

City of Kingston

A construction site under a clear blue sky. In the foreground, a surveyor wearing a white hard hat, a high-visibility yellow vest, and white pants stands with his back to the camera, looking at a clipboard. He is positioned next to a surveying instrument mounted on a tripod. In the background, several construction workers wearing yellow hard hats and orange safety vests are working on a concrete structure. A large crane is visible in the distance. The scene is overlaid with a semi-transparent blue filter.

Business Case for a Public Municipal Services Corporation

Water and Wastewater

Report and Business Case Update

February 25, 2026

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KPMG have indicated within this deliverable the sources of the information provided. We have not sought to independently verify those sources unless otherwise noted within the deliverable.

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Public Municipal Services Corporation Business Case

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Context and Drivers

What is a Public Municipal Services Corporation (MSC)?

Public, Not Private

The *Municipal Act, 2001* and *O. Reg. 599/06* empowers municipalities to form corporations dedicated to providing municipal services. An MSC is a corporation established by Council to provide a service the City itself can provide. This authority creates the potential for more efficient and effective service delivery through a separate legal entity that can operate with greater flexibility than the municipality. MSCs are involved in various essential services, including water provision and wastewater management, enabling municipalities to concentrate on broader governance issues.

The governance structure of MSCs is outlined in the Act, detailing the appointment of directors and the accountability requirements to the municipal council. Additionally, the Ontario Regulation 599/06: Municipal Services Corporations, complements the Municipal Act by offering further regulations and guidelines for the operation of these corporations, ensuring adherence to principles of transparency and public accountability. This statutory framework is vital for municipalities aiming to innovate in service delivery while remaining compliant with provincial regulations.

For water and wastewater, the MSC must be wholly owned by municipalities and cannot issue ownership shares to private parties. In an MSC model, the City remains the sole shareholder. In the water and wastewater Public MSC context, shares in the MSC cannot be issued to non-municipal entities. This is different from the proposed Water and Wastewater Public Corporation Act, 2025 currently contemplated by the province, which does not expressly prohibit private ownership. Water/wastewater services remain a public utility delivered by a municipally owned company—accountable to the public (residents of Kingston), and subject to Freedom of Information (FOI) laws and the Safe Drinking Water Act (SDWA).

Safety Obligations

The Safe Drinking Water Act ensures that Ontarians receive clean, safe drinking water by setting strict standards for water quality, system operation, and ongoing monitoring. It also places a legal “standard of care” on municipal decision-makers, requiring them to act diligently, competently, and with integrity to protect public health. Council and senior officials continue to be personally accountable under Section 19 Standard of Care under Ontario’s *Safe Drinking Water Act, 2002* (SDWA).

Local Control and Scope

Notably, MSCs are not required to be entirely owned by a single municipality; they can facilitate shared service initiatives between multiple municipalities. However, MSCs can only operate within the geographic boundaries of a municipality with the explicit permission of that municipality. A Kingston Water & Wastewater MSC will be 100% municipally owned and controlled. No private person or firm will hold, directly or indirectly, any equity or equity-like interest in the MSC.

Legal Framework and Governance Requirements

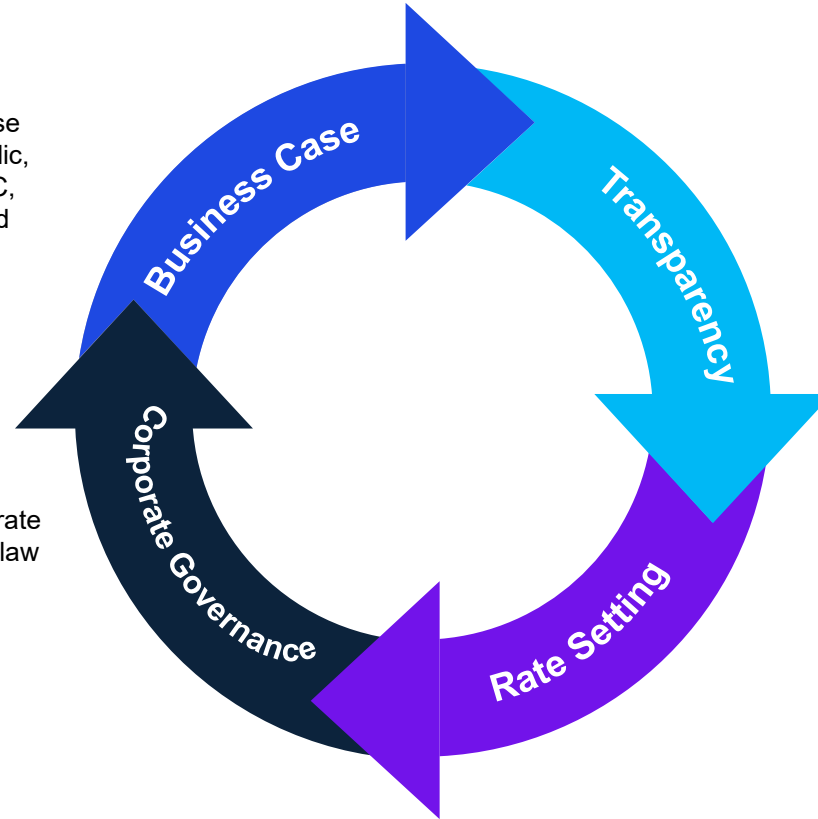
Section 203(1) of the *Municipal Act, 2001*, authorizes Council to create a municipal services corporation to carry out services the municipal corporation could itself otherwise provide. Ontario Regulation 599/06 prescribes certain restrictions and requirements of MSCs. Some key legal requirements for MSCs include:

Business Case

In general, a municipality must adopt a business case study and asset transfer policy, consult with the public, and ultimately adopt a valid by-law creating the MSC, pursuant to Section 6, 7 and 8 of that Regulation and Subsection 5(3) of the *Municipal Act, 2001*.

Corporation Governance

MSCs are expected to adhere to principles of corporate governance. There are also statutory and common law responsibilities that are required of the board of directors, such as fiduciary duty to act in the best interests of the corporation and report through a Shareholder Declaration and By-law No. 1.



Transparency

A wholly-owned MSC is a deemed institution under Municipal Freedom of Information and Protection of Privacy Act (MFIPPA) and subject to Freedom of Information (FOI), privacy, and municipal policy obligations. Annual plans, audited financials, and performance reports aligned to service reliability, safety, affordability, and environmental compliance will be provided to Council.

Public Interest Rate-Setting Framework

The City will set the rate policy framework and affordability principles and framework. The MSC will propose annual rates within that framework for shareholder approval, all subject to Safe Drinking Water Act (SDWA) obligations.

Current Service Delivery Snapshot

The City of Kingston, a single-tier municipality situated in southeastern Ontario, serves a diverse population of over 132,000 residents, including full-time, seasonal, and student inhabitants. Among the essential services provided by the City is the delivery of water and wastewater services, which are managed through Utilities Kingston.

History

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The history of water and wastewater services in Kingston has evolved significantly over the past century. Prior to amalgamation on January 1, 1998, these services were managed by various entities, including former townships and the Public Utilities Commission, resulting in some inefficiencies. Amalgamation unified these services under Utilities Kingston, a City-owned utility that combines water, wastewater, natural gas, electricity, and broadband services, allowing for streamlined operations, cost savings, and improved public accountability.

Governance structure

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In the current governance structure, the City of Kingston retains sole ownership of all water and wastewater infrastructure, while Utilities Kingston is responsible for the management, operation, and maintenance of these assets. This arrangement facilitates economies of scale and enables the sharing of corporate and operational resources, thereby improving service delivery and ensuring that rates remain affordable and competitive.

Services provided

...

Utilities Kingston is dedicated to effectively managing integrated utility services to provide residents with high-quality and reliable support. The organization offers a number of essential services, these include a clean drinking water supply, ensuring safe and potable water for approximately 39,000 homes and businesses, and wastewater collection and treatment, which is vital for environmental sustainability and public health.

Funding model

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Utilities Kingston employs a funding model in which each utility service, namely water, wastewater, natural gas, electricity, and broadband networking is self-financed entirely through distinct user fees specific to each utility. This approach not only ensures the financial sustainability of each service but also actively encourages conservation among users. Additionally, measures are implemented to prevent any cross-subsidization between the different utilities, thereby maintaining the integrity of the funding structure. Even though the Utilities Kingston model is self-sustaining, it cannot issue its own debt for capital works. The City has been issuing debt to enable water and wastewater asset renewal and new construction.

Case for Change

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Looking to the future, the City is facing significant growth, with a projected increase in population to 220,900 by 2051, necessitating 29,300 new homes. This growth occurs amid a housing crisis, climate emergency, and economic uncertainty, prompting the City to plan proactively. Utilities Kingston and the City have identified essential infrastructure projects to support this growth, which exceed their current financial and human resource capacities. In addition to the expected growth, City Council endorsed Report 25-237 October 2025 which identifies a financial gap of ~\$100M annually required to finance water and wastewater asset management projects. To address these challenges, **the City is exploring the establishment of a Public Municipal Services Corporations (MSCs) to enhance operational and financial capabilities**, endorsed by the provincial government and Association of Municipalities of Ontario.

