



ONTARIO CLEAN WATER AGENCY
AGENCE ONTARIENNE DES EAUX

Annual Report

2023

Your
TRUSTED
WATER PARTNER
For Life

Together we deliver water and wastewater services
for the health and sustainability of communities.

Table of Contents

Message From the CEO and Board Chair.....3

Agency Overview.....5

Governance and Accountability 8

Core Business Activities10

Overview of Key Achievements for 202314

Measuring Performance – 2023 Results..... 25

Management Analysis of Financial Results..... 36

Management’s Responsibility for Financial Information 38

2023 Financial Statements..... 41

Message from the CEO and Board Chair

2023 was a year of change for the Ontario Clean Water Agency [OCWA]. We welcomed our new President and CEO, said farewell to our former Board Chair, and worked hard throughout the year to finalize the Agency's new Strategic Plan. Our focus was on meeting the long-term needs of our employees, our clients and other stakeholders, and the public that rely on us to provide clean, fresh drinking water and environmentally sound wastewater treatment for the communities that we serve.

On November 15, 2023, OCWA celebrated its 30th anniversary. There has been a significant transformation over the past 30 years with regard to how we work, the ever-increasing expectations that our clients have of us, and in the water industry as a whole. Addressing the challenges that come from these changes is one of the primary objectives of OCWA's updated Strategic Plan.

Significant work went into developing the new Strategic Plan. This included updating the Agency's Vision, Mission and Values, which were rolled-out in late 2022, identifying the key strategic directions and goals for the Agency, and establishing action plans to achieve those goals. Phased implementation of the new Strategic Plan began in early 2024.

2023 was another good year from a financial and a business development perspective, with the Agency achieving \$288 million in revenue and a net income of \$6.8 million. The Agency also successfully retained all but two of its client contracts up for renewal in 2023, and achieved \$3.86 million in annual revenue from new Operation and Maintenance [O&M] sales for the year.

In addition to our ongoing work delivering core O&M services to the Agency's clients across the province, work continued on a number of key Agency initiatives. This included enhancing the workplace experience for Agency employees through the implementation of the Agency's People Plan and Equity, Diversity, and Inclusion [EDI] Blueprint, and building and maintaining effective information technology networks and systems through the Agency's Business Transformation Program, all of which are described in greater detail later in this report.

Implementation of the Agency's First Nations Strategy continued, with work commencing to establish a Reconciliation roadmap that will guide the way in which the Agency works with its First Nations clients and other Indigenous stakeholders. Discussions with the Agency's First Nations Advisory Circle regarding what OCWA can do to better support Ontario First Nations were also ongoing throughout the year.

Other highlights from the past year include the continued success of Ontario's Wastewater Surveillance Program, which has been supported by Agency staff since the early days of the COVID-19 pandemic, and continues to be a model for other jurisdictions. OCWA's OneWater® Education Program, which has inspired grade eight students across Ontario to become stewards of the environment through the protection of our finite water resources since 2014, was also relaunched post-pandemic, with updated material and a new goal of reaching more students than ever before.

Late in the year, at the direction of the Minister of the Environment, Conservation and Parks, Agency staff began preparing a research/feasibility study for the Lake Simcoe Phosphorus Reduction Project, which includes a technology summary, capital and operating cost estimates, financial model, and site selection criteria identification, all of which are targeted for completion in mid-2024.

In addition to focusing on these and other key initiatives throughout the year, we also worked hard to address challenges facing the Agency, utilizing all of the avenues available to us, with support from staff at the Ministry of the Environment, Conservation and Parks. This included the need to attract and retain qualified staff to operate and maintain our client facilities across the Province. Actions undertaken to address our ongoing staffing challenges included implementing a new Onboarding program, hiring dedicated trainers to support new Operators, and making enhancements to our Operator Career Path initiative. Arbitrated adjustments to compensation rates for the Agency's Operations staff in early 2024 are also anticipated to help mitigate OCWA's attraction and retention challenges.

OCWA's Board and Executive Management Team look forward to working together with the rest of the Agency to support our staff, our clients and the people of Ontario in the years ahead. We are proud to have some of the most passionate and best-qualified water and wastewater experts in the industry, and with our new Strategic Plan in place we believe that OCWA is well positioned to meet the opportunities and challenges facing the Agency, and deliver exceptional service to our clients and the communities that we serve.



Iman Hashemi

President and Chief Executive Officer



Debbie Korolnek

Chair, OCWA Board of Directors

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 services, including engineering, training and other technical and advisory solutions 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 structure whereby some staff and resources are shared between large municipal plants and smaller municipal, First Nation and other satellite facilities to ensure geographic optimization. OCWA's 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.

The majority of Agency employees are directly involved in developing and delivering customer solutions and are among the most knowledgeable and experienced in the water and wastewater industry. A few staff have been providing operational services to OCWA's municipal clients since before the Agency was established in 1993, having worked for OCWA's predecessor organizations, the Utility Operations Division at the Ministry of the Environment and the Ontario Water Resources Commission, the latter of 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 or smaller than 2,400 in Moose Factory. OCWA also proudly includes many First Nations clients in its operations portfolio.

Given OCWA's role as a provincial agency, the protection of public health and safety is OCWA's top priority. OCWA's specially-equipped and highly-trained emergency response teams are available to respond within 24 hours to water or wastewater emergencies throughout Ontario, providing an essential resource 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 adds value 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.

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. The Agency's shared services model provides a cost effective way to manage that infrastructure. OCWA also helps clients to access federal and provincial funding opportunities that 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 greenhouse gases through best management practices and technology. This includes converting biosolids from wastewater treatment plants, along with food and other organics, from waste products into potential energy sources.

OCWA is also innovating in the area of information management by working to develop and implement integrated information technology systems to automate the 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's success with these initiatives will ensure that the Agency continues to provide the highest level of service to Ontario communities 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, Mission and Values

Vision and Mission

OCWA's Vision is to be **"Your Trusted Water Partner for Life"**, with a Mission that has been reshaped by the priorities that the Agency has heard from its employees and partners and the collaboration that is needed to meet those priorities: **"Together we deliver water and wastewater services for the health and sustainability of communities."**

Values

OCWA's Values are focused on building trust with clients and other stakeholders. The Agency's new Values describe what's most important to employees, and better reflect the accountability that the Agency owes to them.

Teamwork

We bring together our local knowledge, skills and talents and collaborate with our partners to meet the needs of the communities we serve

Reliability

We provide essential services that meet or go beyond compliance standards and follow through on our commitments to each other and our partners

Understanding

We listen to and collaborate with our partners to deliver solutions that meet their needs

Safety

We make health, safety and wellness in our workplace and in the communities where we live and work, our number one priority

Transparency

We communicate openly, honestly and authentically with each other and our partners

Environment

We protect the environment through innovative solutions to strengthen the health and sustainability of the communities we serve

Diversity

We embrace diverse perspectives and strive to create an equitable and inclusive environment where each of us feels respected and empowered to achieve our personal and professional goals

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 Officers 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, regular internal audits and periodic Value-for-Money Audits conducted by the Office of the Auditor General of Ontario;
- 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; and
- Utilizing an Enterprise Risk Management program to identify and assess business and operational risks.

Board Directors, Terms and Compensation

Including the Chair, OCWA had thirteen Board Directors at the end of 2023.

Total Director compensation for 2023 was \$93,520. 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.

Changes to the composition of the OCWA Board in 2023 include the departure of one member, Amy Syed, and the appointment of one new member, Candice White.

In early 2024, Joe Pennachetti, Chair of the Agency's Board of Directors, left the Board at the end of his most recent Order-in-Council appointment term, having served the Agency as Board Chair since 2018. Debbie Korolnek, who had been a member of the Board since 2017, was appointed as the new Board Chair,

2023 Per Diems – Current and Former Board Members

Board members and total per diems paid to each Director in 2023 were as follows:

Director	Date First Appointed	Term Expiry	2023 Per Diems
Joseph Pennachetti (Chair)	February 8, 2018	February 7, 2024	\$28,420
Richard Austin*	November 13, 2019	March 19, 2024	\$5,300
Nike Dattani	February 10, 2022	February 9, 2025	\$5,800
Melanie Debassige	October 23, 2013	October 22, 2025	\$3,100
Joe Farag	June 10, 2021	June 9, 2024	\$5,900
Laila Hulbert	January 21, 2021	January 20, 2024	\$3,700
Debbie Korolnek**	March 8, 2017	April 3, 2027	\$10,100
Hao "Artie" Li	July 29, 2021	July 28, 2024	\$5,900
Quirien Muylwyk	February 14, 2020	February 15, 2026	\$5,600
Amy Syed*	January 7, 2021	August 17, 2023	\$300
Michael Watt*	July 9, 2020	April 4, 2024	\$6,000
Candice White	July 13, 2023	July 12, 2026	\$1,900
Mitchell Zamojc	April 20, 2016	May 8, 2025	\$8,900
TOTAL BOARD COMPENSATION			\$93,520

* Former Board member. Term expiry updated to reflect resignation date.

** Appointed as Board Chair in early 2024.

Core Business Activities

Every day, OCWA treats over a billion litres of source water to produce safe drinking water and cleans a similar quantity of wastewater before returning it safely to the environment. On behalf of system owners, OCWA operates, maintains, and manages facilities ranging from small, rural well systems and lagoons to large-scale urban water, wastewater and stormwater systems serving millions of people.

OCWA's core business is the operation and maintenance of water, wastewater, stormwater and associated facilities. The Agency's Operations staff who handle the operations and maintenance [O&M] requirements of hundreds of water and wastewater systems throughout Ontario are assisted by corporate resource specialists who provide specialized support in a number of areas, including asset management, process optimization, energy management, capital delivery and project management.

