



**To:** Chair and Members  
Muskoka District Council

**From:** Len O'Connor  
Chief Executive Officer, Muskoka Airport

Rose Jackson  
Continuous Improvement Officer

**Date:** May 20, 2025

**Subject:** Muskoka Airport– Recommendations for the creation of a Municipal Services Corporation to be known as “Muskoka Airport Inc.” (MAI)

**Report:** 7(2025)-1

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**Recommendation:**

WHEREAS in considering Report FCS-2-2025-1, Muskoka District Council:

- Approved the business case study for the establishment of a municipal services corporation (MSC), referred to as Muskoka Airport Inc.;
- Approved-in-principle the creation of the Airport MSC, and the key elements of the various agreements needed to create the MSC; and
- Directed staff to finalize the necessary agreements and documents to implement the MSC and report back to FCS for final approval in Q2 of 2025;

AND WHEREAS the Airport Board endorsed the contents and recommendations of this report;

NOW THEREFORE BE IT RESOLVED THAT Council **approve** the Asset Transfer Policy attached hereto, as Appendix I;

AND THAT Council **approve the creation and operation of a municipal services corporation** to be known as “Muskoka Airport Inc.” and **authorize the CAO, or designate**, to take all steps necessary to incorporate same pursuant to section 203 of the Municipal Act, 2001 and Ontario Regulation 609/06 as outlined in Report 7(2025)-1;

AND THAT the following individuals **be duly appointed** to the Board of Directors of the Muskoka Airport Inc., for the terms as noted below, or until such time that a successor has been appointed:

- i. Zaina Alhillou, appointed until 2026;
- ii. Jeff Lehman, appointed until 2026;
- iii. Don MacKay, appointed until 2026;
- iv. Selma Lussenburg, appointed until 2027;
- v. Eileen Waechter, appointed until 2027;
- vi. Jennifer Brooy, appointed until 2028; and
- vii. Mark Verdun, appointed until 2028;

AND THAT Council **approve** the District entering into the following agreements regarding the creation of Muskoka Airport Inc., in a content satisfactory to the CAO and form satisfactory to the District Solicitor, and authorize the Chair and Clerk to execute them on behalf of the District:

- a. Shareholder Agreement / Declaration (Appendix III);
- b. Ground Lease Agreement (Appendix IV);
- c. Municipal Services Agreement (Appendix V); and
- d. Municipal Asset Transfer Agreement (Appendix VI);

AND THAT Council **approve and authorize** the key elements for the reserve fund transfers as outlined in Appendix II, to be established after the closing date of June 30, 2025, once the final numbers are provided;

AND THAT the CAO, or designate, and Commissioner of Finance and Corporate Services **be delegated authority to approve and execute** on behalf of the District as sole shareholder of Muskoka Airport Inc., such additional or other agreements including Director Indemnity Agreements, documents or forms and authority to do all things necessary as may, in the opinion of the CAO, be necessary or desirable to give effect to the above including but not limited to taking actions to obtain any regulatory approvals, all in content satisfactory to the CAO and form satisfactory to the District Solicitor;

AND THAT **the amended 2025-2026 Tax Supported Operating budget** as outlined on the table 1 and 2, to support the creation of an MSC for the Muskoka Airport **be approved**;

AND THAT the CAO, or designate **be authorized** to transfer the balance of the Airport 2025 / 2026 Tax Supported Operating and Capital Budgets, including Airport reserves to MAI after the June 30, 2025, closing date, once the final numbers are provided;

AND THAT **a by-law be prepared** to create a Municipal Services Corporation for the Muskoka Airport to be known as "Muskoka Airport Inc." (MAI).

## Origin

This report is a follow-up from [Report FCS-2-2025-1](#) presented to the Finance and Corporate Services Committee on February 19, 2025, where Council approved-in-principle the creation of the Airport MSC, and directed staff to finalize the necessary agreements and documents to implement the MSC; and to report back to Council for final approval of the creation of MAI in Q2 of 2025.

## Analysis

### Overview of a Municipal Services Corporation (MSC)

The Ontario Municipal Act allows a municipality (or a group of municipalities) to create a MSC to provide any program or service that municipalities themselves can provide. Typically, the municipality (or group of municipalities) are the shareholder(s) of the MSC and appoint a Board of Directors to oversee and guide the actions of the MSC.

As specified in Ontario Regulation 599/06, prior to creating an MSC, the municipality must:

- a. **Develop and adopt a business case study** in respect to the creation and operation of the MSC; (The Business Case Study was adopted by District Council March 17, 2025 through [Report FCS-2-2025-1](#)).
- b. **Consult with the community about the plan** to create an Airport MSC – this was conducted in October through to November, 2024, and the results of that consultation were received by District Council on March 17, 2025 through [Report FCS-2-2025-1](#); and
- c. **Adopt and maintain policies** related to the transfer of assets to the corporation.

The final requirement of the Municipal Act (the adoption of an Asset Transfer Policy) is a subject matter within this Report 7(2025)-1. The Asset Transfer Policy (attached as Appendix I) permits the District to transfer assets to a Municipal Services Corporation that it owns. It outlines objectives that District Council will consider prior to transferring assets and allows District Council to attach terms and conditions it considers appropriate related to any such transfers.

