



Corporation of the
Township of Oro-Medonte

Establishing a Municipal Services Corporation in Oro-Medonte

Open House

June 13th, 2018



Introduction



- The Township is proposing a new business model to support the delivery of environmental services - by establishing a ***municipal services corporation*** (MSC)
- Today's open house is intended to share what is happening, and more importantly why these changes are being proposed

The Scope of Environmental Services



- The MSC will be responsible for the same services currently provided by Environmental Services Department, these include:
 - 1) All municipal water systems currently operated by the Township
 - 2) Existing municipal communal tile bed systems operated by the Township
 - 3) Maintenance of urban stormwater management ponds
 - 4) Maintenance of the Township's street lighting network
 - 5) Future infrastructure related to water and waste water, urban stormwater and street lighting

First Principles for Environmental Services



1. Enhances public safety and maintains compliance with legislation
2. Users pay for services that they have access to
3. Infrastructure is funded to address current and long-term sustainability
4. Decision-making is based on sound business principles
5. Continuous improvement is encouraged based on using innovative technology

How Did We Get Here?



Operations
Department Service
Review (2016)

Environmental
Services Rate Study
(2017)

MSC
Implementation
(2018)

Operational Challenges for Environmental Services



- Aging, changing and growing servicing needs
- Future assumption of private water systems such as Horseshoe Valley Zone 1 and Braestone
- Increased maintenance demands of communal tile beds and future municipal wastewater systems
- Implementation of the urban stormwater management program

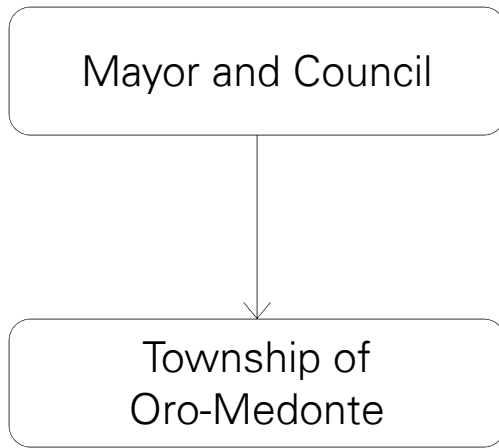
Operational Challenges for Environmental Services

- Maintenance of the expanding municipal streetlighting network
- Shortfall in ongoing capital funding
- Concerns over potential subsidization of environmental services by taxpayers that do not actually receive the services
- Mixed variety of service and business models supporting users

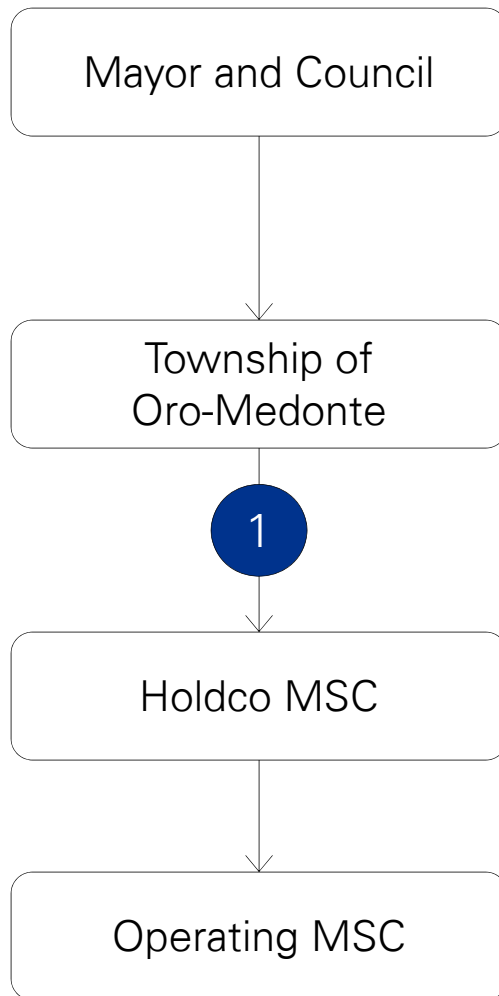
Why Establish A Municipal Service Corporation?

