

# Agenda

## Elgin Area Primary Water Supply System

### Joint Board of Management

4th Meeting of the Elgin Area Primary Water Supply System Joint Board of Management  
October 2, 2025, 5:00 PM  
Committee Room #5

Pages

**1. Call to Order**

**2. Indigenous Territorial Acknowledgement**

The Elgin Area Water Supply System and its benefiting municipalities are situated on the traditional lands of the Anishinaabek (Uh-nish-in-ah-bek), Haudenosaunee (Ho-den-no-show-nee), Lūnaapéewak (Len-ah-pay-wuk) and Attawandaron (Add-a-won-da-run) peoples. We honour and respect the history, languages and culture of the diverse Indigenous people who call this territory home. This region is currently home to many First Nations, Inuit and Métis people today and we are grateful to have the opportunity to live and work in this territory.

**3. Disclosures of Pecuniary Interest**

**4. Recognitions and Comments from the Chair**

**5. Adoption of Minutes of the Previous Meeting(s)**

5.1 Minutes of the 3rd Meeting held on June 5, 2025

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**6. Communications and Petitions**

**7. Motion of Which Notice is Given**

**8. Reports and Added Reports**

8.1 Recommended Items for Consent

a. Quarterly Compliance Report (2nd Quarter 2025: April - June)

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b. Environmental Management System and Quality Management System

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9.	<b>Deferred Matters</b>	
10.	<b>Additional Business and Enquiries</b>	
11.	<b>Emergent Motions</b>	
12.	<b>By-Laws</b>	
	By-laws to be read a first, second and third time:	
12.1	By-Law No. 2-2025	116
	A By-law to establish policies related to Reserves and Reserve Funds and the Sale and Disposition of Land for the Elgin Area Primary Water Supply System.	
13.	<b>Closed Session</b>	
14.	<b>Upcoming Meeting Dates</b>	
	December 4, 2025	
	March 5, 2026	
15.	<b>Adjournment</b>	

# **Elgin Area Primary Water Supply System Report**

3rd Meeting of the Elgin Area Primary Water Supply System Joint Board of  
Management  
June 5, 2025

Attendance:                   PRESENT: P. Barbour (Chair); J. Adzija, J. Herbert, S. Hillier, E.  
Peloza, S. Peters, N. Watson and J. Bunn (Committee  
Clerk)

ALSO PRESENT: A. Henry and K. Scherr

**1. Call to Order**

That it BE NOTED that the meeting was called to order at 5:01 PM.

**2. Indigenous Territorial Acknowledgement**

That it BE NOTED that the meeting was opened with an Indigenous Territorial  
Acknowledgement.

**3. Disclosures of Pecuniary Interest**

That it BE NOTED that no pecuniary interests were disclosed.

**4. Recognitions and Comments from the Chair**

None.

**5. Adoption of Minutes of the Previous Meeting(s)**

5.1 Minutes of the 2nd Meeting held on March 6, 2025

HERBERT AND HILLIER

That the minutes of the 2nd meeting of the Elgin Area Primary Water  
Supply System Joint Board of Management, from the meeting held on  
March 6, 2025 **BE NOTED AND FILED. CARRIED**

**Motion Passed**

**6. Communications and Petitions**

None.

**7. Motion of Which Notice is Given**

None.

## 8. Reports and Added Reports

### 8.1 Recommended Items for Consent

- a. Quarterly Compliance Report (1st Quarter 2025: January - March)

PETERS AND WATSON

That, on the recommendation of the Chief Administrative Officer, the report dated June 5, 2025, with respect to the general, regulatory and contractual obligations of the Elgin Area Primary Water Supply System, for January to March 2025, **BE RECEIVED. CARRIED**

**Motion Passed**

- b. Environmental Management System and Quality Management System

PETERS AND WATSON

That, on the recommendation of the Chief Administrative Officer, the report dated June 5, 2025, with respect to the Environmental Management System and Quality Management System, **BE RECEIVED. CARRIED**

**Motion Passed**

- c. Quarterly Operating Financial Status - 1st Quarter 2025

PETERS AND WATSON

That, on the recommendation of the Chief Administrative Officer, the report dated June 5, 2025, with respect to the Quarterly Operating Financial Status of the Elgin Area Primary Water Supply System for the 1st Quarter of 2025, **BE RECEIVED. CARRIED**

**Motion Passed**

- d. Water System Operation - Contract Status Update

PETERS AND WATSON

That, on the recommendation of the Chief Administrative Officer, the report dated June 5, 2025, with respect to the Water System Operation Contract Status Update, **BE RECEIVED. CARRIED**

**Motion Passed**

- e. 2024 Audited Financial Statements and Auditors Report

PETERS AND WATSON

That, on the recommendation of the Chief Administrative Officer, the 2024 Audited Financial Statements and Independent Auditor's Report for the Elgin Area Primary Water Supply System, as appended to the report dated June 5, 2025, **BE RECEIVED AND BE ACCEPTED. CARRIED**

**Motion Passed**

- f. 2025 State of the Infrastructure and Levels of Service

PETERS AND WATSON

That, on the recommendation of the Chief Administrative Officer, the report dated June 5, 2025, with respect to the 2025 State of the Infrastructure and Levels of Service, **BE RECEIVED. CARRIED**

**Motion Passed**

- g. Elgin-Middlesex Pump Station 2025 Asset Management Plan

PETERS AND WATSON

That, on the recommendation of the Chief Administrative Officer, the report dated June 5, 2025, with respect to the Elgin-Middlesex Pump Station 2025 Asset Management Plan, **BE RECEIVED. CARRIED**

**Motion Passed**

## 8.2 Recommended Items for Discussion

- a. Electronic Signatures Policy

PELOZA AND HERBERT

That, on the recommendation of the Chief Administrative Officer, the following actions be taken with respect to the report dated June 5, 2025, related to the Electronic Signatures Policy:

- a) the proposed by-law, as appended to the above-noted report, being a by-law for the adoption of the Electronic Signatures Policy for the Elgin Area Primary Water Supply System, **BE INTRODUCED** at the June 5, 2025 meeting of the Elgin Area Primary Water Supply System Joint Board of Management; and,
- b) the above-noted report **BE RECEIVED. CARRIED**

**Motion Passed**

**9. Deferred Matters**

None.

**10. Additional Business and Enquiries**

None.

**11. Emergent Motions**

None.

**12. By-Laws**

**12.1 By-Law No. 1 - 2025**

WATSON AND HERBERT

That Introduction and First Reading of By-law No. 1 - 2025 **BE APPROVED. CARRIED**

**Motion Passed**

PETERS AND HILLIER

That Second Reading of By-law No. 1 - 2025 **BE APPROVED. CARRIED**

**Motion Passed**

PELOZA AND HILLIER

That Third Reading and Enactment of By-law No. 1 - 2025 **BE  
APPROVED. CARRIED**

**Motion Passed**

**13. Closed Session**

None.

**14. Next Meeting Date**

October 2, 2025

**15. Adjournment**

HERBERT AND HILLIER

That the meeting **BE ADJOURNED. CARRIED**

**Motion Passed**

The meeting adjourned at 5:17 PM.

## Board of Management Report

**Subject:** Quarterly Compliance Report (2<sup>nd</sup> Quarter 2025: April - June)

**Overview:**

- There were no adverse water quality incidents (AWQI) reported during this quarter.

### Recommendation

That the Board of Management for the Elgin Area Primary Water Supply System **RECEIVE** this report for information.

### Background

Pursuant to Board of Management resolution, this Compliance Report is prepared on a quarterly basis to report on general, regulatory, and contractual compliance issues relating to the regional water system. For clarity, the content of this report is presented in two basic areas, namely regulatory and contractual, and does not intend to portray an order of importance or sensitivity nor is it a complete list of all applicable regulatory and contractual obligations.

### Discussion

#### Regulatory Issues

**Recent Regulatory Changes:** At the time of drafting this report, there are no new regulatory changes for this reporting period which may significantly impact the Elgin Area Primary Water Supply System (EAPWSS).

**New Environmental Registry of Ontario (ERO) Postings:** At the time of drafting this report, there were no new postings on the ERO that will have a significant impact on the EAPWSS.

**Quarterly Water Quality Reports:** The [Water Quality Quarterly Report](#) for the period of April 1 – June 30, 2025 was completed by the operating authority, and is posted on the Water Systems' website for public information.

Note: In order to better comply with the *Accessibility for Ontarians with Disabilities Act, 2005*, the detailed tables of water quality test results which were previously appended to this Report have been removed. The full list and test results of drinking water quality parameters is posted on the water system's website and available in print at the Board's Administration Office in London upon request. In addition, the detailed water quality



information is also published within the water system's Annual Report required by O.Reg. 170/03 under the *Safe Drinking Water Act*.

**Adverse Water Quality Incidents (AWQI):** There were no AWQI reported by the operating authority or the external laboratory during this quarter.

**Compliance Inspections:** There were no compliance inspections conducted during the reporting period.

### **Contractual Issues**

**ARTICLE 3, "Operation and Maintenance of the Facilities – General":** Board staff informally meets with OCWA on a monthly basis to discuss operations and maintenance related issues, and formally on a quarterly basis to review contractual performance. The 2025 second quarter Contract Report was received from OCWA on July 30, 2025, and was discussed at the quarterly administration meeting between Board staff and OCWA on August 14, 2025. Copies of the monthly Operations and Maintenance Reports, and quarterly Contract Reports are available at the Board's Administration Office in London upon request.

## **Conclusion**

Board staff will continue to review new and proposed legislation for potential impacts to the EAPWSS. Board staff will continue to meet with the operating authority on a regular basis to discuss regulatory and contractual compliance issues, and ensure any non-compliances are addressed in a timely manner.

Prepared by: Erin McLeod, CET  
Quality Assurance & Compliance Manager

Submitted by: Andrew J. Henry, P.Eng.  
Director, Regional Water

Recommended by: Kelly Scherr, P.Eng., MBA, FEC  
Chief Administrative Officer

## Board of Management Report

**Subject: Environmental Management System and Quality Management System**

### Overview:

- This report provides a summary of Environmental Management System (EMS) and Quality Management System (QMS) activities that took place during the second quarter of 2025 (Q2).
- An EMS internal audit was conducted on April 24 to May 07, 2025, to verify conformance with the ISO 14001:2015 EMS. An EMS Internal Audit Summary Report is included as [Appendix A](#).
- A Management Review meeting was held on June 06, 2025. The meeting minutes are attached to this report as [Appendix B](#).
- A QMS internal audit was conducted on June 09-16, 2025, to verify conformance with the Ontario Drinking Water Quality Management Standard (DWQMS). A QMS Internal Audit Summary Report is included as [Appendix C](#).

### Recommendation

That the Board of Management for the Elgin Area Primary Water Supply System **RECEIVE** this report for information.

### Background

#### Environmental Management System (EMS)

The Elgin Area Primary Water Supply System (EAPWSS) has an Environmental Management System (EMS) which has been registered to the ISO 14001 standard since 2003. The EAPWSS underwent a three-year registration audit in September 2023 and was recommended for registration to the ISO 14001:2015 standard for a three-year period.

The continued utilization and registration of the EMS to the ISO 14001 standard is a requirement of the Service Agreement with Ontario Clean Water Agency (OCWA), the contracted Operating Authority for the EAPWSS.

## **Quality Management System (QMS)**

The existing EMS has been integrated with a QMS that meets the requirements of the province's Drinking Water Quality Management Standard, 2017 (DWQMS). The combined EMS/QMS is maintained by the contracted Operating Authority.

The *Safe Drinking Water Act, 2002* (SDWA) and the water system's Municipal Drinking Water License (MDWL) require that an accredited Operating Authority be in operational charge of the drinking water system. To become accredited, the Operating Authority must implement and maintain a QMS, which includes an Operational Plan meeting the requirements of the DWQMS and must undergo yearly external audits.

OCWA successfully received full scope DWQMS re-accreditation in January 2023 and is currently accredited for the three-year period ending in 2026.

## **Discussion**

### **Management Review**

The documented EMS/QMS and its performance requires Management Review by Top Management a minimum of once every calendar year to ensure that the Board's management team and the Operating Authority stay informed of environmental and quality related issues. Items discussed at the Management Review meetings include, but are not limited to, water quality test results, environmental and quality performance, legislative changes, identified non-conformances, corrective and preventive actions, staff suggestions, changing circumstances and business strategies, and resource requirements. Corrective and preventive actions include not only those to address non-conformance issues and opportunities for improvement identified as part of internal and external audits, but also non-compliance issues identified by the Ministry of the Environment, Conservation and Parks (MECP), suggestions from staff, and opportunities for improvement identified during the Management Review process.

To carry out more effective Management Review meetings, the Board of Management's administration has opted to conduct shorter meetings at more frequent intervals. Although each required Management Review input may not be covered at every meeting, over the year all required inputs are reviewed at least once. Management Review meetings are held in a combined format for both the EAPWSS and the Lake Huron Primary Water Supply System (LHPWSS).

A Management Review meeting was held on June 06, 2025. The meeting minutes are included as [Appendix B](#) for the information of the Board of Management.

## Internal Audits

Pursuant to the international ISO 14001 Standard and the provincial DWQMS, periodic “internal” audits are performed by the Board of Management’s administration to ensure continued compliance with legislated, contractual, and other requirements, as well as conformance with the ISO 14001 Standard and DWQMS. Internal audits also ensure that the ongoing operation of the drinking water system conforms to the EMS and QMS as implemented. As required by the standards, internal audits are performed a minimum of once every calendar year.

An EMS internal audit to verify conformance with the ISO 14001:2015 EMS was conducted on April 24 to May 07, 2025. There were no non-conformances and thirteen (13) opportunities for improvement identified. An EMS Internal Audit Summary Report is included as [Appendix A](#) for the information of the Board of Management.

A QMS internal audit to verify conformance with the Ontario DWQMS was conducted June 09-16, 2025. There were no non-conformances and eighteen (18) opportunities for improvement identified. A QMS Internal Audit Summary Report is included as [Appendix C](#) for the information of the Board of Management.

## External Audits

Annual surveillance audits (third-party external audits) are conducted for both the EMS and QMS, with a recertification audit taking place every third year. The external registrar for both the EMS and QMS is currently Intertek - SAI Global. External audits review all aspects of the EMS or QMS, including the scope and results of internal audits, subsequent management reviews, and corrective action processes.

There were no external audits conducted in Q2 2025.

## Corrective and Preventive Actions

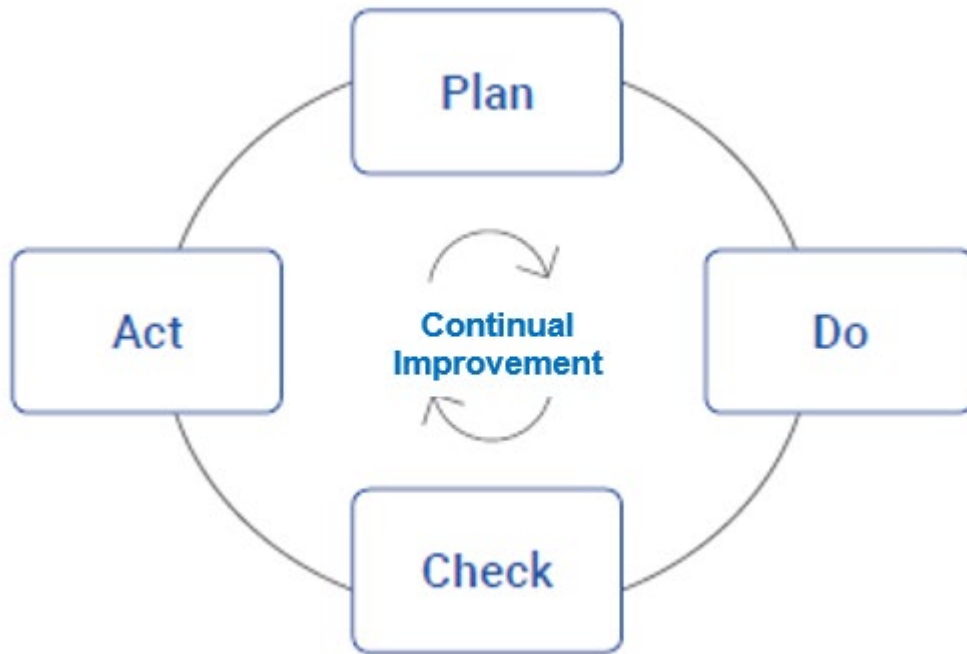
For the EMS/QMS to be effective on an on-going basis, an organization must have a systematic method for identifying actual and potential non-conformities, making corrections, and undertaking corrective and preventive actions, preferably identifying, and preventing problems before they occur. The Internal Audit process and Management Review are the two main drivers for proactively identifying potential problems, opportunities for improvement and for the implementation of corrective actions for the EAPWSS. Preventive actions may originate from identified opportunities for improvement as part of an audit, but also staff suggestions and discussions with management.

It is important to note that the action items should not be construed as compliance failures, but rather an action to be undertaken which will improve the EAPWSS overall performance.

Action items are the result of the “Plan-Do-Check-Act” continual improvement process. The identification of action items is a critical component of continual improvement and an essential element of management systems. The identification of action items should be seen as a positive element, as this drive’s continual improvement.

A key concept of the Plan-Do-Check-Act continual improvement process (Figure 1) is that it does not require nor expect 100% conformance but promotes an environment of continual improvement by identifying shortfalls, implementing corrective and preventive measures, and setting objectives and targets for improvement.

Figure 1: Plan-Do-Check-Act Continual Improvement Process



The following summarizes the seventeen (17) new approved action items that have been added to the EMS/QMS action-item tracking system during Q2 2025:

- Thirteen (13) new action items were added resulting from the EMS Internal Audit conducted on April 24 to May 07, 2025.
- Two (2) new action items were added as part of the Management of Change process related to the implementation of the On Location visitor and contractor management software on May 07, 2025.
- Two (2) new action items were added as part of the Corrective Action process related to a disinfection-related water sample not being submitted after maintenance at the WTP on May 12, 2025.

As of September 05, 2025, there are currently thirteen (13) open action items in the EAPWSS tracking system. All action items are prioritized and addressed using a risk-based approach, and deadlines established given reasonable timeframes and resources that are available. The Board of Management staff are pleased with the performance of the corrective and preventive action process and have no concerns with the number of open action items.

## Conclusion

The Internal Audits and frequent Management Review meetings continue to effectively identify and manage system deficiencies. The EMS/QMS for the EAPWSS continues to be suitable, adequate and effective. Activities by OCWA continue to address the need for change, and the management systems are being revised and refined as required.

Prepared by: Jennifer Levitt  
Compliance Coordinator

Erin McLeod, CET  
Quality Assurance & Compliance Manager

Submitted by: Andrew J. Henry, P.Eng.  
Director, Regional Water

Recommended by: Kelly Scherr, P.Eng., MBA, FEC  
Chief Administrative Officer

Attachments: [Appendix A](#) - EMS Internal Summary Report (April 24 to May 07, 2025)  
[Appendix B](#) – Management Review Meeting Minutes (June 06, 2025)  
[Appendix C](#) - QMS Internal Audit Summary Report (June 09-16, 2025)

## **Appendix A: EMS Internal Audit Summary Report (April 24 to May 07, 2025)**

### **Audit Purpose:**

The purpose of the audit was to verify conformance with the ISO 14001:2015 Environmental Management Systems standard for the Elgin Area Primary Water Supply System (EAPWSS). Internal audits ensure the EMS is being continually improved.

### **Auditor Qualifications:**

Jennifer Levitt (Lead Auditor) has completed an ISO 14001:2015 Internal Auditor training course and is deemed competent to complete EMS auditing. Erin McLeod has completed an ISO 14001:2015 Internal Auditor Training course. See Certificates in Appendix C.

### **Methodology:**

The Internal Audit was conducted as outlined in procedure EA-ADMIN-1200 Internal Audit of the EMS. The internal audit was comprised of a conformance review of the facilities and limited to the operation of the water supply system by the contracted operating authority, Ontario Clean Water Agency (OCWA), since the last Internal Audit conducted April 16-29, 2024.

*Note:* The audit was conducted through a review of a sampling of documents, limited interviews and observations by the auditors to demonstrate conformance with the ISO 14001:2015 Environmental Management Systems standard. The review and audit should not be construed as a complete and comprehensive review of all aspects/risks and all documents.

## **FINDINGS**

The following is a summary of the audit findings, including positive findings and opportunities for improvement. There were no non-conformances identified during this audit. The detailed audit checklists are attached for further information.

- Appendix A: EF-ADMIN-1200 EMS Audit Checklist (Quality Assurance and Compliance Manager)
- Appendix B: EF-ADMIN-1200 EMS Audit Checklist (Compliance Coordinator)

### **Definitions:**

- A non-conformance is a non-fulfilment of an ISO14001 requirement
- An opportunity for improvement (OFI) describes a requirement that can be more effectively addressed.

**Sites Visited:**

- Fruitridge Surge Control Facility
- Elgin-Middlesex Pumping Station (EMPS) and Terminal Reservoir
- Elgin Area Water Treatment Plant

**Interviews Conducted:**

- Safety, Process and Compliance Manager, OCWA
- Process & Compliance Technician, OCWA
- Senior Operations Manager, OCWA
- Operator in Training, OCWA
- Regional Manager – Top Management, OCWA
- Director – Top Management, RWS
- Quality Assurance and Compliance Manager, RWS

**Summary of Findings**

**Positive Findings**

Previous Management Review Meeting Minutes demonstrate effective communication between all parties through discussions that emphasize continual improvement efforts and completion of OFI's identified in previous EMS Audits.

Continual improvement was evident during the audit. In January 2025 ChemManagement software was implemented at EAPWSS to simplify Safety Data Sheet (SDS) management which fosters a safer work environment. This improvement ensures every SDS is up to date and is easily accessible by Operating Authority (OA) staff. In May 2025 Contractor Management Software was implemented to streamline the contractor sign-in/sign-out process, improve compliance and manage resources more efficiently.

The OA maintains extensive documentation including policies, procedures, plans, forms and data which enhance the effectiveness of the EMS.

The provision of Owner and OA resources (including responsibility for operating and managing the EMS) was deemed to be adequate at the time of this audit assessment.

Templates have been created for audit planning, including an "Audit Closing Checklist" which is a noted improvement that has helped the internal auditor manage documentation requirements.



## **Opportunities for Improvement (OFIs)**

### **5.3 Organization Roles, Responsibilities and Authorities**

OFI #1 – The Senior Operations Managers (SOMs) responsibility for performing the duties of the EMS/QMS Management Representative in the absence of the Safety, Process and Compliance (SPC) Manager were not realized.

OFI #2 – EA-ADMIN-100 Structure & Responsibilities is out of date. The Process & Compliance Technician (PCT) and the second Senior Operations Manager are not included in OCWA's Organizational Structure.

### **6.1.1 Actions to Address Risks and Opportunities**

OFI #3 – Consider updating the ISO14001 External and Internal Issue document and verifying which critical supplies/services may be at risk due to ongoing tariffs and threats from the US (i.e. confirm which Canadian distributors are supplying American products).

### **6.1.4 Planning Action**

OFI #4 – Chemical System Upgrade (through Project No. EA4114-21 and ELG001.505600) – A Risk Assessment could not be produced to confirm completion. There is an opportunity to complete a Risk Assessment for this project.

## **7.2 Competence**

OFI #5 – Review the OA training matrix as there are inconsistencies for which staff require EMS/QMS training. Example: One SOM (G.Henderson) is on the required training list but the other SOM (N.Wilson) is not. It is recommended that all Elgin staff, including management staff, be provided with EMS/QMS orientation and refresher training.

## **7.4 Communication, 7.4.1 General**

OFI #6 – Consider updating EA-ADMIN-500 Communications to include the PCT as a secondary point of contact for EMS/QMS internal communication.

### **7.4.3 External Communication**

OFI #7 – Consider documenting a process for Owner received complaints in EA-ADMIN-1000 Complaints.

### **7.5.3 Control of Documented Information**

OFI #8 – An EF-ADMIN-1700 Subcontractor & Supplier Sign-off form was not completed for R.Seelisa (Johnson Controls). It should be noted that a Contractor Management software is being implemented May 05, 2025.

### **8.1 Operational Planning and Control**

OFI #9 – EF-ADMIN-2301 Project Checklists have not been completed for several projects (EA4207, EA4209, EA4222) to determine if the projects are categorized as minor or major (later requiring an EF-ADMIN-700 Management of Change form). There is an opportunity to complete these checklists.

### **8.2 Emergency Preparedness and Response**

OFI #10 – It could not be confirmed that EMC-1 Report of Adverse Water Quality Incident (AWQI) was tested within the past 5 years. An EF-ECP-1 Contingency Plan Review Test Form could not be produced to confirm test completion.

## **9 Performance Evaluation - 9.1 Monitoring, Measurement, Analysis and Evaluation - 9.1.1 General**

OFI #11 – EA-ADMIN-2200 Calibration of EMS/QMS Equipment does not include hand-held chlorine analyzers as equipment requiring calibration / verification (see Section 3.1).

OFI #12 – A fire extinguisher (Fruitridge) had no physical asset ID tag onsite. It was confirmed the extinguisher is listed in Maximo under asset # 297764 (serial number AV0157288).

### **9.1.2 Evaluation of compliance**

OFI #13 - On the audit schedule, consider prioritizing three (3) items from the Legal Register that are currently overdue for auditing (e.g. Clean Water Act, O.Reg. 248/07, and the Joint Occupancy and Use Agreement for the EMPS).

## **Non Conformances**

No non-conformances were identified as part of the internal audit.

## **Observations**

An outdated version (v.10.0) of EF-ADMIN-2051 Weekly Sample Schedule was observed to be in use in the lab. The current version (v11.0) is dated December 09, 2024.

