



**Union Water Supply System
Inc.**

Board of Directors Meeting

Wednesday, January 17, 2024

9:00 am

Kingsville Arena, 1741 Jasperson

AGENDA

A. Call to Order:

B. Welcoming Remarks

C. Disclosures of Pecuniary Interest:

D. Approval of Minutes:

Minutes of the Board of Directors Meeting held on December 20th, 2023

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E. Business Arising Out of the Minutes

F. Items for Consideration:

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

Pages 11 - 14

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

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

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G. New Business:

H. Action Items:

I. Comments, Announcements, and Other Business:

J. Adjournment:

K. Date of Next Meeting: February 21st, 2024, Kingsville Arena

/kmj

**Board of Directors
Meeting**

Wednesday, December 20th, 2023

10:00 am

Unico Community Hall
37 Beech Street Kingsville



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 Administrator

Guest William Willis, Willis Business Law - UWSS Legal Counsel

Call to Order: 10:02 am

Welcoming Remarks:

The Chair provided a few welcome remarks to the Board of Directors and noted that it had been a turning point this year to get the Union Water Supply System Inc. to where it is today and thanked everyone for their assistance in the process.

Disclosure of Pecuniary Interest: none

Adoption of Board Minutes:

No. UWSS Inc-25-23

Moved by: Director Schmoranz

Seconded by: Director Walstedt

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That the minutes of the Union Water Supply System Inc. meeting held on November 22nd, 2023 is received.

Carried

Business Arising out of Minutes:

None.

Items for Consideration

Report UWSS/15/23 dated December 14th, 2023 re: UWSS Inc Enrollment and Participation in OMERS

The CEO notes that the current Union Water Supply System employees have been participating in the Ontario Municipal Employees' Retirement System (OMERS) Primary Pension Plan through the Municipality of Leamington since their hiring date.

The CEO further notes that with the transition from UWSS JBM over to UWSS Inc. those employees will no longer be able to participate in OMERS through the Municipality of Leamington and must do so on their own.

The CEO explains that he has have several conversations with the OMERS representative and did not receive approval to participate in the program until December 6th and UWSS Inc would participate as an associated employer. To move forward OMERS is requesting a resolution from the Board of Directors approving the participation. The CEO further explains that the resolution is attached to the agenda.

No. UWSS-26-23

Moved by: Director DeYong

Seconded by: Director Schmoranz

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*

Carried

Report UWSS/16/23 dated December 14th, 2023 re: Operating Agreement between UWSS Joint Board of Management and UWSS Inc.

The CEO starts his report by noting that a similar report was presented to the Joint Board of Management prior to this meeting. He further explains what information was contained within the Transfer Order dated January 8, 2001, within sections 4 and 5, pertaining to Powers and Obligations that allows for the transfer the management authority as the

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Board deems appropriate. UWSS Inc. retained legal counsel and the CEO have developed an Operating Agreement between UWSS JBM and UWSS Inc to facilitate the transfer of management authority for the system.

The CEO's reasoning for this is to ensure a smooth transition until assets are fully transferred and while he was hopeful that everything could be completed by December 31, 2023, it is looking likely that the actual transfer will not take place until the new year.

He notes that the Joint Board of Management approved this item at its morning meeting.

Director Schmoranz asks if there is an appropriate amount of insurance coverage for both sides. The CEO notes that he was just in communication with the insurance providers this week and yes, there is coverage.

Director Tofflemire asks why there has been a delay in the asset transfer and is this a concern. The CEO explains that the delays are mainly administrative in nature, and there has been several staff turn overs throughout this process.

Director St. Amant asks if the identification of the assets is clear. The CEO notes that yes, the assets are clear and we have been working with the municipalities legal counsel as well as our own to finalize things, he is hoping by January 31, 2024 to have all of the signatures in place.

William Willis, legal counsel, notes that he sees no substantive issues, but rather just waiting on staff to finish their reviews and sign off. This operating agreement will provide a stop gap from now until the assets are transferred to UWSS Inc. to ensure things continue to run smoothly.

No. UWSS-27-23

Moved by: Director Tofflemire

Seconded by: Director Wharram

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.

Carried

Report UWSS/17/23 dated December 14th, 2023 re: Extension of UWSS-OCWA Operations and Maintenance Agreement.

The CEO notes that this report is very similar in nature to the previous report wherein we are in transition from UWSS JBM over to UWSS Inc and require transition of agreements to maintain operations.

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The CEO notes that the current OCWA Operating Agreement with UWSS JBM was effective from July 1, 2019 until December 31, 2023. There was an option to extend for another five (5) years, however, due to the transition over the UWSS Inc. the CEO felt that this might be an opportunity for a full-service review.

The CEO explains that at the July 7th meeting the JBM approved the undertaking of service level review of the UWSS operations to evaluate options for improvement. However, due to unforeseen delays in the restructuring/transition process the CEO does not feel that this review will start until possibly February of 2024.

He further explains that OCWA and UWSS Management have agreed to several terms, including that the current O & M Agreement is assigned to UWSS Inc prior to December 31, 2023 and that the agreement is extended to December 31, 2024.

Director St. Amant asks if the CEO feels he can have a full service review completed within a calendar year. The CEO feels that the review is possible and further that an agreement with OCWA can be put in to place quickly if the timeline does not work out.

No. UWSS-51-23 (number change due to certified resolution)

Moved by: Director Schmoranz

Seconded by: Director St. Amant

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.

Carried

Report UWSS/18/23 dated December 14, 2023 re: Ontario Regulation 453-07 Financial Plan update for the Union Water Supply System Inc.

The CEO explains that UWSS Inc. must provide a Financial Plan under Ontario Regulation 453-07. This is also part of the Municipal Drinking Water License (MDWL) renewal process. This is a 10 year plan and was created in conjunction with the financial model, created by PwC.

The CEO further explains that this is for the Directors to review over the next month in preparation for the January 2024 meeting.

Director Schmoranz asks if questions should be directed to the CEO, and he confirms that yes, that would work.

