

# Agenda

## Strategic Priorities and Policy Committee

3rd Meeting of the Strategic Priorities and Policy Committee

January 23, 2020, 3:00 PM

Council Chambers

### Members

Mayor E. Holder (Chair), Councillors M. van Holst, S. Lewis, M. Salih, J. Helmer, M. Cassidy, P. Squire, J. Morgan, S. Lehman, A. Hopkins, P. Van Meerbergen, S. Turner, E. Pelozo, A. Kayabaga, S. Hillier

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Pages

**1. Disclosures of Pecuniary Interest**

**2. Consent**

**3. Scheduled Items**

3.1 Not to be heard before 4:00 PM - Public Participation Meeting - 2020-2023 Multi-Year Budget

a. Delegation - Accessibility Advisory Committee

b. B. Brock

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c. G. Macartney, CEO, London Chamber of Commerce

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d. G. LaHay

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(Note: A copy of the on-line petition with approximately 830 names is available for viewing in the City Clerk's office.)

e. A. Oudshoorn, RN, Assistant Professor, Arthur Labatt Family School of Nursing

11

f. D. Whitelaw, Executive Director, Ark Aid Street Mission

12

g. J. M. Thompson, Deacon, St. John the Evangelist Church

13

h. J. Parent

14

i. S. Cassidy

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j. A. McClenaghan, Chair, London Downtown Business Association and D. McCallum, Chair, MainStreet London, Downtown London

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k. V. Ezukuse, MSc Candidate-Health Promotion, Health and Rehabilitation Sciences, Western University

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l. Councillor M. van Holst - More Fees for Service

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m.	Councillor M. van Holst - Green Revenue Generation Program	29
n.	T. Dam, Resettlement Assistance Program Manager, London Cross Cultural Learner Centre	30
<b>4.</b>	<b>Items for Direction</b>	
4.1	London Hydro Proposed Corporate Restructuring	31
<b>5.</b>	<b>Deferred Matters/Additional Business</b>	
<b>6.</b>	<b>Adjournment</b>	

May 02, 2019

Attention: Cathy Saunders, City Clerk,

London City Council Agenda : Re: Investing In Canada Infrastructure Report May 7, 2019 or May Strategic Priorities and Polcy Committee agend May 6<sup>th</sup>, 2019 to be addressed with appropriate agenda item

Investing in Canada Infrastructure List.

Introduction: This breakdown will only make better transportation choices for all Londoners worse! Assumptions won't get customers where they want to go. It appears dumping this on London Transit to make work only sets them up for failure and being an escape for major operating costs losses and need for increased funding. As of this date not one councillor has shown factual data otherwise. See background support for positon taken.

Recommendations:

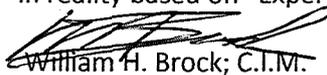
Validate ridership impact using real time data and how making more transfers necessary works! Getting from origin to destination faster doesn't become possible in this method! Are you prepared to subsidize the increased subsidies to operation to achieve standards in next decade? Time to pause and reassess! After the fact is too late!

The downtown loop is not a route but an on road station for what was 2 master segregated routes. Transferring will be impossible and imact of 5 minute service on east and 10 minute on south (half routes won't work). Chaos is wrong and added to faile faster service is ensured unreliability!

Intelligent Traffic Signals will use the latest technology upgrades! Like most new technology the less human interaction the better it works! Currently human interactions is a major component and an modelling of Commissioners / Wellington or Dundas / Highbury or Wharncliffe / Oxford should allow reality to better guide the project than theory!!!

You have indicated these are the submissions and subject to your next steps (without pause and reflections of business cases) have generated serious concerns.

Please pause and in open discussion validate the cases not on a funding model as mentioned but in reality based on "Experts" even if you disagree!

  
William H. Brock; C.I.M.

Former London Transit Manager

*Please add to Item 4.1  
2020-2023 Multi-Year Budget*  


## Background Information

This brief is submitted in relation to BRT business case of July 2017 (confirmed as of March 2019) and the business case adjustments made under "Investing In Canada Infrastructure Program Public Transit Stream March 20, 2019.

The adjusted business cases apply to separation of the following parts approved to proceed with at this time by Council; namely, The Downtown Loop, Wellington Road Gateway and East London Link. It would appear the same basis was used as for the original business case. This summary of costs and revenues is shown on Pg. ix (51) of full document along with the assumptions in Appendix B: Input Assumptions (pg. 56)..

So; as not to confuse the issues, in the original case (pg. viii) "The Business Case serves to quantify the key economic costs and benefits of Rapid Transit for London indicates the implementation plan: delivery and operation costs confirms a phased in approach. THIS IS IN ORIGINAL PLAN!! (NOT SOMETHING NEW ADDED ON). Time frame was east 2019; north 2022 opening in 2025 and south-west open 2027.

Questions: Latest breakdown approach appears to apply to the portions approved to proceed on now, What is the difference? Should the parts not equal the sum already identified in the original?

When examining the analysis there is many assumptions indicating support for the benefits of proceeding with the proposed BRT. Millions of dollars for environmental savings; healthier people because walking more and savings because of faster service; therefore time savings. There is no facts to support these assumptions. The bottom line; if you consider customers first, is major losses in ridership impacting on revenue and gas tax revenue! Failure to listen to the outside "Experts" has given way to how public was treated such as "Budweiser Gardens knowledge learned on day of meeting and the fact councillors knew in May 2015 and kept secret for two years before the same meeting! The claim by Councillors this has been in the public realm for years ignores the facts that in July 2013 Council endorsed the LTC "Smart Moves" which gave transit a priority and plan to grow and expand as ridership increased over time. Also, ignores the fact that staff (Dave Leckie) and Councillor (Paul Hubert) told Councillor (Branscombe) LRT was a distraction unless you had a million people.

In all of this the only change has been the upper levels of government offering billions for transit and London Council taking the position it is our right to have our share and spend as locally deemed appropriate. From this came the approach (within months of 2014 election) one billion dollars for Light Rail System based on a fixed system (segregated from other traffic) operated by Metrolinx ( controlled by Province) using London Transit for feeder service. It is important to note that today the city tries to make the proposed system appear as one; but it is not! The model being used fits the Metrolinx requirement to operate and data used is for the

LRT. (see pg. 56 Appendix B Input Assumptions).

The view that the city focus seems to have taken from day one is that the BRT is a system; stand-alone with discreet capital investment needs and passengers ride starting and ending on the BRT lines! No connectivity with balance of system! This view was supported by the project managers' confirmation of the way the business case was framed. The public record will show that in Nov./ Dec. 2017; at the downtown public library, the claim was because of gov't Metrolinx model the time for savings could only be counted on BRT. In January 2018 at public meetings with Councillor Anna Hopkins and Shawn Lewis the new position was travel time started at the origin of trip and ended at conclusion. The business case as of today has never been changed from original 500 million dollar savings in travel time printed in 2017 (one example of flaws)!

Based on the above and the 'service Integration Report' from London Transit it shows; when fully implemented by 2035, the service hours will increase from 571K to 791K (39%) and growth in ridership will be from the entire system! The flaw with the proposed implementation is the failure to realistically acknowledge the impact on ridership. To this I remind you of issues supporting flaw! Free press article which indicated BRT could be self sufficient; senior management have confirmed service will not be faster; loss of 6.5% ridership when Ontario Works pass stopped upon request of recipients; External experts (Feb 21, 2019) raised concern about implementing 20th century technology and environmental savings not factual. Buried in tape not found in minutes or public record. You should pay special attention to the Feb. 21, 2019 meeting (expert Olson) point to point is the key!

Three factors you should discuss and reconsider; giving full disclosure to the public:

Today there is 42 other communities added to downtown. Every article written maintains self autonomy with all them; independent of downtown. Why force them to go to stations and take away from their communities? Look at W5 Sifton; Southwest London; Highbury & Oxford and UWO growth plan from 2015! The plan shows first and last mile and this hasn't changed. The question is what data do you have that there is a "Must Have" before people will switch to BRT model?

In this whole process you have ignored the service levels based on time clock and operation! Currently LTC fluctuates service based on time of day; day of week and time of year. Because the proposed BRT takes ridership off current LTC routes (given comments above) where do you actually see gains to cover as per current formula?

It is worth repeating that although better transportation choices were possible; not withstanding that many of you and public media have a bias to a predetermined model. A review of all the dialogue will confirm this which even includes documents to the Implementation Working Group and Governance Task Force gone astray (appears by design).

However rather than wander I turn to the most important issue of all! For this I am reminded of the quote in the London Plan “ Transit infrastructure can't get people to their destinations. Only transit service can. So study the service, not just the infrastructure!” ( August 2014, pg.3-23).

THE CUSTOMER THE CUSTOMER NOW (23 million) THE CUSTOMER TOMORROW (+ 8million)

Is the system designed for them or are do they come after (go as directed)?

When operating a business; expanding same or opening a new one what market strategy does one use?In the case of public transit in London there is a service already in place. History will show that transit service in the 21st century has followed growth and expanded or reduced based on usage. In the 1960's London Transit ran 11 minute service seven days a week; industry worked 3 shifts; namely 7-3; 3-11 & 11-7 and 23 million people carried annually.

Today service will show that people don't generally live where they work; fewer take the bus. Somewhere around 8% use transit. The 2016 census should be reviewed as guide to transit users historically; noting the following examples:

Neighbourhood	Auto	LTC	Walk/ Bike	Population	% on bus
Argyle	10,615	1125	640	25,510	.04%
Downtown	1,120	345	965	4,415	.08%
Huron Heights	7,190	955	420	19,750	.05%
North London	2,515	425	835	7,920	.05%
Stoney Creek	4,670	435	175	11,135	.04%

The current London Transit System is like an octopus based on taking customers where they want to go and limiting the transfers and time to get there. Remembering service levels based on ridership! The following comments are made based on London Transit Service Guide of 2016/2017:

- Downtown London 21 routes service into or through core.
- Western University 13 routes service campus. (excludes King's College charter)
- Masonville Mall 9 routes service mall area.
- Argyle Mall 7 routes service area.
- Westmount Mall 6 " " "

White Oaks	6	"	"	"
Fanshawe College	8	"	"	"

The purpose for showing this is to raise the question has to how does the proposed BRT make service better for current riders? The question has not been answered based on the proposed plan without factual data!

Also, the proposed system will force many current riders and turn off many potential riders because the trip from origin to destination is not faster! Two factors you need to consider! Expert panellist (Olson) on Feb. 21, 2019 made it clear "Point to point is the key" which is similar to "The London Plan quote ridership success is based on service not bricks and mortar! The public record clearly shows the "Expertise" flaws are internal and must be addressed!

The vision for the next 40 years makes no sense if those impacted can't live in a better community today with real life changes and technology changes occurring almost daily.

The reality of need over nice to have is here now!

On March 27, 2019; after current Council red flagged an approach which was already part of original plan and another public debate ensued about going backwards! Nothing could be further from the truth!

From day one the position about the plan has been that it is permissive; it can't be enforced! The need to build in and up to save farm land is preferable. This applies as a goal but in reality the exceptions (W5 Sifton ?Southwest ) development will continue to spread. Also, for rapid transit into London farm land savings is expendable.

Time to pause?

John Fleming; top city planner, said rapid transit would help along corridors but not always necessary ingredient"; examples such as Old East Village and other corridors will happen any way and long term plan vision of London plan without rapid transit can still build out.

Finally; the recommendations before you are planned anyways and will not be made better for the end users after piece mealng a seriously flawed system and causing more people to travel longer and make more transfers.



RECEIVED DEC 03 2019

November 28, 2019

His Worship Mayor Ed Holder and Members of City Council  
c/o The Clerk's Office  
The City of London  
300 Dufferin Avenue  
London, Ontario, N6A 4L9

Dear Mayor Holder and Members of Council:

Re: City Budget 2019 – Recommendations

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At the request of the Chamber's Board of Directors, a Task Force of our Government Affairs Committee has been closely monitoring the City's budget process since supporting reasonable and prudent budget decisions is a key priority for the continued success of our City's business community and our economy more generally.

The Chamber recognizes the financial pressures that the City will be facing given the increased downloading from the province. With the benefit of a full year working together, the City Council is well positioned to exercise fiscal restraint while at the same time positioning our city for further growth and prosperity.

The London Chamber of Commerce, in consultation with our Government Affairs Committee and with approval of the Board of Directors, wish to offer the following recommendations regarding the City's draft budget, scheduled for council review on December 17, 2019.

1. As you may be aware, it has been the Chamber's long standing position that a tax increase formula that takes into account both population growth and inflation will best serve our municipality. This has consistently fallen in the 2-3% range. We maintain that this formula remains relevant and reasonable in light of current economic conditions. We further note that a tax levy increase beyond this range, such as the 4% increase presently being discussed, is incompatible with the Chamber's longstanding formula and place an unnecessary economic burden on our members and the City's taxpayers.
2. In so far as Council may consider additions of unbudgeted items, the Chamber recommends they not result in an increase beyond the current target of 2.8%. Should Council wish to add new items, they should balance those by finding other areas of savings.

3. As noted in the recent London Transit Commission report, there appears to be an \$8 million cost associated with the implementation of the planned lowering of speed limits in certain areas of the City. The Chamber seeks clarification on this suggested cost, specifically on the following:
  - Was there adequate consultation with the Board and Administration of LTC in determining what if any cost implications might occur should the City go forward with planned speed reductions in certain parts of the City?
  - If accurate, this cost has the potential of adding nearly two percentage points to the 2020 property tax hike. Can Council confirm that this may be the case?
  - Again, if accurate, would Council be willing to re-open the discussion of reducing speed limits in certain parts of the City until such time as all economic consequences, both intended and unintended are fully understood and made public?
  
4. Consider the disposal of unused or unproductive properties or holdings or possibly repurposing them to maximize taxpayer value from the City's assets. This could include, for example, golf courses and other recreational holdings.

We are confident that Council will make decisions that will have a positive impact on our City's long-term economic well-being. The Chamber looks forward to Council's response and we welcome comments on or the opportunity to engage in further dialogue on any of the above noted recommendations.

Respectfully,



Gerry Macartney, CEO

London Chamber of Commerce

Copies: Chamber Board of Directors, Government Affairs Committee

December 5, 2019

City Council

The City of London

Re: Barrier Free Sidewalks

Council,

Recently, a petition was undertaken to gain support for barrier free sidewalks, specifically during the winter months. To date, over 830 people have signed this petition. This petition has gained attention in the local media on 980 CFPL and CBC London. A copy of the petition along with a list of signatures is on file with the Clerk's Office.

Sidewalk snow clearing has been problematic for years. Disabled users are, in many cases, unable to traverse the sidewalks as they are impassable once snow becomes packed and icy. Sidewalk users are falling and getting injured as there isn't as much emphasis on our sidewalks as there is for roads.

Given the vital necessity to ensure a clear, safe sidewalk network in London, I am requesting that City Council give some serious consideration during budget deliberations to make sidewalk clearing and maintenance a high priority.

I welcome your feedback.

A handwritten signature in black ink, appearing to read 'Gerald LaHay', with a long horizontal flourish extending to the right.

Thank you

Gerald LaHay

**From:** Abe Oudshoorn

**Sent:** Tuesday, January 7, 2020 8:56 AM

**To:** City of London, Mayor <[mayor@london.ca](mailto:mayor@london.ca)>; van Holst, Michael <[mvanholst@london.ca](mailto:mvanholst@london.ca)>; Lewis, Shawn <[slewis@london.ca](mailto:slewis@london.ca)>; Salih, Mo Mohamed <[msalih@london.ca](mailto:msalih@london.ca)>; Helmer, Jesse <[jhelmer@london.ca](mailto:jhelmer@london.ca)>; Cassidy, Maureen <[mcassidy@london.ca](mailto:mcassidy@london.ca)>; Squire, Phil <[psquire@london.ca](mailto:psquire@london.ca)>; Morgan, Josh <[joshmorgan@london.ca](mailto:joshmorgan@london.ca)>; Lehman, Steve <[slehman@london.ca](mailto:slehman@london.ca)>; Hopkins, Anna <[ahopkins@london.ca](mailto:ahopkins@london.ca)>; Van Meerbergen, Paul <[pvanmeerbergen@london.ca](mailto:pvanmeerbergen@london.ca)>; Turner, Stephen <[sturner@london.ca](mailto:sturner@london.ca)>; Peloza, Elizabeth <[epeloza@london.ca](mailto:epeloza@london.ca)>; Kayabaga, Arielle <[akayabaga@london.ca](mailto:akayabaga@london.ca)>; Hillier, Steven <[shillier@london.ca](mailto:shillier@london.ca)>

**Cc:** Purdy, Dave <[dpurdy@London.ca](mailto:dpurdy@London.ca)>; Datars Bere, Sandra <[sdatarsb@london.ca](mailto:sdatarsb@london.ca)>; Cooper, Craig <[ccooper@london.ca](mailto:ccooper@london.ca)>; Stephen Giustizia <[sgiustizia@hdclondon.ca](mailto:sgiustizia@hdclondon.ca)>; [jbrowne@lmhc.ca](mailto:jbrowne@lmhc.ca)

**Subject:** [EXTERNAL] Multi-Year Budget

Good morning London City Council,

I am writing with feedback on the proposed 2020-2023 budget. I noticed that three business cases on housing are currently not in the recommended section, particularly:

- 1) "Additional funding for affordable housing - Part B"
- 2) LMCH regeneration
- 3) LMCH staffing and security

I strongly believe that each of these is an important contribution to addressing the housing crisis and ending homelessness. In particular, to develop new affordable housing stock the HDC requires both funds and land (or funds for land). As the pace of requests for units out-strips development of new units, this additional investment is key. Secondly, in terms of LMCH, regeneration offers an incredible opportunity to both increase stock and replace aging stock through the intensification of existing sites. This is being done in communities across Ontario already (see for example Toronto and Peterborough) so it is very timely for London to do so as well. Finally, in regard to LMCH staffing, providing supports to tenants on site will help to reduce the cycle of homelessness.