## **Appendix B: Management Review Meeting Minutes (June 06, 2025)**

Lake Huron & Elgin Area Primary Water Supply Systems EMS/QMS Management Review

**Date:** June 06, 2025

**Time:** 9:00am

**Location:** Virtual – Microsoft Teams

**Attendees:** Andrew Henry (RWS), Erin McLeod (RWS), Jennifer Levitt (RWS), Jackie Muller (OCWA), Greg Henderson (OCWA), Denny Rodrigues (OCWA), Cindy Sigurdson (OCWA), Courtney Miller (OCWA), Mark MacKenzie (OCWA)  
**Regrets:** Randy Lieber (OCWA)

N.B.: Management Review meetings are held in a combined format for both the Lake Huron Primary Water Supply System (LHPWSS) and the Elgin Area Primary Water Supply System (EAPWSS).

### **-----Meeting Notes-----**

#### **1. Review and Approval of Previous Meeting Minutes (March 27, 2025)**

The minutes from the previous meeting (March 27, 2025) are posted to SharePoint. Minutes circulated to comment. No concerns noted and documents are approved.

#### **2. Results of Board Meetings (June 05, 2025)**

Huron Board Meeting (June 5, 2025)

- Quarterly Compliance Report: The report was received for information.
- EMS/QMS Report: The report was received for information.

Elgin Board Meeting (June 5, 2025)

- Quarterly Compliance Report: The report was received for information.
- EMS/QMS Report: The report was received for information.

**RWS comment** – General positive comments at the Board meeting related to scope of EMS/QMS implementation and Management Review discussion. Energy consumption across several projects and related benefits was discussed noting how consumption is trending downwards. The status of the Huron action items were discussed, noting that

the number of open action items has been reduced. Action items are identified related to audits, projects and initiatives.

### **3. Environmental & Quality Policy**

No changes required to the current Policies. EAPWSS and LHPWSS Policies both signed June 27, 2024 (effective date June 01, 2023).

### **4. Huron Env. Compliance Audit (April 3-17, 2025) – Municipal Drinking Water Licence (MDWL) & Drinking Water Works Permit (DWWP)**

No Non-compliances (NC's) and two (2) Opportunities for Improvement (OFI's) were identified as part of the audit. Action items were discussed and approved. Refer to the agenda package for detailed information.

### **5. Elgin EMS Internal Audit (April 24-May 9, 2025)**

No Non-conformances (NC's) and thirteen (13) Opportunities for Improvement (OFI's) were identified as part of the audit. Action items were discussed and approved. Refer to the agenda package for detailed information.

### **6. Huron EMS Internal Audit (May 8-16, 2025)**

No Non-conformances (NC's) and twelve (12) Opportunities for Improvement (OFI's) were identified as part of the audit. Action items were discussed and approved. Refer to the agenda package for detailed information.

### **7. Environmental Objectives, Targets & Programs**

The status of the environmental objectives related to electricity consumption, chemical consumption, and process water use were discussed. Updates to the environmental programs were reviewed. Refer to the agenda package for detailed information.

#### **EAPWSS**

Electricity Efficiency: Doing well on electricity efficiency, significant drop noted for end of 2024.

**OCWA comment** – The summer pumping strategy may have contributed to the decrease in electricity consumption and the 2024/25 winter ice cover may have attributed to less turbidity / less run times for the Residuals Management Facility (RMF).

Installing submeters to monitor electricity consumption in different buildings/process areas may be beneficial to further focus on savings.

**RWS comment** – OCWA to put together a proposal to determine where we can do submetering and associated costs.

**Chemical Efficiency:** Typical seasonal trends observed, noting an increase in carbon dioxide and sodium hydroxide usage starting in 2024. This is the result of the recommendations from the recent Water Quality Facility Plan update which recommended further pH adjustment to optimize chemical processes. The improved water quality benefits impact the environmental program.

### **LHPWSS**

**Electricity Efficiency:** The high lift pump upgrade project and optimization of the pumping strategy has made significant improvements to electricity efficiency.

**Process Water:** As a result of the backwash optimization project (implemented in Jan. 2023) there is a noted 20% reduction in backwash pump run times. This contributes to electricity efficiency from running the backwash pumps for shorter durations. It is also noted there is a 34% reduction in backwash water utilized per backwash.

**Chemical Efficiency:** The coagulation upgrade project was completed in 2024. This should stabilize the chemical efficiency trend and monitoring will continue. It was noted that powder activated carbon (PAC) usage was higher in 2024 due to a persistent seasonal taste and odour event.

**RWS comment** – We've been trending electricity data for the remote stations. Preliminary results for a full year of data related to the Exeter-Hensall Pumping Station electricity trends indicate an approximate savings of 20-25% for electricity and cost.

**OCWA comment** – We can attribute the large increase in savings to continual improvement efforts by all.

**RWS comment** – It's important to note that investments into efficiency and optimization programs are saving approximately \$1M a year in costs between LHPWSS and EAPWSS.

## **8. 2024 Energy Reporting**

For each Elgin Area Water Treatment Plant (WTP) and Lake Huron WTP, more water was pumped in 2024 than in previous years. Lower electricity and natural gas were used, yet greenhouse gas (GHG) emissions were higher. Previous information from the Ministry of Energy indicated that this is due to the GHG emissions factors being updated every year, based on new information published by Environment and Climate Change Canada (ECCC). Electricity consumption and intensity have gone down.

**RWS comment** – Ontario Water Works Association (OWWA) has developed a tool for greenhouse gas emissions inventory so we will begin to work within that tool to gain some insight into consumption.

Refer to the agenda package for detailed information.

## **9. Incident of Adverse Drinking Water Tests**

EAPWSS – none since June 2024

LHPWSS – One Adverse Water Quality Incident (AWQI) for McGillivray Pump Station (PS) (June 03, 2025) related to a reported total coliform (1 count/100mL). Upstream, downstream and at the initial location were sampled/retested and confirmed no detection. AWQI was reported to required authorities.

## **10. The Effectiveness of the Risk Assessment Process**

The 36 Month Risk Assessment for EAPWSS was completed on June 2, 2025.

- Updated various control measures to include specific procedures and preventative maintenance procedures in place.
- Updated quantity of pumps to reflect current redundancy.
- Removed Diesel Fuel Risk Management Plan as a control measure since the document has not been approved.
- Consolidated extreme weather events into one hazardous event.
- Consolidated the RMF Hazards to focus on events that pose a threat to the drinking water quality.
- Added Level Meters as Critical Control Limit under Critical Control Point (CCP) – Disinfection.
- Updated Table 2 Critical Control Points – Control Limits to reflect current SCADA alarm set points.
- Updated risk scoring to reflect current likelihood and severity for various hazardous events.

The 36 Month Risk Assessment for LHPWSS was completed on June 3, 2025.

- Updated various controls to include specific procedures and work orders in place.
- Removed roto-dip from coagulation sections to reflect upgraded coagulation system.
- Consolidated extreme weather events into one hazardous event.
- Consolidated the RMF Hazards to focus on events that pose a threat to the drinking water quality.
- Added Level Meters as Critical Control Limit under CCP – Disinfection.

- Updated Table 2 Critical Control Points – Control Limits to reflect current SCADA alarm set points.
- Updated risk scoring to reflect current likelihood and severity for various hazardous events.

**RWS comment** – The EAPWSS Diesel Fuel Risk Management Plan is currently in draft format, as it's awaiting acceptance from the municipal Risk Management Official (RMO). Staff were directed to review/finalize the Plan. Once the Plan is finalized the requirements outlined in the Plan will have to be implemented (e.g. additional reporting included in the annual Compliance Report).

## **11. Results of Emergency Response Testing**

Since June 2024 OCWA has tested five Mandatory Contingencies

HMC-1 Report of Adverse Water Quality Incident and EMC-1 Report of Adverse Water Quality Incident were reviewed and tested on May 21, 2025. The action item is to update HMC-1 with filter performance criteria reporting and notification process. This has been completed.

HMC-2 Equipment Failure and HMC-7 Emergency Communications was reviewed and tested on September 18, 2024. Outcomes were to update HSOP-02-05 Fire Response and HSOP-02-06 Extreme Weather Event were updated as a result of the review and test. HVAC training was also an action item; additional training was provided to the staff. Formal training will be provided to all staff.

EMC-6 Additional demand for water Fire fighting was reviewed on October 1, 2024. No action items as a result of the review.

## **12. QMS Operational Plan Currency, Content & Updates**

QMS Operational Plan, EA-ADMIN-100 and LH-ADMIN-100 Structure and Responsibility were updated to include the role of the Process and Compliance Technician (PCT). Elgin's was also updated to include the new organizational structure to include the additional Senior Operations Manager. Some additional minor edits were completed to clarify responsibilities.

Various procedures and forms have been updated in both systems to reflect current practices and address corrective/preventative action items. For the EAPWSS there have been 22 procedures and forms that have been modified and approved. In the LHPWSS there have been 33 procedures and forms that have been modified and approved. This provides evidence of continual improvement in the management systems.

### **13. Compliance Obligations Update**

#### **Municipal Drinking Water Licence (MDWL) – LHPWSS**

MECP has issued an updated MDWL (Issue #8 dated March 27, 2025). The new MDWL has revised filter performance criteria wording. Conditions for regulatory relief re: microbiological sampling in the distribution system have also been added.

#### **Ontario Notices**

##### **[Policy Proposal: Updates to the Drinking Water Quality Management Standard \(DWQMS\)](#)**

**Source:** Ministry of the Environment, Conservation & Parks (MECP)

**Date Posted/Notice Received:** April 22, 2025

**Comments Due:** June 6, 2025

**Summary:**

MECP is proposing revisions to the DWQMS, with draft version 3.0 provided for review. Many of the proposed DWQMS updates are administrative in nature and intended to clarify existing requirements. MECP is also proposing changes that will enable auditing of practices used to summarize monitoring data, where such reports are used to demonstrate compliance with legislated requirements.

**Potential Impacts:** Minor impacts. The changes to the standard will require review and update of various QMS documents/procedures. Most of the changes align with current procedures that are already in place.

#### **Request for Comments: Draft Water Storage Facility and Water Treatment Plant Disinfection Procedures**

**Source:** MECP

**Date Posted/Notice Received:** May 13, 2025 (by email)

**Comments Due:** June 27, 2025

**Summary:**

The Ministry has circulated two draft disinfection procedures to all municipal drinking water system owners/operators for comment and feedback.

- Draft Water Storage Facility Disinfection Procedure (connected with AWWA C652)
- Draft Water Treatment Plant Disinfection Procedure (connected with AWWA C653)

**Potential Impacts:** Under review.

##### **[Decision Notice: Streamlining permissions for water takings for construction site dewatering activities and foundation drains](#)**

**Source:** MECP

**Date Posted/Notice Received:** May 27, 2025

**Comments Due:** N/A



**Summary:**

MECP is proceeding with regulatory amendments to streamline environmental permissions for certain water taking activities. O.Reg. 63/16 will be amended to move additional construction site dewatering activities to a registration-first approach by removing the volumetric restriction such that proponents would be required to self-register construction dewatering activities online on the Environmental Activity and Sector Registry (EASR) regardless of the volume of water taking, allowing them to start operations immediately without requiring a Permit to Take Water (PTTW) or an Environmental Compliance Approval (ECA). The regulation continues to require environmentally protective measures such as monitoring plans, erosion and sediment control, and treatment measures that have been included in the reports to safeguard that the taking of water and subsequent discharge do not cause adverse effects. The amendments come into effect July 1, 2025.

**Potential Impacts:** No major impacts anticipated. Construction infrastructure projects that involve dewatering are now all EASR eligible (without volume restrictions) and will be registered through EASR as required. Water taking and discharge plans will continue to be developed by our engineering design consultants and/or geotechnical engineering firms.

#### **14. Changes That Could Affect the QMS**

##### **Western Lake Erie Harmful Algal Bloom (HAB) Early Season Projection**

The Lake Erie Harmful Algal Bloom (HAB) 2025 early season projection was discussed. There is a predicted mild to moderate bloom this year. Refer to the agenda package for detailed information.

**OCWA comment** – Annual HAB training has been conducted and updates to related procedures have been completed.

**RWS comment** – The University of Toronto has asked for a copy of our HAB response procedures. They are compiling and summarizing HAB response information from various water systems as a knowledge sharing exercise.

**RWS comment** – A per-and polyfluoroalkyl substances (PFAS) Research Program (University to Waterloo) had a recent webinar to update progress on the program. We will continue to participate in the program moving forward.

## **15. Overall Decision on the Suitability, Adequacy and Effectiveness of the EMS/QMS**

General discussion on the management systems as a whole, reflecting back over the past year. Noted items:

- Driving continual improvement
- Most environmental objectives are being met as per the earlier discussion (electricity consumption, chemical consumption, process water use)
- Audit programs are successfully identifying NCs and OFIs
- Support of OCWA and RWS leadership
- The Board as a whole and individual are pleased with the performance of Management Systems. Starting to gain more international attention in the approach in how continual improvement is embraced and incorporated in the management systems, practices, and policies.

All in agreement that the EMS/QMS continue to be suitable, adequate and effective.

**RWS comment** – The integrated management approach is gaining external interest. Being asked to present on our Management System approach, effectiveness and results. Have presented to the Canadian Water and Wastewater Association (CWWA), American Water Works Association (AWWA), Utility Management Conference, City of Halifax, Abbotsford-Mission (in future).

**OCWA comment** – High level of engagement with new staff and in training sessions. A good understanding of EMS/QMS processes and procedures is evident.

## **16. Management of Change:**

OnLocation Software Implementation (Huron & Elgin) - Refer to the agenda package for detailed information.

## **17. Corrective Action Forms:**

May 12, 2025 - Disinfection after repair sample submission (Elgin) - Refer to the agenda package for detailed information.

\*\*\*End of Meeting\*\*\*

**Next Meeting – September 25, 2025**

## **Appendix C: QMS Internal Audit Summary Report (June 09-16, 2025)**

### **Audit Purpose:**

The purpose of the Quality Management System (QMS) Internal Audit was to verify conformance with the Ontario Drinking Water Quality Management Standard (DWQMS) Version 2.0 for the Elgin Area Primary Water Supply System (EAPWSS). Internal audits ensure the QMS is being continually improved.

Non-conformances and opportunities for improvement are listed below.

### **Auditor Qualifications:**

Jennifer Levitt completed the training course in DWQMS Internal Auditing. The Internal Auditor certificate is attached in Appendix B.

### **Methodology:**

The Internal Audit was conducted as outlined in QMS Procedure EA-ADMIN-1200 (Internal Audit) and was comprised of a conformance review of the facilities and limited to the operation of the water supply system by the contracted operating authority, Ontario Clean Water Agency (OCWA), since the last Internal Audit conducted June 03 and 04, 2024.

*Note:* The internal audit was conducted through a review of a sampling of documents, limited interviews, and observations by the auditors to demonstrate conformance with the DWQMS. The review and internal audit should not be construed as a complete and comprehensive review of all aspects/risks and all documents.

### **Findings:**

The following is a summary of the audit findings, including non-conformances and opportunities for improvement.

- Appendix A: EF-ADMIN-1201 QMS Audit Checklist (Jennifer Levitt)

### **Definitions:**

- A non-conformance (NC) is a non-fulfilment of a requirement.
- An Opportunity for Improvement (OFI) describes a requirement that can be more effectively addressed.

### **Areas Visited:**

- Elgin Water Treatment Plant (WTP), 43665 Dexter Line, Central Elgin, Ontario
- Elgin-Middlesex Pumping Station (EMPS) - Valve House and Terminal Reservoir, 490 South Edgeware Road, Central Elgin, Ontario

### **Interviews Conducted:**

- Safety, Process and Compliance Manager, OCWA
- Process & Compliance Technician, OCWA
- Senior Operations Manager, Overall Responsible Operator, OCWA
- Operator in Training, OCWA
- Operator, OCWA
- Regional Manager – Top Management, OCWA
- Director – Top Management, RWS
- Quality Assurance and Compliance Manager, RWS

### **Summary of Findings**

#### **Positive Findings**

- Culture of continual improvement - Evidence of continual improvement projects (e.g., Jotform (software) for Capital Planning, ChemManagement (software) for Safety Data Sheet (SDS) management and OnLocation (software) for Contractor Management.
- Staff interviewed were knowledgeable about their processes and programs and their roles' impacts on achieving the commitments included in the QMS Policy.
- All calibration records / training records requested were readily available and / or scheduled as required.
- All opportunities for improvement identified in the previous internal and external audits have been verified as completed or are in progress.

#### **Non-Conformance (NC)**

No NC's were identified as part of the internal audit.

#### **Opportunity for Improvement (OFI)**

Eighteen (18) OFI's were identified as part of the audit as per below.

#### **Element 2 - Quality Management System Policy**

Note - The QEMS on the OCWA website was last revised and approved by OCWA's Board of Directors on April 4, 2024. The posted QEMS Policy at the WTP is dated April 06, 2016. Note this was corrected and verified during the audit.

#### **Element 5 - Document and Records Control**

OFI#1 - Operational Plans are to be retained for 10 years. Pre-2017 plans were not available during the audit.

OFI#2 - Incorrect training records were used in some instances for 2022. The use of LF-ADMIN-1402 Training Record, instead of EF-ADMIN-1401.

### **Element 7 - Risk Assessment**

OFl#3 - Within the Construction Project Risk Assessment consider including Ground Penetrating Radar (GPR) as a preventative measure to confirm clearance of boreholes in areas where intrusive work is to be performed at the WTPs.

### **Element 8 - Risk Assessment Outcomes**

OFl#4 – Not all Mandatory Critical Control Points (CCP) on the QMS Risk Assessment & Outcomes document have associated Emergency Standard Operating Procedures (ESOPS). Consider developing for all CCPs.

OFl#5 - For emergency documents, consider developing a structured hierarchy for consistency and ease of access to appropriate information when needed. For example, what is an 'Emergency Contingency Plan' (ECP) and when is it used. What is an 'Emergency Mandatory Contingency' (EMC) and when is it used. What is an 'SOP – Emergency' (ESOP) and when is it used.

### **Element 9 - Organizational Structure, Roles, Responsibilities and Authorities**

OFl#6 - There is an opportunity to update RWS responsibilities within EA-ADMIN-100 Structure and Responsibilities.docx as a result of a newly created RWS position (e.g. Occupational Health & Safety Advisor hired June 09, 2025). There is also an opportunity to include cybersecurity (e.g. Information Security) as an additional responsibility.

### **Element 13 - Essential Supplies and Services**

OFl#7 - There is an opportunity to update ECP-2 Emergency Contact & Essential Suppliers & Services List.docx to remove any reference to obsolete documents (e.g. EA-PROC-1300 Sodium Hypochlorite Use in Post Maintenance Disinfection.doc)

OFl#8 - There is an opportunity to consolidate chemical related process procedures (EA-PROC) involving Delivery and Handling for a singular chemical into one document. At present there are two separate procedures (e.g. EA-PROC-1600 Delivery and EA-PROC-1500 Handling).

OFl#9 - Consider updating relevant sections of the Process Procedures documents to reflect the implementation of OnLocation software for signing-in at the WTP.

### **Element 14 - Review and Provision of Infrastructure**

OFl#10 - Jotform (form builder/creator) is being utilized as a capital recommendation tool. Consider pairing down the capital recommendations excel spreadsheet summary, a duplication of effort. There is an opportunity to also update any procedures related to capital recommendations to reflect changes to Jotform.

### **Element 17 - Measurement and Recording Equipment Calibration and Maintenance**

OFI#11 – The ‘A Line Sample Pump’ (Asset ID# 500091) at the EMPS Valve House has been physically removed (as of April 15, 2018) and decommissioned in Maximo however, the asset tag and other associated labels are still attached to the wall plate.

OFI#12 - There is no difference between the monthly verification and the quarterly calibration within the work order descriptions for the HACH Portable Chlorine Handheld Analyzers. There is an opportunity to remove the quarterly calibration work orders for all HACH Portable Chlorine Handheld Analyzers.

OFI#13 - Asset ID# 299821 Filter Turbidity #3 - There is an opportunity to remove the physical verification sticker on the unit which is dated January 12, 2021.

OFI#14 - There are no work orders associated with the fridge containing regulatory samples for laboratory submission. The fridge does not contain a thermometer. EA-ADMIN-2050 advises samples are to be ‘below 10°C but not frozen’. It should be noted the guidance document Practices for the Collection and Handling of Drinking Water Samples advises microbiological samples to be kept ‘below 10°C but not frozen’ and samples for turbidity, TDS, taste and odour compounds, and pH should be kept at 5°C +/- 3°C.

OFI#15 - Asset ID# 297763 - Fire Extinguisher (security trailer) - OFI - no monthly ‘health and safety’ checks in Maximo, there is an opportunity to create monthly work orders for this unit.

OFI#16 - Within EA-ADMIN-2200 Calibration of EMS\_QMS Equipment.docx there is an opportunity to define the difference between a verification (ensuring a device functions correctly within its intended operating parameters) and a calibration (ensuring a measurement accuracy against a known standard). Could also consider separating external / 3rd party calibration requirements into a dedicated section.

OFI#17 - There is an opportunity to create an asset list for EMS/QMS regulatory instruments. This list will provide ease of access of information for internal/external audits and inspections.

### **Element 18 - Emergency Management**

OFI#18 - A review of a major taste and odour that occurred in March 2025 was not completed. There is an opportunity to clarify when a formal review of an Emergency Mandatory Contingency (EMC) is required.

## **Board of Management Report**

**Subject:** Quarterly Operating Financial Status – 2<sup>nd</sup> Quarter 2025

**Overview:**

- This report shows the current fiscal year's 2<sup>nd</sup> quarter in comparison to its Budgeted amount and the previous year's same time period.

### **Recommendation**

That the Board of Management for the Elgin Area Water Supply System receives this report regarding the Operating Financial Status Report for the period of April 1 to June 30, 2025, noting that this report is unaudited and subject to adjustments including the preparation of the financial statements and completion of the annual audit.

### **Previous and Related Reports**

June 5, 2025, Quarterly Operating Financial Status – 1<sup>st</sup> Quarter 2025

### **Background**

At the request of the Board of Management, a Financial Status Report is provided on a quarterly basis for information. The financial status provides a high-level overview of incurred expenditures and revenues on a cash-flow basis and is compared to the approved operating budget of the water supply system. All expenditures and revenues provided in this Financial Status Report are unaudited and may include accrued expenses from a previous fiscal year and/or unaccrued expenses related to a future fiscal year.

A high-level summary of incurred expenses and revenues for the water supply system is attached to this report as Appendix A for the second quarter 2025 (April 1 to June 30) as well as a comparative accumulation of expensed for the year to date.

**Note:** The reported expenditures and revenues may be subject to adjustments, including but not limited to corrections and entries required for the preparation of financial statements and completion of the annual audit.

## Discussion

For the information and reference of the Board, the following highlights of the attached summary provides a brief explanation of notable deviations from the approved budget and/or clarifications of the financial summary:

- Contracted Operating Services in the summary report reflects the total direct operating costs of the contracted operation of the water treatment and transmission system, as well as other related contracted services.
- Contracted Administrative Services in the summary report reflects the fees paid to the City of London. Expenditures have increased from the same period in 2024 due to an increase in contracted costs.
- Electricity expenditures include the purchase of energy and related energy management service charges for the water system. The reported energy cost was higher than the same period of the previous year due to increased energy commodity costs, although overall usage has decreased due to efficiencies implemented.
- Salaries, wages, and benefits expenditures include all direct labour costs for administrative staff including benefits. Variations over the same period in 2024 are attributed to annual salary adjustments, vacancies, and additional staff added in the 2025 budget.
- Administration and Other Expenses relates to various overhead operating expenses, including subscriptions and memberships, bank charges and interest, and office supplies. The costs to date are marginally higher than 2024 largely due to increases in property tax rates from Central Elgin and St. Thomas.
- Vehicles and Equipment expenditures include costs associated with vehicles, computers, and office equipment for administrative staff. 2024 expenditures are currently higher than 2024 largely due to higher contract charges and additional travel requirements.
- Purchased Services and Professional Fees relate to allowances for ad hoc professional consulting and legal services, security services, telephone charges, network, and SCADA (Supervisory Control and Data Acquisition) maintenance, printing services, and pipeline locate costs.



- Debt Principal and Interest payments occur twice per year; in the first and third quarter.
- Contributions to the Reserve Funds occur at the end of the fiscal year (fourth quarter) as part of the year-end process and in preparation for the year-end audit, where the actual contributions are the total remaining revenue in excess of expenditures. Accordingly, the amount of the anticipated contribution will be adjusted to reflect the additional revenue and expenses incurred and may be subject to further adjustment as a result of the completion of the year-end financial statements and audit.

**Prepared by:** Archana Gagnier  
Manager, Finance and Procurement

**Submitted by:** Andrew J. Henry, P.Eng.,  
Director, Regional Water

**Recommended by:** Kelly Scherr, P.Eng., MBA, FEC  
Chief Administrative Officer

**Attachments:** Operating Financial Status Summary – 2<sup>nd</sup> Quarter 2025

## Quarterly Financial Summary Report

Elgin Area Water Supply system  
2nd Quarter 2025 (April 1 to June 30)

(\$,000's)

	Approved 2025 Budget	Q2 - 2025	2025 Year to Date	Year To Date Variance	2024 Year To Date
<b>Total Revenue</b>	<b>16,730</b>	4,225	8,467	8,263	7,978
<u>Expenditures:</u>					
Contracted Operating Services	5,577	1,446	2,846	2,731	2,608
Contracted Administrative Services	116	49	97	19	95
Electricity	1,000	295	498	502	408
Salaries, Wages, Benefits	1,695	382	592	1,103	519
Administration and Other Expenditures	630	40	287	343	285
Vehicles and Equipment	240	43	76	164	62
Purchased Services & Professional Fees	1,021	108	465	556	469
Debt Principle Payments	1,235	0	1,228	7	1,201
Interest on Long-Term Debt	214	0	40	174	54
Contributions to Reserve Funds	5,001	231	231	4,770	231
<b>Total Expenditures</b>	<b>16,729</b>	<b>2,594</b>	<b>6,360</b>	<b>10,369</b>	<b>5,932</b>

## Board of Management Report

**Subject: Capital Status Report**

### Overview:

- This report provides the status of all capital projects for the current fiscal year.
- Six capital projects are recommended to be closed with surplus funding in the approximate amount of **\$1,412,445** recommended to be released to the Reserve Funds.

