



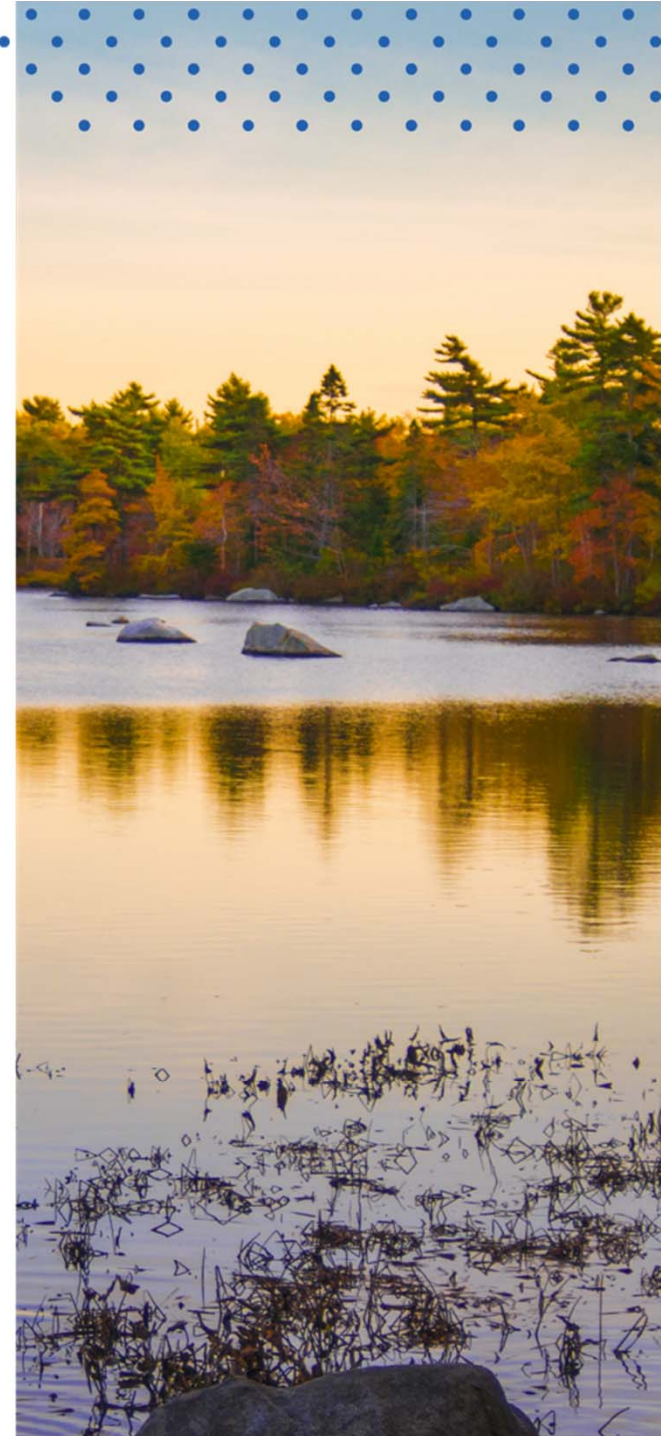
2017/18 Annual Report Overview

Presentation to Halifax Regional Council

“RENEWAL”

Carl Yates, General Manager

**STRAIGHT from
the SOURCE**



Halifax Water Board

Commissioner Ray Ritcey, Chair

Commissioner Russell Walker, Vice Chair

Commissioner Lorelei Nicoll

Commissioner Lisa Blackburn

Commissioner Steve Streach

Commissioner Darlene Fenton

Commissioner Craig MacMullin

Commissioner Jacques Dubé



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 to NSUARB to permit financial incentive for private service laterals and establish 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





Sullivan's Pond Storm Sewer Replacement Project

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the SOURCE**





Northwest Arm Sewer Rehabilitation Project

**STRAIGHT from
the SOURCE**



Strategic Priorities for 2017/18: A Year in Review

- Complete replacement of cast iron pipes from Chain Lake to Quinpool Road [circa 1856, 1862 and 1892]
 - ✓ Construction completed by November/17
- Replace transmission main along #102 Highway from Hammonds Plains Road to Bedford reservoir
 - ✓ Construction completed by October/17
- Construct new dam at Lake Major
 - ✓ Contractor selected, however, 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.





Lake Major Dam Replacement Project

**STRAIGHT from
the SOURCE**



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 Advanced Metering Infrastructure [Customer Connect] project; complete pilot in Tucker Lake, Beaverbank 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 other areas; 30,000 meters installed by end of September/18.

