



Union Water Supply System Inc.

Finance & Audit Committee Meeting

**Wednesday, November 13th, 2024
8:30 am
1615 Union Ave, Ruthven, Ontario**

AGENDA

- A. Call to Order by Committee Chair:
- B. Welcoming Remarks
- C. Previous Meeting Recap - Minutes of September 5, 2024
- D. Treasurers Update
 - 1. Review on billing information provided by treasurers
- E. September 30, 2024 Review Financial Reports
 - a. Review of September 2024 Financial Reporting Package - attached
 - b. Review of Board Executive Summary - attached
 - c. Discussion of projected 2024, and implications on 2025 budget
- F. 2025 Budget Discussion
- G. Review of Proposed Upcoming Meetings
- H. Comments, Announcements, and Other Business:
 - a. Timing of Director Compensation
- I. Adjournment:
- J. Date of Next Meeting: Thursday, December 5th, 2024, 8:30 am at the Ruthven Water Treatment Plant

UWSS Inc.
Finance & Audit
Committee
Meeting

Wednesday, September 5, 2024
8:30 am
WTP



MINUTES

Directors Dennis Rogers - Chair
 Mike St. Amant
 Tom Kissner
 Wayne Wharram
 Lori Atkinson - absent

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

Guest The CFO Nazzani, CPA, CA Capital Assist Valuation

Call to Order: 9:03 am

Welcoming Remarks:

Chair Rogers calls the meeting and welcomes everyone.

Approval of Minutes

The Chair asks if there are any questions on the previous minutes of the meeting of the Finance and Audit Committee held on August 14th, 2024.

No. FAC-06-24

Moved by: Director Wharram

Seconded by: Director Kissner

The minutes of the UWSS Inc. Finance & Audit Committee, from the meeting of August 14th, 2024 are received; and

That the minutes are brought forward to be on the next UWSS Board of Directors meeting agenda.

Carried

Business to Discuss

The CFO takes over the meeting to indicate that she has not received all the flow information from the municipalities yet, but still working on that. She notes that the UWSS Board will see more of a summary whereas this committee will be seeing the finer details. She is hoping to true up that number in the coming weeks. She confirms that the true up is happening annually this year, so that the budget can be started.

She further notes that our banking interest is up this year, as WFCU has provided a great rate and notes that the Cost of Goods Sold (COGS) will be set out a bit differently than in previous years.

The members ask if our water revenue is trending similarly to last year, the CEO indicates that we are trending the same in flows, however now we must consider water loss. He further confirms that next year most member municipalities will be on AMI data and that will be much more helpful. There is some concern over the water loss. He also notes that there have been several large watermain breaks this year and that will be a big piece of the water loss figure.

There is a brief discussion on water loss, Director Kissner asks if hydrant flushing is captured, and suggests that perhaps it should be. Director Wharram asks if the municipalities are invoiced monthly. The CEO notes that this has been a more difficult process than anticipated, but confirms that the municipalities are invoiced monthly. We are hoping to close out 2024 by March of 2025 if possible, and hoping in the future to have bi-monthly invoicing.

There is then a discussion on lifecycle costs and Director Kissner suggests that the Asset Management Plan can assist with this item.

The CFO notes that we will be above budget this year for operating and general expenses. She then shows the income statement and asks if members would like to see more or less line items. There is a brief discussion around what members would like to see.

The CFO then asks for input on the Investment Policy and notes that all investments will be coming to this committee. We also need to confirm any policy to the Municipal Act. The CEO notes that he will be meeting with the treasurers and see where they are investing at this time.

Director St. Amant notes that every time the Bank of Canada meets and lowers the rates, UWSS Inc will be earning less interest. The CFO explains that we need a second policy for the Reserves and Reserve Accounts. Rodney notes that the Operating and General Reserves need to be funded at 13%. Director Rogers notes that the County of Essex has a Reserve Policy and is happy to share that policy with UWSS Inc. as a guidance document.

There is a discussion on how many accounts UWSS Inc should have.

No. FAC-06-24

Moved by: Director St. Amant

Seconded by: Director Kissner

The Finance & Audit Committee provide feedback to the CEO regarding the Investment and Reserve Policy by September 27th; and

That the Finance & Audit Committee have meetings set up for October, November and December, which will be sent directly to their calendars.

Carried

Director St. Amant leaves the meeting at 10 am.

