



Approved Budget 2025



Background

As of January 1, 2024, management of the Union Water Supply System Inc. (“UWSS”) is the responsibility its Board of Directors and Corporate Officers.

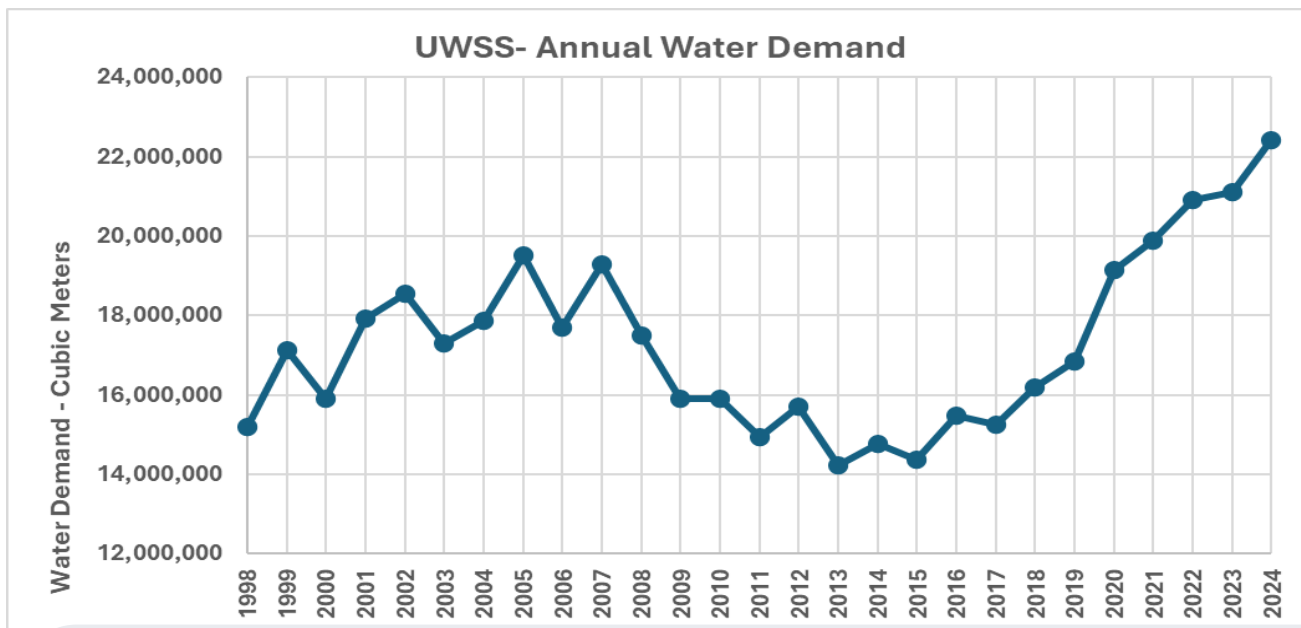
UWSS’ management is seeking approval of its 2025 UWSS Operating and Capital Budget that will be discussed in this presentation. UWSS’ Finance and Audit Committee has reviewed and approved the submission to the preliminary 2025 UWSS Budget to the Board of Directors.



The UWSS 2025 Budget is based on:

- ✓ Revenue from the sale of treated water to the customers in the municipalities of Leamington, Kingsville, Essex and Lakeshore.
- ✓ Other revenue from rental income of UWSS property and telecom leased space on UWSS’ water towers.
- ✓ Operating expenses of the treatment plant, including operations and maintenance fees for the accredited operations contractor.
- ✓ Projected balance sheet and cash flow budget
- ✓ Capital budget