### Recommendation

That, on the recommendation of the Chief Administrative Officer, the Board of Management for the Elgin Area Primary Water Supply System, takes the following actions regarding capital projects:

- a) The Board authorize the closure of projects **EA3025** EMPS HVAC Replacement, **EA4135** Hydraulic-Transient Model, **EA4137** Low Lift Service Water, **EA4184** Water Quality Facility Plan, **EA4195** Electric Vehicle Charging Station, **EA4198** Elgin Filter Emergency Repairs, **EA4203** EMPS- Asset Management Plan Update, and **EA4221** Division Vehicle, with surplus funding in the approximate amount of **\$1,412,445** released to the Reserve Funds.
- b) The Board **RECEIVE** this report for information.

### Previous and Related Reports

March 6, 2025      Capital Status Report

### Background

The Capital Project Status Report, for the Board's information, provides a brief overview of the status of current capital projects for the Elgin Area Primary Water Supply System. This report is provided for the general information of the Board.

The status report is divided into four categories of projects, namely:

- 1. Ongoing Projects:** This section provides a summary list of all projects which are funded by the Board through the Capital Budget, and which are currently in-progress. Board funded projects are typically for the replacement or upgrade of existing assets, the construction of new assets, or engineering studies and assessments, as approved by the Board.

Under the terms of the Service Agreement with the contracted operating authority, the Board is also required to pay for some maintenance/repair activities. The benchmark used in the operating contract is that if the value of the material and any contracted labour is over \$30,000 (indexed annually to inflation from the start of the contract), the project is considered Capital Maintenance and the contracted operating authority would fund the first \$30,000 (indexed), with the balance funded by the Board. Accordingly, the Board maintains an annual “fund” within the Board’s capital budget to pay for these projects as they arise.

- 2. a) Completed Projects - Release Surplus to Reserve Funds:** This section provides a summary list of all projects which are presently completed and do not require additional funds from that budgeted. Should the Board approve the closure of the listed projects, it is the recommendation of staff to release the surplus funds, if any, to the appropriate Reserve Fund.

**b) Completed Projects – Reduce Authorized Debt:** In the case where the project is funded through the issuance of a debenture, should the Board approve the closure of the listed project it is the recommendation of staff to reduce the previously authorized but unissued debt for the project(s).

- 3. Completed Projects - Additional Funding Required:** This section provides a summary list of all projects which are presently completed but require additional funds from that originally approved by the Board. Should the Board approve the closure of the listed projects, it is the recommendation of staff to provide the required additional funding from the Board’s Reserve Fund.

## Discussion

For the information and reference of the Board, the following is the Capital Project Status Summary:

### 1. Ongoing Capital Projects

Project No.	Project	Approved Budget	Expended to Date*	Status
EA2019-24	Master Plan Update	\$225,000	\$110,885	Ongoing
EA3010	IT Asset Replacement Program	\$571,000	\$526,917	Ongoing
EA3017	Exterior WTP Building Seals	\$60,000	\$45,176	Ongoing

<b>Project No.</b>	<b>Project</b>	<b>Approved Budget</b>	<b>Expended to Date*</b>	<b>Status</b>
EA3018	Cyber Intrusion Detection	\$10,000	\$0	On Hold
EA4022	Security Upgrades	\$1,125,000	\$847,369	Ongoing
EA4039	Record Drawings-Documents	\$255,000	\$178,225	Ongoing
EA4114-23	2023 Annual Maintenance	\$100,000	\$40,873	Ongoing
EA4114-24	2024 Annual Maintenance	\$100,000	\$63,712	Ongoing
EA4114-25	2025 Annual Maintenance	\$100,000	\$5,847	Ongoing
EA4129	Server Room Fire Suppression	\$30,000	\$3,836	Ongoing
EA4138	Asphalt Resurfacing	\$125,000	\$10,430	On Hold
EA4152	PLC Replacements	\$315,000	\$41,740	Ongoing
EA4153	Backwash Pump Replacement	\$3,859,000	\$1,034,675	Ongoing
EA4166	Scada-PLC - Software, Upgrades	\$500,000	\$429,748	Ongoing
EA4172	Dedicated Raw Water	\$90,000	\$9,080	Ongoing
EA4175	Pilot-Unchlorinated Filtration	\$25,000	\$0	On Hold
EA4176	Plant Drain Chlorine Sample	\$80,000	\$60,741	Ongoing
EA4177	Railings & Guarding	\$350,000	\$338,892	Warranty Period
EA4180	Filter Capacity Evaluation	\$37,000	\$554	On Hold

<b>Project No.</b>	<b>Project</b>	<b>Approved Budget</b>	<b>Expended to Date*</b>	<b>Status</b>
EA4183	UV & Backwash Pump Replacements	\$9,109,360	\$1,119,749	Ongoing
EA4186	Sodium Hydroxide Assessment	\$130,000	\$151,962	Warranty Period
EA4191	Roof Drain Replacements	\$100,000	\$65,455	Ongoing
EA4193	Elgin Standby Generator TSSA	\$290,000	\$248,313	Ongoing
EA4194	Asset Condition Field Assessment	\$135,000	\$71,162	On Hold
EA4196	St. Thomas Meter Replacement	\$150,000	\$48,532	Ongoing
EA4199	Office Expansion	\$100,000	\$80,279	Ongoing
EA4200	Service Water Study	\$120,000	\$0	Ongoing
EA4201	Climate Change Resiliency Assess	\$240,000	\$19,409	On Hold
EA4202	Low Lift Sluice Gate	\$350,000	\$0	Ongoing
EA4205	Plant Wi-Fi Upgrade &	\$620,000	\$0	Ongoing
EA4206	Sample Line Replacement	\$35,000	\$0	Ongoing
EA4207	Low Lift Discharge Valve	\$490,000	\$0	Ongoing
EA4208	Terminal Storage Reservoir	\$100,000	\$13,923	Ongoing

<b>Project No.</b>	<b>Project</b>	<b>Approved Budget</b>	<b>Expended to Date*</b>	<b>Status</b>
EA4209	High Lift Garage Door	\$50,000	\$0	Ongoing
EA4210	Plant Front Entrance Steps	\$50,000	\$0	Ongoing
EA4211	Fruit Ridge Surge Facility	\$70,000	\$0	Ongoing
EA4212	Low Lift Instrument Panel	\$40,000	\$0	Ongoing
EA4213	Plant Tanks & Channels Concrete	\$45,000	\$0	Ongoing
EA4214	RMF Tank Mixing Study	\$35,000	\$0	Ongoing
EA4215	RMF Sodium Bisulphite Room	\$35,000	\$0	Ongoing
EA4216	PAC Dosing Strategy	\$65,000	\$31,214	Ongoing
EA4217	Taste & Odour Management	\$245,000	\$0	Ongoing
EA4218	Plant MCC Component Upgrades	\$400,000	\$0	Ongoing
EA4219	Transmission System Precipitate	\$25,000	\$0	Ongoing
EA4220	Operations & Maintenance	\$250,000	\$0	Ongoing
EA4222	Elgin Terminal Reservoir	\$150,000	\$6,171	Ongoing
<b>TOTAL</b>		<b>\$21,386,360</b>	<b>\$5,604,869</b>	

## 2.a) Completed Projects – Release Surplus to Reserve Funds **\$1,412,445**

Project No.	Project	Approved Budget	Expended to Date	Status
EA30251	EMPS HVAC Replacement	\$1,025,000	\$0	Cancelled
EA4135	Hydraulic-Transient Model	\$237,000	\$82,123	Completed
EA4137	Low Lift Service Water	\$750,000	\$701,940	Completed
EA4184	Water Quality Facility Plan	\$290,000	\$216,261	Completed
EA4195	Electric Vehicle Charging Station	\$60,000	\$0	Cancelled
EA4198	Elgin Filter Emergency Repairs	\$979,027	\$979,027	Completed
EA4203	EMPS-Asset Management Plan Update	\$140,000	\$89,244	Completed
EA4221	Division Vehicle	\$20,750	\$20,737	Completed
<b>TOTAL</b>		<b>\$3,501,777</b>	<b>\$2,089,332</b>	

<sup>1</sup> Detailed field condition assessments of the Elgin Middlesex Pumping Station heating, ventilation and air conditioning, motor control centres and roofs determined that there is remaining useful life in these assets and therefore replacement may be deferred with funds allocated to the replacement returned to the Reserve Fund.

<sup>2</sup> The project was originally initiated in anticipation that Board and contracted operations fleet vehicles would move to electric vehicles which was not realized and therefore the installation of EV charging stations is no longer required and funds allocated to the project may be returned to the Reserve Fund. Consideration of electrification of fleet vehicles will be evaluated in future when funding opportunities are available.

## 2.b) Completed Projects – Reduce Authorized Debt

Project No.	Project	Approved Budget	Expended to Date	Status
<b>TOTAL</b>		<b>\$ 0</b>	<b>\$ 0</b>	



### 3. Completed Projects – Additional Funding Required

Project No.	Project	Approved Budget	Expended to Date	Status
<b>TOTAL</b>		<b>\$ 0</b>	<b>\$ 0</b>	

\* *Expended as of July 31, 2025*

### Market Conditions

With the recent election cycle in the United States, and subsequent discussions related to potential tariffs, the markets are seeing significant upheaval and risk-based pricing has become more apparent in recent procurements. Equipment and materials procured from suppliers for the United States may be affected by countervailing tariffs imposed by Canada, as well as consequential input cost increases on raw materials exported from Canada to the USA which are used in the manufacture of equipment, materials, and consumables.

These market conditions are causing significant pressures on procurement processes, particularly for longer-term construction projects are likely to impact total costs of the capital initiative. The budgets for these projects were established largely based on market conditions and projections prior to the more recent economic conditions. As such, it is important for the Board to be aware of the potential need for special meetings of the Board of Management to ensure the timely award of contracts and, potentially, increases to the approved capital budgets. While staff are taking all reasonable steps possible to contain costs and minimize the impacts of risk-based pricing, it is likely given the number of projects that the regional water system is undertaking that conditions will prevail whereby Board approval is explicitly required pursuant to the Procurement of Goods and Services and Disposal of Assets Policy.

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Chief Administrative Officer

## Board of Management Report

**Subject:** 2026 Operating and Capital Budgets

### Overview:

- The proposed water rate charged to the benefiting municipalities for 2026 is 1.0699 dollars (\$1.0699) per cubic meter; a 3.5 percent increase in the rate charged in 2025 to benefiting municipalities consistent with the Financial Plan approved by the Board in March 2023.
- Cost projections presented in the 2026 budget include the anticipated operating costs for the water utility within the current term with the contracted operating authority, the Ontario Clean Water Agency, which ends December 31, 2027.
- Projected financial requirements beyond 2026 may be subject to change once the Master Water Plan projections and recommendations are incorporated into an updated Financial Plan and approved by the Board.

### Recommendation

That, on the recommendation of the Chief Administrative Officer, the following actions be taken by the Board of Management for the Elgin Area Water Supply System with regard to the 2026 Operating and Capital Budgets:

- a) The Board **APPROVE** the 2026 Operating Budget in the total amount of \$17,490,000 as attached to this report.
- b) The Board **APPROVE** the 2026 Capital Budget in the total amount of \$3,160,000 as attached to this report.
- c) The Board **APPROVE** the 2026 rate for water of \$1.0699 per cubic meter.
- d) The Board **RECEIVE** the 2027 to 2035 Capital Forecast for information; and,
- e) The Board **RECEIVE** the 2024 to 2030 Flow and Financial Analysis for information.

### Previous and Related Reports

None

## Discussion

### 2026 Water Rate

It is proposed in this budget that the water rate for the wholesale of water to the benefiting municipalities be set at \$1.0699 per cubic meter. In responding to regulatory, operational, growth and inflationary pressures, this proposed 2026 rate represents a 3.5% increase from the current rate charged in 2025.

The rate proposed for the 2026 budget is consistent the projected rate increase previously reported to the Board in the Financial Plan approved in March 2023.

### 2026 Budget Volume

Projecting for the current rate of population and water demand growth within the benefiting municipalities, as well as anticipated impacts of development, industry and water conservation, the proposed 2026 treated water volume included in the budget of 16.11 million cubic meters represents a 1% change compared with the 2025 approved budgeted volume, and approximately 1.7% higher than the anticipated 2025 actual supplied volumes by year-end.

Approved 2025 budget volume	15,940,500 m <sup>3</sup>
Anticipated 2025 year-end volume	15,828,647 m <sup>3</sup>
Proposed 2026 budget volume	16,111,000 m <sup>3</sup>

A conservative estimate of volume was utilized for the 2026 budget due to current supply patterns in Elgin County and remains reflective of long-term system consumption patterns throughout the region. The City of London continues to take the minimum contracted block-volume of water daily of approximately 22.7 million litres per day.

Water demand projections and anticipated capital works are reviewed annually as part of the budget development process to ensure capital investments are appropriately coordinated and timed. The long-term volume projections identified in the Master Water Plan have incorporated into the current financial model and include the supply to the Yarmouth Yards industrial development lands in St. Thomas anticipated starting in 2028, as well as other development and growth within Elgin County.

Further, the regional water system's business case process promotes a risk mitigation and level of service strategy which further encourages the appropriate timing of necessary projects and investments.

## **Master Water Plan**

The update to the Master Water Plan has been finalized for the consideration and approval of the Board and is the subject of a separate report. The corresponding long-term projections of water supplied to benefiting municipalities and the implications of growth-related drivers in the region have been incorporated into this budget. The projected increases in supply to the City of St. Thomas for the Yarmouth Yards industrial development, as well as growth within Elgin County, have accelerated the need for significant growth-related capital expenditures, including:

- The immediate addition of at least 54 million litres of storage at the Elgin Terminal Reservoir to optimize plant operation and treatment processes. No storage at the Elgin Terminal Reservoir is allocated for distribution-related storage, including peak consumption management or fire flows.
- The expansion of the water treatment plant from a current capacity of 91 million litres per day. The expanded capacity must be available no later than 2041; noting that the capacity expansion requirements will take about ten years to fully implement and the planning and environmental assessments should begin by 2031.
- The refurbishment of the pre-existing 750mm transmission pipeline be undertaken and completed no later than 2036 to support the projected supply to area municipalities.

These growth-related capital programs will require significant utilization of the Capital Reserve Fund and the use of debentures.

## **Operating Costs**

The two largest individual operating costs for the water supply system are the contract costs for the operation and maintenance of the water supply system, and the purchase of electricity for the system. The 2026 budgeted costs for operations and maintenance related services and activities are approximately \$7.153 million, reflecting an 8.7% net increase compared to the 2025 budget, and includes \$1.2 million in anticipated energy costs. Energy saving initiatives, including the installation of new high lift pumps, have significantly contributed to the energy management strategy for the regional water system; however, increasing electricity commodity costs and other consumables expect to continue to have an ever-increasing impact on the cost of plant operations.

Of the \$7.153 million, energy currently comprises approximately 16.8% of operating expenditures, which is a 2% increase from 2025.

The Service Fee currently paid to the Board's contracted operating authority, the Ontario Clean Water Agency (OCWA), consists of general operating costs such as labour, material, natural gas, chemicals, and other maintenance and repair services. As electricity can be highly variable on a year-over-year basis, the risk of market volatility has summarily been assumed by the Board and mitigated through the Board's energy procurement strategy, as well as conservation and efficiency programs implemented in partnership with the Board's contracted operating authority.

The proposed 2026 Capital Budget and forecasted capital plan continues to incorporate energy efficiency projects and other opportunities, where feasible, with further energy efficiency projects to be considered in the future and evaluated using the water system's business case process.

### **Administration and Other Expenses**

The Administration and Other Expenditures projected for the 2026 budget of approximately \$3.76 million represents a \$64 thousand net increase over the 2025 budget amount. This net increase is due to numerous changes to the water supply system, including:

- Management & Administrative Personnel: projections for personnel costs have been adjusted as a result of increases reflective of Collective Agreements and cost of living. The budget also includes the addition of one new position (½ FTE's each shared with the Lake Huron Water System) to address the increased workload due to business needs and undertaking of duties previously purchased from the City of London and third-party vendors.
- Decreased fees charged by the City of London for numerous services and support due to the assumption of administrative support services from the City of London.
- Increases to the Board's property, cyber insurance, Directors & Officers insurance, and general liability insurance policies.
- The increased costs to Information Technology due to implemented cyber security measures, network technology, and replacement of IT/OT assets; and,
- Cost savings related to administrative overhead.

### **Process Optimization**

Efforts continue related to process optimization to improve treatment and transmission system performance, efficiency, and effectiveness with the intention of lowering long-term costs of operation and optimize future capital investments. In addition, process optimization has the added potential to increase capacity within an individual treatment unit without the corresponding potentially significant cost of construction of new treatment processes (i.e., expanding the treatment plant).

The 2024 Water Quality Facility Plan outlines recommended several process efficiency improvements to address treatment challenges which will restrict process efficacy in future as process flows increase to meet regional demands. Leveraging in-house resources and the use of partnerships with the Natural Sciences and Research Council of Canada (NSERC) Industrial Research Chairs at the University of Toronto, as well as partnerships with the universities of Western Ontario and Waterloo, have allowed staff to reduce the associated operational costs without impacting the optimization program.

### **Administrative Staffing Plan**

Since the issuance of the Transfer Order by the province of Ontario which created the Board and transferred ownership from the province, the City of London has provided specified administrative support services to the regional water systems on a fee for service basis. The scope of the services provided are largely associated with support for various financial services, procurement, information technology, risk & insurance management, and human resource management.

The terms of the services provided have never been clearly defined, and Board staff have been in discussions with the City of London to clearly define a corresponding Service Level Agreement. While services such as human resource management and the utilization of the city's financial information management system continue to be part of the core services provided by the city to the Board, the proposed Service Level Agreement discussions have identified several areas in which improvements can be made through the Board's assumption of the responsibilities or the use of third-party vendors.

For the Board's information and reference, it is important to note that all staff positions are shared with the Lake Huron Water Supply System, including the corresponding costs. Staff complements are reflected as a ½ full-time-equivalent (FTE) position for each Board within the respective operating budget.

### **Proposed 2026 Capital Budget**

The proposed 2026 Capital Budget incorporates several projects to address capital improvements and critical reinvestment in the water supply system's assets, as well as regulatory requirements, ongoing and proposed Board initiatives. Project specific summaries are provided in [Appendix A](#) of this report for the Board's information.

In the development of the 2026 Capital Budget, a business case is created for each project which outlines the scope of the issue that needs to be addressed, options which can reasonably be considered, capital and operating cost estimates and implications, and the identification of project interdependencies. The business case process is linked with the water system's Customer Level of Service framework and Risk Mitigation strategy to better prioritize and direct funds in a more strategic fashion and in consideration of financial constraints which may be experienced.

Within this framework, a proposed capital project may be "lifecycle" in nature and required to maintain an existing level of service, and/or a "service improvement" investment which may address elements like:

- Enhancement to the level of service (including safety and security, energy efficiency improvements, system resiliency, and working conditions).
- Support of system growth, including the supply to new communities, or support projected increases in water demands to serviced communities.
- Address regulatory changes; and/or,
- Increase efficiency.

The level of capital investment will vary from year-to-year, most especially for projects related to system growth or supporting increasing water consumption. The Asset Replacement Reserve is used for lifecycle projects (maintain Level of Service), while the New Capital Reserve is used for system improvements (enhance Level of Service). A given project, in principle, may address multiple elements within the Level of Service framework (end-of-life replacement, improve energy efficiency, and/or address health & safety, regulatory, performance, etc.), and therefore may require the utilization of both the Asset Replacement Reserve (lifecycle) and the New Capital Reserve (service improvement and growth) as sources of funding.

As the regional water utility prepares for significant growth-related investments (service improvements), the utilization of the Asset Replacement Reserve for the maintenance of existing assets will marginally decrease in anticipation of the replacement and/or elimination of current assets.

### **Lifecycle Projects (Maintain Level of Service)**

Proposed projects in the 2026 Capital Budget which primarily address maintaining the system's level of service are:

- IT Asset Replacement Program
- Parking Lot Asphalt Resurfacing
- Programmable Logic Controller Replacements
- High Lift Discharge Valve Replacements
- Cyber Intrusion Detection System
- Taste & Odour Management Optimization
- Sample Line Replacement Program
- Remote Site Cellular Backups
- Header Isolation Valve Replacements
- Residuals Management Facility Sludge Mixer
- Terminal Storage Reservoir Cell 1 & 2 Upgrades
- High Lift Hydrant Line Replacement
- B-Line Isolation Valve Gearbox Replacements

In addition to the above-noted capital projects, the 2026 Capital Budget includes EA4114 Annual Maintenance which funds, in part, maintenance and repair projects undertaken by the contracted operating authority, the Ontario Clean Water Agency.

All maintenance and repairs of the system's assets are the obligation of the contracted operating authority to undertake in accordance with the Service Agreement. For activities of maintenance and repair where the value of the material and any contracted specialty services exceed \$30,000 (adjusted annually by the Consumer Price Index), the Board is responsible for the value of the work that is more than the \$30,000 (as adjusted).

To facilitate this work, the Capital Budget includes an Annual Maintenance project which is utilized to fund this contractual obligation of the Board.

### **Service Improvement Projects (Enhanced Level of Service, Regulatory Changes, Efficiency)**

Proposed projects in the 2026 Capital Budget for which the primary driver is service improvement are:

- Security Upgrades
- Sodium Hydroxide Optimization Study
- Asset Management Plan Update

A summary of each of the projects is provided in [Appendix A](#) of this report.



## **Asset Management Plan**

The Asset Management Plan approved by the Board in 2022, in part, provides an assessment of anticipated capital projects based on asset condition assessments and asset performance, as well as operational assessments provided by our contracted operating authority.

It is important to note that the anticipated projects in the first five-year planning period outlined in the Asset Management Plan tend to be based on risk mitigation addressing condition and/or performance, while projects in the remaining 25+ years of the Plan tend to be systemic or age-related in nature. In addition, the financial information presented in the Asset Management Plan is considered an “unconstrained” financial projection; meaning, without consideration of such things as other operational needs and financial constraints (e.g., borrowing capacity) that may be experienced by the water supply system.

The Asset Management Plan is proposed to be updated starting in 2026.

## **Financial Plan**

The Financial Plan is utilized to incorporate the needs identified in the Asset Management Plan, the Master Water Plan (growth management study), and other planning studies undertaken by the utility, as well as the evolving operational and administrative needs of the system. The Financial Plan is used to better leverage and predict the financial requirements and consequential implications to the system. During the development of the annual budget, the projections in the approved 2023 Financial Plan are measured and adjusted according to actual conditions, which will consequently affect the capital plan in each fiscal year.

The approved 2023 Financial Plan recommends an average target year-end balance for the Asset Replacement Reserve in the order of \$4.0 million. Although the actual investment and rate of commitment may vary year to year, the current capital plan maintains the long-term average investment rate as outlined in the approved Asset Management Plan and Financial Plan.

In contrast, the New Capital Reserve is intended to grow significantly over time to provide a sufficient base for funding of large growth-related projects in future. The balance of generational investment equity (i.e., utilization of reserve funds established by current users versus debt incurred and paid by future users) has yet to be fully quantified and may be addressed in future Financial Plan studies.

Within the forecast period, the Capital Plan currently anticipates the expansion of the Terminal Reservoir by 2028 to balance plant flow requirements in support of the increased supply to St. Thomas for the Yarmouth Yards industrial area and other identified growth within Elgin County. The recommendations outlined in the Master Water Plan is anticipated to have an impact on the long-term financial requirements to address growth-related projects and confirm the timing of needed investments. This may include such projects as the expansion of treatment plant and modifications to existing treatment processes to address growth in the region.

Staff continue to be satisfied that the issue of generational equity can be addressed within a reasonable timeframe; however, it is likely that short-term investments required to support growth-related projects will likely require significantly more use of Capital Reserves rather than debentures in order to limit long-term financial implications to the benefiting municipalities.

### **EMPS Building and Building-Related Assets**

The Elgin-Middlesex Pump Station at the Elgin Terminal Reservoir property houses the pumps, piping, control systems, pressure surge controls and associated piping related secondary pumping systems for the City of London, the St. Thomas Secondary Water System, and the Aylmer Secondary Water System. The Elgin Board previously agreed to own and maintain the common building and building-related assets and entered into a long-term Joint Use and Occupancy Agreement with the secondary water systems and the City of London.

The agreement confirms the ownership and responsibilities related to the occupancy and use of the common building and, among other things, establishes a fee for occupancy on a square meter basis. The annual fee collected provides an annual contribution to a dedicated reserve fund which is now utilized by the Elgin Area Water System for the maintenance and repair of the building and building-related assets. All capital projects directly related to the Elgin-Middlesex Pump Station building and building-related assets are now specifically identified in the capital plan and the corresponding dedicated reserve fund identified in the Sources of Finance for the Capital Budget.

