

Agenda

Lake Huron Primary Water Supply System

Joint Board of Management

4th Meeting of the Lake Huron Primary Water Supply System Joint Board of Management

October 2, 2025, 2:00 PM

Committee Room #5

Pages

1. Call to Order

2. Indigenous Territorial Acknowledgement

The Lake Huron 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

3

6. Communications and Petitions

7. Motions 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)

8

b. Environmental Management System and Quality Management System

11

c.	Quarterly Operating Financial Status - 2nd Quarter 2025	35
d.	Capital Status Report	39
8.2	Recommended Items for Discussion	
a.	2026 Operating and Capital Budgets (Previously Distributed)	46
b.	Reserve and Reserve Fund Policy	74
c.	Sale and Disposition of Land Policy	82
d.	Lake Huron Primary Water Supply System Master Plan	92
e.	Security Contract	109
f.	Procurement of Operations and Maintenance Services	112
9.	Deferred Matters	
10.	Additional Business and Enquiries	
11.	Emergent Motions	
12.	By-Laws	
	By-laws to be read a first, second and third time:	
12.1	By-Law No. 2-2025	118
	A By-law to establish policies related to Reserves and Reserve Funds and the Sale and Disposition of Land for the Lake Huron Primary Water Supply System.	
13.	Closed Session	
14.	Upcoming Meeting Dates	
	December 4, 2025	
	March 5, 2026	
15.	Adjournment	

Lake Huron Primary Water Supply System Report

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

Attendance: PRESENT: S. Hillier (Chair); J. Brennan, C. Burghardt-Jesson,
M. Dietrich, S. Franke, C. Grantham, J. Keogh, S. Lehman, P.
Walden, J. Wilcox and J. Bunn (Committee Clerk)

ALSO PRESENT: A. Henry, M. McKillop and K. Scherr

1. Call to Order

That it BE NOTED that the meeting was called to order at 2:01 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

KEOGH AND GRANTHAM

That the minutes of the 2nd meeting of the Lake Huron 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. Motions 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)

FRANKE AND LEHMAN

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 Lake Huron Primary Water Supply System, for January to March 2025, **BE RECEIVED. CARRIED**

Motion Passed

- b. Environmental Management System and Quality Management System

FRANKE AND LEHMAN

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

Motion Passed

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

FRANKE AND LEHMAN

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 Lake Huron Primary Water Supply System for the 1st Quarter of 2025, **BE RECEIVED. CARRIED**

Motion Passed

- d. Water System Operation - Contract Status Update

FRANKE AND LEHMAN

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

FRANKE AND LEHMAN

That, on the recommendation of the Chief Administrative Officer, the 2024 Audited Financial Statements and Independent Auditor's Report for the Lake Huron 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

FRANKE AND LEHMAN

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

8.2 Recommended Items for Discussion

- a. Electronic Signatures Policy

FRANKE AND WILCOX

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 Lake Huron Primary Water Supply System, **BE INTRODUCED** at the June 5, 2025 meeting of the Lake Huron Primary Water Supply System Joint Board of Management; and,
- b) the above-noted report **BE RECEIVED. CARRIED**

Motion Passed

- b. LH1408 Oneida Nation of the Thames Water Transmission Pipeline
- Project Update

KEOGH AND GRANTHAM

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 LH1408 Oneida Nation of the Thames Water Transmission Pipeline Project Update:

- a) a budget increase of \$10.3 million **BE APPROVED** for a total approved budget of \$35.5 million; it being noted that incurred costs are recovered from Oneida Nation of the Thames in accordance with the associated Water Supply Agreement; 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

FRANKE AND WILCOX

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

Motion Passed

FRANKE AND KEOGH

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

Motion Passed

KEOGH AND FRANKE

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

FRANKE AND BURGHARDT-JESSON

That the meeting **BE ADJOURNED. CARRIED**

Motion Passed

The meeting adjourned at 2:24 PM.

Board of Management Report

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

Overview:

- There was one (1) adverse water quality incident (AWQI) reported by the external laboratory during this quarter.

Recommendation

That the Board of Management for the Lake Huron 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 were no new regulatory changes for this reporting period which may significantly impact the Lake Huron Primary Water Supply System (LHPWSS).

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 LHPWSS.

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 of 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, 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 (AWQIs): There was one (1) AWQI reported by the external laboratory during this quarter. On June 2, 2025, a microbiological sample taken at the McGillivray Pumping Station and Reservoir had a detected result for Total Coliform. Two sets of resamples, taken 24 hours apart, were collected from the Pumping Station as well as upstream and downstream. All resample results were non-detectable for Total Coliform.

Compliance Inspections: There was one (1) external compliance inspection conducted during the reporting period. The Lake Huron Water Treatment Plant (WTP) was inspected by the Ministry of Labour (MOL) on June 6, 2025. There was one (1) forthwith order issued in relation to a trip/fall hazard in the parking lot, specifically a lump of new asphalt that was present following a recent borehole drilling activity. The hazard was immediately addressed during the inspection by covering it with a safety cone for identification purposes. The trip hazard was remedied by having the borehole contractor return to repair the borehole and asphalt patch on June 10, 2025. No further follow-up with the MOL was required.

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 LHPWSS. 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 internal Environmental Compliance Audit – Municipal Drinking Water License (MDWL) and Drinking Water Works Permit (DWWP) was conducted on April 03-17, 2025. The Internal Audit Summary Report is included as [Appendix A](#).
- An EMS internal audit was conducted on May 08 to 16, 2025, to verify conformance with the ISO 14001:2015 EMS. An EMS Internal Audit Summary Report is included as [Appendix B](#).
- A Management Review meeting was held on June 06, 2025. The meeting minutes are attached to this report as [Appendix C](#).
- A QMS internal audit was conducted on June 23, 2025 to July 03, 2025, to verify conformance with the Ontario Drinking Water Quality Management Standard (DWQMS). A QMS Internal Audit Summary Report is included as [Appendix D](#).

Recommendation

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

Background

Environmental Management System (EMS)

The Lake Huron Primary Water Supply System (LHPWSS) has an Environmental Management System (EMS) which has been registered to the ISO 14001 standard since 2003. The LHPWSS underwent a three-year registration audit in October 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 LHPWSS.

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 October 2022 and is currently accredited for the three-year period ending in 2025.

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 LHPWSS and the Elgin Area Primary Water Supply System (EAPWSS).

A Management Review meeting was held on June 06, 2025. The meeting minutes are included as [Appendix C](#) 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 internal Environmental Compliance Audit (MDWL and DWWP) was conducted on April 03-17, 2025. There were no non-conformances and two (2) opportunities for improvement identified. The Internal Audit Summary Report is included as [Appendix A](#) for the information of the Board of Management.

An EMS internal audit was conducted on May 08 to 16, 2025, to verify conformance with the ISO 14001:2015 EMS. There were no non-conformances and twelve (12) opportunities for improvement identified. An EMS Internal Audit Summary Report is included as [Appendix B](#) for the information of the Board of Management.

A QMS internal audit was conducted on June 23, 2025 to July 03, 2025, to verify conformance with the Ontario Drinking Water Quality Management Standard (DWQMS). There were no non-conformances and fourteen (14) opportunities for improvement identified. A QMS Internal Audit Summary Report is included as [Appendix D](#) 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 LHPWSS. Preventive actions may originate from identified opportunities

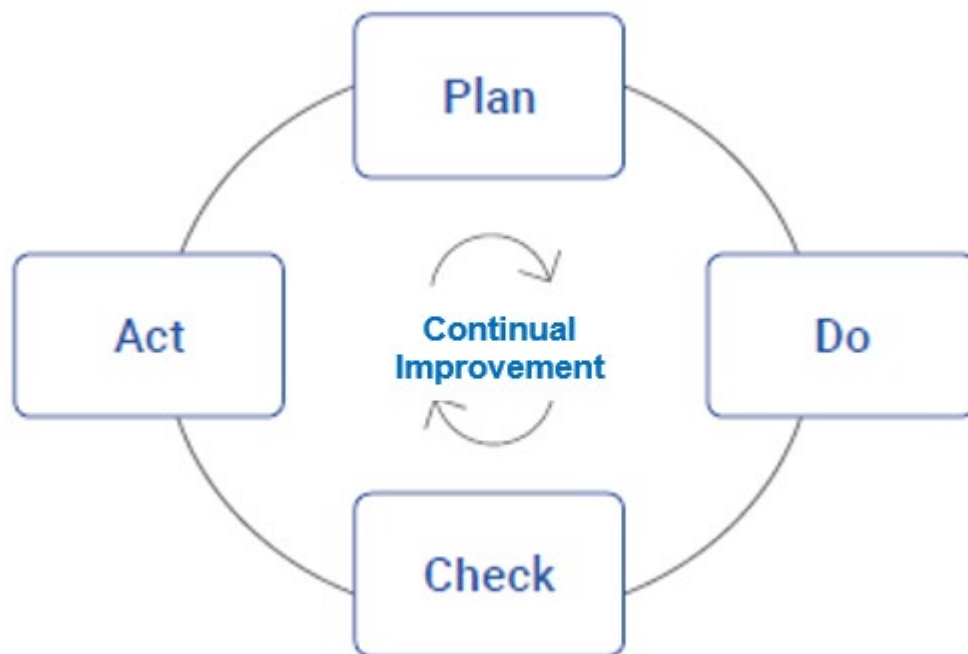
for improvement as part of an audit, but also staff suggestions and discussions with management.

It is important to note that action items should not be construed as compliance failures, but rather an action to be undertaken which will improve the LHPWSS's 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 nineteen (19) new approved action items that have been added to the EMS/QMS action-item tracking system during Q2:

- Two (2) new action items were added resulting from the internal Environmental Compliance Audit conducted on April 03-17, 2025.

- Twelve (12) new action items were added resulting from the EMS Internal Audit conducted on May 08 to 16, 2025.
- Three (3) new action items were added as part of the Corrective Action process related to a spill of potable water at the McGillivray Reservoir (i.e. overflow) occurring May 29, 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.

As of September 05, 2025, there are currently thirteen (13) open action items in the LHPWSS 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. 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 LHPWSS 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](#) - Internal Environmental Compliance Audit - MDWL and DWWP (April 03-17, 2025)
[Appendix B](#) - EMS Internal Audit Summary Report (May 08 to 16, 2025)
[Appendix C](#) - Management Review Meeting Minutes (June 06, 2025)
[Appendix D](#) - QMS Internal Audit Summary Report (June 23, 2025 to July 03, 2025)

Appendix A: Compliance Audit Summary Report - Environmental Compliance Audit - MDWL and DWWP (April 03-17, 2025)

Audit Purpose:

The purpose of the audit was to verify compliance with relevant environmental legislation and other compliance obligations at the Lake Huron Primary Water Supply System (LHPWSS). Internal audits ensure the progress and activity of the Environmental Management System (EMS) is tracked.

Auditor Qualifications

Jennifer Levitt has completed an ISO 14001:2015 Internal Auditor training course and an Environmental Compliance 101 course and is deemed competent to complete environmental compliance auditing (see Certificate in Appendix A).