Working together, OCWA's water and wastewater experts:

- Maintain services in client facilities with a focus on environmental responsibility and public health;
- Comply with all licensing, certification, and permit requirements, and with any relevant legislation while meeting all applicable government standards and reporting, and staying conversant with new regulations;
- Assist clients in acquiring appropriate insurance coverage and establish and maintain proper contingency and emergency plans;
- Provide a workplace health, safety and wellness program and a Quality and Environmental Management System (QEMS) through OCWA's compliance program;

- Deliver detailed reports that demonstrate environmental compliance, capital requirements, and future planning; and
- Manage all applicable human resources requirements for the Agency's clients, including providing appropriate training to meet regulatory requirements and ensure certified and knowledgeable operations and maintenance staff.

OCWA provides all labour, vehicles, and services required to operate, maintain and manage client water and wastewater treatment facilities. The facilities are attended by operational staff during the week and can be monitored remotely 24 hours per day. OCWA staff are available 24 hours per day, seven days per week and ready to respond to emergencies at client facilities as required.

OCWA operates and maintains client facilities in accordance with current federal and provincial guidelines and legislation, local statutes, regulations and by-laws, and within the design capacity and capabilities of the individual system. All contractual and regulatory reports are prepared and submitted to clients and government bodies as required.

OCWA's QEMS ensures that client facilities are being operated in an efficient, safe and environmentally responsible manner and includes processes for identifying and mitigating risks that may affect the facilities OCWA operates. The QEMS empowers OCWA to take a responsible, pro-active and effective management approach to better protect public health and the integrity of the environment.

OCWA utilizes a number of electronic tracking systems to ensure regulatory compliance, analyze performance and better utilize operational and other resources.

Work orders for each client are stored electronically in OCWA's computerized Work Management System (WMS) and are available for review by clients. Summary reports are provided quarterly or as agreed upon between OCWA and the client. Water and wastewater system performance data, including flow data and sampling results, are recorded using OCWA's Process Data Management (PDM) software, which allows OCWA to provide clients with a standard, systematic, and reliable way of collecting, storing, and retrieving their operational data. This information is also provided to clients quarterly for review and analysis. Electronic logbooks are also used in most Agency facilities to record information concerning the operation of client systems, replacing the paper logbooks traditionally used by water and wastewater operators with a more reliable and accountable system.

Maintenance services are based on leading industry best practices, including servicing guidelines provided by manufacturers, and OCWA's decades of O&M service delivery. Various maintenance and operational tactics ensure operation is maintained according to the design intent of the facilities. OCWA's asset protection strategy involves the assignment of preventive maintenance based on standard tasks in support of required asset service levels. The frequency and content of these tasks are reviewed and adjusted in collaboration with local operators to align with the asset's local operating context. This assists with developing a specific maintenance plan, which meets the goals of the program.

Client maintenance plans include associated asset portfolios and are updated as changes occur. Maintenance activities are recorded in OCWA's WMS, including work orders, which identify actual labour and comments required to complete work. Records of completed work in the form of completed work orders stored in the WMS reflect completed activities and include deviations or additions to planned procedures. Asset performance measures are also documented on the completed work order where applicable.

Routine maintenance consists of maintenance and care of the facility including all equipment adjustments, lubrication, repairs, calibrations, cleaning and painting to preserve the current condition, good working order, and appearance of all facilities. Checklists for existing assets are compiled in WMS, and developed for new assets using field collection as necessary. Equipment is grouped by route, building, location, or some other logical means that ensures full coverage (during operator round checks), with minimum travel.

To proactively identify and mitigate risks, OCWA's preventive maintenance program consists of regularly scheduled and follow-up maintenance activities as recommended by equipment manufacturers, or using industry best practices, including routine inspections, warranty maintenance activities and calibration. Defined maintenance plans reduce the risk of asset failure, support due diligence, and help ensure sustainability of assets.

Emergency or unplanned work is more expensive than planned work. For this reason, and to ensure service reliability at each facility, OCWA strives to minimize emergency work through our routine and preventative maintenance program. However, emergency maintenance may be required if there is an unexpected repair, replacement, or renewal required.

Upon client request, OCWA will develop detailed and comprehensive asset management plans (AMPs) as an additional fee-for-service offering. AMPs are developed utilizing the in-depth knowledge of local operations and maintenance teams, maintenance and operational data from the WMS system, and industry-leading philosophies. Data from all of these sources is compiled into financial plans, rate studies and capital plans that will support clients in making informed decisions regarding capital expenditures and planning, ensuring the sustainability of their water and wastewater infrastructure.

Core Business - 2023 Performance

2023 OPERATIONAL PERFORMANCE BENCHMARKING TARGETS AND RESULTS

Performance Category	2023 Agency Performance Target	Year-end Result	Target Achieved
Water System Inspections*	2 or fewer OCWA-operated water systems receive inspection ratings below 90%	6 inspections with ratings below 90% in 2023	No
	More than 75% of OCWA-operated water systems receive 100% inspection ratings	68.3% of inspections received a 100% rating in 2023 - OCWA achieved an overall drinking water system inspection rating average of 98.4% for 2023	No
Wastewater System Inspections*	5 or fewer OCWA-operated wastewater systems receive inspection reports with more than 5 non-compliance items	1 wastewater system inspection resulted a report with 5 or more non-compliance items	Yes
Adverse Water Quality Incidents [AWQIs]	20 or fewer disinfection AWQIs	27 AWQIs for disinfection were reported in 2023	No
	10 or fewer filter effectiveness [turbidity] AWQIs	10 AWQIs for filter [turbidity] effectiveness were reported in 2023	Yes
Boil Water Advisories [BWAs]	4 or fewer BWAs resulting from disinfection or microbiological AWQIs	18 BWAs resulting from disinfection or microbiological AWQIs in 2023	No
	75 or fewer BWAs resulting from all other causes [breaks, repairs, installations]	143 BWAs resulting from all other causes in 2023	No
Effluent Limits	3 or fewer wastewater facilities with less than 90% compliance for effluent limits	4 wastewater facilities reported exceedances that resulted a performance rating of less than 90% in 2023	No
Bypassing Events	30 or fewer bypassing events due to reasons other than hydraulic load [equipment issues, power outages, etc.]	39 bypass events for reasons other than hydraulic loading	No

Performance Category	2023 Agency Performance Target	Year-end Result	Target Achieved
Operator Licenses	Maintain Overall Responsible Operator licenses to the level required for all OCWA operated facilities	- Overall Responsible Operator coverage maintained at all OCWA-operated facilities - While there are currently enough staff with appropriate licenses to act as Overall Responsible Operator for all OCWA-operated facilities, the Agency will have difficulties if current Overall Responsible Operators retire or resign from the Agency and are not replaced with staff possessing adequate license levels to take on the role of Overall Responsible Operator	Yes

** Results are based on the calendar year as opposed to the Ministry of the Environment, Conservation and Parks' inspection year (April 1 to March 31); ratings for 44 water inspections and 13 wastewater inspections were pending at the time this report was prepared.*

Overview of Key Achievements for 2023

OCWA worked hard throughout 2023 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.

ENSURING THE HEALTH, SAFETY AND SUCCESS OF OUR EMPLOYEES

Fostering a Diverse and Inclusive Culture

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

In recognition of the importance of organizational equity, diversity, and inclusion, OCWA developed an Equity, Diversity and Inclusion (EDI) Strategy and Anti-Racism Plan to guide the Agency over a number of years. Key initiatives implemented as part of the EDI Strategy included:

- Improving leadership knowledge and capability with respect to diversity, equity and inclusion through ongoing education, tools and learning and development opportunities;
- Ensuring that the Agency's hiring processes and policies are barrier-free and that the Agency is able to attract and retain a diverse workforce by reviewing and improving upon current recruitment and onboarding techniques, including providing resources for managers on removing biases in hiring;
- Embedding EDI goals across all Human Resources processes, including recruitment, onboarding, succession planning, leadership development, performance management, learning and development, and employee relations;
- Increasing awareness of diversity and inclusion throughout the organization by effectively communicating OCWA's diversity, equity and inclusion goals, strategies and organizational initiatives;
- Engaging with staff through the Agency's EDI Advisory Council, consisting of different socio-demographic groups and positions across OCWA;
- Engaging with the Agency's Executive Management Team and Board of Directors by providing regular updates on OCWA's EDI Strategy and Anti-Racism Plan; and
- Developing a Diversity, Equity and Inclusion snapshot to identify socio-demographic gaps and determine future targets, including targets for leadership pathways.
- In 2023, OCWA evaluated the success of the Agency's EDI Strategy, gathering internal employee feedback through a pulse survey and focus groups, and working with a third-party consultant to determine where progress had been made, and provide recommendations for future improvements. The evaluation determined that:
 - The Agency's EDI Strategy and three-year action plan laid an excellent foundation for further EDI work;
 - OCWA has matured with regard to EDI best practices (when compared to where the Agency was before implementing the three-year plan);

- Most OCWA employees felt respected and have good relationships with their managers, but not all feel their managers demonstrate inclusive behavior; and
- OCWA is aligned with other Canadian/U.S municipalities and utilities with regard to EDI objectives and initiatives.

Following the evaluation, the Agency developed an EDI blueprint, to be implemented in 2024, that addresses outstanding gaps and other recommendations included in the evaluation report.

