



# Union Water Supply System Inc.

## Board of Directors Meeting

Wednesday, December 20<sup>th</sup>, 2023

10:00 am

Unico Community Hall  
37 Beech Street Kingsville

## 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 November 22, 2023  
Pages 3 - 8
- E. **Business Arising Out of the Minutes**
- F. **Items for Consideration:**
  - 1. UWSS/15/23 dated December 14, 2023 re: UWSS Inc. Enrollment and Participation in OMERS  
Pages 9 - 10  
Pages 11 - 13 Certified Resolution
  - 2. UWSS/16/23 dated December 14, 2023 re: Operating Agreement Between UWSS Joint Board of Management and UWSS Inc.  
Pages 14 - 15  
Pages 16 - 22 Operating Agreement
  - 3. UWSS/17/23 dated December 14, 2023 re: Extension of UWSS-OCWA Operations and Maintenance Agreement  
Pages 23 - 24
  - 4. UWSS//18/23 dated December 14, 2023 re: Ontario Regulation 453-07 Financial Plan Update for the Union Water Supply System Inc.  
Pages 25 - 27  
Pages 28 - 70 Draft UWSS Financial Plan #041-301 dated December 20, 2023

**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)(k) for the following reason:

**Matters for Consideration:**

Legal discussion Under Municipal Act Sections 239 (2)(f)(j)(k) wherein UWSS Inc.'s solicitor will provide advice regarding (j) financial information that belongs to the municipality or local board and has monetary value or potential monetary value; and under section (k) regarding a position, plan, procedure, criteria or instruction to be applied to any negotiations carried on or to be carried on by or on behalf of the municipality or local board.

1. UWSS/19/23 dated December 14, 2023 re: Update on UWSS Inc. 2023 Request for Financing  
Pages 71 - 73  
Pages 74 - 90 Draft UWSS Inc Request for Financing (RFF) September 2023  
Pages 91 - 101 Draft UWSS Request for Financing Update Summary

**H. Disclosure of Pecuniary Interest and General Natural Thereof****I. Adjournment of Special Closed Meeting****J. Report on Closed Session****K. New Business:**

List of meeting dates for 2024  
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**L. Action Items:****M. Comments, Announcements, and Other Business:****N. Adjournment:****O. Date of Next Meeting: January 17, 2024, Kingsville Arena**

/kmj

**Board of Directors  
Meeting**

Wednesday, November 22, 2023  
Roma Club  
19 Seacliff Drive  
Leamington, Ontario  
10 am



## 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                      Khristine Johnson, UWSS Inc. Office Coordinator

Guest                              William Willis, Willis Business Law - UWSS Legal Counsel

**Call to Order:      10:27 am**

### **Welcoming Remarks:**

The CEO welcomes all to the meeting and confirms that this meeting encompasses the full compliment of the Board of Directors. He notes that in the future the UWSS Inc. Board of Directors meetings may move to every other month, but that will be determined later in 2024.

He states that there is an interesting year ahead of us as a new entity. He looks forward to working with the Directors on budgeting, financial and operational matters.

**Disclosure of Pecuniary Interest: none**

**Adoption of Board Minutes:**

No. UWSS Inc-20-23

Minutes of Union Water Supply System Incorporated

Date: November 22, 2023

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Moved by: Director Bondy

Seconded by: Director DeYong

That the minutes of the Union Water Supply System Inc. meeting held on September 14<sup>th</sup>, 2023 is received, with a correction in the date.

Carried

### **Business Arising out of Minutes:**

None.

### **Items for Consideration**

#### **Verbal update as presented - Finances of UWSS Inc.**

The CEO thanks members who attended the Joint Board of Management Meeting, just prior to this meeting, and notes that he will be continuing with a more thorough look at the finances of UWSS Inc.

He reviews the projected 2024 flows, which used to be referred to “flows for billing” and now will be just “flows”, as UWSS Inc. will now have a direct connection to the customer. He further explains that water loss used to be absorbed by the municipalities, but now will be partially borne by UWSS Inc.

He projects a 1% increase in demand in the flows for 2024 and is proposing a 3% increase in the wholesale rate for water. This works out to an increase of \$0.0214 m<sup>3</sup> for a total of \$0.7339 m<sup>3</sup>. This bulk rate will be the same for all four (4) municipalities. He confirms that most of the revenue is from flows. He then explains that there will be some water loss that will have to be absorbed by UWSS Inc. going forward. At this time there is an estimated water loss of 8%.

There is a small discussion on how to lower those numbers. The CEO explains how UWSS Inc. currently measures flows using the “boundary” billing meters and the projects that are in progress to upgrade the meter chambers. He explains that water loss will need to be absorbed through the rates.

Director DeYong notes that Town of Kingsville is installing new digital water meters, she’s hoping this shores up water loss. The CEO explains that new digital water meters can assist in some of these determinations. He further explains these changes will provide good flow data.

There is a discussion regarding water loss and what is the industry standard, and the CEO states that industry standard is 10%. Director Kissner inquires if the CEO can use 2022 water loss number to determine a figure going into 2024 for water loss. The Chair asks if municipalities need to become more aggressive in repairing or replacing aging infrastructure.

Minutes of Union Water Supply System Incorporated

Date: November 22, 2023

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Director Atkinson asks for clarification on determining flows for the coming year. The CEO explains how he uses the four (4) year average. Director St. Amant asks if municipal hydrant flushing is accounted for as well in UWSS water loss. The CEO indicates that issue has not been resolved as of yet, also mentions that auto flushers fall under the same undetermined category, these are things that will need to be ironed out.

William Willis then points out that the bad debt and water loss has been discussed for two (2) years at the municipal level and has been negotiated through the Water Service Agreement.

The discussion then turns to water treatment plant (WTP) expansion, growth, allocation process, being conservative in projections as water use within certain sectors is tied to what municipalities want to do with growth as well.

Director Walstedt leaves the meeting at 10:56 am

Director Kissner asks if the budgets are based on the Financial Plan and model. The CEO confirms this information. He notes that 2024 sees a 3% increase, but the goal is to bring each year down to just 2% water increase for the wholesale water rate. The CEO explains that growth should be paying for growth, but there is still work to be done in how UWSS Inc. will be proceeding with regards to any new rates.

The CEO then reviews the operational budget, expenses, studies, maintenance among other budgetary items. He reviews some of the larger capital items in a bit more details and which items will need to be completed in lower flow season and which projects could potentially be multi-year projects.

Director Tofflemire asks if an infrastructure study has been completed. The CEO indicates that it has been completed, with the report just recently being finalized and allowing for an update of our modified Masterplan. The CEO confirms that the budget needs are incorporated into the new infrastructure review.

The capital projects over the next six (6) years are reviewed. The CEO explains the financial commitment over the next several years and how it will be phased in, along with the request for financing.

Director Verbeke asks where the financing for these large capital projects is expected to come from. The CEO notes that there are several large financial institutions that have shown interest to provide financing to UWSS. He will be bringing detailed information, most likely, to the next board meeting.

Director DeYong is concerned about growth projections, as recently, due to interest rates, the growth experienced in the area over the last several years has slowed and weakened a bit. The CEO feels that he has been using a conservative estimate to determine future growth and feels that funding these items should not be an issue.

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**No. UWSS-21-23**

Moved by: Director Rogers

Seconded by: Director Schmoranz

That the verbal update on the finances of UWSS Inc. as presented is entered into the record.

Carried

**Special Closed Meeting of the UWSS Joint Board of Management**

Time: 12:05 am into closed session

**Special Closed Meeting of the UWSS Joint Board of Management**

Time: 12:05 am into closed session

**No. C-UWSS Inc -01-23**

Moved by: Director DeYong

Seconded by: Director Verbeke

That the UWSS Joint Board of Management move into a Special Closed Meeting, pursuant to the Municipal Act Section 239 (2)(b) for the following reason:

**The Chair leaves the meeting at 12:10 am and the Vice Chair proceeds with the meeting.**

**Matters for Consideration:**

Legal discussion Under Municipal Act Section 239 (2)(b) update regarding personal matters about an identifiable individual, including municipal or local board employees.

1. UWSS/13/23 dated November 16<sup>th</sup>, 2023
2. UWSS/14/23 dated November 17<sup>th</sup>, 2023

**Disclosure of Pecuniary Interest and General Nature Thereof**

There was none.