Thank you for your consideration,

Abe Oudshoorn, RN, PhD  
Assistant Professor  
Arthur Labatt Family School of Nursing  
Room 2304, FIMS & Nursing Building  
Western University  
London, ON, N6A 5B9  
519-661-2111 x86042

From: Doug Whitelaw  
Sent: Tuesday, January 7, 2020 9:41 AM  
To: City of London, Mayor <[mayor@london.ca](mailto:mayor@london.ca)>  
Subject: [EXTERNAL] City budget - housing

Dear Mr. Holder,

The apparent increase of those living on the streets has frequently been characterized as a 'crisis.' Crises are only resolved by setting other priorities aside. Although the Ark Aid Street Mission is not directly involved in providing housing, we have a front line view of the issues.

You may recall that during your first visit here, while an MP, we discussed the importance of housing. We have met with Craig Cooper and are impressed with his initiative. However, focus and funds from Council are necessary for anything more than band-aid solutions.

The current city budget proposals have three key investments being considered but at this point are not recommended for funding. These are:

- 1) "Additional funding for affordable housing - Part B"
- 2) London Middlesex Community Housing regeneration
- 3) London Middlesex Community Housing staffing and security

If we are successfully to address our housing crisis, these items are necessary to create and maintain an adequate housing supply and to help sustain vulnerable people in housing. I urge you and Council to apply all the tools at hand in this budget cycle to address this crisis even if it means leaving other worthwhile projects aside for the time being.

Thank you.

--

Doug Whitelaw  
Executive Director  
[@arkaidmission](https://urldefense.com/v3/_http://www.arkaidmission.com_!!Mdh6Ok0KiQ!DYZ5gCKPgJ4bl_UOOJuWuLRuFzw8n63mn44WiLUYRHCUg0bZ-1pzatxZK8GGas)

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Doug Whitelaw  
Executive Director  
[www.arkaidmission.com](http://www.arkaidmission.com)  
@arkaidmission

**From:** John Thompson  
**Sent:** Tuesday, January 7, 2020 11:36 AM  
**To:** City of London, Mayor <[mayor@london.ca](mailto:mayor@london.ca)>  
**Subject:** [EXTERNAL] 2020-2023 Budget

Dear Mr Holder

At my church, St. John the Evangelist, we have a weekly hospitality meal for folks who are food insecure. I'm there, meeting and talking to our guests, every Saturday night. As a consequence I have come to know first hand the crisis in truly affordable housing in our community.

I urge you and your fellow councillors to include in the 2020-2023 budget those items that bear directly on this issue, namely

- "additional funding for affordable housing — Part B"
- London Middlesex Community Housing regeneration
- London Middlesex Community Housing staffing and security

The issues of poverty, homelessness, hunger, and social marginalization are all intertwined. I am heartened by your willingness to tackle them, and not simply defer addressing them to a future council.

John M Thompson  
Deacon  
St John the Evangelist Church

**From:** Jacques Parent  
**Sent:** Wednesday, January 8, 2020 11:35 AM  
**To:** Squire, Phil <[psquire@london.ca](mailto:psquire@london.ca)>  
**Cc:** City of London, Mayor <[mayor@london.ca](mailto:mayor@london.ca)>  
**Subject:** [EXTERNAL] London Budget

Phil  
Squire

Councillor, Ward  
6

London, Ontario

Dear Mr. Squire,

As you participate in the planning of the 2020-2023 budget, I want to voice my desire that housing and homelessness be made a priority.

It is my understanding that three key investments are currently being considered but at this point are not recommended for funding.

These are:

- 1) "Additional funding for affordable housing - Part B"
- 2) London Middlesex Community Housing regeneration
- 3) London Middlesex Community Housing staffing and security

The **first two items** allow for the **creation** of more affordable housing stock, the **third item** allows for **supporting people** already in social housing to remain housed. I believe that these are key investments and must be added into the budget.

Our hospitals along with our university and college make for a city that is a hub for healthcare and research. It's my hope that our city takes the necessary steps to become a progressive and creative leader in providing affordable housing and dealing with homelessness.

Thank you for your consideration in this matter.

Sincerely,

Jacques Parent

**From:** Steve Cassidy

**Sent:** Tuesday, January 7, 2020 1:39 PM

**To:** City of London, Mayor <[mayor@london.ca](mailto:mayor@london.ca)>; van Holst, Michael <[mvanholst@london.ca](mailto:mvanholst@london.ca)>; Lewis, Shawn <[slewis@london.ca](mailto:slewis@london.ca)>; Salih, Mo Mohamed <[msalih@london.ca](mailto:msalih@london.ca)>; Helmer, Jesse <[jhelmer@london.ca](mailto:jhelmer@london.ca)>; Cassidy, Maureen <[mcassidy@london.ca](mailto:mcassidy@london.ca)>; Squire, Phil <[psquire@london.ca](mailto:psquire@london.ca)>; Morgan, Josh <[joshmorgan@london.ca](mailto:joshmorgan@london.ca)>; Lehman, Steve <[slehman@london.ca](mailto:slehman@london.ca)>; Hopkins, Anna <[ahopkins@london.ca](mailto:ahopkins@london.ca)>; Van Meerbergen, Paul <[pvanmeerbergen@london.ca](mailto:pvanmeerbergen@london.ca)>; Turner, Stephen <[sturner@london.ca](mailto:sturner@london.ca)>; Peloza, Elizabeth <[epeloza@london.ca](mailto:epeloza@london.ca)>; Kayabaga, Arielle <[akayabaga@london.ca](mailto:akayabaga@london.ca)>; Hillier, Steven <[shillier@london.ca](mailto:shillier@london.ca)>

**Subject:** [EXTERNAL] Housing Crisis

To the City Council Members,

There is a housing crisis in London. Even on an anecdotal level, many friends and colleagues are having difficulty finding rentable space. These are individuals with affluence. How much more difficult for someone of low socio-economic status to find adequate housing in our city? Please address the need for affordable housing by investing in the London Middlesex Community Housing regeneration plan as well as the additional funding for affordable housing.

This economic and social issue will only escalate and create long-standing consequences if ignored.

Thank you,

- Steve Cassidy



**Additional Funding Requests  
In Support of the Core Area Action Plan  
Business Case #7, Core Area Action Plan  
2020-2023 Multi-Year Budget**

Downtown London was invited to submit additional budget requests to the City of London as part of the Multi-Year Budget process for 2020-2023. The London Downtown Business Association (LDBA) is the only B.I.A. in London that does not currently receive funding from the City in addition to the levy which the City collects from its members.

MainStreet London, the revitalization organization that also operates under the Downtown London brand, received \$106,000 annual funding from 2001-2011 in support of our partnership with the City of London, but no funding has been provided to run our programs since 2013 when we received \$53,000. Since 2014, all programming for both organizations has been funded by LDBA's members.

We carefully steward the levy funding that the City collects on our behalf, recognizing that the current market conditions make it more challenging for businesses to thrive and any levy increases place an additional financial burden on downtown businesses. Based on feedback from our members, we recognize that there is a need to reduce the financial impacts of taxation and fees that our members are required to pay in the normal operation of their businesses to create a more supportive business environment.

In this document we address the impact of the Core Area Action Plan recommendations on the programs of both London Downtown Business Association and MainStreet London, two complementary organizations that deliver unique and essential programming to the members of Downtown London. In turn, our work can have a significant impact on achieving the City's goals in the categories of business environment and attracting more people to the core.

We are eager to work with our municipal partners to deliver quality solutions aligned with these recommendations. The ultimate impact of our programs going forward in 2020-2023 will depend greatly on the funding available to do the extra work outlined in the Core Area Action Plan.

**I - London Downtown Business Association Funding Requests**

We have compared the Core Area Action Plan recommendations with our current approved LDBA budget and offer the following requests to supplement programming that is already planned for 2020.

**Core Area Action Plan Items #44, #45**

**#44 - Increase range and intensity of programming within the core**

**#45 – Activate spaces and places with bistro chairs and tables**

Activations and events programmed in the downtown offer key benefits:

- Provide affordable entertainment for people of all ages and backgrounds
- Generate economic spin-off
- Reinforce the brand for Downtown London as a place for things to do, where something is always happening.

These activities are a key component of placemaking and the Downtown London team has been piloting activations over the last two years, both from our own organization and in partnership with others.

We have budgeted for a few activations in our existing Marketing program.

We currently have two sets of bistro tables and chairs which have been used for activations and events on Dundas Place.

**Base budget**

<b>LDBA 2020 Approved Budget</b>	<b>Unit Cost</b>	<b>Annual Cost Per Item</b>
1 large activation per month	1,600	\$19,200
3 small activations per month	150	5,400
Storage of assets and furniture	150/month	1,800
Total:		<b>\$26,400</b>

**Additional Costs for Core Area Action Plan Recommendations:**

<b>LDBA 2020 Proposed Costs</b>	<b>Unit Cost</b>	<b>Annual Cost Per Item</b>
1 large-scale interactive activations per week (external service providers)	1,600	\$57,600
3 small activations per week (new assets, staff supported)	150	16,200
8 new bistro sets (one time)	100	800

<b>LDBA 2020 Proposed Costs</b>	<b>Unit Cost</b>	<b>Annual Cost Per Item</b>
Permanent activations – 4 new alley lighting projects	7000	28,000
Total:		<b>\$102,600</b>

Expected annual increase in costs: **\$102,600**

**Core Area Action Plan Items #46, #47, #60**

**#46 – Create a projection art program**

**#47 – Create an infrastructure art and beautification program**

**#60 – Prioritize Core Area for public art**

Public art, interactive art and other creative offerings add to the vibrancy and quality of experiences people can have downtown, appealing to both locals and visitors alike. Our previous experiences with new murals and projection art installations have garnered positive comments and have resulted in bringing more people to the downtown to see these unique offerings.

Benefits of public art installations include:

- Inclusive, affordable cultural experiences
- Economic spin-off from events
- Create an inspiring, unique and engaging urban environment
- Influence positive public perceptions of the core

These items are most closely aligned with our current Marketing and Public Realm program budgets.

***Base budget***

<b>LDBA 2020 Approved Budget</b>	<b>Unit Cost</b>	<b>Annual Cost Per Item</b>
Public Art - 1 mural	10,000	\$10,000
Total:		<b>\$10,000</b>

***Additional Costs for Core Area Action Plan Recommendations:***

<b>LDBA 2020 Proposed Costs</b>	<b>Unit Cost</b>	<b>Annual Cost Per Item</b>
Public Art – 2 murals	10,000	20,000
Projection Art installations		15,000
Building wrap (146 Dundas)		8,000
Infrastructure box wraps		5,000
Total:		<b>\$48,000</b>

Expected annual increase in costs:

**\$48,000**

**Core Area Action Plan Item #25**

***#25 – Create 4-year Core Area Ambassador pilot program***

Core Area Ambassadors are similar to our current SuperGuide role, which historically has been a three-month summer student job for two employees. Downtown SuperGuides provide directions, do small activations, and provide a helpful presence on the streets of Downtown London. Given our experience with this program over several years, we have the potential to expand it to a full year program, with 4 employees, to supplement the City’s plan for an extended hours offering beyond our current operating hours. This is a public-facing role, also interacting with downtown merchants and City staff. We also have a contract with Goodbye Graffiti to operate our Clean Team, a two-person team that picks up litter and assists with other beautification tasks.

Benefits of a Core Area Ambassador pilot program include:

- Improved customer experience downtown
- Create a more welcoming, friendly impression of the core to attract more people to the core
- Share information with Coordinated Informed Response team, London Police Service, Downtown Operations team, etc.

These items are most closely aligned with our current Marketing and Public Realm program budgets.

***Base budget***

<b>LDBA 2020 Approved Budget</b>	<b>Unit Cost</b>	<b>Annual Cost Per Item</b>
SuperGuides (2 staff, 3 months)	\$17.00/hr.	\$20,000
Clean Team (annual contract)	n/a	129,700
Total:		<b>\$149,700</b>

***Additional Costs for Core Area Action Plan Recommendations:***

<b>LDBA 2020 Proposed Costs</b>	<b>Unit Cost</b>	<b>Annual Cost Per Item</b>
SuperGuides (4 staff, 12 months)	\$17.00/hr.	\$121,000
Total:		<b>\$121,000</b>

Expected annual increase in costs:

**\$121,000**

**Total Additional Funding Requested – LDBA**

<b>Core Area Action Plan Items #44, #45</b> 44 - Increase range and intensity of programming within the core 45 – Activate spaces and places with bistro chairs and tables	\$102,600
<b>Core Area Action Plan Items #46, #47, #60</b> 46 – Create a projection art program 47 – Create an infrastructure art and beautification program 60 – Prioritize Core Area for public art	\$48,000
<b>Core Area Action Plan Item #25</b> 25 – Create 4-year Core Area Ambassador pilot program	\$121,000
<b>Total funding request from LDBA:</b>	<b>\$271,600</b>

## II - MainStreet London Funding Requests

### Core Area Action Plan Items #12, #30

*#12 – Explore new ways to support Core Area property owners to dispose of found syringes*

*#30 – Develop and deliver safety training for business owners, employees and residents*

Education of downtown business and property owners is a cornerstone of economic resilience and business retention in the core. In 2020, MainStreet London plans to offer a variety of learning opportunities and also to survey members regarding their learning needs. Traditionally we have focused on business development and marketing topics, but can expand to include more education and training related to addressing de-escalation of behavioural issues, conflict management and needle recovery, in collaboration with community partners and recognizing that the City is also pursuing other service providers to assist with addressing these issues.

Benefits of member education include:

- Empowering members to address real-world problems with skill and confidence
- Supplements efforts of municipal enforcement solutions and service providers

These items are most closely aligned with our current Retention budget.

### *Base budget*

<b>MainStreet London Approved 2020 Budget</b>	<b>Unit Cost</b>	<b>Annual Cost Per Item</b>
Monthly education workshops – various topics		\$15,000
Total:		<b>\$15,000</b>

### *Additional Costs for Core Area Action Plan Recommendations:*

<b>MainStreet London 2020 Proposed Costs</b>	<b>Unit Cost</b>	<b>Annual Cost Per Item</b>
Monthly learning sessions focused on de-escalation, conflict management, needle recovery.		\$20,000
Total:		<b>\$ 20,000</b>

Expected annual increase in costs:

**\$ 20,000**

### Core Area Action Plan Items #16, #31, #63

*#16 – Provide incentives for providing uplighting on privately owned buildings*

*#31 – Use existing Façade Improvement Loan Program to incent decorative gates through existing Community Improvement Plans*

*#63 – Eliminate encroachment fees for patios, signage and awnings in the Core Area through Core Area Community Improvement Plan*

MainStreet London has worked closely with Planning since 2001 to promote the City’s CIP incentive programs and to influence quality designs and heritage conservation in London’s downtown.

One of the barriers to uptake on the City’s incentives is the requirement for the property owner to authorize an incentive loan, as some owners are reluctant to have a lien placed on their property and will not apply on behalf of a tenant who requires the property improvements. In these situations, MainStreet London could offer a grant for work that relates to decorative gates and other improvements to facades and alleys.

MainStreet London staff work collaboratively with Urban Regeneration staff to maximize funding to façade projects through their respective incentive programs. Additional funding for the About Face program would enable us to address more opportunities to support:

- exterior lighting upgrades on buildings (including uplighting, entrance illumination)
- more alley lighting (activation) projects similar to the Spageddy Eddie’s alley on Richmond Street (should this be LDBA????)
- pop-up patio pilot program to streamline the approval process, support design and delivery of patios that align with City of London patio design guidelines, and address barriers business owners face to adding patios to their locations

Benefits of these programs include:

- Improved perceptions of safety through heightened illumination
- Create favourable perceptions of the core area through beautification to attract more people downtown, and to attract investment
- Clearer delineation of public and private spaces through use of decorative gates, to deter unwanted loitering and littering

***Base budget***

<b>MainStreet London 2020 Approved Budget</b>	<b>Unit Cost</b>	<b>Annual Cost Per Item</b>
About Face façade grant program		\$200,000
Total:		\$200,000

***Additional Costs for Core Area Action Plan Recommendations:***

<b>MainStreet London 2020 Proposed Costs</b>	<b>Unit Cost</b>	<b>Annual Cost Per Item</b>
Pop-up patio pilot	10,000	\$50,000
Up-lighting	1,000	6,000
Decorative Gates	5,000	15,000

Total:		<b>\$71,000</b>
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Expected annual increase in costs: **\$71,000**

**Core Area Action Plan Item #40**

**#40 – Encourage shipping container pop-up retail uses during construction**

Through our Recruitment program opportunities, MainStreet London has considered the use of shipping containers not only for relocating businesses impacted by construction, but also to establish and grow our own future retail leaders downtown who can ultimately move into vacant retail space. Local retail incubators like UnLondon have successfully supported the launch of businesses like Brown & Dickson, Life of Leisure and Rebel Remedy, among others. Ultimate cost of these units would depend on the degree of customization required.

