



Union Water Supply System Inc.

Board of Directors Meeting

Wednesday, February 21st, 2024

9:00 am

Kingsville Arena, 1741 Jasperson

AGENDA

A. Call to Order:

B. Welcoming Remarks

C. Disclosures of Pecuniary Interest:

D. Approval of Minutes:

Minutes of the Board of Directors Meeting held on Wednesday, January 17th, 2024.
Pages 3 - 8

E. Business Arising Out of the Minutes

F. Items for Consideration:

1. UWSS/04/24 dated February 16, 2024 re: Status Update of UWSS Operations & Maintenance Activities and Capital Works from January 12th to February 16th, 2024
Pages 9 - 11
2. UWSS/05/24 dated February 15th, 2024 re: 2023 Annual Report under the Safe Drinking Water Act and Ontario Regulation 170/03
Pages 12 - 20
3. UWSS/06/24 dated February 15th, 2024 re: 2023 Summary Report for Municipalities under Regulation 170/03 made under the Safe Drinking Water Act
Pages 21 - 29
4. UWSS/07/24 dated February 16th, 2024 re: Terms of Reference for Finance & Audit and Governance Committee
Pages 30 - 39
5. UWSS/08/24 dated February 16th, 2024 re: Ontario Regulation 453-07 Financial Plan Update for the Union Water Supply System
Pages 40 - 86

6. Verbal Update on:

- Municipal Class Environmental Assessment Study for increase in Treatment Capacity
- UWSS - Windsor Utilities Commission (WUC) Water Emergency Redundancy Study
- UWSS Inc. Shareholders Annual General Meeting

G. Special Closed Meeting of the UWSS Joint Board of Management**Recommendation:**

That the That the UWSS Inc. Board of Directors move into a Special Closed Meeting, pursuant to the Municipal Act Section 239 (2)(f)(j) for the following reason:

Matters for Consideration:

Legal discussion Under Municipal Act Sections 239 (2)(f)(j) wherein UWSS Inc.'s solicitor will provide (f) advice subject to solicitor-client privilege, including communications necessary for that purpose (j) a trade secret or scientific, technical, commercial or financial information that belongs to the municipality or local board and has monetary value or potential monetary.

- Existing Long-Term Debt for the Union Water Supply System
- New Financing for Union Water Supply System

H. Disclosure of Pecuniary Interest and General Natural Thereof**I. Adjournment of Special Closed Meeting****J. Report on Closed Session****K. New Business:****L. Action Items:****M. Comments, Announcements, and Other Business:****N. Adjournment:****O. Date of Next Meeting: March 20th, 2024 - Kingsville Arena, 9:00 am**

/kmj



Board of Directors Meeting

Wednesday, January 17, 2024
9:00 am
Kingsville Arena, 1741 Jasperson

MINUTES

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

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

Guest William Willis, Willis Business Law - UWSS Legal Counsel

OCWA Staff Ken Penney, Dale Dillen, Robin Trepanier, Tejal Nagda

Municipal Staff Laura Rauch, Shannon Belleau - Municipality of Leamington
Present Garry Punt - Municipality of Lakeshore

Call to Order: 9:00 am

Welcoming Remarks:

The Chair welcomes everyone to start 2024 and looks forward to working together on UWSS Inc. Board of Directors.

Disclosure of Pecuniary Interest: none

Adoption of Board Minutes:

No. UWSS Inc-01-24

Moved by: Director Verbeke

Seconded by: Director DeYong

That the minutes of the Union Water Supply System Inc. Board of Directors meeting held December 20, 2023 is received.

Carried

Business Arising out of Minutes:

Director Wharram asks the perhaps an “action list” is created after each meeting to ensure that both administration and directors can follow up on any outstanding items. He notes that the directors were to receive a link to an infrastructure report, but that did not come through.

The CEO thanks the director for this idea and will implement it immediately as well as send out the link to the report later today.

Items for Consideration

Report UWSS/01/24 dated January 12th, 2024 re: Status Update of the UWSS Operations & Maintenance Activities and Capital Works from December 15th, 2023 to January 12th, 2024

The CEO explains that this report has always been presented to the Joint Board of Management and thought he would bring it this month to the directors. He asks if they wish to continue receiving this type of report. This report provides highlights of operations and allows directors to understand the operational side of the water system.

The CEO informs the directors of several watermain breaks over the last month. He notes that two (2) were in Kingsville, and further explains that municipal staff oversee the repairs and then invoice UWSS Inc. for the repairs. There was a smaller watermain break in Essex as well, however, it was discovered that this was not on a common asset watermain, but rather their own distribution line.

The CEO notes that the cleaning of the Low Lift wet wells has been completed and the pumping station has been returned to service. The annual filter maintenance started on January 8th and included replacement of an air wash valve for Filter 5 “B” side and also replacement of manual drain valves for Filter #8 “A” & “B” sides. The filters are currently being disinfected and will return to service later in the week. The operations manager confirms that staff are just waiting on test results. The CEO notes that due to the high winds over the weekend have resulted in a high turbidity event and the extra filters will assist with such events.

Clarifier #4 began being filled on January 10th and has been put back into service as of yesterday. He also notes that the DAF #1 is currently offline due to warranty work taking place. He believes that this work should be completed and DAF #1 back in service later this week, this will also assist with the turbidity events taking place due to weather.

The demolition specification document for 1529 Union Avenue is currently being worked on by Associated Engineering (AE). The hope is to have the greenhouses demolished early this spring to make way for the Reservoir #3 project.

The CEO provides an update on the Municipal Class Environmental Assessment Study (EAS) with regarding to Peaking Capacity. He notes that the first Public Information Centre (PIC) took place in late November and the second PIC is scheduled for March 7th, 2024 at the Kingsville Arena. Once this PIC has been completed and all public comments are considered the engineering consultant will return with a preferred alternative. The Chair asks for clarification on why there is public consultation, when it might be difficult for the public to understand the complexities of such a project. The CEO explains that a PIC is a requirement of the process.

The CEO then reviews the flows. He notes that this report contains the entire flow history for 2023 and then the start of 2024, however, so far that is only 11 days. He notes that the flows for 2023 are up around 1.4%, which ties in nicely to his budget. However, he notes that flows this year have started off very high, 20% over the start of the previous year. There is a brief discussion as to why the flows are starting so strong. The CEO believes that the greenhouse sector has shifted their growing pattern, as he notes lots of day time lights running in the local greenhouses.

Director DeYong then indicates she would appreciate the status update report going forward as the information provided allows her to understand the water system better and make informed decisions.

No. UWSS-02-24

Moved by: Director Wharram

Seconded by: Director Schmoranz

That report UWSS/01/24 dated January 12th 2024 re: Status Update of UWSS Operations & Maintenance Activities and Capital Works from December 15th, 2023 to January 12th, 2024 is received.

Carried

Report UWSS/02/24 dated January 10th, 2024 re: Proposed 2024 UWSS Inc. Operations and Capital Budget.

The CEO notes that since this is a transition year that the format is the same as presented to the Joint Board of Management in years past. He notes that things will slowly change to a different format but for now, this works well. He notes that UWSS Inc. will most likely to have a financial committee formed to allow for better financial discussions and suggestions.

The CEO reviews the “highlights” of his report on the first page of his report. He notes that he based his budget on 1.4% increase in the flow demand from 2023 and used that to calculate the potential increase in 2024 flows. He notes the sundry and rental income,

as well as investment income. Notable was also the debt servicing as well as the OCWA contract obligations. He does remind members of the board that the Sun Life debt will be finished in 2026. Finally, he notes the debt funded capital project on the horizon and that includes the potential Reservoir #3 project. This is based on the Financial Plan put together by PwC with a rate increase of 2%, however, because of continued inflation the increase is just around 3%.

Director Kissner asks the CEO if he has an Asset Management (AM) Plan in place. The CEO is hopeful that this AM plan will be completed by the end of February for review. Director Kissner indicates that he would like to see lifecycle costs included in the budget going forward, as this will assist the board in making decisions. The CEO agrees and confirms that changes in how the budget is presented will be made throughout the 2024 year. Finally, Director Kissner asks about discretionary spending that could be trimmed. The CEO thinks that this budget is quite tight and there is some wiggle room within the studies, but not much.

Director St. Amant asks how the CEO determined the rate increase should be around 3%. The CEO indicates that this rate increase is based on the Financial Plan put together by PwC and normally the FP asks for a consistent 2% increase each year, but with inflation still high, the 2024 budget needed to be increased slightly. This is in conjunction with the increase in flows expected.

The CEO notes that UWSS Inc. will now have to account for water loss and that is something new to the budget, as in the past the municipalities bore the burden of water loss.

There is a brief discussion about the financial committee with legal counsel, William Willis, indicating that the UWSS Inc. Board of Directors can create any committees they wish. It is decided to leave this to come under New Business.

There is a brief discussion on UWSS Inc.'s investment policy and it was decided that these issues should also fall under the financial committee.

The CEO notes that he just met with the treasurers of all four (4) municipalities to discuss several of the outstanding financial items and the paths that need to be created to solve some of the issues facing the new corporation.

Director Tofflemire asks if the Reservoir #3 project budget for \$60 million is a total budget. The CEO confirms that it is, this is a necessary project as the WTP cycles through storage multiple times a day in high demand season. Director Tofflemire asks about the WTP expansion and whether it is necessary. The CEO indicates that the current WTP is nearing 70 years old and currently there is no redundancy and no good options for expanding the existing facility.

Director Atkinson asks how the UWSS Inc. water rate compares to other municipalities. The CEO notes that UWSS Inc. water rates are quite low and just for the treated and transmission portion of the water. Each municipality will add their own rate for distribution. She also asks about the Capital Rate in the future budgets and the CEO explains that

Minutes of Union Water Supply System Incorporated

Date: January 17, 2024

Page 5

capital rate could potentially applied to the agri-food sector as they are driving the growth and this would be applied to their flows.

No. UWSS-03-24

Moved by: Director Shmoranz

Seconded by: Director Kissner

That the Union Water Supply System Inc. Board of Directors (Board) adopts the Proposed 2024 Operational and Capital Budget for the Union Water Supply System.

And further, that the Board adopts an increase of \$0.0214 per cubic metre for the UWSS Treatment and Transmission Rate (Rate). The new proposed Rate for 2024 would be \$0.7339 per cubic meter

Carried

Report UWSS/03/24 dated January 12th, 2024 re: Resolution to Complete 1 Year Anniversary Review of UWSS Inc. Restructuring Documents.

The CEO reminds members that there has been a large number of documents going back and forth and some have been signed off and others have not yet been signed. The CEO explains that the reason for this resolution is to ensure that if something has been missed, a review of the documents within the next year will help ensure that this transition process captures everything it is intended to.

He further explains that these documents have been reviewed over the last two years and many versions have been circulated to ensure that all parties have had ample opportunity to review and amend any items deemed necessary. The CEO does note that there have been a lot of staffing changes within the municipalities, and this has contributed to the delay in the approval of all the documents.

There is some concern of the financial systems in place. The CEO assures members that Capital Assist is assisting with the transition and updates will be provided through his budget updates as they are necessary. The CEO also notes that there is an investment policy in place, that mirrored Leamington's, and will have to be reviewed, as UWSS Inc. is subject to the Municipal Act 2001.

No. UWSS-04-24

Moved by: Director DeYong

Seconded by: Director Bondy

That the Union Water Supply System Inc. Board of Directors ("Board") directs that UWSS Inc. administration engage with its municipal shareholders and other stakeholders as necessary to conduct a 1-year review of the key documents and processes implemented to transfer the Union Water assets to Union Water Supply System Inc., and thereafter to

report back to the Board with any recommended changes resulting from such 1-year review.

Such engagement shall include, but not necessarily be limited to, review of the following:

- General By-Law No. 1;
- Shareholders Agreement;
- Water Service Agreement;
- Municipal Access Agreement; and

Billing and other administrative procedures required for new commercial structure
Carried

New Business:

There is a discussion regarding the potential of a subcommittee regarding the financial oversight of the UWSS Inc. Board; the discussion includes the number of members within the subcommittee, whether political representation should be part of this committee, what powers a Chair of said subcommittee should have, what type of voting powers representative would have, as well as other concerns.

Legal Counsel, William Willis, provides a few thoughts on the discussion, noting that he sees UWSS Inc. with three (3) subcommittees: Governance, Finance and Executive. He notes that typically committees are advisory in nature.

Director Schmoranz provides direction to the CEO to work with legal counsel to create a Terms of Reference for a Finance Committee to be created for the Union Water Supply System Inc. Board of Directors.

Comments, Announcements, and Other Business

The Chair extends thanks to the Board of Directors and appreciates all of the work put in to getting UWSS Inc. to this point.

Adjournment:

No. UWSS-05-24

Moved by: Director Schmoranz

Seconded by: Director Atkinson

Time adjourned: 1040 am

Date of Next Meeting: February 21st, 2024, Kingsville Arena - 9:00 am

To: UWSS Inc. Board of Directors

From: Rodney Bouchard, UWSS Inc. CEO

Date: February 16, 2024

**Re: Status Update of UWSS Operations & Maintenance
Activities and Capital Works from January 17 to February 16, 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 January 17, 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. The completion of warranty work for DAF #1 clarification unit was completed on January 17-18, 2024. This work included modifications to scum throughs and reinstallation of media in the saturation tank. DAF#1 was started up and tested on January 24th and returned to service on January 25th, 2024.
2. Upgrades were completed on Filter #7 as part of annual filter maintenance. The work included replacement of the “filter to waste” valve since this valve had significant leakage. The new valve consists of a knife gate valve instead of the previous butterfly valve and is less likely to leak. Upgrades also included replacement of the 12-inch flow control valve.
3. New water level transmitters have been installed on Filters 5-8 and on the filter inlet channel #2. These new level transmitters will provide better water level readings and improve operation of the filters.
4. Filter #8 has been improved with a new electric actuator for the flow control valve. This work is part of an initiative to convert all filter flow control valves for air actuators to electric actuators.
5. Modifications to the chlorine dosage program for Cottam Booster effluent have been completed to better control the chlorine residual leaving the facility.
6. A new chlorine residual analyzer has been installed to monitor treatment plant waste discharge chlorine levels. This analyzer is better suited to monitoring low levels of chlorine in wastewater.
7. The 5-year reservoir inspections were completed in Cottam Booster Reservoir #1, Union Water Treatment Plant Reservoir #1 and Essex Water Tower. Leaks were noted in Cottam Booster Reservoir #1 and some maintenance requirements noted

Re: UWSS/04/24 - Status Update of UWSS Operations & Maintenance Activities and Capital Works from January 17 to February 16, 2024.

- for water treatment plant reservoir #1. Inspection reports from the inspection firm are expected by end of February 2024.
8. The new Quench Buggy that was ordered by UWSS is complete and will be delivered during the week of February 19th.
 9. The Low Lift diesel generator had a fuel leak during the January 24th test run. All of the injector seals were replaced, and the generator was returned to service on January 26th.
 10. Clarifier #4 was taken out of service on February 12. The clarifier is to be drained and cleaned to allow Napier Reid and their subconsultant to complete a 3D scan of the clarifier to help with the design of the DAF#2 unit that will be retrofitted in Clarifier #4. Napier Reid and their subcontractor will be on-site on February 21 to inspect the clarifier and complete the 3D scan.
 11. UWSS has purchased a new S:Scan water quality monitoring unit. This unit can monitor a variety of water quality parameters from all types of water. This unit will be used to monitor water quality from water raw, clarified water, DAF #1 effluent water and filtered water to help the operations team optimize water treatment processes at the plant.
 12. The Request for Proposal (RFP) for Construction Manager Advisor and Construction Manager at Risk (CMA/CMAR) for the Reservoir #3 and UV Disinfection Process was posted on MERX on February 2nd, 2024. UWSS' engineering consultant, Associated Engineering, is managing this process. UWSS hopes to retain a CMA to assist with the completion of the design for design of reservoir #3 and UV disinfection system and to retain a CMAR to manage the implementation of these projects.
 13. The UWSS Municipal Class Environmental Assessment Study (EAS) for increased treatment plant capacity for the Union Water Supply System is moving forward. The project consultant, Associated Engineering issued the Draft EAS report on January 29th, 2024 for review by UWSS staff. This report incorporates comments received during first public consultation period, identifies options to increase treatment plant capacity at Union Water and identifies a preferred alternative for treatment capacity expansion. A second public open house is scheduled for March 7th, 2023 at the Kingsville Recreation Complex to solicit public input on the preferred alternative for the treatment plant expansion.
 14. The consulting team of CIMA+ (formerly C3 Water) and Stantec Consulting is making forward progress with the study for an emergency water supply sharing solution between UWSS and Windsor Utilities Commission (WUC). On January 31, 2024, the Consultant issued the report titled *Water Redundancy Conceptual Design TM1&2: Operational Concepts, Reservoir Sizing, Location and Watermain Routing*. A meeting was held on February 16, 2024 to discuss next steps for this project.