There is a brief discussion around four (4) year budgeting and the CEO indicates that since this is the first year, we will take things year to year, but the end goal will be multi-year budgeting, which the CFO concurs.

Director Kissner asks is there has been any consideration to a Debt Management Plan, the CEO notes that there is a large capital project financing to consider and what affect this might have on rates. He reminds members that this plan is somewhat incorporated into the PWC Financial Plan but will need to be revisited.

Adjournment:

No. FAC-07-24

Moved by: Director Kissner

Seconded by: Director Wharram

Time adjourned: 10:15 am

Date of Next Meeting: November 13th, 2024, 8:30 am, Ruthven Water Treatment Plant, 1615 Union Ave

/kmj

UNION WATER SUPPLY SYSTEM INC.
COMPARATIVE INTERNAL BALANCE SHEET
AS OF SEPTEMBER 30, 2024



	September 2024	August 2024	Variance	Variance (%)	Monthly Commentary
ASSETS					
Cash and short-term investments	\$ 16,791,874	\$ 16,861,914	\$ (70,040)	(0.4%)	
Restricted funds	4,069,988	4,069,988	-	0.0%	Includes general and operating reserve (\$1.89 MM) and rate stabilization reserve (\$2.18MM)
Accounts receivable	737,189	696,508	40,681	5.5%	
Accrued receivable	821,339	821,339	-		Represents the true-up of revenues to August 31
Government sales tax receivable	184,557	142,427	42,130	22.8%	Represents HST recoverable
Prepaid expenses	34,936	39,780	(4,844)	(13.9%)	Includes annual fees or software licenses amortized over the year such as PSD CityWide, Canadian Water Network Consortium, Cimsoft Corp.
Total Current assets	22,639,883	22,631,956	7,927	0.0%	
Property,plant, & equipment	56,693,869	56,539,495	154,374	0.3%	
Long-term assets					
Website deveopment	12,210	12,210	-	0.0%	
Total long-term assets	12,210	12,210	-	0.0%	
TOTAL ASSETS	\$ 79,345,962	\$ 79,183,661	\$ 162,301	0.2%	
LIABILITIES					
Current liabilities					
Accounts payable	\$ 246,349	\$ 849,429	\$ (603,080)	(244.8%)	
Accrued payroll liabilities	6,540	11,023	(4,483)	(68.5%)	
Accrued other liabilities	732,136	732,136	-	0.0%	Represents accrued liabilities for additional water losses, and excess revenue on actual billing meter
		-			
Total current liabilities	985,025	1,592,588	(607,563)	(61.7%)	

UNION WATER SUPPLY SYSTEM INC.
COMPARATIVE INTERNAL BALANCE SHEET
AS OF SEPTEMBER 30, 2024



	September 2024	August 2024	Variance	Variance (%)	Monthly Commentary
Long-term liabilities					
Asset retirement obligation	548,284	548,284	-	0.0%	
Total long-term liabilities	548,284	548,284	-	0.0%	
Total liabilities	1,533,309	2,140,872	(607,563)	(39.6%)	
SHAREHOLDERS' EQUITY					
Class A Shares	100	100	-	0.0%	
Opening retained earnings	71,798,346	71,798,346	-	0.0%	
Current year earnings	6,014,207	5,244,343	769,864	12.8%	
Total Shareholders' Equity	77,812,653	77,042,789	769,864	1.0%	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 79,345,962	\$ 79,183,661	162,301	0.2%	

