

Business Case Study

Municipal Services Corporation for
Water and Wastewater Services in the
Township of Mapleton

January 17, 2025





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Background

The Township of Mapleton (the Township) faces a pressing need to upgrade and expand the Township's water and wastewater systems to meet the capacity requirements driven by growth in the community. To facilitate the significant capital investment required and ensure long-term sustainability of water and wastewater utilities in the community, the Township has proposed the establishment of a Municipal Services Corporation (MSC) under which all water and wastewater systems would be managed.

Under *Ontario Regulation 599/06*, a Business Case Study is required to establish an MSC. The Township has engaged Graham Capital Partners LP (Graham Capital) to assist with financing and delivering the Township's water and wastewater capital program. The Township and Graham Capital have worked together to prepare this Business Case Study to initiate the process in establishing this MSC.

This Business Case Study shows that the establishment of an MSC would be a positive step forward for the Township for the short- and long-term management of their water and wastewater utility system. The key benefits associated with the establishment of the MSC include:

- 1) The MSC would not be subject to the same borrowing restrictions as the Township, and in turn, would be able to borrow the amount of funds required to complete a program of capital upgrades to the water and wastewater infrastructure described within this Business Case Study.
- 2) The debt associated with the MSC would not consolidate to the balance sheet of the Township. This means that the Township would be free to use its available borrowing capacity for other strategic priorities within the community, while simultaneously being able to borrow funds at the MSC level to fund the water and wastewater capital projects, overall increasing the Township's debt funding capacity.
- 3) The MSC would be governed by a Board of Directors, including Township staff and private sector partners. The MSC can draw on the experience of the private sector, while the Township retains full ownership and control over the MSC. Having governance of the MSC separated from the Township will provide consistency in the Board members, allowing the Board to plan a long-term vision for the MSC services.
- 4) The MSC is set up to be a self-sustaining entity where 'utilities pay for utilities'. This provides transparency to the rate payers, clearly showing how the MSC's assets are managed and paid for. This will help the MSC's assets remain sustainable and well managed in the long term.



1. INTRODUCTION

1.1 Current State

Mapleton is a rural Township located within Wellington County. The Township’s Public Works Department provides a variety of services to the community including:

- Maintaining roads and sidewalks,
- Providing snow removal and winter maintenance,
- Providing water, wastewater, stormwater and drainage services,
- Managing infrastructure issues and concerns,
- Maintaining parks and trails, and municipal facilities.

This Business Case Study focuses on the water and wastewater division of the Public Works Department. The Township is responsible for providing and maintaining a safe supply of high-quality drinking water that meets all applicable regulations and legislation for the residents of the Township’s two urban centers, Drayton and Moorefield. The Township is also responsible for operating one Wastewater Treatment Plant (WWTP) located just outside of Drayton, and its associated collection system.

1.2 Anticipated Future State

According to the *Mapleton Water and Wastewater Servicing Master Plan*, published on May 31, 2023; to meet capacity requirements driven by growth, the Township will need to upgrade both their water and wastewater systems over the next three years. **Table 1** below lists the existing systems and their required near-term (2025 – 2027) upgrades.

Table 1: Current and Required Infrastructure

Current Infrastructure	Upgrades Required From 2024 - 2027
Moorefield Pumphouse (part of the water system)	Pumphouse and standpipe upgrades (Moorefield Water System Upgrades - Project No 22007)
Moorefield Sewage Pumping Station (SPS)	Pump replacements and various upgrades (Moorefield SPS Upgrades - Project No 20164)
Drayton Sewage Pumping Station (SPS) and Forcemain	Upgrades and replacements of various components of the pumping station including a forcemain twinning project. (Drayton SPS and Forcemain Twinning - Project No 19001)
Mapleton Wastewater Treatment Plant (WWTP) (Treats Wastewater from both Moorfield & Drayton)	Upgrade to expand capacity from 900 to 1,300m ³ /day, and cleanout of one storage cell. (Mapleton WWTP Phase 1 Upgrade - Project No 18026, and Mapleton WWTP Cell 2 Cleanout - Project No 18071)
Overall Water and Wastewater System – Linear Infrastructure	Water and Sewer Distribution Extension Wellington Street South and Main Street West (Project No 22081, 22082, 22078, and 22079)

Executing these upgrades requires a capital investment of approximately \$41 million. In order to finance an investment of this size, the Township has investigated an alternative governance structure for their water and wastewater services to allow these required capital improvements to proceed in a cost-effective manner. A key component in this investigation was to find a structure wherein the Township would retain full ownership and control over their assets both in the near term, while these projects are being completed, and in the long-term, to provide the Township with a sustainable governance structure for many years to come. This alternative structure involves the establishment of an MSC for the water and wastewater services to be managed under.

1.3 Applicable Legislation and Regulations

MSC's are governed under the *Municipal Act 2001*, *Ontario Regulation 599/06* (O.Reg. 599/06), and the *Canada Business Corporations Act, 1985* which define the municipal powers, duties and limitations for both the MSC and the municipality. Under O.Reg. 599/06, to establish an MSC, a municipality must:

- Develop a business case study for the proposed MSC, and
- Consult with the public about the plan to create the proposed MSC.

