

Agenda Including Addeds

Corporate Services Committee

17th Meeting of the Corporate Services Committee

October 3, 2023

12:00 PM

Council Chambers - Please check the City website for additional meeting detail information. Meetings can be viewed via live-streaming on YouTube and the City Website.

The City of London is situated on the traditional lands of the Anishinaabek (AUh-nish-in-ah-bek), Haudenosaunee (Ho-den-no-show-nee), Lūnaapéewak (Len-ah-pay-wuk) and Attawandaron (Add-a-won-da-run).

We honour and respect the history, languages and culture of the diverse Indigenous people who call this territory home. The City of London is currently home to many First Nations, Métis and Inuit today.

As representatives of the people of the City of London, we are grateful to have the opportunity to work and live in this territory.

Members

Councillors S. Lewis (Chair), H. McAlister, S. Stevenson, S. Trosow, D. Ferreira, Mayor J. Morgan

The City of London is committed to making every effort to provide alternate formats and communication supports for meetings upon request. To make a request specific to this meeting, please contact CSC@london.ca or 519-661-2489 ext. 2425.

	Pages
1. Disclosures of Pecuniary Interest	
2. Consent	
2.1 City of London's Credit Rating	3
2.2 2023 Mid-Year Operating Budget Monitoring Report	14
2.3 2023 Mid-Year Capital Budget Monitoring Report	26
2.4 SS-2023-252 New Fibre Network Service Installation for Fire Station No. 15	57
3. Scheduled Items	
4. Items for Direction	
4.1 Budweiser Gardens Proposed Expansion - Additional Information and Proposed Amending Agreement	61
4.2 Application - Issuance of Proclamation - National Day of Awareness (Economic Abuse Awareness Day)	102
4.3 <i>(ADDED) Application - Issuance of Proclamation - Turkish Republic Day</i>	104
5. Deferred Matters/Additional Business	
6. Confidential (Enclosed for Members only.)	
6.1 Land Acquisition/Disposition / Solicitor-Client Privileged Advice / Position, Plan, Procedure, Criteria or Instruction to be Applied to Any Negotiations	
A matter pertaining to the proposed or pending lease of office space by	

the municipality, including communications necessary for that purpose; advice that is subject to solicitor-client privilege; commercial and financial information, that belongs to the municipality and has monetary value or potential monetary value and a position, plan, procedure, criteria or instruction to be applied to any negotiations carried on or to be carried on by or on behalf of the municipality.

7. Adjournment

Report to Corporate Services Committee

To: Chair and Members
Corporate Services Committee

From: Anna Lisa Barbon, CPA, CGA, Deputy City Manager, Finance
Supports

Subject: City of London's Credit Rating

Date: October 3, 2023

Recommendation

That, on the recommendation of the Deputy City Manager, Finance Supports, the City of London's Credit Rating Report, providing a summary of Moody's Investors Service Credit Opinion of the City of London, **BE RECEIVED** for information.

Executive Summary

The City of London has achieved the Aaa ('triple A') credit rating with a stable outlook as part of Moody's Investors Service (Moody's) latest Credit Opinion. Issued on September 11, 2023, this marks the 47th consecutive year of such a rating and represents the highest credit rating issued by Moody's.

Linkage to the Corporate Strategic Plan

Council's 2023-2027 Strategic Plan for the City of London identifies 'Londoners experience good stewardship, exceptional and valued service' as an outcome of the strategic area of focus "Well Run City". Maintaining London's finances in a transparent, sustainable and well-planned manner by adhering to robust financial policies and practices has helped the City maintain positive operating results, stable debt levels, and strong liquidity, reflected in the credit rating assigned by Moody's and links to the strategy of 'Review, update and implement the City's strategic financial principles, policies and practices'.

Analysis

1.0 Background Information

Moody's is a leading provider of credit ratings, research, and risk analysis. The firm's ratings and analysis track debt covering more than 130 countries, 11,000 corporate issuers, 21,000 public finance issuers and 76,000 structured finance obligations. Typically, Moody's reviews the credit worthiness of the City of London annually and then assigns the City a credit rating.

The rating process involved a review of the City's 2022 Financial Statements, 2022 Financial Information Return, 2023 Annual Budget Update and recent relevant reports to Council (e.g. Budget Monitoring Reports). Moody's also utilizes independent research from a variety of sources such as Statistics Canada, comparisons with other municipalities, and news from local media. Along with reviewing and analyzing documents, Moody's arranges a meeting with the City including members of Civic Administration and the Mayor or Deputy Mayor.

The Credit Opinion for the City of London, published September 11, 2023 by Moody's, is attached as **Appendix A** to this report. Consistent with prior years, the City has maintained its Aaa credit rating with a stable outlook. The City has held the Aaa rating since 1977, making 2023 the 47th consecutive year of the Aaa rating and reaffirming that the City's debt has the highest rating possible. The Aaa rating is integral in securing buyers for the City's debentures. Moody's stable outlook "reflects the long track record of solid operating outcomes, which are built on the City's prudent management and long-term planning approach and strong protection to bondholders stemming from a relatively low debt and interest burden as well as sizeable level of reserves."

2.0 Discussion and Considerations

The Moody's Credit Opinion summarizes the City's credit strengths and challenges. The credit strengths of the City support the rating outlook of Aaa while the challenges are factors that could impact the rating in the future.

The City's credit strengths include:

- High levels of cash and investments providing strong liquidity;
- Low debt levels supported by conservative debt management practices;
- Mature, supportive, institutional framework governing municipalities in Ontario; and,
- Track record of generating positive fiscal outcomes highlights robustness of fiscal planning.

Moody's comments regarding the City's track record of generating positive fiscal outcomes are as follows:

"...the City of London displays strong governance and management practices, such as the application of multi-year budgets, which helps to promote stable operations. London's history of posting positive operating results, application of strict controls on debt issuance, and conservative debt and investment policies which limit their exposure to market related risks and help ensure relatively smooth debt servicing costs all act as evidence of the city's strong management and governance."

The comments provided by Moody's in their review of the City of London's credit rating further supports the strategy prioritized by Council to ensure Londoners experience good stewardship, exceptional and valued service by ensuring London's finances are maintained in a transparent, sustainable and well planned manner. The application of multi-year budgeting signifies that the City is looking beyond a short-term horizon when planning its finances. The City's Multi-Year Budget provides alignment of longer-term goals with longer-term funding plans, improved accountability and transparency over spending changes. Taking a long-term view with respect to financial matters has led to fiscally responsible decisions, as reflected in the City's credit rating. According to Moody's, "the multi-year budget approach proved beneficial during the pandemic given the city's plans were already well developed which made the process to find mitigating measures relatively easier than for other municipalities that still needed to "build" their budget."

The City's credit challenges outlined by Moody's include the potential for "near-term fiscal pressures stemming from cost escalation and provincial changes." Moody's further states that "While the low debt levels of the city will limit budgetary pressure caused by higher interest rates, interest expense will rise as well pushing the "all-in" cost of capital projects up."

Moody's also comments that "legislative changes restricting local governments' ability to impose development charges on certain projects" poses additional pressure with no formal process implemented to date to provide additional funding to municipalities to offset the lost revenue.

Consistent with previous years, Moody's notes that a sustained loss of fiscal discipline leading to a material increase in debt or a substantial reduction in accessible financial reserves could place downward pressure on the City's credit rating. A credit rating downgrade or change in outlook to negative by Moody's may cause investors to lose confidence in the City's financial management practices and/or the corresponding quality of the City's debt, potentially affecting the City's ability to raise future financing. This would also increase interest rates at which the City issues debt, which would increase debt servicing costs for the City.

Moody's introduced an explicit reporting on Environmental, Social and Governance (ESG) Credit Impact Score (CIS) in 2022. It is important to note that this ESG score is not an evaluation of the City's performance or activities as it relates to ESG but rather a reflection of

how ESG factors within the City of London impact credit risk and therefore the credit rating of the City. The CIS is based on a scale from one to five:

- CIS - 1; representing positive impact
- CIS – 2; representing neutral to low impact
- CIS – 3; representing moderately negative impact
- CIS – 4; representing highly negative impact
- CIS – 5; representing very highly negative impact

The City’s overall ESG CIS is CIS – 2; neutral to low impact. The environmental profile received a score of two; the social profile received a score of two; and the government profile received a score of one, which “captures London’s very strong institutional and governance framework” according to Moody’s.

3.0 Financial Impact/Considerations

The Moody’s Credit Opinion does not have a direct financial impact but affects the rates at which the City is able to issue debt, which in turn affects the City’s debt servicing costs. The Aaa rating allows the City to issue debt at favourable rates as debentures rated Aaa are perceived to have less risk of default.

Conclusion

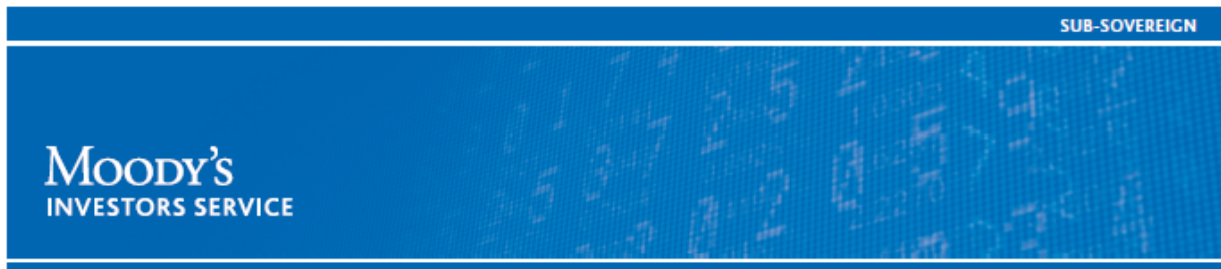
The City’s achievement of Moody’s Aaa credit rating for 47 consecutive years is a testament to the success of the City’s prudent, conservative approach to fiscal planning and related policies. Maintaining this top credit rating through a year with continued impacts from high inflation and persistent global pressures is also a testament to the flexibility and adaptability of the City’s financial policies and processes. These prudent financial policies and practices will position the City well as the City embarks on the 2024-2027 Multi-Year Budget in support of the 2023-2027 Strategic Plan.

Prepared by: Folakemi Ajibola, CTP, ACMA, CGMA Manager, Financial Modelling, Forecasting and Systems Control (Treasury)

Submitted by: Kyle Murray, CPA, CA, Director, Financial Planning and Business Support

Recommended by: Anna Lisa Barbon, CPA, CGA, Deputy City Manager, Finance Supports

Appendix “A”



CREDIT OPINION

11 September 2023

Update

Send Your Feedback

RATINGS

London, City of

Domicile	London, Ontario, Canada
Long Term Rating	Aaa
Type	Senior Unsecured - Dom Curr
Outlook	Stable

Please see the [ratings section](#) at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

Contacts

Michael Yake +1.416.214.3865
Associate Managing Director
michael.yake@moodys.com

Max Pinto +1.647.417.6303
Associate Analyst
suchith.pinto@moodys.com

Adam Hardi, CFA +1.416.214.3636
Vice President - Senior Analyst
adam.hardi@moodys.com

Marie Diron +44.20.7772.1968
MD - Global Sovereign Risk
marie.diron@moodys.com

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

City of London (Canada)

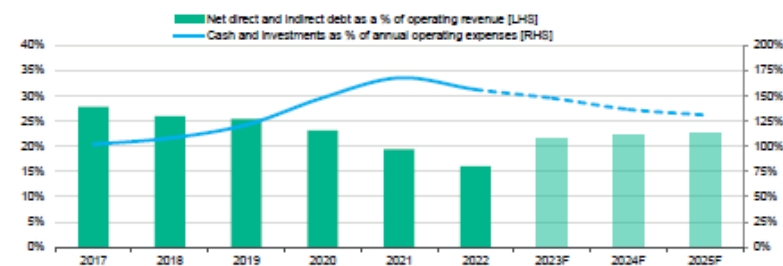
Update to credit analysis

Summary

The credit profile of the [City of London](#) (Aaa stable) reflects the long track record of solid operating outcomes, which are built on the city's prudent management and long-term planning approach. The credit profile also reflects the strong protection to bondholders stemming from relatively low debt and interest burdens. The city also holds sizeable levels of reserves which protect against unforeseen pressures. While debt is expected to increase across the next 3-4 years due to an increase in growth related capital projects, we do not see this as a change in the city's strong debt management policies.

Exhibit 1

Even with a forecasted increase, the city's debt will remain low and the city's reserves will continue to provide ample coverage of operating expenses



Sources: City of London financial statements and Moody's Investors Service

Credit strengths

- » High levels of cash and investments provide strong liquidity
- » Low debt levels supported by conservative debt management practices
- » Mature, supportive, institutional framework governing municipalities in Ontario
- » Track record of generating positive fiscal outcomes highlights robustness of fiscal planning

Credit challenges

- » Near-term fiscal pressures stemming from cost escalation and provincial changes

Rating outlook

The outlook for London's Aaa debt rating is stable, reflecting our expectation that the city's fiscal management will continue to ensure that operations remain well maintained, liquidity remains strong and debt will continue to remain within our forecasts across the next 3 years.

Factors that could lead to a downgrade

Downward pressure could arise if the city were to experience a sustained loss of fiscal discipline leading to a material increase in debt or substantial reduction in accessible financial reserves.

Key indicators

London, City of

(Year Ending 12/31)	2019	2020	2021	2022	2023F	2024F
Net Direct and Indirect Debt/Operating Revenue (%)	25.4	23.1	19.4	16.1	21.6	22.2
Gross Operating Balance/Operating Revenue (%)	21.2	24.0	24.7	24.1	22.1	20.1
Cash Financing Surplus (Requirement)/Total Revenue	13.2	16.9	20.3	9.1	13.5	13.2
Interest Payments/Operating Revenue (%)	0.7	0.7	0.5	0.4	0.6	0.6
Debt Service/Total Revenue (%)	4.7	4.7	4.3	3.4	3.1	3.0
Capital Spending/Total Expenditures (%)	19.1	20.3	19.6	22.3	21.8	20.8
Self-Financing Ratio	1.8	2.0	2.3	1.5	1.8	1.8

Sources: City of London/Financial statements and Moody's Investors Service

Detailed credit considerations

The City of London's Aaa rating combines (1) a baseline credit assessment (BCA) of aaa, and (2) a high likelihood of extraordinary support coming from the [Province of Ontario](#) (Aa3 positive) in the event London faced acute liquidity stress.

Baseline credit assessment

High levels of cash and investments provide strong liquidity

London's credit profile is supported by a strong liquidity position which provides a significant measure of safety for bondholders. In 2022, the city's cash and investments were equal to 7.8x net debt and 1.4x annual operating expenses. To achieve these levels, the city has continued to follow prudent fiscal management and liquidity policies across multiple changes in the municipal council, which we expect to continue into the future.

London's investment policies ensure that the city minimizes credit risk and maintains liquidity of its investment portfolio. The city's policies outline various limits placed on investment decisions, such as limiting the concentration of investments in specific sectors or issuers, limiting investments to only highly rated securities and ensuring a variety of maturities. The presence and adherence to these policies offers reassurance that the city's investment management policies provide security to liquidity, which along with the level of liquidity, is a strong credit positive.

Low debt levels supported by conservative debt management practices

London's net direct and indirect debt expressed as a percentage of operating revenues measured 16.1% in 2022. While Canadian municipalities can only issue debt for capital reasons, which therefore helps limit indebtedness, London's debt burden is low even compared to domestic peers. Even though Canadian municipalities' revenue structure and high level of operating expense tend to not favour funding capital needs from operations, London has successfully oriented its budget process to minimize debt needs while still implementing necessary capital projects. The city's 2023-2032 capital plan totals CAD3.9 billion across tax-supported and rate-supported projects.

The low debt burden is propelled by the conservative debt policies that the city employs such as a self-imposed "debt cap" which limits the amount of debt that can be issued for capital projects as well as the move to a greater reliance on pay-as-you-go financing. Debt

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the Issuer/deal page on <https://ratings.moodys.com> for the most updated credit rating action information and rating history.

issuance is also reduced through the use of multiple policies overseeing the use of excess funds at year end: the city applies all year-end debt service savings, 50% of unallocated assessment growth as well as 50% of any operating surplus that it generates towards financing needs that would have otherwise be funded from authorized debt issuance. The city has also eliminated debt for lifecycle maintenance of capital, which limits debt issuance to new and/or growth related needs.

The low debt burden also translates into a relatively low interest expense. In 2022, interest expense consumed only 0.4% of operating revenues. Given the efforts to minimize debt issuance, the city's debt service costs as a percentage of revenue are expected to remain low in the intermediate term even as interest rates rise.

Mature, supportive institutional framework governing municipalities in Ontario

The institutional framework governing municipalities in Ontario is mature and highly developed. The division of roles and responsibilities between the province and municipalities is clearly articulated. Municipalities are, however, subject to the powers and responsibilities imposed upon them by their respective provinces. Historically, changes to the institutional framework have occurred at a measured, evolutionary pace, following discussions between both parties. Nevertheless, in certain cases, changes have occurred more rapidly.

London's creditworthiness benefits from the stability inherent in the provincial institutional framework. Provincial legislation dictates a high degree of oversight, including limits on debt servicing costs, while policy flexibility, on both the revenue and expenditure sides of the ledger, helps London to manage pressures as they arise.

Track record of generating positive fiscal outcomes highlights robustness of fiscal planning

Similar to other highly rated Ontario municipalities, the City of London displays strong governance and management practices, such as the application of multi-year budgets, which helps to promote stable operations. London's history of posting positive operating results, application of strict controls on debt issuance, and conservative debt and investment policies which limit their exposure to market related risks and help ensure relatively smooth debt servicing costs all act as evidence of the city's strong management and governance.

The city manages its plans using a four-year budget that is prepared during the first year of a new council and extends into the first year of the following council period. Through this process, annual departmental expenditures for the four years are determined in the initial budget year, and in theory only expenditures that are supported through additional assessment growth can be passed outside of the initial budget. City Council can still raise property taxes above the four-year planned approved rates as part of the annual budget review process.

Despite the multi-year approach, this budget model provides sufficient flexibility for London to adjust the fiscal plan in each year if necessary. This was evident during the peak of the pandemic when, in 2020 and 2021, the city was able to lower service levels where applicable and defer some new initiatives and capital projects to manage the fiscal pressure it faced. In our view, the multi-year budget approach proved beneficial during the pandemic given the city's plans were already well developed which made the process to find mitigating measures relatively easier than for other municipalities that still needed to "build" their budget.

Near-term fiscal pressures stemming from cost escalation and provincial changes

Broad global pressures that arose in 2022 and persisted through 2023 will continue to impact the city in the 2024. These include high inflation which has increased costs for most goods and service at a rapid pace, high energy costs and interest rates that represent a significant shift than those recorded over the previous decade. While the city benefits from multi-year collective agreements with the majority of its labour force, we anticipate that as contracts expire, unions will seek higher than previous wage adjustments to reflect the higher cost of living. Additionally, we expect prices for materials and services purchased by the city will remain elevated. While the low debt levels of the city will limit budgetary pressure caused by higher interest rates, interest expense will rise as well pushing the "all-in" cost of capital projects up.

In addition to these operating pressures, in November 2022, the Province of Ontario made legislative changes restricting local governments' ability to impose development charges (which are fees applied to new housing projects to help fund the necessary infrastructure to service them) on certain projects. The provincial goal behind this change is to encourage multi-unit projects and affordable housing by lowering the costs for these units. While the province indicated it will provide additional funding to municipalities to offset the lost revenue, no formal process to do so has been implemented to date. As such, the changes currently curtail London's

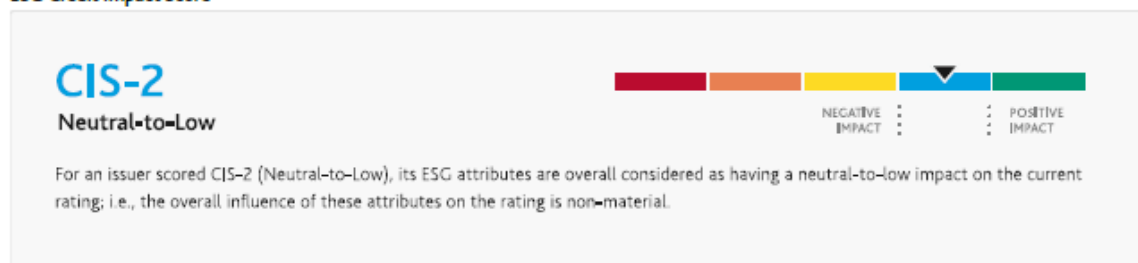
ability to generate future development charge revenues, impacting its revenue potential. The province's push to develop more housing quicker than the region previously planned will likely also lead to an accelerated plan for infrastructure projects on undeveloped lands.

Additional provincial changes include the assignment of 'strong mayor' powers to London along with many other large municipalities in Ontario. Under the 'strong mayor' system, the mayor can assume the responsibility of preparing the budget, appoint chairs to committees and boards and have a veto on certain motions brought to council. The latter however is subject to the veto being to support motions in-line with provincial priorities. Although granting these powers does not meaningfully change the governance of the city, the linkage of the veto to provincial priorities increases the risk of indirect intervention by the province in municipal affairs.

ESG considerations

City of London's ESG Credit Impact Score is Neutral-to-Low CIS-2

Exhibit 3
ESG Credit Impact Score



Source: Moody's Investors Service

London's **CIS-2** ESG Credit Impact Score reflects the low exposure to environmental and social risk considerations, any presence of which is further mitigated by the very strong governance and policy effectiveness of the city.

Exhibit 4
ESG Issuer Profile Scores



Source: Moody's Investors Service

Environmental

The E issuer profile score (IPS) is **E-2**, reflecting that neither the city's infrastructure nor economic base are subject to material risks stemming from environmental concerns. The city's relatively small geographic footprint and high regulations on water management and waste further minimizes any exposure to environmental risks.

Social

The **S-2** IPS captures the city's role in providing key public services such as public safety (police, fire and paramedic) and environmental (water and waste collection), but demand for these services do not face risks from social considerations given the stable population levels and predictable demographic trends which allows for long-term forecasting of such service requirements. London has a high level of education and overall strong levels of public health and safety.

Governance

The positive **G-1** IPS captures London's very strong institutional and governance framework. The city utilizes prudent financing planning, including the establishment of a 4-year budget plan, and makes use of forward looking assumptions which provides the city with the ability to identify potential pressures and allows for sufficient time to adjust plans accordingly to mitigate any credit implications. The city provides transparent, timely financial reports and adheres to strict policies on debt and investment management.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Extraordinary support considerations

Moody's assigns a high likelihood of extraordinary support from the Province of Ontario (Aa3 positive), reflecting Moody's assessment of the incentive provided to the provincial government of minimizing the risk of potential disruptions to capital markets if London, or any other Ontario municipality, were to default.

Rating methodology and scorecard factors

In the case of London, the BCA of aaa assigned by the rating committee is close to the suggested outcome of aa1. The suggested outcome reflects (1) an idiosyncratic risk score of 2 (presented below) on a 1 to 9 scale, where 1 represents the strongest relative credit quality and 9 the weakest; and (2) a systemic risk score of Aaa, as reflected in the sovereign bond rating (Aaa stable).

For details of our rating approach, please refer to the methodology [Regional and Local Governments](#), 16 January 2018

Exhibit 5 London, City of Regional & Local Governments

Baseline Credit Assessment – Scorecard	Score	Value	Sub-factor Weighting	Sub-factor Total	Factor Weighting	Total
Factor 1: Economic Fundamentals				3.80	20%	0.76
Economic Strength [1]	5	102.95%	70%			
Economic Volatility	1		30%			
Factor 2: Institutional Framework				1	20%	0.20
Legislative Background	1		50%			
Financial Flexibility	1		50%			
Factor 3: Financial Position				1.50	30%	0.45
Operating Margin [2]	1	24.25%	12.5%			
Interest Burden [3]	1	0.50%	12.5%			
Liquidity	1		25%			
Debt Burden [4]	1	16.07%	25%			
Debt Structure [5]	3	19.53%	25%			
Factor 4: Governance and Management				1	30%	0.30
Risk Controls and Financial Management	1					
Investment and Debt Management	1					
Transparency and Disclosure	1					
Idiosyncratic Risk Assessment						1.71 (2)
Systemic Risk Assessment						Aaa
Suggested BCA						aa1
Assigned BCA						aaa

[1] Local GDP per capita as % of national GDP per capita
 [2] Gross operating balance by function/operating revenues
 [3] (Adjusted) Interest expenses/operating revenues
 [4] Net direct and indirect debt/operating revenues
 [5] Short-term direct debt/total direct debt
 Source: Moody's Investors Service; Fiscal 2022.

Ratings

Category	Moody's Rating
LONDON, CITY OF	
Outlook	Stable
Senior Unsecured -Dom Curr	Aaa

Source: Moody's Investors Service

© 2023 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved. CREDIT RATINGS ISSUED BY MOODY'S CREDIT RATINGS AFFILIATES ARE THEIR CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MATERIALS, PRODUCTS, SERVICES AND INFORMATION PUBLISHED BY MOODY'S (COLLECTIVELY, "PUBLICATIONS") MAY INCLUDE SUCH CURRENT OPINIONS. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT OR IMPAIRMENT. SEE APPLICABLE MOODY'S RATING SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY MOODY'S CREDIT RATINGS. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS, NON-CREDIT ASSESSMENTS ("ASSESSMENTS"), AND OTHER OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. AND/OR ITS AFFILIATES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS, ASSESSMENTS AND OTHER OPINIONS AND PUBLISHES ITS PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS, AND PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS OR PUBLICATIONS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the credit rating process or in preparing its publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY CREDIT RATING, ASSESSMENT, OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any credit rating, agreed to pay to Moody's Investors Service, Inc. for credit ratings opinions and services rendered by it fees ranging from \$1,000 to approximately \$5,000,000. MCO and Moody's Investors Service also maintain policies and procedures to address the independence of Moody's Investors Service credit ratings and credit rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold credit ratings from Moody's Investors Service, Inc. and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moody's.com under the heading "Investor Relations — Corporate Governance — Charter Documents - Director and Shareholder Affiliation Policy."

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657 AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors.