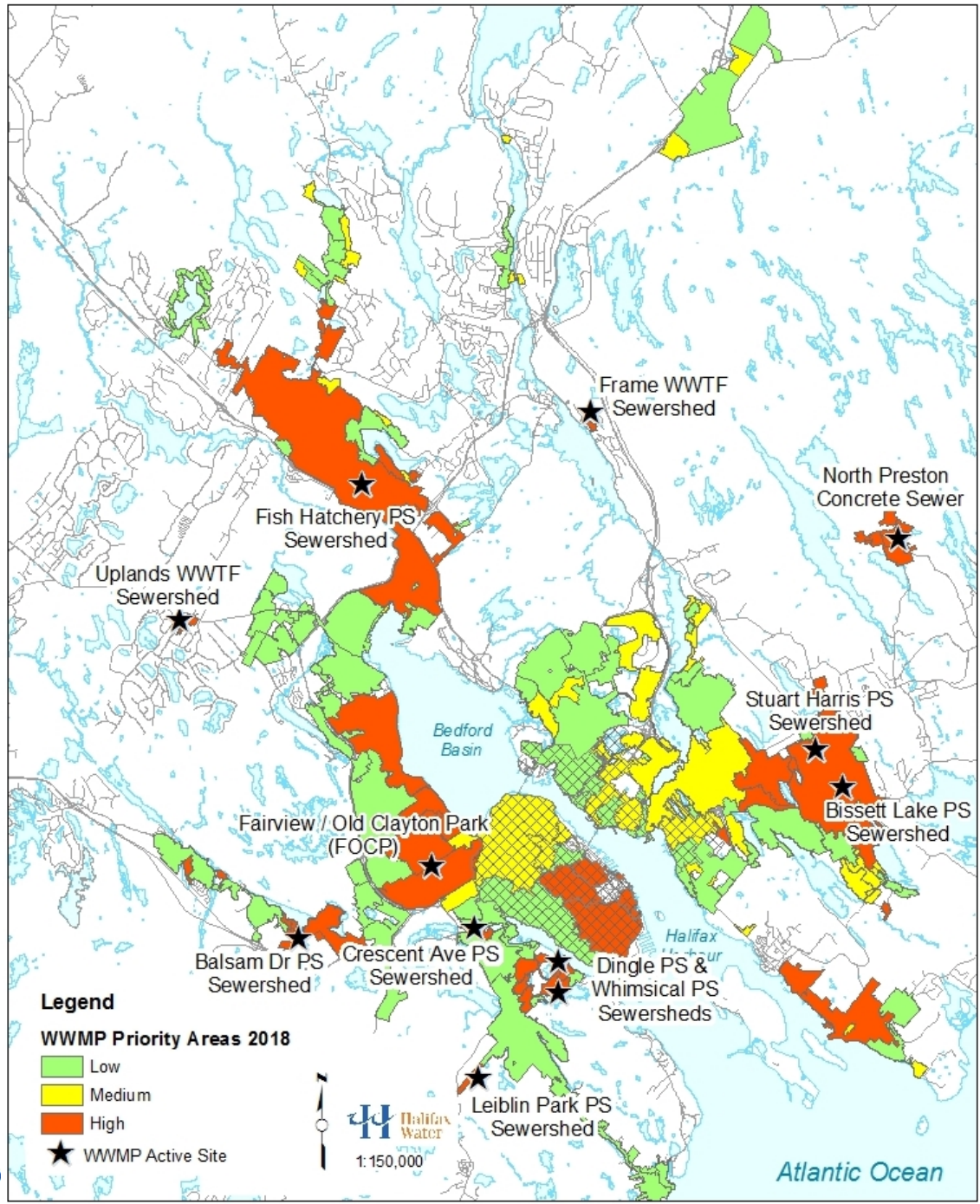


Strategic Priorities for 2017/18: A Year in Review

- 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 Right Of Way charge on the utility bill, pursuant to request 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 [200 litres /second for Clayton Park/Fairview to facilitate growth].



Priority Map Wet Weather Management Program



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 to be complete by December/18.
- 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.



Year End Financial 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)



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, and Lake Major Dam.
- 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 current 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 million 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 Million under budget
- Depreciation \$1.3 Million under budget
- Debt servicing costs \$4.7 Million 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



Summary

- The financial position continues to be strong and the Cumulative Operating Surplus of \$20.5 M can facilitate 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. Capital Expenditures drive cash flow, debt requirements, and depreciation. Additionally, there are some large projects carried forward (AMI, Aerotech WWTF, J.D. Kline Water Supply Plant, Lake Major Dam)



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



**STRAIGHT from
the SOURCE**

