

# Board Meeting Briefs

## March 22, 2024

Provincial Grant Funding:

Thanks to the Board members and your respective Mayors for prioritizing very busy schedules to attend Monday's funding announcement. While the provincial investment of \$50M is not likely to lead to rate reductions, it will contribute to some rate stabilization by reducing the need for even greater rate increases to pay for the necessary plant upgrades and address our deteriorating assets. It is too early to know exactly what the implications will be with regard to the rate model. Our goal is to have preliminary rate projections for discussion at the Board workshop in mid-May. ARROW is committed to thoughtfully establishing reserve practices in order to ensure we are in the best financial position as an organization in the future. We will continue to foster connections with the province to ensure that the forecasted investments for 2025 and 2026 are secured.

Committee Updates:

**Audit and Finance:** Met twice since last board meeting; received a presentation on draft financial statements from the auditors and participated in robust conversation on reserve management.

**Advocacy:** Met once since last board meeting. Thanks to prior members of the committee for their work in securing the provincial funding. Hosted strategic conversation for identifying funding at the Federal level and where we might fit to be a recipient, and the importance of funding considerations for underground infrastructure.

**Board Development:** Met twice since last board meeting. The group determined dates, location, and a draft 2-day agenda for the annual Board workshop.

**Governance & HR:** Met twice since the last board meeting. It was acknowledged that there were concerns raised from member municipalities regarding Train 4 processes. The Committee wants to conduct a review to ensure learnings are captured; considered the elements of a governance review and determined the objectives were more aligned to a project review. Draft terms of reference were developed for a post-project review to be conducted closer to project completion. These will be finalized and presented to the entire board at the May workshop.

Audit:

The Board received a presentation from Edward Telford from JD Wasserman Accountants. Financial reserves are overstated by \$18.5M and equity in tangible capital assets is understated by \$18.5M as the capital reserve has \$18.5M of received debentures that are currently allocated to the Train 4 project. JDP Wasserman will restate the audited financial statements for this disclosure and presentation in fiscal 2024 to appropriately report ARROW's financial position. As of December 31, 2023, ARROW had exceeded its current internal debt limit of 150% revenue by \$3.6M and was approaching the legislated limit of 200% revenue with only \$24.4M of provincial debt limit remaining.

Borrowing Limit:

To avoid the need for a mid-year rate increase, we will need to get approval from the Minister of Municipal Affairs to go over our borrowing limit. Our Interim Finance Directors forecasted a worst-case scenario projection regarding borrowing limits, enabling the Board to pass a motion permitting us to seek provincial approval as we require a debt limit of 80% in excess of the provincially legislated amount, and a debt servicing limit of 20% above the provincially legislated amount. Canadian Strategy Group will be working on our behalf with the provincial department, to ensure they have a full understanding of the contributing factors that lead to this need, including the forecasted grant payment structure and the need to support regional residential and industrial growth demands.

### Name Change

A Board resolution was signed to be submitted to the Office of the Minister of Municipal Affairs to officially change our legal name to **ARROW Utilities: A Capital Region Commission.**