The cost of operating the pumps and associated equipment of the secondary water systems continues to be borne by the occupants and not the regional water utility.

The Board approved a Licence of Occupancy agreement with the City of St. Thomas which allowed the city to design, construct and operate a separate pump station on the Elgin Terminal Reservoir property owned by the Board. All costs associated with the building and new pump station are the responsibility of the City of St. Thomas.

## Capital Plan & Forecast

Several capital projects are projected beyond the 2026 Capital Budget year, which will have an impact on the financial forecast and future water rates for the water system. As previously noted, staff undertake a business case assessment for each project in support of budget approval to confirm the costs, timing, and priority of the project, consistent with our Customer Level of Service framework and Risk Mitigation strategy.

The projected capital plan (2027 to 2035) includes an allocation for anticipated systemic-related but unspecified asset investments starting in 2027 (identified as “*AMP Investments*”). This reflects the age-related projections previously included in the approved 2022 Asset Management Plan. As condition, performance, and risk assessments are completed, business cases are undertaken to identify and prioritize the expenditures and replace these “*AMP Investments*” allocations in the long-term plan. For the time being, and for planning purposed only, these “*AMP Investments*” placeholders are included in the capital projections beyond the proposed budget to accommodate likely future investments and impacts to the corresponding Reserve Funds.

The projected capital plan (2027 to 2035) also includes an allocation for anticipated systemic but unspecified asset investments starting in 2027 (identified as “*Future Projects*”). This includes projects related to improving process efficiency and projects to address treatment challenges which may restrict process efficacy in future as recommended in the 2024 Water Quality Facility Plan. Business cases for these specific projects will be completed for the purposes of Budget approval to identify and prioritize the expenditures and replace these “*Future Projects*” allocations in the long-term capital plan. For the time being, and for planning purposed only, these “*Future Projects*” placeholders are included in the capital projections beyond the proposed budget to accommodate likely future investments and impacts to the corresponding Reserve Funds.

## Flow and Financial Analysis

Included in the budget package is a projection of annual volumes and finances beyond 2026 and provides a summary analysis of one option for rate increases and the use of debt (if any) where a debenture is identified in the Reserve Fund Continuity Schedules. This projection has incorporated the principles and recommendations from the approved Financial Plan but has been adjusted to reflect the current anticipated volume projections and corresponding revenues.

The projected operating expenses beyond 2026 utilizes the contracted operating costs of the amended operating agreement with the Ontario Clean Water Agency. The projected operating expenses further assumes that the future cost of operating the system is consistent with the current operating agreement which ends on December 31, 2027. Significant changes in contracted operating costs that may occur after January 1, 2028, including the cost and availability of chemicals and consumables for the water treatment processes, may have a considerable impact on future operating costs.

In addition, energy expenditures projected beyond 2026 have assumed a reasonable escalation of costs, tied to the anticipated annual volumes projected and consequential savings from various efficiency-related investments. At this time, the water system is well positioned to mitigate energy related risks and take advantage of cost savings where available.

As identified in the approved 2023 Financial Plan, staff are projecting a 3.5% annual increase in the rate beyond the 2026 budget to 2027, and 3.0% thereafter.

## **Reserve Funds**

Conceptually, the Asset Replacement Reserve is required to provide a stable source of funding for capital programs designed to replace, maintain, and extend the life of existing assets to realize their full potential. Accordingly, the contribution to the Asset Replacement Reserve fund year-over-year should be relatively consistent and match the projected lifecycle needs of the system. On average and over the long-term, the Asset Replacement Reserve balance should be in the order of \$4.0 million to ensure a consistent funding source.

Conversely, the New Capital Reserve Fund is intended for growth-related capital programs and various system and performance improvement initiatives. As these programs tend to be periodic in nature, the reserve fund balance in the New Capital Reserve may significantly increase or significantly decrease in any given year depending on the timing of the programs undertaken and scope of the investments.

The Emergency Reserve Fund is intended to fund unplanned and unanticipated emergency-related projects such as pipeline failures, tank ruptures, shoreline erosion and treatment process failures. In accordance with the Board's direction, the target balance of the Emergency Reserve Fund is established at \$2.0 million, wherein contributions will be discontinued when the Emergency Reserve Fund balance reaches the target value.

## **Debentures**

There are several debentures previously approved by the Board and issued by the City of London on the water system's behalf, are nearing the end of their term within the current forecast period. These debentures are:

- Debt authorized in 2011 for the Residuals Management Facility (EA4023) in the amount of \$19 million was partially issued in 2016 (\$7 million) with payments beginning in September 2016 (2.3% for a 10-year term) and a further debt issuance in 2017 (\$4.5 million) with payments beginning in September 2017 (2.48% for a 10-year term).

The need for future debentures will be assessed as part of the upcoming update of the Financial Plan to be undertaken in 2027.

## **Acknowledgement**

The preparation of the 2026 Operating and Capital budgets were undertaken by the Regional Water Division staff, with the assistance by the City of London Financial Services.

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Recommended by: Kelly Scherr, P.Eng., MBA, FEC  
Chief Administrative Officer

Attachments: Appendix A – 2026 Capital Project Summary  
2026 Operating & Capital Budgets, and Nine-Year Capital Forecast

## **Appendix A: 2026 Proposed Capital Project Summaries**

### **Lifecycle Projects (Maintain Level of Service)**

EA3010 IT Asset Replacement Program (multi-year program): This project addresses outdated IT security and operating platforms used by the water supply system. The 2026 phase of the project will refresh and add in monitoring of firewalls as well as refresh the network switches across all sites. The new core firewalls at the plants and datacenter will also be equipped with failover to prevent service degradation.

EA3018 Cyber Intrusion Detection System: Significant improvements to network intrusion detection have been recommended to satisfy our current and future needs and the needs of our Cyber insurance. This project implements an advanced intrusion detection system that actively monitors our assets, provides monitoring and notification as well as provides automatic response and remediation.

EA4138 Parking Lot Asphalt Resurfacing: The scope of this project is being expanded in 2026 to include the replacement of storm sewer and appurtenances in the parking lot area as well as a full sub-surface utility engineering investigation to delineate all underground infrastructure in front of the water treatment plant.

EA4152 PLC Replacements (multi-year program): Programmable Logic Controllers (PLCs) control and monitor vital plant equipment. Many of the existing controllers and supporting hardware are no longer supported and require replacement. The bulk of the project is to replace the PLCs associated with electrical switchgear and generators that have reached the end of their useful life over a 3-year period that started in 2025. The specialized nature of these controllers and control system makes it difficult to seek local support and source spare parts in case of a catastrophic failure. PLCs are critical to the operation of all power systems at the plant and if they fail it could result in an unplanned plant shutdown for an extended period if not replaced in a timely fashion.

EA4206 Sample Line Replacement Program (multi-year program): The galvanized pipe and copper sample lines throughout the plant are prone to leaking and corrosion deterioration and reaching the end of their useful life. This project will replace the sample lines throughout the facility over a four-year period starting in 2025.

EA4222 Terminal Storage Reservoir Cell 1 & 2 Upgrades (multi-year project): The terminal storage reservoir Cell #1 (circa 1966) was constructed without a waterproofing membrane, and Cell #2 (circa 1994) has a membrane which after 30 years is at the end of its typical expected useful life. Neither cell has insulation to protect the structural concrete against freeze-thaw cycles. There is inadequate drainage on top of the reservoir where the turf continues to show evidence of standing water after rainfall and snow melt events. This project is to design and install a new waterproofing membrane, insulation, and subdrain drainage system across the top of the roof of reservoir Cells 1 & 2.

It is likely that this project will be undertaken concurrently with the anticipated Terminal Reservoir Expansion.

EA4217 Taste & Odour Management Optimization: A study is underway to improve monitoring of raw water quality and risks associated with taste and odour-causing raw water parameters at the plant intake and low lift station of the water treatment plant and improve the water system's understanding of taste and odour risks due to increasing manganese in the raw water. This phase of the project is to implement the treatment alternatives to address taste and odour issues recommended by the study.

High Lift Discharge Valve Replacement: The existing isolation valves for the High Lift Pumps are at the end of their useful, have a high cost of maintenance and high friction loss resulting in increased energy consumption. This project is to replace the discharge valves with low resistance check valves, as well as the replacement of the isolation butterfly valves with new actuated butterfly valves to control transients surging on startup and shutdown to allow for smoother startup/shutdown. With the new valves in place, energy savings and the ability to utilize the existing variable frequency drives to better control the discharge flow will be realized.

Remote Site Cellular Back-ups: When the network connection between the water treatment plant and remote sites are interrupted, the plant loses visibility and control of the remote site resulting in the shutdown of the plant or deploying manual labor to the site. This project provides cellular back-up to remote sites, where appropriate, to act when the primary connection is interrupted and thereby ensure there is no interruption in service to our customers.

B-Line Isolation Valve Gearbox Replacements: This project is to replace the gearboxes on the isolation valves on the 900mm transmission pipeline and eliminate the need for confined space entry for isolation of the pipeline. The new gearboxes will increase reliability of the valves due to proper exercising and will add to resiliency in the transmission system.

**Residuals Management Sludge Mixer:** Inadequate mixing within the sedimentation and backwash sludge tanks has caused pumps to fail prematurely. This project is to install top entry mixers in the tanks to improve sludge mixing and extend the longevity of the mixing pumps.

**High Lift Hydrant Line Replacement:** This project is to replace the line and fire hydrant protecting the water treatment plant that is original to plant construction and showing signs that it is at the end of its useful life.

**Header Isolation Valve Replacement:** Currently, when the maintenance or repairs are required on the discharge header, the entire plant must be shut down and a significant portion of the transmission main needs to be drained. This project proposes to replace the isolation valves which are original to plant construction and at the end of their useful life such that when one header is offline for repair or maintenance the other header can continue to supply water to the reservoir and our customers.

**Service Improvement Projects (Enhanced Level of Service, Regulatory Changes, Efficiency)**

**EA4022 Security Upgrades (multi-year program):** The Security Audit and Threat Risk Vulnerability Assessment completed in 2017, provided policy, resource, and site-specific recommendations to mitigate security and safety risks at all facilities. The Security Upgrades project is a multi-year program to undertake security-related modifications to all facilities, based on the criticality assessment and recommendations of the security specialist.

**Asset Management Plan Update:** Every five years the regional water system undertakes a comprehensive review and update of its asset management plan. In 2021 the utility completed a comprehensive overall asset management plan which established our levels of service and risk strategy frameworks. The 2026 iteration of our asset management plan update is intended to create process area specific asset management plans in alignment with global best practice standard ISO 55000. By taking the 2021 plan frameworks and drilling down to the process area specific details, focused process area asset management plans will be developed at a functional, implementational, and measurable level. This approach will continue to advance the utility's functional asset management program in accordance with the guiding principles and key outcomes of the Asset Management Policy while providing the best value to the Board and satisfying the Board's commitments to asset management planning under the Transfer Order.

**Sodium Hydroxide Optimization Study:** Currently the sodium hydroxide system manages pH to proactively mitigate corrosion in our primary transmission system. This study is to determine if there is a more efficient alternative to be considered than the existing system.





**Elgin Area**

Primary Water Supply System

**2026 Operating and Capital Budgets  
and Nine Year Capital Forecast**

**October 2, 2025**

# **Elgin Area Primary Water Supply System**

## **2026 Budget**

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**Elgin Area Primary Water Supply System**  
**2026 Budget**  
**Revenue and Expenditure Summary**  
(\$000's)

	2025 Approved Budget	2026 Proposed Budget	Incr (Decr)	% Budget Incr (Decr)	2025 Year End Projection
<b>Revenues:</b>					
Volume Revenues <sup>(1)</sup>	16,477	17,237	760	4.6%	16,362
EMPS Occupancy	222	222	0	0.0%	222
Other Revenues	31	31	0	0.0%	99
<b>Total Revenues</b>	<b>16,730</b>	<b>17,490</b>	<b>760</b>	<b>4.5%</b>	<b>16,683</b>
<b>Expenditures:</b>					
Operating Costs <sup>(2)</sup>	6,577	7,153	576	8.8%	7,052
Administration and Other Expenditures	3,702	3,766	64	1.7%	3,558
Debt Principal Repayments <sup>(3)</sup>	1,228	1,255	27	2.2%	1,228
Interest on Long Term Debt <sup>(3)</sup>	222	26	(196)	-88.3%	222
Contribution to Reserve Funds	5,001	5,290	289	5.8%	4,623
<b>Total Expenditures</b>	<b>16,730</b>	<b>17,490</b>	<b>760</b>	<b>4.5%</b>	<b>16,683</b>

\* subject to rounding

**Notes:**

(1) See the Flow and Financial Analysis Summary for details on volumes, rates and revenues.

(2) Part of the operating costs are direct to the Elgin Area system (i.e. electricity), while all other costs are fixed to the annual operating costs in the bid price from the Ontario Clean Water Agency and other contracted services.

(3) Refer to Flow and Financial Analysis Summary for more information on debt.

**Elgin Area Primary Water Supply System**  
**2026 Budget**  
**Administration & Other Expenditures**  
**(\$000's)**

	<b>2025 Approved Budget</b>	<b>2026 Proposed Budget</b>	<b>Incr (Decr)</b>	<b>% Budget Incr (Decr)</b>	<b>2025 Year End Projection</b>
Management & Administrative Personnel	1,695	1,636	(59)	-3.5%	1,559
Support and Overhead Costs <sup>(1)</sup>	116	120	4	3.4%	195
Payment in Lieu of Taxes	425	438	13	3.1%	419
Insurance (Director & Officers, General Liability)	485	547	62	12.8%	523
Financial/Office Expenses <sup>(2)</sup>	260	261	1	0.4%	208
Information Technology Maintenance & Fees <sup>(3)</sup>	221	224	3		205
Process Optimization	75	75	0	0.0%	50
Purchased Services (Legal, Consulting, Locates, etc.)	423	465	42	9.9%	392
<b>Total Administration &amp; Other Expenditures</b>	<b>3,702</b>	<b>3,766</b>	<b>64</b>	<b>1.7%</b>	<b>3,551</b>

\* subject to rounding

**Notes:**

(1) Support and Overhead Costs reflect the costs charged by the Administering Municipality for various administrative functions (e.g. Finance, Purchasing, Human Resources, Risk Management, etc.).

(2) Financial/Office Expenses include administrative expenses such as leased space, training/seminars/conventions, computer leasing, and sampling and research initiatives.

(3) Costs and charges related to computers, software, network communications, and SCADA system maintenance including plant instrumentation

**Elgin Area Primary Water Supply System**  
**2026 Budget**  
**2026 Capital Plan with Forecast for 2027 to 2035**  
**(\$000's)**

#	Description	Project Total	Prior Years Budget	2025 Approved Budget	2026 Proposed Budget	Forecast				
						2027	2028	2029	2030	2031 to 2035
EA1026	RW Office Expansion & Renovation	200	200							
EA2019-24	Master Plan Update	485	335					150		
EA3010	IT Asset Replacement Program	1,926	471	100	250	100	120	40	400	445
EA3011	Plant Interior Person Door Replacement	60	60							
EA3012	Interior LED Lighting Upgrades	75	75							
EA3013	Plant Reservoir Drain Repairs	200	200							
EA3016	Safety Showers Upgrade	60	60							
EA3017	Exterior WTP Building Seals	60	60							
EA3018	Cyber Intrusion Detection System	185	10		175					
EA3020	Roof Replacement	625	625							
EA4020	Financial Plan Update 2021	50	50							
EA4022	Security Upgrades	1,225	1,025	100	100					
EA4039	Record Drawings & Documents	255	255							
EA4068	Pipeline 'A' Rehabilitation & Recommissioning					100		1,000	1,000	2,000
EA4073	Plant Instrumentation	577	577							
EA4114 xx	Annual Maintenance <sup>(1)</sup>	2,000	900	100	100	100	100	100	100	500
EA4132	Alum Storage Tanks	825	825							
EA4135	Hydraulic/Transient Model Update & Transient Monitoring	237	237							
EA4136	Service Water Piping Replacement	75	75							
EA4137	LL Service Water Connection	750	750							
EA4138	Parking Lot Asphalt Resurfacing	440	125		315					
EA4152	PLC Replacements	840	40	275	275	250				
EA4153	Back Wash Pump Replacement	3,859	3,859							
EA4166	SCADA/PLC - Software Review/Upgrade	500	500							
EA4171	Backwash Drain Valve Actuators	175	175							
EA4172	Dedicated Raw Water Sample Line	90	90							
EA4177	Railings and Guarding	350	350							
EA4183	UV & Backwash Pump Replacements	8,950	8,950							
EA4184	Water Quality Facility Plan	840	290			300			250	
EA4185	Construction Site Trailer Pad & Electrical Pedestal	25	25							
EA4186	Sodium Hydroxide Assessment Study	130	130							
EA4187	EMPS - Utility Pole Replacement	15	15							
EA4188	Lighting/Breaker Panel Replacement	100	100							
EA4189	RMF Mixing Pump Replacement	100	100							
EA4190	RMF Total Chlorine Residual Compliance	50	50							
EA4191	Roof Drain Replacements	100	75	25						
EA4192	Flocc Tank Influent Distribution Upgrades	100	100							
EA4193	Elgin Standby Generator TSSA Repairs	290	290							
EA4194	Asset Condition Field Assessment	135	135							
EA4195	Electric Vehicle Charging Stations	60	60							
EA4196	St. Thomas Meter Replacement	150	150							
EA4198	Elgin Filter Emergency Repairs	608	608							
EA4199	Office Expansion	100	100							
EA4200	Service Water Study	120	120							

**Elgin Area Primary Water Supply System**  
**2026 Budget**  
**2026 Capital Plan with Forecast for 2027 to 2035**  
(\$000's)

#	Description	Project Total	Prior Years Budget	2025 Approved Budget	2026 Proposed Budget	Forecast				
						2027	2028	2029	2030	2031 to 2035
EA4201	Climate Change Resiliency Assessment	340	120	120		100				
EA4202	Low Lift Sluice Gate Replacement	350	350							
EA4204	Financial Plan Update					50				50
EA4205	Plant Wi-Fi Upgrade & Replacement			620						
EA4206	Sample Line Replacement Program			35	45	45				
EA4207	Low Lift Discharge Valve Replacements			490						
EA4208	Terminal Storage Reservoir Cell 1 Upgrades			100	300	3,100				
EA4209	High Lift Garage Door Replacement			50						
EA4210	Plant Front Entrance Steps Replacement			50						
EA4211	Fruit Ridge Surge Facility Health and Safety Equipment Upgrades			70						
EA4212	Low Lift Instrument Panel Replacement			40						
EA4213	Plant Tanks & Channels Concrete Repairs			45						
EA4214	RMF Tank Mixing Study			35						
EA4215	RMF Sodium Bisulphite Room Exhaust Upgrades			35						
EA4216	PAC Dosing Strategy Optimization			65						
EA4217	Taste & Odour Management Optimization			245	275					
EA4218	Plant MCC Component Upgrades			400						
EA4219	Transmission System Precipitate Investigation			25						
EA4220	Operations & Maintenance Procurement Advisory Services			250						
EA4221	Division Vehicle			21						
EA4222	Elgin Terminal Reservoir Expansion			50						40,500
<i>Proposed</i>	Asset Management Plan Update				250					150
<i>Proposed</i>	High Lift Discharge Valve Replacement				250	250				
<i>Proposed</i>	Remote Site Cellular Connection Back-up				100					
<i>Proposed</i>	Sodium Hydroxide Optimization Study				75					
<i>Proposed</i>	B-Line Isolation Valve Gearbox Replacements				125					
<i>Proposed</i>	RMF Sludge Mixer				225					
<i>Proposed</i>	High Lift Hydrant Line Replacement				100					
<i>Proposed</i>	Header Isolation Valve Replacements				200					
	Future Projects <i>(allowance for planning purposes)</i>	7,174				309	3,601	3,264		
	AMP Investments <i>(allowance for planning purposes)</i>	90,533				1,038	1,038	1,161	2,328	84,968
<b>Elgin Capital Subtotal</b>		<b>\$ 126,394</b>	<b>\$ 23,697</b>	<b>\$ 3,346</b>	<b>\$ 3,160</b>	<b>\$ 5,742</b>	<b>\$ 4,859</b>	<b>\$ 5,715</b>	<b>\$ 4,078</b>	<b>\$ 128,613</b>

**Elgin Area Primary Water Supply System**  
**2026 Budget**  
**2026 Capital Plan with Forecast for 2027 to 2035**  
(\$000's)

#	Description	Project Total	Prior Years Budget	2025 Approved Budget	2026 Proposed Budget	Forecast				
						2027	2028	2029	2030	2031 to 2035
EMPS Captial Budget										
EA3025	EMPS - HVAC Replacement	375	375							
EA3026	EMPS - MCC Replacement	300	300							
EA4197	EMPS - Roof Replacement	350	350							
EA4203	EMPS - Asset Management Plan Update			140						
EMPS Capital Subtotal		\$ 1,025	\$ 1,025	\$ 140	\$ -	\$ -	\$ -	\$ -		\$ -
Total Capital & Forecast		\$ 127,419	\$ 24,722	\$ 3,486	\$ 3,160	\$ 5,742	\$ 4,859	\$ 5,715	\$ 4,078	\$ 128,613

\* subject to rounding

**Notes:**

(1) Capital account for Board contributions to maintenance projects undertaken by the operating authority.

**Elgin Area Primary Water Supply System  
2026 Budget  
Capital Plan Sources of Financing  
(\$000's)**

<b>Funding Source</b>	<b>2024 Actual</b>	<b>2025 Approved Budget</b>	<b>2026 Proposed Budget</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>
Asset Replacement Reserve Fund	1,035	6,642	2,423	5,155	4,769	5,573	3,528
Capital Reserve Fund	1,742	6,268	738	588	90	143	550
Emergency Reserve Fund	-	-	-	-	-	-	-
EMPS Building Reserve Fund	-	-	-	-	-	-	-
Debenture	-	-	-	-	-	-	-
Other Sources of Financing	-	-	-	-	-	-	-
<b>Total Capital Funding</b>	<b>\$ 2,777</b>	<b>\$ 12,910</b>	<b>\$ 3,160</b>	<b>\$ 5,742</b>	<b>\$ 4,859</b>	<b>\$ 5,715</b>	<b>\$ 4,078</b>

\* subject to rounding



**Elgin Area Primary Water Supply System**  
**2026 Budget**  
**Asset Replacement Reserve Fund Analysis and Continuity Schedule**  
**(\$000's)**

Asset Replacement Reserve Fund <sup>(1)</sup>	Actual	Approved Budget	Proposed Budget	Projected			
	2024	2025	2026	2027	2028	2029	2030
Reserve Fund Opening Balance	9,159	10,440	7,987	5,841	3,269	4,181	4,081
<b>Sources:</b>							
Current Year Operating	1,900	4,470	-	2,232	5,177	4,870	3,000
Other Revenues - Inter-fund Repayment <sup>(4)</sup>	-	-	-	-	-	-	-
Transfer from Capital Reserve							
Net Interest Earnings <sup>(2)</sup>	416	319	276	351	504	602	651
<b>Total Sources</b>	<b>\$ 11,475</b>	<b>\$ 15,229</b>	<b>\$ 8,263</b>	<b>\$ 8,424</b>	<b>\$ 8,950</b>	<b>\$ 9,653</b>	<b>\$ 7,732</b>
<b>Uses:</b>							
Total Lifecycle Capital Projects	1,035	6,642	2,423	5,155	4,769	5,573	3,528
Less: Other Funding Sources	-	-	-	-	-	-	-
Less: Debenture Requirement							
Miscellaneous Transfers/Expenditures							
Less: Inter-fund Loan <sup>(4)</sup>	-	-	-	-	-	-	-
Net Current Year Fund Draws <sup>(3)</sup>	1,035	6,642	2,423	5,155	4,769	5,573	3,528
Prior Years Capital Expenditures <sup>(3)</sup>		600					
<b>Total Uses</b>	<b>\$ 1,035</b>	<b>\$ 7,242</b>	<b>\$ 2,423</b>	<b>\$ 5,155</b>	<b>\$ 4,769</b>	<b>\$ 5,573</b>	<b>\$ 3,528</b>
<b>Reserve Fund Ending Balance</b>	<b>\$ 10,440</b>	<b>\$ 7,987</b>	<b>\$ 5,841</b>	<b>\$ 3,269</b>	<b>\$ 4,181</b>	<b>\$ 4,081</b>	<b>\$ 4,204</b>

\* subject to rounding

**Notes:**

(1) The Asset Replacement Reserve Fund was established to fund projects of a lifecycle nature to maintain existing levels of service and has an average annual target ending balance of \$4.0M.

(2) Projected net interest earnings based on an average rate of anticipated sources and uses of funds.

(3) Drawdowns are based on full/committed capital needs and not intended to project the actual cash flow of funds being utilized in a particular year.

(4) Inter-fund lending between reserve funds to temporarily finance capital cash flow deficiencies. Inter-fund repayments include principal and interest.