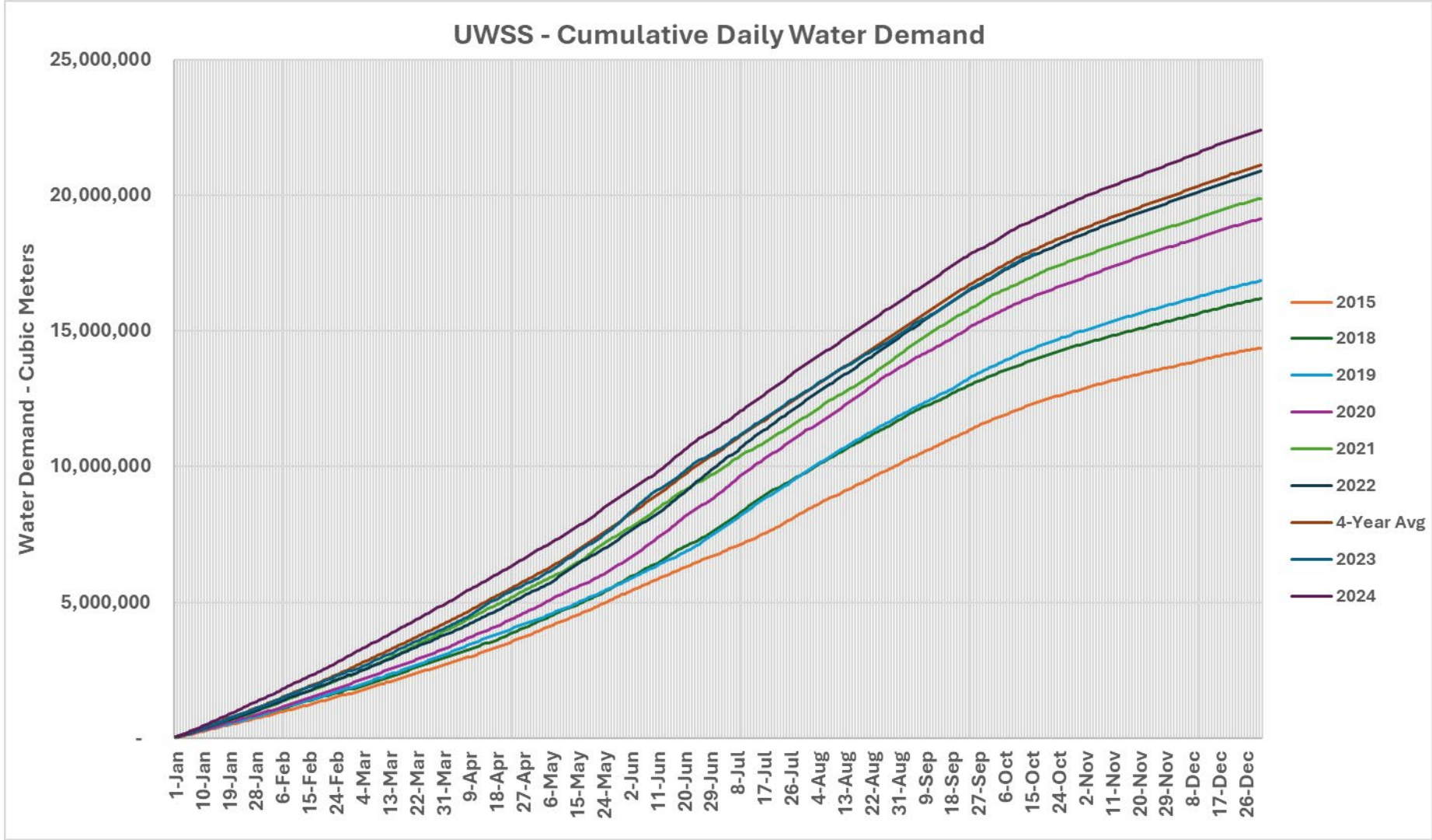
Wholesale Water Demand / Usage



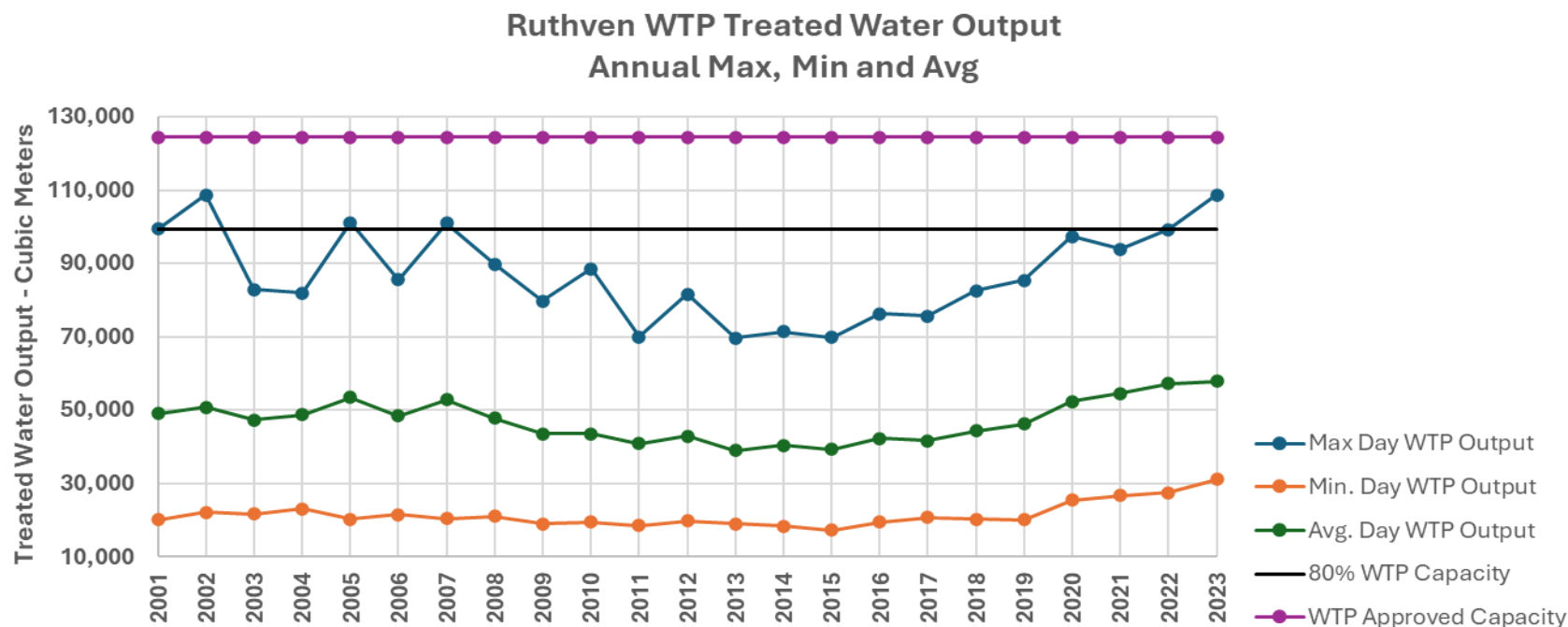
UWSS' water demand is based on water usage by end users / customers in the municipalities of Leamington, Kingsville, Essex and Lakeshore.

- ✓ Water demand has over last 10 years has increased by 49%
- ✓ Included in the 2025 budget is a 1.5% increase in water demand that have been allocated to end-users in each of the shareholder municipalities, and direct UWSS Inc. customers based on historical 5-year water usage average as follows:
 - ✓ Leamington customers – 51.5% of total budgeted water demand
 - ✓ Kingsville customers – 34.9% of total budgeted water demand
 - ✓ Essex customers – 4.5% of total budgeted water demand
 - ✓ Lakeshore customers – 3.3% of total budgeted water demand
 - ✓ Direct UWSS Inc. Customers – 5.8% of total budgeted water demand

Wholesale Water Demand / Usage



Wholesale Water Demand / Usage



- ✓ Over the past 5-years, we have seen a steady increase in the maximum Water Treatment Plant (“WTP”) output that will soon reach the WTP approved capacity of 124,500;
- ✓ Higher water usage is primarily being driven by the agri-food industry located in the UWSS’ service area;
- ✓ As UWSS is slowly reaching its daily approved WTP capacity output, this necessitated the expansion of the WTP with Reservoir #3 project that will be debt funded for approximately \$60 million in fiscal 2025 – 2027; this reservoir is anticipated to be fully operation in 2027.
- ✓ A treatment plant capacity expansion is planned for 2026-2028; the intent is to increase treatment plant capacity by approximately 35%

