



July 28, 2021

Chief Wilbert Marshall, Chair

The regular meeting of the AFNWA Board will be held Wednesday 28 July 2021 at 9:30 AM via the ZOOM virtual platform: <https://zoom.us/j/95306021265>

In Camera Reports

1C Approval of Minutes of the In-Camera Meeting held on 26 May 2021.

2C Business Arising from Minutes

(a) AFNWA By-Laws

(b) Transfer Agreement Update

3C Louise Street Truro Lease

Motion: That the AFNWA Board approve the recommendation as outlined in the confidential report dated 23 July 2021

4C McInnes Cooper Contract Enhancement

Motion: That the AFNWA Board approve the recommendation as outlined in the confidential report dated 23 July 2021

5C Elders Advisory Lodge Compensation

Motion: That the AFNWA Board approve the recommendation as outlined in the confidential report dated 23 July 2021

6C Audit Results / Internal Control

Motion: That the AFNWA Board approve the recommendation as outlined in the confidential report dated 23 July 2021

Regular Reports

1. a) Ratification of In-Camera Motions
b) Approval of the Order of Business and Approval of Additions and Deletions

2. Approval of Minutes of the Regular Meeting held on 26 May 2021.

3. Business Arising from Minutes
a) Transition Implementation Plan Update (22 July 2021)

4. Draft Audited Financial Statements for 2020/21

Motion: That the AFNWA Board approve the Draft Audited Financial Statements for 2020/21 in the substantive form attached

5. Enterprise Risk Management Policy

Motion: That the AFNWA Board approve the Enterprise Risk Management Policy in the substantive form attached

6. AFNWA Revised 2021-2022 Operations Budget

Motion: That the AFNWA Board approve the Revised 2021-2022 Operations Budget in the substantive form attached

Information Reports

1-I Transition Implementation Plan Update 22 July 2021

2-I Q1 Results (Chantal)

2C-I Transfer Agreement Update

Original signed by

James MacKinnon
Board Secretary



Atlantic First Nations Water Authority MINUTES

26 May 2021

PRESENT:

Chief Wilbert Marshall, Chair
Chief Ross Perley, Vice Chair
Chief Terry Paul, Director
Chief Darlene Bernard, Director
Chief Arren Sock, Director
Chief Andrea Paul, Director

REGRETS:

Chief Leroy Denny, Director

STAFF:

Carl Yates, interim CEO
James MacKinnon, interim COO
Adam Gould, Manager of Communications and Outreach
Chantal Leblanc, Manager of Corporate Services/CFO
Rayleen MacDonald, Administrative Assistant

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CALL TO ORDER

The Chair, called the regular meeting to order at 9:55AM via the Zoom virtual platform. The Board moved In Camera at 9:58 AM and the regular meeting reconvened at 10:50 AM

1.a) RATIFICATION OF IN-CAMERA MOTIONS

MOVED BY Chief Terry Paul, seconded by Chief Ross Perley, that the AFNWA Board ratify the In- Camera motions from 26 May 2021 meeting.

MOTION PUT AND PASSED.

1.b) APPROVAL OF THE ORDER OF BUSINESS AND APPROVAL OF ADDITIONS AND DELETIONS

MOVED BY Chief Andrea Paul, seconded by Chief Darlene Paul that the AFNWA Board approve the agenda as presented.

MOTION PUT AND PASSED

2. APPROVAL OF MINUTES – 31 March 2021

MOVED BY Chief Darlene Bernard, seconded by Chief Andrea Paul, that the AFNWA Board approve the minutes of the regular meeting of 31 March 2021

MOTION PUT AND PASSED.

3. BUSINESS ARISING FROM MINUTES**a) Transition Implementation Plan Update (verbal)**

James MacKinnon, interim COO, presented on the 26 May 2021 Transition Implementation Plan Update Board Report, with color coded items showing progress to date.

Chief Terry Paul asked if Step 6 was missing from this update. James MacKinnon advised it is not missing from the TIP, however, is not indicated in the update report as the work has not yet begun on that particular step. The attached color coded Transition Implementation Plan shows work that has been completed (green), work that is underway (yellow) and work that has not yet started (red).

4. Economic Regulator Framework

Carl Yates spoke to this report; this is a very important piece of work and something that we have been exploring for quite some time, before the AFNWA was formed, as there was acknowledgement that an Economic Regulator would be required to provide oversight to the utility. Economic regulation of utilities is common. and for water and wastewater utilities in particular, it is important to recognize they are natural monopolies.

Notwithstanding that economic regulation of utilities is considered a best practice, this is new from a First Nation's concept, and we wanted to explore this in a meaningful way with Indigenous Services Canada (ISC). We have had some fruitful outcomes from these discussions. Our initial search focused on two potential options for economic regulation. One was the Nova Scotia Utility and Review Board [NSUARB] for its maturity and the other was looking at the agencies that fall under the First Nations Fiscal Management Act. The latter was the preferred option due to potential legislative restrictions with the NSUARB and from a cultural standpoint as well.

The AFNWA prefers a simplified "One Window" approach for economic regulation and views the FNFMB as the prime agency that could fulfill that role.

Chief Terry Paul asked about # 6: Regulation of Development Charges and asked the CEO for a definition on what is "a well-established cost causation principle". Carl Yates advised that in this situation, this principle is that growth pays for growth. In some First Nations communities (and also municipalities) a developer /development will come in and create a big demand for capacity of the water and wastewater systems. It can be very difficult sometimes for a community to be able to provide those services without a recovery of costs. An example could be a fish plant or a hotel which would both put a significant demand on your wastewater system; it is in the First Nation's (or municipality's) best interest to ensure there is some way to pay for it (as sometimes you may have to upgrade your treatment plant, increase the size of pipes, etc.). The First Nations Tax Commission does recognize this and have legislation in place that allows the recovery of these types of charges. While it hasn't been used extensively across Canada at present, there are a few First Nations that are trying to implement this type of charge. AFNWA is currently working on a pilot project with the First Nations Infrastructure Institute to look at the potential for recovery of costs for future growth in Paqtnkek, one of the communities participating in the AFNWA.