Attracting Top Talent and Building Leadership Strength

Without talent joining and staying with the organization, OCWA would not be able to deliver on its mission to work together to deliver water and wastewater services for the health and sustainability of communities. The ability to attract and retain talent improves engagement and morale, benefitting the workplace culture and leading to a stronger workforce. A stronger workforce is also more likely to live OCWA's values, reducing overall risk in many areas, including regulatory compliance, health and safety, and facility operation.

OCWA is working to develop integrated recruitment, total compensation and talent management programs that enable the Agency to create a high-performance, sustainable organization that meets its strategic and operational goals and objectives. The Agency's goals are to:

- Attract diverse internal and external people to positions in the Agency based on their knowledge and ability to effectively drive excellence;
- Recruit top talent who share and embody the Agency's vision, mission, 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;
- Provide existing employees with learning and development opportunities to succeed in their current roles and advance their careers;
- Create a strong pipeline of diverse internal candidates, creating opportunities for promotion 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.

OCWA's talent acquisition and retention strategies are focused on meeting the Agency's staffing needs from a medium and long-term perspective, instead of just recruiting to fill immediate vacancies. Enhancing the Agency's orientation and onboarding processes for new employees to ensure they are fully supported as they learn about OCWA and their new positions was a key focus in 2023. In addition to significantly updating the Agency's orientation and onboarding program, the Agency hired three dedicated Regional trainers to ensure that new Operations staff have necessary the operational knowledge and skills to perform their jobs effectively. Work is currently underway to better define OCWA's employee value proposition and employer brand to support attraction and retention initiatives.

In recognition of the role that strong leadership plays in meeting organizational objectives, OCWA also has comprehensive succession management and leadership development programs in place to ensure continuity across management roles.

The Agency's succession management process includes analyzing the potential vacancy risk for each management position in the Agency, assessing the broad impact of each position in the organization, developing and reviewing action plans for business-critical and at-risk Agency positions and implementing succession plans for critical positions, including learning plans.

In 2023, 50% (10 of 20) of competitions for management and executive positions were filled by internal candidates, with 80% of the successful internal candidates having been previously identified as potential successors.

OCWA's leadership development program also supports the Agency in maintaining a pipeline of potential successors for critical positions and includes two 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 senior leadership roles.

In 2023, OCWA evaluated the results of the Aspiring Manager and Leaders program streams that concluded in 2022. Over 90 percent of Aspiring Manager and over 84 percent of Aspiring Leader participants indicated that they gained new knowledge and skills and that the learning experience was a worthwhile investment. Likewise, over 92 percent of Aspiring Manager and over 83 percent of Aspiring Leader participants felt they would apply their learnings on the job and their performance would improve as a result.

A new group of 28 participants were selected to participate in the next round of the Aspiring Manager program in 2024, the results of which will be evaluated following the program's completion.

Ensuring the Health, Safety and Well-being of our Employees

Ensuring the safety, health and well-being of OCWA employees is an ongoing priority for OCWA. Over the past few years, OCWA has worked hard to develop an ingrained health and safety culture and improve the Agency's health and safety management system. Through an inclusive lens, the Agency is also focusing on enhancing its Mental Health and Wellness Strategy to support the mental health and well-being of OCWA staff.

OCWA was able to achieve its target for lost time injuries in 2023, achieving a Lost-Time Injury Rate (LTIR) of 0.19 (as compared to the target of 0.36), but did not meet its Recordable Incident Rate (RIR) target of 1.38, achieving a year-end RIR of 1.44¹. The Agency's 2023 RIR result was lower than the 1.49 RIR achieved in 2022, while the Agency's 2023 LTIR was higher than the 2022 LTIR of 0.09.

While the Agency's 2023 LTIR and RIR were low overall, including in comparison to many prior years, the increase in the Agency's LTIR between 2021 (where the Agency achieved a LTIR of 0) and 2023 has led the Agency to place an increased focus on health, safety and wellness for 2024 and beyond. Key to this will be a program focused on enhancing the Agency's health, safety and wellness culture, changing attitudes and behaviours, and improving the prevention mindset of OCWA employees.

¹ The Lost Time Injury Rate (LTIR) tracks lost time injuries for every 100 employees, while the Recordable Incident Rate (RIR) tracks the rate of recordable incidents for every 100 employees.

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 connection between how employees experience the workplace, employee productivity, innovation, effectiveness and efficiency, and the overall success of the organization. The Agency is committed to enhancing the employee experience from onboarding to skills development and career progression.

Key goals for the Agency include:

- Making employees feel valued and accepted and providing them with meaningful opportunities for recognition, contribution and growth;
- Ensuring that employees feel connected to the Agency's vision, mission and values and understand how their contributions are making an impact on the organization;
- Fostering an environment that encourages learning, achievement and excellence; and
- Taking a different approach to building workplace resiliency and agility.

Actions being undertaken to achieve these goals include:

- Enhancing the orientation and onboarding process for Agency staff, ensuring consistency across the organization with tools, resources and support to ensure employee success;
- Position-specific learning plans and skill development that drives people and business success through learning needs assessment and competency gap identification; and
- Visual career paths to facilitate reskilling and upskilling and provide employees with opportunities for career potential and growth.

OCWA has worked hard to ensure that as many employees as possible participate in the bi-annual Ontario Public Service (OPS) Employee Engagement Survey. The results of the survey help the Agency's leadership to understand what is important to staff and how to build a strong and healthy organization, while also identifying emerging issues and the impact of the Agency's efforts to improving the employee experience.

The most recent OPS Employee Engagement Survey was held in the second quarter of 2022. There was a slight decrease in the survey response rate and engagement index in 2022, as compared to the previous engagement survey (65 percent vs. 72 percent and 69.9 percent vs. 71.9 percent respectively). There was also a slight increase in the Agency's inclusion index (74.1 percent vs. 73.2 percent). OCWA will evaluate the results of the action plans implemented to respond to the 2022 survey results when the next employee engagement survey is conducted in early 2024.

DRIVING BUSINESS GROWTH BY DELIVERING TOTAL SOLUTIONS TO CLIENTS

OCWA's long-term business growth strategy is focused on maintaining the Agency's existing client base in Ontario, expanding the scope of services provided to these clients, and attracting new clients. A core component of this strategy is the delivery of value-added services to clients that go beyond the delivery of O&M services and focus on providing "total water solutions" at every stage of the infrastructure life cycle.

Maintaining and Expanding OCWA's Operations and Maintenance Client Base

Maintaining and expanding the Agency's base of core O&M service clients is an essential component of OCWA's long-term strategy for growth and sustainability. Over the past few years, OCWA has successfully retained more than 97 percent of clients whose contracts have come up for renewal.

OCWA maintains its existing client base and supports business growth by delivering quality services and developing strong community relationships, while proactively adapting the Agency's services to meet the needs of Ontario communities. OCWA is committed to continually strengthening its core O&M and operational support services to provide best in class service to existing clients, while also developing relationships with new clients and working them to address any water and wastewater problems that they may be facing.

OCWA's sales and renewal performance reflects the Agency's success in anticipating and meeting the needs of current and prospective clients across the province and the confidence they have in the Agency.

After adjusting its target for annual revenue from O&M clients up for renewal in 2023 from \$12.79 million to \$13.1 million, to include contracts up for renewal in 2022 that rolled-over into 2023, OCWA successfully surpassed this revenue target, signing renewal contracts that were collectively worth \$14.3 million annually. That resulted in a renewal rate of 94 percent (based on the number of clients up for renewal), slightly below the target of 97 percent, as the Agency lost one municipal O&M client, and another contract was not renewed due to the facility not having reopened following the COVID-19 pandemic.

The Agency also came close to achieving its target of \$4.0 million in new annual O&M revenue for 2023, bringing in \$3.86 million in new annual O&M business [96.5 percent of the target].

Supporting Client Infrastructure Sustainability and Resiliency through the Provision of Value-Added Services

Helping 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 to the Agency's clients across Ontario. OCWA's Regional Hub teams work closely with the Agency's process, energy, engineering, technology, asset management, and capital delivery specialists to provide clients with technical recommendations and expertise on how to access funding, maximize the efficiency and capacity of their systems, and extend the life of their water and wastewater infrastructure.

OCWA has a very diverse client base, including some of the largest water and wastewater systems in North America, as well as some of the smallest. OCWA's diverse team of water and wastewater experts provide industry-specific guidance to clients in managing their water and wastewater infrastructure, enabling them to make informed decisions with regard to their infrastructure investments.

OCWA works with municipal clients, who are the owners of the water and wastewater assets, to assist them in navigating the development and implementation of adaptation and mitigation strategies to increase the overall resilience of their infrastructure and mitigate the impact of severe weather events and other impacts of climate change. This is accomplished through the delivery of municipal energy conservation/generation and waste diversion strategies, facility process reviews and technical studies, asset management and long-term infrastructure planning services, and conducting pilot process studies to identify and implement the optimal technology solutions to meet client needs.

In addition to enhancing the overall resiliency of client facilities, OCWA is working to increase organics diversion, and support 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”). These initiatives are leading the way in the province and 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.

OCWA has worked with a number of municipal clients in recent years, including the Town of Petawawa, to conduct feasibility studies for future co-digestion and resource recovery initiatives. With the success of the Petawawa feasibility study and Council engagement, the Town approved moving forward with a co-digestion project in partnership with OCWA in late 2021 that aims to divert food waste from landfill and reduce greenhouse gas emissions by 11,000 tonnes per year on a carbon dioxide equivalent basis.

OCWA supported the Town in securing \$2.7 million in grant funding for the Petawawa co-digestion project through the federal Low Carbon Economy Fund. Construction of the upgraded facility was nearing completion in late 2023, and commissioning of the facility was underway, with a target for the facility to be operational and generating renewable electricity planned to be used within the plant in 2024.