Benefits of a shipping container pop-up retail pilot program include:

- Alternative location for businesses experiencing dramatic reduction in revenues due to construction
- Provide start-up location support for businesses incubated in the campus-linked accelerators at Western (Propel) and Fanshawe (Leap Junction)
- Create unique retail experiences to attract more customers downtown and to create a more accessible cost structure for start-ups

**Base budget**

<b>MainStreet London 2020 Approved Budget</b>	<b>Unit Cost</b>	<b>Annual Cost Per Item</b>
Recruitment		35,000
Total:		\$35,000

**Additional Costs for Core Area Action Plan Recommendations:**

<b>MainStreet London 2020 Proposed Costs</b>	<b>Unit Cost</b>	<b>Annual Cost Per Item</b>
Shipping Container pop-up shop		\$50,000
Total:		<b>\$50,000</b>

Expected annual increase in costs: **\$50,000**

**Total Additional Funding Requested – MainStreet London**

<b>Core Area Action Plan Items #12, #30</b>	<b>\$15,000</b>
<b>Core Area Action Plan Items #16, #31, #63</b>	<b>\$71,000</b>

<b>Core Area Action Plan Item #40</b>	\$50,000
Total funding request from MainStreet London:	<b>\$136,000</b>

**Summary**

London Downtown Business Association and MainStreet London welcome the opportunity to support creation of solutions to core area issues through our program offerings and in collaboration with our municipal partners. We will continue to advocate for implementation of the Core Area Action Plan recommendations.

Our combined additional budget requests are:

\$271,600 for London Downtown Business Association programs

\$136,000 for MainStreet London programs

**\$407,600** represents our total annual funding request.

Respectfully submitted,



Andrew McClenaghan  
Chair, LDBA



Don McCallum  
Chair, MainStreet London

January 9, 2020

**From:** Vanisa Ezukuse

**Sent:** Tuesday, January 7, 2020 1:15 PM

**To:** City of London, Mayor <[mayor@london.ca](mailto:mayor@london.ca)>; van Holst, Michael <[mvanholst@london.ca](mailto:mvanholst@london.ca)>; Lewis, Shawn <[slewis@london.ca](mailto:slewis@london.ca)>; Salih, Mo Mohamed <[msalih@london.ca](mailto:msalih@london.ca)>; Helmer, Jesse <[jhelmer@london.ca](mailto:jhelmer@london.ca)>; Cassidy, Maureen <[mcassidy@london.ca](mailto:mcassidy@london.ca)>; Squire, Phil <[psquire@london.ca](mailto:psquire@london.ca)>; Morgan, Josh <[joshmorgan@london.ca](mailto:joshmorgan@london.ca)>; Lehman, Steve <[slehman@london.ca](mailto:slehman@london.ca)>; Hopkins, Anna <[ahopkins@london.ca](mailto:ahopkins@london.ca)>; Van Meerbergen, Paul <[pvanmeerbergen@london.ca](mailto:pvanmeerbergen@london.ca)>; Turner, Stephen <[sturner@london.ca](mailto:sturner@london.ca)>; Peloza, Elizabeth <[epeloza@london.ca](mailto:epeloza@london.ca)>; Kayabaga, Arielle <[akayabaga@london.ca](mailto:akayabaga@london.ca)>; Hillier, Steven <[shillier@london.ca](mailto:shillier@london.ca)>

**Subject:** [EXTERNAL] Concern Citizens Plea to Prioritize Housing and Homeless in Upcoming Budget Meeting

Dear London City Council,

The purpose of this writing is to ask you to prioritize the growing housing and homelessness crisis in London.

Communicating with the city's bylaws officers will let you know that they deal with up to 60 homeless camps on average a week! The camps are set up by individuals, who cannot afford anywhere else to live, or those who consider camping outside better than living in some of the deplorable conditions of the "affordable" houses.

I applaud the city's five-year plan to combat homelessness. However, with the gentrification of the city, and the driving up of housing prices and rent, something more immediate (alongside the 5-year plan) needs to be done to attend to the needs of the emergent homeless situations. "When there's a fire or flood, you don't put in place a five-year plan. You act. There needs to be a real will to help people out." (Margaret Wills, Head of the Crouch Center)

The London city council has made plans, asked for consultations, drafted bylaws and set guidelines for affordable housing; however, nothing is being done to make affordable housing available. To not consider or make room for the proposed additional funding for affordable housing is an error, that will only continue to take a negative toll on the City of London.

I plead with the London City Council to reconsider the following three key investments and recommend them for funding during the 2020-2023 budget plan;

- 1) "Additional funding for affordable housing - Part B"
- 2) London Middlesex Community Housing regeneration
- 3) London Middlesex Community Housing staffing and security

The first two items allow for the creation of more affordable housing stock, the third item allows for supporting people already in social housing to remain housed. I believe that these are key investments and must be added to the budget. I urge you to consider the stated.

Cheers,

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Vanisa Ezukuse, BScN  
MSc Candidate – Health Promotion  
Health and Rehabilitation Sciences  
Western University



## MORE FEES FOR SERVICE

January 12, 2020

Dear Colleagues,

Faced with the challenges we have encountered in this budget; some new insights might be helpful to ensure residents get what they want with the least impact on the tax levy. To this end, let me offer the following observation:

### Taxes are the worst crowdfunding program ever

After all, you can't pick the project; you can't choose your perk; someone else tells you how much you have to spend; and if you don't pay, they eventually take your house. How nice if we could move in the direction of giving people more control over how their contributions to the city are spent. We can make this possible by realizing;

### When people make demands, it proves there is a demand

Residents often make demands for services, and it might be helpful if we thought like entrepreneurs who always look for demands that they can satisfy to generate revenue. Why should we always perceive demands as the mandate to hit our tax base with a universal program that we provide at a loss? There is room for thinking outside the box.

### When taxes go up, some go hungry

People on fixed incomes have told me that by the end of the month they have no money for food, so higher taxes mean they go hungry longer. Since food prices are rising sharply, we can conclude that the ability to pay is no longer universal. For that reason, additional nice-to-have services are hard to justify, and even should-have services place us in a moral dilemma. For residents to get what they demand without it being a burden on others:

### It behoves us to consider more fees for service

One example of demand is green bins. The people demanding this service know that they will have to pay for it one way or another. When I have asked enthusiasts if they would be willing to pay \$150 for a bin and weekly same-day service, most have said yes. If only 15% of the households were willing to sign up voluntarily for such a program, it would bring in a self-sustaining 2.7 million dollars.

By the time 30% sign up it would bring in more than the anticipated \$5 million we were going to add to the taxes, so as uptake increases the price can be dropped. Another advantage of the paid service is that we will not be wasting three million dollars purchasing bins for people who will not use them so, to me, it seems like a viable approach.

Though I will be suggesting some services that we could provide for a fee, the purpose of my letter is to bring this approach into the debate at the outset.

Sincerely,

Michael van Holst  
Ward 1 Councillor

## GREEN REVENUE GENERATION PROGRAM

January 12, 2020

Dear Colleagues,

As we are in the process of discussing the new multi-year budget, I wanted to make you aware of a strategy that could ease some of the fiscal pressures we face. It involves existing programs as well as some innovative initiatives that are available to us.

### A STRONG REVENUE GENERATING OPPORTUNITY

Canadians can now go online and purchase offsets to their carbon-footprint from companies who invest in certified projects that mitigate emissions. Some of these projects are for Ontario municipalities as can be seen at the website [www.less.ca](http://www.less.ca). Because London is engaging in emission-reducing projects that could be certified, there is an excellent opportunity for us to generate revenue by selling voluntary offsets to our citizens, to people outside of London, and to companies looking for certifiable investments.

### RAISING MILLIONS AND FAST TRACKING TO NET-ZERO

The fastest way for London to reach a net-zero footprint is to have residents voluntarily purchase carbon offsets or crowdfund our green projects. Offsets are available at \$20 per tonne, and an average Canadian, producing 22 tonnes of carbon annually, could achieve a net-zero status by purchasing \$440 worth of credits. If only 10% of our citizens participated the revenue generated would be 17 Million Dollars. Crowdfunding and offering opportunities to sponsor our green projects may be even greater strategies for generating revenue.

### EASY IMPLEMENTATION

Implementing this program might involve construction of a simple website where visitors can buy offsets by the tonne; choose a sponsorship package; pick a project they would like to crowdfund; or achieve a particular degree of mitigation such as 100% (Net-zero), 25% (Paris), or 15% (1990). It may also involve certifying more offsets for sale.

### PERSONAL EMPOWERMENT

This program will empower residents in London and beyond who wish to engage in mitigating atmospheric CO2 accumulation. Because it is voluntary, it does not disempower those who are unable to contribute.

### OUR COMPETITIVE ADVANTAGE

London should be able to compete strongly in this market because the corporation has a higher degree of accountability, and its activities are transparent. These strengths mean that we are strategically positioned to bring in revenue from outside the city, provided we act quickly to gain the first-mover advantage.

To this end, I ask that you approve the following motion:

That staff implement a strategy for marketing carbon offsets and acquiring contributions to green projects.

Sincerely,

Michael van Holst

**From:** Tam Dam

**Sent:** Tuesday, January 7, 2020 3:50 PM

**To:** City of London, Mayor <[mayor@london.ca](mailto:mayor@london.ca)>; van Holst, Michael <[mvanholst@london.ca](mailto:mvanholst@london.ca)>; Lewis, Shawn <[slewis@london.ca](mailto:slewis@london.ca)>; Salih, Mo Mohamed <[msalih@london.ca](mailto:msalih@london.ca)>; Helmer, Jesse <[jhelmer@london.ca](mailto:jhelmer@london.ca)>; Cassidy, Maureen <[mcassidy@london.ca](mailto:mcassidy@london.ca)>; Squire, Phil <[psquire@london.ca](mailto:psquire@london.ca)>; Morgan, Josh <[joshmorgan@london.ca](mailto:joshmorgan@london.ca)>; Lehman, Steve <[slehman@london.ca](mailto:slehman@london.ca)>; Hopkins, Anna <[ahopkins@london.ca](mailto:ahopkins@london.ca)>; Van Meerbergen, Paul <[pvanmeerbergen@london.ca](mailto:pvanmeerbergen@london.ca)>; Turner, Stephen <[sturner@london.ca](mailto:sturner@london.ca)>; Peloza, Elizabeth <[epeloza@london.ca](mailto:epeloza@london.ca)>; Kayabaga, Arielle <[akayabaga@london.ca](mailto:akayabaga@london.ca)>; Hillier, Steven <[shillier@london.ca](mailto:shillier@london.ca)>

**Cc:** Tam Dam

**Subject:** [EXTERNAL] RE: London Budget Support

Hi all,

I am aware that the city is currently putting a budget for the year 2020-2023. I would like to request the city to include the following items in the budget for the next three years.

- 1) "Additional funding for affordable housing - Part B"
- 2) London Middlesex Community Housing regeneration
- 3) London Middlesex Community Housing staffing and security

The first two items allow for the creation of more affordable housing stock, the third item allows for supporting people already in social housing to remain housed. I believe that these are key investments and must be added into the budget.

It is very important and the City should take pride to include these item as one of the priorities for the budgets.

Thank you for your consideration.

Tam

**Tam Dam**

Resettlement Assistance Program Manager



T: (519) 432-1133 x(225)

Fx: (519) 660-6168

M: 519-697-9543

E: [tdam@lcllc.org](mailto:tdam@lcllc.org)

London Cross Cultural Learner Centre | 505 Dundas Street, London ON | N6B 1W4

*We acknowledge the history of the Indigenous territory and lands of the Attawandaran (Neutral) where our Centre stands. The Attawandaran peoples once settled in this region alongside the Algonquin and Haudenosaunee peoples, and used the land as traditional beaver hunting grounds.*

<b>TO:</b>	<b>CHAIR AND MEMBERS STRATEGIC PRIORITIES AND POLICY COMMITTEE MEETING ON JANUARY 23, 2020</b>
<b>FROM:</b>	<b>MARTIN HAYWARD CITY MANAGER</b>
<b>SUBJECT:</b>	<b>LONDON HYDRO PROPOSED CORPORATE RESTRUCTURING</b>

<b>RECOMMENDATION</b>
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That, on the recommendation of the City Manager with the concurrence of the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer, the following actions be taken with respect to London Hydro proposed restructuring:

- a) the report including the proposal from London Hydro Inc. (LHI), attached as “Appendix A”, and the risk assessment from KPMG LLP associated with the proposed corporate restructuring of LHI, attached as “Appendix B”, **BE RECEIVED** for information,
- b) the Civic Administration in conjunction with London Hydro **BE DIRECTED** to:
  - i. Prepare a detailed analysis that would support a recommendation to the shareholder on the proposed restructuring that will include at a minimum the recommendations provided by KPMG LLP, as noted in the attached “Appendix B”; and,
  - ii. Prepare an implementation strategy to accompany the recommendation (if needed); and,
- c) the City Clerk **BE DIRECTED** to forward the report from the January 23, 2020 Strategic Priorities and Policy meeting to the Municipal Council meeting for be held on January 28, 2020.

<b>RECENT REPORTS PERTINENT TO THIS MATTER</b>
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Strategic Priorities and Policy Committee, meeting on August 26, 2019, agenda item 4.2 – Delegation – V. Sharma, CEO, London Hydro Inc. – London Hydro Corporate Restructuring <https://pub-london.escribemeetings.com/filestream.ashx?DocumentId=66558>

<b>LINK TO 2019-2023 STRATEGIC PLAN</b>
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Council’s 2019-2023 Strategic Plan includes the Strategic Area of Focus ‘Leading in Public Service’, which outlines the following:

- Expected Result: Maintain London’s finances in a transparent and well-planned manner to balance equity and affordability over the long term.
- Strategy: Continue to ensure the strength and sustainability of London’s finances.

<b>BACKGROUND</b>
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At its meeting held on August 27, 2019, Municipal Council resolved the following:

*That the Civic Administration BE DIRECTED to provide a report to the Strategic Priorities and Policy Committee with respect to the corporate structure and applicable associated risk to the Corporation that would be associated with the proposed corporate restructuring, as outlined in the communication dated July 31, 2019 and presentation, both from V. Sharma, CEO, London Hydro Inc.*

This report provides a summary of the proposed corporate restructuring and information provided by London Hydro Inc. (LHI) and outlines the risks and considerations at a high level for the City of London as a shareholder for the proposed restructuring.

## What Is Being Requested Of Council

LHI has provided the City of London with documents that provide a high level plan for corporate restructuring of LHI and risk management related to the corporate restructuring including draft proposed shareholder declarations between the various corporations. Civic Administration worked with KPMG LLP to review the proposed plan such that possible risks and issues could be identified upfront prior to additional more detailed reviews being completed. This preliminary work is to inform Municipal Council of concerns to be reviewed so it can determine whether it wishes Civic Administration and LHI to proceed with the next steps of detailed analysis and planning with respect to a corporate restructuring of LHI.

Civic Administration is not requesting that these documents be approved at this time but is only requesting support to proceed with more detailed analysis and a proposed implementation strategy should Council wish to advance the work that would support a recommendation to Municipal Council for the corporate restructuring.

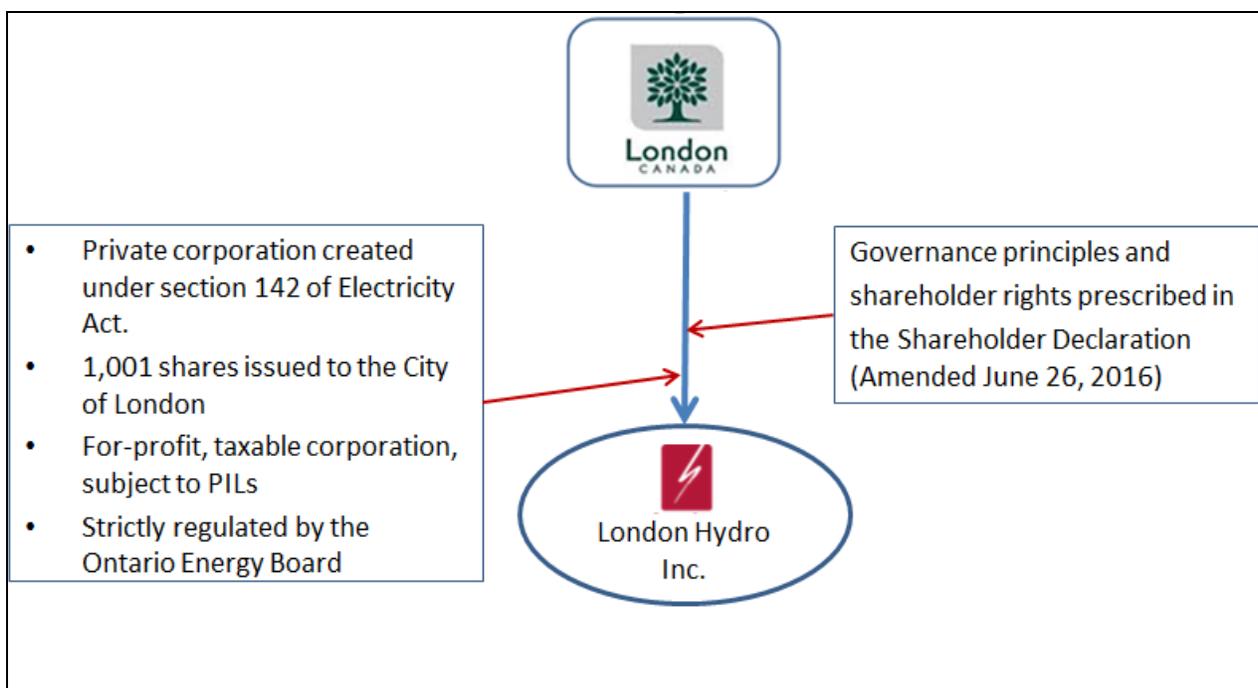
## PROPOSED CORPORATE STRUCTURE

On August 26, LHI appeared before the Strategic Priorities and Policy committee to present a proposed new LHI corporate structure. Civic Administration has worked with LHI to understand the changes proposed including draft Shareholder Declarations to affect the LHI corporate restructuring. Appendix "A" attached contains a proposal for the LHI corporate restructuring provided to Civic Administration which includes the following documents:

- London Hydro Inc. Corporate Restructuring: Risk Management Plan
- Exhibit #1 - Shareholder Declaration between City and London Utility Services (LUSI)
- Exhibit #2 - Shareholder Declaration between LUSI and London Hydro Inc.
- Exhibit #3 - Shareholder Declaration between LUSI and LUSI Energy Inc.