The Airport MSC will be a for-profit corporation registered under the Ontario Business Corporations Act. The District Municipality of Muskoka (the District) will be the sole shareholder of the MSC and will appoint a Board of Directors who will oversee and govern the airport, subject to the provisions of the Shareholder Agreement. Should Council approve the recommendations in this report, it is proposed that the Airport MSC would become responsible for airport operations as of July 1, 2025.

In creating the MSC, the District will ensure that its long-term interests are protected, while also ensuring that the MSC has the necessary independence and flexibility to manage the Airport in an efficient, effective, and business-like way, with a goal of increasing airport revenue, reducing property tax funding requirements and increasing the airport's overall economic impact.

To strike this balance between protecting the District's interests, and providing independence to the MSC, the following approaches are proposed for the physical assets associated with the airport:

- **Airport Lands:** It is proposed that the airport lands remain under District ownership and that a long-term lease (e.g. 49 years and 11 months) with a nominal rental fee be entered into with MAI. The lease allows MAI to make improvements to the lands, including modifications to runways, taxiways, buildings etc., and it allows MAI to sub-lease the lands, subject to certain constraints. This will ensure that the airport lands remain in public ownership as a community asset, while providing the necessary independence and flexibility to MAI to operate the airport in a business-like manner.
- **Airport Terminal and other Buildings:** It is proposed that the District transfer ownership of the District-owned buildings to MAI. This will provide MAI with the independence and flexibility to operate in a businesslike manner, and to make decisions quickly regarding the use of and/or modifications to the Airport buildings. This will also provide MAI the ability to borrow against its assets, subject to any limitations or expectations set out in the shareholder direction regarding reporting requirements and accountability.
- **Airport Equipment and other Operating Assets:** It is proposed that the District transfer ownership of most of the airport operating assets and equipment to MAI. Since MAI will be responsible for airport operations, and since the equipment is integral to the safe, efficient, and effective operation of the airport, MAI should be responsible for owning, maintaining and replacing the equipment as per its business requirements.
- **Airport Staff:** it is proposed that all the current airport staff except the CEO remain as District employees, with all their salary and benefits costs to be fully funded by MAI. The CEO, or their successor, would become an employee of MAI and would report to and be accountable to the MAI Board of Directors.

### **Development of MAI Governing Documents**

The relationship between the District and MAI will be governed by several agreements and accountability mechanisms, including the following:

- **Shareholder Agreement / Declaration** (Key elements in Appendix III);
  - The Shareholder Agreement sets out the District's expectations regarding the governance and operation of the MSC, and describes the relationship between the District and MAI, including those matters for which MAI must seek District approval.
- **Ground Lease Agreement** (Key elements in Appendix IV);
  - To protect the District's long-term interests in the Airport, and to provide MAI the necessary flexibility to operate the Airport, and to enter into commercial agreements (such as leases), it is proposed that the District lease the Airport lands to MAI and provide MAI with the authority to enter into sub-leases.

- **Municipal Transfer Agreement** (Key elements in Appendix V);
  - It is proposed that the District transfer ownership of the Airport buildings, and most of the airport equipment to MAI. The Municipal Transfer Agreement formalizes this transfer of tangible and intangible assets from the District to MAI.
- **Municipal Services Agreement** (Key elements in VI);
  - It is proposed that the District will continue to provide most administrative support services to MAI for at least the first six (6) to twelve (12) months of MAI operations. This will facilitate a smooth transition to MAI and will allow the District and MAI to evaluate the efficiency and effectiveness of the administrative support services model before deciding on any changes which may be mutually beneficial. The key details of the services to be provided, and the cost recovery approach are outlined in the Municipal Services Agreement.

The essential elements of the various documents/agreements are described briefly in the respective appendices noted above. These are generally consistent with the key elements that were endorsed by Council in the February [Report FCS-2-2025-1](#).

### **Benefits of the Airport MSC**

The essential elements of the various documents and agreements will facilitate streamlined and faster decision making for the Airport MSC. The various agreements give MAI the independence and flexibility to operate in a businesslike manner, regarding the use of and / or modifications to the Airport buildings, to operate the Airport, and to enter into commercial agreements (such as leases), and to make decisions quickly as needed. It is anticipated that MAI will only need to appear before District Council once or twice a year to present their draft budget(s), business plan, and/or strategic action plan when applicable. At the same time, the agreements provide the District with measures to ensure that MAI remains accountable in its actions.

### **Transport Canada and Nav Canada Communications and Requirements**

Throughout the Muskoka Airport MSC project, staff have consulted and communicated with Transport Canada.

Transport Canada has expressed no objections to the transfer of the Muskoka Airport from the District to a Municipal Services Corporation. Once the decision to transfer the Airport is finalized, Transport Canada will be notified in writing shortly thereafter.

In the notice to Transport Canada, the following information will be provided:

- Effective date of transfer – tentatively set for July 1, 2025;
- Legal name of the new Municipal Services Corporation, “Muskoka Airport Inc.”;
- An Accountable Executive (AE) Compliance Statement; and

- A copy of the transfer agreement signed by both parties.

