



➤ Incidents and Contraventions ➤ Q3 Financials	
Closed Session	Kate P
2024 Budget	Paul K
Notices of Motion	All
Round Table	All
Closing Remarks/Adjournment	Ken M



November 24, 2023
Board Committees

Purpose of Report	To support the governance and function of the organization, ARROW Utilities has committees.
Attachments	N/A
Alignment to Board's Strategic Plan	Responsible leadership - provide opportunities for board development
	N/A
	N/A
Alignment to ESG Principles	Governance - promotes transparency and accountability
	Governance - addresses and mitigates organizational risk
	N/A
Background and Discussion	<p>In 2023, Committee membership was as follows; highlighted names indicate that this individual is no longer on the Board of ARROW Utilities:</p> <p>CEO Performance Monitoring Committee Ken Mackay Harold Pawlechko Gordon Harris Lynn Bidney</p> <p>Workshop Committee Stuart Houston Stephen Dafoe Lynn Bidney Neal Comeau</p> <p>Communication & Advocacy Committee Harold Pawlechko Bill Hamilton Steven vanNieuwkerk Rick Smith Kristina Kowalski</p>

Report Date: November 1, 2023
Author/Title: Kate Polkovsky
Approved by: Kate Polkovsky, CEO

	<p>Examining the following Committees, Administration recommends an update is considered to the Workshop Committee to consider renaming this committee to the Education Committee to include the management of board training, and the workshop inclusive.</p> <p>Finally, Administration recommends that a fourth committee, Financial Committee, terms of reference is established in 2024 for review and approval.</p>
Recommendation	<p>THAT the discussed recommended committee memberships be approved for 2024.</p> <p>THAT the Workshop Committee is renamed to the Education Committee.</p> <p>THAT a terms of reference for a Financial Committee is established for consideration in 2024.</p>
Implications of recommendation(s):	
Financial	N/A
Legal / Risk	N/A
Environmental / Safety	N/A
Organizational impacts	N/A

Report Date: November 1, 2023
Author/Title: Kate Polkovsky
Approved by: Kate Polkovsky, CEO



November 24, 2023
2024 Board Meeting Dates

Purpose of Report	To determine the 2024 Board meeting dates for ARROW Utilities.
Attachments	N/A
Alignment to Board's Strategic Plan	Responsible leadership - engage with the broader community to increase the awareness of the commission and its work
	N/A
	N/A
Alignment to ESG Principles	Governance - promotes transparency and accountability
	N/A
	N/A
Background and Discussion	The proposed schedule follows the Board's historic practice of holding Board meetings on the third Friday of every other month from 9:00 am to 11:00 am. The meeting schedule has been developed based on previous years' schedules and topic calendars. It is anticipated that sufficient training and business can occur within the provided schedule. Board meetings are public. Once adopted, the schedule will be posted to our website to meet the requirements of the MGA regarding public notification.
Recommendation	THAT the Board approve the following dates for the 2024 Board meetings: January 26, 2024 March 22, 2024 May 14-16, 2024 (Board Workshop) June 14, 2024 September 13, 2024 November 15, 2024 (Organizational Meeting)
Implications of recommendation(s):	

Report Date: November 1, 2023
Author/Title: Kate Polkovsky
Approved by: Kate Polkovsky, CEO

Financial	N/A
Legal / Risk	N/A
Environmental / Safety	N/A
Organizational impacts	N/A

Report Date: November 1, 2023
Author/Title: Kate Polkovsky
Approved by: Kate Polkovsky, CEO

Meeting Minutes

Board Meeting
Friday September 15th, 2023, 09:00 am
ACRWC WWTP Kisiskaciwan Room

Members Present:

Bill Hamilton	City of Leduc
Gordon Harris	City of Fort Saskatchewan
Harold Pawlechko	Town of Stony Plain
Ken Mackay	City of St. Albert
Kristina Kowalski	Parkland County
Lynn Bidney	Town of Bon Accord
Neal Comeau	Sturgeon County
Rick Smith	Leduc County
Robert Parks	Strathcona County
Stephen Dafoe	Town of Morinville
Steven vanNieuwkerk	City of Beaumont
Willis Kozak	Town of Gibbons

Members Absent:

Stuart Houston	City of Spruce Grove
----------------	----------------------

Commission Staff & Others

Kate Polkovsky	Chief Executive Officer
Cindy de Bruijn	Director of Communications & Stakeholder Relations
Paul Krueger	Director of Corporate Services
Wade Teveniuk	Director of Regulatory Services
Gavin Kim	Process Engineer
Colleen Moody	Executive Assistant

Call to Order:

Chair Ken Mackay called the meeting to order at 09:00 a.m.

Adoption of Agenda

CM44-23

MOVED BY Harold Pawlechko THAT the agenda as distributed be adopted.

APPROVED UNANIMOUSLY

Adoption of 2023 06 16 Meeting Minutes:

CM45-23

MOVED BY Kristina Kowalski THAT the minutes of the June 16th, 2023, meeting as presented be adopted.

APPROVED UNANIMOUSLY

Board Committees:

Advocacy & Communications Committee

Ken Mackay spoke to the Board.

CM46-23

MOVED BY Steven vanNieuwkerk THAT the Advocacy & Communication Report be received for information.

APPROVED UNANIMOUSLY

Administrative Reports

CM47-23

MOVED BY Stephen Dafoe the Administrative Reports be received for information.

APPROVED UNANIMOUSLY

Board Policy Review – Board Remuneration & Expenses

CM48-23

MOVED BY Gordon Harris THAT the revised Remuneration & Expenses Policy be approved.

APPROVED UNANIMOUSLY

Branding and Name Modernization:

CM49-23

MOVED BY Rick Smith THAT the CEO proceed with a name change for the Commission to ARROW Utilities.

APPROVED UNANIMOUSLY

Town of Gibbons - Update:

CM50-23

MOVED BY Willis Kozak THAT the Board accepted the Town of Gibbons Update report for information.

APPROVED UNANIMOUSLY

Transmission System Long-term Capital Plan Update:

CM51-23

MOVED BY Lynn Bidney THAT the Board receive the Transmission System Long-term Capital Plan Update report for information.

APPROVED UNANIMOUSLY

Train 4 Update:

CM52-23

MOVED BY Lynn Bidney THAT the Board receive the Train 4 update report for information. APPROVED UNANIMOUSLY

Adjourn

Chair Ken Mackay adjourned the meeting 11:35 a.m.

These minutes approved this _____ day of _____, 2023.

ACRWC Board Chair

General Manager

Recorder:
Colleen Moody
Board Assistant

UNADOPTED

Meeting Minutes Special Board Meeting

**MEMBER
MUNICIPALITIES**

CITY OF
BEAUMONT

CITY OF LEDUC

CITY OF FORT
SASKATCHEWAN

CITY OF
SPRUCE GROVE

CITY OF
ST. ALBERT

TOWN OF BON
ACCORD

TOWN OF
GIBBONS

TOWN OF
MORINVILLE

TOWN OF
STONY PLAIN

LEDUC COUNTY

PARKLAND
COUNTY

STRATHCONA
COUNTY

STURGEON
COUNTY

Date:	November 10, 2023	
Time:	9:00 a.m.	
Location:	ARROW Utilities – Kisiskaciwan Room	
Attendees:	Bill Hamilton Gordon Harris William Choy Ken Mackay Kristina Kowalski Lynn Bidney Rick Smith Robert Parks Stephen Dafoe Stuart Houston Willis Kozak	City of Leduc City of Fort Saskatchewan Town of Stony Plain City of St. Albert Parkland County Town of Bon Accord Leduc County Strathcona County Town of Morinville City of Spruce Grove Town of Gibbons
Regrets:	Neal Comeau Steven vanNieuwkerk	Sturgeon County City of Beaumont
Staff Attendees:	Kate Polkovsky Cindy de Bruijn	Chief Executive Officer Director of Comms & PR

Subject	Motion/Recommendation	
Call to Order	Chair Ken Mackay called the meeting to order at 09:02 a.m.	
Adoption of Agenda	MOVED BY Kristina Kowalski THAT the agenda as distributed be adopted.	APPROVED UNANIMOUSLY
Board Appointments	MOVED by Lynn Bidney THAT the appointments to the Board be received for information.	APPROVED UNANIMOUSLY
Board and CEO Covenant	Recommended that the Board and CEO review and sign. Suggestion of future consideration to have a code of conduct policy in place to avoid annual renewals. Discussion on merits of annual review.	Circulated
Next Meeting		

November 24, 2023

Administrative Report – September and October 2023.

Purpose of Report	This report provides a summary of operations, incidents and contraventions, and any public relations matters.
Recommendation	This report is for informational purposes.
Alignment to Board’s Strategic Plan	<p>Respecting our environment – release water of the highest possible quality into the North Saskatchewan River.</p> <p>Organizational excellence – enhance the health, wellbeing, and safety of all employees and contractors</p> <p>Responsible leadership – engage with the broader community to increase the awareness of the commission and its work.</p>
Alignment to ESG Principles	<p>Environment – addresses our impact on the environment.</p> <p>Social – improves service delivery and community relations.</p> <p>Governance – promotes transparency and accountability.</p>
Background and Discussion	<p>Spruce Grove Lagoons: Administration received multiple resident complaints about the odours near the Spruce Grove Wastewater Lagoons between October 6-29. Administration implemented a number of activities to try and reduce odours including pumping the water down, adding Eco-sorb to the lagoon shores, adding two fans with ionizers to create a mist over the lagoons, adding a vapor phase system that included 2500 feet of piping surrounding the lagoons to further spread the Eco-sorb, added enzymes to the lagoons to help with biological breakdown, and hauled away the sludge from the anaerobic cell.</p> <p>Since the initial complaint, Administration took daily H₂S readings to ensure that while it was a nuisance smell, there were no immediate safety concerns for area residents. The highest reading recorded was on October 11th at 1.44 parts per million (ppm); for context, OHS legislation indicates that a worker may not be exposed above a concentration of 15 ppm.</p> <p>Parkland Forcemain (137 Ave and Henday): Repairs commenced with the installation of a line stop preventing significant drain back. A plug was installed on the Parkland gravity line redirecting flow to the Spruce Grove lagoons. Work then commenced to remove the section of damaged pipe and replace it with a new section under the CN railway tracks. Repairs were completed October 4 and drain back from the lagoons commenced.</p>

Prepared by: Dwayne Cikaluk, Wade Teveniuk, Cindy de Bruijn, Paul Krueger
 Approved by: Kate Polkovsky, CEO

