

Budget Plan 2026



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.

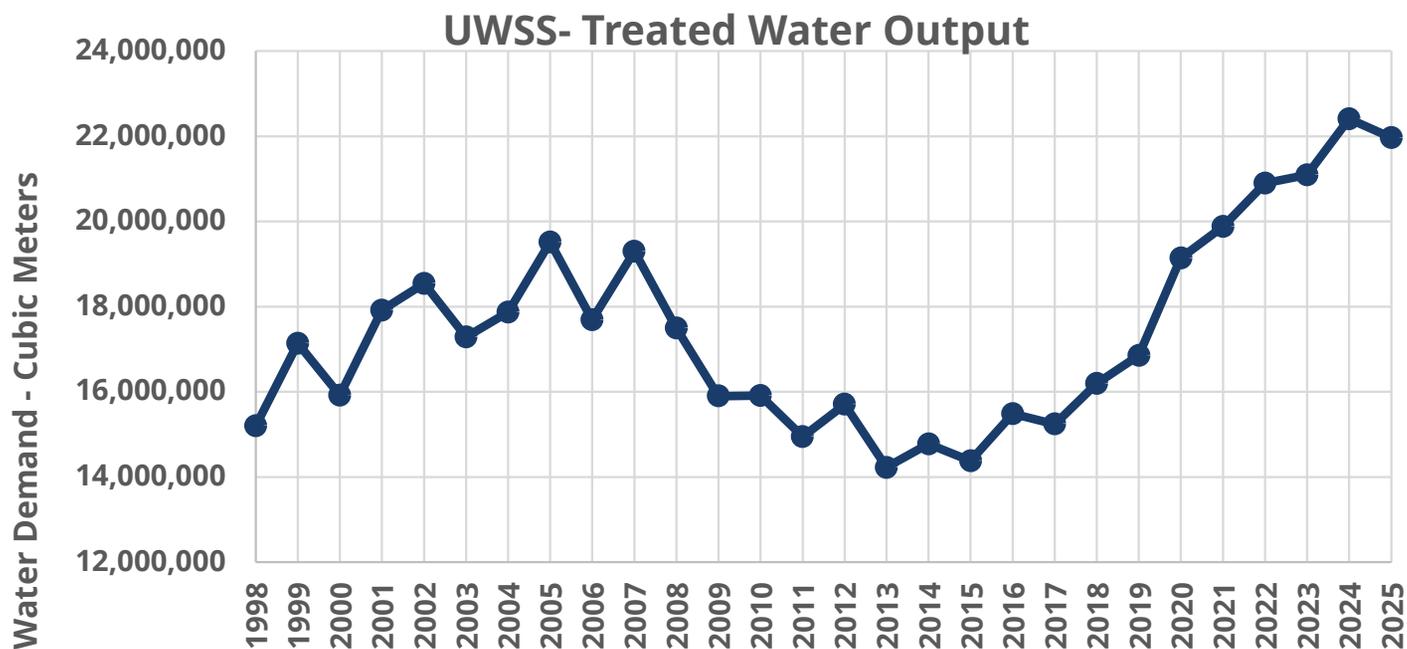
UWSS’ management is seeking approval of its 2026 UWSS Operating and Capital Budget that will be discussed in this presentation. UWSS’ Finance and Audit Committee has reviewed and approved the submission to the preliminary 2026 UWSS Budget to the Board of Directors.



