

UWSS/03/25

To: UWSS Inc. Board of Directors
From: Rodney Bouchard, UWSS Inc. CEO
Date: January 24, 2025
Re: Proposed 2025 UWSS Inc. Operations and Capital Budget



Recommendation

That the Union Water Supply System Inc. Board of Directors (Board) adopts the Proposed 2025 Operational and Capital Budget for the Union Water Supply System;

And further, that the Board approves an increase of \$0.0628 per cubic metre for the UWSS Treatment and Transmission Rate (Rate). The new proposed Treatment and Transmission Rate for 2025 would be \$0.7967 per cubic meter;

And further, that the Board approves a capital improvement levy of \$0.01 per cubic meter to be applied to greenhouse operations customers to support the treatment plant capacity expansion infrastructure projects.

Background:

On January 1, 2024, management of the Union Water Supply System was transferred from the UWSS Joint Board of Management to UWSS Inc. The approval of UWSS Inc. Operations and Capital Budgets is the responsibility of Union Water Supply System Inc. Board of Directors. UWSS Inc. management is accountable for development and implementation of the UWSS inc. budget on behalf of the Board of Directors. UWSS Inc. management is seeking approval of the proposed 2025 UWSS Budget so that critical studies and major capital upgrades and improvements can be initiated without delay.

This budget report is outlined to provide details on the following:

- Projected revenue for 2025 from sale of treated water to customers in the municipalities of Leamington, Kingsville, Essex and Lakeshore.
- Projected revenue from other sources including rental income from telecom companies for leased space on UWSS water towers and rental income from UWSS Inc. owned property.
- Projected investment income revenue.
- Projected operating expenditures for 2025 including estimated costs for operation and maintenance of UWSS facilities by the Ontario Clean Water Agency (OCWA), under its contract with UWSS.
- Proposed cash funded capital works and major maintenance program for 2025.
- Debt funded infrastructure projects for 2025.

Discussion:

The draft 2025 UWSS Inc. Budget documents have been prepared by the UWSS Inc. Chief Executive Officer (CEO) and UWSS Inc.'s virtual Chief Financial Officer (CFO). The 2025 Budget was developed in collaboration with OCWA management, and operations/maintenance staff for UWSS Inc. facilities.

The preliminary 2025 UWSS Inc. Operations and Capital Budget were reviewed with UWSS Inc. Finance & Audit Committee (FAC) at two meetings held on December 5th, 2024 and January 15th, 2025. UWSS Inc. management received the FAC's endorsement to present the 2025 preliminary Budget to the UWSS Inc. Board of Directors for consideration and approval at the January 29th, 2025 UWSS Inc. Board meeting.

A summary of the 2025 UWSS Inc. budget is provided below:

Budget Highlights

- Potable water demand from UWSS facilities is projected at 21,856,000 m³ for 2025. This represents an increase of 1.5% over 2024 water demand. This projected demand incorporates a 10% non-revenue water adjustment for 2025.
- An increase of \$0.0628/m³ is proposed for the UWSS Treatment and Transmission Rate (Rate). This increase incorporates adjustment for CPI, a levy of \$0.02/m³ for infrastructure renewals and a levy of \$0.01/m³ to adjust for non-revenue water. The new proposed Treatment & Transmission Rate for 2025 would be \$0.7967/m³.
- A levy of \$0.01/m³ is proposed for greenhouse customers to support the water treatment plant capacity expansion projects.
- UWSS Revenue for 2025 is estimated at \$16,762,000. This includes estimated Rate revenue of \$15,576,000, investment income of \$1,133,000, and property rental income of \$53,000.
- Expenses for 2025 are estimated at \$9,899,000. This includes Operating Expenses of \$7,838,000, General & Admin Expenses of \$1,069,000, and interest costs for Debt Funded Capital of \$992,000. Operating Expenses include the OCWA Operations & Maintenance Contract that is valued at \$4,857,000 for 2025. General & Admin Expenses includes 2 new proposed staff for UWSS Inc.
- A cash funded capital program of \$11,960,000 is proposed for 2025. This includes but is not limited to the completion of DAF#2 (\$ 5 million), backup power system upgrades (\$2 million), treatment plant building upgrades (\$1.5 million) and Low Lift upgrades (\$1.095 million).
- As of January 1, 2025, UWSS Inc. cash & short-term investments and reserves funds totalled \$21 million.
- A debt funded capital program of \$34.85 million is proposed for 2025. This includes construction of reservoir #3 (\$50 million over 2025 & 2026) and detailed design for the water treatment filtration facility expansion to increase treatment plant capacity. UWSS Inc. has secured a \$60 million dollar credit facility to support this debt funded capital program.

Re: UWSS/03/25 - 2025 UWSS Inc. Operations and Capital Budgets

Additional details for the 2025 UWSS Inc. Operations and Capital Budget are included in the Union Water Supply System Inc. Budget Plan 2025 presentation document to be provided to UWSS Inc. Board of Directors under separate cover.

Closing Comments

It is the UWSS Inc. management's opinion that the 2025 Budget and 5-year projection presented in this report delivers a Budget for UWSS that is fiscally prudent while also providing for the major maintenance and lifecycle replacements needed to ensure that UWSS facilities and operations are effective and sustainable for the future.

Respectfully submitted,



Rodney Bouchard, CEO
Union Water Supply System Inc.

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