Re: UWSS/04/24 - Status Update of UWSS Operations & Maintenance Activities and Capital Works from January 17 to February 16, 2024.

The first chart shows comparative flows for 2020 through 2024 in Mega Litres (ML) and the second chart shows Millions of Imperial Gallons (MIG) for the period January 1st to February 15th, 2024

	2020	2021	2022	2023	2024
Flow to Date (ML)	1,461.27	1,724.07	1,731.75	1,877.15	2,267.17
Max Day (ML)	43.79	48.81	46.42	50.37	55.90
Min Day (ML)	25.44	26.74	27.58	32.48	33.68
Average Day (ML)	31.77	37.48	37.65	40.81	49.29
No of Days	46	46	46	46	46

	2020	2021	2022	2023	2024
Flow to Date (MG)	321.44	379.25	380.94	412.92	498.72
Max Day (MGD)	9.63	10.74	10.21	11.08	12.30
Min Day (MGD)	5.60	5.88	6.07	7.14	7.41
Average Day (MGD)	6.99	8.24	8.28	8.98	10.84
No of Days	46	46	46	46	46

Flows to date are up 390.02 ML (85.8 MIG) or 20.8% from last year. The 2024 flows to date are up 33.5% over the previous 4 year average.

Recommendation:

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

Respectfully submitted,



Rodney Bouchard, CEO
Union Water Supply System Inc.

/kmj

UWSS/05/24

To: UWSS Inc. Board of Directors
From: Rodney Bouchard, UWSS Inc. CEO
Date: February 15, 2024
Re: 2023 Annual Report under the Safe Drinking Water Act and Ontario Regulation 170/03



Aim

To present to the Board the Annual Report for 2023 as required under Regulation 170/03 made under the Safe Drinking Water Act 2002.

Background

Section 11 of Regulation 170/03 made under the Safe Drinking Water Act 2002 requires that an Annual Report be prepared for a water system and submitted to any water systems that are supplied from that water system. This is required to be done before February 28th of the following year.

Discussion

The attached Annual Report for 2023 has been prepared in accordance with O. Reg. 170/03. A copy has been provided to each of the four (4) participating municipalities therefore satisfying the requirement that it must be received before February 28, 2022.

There was one instance where the Union Water Supply System was out of compliance with the requirements of the Safe Drinking Water Act 2002. This is detailed in the report.

Recommendation:

That the Board receive the Annual Report for 2023 prepared under Section 11 of Regulation 170/03 made under the Safe Drinking Water Act 2002.

Respectfully submitted,



Rodney Bouchard, CEO
Union Water Supply System Inc.
Rb/kmj



Ontario Clean Water Agency
Agence Ontarienne Des Eaux



Annual Performance Report

Union Water Supply System

Drinking Water System # 210000853

2023

**Prepared for the Corporation of the Town of Kingsville, the Corporation of the
Town of Essex, the Municipality of Lakeshore & the Municipality of Leamington**

By the Ontario Clean Water Agency



Drinking Water Systems Regulation O. Reg. 170/03

ANNUAL REPORT

Drinking Water System Number:	210000853
Drinking Water System Name:	Union Water Supply System
Drinking Water System Owner:	Union Water Supply System Joint Board of Management (Municipality of Leamington, Town of Kingsville, Town of Essex, Municipality of Lakeshore)
Drinking Water System Category:	Large Municipal Residential
Period being reported:	01-January-2023 to 31-December-2023

<u>Complete if your Category is Large Municipal Residential or Small Municipal Residential</u>	<u>Complete for all other Categories</u>
<p>Does your Drinking Water System serve more than 10,000 people? Yes [X] No []</p> <p>Is your annual report available to the public at no charge on a web site on the Internet? Yes [X] No []</p> <p>Location where Summary Report required under O. Reg. 170/03 Schedule 22 will be available for inspection.</p> <div style="border: 1px solid black; padding: 5px; width: fit-content;"> Union Water Supply System P.O. Box 340, 1615 Union Ave., Ruthven, Ont. N0P 2G0 </div>	<p>Number of Designated Facilities served:</p> <div style="border: 1px solid black; padding: 2px; width: fit-content; margin-left: 20px;">N/A</div> <p>Did you provide a copy of your annual report to all Designated Facilities you serve? Yes [] No []</p> <p>Number of Interested Authorities you report to:</p> <div style="border: 1px solid black; padding: 2px; width: fit-content; margin-left: 20px;">N/A</div> <p>Did you provide a copy of your annual report to all Interested Authorities you report to for each Designated Facility? Yes [] No []</p>

Note: For the following tables below, additional rows or columns may be added, or an appendix may be attached to the report

List all Drinking Water Systems (if any), which receive all their drinking water from your system:

Drinking Water System Name	Drinking Water System Number
Municipality of Leamington	220004992
Town of Kingsville	220003403
Town of Essex	220003680
Municipality of Lakeshore	260004995

Did you provide a copy of your annual report to all Drinking Water System owners that are connected to you and to whom you provide all drinking water?
 Yes [X] No []

Indicate how you notified system users that your annual report is available and is free of charge.

- Public access/notice via the web
 Public access/notice via Government Office
 Public access/notice via a newspaper
 Public access/notice via Public Request
 Public access/notice via a Public Library
 Public access/notice via other
 method _____

Describe your Drinking Water System

The Union Water Supply System (UWSS) includes one water treatment plant, the Ruthven Water Treatment Plant (RWTP) that is located in the hamlet of Ruthven in the Town of Kingsville, Ontario. The RWTP is a chemically assisted conventional filtration plant that draws water from Lake Erie.

The UWSS supplies potable water to the Town of Kingsville, Municipality of Leamington, a portion of the Town of Essex and a portion of the Municipality of Lakeshore with an estimated service population of 66,841.

The treatment process includes raw water pH control, chemically assisted up-flow clarification, chemically assisted Dissolved Air Flootation system, filtration with dual media filters, primary disinfection using Chlorine gas and secondary disinfection using Chlorine gas and Sodium Hypochlorite.

Seasonally, the RWTP uses sodium hypochlorite at its intakes to control Zebra Mussel formation.

There are also four water towers and a booster/storage station located on the Union Water Supply System.

List all water treatment chemicals used over this reporting period

Zebra Mussel Control:

- Sodium Hypochlorite – (Seasonal)

Clarification Chemicals:

- SternPAC 70 - Coagulant
- NorFloc 122 (polymer) – Coagulant Aid
- Powdered Activated Carbon – Taste and Odor Control
- CO₂ – PH adjustment

Filtration:

- Cat-Floc 8103 Plus (polymer) – Filter Aid (Seasonal)

Disinfection:

- Primary: Chlorine Gas
- Secondary: Chlorine Gas and Sodium Hypochlorite



Drinking Water Systems Regulation O. Reg. 170/03

Were any significant expenses incurred to?

- Install required equipment
 Repair required equipment
 Replace required equipment

Please provide a brief description and a breakdown of monetary expenses incurred

	Item Description	Expenditures to 2023 Year End
	Capital Works and Major Maintenance	
1	Low Lift Pump Rehab	\$ 14,644
2	Carbon System Pump Upgrades	\$ 29,718
3	Highlift Pump #7 - Engineering and Design	\$ 44,322
4	Surge Valves for High Lift Pumps #8 and #9	\$ 45,079
5	Air Compressor Upgrades	\$ 31,615
6	Filter 2&4 Control Console Upgrades	\$ 117,024
7	Electrical Upgrades - capacitors, etc.	\$ 24,676
8	Communication System upgrades	\$ 23,044
9	New Telephone System	\$ 24,100
10	New VFDs and upgrades for Cottam Booster Pumps	\$ 124,573
11	Albuna Water Tower Upgrades	\$ 61,665
12	Meter Chamber Rehabilitation	\$ 48,728
13	Water Quality Analyzers -	\$ 52,773
14	Wastewater Pump - New backup pump	\$ 71,870
15	Upgrade of UWSS 300mm Watermain-Victoria Avenue, Essex Centre	\$ 324,079
16	Low Lift Travelling Screen #4 - New; Design and Engineering	\$ 97,843
17	Clarifier #3 Improvements	\$ 21,740
18	Kingsville Tower New Corrosion Control System	\$ 7,932
19	DAF #1 Improvements	\$ 47,200
20	Reservoir #3 Design and Engineering	\$ 318,183
21	Maintenance Building Improvements - Bathroom and Sewage System	\$ 42,505
22	Smart Hydrant Monitoring Network Improvements	\$ 61,050
23	Quench Buggy Purchase	\$ 62,715
24	New Vehicle	\$ 62,277
25	OCWA Capital Expenditures	\$ 112,207
	Total	\$ 1,871,562

Provide details on the notices submitted in accordance with subsection 18 (1) of the Safe Drinking Water Act or section 16-4 of Schedule 16 of O.Reg.170/03 and reported to Spills Action Centre

Incident Date	Parameter	Result	Unit of Measure	Corrective Action	Corrective Action Date
Aug 24, 2023	Low Pressure	Pressure <20 psi	psi	BacT Samples	Aug 24, 2023

Microbiological testing done under the Schedule 10, 11 or 12 of Regulation 170/03, during this reporting period

	Number of Samples	Range of E. Coli Results (min #)-(max #)	Range of Total Coliform Results (min #)-(max #)	Number of HPC Samples	Range of HPC Results (min #)-(max #)
Raw	52	<2-40	<2-690	0	N/A
Treated	52	0 – 0	0 – 0	52	<10 - 40
Distribution	Please See Individual Annual Reports for Distribution System Information: Leamington (220004992), Kingsville (220003403), Essex (220003680), and Lakeshore (260004995).				

Operational testing done under Schedule 7, 8 or 9 of Regulation 170/03 during the period covered by this Annual Report.

	Number of Grab Samples	Range of Results (min #)-(max #)	Unit of Measure
Turbidity	8760	0.01 – 1.18	NTU
Chlorine - Free	8760	0.82 - 2.84	mg/L

NOTE: For continuous monitors use 8760 as the number of samples

Date of legal instrument issued	Parameter	Date Sampled	Result	Unit
Nov 26, 2021	Total Chlorine residuals	Jan 09/2023	0.13	mg/L
	Total Chlorine residuals	Feb 21/2023	0.12	mg/L
	Total Chlorine residuals	Mar 13/2023	0.13	mg/L
	Total Chlorine residuals	Apr 24/2023	0.12	mg/L
	Total Chlorine residuals	May 08/2023	0.11	mg/L
	Total Chlorine residuals	June 12/2023	0.11	mg/L
	Total Chlorine residuals	July 26/2023	0.08	mg/L
	Total Chlorine residuals	Aug 28/2023	0.14	mg/L
	Total Chlorine residuals	Sept 11/2023	0.11	mg/L
	Total Chlorine residuals	Oct 10/2023	0.13	mg/L
	Total Chlorine residuals	Nov 20/2023	0.13	mg/L
	Total Chlorine residuals	Dec 18/2023	0.13	mg/L
	Annual Average		0.12	mg/L

Summary of Inorganic parameters tested during this reporting period or the most recent sample results

TREATED WATER	Sample Date (yyyy/mm/dd)	Sample Result	MAC	No. of Exceedances	
				MAC	1/2 MAC
Antimony: Sb (ug/L)	2023/01/10	<MDL 0.6	6.0	No	No
Arsenic: As (ug/L)	2023/01/10	0.2	10.0	No	No
Barium: Ba (ug/L)	2023/01/10	18.2	1000.0	No	No
Boron: B (ug/L)	2023/01/10	16.0	5000.0	No	No
Cadmium: Cd (ug/L)	2023/01/10	0.008	5.0	No	No
Chromium: Cr (ug/L)	2023/01/10	0.26	50.0	No	No
Mercury: Hg (ug/L)	2023/01/10	<MDL 0.01	1.0	No	No
Selenium: Se (ug/L)	2023/01/10	0.14	50.0	No	No
Uranium: U (ug/L)	2023/01/10	0.016	20.0	No	No
Additional Inorganics					
Fluoride (mg/L)	2023/01/10	<MDL 0.06	1.5	No	No
Nitrite (mg/L)	2023/01/03	0.10	1.0	No	No
Nitrite (mg/L)	2023/04/03	0.05	1.0	No	No
Nitrite (mg/L)	2023/07/04	0.05	1.0	No	No
Nitrite (mg/L)	2023/10/03	0.05	1.0	No	No
Nitrate (mg/L)	2023/01/03	0.50	10.0	No	No
Nitrate (mg/L)	2023/04/03	0.80	10.0	No	No
Nitrate (mg/L)	2023/07/04	0.43	10.0	No	No
Nitrate (mg/L)	2023/10/03	0.05	10.0	No	No
Sodium: Na (mg/L)	2023/01/10	6.87	20*	No	No

*There is no "MAC" for Sodium. The aesthetic objective for sodium in drinking water is 200 mg/L. The local Medical Officer of Health should be notified when the sodium concentration exceeds 20

Drinking Water Systems Regulation O. Reg. 170/03

mg/L so that this information may be communicated to local physicians for their use with patients on sodium restricted diets.

Summary of lead testing under Schedule 15.1 during this reporting period

(applicable to the following drinking water systems; large municipal residential systems, small municipal residential systems, and non-municipal year-round residential systems)

Location Type	Number of Samples	Range of Lead Results (min#) – (max #)	Number of Exceedances
Plumbing	Please See Individual Annual Reports for Distribution System Information: Leamington (220004992), Kingsville (220003403), Essex (220003680), and Lakeshore (260004995).		
Distribution	Please See Individual Annual Reports for Distribution System Information: Leamington (220004992), Kingsville (220003403), Essex (220003680), and Lakeshore (260004995).		