The UWSS 2026 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 the Ontario Clean Water Agency’s (“OCWA”) operating system, labour and maintenance program contract.
- ✓ Projected balance sheet and cash flow budget
- ✓ Capital budget

Wholesale Water Demand / Usage

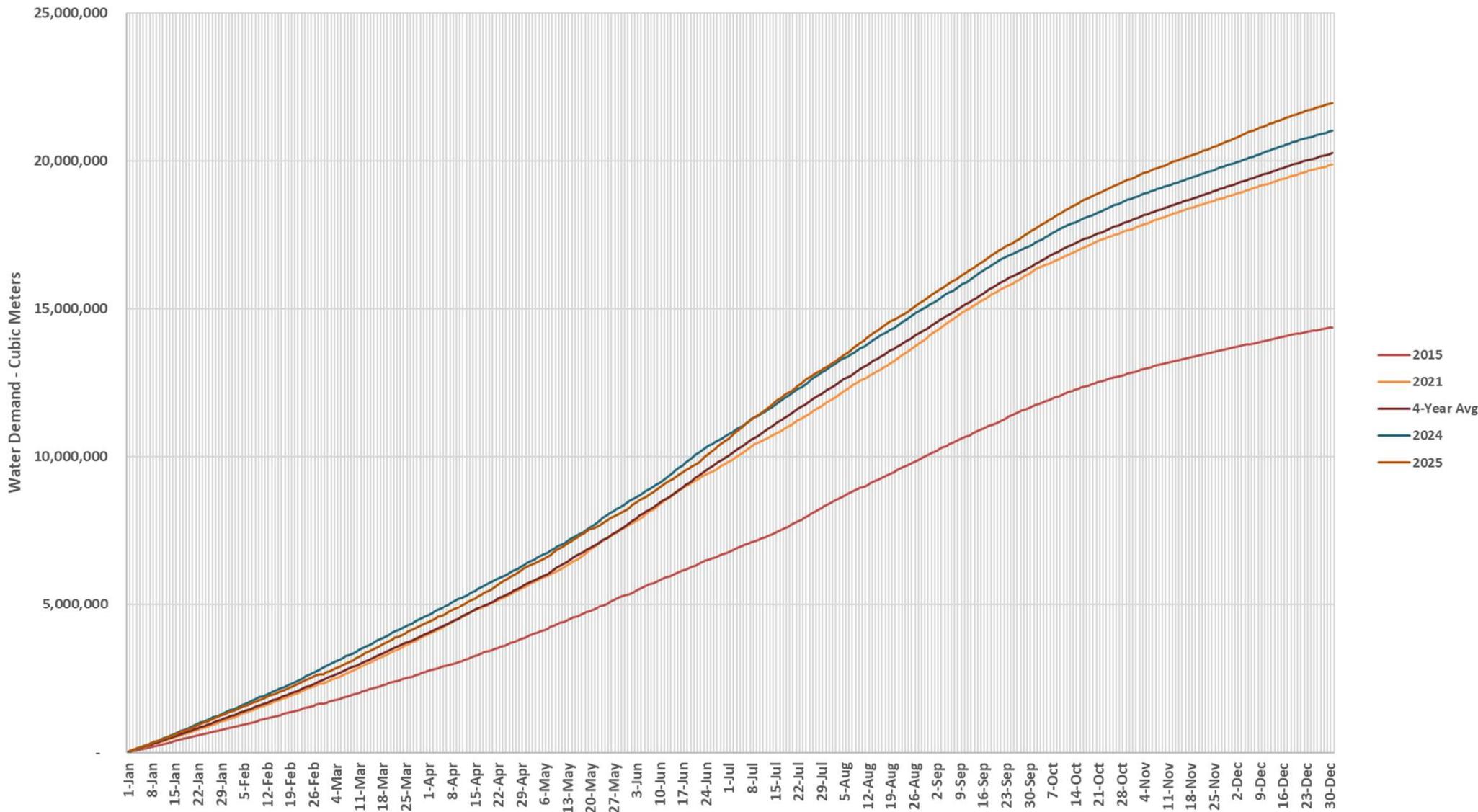


UWSS’ water demand is based on water usage by end users / customers in the municipalities of Leamington, Kingsville, Essex and Lakeshore.