Wholesale Water Revenue - 2025 Budget

WHOLESALE WATER REVENUE SUMMARY		2025 BUDGET	2024 BUDGET	2025 BUDGET CHANGE (\$)	2025 BUDGET CHANGE (%)
Water Volumes (m ³)		21,856,052	21,533,057	322,995	1.5%
Treatment & Transmission Rate	A	0.7767	0.7339	0.0428	5.8%
Capital Renewal / Maintenance Rate	B	0.0200	-	0.0200	N/A
Combinded Rate for Residential / Commercial Customers	C = A + B	0.7967	0.7339	0.0628	8.6%
Plant Expansion Rate (Greenhouse only)	D	0.0100	-	0.0100	N/A
Combinded Rate for Greenhouse Commercial Customers	E = C + D	0.8067	0.7339	0.0728	9.9%
Total Revenues (\$)		\$ 15,575,523	\$ 15,398,552	\$ 176,971	1.1%

- ✓ UWSS 2025 Budget Treatment & Transmission ("T&T") Rate includes:
 - ✓ A \$0.0628 per m³ increase of the T&T Rate to \$0.7967 m³;
 - ✓ A \$0.02 per m³ levy for capital and maintenance reserves for future capital investments; and
 - ✓ A \$0.01 per m³ levy to recover non-revenue water adjustment for fiscal 2024 (first year of operations); UWSS has further budgeted additional increases to recovery 2024 non-revenue water adjustment in 2026 of \$0.02 and 2027 of \$0.02;
- ✓ Increase in the T&T rate is expected to increase costs for **residential customer** by approximately \$1.25 / month, or \$15 / year;
- ✓ 2025 UWSS Budget includes a \$0.01 per m³ levy specifically for greenhouse customers to cover some of the capital costs of the plant expansion; this levy will result an increase of approximately \$85 / acre annually.

Wholesale Water Revenue – 5 Year Budget

WHOLESALE WATER REVENUE SUMMARY		2025 BUDGET	2026 BUDGET	2027 BUDGET	2028 BUDGET	2029 BUDGET
Water Volumes (m ³)		21,856,052	22,183,893	22,516,651	23,417,317	24,939,443
Treatment & Transmission Rate	A	0.7767	0.8161	0.8424	0.8592	0.8764
Capital Renewal / Maintenance Rate	B	0.0200	0.0200	0.0200	0.0200	0.0200
Combinded Rate for Residential / Commercial Customers	C = A + B	0.7967	0.8361	0.8624	0.8792	0.8964
Change %		5.8%	4.9%	3.1%	2.0%	2.0%
Plant Expansion Rate (Greenhouse only)	D	0.0100	0.0200	0.0200	0.0200	0.0200
Combinded Rate for Greenhouse Commercial Customers	E = C + D	0.8067	0.8561	0.8824	0.8992	0.9164
Change %		9.9%	6.1%	3.1%	1.9%	1.9%
Total Revenues (\$)		\$ 15,575,523	\$ 16,790,773	\$ 17,614,208	\$ 18,714,940	\$ 20,315,575
Change %		1.1%	7.8%	4.9%	6.2%	8.6%

Other Revenue

OTHER REVENUE	2025 BUDGET	2026 BUDGET	2027 BUDGET	2028 BUDGET	2029 BUDGET
Investment income	\$ 1,133,020	\$ 885,396	\$ 1,053,096	\$ 984,949	\$ 1,143,109
Property Rental Income	53,348	53,348	54,415	55,503	56,613
Total Other Income	\$ 1,186,367	\$ 938,744	\$ 1,107,511	\$ 1,040,452	\$ 1,199,722
Change %		(20.9%)	18.0%	(6.1%)	15.3%

- ✓ Other revenue includes investment income on cash and short-term investments as well as restricted funds for operating and general, capital and rate stabilization reserves;
- ✓ Budgeted interest rates on investment income reflect declining prime rate in fiscal 2025 and 2026 and steady rebound in fiscal 2027;
- ✓ Property rental income represents income earned from the lease of water towers space for a telecommunications provider, as well as rental income on an adjacent property to the water treatment plant; small increases are budgeted for both the property and water tower leases.

