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EASTERN ONTARIO
REGIONAL NETWORK

Preliminary MSC Business Case for Peterborough County

October 6, 2025

Published October 6, 2025

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Table of Contents

Acknowledgements.....	1
Executive summary	2
Preliminary observations	4
Preliminary observations	4
The four main MSC governance options	6
The next steps before and when establishing a municipal services corporation.....	6
Background	7
Summary of current water and wastewater infrastructure across Peterborough County	8
Wastewater treatment capacity	8
Drinking water treatment capacity.....	8
Value of water and wastewater assets at cost	8
Operations	8
Environmental services revenues and operating expenses	9
Dedicated reserves	9
Municipal financial capacity and debt repayment limits.....	9
The challenge before Peterborough County municipalities	11
Preliminary review of governance models	11
What is a municipal services corporation (MSC)?	11
Conditions of incorporation.....	11
Municipal services corporations vs. municipal business corporations	12
MSC governance model benefits and disadvantages	14
Additional benefits.....	14
The most considered MSC models	17
County level governance vs. municipal services corporations	18
Township level governance vs. municipal services corporations	20
Governance models and their autonomy from municipal government	22
Potential governance models of an MSC in Peterborough County - shareholders.....	22
Examples of MSC or use MBC in water and wastewater infrastructure and management.....	24
Financial considerations and models.....	24
Financial models	26

Lower-tier municipal buy-in.....	26
Private partnerships and investments.....	26
Financial models of other MSCs	28
Rate structures.....	29
Costing	31
Funding opportunities	33
Asset transfers and policies	33
Key considerations for Peterborough’s asset transfer policy.....	34
Decentralized system ownership and municipal responsibility agreements (MRAs)	35
Decentralized system ownership vs. operation.....	37
Risk analysis	38
Preliminary conclusions	39
Recommendations and next steps	41
Appendix A: Data profile for Peterborough County municipalities regarding water and wastewater services.....	43
Appendix B: Excerpts from the Municipal Act regarding municipal services corporations	46
Appendix C: Examples of asset transfer policies	49
Appendix D: Funding opportunities.....	59
Appendix E: The factors to use in a preliminary feasibility assessment for developing a project.....	63
Appendix F: The benefits and challenges of a municipal services corporation.....	64
Appendix G: Degrees of autonomy from a municipality	66
Appendix H: Risk analysis.....	67
Appendix I: Case studies and examples of existing MSCs or MBCs.....	73
Appendix J: References	82

Acknowledgements

The Eastern Ontario Regional Network (EORN) expresses its deepest appreciation and acknowledges the contribution that each of the following organizations made to completion of this study:

Canadian Mortgage and Housing Corporation

The County of Peterborough

Rural Impact Canada

The County of Frontenac

Frontenac Municipal Services

Executive summary

This feasibility study, conducted by the Eastern Ontario Regional Network (EORN), examines the potential for establishing a municipal services corporation (MSC) in Peterborough County to support decentralized water and wastewater systems; an essential requirement for enabling rural housing development.

The purpose of this report is to identify some of the factors that will support the successful creation of a sustainable MSC and some of the factors which should be considered before an MSC is created, while highlighting both the opportunities and challenges associated with MSCs, conclusions have been drawn from provincial case studies, expert interviews, and governance models.

MSC models can provide advantages such as borrowing flexibility, governance innovation, enhanced access to specialized expertise, and support for modular decentralized infrastructure. The viability of such a model for rural areas is highly dependent on achieving economies of scale, which are only realistically attainable through a county-wide approach or through formal partnerships among multiple lower-tier municipalities. Without this scale, the financial risk, lack of capacity to absorb system failures or major repairs, and long-term instability would outweigh the benefits and operational costs. Currently, EORN's findings indicate that the creation of an MSC by a single lower-tier municipality within Peterborough County is unlikely to be financially or operationally advantageous.

Feedback from Peterborough County Council on April 23, 2025, reaffirmed that water and wastewater responsibilities remain within the jurisdiction of local municipalities, further emphasizing the need for inter-municipal collaboration if an MSC were to be pursued. EORN recommends that prior to initiating the creation of an MSC, a comprehensive financial study be completed, a governance structure clearly defined, and a legal opinion be obtained.

It is important to note that in Ontario, implementation of the MSC model is a long-term process typically spanning four to seven years and requires dedicated resources, strong inter-municipal cooperation, and alignment with provincial regulatory frameworks based on EORN's study of existing MSCs. For Peterborough County and similar rural regions, an MSC could offer a sustainable path forward, but only if built upon a foundation of collaboration, shared risk, and strategic planning.

Additionally, one of the main benefits publicly noted on creating an MSC is the ability to borrow without affecting the municipalities borrowing capacity. While this is true, specific conditions must be met to ensure that debt is not included on the municipality's financial statements, the conditions are as follows:

- It is a separate legal entity with independent legal accountability.
- 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 its shareholder(s) as its principal activity.
- 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.

Once these conditions are met, the MSC can operate independently of the municipality, and the municipality will no longer need to include the MSC's debt on its financial statement.

Preliminary observations

The preliminary observations have been developed to assist Peterborough County Council and member municipalities with the best understanding in forming a conclusion by detailing seven preliminary observations that should be considered before proceeding when creating a municipal services corporation (MSC) for water and wastewater services.

This report provides both an overview and detailed analysis of the four governance models that municipalities and counties may consider. The report will provide information on the current state of water and wastewater infrastructure for municipalities in a county and gives examples in which the MSC model is being deployed; or are in use. It outlines the risk assessment and financial considerations that are integral parts in constructing an MSC-focused business case. The report concludes with recommendations for the next steps that may be applicable to either the municipalities in Peterborough County or any other interested municipality.

Preliminary observations

- Beyond single-tier urban municipalities (primarily cities) using MSCs in a public utility model in delivering water and wastewater services, the number of MSCs in existence in smaller municipalities or in counties is limited. Those that do exist have been in operation for less than five years and may not yet be fully separated from municipal governance or financially autonomous. As a result, limited actual operating experience on which Peterborough County, and its municipalities or other municipalities in eastern Ontario can draw upon is available. The lack of availability has raised the importance of rigorous project planning, financial analysis, and risk assessment within the municipality.
- Before focusing on the most appropriate governance model, it is vital that a county or municipality interested in exploring an MSC for water and wastewater services understands the demand profile for services, including forward-looking projections. Decentralized systems offer a service opportunity beyond conventional centralized systems; however, the demand profile must be matched against the size and configuration of the decentralized system(s) that is being considered. Opportunities to easily expand the proposed system to respond to future economic development and housing growth within the municipality are key considerations.
- For water and wastewater services, the ability to leverage economies of scale are a key feature of financial sustainability for rural municipalities dependent on demand volume, density of user connections, and the capacity of treatment plant(s). The degree to which decentralized systems can achieve the same degree of sustainability by different means (such as modularization and different system models based on capacity) deserves significant attention early in a municipality's planning processes.

- Each MSC proposal for the provision of a municipal water and wastewater service must be developed in a customized fashion. This is because each proposal is likely to have unique design considerations: diverse levels of demand, land availability and terrain, construction conditions, proximity to source water, distances between treatment plant(s), quality of water, treatment needs, and users and/or connections (density). Scope of services to be offered by an MSC may also vary. All these factors are likely to influence the opportunity for decentralized systems and the governance and financial model most appropriate to that situation. This situation underscores the importance of gathering relevant geospatial and technical data before deciding on water/wastewater solutions.
- At time of writing this report, the process associated with the creation of an MSC is a multi-year venture and may involve significant costs. Prior to creating the MSC, the province requires municipalities to develop a business case plan, have asset transfer policies in place, and undertake public engagement/consultation. Recent experience suggests that it takes *at least two years* to reach the point where an MSC exists as a legal entity separate from the municipality.
- Multi-municipality MSCs, whether under a county umbrella or by several municipalities desiring to work together in or outside a county structure, must address governance considerations beyond those of a single-municipality model. Examples are board composition, allocation of shares of the corporation to multiple owners/shareholders, risk allocation, and willingness to transfer assets to a corporate entity that is not wholly owned by a single municipality. These considerations could include stakeholder agreements that would need to be negotiated and reviewed by legal counsel but can impact the timeframe.
- Currently, in Ontario decentralized systems operate under the same regulatory environment as conventional centralized systems which diminishes two major advantages of decentralized systems: their modularity (same basic design replicated over multiple units) and their ability to work in a distributed fashion (multiple smaller systems serving multiple communities). Reliance on the same regulatory regime also slows down the process for bringing the MSC into service. There would be merit in undertaking a collaborative project with agencies of the province of Ontario to determine if some technologies and vendors offering decentralized systems could achieve a form of pre-approved certification (such as the Canadian Standards Association (CSA) rating). This approach could expedite the introduction of these services in rural areas or small towns where a conventional system is simply not financially viable.

The four main MSC governance options

When developing a utility-like governance model for water and wastewater services, municipalities have four main options:

1. County-level Municipal service corporation (MSC) in which the upper tier and or county creates the MSC on behalf of its municipalities.
2. Multi-municipality MSC in which two or more municipalities create the MSC outside of the County structure, on behalf of the participating municipalities. Other municipalities (or the County) may be customers for the MSC's services but play no role in governance.
3. Single-municipality or lower-tier municipality MSC in which one municipality creates its own MSC outside of the County structure. Subject to negotiations, other municipalities (county) may be customers for the MSC's services but play no role in governance.
4. Joint service board¹ in which two or more municipalities decide many aspects of governance with all assets and liabilities jointly held by participating municipalities. Note: because this model is already well-known to municipal leaders, this study will focus on the three preceding MSC-based models.

The next steps before and when establishing a municipal services corporation

In a later section of this report, four key steps are considered essential before investing considerable time and resources to set up a municipal services corporation for water and wastewater services.

- Zero in on the problem your municipality or county is trying to solve.
- Determine your municipality and/or county's readiness to adopt decentralized systems.
- Put together a preliminary business case focused on financial sustainability and risk management.
- Determine the best governance model for your municipality and/or county's situation.

¹ Source: [AMO Backgrounder on Water & Wastewater Municipal Services Corporations](#)

Background

The following business case study was undertaken by EORN to assist the County of Peterborough in its exploration of governance models that one or more municipalities might use to introduce decentralized water and wastewater management in support of housing development across the county. The Canada Mortgage and Housing Corporation's (CMHC's) Housing Supply Challenge.

This report assesses the potential of a municipal services corporation (MSC) as the most suitable governance model for decentralized water and wastewater systems. While much of the analysis focuses on the MSC model and its governance at either the township or county level, alternative governance models, and those that do not require the creation of an MSC, are also explored.

This study is intended for use in communities that do not have existing municipal water and wastewater services and does not focus on the transfer of existing centralized or decentralized assets to an MSC at the county level, though this may still be a consideration for certain municipalities.

The focus of this study is governance for the ownership and management of new decentralized water and wastewater systems and does not include the governance of housing developments via an MSC or by the county or townships although the provision of additional water and wastewater services might enable this type of development.

The goal of this analysis is to assist municipalities in evaluating and selecting the best governance model for their needs, understand the relationship between governance models and financial sustainability of decentralized water and wastewater services in rural areas or small towns. This report will focus on rural areas and reaching economies of scale as some of the challenges in rural areas will not apply to large urban centres with larger population bases.

Summary of current water and wastewater infrastructure across Peterborough County

Wastewater treatment capacity

Water and wastewater infrastructure across Peterborough County is presently managed by eight municipalities (the “lower tier” in a two-tier county system of local government). Three of the eight municipalities (Asphodel-Norwood, Havelock-Belmont-Methuen, and Selwyn) have existing centralized infrastructure that provides service to part of their municipalities. In total, these municipalities have 46 kilometres of wastewater collection mains and treat 1,109 megalitres² of wastewater each year³.

Drinking water treatment capacity

These municipalities also treat 958 megalitres of drinking water each year and maintain 53 kilometres of water distribution pipes.⁴

Value of water and wastewater assets at cost

The Environmental Services assets of the municipalities of Peterborough County are valued at \$134.7 million at cost (the asset value includes wastewater treatment and disposal), while the City of Peterborough has invested \$530 million. In both cases the assets are heavily concentrated in wastewater collection, conveyance, and treatment (\$63 million and \$130 million respectively), with water treatment and distribution being \$43 million and \$280 million, respectively.

Operations

As a result of past investments and operations, municipalities already have dedicated departments for water and make key decision through their councils. Despite these capabilities, in many rural areas, the primary --- if not the only --- approach to water and wastewater treatment is via private wells and septic systems, which are paid for and maintained by the individual property owner. The absence of municipal water and wastewater services in these areas is a function of land use (the presence of significant tracts of agricultural lands) and overall low population density.

² A megalitre is a million litres. Data source: municipal Financial Information Returns (FIRs) for 2022.

³ Note that the City of Peterborough processes 16,494 megalitres of wastewater each year and may be providing wastewater treatment services to neighbouring municipalities.

⁴ See [Appendix A](#) for more detailed data on Peterborough County. Data for the City of Peterborough is also provided for comparative purposes.

Environmental services revenues and operating expenses

Annual municipal user fees and service charges associated with wastewater services total \$3 million across Peterborough County and \$21 million in the City of Peterborough which are 100 per cent borne by the end users. For water treatment and distribution, the comparable revenues are \$2.9 million and \$15.8 million annually.

Total annual operating expenses for wastewater services across Peterborough County municipalities is \$4.4 million. For water treatment and distribution, the comparable revenues are \$3.9 million.

Dedicated reserves

In 2023, all municipalities in Peterborough County had a total of \$15 million in environmental services reserves while Peterborough County had \$24.5 million. As a matter of principle and in line with sound business planning expected of a municipal services corporation (MSC), municipalities are expected, though not legally required, to achieve full cost recovery for all operating expenses, while also allocating funds for capital expenditures, including maintenance and upgrades.

The province of Ontario's Local Authority Services (LAS) report on the feasibility of a municipal services corporation (MSC) model for water and wastewater systems underscores the critical importance of financial sustainability. As the report states, "municipalities are expected to ensure full cost recovery of all operating expenditures as well as making provision for capital expenses (maintenance and upgrades)" as a matter of principle and sound business planning within an MSC framework. This expectation reflects a broader commitment to maintaining high-quality public services while safeguarding long-term infrastructure viability.

The LAS Expert Panel emphasized that full cost recovery is not only essential for operational stability but also for enabling municipalities to meet future demands, adapt to climate pressures, and invest in aging infrastructure without overburdening taxpayers. By embedding this principle into the governance of MSCs, Ontario aims to empower municipalities with more flexible financing tools while preserving public ownership and accountability.

Details of these municipal assets and operations, including a municipality-by-municipality breakout, are presented in [Appendix A](#).

Municipal financial capacity and debt repayment limits

The debt repayment limit for all municipalities in Peterborough County, for all services, was \$21.3 million, with Peterborough County adding another \$14.6 million for a combined total of \$35.9 million. By comparison, the City of Peterborough had a debt repayment limit of \$46 million.

The below chart represents the debt repayment limits of the townships in Peterborough County and includes how many systems can be built based on \$10 million and a \$40 million dollar costs. While this provides an example of how many water and sewer systems may be developed, it is important to recognize that municipalities are tasked with maintaining millions of dollars and might be required to acquire additional debt in order fulfil financial obligations.

However, since the annual debt repayment limit is applied to every project in the municipality, the actual number of water and sewer projects that can be taken on, in practicality, would be much less.

Annual debt repayment limit					
Municipality	Annual debt repayment limit	Payments per year \$10 million dollar loan	Number of systems \$10 million dollar loan	Payments \$30 million dollar loan	Number of systems \$30 million dollar loan
Peterborough County	16,243,106	578,401	28.08	2,554,597	6.36
Trent Lakes	3,366,055	578,401	5.82	2,554,597	1.32
North Kawartha	-	578,401	-	2,554,597	-
Selwyn	4,651,233	578,401	8.04	2,554,597	1.82
Tasphodel Norwood	1,501,279	578,401	2.60	2,554,597	0.59
Cavan Monaghan	3,711,954	578,401	6.42	2,554,597	1.45
Havelock Belmont	2,596,415	578,401	4.49	2,554,597	1.02
Duro Dummer	2,036,870	578,401	3.52	2,554,597	0.80
Otonabee South Monaghan	2,040,269	578,401	3.53	2,554,597	0.80

The above information is useful to demonstrate how using a MSC may reduce the effect of the municipal annual debt repayment limit, therefore the debt limit can then be used on other infrastructure projects.

If an MSC is considered a stand-alone entity (as discussed in executive summary) the debt for an MSC will not be considered as part of the municipal annual debt repayment limit. The MSC will still be obligated to make debt service payments; therefore, even if the annual debt repayment limit is not reached, potential cash flow constraints may still arise. Therefore, both the cashflow and annual debt repayment limits will need to be evaluated before any debt is incurred.

For smaller municipalities operating under Ontario's debt and financial obligation limits, the feasibility of acquiring decentralized water or wastewater systems, each costing an average of \$10 million or \$30 million, is tightly constrained by their Annual Repayment Limit (ARL), as defined in Ontario Regulation 403/02 under the Municipal Act, 2001. For example, a municipality with an ARL of \$20 million could theoretically finance two \$10 million systems, but only half of a \$40 million system which highlights the stark limitations imposed by scale.

While municipal Services Corporations (MSCs) can offer specific debt limit relief. Section 1(1) of O. Reg. 403/02 makes clear that all long-term debt and financial obligations; whether held directly by the municipality or through an MSC must be included in the ARL calculation. This is reinforced by FIR reporting requirements, which mandate full disclosure of all financial

commitments, regardless of the entity structure. For smaller municipalities, the creation of an MSC may not generate sufficient liquidity or revenue to justify its administrative and legal costs, especially when the assets in question—such as roads and bridges—lack dedicated rate structures to support capital investment. In such cases, the municipality remains fully responsible for funding infrastructure renewal, without the benefit of off-book financing or revenue-backed borrowing.

The challenge before Peterborough County municipalities

This study seeks to help the municipalities of Peterborough County, and indirectly other rural and or small-town municipalities explore the potential for decentralized systems under the auspices of an MSC to eliminate a major constraint to growth and development, and housing specifically. That constraint is the absence of financially sustainable water and wastewater infrastructure and services. Note that the County of Peterborough currently does not own or operate any water or wastewater systems or community housing developments.

Preliminary review of governance models

What is a municipal services corporation (MSC)?

The power to establish an MSC is given under Section 203 of the Municipal Act. The act reads:

- a. “Municipality may use the power referred to in paragraph 1 of subsection 203 (1) of the Act to establish a corporation only if the municipality by itself, or together with one or more other public sector entities, establishes the corporation and,
- b. the corporation’s purpose is to provide a system, service, or thing that the municipality itself could provide; or
- c. the establishment of the corporation is expressly authorized by this Regulation. O. Reg. 599/06, s. 3.”

Section 203(4) under the Act includes the “Powers in relation to incorporators, members, directors, officers.”

Conditions of incorporation

Duties of the municipality are outlined in section six of the Act. The duties to establish an MSC include the completion of the following:

- Business case study.
- Asset transfer policies.
- Public participation (which is referring to public consultation and participation in the process).

Excerpts from the Municipal Act that are related to the creation of a municipal services corporation are summarized in [Appendix B](#).

*Disclaimer: this content is intended as general guidance only. Municipalities wishing to proceed with a business case study on an MSC is advised to consult legal counsel for their specific situation.

Business case study

A municipality shall adopt a business case study before it uses the powers referred to in section 3, 4 or 5 to,

- a. “Establish a corporation either alone or with one or more other public sector entities.
- b. purchase securities in a corporation established by one or more public sector entities other than the municipality.
- c. become a member of a corporation established by one or more public sector entities other than the municipality; or
- d. submit, with respect to a corporation for which a study was undertaken under clause a, b, or c, or cause a corporation for which a study was undertaken under clause a, b, or c to submit, articles of amendment or any other articles or supplementary letters patent.” O. Reg. 599/06, s. 6.

Asset transfer policies

- a. A municipality shall adopt and maintain policies on asset transfers to corporations. O. Reg. 599/06, s. 7 (1).

A municipality shall not transfer any of its assets to a corporation before the municipality adopts the policies referred to in subsection (1). O. Reg. 599/06, s. 7 (2).”

Public participation

Before establishing a corporation under section 3, a municipality shall consult with the public about the proposal to establish the corporation. O. Reg. 599/06, s. 8.