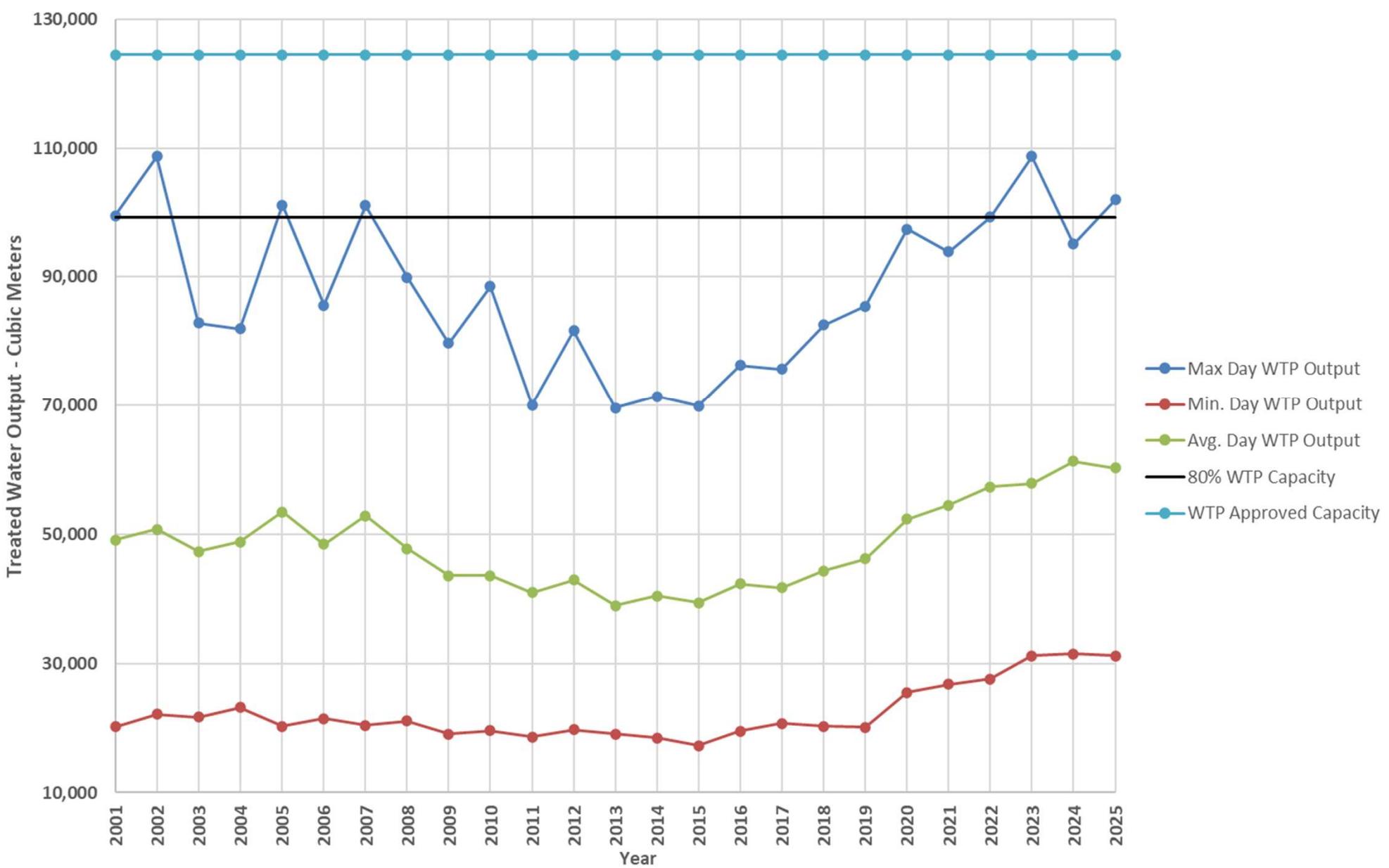
- ✓ Water demand has over last 10 years has increased approximately 52%;
- ✓ Included in the 2026 budget is a 4.3% increase in water demand to 22,791,460 m³ that have been allocated to each of the municipalities, and non-municipal direct UWSS Inc. customers based on prior year water usage plus a 3% increase as follows:
 - ✓ Leamington – 53.2% of total budgeted water demand, or 12,127,445 m³
 - ✓ Kingsville – 34.9% of total budgeted water demand, or 7,973,658 m³
 - ✓ Essex – 4.4% of total budgeted water demand, or 998,633 m³
 - ✓ Lakeshore – 2.5% of total budgeted water demand, or 562,111 m³
 - ✓ Other Direct UWSS Inc. Customers – 5.0% of total budgeted water demand, or 1,129,613 m³

