

Report



Report No. ES2021-03	To: Council	Prepared By: Michelle Jakobi & Shannon Johnson
Meeting Date: August 18, 2021	Subject: Municipal Services Corporation (MSC) Asset Transfer Policy	Motion # _____
Roll #:		R.M.S. File #:

Recommendation(s):	Requires Action <input checked="" type="checkbox"/>	For Information Only <input type="checkbox"/>
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It is recommended:

1. That Report No. ES2021-03, Municipal Services Corporation (MSC) Asset Transfer Policy, be received and adopted.
2. That Council endorse the MSC Asset Transfer Policy as identified in this report.

Background:

On July 17, 2019 Council endorsed the seven key articles that require Unanimous Shareholder Agreement for operation of the Municipal Services Corporation (Motion No. C190717-12) for provision of Environmental Services. Required Incorporation documents were filed by Township Legal Counsel in January 2020 and the MSC was incorporated effective January 2020. However, due to the Municipal declaration of an emergency in 2020 associated with the global COVID-19 pandemic, associated redirection of tasks and budget adjustments, the implementation of a Municipal Services Corporation was placed on hold until 2021.

At this time, and as part of the project resumption, an Asset Transfer Policy is required to establish a framework for administering the transfer of municipal assets in Environmental Services to a Municipal Services Corporation (MSC), a wholly-owned corporation by the Corporation of the Township or Oro-Medonte.

Analysis:

As part of the strategy to deliver Environmental Services through an MSC the Township is proposing to transfer selected environment services assets to the MSC, with the expectation that the Township will not receive a financial return on the transferred

assets in order to avoid a situation whereby environmental services customers are subsidizing the Township. Furthermore, a defined Asset Transfer Policy is intended to demonstrate good governance, accountability and transparency in the use of public assets and adherence to the requirements of applicable legislation.

Under the guidance of KPMG LLP and Baker Tilly KDN LLP the following Asset Transfer Policy has been created:

MSC Asset Transfer Policy

1. Responsibilities

The following criteria shall apply in this Policy:

A formal policy to govern the approval and implementation of municipal assets to MSC.

2. Process

Instructions for transferring asset(s) to MSC.

2.1. Asset(s) may be transferred to MSC at any time, as authorized by Council, on such terms as Council may determine.

2.2. Any transfer of Asset(s) must be approved by Council in advance of the Transfer.

2.3. In determining whether to authorize a transfer of Asset(s) to MSC, Council will consider one or more of the following objectives:

2.3.1. Optimizing the use and value of the asset(s);

2.3.2. Advancing the Township's economic development, vitality and competitiveness;

2.3.3. Supporting community health and well-being;

2.3.4. Managing environmentally sustainable growth;

2.3.5. Providing responsive and efficient public service; and

2.3.6. Enhancing the quality of life of the Township's citizens.

2.4. Council may impose such terms and conditions on the transfer of asset(s) as it deems necessary, including but not limited to:

2.4.1. Requiring the MSC to transfer the assets back to the Township upon the occurrence of an event(s);

2.4.2. Restricting or prohibiting further transfers of the assets; and

2.4.3. Attaching a purchase price to the asset, to be paid or owed to the Township by the MSC.

2.5. Before any transfer of asset(s) can occur, Township Staff shall determine the current fair market value of the asset(s) and obtain advice regarding any tax implications of the transfer. This determination may be made using an

appraiser or Township Staff.

2.6. Where any asset(s) is transferred at less than fair market value, the Treasurer shall prepare a statement of the estimated fair market value of the Asset(s).

2.7. The Treasurer shall record all Transfers of Asset(s) in accordance with the Township's accounting policies and relevant accounting standards

Financial / Legal Implications / Risk Management:

In consultation with KPMG LLP and Baker Tilly KDN LLP, staff confirm the following:

Financial

For financial reporting purposes, the transfer of assets is considered to be a restructuring transaction as defined in PSAS 3430: Restructuring Transactions. Under PSAS 3430.07(g), a restructuring transaction is defined as "a transfer of an integrated set of assets and/or liabilities, together with the related program or operating responsibilities without consideration based primarily on the fair value of the individual assets and liabilities transferred".

For financial reporting purposes, PSAS 3430.37 indicates that the Township should record the transfer of the assets at their carrying amount (i.e. net book value) at the restructuring date, while PSAS 3430.38 indicates that the MSC should initially record the assets at their carrying amount. As a result, there is no gain or loss on the transfer of assets that is required to be recorded in the Township's financial statements.

Legal

The proposed structure for the MSC is consistent with the classification of a government business enterprise (GBE), being that:

- The MSC is a separate legal entity (corporation);
- The MSC is authorized by Council to operate the Township's environment services infrastructure and programs;
- The customers of the MSC are residential and non-residential property owners that receive water and other environmental services; and
- The MSC operates on a full-cost recovery basis through revenues generated from customers and will not require ongoing financial support from the Township.

Risk Management

Asset transfer is intended to occur prior to January 1, 2022; whereupon the MSC will be considered operational. This policy has been prepared in consultation with KPMG LLP and subsequently reviewed for accuracy and concurrence with Baker Tilly KDN LLP who are responsible for the Township of Oro-Medonte's external accounting and

auditing services. Furthermore, the policy is considered to be consistent and representative of similar asset transfer policies adopted by other municipalities in Ontario that have established MSCs.

Policies/Legislation:

Municipal Act
Ontario Regulation 599/06
Ontario Business Corporations Act

Corporate Strategic Goals:

Continuous Improvement & Fiscal Responsibility
Enhanced Communication & Customer Service
Balanced Growth
Inclusive, Healthy Community

Consultations:

KPMG LLP- Oscar Poloni, CPA, CA, CBV, Office Managing Partner, Northern Ontario
Baker Tilly KDN LLP- Richard Steiginga, CPA, CA, Partner
CAO - Robin Dunn

Attachments:

None

Conclusion:

Pursuant to Motion No. C190717-12 and as part of the sequence towards operation of an MSC for the provision of environmental services, this report provides an Asset Transfer Policy for the MSC.

To reiterate, environmental services asset transfer is intended to occur prior to January 1, 2022; whereupon the MSC will be considered operational. This report is considered the required Asset Transfer Policy document that establishes the framework for administering the transfer of municipal assets in Environmental Services to a Municipal Services Corporation (MSC) . As staff proceed forward with the implementation of the MSC and completion of the asset transfer further updates will be shared with Council.

Respectfully submitted:

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Director, Environmental Services

Shannon Johnson, CPA, CGA
Chief Financial Officer / Treasurer

Approvals:
Robin Dunn, CAO

Date
August 11, 2021