The Airport Operations Manual and any other documentation that references the District of Muskoka as the operator will need to be updated and provided to Transport Canada, and a new airport certificate will be issued.

NAV CANADA is responsible for aeronautical information services, including land use information around airports and aerodromes. The operator of an aerodrome registered under Canadian Aviation Regulations (CARs) must notify the Minister immediately after any change is made to the location, markings, lighting, use, or operation of the aerodrome that is likely to affect the accuracy of the information published by the provider of aeronautical information services.

NAV CANADA Aeronautical Information Products (AIPs) will be updated to reflect the new operator when the Airport becomes the MAI.

### **Tenants at the Muskoka Airport Communications**

To ensure a smooth transition, MAI will notify tenants of the change of ownership with the tentative effective date of July 1, 2025, including providing contact information for MAI and outlining any changes to notifications etc.

### **Muskoka Airport Board Input and Endorsement**

Staff have worked with representatives of the Muskoka Airport Board (Board) to seek their input at key points over the last several months. The Board representatives provided input regarding a number of important issues related to the creation of the MSC, including the key elements of the various agreements needed to create the MSC.

Staff also shared the draft contents of this report, including the budget implications, with the Muskoka Airport Board for their review and input at the Airport Board meeting on April 25, 2025. The Board endorsed the budget amendment and the key elements of the agreements and documents as the basis to proceed with the creation of MAI.

### **Next Steps**

Should District Council approve the recommendations in this report, staff will work with external legal counsel and the Muskoka Airport Board to have MAI formally incorporated, including all the necessary steps to organize MAI and execute all the necessary agreements between the District and MAI. It is anticipated that MAI would be formally incorporated shortly after Council approval of this report, and MAI would become responsible for airport operations as of July 1, 2025.

### **Financial Considerations**

As noted in [Report FCS-2-2025-1](#), the transition of the Muskoka Airport to MAI will result in some additional, ongoing operating costs (in addition to the one-time costs associated with the creation of the MSC). The additional operating costs for MAI

include: additional cost-recovery charges in the areas of internal human resources and legal services; external legal support; and additional external marketing and communications support. Table 1 includes the proposed operations budget amendment of \$87,282 for 6 months of 2025 (July to December) for MAI budget.

In parallel to the proposed additional operating costs that will be incurred, staff have also developed additional revenue opportunities for MAI that should occur once MAI is established. It is estimated that there will be additional revenue in the range of \$83,000 for 6 months of 2025 (July to December). The additional revenue is related to the estimated potential of new land and hangar leases outlined in Table 2.

**Table 1: Proposed MAI Operations Budget Amendment for 6 months of 2025 (July to December). Changes are highlighted in blue text.**

<b>Muskoka Airport (Internal Service Charges)</b>	<b>2025 Current Approved Budget</b>	<b>2025 Amended Budget for MAI</b>
<b>Total Operating Costs</b>	<b>\$3,604,196</b>	<b>\$3,604,196</b>
<b>Total Finance Charges/Reserves</b>	<b>\$819,268</b>	<b>\$819,268</b>
<b>Fleet (internal District Management)</b>	<b>\$18,374</b>	<b>\$18,374</b>
Fleet – Overhead	\$16,382	\$16,382
Fleet – Holman Fees	\$1,992	\$1,992
<b>Fleet (MAI Management)</b>	<b>\$303,796</b>	<b>\$303,796</b>
Fleet – License (MTO, GPS)	\$5,484	\$5,484
Fleet – Fuel	\$43,373	\$43,373
Fleet – Op Supplies	\$488	\$488
Fleet – Insurance	\$2,304	\$2,304
Fleet – Preventative Maintenance	\$26,262	\$26,262
Fleet – Demand Maintenance	\$28,342	\$28,342
Reserve Contribution	\$197,543	\$197,543
<b>Insurance (Internal District Management)</b>	<b>\$42,666</b>	<b>\$42,666</b>
Additional Insurance Policy (EIL)	\$0	\$22,542
<b>Support Services</b>	<b>\$124,790</b>	<b>\$124,790</b>
Finance (internal)	\$49,040	\$49,040
Finance (external audit)	\$0	\$0
Computers / IT Services	\$59,150	\$59,150
LT Financial Planning	\$14,400	\$14,400
Photocopying and Telephone Charges	\$2,200	\$2,200
Capital Planning and Project Delivery	cost recovery model	cost recovery model
Human Resources – internal	\$0	\$7,740
Legal Services – internal	\$0	\$2,000
Legal Services – external	\$0	\$30,000
Marketing and Communications – external	\$0	\$25,000

<b>Muskoka Airport (Internal Service Charges)</b>	<b>2025 Current Approved Budget</b>	<b>2025 Amended Budget for MAI</b>
<b>Total Internal Service Charges</b>	<b>\$489,626</b>	<b>\$576,908</b>
<b>Total Expenditures</b>	<b>\$4,913,090</b>	<b>\$5,000,372</b>

The current 2025 approved expenditure budget of \$4,913,090 will increase by a total of \$87,282 for additional costs noted above resulting in an amended 2025 expenditure budget of \$5,000,372 to implement MAI for 6 months (July to December). For clarity, the 2025 operating budget remaining as at July 1, 2025, will be transferred to a new general ledger established for the financial record keeping of MAI. All operating expenditures incurred from July to December will be processed through this new set of accounts and against the remaining budget transferred as at July 1, 2025.