Public Municipal Services Corporation Business Case

Why Consider a Public MSC Now?

There are several emerging factors prompting the City to explore alternative service delivery models, including the MSC, for managing water and wastewater services. These factors include:

01

Provincial Guidance

- Ontario's Municipal Act, 2001, under Section 203, and Ontario Regulation 599/06 empowers municipalities to create MSCs for delivering services such as water and wastewater. The Province has increasingly emphasized financial sustainability and asset management, which MSCs provide strategic benefits for.
- The Province recently introduced Bill 60 (*Fighting Delays, Building Faster Act, 2025*), Schedule 16 *Water and Wastewater Public Corporations Act, 2025* ("WWPCA") and a public MSC for water wastewater is aligned to this structure, although the MSC established under the Municipal Act 2001, Sec. 203 O/Reg. 599.06 expressly prohibits private ownership. More information on Bill 60 is provided on the next page.

02

Alignment with Leading Practices

- Many Ontario municipalities have successfully implemented MSCs to separate operations from politics while maintaining public ownership.
- MSCs support transparent governance, professionalized management, and clear accountability to municipal shareholders (i.e., the City of Kingston)
- MSCs can have boards comprising of experts in the service area, facilitating quicker decision-making and adaptability to community needs.
- MSCs can foster innovation and long-term planning aligned with climate resilience, digital transformation, and enhance customer service.

03

Asset Renewal and Funding Flexibility

- Water and wastewater infrastructure represents a substantial portion of municipal assets. MSCs can access alternative financing mechanisms, such as lease arrangements to advance infrastructure projects.
- An MSC improves financial planning and capital prioritization while maintaining public service goals.
- MSCs can leverage their borrowing capacity by securing loans on asset values rather than revenue percentages. For example, while the municipality's borrowing is limited by annual principal and interest payments that do not exceed 25% of revenues, MSCs could operate under a 50% debt-to-equity ratio, increasing their financing flexibility.

04

Efficient and Entrepreneurial

- MSCs operate with a strategic results-oriented approach, focusing on efficiency and cost-effectiveness in service delivery.
- An MSC structure allows for streamlined decision-making, focused and safe operations, and improved responsiveness. It also enables cost control, revenue stability, and performance tracking through outcome-focused and value-driven practices.
- An MSC will allow for enhanced oversight and governance by appointing a board of directors dedicated to focus solely on the strategy and governance of the water and wastewater utilities while allowing for the operations to continue to be managed by the subject-matter experts at Utilities Kingston.

Implications of Bill 60

On October 23, 2025, the Ontario government introduced Bill 60 (*Fighting Delays, Building Faster Act, 2025*), not yet in force. Schedule 16 of Bill 60 contains the *Water and Wastewater Public Corporations Act, 2025* (“WWPCA”) which proposes reforms to the delivery of water and wastewater services **for Region of Peel and lower-tier municipalities in Ontario**. WWPCA signals a shift in provincial regulations toward a corporate-structured water and wastewater service delivery model. Below we highlight why proceeding now with an MSC aligns with provincial direction while ensuring long-term public ownership. An MSC under the Municipal Act enables Kingston to implement strong local guardrails, protecting Kingston’s interests and giving the City a stable, predictable governance model rather than leaving future decisions to provincial discretion.

Bill 60, Schedule 16 WWPCA 2025

Kingston Water Wastewater MSC – Ontario’s Municipal Act 2001, Section 203, O/Reg. 599/06

Movement toward corporatized delivery model:

Bill 60 creates a new provincial framework that gives the Province power to designate water and wastewater public corporations, requiring prescribed municipalities to deliver services exclusively through those corporations. This demonstrates a clear provincial direction toward stand-alone, corporatized utility structures; however, it also shifts decision-making upward (to the Province) which would control rate-setting frameworks, asset stewardship, and governance.

Emphasis on growth-aligned infrastructure planning:

The Province’s goal is to accelerate servicing capacity to support housing development and growth.

Ownership / share structure currently unclear: WWPCA does not expressly prohibit private (non-municipal) ownership, and it is unclear if share-issuance details will be addressed in future regulations.

Aligns with the Province’s move toward corporatized water governance: An MSC under the Municipal Act provides the same core features the Province is steering toward which include a dedicated corporation, structured governance, and financial flexibility. The MSC framework gives municipalities the choice to establish a service corporation for water wastewater; whereas Bill 60’s WWPCA framework permits the Province to impose a corporate model. An MSC will allow Kingston to retain control of rate-setting frameworks, asset stewardship, and governance, while still meeting provincial objectives.







