

July 9, 2021

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

The Annual General Meeting of the Halifax Water Board will be held virtually on Thursday, July 15, 2021 at 10:00 a.m. Visit www.halifaxwater.ca to register to attend the meeting.

AGENDA

Regular Reports

1. Chair's Opening Remarks
2. Approval of Minutes of the 2020 Annual General Meeting, held on Thursday, July 18, 2020
***Motion:** That the Halifax Water Board approve the minutes of the July 18, 2020 Annual General Meeting.*
3. Strategic Initiatives Overview
 - 2020/21 Accomplishments
 - 2021/22 Goals

Capital Projects

4. Major Capital Initiatives for 2021/22

Financial

5. Year End Financial Results – 2020/21

Other Business

6. Question and Answer Forum
7. Chair's Closing Remarks

Original Signed By: _____

Heidi Schedler
Secretary



Strategic Initiatives Overview

Annual General Meeting
July 15, 2021

Cathie O'Toole
General Manager

**STRAIGHT from
the SOURCE**



Our 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.



Our Mission

- To provide world-class services for our customers and our environment.



Critical Success Factors

- High Quality Drinking Water
- Service Excellence
- Responsible Financial Management
- Effective Asset Management
- Workplace Safety and Security
- Regulatory Compliance
- Environmental Stewardship
- Motivated and Satisfied Employees

Business planning
and performance
measurement
drives results



Achievements in 2020/21



Water Services

- ✓ • Water research program - Research on source lake recovery and geosmin continued with minor delay due to COVID-19.
 - ✓ • Continue Lake Major upgrades
 - ✓ • Initiate Pockwock upgrades
- Incorporated in new Water Supply Enhancement Program
- ✓ • Assure distribution system water quality during main breaks – New standard operating protocol implemented
 - ✓ • Implement enhanced lead service line replacement program – Launched in March 2021
 - ✓ • Complete lead service line renewals in conjunction with municipal projects – Berlin St. completed. Drummond Court & Leaman St. municipal projects were deferred
 - ✓ • Complete dam safety review and develop strategy to address findings – Dam safety review is complete and actioned

Wastewater & Stormwater Services

- ✓ • Complete first year of wastewater research and evaluate – Completed and expanded to include COVID-19 WW research
- ⊘ • Confirm plan for HHSP upgrades to meet 2040 environmental compliance – Awaiting approval from NSUARB on timing of planning activities
- ✓ • Complete wet weather management projects and explore private side I&I reduction – Wet weather management projects completed. Exploration of private side I&I programs on-going.
- ✓ • Develop level of service standard for odour and strategy to achieve the standard – Completed and approved by HW Board
- ✓ • Interface with municipality on flooding issues and stormwater – Supporting Lot Grading By-Law, Halifax Stormwater Management Standards for Development Activities, and property specific issues
- ✓ • Evaluate success of doing large cross culvert work in house - Complete



- ✓ • NSUARB acceptance of 2019 Integrated Resource Plan – **Complete**
- ⊘ • Optimize capital project delivery and improve % of annual capital budget spent – **On-going**
- ✓ • Obtain approvals for East/Central depot consolidation – **Depot consolidation concept, and land purchase approved**
- ✓ • Support HRM Cogswell Area Redevelopment – Land issues resolved and support for the project is on-going
- ✓ • Water supply plant upgrades JD Kline and Lake Major – **Water Supply Enhancement Program developed**
- ✓ • Delivery of key IT projects (payroll, customer portal, ERP) – **Complete or on-track, other than ERP.**
- ✓ • GIS update of stormwater impervious area - **Complete**
- ⊘ • Implement risk-based condition assessment and improved decision-making tools for asset management – **On-going. NSUARB approval received in June 2021 for Analytics Decision Support System**

Regulatory Services

- ✓ • NSUARB approval of updated Regional Development Charge – **Approved in October, effective May 31, 2022**
- ✓ • Commence corporate implementation of EMS – **Plan developed and resourced**
- ✓ • Maintain regulatory compliance and enhance reporting – **meeting requirements**
- ✓ • Ensure large water plants have NSE approvals or permission to operate – **Approvals in place**
- ✓ • Implement new permitting system for engineering approvals - **Complete**
- ⊘ • Evaluate ISO45001 (safety) certification and complete physical security audit – **Delayed to 21/22 due to COVID-19**
- ⊘ • Discuss point of sale disclosures with the NS Real Estate Commission – **Carried forward to 21/22**

