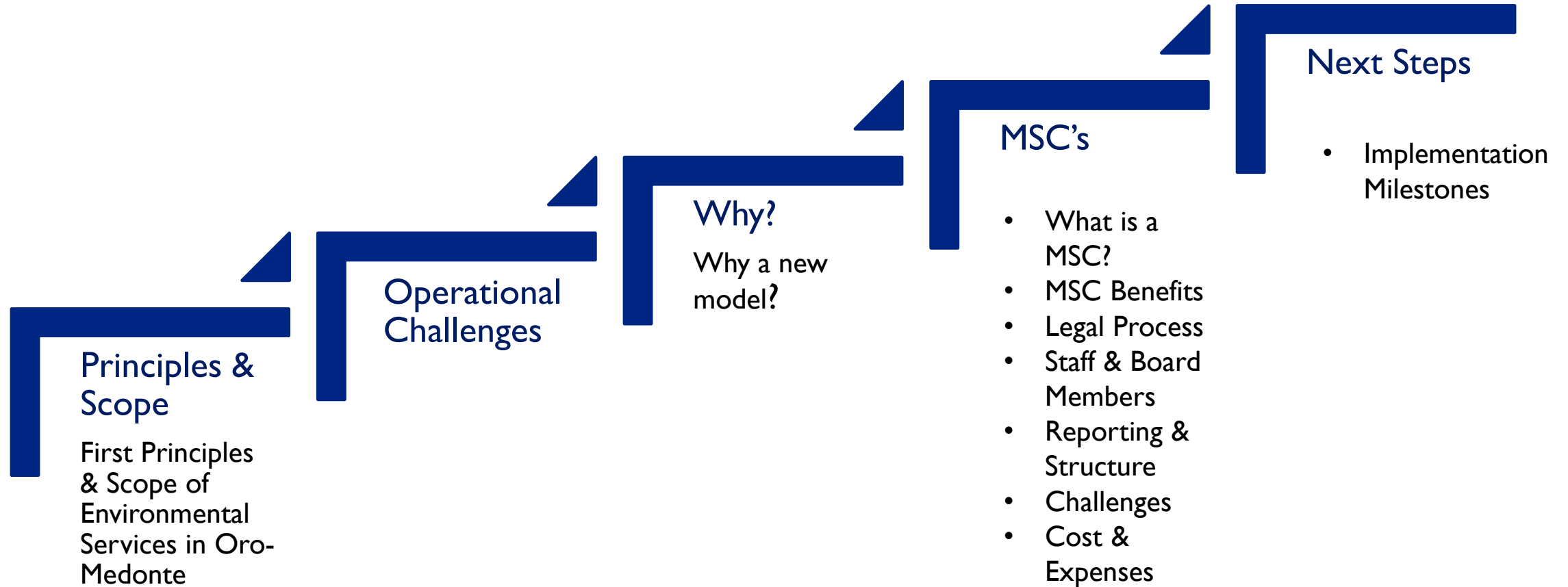




IMPLEMENTING A MUNICIPAL SERVICES CORPORATION (MSC) IN ORO-MEDONTE

AMO CONFERENCE - AUGUST 22, 2023

R.L. DUNN, CAO & MSC CEO



OVERVIEW OF TODAY'S PRESENTATION

FIRST PRINCIPLES OF ENVIRONMENTAL SERVICES

1. Enhances **public safety** and maintains **compliance** with legislation
2. **Users pay** for the 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. Professional skills and based business driven model and decision making
5. Promote continuous improvement environment to maximize investment (innovative technology/process management, etc.)