Agency staff have completed feasibility studies for potential organics diversion and resource recovery projects in a number of other Ontario municipalities, with projects resulting from those studies at various stages of approval and implementation by the end of 2023. A pilot program underway with the Agency's largest client, the Region of Peel, to divert 50 percent of the biosolids produced at the Clarkson Wastewater Treatment Plant from incineration to beneficial use (agricultural land application, mine reclamation or processing into a certified fertilizer) resulted in 19,425 wet tonnes of

biosolids being diverted from the facility in 2023. This resulted in a net reduction in greenhouse gas emissions of 4,068 tonnes of carbon dioxide equivalent, an approximately 25 percent reduction from the previous year.

OCWA staff are also assisting multiple client municipalities with funding applications for infrastructure renewal and retrofits, with a focus on energy and greenhouse gas emissions reductions, helping to secure \$4.2 million in funding for Agency clients in 2023.

ENHANCING EFFICIENCY THROUGH BUSINESS PROCESS IMPROVEMENTS

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 Information Systems and Processes

Building and maintaining effective information technology networks and systems enables OCWA to achieve the Agency's strategic goals. OCWA is committed to expanding and improving not only the efficiency and effectiveness of the Agency's information technology systems and business processes, but also the reliability, security and mobility of its computer systems and networks. This enables staff to access, analyze and utilize information more effectively to make informed decisions and drive performance improvement and ensures that OCWA staff have the tools and information necessary to deliver total solutions to clients, both now and for years to come. Many of those investments are being made through the Agency's Business Transformation Program (BTP).

BTP is focused on making strategic investments in OCWA's business practices, IT systems, and staff training and development, to sustain and grow the Agency's business. Recognizing that significant time and resources will be required to implement all of the objectives of the program, BTP is being implemented using a multi-year phased approach, with solutions areas being prioritized to align with the Agency's strategic priorities and critical business needs.

OCWA's focus for BTP in 2023 included:

- Enhancing the Agency's in-house information management capabilities to maintain and further develop an authoritative repository for OCWA's business processes, data, information, structured hierarchies, documents, knowledge and intelligence across the Agency, to improve reliability and access to quality information, while reducing redundancy and manual effort;
- Continuing to implement the Agency's new Supervisory Control and Data Acquisition [SCADA] solution by rolling out new SCADA panels across the province, expanding communication connections and increasing the resilience of the Agency's network and remote systems through virtualization;
- Proceeding with the configuration and implementation of a Human Resources Management Information solution area, including a learning management platform; and
- Supporting the Agency's Health, Safety and Compliance programs by defining current and future digital and information support requirements.

As technologies and tools continuously evolve over time, the Agency also regularly evaluates and updates its long-term information technology strategy to consider emerging solutions in the water industry. This includes mobile and cloud computing considerations to ensure that staff have the tools and information they need when they need them, as well as long-term resiliency

and adaptability planning to ensure OCWA's transformative plans align with the evolving marketplace within which the Agency operates.

Enhancing 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 while abiding with the requirements of the OPS Procurement Directive, procuring a wide variety of goods and services, from chemicals to insurance to equipment and machinery, at competitive prices on their behalf.

Supply chain issues over the past few years for many of the goods and services that the Agency relies on have made procurement a key area of focus for the Agency. Significant effort has been made to maintain adequate supplies of chemicals, equipment, and other necessities, like personal protective equipment for employees, required to operate and maintain client water and wastewater facilities with no service interruptions, while also working to mitigate the impact of cost increases on the Agency and its clients.

While market conditions have stabilized since the pandemic, global volatility and other factors still have the potential to impact supply chain pricing and availability of goods and services required to manage client water and wastewater systems. OCWA continued to enhance its procurement processes in 2023, working to maintain supply chains and control chemical, equipment and other costs to the best of the Agency's ability. Key areas of focus included:

- Continuously monitoring existing chemical/commodity suppliers and regularly communicating with clients regarding the availability and cost of chemicals and other critical goods and services;

- Maintaining an internal chemical procurement committee to address supply issues and price increases due to market turbulence, and identifying alternate supply sources as required;
- Implementing process changes, where appropriate, for necessary chemicals in short supply; and
- Providing proactive information to Agency partners, and building and maintaining relationships with vendors to ensure the continued delivery of critical goods and services.

SERVING CLIENT COMMUNITIES AND SUPPORTING PROVINCIAL PRIORITIES

Protecting the Environment through Education and Outreach

Educating the public about the value of water and the importance of protecting the environment is one of the ways in which OCWA provides support to clients that goes beyond just operating their water and wastewater systems. OCWA's education and outreach activities, including the Agency's signature OneWater® Education Program and I Don't Flush awareness campaign, are helping to educate the public about the value of water and how the public can play a role in protecting water and wastewater infrastructure.

OCWA relaunched the OneWater® Education Program in 2023, following the temporary suspension of the majority of the Agency's in-person education and outreach activities during the COVID-19 pandemic. OneWater® 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. The Program brings educators together with OCWA operators that visit community classrooms to talk to

students about how water is treated in their specific community, and conducting hands-on demonstrations with the students.

Prior to the relaunch, the Program was given a full refresh to better align with the new provincial science curriculum, create more interactive opportunities for students and enhance the 'career' section – allowing operators to discuss different career opportunities in the water and wastewater industry. In addition, the Agency created a series of videos that complement the Program, including demonstrating how to build an aquifer, and providing a tour of a water and a wastewater facility. At the end of 2023, OCWA was actively looking for an Indigenous education partner to help review the completed Indigenous resource package before piloting it in schools.

Agency staff delivered eight workshops in six schools in 2023, engaging with 264 students. Another four additional workshops were scheduled for 2024, with eight additional schools expressing interest in participating in the Program. Knowledge transfer results from the post-presentation, in-class quiz are reporting participating students achieving a 77% average for correct answers.

Other education and outreach initiatives include the Agency's free "Water Talks" webinar series. This series is targeted at clients and prospective clients, with each webinar being led by OCWA subject matter experts. Topics range from introducing operational principles, technologies and innovation to educating participants on regulatory requirements and important or emerging environmental issues.

The 2023 Water Talks series featured five webinars with industry and OCWA subject matter experts. This included a mini-series of three webinars called Financial Fridays that focused on financial options open to municipalities to fund water, wastewater and stormwater projects. Other Water Talks included "Consolidated Linear Infrastructure - Environmental Compliance

Approvals [CLI-ECAs] from the Small Municipality Perspective”, with guests from the Ministry of the Environment, Conservation and Parks discussing the new CLI-ECA requirements and “Aligning Your Municipal Plans”, which focused on municipal Asset Management planning.

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

OCWA is committed to working in partnership with First Nations communities and other government organizations to support sustainable water and wastewater solutions that ensure the effective operation and maintenance of First Nations water systems.

In order to ensure that the Agency is effectively supporting Ontario First Nations, OCWA regularly gathers direct feedback from its First Nations clients on the individual challenges that they face in managing and maintaining their water and wastewater systems and what could be done to better support them in resolving these issues. In addition to gathering feedback from clients, OCWA has established a First Nations Advisory Circle to gain a greater understanding of the broader water issues facing First Nation communities from an Indigenous perspective.

The First Nations Advisory Circle, which reports to OCWA's Board of Directors through the Board's First Nations Committee, is comprised of a diverse group of individuals that identify as Indigenous, representing a variety of backgrounds, experiences and communities. The goal of the Advisory Circle is to advise OCWA on the integration of First Nations perspectives into the Agency's strategies, and provide OCWA with a better understanding of the challenges that First Nations face, not only with respect to addressing water and wastewater treatment in their communities, but also in the context of their unique experiences, culture and history in Canada.

In late 2023, OCWA procured a First Nations-led company to assist in developing a Reconciliation Action Plan for the Agency. Agency staff will work to incorporate feedback and direction from the First Nations Advisory Circle into a refreshed First Nations Strategy for the Agency, both of which are target to be delivered in 2024. The Chair of the First Nations Advisory Circle also provided Reconciliation training to OCWA internal engagement sessions participants.

To better manage the Agency's First Nations business activities, OCWA has established a dedicated First Nations business unit. The focus for this group is to strengthen the Agency's relationship with its First Nation clients by:

- 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 and asset management initiatives, and the delivery of remote monitoring and oversight services as required;
- Providing operational training to First Nations; and
- Providing emergency response services to First Nation communities when requested.

OCWA's First Nations business leads are working to partner with Indigenous organizations to provide learning opportunities for Indigenous water operators and students, including internships, and in-plant mentoring and training. This includes an ongoing dialogue with internship placement organizations and OCWA Regional Hubs to promote in-plant mentoring and training in OCWA facilities.

In 2023, OCWA and Water First, a non-government organization dedicated to working in partnership with Indigenous communities to address local water challenges, also worked together to provide employment to a graduate of Water First's Drinking Water Internship Program.

Responding to Water and Wastewater Emergencies

Emergency preparedness is one of the top issues facing the water/wastewater industry and municipalities. A traditional area of focus with regard to emergency planning has been on the effects of severe weather events, such as flooding or drought, brought about by climate change and unanticipated infrastructure outages. However, the COVID-19 pandemic challenged municipalities and other water/wastewater operators to develop pandemic contingency plans covering a wide variety of areas, including workforce scheduling and planning, capital project execution, procurement, and ensuring the continuity of safe water/wastewater operations while protecting employee health, safety and wellness.

OCWA's Emergency Management Program includes both Corporate and facility plans to ensure emergencies are mitigated in an efficient and timely manner. The Agency's well-developed Emergency Management and Continuity of Operations plans were essential in helping the Agency to maintain compliant operations and minimize the impact of the pandemic on client water and wastewater facilities.