Wholesale Water Demand / Usage

UWSS - Cumulative Daily Water Demand



Ruthven WTP Treated Water Output
Annual Max, Min and Avg



Wholesale Water Revenue - 2026 Budget

WHOLESALE WATER REVENUE SUMMARY		2026 BUDGET	2025 BUDGET	2026 BUDGET CHANGE (\$)	2026 BUDGET CHANGE (%)
Water Volumes (m ³)		22,791,460	21,856,052	935,408	4.3%
Treatment & Transmission Rate	A	0.7855	0.7767	0.0088	1.1%
Capital Renewal Rate	B	0.0500	0.0200	0.0300	N/A
Lifecycle Rate	C	0.0200	-	0.0200	N/A
Combinded Rate for Residential / Commercial Customers	D = A + B + C	0.8555	0.7967	0.0588	7.4%
Plant Expansion Rate (Greenhouse only)	E	0.0300	0.0100	0.0200	N/A
Combinded Rate for Greenhouse Commercial Customers	F = D + E	0.8855	0.8067	0.0788	9.8%
Total Revenues (\$)		\$ 18,753,243	\$ 15,575,523	\$ 3,177,720	20.4%

- ✓ UWSS 2026 Budgeted UWSS Inc. water rate increase of \$0.588 /m³ includes:
 - ✓ A \$0.088 per m³ adjustment for CPI and Non-Revenue Water
 - ✓ \$0.05 per m³ levy for capital reserve for capital investment and major maintenance; 2026 budget includes incremental increase of \$0.03 per m³
 - ✓ \$0.02 per m³ levy for lifecycle reserve for future capital investments
- ✓ Increase in the UWSS Inc. water rate is expected to increase costs for **residential customer** by approximately \$1.25 / month, or \$15 / year;
- ✓ 2026 UWSS Budget includes a \$0.03 per m³ incremental increase in the plant expansion rate from 2025 budget specific to greenhouse customers to cover some of the capital costs of the plant expansion; this levy will result an increase of approximately \$110 / acre annually.

Wholesale Water Revenue – 5 Year Budget

WHOLESALE WATER REVENUE SUMMARY		2026 BUDGET	2027 BUDGET	2028 BUDGET	2029 BUDGET	2030 BUDGET
Water Volumes (m ³)		22,791,460	23,134,350	23,824,344	25,328,530	26,832,716
Treatment & Transmission Rate	A	0.7855	0.7875	0.7883	0.7897	0.7911
Capital Renewal Rate	B	0.0500	0.0600	0.0700	0.0800	0.0875
Lifecycle Rate	C	0.0200	0.0400	0.0500	0.0600	0.0675
Combinded Rate for Residential / Commercial Customers	D = A + B + C	0.8555	0.8875	0.9083	0.9297	0.9461
<i>Change %</i>		7.4%	3.7%	2.3%	2.4%	1.8%
Plant Expansion Rate (Greenhouse only)	E	0.0300	0.0300	0.0300	0.0300	0.0300
Combinded Rate for Greenhouse Commercial Customers	F = D + E	0.8855	0.9175	0.9383	0.9597	0.9761
<i>Change %</i>		9.8%	3.6%	2.3%	2.3%	1.7%
Total Revenues (\$)		\$ 18,753,243	\$ 19,872,736	\$ 21,048,654	\$ 22,875,565	\$ 24,640,069
<i>Change %</i>		20.4%	6.0%	5.9%	8.7%	7.7%