SCOPE OF SERVICES PROVIDED BY ENVIRONMENTAL SERVICES

The Township's Environmental Services department is responsible for the:

- Treatment and distribution of potable water to approx. 2,500 households via 14 Municipal Water Systems
- Collection and treatment of wastewater services to approx. 640 households through a management services agreement with a private sector provider
- Maintenance of seven communal tile beds that provide septic services to 98 properties
- Maintenance of storm water management infrastructure in urbanized neighbourhoods, currently 27 facilities
- Maintenance of the Township's streetlight network, approx. 1000



OPERATIONAL CHALLENGES IN ENVIRONMENTAL SERVICES

- Aging, changing and growing servicing needs
- Future assumption of private and/or new systems
- Increased maintenance demands of the communal tile beds and future Municipal wastewater systems
- Implementation of user fee urban stormwater management program
- Maintenance of expanding Municipal streetlight network
- Shortfall in ongoing capital funding (Capital Funding Gap)
- Impact to tax levy
- Mixed variety of service and business models supporting users



Credit: RedByrd Studios

MUNICIPAL SERVICES CORPORATIONS

What is a MSC?

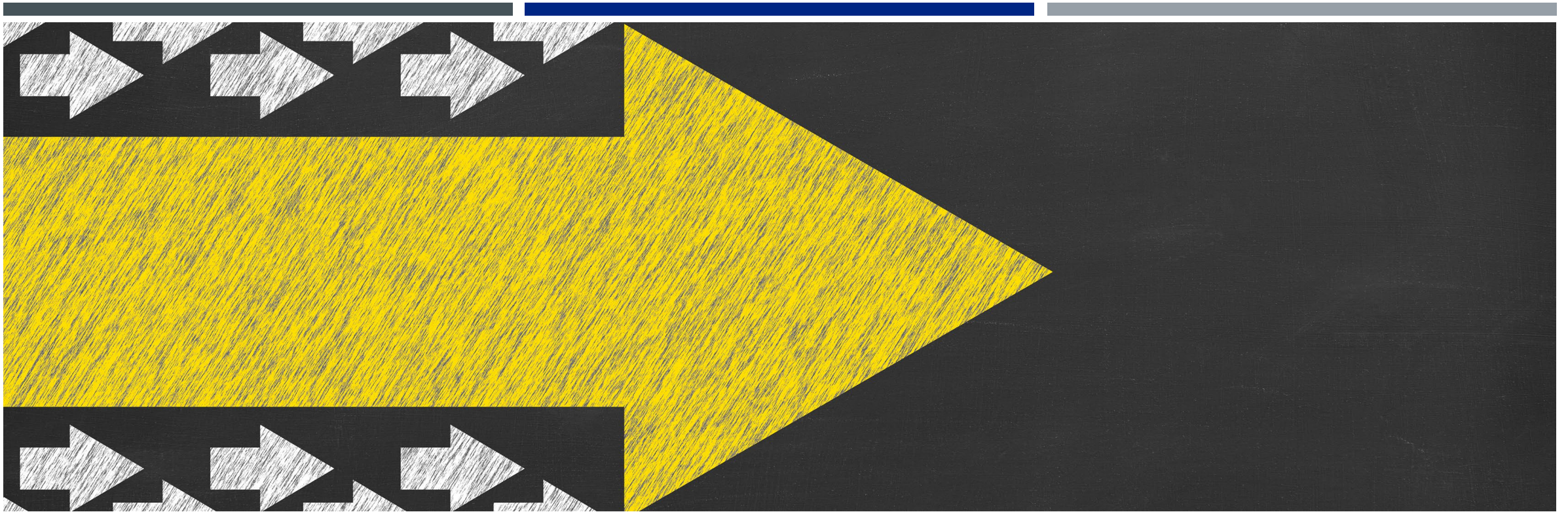
A MSC is a corporation whose shares are owned by a municipality or a municipality and one or more other public-sector entities. MSCs can only provide a system, service or thing that the municipality itself could provide.

Why Implement a MSC?