**Elgin Area Primary Water Supply System**  
**2026 Budget**  
**New Capital Reserve Fund Analysis and Continuity Schedule**  
**(\$000's)**

Capital Reserve Fund <sup>(1)</sup>	Actual	Approved Budget	Proposed Budget	Projected			
	2024	2025	2026	2027	2028	2029	2030
Reserve Fund Opening Balance	8,805	9,980	3,980	8,167	11,579	14,541	18,911
<b>Sources:</b>							
Current Year Operating	2,549	0	4,759	3,803	2,761	4,020	6,783
Dutton Buy-In <sup>(4)</sup>	28	28	28	28	28	28	28
Net Interest Earnings <sup>(2)</sup>	376	240	137	169	263	464	745
<b>Total Sources</b>	<b>11,758</b>	<b>10,248</b>	<b>8,904</b>	<b>12,167</b>	<b>14,631</b>	<b>19,053</b>	<b>26,467</b>
<b>Uses:</b>							
Total System Improvement & Growth Projects	1,742	6,268	738	588	90	143	550
Less: Other Funding Sources	0	0	0	0	0	0	0
Less: Debenture Requirement							
Less: Additional Capital Drawdowns							
Miscellaneous Transfers/Expenditures							
Less: Inter-fund Loan <sup>(4)</sup>							
Net Current Year Fund Draws <sup>(3)</sup>	1,742	6,268	738	588	90	143	550
Transfer to Asset Replacement Reserve							
Prior Years Capital Expenditures	36						
<b>Total Uses</b>	<b>1,778</b>	<b>6,268</b>	<b>738</b>	<b>588</b>	<b>90</b>	<b>143</b>	<b>550</b>
<b>Reserve Fund Ending Balance</b>	<b>9,980</b>	<b>3,980</b>	<b>8,167</b>	<b>11,579</b>	<b>14,541</b>	<b>18,911</b>	<b>25,917</b>

\* subject to rounding

**Notes:**

(1) The New Capital Reserve Fund was established to fund projects related to system growth, enhancing levels of service, or address issues which are regulatory or safety in nature.

(2) Projected net interest earnings based on an average rate of anticipated sources and uses of funds.

(3) Drawdowns are based on full/committed capital needs and not intended to project the actual cash flow of funds being utilized in a particular year.

(4) Payment of Buy-In Charge by the Municipality of Dutton-Dunwich per agreement

**Elgin Area Primary Water Supply System**  
**2026 Budget**  
**Emergency Reserve Fund Analysis and Continuity Schedule**  
**(\$000's)**

Emergency Reserve Fund <sup>(1)</sup>	Actual	Approved Budget	Proposed Budget	Projected			
	2024	2025	2026	2027	2028	2029	2030
Reserve Fund Opening Balance	426	724	1,055	1,396	1,747	1,903	1,961
<b>Sources:</b>							
Current Year Operating	800	300	300	300	100	-	-
Net Interest Earnings <sup>(2)</sup>	12	31	41	51	56	58	60
<b>Total Sources</b>	<b>\$ 1,238</b>	<b>\$ 1,055</b>	<b>\$ 1,396</b>	<b>\$ 1,747</b>	<b>\$ 1,903</b>	<b>\$ 1,961</b>	<b>\$ 2,021</b>
<b>Uses:</b>							
Current Year Capital Expenditures	371						
Prior Years Capital Expenditures	143						
<b>Total Uses</b>	<b>\$ 514</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Reserve Fund Ending Balance</b>	<b>\$ 724</b>	<b>\$ 1,055</b>	<b>\$ 1,396</b>	<b>\$ 1,747</b>	<b>\$ 1,903</b>	<b>\$ 1,961</b>	<b>\$ 2,021</b>

\* subject to rounding

**Notes:**

(1) The Emergency Reserve Fund was established to fund projects that arise on an emergency basis. This funding is to be in place outside of the Capital and Asset Replacement Reserve Funds and their defining guidelines. Contributions will stop once the reserve fund balance reaches \$2.0 million.

(2) Projected net interest earnings based on an average rate of anticipated sources and uses of funds.

**Elgin Area Primary Water Supply System**  
**2026 Budget**  
**EMPS Building Reserve Fund Analysis and Continuity Schedule**  
**(\$000's)**

EMPS Building Reserve Fund <sup>(1)</sup>	Actual	Approved Budget	Proposed Budget	Projected			
	2024	2025	2026	2027	2028	2029	2030
Reserve Fund Opening Balance	478	743	906	1,154	1,406	1,662	1,923
<b>Sources:</b>							
Current Year Operating	231	231	231	231	231	231	231
Other Revenues - Inter-fund Loan <sup>(4)</sup>		-	-	-	-	-	-
Net Interest Earnings <sup>(2)</sup>	34	21	17	21	25	30	37
<b>Total Sources</b>	<b>\$ 743</b>	<b>\$ 995</b>	<b>\$ 1,154</b>	<b>\$ 1,406</b>	<b>\$ 1,662</b>	<b>\$ 1,923</b>	<b>\$ 2,191</b>
<b>Uses:</b>							
Total EMPS Projects	-	-	-	-	-	-	-
Less: Other Funding Sources							
Less: Debenture Requirement							
Less: Additional Capital Drawdowns							
Net Current Year Fund Draws <sup>(3)</sup>	-	-	-	-	-	-	-
Prior Years Capital Expenditures <sup>(3)</sup>		89	0				
Miscellaneous Transfers/Expenditures							
Inter-fund Loan Repayments - Asset							
Replacement Reserve Fund <sup>(4)</sup>	-	-	-	-	-	-	-
Principal							
Interest		-	-	-	-	-	-
Inter-fund Loan Repayments - New Capital							
Reserve Fund <sup>(4)</sup>	-	-	-	-	-	-	-
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
<b>Total Uses</b>	<b>\$ -</b>	<b>\$ 89</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Reserve Fund Ending Balance</b>	<b>\$ 743</b>	<b>\$ 906</b>	<b>\$ 1,154</b>	<b>\$ 1,406</b>	<b>\$ 1,662</b>	<b>\$ 1,923</b>	<b>\$ 2,191</b>

\* subject to rounding

**Notes:**

(1) The EMPS Building Reserve Fund was established to fund capital costs strictly associated with the Elgin-Middlesex Pumping Station. Current year operating contributions are solely related to occupancy fees charged to the benefiting systems.

(2) Projected net interest earnings based on an average rate of anticipated sources and uses of funds.

(3) Drawdowns are based on full/committed capital needs and not intended to project the actual cash flow of funds being utilized in a particular year.

(4) Inter-fund lending between reserve funds to temporarily finance capital cash flow deficiencies. Inter-fund repayments include principal and interest.

**Elgin Area Primary Water Supply System  
Flow and Financial Analysis Summary  
(\$000's)**

Factors	Actual	Approved Budget		Proposed Budget	Projected			
	2024	2025	2025 (Projected)	2026	2027	2028	2029	2030
Rate Increase <sup>(1)</sup>	3.5%	3.5%	3.5%	3.5%	3.5%	3.0%	3.0%	3.0%
Total Flow m <sup>3</sup>	15,926,363	15,939,798	15,828,647	16,111,000	16,402,650	17,198,883	17,522,084	17,845,293
Total Water Rate \$/m <sup>3</sup>	0.9987	1.0337	1.0337	1.0699	1.1073	1.1405	1.1747	1.2099
Flow Volume Revenues	15,906	16,477	16,362	17,237	18,163	19,616	20,583	21,591
Other Revenue	490	253	321	253	253	253	253	253
<b>Total Revenue</b>	<b>\$ 16,396</b>	<b>\$ 16,730</b>	<b>\$ 16,683</b>	<b>\$ 17,490</b>	<b>\$ 18,416</b>	<b>\$ 19,869</b>	<b>\$ 20,836</b>	<b>\$ 21,844</b>
Operating Costs <sup>(2)</sup>	6,436	6,577	7,052	7,153	7,506	7,694	7,734	7,775
Administrative Expenses	3,186	3,702	3,558	3,766	3,837	3,908	3,981	4,055
Debt Servicing Costs <sup>(3)</sup>	1,294	1,449	1,449	1,281	507	-	-	-
<b>Total Operating &amp; Administrative Expenses</b>	<b>\$ 10,916</b>	<b>\$ 11,728</b>	<b>\$ 12,059</b>	<b>\$ 12,200</b>	<b>\$ 11,850</b>	<b>\$ 11,602</b>	<b>\$ 11,715</b>	<b>\$ 11,830</b>
Asset Replacement Reserve Fund Contributions	1,900	4,470	3,538	-	2,232	5,177	4,870	3,000
Capital Reserve Fund Contributions	2,549	-	554	4,759	3,803	2,761	4,020	6,783
Emergency Reserve Fund Contributions	800	300	300	300	300	100	-	-
Other Contributions:								
EMPS Building Reserve Fund Contributions	231	231	231	231	231	231	231	231
<b>Total Expenses</b>	<b>\$ 16,396</b>	<b>\$ 16,730</b>	<b>\$ 16,683</b>	<b>\$ 17,491</b>	<b>\$ 18,416</b>	<b>\$ 19,869</b>	<b>\$ 20,836</b>	<b>\$ 21,844</b>

\* subject to rounding

**Notes:**

(1) Percent rate increases recommended are consistent with the approved Financial Plan which provide for prudent financial planning to accommodate inflation, new capital requirements, and adequate reserve fund balances.

(2) Operating expense projections reflect annual inflationary increases and anticipated adjustments in accordance with the service agreement with the contracted operating authority.

(3) Debentures:

- Debt authorized (2011) for the Residuals Management Plant (EA4023) in the amount of \$19 million with partial issuance in 2016 (\$7M) and payments beginning Sept/16 (all-in rate of 2.3% for a 10 year term), further debt issuance in 2017 in the amount of \$4.5M and payments beginning in Sept/17 (all-in rate of 2.48% for a 10 year term).

## Board of Management Report

**Subject:** Reserve and Reserve Fund Policy

### Overview:

- The current reserve funds have been in place since the Transfer Order was issued in 2000, but a corresponding Policy governing reserves and reserve funds have not been established.
- The policies and practices of the Corporation of the City of London relating to reserves and reserve funds have historically been used as a guide.
- The proposed Policy establishes clear responsibilities for the management, administration and utilisation of reserves and reserve funds for the regional water utility.

### Recommendation

That the Board of Management for the Elgin Area Water Supply System take the following actions with regard to the establishment of a policy relating to the water system's reserves and reserve funds:

1. The proposed policy, being a Reserve and Reserve Fund Policy for the Elgin Area Primary Water Supply System, as attached to this report, **BE ACCEPTED** and a by-law be introduced at the October 2, 2025, meeting of the Board of Management to approve the Policy; and
2. This report and proposed Reserve and Reserve Fund Policy **BE RECEIVED** for information.

### Previous and Related Reports

None

### Background

The reserves and reserve funds of the Elgin Area Water Supply System have been in place since 2000 when the Province of Ontario, via the Minister of the Environment, established the Board of Management and transferred ownership of the regional water utility by way of Transfer Order Elgin Area #W1/1998 issued effective November 29, 2000.

The Board of Management has not, to date, created a policy related to establishing guiding principles, primary objectives, key management and administrative responsibilities, and standards of care for the management and accounting of reserves

and reserve funds for the regional water system. Notwithstanding, the policies and practices used by the Corporation of the City of London have been used as a guide.

## Discussion

Section 417 of the *Municipal Act, 2001*, allows a municipality or local board to provide for the establishment and maintenance of reserve funds for the purpose for which it has the authority to spend money.

The proposed Policy, attached to this report, provides the framework for the management, oversight and maintenance of reserves and reserve funds established for specified purposes. The Policy further formalizes the intent and scope for each of the established reserve funds and identifies minimum required reports as they may relate to reserves and reserve funds.

The Policy does not prevent the Board of Management from altering, amending, adding or terminating reserves or reserve funds in future, in accordance with the *Municipal Act, 2001*.

## Conclusion

The proposed Reserve and Reserve Fund Policy for the Elgin Area Water Supply System provides clarity relating to the responsibilities for the management, administration and utilisation of reserves and reserve funds for the regional water utility.

Prepared by: Archana Gagnier,  
Manager, Finance and Procurement

Submitted by: Andrew J. Henry, P.Eng.,  
Director, Regional Water

Recommended by: Kelly Scherr, P.Eng., MBA, FEC  
Chief Administrative Officer

Attachments: Reserve and Reserve Fund Policy

## **Reserve and Reserve Fund Policy**

**Approved:** October 2, 2025

**Last Revised:**

**Legislative History:**

**Last Reviewed Date:**

**Policy Lead:** Director, Regional Water

### **1 Purpose**

The purpose of this policy is to establish guiding principles, primary objectives, key management and administrative responsibilities, and standards of care for the management and accounting of reserves and reserve funds.

### **2 Applicability**

Section 417 of the Municipal Act, 2001, allows a municipality or local board to provide for the establishment and maintenance of reserve funds for the purpose for which it has the authority to spend money.

This policy shall be applied fairly and consistently in a manner that maintains the purpose, intent and meaning of the policy.

### **3 Definitions**

**Asset Replacement Reserve Fund** – shall mean a reserve fund established to provide funding for the refurbishment and replacement of existing Elgin assets to ensure Elgin-owned assets do not deteriorate over time. This fund shall also provide funding for large scale expenditures over \$30,000.

**Benefiting Members** – shall mean the municipalities, communities, and/or settlements which receives treated potable drinking water from Elgin pursuant to Transfer Order Elgin Area #W1/1998 dated effective November 29, 2000, and any Water Supply Agreement with Elgin. **Benefiting Member** shall mean the singular of Benefiting Members.

**Board of Management (and Board)** – shall mean the Board of Management for the Elgin Area Primary Water Supply System as established under the *Municipal Water and Sewage Systems Transfer Act, 1997* and pursuant to the final Transfer Order Elgin Area #W1/1998 dated effective November 29, 2000.

**Budget** – shall mean an estimated financial plan of revenue and expenditure for a set period of time.



**Chief Administrative Officer** – shall mean the Chief Administrative Officer for the Elgin Area Water Supply System as appointed by the Board.

**Debt** – shall mean any obligation for the payment of money. For Ontario municipalities and local boards, debt would normally consist of debentures, notes or cash from financial institutions but could also include loans from discretionary reserves and reserve funds.

**Director** – shall mean the Director of Regional Water for the Elgin Area Primary Water Supply System, or their designate.

**Discretionary Reserves and Reserve Funds** – shall mean a reserve or reserve fund created by the Board to set aside revenue to finance a future expenditure for which the Board has the authority to spend money.

**Elgin** – shall mean the Elgin Area Primary Water Supply System as established under the *Municipal Water and Sewage Systems Transfer Act, 1997* and pursuant to Transfer Order Elgin Area #W1/1998 dated effective November 29, 2000.

**Emergency Reserve Fund** – shall mean a reserve fund designed to fund emergency repairs and maintenance of existing Elgin assets and mitigate unforeseen events or one-time unanticipated revenue losses and expenses.

**EMPS Building Reserve Fund** – shall mean a reserve fund that was established to fund capital costs strictly associated with the Elgin-Middlesex Pumping Station (**EMPS**) building and building-related assets but does not include assets associated with the joint occupants of the building. For greater certainty, the EMPS building and building related assets include the building envelop, building structure, HVAC, septic system, general lighting and associated electrical subsystems, but does not include the pumps, electrical subsystems, chemical systems, backup generation, or appurtenances associated with the pumping systems of the joint occupants.

**Intergenerational Equity** – shall mean, in economic, psychological, and sociological contexts, the concept or idea of fairness or justice between generations.

**Liquidity** – shall mean a measure of an asset's convertibility to cash.

**New Capital Reserve Fund** – shall mean a reserve fund established to provide funding to new capital initiatives while allowing Elgin to stabilize the cost of purchasing major capital assets by spreading cost over multiple years.

**Obligatory Reserve Fund** – shall mean a reserve fund created when senior government statute or agreement requires that revenue received for special purposes be segregated from the general revenues. Obligatory reserve funds are to be used solely for the purpose prescribed for them by statute or agreement.

**PSAB** – shall mean the Public Sector Accounting Board, an independent board with the authority to set accounting standards for the public sector.

**Reserve** – shall mean an appropriation from net revenue and/or cost savings at the discretion of the Board, after the provision for all known expenditures. It has no reference to any specific asset and does not require the physical segregation of money or assets as in the case of a reserve fund.

**Reserve Fund** – shall mean funds that have been set aside either by a by-law of the Board or by a requirement of senior government statute or agreement to meet a future event. As a result, reserve funds are either “discretionary” being those set up by the Board, or “obligatory” being those set up by virtue of a requirement of senior government statute or agreement.

**Revolving Reserves and Reserve Funds** – shall mean reserves and reserve funds used to fund normal course operating requirements or cash flow deficiencies that do not require Board approval provided they conform with the intent of the originating resolution or by-law.

**Specific Projects & New Initiatives** – shall mean a category of reserves and reserve funds established for planned savings within the budget to fund projects or expenses either identified at the time the reserve or reserve fund is set-up or after, which allows Elgin to save for planned or unanticipated projects or expenses that may arise and do not have another funding source.

**Website** – shall mean the official website of Elgin at <https://HuronElginWater.ca>

## **4 The Policy**

### **4.1 Policy Statement**

The purpose of this policy is to set out guiding principles, primary objectives, key management and administrative responsibilities, and standards of care for reserves and reserve funds that are prescribed by legislation or established by the Board of Management.

### **4.2 Principles**

The guiding principles for reserves and reserve funds shall be:

- a) **Budget and Financial Planning** – Reserves and reserve funds shall form an integral component of Elgin's budget and financial planning.

- b) **Liquidity** – Reserves and reserve funds shall be kept at an adequate level to ensure Elgin has sufficient cash flow to meet its financial obligations, including but not limited to:
  - i. Replace and rehabilitate capital infrastructure assets as required;
  - ii. Supply funds for new capital assets identified in Elgin's long-term plans, or needs that arise from time-to-time;
  - iii. Fund long-term contingencies and potential liabilities; and
  - iv. Provide a buffer for significant unanticipated expenditures, or loss of revenues beyond the control of Elgin.
- c) **Intergenerational Equity** - Reserve and reserve fund balances shall be maintained to support the principle of intergenerational equity whereby the generation of citizens who benefit from an investment are also responsible for financing it to the greatest extent possible.
- d) **Credit Rating and Cost of Borrowing** - Reserve and reserve fund balances have the potential to impact the credit rating of all of the benefiting municipalities of Elgin, as well as the associated cost of borrowing thus, at a minimum, Elgin will strive to maintain reserve and reserve fund balances at the established target balances, where applicable.

#### 4.3 **Responsibilities**

##### 4.3.1 The Chief Administrative Officer shall:

- a) Once the Board approves reserves by resolution and reserve funds by by-law, the CAO will retain overall authority for reserves and reserve funds and may delegate this authority in writing where applicable.
- b) The CAO, or designate, has the responsibility for setting reserve and reserve fund targets, it being noted that targets will be periodically reported to the Board through Budget and related reports.
- c) The CAO shall support the Director in ensuring the principles and mandatory requirements contained in this policy are applied consistently.

##### 4.3.2 The Director, or their designate, shall:

- a) Update this policy as necessary and present changes to the CAO and the Board.



# Elgin Area

Primary Water Supply System

- b) Provide the Manager, Finance and Procurement with the most current capital asset information to be used in the assessment of the adequacy of capital lifecycle reserves.
- c) Inform the Manager, Finance and Procurement when reserve or reserve funds are required.
- d) Consult with the Manager, Finance and Procurement when reserve funds are required for unbudgeted transactions.
- e) Arrange for the preparation and presentations of required reports and/or by-laws for the creation or termination of any new or obsolete reserve and reserve funds.
- f) Recommend strategies for the adequacy of reserve levels.
- g) Develop long range fiscal planning strategy to effectively meet Elgin's capital financing and capital asset replacement requirements.

#### 4.3.3 The Manager, Finance and Procurement, or their designate shall:

- a) Develop and update this policy as necessary and present recommended changes to the Director.
- b) Perform the transfers to and from reserves and reserve funds as authorized by the Board.
- c) Report to the Board on the reserve balances and forecast as part of the annual budget approval process.
- d) Monitors and reconciles all receipts to and disbursements from reserve and reserve fund accounts to ensure compliance with provincial regulations, PSAB and this Policy.
- e) Determines need for reserves and reserve funds for operating and capital.
- f) Ensures a review and report to the Board of the adequacy and continuing need for reserve and reserve funds is undertaken when deemed necessary.

#### 4.4 **Emergency Reserve Fund**

The purpose of the Emergency Reserve Fund is to provide funding for emergency events, repair catastrophic failures that require immediate resolution, and for the payment of the deductible of an insurance claim related to a loss.

The usage of this fund will not require prior Board approval but will be at the discretion of the Director or designate, along with the CAO, requiring two-party

approval of all commitments. A report to the Board will be presented at the next Board meeting in accordance with the Delegation of Powers and Duties By-law and the Procurement of Goods and Services and Disposal of Assets Policy.

#### **4.5 Asset Replacement Reserve Fund**

The Asset Replacement Reserve Fund provides funding for the acquisition, refurbishment, replacement, and repairs of existing capital assets owned by Elgin and governed by the Board.

Commitments and expenditures will follow budget protocol and require prior approval in accordance with the Delegation of Powers and Duties By-law and the Procurement of Goods and Services and Disposal of Assets Policy.

Semi-annual capital status reports will be submitted to the Board to keep the Board apprised on the status of all projects approved.

#### **4.6 Capital Reserve Fund**

The Capital Reserve Fund provides funding for the growth-related assets and/or the expansion of existing capital assets above and beyond their current levels of service and related to water operations.

Commitments and expenditures will follow budget protocol and require prior approval in accordance with the Delegation of Powers and Duties By-law and the Procurement of Goods and Services and Disposal of Assets Policy.

Semi-annual capital status reports will be submitted to the Board to keep the Board apprised of the status on all projects approved.

#### **4.7 EMPS Building Reserve Fund**

The EMPS Building Reserve Fund provides funding for the acquisition, refurbishment, replacement, and repairs of existing capital assets associated with the EMPS Building and building-related assets that are owned by Elgin and governed by the Board.

Commitments and expenditures will follow budget protocol and require prior approval in accordance with the Delegation of Powers and Duties By-law and the Procurement of Goods and Services and Disposal of Assets Policy.

Semi-annual capital status reports will be submitted to the Board to keep the Board apprised on the status of all projects approved.

## **5 Monitoring and Evaluation**

### **5.1 Review and Alteration**

This policy is reviewed by the Director, or the Director's designate, at least every three years to ensure its effectiveness and compliance with legislation and current business processes, or as required based on legislative changes.

- 5.1.1 The Director is authorized to make minor or housekeeping amendments to this policy, as required.

### **5.2 Reporting**

The Director, or designate, shall prepare the following reports to the Board and post on the website regarding reserves and reserve funds managed for Elgin:

- a) Annual Audited Financial Statements – the annual audited financial statements, including the Auditors Report, shall be prepared in accordance with Public Sector Accounting Standards and presented to the Board in a public meeting.
- b) Budget Reports – reserve and reserve fund balances, projected contributions and planned drawdowns for a five-year period shall be presented each year to the Board in a public meeting.
- c) Other reports in line with this Policy shall be brought forward to the Board at a public meeting, as needed.

## Board of Management Report

**Subject:** Sale and Disposition of Land Policy

### Overview:

- Section 270(1) of the Municipal Act, 2001, requires municipalities and local boards to adopt and maintain a policy for the sale and other disposition of land.
- As established by Transfer Order Elgin Area #W1/1998, dated effective November 29, 2000, and issued under the *Municipal Water & Sewage Systems Transfer Act, 1997*, each benefiting municipality has an undivided interest in the regional water system as a tenant in common.
- The water systems lands are registered with the Land Registry Office on behalf of the Elgin Area Water Supply System as the “Corporation of the City of London IN TRUST” as the City of London acts as the Administering Municipality and bare trustee on behalf of and under the direction of the Elgin Area Water Supply System.
- Where lands owned by the Elgin Area Water Supply System are deemed to be surplus to the needs of the regional water system, the approved Sale and Disposition of Land Policy must be followed.

### Recommendation

That the Board of Management for the Elgin Area Water Supply System take the following actions with regard to the establishment of a sale and disposition of land policy:

1. The proposed policy, being a Sale and Disposition of Land Policy for the Elgin Area Primary Water Supply System, as attached to this report, **BE ACCEPTED** and a by-law be introduced at the October 2, 2025, meeting of the Board of Management to approve the Policy; and
2. This report and proposed Sale and Disposition of Land Policy **BE RECEIVED** for information.

### Previous and Related Reports

None

### Background

Section 270(1) of the *Municipal Act, 2001*, requires a municipality or local board to adopt and maintain a policy related to the sale and disposition of land.

## Discussion

The proposed Policy, attached to this report, provides the framework for the sale and disposition of land as required by the Municipal Act, and includes provisions relating to the declaration of land being surplus to the needs of the water system, notification and reporting requirements, and procedures to be used when lands are declared surplus by the Board.

It is important to note that each of benefiting municipalities of the Elgin Area Water Supply System has an undivided interest in the regional water system as a tenant in common; however, the Board has governing authority over the water system. Notwithstanding, the proposed policy recognizes the collective relationship with all of the benefiting municipalities and provides an opportunity for the disposition of land to include the possibility of the sale and disposition of the land through negotiations with the municipality in which the subject land resides.

## Conclusion

The proposed Sale and Disposition of Land Policy for the Elgin Area Water Supply System provides clarity relating to public transparency, approvals and related responsibilities for the sale and disposition of land that have been declared surplus to the needs of the Elgin Area Water Supply System.

Submitted by: Andrew J. Henry, P.Eng.,  
Director, Regional Water

Recommended by: Kelly Scherr, P.Eng., MBA, FEC  
Chief Administrative Officer

Attachments: Sale and Disposition of Land Policy



## **Sale and Disposition of Land Policy**

**Approved:** October 2, 2025

**Last Revised:**

**Legislative History:**

**Last Reviewed Date:**

**Policy Lead:** Director, Regional Water

### **1 Purpose**

The purpose of this policy is to dispose of surplus land in an open and transparent process to ensure that the consideration for such disposal is fair, reasonable and in the best interest of the Regional Water System.