Aligns with Provincial goal to accelerate growth: A water and wastewater MSC directly supports Bill 60’s priority to accelerate servicing capacity for housing and growth enabling dedicated utility governance, enhanced operational efficiency, and access to flexible financing tools that municipalities cannot access on their own. An MSC strengthens Kingston’s ability to deliver infrastructure at the pace required for development.

MSC framework prohibits private ownership: O. Reg 599.06 expressly requires water wastewater MSCs to be wholly owned by a municipality or jointly owned by a municipality and one or more public sector entities. The shareholders are entitled to all voting shares allocated to the corporation’s members. Kingston’s choice of an MSC avoids uncertainties tied to private sector involvement in the WWPCA and maintains local public ownership.

Public Municipal Services Corporation Business Case

Strategic Advantages of the MSC Model

As the City navigates the increasing service demands and funding pressures, now is a critical time to explore the strategic advantages for delivering water and wastewater services through a MSC. Some strategic advantages of the MSC structure include:

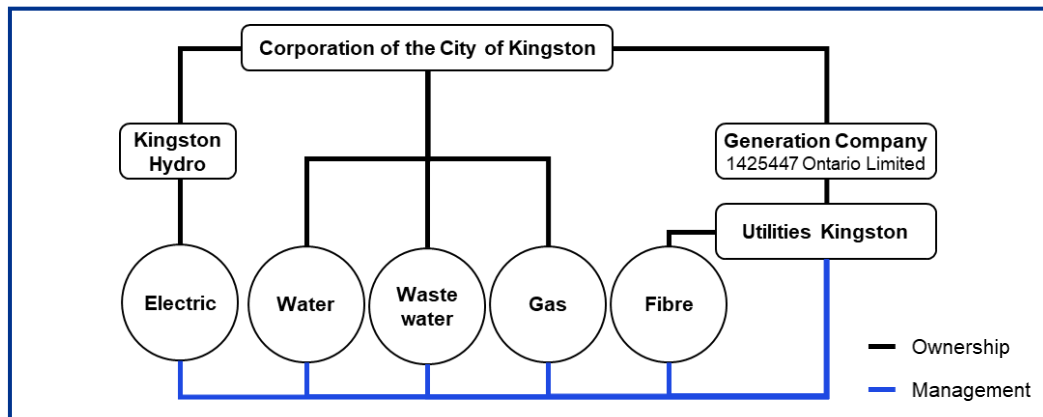
 <p>Increased Infrastructure Investment Flexibility</p>	<ul style="list-style-type: none"> The MSC structure enables more practical, disciplined and efficiency-focused decisions on capital investment, including the ability to pursue alternative financing approaches and strategic partnerships to address aging infrastructure and future growth needs.
 <p>Focused Governance and Operational Autonomy</p>	<ul style="list-style-type: none"> A dedicated board and leadership team allows the MSC to prioritize water and wastewater mandates without competing interests, thereby improving service delivery, accountability, and long-term planning.
 <p>Improved Responsiveness to Growth and Development</p>	<ul style="list-style-type: none"> The MSC can more proactively respond to development timelines and local servicing needs, helping to align water and wastewater expansion with housing and economic growth objectives.
 <p>Strengthened Service Efficiency and Innovation</p>	<ul style="list-style-type: none"> With a clear mandate and operational independence, the MSC can implement advanced technologies, optimize asset management practices, and introduce cost-effective service models more rapidly than traditional municipal structures.
 <p>Access to Broader Revenue Opportunities</p>	<ul style="list-style-type: none"> The MSC will have the opportunity to pursue new revenue streams. This includes shared services with neighbouring municipalities, and providing specialized utility services.
 <p>Transparency and Performance-Driven Culture</p>	<ul style="list-style-type: none"> As an independent entity, the MSC can implement utility-specific performance metrics, rate-setting models, and benchmarking practices that reinforce public trust and ensure long-term sustainability.

