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## Item No. 2

Halifax Regional Council  
August 23, 2022

**TO:** Mayor Savage and Members of Halifax Regional Council

**SUBMITTED BY:** Colleen Rollings  
Digitally signed by Colleen Rollings  
Date: 2022.07.08 21:29:45 -03'00'

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Colleen Rollings, P.Eng., PMP - Chair, Halifax Water Board

**DATE:** August 23, 2022

**SUBJECT:** Halifax Regional Water Commission Accountability Report

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### INFORMATION REPORT

#### ORIGIN

Annual reporting requirement.

#### LEGISLATIVE AUTHORITY

Section 17(1), of the Administrative Order, as approved by HRM Council on March 20, 2018.

#### BACKGROUND

In conjunction with the Administrative Order approved by Council on March 20, 2018, the Halifax Regional Water Commission is to prepare an Annual Accountability Report and submit financial statements within three months of the end of the fiscal year. The Accountability Report is to include:

- a) an Accountability Statement.
- b) a message from the Board Chair and the General Manager.
- c) actions taken by the Commission on Strategic objectives through the prior fiscal year, and
- d) Corporate Balanced Scorecard results for the fiscal year showing the Commission's performance and the metrics used to measure such performance, any new or changed measures used to measure performance in the upcoming fiscal year.

## DISCUSSION

### Accountability Statement

Halifax Water continues to meet all its obligations under the *Halifax Regional Water Commission Act* (HRWC Act) and the *Public Utilities Act*. In addition to Legislation obligations, the utility is also in compliance with all its operating permits for its water and wastewater systems for the fiscal year ending March 31, 2022.

Achieving compliance in water and wastewater systems, year after year requires the continued dedication and perseverance of our staff. Challenges with respect to source water quality are increasing, and last year Halifax Water initiated a Water Supply Enhancement Program (WSEP) that will see the utility spend \$230 million over a ten-year period to enhance and upgrade aging assets and dated treatment processes at the Lake Major Treatment Plant in Dartmouth, and the J.D. Kline Treatment Plant in Pockwock. This program will mitigate risk and provide more resilience which will enable the utility to continue to respond to changing source water quality. In 2021/22 as part of the WSEP program, Halifax Water replaced two of the clarifiers at the Lake Major Treatment Plant – a very significant undertaking that was successfully carried out with minimal impact on customers.

With respect to wastewater systems, achieving compliance is an on-going challenge balancing the influences of weather, efficiency of equipment, and customer compliance with Halifax Water Rules and Regulations. We achieved 96% sample compliance with Nova Scotia Environment and Climate Change (NSECC) requirements at our wastewater treatment facilities, an improvement compared to 93% the prior year. Halifax Water continued to support COVID-19 related wastewater research with Dalhousie University; in addition to on-going wastewater research on optimization of the treatment processes at the Harbour Solutions Plants, and mitigation of contaminants of emerging concern.

In February, Halifax Water filed a two-year rate application with the Nova Scotia Utility and Review Board (NSUARB) for increases in water, wastewater, and stormwater rates, based on business plans and budgets approved by the Halifax Water Board in January 2022.

Halifax Water's current rates are not sufficient to cover the annual cost of providing the service or fund continuing investment in infrastructure. A rate application was filed to help prevent further deterioration in the financial health of the utility and to protect our on-going ability to serve customers.

Unfortunately, the conflict in the Ukraine and on-going supply chain issues that started during the global COVID-19 pandemic have caused further cost pressures for Halifax and exacerbated the need to increase rates.

Pending approval, this will be the first increase in water rates since 2016, and the first increase in stormwater rates since 2017. Wastewater rates were adjusted as part of the rate application filed in 2020. Halifax Water is a municipal utility that operates on a break-even basis, and there is no component of profit built into the rates.

The net operating loss for 2021/22 is \$6.4 million under the Nova Scotia Utility and Review Board (NSUARB) Accounting Handbook, compared to a net loss of \$10.6 million in the prior year. Financial performance during 2021/22 was better than expected however, as the loss of \$6.4 million is better than the budgeted operating loss of \$11.6 million on a NSUARB Handbook basis, or the prior year result. The attached report to the Halifax Water Board on year end financial results explains the financial results in more detail on both an International Financial Reporting Standards (IFRS) basis and NSUARB basis.

Operating Revenues of \$150.5 million were consistent with the budget for 2021/22, and were \$13.9 million greater than prior year, primarily because consumption is returning to normal levels as COVID-19 public health restrictions eased and the volumetric charge for wastewater discharge increased on April 1, 2021. There were no changes in water or stormwater rates in 2021/22. Total expenses of \$157.7 million are \$9.6 million higher than prior year but were \$5.1 million less than budgeted. Halifax Water's long-term debt was

\$224.2 million at March 31, 2022; \$0.5 million less than the previous fiscal year. The debt service ratio for combined water, wastewater, and stormwater services was 18.98% for 2021/22, well below the approved benchmark of 35.0% and slightly less than prior year.

Plant in Service assets, net of Accumulated Depreciation, totals \$1.3 billion. Numerous capital projects were completed during the year, totalling \$48.9 million including projects such as the Wastewater System Trenchless Rehabilitation Program (\$4.9 million), Romans and Federal Avenues Sewer Separation (\$2.9 million), the Ellenvale Run Retaining Wall Phases 4 & 5 (\$4.4 million), and Pump Station Control Panel and Electrical Replacements (\$1.7 million). As of March 31, 2022, there was also \$51.0 million dollars of capital assets under construction compared to the \$31.0 million that was in progress at that time last year. Capital expenditures were less than planned in 2021/22. Increasing the organizational capacity to deliver an increasing capital program is an on-going challenge that Halifax Water is working on.

In addition to meeting obligations under the *HRWC Act* and the *Public Utilities Act*, Halifax Water is focused on maintaining a high level of employee and customer satisfaction. The overall rating in the 2021 Employee Survey was a B+, consistent with last year. The overall rating in the 2021 Customer Survey was 96% of customers being very or somewhat satisfied; consistent with prior year. Customer satisfaction about water quality increased to 89%, compared to 84% last year. Halifax Water is pleased to have maintained consistent employee and customer satisfaction when service delivery, customers, and employees continued to be affected by the impact of COVID-19.

### **Message from the Board Chair and General Manager**

The 2021/22 fiscal year marked the first year of delivering services under a new organization structure to support the vision of “One Team – One Water”. On April 1, 2021, Halifax Water implemented a new organization structure that created one operations department and aligned all information services and technology groups in one department. The intent was to increase focus on integrated planning and implementation to managing the full water cycle on behalf of our customers and the environment. One Water is a best practice approach adopted by Water Environment Federation, AWWA, and several other industry leading organizations. One Water is also an integrated planning and implementation approach to managing finite water resources for long-term resilience and reliability, meeting both community and ecosystem needs. One Water looks at the full water cycle in all its forms: drinking water, wastewater, rainwater, surface water, and groundwater.

We are also committed to creating more opportunities to help develop our employees and future leaders, breaking down some of the traditional “silos” in the organization, standardizing as many business processes as possible, using our resources more effectively, and operating with greater efficiency. To accomplish this, some organizational structure changes were required.

The year saw some changes at the Halifax Water Board, including the addition of two new members of the public, due to the expiry of terms for some existing Board members. Halifax Water ensured that new Board members were oriented to Halifax Water governance, services, and operational service delivery. The Halifax Water Board and Executive Team demonstrate gender balance and diversity, and Halifax Water is committed to building an increasingly diverse organization that is representative of the customers served.

Halifax Water works hard to balance competing interests such as the need to maintain and upgrade critical infrastructure, meet environmental requirements, and prudently plan for capacity to support further growth, while maintaining high-quality services that are affordable for customers. To ensure the on-going financial sustainability of the utility, ensure costs are allocated equitably between different customers groups and generations of customers, it is necessary to periodically adjust rates and charges.

As an essential service provider last year Halifax Water’s focus was on safely maintaining services, employment, and capital work. Halifax Water employs approximately 550 employees, and the \$126.2 million dollar capital budget and \$162.8 million operating budget in 2021/22 provided significant local economic benefit that in turn benefits Halifax Water customers.

Water, wastewater, and stormwater services are vital to the residents and businesses of our region. With investments now and into the future, we will all benefit from the infrastructure that helps provide the economic and environmental backbone for current and future generations.

### **Strategic Objectives**

The following outlines the strategic priorities for 2021/22 and a status update on their progress:

#### **Operations – Water Services:**

- Complete Water Quality Master Plan Version 4
  - 🟡 Halifax Water has chosen to take a broader perspective on Water Quality Master Planning through transitioning to a Water Safety Plan. Work has commenced and this important goal carries forward.
- Secure approval for Water Supply Enhancement Program (WSEP)
  - ✓ Complete. The program was presented to the Halifax Water Board, incorporated in the business plan, annual and long-range capital budgets, and the first projects were initiated with the necessary approvals from the Halifax Water Board, NSECC and the NSUARB.
- Fully implement enhanced algal monitoring as a permanent program
  - ✓ Complete. This program is now fully operationalized.
- Launch and successfully implement year 1 of the new Lead Service Line (LSL) replacement program
  - ✓ Complete. Halifax Water's internal LSL goals in the first year of the new program of 150 private and 100 public LSLs, were exceeded with a total of 185 private and 105 public LSLs replaced
- Implement findings from the dam safety review
  - ✓ Complete. Halifax Water completed a plan to implement recommendations on a prioritized basis over five-years. and included the projects and funds within the capital budgets.
- Recommend next steps for Water Loss Control program
  - 🔴 This was not completed and carries forward as a departmental goal within Operations.

#### **Operations – Wastewater and Stormwater Services:**

- Complete Biosolids Facility upgrade plan and progress procurement for Capital and Operating contracts
  - ✓ Planning and procurement activities commenced, with an Expression of Interest (EOI), then Request for Qualifications (RFQ) process conducted to short list three proponents. This goal carries forward to 2022/23 as the Request for Proposals (RFP) to select the Design, Build, Operate and Maintain (DBOM) partner from the three pre-qualified proponents will be released by the end of summer.
- Continue to implement wastewater research program as per plan submitted to the National Sciences and Engineering Research Council (NSERC).
  - ✓ Year two of research activities completed, and outcomes reported to Halifax Water Board
- Consult stakeholders on the plan for Halifax Harbour Solutions Plant (HHSP) upgrades to meet 2040 compliance



- ✓ The terms of reference for a Wastewater Treatment Facility Planning Study were reviewed by NSUARB consultants and approved by the NSUARB, and an RFP was conducted to engage a consultant to complete the study. The consultant work is on-going.
- Complete Wet Weather Management projects and initiate any changes required to enable an effective private side I&I reduction program
  - ✓ Wet weather management capital rehabilitation projects were completed, a private-side pilot project was conducted on Hornes Road, and a Lateral Connection Grouting Pilot was conducted in Clayton Park.
- Communicate and implement actions from the odour strategy
  - ✓ Complete, and 2021/22 was a very good year with minimal odour complaints.

### Engineering & Technology Services:

- Optimize capital project delivery and improve percentage of annual capital budget spent
  - ⚠ The percentage of annual capital budget spent did not improve, but number and dollar value of capital work in progress increased compared to prior year with \$51.0 million in capital work in progress, and activities underway to add additional employees, change the organization structure and implement, and new capital project management information system (CPMIS), all with the objective of increasing capacity to deliver capital projects efficiently.
- Complete design and tender process for Burnside Depot construction
  - ✓ Preliminary design completed, procurement method selected, and RFP process using Integrated Project Delivery (IPD) will commence in July.
- HRM Cogswell Redevelopment infrastructure relocation
  - ⚠ Halifax Water's has dedicated staff resources to support this project. Cost sharing agreements need to be finalized and submitted to the NSUARB and this will occur in 2022/23.
- Promote the multi-year Water Supply Enhancement Program (WSEP) and implement year-1 Clarifier Design Phase.
  - ✓ The year-1 Clarifier Design Process was successfully implemented with minimal impact on customers.
- Develop a road map for data intelligent water and deliver key IT projects (Cyber Security and ERP)
  - ✓ Cyber security projects and ERP are underway, and a high-level road map for the intelligent water strategy was developed.
- Finalize levels of service for asset management (AM), and evaluation of AM Program
  - ✓ An evaluation of the AM Program was completed, and level of service work was paused to address some foundation asset management recommendations that came from the evaluation
- Monitor & report on Integrated Resource Plan progress
  - ✓ The NSUARB approved timelines for various reporting requirements, and a Long-Range Planning Committee and sub-committee structure was established to track IRP progress.

### Regulatory Services:

- Implement an annual Regional Development Charge stakeholder consultation process

- ✓ Consultant engaged, and process commenced including meeting with the Urban Development Institute (UDI), the Development Liaison Group, and a stakeholder meeting in May 2022.
- Phase corporate implementation of the Environmental Management System (EMS)
  - ✓ Phased implementation started and is on track.
- Maintain regulatory compliance and enhance reporting
  - ✓ Regulatory compliance was maintained in 2021/22.
- Launch new service account compliance program
  - ⊖ Program was scoped and discussion was initiated with Halifax Water Board Environment, Health and Safety Committee regarding how it could be delivered. This goal carries forward.
- Evaluate ISO45001 (safety) certification and complete a physical security audit
  - ⊖ Initiative paused and deferred to future years due to lack of internal capacity.
- Enhance the stormwater credit program and support stormwater billing
  - ✓ Stormwater processes were reviewed in advance of stormwater service expansion, and stormwater information available on Halifax Water's website was updated. Stormwater credits were processed but work remains to make the process more customer friendly.
- Develop a Climate Action Plan for Halifax Water that supports HalifACT 2050 and enhances coordination and reporting of climate change adaptation and mitigation initiatives
  - ⊖ A Climate Resiliency Committee was established, and an RFP process was initiated to engage a consultant to work with the Committee in developing the Climate Action Plan for Halifax Water. This goal carries forward into 2022/23.

#### Corporate Services:

- Analyze impervious area data, and apply to adjust rates for stormwater service
  - ✓ Application submitted to the NSUARB in February 2022.
- Integrate the Customer Connect portal and increase customer utilization
  - ✓ Halifax Water implemented leak alerts and notifications for both portal and non-portal customers and increased the number of customers signed up for the portal to 28%.
- Commence ERP design
  - ✓ Project is underway and is on budget, but slightly behind schedule.
- Update procurement policy and processes
  - ⊖ Implementation of improved procurement templates and contract language began in fourth quarter and carries forward into the 2022/23 fiscal year.
- Improve financial forecasting and reporting
  - ✓ Year-end operating results were within 4% of budget. Capital reporting continued to improve throughout the year.
- Update Cost of Service (COS) Manual and apply for NSUARB approval
  - ✓ The COS Manual was updated and submitted to the NSUARB as part of a General Rate Application in February 2022.

- Implement new bill design and monthly billing, and improve collection process
  - 🟡 Some improvements were made in the collection process. The implementation of monthly billing was deferred for cost containment reasons, and the implementation of a new bill design was deferred to 2022/23.

#### **Administration:**

- Obtain approval for regulations governing the Cogswell District Energy System
  - ✓ The Cogswell DES activities are underway, but behind schedule. The cost sharing agreement with the municipality on the DES components was finalized in March 2022, and NSUARB approvals are being sought for the capital expenditures and operation of the DES. The regulations and rates will not be established until construction is nearing completion.
- Update Service Level Agreement with HRM
  - 🟡 Halifax Water submitted a draft agreement to the municipality to initiate discussions in December 2022. This work carries forward to 2022/23.
- Roll out updated Code of Conduct to all employees
  - ✓ Complete, however discussions are on-going with the two union locals regarding the Code of Conduct, interpretation and how it applies.
- Roll out Risk Management Policy and update risk registers
  - ✓ Complete. Risk Management Policy was rolled out and updated corporate risk register was approved by the Halifax Water Board in June 2022.
- Engage next Dispute Resolution Officer for NSUARB approval, and plan transition
  - ✓ Complete. A new Dispute Resolution Officer started April 1, 2022, and the transition from the out-going DRO to the new DRO was seamless. NSUARB approval was not required, but the NSUARB was informed of the transition.
- Enhanced stormwater customer communication & education
  - ✓ Complete. Website updated, new story boards and education material developed, and a combination of virtual and in-person workshops were conducted.
- Complete unconscious bias training for managers and align Halifax Water with HRM culture & diversity initiatives
  - ✓ Complete. Unconscious bias training was completed for all managers and supervisors, as well as Indigenous Ally training A Diversity and Inclusion Framework establishing goals for the next three years was developed, and unconscious bias training will be expanded to all employees this year.