Other Revenue

OTHER REVENUE	2026 BUDGET	2027 BUDGET	2028 BUDGET	2029 BUDGET	2030 BUDGET
Investment income	\$ 1,219,661	\$ 1,338,570	\$ 1,551,180	\$ 1,492,712	\$ 1,824,764
Property Rental Income	53,838	774,339	24,850	25,372	25,905
Total Other Income	\$ 1,273,499	\$ 2,112,908	\$ 1,576,030	\$ 1,518,084	\$ 1,850,668
<i>Change %</i>		65.9%	(25.4%)	(3.7%)	21.9%

- ✓ 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 increasing prime rate in fiscal 2026 and beyond;
- ✓ 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 that is leased by a small farmer; included in 2027 budget is the sale of the rental property adjacent to the water treatment plant.

Operating Expenses - 2026 Budget

OPERATING EXPENSES CATEGORIES (> \$100,000)	2026 BUDGET	2025 BUDGET	2026 BUDGET CHANGE (\$)	2026 BUDGET CHANGE (%)
OCWA Operating Contract	\$ 5,216,375	\$ 4,857,000	\$ 359,375	7.4%
Utilities	1,652,800	1,652,800	-	0.0%
Operational Programs & Studies	1,225,000	490,000	735,000	150.0%
Repairs and Maintenance	460,380	77,878	382,502	491.2%
Municipal administrative charges	200,000	121,875	78,125	64.1%
Property Tax	180,999	168,311	12,688	7.5%
Software Support & Maintenance	124,300	79,911	44,389	55.5%
All Other Expense Categories <\$100,000	299,400	389,966	(90,566)	(23.2%)
Total Operating Expenses	\$ 9,359,254	\$ 7,837,741	\$ 1,521,513	19.4%

- ✓ Budgeted operating expense categories >\$100,000 are itemized above, with total operating expenses increasing 19.4%, or \$1,521,513 in the 2026 Budget compared to the 2025 Budget;
 - ✓ Higher OCWA costs with the contract renewal in 2026 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;
- ✓ 2026 UWSS operating expenses were primarily budgeted based a 2% increase on 2025 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, insurance, water quality/corrosion monitoring program, hardware support and maintenance and telecommunications;

Operating Expenses – 5 Year Budget

OPERATING EXPENSES CATEGORIES (> \$100,000)	2026 BUDGET	2027 BUDGET	2028 BUDGET	2029 BUDGET	2030 BUDGET
OCWA Operating Contract	\$ 5,216,375	\$ 5,372,866	\$ 5,534,052	\$ 5,700,074	\$ 5,871,076
Utilities	1,652,800	1,818,080	1,945,346	2,042,613	2,083,465
Operational Programs & Studies	1,225,000	250,000	250,000	250,000	250,000
Repairs and Maintenance	460,380	480,934	491,792	502,904	514,277
Municipal administrative charges	200,000	204,000	208,080	212,242	216,486
Property Tax	180,999	184,619	188,311	192,078	195,919
Software Support & Maintenance	124,300	126,786	129,322	131,908	134,546
All Other Expense Categories <\$100,000	299,400	350,070	366,961	383,786	397,885
Total Operating Expenses	\$ 9,359,254	\$ 8,787,355	\$ 9,113,864	\$ 9,415,605	\$ 9,663,656
<i>Change %</i>		<i>(6.1%)</i>	<i>3.7%</i>	<i>3.3%</i>	<i>2.6%</i>

- ✓ UWSS budgeted operating expenses for 2026 – 2030 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 7%-10% increases in costs due to the expansion of the water treatment plant;