### **2 Applicability**

Section 270(1) of the *Municipal Act, 2001, S.O. 2001, c.25*, as amended, requires a municipality or local board to adopt and maintain a policy for the sale and other disposition of land.

This policy applies to the sale and other disposition of land owned by the Elgin Area Water Supply system.

This policy does not apply to:

- a) Land repurchased by an owner in accordance with section 42 of the *Expropriations Act*;
- b) The granting of an easement or right of way; or
- c) A licence of occupancy granted to a Benefiting Member of the Elgin Area Water Supply System, by written agreement, for the occupation of a portion of land for a drinking water related purpose.

#### **2.1 Principles**

It is recognized by Elgin that, pursuant to the Transfer Order, all Benefiting Members of Elgin have an undivided interest in Elgin as a tenant in common. Accordingly, the sale and other disposition of lands declared surplus shall be undertaken with the following principles:

- a) The Board is the recognized governing authority of Elgin as established by Transfer Order;

- b) The Board must act in the best interests of the Benefiting Members and all acts related to the sale and other disposition of lands must be undertaken in a publicly transparent manner;

### **3 Definitions**

**Appraisal** – shall mean a fair market valuation of the land that is satisfactory to the Director.

**Benefiting Members** – shall mean the municipalities, communities, and/or settlements which receives treated potable drinking water from Elgin pursuant to Transfer Order Elgin Area #W1/1998 dated effective November 29, 2000, and any Water Supply Agreement with Elgin. **Benefiting Member** shall mean the singular of Benefiting Members.

**Board of Management** (and **Board**) – shall mean the Board of Management for the Elgin Area Primary Water Supply System as established under the *Municipal Water and Sewage Systems Transfer Act, 1997* and pursuant to the final Transfer Order Elgin Area #W1/1998 dated effective November 29, 2000.

**Chief Administrative Officer** – shall mean the Chief Administrative Officer for the Elgin Area Water Supply System as appointed by the Board.

**Director** – shall mean the Director of Regional Water for the Elgin Area Primary Water Supply System, or their designate.

**Disposition** – shall means the sale, transfer, conveyance or exchange of the fee simple interest in land or the granting of a lease for a term of twenty-one (21) years or longer, and “**Disposal**” shall have a similar meaning.

**Elgin** – shall mean the Elgin Area Primary Water Supply System as established under the *Municipal Water and Sewage Systems Transfer Act, 1997* and pursuant to Transfer Order Elgin Area #W1/1998 dated effective November 29, 2000.

**Land** – shall mean real property owned by the Elgin Area Water Supply System, including land registered with the Land Registry Office under the Corporation of the City of London IN TRUST, in its capacity as Administering Municipality and bare trustee as established by Transfer Order.

**Surplus** – shall mean property that the Elgin Area Water Supply System no longer requires to meet its current or future needs.

**Transfer Order** – shall mean the Transfer Order Elgin Area #W1/1998 dated effective November 29, 2000, issued by the Minister of Environment for Ontario pursuant to the *Municipal Water and Sewage Systems Transfer Act, 1997*.

**Website** – shall mean the official website of Elgin at <https://HuronElginWater.ca>

#### **4 The Policy**

The following procedures shall apply to the disposal of real property by the Elgin Area Water Supply System.

##### **4.1 Declaration of Surplus Property**

4.1.1 Prior to the disposal of land by Elgin, the Board shall declare the land to be surplus as follows:

- a) The Chief Administrative Officer, on the advice of the Director, will submit a report to the Board recommending that the land in question be declared surplus to the needs of Elgin.
- b) Where the Board deems it advisable to adopt any recommendation with respect to declaring any land owned by Elgin surplus, the Board shall, in a meeting open to the public, pass a resolution declaring any such land surplus to the needs of Elgin.

##### **4.2 Appraisal**

Prior to the disposal of the land declared surplus, Elgin shall obtain at least one appraisal of the land to be disposed of.

##### **4.3 Notice**

4.3.1 Upon the Board having declared the land surplus to the needs of Elgin but before any such land is disposed of by Elgin, Elgin shall give notice to the public of the intention of Elgin to dispose of the land by posting a notice on the Website of Elgin.

4.3.2 Where the land being disposed of is, in the opinion of the Director, developable as a separate parcel of land, Notice shall also include two or more of the following forms:

- a) Publication at least once of an advertisement in at least one newspaper of general circulation in the area or region relevant to the land in question; and/or
- b) The posting of a “For Sale” sign on the land in question; and/or
- c) The posting of a notice on a third-party website such as bids&tenders.

#### **4.4 Methods of Sale**

4.4.1 The Director, when the sale and disposition of the land in question is authorized by the Board, shall be responsible for determining the appropriate method of sale. Depending on the nature of the land in question, various methods of sale and disposal may be recommended including but not limited to:

- a) Public auction;
- b) Call for Proposal;
- c) Tender;
- d) Listing using a Multiple Listing Service through a Real Estate Firm or Broker;
- e) Direct advertising;
- f) Direct negotiations with an abutting property owner(s); and
- g) Direct negotiations with a Benefiting Member.

#### **4.5 Acquisition by a Benefiting Member**

Prior to the disposal of the land in question in accordance with Section 4.6 of this Policy, the Director or designate shall contact the municipality in which the land in question resides to determine if the municipality is interested in the acquisition of the land in question by direct negotiations. If the municipality is amenable to the acquisition of the land in question, direct negotiations with the Benefiting Member shall proceed in advance of any other procedure for the disposal of the land in question.

#### **4.6 Procedure for Disposal of Land**

In addition to the requirements set out in Sections 4.1 to 4.5 of this Policy, the disposal of land shall be in accordance with any of the following:

##### **4.6.1 Sale by Real Estate Firm or Broker**

Where, in the opinion of the Director, it is advisable to dispose of the land in question through a multiple listing service, the following procedures shall apply:

- a) The Director, or designate, shall be authorized to retain a licensed real estate broker to market the property for sale.
- b) All costs associated with the listing, including associated broker commissions, are to be approved by the Director.

#### 4.6.2 Sale to an Abutting Landowner

Where, in the opinion of the Director, it is advisable to dispose of the land through direct sale to an abutting landowner(s), other than a mortgagee or chargee, the following shall apply:

- a) Costs incurred or anticipated for the sale of the land in question shall be established, including but not limited to legal fees, survey fees, encumbrances, advertising and improvements.
- b) The estimated sale price shall be established which shall not be less than the appraised value plus additional costs established in 4.6.2(a).
- c) All agreements acceptable to the Chief Administrative Officer shall be submitted to the Board for the approval of the sale price and any terms and conditions associated with the sale.
- d) Notwithstanding the generality of Section 4.6.2(b) and (c) above, the Board may accept an amount less or greater than the estimated sale price.

#### 4.6.3 Sale by Public Tender

Where, in the opinion of the Director, it is advisable to dispose of the land through public tender, the following shall apply:

- a) The Director shall authorize the Manager, Finance and Procurement, or their designate, to undertake a call for the sale of land by public tender.
- b) Costs incurred or anticipated for the sale of the land in question shall be established, including but not limited to legal fees, survey fees, encumbrances, advertising and improvements.
- c) The Notice of the tender call will be in accordance with the notice provisions of this policy.
- d) Offers to purchase will be opened at the appointed time and place, in accordance with Elgin's Procurement of Goods and Services and Disposal of Assets Policy.
- e) The terms of sale of such properties will be subject to a deposit of 10% of the offer price, or other amount deemed appropriate by the Director, in the form of a certified cheque and/or cash to accompany the offer and cash on closing.
- f) The offers will be referred to the Director for review and recommendation to the Board.

- g) All agreements acceptable to the Chief Administrative Officer shall be submitted to the Board for the approval of the sale price and any terms and conditions associated with the sale.
- h) If the successful tenderer is introduced to the land by a realtor, the payment of any fee or commission associated with the referral is the responsibility of the purchaser.

#### 4.6.4 Sale by Public Auction

Where, in the opinion of the Director, it is advisable to dispose of the land through public auction, the following shall apply:

- a) The Director, or designate, shall be authorized to retain a licensed real estate auctioneer to conduct the auction.
- b) Costs incurred or anticipated for the sale of the land in question shall be established, including but not limited to legal fees, survey fees, encumbrances, advertising and improvements.
- c) All costs of advertising being borne by Elgin on the understanding that the method and format of advertising will be agreed to by the auctioneer and approved by the Director prior to publication.
- d) Elgin shall maintain the right to establish a reserve bid based on the result of an appraisal on the land in question, and the understanding that the reserve bid will remain confidential until the conclusion of the auction.
- e) All agreements acceptable to the Chief Administrative Officer shall be submitted to the Board for the approval of the sale price and any terms and conditions associated with the sale.

#### 4.6.5 Sale by Call for Proposal

Where, in the opinion of the Director, that the land may be suitable for major redevelopment and it is advisable to dispose of the land through a call for proposal, the following shall apply:

- a) The Director shall authorize the Manager, Finance and Procurement, or their designate, to undertake a request for proposal for the sale of land.
- b) Costs incurred or anticipated for the sale of the land in question shall be established, including but not limited to legal fees, survey fees, encumbrances, advertising and improvements.

- c) The Notice of the tender call will be in accordance with the notice provisions of this policy.
- d) Sealed proposal calls will be opened at the appointed time and place in accordance with Elgin's Procurement of Goods and Services and Disposal of Assets Policy and referred to the Director for their consideration and recommendation to the Board.
- e) All agreements acceptable to the Chief Administrative Officer shall be submitted to the Board for the approval of the sale price and any terms and conditions associated with the sale.
- f) Further direct negotiations with proponents will be at the direction of the Board.

#### 4.6.6 Sale by Direct Negotiations

Where, in the opinion of the Director, it is advisable to dispose of the land through direct negotiations other than to an abutting landowner, the following shall apply:

- a) The Director or designate will send an appropriate inquiry to each Benefiting Member regarding their opinions as to the potential sale of the land.
- b) Where it is established through inquiry procedure that, in the opinion of the Director, considering current market value of the land and the value of the lands to nearby landowner(s) or other prospective purchasers including Benefiting Members, the Director will conduct direct negotiations with the abutting owner(s) or other prospective purchasers.
- c) All agreements acceptable to the Chief Administrative Officer shall be submitted to the Board for the approval of the sale price and any terms and conditions associated with the sale.

#### 4.7 **Responsibilities**

##### 4.7.1 The Chief Administrative Officer shall:

- a) Recommend to the Board lands declared surplus to the needs of Elgin in accordance with this Policy;
- b) Ensure that the sale and disposition of lands are undertaken in a fair, equitable and publicly transparent manner;



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- c) Review the acceptability of the sale price, terms and conditions, and associated agreement(s) related to the sale and disposition of lands declared surplus and make recommendations to the Board as appropriate.

## 4.7.2 The Director, or their designate, shall:

- a) Ensure that the sale and disposition of lands are undertaken in a fair, equitable and publicly transparent manner in accordance with this Policy;
- b) Provide all reports, assessments, valuations, and/or documentation as may be required and requested by the Chief Administrative Officer pertaining to the sale and disposition of lands declared surplus.

## 4.8 **Reporting**

The Director shall prepare a report on the results of the sale and disposal of lands, including the outline of the method of sale, for the review of the Chief Administrative Officer and subsequent recommendation(s), as appropriate, to the Board.



## Board of Management Report

**Subject:** Elgin Area Primary Water Supply System Master Plan

### Overview:

- As a condition of the provincial transfer order, issued under the *Municipal Water and Sewage Systems Transfer Act*, 1997, the Elgin Area Primary Water Supply System (EAPWSS) is required to complete a Master Plan every five years to determine regional system's needs.
- The Master Plan follows the Master Planning process as outlined in the Municipal Engineers Association Municipal Class Environmental Assessment document (October 2000, as amended in 2007, 2011, 2015 and 2024).
- The Master Plan was awarded and initiated in the spring of 2024 and has advanced to completion.

### Recommendation

That, on the recommendation of the Chief Administrative Officer, the Board of Management for the Elgin Area Water Supply System take the following actions:

- a) The Board **ENDORSE** the Elgin Area Primary Water Supply System Master Plan; and,
- b) The Board direct staff to **PLACE** the Master Plan report on the water system's website and make the report available for public review for a 30-day review period.

### Previous and Related Reports

March 7, 2024	Elgin Area Primary Water Supply System Master Plan – Consultant Award (EA2019-24)
March 6, 2025	Elgin Area Primary Water Supply System Master Plan – Update (EA2019-24)

### Background

The previous Master Plan for the Elgin Area Primary Water Supply System (EAPWSS) was completed and endorsed by the Board on June 4, 2020. The Master Plan must be updated at least every five years.

The current Master Plan was undertaken in accordance with the process for Master Planning outlined in the Municipal Engineers Association Municipal Class Environmental Assessment document (as amended in February 2024).

The Master Plan assessed regional water system needs over a twenty-year planning horizon and considers growth and development potential within the region, in order to ensure level of service is maintained and/or enhanced. The Master Plan review and evaluation considered all regional water infrastructure including, but not limited to, the treatment plant, transmission mains, intermediate pumping and monitoring facilities and terminal storage.

## Discussion

The Master Plan assignment was awarded to AECOM Canada ULC (AECOM) at the Board Meeting held on March 7, 2024. The Master Plan was initiated in the late spring and has since progressed to completion.

A Notice of Commencement was issued in February 2025. A Public Information Centre Notice was issued in early June 2025, with a virtual Public Information Centre held on June 25, 2025. Public, agency and Indigenous consultation was completed throughout the Master Plan. Water demand projections were completed for the region, which involved engagement with benefiting municipalities to assess growth and development. Three scenarios were considered for growth including: low, moderate and high growth.

Consultation was also completed with several municipalities and Counties in the region that are not currently serviced by the EAPWSS, to better understand the potential for a future connection and supply.

A review of various alternatives was considered and evaluated, and the Master Plan process is documented in the report. The executive summary is attached in Appendix A of this report for review and outlines the overall Master Plan process, including the evaluation of various alternatives.

The Elgin Area water treatment plant was determined to have insufficient capacity over the planning horizon, based on the water demand projections determined in the Master Plan. The preferred solution was identified as the upgrade and expansion of the existing system to meet the increased water demand. Key improvements identified in the Master Plan include:

- expansion of the Elgin Terminal reservoir in the short term and defer the Elgin Area water treatment plant expansion to 2041 completion, including pumping and treatment processes;
- various treatment plant tank, channel and chamber rehabilitations;
- rehabilitation and recommissioning of the 750mm 'A-line' transmission main, that is not currently in service, by 2036; and
- selected transmission main valve replacements and chamber rehabilitations.

A number of studies are also recommended in the Master Plan to support the above improvements and to maintain sustainable utility management. The executive summary, attached to this report as Appendix A, provides further details of the recommended improvements and studies, including the associated estimated costs and timing, to inform planning by the utility.

The Master Plan report was circulated to the Ministry of the Environment, Conservation and Parks in September 2025. A response was provided to the Ministry to address each of their comments provided.

The next Master Plan is planned for 2029; however, if a need arises to revisit or update the Master Plan prior to this date, the next Master Plan can proceed earlier if warranted.

## Project Financial Status

EXPENDITURE	FORECAST	INCURRED
Master Plan	\$190,045	\$110,885
Design	\$0	\$0
Construction Administration	\$0	\$0
Construction	\$0	\$0
Other Fees and Charges	\$0	\$0
<b>Total</b>	<b>\$190,045</b>	<b>\$110,885</b>
<b>Approved Budget</b>	<b>\$225,000</b>	
Budget Surplus / Deficit	\$34,955	

## Conclusion

Board staff recommend the endorsement of the Elgin Area Primary Water Supply System Master Plan by the Board of Management, as prepared by AECOM, including its recommendations. Board staff further recommend proceeding with publishing the Notice of Master Plan and distributing the Notice to the project contact list, as well as making the Master Plan report available electronically on the project website for the required thirty-day review period.

The Master Plan recommendations will inform planning and various improvements for the utility over the planning horizon of twenty years.

Prepared by: Marcy McKillop, P.Eng., GDPA, PMP  
Environmental Services Engineer

Submitted by: Billy Haklander, P.Eng., LL.M.  
Senior Manager, Capital Programs

Recommended by: Kelly Scherr, P.Eng., MBA, FEC  
Chief Administrative Officer

Attachments: Appendix A: Master Plan - Executive Summary

## **Appendix A: Master Plan – Executive Summary**

# Elgin Area Primary Water Supply System

## Water Master Plan

Elgin Area Primary Water Supply System

60730275

October 2025

## Glossary of Terms

**Potable Water:** Water that is safe to drink and meets the health-based quality standards for human consumption.

**Transmission Main:** A large-diameter pipe that carries water from a water source (like a treatment plant or reservoir) to the main distribution system of a community.

**Secondary System:** A distribution pipeline within a community, connecting transmission lines to consumers.

**Raw Water:** Untreated water sourced directly from the lake that will be transported to the treatment plant.

**Low Lift Pump:** A high-volume low-pressure pump that moves large volumes of water from the source such as the Raw water intake at the lake to the treatment plant.

**High Lift Pump:** High pressure pump that discharges water into the transmission mains.

**Rated Capacity:** The maximum volume of water that a treatment plant is permitted to treat per day.

**Treatment Capacity:** The maximum volume of water per day that a treatment plant can treat under its existing design parameters.

**EAPWSS:** Elgin Area Primary Water Supply System

**LHPWSS:** Lake Huron Primary Water Supply System

**EAWTP:** Elgin Area Water Treatment Plant

**EA HLPS:** Elgin Area High Lift Pumping Station

**ETR:** Elgin Terminal Reservoir

**EMPS:** Elgin-Middlesex Pumping Station

**MECP:** Ministry of Environment, Conservation and Parks

**Average Day Demand (ADD):** The average daily water usage within a year.

**Maximum Day Demand (MDD):** The average water usage on the day that the daily water consumption is the highest.

**Maximum Week Demand (MWD):** The highest average daily water demand within a one week period in a given year.

**Peak Hour Demand:** The highest water consumption during any single hour within a 24-hour period

**Mega Liters:** Equivalent to Million Liters

**(ML/d):** Million Liters per Day

**(L/c/d):** Liter per Capita per Day

**(L/s):** Liter per Second

**(m/s):** Meter per Second

**(ft/s):** Feet per Second

**(km):** Kilometer

**(m):** Meter

**(ft):** Feet

**(in):** Inch

**(mm):** Millimeter

**(kg):** Kilograms

**(mg):** Milligrams

**(kg/d):** Kilograms per Day

**(mg/L):** Milligrams per Liter

**(psi):** Pound per square inch

**(kPa):** Kilopascal

**(TDH):** Total dynamic head

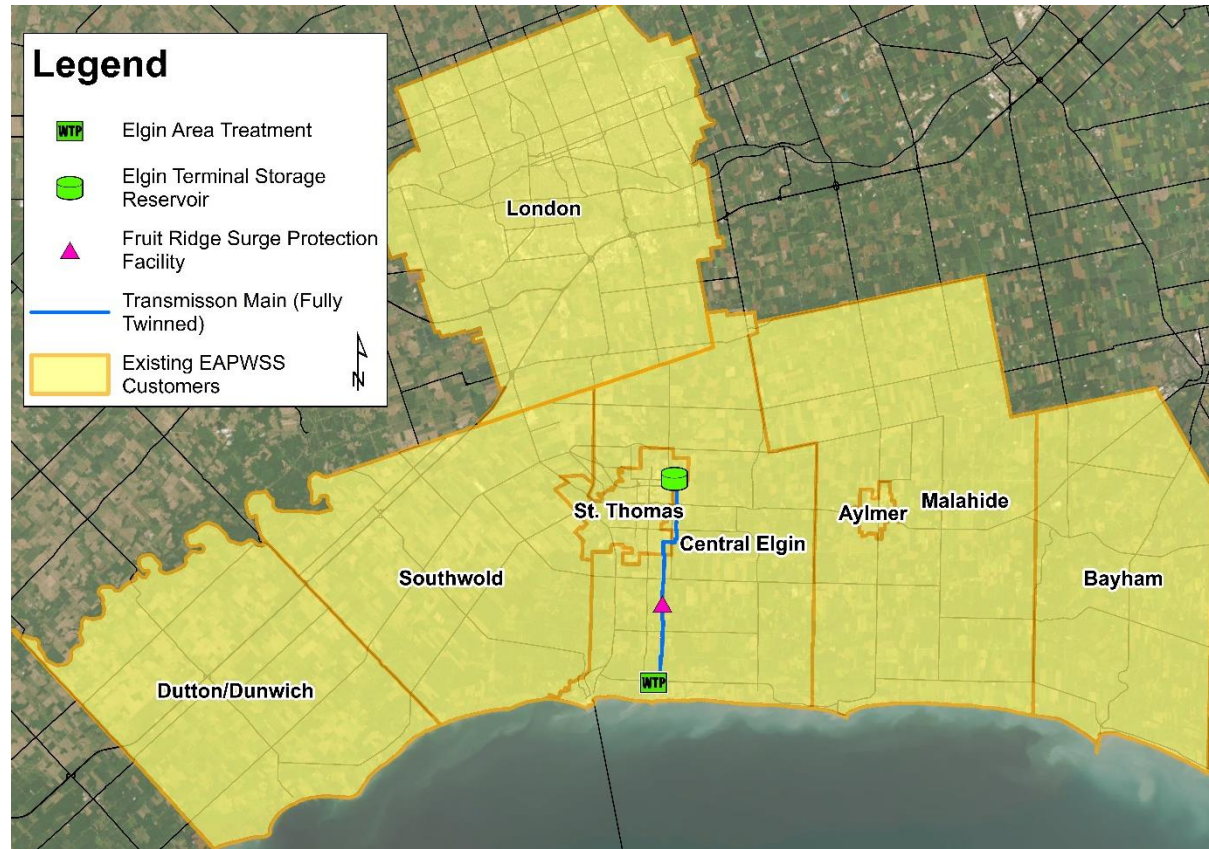


## Executive Summary

In 2024, Elgin Area Primary Water Supply System (“the Utility”) initiated a Master Plan process to guide the water supply system’s future water servicing strategy through a comprehensive infrastructure planning approach. The process involved extensive consultation and engagement with the public and public agencies, water system community members and Indigenous communities. The Master Plan is a detailed infrastructure planning study which provides a plan for achieving sustainable utility management for Elgin Area Primary Water Supply System over the twenty-year planning horizon. The Master Plan process has been undertaken to determine the potential challenges in meeting the future water demands and strategy options to overcome these challenges.

The geographical service area includes the City of London, City of St. Thomas, Town of Aylmer, Municipality of Bayham, Township of Malahide, Township of Southwold, Municipality of Dutton Dunwich, and the Municipality of Central Elgin. **Figure ES-1** below provides an overview of the area serviced by the Elgin Area Primary Water Supply System and the various regional water infrastructure.

**Figure ES.1 Study Area Overview**



## Environmental Assessment Process

The Master Plan has been completed as set out in the Municipal Engineers Association Municipal Class Environmental Assessment document (as amended in February 2024).

The Elgin Area Primary Water Supply System Master Plan followed Approach 1 under the Municipal Class Environmental Assessment and satisfies Phase 1 and Phase 2 of the Municipal Class Environmental Assessment process. This approach is particularly suited for long-term planning, where decisions impacting water supply must address a range of servicing alternatives in an organized and strategic manner. The Master Plan identifies the best overall infrastructure servicing solutions to be implemented over the 20-year planning horizon, extending to 2046.

To conclude Phase 2 of the Municipal Class Environmental Assessment process, the Master Plan report has been made available for public review on the Elgin Area Primary Water Supply System website, accompanied by the issuance of the Municipal Class Environmental Assessment Notice of Master Plan.

