

2020

ANNUAL REPORT



ONTARIO CLEAN WATER AGENCY
AGENCE ONTARIENNE DES EAUX

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MESSAGE FROM THE CHAIR AND CEO

At the beginning of 2020, few of us would have predicted that things would turn out the way that they were just a few months later, with the emergence of a global pandemic that continues to impact all of our daily lives. Throughout most of the year, the Ontario Clean Water Agency (OCWA) worked tirelessly to minimize the impact of the COVID-19 pandemic on the Agency's clients and ensure the continued provision of safe, clean drinking water and properly treated wastewater to communities across the province.

Utilizing the Agency's comprehensive emergency management protocols, OCWA staff were able to maintain the compliant operation of client water and wastewater treatment facilities across the province with minimal disruption and no impact on the public. Implementation of clear safety protocols for staff that were required to attend the workplace, combined with OCWA's capacity to remotely monitor alarm, compliance and operational data enabled the Agency's operations staff to safely and confidently monitor some facilities operational processes off-site, which proved to be of critical importance during mandated periods of staff isolation and social distancing. Likewise, the Agency's robust Information Technology network and systems helped to ensure that staff were ready and equipped to work remotely from the beginning of the pandemic, with the majority of corporate and operational support staff transitioning seamlessly to the new work model and with minimal disruption of the Agency's business activities.

While 2020 was a hard year for everyone, the speed at which staff from across the Agency responded professionally to the pandemic is commendable. Quick implementation of enhanced safety protocols in OCWA workplaces at the beginning of the pandemic, combined with the Agency's ongoing commitment to safe work practices were, and continue to be, successful in preventing COVID outbreaks in OCWA workplaces. Equally commendable is the fact that, despite the challenges of the pandemic, OCWA was able to achieve the majority of its financial and business objectives for 2020.

OCWA is also working with the province to pilot a wastewater-based surveillance program that will enable the detection and monitoring of the presence of the SARS-CoV-2 (COVID-19) genetic signatures in wastewater and provide an early warning of COVID-19 outbreaks. By tracking the presence of these genetic signatures in wastewater the government will be able to proactively identify the existence or increased prevalence of COVID-19 in specific communities, including from asymptomatic cases, and take appropriate public health measures much sooner than if the province were to rely only on the number of positive COVID-19 cases in a particular community or location.

While the target dates and objectives for some business initiatives were deferred or realigned in response to the pandemic, the Agency had a number of significant successes that are deserving of recognition. OCWA's new business results were the best they have been in recent years, with the Agency welcoming a number of new Operations and Maintenance clients, including the Township of Ramara and Halldimand County. OCWA's success in attaining contracts with these and other new clients while maintaining the Agency's existing

client base is a clear reflection of the value that Ontario municipalities place in the services that OCWA delivers.

OCWA's success in retaining existing clients and attracting new clients led to an increase in Total Operations Revenues of 4.3 percent as compared to 2019. This increase in revenue, which was offset somewhat by increased expenses in some areas, enabled the Agency to achieve a Net Income of \$10.0 million for the year, an increase of 3.7 percent when compared to 2019, and well ahead of the plan for the year.

Delivering value-added services in support of the Agency's core Operations and Maintenance offerings is a critical element of the Agency's long-term strategic plan. Services like organics diversion and resource recovery, asset management, process optimization, energy management, capital planning and delivery, and innovative technology pilot demonstrations help the Agency to enhance the sustainability and resilience of clients' water and wastewater infrastructure while also supporting the Agency's business objectives. Agency staff continued to provide these services throughout 2020, ensuring that the Agency's clients received maximum value from the investments that they make in their water and wastewater infrastructure.

Likewise, the improvements that OCWA is making to its technology systems and business practices through the Agency's Business Transformation Program (BTP) and the work being undertaking to improve the Agency's procurement practices are providing direct benefits to both the Agency and its clients. While some 2020 BTP activities were delayed due to the pandemic, the Agency continues to

make progress towards achieving the long-term objectives of the program.

Throughout this report you will read about these and other highlights from 2020, including the continued implementation of the Agency's Diversity and Inclusion strategy, the provision of emergency and other supports to the province, and the work being undertaken to support First Nation communities in Ontario like Neskantaga First Nation, where Agency staff are helping to respond to the water issues in the community.

While the development and approval of new vaccines provides hope in the fight against COVID-19, the discovery of new, more contagious strains of the virus make it clear that there is still a long road ahead before things can return to normal. As a result, the pandemic is expected to continue to have a significant impact on the Agency throughout 2021 and possibly beyond. Despite these challenges, OCWA will continue to put the needs of its clients and the people of Ontario first, working hard to provide them with safe, clean drinking water and properly treated wastewater while supporting the priorities of the Ontario provincial government.



Joe Pennachetti
Chair, OCWA Board of Directors



Nevin McKeown
President and Chief Executive Officer

AGENCY OVERVIEW

OCWA was established in 1993 as an agency of the Province of Ontario with a mandate to provide water, wastewater and other related services to clients in a manner that protects human health and the environment and encourages the conservation of water resources. The Agency's core business is the operation and maintenance (O&M) of water and wastewater treatment facilities and their associated distribution and collection systems on behalf of municipalities, First Nations communities, institutions, and private sector companies.

In addition to O&M, OCWA offers clients a broad array of related functions, including engineering, training and other technical and advisory services such as process optimization, energy and asset management. OCWA's goal is to assist clients in managing their water and wastewater facilities and associated distribution and collection systems at every stage of the asset lifecycle to ensure these assets achieve their full life expectation, and to help clients ensure the long-term sustainability of their water and wastewater systems. In everything that the Agency does, OCWA continues to be committed to implementing innovative technologies, processes and solutions aimed at improving operational efficiency and reliability.

OCWA utilizes a shared service model, whereby staff and resources are shared among several municipal partner facilities to ensure geographic optimization and achieve cost efficiencies. OCWA's typical hub structure provides economies of scale that lessen operation and maintenance costs for individual

municipalities. Clients also benefit from the sharing of management, administration and specialized support services that they could not otherwise afford.

Over 90 percent of Agency employees are directly involved in delivering frontline operational services, as well as developing and selling specialized customer solutions. OCWA staff are among the most knowledgeable and experienced in the water and wastewater industry. A number of current staff have been providing operational services to OCWA's municipal clients since before the Agency was established in 1993, having worked for our predecessor organizations, the Utility Operations Division at the Ministry of the Environment and the Ontario Water Resources Commission, which was established in 1956 to oversee the province's water resources.

OCWA has an unmatched ability to deliver excellent compliance and safety performance across diverse regions, technologies and facility sizes. OCWA staff treat water and wastewater for municipalities with populations as large as 1.4 million in the Region of Peel and as small as 2,400 in Moose Factory.

Given OCWA's role as a public Agency, the protection of public health and safety and the environment are the Agency's top priority. OCWA's specially-equipped and highly-trained emergency response teams are continually available to respond within 24 hours to water or wastewater emergencies throughout Ontario, providing an essential service to the province. With locations across Ontario, OCWA staff are always nearby, ready and able to provide emergency resources should the need arise.

OCWA supports the Province of Ontario in safeguarding drinking water for the people of Ontario and protecting the province's lakes



and rivers by providing training services for water operators on behalf of the Walkerton Clean Water Centre and delivering training directly to wastewater operators across the province. Education is another way in which OCWA brings value above and beyond the services that it delivers directly to clients. OCWA's school and community outreach programs educate the public about the value of water and the importance of protecting the environment. As a result of the COVID-19 pandemic, OCWA has converted many of its classroom-based training programs into remote e-learning modules in order to meet the continuous certification and training requirements for certified staff.

Across Canada and around the world, a combination of aging infrastructure and tight municipal budgets are forcing water utilities to find ways to do more with less. OCWA is helping to ensure that the Agency's clients make well informed decisions regarding infrastructure investments by working with them to develop comprehensive water and wastewater asset plans that prioritize their infrastructure needs for the next decade and beyond. OCWA also helps clients to access federal and provincial funding opportunities that will allow them to put those plans into action.

Municipalities, and the water industry as a whole, are looking for better, more sustainable ways to manage water and wastewater systems. OCWA works with clients to enhance the resilience of their infrastructure, reduce energy use and reduce the production of harmful greenhouse gases through best management practices and technology, including transforming biosolids from wastewater treatment plants, along with food waste and other organics, from waste products into future energy sources.

OCWA is also innovating in the area of information management by working to develop and implement integrated information technology systems to automate collection, analysis and communication of water and wastewater facility information from internet-connected sites. The Agency's goal is to ensure that operational staff and clients have ready access to up-to-date information for all of the facilities that the Agency operates.

OCWA recognizes that employees are more engaged when diversity, equity and inclusion is an organizational focus. The Agency's vision is to be an inclusive organization that is diverse, equitable, accepting and respectful, that captures the uniqueness of individuals and creates a culture where everyone feels safe, valued, and encouraged to reach their full potential.

OCWA's success with these initiatives will ensure that the Agency continues to provide the highest level of service to clients while helping the province to protect the health of Ontario residents and conserve and sustain Ontario's water resources for present and future generations.

VISION AND MISSION

OCWA's vision is to be "*a trusted world leader in water*" with a mission to demonstrate service excellence through the delivery of safe, reliable and cost-effective clean water.

OCWA's values are focused on building trust with clients and other stakeholders.

Transparent	Open and honest communication of our business activities.
Respectful	Build sound relationships with our staff, clients, and other stakeholders, by embracing diversity, acting responsibly and doing what is right.
Understanding	Confidence in the knowledge and ability of our people to meet the challenges of the water and wastewater industry. Continuously learn current trends and innovative technologies and/or processes in our industry.
Safe	Deliver clean water services to protect our employees, the communities we serve, and the environment.
Teamwork	Work together, share our collective expertise and be innovative in delivering exceptional results and achieving our mission.

GOVERNANCE AND ACCOUNTABILITY

GOVERNANCE

OCWA is committed to implementing governance best practices at all levels of the organization to enhance transparency and accountability to clients, the government and the citizens of Ontario.

The Agency is governed by a Board of Directors (the "Board"). Members of OCWA's Board are appointed by the Lieutenant-Governor-in-Council on the recommendation of the Premier. The Board follows best practices in corporate governance, including director orientation and ongoing education, holding regular meetings and strategic planning sessions, as well as adhering to the Agency's Board Code of Conduct.