General and Admin Expenses

GENERAL AND ADMIN EXPENSE CATEGORIES (> \$50,000)	2026 BUDGET	2027 BUDGET	2028 BUDGET	2029 BUDGET	2030 BUDGET
Wages and benefits	\$ 912,729	\$ 1,054,079	\$ 1,080,908	\$ 1,106,505	\$ 1,132,752
Professional fees	220,000	224,400	228,888	233,466	238,135
Board expenses	151,800	154,836	157,933	161,091	164,313
All Other Expense Categories <\$50,000	75,183	76,577	78,108	79,670	81,264
Total General and Admin Expenses	\$ 1,359,712	\$ 1,509,891	\$ 1,545,837	\$ 1,580,732	\$ 1,616,464
Change %		11.0%	2.4%	2.3%	2.3%

- ✓ Wages and benefits were budgeted to include current staff plus the additional staff hires - an asset management specialist , a SCADA specialist, and an administrative support hire; wages and benefits may be subject to change following HR market analysis;
- ✓ Board expenses, include honorarium, mileage, conferences, training; honorariums are based on fixed fees structure for 2026 honorariums but may be subject to change following HR market analysis, and Board approval;
- ✓ Other general and expense categories include vehicle expenses, office expenses, bank service fees and memberships and subscriptions;
- ✓ UWSS budgeted general and admin expenses for 2026 – 2030 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	2026 BUDGET	2025 BUDGET	2026 BUDGET CHANGE (\$)	2026 BUDGET CHANGE (%)
Total Wholesale Water Revenue	\$ 18,753,243	\$ 15,575,523	\$ 3,177,720	20.4%
Total Other Revenue	1,273,499	1,186,367	87,132	7.3%
Total Operating Expenses	(9,359,254)	(7,837,741)	(1,521,513)	19.4%
Total General and Admin Expenses	(1,433,788)	(1,069,807)	(363,981)	34.0%
Total Debt Funded Capital - Interest Costs	(1,733,341)	(992,063)	(741,279)	0.0%
Net Income before Taxes	\$ 7,500,360	\$ 6,862,280	\$ 638,079	9.3%

INCOME STATEMENT SUMMARY	2026 BUDGET	2027 BUDGET	2028 BUDGET	2029 BUDGET	2030 BUDGET
Total Wholesale Water Revenue	\$ 18,753,243	\$ 19,872,736	\$ 21,048,654	\$ 22,875,565	\$ 24,640,069
Total Other Revenue	1,273,499	2,112,908	1,576,030	\$ 1,518,084	\$ 1,850,668
Total Operating Expenses	(9,359,254)	(8,787,355)	(9,113,864)	\$ (9,415,605)	\$ (9,663,656)
Total General and Admin Expenses	(1,433,788)	(1,571,169)	(1,610,048)	(1,647,356)	(1,684,468)
Total Debt Funded Capital - Interest Costs	(1,733,341)	(3,428,421)	(5,625,120)	\$ (5,964,841)	\$ (6,281,823)
Net Income before Taxes	\$ 7,500,360	\$ 8,198,699	\$ 6,275,652	\$ 7,365,848	\$ 8,860,791
Change %		9.3%	(23.5%)	17.4%	20.3%

- ✓ UWSS 2026 wholesale water revenue budget increased compared to 2025 due primarily to:
 - ✓ a 4.3% increase in water volumes in 2026 compared to 2025 budget, contributing \$0.7 million, or 4%, of the revenue increase;
 - ✓ a 1.1% increase in the T&T rate, contributing \$0.2 million, or 1%, of the revenue increase;
 - ✓ lower non-water revenue loss budgeted of 4% in 2026 compared to 10% in 2025 budget, contributing approx. \$1 million, or 6%, of the revenue increase; and,
 - ✓ an additional \$0.03 per m³ increase in capital reserve, and \$0.02 per m³ new lifecycle reserve contributing to \$1.1 million, or 7%, of the revenue increase.