#### **Corporate Balance Scorecard**

Halifax Water has been utilizing a corporate Balanced Scorecard since 2001 and covers a broad range of critical success factors to support the utility's mission. Attached is a full overview of the Corporate Balanced Scorecard results for the 2021/22 fiscal year, as contained in a staff report to the June 23 Halifax Water Board meeting. The attachment also indicates the targets for the upcoming 2022/23 fiscal year.

#### **Alignment and Cooperation with the Municipality**

Halifax Water worked closely with the municipality on several initiatives this year including HalifACT 2050, the Cogswell Redevelopment Project, the transfer of Provincial roads, Integrated Stormwater Policy and

completion of the Stormwater Management Standards, and the continued Regional Plan update and supported the installation of emergency modular housing.

Many of the collaborative initiatives with the Municipality require approval from the NSUARB. An overview of collaborative initiatives and the status of the NSUARB process is provided below.

Cogswell Redevelopment - Halifax Water is engaged in the Cogswell Redevelopment project in two distinct areas. Firstly, Halifax Water is proposing the installation and operation of an Ambient Temperature District Energy System (ATDES) within the new Cogswell area; and secondly, Halifax Water has a significant volume of existing and proposed water, wastewater, and stormwater infrastructure to be relocated or constructed within the project limits. Halifax Water actively supports this project with a view to ensuring the design is appropriate for future water, wastewater, and stormwater requirements, and to ensure continuity of service to existing customers during construction. Halifax Water also leased land at the Halifax WWTF to the municipality, to facilitate additional green public space as part of the Cogswell Redevelopment project. Cost sharing discussions regarding Halifax Water's cost to relocate water, wastewater and stormwater infrastructure is on-going and will require Halifax Water Board and NSUARB approval in 2022/23.

Cogswell District Energy Project – A cost sharing between the municipality and Halifax Water has been finalized, and an application was submitted to the NSUARB on June 3, 2022, for approval to construct and operate an ambient temperature district energy system. The hearing is scheduled in November 2022.

Integrated Projects - Alignment of capital programs and delivery of integrated utility/municipal projects occurs every year. Halifax Water also provides technical support to the municipality with respect to possible service extensions. The municipality is responsible for service extensions. Halifax Water is working closely with the municipality on water, wastewater, and stormwater projects as part of integrated projects, and working on full integration of lead service line replacements with municipal street projects. Any integrated projects with a cost to Halifax Water more than \$1 million require NSUARB approval. The NSUARB recently approval integrated projects on Anderson Street, Dublin Street, as well as additional funding for a sewer separation project on Southpark Street/Cathedral Lane where the timing needed to be aligned to the municipality's Spring Garden Road Streetscaping project.

Stormwater Service Expansion – Halifax Water supported the municipality's discussions with the province regarding the transfer of some Provincial roads. On April 13, 2022, the NSUARB approved the transfer of stormwater assets from the municipality to Halifax Water, and the expansion of the stormwater service area effective June 1, 2022.

Emergency Housing – In October 2022, Halifax Water sought and received NSUARB approval to exempt emergency modular temporary housing units from the Regional Development Charges.

Stormwater Infrastructure Cost Sharing – During the past year, the municipality and Halifax Water worked on Integrated Stormwater Management, and on May 3, 2022, Halifax Council approved entering a memorandum of understanding (MOU) with Halifax Water for the funding of stormwater projects. The MOU was approved by the Halifax Water Board at the June 23<sup>rd</sup> Board meeting and will now be submitted to the NSUARB for approval.

## **FINANCIAL IMPLICATIONS**

Halifax Water is a regulated utility with cost recovery in compliance with the Public Utilities Act.

Halifax Water and HALIFAX exchange services on a regular basis and work cooperatively together. The relationship, and the terms for exchange of services, are detailed in a formal Service Level Agreement which is currently being updated. One of the key guiding principles governing the relationship is that there should be no cross subsidization between taxpayers or utility rate payers. Consistent with this principle, in 2019/20 Halifax Water and municipal staff negotiated a three-year renewal of the Dividend Agreement



(grant in lieu of taxes) that results in some increased revenue for the municipality and caps the annual increase in the dividend to 1.0%. This helps ensure there is no rate shock for Halifax Water customers as the amounts paid to the municipality was increased to include additional dividend payments for wastewater and stormwater. In 2020/21, the NSUARB approved the proposed new dividend payments for wastewater and stormwater. The total dividend paid to the municipality for the 2021/22 fiscal year was \$6.5 million dollars.

## **ATTACHMENTS**

1. Corporate Balance Scorecard Results for the Year Ended March 31, 2022
2. Halifax Water Audited Financial Statements for the Year Ended March 31, 2022
3. Halifax Water Employees' Pension Plan Audited Financial Statements for the Year Ended December 31, 2021

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A copy of this report can be obtained online at [halifax.ca](http://halifax.ca) or by contacting the Office of the Municipal Clerk at 902.490.4210.

Report Prepared by:

**Original Signed**

Cathie O'Toole, General Manager, Halifax Water, 902.490.4840

Report Approved by:

Colleen  
Rollings

Digitally signed by  
Colleen Rollings  
Date: 2022.07.08  
21:29:19 -03'00'

Colleen Rollings, Chair, Halifax Water Board



**ITEM # 6**  
**Halifax Water Board**  
**June 23, 2022**

**TO:** Becky Kent, B.A., Chair, and Members of the Halifax Regional Water Commission Board

**SUBMITTED BY:** Cathie O'Toole

Digitally signed by Cathie O'Toole  
 Date: 2022.06.17 15:42:32 -03'00'

Cathie O'Toole, MBA, FCPA, FCGA, ICD.D, General Manager

**DATE:** June 16, 2022

**SUBJECT:** **Corporate Balanced Scorecard - 2022/23 Program and Year End Results**

**ORIGIN:**

Annual Corporate Performance Measurement

**RECOMMENDATION:**

The Board approve:

1. Corporate Balanced Scorecard targets for the 2022/23 fiscal year as detailed in the attached Corporate Balanced Scorecard summary.
2. The Organizational Award Program tied to the outcomes of 12 Organizational Indicators as detailed in the attached presentation.

**BACKGROUND:**

Halifax Water has been utilizing a Corporate Balanced Scorecard (CBS) to measure performance since 2001. At that time, the CBS was viewed to be an excellent framework to connect the mission of the utility with the everyday activities of staff. The CBS development was very inclusive in 2001 and followed a process to identify Critical Success Factors (CSFs) in support of the mission, establish Organizational Indicators (OIs) to measure performance and set targets for continuous improvement. In March 2002, the Board approved an organizational award program tied to eight OIs which were the most objective and outward looking. This program was well received by staff and ensured that rewards were linked to strategic outcomes. With the transfer of wastewater/stormwater assets from HRM to Halifax Water on August 1, 2007, a broader mission, vision and CBS were developed to ensure it was inclusive of all services provided by the utility.

**DISCUSSION:**

The mission of Halifax Water is “*to provide world class services to our customers and our environment*”. The statement is simple, recognizes the connection between customers and the environment with the “one-water” mandate, and places the responsibility on employees to make Halifax Water a world class utility.

The vision statement for Halifax Water is:

- *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*

The vision statement expanded on the values and principles of a world class utility in fulfilling its mission and captures the medium to long-term aspirations of Halifax Water. With the vision statement developed, staff then selected the critical success factors that support the mission, and through an interactive process, settled on the following:

- 1. High Quality Drinking Water**
- 2. Service Excellence**
- 3. Responsible Financial Management**
- 4. Effective Asset Management**
- 5. Safety and Security**
- 6. Regulatory Compliance**
- 7. Environmental Stewardship**
- 8. Motivated and Satisfied Employees**

There are OIs established for each CSF to enable performance measurement and establishment of targets. Each year, the OIs are reviewed and refined based on operational objectives and approved budgets.

The critical success factors supporting the mission and vision of Halifax Water have not changed, but this year they will be presented to employees and the public in a way that aligns with the four strategic pillars approve in the 2022/23 Business Plan.

Changes proposed for 22/23 OI Targets

1. The measurement of Lost Time Incidents (LTIR) has been changed to align with industry standards. It is recommended to target a 0.5 reduction each year for the next 4 years, with the ultimate goal of eventually establishing a target of 0.5 or less lost time incidents, consistent with world class companies.

Changes made last year (21/22)

1. The Customer Satisfaction target was increased from 90% to 95%. Maintaining this level of customer satisfaction will be challenged by stormwater service expansion, a rate application hearing.
2. The target percentage of public health and environmental regulatory infractions was simplified to focus on infractions resulting in a summary offense tickets. It formerly included written Ministerial Orders (Warnings or Directives) or Prosecutions. The rule set and process for summary offense tickets is clearly defined and captures issues which may also result in Ministerial Orders or Prosecutions.
3. The target for 21/22 capital expenditures (% of budget spent by end of fiscal year) was adjusted downward from 80%-90% to 70% -80%. This is still very aggressive and is not currently achievable.

The attached Corporate Balance Scorecard Summary identifies the CSFs and OIs for 2022/23, as well as a projection of actual results for 2021/22. Final results will be available after completion of the 2021/22 fiscal year audit and will be reported to the Halifax Water Board at the June Board meeting.

Consistent with prior years and the methodology approved by the Halifax Water Board, the most objective OIs have been considered for the organizational award program. Of the 30 OIs detailed in the attachment, 12 are recommended for inclusion in the award program. These 12 OIs are reflective of seven CSFs which are critical to our mission and the most objective and outward looking. The recognition of an organizational award hinges on a minimum score of 7.0 to give a passing grade out of a maximum score of 12.0. Funds for the award program are connected to the operating expense to revenue ratio being below the target for the fiscal year. In this regard, if the operating expense to revenue ratio is met, funds are already embedded in the operational budget. The Operating Expense to Revenue ratio OI has been modified this year to reflect a target that incorporates the equivalent of \$2 million in expense reduction.

The targets for these OIs are meant to be stretch goals, such that the utility is pushing for both efficiency and effectiveness in its service delivery. In many cases, the improvements in efficiency will realize enough savings to pay for the award program itself. The water loss control initiative is a prime example of how the utility has realized gains in efficiency with significant historical financial savings. In keeping with the cost containment theme, water and wastewater service cost per connection measures under Responsible Financial Management have targets to realize 2%



savings compared to the approved operations budget. In addition, under the Environmental Stewardship theme, the utility is expected to reduce energy consumption (and therefore greenhouse gas emissions) as a result of capital improvements. The continuation of the organization award tied to the outcomes of the CBS helps promote a high level of performance and will realize future savings for the utility.

**BUDGET IMPLICATIONS**

Funds for the Award Program are available with the realization of the operating expense to revenue ratio below the target amount. In this regard, funds would be embedded within the 2022/23 Operations Budget. In many cases, meeting the OI targets will realize direct savings to the utility, improved operational effectiveness, and/or improved customer service.

**ALTERNATIVES**

None recommended.

**ATTACHMENT**

Summary Corporate Balanced Scorecard  
Corporate Balanced Scorecard 2022/23 Presentation

Report Prepared by:	<b>Cathie O'Toole</b> <small>Digitally signed by Cathie O'Toole Date: 2022.06.17 15:42:59 -03'00'</small>
	Cathie O'Toole, MBA, FCPA, FCGA, ICD.D, 902-490-4840
Financial Reviewed by:	<b>Original Signed</b> <small>Digitally signed by Allan Campbell Date: 2022.06.17 15:44:36 -03'00'</small>
	Louis de Montbrun, CPA, CA Director, Corporate Services/CFO Service, 902-490-3685

Organizational Indicators	2020/21 Results	2021/22 Target	2021/22 Results	2022/23 Target
<b>High Quality Drinking Water</b>				
Adherence with 5 objectives of Water Safety Plan for all water systems - Percentage of sites achieving targets	76	80	70	80
Bacteriological tests - Percentage free from Total Coliform	100%	99.9%	99.94%	99.9%
Customer satisfaction about water quality - Percentage from customer survey	84%	85%	89%	85%
<b>Service Excellence</b>				
Customer satisfaction with service - Percentage from customer survey	96%	95%*	96%	95%*
Water service outages - Number of connection hours/1000 customers	3612.62	200	192.42	200
Wastewater service outages – Number of connection hours/1000 customers	0.92	4	0.93	4
Average speed of answer – Percentage of calls answered within 20 seconds.	71%	70%	60.4%	70%
<b>Responsible Financial Management</b>				
Operating expense/revenue ratio percentage	81.5%	82%	81.19%	83%
Annual cost per customer connection – Water	\$498	\$543	\$540	\$543
Annual cost per customer connection – Wastewater	\$724	\$758	\$741	\$782
<b>Effective Asset Management</b>				
Water leakage control – target leakage allowance of 160 litres/service connection/day *Note 1	193	160-170	220	160-170
I&I reduction - Number of inspections to identify private property discharge of stormwater into the wastewater system *Note 2	1316*	900	1502	1200
Peak flow reduction from wet weather management capital projects *Note 3	70 l/sec*	5-10 l/sec*	N/A	5-10 l/sec*
Percentage of time GIS and Cityworks are available	100%	96-98%	99.99%	96-98%
Capital budget expenditures - Percentage of budget spend by end of fiscal year	30.78%	70-80%	28.62	70-80%
<b>Workplace Safety and Security</b>				
Average score on internal safety audits	94.5%	85-95%	96.7%	85-95%
NS Labour and Advanced Education compliance - # of Incidents with written compliance orders	0	0-2	0	0-2
Lost time accidents -Number of accidents resulting in lost time per 100 employees * CHANGE for 22/23: Lost Time Incident Rate Note 4	0.59	1.5-2.0	2.0	3.5
Safe driving - Number of traffic Accidents per 1,000,000 km driven (maximum of 5)	5.5	4	3.36	4



Training - Number of employees trained or re-certified before due date	59%*	80-90%	70%	80-90%
Percentage of completed safety talks	86%	80-90%	85%	80-90%
<b>Regulatory Compliance</b>				
Percentage of public health and environmental regulatory infractions resulting in a summary offense tickets	0	0-2	0	0-2
Percentage of WWTFs complying with NSE approval permits (Project for 21/22 at end of February)	93%	95-100%	96.2%	95-100%
<b>Environmental Stewardship</b>				
Number of ICI properties inspected/interactions by Pollution Prevention each year	356	500	361	250
Energy management kwh/m3 reduction associated with capital projects	+8%	3%	7.76%	3%
Bio-solids residual handling - % of sludge meeting bio-solids concentration targets	98.6%	92-97%	98.5%	92-97%
<b>Motivated and Satisfied Employees</b>				
Number of arbitrations divided by total number of grievances	0	0	0	0
Percentage of jobs filled with internal candidates	75%	80%	68%	80%
Employee satisfaction survey result	B+	A	B+	A
Average number of days absenteeism	7.54	<7	7.16	<7

**Notes:**

1. Water leakage control – The final results are not available until year-end, but current data indicates this target will not be met for 2021/22.
2. I&I inspections – The target is proposed to increase to 1200 next year, and the methodology is under review for additional change. Environmental Engineering will be tracking inspections and requests for inspections in greater detail this year to propose a new metric in 2023/24.
3. Peak flow reduction - The Crescent Avenue lining program start was delayed due to a longer than normal NSUARB approval process. As a result, the program was completed in October 2021, after the start of the calendar year Q4 data collection through flow monitoring. As a result, it is recommended this target carry forward to 2022/23 so that complete a complete Q4 dataset is available to measure the peak flow reduction.
4. Lost Time Incidents Rate (LTIR) - The measurement of Lost Time Incidents will change to align with industry standards. Lost Time Cases x 200,000 / Total Employee Hours Worked (*The number 200,000 equates to approx. 100 employees, working 40 hours per week, and 50 weeks per year with 2 week leave average.*) We are recommending targeting a 0.5 reduction each year for the next 4 years, and our ultimate goal is to eventually have a target of 0.5 or less lost time incidents, consistent with world class companies.





# Corporate Balanced Scorecard Year end results and 2022/23 Targets

Presented to Halifax Water Board  
June 23, 2022

Cathie O'Toole  
General Manager

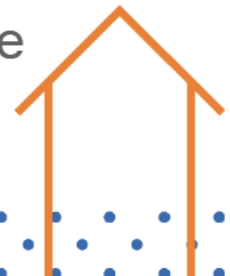
**STRAIGHT from  
the SOURCE**





# History of Corporate Balanced Scorecard at Halifax Water

- Halifax Water started a Continuous Improvement Program in 1999
- In 2000, Halifax Water looked for methodology to measure organizational performance that was meaningful
- In 2001 the Halifax Water Board approved a Corporate Balanced Scorecard [CBS], and an Organizational Award Program on March 28, 2002
- CBS ensures all employees focused on strategic outcomes
- Critical success factors [CSFS] are developed in support of the mission
- Organizational indicators [OIs] are used to measure performance



# The Mission & Vision of Halifax Water

- Halifax Water's mission is to **provide world class services for our customers and our environment**; and the vision of how this will be accomplished is threefold:
  - We will provide our customers with high quality water, wastewater and stormwater service.
  - Through the 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.