	<p>Drain back flow rates from the lagoons were reduced due the Parkland gravity relining project.</p> <p>Dissolved Air Flotation #2: Tank drive unit failed. The Tank was dewatered followed by repairs to the drive unit.</p> <p>Alum Project: STI's were completed on both Bioreactor #1 and Bioreactor #3. Clarifiers and Bioreactors were partially dewatered to allow for the new alum mixing equipment to be installed.</p> <p>Parkland Gravity: Relining of the system progresses into November.</p> <p>EPCOR Update: EPCOR completed the onsite dewatering operation with 9100 dt processed within 3.5 months. This demonstrates that onsite dewatering can be effective in a short operating window. The operating season will finish with a total of 19,078 dt of biosolids removed.</p> <p>Operational Financials:</p> <p>We are expecting the operations financials expenses by the end of the year to be over budget by approx. 2% (650K). On the revenue side we are expecting revenues to be over by 2.5% (1.4M)</p> <p>Capital Costs:</p> <p>Capital projects in general are seeing increase in projected costs:</p> <ul style="list-style-type: none"> • Train 4 MBR Plant upgrade- increase by \$75.6M • SERTS North Twinning- increase by \$700K • PSTS Replacement/ Upgrade- increase by \$3.45M
Attachments	<p>Operations Report (September/October 2023)</p> <p>Incidents and Contraventions Report (September 1 – October 31, 2023)</p> <p>Financial Review Q3</p>
Implications of recommendation(s)	
Financial	<p>Spruce Grove Lagoons:</p> <p>We expect costs to be between \$25K-50K to remedy the situation.</p> <p>Capital Expenditures:</p> <p>The increase in capital costs will create major increases to our 2024/25 rates.</p>
Legal / Risk	<p>Spruce Grove Lagoons:</p> <p>There was a regulatory intervention (through Alberta Environment & Protected Areas inquiries).</p> <p>There was one resident trying to mobilize area residents towards some type of legal action for financial compensation. We briefed our lawyer who was not overly concerned.</p>
Environmental / Safety	<p>Parkland Forcemain:</p>

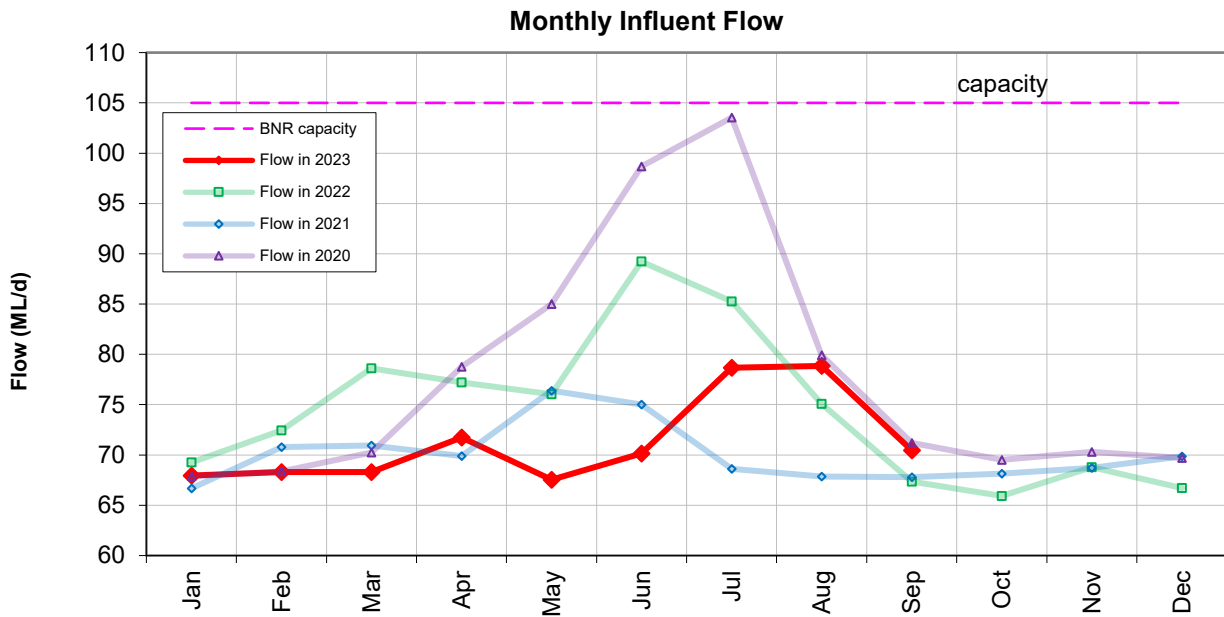
Prepared by: Dwayne Cikaluk, Wade Teveniuk, Cindy de Bruijn, Paul Krueger
 Approved by: Kate Polkovsky, CEO

	<p>Wastewater released to land in an environmentally sensitive area. No wastewater entered any water body.</p> <p>Internal incident: There was one medical aid injury. Details available in the incidents and contraventions report.</p>
Organizational impacts	<p>Parkland Forcemain and Spruce Grove Lagoons: Significant staff resourcing (Operations, Engineering, Communications, Regulatory, CEO) managing the break site and contractors, responding to odour complaints, odour mitigation activities, etc.</p>
External impacts	<p>Spruce Grove Lagoons: There were no traditional media inquiries, although there was significant negative public perception on social media. We maintained frequent communication with the regional municipalities affected and provided residents with information updates when either requested or available.</p>

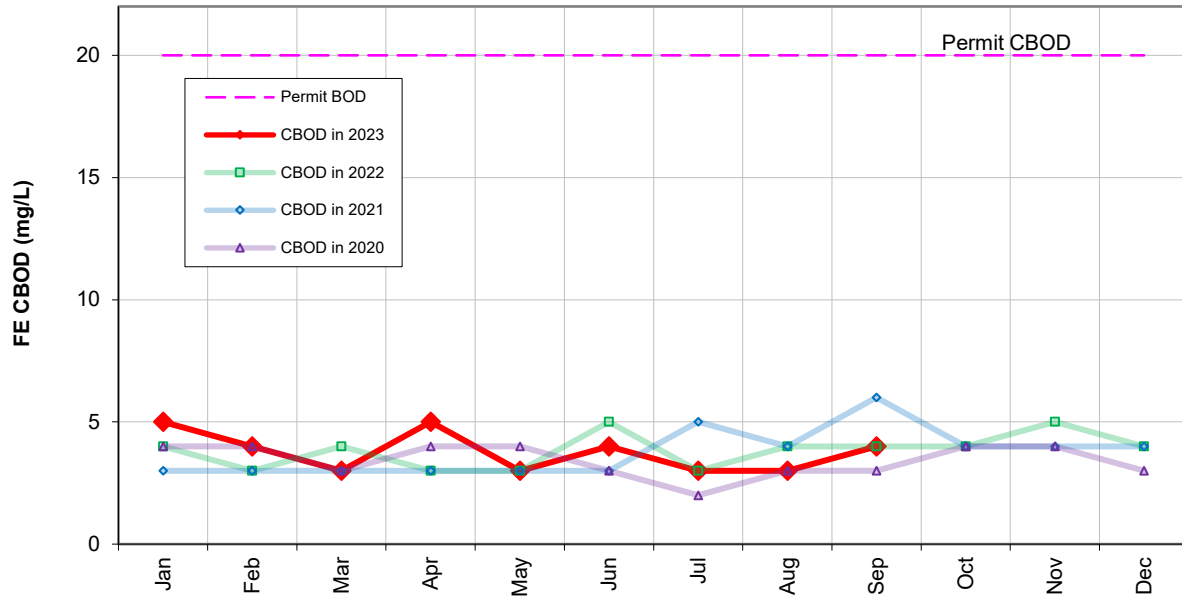


Operations Report – September/October 2023

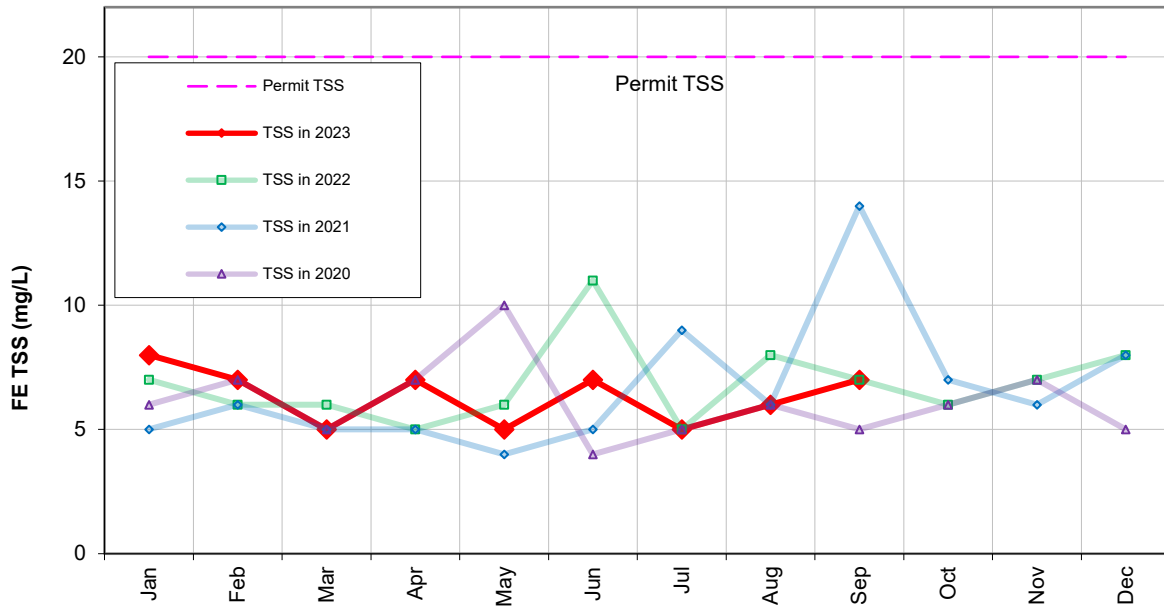
Treatment Targets by Concentrations



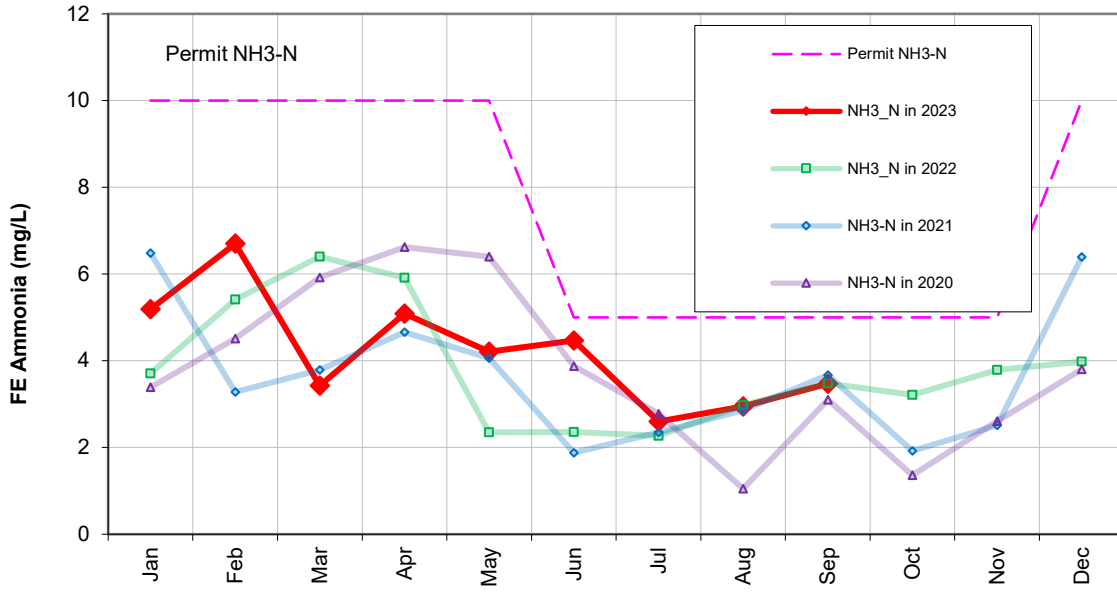
Monthly Effluent Carbonaceous Biological Oxygen Demand