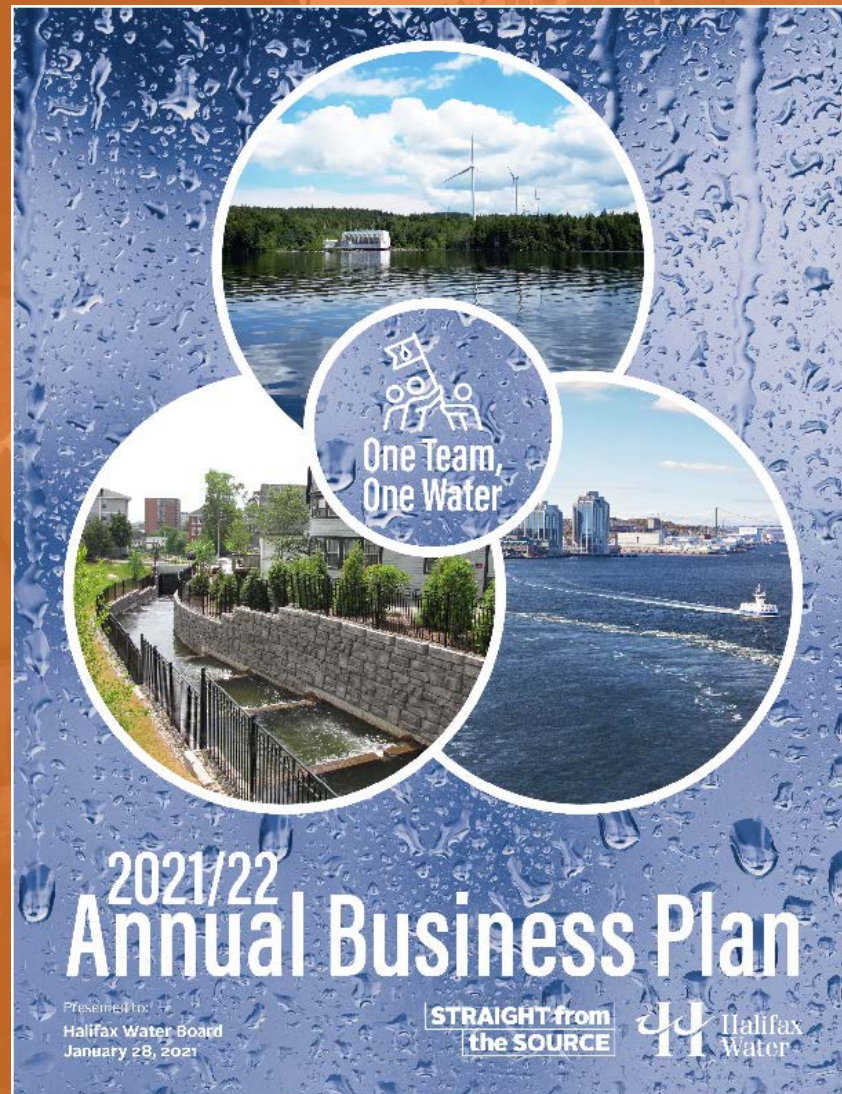
Corporate Services

- ✓ • Customer experience – Customer Portal & use of AMI data – Launched November 2020
- ⊘ • Billing – possible transition to HRM print shop, monthly billing and improved collections – Deferred to 21/22
- ✓ • Enhancing linkages between Customer Care Centre and operations through CMMS – New telephony system and on-going work on integration with CMMS
- ✓ • Operational and financial benefits of new enterprise resource planning system (ERP) – Capital project approved
- ✓ • Updated funding strategies – short term strategy adjusted due to COVID-19 to avoid water or wastewater rates increases in 20/21. No water rate increase in 21/22, however wastewater rates increased April 1, 2021, and RDCs increase May 31, 2022
- ✓ • Improved Management and Board reporting – Changes implemented