Methodology

The internal audit was conducted as outlined in Procedure LH-ADMIN-1600 (Compliance) as detailed in the EMS Manual. The audit was primarily associated with a desktop review and therefore an opening/closing meeting was not required (refer to Section 3.4.2 of LH-ADMIN-1600). An audit plan was issued April 01, 2025. The audit checklist was generated using the Environmental Compliance Internal Audit checklist (LF-ADMIN-1600) which is attached as Appendix B of this report.

The audit was comprised of a desktop environmental compliance review of the LHPWSS. The audit was 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 December 14, 2020.

Operational documents and records maintained by the Operating Authority for the period December 14, 2020 through April 17, 2025 were reviewed in conjunction with this compliance evaluation.

Note:

The audit was conducted through a review of a sampling of documents, limited interviews and observations by the auditor to demonstrate compliance obligations are being met as outlined in the EMS. The review and audit should not be construed as a complete and comprehensive review of all aspects and all documents.

Checklist Criteria

The following items had criteria in the Environmental Compliance Internal Audit checklist (LF-ADMIN-1600):

- MDWL #001-101 (Schedule E), Issue #8 dated March 27, 2025
- DWWP #001-201 (Schedule A), Issue #6 dated May 16, 2024

Interviews Conducted

- Process & Compliance Technician, OCWA
- Safety Process & Compliance Manager, OCWA

FINDINGS

The following is a summary of the findings including non-compliance issues and opportunities for improvement for the LHPWSS.

Definitions

- A non-compliance (NC) is a non-fulfilment of a regulatory requirement.
- An opportunity for improvement (OFI) describes a regulatory requirement that can be more effectively addressed.

No NC's were identified as part of the internal compliance audit. Two (2) Opportunities for Improvement (OFI) were identified as part of the internal compliance audit.

Opportunities for Improvement

OFI#1

MDWL #001-101 (Schedule B) Section 14.1 - Consider revising the RWS 'Special Provisions' procurement document to include a reference to NSF 14.

OFI#2

DWWP #001-201 (Schedule B) Section 2.3 - The Ministry's Watermain Disinfection Procedure referenced in LH-PROC-2400 is out of date (e.g. November 2015) and should reference the August 1, 2020 version. Consider reviewing LH-PROC-2400 in accordance with DWWP Issue #6, dated May 16, 2024.

Appendix B: EMS Internal Audit Summary Report (May 08 to 16, 2025)

Audit Purpose

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

Non-conformances and opportunities for improvement are listed below.

Auditor Qualifications:

- Compliance Coordinator, RWS (Lead Auditor) has completed ISO 14001:2015 Internal Auditor training.
- Quality Control and Quality Assurance Manager, RWS 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 LH-ADMIN-1200 Internal Audit. 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 May 13-15, 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 non-conformances and opportunities for improvement. The detailed audit checklists are attached for further information.

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

Definitions:

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

Sites Visited:

- Lake Huron Water Treatment Plant, 71155 Bluewater Highway, South Huron
- McGillivray Pumping Station, 4064 McGillivray Drive, North Middlesex
- Exeter-Hensall Pumping Station (EHPS), 39590 Huron Street, South Huron
- Arva Terminal Reservoir, 13964 Medway Road, Middlesex Centre
- Komoka-Mt. Brydges Pumping Station (KMBPS), 13964 Medway Road, Middlesex Centre

Interviews Conducted:

- Safety, Process and Compliance Manager, OCWA
- Process & Compliance Technician, OCWA
- Operator, OCWA
- Senior Operations Manager, 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 LHPWSS 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 April 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.

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.

Non-Conformances (NC)

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

Opportunities for Improvement (OFIs)

5.3 Organization Roles, Responsibilities and Authorities

OFI #1 - LH-ADMIN-100 Structure & Responsibilities is out of date. The Process & Compliance Technician (PCT) are not included in OCWA’s Organizational Structure.

6.1.1 Actions to Address Risks and Opportunities

OFI #2 - 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).

7.2 Competence

OFI #3 - Review the OA internal training matrix as there are inconsistencies for which staff require EMS/QMS training. It is recommended that Huron management staff be included on the internal matrix as present it only includes D.Rodrigues and R.Lieber.

7.3 Awareness

OFI #4 - Consider updating LH-ADMIN-1700 Subcontractor & Supplier Requirements.docx, LF-ADMIN-1700 Subcontractor and Supplier Sign Off.doc and LH-ADMIN-1800 Visitor Sign In.docx as a result of the new Contractor Management Software.

OFI #5 - Consider developing an alternate sign-in procedure for when there is a power / internet outage and the Contractor Management Software is not available.

7.4 Communication, 7.4.1 General

OFI #6 - Consider updating LH-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 LH-ADMIN-1000 Complaints.

7.5.3 Control of Documented Information

OFI #8 - The hardcopy EMS Manual was not located at the Spare Operators desk as per LH-ADMIN-200 Document & Records Control.

8.1 Operational Planning and Control

OFI #9 - There are inconsistencies related to the completion of the LF-ADMIN-2301 Project Checklist. Major/Minor project verification requirements were not completed for some 2024 projects. For example, projects under Huron 2024 Annual Maintenance Allowance (LH1316-24) did not have checklists completed.

9.1 Monitoring, measurement, analysis and evaluation - 9.1.1 General

OFI #10 - The preventative maintenance job plan for Chlorine Analyzer (HACH portable) - 400376 is not correct. The job plan listed is for a chlorine actuator (quarterly calibration with a monthly verification). It is noted that the unit was last verified May 08, 2025.

OFI #11 - Waste Oil Above Ground Storage Tank (AST) – No physical Asset ID on the tank. Confirmed asset is in Maximo under 3022886. The general quarterly PM work order (which includes waste oil, batteries, light bulbs etc.) does not include the AST asset number. There is an opportunity to attach a physical asset number to the AST and revisit the work order to ensure the asset is tied to it.

9.1.2 Evaluation of Compliance

OFI #12 - On the audit schedule, consider prioritizing 2 items from the Legal Register that are currently overdue for auditing (e.g. Clean Water Act, O.Reg. 284/07).

Other Observations

Observation#1 - Chlorine Analyzer (HACH portable) - 600956 - asset ID tag was obstructed by another sticker/tag.

Appendix C: 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 D: QMS Internal Audit Summary Report (June 23, 2025 to July 03, 2025)

Audit Purpose:

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

Non-conformances and opportunities for improvement are listed below.

Auditor Qualifications:

The RWS Compliance Coordinator 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 LH-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 17 and 19, 2024.

Note: The audit was conducted through a review of a sampling of documents, limited interviews and observations by the auditor to demonstrate conformance with the DWQMS. 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 non-conformances and opportunities for improvement. The detailed audit checklist is attached for further information.

- Appendix A: LF-ADMIN-1201 QMS Audit Checklist

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:

- Lake Huron Water Treatment Plant (WTP), 71155 Bluewater Highway, South Huron
- Exeter Hensall Pumping Station (EHPS), 39590 Huron Street, South Huron
- McGillivray Pumping Station, 4064 McGillivray Drive, North Middlesex
- Arva Terminal Reservoir, 13964 Medway Road, Middlesex Centre
- Komoka-Mt. Brydges Pumping Station (KMBPS), 13964 Medway Road, Middlesex Centre

Interviews Conducted:

- Regional Manager, OCWA (Top Management)
- Overall Responsible Operator (ORO) and Senior Operations Manager, OCWA
- Safety, Process and Compliance (SPC) Manager, QMS Representative, OCWA
- Process & Compliance Technician, OCWA
- Senior Operations Manager, OCWA
- Director, RWS (Top Management)
- Quality Assurance & Compliance Manager, RWS
- Technologist, Capital Programs, 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-Conformances (NCs)

No con-conformances were noted during the internal audit.

Opportunities for Improvement (OFIs)

Element 5 - Document and Records Control

OFI# 1: The use of LF-ADMIN-1801 v4.0 at the Arva PS is out of date. The current version is 1.0 (new excel format).

Element 6 – Drinking Water System

OFI# 2: The process flow diagram in the LHPWSS QMS Operational Plan v15 (signed June 12, 2023) does not reflect the current alum or PAC dosing locations.

Element 8 - Risk Assessment Outcomes

OFI# 3: 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' (HCP) and when is it used. What is an 'Emergency Mandatory Contingency' (HMC) and when is it used. What is an 'SOP – Emergency' (HSOP) and when is it used.

OFI# 4: Only some of the 'Hazardous Events' identified with a Mandatory Critical Control Points (CCP) on the QMS Risk Assessment & Outcomes.docx have associated Emergency Standard Operating Procedures (HSOPS). Consideration should be given to reference the associated emergency response procedures (or develop them if needed). Example the identified hazardous event 'reservoir/clearwell leaks' has no associated HSOP.

Element 13 - Essential Supplies and Services

OFI# 5: There is an opportunity to update the contacts in HCP-3 Emergency Contact & Essential Suppliers & Services List.docx (e.g. new RWS staff, changes in OCWA staff).

OFI# 6: There is an opportunity to consolidate same chemical process procedures (LH-PROC) into one document (e.g. LH-PROC-2000 Caustic Soda Delivery.doc and LH-PROC-2100 Caustic Soda Consumption.doc)

OFI# 7: Consider updating relevant sections of the Process Procedure documents to reflect the implementation of OnLocation software for signing-in at the WTP.

Element 14 - Review and Provision of Infrastructure

OFI# 8: There is an opportunity to update LH-ADMIN-1900 Maintenance of Operations (Infrastructure).doc to reflect a 2025 revised capital recommendations process. OCWA

is to conduct risk assessments and prepare business cases as part of their capital recommendations using the Jotform platform.

OFI# 9: Jotform (form builder/creator) is being utilized as a capital recommendation. 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 15 - Infrastructure Maintenance, Rehabilitation and Renewal

OFI# 10: There are no work orders associated with the fridge containing regulatory samples for laboratory submission. The fridge does not contain a working thermometer. LH-ADMIN-2050 advises samples are to be 'below 10oC 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 10oC but not frozen' and samples for turbidity, TDS, taste and odour compounds, and pH should be kept at 5oC +/- 3oC.

OFI# 11: Asset 300080- First Aid Kit (Exeter Hensall) – Unit has a monthly work order which was last completed May 2025 however, the physical inspection tag last was signed March 2025. A second physical inspection tag on the unit was fully completed. The work order details for the unit was also incorrect.

Element 17 - Measurement and Recording Equipment Calibration and Maintenance

OFI# 12: HACH portable Chlorine Analyzer – There are two calibration stickers attached to the unit. One is not legible, and the other is dated June 03, 2023, covering the asset ID tag. There is no annual 3rd party calibration work order for this unit. Verified unit received annual calibration via HACH calibration certificated dated June 04, 2025.

OFI# 13: There were two 'Prominent DiaLOG Calibration' instructional sheets (i.e. uncontrolled documents) located near two analyzers at KB1. It could not be confirmed what the sheets were utilized for.

Element 18 – Emergency Management

OFI# 14: A review of the taste and odour event that occurred from July to October 2024 were not completed. There is an opportunity to clarify when a formal review of an Emergency Mandatory Contingency (HMC) is required.

