



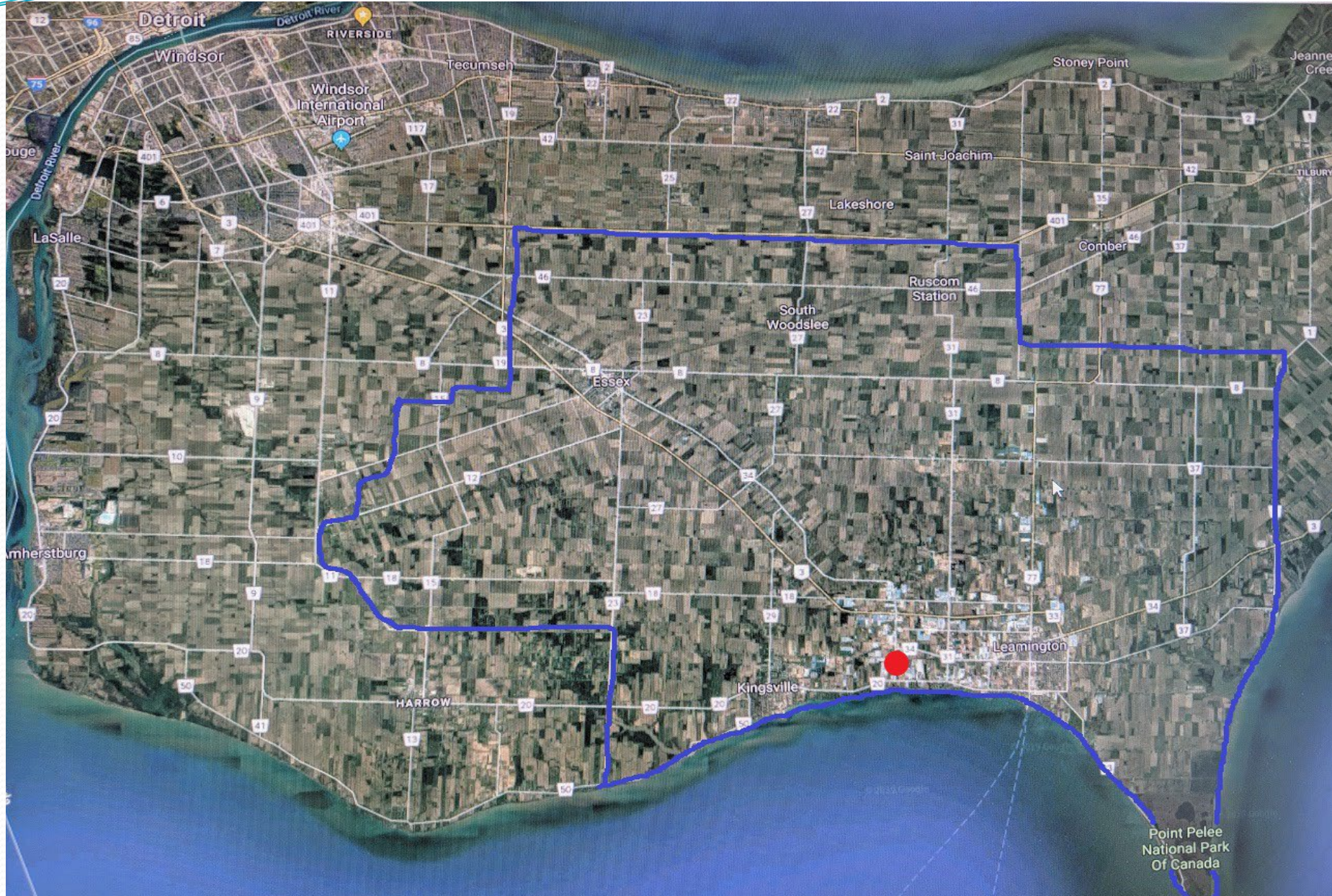
UWSS Inc. Update Presentation to Town of Essex Council March 3rd, 2025