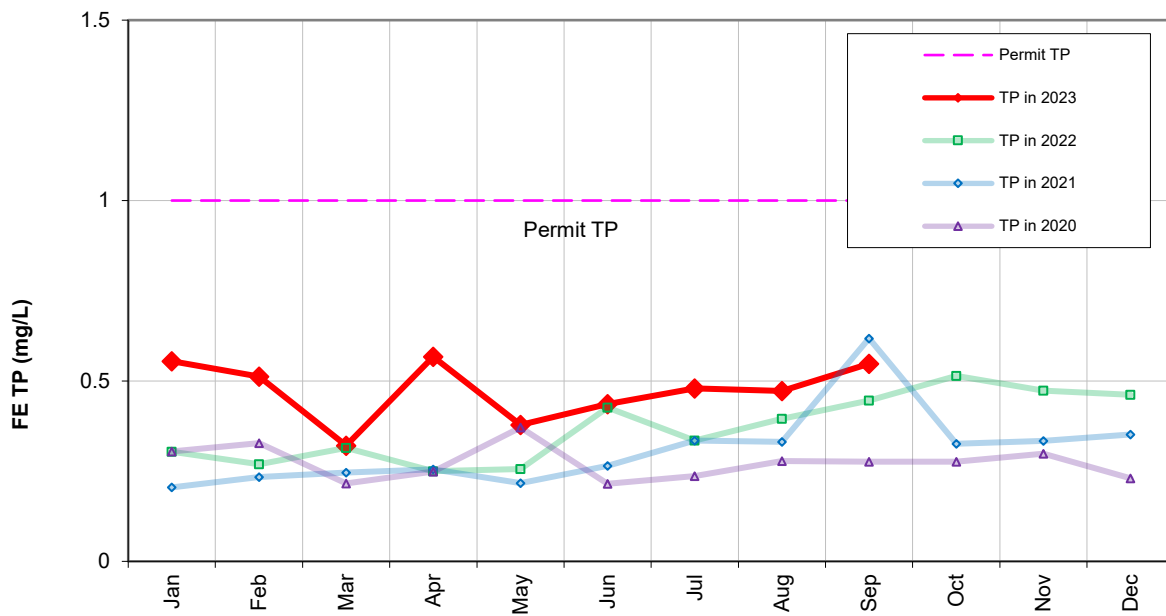
Monthly Effluent Total Suspended Solids



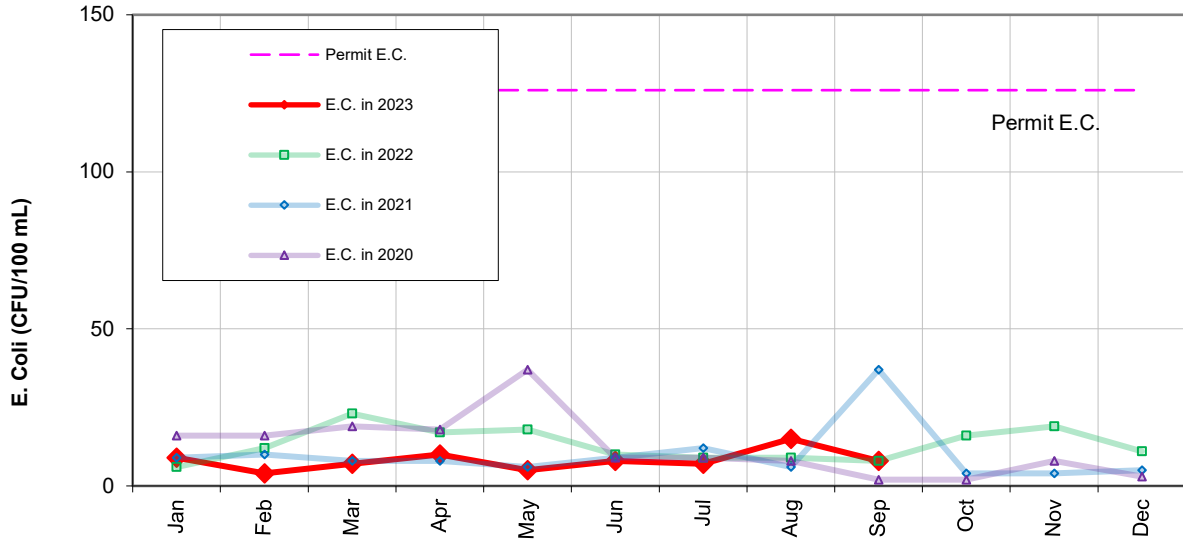
Monthly Effluent Ammonia



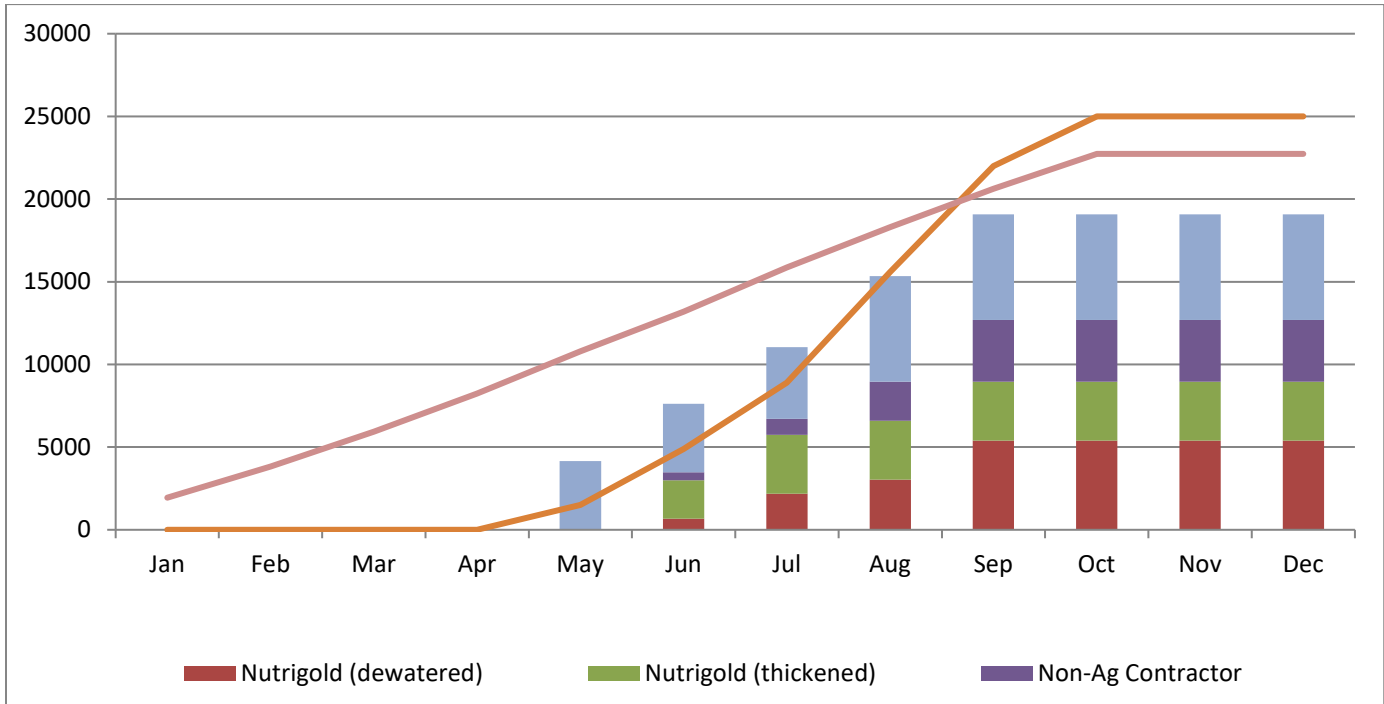
Monthly Effluent Total Phosphorus



Monthly Effluent E. Coli



Biosolids - August 2023





Incidents and Contraventions Summary – September/October 2023

Update Re: August 18, 2023, Environmental Contravention

Location: 200 m east and 60 m north of the “T” intersection of 184 street NW and 137 avenue NW (City of Edmonton), adjacent to (east side) CN Rail line.

Contaminant: Untreated Wastewater

Estimated Volume of Release: 2,575 m³ - Release was ongoing at time of submission of previous report thus volume not previously reported.

Description of Events:

August 18:

Discovered Parkland County 900 mm diameter forcemain break under CN Rail line releasing untreated wastewater to surface and into ditches.

Additional Recovery and control actions taken since last Incidents and Contraventions report:

The Spruce Grove Wet Weather facility was utilized to support the wastewater generation from Spruce Grove, Parkland County and the Town of Stony Plain and required to be drained from the original break utilization to allow the necessary capacity to divert flow for a second time during the repair period.

On September 23, the repair commenced and by October 4, the flows generated from the tri-region began flowing through the forcemain .

Causes and future actions:

Determined that corrosion, which started on the exterior of the force main was most likely due to a scratch on the exterior of the piping during installation into the sleeve under the railway decades ago.

Incident Classification: Medical Aid Injury

Date: September 11, 2023

Location: ARROW Utilities Treatment Plant – Welding Shop

Description of Events:

An ARROW maintenance worker (millwright) was cutting plexiglass with a jigsaw. The blade bent and broke loose and struck the worker’s right thumb and palm resulting in a laceration.

Recovery and control actions:

The worker was escorted to the Fort Saskatchewan hospital for assessment and received a tetanus shot and 3 stitches on the base of his right thumb. A fitness to work certificate was completed by the attending medical professional identifying no work restrictions. The worker was able to return to full duties.

Causes and future actions:

A mechanical failure of the jigsaw's clamp holding the blade in place failed and was unable to be detected prior to use. Pre-use tool inspections are a requirement and prompted by, and recorded within, Field Level Hazard Assessments. Maintenance staff were reminded to test reciprocating equipment under no load prior to use.



