

UWSS/02/26

To: UWSS Inc. Board of Directors
From: Rodney Bouchard, UWSS Inc. CEO
Date: January 16, 2026
Re: Proposed 2026 UWSS Inc. Operations and Capital Budget



Recommendation

That the Union Water Supply System Inc. Board of Directors (Board) adopts the Proposed 2026 Operational and Capital Budget for the Union Water Supply System;

And further, that the Board approves a total increase of \$0.0588 per cubic metre to the existing 2025 UWSS water rate of \$0.7767. This proposed rate increase is inclusive of the following components:

- A \$0.0088 per cubic meter increase for CPI and non-revenue water adjustments.
- A \$0.0500 per cubic meter Capital Program Rate.
- A \$0.0200 per cubic meter Lifecycle Rate.

The proposed total 2026 UWSS billing rate to UWSS Inc. customers of \$0.8555 per cubic meter is to be implemented on April 1, 2026.

And further, that the Board approves a capital improvement levy of \$0.03 per cubic meter to be applied to greenhouse operations customers to support the treatment plant capacity expansion infrastructure project.

Background:

On January 1, 2024, management of the Union Water Supply System was transferred from the UWSS Joint Board of Management to UWSS Inc. The approval of UWSS Inc. Operations and Capital Budgets is the responsibility of Union Water Supply System Inc. Board of Directors. UWSS Inc. management is accountable for development and implementation of the UWSS inc. budget on behalf of the Board of Directors. UWSS Inc. management is seeking approval of the proposed 2026 UWSS Budget so that critical studies and major capital upgrades and improvements can be initiated without delay.

This budget report is outlined to provide details on the following:

- Projected revenue for 2026 from sale of treated water to customers in the municipalities of Leamington, Kingsville, Essex and Lakeshore.
- Projected revenue from other sources including rental income from telecom companies for leased space on UWSS water towers and rental income from UWSS Inc. owned property.
- Projected investment income revenue.

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- Projected operating expenditures for 2026 including estimated costs for operation and maintenance of UWSS facilities by the Ontario Clean Water Agency (OCWA), under its contract with UWSS.
- Proposed cash funded capital works and major maintenance program for 2026.
- Debt funded infrastructure projects for 2026.

Discussion:

The proposed 2026 UWSS Inc. Budget documents have been prepared by the UWSS Inc. Chief Executive Officer (CEO) and UWSS Inc.'s virtual Chief Financial Officer (CFO). The 2025 Budget was developed in collaboration with OCWA management, and operations/ maintenance staff for UWSS Inc. facilities.

The preliminary 2026 UWSS Inc. Operations and Capital Budget were reviewed with UWSS Inc. Finance & Audit Committee (FAC) at two meetings held on November 26th, 2025 and January 14th, 2026. UWSS Inc. management received the FAC's endorsement to present the 2026 preliminary Budget to the UWSS Inc. Board of Directors for consideration and approval at the January 21st, 2026 UWSS Inc. Board meeting.

A summary of the 2026 UWSS Inc. budget is provided below:

Budget Highlights

- Potable water demand from UWSS facilities is projected at 22,791,000 m³ for 2026. This represents an increase of 4.3% over 2025 budgeted water demand.
- An increase of \$0.05888/m³ is proposed to the total rate UWSS Inc. applies to end-users. This increase incorporates adjustments for CPI and non-revenue water, a levy of \$0.05/m³ to fund the capital improvement program and a Lifecycle levy of \$0.02/m³ to fund future renewals. The total water rate to be applied to UWSS Inc. end-users in 2026 is \$0.8555/m³. This new rate would become effective on April 1, 2026.
- A levy of \$0.03/m³ is proposed for greenhouse customers to support the water treatment plant capacity expansion projects.
- UWSS Revenue for 2026 is estimated at \$20,026,742. This includes estimated Rate revenue of \$18,753,243, investment income of \$1,219,661, and property rental income of \$53,838.
- Expenses for 2026 are estimated at \$12,526,383. This includes Operating Expenses of \$9,359,254, General & Admin Expenses of \$1,433,788, and interest costs for Debt Funded Capital of \$1,733,341. Operating Expenses include the OCWA Operations & Maintenance Contract that is valued at \$5,216,375 for 2026. General & Admin Expenses includes 2 new proposed staff for UWSS Inc.
- A cash funded capital program of \$8,705,000 is proposed for 2026. This includes but is not limited to distribution system improvements, residuals management system upgrades, SCADA system upgrades, Admin Building expansion, etc.
- As of January 1, 2026, UWSS Inc. cash & short-term investments and reserves funds totalled \$24.74 million.
- A debt funded capital program of \$30.6 million is proposed for 2026. This includes the on-going construction of reservoir #3, with a total value of \$54 million, which expected to be completed by December 2026.
- As of January 1, 2026, UWSS Inc. had debt owing in the amount of \$28.05 million.

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Additional details for the 2026 UWSS Inc. Operations and Capital Budget are included in the Union Water Supply System Inc. Budget Plan 2026 presentation document to be provided to UWSS Inc. Board of Directors under separate cover.

Closing Comments

It is the UWSS Inc. management's opinion that the 2026 Budget and 5-year projection presented in this report delivers a Budget for UWSS that is fiscally prudent while also providing for the major maintenance and lifecycle replacements needed to ensure that UWSS facilities and operations are effective and sustainable for the future.

Respectfully submitted,



Rodney Bouchard, CEO
Union Water Supply System Inc.

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