Municipal services corporations vs. municipal business corporations

When exploring different governance models, it is important to note the difference between a municipal services corporation and a municipal business corporation. The power to establish a Municipal business corporation was given under O. Reg. 168/03: MUNICIPAL BUSINESS CORPORATIONS of the Municipal Act 2001. As of 2008, the power for a municipality to establish a corporation has been given under O. Reg. 599/06: MUNICIPAL SERVICES CORPORATIONS of The Municipal Act, 2001, S.O. 2001, c. 25. replacing the O. Reg. 168/03.

While many municipal business corporations have been established and are still in existence, including those in following sections of this business case, any new corporation established by a municipality falls under O. Reg. 599/06 and becomes a municipal services corporation. Care is advised to fully understand the functional differences between these two types of corporations. A municipality thinking of creating a utility-like corporation, separate from the municipality for water and wastewater services should focus on municipal services corporations. [See Appendix E.](#)

Existing MSCs for decentralized and centralized water and wastewater management facilities

The following municipalities and townships are currently using an MSC as a vehicle to support water and wastewater management:

- The Frontenac Municipal Services Corporation (Frontenac Municipal Services - only decentralized MSC known).
- The township of Oro-Medonte Municipal Services Corporation.
- Innisfil Municipal Services Corporation (InnServices).
- The township of Mapleton MSC and Holding Co.

Existing MBCs for centralized water and wastewater management facilities

- Utilities Kingston and the Corporation of the City of Kingston.

The main reasons for municipal interest in MSCs for water and wastewater infrastructure

Typically, there are three main reasons behind municipal governments' consideration of establishing an MSC for water and wastewater services:

- To expand access to capital with which to build, maintain and operate water and wastewater services. Capital requirements for this type of infrastructure may be a financial burden on smaller municipalities. Under the MSC model, debt incurred by the MSC to build infrastructure is not considered part of the municipality's debt (provided that all the conditions outlined later in this report are met) and, as such is excluded in the calculation of the municipality's debt repayment limit. Similarly, revenues earned from operating these services would also be removed from the municipality's books and, along with the debt, become part of the MSC's financial records.
- To capitalize on economies of scale by creating a larger utility-like entity (MSC) with demand from multiple municipalities or a single large municipality. While there may be some administrative efficiencies from a larger entity, economies of scale savings come from having more users to spread out system costs evenly. Having a larger volume of users on systems allows for large capital costs to be spread out more evenly and keeps rates from

increasing sharply from one year to the next. This is where an MSC could be beneficial across multiple municipalities as the larger systems with larger populations could help smaller systems control rates and costs more evenly. Another benefit in having more systems under one MSC is the ability to order items, such as parts and chemicals, in bulk to reduce costs. This is only feasible if the systems grouped under and MSC are similar in nature.

- Little analysis of economies of scale for decentralized systems in medium or low-density settings has been conducted, analysis would serve many municipalities in eastern Ontario and beyond, including those in Peterborough County.
- To access specialized engineering and business management expertise required to operate systems with significant public health and safety requirements. This expertise may not exist in a particular municipality that wishes to expand water and wastewater services for their residents, especially if it does not already operate centralized or decentralized systems. Having a MSC can allow governments to develop a skills-based board of directors that have expertise in the governance of water and sewer systems.

This business case study assesses the degree to which these reasons might justify the creation of an MSC for decentralized services in rural areas and small towns typically found in Ontario counties. In this case, Peterborough County is the test case. However, given the considerable number of factors influencing financial sustainability of an MSC, most municipalities will want to undertake their own analysis. This business case will provide valuable insight into which factors are likely to be most influential for a specific proposal or community.

MSC governance model benefits and disadvantages

A key part of this report is the examination of the benefits and disadvantages of the MSC governance model, regardless of the number or types of local governments participating in it.

The most significant benefits of the MSC governance model are to remove debt from the municipality's annual debt repayment limit (ARL), the MSCs; autonomy from the municipality, its ability to be supported by skills-based expertise, as well as its ability to draw on different revenue sources. An MSC may also be a better long-term response to service delivery.

See [Appendix E](#) for detailed information on MSC benefits and challenges.

Additional benefits

- **Flexibility.** An MSC model may create a greater degree of strategic and operational flexibility, including attracting diversity in board members and stakeholders, including subject matter experts, and the ability to engage more effectively with partners (including

private sector) than that of governance at the township or county levels. The exact model adopted will determine the level of governance.

- **Autonomy.** The MSC model can provide a considerable degree of governance autonomy for the new corporation from the municipality or other stakeholders. The level of autonomy can be determined when setting up an MSC and depends on the model adopted. For example, an MSC could be set up to retain control over the planning, priorities, and activities of the MSC by virtue of being its sole shareholder or separated from the municipality with greater involvement with the private and non-profit sectors. It is important to note, however, that financial autonomy from the municipality must first be attained before it can become fully independent/autonomous from the municipality.
- **Skills-based boards.** The MSC model can embrace skills-based boards, especially members with water and wastewater system expertise and experience, as well as those with business, financial and board governance skills. These same skill sets can also be built into the staffing complement.

Considering the MSC model can be structured to provide for the appropriate degree of independence from the municipality (upper or lower tier), the corporation's board can proceed with singular focus on its business plan while remaining nimble, adaptive, and self-reliant. An MSC board of directors can ensure a variety of perspectives and skill sets to guide decision-making and provide sound leadership.

- **Ability to access funds outside of the municipality's debt repayment limit.** For municipalities facing significant need for multiple types of infrastructure investment, the MSC's ability to take on not just existing municipal water and wastewater debt, but also secure loans for significant system maintenance or expansion may be of great assistance to the municipality. Specific conditions must be met for debt to be excluded from municipal financial statement, and are as follows:
 - Is a separate legal entity with independent legal accountability.
 - 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.
 - 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 shareholder entity.

Once these conditions are met the municipality can take advantage of excluding the MSC debt from their financial statements and in turn not affecting the municipal debt repayment limit.

Presently, water and wastewater services revenue counts as revenue in the provincially established debt repayment limit calculation for each municipality. Once those revenues are

flowing to the MSC, the beneficial impact on the debt repayment limit may be reduced. It is important to note that securing initial funding and preferred borrowing rates for an MSC from private lenders is difficult given a new MSC's lack of financial, credit history and lack of assets to borrow against.

The most significant disadvantages of the MSC model are:

- Time required to set up the MSC. The development of an MSC takes time. Of those MSCs whose leaders we interviewed, the average amount of time to create the MSC was five to seven years. The timeline depends on the complexity of the MSC's setup, including governance structure, stakeholders involved, and financial model adopted. On these criteria, keeping services within a municipality (upper or lower tier) would be a faster way to reach the governance goal. Nesting decentralized systems within an existing municipal governance structure (upper or lower tier) would be less time-consuming in the initial stages, but not necessarily more effective.
- Appropriate board representation, especially when there is more than one municipality (or the county) participating in an MSC's set-up and operation, negotiating acceptable representation around the board table can be challenging. This can be one reason for the length of time required to set up the MSC.
- Funding opportunities exist but are in high demand. Several funding opportunities have been identified for infrastructure investments. Based upon EORNs experience, however, funding opportunities are often posted for only a brief period and are in high demand. Should the county be interested in any of the funding opportunities noted above, a conversation with each of the funders would be required to determine eligibility.
- MSC start-up costs are usually borne by the municipality and/or stakeholders. Many existing municipalities have looked internally for start-up costs associated with establishing an MSC. Many municipalities also use existing municipal staff to support the corporation.
- MSC financial freedom and independence from the municipality takes time. Given the difficulty of securing private sector loans based on the MSC not having any financial history, reserve funds or government grant funding will be vital to the first projects of the MSC to start and establish a financial history. As noted, government funding is not easy to come by, presenting a challenge to the upfront funding required to establish and get an MSC going if existing structures do not already exist.
- Economies of scale may be pertinent to MSC success for lower density municipalities. MSCs which have greater success are those that incorporate several municipalities and/or townships. Single Tier MSCs and those established at the county level without township buy-in may find it difficult to financially sustain and expand services. This may be especially true for municipalities with lower densities who could benefit from risk and cost sharing

across multiple partners rather than reliance on one. Larger or more heavily densified communities may find it easier to operate and expand without additional buy-in.

- Financial sustainability will be challenging for smaller municipalities. Regardless of the model employed, creating financial sustainability to build and operate decentralized systems will not be easy. An MSC model may provide a greater degree of financial sustainability than governance at the municipal level (upper or lower tier) not only in terms of the ability to take on debt, but also to access diverse funding sources and achieve full cost recovery (both operating and capital).
- The long-term safety, security and sustainability of water systems must be paramount in deciding which model to adopt. Beyond the costs, operation and maintenance of decentralized systems, the safety, security and long-term sustainability of these systems and their impact on the water utilized both in terms of its consumption and its impact to the environment are pertinent to consider and what governance model is best to ensure this, is important to consider.

The most considered MSC models

The following section describes three main types of MSC-based governance for decentralized water and wastewater management systems:

1. An individual municipally owned MSC.
2. A multi-municipality-owned MSC.
3. A county-owned MSC.

Asset ownership, management, and governance by an (Individual) municipally owned MSC

- One governance structure that could be considered is each lower tier municipality wishing to add a decentralized system (whether they have existing water and sewer systems) could use an MSC model to separate the water and sewer services from the municipality. This does offer a few benefits as noted in detail in this business case study, particularly the opportunity to access additional capital outside the municipal debt repayment limit. However, the benefits are limited if the required economies of scale are not achieved.

Asset ownership, management, and governance by a multi-municipality MSC

- Another option would see multiple smaller rural municipalities to band together in the search for economies of scale that would bring financial sustainability to their water and wastewater services. In this model, two or more municipalities (such as townships or towns) would create a governance structure that reflected shareholder

interests appropriately. This report emphasizes inter-municipal MSCs that are seeking to introduce decentralized systems, whether they have centralized or conventional systems. This model would have similar benefits as the county-governed MSC (described below), provided the collective water and wastewater systems were large enough to gain economies of scale.

- Another option under the multi-municipality MSC, would be smaller rural municipalities joining a nearby city MSC or shared services agreement. This would allow the smaller municipalities to gain access to experts that work for the city and obtain economies of scale. The neighbouring city may not see this as a benefit, but it is a way for them to increase their water and wastewater users and the ability to optimize staffing at the city.

Asset ownership, management, and governance by a county-owned MSC

- A different option that could capitalize on economies of scale is a county-owned municipal services corporation. This would allow municipalities to join with their decentralized and/or centralized systems to take advantage of some economies of scale for smaller systems. The county's leadership in an area of responsibility that rests with municipalities would allow them to take advantage of the benefits of an MSC model by spreading costs over a few different municipal users. More benefits are outlined below but this could be the most economical way for small rural municipalities to make use of the MSC governance model.

What all three models have in common is the need to aggregate demand for service sufficient to make the MSC sustainable over the longer term. In other words, there must be one or more revenue streams flowing to the MSC sufficient to cover costs and build reserves for capital maintenance. Whether these conditions exist must be explored in each jurisdiction based on existing and proposed water and wastewater systems.

County level governance vs. municipal services corporations

Although environmental services (services that include water and wastewater) are traditionally the responsibility of individual municipalities, there is growing interest in exploring county-level governance models that could enhance coordination, efficiency, and service equity across jurisdictions.

One such model involves the creation of a county-wide municipal services corporation (MSC), which could centralize certain functions while preserving local autonomy over service standards and priorities. Another option could be for counties to play a convening or oversight role without formalizing an MSC. The model would include facilitating shared planning, procurement, or technical support among member municipalities. This flexibility allows

counties to tailor their involvement based on regional needs, capacity, and political will, while still respecting the statutory boundaries of municipal responsibility. Establishing clear governance protocols between counties and MSCs will be essential to ensure accountability, transparency, and alignment with local service delivery goals.

The following chart compares the benefits and challenges between the two service delivery models for decentralized water and wastewater management services.

Note that the county level governance considers both buy-in⁵ and lack of buy-in from townships.

	County level governance	Municipal services corporations
Benefits	• Business as usual processes and governance through municipal and county councils. • Ability to retain complete control over decentralized systems. • Owning and managing assets associated with the delivery of decentralized water and wastewater services. • Less time consuming to establish as compared to MSCs. • Greater economies of scale if townships or other counties buy-in. • Opportunities for cross-collaboration and information sharing regarding decentralized systems. • Ability to support smaller municipalities that do not have the capacity (financial or human) to adopt decentralized systems.	• Professional governance and management through dedicated skills-based board members and staff. • Separation of environmental services debt from the debt of other infrastructure, lessening the impact to the county's debt capacity. • Increased debt financing flexibility. • Legally allows for shared services with Peterborough County, other municipalities, and public-sector entities. • Allows the county to explore and offer services that otherwise may not be financially feasible for an individual municipality. Serve as a demand aggregator, support through county GIS and planning services. • Provides vehicle for share service delivery among municipalities. • Ability to operate at full cost recovery and generate revenue to cover capital building and expansion costs. • MSCs can share risk across municipal boundaries. • MSCs may help to cross subsidize costs offering overall financial sustainability, especially for smaller or lower density municipalities. • MSC's can be made up of a county only or together with one or more townships to increase shared resources. • Establishing an MSC could allow for a greater degree of sustainability over the longer-term.

⁵ A Buy-In is the willingness to invest time, resources in creating an MSC.

		• MSCs can still operate in lower tiers if lower tiers not part of the MSC. Lower tier would have to grant permission.
Challenges	• Expertise limited to the inhouse expertise of the county. • All risks and liabilities reside with the municipality. • Services would be restricted by the municipality's annual debt repayment limit. • Costs for services may be recovered but may not cover capital costs (such as replacement or expansion). • Inability to generate revenue and access different revenue sources as compared to an MSC. • Lack of economies of scale if kept within the county alone (without township or another county buy-in). • Water and wastewater management currently at the township level, which may create duplication at county level.	• MSCs cannot transfer assets of a drinking system to private party unless board approved and is no longer needed for that system to function. • MSC at the county level without township buy-in may cause governance conflicts. • Time consuming to establish. • Financial sustainability takes time. • Lack of economies of scale if MSC established at county level (without township or another county buy-in).

Township level governance vs. municipal services corporations

While water and wastewater services are typically managed at the municipal level, it is entirely feasible to contemplate governance at the township scale; with or without the establishment of a municipal services corporation (MSC). In fact, the prevailing model today relies on direct township oversight without the formal creation of an MSC, reflecting both the scale and administrative capacity of most townships. This approach allows for more localized decision-making and responsiveness to community needs, but may also limit opportunities for economies of scale, technical specialization, and financial flexibility that an MSC could offer. Should a township consider forming an MSC, it would need to carefully assess whether the anticipated service volume and revenue potential could sustain the operational and governance costs of such a structure. In many cases, the simplicity and cost-effectiveness of direct township governance remain the most practical path forward, especially where inter-municipal coordination is limited or unnecessary.

The following is a comparative analysis of the benefits and challenges between delivery service models at the township level vs. within a municipal services corporation.

	Township level governance	Municipal services corporations
Benefits	• Business as usual process and governance through local councils • Owning and managing assets associated with the delivery of these services. • Existing water management already happening at township level. Would not require transfer of assets or duplication of efforts in township. • Governance at the township level means water and wastewater services are managed in-house and in full control of the township.	• Professional governance and management through skills-based board members. • Separation of environmental services (water and wastewater services) from the debt of other infrastructure, lessening the impact to the township's debt capacity. • Legally allows for shared services with Peterborough County, other municipalities, and public-sector entities. • Allows the township to explore and offer services that otherwise may not be financially possible. • Increased debt financing flexibility • Provides vehicle for share service delivery among municipalities • Ability to operate at full cost recovery • MSCs can share risk across municipal boundaries. • MSCs may help to cross subsidize costs offering overall financial sustainability, especially for smaller townships. • Allows the township to separate environmental services investments from other infrastructure investments. • MSC provides a service vehicle to cooperate and plan with other townships or municipalities. • Allows a greater amount of debt flexibility for the township. • Establishing an MSC could allow for a greater degree of sustainability over the longer-term. • MSC would increase township's borrowing capacity as water and wastewater services would be removed from its books. • MSC better positioned to support capital costs. • MSCs can create returns to their shareholders if enough revenue is recovered by rates, development charges, and other revenues (shareholder municipality).
Challenges	• Expertise limited to the inhouse expertise of the township. • All risks and liabilities reside with the township.	• Establish of an MSC at township level could become cumbersome on already overburdened staff. • Too large of an undertaking for small rural municipalities alone to undertake.

	• Services would be restricted by the township's annual debt repayment limit. • Inability to benefit from economies of scale as compared to county level or MSC made up of townships. • Inability to generate revenue and access different revenue sources as compared to an MSC. • Low density of rural townships may make it difficult to recover water and wastewater service costs. • Inability to bring in enough revenue to cover capital costs (repair and expansion) even when service costs are recovered.	• townships may not have the financial resources (individually) to establish and sustain a corporation. • Buy-in⁵ from other townships necessary to benefit from economies of scale.
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Governance models and their autonomy from municipal government

Recognizing that there are many different governance models which could be employed, the degree to which the ideal model is autonomous is important to consider. [Appendix F](#) demonstrates the different governance models which may be employed when a municipality is looking for a vehicle to deliver services.

MSC governance models are the main feature that most municipal officials are focused on when discussing development infrastructure. [Appendix F](#) lists a range of different governance models ranked by degree of autonomy from municipal government. Autonomy from a municipality is presented for information purposes only as the focus of this report remains on municipal service corporations.

Potential governance models of an MSC in Peterborough County - shareholders

- MSC shareholders
 - Peterborough as sole shareholder. As per the Municipal Act, Peterborough County has the power to establish an MSC as a sole shareholder. Many MSCs and MBCs do in fact have only one shareholder. Examples include the City of Kingston's establishment of Utilities Kingston and the Town of Innisfil's establishment of InnServices.

However, given its low population density and thus a smaller rate base, a Peterborough County MSC must consider buy-in from townships or other neighbouring municipalities to achieve better economies of scale. Several MSC interviewed, including those owned by single-tiered municipalities,

acknowledged the difficulty in sustaining the corporation without additional buy-in.

- Multiple municipal shareholders. There are benefits to an MSC having multiple shareholders including risk and cost sharing. This is especially important for initial start-up costs and long-term financial sustainability of the corporation, particularly for lower density municipalities. However, additional shareholders do mean added complexity when it comes to governance which may in turn impact timely decision-making. Increased diversity in stakeholders may add additional subject matter expertise but may also add further complexity and delay. In Ontario, MSCs that govern water and waste management (centralized or decentralized) are not permitted to have private sector shareholders.
- MSC Governance boards
 - Municipal board (sole shareholder). Many existing MSCs and MBCs have boards made up of municipal members as their sole shareholder, as seen with Utilities Kingston.
 - Shareholder board (multiple shareholders). In MSCs with multiple shareholders their governance board is often reflective of the diversity in these shareholders, with one member from each shareholder. While this may add some diversity, if all shareholders of the corporation are from municipalities the board would be restricted to in house municipal expertise. Private sector board representation is allowed. Municipalities can nominate or authorize individuals from the private sector to serve on the board of directors of an MSC, even though those individuals do not hold shares. This distinction is important: while ownership must remain public for water and wastewater MSCs, governance can benefit from private sector expertise. This includes directors with business, technical, and/or financial backgrounds which can strengthen oversight and strategic decision-making, especially in complex areas like water and wastewater management.
 - Diverse board with subject matter expertise. It must not be assumed that a greater amount of diversity automatically leads to better or more timely decision-making. One of the primary benefits of MSCs is their ability to have multi-stakeholder boards made up of subject matter experts drawing upon expertise outside of the municipality(s) that have established them. This includes expertise from a wide range of members, including those from the private and non-profit sectors.

Examples of MSC or use MBC in water and wastewater infrastructure and management

Although there are some Ontario municipalities that are using municipal service corporations or the predecessor organization, municipal business corporations, most are county-level models or are individual municipalities within a county structure or a single tier entity. Note that some of these organizations are delivering services in addition to water and wastewater. Descriptions of these models are provided in [Appendix D](#).

- County-level models - Frontenac Municipal Services Corporation (FMSC)
- Individual municipality within a county structure - Township of Oro-Medonte
Innisfill
- Single-tier models - Utilities Kingston

Financial considerations and models

An MSC's financial sustainability and management could be achieved through several strategies.

Revenue streams could include:

- User fees.
- Development charges.
- Government grants.
- Community bonds.
- Private loans and partnerships including joint ventures or revenue-sharing models.
- Sale of assets.
- Stakeholder investments.
- Municipal bond market.
- Reserves built up over time through a portion of rates.

Expenditures to consider for construction of a new greenfield decentralized or centralized system:

- Initial startup funding to establish MSC (if adopted).
- Initial project funding to support building of financial history of MSC (if adopted).
- Land preparation, including:
 - Acquisition costs, including purchase price and due diligence, if required to assemble development sites.
 - Development fees and charges payable to the county
 - Physical preparation costs, including demolition, site clearance, grading, and earthwork.