1.4 Overview of Analysis

Establishment of the proposed MSC will allow the Township to continue to own and manage their water and wastewater assets efficiently and effectively, even in the face of significant growth within the community. This document provides the Business Case Study for the proposed MSC which includes the following:

- An outline of the reasoning behind the Township's decision to pursue this initiative and the benefits it provides,
- The structure of the MSC including governance and staffing,
- An overview of the proposed public consultation processes, and
- The projected financial performance of the MSC.

Definition of an MSC

As defined in O.Reg. 599/60, an MSC is a corporation whose shares are owned by a municipality or by a municipality and one or more other public sector entities, where the shareholders have an entitlement to all the voting shares allocated to the members of the corporation, and which provides a system, service or thing that the municipality itself could provide. MSCs can only operate within the geographic boundaries of a municipality with the permission of the municipality in question.

2. MSC STRUCTURE

2.1 Structure Overview

Currently, water and wastewater services are managed by the Township's Public Works Department as shown in **Figure 1**.

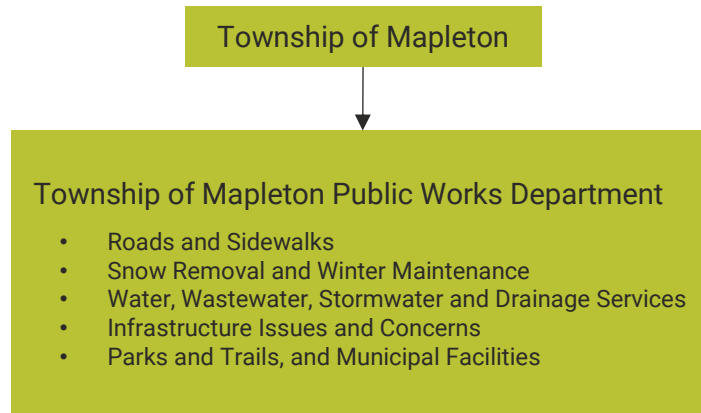


Figure 1: Current Structure

Under this model, the Township collects water and wastewater revenues and uses them to pay for:

- 1) Operations and maintenance of the Township's current water and wastewater systems,
- 2) Renewal of those systems, and
- 3) Capital projects associated with those systems.

Operations and maintenance expenses are generally consistent year over year, so these costs generally do not pose a financial challenge to the Township. Renewal costs fluctuate year over year and include relatively minor repairs or replacements to the system. Because of these fluctuations, these costs are generally paid for with reserve funds. Water and wastewater revenues collected in excess of operating costs are allocated into a dedicated reserve fund for this purpose. When it comes to capital projects, these are larger than renewal projects and the reserve balance generally hasn't accumulated enough funds to cover these costs. As a result, the Township has to seek other methods of funding these projects such as:

- 1) Obtaining external grant funding,
- 2) Utilizing development charge reserve funds,
- 3) Obtaining public financing (debt),
- 4) Obtaining private financing (debt and equity), or
- 5) Utilizing a combination of these options.

Each of these methods poses a challenge to the Township:

1 – External Grant Funding

Although the Township works hard to apply for all available and applicable grant funding streams, these funds are not always enough to cover a full capital program and are also applied for on a competitive basis. So, even if grant funding is obtained, other funding mechanisms still need to be explored.

2 – Development Charges

Given that the capital program required in the next three years is largely due to the growth in the Township, the Township is able to charge a fee for each new development that requires a connection to the Township’s water and wastewater system. Development Charges are governed by the *Development Charges Act*, which defines the maximum that may be charged. The Township will collect development charges to the extent possible to help pay for the capital program as it pertains to growth. The challenge is, these fees come in over time, as each new development is completed. It is challenging to get a developer to pay these fees up front. And so, due to the lack of the upfront revenue to pay for the construction of the capital program, even if development charges are being collected by the Township, a different solution is required to pay for the upfront costs of the capital program while the Township waits for these revenues to come in.

3 – Public Financing

Public Financing typically involves raising long-term debt through the municipal bond market to finance the capital expenditures of the project. However, under O.Reg. 403/02, the Township is only allowed to borrow amounts with annual servicing costs up to 25% of its annual revenues. Under this limitation, the Township currently has an annual repayment limit of \$2,571,862 (as of October 2024) according to the latest Financial Information Return. This repayment limit translates to a maximum borrowing capacity of \$40.8 million through the municipal bond market assuming a 30-year term and 4.71%* interest rate.

The proposed capital program outlined in **Table 1**, requires \$41 million in funding. As a result, the Township would fall short of the required amount, leaving a funding gap. Additionally, it may not be prudent for the Township to fully utilize its borrowing capacity solely for these water and wastewater infrastructure upgrades. Over-leveraging could limit the Township's ability to finance future projects or respond to unforeseen financial pressures, making it essential to explore alternative financing solutions that balance the immediate capital needs with long-term financial sustainability.

4 – Private Financing

The Township could borrow funds from the private sector, however, they would still be subject to the same restrictions under O.Reg. 403/02, so they could still only borrow up to \$40.8 million (as of Jan 2025). Again, this leads the Township to have to explore an alternative solution for financing their proposed capital program.