Director Atkinson asks if there are going to be any committees created within the UWSS Inc. Board of Directors. The CEO explains that the intention is to create committees such as a Finance Committee.

Director Tofflemire asks if there is an infrastructure plan in place. The CEO indicates that he will share a link, or report, with the directors containing the infrastructure report.

Director DeYong asks if there is going to be future training. The CEO confirms that Standard of Care training is a requirement for all those who have not previously taken part in it and this will be arranged in the new year some time.

Director St. Amant asks if the CEO has all of the necessary resources available to assist him with this transition and to deliver on many of the projects set out. The CEO did indicate that there are still some municipal services available to us, however, managing capital projects has always been through Union Water, with the assistance of engineering consultants.

William Willis then indicates that to keep UWSS Inc.'s independent status any services provided by any of the municipalities will need to be compensated.

Director Bondy asks if UWSS Inc. has been in consultation with the Caldwell First Nation (CFN). The CEO notes that CFN has been consulted and attended the water treatment facility and they were compensated for their time.

No. UWSS-28-23

Moved by: Director Walsted

Seconded by: Director Atkinson

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

Carried

Report UWSS/20/23 dated December 18, 2023 re: UWSS Inc. Procurement Policy

The CEO apologizes that this item was sent out as an Addendum. Under the Municipal Act 2001, Section 270 states that a municipality and a local board shall adopt policies with respect to its procurement of Goods and Services. Since UWSS Inc. was formed as a Municipal Service Corporation under Ontario Regulation 599/06, UWSS Inc. is subject to the requirements under section 270 of the Municipal Act.

He further notes that this Procurement Policy was developed in conjunction with legal counsel, and based on other policies similar in nature. This is a comprehensive purchasing policy for directors and for staff.

Director St. Amant asks if this is too much for the CEO, too much responsibility. The CEO notes that he does have a lot of back up, including legal counsel, virtual CFO, other municipal staff, if need be, as well as engineering consultants.

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Director Schmoranz notes that with insurance in place he feels that UWSS Inc. is in good shape to move forward with this item.

Director DeYong would like to add to the motion that the Procurement Policy has a clause that allows for quarterly reporting requirements over \$250,000 and Director St. Amant add that any limited tendering contracts over \$50,000 and included in the quarterly reporting.

No. UWSS-29-23

Moved by: Director DeYong

Seconded by: Director Schmoranz

That the UWSS Inc. Board of Directors adopts UWSS Inc. F01 - Procurement Policy as attached to this report; and

That the CEO provides quarterly reporting for items over \$250,000 and any limited tendering contacts over \$50,000 are included in this reporting.

Carried

Special Closed Meeting of the UWSS Joint Board of Management

Time: 11:00 am into closed session

No. C-UWSS Inc -03-23

Moved by: Director Schmoranz

Seconded by: Director DeYong

That the UWSS Joint Board of Management 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
 - Draft UWSS Inc Request for Financing (RFF) September 2023
 - Draft UWSS Request for Financing Update Summary

Disclosure of Pecuniary Interest and General Nature Thereof

There was none.

The CEO provides reports to board of Directors on the Request for Financing, banking options, financial rates, and other financial matters.

Adjournment of Closed Session

Time out of closed session 11:30 am

No. C-UWSS Inc -04-23

Moved by: Director Schmoranz

Seconded by: Director Tofflemire

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

Report on Closed Session

The UWSS Inc Board of Directors entered into closed session under Municipal Act Sections 239 (2)(f)(j)(k) wherein UWSS Inc.'s solicitor will provided advice regarding (j) financial information that belongs to the UWSS Inc and had 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.

The following motion was passed:

No. UWSS-30-23

Moved by: Director Schmoranz

Seconded by: Director Verbeke

The report UW/19/23 dated December 14, 2023 re: Update on UWSS Inc. Request for Financing was received.

The Board provided direction to UWSS Inc. CEO to undertake a review of proposals received as part of the RFF.

New Business:

The Recording Secretary indicates that she will be asking for void cheques from the Directors in order to set up their payroll. There is a brief discussion on Director and Officer Insurance.

Director Verbeke asks the CEO which municipalities have not signed the documents to complete the transfer. The CEO notes that the Town of Essex is the only municipality that has signed completely. He does note that several of the municipalities have had multiple staff changes and he expects this is causing the delay.

Comments, Announcements, and Other Business

The Chair extends Christmas greetings to the Borad of Directors and appreciates all of the work put in to getting UWSS Inc. to this point.

Adjournment:**No. UWSS-31-23**

Moved by: Director DeYong

Seconded by: Director Rogers

Time adjourned: 11:41 am

Date of Next Meeting: January 17, 2024, Kingsville Arena - 9:00 am

/kmj

To: UWSS Inc. Board of Directors

From: Rodney Bouchard, UWSS Inc. CEO

Date: January 12, 2024

Re: Status Update of UWSS Operations & Maintenance
Activities and Capital Works from December 15, 2023 to January 12, 2024



Purpose:

To inform the UWSS Inc. Board of Directors about operational and maintenance activities and capital works projects for the Union Water Supply System since the last Board meeting on December 20th, 2023.