Additional terms for Japan only: Moody's Japan K.K. ("MJJK") is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJJK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJJK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJJK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJJK or MSFJ (as applicable) have, prior to assignment of any credit rating, agreed to pay to MJJK or MSFJ (as applicable) for credit ratings opinions and services rendered by it fees ranging from JPY100,000 to approximately JPY550,000,000.

MJJK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.

REPORT NUMBER 1376203

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

Report to Corporate Services Committee

To: Chair and Members
Corporate Services Committee

From: Anna Lisa Barbon, CPA, CGA, Deputy City Manager, Finance Supports

Subject: 2023 Mid-Year Operating Budget Monitoring Report

Date: October 3, 2023

Recommendation

That, on the recommendation of the Deputy City Manager, Finance Supports, the following actions be taken with respect to the 2023 Mid-Year Operating Budget Monitoring Report:

- a) The 2023 Operating Budget Mid-Year Monitoring Report for the Property Tax Supported Budget, Water Budget, and Wastewater and Treatment Budget **BE RECEIVED** for information. An overview of the corporate projections are outlined below, noting that the year-end positions could fluctuate based on factors beyond the control of Civic Administration:
 - i) Property Tax Supported Budget projected surplus of \$18.0 million.
 - ii) Water Rate Supported Budget projected surplus of \$5.5 million.
 - iii) Wastewater and Treatment Rate Supported Budget projected surplus of \$3.7 million.

It being noted that Property Tax, Water, and Wastewater & Treatment Budget surplus will be allocated in accordance with the Council Approved Surplus/Deficit Policy.

Executive Summary

This report provides a summary of the projected 2023 year-end operating results for the Property Tax Supported Budget, the Water Rate Supported Budget and Wastewater and Treatment Rate Supported Budget.

The Property Tax Supported Budget is projecting a surplus of \$18.0 million. The surplus is primarily driven by higher than anticipated investment revenue due to higher interest rates and blue box transition revenue from 50% municipal funding to 100% industry responsibility.

The Water Rate Supported Budget is projecting a surplus of \$5.5 million primarily from higher than anticipated consumption-based revenues in the residential sector and growth in the City.

The Wastewater and Treatment Rate Supported Budget is projecting a surplus of \$3.7 million. Similar to the Water Budget, this is driven by higher than anticipated consumption-based revenues in the residential sector and growth in the City.

The Municipal Council approved Surplus/Deficit Policy provides for the allocation of Property Tax, Water, and Wastewater and Treatment year-end surplus, if realized. Application of year-end surplus in accordance with the Surplus/Deficit Policy benefits the 2024 to 2027 Multi-Year Budget development process through reduced future debt issuances, one-time contributions to address future infrastructure needs and one-time contributions to the Community Investment Reserve Fund to be used as a funding source at the discretion of Municipal Council.

Linkage to the Corporate Strategic Plan

Council's 2023 to 2027 Strategic Plan for the City of London identifies 'Well-Run City' as a strategic area of focus. The City of London's Multi-Year Budget development and monitoring is a strategy to align financial resources with Council's Strategic Plan and to maintain London's finances in a transparent, sustainable, and well-planned manner, incorporating intergenerational equity, affordability and environmental, social, and governance considerations. On a semi-annual basis, through the Operating Budget Monitoring Report process, Civic Administration measures the results achieved against approved budgets, and recommends appropriate adjustments in line with City policies and practices. This exercise ensures the operating budget is continuously monitored and if needed, amended to be reflective of the City's Strategic Plan.

Analysis

1.0 Background Information

1.1 Previous Reports Related to this Matter

Corporate Services Committee, meeting on April 11, 2023, Agenda Item 2.1, 2022 Year-End Operating Budget Monitoring Report
<https://pub-london.escribemeetings.com/filestream.ashx?DocumentId=98450>

2.0 Discussion and Considerations

Budget monitoring is a key component for the governance and accountability process of the 2020 to 2023 Multi-Year Budget. As part of the Multi-Year Budget for the Corporation of the City of London (the "City"), the budget monitoring and reporting process ensures that Council and the community are provided with the information to understand actual and projected spending against the budget.

Each year Civic Administration will submit two monitoring reports to Council, the Operating Budget Mid-Year Monitoring Report and Operating Budget Year-End Monitoring Report. In addition to these two reporting cycles, once per year the multi-year budget is updated through the Annual Budget Update (refer to **Appendix B** for the budget cycle). The monitoring reports and annual budget updates inform Council and the community of the City's progress towards achieving the approved multi-year budget targets.

The purpose of this report is to:

- Provide an overview of the projected financial results of the operating budgets for the Property Tax Supported Budget and Water and Wastewater and Treatment rate supported budgets.
- Provide a summary of emerging issues that may impact the 2024 to 2027 Multi-Year Budget.

3.0 Financial Impact/Considerations

3.1 2023 Property Tax Supported Operating Budget Monitoring

The City is projecting to end the year in a surplus position of \$18.0 million for the Property Tax Supported Budget. Table 1 provides a summary breakdown of the projected year-end position.

Table 1 – Key Factors Impacting the Projected Year-end Position (\$ millions)

Contributing Factor	Surplus/ Deficit	% of Total Gross Budget
Financial Management component - Investment revenue surplus - Higher interest rates and higher average cash balances than budgeted. These savings are in addition to the \$1.4 million tax levy reduction from investment revenue approved as part of the 2023 Annual Budget Update. The Bank of Canada has raised its overnight target rate from 0.25% in March 2022 to 5.0% in July 2023, rates that are significantly higher than was originally budgeted as part of the 2020 to 2023 Multi-Year Budget.	\$14.4m	1.3%
Garbage & Recycling component - Green Bin surplus - delay in receiving collection vehicles delayed the implementation of the Green Bin program. Recycling surplus - primarily driven by the transitioning, as of July 1st, 2023, of the cost of collecting recyclable material (Blue Box) to the producers. These savings are in addition to the \$1.5 million that was an approved tax levy reduction as part of the 2023 Annual Budget Update.	\$5.0m	0.4%
Social & Community Support component - surplus driven by unspent municipal expansion funds in Childcare due to COVID related delays and lower than projected caseload in Ontario Works.	\$3.7m	0.3%
Parking component - Parking meter and lot fees - deficit due to decreased demand for paid parking and increased usage of CORE Promo Code discount	-\$2.6m	-0.2%
All other areas - Development Services, Roadways, Public Support are some of the areas in a deficit position (lower user fee revenue, inflation are main factors), partially offset by areas in a surplus position	-\$2.5m	-0.2%
Total Projected Year-End Position	\$18.0m	1.6%

Subject to rounding

It should be reiterated that the investment revenue surplus is largely attributable to higher than anticipated interest rates. While the investment revenue budget will be reviewed as part of 2024-2027 Multi-Year Budget development, the persistence of this surplus depends largely on economic conditions and Bank of Canada monetary policy outside the control of the City of London.

For a breakdown of the surplus/deficit by service grouping, refer to **Appendix A**.

Allocation of 2023 Projected Surplus

The Council approved Surplus/Deficit Policy provides for the allocation of reported surplus for the Property Tax Supported Budget as follows:

- a) 50% to reduce future debt issuance, it being noted that debt reduction will reduce future years' debt servicing costs;
- b) 25% to the Community Investment Reserve Fund to be allocated at the discretion of Municipal Council, and;
- c) 25% to the Capital Infrastructure Gap Reserve Fund (or other reserve fund to mitigate infrastructure needs at the discretion of the City Treasurer) to address future infrastructure needs.

As per Policy, the projected \$18.0 million surplus, if realized, will be allocated as follows:

- a) \$9.0 million to reduce debt;

- b) \$4.5 million to the Community Investment Reserve Fund, and;
- c) \$4.5 million to the Capital Infrastructure Gap Reserve Fund.

Application of year-end surplus in accordance with the Surplus/Deficit Policy benefits the 2024 to 2027 Multi-Year Budget development process. Using surplus to reduce the amount of future debt issuances indirectly provides tax levy relief through the reduction to future year's debt servicing costs. Contributing funds to the Capital Infrastructure Gap Reserve Fund provides a funding source to manage the infrastructure gap, a strategy outlined in the 2023-2027 Strategic Plan and Corporate Asset Management Plan. The Community Investment Reserve Fund can be utilized as a funding source at the discretion of Municipal Council, including initiatives linked to the Strategic Plan.

3.2 2023 Water Rate Supported Operating Budget Monitoring

The 2023 Water Rate Supported Budget projected surplus is \$5.5 million (Table 2).

Table 2 – 2023 Projected Year-End Position (\$millions)

Water	Budget	Actuals to June 30	% of Budget June 30	Projected Year-End Position	Projected Surplus/Deficit
Revenues	93.7	42.2	45.1%	97.1	3.4
Expenditures	93.7	45.6	48.7%	91.6	2.1
Net Balance Surplus/(Deficit)	0.0	-3.4	N/A	5.5	5.5

Subject to rounding

The projected year-end position is driven by the following:

- \$3.4 million surplus in revenues, primarily from an increase in water usage due to the continued higher than anticipated residential consumption and growth in the City. An extremely dry spring has contributed to higher than anticipated consumption by residential users.
- \$2.1 million surplus in expenditures driven by various operational cost savings. This includes a Purchase of Water surplus due to a previously discovered meter error at the Arva pumping station that resulted in an overstated purchase of water budget that has carried forward to the 2023 budget, which will be adjusted for the 2024 to 2027 Multi-Year Budget.

The Council approved Surplus/Deficit Policy provides for the allocation of reported surplus for the Water Rate Supported Budget as follows:

- a) 50% to reduce Water future debt issuance, it being noted that debt reduction will reduce future years' debt servicing costs, and;
- b) 50% to the Waterworks Reserve Fund to address future infrastructure needs.

As per Policy, the projected \$5.5 million surplus, if realized, will be allocated as follows:

- a) \$2.75 million to reduce authorized debt, and;
- b) \$2.75 million to the Waterworks Reserve Fund.

3.3 2023 Wastewater and Treatment Rate Supported Operating Budget Monitoring

The 2023 Wastewater and Treatment Rate Supported Budget projected surplus is \$3.7 million (Table 3).

Table 3 – 2023 Projected Year-End Position (\$millions)

Wastewater & Treatment	Budget	Actuals to June 30	% of Budget June 30	Projected Year-End Position	Projected Surplus/Deficit
Revenues	117.5	54.2	46.1%	120.3	2.8
Expenditures	117.5	52.3	44.5%	116.6	0.9
Net Balance Surplus/(Deficit)	0.0	1.9	N/A	3.7	3.7

Subject to rounding

The projected year-end position is driven by the following:

- \$2.8 million surplus in revenues. Similar to Water, this is primarily due to the continued higher than anticipated residential consumption and growth in the City.
- \$0.9 million surplus in operational costs. This consists of \$2.4 million in operational cost savings as a result of the installation of more energy efficient equipment and other various operational savings, partially offset by a \$1.5 million deficit in chemical cost overruns from significant cost increases due to inflation.

The Council approved Surplus/Deficit Policy provides for the allocation of reported surplus for the Wastewater and Treatment Rate Supported Budget as follows:

- a) 50% to reduce Wastewater & Treatment future debt issuance, it being noted that debt reduction will reduce future years' debt servicing costs, and;
- b) 50% to the Sewage Works Reserve Fund to address future infrastructure needs.

As per Policy, the projected \$3.7 million surplus, if realized, will be allocated as follows:

- a) \$1.85 million to reduce authorized debt, and;
- b) \$1.85 million to the Sewage Works Reserve Fund.

4.0 Key Issues and Considerations

4.1. Inflation

As Canada's economy has emerged from the pandemic, inflationary pressures developed in 2021 and 2022 and have persisted through the first half of 2023.

The Consumer Price Index (CPI) is one of the most watched and reported measures in Canada as it relates to inflation. This index represents changes in prices as experienced by Canadian consumers. The CPI target range for the Bank of Canada continues to be one to three percent. Levels of inflation have fallen from a peak of 8.1% in the summer of 2022 to 3.3% in July 2023, however inflation may be more persistent than originally predicted. The Bank of Canada is forecasting for inflation to increase at an annual average of 3.7% in 2023. In comparison, the average annual increase was 6.8% in 2022, 3.4% in 2021, and 0.7% in 2020.

It is important to note that CPI measures the inflationary movements of a basket of goods reflective of consumer spending; it does not necessarily represent the inflationary impacts being faced by municipal governments. A municipality's 'basket of goods' is different than CPI.

While some areas of inflationary pressures have been experienced that exceed what was contemplated in the development of the 2020 to 2023 Multi-Year Operating Budget, these pressures are currently being managed through offsetting savings in the existing overall budget. There is potential for further pressures to be experienced by the City into the future as certain goods and services purchased through established contracts come up for renewal. As development of the 2024 to 2027 Multi-Year Budget has begun, Civic

Administration is assessing the persistence of inflationary impacts on the City's operating budget and inflationary impacts will be considered in the upcoming 2024 to 2027 Multi-Year Budget.

With respect to inflationary pressures on capital expenditures, please refer to the 2023 Mid-Year Capital Budget Monitoring Report.

4.3. 2024 to 2027 Emerging Issues

Several services have identified potential service delivery pressures that may impact expenditures/revenues in the 2024 to 2027 Multi-Year Budget. This section describes some of the more significant issues and the measures taken to mitigate or address these issues. Civic Administration is continuing to actively monitor all emerging issues, including items not listed below. The likelihood of each issue impacting the Multi-Year Budget is rated as high, medium, or low. The definitions of the likelihood measures are as follows:

- High – the likelihood of the issue occurring in 2024 to 2027 is predicted to be greater than 60%
- Medium – the likelihood of the issue occurring in 2024 to 2027 is predicted to be between 30% and 60%
- Low – the likelihood of the issue occurring in 2024 to 2027 is predicted to be less than 30%

Legislative:

1. Bill 23 (High Likelihood) – The Ontario Legislative Assembly passed Bill 23, the More Homes Built Faster Act, 2022 on Monday, November 28, 2022. Royal Assent was granted the same day. As described in the April 18, 2023 report to the Strategic Priorities and Policy Committee, several changes have immediate impacts on City services and present new financial pressures.

Although direct impacts from the changes arising from the More Homes Built Faster Act will be mainly associated with the capital budget, base operating budgets for several Service Areas will need to be increased to fund new staff, or hiring priorities will need to be adjusted as position vacancies emerge. Additional funding will also be required for Development Charges exemptions and discounts prescribed in the legislation. Several requirements are still unknown as future regulations will be issued by the Province, the content and timing of which have not been communicated to municipal stakeholders.

What we are doing to mitigate/address the issue: Staff has been working diligently to confirm details on new requirements, adjustments, and prohibitions, and to clarify the timing of when the City will be impacted by the various legislative changes. Where possible, implementation plans have been prepared and operational actions are being taken for emergent requirements.

Staffing needs and associated costs will be further refined as part of the upcoming 2024 to 2027 Multi-Year Budget process. Further, a separate report will be provided to Council in September to recommend the preferred approach to addressing revenue shortfalls associated with mandatory DC exemptions. The Council endorsed approach and refined cost estimates will also inform the upcoming 2024 to 2027 Multi-Year Budget.

2. Bill 93 (High Likelihood) – Impacts from Bill 93, an Act to amend the Building Broadband Fast Act 2021 and the Ontario Underground Infrastructure Notification System Act, 2012, and its legislative changes have significantly increased the City's costs related to providing utility locates through contracted vendor(s). The existing utility locate contract expired in 2023.

What we are doing to mitigate/address the issue: A working group has formed to explore a number of potential options and associated implications. A business case will

be brought forward as part of the 2024 to 2027 Multi-Year Budget to address the financial impacts.

3. Long-Term Care, Housing Stability Services, Middlesex London Health Unit (MLHU) (High Likelihood) – Potential reduction of COVID funding – There are continued COVID-19 expenditures to maintain resident safety for Long-Term Care, despite indications of reduced Ministry funding for this purpose into the future. Similarly for MLHU, dedicated Ministry funding for COVID-19 costs is expected to end for 2024, with an expectation that COVID-19 related activities will become part of health units' ongoing operations. In addition, previously provided funding was made available through the Social Services Relief Fund program to support vulnerable populations through COVID-19. This funding has been relied upon to support operating costs and increases to programming, with no further funding commitments announced for 2023. The City has received additional federal Reaching Home Funding for 2023-2024, which temporarily alleviated the financial pressure to continue to fund the current service levels. However, there is no indication that base funding from the provincial and federal governments will increase.

What we are doing to mitigate/address the issue: Civic Administration is assessing current levels of COVID-19 support and looking at more cost-efficient alternative approaches for Long-Term Care. Priority setting will be required to manage the various public health needs within financial constraints. Civic Administration will also continue to advocate to ensure that our Federal and Provincial partners are aware of the need for stable, predictable funding to mitigate any longer-term impacts from the pandemic, particularly related to supporting vulnerable populations.

4. MPAC Reassessment (Medium Likelihood) – The independent Municipal Property Assessment Corporation (MPAC) completes the property value assessments utilized to calculate each taxpayer's portion of municipal property taxes. Under the Assessment Act, land is valued every four years, with any property value increases phased in over the following four years, and any decreases applied immediately. Tax levy requirements determined by the City are allocated based on the proportion of each property value to the total value of all property in London, inclusive of municipal tax policy decisions.

In 2016, a Property Assessment Notice was mailed from MPAC to all property owners in Ontario. Due to the COVID-19 pandemic, the 2020 Assessment Update was postponed, and property tax has since been calculated using 2016 assessed values (unless there have been changes to a property such as an addition or a change in classification). The Province has announced that 2016 values will be used for the 2024 taxation year as well.

What we are doing to mitigate/address the issue: It should be noted that the municipality does not receive additional tax revenue when the existing properties in the municipality experience an increase in assessed value. Total tax levy requirements are determined by the municipal budget process (this effectively determines the "size of the pie" that taxes will be collected to fund). The percentage that is supported by each property class is determined by tax policy and the relative size of the property class based on assessed value (in other words, "how the pie is to be sliced" between the different property classes such as residential, industrial, commercial, etc.). Tax policy is approved annually by Council separately after budget approval.

Any updates from MPAC or the Province will be monitored by City Administration. The City will continue to educate the community through the budgetary process and tax policy process on the impacts of MPAC and reassessment. It is currently unclear what the impact of the next reassessment will be on the relative tax burden between property classes.

Cost/Revenue Driver:

1. Multiple Services – 2024 to 2027 Multi-Year Budget (High Likelihood) – In addition to maintaining existing service levels, the 2023-2027 Strategic Plan included several strategies that were identified as requiring additional funding to implement. While many strategies can be implemented within existing budgetary resources and/or have other sources of funding, Council may wish to invest additional funds where alternate funding sources are not available. In addition, legislative changes impacting the City may have financial impacts or require further decision making.

What we are doing to mitigate/address the issue:

These items will be addressed as part of the 2024 to 2027 Multi-Year Budget. Additional investments for strategies in the Strategic Plan, whether requiring additional funding or funded through other one-time or non-rate sources, will be supported by a business case in the Multi-Year Budget and will be a decision point for Council. Any new or changed legislation with a financial impact to the municipality to maintain existing service levels will also be presented as a legislated change summary.

2. Municipal Housing & Housing Stability Services (High Likelihood) – Health and Homelessness Summits – Proposed Whole of Community System Response – The Hubs Implementation Plan, which represents a culmination of co-design work with the community and those with lived experience, was detailed in the July 24th, 2023 report to the Strategic Priorities and Policy Committee. The Hubs Implementation Plan identified the details related to the first five (5) Hubs that will represent the first stage of the plan. Civic Administration was directed to undertake a competitive procurement process to select the Lead Agencies and their corresponding locations for the implementation of the first five Hubs and report back with the results and sources of financing for approval, the results of which were articulated in a follow-up report to the Strategic Priorities and Policy Committee on September 25, 2023.

What we are doing to mitigate/address the issue: While some existing base funding is available through the Homeless Prevention Program and one-time funding is available from the London Community Foundation Fund for Change for establishing and operating multiple Hubs, advocacy efforts to seek funding from other levels of government will continue to secure sustainable funding for the system, including the first five Hubs and others to be implemented in the future. Civic Administration will also be launching the Funders Reference Table as part of the Whole of Community Response framework.

Conclusion

The Property Tax, Water, and Wastewater and Treatment Budgets are projecting to end the year in a surplus position. The Property Tax surplus is largely attributable to investment revenue surplus driven by higher interest rates. The Water and Wastewater and Treatment Budgets’ surplus are primarily from higher than anticipated residential consumption and growth in the City. The surplus from these three budgets, if realized, will be allocated in accordance with the Council Approved Surplus/Deficit Policy.

Prepared by: Rick Lamon, CPA, Manager, Accounting and Reporting and Martin Galczynski, CPA, CA, CIM, Manager, Financial Planning and Policy

Submitted by: Kyle Murray, CPA, CA, Director, Financial Planning and Business Support

Recommended by: Anna Lisa Barbon, CPA, CGA, Deputy City Manager, Finance Supports

Appendix A – 2023 Projected Year-End Financial Summary

Property Tax Supported Budget (\$ Thousands)

Service Grouping	Gross Expenditure Budget ¹	Non-Tax Levy Revenue Budget ¹	Tax Levy (Net) Budget ¹	Net Budget Actuals to June 30	Projected Net Budget Position	Projected Surplus/Deficit
Centennial Hall	848	657	191	-7	-85	276
Arts, Culture & Heritage Advisory & Funding	2,515	0	2,515	1,689	2,570	-55
Museum London	1,927	0	1,927	965	1,927	0
Eldon House	308	0	308	154	308	0
Heritage	1,487	0	1,487	700	1,379	109
Library Services	22,129	0	22,129	11,064	22,129	0
Economic Development	8,983	1,527	7,456	2,479	7,432	24
Community Improvement/BIA	3,124	1,075	2,049	2,507	2,049	0
RBC Place London	678	0	678	339	678	0
Tourism & Sports Attraction	2,175	0	2,175	0	2,175	0
Covent Garden Market	0	0	0	0	0	0
Kettle Creek Conservation Authority	316	0	316	156	312	4
Lower Thames Valley Conservation Authority	72	0	72	73	73	-1
Upper Thames River Conservation Authority	1,727	0	1,727	858	1,717	10
Climate Change & Environmental Stewardship	1,686	355	1,331	410	1,155	176

Service Grouping	Gross Expenditure Budget¹	Non-Tax Levy Revenue Budget¹	Tax Levy (Net) Budget¹	Net Budget Actuals to June 30	Projected Net Budget Position	Projected Surplus/Deficit
Garbage Recycling & Composting	42,562	16,971	25,591	10,155	20,611	4,980
Neighbourhood & Recreation Services	41,940	24,348	17,592	7,952	17,161	431
Parks & Urban Forestry	16,246	216	16,030	6,611	15,936	94
Building Approvals	9,091	8,486	605	183	570	35
Planning Services	4,013	265	3,748	1,281	3,296	452
Development Services	6,167	3,358	2,809	1,479	3,990	-1,181
Animal Services	3,307	1,205	2,102	346	2,016	86
By-law Enforcement & Property Standards	3,795	2,563	1,232	203	1,838	-605
Emergency Management & Security Services	3,774	67	3,707	2,129	3,732	-25
Fire Services	71,901	326	71,575	33,364	71,174	401
Police Services	141,478	10,047	131,431	67,554	131,431	0
Municipal Housing	20,846	11,063	9,783	7,472	9,783	0
Housing Development Corporation	3,357	0	3,357	0	3,357	0
London & Middlesex Community Housing	14,779	0	14,779	8,873	14,779	0
Long Term Care	27,192	20,914	6,278	6,726	6,187	90
Land Ambulance	29,535	0	29,535	13,182	29,595	-60
Middlesex-London Health Unit	7,345	0	7,345	3,672	7,345	0
Social & Community Support Services	255,564	220,984	34,580	86,123	25,768	8,812

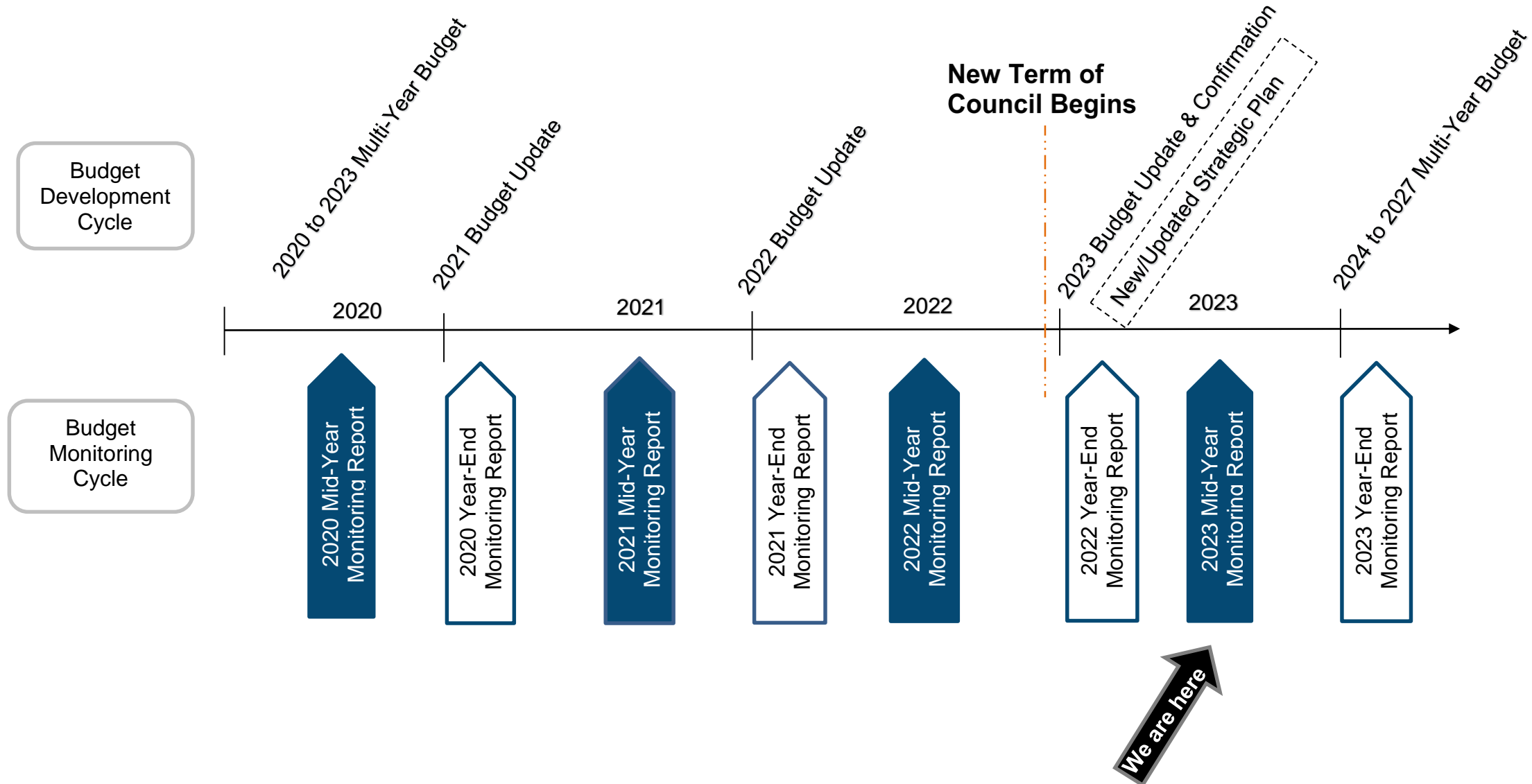
Service Grouping	Gross Expenditure Budget¹	Non-Tax Levy Revenue Budget¹	Tax Levy (Net) Budget¹	Net Budget Actuals to June 30	Projected Net Budget Position	Projected Surplus/Deficit
Parking	4,401	8,380	-3,979	-565	-1,506	-2,472
London Transit Commission	45,837	0	45,837	22,918	45,837	0
Roadways	58,050	7,352	50,698	24,487	51,745	-1,047
Rapid Transit	80	80	0	839	544	-544
Corporate Services	73,690	6,373	67,317	24,713	65,962	1,355
Corporate Planning & Administration	2,301	22	2,279	967	2,102	176
Council Services	5,080	898	4,182	2,119	4,011	171
Public Support Services	12,821	9,216	3,605	2,328	4,194	-589
Financial Management	184,390	44,309	140,081	70,600	133,218	6,863
Total	1,137,515	401,057	736,458	427,097	718,493	17,965

Subject to rounding

Note 1: Budgets includes housekeeping transfers. As authorized by the Municipal Council approved Multi-Year Budget Policy, Civic Administration can approve transfers between accounts that are considered housekeeping in nature. These adjustments primarily include items that are budgeted centrally, and during the year are distributed to various services.