A Board competency matrix has been established to ensure that the skills of Board members are in alignment with the long-term business strategy of the Agency. OCWA's Board is comprised of individuals with a range of competencies and backgrounds, enabling the Board, as a whole, to effectively fulfill its stewardship responsibilities. Collectively, the Board has expertise in both the private and public sector, as well as in managing municipal corporations and utilities.

The Board is responsible for overall Agency affairs, including setting strategic direction, monitoring performance and ensuring appropriate systems and controls are in place for the proper administration of the Agency in accordance with OCWA's governing documents. The Board is accountable to the Minister of the Environment, Conservation and Parks, who is accountable to the Provincial Legislature.

OCWA's Board has established a number of standing committees to assist it in fulfilling its

corporate governance and oversight responsibilities. Current committees include the Audit and Finance Committee; Business Transformation and Technology Committee; Compliance and Operational Risk Management Committee; First Nations Committee and Human Resources, Governance and Nominating Committee. Temporary task forces may also be established as necessary by the Board to provide guidance to management and oversee specific Agency initiatives.

ACCOUNTABILITY

OCWA demonstrates accountability to the government and citizens of Ontario in a number of ways, including:

- Meeting the requirements of appropriate regulatory authorities (Ministry of the Environment, Conservation and Parks, Ministry of Labour, Medical Officer of Health, etc.) for OCWA-operated facilities;
- Providing facility reports to clients for OCWA-operated municipal water treatment facilities;
- Generating an Annual Report, submitted for approval to the Minister of the Environment, Conservation and Parks, for tabling in the Provincial Legislature and made available to all Ontarians online at www.ocwa.com;
- Producing an annual three-year Business Plan, including performance measures, submitted for approval to the Minister of the Environment, Conservation and Parks annually and made available to all Ontarians online at www.ocwa.com;
- Supporting annual audits of OCWA's financial statements and periodic Value for Money Audits conducted by the Office of the Auditor General of Ontario;

- Supporting targeted internal audits conducted by staff from the Ontario Internal Audit Division at Treasury Board Secretariat
- Providing accessibility to Agency records under the Freedom of Information and Protection of Privacy Act;
- Complying with applicable legislation and Ontario Public Service policies and directives;
- Utilizing an Enterprise Risk Management program to identify and assess business and operational risks; and
- Implementing a multi-year Diversity and Inclusion Strategy.

BOARD DIRECTORS, TERMS AND COMPENSATION

Including the Chair, OCWA had eleven Board Directors at the end of 2020.

Total Director compensation for 2020 was \$77,050. Director compensation includes per diem payments for preparation for and attendance at Board, Committee and Task Force meetings, along with any time spent working on behalf of the Agency.

Board members and terms as of December 31, 2020, along with total per diems paid to each Director in 2020, were as follows:

Director	Date First Appointed	Term Expiry	2020 Per Diems
Joseph Pennachetti (Chair)	February 8, 2018	February 7, 2021	\$25,900
Richard Austin	November 13, 2019	November 12, 2022	\$4,600
Melanie Debassige	October 23, 2013	October 22, 2022	\$5,200
Debbie Korolnek	March 8, 2017	March 7, 2023	\$5,900
Quirien Muylwyk	February 14, 2020	February 13, 2023	\$5,000
Sandra Odendahl	August 17, 2017	August 26, 2021	\$5,000
Debra Sikora	January 15, 2014	January 31, 2021	N/A – Ontario Public Service Employee
Larry Taylor	April 24, 2020	April 23, 2022	\$3,100
Michael Thorne	June 19, 2013	October 24, 2022	\$6,100
Michael Watt	July 9, 2020	July 8, 2022	\$3,000
Mitchell Zamojc	April 20, 2016	May 8, 2022	\$13,250

Changes to the composition of the OCWA Board in 2021 include the departure of two members, Sandra Odendahl and Debra Sikora, from the Board and the appointment of two new members, Laila Hulbert and Amy Syed to the Board. The Order-in-Council appointment for the Chair of the Board, Joseph Pennachetti, was also extended to 2024.

OVERVIEW OF 2020 PERFORMANCE AND KEY ACHIEVEMENTS

OCWA worked hard throughout 2020 to meet the objectives outlined in the Agency's annual Mandate Letter from the Minister. An overview of the Agency's performance against these objectives and other key achievements are included below.

COVID-19 PANDEMIC RESPONSE

COVID-19 had an impact on everything that the Agency did in 2020. Since the start of the pandemic, OCWA has made a significant and successful effort to maintain the Agency's operations across the province and minimize the impact of the pandemic on the Agency's clients, while continuing to ensure a healthy and safe work environment for its employees. While some of the Agency's business plan targets and normal business activities (conference attendance, training, etc.) were deferred or modified in response to the pandemic, the Agency's core Operations and Maintenance activities were maintained throughout the year.

Early in the pandemic OCWA activated its Emergency Response and Continuity of Operations Plans, including the Critical Shortage of Staff plans developed for each facility. These plans were very successful in minimizing the impact of the pandemic on the Agency's staff and clients and maintaining the operation of client water and wastewater treatment facilities across the province with minimal to no disruption.

The Agency also put its Emergency Response Teams on standby to respond to operational emergencies across the province, were they to occur. To date the teams have not been required to respond to any emergencies related to the pandemic at OCWA-managed water and wastewater facilities

Other actions undertaken in response to the pandemic included:

- Having employees work remotely where operationally feasible;
- Implementing social distancing measures and enhanced cleaning protocols in OCWA facilities;
- Enforcing proper health and safety practices, with an emphasis on proper and frequent hand washing, and requiring all staff to wear appropriate personal protective equipment;
- Procuring additional personal protective equipment as required to protect frontline staff;
- Postponing non-essential work and staggering shift start times and lunch breaks/times to minimize the potential for employee contact;
- Instituting regular calls with the Agency's Executive Management Team, Senior Leadership Team and Emergency Action Group and the Ministry of the Environment, Conservation and Parks' Senior Leadership Team;
- Providing regular update messages to staff, including webinars and a weekly update from the President and Chief Executive Officer;
- Providing regular updates on mental health and the resources available to staff; and

- Ensuring that OCWA facilities had adequate stock of chemicals and other essential supplies on hand.

As the pandemic progressed and many areas of the province moved towards partially reopening their local economies, the Agency's Operations staff began returning to regular staffing levels and schedules, apart from those staff working in the Regional Hub offices. While Corporate and other office staff had not returned to their regular workplaces at the time that this report was written, plans have been put in place to gradually reopen the Agency's Corporate and other offices once it is considered safe to do so.

MAINTAINING EFFICIENT AND EFFECTIVE OPERATIONS

By continually looking for better ways to manage its operations, OCWA is working to improve productivity, reduce costs and deliver better service to clients. This includes upgrading the Agency's information technology systems and processes and enhancing the Agency's procurement processes.

Transforming the Agency's Information Systems and Processes

Over the past few years, OCWA has invested significantly in enhancing the Agency's information technology systems and refining the Agency's business processes. The Agency's Business Transformation Program (BTP), which was initiated in late 2017, aims to enhance the Agency's client service capacity and improve performance with an extensive, secure and resilient information network that can be accessed when and where needed across the province. Due to the broad scope of the changes, the program is being implemented using a phased approach, with

the most critical undertakings implemented first.

Work on the first phase of the program continued throughout 2020, with a focus on:

- Improving the Agency's budgeting and financial processes, upgrading to a new cloud-based budgeting solution and upgrade the existing Enterprise Resource Planning (ERP) system, which is used to support the majority of the Agency's financial activities;
- Developing and implementing a quality management framework for asset management and improving asset management skills across the Agency through asset management training;
- Implementing a technology improvement and sustainment program that delivers priority information and SCADA (Supervisory Control and Data Acquisition) technology initiatives to advance monitoring and support of facility process data, and data centre modernization to improve the overall resiliency, efficiency and security of OCWA's information technology infrastructure; and
- Implementing an information, content and collaboration management system while developing an authoritative repository for OCWA's business processes, data, information, structured hierarchies, documents, knowledge and intelligence across the Agency.

A key focus throughout 2020 was the upgrade of the Agency's ERP system, which was implemented with some delays due to the COVID-19 pandemic. With the base functionality for the system now in place, work is underway to enhance the system's functionality and reporting capacity. This work is expected to continue into 2021. As a result,

the projected optimization and resultant reduction in the time required to complete financial administration tasks is not expected to be achieved until the end of 2021, when all of the enhancements are in place.

Advanced training on the Agency's asset management quality management framework, for staff directly involved in delivering and selling asset management services, was scheduled to take place in 2020, building on the introductory asset management training provided to all OCWA staff in 2019. Delivery of the level 2 and level 3 asset management courses was deferred to 2021 due to the pandemic. Despite the delays in staff training, the sale and delivery of asset management services to clients is progressing and the Agency is on track to meet its targets for the sale of asset management services.

Work also continued in 2020 to implement the Agency's new SCADA solution by rolling out new SCADA panels across the province, expanding communications connections and increasing the resilience of the Agency's network and remote systems through virtualization. The planned expansion of OCWA's SCADA network for 2020 was delayed due to the pandemic, with SCADA staff unable to access some facilities due to pandemic work restrictions. Despite the delays, 80 new SCADA panels have been purchased and 55 panels have been deployed to date. The Agency is on track to complete the installation of new SCADA panels at all of the remaining sites by the end of 2022.

Work on these and other BTP initiatives will continue in 2021, including:

- Developing requirements for and selecting asset investment planning software to provide the Agency with the capability to

deliver more advanced asset management advisory services to clients;

- Expanding OCWA's Work Management System hosting services and associated maintenance advisory services to meet growing client demand;
- Developing future state process maps and requirements, software selection and initial configuration of the selected software for the Human Resources Management Information solution area;
- Developing future state process maps for the Health, Safety and Compliance Management solution area;
- Upgrading and enhancing the Agency's current Process Data Management system, including updating reporting to meet regulatory and client reporting requirements; and
- Continuing to develop an integrated data and information architecture for the Agency.

Enhancing OCWA's Procurement Processes

Providing the best value for clients is a key component of OCWA's shared service model. As the largest water and wastewater service provider in Ontario, OCWA is able to leverage the Agency's significant purchasing power to deliver best value to clients, procuring a wide variety of goods and services, from chemicals to insurance to equipment and machinery, at competitive prices on their behalf.