MOVED BY Chief Terry Paul seconded by Chief Andrea Paul, that the AFNWA Board approve the AFNWA to enter formal discussions with the First Nations Financial Management Board and related agencies under the First Nations Fiscal Management Act to establish a Framework for the economic regulation of AFNWA.

MOTION PUT AND PASSED.**7. DATE OF NEXT MEETING**

The next meeting is scheduled for 28 July 2021 @ 9:30 AM

The meeting was adjourned at 12:10 PM

Original signed by	Original signed by
<i>James MacKinnon</i>	<i>Chief Wilbert Marshall</i>
<i>Board Secretary</i>	<i>Chair</i>

The following Information Items were submitted:

1-I Transition Implementation Update (26 May 2021)



ITEM # 1-I
AFNWA Board
28 July 2021

TO: Chief Wilbert Marshall, Chair, and Members of the Atlantic First Nations Water Authority Board

SUBMITTED BY: original signed by
James MacKinnon, MPA, B.Sc., Interim Chief Operating Officer

APPROVED: original signed by
Carl Yates, M.A.Sc., P.Eng., Interim Chief Executive Officer

DATE: July 22, 2021

SUBJECT: Transition Implementation Plan - Update

Information Report

ORIGIN

Transition Implementation Plan [TIP] approved by the Board at the June 24th, 2020, board meeting

BACKGROUND

The Transition Implementation Plan [TIP] provides a detailed overview of the AFNWA's internal developments as an organization, and external developments on projects and community outreach. The TIP will guide the overall operationalization of the AFNWA through staged phases and lead to full autonomous operations in Spring 2022. It describes the objectives of the phases and the process by which the steps and composite tasks are to be managed.

DISCUSSION

The complete Transition Implementation Plan is attached for reference. Some key highlights and developments since our previous meeting are as follows:

- *Step 1: Operational Funding.*
 - Funding has been received. Step 1 can be considered complete.
- *Step 2: Planning and Establishment of Governance.*
 - The Elders Advisory Lodge continues to meet to discuss their terms of reference, and roles and responsibilities. The AFNWA website [www.afnwa.ca] went live at the beginning of July.
- *Step 3a; Band Council Resolutions:*
 - ISC proposed a BCR to formally enter the Transfer Agreement. The BCR also acknowledges that additional agreements will be negotiated and signed with individual First Nations. AFNWA staff have reviewed the proposed BCR and provided comments to ISC. The material edits made to the BCR were to exclude a requirement for a community referendum to enter the Transfer Agreement. Additional information can be found in the Transfer Agreement information report.
- *Step 3b: Implement Human Resource Strategy*
 - AFNWA has begun its next round of hiring. The successful proponent of our RFP for a recruiting consultant was Meridia Recruitment Solutions. Meridia is now actively recruiting the following positions:
 - Superintendent of Operations
 - Superintendent of Technical Services
 - Project Engineer
 - Controller
 - AFNWA is currently advertising for the role of Communications Associate and will soon be advertising for the role of Safety & Security Coordinator.
 - Since our previous Board meeting, the AFNWA has welcomed the following new members to our team:
 - Verna Langley, Human Resource Generalist
 - Trevor Martin, IT Coordinator
 - John Vandenberg, Regulatory Compliance Coordinator
 - Derek Allison, Administrative Assistant
 - Pamela Harvie, Administrative Assistant
- *Step 4: License Agreements*
 - As previously mentioned, The Land Tenure Working Group has identified that the AFNWA will require permits for land access with each individual First Nation. These permits are:
 - Interim Permits for above ground infrastructure. Interim permits allow for future designation and lease agreements.
 - General Access Permits for below ground infrastructure.
 - Interim Permits require an Environmental Site Assessments to be conducted. Dillion Consulting Limited will conduct the environmental site assessments on the AFNWA's behalf. There

are adequate resources in the AFNWA Operating Budget to cover Phase 1 assessments.

- **Step 5: Implement Operations Model.**
 - The AFNWA is still awaiting a signal from central agencies regarding the updated business case that was submitted in March 2021. However, the AFNWA expect to receive a memo next week and an updated critical path chart from ISC with milestones for approval and possible dates for a Cabinet submission.
- **Step 7: Regulatory Oversight.**
 - The AFNWA and Dalhousie University's Centre for Water Resources Studies continues to develop Water Safety and Sanitation Plans as well as an updated version of the 2013 Atlantic Water and Wastewater regulations. Considerable research is being conducted regarding these regulations as jurisdictional complexities do not allow for a simple adoption of a provincial best practice and there are limited federal examples (federal parks) to provide substantive guidance on water and wastewater quality regulation.
 - AFNWA continues to develop a relationship with the First Nations Financial Management Board (FNFMB) regarding their potential role in the economic regulation of the AFNWA. The management of FNFMB has approached their Board of Directors to request that the AFNWA and FMB formally continue discussions regarding a framework for the FNFMB to fulfill the role of an economic regulator.
 - AFNWA has received approval from Paqtnkek's Chief and Council to proceed with a pilot project for infrastructure cost recovery in relation to growth. The project is being carried out in collaboration with the First Nations Infrastructure Institute.
 -
- **Step 8: Operational Planning:**
 - The AFNWA held a Chiefs meeting on July 15, where a detailed overview of activities and major projects was provided.
 - AFNWA is in the process of leasing additional office space in the Truro area with the assistance of Colliers Project Leaders. A separate report has been produced to provide additional detail and seek board direction.
 - An Operators workshop is scheduled for July 27/21 in Millbrook to update Operators on progress and review the desired state alternatives for the SCADA master plan being developed by Eramosa Engineering.
- **Step 9: Capital Planning**
 - Dillon Consulting Inc is well underway regarding the AFNWA Asset Management Plan and 10-year Capital Plan.