Board of Management Report

Subject: Quarterly Operating Financial Status – 2nd Quarter 2025

Overview:

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

Recommendation

That the Board of Management for the Lake Huron 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 – 1st 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 and/or unaccrued expenses from a previous or 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 higher commodity costs, although 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.
- Vehicles and Equipment expenditures include costs associated with vehicles, computers, and office equipment for administrative staff.
- 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. The increased cost when compared to the same period in 2024 is largely attributed to higher insurance premiums.
- 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 – 2nd Quarter 2025

Quarterly Financial Summary Report

Lake Huron 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
Total Revenue	29,295	7,165	13,655	15,640	12,667
<u>Expenditures:</u>					
Contracted Operating Services	8,387	2,189	4,341	4,046	3,896
Contracted Administrative Services	207	86	172	35	167
Electricity	3,100	866	1,798	1,302	1,621
Salaries, Wages, Benefits	1,872	382	592	1,280	519
Administration and Other Expenditures	568	37	225	343	233
Vehicles and Equipment	300	45	83	217	91
Purchased Services & Professional Fees	1,503	103	653	850	619
Debt Principle Payments	969	0	966	3	952
Interest on Long-Term Debt	7	0	12	(5)	22
Contributions to Reserve Funds	12,382	0	0	12,382	0
Total Expenditures	29,296	3,708	8,842	20,454	8,120

Board of Management Report

Subject: Capital Status Report

Overview:

- This report shows the current fiscal year's status of all capital projects.
- Eleven capital projects are recommended to be closed with a net surplus funding in the approximate amount of **\$6,169,412** recommended to be released to the Reserve Funds.

Recommendation

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

- a) The Board authorize the closure of projects **LH1016** Huron Safety Railing Replacement, **LH1242** Hydraulic-Transient Model, **LH1256** Crop Yield Monitoring, **LH1267** Plant Interior Person Door Replacement, **LH1272** Service Water Pipe Replacement, **LH1273** (PS3) Exeter-Hensall Pump Controls Upgrade, **LH1426** WTP Storage and UV, **LH1901** Water Quality Facility Plan and **LH2042** Pipeline-A Double Isolation Valve with surplus funding in the approximate amount of **\$6,252,464** be released to the Reserve Funds.
- b) The Board authorize the closure of project **LH131622** 2022 Annual Maintenance and **LH2079** Division Vehicle, with additional funding in the approximate amount of **\$83,052** be drawn from the Reserve Funds.
- c) The Board **RECEIVE** this report for information.

Previous and Related Reports

March 6, 2025 Capital Status Report

Background

The Capital Project Status Report, attached for the Board's information, provides a brief overview of the status of current capital projects for the Lake Huron 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
LH1021	Huron Low Lift Pump Rebuild	\$540,000	\$286,384	Warranty Period
LH1107	SCADA/PLC - Software Review,	\$500,000	\$448,661	Ongoing
LH1229	Security Upgrades	\$1,253,000	\$957,429	Ongoing
LH1243	McGillivray Electrical Upgrade	\$11,887,175	\$11,809,405	Warranty Period
LH1251	PAC Feed -Transfer Pump System	\$1,300,000	\$119,190	Ongoing
LH1260	Flash Mixer Update	\$1,437,000	\$1,299,740	Warranty Period
LH1261	PLC Replacements	\$2,790,000	\$41,120	Ongoing
LH1264	Vehicle Door Replacement	\$225,000	\$205,593	Ongoing
LH1274	SCADA Control Modifications	\$100,000	\$2,160	Ongoing
LH1277	IT Asset Replacement Program	\$716,000	\$604,031	Ongoing
LH1279	Cyber Intrusion Detection	\$10,000	\$0	On Hold
LH1285	Pressure Reducing Valve Replacements	\$425,000	\$124,262	Ongoing
LH1316-23	2023 Annual Maintenance	\$125,000	\$31,434	Ongoing
LH1316-24	2024 Annual Maintenance	\$125,000	\$118,749	Ongoing
LH1316-25	2025 Annual Maintenance	\$125,000	\$43,232	Ongoing
LH1317	Distressed Pipe Replacement	\$2,850,000	\$1,562,986	On Hold
LH1352	Arva Reservoir Structural	\$2,050,000	\$41,686	On Hold

Project No.	Project	Approved Budget	Expended to Date*	Status
LH1353	WTP- Administrative Building	\$18,250,000	\$518,106	Ongoing
LH1380	Clarifier Upgrades	\$465,000	\$363,493	Warranty Period
LH1388	Coagulation Optimization Study	\$50,000	\$0	On Hold
LH1408	Oneida Transmission Pipeline	\$35,500,000	\$916,991	Ongoing
LH1900	Record Drawings- Documents	\$491,000	\$406,953	Ongoing
LH2036	Roof Drain Replacement	\$125,000	\$130,016	On Hold
LH2038	Chamber Flood Prevention/Rehab	\$350,000	\$239,057	Ongoing
LH2045	Monitoring Station Controls Up	\$275,000	\$167,694	Ongoing
LH2046	Asset Condition Field Assessment	\$210,000	\$94,790	On Hold
LH2048	De-Chlorination at Remote	\$125,000	\$34,572	Ongoing
LH2049	Office Expansion	\$100,000	\$80,279	Ongoing
LH2050	Master Water Plan Update	\$235,000	\$170,974	Ongoing
LH2051	Service Water Study	\$120,000	\$0	Ongoing
LH2052	McGillivray Building Renovations	\$50,000	\$0	On Hold
LH2053	Climate Change Resiliency Assessment	\$240,000	\$19,409	On Hold
LH2054	Treatment Plant Surge System	\$175,000	\$0	Ongoing
LH2055	Beach Chamber Valve Replacement	\$400,000	\$40,237	Ongoing
LH2057	High Lift Discharge Flow Meter	\$400,000	\$534	Ongoing

Project No.	Project	Approved Budget	Expended to Date*	Status
LH2058	Low Lift Check & Butterfly	\$370,000	\$194,756	Warranty Period
LH2059	Raw Water Valve & Actuator	\$350,000	\$0	Ongoing
LH2060	Operations & Maintenance Procurement	\$250,000	\$0	Ongoing
LH2062	Plant Wi-Fi Upgrade &	\$620,000	\$0	Ongoing
LH2063	Pipeline Alignment Survey	\$60,000	\$0	Ongoing
LH2064	McGillivray Discharge Flow	\$245,000	\$464	Ongoing
LH2065	Chlorine Line Replacement	\$125,000	\$0	On Hold
LH2066	Filter Effluent Valve Actuator	\$335,000	\$0	Ongoing
LH2067	Caustic Soda System Upgrades	\$155,000	\$0	Ongoing
LH2068	Remote Site Generator	\$65,000	\$12,410	Warranty Period
LH2069	Plant Interior Lighting	\$35,000	\$11,695	Ongoing
LH2070	Roof Replacements - Phase 3	\$335,000	\$0	Ongoing
LH2071	McGillivray Inlet Check Valve	\$340,000	\$0	Ongoing
LH2072	Plant Seagull Control	\$50,000	\$0	Warranty Period
LH2073	Emergency Exit Lights	\$35,000	\$0	Ongoing
LH2074	Overhead Vehicle Door	\$65,000	\$0	Ongoing
LH2075	Intake Chlorine Line	\$100,000	\$0	Ongoing
LH2076	KB1 MCC Component Upgrades	\$100,000	\$0	Ongoing
LH2077	Arva Valve House Door	\$15,000	\$0	Ongoing

Project No.	Project	Approved Budget	Expended to Date*	Status
LH2078	Polymer System Upgrades	\$145,000	\$0	Ongoing
TOTAL		\$87,814,175	\$21,098,492	

2.a) Completed Projects – Release Surplus to Reserve Funds \$6,252,464

Project No.	Project	Approved Budget	Expended to Date*	Status
LH1016	Huron Safety Railing Replacement	\$700,000	\$697,501	Completed
LH1242	Hydraulic-Transient Model	\$580,000	\$460,769	Completed
LH1256	Crop Yield Monitoring	\$1,500,000	\$297,306	Completed
LH1267	Plant Interior Person Door	\$100,000	\$85,188	Completed
LH1272	Service Water Pipe	\$125,000	\$122,924	Completed
LH1273	(PS3) Exeter-Hensall Pump	\$100,000	\$7,441	Completed
LH1426	WTP Storage Schedule B	\$4,000,000	\$475,224	Completed
LH1901	Water Quality Facility Plan	\$290,000	\$214,194	Completed
LH2042	Pipeline-A Double Isolation	\$1,247,000	\$28,989	Completed
TOTAL		\$8,642,000	\$2,389,536	

2.b) Completed Projects – Reduce Authorized Debt/Other Sources

Project No.	Project	Approved Budget	Expended to Date*	Status
TOTAL		\$ 0	\$ 0	

3. Completed Projects – Additional Funding Required (\$83,052)

Project No.	Project	Approved Budget	Expended to Date*	Status
LH131622	2022 Annual Maintenance	\$125,000	\$207,947	Completed
LH2079	Division Vehicle	\$20,750	\$20,855	Completed
TOTAL		\$145,750	\$228,802	

* 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 By-law.

Prepared by: Yale Li
Budget and Finance Analyst

Submitted by: Archana Gagnier
Manager, Finance & Procurement

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

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

Board of Management Report

Subject: 2026 Operating & Capital Budgets

Overview:

- The proposed water rate charged to the benefiting municipalities for 2026 is 60.13 cents (\$0.6013) per cubic meter; a 5% 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 Lake Huron 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 \$30,341,847 as attached to this report.
- b) The Board **APPROVE** the 2026 Capital Budget in the total amount of \$8,355,000 as attached to this report.
- c) The Board **APPROVE** the 2026 rate for water of \$0.6013 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 \$0.6013 per cubic meter (60.13¢ per cubic meter). In responding to regulatory, operational, growth and inflationary pressures, this proposed 2026 rate represents a 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 initiatives, the proposed 2026 treated water volume included in the budget of 49,434,270 cubic meters represents a 1.5% increase 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	49,434,270 m ³
Anticipated 2025 year-end volume	49,134,667 m ³
Proposed 2026 budget volume	50,171,846 m ³

The long-term volume projections for the regional water systems have been re-evaluated in preparation for the 2026 budget and revised to incorporate changes in consumption trends within the City of London. Supplied volumes to the other benefiting municipalities continue to remain stable, with low to moderate long-term annual growth in consumption rates.

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 been incorporated into the current financial model. These projections include the supply of water to the Oneida Nation of the Thames anticipated to begin by the end of 2026.

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.

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 operating costs are approximately \$11.954 million, reflecting a net 4.07% projected increase compared to the 2025 budget, and consists of approximately \$3.250 million in energy costs versus \$8.703 million in contracted operating services. While ongoing energy saving initiatives implemented at the facilities are translating to decreased energy consumption overall, the corresponding commodity costs and total energy costs have both increased as supplied water volumes increase.