Because of the challenges posed by each of these four financing methods, the Township has explored the opportunity to move the water and wastewater services under the proposed MSC as shown in **Figure 2**.

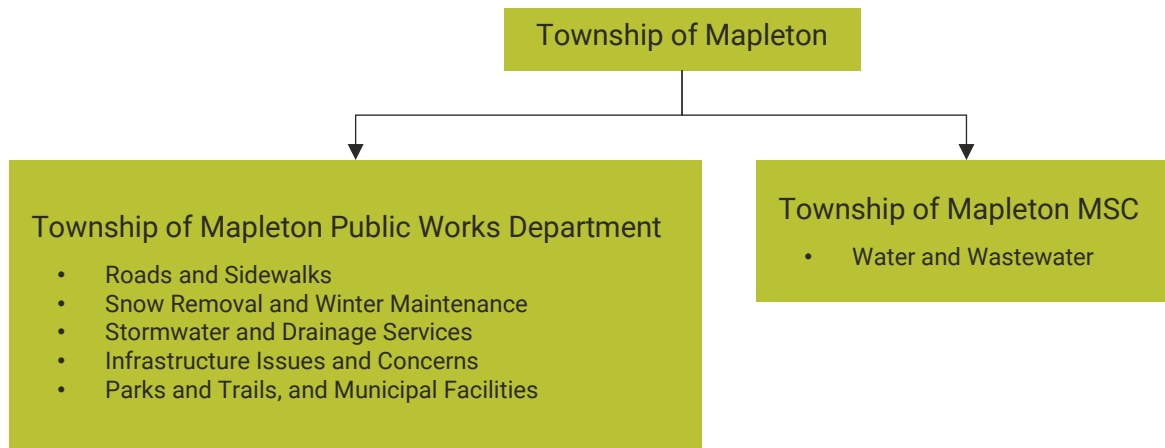


Figure 2: Proposed Structure

2.2 Structural Benefits

Creating an MSC would allow for the Township to raise the funds required in a timely manner that is the most cost effective to the local ratepayers. The four points below further describe the core benefits that the MSC would have for the Township.

1 – Overcoming Financial Restrictions

As described previously, under the borrowing limitations set out within O.Reg. 403/02, the Township cannot borrow sufficient amounts to cover the costs of the proposed capital program described in **Table 1**. An MSC, however, if structured as a Government Business Enterprise (GBE), is not subject to this same limitation and can borrow amounts exceeding the limitations set out within O.Reg. 403/02.

As a GBE, the MSC would be required to operate as a self-sustaining entity, with its revenues covering all its liabilities. In doing so, all revenues and liabilities associated with the MSC would not be on the Township’s balance sheet. Consequently, transferring water and wastewater operations to the MSC would affect the Township’s borrowing capacity as under O.Reg. 403/02, the annual repayment limit calculation to determine borrowing capacity would not consider the water and wastewater revenues as these would be held separately by the MSC.

As of October 2024, the Township has a borrowing capacity of approximately \$40.8 million*. Upon creation of the MSC, which would move the water and wastewater revenue stream from the Township to the MSC, the Township would have a borrowing capacity of approximately \$33.7 million*. The MSC will have the ability to incur debt independently to fund utilities. Initially, \$35.9 million will be borrowed to fund the capital program described in **Table 1** and the remaining \$4.2 million would come from grants and reserve funds. The aggregate financial capacity to draw on debt for the community would increase from \$40.8 million to \$69.6 million (\$33.7 million at the Township and \$35.9 million at the MSC).

**These amounts assume a 30-year term at a 4.71% interest rate and are based on the Township's latest Financial Information Return. The borrowing rate of 4.71% is based on the Province of Ontario's 30-year bond yield, plus a credit spread of 50 basis points, as of January 09, 2025, to align with the prevailing municipal borrowing rate.*

2 – Flexibility in Financing

As described previously, per GBE regulations, the MSC’s revenues need to cover its liabilities. These liabilities include all operations, maintenance and renewal costs. To address capital requirements for the envisioned water and

wastewater utility expansion and renewal program, the Township can pay the MSC a fee for the proposed capital program to help supplement the capital program’s costs, as long as the fees are water/wastewater related. This fee will include both grant funding that the Township has obtained specifically for water and wastewater, and development fees that the Township has collected specifically for water and wastewater. So, although the MSC would be established to allow the Township to borrow the funds required to construct the capital program, the grant funding and development fees associated with the water and wastewater system can still be contributed towards either the upfront costs of the capital program or the repayment of the borrowed funds for the capital program. This is illustrated in **Figure 3** below and will reduce the total amount of debt initially required to fund the capital program.