# 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



# Organizational Indicators

- Organizational Indicators (OI's) are the measures of our performance within each CSF and provide the definition and detail to best understand them. The OI's are organizational, not individual measures.
- The OI's provide both a detailed clarification of the CSF and allow a target or goal for performance to be established and tracked.





# Organizational Performance Award Program

- Based on a subset [12] of our strategic OI's which are the most objective.
- Program pays for itself by meeting operating expense to revenue ratio target; ratio is reduced from approved budget to accommodate the award program potential.
- It is not a given; a threshold of 7.0 in scoring must be reached in a given year, and the gateway indicators must be met.
- To be eligible for the award, employees must work a minimum of nine months during the fiscal year [April 1st to March 31st]



# CSF: High Quality Drinking Water

Organizational Indicators	2020/21 Results	2021/22 Target	2021/22 Result	22/23 Target
High Quality Drinking Water Adherence with 5 objectives of Water Safety Plan for all water systems - Percentage of sites achieving targets	76	80	70	80
Bacteriological tests - Percentage free from Total Coliform	100%	99.9%	99.94%	99.9%
Customer satisfaction about water quality - Percentage from customer survey	84%	85%	89%	85%



# CSF: Service Excellence

Organizational Indicators	2020/21 Results	2021/22 Target	2021/22 Result	22/23 Target
Service Excellence	96%	95%*	96%	95%*
Customer satisfaction with service - Percentage from customer survey *Note 1				
Water service outages - Number of connection hours/1000 customers *Note 2	3612.62	200	192.42	200
Wastewater service outages – Number of connection hours/1000 customers	0.92	4	0.93	4
Average speed of answer – Percentage of calls answered within 20 seconds.	71%	70%	60.4%	70%



# CSF: Responsible Financial Management

Organizational Indicators	2020/21 Results	2021/22 Target	2021/22 Result	22/23 Target
Responsible Financial Management Operating expense/revenue ratio percentage	81.5%	82%	81.19%	83%
Annual cost per customer connection – Water	\$498	\$543	\$540	\$543
Annual cost per customer connection – Wastewater	\$724	\$758	\$741	\$782

- The operating expense/revenue ratio is a gateway indicator. If it is not achieved, there is no organizational award paid out.



# CSF: Effective Asset Management

Organizational Indicators	2020/21 Results	2021/22 Target	2021/22 Result	22/23 Target
Effective Asset Management Water leakage control – target leakage allowance of 160 litres/service connection/day *Note 3	193	160-170	220	160-170
I&I reduction - Number of inspections to identify private property discharge of stormwater into the wastewater system *Note 4	1316*	900	1502	1200
Peak flow reduction from wet weather management capital projects *Note 5	70 l/sec*	5-10 l/sec*	N/A	5-10 l/sec*
Percentage of time GIS and Cityworks are available	100%	96-98%	99.99%	96-98%
Capital budget expenditures - Percentage of budget spend by end of fiscal year *Note 6	30.78%	70-80%	28.62%	70-80%



# CSF: Workplace Safety & Security

Organizational Indicators	2020/21 Results	2021/22 Target	2021/22 Result	22/23 Target
Workplace Safety and Security Average score on internal safety audits	94.5%	85-95%	96.7%	85-95%
NS Labour and Advanced Education compliance - # of Incidents with written compliance orders	0	0-2	0	0-2
Lost time accidents -Number of accidents resulting in lost time per 100 employees	0.59	1.5-2.0	2.0	3.5
Safe driving - Number of traffic Accidents per 1,000,000 km driven (maximum of 5)	5.5	4	3.36	4
Training - Number of employees trained or re-certified before due date *Note 7	59%*	80-90%	70%	80-90%
Percentage of completed safety talks	86%	80-90%	85%	80-90%



# CSF: Regulatory Compliance

Organizational Indicators	2020/21 Results	2021/22 Target	2021/22 Result	22/23 Target
<p>Regulatory Compliance</p> <p>Percentage of public health and environmental regulatory infractions resulting in a summary offense ticket *Note 8</p>	0	0-2	0	0-2
<p>Percentage of WWTFs complying with NSE approval permits</p>	93%	95-100%	96.2%	95-100%



# CSF: Environmental Stewardship

Organizational Indicators	2020/21 Results	2021/22 Target	2021/22 Result	22/23 Target
Environmental Stewardship Number of ICI properties inspected by Pollution Prevention each year *Note 9	356	500	361	250
Energy management kwh/m3 reduction associated with capital projects	+8%	3%	7.76%	3%
Bio-solids residual handling - % of sludge meeting bio-solids concentration targets	98.6%	92-97%	98.5%	92-97%



# CSF: Motivated and Satisfied Employees

Organizational Indicators	2020/21 Results	2021/22 Target	2021/22 Result	22/23 Target
Motivated and Satisfied Employees Number of arbitrations divided by total number of grievances	0	0	0	0
Percentage of jobs filled with internal candidates	75%	80%	68%	80%
Employee satisfaction survey result	B+	A	B+	A
Average number of days absenteeism	7.54	<7	7.16	<7



## Employees Organizational Award

The highest possible score is 12.0 [1.0 for each OI]. If HRWC performs well, then everyone should be rewarded as follows:

<u>Total OI Score</u>	<u>OP Award Amount</u>
≥11.0	\$1,000
10.0	\$900
9.0	\$800
8.0	\$700
7.0	\$600
< 7.0	\$0

These values will be pro-rated if a score falls between them.

**Example:** For the total OP Award score of 8.5, each employee will get an organizational award of \$750.





## Based on 12 OIs which are the most objective:

Organizational Indicator	Max. Score	Result
Water Quality Master Plan Objectives	1.0	0.0
Customer Water Quality Survey Results	1.0	1.0
Customer Service Survey Results	1.0	1.0
Operating Expense/Revenue Ratio <i>[Gateway]</i>	1.0	1.0
Water Loss Control Reduction	1.0	0.0
Peak Flow Reduction	1.0	0.0
Percentage of Time GIS and CityWorks are Operational	1.0	1.0
# of Lost Time Accidents per 100 Employees <i>[Gateway]</i>	1.0	1.0
# of Traffic Accidents per 1,000,000 km	1.0	1.0
% of WWTFs Compliant with NS Environment Permits	1.0	1.0
Energy Management – Water & Wastewater	1.0	1.0
Biosolids Residual Handling	1.0	1.0
<b>TOTAL MAXIMUM SCORE</b>	<b>12.0</b>	<b>9.0</b>

## Summary

- The track record of the CBS at Halifax Water has been very positive; it drives performance.
- Staff obtains Board approval of the Organizational Award Program on an annual basis
- Organizational Award Program funding is available by meeting the Operating Expense to Revenue Ratio Target.
- The Organizational Award Program is not a given; the organization must score at least 7.0 to have an award, and the gateway indicators must be achieved
- Financial targets are based on the approved operating budget.
- CBS results must be submitted to Halifax Council as part of the annual Accountability Report.



# Recommendation

It is recommended that the Board approve:

1. Corporate Balanced Scorecard targets for the 2022/23 fiscal year as detailed in the attached Corporate Balanced Scorecard summary.
2. The Organizational Award Program tied to the outcomes of 12 Organizational Indicators as detailed in the attached presentation.



# Questions or Comments?





## Financial Statements

Halifax Regional Water Commission

March 31, 2022





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## Independent auditor's report

To the Members of the Board of the  
Halifax Regional Water Commission

### Opinion

We have audited the financial statements of the Halifax Regional Water Commission ("Halifax Water"), which comprise the statement of financial position as at March 31, 2022, and the statements of earnings and comprehensive earnings, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly in all material respects, the financial position of Halifax Water as at March 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

### Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Halifax Water in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other matter – supplemental schedules

Our audit was conducted for the purposes of forming an opinion on the financial statements taken as a whole as prepared in accordance with IFRS. Schedules A through E are presented in accordance with the Nova Scotia Utility and Review Board Water Utility Accounting and Reporting Handbook. Such information has been subjected to the auditing procedures applied for the purpose of the audit of the financial statements as a whole as at and for the period ended March 31, 2022.

### Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing Halifax Water's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Halifax Water or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Halifax Water's financial reporting process.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Halifax Water's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Halifax Water's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Halifax Water to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## Original Signed

Halifax, Canada  
June 23, 2022

Chartered Professional Accountants

# Halifax Regional Water Commission

## Statement of financial position

March 31 (in thousands)

2022

2021

### Assets

#### Current

Cash and cash equivalents	\$ 65,586	\$ 48,228
Receivables (Note 8)		
Customer charges and contractual	15,900	17,155
Unbilled service revenues	18,838	18,246
Halifax Regional Municipality	851	2,711
Inventory	2,042	2,003
Prepays	2,408	1,570
	<u>105,625</u>	<u>89,913</u>
Intangible assets (Note 10)	20,805	20,588
Capital work in progress	51,013	30,908
Utility plant in service (Note 11)	1,277,360	1,280,283
Total assets	<u>1,454,803</u>	<u>1,421,692</u>
Regulatory deferral account (Note 5)	2,428	2,620
Total assets and regulatory deferral account	<u>\$ 1,457,231</u>	<u>\$ 1,424,312</u>

### Liabilities

#### Current

Payables and accruals		
Trade	\$ 23,255	\$ 12,644
Non-trade	5,060	6,192
Interest on long term debt	2,038	2,065
Contractor and customer deposits	2,705	2,115
Current portion of deferred contributed capital (Note 12)	14,614	14,580
Current portion of long term debt (Note 13)	46,272	20,559
Unearned revenue	80	105
	<u>94,024</u>	<u>58,260</u>
Deferred contributed capital (Note 12)	893,975	884,372
Long term debt (Note 13)	177,910	204,106
Employee benefit obligations (Note 4)	41,950	73,796
Total liabilities	<u>1,207,859</u>	<u>1,220,534</u>
Equity		
Accumulated other comprehensive income (loss)	11,225	(29,682)
Accumulated surplus	238,147	233,460
Total equity	<u>249,372</u>	<u>203,778</u>
Total liabilities and equity	<u>\$ 1,457,231</u>	<u>\$ 1,424,312</u>

Contingent liabilities (Note 3)

Commitments (Note 6)

Approved by the Halifax Regional Water Commission Board

Original Signed

Chair

Original Signed

Vice Chair

See accompanying notes to the financial statements.

# Halifax Regional Water Commission

## Statement of earnings and comprehensive earnings

Year ended March 31 (in thousands)	2022	2021
Operating revenues		
Water	\$ 48,189	\$ 47,631
Wastewater	80,646	69,605
Stormwater	10,129	8,962
Public fire protection	7,628	7,336
Private fire protection	1,270	1,001
Other operating revenue	2,640	2,034
	<u>150,502</u>	<u>136,569</u>
Operating expenditures (Note 14)		
Water supply and treatment	10,760	9,987
Water transmission and distribution	11,316	10,960
Wastewater collection	12,988	12,710
Stormwater collection	4,566	4,700
Wastewater treatment	21,774	20,623
Engineering and technology services	13,719	11,171
Regulatory services	4,392	3,981
Customer services	4,811	5,081
Corporate services	3,062	-
Administration services	5,359	7,067
Pension services	9,229	7,086
Depreciation and amortization	49,572	48,607
	<u>151,548</u>	<u>141,973</u>
Loss from operations before financial and other revenues and expenditures	<u>(1,046)</u>	<u>(5,404)</u>
Financial and other revenues		
Interest	178	215
Amortization of deferred contributed capital	18,592	18,810
Other	837	2,229
	<u>19,607</u>	<u>21,254</u>
Financial and other expenditures		
Interest on long term debt	6,859	7,118
Amortization of debt issue costs	228	209
Dividend/grant in lieu of taxes (Note 6)	6,466	5,951
Other	129	70
	<u>13,682</u>	<u>13,348</u>
Earnings for the year before regulatory deferral account depreciation	4,879	2,502
Regulatory deferral account depreciation	<u>(192)</u>	<u>(192)</u>
Earnings for the year	<u>4,687</u>	<u>2,310</u>
Other comprehensive earnings (loss)		
Items that will not be reclassified subsequently to earnings:		
Re-measurement on defined benefit plans	40,907	(3,229)
Total comprehensive earnings (loss) for the year	<u>\$ 45,594</u>	<u>\$ (919)</u>

See accompanying notes to the financial statements.



# Halifax Regional Water Commission

## Statement of changes in equity

Year ended March 31 (in thousands)

	Accumulated other comprehensive income (loss)	Accumulated surplus	Total
Balance, April 1, 2020	\$ (26,453)	\$ 231,150	\$ 204,697
Earnings for the year	-	2,310	2,310
Other comprehensive loss	<u>(3,229)</u>	<u>-</u>	<u>(3,229)</u>
Comprehensive earnings (loss) for the year	<u>(3,229)</u>	<u>2,310</u>	<u>(919)</u>
Balance, March 31, 2021	\$ (29,682)	\$ 233,460	\$ 203,778
Earnings for the year	-	4,687	4,687
Other comprehensive earnings	<u>40,907</u>	<u>-</u>	<u>40,907</u>
Comprehensive earnings for the year	<u>40,907</u>	<u>4,687</u>	<u>45,594</u>
Balance, March 31, 2022	\$ 11,225	\$ 238,147	\$ 249,372

See accompanying notes to the financial statements.

# Halifax Regional Water Commission

## Statement of cash flows

Year ended March 31 (in thousands)

2022

2021

Increase (decrease) in cash and cash equivalents

	2022	2021
<b>Operating</b>		
Comprehensive earnings (loss) for the year	\$ 45,594	\$ (919)
Depreciation and amortization	32,492	31,592
Employee benefit obligation	(31,846)	10,431
Gain on disposal of utility plant in service	(219)	(1,481)
	<u>46,021</u>	<u>39,623</u>
Change in non-cash operating working capital items		
Receivables, customer charges and contractual	1,255	1,250
Receivables, unbilled service revenues	(592)	(879)
Receivable from Halifax Regional Municipality	1,860	957
Inventory	(39)	(267)
Prepays	(838)	(568)
Payables and accruals, trade	10,611	(9,303)
Payables and accruals, non-trade	(1,132)	808
Payables and accruals, accrued interest on long term debt	(27)	(74)
Contractor and customer deposits	590	493
Unearned revenue	(25)	(473)
	<u>11,663</u>	<u>(8,056)</u>
	<u>57,684</u>	<u>31,567</u>
<b>Financing</b>		
Proceeds from issuance of long term debt	20,000	26,700
Contributed capital and interest	20,958	16,226
Amortization of debt issue costs	75	3
Principal repayment on Halifax Regional Municipality long term debt	(6,500)	(6,500)
Principal repayments on long term debt	(14,058)	(14,684)
	<u>20,475</u>	<u>21,745</u>
<b>Investing</b>		
Proceeds from sale of utility plant in service	940	1,576
Purchase of capital work in progress	(34,203)	(23,031)
Purchase of utility plant in service and intangible assets	(27,538)	(33,582)
	<u>(60,801)</u>	<u>(55,037)</u>
Net increase (decrease) in cash and cash equivalents	17,358	(1,725)
Cash and cash equivalents, beginning of year	<u>48,228</u>	<u>49,953</u>
Cash and cash equivalents, end of year	<u>\$ 65,586</u>	<u>\$ 48,228</u>

See accompanying notes to the financial statements.

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# Halifax Regional Water Commission

## Notes to the financial statements

March 31, 2022 (in thousands)

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### 1. Nature of operations

The Halifax Regional Water Commission (Halifax Water) is a public utility owned and controlled by the Halifax Regional Municipality (HRM). Halifax Water is responsible for the supply of municipal Water, Wastewater and Stormwater Services to the residents of HRM. Halifax Water's principal place of business is 450 Cowie Hill Road, Halifax, Nova Scotia. Halifax Water is exempt from income tax.

### 2. Summary of significant accounting policies

#### (a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

The financial statements were authorized for issue by the Board of Commissioners on June 23, 2022.

#### (b) Basis of measurement

Halifax Water's financial statements are prepared on the historical cost basis, except for certain financial instruments measured at fair value. The financial statements are presented in Canadian dollars and all values are rounded to the nearest thousand. The financial statements are presented in accordance with International Accounting Standards (IAS) 1: Presentation of Financial Statements.

