



Elements of a cost sharing agreement

General Principles

An agreement between two municipal governments begins from the premise that it is made by two parties equal in law and both with the powers to enter the contract for their own and mutual benefit. The agreement must address the fundamental issues of:

- who will do what for whom,
- when will it be done, and
- how much will it cost.

The agreement should be clear, specific and flexible.

Drafting the Agreement

Styles of legal drafting with a heavy emphasis on enforcement in situations of default (e.g.: those traditionally used in mortgages and commercial leases) are not appropriate for cost-sharing agreements. The inter-municipal agreement is a document to be used first and foremost by the municipal governments party to the agreement.

Elements of the Contract

Why of an agreement

- Vision, identified benefit, unity and framework for negotiations
- Outline of the issue to be addressed by the agreement

What of an agreement

- Definition of the service/product to be provided
- Budgeting
 - Inflation costs
 - Shares
 - Funding
 - Distribution of funds
- Basis for service/cost-sharing - Formula
- Liability - Acquisition of capital
- Veto and/or approval - Principles the agreement is based on
- Ex. the “Whereas” clauses of the agreement
- Split out the capital and operational costs
- Monitoring of Activities

Who will be doing it - Staff Resources

How will it be Done

- Identify Governance and leadership
- Roles and responsibilities
- Governance structure
 - Fair representation for decision-making
 - Different decisions may require a different decision-making structure
 - Processes to determine balance between large and small partners
- Service/cost-sharing equity
 - Decision-making process
 - Review, Continuation and Termination clauses
- Division of assets
 - Dispute resolution mechanism
 - Reporting mechanism/communication

When will it be done - Establish timelines - Ex. Service delivery timelines/schedule