisors, and develop skills for all leaders in providing feedback Train all employees on Psychological health and safety Enhance customer communications, particularly around water and wastewater rate increases, and stormwater service 	<ul style="list-style-type: none"> Water research program Continue Lake Major upgrades Initiate Pockwock upgrades Assure distribution system water quality during main breaks Enhance lead service line replacement program Complete Lead service line renewals in conjunction with municipal street renewal Complete dam safety review and develop strategy to address findings 	<ul style="list-style-type: none"> Complete first year of WW research and evaluate Confirm plan for HHSP upgrades to meet 2040 environmental compliance Complete Wet Weather Management projects and explore I&I priority side reduction Develop level of service standard for odour and strategy to achieve it Interface with municipality on flooding issues and stormwater Evaluate success of doing large cross culvert work in house 	<ul style="list-style-type: none"> NSUARB approval of 2019 IRP Optimize capital project delivery and improve % of annual capital budget spent Obtain approvals for East/Central Depot Consolidation HRM Cogswell Redevelopment infrastructure relocation Water supply plant upgrades Deliver key IT projects (payroll, customer portal, ERP) GIS update of impervious area Implement RISK based condition assessment and decision making tools for asset mgmt 	<ul style="list-style-type: none"> NSUARB approval of updated Regional Development Charge Commence corporate implementation of EMS Maintain regulatory compliance and enhance reporting Ensure large water plants have NSE approvals or permission to operate Implement new permitting system for Engineering Approvals Evaluate ISO45001 (safety) certification and complete physical security audit Discuss point of sale disclosures with NS Real Estate Commission 	<ul style="list-style-type: none"> NSUARB approval of increases for water, and wastewater rates and various fees and charges Review stormwater service, costs, impervious area, rates Develop a strategy to meet IRP recommended level of spend Implement Customer Portal and enhance customer experience Transition bill printing to HRM print shop, redesign the bill, and offer monthly customer billing Select new ERP system and update business processes




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Questions or Comments?






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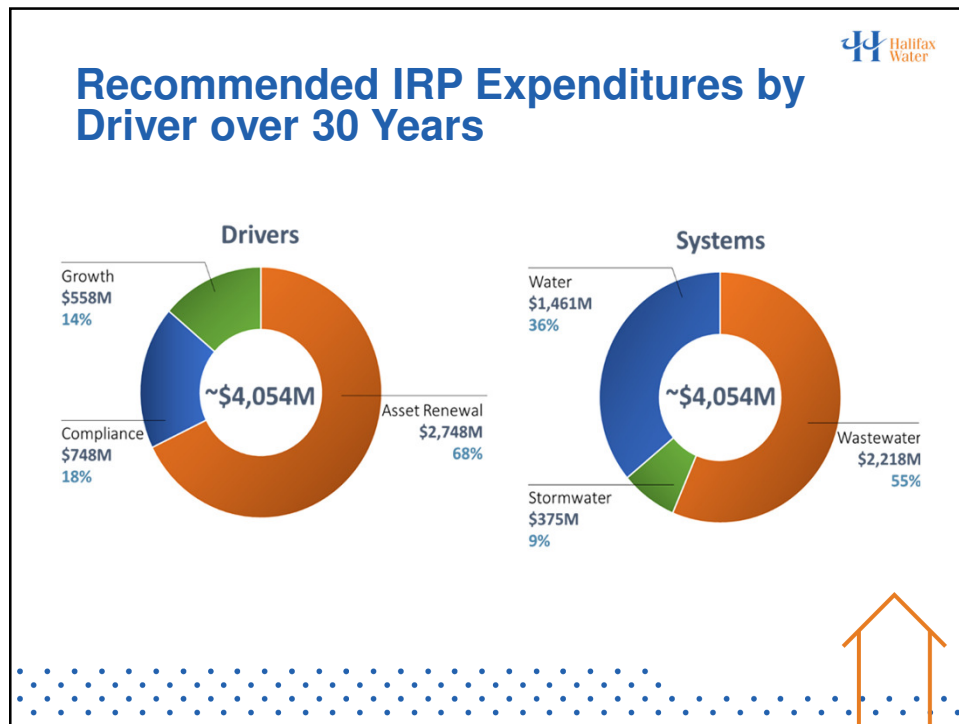