**Table 2: Proposed MAI Revenues Budget Amendment for 6 months of 2025 (July to December). Changes are highlighted in blue text.**

<b>Muskoka Airport</b>	<b>2025 Current Approved Budget</b>	<b>2025 Amended Budget for MAI</b>
<b>Revenue – Fees Miscellaneous</b>	<b>(\$2,542)</b>	<b>(\$2,542)</b>
Airport Pilot Supplies	(\$2,437)	(\$2,437)
Airport Keys	(\$105)	(\$105)
<b>Ramp Fees</b>	<b>(\$398,956)</b>	<b>(\$398,956)</b>
<b>Fees-Call-Outs</b>	<b>(\$16,405)</b>	<b>(\$16,405)</b>
<b>Fees-Airport Services</b>	<b>(\$110,204)</b>	<b>(\$110,204)</b>
<b>Fees-Rent-Other</b>	<b>(\$265,156)</b>	<b>(\$265,156)</b>
<b>Sales-Advertising</b>	<b>(\$7,875)</b>	<b>(\$7,875)</b>
<b>Sales-Fuel</b>	<b>(\$2,696,311)</b>	<b>(\$2,696,311)</b>
Airport AVGAS	(\$553)	(\$533)
Airport AVGAS	(\$233,359)	(\$233,359)
Airport Jet Fuel	(\$2,461,698)	(\$2,461,698)
Airport Oil	(\$701)	(\$701)
<b>Fuel Concessions</b>	<b>(\$60,729)</b>	<b>(\$60,729)</b>
<b>Other potential revenue</b>	<b>(\$0)</b>	<b>(\$83,000)</b>
<b>Reserve Withdrawal</b>	<b>(\$0)</b>	<b>(\$4,282)</b>
<b>Total Revenue</b>	<b>(\$3,558,178)</b>	<b>(\$3,645,460)</b>
<b>Net Levy</b>	<b>\$1,354,912</b>	<b>\$1,354,912</b>

With \$87,282 in additional operating costs for the 2025 budget, and an estimated \$83,000 in additional revenue costs for the 2025 budget, it is proposed that the difference be funded through a transfer or withdrawal from the Airport Capital Reserve.

For the purposes of this report, this transfer has been shown as a revenue, however, in the District budget software it will be shown as a reduction in total expenditures. As a

result of this transfer, there is no change to the Net Levy. Similar to the process described in the preceding paragraph, all revenues collected from July to December will be processed into the new set of accounts to be established to support the operations of MAI. Staff will continue to review the timing of revenue receipts leading up to the transition date to ensure that an appropriate proportion of revenues when compared to expenditures is maintained. This may require additional coordination with MAI post-transition.

### **Transfer of Internal Loan for Airport Capital Project**

In 2016, an Airport related capital project (360012 Runway Major Repairs 2015), required internal financing in the amount of \$2,885,006 for the runway major repairs capital project. [By-law 2016-14](#) (being a by-law to authorize a withdrawal from the Debt Reduction Reserve Fund to finance the Airport Capital Project), outlines the term years (20) and scheduled repayments to the debt reduction reserve fund.

This internal loan will be transferred to MAI and annually MAI will continue to contribute \$212,289 until the year 2035. Staff will continue to work with external legal counsel and the Muskoka Airport Board to incorporate the internal loan into the necessary agreements between the District and MAI.

### **District Operating and Capital Budget Amendments Upon Transition**

For the changes to the Airport budget related to internal services provided, there will be a corresponding change in the supporting divisions' budgets. This service charge revenue for those divisions will be offset by a reserve contribution so that there is no impact on the net levy for 2025.

In addition, the entire Airport Operating and Capital budgets will be separated out from the District budget and instead will be shown as one line showing a contribution to or investment in MAI. As described in the preceding section, a separate general ledger and budget within the District's system will be created for MAI.

Table 3 below is an illustrative example of the projected Airport Operating budget transfer to the new MAI general ledger as of June 30, 2025. Staff will provide an update and proposed budget amendment to both MAI and District Council after final transactions as of June 30, 2025 have been entered and verified.

**Table 3: 2025 Estimated Airport Operating Budget as of June 30, 2025, to be transferred from the District to MAI (for illustrative purposes).**