Summary of Organic parameters sampled during this reporting period or the most recent sample results

TREATED WATER	Sample Date (yyyy/mm/dd)	Sample Result	MAC	Number of Exceedances	
				MAC	1/2 MAC
Alachlor (ug/L)	2023/01/10	<MDL 0.02	5.0	No	No
Atrazine + N-dealkylated metabolites (ug/L)	2023/01/10	<MDL 0.01	5.0	No	No
Azinphos-methyl (ug/L)	2023/01/10	<MDL 0.05	20.0	No	No
Benzene (ug/L)	2023/01/10	<MDL 0.32	1.0	No	No
Benzo(a)pyrene (ug/L)	2023/01/10	<MDL 0.004	0.01	No	No
Bromoxynil (ug/L)	2023/01/10	<MDL 0.33	5.0	No	No
Carbaryl (ug/L)	2023/01/10	<MDL 0.05	90.0	No	No
Carbofuran (ug/L)	2023/01/10	<MDL 0.01	90.0	No	No
Carbon Tetrachloride (ug/L)	2023/01/10	<MDL 0.17	2.0	No	No
Chlorpyrifos (ug/L)	2023/01/10	<MDL 0.02	90.0	No	No
Diazinon (ug/L)	2023/01/10	<MDL 0.02	20.0	No	No
Dicamba (ug/L)	2023/01/10	<MDL 0.2	120.0	No	No
1,2-Dichlorobenzene (ug/L)	2023/01/10	<MDL 0.41	200.0	No	No
1,4-Dichlorobenzene (ug/L)	2023/01/10	<MDL 0.36	5.0	No	No
1,2-Dichloroethane (ug/L)	2023/01/10	<MDL 0.35	5.0	No	No
1,1-Dichloroethylene (ug/L)	2023/01/10	<MDL 0.33	14.0	No	No
Dichloromethane (Methylene Chloride) (ug/L)	2023/01/10	<MDL 0.35	50.0	No	No
2,4-Dichlorophenol (ug/L)	2023/01/10	<MDL 0.15	900.0	No	No
2,4-Dichlorophenoxy acetic acid (2,4-D) (ug/L)	2023/01/10	<MDL 0.19	100.0	No	No
Diclofop-methyl (ug/L)	2023/01/10	<MDL 0.4	9.0	No	No
Dimethoate (ug/L)	2023/01/10	<MDL 0.06	20.0	No	No

Drinking Water Systems Regulation O. Reg. 170/03

Diquat (ug/L)	2023/01/10	<MDL 1.0	70.0	No	No
Diuron (ug/L)	2023/01/10	<MDL 0.03	150.0	No	No
Glyphosate (ug/L)	2023/01/10	<MDL 1.0	280.0	No	No
Malathion (ug/L)	2023/01/10	<MDL 0.02	190.0	No	No
Metolachlor (ug/L)	2023/01/10	<MDL 0.01	50.0	No	No
Metribuzin (ug/L)	2023/01/10	<MDL 0.02	80.0	No	No
Monochlorobenzene (Chlorobenzene) (ug/L)	2023/01/10	<MDL 0.3	80.0	No	No
Paraquat (ug/L)	2023/01/10	<MDL 1.0	10.0	No	No
PCB (ug/L)	2023/01/10	<MDL 0.04	3.0	No	No
Pentachlorophenol (ug/L)	2023/01/10	<MDL 0.15	60.0	No	No
Phorate (ug/L)	2023/01/10	<MDL 0.01	2.0	No	No
Picloram (ug/L)	2023/01/10	<MDL 1.0	190.0	No	No
Prometryne (ug/L)	2023/01/10	<MDL 0.03	1.0	No	No
Simazine (ug/L)	2023/01/10	<MDL 0.01	10.0	No	No
Terbufos (ug/L)	2023/01/10	<MDL 0.01	1.0	No	No
Tetrachloroethylene (ug/L)	2023/01/10	<MDL 0.35	10.0	No	No
2,3,4,6-Tetrachlorophenol (ug/L)	2023/01/10	<MDL 0.2	100.0	No	No
Triallate (ug/L)	2023/01/10	<MDL 0.01	230.0	No	No
Trichloroethylene (ug/L)	2023/01/10	<MDL 0.44	5.0	No	No
2,4,6-Trichlorophenol (ug/L)	2023/01/10	<MDL 0.25	5.0	No	No
Trifluralin (ug/L)	2023/01/10	<MDL 0.02	45.0	No	No
Vinyl Chloride (ug/L)	2023/01/10	<MDL 0.17	1.0	No	No

List any Inorganic or Organic parameter(s) that exceeded half the standard prescribed in Schedule 2 of Ontario Drinking Water Quality Standards

Parameter	Result Value	Unit of Measure	Date of Sample
N/A	N/A	N/A	N/A

UWSS/06/24

To: UWSS Inc. Board of Directors
From: Rodney Bouchard, Union Water Manager
Date: February 15, 2024
Re: 2023 Summary Report for Municipalities under Regulation 170/03 made under the Safe Drinking Water Act



Aim:

To provide to the Board a Summary Report for Municipalities for 2023 as required under Schedule 22 of Regulation 170/03 made under the Safe Drinking Water Act 2002.

Background

Schedule 22 of O. Reg. 170/03 requires a water system owner to prepare a "Summary Report for Municipalities". This requirement is applicable only to large and small municipal residential water systems. The UWSS is classified as a large municipal residential water system since it provides drinking water to greater than 10,000 year round residents.

The Summary Report for the preceding year is to be prepared and issued by March 31st of the following year.

The Summary Report must be distributed by the owner of the water system. In particular it must be given to the council or board that owns the system. There are three (3) ownership cases described under the Schedule:

- If the water supply is owned by a municipality then all members of council are to receive the report.
- If owned by a municipal service board established under Section 195 of the Municipal Act, 2001 then all members of that board are to receive the report.
- If owned by a corporation then the board of directors is to receive the report.

Although not explicitly covered by any of the situations above, the UWSS Board is clearly the owner of the Union Water Supply System for the purposes of the regulation.

Also, where a water system provides potable water to another system under contract then the owner of the supplying system shall give, by March 31st, a copy of the Summary Report to the system being supplied. Since UWSS provides drinking water to the local municipal drinking water systems owned and operated by the Municipality of Lakeshore, Town of Essex, Town of Kingsville and Municipality of Leamington

February 15, 2024 - UWSS/06/24

Re: 2023 Summary Report under the SDWA and Ontario Reg. 170/03

The contents of the Summary Report for Municipalities must include the following:

1. A list of the requirements of the Safe Drinking Water Act and its Regulations that the water system failed to meet during the year covered including the duration of the failure.
2. A list of the requirements of the water system's Certificate of Approval, drinking water works permit or municipal drinking water license that the water system failed to meet during the year covered including the duration of the failure.
3. A list of any Orders that the water system failed to meet during the year covered including the duration of the failure.
4. For each of the above failures, a description of the measures taken to correct the failures.
5. A summary of the quantities and flow rates of the water supplied during the year covered "including monthly average and maximum daily flows and daily instantaneous peak flow rates." (Information is to enable the owner to assess the capability of the water system to meet existing and future uses.).
6. A statement that captures the comparison of the flow information above to the rated capacity and flow rates approved in the water supply's approval.

Discussion

The attached Summary Report fulfils the requirements of Schedule 22 listed above. It will also fulfil the requirements for the municipalities when it is presented to each municipal council for the municipal water supply system supplied with water by the Union Water Supply System if council so wishes.

The UWSS and its participating municipalities were in compliance with all requirements of Ontario Drinking Water legislation and regulations in 2023, except for the noted occurrences in the Summary Report.

Recommendation

That the Board receive the Summary Report for 2023 which fulfils the requirements of Schedule 22 of Ontario Regulation 170/03; and

That the Summary Report has been forwarded to the four (4) participating municipalities namely the Town of Kingsville, Town of Essex, Municipality of Lakeshore, and the Municipality of Leamington.

Respectfully submitted,



Rodney Bouchard, CEO
Union Water Supply System Inc.

kmj



UNION WATER SUPPLY SYSTEM SUMMARY REPORT 2023

Made under Schedule 22 of Ontario Regulation 170/03, a regulation made under the Safe Drinking Water Act, 2002

EXPLANATION

Schedule 22 of Ontario Regulation 170/03, a regulation made under the Safe Drinking Water Act, 2002 requires that a large municipal residential drinking-water system that is owned by a municipality, municipal board or municipal corporation must provide to its councillors or board members a Summary Report on various aspects of the system before March 31st of the following year. The Union Water Supply System is classed as a large municipal residential drinking-water system and is therefore subject to Schedule 22.

THE SUMMARY REPORT MUST CONTAIN THE FOLLOWING:

- Requirements of the Safe Drinking Water Act, 2002 that the system failed to meet during 2023
- Any requirements of the regulations made under the Safe Drinking Water Act, 2002 that the system failed to meet in 2023
- Any condition of the drinking-water system's drinking water works permit or municipal drinking water license that the system failed to meet during 2023
- Any order that the system failed to meet in 2023, the duration of any such failure and any measures that were taken to correct such failure.
- A summary of the quantities and flow rates of water supplied by the drinking-water system by monthly average and maximum daily flow rates and instantaneous peak flow rates.
- A comparison of actual flow rates with rated capacity and flow rates in the systems approval

A drinking-water system that supplies water to another drinking water system must provide a copy of the Summary Report to that system's owner by March 31st of the year following the year covered in the Summary Report.

The sections below detail the occasions on which the Union Water Supply System (UWSS) and the connected municipal water systems failed to meet the requirements of the Safe Drinking Water Act 2002, associated regulations, system approvals and provincial officer orders in 2023.

UNION WATER SUPPLY SYSTEM (UWSS)

The following provides details of occurrences where the UWSS was not in compliance with the requirements of the Safe Drinking Water Act 2002, associated regulations, system approvals and provincial officer orders.

Non-Compliance Item:

There was one (1) instance of non-compliances or Adverse Water Quality Incidents (AWQIs) identified for the portion of the Union Water Supply System:

- Low pressure event in the distribution system, caused by storm event. Outage caused loss of communications and the Kingsville Water Tower eventually emptied. Event took place on August 24, 2023 between 3:30 am and 4:30 am. Pressure dropped below 20 psi for 66 minutes. A precautionary boil water advisory was put into place on the morning of August 24th, 2024 for water users within the Kingsville Water tower service area. This was conducted in consultation with the Windsor Essex County Health Unit (WECHU). OCWA operations staff collected samples from the distribution system in the affected area and submitted the samples to an accredited laboratory for bacteriological testing. Laboratory results for these samples were returned late afternoon of August 25th, 2023 with negative results for Total Coliforms and E. coli. Based on these results, WECHU agreed to lift the boil water advisory for the affected area.

LEAMINGTON WATER DISTRIBUTION SYSTEM

Non-Compliance Item:

There were no non-compliances or Adverse Water Quality Incidents (AWQIs) identified for the portion of the Leamington Distribution System that is supplied by the Union Water Supply System.

KINGSVILLE WATER DISTRIBUTION SYSTEM

Non-Compliance Item:

There were no non-compliances or Adverse Water Quality Incidents (AWQIs) identified for the portion of the Kingsville Distribution System that is supplied by the Union Water Supply System.

ESSEX WATER DISTRIBUTION SYSTEM

Non-Compliance Item:

There were no non-compliances or Adverse Water Quality Incidents (AWQIs) identified for the portion of the Essex Distribution System that is supplied by the Union Water Supply System.

LAKESHORE WATER DISTRIBUTION SYSTEM

Non-Compliance Item:

There were no non-compliances or Adverse Water Quality Incidents (AWQIs) identified for the portion of the Lakeshore Distribution System that is supplied by the Union Water Supply System.

SUMMARY OF THE QUANTITIES

The following sections provide information in regard to the Union Water Supply System's Permit to Take Water, issued under Ontario Regulation 387/04 and Drinking Water License issued under the Safe Drinking Water Act, 2002. Information includes the following:

- Flow Rates of Water
- Monthly Average
- Maximum Daily Flows
- Daily Instantaneous Peak Flow Rates

PERMIT TO TAKE WATER

The Union Water Supply System operated under Permit to Take Water (PTTW) Number 0816-9T9SVT, which expires January 31st, 2025. The PTTW has the following flow conditions:

- Maximum Allowable Amount Taken per Minute (Litres/Min) 113,650
- Maximum Allowable Amount Taken Per Day (Litres/Day) 163,656,000

The maximum amounts of raw water taken during 2023 (see Table 1 below) are as follows:

- Maximum Amount Taken per Minute in 2023 (Litres/Min) 88,844
- Maximum Amount Taken Per Day in 2023 (Litres/Day) 115,662,000

The system did not exceed the PTTW limits in 2023.

DRINKING WATER LICENCE

The UWSS operates under Municipal Drinking Water Licence 041-101; issue Number 7 which has been issued for the period July 18, 2021 to July 17, 2024. The Certificate of Approval and licence had the following condition:

- The drinking water system shall not be operated to exceed 124,588 m³/d (27.4 MIGD) on any calendar day, conveyed from the treatment system to the distribution system.
- The maximum daily volume of water pumped into the distribution system was 108,676m³ (23.91 MIGD).

Tables 1A through 3B below provide the monthly average, maximum and peak flows for raw and treated water for the Union Water Supply System.

TABLE 1A						
2023 RAW WATER TAKING FROM LAKE ERIE IN METRIC UNITS						
	Maximum Allowed Flow Rate (m3/Day)	Average Flow (m3/Day)	Maximum Flow (m3/Day)	Maximum Flow (Litres/Day)	Maximum Allowed Flow Rate (Litres/Minute)	Peak Flow (Litres/Minute)
January	163,656	42,504.48	49,749.00	49,749,000	113,650	41,084
February	163,656	47,846.75	58,115.00	58,115,000	113,650	48,234
March	163,656	61,248.29	75,668.00	75,668,000	113,650	59,645
April	163,656	61,651.73	80,244.00	80,244,000	113,650	68,845
May	163,656	77,170.74	106,759.00	106,759,000	113,650	88,844
June	163,656	83,022.30	115,662.00	115,662,000	113,650	88,708
July	163,656	76,728.81	97,729.00	97,729,000	113,650	80,424
August	163,656	72,192.10	95,129.00	95,129,000	113,650	85,586
September	163,656	73,200.67	88,528.00	88,528,000	113,650	79,145
October	163,656	60,178.81	78,684.00	78,684,000	113,650	68,621
November	163,656	52,407.83	65,680.00	65,680,000	113,650	62,677
December	163,656	38,499.94	45,625.00	45,625,000	113,650	54,314

TABLE 1B						
2023 RAW WATER TAKING FROM LAKE ERIE IN IMPERIAL UNITS						
	Maximum Allowed Flow Rate (MGD)	Average Flow (MGD)	Maximum Flow (MGD)	Maximum Allowed Flow Rate (Gallons/Minute)	Peak Flow (Gallons/Minute)	
January	36.00	9.35	10.94	25,000	9,037	
February	36.00	10.52	12.78	25,000	10,610	
March	36.00	13.47	16.64	25,000	13,120	
April	36.00	13.56	17.65	25,000	15,144	
May	36.00	16.98	23.48	25,000	19,543	
June	36.00	18.26	25.44	25,000	19,513	
July	36.00	16.88	21.50	25,000	17,691	
August	36.00	15.88	20.93	25,000	18,826	
September	36.00	16.10	19.47	25,000	17,410	
October	36.00	13.24	17.31	25,000	15,095	
November	36.00	11.53	14.45	25,000	13,787	
December	36.00	8.47	10.04	25,000	11,947	

TABLE 2A

2023 TREATED WATER FLOW INTO DISTRIBUTION SYSTEM IN METRIC UNITS

		Maximum Allowed Flow Rate (m3/Day)	Average Daily Flow (m3/Day)	Maximum Daily Flow (m3/Day)	Peak Instantaneous Flow (Litres/Second)	
	January	124,588	39,183	47,039	907	
	February	124,588	44,216	50,368	1,217	
	March	124,588	50,777	60,295	1,332	
	April	124,588	58,633	77,233	1,506	
	May	124,588	74,985	105,072	1,768	
	June	124,588	80,101	108,676	1,748	
	July	124,588	71,461	88,099	1,900	
	August	124,588	66,820	87,607	1,726	
	September	124,588	67,972	82,557	1,563	
	October	124,588	55,406	71,008	1,368	
	November	124,588	43,440	52,313	1,047	
	December	124,588	38,525	46,015	979	

TABLE 2B

2023 TREATED WATER FLOW INTO DISTRIBUTION SYSTEM IN IMPERIAL UNITS

		Maximum Allowed Flow Rate (MGD)	Average Daily Flow (MGD)	Maximum Daily Flow (MGD)	Peak Instantaneous Flow (Gallons/Second)	
	January	27.4	8.62	10.35	199	
	February	27.4	9.73	11.08	268	
	March	27.4	11.17	13.26	293	
	April	27.4	12.90	16.99	331	
	May	27.4	16.50	23.12	389	
	June	27.4	17.62	23.91	384	
	July	27.4	15.72	19.38	418	
	August	27.4	14.70	19.27	380	
	September	27.4	14.95	18.16	344	
	October	27.4	12.19	15.62	301	
	November	27.4	9.56	11.51	230	
	December	27.4	8.48	10.12	215	

TABLE 3A								
2023 TREATED FLOW TO LOCAL MUNICIPALITIES IN METRIC UNITS								
	<u>Leamington</u>		<u>Kingsville</u>		<u>Essex</u>		<u>Lakeshore</u>	
	Monthly Total (m3)	Average Day (m3/day)	Monthly Total (m3)	Average Day (m3/day)	Monthly Total (m3)	Average Day (m3/day)	Monthly Total (m3)	Average Day (m3/day)
January	690,894	22,287	430,377	13,883	73,940	2,385	54,962	1,773
February	699,975	24,137	444,613	15,331	62,313	2,149	47,837	1,650
March	870,883	28,093	574,918	18,546	88,356	2,850	52,618	1,697
April	911,393	30,380	620,896	20,697	84,347	2,812	49,584	1,653
May	1,343,652	43,344	862,049	27,808	114,547	3,695	72,992	2,355
June	1,397,026	46,568	855,690	28,523	103,126	3,438	77,452	2,582
July	1,319,391	42,561	764,680	24,667	80,570	2,599	65,369	2,109
August	1,228,808	39,639	729,012	23,517	75,038	2,421	61,883	1,996
September	1,138,387	37,946	723,264	24,109	68,797	2,293	59,305	1,977
October	1,058,497	34,145	613,341	19,785	73,230	2,362	60,326	1,946
November	793,903	26,463	403,918	13,464	61,713	2,057	54,111	1,804
December	707,304	22,816	386,549	12,469	66,340	2,140	57,682	1,861
Total	12,160,113	33,198	7,409,307	20,233	952,317	2,600	714,121	1,950