The CEO provides reports to board of Directors and discussions on personnel matters takes place, with legal advice provided by the UWSS Board solicitor present.

**No. C-UWSS Inc -02-23**

Moved by: Director Rogers

Seconded by: Director Verbeke

That the UWSS Inc. Board of Directors moves out of closed session.

**Time out of closed session 12:42 pm****Report on Closed Session**

The Vice Chair reports on the closed session noting that an update Under Municipal Act Section 239 (2)(b) regarding personnel matters about an identifiable individual, including municipal or local board employees.

The UWSS Board considered two reports in closed session pursuant to section 239(2) of the Municipal Act, 2001, subsection(b).

**No. UWSS-22-23**

Moved by: Director Bondy

Seconded by: Director Kissner

That the report UWSS/13/23 dated November 16<sup>th</sup>, 2023 re: UWSS Inc. Board of Directors Compensation Policy is approved, with the amendment that it is back dated to include the Interim Board members attendances at early meetings; and

That report UWSS/14/23 dated November 17<sup>th</sup>, 2023 re: UWSS Inc. Salary Review and Pay Policy and associated salary grid approved.

Carried

**No. UWSS-23-23**

Moved by: Director St. Amant

Seconded by: Director Atkinson

That the CEO of the UWSS Inc. Board hire a Human Resources Consultant within the next year, to review and provide recommendations to the UWSS Inc. Board of Directors on UWSS employee salary grid, cost of living adjustments (COLA), Salary Review and Pay and performance appraisal policy management.

Carried

**New Business:**

There was none.

**Adjournment:**

**No. UWSS-24-23**

Moved by: Director Bondy

Seconded by: Director Rogers

Time adjourned: 12:48 pm

**Date of Next Meeting:** December 20, 2023 10 am, Unico Community Centre, 37 Beech Street, Kingsville, Ontario

/kmj



To: UWSS Inc. Board of Directors  
From: Rodney Bouchard, UWSS Inc. CEO  
Date: December 14, 2023  
Re: UWSS Inc. Enrollment and Participation in OMERS

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**Recommendation:**

It is recommended that:

The UWSS Inc. Board of Directors adopts the resolution as attached to this report, which is a *Resolution to authorize participation in the OMERS Primary Pension Plan ("Primary Plan"), and the Retirement Compensation Arrangement for the OMERS Primary Pension Plan ("RCA"), each as amended from time to time, in respect of the employees of Union Water Supply System Inc. ("Employer") identified herein*

**Background:**

The Union Water Supply System (UWSS) has been managed by the UWSS Joint Board of Management (UWSS JBM) since 2001. The existing employees of UWSS JBM are current participants in the Ontario Municipal Employees' Retirement System (OMERS) Primary Pension Plan through the Municipality of Leamington. With the transition of management of UWSS from UWSS JBM to UWSS Inc., scheduled to occur January 1, 2024, the UWSS JBM employees that are "transferring" to UWSS Inc. will no longer be able to participate in OMERS Pension through the Municipality of Leamington.

**Discussion:**

On August 3<sup>rd</sup>, 2023, UWSS Inc. management contacted OMERS to inquire on the eligibility of UWSS Inc. to participate in OMERS' Primary Pension Plan. Based on the response provided by OMERS representatives, UWSS Inc. management submitted an application to OMERS on September 6<sup>th</sup>, 2023 with pertinent information to determine UWSS Inc.'s eligibility to participate in the OMERS pension plan. Subsequent information requests were made in October and November.

On December 6<sup>th</sup>, 2023, UWSS Inc. management was informed by OMERS that UWSS Inc. is eligible to participate in the OMERS Plans as an associated employer. OMERS' review of UWSS Inc. incorporation documents indicated that certain specific documents satisfied the OMERS Act, 2006 requirement that UWSS Inc. provide, under an agreement with a municipality or local board, a service, program, or thing that the municipality or local board is authorized to provide. The intended start date of UWSS Inc. participation in OMERS pension plan is January 1, 2024.

Re: UWSS/15/23 - UWSS Inc. Enrollment and Participation in OMERS

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In order for UWSS Inc. to be able to enroll as an associated employer in the OMERS Pension Plan, OMERS requires that the UWSS Inc. Board of Directors authorizes participation in the plan through a resolution of the Board. A template resolution was provided by OMERS for review. The proposed resolution, attached to this report, has been reviewed and revised accordingly by UWSS Inc. retained legal counsel, Willis Business Law.

**Closing Remarks:**

UWSS Inc. Management recommends that the UWSS Inc. Board of Directors authorizes UWSS Inc.'s participation in the OMERS Primary Pension Plan through the resolution attached to this report.

Respectfully submitted,



Rodney Bouchard, CEO  
Union Water Supply System Inc.

/kmj



## *The Union Water Supply System Inc.*

**December 20, 2023**

**No. UWSS Inc-[ ]**

Moved by: [ ]

Seconded by: [ ]

A Resolution to authorize participation in the OMERS Primary Pension Plan (“Primary Plan”), and the Retirement Compensation Arrangement for the OMERS Primary Pension Plan (“RCA”), each as amended from time to time, in respect of the employees of **Union Water Supply System Inc.** (“Employer”) identified herein.

**WHEREAS** pursuant to subsections 6(1) and 6(2) of the Primary Plan, an employer who is eligible under the Ontario Municipal Employees Retirement System Act, 2006, as amended from time to time (“OMERS Act, 2006”), to participate in the Primary Plan and the RCA may, by resolution, participate in the Primary Plan and the RCA on such conditions agreed upon by the employer and the OMERS Sponsors Corporation and pay to the funds for the Primary Plan and the RCA the total of the employer and member contributions required by the Primary Plan, and has all of the powers necessary and incidental thereto;

**AND WHEREAS** pursuant to paragraph 1 of subsection 6(1) of the OMERS Act, 2006, a person who, under an agreement with a municipality or local board or under an act, provides a service, program or thing to a person that the municipality or local board is authorized to provide to the person (“Associated Employer”) may participate in the Primary Plan and the RCA;

**AND WHEREAS** pursuant to paragraph 1 of subsection 6(2) of the OMERS Act, 2006, an employee of an Associated Employer whose duties relate primarily to the provision of the service, program or thing provided by the Associated Employer on behalf of the municipality or local board may participate in the Primary Plan and the RCA;

**AND WHEREAS** the Employer wishes to participate in the Primary Plan and the RCA in respect of its eligible employees in accordance with the terms of the Primary Plan, RCA, and applicable legislation, each as amended from time to time;

**AND WHEREAS** pursuant to subsection 7(2) of the Primary Plan, an Associated Employer may specify the classes of employees who are to be members of the Primary Plan and the RCA;

**BE IT RESOLVED** that UWSS Inc. Board of Directors consents to the participation in the OMERS Primary Pension Plan (“Primary Plan”), and the Retirement Compensation Arrangement for the OMERS Primary Pension Plan (“RCA”), each as amended from time to time, in respect of the employees of Union Water Supply System Inc. (“Employer”);

**AND FURTHERMORE BE IT RESOLVED THAT** effective **January 1, 2024** (“Effective Date”), or as otherwise indicated, the Board enacts as follows:

- |                                  |    |   |
|----------------------------------|----|---|
| (Participation)                  | 1. | The Employer shall participate in the Primary Plan and the RCA in accordance with the terms of the Primary Plan, RCA, and applicable legislation, each as amended from time to time.  |
| (Election re Employees)          | 2. | As of the Effective Date, the Employer shall participate in the Primary Plan and the RCA in respect of each person who is employed by the Employer and who is eligible to be a member of the Primary Plan and the RCA under paragraph 1 of subsection 6(2) of the OMERS Act, 2006 (“Employee”), in accordance with the terms of the Primary Plan, RCA, and applicable legislation, each as amended from time to time.   |
| (Current CFT Employees)          | 3. | An Employee who is employed on a continuous full-time basis, as defined in subsection 9(1) of the Primary Plan, as amended from time to time (“CFT Employee”), and who commenced employment with the Employer before the Effective Date is entitled to become a member of the Primary Plan and the RCA on the first day of the month following the month in which the CFT Employee’s application is received by the OMERS Administration Corporation (“AC”), provided that the AC may, at the request of the Employer, fix an earlier date on which the CFT Employee becomes a member but not before the date on which the CFT Employee became entitled to be a member or the first day of January in the year in which the application is received by the AC, whichever is the later date. |
| (Future CFT Employees)           | 4. | Every person who becomes a CFT Employee on or after the Effective Date shall, as a condition of employment, become a member of the Primary Plan and the RCA, or if such person is already a member, resume contributions to the Primary Plan and the RCA on the date so employed.   |
| (Membership for OTCFT Employees) | 5. | An Employee who is employed on other than a continuous full-time basis (“OTCFT Employee”) and meets the eligibility criteria in subsection 9(6) of the Primary Plan, as amended from time to time, is entitled to become a member of the Primary Plan and the RCA in accordance with the terms of the Primary Plan, as amended from time to time.   |
| (Senior Management Official)     | 6. | Any person who holds a senior management position with the Employer, as the Employer may designate from time to time (“Senior Management Official”), is hereby authorized on behalf of the Employer to take all such action and execute all such documents, certificates and agreements, as they may consider   |

necessary to give effect to the provisions of this Resolution and to fulfill the Employer's duties and obligations with respect to the Primary Plan and the RCA. The Employer further authorizes Secretary to submit forthwith a certified copy of this Resolution to the AC.