Administration

- ✓ • Obtain by-law and approvals for the Cogswell District Energy System – Bylaw complete and NSUARB ruling on regulatory status obtained.
- ✓ • Operationalize enterprise risk management – Program manager hired, ERM Board Committee established, and Steering Committee created.
- ✓ • Update Governance Manual and board reporting - Complete
- ✓ • Train new supervisors and develop skills for all leaders in providing feedback - Complete
- ✓ • Train all employees on psychological health and safety - Complete
- ✓ • Enhance customer communications – a) water and wastewater rate increases and b) stormwater service – 20/21 initiatives complete, but this is an area for continuous improvement

2021/22 Strategic Initiatives



Operations - Water Services

- Complete Water Quality Master Plan Version 4
- Secure approval for Water Supply Enhancement Program
- Fully implement enhanced algal monitoring as a permanent program
- Launch and successfully implement year 1 of the new LSL replacement program
- Implement findings from the dam safety review
- Recommend next steps for Water Loss Control program



Operations - Wastewater & Stormwater Services

- Complete Biosolids Facility upgrade plan and progress procurement for Capital and Operating contracts
- Continue to implement wastewater research program as per plan submitted to NSERC
- Consult stakeholders on the plan for HHSP upgrades to meet 2040 compliance
- Complete Wet Weather Management projects and initiate any changes required to enable an effective private side I&I reduction program
- Communicate and implement actions from the odour strategy

Engineering & Technology Services

- Optimize capital project delivery and improve % of annual capital budget spent
- Complete design and tender process for Burnside Depot construction
- HRM Cogswell Redevelopment infrastructure relocation
- Promote the multi-year Water Supply Enhancement Program (WSEP) and implement year-1 Clarifier Design Phase
- Develop a road map for data intelligent water and deliver key IT projects (Cyber Security and ERP)
- Finalize levels of service for asset management (AM), and evaluation of AM Program
- Monitor & report on Integrated Resource Plan progress



Regulatory Services

- Implement an annual Regional Development Charge stakeholder consultation process
- Phase corporate implementation of the Environmental Management System (EMS)
- Maintain regulatory compliance and enhance reporting
- Launch new service account compliance program
- Evaluate ISO45001 (safety) certification and complete a physical security audit
- Enhance the stormwater credit program and support stormwater billing
- Develop a Climate Action Plan for Halifax Water that supports HalifACT 2050, and enhances coordination and reporting of climate change adaptation and mitigation initiatives



Corporate Services

- Analyze impervious area data, and apply to adjust rates for stormwater service
- Integrate the Customer Connect portal and increase customer utilization
- Commence ERP design
- Update procurement policy and processes
- Improve financial forecasting and reporting
- Update Cost of Service Manual and apply for NSUARB approval
- Implement new bill design and monthly billing, and improve collection process

Administration

- Obtain approval for regulations governing the Cogswell District Energy System
- Update Service Level Agreement with HRM
- Roll out updated Code of Conduct to all employees
- Roll out Risk Management Policy and update risk registers
- Engage next Dispute Resolution Officer for NSUARB approval, and plan transition
- Enhanced stormwater customer communication & education
- Complete unconscious bias training for managers and align Halifax Water with HRM culture & diversity initiatives

Summary

- The proposed capital and operating budgets for 2021/22 support delivery of the 2021/22 Business Plan
 - Capital budget requirement - \$126.2 million
 - Operating budget requirement - \$155.2 million in total expenditures
- There are many business risks to be managed in order to achieve the objectives of the 2021/22 Business Plan; including on-going impacts of COVID-19
- Performance will be measured against the Corporate Balanced Scorecard (CBS) approved by the Halifax Water Board

2021/22 Business Plan

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Our Vision

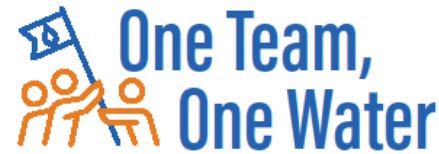
We will provide our customers with high quality water, wastewater, and stormwater services.

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.

Our Mission

To provide world-class services for our customers and our environment.



