

Report

Report No. ES2019-04	To: Council	Prepared By: Michelle Jakobi & Robin Dunn
Meeting Date: July 17, 2019	Subject: Municipal Services Corporation – Status Update	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. ES2019-04 be received and adopted;
2. And that Council endorse the seven key articles that will require Unanimous Shareholder Agreement for operation of the Municipal Services Corporations.
3. And further that, Staff report back to Council prior to the end of the 4th quarter 2019 on implementation status.

Background:

On July 18, 2018, Council adopted Report ES2018-08 and through Motion No. C180718-19, Council endorsed:

- the Business Case Study as prepared by KPMG for creation of Municipal Service Corporation(s) and
- the incorporation of two Municipal Service Corporations (MSCs); specifically, a holding company (HoldCo MSC) and an operating company (Operating MSC) that would be responsible for the ownership, operation, maintenance and funding of the Township's drinking water, streetlights, stormwater management, communal tile beds and wastewater services ("Environmental Services").

On November 14, 2018, Council adopted Report ES2018-10 and through Motion No. C181114-10, Council endorsed the skills criteria for the Municipal Services Corporation Board of Directors and a draft Board of Directors Skills Matrix. Staff were directed to finalize the process for Board of Director selection & evaluation to be utilized in the MSC implementation.

Analysis:

As discussed during the Business Case presentation, several documents are required to provide the legal governance, management and operational structure for the Holding and Operating Companies. A high level summary of significant documentation and next steps is outlined below.

Incorporation

As directed under Council Motion C180718-19, staff have continued to work with Aird & Berlis in preparation of incorporation documents for the MSC Holding and Operating companies.

The Articles of Incorporation will require each corporation to have a minimum of one (1) director and a maximum of ten (10). Each corporation document will also outline rights, privileges, restrictions and conditions related to Common Shares, Class A Special Shares and Class B Special Shares and restricts activities prohibited by Ontario Regulation 599/06 (The Municipal Act).

Unanimous Shareholder Agreement

The Unanimous Shareholder Agreement for the Operating Company (Oro-Medonte Utilities Corp.) is an important document which outlines the management and operation of the Corporation and the corresponding relationship with Township Council and Board of Directors governance. Key articles outlined in the Agreement which will ultimately require Township Council approval include the following:

- Board of Directors Composition
 - Comprised of five (5) Directors including Township CAO identified as CEO/President of Oro-Medonte Utilities Corp.
 - one (1) member of Council
- Meetings
 - Board Meetings 4 times per year (each quarter) with quorum of three (3) directors
 - Shareholder (currently single shareholder - Corporation of the Township of Oro-Medonte) meeting once (1) per year
- Articles that will be included in the Unanimous Shareholder Agreement, (also requiring endorsement by the shareholder - Township of Oro-Medonte) including but not limited to:
 - Approval of operating and capital budgets
 - Amend, alter or repeal Articles, By-laws or Corporation documents
 - Declare or pay dividends
 - Appoint, remove or replace Directors of the Board and President/CEO
 - Borrow more than \$100,000
 - Enter into merger, reorganization or recapitalization
 - Enter into partnership or joint venture outside the ordinary course of business

Board of Directors Recruitment

The recruitment process will include the skills criteria identified in Staff Report ES2018-10, as endorsed through Motion No. C181114-10. The primary purpose of the skill based Board of Directors is to provide governance and management oversight of the MSC(s). It is recommended that in addition to a member of Council, the Board include individuals with a variety of backgrounds who are committed to the evolution of the provision of Environmental Services across the municipality. The appointed member of Council will primarily support the relationship between the MSC and Township Council.

The recruitment for MSC Directors will be targeted for the latter part of 2019, with a call for applications via newspaper, Township website and social media platforms. The selection process will include background screenings and panel interviews. The board recruitment objective will focus on leaders who can commit to the start-up organization for 1-2 years.

Next Steps

Development of Corporate By-laws, service agreements, an asset transfer policy and organization structure will be initiated through the 3rd and 4th quarter 2019. In conjunction with development of the MSC Holding & Operating Corporate documentation, Board of Directors recruitment and selection will commence in the 4th quarter.

Estimated targets are identified in the following table.

Item to Be Completed	Target	Details
MSC Holdings & Utilities Corp		
Shareholders Declaration	July 17 th Council Meeting	Report to outline provisions related to financial, directors, meetings (board and shareholders), corporate records
Oro-Medonte Holdings Corp.	3 rd Quarter 2019	Agreement between Township and Holding Corp. and identifies matters requiring Township approval
Oro-Medonte Utilities Corp.	3 rd October 2019	Agreement between the Holding Corp. and Operating Corp. identifying matters that would require Operating Corp. Reporting

Incorporation Documents		
By-law #1	4 th quarter 2019	Will include provisions related to financial, directors, meetings (board and shareholders), corporate records
Asset Transfer Policy	4 th quarter 2019	Agreement between Township of Oro-Medonte and Holdings Corp. and identifies management and operation
Operational Organization (Service Agreement, Liability Insurance)	4 th quarter 2019	Policies and agreements to be drafted September/October 2019 and finalized early 4 th quarter
Asset Transfer	4 th quarter 2019	Transfer prior to 2019 year end

Board of Directors		
Advertisement for Recruitment	4 th quarter 2019	Using Skill Based Criteria established Motion No. C181114-10
Applicant Screening & Interviews & selection	4 th quarter 2019	
Appointment & Orientation	January 2020	

Financial / Legal Implications / Risk Management:

The MSC Board will be required to develop long-term working relationships with Council and the community, together with positive ideals and a focus on continuous improvement. It is important to consider that the MSC Board will include one member of Council and the CAO.

Board compensation, meeting structure, term of office and delegation would be outlined in the Unanimous Shareholder Agreements and consistent with current Township remuneration Bylaw.

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:

Aird & Berlis LLP

Attachments:

None

Conclusion:

Council endorsement of the Unanimous shareholder agreement components, will allow staff through 3rd & 4th quarter to finalize incorporation documents, policies, By-laws, shareholder declarations and agreements and to prepare for recruitment of the skilled based board of directors.

These documents will serve as the foundation for the relationship with the Township and the management and organization of the corporations.

Respectfully submitted:

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CAO

SMT Approval / Comments:	C.A.O. Approval / Comments:
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