Proposed Governance

Public Municipal Services Corporation Business Case

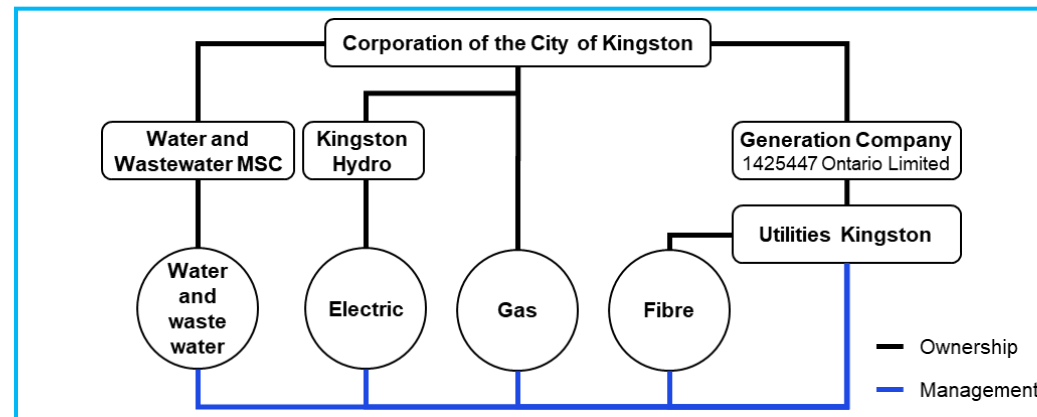
Current State and Future State

Through the course of this review, two governance options were considered for the delivery of water and wastewater services in Kingston: Status Quo (Utilities Kingston) and a MSC.



Status Quo

Maintains the current structure with Utilities Kingston delivering water and wastewater services and the City Council providing strategic direction and budget approval.



Municipal Services Corporation

- Primary purpose is to operate on a self-sustaining, financially disciplined basis, managing water and wastewater with more efficient, results-oriented approach
- Structured as a corporation and separate legal entity
- Greater flexibility in revenue generation, partnerships, operations
- Subject to some municipal accountability rules (e.g., MFIPPA, etc.). They must also follow corporate governance rules (i.e. shareholder agreements, board governance, etc.)

In the proposed MSC, the City would directly hold the equity ownership interest in MSC (as hereinafter defined). The MSC would operate Water and Wastewater services and report to Mayor and Council. The use of an MSC is intended to:

- Define a corporate structure for water and wastewater services;
- Allows for a corporate structure to make operational decisions quicker through reduced bureaucratic delays.
- Optimize the governance practices and management of the MSC.
- Create financial independence from the governing entity.

Comparative Analysis

This slide provides an overview of the key differences between the current City of Kingston ownership model and the proposed Municipal Services Corporation (MSC) model. The establishment of an MSC presents an opportunity for the City to improve service levels, increase operational efficiency, and foster sustainable practices. This table highlights the distinctions in governance, financial flexibility, legal structure, and long-term service delivery to help illustrate how an MSC could change the way water and wastewater services are managed in Kingston.

Theme	Analysis
<p>Alignment with the City's strategic outlook</p>	<p>Although Utilities Kingston operates under full municipal oversight, the current structure constrains financial autonomy, which can limit flexibility, innovation, and the ability to respond quickly to evolving service and growth needs. In contrast, a MSC would provide greater alignment with the City's long-term strategic and financial sustainability objectives by establishing separate financial control, independent financing, and enabling more proactive and forward-looking capital planning. This enhanced flexibility would support timely infrastructure investment and reinforce broader municipal infrastructure, housing, and economic development priorities.</p>
<p>Governance benefits</p>	<p>Utilities Kingston's direct oversight by the City supports public accountability; however, the current Utilities Kingston Board is responsible for overseeing multiple utility services—including water, wastewater, gas, and fibre—which can limit the depth of sector-specific focus applied to water and wastewater decision-making. In addition, governance decisions may be influenced by broader municipal and political considerations. A MSC would enable the Shareholder to appoint a smaller, skills-based, and independent Board of Directors with targeted financial, legal, and water and wastewater industry expertise. This focused governance model is intended to strengthen strategic oversight, improve the quality and timeliness of decision-making, and support long-term utility planning, while remaining subject to clear shareholder oversight mechanisms to ensure transparency and alignment with municipal priorities.</p>
<p>Financial benefits and challenges</p>	<p>The funding model of Utilities Kingston is primarily dependent on user fees, which offers limited flexibility. Furthermore, Utilities Kingston faces borrowing constraints due to the municipal debt capacity. In contrast, a MSC provides the opportunity for independent borrowing and revenue generation, alleviating some of the financial pressures on the City. Nonetheless, it is essential to manage the initial setup costs prudently.</p>
<p>Legal considerations</p>	<p>Establishing a MSC necessitates specific legal structuring to confirm municipal ownership and accountability while ensuring adherence to provincial regulations and corporate governance standards.</p>
<p>Preferred Option</p>	<p>Although the current asset ownership model is stable, its reliance on municipal borrowing and traditional governance structures limits the City's ability to expand financing options and support long-term growth. An MSC is designed to enhance financial flexibility, operational agility, and alignment with Kingston's long-term infrastructure objectives, making it the City's preferred model moving forward.</p>

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City Council Responsibilities

The table below illustrates the differences between the current responsibilities of the City Council and those following the implementation of the MSC model. It is important to note that under the existing Utilities Kingston governance model, the City Council has already relinquished its responsibilities pertaining to direct oversight of safe operations.