- Professional governance and management through skills-based boards of directors
- Increased debt financing flexibility by allowing the Township to separate environmental services investments from other infrastructure investments
- Provides MSCs with independence to make sustainable decisions/plans about user fees, infrastructure expansion, maintenance and potential revenue sources
- Provides a vehicle for shared-service arrangements with other municipalities
- Full cost recovery for water, wastewater and communal tile services, street lighting and urban stormwater management facilities
- Enhances ability to deliver on Principles of Environmental Services

BENEFITS OF IMPLEMENTING A MSC IN ORO-MEDONTE

- Separation of Environmental Services debt from other infrastructure debt to lessen impact on Township's overall debt capacity
- Professional governance and management of MSCs through skills-based boards of directors whose terms extend beyond the four-year Council term
- Legally allows for shared services opportunities with Simcoe County, other Municipalities, and other public-sector entities
- Allows the Township to offer and investigate services that might not otherwise be affordable
- Full cost recovery for water, wastewater and communal tile services, streetlighting and stormwater management facilities

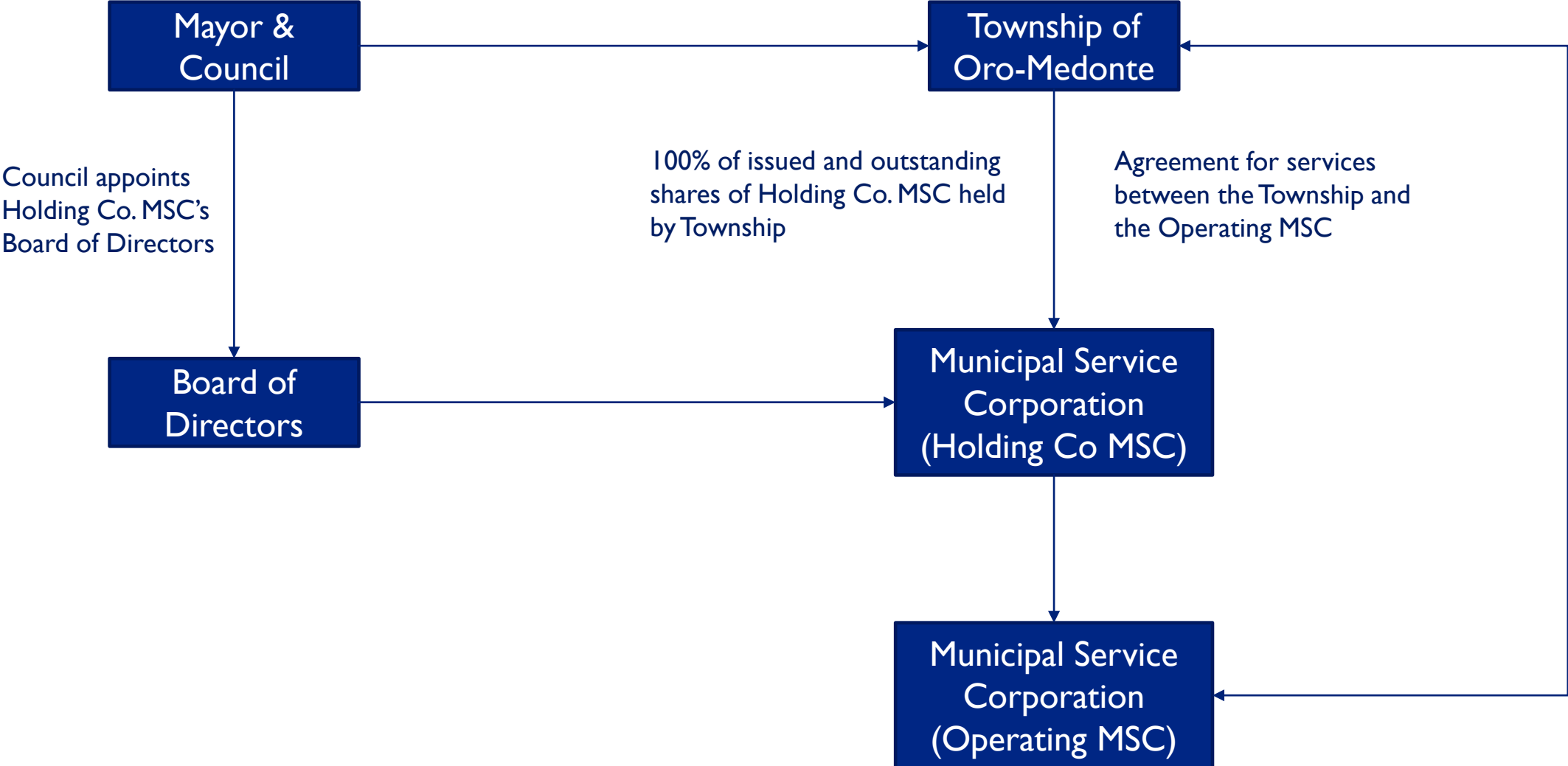


THE MSC PROCESS

There is a required legal and Council process for creating a MSC. Specifically, Ontario Regulation 599/06 requires municipalities to complete the following steps before creating a MSC:

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

Oro-Medonte will have a dual MSC, consisting of a Holding Co. & Operating Co.



MSC MANAGEMENT & EMPLOYEE RESOURCING

The size of the MSC at this time does not justify a full-time President and CEO. The business plan envisioned that the Township's CAO formally assume this combined role during the start-up and transition period (2 Years).

Additional benefit of this joint appointment would be:

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

The Operating MSC would be managed & operated by:

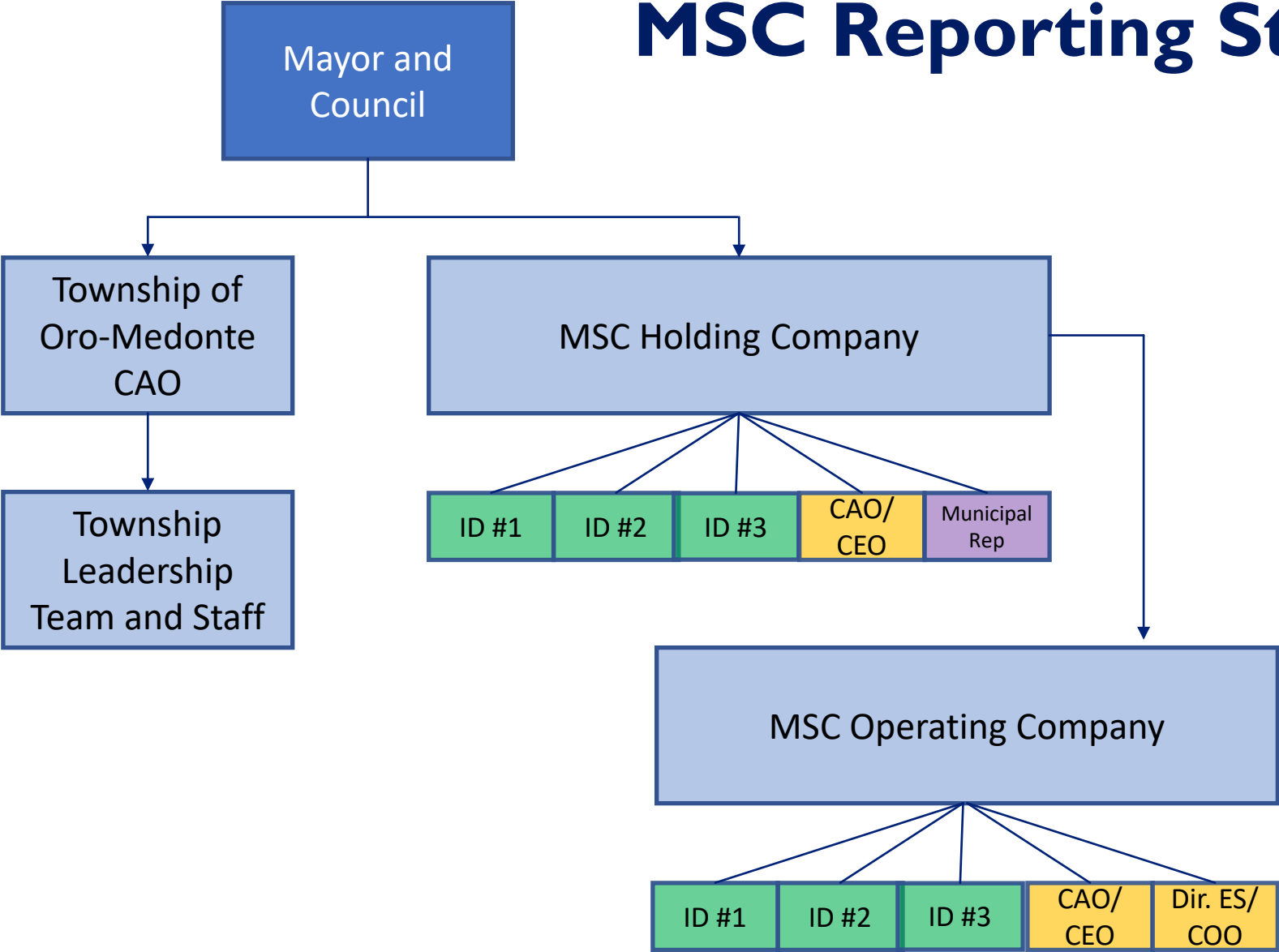
- Township Environmental Services department employees contracted to the MSC through a Master Services Resource Contract
- Contracted services through the Township such as finance (including billing and collection), information technology, human resources and engineering through a Master Services Resource Contract