Key to OCWA's emergency response capacity are the Agency's five Emergency Response Teams [OERTs]. The OCWA-funded OERT program provides the province with the capability to effectively and efficiently remediate water and wastewater emergencies in Ontario municipalities and First Nation communities. Located in five locations 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.

OCWA continued to refine its emergency response capabilities in 2023, enhancing the Agency's ability to respond to a variety of emergency situations across the province. This included 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 annual practical training sessions.

In addition to completing a tabletop emergency management exercise with the Agency's Emergency Management Program Committee, hands on training was provided to the OERT teams in September of 2023. OCWA staff also met with representatives from Emergency Management Ontario to discuss the Provincial Emergency Management Strategy and Action Plan and how OCWA could support its implementation. OCWA Operations staff also provided support and emergency operations relief for a number of Ontario First Nations and municipalities throughout 2023, ensuring that their water and wastewater facilities remained operational and in compliance with federal and provincial legislation.

Implementing a Provincial Wastewater-based Epidemiology Program

Wastewater-based epidemiology uses biological or chemical indicators in wastewater to provide information on the overall health of a community. The use of wastewater-based epidemiology gained global attention during the COVID-19 pandemic, and holds great promise as a useful public health surveillance tool in the future.

OCWA worked closely with staff at the Ministry of the Environment, Conservation and Parks, the Ministry of Health and other government organizations, and over 13 Ontario universities to establish a wastewater-based epidemiology program for the province. The program, led by the Ministry of the Environment, Conservation and Parks, enabled the government to detect

[COVID-19] genetic signatures in wastewater and proactively identify existence or increased prevalence of COVID-19 in specific communities. Ontario's program is considered a leader on the international stage, demonstrating OCWA's ability to support key governmental priorities that directly impact public health.

The Agency is also working with the Public Health Agency of Canada (PHAC) to expand the Ontario wastewater surveillance inter-lab program to all of Canada, transitioning the program into an expanded national accredited proficiency-testing program. OCWA initiated the process for accreditation in 2023, and is on schedule to become accredited in 2024.

Other work undertaken in 2023 included initiating validation of the system performance of a portable point-of-use instrument for wastewater surveillance, which may further support Provincial wastewater surveillance initiatives by providing an alternate delivery option for wastewater surveillance in remote, northern, isolated, and First Nations communities.

Measuring Performance – 2023 Results

STRATEGY 1

Ensuring The Health, Safety and Success of Our Employees

FOSTERING A DIVERSE AND INCLUSIVE CULTURE

GOAL

- To be an inclusive organization that is diverse, equitable, and respectful, that captures the uniqueness of individuals, and creates a culture where everyone feels safe, valued, accepted and encouraged to reach their full potential

PERFORMANCE MEASURES

- Maintain or improve the Agency's inclusion index with a target for 2024 of 74 or higher
- Meet leadership pathway targets, including:
 - 25% of all identified successors come from an under-represented group
 - 35% of leadership nominees will be from an under-represented group
- 100% of manager interview panels consist of one member of an under-represented group

YEAR-END RESULTS

- Inclusion Index
 - The 2024 Ontario Public Service Employee Engagement Survey was conducted in January/February, 2024. Will assess the Agency's performance against survey targets, including the inclusion index, once survey results are received.
- Leadership Pathway
 - 26.3% of management successors identified in 2023 (not including Executives) were women/gender diverse
 - Voluntary and anonymous survey sent to identified successors to collect additional demographic information; 49 of 155 people responded (a 32 percent response rate); of the respondents, 57 percent were from an under-represented group
 - 46% of the nominees for the Agency's Aspiring Manager program identified as being part of an equity-seeking group
- Manager Interview Panels
 - 85% of manager/executive competition interview panels consisted of at least one member of an under-represented group

ATTRACTING TOP TALENT AND BUILDING LEADERSHIP STRENGTH

GOAL

- Integrated recruitment, total compensation and talent management programs to create a high-performance, sustainable organization that meets its strategic and operational goals and objectives

PERFORMANCE MEASURES

- Year-over-year increase in the percentage of management and senior leadership positions filled by identified successors
- Year-over-year increase in retention of key talent (identified successors)
- 100% of Executive Management Team and Senior Leadership Team positions have identified successors and succession plans in place

YEAR-END RESULTS

- Management and Senior Leadership Positions Filled by Identified Successors
 - 50 percent (10 of 20) of management/executive positions were filled with internal candidates in 2023; of those, 80 percent (8) had been identified as potential successors
- In 2022, 82.4 percent (14 of 17) of management positions were filled with internal candidates; of those, 71 percent (10) had been identified as potential successors
- Retention of Key Talent
 - 97.6 percent of identified successors to senior leadership roles were retained in 2023 (as compared to 100 percent in 2022 and 96.4 percent in 2021)
- Successors and Succession Plans
 - Potential successors identified for 95 percent of manager positions in OCWA (including senior leaders)

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

GOAL

- Have an ingrained health and safety culture within OCWA

PERFORMANCE MEASURES

- Maintain or reduce the Agency's Recordable Incident Rate, with a target for 2023 of 1.38 or lower
- Maintain or reduce the Agency's Lost Time Injury Rate, with a target for 2023 of 0.36 or lower

YEAR-END RESULTS

- Recordable Incident Rate, which tracks the rate of recordable incidents for every 100 employees, was 1.44 (higher than the 2023 year-end target of 1.38 but lower than the 2022 year-end RIR of 1.49)
- Lost Time Injury Rate, which tracks lost time injuries for every 100 employees, was 0.19 (lower than the 2023 year-end target of 0.36 but higher than the 2022 year-end LTIR of 0.10)

ENHANCING THE WORKPLACE EXPERIENCE

GOAL

- Improve the employee engagement, motivation and commitment to contribute their full potential

PERFORMANCE MEASURES

- Maintain or improve the Agency's employee engagement index, with a target for 2024 of 70 or higher
- Year-over-year reduction in Voluntary Turnover rates

YEAR-END RESULTS

- The 2024 Ontario Public Service Employee Engagement Survey was conducted in January/February, 2024. Will assess the Agency's performance against survey targets, including the employee engagement index, once survey results are received.
- OCWA's Voluntary Turnover (resignation and retirements) rate for front-line Operations positions was 13.4 percent in 2023 (as compared to 13.5 percent for 2022)

STRATEGY 2

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 (O&M) clients and attract new O&M clients to the Agency

PERFORMANCE MEASURE

- Achieve \$12.7 million revenue target for contracts up for renewal in 2023
- Retain 97 percent of client contracts up for renewal in 2023 (based on total number of clients)
- Achieve \$4.0 million revenue target for new O&M business in 2023

YEAR-END RESULTS

- 2023 revenue target adjusted to \$13.1 million to include contracts up for renewal in 2022 that rolled-over into 2023; achieved \$14.3 million in annual revenue from contract renewals
- Retained 94 percent of client contracts up for renewal in 2023 (based on total number of clients); Two contracts were not renewed – lost one municipal O&M client and another contract was not renewed due to the facility not having reopened following the COVID-19 pandemic
- Achieved \$3.86 million in annual revenue from new O&M sales in 2023

SUPPORTING CLIENT INFRASTRUCTURE SUSTAINABILITY AND RESILIENCY 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 MEASURE

- Petawawa Net Zero project diverting 7,000 tonnes of organics from landfill once implementation is complete [planned for 2023]
- Conduct five or more feasibility/pilot studies for organics diversion and resource recovery initiatives that result in two or more renewable energy generation project implementations by the end of 2023
- Work collaboratively with municipalities in the province to source and secure a minimum of \$1.5 million in resilient infrastructure funding per year to advance infrastructure and state of good repair projects

YEAR-END RESULTS

- Petawawa Net Zero Project;
 - Town of Petawawa approved moving forward with a co-digestion project in partnership with OCWA in late 2021
 - OCWA supported the Town in securing \$2.7 million in grant funding through the federal Low Carbon Economy Fund
 - Construction of the upgraded facility nearing completion in late 2023; commissioning of the facility underway, with a target for the facility to be operational and generating renewable electricity for use at the plant in 2024
- Feasibility/Pilot Studies:
 - Six feasibility/pilot studies for organics diversion and resource recovery initiatives completed, resulting in four projects initiated by the end of 2023, with others under consideration by the client municipalities
 - Pursuing additional pilot studies annually as a proof of concept and to address identified client needs, with a focus on odor control, waste diversion/resource recovery, and lagoons maintenance and cleaning
- Resilient Infrastructure Funding:
 - \$4.2 million in resilient infrastructure funding secured for Agency clients in 2023

STRATEGY 3

Enhancing Efficiency Through Business Process Improvements

TRANSFORMING 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 MEASURES

- Supervisory Control and Data Acquisition (SCADA) network coverage expanded to include 90 percent of OCWA-managed facilities across the province by the end of 2023, resulting in improved client coverage and service levels
- Vendor selected for the Agency's new Human Resources Information System (HRIS) in 2023, with the new HRIS fully implemented by the end of 2024

YEAR-END RESULTS

- SCADA Network Coverage:
 - 141 SCADA panels deployed by the end of 2023
 - 69 remaining panels to be deployed by the end of 2024, for a total of 210 panels deployed (up from the original target of 150)
- HRIS:
 - Vendors selected and on-boarded
 - Initial kick-off completed and design sessions initiated
 - On-track to have the new HRIS fully implemented by the end of 2024

GOAL

- Implement the Agency's Digital Strategy to enable the Business Transformation Program, align and support Business Transformation Program initiatives and create a foundation for sustainable growth