Operating Expenses - 2025 Budget

OPERATING EXPENSES CATEGORIES (> \$100,000)	2025 BUDGET	2024 BUDGET	2025 BUDGET CHANGE (\$)	2025 BUDGET CHANGE (%)
Operations & Maintenance Contract	\$ 4,857,000	\$ 3,950,000	\$ 907,000	23.0%
Utilities	1,652,800	1,700,000	- 47,200	(2.8%)
Operational Programs & Studies	490,000	465,000	25,000	5.4%
Professional Fees - Engineering	180,000	250,000	- 70,000	(28.0%)
Property Tax	168,311	175,000	- 6,689	(3.8%)
Municipal administrative charges	121,875	123,000	- 1,125	(0.9%)
All Other Expense Categories <\$100,000	367,755	241,000	126,755	52.6%
Total Operating Expenses	\$ 7,837,741	\$ 6,904,000	\$ 933,741	13.5%

- ✓ Budgeted operating expense categories >\$100,000 are itemized above, with total operating expenses increasing 13.5%, or \$933,741 in the 2025 Budget compared to the 2024 Budget;
 - ✓ Higher costs associated with the contract renewal in 2025 for the third-party operations and maintenance contractor accounts for most of the increase budgeted costs, which is due to higher labour costs, additional maintenance in the new contract and 3 additional staff required for the water treatment plant and transmission system;
- ✓ 2025 UWSS operating expenses were primarily budgeted based a 2% increase on 2024 forecasted actuals; the increase approximate the anticipated cost of living increase on goods and services;
- ✓ All other operating expense categories <\$100,000 line item above represents various grouped categories of operating expenses, which included, but not limited to, repairs and maintenance, insurance, water quality/corrosion monitoring program, hardware support and maintenance and telecommunications;

Operating Expenses – 5 Year Budget

OPERATING EXPENSES CATEGORIES (> \$100,000)	2025 BUDGET	2026 BUDGET	2027 BUDGET	2028 BUDGET	2029 BUDGET
Operations & Maintenance Contract	\$ 4,857,000	\$ 4,954,140	\$ 5,053,223	\$ 5,154,287	\$ 5,257,373
Utilities	1,652,800	1,652,800	1,818,080	1,945,346	2,042,613
Operational Programs & Studies	490,000	250,000	250,000	250,000	250,000
Professional Fees - Engineering	180,000	183,600	187,272	191,017	194,838
Property Tax	168,311	171,677	175,111	178,613	182,185
Municipal administrative charges	121,875	124,313	126,799	129,335	131,921
All Other Expense Categories <\$100,000	367,755	384,824	451,112	477,933	493,202
Total Operating Expenses	\$ 7,837,741	\$ 7,721,353	\$ 8,061,596	\$ 8,326,531	\$ 8,552,132
Change %		(1.5%)	4.4%	3.3%	2.7%

- ✓ UWSS budgeted operating expenses for 2025 – 2029 have been budgeted based a 2% annual increase to approximate the anticipated cost of living increase on goods and services;
- ✓ In fiscal 2027 – 2028, certain operating categories - utilities, repairs and maintenance, hardware support and maintenance, insurance, water quality and corrosion and telecommunications - have been budgeted with additional 3%-7% increases in costs due to the expansion of the water treatment plant;
- ✓ The 5 Year Budget does not include any additional funded expansion costs of the water treatment plan, other than reservoir #3, that is anticipated to be fully operational in 2027.

General and Admin Expenses

GENERAL AND ADMIN EXPENSE CATEGORIES (> \$50,000)	2025 BUDGET	2026 BUDGET	2027 BUDGET	2028 BUDGET	2029 BUDGET
Wages and benefits	\$ 740,717	\$ 765,228	\$ 781,861	\$ 797,456	\$ 813,396
Professional fees	185,000	188,700	192,474	196,323	200,250
Board expenses	56,674	57,808	58,964	60,143	61,346
Conferences and training	54,000	55,080	56,182	57,305	58,451
All Other Expense Categories <\$50,000	33,416	34,100	38,946	39,980	41,047
Total General and Admin Expenses	\$ 1,069,807	\$ 1,100,915	\$ 1,128,427	\$ 1,151,208	\$ 1,174,490
Change %		2.9%	2.5%	2.0%	2.0%

- ✓ Wages and benefits were budgeted to include current staff plus the addition of two staff; wages and benefits may be subject to change following market analysis;
- ✓ Board expenses, include honorarium, mileage, conferences, training; honorariums are based on 2024 honorariums but may be subject to change following market analysis;
- ✓ Other general and expense categories include vehicle expenses, office expenses, bank service fees and memberships and subscriptions;
- ✓ UWSS budgeted general and admin expenses for 2025 – 2029 have been budgeted based a 2% annual increase approximate the anticipated cost of living increase on goods and services.