Our Values

Relationships: we nurture relationships with our customers, our team members and the environment. We are engaged in the neighbourhoods we serve and we support continual learning across our team.

Innovation: we are among the top utilities across the continent and we are known on the global stage. We always ask, "how can we improve efficiency, sustainability, creativity and the customer experience?"

Accountability: we refuse to cut corners. We check in with our excellence standards regularly and look to one another for support. Safety steers our decision-making. We are driven to make our policies, decisions and projects as clear as our drinking water.

Protection: Halifax Water protects the health and well-being of our population. We exist to guard natural resources, finding ways to sustain our communities and environment.

Operations

Wastewater & Stormwater Services

- Complete Biosolids Facility upgrade plan and progress procurement for Capital and Operations contracts
- Continue to implement Wastewater research program as per plan submitted to NSERC
- Stakeholder consultation on plan for HHSP upgrades to meet 2040 environmental compliance
- Complete Wet Weather Management projects and initiate any changes required to enable an effective private side ISI reduction program
- Communicate and implement actions from odour strategy

Water Services

- Complete Water Quality Master Plan V.4
- Secure approval for water treatment plant upgrade program (strategy)
- Fully implement enhanced algal monitoring program as a permanent program
- Launch and successfully implement year 1 of the new LSL replacement program
- Implement findings from dam safety review
- Develop a roadmap for data utilization and intelligent water
- Recommend next steps for Water Loss Control program

Administration

- Obtain approval for regulations governing Cogswell District Energy System
- Update Service Level Agreement with HRM
- Roll out updated Code of Conduct to all employees
- Roll out training Risk Management Policy & update Corporate Risk Register
- Engage next Dispute Resolution Officer for NSUARB approval
- Enhance and roll out Stormwater customer communication and education
- Complete unconscious bias training for managers/supervisors and align Halifax Water with HRM culture & diversity initiatives

Regulatory Services

- Implement Regional Development Change annual stakeholder consultation process
- Phased corporate implementation of EMS
- Maintain regulatory compliance and enhance reporting
- Launch new service account compliance program
- Evaluate ISO45001 (safety) certification and complete physical security audit
- Enhance stormwater credit program and continue support of stormwater billing
- Coordinate HalifACT 2050 Halifax Water climate change adaptation and mitigation projects



Corporate Services

- Analyze impervious area data, and apply to adjust rates for stormwater service
- Integrate customer connect portal and continue to increase utilization
- Commence ERP design subject to NSUARB approval
- Update procurement policy and processes
- Improve financial forecast and reporting
- Update Cost of Service Manual and apply for NSUARB approval
- Implement new bill design and monthly billing, and improve the collection process

Engineering & Technical Services

- Optimize capital project delivery and % of annual capital budget spent
- Complete design and tender process for Burnside Depot construction
- HRM Cogswell Redevelopment infrastructure relocation
- Promote the multi-year Water Supply Enhancement Program (WSEP) and implement year 1 Clarifier design phase
- Deliver key IT projects (Cyber Security and ERP)
- Finalize levels of service for asset management, and evaluation of Asset Management Program
- Monitor and report on progress of the Integrated Resource Plan