- Site visits are almost complete regarding the infrastructure condition assessments. August 2021 will see the operational surveys begin.
- Step 10: Risk Assessments
 - AFNWA Senior Management received approval from the Audit and Finance Committee for an Enterprise Risk Policy and an Enterprise Risk Framework. A detailed report has been prepared to seek endorsement from the Board.
- *Step 13: Transfer Agreement*
 - The AFNWA continues to negotiate the final Transfer Agreement from ISC. A Board report has been drafted to provide additional detail on this matter.

BUDGET and FINANCIAL IMPLICATIONS

Activities associated with the TIP are funded through Funding Agreements secured with Indigenous Services Canada.

ATTACHMENT

Transition Implementation Plan with progress updates

Report Prepared by: original signed by _____
James MacKinnon, interim COO

Financial Reviewed by: original signed by _____
Chantal Leblanc, Manager of Corporate Services/CFO



**ITEM # 2-I
AFNWA Board
28 July 2021**

TO: Chief Wilbert Marshall and Members of the AFNWA Board of Directors

SUBMITTED BY: original signed by
Chief Ross Perley, Board Vice Chair, Audit and Finance Committee

DATE: July 23, 2021

SUBJECT: **First Quarter Results 2021-2022**

ORIGIN

AFNWA Governance Manual approved at the November 6, 2020, Board meeting specifies that the responsibility for review and recommendation of the quarterly financial statements is delegated to the Audit and Finance Committee, with final approval from the Board.

BACKGROUND

Responsibility for executing financial transactions was previously included in the ANFWA contract with APC. On June 15, 2021, the accounting records were transferred entirely to the AFNWA Manager of Corporate Services/Chief Financial Officer. The timing for this transition was such that it allowed APC staff to finish the audit process with Grant Thornton for the 2020-2021 fiscal year, while also aligning to the end of the Financial Services Contract with APC (July 31st termination).

Given that AFNWA now has full financial responsibility, the Manager of Corporate Services will be required to submit quarterly financial results with a comparison to the Operations Budget. This is necessary to provide regular periodic oversight of the financial results by the Audit and Finance Committee, consistent with the Governance Manual.

**ITEM #2-I
AFNWA Board
28 July 2021**

DISCUSSION

The Operations budget has been recently revised to reflect the most accurate picture for the 2021/22 fiscal year. This allowed management to allocate the first quarter expenses accordingly and results are in line with Q1 budget.

We note that the budget discussed in this comparison report is the full budget with all known funding sources, including \$180,000 expected from First Nations and Inuit Health Branch [FNIHB] that was not anticipated when the Board approved the Budget on March 31/21.

Our team is growing quickly, as can be noted by our quarterly payroll expenses. Many projects are just getting underway through the summer months and all departments and personnel are gathering speed for the AFNWA to be fully operational by Spring 2022. Our quarterly budget reflects this as the first quarter is relatively stable, while the second and third quarter are more dynamic with contract work, new office space and associated expenditures, travel, extensive communication and relevant legal counsel activity, etc. The cluster of expenses in second and third quarter is a direct correlation to the cluster of work being done in our overall Transition Implementation Plan during the same period.

ALTERNATIVES

None to be discussed.

BUDGET AND FINANCIAL IMPLICATIONS

First Quarter results were fully in line with budget due to the timing of compilation for the proposed Budget outlined in the Operations Budget Revision Report.

ATTACHMENTS

- First Quarter Results

Report Prepared by: original signed by
Chantal LeBlanc, Manager of Corporate Services & CFO
(902) 877-3813

Financial Reviewed by: original signed by
Carl Yates, M.A.Sc., P.Eng., interim CEO, (782) 414-6628

ITEM #2-I
AFNWA Board
28 July 2021

Atlantic First Nations Water Authority
2021-2022 First Quarter Results

	RESULTS		BUDGET			
	Q1 2022	Q1	Q2	Q3	Q4	FY
Funding Source - ISC Q35C 2021						1,829,000
Funding Source - ISC Q35C 2022						3,000,000
Funding Source - ISC Q35K 2021						815,000
Funding Source - SET FNIIHB Q23C 2021						11,000
Funding Source - FNIIHB 2022						180,000
Total Funding Confirmed						<u>5,835,000</u>
Payroll	275,699	281,567	450,954	562,269	571,914	1,866,704
Contracts	323,059	322,405	794,972	1,070,669	336,750	2,524,795
Meeting & Travel Expense	722	1,000	75,000	141,500	71,000	288,500
Board Compensation	10,000	10,000	30,000	50,000	50,000	140,000
General & Administrative Expenses						
Accounting & Legal	-	-	54,800	45,000	60,200	160,000
Advertising & Promotions	10,380	10,000	45,000	95,000	100,000	250,000
Bank and services charges	814	815	1,185	1,500	1,500	5,000
Insurance	137	-	-	15,000	35,000	50,000
Professional Development	440	1,000	15,000	45,000	39,000	100,000
Rent	-	-	5,834	46,333	46,333	98,500
Safety & PPE Supplies		-	-	20,000	30,000	50,000
Technology Services / Software	5,167	-	10,000	15,000	5,000	30,000
Telephone & communications	3,267	3,482	5,531	10,687	10,300	30,000
Utilities	-	-	1,500	17,250	17,250	36,000
Total General & Admin	21,888	15,297	138,850	310,770	344,583	809,500
Office Expenses						
Business Fees & Licenses	842	-	-	-	-	-
Repair & Maintenance	351	600	8,275	6,700	4,425	20,000
Office Supplies/Expense	4,440	4,500	10,500	9,000	6,000	30,000
Total Office Expenses	5,632	5,100	18,775	15,700	10,425	50,000
TOTAL EXPENSE	637,000	635,369	1,508,551	2,150,908	1,384,672	5,679,500
Fixed Asset Purchases						
Office Equipment & Furniture	6,398	8,000	33,500	14,500	44,000	100,000
Leasehold Improvements	5,500	5,500	50,000	-	-	55,500
Total Fixed Asset Purchases	11,898	13,500	83,500	14,500	44,000	155,500
TOTAL FUNDING REQUEST	648,898	648,869	1,592,051	2,165,408	1,428,672	5,835,000



