

CITY OF MOOSE JAW

TO: MEMBERS OF THE EXECUTIVE COMMITTEE

Mayor Tolmie
Councillor Froese
Councillor McMann
Councillor Mitchell

Councillor Swanson
Councillor Warren, Chairperson
Councillor Luhning

Please be advised that Chairperson, Councillor Warren, has called an **Executive Committee** meeting on **Monday, June 19, 2017** at 6:30 p.m., in the Scoop Lewry Room, 2nd Floor, City Hall, in order to deal with the following:

AGENDA

1. Report dated June 8, 2017 from the City Manager, **re: Buffalo Pound Water Treatment Corporation – Request for Funding – Electrical Upgrade Capital Project.**
2. Report dated June 19, 2017 from the Engineering Department, **re: Funding for Traffic Signal Improvements.**
3. Report dated June 9, 2017 from the Planning and Development Services Department, **re: Confidential Land Matter.**
4. Report dated June 7, 2017 from the Planning and Development Services Department, **re: Confidential Land Matter.**
5. Report dated June 14, 2017 from the City Clerk/Solicitor's Department, **re: Confidential Legal Opinion.**

*The Next Standing Committee Meeting is scheduled for
Monday, July 10, 2017 (Provided there are items to consider)*

CITY OF MOOSE JAW

June 8, 2017

TO: Executive Committee

FROM: City Manager

**SUBJECT: Buffalo Pound Water Treatment Corporation
– Request for Funding – Electrical Upgrade Capital Project**

PURPOSE:

The purpose of this report is to provide City Council with information on a request from Buffalo Pound Water Treatment Corporation (BPWTC) for authority to borrow money for the purpose of funding the Electrical Upgrade Capital Project (EUCP).

BACKGROUND:

BPWTC is a municipal corporation with the City of Regina and the City of Moose Jaw as its sole voting members. BPWTC is required by the Unanimous Membership Agreement (UMA), to obtain the approval of both Cities for both the EUCP and the borrowing of funds to proceed with the EUCP. Clauses 5.2 (f) and (z) and section 5.3 of the UMA state:

5.2 *Matters for City Approval.* The Corporation shall not take any of the following actions without the prior approval of each of the Cities:

- (f) the borrowing of money or the issuing any debt obligation or amending, varying or altering the terms of any existing debt obligation;
- (z) any transaction or series of related transactions that are outside of the normal course of business of the Corporation and involve an expenditure of an amount exceeding \$1,000,000, plus the Escalation Factor, unless such transaction or series of related transaction have been approved in the annual budget for such fiscal year.

5.3 *Decisions of City.* Where approval of the Cities is required pursuant to section 5.2 of this Agreement, the chairperson of the Board of Directors shall make a written request to each of the Regina Council and Moose Jaw Council which includes all information necessary for the Cities to make an informed decision. All requests pursuant to this section 5.3 shall include all supporting information and shall be provided to the City Manager, or delegate of each of the Cities, who shall bring the matter forward to Regina Council and Moose Jaw Council, respectively, for consideration.

In accordance with sections 5.2 and 5.3 of the UMA, the BPWTC Board of Directors have submitted the document noted in the attachments section, which requests approval of the EUCP and describes the general plan for borrowing the financing necessary to proceed with the EUCP. Under the UMA, a further BPWTC report will be provided to both Cities for formal approval of the borrowing once the details of the financing are known.

The reason for the EUCP is the Plant has aging electrical infrastructure that is reaching the end of life phase. Recent electrical failures have raised the issues and potential impacts of the Cities' dependency on the Plant. The Plant being off line for an extended period of time can result in the Cities running out of water. Therefore it is recommended BPWTC be authorized to accelerate the EUCP.

Addressing this issue now will require BPWTC to incur approximately \$50 million of expenditures over years 2017 to 2019. Since BPWTC does not have this amount of cash on hand, financing is required for up to \$45 million by quarter 3 of 2017.

DISCUSSION:

In accordance with section 5.2(z) of the UMA, this report requests approval from City Council for the acceleration of the EUCP as this is a change from the 2017 BPTWC budget. Administration recommends this approval be granted to respond to the risk of plant failure.