PERFORMANCE MEASURE

- SCADA solutions implemented to capture data and provide automated calculations for reduced manual effort, which is used to measure the energy optimization resulting from work done by the Agency's process optimization team, including replacement of old equipment with newer, more energy-efficient options and other efficiencies gained through energy reviews, with the overall effort resulting in a measurable 10% reduction in energy usage in larger plants by the end of 2023
- Improve business continuity by ensuring IT systems availability at 99.99% or no more than 15 minutes per month of unscheduled outage by the end of 2023
- Cyber Security improvements reduce the duration of IT downtimes related to viruses infecting OCWA IT systems, and increase connectivity, visibility and monitoring of OCWA's province-wide network to 90% by the end of 2023

YEAR-END RESULTS

- SCADA Solutions:
 - Corporate Energy Management (CEM) program implementation delayed as per the Agency's decision to initially focus on the rest of the SCADA program
 - CEM business case to be updated in 2024
 - Power monitoring equipment and panels installed in two pilot locations to establish an energy usage baseline
 - Preparing for next deployment sites and procurement of CEM software in 2024
- Business Continuity:
 - Data centres fully optimized to provide 99.99 percent systems availability
 - Disaster Recovery site fully operational
- Cyber Security:
 - Completion of network upgrades delayed due to supply chain issues
 - 175 sites upgraded by the end of 2023
 - Remaining sites to be completed in 2024

ENHANCING PROCUREMENT PROCESSES

GOAL

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

PERFORMANCE MEASURES

- Year-over-year increase in the establishment and use of Agency/Ontario Public Service Vendor of Record agreements
- 5% decrease in the average time to complete procurement processes

YEAR-END RESULTS

- Establishment and Use of Agency/Ontario Public Service Vendor of Record Agreements
 - 15 new and updated Vendor of Record arrangements publicly procured in 2023, compared to 14 in 2022
 - 63 publicly posted procurements in 2023, compared to 51 in 2022, an increase of 23.5 percent
 - One-off procurements represented 44 percent of all publicly posted procurements in 2023 (28 out of 63), as compared to 41 percent for all of 2022 (21 out of 51); many were construction related and not good candidates for the use of Vendor of Record agreements
- Timing to Complete Procurement Processes
 - While there was no decrease in the average time to complete procurement processes in 2023, the Agency has been focused on providing increased procurement training and implementing the new Ontario Public service Procurement Directives
 - Continuing to work towards streamlining processes and decreasing the lead up time for posting public procurements through the use of templates and knowledgeable staff

Strategy 4

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® program and offering OCWA's "Water Talks" webinar series to clients and prospective clients

PERFORMANCE MEASURE

- Pilot refreshed OneWater® Program, with new Indigenous content, in two communities by the end of Q2, 2023, with 80 percent of students that complete the program indicating they understand more about how water/wastewater treatment works in their community as a result of the program
- Offer "Water Talks" webinar series throughout 2023, focusing on operational, regulatory and environmental topics led by OCWA subject matter experts, with a minimum of 80 percent of attendees indicating post-webinar that the webinar was a productive use of their time

YEAR-END RESULTS

- OneWater® Program
 - Successfully delivered eight workshops in six schools in 2023, engaging with a total of 264 students
 - Average of 77 percent correct answers to knowledge-testing questions from the post-presentation, in-class quiz
- Water Talks
 - The 2023 Water Talks series featured five webinars with industry and OCWA subject matter experts
 - More than 80 percent of post-webinar survey respondents rated the Water Talks webinars to be a good use of their time

WORKING WITH FIRST NATION 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

- Partner with Indigenous organizations to provide learning opportunities for Indigenous water operators and students, including internships and in-plant mentoring and training
- Incorporate feedback and direction from the First Nations Advisory Circle into a refreshed First Nations Strategy for the Agency

YEAR-END RESULTS

- Learning Opportunities for Indigenous Water Operators and Students:
 - Operational support/O&M services agreements signed with two Ontario First Nations to train, mentor and support First Nations Operators in their communities
 - OCWA and Water First, a non-government organization dedicated to working in partnership with Indigenous communities to address local water challenges, worked together in 2023 to provide employment to a graduate of Water First's Drinking Water Internship Program
 - Working to partner with Indigenous organizations to provide learning opportunities for Indigenous water operators and students, including internships and in-plant mentoring and training, through dialogue with internship placement organizations and discussions with OCWA Regional Hubs
- First Nations Strategy:
 - Agency staff working to incorporate feedback and direction from the First Nations Advisory Circle into a refreshed First Nations Strategy and newly developed Reconciliation Action Plan for the Agency, both of which are targeted for delivery in 2024.

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 MEASURES

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

YEAR-END RESULTS

- While not deployed to respond to any municipal emergencies in 2023, OCWA's Emergency Response Teams were available to be deployed and on-site within 24 hours from the time that emergency assistance is requested
- OCWA Operations staff provided emergency operations support to a number of Ontario First Nations and emergency Overall Responsible Operator services to one Ontario municipality in 2023
- Hands-on training for the OCWA Emergency Response Teams completed and tabletop emergency management exercise held with the Agency's Emergency Management Program Committee in September, 2023

IMPLEMENTING A PROVINCIAL WASTEWATER-BASED EPIDEMIOLOGY PROGRAM

GOAL

- Support the Ministry of the Environment, Conservation and Parks (MECP) in implementing a wastewater-based epidemiology program for Ontario

PERFORMANCE MEASURE

- Provide technical advice and assist the province as required to maintain and add value to the current wastewater-based epidemiology program for Ontario, including conducting quarterly inter-lab sampling and working with facility owners and academic partners where sampling occurs to ensure community acceptance and understanding of the program

YEAR-END RESULTS

- Worked closely with staff at the Ministry of the Environment, Conservation and Parks, the Ministry of Health and other government organizations, and over 13 Ontario universities to establish a wastewater-based epidemiology program for the province
- Working with the Public Health Agency of Canada (PHAC) to expand the Ontario wastewater surveillance inter-lab program to all of Canada, transitioning the program into an expanded national accredited proficiency-testing program; OCWA initiated the process for accreditation in 2023 and is on schedule to become accredited in 2024
- Work initiated in 2023 to validate the system performance of a portable point-of-use instrument for wastewater surveillance, which may further support Provincial wastewater surveillance initiatives by providing an alternate delivery option for wastewater surveillance in remote, northern, isolated, and First Nations communities

Management Analysis of Financial Results

Overview

2023 was a year of positive financial results for OCWA. The Agency realized a Net Income of \$6.8 million, a decrease of 6.0 percent when compared to 2022, as a result of retroactive salary increases for 2022 and 2023 for Agency staff. OCWA's continued focus on retaining and providing added value for current clients, along with attracting new clients, drove solid core performance, helping to offset continued cost pressures throughout 2023, which impacted Revenue Over Expenses for the Agency's Utility Operations. Strong Investment Income due to increasing interest rates also contributed positively to OCWA's Net Income performance in 2023.

2023 included a 10.6 percent increase in Total Operating Revenue over 2022, which was driven by increases in Operations and Major Maintenance revenue but was partially offset by increases in salaries and benefits, as well as continued increasing chemical costs. Investment income, including term deposits and the Agency's loan receivable with the Ontario Infrastructure and Lands Corporation, increased significantly compared to 2022, due to an increase in interest rates.

Balance Sheet

The Agency's Net Assets increased to \$264.1 million in 2023, an increase of 2.7 percent as compared to 2022, due to the Agency's strong Net Income of \$6.8 million. Cash and short-term investments increased by \$4.0 million, primarily due to reinvestment of interest from investments.

Outstanding accounts receivable increased in 2023 as compared to 2022. Current accounts receivable represented 91.6 percent of the Agency's total accounts receivable outstanding at December 31, 2023, as compared to 89.1 percent at December 31, 2022.

In 2023, the Agency extended a \$120 million loan to the Ontario Infrastructure and Lands Corporation, which matured on March 1, 2023. This loan was renewed for 10 years (see note 3d to the financial statements).

The Agency's net tangible capital assets increased by \$0.7 million compared to 2022, as a result of a change in accounting treatment related to the Agency's vehicles, partially offset by amortization in 2023. The Agency has reclassified existing vehicle leases from operating leases to capital leases in 2023.

The Agency continues to meet its obligations without the use of debt, and as in prior years, had no outstanding financial obligations in 2023.

Revenue

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

2023 was a successful year in renewals for the Agency, with the Agency retaining 94 percent of client contracts available for renewal during the year. The Agency also focused on generating new business through new client acquisition, and delivering new value-added services to existing clients. This targeted approach to business growth remains a core focus of the Agency's strategy for 2024 and beyond.

Total Operating Revenues increased by 10.6 percent as compared to 2022, due to increased delivery of short-term Major Maintenance and capital services contracts for clients upgrading aging water and wastewater systems, contractual and inflationary increases included in long-term client Operations and Maintenance contracts, and new contracts beginning in 2023.

The Agency's Other Business Revenue is comprised of revenue from the Project Planning and Delivery, Training, Asset Management, and SCADA groups. In 2023, revenues from these services increased by 5.3 percent when compared to the prior year.

Expenses

Total Operating Expenses increased by 13.0 percent, driven by increases in salaries, benefits, and Other Operating Expenses, such as chemicals and services.

Salaries and Benefits increased 12.0 percent, primarily driven by business growth and costs to stabilize operations and mitigate risk due to turnover and vacancies. In 2023, the Agency incurred additional salary expenses of \$4.4 million, which were required to adjust for retroactive salary increases for 2022 and 2023 for Agency staff.