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 Board has previously received and accepted an energy, conservation and pump optimization study report which reviewed possible cost saving and efficiency measures related to the procurement and usage of electrical energy and the associated pumping strategy for the system. 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 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 \$4.256 Million represents a \$194,000 net decrease over the 2025 budget. This net change 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 Elgin Area 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 change in costs to Information Technology due to implemented cyber security measures, network technology, and replacement of IT/OT assets,
- Cost savings related to administrative overhead; and,
- Increased cost of leased office space.

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 Elgin Area 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.

Lifecycle Projects (Maintain Level of Service)

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

- PAC Feed/Transfer Pump System Replacement
- Programmable Logic Controller Replacements
- IT Asset Replacement Program
- Cyber Intrusion Detection System
- Overhead Vehicle Door Replacement - Phase 2
- Roof Drain Replacement
- McGillivray Building Renovations
- Chlorine Line Replacement Program
- Plant Interior Lighting – Phase 2
- Residuals Management Facility Sludge Pump Panel Upgrades
- Service Water Pipe Replacement – Phase 2
- 1996 Steel Pipeline B Assessment
- Distressed Pipe Replacement
- Interconnect Chamber Protection Program
- Remote Site Cellular Back-ups
- Intake Chlorine Line Replacement
- Acoustic Fibre Optic System Upgrade
- Roof Replacements – Phase 3

In addition to the above-noted capital projects, the 2026 Capital Budget includes LH1316 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 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
- WTP – Administration Building Expansion and Site Redevelopment
- Remote Site Generator Connections – Phase 2
- Asset Management Plan Update
- Chamber Flood Prevention/Rehab
- Emergency Exit Lights Replacement
- Arva Terminal Reservoir Washdown Line
- Backwash Conduit Victaulic Coupling Replacement
- Polymer System Upgrades
- Arva Valve Chamber Safety Railings

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 \$7.5 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 2035 to balance plant flow requirements in support of the increased supply to region, as well as the continued replacement of the remaining high lift pumps at the water treatment plant and the McGillivray Reservoir and Booster Station. 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.

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.

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 that is detailed in a separate report before the Board. 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 purposes 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 5.0% annual increase in the rate beyond the 2026 budget.

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 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 \$7.5 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 \$5 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, many of which are nearing the end of their term within the current forecast period. These debentures are:

- Debt authorized in 2006 for the Backup Generator (LH1326) in the amount of \$1.5 million was issued in 2013 with payments beginning in 2014 (3.3% for a 10-year term) and ending in 2025
- Debt authorized in 2011 for the Residuals Management Facility (LH1902) in the amount of \$16 million was partially issued in 2015 (\$7 million) with payments beginning in 2016 (1.9% for a 10-year term) and ending in 2025
- Debt authorized in 2012 for the Huron Transmission Pipeline Twinning (LH1305) in the amount of \$4 million was partially issued in 2015 (\$1.665 million) with payments beginning in 2016 (1.9% for a 10-year term) and further debt issued in 2017 (\$0.4 million) with payments beginning in September 2017 (2.48% for a 10-year term)

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.

Submitted by: Archana Gagnier,
Manager, Finance & Procurement

Billy Haklander, P.Eng.
Senior Manager, Capital Programs

Andrew J. Henry, P.Eng.,
Director, Regional Water

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)

LH1251 PAC Feed/Transfer Pump System Replacement (multi-year project): The transfer and dosing system used for Powder Activated Carbon (PAC) is in poor condition and has reached the end of its useful service life. The project proposes to replace the transfer and dosing pumps with more energy efficient components and make treatment efficacy improvements in the overall dosing system for a more consistent application of PAC to the raw water. Additional funds are requested in 2026 to address deficiencies in the HVAC system within the PAC building and structural tank issues which were discovered during the detailed design. The detailed design is expected to be completed in early 2026 with construction commencing in the fall.

LH1261 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 could possibly result in an unplanned plant shutdown for an extended period if not replaced in a timely fashion.

LH1277 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.

LH1279 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.

LH1317 Distressed Pipe Replacement Program: As a result of the condition assessment and the accumulation of subsequent data from the Acoustic Fibre Optic Monitoring System within the 1200mm high pressure transmission pipeline, as well as the updated results of the predictive model for the deterioration of the transmission pipeline, this program replaces high-risk pipe segments on a systemic and as-needed basis. This program is projected such that budget is available to replace two pipe segments should the need arise.

LH2036 Roof Drain Replacement (multi-year program): The cast iron drains throughout the facility are original to plant construction and are starting to show signs of blockage and leakage due to the extent of corrosion and age-related deterioration. This project will replace drains throughout the facility over an 8-year period with 2029 anticipated to be the final year of the program.

LH2052 McGillivray Building Renovations (multi-year project): The administrative and operational control areas of the McGillivray Booster Pumping Station are original to the facility, are in poor condition and in need of upgrades to current standards and regulations. This project is to undertake the building-related renovations and upgrades once the McGillivray Electrical and HVAC project is complete

LH2065 Chlorine Line Replacement Program (multi-year project): Due to the age of the infrastructure, the PVC chlorine lines throughout the plant have become brittle over time and are reaching the end of their useful life as they are original to plant construction. Chlorine lines are integral to plant operation and necessary to ensure compliance with provincial regulation. If a chlorine line were to fail, it would result in an unplanned plant shutdown and, depending on the severity of the leak, would pose a health and safety threat to plant staff. This project will replace the chlorine lines throughout the facility over a three-year period starting in 2025.

LH2069 Interior Lighting – Phase 2 (multi-year project): Much of the interior lighting in the water treatment plants continue to be energy intensive incandescent and metal halide fixtures. This produces dim work areas and consumes significantly more energy than modern fixtures. This project replaces the existing interior fixtures with LED equipped lighting and motion sensors (where warranted). This project will take place over a five-year period that started in 2025.

LH2070 Roof Replacements – Phase 2 (multi-year project): This project is to replace various roofs on the water treatment plant as prioritized by a previously completed inspection report. Some sections of roofs are currently leaking which, if not addressed, will result in further damage to buildings and interior infrastructure. This project will take place over a three-year period that started in 2025.

LH2075 Intake Chlorine Line Replacement (multi-year project): The PVC chlorine line that provides mussel control has failed in two locations in 2015 and 2022 and is nearing the end of its useful life. The intake structure is located 2.5 kilometers offshore at a depth of approximately ten metres. The design of the replacement of the chlorine line is currently underway with installation anticipated in 2026.

Residuals Management Facility Sludge Pump Panel Upgrades: The existing panels in the residuals management facility and their variable frequency drives are no longer supported, nearing the end of their useful life. This project is to install new panels and include automation of sludge pumps such that they are added to SCADA.

1996 Steel Pipeline B Assessment: The risks associated with potential pipeline failures, including service interruptions, contamination, regulatory issues, and high repair costs, outweigh the perceived short-term savings from inaction. Proactive assessment and mitigation strategies are essential to maintain the integrity, reliability, and safety of the Lake Huron Transmission B pipeline, ensuring continued service for the communities it supports. With this pipeline about one third of the way through its expected useful life, this project will undertake a condition assessment to establish a baseline for pipe degradation since installation. This data will support and feed into degradation model projections for this pipeline and other steel pipes.

LH1272 Service Water Pipe Replacement - Phase 2 (multi-year project): The service water piping provides water to several critical process and services throughout the plant is original to plant construction and is at end of life showing signs of corrosion and weeping. This phase of the project will take place over a four-year period starting in 2026.

Interconnect Chamber Protection Program: This project is to install bollards around the interconnect chambers to protect chamber from being driven on or over by heavy equipment.

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.

LH2074 Overhead Vehicle Door Replacement - Phase 2: This project is required to replace the vehicle doors on the Chlorine Building, Maintenance Shop and Low Lift building that are at the end of their useful life. This project will take place over a two-year period that started in 2025.

Acoustic Fibre Optic System Upgrade: In 2021, Microsoft announced the retirement of Windows 10 operating system, effective October 14, 2025, to be replaced with Windows 11. It was determined that one or more components of the hardware included in the acoustic fiber optic system data acquisition computers will not meet the new standards and will no longer be supported by Microsoft. This project is to upgrade all units to comply with the new hardware requirements for Windows 11 which includes enhanced security.

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

LH1229 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.

LH1353 WTP – Administration Building Expansion and Site Redevelopment (multi-year program): The 2026 portion of this project will be relocate the plant drainpipe away from under the new admin building to reduce the utility's exposure to associated risks (pipe collapse/failure, undermining due to leaking) and ensures continuity of operations and unimpeded access to the pipe.

LH2038 Chamber Flood Prevention/Rehab (multi-year program): Some of the chambers along the 1200mm transmission pipeline have been mandated by the Ministry of Environment, Conservation and Parks to be visited several times per year due to the criticality of the air/vacuum relief valves and the risk of groundwater entering the valve relief ports and contaminating the water supply. While the chamber does contain solar-powered sump pumps, installing flood proofing and piping between the valves and the chamber vents will prevent water from entering the air valves and further decrease the possibility of contamination. As a result, staff have developed a program to rehabilitate the chambers throughout the water system over a six-year period, starting in 2022, and undertaken on a risk/priority basis.

LH2061 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 ISO55000. 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.

LH2068 Remote Site Generator Connections – Phase 2 (multi-year project):

Communication, instrument information and valve control are unavailable at the Komoka-Mount Brydges and Exeter-Hensall pumping stations during a power outage due to the lack of backup power at these locations. The project will install receptacle connections so the level of service of this equipment at these stations is maintained during power outages. This project will take place over a two-year period that started in 2025.

LH2073 Emergency Exit Lights Replacement (multi-year project): This project is to upgrade the emergency exits lights throughout the facilities to meet current regulations. This project will take place over a five-year period that started in 2025.

LH2078 Polymer System Upgrades: The current filter aid polymer used at the water treatment plant has been shown to reduce filter run times when in operation. This study will explore alternative polymers to aid in improvements to the sedimentation process and increase clarification capacity, as well as improve filter run times during higher flows and/or raw water quality changes and thereby increase operational robustness.

Backwash Conduit Victaulic Coupling Replacement (multi-year project): The victaulic couplings on the backwash conduits are original to plant constructional and are at end of life with parts no longer available for these couplings. Cost recovery will be realized with the installation of new gaskets that do not leak treated water. This is a multi-year project to replace the couplings over a three-year period starting in 2026.

Arva Terminal Reservoir Washdown Line: When the Arva terminal reservoir cells are taken down for cleaning and inspection, temporary hoses from the Komoka-Mount Brydges pumping station to the cells are required. This project will be to install permanent piping from the pumping station to each of the 4 cells with hose connections in each cell which will result in more efficient cleaning such that the reservoirs will return to service faster.

Arva Valve House Safety Railing Replacement: This project replaces the rails and guarding within the Arva Valve House to comply with current safety standards.