OCWA is always looking to improve the Agency's procurement processes as part of its ongoing commitment to providing the best value to its clients. This includes regularly reviewing and updating our procurement practices. Over the past few years, OCWA has made several improvements to the Agency's procurement practices, including:

- Incorporating procurement planning as a part of the Agency's annual budgeting process to take maximum advantage of the Agency's economies of scale and obtain the most competitive pricing by grouping like purchases together where possible;
- Continually working to increase the number of Vendor of Record agreements that the Agency has in place to reduce the time required to procure goods and services;
- Implementing new procurement templates to streamline the Agency's procurement processes, which has resulted in a reduction in the time and effort required by both operations and procurement staff;
- Updating the Agency's chemical procurement process to reflect best practices for both OCWA and its suppliers, including routinely monitoring market prices to determine if short or long-term contracts would be more suitable for upcoming procurements;
- Working with the Agency's chemical suppliers to develop and enforce enhanced safety protocols for chemical deliveries;
- Developing an internal procurement portal for use by OCWA staff which will make procuring quicker and easier, while ensuring that all OCWA and Ontario Public Service procurement directives and guidelines are followed; and
- Developing and delivering Capital Procurement and Construction Management training sessions for Regional Hub Managers, Operations Managers, Capital Managers and other key staff across the organization to reduce project risk and costs.

In addition to the work undertaken to improve its procurement process in 2020, OCWA was also focused on ensuring that essential personal protective equipment (PPE) remained available for the Agency's frontline workers. In the early days of the COVID-19 pandemic, OCWA worked with the Ministry of the Environment, Conservation and Parks and other ministries to procure critical PPE for Agency staff and deliver surplus PPE to areas and outside institutions that were experiencing shortages. OCWA has since strengthened its capacity to procure PPE and has established a ready inventory to supply frontline staff as required should there be supply chain shortages in the future.

SUPPORTING MUNICIPAL INFRASTRUCTURE PLANNING AND RESILIENCE

Helping clients to maintain the long-term sustainability and resiliency of their water and wastewater infrastructure is one of the most important ways in which OCWA delivers added value. OCWA's Regional Hub teams work closely with the process, energy, engineering, technology, and capital delivery specialists on the Agency's Innovation and Infrastructure Solutions team to provide clients with technical recommendations and expertise on access to funding and how to maximize the efficiency and capacity of their systems and extend the life of their water and wastewater infrastructure, with an overall goal of reducing infrastructure lifecycle costs. This work continued in 2020 despite the pandemic, with special consideration being given to ensuring that proper health and safety precautions were implemented as required.

Over the past few years, OCWA has worked with clients and various stakeholders, including the Independent Electricity System Operator (IESO), the Ministry of Energy, Northern



Development and Mines, and local electric and gas distribution companies to achieve the combined goals of energy savings and greenhouse gas reduction. The Agency's current agreement with IESO under their Energy Manager Program provides a baseline incentive payment of \$40,000 for projects that exceed 1000 MWh in savings. OCWA applies for these incentives on behalf of its clients and supports the data gathering, reporting and energy planning requirements.

OCWA has also prepared multiple conservation, demand management and municipal energy plans that define and formulate key energy strategies for municipal clients and developed the first ever Director Approved energy efficiency awareness training targeted to water and wastewater operations staff, which has been delivered to both OCWA staff and clients.

OCWA supports the municipal and provincial goal of increasing organics diversion by supporting the development and implementation of resource recovery facilities that use wastewater biosolids and concentrated organic waste, such as source separated organics, to enhance and generate biogas for productive use (this process is referred to in the industry as "co-digestion"). The Agency has partnered with the City of Stratford and SUEZ on a project to optimize the existing Stratford Water Pollution Control Plant by adding compost and food waste from the surrounding area to increase biogas production that can then be cleaned and reintroduced back into the local gas distribution system to offset some natural gas use. This "net zero" initiative has the potential to produce a renewable energy source, known in the industry as Renewable Natural Gas (RNG), and divert 21,000 tonnes of organic waste from landfill annually and result in cost

savings and a significant reduction in greenhouse gas emissions for the City of Stratford, as well as increasing the lifespan of the local landfill sites.

The Stratford "net zero" project, which was formally approved by Stratford City Council in January of 2020, is a great example of strategic collaboration between industry, municipal and government partners to develop innovative solutions in the water and energy sectors. Stratford is leading the way in the province with this project, which will serve as a model for other municipalities across Ontario and Canada, many of which have untapped potential to produce biogas, reduce energy costs and significantly reduce harmful greenhouse gas emissions. In November of 2020, the Ontario Public Service recognized the importance of the Stratford project, and the efforts of the OCWA and Ministry of the Environment, Conservation and Parks staff that have been working on it, by selecting them as recipients of an Amethyst Award, which recognizes the outstanding achievements of Ontario public servants.

In addition to the Stratford project, OCWA is working with other municipal clients to conduct feasibility studies for future co-digestion and resource recovery initiatives that promote a circular economy in which the resources contained in waste are recovered. To date, the Agency has completed co-digestion feasibility studies for the Town of Petawawa and the City of Belleville, with two more studies underway for the City of Cornwall and the Township of Georgian Bluffs. Implementation of the Petawawa projects is currently underway, with a target to divert 7,000 tonnes of organics from landfill once the project is complete.



OCWA is also working with clients to improve their capacity to prevent, withstand, respond or adapt to, and recover from disruptions due to climate change.

In an effort to better understand and respond to the specific challenges that clients are facing with regard to the resilience of their infrastructure, OCWA has begun collecting and reviewing operational data and other information from across the Agency and a variety of external industry stakeholders. This data is being used to refine the Agency's overall approach to climate resiliency and incorporate climate resiliency into a number of Agency systems and processes.

Climate resiliency has been included as a key component of the Agency's long-term strategic plan, which will guide the Agency and its clients in incorporating a climate adaptation and resiliency focus into future facility optimization and capital improvement projects. The Agency will also continue to develop capital and asset management plans, engineering studies, and facility optimization plans with a lens of climate change, targeting facilities in areas with a history of flooding.

Working with multiple stakeholders, including technology providers, regulators and funding agencies, OCWA is helping to develop innovative solutions that promote sustainable and efficient operations. This includes conducting demonstration projects for new innovative and emerging technologies.

OCWA was successful in securing \$490,000 in grant funding from the IESO grid innovation fund for the Region of Waterloo to demonstrate an innovative membrane biofilm reactor technology within the Hespeler wastewater treatment facility. This is the second North American installation of this technology. The process outcomes and

efficiencies identified from the demonstration will be part of the broader lessons learned for other potential sites within the Agency.

OCWA also worked with the Dutch innovative technology company Ephyra throughout 2020, securing funding to demonstrate the first North American installation of their enhanced sludge digestion process. This project further connects OCWA with local universities in support of validating research and process data analysis, with the goal of providing value-added services for client municipalities.

A final way in which OCWA supports clients in managing their water and wastewater infrastructure is by helping them to develop comprehensive water and wastewater asset management plans that incorporate condition and capacity assessments to enable them to make informed decisions with regard to infrastructure investments. OCWA has developed a comprehensive asset management program to assist clients in developing effective, evidence-based, asset management plans for their water and wastewater systems. Throughout the year, OCWA has completed a number of Asset Management Plans for Agency clients, including for Haldimand and Ramara, two new Agency clients.

Basic asset management training was provided to all OCWA managers and employees in 2019, with a plan to provide more comprehensive training to staff directly responsible for selling and delivering asset management services to clients in 2020. As noted previously in this report, this training was delayed due to the COVID-19 pandemic but will be delivered in 2021.

SUPPORTING PROVINCIAL PRIORITIES AND DELIVERING VALUE TO ONTARIO COMMUNITIES

As a public Agency, meeting business objectives is just one of the ways in which OCWA defines its success as an organization. Much of the value that OCWA brings to its clients, its employees and the people of Ontario comes from the work that the Agency does to protect the environment, improve public health, assist First Nations communities in managing their water and wastewater systems and support the priorities of the provincial government.

Providing Emergency Response Support to the Province

OCWA's Emergency Response Teams (OERT) were established in 2005 in response to Recommendation 50 of the Report of the Walkerton Inquiry, in which Justice O'Connor recommended that OCWA be mandated to develop standby capabilities to support provincial water emergencies. The OERT program provides the province with the capability to effectively and efficiently remediate water and wastewater emergencies in Ontario municipalities and First Nation communities. Strategically located in five communities across the province and available to respond within 24 hours, these teams are always nearby, ready and able to provide emergency assistance should the need arise.

While the OERT teams were not deployed in 2020, they were placed on standby at the beginning of the COVID-19 pandemic to respond to any provincial emergencies resulting from a lack of available staff or other issues. The teams were also placed on standby to relieve managers and staff from other parts of the Agency that were deployed to assist Neskantaga First Nation water

operators in addressing water quality issues in the community.

OCWA will continue to refine and expand its emergency response capabilities in 2021, enhancing the Agency's ability to respond to a variety of emergency situations across the province. This includes renewing OERT member commitments and rotating in new team members where required; ensuring that the OERT response trailers are stocked and that consumables are up to date; and providing additional training to OERT members, including practical training in the field.

Working with First Nations Communities to Improve and Maintain their Water and Wastewater Systems

OCWA has a long history of working with First Nation communities in Ontario. Key elements of OCWA's approach to supporting First Nation communities include:

- Supporting First Nation clients in the management, operation and maintenance of their water and wastewater systems, with the First Nations taking the lead and OCWA providing ongoing support;
- Assisting First Nation communities in ensuring the long-term sustainability of their water and wastewater systems through the implementation of process optimization, asset management, energy management and remote operational monitoring initiatives;
- Providing operational training to First Nations; and
- Providing emergency response services to First Nation communities when requested.

In 2020, OCWA continued working to implement the Agency's First Nations strategy,



which outlines how OCWA will establish partnerships with First Nations and First Nations organizations to support the development and implementation of sustainable water solutions in First Nations communities. A key focus of the strategy is to strengthen relationships with the Agency's First Nations partners through trust and open dialogue about First Nations history, experiences, and water needs.

OCWA staff meet bi-weekly with staff from the Walkerton Clean Water Centre and the Ministry of the Environment, Conservation and Parks' Indigenous Drinking Water Projects Office to discuss First Nations issues and how the three parties can work cooperatively to help support First Nation communities in Ontario.