In 2020, the Agency's Board of Directors approved total capital and re-engineering expenditures of up to \$33.8 million for the Agency's Business Transformation Program (BTP). While this program and expenditures continued in 2023, and assets related to Information Technology and BTP were added within the year, this was partially offset by other assets reaching their useful life, causing a decrease in total amortization expense in 2023. In 2023, OCWA developed a new Strategic Plan for the Agency, with phased implementation beginning in early 2024.

Increased spending on commodities drove a 14.0 percent increase in Other Operating Expenses, and other costs directly related to the operation of client facilities. Spending on infrastructure upgrades and other maintenance services resulted in a 10.2 percent increase in repair and maintenance and construction costs as compared to 2022.

Chemical costs are driven by price and usage. In 2023, chemical costs increased 29.4 percent, driven by increased revenue (new contracts and new locations) and continued higher costs, similar to prior year. 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 2023, insurance costs increased by 15.8 percent, mostly due to additional commercial general liability and cyber security coverage.

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 continued to increase in 2023, resulting in investments coming due in 2023 being reinvested at higher interest rates. Investment income increased by 129.9 percent as compared to 2022.

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.



Iman Hashemi

President and Chief Executive Officer



Natalie Peers

Vice-President, Finance

Toronto, Ontario
May 8, 2024



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, 2023 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, 2023, 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
May 8, 2024

Jeremy Blair, CPA, CA, LPA
Assistant Auditor General

2023 Financial Statements

Statement of Financial Position as at December 31, 2023

[in thousands of dollars]

	December 31, 2023	December 31, 2022
Assets		(Note 14)
Current assets:		
Cash and short-term investments (note 3a)	107,341	103,258
Accounts receivable, net		
Municipalities and other customers (note 3b)	56,810	45,515
Other Ministries	1,099	953
Harmonized sales tax receivable	3,836	3,458
Prepaid Expenses and deposits (note 6a)	3,802	2,470
Investments receivable for water and wastewater facilities (note 2)	-	141
Loan receivable – Ontario Infrastructure and Land Corporation (note 3d)	-	120,000
	172,888	275,668
Non-current assets:		
Investments in term deposits and other notes (note 3a)	3,500	7,900
Loan receivable – Ontario Infrastructure and Lands Corporation (note 3d)	120,000	-
Tangible Capital Assets, net (note 4)	18,503	17,801
	142,003	25,701
Total Assets	314,891	301,369
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 7)	28,949	24,110
Current portion of employee future benefits (note 11a)	6,574	6,287
Current portion of obligations under capital leases (note 10)	2,771	2,129
	38,294	32,526

2023 Financial Statements

Statement of Financial Position as at December 31, 2023

[in thousands of dollars]

	December 31, 2023	December 31, 2022
Assets		[Note 14]
Current assets:		
Cash and short-term investments (note 3a)	107,341	103,258
Accounts receivable, net		
Municipalities and other customers (note 3b)	56,810	45,513
Other Ministries	1,099	953
Harmonized sales tax receivable	3,836	3,458
Prepaid Expenses and deposits (note 6a)	3,802	2,470
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Tangible Capital Assets, net (note 4)	18,503	17,801
	142,003	25,701
Total Assets	314,891	301,369
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 7)	28,949	24,110
Current portion of employee future benefits (note 11a)	6,574	6,287
Current portion of obligations under capital leases (note 10)	2,771	2,129
	38,294	32,526

	December 31, 2023	December 31, 2022
Long-term liabilities:		
Deferred Lease Inducement Liability (note 8)	948	1,094
Obligations under capital leases (note 10)	6,655	5,104
Employee future benefits (note 11a)	4,756	5,236
Asset Retirement Obligation (note 9)	100	100
Net Assets	264,138	257,309
Total Liabilities and Net Assets	314,891	301,369

Commitments and Contingencies
(note 5)(note 6)

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, 2023

(in thousands of dollars)

	December 31, 2023	December 31, 2022
Utility Operations Revenues:		
Asset Operations & Maintenance Services Revenue	281,203	254,208
Other Client Utility Management Services Revenue	6,822	6,476
Total Operating Revenues	288,025	260,684
Operating Expenses:		
Salaries and benefits (note 11a and note 11b)	108,087	96,509
Other operating expenses (note 13)	180,127	157,945
Amortization of tangible capital assets	2,949	3,302
Total Operating Expenses	291,163	257,756
(Deficiency)/Excess of revenue over expenses – Utility Operations	(3,138)	2,928
Interest from Investments and loans receivable	9,967	4,335
Excess of revenue over expenses	6,829	7,263
Net Assets, opening balance	257,309	250,063
Adjustment to Net Assets (note 9)	-	(17)
Net Assets, ending balance	264,138	257,309

see accompanying notes to financial statements

Statement of Cash Flows for the Year Ending December 31, 2023

[in thousands of dollars]

	December 31, 2023	December 31, 2022
Cash Provided by [used for] Operating Activities		(Note 14)
[Deficiency]/Excess of revenue over expenses-Utility Operations	(3,138)	2,928
Items Not Affecting Cash		
Amortization of Tangible Capital Assets	2,949	3,302
Deferred Lease Inducement	(146)	(145)
Future employee benefits expense	(480)	(773)
	815	5,312
Changes in non-cash operating working capital		
Accounts Receivable	(11,819)	(2,394)
Prepaid Expenses	(1,332)	251
Accounts Payable and Accrued Liabilities	4,839	1,466
Current portion of future employee benefits	287	(108)
	(8,025)	(785)
Net Cash Flows from operating activities	(8,840)	4,527
Cash from Investing Activities		
Interest	9,967	4,335
Principal Repaid on Loans	14	18
Decrease/(Increase) in non-current Term Deposits	4,400	16,476
Net cash flows from investing activities	14,381	20,829
Cash Used in Capital Activities		
Tangible Capital Assets Acquired	(3,651)	(3,633)
Cash Used in Capital Activities		
Repayments of obligations of capital leases [note 10]	2,193	2,299
Increase in Cash and Short-Term Investments	4,083	24,022
Cash and Short-Term Investments, Opening Balance	103,258	79,236
Cash and Short-Term Investments, Closing Balance [note 3]	107,341	103,258
Supplemental cash flow information:		
Tangible capital assets acquired by way of capital lease	4,322	3,807

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 storm water;
- [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. An investment maturity date within one year is considered short-term.

[B] TANGIBLE CAPITAL ASSETS INCLUDING CAPITAL LEASES

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 Hardwar	3-7 years
Machinery and Equipment	5 years
Leasehold Improvements	Life of the lease

Leases of tangible capital assets which transfer substantially all of the benefits and risks of ownership are accounted for as leased tangible capital assets. Obligations under capital leases are recorded at the present value of the minimum lease payments. The discount rate used to determine the present value of the lease payments is the interest rate implicit in the lease.

[C] REVENUE RECOGNITION

Asset Operations & Maintenance Services

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, and the collection is reasonably assured.

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, and the collection is reasonably assured.

Client Utility Management Services

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, and collection is reasonably assured.

[D] FINANCIAL INSTRUMENTS

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

All financial instruments have been valued at cost and amortized 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.

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

[E] EMPLOYEE BENEFITS

The Ontario Clean Water Agency follows PSAS requirements for accounting for employee future benefits, which includes post-employment benefits payable upon termination. Under these requirements, the cost of post-employment benefits is charged to operations annually as incurred.

[F] LOAN RECEIVABLE

Loans receivable are recorded at cost, less any provision for loan allowance. Provisions for loan allowances are used to reflect collectability and risk of loss, therefore loans are recognized at the lower of cost and the net recoverable value.

Changes in the provision for loan allowance and loan amounts written off are recognized in the Statement of Operations. Monies received during the year from loans provided for in a prior year are recorded as loan recoveries on the Statement of Operations. Interest on the loan receivable is accrued when earned.

[G] FOREIGN CURRENCY

Foreign currency accounts are translated into Canadian dollars as follows:

- At the transaction date, each asset, liability, revenue and expense are translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year-end date, monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at that date. The resulting foreign exchange gains and losses are included in the Statement of Operations.
- Effective January 1, 2021, the Agency made an irrevocable election to recognize any unrealized exchange gains or losses arising from all financial assets or liabilities directly in the Statement of Operations.

[H] 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 of tangible capital assets, accrued liabilities, employee future benefits and asset retirement obligation. 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.

There are no investments receivable as at the end of 2023 (2022 - \$14,000) and no provisions were established

3. FINANCIAL INSTRUMENTS

[A] CASH AND INVESTMENTS

The Agency has \$110.8 million invested in bank balances, term deposits and other notes as follows:

(in thousands of dollars)

	December 31, 2023	December 31, 2022
Cash Balances	18,010	25,347
Term deposits due within a year (Interest rates 0.65%-5.78%)	89,331	77,911
Cash and Short-Term Investments	107,341	103,258
Term deposits and other notes due within two to four years	3,500	7,900
	110,841	111,158

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 that one party to a financial instrument will cause a loss for the other party by failing to discharge an obligation. The Agency's maximum exposure to credit risk consists of the total of cash and investments, accounts receivable, investments in term deposits, investments receivable and loans receivable.

All bank balances and investments are held by large Canadian chartered banks.

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.

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

	(in thousands of dollars)	
	2023	2022
0-60 days	52,057	40,757
61-90 days	1,944	1,095
91-120 days	603	1,087
121-150 days	251	307
More Than 151 days	1,955	2,269
Total Net Accounts Receivable	56,810	45,515

Accounts receivable aged over one year, excluding specific accounts identified as collectible, were provided as a provision. A \$284,000 provision was made in 2023 (2022 - \$201,000).