#### (c) Regulation

In matters of administrative policy relating to customers, rates and other charges, capital expenditures, depreciation rates and accounting matters, Halifax Water is subject to the jurisdiction of the Nova Scotia Utility and Review Board (NSUARB). Rates and other charges charged to and collected from customers are designed to recover the cost of providing the regulated services. Halifax Water is required to prepare submissions in accordance with the Water Utility Accounting and Reporting Handbook (the NSUARB Handbook) issued by the NSUARB. There are differences in the accounting treatment of certain transactions from IFRS including the accounting of principal debt payments, employee future benefits, depreciation and amortization, gains and losses on the disposal of utility plant in service, and accumulated surplus.

Regulatory assets represent costs incurred that have been deferred as approved by the NSUARB and will be recovered through future rates collected from customers. These assets are described as the "regulatory deferral account" and are disclosed in Note 5.

#### (d) Utility plant in service

Utility plant in service (Note 11) is recorded at cost, being the purchase price and directly attributable cost of acquisition or construction. Losses or gains related to assets retired, demolished or sold are charged or credited to the statement of earnings.

#### (e) Leased assets

Halifax Water makes use of lease arrangements for office space and equipment, and assesses whether a contract is, or contains a lease at the inception of the contract. A lease conveys the right to direct the use and obtain substantially all of the economic benefits of an identified asset for a period of time in exchange for consideration.

At lease commencement date, Halifax Water assess whether the recognition of a right-of-use asset and lease liability would have a material impact on the financial statements.

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# Halifax Regional Water Commission

## Notes to the financial statements

March 31, 2022 (in thousands)

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### 2. Summary of significant accounting policies (continued)

#### (e) Leased assets (continued)

A right-of-use asset is initially measured at cost, which is comprised of the initial measurement of the lease liability, any initial direct costs incurred, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). A right-of-use asset is subsequently measured at cost less any accumulated depreciation or impairment losses and adjusted for certain re-measurements of the lease liability. A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, Halifax Water's incremental borrowing rate.

Halifax Water has elected to apply the practical expedients available under IFRS 16 for short-term leases and leases for which the underlying asset is of low value. Short-term leases and low value leases are expensed in the period incurred.

Halifax Water maintains very few lease arrangements and management will assess future leases as they arise to determine whether the impact of the recognition of a right-of-use asset and lease liability on the statements of financial position, where Halifax Water is acting as a lessee, is material to the financial statements. All existing leases have been assessed and recognition in the financial statements has been deemed immaterial.

#### (f) Deferred contributed capital

Contributions towards capital projects are treated as deferred contributed capital on the statement of financial position and amortized over the estimated useful lives of the assets (Note 12). Deferred contributed capital is initially measured at cost, being the value of contributions received by Halifax Water for the acquisition of utility plant in service. Contributions for capital expenditures are amortized over the estimated useful lives of the assets and show as a reduction in the amortization of utility plant in service.

#### (g) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and cash balances managed by HRM that are held within financial institutions.

#### (h) Depreciation of utility plant in service

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets.

The estimated useful lives for the major classifications of utility plant in service are as follows:

Office equipment and furniture and transportation equipment	3 to 10 years
Supervisory control and data acquisition (SCADA) equipment	5 to 25 years
Meters	20 to 25 years
Pumping equipment	5 to 30 years
Tools and work equipment	5 to 30 years
Culverts	25 to 50 years
Purification and treatment equipment	20 to 50 years
Services and laterals	50 to 60 years
Hydrants	50 to 80 years
Structures and improvements	50 to 100 years
Water, Wastewater and Stormwater mains	50 to 100 years

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# Halifax Regional Water Commission

## Notes to the financial statements

March 31, 2022 (in thousands)

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### 2. Summary of significant accounting policies (continued)

#### (h) Depreciation of utility plant in service (continued)

Depreciation commences in the year an asset is placed into service and ready for its intended use. In the year of acquisition, depreciation is calculated at 50% of the above rates unless a project is significant, in which case depreciation is prorated for the number of months the asset was in use. Halifax Water does not maintain a depreciation fund per regulatory reporting requirements. Halifax Water has received NSUARB approval for exemption from establishing a depreciation fund as long as net depreciable additions to utility plant in service exceed the depreciation expense included within the rates.

#### (i) Inventory

Inventory is comprised of direct materials and supplies. Inventory is valued at the lower of cost and net realizable value with cost being determined on the weighted average cost method.

#### (j) Revenues and expenditures

Halifax Water recognizes revenue in a manner that depicts the transfer of goods or services to customers at an amount that reflects the consideration Halifax Water is entitled to in exchange for those goods or services rendered.

All revenues and expenditures are recorded on an accrual basis. Revenues relating to supplying Water, Wastewater and Stormwater Services are recorded based on cyclical billings and include an accrual for estimated amounts not yet billed. Fire protection revenue is recorded based on approved rates. Other revenues are recorded at the time services are performed, the amount can be measured reliably, and collection is reasonably assured.

#### (k) Long term debt

Debt issue costs are deferred and amortized over the term of the debt to which they relate.

#### (l) Use of estimates and critical accounting judgments

In preparing Halifax Water's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenditures during the period. Significant estimates and assumptions include the following:

- At year end, unbilled service revenues from Water, Wastewater and Stormwater Services have been earned, but not yet billed due to the timing of the billing cycles. Management estimates the unbilled service revenues accrual based on historic billing trends.
- Management assumptions are used in the actuarial determination of employee benefit obligations, such as standard rates of inflation, mortality, discount rates, and anticipation of future salary increases.
- Useful lives of utility plant in service are reviewed based on expected patterns of usage and historical information.
- Recognition and measurement of provisions and contingencies.

Actual results could differ from these estimates.

#### (m) Financial instruments

##### *Recognition and derecognition*

Financial assets and financial liabilities are recognized when Halifax Water becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expired.

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# Halifax Regional Water Commission

## Notes to the financial statements

March 31, 2022 (in thousands)

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### 2. Summary of significant accounting policies (continued)

#### (m) Financial instruments (continued)

##### *Classification and initial measurement of financial instruments*

All financial instruments are initially measured at fair value and adjusted for transaction costs, where applicable. Financial instruments are classified as: those measured at amortized cost, fair value through other comprehensive income (assets only), or fair value through profit and loss (FVTPL).

Halifax Water has classified its financial instruments as follows:

<u>Asset/Liability</u>	<u>Classification</u>
Cash and cash equivalents	Amortized cost
Receivables	Amortized cost
Payables and accruals	Amortized cost
Long term debt	Amortized cost
Contractor and customer deposits	Amortized cost

The classification is determined by both the Halifax Water business model for managing the financial instrument and the contractual cash flow characteristics of the financial instrument.

##### *Subsequent measurement of financial assets*

Financial assets are measured at amortized cost if the assets meet the following conditions, and are not designated as FVTPL:

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial instruments are measured at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

##### *Impairment of financial assets*

Impairment requirements use more forward-looking information to recognize expected credit losses, the expected credit loss (ECL) model. Financial assets that are subject to the ECL model include cash and cash equivalents and receivables.

#### (n) Provisions

A provision is recognized in the statement of financial position when Halifax Water has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the obligation.

#### (o) Impairments

At the end of each reporting period, Halifax Water reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication of an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of impairment loss, if any. The recoverable amount of any asset is the higher of its fair value less costs to sell and its value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit (CGU), which is the lowest group of assets to which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. Halifax Water has three CGU's (Water, Wastewater and Stormwater) for which impairment testing is performed.

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# Halifax Regional Water Commission

## Notes to the financial statements

March 31, 2022 (in thousands)

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### 2. Summary of significant accounting policies (continued)

#### (o) Impairments (continued)

If the recoverable amount of the asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in earnings. When an impairment loss is subsequently reversed, the carrying amount of the assets is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

#### (p) Intangible assets

Intangible assets include land rights, water removal rights, studies, and capital master plans. These are recorded at cost less accumulated amortization. Land rights include payment for easements and right of use over land and have an indefinite useful life. Intangibles with finite useful lives are amortized annually over the estimated useful lives. The expected useful lives are as follows:

Intangible assets	10 to 30 years
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#### (q) Employee benefit obligations

Halifax Water accrues annually, the estimated liabilities for pension and other employee benefits.

##### *Pension benefits*

Halifax Water provides employment, post-retirement and pre-retirement benefits through defined benefit plans and supplemental retirement plans.

The cost of pension benefits for the supplemental retirement plans are expensed at the time active employees are compensated.

The defined benefit plan sponsored by Halifax Water determines the amount of pension benefits employees will receive on retirement by reference to length of service and salary levels. Obligations associated with the defined benefit plan reside with Halifax Water, even if plan assets for funding the plan are set aside.

The liability recognized in the statement of financial position for the defined benefit plan sponsored by Halifax Water is the present value of the defined benefit obligation at the end of the reporting date less the fair value of plan assets.

Management estimates the defined benefit obligation annually with assistance from an independent actuary using the projected unit credit method. The defined benefit obligation uses estimates for inflation, medical cost trends, mortality, and anticipated salary levels. The discount factor used to present value estimated future cash flows is determined with reference to high quality corporate bonds that have terms to maturity approximating the terms of the related pension liability.

Gains and losses resulting from re-measurements of the net defined benefit liability are charged to other comprehensive income in the period in which they arise. Service costs are recognized immediately into earnings.

Net interest cost related to pension obligations and returns on plan assets are included in salary and benefits on the statement of earnings.

Halifax Water is responsible for funding the employer share of contributions to the HRM pension plan for certain employees that transferred from HRM as of August 1, 2007. HRM administers this defined benefit pension plan and Halifax Water reimburses HRM for the pension costs related to Halifax Water's proportionate share of the employees covered under the plan. Due to the nature of the plan, Halifax Water does not have sufficient information to account for the plan as a defined benefit pension plan; therefore, the multi-employer defined benefit plan is accounted for in the same manner as the supplemental retirement plans. An expense is recorded in the period when Halifax Water is obligated to make contributions for services rendered by the employee.



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# Halifax Regional Water Commission

## Notes to the financial statements

March 31, 2022 (in thousands)

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### 2. Summary of significant accounting policies (continued)

#### (q) Employee benefit obligations (continued)

##### *Short-term employee benefits*

Short-term employee benefit obligations that are due to be settled wholly within twelve months after the end of the annual reporting period in which the employees rendered the related service are measured on an undiscounted basis and are expensed as the related service is provided.

#### (r) Regulatory deferral account

The regulatory deferral account is recognized and measured at historical cost less depreciation. Management continually assesses the likelihood of recovery of regulatory assets. If recovery through future rates is no longer considered probable, the amounts would be charged to the results of operations in the period that the assessment is made.

### 3. Contingent liabilities

As a condition of sale in 2004 of a property, Halifax Water indemnified the purchaser from claims or actions resulting from migration of halocarbons. The environmental risk is assessed to be low and the likelihood of any related liability is not determinable.

Halifax Water is currently reviewing environmental risk factors at other owned properties to determine whether there is an obligation for reclamation. As of the date of issue of the financial statements the likelihood of any related liability is not determinable.

Halifax Water has been named in lawsuits that are ongoing and a liability has been accrued for legal fees and the insurance deductible.

There are other active claims against Halifax Water; however, the likelihood of actual liability is not determinable at this time. If Halifax Water's defence of active claims is unsuccessful, the potential exposure would be \$1,000 - \$2,000.

### 4. Employee benefit obligations

#### **Retirement benefit plan – employees transferred from HRM**

For employees that transferred from HRM, Halifax Water records an expense for the employer share of the contributions to the Halifax Regional Municipality Pension Plan (HRM Pension Plan) in the period when Halifax Water is obligated to make contributions for services rendered by the employee. During 2022, Halifax Water funded \$532 (2021 – \$543) in contributions to the HRM Pension Plan. The number of employees included in this plan is 53 (2021 – 55) and this number is reducing over time. As former HRM employees retire, they are replaced with employees in the Halifax Regional Water Commission Employee Pension Plan (the Plan).

#### **Supplemental retirement plans sponsored by Halifax Water**

For employees who participate in the supplemental retirement plans, the cost of pension benefits are expensed at the time active employees are compensated. During 2022, Halifax Water funded \$23 (2021 – \$23) in contributions to these plans. The number of employees included in these plans is 6 (2021 – 7).

#### **Defined benefit plan sponsored by Halifax Water and other long term employment benefits**

For all other employees, Halifax Water maintains a defined benefit pension plan and offers post-retirement health and insurance benefits. The defined benefit pension plan provides pensions based upon length of service and best seven consecutive years' earnings. The defined benefit pension plan is funded by employer and employee contributions with employees contributing 9.60% of pensionable employee earnings (10.34% to December 31, 2021), and Halifax Water matching employee contributions. The defined benefit pension plan assets are managed by the HRM Pension Committee.

# Halifax Regional Water Commission

## Notes to the financial statements

March 31, 2022 (in thousands)

### 4. Employee benefit obligations (continued)

Employees, who retired prior to July 1, 1998, have extended health benefits coverage for life and drug coverage until age 65. Employees, who retired after July 1, 1998 and before December 31, 2008, have coverage for drug, extended health, dental and life insurance until age 65 on a 50/50 cost shared basis and a 100% basis for employees who retired after December 31, 2008. Extended health coverage for these retirees and their spouses after the age of 65 is available on an optional basis at 100% retiree cost and drug coverage is available through the provincially managed drug program.

Halifax Water has a non-funded pre-retirement benefit that is accrued annually, and is payable on retirement, termination or death of the employee. For individuals who elected to defer receipt of their benefit until the time which they leave employment, their individual benefit equates to approximately three days' pay for each year of completed service. Completed service for unionized employees was frozen as at June 7, 2019, and June 20, 2019 for non-union employees, for the purposes of determining their pre-retirement benefit. Pre-retirement benefits accrue to a maximum of six months' salary and can be taken as a lump sum payment at the time of retirement in lieu of pre-retirement leave.

Information about Halifax Water's plans, based on an actuarial extrapolation of the defined benefit pension plan, and an actuarial valuation of the pre-retirement benefits and the post-retirement benefits as at March 31, 2022, is as follows:

	Defined benefit pension plan		Post-retirement benefits		Pre-retirement benefits		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
<b>Change in accrued benefit obligation</b>								
Balance, April 1	\$ 227,572	\$ 195,904	\$ 395	\$ 460	\$ 1,718	\$ 1,536	\$ 229,685	\$ 197,900
Current service cost	13,648	11,036	-	-	100	91	13,748	11,127
Interest cost	7,877	7,549	10	15	52	57	7,939	7,621
Benefit payments	(5,433)	(5,514)	(53)	(53)	(92)	(106)	(5,578)	(5,673)
Re-measurements – actuarial (gains)/ losses from changes in financial/experience assumptions	(35,037)	18,597	(42)	(27)	(141)	140	(35,220)	18,710
Balance, March 31	<u>208,627</u>	<u>227,572</u>	<u>310</u>	<u>395</u>	<u>1,637</u>	<u>1,718</u>	<u>210,574</u>	<u>229,685</u>
<b>Change in fair value of plan assets</b>								
Balance, April 1	155,889	134,535	-	-	-	-	155,889	134,535
Investment income	5,326	5,129	-	-	-	-	5,326	5,129
Administrative expenses	(80)	(69)	-	-	-	-	(80)	(69)
Actual return on plan assets	5,869	15,362	-	-	-	-	5,869	15,362
Benefit payments	(5,433)	(5,514)	(53)	(53)	(92)	(106)	(5,433)	(5,673)
Contributions: Employee	3,581	3,287	-	-	-	-	3,581	3,287
Employer	<u>3,472</u>	<u>3,159</u>	<u>53</u>	<u>53</u>	<u>92</u>	<u>106</u>	<u>3,472</u>	<u>3,318</u>
Balance, March 31	<u>168,624</u>	<u>155,889</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>168,624</u>	<u>155,889</u>
Accrued benefit liability, March 31	\$ <u>40,003</u>	\$ <u>71,683</u>	\$ <u>310</u>	\$ <u>395</u>	\$ <u>1,637</u>	\$ <u>1,718</u>	\$ <u>41,950</u>	\$ <u>73,796</u>

# Halifax Regional Water Commission

## Notes to the financial statements

March 31, 2022 (in thousands)

### 4. Employee benefit obligations (continued)

Included in the statement of earnings and comprehensive earnings is pension expense of \$13,066 (2021 - \$10,903).