As noted previously in this report, OCWA managers and staff were also deployed in November of 2020 to assist Neskantaga First Nation water operators in addressing the ongoing drinking water advisory in the community following a decision by the Neskantaga Chief and Council to evacuate the majority of Neskantaga residents to Thunder Bay. At the end of 2020, OCWA staff remained in Neskantaga to provide operational support on a 24/7 basis. The Agency will continue to provide operational support to local Neskantaga operators as required throughout 2021.

Developing a COVID-19 Wastewater Surveillance Program for Ontario

In 2020, as part of the Agency's pandemic response, OCWA began working with staff at the Ministry of the Environment, Conservation and Parks, the Ministry of Health and other government organizations, and a number of Ontario universities to establish a pilot wastewater-based surveillance program that

will enable the detection and monitoring of the presence of the SARS-CoV-2 (COVID-19) genetic signatures in wastewater. OCWA is a member of the implementation team for this program and also sits on the program Steering Committee.

The province has dedicated \$12 million over two years to establish an initiative for detecting COVID-19 in raw wastewater, which could provide an early warning of COVID-19 outbreaks. By tracking the presence of these genetic signatures in wastewater the government will be able to proactively identify the existence or increased prevalence of COVID-19 in specific communities, including from asymptomatic cases, and take appropriate public health measures much sooner than if the province were to rely only upon the number of positive COVID-19 cases in a particular community or location.

The pilot initiative, which will be rolled-out in 2021, will enable sampling in a variety of communities of various sizes, including vulnerable and higher-risk populations, such as First Nation communities, long-term care homes, retirement homes, and areas facing socioeconomic disadvantages or remote communities. Larger centres will also be included in the program.

OCWA is supporting the program by helping to arrange for the procurement of some specialized equipment, connecting with clients and other municipal stakeholders regarding participation in the pilot and assisting with the collection and shipment of wastewater samples to participating laboratories.

Real Time Monitoring of Wastewater Bypasses and Overflows

New requirements in Environmental Compliance Approvals for municipal



wastewater facilities require owners to develop a procedure for notifying the public and downstream water users that may be adversely impacted by wastewater bypass and overflow events. These conditions support the commitments made in Ontario's Environment Plan to increase transparency through real-time monitoring of sewage overflows from municipal wastewater systems and to work with municipalities to ensure that proper monitoring occurs and that the public is aware of overflow incidents.

In November of 2020, the Ministry of the Environment, Conservation and Parks announced an investment in several new wastewater and stormwater programs, which included a \$10 million investment to provide support for real time wastewater monitoring and public reporting, to improve transparency around monitoring and public reporting of sewage overflows and bypasses from municipal systems in the Great Lakes. OCWA is supporting the Ministry in developing and implementing a real time wastewater bypass and overflow monitoring program for Ontario by providing strategic input and feedback from an operational and technical perspective, including high level cost considerations, technology/instrumentation needs, reporting, and cybersecurity requirements.

Protecting the Environment through Education and Outreach

OCWA's education and outreach programs educate the public about the value of water and the importance of protecting the environment.

The "I Don't Flush" campaign encourages responsible use of municipal wastewater collection systems by educating the public about the impact of disposing non-flushable materials down the toilet or drain. The

campaign features a website (www.idontflush.ca), Twitter feed (@idontflushnews), Facebook page (idontflush.ca) and public service announcements.

Four phases of the I Don't Flush campaign have been introduced to date. The first phase focused on returning unused or expired medications to pharmacies, as opposed to flushing them down the toilet or drain – or throwing them into the garbage. The second phase focused on fibrous personal hygiene products, such as wipes, dental floss, and sanitary products. Phase three focused on fats, oils and grease – or FOG – that, if poured down the drain, can cause significant damage to both household plumbing and municipal wastewater systems.

The fourth and final phase of the program, which was launched at the end of 2019, combined messaging from previous campaigns into a wrap-up I Don't Flush: "Trash Your Bad Habits – Not Your Drain". This final phase of I Don't Flush had received more than 24 million media impressions at the close of the campaign in early 2020, significantly exceeding the target of 10 million.

OCWA staff continued to promote the I Don't Flush campaign on social media throughout 2020 and started work to develop a summary video report covering all phases of the I Don't Flush campaign, which is on track for completion in 2021. Staff also began work on the development of 12 mini-videos for social media using material from the four original I Don't Flush PSAs for release in 2021.

The OneWater® Education Program teaches the value of water to students in grade eight by providing activity-based lessons on water and the water cycle that align with the Ontario grade eight science curriculum. More than

3,000 students have participated in the program since it was first launched.

Due to COVID-19 pandemic restrictions, OCWA operators have been unable to deliver the OneWater® program in classrooms since March of 2020. This has delayed the broader roll-out of the Agency's "Water from an Indigenous Perspective" module, which explores the sacred relationship between Indigenous people and water and guides students through lessons and activities shaped by their view of water as a precious resource. It has also delayed continued collaboration with teachers on the OneWater® biosolids unit, "Being Resourceful with Resources", which takes the traditional water cycle a step further and introduces students to ways biosolids can be used to lower our collective environmental footprint. OCWA is eager to move ahead with these initiatives once the pandemic restrictions are lifted.

To offset the loss of in-person classroom delivery of the OneWater® program by OCWA operators due to the pandemic, staff from OCWA's Marketing and Communications group and members of OCWA's Young Professionals Network are working to develop virtual content for teachers to use in the classroom, including short videos that illustrate some of the more interactive OCWA operator portions of the OneWater® program. These videos will be made available to teachers in 2021.

SUPPORTING AGENCY EMPLOYEES

A healthy, engaged workforce is essential to achieving organizational goals and objectives. By implementing programs and initiatives that promote inclusion, health, safety, wellness and engagement, OCWA aims to ensure the success of the Agency's employees. The Agency's goal is to maintain a diverse and

inclusive workplace where employees have a sense of purpose, autonomy and belonging, contributing to an organizational culture of excellence and innovation.

Building a Diverse, Equitable and Inclusive Culture

OCWA's success is built on having a diverse, equitable, inclusive and accepting workforce that brings different experiences, backgrounds, and perspectives to create more innovative solutions. Diverse teams are more representative of the customers that the Agency serves. By strengthening the Agency's focus on diversity, equity and inclusion, OCWA is working to create a healthier, more respectful and representative workforce at all levels of the organization.

OCWA's Diversity and Inclusion Strategy, which will be implemented over a number of years, provides a roadmap for how the Agency will achieve its Diversity and Inclusion objectives and includes four primary focus areas. Key objectives have been established for each focus area:

1. Organizational Commitment and Accountability - Leaders are competent and knowledgeable about diversity and inclusion, and their behavior reflects OCWA's commitment to diversity and inclusion. All employees understand they have a role to play in creating a diverse, equitable, inclusive and accepting environment at OCWA.
2. Employee Experience - OCWA provides an equitable, inclusive and accepting work environment where employees have the support, flexibility and accommodations they need to bring their whole self to work. All employees feel valued, heard, and respected for who they are.

3. Workforce Diversity - OCWA's workforce better represents the available labour force, and all employees have equitable access to advancement opportunities and professional development.
4. Stakeholder Relations - OCWA leverages diversity and inclusion to better support the needs, goals and perspectives of our clients, partners, and communities we serve.

In 2020, the Agency worked to implement the first phase of the Strategy. Key achievements included:

- Developing a comprehensive Diversity and Inclusion communication plan;
- Establishing a Diversity and Inclusion Advisory Council with representatives from across the Agency, encompassing a wide range of backgrounds and skills;
- Providing training on OCWA's Diversity and Inclusion Strategy to all Agency managers;
- Rolling-out virtual training on Diversity and Inclusion Fundamentals and Unconscious Bias for all employees and managers; and
- Having all Executive Management Team members complete training on anti-racism competency and capacity-building.

Implementation of the Strategy will continue throughout 2021 and 2022, after which the Agency will assess its performance in achieving the objectives for each focus area and adapt its policies and processes as required.

A focus for OCWA in 2021 will be supporting the Ontario Public Service in its roadmap to racial equity by building anti-racism competency and capacity, diversifying the Agency's talent pipeline and being

accountable for an anti-racist and inclusive workplace.

Attracting Top Talent and Building Leadership Strength In recognition of the role that strong leadership plays in meeting organizational objectives, OCWA has been working to enhance the Agency's leadership capacity and ensure continuity across management roles.

The Agency's goals are to:

- Attract diverse internal and external people to positions in the Agency based on their ability and knowledge to be effective in driving excellence;
- Recruit top talent who share the Agency's vision, values and expected behaviours;
- Provide a competitive total compensation package as part of OCWA's employer value proposition;
- Have the right people in the right roles;
- Create a strong pipeline of diverse internal candidates, creating opportunities for promoting from within;
- Have leaders who can improve performance, deepen employee engagement, enhance productivity and deliver on strategic direction and priorities; and
- Ensure that the Agency has a proactive succession management program that is aligned with business priorities and client needs.

In support of these goals, the Agency has established a comprehensive succession management program. As part of this program, the potential vacancy risk for each management position in the Agency is analyzed and scored on an annual basis, taking into account the broad impact that each position has within the organization. Following

this assessment, action plans are developed for business critical and at-risk Agency positions. These plans are reviewed at least annually.

Supporting the succession management program is the Agency's leadership development program, which includes two development streams:

- An Aspiring Manager stream for high potential employees that aspire to move into managerial roles; and
- An Aspiring Leader stream to prepare high potential managers for future potential senior leadership roles.

The first participants completed the program at the end of 2019. The second round of the leadership program was expected to begin in 2020 but was deferred to 2021 due to the pandemic.

Of the 28 managers and employees that have participated in the program to date, five have already been promoted into more senior management and leadership roles. Leadership program participants represented 24 percent of the successful candidates for the 21 Agency management and leadership positions that were filled in 2020. Of the remaining positions filled in 2020, five (24 percent) of the successful candidates were not leadership development program participants but had been previously identified as successors for the positions into which they were promoted.

ENSURING THE SAFETY, HEALTH AND WELL-BEING OF OUR EMPLOYEES

Ensuring the health and safety of OCWA employees and everyone else that works with the Agency continues to be an ongoing priority for OCWA. The Agency continued to make progress in improving its health and safety performance in 2020, with year-over-year improvements in both the Agency's

Recordable Incident Rate (RIR) and Lost Time Injury Rate (LTIR), which track the rate of recordable incidents and lost time injuries for every 100 employees. OCWA's 2020 year-end RIR was 0.67 (below the target of 1.6 and lower than the 2019 year-end RIR of 0.77). The Agency's 2020 year-end LTIR was 0.33 (below the target of 0.42 and lower than the 2018 year-end LTIR of 0.44).