TABLE 3B								
2023 TREATED FLOW TO LOCAL MUNICIPALITIES IN IMPERIAL UNITS								
	<u>Leamington</u>		<u>Kingsville</u>		<u>Essex</u>		<u>Lakeshore</u>	
	Monthly Total (Imperial Gallons)	Average Day (MGD)	Monthly Total (Imperial Gallons)	Average Day (MGD)	Monthly Total (Imperial Gallons)	Average Day (MGD)	Monthly Total (Imperial Gallons)	Average Day (MGD)
January	151,975,434	4.90	94,669,705	3.05	16,264,526	0.52	12,089,950	0.39
February	153,972,975	5.31	97,801,187	3.37	13,706,944	0.47	10,522,669	0.36
March	191,567,479	6.18	126,464,280	4.08	19,435,603	0.63	11,574,342	0.37
April	200,478,433	6.68	136,578,026	4.55	18,553,746	0.62	10,906,955	0.36
May	295,562,120	9.53	189,624,271	6.12	25,196,817	0.81	16,055,995	0.52
June	307,302,759	10.24	188,225,486	6.27	22,684,549	0.76	17,037,058	0.57
July	290,225,446	9.36	168,206,085	5.43	17,722,922	0.57	14,379,170	0.46
August	270,299,972	8.72	160,360,222	5.17	16,506,052	0.53	13,612,357	0.44
September	250,410,133	8.35	159,095,838	5.30	15,133,224	0.50	13,045,276	0.43
October	232,836,789	7.51	134,916,159	4.35	16,108,348	0.52	13,269,865	0.43
November	174,634,246	5.82	88,849,539	2.96	13,574,962	0.45	11,902,756	0.40
December	155,585,129	5.02	85,028,893	2.74	14,592,760	0.47	12,688,266	0.41
Total	2,674,850,916	7.30	1,629,819,691	4.45	209,480,455	0.57	157,084,660	0.43

To: UWSS Inc. Board of Directors
From: Rodney Bouchard, UWSS Inc. CEO
Date: February 16, 2024
Re: Terms of Reference for Finance & Audit Committee
and Governance Committee



Recommendation:

It is recommended that the Union Water Supply System Inc. (UWSS Inc.) Board of Directors adopt the following:

- Terms of Reference for the UWSS Inc. Finance & Audit Committee.
- Terms of Reference for the UWSS Inc. Governance Committee

Background:

At the January 17, 2024 regular meeting of the UWSS Inc. Board of the Directors (Board), UWSS Inc. Management was directed by the Board to work with retained UWSS Inc. counsel to develop Terms of Reference for establishing a UWSS Inc. Audit & Finance Committee.

Discussion:

UWSS Inc. Management and retained legal counsel have developed Terms of Reference documents for establishing both a Finance & Audit Committee and a Governance Committee that would support the UWSS Inc. Board of Directors. Although not directed by the Board to do so, UWSS Inc. Management feels that a Governance Committee is needed to ensure good governance practices by the Board.

The purpose of each of committee is as follows:

UWSS Inc. Governance Committee:

The Governance Committee is responsible to provide a focus on governance that will enhance the corporate performance of the Corporation and to assess and make recommendations regarding the effectiveness of the Board and its committees. Responsibilities of the Committee include but are not limited to the following:

- Review, approve or make recommendations to the Board in respect of guidelines, policies, procedures and practices relating to matters of corporate governance.
- Monitor developments and best practices relating to corporate governance and periodically review the Corporation's governance practices with a view to maintaining high standards of corporate governance.

Re: UWSS/07/24 - Terms of Reference for Finance & Audit Committee
and Governance Committee

- Receive reports from management and provide oversight with respect to risk management in corporate governance areas.

UWSS Inc. Finance & Audit Committee:

The purpose of the Finance and Audit Committee is to assist the Board in fulfilling its obligations and oversight responsibilities relating to financial planning, the audit process, financial reporting, the system of corporate controls and risk management, and when required, to make recommendations to the full Board for approval. Responsibilities of the Committee include but are not limited to the following:

- Oversee the Corporation's accounting and financial reporting processes.
- Review of the Corporation's financial statements.
- Monitor the Corporation's compliance with legal and regulatory requirements.
- Assess the external auditor's qualifications and independence and monitor the performance of the Corporation's internal audit function and external auditors without assuming responsibility for management's day-to-day duties.

The proposed Terms of Reference documents for UWSS Inc. Finance and Audit Committee and UWSS Inc. Governance Committee are attached to this report.

Comment

Establishing a Governance Committee and a Finance & Audit Committee of the UWSS Inc. Board of Directors will ensure proper operational and fiscal governance for UWSS Inc.

Respectfully submitted,



Rodney Bouchard, CEO
Union Water Supply System Inc.

/kmj

TERMS OF REFERENCE FOR THE FINANCE AND AUDIT COMMITTEE

I. CONSTITUTION

There shall be a committee, to be known as the Finance and Audit Committee (the “**Committee**”), of the Board of Directors (the “**Board**”) of Union Water Supply System Inc. (the “**Corporation**”).

II. PURPOSE

These Terms of Reference set out the Committee's purpose, composition, member qualification, member appointment and removal, responsibilities, operations, manner of reporting to the Board, annual evaluation, and compliance with these Terms of Reference.

The purpose of the Committee is to assist the Board with oversight of:

- A. the Corporation’s accounting and financial reporting processes;
- B. the integrity of the Corporation’s financial statements;
- C. the Corporation’s compliance with legal and regulatory requirements;
- D. the external auditor’s qualifications and independence; and
- E. the performance of the Corporation’s internal audit function and external auditors;

without assuming responsibility for management’s day-to-day duties.

III. MEMBERSHIP

The Committee will consist of at least 5 members, all of whom shall be financially literate, at least one Member shall be an independent director of the Corporation as defined in Paragraph 4.2(d) of General By-law No. 1 and at least one Member shall have “accounting or related financial management expertise,” as interpreted by the Board in its business judgment. Notwithstanding the foregoing, Members may be officers of the Corporation. The CEO shall be a member of the Committee but cannot serve as the Chair of the Committee.

With the exception of the CEO, the Members and the Chair will be appointed annually (and from time to time thereafter to fill vacancies on the Committee) by the Board.

A Member may be removed or replaced at any time at the discretion of the Board.

IV. MEETINGS

The Committee shall convene at such times and places designated by its Chair or whenever a meeting is requested by a Member, the Board or an officer of the Corporation or by the external auditors.

A minimum of twenty-four (24) hours’ notice of each meeting shall be given to each Member. A quorum at a meeting shall consist of at least a majority of the members.

Where proper notice has been given or waived, Members may participate in a meeting of the Committee by means of such telephonic, electronic or other communication facilities as permit all

persons participating in the meeting to communicate adequately with each other, and a Member participating in such a meeting by any such means is deemed to be present at that meeting.

In the absence of the Chair, the Members may choose one (1) of the Members to be the Chair of the meeting. Minutes shall be kept of all meetings of the Committee.

Members are expected to adequately prepare for, attend and participate at Committee meetings, become familiar with deliberations and decisions after any missed meetings. Members should at all times discharge their responsibilities with the highest standards of ethical conduct and in conformity with applicable laws and regulations and the Corporation's values of safety, integrity, respect, inclusion and high performance.

V. DUTIES AND RESPONSIBILITIES OF THE CHAIR

The Chair is responsible for:

- A. providing leadership to the Committee, assisting the Committee in reviewing and monitoring its responsibilities and reporting to the Board on the recommendations and decisions of the Committee;
- B. ensuring Committee meetings are duly convened and that a quorum is present when required;
- C. working with management on the development of agendas and related materials for the Committee meetings and ensuring the Committee has sufficient information to permit it to properly make decisions when decisions are required;
- D. ensuring Committee meetings are conducted in an efficient, effective and focused manner;
- E. advising the Committee of any finance, accounting or misappropriation matters brought to the Chair's attention; and

VI. DUTIES AND RESPONSIBILITIES OF THE COMMITTEE

The Committee shall rely on:

- A. management for the preparation and accuracy of the Corporation's financial statements and for establishing effective internal controls and procedures to ensure the Corporation's compliance with accounting standards, financial reporting procedures and applicable laws and regulations; and
- B. the Corporation's external auditors for an unbiased, diligence audit or review, as applicable, of the Corporation's financial statements and the effectiveness of the Corporation's internal controls.

The Corporation shall provide appropriate and reasonable funding, as determined by the Committee, for the payment of:

- A. compensation to the external auditors and any other public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation;
- B. compensation of any advisers employed by the Committee; and

-
- C. ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

The Committee shall, as permitted by and in accordance with the requirements of the Corporation's articles, by-laws and applicable laws, have the following specific duties and responsibilities:

A. External auditors

- (i) be directly responsible for the oversight of the external auditors (including the resolution of disagreements between management and the external auditors regarding financial reporting), who shall report directly to the Committee, provided that the appointment of the auditors shall be subject to Board and shareholder approval;
- (ii) review and recommend to the Board for approval the external auditor's engagement letter, annual audit plan, fee schedule, and any related service proposals (including meeting with the external auditors to discuss any deviations from or changes to the original audit plan, as well as to ensure that no management restrictions have been placed on the scope and extent of the audit examinations by the external auditors or the reporting of their findings to the Committee); and
- (iii) discuss with management and the external auditors any correspondence from or with regulators or governmental agencies and published reports that raise material issues regarding the Corporation's financial statements or accounting policies, and report to the Board in respect of the foregoing.

B. Audits and Financial Reporting

- (i) review with management and the external auditors and obtain from the external auditors an annual report relating to the annual audited and quarterly unaudited financial statements, including (i) material written communications between the auditors and management, such as any "management" letter or schedule of unadjusted differences; (ii) the appropriateness and quality of the Corporation's accounting policies, reserves, key estimates, and judgments (including changes or variations thereto) and (iii) obtaining reasonable assurance that the financial statements are presented fairly in accordance with applicable accounting standards;
- (ii) meet with management and the external auditors to discuss, as appropriate, (i) major issues regarding accounting principles and financial statement presentations, including any significant changes in the Corporation's selection or application of accounting principles; (ii) major issues as to the adequacy of the Corporation's internal controls and any special audit steps adopted in light of significant deficiencies or material weaknesses; (iii) analyses prepared by management and/or the external auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements; and (iv) the effect of regulatory and accounting issues, as well as off-balance sheet structures, on the financial statements;

- (iii) meet with management and the external auditors to discuss the scope of the annual audit;
- (iv) review with management, and the external auditors the Corporation's annual financial statements, any report or opinion of the external auditors to be rendered in connection therewith, and recommend to the Board whether to approve the Corporation's annual financial statements;
- (v) periodically, meet separately with management, and the external auditors to review issues and matters of concern respecting audits and financial reporting processes;

C. Financial Reporting Processes, Internal Controls and Internal Audit

- (i) review and monitor the processes in place to identify and manage the principal risks that could impact the financial reporting of the Corporation and assessing, as part of its internal controls responsibility, ensuring the effectiveness of the overall process for identifying principal business risks;
- (ii) oversee the adequacy of the Corporation's system of internal accounting controls including controls and security of the computerized information systems, and evaluate whether the Corporation is operating in accordance with prescribed policies, procedures;
- (iii) review at least annually the Corporation's internal controls.

D. Legal and Regulatory Compliance

- (i) review periodically with external counsel the Corporation's compliance with laws and regulations having a material impact on the financial statements including: (i) tax and financial reporting laws and regulations; (ii) legal withholding requirements; (iii) environmental protection laws and regulations; and (iv) other laws and regulations which expose directors to liability;
- (ii) review incidents or alleged incidents of fraud, illegal acts or conflicts of interest;
- (iii) establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters;

E. Other Duties

- (i) report to the Board after each Committee meeting, and otherwise as required during the year, with respect to the Committee's activities and recommendations and any issues that arise with respect to the quality or integrity of the Corporation's financial statements, the Corporation's compliance with legal or regulatory requirements, the performance and independence of the external auditors, or the performance of the Corporation's internal audit function;
- (ii) conduct an annual performance evaluation of the Committee;

-
- (iii) as deemed necessary by the Committee, meet separately with senior management, and the external auditors and, as is appropriate, external legal counsel and independent advisors in respect of issues not elsewhere listed concerning any other audit and finance matters;
 - (iv) review and approve or ratify all related party transactions of the Corporation that are required to be disclosed in accordance with the policies of the Corporation in effect from time to time;
 - (v) address any other matter properly referred to the Committee by the Chair of the Board, the Board, a Director, the external auditors, the CEO, or the management of the Corporation or any other matter as may be required by law;

VII. REVIEW OF TERMS OF REFERENCE

On an annual basis the Committee and/or the Corporation's external legal counsel shall review and assess the adequacy of these Terms of Reference taking into account all applicable legislative and regulatory requirements as well as any best practice guidelines and, if appropriate, recommend changes to these Terms of Reference to the Board for its approval.

TERMS OF REFERENCE FOR THE GOVERNANCE COMMITTEE

I. CONSTITUTION

There shall be a committee, to be known as the Governance Committee (the “Committee”), of the Board of Directors (the “Board”) of Union Water Supply System Inc. (the “Corporation”).

II. MEMBERSHIP

The Board shall elect from its members, not less than three (3) Directors to serve on the Committee (the “Members”). Members of the Committee shall meet applicable requirements and guidelines for corporate governance committee service. Determinations as to whether a Director satisfies the requirements for membership on the Committee shall be made by the Board. Any Member may be removed or replaced at any time by the Board and shall cease to be a member upon ceasing to be a Director of the Corporation. Each Member shall hold office until the Member ceases to be a Director, resigns or is replaced, whichever first occurs.

III. MEETINGS

The Committee shall convene at such times and places designated by its Chair or whenever a meeting is requested by a Member, the Board or an officer of the Corporation.

A minimum of twenty-four (24) hours’ notice of each meeting shall be given to each Member. A quorum at a meeting shall consist of at least a majority of the Members.

Where proper notice has been given or waived, Members may participate in a meeting of the Committee by means of such telephonic, electronic or other communication facilities as permit all persons participating in the meeting to communicate adequately with each other, and a Member participating in such a meeting by any such means is deemed to be present at that meeting.

In the absence of the Chair, the Members may choose one (1) of the Members to be the Chair of the meeting. Minutes shall be kept of all meetings of the Committee.

Members are expected to adequately prepare for, attend and participate at Committee meetings, become familiar with deliberations and decisions after any missed meetings. Members should at all times discharge their responsibilities with the highest standards of ethical conduct and in conformity with applicable laws and regulations and the Corporation’s values of safety, integrity, respect, inclusion and high performance.

IV. PURPOSE

The purpose of the Committee is to provide a focus on governance that will enhance the corporate performance of the Corporation to assess and make recommendations regarding the effectiveness of the Board and its committees.