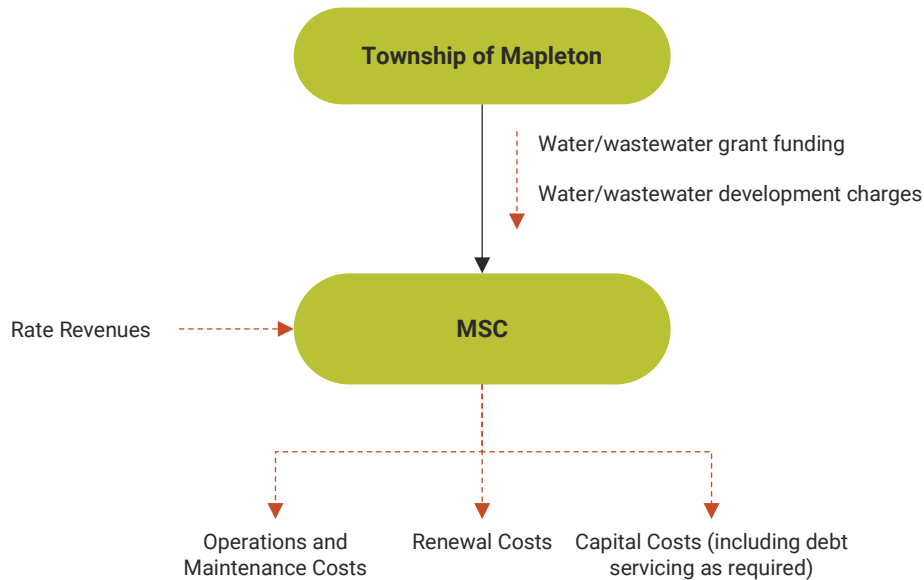


Figure 3: Flow of Funds

3 - Sustainability

As a self-sustaining enterprise, managing the Township’s water and wastewater assets through an MSC will promote a ‘utilities pay for utilities’ model – water and wastewater revenues will pay for water and wastewater costs. This will provide clear and concise accounting and management of the budget for operating, maintaining, and renewing these assets, providing ultimate transparency to ratepayers. This structure will set the Township up for future success, ensuring that the utility remains sustainable and well managed in the long-term.

4 - A Skills-Based Board

The MSC can bring private sector expertise into its governance by appointing chosen private sector partners as part of its Board of Directors (Board) alongside its municipal members. This expertise can include financial, accounting, legal, design and operations advisory. The structure of the Board is further described in **Section 3**. In brief – the Township can benefit from private-sector expertise in providing oversight and governance to long-term utility service delivery to residents, with a focus that will provide continuity of oversight divergent from timing of municipal elections. Although there can be private sector board members, note that according to O.Reg. 599/06, all voting shares must remain with the Township, ensuring that the Township retains full ownership and responsibility for making decisions effecting the water and wastewater utilities.

3. GOVERNANCE AND PERSONNEL

Figure 4 below outlines the staffing structure of the MSC. The items labelled one through four are described below.

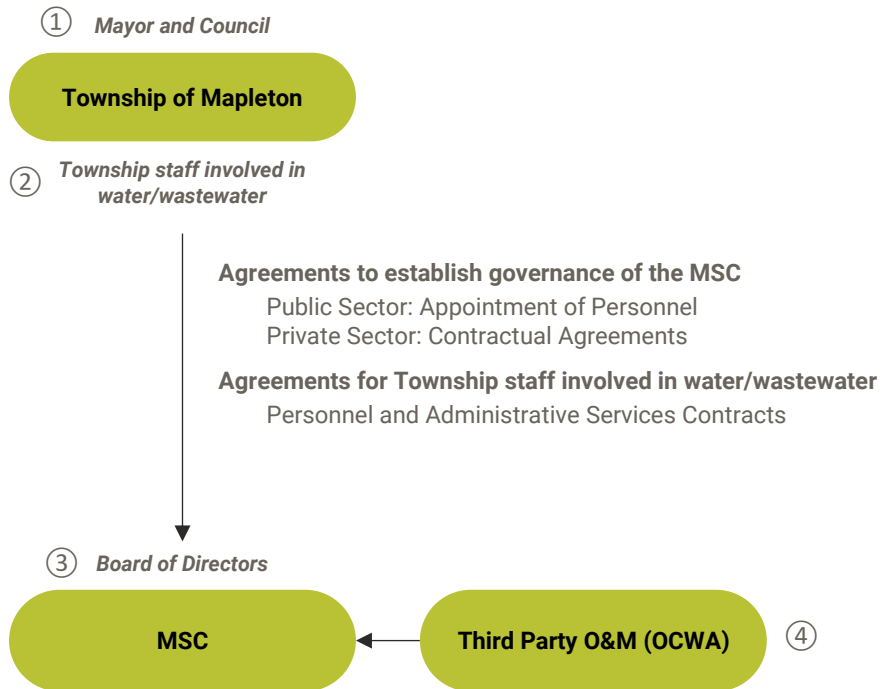


Figure 4: Governance and Personnel Structure of Proposed MSC

1 – Mayor and Council

Governance of the Township by the Mayor and Council will remain status quo.

2 – Township Staff Involved in Water/Wastewater

Township staff involved in water and/or wastewater for the Township will remain as employees of the Township. Their services will be contracted to the MSC through Personnel and Administrative Services Contracts.

These contracts will be structured to allow Township staff to contract their time to the MSC, and conversely for the MSC to purchase services from the Township on a fee-for-service basis.

3 – MSC Board of Directors

The MSC will be governed by a Board of Directors appointed by the Township. This Board would include a total of 5 – 7 people including:

- Elected officials from the Township,
- Key members of Township administration, and
- Private sector representatives from the Township’s partner organizations (such as Graham Capital, OCWA, and CIMA+) or independent board members from the community.