Discussion:

UWSS management conducts regular meetings with OCWA Operations staff regarding on-going operations and maintenance programs for the UWSS facilities. The following provides an update on UWSS operations, regular maintenance and major maintenance and Capital Works at UWSS facilities:

1. On December 15th, 2023, UWSS was informed of a water main break on the 300mm common asset waterline on Seacliffe Drive near Albuna Town Line. Town of Kingsville initiated repairs on this watermain. The break was noted to be adjacent to a Hydro One electrical utility pole and thus Hydro One was called in to secure the pole during repairs. As is the typical procedure, the Town of Kingsville will invoice UWSS Inc. for the costs associated with the watermain break repair.
2. Annual cleaning of Low Lift pumping station wet wells was completed on December 15th, 2023. The Low Lift was returned to normal service following the completion of this work.
3. On December 24th, 2023, OCWA Operations staff on-duty was informed of a potential watermain break at 1571 Union Ave on the UWSS 300mm common asset watermain. Further investigation noted that the leak was due to a leaking fire hydrant coupling. Repairs were completed by Town of Kingsville staff and contractors.
4. On January 3rd, 2024, OCWA Operations staff and UWSS Inc. were informed of a watermain break at 480 County Rd 34 between Inman and Upcott sideroads. The watermain break was noted to be on the 300mm UWSS common asset watermain. Town of Kingsville completed repairs on this break within the same day. Town of Kingsville will invoice UWSS Inc. for the costs associated with the watermain break repair.
5. On January 3rd, 2024 OCWA Operations staff was informed of a watermain break in the vicinity of Iler St. & Jenner St. in Essex. Town of Essex staff noted that this break was on a Town of Essex watermain. UWSS OCWA Operations

Re: UWSS/01/24 - Status Update of UWSS Operations & Maintenance Activities and Capital Works from December 15th, 2023 to January 12th, 2024.

- staff was contacted to ensure that there weren't any pressure transience issues in the area. No pressure issues were noted by OCWA operations staff.
6. Annual filter maintenance for Filters #5-8 was initiated on January 8th, 2024. Maintenance activities included replacement of an air wash valve for Filter 5 "B" side and replacement of manual drain valves for Filter #8 "A" and "B" sides. Maintenance work on these filters is expected to be completed on January 12, 2024 at which time the filters will be disinfected and sampled prior to returning to service.
 7. Filling of Clarifier #4 was initiated on January 10, 2024. OCWA Operations staff are looking to return this clarifier to service as soon as possible due to higher than anticipated water demand for this time of year. It is anticipated that it will take between 1 and 2 weeks from date of clarifier filling to build the necessary "chemical blanket" in the clarifier before it can be put into service. The two clarifiers currently in service can accommodate the existing demands and Clarifier #4 is being returned to service for redundancy purposes and to accommodate any further increases in demand.
 8. The completion of warranty work for DAF #1 clarification unit is scheduled for January 17th, 2024. This work is expected to take 2 days to complete and will include system startup and testing. It's expected that the DAF #1 unit will be returned to operation upon completion of this work.
 9. Associated Engineering is working on a demolition specification document for the removal of the greenhouse and associated infrastructure at the 1529 Union Ave. property that will house the new proposed reservoir #3. The intent is to have the greenhouse removed and the site ready for construction by May 1, 2024.
 10. The UWSS Municipal Class Environmental Assessment Study to Provide Peaking Capacity for the Union Water Supply System" is moving forward. The project consultant, Associated Engineering, is revising the reports to include comments received during first consultation period and to refine the recommended alternative for treatment capacity expansion. A second public open house is scheduled for March 7th, 2023 at the Kingsville Recreation Complex to solicit public input on the preferred alternative for the treatment plant expansion. A report on the preferred alternative will be presented to the Board at the February 2024 Board meeting.

Re: UWSS/01/24 - Status Update of UWSS Operations & Maintenance Activities and Capital Works from December 15th, 2023 to January 12th, 2024.

Flows for 2023

The first chart shows comparative flows for 2019 through 2023 in Mega Litres (ML) and the second chart shows Millions of Imperial Gallons (MIG) for the period January 1st to December 31, 2023.

	2019	2020	2021	2022	2023
Flow to Date (ML)	16,839.31	19,120.53	19,855.48	20,821.58	21,095.00
Max Day (ML)	85.40	97.33	93.83	99.17	108.68
Min Day (ML)	20.13	25.44	26.74	27.58	31.20
Average Day (ML)	46.14	52.24	54.40	57.05	57.79
No of Days	365	366	365	365	365

	2019	2020	2021	2022	2023
Flow to Date (MG)	3704.20	4206.01	4368.96	4581.08	4640.32
Max Day (MGD)	18.79	21.41	20.64	21.81	23.91
Min Day (MGD)	4.43	5.60	5.88	6.07	6.86
Average Day (MGD)	10.15	11.49	11.97	12.55	12.71
No of Days	365	366	365	365	365

Flows for 2023 were up 273.42 ML (59.24 MIG) or 1.36% from 2022. The 2023 flows were up 10.1% over the previous 4 year average.

Flows for 2024

The first chart shows comparative flows for 2020 through 2024 in Mega Litres (ML) and the second chart shows Millions of Imperial Gallons (MIG) for the period January 1st to January 11th, 2024, only 11 days.

	2020	2021	2022	2023	2024
Flow to Date (ML)	327.19	368.88	370.49	404.12	486.27
Max Day (ML)	33.58	38.07	36.61	42.56	50.62
Min Day (ML)	25.44	26.74	27.58	32.48	33.68
Average Day (ML)	29.74	33.53	33.68	36.74	44.21
No of Days	11	11	11	11	11

	2020	2021	2022	2023	2024
Flow to Date (MG)	71.97	81.14	81.50	88.90	106.97
Max Day (MGD)	7.39	8.37	8.05	9.36	11.14
Min Day (MGD)	5.60	5.88	6.07	7.14	7.41
Average Day (MGD)	6.54	7.38	7.41	8.08	9.72
No of Days	11	11	11	11	11

Flows to date are up 82.15 ML (59.96 MIG) or 20.33% from last year. The 2024 flows to date are up 32.3% over the previous 4 year average.

Re: UWSS/01/24 - Status Update of UWSS Operations & Maintenance Activities and
Capital Works from December 15th, 2023 to January 12th, 2024.

Recommendation:

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

Respectfully submitted,



Rodney Bouchard, CEO
Union Water Supply System Inc.