- An MSC is a separate legal entity owned and monitored by a municipality that can be used to manage one or more municipal functions
- Why use an MSC?
 - Professional governance and management through skills-based board of directors
 - 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
 - Supports full cost recovery for water, wastewater and communal tile services, street lighting and urban stormwater management facilities
 - Elevates the ability to deliver on the First Principles for Environmental Services

What This Corporate Structure Looks Like

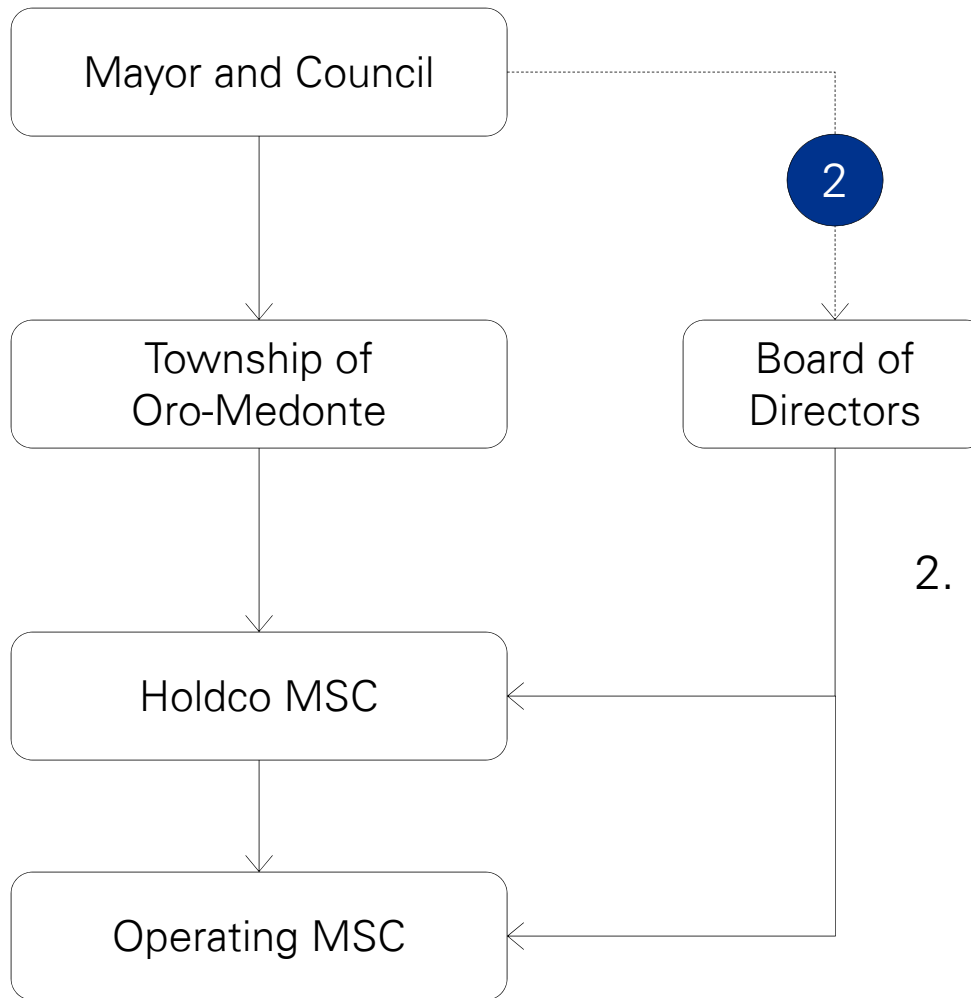


What This Corporate Structure Looks Like



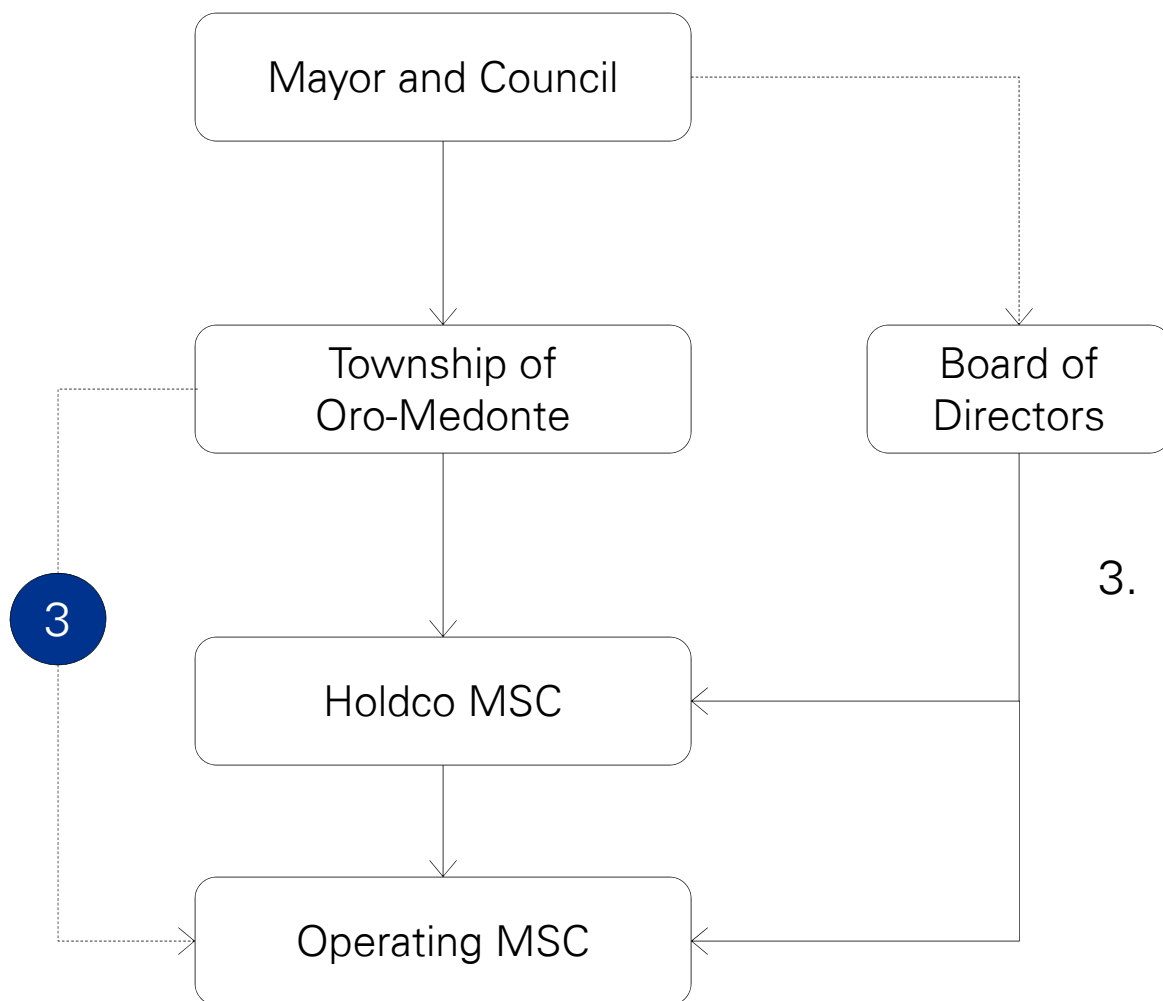
1. The Township incorporates two MSCs (one holding MSC, one operating MSC). All of the Holdco MSC shares are held by the Township.

What This Corporate Structure Looks Like



- 2. Council appoints a skills-based Board of Directors for both MSCs.