ITEM #4
AFNWA Board
July 28, 2021

TO: Chief Wilbert Marshall, Chair and Members of the AFNWA Board

SUBMITTED BY: original signed by
Chief Ross Perley, Board Vice Chair, Audit and Finance Committee Member

DATE: July 23, 2021

SUBJECT: **Draft Audited Financial Statements for 2020/21**

ORIGIN

Conformance with Section 5.6.1 of the Governance Manual approved at November 6, 2020, Board meeting. Audit and Finance meeting of March 24, 2021, and April 14, 2021. Board meeting of March 31, 2021, and as approved for recommendation by the Audit and Finance committee on the July 22, 2021, meeting.

RECOMMENDATION

It is recommended that the Board approve the attached Draft Audited Financial Statements, as presented.

BACKGROUND

Per Governance Manual 3.7.5., it is the Board's responsibility to approve annual audited financial statements. However, it is the Audit and Finance Committee's responsibility for the preparation, presentation, and integrity of AFNWA financial statements, per Governance Manual 5.6.1. The Audit and Finance Committee approved the award of a contract to Grant Thornton for Audit, Accounting and Consulting Services at the meeting of March 24, 2021 and directed staff to draft a report to the Board for approval at the Board meeting of March 31, 2021. With approval of the Board at the March 31, 2021 meeting and approval of the Audit Strategy by the Audit and Finance Committee at the meeting of April 14, 2021, AFNWA entered into an engagement letter with Grant Thornton to provide auditing services for a five year period beginning with the audit for the 2020/21 fiscal year.

DISCUSSION

ITEM # 4
AFNWA Board
July 28, 2021

Management received the draft Audited Financial Statements, as prepared and presented by Grant Thornton, on July 13, 2021. The audit opinion presented by Grant Thornton is unqualified and did not identify any instances of material misstatement.

An item of misstatement was identified and ruled to be immaterial. This item pertained to fixed assets, namely office furniture and equipment, which was purchased and expensed in the same fiscal year. While this is a misstatement given the generally accepted accounting principle to capitalize these purchases and amortize them over their useful life, the amount was determined to be immaterial, and Grant Thornton agreed with Management's recommendation to expense them in the year purchased.

We note that the budget for the fiscal year ended March 31, 2021, as outlined in the Statement of Operations, included funds that were authorized for use in both fiscal years 2021 and 2022. The authorization to defer the funds for use in Fiscal 2022 was received from ISC and AFNWA continues to be within budget.

All other items were deemed to be ordinary, free from discrepancy and/or material misstatement, and Grant Thornton confirmed that the financial statements represent the underlying transactions and events in a manner that achieves fair representation.

ALTERNATIVES

None to be discussed.

ATTACHMENT

Draft Audited Financial Statements for the year ended March 31, 2021.

BUDGET and FINANCIAL IMPLICATIONS

The amount allocated to Audit Services in the 2020/21 Operations Budget of \$15,000 is consistent with the Service Contract executed with Grant Thornton. The Financial Proposal submitted by Grant Thornton during the RFP process stated an estimated fee of \$9,800 for the Fiscal 2021 period although an invoice has not been received as the date of this report.

Report Prepared by: original signed by
Chantal LeBlanc, Manager of Corporate Services & CFO
(902) 877-3813

Financial Reviewed by: original signed by
Carl Yates, M.A.Sc., P.Eng., General Manager
(782) 414-6628



ITEM # 5
AFNWA Board
28 July 2021

TO: Chair Wilbert Marshall, and Members of the AFNWA Board

SUBMITTED BY: original signed by
Chief Ross Perley, Vice Chair, Audit and Finance Committee

DATE: July 23, 2021

SUBJECT: **Enterprise Risk Management Policy**

ORIGIN

Transition Implementation Plan approved by the Board at the meeting of June 24, 2020. Governance Manual approved by the Board at the meeting of November 4, 2020, and the Enterprise Risk Management Policy as approved for recommendation to the Board at the Audit and Finance Committee meeting of July 22, 2021.

RECOMMENDATION

The AFNWA Board approve the Enterprise Risk Management Policy in the substantive forms attached.

BACKGROUND

Since the global financial crisis of 2008/09, Boards of Directors are taking a more active role in risk oversight. Of the key groups that provide independent risk monitoring – boards, auditors, regulators – the Board of Directors is seen as the primary group with direct responsibility and influence to ensure that sound risk management is in place. At the Audit and Finance meeting of July 22, 2021 meeting, management presented the draft policy and for endorsement reflecting the responsibility of the Committee as outlined in the governance manual.

DISCUSSION

A fundamental step in providing enterprise risk management [ERM] oversight is to establish an effective risk governance structure at the Board level. Risk governance establishes the oversight roles and decision points for the Board

and Board Committees, as well as the relationships with management and management committees.