Appendix B – Multi-Year Budget Cycle

The timeline below illustrates when Council will receive the various reports that form the 2020 to 2023 Multi-Year Budget governance and accountability process.



Report to Corporate Services Committee

To: Chair and Members
Corporate Services Committee

From: Anna Lisa Barbon, CPA, CGA, Deputy City Manager, Finance Supports

Subject: 2023 Mid-Year Capital Budget Monitoring Report

Date: October 3, 2023

Recommendation

That, on the recommendation of the Deputy City Manager, Finance Supports, the following actions be taken with respect to the 2023 Mid-Year Capital Budget Monitoring Report:

- a) the 2023 Mid-Year Capital Budget Monitoring Report **BE RECEIVED** for information, it being noted that the life-to-date capital budget represents \$3.4 billion with \$1.9 billion committed and \$1.5 billion uncommitted; it being further noted that the City Treasurer, or designate, will undertake the housekeeping budget adjustments identified in the Report, in accordance with the Multi-Year Budget Policy adopted by amending by-law No. CPOL.-45(b)-239;
- b) the following actions be taken with respect to the completed capital projects identified in Appendix "B", which have a total of \$3.4 million of net surplus funding:
 - i) the capital projects included in Appendix "B" **BE CLOSED**;
 - ii) the following actions be taken with respect to the funding associated with the capital projects approved for closure in b) i), above:

Rate Supported

- A) pay-as-you-go funding of \$15 thousand **BE TRANSFERRED** from capital receipts;
- B) authorized debt financing of \$2 thousand **BE RELEASED** resulting in a reduction of authorized, but unissued debt;
- C) uncommitted reserve fund drawdowns of \$169 thousand **BE RELEASED** back into the reserve funds which originally funded the projects;

Non-Rate Supported

- D) uncommitted reserve fund drawdowns of \$2.5 million **BE RELEASED** back into the reserve funds which originally funded the projects;
- E) other net non-rate supported funding sources of \$758 thousand **BE ADJUSTED** in order to facilitate project closings.

Executive Summary

This report provides a summary of the results related to the 2023 life-to-date capital budget for the Property Tax Supported Budget, the Water Rate Supported Budget, and the Wastewater and Treatment Rate Supported Budget.

At the midway point of 2023 the City's life-to-date capital budget stood at \$3.4 billion; \$1.9 billion (55.5%) is committed to capital work, while \$1.5 billion (44.5%) remains uncommitted. Thus far during the calendar year, 142 discrete contract awards worth \$231.5 million were awarded; 53 by Council and 89 by Civic Administration (Appendix "A"). These awards contributed to total capital spending of \$87.4 million by the halfway mark of 2023.

This report traditionally provides fulsome information regarding capital projects recommended to be closed as well as the status of capital projects with budgets greater than three years old that have no future budget requests. Providing this information

requires significant administrative effort which at the current time would detract from the organization-wide efforts currently underway to develop the 2024 to 2027 Multi-Year Budget (MYB). The information provided in Appendix B and Appendix C in this iteration of the report is based on what is readily available. The traditional level of detail will be provided in full again in the 2023 Year-End Capital Monitoring Report in the spring of 2024. As it stands, this report recommends closing 35 capital projects with a total budget value of \$60.1 million (Appendix “B”). If approved, the closing of completed capital projects will return a total of \$3.4 million back to their original rate and non-rate sources of financing. Civic Administration has also identified housekeeping budget adjustments that will result in \$24.8 million of surplus capital funding being returned to their various original source of financing (Appendix “C”). This funding has been identified on projects that are required to remain open but use of that funding is not required, nor imminent, for a variety of reasons.

This report also provides a summary of the City’s debt, key capital budget financing strategies, and emerging issues that may impact the 2023 capital budget.

Linkage to the Corporate Strategic Plan

Council’s 2023 to 2027 Strategic Plan for the City of London identifies “Well-Run City” as one of eight strategic areas of focus. The City of London’s Multi-Year Budget development and monitoring is a strategy to align financial resources with Council’s Strategic Plan and to maintain London’s finances in a transparent, sustainable, and well-planned manner, incorporating intergenerational equity, affordability and environmental, social, and governance considerations. On a semi-annual basis, through the Capital Budget Monitoring Report process, Civic Administration analyzes the capital projects life to date approved budgets against actuals required for completion and recommends appropriate budget releases and project closures in line with City policies and practices. This exercise ensures the capital budget is continuously monitored and if needed, monies are released which can be used to implement the City’s Strategic Plan.

Analysis

1.0 Background Information

1.1 Previous Reports Related to this Matter

Corporate Services Committee, April 11, 2023, meeting, Agenda Item # 4.2, 2022 Year-End Capital Budget Monitoring Report

<https://pub-london.escribemeetings.com/filestream.ashx?DocumentId=98449>

Strategic Priorities and Policy Committee, September 20, 2022 meeting, Agenda Item # 2.5, 2022 Mid-Year Capital Budget Monitoring Report.

<https://pub-london.escribemeetings.com/filestream.ashx?DocumentId=94608>

1.2 Source of Financing Terminology Defined

Within this report the terms “rate supported” and “non-rate supported” are used when referring to the sources of financing that support the City’s capital budget. Rate supported refers to property tax, and water and wastewater utility rate sources of financing (e.g., capital levy, water rates, reserve funds, debt). Non-rate supported refers to sources of financing primarily supported by development charges and in some cases contributions from parties external to the Corporation of the City of London.

2.0 Discussion and Considerations

2.1 2023 Life-To-Date Capital Budget Activity and Revisions

After Council approves the capital budget, as the year progresses, reports are presented to Council to approve major contract awards and proceed with capital projects. Each report includes a Source of Financing (SofF). Most awards are within the approved capital budget, but some awards require budget adjustments as detailed in

the SofF. Budget adjustments may also result from the application of assessment growth funding, receipt of senior government funding and other revenue sources such as insurance proceeds and private drain connections.

Other capital project awards proceed under administrative authority granted by the Procurement of Goods and Services Policy; details on these approvals are provided in an annual report from the Purchasing and Supply Division.

Table 1 summarizes 2023 life-to-date capital budget adjustments by Tax Supported, Wastewater and Treatment, and Water budgets. Appendix “A” provides details on the source of these adjustments.

Table 1 – 2023 Capital Budget Life-To-Date Revisions as of June 30, 2023 (\$Thousands)

Budget	2023 Life-to-Date Approved Budget (as of January 1, 2023)	2023 Council Budget Adjustments	2023 Administrative Budget Adjustments ¹	2023 Life-to-Date Approved Budget (as of June 30, 2023)
Tax Supported	2,306,518	24,619	8,179	2,339,316
Wastewater	769,537	3,279	4	772,821
Water	297,619	1,545	6	299,169
Total	3,373,673	29,443	8,189	3,411,306

Subject to rounding.

Table Notes:

(1) Approximately \$5.0 million of the Administrative Budget Adjustments relate to funding received from other levels of government e.g. Ontario Priorities Housing Initiative (OPHI).

As of June 30, 2023, there were 142 discrete contract awards worth \$231.5 million (53 were awarded by Council and 89 were awarded administratively). Table 2 summarizes the 2023 contract awards by Tax Supported, Wastewater and Treatment, and Water budgets. Appendix “A” provides details on all Council approved contract awards.

Table 2 – 2023 Capital Budget Contract Awards as of June 30, 2023 (\$Thousands)

Budget	Council Approved Contract Awards	Administration Approved Contract Awards	Total Awards
Tax Supported	113,246	31,608	144,854
Wastewater	38,986	20,437	59,423
Water	13,187	14,040	27,227
Total	165,419	66,085	231,503
Number of Contract Awards	53	89	142

Subject to rounding.

The increase in volume and amount of administratively approved contract awards has resulted from the Council approved increase in internal approval thresholds from \$3 million to \$6 million on January 31, 2022.

2.2 2023 Life-To-Date Capital Budget Status

A summary of the 2023 life-to-date capital budget, including the committed and uncommitted amounts, is summarized in Table 3. This information is essential for budget monitoring to ensure that spending is being managed within the approved budget.

**Table 3 – 2023 Life-To-Date Capital Budget Details as of June 30, 2023
(\$Thousands)**

Budget	Classification	Approved Budget ¹	Actual and Commitments ²	Uncommitted to Date ²	Percent Committed
Tax Supported	Lifecycle	592,322	393,266	199,057	66.4%
Tax Supported	Growth	1,039,323	510,872	528,452	49.2%
Tax Supported	Service Improvement	707,670	263,068	444,603	37.2%
Tax Supported	Sub-Total	2,339,316	1,167,205	1,172,111	49.9%
Wastewater	Lifecycle	254,127	212,927	41,201	83.8%
Wastewater	Growth	378,609	208,091	170,518	55.0%
Wastewater	Service Improvement	140,085	77,343	62,742	55.2%
Wastewater	Sub-Total	772,821	498,360	274,461	64.5%
Water	Lifecycle	195,221	156,307	38,914	80.1%
Water	Growth	93,719	64,941	28,777	69.3%
Water	Service Improvement	10,230	6,257	3,972	61.2%
Water	Sub-Total	299,169	227,506	71,663	76.0%
City	Total	3,411,306	1,893,071	1,518,235	
City	Percentage of Total	100.0%	55.5%	44.5%	

Subject to rounding.

Table Notes:

(1) Totals are for active projects only. Projects approved to be closed during the year are deducted from this table.

(2) Once a capital project has an approved budget, spending or commitments may not be made for several years, for example, longer term projects like multi-purpose recreation centres.

The observed increases in both total life-to-date budget and uncommitted capital funding, over what would be considered historic norms, is attributable to the presence of several generational capital projects that are currently being planned and constructed. The largest projects contributing to these results that are in the early planning stages are the LTC Highbury Facility Demolition and Rebuild (\$199.5 million), LPS Headquarters Expansion (\$40.0 million), Southeast and Northwest community centres (\$69.5 million combined), Wharncliffe to Becher Underpass (\$44.4 million). Also in various phases of construction are the South and East corridors of the Rapid Transit project (\$147.1 million), Adelaide Street Grade Separation (\$87.6 million), and the Roadmap to 3000 Affordable Units (\$42.2 million). It is important to understand that these figures represent only the current and life-to-date budget amounts of each capital project, they do not include funding that may be budgeted in the future years of the capital plan (i.e. 2024 onward).

The presence of this many large-scale capital projects will continue to result in elevated life-to-date approved capital budgets until such time that they are completed and closed. The elevated uncommitted funding will gradually decline as construction progresses and expenditures are realized.

2.3 Capital Budget Housekeeping Adjustments

On July 25, 2023, Council approved the Council Policy Manual Review including re-adoption of the Multi-Year Budget Policy. The Multi-Year Budget Policy has since its inception contained authorization for the City Treasurer or designate to make budget adjustments considered “housekeeping” in nature. These adjustments do not have a material impact on the capital plan. Reporting housekeeping budget adjustments of significance through the budget monitoring process, which occurs twice per year, allows more timely disclosure of capital budget adjustments to Council and the community, better reflects operational requirements, and keeps the capital budget in a more current state. Furthermore, this practice results in the timely release of funding to the original source of the financing (capital receipts, reserve funds, debt, etc.), making it available for future budget approvals and reducing future budget requests for additional financing.

The housekeeping budget adjustments completed result in **\$24.8 million being returned** to their various original source of financing. These savings are primarily attributable to favourable tender results caused by a competitive marketplace at the time of the tender award, and changes to timelines and scopes of projects (e.g., a growth project delayed to a future period). The impacts realized to date in 2023 can be found below, rate supported sources of financing, summarized in Table 4 and non-rate supported sources of financing, summarized in Table 5. For a detailed listing of each capital project refer to Appendix “C”.

Table 4 – Capital Budget Housekeeping Adjustments Rate Supported Sources of Financing to be Released (\$Thousands)

Budget	Capital Levy	Debt	Reserve Funds	Total
Tax Supported	0.0	896.6	90.5	987.1
Wastewater	0.0	0.0	1,625.8	1,625.8
Water	0.0	0.0	0.0	0.0
Total	0.0	896.6	1,716.2	2,612.9

Subject to rounding.

Table 5 – Capital Budget Housekeeping Adjustments Non-Rate Supported Sources of Financing to be Released (\$Thousands)

Budget	Reserve Funds ¹	Debt ¹	Other	Total
Tax Supported	6,554.2	0.0	0.0	6,554.2
Wastewater	8,411.3	2,393.5	0.0	10,804.8
Water	4,847.4	0.0	0.0	4,847.4
Total	19,812.9	2,393.5	0.0	22,206.4

Subject to rounding.

Table Notes:

(1) Non-rate supported reserve funds / debt primarily supported by Development Charges.

In total, the housekeeping budget adjustments exercise will release rate supported reserve funds of \$1.7 million and non-rate reserve fund drawdowns of \$19.8 million. The details of these reserve fund drawdown releases are outlined in Table 6 and 7 below.

Table 6 – Capital Budget Housekeeping Adjustments Rate Supported Reserve Fund Drawdowns to be Released (\$Thousands)

Reserve Fund	Amount
Industrial Oversizing - General Reserve Fund	90.5
Sewage Works Renewal Reserve Fund	1,625.8
Total	1,716.2

Subject to rounding.

Table 7 – Capital Budget Housekeeping Adjustments Non-Rate Supported Reserve Fund Drawdowns to be Released (\$Thousands)

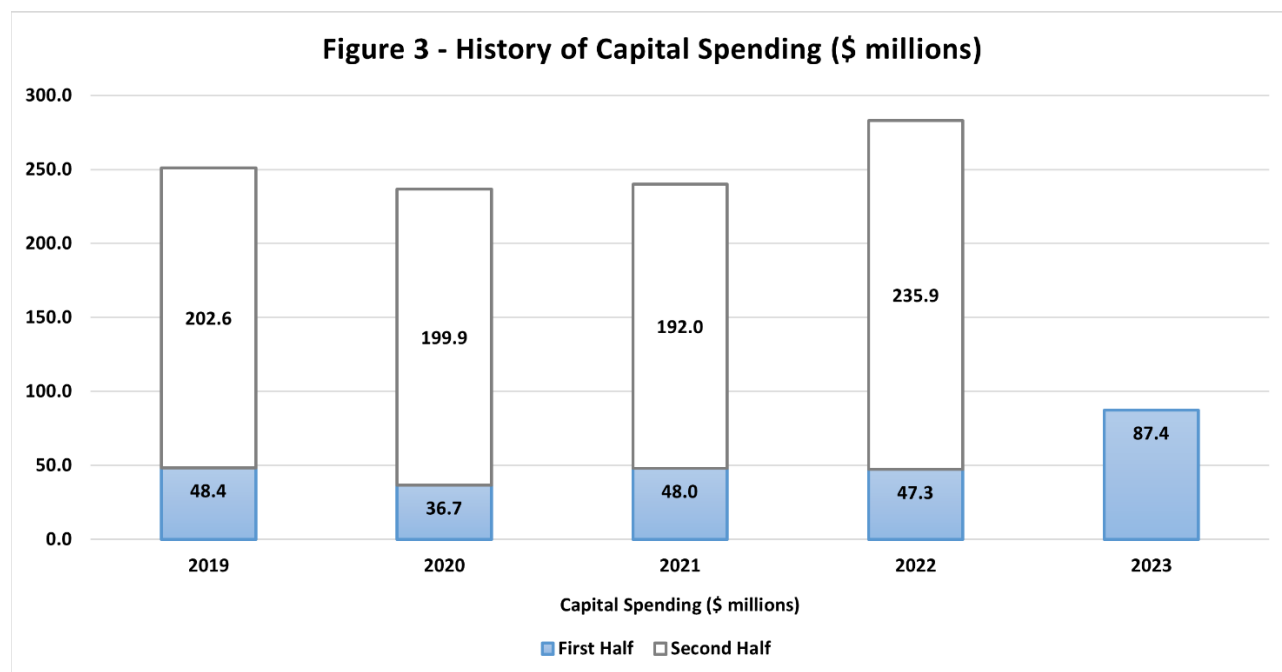
Reserve Fund	Amount
City Services Reserve Fund Roads and Related Services	6,554.2
City Services Reserve Fund Water	4,847.4
City Services Reserve Fund Stormwater	8,411.3
Total	19,812.9

Subject to rounding.

2.4 Capital Cash Flow

Capital spending each year is not the same as the capital budget for that year. Spending on capital projects can extend several years after the budget is approved by Council. Spending within a given year is therefore a layering of several capital projects approved in various years and at various stages. Total capital spending tends to be greater during the latter part of the year as construction invoices are received, approved, and paid. This information is important for the timing of debt issuances, reserve fund drawdowns and cash flow management decisions.

As of June 30, 2023, **total capital spending was \$87.4 million** compared to \$47.3 million by mid year in 2022 (Figure 3 below). This increase can be attributed to the many significant, generational, capital projects alluded to above in section 2.2; South and East corridors of the Rapid Transit project (\$147.1 million), Adelaide Street Grade Separation (\$87.6 million), the Roadmap to 3000 Affordable Units (\$42.2 million), etc. Because of the significant capital requirements of these projects, we anticipate increased spending of the life-to-date capital budget to continue until these projects are substantially complete.



2.5 Completed (Closed) Capital Projects

Civic Administration continues to undertake reviews to close capital projects in a timely manner to ensure the life-to-date capital budget is accurately stated and savings, if any, are returned to their original funding source for future budget utilization.

This report traditionally provides fulsome information regarding capital projects recommended to be closed as well as the status of capital projects with budgets greater than three years old that have no future budget requests. During years where the Mid-Year Capital Monitoring process and Multi-Year Budget development overlap, Civic Administration does not provide this information at the same level in the Mid-Year

report. Opting not to distract from the significant undertaking that is Multi-Year Budget development during the summer, reporting at the traditional level of detail returns in the Year-End version of the Capital Monitoring report presented in the Spring.

The information provided in Appendix B and Appendix C in this iteration of the report is based on what is readily available. This report recommends closing 35 projects with a total budget value of \$60.1 million. The completed projects that are recommended to be closed were under budget by \$3.4 million in total. The rate and non-rate source of financing impacts of closing the completed capital projects is summarized in Table 8 and 9 below. For a detailed listing of each completed capital project refer to Appendix "B".

Table 8 – Completed Capital Projects Rate Supported Sources of Financing to be Released (\$Thousands)

Budget	Capital Levy ¹	Debt	Reserve Funds	Total
Tax Supported	-15.3	1.9	-16.1	-29.4
Wastewater	0.0	0.0	0.0	0.0
Water	0.0	0.0	185.0	185.0
Total	-15.3	1.9	168.9	155.6

Subject to rounding.

Table Notes:

(1) Negative value relates to capital project PD1217 Dundas Place Field House as illustrated in Appendix B, table 1. As recommended, and once approved, pay-as-you-go funding of \$15 thousand will be transferred from capital receipts.

Table 9 – Completed Capital Projects Non-Rate Supported Sources of Financing to be Released (\$Thousands)

Budget	Reserve Funds	Debt	Other ¹	Total
Tax Supported	4.0	0.0	-6.0 ²	-1.9
Wastewater	494.4	0.0	694.5	1,188.9
Water	1,995.3	0.0	69.3	2,064.6
Total	2,493.7	0.0	757.9	3,251.6

Subject to rounding.

Table Notes:

(1) Represents non-City funding sources such as proceeds from external parties.

(2) Additional contribution was received to finish capital project RC2645 Tim Hortons Playhouse, as illustrated in Appendix B, table 1.

In total, the capital project closing exercise, if approved, will release, and transfer uncommitted rate and non-rate reserve fund drawdowns of \$2.66 million, of which, \$169 thousand relates to rate supported reserve funds and \$2.49 million relates to non-rate supported reserve funds. The details of these pending reserve fund drawdown releases are outlined in Table 10 and 11 below.

Table 10 – Completed Capital Projects Rate Supported Reserve Fund Drawdowns to be Released (\$Thousands)

Reserve Fund	Amount
City Facilities Renewal Reserve Fund	-16.0 ¹
Water Works Renewal Reserve Fund	185.0
Total	169.0

Subject to rounding.

Table Note:

(1) RC2050 Aquatic Accessibility is overbudget and requires an additional drawdown from the reserve fund to close the project.

Table 11 – Completed Capital Projects Non-Rate Supported Reserve Fund Drawdowns to be Released (\$Thousands)

Reserve Fund	Amount
City Services Reserve Fund Parks and Recreation	4.0
City Services Reserve Fund Wastewater	178.0
City Services Reserve Fund Stormwater	316.0
City Services Reserve Fund Water	1,995.0
Total Non-Tax/Rate Supported Reserve Fund Impacts	2,493.0

Subject to rounding.

2.6 Capital Budget Financing Strategies – Capital Levy

The overarching capital financing strategy for capital levy, also referred to as pay-as-you-go financing, is to first apply this funding source to lifecycle renewal capital budgets as the purpose of projects in this classification is to maintain existing infrastructure. An administrative target was previously set to eliminate debt financing on lifecycle renewal projects. In 2022 the administrative target of 0% debt financing for lifecycle renewal projects was achieved, meaning lifecycle renewal projects are now completely financed from a combination, based on need and affordability, of capital levy and drawdowns from the City’s many Capital Asset Renewal and Replacement reserve funds.

2.7 Capital Budget Financing Strategies – Reserve Funds

Obligatory reserve funds are primarily used as a source of financing for growth projects. Discretionary reserve funds are primarily used as a source of financing for lifecycle renewal and service improvement projects where appropriate reserve funds and sufficient balances exist.

Obligatory and discretionary reserve funds are categorized as follows:

OBLIGATORY

- 1) **City Services Development Charges (DC)** – dictated by the DC by-law
- 2) **Parkland** – cash-in-lieu of parkland dedication through the Parkland Conveyance and Levy By-law (CP-9) according to the Planning Act (Section 51.1)
- 3) **Canada Community-Building Fund** – previously known as Federal Gas Tax, funds received under the Municipal Funding Agreement for Transfer of Canada Community-Building Fund Revenues

DISCRETIONARY

- 1) **Capital Asset Renewal and Replacement** – to support renewal and replacement of existing assets
- 2) **Capital Asset Growth** – to support Development Charges incentive programs and Industrial Land Development Strategy
- 3) **Specific Projects and New Initiatives** – to support specific planned projects (e.g., economic development, affordable housing, community improvement grants and loans)
- 4) **Contingencies/Stabilization and Risk Management** – to provide contingency funding for specific risk areas

Obligatory and discretionary reserve funds are controlled by municipal by-laws and the City’s Reserve and Reserve Fund Policy.

Reserves and Reserve Funds – Noteworthy Developments

Civic Administration presented the following rationalization reports at various Corporate Services Committee meetings:

- September 25, 2018 - Reserve Rationalization Report (agenda item #2.2),
- September 8, 2020 - Capital Asset Renewal and Replacement Reserve Funds Rationalization Report (agenda item #2.1)
- June 20, 2022 - Special Projects and New Initiatives Reserve Fund Rationalization Report (agenda item #2.2),
- September 11, 2023 - Contingencies/Stabilization and Risk Management Reserve Fund Rationalization Report (agenda item #2.1), and
- September 11, 2023 - Capital Asset Growth Reserve Fund Rationalization Report (agenda item #2.2).

These reports aligned a significant portion of the City’s reserve and reserve fund portfolio with key Council approved financial management policies (examples include Reserve and Reserve Fund Policy, Capital Budget and Financing Policy, and Corporate Asset Management Policy). Additionally, through these reports, transparency and accountability has been enhanced, target balances have been established, and administrative efficiencies realized.

Civic Administration will continue to report on the City’s reserve funds to Council noting that Civic Administration’s tentative plans are to complete a reserve fund housekeeping report before the end of 2024.