Lake Huron

Primary Water Supply System

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

October 2, 2025

Lake Huron Primary Water Supply System 2026 Budget

Table of Contents

	PAGE #
● Revenue and Expenditure Summary	1
● Administration & Other Expenditures	2
● 2026 Capital Plan with Forecast for 2027 to 2035	3 - 5
● Capital Plan Sources of Financing	6
● Reserve Fund Analysis and Continuity Schedules	7 - 9
● Flow and Financial Analysis Summary	10

**2026 Budget
Revenue and Expenditure Summary
(\$000's)**

	2025 Approved Budget	2026 Proposed Budget	Incr (Decr)	% Budget Incr (Decr)	2025 Year End Projection
Revenue					
Volume Revenues ⁽¹⁾	28,308	30,167	1,859	6.6%	28,136
Other Revenues ⁽⁴⁾	987	175	(812)	-82.3%	1,097
Total Revenue	29,295	30,342	1,047	3.6%	29,233
Expenditures					
Operating Costs ⁽²⁾	11,487	11,954	467	4.1%	12,574
Administration & Other Expenditures	4,450	4,256	(194)	-4.4%	4,095
Debt Principal Repayments ⁽³⁾	966	44	(922)	-95.4%	966
Interest on Long Term Debt ⁽³⁾	10	2	(8)	-80.0%	10
Contribution to Reserve Funds	12,382	14,086	1,704	13.8%	11,588
Total Expenditures	29,295	30,342	1,047	3.6%	29,233

* subject to rounding

Notes:

(1) A budget volume increase is anticipated in 2025. Rates per m3 are proposed to increase by 1.5%.

(2) Part of the operating costs are direct to the Lake Huron system (i.e. electricity, AFO Monitoring, etc.), while all other costs are fixed to the annual operating costs included in the Service Fee paid to the Ontario Clean Water Agency.

(3) Refer to page 9 for more information on debt.

(4) A one-time buy-in charge is invoiced to Oneida Nation of the Thames per the Water Supply Agreement and the Board's New Connection Policy was on the 2024 Budget but has been deferred to 2025

Lake Huron Primary Water Supply System
2026 Budget
Administration & Other Expenditures
(\$000's)

	2025 Approved Budget	2026 Proposed Budget	Incr (Decr)	% Budget Incr (Decr)	2025 Year End Projection
Management & Administrative Personnel	1,873	1,635	(238)	-12.7%	1,559
Support and Overhead Costs ⁽¹⁾	207	213	6	2.9%	344
Payment in Lieu of Taxes	330	340	10	3.0%	330
Insurance (Property, Director & Officers, General Liab)	891	973	82	9.2%	936
Financial/Office Expenses ⁽²⁾	371	320	(51)	-13.7%	280
Process Optimization	75	75	0	0.0%	50
Information Technology Maintenance ⁽³⁾	280	237	(43)	-15.4%	215
Purchased Services (Legal, Consulting, Locates etc.)	423	463	40	9.5%	374
Total Administration & Other Expenditures	4,450	4,256	(194)	-4.4%	4,088

* 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 other administrative expenses such as leased space, training/seminars/conventions, computer leasing, and sampling and process optimization initiatives.

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

Lake Huron 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
LH1016	Huron Safety Rail Replacement	700	600	100						
LH1021	Huron Low Lift Pump Rebuild (1)	540	415	125						
LH1107	SCADA/PLC - Software Review/Upgrade	500	500							
LH1207	Concrete Crack Injection	270	270							
LH1216	Close Loop Chlorine Control	135	135							
LH1219	Filter Backwash Turbidimeters	250	250							
LH1229	Security Upgrades	1,403	1,153	100	150					
LH1242	Hydraulic/Transient Model Update & Transient Monitoring	580	580							
LH1243	McGillivray Electrical Upgrades	11,887	11,887							
LH1245	Walking Beam Flocculator Rehabilitation	400	400							
LH1250	McGillivray Pumps & Valves Refurbishment	4,742							4,742	
LH1251	PAC Feed/Transfer Pump System Replacement	1,800	1,300		500					
LH1256	Crop Yield Monitoring - 2014 Pipeline Twinning	1,500	1,500							
LH1260	Coagulant System Upgrade	1,437	1,437							
LH1261	PLC Replacements	3,315	40	2,750	275	250				
LH1264	Overhead Truck Door Replacement	225	225							
LH1267	Plant Interior Person Door Replacement	100	100							
LH1268	Obsolete Equipment Removal	150	150							
LH1272	Service Water Pipe Replacement	125	125							
LH1273	(PS3) Exeter-Hensall Pump Control Upgrades	100	100							
LH1274	SCADA Control Modifications	100	100							
LH1277	IT Asset Replacement Program	1,851	566	150	200	100	120	50	320	345
LH1279	Cyber Intrusion Detection System	185	10		175					
LH1280	Arva Reservoir Expansion	85,000								85,000
LH1284	Huron FLOCC Gear Drive Repair	300	300							
LH1285	Pressure Reducing Valve Replacements	425	425							
LH1316 xx	Annual Maintenance ⁽¹⁾	2,210	960	125	125	125	125	125	125	500
LH1317	Distressed Pipe Replacement	9,700	2,500	350	350	350	400	350	350	5,050
LH1352	Arva Reservoir Structural Repairs	2,050	2,050							
LH1353	WTP - Admin Bldg Ext and Site Redevelopment	19,250	2,350	15,900	1,000					
LH1380	Clarifier Upgrades	465	465							
LH1408	Oneida Transmission Pipeline	35,500	25,200	10,300						
LH1426	WTP Storage and UV	3,500	3,500							
LH1900	Record Drawings and Documents	491	491							
LH1901	Water Quality Facility Plan	540	⁶⁶ 290						250	

Lake Huron 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
LH2036	Roof Drain Replacement	225	100	25	25	25	25	25		
LH2038	Chamber Flood Prevention/Rehab	550	250	100	100	100				
LH2042	Pipeline-A Double Isolation Valve	1,247	1,247							
LH2043	Construction Site Trailer Pad & Electrical Pedestal	75	75							
LH2044	Sub-Basement Drain Study	25	25							
LH2045	Monitoring Station Controls Upgrades	275	275							
LH2046	Asset Condition Field Assessment	210	210							
LH2047	Electric Vehicle Charging Stations	10	10							
LH2048	De-chlorination at Remote Stations	125	125							
LH2049	Office Expansion	100	100							
LH2050	Master Water Plan Update	385	235					150		
LH2051	Service Water Study	120	120							
LH2052	McGillivray Building Renovations	300	25	25	250					
LH2053	Climate Change Resiliency Assessment	340	120	120		100				
LH2054	Treatment Plant Surge System Rehabilitation	175	175							
LH2055	Beach Chamber Valve Replacement	400	400							
LH2056	Clarifier Ramp Replacement	280	280							
LH2057	High Lift Discharge Flow Meter Replacements	400	400							
LH2058	Low Lift Check & Butterfly Valve Replacements	370	370							
LH2059	Raw Water Valve & Actuator Replacement	350	350							
LH2060	Operations & Maintenance Procurement Services	250		250						
LH2061	Asset Management Plan Update	400			250					150
LH2062	Plant Wi-Fi Upgrade & Replacement	620		620						
LH2063	Pipeline Alignment Survey	60		60						
LH2064	McGillivray Discharge Flow Meter Replacement	245		245						
LH2065	Chlorine Line Replacement Program	375		125	125	125				
LH2066	Filter Effluent Valve Actuator Replacements	335		335						
LH2067	Caustic Soda System Upgrades	155		155						
LH2068	Remote Site Generator Connections - Phase 2	130		65	65					
LH2069	Plant Interior Lighting Program - Phase 2	175		35	35	35	35	35		
LH2070	Roof Replacements - Phase 3	815		335	240	240				
LH2071	McGillivray Inlet Check Valve Replacement	340		340						
LH2072	Plant Seagull Control	50		50						
LH2073	Emergency Exit Lights Replacement	155	67	35	30	30	30	30		
LH2074	Overhead Vehicle Door Replacement - Phase 2	125		65	60					

Lake Huron 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
LH2075	Intake Chlorine Line Replacement	950		100	850					
LH2076	KB1 MCC Component Upgrades	100		100						
LH2077	Arva Valve House Door Rehabilitation	15		15						
LH2078	Polymer System Upgrades	1,845		145	1,700					
LH2079	Division Vehicle	21		21						
<i>Proposed</i>	RMF Sludge Pump Panel Upgrades	250			250					
<i>Proposed</i>	1996 Steel Pipeline B Assessment	675			675					
<i>Proposed</i>	Service Water Pipe Replacement - Phase 2	400			100	100	100	100		
<i>Proposed</i>	Interconnect Chamber Protection Program	75			75					
<i>Proposed</i>	Backwash Conduit Victaulic Coupling Replacement	75			75					
<i>Proposed</i>	Remote Site Cellular Back-up	100			100					
<i>Proposed</i>	Arva Terminal Reservoir Washdown Line	175			175					
<i>Proposed</i>	Arva Valve Chamber Safety Railings	75			75					
<i>Proposed</i>	Acoustic Fibre Optic System Upgrade	325			325					
	Future Projects <i>(allowance for planning purposes)</i>	32,423				694	80	5,349	5,250	21,050
	AMP Investments <i>(allowance for planning purposes)</i>	126,703				561	2,030	2,652	1,709	119,751
		-								
Huron Capital & Forecast		\$ 366,125	\$ 65,266	\$ 33,266	\$ 8,355	\$ 2,835	\$ 2,945	\$ 8,866	\$ 12,746	\$ 231,846

* subject to rounding

Notes:

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

Lake Huron Primary Water Supply System
2026 Budget
Capital Plan Sources of Financing
(\$000's)

Funding Source	2024 Actual	2025 Approved Budget	2026 Proposed Budget	2027	2028	2029	2030
Asset Replacement Reserve Fund	133	5,461	5,840	2,606	2,872	8,667	12,384
New Capital Reserve Fund	1,772	17,505	2,515	229	73	199	362
Emergency Reserve Fund	-	-	-	-	-	-	-
Debenture	-	-	-	-	-	-	-
Other Funding Sources	-	-	-	-	-	-	-
Total Capital Funding	\$ 1,905	\$ 22,966	\$ 8,355	\$ 2,835	\$ 2,945	\$ 8,866	\$ 12,746

* subject to rounding

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

Asset Replacement Reserve Fund (1)	Actual	Approved Budget	Proposed Budget	Projected			
	2024	2025	2026	2027	2028	2029	2030
Reserve Fund Opening Balance	13,997	15,664	8,266	7,764	7,573	7,523	7,520
Sources:							
Current Year Operating Contributions	6,621	5,612	5,074	2,127	2,486	8,153	11,665
Other Contributions ⁽⁴⁾		962					
Transfer from Capital Reserve Fund							
Net Interest Earnings ⁽²⁾	488	395	264	288	336	511	722
Total Sources	\$ 21,106	\$ 22,633	\$ 13,604	\$ 10,179	\$ 10,395	\$ 16,187	\$ 19,907
Uses:							
Total Lifecycle Capital Projects - Current	133	5,461	5,840	2,606	2,872	8,667	12,384
Less: Other Funding Sources	-	-	-	-	-	-	-
Less: Debenture Requirement							
Net Current Year Fund Draws ⁽³⁾	133	5,461	5,840	2,606	2,872	8,667	12,384
Prior Years Capital Expenditures - Unspent	5,309	8,906					
Total Uses	\$ 5,442	\$ 14,367	\$ 5,840	\$ 2,606	\$ 2,872	\$ 8,667	\$ 12,384
Reserve Fund Ending Balance	\$ 15,664	\$ 8,266	\$ 7,764	\$ 7,573	\$ 7,523	\$ 7,520	\$ 7,524

* subject to rounding

Notes:

(1) The Asset Replacement Reserve Fund was established in 2008 to fund projects of a lifecycle nature to maintain existing levels of service and has an average annual target ending balance of \$7.5M.