Other achievements for 2020 included:

- Managing the Agency's response to the COVID-19 pandemic, including implementing enhanced health and safety protocols where required to protect employee health and safety which resulted in no workplace transmission of COVID-19 in 2020 or to date in 2021;
- Enhancing the Agency's focus on mental health awareness and support, including providing employees with information regarding mental health throughout the year;
- Focusing on pre-work planning to identify and mitigate health and safety risks, primarily through the use of tailgate meetings, prior to starting any new or non-routine work;
- Working with Regional Hub staff to enhance the Agency's supervisor spot-check initiative, which involves having supervisors performing a series of spot-checks at facilities to look specifically at health and safety compliance and develop and implement corrective plans if required;
- Elevating OCWA's focus towards a full prevention mindset through the roll-out of the Don't Walk By program, which involves engaging all staff in identifying hazards and correcting them before they lead to health and safety incidents;

- Partnering with a third-party organization, Contractor Check, to assist in vetting contractors used by OCWA to ensure that they are fully compliant with regulatory and OCWA program requirements; and
- Refreshing the Agency's two-day Occupational Health and Safety Overview course, completion of which is a mandatory requirement for all staff joining the Agency, for roll-out in early 2021.

Enhancing the Workplace Experience

OCWA has identified maintaining an engaged and motivated workforce as a key component of its overall business strategy, recognizing the strong correlation between employee engagement, productivity and organizational success.

Agency leaders agree that if staff are consulted, are heard, and appropriate action is taken, engagement levels will increase. As such, OCWA has worked hard to ensure that as many employees as possible participate in the Agency's annual employee engagement survey. Hearing what employees have to say is just the first step in increasing engagement levels. Acting on their feedback is the crucial next step.

The 2019 Ontario Public Service (OPS) Employee Experience survey was released to OCWA staff in October of 2019. Results of the survey were received from the OPS in June of 2020. While the Agency's Employee Engagement index decreased slightly, from 70.2 in 2018 to 69.6 in 2019, the Agency's Inclusion Index increased slightly, to 72 from 71.7. The Agency's survey response rate also decreased from 81 percent in 2018 to 67.1 percent in 2019, a rate that is more in line with the Agency's response rate for previous surveys (60 percent in each of 2017 and 2014)

but is higher than the overall Ontario Public Service response rate of 57%.

Key strengths identified in the 2019 survey included: job fit; co-worker relationships; commitment to public service; clear expectations and direction; and safe and healthy workplaces. Opportunities for improvement included: organizational communication; hiring practices; performance barriers; recognition; and leadership practices.

Following the receipt of the survey results, the Agency held four Employee Experience Survey virtual roundtable discussions in which a total of 121 OCWA employees participated. During the roundtable discussions Human Resources staff reviewed the key results of the survey and participants provided feedback on what could be done to address identified opportunities for improvement. This feedback was then used to develop action plans for improvement, which were shared with the Senior Leadership Team and managers across the Agency. The success of these initiatives will be evaluated once the results of the 2021 Employee Experience Survey are made available to the Agency.

Other activities being undertaken to enhance the workplace experience for OCWA staff include:

- Reviewing OCWA's values and creating value definitions that outline expected behaviours;
- Ensuring that multiple mechanisms are used to communicate information about the organization;
- Refreshing the Agency's learning and development program, including linking it with the Agency's strategic planning process and talent/skill gap analysis of current and future needs;

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- Promoting opportunities for staff based on their development potential in addition to their existing skills and certification;
 - Creating a forum for sharing innovation and ideas for employees to collaborate; and
 - Long-term planning to increase remote work and flexibility, including resources for employees and managers and increased mental health support.

MEASURING PERFORMANCE - 2020 RESULTS

STRATEGY 1 – DRIVING BUSINESS GROWTH BY DELIVERING TOTAL SOLUTIONS TO CLIENTS

MAINTAINING AND EXPANDING OCWA’S OPERATIONS AND MAINTENANCE CLIENT BASE

GOAL

- Retain OCWA’s existing Operations and Maintenance clients and attract new clients to the Agency

PERFORMANCE MEASURES

- Achieve \$24.7 million revenue target for contracts up for renewal in 2020
- Achieve \$5.1 million revenue target for new business in 2020

YEAR-END RESULTS

- 2020 renewal target increased to \$27.9 million due to contracts up for renewal in 2019 that rolled-over to 2020 before being renewed
- \$29.8 million in renewals completed at the end of 2020
- \$5.8 million (annual revenue) in new business at the end of 2020

SUPPORTING MUNICIPAL INFRASTRUCTURE SUSTAINABILITY AND RESILIENCE THROUGH THE PROVISION OF VALUE-ADDED SERVICES

GOAL

- Provide value-added services that help clients to ensure the sustainability and resilience of their water and wastewater infrastructure

PERFORMANCE MEASURES

- Implementation of the Stratford Net Zero project, that includes co-digestion and production of renewable natural gas, results in greenhouse gas reduction of 49,000 tons of carbon dioxide equivalent by the end of the first year that the facility is in operation
- Five or more feasibility studies for organics diversion and resource recovery initiatives conducted that result in two or more project implementations by 2021
- Petawawa Net Zero projects divert 7,000 tonnes of organics from landfill once implementation is complete
- Climate Resiliency Strategy developed by Q2, 2020

YEAR-END RESULTS

- Stratford Net Zero project formally approved by Council in January of 2020
 - 30% design engineering completed
 - On track to complete 90% design engineering with OCWA support in 2021
 - Target project completion date is 2022
- Five feasibility studies for additional organics diversion and resource recovery initiatives underway or completed at the end of 2020, resulting in two project implementations to date
- Proceeding with 30% design engineering for the Petawawa Net Zero project
- Climate resiliency included as a key component of the Agency's long-term strategic plan; Developing tactical strategies for incorporating climate resilience into Agency systems and processes

SUPPORTING CLIENT INFRASTRUCTURE THROUGH ALTERNATIVE FINANCING AND PROJECT DELIVERY

GOAL

- Assist clients in financing major maintenance and capital delivery projects for their water and wastewater infrastructure

PERFORMANCE MEASURES

- \$2 million in loans issued to clients for water/wastewater infrastructure projects in 2020

YEAR-END RESULTS

- Loans for three clients (\$2.7M total value) approved by the Agency's internal loans committee in 2020
 - Waiting on client approval to finalize

STRATEGY 2 – ENHANCING EFFICIENCY THROUGH BUSINESS PROCESS IMPROVEMENTS

TRANSFORMING OUR INFORMATION SYSTEMS AND PROCESSES

GOAL

- Enhance the Agency's Information Technology systems and refine the Agency's business processes through implementation of the Business Transformation Program

PERFORMANCE MEASURE

- Enterprise Resource Planning system upgrades result in a 5-10% reduction in the time required to complete financial administration tasks in place by the end of 2020
- Supervisory Control and Data Acquisition (SCADA) network coverage expanded to include 90% of the province by the end of 2021, resulting in improved client coverage and service levels
- Level 2 and 3 Asset Management training provided to managers and asset management specialists that need a more in depth knowledge of the asset life-cycle by the end of Q3, 2020, resulting in \$300k in annual revenue from the sale of asset management services by the end of 2022
- Requirements developed and vendor selected for an asset management decision support solution by the end of 2020

YEAR-END RESULTS

- ERP system base functionality in place
- Delay in ERP process improvements in 2020; financial administration productivity improvements expected to be achieved by the end of 2021
- SCADA network coverage expansion ongoing
 - Implementation timelines delayed due to pandemic work restrictions; SCADA staff unable to access development lab and facilities
 - 80 panels purchased and 55 panels deployed in 2020; Plan to purchase another 70 panels and deploy another 55 panels in 2021
 - On track to complete the remaining sites by the end of 2022
- Level 2 and 3 Asset Management training deferred to 2021
- Based on current prospects, \$300k in annual revenue from the sale of asset management services by the end of 2022 is achievable
- Requirements document and guidance for asset investment planning software procurement/selection deferred to 2021 due to the COVID-19 pandemic

ENHANCING OUR PROCUREMENT PROCESSES

GOAL

- Optimize the Agency's procurement processes to deliver best value to OCWA's clients

PERFORMANCE MEASURE

- Complete three or more additional Vendor of Record agreements to reduce time in procuring goods and services
- Complete Capital Procurement and Construction Management training for all Capital Managers by the end of Q2, 2020
- Year-over-year increase in the use of Agency Vendor of Record agreements and a corresponding decrease in the number of one-off publicly posted procurements, resulting in a reduction in the overall time and effort required to purchase goods and services

YEAR-END RESULTS

- 7 new Vendor of Record agreements completed in 2020 (a total of 29 vendor contracts), bringing the total number of Agency Vendor of Record agreements to 64
- Additional Capital Procurement and Construction Management staff training (to supplement the training provided in 2019) was developed in 2020 but delivery was delayed due to the pandemic
 - Course has been reworked for online delivery
 - Virtual training sessions have been rescheduled for 2021
- One-off publicly posted procurements for regularly purchased goods and services decreased from 63 percent of all Agency procurements in 2019 to 40 percent of all Agency procurements in 2020

STRATEGY 3 – SERVING CLIENT COMMUNITIES AND SUPPORTING PROVINCIAL PRIORITIES

PROTECTING THE ENVIRONMENT THROUGH EDUCATION AND OUTREACH

GOAL

- Enhance public understanding and appreciation of the value of water and the environment by promoting and enhancing the OneWater® and “I Don’t Flush” programs

PERFORMANCE MEASURES

- Continue to promote OneWater® in existing client communities, with over 3,000 students having completed the OneWater® program by the end of the 2019/20 school year
- 80% of students that complete the OneWater® program say they understand more about how water/wastewater treatment works in their community as a result of the program
- OneWater® biosolids unit rolled out to all participating classes and OneWater® Indigenous perspective module added to the program in 2020
- Phase four of the I Don’t Flush campaign (“your toilet is not a garbage can”) results in 10 million media impressions

YEAR-END RESULTS

- OCWA operators were unable to conduct OneWater® classroom visits in 2020 due to the pandemic
 - Classroom visits on hold until schools resume normal operations