**STRAIGHT from
the SOURCE**



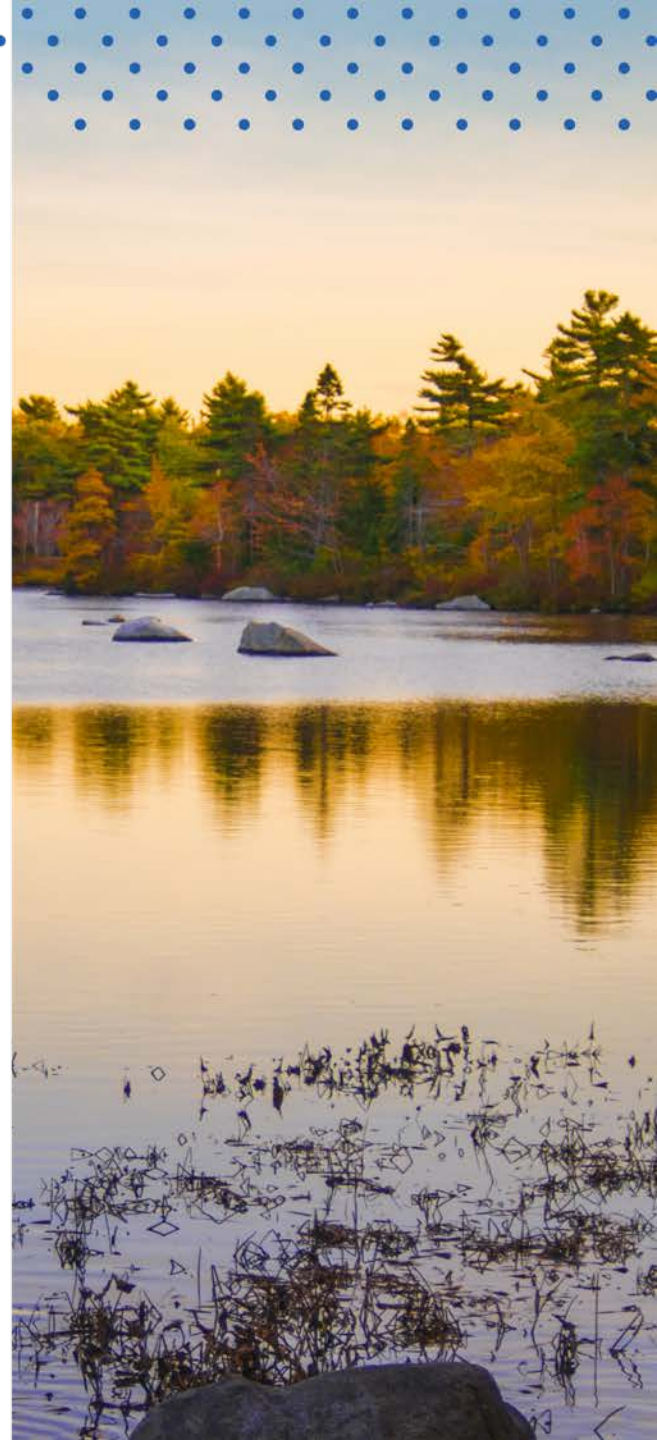
<https://halifaxwater.ca/sites/default/files/2021-03/2021-22-Annual-Business-Plan.pdf>



2021/22 Major Capital Initiatives

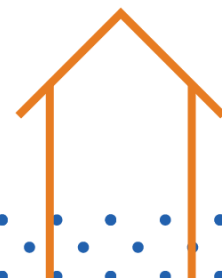
Reid Campbell
Director of Engineering &
Technology Services

**STRAIGHT from
the SOURCE**



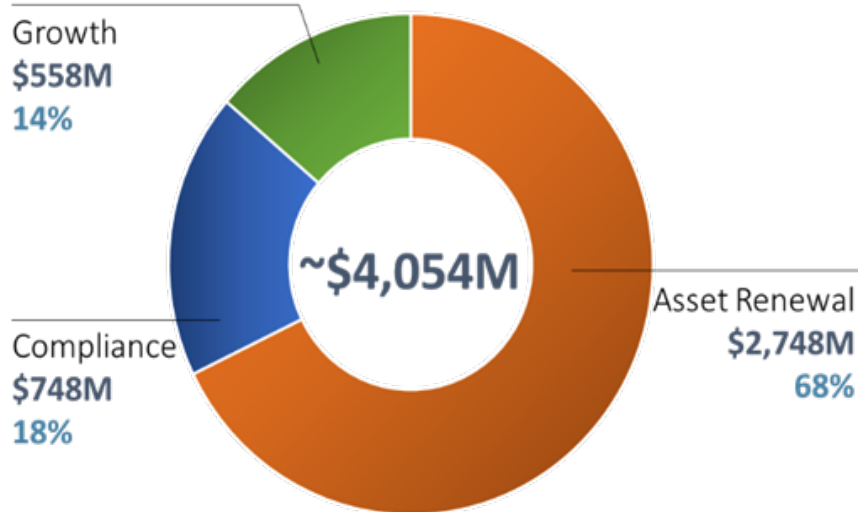
The Path to Sustainability

- 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.