With the introduction of the MSC model, the City Council would maintain ownership of the assets as a shareholder of the corporation, provide guidance on strategic policy direction, and appoint the Board of Directors. It would no longer retain direct responsibility for approving budgets but would retain authority for endorsing service rates.

City Council Responsibility	Current State	Future State
Ownership of water and wastewater assets	✓	✓
Approving service rates	✓	✓
Approving operating budget	✓	
Approving capital budget	✓	
Strategic policy direction	✓	✓
Appointment of Board of Directors (as per Shareholder Declaration)	✓	✓
Allocation and Collection of Development Charges	✓	✓
Establishing Council's authority over financing approvals process, exercised directly today and, under an MSC, through the City Council approved Shareholder Declaration.	✓	✓

MSC Terms of Reference Key Components

The infographic below highlights the key elements of the proposed MSC's terms of reference.

Mandate and Purpose

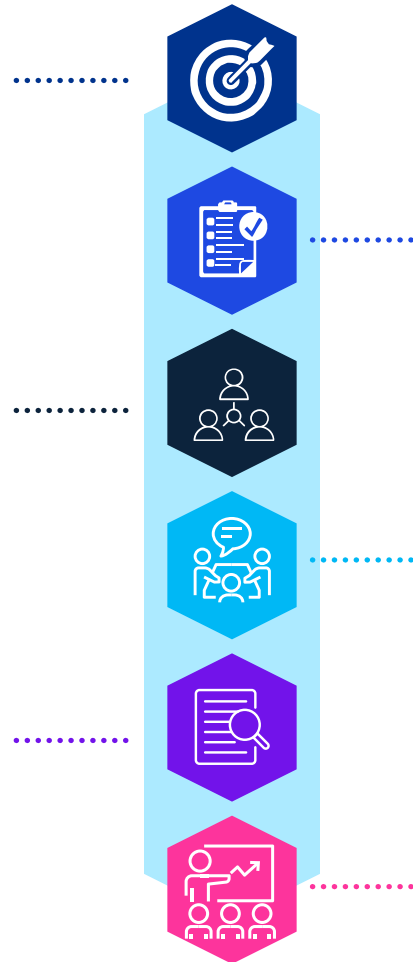
This section of the Terms of Reference should outline the MSC and Board's overarching role in providing strategic oversight, ensuring regulatory compliance, safe operations, and acting in the best interest of the corporation and its shareholder (City of Kingston).

Composition and Appointments

This section would specify the number of Directors, eligibility criteria, appointment process, term lengths, and expectations for skills, diversity, and independence.

Code of Conduct and Conflict of Interest

This section should outline the ethical standards, confidentiality, and processes for declaring and managing real or perceived conflicts of interest in accordance with Provincial legislation.



Roles and Responsibilities

This section would define the duties of the Board collectively and of individual directors, including approving budgets and strategic plans, overseeing risk management, setting rates for approval, and appointing and evaluating the CEO or Manager.

Meetings and Quorum

This section would detail the frequency of meetings, quorum requirements, notice procedures, and use of committees or closed sessions, ensuring transparency and efficiency.

Reporting and Accountability

This section clarifies the Board's reporting obligations to the City as the Shareholder, including, but not limited to, annual reports required under the Safe Drinking Water Act, and audited financial statements.

Legal Considerations and Governing Documents

The infographic below outlines the key legal instruments and governance documents required to establish and operate a MSC, including the legal authority under the *Municipal Act, 2001*, and mechanisms for municipal oversight, and the framework for service delivery and rate setting.

01

Legal Authority

- The establishment of an MSC would not change the City's responsibilities under the Safe Drinking Water Act. The City would retain the same statutory obligations, including the duty of care and oversight of drinking water quality, as it has under the current Utilities Kingston model.
- The MSC will operate at arm's-length but under full municipal ownership, maintaining public accountability and transparency through annual reporting, Council oversight, and shareholder direction.

02

Rate Setting

- The City may delegate operational rate-setting processes to the MSC within an approved framework that safeguards affordability and public interest while also retaining Council approval of rates
- The MSC structure supports rate stability through multi-year forecasting, infrastructure lifecycle planning, and reserve contributions.