Alberta Capital Region Wastewater Commission

Interim Financial Review

For Month of September 30, 2023 and 2022

(Unaudited)

ARROW UTILITIES

Interim Financial Review

For Month of September 30, 2023 and 2022

Interim Statement of Excess Revenues over Expenses	3
Interim Comparison Graphs	4-5
Interim Statement of Capital Spending	6
Appendix- Graph Information	7

ARROW UTILITIES

Interim Statement of Revenue over Expenses

For Month of September 30, 2023 and 2022

(unaudited, in thousands of dollars)

	% year to		Budget	2022	
	2023	date			
Revenue					
Flow rate revenue	39,962	76%	39,737	37,739	
Load based revenue	1,311	87%	1,125	1,129	1
Grants		0%	-	-	
Other	900	520%	147	289	2
Total Revenues	42,173	78%	41,009	39,157	
Expenses					
Operations Department					
Labour and benefits	2,830	76%	2,814	2,731	
Maintenance material and services	3,161	104%	2,153	1,761	3
Utilities	2,307	76%	2,280	2,083	
Biosolids disposal	3,121	68%	4,048	2,437	4
Contract biosolids hauling	1,275	74%	1,290	1,285	
External treatment services	7,172	73%	7,460	7,425	
Other	567	69%	699	566	5
	20,433	76%	20,744	18,288	
Corporate Services Department	2,163	85%	1,906	1,624	6
Engineering Department	712	72%	765	885	
Regulatory Services Department	1,265	82%	1,163	1,043	7
Commission Board	166	116%	104	110	8
Total Operating Expenses	24,739	77%	24,682	21,950	
Debenture Interest	1,217	42%	1,869	965	
Total Expenses	25,956	74%	26,551	22,915	
Excess Revenues over Expenditures	16,217	85%	14,458	16,242	

VARIANCE EXPLANATIONS (under 70%- Over 80%):

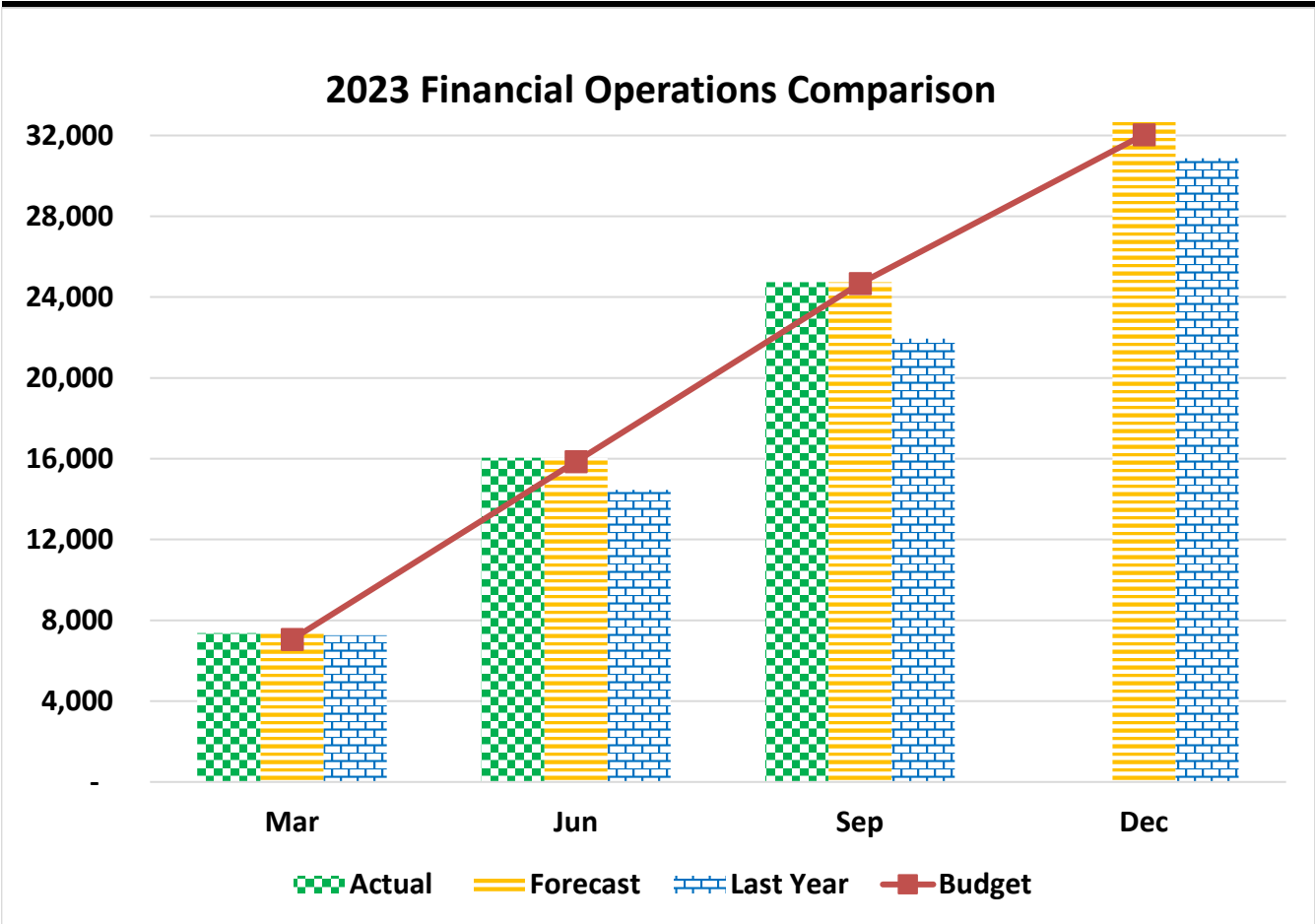
1. Load Based Revenues higher based on higher concentrations from transfer stations.
2. Investment Rates higher than expected based on inflation.
3. Major clean, testing and sampling up on Transmission line around Big Lake break. Additional lines breaks have occurred.
4. Majority of Biosolids disposal is expected between May and Sept.
5. Chemical usage were lower than expected inby Q3. Expect to be closer to budge by end of year with Spruce Grove odour issues
6. Legal Fees were higher than expected with Train 4 Project and Rebranding costs were not anticipated.
7. Legal issues higher than expected.
8. Grant Strategy has been longer than anticipated.

ARROW UTILITIES

Interim Comparison Graphs

For Month of September 30, 2023 and 2022

(unaudited, in thousands of dollars)



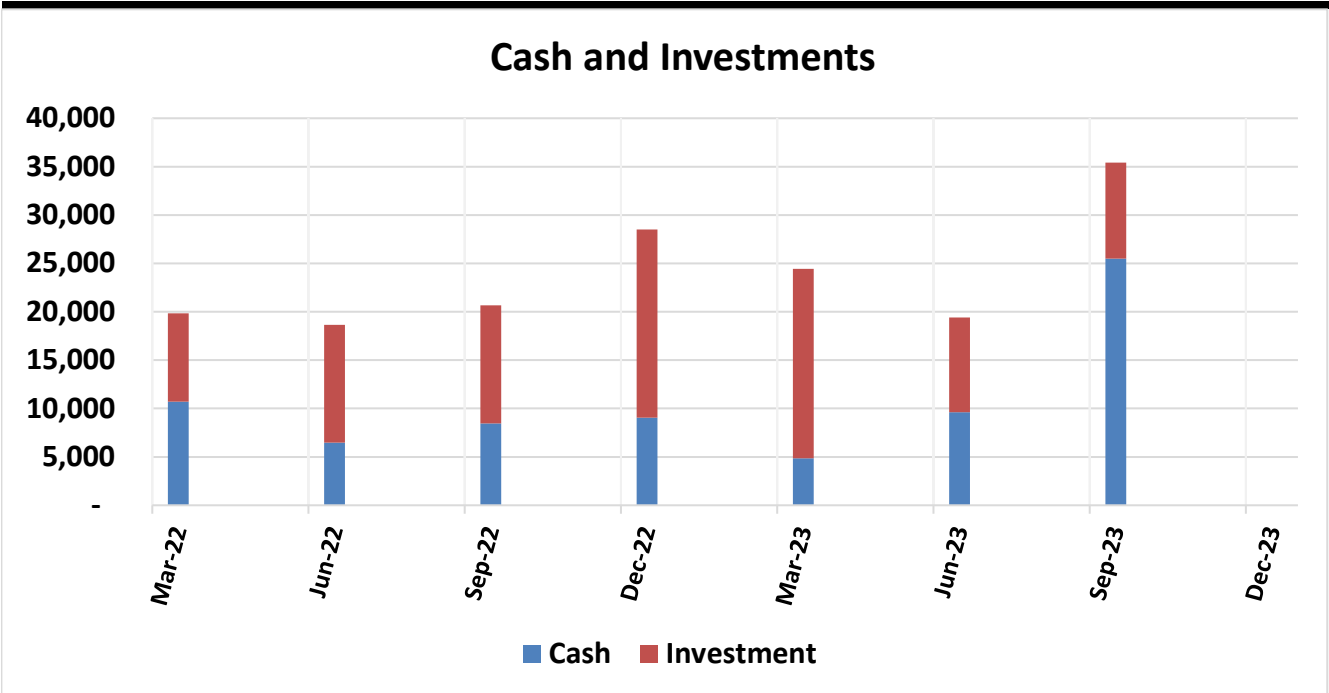
Note:

ARROW UTILITIES

Interim Comparison Graphs Continued...

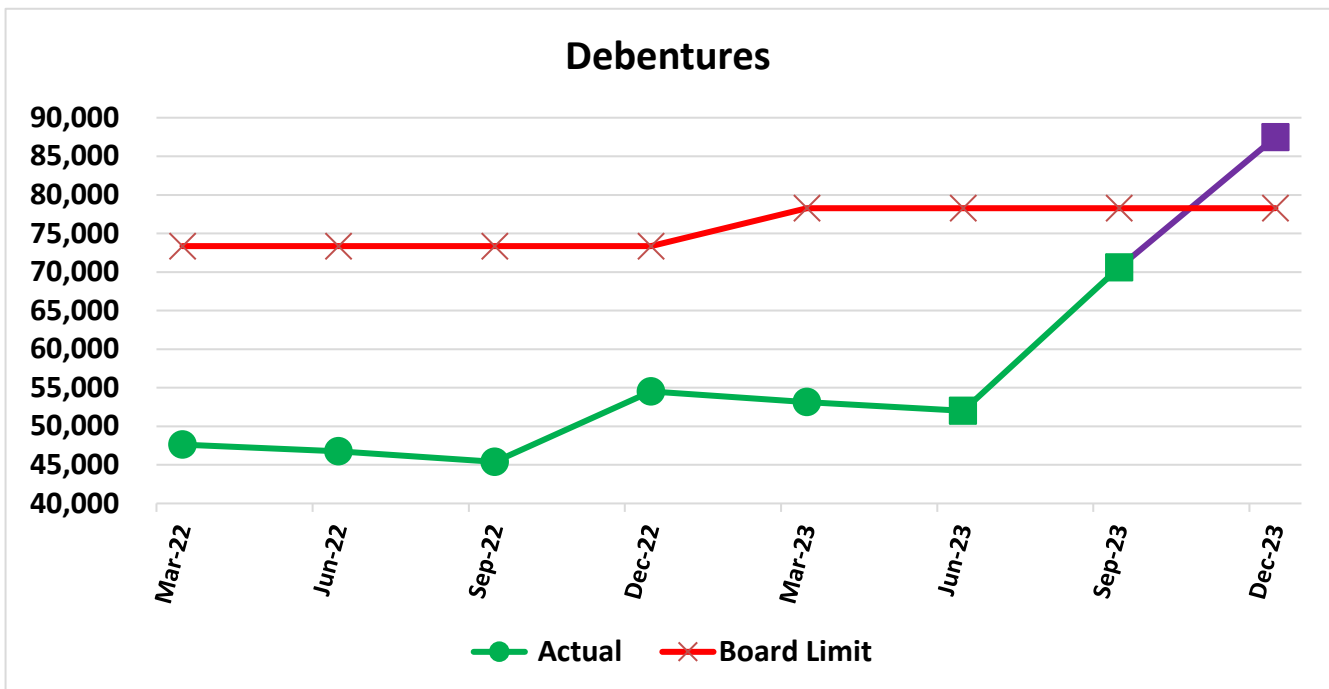
For Month of September 30, 2023 and 2022

(unaudited, in thousands of dollars)



Note: Awaiting large invoices from the Capital Program in the 2nd Quarter of 2022

Graph is a stacked column graph. March 2022 has cash at approx. \$10M and Short Term Investments at approx.



Note: A debenture is forecasted in Q3 to help fund capital program.

