



Municipal Services Corporation Frequently Asked Questions (FAQs)

To assist you in understanding this proposed new business model, the following FAQs have been developed.

Background:

What is a Municipal Services Corporation (MSC)?

A MSC is a corporation whose shares are owned by a municipality, or a municipality and one or more other public-sector entities. A MSC can only provide a system, service or thing that the municipality could provide. MSCs are required to receive permission from a municipality to operate in its geographic boundaries.

What gives the Township the authority to create a MSC?

The Township can create a MSC under the provisions of the Municipal Act, section 203 and Ontario Regulation 599/06 Municipal Services Corporations.

What control will Council have over the MSC and their decisions?

The Township would retain complete and full ownership of the corporation.

In addition to being the sole shareholder of the MSC, 2 members of Council will be voting members of the MSC's Board and as such will be active participants in the decision-making process.

What is the required process for creating a MSC?

Ontario Regulation 599/06 requires municipalities to complete the following steps before creating an MSC:

- Develop a business case study for the proposed MSC
- Consult with the community about the plan to create the proposed MSC
- Adopt and maintain policies with respect to the transfer of assets

What services would the MSC be responsible for?

The MSC will be responsible for the same services currently provided by the Environmental Services Department, these include:

- All municipal water systems currently operated by the Township,
- Existing municipal communal tile bed systems operated by the Township,
- Maintenance of urban stormwater management ponds,
- Maintenance of the Township's street lighting network,
- Future infrastructure related to water and wastewater, urban stormwater and street lighting

Will this mean the Township will take over the Skyline Wastewater Treatment Plant?

The Township recognizes this is a concern for some residents. The future ownership of the Skyline Wastewater Treatment Plant is not impacted by the decisions related to a MSC.

The Horseshoe Craighurst Master Servicing Study currently underway will recommend a solution for wastewater provision in the settlement areas. The Township is not in a position to speculate on the outcome of this study nor the future decisions of the Ministry of the Environment and Climate Change as related to municipal ownership of the existing private plant.

Why are you proposing this? And why now?

The Township is growing and our assets are aging. With these changes will come corresponding demands for increased environmental services. A MSC provides:

- Professional governance and management through skills-based boards of directors whose terms extend beyond the four-year term of elected officials
- Increased debt financing flexibility by allowing the Township to separate environmental services investments from other infrastructure investments
- Provides a vehicle for shared-service arrangements with other municipalities
- Full cost recovery for water, wastewater and communal tile services, street lighting and stormwater management facilities
- Ability to continue delivering on the Environmental Services principles of safety, compliance, accountability, sustainability and continuous improvement

Does this mean the Township will be increasing its debt load?

It is premature to speculate on future borrowing decisions, however, the need for capital expenditures to maintain current infrastructure related to environmental services will continue to increase.

How long has the Township been researching this concept?

Staff identified the need to explore this option approximately a year and half ago. Given the process required by O Reg. 599/06, significant research and time was required to ensure this was a model that would work and benefit the entire municipality.

Why didn't you do this before now?

Municipal Service Corporations are still a relatively new service model, the Township wanted to complete its due diligence to ensure this was the right model for the municipality at this time. This research was thorough and took time to complete.

What happens if Council does not approve the creation of the MSC?

The Township will continue to deliver the same high quality service they have always provided. Without the MSC in place, future Councils will face difficult decisions regarding capital priorities and expenditures given the municipality's limited access to funds.

Are there other municipalities who have done this?

Yes, other municipalities have created Municipal Service Corporations to deliver a range of services including land development; water and wastewater; electricity etc. While the areas of service and staffing models are different the City of Guelph, City of North Bay, Town of Welland, Town of Innisfil and the Town of Midland are examples.

MSC Set-up and Structure:

When will the MSC be incorporated?

We anticipate it will take approximately 6 months for the incorporation and a further 6 months for the initial start-up transition.

How much has this cost the Township to date?

Approximately \$65,000 which includes the cost to develop the business plan and legal expenditures.

How much more will be spent before the MSC is incorporated and launched?

We cannot estimate what additional expenditures will total, however, staff and Council are conscious of the need to minimize unnecessary costs that would be ultimately borne by all benefiting taxpayers.