V. DUTIES AND RESPONSIBILITIES OF THE CHAIR

The Chair is responsible for:

- A. providing leadership to the Committee, assisting the Committee in reviewing and monitoring its responsibilities and reporting to the Board on the recommendations and decisions of the Committee;
- B. designating the times and places of Committee meetings, ensuring Committee meetings are duly convened and that a quorum is present when required;

-
- C. working with management on the development of agendas and related materials for the Committee meetings and ensuring the Committee has sufficient information to permit it to properly make decisions when decisions are required;
 - D. ensuring Committee meetings are conducted in an efficient, effective and focused manner;

VI. DUTIES AND RESPONSIBILITIES OF THE COMMITTEE

The Committee shall, as permitted by and in accordance with the requirements of the Corporation's articles, by-laws, and applicable law:

- A. review, approve or make recommendations to the Board in respect of guidelines, policies, procedures and practices relating to matters of corporate governance, including, but not limited to:
 - i) general corporate governance principles and guidelines for the Corporation;
 - ii) the identification and review with the Board of the appropriate competencies, skills and characteristics required of the Board committees;
 - iii) questions of possible conflict of interest which are properly directed to the Committee;
 - iv) compensation of Directors for their duties or activities, including a periodic review of the Board of Directors Compensation and Expense Reimbursement Policy;
 - v) the division of duties between and among Directors, the Chair of the Board, CEO and management, and review of the Corporation's structure and procedures to ensure that the Board is able to and in fact is, functioning independently of management.
- B. monitor developments and best practices relating to corporate governance and periodically review the Corporation's governance practices with a view to maintaining high standards of corporate governance;
- C. receive reports from management and provide oversight with respect to risk management in corporate governance areas;
- D. after consultation with the Chair of the Board, identify, evaluate, and if appropriate, recommend:
 - i) for approval by the Board, the appropriate committees to be established, including the mandate, duties, responsibilities and terms of reference of each committee, and those Directors recommended for election to serve on each committee, including the chair of each committee;
 - ii) orientation and development programs and materials for Board committee members;
- E. periodically review management's reports with respect to compliance by the Corporation, with corporate governance policies and with respect to applicable legislative and regulatory matters of corporate governance;
- F. meet separately with senior management, or independent advisors in respect of governance matters; and
- G. consider any other matter properly referred to the Committee by the Chair of the Board, the Board, a Director, the CEO or a CEO direct report of the Corporation for review, recommendation or decision.

VII. REVIEW OF TERMS OF REFERENCE

Periodically, the Committee and/or the Corporation's external legal counsel shall review and assess the adequacy of these Terms of Reference taking into account all applicable legislative and regulatory requirements as well as any best practice guidelines and, if appropriate, recommend changes to these Terms of Reference to the Board for its approval.

VIII. PERFORMANCE EVALUATION

The Committee shall establish procedures and exercise oversight of the evaluation of the Board to assess the effectiveness and performance of the Board, its Committees, the Board Chair and individual Directors. The Committee shall prepare and review with the Board an annual performance evaluation process for the Board as a whole, the Chair of the Board, individual Directors and each committee of the Board, including the Committee, which evaluation shall compare the performance of each committee with the requirements of the applicable terms of reference for each committee. The performance evaluations shall be conducted in such manner as the Committee deems appropriate. The report to the Board may take the form of an oral or written report by the Chair or any other member of the Committee designated by the Committee to make this report.

UW/08/24

To: Union Water Supply System Inc.
Board of Directors

From: Rodney Bouchard, CEO

Date: February 16, 2024

Re: Ontario Regulation 453-07 Financial Plan Update for Union Water Supply System



Recommendation

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

And further, The Union Water Supply System Water Financial Plan prepared by Watson & Associates Economists Ltd. dated February 16, 2024 be endorsed by the Board.

And further, that Notice of availability of the Financial Plan be advertised.

And further, that the Financial Plan and the Board Resolution approving the Financial Plan be submitted to the Ministry of Municipal Affairs and Housing. (O.Reg. 453/07, Section 3 (1) 6);

And further, that the Financial Plan and the Board Resolution approving the Financial Plan be submitted to the Ministry of Environment, Conservation and Parks, thus satisfying the requirements under the Safe Drinking Water Act. (SDWA Section 32 (5) 2 ii))

Report Highlights

- The UWSS submitted an application to the Ministry of Environment, Conservation and Parks (MECP) on January 17th, 2024 for renewal of its Municipal Drinking Water License.
- The Drinking Water Licensing program requires that the Drinking Water Financial Plan, under Ontario Regulation 453/07, (Water Financial Plan) be updated as part of a drinking water license renewal.
- UWSS Inc. retained Watson & Associates Economists, Ltd to update the UWSS O.Reg. 453/07 Financial Plan.
- A draft version of the UWSS Water Financial Plan was presented and provided for review to the UWSS Inc. Board of Directors at the December 20th, 2023 Board of Directors meeting.
- The UWSS Water Financial Plan update requires UWSS Board endorsement before it can be submitted to the MECP and Ministry of Municipal Affairs and Housing (MMAH);
- The UWSS Board endorsed O.Reg 453/07 Financial Plan needs to be made available to the public free of charge. The public notice of the availability of the UWSS Financial Plan will be advertised.

Re: UWSS/08/24 - Ontario Regulation 453-07 Financial Plan Update for Union Water Supply System

At the December 20th, 2023 meeting of the UWSS Board, UWSS Inc. management informed the Board that the UWSS had received notification on July 19th, 2023 from the Ministry of Environment Conservation and Parks (MECP) indicating that the Municipal Drinking Water License (Licence Number: 041-101 under the *Safe Drinking Water Act, 2002*) for the UWSS needed to be renewed in 2024 and that the renewal application deadline was January 17, 2024.

The Board was also informed that as part of the Drinking Water License renewal process, the UWSS was also required to prepare an update to its existing Ontario Regulation 453/07 Water Financial Plan dated January 17, 2019.

Further, UWSS Inc. management informed the Board that Watson & Associates Economists Ltd (Watson & Associates) had been retained to prepare an update to the UWSS' O.Reg 453/07 Financial Plan based. A copy of the Draft *Water Ontario Regulation 453/06 Financial Plan, Financial Plan #041-301, Union Water Supply System, December 20, 2023* by Watson & Associates was provided to the Board for review.

Regulatory Requirements

In order to obtain a Municipal Drinking Water License (MDWL), a municipal drinking water system must satisfy five key requirements as per section 44(1) of the *Safe Drinking Water Act, 2002*:

1. Obtain a drinking water works permit
2. Acceptance of the operational plan for the system based on the Drinking Water Quality Management Standard.
3. Accreditation of the Operating Authority.
4. Prepare and provide a financial plan.
5. Obtain permit to take water.

The UWSS has met the above criteria for licensing. For Municipal Drinking Water License renewals, the application must be accompanied by proof that the financial plan meets the prescribed requirements as per the Act s. 32(5)2.ii. The preparation of a financial plan is a key requirement for licensing and as such, must be undertaken by all municipal water providers.

Ontario Regulation (O.Reg.) 453/07 provides details with regards to the financial plans for existing water system. The requirements for existing systems are summarized as follows:

- Financial plans must be approved by resolution of Council or governing body. In the case of UWSS, the UWSS Board is the governing body;

Re: UWSS/08/24 - Ontario Regulation 453-07 Financial Plan Update for Union Water Supply System

- Financial plans must include a statement that the financial impacts have been considered and apply for a minimum six-year period commencing in the year of licence expiry;
- Financial plans must include detail regarding the “Statement of Operations” components as per the Public Sector Accounting Board (P.S.A.B) including proposed or projected financial operations itemized by total revenues, total expenses, annual surplus/deficit and accumulated surplus/deficit for each year in which the financial plans apply;
- Financial plans must include components of the “Statement of Financial Position” as per P.S.A.B itemized by total financial assets, total liabilities, net debt, non-financial assets, and tangible capital assets;
- Financial Plans must include the components of “Statement of Cash Flow” as per P.S.A.B such as gross cash receipts/payments itemized by operating transactions, capital transactions, investing transactions and financial transactions for each year in which the financial plans apply;
- Financial plans applicable to two or more solely-owned drinking water systems can be prepared as if they are for one drinking water system;
- Financial plans are to be made available to the public upon request and at no charge; posting on a website is required if a website exists;
- Notice of the availability of the financial plans is to be given to the public; and
- Financial plan is to be submitted to the Ministry of Municipal Affairs and Housing.

Discussion:

The application for renewal of UWSS’ Municipal Drinking Water License (Licence Number: 041-101) was submitted to the Ontario Ministry of Environment, Compliance and Parks (MECP) Approvals and Licensing Branch on January 17, 2024. Discussion with MECP representatives indicated that the O.Reg 453/07 Financial Plan update was not required to be submitted with the application; the Financial Plan could be submitted separately once the Plan was endorsed by the UWSS Board

The draft UWSS Water Financial Plan dated December 20th, 2023 has been revised by Watson & Associates to include financial information from the UWSS Inc. 2024 budget that was approved by the Board at the January 17, 2024 UWSS Inc. Board meeting.

A copy of the *Water Ontario Regulation 453/06 Financial Plan, Financial Plan #041-301, Union Water Supply System, February 16, 2024* by Watson & Associates is attached to this report.

Re: UWSS/08/24 - Ontario Regulation 453-07 Financial Plan Update for Union Water Supply System

Once endorsed by the UWSS Inc. Board, the UWSS Water Financial Plan update will be submitted to MMAH and MECP. The Financial Plan update will also be made publicly available, free of charge, for viewing and download on the Union Water Supply System website at www.unionwater.ca. The availability of the report will be advertised on UWSS website, Facebook page, and in local news outlets. The report will also be provided to our shareholder municipalities.

It is important to note that the UWSS Board has every right to change the water rate structure and associated water rates as needed to meet its financial obligations. These changes to water rates and rate structure do not require an amendment to the Financial Plan. The updated Financial Plan will be updated in the next 5-year cycle as per regulatory requirements.

Conclusion

Watson & Associates Financial Plan report dated February 16, 2024 presents the water financial plan for Union Water Supply System in accordance with the mandatory reporting formats for water system as detailed in O.Reg. 453/07. UWSS Inc. management recommends endorsement of the UWSS Water Financial Plan by the UWSS Inc. Board of Directors.

Respectfully submitted,



Rodney Bouchard, CEO
Union Water Supply System Inc.

/kmj



 **Watson
& Associates**
ECONOMISTS LTD.

Water Ontario Regulation 453/07 Financial Plan

Union Water Supply System

Financial Plan # 041-301

February 16, 2024

Watson & Associates Economists Ltd.
905-272-3600
info@watsonecon.ca

Table of Contents

	Page
1. Introduction.....	1-1
1.1 Study Purpose	1-1
1.2 Background.....	1-1
1.2.1 Financial Plan Defined	1-2
1.2.2 Financial Plan Requirements – Existing System.....	1-2
1.2.3 Financial Plan Requirements – General	1-3
1.2.4 Public Sector Accounting Board (P.S.A.B.) Requirements	1-4
1.2.5 U.W.S.S.’s Financial Plan	1-4
2. Sustainable Financial Planning.....	2-1
2.1 Introduction	2-1
2.2 Sustainable Water and Sewage Systems Act.....	2-2
2.3 Water Opportunities Act, 2010.....	2-2
2.4 Infrastructure for Jobs and Prosperity Act (I.J.P.A.), 2015	2-3
2.5 Water Forecast	2-4
3. Approach.....	3-1
3.1 Overview.....	3-1
3.2 Conversion Process.....	3-1
3.2.1 Calculate Tangible Capital Asset Balances	3-1
3.2.2 Convert Statement of Operations.....	3-2
3.2.3 Convert Statement of Financial Position	3-5
3.2.4 Convert Statement of Cash Flow and Net Financial Assets/Debt.....	3-5
3.2.5 Verification and Note Preparation	3-7
4. Financial Plan	4-1
4.1 Introduction	4-1
4.2 Water Financial Plan.....	4-1
4.2.1 Statement of Financial Position (Table 4-1)	4-1
4.2.2 Statement of Operations (Table 4-2).....	4-2



Table of Contents (Cont'd)

	Page
4.2.3 Statement of Change in Net Financial Assets/Debt (Table 4-3)	4-3
4.2.4 Statement of Cash Flow (Table 4-4)	4-3
5. Process for Financial Plan Approval and Submission to the Province	5-1
6. Recommendations	6-1

List of Acronyms and Abbreviations

Acronym	Full Description of Acronym
A.M.P.	Asset Management Plan
D.C.	Development Charges
I.J.P.A.	Infrastructure for Jobs and Prosperity Act
MECP	Ministry of the Environment, Conservation and Parks
MMAH	Ministry of Municipal Affairs and Housing
OCIF	Ontario Community Infrastructure Fund
O. Reg.	Ontario Regulation
P.S.A.B.	Public Sector Accounting Board
S.D.W.A.	Safe Drinking Water Act
T.C.A.	Tangible Capital Assets
U.W.S.S.	Union Water Supply System
W.O.A.	Water Opportunities Act

Report



Chapter 1

Introduction



1. Introduction

1.1 Study Purpose

Watson & Associates Economists Ltd. (Watson) was retained by the Union Water Supply System (U.W.S.S.) to prepare a water financial plan as part of the five submission requirements for the purposes of obtaining a municipal drinking water license as per the *Safe Drinking Water Act, 2002*. In general, a financial plan requires an in-depth analysis of capital and operating needs, a review of current and future demand versus supply, and consideration of available funding sources. The detailed financial planning and forecasting for the U.W.S.S.'s water system are based on the 10-Year Business Plan prepared by U.W.S.S. staff. The objective of the report provided herein is to summarize the findings of the 10-Year Business Plan into the prescribed reporting requirements for a financial plan as defined by Ontario Regulation 453/07 (O.Reg. 453/07).

1.2 Background

The Safe Drinking Water Act (S.D.W.A.) was passed in December, 2002 in order to address some of the recommendations made by the Walkerton Inquiry Part II report. One of the main requirements of the Act is the mandatory licensing of municipal water providers. Section 31 (1) specifically states,

“No person shall,

- a) establish a new municipal drinking water system or replace or carry out an alteration to a municipal drinking water system except under the authority of and in accordance with an approval under this Part or a drinking water works permit; or
- b) use or operate a municipal drinking water system that was established before or after this section comes into force except under the authority of and in accordance with an approval under this Part or municipal drinking water licence.”

In order to become licensed, a municipality must satisfy five key requirements as per section 44 (1):



1. Obtain a drinking water works permit.
2. Acceptance of the operational plan for the system based on the Drinking Water Quality Management Standard.
3. Accreditation of the Operating Authority.
4. Prepare and provide a financial plan.
5. Obtain permit to take water.

The preparation of a financial plan is a key requirement for licensing and as such, must be undertaken by all water providers.

1.2.1 Financial Plan Defined

Subsection 30 of the Act provides the following definition of financial plans:

"financial plans" means financial plans that satisfy the requirements prescribed by the Minister. 2017, c. 2, Sched. 11, s. 6 (3)

As of time of writing, the *Sustainable Water and Sewage Systems Act, 2002* has been repealed (see Section 2.2 of this report) however, the standards that it directs underpin the specific requirements of s.30 as they are outlined in O. Reg. 453/07 and which will be examined in detail below.

1.2.2 Financial Plan Requirements – Existing System

O.Reg. 453/07 also provides details with regards to s.30 (1) part b of the S.D.W.A. for existing water systems. The requirements for existing systems are summarized as follows:

- Financial plans must be approved by Council resolution (or governing body);
- Financial plans must include a statement that the financial impacts have been considered and apply for a minimum six-year period (commencing in the year of licence expiry);
- Financial plans must include detail regarding proposed or projected financial operations itemized by total revenues, total expenses, annual surplus/deficit and



accumulated surplus/deficit (i.e. the components of a “Statement of Operations” as per the P.S.A.B.) for each year in which the financial plans apply;

- Financial plans must present financial position itemized by total financial assets, total liabilities, net debt, non-financial assets, and tangible capital assets (i.e. the components of a “Statement of Financial Position” as per P.S.A.B.) for each year in which the financial plans apply;
- Gross cash receipts/payments itemized by operating transactions, capital transactions, investing transactions and financial transactions (i.e. the components of a “Statement of Cash Flow” as per P.S.A.B.) for each year in which the financial plans apply;
- Financial plans applicable to two or more solely-owned drinking water systems can be prepared as if they are for one drinking water system;
- Financial plans are to be made available to the public upon request and at no charge;
- If a website is maintained, financial plans are to be made available to the public through publication on the Internet at no charge;
- Notice of the availability of the financial plans is to be given to the public; and
- Financial plan is to be submitted to the Ministry of Municipal Affairs and Housing.

1.2.3 Financial Plan Requirements – General

Given that the requirements for a financial plan is legislated under the Act, a financial plan is mandatory for water systems. The financial plans shall be for a forecast period of at least six years but longer planning horizons are encouraged. The forecast provided herein goes beyond the minimum requirement. The financial plan is to be completed and approved by resolution of Council or the governing body in accordance with subsection 3 (1) 1 of O. Reg. 453/07. Confirmation of approval of the financial plan must be submitted at the time of municipal drinking water license renewal (i.e. six months prior to license expiry).