<b>Airport Expenditures</b>	<b>2025 Approved Budget</b>	<b>Total Projected Actuals as at June 30, 2025</b>	<b>2025 Estimated Budget Remaining</b>	<b>2025 Additional Amendment</b>	<b>2025 Amendment: Transfer to MAI</b>	<b>2025 Revised Budget - DMM Airport</b>
Personnel	\$908,628	\$418,156	\$490,472	\$0	(\$490,472)	\$418,156
Employee Related Expenses	\$39,808	\$4,450	\$35,359	\$0	(\$35,359)	\$4,450
Materials and Supplies	\$2,463,566	\$512,916	\$1,950,650	\$0	(\$1,950,650)	\$512,916
Purchased Services	\$192,194	\$66,196	\$125,998	\$55,000	(\$180,998)	\$66,196
Finance Charges	\$223,953	\$213,620	\$10,333	\$0	(\$10,333)	\$213,620
Reserves	\$595,315	\$297,658	\$297,657	(\$4,282)	(\$293,375)	\$297,658
Fleet	\$322,170	\$359,852	(\$37,682)	\$0	\$37,682	\$359,852
Insurance	\$42,666	\$21,334	\$21,332	\$22,542	(\$43,874)	\$21,334
Support Services	\$124,790	\$62,020	\$62,770	\$9,740	(\$72,510)	\$62,020
<b>Total Expenditures</b>	<b>\$4,913,090</b>	<b>\$1,956,201</b>	<b>\$2,956,889</b>	<b>\$83,000</b>	<b>(\$3,039,889)</b>	<b>\$1,956,201</b>

<b>Airport Revenues</b>	<b>2025 Approved Budget</b>	<b>Total Projected Actuals as at June 30, 2025</b>	<b>2025 Estimated Budget Remaining</b>	<b>2025 Additional Amendment</b>	<b>2025 Amendment: Transfer to MAI</b>	<b>2025 Revised Budget - DMM Airport</b>
User Fees	(\$3,558,178)	(\$1,423,271)	(\$2,134,907)	(\$83,000)	\$2,217,907	(\$1,423,271)
<b>Total Revenues</b>	<b>(\$3,558,178)</b>	<b>(\$1,423,271)</b>	<b>(\$2,134,907)</b>	<b>(\$83,000)</b>	<b>\$2,217,907</b>	<b>(\$1,423,271)</b>
<b>Total Net Levy Impact</b>	<b>\$1,354,912</b>	<b>\$532,930</b>	<b>\$821,982</b>	<b>\$0</b>	<b>(\$821,982)</b>	<b>\$532,930</b>

Table 4 below is an illustrative example of the projected Airport Capital budget transfer to the new MAI general ledger based on the status of the capital budget as at March 30, 2025. There are a number of active and ongoing capital projects that will continue to incur costs between the writing of this report and the transition date of July 1, 2025. Staff will provide an update and a proposed budget amendment to both MAI and District Council after final capital transactions as at June 30, 2025, have been posted.

**Table 4: 2025 Estimated Airport Capital and reserves to be transferred from the District to MAI (for illustrative purposes).**

<b>Airport</b>	<b>LTD Budget Approved</b>	<b>Actual Expenditure as of March 2025</b>	<b>Remaining Budget as of March 2025</b>
360025 Taxiway / Apron / Roadway Repairs	\$619,500	\$253,699	\$365,801
360027 Roadway Repairs (Airport Rd and Sabre Lane Overlays)	\$103,800	\$0	\$103,800
360029 Visual Aid Repairs	\$200,000	\$0	\$200,000
360039 Field Electrical Building (FEC)	\$198,500	\$665	\$197,835
360048 Taxiway B	\$118,000	\$0	\$118,000
360050 Taxiway C (Southern Section)	\$162,900	\$141,552	\$21,348
360052 Apron 1 - South	\$660,000	\$0	\$660,000
360054 Apron 1 - West	\$158,000	\$0	\$158,000
360064 Expansion Development Future	\$60,000	\$12,272	\$47,728
360072 Runway Major Repairs 2025	\$175,000	\$0	\$175,000
360073 Expansion Development 2025	\$200,000	\$0	\$200,000
360074 Apron / Taxiway / Road Repairs 2025	\$26,000	\$0	\$26,000
360067 Airport Governance Review	\$350,000	\$276,649	\$73,351
<b>Total Expenditures</b>	<b>\$3,031,700</b>	<b>\$684,837</b>	<b>\$2,346,863</b>

<b>Financing</b>	<b>Open projects</b>	<b>Actual Financing as of March 2025</b>	<b>Remaining Budget as of March 2025</b>
Airport Capital Reserve Fund	\$3,031,700	\$684,837	\$2,346,863
<b>Total Revenues</b>	<b>\$3,031,700</b>	<b>\$684,837</b>	<b>\$2,346,863</b>

Table 5 below is an illustrative example of the projected Airport Fleet Capital budget transfer to the new MAI general ledger based on the status of the capital budget as at March 31, 2025. There is one active and ongoing fleet capital project that is expected to be outstanding as of the transition date with delivery and payment forecasted to take place in August 2025.

**Table 5: 2025 Estimated Airport Fleet Reserves to be transferred from the District to MAI (for illustrative purposes).**

<b>Airport - Fleet</b>	<b>LTD Budget Approved (Airport)</b>	<b>Actual Expenditure as of March 2025</b>	<b>Remaining Budget as of March 2025</b>
130384 Airport Tandem Plow	\$359,291	\$0	\$359,291
<b>Total Expenditures</b>	<b>\$359,291</b>	<b>\$0</b>	<b>\$359,291</b>

<b>Financing</b>	<b>Open projects</b>	<b>Actual Financing as of March 2025</b>	<b>Remaining Budget as of March 2025</b>
Airport Fleet Reserve Fund	\$359,291	\$0	\$359,291
<b>Total Revenues</b>	<b>\$359,291</b>	<b>\$0</b>	<b>\$359,291</b>

**Reserve Fund Transfers (key elements of Appendix II)**

It is proposed that with the District transferring ownership of the Airport buildings, and most of the airport equipment to MAI. The reserve fund transfers of these components will also transfer from the District to MAI as outlined in the key elements attached in Appendix II to this report.