- Review of OneWater® biosolids unit materials in collaboration with teachers delayed due to the pandemic
 - Unit to be rolled-out once review is complete
- Roll-out of OneWater® Indigenous perspective module delayed due to the pandemic
 - New target date dependent upon the resumption of normal school operations
- Staff from Marketing and Communications and the OCWA Young Professionals Network began collaborating on a project to create short videos to complement the OneWater® program (hands-on experiments, virtual tours of facilities, etc.)
- Phase 4 of the I Don’t Flush campaign had received more than 24 million media impressions at the close of the campaign in Q1 of 2020, significantly exceeding the target of 10 million
- Continued to promote all phases of the I Don’t Flush campaign on social media throughout 2020.
- Developing a summary video report covering all phases of the I Don’t Flush campaign to be completed in 2021
- Creating 12 mini-videos for social media using material from the four original I Don’t Flush PSAs for release in 2021

WORKING WITH FIRST NATIONS COMMUNITIES TO IMPROVE AND MAINTAIN THEIR WATER AND WASTEWATER SYSTEMS

GOAL

- Support the development of sustainable water and wastewater solutions, including effective infrastructure management, for First Nation communities

PERFORMANCE MEASURE

- Five assessments of First Nation community water systems completed within a year

YEAR-END RESULTS

- Assessment of First Nation community water systems deferred due to the pandemic
- Moving forward with implementation of the Agency's First Nations Strategy
- OCWA managers and staff deployed to assist with ongoing water issues in Neskantaga First Nation
- Recruitment to hire dedicated First Nations resources for the Agency underway at the end of 2020

RESPONDING TO WATER AND WASTEWATER EMERGENCIES

GOAL

- Maintain the Agency's emergency response capabilities and ability to respond to a variety of emergency situations across the province

PERFORMANCE MEASURE

- OCWA Emergency Response Teams deployed and on-site within 24 hours from the time that emergency assistance is requested

YEAR-END RESULTS

- OCWA Emergency Response Teams put on notice for deployment to assist in managing OCWA-managed or other municipal/First Nation facilities if required because of the COVID-19 pandemic
- No deployments required in 2020
- Auxiliary OERT members added as a result of the pandemic
 - New member added to the Central Team to replace departing team lead
 - Teams meeting monthly to discuss current issues/state of readiness; will continue throughout the pandemic

STRATEGY 4 – ENSURING THE HEALTH AND WELL-BEING OF OCWA EMPLOYEES

BUILDING A DIVERSE AND INCLUSIVE CULTURE

GOAL

- Make OCWA a welcoming and inclusive place to work by promoting the benefits of a diverse workplace and addressing identified diversity and inclusion gaps

PERFORMANCE MEASURE

- Successfully implement year one of the Agency's Diversity and Inclusion (D&I) strategy in 2020, including:
 - Establishing leadership performance accountabilities and competencies related to D&I;
 - Developing a comprehensive D&I communications plan;
 - Establishing a D&I Advisory Council; and
 - Delivering D&I training to all Agency managers
- Increased participation in the follow-up D&I survey following full roll-out of the D&I Strategy in 2022 (as compared to 62% participation in the initial D&I survey in 2018), with responses indicating an increase in feelings of inclusion among OCWA employees

YEAR-END RESULTS

- Waiting for the release of the new Ontario Public Service (OPS) Talent Management D&I leadership competencies (scheduled to be released in Q1, 2021) before establishing Agency D&I leadership performance accountabilities to ensure that OCWA's program competencies are aligned with those of the OPS
- Developed a comprehensive D&I communication plan, including:
 - Priority, audiences and approach;
 - Key messages for stakeholder groups; and
 - Actions and timeline
- Opened applications for staff to participate as members of the Agency's D&I Advisory Council
 - Council members to be selected in Q1, 2021
- All managers received training on OCWA's D&I Strategy
- Rolled-out virtual training on D&I Fundamentals and Unconscious Bias for all employees and managers

EXPANDING LEADERSHIP CAPABILITY

GOAL

- Enhance OCWA's leadership capacity and ensure continuity across management roles

PERFORMANCE MEASURE

- Year-over-year increase in the percentage of management and senior leadership positions filled by participants in the OCWA leadership development program
- Leadership development program participants demonstrate an improvement in leadership competencies based on pre and post program assessments

YEAR-END RESULTS

- 5 leadership development program participants promoted into management or executive roles in 2020 (24% of management and senior leadership positions filled in 2020)
 - As only one group of participants have graduated from the Agency's leadership program to date, this will be used as a benchmark to assess future performance
- Implementation of the second round of the leadership program was deferred to 2021 due to the pandemic
 - Will assess pre-program competencies once the second round of participants has been selected

KEEPING EMPLOYEES SAFE AND HEALTHY

GOAL

- Develop an ingrained safety culture within OCWA

PERFORMANCE MEASURES

- Year-over-year reduction in the Agency's Recordable Incident Rate (RIR), with a target for 2020 of 1.6 or lower
- Year-over-year reduction in the Agency's Lost Time Injury Rate (LTIR), with a target for 2020 of 0.42 or lower

YEAR-END RESULTS

- 2020 year-end RIR was 0.67 (below the target of 1.6 and lower than the 2019 year-end RIR of 0.77)
- 2020 year-end LTIR was 0.33 (below the target of 0.42 and lower than the 2018 year-end LTIR of 0.44)

ENHANCING EMPLOYEE ENGAGEMENT

GOAL

- Improve the Agency's level of employee engagement

PERFORMANCE MEASURE

- Year-over-year improvement in the Agency's employee engagement index, with a target for 2020 of 72 or higher

YEAR-END RESULTS

- 2019 survey was released to OCWA staff in October, 2019; Survey results were received late in June, 2020
- Employee Engagement index decreased slightly from 70.2 in 2018 to 69.6 in 2019
- Survey response rate decreased from 81% in 2018 to 67.1% in 2019
 - Response rates in 2017 and 2014 were 60%
 - Overall Ontario Public Service response rate was 57%
- Inclusion Index increased to 72 in 2019 from 71.7 in 2018
- Key strengths included: job fit; co-worker relationships; commitment to public service; clear expectations and direction; and safe and healthy workplaces
- Opportunities for improvement included: organizational communication; hiring practices; performance barriers; recognition; and leadership practices

MANAGEMENT ANALYSIS OF FINANCIAL RESULTS

OVERVIEW

2020 was another year of positive financial results for OCWA. The Agency realized a Net Income of \$10.0 million, an increase of 3.7 percent when compared to 2019, and well ahead of the plan for the year. Contributing factors included a 4.3 percent increase in Total Operating Revenue, which was driven by increases in Operations and Major Maintenance revenue, management of expenses and other cost savings.

Lower than planned investment income, resulting from the Bank of Canada's lower overnight rate throughout the year, partially offset the increase in revenue, as did a 3.4 percent increase in Total Operating Expenses resulting from a combination of salary and benefits increases for bargaining unit staff and other operating cost increases.

While the Agency was successful in increasing its Total Operating Revenue in 2020, the unexpected emergence of the COVID-19 pandemic in 2020 has the potential to negatively impact the Agency's ability to meet its future growth targets, as client water and wastewater infrastructure projects and other projected sources of revenue growth may be delayed.

BALANCE SHEET

Net Assets increased to \$232.9 million in 2020, an increase of 4.5 percent as compared to 2019, due to the Agency's strong Net Income of \$10.0 million. Cash and short-term investments decreased by \$9.7 million, primarily due to investments in term deposits and notes instruments.

Accounts receivable increased in 2020 as compared to 2019. Current accounts receivable represented 83 percent of the Agency's total accounts receivable outstanding at December 31, 2020, as compared to 86 percent at December 31, 2019.

The Agency's net tangible capital assets decreased by \$69,000 compared to 2019 as a result of increased amortization in 2020.

The Agency continues to meet its obligations without the use of debt, and as in prior years, had no outstanding financial obligations in 2020.

REVENUE

OCWA's long-term growth strategy continues to be focused on retaining current clients, expanding the scope of services provided to these clients and attracting new clients.

The Agency was successful in retaining clients whose contracts came up for renewal in 2020, signing several long-term contracts of five-to-ten years. In addition to retaining clients, the Agency was successful in attracting new clients. OCWA will be pursuing other similar projects in the future and anticipates that this will be an important driver of future revenue growth.

Total Operations Revenues increased by 4.3 percent as compared to 2019. This increase in revenue resulted from a combination of annual inflationary revenue increases included in long-term client Operations and Maintenance contracts and additional new revenue resulting from the increased delivery of short-term Major Maintenance services contracts, as the Agency client's upgraded aging water and wastewater infrastructure. Federal and provincial infrastructure funding through programs like the Clean Water and Wastewater Fund continued to enable

municipalities to upgrade their water and wastewater infrastructure, although decisions to move forward with these infrastructure upgrades may be delayed due to the ongoing COVID-19 pandemic.

The Agency's Other Business Revenue is comprised of revenue from the Project Planning and Delivery, Training, Asset Management and SCADA groups. In 2020, revenues from these services decreased by 12.9 percent when compared to the prior year, primarily due to projects being pushed out to 2021.

EXPENSES

Total Operating Expenses increased by 3.4 percent, driven by increases in salaries, benefits, Other Operating Expenses and amortization of Tangible Capital Assets.

Salary and Benefit increases of 2.4 percent are attributable to merit increases for unionized staff, as set forth in the current collective agreements for Ontario Public Service employees. Benefits contributions also increased correspondingly as a result of payroll increases.

In 2017, the Agency's Board of Directors approved total capital and re-engineering expenditures of up to \$27.8 million for the Agency's Business Transformation Program (BTP) that was implemented beginning in 2018. Some of the Agency's assets were fully amortized at the end of 2019, which were offset by an increase in IT and BTP amortization, resulting in a 26 percent increase in amortization costs in 2020 as compared to 2019.

A 3.6 percent increase in Other Operating Expenses was fueled by increased spending on commodities and other costs directly related to the operation of client facilities. These

increases were partially offset by reduced spending on discretionary items such as travel and promotions due to COVID-19.

Spending on infrastructure upgrades and other maintenance services resulted in a 3.5 percent increase in repair and maintenance costs as compared to 2019.