A copy of the financial plan will be submitted to the Ministry of Municipal Affairs and Housing (MMAH) and not the Ministry of the Environment, Conservation, and Parks (MECP); however, the MECP may request it in the course of review of the licence renewal. Financial plans may be amended and additional information beyond what is prescribed can be included if deemed necessary. The financial plan must contain on



the front page, the appropriate financial plan number as set out in Schedule A of the Municipal Drinking Water Licence.

1.2.4 Public Sector Accounting Board (P.S.A.B.) Requirements

The components of the financial plans indicated by the regulation are consistent with the requirements for financial statement presentation as set out in section PS1200 of the Canadian Institute of Chartered Accountants Public Sector Accounting Handbook:

“Financial statements should include a Statement of Financial Position, a Statement of Operations, a Statement of Change in Net Debt, and a Statement of Cash Flow.”

The format required is to conform to the requirements of PS1200 and PS3150. The financial statements are to be reported on a full accrual accounting basis. The accrual accounting method recognizes revenues and expenses in the same period as the activities that give rise to them regardless of when they are actually paid for. Since an exchange of cash is not necessary to report a financial transaction, the accrual method is meant to provide a more accurate picture of financial position.

The accounting treatment of tangible capital assets is prescribed under section PS3150. Tangible capital assets are to be capitalized to ensure an inventory of the assets owned are recorded and to account for their ability to provide future benefits.

The Statement of Cash Flow and the Statement of Change in Net Financial Assets/Debt are required statements. The Statement of Change in Net Financial Assets/Debt reports on whether enough revenue was generated in a period to cover the expenses in the period and whether sufficient resources have been generated to support current and future activities. The Statement of Cash Flow reports on how activities were financed for a given period providing a measure of the changes in cash for that period.

1.2.5 U.W.S.S.'s Financial Plan

The U.W.S.S. is currently in the process of renewing the drinking water license and the previous version of the financial plan no longer meets the requirements as it must apply to a period of a least six years beginning in the year that the licenses would otherwise expire. This financial plan provides for a 2024 start year and forecast period to 2032.



Chapter 2

Sustainable Financial Planning



2. Sustainable Financial Planning

2.1 Introduction

In general, sustainability refers to the ability to maintain a certain position over time. While the S.D.W.A. requires a declaration of the financial plan's sustainability, it does not give a clear definition of what would be considered sustainable. Instead, the MECP released a guideline ("Towards Financially Sustainable Drinking-Water") that provides possible approaches to achieving sustainability. The Province's Principles of Financially Sustainable Water Services are provided below:

Principle #1: Ongoing public engagement and transparency can build support for, and confidence in, financial plans and the system to which they relate.

Principle #2: An integrated approach to planning among water, wastewater, and storm water systems is desirable given the inherent relationship among these services.

Principle #3: Revenues collected for the provision of water services should ultimately be used to meet the needs of those services.

Principle #4: Life-cycle planning with mid-course corrections is preferable to planning over the short-term, or not planning at all.

Principle #5: An asset management plan is a key input to the development of a financial plan.

Principle #6: A sustainable level of revenue allows for reliable service that meets or exceeds environmental protection standards, while providing sufficient resources for future rehabilitation and replacement needs.

Principle #7: Ensuring users pay for the services they are provided leads to equitable outcomes and can improve conservation. In general, metering and the use of rates can help ensure users pay for services received.

Principle #8: Financial plans are "living" documents that require continuous improvement. Comparing the accuracy of financial projections with actual results can lead to improved planning in the future.



Principle #9: Financial plans benefit from the close collaboration of various groups, including engineers, accountants, auditors, utility staff, and municipal council.

2.2 Sustainable Water and Sewage Systems Act

The *Sustainable Water and Sewage Systems Act* (S.W.S.S.A.) was passed on December 13, 2002. The intent of the Act was to introduce the requirement for municipalities to undertake an assessment of the “full cost” of providing their water and the wastewater services. In total, there were 40 areas within the Act to which the Minister could have made Regulations. It is noted that, the regulations, which accompany the Act, were not issued and the Act was repealed on December 31, 2012.

2.3 Water Opportunities Act, 2010

Since the passage of the *Safe Drinking Water Act*, changes and refinements to the legislation have been introduced, including the *Water Opportunities Act* (W.O.A). W.O.A. was introduced into legislation on May 18, 2010 and received Royal Assent on November 29, 2010.

The purposes of the W.O.A. are to foster innovative water, wastewater and storm water technologies, services, and practices; create opportunities for economic development and clean-technology jobs; and conserve and sustain water resources. To achieve this, the W.O.A. provides for the creation of performance targets (financial, operational and maintenance related), which will vary by service type and location and the required submission of conservation and sustainability plans for water, wastewater, and stormwater.

The sustainability plan in the W.O.A. expands on interim legislation for financial plans included in O.Reg 453/07, to include the following:

- an asset management plan for the physical infrastructure;
- financial plan;
- water conservation plan (for water service only);
- a risk assessment;
- a strategy for maintaining and improving the services; and



- additional information considered advisable.

Where a Board has jurisdiction over a service, the plan (and any plan amendments) must be approved by the municipality in which the municipal service is provided, before submission to the Minister. The Minister may also direct preparation of joint or partially joint plans.

Regulations (still forthcoming) will prescribe details in regard to any time periods or time limits, contents of the plans, identifying which portions of the plan will require certification, the public consultation process (if required), limitations updates and refinements.

2.4 Infrastructure for Jobs and Prosperity Act (I.J.P.A.), 2015

On June 4, 2015, the Province passed the *Infrastructure for Jobs and Prosperity Act* (I.J.P.A.) which, over time, will require municipalities to undertake and implement asset management plans (A.M.P.) for all infrastructure they own. On December 27, 2017, the Province of Ontario released Ontario Regulation 588/17 under I.J.P.A. which has three phases that municipalities must meet. The timelines associated with the three phases were later extended by Ontario Regulation 193/21 which was filed on March 15, 2021.

Every municipality in Ontario had to prepare a strategic asset management policy by July 1, 2019. Municipalities are required to review their strategic asset management policies at least every five years and make updates, as necessary. The subsequent phases are as follows:

- Phase 1 – Asset Management Plan (by July 1, 2022):
 - For core assets – Municipalities must have the following:
 - Inventory of assets;
 - Current levels of service measured by standard metrics; and
 - Costs to maintain levels of service.
- Phase 2 – Asset Management Plan (by July 1, 2024):
 - Same steps as Phase 1 but for all assets.
- Phase 3 – Asset Management Plan (by July 1, 2025):
 - Builds on Phase 1 and 2 by adding:
 - Proposed levels of service; and
 - Lifecycle management and Financial strategy.



In relation to water (which is considered a core asset), municipalities were to have an asset management plan that addresses the related infrastructure by July 1, 2022 (Phase 1). O.Reg. 588/17 specifies that a municipality's asset management plan must include the following for each asset category:

- the current levels of service being provided;
 - determined in accordance with the following qualitative descriptions and technical metrics and based on data from at most the two calendar years prior to the year in which all information required under this section is included in the asset management plan.
- the current performance of each asset category;
- a summary of the assets in the category;
- the replacement cost of the assets in the category;
- the average age of the assets in the category, determined by assessing the average age of the components of the assets;
- the information available on the condition of the assets in the category;
- a description of the municipality's approach to assessing the condition of the assets in the category, based on recognized and generally accepted good engineering practices where appropriate; and
- the lifecycle activities that would need to be undertaken to maintain the current levels of service.

As the U.W.S.S. is a Joint Board representing the Towns of Kingsville and Essex and the Municipalities of Lakeshore and Leamington, the asset management requirements do not directly apply to the U.W.S.S. The U.W.S.S. transitioned to a Municipal Services Corporation on January 1, 2024 and is undertaking an Asset Management Strategy and Asset Management Plan to inform their lifecycle requirements and assist in future budgeting processes.

2.5 Water Forecast

As described earlier, the findings of this financial plan are based on the U.W.S.S.'s 10-Year Business Plan. It is assumed that their budget process is designed to address "full cost" principles and reflect the guiding principles toward sustainable financial planning, which provided the following:



- A detailed assessment of current and future capital needs including an analysis of potential funding sources;
- An analysis of operating costs in order to determine how they will be impacted by evolving infrastructure needs and system growth;
- An analysis of the required revenues that are sufficient to meet system needs; and
- A public process that involves consultation with the main stakeholders including the U.W.S.S.'s staff, the Board, participating Municipal Councils, the general public (specifically the users of the system) and others with the aim of gaining input and collaboration on the sustainability of the water financial plan.



Chapter 3

Approach



3. Approach

3.1 Overview

The 10-Year Business Plan (along with additional information provided by U.W.S.S. Staff) has been used as a starting point to prepare the water financial plan. The 10-Year Business Plan is prepared using a modified cash basis; therefore, a conversion is required in order to present a full accrual financial plan for the purposes of this report. The conversion process used will help to establish the structure of the financial plan along with the opening balances that will underpin the forecast. This chapter outlines the conversion process utilized and summarizes the adjustments made to prepare the financial plan.

3.2 Conversion Process

The conversion from the existing modified cash basis financial plan to the full accrual reporting format required under O.Reg. 453/07 can be summarized in the following steps:

1. Calculate Tangible Capital Asset Balances
2. Convert Statement of Operations
3. Convert Statement of Financial Position
4. Convert Statement of Cash Flow and Net Assets/Debt
5. Verification and Note Preparation

3.2.1 Calculate Tangible Capital Asset Balances

In calculating tangible capital asset balances, existing and future purchased, developed, and/or contributed assets will need to be considered. For existing water assets, an inventory has already been compiled and summarized by the U.W.S.S. The asset inventory listing provided historical cost (which is the original cost to purchase, develop, or construct each asset) and an estimated useful life for each asset, which is required



for financial reporting purposes. The following calculations are made to determine net book value:

- Accumulated amortization up to the year prior to the first forecast year.
- Amortization expense on existing assets for each year of the forecast period.
- Acquisition of new assets for each year of the forecast period.
- Disposals and related gains or losses for each year of forecast period.

Future water capital needs have also been determined and summarized within the 10-Year Business Plan. However, these estimates only represent future assets that the U.W.S.S. anticipates purchasing or constructing without consideration for assets that are contributed by developers and other parties (at no or partial cost to the U.W.S.S.). These contributed assets could form a significant part of the infrastructure going forward in terms of the sustainability of the system as a whole and despite their non-monetary nature, the financial plan may need to be adjusted in order to properly account for these transactions. Once the sequence and total asset acquisition has been determined for the forecast period, annual amortization of these assets for each year is calculated in a similar manner as that used for existing assets.

Once the historical cost, accumulated amortization, and amortization expenses are calculated as described above, the total net book value of the tangible capital assets can be determined and recorded on the Statement of Financial Position.

3.2.2 Convert Statement of Operations

A wide range of adjustments will be considered, dependent on the size and complexity of the system, in order to convert from the modified cash to full accrual basis. For example, debt repayment costs relating to the principal payment portion only needs to be removed under the accrual basis, as they no longer qualify as an expense for reporting purposes. Principal payments are reported as a decrease in debt liability on the Statement of Financial Position. Transfers to and from reserves are removed as these transactions are represented by changes in cash and accumulated surplus. Finally, expenses relating to tangible capital assets, such as amortization, write-offs, and (gain)/loss on disposal of assets are reported on the Statement of Operations in



order to capture the allocation of the cost of these assets to operating activities over their useful lives and therefore are added in under the accrual basis.



Table 3-1
Conversion Adjustments
Statement of Operations (Water)

Modified Cash Basis	Budget 2024	Adjustments		Full Accrual Budget 2024	Accrual Basis
		DR	CR		
Revenues					Revenues
Rate Based Revenue	14,538,861			14,538,861	Rate Based Revenue
Other Revenue	860,186		365,248	1,225,434	Other Revenue*
Total Revenues	15,399,047			15,764,295	Total Revenues
Expenditures					Expenses
Operating	8,245,291	490,000		8,735,291	Operating Expenses
Capital					
Transfers to Reserves	4,725,365		4,725,365		
Debt Repayment (Principal & Interest)	2,428,391		1,852,503	575,888	Interest on Debt
		1,516,033		1,516,033	Amortization
		-		-	Loss on Disposal of Tangible Capital Assets
Total Expenditures	15,399,047			10,827,212	Total Expenses
Net Expenditures	-			4,937,083	Annual Surplus/(Deficit)
Increase (decrease) in amounts to be recovered	-			60,667,958	Accumulated Surplus/(Deficit), beginning of year
Change in Fund Balances	-	4,937,083	-	65,605,041	Accumulated Surplus/(Deficit), end of year
TOTAL ADJUSTMENTS		6,943,116	6,943,116		

*Other Revenue includes Sundry Revenue, Interest Income, Property Rental Revenue, etc.

Note: The combined adjustments above should be balanced and net to \$0 (i.e. Total DR = Total CR)



3.2.3 Convert Statement of Financial Position

Once the Statement of Operations has been converted and the net book value of tangible capital assets has been recorded, balances for the remaining items on the Statement of Financial Position are determined and recorded (see Figure 3-2). As noted earlier, the applicable balances from the Statement of Capital and the Statement of Reserve and Reserve Funds will need to be transferred to this statement. The opening/actual balances for the remaining accounts such as accounts receivable, inventory, accounts payable, outstanding debt (principal only), are recorded and classified according to the structure of the Statement of Financial Position as outlined in PS1200.

3.2.4 Convert Statement of Cash Flow and Net Financial Assets/Debt

The Statement of Cash Flow summarizes how the U.W.S.S. financed its activities or in other words, how the costs of providing services were recovered. The statement is derived using comparative Statement of Financial Position, the current Statement of Operations and other available transaction data.

The Statement of Change in Net Financial Assets/Debt is a new statement which reconciles the difference between the surplus or deficit from current operations and the change in net financial assets/debt for the year. This is significant, as net debt provides an indication of future revenue requirements. In order to complete the Statement of Net Financial Assets/Debt, additional information regarding any gains/losses on disposals of assets, asset write-downs, acquisition/use of supplies inventory, and the acquisition use of prepaid expenses is necessary, (if applicable). Although the Statement of Change in Net Financial Assets/Debt is not required under O.Reg. 453/07, it has been included in this report as a further indicator of financial viability.



Table 3-2
Conversion Adjustments
Statements of Financial Position (Water)

Modified Cash Basis	Budget 2024	Adjustments		Full Accrual Budget 2024	Accrual Basis
		DR	CR		
ASSETS					ASSETS
Financial Assets					Financial Assets
Cash	17,596,245			17,596,245	Cash
Accounts Receivable	3,488,167			3,488,167	Accounts Receivable
Total Financial Assets	21,084,412			21,084,412	Total Financial Assets
Non-Financial Assets					
Inventory of Supplies	-		-		
Prepaid Expenses	-		-		
Total Non-Financial Assets	-				
LIABILITIES					Liabilities
Accounts Payable & Accrued Liabilities	2,456,766			2,456,766	Accounts Payable & Accrued Liabilities
Gross Long-term Liabilities	14,406,949			14,406,949	Debt (Principal only)
Deferred Revenue	-			-	Deferred Revenue
Bank Indebtedness	-			-	Bank Indebtedness
Total Liabilities	16,863,715			16,863,715	Total Liabilities
Net Assets/(Debt)	4,220,697			4,220,697	Net Financial Assets/(Debt)
		61,874,344	490,000	61,384,344	Non-Financial Assets
		-		-	Tangible Capital Assets
		-		-	Inventory of Supplies
					Prepaid Expenses
				61,384,344	Total Non-Financial Assets
Municipal Position					
Water Reserves	18,627,646	18,627,646	-		
Amounts to be Recovered	(14,406,949)	-	14,406,949		
Total U.W.S.S. Position	4,220,697		65,605,041	65,605,041	Accumulated Surplus/(Deficit), end of year
TOTAL ADJUSTMENTS		80,501,990	80,501,990		

Note: The combined adjustments above should be balanced and net to \$0 (i.e. Total DR = Total CR)



3.2.5 Verification and Note Preparation

The final step in the conversion process is to ensure that all of the statements created by the previous steps are in balance. The Statement of Financial Position summarizes the resources and obligations of the U.W.S.S. at a set point in time. The Statement of Operations summarizes how these resources and obligations changed over the reporting period. To this end, the accumulated surplus/deficit reported on the Statement of Financial Position should equal the accumulated surplus/deficit reported on the Statement of Operations.