The cash balance in the Airport Capital Reserve as at December 31, 2024, is \$2,401,884. As demonstrated in Table 4 above, the remaining budget to be financed as at March 31, 2025, is \$2,346,863. This results in an uncommitted balance within the Airport Capital Reserve of approximately \$55,000.

The portion of the District’s Fleet Capital Reserve attributable to the Airport and proposed to be transferred to MAI is \$202,608 as at December 31, 2024. As demonstrated in Table 5 above, the remaining budget to be financed as at March 31, 2025, is \$359,291, resulting in an overcommitment of the Airport Fleet Capital reserve of approximately \$157,000.

Previously, the Airport was able to leverage the cash balances within the Fleet Capital and other District operating reserves to address temporary overcommitments in reserves. Post transition, MAI will need to determine how they will address the overcommitment in the MAI Fleet Capital Reserve. Options available to MAI include: reviewing and reprioritizing planned capital expenditures; seeking a temporary loan from the District of Muskoka; or, seeking external financing (if available).

**Climate Change Implications**

The District assesses climate implications in all staff reports using the Clean Air Partnership’s [‘Municipal Climate Lens Tool’](#) to consider climate impacts or benefits associated with any project, program or initiative. There is no climate impact related to this report.

**Communications**

Staff will continue to communicate directly with airport-based businesses, tenants, landowners, and the public to advise them of the creation of an MSC for the Muskoka Airport, as directed and approved through the Airport Board and Committee/Council.

Communications have been directly provided using a project specific email address ([misc@muskoka.on.ca](mailto:misc@muskoka.on.ca)) to send and receive project updates effectively and efficiently from staff to airport-based businesses, tenants, landowners, and members of the public.

Communications and engagement activities will continue to ensure the community has opportunities to provide feedback throughout this project through the [Engage Muskoka – Muskoka Airport MSC Flight Plan](#).

## **Strategic Plan**

The District assesses the impact or influence of the information or recommendations included in staff reports toward achieving Council's [Strategic Plan objectives](#).

This report includes information or recommendations that impact or influence the following Strategic Plan Objectives:

- [Objective 4 Good jobs and workers to fill them](#) – Stimulate a year-round, diverse economy and develop the workforce needed to sustain it.
- [Objective 6 Service alignment](#) – Modernize municipal services and deliver them in the way that makes most sense – best value, efficiency, and outcomes for residents.
- [Objective 7 Service excellence](#) – Improve how we communicate, create better customer experiences, and encourage residents to provide input and share their ideas.
- [Objective 8 Future thinking](#) – Plan and invest so that we have the services and infrastructure our residents and communities need – now and in the future.
- [Objective 9 Investing in our people](#) – Attract great people, develop their talents, and provide work experiences that make them want to stay.
- [Objective 10 Better together](#) – Strengthen relationships and build partnerships that will make Muskoka better.

Respectfully submitted,

Len O'Connor, Airport Chief Executive Officer;  
Rose Jackson, Continuous Improvement Officer; and  
Julie Stevens, CPA, CA, Chief Administrative Officer

Appendix I to Report 7(2025)-1  
**The District Municipality of Muskoka**  
**Asset Transfer Policy to a Municipal Services Corporation**

**1. Policy Statement**

This policy is intended to address asset transfers to corporations as required under section 7 of *Ontario Regulation 599/06* under the *Municipal Act, 2001*, as amended from time to time.

**2. Objectives**

The purpose of this policy is to permit transfers of municipal assets to municipal services corporations incorporated by the District, alone or in partnership with other municipalities, under the authority of the *Municipal Act, 2001*, as amended from time to time.

**3. Applicability**

This policy applies to the transfer of any Asset between the Municipality and a Corporation. Assets may be transferred to a Corporation at any time, and from time to time, as authorized by Council, on such terms and conditions as Council may determine.

**4. Definitions**

**Act** – *Municipal Act, 2001*, including Regulations made under it, as amended from time to time.

**Asset(s)** – A resource with economic value with an expectation that it will provide a future benefit. An asset can include real and personal property, monies, securities, equipment, land improvements, intellectual property, and any other resource that could deliver a prospective profit and/or benefit.

**Corporation** - A corporation incorporated in accordance with section 203 of the Act and Section 3 of Ontario Regulation 599/06 made under the Act.

**Council** – The Municipal Council of The District Municipality of Muskoka.

**District** – The District Municipality of Muskoka.

**Transfer** – A change of ownership from one party to another.

## 5. Policy

The District may transfer such Assets as it sees fit to Corporation, subject to the following:

5.1. The District shall ensure that all applicable legislation, including but not limited to the Act, is adhered to in any Asset transfer.