(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) A buy-in charge is to be invoiced to Oneida Nation of the Thames per the Water Supply Agreement and the Board's New Connection Policy in 2025, not 2024 as originally anticipated

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

Capital Reserve Fund (1)	Actual	Approved Budget	Proposed Budget	Projected			
	2024	2025	2026	2027	2028	2029	2030
Reserve Fund Opening Balance	30,235	33,837	16,050	23,356	37,481	53,711	66,522
Sources:							
Current Year Operating Contributions	4,972	6,770	9,012	13,144	14,604	10,787	8,874
North Middlesex Loan	93	93	93	93	93	93	93
Net Interest Earnings ⁽²⁾	1,519	860	716	1,117	1,606	2,130	2,689
Total Sources	\$ 36,819	\$ 41,560	\$ 25,871	\$ 37,710	\$ 53,784	\$ 66,721	\$ 78,178
Uses:							
Total System Improvement & Growth Projects	1,772	17,505	2,515	229	73	199	362
Less: Other Funding Sources	-	-	-	-	-	-	-
Less: Debenture Requirement	-	-	-	-	-	-	-
Net Current Year Fund Draws ⁽³⁾	1,772	17,505	2,515	229	73	199	362
Prior Years Capital Expenditures ⁽³⁾	1,210	8,005	-	-	-	-	-
Total Uses	\$ 2,982	\$ 25,510	\$ 2,515	\$ 229	\$ 73	\$ 199	\$ 362
Reserve Fund Ending Balance	\$ 33,837	\$ 16,050	\$ 23,356	\$ 37,481	\$ 53,711	\$ 66,522	\$ 77,816

* subject to rounding

Notes:

(1) The Capital Reserve Fund was established to fund projects of a growth nature, 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 capital needs and not intended to project the actual cash flow of funds in a particular year.

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

Emergency Reserve Fund (1)	Actual	Approved Budget	Proposed Budget	Projected			
	2024	2025	2026	2027	2028	2029	2030
Reserve Fund Opening Balance	5,230	5,489	5,681	5,880	6,086	6,299	6,519
Sources:							
Current Year Operating Contributions	-	-	-	-	-	-	-
Net Interest Earnings ⁽²⁾	259	192	199	206	213	220	228
Total Sources	\$ 5,489	\$ 5,681	\$ 5,880	\$ 6,086	\$ 6,299	\$ 6,519	\$ 6,747
Uses:							
Current Year Capital Expenditures ⁽³⁾							
Prior Years Capital Expenditures ⁽³⁾							
Total Uses	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -
Reserve Fund Ending Balance	\$ 5,489	\$ 5,681	\$ 5,880	\$ 6,086	\$ 6,299	\$ 6,519	\$ 6,747

* subject to rounding

Notes:

(1) The Emergency Reserve Fund was established in 2011 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 be capped when the reserve fund balance reaches \$5.0 million.

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

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

**Lake Huron 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 ⁽¹⁾	5.0%	5.0%		5.0%	5.0%	5.0%	5.0%	4.0%
Total Flow m ³	48,323,524	49,434,270	49,134,667	50,171,846	50,952,027	51,413,315	51,874,028	52,334,696
Total Water Rate \$/m ³	0.5454	0.5726	0.5726	0.6013	0.6313	0.6630	0.6962	0.7240
Flow Volume Revenues	26,356	28,308	28,136	30,167	32,168	34,087	36,112	37,890
Other Revenue	1,422	987	1,097	175	175	175	175	175
Total Revenue	\$ 27,778	\$ 29,295	\$ 29,233	\$ 30,342	\$ 32,343	\$ 34,262	\$ 36,287	\$ 38,065
Operating Expenses ⁽²⁾	11,546	11,487	12,574	11,954	12,681	12,758	12,861	12,968
Administrative Expenses	3,652	4,450	4,095	4,256	4,345	4,414	4,486	4,559
Debt Servicing Costs ⁽³⁾	986	976	976	45	45	-	-	-
Total Operating & Administrative Expenses	\$ 16,184	\$ 16,913	\$ 17,645	\$ 16,255	\$ 17,071	\$ 17,172	\$ 17,347	\$ 17,527
Asset Replacement Reserve Fund Contributions	6,621	5,612	5,612	5,074	2,127	2,486	8,153	11,665
Capital Reserve Fund Contributions	4,972	6,770	5,976	9,012	13,144	14,604	10,787	8,874
Emergency Reserve Fund Contributions	-	-	-	-	-	-	-	-
Total Expenses	\$ 27,778	\$ 29,295	\$ 29,233	\$ 30,342	\$ 32,343	\$ 34,262	\$ 36,287	\$ 38,065

* subject to rounding

Notes:

(1) Percent rate increases recommended are below the approved Financial Plan but continues to 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 (2006) for the Backup Generator (LH1326) in the amount of \$1.5M was issued in 2013 with payments beginning in 2014 (all-in interest rate of 3.3% for a 10 year term).
- Debt authorized (2011) for the Residue Management Plant (LH1902) in the amount of \$16M was partially issued in 2015 (\$7M) with payments beginning in 2016 (all-in interest rate of 1.9% for a 10 year term).
- Debt authorized (2012) for the Huron Transmission Main Twinning (LH1305) in the amount of \$4M was partially issued in 2015 (\$1.665M) with payments beginning in 2016 (all-in rate of 1.9% for a 10 year term). Further debt issuance in 2017 in the amount of \$0.4M 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 Lake Huron 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 Lake Huron 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 Lake Huron 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 Lake Huron 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 Lake Huron 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 Huron assets to ensure Huron-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 Huron pursuant to Transfer Order Lake Huron Area #W1/1998 dated effective September 15, 2000, and any Water Supply Agreement with Huron. **Benefiting Member** shall mean the singular of Benefiting Members.

Board of Management (and Board) – shall mean the Board of Management for the Lake Huron Primary Water Supply System as established under the *Municipal Water and Sewage Systems Transfer Act, 1997* and pursuant to Transfer Order Lake Huron Area #W1/1998 dated effective September 15, 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 Lake Huron 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 Lake Huron 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.

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

Huron – shall mean the Lake Huron Primary Water Supply System as established under the *Municipal Water and Sewage Systems Transfer Act, 1997* and pursuant to Transfer Order Lake Huron #W1/1998 dated effective September 15, 2000.

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 Huron 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 Huron 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 Huron 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 Huron’s budget and financial planning.
- b) **Liquidity** – Reserves and reserve funds shall be kept at an adequate level to ensure Huron 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 Huron’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 Huron.
- 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 Huron, as well as the associated cost of borrowing thus, at a minimum, Huron 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:

- 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.
- 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 Huron'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.

5 Monitoring, Reporting 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, non-material 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 Huron:

- 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 Lake Huron Area #W1/1998, dated effective September 15, 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 Lake Huron 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 Lake Huron Water Supply System.
- Where lands owned by the Lake Huron 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 Lake Huron 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 Lake Huron 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 Lake Huron 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 Lake Huron 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 Lake Huron 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 Lake Huron 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 Lake Huron 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 Huron that, pursuant to the Transfer Order, all Benefiting Members of Huron have an undivided interest in Huron 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 Huron 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 Huron pursuant to Transfer Order Lake Huron #W1/1998 dated effective September 15, 2000, and any Water Supply Agreement with Huron. **Benefiting Member** shall mean the singular of Benefiting Members.

Board of Management (and Board) – shall mean the Board of Management for the Lake Huron Primary Water Supply System as established under the *Municipal Water and Sewage Systems Transfer Act, 1997* and pursuant to the final Transfer Order Lake Huron #W1/1998 dated effective September 15, 2000.

Chief Administrative Officer – shall mean the Chief Administrative Officer for the Lake Huron Water Supply System as appointed by the Board.

Director – shall mean the Director of Regional Water for the Lake Huron 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.

Huron – shall mean the Lake Huron Primary Water Supply System as established under the *Municipal Water and Sewage Systems Transfer Act, 1997* and pursuant to Transfer Order Lake Huron #W1/1998 dated effective September 15, 2000.

Land – shall mean real property owned by the Lake Huron 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 Lake Huron Water Supply System no longer requires to meet its current or future needs.

Transfer Order – shall mean the Transfer Order Lake Huron #W1/1998 dated effective September 15, 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 Huron at <https://HuronHuronWater.ca>

4 The Policy

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

4.1 Declaration of Surplus Property

4.1.1 Prior to the disposal of land by Huron, 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 Huron.
- b) Where the Board deems it advisable to adopt any recommendation with respect to declaring any land owned by Huron surplus, the Board shall, in a meeting open to the public, pass a resolution declaring any such land surplus to the needs of Huron.

4.2 Appraisal

Prior to the disposal of the land declared surplus, Huron 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 Huron but before any such land is disposed of by Huron, Huron shall give notice to the public of the intention of Huron to dispose of the land by posting a notice on the Website of Huron.

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 Huron'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 Huron 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) Huron 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 Huron'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 Huron in accordance with this Policy;
- b) Ensure that the sale and disposition of lands are undertaken in a fair, equitable and publicly transparent manner;

- 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: Lake Huron 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 Lake Huron Primary Water Supply System (LHPWSS) is required to complete a Master Plan every five years to determine regional system 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 Lake Huron Primary Water Supply System take the following actions:

- a) The Board **ENDORSE** the Lake Huron 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 made the report available for public review for a 30-day review period.

Previous and Related Reports

March 7, 2024	Lake Huron Primary Water Supply System Master Plan – Consultant Award (LH2050)
March 6, 2025	Lake Huron Primary Water Supply System Master Plan – Update (LH2050)

Background

The previous Master Plan for the Lake Huron Primary Water Supply System (LHPWSS) 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 regional 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 18, 2025. Public, agency and Indigenous consultation was completed throughout the Master Plan. Water demand projections were completed for the region, which involved engagement with member 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 LHPWSS, to better understand 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 Lake Huron water treatment plant was determined to have sufficient capacity over the planning horizon, based on the water demand projections determined in the Master Plan. The preferred solution was identified as the optimization and upgrade of the existing system, including treatment, pumping, storage and transmission. Key improvements identified in the Master Plan include the following:

- selected high lift pump replacements, including two original pumps at the Lake Huron water treatment plant;
- various treatment process improvements to flocculation, sedimentation (clarifiers), filtration and backwash pumping, and disinfection (within the existing rated capacity of the plant);

- various treatment plant tank, channel and chamber rehabilitations;
- pump replacements and valve upgrades at the McGillivray pumping station facility;
- selected transmission main valve replacements and chamber rehabilitations;
- selected transmission main replacement through the proactive program; and
- storage tank rehabilitations.