The Agency believes that this approach mitigates the risk of incorrect provision.

[C] CURRENCY RISK

Currency risk is the risk that the fair value of a financial instrument will fluctuate because of changes in foreign exchange rates, resulting in either a gain or loss. Changes in the foreign exchange rate between the transaction date and subsequent reporting dates give rise to an exchange gain or loss.

The Agency has cash and accounts payable denominated in US dollars to fund operating requirements and maintains a balance in the USD bank account. Both are exposed to exchange rate fluctuation. Management believes that the risk exposure is low.

[D] INTEREST RATE RISK

The Agency extended a \$120 million loan to the Ontario Infrastructure and Lands Corporation, which matured on March 1, 2023. Interest is paid on the principal from March 1st, 2023, at the prevailing three-month treasury bill rate established by the Ontario Financing Authority ["OFA"]. This Loan was renewed for ten years, as outlined in Note 11. The Agency also has term deposits and bank balances 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.

[E] 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]. The Agency believes market risk is not significant because of the low index volatility

[F] 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. There was no changes in the risk exposure to that of the prior year.

4. TANGIBLE CAPITAL ASSETS

			Net	Net
(in thousands of dollars)	Cost	Accumulated Amortization	2023	2022
Computer Software	14,566	10,596	3,970	4,455
Information Systems	1,584	1,575	9	24
Furniture and Fixtures	322	248	74	125
Automotive Equipment	2,797	2,745	52	85
Automotive Under Capital Lease	16,429	7,003	9,426	7,233
Computer Hardware	8,568	7,340	1,228	2,349
Machinery and Equipment	1,247	1,072	175	249
Leasehold Improvements	3,679	1,554	2,125	2,425
Software Under Development	1,444	-	1,444	856
	50,636	32,133	18,503	17,801

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, 2023, \$18.46 million was spent, of which \$11.31 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:

	(in thousands of dollars)
2024	1,612
2025	1,571
2026	1,489
2027	1,238
2028	1,171
Thereafter	1,703
	8,784

The lease for the Agency's head office located at 2085 Hurontario Street, Mississauga 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.

6. CONTINGENCIES

[A] CONTINGENT LIABILITIES

The Agency is involved in various legal claims and other matters 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. In December 2021, OCWA made deposits in an interest-bearing account with the Superior Court of Justice for claims, to be held until a resolution is reached. As of December 2023, no resolution has been reached and the amount is still being held with the Superior Court of Justice.

[B] LETTERS OF CREDIT

The Agency has lines of credit with the Royal Bank of Canada for \$50 million. As of December 31, 2023 \$21.84 million (2022 - \$16.96 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.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	(in thousands of dollars)	
	2023	2022
Trade Payable	14,917	15,847
Accrued Liabilities	10,422	4,770
Payroll and Benefits Payable	3,610	3,493
Total	28,949	24,110

8. DEFERRED LEASE INDUCEMENT LIABILITY

The Agency received a lease inducement allowance of \$1.5 million from the landlord for its head office location [note 5] to offset leasehold improvement costs. This amount has been recorded as a Deferred Lease Inducement Liability, which is amortized over the life of the lease, 10 years. Total amortized lease inducement of \$100,000 [2022 - \$100,000] has been recorded as reduction of rent expense during the year.

9. ASSET RETIREMENT OBLIGATION

In the prior year, the Agency chose to early adopt PS3280, Asset Retirement Obligations which became effective for periods beginning on or after April 1, 2022. The Agency identified an asset retirement obligation associated with its head office lease at 2085 Hurontario Street for the removal of leasehold improvements. The cost associated with the removal has been estimated to be \$100,000. The Agency has chosen to apply the standard using the modified retrospective application without restatement to implement the transition. This obligation is amortized on a straight-line basis over the term of the lease. This was recorded as an increase to tangible capital assets on the statement of financial position and an adjustment to opening retained earnings for prior period amortization.

10. OBLIGATIONS UNDER CAPITAL LEASES

The Agency has capital leases, with interest rates ranging from 2.14% to 6.6%, for automotive equipment for 60-month lease terms. The vehicles are amortized on a straight-line basis over their economic life of 5 years. The following is a schedule of future minimum lease payments, and the balance of the obligations.

	(in thousands of dollars)	
	2023	2022
2023	-	2,457
2024	3,247	2,146
2025	2,833	1,704
2026	2,330	1,193
2027	1,689	566
2028	573	-
Total Minimum Lease Payments	10,699	8,066
Interest	1,273	833
Balance of the Obligation	9,426	7,233
Less: Current Portion	(2,771)	(2,129)
Non-current Obligation	6,655	5,104

Included in the interest payment is a fee payable which is comprised of monthly vehicle administration fee in the amount of \$283,210 [2022 - \$212,382].

Total interest expense on capital leases for the period was \$400,644 [2022 - \$206,471]

11. 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 \$11.3 million [2022 - \$12.0 million] of which \$6.6 million [2022 - \$6.3 million] has been classified as current liability. The amount charged to the income statement in 2023 was \$2.1 million [2022 - \$0.8 million] and is included in salaries and benefits expense in the Statement of Operations and Changes in Net Assets.

Legislated Severance

The legislative severance portion of the employee future benefits obligation totaled \$3.8 million of which \$2.3 million is long term. The long-term portion was calculated based on the following assumptions: discount rate of 3.8% [2022- 4.15%] and estimated average remaining service life years 11.76. These assumptions are management's best estimate.

Workers' Compensation Obligation

Included in employee future benefits obligation is an estimated workers compensation obligation in the amount of \$2.1 million (2022 - \$2.5 million). In 2022, there was a change in estimation methodology, whereby the amount has been determined through an actuarial valuation. An actuarial valuation was used in 2023 and has a measurement date of December 31, 2023 consistent with the Agency's fiscal year end date. OCWA is a Schedule 2 employer and self-insures its own WSIB claims and pays all compensation and administration costs.

Benefit expense consist of current benefit cost interest and adjustments arising from plan amendments, changes in assumptions and net actuarial gains or losses. The Agency has elected to immediately recognize actuarial gains and losses in the year in which they arise. Plan amendments are recognized immediately in the year of the effective change.

The actuarial valuation is based on several assumptions about future events, such as inflation rates, medical inflation rates, wage inflation, mortality. The assumptions used reflect management's best estimates. The discount rate used to determine the accrued benefit obligation is 3.8% (2022 - 4.00%). The components of the benefit expense and the accrued benefit liability are as follows:

	2023	2022
Components of Benefit Cost		
Current Benefit Cost	168,139	170,452
Interest Cost	97,857	50,306
Immediate recognition of actuarial [gain] loss	(279,216)	524,484
Benefit expense	(13,220)	745,242
Accrued Benefit Liability		
Accrued Benefit Liability, beginning of year	2,453,904	2,088,859
Benefit Expense	(13,220)	745,242
Company contributions	(351,212)	(380,197)
Accrued Benefit Liability, end of year	2,089,472	2,453,904

The benefit expense has been included in salaries and benefits in the Statement of Operations and Changes in Net Assets.

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 payments for the full year of \$6.4 million (2022 \$6.1 million), are included in salaries and benefits in the Statement of Operations and Change in Net Assets.

12. RELATED PARTY TRANSACTIONS

The Province of Ontario is a related party as it is the controlling entity of the Agency. Organizations that are commonly controlled by the Province of Ontario are also related parties of the Agency. All related party transactions were measured at the exchange amount, which is the amount of consideration established and agreed upon by the related parties. Transactions with related parties are outlined below:

The Agency received revenue of \$3.3 million (2022 - \$2.5 million) from the Ontario Infrastructure and Lands Corporation (OILC) for water and wastewater treatment services provided.

The Agency received revenue of \$2.4 million (2022 - \$2.4 million) from the Ministry of Energy, Northern Development and Mines (MENDM) for water and wastewater treatment services provided.

The Agency received revenue of \$2.1 million (2022 - \$1.9 million) from the Ministry of the Environment, Conservation and Parks (MECP) for water and wastewater treatment services provided.

The Agency received funds of \$200,000 in 2022 from the Ontario Centre of Excellence, for the Stratford Net Zero program; no funds received in 2023.

The Agency has a \$120 million loan receivable with Ontario Infrastructure and Lands Corporation (OILC), as described in note 3d. The loan has been recorded as a non-current asset as at December 31, 2023. This loan will operate at the prevailing three-month treasury bill rate established by the Ontario Financing Authority ("OFA"), paid quarterly.

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.

13. OTHER OPERATING EXPENSES

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

	(in thousands of dollars)	
	2023	2022
Chemicals and Water Treatment	38,730	29,926
Electricity	7,220	6,950
Maintenance	48,126	50,240
Materials	29,571	28,690
Services	55,615	41,237
Transportation	865	902
	180,127	157,945

14. PRIOR YEAR ADJUSTMENT

During the year, it was determined that the automotive equipment leases were capital in nature instead of operating leases as reported in prior years, as they transferred substantially all the risks and rewards of ownership to the Agency at the inception of the lease. As a result, the prior year restatement has the following impact:

Statement of Financial Position		(in thousands of dollars)	
	2022	Adjustments	2022 Restated
Tangible Capital Assets, net (note 4)	10,568	7,233	17,801
Obligations under capital leases (note 10)	-	7,233	7,233

Statement of Cash Flow			
Tangible Capital Assets Acquired	[1,334]	[2,299]	[3,633]
Repayments of obligations of capital leases (note 10)	-	2,299	2,299

There were no material impacts in the Statement of Operations and Changes in Net Assets.

15. COMPARATIVE FIGURES

Certain comparative figures, have been restated to conform to the current year's presentation.