2.8 Capital Budget Financing Strategies – Debt

A summary of the projected debt levels for 2023 is detailed in Table 12 below.

Table 12 – 2023 Debt Level as of June 30, 2023 (\$Thousands)

Category	Dec 31, 2022	Issued in 2023	Retired in 2023	June 30, 2023 ¹	Authorized 2023	Total Potential
Property Taxes	109,738	8,314	24,380	93,671	307,961	401,632
Wastewater	19,456	-	4,239	15,217	716	15,933
Water	108	-	108	-	-	-
Rate Supported Reserve Funds	1,656	-	1,166	490	-	490
Joint Water Boards – City’s Share	5,338	-	1,519	3,819	2,070	5,888
City Services Reserve Funds	82,514	13,186	12,970	82,730	137,122	219,852
Total	218,809	21,500	44,383	195,926	447,869	643,795

Subject to rounding. City of London only, excludes debt of consolidated entities.

Table Note:

(1) Outstanding debt level is subject to completion of 2023 financial statement audit.

The City’s Debt Management Policy was last amended by Council on July 25, 2023 (amending by-law No. CPOL.-48(a)-242). The policy establishes strategies for the management of the City’s debt program. These strategies are outlined in tables 13 and 14 below.

Table 13 – Debt Management Strategies to Limit and Reduce Authorized Debt

Strategy	Target	Where Are We? / Results
Avoid the use of debt financing for lifecycle renewal projects	0% debt by 2023 for the rate supported budget	2023 results: 0% debt
Limiting debt financing by way of an internal debt cap	Average of \$36.0 million over 10-year capital plan for property tax supported initiatives	2023 results: forecasted 10-year average of \$24.4 million in debt financing currently in the capital budget at mid-year.
Reducing authorized debt as prescribed by the Surplus/Deficit and Assessment Growth Policies	No specified targets, policies direct 50% of any operating surplus and 50% of excess assessment growth funding be applied to reduce authorized debt	2022 Year-end operating result: \$6.6 million applied. 2023 assessment growth: \$1.1 million applied.
Releasing surplus debt financing from the capital budget	No specified target, subject to available surplus	2022 Year-end capital results: \$0.0 released.

Table 14 – Debt Management Strategies to Minimize Debt Servicing Costs

Strategy	Target	Where Are We? / Results
Setting targets for debt servicing costs by budget	Debt servicing costs as a percentage of revenue: Property Tax less than 8%, Wastewater less than 10%, and Water equal to 0%	2022 results: Property Tax 4.3%, Wastewater 4.0%, Water 0.1% ¹
Maintaining a strong credit rating	Aaa (Stable)	2022 result: Aaa (Stable)

Table Note:

(1) Debt servicing costs as a percentage of revenue in the Water budget is temporarily over the established target because of prior year debt issuances, noting that the Water capital budget has not included rate supported debt financing since 2010.

3.0 Emerging Issues

This section of the report provides information on emerging issues that may impact the capital budget in 2023 and beyond. Within this section, each emerging issue is assigned a likelihood, which estimates the issue’s probability of impacting the budget in 2023. These likelihoods are categorized as high, medium, and low, and are defined as follows:

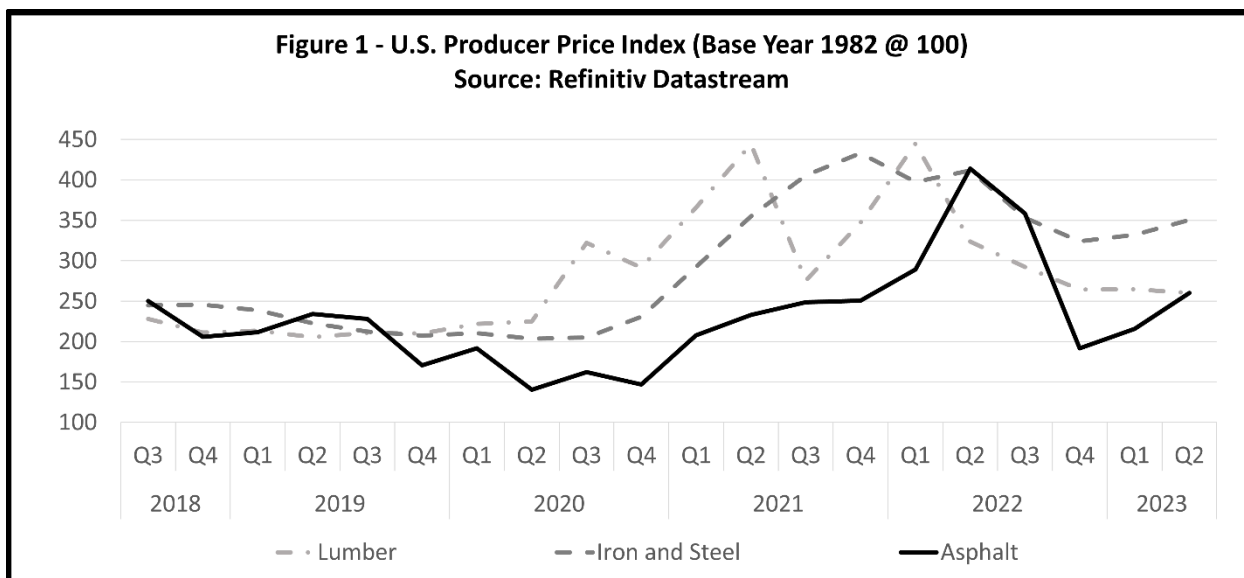
- High – likelihood of the issue impacting the 2023 and beyond period is predicted to be greater than 60%.
- Medium – likelihood of the issue impacting the 2023 and beyond period is predicted to be between 30% and 60%.
- Low – likelihood of the issue impacting the 2023 and beyond period is predicted to be less than 30%.

EMERGING ISSUE AFFECTING ALL THREE BUDGETS

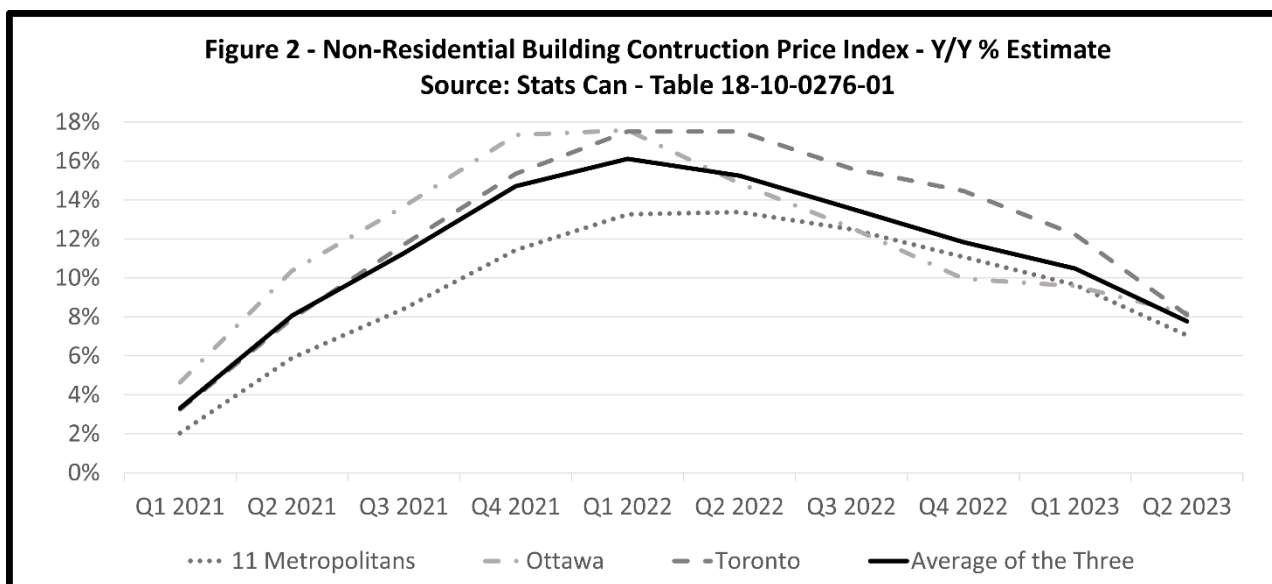
Inflation

In 2022 and throughout 2023, supply chain disruptions and increased demand for certain raw materials caused many capital projects in the approved capital plan to experience inflationary pressures. The U.S. Producer Price Index (Figure 1 – sourced via Refinitiv) is the official monthly measure of producer prices in the United States, and

a good comparator of trends being experienced in Canada. It measures average changes in prices received by domestic producers for their outputs like lumber, iron/steel and asphalt; the prices for lumber, iron/steel and asphalt have increased 17%, 66% and 36% respectively over the Q1 2020 (beginning of the current multi-year budget) to the Q2 2023 period. Similarly, Statistics Canada tracks various input prices through the Industrial Product Price Index (IPPI). Since the beginning of 2020 through to June 30, 2023, the price of lumber and other wood products has increased 22% and primary ferrous metal products (e.g. steel) have increased 55%. The Statistics Canada Industrial Product Price Index does not specifically include asphalt. Clearly, therefore, substantial price increases for various materials utilized in construction projects have been experienced, not only in Canada but across North America and the world. It is important to highlight the volatility of these prices of raw materials, which can make budgeting and planning capital works extremely challenging.



Higher input costs are contributing to increases seen in the costs of construction. The Building Construction Price Indexes tracked by StatsCan are a quarterly measure of change in prices that contractors charge to construct a range of new commercial, institutional, industrial (ICI) and residential buildings. Of particular importance to the City of London is the Non-Residential Building Construction Price Index, which is presented in Figure 2 for the Q1 2021 to Q2 2023 period.



This graph represents a striking change in the construction environment since the approval of the 2020 to 2023 Multi-Year Budget. Capital projects in the City's 10-year Capital Plan do account for inflation; however, the 2.4% factor used during multi-year budget development has been significantly outpaced. As a result, many projects in the 10-year capital plan for lifecycle renewal, growth, and service improvement do not fully reflect the funding requirements to complete the projects as originally planned. The 2024 to 2027 Multi-Year Budget development that is currently underway is the best

opportunity for making significant changes to the City's capital budget and 10-year capital plan.

While inflation may be showing signs of easing (albeit still at elevated levels), it should be noted that long term construction price deflation (i.e. falling construction prices) is very rare and typically only seen during significant economic downturns. Pausing or deferring capital projects in this environment may not reduce our future costs with respect to the City's capital works and may in fact have detrimental effects on London's economic recovery. Additionally, deferring a significant number of capital projects would likely cause operational issues as projects stack up in future years, calling into question the ability to execute many deferred projects in a compressed period. It should also be emphasized that not all capital projects are experiencing budget pressures due to inflationary challenges. Many capital project procurements have come in at or below budgeted amounts and the impacts of inflation have been partially offset by an influx of funding from other levels of government.

Likelihood of Impact on 2024 Budget - High

PROPERTY TAX

Infrastructure Funding

Investing in Canada Infrastructure Program (ICIP) - Public Transit Stream (PTS)

The City of London was approved for ten transit related projects under this program for a total project cost of \$375 million, with \$103.1 million from the Government of Ontario, \$123.8 million from the Government of Canada and the balance of funding, approximately \$148 million, coming from municipal and other sources. Construction on most Public Transit Stream funded projects started in 2020 and 2022, with construction continuing in 2023 and beyond. The program deadline for construction is 2033.

Two additional applications for funding under the ICIP – Public Transit Stream have been submitted by the City of London and are currently being considered by the Provincial and Federal governments.

1. Active Transportation – In February 2022, applications for seven active transportation projects were submitted under Intake 3 of the Public Transit Stream. The total project value is \$40.0 million, including a \$29.3 million contribution from the federal and provincial governments. Projects include on-road cycling facilities, pedestrian crossings, boulevard bike lane renewal, intersection accessibility compliance, improvements across bridge pinch points, bike parking and south branch TVP extension. As of August 31, 2023, five of the seven applications have been approved for a total project value of \$24.2 million.
2. London Transit Commission (LTC) – Highbury Facility

After approval of the ten projects discussed above and the active transportation projects submitted in February 2022, London had \$119.3 million remaining in allocated Federal and Provincial funding. This funding was earmarked for the planned North and West corridors of the rapid transit system but not yet submitted for consideration.

The Federal Budget 2023 accelerated the submission date for Intake 4 of the Public Transit Stream to March 31, 2023. In December 2022, Council approved re-allocating London's remaining ICIP-PTS funding to replacing the LTC Highbury Facility as this facility had reached its useful life and the application could meet the revised Intake 4 submission date.

The cost estimate for the entire project is \$332.5 million, including design, consulting, and cost escalation, with an estimated 2025 construction start. The project was broken into two smaller projects to maximize use of available funding and mitigate the taxpayer impact. Project 1 was estimated at \$199.5 million and was submitted for ICIP-PTS funding in late December 2022. The application is

still being considered. Project 2 is estimated at \$133.0 million and will be considered through a future Multi-Year Budget submission.

Investing in Canada Infrastructure Program (ICIP) - Community, Culture and Recreation Infrastructure Stream

This stream supports community infrastructure priorities. The City of London was approved for two projects under this stream.

1. Labatt Park - \$2.0 million. This project includes the installation of accessible washrooms, repair and replacement of bleachers, and replacement of sport lighting. Construction started November 4, 2022, with completion scheduled by November 30, 2023.
2. Carling Heights Optimist Community Centre (CHOCC) - \$1.9 million. This project includes a teaching kitchen space, installation of an elevator, and other building renewal components. The prime consultant will be engaged in summer 2023. Construction is scheduled to start September 2025, with completion scheduled by October 31, 2026.

Strategic Priorities Infrastructure Fund

In September 2022, London was approved for a \$4.2 million project for several upgrades at Foxfield Park, including a new spray pad and field house with accessible washrooms, a regulation size lit and irrigated premier grass soccer field, upgrades to existing park pathway, park lighting, parking facilities, and multi-use courts for tennis, pickle ball and basketball. Council approved the transfer payment agreement for this project in March 2023. The project started in June 2023 and is anticipated to end in November 2024.

Investing in Canada Infrastructure Program (ICIP) - COVID-19 Community Resilience Stream

In August 2020, the Federal Government announced the COVID-19 Resilience Infrastructure Stream to assist with social and economic recovery from the health and economic crisis brought on by COVID-19. London was approved for four projects under this stream. All projects are under construction and will be complete by fall 2023.

1. Active Transportation - \$3.75 million. Includes three projects for new cycling facilities, boulevard bicycle path improvements and downtown sidewalk improvements.
2. Recreation Facilities - \$1.75 million. One project for HVAC rehabilitation at the Carling and Stronach arenas and the Boyle Community Centre.

Green and Inclusive Community Buildings Program (GICB)

In December 2020, the federal government recognized that municipal and community buildings play a role in Canada's climate response and allocated \$1.5 billion for retrofits, repairs or upgrades of existing buildings and the construction of new public buildings.

On May 12, 2022, London was approved for \$2.2 million of Federal funding for the Kinsmen Arena Deep Energy Retrofit. Council approved the contribution agreement in March 2023 and work is proceeding.

London submitted another application for a similar project for Nichols Arena for \$2.4 million of Federal funding.

Active Transportation Fund

On December 22, 2022, London was approved for a \$2.0 million project under this program to extend the City's active transportation system by connecting the Stoney Creek Pathway from Windermere Road to the Thames Valley Corridor and onto the City's Core. The contribution agreement was approved by Council on July 25, 2023. The project must be completed by March 2026.

Canada Community Revitalization Fund (CCRF)

On June 24, 2022, the Federal Government announced the Canada Community

Revitalization Fund (CCRF), a national investment of \$500 million over two years to help communities build and improve community infrastructure projects to assist recovery from the COVID-19 pandemic.

In early 2023, London was approved for two projects.

1. Hyde Park Village Green - \$750,000. This project will reinvent the empty lot at 1695 Hyde Park Road, transforming it into a green space with accessible walkways, providing a direct route for pedestrians and cyclists between residences and the neighbourhood's retail and business main street.
2. RBC Place – King Street Parkette Revitalization - \$713,150. This project will revitalize the King Street Parkette adjacent to RBC Place creating a vibrant, accessible outdoor space able to accommodate up to 500 guests for organized events, providing an attractive, accessible, and safe space for social gathering by residents and visitors.

Both projects were completed in spring 2023.

Tourism Relief Fund (TRF)

In June 2022, the Federal Government announced the Tourism Relief Fund (TRF), a national investment of \$500 million over two years to support tourism businesses and organizations to adapt their operations to meet public health requirements while investing in products and services to facilitate their future growth.

On April 17, 2023, London was approved for a \$420,000 project “Welcome to the Heart of London”, to establish a more welcoming and visually attractive environment using consistent design elements to guide visitors through tourism facilities and events. Work on this project will continue until December 2023.

Likelihood of Impact on 2024 Budget - High

Affordable Housing

Roadmap to 3,000 Units Plan

On December 7, 2022, Municipal Council approved the “Roadmap to 3,000 Affordable Units” (Roadmap), a plan to achieve the Council endorsed target of 3,000 units by 2026. The Roadmap proposes a variety of tools, plans, investments, and approaches to advance action plans. Municipal sources of financing were approved to implement the Roadmap, noting that a variety of funding sources, particularly various City reserves and reserve funds, were utilized to fund the capital portion of the plan. The approval of this plan may constrain funding availability for other significant initiatives in future years.

On January 24, 2023, Council approved a revision to the plan to redirect approved funding to projects that are shovel-ready for government funding or partnerships when they are available.

Rapid Housing Initiative (RHI)

London was approved for all three rounds of RHI funding under the Major Cities Stream. \$7.5 million under RHI Round 1 was contributed to 122 Baseline Rd which was complete and occupied in early 2023. Under RHI Round 2, \$10.8 million was directed to 403 Thompson Rd which will be ready for occupancy October 1, 2023. On April 4, 2023, \$8.9 million from RHI Round 3 was directed to 345 Sylvan St. Construction is well underway with occupancy scheduled for August 2024.

Likelihood of Impact on 2024 Budget - High

Zero-Emission Bus Implementation Plan and Funding

On February 10, 2022, the Federal Government announced \$14.9 billion over the next eight years to support public transportation projects across Canada. On August 10, 2022, the Minister of Infrastructure and Communities announced a \$2.75 billion Zero Emission Transit Fund, a five year national program to help communities to support the purchase of 5,000 zero emission public transit and school buses and associated infrastructure.

The Zero Emission Transit Fund will support both Planning and Design Projects including studies, modelling and feasibility analysis, and Capital Projects including buses, charging and refueling infrastructure. Infrastructure Canada will provide direct funding contributions to support planning and capital projects and will also work with the Canada Infrastructure Bank which will provide flexible financing solutions through a \$1.5 billion Zero Emission Bus initiative.

On August 25, 2022, the London Transit Commission received preliminary information from the Canadian Urban Transit Research and Innovation Consortium (CUTRIC) on the Zero-Emission Bus (ZEB) Implementation Strategy they are conducting for London. The approach recommends ten 40' battery electric buses and related charging infrastructure including three high-powered overhead charging units (installed at facility or on-road) and four low-powered plug-in charging units (installed at facility). Municipal Council approved a \$26.0 million business case as part of the 2022 Budget Update to support this strategy, including required facilities work to upgrade the grid connection, install the required charging equipment, and retrofit facilities to accommodate the zero-emission buses. This business case was developed on the assumption that up to 50% of the costs of the initiative will be pursued through the Zero Emission Transit Fund.

On May 25, 2023, the LTC approved a recommendation from LTC Administration to approve in principle the ZEB fleet implementation and rollout plan and use the plan to support funding applications as determined in cooperation with Civic Administration. These applications would be submitted to the above two programs, among others.

Likelihood of Impact on 2024 Budget – High

Corporate Asset Management Plan

On August 27, 2019 Municipal Council approved the 2019 Corporate Asset Management Plan (AMP), an update to the 2014 AMP, which is compliant with O.Reg 588/17 for directly owned City assets. The 2022 Corporate AMP Review showed that the City of London owns and maintains assets with a replacement value of approximately \$22.2 billion (including Water and Wastewater) and that the City manages its infrastructure to keep it in generally 'Good' condition. Projected spending on lifecycle assets will be more than \$1.8 billion over ten years resulting in an infrastructure investment gap of roughly \$666.9 million over the cumulative 10-year period of 2022 to 2030.

To address the infrastructure gap, Municipal Council approved additional funding for the Capital Infrastructure Gap Reserve Fund through the 2020 to 2023 Multi-Year Budget. The City will also address the gap through different financial strategies including pursuing funding from external sources, incorporating reinvestment rate concepts through assessment growth, and, continuing to utilize one-time funding where available.

The 2023 Corporate Asset Management Plan is currently being finalized and will be presented to Council upon completion in October.

Likelihood of Impact on 2024 Budget – High

More Homes Built Faster Act (formerly Bill 23)

The More Homes Built Faster Act (the "Act") was passed by the Ontario Legislative Assembly in November 2023. Several changes in this Act have immediate impacts on the City and present new financial pressures. Most of the major financial consequences will only be triggered with the introduction of a new Development Charges By-law. It should also be noted that several requirements in the Act are still unknown as future regulations will be issued by the Province.

Key financial impacts in the Act are:

- Several Development Charges (DC) exemptions are included for qualifying residential development, reducing revenue that can be raised for growth infrastructure.
- DC rate increases must be phased in over a five-year period when a new DC by-law is passed, also reducing total DC revenue.
- Housing Services is no longer an eligible category for DC recovery.

- Parkland dedication of land or cash-in-lieu requirements for new developments are drastically reduced.
- The Act will change the way the City must operate and increase activity related to developments. The City will need to hire additional planners, engineers and technologists, ecologists, landscape architects, plans examiners, building inspectors and administrative staff.

Administration estimates that the overall impact to the City on growth costs previously funded by Development Charges are at least \$97 million over a five-year period but, as noted above, some of the financial impacts will not be triggered until the introduction of a new Development Charges by-law.

Likelihood of Impact on 2024 Budget - High

Climate Emergency Action Plan

On April 24, 2019, Municipal Council declared a climate emergency. Municipal council approved a Climate Emergency Action Plan (CEAP) in April 2022. Leading up to that date was a series of reports to the Strategic Priorities and Policy Committee (SPPC) including the report at the February 8, 2022 meeting. As outlined in that report, many actions listed within the CEAP Area of Focus Workplans in 2022 and 2023 could be implemented within existing budgets and by utilizing existing City resources. However, investment in and spending adjustments for climate action over the full term of the CEAP (to 2050) by the City, businesses, institutions, and residents is anticipated to be overall significant; some investments are anticipated to align with, augment and sometimes replace planned future spending. It is anticipated that many CEAP investments may result in opportunities for net operating savings.

Civic Administration will develop a detailed Climate Change Investment and Implementation Plan for all the CEAP initiatives requiring additional funding. Determining the scope, timing, and pace of CEAP investments will be critical to support development of the 2024-2027 Multi-Year Budget, as well as future strategic plans and multi-year budgets. The investment required to support community and Corporate (City) initiatives in the CEAP cannot be borne entirely by the City of London. Support from federal and provincial partners will be critical to ensuring the successful implementation of many initiatives.

Likelihood of Impact on 2024 Budget - Low

Excess Soils

Ministry (MECP) Regulation (406/19) has a new framework for the excavation, removal, and transport of “excess soils” between two or more sites. This new framework will apply to some roads projects that generate “excess soil.” There is uncertainty to the extent of this impact, but the City should anticipate potential pressures on some capital plans. This will be incorporated in future budget submissions.

Likelihood of Impact on 2024 Budget - Low

WASTEWATER & WATER

Infrastructure Funding (Wastewater)

Disaster Mitigation and Adaptation Fund

In 2018, the Government of Canada launched the Disaster Mitigation and Adaptation Fund (DMAF), committing \$2 billion over 10 years to invest in structural and natural infrastructure projects to increase the resilience of communities that are impacted by natural disasters triggered by climate change. In the Federal Budget 2022, an additional \$1.375 billion in federal funding over 12 years was announced to renew the DMAF.

London’s wastewater treatment plants, which protect the Thames River from the effects of the City’s wastewater and represent millions of dollars in assets, are in areas that may be flooded during extreme weather events. Flood protection systems at Greenway and Adelaide Wastewater Treatment Plants were identified as priority projects because

of the location of those plants within the Thames River floodplain. Flood protection measures will improve the resilience of these facilities, enhance staff safety during extreme wet weather events, and reduce the likelihood of overflows and bypasses during those events.

On October 13, 2020, the Federal Government announced that London was approved for funding under the DMAF program to support the construction of flood protection measures at the Greenway and Adelaide Wastewater Treatment Plants. The overall project cost is estimated at \$49.5 million, with the maximum federal share of all project related expenses totalling \$19.8 million (40%). The contribution agreement was approved by Council in early 2022 and work is proceeding.

On March 3, 2023, the Federal Government announced that London was approved for \$3.6 million from the DMAF program. With another \$5.5 million from the City, for a total value of \$9.1 million, this project will reconstruct the Broughdale Dyke which protects 191 properties within the floodplain including residential, institutional, and recreational areas. An environmental assessment in 2016 recommended extending and raising the dyke from a 100-year flood elevation to a 250-year flood level elevation. The contribution agreement was approved by Council in early 2023.

Likelihood of Impact on 2024 Budget – High

Corporate Asset Management Plan (Water; Wastewater)

The Corporate Asset Management Plan outlines the City's plans for the management of its \$22.2 billion worth of infrastructure. An Update was completed in 2021, and it indicates the City of London owns and maintains approximately \$15.9 billion worth of water and wastewater assets representing 71% of all City owned assets. The plan identified a 10-year cumulative infrastructure gap for the City's wastewater system of \$11.9 million, but there is no 10-year infrastructure gap for the City's water system. A further breakdown of the wastewater gap shows that the Wastewater Treatment is the main driver of the wastewater overall gap. This Wastewater Treatment gap is expected to be reduced by drawing down from existing reserve funds and transferring excess funding from the Sanitary Collection network budgets.