- Environmental remediation costs involved in assessment and potential cleanup.
- Staffing and operational expenses, including design, engineering, consulting, and legal fees.
- Marketing and community engagement initiatives.
- Interest on loans and/or financing obtained to cover upfront costs.
- Costs resulting from maintenance, property tax, insurance, etc.

Costs can be managed through:

- Leveraging public-private partnerships and employing modular construction to control expenses.
- Employing mixed-model housing and commercial development to offset social housing costs.
- Buying of land and rezoning for development and housing.
- Reinvestment of funds generated.

Other considerations:

1. The MSC model would also allow for the establishment of a holding corporation which would allow the municipality to create a corporation for the purpose of holding share in one or more other corporations. This would allow for the MSC to invest and see a return on its investment in turn enabling greater financial sustainability of the MSC.
2. It is important that the articles of incorporation of the MSC is structured to meet the definition of a Government Business Enterprise (“GBE”) for financial reporting purposes. Under Generally Accepted Accounting Standards for Public Sector organizations, GBE’s are not consolidated for financial reporting purposes but rather are accounted for using the modified equity basis of accounting. As such, long-term debt held by a GBE is not reflected in the financial statements of the municipality and as such, is not considered in the determination of the allowable debt servicing limit.

To qualify for GBE status, the MSC must meet the following criteria:

- That it is a separate legal entity with independent legal accountability,
- has been delegated the financial and operational authority to carry on a business,
- sells goods and services to individuals and organizations outside of the government reporting entity as its principal activity; and

- 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.

Financial models

Lower-tier municipal buy-in

- A MSC will benefit all lower tier municipalities in the county and therefore one model for startup funding could be an initial buy in⁵ from local tier municipalities. There are several ways to do this, but the most common would be an initial buy in⁵ based on the size of the municipality. This could be done through population, tax revenue, number of housing projects etc. The buy-in could secure a seat or seats on the board of directors.
- This approach would allow the county to share costs with member municipalities to ensure there is enough funding to start the decentralized water and sewer MSC.
- This approach would also mean housing projects can be kept more affordable as revenue for operations is not being generated from rental revenue or land sales but rather funding from member municipalities

Private partnerships and investments

- Another financial model to explore would be private investments to help fund water and sewer projects. This revenue can come in the form of funding, land, or building to complete housing projects. Many of these revenues may come in the form of partnerships, project sharing, or construction/operation agreements.
- This model may also assist with getting industry home builders to get involved in the counties projects which may decrease building and/or operating costs.
- There are strict rules on public private partnerships when it comes to MSCs, however if done correctly they can assist in completing projects more cost-effectively and in a timely manner. They can also ensure the projects are getting proper government oversight.

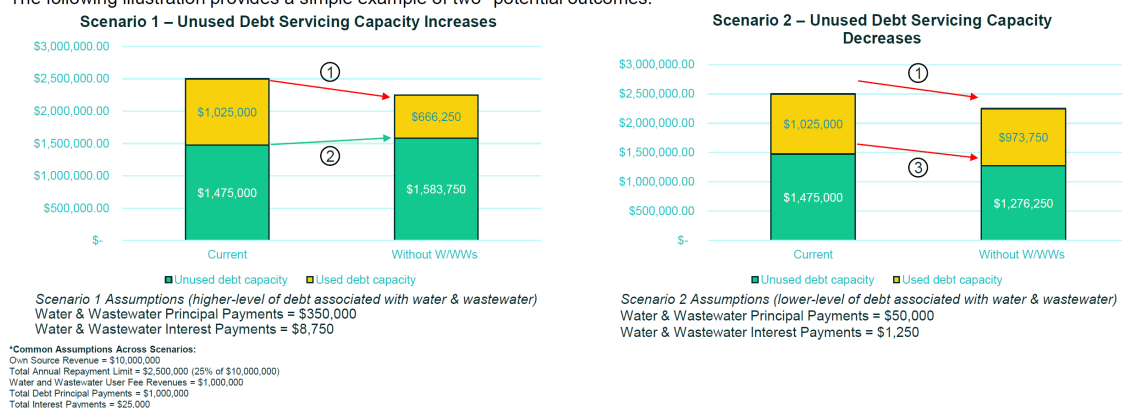
It is important to note that a mix of these funding models can be used by an MSC depending on the goal of the MSC. All funding models should be explored, and the correct mix should be determined by looking at the benefits and complications of each model. Each financial model will also be dependent on the governance model being employed. An example of a potential model is presented on the following charts.

Funding & Finance: Annual Repayment Limit Illustration

The removal of own source revenues and debt associated with water and wastewater could have different impacts based on the current circumstances of a municipality. Some notable changes are worth identifying:

1. The overall debt servicing capacity which is based on 25% of own source revenues of a municipality will be reduced due to the removal of revenue
2. The unused debt servicing capacity could increase if the level of water and wastewater debt the municipality had was high and removed
3. The unused debt servicing capacity could decrease if the level of water and wastewater debt the municipality had was low and removed

The following illustration provides a simple example of two* potential outcomes:



(AMO, 2024) [AMO-MFOA Water and Wastewater](#)

Municipal Services Corporations & Annual Repayment Limit

- Subsection 1. (2) of *O. Reg 403/02* provides that the Ministry of Municipal Affairs and Housing will determine the Annual Repayment Limit (ARL) "based on the financial information supplied to the Ministry by each municipality under the Act and under the *Municipal Affairs Act*."
 - The Financial Information Return (FIR) is structured to gather data reflected in municipal financial statements.
- Under Generally Accepted Accounting Principles for Public Sector entities Government Business Enterprises (GBE) are not consolidated for financial reporting.

If the municipal service corporation is structured to be a GBE, then it's financials will not be consolidated with municipal financial reporting and will not be reported in the FIR.

If the GBE debt is not consolidated with municipal debt in the FIR, it will not factor into ARL calculations as described in *O. Reg 403/02*

- According to Public Sector Accounting Standards it must have the following characteristics:
 1. Existence as a separate legal entity that can contract in its own right;
 2. Delegation from the establishing municipality of the financial and operational authority to carry out the treatment and distribution of water and wastewater services;
 3. Authority to "sell" (distribute) its "goods and services" (potable water and wastewater) principally to individuals and organizations independently from the establishing municipality; and
 4. Meets, in the normal course of its operation, all of its costs and liabilities from revenues obtained from sources outside of the establishing municipality.
- Not all municipal service corporations are structured as a GBE. Local municipalities should complete their own analysis on the feasibility of structuring a municipal service corporation as a GBE.

(AMO, 2024) [AMO-MFOA Water and Wastewater](#)

Financial models of other MSCs

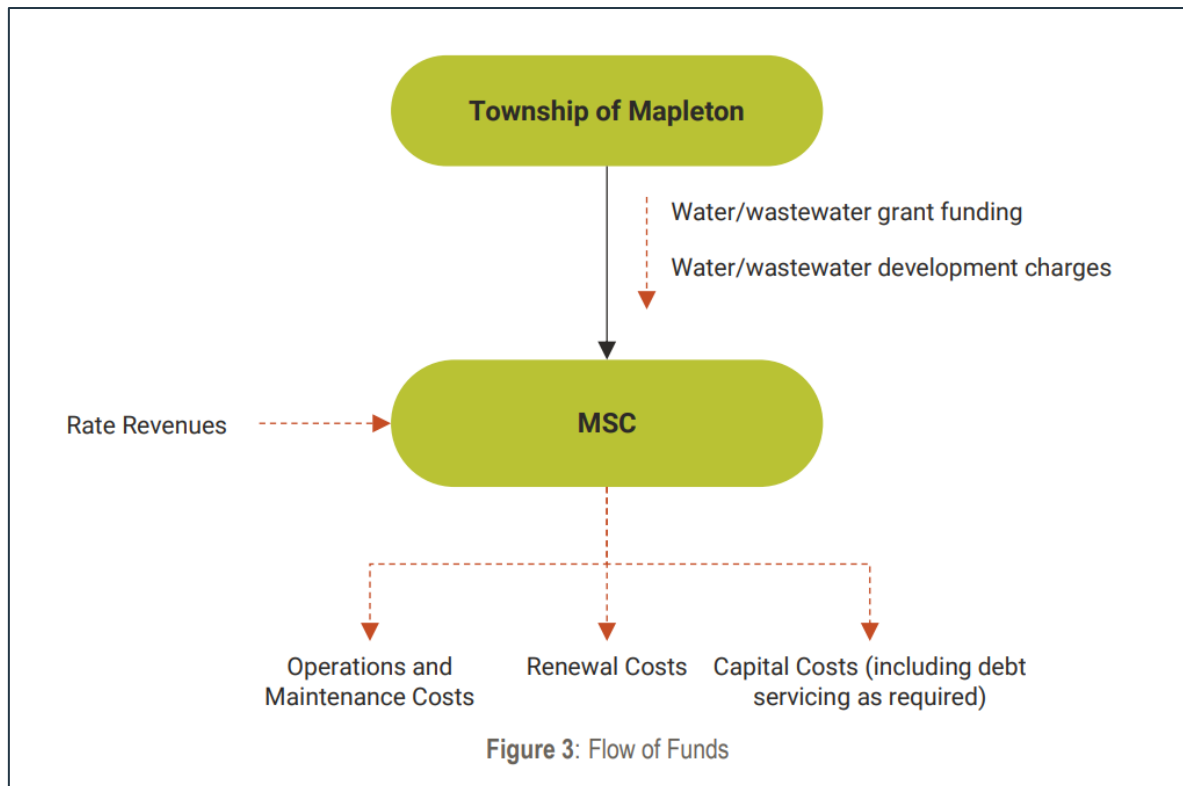
Frontenac Municipal Services (FSMC)

FSMC was established in 2023 to support rural community development with a focus on Communal water and sewer systems. FSMC uses a partner municipality buy in model to operate. This model is where each municipality pays an initial buy in amount to utilize the MSC to work on communal projects in their municipalities. Each member municipality get a seat on the board to dictate the direction of the MSC and help with the strategic direction of the MSC. This unique governance model ensures the FMSC is accountable to the communities they are servicing. Currently, there has been no financial model put in place to run the MSC, but it is something the board is actively working toward.

FSMC has also taken a unique approach where they have also added a Technical Support Committee, made of up professionals in engineering, public works, and rural infrastructure. This technical committee can provide guidance on system planning, design, and operations. This allows the flexibility of having representation from all municipalities as well as a technical leadership for the MSC.

Mapleton Municipal Services Corporation

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, if 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.



Rate structures

There are a variety of different rate structures an MSC can establish, such as rate structures at the municipal level. Even though it is not the norm, some municipalities use property tax to offset water and sewer rates to make them more affordable for residents. This is usually done in smaller more rural municipalities that do not have a large user base to recover water and sewer charges from. It is important to note that the MSC board should be establishing rates and the rate structure. The governing municipalities can approve the final rates once set at the MSC level. The following rate structures can be utilized:

Water charges

- Consumption and base rate charge (requires water meters).
- Consumption rate charge only (requires water meters).
- Base rate only.

Sewer charges

- Usage (based on water meter readings).
- Base fee and usage (based on water meter readings).
- Base rate only.

All the above rate structure amounts can be reduced by adding funding from property tax revenue to reduce the cost to the end user of a decentralized or centralized water and sewer system.

Below is an example of the rate structure for a municipality in central Ontario using the MSC model. This system is not considered a decentralized system. The following chart is an example of costing from a decentralized system in eastern Ontario

Rate Structure

It is expected that the operating MSC will maintain the current rate structure established by the township, though future budget processes may lead to adjustments.

A summary of the initial rate structures for environmental services to be delivered by the MSC is provided below.

Water	Wastewater (proposed)	Communal tile bed	Stormwater management	Street lighting
Combined fixed and variable rate	Percentage of water billings	Fixed rate per household	Fixed rate per household	Fixed rate per household

During our discussions with decentralized systems operators across the province, we were able to put together a high-level operating cost of a decentralized system. It is important to note that operating and capital costs of these systems can vary depending on a variety of factors. Factors such as, receiving water body, source water, landscape, home densities, and water and sewer treatment method. All these items can have a significant effect on the cost of water and sewer treatment.

Decentralized water and sewer costs				Comments
		Low	High	
Capital cost		1,500,000.00	2,000,000.00	Total cost to install a system.
Useful life (years)		15	15	
Amortization		100,000.00	133,333.33	Capital yearly reserve contribution.
Operating Cost		250,000	250,000	As per discussion with developer.
Water Cost	120 m3	400.08	400.08	1.83 per cubic meter cost to purchase water.
Total Costs		\$ 350,400.08	\$ 383,733.41	Total costs include Operating costs + amortization + water costs.
Number of homes		340	340	Per developer.
Cost per home per year		\$ 1,030.59	\$ 1,128.63	Total costs are divided by the number of homes.

The above example is based on a 340-home subdivision that was built with a decentralized sewer system. The water is purchased from a neighbouring municipality water system. While this scenario will not apply to every situation, it shows that decentralized system can be affordable under the correct conditions.

There are a few revenue options when covering costs related to utilities, option one being the most popular option.

- Option 1: utility fee covers all costs.
- Option 2: property tax covers catastrophe costs; utility fee covers remainder.
- Option 3: property tax covers catastrophe and capital replacement costs; utility fee covers all other costs.
- Option 4: property tax covers all costs.

Costing

Standard costing of water and sewer systems (under and MSC or under municipal government) is difficult to obtain as many factors can affect expenses. Some of these factors can be difficult to quantify until engineering studies are completed and the system is running. Factors such as density, receiving water body, source water body, topography, type of system, chemicals needed, original water quality, surface water affects, and many other factors. Considering all these items it can be difficult to produce a blanket costing model. EORN did explore the average costing on current systems in eastern Ontario which can be found below.

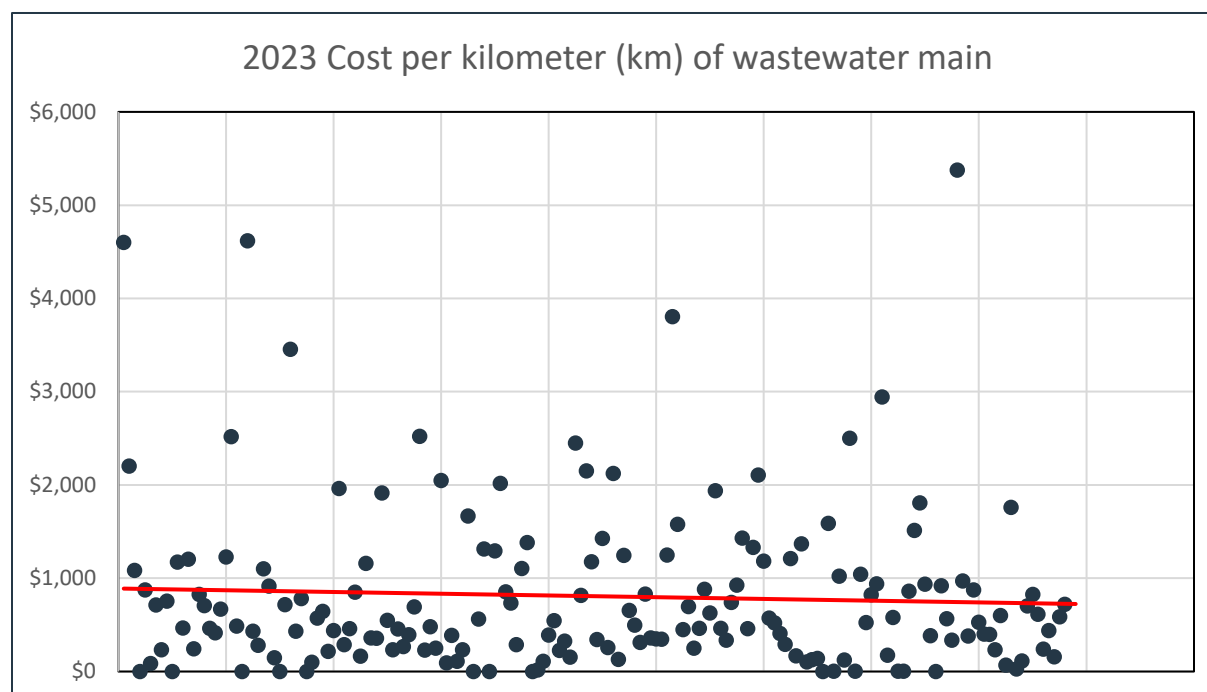
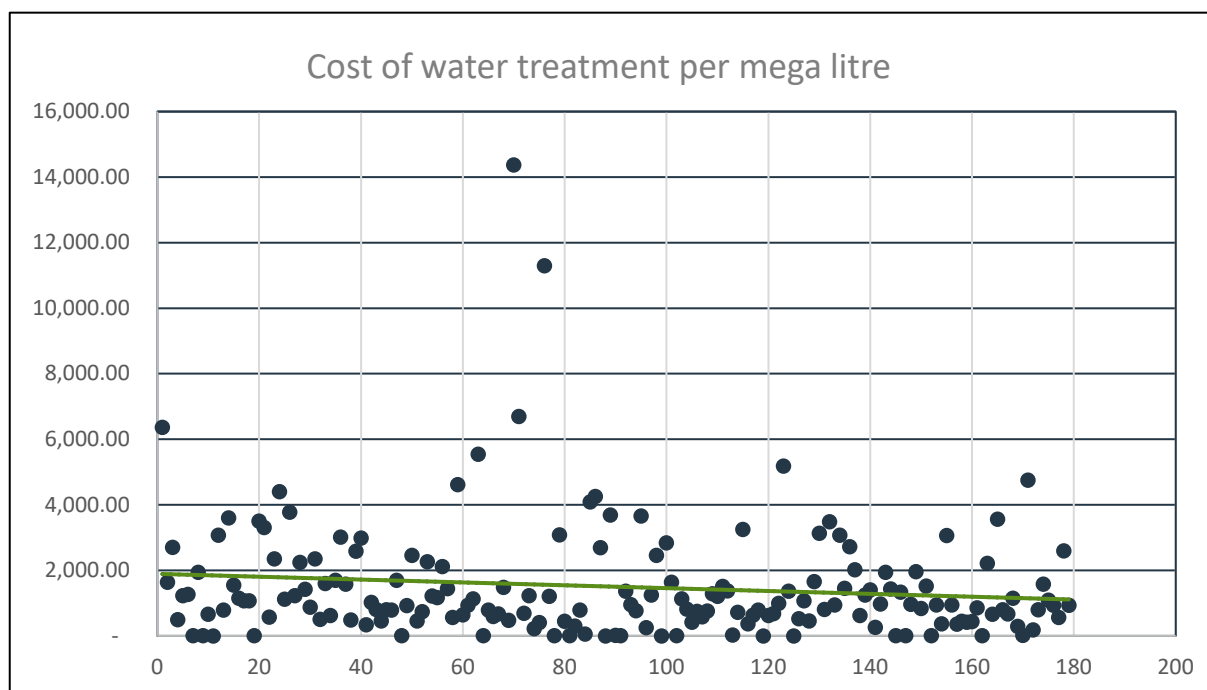
Additionally, the costing threshold of various communities, meaning one community may have higher threshold for water and sewer charges as they have a lower tax rate in the area. Other communities, who may have a higher tax rate will have a lower water and sewer cost threshold.