The Statement of Change in Net Financial Assets/Debt and the Statement of Financial Position are also linked in terms of reporting on net financial assets/debt. On the Statement of Financial Position, net financial assets/debt is equal to the difference between financial assets and liabilities and should equal net financial assets/debt as calculated on the Statement of Net Financial Assets/Debt.

While not part of the financial plan, the accompanying notes are important to summarize the assumptions and estimates made in preparing the financial plan. Some of the significant assumptions that need to be addressed within the financial plan are as follows:

- a) Opening cash balances – Opening cash balances are necessary to complete the Statement of Cash Flows and balance the Statement of Financial Position. Preferably, opening cash balances should be derived from actual information contained within the U.W.S.S.'s ledgers.
- b) Amortization Expense – The method and timing of amortization should be based on the U.W.S.S.'s amortization policy. Otherwise, an assumption will need to be made and applied consistently throughout the financial plan.
- c) Accumulated Amortization – Will be based on the culmination of accumulated amortization expenses throughout the life of each asset however derived, along with information on construction/acquisition date and useful life obtained from the U.W.S.S. asset listing.
- d) Contributed Assets – As noted earlier, contributed assets could represent a significant part of the U.W.S.S.'s infrastructure acquisitions. As such, a reasonable estimate of value and timing of acquisition/donation may be required



in order to adequately capture these assets. In the case where contributed assets are deemed to be insignificant or unknown, an assumption of “no contributed assets within the forecast period” will be made.

- e) Accumulated Surplus – The magnitude of the surplus in this area may precipitate the need for additional explanation especially in the first year of reporting. This Accumulated Surplus captures the historical infrastructure investment which has not been reported in the past but has accumulated to significant levels. It also includes all water reserve and reserve fund balances.
- f) Other Revenues – Will represent the recognition of revenues previously deferred, accrued, and/or other minor miscellaneous revenues.



Chapter 4

Financial Plan



4. Financial Plan

4.1 Introduction

The following tables provide the complete financial plan for the U.W.S.S.'s water system. A brief description and analysis of each table is provided below. It is important to note that the financial plan that follows is a forward look at the financial position of the U.W.S.S.'s water system. It is not an audited document¹ and contains various estimates as detailed in the "Notes to the Financial Plan" section below.

4.2 Water Financial Plan

4.2.1 *Statement of Financial Position (Table 4-1)*

The Statement of Financial Position provides information that describes the assets, liabilities, and accumulated surplus of the U.W.S.S.'s water system. The first important indicator is net financial assets/(debt), which is defined as the difference between financial assets and liabilities. This indicator provides an indication of the system's "future revenue requirement." A net financial asset position is where financial assets are greater than liabilities and implies that the system has the resources to finance future operations. Conversely, a net debt position implies that the future revenues generated by the system will be needed to finance past transactions, as well as future operations. Table 4-1 indicates that for 2024, the U.W.S.S.'s water system will be in a net financial asset position of approximately \$4.2 million. For the balance of the forecast, 2025-2032, the financial plan forecasts a net debt asset position. This is primarily due to the increasing debt obligations over the forecast period.

Another important indicator on the Statement of Financial Position is the tangible capital asset balance. As noted earlier, providing this information is a requirement for municipalities as part of PS3150 compliance and is significant from a financial planning perspective for the following reasons:

¹ O.Reg. 453/07 does not require an audited financial plan.



- Tangible capital assets such as water mains and treatment plants are imperative to water service delivery.
- These assets represent significant economic resources in terms of their historical and replacement costs. Therefore, ongoing capital asset management is essential to managing significant replacements and repairs.
- The annual maintenance required by these assets has an enduring impact on water operational budgets.

In general terms, an increase in the tangible capital asset balance indicates that assets may have been acquired either through purchase by the water system or donation/contribution by a third party. A decrease in the tangible capital asset balance can indicate a disposal, write down, or use of assets. A use of assets is usually represented by an increase in accumulated amortization due to annual amortization expenses arising as a result of allocating the cost of the asset to operations over the asset's useful life. Table 4-1 shows tangible capital assets are expected to increase by approximately \$171.3 million over the forecast period. This indicates that the U.W.S.S. has plans to invest in tangible capital assets in excess of the anticipated use of existing assets over the forecast period.

4.2.2 Statement of Operations (Table 4-2)

The Statement of Operations summarizes the revenues and expenses generated by the water systems for a given period. The annual surplus/deficit measures whether the revenues generated were sufficient to cover the expenses incurred and in turn, whether net financial assets have been maintained or depleted. Table 4-2 illustrates the ratio of expenses to revenues, although fluctuating to some extent, generally increasing from 69% to 75% over the forecast period to 2032. As a result, annual surplus increases from \$4.9 million to \$7.6 million. It is important to note that an annual surplus is beneficial to ensure funding is available to non-expense costs such as tangible capital asset acquisitions, reserve/reserve fund transfers and debt principal payments.

Another important indicator on this statement is accumulated surplus/deficit. An accumulated surplus indicates that the available net resources are sufficient to provide future water services. An accumulated deficit indicates that resources are insufficient to provide future services and that borrowing or rate increases are required to finance annual deficits. From Table 4-2, the financial plan proposes to add approximately \$40.6



million to a 2024 accumulated surplus of \$60.7 million over the forecast period. This accumulated surplus, as indicated in Table 4-2, is predominantly made up of investments in tangible capital assets.

4.2.3 Statement of Change in Net Financial Assets/Debt (Table 4-3)

The Statement of Change in Net Financial Assets/Debt indicates whether revenue generated was sufficient to cover operating and non-financial asset costs (i.e., inventory supplies, prepaid expenses, tangible capital assets, etc.) and in so doing, explains the difference between the annual surplus/deficit and the change in net financial assets/debt for the period.

Table 4-3 indicates that in most years, forecasted annual surplus is less than the forecasted tangible capital asset acquisitions (net of amortization for the year). Therefore, an overall decrease to the net financial asset balance is anticipated over the forecast period to 2032. The ratio of cumulative annual surplus before amortization to cumulative tangible capital asset acquisitions is 0.62 in 2024 and decreasing to 0.39 at the end of the forecast period (note: a desirable ratio is 1:1 or better).

4.2.4 Statement of Cash Flow (Table 4-4)

The Statement of Cash Flow summarizes how water systems are expected to generate and use cash resources during the forecast period. The transactions that provide/use cash are classified as operating, capital, investing, and financing activities as shown in Table 4-4. This statement focuses on the cash aspect of these transactions and thus is the link between cash- and accrual-based reporting. Table 4-4 indicates that cash from operations will be used to fund capital transactions (i.e., tangible capital asset acquisitions) and build internal reserves and reserve funds over the forecast period. The financial plan projects the cash position of the U.W.S.S.'s water system to decrease from a balance of approximately \$21.8 million at the beginning of 2024, to approximately \$31.3 million by the end of 2032. For further discussion on projected cash balances please refer to the Notes to the Financial Plan.



Table 4-1
Statement of Financial Position: Water Services
UNAUDITED: For Financial Planning Purposes Only
2024-2032

	Notes	Forecast								
		2024	2025	2026	2027	2028	2029	2030	2031	2032
Financial Assets										
Cash	1	17,596,245	12,831,696	12,253,150	15,313,698	17,849,937	19,036,370	21,498,598	25,400,962	31,257,771
Accounts Receivable	1	3,488,167	3,670,784	3,862,962	4,065,201	4,278,028	4,501,998	4,737,692	4,985,727	5,246,747
Total Financial Assets		21,084,412	16,502,480	16,116,112	19,378,899	22,127,965	23,538,368	26,236,290	30,386,689	36,504,518
Liabilities										
Bank Indebtedness		-	-	-	-	-	-	-	-	-
Accounts Payable & Accrued Liabilities	1	2,456,766	2,585,386	2,720,739	2,863,179	3,013,076	3,170,821	3,336,824	3,511,519	3,695,359
Debt (Principal only)	2	14,406,949	45,079,308	72,075,882	106,546,240	137,886,570	141,589,207	146,385,431	147,390,445	146,976,624
Deferred Revenue	3	-	-	-	-	-	-	-	-	-
Total Liabilities		16,863,715	47,664,694	74,796,621	109,409,419	140,899,646	144,760,028	149,722,255	150,901,964	150,671,983
Net Financial Assets/(Debt)		4,220,697	(31,162,214)	(58,680,509)	(90,030,520)	(118,771,681)	(121,221,660)	(123,485,965)	(120,515,275)	(114,167,465)
Non-Financial Assets										
Tangible Capital Assets	4	61,384,344	102,939,320	134,780,846	169,822,072	201,323,995	205,916,965	211,815,803	214,173,619	215,400,337
Total Non-Financial Assets		61,384,344	102,939,320	134,780,846	169,822,072	201,323,995	205,916,965	211,815,803	214,173,619	215,400,337
Accumulated Surplus/(Deficit)	5	65,605,041	71,777,106	76,100,337	79,791,552	82,552,314	84,695,305	88,329,838	93,658,344	101,232,872
Financial Indicators										
	Total Change	2024	2025	2026	2027	2028	2029	2030	2031	2032
1) Increase/(Decrease) in Net Financial Assets	(130,710,047)	(12,321,885)	(35,382,911)	(27,518,295)	(31,350,011)	(28,741,161)	(2,449,979)	(2,264,305)	2,970,690	6,347,810
2) Increase/(Decrease) in Tangible Capital Assets	171,274,960	17,258,967	41,554,976	31,841,526	35,041,226	31,501,923	4,592,970	5,898,838	2,357,816	1,226,718
3) Increase/(Decrease) in Accumulated Surplus	40,564,913	4,937,082	6,172,065	4,323,231	3,691,215	2,760,762	2,142,991	3,634,533	5,328,506	7,574,528



Table 4-2
Statement of Operations: Water Services
UNAUDITED: For Financial Planning Purposes Only
2024-2032

	Notes	Forecast								
		2024	2025	2026	2027	2028	2029	2030	2031	2032
Water Revenue										
Rate Based Revenue		14,538,861	15,348,107	16,440,229	17,953,774	19,604,973	21,407,576	23,376,670	25,526,161	27,873,791
Other Revenue	6	1,225,433	1,989,181	1,775,002	1,836,111	2,014,920	2,166,222	2,351,107	2,630,477	2,996,587
Total Revenues		15,764,294	17,337,288	18,215,231	19,789,885	21,619,893	23,573,798	25,727,777	28,156,638	30,870,378
Water Expenses										
Operating Expenses	Sch. 4-1	8,735,291	8,384,346	8,835,144	9,109,102	9,392,742	9,687,449	9,992,622	10,307,676	10,636,046
Interest on Debt	2	575,888	869,853	2,276,382	3,603,794	5,327,312	6,894,328	7,079,460	7,319,272	7,369,522
Amortization	4	1,516,033	1,911,024	2,780,474	3,385,774	4,139,077	4,849,030	5,021,162	5,201,184	5,290,282
Loss on Disposal of Tangible Capital Assets		-	-	-	-	-	-	-	-	-
Total Expenses		10,827,212	11,165,223	13,892,000	16,098,670	18,859,131	21,430,807	22,093,244	22,828,132	23,295,850
Annual Surplus/(Deficit)		4,937,082	6,172,065	4,323,231	3,691,215	2,760,762	2,142,991	3,634,533	5,328,506	7,574,528
Accumulated Surplus/(Deficit), beginning of year	5	60,667,959	65,605,041	71,777,106	76,100,337	79,791,552	82,552,314	84,695,305	88,329,838	93,658,344
Accumulated Surplus/(Deficit), end of year		65,605,041	71,777,106	76,100,337	79,791,552	82,552,314	84,695,305	88,329,838	93,658,344	101,232,872
Note 5:										
Accumulated Surplus/(Deficit) Reconciliation:		2024	2025	2026	2027	2028	2029	2030	2031	2032
Reserve Balances										
Reserves: Development Charges		-	-	-	-	-	-	-	-	-
Reserves: Gas Tax		-	-	-	-	-	-	-	-	-
Reserves: Capital/Other		18,627,646	13,917,094	13,395,373	16,515,720	19,114,889	20,367,547	22,899,466	26,875,170	32,809,159
Total Reserves Balance		18,627,646	13,917,094	13,395,373	16,515,720	19,114,889	20,367,547	22,899,466	26,875,170	32,809,159
Less: Debt Obligations and Deferred Revenue		(14,406,949)	(45,079,308)	(72,075,882)	(106,546,240)	(137,886,570)	(141,589,207)	(146,385,431)	(147,390,445)	(146,976,624)
Add: Tangible Capital Assets	4	61,384,344	102,939,320	134,780,846	169,822,072	201,323,995	205,916,965	211,815,803	214,173,619	215,400,337
Total Ending Balance		65,605,041	71,777,106	76,100,337	79,791,552	82,552,314	84,695,305	88,329,838	93,658,344	101,232,872
Financial Indicators	Total Change	2024	2025	2026	2027	2028	2029	2030	2031	2032
1) Expense to Revenue Ratio		69%	64%	76%	81%	87%	91%	86%	81%	75%
2) Increase/(Decrease) in Accumulated Surplus	40,564,913	4,937,082	6,172,065	4,323,231	3,691,215	2,760,762	2,142,991	3,634,533	5,328,506	7,574,528



Schedule 4-1
Statement of Operating Expenses: Water Services
UNAUDITED: For Financial Planning Purposes Only
2024-2032

	Notes	Forecast								
		2024	2025	2026	2027	2028	2029	2030	2031	2032
Operating Expenses										
WAGES AND BENEFITS		-	-	-	-	-	-	-	-	-
Salaried		375,000	575,000	750,000	765,000	780,300	795,906	811,824	828,061	844,622
Director compensation		65,000	68,250	71,663	75,246	79,008	82,958	87,106	91,462	96,035
Benefits - Full time		95,000	130,000	160,000	163,200	166,464	169,793	173,189	176,653	180,186
OFFICE OVERHEAD, RENTS AND SERVICES		-	-	-	-	-	-	-	-	-
Office supplies		2,000	2,060	2,122	2,185	2,251	2,319	2,388	2,460	2,534
Board expenses		10,000	10,300	10,609	10,927	11,255	11,593	11,941	12,299	12,668
Dues, Memberships, Subsc		7,500	7,725	7,957	8,195	8,441	8,695	8,955	9,224	9,501
Travel & Mileage		5,000	5,150	5,305	5,464	5,628	5,796	5,970	6,149	6,334
Professional Development		25,000	25,750	26,523	27,318	28,138	28,982	29,851	30,747	31,669
Conferences		35,000	36,050	37,132	38,245	39,393	40,575	41,792	43,046	44,337
Meeting Expenses		5,000	5,150	5,305	5,464	5,628	5,796	5,970	6,149	6,334
Uniforms/Clothing		2,000	2,060	2,122	2,185	2,251	2,319	2,388	2,460	2,534
Professional Services Fees		250,000	257,500	265,225	273,182	281,377	289,819	298,513	307,468	316,693
Audit Fees		12,500	12,875	13,261	13,659	14,069	14,491	14,926	15,373	15,835
Operational Purchases/Maint.		25,000	25,750	26,523	27,318	28,138	28,982	29,851	30,747	31,669
Communications		2,500	2,575	2,652	2,732	2,814	2,898	2,985	3,075	3,167
Postage & Courier		500	515	530	546	563	580	597	615	633
Advertising & Promotion		7,000	7,210	7,426	7,649	7,879	8,115	8,358	8,609	8,867
Insurance		50,000	51,500	53,045	54,636	56,275	57,964	59,703	61,494	63,339
Donations & Grants		5,000	5,150	5,305	5,464	5,628	5,796	5,970	6,149	6,334
Tech Hardware Maintenance (SCADA, etc)		60,000	61,800	63,654	65,564	67,531	69,556	71,643	73,792	76,006
Tech Hardware Purchases (non-TCA)		10,000	10,300	10,609	10,927	11,255	11,593	11,941	12,299	12,668
Software Licensing and Support		40,000	41,200	42,436	43,709	45,020	46,371	47,762	49,195	50,671
Software Purchases		10,000	10,300	10,609	10,927	11,255	11,593	11,941	12,299	12,668
Telecom Maintenance		10,000	10,300	10,609	10,927	11,255	11,593	11,941	12,299	12,668
Vehicle Expenses		12,500	12,875	13,261	13,659	14,069	14,491	14,926	15,373	15,835
Other Expenses		5,000	5,150	5,305	5,464	5,628	5,796	5,970	6,149	6,334
OCWA Operating Union		3,949,661	4,068,151	4,190,195	4,315,901	4,445,378	4,578,740	4,716,102	4,857,585	5,003,312
Property Taxes		175,000	178,500	182,070	185,711	189,426	193,214	197,078	201,020	205,040
Land Transfer Tax-Transfer of Assets to UWSS, Inc.		147,255	-	-	-	-	-	-	-	-
Municipal Service Fees (Agency Agreement)		121,875	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Electricity and Natural Gas		1,700,000	1,785,000	1,874,250	1,967,963	2,066,361	2,169,679	2,278,163	2,392,071	2,511,674
CO2 Gas Bulk Purchase		110,000	112,200	114,444	116,733	119,068	121,449	123,878	126,355	128,883
Operational Programs & Studies		465,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Residuals Ponds Maintenance		200,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Water Quality/Corrosion Program		50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Watermain Repairs		100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Unforseen Repairs		100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Non TCA - Expenses from Capital Budget	7	490,000	258,000	265,000	273,000	281,000	290,000	299,000	307,000	317,000
TOTAL OPERATING EXPENSES		8,735,291	8,384,346	8,835,144	9,109,102	9,392,742	9,687,449	9,992,622	10,307,676	10,636,046



