

UWSS Inc.
Approved
Budget **2026**

Presentation to Town of
Essex Council
March 2, 2026



Background

As of January 1, 2024, management of the Union Water Supply System Inc. (“UWSS”) is the responsibility its Board of Directors and Corporate Officers.

UWSS’ management is seeking approval of its 2026 UWSS Operating and Capital Budget that will be discussed in this presentation. UWSS’ Finance and Audit Committee has reviewed and approved the submission to the preliminary 2026 UWSS Budget to the Board of Directors.

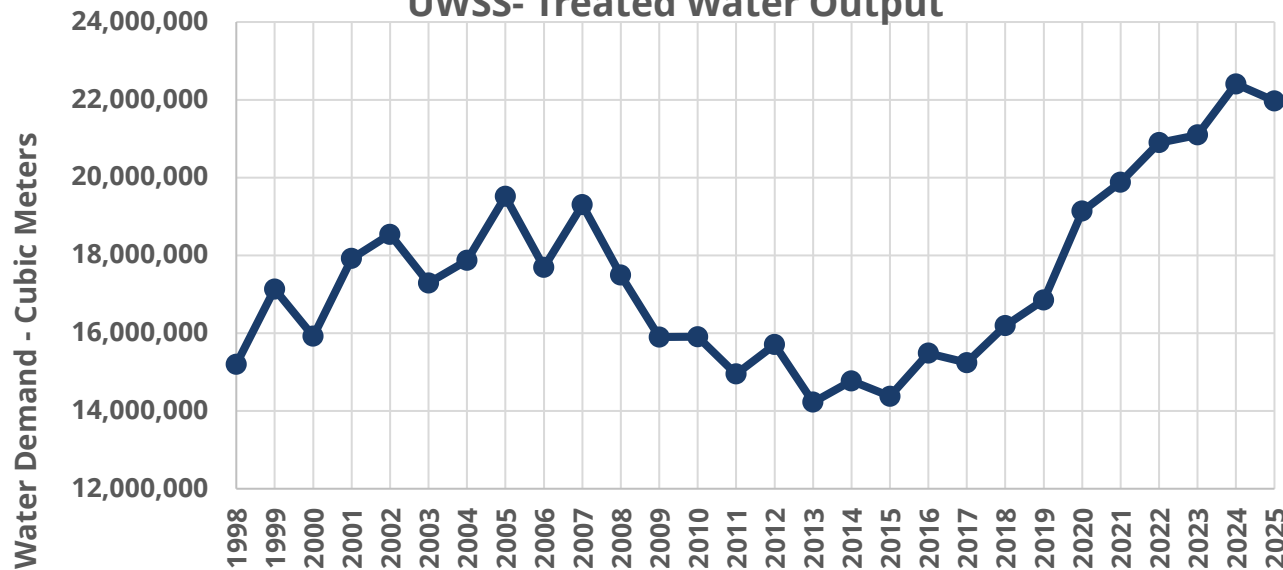


The UWSS 2026 Budget is based on:

- ✓ Revenue from the sale of treated water to the customers in the municipalities of Leamington, Kingsville, Essex and Lakeshore.
- ✓ Other revenue from rental income of UWSS property and telecom leased space on UWSS’ water towers.
- ✓ Operating expenses of the treatment plant, including the Ontario Clean Water Agency’s (“OCWA”) operating system, labour and maintenance program contract.
- ✓ Projected balance sheet and cash flow budget
- ✓ Capital budget

