



City of Brampton:

***Business Case for a Municipal
Services Corporation***

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Introduction

The City of Brampton is proposing the establishment of a municipal services corporation (“**MSC**”). The development of such an entity is authorized under [section 203\(1\) of the *Municipal Act*](#) (and [associated regulation O. Reg. 599/06: *Municipal Services Corporations*](#)), which grants municipalities the power to create various types of corporations. This document constitutes the business case study for the MSC required pursuant to the regulation.

It is proposed that a wholly-owned holding company be created under the Ontario *Business Corporations Act* (“**OBCA**”), with the ability and intent to create further subsidiary corporations under the holding company to own, operate and manage specific current and future City projects and assets. The MSC will be governed by a board of directors comprising of elected officials and industry/community leaders appointed by Brampton City Council.

This holding company model represents a strategic approach designed to meet the need of timely, efficient and effective decision making, reflecting the best practices of other Ontario municipalities in terms of asset management, maximizing value, and corporate governance. Once established, the MSC can carry out a variety of revenue-generating activities, provide the municipality with increased debt financing capacity, and contain the risks associated with the activities within the MSC.

Background Context

On June 26, 2024, City Council passed a resolution to consider establishing a municipal services corporation to facilitate the transition of key services from the Region to the City of Brampton, Mississauga, and Caledon or new entities; supporting numerous large scale strategic initiatives and investments including a new ASE Processing Centre, future Transit electrification, the Centre for Innovation and City Lands projects, plus others, which will benefit from the streamlined governance and operational efficiencies offered by an MSC and the enhanced capabilities to manage, finance, and execute large-scale projects, ensuring better service delivery and financial sustainability.

The Region of Peel is undergoing a transition of key services from the Region to the cities of Brampton and Mississauga, the town of Caledon, or new entities. The transition of these services necessitates significant project costs associated with any transition of Regional services as directed by the Province, that would best position the City of Brampton to handle the full scope and scale of these projects, including real estate and project financing to the benefit of the City and its residents.

In addition, the City of Brampton is undertaking numerous large scale strategic initiatives and investments including downtown redevelopment, a new ASE Processing Centre, future Brampton Transit electrification, and the Centre for Innovation and City Lands projects, which will benefit from the streamlined governance and operational efficiencies offered by an MSC.

The establishment of a MSC would provide Brampton with enhanced capabilities to manage, finance, and execute large-scale projects, ensuring better service delivery, financial sustainability and cost savings to the City of Brampton.

Objectives

The MSC model represents a vital step forward in meeting the strategic objectives of the City of Brampton's Corporate Strategic Plan, and long-term sustainability and economic prosperity goals through management of current and future City-owned assets to ensure the greatest value to the City of Brampton.

- a) The MSC will work to build value for the community through synergistic collaboration that strengthens the individual and collective position of City-owned assets and investments.
- b) Operating in a business environment, the MSC will play an integral role in achieving enhanced operational excellence through a continuum of improved communications between the operating companies/subsidiaries and the City of Brampton.
- c) By capitalizing on synergies and unlocking greater potential, the MSC will help to ensure the continued generation of reliable returns and benefits from its assets through its management and oversight role.
- d) Through the strategic creation of subsidiaries, the MSC can be used to own and operate a diverse range of City assets and achieve a broader set of municipal objectives.

Mandate

To meet these stated objectives, the MSC will:

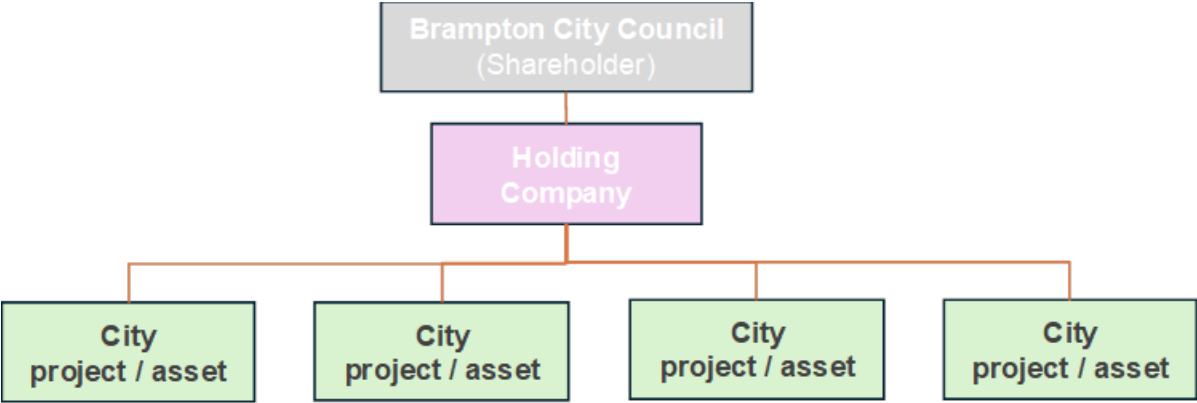
- a) Work with its operating subsidiaries and stakeholders to maximize the value of current and future City-owned assets for the long-term benefit of the community as a whole;
- b) Advise, inform and make recommendations to the City of Brampton on matters and opportunities pertaining to operating subsidiaries; and
- c) Act as a catalyst for operational excellence.

Proposed Structure

The MSC will consist of a holding company that is wholly-owned by the City of Brampton and governed by a Council-appointed board of directors. The holding company will be the

shareholder of operating subsidiaries that would be incorporated in relation to strategic assets and projects of the City, as approved by Council.

The following diagram is an example of the proposed structure of the MSC. It is anticipated that the centralized structure will allow for strengthened co-ordination of issues management, well informed decision making and the realization of common goals consistent with the mandate and objectives of the MSC.



Examples of current priority projects that could benefit from the MSC are:

1. **Strategic Real Estate Development**, including downtown redevelopment, the Centre for Innovation, and the City Lands project
2. **Municipal Services Transitioned from the Region of Peel**
3. **Affordable Housing Development**
4. **Public Transit Initiatives**, such as expansion of the Züm bus rapid transit network and infrastructure improvements for Brampton Transit electrification
5. **Environmental Sustainability Projects**, like Riverwalk which aims to revitalize the downtown area while addressing flood mitigation and enhancing green spaces
6. **Smart City Infrastructure**, including automated speed enforcement, intelligent traffic management systems, public Wi-Fi networks, and advanced public safety technologies
7. **Economic Development Initiatives**: new commercial and industrial areas, attracting businesses and boosting local employment through managed growth and infrastructure improvements

Using an MSC for these projects can provide professional governance, better financing options, efficient project management and cost savings, aligning with the City of Brampton's strategic goals.

Alternatives

In exploring the concept of improved governance for current City-owned assets, alternative options were considered, including continuing with established practices and creating independent municipal service corporations. It was concluded that the model proposed herein was most advantageous for the following reasons:

1. The holding company model allows for the development of skills-based boards for the regular management of individual interests yet brings all parties together to capitalize on potential synergies. The holding company model allows for additional corporations to be established over time, creating potential opportunities for increased revenue streams.
2. The current approach is not serving the current and future needs of, or maximizing value for, the City of Brampton or its residents to the level that is possible. Continuing with current operations presents a risk in terms of a missed opportunity for strengthening the City's strategic asset management and operational efficiency.

To achieve greater success going forward and realize the full potential of City-owned assets, the City of Brampton believes that a more sophisticated structure incorporating the use of an MSC comprised of a holding company and operating subsidiaries will better and more quickly respond to the growth and evolving needs for the City and capitalize on opportunities. The benefits associated with a holding company model are significant and this direction represents a necessary step in advancing prosperity and management excellence goals that will benefit the City of Brampton as a whole.