/kmj

UWSS/02/24

To: UWSS Inc. Board of Directors
From: Rodney Bouchard, UWSS Inc. CEO
Date: January 10, 2024
Re: Proposed 2024 UWSS Inc. Operations and Capital Budget



Recommendation

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

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

Report Highlights

- Potable water demand from UWSS is anticipated to be approximately 21,533,000 m³ for 2024. This demand represents an increase of 1.4% over the demand for 2023. It should be noted that 2023 demand was 1.4% higher than 2022 demand to date and it is anticipated that a similar increase in demand will occur in 2024.
- An increase of \$0.0214/m³ is proposed for the UWSS Treatment and Transmission Rate (Rate). The new proposed Rate for 2024 would be \$0.7339/m³.
- UWSS Revenue for 2024 is estimated at \$15,398,000. This includes estimated Rate revenue of \$14,538,000, interest income of \$807,000, property rental revenue of \$30,000, and sundry revenue of \$23,000.
- Operational and Debt Service Expenditures for 2024 are estimated at \$11,724,000. This includes \$3,950,000 for OCWA Operations and Maintenance services, \$2,428,000 for the Sunlife Loan (former MFP Debt) service and projected \$1,050,000 debt service for a proposed (pending Board approval) \$60 million loan to support the construction of a new reservoir and UV treatment facilities.
- 2024 Revenue versus Operational and Debt Service Expenditures are anticipated to result in a surplus of approximately \$3,674,000.
- A cash funded Capital Works, Major Maintenance and Capital Purchase budget of \$8,775,000 is proposed for 2024.
- An estimated draw of \$5.1 million from the UWSS Reserves would be needed to fund the 2024 Cash Funded Capital Program.
- Total reserves for 2023 year end are forecasted to be \$18.4 million.
- The Debt Funded Capital Projects for 2024 include the Reservoir #3 Construction. This project is dependent on securing a \$60 million credit facility, which is subject to further approval by UWSS Inc Board.

Re: UWSS/02/24 - 2024 UWSS Inc. Operations and Capital Budgets

1.0 Background:

Since the Transfer Order of January 2001 was put into place, the UWSS Joint Board of Management Board has been responsible for considering and approving an annual budget for the Union Water Supply System. As of January 1, 2024, management of the Union Water Supply System is now the responsibility of Union Water Supply System Inc. Board of Directors and Corporate Officers.

A preliminary version of the proposed 2024 UWSS Operations and Capital Budget package was reviewed with the UWSS Inc. Board of Directors in November 2023. This report provides an updated version of the preliminary budget of November 2023.

UWSS Inc. management is seeking approval of the proposed 2024 UWSS Budget so that critical studies and major capital upgrades and improvements can be initiated without delay.

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

- Anticipated revenue for 2024 from sale of treated water to customers in the municipalities of Leamington, Kingsville, Essex and Lakeshore;
- Anticipated revenue from other sources including rental income from telecom companies for leased space on UWSS water towers and rental income from UWSS Inc. owned property;
- Anticipated operating expenditures for 2024 including estimated costs for operation of the system by the Ontario Clean Water Agency (OCWA), under its contract with UWSS;
- Proposed Cash Funded Capital Works program for 2024;
- Forecasted Operational Expenditures and Capital Works program for 2024-2032.

The Proposed 2024 Budget documents have been prepared based on the discussions with the contracted operator, OCWA, with regard to operational budget, major maintenance needs, and existing operational issues that would require implementation of capital works to resolve. The Budget documents reflect the following:

- The operations and maintenance costs associated with the 5-Year (with option to renew for 5-years) Fixed Fee Operations Agreement between UWSS and OCWA that came into effect on January 1, 2019 and is to be reviewed in 2024;
- The proposed capital budget for 2024 that includes significant capital projects such as retrofitting of Clarifier #4 into a dissolved air flotation clarification unit (DAF #2), engineering and procurement of new backup generating power systems at the water treatment plant and low lift facilities, and a long list of major maintenance and capital upgrades at UWSS facilities.

Details regarding the budget components are discussed below.

2.0 Operating Budget

The UWSS Inc. operating budget includes revenue and expenditures components. Details on revenue sources and expenditures are provided below.

2.1 Revenue

Revenue for the budget process is mainly based on billings from the sale of potable water to customers in the municipalities of Leamington, Kingsville, Essex and Lakeshore. UWSS Inc. potable water sale revenue is derived from treatment and transmission of water. Distribution system related water revenue is collected by the local municipalities. A much smaller component of revenue is based on miscellaneous revenue such as investment income, property rental income, and sundry income. The total estimated revenue for 2024 is \$15,398,000

2.1.1 Wholesale Water Revenue Summary

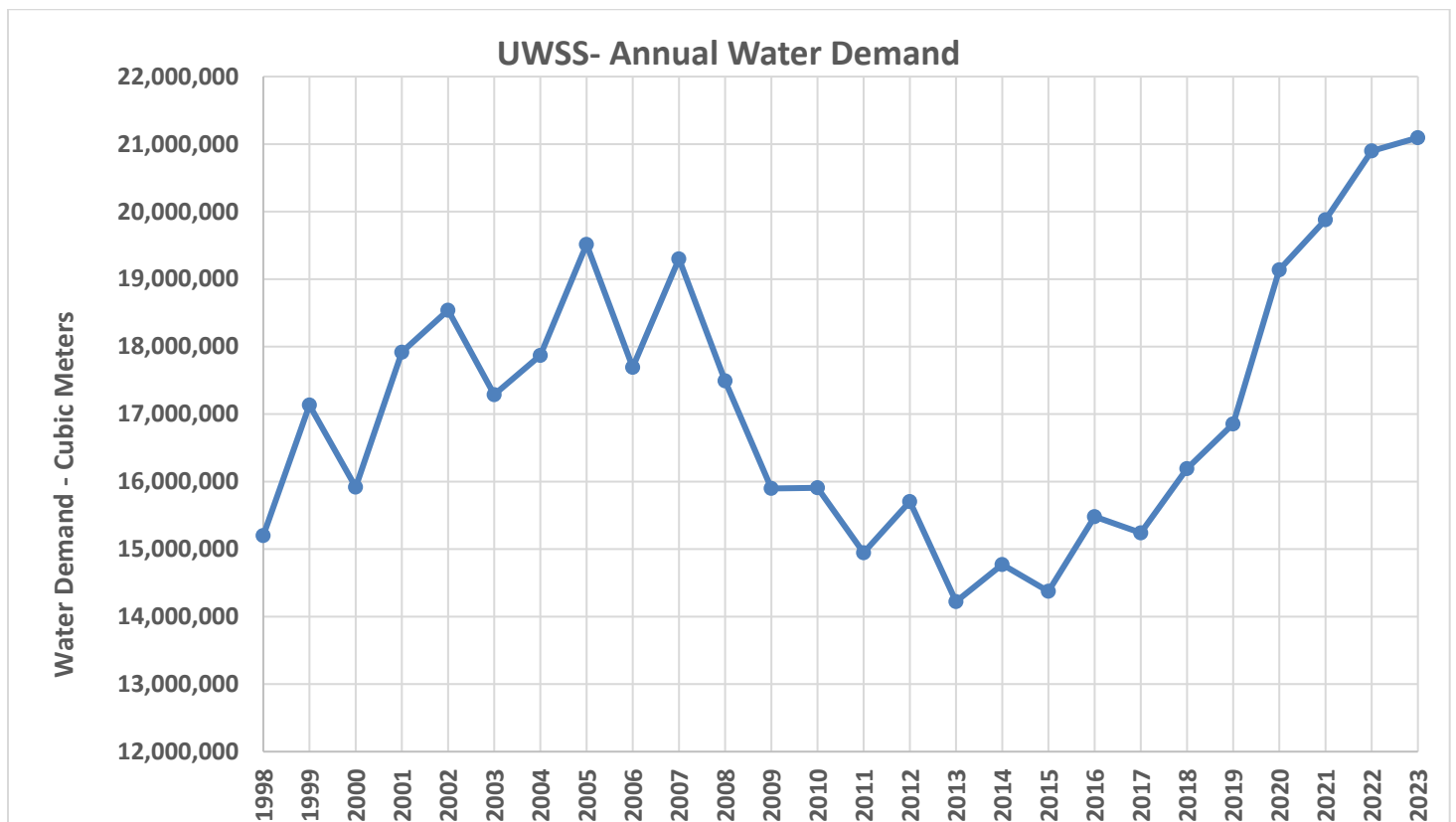
UWSS Inc. potable water revenue is based on water usage by end users/customers within the UWSS Inc. service area and the UWSS Inc. treatment and transmission water rates.

2.1.1.1 Water Usage

The projected water for 2024 is approximately 21,553,000 m³, which is based on a 1.4% increase over the actual water demand in 2023. It should be noted that 2023 water demand was 1.4% greater than 2022 water demand and it is anticipated that a similar increase in demand will occur in 2024.

Figure 1 depicts the total UWSS water usage trend from 1998-2023

Figure 1



Re: UWSS/02/24 - 2024 UWSS Inc. Operations and Capital Budgets

Figure 2 depicts cumulative daily water demand from 1998-2023.

Figure 2

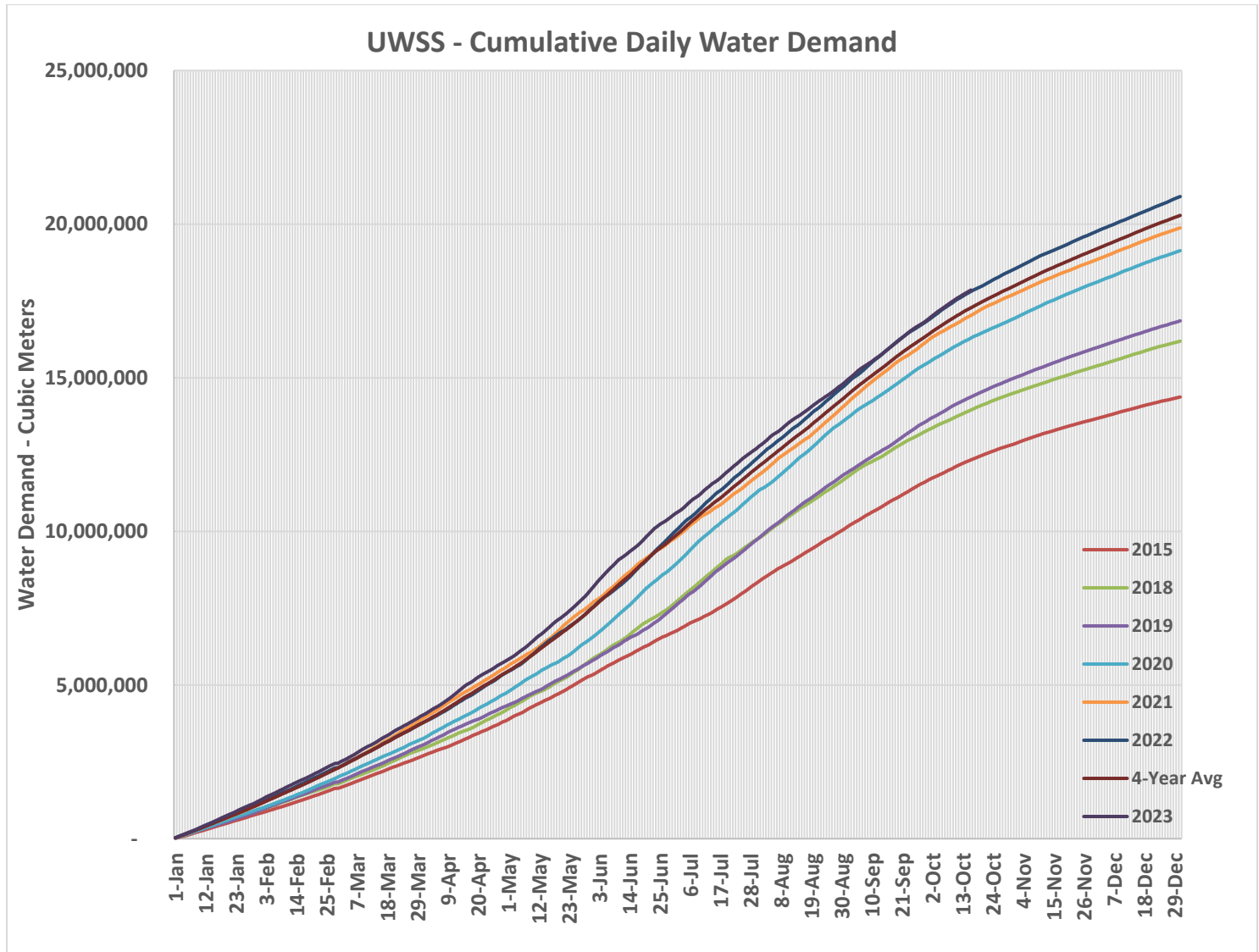
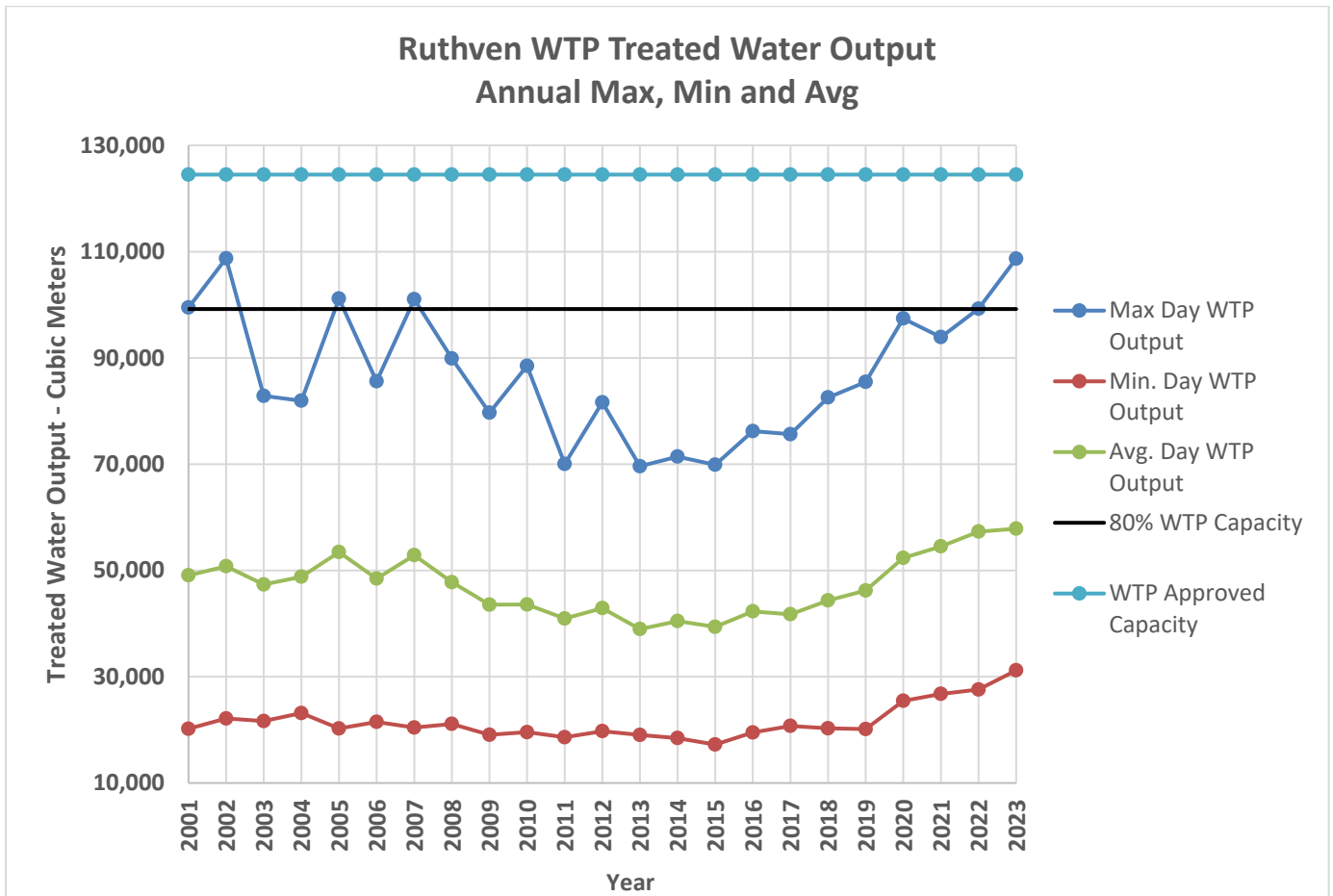


Figure 3 depicts the maximum, minimum and average daily treated water output from the UWSS' Ruthven Water Treatment Plant for the years 2001-2023.

Figure 3



2.1.1.2 Wholesale Water Rates

For the 2024 budgeting process, it is proposed that an increase of \$0.0214 per cubic meter be applied to the UWSS bulk treatment and transmission rate. This would result in a 2024 rate of \$0.7339 per cubic meter.

Based on the anticipated water demand of 21,553,000 m³ of potable water for 2024, and the estimated water loss of 8%, the bulk rate water revenue is estimated at \$14,538,000.

Re: UWSS/02/24 - 2024 UWSS Inc. Operations and Capital Budgets

2.1.2 Miscellaneous Revenue

Miscellaneous revenue includes income from investments and sundry income.

Interest income:	\$ 807,000
Property Rental Revenue:	\$ 30,000
Sundry revenue:	<u>\$ 23,000</u>
<i>Total Misc. Revenue:</i>	<i>\$ 860,000</i>

Sundry revenue is revenue received from various sources such as lease of space on water towers for telecommunications equipment. The property rental revenue is revenue from recently acquired property that is being leased to a tenant.

2.1.3 Revenue Summary

Total UWSS Inc. projected revenues from all categories are as follows:

Bulk Water Rate Revenue:	\$14,538,000
Miscellaneous Revenue :	<u>\$ 860,000</u>
<i>Total Estimated Revenue for 2024:</i>	<i>\$15,398,000</i>

2.2 Expenditures

Expenditures for the Union Water Supply System (UWSS) consist of a) *Fixed Expenditures*, which includes the OCWA operations contract, UWSS Administration and debt service; and b) *Programs and Studies* that are proposed for 2024. The total projected expenditures for 2024 is budgeted at approximately at \$11,724,000.

2.2.1 Fixed Expenditures

Fixed expenditures for the budget process include the OCWA Operations Budget, UWSS Administrative Budget, and Debt Service. The total fixed expenditures for 2024 is budgeted at \$11,257,000. The fixed expenditures consist of the following components

OCWA Operations Budget:	\$3,950,000
UWSS Administrative Budget:	\$ 876,000
Legal/Professional Fees:	\$ 250,000
Municipal Agency Fees:	\$ 123,000

Re: UWSS/02/24 - 2024 UWSS Inc. Operations and Capital Budgets

Residuals Ponds Maintenance:	\$ 200,000
CO2 Gas Bulk Purchase Contract:	\$ 110,000
Watermain Repairs:	\$ 100,000
Unforeseen Repairs:	\$ 100,000
Water Quality/Corrosion Monitoring Program:	\$ 50,000
Land Transfer Tax:	\$ 147,000
Property Taxes:	\$ 175,000
Electricity and Natural Gas:	<u>\$ 1,700,000</u>
<i>Total Operations, Administrative, Energy:</i>	<i>\$7,780,000</i>
Debt Service:	
Sunlife Debt (MFP Debt):	<u>\$2,429,000</u>
\$60 Million Credit Facility:	<u>\$1,050,000</u>
<i>Total Debt Service:</i>	<i><u>\$3,479,000</u></i>
<i>Total Fixed Costs:</i>	<i>\$11,259,000</i>

2.2.2 Programs and Studies

A number of Programs and Studies are included in the 2024 Budget. These studies are designed to achieve one of the following goals:

- Assess and identify improvements to operational processes to improve cost efficiencies potentially resulting in decrease of fixed operations costs such as electricity costs and chemical costs;
- Evaluate water demand and water usage by various sectors including residential, commercial, industrial, and food processing/greenhouse industry to assess future capital infrastructure needs;
- Evaluate water quality to for potential issues such as toxic algae in raw water, nitrification issues in larger distribution systems, etc.
- Evaluate new technologies that may benefit UWSS' operations

Re: UWSS/02/24 - 2024 UWSS Inc. Operations and Capital Budgets

For the 2024 budget year, \$830,000 has been allocated to Programs and Studies. The following studies are proposed or currently in place.

New WTP Reservoir #3 Engineering	\$ 75,000
UWSS-WUC Water Service Redundancy-Conceptual:	\$ 70,000
Peaking Plant Environmental Assessment:	\$ 40,000
Lake Erie HAB Monitoring Project:	\$ 50,000
Asset Management Policy and Plan	\$ 30,000
Leak Detection Study :	\$125,000
Service Level Review:	\$ 50,000
DAF #1 Optimization and WTP Capacity Testing:	<u>\$ 25,000</u>
<i>Total:</i>	<i>\$465,000</i>

2.2.3 Operating Expenditure Summary

Fixed Expenditures:	\$11,259,000
Programs and Studies:	<u>\$ 465,000</u>
<i>Total Operating Expenditures for 2024:</i>	<i>\$11,724,000</i>

2.3 Operating Budget Summary

A comparison of Revenue versus Expenditures for 2024 budget is as follows. It should be noted that the total estimated expenditures also include the proposed budget for operational Programs and Studies of \$830,000.

Total Estimated Revenue:	\$15,398,000
Total Estimated Expenditures:	<u>\$11,724,000</u>
<i>Surplus/(Deficit):</i>	<i>\$ 3,674,000</i>

3.0 Capital Program

The proposed Capital Program for 2024 is budgeted at \$8,775,000. This includes “cash funded” capital purchases, capital works and major maintenance, and debt funded capital projects.

3.1 Cash Funded Capital Works and Major Maintenance:

The following major cash funded capital works projects are proposed for 2024:

Re: UWSS/02/24 - 2024 UWSS Inc. Operations and Capital Budgets

Low Lift Pump #2 Rehab	\$40,000
Low Lift Pump #4 Rehab	\$40,000
Travelling Screen #4 Purchase and Install	\$320,000
Electric Car Charger Install - WTP	\$25,000
Carbon Scrubber System Upgrades	\$50,000
Grounds Improvements	\$100,000
Outbuilding Improvements	\$100,000
Coagulant Storage Expansion	\$120,000
Filters #1 & #3 Control Console Upgrades	\$120,000
Wastewater Pond/ System Upgrades	\$250,000
High Lift Pump #7 (new)	\$650,000
Treatment Plant Improvements/Elevator - Design & Eng.	\$150,000
Water Treatment Plant Expansion - Prelim Design/Engineering	\$350,000
Dissolved Air Flotation #2 - (Est. total cost: \$7.5 million)	\$3,750,000
Cottam Booster Valve Upgrades for Pumps	\$60,000
SCADA System Improvements	\$40,000
UWSS Wide Communication System Improvements	\$30,000
Security System Improvements	\$30,000
Back Up Generators for Water Towers	\$50,000
Albuna Water Tower Capacity Improvement Project	\$250,000
Distribution System Components	\$250,000
Master Water Meter Chamber Improvements	\$500,000
Kingsville Water Tower Utility Building (new)	\$150,000
Cottam 300mm Watermain Replacement-Prelim Design	\$200,000
Water Quality Monitoring Equipment Improvements	\$50,000
Fencing Upgrades	\$50,000
General Electrical Upgrades	\$75,000
Facility Enhancements - General	\$150,000
Backup Power System Upgrades (2-year project)	<u>\$750,000</u>

Total Cash Funded Capital Works/Maintenance for 2024: \$8,700,000

Re: UWSS/02/24 - 2024 UWSS Inc. Operations and Capital Budgets

3.2 Capital Equipment Purchases (Cash Funded)

The following major capital purchases are proposed for 2024:

Vehicle	<u>\$75,000</u>
<i>Total Cash Funded Equip. Purchases for 2024:</i>	<i>\$75,000</i>

3.3 Debt Funded Capital Projects

Proposed debt funded projects for 2024 consist solely of the Reservoir #3 construction project. The estimated total cost for this project is \$45 to 50 million. UWSS Inc. has received a funding proposal from a financial institution for a \$60 million credit facility that is under consideration. The project requires Board approval to proceed and to secure necessary debt funding. If approved, construction of the reservoir would be initiated in early Summer 2024 for completion by Spring 2026.

4.0 Budget Summary

The proposed 2024 budget is summarized as follows:

Total Estimated Revenue: (includes wholesale rate revenue and miscellaneous revenue)	\$15,358,000
Total Estimated Operating Expenditures: (includes Operations Contract, UWSS Admin, Programs & Studies)	<u>(\$11,724,000)</u>
Revenue versus Operating Expenditures: Surplus/ (Deficit)	\$3,674,000
Capital Program: (includes Capital Purchases and Capital Works)	<u>(\$8,775,000)</u>
NET SURPLUS/ (DEFICIT) : (Operating surplus/deficit less Capital Program)	(\$5,101,000)

The cash funded capital program for 2024 will be funded through 2024 Revenue and UWSS Reserves.

Re: UWSS/02/24 - 2024 UWSS Inc. Operations and Capital Budgets

5.0 Cash, Reserves and Debt

Cash and Reserves for UWSS as of January 1, 2024 are estimated to be approximately \$25.1 million dollars. It should be noted that of the estimated \$25.1 million in available cash and reserves for 2024, approximately \$10 million is dedicated to UWSS Settlement Reserve, which is associated with the 2006 settlement that was reached regarding the MFP debt. Although the UWSS Board has authority to use these funds as it sees fit, the intent is to keep these funds in an interest bearing account to offset the annual MFP Debt obligation and to function as a Rate Stabilizing Reserve Fund.

The 2024 UWSS Operating and Capital Budget projects a Net Deficit of \$5.1 million for 2024 year end. Thus, it is anticipated that UWSS reserves at the end of 2024 will decrease to approximately \$20 million. The total UWSS long term debt balance as of January 1, 2024 is \$6,259,000 and consists solely of the Sunlife Loan (aka former MFP Debt) that has a term date of 2026. At the end of 2024, this debt will decrease to \$4,407,000.

6.0 Proposed 10-Year Capital Works Program

UWSS Inc. management, with assistance and input from OCWA Operations Staff has developed a proposed 10-year Capital Works Plan (2024-2033) for the UWSS. This Plan reflects the intention to undertake upgrades and improvements to the UWSS to address lifecycle replacement/upgrade issues and to improve water treatment, storage and transmission efficiencies.

The Proposed 10-Year Capital Plan is included as Appendix B to this Report. The Plan identifies the proposed works for each year and the anticipated value of the works. The total proposed rate and Reserve funded (aka Cash Funded) capital works expenditures for 2024-2033 are projected at \$37.7 million. Proposed debt funded capital works for this period is valued at \$156.5 million and includes the proposed Reservoir #3/ UV project in 2024-2026 (\$45 million), replacement and upsizing of 12-inch watermain to Cottam in 2025-2026 (\$13 million) and new peaking water treatment plant in 2026-2028 (\$62.5 million).

7.0 Closing Comments

It is the UWSS Inc. management's opinion that the 2024 Budget presented in this report provides a Budget for UWSS that is fiscally prudent while also providing for the major maintenance and lifecycle replacements needed to ensure that UWSS facilities and operations are effective and sustainable for the future.

Respectfully submitted,



Rodney Bouchard, CEO
Union Water Supply System Inc.

/kmj

To: UWSS Inc. Board of Directors
From: Rodney Bouchard, UWSS Inc. CEO
Date: January 12, 2024
Re: Resolution to Complete 1-Year Anniversary Review
of UWSS Inc. Restructuring Documents



Recommendation:

It is recommended that:

The Union Water Supply System Inc. Board of Directors (“Board”) directs that UWSS Inc. administration engage with its municipal shareholders and other stakeholders as necessary to conduct a 1-year review of the key documents and processes implemented to transfer the Union Water assets to Union Water Supply System Inc., and thereafter to report back to the Board with any recommended changes resulting from such 1 year review.

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

- *General By-Law No. 1;*
- *Shareholders Agreement;*
- *Water Service Agreement;*
- *Municipal Access Agreement; and*
- *Billing and other administrative procedures required for new commercial structure.*

Background:

UWSS Inc (or the Corporation) was incorporated on February 24th, 2023 as a Municipal Services Corporation under Ontario Regulation 599/06 of the Municipal Act, 2001. On July 7th, 2023, the UWSS Board of Directors adopted UWSS Inc. General By-Law No.1.

Discussion:

As part of the UWSS Inc. restructuring process, a number of documents were generated to set out the governance, management, administration and operation of the Corporation. These documents include but are not limited to the following:

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

Re: UWSS/03/24 -Resolution to Complete 1-Year Anniversary Review
of UWSS Inc. Restructuring Documents

- Municipal Access Agreement; and
- Billing and other administrative procedures required for new commercial structure.

UWSS Inc. management recommends that a review of these primary restructuring documents be completed following the 1-year anniversary of the transfer of UWSS assets from municipal ownership to UWSS Inc. Any proposed changes identified to these documents would be reported back to the UWSS Inc. Board and to the municipal shareholders. This will ensure that any errors and/or required modifications identified relating to these documents during the first year of operation of UWSS Inc. can be properly addressed in a timely manner.

Respectfully submitted,



Rodney Bouchard, CEO
Union Water Supply System Inc.

/kmj