Having the private sector involved in the Board is optional, however having skills-based governance from the private sector can be beneficial to the MSC. It ensures that necessary expertise such as financial, legal, and technical knowledge is available at the Board level. Although the private sector can sit on the board, they will not have voting shares in the MSC. The Township will retain 100% of the voting shares in the MSC as it is a public entity owned by the

Township and the Board will be structured in a manner to ensure that the Township has majority representation on the Board.

Long-term agreements can be placed for the private sector members of the Board with renewable terms. For the elected members of the Township, we propose 4-year terms beginning in 2025, with no limitation on reappointments.

Having this Board focused on the water and wastewater services will allow them to take a closer look into the long-term sustainability/growth plan of the assets. Capital planning services would not be influenced by other municipal departments.

4 – MSC Operations and Maintenance

The Township currently contracts the operation and maintenance of all water and wastewater assets to the Ontario Clean Water Agency (OCWA). Once the MSC is established, this contract would be with the MSC rather than the Township as it is strictly a water/wastewater expense. All terms and conditions can remain the same under an updated service agreement.

The MSC can also engage other third parties to perform work on its behalf, such as design firms, consultants, and construction contractors for future capital projects.

4. IMPLEMENTATION PROCESS

4.1 Public Consultation

Ontario Regulation 599/06 requires public consultation to establish an MSC. This process is anticipated to begin in January of 2025. All public communications regarding this process will be shared on the Township’s website. **Figure 5** below describes the public consultation process and timeline.



Figure 5: Public Consultation Process in Establishing the Proposed MSC

The information posted on the Township’s website and provided at the public meeting will focus on the following topics:

- Background and introduction to why the MSC is being proposed,
- The workings of the MSC structure and the impact the MSC has on residents,
- The governance structure of the MSC, and
- The overall benefits the MSC has in achieving the Township’s goals.

4.2 Establishment

Incorporation

The MSC would be structured to meet the definition of a GBE for financial reporting and accounting purposes. According to the *Public Sector Accounting Board (PSAB)*, a GBE must meet the following criteria:

- It is a separate legal entity with the power to contract in its own name and that can sue and be sued;
- It has been delegated the financial and operational authority to carry on a business;
- It sells goods and services to individuals and organizations outside of the government reporting entity as its principal activity; and
- It can, in the normal course of its operations, maintain its operations and meet its liabilities from revenues received from sources outside of the government reporting entity.

As described in **Section 2.2**, the proposed structure would allow for the MSC to be treated separately on an unconsolidated basis from the Township for financial reporting purposes, thereby excluding its debt from the determination of the Township’s allowable debt servicing limit.

After incorporation of the MSC, governance and personnel agreements would be made as described in **Section 3**.

Use of Township Assets

Once the MSC is established, an Operating Lease would be made between the Township and the MSC to allow the MSC to manage and operate the water and wastewater assets that the Township owns. This agreement is shown in **Figure 6** and described below. The Township will retain their current insurance for the infrastructure (property and liability coverage).

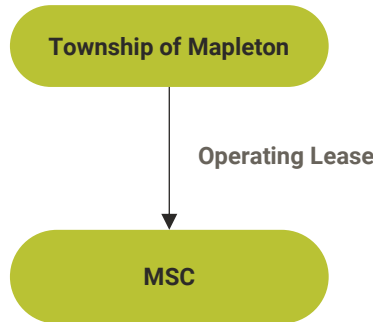


Figure 6: Agreement to Allow the MSC use of the Assets

Purpose of Operating Lease:

- To govern the way the MSC shall operate, maintain, and manage the infrastructure,
- To provide the MSC the non-exclusive right to access the infrastructure,
- To provide the MSC access to the land required to operate the infrastructure, and
- To provide the MSC with the exclusive right to supply water and wastewater services within the area.

Asset Transfer

While the physical water and wastewater assets remain with the Township as described above, the financial assets and liabilities associated with the water and wastewater will be transferred to the MSC.

Tangible Capital Assets to be Transferred:

Based on the consolidated schedule of tangible capital assets included in the Township's 2023 financial statements, the net book value of the tangible water works and sanitary sewers assets to be transferred to the MSC is \$13,986,691 as of December 31, 2023.

Outstanding Debt to be Transferred:

As of December 31, 2023, the total outstanding debt for water and wastewater infrastructure is \$3,681,448. Upon receiving the loan agreements from the Township and thoroughly reviewing the debt assignment terms for water and wastewater obligations, Graham Capital will work to facilitate the transfer of existing debt to the MSC, as detailed in **Table 2** below. In addition, Graham Capital will seek guidance from legal counsel to ensure compliance with regulatory requirements and mitigate any potential risks associated with debt reassignment, providing a smooth and legally sound transition of financial obligations.