*I certify the foregoing to be a true and correct copy of the Resolution passed by the Board of Directors of the Union Water Supply System Inc. at a meeting held on December 20, 2023*

*Dated today, December 20, 2023*

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*Rodney Bouchard  
Secretary  
Union Water Supply System Inc.*

**To: UWSS Inc. Board of Directors**

**From: Rodney Bouchard, UWSS Inc. CEO**

**Date: December 14, 2023**

**Re: Operating Agreement Between UWSS Joint Board of Management and UWSS Inc.**

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**Recommendation:**

**That the UWSS Inc. Board of Directors approves the Operating Agreement between the UWSS JBM and UWSS Inc. to take effect on January 1, 2024.**

**Background:**

As per the Transfer Order Union W1/1999 (“Transfer Order”) dated January 8, 2001, made under the Municipal Water and Sewage Transfer Act, 1997, the UWSS Joint Board of Management (UWSS JBM) is responsible for management of the Union Water Supply System on behalf of The Corporation of the Municipality of Leamington, The Corporation of the Town of Kingsville, The Corporation of the Town of Essex and the Municipality of Lakeshore (collectively, the “Municipalities”, and each individually, a “Municipality”), and has the authority to enter into agreements for the purpose of operating and maintaining the water supply system (the “System”)

**Discussion:**

Union Water Supply System Inc. (UWSS Inc.) was incorporated in February 2023, under the approval of the Municipalities, to take ownership and management of the System assets. The Municipalities and UWSS Inc. are in the process of transferring the assets and operations of the System from UWSS JBM to UWSS Inc. The original intended date of asset transfer was set for January 1, 2024.

UWSS Management and retained legal counsel, Willis Business Law, have been working diligently to ensure that UWSS Inc. would be set to take over management of the System assets on January 1, 2024. This includes assignment of UWSS JBM-related operations agreements, such as the UWSS-OCWA Operations and Maintenance Agreement, and supplier agreements to UWSS Inc. starting January 1, 2024. Further, UWSS Inc. management, under authority provided by the UWSS Inc. Board (and previously, the Interim Board) has entered into new agreements, including staff health benefits agreements, financial audit agreements, accounting agreements, payroll, etc. that will take effect January 1, 2024. It is also noted that the Municipal Drinking Water License (MDWL) renewal application for the System, as required by the Safe Drinking Water Act 2002 will be submitted to the Ontario Ministry of Environment on January 17, 2024.

However, due to unforeseen delays, it is possible that the transfer of assets by each Municipality will not be completed by January 1, 2024. This could have implications to the System, especially regarding the development and approval of 2024 Operations and Capital Budgets for the System, and submittal of the MDWL application to meet the January 17, 2024 deadline. To ensure a smooth transition for management of the

Re: UWSS/16/23 - Operating Agreement between UWSS Joint Board of Management and UWSS Inc.

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System between UWSS JBM and UWSS Inc. while the transfer of System assets is completed, and to ensure that UWSS Inc. Board and executive has the authority to manage the System and submit the MDWL application, UWSS Inc. Management recommends that management authority for the System be transferred from UWSS JBM to UWSS Inc. effective January 1, 2024.

Items 4 and 5 of the “*Powers and Obligations*” section of the Transfer Order stipulate that:

4. *The Management Board may delegate specific administrative functions to another party, subject to such terms and conditions as the Management Board decides from time to time.*
5. *The management arrangements specified in this Schedule may be changed upon a three-quarter majority vote of the Management Board at a meeting called for this purpose.*

UWSS Inc. Management and UWSS retained legal counsel have developed an Operating Agreement between UWSS JBM and UWSS Inc. to facilitate this transfer of management authority for the System. A copy of this agreement is attached to this report for review and consideration by the UWSS JBM. It is to be noted that this agreement is to remain in effect until transfer of System assets from the Municipalities to UWSS Inc. is complete.

### Comments

UWSS Inc. Management recommends that the Board approves the Operating Agreement between UWSS JBM and UWSS Inc. to ensure continued effective management of the System during the transfer of assets from the Municipalities to UWSS Inc.

Respectfully submitted,



Rodney Bouchard, General Manager  
Union Water Supply System Joint Board of Management

/kmj

**OPERATING AGREEMENT**

**THIS OPERATING AGREEMENT** (the “**Agreement**”) made to take effect as and from the 1<sup>st</sup> day of January, 2024 (the “**Effective Date**”).

**BETWEEN:**

**UNION WATER SUPPLY SYSTEM JOINT BOARD OF MANAGEMENT**  
hereinafter called “**UWSS**”

**OF THE FIRST PART**

- and -

**UNION WATER SUPPLY SYSTEM INC.**  
hereinafter called “**UWSS INC.**”

**OF THE SECOND PART**

**RECITALS:**

- A. WHEREAS** pursuant to Transfer Order Union W1/1999 of January 8, 2001 made under the *Municipal Water and Sewage Transfer Act, 1997*, UWSS is the management authority for the Union Water Supply System on behalf of The Corporation of the Municipality of Leamington, The Corporation of the Town of Kingsville, The Corporation of the Town of Essex and the Municipality of Lakeshore (collectively, the “**Municipalities**”, and each individually, a “**Municipality**”), and has the authority to enter into agreements for the purpose of operating and maintaining the water supply system (the “**System**”);
- B. AND WHEREAS** pursuant to the Articles of Incorporation dated February 24, 2023, UWSS Inc. was incorporated under the *Business Corporations Act* (Ontario) by the Municipalities;
- C. AND WHEREAS** the Municipalities and UWSS Inc. are in the process of transferring the assets and operations of the System from UWSS to UWSS Inc.;
- D. AND WHEREAS** effective the date hereof until completion of the transfer of assets and operations (the “**Interim Period**”) the parties wish to confirm that UWSS Inc. will manage and operate the System on behalf of UWSS, subject to the services provided by the Ontario Clean Water Agency under the Services Agreement dated July 1, 2019 (the “**OCWA Agreement**”), pursuant to the terms and conditions set out herein;

**NOW THEREFORE WITNESSETH THAT** in consideration of the sum of one dollar (\$1.00) of lawful money of Canada, paid by each of the Parties hereto to the other and in consideration of the mutual covenants and obligations herein contained, the receipt and



sufficiency whereof are hereby acknowledged, it is agreed by and between the Parties as follows:

**ARTICLE I**  
**DEFINITIONS, INTERPRETATION AND SCHEDULES**

**1.1 Defined Terms:** In this Agreement, unless the context otherwise requires, the following words, phrases and terms when bearing title case format, shall have the meanings ascribed to them as set forth below:

“**Claim**” means any claim for liability, construction lien, certificate of action, repair lien, proceeding, action, judgment, execution, writ of seizure and sale (including reasonable legal fees and expenses) for or pertaining to any Damages and for any Injury;

“**Cost**” means all expenses, charges, taxes and duties including any professional, consulting and legal fees (if applicable), and “**Costing**” has a corresponding meaning;

“**Damages**” means any direct loss, expense, cost or damage including compensatory, diminution in value of an asset or any part thereof;

“**Equipment Leases**” includes all leases of System Equipment and other personal property pertaining to the System;

“**Injury**” means any property damage, personal or bodily injury with respect to the System, including death resulting therefrom whether such death occurs before or after the end of the Term;

“**Interim Period**” has the meaning set out in the recitals hereto;

“**Leases**” includes all real property leases, licences, and other rights of Occupants relating to the System;

“**Manage**” means the responsibilities and obligations of UWSS Inc. as set forth in Article II below and the performance of the management functions set forth in Article II below, and “**Management**” shall have a corresponding meaning;

“**Occupant**” means any tenant, licensee, concessionaire, franchisee, user or other Person who occupies, holds or uses any part of the System under any System Contract;

“**OCWA Agreement**” has the meaning set out in the recitals hereto;

“**Operating Account**” means the System Operating Account, to be established and maintained by UWSS Inc., and into which shall be deposited all System Operating Revenue, necessary capital and operating contributions and other monies as required by the Agreement and upon which shall be drawn the System Operating Expenses;

“**Parties**” means UWSS and UWSS Inc., and “**Party**” means either one of them;

“**Person**” means any individual, body corporate, partnership, firm, sole proprietorship, trustee or trust or unincorporated association;

“**Records**” means the records and books of account described in Section 3.2;

“**System**” has the meaning set out in the recitals hereto;

“**System Contracts**” means all contracts, agreements, instruments and other legally binding commitments or arrangements, written or oral, pertaining to the System, and any Equipment Leases, and Leases;

“**System Equipment**” means all items of tangible personal property owned by UWSS, and used in connection with the System;

“**System Operating Expenses**” means all costs and expenses directly related to the Management of the System, which shall be paid by UWSS Inc. out of the Operating Account;

“**System Operating Revenue**” includes all moneys, sums, income and revenues whatsoever emanating from or generated by the System or any part thereof and all activities therewith associated, regardless of form, and shall without limitation include all revenue received and receivable by UWSS Inc. from users of the System, proceeds payable under business interruption insurance policies, retail sales tax, goods and services tax;

“**UWSS Inc.**” has the meaning set out in the preamble hereof; and

“**UWSS**” has the meaning set out in the preamble hereof.

## **ARTICLE II OWNERSHIP AND MANAGEMENT OF THE SYSTEM**

**2.1 Ownership of the System:** The Parties acknowledge during the Interim Period UWSS will continue to own the property, assets and undertakings of the System. UWSS has the right in its sole discretion to deal with the System, and is entitled to designate the operation, management, maintenance, repair and improvement thereof to UWSS Inc. and UWSS Inc. is entitled to all the benefits, obligations and proceeds therefrom.

**2.2 Management and Control of the System:** Subject to the provisions of this Agreement and the provisions of the OCWA Agreement, the Parties acknowledge that UWSS shall own the System and UWSS Inc. shall operate, control, manage and maintain the System on behalf of UWSS pursuant to this Agreement.

## **ARTICLE III FINANCIAL MATTERS AND REPORTING**

**3.1 System Operating Revenue:** UWSS Inc. shall provide adequate supervision, bookkeeping and accounting and auditing procedures to safeguard the receipt and handling of System Operating Revenue, all of which is to be collected and deposited into the Operating

Account by UWSS Inc. (or if received by UWSS such receipts are to be delivered to UWSS Inc. for deposit). All monies in the Operating Account are for the account of UWSS Inc. and shall be used for the payment of the System Operating Expenses. For greater certainty, from the Effective Date all System Operating Revenue and all System Operating Expenses shall be recorded on the books of UWSS Inc.

### **3.2 Books and Records:**

- (a) UWSS Inc. shall cause to be kept and maintained on a current basis, proper and complete financial records in which shall be entered fully, accurately and clearly all transactions and other matters relative to the System and its Management containing sufficient detail to permit all System Operating Revenue to be recorded by source and classification and containing sufficient detail to permit all System Operating Expenses to be recorded by destination and classification.
- (b) UWSS Inc. shall also keep and continue to maintain on a current basis all existing books, records, plans, drawings, systems and programs (collectively, the “**Records**”) and any reports in which Records it shall enter and record fully, and accurately, and clearly all the information necessary or desirable to permit the preparation by UWSS Inc. of any addition to the existing reports and such other reports as the Parties may agree upon from time to time.

**3.3 Financial Reports:** UWSS Inc. shall prepare and deliver to UWSS quarterly financial reports for the System, in form and reasonable detail approved by UWSS.

**3.4 Staffing:** Except where services are contracted out to third parties, all personnel performing the services of UWSS Inc. herein shall be and are deemed to be employees of UWSS Inc. and not UWSS.

## **ARTICLE IV INDEMNIFICATION**

**4.1 UWSS Inc. Indemnity:** UWSS Inc. shall, and hereby does, agree to indemnify, defend and hold harmless UWSS, its officers, directors, shareholders and employees, from and against any and all Claims resulting from or arising out of any act or omission of UWSS Inc. relating to the Management of the System, except any Claims resulting from or arising out of any breach by UWSS of its obligations and responsibilities contained herein or any failure by UWSS to perform or any negligent performance by UWSS of its duties, obligations and responsibilities hereunder.

**4.2 UWSS Indemnity:** UWSS shall, and hereby does, agree to indemnify, defend and hold harmless UWSS Inc., its officers, directors and shareholders and employees, from and against any and all Claims resulting from or arising out of any act or omission of UWSS relating to this Agreement except any Claims resulting from or arising out of any breach by UWSS Inc. of its obligations and responsibilities contained herein or any failure by UWSS

Inc. to perform or any negligent performance by UWSS Inc. of its duties, obligations and responsibilities hereunder.

**ARTICLE V  
TERM AND TERMINATION**

**5.1 Term:** Unless terminated earlier as set forth herein, the term of this Agreement shall be from the Effective Date until the date of completion of the transfer of assets and operations from UWSS to UWSS Inc.

**5.2 Termination:** Notwithstanding the foregoing, either Party may terminate this Agreement by giving thirty (30) days prior written notice of termination to the other Party.

**ARTICLE VI  
GENERAL PROVISIONS OF AGREEMENT**

**6.1 Notices:**

(a) **Delivery:** All notices and other communications required or permitted to be given hereunder shall be in writing and shall be given by facsimile or by delivery as hereafter provided. Notices and other communications shall be addressed as follows:

(i) If to UWSS Inc.:

1615 Union Ave.  
P.O. Box 340  
Ruthven, ON  
N0P 2G0

Attention: Rodney Bouchard, Chief Executive Officer

(ii) If to UWSS:

1615 Union Ave.  
P.O. Box 340  
Ruthven, ON  
N0P 2G0

Attention: Rodney Bouchard, General Manager

**6.2 Time of Essence:** Time shall be of the essence of this Agreement and of every part thereof.

**6.3 Governing Law:** This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

**6.4 Entire Agreement and Amendments:** This Agreement constitutes the entire

agreement between the Parties with respect to the matters herein and supersedes all prior agreements relating to the subject matter hereof. The execution of this Agreement has not been induced by, nor do the Parties rely upon or regard as material, any representations, promises, agreements or statements whatsoever not incorporated herein. This Agreement shall not be amended, altered or qualified except by a memorandum in writing signed by the Parties.

**6.5 Waiver:** No Party shall be deemed or taken to have waived any provision of this Agreement unless such waiver is in writing, and then such waiver shall be limited to the circumstances set forth in such written waiver.

**6.6 Severability:** If any provisions of this Agreement is determined to be unenforceable or invalid, that unenforceability or invalidity shall not affect the remaining portions of this Agreement and such unenforceable or invalid provision shall be deemed to be severed from the remainder of this Agreement.

**6.7 Counterparts:** This Agreement may be executed by the Parties in separate counterparts each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same instrument.

**6.8 Relationship:** There shall be no relationship of partnership, joint venture or tenancy created under or by virtue of this Agreement and any intention to create any such relationship is expressly disclaimed.

**6.9 Assignment:** This Agreement shall not be assigned by any of the Parties hereto without the prior written consent of the other Party.

**6.10 Enurement:** This Agreement shall be binding upon and enure to the benefit of the Parties and their permitted assigns.

*[SIGNATURE PAGE FOLLOWS]*

**IN WITNESS WHEREOF** the Parties have executed this Agreement as of the date first set out above.

**UNION WATER SUPPLY SYSTEM  
JOINT BOARD OF MANAGEMENT**

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

*I/We have authority to bind the Corporation.*

**UNION WATER SUPPLY SYSTEM  
INC.**

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

*I/We have authority to bind the  
Corporation.*

**To:** UWSS Inc. Board of Directors  
**From:** Rodney Bouchard, UWSS Inc. CEO  
**Date:** December 14, 2023  
**Re:** Extension of UWSS-OCWA Operations and Maintenance Agreement

---



## **Recommendation**

That the Union Water Supply System Inc. (UWSS Inc.) of Directors authorizes the extension of the July 1, 2019 Operations and Maintenance Agreement between UWSS and Ontario Clean Water Agency (OCWA) for a period of 1-year starting January 1, 2024 and ending December 31, 2024.

## **Background**

The Union Water Supply System Joint Board of Management (UWSS JBM) has retained Ontario Clean Water Agency (OCWA) since 2001 to operate and maintain the Union Water Supply System facilities. The existing operations and maintenance (O&M) agreement between UWSS and OCWA is a Cost Plus Fixed Management Fee agreement that took effect on July 1, 2019.

## **Discussion**

The existing O&M agreement between UWSS and OCWA is structured with an initial term of 4.5 years ending December 31, 2023, that may be renewed for successive five (5)-year terms upon agreement between both Parties.

With the incorporation of UWSS Inc. and its intended purpose of taking over management of the UWSS facilities and assets on January 1, 2024, UWSS management determined that the transition would provide an opportune time for undertaking a review of the services provided by directly by UWSS by OCWA through the O&M Agreement. At the July 7<sup>th</sup>, 2023 UWSS Board Meeting, the UWSS JBM approved the undertaking of a service level review of UWSS operations to evaluate options for improvements. Due to unforeseen delays in the restructuring/transition process, difficulty in identifying appropriate consultants, etc, the service level review will not get started until January/February 2024.

As a consequence of the delays in undertaking the service level review; and the initial term of the UWSS-OCWA O&M agreement ending on December 31, 2023, and the transition of management of UWSS facilities/assets from UWSS JBM to UWSS Inc. on January 1,2023, UWSS management and OCWA agreed to the following:

1. The existing UWSS-OCWA O&M Agreement dated July 1, 2019 is to be assigned from UWSS JBM to UWSS Inc. before December 31<sup>st</sup>, 2023.

Re: UWSS/17/23 - Extension of UWSS-OCWA Operations and Maintenance Agreement

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2. The UWSS-OCWA O&M Agreement initial term ending December 31<sup>st</sup>, 2023 is to be extended for a year ending December 31<sup>st</sup>, 2024.

The assignment of the agreement to UWSS Inc. and the extension of the initial term of the agreement to December 31<sup>st</sup>, 2024 will provide adequate time for UWSS Inc. to complete the service level review.

### Comments

UWSS Inc. management recommends that the extension of the UWSS-OCWA O&M Agreements to December 31<sup>st</sup>, 2024 to allow time for the completion of a Service Level Review for UWSS operations.

Respectfully submitted,



Rodney Bouchard, CEO  
Union Water Supply System Inc.

/kmj



To: UWSS Inc. Board of Directors  
From: Rodney Bouchard, UWSS Inc. CEO  
Date: December 14, 2023  
Re: Ontario Regulation 453-07 Financial Plan Update  
for Union Water Supply System

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**Recommendation:**

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

**Background:**

At the September 14, 2023 meeting of the UWSS Board, UWSS management informed the Board that the UWSS had received notification on July 19<sup>th</sup>, 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.

**Discussion:**

In order to obtain a Municipal Drinking Water License, 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 MDWL 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.

Re: UWSS/18/23 -Ontario Regulation 453 Financial Plan Update

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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;
- 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.

UWSS retained Watson & Associates Economists Ltd (Watson & Associates) to prepare an update to the UWSS’ O.Reg 453/07 Financial Plan based on the Water Rate Analysis. A copy of the *Water Ontario Regulation 453/06 Financial Plan, Financial Plan #041-301, Union Water Supply System, December 20, 2023* by Watson & Associates is attached to this report. This report is to be considered a draft for review.

Although the Financial Plan includes a water rate structure and proposed water rates for the full 6-years of the plan, 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 Financial Plan will be updated in the next 5-year cycle as per regulatory requirements.

Re: UWSS/18/23 -Ontario Regulation 453 Financial Plan Update

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UWSS Inc. management proposes to recommend endorsement of the UWSS Financial Plan update at the January 17, 2024 UWSS Inc. Board meeting. Once endorsed by the UWSS Board, the UWSS Financial Plan update will be submitted to MMAH and MECP. The Financial Plan update will also be made available to the public free of charge and a notification of the Plan's availability will be advertised to the public.

### Closing Remarks

**Watson & Associates Financial Plan report dated December 20, 2023** 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. It is important to note that this financial plan document is intended as a draft the Board's review. Endorsement of the financial plan will be sought at a later meeting of the UWSS Inc. Board.

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

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Financial Plan # 041-301

December 20, 2023

Watson & Associates Economists Ltd.  
905-272-3600  
[info@watsonecon.ca](mailto:info@watsonecon.ca)

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## List of Acronyms and Abbreviations

<b>Acronym</b>	<b>Full Description of Acronym</b>
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

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# Chapter 1

## Introduction

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# 1. Introduction

## 1.1 Study Purpose

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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

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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 ten-year 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 2023 start year and forecast period to 2032.



# Chapter 2

## Sustainable Financial Planning

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## 2. Sustainable Financial Planning

### 2.1 Introduction

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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.

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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

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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

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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

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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. is transitioning 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

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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:

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- 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.

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# Chapter 3

## Approach

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## 3. Approach

### 3.1 Overview

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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

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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.

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

Modified Cash Basis	Budget 2023	Adjustments		Full Accrual Budget 2023	Accrual Basis
		DR	CR		
<b>Revenues</b>					<b>Revenues</b>
Rate Based Revenue	14,987,211			14,987,211	Rate Based Revenue
Other Revenue	1,151,179		444,248	1,595,427	Other Revenue*
<b>Total Revenues</b>	<b>16,138,390</b>			<b>16,582,638</b>	<b>Total Revenues</b>
<b>Expenditures</b>					<b>Expenses</b>
Operating	7,572,950	905,000		8,477,950	Operating Expenses
Capital					
Transfers to Reserves	6,156,517		6,156,517		
Debt Repayment (Principal & Interest)	2,408,923		1,649,492	759,431	Interest on Debt
		1,449,121		1,449,121	Amortization
		-		-	Loss on Disposal of Tangible Capital Assets
<b>Total Expenditures</b>	<b>16,138,390</b>			<b>10,686,502</b>	<b>Total Expenses</b>
<b>Net Expenditures</b>	<b>-</b>			<b>5,896,136</b>	<b>Annual Surplus/(Deficit)</b>
Increase (decrease) in amounts to be recovered	-			54,626,442	Accumulated Surplus/(Deficit), beginning of year
<b>Change in Fund Balances</b>	<b>-</b>	<b>5,896,136</b>	<b>-</b>	<b>60,522,578</b>	<b>Accumulated Surplus/(Deficit), end of year</b>
<b>TOTAL ADJUSTMENTS</b>		<b>8,250,257</b>	<b>8,250,257</b>		

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





### **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 2023	Adjustments		Full Accrual Budget 2023	Accrual Basis
		DR	CR		
<b>ASSETS</b>					<b>ASSETS</b>
<b>Financial Assets</b>					<b>Financial Assets</b>
Cash	21,676,563			21,676,563	Cash
Accounts Receivable	3,314,634			3,314,634	Accounts Receivable
<b>Total Financial Assets</b>	<b>24,991,197</b>			<b>24,991,197</b>	<b>Total Financial Assets</b>
<b>Non-Financial Assets</b>					
Inventory of Supplies	-		-		
Prepaid Expenses	-		-		
<b>Total Non-Financial Assets</b>	<b>-</b>				
<b>LIABILITIES</b>					<b>Liabilities</b>
Accounts Payable & Accrued Liabilities	2,334,544			2,334,544	Accounts Payable & Accrued Liabilities
Gross Long-term Liabilities	6,259,452			6,259,452	Debt (Principal only)
Deferred Revenue	-			-	Deferred Revenue
Bank Indebtedness	-			-	Bank Indebtedness
<b>Total Liabilities</b>	<b>8,593,996</b>			<b>8,593,996</b>	<b>Total Liabilities</b>
<b>Net Assets/(Debt)</b>	<b>16,397,201</b>			<b>16,397,201</b>	<b>Net Financial Assets/(Debt)</b>
		45,030,377	905,000	44,125,377	<b>Non-Financial Assets</b>
		-		-	Tangible Capital Assets
		-		-	Inventory of Supplies
					Prepaid Expenses
				<b>44,125,377</b>	<b>Total Non-Financial Assets</b>
<b>Municipal Position</b>					
Water Reserves	22,656,653	22,656,653	-		
Amounts to be Recovered	(6,259,452)	-	6,259,452		
<b>Total U.W.S.S. Position</b>	<b>16,397,201</b>		60,522,578	<b>60,522,578</b>	<b>Accumulated Surplus/(Deficit), end of year</b>
<b>TOTAL ADJUSTMENTS</b>		<b>67,687,030</b>	<b>67,687,030</b>		



### **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.

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# Chapter 4

## Financial Plan

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## 4. Financial Plan

### 4.1 Introduction

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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 document<sup>1</sup> and contains various estimates as detailed in the "Notes to the Financial Plan" section below.

### 4.2 Water Financial Plan

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#### 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 2023, the U.W.S.S.'s water system will be in a net financial asset position of approximately \$16.4 million. For the balance of the forecast, 2024-2032, 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:

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<sup>1</sup> 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 \$179.3 million over the 10-year 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 64% to 81% over the forecast period to 2032. As a result, annual surplus decreases from \$5.9 million to \$5.6 million. This is primarily due to a general increasing trend in expenses relative to the revenues from volume rates and transfers to reserve funds and should be revisited through future budgets. 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 \$39.8 million to a 2023 accumulated surplus of \$54.6 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 2.05 in 2023 and decreasing to 0.35 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 \$22.7 million at the beginning of 2023, to approximately \$14.5 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  
2023-2032

	Notes	Forecast									
		2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
<b>Financial Assets</b>											
Cash	1	21,676,563	17,377,897	11,917,968	11,121,408	11,818,363	11,487,170	10,573,129	10,644,716	11,798,666	14,516,915
Accounts Receivable	1	3,314,634	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
<b>Total Financial Assets</b>		<b>24,991,197</b>	<b>20,866,064</b>	<b>15,588,752</b>	<b>14,984,370</b>	<b>15,883,564</b>	<b>15,765,198</b>	<b>15,075,127</b>	<b>15,382,408</b>	<b>16,784,393</b>	<b>19,763,662</b>
<b>Liabilities</b>											
Bank Indebtedness		-	-	-	-	-	-	-	-	-	-
Accounts Payable & Accrued Liabilities	1	2,334,544	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	6,259,452	15,736,949	42,065,442	66,205,186	102,444,912	134,895,433	138,886,896	144,014,629	145,246,919	145,027,236
Deferred Revenue	3	-	-	-	-	-	-	-	-	-	-
<b>Total Liabilities</b>		<b>8,593,996</b>	<b>18,193,715</b>	<b>44,650,828</b>	<b>68,925,925</b>	<b>105,308,091</b>	<b>137,908,509</b>	<b>142,057,717</b>	<b>147,351,453</b>	<b>148,758,438</b>	<b>148,722,595</b>
<b>Net Financial Assets/(Debt)</b>		<b>16,397,201</b>	<b>2,672,349</b>	<b>(29,062,076)</b>	<b>(53,941,555)</b>	<b>(89,424,527)</b>	<b>(122,143,311)</b>	<b>(126,982,590)</b>	<b>(131,969,045)</b>	<b>(131,974,045)</b>	<b>(128,958,933)</b>
<b>Non-Financial Assets</b>											
Tangible Capital Assets	4	44,125,377	62,986,344	100,500,520	129,604,273	168,716,265	203,628,614	209,656,291	217,040,276	220,787,799	223,382,857
<b>Total Non-Financial Assets</b>		<b>44,125,377</b>	<b>62,986,344</b>	<b>100,500,520</b>	<b>129,604,273</b>	<b>168,716,265</b>	<b>203,628,614</b>	<b>209,656,291</b>	<b>217,040,276</b>	<b>220,787,799</b>	<b>223,382,857</b>
<b>Accumulated Surplus/(Deficit)</b>	5	<b>60,522,578</b>	<b>65,658,693</b>	<b>71,438,444</b>	<b>75,662,718</b>	<b>79,291,738</b>	<b>81,485,303</b>	<b>82,673,701</b>	<b>85,071,231</b>	<b>88,813,754</b>	<b>94,423,924</b>
<b>Financial Indicators</b>	<b>Total Change</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>2031</b>	<b>2032</b>
1) Increase/(Decrease) in Net Financial Assets	(141,601,277)	3,754,857	(13,724,852)	(31,734,425)	(24,879,479)	(35,482,972)	(32,718,784)	(4,839,279)	(4,986,455)	(5,000)	3,015,112
2) Increase/(Decrease) in Tangible Capital Assets	181,398,759	2,141,279	18,860,967	37,514,176	29,103,753	39,111,992	34,912,349	6,027,677	7,383,985	3,747,523	2,595,058
3) Increase/(Decrease) in Accumulated Surplus	39,797,482	5,896,136	5,136,115	5,779,751	4,224,274	3,629,020	2,193,565	1,188,398	2,397,530	3,742,523	5,610,170



**Table 4-2**  
**Statement of Operations: Water Services**  
**UNAUDITED: For Financial Planning Purposes Only**  
**2023-2032**

	Notes	Forecast									
		2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
<b>Water Revenue</b>											
Rate Based Revenue		14,987,211	14,344,389	14,996,004	15,909,730	17,207,274	18,610,568	20,127,732	21,767,471	23,541,729	25,460,900
Other Revenue	6	1,595,427	1,374,737	1,992,366	1,951,833	2,064,380	2,152,900	2,323,412	2,596,119	2,948,568	3,402,241
<b>Total Revenues</b>		<b>16,582,638</b>	<b>15,719,126</b>	<b>16,988,370</b>	<b>17,861,563</b>	<b>19,271,654</b>	<b>20,763,468</b>	<b>22,451,144</b>	<b>24,363,590</b>	<b>26,490,297</b>	<b>28,863,141</b>
<b>Water Expenses</b>											
Operating Expenses	Sch. 4-1	8,477,950	8,491,090	8,328,442	8,778,354	9,050,367	9,333,006	9,625,651	9,927,700	10,242,566	10,567,683
Interest on Debt	2	759,431	575,888	936,353	2,125,688	3,310,259	5,122,246	6,744,772	6,944,345	7,200,731	7,262,346
Amortization	4	1,449,121	1,516,033	1,943,824	2,733,247	3,282,008	4,114,651	4,892,323	5,094,015	5,304,477	5,422,942
Loss on Disposal of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
<b>Total Expenses</b>		<b>10,686,502</b>	<b>10,583,011</b>	<b>11,208,619</b>	<b>13,637,289</b>	<b>15,642,634</b>	<b>18,569,903</b>	<b>21,262,746</b>	<b>21,966,060</b>	<b>22,747,774</b>	<b>23,252,971</b>
<b>Annual Surplus/(Deficit)</b>		<b>5,896,136</b>	<b>5,136,115</b>	<b>5,779,751</b>	<b>4,224,274</b>	<b>3,629,020</b>	<b>2,193,565</b>	<b>1,188,398</b>	<b>2,397,530</b>	<b>3,742,523</b>	<b>5,610,170</b>
Accumulated Surplus/(Deficit), beginning of year	5	54,626,442	60,522,578	65,658,693	71,438,444	75,662,718	79,291,738	81,485,303	82,673,701	85,071,231	88,813,754
Accumulated Surplus/(Deficit), end of year		60,522,578	65,658,693	71,438,444	75,662,718	79,291,738	81,485,303	82,673,701	85,071,231	88,813,754	94,423,924
<b>Note 5:</b>											
<b>Accumulated Surplus/(Deficit) Reconciliation:</b>											
		<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>2031</b>	<b>2032</b>
<b>Reserve Balances</b>											
Reserves: Development Charges		-	-	-	-	-	-	-	-	-	-
Reserves: Gas Tax		-	-	-	-	-	-	-	-	-	-
Reserves: Capital/Other		22,656,653	18,409,298	13,003,366	12,263,631	13,020,385	12,752,122	11,904,306	12,045,584	13,272,874	16,068,303
<b>Total Reserves Balance</b>		<b>22,656,653</b>	<b>18,409,298</b>	<b>13,003,366</b>	<b>12,263,631</b>	<b>13,020,385</b>	<b>12,752,122</b>	<b>11,904,306</b>	<b>12,045,584</b>	<b>13,272,874</b>	<b>16,068,303</b>
Less: Debt Obligations and Deferred Revenue		(6,259,452)	(15,736,949)	(42,065,442)	(66,205,186)	(102,444,912)	(134,895,433)	(138,886,896)	(144,014,629)	(145,246,919)	(145,027,236)
Add: Tangible Capital Assets	4	44,125,377	62,986,344	100,500,520	129,604,273	168,716,265	203,628,614	209,656,291	217,040,276	220,787,799	223,382,857
<b>Total Ending Balance</b>		<b>60,522,578</b>	<b>65,658,693</b>	<b>71,438,444</b>	<b>75,662,718</b>	<b>79,291,738</b>	<b>81,485,303</b>	<b>82,673,701</b>	<b>85,071,231</b>	<b>88,813,754</b>	<b>94,423,924</b>
<b>Financial Indicators</b>											
	<b>Total Change</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>2031</b>	<b>2032</b>
1) Expense to Revenue Ratio		64%	67%	66%	76%	81%	89%	95%	90%	86%	81%
2) Increase/(Decrease) in Accumulated Surplus	39,797,482	5,896,136	5,136,115	5,779,751	4,224,274	3,629,020	2,193,565	1,188,398	2,397,530	3,742,523	5,610,170



Schedule 4-1  
Statement of Operating Expenses: Water Services  
UNAUDITED: For Financial Planning Purposes Only  
2023-2032

	Notes	Forecast									
		2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
<b>Operating Expenses</b>											
<b>WAGES AND BENEFITS</b>		-	-	-	-	-	-	-	-	-	-
Salaried		205,000	360,000	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		72,000	95,000	130,000	160,000	163,200	166,464	169,793	173,189	176,653	180,186
<b>OFFICE OVERHEAD, RENTS AND SERVICES</b>		-	-	-	-	-	-	-	-	-	-
Office supplies		750	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		6,000	7,500	7,725	7,957	8,195	8,441	8,695	8,955	9,224	9,501
Travel & Mileage		1,200	5,000	5,150	5,305	5,464	5,628	5,796	5,970	6,149	6,334
Professional Development		5,000	25,000	25,750	26,523	27,318	28,138	28,982	29,851	30,747	31,669
Conferences		17,000	30,000	30,900	31,827	32,782	33,765	34,778	35,822	36,896	38,003
Meeting Expenses		1,200	5,000	5,150	5,305	5,464	5,628	5,796	5,970	6,149	6,334
Uniforms/Clothing		200	2,000	2,060	2,122	2,185	2,251	2,319	2,388	2,460	2,534
Legal/Professional fees		185,000	200,000	206,000	212,180	218,545	225,102	231,855	238,810	245,975	253,354
Audit Fees		7,500	12,500	12,875	13,261	13,659	14,069	14,491	14,926	15,373	15,835
Operational Purchases/Maint.		25,000	25,000	25,750	26,523	27,318	28,138	28,982	29,851	30,747	31,669
Communications		2,500	2,500	2,575	2,652	2,732	2,814	2,898	2,985	3,075	3,167
Postage & Courier		500	500	515	530	546	563	580	597	615	633
Advertising & Promotion		5,000	7,000	7,210	7,426	7,649	7,879	8,115	8,358	8,609	8,867
Insurance		30,000	50,000	51,500	53,045	54,636	56,275	57,964	59,703	61,494	63,339
Donations & Grants		4,000	5,000	5,150	5,305	5,464	5,628	5,796	5,970	6,149	6,334
Tech Hardware Maintenance (SCADA, etc)		40,000	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	10,000	10,300	10,609	10,927	11,255	11,593	11,941	12,299	12,668
Software Licensing and Support		40,000	40,000	41,200	42,436	43,709	45,020	46,371	47,762	49,195	50,671
Software Purchases		6,000	10,000	10,300	10,609	10,927	11,255	11,593	11,941	12,299	12,668
Telecom Maintenance		7,500	10,000	10,300	10,609	10,927	11,255	11,593	11,941	12,299	12,668
Vehicle Expenses		10,000	10,000	10,300	10,609	10,927	11,255	11,593	11,941	12,299	12,668
Other Expenses		5,000	5,000	5,150	5,305	5,464	5,628	5,796	5,970	6,149	6,334
OCWA Operating Union		3,831,155	3,946,090	4,064,472	4,186,407	4,311,999	4,441,359	4,574,599	4,711,837	4,853,193	4,998,788
Property Taxes		162,690	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)		50,000	60,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Electricity and Natural Gas		1,625,000	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		65,000	110,000	112,200	114,444	116,733	119,068	121,449	123,878	126,355	128,883
Operational Programs & Studies		730,500	490,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Residuals Ponds Maintenance		30,000	200,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Water Quality/Corrosion Program		45,000	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	100,000
Un-Budgeted Repairs		100,000	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	905,000	506,000	265,000	273,000	281,000	290,000	299,000	307,000	317,000	326,000
<b>TOTAL OPERATING EXPENSES</b>		<b>8,477,950</b>	<b>8,491,090</b>	<b>8,328,442</b>	<b>8,778,354</b>	<b>9,050,367</b>	<b>9,333,006</b>	<b>9,625,651</b>	<b>9,927,700</b>	<b>10,242,566</b>	<b>10,567,683</b>



**Table 4-3**  
**Statement of Changes in Net Financial Assets/Debt: Water Services**  
**UNAUDITED: For Financial Planning Purposes Only**  
**2023-2032**

	Notes	Forecast									
		2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Annual Surplus/(Deficit)		5,896,136	5,136,115	5,779,751	4,224,274	3,629,020	2,193,565	1,188,398	2,397,530	3,742,523	5,610,170
Less: Acquisition of Tangible Capital Assets	4	(3,590,400)	(20,377,000)	(39,458,000)	(31,837,000)	(42,394,000)	(39,027,000)	(10,920,000)	(12,478,000)	(9,052,000)	(8,018,000)
Add: Amortization of Tangible Capital Assets	4	1,449,121	1,516,033	1,943,824	2,733,247	3,282,008	4,114,651	4,892,323	5,094,015	5,304,477	5,422,942
(Gain)/Loss on disposal of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
Add: Proceeds on Sale of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
Add: Write-downs of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
		(2,141,279)	(18,860,967)	(37,514,176)	(29,103,753)	(39,111,992)	(34,912,349)	(6,027,677)	(7,383,985)	(3,747,523)	(2,595,058)
Less: Acquisition of Supplies Inventory		-	-	-	-	-	-	-	-	-	-
Less: Acquisition of Prepaid Expenses		-	-	-	-	-	-	-	-	-	-
Add: Consumption of Supplies Inventory		-	-	-	-	-	-	-	-	-	-
Add: Use of Prepaid Expenses		-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-
<b>Increase/(Decrease) in Net Financial Assets/(Net Debt)</b>		<b>3,754,857</b>	<b>(13,724,852)</b>	<b>(31,734,425)</b>	<b>(24,879,479)</b>	<b>(35,482,972)</b>	<b>(32,718,784)</b>	<b>(4,839,279)</b>	<b>(4,986,455)</b>	<b>(5,000)</b>	<b>3,015,112</b>
Net Financial Assets/(Net Debt), beginning of year		12,642,344	16,397,201	2,672,349	(29,062,076)	(53,941,555)	(89,424,527)	(122,143,311)	(126,982,590)	(131,969,045)	(131,974,045)
<b>Net Financial Assets/(Net Debt), end of year</b>		<b>16,397,201</b>	<b>2,672,349</b>	<b>(29,062,076)</b>	<b>(53,941,555)</b>	<b>(89,424,527)</b>	<b>(122,143,311)</b>	<b>(126,982,590)</b>	<b>(131,969,045)</b>	<b>(131,974,045)</b>	<b>(128,958,933)</b>
<b>Financial Indicators</b>		<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>2031</b>	<b>2032</b>
1) Acquisition of Tangible Capital Assets (Cumulative)		3,590,400	23,967,400	63,425,400	95,262,400	137,656,400	176,683,400	187,603,400	200,081,400	209,133,400	217,151,400
2) Annual Surplus/Deficit before Amortization (Cumulative)		7,345,257	13,997,405	21,720,980	28,678,501	35,589,529	41,897,745	47,978,466	55,470,011	64,517,011	75,550,123
3) Ratio of Annual Surplus before Amortization to Acquisition of TCA's (Cumulative)		2.05	0.58	0.34	0.30	0.26	0.24	0.26	0.28	0.31	0.35



**Table 4-4**  
**Statement of Cash Flow – Indirect Method: Water Services**  
**UNAUDITED: For Financial Planning Purposes Only**  
**2023-2032**

	Notes	Forecast									
		2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
<b>Operating Transactions</b>											
Annual Surplus/Deficit		5,896,136	5,136,115	5,779,751	4,224,274	3,629,020	2,193,565	1,188,398	2,397,530	3,742,523	5,610,170
Add: Amortization of TCA's	4	1,449,121	1,516,033	1,943,824	2,733,247	3,282,008	4,114,651	4,892,323	5,094,015	5,304,477	5,422,942
(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		(2,061,086)	(173,532)	(182,617)	(192,179)	(202,241)	(212,827)	(223,970)	(235,695)	(248,034)	(261,020)
Change in A/P Increase/(Decrease)		(1,059,716)	122,221	128,620	135,354	142,441	149,897	157,745	166,004	174,694	183,840
Less: Interest Proceeds		(444,248)	(360,967)	(254,968)	(240,463)	(255,302)	(250,042)	(233,418)	(236,188)	(260,252)	(315,065)
<b>Cash Provided by Operating Transactions</b>		<b>3,780,207</b>	<b>6,239,870</b>	<b>7,414,610</b>	<b>6,660,233</b>	<b>6,595,926</b>	<b>5,995,244</b>	<b>5,781,078</b>	<b>7,185,666</b>	<b>8,713,408</b>	<b>10,640,867</b>
<b>Capital Transactions</b>											
Proceeds on sale of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
Less: Cash Used to acquire Tangible Capital Assets	4	(3,590,400)	(20,377,000)	(39,458,000)	(31,837,000)	(42,394,000)	(39,027,000)	(10,920,000)	(12,478,000)	(9,052,000)	(8,018,000)
<b>Cash Applied to Capital Transactions</b>		<b>(3,590,400)</b>	<b>(20,377,000)</b>	<b>(39,458,000)</b>	<b>(31,837,000)</b>	<b>(42,394,000)</b>	<b>(39,027,000)</b>	<b>(10,920,000)</b>	<b>(12,478,000)</b>	<b>(9,052,000)</b>	<b>(8,018,000)</b>
<b>Investing Transactions</b>											
Proceeds from Investments		444,248	360,967	254,968	240,463	255,302	250,042	233,418	236,188	260,252	315,065
Less: Cash Used to Acquire Investments		-	-	-	-	-	-	-	-	-	-
<b>Cash Provided by (applied to) Investing Transactions</b>		<b>444,248</b>	<b>360,967</b>	<b>254,968</b>	<b>240,463</b>	<b>255,302</b>	<b>250,042</b>	<b>233,418</b>	<b>236,188</b>	<b>260,252</b>	<b>315,065</b>
<b>Financing Transactions</b>											
Proceeds from Debt Issue	2	-	11,330,000	28,644,000	27,318,000	37,704,000	34,778,000	7,164,000	8,609,000	5,068,000	3,914,000
Less: Debt Repayment (Principal only)	2	(1,649,492)	(1,852,503)	(2,315,507)	(3,178,256)	(1,464,273)	(2,327,479)	(3,172,537)	(3,481,267)	(3,835,710)	(4,133,683)
<b>Cash Applied to Financing Transactions</b>		<b>(1,649,492)</b>	<b>9,477,497</b>	<b>26,328,493</b>	<b>24,139,744</b>	<b>36,239,727</b>	<b>32,450,521</b>	<b>3,991,463</b>	<b>5,127,733</b>	<b>1,232,290</b>	<b>(219,683)</b>
Increase in Cash and Cash Equivalents		(1,015,437)	(4,298,666)	(5,459,929)	(796,560)	696,955	(331,193)	(914,041)	71,587	1,153,950	2,718,249
Cash and Cash Equivalents, beginning of year	1	22,692,000	21,676,563	17,377,897	11,917,968	11,121,408	11,818,363	11,487,170	10,573,129	10,644,716	11,798,666
<b>Cash and Cash Equivalents, end of year</b>	<b>1</b>	<b>21,676,563</b>	<b>17,377,897</b>	<b>11,917,968</b>	<b>11,121,408</b>	<b>11,818,363</b>	<b>11,487,170</b>	<b>10,573,129</b>	<b>10,644,716</b>	<b>11,798,666</b>	<b>14,516,915</b>



## 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 2022 was approximately \$7.9 million. Principal repayments (including refinanced amounts) over the forecast period are scheduled as follows:

Year	Principal Payments
2023	1,649,492
2024	1,852,503
2025	2,315,507
2026	3,178,256
2027	1,464,273
2028	2,327,479
2029	3,172,537
2030	3,481,267
2031	3,835,710
2032	4,133,683
<b>Total</b>	<b>27,410,707</b>

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  
2023-2032

Asset Historical Cost	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Opening Tangible Capital Asset Balance	72,915,788	75,811,734	92,464,298	124,879,037	151,991,437	186,876,934	218,552,605	227,238,195	237,481,055	244,676,662
Acquisitions	3,590,400	20,377,000	39,458,000	31,837,000	42,394,000	39,027,000	10,920,000	12,478,000	9,052,000	8,018,000
Disposals	694,454	3,724,436	7,043,261	4,724,600	7,508,503	7,351,329	2,234,410	2,235,140	1,856,393	2,277,598
<b>Closing Tangible Capital Asset Balance</b>	<b>75,811,734</b>	<b>92,464,298</b>	<b>124,879,037</b>	<b>151,991,437</b>	<b>186,876,934</b>	<b>218,552,605</b>	<b>227,238,195</b>	<b>237,481,055</b>	<b>244,676,662</b>	<b>250,417,064</b>
Opening Accumulated Amortization	30,931,690	31,686,357	29,477,954	24,378,517	22,387,164	18,160,669	14,923,991	17,581,904	20,440,779	23,888,863
Amortization Expense	1,449,121	1,516,033	1,943,824	2,733,247	3,282,008	4,114,651	4,892,323	5,094,015	5,304,477	5,422,942
Amortization on Disposal	694,454	3,724,436	7,043,261	4,724,600	7,508,503	7,351,329	2,234,410	2,235,140	1,856,393	2,277,598
<b>Ending Accumulated Amortization</b>	<b>31,686,357</b>	<b>29,477,954</b>	<b>24,378,517</b>	<b>22,387,164</b>	<b>18,160,669</b>	<b>14,923,991</b>	<b>17,581,904</b>	<b>20,440,779</b>	<b>23,888,863</b>	<b>27,034,207</b>
<b>Net Book Value</b>	<b>44,125,377</b>	<b>62,986,344</b>	<b>100,500,520</b>	<b>129,604,273</b>	<b>168,716,265</b>	<b>203,628,614</b>	<b>209,656,291</b>	<b>217,040,276</b>	<b>220,787,799</b>	<b>223,382,857</b>

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## 5. Accumulated Surplus

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

Water	2023 Opening Accumulated Surplus
<b>Reserve Balances</b>	
Reserves: Capital/Other	20,551,288
<b>Total Reserves Balance</b>	<b>20,551,288</b>
Less: Debt Obligations and Deferred Revenue	(7,908,944)
Add: Tangible Capital Assets	41,984,098
<b>Total Opening Balance</b>	<b>54,626,442</b>

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

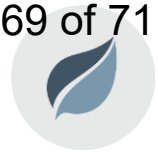
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## 5. Process for Financial Plan Approval and Submission to the Province

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

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## 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 December 20, 2023 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)).

**Dates for the Union Water Supply System Inc. Board of Directors Meetings for the 2024 Year**

January 17, 2024

February 21, 2024

March 20, 2024

April 17, 2024

May 15, 2024

June 19, 2024

July 19, 2024

August 21, 2024

September 18, 2024

October 16, 2024

November 20, 2024

December 18, 2024

Locations to be determined, but notification will be provided the Friday prior to the Board meeting.