UNION WATER SUPPLY SYSTEM INC.
INTERNAL INCOME STATEMENT
AS AT SEPTEMBER 30, 2024



	Actual	Budget	Variance to Budget (\$)	Variance to Budget (%)	Actual to Budget Commentary
REVENUES					
Treatment & Transmission - Leamington	6,700,310	6,099,853	600,457	10%	See Schedule 1; true-up to UWSS billing meter volume to August 31
Treatment & Transmission - Lakeshore	351,630	397,961	(46,331)	(12%)	See Schedule 1; true-up to UWSS billing meter volume to August 31
Treatment & Transmission - Essex	509,188	531,500	(22,312)	(4%)	See Schedule 1; true-up to UWSS billing meter volume to August 31
Treatment & Transmission - Kingsville	4,356,645	4,135,764	220,881	5%	See Schedule 1; true-up to UWSS billing meter volume to August 31
Treatment & Transmission - Highbury Canco	560,003	686,851	(126,848)	(18%)	See Schedule 1; true-up to UWSS billing meter volume to August 31
Treatment & Transmission	\$ 12,477,776	\$ 11,851,929	\$ 625,847	5%	
Non-Revenue Loss - Leamington	(487,988)	(487,988)	-	0%	
Non-Revenue Loss - Lakeshore	(31,837)	(31,837)	-	0%	
Non-Revenue Loss - Essex	(42,520)	(42,520)	-	0%	
Non-Revenue Loss - Kingsville	(330,861)	(330,861)	-	0%	
Non-Revenue Loss - Highbury Canco	(54,948)	(54,948)	-	0%	
Non-Revenue Water Loss	\$ (948,154)	\$ (948,154)	\$ -	0%	
Non-Revenue Water Loss Adjustment - Leamington	857	-	857	0%	See Schedule 1; Municipal true-up of water loss to August 31
Non-Revenue Water Loss Adjustment - Lakeshore	(108,628)	-	(108,628)	0%	See Schedule 1; Municipal true-up of water loss to August 31
Non-Revenue Water Loss Adjustment - Essex	(18,209)	-	(18,209)	0%	See Schedule 1; Municipal true-up of water loss to August 31
Non-Revenue Water Loss Adjustment - Kingsville	(459,508)	-	(459,508)	0%	See Schedule 1; Municipal true-up of water loss to August 31
Non-Revenue Water Loss Adjustment - Highbury Canco	48,843	-	48,843	0%	See Schedule 1; Municipal true-up of water loss to August 31
Non-Revenue Water Loss Adjustments	\$ (536,644)	\$ -	\$ (536,644)	0%	
Investment income	991,553	605,250	386,303	64%	Higher actual interest than budgeted from WFCU on funds
Other income	44,203	39,889	4,314	11%	Includes one-time recovery of costs for Cottam Booster upgrade from OCWA
Total revenues	\$ 12,028,733	\$ 11,548,914	\$ 479,819	4%	

OPERATING EXPENSES

OCWA Operating Contract	2,854,304	2,962,246	(107,942)	(4%)	Budget included a true-up in the OCWA contract not completed by September
Utilities	964,563	1,380,845	(416,282)	(30%)	
Land Transfer Tax	154,537	147,255	7,282	5%	
Professional Fees - Engineering	149,101	78,742	70,359	0%	
Carbon Dioxide	137,482	82,500	54,982	67%	Actuals includes one-time fee for \$59.4k for early contract termination at Union acres (1529 Union), and CO2 tank removal, not budgeted
Residuals Ponds Maintenance	119,875	150,000	(30,125)	(20%)	Timing of actual to budget allocation
Property Tax	91,097	88,594	2,503	3%	
Operational Programs & Studies	63,634	348,750	(285,116)	(82%)	
Repairs & Maintenance	56,827	20,250	36,577	181%	Timing of actual to budget allocation

UNION WATER SUPPLY SYSTEM INC.
INTERNAL INCOME STATEMENT
AS AT SEPTEMBER 30, 2024



	Actual	Budget	Variance to Budget (\$)	Variance to Budget (%)	Actual to Budget Commentary
Software Support & Maintenance	41,574	37,500	4,074	11%	
Insurance	40,466	46,875	(6,409)	(14%)	
Hardware Support & Maintenance	38,864	52,500	(13,636)	(26%)	
Water Quality/Corrosion Monitoring Prgm	17,088	37,500	(20,412)	(54%)	
Watermain Repairs	16,140	150,000	(133,860)	(89%)	
Telecommunication Expense	12,989	93,281	(80,292)	(86%)	
Advertising & Promotion	3,077	9,000	(5,923)	(66%)	
Shipping, Freight, and Delivery	1,317	-	1,317	0%	
Total operating expenses	4,762,935	5,685,838	(922,903)	(16%)	
GENERAL AND ADMIN EXPENSES					
Debenture Interest	758,539	511,467	247,072	48%	
Salaried Wages	184,774	273,531	(88,757)	(32%)	Budget includes spend for additional personnel, not yet realized
Professional Fees	169,577	187,500	(17,923)	0%	
Benefits	46,161	63,745	(17,584)	(28%)	Budget includes spend for additional personnel, not yet realized
Non Re-occurring Project Costs	39,192	-	39,192	0%	Includes high lift pump upgrades project that was discontinued
Board expenses	30,876	7,500	23,376	0%	
Conferences	7,194	26,250	(19,056)	(73%)	
Conferences: Accommodations	242	-	242	0%	
Travel & Mileage	4,348	3,750	598	16%	
Training	3,644	18,750	(15,106)	(81%)	
Dues, Memberships and Subscriptions	2,404	5,625	(3,221)	(57%)	
Office Expenses	2,329	1,875	454	24%	
Meeting Expenses	1,465	3,750	(2,285)	0%	
Bank charges	846	-	846	0%	
Total general and admin expenses	1,251,591	1,103,743	147,848	13%	
Net Income	\$ 6,014,207	\$ 4,759,333	\$ 1,254,874	26%	