The Path to Sustainability

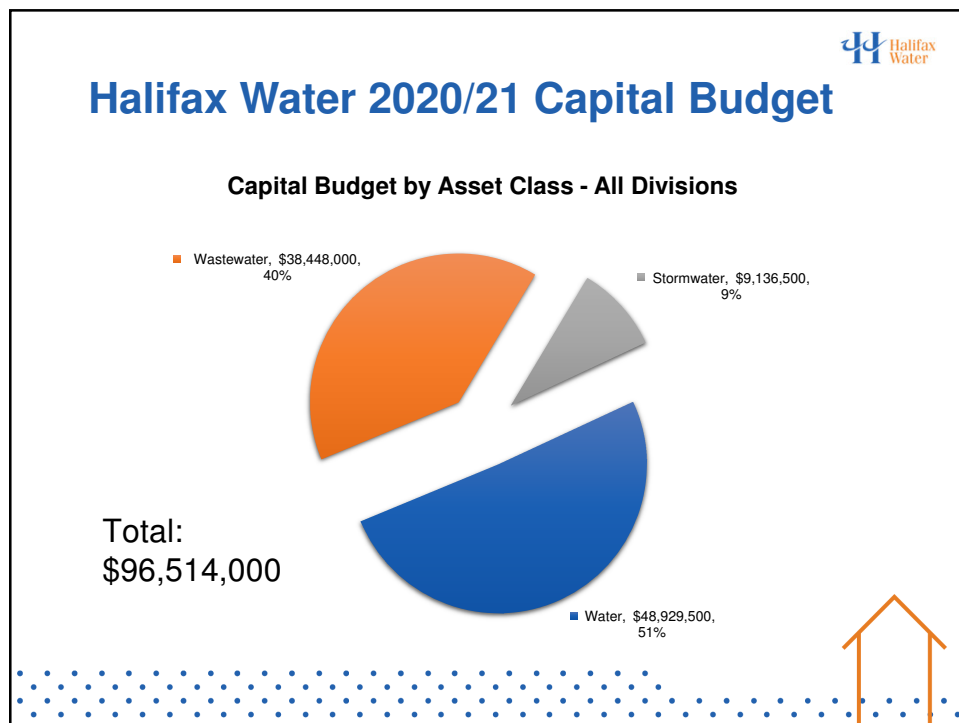
- As a regulated utility, Halifax Water must recover its capital and operating costs in conformance with the Public Utilities Act of Nova Scotia.
- Ensure a continued or enhanced level of service to customers.
- Halifax Water must renew aging water, wastewater and stormwater infrastructure, maintain compliance with new federal wastewater regulations and facilitate growth.
- The latest Integrated Resource Plan (IRP) completed in 2019 indicates investments over 30-year period in the order of \$4.0 Billion.




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Halifax Water 2020/21 Capital Budget

Asset Category – Water

\$42,292,000

Major Projects:

- Main Street to Caledonia Road Transmission Main
- Water Distribution – Main Renewal Program
- Lead Service Line Replacement Program
- Design phase of the JD Kline & Lake Major Water Supply Plant Upgrade projects
- Bedford South Reservoir – New Construction



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Halifax Water 2020/21 Capital Budget

Asset Category – Wastewater


\$30,268,000

Major Projects:

- Wastewater System – Trenchless Rehabilitation Program
- Integrated Wastewater Collection Projects
- Autoport/Main Road Pumping Station Replacement
- Wastewater Lateral Replacements
- Halifax North Peninsula Sewer Separation Program



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Halifax Water 2020/21 Capital Budget

Asset Category – Stormwater


\$7,387,000

Major Projects:

- Integrated Stormwater Collection Projects
- Driveway and Cross Culvert Renewal Program
- Ellenvale Run Retaining Wall System Replacement – Phase 4



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Halifax Water 2020/21 Capital Budget

Asset Category – Corporate Projects

\$22,427,000

Project Highlights:

- IT Strategic Plan Implementation Year 3
- Corporate Flow Monitoring Program
- Design Phase of East/Central Operations Facility
- Fleet Upgrade Program



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Summary - Capital Project Highlights

- Main Street to Caledonia Road Water Transmission Main
- Water Distribution – Main Renewal Program
- Lead Service Line Replacement Program
- Design phase of the JD Kline and Lake Major Water Supply Plant Upgrade projects
- Construction of new Bedford South Reservoir
- Wastewater Trenchless Rehabilitation Program
- Design Phase of East/Central Operations Facility
- Integrated Wastewater Collection Projects
- Autoport/Main Road Pumping Station Replacement
- Wastewater Lateral Replacements
- Halifax North Peninsula Sewer Separation Program
- Integrated Stormwater Collection Projects
- Driveway and Cross Culvert Renewal Program
- Ellenvale Run Retaining Wall System Replacement – Phase 4
- Implement Year 3 of IT Strategic Plan
- Corporate Flow Monitoring Program
- Fleet Upgrade Program