Balance Sheet Budget

BALANCE SHEET HIGHLIGHTS	2026 BUDGET	2027 BUDGET
Cash and Short-Term Investment	\$ 11,851,675	\$ 5,830,276
Restricted Funds for Reserves	22,935,633	28,545,681
Property Plant & Equipment	129,504,348	168,369,348
Total Assets	166,967,149	205,470,736
WFCU Operating Line	72,000,000	43,800,000
WFCU Term Loan Debt	-	58,522,732
Total Liabilities	74,510,144	104,815,032
Total Shareholders' Equity	92,457,006	100,655,705

- ✓ 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), and administrative building expansion in 2026 /2027;
- ✓ WFCU operating line are draws for the \$60 million reservoir #3 project; additional budgeted operating line of \$70 million with WFCU starting in fall 2026 for the filtration building expansion; operating lines are budgeted with no repayment, and interest costs calculated at prime less 1%;
- ✓ UWSS budget assumes that the reservoir #3 will be fully operation in 2027, at which point the WFCU operating line converts to a term loan at prime less 1.20%. The new filtration building to be in full operation at start of 2029.

Capital Projects Budget

CAPITAL BUDGET	2026 BUDGET	2027 BUDGET	2028 BUDGET	2029 BUDGET	2030 BUDGET
Low Lift	\$ 740,000	\$ -	\$ -	\$ -	\$ -
General Building Maintenance & Equipment	220,000	300,000	300,000	-	-
Chemical System	380,000	-	-	-	-
Carbon Scrubber System	225,000	-	-	-	-
Filtration	150,000	-	-	-	-
Pumps	170,000	170,000	-	-	-
Main Plant Electrical	75,000	75,000	75,000	75,000	75,000
SCADA /Communication/Security	635,000	70,000	70,000	70,000	70,000
Building Maintenance	150,000	150,000	150,000	-	-
Distribution System	1,070,000	1,400,000	900,000	-	-
Wastewater Treatment System	90,000	-	-	1,000,000	1,000,000
Backup Power System Upgrades	400,000	400,000	-	-	-
Cottam Water Main Upgrades	250,000	-	-	-	-
Water Treatment Plant Capacity Expansion	1,400,000	-	-	-	-
Admin Building Expansion	1,750,000	1,500,000	-	-	-
Residuals management system upgrades	1,000,000	1,000,000	-	-	-
Other non-identified capital projects	-	2,000,000	4,000,000	4,000,000	4,000,000
Total Cash Funded Capital Projects	\$ 8,705,000	\$ 7,065,000	\$ 5,495,000	\$ 5,145,000	\$ 5,145,000
New Reservoir #3	20,000,000	-	-	-	-
UV Disinfection - In-reservoir UV vault	-	3,500,000	-	-	-
New Admin Bldg - Maintenance Shop and Yard	-	1,500,000	2,500,000	-	-
Cottam Water Main Upgrades	-	6,000,000	8,000,000	-	-
Water Treatment Plant Capacity Expansion	10,600,000	31,800,000	26,200,000	-	-
Cottam Booster Expansion	-	-	-	6,000,000	4,000,000
Seacliff Water main replacement	-	-	-	-	3,000,000
Total Debt Funded Capital Projects	\$ 30,600,000	\$ 42,800,000	\$ 36,700,000	\$ 6,000,000	\$ 7,000,000

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 includes debt funded capital projects for the water treatment plant expansion (reservoir #3), filtration building expansion, administration building and UV disinfection vault;
- ✓ Reservoir #3 debt funded cash flow have been budgeted based projected draws from the general contractor;
- ✓ Capital projects budget for years 2026 – 2030 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

2026 PROPOSED OPERATING AND CAPITAL BUDGET

Total Wholesale Water Revenue	\$	18,753,243
Total Other Revenue		1,273,499
Total Operating Expenses		(9,359,254)
Total General and Admin Expenses		(1,433,788)
Total Debt Funded Capital - Interest Costs		(1,733,341)
Net Income before Taxes	\$	7,500,360