NOTE: The collective agreement between the Township & CUPE limits the transfer of current employees through contracting-out arrangements

MSC RESOURCING: SKILL BASED BOARD MEMBERS

- Three independently recruited, skills-based Board Members (for both the Holding and Operating Companies)
- Council appointment of a Municipal Member (current or previous Council Member)
- Council appointment of Oro-Medonte's CAO (Holding & Operating Company) and Director of Environmental Services (Operating Company)
- Current Township Environmental Services employees continue to provide all ES services
- Financial (including billing and collection), information technology, human resources and engineering contracted services through the Township.

MSC Reporting Structure

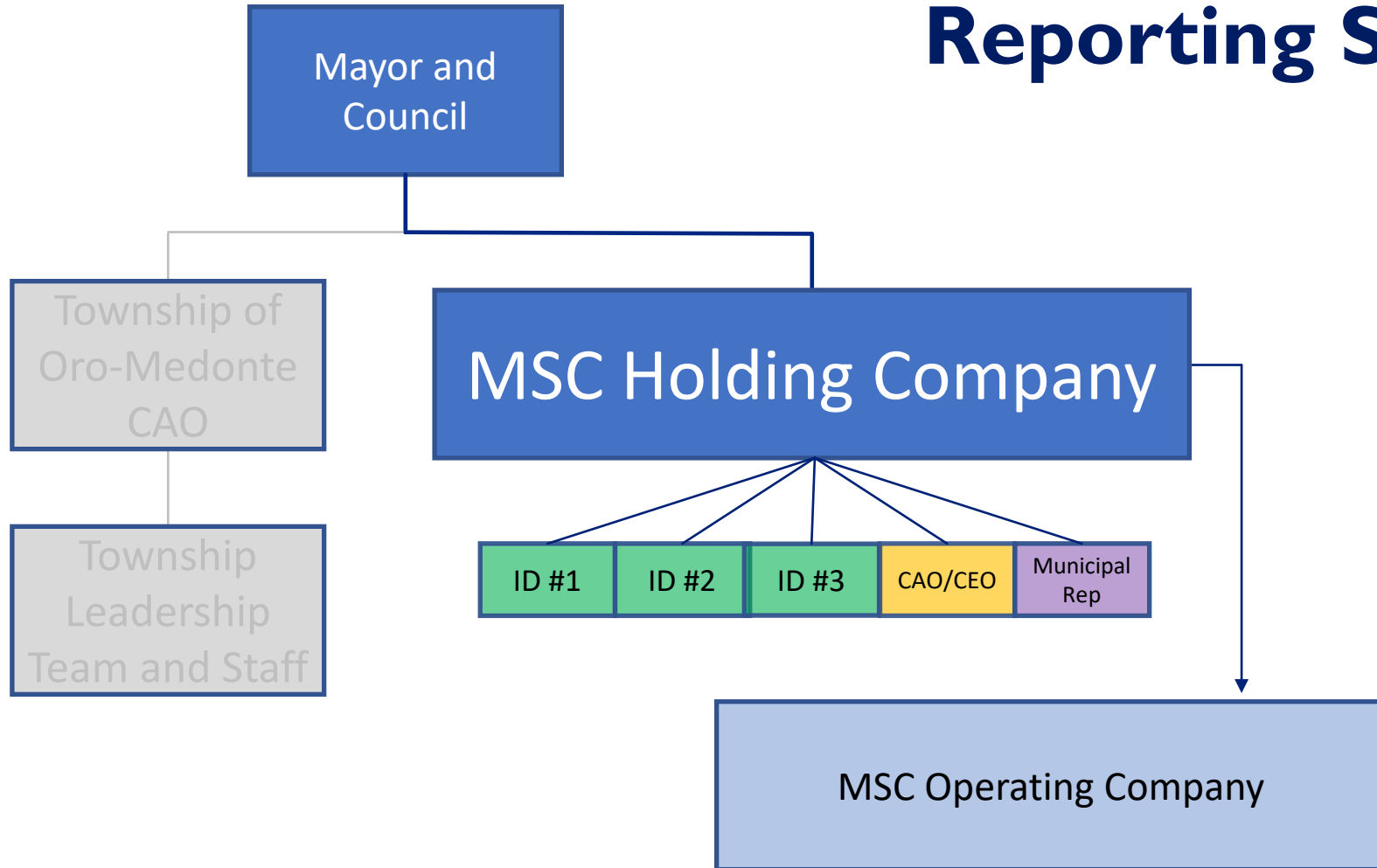


Council Recruited

Council Appointed

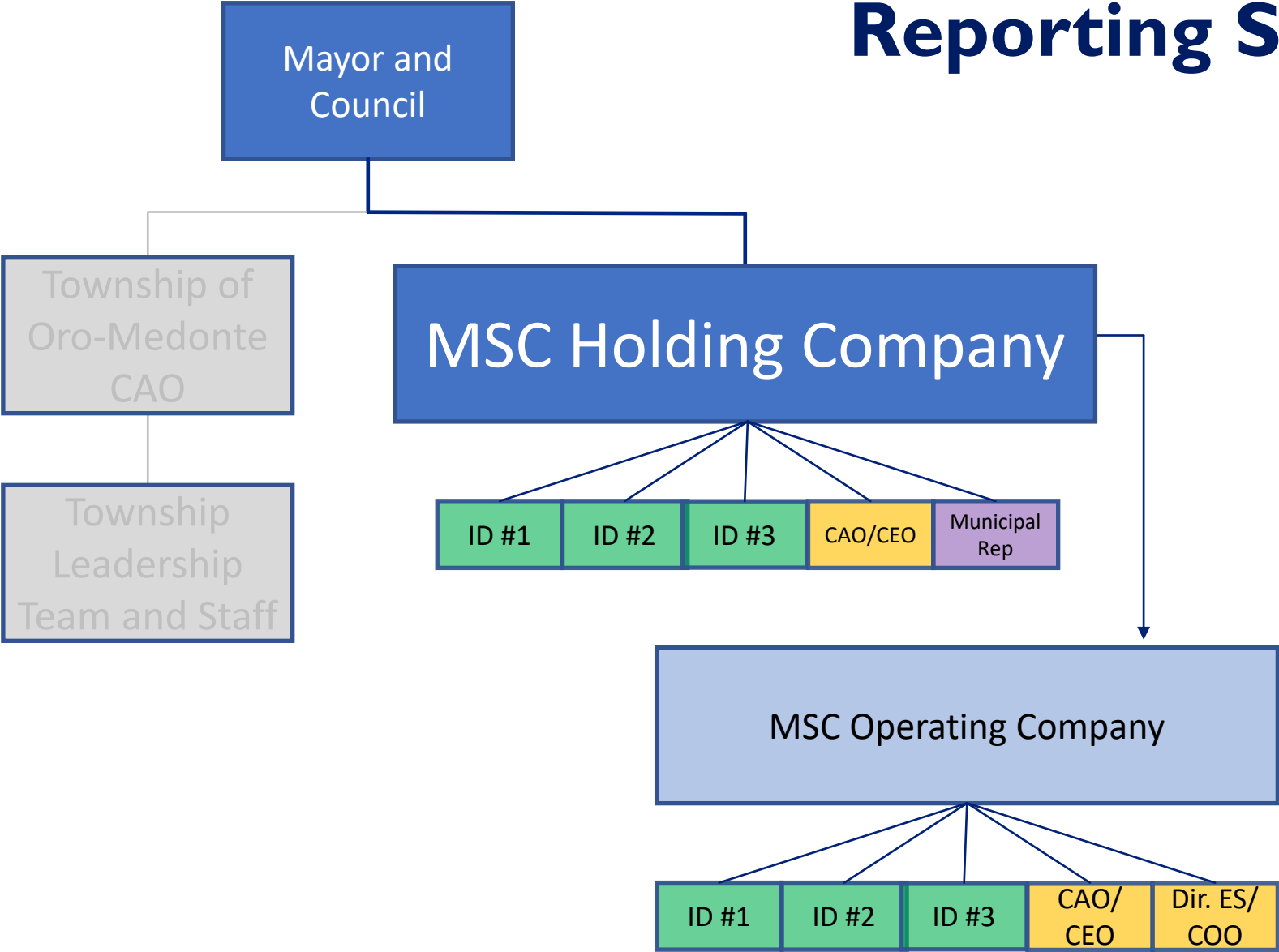
Municipal Representative

Reporting Structure



- Council Recruited
- Council Appointed
- Municipal Representative

Reporting Structure



CHALLENGES OF A MSC

- Incremental ongoing annual governance costs for liability, Directors & Officers insurance, board meetings and professional fees