Although Board members are not involved in day-to-day business activities, they have the ultimate responsibility to ensure that an effective ERM program is in place. The Board has the responsibility to effectively oversee ERM and the key risks facing the organization with a focus in three key areas. These include a well thought out governance structure to organize risk management; risk policies and risk tolerance levels that define risk appetite; and feedback processes that gauge the effectiveness of the ERM program.

Over the long term, ERM can enhance enterprise resilience, the ability to respond to change, and how that change could impact performance and necessitate a shift in strategy. In terms of structure, the current terms of reference for the Audit and Finance Committee includes responsibility for risk oversight. As such, this Committee will work with the CEO and senior staff to develop risk policies, risk framework, and a risk register for approval of the Board. Ultimately, the Board must decide to tolerate, treat, transfer or terminate risks facing the organization. The attached policy was submitted to the Audit and Finance Committee for consideration and as a foundational document to guide a risk management program. As can be seen from the attached policy, all levels of the organization have roles and responsibilities with the ultimate authority resting with the Board. The Audit and Finance Committee recommends the Board endorse the policy in the substantive forms attached.

BUDGET IMPLICATIONS

Funds for development of an enterprise risk management framework are included within the 2021/22 Operations Budget. Future capital and operating budgets could be impacted based on requirements to achieve acceptable levels of risk.

ALTERNATIVES

None recommended.

ATTACHMENTS

Draft Enterprise Risk Policy

ITEM # 5
AFNWA Board
28 July 2021
In Camera

Report Prepared by: original signed by
Carl Yates, Interim Chief Executive Officer, (902)-435-8021

Report Approved by: original signed by
Carl Yates, Interim Chief Executive Officer, (902)-435-8021

Financial Reviewed by: original signed by
Chantal Leblanc, Manager of Corporate Services/CFO, 902-877-3813



Atlantic First Nations Water Authority

Enterprise Risk Management Policy



To balance risk to
the benefit of our
communities and
the environment

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Section

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- 2.** Policy statement
- 3.** Guiding risk appetite, definitions and principles
- 4.** Purpose
- 5.** Scope
- 6.** Roles and responsibilities
- 7.** Procedures

Appendix A – ERM Architecture at Atlantic First Nations Water Authority

1. Introduction

The Atlantic First Nations Water Authority (AFNWA) has adopted Enterprise Risk Management (ERM) as a governance and operational best practice. Risk is a combination of potential threat and opportunity; it is the chance of an event, action, inaction, or incident that could affect AFNWA's ability to achieve its business and strategic objectives and regulatory obligations.

ERM consists of risk management practices and procedures applied across the organization to identify, measure, assess, respond to, monitor, and report on principal risks that affect the achievement of business objectives. ERM allows AFNWA to identify, measure, and monitor key risk areas and to report on key risks to the AFNWA Board.

2. Policy Statement

AFNWA accepts that risks, and opportunities, are present in all business activities. Consequently, AFNWA recognizes the need for ERM as a consideration in strategic and operational planning, day-to-day management, and decision-making at all levels in the organization.

This Policy recognizes and encourages the effective management of risk, promotes the attainment of AFNWA's mission and strategic objectives, and addresses critical risks before they materialize and negatively impact the organization.

3. Guiding risk appetite, definitions and principles

AFNWA's overall risk appetite statement is:

AFNWA's risk appetite is assessed by its ability to provide water and wastewater services to all member communities efficiently and effectively, adhering to national standards, minimizing impact to the environment, and providing a safe and respectful workplace for all employees.

The following definitions are relevant to ERM at AFNWA:

Risk is a combination of potential threat and opportunity; it is the chance of an event, action, inaction, or incident that could affect AFNWA's ability to achieve its business and strategic objectives and regulatory obligations.

Risk Universe includes all of the risks identified for AFNWA; which are sorted into tiers and tracked in risk registers. The risk universe and risk registers are highly sensitive information which must be treated confidentially.

Corporate Risk Register is the record of the top risks that are reported to the Board on a regular basis, also known as tier one risks. Tier one and tier two risks will be

reviewed by the Senior Management Team on a regular basis with Tier 3 risks delegated to Department Managers for ongoing review.

The following principles guide AFNWA in building and maintaining its ERM process:

- Creating value and transparency
- Driving action and business planning
- Addressing uncertainty
- Tailoring organizational capability to manage risk
- Facilitating evidence-based, balanced and better decision making

4. Purpose

AFNWA recognizes that risk is present in all business activities and that the effective management of risk is a critical success factor in attaining AFNWA's mission and strategic objectives. AFNWA is committed to raising awareness of ERM by:

- establishing a systematic approach to managing and reporting key business risks;
- facilitating a risk-based assessment of both new and existing opportunities; and
- implementing initiatives, activities, and decisions intended to attain the strategic objectives of the organization.

This Policy is intended to define ERM principles and specify expectations associated with AFNWA's risk management activities and governance.

5. Scope

This Policy applies to all Board Directors and employees, and outlines ERM related accountabilities and responsibilities.

6. Roles and Responsibilities

Risk will be managed as part of AFNWA's corporate governance and management processes. ERM is an integral part of all management and decision-making functions within AFNWA. Identifying risk and implementing control strategies will be delegated by the Board and management as appropriate.