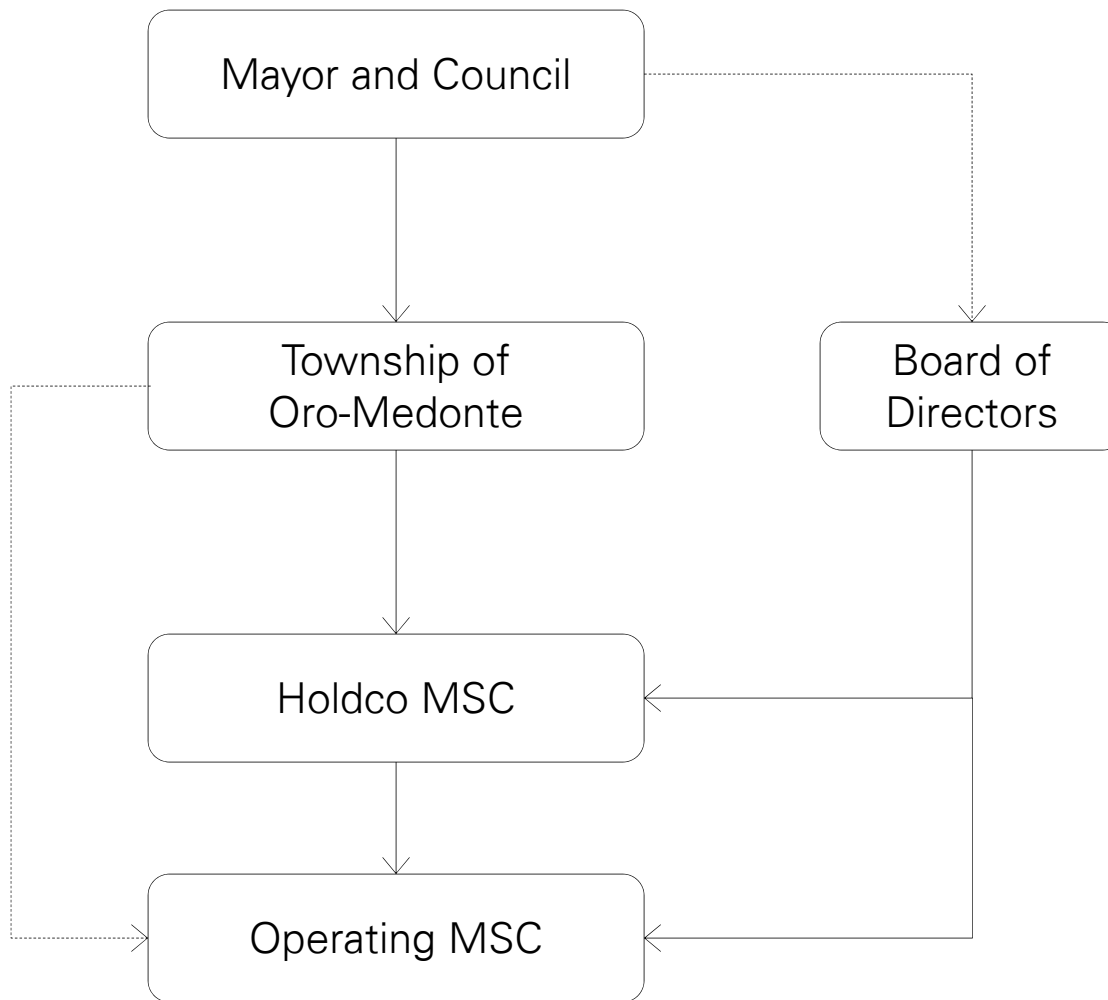
What This Corporate Structure Looks Like



3. The Township and MSCs execute shareholder, service and asset transfer agreements, with Environmental Services assets and liabilities transferred from the Township to the MSC.



What This Corporate Structure Looks Like



- The Township controls the MSCs based on the shareholder agreement and reporting protocols
- Assets and debts are transferred with no expectation of financial return to the Township
- The MSCs will operate on a user pay, full cost recovery, no dividend model
- Technical and administrative support will be provided by the Township on a full-cost recovery basis

Service Impacts for Users



- Regardless of whether an MSC is established, service delivery needs to consider infrastructure requirements, legislation and growing community demands
- Ability to separate environmental services investment needs from other Township infrastructure investment needs
- Enhanced opportunities to realize continuous improvements using innovative technology

Cost Impacts For Users



- Incremental annual operating costs of the MSC are expected to include:
 - Financial audit
 - Directors and Officers insurance & liability insurance
 - Board of Directors' expenses
- Incremental annual operating costs estimated at \$100,000. Costs to be paid by all users: water, urban stormwater, communal tile fields, municipal streetlights and future wastewater (approximately \$4.00/month/user).
- Costs will be transparent and identified in financial reports and budgets. As more users are added, annual incremental operating cost per user will decrease.

Next Steps



- Community outreach and input June 2018
- Consideration by Council of MSC business model July 2018
- Preparation of required documentation August - December 2018
- Presentation to Council and incorporation of MSCs December 2018
- Asset and operations transfer January – June 2019
- MSC operational July 2019



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