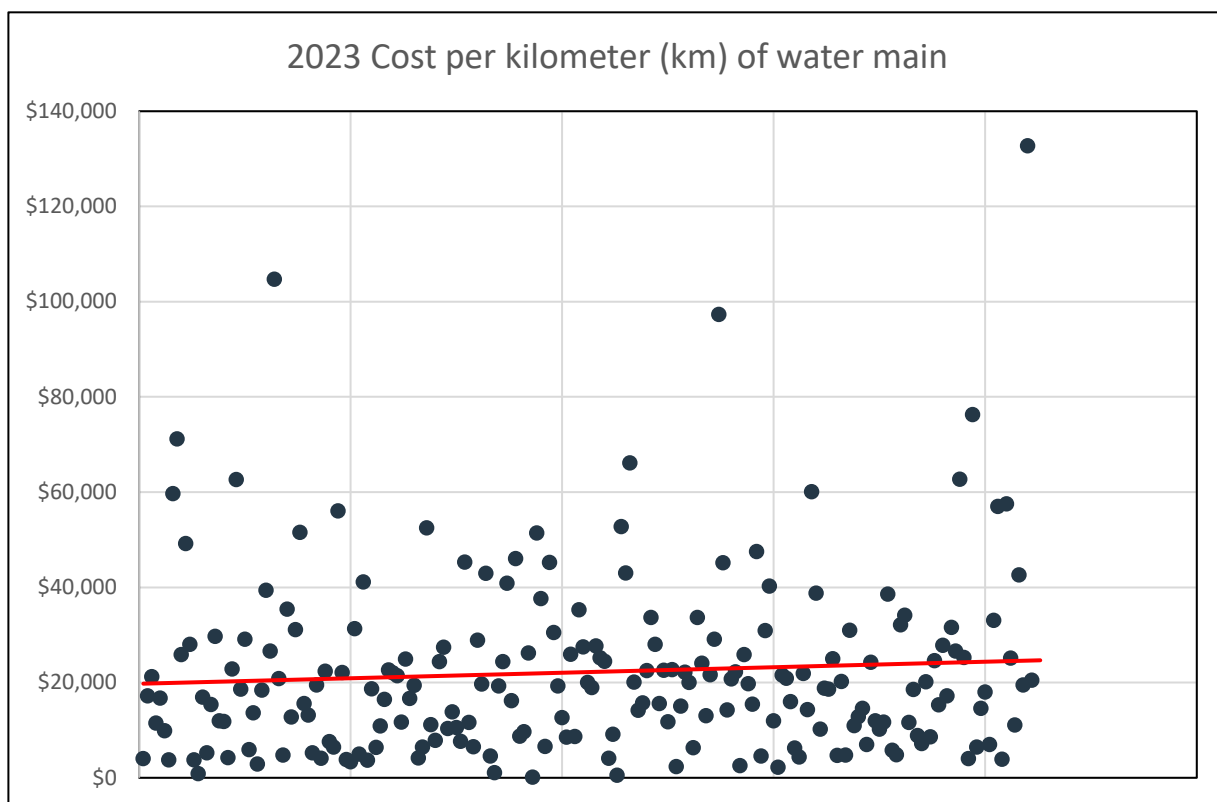
If a specific community has not increased their water and sewer charges consistently each year, a substantial change due to a new system may also cause an unwillingness to accept the increases.

The following chart represents the annual breakdown of the average water and sewer costs in eastern Ontario:

Preliminary MSC Business Case for Peterborough County

Eastern Ontario Average Annual Water and Sewer Costing					
Yearly cost of wastewater treatment per mega litre	Yearly cost per kilometer of wastewater main	Yearly cost of water treatment per mega litre	Yearly cost per kilometer of water main	Yearly cost per person	Yearly cost per household
30,794.17	809.27	21,523.16	21,691.53	474.68	963.10
26,780.27	771.41	25,191.38	20,111.12	400.75	813.10





As seen in the above charts and graphs the cost of water and sewer vary throughout eastern Ontario. For more accurate costing information, more information based on the location and system is currently being implemented.

Funding opportunities

The following are funding avenues which can be explored at the township or county levels, or to support the creation and management of an MSC. Peterborough County and its townships should consider speaking with funding representatives about these opportunities before applying to determine their eligibility.

Asset transfers and policies

Asset transfer policies are required to establish an MSC under the Municipal Act Section 7:

“7. (1) A municipality shall adopt and maintain policies on asset transfers to corporations. O. Reg. 599/06, s. 7 (1).

(2) A municipality shall not transfer any of its assets to a corporation before the municipality adopts the policies referred to in subsection (1). O. Reg. 599/06, s. 7 (2).”

O. Reg. 588/17: ASSET MANAGEMENT PLANNING FOR MUNICIPAL INFRASTRUCTURE also outlines what the legislated deliverables and timeline related to Asset Management Planning for Municipal Infrastructure.

It is also important to note that assets may be transferred to a corporation at any time, as authorized by the incorporating municipality's council. In fact, decentralized systems altogether could be established at the county or township levels and then transferred to an MSC later.

Our research has given us insight and guidance on existing policies and key considerations when adopting an asset transfer policy, as below. Several transfer policies from the case studies highlighted were reviewed and are contained in [Appendix C](#).

Key considerations for Peterborough's asset transfer policy

The following includes key considerations for the county to consider when drafting an asset transfer policy. The information that has been provided was taken from the township of Oro-Medonte:

1. Consider the transfer of all assets and liabilities associated with environmental services, including:
 - a. Tangible capital assets.
 - b. Reserve and reserve fund balances.
 - c. Deferred revenue balances.
 - d. Customer lists, marketing material, historical financial information, and other intangible assets.
 - e. Any cumulative operating deficit for environmental services.
2. Consider that assets and debts are transferred to the MSC with no expectation of financial return to the county.
3. Consider ensuring that the county retains residual right to acquire the assets, which could potentially be accomplished through:
 - a. The use of debt as consideration for the transfer of assets from the county to the MSC.
 - b. The granting of a right of first refusal to the county to acquire the assets in the event of a business failure by the MSC.
4. Develop appropriate governance and operating policies for the MSC(s), including terms of reference for the board of directors of the MSCs and a formal dividend policy outlining the requirement for the MSCs to pay dividends and the formula for calculating the dividends. Specifically, we would suggest that the dividend policy indicate that no dividends will be paid by the county as this would result in a

situation where MSC customers are providing a financial return to all taxpayers of the county, including those that do not receive the environmental services.

5. Consider establishing a master services contract between the county and the MSC, the purpose of which will be to define the roles and responsibilities of the MSC with respect to the services being provided, which should include, but not limited to:
 - a. Ownership and management of assets.
 - b. Annual establishment of rates.
 - c. Regulatory and legislative reporting.
 - d. Strategic and operational planning, including asset management planning.
 - e. Decisions that require consent of the township.
6. Establish a personnel services contract between the county and the MSC for the provision of services by the county's employees involved in the transferred environmental services.
7. Establish an administrative services contract between the county and the MSC for the delivery by the county of certain administrative functions, including finance, billing and collections, information technology, human resources, engineering, and procurement.
8. Consider the implementation of additional development charges to fund services delivered by the MSC.

Decentralized system ownership and municipal responsibility agreements (MRAs)

What is a municipal responsibility agreement (MRA)?

It is important to consider the ownership of decentralized systems when determining a model to employ. Ownership will determine where the responsibility, liability and costs lie. Regardless of whether a developer or municipality designs and implements a decentralized system, municipalities play a leading role in guaranteeing the use of these systems.

The following section briefly explores different ownership models of decentralized systems, whether within the municipality (lower or upper tier), by a developer, private owner or within an MSC.

Private ownership

When developers or the private sector are owners of these systems an agreement, known as a municipal responsibility agreement (MRA), must be signed with the municipality.

MRA's: "are legal agreements between a municipality and developer which stipulate the conditions under which communal services will be constructed, operated, and maintained, as well as the action to be undertaken by the municipality in the event of default. Responsibility agreements form the basis for a preventative mechanism by establishing responsibilities for proper construction, operation, and maintenance management practices and by providing up-front secured funds for any remedial measures that may be necessary in the event of default. When proper management practices are in place and enforced, malfunctions arising from poor operation and maintenance can be prevented and the long-term viability of the services, and protection of the environment and public health, can be assured." – [Government of Ontario](#)

It is important to note that MRA's between the private owner and the municipality are only a requirement necessary when a developer owns a decentralized system. This is a critical issue to consider when assessing ownership. The developer must provide those front secured funds which can double the project cost for them. In rural communities with smaller developments (such as less houses being built than in an urban center), adding those secured funds lead to a smaller return on investment for developers, leading them to walk away. That is why it is best to avoid the MRA especially in rural context.

Municipal ownership over developer ownership

Assuming that it is the intention of Peterborough County (and/or its townships) to own many of the communal services constructed moving forward, either within the county, within a township (or townships) or within an MSC, the need for a MRA would be negated.

While the municipality would retain control of the system(s), including design, implementation, operation, and maintenance, if municipally owned (lower or upper tier) all risks, liability and costs with these systems would reside within the municipality and its constraints.

While private ownership with the idea of transferring the decentralized system(s) at a later date (via a plan of subdivision or condominium) to the municipality or MSC is a viable option, to guarantee a greater degree of success for the municipality or MSC in their ownership, operation and maintenance of decentralized systems, it is pertinent that the owner has control over and is able to identify all specs of the system(s). Otherwise, what a municipality or MSC would inherit would not be known and thus leave the municipality exposed. It is highly recommended that a licensed operator should create a "Developer Guidelines" manual so that when the system get handed over to the MSC the system is using the right technology, parts, pipes, etc., and comply with by-laws, and standards set by the utility

Also, it is important to note that municipalities vs. private owner, especially developers, have different interests in mind. While a municipality is responsible under both the Municipal Act and the Clean Water Act to ensure water production, treatment, and storage for the public good, a developer's goal is to minimize costs and time associated with the development being undertaken. The municipality thus runs the risk of the developer not properly designing, operating, or maintaining the system(s) without the municipality's oversight.

MSC ownership over municipal or private ownership

The ownership of decentralized systems within an MSC, by contrast, means that all risks, liabilities, and costs reside with the MSC. An MSC may provide the opportunity to undertake the same work that a municipality could, but at arm's length to the municipality and with a greater degree of flexibility.

An MSC at the county level, even when solely owned by the county, would still allow risks and liabilities to be held at arm's length from the county. However, an MSC with the buy-in from townships would mean a greater degree of economies of scale, with risks and liabilities spread across partners. If several municipal partners were involved in an MSC it is recommended that each partner municipality enter into an Indemnity Agreement (a contract that protects one party of a transaction from the risks or liabilities created by the other party of the transaction) with the MSC further limiting future liabilities.

It is important to note that a municipality (upper or lower tier) could begin by owning the decentralized system(s) and then transferring these systems/assets later to an MSC if adopted. This may allow decentralized systems to roll out more quickly as an MSC is established but also allow the MSC to start off with assets transferred from the municipality (upper or lower tier), thus building the MSCs asset and financial history. Many existing MSCs have mentioned the difficulty of securing funding or generating revenue without initial assets, reserves, or a financial history.

Decentralized system ownership vs. operation

The decision for a municipality or MSC to operate its water system directly or to engage an external operating agency, is distinct from the issue of municipal or MSC ownership. Many existing centralized water and wastewater management systems are owned by municipalities and operated by municipalities and private contractors such as OCWA. Many existing decentralized water and wastewater management systems are owned and operated privately. It is thus important to consider whether the municipality (upper or lower tier) or the MSC would wish to both own and operate the decentralized systems or whether to engage a private owner and/or operator. Many municipalities who are currently looking at decentralized system ownership, whether within the municipality (lower or upper tier) or within an MSC, like the Frontenac Municipal Services Corporation (FMSC), look to private operators to be engaged from

the beginning of decentralized adoption in order to influence the design, development and implementation (operation and maintenance) of their decentralized systems.

Municipal ownership and operation

Municipal ownership and operation of water and wastewater systems are most common regarding centralized water infrastructure. From a decentralized perspective, there are much fewer decentralized systems owned and operated by municipalities. The only known system based upon our publicly available research is the Stonecrest Wastewater System owned and operated by Quinte West. The Stonecrest system is a membrane treatment plant supporting the south Sydney township area. A partnership with the City of Quinte West, a local developer and the Hastings School Board, the system was designed to support 143 new single detached and semi-detached houses (phase 1), an existing subdivision, and support to a local high school with a failing septic system. Phase 2 allowed for an additional 98 homes to be serviced.

The lack of known municipally owned and operated decentralized systems within Ontario and Canada may very well be a result of the use of these systems being in its infancy. Given the lack of knowledge and experience many municipalities (upper or lower tier) have with decentralized systems, private operation of municipally owned systems would serve to close the knowledge gap until municipalities (upper or lower tier) have gained the knowledge and experience necessary to take operation on. Before deciding on who should both own and operate these systems within the county, an assessment of inhouse expertise should be considered prior any decisions being made.

Municipal ownership and private operation

While we could not come across any specific examples of municipalities owning a decentralized system that is privately operated, it does not mean that this ownership and operating model is not a viable option for municipalities (upper or lower tier) to take on. Our research has, however, highlighted that the recovery of costs of water and wastewater systems have become increasingly difficult for many municipalities, but especially smaller municipalities or those with lower population densities. The township of Mapleton, Ontario has acknowledged the ability to recover costs via rates for water and wastewater services, however, are still faced with the inability to recover enough costs to support capital building and expansion of its facilities. For this, the township has turned to the MSC model.

Risk analysis

A preliminary risk analysis of decentralized water and wastewater systems, and their governance models within municipalities (upper and lower tier) and that of an MSC, has been undertaken to identify initial threats and vulnerabilities, their impacts, their probabilities, and potential mitigation strategies. See [Appendix G](#).

Preliminary conclusions

Based on this analysis several preliminary conclusions have been drawn for consideration.

- **Flexibility.** An MSC model may create a greater degree of flexibility, including ability to access diverse funding sources, diversity in board members and stakeholders, including subject matter experts, and ability to engage more effectively with partners (including private sector) than that of governance at the township or county levels depending on the MSCs set-up.

It is important to note, however, that securing initial funding for the MSCs from private loans is difficult given the MSC has no financial history. Further, the exact model adopted will determine the level of flexibility.

- **Autonomy.** The MSC model can provide a considerable level of autonomy from the municipality. The level of autonomy of course can be determined when setting up an MSC and is dependent on the model adopted. An MSC could be set up to retain control over the planning, priorities, and activities of the MSC by virtue of being its sole shareholder or separated from the municipality with greater involvement with the private and non-profit sectors. It is important to note, however, that financial autonomy from the municipality must first be attained before it can become fully independent/autonomous from the municipality.
- **Skill based boards.** The MSC model can embrace skills-based boards and can allow for the appropriate degree of independence from the municipality (upper or lower tier), enabling the corporation to remain flexible and self-reliant. An MSC board of directors can ensure a variety of perspectives and skill sets to guide decision-making and provide sound leadership.
- **Time.** The development of an MSC takes time. Of those MSCs interviewed the average amount of time to create the MSC was five to seven years. The timeline depends on the complexity of the MSC's setup, including governance structure, stakeholders involved, and financial model adopted. Keeping services within a municipality (upper or lower tier) would be less time-consuming. Governing decentralized systems at the municipal level (upper or lower tier) would be less time-consuming, but not necessarily more effective.
- **New models to deliver infrastructure are key.** The cost to build and maintain infrastructure, including that associated with water and wastewater management and housing is becoming exceedingly more difficult. New ways of generating revenue and sustaining while building community infrastructure are key to the sustainability and growth of communities. Decentralized water and wastewater management systems may offer a viable option for communities looking to unlock land for housing and development, while also offering greater density and land use efficiency.

- There are existing MSCs for decentralized and centralized water and wastewater management facilities. There are existing municipalities and townships that are using a MSC as a vehicle to support water and wastewater management:
 - The Frontenac Municipal Services Corporation (Frontenac Municipal Services) (only decentralized MSC known).
 - The township of Oro-Medonte Municipal Services Corporation.
 - Innisfil Municipal Services Corporation (InnServices).
 - The township of Mapleton MSC and Holding Co.
- Funding opportunities exist but are in high demand. Several funding opportunities have been identified. Based upon EORN experience, however, funding opportunities are often posted for only a brief period and are in high demand. Should the county be interested in any of the funding opportunities noted above, a conversation with each of the funders would be required to determine eligibility.
- MSC start-up costs have been borne by the municipality and/or stakeholders. If the ability to transfer existing assets may better support the establishment and success of the MSC. Many existing municipalities have looked internally for start-up costs associated with establishing an MSC. Many municipalities also use existing municipal staff to support the corporation.
- MSC financial freedom and independence from the municipality takes time. Given the difficulty of securing private sector loans based on the MSC not having any financial history, reserve funds or government grant funding will be vital to the first projects of the MSC to start and establish a financial history. As noted, government funding is not easy to come by, presenting a challenge to the upfront funding required to establish and get an MSC going.
- Financial sustainability will be challenging. Regardless of the model employed, creating financial sustainability to build and operate decentralized systems will not be easy. An MSC model may provide a greater degree of financial sustainability than governance at the municipal level (upper or lower tier) not only in terms of the ability to take on debt, but access diverse funding sources and generate wealth.
- Economies of scale may be pertinent to MSC success for lower density municipalities. MSCs which have greater success are those that incorporate several municipalities and/or townships. Single Tier MSCs and those established at the county level without township buy-in may find it difficult to financially sustain services. This may be especially true for municipalities with lower densities who could benefit from risk and cost sharing across multiple partners rather than reliance on one. Larger or more heavily densified communities may find it easier to operate without additional buy-in.
- The ownership model employed will determine where assets, liabilities and risks are held. If an MSC model is adopted all assets, liabilities and risks can be held by the corporation and

can be contained within the corporation's budget (depending on the MSCs ability to operate separately from the municipality). However, due to the nature of ownership of an MSC it would still be possible the municipality is liable for risks and liabilities of the MSC. By keeping the governance of decentralized systems within the municipality (upper or lower tier) all risks and liabilities will be held by the municipality exclusively.

- The long-term safety, security and sustainability of water systems must be paramount in deciding which model to adopt. Beyond the costs, operation and maintenance of decentralized systems, the safety, security and long-term sustainability of these systems and their impact on the water utilized both in terms of its consumption and its impact to the environment are pertinent to consider. Consider what governance model is best to ensure this.

Recommendations and next steps

The following steps should be considered before and when establishing an MSC:

- Zero in on the problem. Before starting down the pathway of an MSC, make sure the problem which you are trying to solve is defined. Zero in on the exact problem. Assess where the municipality is currently at and consider where it wants to be. What model is most appropriate to contribute to this end state.
- Determine the best model. Once your problem has been defined use the information provided in the business case as well as your own knowledge and research to determine which model is best to explore further. Note that it will take time and resources to establish an MSC (on average five to seven years). Different models at separate times may be employed. Remember that decentralized systems could be implemented and managed within a municipality and then transferred to an MSC later.
- Determine the readiness of the county and local municipalities to adopt decentralized systems. Before proceeding undertake a review of the counties and their local municipalities readiness to adopt decentralized systems. The following may be undertaken as part of this review: review official plans, assess zoning, complete a community strategic plan/comprehensive plan that integrates decentralized systems, assess water quality and quantity, and identify areas that could benefit from decentralized water and wastewater management.
- Draft a business plan. Once you have determined both the problem to be solved and which model you would like to pursue further, draft a business plan. The plan should include, but is not limited to, the following:

- Governance models. An assessment on various governance models that could be employed should be undertaken. As noted, determining the autonomy of the model you are looking to deliver your objectives will be key.
- Financial models. Conduct an assessment on financial models, both capital and operational. Define capital and operational revenue sources. Look at stakeholder investment strategies and the establishment of a holding corporation.
- A risk assessment. While a preliminary risk assessment was undertaken in this business case, a fulsome risk discussion and assessment among stakeholders should be undertaken. Once risks have been identified and mitigations determined, decide where you would like the risks and liabilities to reside. Do not forget that risk identification and mitigation is an ongoing process and should not cease once the MSC or organization is established.
- Explore stakeholder and indemnity agreements. Understand the dynamics between interested partners, including their responsibilities and legal rights. Speak with a legal professional to gain insight and advice on legal arrangements associated with the adoption of an MSC.
- Draft a sustainability plan. Draft a plan to detail how the model chosen will achieve sustainability. Include the goals, targets, objectives, and timelines to achieve sustainability. Outline the longer-term vision of the model and plans to satisfy stakeholders.
- Investigate at funding avenues early on. Determining funding reserves, stakeholder investments, and/or applying to funding grants early in the process that will help to establish which model adopted but also will allow the model's first projects be realized in a shorter time. This is especially important when establishing the financial history of the organization to support private funding and investment opportunities.