The significant actuarial assumptions adopted in measuring Halifax Water's accrued benefit obligations are as follows:

	<b>2022</b>	2021	<b>2022</b>	2021	<b>2022</b>	2021
	<b>Defined benefit pension plan</b>	Defined benefit Pension plan	<b>Post- retirement benefits</b>	Post- retirement benefits	<b>Pre- retirement benefit</b>	Pre- retirement benefit
Discount rate	4.00%	3.40%	3.70%	2.75%	3.90%	2.90%
Expected return on plan assets	4.00%	3.40%	N/A	N/A	N/A	N/A
Rate of compensation increase	3.75%	3.75%	N/A	N/A	3.75%	3.75%
Expenses for life benefits as a % of claims	N/A	N/A	9.36%	9.36%	N/A	N/A
Health benefit trending per year	N/A	N/A	6.18%	6.26%	N/A	N/A
Dental benefit trending per year	N/A	N/A	4.00%	4.00%	N/A	N/A

The measurement date used to determine the plan assets and the accrued benefit obligation was March 31, 2022. The most recent actuarial valuation for the defined benefit pension plan was January 1, 2022, with the next going concern extrapolation scheduled for January 1, 2023.

The estimated employer contributions expected to be paid to the pension plans for the next fiscal year are \$3,831.

### 5. Regulatory deferral account

In 2011, the NSUARB granted Halifax Water approval to defer depreciation charges on certain assets transferred in 2010 from HRM relating to the Halifax Harbour Solutions Project (HHSP). Depreciation of \$2,078 was deferred in each of fiscal 2011 and 2012. As a result, Halifax Water recognized a \$4,156 regulatory deferral account. In absence of rate regulation, this regulatory deferral account would have been expensed as depreciation in fiscal 2011 and 2012. In 2012, the NSUARB granted approval of the depreciation of this deferral account over the remaining useful lives of the underlying assets, beginning in 2014. The expense recognized in 2022 is \$192 (2021 - \$192).

	<u>2022</u>	<u>2021</u>
Balance, April 1	\$ 2,620	\$ 2,812
Depreciation	<u>(192)</u>	<u>(192)</u>
Balance, March 31	<u>\$ 2,428</u>	<u>\$ 2,620</u>

### 6. Commitments

An agreement with HRM for the dividend/grant in lieu of taxes (dividend) for fiscal years 2020/21 to 2022/23 was signed in the prior fiscal year. Dividend payments are approved as part of revenue requirements by the NSUARB. For the Water System, the dividend is equal to 1.56% of Halifax Water's rate base assets allocated to the Water System at March 31 of the previous fiscal year. For the Wastewater System and Stormwater System, the dividends are equal to 0.25% of Halifax Water's rate base assets allocated to the Wastewater System at March 31 of the previous fiscal year, plus 0.25% of Halifax Water's rate base assets allocated to the Stormwater System at March 31 of the previous fiscal year.

For 2021/22, the dividends have been capped at 1% more than the dividend amounts for 2020/21 that would have been payable had the dividend amounts for 2020/21 been for a full year. The dividends paid in 2020/21 were prorated from the effective date of the agreement of October 1, 2020. The dividends payable for 2022/23 will be capped at 1% more than the dividends payable in the preceding fiscal year.

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# Halifax Regional Water Commission

## Notes to the financial statements

March 31, 2022 (in thousands)

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### 7. Capital management

Halifax Water's objective when managing capital is to ensure sufficient liquidity to support its financial obligations and execute its operating and capital plans. Halifax Water monitors and adjusts its capital structure through additional borrowings of long term debt which are used to finance capital projects.

Halifax Water considers its total capitalization to include all long term debt and total equity. The calculation is set out as follows:

	<u>2022</u>	<u>2021</u>
Long term debt	\$ 224,182	\$ 224,665
Equity	<u>249,372</u>	<u>203,778</u>
Capital under management	<u>\$ 473,554</u>	<u>\$ 428,443</u>

Halifax Water has obtained regulatory approval for all borrowings during the fiscal year. Halifax Water is not subject to financial borrowing covenants other than as outlined in Note 9.

### 8. Financial instruments and risk management

Halifax Water applies a three-tier hierarchy framework for disclosing fair value of financial instruments, based on whether the inputs into the various valuation techniques are observable or unobservable. Observable techniques reflect market data obtained from independent sources, while unobservable inputs reflect management assumptions. Changes in valuation techniques of financial instruments may result in transfers of assigned levels. The hierarchy of input is as follows:

- Level I Quoted prices in active markets for identical assets or liabilities;
- Level II Inputs other than quoted prices included in Level I that are observable, either directly or indirectly; and
- Level III Inputs that are not based on observable market data.

The carrying values of current assets and current liabilities approximate their fair value due to the relatively short period to maturity of these financial instruments. The fair value of fixed rate long-term debt is assumed to approximate its carrying value given the limitations where Halifax Water can obtain long-term debt.

There were no transfers between classes of the fair value hierarchy during the year.

Halifax Water is exposed to risks as a result of holding financial instruments. Management considers and evaluates those risks on an on-going basis to ensure that the risks are appropriately managed. These potential risks include credit risk, interest risk, market risk and liquidity risk.

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# Halifax Regional Water Commission

## Notes to the financial statements

March 31, 2022 (in thousands)

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### 8. Financial instruments and risk management (continued)

#### *Credit risk*

Credit risk arises from the possibility that Halifax Water's customers may experience financial difficulty and be unable to fulfill their obligations. Halifax Water's maximum exposure to credit risk corresponds to customer charges and contractual receivables. However, Halifax Water's customers are numerous and diverse, which reduces the concentration of credit risk.

Halifax Water makes use of a simplified approach in accounting for receivables and records the loss allowance as lifetime ECL. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, Halifax Water uses its historical experience, external indicators and forward-looking information to calculate the ECL using a provision matrix. Halifax Water includes 75% of the balance of closed accounts in the allowance and 1% of active accounts. Halifax Water assesses impairment of receivables on a collective basis. As receivables possess shared credit risk characteristics, receivables have been grouped based on the days past due.

An analysis of Halifax Water's receivables and continuity of Halifax Water's provision for impairment losses on receivables is as follows:

	<u>2022</u>	<u>2021</u>
Receivables		
Customer charges, contractual, and unbilled service revenues	\$ 37,969	\$ 38,654
Less: allowance for doubtful accounts	<u>(3,231)</u>	<u>(3,253)</u>
	<u>\$ 34,738</u>	<u>\$ 35,401</u>

The credit quality of financial assets that are neither past due nor impaired are assessed with reference to historical information and includes the following considerations; new customers, existing customers and payment pattern history.

#### *Interest risk*

Interest risk arises from the possibility that changes in interest rates will cause fluctuations in expenses and/or cash flows associated with Halifax Water's long term debt. Halifax Water's long term debt has been acquired with a variety of fixed rates and has staggered maturity dates which mitigates the interest rate risk.

#### *Market risk*

Market risk arises from the possibility that the value of an investment will fluctuate as a result of changes in market prices. These changes could affect the market value of the investments in Halifax Water's Plan and consequently the Plan's surplus. The risk is mitigated by the Plan diversifying the types of investments in its portfolio.

#### *Liquidity risk*

Liquidity risk arises from the possibility of Halifax Water not being able to meet its cash requirements in a timely and cost-effective manner. Halifax Water manages this risk by closely monitoring the cash on hand in comparison to upcoming cash commitments.

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# Halifax Regional Water Commission

## Notes to the financial statements

March 31, 2022 (in thousands)

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### 9. Related party transactions

The immediate parent and ultimate controlling party of Halifax Water is HRM.

Halifax Water is obligated to make payments on debt, held in the name of HRM, associated with Wastewater and Stormwater assets which were transferred to Halifax Water in 2007 and subsequent years.

Amounts receivable from HRM have normal credit terms.

Halifax Water had the following related party transactions with HRM:

	<u>2022</u>	<u>2021</u>
Revenue for provision of Water, Wastewater and Stormwater Services	\$ 4,987	\$ 4,808
Public fire protection revenue	7,628	7,336
Dividend	(6,466)	(5,951)
Operating expenditures	<u>(1,537)</u>	<u>(1,694)</u>
Net revenue and expenditures	<u>\$ 4,612</u>	<u>\$ 4,499</u>

The debt issued by Halifax Water was covered by a blanket guarantee from HRM subject to Halifax Water maintaining a debt service ratio of less than 35%. The debt service ratio at March 31, 2022 is 18.98% (2021 – 20.29%).

### Compensation of key management personnel

Members of the Board of Commissioners and Executive Management team are deemed to be key management personnel. It is the Board of Commissioners and Executive Management team who have the responsibility for planning, directing and controlling the activities of Halifax Water.

The following is compensation expense for key management personnel:

	<u>2022</u>	<u>2021</u>
Regular compensation and benefits	\$ 1,370	\$ 1,428
Post-employment benefits	<u>132</u>	<u>163</u>
Total compensation	<u>\$ 1,502</u>	<u>\$ 1,591</u>

# Halifax Regional Water Commission

## Notes to the financial statements

March 31, 2022 (in thousands)

10. Intangible assets	<u>2022</u>	<u>2021</u>
Cost		
Balance, April 1	\$ 29,498	\$ 25,933
Additions	<u>2,469</u>	<u>3,565</u>
Balance, March 31	<u>31,967</u>	<u>29,498</u>
Accumulated amortization		
Balance, April 1	8,910	6,982
Amortization	<u>2,252</u>	<u>1,928</u>
Balance, March 31	<u>11,162</u>	<u>8,910</u>
Net book value, March 31	<u>\$ 20,805</u>	<u>\$ 20,588</u>

### 11. Utility plant in service

	Land	Structures and improvements	Treatment and network equipment	Distribution and collection network	Tools and work equipment	Total
Cost						
Balance, April 1, 2021	\$ 25,989	\$ 268,236	\$ 276,330	\$ 958,673	\$ 33,492	\$ 1,562,720
Additions	-	4,731	6,523	32,137	3,047	46,438
Disposals	<u>(218)</u>	<u>(332)</u>	<u>(218)</u>	<u>(162)</u>	<u>(985)</u>	<u>(1,915)</u>
Balance, March 31, 2022	<u>25,771</u>	<u>272,635</u>	<u>282,635</u>	<u>990,648</u>	<u>35,554</u>	<u>1,607,243</u>
Accumulated depreciation						
Balance, April 1, 2021	\$ -	\$ 72,724	\$ 86,766	\$ 112,483	\$ 10,464	\$ 282,437
Depreciation	-	9,111	15,536	18,222	5,771	48,640
Depreciation retired	<u>-</u>	<u>(54)</u>	<u>(149)</u>	<u>(11)</u>	<u>(980)</u>	<u>(1,194)</u>
Balance, March 31, 2022	<u>-</u>	<u>81,781</u>	<u>102,153</u>	<u>130,694</u>	<u>15,255</u>	<u>329,883</u>
Net book value, March 31, 2022	<u>\$ 25,771</u>	<u>\$ 190,854</u>	<u>\$ 180,482</u>	<u>\$ 859,954</u>	<u>\$ 20,299</u>	<u>\$ 1,277,360</u>

	Land	Structures and improvements	Treatment and network equipment	Distribution and collection network	Tools and work equipment	Total
Cost						
Balance, April 1, 2020	\$ 21,603	\$ 263,360	\$ 271,047	\$ 934,692	\$ 33,892	\$ 1,524,594
Additions	4,386	4,925	5,477	23,981	8,881	47,650
Disposals	<u>-</u>	<u>(49)</u>	<u>(194)</u>	<u>-</u>	<u>(9,281)</u>	<u>(9,524)</u>
Balance, March 31, 2021	<u>25,989</u>	<u>268,236</u>	<u>276,330</u>	<u>958,673</u>	<u>33,492</u>	<u>1,562,720</u>
Accumulated depreciation						
Balance, April 1, 2020	\$ -	\$ 62,646	\$ 71,773	\$ 94,691	\$ 14,474	\$ 243,584
Depreciation	-	10,120	15,104	17,792	5,266	48,282
Depreciation retired	<u>-</u>	<u>(42)</u>	<u>(111)</u>	<u>-</u>	<u>(9,276)</u>	<u>(9,429)</u>
Balance, March 31, 2021	<u>-</u>	<u>72,724</u>	<u>86,766</u>	<u>112,483</u>	<u>10,464</u>	<u>282,437</u>
Net book value, March 31, 2021	<u>\$ 25,989</u>	<u>\$ 195,512</u>	<u>\$ 189,564</u>	<u>\$ 846,190</u>	<u>\$ 23,028</u>	<u>\$ 1,280,283</u>



# Halifax Regional Water Commission

## Notes to the financial statements

March 31, 2022 (in thousands)

12. Deferred contributed capital	<u>2022</u>	<u>2021</u>
Balance, April 1	\$ 898,952	\$ 894,130
Assets contributed during the year	7,271	7,406
Contributions and interest	20,958	16,226
Amortization	<u>(18,592)</u>	<u>(18,810)</u>
Balance, March 31	908,589	898,952
Less: current portion	<u>(14,614)</u>	<u>(14,580)</u>
	<u>\$ 893,975</u>	<u>\$ 884,372</u>

Deferred contributed capital is comprised of contributions received by Halifax Water for the acquisition of utility plant in service. Contributions for capital expenditures are amortized over the estimated useful lives of the assets.

13. Long-term debt	<u>Interest rates</u>	<u>2022</u>	<u>2021</u>
Payable to Municipal Finance Corporation (MFC)			
Water	0.400% to 4.221%	\$ 79,286	\$ 74,648
HHSP	2.015% to 2.561%	5,200	5,850
Wastewater	0.400% to 3.614%	96,915	97,670
Stormwater	0.400% to 3.614%	<u>24,132</u>	<u>21,423</u>
		205,533	199,591
Payable to Halifax Regional Municipality			
Wastewater/Stormwater	1.200% to 5.940%	<u>19,500</u>	<u>26,000</u>
		225,033	225,591
Less: debt issue costs		<u>(851)</u>	<u>(926)</u>
		224,182	224,665
Less: amount payable within one year		<u>(46,272)</u>	<u>(20,559)</u>
		<u>\$ 177,910</u>	<u>\$ 204,106</u>

During the year Halifax Water acquired \$20,000 in new debt with a ten year term and twenty year amortization period.

The debentures are repayable in fixed annual principal instalments plus interest payable semi-annually. Interest paid during the year was \$6,859 (2021 - \$7,118). Principal instalments for the next five years are as follows:

2022/23	\$ 46,272
2023/24	\$ 42,951
2024/25	\$ 33,065
2025/26	\$ 23,417
2026/27	\$ 9,999
Thereafter	\$ 69,329

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# Halifax Regional Water Commission

## Notes to the financial statements

March 31, 2022 (in thousands)

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<b>14. Operating expenditures by nature</b>	<b><u>2022</u></b>	<b><u>2021</u></b>
Salaries and benefits	\$ 43,817	\$ 42,007
Pension	9,229	7,086
Training	432	325
Contract services	13,938	13,182
Electricity	7,160	6,868
Operating supplies	13,081	10,672
Professional services	5,953	5,650
Chemicals	7,046	5,973
Depreciation on assets allocated to departments	1,320	1,603
Depreciation and amortization	<u>49,572</u>	<u>48,607</u>
	<b><u>\$ 151,548</u></b>	<b><u>\$ 141,973</u></b>

### 15. Subsequent event

On April 13, 2022, the NSUARB approved the Stormwater Service Expansion application filed on October 13, 2021. With that approval, Halifax Water will assume responsibility for Stormwater infrastructure in several new areas effective June 1, 2022 from HRM. A comprehensive assessment of the existing infrastructure will be required to determine the value of assets acquired in order to recognize the assets within the financial statements. Halifax Water will not compensate HRM for the transfer of these assets. In addition, an assessment of properties will be required to determine which are connected to the Stormwater system and will receive services.

### 16. Comparative figures

Certain of the comparative figures have been reclassified to conform to the financial statement presentation adopted for the current fiscal year.