Income Statement Summary

INCOME STATEMENT SUMMARY	2025 BUDGET	2024 BUDGET	2025 BUDGET CHANGE (\$)	2025 BUDGET CHANGE (%)
Total Wholesale Water Revenue	\$ 15,575,523	\$ 15,398,552	\$ 176,971	1.1%
Total Other Revenue	1,186,367	860,000	326,367	37.9%
Total Operating Expenses	(7,837,741)	(6,904,000)	(933,741)	13.5%
Total General and Admin Expenses	(1,069,807)	(876,000)	(193,807)	22.1%
Total Debt Funded Capital - Interest Costs	(992,063)	-	(992,063)	0.0%
Net Income before Taxes	\$ 6,862,280	\$ 8,478,552	\$ (1,616,272)	(19.1%)

INCOME STATEMENT SUMMARY	2025 BUDGET	2026 BUDGET	2027 BUDGET	2028 BUDGET	2029 BUDGET
Total Wholesale Water Revenue	\$ 15,575,523	\$ 16,790,773	\$ 17,614,208	\$ 18,714,940	\$ 20,315,575
Total Other Revenue	1,186,367	938,744	1,107,511	\$ 1,040,452	\$ 1,199,722
Total Operating Expenses	(7,837,741)	(7,721,353)	(8,061,596)	\$ (8,326,531)	\$ (8,552,132)
Total General and Admin Expenses	(1,069,807)	(1,100,915)	(1,128,427)	\$ (1,151,208)	\$ (1,174,490)
Total Debt Funded Capital - Interest Costs	(992,063)	(1,782,900)	(2,262,060)	\$ (2,125,794)	\$ (2,118,033)
Net Income before Taxes	\$ 6,862,280	\$ 7,124,348	\$ 7,269,636	\$ 8,151,860	\$ 9,670,641
Change %		3.8%	2.0%	12.1%	18.6%

Balance Sheet Budget

BALANCE SHEET HIGHLIGHTS	2025 BUDGET	2026 BUDGET	2027 BUDGET	2028 BUDGET	2029 BUDGET
Cash and Short-Term Investment	\$ 13,709,021	\$ 9,970,740	\$ 9,418,095	\$ 10,448,018	\$ 12,195,985
Restricted Funds for Reserves Property	7,294,747	10,844,619	14,550,622	18,476,175	22,726,039
Plant & Equipment Total Assets	100,767,964	124,102,972	132,967,972	134,632,972	136,777,972
Finance Institution Operating Line	124,152,682	147,361,153	159,912,832	166,623,869	174,898,349
Finance Institution Term Loan Debt	37,500,000	53,500,000	-	-	-
Total Liabilities	-	-	58,754,514	57,286,102	55,866,075
Total Shareholders' Equity	39,008,260	55,092,382	60,374,425	58,933,602	57,537,441
	85,150,631	92,274,980	99,544,617	107,696,477	117,367,118

- ✓ Restricted funds are UWSS' 3 reserves budgeted as follows:
 - ✓ Operating and general reserve are funded with the allocation of 13% of treatment & transmission revenue, excluding revenue from capital renewal / maintenance rate;
 - ✓ Capital reserve are funded from capital renewal/maintenance rate revenue, and plant expansion rate revenue; and
 - ✓ Rate stabilization reserve are funded with the allocation of 5% of treatment & transmission revenue, excluding revenue from capital renewal / maintenance rate.
- ✓ Property plant and equipment includes the cash funded capital projects, and the debt funded \$60 million water treatment plant expansion (reservoir #3);
- ✓ Operating line are draws on secured debt funds for the \$60 million capital works program (e.g. reservoir #3);
- ✓ UWSS budget assumes that the reservoir #3 will be fully operation in 2027, at which point the operating line converts to a term loan