Table 4-3
Statement of Changes in Net Financial Assets/Debt: Water Services
UNAUDITED: For Financial Planning Purposes Only
2024-2032

	Notes	Forecast								
		2024	2025	2026	2027	2028	2029	2030	2031	2032
Annual Surplus/(Deficit)		4,937,082	6,172,065	4,323,231	3,691,215	2,760,762	2,142,991	3,634,533	5,328,506	7,574,528
Less: Acquisition of Tangible Capital Assets	4	(18,775,000)	(43,466,000)	(34,622,000)	(38,427,000)	(35,641,000)	(9,442,000)	(10,920,000)	(7,559,000)	(6,517,000)
Add: Amortization of Tangible Capital Assets	4	1,516,033	1,911,024	2,780,474	3,385,774	4,139,077	4,849,030	5,021,162	5,201,184	5,290,282
(Gain)/Loss on disposal of Tangible Capital Assets		-	-	-	-	-	-	-	-	-
Add: Proceeds on Sale of Tangible Capital Assets		-	-	-	-	-	-	-	-	-
Add: Write-downs of Tangible Capital Assets		-	-	-	-	-	-	-	-	-
		(17,258,967)	(41,554,976)	(31,841,526)	(35,041,226)	(31,501,923)	(4,592,970)	(5,898,838)	(2,357,816)	(1,226,718)
Less: Acquisition of Supplies Inventory		-	-	-	-	-	-	-	-	-
Less: Acquisition of Prepaid Expenses		-	-	-	-	-	-	-	-	-
Add: Consumption of Supplies Inventory		-	-	-	-	-	-	-	-	-
Add: Use of Prepaid Expenses		-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-
Increase/(Decrease) in Net Financial Assets/(Net Debt)		(12,321,885)	(35,382,911)	(27,518,295)	(31,350,011)	(28,741,161)	(2,449,979)	(2,264,305)	2,970,690	6,347,810
Net Financial Assets/(Net Debt), beginning of year		16,542,582	4,220,697	(31,162,214)	(58,680,509)	(90,030,520)	(118,771,681)	(121,221,660)	(123,485,965)	(120,515,275)
Net Financial Assets/(Net Debt), end of year		4,220,697	(31,162,214)	(58,680,509)	(90,030,520)	(118,771,681)	(121,221,660)	(123,485,965)	(120,515,275)	(114,167,465)
Financial Indicators		2024	2025	2026	2027	2028	2029	2030	2031	2032
1) Acquisition of Tangible Capital Assets (Cumulative)		22,365,400	65,831,400	100,453,400	138,880,400	174,521,400	183,963,400	194,883,400	202,442,400	208,959,400
2) Annual Surplus/Deficit before Amortization (Cumulative)		13,944,041	22,027,130	29,130,835	36,207,824	43,107,663	50,099,684	58,755,379	69,285,069	82,149,879
3) Ratio of Annual Surplus before Amortization to Acquisition of TCA's (Cumulative)		0.62	0.33	0.29	0.26	0.25	0.27	0.30	0.34	0.39



Table 4-4
Statement of Cash Flow – Indirect Method: Water Services
UNAUDITED: For Financial Planning Purposes Only
2024-2032

	Notes	Forecast								
		2024	2025	2026	2027	2028	2029	2030	2031	2032
Operating Transactions										
Annual Surplus/Deficit		4,937,082	6,172,065	4,323,231	3,691,215	2,760,762	2,142,991	3,634,533	5,328,506	7,574,528
Add: Amortization of TCA's	4	1,516,033	1,911,024	2,780,474	3,385,774	4,139,077	4,849,030	5,021,162	5,201,184	5,290,282
(Gain)/Loss on disposal of Tangible Capital Assets		-	-	-	-	-	-	-	-	-
Less: Earned Deferred Revenue	3	-	-	-	-	-	-	-	-	-
Less: Developer Contributions		-	-	-	-	-	-	-	-	-
Add: Deferred Revenue Proceeds		-	-	-	-	-	-	-	-	-
Change in A/R (Increase)/Decrease		(173,532)	(182,617)	(192,178)	(202,239)	(212,827)	(223,970)	(235,695)	(248,034)	(261,020)
Change in A/P Increase/(Decrease)		122,221	128,620	135,354	142,440	149,897	157,745	166,004	174,694	183,840
Less: Interest Proceeds		(365,248)	(272,884)	(262,654)	(323,838)	(374,802)	(399,364)	(449,009)	(526,964)	(643,317)
Cash Provided by Operating Transactions		6,036,556	7,756,208	6,784,227	6,693,352	6,462,107	6,526,432	8,136,995	9,929,386	12,144,313
Capital Transactions										
Proceeds on sale of Tangible Capital Assets		-	-	-	-	-	-	-	-	-
Less: Cash Used to acquire Tangible Capital Assets	4	(18,775,000)	(43,466,000)	(34,622,000)	(38,427,000)	(35,641,000)	(9,442,000)	(10,920,000)	(7,559,000)	(6,517,000)
Cash Applied to Capital Transactions		(18,775,000)	(43,466,000)	(34,622,000)	(38,427,000)	(35,641,000)	(9,442,000)	(10,920,000)	(7,559,000)	(6,517,000)
Investing Transactions										
Proceeds from Investments		365,248	272,884	262,654	323,838	374,802	399,364	449,009	526,964	643,317
Less: Cash Used to Acquire Investments		-	-	-	-	-	-	-	-	-
Cash Provided by (applied to) Investing Transactions		365,248	272,884	262,654	323,838	374,802	399,364	449,009	526,964	643,317
Financing Transactions										
Proceeds from Debt Issue	2	10,000,000	32,960,000	30,236,000	36,060,000	33,765,000	6,956,000	8,358,000	4,920,000	3,800,000
Less: Debt Repayment (Principal only)	2	(1,852,503)	(2,287,641)	(3,239,427)	(1,589,642)	(2,424,670)	(3,253,363)	(3,561,776)	(3,914,986)	(4,213,821)
Cash Applied to Financing Transactions		8,147,497	30,672,359	26,996,573	34,470,358	31,340,330	3,702,637	4,796,224	1,005,014	(413,821)
Increase in Cash and Cash Equivalents		(4,225,699)	(4,764,549)	(578,546)	3,060,548	2,536,239	1,186,433	2,462,228	3,902,364	5,856,809
Cash and Cash Equivalents, beginning of year	1	21,821,944	17,596,245	12,831,696	12,253,150	15,313,698	17,849,937	19,036,370	21,498,598	25,400,962
Cash and Cash Equivalents, end of year	1	17,596,245	12,831,696	12,253,150	15,313,698	17,849,937	19,036,370	21,498,598	25,400,962	31,257,771



Water

Notes to Financial Plan

The financial plan format as outlined in Chapter 4 closely approximates the full accrual format used by municipalities (2009 onward) on their audited financial statements. However, the financial plan is not an audited document and contains various estimates. In this regard, Section 3 (2) of O.Reg. 453/07 states the following:

“Each of the following sub-subparagraphs applies only if the information referred to in the sub-subparagraph is known to the owner at the time the financial plans are prepared:

1. Sub-subparagraphs 4 i A, B and C of subsection (1)
2. Sub-subparagraphs 4 iii A, C, E and F of subsection (1).”

The information referred to in sub-subparagraphs 4 i A, B and C of subsection (1) includes:

- A. Total financial assets (i.e. cash and receivables);
- B. Total liabilities (i.e. payables, debt and deferred revenue);
- C. Net debt (i.e. the difference between A and B above).

The information referred to in sub-subparagraphs 4 iii A, C, E and F of subsection (1) includes:

- A. Operating transactions that are cash received from revenues, cash paid for operating expenses and finance charges
- B. Investing transactions that are acquisitions and disposal of investments
- C. Change in cash and cash equivalents during the year
- D. Cash and cash equivalents at the beginning and end of the year

The assumptions used have been documented below:

1. Cash, Receivables and Payables

The cash, receivables, and payables were based on the data contained within the 10-Year Business Plan, which provided a forecast of these items to 2032.



2. Debt

Outstanding water-related debt (growth and non-growth related) at the end of 2023 was approximately \$6.3 million. Principal repayments (including refinanced amounts) over the forecast period are scheduled as follows:

Year	Principal Payments
2024	1,852,503
2025	2,287,641
2026	3,239,427
2027	1,589,642
2028	2,424,670
2029	3,253,363
2030	3,561,776
2031	3,914,986
2032	4,213,821
Total	26,337,829

For financial reporting purposes, debt principal payments represent a decrease in debt liability and the interest payments represent a current year operating expense.

3. Deferred Revenue

Deferred revenue is typically made up of water development charge reserve fund balances which are considered to be a liability for financial reporting purposes until the funds are used to emplace the works for which they have been collected. The U.W.S.S. does not collect water development charges, therefore deferred revenue is assumed to be zero over the forecast period.

4. Tangible Capital Assets

- Opening net book value of tangible capital assets includes water related assets in the following categories:
 - i. Facilities;
 - ii. Water Mains;
 - iii. Water Meters;
 - iv. Machinery and Equipment; and
 - v. Land.



- Amortization is calculated based on the straight-line approach with no amortization in the year of acquisition or construction.
- Given the planned asset replacement forecast provided by the U.W.S.S., useful life on acquisitions is assumed to be equal to the weighted average useful life for all assets on hand in each respective asset category.
- Write-offs are assumed to equal \$0 for each year in the forecast period.
- Tangible capital assets are shown on a net basis. It is assumed that disposals occur when the asset is being replaced, unless the asset is documented as a new asset. The value of each asset disposal is based on the original historical cost.
- Gains/losses on disposal are assumed to be \$0 (it is assumed that historical cost is equal to accumulated amortization for all disposals).
- Residual value is assumed to be \$0 for all assets contained within the forecast period.
- Contributed Assets, as described in Section 3.2.1, are deemed to be insignificant/ unknown during the forecast period and are therefore assumed to be \$0.
- The U.W.S.S. is unaware of any specific lead piping in the water system.
- The T.C.A. inventory balance provided by the U.W.S.S. is summarized in Table 4-5, as follows:



Table 4-5
Tangible Capital Asset Summary: Water Services
UNAUDITED: For Financial Planning Purposes Only
2024-2032

Asset Historical Cost	2024	2025	2026	2027	2028	2029	2030	2031	2032
Opening Tangible Capital Asset Balance	75,811,734	91,146,516	126,827,089	156,202,277	187,823,379	216,750,855	224,260,868	233,284,518	239,361,674
Acquisitions	18,775,000	43,466,000	34,622,000	38,427,000	35,641,000	9,442,000	10,920,000	7,559,000	6,517,000
Disposals	3,440,218	7,785,427	5,246,812	6,805,898	6,713,524	1,931,987	1,896,350	1,481,844	1,851,223
Closing Tangible Capital Asset Balance	91,146,516	126,827,089	156,202,277	187,823,379	216,750,855	224,260,868	233,284,518	239,361,674	244,027,451
Opening Accumulated Amortization	31,686,357	29,762,172	23,887,769	21,421,431	18,001,307	15,426,860	18,343,903	21,468,715	25,188,055
Amortization Expense	1,516,033	1,911,024	2,780,474	3,385,774	4,139,077	4,849,030	5,021,162	5,201,184	5,290,282
Amortization on Disposal	3,440,218	7,785,427	5,246,812	6,805,898	6,713,524	1,931,987	1,896,350	1,481,844	1,851,223
Ending Accumulated Amortization	29,762,172	23,887,769	21,421,431	18,001,307	15,426,860	18,343,903	21,468,715	25,188,055	28,627,114
Net Book Value	61,384,344	102,939,320	134,780,846	169,822,072	201,323,995	205,916,965	211,815,803	214,173,619	215,400,337



5. Accumulated Surplus

Opening accumulated surplus for the forecast period is reconciled as follows:

Water	2024 Opening Accumulated Surplus
Reserve Balances	
Reserves: Capital/Other	22,802,033
Total Reserves Balance	22,802,033
Less: Debt Obligations and Deferred Revenue	(6,259,452)
Add: Tangible Capital Assets	44,125,377
Total Opening Balance	60,667,958

The accumulated surplus reconciliation for all years within the forecast period is contained in Table 4-2.

6. Other Revenue

Other revenue includes interest and other non-operating general revenues (sundry revenues, property rental revenues, etc.).

7. Operating Expenses

Capital expenditures for items not meeting the definition of tangible capital assets have been reclassified as operating expenses and have been expensed in the year in which they occur.



Chapter 5

Process for Financial Plan Approval and Submission to the Province



5. Process for Financial Plan Approval and Submission to the Province

As mentioned in section 1.2, preparation of and approval of a financial plan for water assets that meets the requirements of the Act is mandatory for municipal water providers. Proof of the plan preparation and approval is a key submission requirement for municipal drinking water licensing and, upon completion, must be submitted to the MECP. The process established for plan approval, public circulation and filing is set out in O. Reg. 453/07 and can be summarized as follows:

1. The financial plan must be approved by resolution of Council of the municipality who owns the drinking water system or the governing body of the owner. (O. Reg. 453/07, section 3 (1) 1).
2. The owner of the drinking water system must provide notice advertising the availability of the financial plan. The plans will be made available to the public upon request and without charge. The plans must also be made available to the public on the municipality's website. (O. Reg. 453/07, section 3 (1) 5).
3. The owner of the drinking water system must provide a copy of the financial plan to the Director of Policy Branch, Ministry of Municipal Affairs and Housing. (O. Reg. 453/07, section 3 (1) 6).
4. The owner of the drinking water system must provide proof satisfactory to the Director that the financial plans for the system satisfy the requirements under the *Safe Drinking Water Act*. (S.D.W.A. section 32 (5) 2. ii.).



Chapter 6

Recommendations



6. Recommendations

This report presents the water financial plan for the Union Water Supply System in accordance with the mandatory reporting formats for water systems as detailed in O.Reg. 453/07. It is important to note that while mandatory, the financial plan is provided for Board's interest and approval however, for decision making purposes, it may be more informative to rely on the information contained within the U.W.S.S. 10-Year Business Plan. Nevertheless, the Board is required to pass certain resolutions with regard to this plan and regulations and it is recommended that:

1. The Union Water Supply System's Water Financial Plan prepared by Watson & Associates Economists Ltd. dated February 16, 2024 be approved.
2. Notice of availability of the Financial Plan be advertised.
3. The Financial Plan and the Board Resolution approving the Financial Plan be submitted to the Ministry of Municipal Affairs and Housing. (O.Reg. 453/07, Section 3 (1) 6)
4. The Financial Plan and Board Resolution approving the Financial Plan be submitted to the Ministry of the Environment, Conservation, and Parks satisfying the requirements under the Safe Drinking Water Act. (S.D.W.A. Section 32 (5) 2 ii)).