This report authorizes BPWTC to negotiate financing of up to \$45 million. Providing this approval to negotiate is preferred so that lenders are aware that BPTWC has the authority to negotiate. The final authority for approval of the financing rests with Councils of the Cities and the passage of the necessary bylaws. While any arrangements negotiated by BPWTC will be subject to approval of City Councils through the passage of a bylaw, it is important for City Council to realize that once direction is given to BPWTC to negotiate financing, if City Council does not pass the necessary bylaw, there may be some negative impact on the City's reputation and/or BPTWC's ability to borrow externally in the future. Once the financing option is chosen another report, that provides details of the financing, will be presented to City Council for approval. If the financing is not approved, the EUCP will be completed on the current schedule of 2019, which could put the Cities at risk of other failures at the Plant in the meantime. As such, Administration recommends this approval be granted.

BPWTC is in the process of establishing their infrastructure to manage the business. Therefore the two owners, which are the Cities, will support as needed.

It is expected that the lender will require a guarantee of the debt from both Cities. It is expected that Moose Jaw City Council will be asked to approve a guarantee for its proportionate share of the borrowing, which is 26 per cent or \$11.7 million. Regina City Council will similarly be asked to approve a guarantee for its proportionate share, which would be 74 per cent or \$33.3 million.

The City of Moose Jaw's debt limit is \$95 million. At December 31, 2016 its debt balance was approximately \$27.8 million. If \$45 million is borrowed by BPWTC, the City would still have slightly more than \$55.5 million of debt room below the debt limit after recording its proportionate share (\$11.7 million) of the debt.

The City of Regina also needs to grant the same approvals as identified in this report for the transactions to move ahead. If the City of Regina does not approve, additional actions under the UMA would have to be undertaken for the transactions to be authorized and move ahead. The Regina Executive Committee considered this matter at their meeting of June 14, 2017. The Executive Committee approved comparable recommendations for ratification at their regular meeting of June 26, 2017.

SUMMARY:

The Buffalo Pound Water Treatment Plant (the Plant) has aging electrical infrastructure that is reaching the end of life phase. Therefore it is recommended that both the cities of Regina and Moose Jaw (the Cities) authorize BPWTC to accelerate the EUCP. More detail on this issue and BPWTC's business case is provided in Appendix A.

Addressing this issue now will require BPWTC to incur approximately \$50 million of expenditures over years 2017 to 2019 on the EUCP. Since BPWTC does not have this amount of cash on hand, financing is required for up to \$45 million by quarter 3 of 2017. The City of Moose Jaw would show debt on its financial statements at its 26 per cent proportionate ownership share or \$11.7 million.

This report recommends BPWTC be authorized to proceed with the EUCP and to initiate the process to negotiate financing of up to \$45 million. City Council providing this approval to negotiate is preferred so that lenders know that BPTWC has the authority to negotiate. The final authority for approval of the financing rests with Councils of the Cities and the passage of the necessary bylaws. Once the financing option is chosen another report that provides details of the financing will be presented to City Council for approval.

It is also important to note that BPWTC indicates moving forward with the recommendations in this report will not cause an increase to the water rates that the Cities pay to BPWTC, other than water rate increases previously contemplated.

FINANCIAL IMPLICATIONS

If BPWTC borrows \$45 million, this will reduce the debt room under the debt limit for the City. At the City's 26 per cent proportionate share of the debt, which is \$11.7 million, there will be slightly more than \$55.5 million of room available within the credit limit.

It is also important to note that BPWTC indicates that moving forward with the recommendations in this report will not cause an increase to the water rates that the Cities pay to BPTWC, other than rate increases previously contemplated.

ATTACHMENTS:

1. Funding Request from Buffalo Pound Board of Directors

RECOMMENDATION:

THAT Executive Committee recommend that City Council approve the following:

1. That Buffalo Pound Water Treatment Corporation (BPWTC) be authorized to accelerate the Electrical Upgrade Capital Project (EUCP) as described in the report from BPWTC in Appendix A.
2. That BPWTC be authorized to initiate the process to negotiate financing, to a maximum of \$45 million, to address the financing requirements of the EUCP of the Buffalo Pound Water Treatment Plant.
3. That the City of Moose Jaw Administration be authorized to negotiate any guarantee that the City needs to provide related to the financing and assist BPWTC with arranging the financing as needed.
4. That a future report be provided to City Council providing the details of the financing and applicable borrowing bylaw and/or guarantee bylaw once the financing has been negotiated.