Table 2: Water and Wastewater Outstanding Debt

Infrastructure	Debt Terms	Outstanding Principal
Land for Expansion of Wastewater Lagoon	20-year debenture 4.02%, maturing in 2031	\$380,000
Expansion of Wastewater Lagoon	10-year debenture 1.05% to 2.44%, maturing in 2032	\$470,000
Construction of Water Tower	30-year debenture 2.82%, maturing in 2051	\$2,831,448
Total Outstanding Debentures Payable (Water & Wastewater)		\$3,681,448

Environmental Reserve Fund:

In addition to the outstanding debentures, the existing utility reserve balance in the Environmental Reserve Fund will also be transferred to the MSC. This reserve balance will be used to cover capital costs and help minimize the rate increases required. The Environmental Reserve Fund has a balance of \$4,609,701 as of January 1, 2024. Of this total, \$1,862,471 is allocated to fund the 2024 capital budget for water and wastewater systems, leaving a remaining balance of \$2,747,230. This remaining balance, along with any new operating surplus generated in 2024 (i.e. Reserve balance as of 1st Jan 2025), will be transferred to the MSC.

Rate Payers

Once the MSC is established, the billings and rate collections related to water and sewer services would move from the Township to the MSC. The main difference the ratepayer will see is that their utility bill would have the name of the MSC on it rather than the Township of Mapleton. The rest of their billing and collections would remain status quo.

Transfer of Grant Funds and Development Charges

Once the MSC is established and its bank accounts are set up, the grant funding and development charges associated with the capital program in **Table 1** will be transferred to the MSC’s account.

HST

The MSC will need to register for an HST number and will be able to receive HST rebates identical to how the Township is currently receiving them.

5. FINANCIAL ANALYSIS

5.1 Rate Structure

The Townships rate structure is described in *By-law 2024-048* and is provided in **Appendix B** for reference. This structure includes a base charge and a consumption charge and will be kept consistent as billings and collections move to the MSC once established.

5.2 Rate Setting Procedure

Following the establishment of the MSC, rate setting authority will remain with the Township. The MSC will make recommendations to the Township regarding what levels rates must be set at to ensure long-term financial sustainability. Rate setting recommendations will be prepared in a manner that ensures the MSC is a self-sustaining entity, meaning that revenues generated from service delivery can pay for its operational, maintenance, and lifecycle costs. The MSC Board will make rate setting recommendations to Council as needed. Rate setting will remain the responsibility of Council per the existing bylaw process.

5.3 Rate Impacts of Capital Program

Implementation of the MSC does not, in itself, materially impact rates. It is only a change in the way the Township's water and wastewater assets are managed and governed. What will affect rates is the \$41 million capital program described in **Table 1** that the MSC will need to fund. These rate increases will be minimized by the development charges that the Township will be collecting, as well as the grant funding that the Township has received. Prior to implementing these increases, the Township will be applying for additional grant funding which, if received, will further reduce the impact to rates.

In addition to the impact that the capital program will have on rates, year over year inflationary increases will continue to be implemented as they have been in the past. No other capital projects outside of the capital program described in **Table 1** have been accounted for in the proposed MSC's current financial pro forma projection. **Appendix A** includes the expected ten year operating pro forma for the MSC. Future capital projects will have to be addressed on a case-by-case basis, subject to accumulation of reserve funds, availability of grant funding, and consideration of community affordability constraints.

Once established, Graham Capital proposes that the MSC continue with annual rates increases of 5.5% for the next 12 years as shown in **Figure 8** below. This 5.5% increase includes an estimated 2% inflationary increase in operating costs with the remaining 3.5% to cover the \$41 million capital program. If further capital projects are required beyond this \$41 million capital program, costs and potential impact on ratepayers will have to be further evaluated. If the actual revenues of the MSC are higher than expected in **Appendix A** (perhaps development increases, therefore development charge revenue increases), the Township can choose to hold the excess funds in a reserve account or reduce the projected rate increases shown on **Figure 7** below.

The overall rate structure proposed is heavily contingent upon the Township's continued ability to collect and remit development charges to the MSC, and the success of any potential funding programs provided for water and wastewater infrastructure.



Figure 7: Rate Increase Implementation

As shown in **Figure 8** below, rate increases will commence in January 2025. Additional surplus from operations increases the MSC reserve balance which is then drawn once the capital program is constructed in order to repay the project financing. Once the implementation of rate increases is completed, the reserve grows gradually due to the collection of development charges and increased utility revenue from new dwellings and expansion of the ratepayer base.