The risk oversight responsibilities are based on AFNWA's eight broad risk categories, which support the achievement of its mission and strategic objectives:

- **Financial & Asset Management**: AFNWA *seeks to minimize financial risks and thus, has some tolerance towards any impact that could affect the annual operating budget or affect the critical assets.*

- Service: AFNWA strives to maintain the highest of professional and ethical service standards. We have a **low tolerance** towards any actions that could adversely impact our reputation and ability to fulfil our service obligations.
- Public Health: AFNWA has **zero tolerance** for actions or behaviours that adversely impact its ability to provide safe drinking water to its customers. AFNWA has a **low tolerance** for wastewater discharges that could adversely impact the health of the public.
- Regulatory Compliance: AFNWA has a **low tolerance** for actions that attract negative regulatory attention.
- Workplace Safety & Security: AFNWA has **zero tolerance** for behaviours or operations that put our employees or members of the public at risk.
- Environment: AFNWA has **low tolerance** for any action that could negatively impact the quality and safety of the environment as a result of uncontrolled discharges of drinking water, wastewater, and stormwater or associated delivery/storage of chemical products.
- People: AFNWA has a **low tolerance** towards behaviours that would adversely affect its ability to provide a positive, respectful culture of accountability, where employees are engaged and working together to achieve the organization's strategic objectives.
- Culture: AFNWA has a **low tolerance** towards behaviors or influence that distract from its embrace of First Nations and Indigenous traditional knowledge, its support of First Nations self determination, and its commitment to a diverse workforce.

The Board is responsible for providing oversight and strategic direction on ERM at AFNWA. The Board may delegate certain responsibilities to Board committees and/or management as they see fit.

The Chief Executive Officer is accountable for implementing this Policy and establishing the processes and activities necessary to manage AFNWA's key risks.

The Audit and Finance Committee provides oversight to management charged with implementing ERM by establishing a corporate ERM program to identify potential events that may affect the business or operations of AFNWA.

The AFNWA Executive Management Team is accountable for the management of risk within their directorate risk registers. Providing oversight on the implementation of the ERM process, the Executive Management Team maintains the directorate risk registers, prioritizes risk mitigation, identifies decision parameters, confirms the effective operation

of ERM processes and provides timely and accurate updates to the Board when requested, and to employees as required.

The AFNWA Chief Financial Officer maintains the corporate risk register and coordinates regular reviews and updates to the process. The Chief Financial Officer provides ongoing advice and training related to ERM and this Policy, and acts as a liaison to ERM external stakeholders.

AFNWA Supervisors may have specific responsibilities for reporting and managing risks. All levels of management are expected to understand the risks that fall within their areas of responsibility as well as to manage and report on these risks in accordance with this Policy and the various risk registers. Supervisors are responsible for ensuring the consistent application of the ERM Policy by their employees, and for confirming all direct reports are aware of their roles and responsibilities under this Policy.

Employees are responsible to understand and accept this Policy, report inefficient, unnecessary or unworkable ERM controls, report risk and loss events to their supervisor, and cooperate with management on incident investigations.

7. Procedures

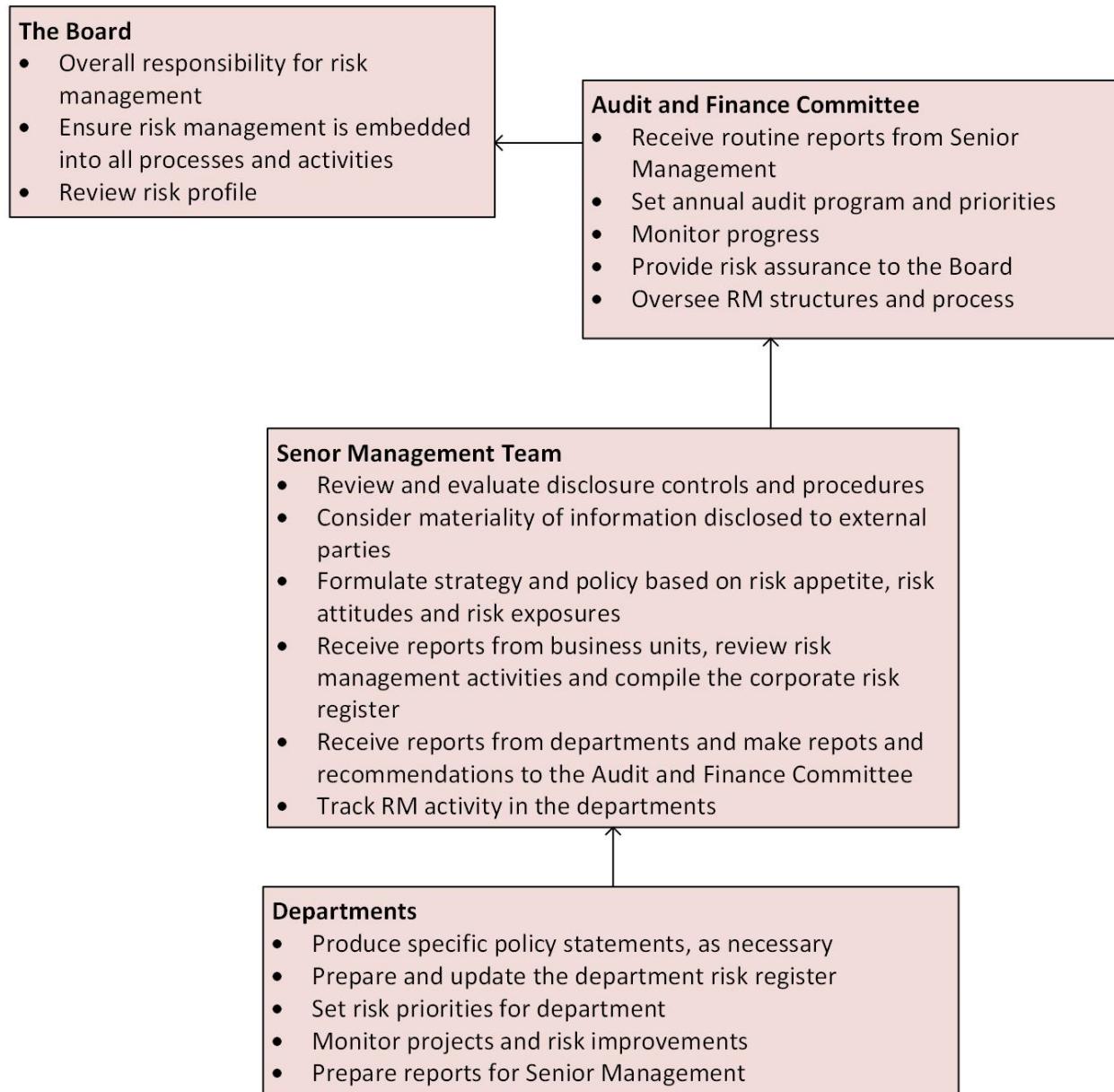
Updating ERM System Components - AFNWA commits to staying current with developments, being aware of emerging risks, and keeping pace with a changing environment.

