ARROW UTILITIES

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Board Briefs

June 19, 2026

EY Report

Following decades of growth, significant capital investment, and evolving regulatory and municipal expectations, ARROW's Board of Directors commissioned EY to conduct an independent review of the Commission's financial and governance frameworks. The objective was to assess whether existing structures remain fit-for-purpose and sustainable as ARROW continues to support the long-term wastewater servicing needs of its member municipalities.

EY's review identified five financial recommendations and seven governance recommendations. The governance recommendations are intended to strengthen oversight, accountability, decision-making, and organizational effectiveness as ARROW continues to evolve. The financial recommendations focus on enhancing long-term financial sustainability through improvements to rate-setting practices, financing and reserve policies, integration of asset management and financial planning, and enhanced Board reporting.

After consideration of the report, the Board accepted the 12 EY recommendations for information and provided direction on implementation. The Board's approach reflects a commitment to continuous improvement while ensuring recommendations are advanced in a manner that aligns with organizational priorities, available resources, and governance best practices. Administration was directed to proceed with Financial Recommendations 1, 2, 3, and 4. Financial Recommendation 2A was referred to the Governance and Human Resources Committee for further review and a recommendation to the Board in Q4 2027.

With respect to governance, the Board directed Administration to proceed with Governance Recommendations 3, 4, and 5, with Governance Recommendation 3 being implemented through enhanced disclosure of external subject matter expertise utilized in Board reports. Governance Recommendations 1 and 2 were referred to the Board Development Committee for additional exploration, with recommendations to return to the Board in Q1 2027.

For a complete listing of the EY recommendations and associated Board decisions, please review the June 19, 2026 Board agenda package available on ARROW's public website. Approved meeting minutes from the June 19 Board meeting will be posted by September 15, 2026.

Financial Updates

The Board considered three key financial matters.

First, Administration presented the Q1 2026 Financial Summary, which indicates ARROW's net position is currently trending approximately $4 million above budget. This favourable variance is driven by $1.1 million in additional revenue from higher member consumption and investment income, along with expenses tracking $2.9 million below budget due to lower electricity costs, reduced interest expenses, amortization expenses, and unutilized contingency funding. To support the Train 4 expansion, ARROW received $117 million in debenture financing and repaid the $98.6 million TD construction loan. While total debt increased to $188 million at March 31, 2026, debt levels are expected to decline to approximately $181 million by year-end following scheduled repayments, remaining well below the Commission's approved debt limit of $240 million. Interest costs are forecast at approximately $5.9 million for 2026 and remain consistent with long-term financial planning assumptions.

Second, the Board directed Administration to prepare the 2027 Proposed Operating and Capital Budget based on a wholesale wastewater rate of $2.85/m^3, representing a 3.6% increase from the current 2026 rate. This planning assumption supports a proposed $41.8 million capital program, $20 million in debt financing for the Beaumont Twinning project, continued replenishment of the Operating Reserve to meet Board policy requirements, and ongoing contributions toward establishing a sustainable Capital Reserve to support future infrastructure renewal and emergent capital needs. The reserve strategy is intended to strengthen ARROW's long-term financial resilience while reducing future rate volatility and supporting prudent asset management practices.

Finally, the Board approved the reallocation of $829,000 from the 2026 operating contingency fund to support strategic and organizational priorities throughout the year. The Board also approved funding $1.6 million in emergent line repairs from the Capital Reserve, ensuring critical infrastructure work can proceed without impacting operating budgets while maintaining service reliability across the regional wastewater system.

Strathcona County Motion

In March 2026, Strathcona County brought forward a Notice of Motion proposing several enhancements to Board governance processes, including earlier distribution of meeting materials, requirements governing late agenda items, attendance of municipal administrative representatives at meetings, and additional opportunities for Directors to contribute agenda items. Many of the matters raised reflected practices already in place, initiatives already identified for consideration through ongoing governance improvements, or actions that were subsequently incorporated into governance improvement efforts following the receipt of the EY Report. In recognition of this work, Councillor Parks ultimately withdrew the motion.

Strategic Planning

At the direction of the Board Development Committee, Administration retained Convoke Consulting to support ARROW's strategic planning process. Early discussions identified the need for foundational governance and alignment conversations before formal strategic planning could begin. As a result, the Board's May 2026 Jasper workshop focused on developing a shared understanding of governance expectations and mutual cooperation. Strategic Planning work will continue through municipal member engagement in July 2026 and strategic planning sessions in September 2026, with Board approval of the Strategic Plan targeted for November 2026 and a CAO Breakfast update planned for January 2027.