ARROW UTILITIES

Interim Statement of Capital Spending
For Month of September 30, 2023 and 2022
(unaudited, in thousands of dollars)

Projects	2023 Year To Date	Annual Forecast	2023 Planned Spending	Total Spent*	Total Budget**	Project Stage	Engineering Department Notes:
Transmission							
Unplanned Line Replacement	4,544	5,950	3,000	4,544	3,000	Construction	Two unplanned line replacements completed. Total committed is \$4.8M in 2023. One unplanned replacement ongoing
St Albert Regional Trunk Replacement and Upgrade	115	120	100	58,692	58,500	Construction	START upgrade project Sections 905GR67 to 905GR69 has been completed. The section completed was 780m.
Parkland Sewer Transmission System Replacement/ Upgrade	117	12,450	12,700	1,574	16,400	Construction	Tender executed for \$15.4 M by Insituform Technologies. SCC completed by Apr 2024. Majority of work to be completed by the end of 2023. Work is underway, however, there is much more debris and sediment in the pipe than expected and additional time and resources are required to address. Project will be delayed and financially impacted (flushing, hydro-vaccing, hauling, disposal, delays). Project expected to increase \$3.45M over budget.
SERTS North Twinning	5,530	9,300	9,900	5,721	10,400	Construction	Tender executed for \$10.2 M by Thompson. Three trenchless installation to be completed in 2023. Open Cut sections and hot tap connections to be completed by end of 2023. Finalizing will be the Spring of 2024. Project expected to increase by \$0.7M over budget
Wet Weather System							
Spruce Grove WWF Storage/Diversion Gate	2,374	2,900	2,100	5,259	6,000	Construction	Tender executed for \$5.1 M by GS Construction. SCC completed by Fall of 2023. Majority of work has been completed Has been commissioned with minor deficiencies. Construction currently on budget.
Pump Stations							
Fort Sask Generator System Upgrade	1,300	2,700	4,000	1,491	4,500	Construction	Tender executed for \$4.2 M by Lorac. Long lead times on electrical components has delayed project into 2024. Generator load bank has arrived and will be installed in November 2023. Project expected 0.25M over budget
St. Albert Pump Station Pumping/ Electrical Upgrade	107	450	450	1,799	2,150	Construction	Delays in electrical equipment has delayed completion to Fall of 2023 Commissioning was attended but suction and discharge piping were clogged with debris. Waiting for SureForm to provide pricing to address. Construction currently on budget
Gibbons Pump Replacement	179	450	300	179	300		Planning to complete the construction by 2023 and the commissioning by Jan 2024
Parkland HVAC Upgrades	1,275	1,300	1,000	2,028	1,700	Construction	Tender executed for \$1.5 M by Modern Niagara. SCC completed in August 2023 and commissioning in October 2023.
Plant							
Waste Gas Burner Piping Upgrade	28	50	250	28	250	Design	Design has been revised. Plan to resume the construction by Winter 2024 due to long lead times for materials.
Alum System Upgrade	1,083	1,450	850	1,337	1,625	Construction	Tender executed for \$1.2 M by Lorac. SCC and commissioning to be completed by end of Fall 2023.
CMMS Replacement	-	75	-	105	300	Construction	Tender executed for \$0.25M by EAM. SCC and commissioning to be completed Fall/ Winter 2023.
Clarifier Gate Replacement	-	-	-	-	600	Design	Decided to postpone until after Wastewater Reuse Upgrade Train 4 due to difficulty of isolation
Aeration Blower Upgrade	289	375	-	2,947	3,340		Complete
Wastewater Reuse Upgrade Train 4	2,920	10,400	30,000	3,216	90,300	Design	Design Contract executed for \$5.8 M by Associated Engineering. Design is at 60% completion. Final IFC package will be issued Q2 of 2024. Ground work construction to start in Fall of 2023. Current Class 'C' construction estimate for Train 4 is at \$154M. Total Consulting estimated at \$12.0M
5Kv Main Breaker and Tie Breaker Replacement	137	150	2,100	224	2,550	Construction	Tender executed for \$2.4 M by Vector. Long lead time in electrical equipment has delayed project. The Switchgear shipment is delayed until April 30, 2024. SCC to completed by Fall of 2024
Biogas Pipeline Replacement	225	600	2,450	454	3,100	Construction	Tender Executed for \$2.0 M by. Decided to push the field construction start-up to Spring 2024 due to long lead items. SCC completed by Fall 2024.
Minor Capital							
	419	430	500	419	500		
Total Capital Requirements	20,642	49,150	69,700	90,017	205,515		

Note:

* Total spent is for the life of the project over multiple years.

** Many project are multiple years. Projects range from 1 to 4 years.

SCC- Substantial Construction Completion

ARROW UTILITIES

Appendices

For Month of September 30, 2023 and 2022

(unaudited)

2023 Financial Operations Comparison Raw Data

	Actual	Budget	Last Year	Forecast
Jan	2,365,733	2,249,066	2,208,472	2,365,733
Feb	4,806,523	4,565,138	4,653,143	4,806,523
Mar	7,368,219	7,056,494	7,267,759	7,368,219
Apr	9,765,452	9,613,501	9,786,914	9,765,452
May	12,789,190	12,845,082	11,844,847	12,789,190
Jun	16,043,948	15,863,128	14,457,638	16,043,948
Jul	18,449,979	18,821,154	16,890,203	18,449,979
Aug	21,836,713	21,912,615	19,696,942	21,836,713
Sep	24,739,329	24,681,778	21,948,929	24,739,329
Oct	24,739,329	27,224,721	24,488,729	27,298,335
Nov	24,739,329	29,516,683	26,887,359	29,649,452
Dec	24,739,329	32,045,000	30,874,765	32,693,224

Cash and Investments Raw Data

	Cash	Investment
Mar-22	10,708,591	9,118,718
Jun-22	6,483,447	12,156,004
Sep-22	8,449,102	12,227,643
Dec-22	9,070,082	19,434,817
Mar-23	4,847,625	19,582,314
Jun-23	9,632,763	9,777,764
Sep-23	25,506,303	9,914,362
Dec-23		

Debentures Raw Data

	Actual	Budget	Board Limit	MGA Limit
Mar-22	47,624,530	47,624,530	73,357,499	97,809,999
Jun-22	46,759,573	56,759,573	73,357,499	97,809,999
Sep-22	45,393,386	55,393,386	73,357,499	97,809,999
Dec-22	54,516,480	54,246,580	73,357,499	97,809,999
Mar-23	53,130,893	53,130,893	78,269,639	104,359,519
Jun-23	52,007,666	80,000,000	78,269,639	104,359,519
Sep-23	70,602,396	93,018,589	78,269,639	104,359,519
Dec-23	87,462,396	91,613,320	78,269,639	104,359,519



November 24, 2023
2024 Budget

Purpose of Report	ARROW Utilities is required by legislation to adopt an operating and a capital budget annually.
Attachments	2024 Budget Report
Alignment to Board's Strategic Plan	Responsible leadership - keep utility rates reasonable and predictable for member municipalities
	N/A
	N/A
Alignment to ESG Principles	Governance - ensures effective policy and financial oversight
	N/A
	N/A
Background and Discussion	<p>The operating and capital budget for ARROW Utilities is developed and approved annually to finance the delivery of wastewater transmission and treatment throughout the region. While the core mandate focuses on treating and transmitting wastewater, the rate structure additionally considers the need to manage the RMR program, grow the wastewater utility as the region grows to 1M people, and move the pendulum towards achieving the identified goals and priorities within the Strategic Plan.</p> <p>Preparing the corporate budget is one of the most critical initiatives undertaken by Administration as it acts as the fiscal plan that provides the resources required to make progress towards the Board's strategic priorities.</p> <p>Financial summaries are provided in the attached budget report.</p>

Report Date: November 10, 2023
Author/Title: Paul Krueger, Director of Corporate Services
Approved by: Kate Polkovsky, CEO

There are numerous challenges facing today's Utility operations, such as the replacement of aging infrastructure, the ongoing effects of changing environmental standards, and ensuring that both the transmission and treatment infrastructure is positioned for growth throughout the region. These challenges continue to create significant upward pressure on utility rates. Long-term planning is a critical component to ensuring that the rate projections that are incorporated in the present support the long-term vision.

The Utility's capital strategy is for the Utility to maintain a self-funding approach, in which the net revenue that is collected through its utility rates will be placed in a reserve to fund future Utility capital projects. With these approaches, a 20-year plan is developed to future planning so that both non-recurring and ongoing projects have adequate financial resources and future fluctuations to the Capital Budget are mitigation.

The Utility has established a Utility Model to derive its rates over a 20-year period. Several factors are taken into consideration through the development of the 2024 utility rates:

- Utility operations and services are reviewed annually to ensure inflationary costs and other expenditures are minimal.
- Projected treatment costs to ensure regulated treatment is maintained throughout the year.
- A long-term capital plan to ensure infrastructure is included in the long-term rate model (an update to this plan will occur through 2024-2025)

The short-term financial outlook will provide some challenges for the utility to maintain a small amount of reserves in both the capital and the operating accounts, Administration is actively working to implement changes to the financial management system to ensure reserves are actively planning for both the growth and asset management capital program with appropriately projected scopes and capital costs.

Revenues

Administration has explored various options of alternative sources of revenues, while ensuring that transmission and treatment of wastewater is the priority and small amounts of RMR are tackled annually. Traditionally utility wastewater rates have been the primary source of revenue to support both the treatment and transmission, the RMR program and the regional growth program. While the Utility actively pursues grants, they have not been a consistent source of revenue. A formal budget request was submitted to the 2024 Provincial budget, where Treasury will be debating the request. Finally, projecting into 2026 the rate will incorporate a reuse utility rate to support the rate stabilization, and ensuring capital reserves grow at a rate that will mitigate borrowing in the future.

Report Date: November 10, 2023

Author/Title: Paul Krueger, Director of Corporate Services

Approved by: Kate Polkovsky, CEO

	<p>Expenditures The effects of inflation on contracted services and materials, good and supplies continue to put pressure on costs associated with delivering the Utility’s services. Administration continues to look for ways to reduce expenses while maintaining the levels of service that are provided and mitigating risk to the Utility.</p> <p>Capital Expenditures Capital programming is the main cost driver of the flow rate. Unplanned capital construction increases are one of the major impacts on the flow based rate increase, that coupled with historical capital increases and consistent unplanned draws on reserves have further impacted the flow based rate.</p> <p>Administrative Budgetary Updates Going forward, changes will be made to all aspects of the budgetary process. In 2025 budget timelines will be adjusted to have inputs to the rate being reassessed in Q1 with the draft rate being completed in June to provide opportunities to engage and connect with member Administrations throughout the summer. This will allow the rate to be presented to the board in September annually.</p> <p>Administration will be completing project charters, for all capital projects in the rate model, and a long-term examination of all capital in the model to ensure that the capital plans are accurately reflected. These items will be completed in 2024 and 2025.</p> <p>Within the horizon of 2026, it is recommended that an external review of the rate model be done to ensure that best practices are being implemented and the rate supports the long term sustainability of the Utility.</p> <p>Administration will be recommending setting up a stabilization reserve, that will take some time to generate reasonable numbers but will mitigate unplanned changes to the approved capital plan impacting the rate.</p> <p>Finally, Administration will proactively engage and communicate with member municipalities going forward, as well as on the engineering side, on the financial side, through our communication counterparts, and through our connections with all the CAOs.</p>
Recommendation	
	<p>That the 2024 Operating budget of \$36.477 million be approved That the 2024 Capital Budget of 84.55 million be approved That the flow rate be set at \$1.85 cubic metre effective January 1, 2024 That effective January 1, 2024 the following Load Based rates be set at:</p>

Report Date: November 10, 2023
Author/Title: Paul Krueger, Director of Corporate Services
Approved by: Kate Polkovsky, CEO

	<ul style="list-style-type: none"> • \$0.4756/kg for Chemical Oxygen Demand (COD) and Biological Oxygen Demand (BOD) • \$0.3783/kg for Total Suspended Solids (TSS) • \$0.3281/kg for Oil and Grease (O&G) • \$2.0630/kg for Total Kjeldahl Nitrogen (TKN) • \$15.1885/kg for Total Phosphorus (TP)
Implications of recommendation(s):	
Financial	The current rate approval will have ARROW Utilities needing to borrow above the 200% debt limit if no grant support is provided in 2024. In 2025 with or without grants we will need to borrow over our 200% debt limit unless additional funding can be secured above the \$50M grant that we are projecting
Legal / Risk	There is a risk of Municipal Affairs not accepting our debt limit exception or ARROW Utilities not receiving grants, which will put ARROW Utilities in financial uncertainty.
Environmental / Safety	N/A
Organizational impacts	The operational budget increase has been limited and does not have major funding for unplanned expenses, which could limit the day-to-day operations.