Wholesale Water Demand / Usage

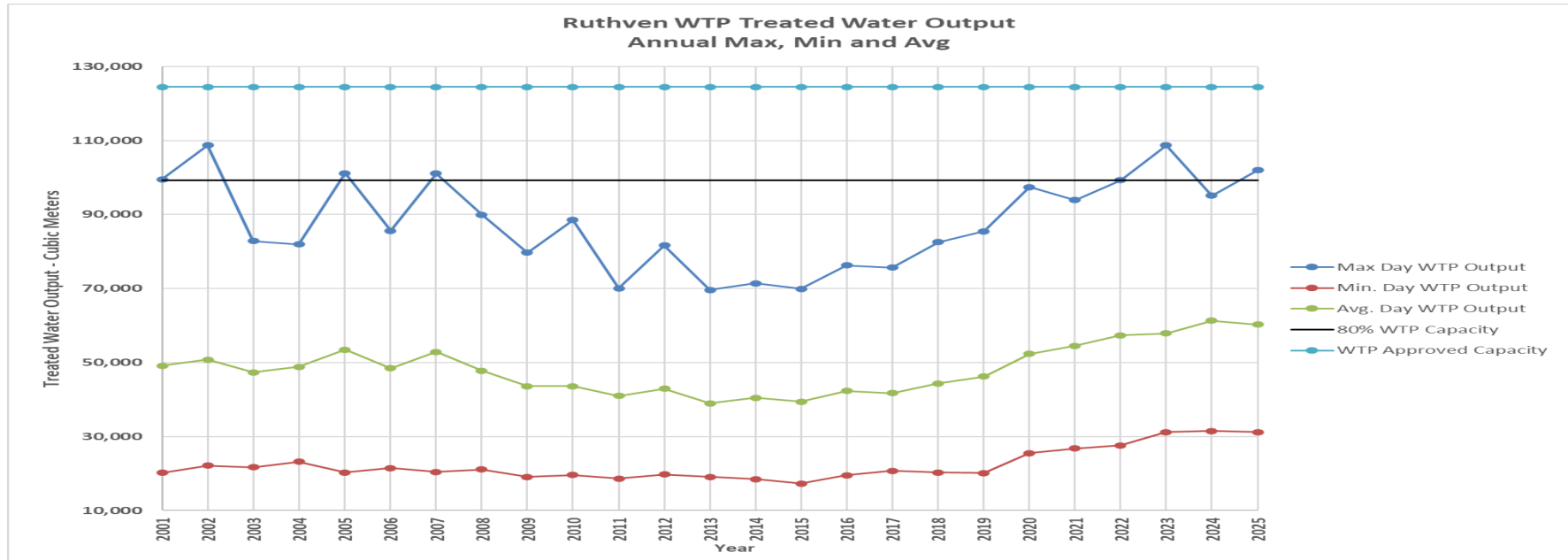
UWSS- Treated Water Output



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 approximately 52%;
- ✓ Included in the 2026 budget is a 4.3% increase in water demand to 22,791,460 m³ that have been allocated to each of the municipalities, and non-municipal direct UWSS Inc. customers based on prior year water usage plus a 3% increase as follows:
 - ✓ Leamington – 53.2% of total budgeted water demand, or 12,127,445 m³
 - ✓ Kingsville – 34.9% of total budgeted water demand, or 7,973,658 m³
 - ✓ Essex – 4.4% of total budgeted water demand, or 998,633 m³
 - ✓ Lakeshore – 2.5% of total budgeted water demand, or 562,111 m³
 - ✓ Other Direct UWSS Inc. Customers – 5.0% of total budgeted water demand, or 1,129,613 m³

Wholesale Water Demand / Usage



- ✓ 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 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.

Wholesale Water Revenue - 2026 Budget

WHOLESALE WATER REVENUE SUMMARY		2026 BUDGET	2025 BUDGET	2026 BUDGET CHANGE (\$)	2026 BUDGET CHANGE (%)
Water Volumes (m ³)		22,791,460	21,856,052	935,408	4.3%
Treatment & Transmission Rate	A	0.7855	0.7767	0.0088	1.1%
Capital Renewal Rate	B	0.0500	0.0200	0.0300	N/A
Lifecycle Rate	C	0.0200	-	0.0200	N/A
Combinded Rate for Residential / Commercial Customers	D = A + B + C	0.8555	0.7967	0.0588	7.4%
Plant Expansion Rate (Large Water Users with Approved Allocations)	E	0.0300	0.0100	0.0200	N/A
Combinded Rate for Large Approved Water User Customers	F = D + E	0.8855	0.8067	0.0788	9.8%
Total Revenues (\$)		\$ 18,753,243	\$ 15,575,523	\$ 3,177,720	20.4%

- ✓ UWSS 2026 Budgeted UWSS Inc. water rate increase of \$0.588 /m³ includes:
 - ✓ A \$0.088 per m³ adjustment for CPI and Non-Revenue Water
 - ✓ \$0.05 per m³ rate for capital reserve for capital investment and major maintenance; 2026 budget includes incremental increase of \$0.03 per m³
 - ✓ \$0.02 per m³ rate for lifecycle reserve for future capital investments
- ✓ Increase in the UWSS Inc. water rate is expected to increase costs for **residential customer** by approximately \$1.25 / month, or \$15 / year;
- ✓ 2026 UWSS Budget includes a \$0.03 per m³ incremental increase in the plant expansion rate from 2025 budget specific to large water users with approved allocations to cover some of the capital costs of the plant expansion; for a typical greenhouse operations, this rate will result an increase of approximately \$110 / acre annually.

Wholesale Water Revenue – 5 Year Budget

WHOLESALE WATER REVENUE SUMMARY		2026 BUDGET	2027 BUDGET	2028 BUDGET	2029 BUDGET	2030 BUDGET
Water Volumes (m ³)		22,791,460	23,134,350	23,824,344	25,328,530	26,832,716
Treatment & Transmission Rate	A	0.7855	0.7875	0.7883	0.7897	0.7911
Capital Renewal Rate	B	0.0500	0.0600	0.0700	0.0800	0.0875
Lifecylce Rate	C	0.0200	0.0400	0.0500	0.0600	0.0675
Combinded Rate for Residential / Commercial Customers	D = A + B + C	0.8555	0.8875	0.9083	0.9297	0.9461
<i>Change %</i>		<i>7.4%</i>	<i>3.7%</i>	<i>2.3%</i>	<i>2.4%</i>	<i>1.8%</i>
Plant Expansion Rate (Large Water Users with Approved Allocations)	E	0.0300	0.0300	0.0300	0.0300	0.0300
Combinded Rate for Large Approved Water User Customers	F = D + E	0.8855	0.9175	0.9383	0.9597	0.9761
<i>Change %</i>		<i>9.8%</i>	<i>3.6%</i>	<i>2.3%</i>	<i>2.3%</i>	<i>1.7%</i>
Total Revenues (\$)		\$ 18,753,243	\$ 19,872,736	\$ 21,048,654	\$ 22,875,565	\$ 24,640,069
<i>Change %</i>		<i>20.4%</i>	<i>6.0%</i>	<i>5.9%</i>	<i>8.7%</i>	<i>7.7%</i>

Operating Expenses - 2026 Budget

OPERATING EXPENSES CATEGORIES (> \$100,000)	2026 BUDGET	2025 BUDGET	2026 BUDGET CHANGE (\$)	2026 BUDGET CHANGE (%)
O&M Contract	\$ 5,216,375	\$ 4,857,000	\$ 359,375	7.4%
Utilities	1,652,800	1,652,800	-	0.0%
Operational Programs & Studies	1,225,000	490,000	735,000	150.0%
Repairs and Maintenance	460,380	77,878	382,502	491.2%
Municipal administrative charges	200,000	121,875	78,125	64.1%
Property Tax	180,999	168,311	12,688	7.5%
Software Support & Maintenance	124,300	79,911	44,389	55.5%
All Other Expense Categories <\$100,000	299,400	389,966	(90,566)	(23.2%)
Total Operating Expenses	\$ 9,359,254	\$ 7,837,741	\$ 1,521,513	19.4%

Operating Expenses – 5 Year Budget

OPERATING EXPENSES CATEGORIES (> \$100,000)	2026 BUDGET	2027 BUDGET	2028 BUDGET	2029 BUDGET	2030 BUDGET
O&M Contract	\$ 5,216,375	\$ 5,372,866	\$ 5,534,052	\$ 5,700,074	\$ 5,871,076
Utilities	1,652,800	1,818,080	1,945,346	2,042,613	2,083,465
Operational Programs & Studies	1,225,000	250,000	250,000	250,000	250,000
Repairs and Maintenance	460,380	480,934	491,792	502,904	514,277
Municipal administrative charges	200,000	204,000	208,080	212,242	216,486
Property Tax	180,999	184,619	188,311	192,078	195,919
Software Support & Maintenance	124,300	126,786	129,322	131,908	134,546
All Other Expense Categories <\$100,000	299,400	350,070	366,961	383,786	397,885
Total Operating Expenses	\$ 9,359,254	\$ 8,787,355	\$ 9,113,864	\$ 9,415,605	\$ 9,663,656
<i>Change %</i>		<i>(6.1%)</i>	<i>3.7%</i>	<i>3.3%</i>	<i>2.6%</i>

- ✓ UWSS budgeted operating expenses for 2026 – 2030 have been budgeted based a 2% annual increase to approximate the anticipated cost of living increase on goods and services;
- ✓ In fiscal 2027 – 2028, certain operating categories - utilities, repairs and maintenance, hardware support and maintenance, insurance, water quality and corrosion and telecommunications - have been budgeted with additional 7%-10% increases in costs due to the expansion of the water treatment plant;

Capital Projects Budget

CAPITAL BUDGET	2026 BUDGET	2027 BUDGET	2028 BUDGET	2029 BUDGET	2030 BUDGET
Low Lift	\$ 740,000	\$ -	\$ -	\$ -	\$ -
General Building Maintenance & Equipment	220,000	300,000	300,000	-	-
Chemical System	380,000	-	-	-	-
Carbon Scrubber System	225,000	-	-	-	-
Filtration	150,000	-	-	-	-
Pumps	170,000	170,000	-	-	-
Main Plant Electrical	75,000	75,000	75,000	75,000	75,000
SCADA /Communication/Security	635,000	70,000	70,000	70,000	70,000
Building Maintenance	150,000	150,000	150,000	-	-
Distribution System	1,070,000	1,400,000	900,000	-	-
Wastewater Treatment System	90,000	-	-	1,000,000	1,000,000
Backup Power System Upgrades	400,000	400,000	-	-	-
Cottam Water Main Upgrades	250,000	-	-	-	-
Water Treatment Plant Capacity Expansion	1,400,000	-	-	-	-
Admin Building Expansion	1,750,000	1,500,000	-	-	-
Residuals management system upgrades	1,000,000	1,000,000	-	-	-
Other non-identified capital projects	-	2,000,000	4,000,000	4,000,000	4,000,000
Total Cash Funded Capital Projects	\$ 8,705,000	\$ 7,065,000	\$ 5,495,000	\$ 5,145,000	\$ 5,145,000
New Reservoir #3	20,000,000	-	-	-	-
UV Disinfection - In-reservoir UV vault	-	3,500,000	-	-	-
New Admin Bldg - Maintenance Shop and Yard	-	1,500,000	2,500,000	-	-
Cottam Water Main Upgrades	-	6,000,000	8,000,000	-	-
Water Treatment Plant Capacity Expansion	10,600,000	31,800,000	26,200,000	-	-
Cottam Booster Expansion	-	-	-	6,000,000	4,000,000
Seacliff Water main replacement	-	-	-	-	3,000,000
Total Debt Funded Capital Projects	\$ 30,600,000	\$ 42,800,000	\$ 36,700,000	\$ 6,000,000	\$ 7,000,000

Budget Summary

2026 PROPOSED OPERATING AND CAPITAL BUDGET

Total Wholesale Water Revenue	\$	18,753,243
Total Other Revenue		1,273,499
Total Operating Expenses		(9,359,254)
Total General and Admin Expenses		(1,433,788)
Total Debt Funded Capital - Interest Costs		(1,733,341)
Net Income before Taxes	\$	7,500,360

CAPITAL BUDGET

Cash Funded Capital Projects	\$	8,705,000
Debt Funded Capital Projects		30,600,000
Total Capital Projects	\$	39,305,000



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