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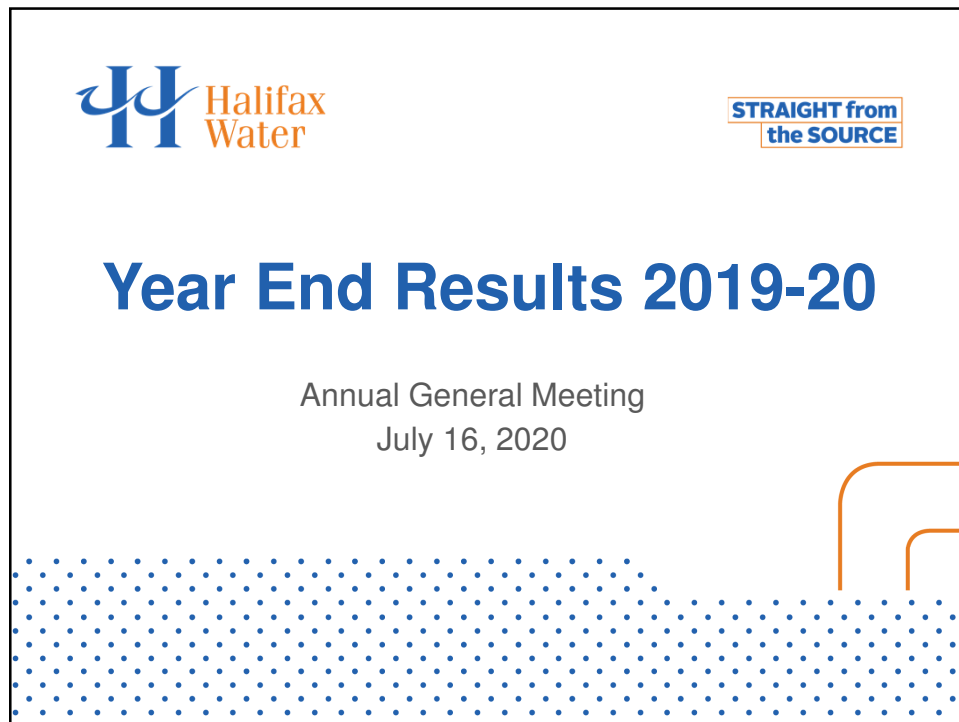
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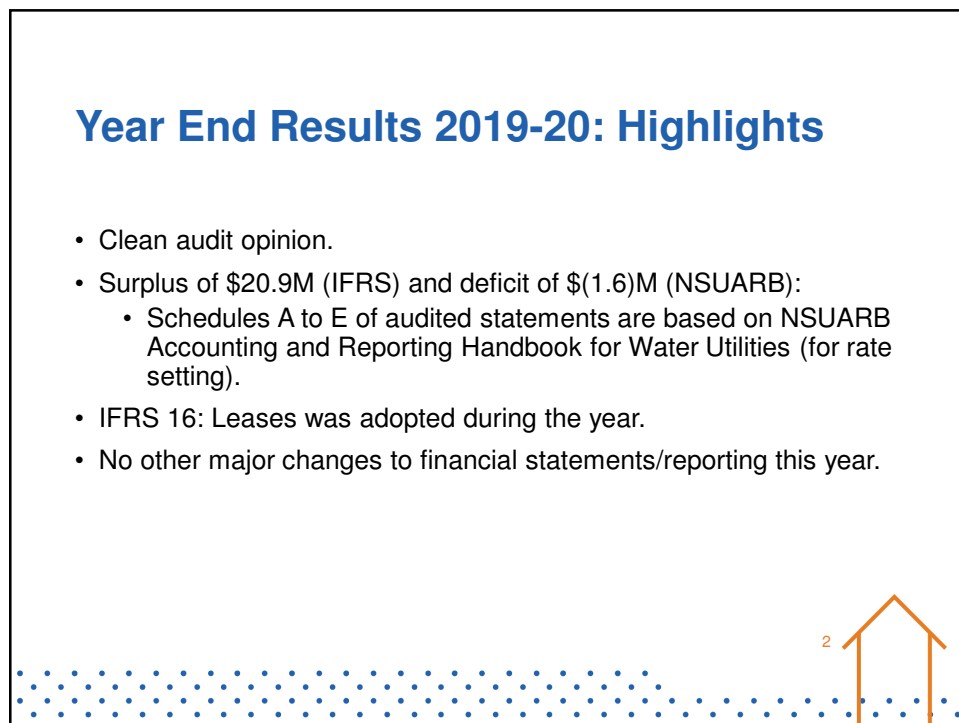
**Questions or
Comments?**