Report Date: November 10, 2023
Author/Title: Paul Krueger, Director of Corporate Services
Approved by: Kate Polkovsky, CEO

Budget Report 2024



*Sustainable
Wastewater
Solutions* >

November 24, 2023

2024 Operating Budget in (000's)

	2023 Budget	2023 Forecast	2024 Budget	2025 Forecast	2026 Forecast	2027 Forecast	2028 Forecast
*Revenue	54,053	55,521	67,987	74,207	90,312	94,203	95,619
**Train 4 MBR Plant Upgrade Grant			16,700	16,700	16,600		
	54,053	55,521	84,687	90,907	106,912	94,203	95,619
Operation and Maintenance							
O&M labour	3,182	3,193	3,358	3,687	4,161	4,420	4,663
Employee benefits	534	533	571	583	685	699	713
Contract maint. & materials	3,053	3,839	3,655	4,053	4,316	4,604	4,873
Electricity	2,590	2,734	3,643	4,716	4,290	4,376	4,463
Natural gas	440	277	340	347	354	421	429
Chemical	341	308	350	357	364	371	378
Biosolids mgt.	6,313	6,241	6,357	6,764	6,899	7,037	7,178
External treatment services	9,866	9,579	11,348	13,028	13,760	14,754	5,665
Other	497	423	483	493	504	515	526
	26,816	27,126	30,104	33,028	35,333	37,197	38,888
Regulatory Services	1,539	1,637	1,542	1,605	1,765	1,797	1,831
Corporate Services	1,738	1,787	1,743	1,818	1,855	1,893	1,931
Communications and Stakeholder Relations	814	954	1,242	1,333	1,541	1,573	1,605
Engineering	995	957	1,617	1,449	1,478	1,507	1,537
Board	143	202	229	159	162	165	168
Operating costs	32,045	32,663	36,477	39,392	42,134	44,132	45,960
*Financing costs	2,877	1,870	4,447	6,451	7,609	7,116	6,623
Total oper. and fin. exp.	34,922	34,534	40,924	45,843	49,743	51,248	52,583
Excess of rev. over exp.	19,131	20,987	43,763	45,064	49,743	42,955	43,036
Amortization expense	(9,400)	(9,200)	(10,000)	(10,500)	(16,000)	(16,500)	(17,000)
*Principle repayments	(5,874)	(5,056)	(7,578)	(9,800)	(11,156)	(10,943)	(10,601)
Net surplus to reserves	\$3,857	\$6,731	\$26,185	24,764	\$30,013	\$15,512	\$15,435

*The revenue, financing costs and principle repayments are presented for 2024 to 2028 based on rates and financing calculations in the revenue requirement.

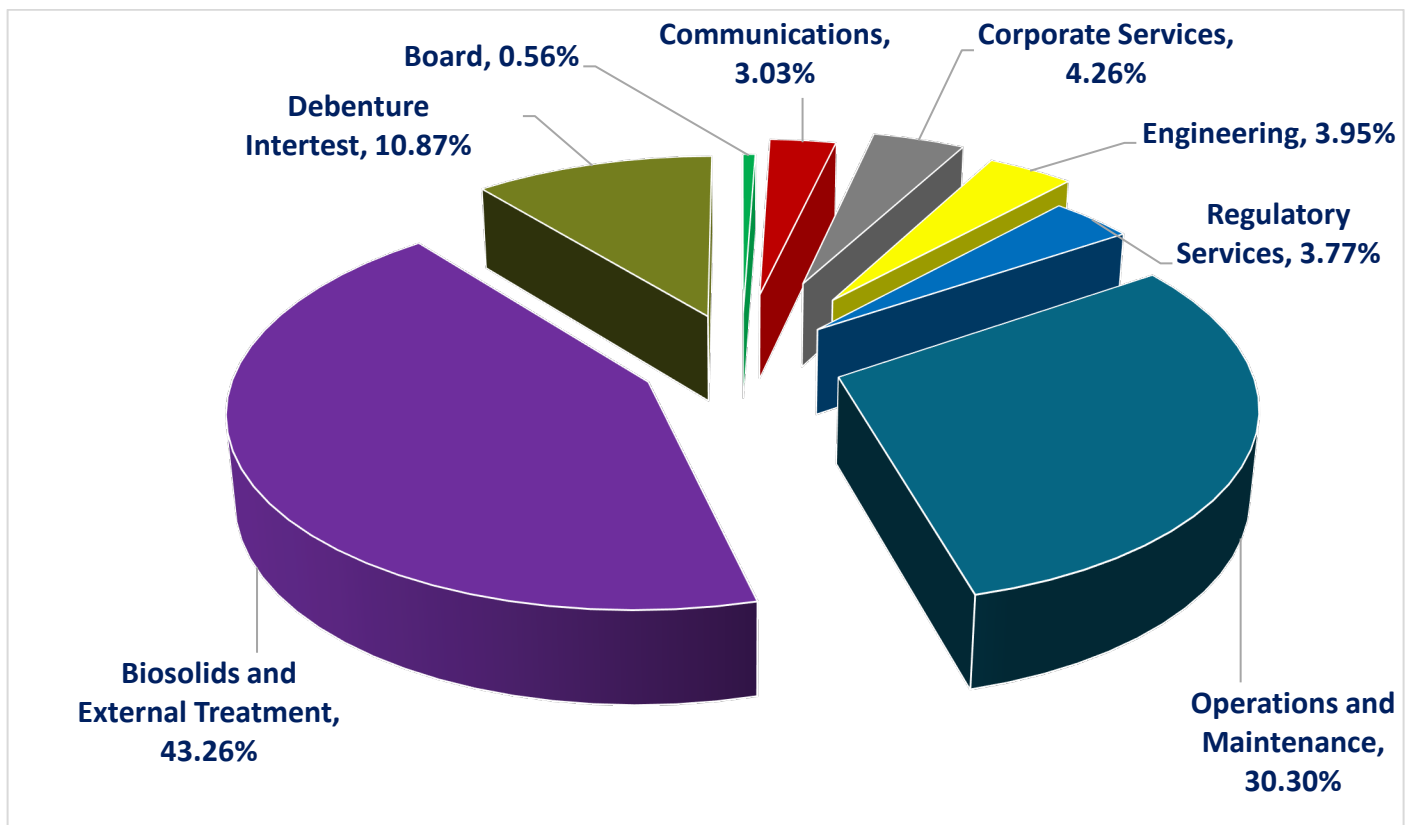
** Grant for Train 4 MBR Plant Upgrade has not been approved

Operating Budget Highlights

The 2024 operating budget is proposed at \$36.5 million which is a ~\$4.4 million (12.3%) increase in comparison to the 2023 operating budget.

Staffing levels are expected to be decreased by 0.5 FTE to 51 permanent full-time staff and 3.0 temporary equivalent FTEs. The budget for salaries, benefits, and honorariums have increased by ~\$415K (5.9%). In 2024, Administration is proposing the repurposing of 0.5 FTE and adding 0.5 FTE to allow the growth of one resource in the Transmission group to help maintain and operate our transmission and pump stations, and allow for two operators to oversee the transmission system.

2024 Operating Budget Allocated by Department



The Operations and Maintenance budget for 2024 increased by ~\$3.3M. Significant cost drivers to the change include:

- External treatment services paid to EPCOR- increase of \$1.5M. The increase is due to the flow rate increase.
- Utilities- increase of \$1.0M. ARROW has entered into a new electricity contract starting January 1, 2024. \$0.9M is attributed to the new contract price, where \$0.1M is attributed to the additional usage that is expected to be used in 2024.

-
- Contract Maintenance and materials- increase \$0.6 million which includes additional CCTV work, emergency repairs on the transmission line and additional costs in the plant maintenance budget.

The Regulatory Services budget for 2024 increased by ~\$3K due to inflationary adjustments and expected efficiencies found in the Lab. Administration has delayed the recommendation of adding a 0.5 FTE Lab assistant to reduce overtime, it is recommended that this is revisited in 2026.

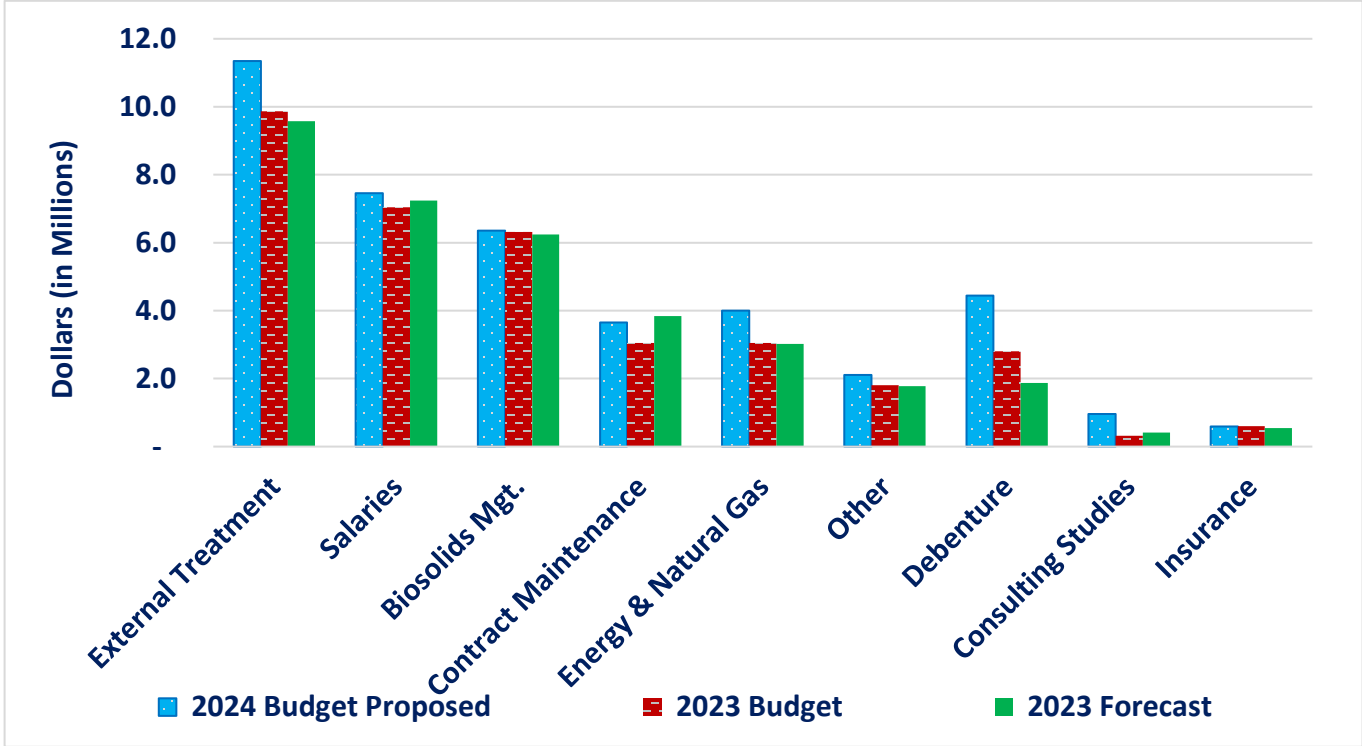
The Corporate Services budget for 2024 increased by ~\$5K to accommodate inflationary adjustments.