Appendix A: Data profile for Peterborough County municipalities regarding water and wastewater services

Peterborough County - Unless Otherwise Indicated Data is from 2023 FIR													
Parameter	Asphodel-Norwood	Cavan-Monaghan	Douro-Dummer	Havelock-Belmont-Methuen	North Kawartha	Otonabee-South Monaghan	Selwyn	Trent Lakes	Peterborough County - All Municipalities	Peterborough County	All Municipalities Plus Peterborough County	City of Peterborough	
Schedule 80D - Assets and Operational Data													
1810	Wastewater Main Backups: Total number of backed up wastewater mains	0	0	0	0	0	4	0	4	0	4	6	
1815	Wastewater Collection / Conveyance: Total KM of Wastewater Mains.	17	0	0	0	0	29	0	46	0	46	387	
1820	Wastewater Treatment and Disposal: Total Megalitres of Wastewater Treated	304.878	0.00	0.000	275.510	0.000	0.000	528.602	0.000	1108.99	0.000	1,108.990	16494
1825	Wastewater Bypasses Treatment: Estimated megalitres of untreated wastewater.	0.000	0	0.000	0.000	0.000	0.000	0.000	0	0.000	0.000	0	
1835	Urban Storm Water Management: Total KM of Urban Drainage System plus (0.005	10	0	0	0	0	0	0	10	0	10	538	
1840	Rural Storm Water Management: Total KM of Rural Drainage System plus (0.005	1	0	0	0	0	0	0	1	0	1	0	
1845	Water Treatment: Total Megalitres of Drinking Water Treated.	251.639	0.00	0.000	173.750	0.000	0.000	532.971	0.102	958.46	0.000	958.462	10288
1850	Water Main Breaks: Number of water main breaks in a year	0	0	0	0	0	0	2	0	2	0	2	11
1855	Water Distribution/Transmission: Total kilometres of Water Distribution / Transmis	17	0	0	0	0	0	28	8	53	0	53	472
1860	Solid Waste Collection: Total tonnes collected from all property classes.	625	0	0	0	1,652	865	2,364	2,610	8,116	10,327	18,443	17059
1865	Solid Waste Disposal: Total tonnes disposed of from all property classes.	625	0	0	0	723	978	2,964	1,224	6,514	11,626	18,140	20346
1870	Waste Diversion: Total tonnes diverted from all property classes.	393	0	0	0	930	0	0	1,386	2,709	6,968	9,677	25105

Parameter	Asphodel-Norwood	Cavan-Monaghan	Douro-Dummer	Havelock-Belmont-Methuen	North Kawartha	Otonabee-South Monaghan	Selwyn	Trent Lakes	Peterborough County - All Municipalities	Peterborough County	All Municipalities Plus Peterborough County	City of Peterborough
Schedule 51A - Assets by Cost (Opening Cost Balance)												
0811 Wastewater collection/conveyance	1,614,668	5,566,642	\$ -	3,654,654	\$ -	0	\$ 9,608,244	0	\$ 20,444,208	\$ -	\$ 20,444,208	87,208,567
0812 Wastewater treatment & disposal	7,296,241	23,518,306	\$ -	9,134,930	\$ -	0	\$ 2,773,804	0	\$ 42,723,281	\$ -	\$ 42,723,281	43,792,346
0821 Urban storm sewer system	1,970,139	256,905	\$ -	1,505,819	\$ -	0	\$ 153,225	0	\$ 3,886,088	\$ -	\$ 3,886,088	101,413,179
0822 Rural storm sewer system	0	0	\$ -	67,590	\$ -	0	\$ 773,436	0	\$ 841,026	\$ -	\$ 841,026	0
0831 Water treatment	2,317,156	3,009,386	\$ -	4,122	\$ -	2,065,829	\$ 5,192,423	0	\$ 12,588,916	\$ -	\$ 12,588,916	87,184,240
0832 Water distribution/transmission	4,283,676	4,023,543	\$ -	9,219,051	\$ -	0	\$ 11,293,715	1,719,486	\$ 30,539,471	\$ -	\$ 30,539,471	192,720,202
0840 Solid waste collection	0	197,779	\$ -	2,239	\$ -	0	\$ -	0	\$ 200,018	\$ -	\$ 200,018	3,921,899
0850 Solid waste disposal	1,369,588	11,306	\$ 250,867	83,945	\$ 648,566	0	\$ 958,537	1,118,476	\$ 4,441,285	\$ 18,011,681	\$ 22,452,966	10,554,152
0860 Waste diversion	0	0	\$ -	666,202	\$ -	0	\$ -	0	\$ 666,202	\$ 145,549	\$ 811,751	3,708,288
0898 Other	0	241,815	\$ -	0	\$ -	0	\$ -	0	\$ 241,815	\$ -	\$ 241,815	92,679
0899 Sub-Total	18,851,468	36,825,682	\$ 250,867	24,338,552	\$ 648,566	2,065,829	\$ 30,753,384	2,837,962	\$ 116,572,310	\$ 18,157,230	\$ 134,729,540	530,595,552

Parameter	Asphodel-Norwood	Cavan-Monaghan	Douro-Dummer	Havelock-Belmont-Methuen	North Kawartha	Otonabee-South Monaghan	Selwyn	Trent Lakes	Peterborough County - All Municipalities	Peterborough County	All Municipalities Plus Peterborough County	City of Peterborough
Schedule 51A - Net Book Value												
0811 Wastewater collection/conveyance	1,053,532	4,539,996	\$ -	1,069,332	\$ -	0	\$ 7,805,255	0	\$ 14,468,115	\$ -	\$ 14,468,115	55,492,743
0812 Wastewater treatment & disposal	4,209,097	19,242,996	\$ -	5,500,242	\$ -	0	\$ 1,027,467	0	\$ 29,979,802	\$ -	\$ 29,979,802	22,623,847
0821 Urban storm sewer system	1,623,726	230,607	\$ -	1,366,024	\$ -	0	\$ 153,225	0	\$ 3,373,582	\$ -	\$ 3,373,582	71,784,235
0822 Rural storm sewer system	0	0	\$ -	55,503	\$ -	0	\$ 430,145	0	\$ 485,648	\$ -	\$ 485,648	0
0831 Water treatment	1,551,736	1,693,271	\$ -	0	\$ -	740,566	\$ 2,548,386	0	\$ 6,533,959	\$ -	\$ 6,533,959	44,740,269
0832 Water distribution/transmission	3,480,500	3,375,796	\$ -	5,726,118	\$ -	0	\$ 8,365,455	984,444	\$ 21,932,313	\$ -	\$ 21,932,313	86,456,918
0840 Solid waste collection	0	55,314	\$ -	388	\$ -	0	\$ -	0	\$ 55,702	\$ -	\$ 55,702	634,120
0850 Solid waste disposal	134,616	539	\$ 28,479	18,640	\$ 648,566	0	\$ 477,608	721,742	\$ 2,030,190	\$ 5,765,093	\$ 7,795,283	4,131,039
0860 Waste diversion	0	0	\$ -	449,353	\$ -	0	\$ -	0	\$ 449,353	\$ 34,843	\$ 484,196	1,321,723
0898 Other	0	191,362	\$ -	0	\$ -	0	\$ -	0	\$ 191,362	\$ -	\$ 191,362	69,503
0899 Sub-Total	12,053,207	29,329,881	\$ 28,479	14,185,600	\$ 648,566	740,566	\$ 20,807,541	1,706,186	\$ 79,500,026	\$ 5,799,936	\$ 85,299,962	287,254,397

Preliminary MSC Business Case for Peterborough County

Parameter	Asphodel-Norwood	Cavan-Monaghan	Douro-Dummer	Havelock-Belmont-Methuen	North Kawartha	Otonabee-South Monaghan	Selwyn	Trent Lakes	Peterborough County - All Municipalities	Peterborough County	All Municipalities Plus Peterborough County	City of Peterborough
Schedule 51A - Additions and Betterments												
0811 Wastewater collection/conveyance	4,946	25,703	\$ -	358,058	\$ -		\$ 104,930		\$ 493,637	\$ -	\$ 493,637	12,312,220
0812 Wastewater treatment & disposal	46,630	68,405	\$ -		\$ -		\$ 52,035		\$ 167,070	\$ -	\$ 167,070	3,599,904
0821 Urban storm sewer system			\$ -		\$ -		\$ -			\$ -	\$ -	41,281,239
0822 Rural storm sewer system			\$ -		\$ -		\$ -			\$ -	\$ -	-
0831 Water treatment	72,674	147,335	\$ -		\$ -	1,301,650	\$ 15,823		\$ 1,537,482	\$ -	\$ 1,537,482	2,957,863
0832 Water distribution/transmission	246,077	710,783	\$ -	9,158	\$ -		\$ 727,763	33,644	\$ 1,727,425	\$ -	\$ 1,727,425	8,682,649
0840 Solid waste collection			\$ -	13,635	\$ -		\$ -		\$ 13,635	\$ -	\$ 13,635	4,334,205
0850 Solid waste disposal			\$ -		\$ 69,486		\$ -		\$ -	\$ -	\$ -	445,867
0860 Waste diversion			\$ -	8,853	\$ -		\$ -		\$ 8,853	\$ 34,862	\$ 43,715	1,775,608
0898 Other			\$ -		\$ -		\$ -		\$ -	\$ -	\$ -	-
0899 Sub-Total	370,327	952,226	\$ -	389,704	\$ 69,486	1,301,650	\$ 900,551	33,644	\$ 4,017,588	\$ 34,862	\$ 4,052,450	75,389,555

Schedule 51 - Annual Amortization												
0811 Wastewater collection/conveyance	25,579	108,449	\$ -	84,688	\$ -		\$ 156,125		\$ 374,841	\$ -	\$ 374,841	1,790,614
0812 Wastewater treatment & disposal	179,202	527,100	\$ -	267,835	\$ -		\$ 78,407		\$ 1,052,544	\$ -	\$ 1,052,544	1,610,519
0821 Urban storm sewer system	28,118	5,138	\$ -	26,921	\$ -		\$ -		\$ 60,177	\$ -	\$ 60,177	1,783,582
0822 Rural storm sewer system			\$ -	1,910	\$ -		\$ 24,512		\$ 26,422	\$ -	\$ 26,422	-
0831 Water treatment	61,282	58,886	\$ -		\$ -	85,829	\$ 151,938		\$ 357,935	\$ -	\$ 357,935	1,916,861
0832 Water distribution/transmission	63,776	77,797	\$ -	175,163	\$ -		\$ 246,241	49,808	\$ 612,785	\$ -	\$ 612,785	4,517,060
0840 Solid waste collection		7,736	\$ -	508	\$ -		\$ -		\$ 8,244	\$ -	\$ 8,244	582,768
0850 Solid waste disposal	56,435	180	\$ 7,309	4,625	\$ 16,826		\$ 18,206	25,869	\$ 129,450	\$ 299,610	\$ 429,060	1,013,902
0860 Waste diversion			\$ -	14,109	\$ -		\$ -		\$ 14,109	\$ 9,124	\$ 23,233	523,522
0898 Other			\$ -		\$ -		\$ -		\$ -	\$ -	\$ -	2,990
0899 Sub-Total	414,392	785,286	\$ 7,309	575,759	\$ 16,826	85,829	\$ 675,429	75,677	\$ 2,636,507	\$ 308,734	\$ 2,945,241	13,451,818

Parameter	Asphodel-Norwood	Cavan-Monaghan	Douro-Dummer	Havelock-Belmont-Methuen	North Kawartha	Otonabee-South Monaghan	Selwyn	Trent Lakes	Peterborough County - All Municipalities	Peterborough County	All Municipalities Plus Peterborough County	City of Peterborough
Schedule 12 - User Fees and Service Charges												
0811 Wastewater Collection / Conveyance	0	1,242,117	0	495,017	0	135,541	0	0	\$ 1,872,675	\$ -	\$ 1,872,675	19,728,166
0812 Wastewater Treatment & Disposal	0	19,233	0	0	0	0	1,109,948	0	\$ 1,129,181	\$ -	\$ 1,129,181	1,447,042
0821 Urban Storm Sewer System	0	0	0	0	0	0	0	0	\$ -	\$ -	\$ -	466,453
0822 Rural Storm Sewer System	0	0	0	0	0	0	0	0	\$ -	\$ -	\$ -	-
0831 Water Treatment	0	0	0	0	0	0	0	0	\$ -	\$ -	\$ -	8,879,613
0832 Water Distribution / Transmission	0	712,663	0	543,068	0	0	1,632,550	0	\$ 2,888,281	\$ -	\$ 2,888,281	9,162,369
0840 Solid Waste Collection	0	44,664	0	0	0	0	0	0	\$ 44,664	\$ -	\$ 44,664	15,603
0850 Solid Waste Disposal	0	61,331	143,229	166,992	45,372	64,955	422,763	126,348	\$ 1,030,990	\$ 2,094,575	\$ 3,125,565	1,993,910
0860 Waste Diversion	0	4,104	830	653	0	0	4,728	13,814	\$ 24,129	\$ 252,452	\$ 276,581	2,017,685
0898 Other	0	0	0	0	0	0	0	0	\$ -	\$ -	\$ -	-
0899 Sub-Total	0	2,084,112	144,059	1,205,730	45,372	200,496	3,169,989	140,162	\$ 6,989,920	\$ 2,347,027	\$ 9,336,947	43,710,841

Schedule 40 - Total Operating Expenses - After Adjustments												
0811 Wastewater Collection / Conveyance	25,579	208,627	0	564,584	0	138,776	359,371	0	\$ 1,296,937	0	\$ 1,296,937	7,578,347
0812 Wastewater Treatment & Disposal	626,458	1,551,213	0	267,835	0	0	725,035	0	\$ 3,170,541	0	\$ 3,170,541	8,372,705
0821 Urban Storm Sewer System	28,118	5,138	0	26,921	0	0	17,319	0	\$ 77,496	0	\$ 77,496	3,525,623
0822 Rural Storm Sewer System	0	0	0	1,910	0	0	24,512	0	\$ 26,422	0	\$ 26,422	0
0831 Water Treatment	372,298	186,475	0	0	0	85,829	151,938	0	\$ 796,540	0	\$ 796,540	8,641,729
0832 Water Distribution / Transmission	63,776	467,744	0	524,982	0	371,276	1,231,241	501,399	\$ 3,160,418	0	\$ 3,160,418	9,313,316
0840 Solid Waste Collection	92,498	111,081	234,137	508	287,820	186,222	417,812	0	\$ 1,330,078	0	\$ 1,330,078	2,007,987
0850 Solid Waste Disposal	-414,040	353,928	120,370	551,771	306,820	330,388	522,678	452,319	\$ 2,224,234	8,080,218	\$ 10,304,452	6,130,727
0860 Waste Diversion	1,266	11,488	0	37,299	0	40,827	107,998	394,150	\$ 593,028	5,650,942	\$ 6,243,970	6,857,725
0898 Other	0	13,080	0	77,641	0	0	0	0	\$ 90,721	0	\$ 90,721	4,660,171
0899 Sub-Total	795,953	2,908,774	354,507	2,053,451	594,640	1,153,318	3,557,904	1,347,868	\$ 12,766,415	\$ 13,731,160	\$ 26,497,575	57,088,330

Preliminary MSC Business Case for Peterborough County

Parameter	Asphodel-Norwood	Cavan-Monaghan	Douro-Dummer	Havelock-Belmont-Methuen	North Kawartha	Otonabee-South Monaghan	Selwyn	Trent Lakes	Peterborough County - All Municipalities	Peterborough County	All Municipalities Plus Peterborough County	City of Peterborough
Schedule 60 - Discretionary Reserve Funds												
5225 Wastewater system	0	\$ -	\$ -	\$ 1,310,978	\$ -	\$ -	\$ -	\$ -	\$ 1,310,978	\$ -	\$ 1,310,978	\$ 30,528,990
5230 Storm water system	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5235 Waterworks system	0	\$ -	\$ -	\$ 655,377	\$ -	\$ -	\$ -	\$ -	\$ 655,377	\$ -	\$ 655,377	\$ -
5240 Solid waste collection	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5245 Solid waste disposal	0	\$ -	\$ -	\$ -	\$ -	\$ 714,861	\$ -	\$ -	\$ 714,861	\$ -	\$ 714,861	\$ 8,081,579
5246 Waste diversion	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
0899 Sub-Total	\$0	\$ -	\$ -	\$ 1,966,355	\$ -	\$ 714,861	\$ -	\$ -	\$ 2,681,216	\$ -	\$ 2,681,216	\$ 38,610,569
Schedule 60 - Reserves												
5225 Wastewater system	\$ 596,257	\$ -	\$ -	\$ 926,521	\$ -	\$ -	\$ 8,178,134	\$ -	\$ 9,700,912	\$ -	\$ 9,700,912	\$ 9,813,129
5230 Storm water system	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,383,281
5235 Waterworks system	\$ -	\$ -	\$ -	\$ 495,718	\$ -	\$ 115,465	\$ -	\$ 61,585	\$ 672,768	\$ -	\$ 672,768	\$ 9,811,815
5240 Solid waste collection	\$ 406,671	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 406,671	\$ 8,112,110	\$ 8,518,781	\$ -
5245 Solid waste disposal	\$ -	\$ 25,959	\$ 70,949	\$ 88,132	\$ -	\$ 247,933	\$ 18,245	\$ 816,093	\$ 1,267,311	\$ -	\$ 1,267,311	\$ -
5246 Waste diversion	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 314,257	\$ -	\$ -	\$ 314,257	\$ 1,506,690	\$ 1,820,947	\$ -
0899 Sub-Total	\$ 1,002,928	\$ 25,959	\$ 70,949	\$ 1,510,371	\$ -	\$ 677,655	\$ 8,196,379	\$ 877,678	\$ 12,361,919	\$ 9,618,800	\$ 21,980,719	\$ 22,008,225

Parameter	Asphodel-Norwood	Cavan-Monaghan	Douro-Dummer	Havelock-Belmont-Methuen	North Kawartha	Otonabee-South Monaghan	Selwyn	Trent Lakes	Peterborough County - All Municipalities	Peterborough County	All Municipalities Plus Peterborough County	City of Peterborough
Schedule 81 - Annual Debt Repayment Limit												
9910 Total Debt Charges	\$ 119,441	\$ 506,103	\$ -	\$ -	\$ -	\$ 323,195	\$ 113,836	\$ -	\$ 1,062,575	\$ 469,916	\$ 1,532,491	\$ 21,991,089
9920 Net Debt Charges (After Exclusions)	\$ 119,441	\$ 506,103	\$ -	\$ -	\$ -	\$ 323,195	\$ 113,836	\$ -	\$ 1,062,575	\$ 469,916	\$ 1,532,491	\$ 21,991,089
1610 Total Revenues	\$ 9,973,654	\$ 18,789,086	\$ 8,872,389	\$ 12,603,744	\$ 10,939,023	\$ 13,509,674	\$ 21,709,736	\$ 16,893,803	\$ 113,291,109	\$ 90,132,397	\$ 203,423,506	\$ 441,188,915
2299 Excluded Revenue Amounts	\$ 3,490,773	\$ 1,916,860	\$ 1,375,815	\$ 2,218,084	\$ 3,359,989	\$ 4,055,817	\$ 4,060,338	\$ 3,429,583	\$ 23,907,259	\$ 29,812,937	\$ 53,720,196	\$ 169,337,763
2610 Net Revenues	\$ 6,482,881	\$ 16,872,226	\$ 7,496,574	\$ 10,385,660	\$ 7,579,034	\$ 9,453,857	\$ 17,649,398	\$ 13,464,220	\$ 89,383,850	\$ 60,319,460	\$ 149,703,310	\$ 271,851,152
2620 25% of Net Revenues	\$ 1,620,720	\$ 4,218,057	\$ 1,874,144	\$ 2,596,415	\$ 1,894,759	\$ 2,363,464	\$ 4,412,350	\$ 3,366,055	\$ 22,345,964	\$ 15,079,865	\$ 37,425,829	\$ 67,962,788
9930 ESTIMATED ANNUAL REPAYMENT LIMIT	\$ 1,501,279	\$ 3,711,954	\$ 1,874,144	\$ 2,596,415	\$ 1,894,759	\$ 2,040,269	\$ 4,298,514	\$ 3,366,055	\$ 21,283,389	\$ 14,609,949	\$ 35,893,338	\$ 45,971,699

Parameter	Asphodel-Norwood	Cavan-Monaghan	Douro-Dummer	Havelock-Belmont-Methuen	North Kawartha	Otonabee-South Monaghan	Selwyn	Trent Lakes	Peterborough County - All Municipalities	Peterborough County	All Municipalities Plus Peterborough County	City of Peterborough
Parameter Calculations												
Average Cost Per KM of Wastewater Collection/Conveyance Mains (Historical Not Current)	\$ 94,980	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	\$ 331,319	#DIV/0!	\$ 444,439	\$ 444,439	\$ 888,879	\$ 225,345
Average Cost Per Megalitre of Wastewater Treatment & Disposal (2023 not Projected)	\$ 23,932	#DIV/0!	#DIV/0!	\$ 33,156	#DIV/0!	#DIV/0!	\$ 5,247	#DIV/0!	\$ 38,524	\$ 17,318	\$ 55,842	\$ 2,655
Average Cost per Litre (Operating)	\$ 0.02	#DIV/0!	#DIV/0!	\$ 0.03	#DIV/0!	#DIV/0!	\$ 0.01	#DIV/0!	\$ 0.04	\$ 0.02	\$ 0.06	\$ 0.00
Average Cost Per KM of Water Distribution/Transmission Pipe	\$ 251,981	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	\$ 403,347	\$ 214,936	\$ 576,216	#DIV/0!	#DIV/0!	\$ 408,306
Percentage of Annual Repayment Limit In Use	7.96%	13.63%	0.00%	0.00%	0.00%	15.84%	2.65%	0.00%	4.99%	3.22%	4.27%	47.84%
Debt Repayment Limit as Percentage of Total Revenues (Before Exclusions)	15.05%	19.76%	21.12%	20.60%	17.32%	15.10%	19.80%	19.92%	18.79%	16.21%	17.64%	10.42%