Schedule 1
Water Treatment and Transmission Analysis
For the eight months ended August 31, 2024

	Budget Water Volumes and Revenues				UWSS Actual Billing Meter Volumes & Revenues		Actual Reported Treatment and Transmission Volumes and Revenue					
	Full Year Budget Water Volumes (m ³)	August 31 YTD Budget Water Volumes (m ³)	August 31 YTD Budgeted Revenue Treatment & Transmission (\$)	August 31 YTD Budgeted Revenue Water Loss (\$)	Actual UWSS Billing Meter Volumes to August 31 ⁽²⁾ (m3)	Actual UWSS Billing Meter Revenue for treatment & transmission based on Actual Volumes (\$)	Actual Municipal Volumes Billed to Aug. 31st (m3)*	Actual UWSS Billing Water Volume Surplus (Shortfall) to Actual Municipal Volumes Billed (m3)	Surplus (Shortfall) % to Actual UWSS Billing Meter Volumes	Actual Municipal Revenue based on Volumes Billed to Aug. 31st	Actual Municipal Revenue Volume Surplus (Shortfall) (\$)	Surplus (Shortfall) % to Actual UWSS Billing Meter Revenues
	A	B	C = B x \$0.7339	D	G	H = G x \$0.7339	I	J = I - G	K = J/G	L = I x \$0.7339	M = L - H	K = J/G
Budgeted treatment & transmission revenue per m³			\$0.7339	\$0.7339		\$0.7339				\$0.7339		
Lakeshore	723,032	482,021	\$ 353,743	\$ (28,299)	418,875	\$ 307,412	232,300	(186,575)	(44.5%)	\$ 170,485	\$ (136,927)	(44.5%)
Essex	965,649	643,766	472,444	(37,796)	613,342	450,132	537,032	(76,310)	(12.4%)	\$ 394,128	(56,004)	(12.4%)
Highbury Can Co.**	1,247,898	831,932	610,534	(48,843)	659,062	483,686	659,062	-	0.0%	\$ 483,686	-	0.0%
Kingsville	7,514,021	5,009,347	3,676,235	(294,099)	5,310,146	(2) 3,897,116	4,283,294	(1,026,852)	(19.3%)	\$ 3,143,509	(753,607)	(19.3%)
Leamington	11,082,456	7,388,304	5,422,092	(433,767)	8,206,226	6,022,549	7,616,349	(589,877)	(7.2%)	\$ 5,589,639	(432,910)	(7.2%)
Total	21,533,057	14,355,371	\$ 10,535,048	\$ (842,804)	15,207,651	\$ 11,160,895	13,328,037	(1,879,614)	(12.4%)	\$ 9,781,446	\$ (1,379,448)	(12.4%)
Budget Revenue Surplus (Shortfall) to Actual UWSS Billing Meter						\$ 625,847						

Notes
(1) Volumes adjust of 815,000 m³ for UWSS watermain break

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 Loss</i>		(948,154)	(948,154)	-
<i>Non-Revenue Water Loss 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>		6,213,179	5,611,865	601,314
<i>Treatment & Transmission - Lakeshore</i>		211,165	366,124	(154,959)
<i>Treatment & Transmission - Essex</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 a further adjustment will be in the coming months.

Income Statement (cont'd)

- However, the increase in reported revenues was offset by higher water losses by municipalities increased by \$536.6k. The lower water consumption billed by the municipalities compared to actuals and budget was primarily reported by Lakeshore, Essex, and Kingsville. We met with the treasurers and are currently revenue reported information to identify and isolate known causes.
- Higher interest income on reserve fund than budgeted; the Company is earning 5.45% on its reserve funds;
- Operating expenses are lower than budget due primarily 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 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 Andrew Plancke, Special Projects Manager, in late October 2024.

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 end of September 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