The proposed corporate restructuring of LHI as provided to Civic Administration is shown below. The current LHI structure is shown below in Figure 1.

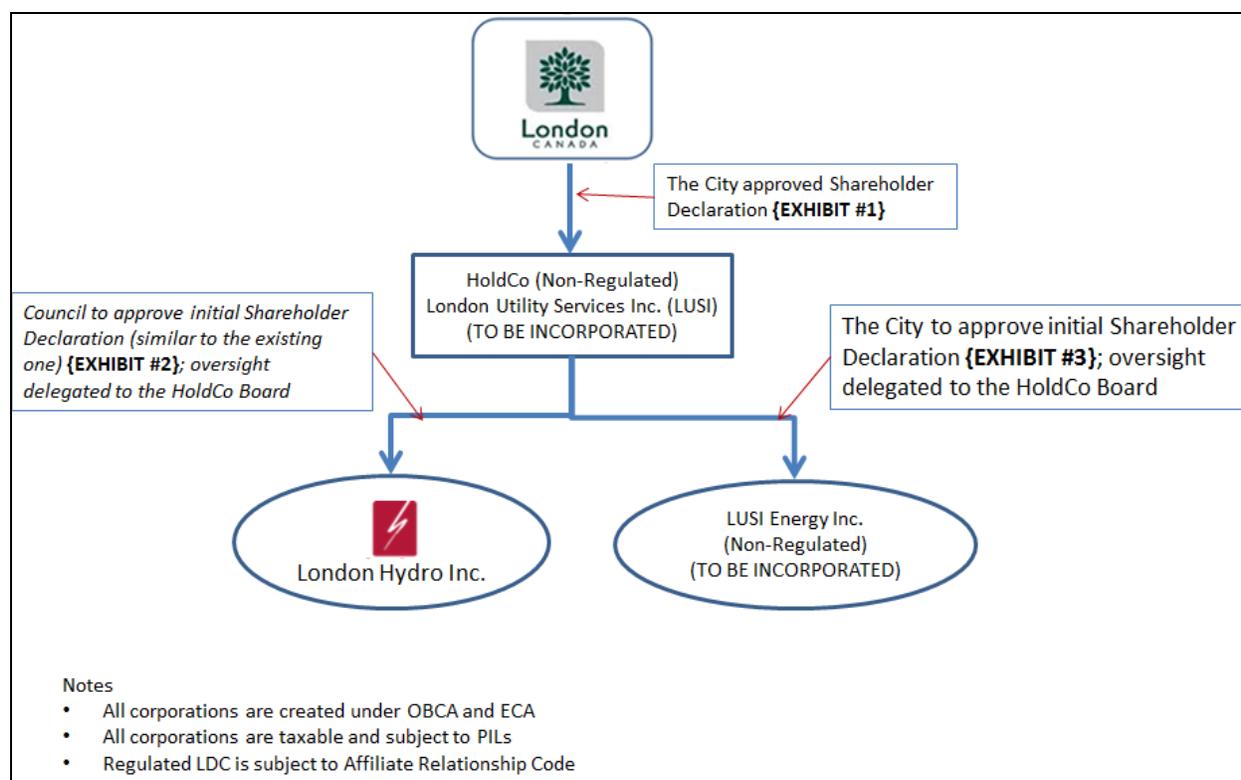
**Figure 1: Current Corporate Structure**



Source: London Hydro Inc.

The proposed new corporate structure for LHI is shown below in Figure 2.

**Figure 2: Proposed New Corporate Structure**



Source: London Hydro Inc.

**RISKS OF PROPOSED REORGANIATION**

Civic Administration requested the services of KPMG LLP to review the proposed reorganization to identify the risks for the City of London as the sole shareholder. KPMG LLP’s review is attached as Appendix “B”. KPMG LLP has identified a number of items for additional review and consideration. Should Council wish to support considering the proposed restructuring, LHI would need to prepare more detailed analysis and planning to identify address the recommendations identified by KPMG. Civic Administration would then also proceed to complete a detailed legal review.

**CONCLUSION**

High level proposals for LHI restructuring have been received by Civic Administration. Civic Administration is seeking Council support to proceed with the detailed analysis before bringing a recommendation & implementation plan to Council.

<b>RECOMMENDED BY:</b>	<b>CONCURRED BY:</b>
<b>MARTIN HAYWARD, CPA, CGA CITY MANAGER</b>	<b>ANNA LISA BARBON, CPA, CGA MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER</b>

## Appendix A

### London Hydro Inc. Corporate Restructuring: Risk Management Plan

This report summarizes a plan to protect and manage any risks pertaining to the corporate restructuring of London Hydro Inc. (“LHI”), which is a corporation formed under the Ontario *Business Corporations Act* (“OBCA”) by the Corporation of the City of London (the “City”) pursuant to the *Electricity Act* (Ontario).

#### Risk Management in Brief

A new Holding Company (“HoldCo”) to be named London Utility Service Inc. will in the future hold the shares of LHI as well as a non-regulated affiliate (to be named LUSI Energy Inc.) will report to the City and will be subject to various risk management requirements which are briefly given below. These requirements are further detailed in the respective Shareholder Declarations attached herewith.

1. The initial Shareholder Declarations for all corporations will be established and approved by the City. Despite the transfer of the shares of LHI from the City to the HoldCo, the rights of the City with respect to the governance of LHI would remain unchanged and would “flow through” the HoldCo to LHI.
2. The Shareholder Declaration for LHI that was previously established and amended in 2016 has materially not changed. It defines the scope of business, establishes financial policies, and enshrines shareholder approval requirements.
3. The Shareholder Declaration for the HoldCo will be the overall governing agreement which will establish various principles of how the HoldCo will govern the subsidiaries. The City can amend the HoldCo’s Shareholder Declaration as warranted to revise any governing requirements of the subsidiaries.
4. The current level of annual dividend will be maintained subject to the cash needs of the corporations.
5. The HoldCo is primarily responsible for oversight of LHI. Any and all significant decisions pertaining to LHI including Mergers, Acquisitions, Amalgamations, and Divestitures (MAAD) will continue to require the City’s approval.
6. Similarly, the HoldCo is required to oversee the new non-regulated affiliate and is further given incremental investment opportunities of up to \$10 million; any decision requiring investment beyond that is subject to the City’s approval.
7. Both LHI and the non-regulated affiliate, under the new HoldCo, will be permitted to issue debt for the purposes of their defined business activities. On a consolidated basis, the maximum debt to equity ratio shall not exceed 70:30 for LHI as well as the non-regulated affiliate.
8. The HoldCo shall develop and maintain a prudent capitalization structure consistent with industry norms and on the basis that the corporation is intended to be self-financing. On a consolidated basis, the debt to equity ratio of the corporation shall not exceed 80:20.
9. The HoldCo as well as the non-regulated affiliate shall embrace risk, on an incremental basis, through sound planning and an agile strategic approach.

10. The HoldCo will be required to report on a quarterly and annual basis the financial statements together with the MD&A to the City to demonstrate the prudent financial management of all corporations.
11. All of the corporations shall manage all risks through the adoption of appropriate risk management strategies, internal controls, and appropriate insurance policies consistent with industry norms.
12. Any joint venture, partnership, strategic alliance, or other ventures shall require City approval, except for an incremental partnership by the non-regulated affiliate, with a third party for a maximum of 20% shares of the non-regulated affiliate.
13. The City will appoint the initial Board of Directors for HoldCo and the non-regulated affiliate with the current Board of Directors of LHI having already been established.
  - a) The HoldCo Board will comprise of three members.
  - b) The LHI Board will continue to comprise of the existing seven members in Class I, II, III, and IV respectively.
  - c) The non-regulated affiliate Board will initially have three members; the Shareholder Declaration will allow a maximum of five Board members.
  - d) All Board members shall be required to have the qualification requirements as set out in the OBCA as well as experience and knowledge in one or more areas of finance, legal, business, utility and energy management, strategic planning, human resources, and shall have fiduciary obligations to the corporation(s) on whose board they serve.
  - e) Since the Holdco and the non-regulated affiliate are newly formed companies requiring careful investment and nurturing, thus it is imperative to minimize the operating and administration costs of these new corporations, at least until greater success has been achieved. It is proposed that the Board members of the HoldCo and the non-regulated affiliate shall be selected from the existing LHI Board.
  - f) Three members of LHI's Board shall be appointed to the HoldCo and another three members to the non-regulated affiliate.
  - g) The initial members of the HoldCo and the non-regulated affiliate will not be provided an annual stipend except for the meeting fees only.
  - h) The HoldCo will submit to the City on an annual basis an initial and updated Business Plan as well as the composition and changes to remuneration for the Boards of the HoldCo and the non-regulated affiliate, if and when they are not selected from the existing LHI Board.
14. Initially, the executive management and other services for the HoldCo and the non-regulated affiliate will be carried out by LHI's executive and management for no additional remuneration. In due time, the Boards of the respective corporations will determine the human resource needs of the respective corporations only after there is a significant business growth warranting these resources.
15. All corporations shall be required to comply with any laws applicable and be in full compliance with any regulations.
16. The City will appoint the auditors for all corporations.

## Facts

1. All of the shares (1,001) of LHI are owned by the City.
2. LHI primarily carries on the business of distributing electricity within the City, with a peak load of 719 megawatts and over 157,245 customers from the residential, institutional, commercial and industrial sectors, through 3,364 kilometres of overhead and underground cables, spanning 420 square kilometres of service territory. This business is regulated by the Ontario Energy Board (“OEB”).
3. LHI also carries on a renewable electricity generation business and owns certain solar generation assets that are the subject of a Feed-In Tariff Contract with Ontario’s Independent Electricity System Operator (“IESO”). This business is not regulated by the OEB.
4. LHI carries on a further unregulated business known as the Green Button (“GB”) initiative. GB is an industry-driven effort, begun in 2012, to provide utility customers with easy and secure access to information about their electricity, natural gas or water consumption. Section 71(1) of the *Ontario Energy Board Act* (the “OEB Act”) generally prohibits a distributor from carrying on a business activity other than the distribution of electricity, unless the business activity is carried out through one or more affiliates. However, under section 71(4) of the OEB Act, the OEB may authorize a distributor to carry out additional activities if, in its opinion, special circumstances of a particular case so require. LHI already provides GB services to its own distribution customers, as a component of its distribution service. An OEB authorization pursuant to section 71(4) was granted on September 7, 2018<sup>1</sup> to allow LHI to expand the scope of the GB business to include services relating to utilities other than electricity, to expand the customer base to include non-electricity utilities and customers as well as customers outside of Ontario, and to enable customers/service providers/utilities of all kinds to access and share utility-related data. However, the authority was granted on a temporary basis until LHI’s next cost of service rate application in 2022.
5. LHI is governed through the terms and conditions of By-law #2 together with the amended Shareholder Declaration of June 6, 2016.
6. Originally, the City incorporated London Hydro Utility Services Inc., Ontario Corporation #1415543, on April 26, 2000. These Articles of Incorporation were amended on May 15, 2001 by changing the name of the corporation to “London Hydro Inc.”.
7. Under LHI’s current bylaws and Shareholder Agreement, the City has the right to appoint seven Board members in staggered terms for Class I, II, III, and IV categories. There are two members in each of Classes I, II and III and one member in Class IV. The appointments of the Board members in Classes I through III are on a three-year term; whereas the appointment of Class IV, who must be a member of City Council, is for the then-applicable term of City Council.

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<sup>1</sup> OEB Decision and Order EB-2018-0118

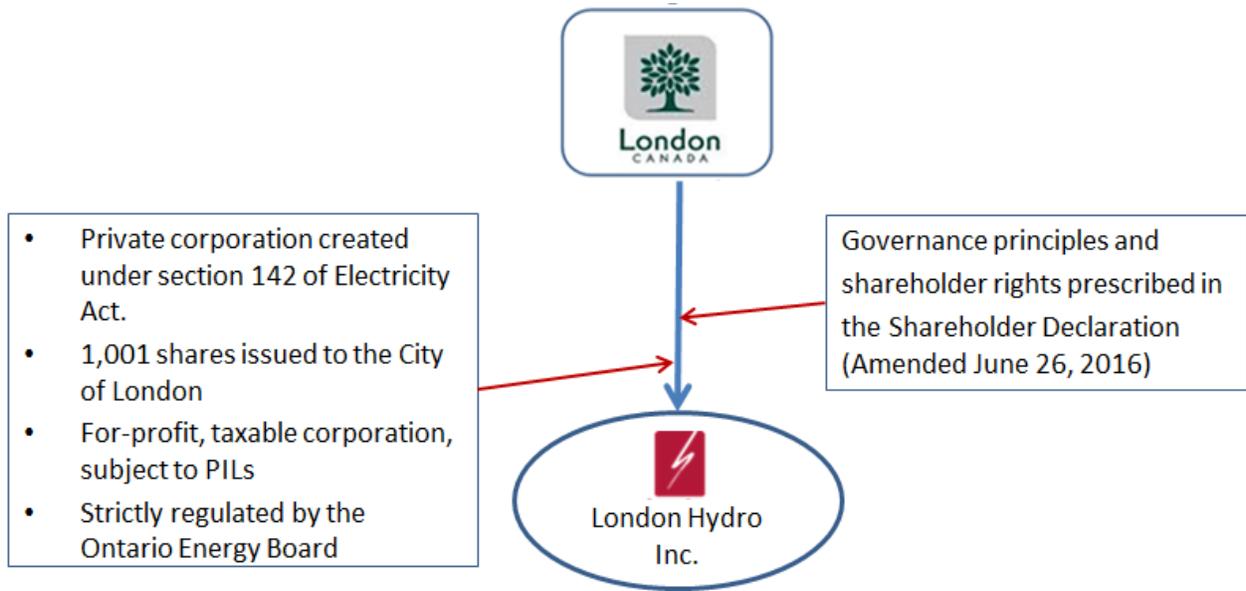
## **Risk Management for Existing Regulated Corporation, LHI**

1. The existing Shareholder Declaration for LHI will remain largely unchanged so as to protect all of the core assets of the corporation, except for an amendment to grant the corporation authority to issue debt for its core business.
2. LHI's Board maintains strong corporate governance practices, the details of which are given in the Statement of Corporate Governance Practice. As well, LHI's Board has several standing committees: Audit, Human Resources Policy & Procedures, Corporate Governance, and an ad hoc Special Committee which deals with emerging strategic matters. The corporate risks oversight and management is the responsibility of the Corporate Governance Committee. LHI maintains an Enterprise Risk Management Plan which is updated every year and the various risks are reviewed by the Corporate Governance Committee on a quarterly basis. Additionally, the OEB has a strong oversight and reporting mechanism on the operation and risks of utilities. The provincial entity, the Electrical Safety Authority, also regulates utilities' public and employee safety programs and performance.
3. LHI maintains general liability insurance including excessive liability with MEARIE and Directors and Officers insurance with AON. LHI also maintains insurance for plant and property. In essence, LHI has comprehensive risk management programs with sufficient insurance.
4. Various corporate risks from the Shareholder's perspective are governed through the Shareholder Declaration; specifically, Article 8 pertains to Matters Requiring Shareholder Approval including Statutory Approval Rights and Additional Approval Rights. Also, Article 5 speaks to Financial Policies, Risk Management, and Strategic Planning. In essence, the Shareholder's risks are well protected and all decisions pertaining to any corporate matters such as shares purchase and sale, joint venture, partnership, board compensation, and expenditures in excess of \$5 million in respect of non

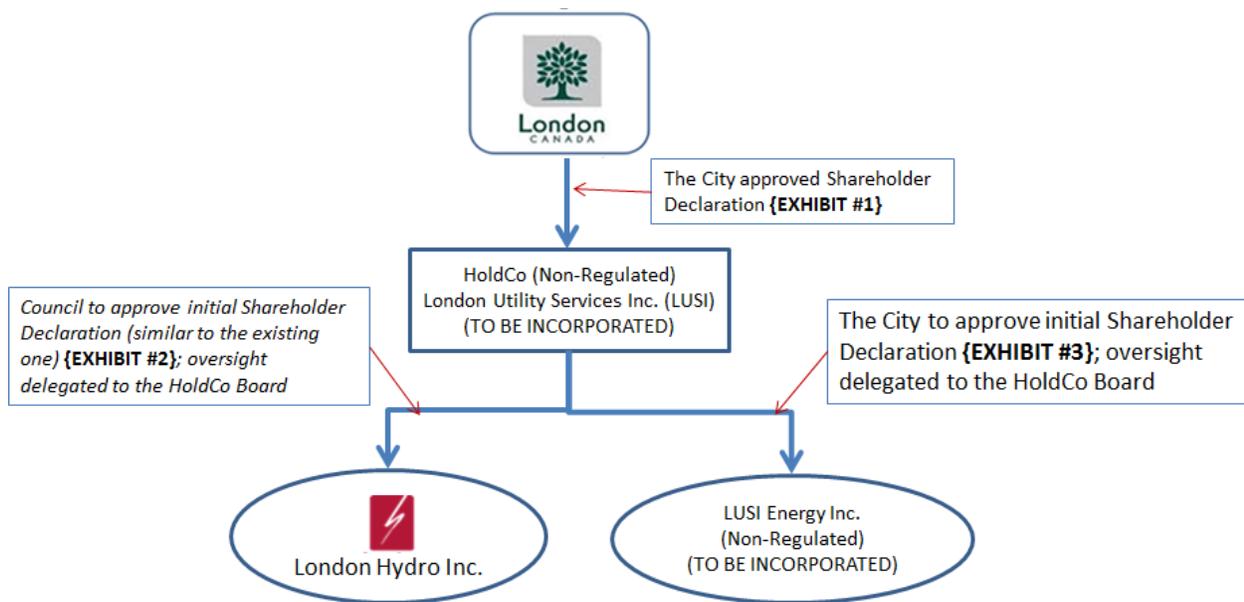
## **Corporate Restructuring**

1. LHI is proposing to create a non-regulated affiliate under the OBCA. In order to create such a structure there will be a new HoldCo, which will hold shares in and oversee the operations of the regulated LHI and the non-regulated affiliate. In summary, it is proposed to convert LHI's corporate structure shown in Figure 1 to the one given in Figure 2.