What will be the incremental costs of delivering services through the MSC vs. the Township delivering these services directly?

We have estimated that there will be approximately \$100,000 of additional annual costs which would cover expenses such as Board of Director expenses, Financial audit costs and Insurance.

Who pays for these incremental annual expenses?

The MSC will operate on a full-cost recovery basis with costs borne by service users.

Is it legislated that the Township owns 100% of the MSC or can it sell some shares of the MSC to another party?

The shares of a MSC can be owned by a single municipality, or a municipality and one or more other public-sector entities. The legal documents structured to create the MSC will define this ownership structure and shareholder framework.

What are the details of the Corporation By-laws?

The by-laws have not yet been established and will be completed during the initial start-up period. We anticipate a presentation will be made to Township Council in December 2018.

How will the Board members be selected?

The Board recruitment process will be an open, publicly advertised opportunity. Board member selection will be a skills-based recruitment process. We envision that two voting positions will be dedicated to members of Township Council with the remaining positions selected through the public process.

Who will ensure that the services they provide are of the same high standards that the Township provides?

The MSC will be required to meet the same quality standards that the Township currently adheres to including regulations enforced by the Ministry of the Environment and Climate Change. The MSC will report and publish their performance on a regular basis to the Township and residents.

Will salaries be outrageous like Ontario Hydro?

Ontario Hydro is a different model and governed by different regulations as an energy provider.

The MSC will not have its own staff. Technical and administrative support including operating staff will be provided by Township staff on full cost recovery basis. Salary levels will be consistent with existing Township policies.

The Board of Directors of the MSC will be responsible for establishing and approving annual budgets. Township Council as the sole shareholder will have oversight responsibilities to ensure operations and decisions are in the best interest of the municipality.

What is the role of the Township's CAO in the MSC?

During the first year of operation, the size of the MSC should not justify a full-time president and CEO. As such, it is recommended that the Township's CAO formally assume this combined role, in addition to Township responsibilities.

Additional benefits of this joint appointment would be:

- Ensured coordination between the Township and the MSC during and following the transfer of assets
- Potential for the Township CAO to enter into discussions with other municipalities with respect to shared service arrangements delivered through the MSCs

Impact to users:

When will the service delivery be shifted from the Township to the MSC?

We anticipate it will take approximately 12 months for full service delivery transfer to occur, being mid 2019.

Who will set our water and wastewater rates?

The Board of Directors of the MSC will be responsible for establishing and approving annual budgets, which would include establishing rates. We envision two members of Council will sit as voting members of the Board of Directors. As well, Township Council as the sole shareholder will have oversight responsibilities to ensure operations and decisions are in the best interest of the municipality.

How will this impact our rates?

It is unknown at this time. Rates are also influenced by economies of scale; namely the number of users, specific community infrastructure needs and provincial regulatory requirements.

Rates are set on a full cost recovery basis and are reviewed annually regardless of whether or not an MSC is in place.

The MSC will operate on a user-pay, full cost recovery, no dividend model.

What if I don't use all services provided by the MSC? How will my rates be calculated?

The MSC will operate on a full user-pay basis. Rates will be calculated on this basis and will reflect the services accessed.

How will I contact staff if I have a problem?

Just as you do now. Any resident or business that is serviced by the MSC will continue to call the Township office and they will be transferred to the appropriate staff member seamlessly.

Will there be regular reporting to the community?

The MSC will report and publish their performance on a regular basis to the Township and residents. Drinking water reporting will continue to be reported in accordance with provincial legislation.

Will there be more staff hired?

At this time we are not anticipating any additional staff will be required to support the MSC. As services and service levels change over time, additional staff may be required to support new infrastructure.

Open House:

What is the purpose of the Open House?

The Open House is an opportunity for the Township to present information on the MSC and hear from the public regarding the concept.

How can I participate or provide input?

Residents can participate in the following ways:

- Attend the Open House
- Ask questions or submit written comments during the Open House
- Submit written comments to the Township Administration Centre, addressed to Environmental Services, MSC
- Go on the Township website and submit comments via the on-line form available from June 8 until July 9, 2018.

All comments submitted will be received and considered by council as part of the decision making process.

When can I submit comments?

Comments can be submitted from Friday, June 8, 2018 until Monday, July 9, 2018 at 8 am