# Halifax Regional Water Commission

## Schedule of utility plant in service

# Schedule A

Year ended March 31, 2022 (in thousands)

### Water

	Land	Structures and improvements	Pumping equipment	Purification equipment	SCADA equipment	Transmission and distribution mains	Services	Meters	Hydrants	Aerotech and small systems	Tools and work equipment	Total
<b>Cost</b>												
Balance, April 1, 2021												
Cost	\$ 18,433	\$ 121,564	\$ 10,745	\$ 28,232	\$ 11,371	\$ 411,533	\$ 43,158	\$ 19,147	\$ 21,990	\$ 10,048	\$ 32,162	\$ 728,383
Additions	-	1,593	33	1,179	19	7,086	1,894	208	457	-	3,514	15,983
Disposals	(218)	(332)	-	-	(97)	(154)	-	(121)	-	-	(545)	(1,467)
<b>Balance, March 31, 2022</b>	<b>18,215</b>	<b>122,825</b>	<b>10,778</b>	<b>29,411</b>	<b>11,293</b>	<b>418,465</b>	<b>45,052</b>	<b>19,234</b>	<b>22,447</b>	<b>10,048</b>	<b>35,131</b>	<b>742,899</b>
<b>Accumulated depreciation</b>												
Balance, April 1, 2021	-	33,572	8,167	19,863	4,931	100,002	9,081	5,874	5,216	3,963	16,695	207,364
Depreciation	-	2,125	301	1,206	536	5,287	769	900	365	333	3,340	15,162
Depreciation retired	-	(32)	-	-	(92)	(10)	-	(57)	-	-	(545)	(736)
Total accumulated depreciation, March 31, 2022	-	35,665	8,468	21,069	5,375	105,279	9,850	6,717	5,581	4,296	19,490	221,790
<b>Net book value, March 31, 2022</b>	<b>\$ 18,215</b>	<b>\$ 87,160</b>	<b>\$ 2,310</b>	<b>\$ 8,342</b>	<b>\$ 5,918</b>	<b>\$ 313,186</b>	<b>\$ 35,202</b>	<b>\$ 12,517</b>	<b>\$ 16,866</b>	<b>\$ 5,752</b>	<b>\$ 15,641</b>	<b>\$ 521,109</b>
<b>Cost</b>												
Balance, April 1, 2020												
Cost	\$ 16,240	\$ 118,167	\$ 10,686	\$ 27,775	\$ 10,996	\$ 399,537	\$ 41,546	\$ 18,799	\$ 21,497	\$ 10,054	\$ 33,048	\$ 708,345
Additions	2,193	3,546	59	474	375	11,996	1,612	542	493	-	5,712	27,002
Disposals	-	(149)	-	(17)	-	-	-	(194)	-	(6)	(6,598)	(6,964)
<b>Balance, March 31, 2021</b>	<b>18,433</b>	<b>121,564</b>	<b>10,745</b>	<b>28,232</b>	<b>11,371</b>	<b>411,533</b>	<b>43,158</b>	<b>19,147</b>	<b>21,990</b>	<b>10,048</b>	<b>32,162</b>	<b>728,383</b>
<b>Accumulated depreciation</b>												
Balance, April 1, 2020	-	31,504	7,869	18,699	4,405	94,804	8,347	5,082	4,860	3,627	20,393	199,590
Depreciation	-	2,082	298	1,166	526	5,198	734	895	356	337	2,856	14,448
Depreciation retired	-	(14)	-	(2)	-	-	-	(103)	-	(1)	(6,554)	(6,674)
Total accumulated depreciation, March 31, 2021	-	33,572	8,167	19,863	4,931	100,002	9,081	5,874	5,216	3,963	16,695	207,364
<b>Net book value, March 31, 2021</b>	<b>\$ 18,433</b>	<b>\$ 87,992</b>	<b>\$ 2,578</b>	<b>\$ 8,369</b>	<b>\$ 6,440</b>	<b>\$ 311,531</b>	<b>\$ 34,077</b>	<b>\$ 13,273</b>	<b>\$ 16,774</b>	<b>\$ 6,085</b>	<b>\$ 15,467</b>	<b>\$ 521,019</b>

Schedule A is presented in accordance with the NSUARB Water Utility Accounting and Reporting Handbook (NSUARB Handbook).

Utility plant in service under IFRS differs from the NSUARB Handbook due to exclusion of intangible assets, componentization of certain assets and differences in useful lives for depreciation.

# Halifax Regional Water Commission

## Schedule of utility plant in service

# Schedule A

Year ended March 31, 2022 (in thousands)

### Wastewater

	Land	Structures and improvements	Pumping equipment	Treatment equipment	SCADA equipment	Collection system	Laterals	Meters	Aerotech and small systems	Tools and work equipment	Total
<b>Cost</b>											
Balance, April 1, 2021											
Cost	\$ 7,083	\$ 196,408	\$ 23,273	\$ 176,639	\$ 15,954	\$ 336,514	\$ 31,433	\$ 8,763	\$ 12,784	\$ 45,649	\$ 854,500
Additions	-	3,089	2,869	1,549	-	12,637	846	208	-	1,691	22,889
Disposals	-	-	-	-	-	-	-	-	-	(440)	(440)
<b>Balance, March 31, 2022</b>	<b>7,083</b>	<b>199,497</b>	<b>26,142</b>	<b>178,188</b>	<b>15,954</b>	<b>349,151</b>	<b>32,279</b>	<b>8,971</b>	<b>12,784</b>	<b>46,900</b>	<b>876,949</b>
<b>Accumulated depreciation</b>											
Balance, April 1, 2021	-	68,574	9,814	81,043	4,222	75,282	3,581	963	4,815	20,604	268,898
Depreciation	-	4,430	1,020	9,079	924	4,744	646	444	394	3,958	25,639
Depreciation retired	-	-	-	-	-	-	-	-	-	(435)	(435)
Total accumulated depreciation, March 31, 2022	-	73,004	10,834	90,122	5,146	80,026	4,227	1,407	5,209	24,127	294,102
<b>Net book value, March 31, 2022</b>	<b>\$ 7,083</b>	<b>\$ 126,493</b>	<b>\$ 15,308</b>	<b>\$ 88,066</b>	<b>\$ 10,808</b>	<b>\$ 269,125</b>	<b>\$ 28,052</b>	<b>\$ 7,564</b>	<b>\$ 7,575</b>	<b>\$ 22,773</b>	<b>\$ 582,847</b>
<b>Cost</b>											
Balance, April 1, 2020											
Cost	\$ 5,329	\$ 194,939	\$ 22,110	\$ 174,761	\$ 15,761	\$ 332,994	\$ 29,258	\$ 8,440	\$ 12,784	\$ 42,137	\$ 838,513
Additions	1,754	1,599	1,340	1,991	193	3,930	2,175	323	-	6,023	19,328
Disposals	-	(130)	(177)	(113)	-	(410)	-	-	-	(2,511)	(3,341)
<b>Balance, March 31, 2021</b>	<b>7,083</b>	<b>196,408</b>	<b>23,273</b>	<b>176,639</b>	<b>15,954</b>	<b>336,514</b>	<b>31,433</b>	<b>8,763</b>	<b>12,784</b>	<b>45,649</b>	<b>854,500</b>
<b>Accumulated depreciation</b>											
Balance, April 1, 2020	-	64,252	8,947	72,195	3,298	70,660	2,966	532	4,402	19,458	246,710
Depreciation	-	4,383	897	8,879	924	4,639	615	431	413	3,650	24,831
Depreciation retired	-	(61)	(30)	(31)	-	(17)	-	-	-	(2,504)	(2,643)
Total accumulated depreciation, March 31, 2021	-	68,574	9,814	81,043	4,222	75,282	3,581	963	4,815	20,604	268,898
<b>Net book value, March 31, 2021</b>	<b>\$ 7,083</b>	<b>\$ 127,834</b>	<b>\$ 13,459</b>	<b>\$ 95,596</b>	<b>\$ 11,732</b>	<b>\$ 261,232</b>	<b>\$ 27,852</b>	<b>\$ 7,800</b>	<b>\$ 7,969</b>	<b>\$ 25,045</b>	<b>\$ 585,602</b>

Schedule A is presented in accordance with the NSUARB Handbook.

Utility plant in service under IFRS differs from the NSUARB Handbook due to exclusion of intangible assets, componentization of certain assets and differences in useful lives for depreciation.

# Halifax Regional Water Commission

## Schedule of utility plant in service

# Schedule A

Year ended March 31, 2022 (in thousands)

### Stormwater

	Land	Structures and improvements	Collection system	Laterals	Aerotech and small systems	Total
<b>Cost</b>						
Balance, April 1, 2021						
Cost	\$ 473	\$ 12,683	\$ 270,385	\$ 5,374	\$ 6,076	\$ 294,991
Additions	-	49	9,523	151	312	10,035
Disposals	-	-	(8)	-	-	(8)
<b>Balance, March 31, 2022</b>	<b>473</b>	<b>12,732</b>	<b>279,900</b>	<b>5,525</b>	<b>6,388</b>	<b>305,018</b>
<b>Accumulated depreciation</b>						
Balance, April 1, 2021	-	2,208	61,212	703	2,970	67,093
Depreciation	-	236	6,655	109	721	7,721
Depreciation retired	-	-	(2)	-	-	(2)
Total accumulated depreciation, March 31, 2022	-	2,444	67,865	812	3,691	74,812
<b>Net book value, March 31, 2022</b>	<b>\$ 473</b>	<b>\$ 10,288</b>	<b>\$ 212,035</b>	<b>\$ 4,713</b>	<b>\$ 2,697</b>	<b>\$ 230,206</b>
<b>Cost</b>						
Balance, April 1, 2020						
Cost	\$ 34	\$ 12,672	\$ 265,896	\$ 5,190	\$ 5,537	\$ 289,329
Additions	439	11	4,779	184	769	6,182
Disposals	-	-	(290)	-	(230)	(520)
<b>Balance, March 31, 2021</b>	<b>473</b>	<b>12,683</b>	<b>270,385</b>	<b>5,374</b>	<b>6,076</b>	<b>294,991</b>
<b>Accumulated depreciation</b>						
Balance, April 1, 2020	-	1,972	54,702	597	2,469	59,740
Depreciation	-	236	6,520	106	731	7,593
Depreciation retired	-	-	(10)	-	(230)	(240)
Total accumulated depreciation, March 31, 2021	-	2,208	61,212	703	2,970	67,093
<b>Net book value, March 31, 2021</b>	<b>\$ 473</b>	<b>\$ 10,475</b>	<b>\$ 209,173</b>	<b>\$ 4,671</b>	<b>\$ 3,106</b>	<b>\$ 227,898</b>
<b>Cumulative utility plant in service</b>						
	<b>Water</b>	<b>Wastewater</b>	<b>Stormwater</b>	<b>Total</b>		
<b>Net book value, March 31, 2022</b>	\$ 521,109	\$ 582,847	\$ 230,206	\$ 1,334,162		
<b>Net book value, March 31, 2021</b>	\$ 521,019	\$ 585,602	\$ 227,898	\$ 1,334,519		

Schedule A is presented in accordance with the NSUARB Handbook.

Utility plant in service under IFRS differs from the NSUARB Handbook due to exclusion of intangible assets, componentization of certain assets and differences in useful lives for depreciation.

# Halifax Regional Water Commission

## Schedule of long term debt

## Schedule B

Year ended March 31, 2022 (in thousands)

	Interest rate	Final Maturity	Balance Remaining	
			2022	2021
Payable to Municipal Finance Corporation				
Water				
Debenture 31 A 1	1.630% to 4.221%	2021	\$ -	\$ 150
Debenture 32 A 1	1.636% to 3.480%	2022	200	400
Debenture 32 C 1	1.510% to 3.160%	2022	5,904	6,440
Debenture 33 A 1	1.330% to 2.979%	2023	6,067	6,573
Debenture 33 B 1	1.285% to 3.614%	2023	4,447	4,818
Debenture 34 B 1	1.200% to 3.190%	2024	8,887	9,571
Debenture 35 A 1	1.040% to 2.894%	2025	9,427	10,100
Debenture 36 A 1	1.150% to 2.925%	2026	1,000	1,200
Debenture 36 B 1	1.150% to 2.506%	2026	3,254	3,471
Debenture 37 A 1	1.734% to 3.073%	2027	2,800	2,975
Debenture 38 A 1	2.060% to 3.295%	2028	900	1,100
Debenture 38 B 1	2.490% to 3.389%	2028	5,100	5,400
Debenture 39 A 1	2.015% to 2.561%	2029	9,900	10,450
Debenture 40 A 1	0.678% to 1.879%	2030	11,400	12,000
Debenture 40 B 1	0.400% to 2.376%	2031	10,000	-
Wastewater				
Debenture 32 A 1	1.636% to 3.480%	2022	1,318	1,438
Debenture 32 B 1	1.380% to 3.156%	2022	17,600	19,200
Debenture 32 C 1	1.510% to 3.160%	2022	2,527	2,757
Debenture 33 A 1	1.330% to 2.979%	2023	10,116	10,959
Debenture 33 B 1	1.285% to 3.614%	2023	6,536	7,080
Debenture 34 A 1	1.245% to 3.347%	2024	3,620	3,898
Debenture 34 B 1	1.200% to 3.190%	2024	5,581	6,010
Debenture 35 A 1	1.040% to 2.894%	2025	9,877	10,583
Debenture 36 B 1	1.150% to 2.506%	2026	1,360	1,450
Debenture 37 A 1	1.734% to 3.073%	2027	4,880	5,185
Debenture 38 B 1	2.490% to 3.389%	2028	5,440	5,760
Debenture 39 A 1	2.015% to 2.561%	2029	13,500	14,250
Debenture 40 A 1	0.678% to 1.879%	2030	8,560	9,100
Debenture 40 B 1	0.400% to 2.376%	2031	6,000	-
HHSP				
Debenture 39 A 1	2.015% to 2.561%	2029	5,200	5,850
Stormwater				
Debenture 33 A 1	1.330% to 2.979%	2023	324	351
Debenture 33 B 1	1.285% to 3.614%	2023	1,584	1,715
Debenture 34 B 1	1.200% to 3.190%	2024	3,837	4,132
Debenture 35 A 1	1.040% to 2.894%	2025	2,261	2,423
Debenture 36 B 1	1.150% to 2.506%	2026	676	722
Debenture 37 A 1	1.734% to 3.073%	2027	320	340
Debenture 38 B 1	2.490% to 3.389%	2028	2,210	2,340
Debenture 39 A 1	2.015% to 2.561%	2029	3,600	3,800
Debenture 40 A 1	0.678% to 1.879%	2030	5,320	5,600
Debenture 40 B 1	0.400% to 2.376%	2031	4,000	-
			<u>205,533</u>	<u>199,591</u>
Payable to Halifax Regional Municipality				
Wastewater/Stormwater				
Debenture 24 B 1	2.840% to 5.940%	2024	16,500	22,000
Debenture 34 B 1	1.200% to 3.190%	2024	3,000	4,000
			<u>19,500</u>	<u>26,000</u>
			225,033	225,591
Less: debt issue costs			(851)	(926)
			<u>224,182</u>	<u>224,665</u>
Less: amount payable within one year			(46,272)	(20,559)
			<u>\$ 177,910</u>	<u>\$ 204,106</u>

# Halifax Regional Water Commission

## Schedule of earnings

## Schedule C

Year ended March 31, 2022 (in thousands)

### Water

	<u>2022</u>	<u>2021</u>
Operating revenues		
Water	\$ 48,189	\$ 47,631
Public fire protection	7,628	7,336
Private fire protection	1,270	1,001
Other operating revenue		
Bulk water stations	317	318
Late payment and connection fees	275	155
Miscellaneous	333	204
	<u>58,012</u>	<u>56,645</u>
Operating expenditures		
Water supply and treatment	10,760	9,987
Water transmission and distribution	11,316	10,960
Engineering and technology services	6,188	4,725
Regulatory services	1,220	1,091
Customer services	2,505	2,614
Corporate services	1,454	-
Administration services	3,429	3,620
Depreciation and amortization	11,489	10,879
	<u>48,361</u>	<u>43,876</u>
Earnings from operations before financial and other revenues and expenditures	<u>9,651</u>	<u>12,769</u>
Financial and other revenues		
Interest	123	127
Other	467	572
	<u>590</u>	<u>699</u>
Financial and other expenditures		
Interest on long term debt	2,113	2,028
Repayment of long term debt	5,808	5,331
Amortization of debt issue costs	81	74
Dividend/grant in lieu of taxes	5,553	5,498
Other	114	44
	<u>13,669</u>	<u>12,975</u>
Earnings (loss) for the year	<u>\$ (3,428)</u>	<u>\$ 493</u>

Schedule C is presented in accordance with the NSUARB Handbook.



# Halifax Regional Water Commission

## Schedule of earnings

## Schedule C

Year ended March 31, 2022 (in thousands)

### Wastewater

	<u>2022</u>	<u>2021</u>
Operating revenues		
Wastewater	\$ 80,646	\$ 69,605
Other operating revenue		
Leachate and other contract revenue	483	416
Septage tipping fees	490	486
Over strength surcharge	-	1
Airplane effluent	3	33
Late payment and connection fees	209	118
Miscellaneous	234	163
	<u>82,065</u>	<u>70,822</u>
Operating expenditures		
Wastewater collection	12,988	12,710
Wastewater treatment	21,774	20,623
Engineering and technology services	6,014	5,096
Regulatory services	1,584	1,385
Customer services	2,032	2,189
Corporate services	1,383	-
Administration services	1,660	2,965
Depreciation and amortization	15,882	15,019
	<u>63,317</u>	<u>59,987</u>
Earnings from operations before financial and other revenues and expenditures	<u>18,748</u>	<u>10,835</u>
Financial and other revenues		
Interest	36	55
Other	151	176
	<u>187</u>	<u>231</u>
Financial and other expenditures		
Interest on long term debt	4,019	4,405
Repayment of long term debt	13,610	13,242
Amortization of debt issue costs	125	117
Dividend/grant in lieu of taxes	777	386
Other	15	26
	<u>18,546</u>	<u>18,176</u>
Earnings (loss) for the year	<u>\$ 389</u>	<u>\$ (7,110)</u>

Schedule C is presented in accordance with the NSUARB Handbook.