**Figure 1: Current Corporate Structure**



**Figure 2: Proposed New Corporate Structure**



**Notes**

- All corporations are created under OBCA and ECA
- All corporations are taxable and subject to PILs
- Regulated LDC is subject to Affiliate Relationship Code

**Governance and Risk Management Under the New Corporate Structure**

**1. HoldCo**

A new Shareholder Declaration will be prepared for the HoldCo and the shareholder rights in terms of risk management, financial policies, statutory and additional approval rights will define the scope and responsibilities of the Board of the HoldCo.

In essence, the City (as shareholder), in the new by-law and new Shareholder Declaration for the HoldCo, will define and stipulate the following terms and conditions:

- a. Permitted Business Activities – the City will prescribe the business activities that the HoldCo and its subsidiaries may engage in. Thus, the fact that the City will, following the restructuring, own the regulated corporation LHI and the new non-regulated affiliate indirectly through the HoldCo, will not change the oversight and approval rights from those that the City currently has with respect to LHI.
- b. Board of Directors – the City will appoint the Board of Directors of the HoldCo and will prescribe the structure of the Board of the various subsidiaries.
- c. Financial Policies and Risk Management – the City will prescribe the capital structure and dividend policies.
- d. Matters Requiring Shareholder (City) Approval – the City will continue to have approval rights for any and all fundamental corporate matters in relation to LHI as provided in the current LHI Shareholder Direction, including: change of name, creation of new classes of shares, sale and divestiture, and MAAD. This will be implemented in the HoldCo Shareholder Declaration by requiring that all such LHI decisions that are subject to HoldCo approval must also be approved by the City.

As part of the corporate restructuring articles, the City will develop initial Shareholder Declarations to reflect the above governance requirements. A draft copy of such Shareholder Declarations is attached. In essence, these requirements will ensure that the Shareholder will be protected and will approve all corporate transactions of significance, even at the subsidiary level. Also, the HoldCo will seek out the appropriate general liability, property, and other insurance required.

## 2. **Existing Regulated Company (LHI)**

The risk management plan for the regulated company remains unchanged from the current plan, as described previously. The Shareholder will establish the requirements for the governance of the regulated subsidiary; however, the ongoing oversight will be transferred to the HoldCo, subject always to the City's approval rights set out above. Any material change in the governance of the regulated affiliate by the HoldCo and the City will be subject to City Council's approval.

## 3. **Non-regulated Affiliate**

The non-regulated affiliate will be created to manage the non-regulated activities currently being carried out by LHI under the special authority granted by the OEB. Its shares will be held by the HoldCo on behalf of the City. The governance and risk management of this corporation will be similar to that of the HoldCo and the regulated LHI (given above). The City will establish the governance requirements by creating

a revised Shareholder Declaration to deal with oversight by the HoldCo of the new non-regulated affiliate. A draft copy of the Shareholder Declaration is attached.

Since it is a competitive, non-regulated affiliate, it will have a somewhat higher risk profile. These risks will be mitigated to a greater extent by two fundamental principles. Firstly, this corporation will inherit the existing service contracts that LHI (the regulated entity) is carrying out currently, as well as the existing IESO renewable contracts whose term is 2030 and beyond. These existing services and contracts will provide the initial cash flow to the non-regulated affiliate. Secondly, the risk will be limited to a moderate quantum of investment on an incremental basis. As an example, the Shareholder Declaration for the competitive affiliate would contain a statutory approval requirement for investment beyond \$10 million. As well, the City, in its Shareholder Declaration, would establish the capital structure and dividend policy requirements, much like as is the case presently with the regulated affiliate.

The HoldCo will also seek out the appropriate general liability, property, and other insurance required.

## Summary

Through various by-laws and Shareholder Declarations, the governance of the new corporations as proposed by LHI will be similar to what is practiced today and the Shareholder will have various statutory and contractual rights to ensure its assets are protected and risks are appropriately managed. The regulated distribution assets i.e. LHI, will be fully protected under the various clauses and terms of the by-laws and the new Shareholder Declarations. Any material change in capital structure, dividend policies, and financial matters will continue to require City approval, albeit the level of materiality will be different for the various corporations. As well, further protection is provided by having Shareholder communication requirements and Shareholder rights to inspect any transactions, accounts, books, records, and documents of all of the corporations.

In essence, in the proposed restructuring, the current Shareholder rights will be maintained and enhanced where applicable, recognizing the fact that the non-regulated affiliate will require some special consideration for investment, which is initially established at no more than \$10 million. Any change to this quantum investment would be subject to the City's approval.

All of the proposed Shareholder protection and rights will be specified in the revised, City approved, Shareholder Declarations for all corporations; future changes to which will always be subject to the Shareholder's approval.

Attachments: Exhibits 1, 2 and 3

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**EXHIBIT 1**

**SHAREHOLDER DECLARATION  
LONDON UTILITY SERVICE INC.  
(HOLDING COMPANY)**

**SHAREHOLDER DECLARATION**

**LONDON UTILITY SERVICE INC. (the "Corporation")**

**WHEREAS** the Corporation is a corporation incorporation under the OBCA;

**AND WHEREAS** the Corporation of the City of London (the "**Shareholder**") is the registered and beneficial owner of all of the issued and outstanding shares in the capital of the Corporation;

**AND WHEREAS** the Corporation is the registered and beneficial owner of all of the issued and outstanding shares in the capital of London Hydro Inc. ("**LHI**"), a regulated electricity distribution company servicing customers within the municipal boundaries of the Shareholder;

**AND WHEREAS** the Corporation is the registered and beneficial owner of all of the issued and outstanding shares in the capital of LUSI Energy Inc. ("**LEI**"), a non-regulated company.

**AND WHEREAS** the Shareholder wishes to set out certain provisions with respect to the conduct of the affairs and governance of the Corporation, LHI and LEI, and to set out certain matters that may be undertaken by them only with the approval of the Shareholder by issuing this Shareholder Declaration and directing the Corporation as set out herein;

**NOW THEREFORE THIS SHAREHOLDER DECLARATION WITNESSES:**

**ARTICLE 1**

**INTERPRETATION**

1.1 Defined Terms. For the purposes of this Shareholder Declaration ("**Declaration**"), unless the context otherwise requires, the following terms shall have the respective meanings set out below and grammatical variations of such terms shall have corresponding meanings:

"**Board**" means the board of directors of the Corporation;

"**Business Plan**" means an annual business plan for the Corporation as prepared by the Corporation and approved by the Shareholder;

"**Council**" means the municipal council of the Shareholder;

"**Electricity Act**" means the *Electricity Act, 1998 (Ontario)* as amended by the *Electricity Restructuring Act, 2004 (Ontario)* and as otherwise amended from time to time;

"**IESO**" means the Independent Electricity System Operator;

"**Independent**", with respect to a director of the Corporation, means that such director is not a mayor, councilor or employee of the Shareholder;

"**Laws**" means laws, regulations, codes, rules and applicable decisions of courts and regulatory, administrative or other governmental or public agencies, boards, tribunals and other bodies;

"**LEI**" has the meaning ascribed thereto in the Recitals;

"**LHI**" has the meaning ascribed thereto in the Recitals;

"**Municipal Act**" means the *Municipal Act* (Ontario);

"**OBCA**" means the *Business Corporations Act* (Ontario);

"**OEB**" means the Ontario Energy Board;

"**Shareholder**" has the meaning ascribed thereto in the Recitals; and

"**Subsidiary**" has the meaning ascribed thereto in the OBCA.

1.2 Purpose. This Shareholder Declaration outlines the expectations of the Shareholder relating to the principles of governance and other fundamental principles and policies of the Corporation and any Subsidiaries. Except as and to the extent provided in Section 5.4 and Article 8, this Shareholder Declaration is not intended to constitute a unanimous shareholder agreement under the OBCA or to formally restrict the exercise of the powers of the Board of the Corporation or its Subsidiaries.

## ARTICLE 2

### PERMITTED BUSINESS ACTIVITIES

2.1 Prescribed Business Activities. Subject to the restrictions in this Declaration relating to Shareholder approval, the Corporation, LHI, and LEI, may engage in such business activities as are permitted by Laws, as the Board may authorize and are enumerated in Section 2.2.

2.2 Enumerated Activities of the Corporation and LEI. The Corporation and LEI may engage in any one or more of the following business activities either directly or through Subsidiaries, and such other business activities as may be authorized by the Board and approved by the Shareholder from time to time:

- (a) generating electricity and developing, financing, maintain and operating electricity generation facilities;
- (b) developing, marketing and selling technology solutions, smart applications and related products and services to utilities and end customers of utilities in Ontario, elsewhere in Canada and abroad;
- (c) retailing electricity;
- (d) business activities the principal purpose of which is to use more effectively the assets of the Corporation or any Subsidiary;
- (e) the provision of telecommunication services and the development, ownership, expansion, operation and maintenance of a telecommunications network, whether fibre-optic, wireless or otherwise, and the provision of services that make use of such network, including without limitation wireless connectivity, dark and lit fibre services, sale, lease or other disposal of telecommunications fibre, and related business activities;
- (f) renting, selling or maintaining equipment and appliances such as water heaters;
- (g) managing or operating, on behalf of the Shareholder, a public utility as defined in Section 1 of the Public Utilities Act or providing sewage services;

- (h) providing services related to improving energy efficiency including, without limitation, conservation and demand management measures;
- (i) providing meter reading, installation and repair services to other utilities and hydro customers; and
- (j) entering into joint ventures, whether through investments in corporations or otherwise, partnerships, contracts or other arrangements to provide services to other utilities or the public sector in London, including, without limitation the municipality, universities, schools and hospitals; and
- (k) business activities that enhance or develop the ability of the Corporation to carry on any of the activities described in paragraph (a) – (j) above, including procuring equipment, entering into arrangements to acquire or lease real and personal property, entering into employment or services arrangements, entering into arrangements with off-takers, consumers, utilities and central agencies (including the IESO), obtaining permits and licenses, developing or acquiring intellectual property, entering into financing arrangements and giving security, engineering, procurement and construction of projects and retailing electricity.

2.3 Enumerated Activities of LHI. LHI may engage in the business of electricity distribution in accordance with its electricity distribution license as issued by the OEB and in any other business permitted to be undertaken by a licensed electricity distributor in accordance with applicable Laws.

### **ARTICLE 3**

#### **STANDARDS OF GOVERNANCE**

3.1 General Standard. As required by the OBCA, the Board shall supervise the management of the business and affairs of the Corporation and, in so doing, shall act honestly and in good faith with a view to the best interests of the corporation and shall exercise the same degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

### **ARTICLE 4**

#### **BOARD OF DIRECTORS**

4.1 Number of Directors. the Corporation shall be governed by the Board which shall consist of three (3) Independent directors.

4.2 Composition of Board. The members of the Board shall at all times serve concurrently with the board of directors of LHI. For clarity, every member of the Board shall be a member of the board of LHI. This Section 4.2 is subject to Section 2.1.2 of the OEB's *Affiliate Relationships Code for Electricity Distributors and Transmitters* and recognizes that one third of the board of directors of LHI shall be independent of any affiliate.

4.3 Directors' Compensation. Directors shall receive compensation or remuneration for acting as directors of the Corporation as the Shareholder may consider appropriate, taking into account compensation and remuneration received by such persons for acting as directors of LHI.

4.4 Qualification of Directors. In addition to qualifications and requirements for directors as set out in the OBCA and the by-laws of the Corporation, and while it is not necessary that each director possess each of the following qualifications, the Board, as a whole, should possess most or all of the following:

- (a) Financial and legal knowledge;
- (b) Risk management;
- (c) Experience and skills in mergers and acquisitions;
- (d) A reasonable understanding of accounting and tax matters;
- (e) Investment skills;
- (f) Marketing;
- (g) Information technology;
- (h) Strategic planning; and
- (i) Leadership and integrity.

**ARTICLE 5  
FINANCIAL POLICIES, RISK MANAGEMENT  
AND STRATEGIC PLANNING**

5.1 Capital Structure. The Board shall develop and maintain a prudent financial and capitalization structure for the Corporation consistent with industry norms and sound financial principles and established on the basis that the Corporation is intended to be self-financing.

5.3 Returns. The Board shall provide the Shareholder with a competitive rate of return relative to other similar municipally owned companies.

5.4 Dividend Policy. The Board shall use its best efforts to declare and pay a regular dividend to the Shareholder. The payment of any dividend shall be subject to the following:

- (a) As a target, annual dividend payment are expected to comprise 60% of annual net earnings of the Corporation;
- (b) Where annual net earnings of the Corporation exceed normal net earnings, the Board shall consider declaring a special payment in an amount equal to such excess net earnings; and
- (c) No payment is to be declared where to do so would, in the Board's reasonable opinion, impair the Corporation's ability to carry out necessary or appropriate improvements and maintenance of existing infrastructure or would be contrary to applicable Laws.

5.7 Unregulated Business. The Board shall seek to maximize profits and the return to the Shareholder.

5.8 Risk Management. The Board shall manage all risks related to the business conducted by the Corporation through the adoption of appropriate risk management strategies and internal controls consistent with industry norms.

5.9 CEO Compensation. The chief executive officer of the Corporation shall at all times serve concurrently as the chief executive officer of LHI. The chief executive officer of the Corporation shall receive no additional remuneration or other compensation for such title, role or related duties. For clarity, this section 5.9 shall not be construed as affecting or having any adverse impact on the remuneration or other compensation of the chief executive officer of LHI.

## ARTICLE 6

### SHAREHOLDER APPROVALS AND COMMUNICATIONS

6.1 Communications. Approvals or decisions of the Shareholder required pursuant to this Declaration, the OBCA or applicable Laws shall require a by-law of the Shareholder passed at a meeting of Council and, in the case of resolutions under Section 104 of the OBCA, shall be communicated in writing and executed by the Shareholder.

6.2 Right to Inspect. Upon an authorizing resolution of the Shareholder (but not otherwise), the auditors of the Shareholder shall have the right, on reasonable notice and during regular business hours, to inspect the accounts, books, records and documents of the Corporation, but such inspection shall not extend to procurements, including requests for proposals, requests for qualifications and requests for information, of any kind that are underway but not yet completed at the time of inspection.

## ARTICLE 7

### ANNUAL RESOLUTION AND MEETINGS

7.1 Annual Report to Shareholder. The Board shall, not less often than annually and within six months following the end of the fiscal year, report to the Shareholder on matters to be addressed at an annual general meeting as provided in subsection 154(1) of the OBCA.

7.2 Annual Meeting or Resolution in Lieu. Within six months after the end of each fiscal year the Shareholder shall, as appropriate pursuant to these Principles and Objectives, the bylaws of the Corporation and the OBCA, at an annual meeting or by resolution in lieu of such annual meeting:

- (a) elect or re-elect directors to fill any vacancy;
- (b) appoint auditors;
- (c) receive the audited financial statements for the last completed fiscal year; and
- (d) complete such other business as would normally be completed at an annual meeting of shareholders under the OBCA.

## ARTICLE 8

### MATTERS REQUIRING SHAREHOLDER APPROVAL

Without Shareholder approval given in accordance with Sections 6.1 this Declaration, the Corporation shall not:

#### Statutory Approval Rights.

8.1 change the name of the Corporation; add, change or remove any restriction on the business of the Corporation; create new classes of shares; or in any other manner amend its articles of incorporation or make, amend or repeal any by-law;

8.2 amalgamate with any other corporation(s) other than amalgamations which may, under the OBCA, be approved by a resolution of directors;

8.3 take or institute proceedings for any winding up, arrangement, or dissolution of the Corporation;

8.4 apply to continue under the laws of another jurisdiction;

Additional Approval Rights.