Capital Projects Budget

CAPITAL BUDGET	2025 BUDGET	2026 BUDGET	2027 BUDGET	2028 BUDGET	2029 BUDGET
Low Lift	\$ 1,095,000	\$ -	\$ -	\$ -	\$ -
General Building Maintenance & Equipment	105,000	100,000	300,000	300,000	-
Chemical System	130,000	20,000	-	-	-
Carbon Scrubber System	125,000	30,000	-	-	-
Filtration	50,000	-	-	-	-
Pumps	-	290,000	170,000	170,000	-
Main Plant Reservoirs and Clearwells	30,000	-	-	-	-
Main Plant Electrical	75,000	75,000	75,000	75,000	75,000
SCADA /Communication/Security	310,000	70,000	70,000	70,000	70,000
Building Maintenance	105,000	150,000	150,000	150,000	-
Distribution System	970,000	900,000	1,400,000	900,000	-
Wastewater Treatment System	-	-	-	-	1,000,000
Vehicles and Equipment Purchases	215,000	500,000	-	-	-
DAF #2 and High Lift Upgrades	5,000,000	-	-	-	-
Backup Power System Upgrades	2,000,000	-	-	-	-
Treatment Plant Facade upgrades and elevator	1,500,000	-	-	-	-
Water Treatment Plant Capacity Expansion	250,000	-	-	-	-
Residuals management system upgrades	-	2,000,000	-	-	-
Other non-identified capital projects	-	-	-	-	2,000,000
Total Cash Funded Capital Projects	\$ 11,960,000	\$ 4,135,000	\$ 2,165,000	\$ 1,665,000	\$ 3,145,000
New Reservoir #3	34,100,000	19,200,000	6,700,000	-	-
UV Disinfection - In-reservoir UV vault	-	3,000,000	3,500,000	-	-
New Admin Bldg - Maintenance Shop and Yard	-	1,500,000	3,000,000	-	-
Cottam Water Main Upgrades	-	3,000,000	3,000,000	6,000,000	-
Water Treatment Plant Capacity Expansion	750,000	15,000,000	45,000,000	-	-
Cottam Booster Expansion	-	-	-	-	6,000,000
Seacliff Water main replacement	-	-	-	-	-
Low Lift Upgrades / New Raw Water Line to WTP	-	-	-	-	-
Total Debt Funded Capital Projects	\$ 34,850,000	\$ 41,700,000	\$ 61,200,000	\$ 6,000,000	\$ 6,000,000

Capital Projects Budget (cont'd)

- ✓ UWSS 5 Year Budget includes funding of cash funded capital projects from cash flow from operations;
- ✓ UWSS 5 Year Budget only includes the \$60 million of the debt funded capital projects for the water treatment plant expansion (reservoir #3); all other identified debt funded capital projects (approx. \$89 million) in the capital budget have not been included in the Company's projected balance sheet;
- ✓ Reservoir #3 debt funded cash flow have been budgeted based projected draws from the general contractor;
- ✓ Capital projects budget for years 2025 – 2029 has been developed by management and OCWA operations staff but may be subject to change depending on economic growth (or recession) in the municipalities that UWSS services.

Board Approval

2025 PROPOSED OPERATING AND CAPITAL BUDGET

Total Wholesale Water Revenue	\$	15,575,523
Total Other Revenue		1,186,367
Total Operating Expenses		(7,837,741)
Total General and Admin Expenses		(1,069,807)
Total Debt Funded Capital - Interest Costs		(992,063)
Net Income before Taxes	\$	6,862,280

CAPITAL BUDGET

Cash Funded Capital Projects	\$	11,960,000
Debt Funded Capital Projects		34,850,000
Total Capital Projects	\$	46,810,000

It is UWSS management's opinion that the 2025 Budget presented provides 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.



(519) 326 1668



www.unionwater.ca

1615 Union Ave., Box 340
Ruthven, Ontario
N0P 2G0