The Communications and Stakeholder Relations budget for 2024 increased by ~\$428K to accommodate Public Relations costs including rebranding (\$131K), IT software and hardware cost increases and major IT server upgrades (\$235K). IT costs included within the department include software centralization that are generally within a 3 year budgetary cycle, future budgetary years will amortize the costs of software over the window of the license to mitigate fluctuations to the budgetary line item. Administration has delayed the recommendation of a 0.5 FTE within IT that would be focused on the CMMS that has finally achieved implementation, this FTE is recommended to be revisited within the 3 year window. Administration has additionally delayed a recommendation of re-establishing a 1.0 FTE Executive Assistant position that was in place 8 years ago, to support the additional communication aspects and management of member municipalities. It is recommended to revisit this FTE need within the 3 year window.

The Engineering budget for 2024 increase by ~\$622K accommodate an increase in consulting studies. Administration is recommending the completion of a comprehensive utility master plan inclusive of asset management and growth needs to support both the transmission system and plant site.

The Board of Directors budget for 2024 has increased by ~\$86K, the budget has incorporated advanced grant advocacy through 2024.

2024 Operating Budget Allocated by Costs Drivers



Capital Budget in (000's)

Capital Projects	Carry Fwd. Budget	2024 Capital Budget	Est Capital Expense Dec 31, 2023	2024 Spending	Project Completion	Total Capital Program
Transmission System						
PSTS Replace/ Upgrade	16,400	3,450	13,600	6,250	Ph.1- 2024	19,850
SERTS North Twinning	10,400	700	9,600	1,500	2024	11,100
Morinville Forcemain River Crossing	130		130		2027	130
PSTS Twinning					Phase 2/3 -2027	
SERTS North- Yellowhead Crossing					2028	
SERTS South- Henday Crossing					2029	
SERTS South- BMT Twinning Ext.					2026	
START Rehab- Additional Phases					2030	
PSTS Rehab					Phase 2- 2028	
Combination Chamber Upgrade					2027	
START- River Crossing					2029	
Wet Weather System						
Spruce Grove WWF Storage Facility					Ph.2/3- 2029	
Pump Stations						
Ft Sask. Generator System Upgrade	4,500	250	2,925	1,800	2024	4,750
Plant						
Waste Gas Burner Piping Upgrade	250		50	200	2023	250
Train 4 Plant MBR Upgrade	90,300	75,600	10,400	73,600	2025	165,900
5Kv Breaker Replacement	2,550		150	2,300	2024	2,550
Biogas Pipeline Replace	3,100		600	2,200	2024	3,100
Biosolids Parallel Digester Upgrade	125		125		2026	125
Maintenance Storage and Office	200		200		2028	200
Clarifier Gate Replacement	600				2026	600
Plant Blower Breaker Replacement					2027	
Plant Electrical Upgrader Phase 3/4					2028	
Headworks Upgrade					2027	
Plant Emergency Generator Upgrade					2026	
Other						
Unplanned Line Replacement		4,000		4,000		4,000
Minor Capital		550		550		550
Total Capital Requirements	128,425	84,550	37,780	92,400		213,105
Current						
Paused						
Future						

Capital Budget Review

In 2024, the capital spending requirements are anticipated at \$92.4 million to be financed internally from reserves, surplus from operations, grants and externally through debentures. With the increased cost of the Train 4 Plant MBR upgrade (\$75.6 million), ARROW may need to get approval from the Minister of Municipal Affairs to go over our 200% debt capacity in 2024 depending on cash flow throughout the year. Administration will continue to advocate with both provincial and federal governments to help provide funding for plant upgrades which will allow industrial growth in the Capital Region.

The Capital Program has a carry forward approved budget of \$128.4 million. Administration is estimating that \$37.8 million to be spent by December 31, 2023, from the current carry forward budget. Administration is proposing an additional \$84.55 million in new capital additions to a total capital budget of \$213.1M. The major addition includes \$75.6M for the Train 4 Plant Upgrade. From 2025 to 2028 ARROW is expecting to spend approximately \$187.2 million including projects to be approved in future years.

2024 Capital Spending-

- Plant- \$78.3M
- Transmission- \$11.8M
- Pumpstation- \$1.8M
- Minor Capital- \$0.5M



2024 Revenue Requirement in (000's)

	2023 Budget	2023 Forecast	2024 Budget	2025 Forecast	2026 Forecast	2027 Forecast	2028 Forecast
Operating Expenses	32,045	32,663	36,477	39,392	42,134	44,132	45,960
Debenture Interest Payment	2,871	1,870	4,447	6,451	7,609	7,116	6,623
Debenture Principle Payment	5,874	5,056	7,578	9,800	11,156	10,943	10,601
Capital Requirements *	69,700	49,150	92,400	88,700	38,500	31,500	32,500
Total Cash Requirement	110,490	88,740	140,902	144,343	99,399	93,691	95,684
a) From (To) Reserves	16,437	(4,781)	24,965	(64)	(7,512)	(512)	65
b) Other Revenues**	9,203	9,813	28,794	28,833	42,683	28,157	27,548
c) Debentures	40,000	38,000	31,250	53,500	-	-	-
Treatment Charge by Member	44,850	45,708	55,893	62,074	64,228	66,046	68,071
Annual Throughput in 1000 m ³	29,900	30,108	30,213	30,280	31,331	31,601	31,809
Actual/ Proposed Unit Rate (\$/m³)	1.50	1.50	1.85	2.05	2.05	2.09	2.14
Actual % Rate Increase,	5.6%	5.3%	23.3%	10.8%	0%	2.0%	2.4%
Ratio of Debt Service to Revenue	17%	14%	22%	24%	25%	20%	19%
Ratio of Debt to Revenue	174%	170%	200%	228%	194%	147%	132%

*Construction Inflation included

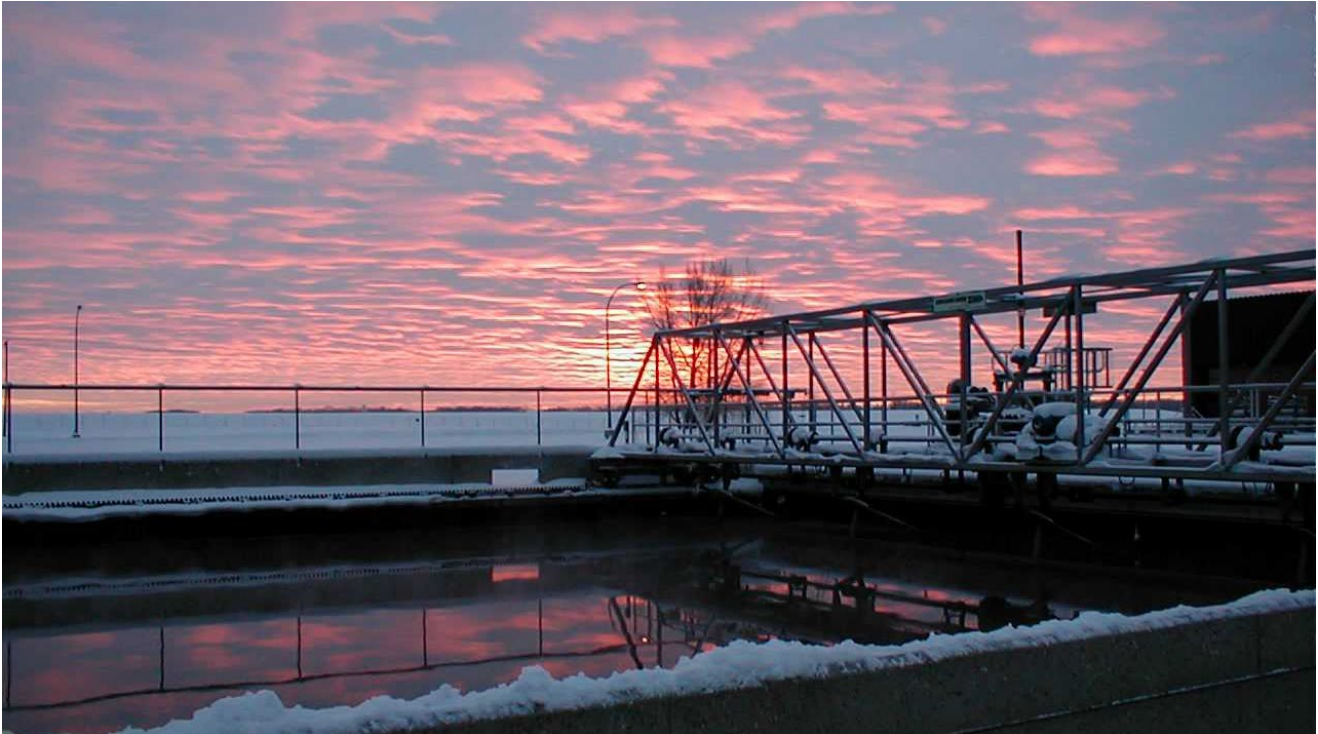
**Includes Grants that have not been approved

Revenue Requirements and Rates

Revenue requirements for 2024 were derived from our cash-based model. The model was updated with information from our utility master plan and projected operating costs. The proposed flow rate for 2024 is \$1.85 per cubic meter.

During 2022, there was a strategic board direction to move towards water reuse. Administration is currently working to provide industry water reuse in 2025. The planned MBR plant upgrade has started construction in 2024 and is anticipated to be completed in 2025. The first industrial customer anticipates the need for water as early as mid 2025, and will be using effluent blended with potable water. Reuse water is anticipated to be conveyed by the end of 2025. Administration has started noticing the escalating costs in construction projects. The rates allow the ACRWC to fund capital plant upgrade and to replace our transmission assets, while maintaining and operating our facilities.

The flow rate revenues are estimated at \$64.9 million including the EPCOR (City of Edmonton) revenues which is an increase of ~\$12.5M. Our investment income is expected to increase to \$1.2M as the capital funds will be available early and the interest rates has increased significantly over the year.