# Halifax Regional Water Commission

## Schedule of earnings

## Schedule C

Year ended March 31, 2022 (in thousands)

### Stormwater

	<u>2022</u>	<u>2021</u>
Operating revenues		
Stormwater site generated service	\$ 6,294	\$ 5,127
Stormwater right-of-way service	3,835	3,835
Other operating revenue		
Late payment and connection fees	170	38
Miscellaneous	<u>126</u>	<u>102</u>
	<u>10,425</u>	<u>9,102</u>
Operating expenditures		
Stormwater collection	4,566	4,700
Engineering and technology services	1,517	1,288
Regulatory services	1,588	1,350
Customer services	274	278
Corporate services	225	-
Administration services	270	482
Depreciation and amortization	<u>2,403</u>	<u>2,198</u>
	<u>10,843</u>	<u>10,513</u>
Loss from operations before financial and other revenue and expenditures	<u>(418)</u>	<u>(1,411)</u>
Financial and other revenues		
Interest	<u>19</u>	<u>33</u>
Financial and other expenditures		
Interest on long term debt	727	685
Repayment of long term debt	2,059	1,806
Amortization of debt issue costs	22	18
Dividend/grant in lieu of taxes	<u>136</u>	<u>67</u>
	<u>2,944</u>	<u>2,576</u>
Loss for the year	<u>\$ (3,343)</u>	<u>\$ (3,954)</u>

In 2017, the NSUARB approved the inclusion of a percentage of depreciation on contributed Stormwater assets within expenditures. This depreciation was not previously reported within Schedules C and D, although reported for IFRS purposes. The current fiscal year includes depreciation of \$0.7 and the comparative figures have been restated to include the prior year amount of \$0.7.

# Halifax Regional Water Commission

## Schedule of earnings

## Schedule D

Year ended March 31, 2022 (in thousands)

### Regulated activities

	<u>2022</u>	<u>2021</u>
Operating revenues		
Water	\$ 48,189	\$ 47,631
Wastewater	80,646	69,605
Stormwater	10,129	8,962
Public fire protection	7,628	7,336
Private fire protection services	1,270	1,001
Other operating revenue	1,625	1,061
	<u>149,487</u>	<u>135,596</u>
Operating expenditures		
Water supply and treatment	10,720	9,970
Water transmission and distribution	11,316	10,960
Wastewater collection	12,965	12,664
Stormwater collection	4,566	4,700
Wastewater treatment	21,053	20,060
Engineering and technology services	13,719	11,171
Regulatory services	4,392	3,981
Customer services	4,777	5,026
Corporate services	3,044	-
Administration services	5,244	7,029
Depreciation and amortization	29,756	28,078
	<u>121,552</u>	<u>113,639</u>
Earnings from operations before financial and other revenues and expenditures	<u>27,935</u>	<u>21,957</u>
Financial and other revenues		
Interest	178	215
Other	28	88
	<u>206</u>	<u>303</u>
Financial and other expenditures		
Interest on long term debt	6,859	7,118
Repayment of long term debt	21,477	20,379
Amortization of debt issue costs	228	209
Dividend/grant in lieu of taxes	6,466	5,951
	<u>35,030</u>	<u>33,657</u>
Loss for the year	<u>\$ (6,889)</u>	<u>\$ (11,397)</u>

# Halifax Regional Water Commission

## Schedule of earnings

## Schedule D

Year ended March 31, 2022 (in thousands)

### Unregulated activities

	<u>2022</u>	<u>2021</u>
Operating revenues		
Septage tipping fees	\$ 490	\$ 486
Leachate treatment and contract revenue	483	416
Airplane effluent	3	33
Other operating revenue	39	38
	<u>1,015</u>	<u>973</u>
Operating expenditures		
Water supply and treatment	40	17
Wastewater treatment	721	563
Wastewater collection	23	46
Customer services	34	55
Corporate services	18	-
Administration services	115	38
Depreciation and amortization	18	18
	<u>969</u>	<u>737</u>
Earnings from operations before financial and other revenues and expenditures	<u>46</u>	<u>236</u>
Financial and other revenues		
Other	<u>590</u>	<u>660</u>
Financial and other expenditures		
Other	<u>129</u>	<u>70</u>
Earnings for the year	<u>\$ 507</u>	<u>\$ 826</u>

# Halifax Regional Water Commission Nova Scotia Utility and Review Board information

## Schedule E

Year ended March 31, 2022 (in thousands)

Return on rate base	2022	2021
Rate of return on rate base for Water Service	1.13%	1.99%
Rate of return on rate base for Wastewater Service	5.77%	3.09%
Rate of return on rate base for Stormwater Service	0.24%	0.09%

Return on rate base is calculated based on earnings from operations before financial and other revenues and expenditures divided by the net book value of funded utility plant in service.

### Special purpose reserves

	Wastewater and Stormwater Reserves	Regional Development Charge Water Reserve	Regional Development Charge Wastewater Reserve	Other Capital Reserves	2022 Total	2021 Total
Reserve, April 1	\$ 1,964	\$ 3,125	\$ 48,359	\$ 608	\$ 54,056	\$ 46,001
Contributions and interest	-	3,609	18,732	271	22,612	15,466
Expenditures	-	(3,729)	(2,978)	-	(6,707)	(7,411)
Reserve, March 31	\$ 1,964	\$ 3,005	\$ 64,113	\$ 879	\$ 69,961	\$ 54,056

### Summarized consolidated operating results

	2022	2021
Operating revenues	\$ 150,502	\$ 136,569
Operating expenditures	122,521	114,376
Earnings from operations before financial and other revenues and expenditures	27,981	22,193
Financial and other revenues	796	963
Financial and other expenditures	35,159	33,727
Loss for the year	\$ (6,382)	\$ (10,571)

Schedule E is presented in accordance with the NSUARB Handbook.



Financial Statements

Halifax Regional Water Commission

Employees' Pension Plan

December 31, 2021

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## Independent auditor's report

To the Board of Trustees of the  
Halifax Regional Water Commission  
Employees' Pension Plan

### Opinion

We have audited the financial statements of Halifax Regional Water Commission Employees' Pension Plan, which comprise the statement of financial position as at December 31, 2021, and the statements of changes in net assets available for benefits and changes in pension obligations for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly in all material respects, the financial position of Halifax Regional Water Commission Employees' Pension Plan as at December 31, 2021, and its changes in net assets available for benefits and its changes in pension obligations for the year then ended in accordance with Canadian accounting standards for pension plans.

### Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Halifax Regional Water Commission Employees' Pension Plan in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for pension plans, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing Halifax Regional Water Commission Employees' Pension Plan's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Halifax Regional Water Commission Employees' Pension Plan or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Halifax Regional Water Commission Employees' Pension Plan's financial reporting process.

#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Halifax Regional Water Commission Employees' Pension Plan's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Halifax Regional Water Commission Employees' Pension Plan's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Halifax Regional Water Commission Employees' Pension Plan to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

# Original Signed

Halifax, Canada  
June 23, 2022

Chartered Professional Accountants

**Halifax Regional Water Commission  
Employees' Pension Plan  
Statement of financial position**

December 31	2021	2020
<b>Assets</b>		
Investment assets	\$ 174,426,797	\$ 154,762,753
Contributions receivable	<u>269,675</u>	<u>223,912</u>
	<b>174,696,472</b>	<b>154,986,665</b>
<b>Liabilities</b>		
Payables and accruals		
Trade	<u>60,109</u>	<u>30,508</u>
Net assets available for benefits (Note 4)	<b>174,636,363</b>	<b>154,956,157</b>
Pension obligations	<u>144,611,949</u>	<u>141,762,849</u>
Surplus	<u>\$ 30,024,414</u>	<u>\$ 13,193,308</u>

On behalf of the Board of Trustees

**Original Signed** \_\_\_\_\_ Trustee

**Original Signed** \_\_\_\_\_ Trustee

See accompanying notes to the financial statements.

**Halifax Regional Water Commission**  
**Employees' Pension Plan**  
**Statement of changes in net assets available for benefits**

Year Ended December 31	2021	2020
<b>Revenue</b>		
Net investment income (Note 6)	\$ 3,356,629	\$ 3,568,646
Changes in the fair value of investment assets	<u>15,414,684</u>	<u>8,630,589</u>
	<u>18,771,313</u>	<u>12,199,235</u>
<b>Contributions (Note 7)</b>		
Participants	3,391,324	3,310,113
Sponsor	<u>3,301,346</u>	<u>3,230,131</u>
	<u>6,692,670</u>	<u>6,540,244</u>
<b>Expenses</b>		
Benefit payments (Note 8)	5,587,527	5,229,710
Administrative (Note 9)	<u>196,250</u>	<u>133,426</u>
	<u>5,783,777</u>	<u>5,363,136</u>
Increase in net assets available for benefits	<u>\$ 19,680,206</u>	<u>\$ 13,376,343</u>
Net assets available for benefits, beginning of year	\$ 154,956,157	\$ 141,579,814
Increase in net assets available for benefits	<u>19,680,206</u>	<u>13,376,343</u>
Net assets available for benefits, end of year	<u>\$ 174,636,363</u>	<u>\$ 154,956,157</u>

See accompanying notes to the financial statements.

**Halifax Regional Water Commission  
Employees' Pension Plan  
Statement of changes in pension obligations**

Year Ended December 31	2021	2020
Pension obligations, beginning of year	<u>\$ 141,762,849</u>	<u>\$ 132,840,559</u>
<u>Change in pension obligations</u>		
Changes in actuarial assumptions (Note 5)	(4,242,900)	-
Miscellaneous sources of decrease	(2,220,173)	-
Interest accrued on benefits	8,252,800	7,738,600
Benefits accrued	6,646,900	6,413,400
Benefits paid (Note 8)	<u>(5,587,527)</u>	<u>(5,229,710)</u>
	<u>2,849,100</u>	<u>8,922,290</u>
Pension obligations, end of year	<u>\$ 144,611,949</u>	<u>\$ 141,762,849</u>

See accompanying notes to the financial statements.

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# Halifax Regional Water Commission

## Employees' Pension Plan

### Notes to the financial statements

December 31, 2021

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#### 1. Description of the Plan

The Halifax Regional Water Commission Employees' Pension Plan (the "Plan") is registered under the Pension Benefits Act of Nova Scotia (Registration Number 0344614). The following description of the Plan is a summary only. For more complete information, reference should be made to the Plan agreement restated as at January 1, 2021 as amended and consolidated.

##### (a) General

The Halifax Regional Water Commission maintains a contributory defined benefit pension plan for all employees, and participation in the Plan is compulsory for full-time and part-time employees. The pension plan provides pensions based upon length of service and best seven consecutive years' earnings.

The employees who transferred to the Halifax Regional Water Commission on August 1, 2007 with the transfer of the wastewater/stormwater operations have remained members of the Halifax Regional Municipality Pension Plan. The Halifax Regional Water Commission is responsible for funding the employer share of the contributions for these employees. All new employees hired after August 1, 2007 join the Halifax Regional Water Commission Employees' Pension Plan.

##### (b) Funding policy

Employees' required contributions in 2021 were 10.34% (2020 - 10.34%) of pensionable earnings with the Halifax Regional Water Commission matching employee contributions. Basic contributions from employers and members due to the Plan at the end of the year are recorded on an accrual basis. Pensionable earnings are capped temporarily to a maximum of \$140,945 through 2023 and will be indexed at a rate of 1% per annum thereafter.

In addition, the Plan and the Pension Benefits Act of Nova Scotia require that the Halifax Regional Water Commission, from time to time, make contributions to the Plan of such amounts which are required as special payments in accordance with the provisions of the Plan as determined by the actuary (see Note 5).

Effective April 1, 2020, new funding regulations require a "Provision for Adverse Deviation" (PfAD), which is an explicit level of conservatism added to the going concern liabilities of the Plan. The PfAD is based on the riskiness of the asset mix of the Plan, and for the actuarial valuation of January 1, 2022, the PfAD is reported at 7%. As a result, total liabilities are required to be increased 7% in the determination of the Plan's surplus (funded liability/deficit) position. With the implementation of the PfAD, the Plan was able to remove its implicit margin of conservatism included in the interest rate assumption adopted in the previous actuarial valuations (Note 5).

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# Halifax Regional Water Commission

## Employees' Pension Plan

### Notes to the financial statements

December 31, 2021

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#### 1. Description of the Plan (continued)

##### (c) Retirement benefits

Employees are entitled to annual pension benefits of an amount equal to 2.0% of their best earnings averaged over the highest seven consecutive years of earnings for each year of credited service up to the maximum permitted by the Canada Revenue Agency. For credited service prior to January 1, 2016, the best average earnings cannot be less than the best average five consecutive years of earnings paid to an employee prior to 2016.

Benefits are adjusted each year. Adjustments are based on the increase in the Consumer Price Index over the previous calendar year to a maximum of 2% for benefits earned prior to January 1, 2016, and to a maximum of 1% for benefits earned after December 31, 2015.

##### (d) Disability pensions

Disabled employees continue to accrue credited service without having to continue their contributions. The employer and employees fund the actuarial cost of the pensions for disabled employees annually. Disabled employees are eligible for a pension if they meet the following criteria:

- a) they have completed 10 years of continuous participation in the Plan;
- b) they are not in receipt of a salary continuance benefit under an insured plan to which the Halifax Regional Water Commission contributes; and
- c) they are totally and permanently disabled as certified by a medical practitioner.

##### (e) Death benefits

In the event a pensioner dies after the commencement of their pension payments, the death benefit will be in accordance with the normal or optional form of pension elected at the time of retirement.

In the event a member dies before their retirement date, a survivor pension is payable to the member's surviving spouse at the rate of 60% of the member's pension credits accrued prior to June 1, 1998. The beneficiary of a single employee who dies before retirement will be entitled to the member's contributions and interest up to the month preceding death during that same period. In respect of pension credits accrued after June 1, 1998, the commuted value of the normal retirement benefits shall be paid to the member's surviving spouse, beneficiary or estate. For pension credits accrued between January 1, 1988 and May 31, 1998 whereby a survivor pension payable to the member's surviving spouse is calculated as the greater of: 1) 60% of the survivor pension, or 2) the commuted value of the normal retirement benefits. The beneficiary or estate of a single employee who dies during this same period, January 1, 1988 and May 31, 1998, would be entitled to the commuted value of the normal retirement benefits.

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# Halifax Regional Water Commission

## Employees' Pension Plan

### Notes to the financial statements

December 31, 2021

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#### 1. Description of the Plan (continued)

##### (f) Termination of employment

Subject to any statutory limitations, Plan members become vested immediately upon joining the Plan. Vesting previously occurred after two years of Plan membership. Members may elect to receive one of the following options upon termination:

- a) a paid-up deferred pension commencing on the member's normal retirement date in an amount equal to the pension accrued to date of termination; or
- b) transfer the value of benefit to the member's new employer's pension plan, a Retirement Savings Plan, or purchase a deferred annuity.

##### (g) Voluntary contributions

Members of the Plan may make additional voluntary contributions up to the deductible limit provided under the Income Tax Act. The non locked-in additional voluntary contributions may be withdrawn from the Plan by a member prior to termination or retirement, either in the form of a lump sum cash payment or transferred directly to the member's Retirement Savings Plan.

Members of the Plan may transfer non locked-in or locked-in benefits from a previous employer. Non locked-in benefits are administered as outlined in the previous paragraph. Locked-in benefits can be withdrawn within ten years of the normal retirement date. Upon retirement, the locked-in and non locked-in contributions may be used to purchase an annuity.

##### (h) Income taxes

The Plan is not subject to income taxes since it is a Registered Pension Trust as defined by the Income Tax Act.

##### (i) Surplus

Where the Plan is continuing and there is a surplus resulting from an actuarial review, the Halifax Regional Water Commission may decide how the surplus is to be treated. However, no amounts can be paid out of the fund to the employer without prior approval of the Superintendent of Pensions. This was reinforced with Memorandums of Understanding between the Halifax Regional Water Commission and each of the union groups, November 14, 2007, whereby the Halifax Regional Water Commission had to assume responsibility to fund any unfunded liability and/or solvency deficiency arising under the Plan, as required by the Pension Benefits Act of Nova Scotia. Subsequently, special payments required to fund any unfunded liability resulting from an actuarial review, were deposited into a separate fund, to track the unique nature of these contributions into the Plan. As at December 31, 2021, the balance of this fund totals \$31,041,000, consisting of contributions in the amount of \$15,289,000 and investment income/gains (net of expenses) totalling \$15,752,000.