Governance

As required by the OBCA, the MSC board will supervise the management of the business and affairs of the MSC and will act honestly and in good faith with a view to the best interests of the MSC. Directors will exercise the same degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

- a) Unless otherwise determined by the City of Brampton as sole shareholder, the board of the MSC shall be comprised of a combination of elected officials and independent directors to be appointed by City Council.
- b) Independent board members may be appointed based on a process and qualification criteria determined by City Council. Preference may be given to qualified board candidates who are residents of Brampton.
- c) The Mayor shall serve as the chair of the board of the MSC.
- d) Senior staff at the City may be appointed officers of the MSC.

Further details of the governance structure will be developed in consultation with legal advisors to be in accordance with best practices and aligned with the City's interests and goals. It will be finalized prior to incorporation and implementation of the MSC, subject to Council approval, taking into consideration the guiding principles of transparency and accountability, collaboration and coordination, efficient and effective management, and maximizing value for the City.

Relationship to the City

The City of Brampton will be the sole shareholder of the holding company which will be responsible for oversight of the city's holdings and strategic initiatives as determined by City Council, including any additional subsidiary companies that may be added from time to time.

The MSC is not as an agent of the City of Brampton and cannot bind the City unless expressly authorized by the City.

The powers of the MSC will be limited by applicable legislation and any limitations that the City of Brampton may include in its constating documents or otherwise impose as sole shareholder. While the MSC will operate as a corporate entity distinct from the City of Brampton, Council will continue to exercise oversight and authority as certain key decisions will require approval of the City.

Public Accountability and Reporting

The MSC will report to City Council at least annually. Chairs of subsidiaries will attend such meetings of City Council where reports are made in respect of any subsidiaries. Such reports may be received and considered by the City of Brampton at an in-camera meeting of City Council subject to the requirements of the *Municipal Act*. Regular reporting may include details of business plans, performance reports, budgets, financial statements, audit reports, and such additional information as the City of Brampton may specify from time to time.

Financial Considerations

The development of a holding company to help achieve excellence in asset management works towards City of Brampton goals related to long term financial sustainability and economic prosperity. Not only is the model one that will strengthen governance but also the collective effectiveness and potential of all subsidiaries, thereby creating long term economic benefits for Brampton residents.

The MSC will be self-financing with operating costs coming from the regular dividend payment stream of subsidiary companies.

Although various City staff will provide significant resources to the MSC by way of a shared services agreement, it is expected that specific external expertise may be required on occasion to assist with special projects. These additional resources could be cost-

shared, if necessary, between the MSC and the City of Brampton with approval of City Council.

Winding up provisions of the corporation

Upon liquidation, winding-up or dissolution of the MSC, whether voluntary or involuntary, the property of the MSC will revert back to the City as primary shareholder.

Operating budget

The creation and management of a five (5) year operating budget will be the responsibility of the new board of directors of the MSC. It is anticipated that labour and program expenditures will be minimal given the use of existing City of Brampton resources through a shared services agreement. Any expenditures related to the new structure will flow through dividend payments derived from the subsidiary companies.

Conclusion

A new model for the management of current and future City-owned assets is recommended to realize the full potential of these assets and generate long-term economic benefits for the City of Brampton. This model represents a more strategic approach to asset management and would be self-financing through regular dividend payments.

The proposed model addresses the need for increased accountability, responsiveness, strategic alignment, and improved communications. While maintaining subsidiaries directly linked through shared policy and strategic direction, the model embraces skills-based boards and allows for the appropriate degree of independence, enabling operating companies to remain flexible and self-reliant.

A key component of this new governance model is its capacity to finance and manage large transformational strategic projects. These projects, critical to Brampton's growth and development, would benefit from the comprehensive oversight and integrated management approach that this model provides. In line with practices of other municipalities, specific requirements for key competencies among the MSC directors, as well as those of operating subsidiaries, will ensure a variety of perspectives and skill sets to guide decision-making and provide sound leadership. This new governance structure will support the fulfillment of stated objectives and the achievement of outcomes focused on the long-term economic prosperity of the Brampton community.