Chemical costs are driven by price and usage. In 2020, chemical costs increased by 16.8 percent, driven by price increases and some client facilities using higher volumes. The Agency has established multi-year contracts with chemical suppliers, which reduce exposure to market volatility and chemical price fluctuations

Insurance costs are mainly driven by insurable values, revenues and claims history. In 2020, insurance costs increased by 1.2 percent, mostly due to property insurance premium increases resulting from flooding.

INVESTMENT INCOME

Investment income is comprised of income from short-term and long-term investments, overnight cash balances and loans receivable. Bank of Canada interest rates decreased in 2020, resulting in investments coming due in 2020 being reinvested at interest rates in the two to three percent range. Given the decline in interest rates, investment income decreased by 36.3 percent as compared to 2019.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

OCWA's management and Board of Directors are responsible for the financial statements and all other information presented in this annual report. The financial statements have been prepared by management in accordance with Canadian public sector accounting standards.

OCWA is dedicated to the highest standards of integrity in its business. To safeguard assets, the Agency has a sound set of internal financial controls and procedures that balance benefits and costs. Management has developed, and continues to maintain, financial and management controls, information systems and management practices to provide reasonable assurance of the reliability of financial information in accordance with the bylaws of the Agency. Internal audits are conducted to assess management systems and practices, and reports are issued to the Executive Management Team.

The Board of Directors ensures that management fulfills its responsibilities for financial and internal control. The Board of Directors and the Audit and Finance Committee of the Board meet quarterly to oversee the financial activities of the Agency and at least once a year to review the audited financial statements and the external auditor's report and recommend them to the Minister of the Environment, Conservation and Parks for approval.

The Auditor General has examined the financial statements. The Auditor General's responsibility is to express an opinion on whether the financial statements are presented fairly in accordance with Canadian public sector accounting standards. The Auditor's Report outlines the scope of the Auditor's examination and opinion.



Nevin McKeown
President and Chief Executive Officer



Helen Bao
Vice-President, Finance

Toronto, Ontario
April 15, 2021



INDEPENDENT AUDITOR'S REPORT

To the Ontario Clean Water Agency

Opinion

I have audited the financial statements of the Ontario Clean Water Agency (OCWA), which comprise the statement of financial position as at December 31, 2020 and the statements of operations and changes in net assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of OCWA as at December 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of OCWA in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the OCWA's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless OCWA either intends to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing OCWA's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of OCWA's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on OCWA's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause OCWA to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Toronto, Ontario
April 15, 2021


Bonnie Lysyk, MBA, FCPA, FCA, LPA
Auditor General

2020 FINANCIAL STATEMENTS

Statement of Financial Position as at December 31, 2020

	(in thousands of dollars)	
	December 31, 2020	December 31, 2019
Assets		
Current assets:		
Cash and short-term investments (note 3a)	43,607	53,352
Accounts receivable, net		
Municipalities and other customers (note 3b)	44,197	42,594
Other Ministries	1,239	826
Harmonized sales tax receivable	12,511	4,593
Prepaid Expenses	1,168	1,113
Current portion of investments receivable for water and wastewater facilities (note 2)	1,156	247
	103,878	102,725
Non-current assets:		
Investments in term deposits and other notes (note 3a)	31,487	23,761
Investments receivable for water and wastewater facilities (note 2)	33	51
Loan receivable - Ontario Infrastructure and Lands Corporation (note 3c)	120,000	120,000
Tangible Capital Assets, net (note 4)	11,466	11,535
	162,986	155,347
Total Assets	266,864	258,072
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	21,399	21,196
Current portion of employee future benefits (note 8a)	6,439	6,265
	27,838	27,461
Long-term liabilities:		
Employee future benefits (note 8a)	6,172	7,757
Net Assets	232,854	222,854
Total Liabilities and Net Assets	266,864	258,072

Commitments and Contingencies (note 5)(note 7)

see accompanying notes to financial statements

On behalf of the Board



Director



Director

Statement of Operations and Changes in Net Assets for the year ending December 31, 2020

	(in thousands of dollars)	
	December 31, 2020	December 31, 2019
Utility Operations Revenues:		
Asset Operations & Maintenance Services Revenue	216,504	206,508
Other Client Utility Management Services Revenue	6,135	7,042
Total Operating Revenues	222,639	213,550
Operating Expenses:		
Salaries and benefits (note 8a and note 8b)	83,847	81,862
Other operating expenses (note 10)	128,178	123,712
Amortization of tangible capital assets	3,364	2,668
Total Operating Expenses	215,389	208,242
Excess of revenue over expenses - Utility Operations	7,250	5,308
Interest from Investments and loans receivable	2,750	4,318
Loan Recovery (note 2)	-	17
Excess of revenue over expenses	10,000	9,643
Net Assets, opening balance	222,854	213,217
Adjustment to Net Assets (note 6)	-	(6)
Net Assets, ending balance	232,854	222,854
see accompanying notes to financial statements		

Statement of Cash Flows for the year ending December 31, 2020

	<i>(in thousands of dollars)</i>	
	December 31, 2020	December 31, 2019
Cash Provided by (used for) Operating Activities		
Excess of revenue over expense-Utility Operations	7,250	5,308
Items Not Affecting Cash		
Amortization of Tangible Capital Assets	3,364	2,668
(Decrease) in future employee benefits expense	(1,585)	(1,261)
	9,029	6,715
Changes in non-cash operating working capital		
Accounts Receivable	(9,934)	(9,822)
Prepaid Expenses	(55)	3,311
Accounts Payable and Accrued Liabilities	203	159
Current portion of future employee benefits	174	973
	(9,612)	(5,379)
Net Cash Flows from operating activities	(583)	1,336
Cash from Investing Activities		
Interest	2,750	4,318
Principal Repaid on Loans/ (Holdback)	109	(133)
Increase in non-current Term Deposits and other notes	(7,726)	8,625
Increase in Investments receivable for water and wastewater facilities	(1,000)	-
Loan Recovery	-	17
Net cash flows from investing activities	(5,867)	12,827
Cash Used in Capital Activities		
Tangible Capital Assets Acquired	(3,295)	(6,215)
Cash Used in Financing Activities		
Changes in Net Assets	-	(6)
Increase (Decrease) in Cash and Short-Term Investments	(9,745)	7,942
Cash and Short-Term Investments, Opening Balance	53,352	45,410
Cash and Short-Term Investments, Closing Balance	43,607	53,352

GENERAL

The Ontario Clean Water Agency (The "Agency") was established on November 15, 1993, under the authority of The Capital Investment Plan Act, 1993 (the "Act").

The Agency's objects include:

- (a) assisting municipalities, the Government of Ontario and other persons or bodies to provide water and sewage works and other related services by financing, planning, developing, building and operating those works and providing those services;
- (b) financing and promoting the development, testing, demonstration and commercialization of technologies and services for the treatment and management of water, wastewater and stormwater;
- (c) carrying out the activities described in clauses (a) and (b) in Ontario and elsewhere in a manner that protects human health and the environment and encourages the conservation of water resources; and
- (d) with respect to activities described in clauses (a) and (b) that are carried out in Ontario, carrying them out in a manner that supports provincial policies for land use and settlement.

The Agency is exempt from Federal and Provincial income taxes.

1. SIGNIFICANT ACCOUNTING POLICIES

The Agency is classified as a government not-for-profit for financial reporting purposes. These financial statements are prepared by management in accordance with Canadian public sector accounting standards for provincial reporting entities established by the Canadian Public Sector Accounting Board. The Agency has chosen to use the standards for not-for-profit organizations that include the 4200 series sections. The significant accounting policies are as follows:

(a) Cash and Investments

Cash and investments are recorded at cost. Accrued interest is recorded in accounts receivable and recognized on an accrual basis when earned.

(b) Tangible Capital Assets

Major capital expenditures with a future useful life beyond the current year are capitalized at cost. Tangible Capital Assets are amortized on a straight-line basis as follows:

Computer Software	2-7 years
Information Systems	7 years
Furniture and Fixtures	5 years
Automotive Equipment	4-20 years
Computer Hardware	3-7 years
Machinery and Equipment	5 years
Leasehold Improvements	Life of the lease

(c) Revenue Recognition

Revenue on contracts with clients for the operation of water and wastewater treatment facilities based on a fixed annual price is recognized in equal monthly amounts as earned.

Revenue on contracts with clients based on the recovery of costs plus a percentage markup or recovery of costs plus a fixed management fee is recognized at the time such costs are incurred.

Other client utility management services revenue consists of revenue for additional work for clients outside the scope of the operations and maintenance contract, such as capital repairs on equipment, project management services, and engineering services. Revenue is recognized when the costs are incurred.

(d) Financial Instruments

A financial instrument is an asset that will ultimately be settled in cash.

All financial instruments have been valued at cost.

The financial instruments consist of cash and short-term investments, accounts receivable, investments receivable, term deposits, fixed coupon notes, loans receivable, accounts payable and accrued liabilities, and employee future benefits.

A Statement of Re-measurement of Gains and Losses has not been prepared because all financial instruments are valued at cost.

(e) Measurement Uncertainty

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenditures for the period. Significant items subject to such estimates and assumptions include the allowance for doubtful accounts receivable and investment receivable, amortization expense, accrued liabilities and employee future benefits.

Actual results could differ from management's best estimates as additional information becomes available in the future.

2. INVESTMENTS RECEIVABLE FOR WATER AND WASTEWATER FACILITIES

These investments represent the outstanding principal portion of amounts receivable from clients for capital expenditures undertaken by the Agency on their behalf, and recoverable operating costs, if any, not billed.

The investments receivable are supported by agreements that bear interest at rates of 2.7 percent. Scheduled principal repayments of the investments are as follows:

<i>(12 Months Beginning January)</i>	<i>(in thousands of dollars)</i>
2021	1,156
2022	19
2023	14
	1,189
Less: Current portion	(1,156)
	33

In August of 1999, the Agency entered into a loan agreement to finance the construction of a water pipeline, which was completed in May 2000. The outstanding loan balance including accumulated interest was \$18.6 million at December 31, 2005. The Agency has recognized the loan as fully impaired and accordingly the loan amount of \$18.6 million has been reflected in an allowance for loan impairment. The Agency has recovered a total of \$0.929 million in prior years, which has been reflected as a reduction of the allowance for loan impairment. Subsequent to year end, the Agency and the debtor negotiated partial repayment. In March 2021, the Agency was paid \$1 million and this amount has been reflected as a reduction of the allowance for loan impairment and a reduction to bad debt expense included in Other Operating Expenses in the Statement of Operations and Change in Net Assets. The remaining negotiated payment is expected to be received in 2021.