In 2022, Administration hired an engineering consultant (Aecom) to conduct a detailed condition assessment and provide a more accurate estimate for the wastewater treatment plants needs over the next 20 years to be included in the 2023 Corporate Asset Management Plan. Staff will continue to monitor the wastewater infrastructure gap including undertaking study work to provide higher quality information to better quantify the gap moving forward.

The 2023 Corporate Asset Management Plan is currently being finalized and will be presented to Council upon completion in October.

Likelihood of Impact on 2024 Budget – High

Excess Soils (Water; Wastewater)

Ministry (MECP) Regulation (406/19) has a new framework for the excavation, removal, and transport of "excess soils" between two or more sites. This new framework is now in effect and it will apply to most construction projects that generate "excess soil." There is some uncertainty to what extent the costs of our capital projects will be impacted. As a result, the City should anticipate potential pressures on the Water/Wastewater capital plans.

City Staff are working with the Heavy Construction Industry to understand the potential impact of these changes on costs moving forward. In addition, City Staff are working with the Engineering Consulting community to promote the reuse of soils during capital projects and considering a project to construct a new facility for handling excess soils to meet regulatory requirements.

Likelihood of Impact on 2024 Budget – Medium

Impacts from Bill 93 (Water; Wastewater)

Bill 93 and its legislative changes have significantly increased the City's costs related to providing utility locates through contracted vendor(s). A new utility locate contract entered in March 2023 escalated Water Operations' and Sewer Operations' respective operating budgets by approximately \$1.6 million each, based on 2023 volume requirements. A working group continues to explore several potential options for the longer term.

Likelihood of Impact on 2024 Budget – Medium

Canada-Ontario Lake Erie Action Plan (Wastewater)

The Great Lakes Water Quality Agreement requires the United States and Canada to reduce phosphorus levels that contribute to algal blooms in Lake Erie by 40% based on levels measured in 2008. The Thames River Watershed has been identified as a priority watershed. The final Canada-Ontario Lake Erie Action Plan was issued by the Federal government in February 2018. The plan includes a series of specific actions to be undertaken by the City of London that were endorsed by Council in Q4-2017. The timing and funding of these actions is directly linked with the availability of federal and provincial funding. Staff will continue to monitor the availability of funding and will submit applications for this work at every opportunity.

Likelihood of Impact on 2024 Budget – Low

Arva Huron Water Pipeline Environmental Assessment (Water)

The Arva-Huron Pipeline is the most critical supply of water into the City of London, supplying approximately 85% of water used by all customers. An environmental assessment was recently completed to determine the long-term strategy for replacing this key component of the City's water system. The short-term recommendation includes an asset management strategy consisting of maintenance, monitoring, and upgrading tasks. Cost estimates were provided for these asset management tasks to 2040 when the watermain is expected to reach the end of its useful life. There is sufficient funding within the current multi-year budget to complete this work over the budget period. Ongoing funding for monitoring and maintenance will be included in future multi-year budget submissions.

The long-term recommendation, which addresses the eventual replacement of this infrastructure, includes the installation of a new single or twinned water transmission main(s) on a parallel street. This work will be incorporated in the 20-year plan and included in future multi-year budget submissions.

Likelihood of Impact on 2024 Budget – Low

Conclusion

Key items included in the 2023 Mid-Year Capital Budget Monitoring Report include the following:

The 2023 life-to-date capital budget:

- \$1.9 billion (55.5%) of the \$3.4 billion 2023 life-to-date capital budget is committed, leaving \$1.5 billion (44.5%) of approved capital funding uncommitted.

A total of 35 completed capital projects with a total budget value of \$60.1 million and surplus of \$3.4 million are recommended to be closed with surplus funding returned to the original source of financing (Appendix "B").

Inflationary and emerging issues were identified that may impact the capital budget in the 2024 period and beyond. Civic Administration will continue to monitor these issues and report back to Council and the community in a timely manner, noting that impacts will be incorporated in the upcoming 2024 to 2027 Multi-Year Budget.

Prepared by: Ken Clarke, CPA, CMA, MBA Manager II, Accounting and Reporting, Financial Planning and Policy

Submitted by: Kyle Murray, CPA, CA, Director, Financial Planning and Business Support

Recommended by: Anna Lisa Barbon, CPA, CGA, Deputy City Manager, Finance Supports

Cc: Ian Collins – Director, Financial Services
John Millson – Senior Financial Business Administrator
Jeff Millman – Senior Financial Business Administrator
Jason Davies – Manager III, Financial Planning and Policy
Alan Dunbar – Manager III, Financial Planning and Policy

Appendix A - 2023 Capital Budget Activity (Life-To-Date June 30, 2023)

Table 1 - 2023 Council Awards Details (via Council approved Source of Financing documents)

Source of Financing Number	Date of Committee Award	Service Program	Description	Awarded Amount	Budget Adjustments
23001	2023-01-10	Wastewater and Treatment	RFP-2022-271 2023 Cured in Place Pipe (CIPP) Sewer Lining Program	5,910,296	0
23002	2023-01-31	Culture Services	Permanent City of London Indigenous Artwork Collection	100,000	100,000
23003	2023-01-10	Wastewater and Treatment	East London Link and Municipal Infrastructure Improvements Phase 2	13,438,206	0
23003	2023-01-10	Water	East London Link and Municipal Infrastructure Improvements Phase 2	2,939,271	0
23003	2023-01-10	Transportation Services	East London Link and Municipal Infrastructure Improvements Phase 2	2,327,326	988,532
23004	2023-01-10	Planning and Development Services	Single Source Procurement - SS-2022-316 Orientation Gateway Markers	134,456	0
23008	2023-01-31	Wastewater and Treatment	RFT-2022-248 Rapid Transit Implementation – Wellington Street from Queens Avenue to the Thames River (South Branch)	2,578,995	0
23008	2023-01-31	Water	RFT-2022-248 Rapid Transit Implementation – Wellington Street from Queens Avenue to the Thames River (South Branch)	3,540,699	0
23008	2023-01-31	Transportation Services	RFT-2022-248 Rapid Transit Implementation – Wellington Street from Queens Avenue to the Thames River (South Branch)	24,733,871	1,828,938
23009	2023-01-31	Wastewater and Treatment	Consultant Contract Services Increase for the Stanton Drain Trunk Sewer Replacement Project	30,440	0
23010	2023-01-31	Protective Services	Single Source Procurement - London Fire Department Battery Operated Extrication Equipment	680,245	0
23011	2023-01-31	Protective Services	Single Source Procurement - London Fire Department Stabilization Rescue Struts	62,157	0
23012	2023-01-30	Wastewater and Treatment	Property Acquisition - Hyde Park Community Stormwater Management	206,223	0
23013	2023-01-31	Protective Services	Single Source Procurement - London Fire Department Call Handling Software	430,556	0
23014	2023-01-30	Transportation Services	Property Acquisition, Wellington Gateway Rapid Transit Project	518,758	0
23018	2023-01-31	Corporate, Operational and Council Services	Single Source Procurement – Purchase of Ravo Street Sweepers	2,057,688	0
23023	2023-02-22	Transportation Services	Contract Amendment - Detailed Design for Bradley Avenue Extension - Wharnccliffe Road South to Jalna Boulevard	298,793	0
23024	2023-02-21	Corporate, Operational and Council Services	RFT-2022-247 Solarwinds Orion Network Performance Monitoring System	105,565	0
23025	2023-02-22	Parks, Recreation and Neighbourhood Services	RFP2022-306 Hyde Park Village Green Natural Playground Equipment and Rubber Safety Surfacing	152,443	0
23026	2023-02-22	Wastewater and Treatment	RFP-2022-245 Pollution Prevention Control Plan (PPCP) Update Study	306,134	0
23028	2023-02-21	Corporate, Operational and Council Services	Single Source Procurement - SS22-284 Personal Computing and Services	1,009,298	0
23029	2023-02-22	Protective Services	Single Source Procurement - SS-2023-037 London Fire Department - Engine and Aerials	7,368,528	3,255,061
23033	2023-02-21	Transportation Services	Property Acquisition, Wellington Gateway Rapid Transit Project	497,036	0
23034	2023-02-21	Corporate, Operational and Council Services	Single Source Procurement - SS-2023-031 Cognos Modernization Phase II	564,401	0
23040	2023-02-22	Parks, Recreation and Neighbourhood Services	RFP-2022-308 - Design, Supply and Installation of Typical Playground Equipment for Multiple Parks	337,725	0
23051	2023-03-21	Wastewater and Treatment	White Oak Road Upgrades - Construction Administration	126,994	0
23051	2023-03-21	Transportation Services	White Oak Road Upgrades - Construction Administration	241,420	0
23052	2023-03-21	Wastewater and Treatment	RFT-2023-001 Southdale Road West and Colonel Talbot Roundabout	585,611	0
23052	2023-03-21	Water	RFT-2023-001 Southdale Road West and Colonel Talbot Roundabout	103,392	0
23052	2023-03-21	Transportation Services	RFT-2023-001 Southdale Road West and Colonel Talbot Roundabout	8,660,501	0
23053	2023-03-21	Wastewater and Treatment	RFT-2022-315 2023 Infrastructure Renewal Program - Quebec Street	4,335,659	0
23053	2023-03-21	Water	RFT-2022-315 2023 Infrastructure Renewal Program - Quebec Street	1,443,447	0
23053	2023-03-21	Transportation Services	RFT-2022-315 2023 Infrastructure Renewal Program - Quebec Street	1,212,793	0
23054	2023-03-21	Wastewater and Treatment	RFT-2022-319 2023 Infrastructure Renewal Program - Paardeberg Crescent, Flanders Row and Rhine Avenue	2,656,887	0
23054	2023-03-21	Water	RFT-2022-319 2023 Infrastructure Renewal Program - Paardeberg Crescent, Flanders Row and Rhine Avenue	1,348,980	0
23054	2023-03-21	Transportation Services	RFT-2022-319 2023 Infrastructure Renewal Program - Paardeberg Crescent, Flanders Row and Rhine Avenue	3,480,804	0
23056	2023-03-21	Wastewater and Treatment	Single Source Procurement - Planned Rebuild of Incinerator Systems at Greenway Wastewater Treatment Plant	5,108,352	3,440,914
23059	2023-03-21	Wastewater and Treatment	Contract Price Increase: Infrastructure Renewal Program - Lorne Ave and Churchill and Manitoba	179,200	0
23059	2023-03-21	Water	Contract Price Increase: Infrastructure Renewal Program - Lorne Ave and Churchill and Manitoba	82,324	0
23059	2023-03-21	Transportation Services	Contract Price Increase: Infrastructure Renewal Program - Lorne Ave and Churchill and Manitoba	54,950	0
23060	2023-03-21	Housing, Social and Health Services	345 Sylvan Street - Rapid Housing Initiative, Round 3 Project	17,540,102	0
23061	2023-03-20	Corporate, Operational and Council Services	RFP-2202-154 Network Refresh and Secondary Data Center Portfolio Management Service	334,989	0

Appendix A - 2023 Capital Budget Activity (Life-To-Date June 30, 2023)

Table 1 - 2023 Council Awards Details (via Council approved Source of Financing documents)

Source of Financing Number	Date of Committee Award	Service Program	Description	Awarded Amount	Budget Adjustments
23062	2023-03-21	Environmental Services	Award of Construction Administration Services, Landfill Gas Flaring Facility Replacement at the W12A Landfill Site	221,349	0
23066	2023-04-12	Transportation Services	Oxford Street West and Gideon Drive Intersection Improvements	497,506	0
23068	2023-04-12	Protective Services	RFP-2022-309 Prime Consulting Services for the New Fire Station No. 15	428,700	0
23069	2023-04-12	Wastewater and Treatment	2023 Infrastructure Renewal Program and Huron Street Steel Watermain Cathodic Protection Project	664,357	12,859
23069	2023-04-12	Water	2023 Infrastructure Renewal Program and Huron Street Steel Watermain Cathodic Protection Project	494,115	0
23069	2023-04-12	Transportation Services	2023 Infrastructure Renewal Program and Huron Street Steel Watermain Cathodic Protection Project	121,573	0
23070	2023-04-12	Wastewater and Treatment	Greenway and Adelaide Wastewater Treatment Plants Climate Change Resiliency	156,060	0
23071	2023-04-12	Wastewater and Treatment	RFT-2023-015 Fanshawe Park Road & Richmond Street Intersection Improvements	472,033	0
23071	2023-04-12	Water	RFT-2023-015 Fanshawe Park Road & Richmond Street Intersection Improvements	1,601,451	0
23071	2023-04-12	Transportation Services	RFT-2023-015 Fanshawe Park Road & Richmond Street Intersection Improvements	14,114,540	0
23074	2023-04-12	Environmental Services	Single Source Procurement - SS-2023-099 Material Recovery Facility Baler Refurbishment	218,844	0
23078	2023-04-12	Environmental Services	RFP-2022-105 Procurement of Green Bin Containers and Delivery Services	4,060,275	0
23079	2023-04-11	Transportation Services	Settlement Agreement, Wharncliffe Road Widening Project	208,191	0
23080	2023-04-11	Transportation Services	Property Acquisition, Future Road Widening and Improvements	226,775	0
23090	2023-05-02	Parks, Recreation and Neighbourhood Services	Carling Heights Optimist Community Centre and McMahan Park Engagement Results	0	200,000
23094	2023-05-02	Wastewater and Treatment	Consultant Fee Increase: Tributary 12 Construction	84,741	0
23108	2023-05-24	Wastewater and Treatment	Dingman Creek Pumping Station Consulting Fees Value Increase	471,174	-174,302
23109	2023-05-24	Wastewater and Treatment	RFT-2023-016 Dingman Drive Improvements	640,508	0
23109	2023-05-24	Water	RFT-2023-016 Dingman Drive Improvements	107,532	0
23109	2023-05-24	Transportation Services	RFT-2023-016 Dingman Drive Improvements	10,069,296	0
23113	2023-05-24	Protective Services	Single Source Procurement - London Fire Department Bunker Gear	323,292	0
23116	2023-06-13	Transportation Services	RFT-2023-083 Traffic Signal Rebuild for Wonderland Road S at Village Green Avenue and at Teeple Terrace	958,048	0
23120	2023-05-30	Housing, Social and Health Services	SS-2023-120 Single Source: Supportive Housing Model at 403 Thompson Road	161,715	0
23121	2023-06-12	Planning and Development Services	RFP-2023-018 ESA Lands Asset Plan and Data Management Tool	182,551	0
23122	2023-06-13	Wastewater and Treatment	Stormwater Infrastructure and Channel Remediation Projects	699,357	0
23123	2023-06-13	Water	Contract Price Increase: RFT-2022-016 Springbank Reservoirs 1 & 3 Roof Membrane Replacement and Repairs Project	1,526,031	1,544,664
23124	2023-06-13	Wastewater and Treatment	Funding to Support UTRCA Capital/Maintenance Projects and City Watercourse Monitoring Program	334,486	0
23125	2023-06-13	Protective Services	Single Source Procurement - SS-2023-172 London Fire Department Request for Fire Apparatuses	8,028,811	8,028,811
23127	2023-06-13	Protective Services	Single Source Procurement - London Fire Department Request for a Decontamination Pod	368,763	368,763
23128	2023-06-12	Transportation Services	Property Acquisition, East London Link Rapid Transit Project	151,020	0
				165,418,609	19,594,240

Appendix A - 2023 Capital Budget Activity (Life-To-Date June 30, 2023)

Table 2 - 2023 Council Approved Budget Adjustments Details (via Council approved reports with no accompanying Source of Financing document)

Budget	Description	
Property Tax	2023 Assessment Growth	962,232
Property Tax	Adjustments resulting from the various Council approved reports	8,886,759
Total		9,848,991

Appendix A - 2023 Capital Budget Activity (Life-To-Date June 30, 2023)

Table 3 - Council Approved Awards and Budget Adjustments Summary

Budget	Awarded Amount	Budget Adjustments
Property Tax Budget	113,245,654	24,619,096
Wastewater and Treatment Budget	38,985,713	3,279,471
Water Budget	13,187,242	1,544,664
Subtotal Council Awards and Budget Adjustments	165,418,609	29,443,231

Table 4 - Administrative Awards and Budget Adjustments Summary

Budget	Awarded Amount	Budget Adjustments
Property Tax Budget	31,608,369	8,178,890
Wastewater and Treatment Budget	20,436,890	4,000
Water Budget	14,039,399	6,172
Subtotal Administrative Awards and Budget Adjustments¹	66,084,658	8,189,062

Notes:

1) Civic Administration source of financing awards are in accordance with the Procurement of Goods and Services Policy and are reported annually through that process.

Table 5 - Combined Council Approved and Administrative Awards and Budget Adjustments Summary

Budget	Awarded Amount	Budget Adjustments
Property Tax Budget	144,854,023	32,797,986
Wastewater and Treatment Budget	59,422,603	3,283,471
Water Budget	27,226,641	1,550,836
Total Council Approved, Administrative Awards and Budget Adjustments	231,503,267	37,632,293

Appendix B – Completed Capital Projects (as of June 30, 2023)

Table 1 - Tax Supported Budget Completed Capital Projects

	Classification	Approved Budget	Actual	Surplus / (Deficit)	Tax Supported Capital Levy	Tax Supported Debt	Tax Supported Reserve Fund	Non-Tax Supported Reserve Fund	Non-Tax Supported Debt	Non-Tax Supported Other
PD223016 New Field Houses	Growth	600,000	594,036	5,964		1,938		4,026		
PK138219A Edgevalley - Neighbourhood Parks	Growth	62,985	62,985	0						
EP176521 RBC Place London Repairs	Lifecycle Renewal	1,036,186	1,036,186	0						
FS115221 Emergency Fire Vehicle	Lifecycle Renewal	1,797,801	1,797,801	0						
GGAPPL1803 City Hub Upgrades and Enhancements	Lifecycle Renewal	674,182	674,182	0						
LMH261820 Public Housing Major Upgrades	Lifecycle Renewal	2,260,097	2,260,097	0						
PD128218 Maintain Neighbourhood Parks	Lifecycle Renewal	783,133	783,133	0						
PD128219 Maintain Neighbourhood Parks	Lifecycle Renewal	684,610	684,610	0						
PD302016 Maintain Urban Parks	Lifecycle Renewal	245,420	245,420	0						
PK102320G 2021 CSA Equipment	Lifecycle Renewal	75,824	75,824	0						
PK102320K West Lions Park Court (MLSE)	Lifecycle Renewal	395,899	395,899	0						
PK128220H Park Amenities Maintain Neighbourhood Parks	Lifecycle Renewal	125,380	125,380	0						
PK302020A M.A. Baran Park	Lifecycle Renewal	174,259	174,259	0						
TS116519 Warranted Sidewalks	Lifecycle Renewal	510,790	510,790	0						
TS125419 Localized Roadways	Lifecycle Renewal	503,637	503,637	0						
TS125420 Localized Roadways	Lifecycle Renewal	368,204	367,987	217						217
TS512316 Street Light Maintenance	Lifecycle Renewal	912,329	912,329	0						
PD1217 Dundas Place Field House	Service Improvement	385,670	400,935	-15,265	-15,265					
RC2050 Aquatic Accessibility	Service Improvement	240,000	256,120	-16,120			-16,120			
RC2645 Tim Hortons Playhouse	Service Improvement	20,000	26,173	-6,173						-6,173
Total		11,856,406	11,887,783	-31,377	-15,265	1,938	-16,120	4,026	0	-5,956

Appendix B – Completed Capital Projects (as of June 30, 2023)

Table 2 - Wastewater and Treatment Budget Completed Capital Projects

	Classification	Approved Budget	Actual	Surplus / (Deficit)	Comments (For Variance Greater Than \$50,000)	Rate Supported Capital Levy	Rate Supported Debt	Rate Supported Reserve Fund	Non-Rate Supported Reserve Fund	Non-Rate Supported Debt	Non-Rate Supported Other
ES2204 Colonel Talbot Pumping Station	Growth	11,365,956	11,187,657	178,299	Project variance is the result of favourable tendering.				178,299		
ES3209 Stormwater Unidentified Municipal Class Environmental Assessment Addendums	Growth	200,000	98,681	101,319	Sufficient budget exists in more recent projects to support this program.				101,319		
ES542519 Interim Works as Identified in EAs (2019-2023)	Growth	214,748	0	214,748	Budget is no longer required to support this program.				214,748		
ES241418 Sewer Infrastructure Lifecycle	Lifecycle Renewal	14,514,893	13,820,357	694,536	Work related to utilities was removed from awarded contracts and the offsetting revenue was not received.						694,536
ES269321 Sewer Relining	Lifecycle Renewal	4,591,663	4,591,663	0							
Total		30,887,260	29,698,358	1,188,902		0	0	0	494,366	0	694,536

Appendix B – Completed Capital Projects (as of June 30, 2023)

Table 3 - Water Budget Completed Capital Projects

Project	Classification	Approved Budget	Actual	Surplus / (Deficit)	Comments (For Variance Greater Than \$50,000)	Rate Supported Capital Levy	Rate Supported Debt	Rate Supported Reserve Fund	Non-Rate Supported Reserve Fund	Non-Rate Supported Debt	Non-Rate Supported Other
EW3592 Infill and Intensification Nodes Water Servicing	Growth	2,198,080	600,548	1,597,532	This program was replaced with the Built Area Works (BAW) program in the 2019 Development Charges Background Studies. Sufficient budget exists in the BAW projects to support the program.			80,005	1,517,527		
EW3654 Arva Pumping Station Upgrade	Growth	339,968	0	339,968	Pumping Station upgrade not required at this time, future timing unknown.			169,984	169,984		
EW3658 Wonderland Rd Watermain - Commissioners to Viscount (3000)	Growth	307,774	0	307,774	Project determined to not be required and no future work is planned.				307,774		
EW110420 Southeast Pumping Station Optimization and Renewal	Lifecycle Renewal	96,410	96,410	0							
EW3535 Infrastructure Renewal Program Acceleration - CWWF	Lifecycle Renewal	504,189	482,642	21,547							21,547
EW3547 Trunk Watermain Cathodic Protection Upgrades - CWWF	Lifecycle Renewal	295,000	312,171	-17,171				-64,957			47,786
EW3552 EMPS Annual Capital Replacement	Lifecycle Renewal	958,476	958,476	0							
EW355220 EMPS Optimization and Renewal	Lifecycle Renewal	129,900	129,900	0							
EW356319 Main Rehabilitation	Lifecycle Renewal	8,059,870	8,059,870	0							
EW356321 Watermain Rehabilitation and Relining	Lifecycle Renewal	4,493,864	4,493,864	0							
Total		17,383,531	15,133,881	2,249,650		0	0	185,032	1,995,285	0	69,333

Appendix C - 2023 Mid-Year Capital Housekeeping Budget Adjustments

Table 1 - Tax Budget Adjustments

Project	Classification	Approved Budget	Amount Released	Released Budget Explanation	Rate Supported Capital Levy	Rate Supported Debt	Rate Supported Reserve Fund	Non-Rate Supported Reserve Fund	Non-Rate Supported Debt	Non-Rate Supported Other
TS1359 Windermere Road - Western Rd to Richmond St	Growth	2,292,756	1,897,555	Minor consulting work completed. The continued requirements and need for this project will be evaluated in the development of the 2028 Development Charges Background Studies and included in the 2028-2031 Multi-Year Budget, if required.		203,038		1,694,517		
TS1365 Sunningdale - Hyde Park Rd to Wonderland Rd North	Growth	949,810	949,810	The continued requirements and need for this project will be evaluated in the development of the 2028 Development Charges Background Studies and included in the 2028-2031 Multi-Year Budget, if required.		108,278		841,532		
TS1371 Road Class Oversizing City Share	Growth	500,000	335,909	Lesser widening of local/arterial intersections were completed than anticipated. Sufficient budget exists in newer projects to support this program.			9,943	325,966		
TS137119 Road Class Oversizing City Share (2019-2023)	Growth	1,017,995	500,000	Lesser widening of local/arterial intersections needed than anticipated. The partial budget release will leave sufficient budget remaining to support this program.				500,000		

Appendix C - 2023 Mid-Year Capital Housekeeping Budget Adjustments

TS1408 Wickerson - Southdale to 650M N Southdale Upgrades	Growth	3,545,120	3,000,000	The continued requirements and need for this project will be evaluated in the development of the 2028 Development Charges Background Studies and included in the 2028-2031 Multi-Year Budget, if required.		585,267		2,414,733		
TS1496-2 Sunningdale Rd Widening - Ph 2 Intersection Upgrades	Growth	4,273,813	357,966	Project complete. Project cannot be closed due to open purchase orders which are also attached to other non-complete projects. Remaining variance being released.			80,518	277,448		
TS180219 Strategic Links (2019-2023)	Growth	6,823,147	500,000	Less work needed than anticipated. The partial budget release will leave sufficient budget remaining to support this program.				500,000		
Total		19,402,641	7,541,240		0	896,583	90,461	6,554,196	0	0

Appendix C - 2023 Mid-Year Capital Housekeeping Budget Adjustments

Table 2 - Water Budget Adjustments

Project	Classification	Approved Budget	Amount Released	Released Budget Explanation	Rate Supported Capital Levy	Rate Supported Debt	Rate Supported Reserve Fund	Non-Rate Supported Reserve Fund	Non-Rate Supported Debt	Non-Rate Supported Other
EW3652-2 Wickerson High Level Watermain Phase II Wickerson Road	Growth	1,278,364	986,068	Minor work completed. Timing change to construction in 2030. Future budgets will be included in the 2024-2027 Multi-Year Budget.				986,068		
EW3675 Southdale Rd Watermain - Boler to Wickerson (2004)	Growth	2,257,581	2,257,581	Timing change to construction in 2030. Future budgets will be included in the 2024-2027 Multi-Year Budget.				2,257,581		
EW3674 Wharncliffe Road (Springbank Dr to Thames River) Watermain Replacement	Lifecycle Renewal	1,603,800	1,603,800	Timing change to construction in 2025. Future budgets will be included in the 2024-2027 Multi-Year Budget.				1,603,800		
Total		5,139,745	4,847,449		0	0	0	4,847,449	0	0

Appendix C - 2023 Mid-Year Capital Housekeeping Budget Adjustments

Table 3 - Wastewater and Treatment Housekeeping Budget Adjustments

Project	Classification	Approved Budget	Amount Released	Released Budget Explanation	Rate Supported Capital Levy	Rate Supported Debt	Rate Supported Reserve Fund	Non-Rate Supported Reserve Fund	Non-Rate Supported Debt	Non-Rate Supported Other
ES5428 Infill and Intensification Nodes Storm Sewer Servicing	Growth	2,756,580	492,619	Work is complete and in the warranty period. No further work is planned and unused budget can be released. The project will be closed at the end of the warranty period.			34,487	458,132		
ESSWM-MM2 SWM Facility - Murray Marr No. 2	Growth	4,400,000	4,400,000	Timing change to construction in 2026. Future budgets will be included in the 2024-2027 Multi-Year Budget.				4,400,000		
ESSWM-MM4 SWM Facility - Murray Marr No. 4	Growth	2,100,000	2,026,052	Minor consulting work completed. Timing change to construction in 2026. Future budgets will be included in the 2024-2027 Multi-Year Budget.			91,269	1,934,783		
ESSWM-PD3 SWM Facility - Pincombe Drain No. 3	Growth	3,502,200	948,341	Work is complete and in the warranty period. No further work is planned and unused budget can be released. The project will be closed at the end of the warranty period.				472,342	475,999	
ESSWM-PD4 SWM Facility - Pincombe Drain No. 4	Growth	1,500,000	1,146,000	Timing of construction and land acquisition changed to 2026. Future budgets will be included in the 2024-2027 Multi-Year Budget.				1,146,000		
ESSWMPDP6 Pincombe Drain P6	Growth	2,250,900	1,250,000	Alternative servicing strategies were identified for the work originally planned for this project. Full budget is not required.					1,250,000	

Appendix C - 2023 Mid-Year Capital Housekeeping Budget Adjustments

ESSWM-PKR SWM Facility - Parker	Growth	6,055,000	667,514	Work is complete. The project is awaiting final claims. Unused funding is not required and can be released.					667,514	
ES2486 Wonderland Road Stormwater Improvements	Service Improvement	3,757,407	1,500,000	Timing change to construction in 2027, in coordination with development plans in the area. Future budgets will be included in the 2024-2027 Multi-Year Budget.			1,500,000			
Total		26,322,087	12,430,526		0	0	1,625,756	8,411,257	2,393,513	0

Report to Corporate Services Committee

To: Chair and Members
Corporate Services Committee

From: Anna Lisa Barbon, CPA, CGA
Deputy City Manager, Finance Supports

Subject: SS-2023-252 New Fibre Network Service Installation for Fire Station No. 15

Date: October 3, 2023

Recommendation

That, on the recommendation of the Deputy City Manager, Finance Supports, the following actions **BE TAKEN** with respect to the new fibre network service installation required for the new Fire Station No. 15 at 2340 Old Victoria Rd.

