

Report to Council

To: Finance, Legislative & Property Committee
From: Administration – Finance
Date: December 9, 2024
Re: Water Treatment Plant Upgrade Project - Public Utilities Board Debt Approval

ISSUE:

To obtain approval in principle from the Public Utilities Board (PUB) to issue debt for the Water Treatment Plant (WTP) Upgrade project.

ALTERNATIVES:

- 1) To approve proceeding with the request for in principle approval from the PUB to issue debt for the WTP Upgrade project.
- 2) Not to approve proceeding with the request for in principle approval from the PUB to issue debt for the WTP Upgrade project.

ANALYSIS:

The City of Portage la Prairie is planning to upgrade and expand the WTP. The plant expansion includes a new raw water intake, a second ballasted flocculation system for redundancy, and four trains of dual stage Ultrafiltration-Reverse Osmosis membrane treatment system to both increase the plant capacity and water quality. Additionally, the project includes upgrades to the existing facility for repairs that cannot be completed until after the membrane system is operational. The total estimated cost of this project is \$100,464,000.

The City engaged Way to Go Consulting to conduct a utility rate study assessing the impact of debenture debt required to fund the City’s share of the WTP Upgrade. The attached report outlines the project’s capital costs, funding strategies, debenture debt expenses, and their impact on water rates.

The funding breakdown for this project is as follows:

| | |
|------------------------------|---------------|
| City Utility Reserve | \$1,750,000 |
| City Debenture Debt | 55,204,000 |
| Total City Funding | 56,954,000 |
| Provincial Funding (MWSB) | 40,250,000 |
| Interest on Provincial Grant | 3,260,000 |
| Total Project Funding | \$100,464,000 |

PUB approval in principle is required to issue debt for the WTP Upgrade project. A resolution of Council is required to initiate the request.

ADMINISTRATIVE RECOMMENDATION:

Whereas the City of Portage la Prairie Water Treatment Plant requires upgrading and expansion estimated to cost \$100,464,000;

And Whereas the City intends to fund this project through grants, reserve transfer and debt issuance as follows:

| | |
|------------------------------|-----------------------------|
| City Utility Reserve | \$1,750,000 |
| City Debenture Debt | <u>55,204,000</u> |
| Total City Funding | 56,954,000 |
| Provincial Funding (MWSB) | 40,250,000 |
| Interest on Provincial Grant | <u>3,260,000</u> |
| Total Project Funding | <u><u>\$100,464,000</u></u> |

And Whereas costs attributable to capital amortization and interest expense for this project are estimated to require an increase of 60% in water utility rates based on the City’s utility rate setting methodology;

Therefore Be It Resolved That the City of Portage la Prairie request approval in principle from the Public Utilities Board to issue debenture debt of up to \$55,204,000 repayable over 30 years at an interest rate estimated at 7%.

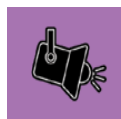
ALIGNMENT WITH COUNCIL STRATEGIC PLAN:



1. Quality of Life



2. Community Safety and Well-Being



3. Showcasing our Community



4. Economic Opportunity



5. Inclusive and Informed Community