- Ensuring staff understand the new operating model
- Educating and communicating with Township residents, business owners, community groups and other key stakeholders
- Ensuring compliance with all Provincial and Federal regulations and legislation
- Address governance matters such as policy adoption, completion of essential services, contracts, and reporting structure for MSCs, their boards and contracted staff
- Careful monitoring of debt levels

COST IMPACTS TO THE TOWNSHIP

- 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 are to be paid by all users for water, urban stormwater, communal tile fields, municipal streetlights
- Costs will be identified in financial reports and budgets
- As more users are added, annual incremental operating cost per user will decline

MSC Implementation Milestones

May 31/June 1, 2018
Notice of Open House Meeting website updated, social media communication initiated

June 13, 2018
Open House 5:30 pm (per Ontario Reg. 599/06), Presentation, Q & A

November 18, 2018
Council received Corporate Staff Report and endorsed Board of Director Skills Criteria

January 2020
MSC Incorporation

August 18, 2021
Council Endorses Municipal Services Corporation Asset Transfer Policy

June 8, 2018
Public comment form available on website

June 18, 2018
Council received Corporate Staff Report and endorsed proceeding with the MSC

July 17, 2018
Council received Corporate Staff Report and endorsed the Status Update

March 2020 - April 2022
MSC implementation delayed due to COVID 19 business impacts

January 31, 2023
Asset Transfer Complete & MSC Operational

May 29, 2023
Inaugural Meeting - MSC Board of Directors - Orientation

October 23, 2023
3rd Quarter - MSC Board of Directors Meeting

June 19, 2023
2nd Quarter - MSC Board of Directors Meeting

MSC Board of Directors Year 1: Report to Oro-Medonte Council

DISCUSSION & RESOURCES

- Discussion/Questions
- Resources\Contact
 - Robin Dunn – CAO, Oro-Medonte: rdunn@oro-medonte.ca
 - Michelle Jakobi – Director, Environmental Services: mjakobi@oro-medonte.ca
 - MSC Information Available on the Township's Website: <https://www.oro-medonte.ca/municipal-services/municipal-services-corporation>