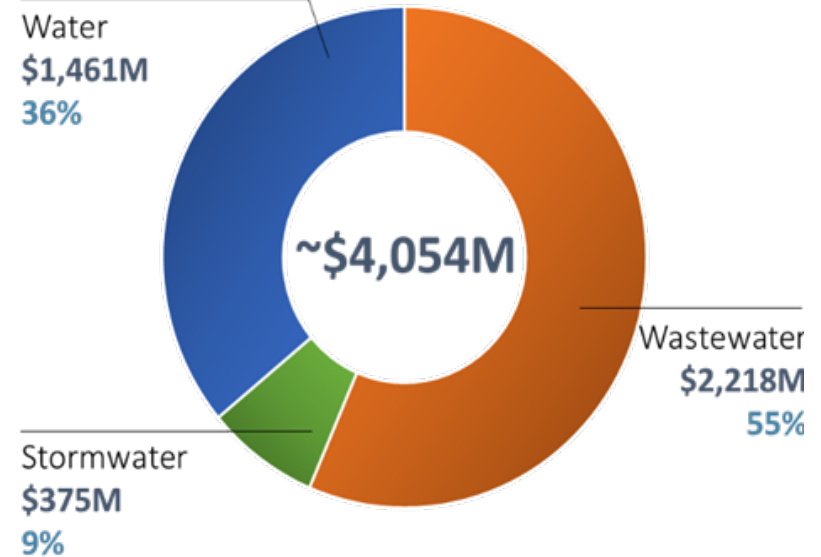


Recommended IRP Expenditures by Driver over 30 Years

Drivers



Systems

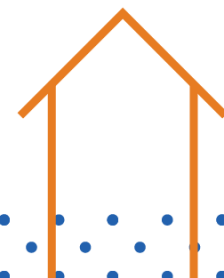


Halifax Water 2021/22 Capital Budget

2021/2022 Capital Budget by Asset Class All Divisions



Total:
\$126,209,000



Halifax Water 2021/22 Capital Budget

Asset Category

Water - \$36,540,000

Major projects:

- WSEP – JD Kline and Lake Major Clarifier Design
- Cobequid Road Transmission Main Looping – Windgate Drive Extension
- Water Distribution – Main Renewal Program
- Lead Service Line Replacement Program
- Cowie Hill Reservoir - Replacement
- HRM Cogswell Redevelopment – Water Transmission Main Relocation



Halifax Water 2021/22 Capital Budget

Asset Category

Wastewater - \$76,855,500

Major Projects:

- Fairview Cove Trunk Sewer – Tunnel Construction
- Wastewater System – Trenchless Rehabilitation Program
- Integrated Wastewater Collection Projects
- Albro Lake Watershed Separation
- Morris Lake and Russell Lake Forcemains – Rehabilitation
- Pumping Station Rehabilitations
- Punch Bowl Pumping Station Elimination
- Halifax WWTF – Fine Screen Replacements and Clarifier Upgrades
- HRM Cogswell Redevelopment – Wastewater Sewer Relocation
- Biosolids Processing Facility – Preliminary Design



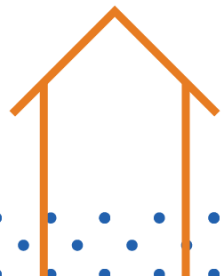
Halifax Water 2021/22 Capital Budget

Asset Category

Stormwater - \$12,813,500

Major Projects:

- Integrated Stormwater Collection Projects
- Driveway and Cross Culvert Renewal Program
- Ellenvale Run Retaining Wall System Replacement – Phase 5
- HRM Cogswell Redevelopment – Storm Sewer Relocation



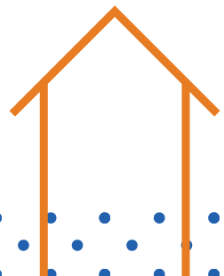
Halifax Water 2021/22 Capital Budget

Asset Category

Corporate Projects - \$24,355,000

Project Highlights:

- IT Strategic Plan Implementation Year 4
 - Enterprise Resource Planning Solution
 - Cybersecurity Program
- Corporate Flow Monitoring Program
- Detailed Design of Burnside Operations Facility
- Fleet Upgrade Program



Questions or
Comments?