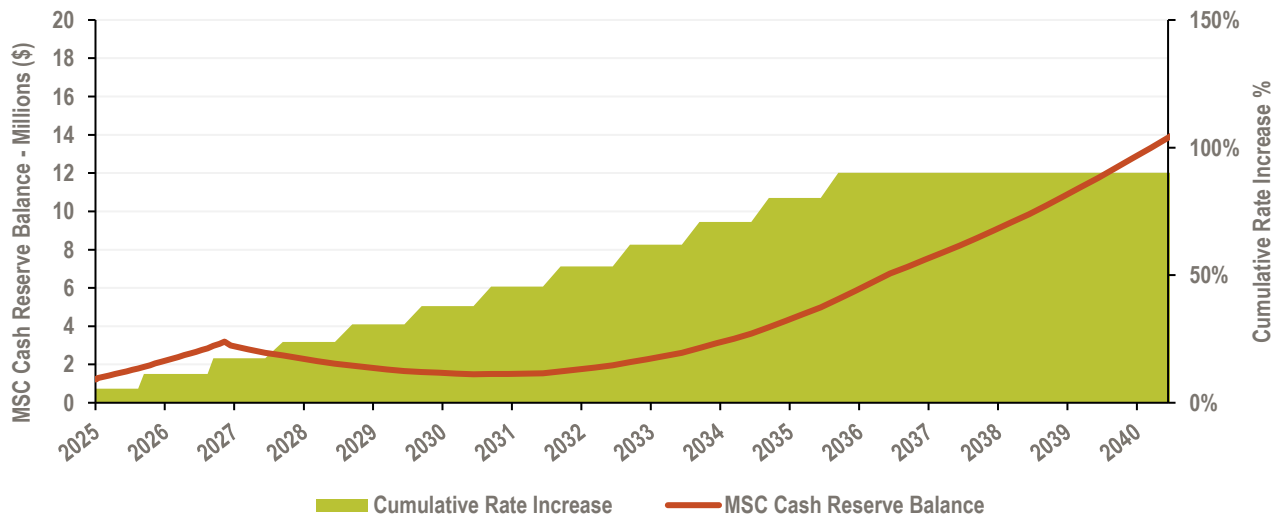


Figure 8: Rate Increase and MSC Cash Reserve Balance

6. SUMMARY – THE CASE TO SUPPORT THE PROPOSED MSC

The proposed MSC will benefit the Township in the following ways:

BENEFIT	DESCRIPTION
Ability to borrow sufficient funds to support the proposed capital program	With the MSC being structured as a GBE, the debt associated will not be on the Township’s balance sheet. This removes the borrowing limitations that the Township currently faces, allowing them to borrow the full amount required to perform the capital upgrades to the water and wastewater system required from 2025 – 2027 and any potential future upgrades that follow. This allows the Township to utilize its available borrowing capacity at the Township level for other priorities within the community if required.
Increased debt funding capacity for the Township	Without the MSC, the Township can borrow approximately \$40.8 million. With the MSC, the Township can borrow \$33.7 million at the Township level and \$35.9+ million at the MSC level (being the amount required for the 2025 – 2027 capital program + any future capital requirements), increasing the Township’s overall debt funding capacity by \$28.8+ million.
Skills-based governance	Allowing private sector partners with specialized knowledge in the water and wastewater industry to assist in governing the MSC in collaboration with Township staff will benefit the Township by enabling access to this expertise as needed – all while the Township retains in full control and decision-making authority. In addition, having the MSC Board as a separate governing body from Council will allow for consistency in governance and allow the Board to establish a long-term vision for the MSC’s services.
Future sustainability	As a self-sustaining enterprise, managing the Township’s water and wastewater assets through an MSC will promote a ‘utilities pay for utilities’ model. This will provide transparency to the rate payers utilizing these assets and a clear understanding of how these assets are managed and budgeted for. This structure will set the Township up for future success, ensuring that their utility remains sustainable and well managed in the long-term.

Should staff and Council elect to proceed with the establishment of the MSC, the next steps would be as follows:

1) Review and consideration by Council of MSC Business Case

- Following the public consultation period, any required changes will be made to the MSC Business Case. The finalized MSC Business Case will then be accepted by Council.

2) Preparation of draft documents, and finalization of documents to establish MSC including:

- Agreements to establish MSC shareholders, voting rights and Board governance and operating policies,
- Personnel and Administrative Services Contracts to allow Township staff to perform work for the MSC,
- Novation agreement to transfer OCWA’s contract from the Township to the MSC,

- Operating Lease to allow the MSC to operate the water and wastewater assets, and
- Debt and reserve transfer documents from the Township to the MSC.

3) Establishment of MSC

- Once all documents to establish the MSC are finalized and executed, the MSC will be registered as a legal entity, bank accounts at the MSC will be opened, tax and accounting procedures will be established, and Board members will be appointed. From this point forward, the MSC can operate as intended in this Business Case Study.



APPENDIX A – 10 YEAR CASH FLOW PROJECTION

Note: All values are subject to further refinement as the Project progresses to Financial Close in mid-2025.