Pursuant to the Memorandums of Understanding (Pensions) between the Halifax Regional Water Commission and each of the two union groups dated June 7, 2019, indexing to a maximum of 2% would be reinstated once the going concern special payments made by the Halifax Regional Water Commission, and subject to the Plan:



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# Halifax Regional Water Commission

## Employees' Pension Plan

### Notes to the financial statements

December 31, 2021

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#### 1. Description of the Plan (continued)

##### (i) Surplus (continued)

- Having a going concern funded ratio of 108% (or above);
- No solvency deficit; and
- So long as the implementation can be affected while maintaining a going concern funded ratio of 108%.

A surplus resulting from the wind-up of the Plan will be used to increase the benefits to the living Members of the Plan (including pensioners) and their beneficiaries to the extent permitted by the Income Tax Act and Regulations. Any balance remaining will be returned to the Halifax Regional Water Commission, however no amounts can be paid out of the fund to the employer without prior approval of the Superintendent of Pensions.

#### 2. Statement of compliance with Canadian accounting standards for pension plans and summary of significant accounting policies

The financial statements are presented in accordance with Canadian accounting standards for pension plans in Part IV of the Chartered Professional Accountants of Canada (CPA) Handbook, Section 4600 – Pension Plans. Section 4600 provides specific accounting guidance on pension obligations and investments, with investments complying with international financial reporting standards ("IFRS") in Part I of the CPA Canada Handbook. For accounting policies that do not relate to either investments or pension obligations, the plan must consistently comply with either IFRS or Canadian accounting standards for private enterprises ("ASPE") in Part II of the CPA Canada Handbook. The Plan has elected to comply on a consistent basis with ASPE. To the extent that ASPE is inconsistent with Section 4600, Section 4600 takes precedence.

##### (a) Financial instruments

Financial assets and financial liabilities are recognized when the Plan becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial assets expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

All financial assets and financial liabilities are initially measured at fair value. Fair value is an estimate of the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

Financial assets and liabilities are subsequently measured as described below:

##### *Investment assets*

All investment assets are measured at fair value at the date of the statement of financial position in accordance with IFRS 13: Fair Value Measurement Part I of the CPA Canada Handbook. Fair values of investment assets are determined as follows:

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# Halifax Regional Water Commission

## Employees' Pension Plan

### Notes to the financial statements

December 31, 2021

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#### 2. Statement of compliance with Canadian accounting standards for pension plans and summary of significant accounting policies (continued)

##### (a) Financial instruments (continued)

- Pooled funds are valued at the unit value supplied by the Master Trust administrator and which represent the Plan's proportionate share of underlying net assets at fair value determined using closing bid prices.

Transaction costs are not included in the fair value of investment assets either on initial recognition or on subsequent re-measurement. Transaction costs are included in the statement of changes in net assets available for benefits as part of expenses incurred in the period.

Investment income, excluding changes in the fair value of investment assets, is presented in the statement of changes in net assets available for benefits.

##### *Financial liabilities*

Financial liabilities are measured subsequently at amortized cost using the effective interest method.

##### (b) Pension obligations

The Plan is a defined benefit plan established for members. The pension obligations recognized in the statements of financial position are the actuarial present value of accrued pension benefits determined by applying best estimate assumptions and the projected benefit method prorated on services.

##### (c) Net investment income

Income from investments is recognized on an accrual basis and includes dividend income (recognized on ex-dividend date), interest income, and is net of investment manager fees.

##### (d) Changes in the fair value of investment assets and liabilities

This includes both realized gains or losses on sale of investments and unrealized gains or losses on investments.

Realized gains or losses on sale of investments are the difference between the proceeds received and the average cost of investments sold.

Unrealized gains or losses on investments represent the difference between the carrying value at the year end and the carrying value at the previous year end or purchase value during the year, less the reversal of previously recognized unrealized gains and losses in respect of disposals during the year.

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# Halifax Regional Water Commission

## Employees' Pension Plan

### Notes to the financial statements

December 31, 2021

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#### 2. Statement of compliance with Canadian accounting standards for pension plans and summary of significant accounting policies (continued)

##### (e) Contributions

Required employee and employer contributions are recorded the month following when the payroll deductions are made. Employee and employer contributions, as well as special payments due to the Plan at the end of the year are recorded on an accrual basis. Cash received from pension plan transfers or members for service purchases are recorded when received.

##### (f) Benefits

Benefit payments to retired members, commuted value payments and refunds to former members are recorded in the period paid. Accrued benefits are recorded as part of the accrued pension benefit obligation.

##### (g) Estimation uncertainty

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, revenue, and expenses. The actual results are likely to differ from the judgments, estimates and assumptions made by management and will seldom equal the estimated results. Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, revenue, and expenses are discussed below:

###### *Fair value of financial instruments*

Management uses valuation techniques in measuring the fair value of financial instruments, where active market quotes are not available. Details of the assumptions used are given in the notes regarding financial assets and liabilities. In applying the valuation techniques, management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

###### *Pension obligations*

Management estimates the pension obligations annually with the assistance of an independent actuary; however, the actual outcome may vary due to estimation uncertainties. The estimate of the pension obligation of \$144,611,949 (2020 - \$141,762,849) is based on assumed rates of retirement, mortality, breaks in service and contributory hours. Discount factors are determined at or near year-end to reflect the long-term expectation of investment returns that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

# Halifax Regional Water Commission Employees' Pension Plan Notes to the financial statements

December 31, 2021

### 3. Investment assets

The investment in the Halifax Regional Municipality Master Trust (the "HRM Master Trust") is recorded at its fair value. The Plan's interest in the HRM Master Trust represents 6.50% (December 31, 2020 – 6.39%) of the HRM Master Trust units. The remaining units are held by the Halifax Regional Municipality ("HRM"). The co-mingling of investments does not affect the actuarial liabilities or the net assets available for benefits of the Plan.

The fair value of the investment in the HRM Master Trust is determined as at the date of the statements of financial position as described in note 2(a). The fair value of the investment in the HRM Master Trust is categorized as a Level 2 investment under fair value hierarchy measurement.

Section 67 (3) of the *Pension Benefits Act Regulations* requires disclosure of each investment asset that has a fair value greater than two percent (2%) of the fair value of all the investment assets of the Plan. The following schedule reports all investments having a fair value greater than 2% of the fair value of all investment assets of the Plan.

Investment	Asset Class	Market Value
BlackRock Canadian World Index Fund	Global Equities	\$ 9,807,858
Wellington Management Global Total Return Fund	Foreign Bonds	8,860,366
BlackRock Alpha Advantage Global Fund	Global Equities	7,960,498
BlackRock Active Canadian Equity Fund	Canadian Equities	6,619,310
Mawer International Equity Pooled Fund	International Equities	5,613,572
Marathon International Equity Fund	International Equities	5,259,916
UBS (UK) Real Estate Funds Selection Global Ex Canada, L.P.	Real Estate-Limited Partnership	4,450,695
Minto Multi-Residential Income Partners I, L.P.	Real Estate-Limited Partnership	4,241,308
Wellington Emerging Markets Local Equity Fund	Emerging Market Equities	3,916,894
Trinetra Emerging Markets Growth Fund	Emerging Market Equities	3,571,810
		<b>\$ 60,302,227</b>

### 4. Net assets available for benefits

2021

2020

#### Allocation of net assets available for benefits

To pension plan	\$ 173,777,663	\$ 154,221,503
To extra voluntary contribution benefits	589,577	469,448
To individual locked in amounts	<u>269,123</u>	<u>265,206</u>
	<b>\$ 174,636,363</b>	<b>\$ 154,956,157</b>

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# Halifax Regional Water Commission

## Employees' Pension Plan

### Notes to the financial statements

December 31, 2021

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#### 5. Pension obligations

An actuarial valuation of the Halifax Regional Water Commission Employees' Pension Plan was performed as at January 1, 2022.

The actuarial value of accrued benefits, determined periodically by the Plan's actuary, is the amount that results from applying actuarial assumptions to adjust the Plan benefits to reflect the time value of money between the valuation date and the expected date of payment. The significant actuarial assumptions used include:

- a) 40% of members will retire at the age of 65, and 60% will retire at the earliest date of eligibility for an unreduced pension;
- b) interest rate assumption of 6.35% per annum (2019 – 5.80%);
- c) salary scale assumption of 3.90% per annum (2019 – 3.90%); and
- d) life expectancy of participants based upon the CPM-2014 Combined mortality table, with Scale CPM-B (post retirement), no mortality in pre-retirement.

The 2019 interest rate assumption of 5.80% referenced above included an implicit margin for conservatism of 0.60% as determined by the Plan. As a result of the new funding Regulations effective April 1, 2020, the Plan's implicit margin for conservatism has been removed for the actuarial valuation of January 1, 2022, as an explicit level of conservatism has been added through legislation (Note 1).

As a result of the January 1, 2022 actuarial valuation, special payments in respect of going concern liabilities are no longer required. The next actuarial valuation for the Plan is required to be performed no later than January 1, 2025.

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6. Net investment income	<u>2021</u>	<u>2020</u>
Income from investment funds	\$ 3,657,805	\$ 3,763,614
Investment manager fees	<u>(301,176)</u>	<u>(194,968)</u>
	<u>\$ 3,356,629</u>	<u>\$ 3,568,646</u>

**Halifax Regional Water Commission  
Employees' Pension Plan  
Notes to the financial statements**

December 31, 2021

<b>7. Contributions</b>	<b><u>2021</u></b>	<b><u>2020</u></b>
Participants' contributions		
Required	\$ 3,301,346	\$ 3,230,131
Voluntary	<u>89,978</u>	<u>79,982</u>
	<b><u>\$ 3,391,324</u></b>	<b><u>\$ 3,310,113</u></b>
Sponsor's contributions		
Required	<b><u>\$ 3,301,346</u></b>	<b><u>\$ 3,230,131</u></b>

<b>8. Benefit payments</b>	<b><u>2021</u></b>	<b><u>2020</u></b>
Retirement benefit payments	\$ 4,739,794	\$ 4,552,474
Termination benefit payments	783,885	677,236
Death benefit payment	<u>63,848</u>	<u>-</u>
	<b><u>\$ 5,587,527</u></b>	<b><u>\$ 5,229,710</u></b>

During 2021, there were 13 termination benefit payments (2020 - 17) and 1 death benefit payment (2020 - 0). Termination benefits are paid out as described in Note 1(f).

<b>9. Administrative expenses</b>	<b><u>2021</u></b>	<b><u>2020</u></b>
Actuarial and consulting fees	\$ 83,773	\$ 42,143
Audit and accounting fees	10,027	8,648
Bank custodian fees	27,576	30,479
Insurance	10,600	9,636
Miscellaneous	18,083	16,724
Professional fees	43,529	23,151
Registration fees	<u>2,662</u>	<u>2,645</u>
	<b><u>\$ 196,250</u></b>	<b><u>\$ 133,426</u></b>

**10. Related party transactions**

The Halifax Regional Water Commission, the Plan's sponsor, collects the Plan's contributions and pays certain expenses on behalf of the Plan. These items are then credited or charged back to the Plan.

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# Halifax Regional Water Commission

## Employees' Pension Plan

### Notes to the financial statements

December 31, 2021

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#### 11. Financial instruments

##### Financial instruments risk exposure and management

The Plan is exposed to various risks in relation to its investment in the HRM Master Trust, consisting of investment assets. The Plan's financial assets are categorized in Level 2. The main types of risks are market risk, credit risk and liquidity risk.

The Plan's risk management policy is derived from the HRM Master Trust in which the Plan holds units. The HRM Master Trust has formal policies and procedures placed upon it that establish an asset mix among equity and fixed income investments, required diversification of investments within categories, a set limit on the size of exposure to individual investments, and a requirement to use A-rated counterparties.

The Plan does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Plan is exposed are described below:

##### (a) Market risks

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. For purposes of this disclosure, the Plan segregates market risk into three categories: interest rate risk, currency risk and other price risk.

##### *i. Interest rate risk*

Interest rate risk refers to the fact that the value of the Plan's assets is affected by changes in nominal interest rates and equity markets.

##### *ii. Currency risk*

The Plan's functional currency is Canadian dollars and all the Plan's transactions are carried out in Canadian dollars.

##### *iii. Other price risk*

Other price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices, other than those arising from interest rate risk or currency risk, whether those changes are caused by factors specific to the individual investment or factors affecting all securities traded in the market.

All investments have a risk of loss of capital. The maximum risk resulting from the investments is determined by the fair value of the instruments, which total \$174,426,797 at December 31, 2021 (2020 - \$154,762,753). A one percent change (1%) in market risk (holding all variables constant) will impact the fair value of these instruments by approximately \$1,744,000 (2020 - \$1,548,000).

# Halifax Regional Water Commission

## Employees' Pension Plan

### Notes to the financial statements

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#### 11. Financial instruments (continued)

##### (b) Credit risk

Credit risk on financial instruments is the risk of financial loss occurring as a result of default or insolvency of a counterparty on its obligations to the Plan. The Plan's credit risk is primarily attributable to the underlying assets of the HRM Master Trust. Credit risk is mitigated through the management of the HRM Master Trust assets with generally accepted parameters of safety and prudence, using a diversified investment program. Investments in the HRM Master Trust must adhere to specific limitations as outlined in the Halifax Regional Municipality's Statement of Investment Policies and Procedures for the Defined Benefit Pension Plan ("the Statement of Investment Policies and Procedures").

##### (c) Liquidity risk

Liquidity risk is the risk of not being able to meet the Plan's cash requirements in a timely and cost-effective manner. Liquidity requirements are managed through income generated from investments and monthly contributions made by members and participating employers. The sources of funds are used to pay pension benefits, make additional investments, and fund operating expenses. The Plan's primary future liabilities include the accrued benefit obligation of the Plan. The Plan's main asset, the investment in the HRM Master Trust, is liquid as cash is available to make required payments.

The following are the contractual maturities of financial liabilities:

Payments due year ending December 31, 2021

	<u>Total</u>	<u>Less than 1 year</u>	<u>1 - 3 years</u>	<u>4 - 5 years</u>	<u>After 5 years</u>
Payables and accruals	<u>\$ 60,109</u>	<u>\$ 60,109</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Payments due year ending December 31, 2020

	<u>Total</u>	<u>Less than 1 year</u>	<u>1 - 3 years</u>	<u>4 - 5 years</u>	<u>After 5 years</u>
Payables and accruals	<u>\$ 30,508</u>	<u>\$ 30,508</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



# Halifax Regional Water Commission

## Employees' Pension Plan

### Notes to the financial statements

December 31, 2021

#### 11. Financial instruments (continued)

##### Fair value disclosure

The financial instruments recognized at fair value on the statement of financial position must be classified as one of three fair value hierarchy levels. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement. The financial assets and liabilities measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows:

Financial assets at fair value as at December 31, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Pooled fund	\$ -	\$ 174,426,797	\$ -	\$ 174,426,797

Financial assets at fair value as at December 31, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Pooled fund	\$ -	\$ 154,762,753	\$ -	\$ 154,762,753

There were no transfers between the three levels between December 31, 2020 and December 31, 2021.

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

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**Halifax Regional Water Commission**  
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**12. Capital management**

The Plan defines its capital as the deficiency of the Plan, as determined annually based on the fair value of net assets and actuarial liabilities, provided by the actuarial valuation prepared by the Plan's independent actuary (Note 5).

The overall objectives in investing the assets of the Plan are to ensure sufficient liquidity to support its financial obligations, to continue to provide benefits in the best interest of its members, to remain financially self-sufficient and to preserve and enhance the value of capital through adequate diversification in high quality investments and achieve the highest investment return that can be obtained with the assumption of an acceptable degree of risk. The Plan holds units with the HRM Master Trust which has formal policies and procedures that establish asset mix, require diversification within different categories, set a limit on the exposure to individual investments and provides a requirement to use A-rated counterparties.

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**13. Subsequent event**

Since December 31, 2021, there have been a number of factors contributing to an economic slowdown including the lingering effects of COVID-19, increased inflation, rising interest rates, and the Russia-Ukraine conflict, which are causing material disruptions to businesses around the world and significant volatility and weakness in global equity markets.

As at April 30, 2022, the fair value of the Plan's investments declined by 4.61%, or approximately \$7,970,000 since December 31, 2021. Currently the Plan does not foresee a significant impact to future operations or its ability in continuing to make benefit payments.