Year End Results 2020-21

Annual General Meeting

July 15, 2021



Year End Results 2020-21: Highlights

- Clean audit opinion
- Loss of \$(0.9)M based on International Financial Reporting Standards (IFRS) accounting and loss of \$(9.9)M based on NSUARB Water Utility Accounting and Reporting Handbook (Handbook).
 - Financial Statements and notes are based on IFRS.
 - Schedules A to E of audited statements are based on NSUARB Handbook which is used for rate setting.
 - No major changes to financial statements or reporting this year.



Statement of Financial Position – Assets

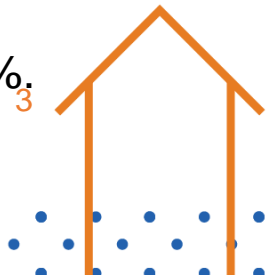
March 31 (in thousands)	2021	2020	From Prior Year	
			\$ Change	% Change
Total current assets	\$ 89,913	\$ 92,131	\$ (2,218)	-2.4%
Total non-current assets	1,334,399	1,320,877	13,522	1.0%
Total assets and regulatory deferral account	\$ 1,424,312	\$ 1,413,008	\$ 11,304	0.8%

- Current assets decreased by \$2.2M, lower earnings, debenture delay, and Stormwater bills sent later than prior year.
- Non-current assets increased by \$13.5M:
 - Capital work in progress increased \$12.8M due to expenditures of \$60.4M offset by transfers to utility plant in service and intangibles.
 - \$51.2M transferred to utility plant in service and intangibles offset by depreciation and amortization expense. Larger assets capitalized were: Port Wallace Transmission Main \$5.9M, Land \$4.8M, Inflow/Infiltration Reduction Projects \$2.3M, Corporate Flow Monitoring Program \$1.8M, and Bennery Access Road Upgrade \$1.5M.

Statement of Financial Position – Liabilities and Equity

March 31 (in thousands)	2021	2020	From Prior Year	
			\$ Change	% Change
Total current liabilities	\$ 58,716	\$ 67,524	\$ (8,808)	(13.0%)
Total long term liabilities	1,161,818	1,140,787	21,031	1.8%
Total liabilities	1,220,534	1,208,311	12,223	1.0%
Total equity	203,778	204,697	(919)	(0.4%)
Total liabilities and equity	\$ 1,424,312	\$ 1,413,008	\$ 11,304	0.8%

- Current liabilities decreased by \$8.8M due to reduced capital spend.
- Long term liabilities increased by \$21.0M:
 - Deferred contributed capital increased \$4.5M due to contributed asset additions, collection of Regional Development Charges (RDC) and interest earned, offset by amortization.
 - Long term debt increased \$5.5M (new debt \$25.0M; repayments \$19.5M).
 - The employee benefit obligation increased \$10.4M as FMV assets increased and the discount rate used to measure the obligation decreased.
- Debt service ratio in 20.29% below the HRM debt guarantee ratio of 35%.



Summarized Comprehensive Earnings

Summarized Comprehensive Earnings					
	2020/21 '000	2019/20 '000	\$ Change	% Change	
Operating revenues	\$ 136,569	\$ 137,750	\$ (1,181)	(0.9%)	
Operating expenditures	141,973	139,040	2,933	2.1%	
Loss from operations before financial and other revenues and expenditures	(5,404)	(1,290)	(4,114)	318.9%	
Financial and other revenues	19,773	20,236	(463)	(2.3%)	
Financial and other expenditures	11,867	12,611	(744)	(5.9%)	
Earnings for the year before regulatory deferral account depreciation	2,502	6,335	(3,833)	(60.5%)	
Regulatory deferral account depreciation	(192)	(192)	-	0.0%	
Earnings for the year	2,310	6,143	(3,833)	(62.4%)	
Other comprehensive (loss) earnings	(3,229)	14,756	(17,985)	(121.9%)	
Total comprehensive (loss) earnings for the year	\$ (919)	\$ 20,899	\$ (21,818)	(104.4%)	

- Consumption is down 1.85% on a volumetric basis (\$1.5M), stormwater revenue decreased \$0.2M and fire protection revenue increased \$0.4M.
- Wage rate increases and 3 net new positions, increased chemical costs, lower 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 a loss of \$3.2M.