Appendix B: Excerpts from the Municipal Act regarding municipal services corporations

The following chart includes further information regarding the MSC model:

Issue area	Municipal services corporation (MSC) (O. Reg. 599/06: MUNICIPAL SERVICES CORPORATIONS Under: Municipal Act, 2001, S.O. 2001, c. 25)
Powers	3. A municipality may use the power referred to in paragraph 1 of subsection 203 (1) of the Act to establish a corporation only if the municipality by itself, or together with one or more other public sector entities, establishes the corporation and, (a) the corporation's purpose is to provide a system, service, or thing that the municipality itself could provide; or (b) the establishment of the corporation is expressly authorized by this Regulation. O. Reg. 599/06, s. 3. Powers in relation to securities of corporations 5. (1) Subject to section 14 of this Regulation, a municipality may use the powers referred to in paragraphs 4 and 5 of subsection 203 (1) of the Act to acquire, hold, dispose of, guarantee and otherwise deal with securities of a corporation only if the corporation is established by a public sector entity and the corporation carries on business in the municipality or in the municipality and another municipality. O. Reg. 599/06, s. 5 (1).
Limitations and prohibitive use of powers	11. (1) Despite section 3, subsections 4 (2), (3) and 5 (1) of this Regulation, a municipality shall not use any of the powers referred to in paragraphs 1 to 5 of subsection 203 (1) of the Act in relation to a corporation if the business or activities of the corporation include doing anything that the municipality or any of its local boards may do or are required to do under any of the following Acts: 1. Ambulance Act. 2. Child, Youth and Family Services Act, 2017. 2.1 Community Safety and Policing Act, 2019. 3. Fire Protection and Prevention Act, 1997. 4. Health Protection and Promotion Act. 5. Fixing Long-Term Care Act, 2021 in respect of long-term care homes under Part IX of that Act. 6. Revoked: O. Reg. 110/24, s. 1 (2). 7. Provincial Offences Act. 8. Public Libraries Act. 9. Ontario Works Act, 1997. O. Reg. 599/06, s. 11 (1); O. Reg. 87/10, s. 1 (1); O. Reg. 173/18, s. 1; O. Reg. 289/22, s. 1 (1); O. Reg. 110/24, s. 1. 18. (1) A corporation shall not act as an incorporator of another corporate body that is incorporated under any Act. O. Reg. 599/06, s. 18 (1). (5) If any purpose or business of a corporation includes the provision of a public utility for water or sewage,

	(a) the corporation shall not issue shares or give voting rights attached to the shares to a private person if it is a share corporation or, if it is a non-share corporation, it shall allocate voting rights to a member of the corporation only if the member is not a private person; and (b) the corporation shall not transfer to a private person any asset that is part or all of a municipal drinking water system or of a sewage works unless the board of directors of the corporation has declared, by resolution, that the asset is no longer needed for the purposes of the system. O. Reg. 599/06, s. 18 (5).
Debt instruments	14. A municipality may use the powers referred to in paragraphs 4 and 5 of subsection 203 (1) of the Act to acquire, hold, dispose of, guarantee and otherwise deal with bonds, debentures, promissory notes, mortgages and similar evidences of indebtedness of a corporation that may issue shares only if the debt would be incurred by reason of the transfer to the corporation of land, equipment or other goods belonging to the municipality. O. Reg. 82/16, s. 1.
Status of Corporation	Municipal Act, Section 21. (1) A corporation is not a local board for the purposes of any Act. O. Reg. 599/06, s. 21 (1). (2) Despite subsection (1), a corporation shall be deemed to be a local board for purposes of subsection 270 (2) of the Act, and for the purposes of the Environmental Assessment Act, the Municipal Conflict of Interest Act, the Emergency Management and Civil Protection Act, and subsection 56.2 (3) of the Capital Investment Plan Act, 1993. O. Reg. 599/06, s. 21 (2). (3) Despite subsection (1), if a corporation is wholly owned, it shall be deemed to be a local board for the purposes of the Development Charges Act, 1997. O. Reg. 599/06, s. 21 (3).
Territorial Operation of Corporation	16. (1) A corporation may only operate within the boundaries of a municipality with the agreement of the municipality. O. Reg. 599/06, s. 16 (1). (2) Despite subsection (1), a corporation may operate within the boundaries of an upper-tier municipality without the agreement of any lower-tier municipality that forms part of that upper-tier municipality. (3) Despite subsection (1), a corporation may operate within the boundaries of a lower-tier municipality that forms part of an upper-tier municipality for municipal purposes without the agreement of the upper-tier municipality.
Assistance to corporation	2) Nothing in this Regulation restricts the powers of a municipality to aid under an exception to subsections 106 (1) and (2) of the Act, make a grant under section 107 of the Act, or make an investment or undertake other financial activities under Part XIII of the Act. O. Reg. 599/06, s. 5 (2). 15. (1) Despite section 106 of the Act, a municipality may aid a corporation, (a) if the corporation is a wholly owned corporation and is limited by its articles or letters patent to providing services to the owners or members of the corporation. (b) if the purpose of the assistance is to subsidize the cost of public transportation facilities or services or public access to recreational and cultural facilities; or (c) if, (i) the purpose of the assistance is to facilitate the provision by the corporation of affordable housing, as defined in a by-law made by the municipality respecting provision of assistance to the corporation for this purpose, and

	(ii) the by-law contains policies regarding public eligibility for the housing units provided as part of the affordable housing. O. Reg. 599/06, s. 15 (1); O. Reg. 152/16, s. 1. (2) The types of assistance that may be provided under subsection (1) are, (a) giving, lending, or selling any property of a municipality, including money. (b) guaranteeing borrowing. (c) providing the services of employees of or persons under contract with a municipality. O. Reg. 599/06, s. 15 (2). (3) The assistance provided under clause (2) (a), (b) or (c) need not be at fair market value. O. Reg. 599/06, s. 15 (3).
Holding corporations	10. (1) A municipality may use the powers referred to in paragraphs 1 to 5 of subsection 203 (1) of the Act in relation to a corporation incorporated for the purpose of holding shares in one or more other corporations only if, (a) the corporation is established by the municipality or the municipality and one or more other municipalities. (b) the articles of incorporation of the corporation restrict the ownership of all voting and non-voting shares in the corporation to the municipality or to the municipality and one or more other municipalities; and (c) the articles of incorporation of the corporation restrict the powers of the corporation to those necessary to acquire, hold, dispose of and otherwise deal with, (i) shares of one or more corporations established under any Act by the municipality, (ii) shares of one or more corporations established under any Act by another municipality that the municipality has agreed to allow to carry on business in the municipality, or (iii) any combination of shares described in subclauses (i) and (ii). O. Reg. 599/06, s. 10 (1). (2) In subclauses (1) (c) (i) and (ii), “corporation” means a corporation other than a corporation established by a municipality for the purpose of holding shares in one or more other corporations. O. Reg. 599/06, s. 10 (2).

Further information and case studies including of those examples mentioned above can be found in the [Appendix B](#).

Appendix C: Examples of asset transfer policies

Draft - Frontenac Municipal Services (FMS) Asset Transfer Policy

At incorporation, FMSC did not hold any capital assets. Non-capital assets in the form of cash, however, were transferred to the corporation in accordance with the financial contribution described in the policy below.

For clarity, this policy does not apply to the transfer of communal service assets to the MSC by a developer under the terms of subdivision or condominium agreement.

For the capital assets other than noted above, four options are provided. They are outlined as follows:

Scenario #1 – Transfer of assets between partnering municipalities and the MSC with a value under \$100,000.

Where the parties agree that an asset contemplated for transfer is valued at under \$100,000, a transfer may be completed by motion of the shareholders of the FMSC and a motion of the appropriate shareholder municipality. Such a sale will be at a cash value agreed to between the parties. No option exists for such a transfer to involve the transfer of shares.

The parties may agree to conduct the transfer of an asset under this limit, utilizing the terms and conditions described option #2.

It is understood that under option #1: either party may elect to initiate such a process, but that both parties will base any final decision in their own interest without undue influence from the other party that the above option may be initiated in the reverse (such as the transfer of an asset from the MSC to a shareholder municipality) the sole authority for the MSC will be a vote of the shareholders and for the municipality, the council of the municipality disposing or acquiring the asset.

Scenario #2 – Transfer of assets between partnering municipalities and the MSC with a value over \$100,000.

A shareholder municipality may solely elect to transfer an asset to initiate the process of transferring a municipal asset to the MSC. The FMSC (such as the holding company), acting in consultation with the MSC operating arm, may elect to accept the transfer and elect to compensate the municipality based on one of the following:

- A cash payment based upon the average of two independent appraisals. One completed and paid for by the MSC and a second completed and paid for by the municipality. Both independent appraisals must be accompanied by:

- A statement that the company/individual is qualified and competent to make such an appraisal.
 - A statement that the company/individual is not in a position of conflict.
- A payment of equivalent share in FMSC based upon the average of two independent appraisals. One completed and paid for by the MSC and a second completed and paid for by the municipality. Both independent appraisals must be accompanied by:
 - A statement that the company/individual is qualified and competent to make such an appraisal.
 - A statement that the company/individual is not in a position of conflict
 - A combination of option 1 and option 2 above (such as x% cash payment and y; and shares, where $x + y = 100\%$ of the appraised value).

It is understood that under option #2:

- Either party may elect to initiate such a process, but that both parties will base any final decision in their own interest without undue influence from the other party
- That the above option may be initiated in the reverse (such as the transfer of an asset from the MSC to a shareholder municipality)
- The sole authority for the MSC will be a vote of the shareholders and for the municipality, the council of the municipality disposing or acquiring the asset.

Scenario #3 – Transfer of assets between the MSC and a non-shareholder municipality valued at under \$100,000.

Where an asset is proposed to be transferred between the MSC and a non-shareholder municipality and the parties agree that the value of the asset is less than \$100,000, the parties may agree to a cash transaction at an agreed to fair market value.

Scenario #4 – Transfer of assets between the MSC and a non-shareholder municipality valued at over \$100,000.

A non-shareholder municipality may elect to transfer an asset to initiate the process of transferring a municipal asset to the MSC. FMSC may elect to accept the transfer and elect to compensate the municipality based on one of the following:

- A cash payment based upon the average of two independent appraisals. One completed and paid for by the MSC and a second completed and paid for by the municipality. Both independent appraisals must be accompanied by:
 - A statement that the company/individual is qualified and competent to make such an appraisal.
 - A statement that the company/individual is not in a position of conflict.
- A payment of equivalent share in FMSC based upon the average of two independent appraisals. One completed and paid for by the MSC and a second completed and paid for by the municipality. Both independent appraisals must be accompanied by:

- A statement that the company/individual is qualified and competent to make such an appraisal.
- A statement that the company/individual is not in a position of conflict.
- A combination of option 1 and option 2 above (such as x% cash payment and y% shares, where $x + y = 100\%$ of the appraised value).

Scenario #5 – Transfer of assets between the MSC and a private/for profit entity or individual

The transfer of any asset considered to be integral to the operation of a communal water or sewer system, may not be transferred to a private/for profit entity under any circumstance. Non-operationally integral capital assets valued at under \$100,000 (such as a vehicle) may be transferred at an agreed upon fair market price, with a motion of the MSC operational board. Non-operationally integral capital assets valued at over \$100,000 (such as a surplus property or equipment) may be transferred at an agreed upon fair market price, with a motion of the FMSC.

Scenario #6 – Transfer of assets between the MSC and a not-for-profit/or charitable entity

The transfer of any asset considered to be integral to the operation of a communal water or sewer system, may not be transferred to a not-for-profit/or charitable entity under any circumstances.

Non-operationally integral capital assets valued at under \$100,000 (such as a vehicle) may be transferred at an agreed upon fair market price, with a motion of the MSC operational board. Non-operationally integral capital assets valued at over \$100,000 (such as a surplus property) may be transferred at an agreed upon fair market price, with a motion of the FMSC board. The parties agree that the monetary limits presented may be amended from time to time by a majority vote the shareholders.

Oro-Medonte Asset transfer policy recommendations

In its establishment of an asset transfer policy, Oro-Medonte has recommended that the asset transfer policy:

- a) Require the transfer of all assets and liabilities associated with the environmental services, including (i) tangible capital assets; (ii) reserve and reserve fund balances; (iii) deferred revenue balances; (iv) customer lists, marketing material, historical financial information, and other intangible assets; and (v) the cumulative operating deficit for environmental services. We understand that the township does not have development charge deferred revenue relating to the services to be delivered by the MSC.

As of December 31, 2017, the net book value of the assets to be transferred was \$19.4 million, as follows:

- (in millions) Water Wastewater Stormwater Streetlights Total.

- Tangible capital assets \$14.622 \$0.057 – \$1.159 \$15.838.
- Work in progress \$0.162 – – \$0.162.
- Reserves and reserve funds \$3.382 \$0.276 – – \$3.658.
- Accumulated deficits (\$0.170) - (\$0.034) (\$0.046) (\$0.250).
- Long-term debt – n/a.
- Total net assets \$17.996 \$0.333 (\$0.034) \$1.113 \$19.408.

- b) Assets and debts are transferred with no expectation of financial return to the township.
- c) Ensure that the township retain residual right to acquire the assets, which could potentially be accomplished through (i) the use of debt as consideration for the transfer of assets from the township to the MSC; and/or (ii) the granting of a right of first refusal to the township to acquire the assets in the event of a business failure by the MSC. The issue of the form of financial consideration for the transfer of assets to the MSC is discussed in further detail below.

Development of appropriate governance and operating policies for the MSCs, including terms of reference for the board of directors of the MSCs and a formal dividend policy outlining the requirement for the MSCs to pay dividends and the formula for calculating the dividends. Specifically, we would suggest that the dividend policy indicate that no dividends will be paid by the township as this would result in a situation where MSC customers are providing a financial return to all taxpayers of the township, including those that do not receive the environmental services.

Establish a master services contract between the township and the MSC, the purpose of which will be to define the roles and responsibilities of the MSC with respect to the services being provided, which should include, but not be limited to:

- a. Ownership and management of assets.
- b. Annual establishment of rates.
- c. Regulatory and legislative reporting.
- d. Strategic and operational planning, including asset management planning.
- e. Decisions that require consent of the township.

Establish a personnel services contract between the township and the operating MSC for the provision of services by the township's employees involved in the transferred environmental services. The township expects to continue to employ environmental services staff, with the operating MSC contracting for these services from the township.

Establish an administrative services contract between the township and the operating MSC for the delivery by the township of certain administrative functions, including finance, billing and collections, information technology, human resources, engineering, and procurement.

Consider the implementation of additional development charges to fund services delivered by the operating MSC.

Currently, the township's development charges do not fund future growth for water, wastewater or urban stormwater infrastructure and consideration could be given to these categories as part of the township's upcoming development charges review.

Oro Medonte MSC asset transfer policy

1. Responsibilities The following criteria shall apply in this policy: A formal policy to govern the approval and implementation of municipal assets to MSC.

2. Process Instructions for transferring asset(s) to MSC.

2.1. Asset(s) may be transferred to MSC at any time, as authorized by Council, on such terms as Council may determine.

2.2. Any transfer of Asset(s) must be approved by Council in advance of the Transfer.

2.3. In determining whether to authorize a transfer of Asset(s) to MSC, Council will consider one or more of the following objectives:

2.3.1. Optimizing the use and value of the asset(s).

2.3.2. Advancing the township's economic development, vitality, and competitiveness.

2.3.3. Supporting community health and well-being.

2.3.4. Managing environmentally sustainable growth.

2.3.5. Providing responsive and efficient public service; and

2.3.6. Enhancing the quality of life of the township's citizens.

2.4. Council may impose such terms and conditions on the transfer of asset(s) as it deems necessary, including but not limited to:

2.4.1. Requiring the MSC to transfer the assets back to the township upon the occurrence of an event(s).

2.4.2. Restricting or prohibiting further transfers of the assets; and

2.4.3. Attaching a purchase price to the asset, to be paid or owed to the township by the MSC.

2.5. Before any transfer of asset(s) can occur, township Staff shall determine the current fair market value of the asset(s) and obtain advice regarding any tax implications of the transfer. This determination may be made using an appraiser or township Staff.

2.6. Where any asset(s) is transferred at less than fair market value, the Treasurer shall prepare a statement of the estimated fair market value of the Asset(s).

2.7. The Treasurer shall record all Transfers of Asset(s) in accordance with the township's accounting policies and relevant accounting standards

Financial / Legal Implications / Risk Management:

In consultation with KPMG LLP and Baker Tilly KDN LLP, staff confirm the following:

Financial

For financial reporting purposes, the transfer of assets is a restructuring transaction as defined in PSAS 3430: Restructuring Transactions. Under PSAS 3430.07(g), a restructuring transaction is defined as "a transfer of an integrated set of assets and/or liabilities, together with the related program or operating responsibilities without consideration based primarily on the fair value of the individual assets and liabilities transferred." For financial reporting purposes, PSAS 3430.37 indicates that the township should record the transfer of the assets at their carrying amount (such as net book value) at the restructuring date, while PSAS 3430.38 indicates that the MSC should initially record the assets at their carrying amount. As a result, there is no gain or loss on the transfer of assets that is required to be recorded in the township's financial statements.

Legal

The proposed structure for the MSC is consistent with the classification of a government business enterprise (GBE), being that:

- The MSC is a separate legal entity (corporation).
- The MSC is authorized by Council to operate the township's environment services infrastructure and programs.
- The customers of the MSC are residential and non-residential property owners that receive water and other environmental services; and
- The MSC operates on a full-cost recovery basis through revenues generated from customers and will not require ongoing financial support from the township.

Risk Management

Asset transfer is intended to occur prior to January 1, 2022; whereupon the MSC will be considered operational. This policy has been prepared in consultation with KPMG LLP and subsequently reviewed for accuracy and concurrence with Baker Tilly KDN LLP who are responsible for the township of Oro-Medonte's external accounting and auditing services.

Furthermore, the policy is consistent, and representative of similar asset transfer policies adopted by other municipalities in Ontario that have established MSCs.

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:

KPMG LLP- Oscar Poloni, CPA, CA, CBV, Office Managing Partner, Northern Ontario

Baker Tilly KDN LLP- Richard Steiginga, CPA, CA, Partner

CAO - Robin Dunn

TOWN OF INNISFIL CORPORATE ASSET MANAGEMENT POLICY

POLICY: Asset Management

COUNCIL APPROVAL DATE: June 26, 2019

RES. NO.: 2019.06.26-CR-01

POLICY NO.: 001-13-2019

REVISED DATE: n/a RES. NO.: n/a

1. Purpose

1.1. Vision The Town of Innisfil (Innisfil) is committed to providing service to residents in a responsible manner that supports a sustainable community. With this commitment in mind, assets must be managed in a way that allows Innisfil to achieve its goals, plans, and policies.

1.2. Goals The goals of this policy are to outline the principles, roles and responsibilities for asset management practices that enable a coordinated, cost effective and organizationally sustainable approach for Innisfil.

1.3. Objectives The objectives of the policy include the following:

- Provide a consistent framework for implementing asset management throughout the organization.
- Provide guidance to staff responsible for asset management.
- Communicate to stakeholders the management principles and approach endorsed by Innisfil.
- Provide transparency and accountability to demonstrate to stakeholders the legitimacy of decision-making processes that have integrated strategic plans, budgets, defined service levels, and inherent risks.
- Commit Innisfil to support the implementation of asset management methods that are consistent with the organization and meet Council's priority objectives.

2. Application

2.1. Guiding Principles: The Infrastructure for Jobs and Prosperity Act, 2015 outlines a set of infrastructure planning principles that should be considered when making decisions related to infrastructure. Innisfil will strive to incorporate these principles into its day-to-day operations whenever possible. A summarized list of these principles includes:

- Taking a long-term view while also considering demographic and economic trends.
- Considering all applicable budgets or fiscal plans, including those adopted through Ontario legislation.
- Clearly identifying infrastructure priorities which will drive investment decisions.
- Ensuring the continued provision of core public services.
- Promoting economic competitiveness, job creation, and training opportunities.
- Ensuring that the health and safety of workers involved in the construction and maintenance of infrastructure assets is protected.
- Making use of innovative technologies, services, and practices, particularly where doing so would utilize those developed in Ontario.
- Basing decisions on publicly available information and make this information available to the public, subject to any legal restrictions.
- Considering the principles and content of non-binding provincial or municipal land use plans and strategies established under an Act or otherwise.
- Promoting accessibility to remove barriers for persons with disabilities in Innisfil's programs, services, and facilities.
- Minimizing environmental impacts, respecting, and maintaining ecological and biological diversity and augmenting resilience to climate change.
- Endeavouring to make use of acceptable recycled aggregates in road construction and other public works; and
- Promoting social benefits such as improvement of public spaces and any other benefits identified by the community.