5.2. Any Asset transfer must be approved by the Council in advance of the transfer.

5.3. Council will consider the following objectives when determining whether to authorize a transfer:

- a) optimizing the use and value of the Asset;
- b) advancing the District's economic development, vitality and competitiveness;
- c) supporting community health and well-being;
- d) supporting environmentally sustainable growth;
- e) providing responsive and efficient public service; and
- f) enhancing the quality of life of the District residents.

5.4. Council shall be permitted to attach such terms and conditions to the Asset transfer as Council may determine, including but not limited to:

- a) Specifying the permitted use of the Assets;
- b) Providing for an obligation on the Corporation to transfer back to the District the Asset upon the happening of an event or events;
- c) Restricting or prohibiting further transfers of the Assets by the Corporation;
- d) Attaching a purchase price of the Asset, to be paid or owed to the District by the Corporation;
- e) Such other terms or conditions as the Council deems advisable and appropriate;
- f) Where any asset transfer is made below market value, or where any grant is given to a Corporation, the Municipal Treasurer shall prepare a statement of the value of any grant to a corporation or an estimate of the current replacement value of any other assistance provided at less than current replacement value to a corporation; and
- g) The Treasurer shall record the disposition of or transfer of the Municipal asset in accordance with Public Sector Accounting Board (PSAB) standards for government accounting and financial reporting, and Municipal accounting policies.

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**Reserve Fund Transfers**

Fleet Reserve, Assets, Capital Reserves and Operating Budget for MAI will be separated out from the District (DMM) to report separately for MAI going forward.

- a. New Operating Reserve Account for MAI** - It is proposed that a new operating reserve account be created for MAI. Operating budget surpluses at the end of each fiscal year would be transferred to this account, and any operating budget deficits at the end of a fiscal year would be funded from this account. This will essentially act as a “contingency fund” and help MAI manage year-to-fluctuations in operating costs. MAI should develop “Reserve Fund policies” which would govern contributions to, withdrawals from, and transfers between the three (3) reserve funds (Fleet Reserve, Airport Capital Reserve and Operating Reserve).
- b. Building Assets and Airport Capital Reserve for MAI** – It is proposed that all Airport buildings (9) will be transferred from the DMM to MAI. Asset management services will continue for MAI with a cost recovery under the Municipal Services Agreement. It is recommended that the Airport Capital Reserve be transferred to MAI. It is also recommended that MAI continue to increase its capital reserve fund contribution by (at least) 2% per year – to account for inflation in the cost of future capital projects. It is also proposed that any surplus funds at the end of the year from closed capital projects will be left in the Airport Capital Reserve to assist in future years in the event that future capital project costs are higher than estimated in the approved capital budget.
- c. Fleet Assets and Fleet Reserve for MAI** – Recommendation is to transfer the Airport fleet assets, and the portion of the fleet reserve associated with the Airport fleet assets to MAI. Originally there was no separate fleet airport reserve account for the Airport, as the fleet reserve combines all of the District’s fleet assets.

Appendix III to Report 7(2025)-1  
**Shareholder Agreement / Shareholder Declaration – Key Elements**

The Shareholder Agreement sets out the District's expectations regarding the governance and operation of the MSC (to be known as Muskoka Airport Inc. (MAI)), and describes the relationship between the District and MAI, including those matters for which MAI must seek District approval.

Some of the more significant elements of the Shareholder Agreement include the following:

- MAI will develop and maintain a prudent financial structure for the Airport consistent with industry benchmarks for airports of its size and class, and sound financial principles established on the basis that MAI is intended to be a self-financing entity as soon as reasonably possible;
- MAI will preserve and enhance the value of the Business and provide the Shareholder with a commercially reasonable return on its investment, through:
  - (i) payment of dividends or otherwise, as soon as reasonably possible;
  - (ii) increase in the value of the assets of MAI over time; and
  - (iii) increase in the over-all economic impact of MAI on the District of Muskoka community over time;
- MAI will manage all risks related to the Airport, through the timely adoption of appropriate risk management strategies and internal controls consistent with industry norms;
- MAI will develop Strategic Plans and Business Plans for MAI which are consistent with the operational maintenance of a viable, competitive business and which preserve and enhance the value of the Business, in concert with the budgetary process of Muskoka;
- MAI will operate in a safe and environmentally responsible manner, in accordance with Transport Canada Aviation Regulations and other applicable Laws;
- The Board of Directors of MAI will be appointed by the Muskoka District Council and will consist of between five (5) and nine (9) members. The District Chair will be appointed as a Board member, and the remaining Directors will be "independent" Directors, with relevant business and governance knowledge, experience with the airport / aeronautics industry, and financial, legal, accounting, marketing and / or commercial experience;