## Problem and Opportunity Statement

To meet Phase 1 of the five-phase Municipal Class Environmental Assessment planning process, the following Problem and Opportunity statement was developed and utilized for guiding the development of the Master Plan:

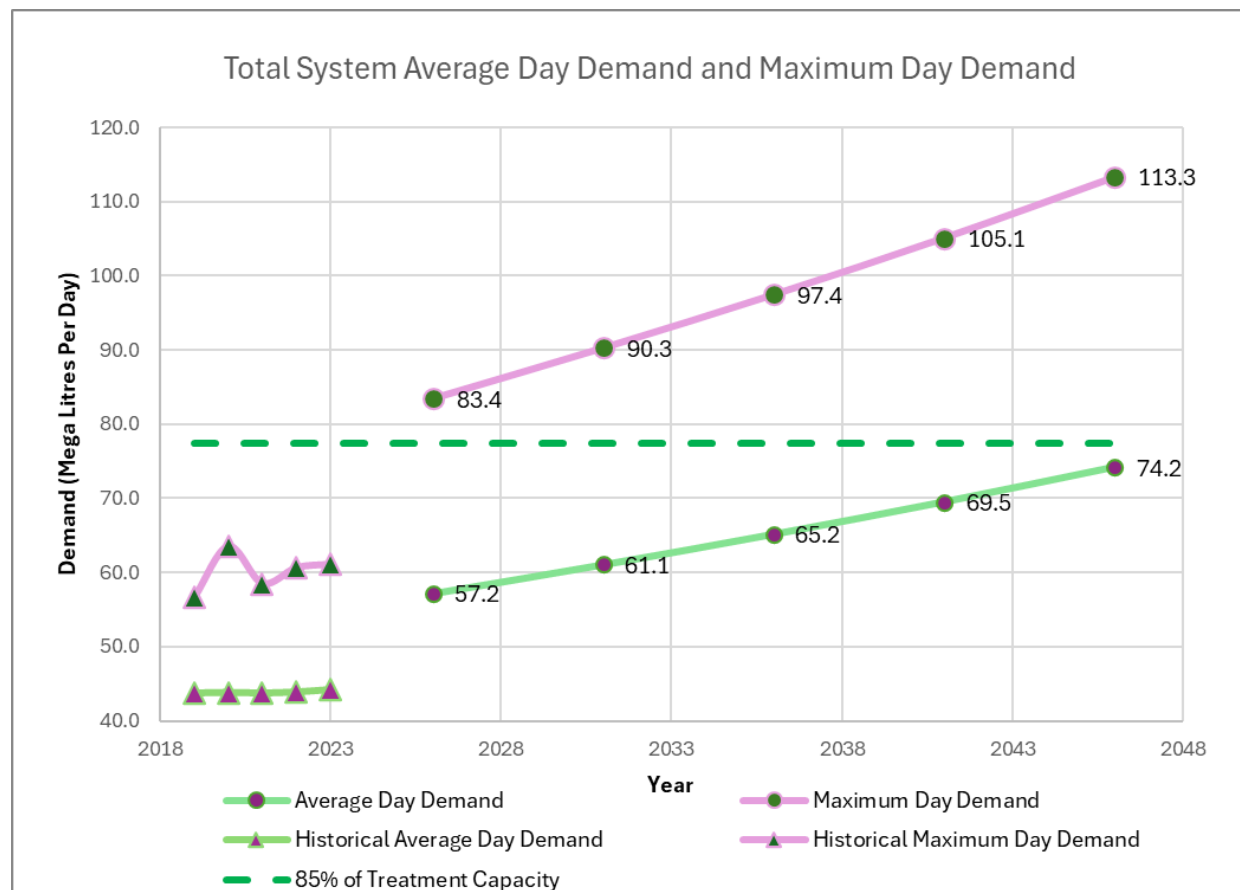
- The growth in water demands forecast for the 2046 planning horizon requires review and assessment of the system's capacity and required investment for the sustainability and reliability of the Utility's treatment, pumping, and transmission infrastructure.
- Develop and assess a range of water system strategies considered to support existing servicing and account for reasonably expected near, mid, and long-term future growth projections, including servicing to new communities.
- Develop a recommended investment strategy for the near, mid, and long-term future growth projections that will support future infrastructure planning and budgeting.
- Consult benefitting communities, the public, Indigenous communities, agencies, and other interested parties, through the development of the Plan to identify the preferred alternatives that best meet long-term needs of the utility.
- Determine operational challenges based on the system hydraulics review related to projected future demands and growth-related requirements for treatment, pumping, transmission infrastructure.
- Review and confirm the utility's operational storage needs.

- Assess primary transmission pipeline capacity with consideration of; projected future demand and growth-related requirements, adequacy of the existing 750mm diameter transmission main (temporarily out of service), anticipated timing for returning the existing 750mm diameter transmission main to service and/or construction of an adequately sized secondary main and, investigate solutions to facilitate redundancy.
- Review and assess pressure control infrastructure to mitigate excessive and transient pressure incidents related to projected future demands and growth-related requirements.
- Review opportunities to enhance energy efficiency, conservation, and recovery across the system.
- Review the impacts of climate change on the utility's infrastructure and assess mitigation and adaptation opportunities in alignment with the utility's framework.
- Ensure alignment with and continuity between the Plan and the Utility's other guiding plans including the Asset Management Policy and Plan, Financial Plan, Operational Plan, and various management systems.

## **Water Demand Forecasts**

To estimate the projected water supply needs, surveys were sent to all member municipalities to understand their anticipated growth and water demand over the planning horizon. The collected growth information was assessed/analyzed/reconciled and used to estimate the projected water demand for the Elgin Area Primary Water Supply System. Consultation with other communities not currently supplied by the Utility were also completed; their demands were excluded from the projections presented in the Master Plan. The following figure presents the projected water demand applied in the Master Plan.

**Figure ES.2 – Total System Average Day Demand and Maximum Day Demand**



Based on the above forecasted demands and the Elgin Area Water Treatment Plant’s current rated capacity of 91 Million Liters per Day, it was determined that the initial need to initiate planning for a treatment plant expansion is triggered as early as 2026, based on the Maximum day Demand for the system exceeding 85 percent of the plant capacity. Moreover, **Figure ES.2** shows the Maximum Daily Demand exceeds the plant rated capacity by 2036, and as such, the treatment plant expansion would need to be completed by 2036 to accommodate the projected flow. An alternative approach was identified and confirmed in **Technical Memorandum 2: System Capacity Evaluation and Hydraulic Modelling Analysis** to expand the Elgin Terminal Reservoir by 2036, which would defer the expansion of the Elgin Area Water Treatment Plant to 2041. Notwithstanding this, having the Elgin Terminal Reservoir expanded in the short-term would provide the enhanced system operational flexibility to manage system needs.

### Recommended Solution

Through the environmental assessment process, it was determined that **Alternative 5A** – Optimizing and Upgrading the Existing System beyond the rated system capacity with

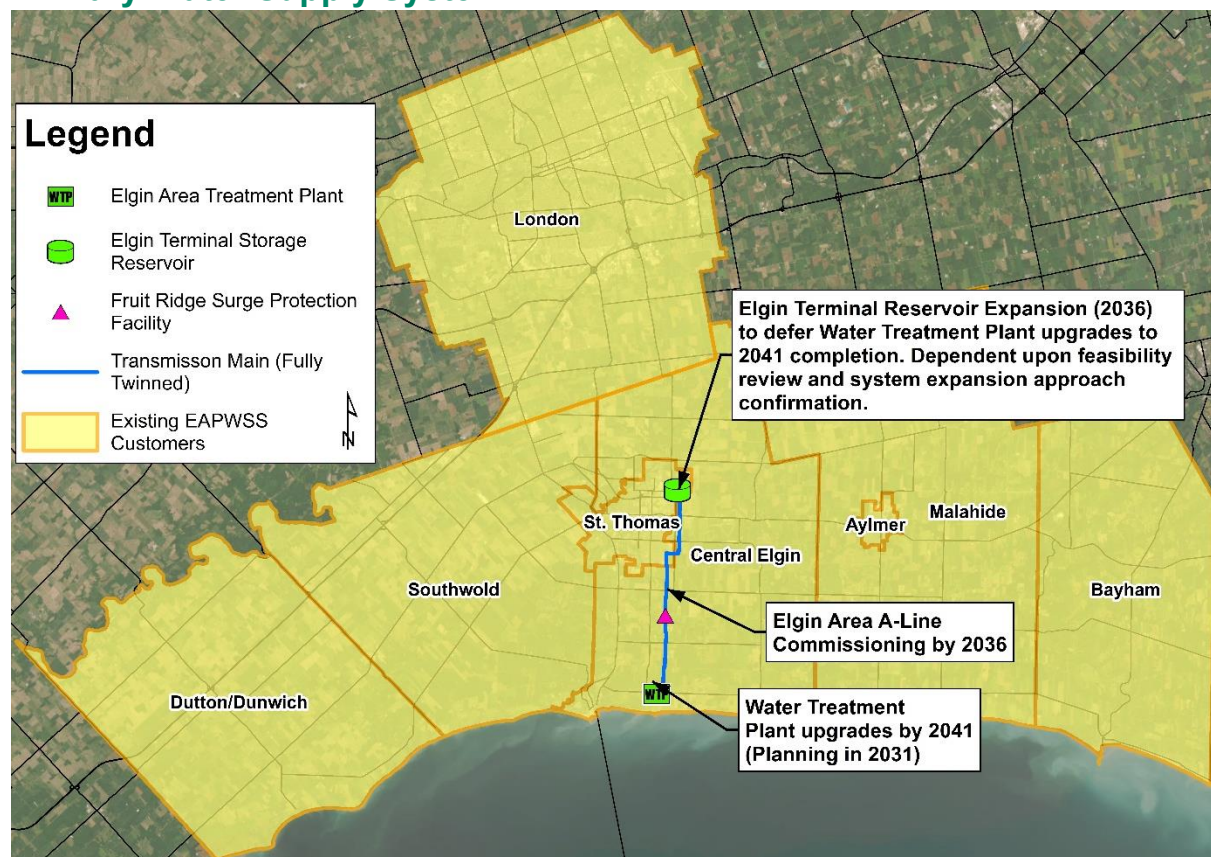


New Infrastructure is the recommended Water Servicing Alternative. **Figure ES.3** provides an overview of the recommended system improvements, which include the following key highlighted items, based on the water demand projections:

- Expand the Elgin Terminal Reservoir in the short term, and defer the Elgin Area Water Treatment Plant Expansion to 2041 completion (with planning to begin by 2031); and
- Recommission the Elgin Area A-Line Transmission main by 2036.

The feasibility of the Elgin Terminal Reservoir expansion is critical to the above recommended solution, in particular the deferral of the treatment plant expansion. If the reservoir expansion proves infeasible, the existing Elgin Area Water Treatment Plant will need to be expanded by 2036, with planning to begin as early as 2026 to meet projected demands. The recommissioning of the Elgin Area A-Line Transmission Main will still need to be completed by 2036 at the latest, regardless of other planned works. It is recommended that system demands are carefully monitored in the short-term and water demand projections regularly revisited, to confirm and update timing for planning and implementation.

**Figure ES.3: Recommended Water System Improvements for Elgin Area Primary Water Supply System**



**Table ES.1** summarizes the Recommended Improvements costs for implementation (In 2025 Millions of Canadian dollars).

**Table ES.2** summarizes the Recommended Studies and costs for implementation (In 2025 Thousands of Canadian dollars).

**Table ES.3** summarizes the Planned/Scheduled Studies and costs for implementation (In 2025 Thousands of Canadian dollars).

### Table ES.1: Recommended Improvements

All Prices in Millions of Canadian Dollars (2025) – Class E Estimate

Project Type	Project	Class Environmental Assessment Schedule Requirement	Cost for 2026-2031	Cost for 2031-2036	Cost for 2036-2041	Costs for 2041-2046
Treatment	Treatment Plant Expansion	Class C	0	0	400	0
Treatment	Clarifier Upgrades **	Exempt	-	-	-	-
Treatment	Filter Upgrades **	Exempt	-	-	-	-
Treatment	Tank/Channel Rehabilitations **	Exempt	-	-	-	-
Storage	Elgin Terminal Reservoir Storage Expansion	Exempt	60	0	0	0
Transmission	Transmission A-Line Re-Commissioning	Exempt	0	10	0	0
Transmission	Transmission Pipeline B Air Valve Replacement	Exempt	1	0	0	0
Transmission	Transmission Pipeline B Chamber Flood	Exempt	2	0	0	0

Project Type	Project	Class Environmental Assessment Schedule Requirement	Cost for 2026-2031	Cost for 2031-2036	Cost for 2036-2041	Costs for 2041-2046
	Protection and Rehabilitations					

\*\* Included as part of Treatment Plant Expansion cost

### Table ES.2: Recommended Studies

All Prices in Thousands of Canadian Dollars (2025) – Class E Estimate

Study Area	Study	Cost for 2026-2031	Cost for 2031-2036	Cost for 2036-2041	Cost for 2041-2046
Treatment	Optimization of coagulation and polymer dosing strategy	300	0	0	0
Treatment	Taste and Odour Management Strategy	250	0	0	0
Treatment	Raw Water Quality Monitoring Program	175	175	0	0
Treatment	Feasibility study for coagulation, flocculation, clarifier capacity upgrades	200	0	0	0
Treatment	Pilot-plant feasibility study	120	0	0	0
Treatment	Feasibility study for filter capacity upgrades including filter-to-waste and backwash sequence capability	125	0	0	0
Treatment	Schedule 'C' Class Environmental Assessment for	1,000	0	0	0

Study Area	Study	Cost for 2026-2031	Cost for 2031-2036	Cost for 2036-2041	Cost for 2041-2046
	Treatment Plant Expansion*				
Transmission	Low Lift System Transient Hydraulic Analysis	100	0	100	0
All	Interim Flow Projection Update	50	0	0	0

All studies are subject to business case and risk/opportunity reviews undertaken by the Elgin Area Primary Water Supply System.

\*Both the high lift and low lift pumping station expansions studies included as part of the Treatment Schedule C Environmental Assessment

### Table ES.3: Planned/Scheduled Studies

All Prices in Thousands Canadian Dollars (2025) – Class D Estimate

Study Area	Study	Cost for 2026-2031	Cost for 2031-2036	Cost for 2036-2041	Cost for 2041-2046
Treatment	Water Quality Facility Plan Update	200	200	200	200
Treatment	Stress Testing	50	50	50	50
All	Asset Management Plan Update	200	200	200	200
All	Ongoing Condition Assessment	350	350	350	350
All	Climate Change Resiliency and Adaptation Plan	0	75	75	75
All	Financial Plan Update	120	120	120	120
All	50 Year Roadmap Study	150	20	50	20
All	Master Plan Update	150	150	150	150
All	Water Loss Review	50	0	50	0
All	System Reliability and Redundancy Review	100	0	100	0



Study Area	Study	Cost for 2026-2031	Cost for 2031-2036	Cost for 2036-2041	Cost for 2041-2046
All	Energy Audit and Pumping Optimization Update	0	200	0	200
Transmission	Elgin Area Primary Water System Hydraulic Model Update and Calibration	50	50	100	50
Transmission	Transient Hydraulic Modelling Update	150	0	150	0
Transmission	Ongoing Monitoring of Primary Transmission Mains	200	200	200	200

All studies are subject to business case and risk/opportunity reviews undertaken by the Elgin Area Primary Water Supply System.

## Engagement

Community engagement has been undertaken, and included:

- Notices of Commencement and Public Information Centre and a Notice of Master Plan.
- A Public Information Centre was held virtually at 6:00pm on June 25<sup>th</sup>, 2025.
- Indigenous communities and various organizations and agencies were notified as part of the Municipal Class Environmental Assessment consultation process that included issuance of all notifications (e.g., study commencement and Public Information Centre notices). Local Indigenous communities and organizations were also offered the opportunity to meet to confirm their interests in the Master Plan process and how they would like to be engaged.
- Adjacent communities that are not currently serviced by the Elgin Area Primary Water Supply System were provided with the Notice of Commencement and an accompanying letter (with a survey link) to understand potential future supply needs.

## Conclusion

The Master Plan Report outlines the process required to ensure that the proposed recommended solutions to the problem and opportunity statement meet the requirements of the *Environmental Assessment Act*.

The proposed projects resolve the problem and opportunity statement identified in this report. A preliminary evaluation of potential impacts has been included in the evaluation, which indicates minor and predictable impacts that can be addressed.

Appropriate public notification and an opportunity for comment was provided and no comments were received that could not adequately be addressed. Subject to receiving Municipal Class Environmental Assessment finalization following the 30-day review period, the Utility can start the planning, design and permitting-approvals phase for the projects according to the timing outlined in this report.

## Board of Management Report

**Subject:** Security Services – Contract Award

**Overview:**

- The existing contract for security related services expires December 31, 2025.
- A public Request for Proposals process was undertaken and the proposal from Paladin Securities Group Ltd. was deemed to have the best value.

### Recommendation

That the Board of Management for the Elgin Area Water Supply System take the following actions with regard to a new Security Contract:

- a) The Board of Management for the Elgin Area Water Supply System **RECEIVE** this report for information; and,
- b) The Board of Management for the Elgin Area Water Supply System **ACCEPT** the proposal from Paladin Security Group Limited and **AUTHORIZE** the Chair and Chief Administrative Officer to execute an agreement for contracted security services at a cost of \$ 306,398.40 for the first year. An increase of 1% for each of the following two years of the three-year period year; it being noted that an increase of 1% for each of the following two years of the three-year period is included in the recommended proposal.

### Previous and Related Reports

December 2, 2021 Security Services – Contract Award

### Background

A comprehensive security audit and threat risk vulnerability assessment was last completed in 2017, which outlined vulnerabilities and security-related risks throughout the water supply system.

The approved Security Audit included a significant number of recommended physical improvements at the water treatment facilities, pump stations, reservoirs, and control stations throughout the transmission system in order to address the safety and security of operational staff, the public, and the security of the water supply to benefiting municipalities in the region.

Starting with the 2018 Capital Budget, the Board of Management approved the establishment of capital project EA4022 Security Upgrades, funded over multiple years, to address the recommendations of the 2017 Security Audit and Threat Risk Vulnerability Assessment report. In addition, the audit report included specific recommendations related to security services and the implementation of policies necessary for the safety and security of the regional water system.

On December 2, 2021, the Board of Management for the Elgin Area Water System awarded a contract for specified security services to Paladin Security Group Ltd. The term of the current contract ends December 31, 2025.

## Discussion

A detailed Request for Proposal was prepared and advertised on July 4, 2025, and five security companies submitted bids for consideration by the closing date of August 8, 2025. The estimated cost for the contracted service, prior to the proposal closing, was \$345,000.00 per year.

Board staff reviewed and evaluated the proposals in accordance with the Request for Proposal documents. Three of the five submissions were rejected as they did not meet the minimum qualifications and submission requirements as stipulated in the Request for Proposal documents.

The submissions from the remaining two proponents were evaluated, and the financial information from only the proposals which passed the technical evaluation were opened.

The proposals received are summarized as follows:

Security Company	Qualifications	Price*
Paladin Security Group LTD	Pass	\$ 306,398.40
Garda	Pass	\$ 320,275.92

*\* excluding HST and annual price escalations for the term of the agreement*

Based on this evaluation, the proposal from Paladin Security Group Ltd. was deemed to have a best value and was selected by Board staff as the preferred proponent. The Request for Proposal process was undertaken with assistance provided by the Purchasing Division of the City of London and complies with the procurement policy of the Board as well as conforms with the City of London procurement policy (used as a guide).

## Conclusion

The Request for Proposals process undertaken for security services at the water treatment plant, including response to remote facility alarms, continues to address security and safety-related recommendations withing the 2017 security audit.

The recommended proponent, Paladin Security Group Ltd., meets all qualifications required from the Request for Proposals process for the three-year contract term.

Prepared by: Lisa McVittie  
Security Manager

Submitted by: Andrew J. Henry, P.Eng.,  
Director, Regional Water

Recommended by: Kelly Scherr, P.Eng., MBA, FEC  
Chief Administrative Officer

## Board of Management Report

**Subject:** Procurement of Operations and Maintenance Services

**Overview:**

- The current term of the Operations and Maintenance Services agreement with the Ontario Clean Water Agency expires on December 31, 2027.
- A public procurement process for the contracted operation of a regional water utility of the size and complexity of the Elgin Area Water Supply System takes a minimum of eighteen months, not including any transition periods required between contracts.
- Public trust in the procurement process is paramount, and Board Members are encouraged to avoid any discussion or engagement with potential vendors, contractors or their agents which could be construed as lobbying the Board.

### Recommendation

That the Board of Management for the Elgin Area Water Supply System **RECEIVE** this report regarding the procurement of Operations and Maintenance Services for information.

### Previous and Related Reports

None

### Background

Regarding the current Operations and Maintenance Services Agreement, the Elgin Area Water Supply System, jointly with the Lake Huron Water Supply System, undertook a public procurement process in 2011 for the operation of the regional water system for a five-year term. The Ontario Clean Water Agency was awarded the services contract on January 19, 2012, for the term of July 1, 2012, to June 30, 2017.

The Operations and Maintenance Services Agreement with the Ontario Clean Water Agency was extended twice, pursuant to the original 2012 agreement, for an additional five years each, ultimately terminating December 31, 2027; noting that the first renewal had adjusted the five-year renewal period to end December 31, 2022, consistent with the Board fiscal year.

## Discussion

By the end of the current term of the existing Operations and Maintenance Services Agreement, the Ontario Clean Water Agency will have been operating the Elgin Area Water Supply System for 15 and a half years. In 2024, the Board of Management for the Elgin Area Water Supply System expressed a desire to undertake a public procurement process for the next term of contracted operations. While neither the Lake Huron nor Elgin Area water systems are obligated to undertake the procurement jointly, it is recognized that cost savings in both the procurement and operation can be realized by undertaking a joint procurement process once again. The Board of Management of the Lake Huron Water Supply Systems have similarly expressed an interest in undertaking a public procurement process, effectively testing the market.

### Procurement Timeline

For the size and complexity of the regional water system, a procurement process is typically undertaken over a period of not less than eighteen months. For discussion purposes, the anticipated timeline for the preparation and undertaking of the public procurement process is as follows:

- **Q4-2025:** Board staff will be assembling documentation, data and related information necessary for both the procurement of specialized consulting services, as well as the public procurement process for the contracted operation of the regional water system.
- **Q4-2025:** Board staff will undertake an initial assessment of the Operations and Maintenance Services Agreement, including amendments and alterations undertaken through the change management process, to identify potential opportunities for improvements, potential alteration of services provided, changes in reporting requirements, and confirm the roles and responsibilities of all parties in relation to the strategic objectives of the regional water utility.
- **Q1-2026:** Undertake a public procurement process for specialized consulting services to assist in the preparation and undertaking of a public procurement process for operation and maintenance services. Consulting services required include legal support, engineering and operational expertise, and financial consulting services.
- **Q2-2026 to Q3-2026:** Undertake detailed legal, operational and financial assessments of current and proposed contracted operation. The assessment will include a business risk analysis to determine and recommend an appropriate mix of transferred, retained or shared risks between the Board and the contracted operating authority. During this period, an initial draft of the Operations and Maintenance Services agreement is prepared.

- **Q4-2026 to Q3-2027:** Undertake a public procurement process for contracted operation and maintenance services. A two-stage procurement process will be undertaken:
  - **A Request for Qualifications (RFQ)** intended to identify and assess potential contractors based on their experience, skills, and capabilities. A maximum of four qualified contractors will proceed to the proposal stage. An initial draft of the proposed Operations and Maintenance Services agreement will be provided to ensure that proponents have the ability and are prepared to undertake the required services within the framework established by the regional water system.
  - **A Request for Proposals (RFP)** where proponents provide details of the services, processes and plans required to undertake the services being contracted for. During this stage of the procurement process, proponents will be given the opportunity to suggest improvements to the initial draft of the Operations and Maintenance Services agreement for the consideration of the regional water system. Before the end of the Request for Proposal period, the Operations and Maintenance Services agreement will be finalized and issued to all proponents to ensure that the proposals received are all based on the same agreement for services.
- **Q4-2027:** The transition period, if the awarded contract is to a firm other than the Ontario Clean Water Agency, normally takes about three months in which time the new contracted operating authority prepares their staffing, equipment, materials and supply needs for the start of the contract on January 1, 2028.

### **Contracted Services Transition**

The previous public procurement process undertaken in 2011 included the identification of a Transition Plan to be included in the Request for Proposal stage of the procurement process. A similar approach is proposed for the 2026-2027 procurement process.

If the Ontario Clean Water Agency is not successful, the transition plan drafted by the Ontario Clean Water Agency and the successful proponent will be finalized and coordinated to ensure a smooth transition, without risk to the Board or consumers.

If the Ontario Clean Water Agency is successful, the transition plan will largely focus on the technical, financial and legal aspects of transitioning from one agreement to another.



## **Process Oversight, Transparency and Board Meetings**

The public procurement process for operations and maintenance services will be overseen by the Director of Regional Water, and the lead solicitor of the specialized consulting team acquired for this initiative. The process will be monitored by the Board's Chief Administrative Officer.

Assuming that the whole initiative is being undertaken jointly with the Lake Huron Water Supply System, special concurrent meetings of both Boards will be held on an as-needed basis, likely starting in the second quarter of 2026. The schedule for the special concurrent meetings will be determined at the joint call of the respective Board Chairs, unless otherwise determined by the Board, as circumstances warrant.

Regular reports to the Board(s) will follow the requirements of the *Municipal Act, 2001*, including allowable exemptions for closed meetings.

## **Anticipated Operating and Service Impacts**

The terms and conditions of the existing Operations and Maintenance Services agreement are in place and will continue until 11:59PM on December 31, 2027, including specified costs, and operations and maintenance services obligations. In addition, no services or supply contracts entered into by the Ontario Clean Water Agency are transferable to the Board or the contracted operating authority on January 1, 2028 (if other than the Ontario Clean Water Agency).

The Ontario Clean Water Agency must at all times appropriately operate, maintain and repair the regional water system throughout the procurement and transition process up to 11:59PM on December 31, 2027.

As part of the transition between contracted services, a reconciliation of consumables (chemicals, fuel, etc.) is undertaken such that any unused consumable in inventory at the time of the transfer is effectively purchased by the new contracted entity at cost. The new contracted entity must ensure that adequate supplies of consumables, parts and materials are on hand on January 1, 2028.

## **Condition and Disposal of Assets**

No assets are expected to be disposed of as a result of the public procurement process, or potential change in contracted operating authority. The existing Operations and Maintenance Services Agreement requires that the Ontario Clean Water Agency return all assets and attractables (i.e., equipment, mobile equipment, tools, materials, spare parts, etc.) to the regional water system, even if the items were purchased by the Ontario Clean Water Agency, with the exception of items that were corporately purchased by the Ontario Clean Water Agency and are used for more than just the regional water systems (e.g., fleet vehicles).

All items returned to the regional water system by the Ontario Clean Water Agency at the end of the current term would then be available for use by the next contracted operating authority starting January 1, 2028.

A fundamental tenant of the Operations and Maintenance Services agreement is that all assets owned by the regional water system are returned in as good as or better condition than the start of the term of the agreement (reasonable wear and tear excepted). As part of the transition between the current agreement and the next agreement, a detailed condition survey is undertaken of all civil, structural, mechanical, electrical and site related assets to confirm condition, and reconciled with the previous survey undertaken in 2012. Data from the asset management program will be used to supplement the assessment and determine reasonable conditions.