2.2. Exceptions Infrastructure as defined under the Electricity Act (1998) are excluded from the application of this policy. Additionally, all Innisfil government business

enterprises are also excluded from the application of this policy. Further, all joint municipal services boards of which Innisfil is a member are excluded from the application of this policy.

3. Policy Statements

3.1. Community Engagement Innisfil will endeavour to provide opportunities for community engagement in asset management planning. Innisfil will provide information on the corporate website to facilitate transparency in asset management planning.

3.2. Risk Management Levels-of-service will be established to ensure that risks are minimized in the delivery of infrastructure services. Additionally, Innisfil will adopt an approach of continuous improvement in relation to asset management planning.

3.3. Quality Management Innisfil will adhere to requirements outlined in the Minimum Maintenance Standards currently in force and any other legislation specific to Innisfil. Additionally, Innisfil will ensure that the health and safety of workers is protected in the performance of all work.

3.4. Financial Planning Asset management planning will be integrated into Innisfil's processes for both annual budgeting and long-term financial plans. Asset management plans will be used as a resource in the development of these budgets and plans.

3.5. Land-Use Planning Asset management planning will be aligned with local land-use planning and be used as a resource in the development of the municipality's Official Plans. Additionally, asset management planning will be aligned provincial land-use plans and policies.

3.6. Strategic Planning Asset management planning will be aligned with Innisfil's currently adopted strategic plans. Additionally, Innisfil will coordinate asset management planning where applicable with upper-tier municipality, neighbour municipalities and jointly owned municipal bodies.

4. Definitions

a) Asset – Infrastructure that is physical in nature, a significant economic resource, and provides delivery of programs and services.

b) Asset Management – The planning, organizing, leading, and controlling of financial and technical processes to meet established levels-of-service.

c) Asset Management Plan – The report that summarizes the current and future state of asset management in the municipality. The plan is comprised of four sections including: asset inventories; work schedules; service priorities; and activity budgets.

d) Capitalization Thresholds – The value of an asset above which Innisfil will capitalize its value and below which it will expense the value. These thresholds will be developed independently of those used for financial reporting purposes.

5. Responsibilities

Council, having stewardship responsibility, is the final decision maker on all matters related to asset management. The Council and Senior Leadership Team are committed to the success of asset management planning, and their responsibilities include:

Council:

- Approve by resolution the asset management policy and its updates every five years.
- Approve by resolution the asset management plan and its updates every five years:
- Conduct annual reviews of asset management progress on or before July 1st of every year, which includes.
 - Progress on ongoing efforts to implement the asset management plans.
 - Any factors that limit the Innisfil's ability to implement asset management plans.
 - A strategy to address these factors to continuously improve.

Senior Leadership Team:

- Maintain compliance with the asset management policy and provincial asset management regulations.
- Oversee asset management planning activities that fall within their service area and in support of others.

Appendix D: Funding opportunities

The following are funding avenues which can be explored at the township or county levels, or to support the creation and management of an MSC. Peterborough County and its townships should consider speaking with funding representatives of these opportunities before applying to determine eligibility.

Clean Water and Wastewater Fund (CWWF)

The Clean Water and Wastewater Fund (CWWF) will provide short-term funding of \$2 billion. The program targets projects that will contribute to the rehabilitation of both water treatment and distribution infrastructure and existing wastewater and storm water treatment systems; collection and conveyance infrastructure; and initiatives that improve asset management, system optimization, and planning for future upgrades to water and wastewater systems.

Project identification and approval

Provinces and territories will be responsible for identifying projects, in collaboration with municipalities, to be funded through the CWWF.

Provinces and territories will be required to submit a project list to Infrastructure Canada (INFC) for approval.

All proposed projects must provide basic information, including the name of the municipality, title and description of the public infrastructure project, eligible investment category, financial information, planned start and end dates as well as identification of outcome the project will support

Eligible recipient(s)

Eligible recipients include provinces and territories; municipalities and other entities that provide water or wastewater services as designated by the provinces and territories or municipalities. housing-infrastructure.canada.ca

Health and Safety Water Stream (Open until June 16, 2025)

The Health and Safety Water funding stream will help municipalities and First Nations build, rehabilitate, and expand aging water, wastewater, stormwater, flood, and erosion infrastructure. These projects will help preserve the current housing supply and protect communities during extreme weather events.

We are providing \$175 million in funding through the Health and Safety Water Stream under the [Municipal Housing Infrastructure Program](#).

Eligibility

All municipalities and First Nations are eligible to apply for funding.

Eligible projects

To be eligible for funding, projects must:

- Protect or maintain housing units that are otherwise compromised by health and safety risks.
- Demonstrate that they will create climate resiliency and adaptation.
- Be new construction, rehabilitation, or expansion.
- Have not started construction.
- Have a clear start and end date.
- Start no later than September 30, 2025, and must be completed by March 31, 2029.
- Include a capital component and may also include pre-construction planning and design work.
- Be in the process of, or completed, the design and planning phase.
- Meet all relevant provincial regulatory requirements and policy direction.

Water infrastructure assets that are eligible for funding include:

Drinking water For example: treatment plants reservoirs, local pipes, including the distribution system watermain and the municipal portion of service lines pump stations.	Wastewater For example: lagoon systems, pump stations, lift station, linear assets, treatment plants, storage tanks, collection systems.	Stormwater For example: management facilities, linear assets, including conveyance piping, ditches, and culverts.	Flood and erosion infrastructure, including shoreline protection works for example: dams, dykes, channel conveyance improvements, riverine non-structural and structural erosion management shoreline works.
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Joint projects

We encourage joint projects between multiple eligible applicants, where each co-applicant contributes financially to the project.

Each individual applicant is allowed to submit one application. If an applicant chooses to submit a joint application with another applicant, the submission would be counted as their single application.

The Canada Community-Building Fund

The Canada Community-Building Fund (CCBF) is a stable, predictable, and indexed source of funding provided up front to provinces and territories who, in turn, flow this funding to their communities. The funding allows local communities to make strategic investments in essential infrastructure, such as roads and bridges, public transit, drinking water and wastewater infrastructure, and recreational facilities.

The CCBF delivers over \$2.4 billion every year to over 3,700 communities across the country. Communities select how best to invest the funds, having the flexibility to make strategic investments across 19 different project categories:

Public transit wastewater infrastructure drinking water solid waste management community energy systems.	Local roads and bridges capacity building highways local and regional airports short-line rail short-sea shipping.	Resilience broadband and connectivity culture tourism sport recreation.	Fire halls brownfield redevelopment.
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These investments contribute to the development of Canada's housing supply by supporting infrastructure projects that align with regional housing goals, enable urban density, and help to improve housing affordability for Canadians. CCBF funding also contributes to the growth of strong communities, promotes investments in increased productivity and economic growth and a clean environment. The renewed CCBF agreements tie access to CCBF funding to actions by provinces, territories, and municipalities to increase housing supply and affordability, where it makes sense to do so.

The renewed CCBF Administrative Agreements between the Government of Canada and the provinces and territories came into effect on April 1, 2024. These agreements will be in place until March 31, 2034. Through these agreements, the Government of Canada will invest \$26.7 billion over the ten-year agreement period, ensuring that the CCBF continues to provide communities across Canada with a stable, predictable source of bankable funds to build core infrastructure.

Tapestry Community Capital's Community Bonds

The community bond is an innovation in social finance that allows a nonprofit or charity to leverage its community of supporters to pursue its mission, build its resiliency, and create more vibrant communities.

Tapestry Community Capital a social finance business based out of Toronto, works with communities to raise community bonds to finance community-based projects (such as Places for People Affordable Housing Project).

<https://tapestrycapital.ca/our-process/>

Building Ontario Fund

The Building Ontario Fund, an arms-length, board-governed crown agency enabled by the Building Ontario Fund Act, 2024, may also offer funding or partnerships for large scale projects focused on these primary areas:

- Affordable housing
- Long term care
- Energy
- Transportation
- And municipal and community infrastructure
- Eligibility:
- Proposals for infrastructure projects that come from:
- Qualified institutional investors.
- Public sector entities.
- Governments.
- Indigenous communities.

The key principals for project selection are:

- Projects must be in Ontario.
- Projects should be large scale with BOF investment typically in the range of \$100 million and above, or \$50 million and above for projects that advance community and economic wellbeing for Indigenous communities.
- Projects must be revenue-generating.
- Other partners must be involved in the project.
- Projects must be in the public interest.

The Building Ontario Fund currently accepts unsolicited proposals for new projects across Ontario.

<https://buildingonfund.ca/>

Appendix E: The factors to use in a preliminary feasibility assessment for developing a project

Factor	Sustainability indicator
Reasonable estimate of demand for water and wastewater services.	Sufficient annual volume to match regular capacity of treatment plant; surge capacity would be considered separately.
Number of potential users/connections.	Enough connections (differentiated by type) to reflect demand.
Potential preferred site for treatment plant(s) identified.	Reasonable prospects for acquiring or transferring site in near-term with known/estimated price range.
Terrain through which mains and pipes would traverse.	- Reasonably flat terrain with depth of soil. - Absence of environmentally sensitive features.
Existence of other utility-like services that might be offered by the same dedicated organization.	Additional services would be sustainable on a standalone basis and contribute to organizational robustness by absorbing a reasonable share of administrative costs.
Access to source water.	Reasonable prospect of access to sufficient volume.

Appendix F: The benefits and challenges of a municipal services corporation

Municipal services corporations (MSCs)	
Benefits	Challenges
Governance • MSC can be separate entity from municipality even when wholly owned by the municipality or set of municipalities (upper or lower tiers). • Municipalities have the flexibility to create MSCs as a for-profit or non-profit. • MSCs are expected to have efficient and timely decision-making and are not subject to the same processes as municipalities. • MSCs can have un-elected officials serve providing skills-based expertise. • Planning and board decisions are separate from municipality (if desired). • MSCs can create holding corporations. • MSCs can establish a wider array of private-sector partnerships and membership (including those with decentralized systems expertise). • MSCs contain the risks and liabilities associated with its activities within the corporation. Financial • MSCs can hold debt outside of the municipality and have increased debt financing flexibility (once financial history has been established and the MSC has become financially autonomous from the municipality). • MSCs can be set up to borrow with no impact on local borrowing capacity (such as annual revenue limits). • MSCs can apply for grants, contract services, and can collect revenue through user/service fees, just as municipalities can. • MSCs have similar investment authority as municipalities and can issue revenue bonds.	Governance • Complexity in governance structure, especially from participation by multiple municipalities, leads to delay in decision-making and execution. • Establishment of the MSC can be cumbersome due to the complexity, especially when involving multiple municipalities. The development of a business case, asset transfer policies and public consultation also takes time. The estimated time to set up a municipal services corporation is 5 to 7 years, with more time required for the MSC to reach a mature state. • Complex processes can lead to staff discouragement and a loss of momentum. • MSC board members have a fiduciary responsibility to the well-being of the corporation while municipal councils have a broader mandate to serve their communities. • MSCs can be a less responsive approach to short-term goals but responsive to longer-term planning. • MSCs cannot establish subsidiaries or other corporations. • MSCs cannot give voting rights to private sector for MSC concerned with water and wastewater management. Financial • There may be difficulty receiving private sector loans given the MSC has no financial history. • Grant funding can be crucial to support the MSC while it establishes a financial history. However, grant funding can be difficult to come by. • Financial autonomy from the municipality may be challenging and will take time.

• MSCs can receive assistance from municipalities if wholly owned by municipalities (but must be financially independent from the municipality to be considered separate from it). • Equity can be built from transfers made from municipalities (such as development charges, reserves built up over time through a portion of rates, etc.). • Equity can also be paid back to municipalities through dividends. Economies of scale • MSCs can share risk across municipal boundaries (upper or lower tiers). • MSCs may help to cross subsidize costs offering overall financial sustainability, especially for smaller municipalities working together. • MSCs can conduct business in a manner that meets the private sector requirement of timely, efficient, and effective decision making.	• A municipality may need to guarantee the debt of the MSC, which may counteract the debt repayment limit benefit of the MSC. • A municipality or set of municipalities will have contribute to initial start-up costs. • A MSC may not be able to access debt on similar favourable terms as compared to municipalities. • Financial sustainability may be challenging. Multiple, diverse revenue streams are key. • MSC cannot transfer assets of a drinking water or wastewater system to private party unless board approved and is no longer needed for that system to function. Approval process • Ministers consent is required to establish an MSC. • Legal and financial accounting costs associated with MSC creation can become costly. • Transition may cause delay in the rollout of infrastructure. Economies of Scale • MSCs at the county level may not be able to benefit from economies of scale in the same way an MSC with buy in⁵ from multiple townships or other municipalities can. • It may be more difficult to establish an MSC at the county level without buy-in from townships (no one to share costs with; county specific).
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Appendix G: Degrees of autonomy from a municipality

Degrees of autonomy from a municipality

Municipality (County and/or Township Level Governance)	Municipal Services Board	Municipal Housing Corporation	Municipal Services Corporation (Formerly Municipal Business Corporation)	Economic Development Corporation	Public Utility	Private Utility
Municipalities that deliver services directly, including owning and managing assets associated with the delivery of these services. Municipalities have full control over the delivery of these services. Municipal councils make all key decisions. Jurisdiction limited to municipal boundary. All assets, liabilities and risks are held by the municipality and are contained within the municipality's budget. Municipal Act, 2001 S.O. 2001, Chapter 25 https://www.ontario.ca/laws/statute/01m25BK1	Municipal service boards (MSBs) are local bodies that may be established by an individual municipality, or by two or more municipalities. They may, for example, manage and deliver basic services. A municipal service board must have at least two members and can be made up of councillors and/or members of the public. Former public utility commissions, parking authorities and boards of park management are municipal service boards. All assets, liabilities and risks are held by the municipality and are contained within the municipality's budget. Municipal Act, 2001, S.O. 2001, c. 25 https://www.ontario.ca/laws/statute/01m25BK38	Emphasis on moderate to low-income, special needs and rent geared to income assistance. Governed under the Housing Services Act, 2011, S.O. 2011, c. 6, Sched. 1 The purpose of this Act is, (a) to provide for community-based planning and delivery of housing and homelessness services with general provincial oversight and policy direction; and (b) to provide flexibility for service managers and housing providers while retaining requirements with respect to housing programs. Private shares not allowed. All assets, liabilities and risks are held by the municipality and are contained within the municipality's budget. Housing Services Act, 2011, S.O. 2011, c. 6, Sched. 1 https://www.ontario.ca/laws/statute/11h06#	A Municipal Services Corporation (MSC) is a corporation established by one municipality, or two or more municipalities and public sector entities to deliver services which a municipality can deliver. Planning and board decisions are made separate from the municipality. Boards can be made up of subject matter experts, municipal representatives, or private sector members, or can be run by a municipality. All assets, liabilities and risks are held by the corporation and are separate from municipal budgets (if MSC can operate separately from the municipality). Example: Frontenac Municipal Services Corporation (FMSC) O. Reg. 599/06: MUNICIPAL SERVICES CORPORATIONS https://www.ontario.ca/laws/regulation/060599	When a municipality establishes a corporation for the sole purpose of providing one or more economic development services, the municipality may also designate the corporation as a designated economic development corporation. Economic development services as defined in section 9(1) of the Municipal Act, includes (d) provision of residential housing. Boards can be made up of subject matter experts, representatives from non-profits, municipalities, and/or private sectors. All assets, liabilities and risks are held by the corporation and are contained within the corporation's budget. O. Reg. 599/06: MUNICIPAL SERVICES CORPORATIONS https://www.ontario.ca/laws/regulation/060599	Established as a municipally owned corporation. Governance, board and their decisions and fiscal management separate from the municipality. Board members are non-elected. Can be for one municipality or cover a broad geographic boundary across municipal borders. Can issue private shares to raise capital but must be publicly owned. All assets, liabilities and risks are held by the Utility and are contained within the Utility's budget. "Public utility" means water, artificial or natural gas, steam, or hot water. 2001, c. 25, s. 482 (1). Example: Elexicon Alexicon and Electra. Public Utilities Act, R.S.O. 1990, c. P.52 https://www.ontario.ca/laws/statute/90p52	Established as a privately owned corporation. Finances and board decisions are completely independent from the municipality. Utility can issue private shares to raise capital. Usually covers broad range of geographic areas. All assets, liabilities and risks are separate from the municipality and are contained within the Utility's budget. Example: Enbridge Gas

Appendix H: Risk analysis

Risk ID	Risk event	Risk association	Functional area	Likelihood	Impact	Risk rating	Risk type	Risk category	Risk response	Risk mitigation
1	Impact of community resistance and nimbyism in ability for a corporation to operate and deliver on its goals	Municipal services corporations	Communications	Medium	Medium	Medium-high	Threat	External	Accept	Proactive public consultations and transparent communication will ensure that projects align with community priorities and gain public support. A communications strategy to increase awareness and quell concerns will be essential.
2	Changes in regulatory frameworks at the provincial level restrict powers of the MSC and their ability to achieve objectives	Municipal services corporations	Regulations	Medium	High	Medium-high	Threat	External	Accept	A dedicated compliance team will work closely with regulatory bodies to ensure all projects meet legal and environmental standards. Advocate to Ontario government regarding impacts of changing legislation.
3	Establishment of an MSC impacts delivery of water and housing objectives in the short-term	Municipal services corporations	Governance	Medium	Medium	Medium-medium	Threat	Internal	Avoid	While establishing an MSC ensure that the delivery of current housing objectives is not abandoned. Ensure workplans of establishing MSC and existing objectives work together. Prioritize immediate objectives and dedicate staff to ensure housing objectives are not abandoned during establishment of MSC. Hire additional staff or second municipal staff to alleviate labour concerns.
4	MSC may receive less favourable borrowing terms than that of a municipality, negatively impacting debt repayment and interest charges	Municipal services corporations	Financial	Medium	Medium	Medium-medium	Threat	External	Accept	Explore borrowing terms before entering into agreements. Negotiate terms when possible. Weigh impact of borrowing against objectives. Conduct a cost-benefit analysis before borrowing and ensure revenue generating activities can cover interest charges and debt repayment. Less favourable borrowing terms

Preliminary MSC Business Case for Peterborough County

										should be considered in the MSC's financial sustainability plan. Look to alternative revenue sources, such as community bonds. Leverage existing municipal relationships or favourable borrowing terms.
5	Complexity in MSC governance structure leads to slowed decision-making	Municipal services corporations	Governance	Low	Medium	Low-medium	Threat	Internal	Avoid	When setting up an MSC pay special attention to its governance structures and processes to ensure governance processes do not become cumbersome. Map scenario governance structures and processes before agreements are made.
6	The municipality may need to guarantee the debt of the MSC	Municipal services corporations	Financial	High	Medium	High-medium	Threat	External	Accept	Understand when a municipality may need to guarantee an MSC's debt. Understand the impact of this on the municipality before signing off. Conduct cost-benefit analysis before guaranteeing debt.
7	Impact of misalignment of board members if MSC not wholly owned by the municipality	Municipal services corporations	Governance	Medium	Medium	Medium-medium	Threat	Internal	Avoid	Misalignment of board members in any multi-stakeholder board is common. Ensure the hiring of board members takes this into consideration. Motivate board members around clear and agreed upon objectives (strategy). Understand the needs of each group a board member is representing. Build trust among members and treat trust-building as a strategic and conscious initiative.
8	Board makeup not being skills based impacting performance and ability of MSC to deliver on objectives	Municipal services corporations	Governance	Medium	High	Medium-high	Threat	Internal	Avoid	Whether adopting an MSC ensure board members are equipped with the skills and knowledge to execute on objectives. Where board members lack specific skills required establish relationships and partnerships and engage with consultants to compensate skills gaps. Note that MSC model allows for a greater degree of subject matter expertise.