- The District, as the sole shareholder of MAI, may direct MAI to carry out certain actions in relation to its Business, subject to applicable Laws, and subject to providing MAI with appropriate notice of its direction;
- Approval of the District, as sole shareholder, would be required by MAI for several matters, including those noted below. For administrative efficiency, all matters included in an approved Business Plan would be considered to be approved by the District and would not require additional reports / requests for approval by MAI.
  - borrowing or other financing or the application for, or obtaining any line of credit from any financial institution;
  - approving all Business Plans, Strategic Plans and any material alteration thereof;
  - constructing any additional or demolishing any buildings or facilities on Muskoka Airport Lands;
  - entering subleases for any portion of the Muskoka Airport Lands for a period exceeding twenty (20) years;
  - appointing or changing the directors or auditors of MAI;
  - material operational expenditures, outside the approved Business Plan or Strategic Plan; and
  - material capital expenditures, outside of the approved Business Plan or Strategic Plan.
- Every three (3) years MAI will develop a 3-year Strategic Plan and submit it to District Council for approval. MAI's first 3-year Strategic Plan will be due to Council no later than twelve (12) months after incorporation of MAI;
- Every year MAI will submit to District Council an annual Business Plan and budget. MAI will align its budget requests with the District's budget approval processes; and
- Every year MAI will provide an annual report, including financial statements, to District Council. This would typically occur at a District Council meeting convened as an annual meeting as the Shareholder of MAI.

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**Ground Lease Agreement – Key Elements**

To protect the District's long-term interests in the Airport, and to provide MAI the necessary flexibility to operate the Airport, and to enter into commercial agreements (such as leases), it is proposed that the District lease the Airport lands to MAI and provide MAI with the authority to enter into sub-leases.

Some of the significant terms of the proposed lease agreement include the following:

- The District will lease the Airport lands to MAI for a period of 49 years and 11 months for nominal consideration (\$1 per year);
- MAI will be responsible for payment of all taxes and utilities;
- MAI will comply with all laws, including all Environmental laws and regulations, and will require any sub-tenants to do the same;
- Consistent with the Shareholder Agreement, MAI will have the right to demolish or construct buildings, with the prior approval of the District, and will have the right to make alterations to existing buildings, with the provision of prior notice to the District;
- MAI will have the right to sub-lease portions of the Airport lands, for terms not exceeding 20 years. Any sub-leases longer than 20 years will need the prior approval of the District;
- MAI will obtain and maintain appropriate insurance coverage, at its own cost; and
- The District will remain responsible for any environmental liabilities which exist prior to the start of the lease, and MAI will be responsible for any environmental liabilities which arise after the start of the lease.

Appendix V to Report 7(2025)-1  
**Municipal Transfer Agreement – Key Elements**

It is proposed that the District transfer ownership of the Airport buildings, and most of the airport equipment to MAI. The Municipal Transfer Agreement formalizes this transfer of tangible and intangible assets from the District to MAI.

Key elements of the Municipal Transfer Agreement include the following:

- Assets to be transferred from the District to MAI include:
  - District-owned buildings on the Airport property (total of 9 buildings);
  - Equipment that is used exclusively for airport operations (e.g. trucks, snowplows, sweeper etc.);
  - Existing contracts, licenses and agreements (e.g. leases);
  - Supplies and consumables (e.g. pre-purchased fuel);
  - Intellectual property; and
  - Airport reserves and reserve funds;
- The assets will be transferred for nominal consideration (\$2.00);
- Certain airport-related assets will not be transferred, including:
  - All computer hardware, software, systems and licenses (IT services will continue to be provided by the District to MAI as described in the Municipal Services Agreement).
- Capital projects which are underway and proposed in the future will be transferred to MAI.

Appendix VI to Report 7(2025)-1  
**Municipal Services Agreement – Key Elements**

The Municipal Services Agreement outlines the services that are to be provided by the District to MAI, and the cost-recovery arrangements for those services.

Key elements of the Municipal Services Agreement include the following:

- It is proposed that the administrative support services will continue as “status quo” for at least the first six (6) to twelve (12) months of MAI operation. This will facilitate a smooth transition to MAI and will allow the District and MAI to evaluate the efficiency and effectiveness of the administrative services model before deciding on any changes which may be mutually beneficial.
- There are a few exceptions to the “status quo” approach: External legal support – MAI will need external legal support related to the implementation and ongoing management of MAI as an Ontario Business Corporations Act (OBCA) entity. Record keeping and Board support – Airport staff will take on the responsibility for record keeping and Board support, including the preparation of reports, agenda and meeting minutes. There are no additional costs associated with transferring this responsibility to Airport staff. Communications and Marketing – for MAI to be able to devote more resources to pursuing various commercial development opportunities, including additional air service, it will need more communications and marketing support than can be provided by the District. MAI will be responsible for its own communications and marketing through a contracted service provider.
- The District currently has an internal cost-recovery approach for some of the services (e.g. fleet, insurance, finance, and facilities) for which there is provision in the Airport’s operating budget (under internal service charges – budget 2025 - \$489,626). For other services (e.g. internal human resource (HR) services, legal services, records management, and communications) there is no internal cost-recovery, and accordingly there is no provision in the Airport’s budget for these services. For consistency, it is proposed that cost-recovery for internal legal services and internal HR services be implemented once MAI is created.
- If MAI would like to “opt-out” of any of the services that the District is providing or add to them, then MAI will need to consult with the District, including an evaluation of any cost implications to the District and / or to MAI associated with the proposed changes and obtain approval by the District before proceeding.

It is proposed that the District’s authority to approve any such changes be delegated by Muskoka District Council to the CAO (unless such changes would have a significant impact on staffing levels or is above a certain budget limit).