- a) Approval **BE GIVEN** to execute a Single Source purchase as per section 14.4 (d) and (e) of the City of London's Procurement of Goods and Services Policy;
- b) Single Source negotiated price **BE ACCEPTED** to secure the installation of the new fibre network service required for the operation of the new Fire Station No. 15 for a total price of \$113,850.00 (excluding HST) from Rogers Communications Canada Inc.
- c) Civic Administration **BE AUTHORIZED** to undertake all the administrative acts that are necessary in connection with this purchase;
- d) Approval hereby given **BE CONDITIONAL** upon the Corporation entering into a formal contract or having a purchase order, or contract record relating to the subject matter of this approval in accordance with Sections 14.4(d)(e) and 14.5(a)(ii) of the Procurement of Goods and Services Policy; and
- e) That the funding for this purchase **BE APPROVED** as set out in the Source of Financing Report attached, hereto, as Appendix A.

Executive Summary

This report is submitted to seek Council approval of the cost of the new fibre network installation for Fire Station No. 15 from Rogers Communications Canada Inc. using the single source provisions found in section 14.4 (d) & (e) of the Procurement of Goods and Services Policy.

Linkage to the Corporate Strategic Plan

Strengthening our Community

Londoners have access to the services and supports that promote well-being, health, and safety in their neighbourhoods and across the city.

- Increase neighbourhood safety.

Building a Sustainable City

London's infrastructure is built, maintained, and operated to meet long-term needs of our community.

- Improve London's resiliency to respond to potential future challenges.

Leading in Public Service

Londoners experience exceptional and valued customer service.

- Increase responsiveness to our customers.
- Increase efficiency and effectiveness of service delivery.

Analysis

1.0 Background Information

Fire Administration developed a Fire Master Plan and, after analysis of call volumes and trends, it was determined that Station 15 would be the priority in the south-east quadrant of the City, located at 2340 Old Victoria Rd.

As a new build site, no telecommunication carriers have internet service currently available at the Station 15 location.

1.1 Previous Reports Related to this Matter

- [Recommendation to award RFP 21-24 Network Connectivity](#) (CSC, May 31, 2021)

2.0 Discussion and Considerations

In 2021, further to the report linked in section 1.1, the City awarded contract C21-081 to Rogers Communications Canada Inc. to provide wide area network services to connect City sites. That contract encompasses monthly recurring fees associated with both existing and future site network connections but does not explicitly encompass costs for new build connectivity that are required for Fire Station 15.

It is in the interest of Information Technology Services (ITS) and the City to maintain a homogeneous wide area network wherever possible, as this allows for more efficient and cost-effective network operations.

2.1 Procurement Process

During preliminary discussions with Rogers Communications Canada Inc. to coordinate network service to the site of the new Station 15 it was discovered that the service required was not in close proximity to 2340 Old Victoria Rd. Installation of the required 1000 Mbps Ethernet Fibre Network and related construction costs was estimated by Rogers Communications Canada Inc. at \$103,500.00, contingency is estimated at 10% for a total estimated cost of \$113,850.00. The service is required for the operation of the new Station 15 and has been recommended as a single source supplier for the reasons noted in sections 14.4 (d) & (e) of the Procurement of Goods and Services Policy:

- 14.4 d. There is a need for compatibility with goods and/or services previously acquired or the required goods and/or services will be additional to similar goods and/or services being supplied under an existing contract (i.e. contract extension or renewal);
- 14.4 e. The required goods and/or services are to be supplied by a particular supplier(s) having special knowledge, skills, expertise or experience.

As per Section 14.5 a) ii) of the Procurement of Goods and Services Policy, Committee and City Council must approve a single source award greater than \$50,000, unless otherwise permitted by the Policy.

3.0 Financial Impact

The total funding required for the new fibre network installation for Fire Station No. 15 from Rogers Communications Canada Inc. is \$113,850.00 (excluding HST). This amount is based on an estimated construction cost of \$103,500.00 provided by Rogers

Communications Canada Inc. plus a 10% contingency of \$10,350.00. The full amount will be funded from the account for the new build. (FS1087)

Recurring monthly charges for the 1000 Mbps Ethernet Fibre Network service will be covered under the existing service contract C21-081 held by Information Technology Services in the amount of \$650.00 per month for a term of 60 months, starting date not yet confirmed.

Funding details for this purchase are outlined in the Source of Financing attached as Appendix A

Conclusion

In accordance with section 14.4 (d) & (e) and 14.5 a) ii) of the Procurement of Goods and Services Policy, Facilities in conjunction with the London Fire Department and Information Technology Services is requesting approval of a single source procurement to Rogers Communications Inc.

Prepared by: **James McCloskey**
Manager, Information Security and Network Services

Richard Hayes
Acting Fire Chief

Ashley Howard
Manager, Facilities Design and Construction

Submitted by: **Lynda Stewart**
Director, Fleet and Facilities

Recommended by: **Anna Lisa Barbon, CPA, CGA**
Deputy City Manager, Finance Supports

cc: Cheryl Smith, Deputy City Manager, Neighbourhood and Community-Wide Services
John Paradis, Deputy City Manager, Enterprise Supports
Mat Daley, Director, Information Technology Services
Steve Mollon, Senior Manager, Procurement & Supply

Attached: Appendix A – Source of Finance

Appendix "A"

#23194

October 3, 2023
(Award Contract)

Chair and Members
Corporate Services Committee

RE: SS-2023-252 New Fibre Network Service Installation for Fire Station No.15
(Work Order 2554411)
Capital Project FS1087 - Fire Station 15 - New Station
Rogers Communications Canada Inc. - \$113,850.00 (excluding HST)

Finance Supports Report on the Sources of Financing:

Finance Supports confirms that the cost of this project can be accommodated within the financing available for it in the Capital Budget and that, subject to the approval of the recommendation of the Deputy City Manager, Finance Supports, the detailed source of financing is:

Estimated Expenditures	Approved Budget	Committed To This Date	This Submission	Balance for Future Work
Engineering	457,434	457,434	0	0
Land Acquisition	421,633	0	0	421,633
Construction	2,977,533	0	115,854	2,861,679
Total Expenditures	\$3,856,600	\$457,434	\$115,854	\$3,283,312

Sources of Financing

Debenture Quota	1,361,380	161,474	40,896	1,159,009
Drawdown from City Services Fire Reserve Fund (Development Charges) (Note 1)	452,900	295,960	74,958	81,983
Debenture Quota (Serviced through City Services - Fire Reserve Fund (Development Charges)) (Note 1)	2,042,320	0	0	2,042,320
Total Financing	\$3,856,600	\$457,434	\$115,854	\$3,283,312

Financial Note:

Contract Price	113,850
Add: HST @13%	14,801
Total Contract Price Including Taxes	128,651
Less: HST Rebate	-12,797
Net Contract Price	\$115,854

Note 1: Development charges have been utilized in accordance with the underlying legislation and the approved 2019 Development Charges Background Study and the 2021 Development Charges Background Study Update.

Note 2: There will be additional operating costs of \$650.00 per month.


 Jason Davies
 Manager of Financial Planning & Policy

mp

Report to Corporate Services Committee

To: Chair and Members
Corporate Services Committee

From: Anna Lisa Barbon, Deputy City Manager, Finance Supports

Subject: Budweiser Gardens Proposed Expansion – Additional Information and Proposed Amending Agreement

Date: October 3, 2023

Recommendation

That, on the recommendation of the Deputy City Manager, Finance Supports, the following actions **BE TAKEN**:

- a) This report providing additional information on the proposed Budweiser Gardens Expansion **BE RECEIVED** for information; and,
- b) The attached by-law (Appendix “A”) **BE INTRODUCED** at the Municipal Council meeting on October 17, 2023 to execute the proposed amending agreement to the Participatory Occupancy Lease (Schedule “A”) related to the Budweiser Gardens Expansion project;
- c) The source of financing for the proposed expansion **BE APPROVED** as set out in the Source of Financing Report (Appendix “B”); and
- d) Civic Administration **BE DIRECTED** to confirm concurrence in writing for the contract extension with Ovations Food Services, L.P.

Executive Summary

On May 23, 2023, a report was provided to the Corporate Services Committee containing an overview of a Budweiser Gardens Expansion and Renovation Proposal prepared by the operators of the facility, OVG360. Through Committee and Council’s review of that proposal, additional direction was provided to civic administration, specifically to:

- Prepare an amending agreement for the proposed expansion and bring forward a confirmed source of financing for Phase 1;
- Bring forward a review of the financial case for the proposed expansion including, but not limited to, an overview of the City of London’s return on investment (ROI) expected from the proposed phases of the expansion and a comparison with the ROI in the current agreement;
- In support of the City’s Climate Emergency Action Plan and net zero goal, work with OVG360 to bring forward existing and contemplated plans for energy efficiency retrofits to Budweiser Gardens and offer support for any applications to financial grant program for the contemplated upgrades.

This report is intended to address this direction by providing a summary of the financial impacts of the proposed expansion, further information regarding the proposed food & beverage contract extension and additional details with respect to “green” initiatives undertaken and planned at Budweiser Gardens. Should Council wish to proceed with Phase 1 of the expansion, a proposed source of financing is included, as well as a by-law and proposed amending agreement to reflect the terms of the proposed project.

Linkage to the Corporate Strategic Plan

The following report supports the 2023-2027 Strategic Plan through the strategic focus area of Economic Growth, Culture and Prosperity. Specifically, this report contributes to making London a destination of choice, through the strategy: “Use existing assets in creative ways, and evaluate opportunities for new assets, that support London’s profile as a destination for arts, culture, sport and recreation.”

Analysis

1.0 Background Information

1.1 Previous Reports Related to this Matter

Corporate Services Committee, May 23, 2023, Budweiser Gardens Expansion and Renovation Proposal

<https://pub-london.escribemeetings.com/filestream.ashx?DocumentId=99328>

Corporate Services Committee, March 20, 2023, 2022 Annual Update on Budweiser Gardens

<https://pub-london.escribemeetings.com/filestream.ashx?DocumentId=97963>

Investment and Economic Prosperity Committee, March 31, 2014, Consent Item # 4, Budweiser Gardens Contract Extensions

1.2 Budweiser Gardens Background

Budweiser Gardens operates as a public private partnership and is designated as a municipal capital facility under the Municipal Act. The arrangement is structured as follows:

- a) The City of London owns the land.
- b) The City of London leases a portion of the lands upon which the facility sits (Ground Lease) to London Arena Trust for a nominal base rent for 50 years. During the term of the lease, London Arena Trust owns the building in trust for the City. The trust vehicle reduces tax exposure.
- c) London Arena Trust leases the building (Participatory Occupancy Lease) to the London Civic Centre Limited Partnership. The partners in the Partnership are OVG360 (formerly Global Spectrum), and EllisDon Construction Ltd. The partnership initially also included Stadium Consultants International, however, they disposed of their interest to Global in 2003.
- d) OVG360 is also the manager/operator of the building for the Partnership. They are responsible for the sale of naming rights, advertising, attractions, sale of suites and club seats, and the operation of the facility.

All the parties to Budweiser Gardens are represented on a Working Committee that meets frequently to discuss matters over which London Arena Trust and the City have approval and supervisory rights. It is intended that the Working Committee shall facilitate the efficient settlement of operation and approval matters in connection with the facility.

The London Civic Centre Limited Partnership (OVG360 and Ellis Don) is the City’s partner for Budweiser Gardens, having originally provided \$9.5 million in private sector funding (\$2.5M in cash and a \$7M loan referred to as the Senior Loan) towards construction. The City’s contribution to the project was \$32 million, plus the land valued at \$10 million, of which approximately one-third serves as a municipally operated public parking lot.

Annually, the City receives a share of the net proceeds from operations, noting it is subject to a minimum \$50,000 payment from Budweiser Gardens, as well as a share of the proceeds from ticket sales. The City’s share of the net proceeds from operations

varies over the life of the lease. In years one to five, the City's share was 20%; years six to ten, 45% and years eleven to fifty, 70%.

1.3 Financial Performance to Date

Based on financial performance to date, after 20 years of operation, the cumulative proceeds from available cash flow to the City was \$7.8 million representing an approximate 19% cumulative return on the initial \$42 million investment to date. On average over the 20 years of operation, this equated to approximately \$390k of proceeds per year. During the years of the pandemic (2020, 2021, 2022), the average proceeds dropped to \$105k per year. Pre-pandemic, the annual average proceeds were approximately \$440k per year (2003 to 2019).

The original Budweiser Gardens investment contribution breakdown by partner is shown in the table below:

(\$ millions)		%
City Contribution	\$42.0	82%
Private Contribution	\$9.5	18%
TOTAL:	\$51.5	100%

When the Arena was originally constructed, all municipally operated centres operated at a loss/required municipal subsidy (when capital costs are included), meaning that there is no return on the investment other than the economic spin-offs. The return on investment for the City was estimated at 1-2% noting that a significant expectation of return was the economic spin-offs and its contribution to the downtown revitalization.

The original discussions and agreement recognized that, in addition to capital replacement and maintenance, there was a need to keep the building modernized and up to date. There is no provision in the original agreement for the modernization of the facility over the life of the agreement, it being noted that an amending agreement was drafted and approved in 2016 to accommodate "betterments" to Budweiser Gardens that were acquired under capital leases subject to Council approval for each new lease. The City would be responsible for any modernization that may be contemplated to keep the building competitive with other facilities. There is nothing in the Agreement that obligates the City to undertake these improvements and it would be at the City's sole discretion to do so. However, it is unlikely that Budweiser Gardens will continue to perform the way it has to date without any additional investment to update it over time. In order to continue attracting world-class events and musical superstars, consideration of a renovation that will upgrade amenities and technology to meet today's standards as well as expanding the back of house space to address a number of current limitations is required. The result of a renovation may not only generate significant increases in revenue but should enhance the experience for patrons and every artist, athlete and performer who play at Budweiser Gardens

Annually, the City receives a share of the net proceeds (available cash flow) from operations, noting it is subject to a minimum \$50,000 payment from Budweiser Gardens, as well as a share of the proceeds from ticket sales. The City is not required to assist in funding the financial loss that has occurred because of the COVID-19 pandemic; however, based on the provisions of the partnership agreement, any losses incurred will be recouped against future profits that are earned by Budweiser Gardens until they are offset. The impact of this provision limits the share of proceeds received in the future until the loss is repaid. The current balance of the outstanding losses as of June 2023 is approximately \$3.8 million.

Based on the most recent updated projections of financial performance under the existing agreements, it is estimated that net cash flows from operations will be required to repay the losses for the foreseeable future. Therefore, based on the current agreement, this means that the City of London would only receive the minimum lease payment of \$50,000 until the loss is repaid by the future net cash flow excluding the annual share of ticket sales.

1.4 Budweiser Gardens Expansion Proposal

Throughout the last 20 years, Budweiser Gardens has always strived to meet the needs of the community through diverse programming while also standing as a landmark of civic pride and community accessibility, tourism, promoting a sense of vibrancy and culture while also providing a wide range of public sports and entertainment. However, to continue attracting world-class events and musical superstars, a renovation that will upgrade amenities and technology to meet today's standards could be considered. There is no provision in the partnership agreement for modernization of the facility over the life of the agreement. However, the initial partnership agreement anticipated that an investment would be required approximately midway through the agreement.

Based on feedback over the years from the operator, there are areas of additional investment that the City and its partners could consider. Initial assessments done by OVG360 would suggest that an expansion of the back of house space is required to address several current limitations. Further, opportunities could be considered to enhance the experience for patrons and every artist, athlete and performer who play at Budweiser Gardens. The result of a renovation may not only maintain the arena competitiveness with other facilities, but it would generate significant increases in net cash flow of which the City receives a share.

The project has been split into two proposed phases and the key elements of these phases are summarized as follows:

Phase 1:

The upgrades planned for Phase 1 include the majority of the customer-facing upgrades. The components of Phase 1 include:

- Level 100 Club Lounge Expansion
- Level 100 Multipurpose Event Space Expansion (partial shell)
- Level 100 Knights Locker Room Renovation
- Level 200 Private Suites and Corridors Refresh
- Level 200 East Bowl Loges
- General Food and Beverage Concessions Upgrades
- General Audio/Visual and Technology Upgrades

Phase 2:

The upgrades included in Phase 2 are more focused on the back-of-house renovations. The components of Phase 2 include:

- Level 100 Multipurpose Event Space Expansion (remainder)
- Level 100 Office Renovation
- Level 200 Backstage Club/Kitchen
- Level 200 Administrative Office Expansion & Refresh
- Level 300 Feature Bar at North Concourse
- General Audio/Visual and Technology Upgrades

1.5 Budweiser Gardens Food Services

Under the terms of the City's agreement with the London Civic Centre Corporation, any contracts with a non-arm's length related company must be disclosed to the City and must receive prior written consent to proceed which would not be unreasonably withheld. These contracts are between Oakview Group and third parties. Oakview Group is the parent company of OVG360 and Ovations Ontario Food Services, L.P.

In 2002, Council provided concurrence to Global Spectrum, as the Manager of the facility at that time, contracting with Ovations Food Services to September 30, 2022 in accordance with the Participatory Occupancy agreement. This contract was deemed to be at market value and was deemed to be the best proposal received. Ovations contributed towards the capital improvements to the food and beverage portion of the facility, which contributes to the additional revenues for the facility. In 2014, Council provided concurrence to a five-year extension of the contract to September 30, 2027,

which would continue with the same terms of the agreement and additional capital improvements.

OVG360 is proposing, as part of the proposed renovation plan and upgraded food and beverage programs with new technology, that the existing Food and Beverage contract with Ovations Food Services be extended through to May 2051 to coincide with the London Civic Centre agreement expiry. The additional investment towards general food and beverage concessions upgrades are included as part of Phase 1 totalling approximately \$1.9 million which is expected not only to provide a better experience for patrons of the venue, but also drive increased revenue for Budweiser Gardens.

1.6 Previous Council Direction

Municipal Council resolved on June 6, 2023:

That, on the recommendation of the Deputy City Manager, Finance Supports, the following actions be taken:

- a) the Budweiser Gardens Expansion Proposal BE RECEIVED for information;*
- b) the Civic Administration BE DIRECTED to prepare an amending agreement for the proposed expansion and bring forward a confirmed source of financing for Phase 1, funded through the Tourism Infrastructure Reserve Fund; it being noted that Phase 2 will be forwarded to the 2024-2027 Multi-Year Budget process;*
- c) the Civic Administration BE DIRECTED to confirm concurrence in writing, pending a future Corporate Services Committee report, for the contract extension with Ovations Food Services;*
- d) the Civic Administration BE DIRECTED to bring forward a review of the financial case for the proposed expansion including, but not limited to, an overview of the City of London's return on investment (ROI) expected from the proposed phases of the expansion and a comparison with the ROI in the current agreement to a future meeting of the Corporate Services Committee; and,*
- e) in support of our Climate Emergency Action Plan and net zero goal, the Civic Administration BE DIRECTED to work with OVG360 to bring forward existing and contemplated plans for energy efficiency retrofits to Budweiser Gardens and offer support for any applications to financial grant program for the contemplated upgrades;*

it being noted that sources of grant applications for energy retrofits could include: Federal/Provincial Grants and Grants from the FCM Green Municipal Fund.

it being further noted that Corporate Services Committee heard a delegation from P. Luukko, Co-Chairman OVG360, B. Ohi, General Manager, Budweiser Gardens and C. Finn, Tourism London with respect to this matter; and

it being further noted that the amending agreement and source of financing will be brought forward to a future Corporate Services Committee meeting.

The purpose of this report is to address the items noted in the above resolution and to also provide a financial review of the proposed expansion as well as the draft amending agreement.

2.0 Discussion and Considerations

2.1 Analysis of Expansion and Renovation Proposal

As noted above, the expansion and renovation proposal from OVG360 has been split into two phases. The estimated total cost of the project is approximately \$33.3 million, of which OVG360 has proposed that the City finance 80% of the cost, while the private share would be 20%. The proposed capital expenditure split was based on and intended to be generally consistent with the original Budweiser Gardens build given this is approximately the mid point in the lease term, it being noted that OVG360 has rounded down the City's share to be slightly less than the original at 82%.

The cost breakdown of the two phases is as follows:

(\$ millions)	Phase 1	Phase 2	Total	%
City Contribution	\$9.0	\$17.7	\$26.7	80%
Private Contribution	\$6.1	\$0.5	\$6.6	20%
TOTAL:	\$15.1	\$18.2	\$33.3	

It should be noted that the proposal has been scoped down from an original total cost of \$39.8 million, of which 80% was also proposed to be funded by the City. In addition, the proposal was separated into two phases to support the intended timing of the project and to allow for alignment with the 2024-2027 Multi-Year Budget process to spread out the capital costs and debt issuance over a longer period of time.

The proposal is anticipated to generate incremental revenues that would be shared amongst the partners, it being noted that most of the incremental revenue benefits will be realized from the upgrades included in Phase 1. Phase 2 upgrades are more focused on “back of house” enhancements that may not have direct, immediate financial cash flow sharing impacts. The proposed cash flow-sharing model would see 70% of the available cash flow go to the City for the first 5 years (fiscal years ending 2025 to 2029), with 60% going to the City thereafter.

Accumulated losses incurred during COVID-19 restrictions in recent years will continue to be recouped from future years’ available cash flow. However, the proposal suggests a reduction to the loss repayment cap from \$880,000 (the current 2023 cap) to \$500,000 starting in 2025 after the completion of Phase 1 (which would then be indexed by an inflationary factor thereafter). In other words, instead of the first \$880,000 of available cash flow going to re-pay losses under the current arrangement, only the first \$500,000 of available cash flow would go to recoup losses under this proposal. This has the impact of increasing the near-term cash flow for the City relative to the status quo arrangement.

Civic Administration has reviewed the proposal’s financial projections provided by OVG360, it being noted that the financial projections have been revised to reflect construction of Phase 1 beginning in 2024, rather than in 2023 as previously contemplated. The updated financial projections have also been refined based on additional months of actual experience as the facility continues to recover from the COVID-19 pandemic.

Additionally, subsequent to the previous May 2023 report to the Corporate Services Committee regarding the proposed Budweiser Gardens expansion, the City of London engaged with KPMG LLP to review the project’s proforma. It should be emphasized that KPMG did not audit the figures or assumptions in the proforma or provide assurance as to their accuracy; rather the engagement involved a high-level review to assess the integrity of the model and reasonability of the assumptions utilized and resulting outputs. Based on KPMG’s review, a handful of variables in the model were identified that could have the effect of understating the net cash flow potential of the proposed expansion and overstating the net cash flow the City could realize under the current arrangement with no expansion. In other words, the incremental financial benefit of the expansion may have been initially understated in the proforma prepared by OVG360. KPMG also found that the growth rates assumed in the revenue and expense projections appear to be mostly in line with pre-pandemic historical trends.

Based on updated estimates incorporating KPMG’s observations, the expansion build and renovation is estimated to result in approximately \$53 million of incremental cash flow for the City over the remaining term of the agreement (Appendix C).

The City’s estimated direct return on investment (ROI) and payback associated with the proposal are summarized in the following table:

City Payback on Phase 1 Only	City ROI on Phase 1 Only	City Payback on Both Phases	City ROI on Both Phases
9 Years	15.3%	18 years	4.9%

The return on investment for Phase 1 as well as the combined ROI for both phases compare favourably with the ROI on the original facility construction project, which was estimated to have a direct ROI of 1-2%/year over the life of the agreement. It should further be noted that the figures above do not include any indirect financial benefits or additional economic spin-offs associated with the expansion.

