

FINANCE COMMITTEE REPORT

Report Date	May 27, 2019
Meeting Date	May 29, 2019

Chairman Councillor Merrithew and Members of Finance Committee

SUBJECT: Safe Clean Drinking Water Project (SCDWP) Reserve Fund

OPEN OR CLOSED SESSION

This matter is to be discussed in open session of Finance Committee.

AUTHORIZATION

Primary Author	Commissioner/Dept. Head	City Manager
<i>Cathy Graham</i>	<i>Brent McGovern</i>	<i>John Collin</i>

RECOMMENDATION

It is recommended that the Finance Committee submit the following report to the June 3, 2019 meeting of Common Council with a recommendation to withdraw the Safe Clean Drinking Water Project (SCDWP) Reserve funding in preparation for the upcoming substantial completion payment to Port City Water Partners which is planned to occur in the approximately the next few weeks.

EXECUTIVE SUMMARY

Saint John Water has been budgeting for and transferring funds into a SCDWP Reserve Fund since 2015. This was a conscious decision to reduce borrowing which in turn would lower the operating costs over the next 30 years with lower principal and interest payments.

In approximately the next few weeks a payment will be made for substantial completion of the SCDWP to Port City Water Partners. In preparation for this payment the time has come to withdraw the funds of just over \$20.1 million from the SCDWP Reserve Fund that was set-up for this purpose. The withdrawing of these funds requires Council approval as per the policy on reserve funds.

PREVIOUS RESOLUTION

N/A

STRATEGIC ALIGNMENT

The recommendation aligns with Council's priority of fiscal responsibility.

REPORT

Saint John Water has included in the operating budget, funds to be transferred to the SCDWP Reserve Fund. There have also been additional transfers of surplus funds in the last few years. These funds plus the interest earned now totals just over \$20.1 million. These funds were set aside to reduce the borrowing required for the substantial completion payment of the SCDWP.

Substantial completion is nearing and the final reviews are occurring by the Independent Certifier, Saint John Water and Port City Water Partners. Upon completion of these reviews and identification of the deficiency holback amount the substantial completion amount will be finalized. Payment will then follow in the coming weeks therefore it is time to withdraw the funds from the SCDWP Reserve Fund.

SERVICE AND FINANCIAL OUTCOMES

The capital reserve fund for the SCDWP will save rate payers approximately \$10M and forgo the burden of additional debt payments.

INPUT FROM OTHER SERVICE AREAS AND STAKEHOLDERS

Finance and Saint John Water collaborated and provided input for this report.

ATTACHMENTS

N/A