A number of studies are 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	\$202,909	\$170,974
Design	\$0	\$0
Construction Administration	\$0	\$0
Construction	\$0	\$0
Other Fees and Charges	\$0	\$0
Total	\$202,909	\$170,974
Approved Budget	\$235,000	
Budget Surplus / Deficit	\$32,091	

Conclusion

Board staff recommend the endorsement of the Lake Huron Primary Water Supply System Master Plan by the Board of Management, as prepared by AECOM, including its recommendations. Board staff further recommend 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

Lake Huron Primary Water Supply System

Water Master Plan

60730329

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 allowed to treat per day.

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

LHPWSS: Lake Huron Primary Water Supply System

EAPWSS: Elgin Area Primary Water Supply System

LHWTP: Lake Huron Water Treatment Plant

LHTM: Lake Huron Transmission Main

LH HLPS: Lake Huron High Lift Pumping Station

MPS: McGillivray Pumping Station

EHPS: Exeter-Hensall Pumping Station

EHTM: Exeter-Hensall Transmission Main

KMPS: Komoka-Mount Brydges Pumping Station

KMTM: Komoka-Mount Brydges Transmission Main

SCTM: Strathroy-Caradoc Transmission Main

ATR: Arva Terminal Reservoir

MR: McGillivray Reservoir

EHR: Exeter-Hensall Reservoir

MCEA: Municipal Class Environmental Assessment

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

Executive Summary

In 2024, Lake Huron 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, key 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 the Lake Huron 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, Municipality of Lambton Shores, Municipality of South Huron, Municipality of Bluewater, Municipality of Middlesex Centre, Township of Lucan-Biddulph, Municipality of North Middlesex and the Municipality of Strathroy-Caradoc in addition to the soon to be added Oneida Nation of the Thames. Refer to **Figure ES.1**.

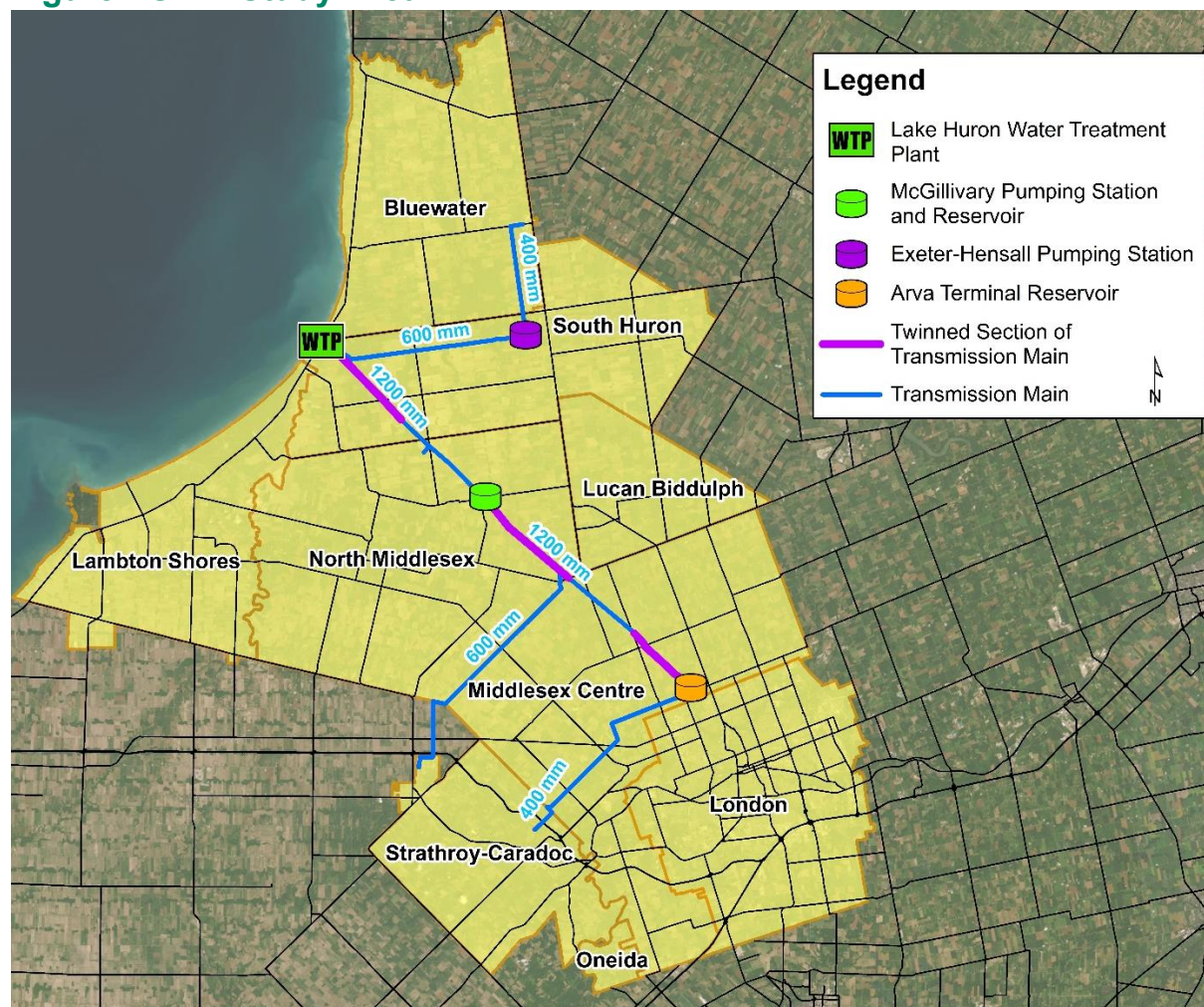
Environmental Assessment Process

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 Lake Huron 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.

Figure ES.1 – Study Area



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:

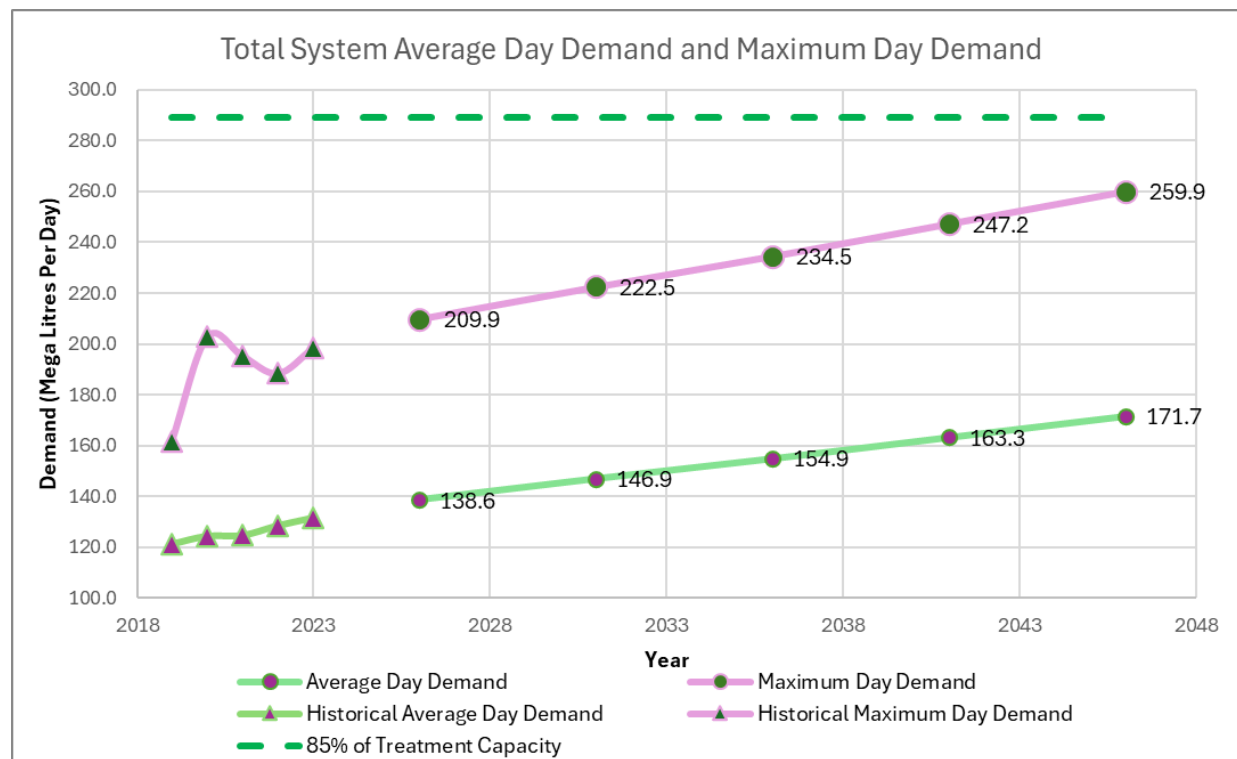
- The growth in water demands forecast for the 2046 planning horizon requires review and assessment of the system's capacity and required investment for the sustainability and reliability of the Utility's treatment, pumping, and transmission infrastructure.
- Develop and assess a range of water system 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 redundancy, including the approximate nineteen kilometres of non-twinning transmission main, and investigate alternative 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 Growth Forecasts

To estimate the projected water supply needs, surveys were sent to all members municipalities to understand their anticipated growth. The collected growth information was assessed/analyzed/reconciled and used to estimate the projected water demand for the Lake Huron 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. **Figure ES.2** 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, the Lake Huron Water Treatment Plant's current rated capacity of 290 Million Liters per day, it was determined that an expansion of the plant beyond the rated capacity is not required within the planning horizon.