Respectfully submitted,

"Matt Noble"

Matt Noble, CPA, CMA
City Manager

MAYOR'S COMMENTS:

"Fraser Tolmie"
Mayor

**BUFFALO
POUND
WATER**
BOARD OF
DIRECTORS

THE PLANT:
306.694.1377
ADDRESS: 2476 VICTORIA AVE
PO BOX 1790, REGINA, SK S4P 3C8

▼
June 1, 2017

Mr. Ian Rea
Chief Financial Officer
CITY OF REGINA
PO Box 1790
Regina, SK
S4P 3C8

✓ Mr. Matt Noble
City Manager
CITY OF MOOSE JAW
228 Main Street N.
Moose Jaw, SK
S6H 3J8

Dear Sir:

Re: Request for Funding – Electrical Upgrade Capital Project

On May 31, 2017, the Buffalo Pound Water Treatment Corporation Board of Directors adopted a motion, in part, as follows:

“The Buffalo Pound Water Board of Directors request approval from the Cities of Moose Jaw and Regina, pursuant to Article 5.2 (f) and (z) of the Unanimous Membership Agreement, to negotiate financing (borrow) up to \$45 million in funding by the middle of Q3 2017 and provide the necessary guarantee based on their voting membership of the Corporation for the acceleration of the Electrical Upgrade Capital Project.”

The aging electrical infrastructure is reaching the end of life phase and has been well documented. Most recently, the three electrical failures in 2011 and another three in 2015 have raised the issues and potential impacts of the Cities dependency on the Plant. The Plant being off line for an extended period of time can result in the Cities running out of water.

The Board wants the risk mitigated as soon as possible in order to meet its mandate and reduce the likelihood and consequence of electrical failures in the future. The electrical work is a high priority for the Board and would have already been addressed but had been delayed due to changes to the corporate and governance structure as well as the lack of funds as the Corporation has not had the opportunity to increase its reserves to the required levels since its incorporation in 2016.

Scope of Work

The scope of work for the accelerated Electrical Upgrade Capital Project (the "Project") contains the following components placed in three tender packages:

- Tender Package #1 is ready to be issued as soon as approvals have been provided
 - Main Plant Redundant Power Supply (Generators, Civil Works, Electrical Work)
- Tender Package #2 will be ready to tender in Fall 2017
 - Lake Pump Station Transmission Line Replacement
- Tender Package #3 will be ready to tender in Late Summer 2017
 - Lake Pump Station Power Supply (Generators, Civil Works, Electrical Work & Substation)
 - Lake Pump Station Pumping Upgrades

The details of the scope of work are attached as information. In general, all work that has been included in the Project, once completed, will mitigate all of the known electrical risks, provide for necessary redundancy and upgrade the electrical infrastructure for at least the next 25 years.

Schedule

The majority of the Project contained in the 2017-2026 Capital Plan is to commence construction in 2019. However, it will be accelerated in order to proceed in 2017 with the approval of funding.

The Cities will have to approve the acceleration of the Project pursuant to Article 5.2 (z) of the Unanimous Membership Agreement as this is a change from the 2017 Capital Budget.

Funding Shortfall

In order to accelerate the Project, a significant injection of funds is required.

The Corporation requires an injection of up to \$45 million in order to accelerate the Project by the middle of Q3 in 2017 to cover the tender costs and principle and interest payments over the construction time period.

The predesign/pre-tender estimates for the work are approximately \$40.5 million. Once all the tender packages have closed, the exact amount will be known.

The Cities will have to authorize the Corporation to negotiate financing as per Article 5.2 (f) of the Unanimous Membership Agreement.

The Cities will also be required to provide the necessary guarantee based on their voting membership of the Corporation as the Corporation currently does not own any assets.

Financial Impact to the Cities

A review was done to determine if it would be possible for the Corporation to proceed on an accelerated basis without additional costs to the Cities from what was originally proposed in the 2014 ProForma, and it is possible. There is actually a slight decrease in the overall costs to the Cities due to lower interest rates and a reduction in the water sales forecast but the Capital Water Rates that were contemplated in 2014 will be maintained.

In order to reduce the impact to the Cities and minimize the funds required, the Corporation will utilize approximately \$1.7 million from its reserves early in the project. The Capital Water Rates, which are in line with the 2014 ProForma, will ensure there is funding available to make the principle and interest payments once debt has been incurred and construction has been completed.

The Project will not have a significant impact on the current business case being developed for the strategic long term future of the Plant, or its recommendations, as most of the work would be required in either a major rehabilitation or replacement scenario. The estimated amount of work that could be abortive is less than \$100,000.