It should be reiterated that if the City elects not to proceed with the proposed renovation and expansion, it is anticipated that the City will only receive the minimum annual lease payment of \$50,000 (excluding the annual share of ticket sales) for the foreseeable future until the cumulative losses are repaid by the future net cash flow. Therefore, the ROI for the City's additional investment does compare favorably to the projected cash flow if there is no further investment.

2.2 Sensitivity Analysis

The return on investment associated with the proposed expansion is largely driven by the assumed revenue increases associated with the upgrades, and there is inherent risk in the realization of those revenues. In particular, the success of the expansion and the realization of the incremental revenues largely hinges on whether the renovations will improve the user experience and result in a willingness of promoters and patrons to pay more for the use of/attending events at Budweiser Gardens.

To assess the implications of changes in assumptions, KPMG's review also included a sensitivity analysis, where they explored the impact of changes to assumptions in revenues and expenditures. KPMG explored the impact on the City's return on investment under the following scenarios:

- Additional revenue at only 75% of "base case"
- Additional revenue at only 50% of "base case"
- Additional revenue at only 40% of "base case"
- Indirect expenses increasing at 4%/year instead of 3% in "base case"
- Faster than expected increases in the loss repayment cap relative to the "base case"

The impact on the City's return on investment for various scenarios is as follows:

Assumption	KPMG Calculated City Return on Investment – Phase 1	KPMG Calculated City Return on Investment – Phase 1 and Phase 2
Revenue at 75% of "base case"	13.0%	3.6%
Revenue at 50% of "base case"	10.7%	2.2%
Revenue at 40% of "base case"	8.2%	0.2%
Indirect expenses increasing 4%/year	10.6%	0.0%
Faster increases in loss repayment cap	15.2%	4.9%

As noted above, the return on investment (particularly for Phase 1) compares favourably to the original facility construction project, even when adjusted for significantly reduced additional revenues or higher than anticipated expenditures based on KPMG's sensitivity analysis.

2.3 Funding of Proposed Expansion

As noted in the previous May 23rd report to the Corporate Services Committee, should Council wish to proceed with Phase 1 of the expansion proposal, Civic Administration would recommend that the City's \$9.0 million contribution be financed by debt serviced through the Tourism Infrastructure Reserve Fund (TIRF).

The TIRF was established to house the City's 50% share of revenues from the 4% Municipal Accommodation Tax (MAT), noting that the other 50% of net MAT revenues are allocated to Tourism London. As outlined in previous reports, the City's share of MAT revenues will be allocated to municipal tourism related capital infrastructure projects such as:

- “upsized” or enhance a recreation facility (e.g. sports fields, pools, arenas) already included in the capital plan to make that facility viable for hosting a major event;
- enhance parks infrastructure to better support festivals and other gatherings;
- new tourism infrastructure (e.g. way-finding signage);
- lifecycle improvements to existing tourism infrastructure where these improvements are necessary to maintain tourism draw;
- to act as a catalyst to leverage private sector and government capital investment to support initiatives that encourage tourism related development; and,
- investments in Budweiser Gardens and other public-private partnerships.

The use of MAT revenues for the purposes of tourism-related municipal infrastructure projects listed above was endorsed by Council on June 25, 2019.

The expansion proposal from OVG360 would align well with the intended use of MAT funds. As of July 31, 2023, the TIRF has an uncommitted balance of approximately \$3.6 million. While MAT revenues were significantly reduced during COVID-19 restrictions during 2020 and 2021, the City's share of MAT revenues for 2022 was approximately \$1.6 million. The City's share of MAT revenues in 2019 was approximately \$1.7 million, indicating that MAT inflows have almost recovered to pre-COVID levels.

While the balance of the TIRF is unable to fully fund the City's \$9 million contribution to Phase 1, debentures could be issued for this purpose, with the debt servicing costs funded from the TIRF through the City's share of annual MAT revenues. Based on current indicative pricing at the time of writing, annual debt servicing costs are estimated to be in the range of \$700,000 (on a 20-year term) to \$1,200,000 (on a 10-year term) per year. It is important to note that rates are subject to change until such time that the City formally issues the debt. Issuing on a 10-year term has the advantage of lower total borrowing costs and earlier retirement of the debt. The benefit of a 20-year term is that it utilizes a smaller portion of the City's annual MAT revenues, providing greater capacity to fund other initiatives as well.

It should also be emphasized that, as outlined above, additional net available cash flow is anticipated to flow to the City as a result of the Budweiser Gardens expansion project. The City's share of incremental cash flow may be sufficient to fund a significant portion of, if not all of, the debt servicing costs associated with the City's contribution. The intention would be to first utilize the City's incremental share of net available cash flows from Budweiser Gardens to fund the debt servicing costs first, and only utilize MAT revenues for the difference, if any, between the debt servicing costs and incremental Budweiser Gardens cash flows.

As outlined in the previous report to the Corporate Services Committee, it is recommended that Phase 2 of the proposed expansion be considered as part of the 2024-2027 Multi-Year Budget process.

2.4 Analysis of Food Services Extension

When Budweiser Gardens (then John Labatt Centre) was first constructed, an assessment of the various options for food & beverage services was conducted. Various options were considered, including:

- Commission model, whereby the operator agrees to pay a percentage commission on gross sales to the facility;
- Management fee model, whereby the facility would pay a set fee plus a share of the profits to the operator to manage the food & beverage operations; and
- Self-operation model, whereby the facility would be responsible for full food & beverage operations.

Ultimately, the commission-based model was selected for the food and beverage operations as it was assessed as providing the greatest return with the least amount of risk, particularly with the unknowns associated with what was then a new building.

As noted above, the original food and beverage agreement with Ovations Food Services covered the period from 2002 through September 2022. This included a \$660,000 capital contribution from Ovations to the food services operations at the facility. In 2014, a five-year extension through September 2027 was approved by Council, it being noted that a \$500,000 additional investment in food services upgrades was contributed by Ovations.

As part of the proposed Budweiser Gardens expansion, \$1.9 million is proposed to be invested by Ovations Food Services for upgrades to the food & beverage experience as part of the overall private partner contribution to the project. In conjunction with this investment, the extension of the food and beverage agreement through the expiry of the London Civic Centre agreement in May 2051 is being sought.

Consistent with the commission-based model for food and beverage selected for Budweiser Gardens, the food & beverage operator (Ovations) provides a commission to the venue based on a percentage of sales. Ultimately the food & beverage commissions received by Budweiser Gardens form part of the total net available cash flow to split between the parties.

To assess the reasonableness of the food & beverage arrangement for Budweiser Gardens, a variety of sources were used, noting however that this information is often difficult to obtain due to the confidential nature of these agreements. As part of KPMG's review of the Budweiser Gardens expansion proposal, a benchmarking analysis was conducted of other food and beverage arrangements. KPMG also conducted a broad scan of facilities beyond Ontario to determine if there were any industry-wide standards or benchmarks for agreements of this nature. Civic Administration also reviewed information compiled by the management team at Budweiser Gardens based on their contacts in the venue management industry across the province.

Based on the various information sources reviewed, the following observations are noted:

- There are no consistent, widely used standards across the industry. The arrangement for each venue tends to vary based on a variety of factors, including respective capital contributions by the various partners, involvement of other parties (e.g. local breweries), etc.
- Contract lengths vary significantly by venue, from as short as 2 years to as long as 20 years.
- Commissions on food & beverage sales paid to the venue to the venue also vary considerably.
- Capital investments by food and beverage operators are generally limited, with only one other venue (other than Budweiser Gardens) identifying a capital investment by the food & beverage operator.

The Budweiser Gardens food & beverage commission arrangement generally falls in the range of the other venues with a similar arrangement where this information was

available. While the proposed contract extension is slightly longer than other venues' arrangements, the capital contribution to the proposed expansion (\$1.9 million) is greater than the limited capital contributions provided by operators at other venues. Based on the review conducted, Civic Administration recommends that the food and beverage contract extension with Ovations Food Services be approved.

2.5 Climate Emergency Action Plan – Budweiser Gardens Programs

Budweiser Gardens is committed to looking at opportunities to continue to support green initiatives. Appendix D outlines several of the environmentally conscious programs and initiatives that have been implemented at Budweiser Gardens.

In 2022, the GOAL sustainability platform, founded by Oak View Group (OVG) and a number of other partners, announced a collective of major venues from across the globe who have joined the fight for social impact, climate action, and responsible change, which included Budweiser Gardens as a Founding Circle member.

GOAL, which stands for Green Operations & Advanced Leadership, is a sustainability program for arenas, stadiums, convention centers, and other types of public assembly venues in the sports and entertainment industry. Members of GOAL will have access to a digital portal that defines a broad set of sustainability standards specifically designed for venues, a tactical roadmap for achieving those standards, and a customized tracking tool. The online platform includes a library of resources and provides a forum to collaborate with like-minded operators, vendors, and sponsors who are committed to operating more sustainably. The GOAL membership portal is powered by software developed in collaboration with Amazon Web Services (AWS) and modeled after the industry-leading work at the Oak View Group owned-and-operated Climate Pledge Arena. Venues can regularly track their performance against scientifically backed standards in ESG categories – such as energy and water use, greenhouse gas emissions, waste management, indoor air quality, and health and wellbeing – as well as compare to similarly situated venues and be recognized for their progress.

Budweiser Gardens is currently in the data collection phase where they are tracking and entering various metrics into the GOAL platform. Once a baseline is established, Budweiser Gardens will be able to analyze the data and begin to implement best practices and procedures to help achieve a higher standard of sustainability. Where upgrades are identified or contemplated to support energy efficiency retrofits, Civic Administration will work with OVG360 to support any applications for financial grant programs that would be applicable.

3.0 Next Steps

If Council wishes to proceed with Phase 1 of the proposed expansion and renovation, the attached by-law (Appendix “A”) and amending agreement (Schedule “A”) reflects the proposed terms of the arrangement for Council’s consideration and approval.

Conclusion

This report fulfills Council direction from June 2023 to provide additional information with respect to the proposed Budweiser Gardens expansion and renovation project, including further details regarding the financial impact of the project and the proposed food and beverage contract extension, as well as the recent and proposed “green” initiatives undertaken at Budweiser Gardens. This report also includes a proposed source of financing for the project should Council wish to proceed, as well as the proposed amending agreement to the Participatory Occupancy Lease.

Submitted by: Ian Collins, CPA, CMA, Director Financial Services
Submitted by: Kyle Murray, CPA, CA, Director, Financial Planning and Business Support
Recommended by: Anna Lisa Barbon, CPA, CGA, Deputy City Manager, Finance Supports

Appendix A – By-law for Proposed Amending Agreement

Bill No.

By-law No.

A by-law to authorize and approve an Amending Agreement with respect to the Participatory Occupancy Lease for Budweiser Gardens and to authorize the Mayor and the City Clerk to execute the Amending Agreement.

WHEREAS subsection 5(3) of the *Municipal Act, 2001*, S.O. 2001, c. 25, as amended, provides that a municipal power shall be exercised by by-law;

AND WHEREAS section 9 of the *Municipal Act, 2001* provides that a municipality has the capacity, rights, powers and privileges of a natural person for the purpose of exercising its authority under this or any other Act;

AND WHEREAS in 2001, The Corporation of the City of London, Royal Trust Corporation of Canada and Global Spectrum Facility Management formed the London Civic Centre Limited Partnership and jointly agreed to a Participatory Occupancy Lease (POL) for the facility now known as “Budweiser Gardens”;

AND WHEREAS amendments to the POL are desired by all parties to the Lease to permit the expansion and renovation of the building as set forth in Section 32.2 of the POL;

AND WHEREAS amendments to the POL are desired by all parties to adjust the distribution of cash flow as set forth in Section 5.4(v)(d) of the POL;

AND WHEREAS amendments to the POL are desired by all parties to adjust the deficiencies cap as set forth in Section 5.14(i) of the POL;

NOW THEREFORE the Municipal Council of The Corporation of the City of London enacts as follows:

1. The Amending Agreement between The Corporation of the City of London, Royal Trust Corporation of Canada as Trustee of the City of London Area Trust and the London Civic Centre Limited Partnership with respect to the Participatory Occupancy Lease for Budweiser Gardens (the “Amending Agreement”), attached hereto as Schedule “A”, is hereby authorized and approved.
2. The Mayor and the City Clerk are authorized to execute the Amending Agreement authorized and approved in section 1.
3. This by-law comes into effect on the day it is passed subject to the provisions of PART VI.1 of the *Municipal Act, 2001*.

Passed in Open Council on October 17, 2023 subject to the provisions

of PART VI.1 of the Municipal Act, 2001.

Josh Morgan
Mayor

Michael Schulthess
City Clerk

First Reading -
Second Reading -
Third Reading -

Schedule A – Proposed Amending Agreement

AMENDMENT TO PARTICIPATORY OCCUPANCY LEASE

This Amendment to Participatory Occupancy Lease (this “**Amendment**”) is entered into as of the day of 2023 among Royal Trust Corporation of Canada as Trustee of the City of London Arena Trust (“**Landlord**”), London Civic Centre Limited Partnership (“**Tenant**”) and The Corporation of the City of London (the “**City**”).

WHEREAS the Landlord, the Tenant, and the City and certain other parties entered into a Participatory Occupancy Lease dated June 20, 2001, as amended by an Amendment to Participatory Occupancy Lease dated May 24, 2017 and authorized and approved by City Council by By-Law No. A-7446-242 on August 30, 2016 (collectively the “**Lease**”), pursuant to which the Landlord demised and subleased the Land and leased the Building to the Tenant (as such terms are defined in the Lease) for a period of forty-nine years and eleven months;

AND WHEREAS Section 32.2 of the Lease provides, among other things, that the Lease may be Amended is only by written agreement of the Landlord, the City and the Tenant;

AND WHEREAS the Landlord, the Tenant and the City now desire to further amend the Lease as set forth below, and that this Amendment constitute written agreement to effect such amendments as set forth in Section 32.2 of the Lease.

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the Parties hereto, the Parties agree as follows:

1. Capitalized terms used in this Amendment and not otherwise defined in this Amendment shall have the meaning given to such terms in the Lease.
2. In this Amendment, the following words and expressions whenever used shall have the following meanings:
 - (a) “**Expansion Project**” means the expansion and renovation of the Building, as described in a proposal dated May, 2023 from OVG360 entitled “**Budweiser Gardens Proposed Renovation Plan**” (the “**OVG360 Proposal**”), a copy of which is attached hereto as Schedule “A”.
 - (b) “**Phase 1**” means the first phase of the Expansion Project, referred to and described as “Priority #1” in the OVG360 Proposal, which includes
 - (i) Level 100 Club Lounge Expansion;
 - (ii) Level 100 Multipurpose Event Space Expansion (partial shell);
 - (iii) Level 100 Knights Locker Room Renovation;
 - (iv) Level 200 Private Suites and Corridors Refresh;
 - (v) Level 200 East Bowl Loges;

- (vi) General Food and Beverages Concessions Upgrades; and
 - (vii) General Audio/Visual and Technology Upgrades.
- (c) **“Phase 2”** means the second phase of the Expansion Project, referred to and described as “Priority #2” in the OVG360 Proposal, which includes
- (i) The remainder of the Level 100 Multipurpose Event Space;
 - (ii) Level 100 Office Renovation;
 - (iii) Level 200 Backstage Club/Kitchen;
 - (iv) Level 200 Administrative Office Expansion and Refresh;
 - (v) Level 300 Feature Bar at North Concourse; and
 - (vi) General Audio/Visual and Technology Upgrades.
3. The proposed costs of the Expansion Project (the **“Expansion Project Costs”**), and the contributions of the City and the Tenant to those costs, on an 80% / 20% sharing of costs basis, as set out in the OVG360 Proposal, are:
- (a) Phase 1 Costs - \$15,146,900
 - (i) Contribution by the City - \$ 9,000,000
 - (ii) Contribution by the Tenant - \$ 6,146,900
 - (b) Phase 2 Costs - \$18,191,000
 - (i) Contribution by the City - \$17,670,320
 - (ii) Contribution by the Tenant - \$ 520,680
 - (c) Total Cost of Phase 1 and Phase 2 - \$33,337,900
 - (i) Total Contribution by the City - \$26,670,320
(80% of Total Phase 1 and Phase 2 Costs)
 - (ii) Total Contribution by the Tenant - \$ 6,667,580
(20% of Total Phase 1 and Phase 2 Costs)
4. The Landlord, City and the Tenant agree that, subject to Section 6 of this Amendment, the responsibility for payment of the Expansion Project Costs for Phase 1, as set out in Section 3(a) of this Amendment, shall be divided between the City and the Tenant as set out in Section 3(a) of this Amendment and, subject to Sections 6 and 9 of this Amendment, the responsibility for payment of the Expansion Project Costs for Phase 2, as set out in Section 3(b) of this Amendment, shall be divided between the City and the Tenant as set out in Section 3(b) of this Amendment.
5. Any and all construction contracts entered into for the Phase 1 and/or Phase 2 work described in this Amendment shall be entered into by Tenant and shall be Fixed Price Construction Contracts and shall be in a form approved by the City.

6.
 - (a) The City shall have no responsibility for any costs or liabilities in connection with the construction of Phase 1 work above the amount of \$9,000,000, as set out in Section 3(a) above, plus applicable taxes, other than cost overruns resulting from City Initiated Changes.
 - (b) Subject to Section 9 of this Amendment, the City shall have no responsibility for any costs of Phase 2 work above the amount of \$17,670,320.00, as set out in Section 3(b) above, plus applicable taxes, other than cost overruns resulting from City Initiated Charges.
 - (c) For purposes of this Amendment, City Initiated Changes shall also include changes to Phase 1 and/or Phase 2 work (or otherwise to the agreed upon project plans) that are required or requested by the City or Landlord.
7. The "70%" figure in Section 5.4(v)(d)(A) of the Lease
 - (a) shall continue to apply for the first five (5) Fiscal Periods after Substantial Completion of the Phase 1 work; and
 - (b) shall be amended to be "60% for each Fiscal Period thereafter.
8. The current Deficiencies Cap of Eight Hundred and Eighty Thousand Dollars (\$880,000.00), calculated pursuant to Section 5.14(i) of the Lease, is hereby amended and reduced to Five Hundred Thousand Dollars (\$500,000.00) for the first Fiscal Period after the Phase 1 work has been Substantially Completed, and for each subsequent Fiscal Period the Deficiencies Cap shall be the product of the Deficiencies Cap for the immediately preceding Fiscal Period multiplied by the CPI Change
9. The provisions in this Amendment apply to Phase 1 but the provisions in this Amendment will only apply to Phase 2 once City Council has authorized and approved Phase 2. For clarity, until City Council authorizes and approves Phase 2, neither the City nor Tenant has any obligation to proceed with Phase 2. If City Council fails to authorize and approve Phase 2, the terms of this Amendment related to Phase 2 shall be null and void.
10. To the extent the Lease is inconsistent with the foregoing terms, the Lease shall be deemed to be amended hereby. All references to the Lease in the Lease or in any other document referencing the Lease shall be deemed to refer to the Lease as amended hereby. Except for the modifications set forth above, all of the provisions of the Lease shall remain unmodified and in full force and effect.
11. This Amendment shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

IN WITNESS WHEREOF, the Parties hereto have duly executed this Amendment as of the date first set forth above.

(signature page follows)

**ROYAL TRUST CORPORATION OF CANADA, AS
TRUSTEE OF THE CITY OF LONDON ARENA
TRUST**

By: _____
Name:
Title:

By: _____
Name:
Title:

**LONDON CIVIC CENTRE LIMITED PARTNERSHIP
By its general partner, LONDON CIVIC CENTRE
CORPORATION**

By: _____
Name:
Title:

By: _____
Name:
Title:

THE CORPORATION OF THE CITY OF LONDON

By: _____
Name:
Title:

By: _____
Name:
Title:

BUDWEISER GARDENS PROPOSED RENOVATION PLAN

MAY 2023



HOW WE GOT HERE

- ❖ In 2001 Global Spectrum (now OVG360) partnered with Ellis-Don to create the London Civic Centre, LP (LCC) and established a public-private partnership with the City of London to develop a new arena.
- ❖ Peter Luukko, Brian Ohl and Jim King were all part of the team that negotiated and signed the original contract with the City.
- ❖ OVG360 has been a partner of the venue since groundbreaking when we operated as Global Spectrum, then Spectra, and now OVG360
- ❖ The venue celebrated its 20th Anniversary on October 2, 2022
- ❖ OVG360 has recently completed six new arena projects across North America and a modernization of the arena in Baltimore.
- ❖ When the original contract was signed over twenty years ago, there was an understanding that upgrades would be a necessity in the future. We now have an excellent opportunity to accomplish the necessary betterments with little impact on business.



WHY RE-INVEST IN BUDWEISER GARDENS

Budweiser Gardens has established itself as a well renowned and respected venue within the sports and entertainment industry, both nationally and internationally. This has been shown through the numerous venue accolades it has received including:

- ❖ 2010 and 2012 Canadian Venue of the Year at the Canadian Music and Broadcast Industry Awards
- ❖ Hosted the 2019 Canadian Juno Awards in March 2019
- ❖ 2014 Large Business of the Year award at the London Business Achievement Awards sponsored by the London Chamber of Commerce
- ❖ 2019 Best Teamwork in a Major Arena at the Live Music Industry Awards
- ❖ 2021 Corporate Icon Award at the London Business Achievement Awards sponsored by the London Chamber of Commerce
- ❖ Hosted 2019 Canadian Juno Awards
- ❖ Hosted the 2016 and 2021 Canadian Country Music Awards
- ❖ Hosted the Memorial Cup in 2005 and 2014, The World Figure Skating Championships in 2012 and the Tim Horton's Brier in 2011 and 2023

** Each of these events required additional temporary infrastructure to be erected to meet the needs of the event, which added considerable costs to event organizers and will be a roadblock for hosting future events.

WHY RE-INVEST IN BUDWEISER GARDENS CONTINUED

- ❖ The 10,000 SF of multi-purpose event space in the proposed expansion will alleviate the need for temporary infrastructure and reduce costs for the organizers, making London a desirable option to host future high-profile events again.
- ❖ The expansion of Budweiser Gardens will allow the London Knights to have the modern facilities that have become the expectation in the Canadian Hockey League.

WHAT THE RENOVATION WILL ACCOMPLISH

The renovation will introduce new revenue streams and increase existing revenue opportunities while significantly upgrading the patron experience at the venue through:

- ✓ Upgrade of existing suites
- ✓ Expansion of the existing Club Lounge
- ✓ Addition of East Bowl loge boxes
- ✓ Upgrade Food and Beverage programs with new technology
- ✓ New centre hung scoreboard

Additionally, renovating and upgrading the London Knights facilities will have a positive effect on on-going contract negotiations and continued Knight's success.