Recommended Solution

Through the environmental assessment process, it was determined that Alternative 4A – Optimizing and Upgrading the Existing System with New Infrastructure is the recommended Water Servicing Alternative. **Figure ES.3** provides an overview of the recommended system improvements which include:

■ Treatment

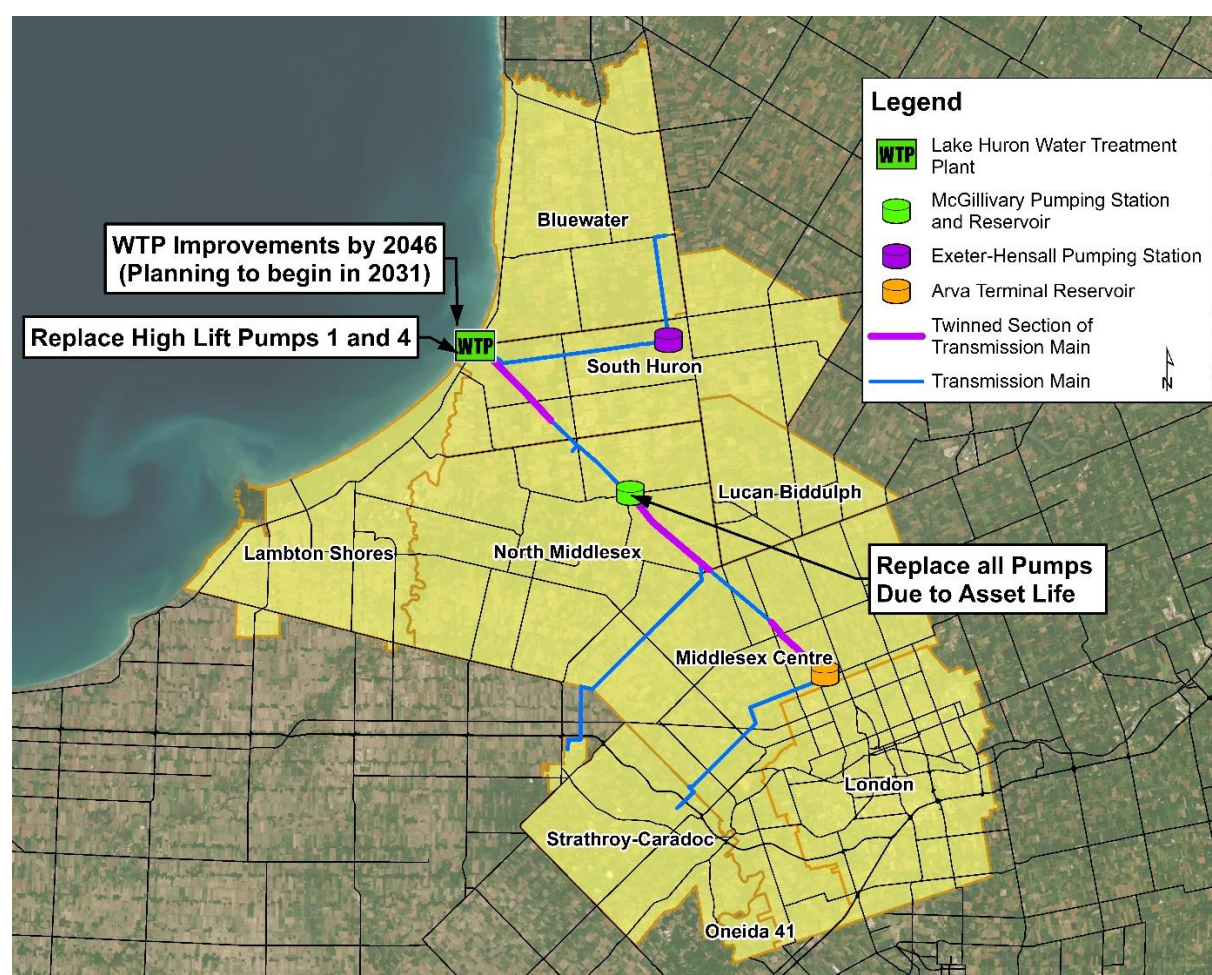
- Flocculation upgrades
- Clarifier capacity expansion
- Filter and backwash upgrades
- Ultraviolet disinfection
- Tank/channel rehabilitations

■ Pumping

- Pump replacement of two treatment plant high lift pumps

- Pump replacement of all McGillivray pumps
- Surge valve upgrade in McGillivray Reservoir
- **Transmission**
 - Selected transmission mains replacement through proactive program
 - Chamber flood protection and rehabilitations
 - Air release valve replacements
- **Storage**
 - Tank rehabilitations

Figure ES.3 - Recommended Water System Improvements for Lake Huron Primary Water Supply System



Tables ES.1 summarizes the Recommended Improvements and costs for implementation (Prices in 2025 Millions of Canadian Dollars).

Tables ES.2 summarizes the Recommended Studies and costs for implementation (Prices in 2025 Thousands of Canadian Dollars).

Tables ES.3 summarizes the Planned/Scheduled Studies and costs for implementation (Prices 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	Clarifier Capacity Expansion and Flocculation Upgrades**	Exempt	0	0	0	70
Treatment	Filter and Backwash Upgrades **	Exempt	0.1	0	50	25
Treatment	Ultraviolet Disinfection **	Exempt	0	50	0	0
Treatment	Treatment Plant Tank and Rehabilitations	Exempt	0	0	0	4
Treatment	Lake Huron Water Treatment Plant – High Lift Pumps 1 and 4 Replacement	Exempt	0	8	0	0
Transmission	McGillivray Pumping Station- Surge Valve Upgrade	Exempt	1	0	0	0
Transmission	McGillivray Pumping Station- Booster Pumps Replacements	Exempt	0	16	0	0
Transmission	Transmission Main Replacement Program	Exempt	1.5	1.5	1.5	1.5
Transmission	Chamber Flood Protection and Rehabilitations	Exempt	2	0	0	0
Transmission	Combination Air Valve Replacements	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
Storage	Storage Tank Rehabilitations	Exempt	0	0	0	4

** Dependent upon feasibility study

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 Coagulant Dosing Strategy	300	0	0	0
Treatment	Polymer Upgrades	800	0	0	0
Treatment	Taste and Odour Management Strategy	250	0	0	0
Treatment	Feasibility Study for Flocculation and Clarifier Capacity Upgrades	100	0	0	0
Treatment	Feasibility Study for Filter Capacity Upgrades	100	0	0	0
Treatment	Disinfection Feasibility Study	150	0	0	0
Transmission	Transient Hydraulic Modelling Studies for Secondary Transmission Mains	150	0	0	0
Transmission	Transient Hydraulic Modelling Update for McGillivray Pumping Station	100	0	0	0

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

Table ES.3: Other Scheduled/Planned 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
All	Master Plan Update	150	150	150	150
All	Financial Plan Update	120	120	120	120
All	Climate Change Resilience and Adaptation Plan	0	80	80	80
All	Asset Management Plan Update	250	250	250	250
All	Ongoing Condition Assessments	300	300	300	300
All	50 Year Roadmap Study and Updates	250	25	100	25
All	Energy Audit and Pumping Optimization Update	0	200	0	200
All	System Reliability and Redundancy Review	150	0	150	0
All	Water Loss Review	50	0	50	0
Treatment	Water Quality Facility Plan Update	250	250	250	250
Treatment	Stress Testing	50	50	50	50
Transmission	Lake Huron Primary Water Supply System Hydraulic Model Update and Calibration	150	150	150	150
Transmission	Transient Hydraulic Modelling Update	0	0	250	0
Transmission	Ongoing Monitoring of Primary Transmission Mains	3000	3000	3000	3000

All studies subject to business case and risk/opportunity reviews undertaken by the Lake Huron 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 18, 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 Lake Huron 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 detailed design and permitting-approvals phase for the projects according to the timing outlined in this report.

Board of Management Report

Subject: Security Contract

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 Lake Huron Water Supply System take the following actions with regard to a new Security contract:

- a) The Board of Management for the Lake Huron Water Supply System **RECEIVE** this report for information; and,
- b) The Board of Management for the Lake Huron 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 \$294,858.72 for the first 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

October 8, 2020 Security Services – Contract Award

October 5, 2023 Security Services – Contract Extension

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 LH1229 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 October 8, 2020., the Board of Management for the Lake Huron Water System awarded a contract for specified security services to Paladin Security Group Ltd. The term of the contract was extended on October 5, 2023, to coincide with term of the contract with the Elgin Area Water Supply System, allowing Board staff to procure security services jointly and concurrently between the two regional utilities.

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	\$ 294,858.72
Garda Security Services	Pass	\$ 307,676.16

** 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 Lake Huron 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 Lake Huron 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 Lake Huron Water Supply System, jointly with the Elgin Area 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 Lake Huron Water Supply System for 15 and a half years. In 2024, the Board of Management for the Lake Huron 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 Elgin Area 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 Elgin Area 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 Administating 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 Lake Huron Primary Water Supply System.

WHEREAS the Joint Board of Management for the Lake Huron Water Supply System was established by Transfer Order Lake Huron Area #W1/1998, effective September 15, 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 Lake Huron 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 Huron assets to ensure Huron-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 Huron pursuant to Transfer Order Lake Huron Area #W1/1998 dated effective September 15, 2000, and any Water Supply Agreement with Huron. **Benefiting Member** shall mean the singular of Benefiting Members.

Board of Management (and Board) – shall mean the Board of Management for the Lake Huron Primary Water Supply System as established under the *Municipal Water and Sewage Systems Transfer Act, 1997* and pursuant to Transfer Order Lake Huron Area #W1/1998 dated effective September 15, 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 Lake Huron 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 Lake Huron 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.

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

Huron – shall mean the Lake Huron Primary Water Supply System as established under the *Municipal Water and Sewage Systems Transfer Act, 1997* and pursuant to Transfer Order Lake Huron #W1/1998 dated effective September 15, 2000.

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 Huron 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 Huron 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 Huron 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 Huron’s budget and financial planning.
- b) **Liquidity** – Reserves and reserve funds shall be kept at an adequate level to ensure Huron 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 Huron’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 Huron.
- 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 Huron, as well as the associated cost of borrowing thus, at a minimum, Huron 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:

- 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.
- 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 Huron'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.

5 Monitoring, Reporting 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, non-material 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 Huron:

- 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 Lake Huron 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 Lake Huron 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 Huron that, pursuant to the Transfer Order, all Benefiting Members of Huron have an undivided interest in Huron 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 Huron 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 Huron pursuant to Transfer Order Lake Huron #W1/1998 dated effective September 15, 2000, and any Water Supply Agreement with Huron. **Benefiting Member** shall mean the singular of Benefiting Members.

Board of Management (and Board) – shall mean the Board of Management for the Lake Huron Primary Water Supply System as established under the *Municipal Water and Sewage Systems Transfer Act, 1997* and pursuant to the final Transfer Order Lake Huron #W1/1998 dated effective September 15, 2000.

Chief Administrative Officer – shall mean the Chief Administrative Officer for the Lake Huron Water Supply System as appointed by the Board.

Director – shall mean the Director of Regional Water for the Lake Huron 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.

Huron – shall mean the Lake Huron Primary Water Supply System as established under the *Municipal Water and Sewage Systems Transfer Act, 1997* and pursuant to Transfer Order Lake Huron #W1/1998 dated effective September 15, 2000.

Land – shall mean real property owned by the Lake Huron 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 Lake Huron Water Supply System no longer requires to meet its current or future needs.

Transfer Order – shall mean the Transfer Order Lake Huron #W1/1998 dated effective September 15, 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 Huron at <https://HuronHuronWater.ca>

4 The Policy

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

4.1 Declaration of Surplus Property

4.1.1 Prior to the disposal of land by Huron, 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 Huron.
- b) Where the Board deems it advisable to adopt any recommendation with respect to declaring any land owned by Huron surplus, the Board shall, in a meeting open to the public, pass a resolution declaring any such land surplus to the needs of Huron.

4.2 Appraisal

Prior to the disposal of the land declared surplus, Huron 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 Huron but before any such land is disposed of by Huron, Huron shall give notice to the public of the intention of Huron to dispose of the land by posting a notice on the Website of Huron.

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 Huron'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 Huron 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) Huron 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 Huron'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 Huron in accordance with this Policy;
- b) Ensure that the sale and disposition of lands are undertaken in a fair, equitable and publicly transparent manner;

- 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.