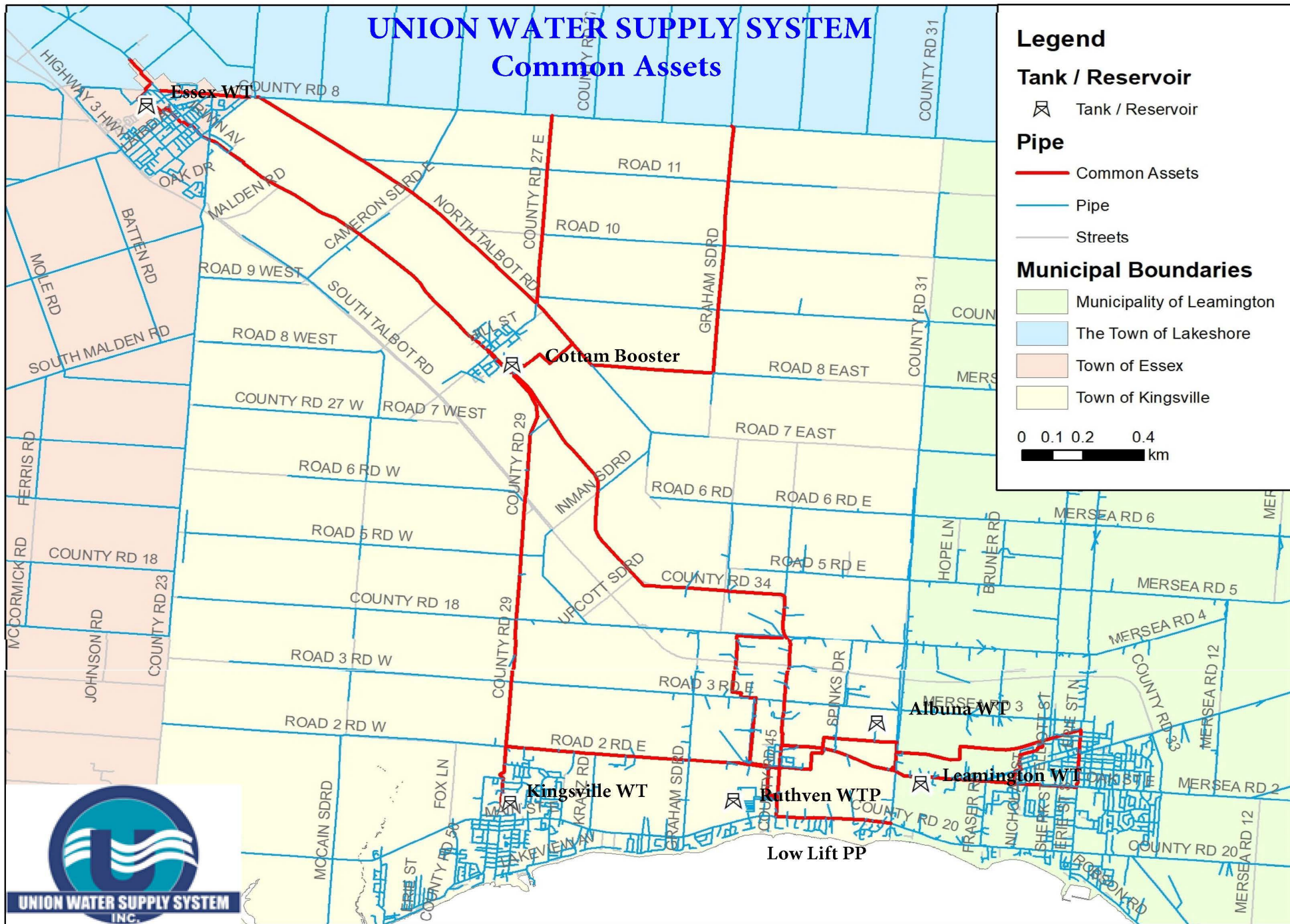
UWSS Inc. Background

- **August 2022** - Adoption of UWSS Restructuring Business Case by Councils of Essex, Kingsville, Lakeshore and Leamington
- **February 2023** - Incorporation of UWSS Inc.
- **July 2023** - Appointment of UWSS Inc. Interim Board, UWSS Inc. Officers and Auditors; Adoption of By-Laws
- **October 2023** - Appointment of UWSS Inc. Full Board
- **December 2023** - UWSS Inc. Board Approval of first ever UWSS Inc. Budget
- **January 2024** - UWSS Inc. Board now responsible for UWSS water system assets
- **April 2024** - Ownership of UWSS Assets transferred to UWSS Inc.
- **May 2024** - Establishment of Finance & Audit Committee and Governance Committee
- **July 2024** - First UWSS Inc. Annual General Meeting
- **December 2024** - Secured \$60 million credit facility for capital program
- **January 2025** - Board approval of 2025 Operations and Capital Budget

UWSS Inc. Service Area



UNION WATER SUPPLY SYSTEM Common Assets



**UNION WATER SUPPLY SYSTEM
INC.**

UWSS Inc. –Ownership and Governance Structure

- Municipalities of Essex, Kingsville, Lakeshore and Leamington are the sole shareholders of UWSS Inc.
- Shareholder interest in UWSS Inc. is based on each municipality's proportional consumption of the total flows of the system
- The ownership interests were last set January 1, 2021 as:
 - Leamington – 53.00%
 - Kingsville – 38.72%
 - Essex – 4.92%
 - Lakeshore – 3.36%.
- The Shareholder interest is to be updated every four years
- Next Update scheduled for March 2025

UWSS Inc. Board Composition

- Board composed of 12 directors appointed by shareholders
- Each shareholder can appoint one (1) director;
- Each Shareholder can appoint an additional director for each 10% water consumption.
- For shareholders that can appoint more than 1 director, no more than 50% of director appointees (and up to a maximum of 2 total), can be either an elected official or a municipal employee. Other director appointments are to be independent of the municipality.
- Current Board appointments include 6 elected officials and 6 independent directors
- Independent Directors include a retired Water/Wastewater Utility Director a retired municipal engineer, a lawyer, a banker, a business owner and a former municipal financial treasurer

UWSS Inc. – What is new?

What didn't change:

- UWSS is still a “municipal” system with four Municipal Shareholders
- Shareholder % interest in UWSS Inc. is still based on consumption
- Board still consists of 12 “members” appointed by the shareholder municipalities
- Rate structure – essentially uniform underlying bulk water rates for the 4 municipalities
- Any profit is re-invested into UWSS Inc. No Dividends to Shareholders
- UWSS Inc. manages its cash reserves and investments on Board direction;
- No “Source to Tap”. Municipal distribution systems remains the responsibility of the municipalities
- OCWA continuous to provide Operations and Maintenance Service under contract

What did change:

- Board of Directors is more “independent”;
- UWSS Inc. can apply for grant funding separately from the Municipalities
- UWSS Inc. can borrow on its own to finance Board-approved capital expenditures
- New UWSS Inc. debt is not attributed to the Municipalities and does not affect Municipal debt capacity
- Customers water bills include the UWSS Inc. portion (treatment and transmission) of their water cost separately on their bill
- UWSS Inc. now bears the initial risk of system losses, volume fluctuations and uncollectible accounts; these will be recovered in rates
- UWSS Inc. pays a service fee to the Municipalities for work done by the Municipalities as agents of UWSS Inc.(billing, collection, and associated accounting)

What has been accomplished to date

- Adoption of UWSS Inc. General By-Law No. 1
- Adoption of Various Policies for Board of Director Roles and Conduct
- Adoption of Delegated Authority Policy
- Adoption of Dividend Policy
- Adoption of Procurement Policy
- Appointment of Baker Tilly as Auditor
- Selection of WFCU as Banking Institution and establishment of reserves
- Retained a local financial consultant to provide Virtual CFO services
- Developed billing and revenue recovery procedures between UWSS Inc. and four shareholder municipalities
- Established a UWSS-Municipal working group to ensure collaboration between UWSS and the four shareholder municipalities
- Hired direct staff including a special projects manager and HR/Payroll coordinator
- Established a new OMERS plan, retained a health benefits/insurance provider, etc.
- Secured \$60 million credit facility to fund new reservoir construction, treatment plant high lift and clarification upgrades