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Cash Inflows											
Existing Home -Water	181,738	934,650	934,650	934,650	934,650	934,650	934,650	934,650	934,650	934,650	934,650
Existing Homes - Waste Water	185,221	952,567	952,567	952,567	952,567	952,567	952,567	952,567	952,567	952,567	952,567
New Home -Water	729	24,659	61,114	104,467	146,109	188,513	231,577	275,608	323,453	372,517	423,005
New Homes - Waste Water	647	21,895	54,263	92,756	129,729	167,379	205,616	244,711	287,191	330,755	375,583
Rate Increase Proceeds - Existing Homes	20,183	158,550	271,067	389,773	515,007	647,129	786,518	933,574	1,088,717	1,252,394	1,425,072
Rate Increase Proceeds - New Homes	76	4,384	17,193	41,378	75,964	122,777	182,991	258,291	353,259	467,773	604,178
Development Charges											
Development Charges - Residential	102,703	626,184	730,543	834,490	864,621	882,745	891,807	941,648	1,000,551	1,023,206	1,045,861
Development Charges - Commercial	55,887	349,980	377,302	405,556	426,480	437,142	447,804	458,466	469,128	479,790	490,452
Existing Reserves Transfer	2,746,600	-	-	-	-	-	-	-	-	-	-
Grant Funding	-	-	4,211,906	-	-	-	-	-	-	-	-
Interest Income	5,817	44,268	70,124	68,158	52,944	42,835	37,994	38,955	47,824	63,717	87,562
Withdrawal from Reserve Account	11,061	-	200,816	680,381	477,709	274,740	81,619	-	-	-	-
Total Inflows	3,310,661	3,117,137	7,881,545	4,504,176	4,575,780	4,650,478	4,753,144	5,038,471	5,457,340	5,877,369	6,338,931
Operating Expenditure											
Existing Home -Water	(131,542)	(683,266)	(696,931)	(710,870)	(725,087)	(739,589)	(754,381)	(769,468)	(784,858)	(800,555)	(816,566)
Existing Homes - Waste Water	(113,765)	(590,930)	(602,749)	(614,804)	(627,100)	(639,642)	(652,434)	(665,483)	(678,793)	(692,369)	(706,216)
New Home - Water and Wastewater	(702)	(24,063)	(60,725)	(105,800)	(150,890)	(198,545)	(248,754)	(301,959)	(361,447)	(424,583)	(491,754)
Grant Funding Transferred to Project Co	-	-	(4,211,906)	-	-	-	-	-	-	-	-
Capital Charge	-	-	(759,842)	(3,039,369)	(3,039,369)	(3,039,369)	(3,039,369)	(3,039,369)	(3,039,369)	(3,039,369)	(3,039,369)
CIMA+ Design & Consulting Fees	(1,392,870)	(557,217)	(417,913)	-	-	-	-	-	-	-	-
Additional O&M and Other Costs	(302,500)	(310,000)	(240,833)	(33,333)	(33,333)	(33,333)	(33,333)	(33,333)	(50,000)	(100,000)	(100,000)
Transfer to Reserve Funds	(1,369,282)	(951,661)	(890,645)	-	-	-	(24,873)	(228,858)	(542,873)	(820,493)	(1,185,026)
Total Outflow	(3,310,661)	(3,117,137)	(7,881,545)	(4,504,176)	(4,575,780)	(4,650,478)	(4,753,144)	(5,038,471)	(5,457,340)	(5,877,369)	(6,338,931)
Reserve Balance	1,358,221	2,309,882	2,999,712	2,319,330	1,841,621	1,566,881	1,510,134	1,738,992	2,281,866	3,102,358	4,287,384



APPENDIX B – WATER AND WASTEWATER RATE BYLAW

SCHEDULE "K"
WATER AND WASTEWATER
 (Page 1 of 2)

DESCRIPTION	FEE
Account Set-Up or Change of Ownership Fee	\$50.00
Service Connection Fee - Water	\$80.00
Service Connection Fee – Wastewater	\$80.00
Service Disconnection by Township Fee	\$80.00
Customer Request for Service Interruption	\$80.00
Temporary water supply from water service pipe during construction. Flat rate per month	\$50.00
Not Connected Flat Rate per Month	\$200.00
Missed Appointments for meter inspections, repairs, maintenance or testing	\$200.00
Water Meter 5/8" or 3/4" All water meters sizes are recovered at cost plus 10% handling fee	\$540.00 Plus HST
Service Call Request for any property owner requesting a service call if the problem is found to be on the landowner's property. Any involvement by the township in the repair of services on private property shall be billed to the property owner on a time and material basis	\$80.00
Admin. Fee to transfer unpaid account to tax roll	\$45.00
Bulk Water Administration Fee	\$100.00
Bulk Water Rate per m3	\$5.00

Charges imposed as Water and Wastewater Rates below shall be adjusted annually, without amendment to this by-law, allowing Township staff to automatically increase rates annually on January 1st each year.

WATER RATES

Water Consumption Rates

Description	2025
Declining Block Rate	
Block 1 (Bi-Monthly Cons.to and including 34 m ³)	\$2.25
Block 2 (Bi-Monthly Cons. Over 34m ³)	\$1.77

Base Charge

Description	2025
Monthly Base Charge: 5/8" or 3/4"	\$48.86
1"	\$74.63
1 1/2"	\$94.03
2"	\$142.70
3"	\$493.73
4"	\$690.95
6"	\$1036.46
8"	\$1,431.27

SCHEDULE "K"
WATER AND WASTEWATER
 (Page 2 of 2)

WASTEWATER

DESCRIPTION	FEE
Grinder Discharge Pump Charged At cost plus 10% handling fee	At Cost +10%

Waste Water Rates
(based on water consumption)

Description	2025
Declining Block Rate	
Block 1 (Bi-Monthly Cons.to and including 34 m ³)	\$2.13
Block 2 (Bi-Monthly Cons. Over 34m ³)	\$1.66

Base Charge

Description	2025
Monthly Base Charge: 5/8" or 3/4"	\$48.86
1"	\$74.63
1 ½"	\$94.03
2"	\$142.70
3"	\$493.73
4"	\$690.95
6"	\$1036.46
8"	\$1,431.27

NOTE: The fees and charges for various services on Schedule "K" are HST EXEMPT unless otherwise noted.