Training - AFNWA is committed to providing training and knowledge development in ERM. AFNWA will ensure that all employees, particularly those with management, advisory, and decision-making responsibilities, obtain a sound understanding of ERM principles, and the requisite skills to implement ERM effectively.

Continual review and improvement - AFNWA is committed to continuous improvement through monitoring performance and reviewing progress in ERM. AFNWA will regularly monitor and review the progress being made in developing an appropriate ERM culture as well as the effective implementation of risk management strategies throughout the organization:

- The Board will review this Policy and the corporate risk register every two years at a minimum, and more frequently if and when a significant event occurs;
- In coordination with the Chief Financial Officer, the Audit and Finance Committee will review this Policy and the corporate risk register regularly and report to the Board with any recommended changes or amendments;
- The Executive Management Team will review the corporate risk register regularly, and include this as an agenda item at their regularly scheduled meetings.
- The Chief Financial Officer will monitor the ERM process for any conflicts, issues or discrepancies and report to the Audit and Finance Committee accordingly.

Appendix A – ERM Architecture at AFNWA





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TO: Chief Wilbert Marshall, Chair and Members of the AFNWA Board

SUBMITTED BY: original signed by
Chief Ross Perley, Board Vice Chair, Audit and Finance Committee

DATE: July 23, 2021

SUBJECT: **Revised 2021/22 Operations Budget**

ORIGIN

Transition Implementation Plan, approved at the Board meeting of June 24, 2020; Approval of 2021-2022 AFNWA Operations Budget at the Board meeting held on March 31, 2021. Approval to recommend to Board at the Audit and Finance Committee meeting held on July 22, 2021.

RECOMMENDATION

It is recommended that the AFNWA Board approve the revised attached Operations Budget 2021-2022.

BACKGROUND

The Transition Implementation Plan passed by the AFNWA Board of Directors on June 24, 2020, identifies activities over two fiscal years [2020-2021 and 2021-2022]. Representatives from ISC have confirmed that \$3,000,000.00 has been earmarked for AFNWA for the 2021-2022 fiscal year. The amount available to carry over from 2020-2021 was confirmed through our recent audit to be \$1,829,000, for a combined sum of \$4,829,000 from ISC for a Core Operations Budget.

Previously, the budget was approved with an assumption of a carry forward of \$1,700,000. The adjustment in carry-forward together with an error in the budget, and an unexpected requirement for Environmental Site Assessments for most participating Communities, necessitated a revision to the previously approved budget. A comparison summary of the previously approved budget and the proposed amended budget are provided as an attachment to this document for your convenience. The proposed budget below identifies the expenditures anticipated to complete the deliverables identified within the TIP in the 2021-2022 fiscal year.

DISCUSSION

The material changes in the Operations budget are summarized as follows:

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- AFNWA is in negotiation for a new office space in Truro. Management has acquired a reasonable level of comfort with the costs associated to occupy the building and has added these to the budget – lease, primarily equipment, furniture, IT cabling, security system, etc.
- The APC corporate services contract has been significantly reduced as we have replaced the external administrative support with internal resources.
- Included in the APC Corporate Services Contract was the vast majority of IT software licenses and support. We have since hired an internal IT Coordinator and budgeted for these items to be paid directly from AFNWA rather than through APC and reallocated the expenses accordingly.
- The Asset Management Contract has increased by approximately \$135,000 to cover the unexpected requirement for Environmental Site Assessments. The remainder of the increase to this contract is associated with a re-allocation of contract funds from the previous year and not an increase to the contract. In other words, the proposed budget reflects a more accurate cash flow now that the project is underway.
- Payroll has been updated for salaries negotiated, as well as timing for hiring. There was an error in the March 31st budget for total payroll expense and we have added specific line items for WCB and Staff Moving Expenses (provided for Senior Management only).
- Travel expenses have been increased significantly with the optimistic outlook of being able to convene in person for workshops as well as visit communities to have comprehensive discussions with Chief and Council in multiple participating communities as well as new interested communities.
- Board Compensation has been increased with the anticipation of in-person meetings, as well as the initiation of the Elder's Advisory Lodge and Environment, Health and Safety Committee.

ALTERNATIVES

None to be discussed.

BUDGET AND FINANCIAL IMPLICATIONS

The budget presented reflects the \$3,000,000.00 earmarked by ISC for the 2021/22 fiscal year and \$1,829,000.00 in carry over funds from the 2020-2021 fiscal year.