Next Steps

- Assuming both Cities have approved the request, the City of Regina will assist the Corporation to negotiate financing with financial institutions starting in late June. The Corporation will pay for the City of Regina's services as the Corporation does not have the capacity nor the experience with respect to negotiating large loans.
- The Board will do its due diligence and approve the contract, in principle, by the end of July. It will then be sent to the Cities for approval.
- The Cities will have the necessary details required to develop and approve their respective Borrowing Bylaws by the end of August.

In view of the foregoing, the Board respectfully requests that the City Administrations for the Cities of Regina and Moose Jaw present the request for funding to their respective City Councils at the earliest Council meeting possible.

The Board looks forward to your favorable response at your earliest convenience. In the interim, please do not hesitate to contact the undersigned or Mr. Johnson if you have any questions or concerns respecting this matter.

Yours truly,

A handwritten signature in black ink that reads "Chuck McDonald". The signature is written in a cursive, flowing style.

Chuck McDonald
Chairman
Buffalo Pound Water Board of Directors
RJ/lw
Encl.

c. Mr. Ryan Johnson, General Manager, Buffalo Pound Water

CITY OF MOOSE JAW

DATE: June 19, 2017
TO: Executive Committee
FROM: Engineering Services
SUBJECT: Funding for Traffic Signal Improvements

PURPOSE:

The purpose of this report is to request approval to use the Automated Speed Enforcement (ASE) reserve for traffic signal improvements that will improve reliability and safety.

DISCUSSION:

The Engineering Department has recently completed several traffic signal upgrade projects in order to upgrade the system to modern standards. There have been marked improvements to the reliability and functionality of traffic signals; however, there is still much more that needs to be done. The funds requested will be used to improve reliability of the signalized intersections, improve and ensure safety for all road users, and improve functionality of signalized intersections. The equipment purchased and repairs performed will improve the reliability of the traffic signals in the interim and will reduce the costs of the eventual capital replacement.

A portion of the ASE funds are proposed for the following:

- Replace controller at 9th Avenue NW and Saskatchewan Street West
- Replace controller at 9th Avenue NW and High Street West
- Replace controller at 9th Avenue NW and Lillooet Street West
- Replace controller at Thatcher Street East and Super Store
- Install battery backup system for Main Street North and Thatcher Drive to keep lights operating if the power fails.
- Replace traffic signal wiring at Main Street North and Caribou Street
- Replace traffic signal wiring at Main Street North and Town and Country Drive
- Replace traffic signal wiring at 9th Avenue SW and Coteau Street

Significant work has been completed in the past three years on replacing the electronic traffic controllers; however, some old units are still in service. These old controllers can unexpectedly fail creating safety and can be difficult to change their settings and timing. New controllers will increase the reliability of even the old traffic signals. Ultimately, they will allow for optimization of the traffic signal timing, resulting in safer and more efficient travel for road users. The controllers are compatible with existing cabinets as well as the new cabinets. This means that they will also be compatible with the new traffic signal equipment when funding is available for traffic signal replacement that includes wiring, poles, and pole foundations.

Capital replacement of the signal lights at the following intersections is currently included in Capital Project TR3 – Traffic Control:

- Main Street North and High Street
- Main Street North and Manitoba Street
- First Avenue NW and Athabasca Street
- Thatcher Drive and 9th Avenue NW

The intersection of Main Street North and Thatcher Drive is the busiest intersection in the City. This light is very important to keep the large volume of traffic safely moving. The installation of a battery backup system would ensure that this light has three hours of operation in the event of a power failure.

Underground traffic signal wiring replacement makes this traffic signal more reliable allows them to handle improvements such as detection and makes synchronization easier.

Traffic signal lights are important for the safe movement of traffic. Frequent failures are a safety concern. This investment will improve the reliability.

FUNDING:

The total estimated cost of \$330,000 for this work will be funded through revenues generated from AES program.

RECOMMENDATION:

THAT City Council approve the Funding for Traffic Signal Improvements; and

THAT City Administration be authorized to transfer \$330,000 from the Automated Speed Enforcement (ASE) Reserve to TR-3 Traffic Control; and further

THAT City Administration be authorized to carry out the traffic signal improvements as presented.

Respectfully submitted,

“Colin Prang”
Colin Prang, M.Sc., P.Eng.
Manager of Engineering Services
CP/HR/bh

“Josh Mickleborough”
Josh Mickleborough, P. Eng.
Director of Engineering Services

CITY MANAGER’S COMMENTS:

“Matt Noble”
City Manager