PROPOSED BUSINESS TERMS

- ❖ London Civic Centre, LP (LCC) agreement is through May 2051
 - Profit share with City of 70/30 (City/LCC) for first 5 years
 - Profit share with City is revised to 60/40 (City/LCC) after 5 years
 - Deficiencies cap related to Covid losses reduced from \$880k to \$500k to ensure greater cash flow to City in near term
 - Approval of Food and Beverage contract through May 2051 to coincide with the LCC agreement terms
 - Other current terms remain intact, including cashflow deficiencies protection for the City

PROPOSED PROJECT COSTS

❖	Full Project Costs (both phases):	\$33,337,900
	▪ London Civic Centre investment	\$6,667,580 20%
	▪ Public investment	\$26,670,320 80%
❖	Phase I Costs	\$15,146,900
	▪ City - \$9,000,000	
	▪ London Civic Centre - \$6,146,900	
❖	Phase II Costs	\$18,191,000
	▪ City - \$17,670,320	
	▪ London Civic Centre - \$520,680	

RENOVATION PROJECTS PRIORITY PHASING

PRIORITY #1

L100 Club Lounge Expansion	2,800 SF x \$600	\$1,680,000
L100 Multipurpose Event Space Expansion - (PARTIAL SHELL) 1/3 OF FOOTPRINT	4,800 SF x \$725	\$3,480,000
L100 Knights LR Renovation	6,200 SF x \$400	\$2,480,000
L200 Private Suites & Corridors Refresh	14,090 SF x \$110	\$1,549,900
L200 Develop East Bowl Loges	1,345 SF x \$600	\$807,000
General Food & Beverage Concessions Upgrade	Lump Sum	\$3,250,000
General AV/Technology Upgrades	Lump Sum	\$1,900,000
Total		\$15,146,900

PRIORITY #2

L100 Multipurpose Event Space Expansion - (PARTIAL SHELL) 2/3 OF FOOTPRINT	9,600 SF x \$735	\$7,056,000
L100 Office Renovation	2,400 SF x \$750	\$1,800,000
L200 Backstage Club/Kitchen	8,180 SF x \$825	\$6,748,500
L200 Admin Office Expand/Refresh	9,230 SF x \$50	\$461,500
L300 Feature Bar at North Concourse	750 SF x \$700	\$525,000
General AV/Technology Upgrades	Lump Sum	\$1,600,000
Total		\$18,191,000

PROJECTED ANNUAL REVENUE

Projected net available cash flow after completion of both phases
\$2,062,000

Current year projection is \$265,000



DUNDAS ST

TALBOT ST

RIDOUT ST N

KING ST



DUNDAS STREET WEST

4 BAYS FOR PHASE 1

446m² (4,800 SF)

32,617
3 STRUCTURAL BAYS

41,170
4 STRUCTURAL BAYS

RIDOUT STREET

TALBOT STREET

KNIGHTS OFFICE
220m² (2,400 SF)

LOBBY

**MULTI-PURPOSE
EVENT SPACE**
930m² (10,000 SF)

**KNIGHTS LR
RENOVATION**
575m² (6,200 SF)

STAND #6
55m² (590 SF)

STAND #5
55m² (590 SF)

STAND #4
40m² (430 SF)

**F&B CONCESSIONS
UPGRADE**
251m² (2,805 SF)

STAND #2
51m² (555 SF)

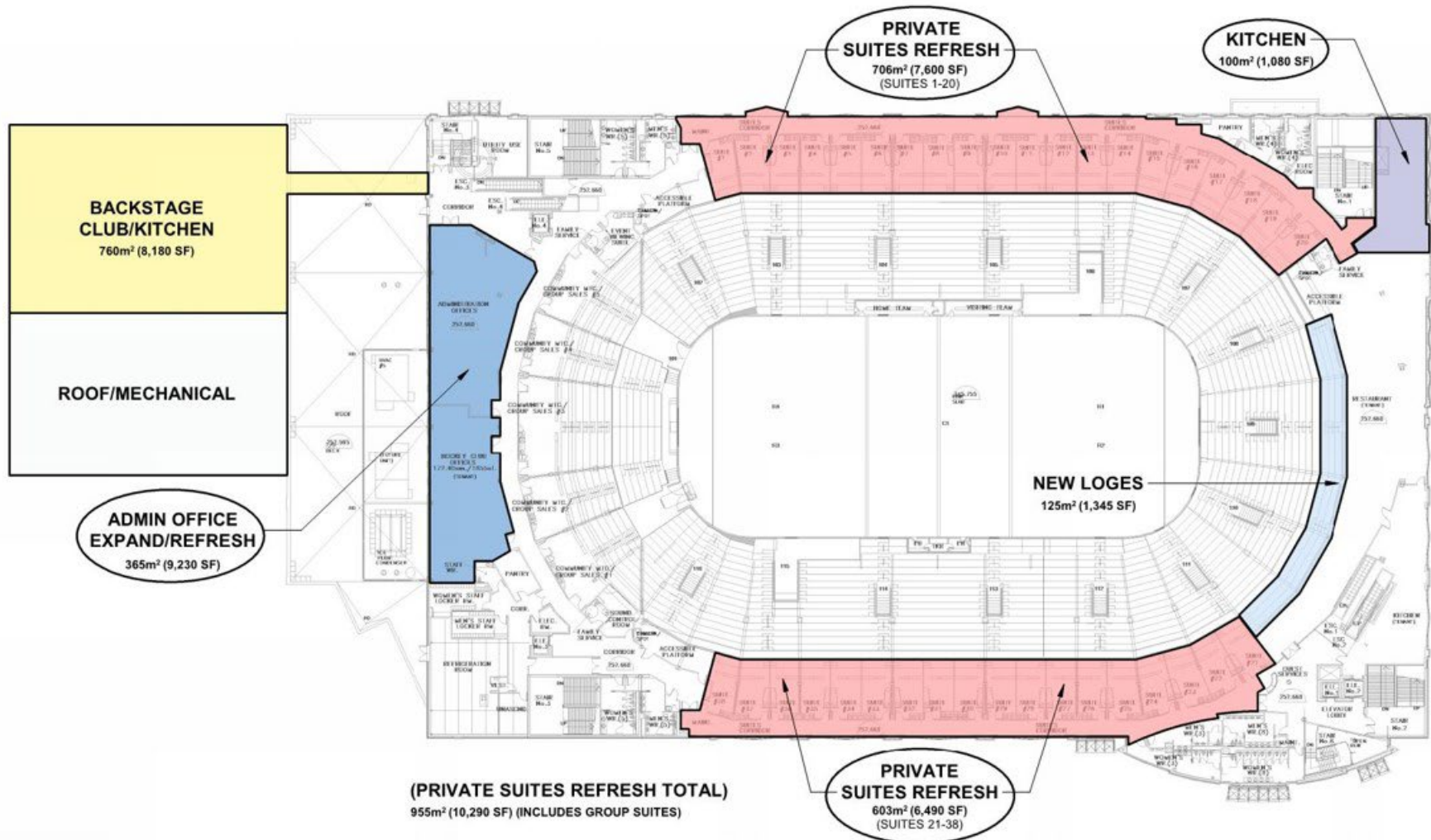
STAND #3
50m² (540 SF)

CLUB LOUNGE EXPANSION 260m² (2,800 SF)

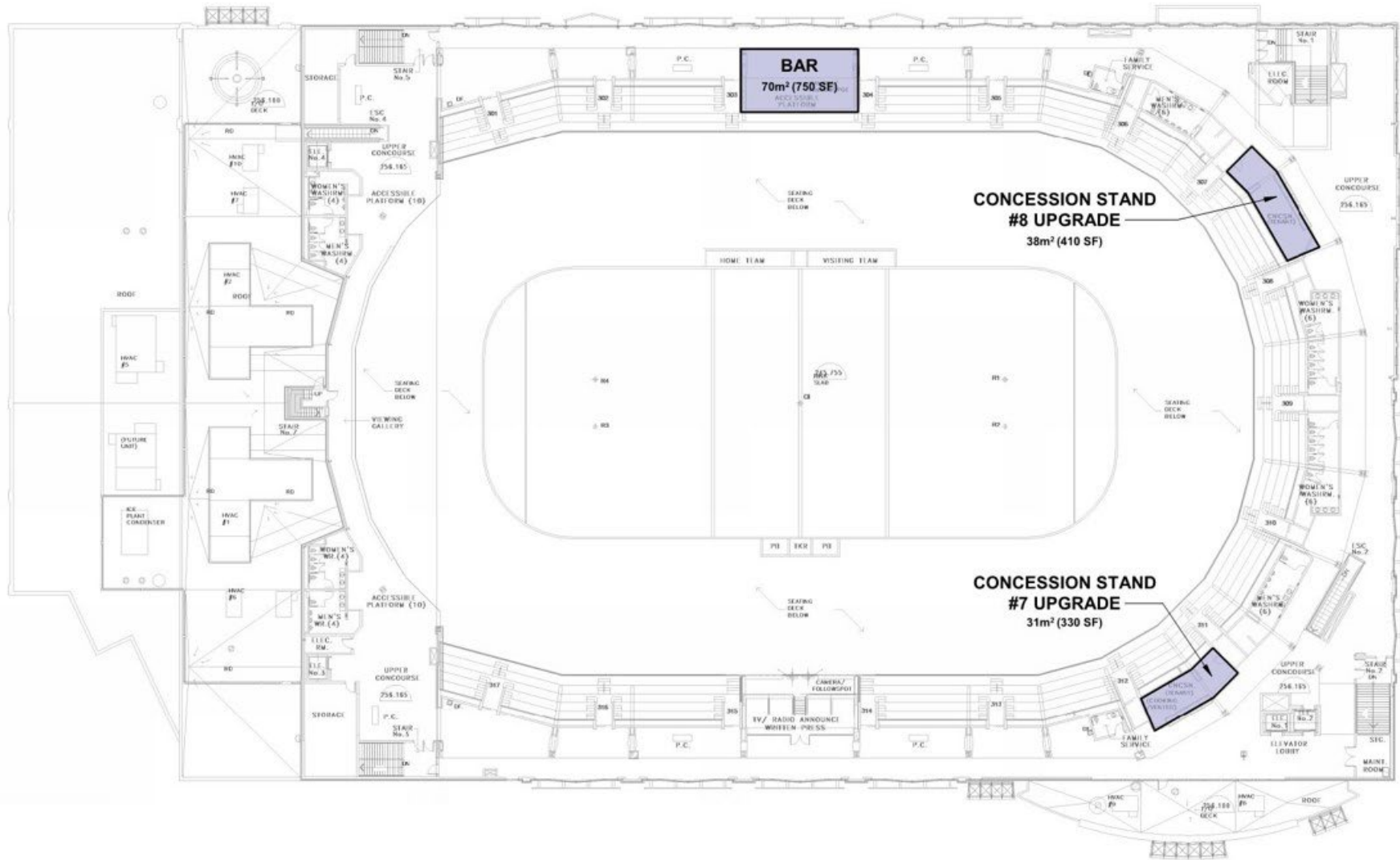
EXISTING
PARKING

NOTE:
PROPOSED EXPANSION AREAS
ANNOTATED WITH DIAGONAL HATCHING













Burdweiser
GARDENS

THANK YOU

**BRISBIN
BROOK
BEYNON**
ARCHITECTS



London
CANADA



OAK VIEW GROUP

Appendix "B"

#23199

October 3, 2023
(Establish Budget)

Chair and Members
Corporate Services Committee

RE: Budweiser Gardens Proposed Expansion - Additional Information and Proposed Amending Agreement
(Subledger FG230033)
New Capital Project EP1695 - Budweiser Gardens Expansion Phase 1

Finance Supports Report on the Sources of Financing:

Finance Supports confirms that the additional financing required can be accommodated with debenture financing serviced through the Tourism Infrastructure Reserve Fund and that, subject to the approval of the recommendation of the Deputy City Manager, Finance Supports, the detailed source of financing for this project is:

Estimated Expenditures	Approved Budget	Additional Funding Requirement (Note 1)	Revised Budget
City Contribution	0	9,000,000	9,000,000
Total Expenditures	\$0	\$9,000,000	\$9,000,000
Sources of Financing			
Debenture Quota [Serviced through Tourism Infrastructure Reserve Fund (Municipal Accommodation Tax)] (Note 2)	0	9,000,000	9,000,000
Total Financing	\$0	\$9,000,000	\$9,000,000

Note 1: The additional funding requirement for this project can be accommodated with debenture financing serviced through the Tourism Infrastructure Reserve Fund. Additional net available cash flow is anticipated to flow to the City as a result of the Budweiser Gardens expansion project, which may be sufficient to fund a significant portion of, if not all of, the debt servicing costs. The City's incremental share of net available cash flows from Budweiser Gardens will be used to fund the debt servicing costs first, with Municipal Accommodation Tax revenues utilized for the difference, if any, between the debt servicing costs and incremental cash flows from Budweiser Gardens.

Note 2: Note to City Clerk: Administration hereby certifies that the estimated amounts payable in respect of this project does not exceed the annual financial debt and obligation limit for the Municipality from the Ministry of Municipal Affairs in accordance with the provisions of Ontario Regulation 403/02 made under the Municipal Act, and accordingly the City Clerk is hereby requested to prepare and introduce the necessary by-laws.

An authorizing by-law should be drafted to secure debenture financing for project EP1695 - Budweiser Gardens Expansion Phase 1 for the net amount to be debentured of \$9,000,000.



 Kyle Murray
 Director, Financial Planning & Business Support

lp

Appendix C – Financial Projections

TOTAL		
PROPOSED:		
Net Projected Cash Flow to Distribute (after Loss Repayments)	88,090,329	A
City's Minimum Payments	1,400,000	B
City's Portion of Shareable Net Cash Flow (in excess of Minimum Payments)	52,271,983	C
Estimated City Surcharge Revenue	4,773,478	D
Total City Cash Flow	58,445,461	E = B + C + D
STATUS QUO:		
Net Projected Cash Flow to be Distributed (after Loss Repayments)	1,400,000	F
City's Minimum Payments	1,400,000	G
City's Portion of Shareable Net Cash Flow (in excess of Minimum Payments) ¹	0	H
Estimated City Surcharge Revenue	4,012,456	I
Total City Cash Flow	5,412,456	J = G + H + I
INCREMENTAL CASH FLOW FOR CITY:	53,033,005	E - J

Note 1 – Under the status quo projections, there are no projected additional cash flows to be distributed beyond the City's \$50,000 annual minimum payment. In other words, all net cash flows will be utilized for the City's \$50,000 annual minimum payment or to repay accumulated losses.

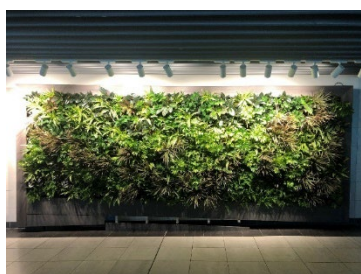


Budweiser Gardens Green Initiatives

Beginning in the 2017-18 season, there was a conscious effort by the team at Budweiser Gardens to evaluate practices and procedures in all aspects of the venue and determine areas in which environmentally preferable practices could be put into place. Below is a brief outline of some of these initiatives and the results we have seen.

- **Electronic Recycling Days** – held once a year and are free to the community. We partner with Waste Connections of Canada (our garbage collections partners) and host an electronic recycling day where people can bring old electronics to the venue for collection and proper disposal by Waste Connections of Canada. We also offer onsite confidential paper shredding for no cost.
 - In two years we have recycled 10,714lbs of electronics and shred 3,989.96lbs of paper.
- **Christmas Lights Recycling** – This was offered for the first time January 6-10, 2019. Partnered with Waste Connections of Canada to offer free x-mas light recycling. Put gaylord boxes at our security entrance and folks could drop off their old lights between 8am and 8pm.
 - We collected 286.6 lbs of lights.
- **Employee Commuting Incentive Program** – a program that gives all full-time employees who either ride a bike or walk to work, carpool with another BG employee or take transit to work the opportunity to win prizes by filling out a ballot each time they use a green mode of transportation to or from work. Winners are chosen via a draw that is held bi-weekly at our staff meetings.
 - We have had over 650 individual ballots entered since July 1, 2020 (program was suspended throughout Covid).
- **Demand Response Program** - Developed a new revenue source from the Demand Response Program. Demand Response is a program that requires users/program participants to reduce their electricity consumption in response to prices and system needs. The benefits are three-fold - there is less demand/stress on Ontario's electricity infrastructure and participants are rewarded with a monetary rebate each time they participant participate, plus Budweiser Gardens is able to use the funds as a contribution to future energy reduction measures. To date Budweiser Gardens has received revenue of \$85,700 by reducing its electrical load when requested by Enernoc (their contracted Energy Service Company)
- **Participating in the “saveONenergy” Incentive Program** – reducing energy requirements and to offset retrofit costs (VFD, Floating Head Pressure, Lighting Retrofits) and also to reduce monthly Utility bills.
- **Green Games** – We have hosted a Green Game during each of the last 3 London Knights seasons. As part of the Green Game we undertake the following initiatives:

- Partner with the London Transit Commission (LTC) to offer free bus transportation for all fans and staff by showing a valid game ticket. This runs from 5pm through end of service.
 - Saves For Trees – we partner with ReForest London and commit to planting a tree for every save that the London Knight's goaltender makes during the game. This total is then matched by our Downtown BIA who sponsor the game. Through 3 games we have been able to plant over 110 trees!
 - Offer free concourse space for venue and community partners who help support our sustainability initiatives.
- **Filta** – OVG Hospitality has partnered with Filta to use two of their services; FiltaFry and FiltaBio which have had a significant reduction on their environmental impact. FiltaFry is an eco-friendly, mobile onsite service for the micro-filtration of cooking oil, the vacuum-based cleaning of deep fryers, and full fryer management. Oil is an expensive consumable that has a limited lifespan. Crumbs, salt, and other impurities introduced to the oil through the deep frying process, reduce the lifespan of the oil, requiring frequent oil changes. Using FiltaFry to filter out the impurities extends its usefulness and useable life cycle – decreasing the dependency on new oil.
 - From August 2018 to June 29, 2019 Budweiser Gardens saved 17,652 pounds of oil with the FiltaFry service and collected and recycled 3,570 pounds of waste oil with the FiltaBio service. The reduced cooking oil usage has led to 1,008lbs of packaging savings, a reduction in greenhouse gases of 21,018lbs and 1,450lbs of fertilizer and pesticides which when all combines is the equivalent of planting 1,049 trees!
 - *The program was suspended during our Covid shutdown but was restarted in 2022.
 - **LED Lights** – Operations department replaced the metal halide lightbulbs in the interior and on the exterior of Budweiser Gardens with energy efficient LED lightbulbs. In total, 1,114 lightbulbs were replaced. On average, the venue saves 500 kWh per event which is the equivalent of approximately half a month's usage in a typical Ontario home.
 - This resulted in a total reduction of 130,061 watts over the course of the first fiscal year.
 - **Water Softener** – Budweiser Gardens installed a new state of the art water softener which uses NO electricity, instead utilizing an in-line water turbine to generate its own power. An upgraded Reverse Osmosis water treatment system has reduced the amount of electricity and water needed to maintain the ice while increasing the quality of ice.
 - **Living Wall** – In 2019, Budweiser Gardens partnered with New Earth Solutions to have a living wall installed on the 100-level main concourse of the venue. The wall, which measures 18'-5" x 7'-5", is located across from the King Club and is made up of a variety of plants including; Arboricola plants, Crotons, Ficus and others. In addition to the esthetic benefit, living walls have been found to help purify the air, reduce stress and increase the feeling of wellbeing.





The OVG360 team at Budweiser Gardens are proud to be a founding member of GOAL – or Green Operations & Advanced Leadership. Additional information regarding GOAL can be found below.

What is GOAL?

- GOAL – or Green Operations & Advanced Leadership – is a partnership between Fenway Sports Group, Atlanta Hawks & State Farm Arena, Jason F. McLennan, and Oak View Group to provide a comprehensive roadmap, tracking tools, case studies, collaborative workshops, and best practices to help sports and entertainment venues operate more sustainably.
- GOAL will provide near-term environmental and social sustainability solutions for arenas, stadiums, convention centers, fairs, and performing arts centers, and deliver a long-term roadmap for integrating sustainability options into sports and entertainment venues.

What does it mean to be a Founding Circle member?

- We are part of a collective of climate-conscious venues representing the NHL, NBA, MLB, and NFL, along with other leading live entertainment and convention venues, that are teaming up to catalyze climate action.
- We are committed to operating in the most sustainable way possible and to join the other buildings to fight for social impact, climate action, and responsible change.
- We are committed to leading, learning, collaborating, and, in all cases, making a positive impact on our community and for the planet.
- We will help beta test the GOAL platform to make sure that the data points and thresholds for leadership meet venues anywhere along their sustainability journey

How will Goal help support the OVG360 team at Budweiser Gardens?

- GOAL will provide an easy-to-use tracking tool that isolates operational performance in discreet areas.
- We will receive recommended tactical solutions to incorporate continuous year-over-year improvement.
- GOAL will assist in providing level-setting benchmarks and normalizing venue operations to best guide operational performance thresholds.
- GOAL will facilitate collaborative work sessions to explore industry challenges in a variety of forums, including group workshops, guest speakers, and detailed case studies.

About the GOAL Portal/Platform

- The GOAL membership platform is powered by customized software developed specifically for this program.
- On this platform, we are able to track our progress month-to-month, year-to-year against a set of scientifically proven best practices and standards.
- We will also be able to track against comparable venues – looking at factors

such as geography, venue type, size and capacity, number and type of events, age of the building, and more.

- Criteria includes standards on everything from greenhouse gas emissions reductions to food waste reduction to water consumption and sanitization.

Proclamation Request Form

Request for the issuance of proclamations is governed by Council Policy. Requests are recommended **2 months** in advance of the requested issuance date and may be emailed ClerksApprovalRequests@london.ca or mailed to City Hall, P.O. Box 5035 London, ON N6A 4L9.


<u>Name of Organization</u> Canadian Centre for Women's Empowerment
<u>Proclamation Name</u> National Day of Awareness
<u>Date of Proclamation Requested</u> November 26, 2023
<u>Proclamation Type</u> (day, week or month) Day of Recognition
<p>Organization's Direct Connection to London (provide specific details)</p> <p>Dear Mayor and council members,</p> <p>The Canadian Centre for Women's Empowerment is a national organization, based in Ottawa, Canada dedicated to empowering domestic violence survivors through advocacy, system change, and economic empowerment. We support survivors of economic domestic violence to become safe and financially independent. We work with survivors to establish and strengthen their financial security by improving public policy, engaging the public in educational workshops on the harms of economic abuse, and offering programming to survivors to promote enhanced physical and mental well-being.</p> <p>During the month of November, the Canadian Center for Women's Empowerment (CCFWE) is conducting its second annual Economic Abuse Awareness Campaign. The CCFWE's advocacy focus for 2022 is to raise awareness and educate people about the disproportionate impact of economic domestic violence on Black, Indigenous, and Persons of Colour (BIPOC) survivors. As such, this year's campaign theme is "Championing Financially Strong Futures for BIPOC Survivors." Coinciding with National Domestic Violence Awareness Month and Financial Literacy Month, this campaign aims to have November 26th recognized as Economic Abuse Awareness Day nationwide and beyond. The Day of Awareness for Economic Abuse and Survivors of Economic Injustice is being internationally recognized on November 26th. The purpose of this day is to educate financial institutions, policymakers, and allies on how to better support survivors in navigating economic and systemic challenges.</p> <p>We are writing to you today to ask the City of Campbell River to issue a proclamation acknowledging the CCFWE and November 26th as a day of awareness.</p> <p>For your reference, I have attached a sample of the proclamation request with the appropriate wording.</p> <p>Thank you for your time and consideration, please do not hesitate to contact me should you have any further questions or concerns.</p> <p>Regards,</p> <p>Andrea Howard Executive Assistant, CCFWE</p>
<p><u>Required Supporting Documents:</u></p> <p><input type="checkbox"/> Detail information on the Organization</p> <p><input type="checkbox"/> Detail information on the Event</p> <p><input type="checkbox"/> Confirmation of authorization from the Organization to submit request</p>

<u>Category</u> (public awareness campaigns, charitable funding campaigns, arts and cultural celebrations)	
Public awareness	
<u>Requester Name</u>	
Andrea Howard	
<u>Requester Address</u>	
Canadian Center for Women's Empowerment Ottawa RPO Nelson, K1N957PO BOX 20	
<u>Requester Phone Number and Email</u>	
6476271047	
The undersigned confirms that I am the Official Representative of the Organization requesting the Proclamation and that by signing this Application, I acknowledge and agree that my organization complies with all City of London's Policies and By-laws.	
<i>Andrea Howard</i>	September 18, 2023
_____ Signature	_____ Date
<p>Notice of collection of personal information Personal information collected on this form is collected under the authority of the <i>Municipal Act, 2001</i>, S.O. 2001, c. 25 and may also be used for purposes related to the Issuance of Proclamations Policy and Proclamation Request Form. Questions about this collection should be addressed to Manager, Records and Information Services, 3rd floor, City Hall, 300 Dufferin Ave., London, ON N6A 4L9. Tel: 519-661-2489 ext. 5590, email: eskalski@london.ca.</p>	

Proclamation Request Form

Requests for the issuance of proclamations are governed by Council Policy (excerpted below). Requests must be received at least six (6) weeks in advance of the requested issuance date and may be emailed to the City Clerk at ClerksApprovalRequests@london.ca or mailed to City Hall, P.O. Box 5035 LONDON, ON, N6A 4L9.

Request details

Name of Organization The Federation of Canadian Turkish Associations
Date Proclamation Required 29 October 2023
Proclamation Name Turkish Republic Day
Proclamation Type (day, week or month) Day
Category (public awareness campaigns), (charitable fundraising campaigns), (arts and cultural celebrations) Cultural Celebrations, Public Awareness
Requester Name Sima Acan
Requester Telephone Number 647-975-7325
Requester Email Address acan.sima@gmail.com
Requester Address 1170 Sheppard Avenue W. Unit 15, Toronto, ON. M3K 2A3
Provide details of your Organization's Connection to London We are a Federal non-for-profit organisation representation over 150,000 Turks from various Turkic Countries. Canadian Iraqi Turkmen Culture Association located in London, ON is one our very improtant member organisation. Please feel free to reach out to the and contact Osam Ali Ozkan for more information.
Required Supporting Documents <ul style="list-style-type: none"> • Detail information on the Organization • Detail information on the Event • Confirmation of authorization from the Organization to submit the request
The undersigned confirms that I am the Official Representative of the Organization requesting the Proclamation and that by signing this Application, I acknowledge and agree that my organization complies with all City of London's Policies and By-laws Signature  Date 09/29/23 NOTICE OF COLLECTION OF PERSONAL INFORMATION Personal information collected on this form is collected under the authority of the <i>Municipal Act, 2001, S.O. 2001, c. 25</i> and may also be used for purposes related to the Issuance of Proclamations Policy and Proclamation Request Form. Questions about this collection should be addressed to the City Clerk, 3rd floor, City Hall, 300 Dufferin Ave., London, ON N6A 4L9. Tel: 519-661-2489, ext. 4937, email: csaunder@london.ca

September 28, 2023

RE: Request for Proclamation of the Centennial of the Turkish Republic

Your Worship Josh Morgan,

I hope this letter finds you in good health and high spirits. On behalf of the Federation of Canadian Turkish Associations, I am writing to humbly request your esteemed support in proclaiming the 100th anniversary of the founding of the Turkish Republic, a significant milestone in the history of Türkiye and an event of great importance to the Turkish diaspora in Canada.

The Turkish Republic was established on October 29, 1923, following the visionary leadership of Mustafa Kemal Atatürk. Over the past century, Türkiye has transformed into a modern, democratic, and prosperous nation, and its citizens have made invaluable contributions to the global community in various fields. The Turkish-Canadian community takes immense pride in its cultural heritage and identity. The 100th anniversary of the Turkish Republic presents a remarkable opportunity for us to celebrate our roots, share our rich traditions with fellow Canadians, and foster stronger bonds of friendship and cooperation between Canada and Türkiye.

Therefore, we kindly request that you issue a formal proclamation recognizing the 100th anniversary of the Turkish Republic. Such a proclamation would not only honor the remarkable journey of Türkiye as a nation but also underscore the significance of multiculturalism and inclusivity within Canada.

Furthermore, we would be deeply honored if you could extend an invitation to representatives from our organization to participate in any commemorative events or activities organized by the Canadian government in honor of this momentous occasion.

We firmly believe that your support and recognition in this matter will go a long way in strengthening the ties between our two nations and fostering a spirit of unity among the diverse communities that form the multicultural fabric of Canada.

Thank you for considering our humble request. We look forward to a positive response and the opportunity to celebrate this historic occasion with the Canadian government and fellow citizens.

Yours sincerely,
Sima Acan, President



Proclamation Letter:

Turkish Republic Day
October 29th, 2023

WHEREAS, October 29th, 1923 is the date of the proclamation of the Republic of Türkiye by Mustafa Kemal Atatürk; and

WHEREAS, Türkiye is a secular democracy in the Muslim world and has played a critical role in international efforts for peace, prosperity and stability; and

WHEREAS, Canadians of Turkish descent in London have played a significant role in the educational, cultural, economic and civic development of our community through sharing their rich cultural heritage and through their dedication to the responsibilities of good citizenship; and

WHEREAS, all Turks, Turkish Canadians and people with the heritage of Türkiye will be celebrating the 100th anniversary of the Republic of Türkiye; Josh Morgan, Mayor of the City of London, do hereby proclaim October 29th, 2023 as Turkish Republic Day in Toronto.



THE FEDERATION OF
CANADIAN TURKISH
ASSOCIATIONS

Sample Proclamation from October 29th 2013:

