



Union Water Supply System Inc.

Board of Directors Meeting

Wednesday, November 20, 2024

9:00 am

Kingsville Arena, 1741 Jasperson

AGENDA

A. Call to Order:

B. Land Acknowledgement

The Union Water Supply System Inc. Board of Directors acknowledges the Three Fires Confederacy (Ojibwe, Potawatomie and Odawa) and the Traditional ancestral, unceded territory of Caldwell First Nation; the original people of Point Pelee, Pelee Island and its surrounding waters. We recognize and respect the First Nations who are stewards of the land and waters of Turtle Island and who have embraced this stewardship since time immemorial. We would also like to acknowledge all the moccasins who have walked the lands of Turtle Island.

C. Welcoming Remarks

D. Disclosures of Pecuniary Interest:

E. Approval of Minutes:

Minutes of the Board of Directors Meeting held on September 18th, 2024
Pages 3 - 8

F. Business Arising Out of the Minutes

G. Items for Consideration:

1. UWSS/28/24 dated November 15, 2024
Re: Status Update of UWSS Operations & Maintenance Activities and Capital Works from September 18 to November 15, 2024
Pages 9 - 11
2. UWSS/29/24 dated November 15, 2024
Re: UWSS Inc. 2024 Financial Update
Attached: UWSS Executive Summary - Nine (9) Months ended Sept 30, 2024
Pages 12 - 16

H. **New Business:**

I. **Action Items:**

J. **Comments, Announcements, and Other Business:**

K. **Adjournment:**

L. **Date of Next Meeting:** December 18, 2024, 9:00 am Kingsville Arena 9:00 am

/kmj



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UWSS Inc.
Board of Directors
Meeting

Wednesday, September 18, 2024
9:00 am
Ciociaro Club, Oldcastle

MINUTES

Directors Hilda MacDonald (Chair) - absent
 Kim DeYong (Vice Chair)
 Sherry Bondy
 Kirk Walstedt
 Dennis Rogers
 Mike St. Amant
 Lori Atkinson
 Tom Kissner
 Sebastian Schmoranz
 John Tofflemire
 Wayne Wharram
 Larry Verbeke

Also in Attendance: Rodney Bouchard, UWSS Inc. Chief Executive Officer
For UWSS Khristine Johnson, UWSS Inc. Office Administrator

Guest William Willis, Willis Business Law - UWSS Legal Counsel
 Sabrina Nazzani, Capital Assist (Valuation) Inc. - CFO

OCWA Staff Robin Trepanier, Dale Dillen

Municipal Staff
Present Shannon Belleau - Municipality of Leamington
 Rob Mackie - Town of Essex
 Shaun Martinho - Town of Kingsville

Call to Order: 9:01 am

Land Acknowledgement

We acknowledge that we are on land and surrounded by water, which was originally inhabited by Indigenous Peoples who had travelled this area since time immemorial.

This territory is honoured by the Wampum Treaties of the Anishinaabe (Ah-nish-in-abay), Haudenosaunee (Ho-den-no-show-nee), Leni Lenape (Len-nee-Len-ah-pay), and allied Nations, to peacefully share and care for the resources around the Great Lakes, and the

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waters that we drink. We would like to acknowledge the presence of the Three Fires Confederacy of the Ojibwe (Oh-jeeb-way), Odawa (Ow-da-wah), and Potawatomi (Pow-tuh-wa-tuh-mee) and the Huron/Wendat Peoples. We are dedicated to honouring Indigenous history and culture while remaining committed to moving forward respectfully with all First Nations, Inuit and Métis.

Welcoming Remarks:

The Vice Chair welcomes everyone to the meeting.

Disclosure of Pecuniary Interest: none

Adoption of Board Minutes:

No. UWSS-53-24

Moved by: Director Schmoranz

Seconded by: Director St. Amant

That the minutes of the Union Water Supply System Inc. Board of Directors for the following meetings are received:

- Minutes of the UWSS Inc. Board of Directors meeting held on July 17th, 2024
- Minutes of UWSS Inc. Annual General Shareholders meeting held on August 14th, 2024
- Minutes of UWSS Inc. Special meeting of the Board of Directors held on August 14th, 2024

Carried

Business Arising out of Minutes:

Director Bondy notes that comments were made during the Annual General Shareholders meeting and she is wants to understand how those comments can be addressed in open forum.

William Willis indicates that there is a process for shareholders to report back under the bylaws of the organization. However, Director Bondy notes that it would not be beneficial to wait one year for the next shareholder meeting to happen to answer any questions.

The CEO notes that any concerns can be brought forward at regular meetings as well. Director Rogers asks if the Municipal Working Group can also answer some of the questions or concerns raised at the Shareholder Meeting.

William Willis notes that a shareholder only needs to provide 21 days notice and shared with members.

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Director St. Amant asks for clarification on who does what through the operating model, specifically for watermain breaks. The CEO notes that at the Municipal Working Group meeting the day prior there was a discussion on this matter and we will be working towards creating a Section 5 Agreement with the municipalities.

Items for Consideration

Report UWSS/26/24 dated September 13th, 2024 re: Status Update of the UWSS Operations & Maintenance Activities and Capital Works from July 17th to September 13th

The CEO welcomes everyone and notes he will highlight some of the more notable items from his report. Thanks everyone for attending at the Ciociaro Club, rather than our regular meeting location.

He then moves through some key points to his report. He notes that CBS inspection of the reservoir indicated leak repairs were required on Cell #1 and #2. Those repairs were completed on July 30th.

The CEO then explains that the major issue this summer has been watermain breaks on the 12" common asset line running from the WTP to CBS. With a total of four (4) breaks this summer, one of which required a Boil Water Advisory (BWA) the CEO explains this asset needs to be assessed quickly. He notes that there is potential work moving forward to address this vulnerable asset.

One of the boundary meters stopped working properly and this has caused estimated flows to be used for Leamington's boundary meter read for July.

The CEO notes that our intake #1 was inspected on August 21st. It was noted that damage to the bell has occurred. He explains that the intake is quite deep and staff is unsure how the damage occurred. Watech services will be making the necessary repairs late September or early October, when water demand decreases.

He then provides an update on the EA process for increased treatment capacity. He notes that the comment period has ended, but right at the last moment the Ontario Ministry of Citizenship and Multiculturalism (MCM) asked to provided comments, those are now being addressed by our engineering consultants.

The CEO reminds members of the chlorinated discharge water from the residual ponds to Lake Erie. He notes that over several years operational staff have tried several minor upgrades, but nothing has met the requirements. However, now this item is part of our license and therefore needs to be addressed. He notes that Associated Engineering (AE) is now working on a dechlorination system, which should hopefully be installed by the end of February, in a section of the old ammonia/chloramination building.

The CEO provides an update on the Reservoir #3 project. Working has been ongoing and it is expected that digging will commence sometime in November 2024.

Director Rogers asks for some clarification regarding the watermain breaks and the communication that went out and how it was handled. The CEO explains that he has

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been in contact with the WECHU. The CEO confirms that this was discussed at the Municipal Working Group the day prior and that there is a meeting scheduled with the WECHU and municipal leaders to ensure that there is a standard practice in place during such events. Director Rogers asks for a report back to the board on this item after those discussions.

Director Bondy wants to know why the flows are trending higher, what is causing this. The CEO notes that it has been a warmer and drier year, but operationally the flows are just slightly higher than the previous year. He further explains that he is working with the municipalities to obtain better details on the flows, as this is the first year under UWSS Inc., once those items have been reviewed he can bring back to the directors.

No. UWSS Inc-54-24

Moved by: Director Rogers

Seconded by: Director Kissner

That report UWSS/26/24 dated September 13th, 2024 re: Status Update of the UWSS Operations & Maintenance Activities and Capital Works from July 17th to September 13th, 2024 is received.

Carried

Report UWSS/27/24 dated September 12th, 2024 re: Clarifier #4 DAF Retrofit (DAF#2) - Budget Revision

The CEO reminds the Directors of the project to complete DAF #1 and also how Clarifier #4 will now be retrofitted to DAF #2. He also states that during the construction of DAF #1 many lessons were learned, as this was a unique build that had never been done before. He further explains that the hope is DAF #2 will be completed in Spring of 2025 in time for the high flow season.

He notes that a budget had been approved as part of the 2024 budget, however, the construction manager now some updated figures, which included the updated cost of steel. He explains that he is asking the Board of Directors to approve the entire capital budget during this year, rather than have it split over two (2) years. He also notes that UWSS Inc. has sufficient monies in its accounts/reserves to accommodate this project.

Director St. Amant asks why this matter was not brought before the Finance & Audit Committee (FAC). The CEO indicates due to the essence of time, he felt it prudent to bring this report to the Board, as he only received clarifying information a day before the agenda was sent out.

Director St. Amant also seeks clarification on the process in choosing Napier-Reid. The CEO explains that this was a sole source selection as they had completed work on DAF #1 and have the knowledge and experience to retrofit for DAF #2.

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The Vice Chair notes that this is a good reminder of the process to follow as we are working through this transitional year over to UWSS Inc. The CEO concurs.

No. UWSS-54-24

Moved by: Director Walstedt

Seconded by: Director Tofflemire

That the Union Water Supply System Board of Directors (Board) receives this report for information;

And further, that the Board approves a total budget of \$7.5 million for the retrofit of Clarifier #4 with a dissolved air flotation system (DAF).

Carried

Consent Agenda

No. UWSS-55-24

Moved by: Director Verbeke

Seconded by: Director Schmoranz

That item 1 and 2 on the consent agenda, **BE RECEIVED**, as they have been approved through the UWSS Inc. Finance & Audit Committee

1. Finance and Minutes of the UWSS Inc. Special Meeting held on August 14, 2024
Pages 24 - 26
2. Finance & Audit Committee Minutes of meeting held on July 17th, 2024, and August 14th, 2024
Pages 27 - 29

Carried

New Business:

Director Verbeke asks the CEO about how a resident should go about obtaining municipal water in front of his home. There is a brief discussion and the CEO directs the resident to discuss this item with his/her municipality.

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Comments, Announcements, and Other Business

There was none.

Adjournment:

No. UWSS-56-24

Moved by: Director Wharram

Seconded by: Director Tofflemire

Time adjourned: 9:37 am

Date of Next Meeting: October 16th, 2024, Kingsville Arena - 9:00 am.

/kmj

To: UWSS Inc. Board of Directors
From: Rodney Bouchard, UWSS Inc. CEO

Date: October 15th, 2024

Re: Status Update of UWSS Operations & Maintenance
Activities and Capital Works from September 18th to November 15th, 2024



Purpose:

To inform the UWSS Inc. Board of Directors about operational and maintenance activities and capital works projects for the Union Water Supply System since the last Board meeting on July 18th, 2024.

Discussion:

UWSS management conducts regular meetings with OCWA Operations staff regarding on-going operations and maintenance programs for the UWSS facilities. The following provides an update on UWSS operations, regular maintenance and major maintenance and Capital Works at UWSS facilities:

1. September 18 - OCWA UWSS maintenance staff installed a new polymer pump for the DAF #1 system. DAF #1 system was taken out of service on September 23rd for annual maintenance/cleaning. The system was returned to service on October 7th.
2. September 23 - Watech Services Inc. on site at the low lift for intake #1 repairs. The divers completed the work on October 2nd.
3. September 24 - Nevro was on-site at the low lift station to complete the installation of Low Lift pump #3. The pump had been out of service since the spring.
4. September 29 - JDCMI on site at the water treatment plant (WTP) for repairs to Filter #2, which was noted to be leaking earlier this year. Repairs were completed on October 3rd.
5. October 8 - Clarifier #4 taken out of service to be drained, cleaned & prepped for converting to new DAF #2 system.
6. October 21 - Alberici Constructors on-site to set up on-site crews and start preparation for removal of the Clarifier #4 dome. The dome was removed on November 1st and staged on-site. Subcontractor Roberts Onsite crews completed removal of Clarifier #4 equipment and internal structures from November 4th-8th. On-site work will be on-going until project is complete

Re: UWSS/28/24 - Status Update of UWSS Operations & Maintenance Activities and Capital Works from September 18th to November 15th, 2024.

7. October 29 & 30 - annual maintenance completed on low lift pump wells 1 & 2. This work was completed by OCWA UWSS staff.
8. October 30th - Summa/Actemium was on-site at the water treatment plant to install filter control panels 3 & 4. The work was completed on November 6th.
9. November 06- Clarifier #3 out of service, drained, cleaned and blow off valve replaced. The clarifier will be returned to service by the end of November.
10. November 07 - interconnect flow meters have been installed between Leamington & Wheatley distribution systems. This will allow flows to be measured for billing purposes.
11. November 12 - Interconnects between Leamington & Wheatley now open for the winter and UWSS is now supplying water to Wheatley. It is anticipated that the interconnects will remain open until May 2025
12. November 18 - Interconnects feeding Harrow Water Treatment Plant (WTP) have been opened to allow for maintenance work at the Harrow WTP. It is expected that the interconnects will be open for 2 - 3 weeks

The first chart shows comparative flows for 2018 through 2022 in Mega Litres (ML) and the second chart shows Millions of Imperial Gallons (MIG) for the period January 1st to November 14, 2024.

	2020	2021	2022	2023	2024
Flow to Date (ML)	17,479.78	18,231.76	19,036.08	19,234.37	20,472.73
Max Day (ML)	97.33	93.83	99.17	108.68	95.08
Min Day (ML)	25.44	26.74	27.58	32.48	32.70
Average Day (ML)	54.80	57.33	59.86	60.49	64.18
No of Days	319	318	318	318	319

	2020	2021	2022	2023	2024
Flow to Date (MG)	3845.09	4011.81	4188.10	4231.04	4503.44
Max Day (MGD)	21.41	20.64	21.81	23.91	20.91
Min Day (MGD)	5.60	5.88	6.07	7.14	7.19
Average Day (MGD)	12.05	12.62	13.17	13.31	14.12
No of Days	319	318	318	318	319

Flows to date are up 1238.36 ML (166.72 MIG) or 6.4% from last year. The 2024 flows to date are up 10.7% over the previous 4 year average.

Re: UWSS/28/24 - Status Update of UWSS Operations & Maintenance Activities and
Capital Works from September 18th to November 15th, 2024.

Recommendation:

That this report be received by the UWSS Board for information purposes.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'R. Bouchard', with a stylized flourish at the end.

Rodney Bouchard, CEO
Union Water Supply System Inc.

/kmj

To: UWSS Inc. Board of Directors
From: Rodney Bouchard, UWSS Inc. CEO
Date: November 15, 2024
Re: UWSS Inc. 2024 Financial Update



Recommendation:

That the Union Water Supply System Inc. Board of Directors (Board) receives this report for information.

Background:

The restructuring of UWSS into a Municipal Corporation resulted in a change in UWSS' financial reporting structure. UWSS Inc. has retained Capital Assist Inc. to provide Virtual CFO and accounting services. Capital Assist's services include preparation of UWSS Inc. financial reports.

Discussion:

Capital Assist has prepared the UWSS Inc. Financial Executive Summary (attached) that presents the financial status of UWSS Inc. as of September 30th, 2024.

It should be noted that the restructuring of UWSS into a corporation has affected the UWSS' revenue and billing structure. Before incorporation, UWSS billed the 4 municipalities directly for water usage measured by the 16 master boundary meters. Post-incorporation, UWSS Inc. bills each end user directly. This billing work is completed by the 4 municipalities on behalf of UWSS Inc. under agency agreements.

The change in billing methodology has introduced non-revenue water "losses" into UWSS Inc.'s revenue stream. UWSS Inc. administration is working with the municipal treasurers/finance staff to determine how non-revenue water losses should be addressed and between each of the 5 entities.

The information included in the attached report was presented to the UWSS Inc. Finance and Audit Committee at a meeting held on November 13th. The attached financial executive report was endorsed by the Committee for presentation to the UWSS Inc. Board at the November 20th Board meeting.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'R. Bouchard', is written over a faint, larger version of the same signature.

Rodney Bouchard, CEO
Union Water Supply System Inc.

/kmj

Union Water Supply Systems Inc.
Executive Summary
Nine (9) months ended September 30, 2024

Financial Highlights - Income Statement

	September 2024 YTD Actual	September 2024 YTD Budget	Variance to Budget (\$)
Income Statement			
Revenue	\$ 12,028,733	\$ 11,548,914	\$ 479,819
<i>Treatment & transmission</i>	12,477,776	11,851,929	625,847
<i>Non-revenue water</i>	(948,154)	(948,154)	-
<i>Non-revenue water adjustments</i>	(536,644)	-	(536,644)
<i>Investment income</i>	991,553	605,250	386,303
<i>Other income</i>	44,203	39,889	4,314
Operating expenses	\$ 4,762,935	\$ 5,685,838	\$ (922,903)
General and admin expenses	\$ 1,251,591	\$ 1,103,743	\$ 147,848
Net income	\$ 6,014,207	\$ 4,759,333	\$ 1,254,874

	September 2024 YTD Actual	September 2024 YTD Budget	Variance to Budget (\$)
Municipal Revenue Breakdown			
<i>Treatment & transmission - Leamington</i>	\$ 10,992,977	\$ 10,903,775	\$ 89,203
<i>Treatment & transmission - Lakeshore</i>	6,213,179	5,611,865	601,314
<i>Treatment & transmission - Essex</i>	211,165	366,124	(154,959)
<i>Treatment & transmission - Kingsville</i>	448,459	488,980	(40,521)
<i>Treatment & transmission - Kingsville</i>	3,566,276	3,804,903	(238,626)
<i>Treatment & transmission - Highbury Canco</i>	553,897	631,903	(78,006)

Income Statement

For the nine months ended September 30, 2024, Union Water Supply Systems Inc. (the "Company") reported revenues slightly ahead of budget. Included in the actuals was revenues of \$10.9 million of treatment and transmission revenue, slightly ahead of budget by \$89.2k due to the following:

- In August 2024, the Company adjusted its reported revenues to actual billed meter volumes, which added an additional \$625.8k in revenues compared to budgeted billed volumes; based on the average 5-year historical water consumption, approximately 70% of total water volumes transmitted, compared to 67% of budgeted volumes that were invoiced at August 31. Revenues will be reviewed with treasurers and further adjustments will be done in the coming months.

Income Statement (cont'd)

- However, the increase in reported revenues was offset by higher non-revenue water by municipalities that increased by \$536.6k. The lower water consumption billed by the municipalities compared to the Company's billed meters was primarily reported by Lakeshore, Essex, and Kingsville. We met with the treasurers to discuss these discrepancies in the billed water, and they are currently investigating to identify and isolate the underlying causes. The Finance and Audit Committee ("Committee") has been provided a detailed update on this matter. We anticipate that this matter will be ongoing for the remainder of this year and into next year.
- Higher interest income on reserve fund than budgeted; the Company is earning 4.95% on its cash and reserve funds;
- Operating expenses are lower than budget primarily due to:
 - \$285.1k in timing of spending on operational programs and studies;
 - \$416.2k in lower utilities expenses compared to budget;
 - \$133.9k in lower watermain repair expenses; at September 30, the Kingsville watermain break costs were not fully expenses; and
 - this was partially offset by higher carbon dioxide costs associated with a one-time contract termination fee for Union Acres (1529 Union Ave).
- General and admin expenses are \$147.8k higher than budget primarily due to:
 - additional interest costs on the early repayment of the SunLife debt in May 2024 (\$247.1k);
 - partially offset by lower wages and benefits of \$106.3k due to timing of higher additional personnel than budgeted. We expect to reduce this variance to budget with the hiring of a Special Projects Manager, in late October 2024.

Financial Highlights – 2024 Forecast

Below are highlights of 2024 full year forecast compared to budget.

	Full Year Forecast 2024	Full Year Budget 2024	Variance to Budget (\$)
2024 Forecast			
Revenue	\$ 15,521,772	\$ 15,398,552	\$ 123,220
<i>Treatment & transmission</i>	15,826,571	15,802,572	23,999
<i>Non-revenue water</i>	(1,264,206)	(1,264,206)	-
<i>Non-revenue water adjustments</i>	(341,646)	-	(341,646)
<i>Investment income</i>	1,243,553	807,000	436,553
<i>Other income</i>	57,499	53,186	4,314
Operating expenses	\$ 6,636,923	\$ 7,350,791	\$ (713,868)
General and admin expenses	\$ 1,334,100	\$ 1,557,014	\$ (222,914)
Net income	\$ 7,550,749	\$ 6,490,747	\$ 1,060,002

We have made the following assumptions in regards to the forecast:

- The treatment and transmission revenue forecast is based on actuals to September 2024, plus projected October – December revenues based on historical 5-year average consumptions in those months;
- The non-revenue water forecast is based on actuals to September 2024, plus three months of budgeted non-revenue water, and 50% of projected non-revenue water adjustment. We have assumed that not all of the non-revenue water adjustment will be the responsibility of the Company.
- The operating, general and administrative expenses forecast is primarily based on nine months of actuals to September 2024 plus three months of budget. We have adjusted certain expense categories for known changes in expenses for the remainder of the year.

Financial Highlights - Balance Sheet / Cash Flow

	September 2024	August 2024	Monthly Variance (\$)
Balance Sheet			
Cash and short-term investments	\$ 16,791,874	\$ 16,861,914	\$ (70,040)
Restricted reserve funds	4,069,988	4,069,988	-
Total current assets	22,639,883	22,631,956	7,927
Total net tangible assets	56,693,869	56,539,495	154,374
Total current liabilities	985,025	1,592,588	(607,563)
Total liabilities	1,533,309	2,140,872	(607,563)

Balance Sheet / Cash Flow

At September 30, 2024, the balance sheet included:

- \$16.8 million in cash and short-term investments;
- \$4.1 million in restricted funds representing \$1.9 million for the general and operating reserve and \$2.18 million for the rate stabilization reserve. At September 30, no funds were segregated for the capital reserve. Our reserve funds policies are still under review and are expected to be finalized by the end of the year including the investment strategy for those funds.
- \$1.5 million in receivables on treatment and transmission revenues;
- \$56.7 million in property, plant, and equipment; and
- \$246.3k in accounts payable and accrued payroll liabilities; and
- \$732.1k in accrued other liabilities, which primarily represents accrual for additional water losses; we are currently in discussions with the treasurers on the additional water losses and will provide an update at the next board meeting.

In May 2024, the Company repaid the balance of its long-term debt with SunLife Assurance, in the amount of \$6.3 million, which represented \$5.8 million of principal \$0.5 million interest.

In August 2024, the Company signed a \$60 million commitment letter with Windsor Family Credit Union ("WFCU") to fund its capital projects. Financing is expected to close by December 2024.

Capital Expenditures

2024 Capital Budget	YTD 2024		
	2024 Budget	Spend	Balance
Treatment Plant Upgrades & Renewals	\$ 5,665,000	\$ 2,424,783	\$ 3,240,217
Low Lift Upgrades	400,000	328,059	71,941
Cottam Booster Upgrades	60,000	43,725	16,275
SCADA / Communication/ Security System Upgrades	100,000	377,221	(277,221)
Storage and Transmission Facilities	1,400,000	1,058,552	341,448
General/ Various Facilities	1,150,000	596,597	553,403
Total	\$ 8,775,000	\$ 4,828,936	\$ 3,946,064