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Statement of Financial Position – Assets

	March 31, 2020	March 31, 2019		
	'000	'000	\$ Change	% Change
Total current assets	\$ 92,131	\$ 90,008	\$ 2,123	2.36%
Total non-current assets	1,320,877	1,281,467	39,410	3.08%
Total assets and regulatory deferral account	\$ 1,413,008	\$ 1,371,475	\$ 41,533	3.03%

- Current assets increased by \$2.1M:
 - Customer receivables increased \$1.0M as a result of external funding and HRM receivables have increased \$2.8M due to cost sharing.
- Non-current assets increased by \$41.5M:
 - Intangible assets increased \$5.1M as studies were capitalized less amortization of \$1.6M.
 - \$80.8M transferred to utility plant in service: AMI \$16.6M, JD Kline Filtration replacement \$10.3M, Lake Major Dam Replacement \$9.1M Lucasville Transmission Main replacement \$6.4M were larger assets capitalized.
 - Contributed assets during the year were \$18.6M of which \$10.5M was received from CWWF / Build Canada funding.

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Statement of Financial Position – Liabilities and Equity

	March 31, 2020	March 31, 2019		
	'000	'000	\$ Change	% Change
Total current liabilities	\$ 67,524	\$ 64,813	\$ 2,711	4.18%
Total long term liabilities	1,140,787	1,122,864	17,923	1.60%
Total liabilities	1,208,311	1,187,677	20,634	1.74%
Total equity	204,697	183,798	20,899	11.37%
Total liabilities and equity	\$ 1,413,008	\$ 1,371,475	\$ 41,533	3.03%

- Total liabilities and equity increased by \$41.5M:
 - Trade payables and accruals have increased \$5.3M related to capital projects.
 - Current portion of long-term debt has decreased \$3.5M primarily due to the balloon payment for debt refinanced in fall 2019.
 - Deferred contributed capital increased \$11.7M due to collection of Regional Development Charges (RDC) and interest.
 - Long term debt increased \$15.2M (new debt \$36.5M; repayments \$24.7M).
 - The employee benefit obligation decreased \$9.0M as FMV assets increased, the discount rate used to measure the obligation increased and pre-retirement benefit program was frozen.
- Debt service ratio in 18.91%.

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Summarized Comprehensive Earnings

Summarized Comprehensive Earnings					
	2019/20	2018/19			
	'000	'000	\$ Change	% Change	
Operating revenues	\$ 137,750	\$ 138,202	\$ (452)	(0.3%)	
Operating expenditures	139,040	132,786	6,254	4.7%	
Earnings (loss) from operations before financial and other revenues and expenditures	(1,290)	5,416	(6,706)	(123.8%)	
Financial and other revenues	20,236	20,041	195	1.0%	
Financial and other expenditures	12,611	12,861	(250)	(1.9%)	
Earnings for the year before regulatory deferral account depreciation	6,335	12,596	(6,261)	(49.7%)	
Regulatory deferral account depreciation	192	192	-	0.0%	
Earnings for the year	6,143	12,404	(6,261)	(50.5%)	
Other comprehensive earnings	14,756	3,734	11,022	295.2%	
Total comprehensive earnings for the year	\$ 20,899	\$ 16,138	\$ 4,761	29.5%	

- Consumption is down 0.22%, stormwater revenue decreased \$0.5M and septage revenue was down \$0.4M.
- Wage rate increases and overtime, increased chemical costs and other costs, accrued pension expense and depreciation increases.
- Other comprehensive earnings (OCI) increased as function of the change in the liability for employee benefits. The OCI adjustment at year-end was income of \$14.8M.

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IFRS vs NSUARB Net Income - Reconciliation

	March 31, 2020	March 31, 2019
	'000	'000
IFRS comprehensive earnings	\$ 20,899	\$ 16,138
Add non-cash pension expense	8,381	6,208
Subtract debt principle appropriation expense	(18,719)	(20,516)
Add depreciation expense on contributed assets	19,025	18,143
Subtract amortization on contributed capital	(19,025)	(18,143)
Add various depreciation adjustments	2,635	3,292
Subtract OCI gain	(14,756)	(3,734)
NSUARB earnings (loss) for the year	\$ (1,560)	1,388

- Accrued pension is not an expense for NSUARB.
- Principle payments on long term debt is an expense for NSUARB.
- Depreciation expense on contributed assets is not an expense for NSUARB, offset by the removal of the amortization of contributed capital.
- Various depreciation adjustments.