IFRS vs NSUARB Net Income - Reconciliation

Reconcile IFRS to NSUARB			
	2020/21		2019/20
	'000		'000
IFRS comprehensive (loss) earnings	\$ (919)	\$	20,899
Add non-cash pension expense	7,086		8,382
Subtract debt principal payments	(20,379)		(18,719)
Add depreciation expense on contributed assets	18,810		19,025
Subtract amortization of contributed capital	(18,810)		(19,025)
Add various depreciation adjustments	1,100		2,634
Add (subtract) OCI loss (gain)	3,229		(14,756)
NSUARB loss	\$ (9,883)	\$	(1,560)

- 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.

NSUARB Handbook Results

Summarized Statement of Earnings						
	Budget 2020/21 '000	Actual 2020/21 '000	Actual 2019/20 '000	2020/21 Budget/Actual \$ Variance	2020/21 Budget/Actual % Variance	
Operating revenues	\$ 138,615	\$ 136,569	\$ 137,750	\$ (2,046)	(1.5%)	
Operating expenditures	118,111	113,689	109,326	(4,422)	(3.7%)	
Earnings from operations	20,504	22,880	28,424	2,376	11.6%	
Financial and other revenues	620	963	1,211	343	55.3%	
Financial and other expenditures	37,077	33,726	31,195	(3,351)	(9.0%)	
Loss for the year	\$ (15,953)	\$ (9,883)	\$ (1,560)	\$ 6,070	(38.0%)	

- Revenues are consistent with IFRS.
- Operating expenditures lower by \$4.4M due to lower training, deferral of new positions and lower consulting costs.
- Financial and other revenues increased due to higher interest earned.
- Financial and other expenditures were lower due to delays in issue of long term debt.

NSUARB Handbook Results

Operating Results by Service					
	Budget 2020/21 '000	Actual 2020/21 '000	Actual 2019/20 '000	2020/21 Budget/Actual \$ Variance	2020/21 Budget/Actual % Variance
Water	\$ (4,275)	\$ 495	\$ 5,205	\$ 4,770	(111.58%)
Wastewater	(7,845)	(7,958)	(5,035)	(113)	1.44%
Stormwater	(3,833)	(2,420)	(1,730)	1,413	(36.86%)
Loss	\$ (15,953)	\$ (9,883)	\$ (1,560)	\$ 6,070	(38.05%)

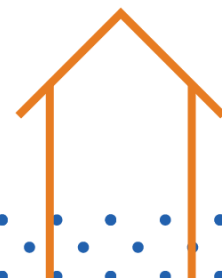
Operating Results by Activity					
	Budget 2020/21 '000	Actual 2020/21 '000	Actual 2019/20 '000	2020/21 Budget/Actual \$ Variance	2020/21 Budget/Actual % Variance
Regulated activities	\$ (16,259)	\$ (10,710)	\$ (2,260)	\$ 5,549	(34.13%)
Unregulated activities	306	827	700	521	170.26%
Loss	\$ (15,953)	\$ (9,883)	\$ (1,560)	\$ 6,070	(38.05%)

- Water services earnings of \$0.5M was \$4.7M more than budget due to lower operating expenditures and debt payments.
- Wastewater services loss of \$8.0M was \$0.1M more than budget \$4.5M due to lower revenues offset by lower operating expenditures and debt payments.
- Stormwater services loss of \$2.4M was \$1.4M less than budget due to lower operating expenditures and debt payments.
- Unregulated activities due to lower costs to treat septage and airline effluent.

Challenges – 2021/22 and beyond

- Review of the manual used to allocate cost and Rate Design
- Improve the predictive capabilities for revenues using AMI data
- Managing operating costs for 2021/22 and identifying savings where possible
- Managing accounts receivable to improve collections
- Improving capital spend
- Developing the budget for 2022/23 with a go forward funding strategy that is able to smooth future rate increases
- Impact of decisions on Stormwater service expansion

Questions?



Thank you