8.5 issue, or enter into any agreement to issue, any shares of any class, or any securities convertible into any shares of any class;

8.6 redeem or purchase any of the Corporation's outstanding shares;

8.7 change, alter or amend the compensation of any member of the Board;

8.8 enter into any agreement, transaction or other arrangement which would cause the municipality to be liable to pay transfer tax under section 94 of the Electricity Act;

8.9 sell any assets other than in the ordinary course of business;

8.10 permit LHI to incur any expenditure in excess of \$5,000,000 (five million dollars) and any Shareholder approval in respect thereof would follow receipt by the Shareholder of a business plan in respect of such expenditure by LHI. In respect of the Corporation or LEI, any investment in excess of \$10,000,000 (ten million dollars) and any borrowing or giving of security that would have a material adverse impact on the debt-to-equity ratio of the Corporation other than in accordance with the Business Plan;

8.11 assume any financial obligation that would increase the ratio of debt to equity of the Corporation above 70:30 other than in accordance with the Business Plan;

8.12 make any decision or take any action that could reasonably be expected to materially and adversely affect the regulatory or tax status of the Corporation;

8.13 enter into any agreement or arrangement to dispose of, by way of sale, transfer, exchange or lease, any real property, except in the ordinary course of business;

8.14 any decision or matter with respect to the business or affairs of LHI requiring approval by the Corporation; and

8.15 any amendment, termination, revocation or replacement of the shareholder direction issued by the Corporation to LHI;

provided that:

- (a) nothing in this Article 8 shall be construed to as to prevent the Corporation from establishing one or more Subsidiaries, and subscribing for and holding shares in such Subsidiaries, for the purpose of carrying on retail or competitive businesses, without Shareholder approval so long as the Corporation issues a declaration in respect of each such Subsidiary providing for approval rights of the Shareholder with respect thereto in accordance with those set out in this Article 8, as amended; and
- (b) with respect to LHI and LEI, the Corporation shall issue a declaration in respect of each such Subsidiary providing for approval rights of the Shareholder with respect thereto in accordance with those set out in this Article 8, as amended.

**ARTICLE 9  
REVISIONS TO THIS DECLARATION**

9.1 Required Consultation. The Shareholder acknowledges that this Shareholder Declaration may be revised from time to time as circumstances may require and that the Shareholder will consult with the Board and the CEO prior to completing any revisions and will promptly provide the Board and the CEO with copies of such revisions.

**ARTICLE 10  
CONFIDENTIALITY**

10.1 Dealing with Information. Subject to applicable Laws, including without limitation the *Municipal Freedom of Information and Protection of Privacy Act* (Ontario) and the Municipal Act, the Shareholder shall keep confidential all confidential and/or proprietary information obtained by it relating to the business and affairs of the Corporation.

**ARTICLE 11  
NOTICES**

11.1 Delivery. Any notice, designation, communication, request, demand or other document, required or permitted to be given or sent or delivered to the Shareholder by the Corporation or Board or to the Corporation or Board by the Shareholder shall be in writing and shall be sufficiently given or sent or delivered if it is

- (a) delivered personally,
- (b) sent to the party entitled to receive it by registered mail, postage prepaid, mailed in Canada, or
- (c) sent by telecopy machine.

Notices shall be sent to the following addresses or telecopy numbers:

- (i) in the case of the Corporation or Board,

London Utility Services Inc.

111 Horton Street  
London, Ontario  
N6A 4H

Attention: Vinay Sharma,  
Chief Executive Officer

Facsimile: (519) 661-5052

- (ii) in the case of the Shareholder,

The Corporation of the City of London  
300 Dufferin Avenue  
London, Ontario  
N6A 4L9

Attention: City Clerk

Facsimile: (519) 661-4892

or to such other address or telecopier number as the party entitled to or receiving such notice, designation, communication, request, demand or other document shall, by a notice given in accordance with this section, have communicated to the party giving or sending or delivering such notice, designation, communication, request, demand or other document.

Any notice, designation, communication, request, demand or other document given or sent or delivered as aforesaid shall

- (a) if delivered as aforesaid, be deemed to have been given, sent, delivered and received on the date of delivery;
- (b) if sent by mail as aforesaid, be deemed to have been given, sent, delivered and received (but not actually received) on the fourth Business Day following the date of mailing, unless at any time between the date of mailing and the fourth Business Day thereafter there is a discontinuance or interruption of regular postal service, whether due to strike or lockout or work slowdown, affecting postal service at the point of dispatch or delivery or any intermediate point, in which case the same shall be deemed to have been given, sent, delivered and received in the ordinary course of the mails, allowing for such discontinuance or interruption of regular postal service; and
- (c) if sent by telecopy machine, be deemed to have been given, sent, delivered and received on the date the sender receives the telecopy answer back confirming receipt by the recipient.

## **ARTICLE 12 MISCELLANEOUS**

12.1 Number and Gender. In this Shareholder Declaration, words in the singular include the plural and vice-versa and words in one gender include all genders.

12.2 Statutory References. A reference in this Shareholder Declaration to a statute refers to that statute, and any regulations or rules issued thereunder, as amended, supplemented or replaced from time to time.

12.3 Interpretation. If any conflict shall appear between the by-laws and the articles of the Corporation and the provisions of this Shareholder Declaration, the provisions of this Shareholder Declaration shall govern.

12.4 Governing Law. This Shareholder Declaration shall be governed by and construed, interpreted and performed in accordance with the laws of Ontario and the laws of Canada applicable therein.

12.5 Currency. All dollar amounts referred to in this Shareholder Declaration and all payments to be made hereunder are in Canadian funds.

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*[signature page follows]*

**IN WITNESS WHEREOF** the undersigned has executed this declaration this \_\_\_\_\_  
day of  
\_\_\_\_\_, 2019.

**THE CORPORATION OF THE CITY OF LONDON**

By: \_\_\_\_\_

Name:

Title:

**ACKNOWLEDGED** this \_\_\_ day of \_\_\_\_\_, 2019.

**LONDON UTILITY SERVICES INC.**

By: \_\_\_\_\_

Name:

Title:

**EXHIBIT 2**

**SHAREHOLDER DECLARATION  
LONDON HYDRO INC.**

**LONDON HYDRO INC.**  
**SHAREHOLDER DECLARATION**

**ARTICLE 1**  
**INTERPRETATION**

1.1 **Defined Terms.** For the purposes of this Declaration, unless the context otherwise requires, the following terms shall have the respective meanings set out below and grammatical variations of such terms shall have corresponding meanings:

"**Affiliate**" has the meaning ascribed thereto in the OBCA;

"**Board**" means the board of directors of the Corporation;

"**Business Day**" means any day other than a Saturday, Sunday or holiday in the Province of Ontario;

"**Business Plan**" means an annual business plan for the Corporation as prepared by the Corporation and approved by the Shareholder;

"**CEO**" means the chief executive officer of the Corporation;

"**Chair**" means the chair of the Board;

"**Corporation**" means London Hydro Inc.;

"**Council**" means the municipal council of the City of London;

"**Electricity Act**" means the *Electricity Act, 1998* (Ontario) as amended by the *Electricity Restructuring Act, 2004* (Ontario) and as otherwise amended from time to time;

"**IESO**" means the Independent Electricity System Operator;

"**Laws**" means laws, regulations, codes, rules and applicable decisions of courts and regulatory, administrative or other governmental or public agencies, boards, tribunals and other bodies;

"**Municipal Act**" means the *Municipal Act* (Ontario);

"**OBCA**" means the *Business Corporations Act* (Ontario);

"**OEB**" means the Ontario Energy Board;

"**ordinary course of business**" means any act, conduct, matter or thing required to be done by the Corporation to provide services to the Corporation's customers or as mandated by applicable Laws;

"**OEB Act**" means the *Ontario Energy Board Act, 1998* (Ontario) as amended by the *Electricity Restructuring Act, 2004* (Ontario) and as otherwise amended from time to time;

"**Shareholder**" means London Utility Services Inc.;

"**Shareholder Declaration**" means this shareholder declaration;

"**Shareholder Representative**" shall have the meaning set out in Section 6.1; and

"**Subsidiary**" has the meaning ascribed thereto in the OBCA.

1.2 Purpose. This Shareholder Declaration outlines the expectations of the Shareholder relating to the principles of governance and other fundamental principles and policies of the Corporation and any Subsidiaries. Except as and to the extent provided in Section 5.4 and Article 8, this Shareholder Declaration is not intended to constitute a unanimous shareholder agreement under the OBCA or to formally restrict the exercise of the powers of the Board.

1.3 Amendment and Restatement. This Shareholder Declaration amends, restates, supersedes and replaces in its entirety the Shareholder Declaration dated June 6, 2016 and amendment dated August 18, 2008.

## ARTICLE 2

### PERMITTED BUSINESS ACTIVITIES

2.1 General Authority. Subject to the restrictions in Article 8 of this Shareholder Declaration, the Corporation and the Subsidiaries may engage in the business activities which are permitted by any Law applicable to the Corporation and its Subsidiaries from time to time, including without limitation the *Electricity Act (Ontario)* and the OEB Act, as the Board or the respective board of directors of a Subsidiary may authorize, including without limitation the business activities referred to in Section 2.2 as applicable to the Corporation and any Subsidiaries. In so doing, the Corporation and its Subsidiaries shall conform to Laws and, in particular, to all requirements of the OEB, the IESO and all other relevant regulatory or governmental authorities.

2.2 Enumerated Activities. The Corporation or one or more Subsidiaries may engage

in any one or more of the following business activities and such other business activities as may be permitted by Law and authorized by the Board or the respective board of directors of a Subsidiary from time to time:

- (a) transmitting or distributing electricity;
- (b) retailing electricity;
- (c) business activities that enhance or develop the ability of the Corporation or its Subsidiaries to carry on any of the activities described in paragraphs (a) or (b) above;
- (d) business activities the principal purpose of which is to use more effectively the assets of the Corporation or any Subsidiary;
- (e) the provision of telecommunication services and the development, ownership, expansion, operation and maintenance of a telecommunications network, whether fibre-optic, wireless or otherwise, and the provision of services that make use of such network, including without limitation wireless connectivity, dark and lit fibre services, sale, lease or other disposal of telecommunications fibre, and related business activities, in support of the Corporation's regulated electricity distribution and transmission business;
- (f) renting, selling or maintaining equipment and appliances such as water heaters;

- (g) managing or operating, on behalf of the Shareholder, a public utility as defined in Section 1 of the *Public Utilities Act* or providing sewage services;
- (h) providing services related to improving energy efficiency including, without limitation, conservation and demand management measures;
- (i) providing meter reading, installation and repair services to other utilities and hydro customers; and
- (j) entering into joint ventures, whether through investments in corporations or otherwise, partnerships, contracts or other arrangements to provide services to other utilities or the public sector in London, including, without limitation the municipality, universities, schools and hospitals;

2.3 Statutory Limitation. It is acknowledged that certain activities contemplated in Section 2.2 may be required to be carried on by one or more Subsidiaries or other Affiliates of the Corporation to be incorporated from time to time in order to comply with applicable laws, including the OEB Act, the Affiliate Relationships Code for Electricity Distributors and Transmitters, and the Corporation's electricity distribution license.

### **ARTICLE 3**

#### **STANDARDS OF GOVERNANCE**

3.1 General Standard. As required by the OBCA, the Board shall supervise the management of the business and affairs of the Corporation and, in so doing, shall act honestly and in good faith with a view to the best interests of the Corporation and shall exercise the same degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

### **ARTICLE 4**

#### **BOARD OF DIRECTORS**

4.1 Number of Directors. The Corporation shall be governed by the Board which shall consist of seven (7) directors.

4.2 Composition of Board. The Board shall be composed of one member of Council and six other "at-large" members and a majority of the directors thereof shall be independent, as that term is used in the OEB's *Affiliate Relationships Code for Electricity Distributors and Transmitters*.

4.3 Qualification of Directors. In addition to qualifications and requirements for directors as set out in the OBCA and the by-laws of the Corporation, and while it is not necessary that each director possess each of the following qualifications, the Board, as a whole, should possess most or all of the following:

- (a) Financial and legal knowledge;
- (b) A reasonable understanding of accounting and tax matters;
- (c) Comprehensive understanding of the core business and objectives of the Corporation;
- (d) Utility industry knowledge;
- (e) Strategic planning, including human resource planning;
- (f) Corporate stewardship and risk management;

- (g) Regulatory knowledge;
- (h) Experience in a competitive business environment;
- (i) Awareness of the needs of electric utility customers;
- (j) Awareness of municipal government and local issues;
- (k) Leadership and integrity;
- (l) Experience and knowledge of London industry; and
- (m) Experience and expertise in economic development initiatives.

4.4 Election and Term. The Board shall be divided into four classes, each of the first three of which shall consist of two directors and the fourth of which shall consist of one director. The term of office for members of the first class shall expire at the annual meeting of shareholders every third year; the term for members of the second class shall expire at the annual meeting of shareholders every third year commencing at the annual meeting to be held during 2008; the term for members of the third class shall expire every third year, commencing at the annual meeting to be held during 2009; and the term for the member of the fourth class shall also expire every third year commencing at the annual meeting to be held during 2007. At the expiration of each succeeding term of each class, the directors of each class shall, subject to the re-election of any such director, be elected to serve for a three year term, provided that any member of the fourth class shall be entitled to serve as a director only so long as he or she remains a duly elected member of Council. A director shall hold office until the annual meeting of shareholders for the year in which his or her term expires and until his or her successor is elected and qualified. Notwithstanding the foregoing, a director may be elected for a term of less than three years. The election of directors shall be by resolution and shall take place at each annual meeting of shareholders and any directors who retire at such meeting shall, if qualified, be eligible for reelection. If an election of directors is not held at the proper time, the incumbent directors shall continue in office until their successors are elected.

4.5 Board Committees. The Board may establish committees of the Board in the Board's discretion. Such committees may include the following:

- (a) **Audit Committee:** The Audit Committee reports to the Board and is responsible for the coordination and oversight of the Corporation's management and external audit to ensure the effective development and maintenance of adequate financial controls and reporting. The committee will review the financial reporting process, the system of internal control and management of financial risks, the audit process, and the Corporation's process for monitoring compliance with laws and regulations and its own code of business conduct.
- (b) **Corporate Governance Committee:** The Corporate Governance Committee will assist the Board in ensuring that the Corporation operates within a sound corporate governance framework through the development of an appropriate governance structure, including policies, processes and procedures that satisfy legal, health and safety and regulatory requirements in this regard, and reflect best practice in the industry. The Corporate Governance Committee shall also monitor the effectiveness of the Corporation's system of corporate governance

- (c) **Human Resources and Public Policy Committee:** The Human Resources and Public Policy Committee is responsible for providing advice to the Board with respect to Human Resources policies and practices including the review of Employee Policy Manuals, Employee Handbooks, and Collective Agreements.

4.6 **Directors' Compensation.** The Shareholder shall establish compensation for directors of the Corporation, the Chair and any other officers who are directors of the Corporation in amounts sufficient, in the opinion of the Shareholder acting reasonably, to attract candidates with necessary qualifications and consistent with industry norms and standards for comparable Ontario electricity distribution utilities. A director that is a member of Council shall receive no additional compensation for acting as a director. The compensation of the Board immediately following the effective date of this Declaration shall be \$24,000 (twenty four thousand dollars) per annum for the Chair, \$12,000 (twelve thousand dollars) per annum for directors other than the Chair, and \$600 (six hundred dollars) for each director per whole meeting attended (including meetings held by phone).

The Shareholder acknowledges and agrees that if no compensation adjustment is specified by the Shareholder for the directors pursuant to section 8.8, the compensation for the directors shall be increased annually in accordance with the policy of the Council for remuneration of elected official and citizen appointments.

4.7 **Compensation of Officers of the Corporation.** The Board shall set the compensation for the officers of the Corporation, other than the Chair and any other officers that are directors.

4.8 **Vacancies.** The Board shall promptly provide notice to the Shareholder of a vacancy among the directors, other than a vacancy arising due to expiry of a term of a director. The Shareholder shall appoint a director to fill such vacancy.

4.9 **Place of Meetings.** Meetings of the Board may be held at the registered office of the Corporation or at any other place within Ontario.

4.10 **Calling of Meetings.** Meetings of the board shall be held from time to time at

such place, on such day and at such time as the Board, the Chair, the CEO, the secretary or any two directors may determine.

4.11 **Notice of Meetings.** Notice of the time and place of each meeting of the Board shall be given to each director not less than 48 hours before the time when the meeting is to be held and need not be in writing.

4.12 **First Meeting of New Board.** Provided a quorum of directors is present, each newly elected Board may without notice hold its first meeting following the annual shareholder meeting at which such Board is elected.

4.13 **Adjourned Meeting.** Notice of an adjourned meeting of the directors is not required if the time and place of the adjourned meeting is announced at the original meeting.

4.14 **Regular Meetings.** The Board may appoint a day or days in any month or months for regular meetings at a place and hour to be named. A copy of any resolution by the Board fixing the time and place of regular meetings of the Board shall be sent to each director forthwith after being passed, but no other notice shall be required for any such regular meeting.

4.15 **Votes to Govern.** Any question at a meeting of the board shall be decided by a show of hands unless a ballot is required or demanded.

4.16 **Chair and Secretary of the Meetings.** The Chair or, in the absence of the Chair, the Vice Chair, or in the absence of both the Chair and the Vice Chair, the CEO if a director or, in the absence of the CEO, a vice-president who is a director, shall be chair of any meeting of the Board. If none of the said officers is present, the

directors present shall choose one of their number to be chair of the meeting. The secretary of the Corporation shall act as secretary at any meeting of the Board and, if the secretary of the Corporation is absent, the chair of the meeting shall appoint a person who need not be a director to act as secretary of the meeting.

**ARTICLE 5**  
**FINANCIAL POLICIES, RISK MANAGEMENT**  
**AND STRATEGIC PLANNING**

5.1 Capital Structure. The Board shall develop and maintain a prudent financial and capitalization structure for the Corporation consistent with industry norms and sound financial principles and established on the basis that the Corporation is intended to be self-financing.