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NSUARB Handbook Results

Summarized Consolidated Operating Results				
	2019/20 '000	2018/19 '000	\$ Change	% Change
Operating revenues	\$ 137,750	\$ 138,202	\$ (452)	(0.3%)
Operating expenditures	109,326	105,524	3,802	3.6%
Earnings from operations	28,424	32,678	(4,254)	(13.0%)
Financial and other revenues	1,211	1,899	(688)	(36.2%)
Financial and other expenditures	31,195	33,189	(1,994)	(6.0%)
Earnings (loss) for the year	(1,560)	1,388	(2,948)	(212.4%)

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NSUARB Handbook Results

Operating Results by Service				
	2019/20 '000	2018/19 '000	\$ Change	% Change
Water	\$ 5,205	\$ 2,759	\$ 2,446	88.7%
Wastewater	(5,035)	(576)	(4,459)	774.1%
Stormwater	(1,730)	(795)	(935)	117.6%
Surplus (deficit)	\$ (1,560)	\$ 1,388	\$ (2,948)	(212.4%)

Results by Activity				
	2019/20 '000	2018/19 '000	\$ Change	% Change
Regulated activities	\$ (2,260)	\$ 22	\$ (2,282)	(10372.7%)
Unregulated activities	700	1,366	(666)	(48.8%)
Surplus (deficit)	\$ (1,560)	\$ 1,388	\$ (2,948)	(212.4%)

- Water services earnings of \$5.2M has increased by \$2.5M due to lower debt payments.
- Wastewater services loss of \$5.0M has increased by \$4.5M as higher costs for wages, chemicals, and materials and supplies purchases.
- Stormwater services loss of \$1.7M has increased by \$1.0M as higher costs for wages and a decrease in site generated charge revenue.

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Operating Revenues

Operating Revenues				
	2019/20	2018/19		
	'000	'000	\$ Change	% Change
Consumption revenue	\$ 86,054	\$ 86,244	\$ (190)	(0.2%)
Base charge revenue	33,399	33,191	208	0.6%
Wastewater rebate	(1,041)	(1,494)	453	(30.3%)
Metered sales total	118,412	117,941	471	0.4%
Stormwater site generated charge	5,361	5,906	(545)	(9.2%)
Stormwater right of way	3,835	3,835	-	0.0%
Public fire protection	7,074	7,074	-	0.0%
Private fire protection	881	869	12	1.4%
Other operating revenue	2,187	2,577	(390)	(15.1%)
Operating revenue total	\$ 137,750	\$ 138,202	\$ (452)	(0.3%)

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Comparison to Budget

	Budget	Actuals		
	March 31, 2020	March 31, 2020		
	'000	'000	\$ Change	% Change
Water	\$ (717)	\$ 5,205	\$ (5,922)	-113.78%
Wastewater	(5,073)	(5,035)	(38)	0.75%
Stormwater	(2,574)	(1,730)	(844)	48.79%
Earnings (loss) for the year	\$ (8,364)	(1,560)	(6,804)	436.15%

- Water Services - \$5.9M less than budget:
 - Chemical costs were lower, transfer of staff to regulatory services and debt service costs lower than budget.
- Wastewater Services - \$38K below budget:
 - Increase allocation of costs to wastewater that were budgeted in stormwater primarily related to maintenance and emergency work and debt servicing costs lower than budget.
- Stormwater Services - \$844K below budget:
 - Costs allocated to wastewater and debt service costs lower than budget.
- Other allocated costs: Pension payment were reduced due to actuarial valuation.

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Operating & Non-Operating Expenses

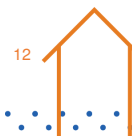
- Operating expenses \$5.8M under budget:
 - Most expense categories under budget.
 - Administration & Pension \$1.5M under budget.
- Depreciation no material change from budget.
- Debt servicing costs \$2.1M under budget.
- HRM Dividend/Grant in Lieu of Taxes down \$0.1M to \$5.1M.



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Subsequent to Year End

- Capital expenditures continue to be an area of focus
 - 2020/21 Capital Budget of \$96.5M.
- Cash balance continues to be strong as we have not experienced a significant decline in collection activity.
- Receivables continue to be billed and collected.
- Payables continue to be paid as due.
- Interest and principal payments on long term debt that were deferred by Municipal Finance Corporation (MFC) of \$6.8M was paid in early July.



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Summary

- Clean audit opinion.
- The financial position continues to be strong.
- Consumption, cost containment and capital expenditures will continue to be areas of focus in the new fiscal year.
- Rate application has been modified as a result of COVID 19:
 - No increase in water rates for 2020/21 and 2021/22.
 - No increase in wastewater rates for 2020/21.
 - Increase in wastewater consumption rate in 2021/22 is less than in original proposal.
- Questions?

