



DEPARTMENTAL REPORT

Finance Department FIN 2025-13

To: Mayor Davidson and Council
Subject: Municipal Service Corporation Endorsement and Next Steps
Meeting: Regular Council Meeting - 08 Apr 2025
Department: Finance Department
Staff Contact: Patrick Kelly, Chief Financial Officer / Treasurer

RECOMMENDATION:

THAT Council endorse the creation of a Municipal Service Corporation (MSC) for Water and Wastewater Services, based upon the Business Case Study and Public Consultation undertaken throughout February 2025; and further

THAT staff be directed to report back to Council on the recruitment outcomes for a member of the Board of Directors from the general public.

BACKGROUND INFORMATION:

At the May 14, 2024 Council Meeting, the Director of Public Works, presented Report PW2024-07 recommending the award of RFP 2023-16, Water and Wastewater Upgrades. Following a thorough discussion, Council authorized entering a LOI (Letter of Intent) with Graham Capital.

This decision was made based on the comprehensive evaluation of Graham Capital's expertise and track record in similar projects, as well as their competitive pricing. At the October 8, 2024 Council Meeting, representatives from Graham Capital presented the outcomes of the project validation phase. At that time, Council directed staff to negotiate an Early Works Agreement with Graham Capital.

At the November 12, 2024 Council Meeting, Council authorized the Mayor and Clerk to sign the Early Works Agreement with Graham Capital.

On January 28, 2025 staff and representatives from Graham Capital presented a Business Case Study and formally initiated the public consultation process. A public input session was held on February 11, 2025. The public consultation intake closed on February 28, 2025. At that time, there were zero public concerns submitted on the proposed establishment of a municipal service corporation.

PREVIOUS PERTINENT REPORTS:

PW 2024-07 - RFP 2023-16, Water and Wastewater Upgrades
CL 2024-14 - Mapleton's Water and Wastewater Upgrades
FIN 2024-32 - Municipal Services Corporation (MSC) - Early Works Agreement
FIN 2025-03 - Municipal Service Corporation (MSC) Business Case and Public Engagement

DISCUSSION:

The establishment of a municipal service corporation (MSC) is governed by Provincial legislation under O. Reg 599/06. This Regulation 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

The Township has engaged Graham Capital Partners LP (Graham Capital) to assist with financing and delivering the Township's water and wastewater capital program. Through a previously endorsed Early Works Agreement (EWA) Township staff and Graham Capital have worked collaboratively to prepare the Business Case Study and undertake a public consultation process, as required through legislation.

With Council approval in place staff, with support from Smith-Valeriotte Law Firm LLP (SV Law), will move forward with next steps which include:

- Establish business name for the MSC
- Inform rate payers about the transition to MSC for billing
- Open necessary bank accounts
- Formally register/set up the MSC entity
- Establish Articles of Incorporation
- Finalize the Asset Transfer Policy
- Finalize the Personnel Services Agreement

As part of these steps, the Township will also establish the Board of Directors for the MSC. Staff in consultation with Graham Capital have determined the optimal set-up to include three (3) members of Township staff, one (1) member of Graham Capital, one (1) member of Council, and one (1) member from the general public. Through future reporting, Council will be asked to identify the participating member of Council and endorse the selection of a member from the public.

The board members are proposed to include:

- Manny Baron – President
- Patrick Kelly – Treasurer
- Reebea Arif (Graham Capital) – Secretary
- Jamie Morgan – Board Member
- Councillor TBD – Board Member
- Public Member (TBD) – Board Member

In addition to the documents noted above, staff have also engaged the legal services of SV Law to review several documents that have been previously supplied by Graham Capital and are required for the establishment of this MSC. To-date this review has included the following documents:

- Operating Lease for Water and Wastewater Infrastructure
- Project Agreement and Supporting Schedules
- Township Acknowledgement Agreement
- Management and Financial Services Agreement

The project team is currently targeting a full MSC establishment by the end of April 2025. The target date to complete all necessary legal documents is May 7, 2025. Financial close is projected to occur in mid-May 2025.

CONSULTATION:

A formal public information session was held in February 2025, with public consultation being open for a period of one-month.

FINANCIAL IMPACT:

As a refresher, the Township's Capital Forecast includes approximately \$41M in capital investments over the next three (3) years for critical water and wastewater infrastructure.

If established, these costs would move under the MSC, along with the Township's wastewater reserve funds. The majority of project costs are deemed growth related and are eligible for funding via development charges. If the Township transfers water and wastewater assets into the Municipal Service Corporation (MSC), all funding and debt associated with both utilities will be transferred to the newly established MSC. Future water and wastewater development charges will likewise be transferred to the MSC to assist in funding future debt servicing.

The legal fees incurred to establish the MSC will be an expense to the MSC itself, and fall outside of general tax funded legal fees.

SUMMARY:

This report and Council endorsement represent another step forward in the Township's establishment of this MSC and building necessary wastewater capacity to support growth in Mapleton.

The actions being taken are consistent with the Township's strategic direction to shift from an over dependence on external funding supports and find innovative financial solutions for major infrastructure investment including water / wastewater capital financing.

STRATEGIC PLAN PILLARS:

Vigilant Asset Management: n/a

Prosperous & Diversified Economy: Facilitate progress with new residential development

Our Wellbeing: n/a

Diligent Fiscal Management: Investigate innovative financial solutions for major infrastructure investment including water / wastewater capital financing

Operational Excellence: n/a