5.2 Distribution Rates. The Board shall establish just and reasonable rates for the regulated distribution business of the Corporation which are:

- (a) consistent with similar utilities in comparable growth areas and as may be permitted by the OEB and applicable Laws;
- (b) intended to enhance the value of the Corporation;
- (c) consistent with the encouragement of economic development activity within the City of London, it being noted that under applicable Laws, classes of customers may not be subsidized through rates; and
- (d) based on such other factors which the Board shall determine to be reasonable and not inconsistent with the foregoing considerations.

5.3 Returns. The Board shall provide the Shareholder with a competitive rate of return relative to other similar utilities.

5.4 Dividend Policy. The Board shall use its best efforts to declare and pay a regular dividend to the Shareholder. The payment of any dividend shall be subject to the following:

- (d) As a target, annual dividend payment are expected to comprise 40% of annual net earnings of the Corporation;
- (e) Where annual net earnings of the Corporation exceed normal net earnings, the Board shall consider declaring a special payment in an amount equal to such excess net earnings; and
- (f) No dividend is to be declared where to do so would, in the Board's reasonable opinion, impair the Corporation's ability to carry out necessary or appropriate improvements and maintenance of existing infrastructure.

5.5 Payment of Regular Dividend. A dividend, if any, will be declared by the Board at its meeting to approve the annual financial statements of the Corporation for the preceding year. Equal payments of the dividend will be made on a quarterly basis to the Shareholder.

5.6 Return to Shareholder. Any special payment may be declared by the Board after the review of the annual audited statements of the Corporation. The special payment, if any, will be made within two years of the declaration date on a date or within a range of dates set by the Board.

5.7 Unregulated Business. The Board shall seek to maximize profits and the return to the Shareholder on any unregulated, competitive business.

5.8 Risk Management. The Board shall manage all risks related to the business conducted by the Corporation and its subsidiaries, through the adoption of appropriate risk management strategies and internal controls consistent with industry norms.

5.9 Strategic Plan. The Board shall develop a long range strategic plan for the Corporation and its Subsidiaries which is consistent with the maintenance of a viable, competitive business and preserves the value of the business for the Shareholder.

## **ARTICLE 6**

### **RIGHT TO INSPECT**

6.1 Right to Inspect. Upon an authorizing resolution of Council (but not otherwise), the auditors of the City shall have the right, on reasonable notice and during regular business hours, to inspect, but not copy, the accounts, books, records and documents of the Corporation, but such inspection shall not extend to procurements (e.g. RFPs, RFQs and RFIs) of any kind that are underway but not yet completed at the time of inspection.

## **ARTICLE 7**

### **ANNUAL RESOLUTION AND MEETINGS**

7.1 Annual Report to Shareholder. The Board shall, not less often than annually and within six months following the end of the fiscal year of the Corporation, report to the Shareholder on matters to be addressed at an annual general meeting of the Corporation as provided in subsection 154(1) of the OBCA.

7.2 Annual Meeting or Resolution in Lieu. Within six months after the end of each fiscal year of the Corporation the Shareholder shall, as appropriate pursuant to this Shareholder Declaration, the bylaws of the Corporation and the OBCA, at an annual meeting or by resolution in lieu of such annual meeting:

- (a) elect or re-elect directors of the Corporation to fill any vacancy;
- (b) appoint auditors of the Corporation;
- (c) receive the audited financial statements of the Corporation for the last completed fiscal year; and
- (d) complete such other business as would normally be completed at an annual meeting of shareholders under the OBCA.

## **ARTICLE 8**

### **MATTERS REQUIRING SHAREHOLDER APPROVAL**

Without Shareholder approval, the Corporation or any Subsidiary respectively shall not:

#### Statutory Approval Rights.

8.1 change the name of the Corporation or a Subsidiary; add, change or remove any restriction on the business of the Corporation or a Subsidiary; create new classes of shares; or in any other manner amend its articles of incorporation or make, amend or repeal any by-law;

8.2 amalgamate with any other corporation(s) other than amalgamations which may, under the OBCA, be approved by a resolution of directors;

8.3 take or institute proceedings for any winding up, arrangement, or dissolution of the Corporation or its Subsidiaries;

8.4 apply to continue the Corporation or any Subsidiary under the laws of another jurisdiction;

Additional Approval Rights.

8.5 issue, or enter into any agreement to issue, any shares of any class, or any securities convertible into any shares of any class, of the Corporation or any Subsidiaries respectively;

8.6 redeem or purchase any of the Corporation's or its Subsidiaries' outstanding shares;

8.7 enter into any joint venture, partnership, strategic alliance or other venture, including without limitation ventures in respect of the generation or co-generation of electricity if the exposure to the Corporation is \$5,000,000 (five million dollars) or more in the aggregate. In assessing such opportunity, the Shareholder shall follow the Corporate Combination and Disposition Guidelines set out in Schedule "A";

8.8 change, alter or amend the compensation of any member of the Board beyond the prescribed annual increase set forth in Section 4.6 of this Shareholder Declaration;

8.9 enter into any agreement, transaction or other arrangement which would cause the municipality to be liable to pay transfer tax under section 94 of the Electricity Act;

8.10 incur any expenditure in respect of an unregulated, competitive business, whether within the regulated distribution company or otherwise, in excess of \$5,000,000 (five million dollars) and if in excess of \$5,000,000 (five million dollars), any Shareholder approval in respect thereof will require a business plan in support of such expenditure;

8.11 assume any financial obligation that would increase the ratio of debt to equity of the Corporation, on a consolidated basis, above 70:30;

8.12 make any decision or take any action that could reasonably be expected to materially and adversely affect the regulatory or tax status of the Corporation; and

8.13 enter into any agreement or arrangement to dispose of, by way of sale, transfer, exchange or lease, any real property, except in the ordinary course of business.

## ARTICLE 9

### REVISIONS TO THIS DECLARATION

9.1 Required Consultation. The Shareholder acknowledges that this Shareholder Declaration may, subject to the approval of the Council, be revised from time to time as circumstances may require and that the Shareholder will consult with the Board and the CEO prior to completing any revisions and will promptly provide the Board and the CEO with copies of such revisions.

## ARTICLE 10

### CONFIDENTIALITY

10.1 Dealing with Information. Subject to applicable Laws, including without limitation the *Municipal Freedom of Information and Protection of Privacy Act* (Ontario) and the Municipal Act, the Shareholder shall keep confidential all confidential and/or proprietary information obtained by it relating to the business and affairs of the Corporation.

## ARTICLE 11 NOTICES

11.1 Delivery. Any notice, designation, communication, request, demand or other document, required or permitted to be given or sent or delivered to the Shareholder by the Corporation or Board or to the Corporation or Board by the Shareholder shall be in writing and shall be sufficiently given or sent or delivered if it is

- (d) delivered personally,
- (e) sent to the party entitled to receive it by registered mail, postage prepaid, mailed in Canada, or
- (f) sent by telecopy machine.

Notices shall be sent to the following addresses or telecopy numbers:

- (i) in the case of the Corporation or Board,

c/o London Hydro Inc.

111 Horton Street  
London, Ontario  
N6A 4H

Attention: Vinay Sharma,  
Chief Executive Officer

Facsimile: (519) 661-5052

- (ii) in the case of the Shareholder,

c/o London Utility Services Inc.

111 Horton Street  
London, Ontario  
N6A 4H

Attention: Vinay Sharma,  
Chief Executive Officer

Facsimile: (519) 661-5052

or to such other address or telecopier number as the party entitled to or receiving such notice, designation, communication, request, demand or other document shall, by a notice given in accordance with this section, have communicated to the party giving or sending or delivering such notice, designation, communication, request, demand or other document.

Any notice, designation, communication, request, demand or other document given or sent or delivered as aforesaid shall

- (d) if delivered as aforesaid, be deemed to have been given, sent, delivered and received on the date of delivery;
- (e) if sent by mail as aforesaid, be deemed to have been given, sent, delivered and received (but not actually received) on the fourth Business Day following the date of mailing, unless at any time between the date of mailing and the fourth Business Day thereafter there is a discontinuance or interruption of regular postal service, whether due to strike or lockout or work slowdown, affecting postal service at the point of dispatch or delivery or any intermediate point, in which case the same shall be deemed to have been given, sent, delivered and received in the ordinary course of the mails, allowing for such discontinuance or interruption of regular postal service; and

- (f) if sent by telecopy machine, be deemed to have been given, sent, delivered and received on the date the sender receives the telecopy answer back confirming receipt by the recipient.

## **ARTICLE 12 MISCELLANEOUS**

12.1 Number and Gender. In this Shareholder Declaration, words in the singular include the plural and vice-versa and words in one gender include all genders.

12.2 Statutory References. A reference in this Shareholder Declaration to a statute refers to that statute, and any regulations or rules issued thereunder, as amended, supplemented or replaced from time to time.

12.3 Interpretation. If any conflict shall appear between the by-laws and the articles of the Corporation and the provisions of this Shareholder Declaration, the provisions of this Shareholder Declaration shall govern.

12.4 Governing Law. This Shareholder Declaration shall be governed by and construed, interpreted and performed in accordance with the laws of Ontario and the laws of Canada applicable therein.

12.5 Currency. All dollar amounts referred to in this Shareholder Declaration and all payments to be made hereunder are in Canadian funds.

DRAFT

**IN WITNESS WHEREOF** the undersigned has executed this declaration this \_\_\_\_\_  
day of \_\_\_\_\_, 2019.

**LONDON UTILITY SERVICES INC.**

By: \_\_\_\_\_

Name:

Title:

**ACKNOWLEDGED** this \_\_\_\_ day of \_\_\_\_\_, 2019.

**LONDON HYDRO INC.**

By: \_\_\_\_\_

Name:

Title:

**SCHEDULE "A"**  
**to Shareholder Declaration of Corporation**  
**Corporate Combination and Disposition Guidelines**

The City of London has acknowledged that the OEB policies and approvals are encouraging a reduction in the number of electricity utilities in Ontario through mergers, acquisition or sale. It is inevitable that the Corporation will have to combine with another utility based on the current policy and regulatory environment.

The City of London is mindful of the significance of these matters and the amount of work and effort that is necessary to meet the requirements defined by these guidelines. In order to encourage the Board and Management of the Corporation to seek out appropriate opportunities and to ensure a full and proper consideration of such proposals by all parties including the City of London, as sole shareholder, any opportunities submitted in accordance with these guidelines will be presented to Council.

The following guidelines should be considered in the evaluation of any corporate combination such as a proposal for merger, sale or acquisition:

1) In the case of a merger:

- (a) The newly combined entity should provide an opportunity for increased investment value to the City of London and/or lower electricity costs for Londoners;
- (b) The newly combined entity should have a strong local presence and preferably be headquartered or have a regional office in London;
- (c) The City of London should not be unduly constrained from disposing of its investment in the new entity, in a reasonable timeframe and manner;
- (d) The newly combined entity should have a governance structure that is commensurate with the City of London's investment in the new entity;
- (e) The proposed combination presents the best strategic objective to the City of London given the existing and expected future policy and regulatory environment in Ontario over the next ten to fifteen years.

2) In the case of an acquisition:

- (a) Any proposed acquisition will not require additional financing from the City of London;
- (b) The proposed acquisition presents the best strategic objective to the City of London given the existing and expected future policy and regulatory environment in Ontario over the next ten to fifteen years.

3) In the case of any contemplated corporate disposition, including a transaction that results in the dilution of the City of London's wholly-owned investment in the Corporation

(through the Shareholder), or disposes or leases substantially all of the Corporation's assets other than in the normal course of business:

- (a) The disposition should demonstrate that the new entity would lead to lower electricity costs to Londoners than otherwise would exist, without degradation of existing capital infrastructure or service levels;
- (b) It should be demonstrated that the return on investment of reinvested disposition proceeds is greater than the return expected to be provided under the current investment in the Corporation, or than contemplated under other proposed business combinations or alternatives;
- (c) After disposition, the new entity would maintain a strong regional presence in London and ideally London would serve as a regional centre for the new entity;
- (d) The sale should not be subject to any transfer tax by the Ontario Government; and
- (e) The disposition presents the best strategic objective to the City of London given the existing and expected future policy and regulation environment in Ontario over the next ten to fifteen years.

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**EXHIBIT 3**

**SHAREHOLDER DECLARATION  
LUSI ENERGY INC.  
(NON-REGULATED AFFILIATE)**

## **SHAREHOLDER DECLARATION**

### **LUSI ENERGY INC. (the "Corporation")**

**WHEREAS** the Corporation is a corporation incorporated under the OBCA;

**AND WHEREAS** London Utility Services Inc. ("the **Shareholder**") is the registered and beneficial owner of all of the issued and outstanding shares in the capital of the Corporation;

**AND WHEREAS** the Corporation of the City of London (the "**City**") is the registered and beneficial owner of all of the issued and outstanding shares in the capital of LUSI;

**AND WHEREAS** the Shareholder is the registered and beneficial owner of all of the issued and outstanding shares in the capital of London Hydro Inc. ("**LHI**"), a registered electricity distribution services company servicing customers within the municipal boundaries of the City;

**AND WHEREAS** the Shareholder wishes to set out certain provisions with respect to the conduct of the affairs and governance of the Corporation, and to set out certain matters that may be undertaken by them only with the approval of the Shareholder by issuing this Shareholder Declaration and directing the Corporation as set out herein;

**NOW THEREFORE THIS SHAREHOLDER DECLARATION WITNESSES:**

#### **ARTICLE 1 INTERPRETATION**

1.1 **Defined Terms.** For the purposes of this Shareholder Declaration ("**Declaration**"), unless the context otherwise requires, the following terms shall have the respective meanings set out below and grammatical variations of such terms shall have corresponding meanings:

"**Board**" means the board of directors of the Corporation;

"**Business Plan**" means an annual business plan for the Corporation as prepared by the Corporation and approved by the Shareholder;

"**Electricity Act**" means the *Electricity Act, 1998 (Ontario)* as amended by the *Electricity Restructuring Act, 2004 (Ontario)* and as otherwise amended from time to time;

"**IESO**" means the Independent Electricity System Operator;

"**Independent**", with respect to a director of the Corporation, means that such director is not a mayor, councilor or employee of the City;

"**Laws**" means laws, regulations, codes, rules and applicable decisions of courts and regulatory, administrative or other governmental or public agencies, boards, tribunals and other bodies;

"**LHI**" has the meaning ascribed thereto in the Recitals;

"**Municipal Act**" means the *Municipal Act (Ontario)*;

"**OBCA**" means the *Business Corporations Act (Ontario)*;

“**OEB**” means the Ontario Energy Board;

“**Shareholder**” has the meaning ascribed thereto in the Recitals; and

“**Subsidiary**” has the meaning ascribed thereto in the OBCA.

1.2 Purpose. This Shareholder Declaration provides for governance and other fundamental principles and policies of the Corporation and any Subsidiaries. Except as and to the extent provided in Article 8, this Shareholder Declaration is not intended to constitute a unanimous shareholder agreement under the OBCA or to formally restrict the exercise of the powers of the Board of the Corporation or its Subsidiaries.

## ARTICLE 2

### PERMITTED BUSINESS ACTIVITIES

2.1 Prescribed Business Activities. Subject to the restrictions in this Declaration relating to Shareholder approval, the Corporation may engage in such business activities as are permitted by Laws, as the Board may authorize and are enumerated in Section 2.2.

2.2 Enumerated Activities of the Corporation. The Corporation may engage in any one or more of the following business activities either directly or through Subsidiaries, and such other business activities as may be authorized by the Board and approved by the Shareholder from time to time:

- (l) generating electricity and developing, financing, maintain and operating electricity generation facilities;
- (m) developing, marketing and selling technology solutions, smart applications and related products and services to utilities and end customers of utilities in Ontario, elsewhere in Canada and abroad;
- (n) retailing electricity;
- (o) business activities the principal purpose of which is to use more effectively the assets of the Corporation or any Subsidiary;
- (p) the provision of telecommunication services and the development, ownership, expansion, operation and maintenance of a telecommunications network, whether fibre-optic, wireless or otherwise, and the provision of services that make use of such network, including without limitation wireless connectivity, dark and lit fibre services, sale, lease or other disposal of telecommunications fibre, and related business activities;
- (q) renting, selling or maintaining equipment and appliances such as water heaters;
- (r) managing or operating, on behalf of the Shareholder, a public utility as defined in Section 1 of the Public Utilities Act or providing sewage services;
- (s) providing services related to improving energy efficiency including, without limitation, conservation and demand management measures;

- (t) providing meter reading, installation and repair services to other utilities and hydro customers; and
- (u) entering into joint ventures, whether through investments in corporations or otherwise, partnerships, contracts or other arrangements to provide services to other utilities or the public sector in London, including, without limitation the municipality, universities, schools and hospitals; and
- (v) business activities that enhance or develop the ability of the Corporation to carry on any of the activities described in paragraph (a) – (j) above, including procuring equipment, entering into arrangements to acquire or lease real and personal property, entering into employment or services arrangements, entering into arrangements with off-takers, consumers, utilities and central agencies (including the IESO), obtaining permits and licenses, developing or acquiring intellectual property, entering into financing arrangements and giving security, engineering, procurement and construction of projects and retailing electricity.

### ARTICLE 3

#### STANDARDS OF GOVERNANCE

3.1 General Standard. As required by the OBCA, the Board shall supervise the management of the business and affairs of the Corporation and, in so doing, shall act honestly and in good faith with a view to the best interests of the corporation and shall exercise the same degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

### ARTICLE 4

#### BOARD OF DIRECTORS

4.1 Number of Directors. the Corporation shall be governed by the Board which shall consist of between three (3) and five (5) Independent directors.