ATTACHMENTS

- Revised Operations Budget 2021-2022

Report Prepared by: original signed by
Chantal LeBlanc, Manager of Corporate Services & CFO
(902) 877-3813

Financial Reviewed by: original signed by
Carl Yates, M.A.Sc., P.Eng., interim CEO, (782) 414-6628

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AFNWA Proposed 2021/22 Operations Budget

Operations	APPROVED	PROPOSED	DIFFERENCE
Communication/ Public Relation / Sponsorship	\$225,000	\$225,000	\$0
Office Lease	\$100,000	\$98,500	\$1,500
Leasehold Improvements		\$55,500	-\$55,500
Office Equipment & Furniture		\$20,000	-\$20,000
Cleaning and janitorial services	\$20,000	\$20,000	\$0
Electricity	\$35,000	\$18,000	\$17,000
Heating	\$30,000	\$18,000	\$12,000
Telephone/ cellular phone/ Internet	\$30,000	\$30,000	\$0
Advertising	\$25,000	\$25,000	\$0
Website Maintenance	\$25,000	\$43,000	-\$18,000
Bank charges and interest	\$15,000	\$5,000	\$10,000
Office supplies and postage	\$30,000	\$26,000	\$4,000
Hardware/Software	\$25,000	\$90,000	-\$65,000
APC Corporate Services	\$150,000	\$75,000	\$75,000
Engineering Dept Software/Hardware	\$10,000	\$10,000	\$0
Safety & PPE Gear		\$39,000	-\$39,000
Training and Employee Development	\$100,000	\$100,000	\$0
Insurance			
Liability [Director's/Officer's/General]	\$50,000	\$50,000	\$0
Professional Services			
Audit	\$15,000	\$15,000	\$0
Accounting Services Consulting (Admin)	\$50,000	\$50,000	\$0
Legal	\$95,000	\$95,000	\$0
Contracts			
IT	\$90,000	\$100,000	-\$10,000
HR & Search Services	\$0	\$100,000	-\$100,000
Asset Management	\$150,000	\$545,795	-\$395,795
Governance Consultant	\$150,000	\$150,000	\$0
Land Tenure Counsel	\$220,000	\$220,000	\$0
Project Management	\$50,000	\$50,000	\$0
Operations Consultant	\$75,000	\$100,000	-\$25,000
Regulatory Contract	\$50,000	\$50,000	\$0
Change Management	\$50,000	\$25,000	\$25,000
Enterprise Risk Assessment	\$75,000	\$50,000	\$25,000
Financial Model Development	\$75,000	\$50,000	\$25,000
Operations/Contracts Total	\$2,015,000	\$2,548,795	-\$533,795

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Payroll Q1	APPROVED	AMENDED	DIFFERENCE
CEO	\$170,000	\$170,000	\$0
Interim COO	\$100,000	\$100,000	\$0
Manager of Engineering	\$130,000	\$130,000	\$0
Manager of Communication	\$93,000	\$93,000	\$0
Manager of Corporate Services	\$125,000	\$120,000	\$5,000
Manager of Operations	\$115,000	\$115,000	\$0
Superintendent Operations	\$97,644	\$56,959	\$40,685
Superintendent Technical Services	\$97,644	\$56,959	\$40,685
Human Resource Coordinator	\$77,498	\$52,500	\$24,998
Asset Management Technologist	\$65,000	\$65,000	\$0
Administrative Assistant	\$58,000	\$58,000	\$0
Administrative Assistant	\$57,000	\$57,000	\$0
Payroll Q2			
Operations Engineer	\$64,808	\$43,205	\$21,603
Capital Projects Engineer	\$73,233	\$56,959	\$16,274
Controller	\$64,808	\$50,406	\$14,402
Administrative Assistant	\$46,772	\$42,375	\$4,397
Payroll Q3			
Administrative Assistant	\$31,182	\$39,375	-\$8,194
Regulatory Compliance Coordinator	\$38,749	\$43,917	-\$5,168
IT Co-ordinator	\$38,749	\$52,500	-\$13,751
Communications Associate	\$0	\$40,545	-\$40,545
Safety Co-ordinator	\$34,753	\$40,545	-\$5,793
Payroll Q4			
Accounting Clerk	\$17,376	\$0	\$17,376
Administrative Assistant	\$15,591	\$0	\$15,591
Source Deductions			
15% Benefits	\$233,951	\$252,200	-\$18,249
2% Performance Bonus [Senior Managers]	\$11,260	\$11,260	\$0
WCB	\$0	\$90,000	-\$90,000
Staff Relocation & Accommodation	\$0	\$25,000	-\$25,000
Overtime AA	\$20,854	\$0	\$20,854
Overtime for Capital Projects Engineer	\$6,912	\$0	\$6,912
Payroll Total	\$2,391,901	\$1,862,705	\$529,196

AFNWA Chief and Operator Meeting	APPROVED	AMENDED	DIFFERENCE
Facilities & Catering	\$12,000	\$30,000	-\$18,000
Meeting Materials	\$4,000	\$10,000	-\$6,000
Travel	\$15,419	\$30,000	-\$14,581

Asset Management Workshop	APPROVED	AMENDED	DIFFERENCE
Facilities & Catering	\$10,000	\$10,000	\$0
Meeting Materials	\$3,000	\$3,000	\$0
Travel	\$7,411	\$7,500	-\$89

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Lands Workshop			
Facilities & Catering	\$12,000	\$12,000	\$0
Meeting Materials	\$4,000	\$4,000	\$0
Travel	\$15,831	\$16,000	-\$169
Asset Transfer Workshop			
Facilities & Catering	\$10,000	\$10,000	\$0
Meeting Materials	\$3,000	\$3,000	\$0
Travel	\$8,750	\$9,000	-\$250
AFNWA Operator Working Group			
Travel	\$3,131	\$14,000	-\$10,869
Meeting Costs	\$650	\$8,000	-\$7,350
Total	\$3,781	\$22,000	-\$18,219
Total - 4 Meetings	\$15,122	\$44,000	-\$28,878
AFNWA Staff Travel			
Halifax&Millbrook -AFNWA Communities	\$59,285	\$89,000	-\$29,715
TRAVEL & WORKSHOP TOTAL	\$179,818	\$277,500	-\$97,682
Board Cost			
Board Cost	\$116,017	\$140,000	-\$23,983
TOTAL	\$4,702,736	\$4,829,000	-\$126,264