03

Shareholder Agreement/ Declaration

This agreement would establish the governance framework and sets out the expectations of the sole shareholder (City). Some key elements may include:

- Roles and powers of the shareholder and Board
- Reserved shareholder matters (e.g., asset sales, contracts that prevents equity-like rights, etc.)
- Reporting requirements and performance measures
- Board appointment and removal processes
- Strategic alignment with municipal objectives

04

Asset Transfer Agreement

As outlined in Ontario Regulation 599/06, prior to creating an MSC, the City must adopt policies related to the transfer of assets to the publicly-owned MSC. Key elements may include:

- Description and valuation of assets and liabilities transferred
- Terms for employee transfers
- Financial adjustments or debt assumptions (if required)
- Transitional provisions
- Insurance provisions

05

Master Services Agreement

This agreement outlines the relationship between the MSC, Utilities Kingston, and the City, ensuring continued public accountability and service delivery. Key elements may include:

- Description and standards for services provided
- Performance metrics and reporting obligations
- Pricing framework and rate-setting roles
- Public consultation and transparency expectations
- Term and renewal provisions

06

Administrative Services Agreement

This agreement defines the terms under which the City and Utilities Kingston provides ongoing administrative and support services to the MSC. Key elements may include:

- Scope of services that will be provided (e.g., IT, Finance, HR)
- Service standards outlining service levels and responsibilities
- Transparent pricing and cost-allocation methods
- Term and termination
- Governance and dispute resolution processes

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Reporting and Accountability

The Shareholder Agreement or Declaration, along with By-law No. 1 of the newly created MSC, should also set the parameters regarding the Board and Management's reporting and accountability to the Shareholder. Some leading practices for corporation reporting and accountability includes:

Annual General Meeting

Purpose: Formal meeting between the MSC and its shareholder to review annual performance.

Timing: Held within 6 months of fiscal year-end.

Key elements include:

- how the MSC's strategic plan advances applicable goals of the City's Strategic Plan;
- annual budget (for information);
- five-year financial forecast; and,
- 10-year capital plan;
- performance metrics

Audited Financial Statements

Frequency: Annually, reviewed by the MSC's Audit Committee and approved by the Board prior to presentation to Council.

Key contents:

- Balance sheet, income statement, cash flow statement.
- Notes on financial risks, liabilities, capital assets.
- Auditor's opinion.

Purpose: Enables the shareholder to verify financial integrity and compliance with Public Sector Accounting Standards (PSAS) or IFRS (as applicable).

Annual Business Plan and Budgets

Timing: Submitted to Council as information only.

Includes:

- Strategic priorities for the year.
- Operating and capital expenditure plans.
- Forecasted water/wastewater demand and service levels.
- Performance targets and key performance indicators (KPIs).

Direction Reporting

The Shareholder Declaration outlines any reporting requirements related to:

- Financial thresholds requiring Council sign-off.
- Strategic plan alignment updates.
- Reserved decisions requiring Council input (e.g. asset sales).

MSC must report proactively and seek shareholder approval where required.

Transparency Measures

Public release of:

- Annual reports.
- Audited financials.
- Key decisions and performance summaries (e.g., board highlights).
- Any material change in operations, liabilities, or financial outlook

Fully participating in comprehensive updates to the City's Official Plan, Zoning By-law, Development Charge Background Study, Master Planning (e.g., infrastructure).

Regular communication and information sharing between the CEO and CAO is expected.

Financial Considerations

Public Municipal Services Corporation Business Case

Financial Analysis of the MSC

The financial analysis provided illustrates an overview of projected revenues and expenses for the potential MSC managing water and wastewater services. The analysis reflects a consistent and gradual increase in water and wastewater revenues, which exceed growth in operational costs. This trajectory aligns with the expectation that the MSC would maintain its financial self-sustainability.

Under the current forecast, operational revenues alone are insufficient to fund capital expenditures. Utilizing the transfer of existing water, wastewater, and Development Charge (DC) reserves alongside the MSC's operational revenue will sufficiently fund the planned capital investment required over the next 10 years. Additionally, the establishment of the MSC will provide the flexibility to undertake additional financing to adequately support future asset management needs. The MSC would not only fulfill its financial obligations but also retain its eligibility as a Government Business Enterprise.

Furthermore, it is worth highlighting that the financial model does not incorporate potential revenue increases that could stem from expanding service offerings to nearby municipalities. Such opportunities represent additional avenues for increasing revenue growth and further solidifying the MSC's financial stability.

Ultimately, the financial projections provide a clear pathway toward meeting both operational and capital requirements, ensuring the long-term sustainability of the MSC while maintaining compliance with necessary regulatory frameworks.