### **Public Trust, Lobbying and Points of Contact**

Given the scope, value and complexity of this initiative, it is imperative that public trust is maintained throughout the undertaking. While strict terms and conditions can be implemented during the procurement process for the operations and maintenance services contractor, there is a significant period before the first Request for Qualifications can be issued. Board Members are strongly cautioned that there is a potential for contractors and related companies to approach elected officials prior to the procurement process which may inadvertently erode public trust. Board Members and, by extension, the elected officials and staff of the benefiting municipalities, are encouraged to avoid any discussions with contractors or potential contractors regarding the procurement process being undertaken until such time as the new agreement is awarded in late 2027.

The public procurement process for the operations and maintenance services (RFQ and RFP) will include explicit provisions that proponents, or their agents, may not make any public comment, respond to questions in a public forum, or carry out any activities to publicly promote or advertise their qualifications, their proposal, or their interest in the competitive procurement process. In addition, any attempt on the part of any proponent or its employees, agents, contractors or representatives to contact any person directly or indirectly associated with the procurement is subject to immediate disqualification.

Because of the integral relationship between the regional water system and the water system's benefiting municipalities, people associated with the procurement can include:

- Any member of the water system's evaluation team
- Any Board staff (Regional Water division of the Corporation of the City of London in its capacity as Administrating Municipality)
- Any expert or other advisor assisting the Board or the evaluation team
- Any member of the Board or the elected officials of the benefiting municipalities
- Any staff of the benefiting municipalities

All contact related to the procurement process will be through a designated person identified in the procurement documents. Any incident which could potentially be construed as lobbying of the Board should be immediately reported to the Chief Administrative Officer.

## **Budget**

Each Board has committed \$250,000 (for a total combined budget of \$500,000) for this initiative and all common costs will be equally shared, unless an expense is incurred that is specific to one system.

Submitted by: Andrew J. Henry, P.Eng.,  
Director, Regional Water

Recommended by: Kelly Scherr, P.Eng., MBA, FEC  
Chief Administrative Officer

## By-Law No. 2 - 2025

A By-law to establish policies related to Reserves and Reserve Funds and the Sale and Disposition of Land for the Elgin Area Primary Water Supply System.

WHEREAS the Joint Board of Management for the Elgin Area Water Supply System was established by Transfer Order Elgin Area #W1/1998, effective November 29, 2000, pursuant to the *Municipal Water and Sewage Systems Transfer Act, 1997*;

AND WHEREAS section 5(3) of the *Municipal Act, 2001 S.O. 2001, c.25*, as amended, provides that a municipal power shall be exercised by by-law;

AND WHEREAS section 417 of the *Municipal Act, 2001 S.O. 2001, c.25*, allows a local board to provide for the establishment and maintenance of reserves and reserve funds for the purpose for which it has the authority to spend money;

AND WHEREAS section 270(1) of the *Municipal Act, 2001 S.O. 2001, c.25*, requires the adoption of a Sale and Disposition of Land Policy for a local board.

NOW THEREFORE the Board of Management for the Elgin Area Water Supply System enacts as follows:

1. The attached policies be hereby implemented:

SCHEDULE 'A' – Reserve and Reserve Fund Policy

SCHEDULE 'B' – Sale and Disposition of Land Policy

2. This by-law shall come into force and effect on October 3, 2025.

PASSED in Open session on October 2, 2025

First Reading –

Second Reading –

Third Reading –

## **Reserve and Reserve Fund Policy**

**Approved:** October 2, 2025

**Last Revised:**

**Legislative History:**

**Last Reviewed Date:**

**Policy Lead:** Director, Regional Water

### **1 Purpose**

The purpose of this policy is to establish guiding principles, primary objectives, key management and administrative responsibilities, and standards of care for the management and accounting of reserves and reserve funds.

### **2 Applicability**

Section 417 of the Municipal Act, 2001, allows a municipality or local board to provide for the establishment and maintenance of reserve funds for the purpose for which it has the authority to spend money.

This policy shall be applied fairly and consistently in a manner that maintains the purpose, intent and meaning of the policy.

### **3 Definitions**

**Asset Replacement Reserve Fund** – shall mean a reserve fund established to provide funding for the refurbishment and replacement of existing Elgin assets to ensure Elgin-owned assets do not deteriorate over time. This fund shall also provide funding for large scale expenditures over \$30,000.

**Benefiting Members** – shall mean the municipalities, communities, and/or settlements which receives treated potable drinking water from Elgin pursuant to Transfer Order Elgin Area #W1/1998 dated effective November 29, 2000, and any Water Supply Agreement with Elgin. **Benefiting Member** shall mean the singular of Benefiting Members.

**Board of Management (and Board)** – shall mean the Board of Management for the Elgin Area Primary Water Supply System as established under the *Municipal Water and Sewage Systems Transfer Act, 1997* and pursuant to the final Transfer Order Elgin Area #W1/1998 dated effective November 29, 2000.

**Budget** – shall mean an estimated financial plan of revenue and expenditure for a set period of time.

**Chief Administrative Officer** – shall mean the Chief Administrative Officer for the Elgin Area Water Supply System as appointed by the Board.

**Debt** – shall mean any obligation for the payment of money. For Ontario municipalities and local boards, debt would normally consist of debentures, notes or cash from financial institutions but could also include loans from discretionary reserves and reserve funds.

**Director** – shall mean the Director of Regional Water for the Elgin Area Primary Water Supply System, or their designate.

**Discretionary Reserves and Reserve Funds** – shall mean a reserve or reserve fund created by the Board to set aside revenue to finance a future expenditure for which the Board has the authority to spend money.

**Elgin** – shall mean the Elgin Area Primary Water Supply System as established under the *Municipal Water and Sewage Systems Transfer Act, 1997* and pursuant to Transfer Order Elgin Area #W1/1998 dated effective November 29, 2000.

**Emergency Reserve Fund** – shall mean a reserve fund designed to fund emergency repairs and maintenance of existing Elgin assets and mitigate unforeseen events or one-time unanticipated revenue losses and expenses.

**EMPS Building Reserve Fund** – shall mean a reserve fund that was established to fund capital costs strictly associated with the Elgin-Middlesex Pumping Station (**EMPS**) building and building-related assets but does not include assets associated with the joint occupants of the building. For greater certainty, the EMPS building and building related assets include the building envelop, building structure, HVAC, septic system, general lighting and associated electrical subsystems, but does not include the pumps, electrical subsystems, chemical systems, backup generation, or appurtenances associated with the pumping systems of the joint occupants.

**Intergenerational Equity** – shall mean, in economic, psychological, and sociological contexts, the concept or idea of fairness or justice between generations.

**Liquidity** – shall mean a measure of an asset's convertibility to cash.

**New Capital Reserve Fund** – shall mean a reserve fund established to provide funding to new capital initiatives while allowing Elgin to stabilize the cost of purchasing major capital assets by spreading cost over multiple years.

**Obligatory Reserve Fund** – shall mean a reserve fund created when senior government statute or agreement requires that revenue received for special purposes be segregated from the general revenues. Obligatory reserve funds are to be used solely for the purpose prescribed for them by statute or agreement.

**PSAB** – shall mean the Public Sector Accounting Board, an independent board with the authority to set accounting standards for the public sector.

**Reserve** – shall mean an appropriation from net revenue and/or cost savings at the discretion of the Board, after the provision for all known expenditures. It has no reference to any specific asset and does not require the physical segregation of money or assets as in the case of a reserve fund.

**Reserve Fund** – shall mean funds that have been set aside either by a by-law of the Board or by a requirement of senior government statute or agreement to meet a future event. As a result, reserve funds are either “discretionary” being those set up by the Board, or “obligatory” being those set up by virtue of a requirement of senior government statute or agreement.

**Revolving Reserves and Reserve Funds** – shall mean reserves and reserve funds used to fund normal course operating requirements or cash flow deficiencies that do not require Board approval provided they conform with the intent of the originating resolution or by-law.

**Specific Projects & New Initiatives** – shall mean a category of reserves and reserve funds established for planned savings within the budget to fund projects or expenses either identified at the time the reserve or reserve fund is set-up or after, which allows Elgin to save for planned or unanticipated projects or expenses that may arise and do not have another funding source.

**Website** – shall mean the official website of Elgin at <https://HuronElginWater.ca>

## **4 The Policy**

### **4.1 Policy Statement**

The purpose of this policy is to set out guiding principles, primary objectives, key management and administrative responsibilities, and standards of care for reserves and reserve funds that are prescribed by legislation or established by the Board of Management.

### **4.2 Principles**

The guiding principles for reserves and reserve funds shall be:

- a) **Budget and Financial Planning** – Reserves and reserve funds shall form an integral component of Elgin's budget and financial planning.

- b) **Liquidity** – Reserves and reserve funds shall be kept at an adequate level to ensure Elgin has sufficient cash flow to meet its financial obligations, including but not limited to:
  - i. Replace and rehabilitate capital infrastructure assets as required;
  - ii. Supply funds for new capital assets identified in Elgin's long-term plans, or needs that arise from time-to-time;
  - iii. Fund long-term contingencies and potential liabilities; and
  - iv. Provide a buffer for significant unanticipated expenditures, or loss of revenues beyond the control of Elgin.
- c) **Intergenerational Equity** - Reserve and reserve fund balances shall be maintained to support the principle of intergenerational equity whereby the generation of citizens who benefit from an investment are also responsible for financing it to the greatest extent possible.
- d) **Credit Rating and Cost of Borrowing** - Reserve and reserve fund balances have the potential to impact the credit rating of all of the benefiting municipalities of Elgin, as well as the associated cost of borrowing thus, at a minimum, Elgin will strive to maintain reserve and reserve fund balances at the established target balances, where applicable.

#### 4.3 **Responsibilities**

##### 4.3.1 The Chief Administrative Officer shall:

- a) Once the Board approves reserves by resolution and reserve funds by by-law, the CAO will retain overall authority for reserves and reserve funds and may delegate this authority in writing where applicable.
- b) The CAO, or designate, has the responsibility for setting reserve and reserve fund targets, it being noted that targets will be periodically reported to the Board through Budget and related reports.
- c) The CAO shall support the Director in ensuring the principles and mandatory requirements contained in this policy are applied consistently.

##### 4.3.2 The Director, or their designate, shall:

- a) Update this policy as necessary and present changes to the CAO and the Board.





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- b) Provide the Manager, Finance and Procurement with the most current capital asset information to be used in the assessment of the adequacy of capital lifecycle reserves.
- c) Inform the Manager, Finance and Procurement when reserve or reserve funds are required.
- d) Consult with the Manager, Finance and Procurement when reserve funds are required for unbudgeted transactions.
- e) Arrange for the preparation and presentations of required reports and/or by-laws for the creation or termination of any new or obsolete reserve and reserve funds.
- f) Recommend strategies for the adequacy of reserve levels.
- g) Develop long range fiscal planning strategy to effectively meet Elgin's capital financing and capital asset replacement requirements.

#### 4.3.3 The Manager, Finance and Procurement, or their designate shall:

- a) Develop and update this policy as necessary and present recommended changes to the Director.
- b) Perform the transfers to and from reserves and reserve funds as authorized by the Board.
- c) Report to the Board on the reserve balances and forecast as part of the annual budget approval process.
- d) Monitors and reconciles all receipts to and disbursements from reserve and reserve fund accounts to ensure compliance with provincial regulations, PSAB and this Policy.
- e) Determines need for reserves and reserve funds for operating and capital.
- f) Ensures a review and report to the Board of the adequacy and continuing need for reserve and reserve funds is undertaken when deemed necessary.

#### 4.4 **Emergency Reserve Fund**

The purpose of the Emergency Reserve Fund is to provide funding for emergency events, repair catastrophic failures that require immediate resolution, and for the payment of the deductible of an insurance claim related to a loss.

The usage of this fund will not require prior Board approval but will be at the discretion of the Director or designate, along with the CAO, requiring two-party

approval of all commitments. A report to the Board will be presented at the next Board meeting in accordance with the Delegation of Powers and Duties By-law and the Procurement of Goods and Services and Disposal of Assets Policy.

#### **4.5 Asset Replacement Reserve Fund**

The Asset Replacement Reserve Fund provides funding for the acquisition, refurbishment, replacement, and repairs of existing capital assets owned by Elgin and governed by the Board.

Commitments and expenditures will follow budget protocol and require prior approval in accordance with the Delegation of Powers and Duties By-law and the Procurement of Goods and Services and Disposal of Assets Policy.

Semi-annual capital status reports will be submitted to the Board to keep the Board apprised on the status of all projects approved.

#### **4.6 Capital Reserve Fund**

The Capital Reserve Fund provides funding for the growth-related assets and/or the expansion of existing capital assets above and beyond their current levels of service and related to water operations.

Commitments and expenditures will follow budget protocol and require prior approval in accordance with the Delegation of Powers and Duties By-law and the Procurement of Goods and Services and Disposal of Assets Policy.

Semi-annual capital status reports will be submitted to the Board to keep the Board apprised of the status on all projects approved.

#### **4.7 EMPS Building Reserve Fund**

The EMPS Building Reserve Fund provides funding for the acquisition, refurbishment, replacement, and repairs of existing capital assets associated with the EMPS Building and building-related assets that are owned by Elgin and governed by the Board.

Commitments and expenditures will follow budget protocol and require prior approval in accordance with the Delegation of Powers and Duties By-law and the Procurement of Goods and Services and Disposal of Assets Policy.

Semi-annual capital status reports will be submitted to the Board to keep the Board apprised on the status of all projects approved.

## **5 Monitoring and Evaluation**

### **5.1 Review and Alteration**

This policy is reviewed by the Director, or the Director's designate, at least every three years to ensure its effectiveness and compliance with legislation and current business processes, or as required based on legislative changes.

- 5.1.1 The Director is authorized to make minor or housekeeping amendments to this policy, as required.

### **5.2 Reporting**

The Director, or designate, shall prepare the following reports to the Board and post on the website regarding reserves and reserve funds managed for Elgin:

- a) Annual Audited Financial Statements – the annual audited financial statements, including the Auditors Report, shall be prepared in accordance with Public Sector Accounting Standards and presented to the Board in a public meeting.
- b) Budget Reports – reserve and reserve fund balances, projected contributions and planned drawdowns for a five-year period shall be presented each year to the Board in a public meeting.
- c) Other reports in line with this Policy shall be brought forward to the Board at a public meeting, as needed.

## **Sale and Disposition of Land Policy**

**Approved:** October 2, 2025

**Last Revised:**

**Legislative History:**

**Last Reviewed Date:**

**Policy Lead:** Director, Regional Water

### **1 Purpose**

The purpose of this policy is to dispose of surplus land in an open and transparent process to ensure that the consideration for such disposal is fair, reasonable and in the best interest of the Regional Water System.

### **2 Applicability**

Section 270(1) of the *Municipal Act, 2001, S.O. 2001, c.25*, as amended, requires a municipality or local board to adopt and maintain a policy for the sale and other disposition of land.

This policy applies to the sale and other disposition of land owned by the Elgin Area Water Supply system.

This policy does not apply to:

- a) Land repurchased by an owner in accordance with section 42 of the *Expropriations Act*;
- b) The granting of an easement or right of way; or
- c) A licence of occupancy granted to a Benefiting Member of the Elgin Area Water Supply System, by written agreement, for the occupation of a portion of land for a drinking water related purpose.

#### **2.1 Principles**

It is recognized by Elgin that, pursuant to the Transfer Order, all Benefiting Members of Elgin have an undivided interest in Elgin as a tenant in common. Accordingly, the sale and other disposition of lands declared surplus shall be undertaken with the following principles:

- a) The Board is the recognized governing authority of Elgin as established by Transfer Order;

- b) The Board must act in the best interests of the Benefiting Members and all acts related to the sale and other disposition of lands must be undertaken in a publicly transparent manner;

### **3 Definitions**

**Appraisal** – shall mean a fair market valuation of the land that is satisfactory to the Director.

**Benefiting Members** – shall mean the municipalities, communities, and/or settlements which receives treated potable drinking water from Elgin pursuant to Transfer Order Elgin Area #W1/1998 dated effective November 29, 2000, and any Water Supply Agreement with Elgin. **Benefiting Member** shall mean the singular of Benefiting Members.

**Board of Management** (and **Board**) – shall mean the Board of Management for the Elgin Area Primary Water Supply System as established under the *Municipal Water and Sewage Systems Transfer Act, 1997* and pursuant to the final Transfer Order Elgin Area #W1/1998 dated effective November 29, 2000.

**Chief Administrative Officer** – shall mean the Chief Administrative Officer for the Elgin Area Water Supply System as appointed by the Board.

**Director** – shall mean the Director of Regional Water for the Elgin Area Primary Water Supply System, or their designate.

**Disposition** – shall means the sale, transfer, conveyance or exchange of the fee simple interest in land or the granting of a lease for a term of twenty-one (21) years or longer, and “**Disposal**” shall have a similar meaning.

**Elgin** – shall mean the Elgin Area Primary Water Supply System as established under the *Municipal Water and Sewage Systems Transfer Act, 1997* and pursuant to Transfer Order Elgin Area #W1/1998 dated effective November 29, 2000.

**Land** – shall mean real property owned by the Elgin Area Water Supply System, including land registered with the Land Registry Office under the Corporation of the City of London IN TRUST, in its capacity as Administering Municipality and bare trustee as established by Transfer Order.

**Surplus** – shall mean property that the Elgin Area Water Supply System no longer requires to meet its current or future needs.

**Transfer Order** – shall mean the Transfer Order Elgin Area #W1/1998 dated effective November 29, 2000, issued by the Minister of Environment for Ontario pursuant to the *Municipal Water and Sewage Systems Transfer Act, 1997*.

**Website** – shall mean the official website of Elgin at <https://HuronElginWater.ca>

#### **4 The Policy**

The following procedures shall apply to the disposal of real property by the Elgin Area Water Supply System.

##### **4.1 Declaration of Surplus Property**

4.1.1 Prior to the disposal of land by Elgin, the Board shall declare the land to be surplus as follows:

- a) The Chief Administrative Officer, on the advice of the Director, will submit a report to the Board recommending that the land in question be declared surplus to the needs of Elgin.
- b) Where the Board deems it advisable to adopt any recommendation with respect to declaring any land owned by Elgin surplus, the Board shall, in a meeting open to the public, pass a resolution declaring any such land surplus to the needs of Elgin.

##### **4.2 Appraisal**

Prior to the disposal of the land declared surplus, Elgin shall obtain at least one appraisal of the land to be disposed of.

##### **4.3 Notice**

- 4.3.1 Upon the Board having declared the land surplus to the needs of Elgin but before any such land is disposed of by Elgin, Elgin shall give notice to the public of the intention of Elgin to dispose of the land by posting a notice on the Website of Elgin.
- 4.3.2 Where the land being disposed of is, in the opinion of the Director, developable as a separate parcel of land, Notice shall also include two or more of the following forms:
  - a) Publication at least once of an advertisement in at least one newspaper of general circulation in the area or region relevant to the land in question; and/or
  - b) The posting of a “For Sale” sign on the land in question; and/or
  - c) The posting of a notice on a third-party website such as bids&tenders.

#### **4.4 Methods of Sale**

4.4.1 The Director, when the sale and disposition of the land in question is authorized by the Board, shall be responsible for determining the appropriate method of sale. Depending on the nature of the land in question, various methods of sale and disposal may be recommended including but not limited to:

- a) Public auction;
- b) Call for Proposal;
- c) Tender;
- d) Listing using a Multiple Listing Service through a Real Estate Firm or Broker;
- e) Direct advertising;
- f) Direct negotiations with an abutting property owner(s); and
- g) Direct negotiations with a Benefiting Member.

#### **4.5 Acquisition by a Benefiting Member**

Prior to the disposal of the land in question in accordance with Section 4.6 of this Policy, the Director or designate shall contact the municipality in which the land in question resides to determine if the municipality is interested in the acquisition of the land in question by direct negotiations. If the municipality is amenable to the acquisition of the land in question, direct negotiations with the Benefiting Member shall proceed in advance of any other procedure for the disposal of the land in question.

#### **4.6 Procedure for Disposal of Land**

In addition to the requirements set out in Sections 4.1 to 4.5 of this Policy, the disposal of land shall be in accordance with any of the following:

##### **4.6.1 Sale by Real Estate Firm or Broker**

Where, in the opinion of the Director, it is advisable to dispose of the land in question through a multiple listing service, the following procedures shall apply:

- a) The Director, or designate, shall be authorized to retain a licensed real estate broker to market the property for sale.
- b) All costs associated with the listing, including associated broker commissions, are to be approved by the Director.

#### 4.6.2 Sale to an Abutting Landowner

Where, in the opinion of the Director, it is advisable to dispose of the land through direct sale to an abutting landowner(s), other than a mortgagee or chargee, the following shall apply:

- a) Costs incurred or anticipated for the sale of the land in question shall be established, including but not limited to legal fees, survey fees, encumbrances, advertising and improvements.
- b) The estimated sale price shall be established which shall not be less than the appraised value plus additional costs established in 4.6.2(a).
- c) All agreements acceptable to the Chief Administrative Officer shall be submitted to the Board for the approval of the sale price and any terms and conditions associated with the sale.
- d) Notwithstanding the generality of Section 4.6.2(b) and (c) above, the Board may accept an amount less or greater than the estimated sale price.

#### 4.6.3 Sale by Public Tender

Where, in the opinion of the Director, it is advisable to dispose of the land through public tender, the following shall apply:

- a) The Director shall authorize the Manager, Finance and Procurement, or their designate, to undertake a call for the sale of land by public tender.
- b) Costs incurred or anticipated for the sale of the land in question shall be established, including but not limited to legal fees, survey fees, encumbrances, advertising and improvements.
- c) The Notice of the tender call will be in accordance with the notice provisions of this policy.
- d) Offers to purchase will be opened at the appointed time and place, in accordance with Elgin's Procurement of Goods and Services and Disposal of Assets Policy.
- e) The terms of sale of such properties will be subject to a deposit of 10% of the offer price, or other amount deemed appropriate by the Director, in the form of a certified cheque and/or cash to accompany the offer and cash on closing.
- f) The offers will be referred to the Director for review and recommendation to the Board.



- g) All agreements acceptable to the Chief Administrative Officer shall be submitted to the Board for the approval of the sale price and any terms and conditions associated with the sale.
- h) If the successful tenderer is introduced to the land by a realtor, the payment of any fee or commission associated with the referral is the responsibility of the purchaser.

#### 4.6.4 Sale by Public Auction

Where, in the opinion of the Director, it is advisable to dispose of the land through public auction, the following shall apply:

- a) The Director, or designate, shall be authorized to retain a licensed real estate auctioneer to conduct the auction.
- b) Costs incurred or anticipated for the sale of the land in question shall be established, including but not limited to legal fees, survey fees, encumbrances, advertising and improvements.
- c) All costs of advertising being borne by Elgin on the understanding that the method and format of advertising will be agreed to by the auctioneer and approved by the Director prior to publication.
- d) Elgin shall maintain the right to establish a reserve bid based on the result of an appraisal on the land in question, and the understanding that the reserve bid will remain confidential until the conclusion of the auction.
- e) All agreements acceptable to the Chief Administrative Officer shall be submitted to the Board for the approval of the sale price and any terms and conditions associated with the sale.

#### 4.6.5 Sale by Call for Proposal

Where, in the opinion of the Director, that the land may be suitable for major redevelopment and it is advisable to dispose of the land through a call for proposal, the following shall apply:

- a) The Director shall authorize the Manager, Finance and Procurement, or their designate, to undertake a request for proposal for the sale of land.
- b) Costs incurred or anticipated for the sale of the land in question shall be established, including but not limited to legal fees, survey fees, encumbrances, advertising and improvements.

- c) The Notice of the tender call will be in accordance with the notice provisions of this policy.
- d) Sealed proposal calls will be opened at the appointed time and place in accordance with Elgin's Procurement of Goods and Services and Disposal of Assets Policy and referred to the Director for their consideration and recommendation to the Board.
- e) All agreements acceptable to the Chief Administrative Officer shall be submitted to the Board for the approval of the sale price and any terms and conditions associated with the sale.
- f) Further direct negotiations with proponents will be at the direction of the Board.

#### 4.6.6 Sale by Direct Negotiations

Where, in the opinion of the Director, it is advisable to dispose of the land through direct negotiations other than to an abutting landowner, the following shall apply:

- a) The Director or designate will send an appropriate inquiry to each Benefiting Member regarding their opinions as to the potential sale of the land.
- b) Where it is established through inquiry procedure that, in the opinion of the Director, considering current market value of the land and the value of the lands to nearby landowner(s) or other prospective purchasers including Benefiting Members, the Director will conduct direct negotiations with the abutting owner(s) or other prospective purchasers.
- c) All agreements acceptable to the Chief Administrative Officer shall be submitted to the Board for the approval of the sale price and any terms and conditions associated with the sale.

#### 4.7 **Responsibilities**

##### 4.7.1 The Chief Administrative Officer shall:

- a) Recommend to the Board lands declared surplus to the needs of Elgin in accordance with this Policy;
- b) Ensure that the sale and disposition of lands are undertaken in a fair, equitable and publicly transparent manner;



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- c) Review the acceptability of the sale price, terms and conditions, and associated agreement(s) related to the sale and disposition of lands declared surplus and make recommendations to the Board as appropriate.

## 4.7.2 The Director, or their designate, shall:

- a) Ensure that the sale and disposition of lands are undertaken in a fair, equitable and publicly transparent manner in accordance with this Policy;
- b) Provide all reports, assessments, valuations, and/or documentation as may be required and requested by the Chief Administrative Officer pertaining to the sale and disposition of lands declared surplus.

## 4.8 **Reporting**

The Director shall prepare a report on the results of the sale and disposal of lands, including the outline of the method of sale, for the review of the Chief Administrative Officer and subsequent recommendation(s), as appropriate, to the Board.