

BUFFALO  
POUND  
WATER  
BOARD OF  
DIRECTORS

THE PLANT  
306.694.1877  
ADDRESS: 2470 VICTORIA AVE  
PO BOX 1790, REGINA, SK S4P 3C8

April 22, 2022

Mr. Jim Puffalt  
City Manager  
CITY OF MOOSE JAW  
228 Main Street N.  
Moose Jaw, SK.  
S6H 3J8

Mr. Barry Lacey, Exec. Director  
Financial Strategy & Sustainability  
CITY OF REGINA  
PO Box 1790  
Regina, SK  
S4P 3C8

Dear Sir:

**Re: Plant Renewal Project Award - Request for Funding**

We write further to our letter of January 31, 2022 and follow-up meeting of February 24, 2022 which discussed the Plant Renewal Project shortfall and the Cities' preferences on how to proceed. The consensus from the meeting was that the administrations would support the shortfall as commercial bank SWAP; only a commitment was required in the short term. Formal requests would be forwarded to both City Councils for their Executive and Council Meetings in May.

Following the meeting, the Joint Venture ("JV") was informed that an award date would not be possible until late May 2022. The Corporation required time to receive the Guaranteed Maximum Price proposal ("GMP"), undertake the review and due diligence in order to make a recommendation to the Buffalo Pound Water Board of Directors and meet the Cities' timelines to have the request for additional funding before City Council in May 2022.

On March 25, 2022, two proposals were received by the JV; the GMP and Lump Sum. Based on the review, it was determined that the Lump Sum proposal was the best value and provided the least risk for the Corporation. However, it was outside the funding available for the project. The major difference between the Lump Sum and GMP is, that once the price is agreed upon the number is fixed and the JV proceeds with the construction risks; it simplifies the administration and ongoing auditing function; there is no cost sharing if the project comes in under budget and the Corporation receives a substantial savings upfront.

Although the amount of funding available and construction costs changed, the total shortfall remained the same as it was in November 2021 when the PreGMP was submitted at \$55.0 million.

The Corporation currently has structured financing in place for the Project of \$270.6 million from all sources to be financed through the following means:

- a. Advisory and engineering design services of \$32.3 million from reserve funds allocated; and
- b. Construction cost of \$238.3 million through:
  - a. ICIP grant - \$163.4 million;
  - b. TD borrowing - \$60.0 million; and
  - c. BPWTC use of \$14.9 million in reserves.

The Total Cost for the Project is now known at \$325.6 million (excluding GST) from the following components:

- a. Advisory and engineering design services of \$30.6 million; and
- b. Construction services \$295.0 million through:
  - a. Lump Sum construction services \$267.8 million;
  - b. Required allowances \$5.5 million;
  - c. Corporation contingency \$10.0 million, returned if not used;
  - d. Owner Control Insurance Program \$3.2 million; and
  - e. Orthophosphate system and the solar power system is \$8.5 million.

Borrowing \$55.0 million at 4% can be managed with an increase in the Capital Water rate of \$100.00 per megalitre or \$0.10/m<sup>3</sup>. The impact to the Cities' water consumption rates that consumers pay is 4.5% (Regina) and 7.1% (Moose Jaw). Based on cash flow, these funds are not required until early 2024, although a commitment from both City Councils is required in order for the Corporation to accept and award the Lump Sum proposal.

The attached Memorandum from Jacobs details the pros and cons of accepting the Lump Sum, GMP and Off-Ramp and provides their recommendation. Jacobs' recommendation is in response to the JV submissions and does not include the Corporation's contingency, future scope changes, advisory services or design engineering services. However, Jacobs' Memorandum does identify these additional cost items that should be considered in defining the overall total project cost.

At a Special Meeting of the Board held on April 22, 2022, the following motion was adopted:

THAT the Buffalo Pound Water Board of Directors accept and award the Lump Sum proposal presented by the Graham-Aecon Joint Venture for the Plant Renewal Project; subject to:

- (i) the Cities of Regina and Moose Jaw committing to additional funding required to complete the Project; and

THAT the President & CEO be delegated the necessary authority to complete any necessary negotiations with the Graham-Aecon Joint Venture and execute the Construction Services Variation Confirmation; and further

THAT the President & CEO authority be capped globally to \$295.0 million (excluding GST) for the Plant Renewal Project construction and generally as follows:

(i) Construction Costs	\$267.8 million
(ii) Allowances	\$5.5 million
(iii) Contingency	\$10.0 million
(iv) Insurance (OCIP)	\$3.2 million
(v) Orthophosphate & Solar	\$8.5 million

As a controlled Corporation of Regina and Moose Jaw, BPWTC is subject to the limitations and processes set forth in *The Cities Act* (Saskatchewan) (the "**Cities Act**"). In addition to the requirements of the Cities Act, the Corporation is subject to a Unanimous Membership Agreement effective January 1, 2016 (the "**UMA**"). The UMA provides the Board with the authority to complete the Project provided that:

- All funding is in place for the Project
- The Project is part of the approved annual budget(s)

As per the Cities Act and Article 5.2 (f) of the UMA, the Cities must approve any borrowing contemplated by BPWTC. BPWTC respectfully requests that the City Administrations forward the request authorizing the Corporation to borrow \$55 million to both City Councils for consideration in May, 2022. The Corporation has requested the JV to extend the Lump Sum proposal validity period until May 27, 2022. Accordingly, time is of the essence.

We look forward to working with the Cities on this matter.

Please do not hesitate to contact the undersigned or Mr. Johnson if you have any questions or concerns.

Yours truly,



Dale Schoffer, FCPA, FCA, C.Dir.  
Chair  
Buffalo Pound Water Board of Directors  
RJ/lw

c. Mr. Ryan Johnson, President & CEO, Buffalo Pound Water