UWSS Inc. Current Projects

- **Dissolved Air Flotation #2:** - \$10+ million to improve clarification process; to be completed May-June 2025
- **Reservoir #3 Construction:** - \$50 million to construct a new 30 megalitre reservoir. Project underway and expected to be completed Fall 2026
- **High Lift Pumping Upgrades:** - \$2 million to install new pumps and increase pumping capacity/redundancy. Completion in Summer 2026
- **Back-Up Power Generator Upgrades:** - \$2 million to upgrade/improve the existing back-up generator facilities at the treatment plant
- **EA for Treatment Plant Expansion:** - Approval by MECP expected March 2025. Design to start by June 2025
- **EA for UWSS-Windsor Utilities Commission (WUC) Water Emergency Project** - \$400k (+150 in existing funds) approved for undertaking EA for improving interconnects/ construction of joint reservoir for use in emergencies.

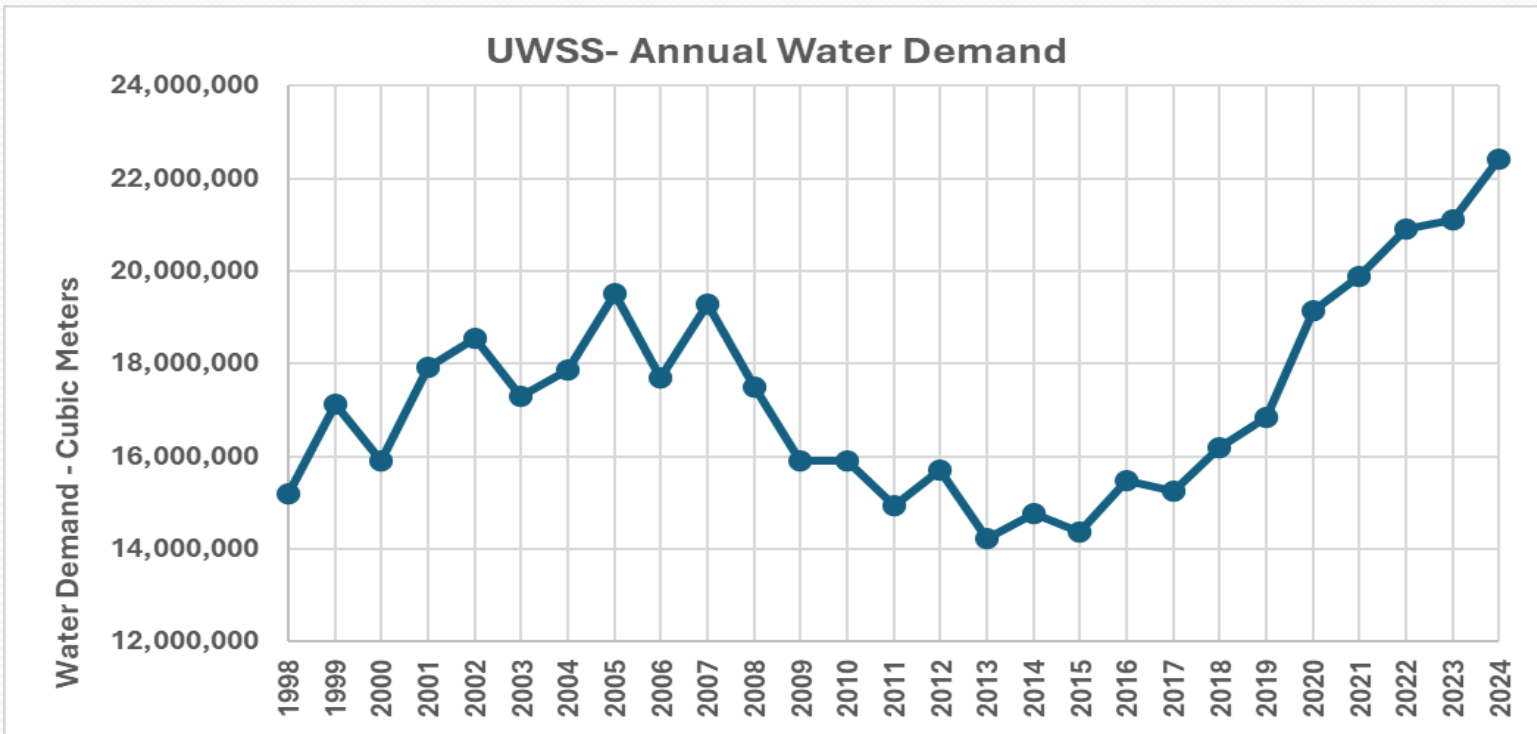
UWSS Inc. Planned Projects

- 2026-2028: - Construction of new 40 ML Water Filtration Building (\$65M)
- 2026-2028: - Cottam water main upgrade/upsized (\$15M)
- 2026-2027: - New Maintenance Shop/Yard/Admin Bldg (\$4.5M)
- 2027-2028: - UV Disinfection System Implementation (\$8M)
- 2027-2029: - Low Lift Upgrades/Raw Water Line (\$12M)
- 2028-2029: - Seacliff Water main upgrade/upsized (\$5M)
- 2029-2030: - Cottam Booster Expansion (\$7M)

Special Projects (dependent on significant grant funding)

- 2026-2029: - Construction of shared reservoir and large feeder mains for UWSS-WUC water security project (\$150M project total)