Other than as described in this note, there are no other provisions established for investment receivables.

3. FINANCIAL INSTRUMENTS

(a) Cash and Investments

The Agency has \$75.1 million invested in bank balances, term deposits and other notes as follows:

<i>(in thousands of dollars)</i>	
Cash Balances	12,526
Term deposits due within a year (Interest rates 2.18%-2.48%)	<u>31,081</u>
Cash and Short-Term Investments	43,607
Term deposits and other notes due within two to five years (Interest rates 2.05% - 5.58%)	<u>31,487</u>
	<u>75,094</u>

The fair value of the bank balances, term deposits and other notes approximates carrying value. Term deposits and notes include various financial instruments such as GIC's and fixed coupon notes.

(b) Credit Risk

Credit risk is the risk of financial loss if a debtor fails to repay their loans and accounts receivable. The maximum exposure to credit risk consists of the total of cash and investments, accounts receivable, investments in term deposits, investments receivable and loans receivable.

The Agency is exposed to low credit risk because receivables are due from municipalities and payment is usually collected in full. Credit rating reviews are performed for non-municipal clients. All bank balances and investments are held by large Canadian chartered banks.

A breakdown of the accounts receivable from municipalities and other customers is as follows:

<i>(in thousands of dollars)</i>		
	2020	2019
0-60 days	36,818	36,881
61-90 days	817	1,998
91-120 days	684	1,763
121-150 days	484	317
More Than 151 days	5,394	1,635
Total Net Accounts Receivable Municipalities and Other Customers	44,197	42,594

An account receivable is considered to be impaired when dispute resolution has failed and the account is forwarded to legal counsel for further action. At December 31, 2020, one account was considered impaired. The outstanding balances totaled to \$0.1 million (2019 - \$0.1 million). Net Accounts Receivable includes an Allowance for Doubtful Accounts which is based on a provision for 25% of Accounts Receivable aged greater than 60 Days less amounts received subsequent to year end. The Agency believes that this policy mitigates the risk of incorrect provision.

(c) Interest Rate Risk

The Agency has extended a \$120 million loan to Ontario Infrastructure and Lands Corporation which matures on March 1, 2023 with a variable interest rate set at four basis points below the average monthly Canadian Dollar Offered Rate. It also has term deposits and bank balances that are sensitive to the prevailing interest rates. As a result, the Agency is exposed to a cash flow risk related to the fluctuations in interest rates.

callable by the financial institution when the market index (Solactive Equal Weight Canada Banks 5% AR Index) rises to a predetermined level. The principal of the latter two investments are protected to a predetermined level when the market index declines with exposure to loss of principal if the market index falls below this predetermined level at the maturity date. The Agency believes market risk is not significant because of the low index volatility.

(d) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Agency is exposed to market risk as the returns of two investments totaling \$7.9 million are linked to a market index (S&P/TSX Composite Low Volatility Index). Additionally two other investments totaling \$5.1 million are

(e) Other

The Agency is exposed to low risk for electricity and chemical costs because most of the contracts are structured to pass these costs through to the customer.

Other than as described in these notes, the Agency is not exposed to any additional currency or liquidity risk on its financial instruments.

4. TANGIBLE CAPITAL ASSETS

<i>(in thousands of dollars)</i>	Cost	Accumulated Amortization	Net Dec 31, 2020	Net Dec 31, 2019
Computer Software	12,896	6,544	6,352	5,166
Information Systems	1,584	1,490	94	164
Furniture and Fixtures	314	92	222	39
Automotive Equipment	3,428	3,118	310	540
Computer Hardware	5,772	3,254	2,518	2,035
Machinery and Equipment	1,028	735	293	388
Leasehold Improvements	2,081	476	1,605	1,296
Software Under Development	72	0	72	1,907
	27,175	15,709	11,466	11,535

Notes to Financial Statements
December 31, 2020

In 2017 the Board approved the Agency's Business Transformation Program (BTP) capital and re-engineering expenditures of up to \$27.8 million which was implemented starting in 2018. This budget was revised to \$33.8 million and approved by the Board in December 2020 due to the addition of several new projects. The BTP is focused on strategic investments in infrastructure, IT systems and business practices. As at December 31, 2020, \$11.04 million was spent, of which \$8.11 million has been capitalized.

5. LEASE COMMITMENTS

Annual lease payments under operating leases for rental of office equipment, premises and vehicles in aggregate are as follows:

<i>(in thousands of dollars)</i>	
2021	3,330
2022	2,805
2023	2,206
2024	1,817
2025	1,363
Thereafter	5,689
	17,210

In January 2019, the Agency entered into a lease for its head office located at 2085 Hurontario Street, Mississauga. The new lease is for a period of 10 years with minimum lease payments totaling approximately \$5.4 million over this time period. The lease begins on July 1, 2020 and ends on June 30, 2030. The Agency's head office relocation to Mississauga was completed in August 2020.

6. NET ASSETS

When the Agency was first established, the opening net assets were received from the Province of Ontario in the form of the book

value of net assets in excess of obligations assumed.

Subsequent adjustments to the balance are for costs, such as legal costs, that relate to property received by the Province of Ontario when the Agency was established.

7. CONTINGENCIES

(a) Contingent Liabilities

The Agency is involved in various legal claims arising in the normal course of business, the outcome of which cannot be determined at this time. Most of the legal claims are covered by insurance after the application of a deductible, ranging from \$5,000 to \$100,000, depending on when the event giving rise to the claim occurred and the nature of the claim.

(b) Letters of Credit

The Agency has lines of credit with the Royal Bank of Canada for \$50 million. As of December 31, 2020, \$18.9 million (2019 - \$16.9 million) of these lines of credit have been used to provide letters of credit to municipalities in accordance with the terms of their operations and maintenance agreements.

8. EMPLOYEE FUTURE BENEFITS

(a) Non-Pension Employee Future Benefits

The Agency is responsible for its accrued legislated severance, unpaid vacation, and workers compensation obligations.

The costs of these employee future benefits obligations have been estimated at \$12.6 million (2019 - \$14.0 million) of which \$6.4 million (2019 - \$6.3 million) has been classified as current liability. The amount charged to the income statement in 2020 was \$1.36 million (2019 - \$0.9 million) and is included in salaries and benefits expense in the Statement of Operations and Changes in Net Assets.

The legislative severance portion of the employee future benefits obligation totaled \$5.6 million of which \$3.7 million is long term. The long term portion was calculated based on the following assumptions: discount rate of 2.37% (2019 - 2.39%) and estimated years to retirement for each employee. Due to policy changes for these benefits, no assumption of wage and salary escalation was used (2019 – 0%). These assumptions are management's best estimate.

Included in employee future benefits obligation is an estimated workers compensation obligation in the amount of \$2.1 million (2019 - \$3.0 million). This amount has been determined from the most recent available actuarial calculations provided by the Workplace Safety and Insurance Board (WSIB) as at December 31, 2019.

It is management's opinion that the balance at December 31, 2020 will not be materially different. Adjustment to the estimated WSIB obligation cumulative balance, if any, will be made in the year the updated balance is provided by WSIB.

The cost of other post-retirement, non-pension employee benefits is paid by the Province and therefore is not included in the financial statements.

(b) Pension Plan

The Agency's full-time employees participate in the Public Service Pension Fund (PSPF) and the Ontario Public Service Employees' Union Pension Fund (OPSEU-PF), which are defined benefit pension plans for employees of the Province and many provincial agencies. The Province of Ontario, which is the sole sponsor of the PSPF and a joint sponsor of the OPSEU-PF, determines the Agency's annual payments of the funds. As the sponsors are responsible for ensuring that the pension funds are financially viable, any surpluses or unfunded liabilities arising from statutory actuarial funding valuations are not assets or obligations of the agency. The Agency's annual payments of \$5.5

million (2019 \$5.3 million), are included in salaries and benefits in the Statement of Operations and Change in Net Assets.

9. RELATED PARTY TRANSACTIONS

As a result of the relationship of the Agency with the Province, the following related party transactions exist:

The Agency received revenue of \$2.4 million (2019 - \$2.5 million) from the Ontario Infrastructure and Lands Corporation (OILC) for water and wastewater treatment services provided. The services were provided at competitive rates similar to those of other clients.

The Agency received revenue of \$1.9 million (2019 - \$1.2 million) from the Ministry of the Environment, Conservation and Parks (MECP) for water and wastewater treatment services provided. The services were provided at competitive rates similar to those of other clients.

The Agency received revenue of \$1.4 million (2019 - \$1.3 million) from the Ministry of Energy, Northern Development and Mines (MENDM) for water and wastewater treatment services provided. The services were provided at competitive rates similar to those of other clients.

The Agency received funds of \$0.2 million (2019 - \$0.3 million) from the Independent Electricity System Operator, for the Pay for Energy Incentive Program.

The Agency received revenue of \$0.037 million (2019 – \$0.031 million) from the Ministry of Natural Resources and Forestry (MNRF) for water and wastewater treatment services provided. The services were provided at competitive rates similar to those of other clients.

The Agency received funds of \$0.1 million (2019 - \$0.0 million) from the Ontario Centre of Excellence, for the Stratford Net Zero program.

The Agency received funds of \$0.037 million (2019 - \$0.0 million) from the Ontario Power Generation, for the operation and maintenance of Wesleyville Lagoon.

Notes to Financial Statements
December 31, 2020

The Agency received funds of \$0.001 million (2019 - \$0.10 million) from the Infrastructure Ontario, for the Bluewater Lagoon Support.

The Agency received funds of \$0.005 million (2019 - \$0.0 million) from the Grand River Conservation Authority, for the Byng Island Lagoon Treatment.

The Agency has a \$120 million loan receivable with Ontario Infrastructure and Lands Corporation (OILC), as described in note 3c.

The Agency relies on the Province to process its payroll and administer its benefits, and to obtain some internal audit and legal services. The Province absorbs some of these administrative costs.

10. OTHER OPERATING EXPENSES

The following is a breakdown of various expenses included in Other Operating Expenses:

	<i>(in thousands of dollars)</i>	
	2020	2019
Chemicals and Water Treatment	22,108	18,948
Electricity	7,254	7,443
Maintenance	46,346	45,017
Materials	24,070	23,032
Services	28,004	28,456
Transportation	396	816
	128,178	123,712

11. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the basis of the financial statement presentation adopted in the current year.