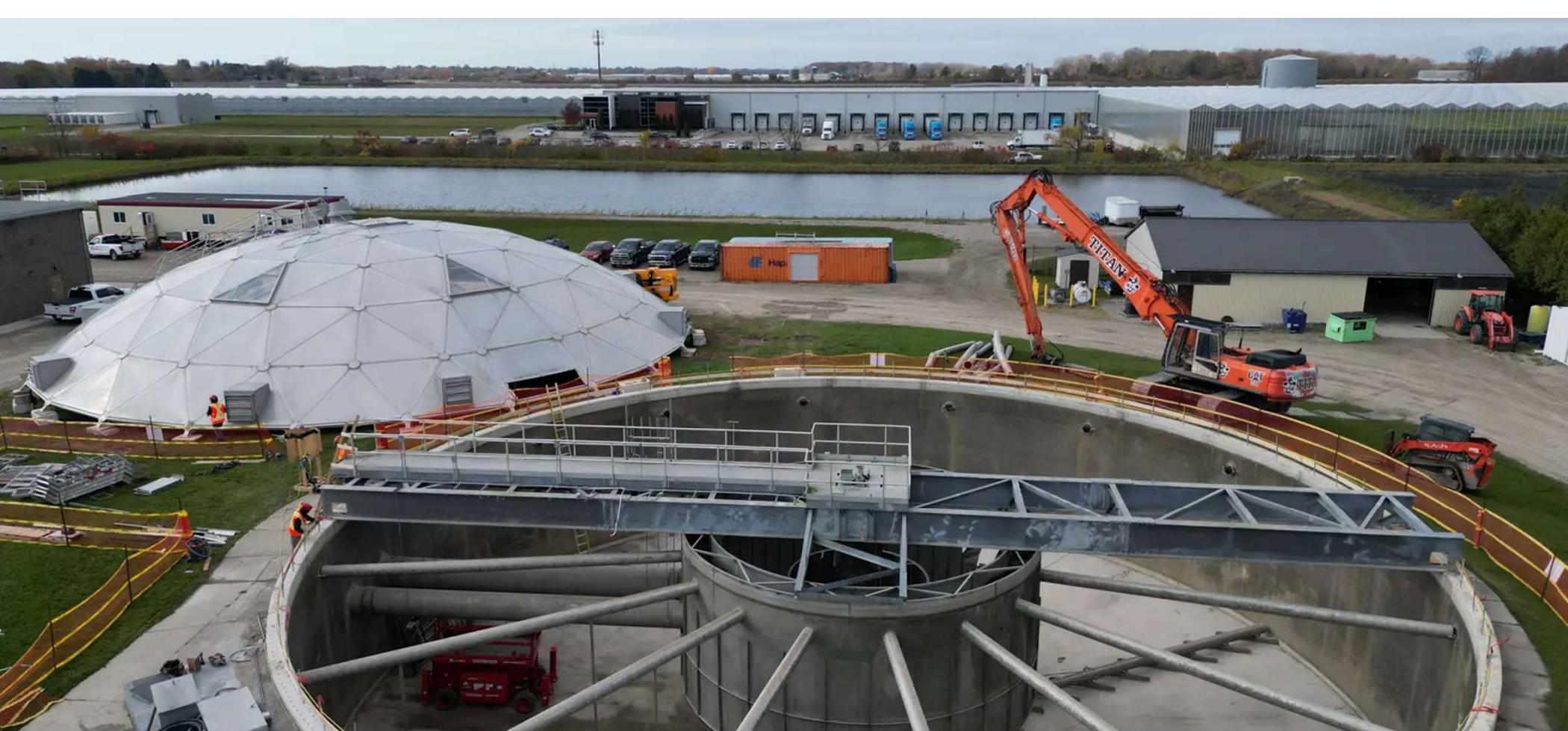
CAPITAL BUDGET

Cash Funded Capital Projects	\$	8,705,000
Debt Funded Capital Projects		30,600,000
Total Capital Projects	\$	39,305,000

It is UWSS management's opinion that the 2026 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.

RECOMMENDATION

UWSS management is asking the UWSS Board of Directors to adopt the Proposed UWSS 2026 Operational and Capital Budget.



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