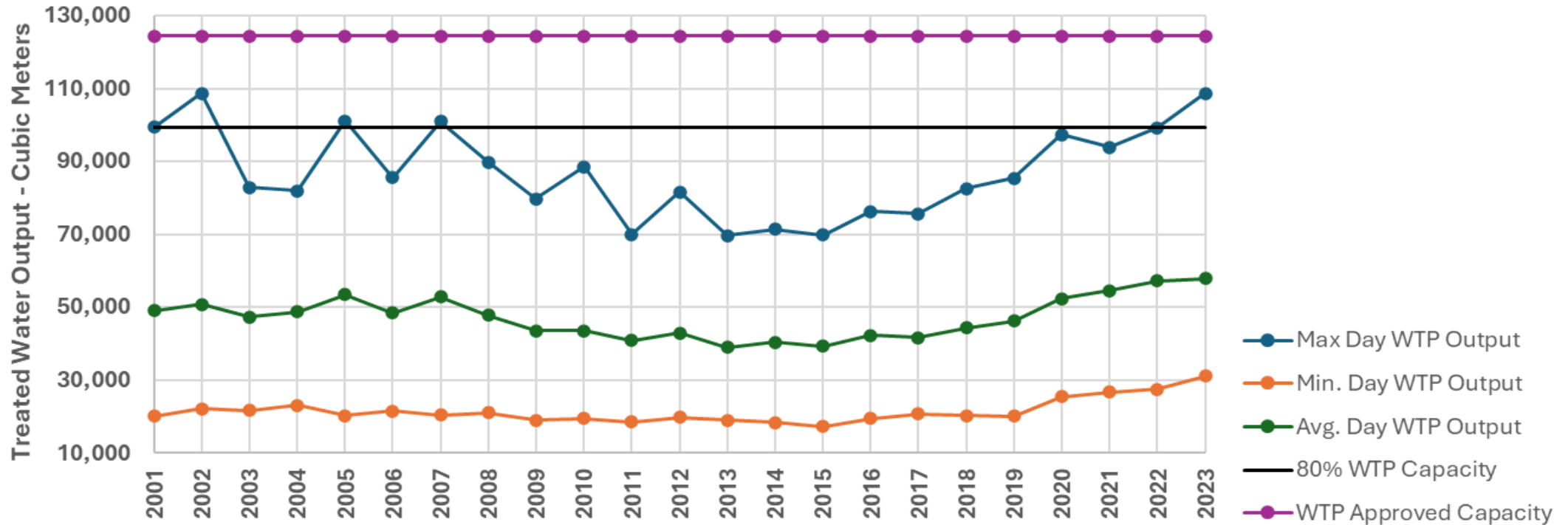
UWSS Inc. 2025 Approved Budget



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

- ✓ Water demand has over last 10 years has increased by 49%
- ✓ Included in the 2025 budget is a 1.5% increase in water demand that have been allocated to end-users in each of the shareholder municipalities, and direct UWSS Inc. customers based on historical 5-year water usage average as follows:
 - ✓ Leamington customers – 51.5% of total budgeted water demand
 - ✓ Kingsville customers – 34.9% of total budgeted water demand
 - ✓ Essex customers – 4.5% of total budgeted water demand
 - ✓ Lakeshore customers – 3.3% of total budgeted water demand
 - ✓ Direct UWSS Inc. Customers – 5.8% of total budgeted water demand

Ruthven WTP Treated Water Output Annual Max, Min and Avg



- ✓ Over the past 5-years, we have seen a steady increase in the maximum Water Treatment Plant (“WTP”) output that will soon reach the WTP approved capacity of 124,500;
- ✓ Higher water usage is primarily being driven by the agri-food industry (e.g. greenhouses) located in the UWSS’ service area;
- ✓ As UWSS is slowly reaching its daily approved WTP capacity output, this necessitated the expansion of the WTP with Reservoir #3 project that will be debt funded for approximately \$60 million in fiscal 2025 – 2027; this reservoir is anticipated to be fully operation in 2027.
- ✓ A treatment plant capacity expansion is planned for 2026-2028; the intent is to increase treatment plant capacity by approximately 35%

WHOLESALE WATER REVENUE SUMMARY		2025 BUDGET	2024 BUDGET	2025 BUDGET CHANGE (\$)	2025 BUDGET CHANGE (%)
Water Volumes (m ³)		21,856,052	21,533,057	322,995	1.5%
Treatment & Transmission Rate	A	0.7767	0.7339	0.0428	5.8%
Capital Renewal / Maintenance Rate	B	0.0200	-	0.0200	N/A
Combinded Rate for Residential / Commercial Customers	C = A + B	0.7967	0.7339	0.0628	8.6%
Plant Expansion Rate (Greenhouse only)	D	0.0100	-	0.0100	N/A
Combinded Rate for Greenhouse Commercial Customers	E = C + D	0.8067	0.7339	0.0728	9.9%
Total Revenues (\$)		\$ 15,575,523	\$ 15,398,552	\$ 176,971	1.1%

- ✓ UWSS 2025 Budget Treatment & Transmission (“T&T”) Rate includes:
 - ✓ A \$0.0628 per m³ increase of the T&T Rate to \$0.7967 m³;
 - ✓ A \$0.02 per m³ levy for capital and maintenance reserves for future capital investments; and
 - ✓ A \$0.01 per m³ levy to recover non-revenue water adjustment for fiscal 2024 (first year of operations); UWSS has further budgeted additional increases to recovery 2024 non-revenue water adjustment in 2026 of \$0.02 and 2027 of \$0.02;
- ✓ Increase in the T&T rate is expected to increase costs for **residential customer** by approximately \$1.25 / month, or \$15 / year;
- ✓ 2025 UWSS Budget includes a \$0.01 per m³ levy specifically for greenhouse customers to cover some of the capital costs of the plant expansion; this levy will result an increase of approximately \$35 / acre annually.

2025 APPROVED OPERATING AND CAPITAL BUDGET

Total Wholesale Water Revenue	\$	15,575,523
Total Other Revenue		1,186,367
Total Operating Expenses		(7,837,741)
Total General and Admin Expenses		(1,069,807)
Total Debt Funded Capital - Interest Costs		(992,063)
Net Income before Taxes	\$	6,862,280

CAPITAL BUDGET

Cash Funded Capital Projects	\$	11,960,000
Debt Funded Capital Projects		34,850,000
Total Capital Projects	\$	46,810,000



QUESTIONS?