Preliminary MSC Business Case for Peterborough County

9	Turnover in MSC staff negatively impacts achievement of objectives	Municipal services corporations	Resources	Medium	Medium	Medium-medium	Threat	Internal	Accept	Ensure proper on and off-boarding processes are in place to ease the transition between staff and board members.
10	Council's ability to overrule MSC decision delays objectives	Municipal services corporations	Governance	Medium	Medium	Medium-medium	Threat	Internal	Accept	Ensure council is kept up to date regarding projects and reasons for decision-making. Provide detailed project updates and reports.
11	MSC unable to reach financial sustainability separate from the municipality	Municipal services corporations	Financial	Medium	High	Medium-high	Threat	Internal	Avoid	Ensure a financial sustainability plan is created, followed, and regularly updated. Look to different revenue sources to achieve sustainability.
12	Inability to achieve economies of scale without involvement of multiple townships	Municipal services corporations	Financial	Medium	High	Medium-high	Threat	Internal	Avoid	Consider the involvement of townships as stakeholders. Draft sound financial plan to ensure financial benefits are reaped with or without involvement of townships.
13	Reputational damage to the MSC due to failed operation of decentralized systems	Municipal services corporations	Communications	Medium	High	Medium-high	Threat	External	Avoid	Prevent failed operation by procuring experienced operators. Ensure communications strategy is drafted and employed.
14	Inability to find and/or retain qualified staff to operate and maintain decentralized systems	Decentralized systems	Governance	Medium	High	Medium-high	Threat	Internal	Avoid	Work with operators hired to ensure proper staffing. Support education and awareness of decentralized systems as a job opportunity by supporting post-secondary institutions and programs.
15	Impact of supply chain disruptions to operation of decentralized systems	Decentralized systems	Operation	Medium	Medium	Medium-medium	Threat	External	Accept	Ensure ample supplies are kept on hand to avoid disruptions to operation and maintenance. Operator to draft contingency plan.

Preliminary MSC Business Case for Peterborough County

16	Risk of penalties and/or fines due to violating local, provincial, or federal environmental regulations	Decentralized systems	Regulation	Low	Medium	Low-medium	Threat	External	Avoid	Ensure adherence to environmental regulations and by-laws through appointment of a compliance officer, preparing for regulatory audits and ensuring quality management practices are upheld.
17	Regulatory changes impact decentralized treatment standards and best practices	Decentralized systems	Regulation	Medium	Medium	Medium-medium	Threat	External	Accept	Appoint compliance officer to inform on changes in regulations and their compliance.
18	Risk of operational challenges due to systems not built or operated to required standards	Decentralized systems	Operation	Medium	High	Medium-high	Threat	Internal	Avoid	Procure experienced operator. Hire operator to work with designer and builder of new systems. Ensure standards compliance through compliance officer.
19	Risk of adverse environmental impacts because of decentralized system improper operation and maintenance	Decentralized systems	Operation	Medium	High	Medium-high	Threat	Internal	Avoid	Procure experienced operator. Ensure standards, regulatory and environmental compliance through hiring of compliance officer.
20	Lack of proper design and maintenance of decentralized systems leads to leaks and/or contamination impacting public health	Decentralized systems	Operation	Low	High	Low-high	Threat	Internal	Avoid	Procure experienced operator. Hire operator to work with designer and builder of new systems. Ensure standards compliance through compliance officer.
21	Lack of proper design and maintenance of decentralized systems impacts natural environment	Decentralized systems	Operation	Low	Medium	Low-medium	Threat	Internal	Avoid	Procure experienced operator. Ensure standards, regulatory and environmental compliance through hiring of compliance officer.

Preliminary MSC Business Case for Peterborough County

22	Impact of community resistance and nimbyism in ability to rollout the use of decentralized systems	Decentralized systems	Communications	Medium	High	Medium-high	Threat	External	Avoid	Proactive public consultations and transparent communication will ensure that projects align with community priorities and gain public support. A communications strategy to increase awareness and quell concerns regarding decentralized systems will be essential.
23	Impact of decentralized system on land use, particularly on that of available farmland.	Decentralized systems	Operation	Medium	High	Medium-high	Threat	External	Avoid	Explore and mitigate the impact of decentralized systems on land use, farmland, food production, livelihoods attached to agriculture, etc.
24	Impact of decentralized systems on land and urban sprawl leads to inefficient land use	Decentralized systems	Operation	Medium	Medium	Medium-medium	Threat	External	Avoid	Educate and raise awareness on issues of urban sprawl related to decentralized systems.
25	Capital and operational costs of decentralized systems become too costly for upper or lower tier municipality to sustain.	Decentralized systems	Financial	Medium	High	Medium-high	Threat	Internal	Avoid	Draft, implement and revise financial sustainability plans throughout adoption and maintenance of decentralized systems. Consider moving decentralized assets under an MSC to access different funding sources.
26	Inability to achieve economies of scale to support the successful operation and maintenance of decentralized systems	Municipal governance	Financial	Medium	High	Medium-high	Threat	Internal	Avoid	Draft, implement and revise financial sustainability plans throughout adoption and maintenance of decentralized systems. Consider moving decentralized assets under an MSC to access different funding sources. Consider cost and risk sharing across municipalities (upper or lower tier).
27	Inability to recover costs of decentralized system to support capital costs without	Municipal governance	Financial	Medium	High	Medium-high	Threat	Internal	Avoid	Draft, implement and revise financial sustainability plans throughout adoption and maintenance of decentralized systems. Consider moving decentralized assets under an

Preliminary MSC Business Case for Peterborough County

	the use of an MSC model									MSC to access different funding sources. Consider cost and risk sharing across municipalities (upper or lower tier).
28	Annual Debt Repayment Limit restricts municipality from taking on more debt associated with decentralized capital costs.	Municipal governance	Financial	Medium	High	Medium-high	Threat	Internal	Avoid	Draft, implement and revise financial sustainability plans throughout adoption and maintenance of decentralized systems. Consider moving decentralized assets under an MSC to access different funding sources. Consider cost and risk sharing across municipalities (upper or lower tier). Determine financial model which could avoid municipalities from taking on additional debt impact the ARL.
29	Lack of inhouse expertise negatively impacts the rollout, including costs and timelines, of decentralized systems	Municipal governance	Operation	Medium	High	Medium-high	Threat	Internal	Avoid	Subject matter expertise should be sought throughout the adoption of decentralized systems, with or without establishing an MSC. The MSC model would allow for a greater degree of subject matter expertise (depending on design). Regardless of the model chosen to make sure the right expertise is at the table to ensure success.
30	Reputational damage to the municipality due to failed operation of decentralized systems	Decentralized systems	Operation	Medium	High	Medium-high	Threat	Internal	Avoid	Prevent failed operation by procuring experienced operators. Ensure communications strategy is drafted and employed. Build a contingency budget for unexpected operational costs.

Appendix I: Case studies and examples of existing MSCs or MBCs

The following case studies provide insight to existing MSCs and MBCs that are delivering water and wastewater management services including decentralized systems. Note that many of these corporations are also delivering other services.

MSCs in the water and wastewater space

Innisfil Municipal Holdings and InnServices Utilities Inc.

InnServices Utilities Inc. and its municipal holding corporation was created by the town of Innisfil in 2016 to deliver water and wastewater services to Innisfil and other municipalities. On June 17, 2015, Innisfil council adopted a business case for the creation of a municipal services corporation (MSC) for water and wastewater servicing, now known as “InnServices Utilities Inc.”, a water and wastewater utility. As part of the public process for considering the MSC, the town gathered input from the community. Consultations were held and open to the public at a town hall open house, and with the development community and business groups.

On January 1, 2016, the town transferred the water and wastewater assets, including two water pollution control plants, one surface water treatment plant, municipal wells and the associated collection and distribution systems to InnServices.

InnServices is a cross-functional and collaborative organization that prides itself on community accountability and ownership, governance, environmental and financial stewardship, and service excellence.

Why?

The following includes a list of reasons why the town of Innisfil decided to establish an MSC:

- As a lower-tier municipality in Simcoe County, the town is responsible to provide its own water and wastewater infrastructure. This is not the case for lower-tier municipalities in a regional system.
- At the time the Town needed about \$100 million to build the infrastructure to service the Innisfil Heights Employment Lands. Unfortunately, provincial regulations limit the amount a municipality can borrow which, for the Town of Innisfil is approximately \$60 million. The MSC model exempts the MSC from the Annual Debt Repayment Limit (ARL) to which municipalities are subject to.
- The Town projected that by servicing and developing the employment lands along Hwy. 400, 13,000 jobs could be created, and the town’s property tax base would grow upwards in the amount of \$1 million annually.

- The town's tax base is overwhelmingly (95 per cent) residential and farms. To make a more sustainable tax base the Town argued that it should be moving toward a commercial/industrial tax base in the range of 25-40 per cent which would be possible when economic development happens in Innisfil Heights.

Governance

Innisfil Municipal Holdings and InnServices are independent corporations and have individual boards of directors.

The board structures are as follows:

- Innisfil Municipal Holdings – The nine elected town councillors are appointed as members of the board
- InnServices – There will be up to five independent board members selected to the Innisfil Municipal Holdings Board.
- InnPower – A power utility company related to InnServices that looks after power utility services in Innisville. InnPower utilizes the same board as InnServices
- InnTerprises – Is an entrepreneurial enterprise that takes on special projects and is currently talking on the LED streetlight replacement project. InnTerprises utilizes the same board of directors as both InnPower and InnServices

The Act also requires that at least one officer be appointed for each new corporation. The business case contemplates that town council will appoint the first Chief Executive Officer and President for Innisfil Municipal Holdings and InnServices. After these appointments, the board of directors for each corporation will select its own officers.

Water and wastewater operations

The user rates of the MSC are also approved by council, pursuant to the Innisfil Water Rates By-law No. 019-15, and Wastewater By-law No. 018-15, both effective February 18, 2015.

At the time of establishment, the Town noted that an agreement between the town and InnServices was needed for the operations and maintenance of the systems to ensure strategic and environmental alignment. This agreement would include communication standards, operational performance, customer service expectations, rate setting methodology, capital development, and recovery mechanisms as well as engineering standards. It is proposed that InnServices staff develop the agreement in conjunction with town staff for review and approval by council by the end of 2015.

The costs for the operations of the MSC continue to be paid by the rate payers pursuant to

the principle of full cost recovery. It is recommended that all staff related to the administration and operation of the water and wastewater systems be transferred to InnServices by January 1, 2016, whether this has occurred is not known.

Township of Oro-Medonte MSC and Holding Co.

The township of Oro-Medonte created a MSC and Holding Co. to manage environmental services, including the following:

- Treatment and distribution of municipal drinking water, providing service to approximately 2,500 properties.
- Maintenance of the township's Street lighting network.
- Maintenance of urban storm water management infrastructure (urban storm ponds) in select urbanized neighbourhoods.
- Maintenance of seven communal tile beds that provide septic services to select locations in Horseshoe Valley.
- Administration of water and wastewater billing for private Freed customers in Horseshoe Valley.

The township proposed to utilize a MSC structure for the ownership, operation, maintenance, and funding of the following municipal services:

- Potable water.
- Communal tile beds.
- Urban stormwater management.
- Streetlighting.
- Administration for wastewater services provided by third parties; and
- Future infrastructure related to water and wastewater, urban stormwater and streetlighting.

Why?

At the time of establishment, the township was growing and its assets aging. These changes corresponded demands for increased environmental services. An MSC could thus provide:

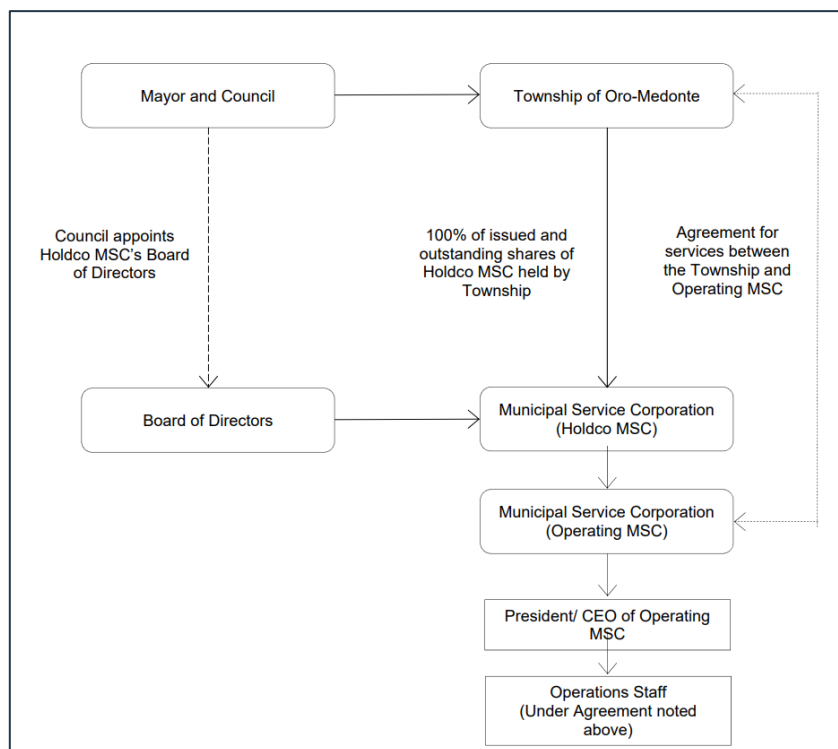
- Professional governance and management through skills-based boards of directors whose terms extend beyond the four-year term of elected officials.
- Increased debt financing flexibility by allowing the township to separate environmental services investments from other infrastructure investments.
- Provides a vehicle for shared-service arrangements with other municipalities.
- Full cost recovery for water, wastewater and communal tile services, street lighting, and stormwater management facilities.
- Ability to continue delivering on the Environmental Services principles of safety, compliance, accountability, sustainability and continuous improvement.

Governance

Oro-Medonte established an MSC to act as a holding company (“Holdco MSC”) to hold the township’s equity ownership interest in an Operating MSC (as hereinafter defined). The township would own the issued and outstanding shares of Holdco MSC. The use of a Holdco MSC as holding company is intended to:

- a) Allow the township to establish additional MSCs in the future while providing for a common governance structure; and
- b) Provide a means for the township to participate in MSC arrangements with other municipalities or public sector bodies, with the Holdco MSC owning the township’s equity interest in other MSCs; and

Another MSC to act as an operating company (the “Operating MSC”) for delivery of the environmental services. The issued and outstanding shares of Operating MSC would be owned by the Holdco MSC.



While conditional upon the wishes of the township, it was suggested that the following be considered with respect to the governance of the MSCs:

- The use of a common board membership for both MSCs, whereby directors of the Holdco MSC would also serve as the directors of the Operating MSC.

- The establishment of a skills-based board, with the township identifying the requisite knowledge base for board members (such as engineering, legal, finance).
- Board of directors would be composed of five or seven directors, two of which should be selected from township Council; and
- Five-year staggered terms, with no limitation on reappointments. In addition to the above, the township may wish to consider appointing the Chief Administrative Officer and/or Chief Financial Officer as ex-officio members of the board to provide additional linkages between the MSCs and the township.

Township of Mapleton MSC

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. Executing these upgrades requires a capital investment of approximately \$41 million.

Why?

In order to finance an investment of this size, the township of Mapleton, one of seven lower tier municipalities encompassed by the County of Wellington, as of January 2025, has investigated an alternative governance structure (an MSC) 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.

Governance

The township of Mapleton thus has proposed that the current public works department manage roads and sidewalks, snow removal and winter maintenance, stormwater and drainage, infrastructure issues, and concerns, as well as parks, recreation, and municipal facilities, while the MSC manage the water and wastewater of the township.

The proposed MSC will be governed by a board of directors appointed by the township. This board would include a total of five to seven 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. Although the private sector can sit on the board, they will not have voting shares in the MSC. The township will retain 100 per cent of the voting shares in the MSC as it is a public entity owned by the township of Mapleton.

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 four-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. Other municipal departments would not influence capital planning services.

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.

MSCs in the decentralized water and wastewater management space

Frontenac Municipal Services Corporation (FMSC) and Frontenac Municipal Services (FMS)

Now known as Frontenac Municipal Services (FMS), the MSC concentrates on decentralized water and wastewater management, the only known MSC of its kind, and was created in September 2021, when Frontenac County municipalities formally approved the business case.

The FMS, which was incorporated in November 2023, provides an option for private developers to invest in a communal water and sewage system within their development, and then turn that system, if it conforms to FMS standards, over to the FMS to operate. This saves costs for the developer because they will no longer have to pay the local township for the replacement cost of that system should it fail, and it provides security for the local township because the corporation overseen by them will be operating the system over the long term.

The FMS is currently involved with two municipal projects in Frontenac County, the proposed former Sharbot Lake Public School site development and a Senior's Housing project in Verona ("Verona Project").

Why?

The County of Frontenac's permanent and seasonal populations are projected to grow over the next 20 years. With population growth comes development pressures and the need to consider where and how development can be accommodated and serviced, while maintaining and enhancing the vitality and liveability of the county's villages and hamlets as rural community hubs with a distinct sense of place.

Existing approaches to water and wastewater servicing constrain the county's potential for growth. The cost of providing or expanding municipal water and wastewater services to all rural areas is not a fiscal reality for most municipalities and certainly not for Frontenac.

Communal services or decentralized services are systems that provide water and wastewater treatment to clusters of residences or businesses, rather than traditional single septic systems which inhibit density.

Governance

FMS is wholly owned by the four member townships in the county (Class A voting shareholders) and the county as a 20 per cent Class B, none voting shareholder. The corporation's mandate is to facilitate the efficient construction and operation of decentralized communal water and wastewater systems within Frontenac County. The board has one member from each founding municipality: The township of Central Frontenac, The township of Frontenac Islands, The township of North Frontenac, and the township of South Frontenac.

Funding for the FMSC – \$700,000 for the first five years of operation – is divided based upon weighted assessment of the member municipalities, with the county assuming the first 20 per cent of the budget. Operations are anticipated to start in 2025, and work is underway on a full-cost-recovery model. The current board of directors is supported by a Technical Support Committee that is providing advice and recommendations on standards and implementation.

Operations

FMS partnered with Clearford Waterworks, a licensed water and wastewater operator in Ontario, in November 2024. In the initial stages, Clearford has supported FMS by identifying risks, identifying preferred water and wastewater technologies, and helping establish developer guidelines. As FMS becomes fully operational, the partnership could expand to include the operation and maintenance of decentralized communal systems, ensuring long-term reliability and compliance.

MBCs in the water and wastewater management space

Utilities Kingston and the Corporation of the City of Kingston

Utilities Kingston is a business corporation combining water, wastewater, gas and electrical services and a broadband networking business in one company under the leadership of a single CEO.

For more than 150 years, Utilities Kingston has proudly provided the Kingston community with safe and reliable utility services. Over the decades, the company's name and corporate structure have changed, but one thing has remained constant: it is the city-owned utility company accountable to multiple stakeholders, including the City of Kingston, Kingston Hydro, City Council, and the residents of the communities in which it operates. Today, Utilities Kingston is incorporated under the Ontario Business Corporations Act. The shareholder is 1425447 Ontario Limited, a wholly owned company of the City of Kingston, represented by City Council. Through its multi-utility model, Utilities Kingston manages water, wastewater, natural gas, and appliance rental assets of the City of Kingston and operates and maintains its traffic signal and street lighting infrastructure. In addition, Utilities Kingston manages the electricity assets of Kingston Hydro, while owning and operating a broadband network business, thereby providing economies of scope.

1425445 Ontario Limited (operating as "Utilities Kingston") and its predecessor organizations have provided the residents of Kingston with safe and reliable utility services for more than 100 years. Over the years our name and corporate structure have changed, but one thing has remained constant: we are the city-owned utility company accountable to our shareholder, the Corporation of the City of Kingston represented by their city council.

Prior to amalgamation on January 1, 1998, the utility services were provided by several distinct groups:

- water and wastewater by the former townships.
- wastewater services by the former city government.
- water, natural gas, and electricity services in the former city by the Public Utilities Commission (PUC).

As a result of amalgamation, all these services were brought together under the Corporation of the City of Kingston with the utilities rebranded as Utilities Kingston.

Dedicated to the responsible management of integrated services, Utilities Kingston provides the following core utility services:

- An assured clean drinking water supply to 39,000 customers.
- Collection and treatment of wastewater.
- Safe and reliable gas services to 15,000 customers.

- Asset management, billing, and operational services to Kingston Hydro, which in turn provides electricity services to 28,000 customers in central Kingston.
- Reliable maintenance of over 10,000 streetlights and traffic signals at 200 intersections.
- Specialized fibre optic broadband networking services, providing available and affordable connectivity up to 10 Gbps. A major benefit is the cost-effective and reliable monitoring of the City's utility infrastructure.

Each utility – water, wastewater, natural gas, electricity, and broadband networking – is completely funded by separate utility-specific user fees, and through this funding model promotes utility conservation. Steps are taken to prevent cross-subsidization between the utilities.

Governance

Utilities Kingston is governed by a board of directors made up of five directors, and three officers. Utilities Kingston board of directors is accountable and reports to Kingston City Council.

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