

Vestry Meeting: July 29, 2018

Approval to complete negotiation and implementation of cremation arrangement with St. John's, Norway

Motion to Pass

The Wardens of the Cathedral Church of St. James seek approval to complete negotiation and implementation of a shared business arrangement with St. John's, Norway, focused on crematorium services.

Background Information

Since September 2017, a working group representing the cemeteries of the Cathedral (SJC) and St. John's Norway (SJN) has focused on developing a joint business arrangement between the crematorium operations run by each cemetery. This arrangement seeks to match surplus cremation business at SJC with surplus cremation capacity at SJN.

SJN has operated cremation services since the late 1990's, identical in capacity to the older SJC facilities, but with annual business volumes substantially lower. High real estate prices, funeral home closures and the emergence of large scale funeral services have substantially reduced cremation volumes at SJN. SJC has a more established client base ('client' meaning funeral home), and has historic volumes 5 to 6 times SJN.

Changes in the funeral industry have commoditized cremation services, meaning many providers have similar services, low costs, and equally low fees (including substantial cremation rebates given to the funeral providers by the cremation operations).

Overview of the arrangement with St. John, Norway

Governed by a contract, St. James will assume day to day operations of the cremation facility at St. John's, including supervision of SJN's Cremation Operators. SJC will be responsible for:

- Sending a minimum of 800 cremations to SJN annually, paying a fixed fee to SJN for each cremation.
- Collecting all cremation fees from the funeral homes
- Supervising cremation operations at SJN on a day to day basis, including cremation scheduling
- Monitoring SJN's cremation equipment.

SJN is responsible for:

- Providing staff to run the crematorium
- Maintaining and following existing controls and procedures for each cremation
- Maintaining the building and related facilities surrounding and supporting the crematorium
- All other aspects of their cemetery business

St. James is in no way assuming ownership or control of the cemetery of SJN.

Benefits

The arrangement with St James will:

- Provide an opportunity for SJC to expand crematorium capacity (currently at capacity)

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- Extend the working life of SJC's retorts by reducing peak usage
- Provide a stable income stream for SJN's cemetery
- Allow knowledge sharing between the two cemeteries; particularly important in the very competitive Toronto funeral industry.

Risks

Risk Description	Probability and impact	Mitigation
St. James fails to perform or St. John's underperforms	Low probability but with high impact, particularly if revenue levels for SJN fall below existing pre-agreement levels or SJN's retorts are not properly maintained and cannot be relied upon.	Detailed contract with required quarterly and annual meetings to review performance of both parties.
Negative impact to SJN/SJC's existing funeral home client base.	Medium probability with high impact (if existing revenue levels fall and).	A detailed implementation plan, including an external communication plan is being developed between the two cemeteries.

Approval Stages

In order to implement, the following must occur and be completed:

- Vestry approval by SJN and SJC
- Completion of the contract
- Diocesan Trust Committee approval
- Bereavement Authority of Ontario (BAO, the Regulator) approval
- Signing of the contract by SJN and SJC

Current state and next steps

As of June 8, 2018 a second draft of the contract has been received and is being reviewed; at least one more draft is expected. In parallel with this, work is now underway on implementation and communication plans, including the development of new procedures between the two cemeteries.

Once Vestry approval has been gained from both churches, the completed contract will be tabled with the Diocesan Trust Committee for review and approval; following this, an application to the BAO.

As of current date, factoring in approval stages, implementation is expected in early Fall, 2018.