Revenues	Average Annual Revenues (15-Year)	10-Year Total Revenues 2025 to 2034	15-Year Total Revenue 2025 to 2039
Budgeted Revenues			
Water Revenues	\$48.8 million	\$445 million	\$732 million
Wastewater revenues	\$56.8 million	\$520 million	\$852 million
Total Estimated Revenues	\$106.6 million	\$964 million	\$1.58 billion
Budgeted Operational Expenses			
Water Op Expenses	\$21.2 million	\$197 million	\$319 million
Wastewater Op Expenses	\$27.9 million	\$261 million	\$418 million
MSC Remuneration Costs	\$116 thousand	\$1.1 million	\$1.7 million
Total Anticipated Expenses	\$49.2 million	\$459 million	\$739 million
Surplus (Deficit) before expected debt servicing costs			
Surplus (Deficit)	\$56.4 million	\$505 million	\$845 million
Surplus (Deficit) after expected debt servicing costs			
Anticipated Debt Servicing	\$17.9 million	\$167 million	\$269 million
Facilities Repair Fund Contributions	\$0.95 million	\$9.5 million	\$14.3 million
Surplus (Deficit)	\$37.5 million	\$329 million	\$562 million
Development Charges / Growth Related Revenue			
Water	\$6.8 million	\$70.3 million	\$102 million
Sewer	\$14.2 million	\$146.9 million	\$213 million
Capital Expenditures and Reserves			
Water Capital Expenditures	\$28.4 million	\$302 million	\$427 million
Wastewater Capital Expenditures	\$24 million	\$253 million	\$361 million

Public Municipal Services Corporation Business Case

Alternative Financing Options

A water and wastewater MSC is a corporation wholly-owned by a municipality, ensuring it remains under public control while allowing for operational flexibility, including the ability to access diverse funding sources.

Current State

- Under Ontario Regulation 403/02, municipalities must keep their debt levels within the Annual Repayment Limit (ARL), capping annual debt payments (principle +interest) to 25% of the municipality's own source revenue.
- The proposed financing of future water wastewater development projects would be largely through either the issuance of debt by the City or the internal borrowing against the City's reserves. There are concerns, however, that the debt requirements for these developments will either limit the City's debt capacity and ability to finance other initiatives or will be deferred due to the City's reluctance to take on additional debt.

Debt-to-Equity Borrowing

- An MSC operates under a different financial framework: they can borrow against their assets and future revenues using debt-to-equity (debt-to-asset) ratio approach. These debts do not count against the shareholding municipality's ARL.
- In practice, many Ontario MSCs target a much high debt ratio than what a municipality could carry on its books, giving these corporations greater financing capacity for infrastructure.

Alternative Financing Options

- **Revenue Bonds and Capital Planning Power:** An MSC can raise funds upfront for major capital projects by issuing debt tied to future user fees (e.g. water rates). This provides the flexibility for investment in infrastructure today, with the ability to pay it off over 20-30 years, aligning with asset lifecycles. Revenue bonds are secured exclusively by future revenues generated from MSC services. Since they are not backed by the City, they reinforce the MSC's financial autonomy. This structure aligns repayment with service performance and helps establish credit discipline. However, the MSC must demonstrate stable and predictable revenue streams to attract investors and may face higher borrowing costs due to the increased risk profile.
- **Project-Based Loans:** The MSC can negotiate loans with banks or infrastructure lenders based on project-specific cash flows and business plans (i.e. design-build-finance models). This approach allows for tailored financing that preserves operational independence and keeps debts off the City's financial statements. It is flexible and scalable, but may include restrictive covenants, higher interest rates for newer entities, and strict lender oversight depending on perceived creditworthiness and risk.

Public-Ownership Protections: To safeguard full public ownership while still enabling access to external financing, the City can embed strong protections within the Shareholder Declaration and related governance documents. These protections ensure that any lender, or project partner participates only through conventional debt or service-based arrangements—never through rights that resemble ownership or control. By prohibiting governance influence, veto powers, profit-sharing mechanisms, or contractual provisions that mirror shareholder privileges, the City ensures that all financing remains strictly non-equity in nature. Clear limits on lender covenants, combined with reserved-matter controls held exclusively by the City, preserve municipal accountability and guarantee that water and wastewater services remain fully and transparently publicly owned.

Implementation Plan

Public Municipal Services Corporation Business Case Implementation Roadmap

Following the acceptance of the business case, the City should look to complete the following activities to establish a water and wastewater MSC.

Phase	Activities	Estimated Timeline			
		0 - 6 months	6 – 12 months	12 – 18 months	18 – 24 months
1	Completion of Public Consultation	→			
2	Procure Necessary Third-party Advisors	→			
3	Incorporation of the MSC		→		
3	Recruit and appoint Board members		→		
3	Adoption of an Asset Transfer Policy		→		
3	Development of Appropriate Governance and Operating Policies			→	
3	Establish a Master Services Agreement			→	
3	Establish an Administrative Services Agreement			→	



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