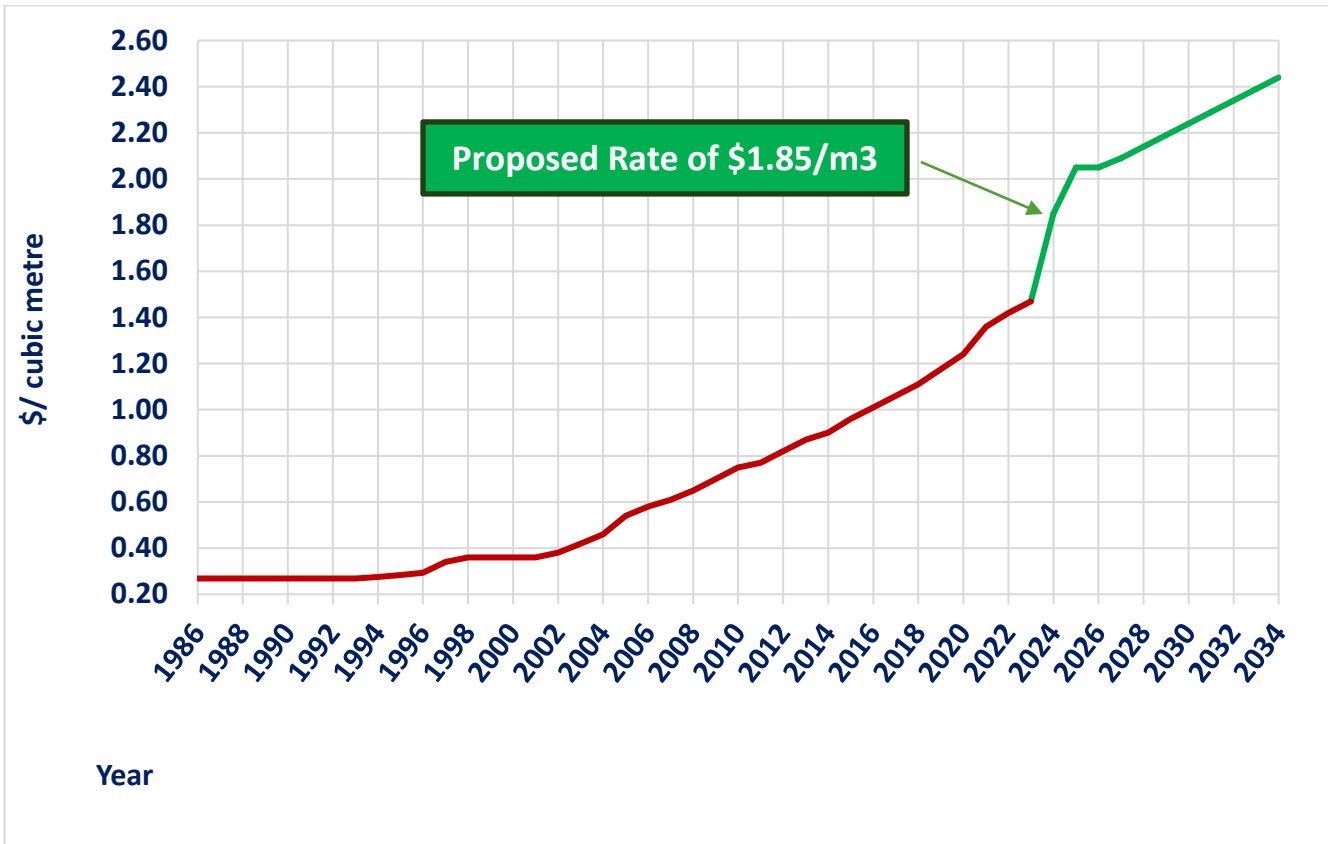


The load-based rates are proposed from an increase of 0.3% to 10% depending on the parameter. These rates are calculated by taking the operating budget, the average flow and parameter influent results from the last five years, to calculate the cost to treat one kilogram of each individual parameters. Administration is anticipating collecting \$1.85 million in revenues in 2024 which is an \$0.35M increase from 2023.

Proposed Load Based Charges

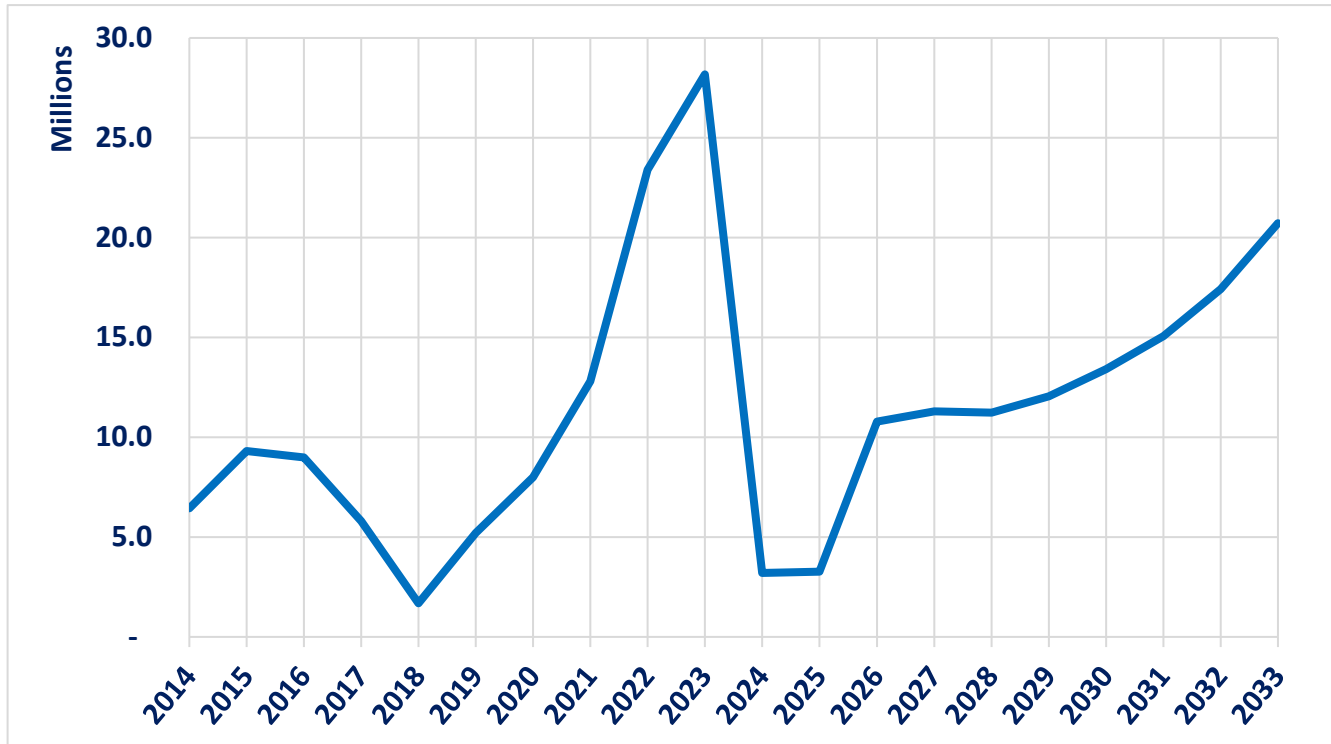
- Chemical Oxygen Demand (COD)- \$0.4756/kg- Increase 10.0%
- Biological Oxygen Demand (BOD)- \$0.4756/kg- Increase 10.0%
- Total Suspended Solids (TSS)- \$0.3783/kg- Increase 10.0%
- Total Kjeldahl Nitrogen (TKN)- \$2.0630/kg- Increase 0.3%
- Total Phosphorus (TP)- \$15.1885/kg- Increase 1.6%
- Oil and Grease (O&G)- \$0.3281/kg- Increase 10.0%

Historical and Projected Rates



Reserves

Total Reserves Projections

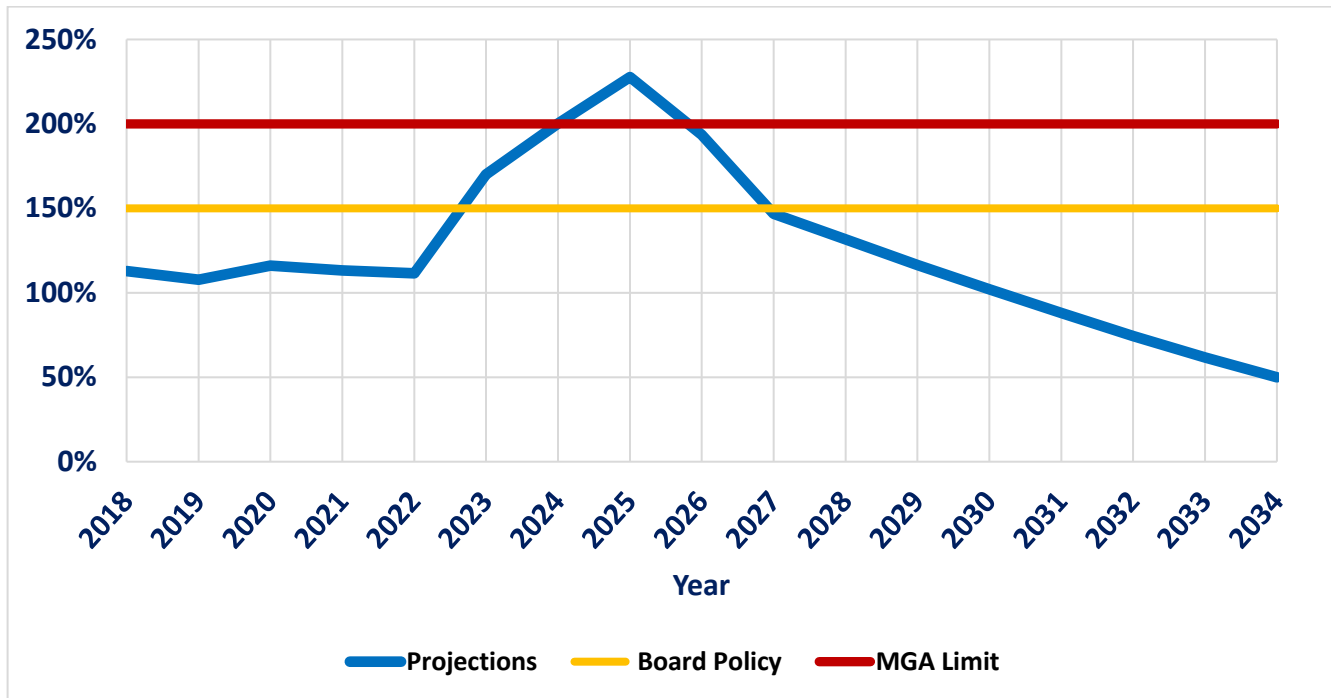


Beyond meeting operational and debt financing costs, the main cost driver on the rate projection is the capital program. With the planned expansion of the plant to in train 4 to an MBR technology, it is expected our operating reserve level to fall below the board policy minimum level of 5% in 2024 (4.7%) and 2025 (4.3%). By the end of 2026, the operating reserve is expected to be back within the Board approved range.



Debentures

Debt Limit



Financing costs for 2024 will be increased by ~\$1.6 million. The Commission is expecting to issue \$31.25 million in debentures in 2024 to fund the capital program. The debt will be increasing from \$87 million in 2023 to a high of \$155 million in 2025 and then decrease back down to \$66 million by 2033. There will be a need to continue to advocate to the provincial and federal governments to access grants to help cover capital costs. These projections include grant funding, of \$50 million over three years, that has not been approved. If no grants are received in 2024, ARROW will have to look to ascertain a ministerial order to increase the debt limit to meet the capital financial obligations.

