



Report to Council

Department: Office of the CAO
Division: Office of the CAO
Date: May 3, 2021
Prepared by: Chris Nepszy, CAO
Report Number: Office of the CAO-2021-01
Subject: E.L.K. Valuation Request
Number of Pages: 4

Recommendation(s)

That Report Office of the CAO-2021-01 entitled "E.L.K. Valuation Request prepared by Chris Nepszy, CAO dated May 3rd, 2021 be received, and

That Council requests the Board of E.L.K. Energy Incorporated (E.L.K.) to obtain and fund a valuation of E.L.K. Energy Incorporated.

Purpose

Council direction is required in order to request the Board of E.L.K. to obtain and fund a valuation of E.L.K..

Background and Discussion

In 2009, the Town of Essex bought out the respective shareholder interests of its former municipal partners, Town of Lakeshore and Town of Kingsville thus becoming the sole shareholder of E.L.K. **Energy Inc. (hereinafter “E.L.K.”)**.

As a separate corporate legal entity it is important to note that E.L.K. operates completely autonomous from the Town of Essex. The Town of Essex role in comparison with the operations of E.L.K. is limited to that of a shareholder of a corporation. This means that all operations of E.L.K. are overseen not by its Shareholder, but by its appointed board of directors and further the day to day operations/management are carried out by the officers of the Corporation hired by the Board. As such, while the members of Essex Town Council have been elected to serve their residents, the members of Essex Town Council who are appointed to the E.L.K. Board may also at times have to act independently from their Councillor role. This is because such members have a duty to act in the best interests of the E.L.K. Corporation when serving on the Board.

During the past term of Council, questions arose regarding the differences/intricacies and ultimate responsibilities of Council, as the collective body that represents the Town of Essex as the shareholders of E.L.K. versus the individual Councillors who are also appointed E.L.K. Directors functioning to serve the board and the best interests of the E.L.K Corporation.

As a result Administration recently held a successful joint information session with both the Town of Essex and E.L.K. administration providing a complete overview regarding these functions and their relationship.

In a separate discussion at the regular meeting of July 8th, 2020, Council acknowledged E.L.K. as a town asset and further noted that knowing its value is important to the Town, and thus Council passed a resolution that provided direction to Town Administration to investigate the obtaining of a valuation of E.L.K.

The valuation of a business is the process of determining the current worth of a business, using objective measures, and evaluating all aspects of the business.

A business valuation might include an analysis of the company's management, its capital structure, its future earnings prospects or the market value of its assets. The tools used for valuation can vary among evaluators, businesses, and industries. Common approaches to business valuation include a review of financial statements, discounting cash flow models and similar company comparisons.

As noted above, E.L.K. legally operates autonomously from the Town of Essex. Council in its role as Shareholder would have to request the duly appointed E.L.K. board to obtain a valuation of E.L.K.

Financial Impact

As sole stakeholder wanting to understand the valuation of E.L.K., Council is able to request the board to finance the valuation, and as a result there would be no direct financial impact to the Town. In our preliminary investigation the cost of a valuation would be in the range of \$20,000.

Consultations

Jeffrey R. Morrison, Director, Corporate Services / Treasurer

Doug Sweet, Deputy CAO

Rob Auger, Town Solicitor/Clerk

Link to Strategic Priorities

- ☒ Manage, invest and plan for sustainable municipal infrastructure which meets current and future needs of the municipality and its citizens.
- ☐ Create a safe, friendly and inclusive community which encourages healthy, active living for people of all ages and abilities.
- ☒ Provide a fiscal stewardship and value for tax dollars to ensure long-term financial health to the municipality.
- ☐ Manage responsible and viable growth while preserving and enhancing the unique rural and small town character of the community.
- ☐ Improve the experiences of individuals, as both citizens and customers, in their interactions with the Town of Essex.
- ☐ **Improve the Town's capacity to meet the ongoing and future service needs of its citizens** while ensuring the corporation is resilient in the face of unanticipated changes or disruptions.