4.2 Composition of Board. The members of the Board shall at all times serve concurrently with the board of directors of LHI. For clarity, every member of the Board shall be a member of the board of LHI. This Section 4.2 is subject to Section 2.1.2 of the OEB's *Affiliate Relationships Code for Electricity Distributors and Transmitters* and recognizes that one third of the board of directors of LHI shall be independent of any affiliate.

4.3 Directors' Compensation. Directors shall receive compensation or remuneration for acting as directors of the Corporation as the Shareholder may consider appropriate, taking into account compensation and remuneration received by such persons for acting as directors of LHI. **[NTD: Left this wording in place. Plan is that directors will only receive meeting fees initially. Is it sufficient to put in wording that director remuneration shall be subject to shareholder approval?]**

4.4 Qualification of Directors. In addition to qualifications and requirements for directors as set out in the OBCA and the by-laws of the Corporation, and while it is not necessary that each director possess each of the following qualifications, the Board, as a whole, should possess most or all of the following:

- (a) Financial and legal knowledge;
- (b) Risk management;

- (c) Experience and skills in mergers and acquisitions;
- (d) A reasonable understanding of accounting and tax matters;
- (e) Investment skills;
- (f) Marketing;
- (g) Information technology;
- (h) Strategic planning; and
- (i) Leadership and integrity.

**ARTICLE 5  
FINANCIAL POLICIES, RISK MANAGEMENT  
AND STRATEGIC PLANNING**

5.1 Capital Structure. The Board shall develop and maintain a prudent financial and capitalization structure for the Corporation consistent with industry norms and sound financial principles and established on the basis that the Corporation is intended to be self-financing following an initial investment and development period.

5.2 Returns. The Board shall provide the Shareholder with a competitive rate of return relative to other similar municipally owned competitive and unregulated companies. The Board shall seek to maximize profits and the return to the Shareholder commensurate with the capital and investment needs of the Corporation.

5.3 Dividend Policy. The Board shall use its best efforts to declare and pay a regular dividend to the Shareholder. The payment of any dividend shall be subject to the following:

- (a) As a target, annual dividend payment are expected to comprise 60% of annual net earnings of the Corporation following an initial investment and development period during which dividend payments are expected to be lower.
- (b) Where annual net earnings of the Corporation exceed normal net earnings, the Board shall consider declaring a special payment in an amount equal to such excess net earnings; and
- (c) No payment is to be declared where to do so would, in the Board's reasonable opinion, impair the Corporation's ability to comply with the Business Plan or would be contrary to applicable Laws.

5.4 Risk Management. The Board shall manage all risks related to the business conducted by the Corporation through the adoption of appropriate risk management strategies and internal controls consistent with industry norms.

5.5 CEO Compensation. The chief executive officer of the Corporation shall at all times serve concurrently as the chief executive officer of LHI. The chief executive officer of the Corporation shall receive no additional remuneration or other compensation for such title, role or related duties. For clarity, this section 5.5 shall not be construed as affecting or having any adverse impact on the remuneration or other compensation of the chief executive officer of LHI.

## ARTICLE 6

### RIGHTS TO INSPECT

6.1 Right to Inspect. Upon an authorizing resolution of the City (but not otherwise), the auditors of the City shall have the right, on reasonable notice and during regular business hours, to inspect, but not the right to copy, the accounts, books, records and documents of the Corporation, but such inspection shall not extend to procurements, including requests for proposals, requests for qualifications and requests for information, of any kind that are underway but not yet completed at the time of inspection.

## ARTICLE 7

### ANNUAL RESOLUTION AND MEETINGS

7.1 Annual Report to Shareholder. The Board shall, not less often than annually and within six months following the end of the fiscal year, report to the Shareholder on matters to be addressed at an annual general meeting as provided in subsection 154(1) of the OBCA.

7.2 Annual Meeting or Resolution in Lieu. Within six months after the end of each fiscal year the Shareholder shall, as appropriate pursuant to these Principles and Objectives, the bylaws of the Corporation and the OBCA, at an annual meeting or by resolution in lieu of such annual meeting:

- (a) elect or re-elect directors to fill any vacancy;
- (b) appoint auditors;
- (c) receive the audited financial statements for the last completed fiscal year; and
- (d) complete such other business as would normally be completed at an annual meeting of shareholders under the OBCA.

## ARTICLE 8

### MATTERS REQUIRING SHAREHOLDER APPROVAL

Without Shareholder approval, the Corporation shall not:

#### Statutory Approval Rights.

8.1 change the name of the Corporation; add, change or remove any restriction on the business of the Corporation; create new classes of shares; or in any other manner amend its articles of incorporation or make, amend or repeal any by-law;

8.2 amalgamate with any other corporation(s) other than amalgamations which may, under the OBCA, be approved by a resolution of directors;

8.3 take or institute proceedings for any winding up, arrangement, or dissolution of the Corporation;

8.4 apply to continue under the laws of another jurisdiction;

#### Additional Approval Rights.

8.5 issue, or enter into any agreement to issue, any shares of any class, or any securities convertible into any shares of any class;

- 8.6 redeem or purchase any of the Corporation's outstanding shares;
- 8.7 establish, change, alter or amend the compensation of any member of the Board;
- 8.8 enter into any agreement, transaction or other arrangement which would cause the municipality to be liable to pay transfer tax under section 94 of the Electricity Act;
- 8.9 sell any assets other than in the ordinary course of business;
- 8.10 make, any investment in excess of \$10,000,000 (ten million dollars) and any borrowing or giving of security that would have a material adverse impact on the debt-to-equity ratio of the Corporation except as provided in the Business Plan;
- 8.11 raise funds by selling in excess of 20% equity of the corporation;
- 8.12 assume any financial obligation that would increase the ratio of debt to equity of the Corporation above 70:30 except as provided in the Business Plan;
- 8.13 make any decision or take any action that could reasonably be expected to materially and adversely affect the regulatory or tax status of the Corporation; and
- 8.14 enter into any agreement or arrangement to dispose of, by way of sale, transfer, exchange or lease, any real property, except in the ordinary course of business;

provided that nothing in this Article 8 shall be construed to as to prevent the Corporation from establishing one or more Subsidiaries, and subscribing for and holding shares in such Subsidiaries, for the purpose of carrying on retail or competitive businesses, without Shareholder approval so long as the Corporation issues a declaration in respect of each such Subsidiary providing for approval rights of the Shareholder and the City with respect thereto in accordance with those set out in this Article 8

## ARTICLE 9

### REVISIONS TO THIS DECLARATION

9.1 Required Consultation. The Shareholder acknowledges that this Shareholder Declaration may be revised from time to time as circumstances may require and that the Shareholder will consult with the Board and the CEO prior to completing any revisions and will promptly provide the Board and the CEO with copies of such revisions.

## ARTICLE 10

### CONFIDENTIALITY

10.1 Dealing with Information. Subject to applicable Laws, including without limitation the *Municipal Freedom of Information and Protection of Privacy Act* (Ontario) and the Municipal Act, the Shareholder shall keep confidential all confidential and/or proprietary information obtained by it relating to the business and affairs of the Corporation.

## ARTICLE 11

### NOTICES

11.1 Delivery. Any notice, designation, communication, request, demand or other document, required or permitted to be given or sent or delivered to the Shareholder by the Corporation or Board or to the Corporation or Board by the Shareholder shall be in writing and shall be sufficiently given or sent or delivered if it is

- (a) delivered personally,

- (b) sent to the party entitled to receive it by registered mail, postage prepaid, mailed in Canada, or
- (c) sent by telecopy machine.

Notices shall be sent to the following addresses or telecopy numbers:

- (i) in the case of the Shareholder,  
London Utility Services Inc.  
111 Horton Street  
London, Ontario  
N6A 4H  
  
Attention: Vinay Sharma,  
Chief Executive Officer  
  
Facsimile: (519) 661-5052
  
- (ii) in the case of the City,  
The Corporation of the City of London  
300 Dufferin Avenue  
London, Ontario  
N6A 4L9  
  
Attention: City Clerk  
  
Facsimile: (519) 661-4892
  
- (iii) in the case of the Corporation;  
LUSI Energy Inc.  
111 Horton Street  
London, Ontario  
N6A 4H  
  
Attention: Vinay Sharma,  
Chief Executive Officer  
  
Facsimile: (519) 661-5052

or to such other address or telecopier number as the party entitled to or receiving such notice, designation, communication, request, demand or other document shall, by a notice given in accordance with this section, have communicated to the party giving or sending or delivering such notice, designation, communication, request, demand or other document.

Any notice, designation, communication, request, demand or other document given or sent or delivered as aforesaid shall

- (a) if delivered as aforesaid, be deemed to have been given, sent, delivered and received on the date of delivery;
- (b) if sent by mail as aforesaid, be deemed to have been given, sent, delivered and received (but not actually received) on the fourth Business Day following the date of mailing, unless at any time between the date of mailing and the fourth Business Day thereafter there is a discontinuance or interruption of regular postal service, whether due to strike or lockout or work slowdown, affecting postal service at the point of dispatch or delivery or any intermediate point, in which case the same shall be deemed to have been given, sent, delivered and received in the ordinary course of the mails, allowing for such discontinuance or interruption of regular postal service; and
- (c) if sent by telecopy machine, be deemed to have been given, sent, delivered and received on the date the sender receives the telecopy answer back confirming receipt by the recipient.

## ARTICLE 12

### MISCELLANEOUS

12.1 Number and Gender. In this Shareholder Declaration, words in the singular include the plural and vice-versa and words in one gender include all genders.

12.2 Statutory References. A reference in this Shareholder Declaration to a statute refers to that statute, and any regulations or rules issued thereunder, as amended, supplemented or replaced from time to time.

12.3 Interpretation. If any conflict shall appear between the by-laws and the articles of the Corporation and the provisions of this Shareholder Declaration, the provisions of this Shareholder Declaration shall govern.

12.4 Governing Law. This Shareholder Declaration shall be governed by and construed, interpreted and performed in accordance with the laws of Ontario and the laws of Canada applicable therein.

12.5 Currency. All dollar amounts referred to in this Shareholder Declaration and all payments to be made hereunder are in Canadian funds.

*[signature page follows]*

# DRAFT

**IN WITNESS WHEREOF** the undersigned has executed this declaration this \_\_\_\_\_  
day of  
\_\_\_\_\_, 2019.

## **LONDON UTILITY SERVICES INC.**

By: \_\_\_\_\_

Name:

Title:

**ACKNOWLEDGED** this \_\_\_ day of \_\_\_\_\_, 2019.

## **LUSI ENERGY INC.**

By: \_\_\_\_\_

Name:

Title:



## APPENDIX B

# Memo

KPMG LLP  
Bay Adelaide Centre  
Suite 4600  
333 Bay Street  
Toronto ON M5H 2S5  
Tel 416-777-8500  
Fax 416-777-8818  
www.kpmg.ca

**To** Corporation of the City of London  
**From** Barry Travers, Partner, Tax  
Richard Simm, Partner, Advisory  
**Date** January 9, 2020

### **London Hydro Inc. Reorganization – External Memo**

#### **BACKGROUND**

The City of London (the “**City**”) holds all of the issued and outstanding shares of London Hydro Inc. (“**LHI**”). The purpose of this memo is to outline the various issues associated with a proposed reorganization of the corporate structure of LHI with the intent of separating the operating assets and activities of the regulated and non-regulated business conducted within LHI into separate legal entities. A schematic of the proposed reorganization is outlined on the attached Appendix A.

The preliminary review by KPMG was intended to identify the income tax issues and business risk management issues associated with the proposed reorganization as outlined herein.

#### **KEY FACTS AND ASSUMPTIONS**

Based on our review of documentation provided by the City and LHI and discussions with representatives of LHI we understand the key steps to the proposed reorganization transactions to be as follows:

1. The City will incorporate a newly incorporated legal entity (“**Newco**” or “**LUSI**”), all of the shares which will be held by the City. Newco will be entitled to generate electricity pursuant to subsection 142(1) of the *Electricity Act*, 1998 (Ontario) (“**EA**”).
2. Newco will acquire at fair market value (“**FMV**”) the solar generation assets and licenses currently held by LHI with a promissory note as consideration. Newco will be considered to operate an electricity generation business. The estimates of FMV provided by management at this point are extremely high level estimates with no valuation support.
3. The City will transfer all of the shares of LHI to Newco in exchange for 100



common shares of Newco at FMV.

4. Newco will incorporate a new corporation (“**Opco**” or “**LEI**”) and hold all of the issued and outstanding shares of Opco. The creation of Opco will not take place before January 1, 2022. It is intended that Opco will operate the Green Business currently operated within LHI along with any other future unregulated and competitive businesses.
5. Newco will transfer the generation assets to Opco in exchange for 1000 common shares of Opco. The transfer of assets will be done on a tax deferred basis as Newco will elect to transfer the assets at their tax cost under subsection 85(1) of the *Income Tax Act* (Canada) (“**ITA**”). Assets such as accounts receivable and near cash assets will be transferred at their cost.
6. LHI will also transfer any assets and liabilities held for the Green Business or unregulated activities to Opco at their FMV for cash or promissory note as consideration.
7. LHI sought advice and engaged in discussions with the Ontario Ministry of Finance on the proposed transactions in order to gain comfort in order to confirm that Newco would be considered a Municipal electricity utility under the EA at all times.

## **KEY INCOME TAX ISSUES**

Based on our review of documentation provided and discussions with representatives of LHI the following represent the key income tax issues identified as part of the proposed reorganization:

- Management of LHI have not as of yet prepared a detailed steps memo which includes an estimate of value of the assets to be transferred at FMV, which would include an analysis of the tax cost of the assets being transferred. This analysis is required in order to fully document and support the tax cost which will be realized as part of the reorganization.
- Management of LHI has estimated that the FMV of the assets to be transferred from LHI to Newco as described in step # 2 above will equate to the Net Book Value (“**NBV**”) of the assets as held by LHI. The undepreciated capital cost (“**UCC**”) of the assets being transferred is estimated to be nominal. As a result of the transfer taking place at FMV the recaptured depreciation which will be realized on the transfer will equate to the NBV of the assets.. Assuming an effective income tax rate of 25% for LHI, the recaptured depreciation will give rise to an income tax cost to LHI of approximately one-quarter of the NBV of the assets transferred
- Management of LHI has indicated that the income tax cost realized in LHI on the transfer of the assets from LHI to Newco will be recovered over time by Newco through the claim of tax depreciation (i.e. capital cost allowance) on the transferred assets with the stepped up cost base on these assets.
- The transfer of the shares of LHI by the City to Newco at FMV will not give rise to any form of income tax to the City.
- The transfer of assets by Newco to Opco will not give rise to any form of income



tax as the transfer will be completed on a tax deferred basis under the ITA.

- The transfer of any remaining Green Business or unregulated activity assets from LHI to Opco will be completed at FMV and could give rise to income tax. Management of LHI have indicated that the transfer of any remaining assets would be negligible, therefore it may be assumed that any income tax that could arise on this type of transfer would be immaterial.
- The discussions with the Ontario Ministry of Finance provides support that the proposed transactions if completed within the stated time frame of December 31, 2022 will be in compliance with the EA and that each of the entities operated by London Hydro will be considered a Municipal electricity utility.
- It will be important to ensure that to the extent that any employees are transferred from LHI to Opco that the timing of the transfer will not give rise to the increased contribution limits for tax premium contributions, such as Canada Pension Plan and Employment Insurance.

## **KEY BUSINESS RISK CONSIDERATIONS**

Based on our review of documentation provided, including the Shareholder Declaration (2016), and discussions with representatives of LHI, the following represent the key risk considerations identified as part of the proposed reorganization and the proposed Shareholder Declaration documents. This section should not be considered an exhaustive risk assessment in full, but instead is offered to the City as a preliminary review for the purpose of the meeting with Council and which will inform a detailed legal review and risk assessment of the proposed Shareholder Declaration documents. In addition, we note that broader business risks associated with the LEI business plan are not included as a business plan was not provided.

- Permitted Business Activities – There is additional and broader scope in the definition from the existing Shareholder Declaration as evidenced by inclusion of “business activities that enhance or develop the ability of the Corporation to carry on any of the activities described in paragraph (a) – (j) above, including ...”. The City should satisfy itself that this change is acceptable.
- Board of Directors
  - LUSI shall be governed by the Board which shall consist of three (3) Independent directors. An Independent director means that such director is not a mayor, councilor, or employee of the Shareholder. This is a change from the existing Shareholder Declaration as LUSI is a new corporate entity.
  - LHI shall be governed by the Board which shall consist of seven (7) directors. The number of directors of the regulated business has not changed from the existing Shareholder Declaration. The definition of the composition of the board has changed from the existing Shareholder Declaration as evidenced by the additional language “... and a majority of the directors thereof shall be independent as that term is used in the OEB’s *Affiliate Relationship Code* ...” The City should satisfy itself that it has the appropriate mechanism for control over the Board of LHI as the *Business Corporation Act* (Ontario), which is also a governing act, sets out removal of directors.



- Directors' Compensation – The LHI Shareholder Declaration includes specific compensation for the Chair and for directors, as well as annual increases. This is a change from the existing Shareholder Declaration. The City should satisfy itself that this change is acceptable.
- Financial Policies, Risk Management and Strategic Planning – This Article includes “returns”, where returns are defined as “a competitive rate of return relative to other similar municipally owned companies”. There is no mention of risk considering the scope of business activities which may be more akin to private enterprise than to municipally owned companies. The City should satisfy itself that this change is acceptable.
- Matters Requiring Shareholder Approval – Additional Approval Rights – Two specific rights have been removed from the existing Shareholder Declaration: “borrow money or give security on the assets of the Corporation other than in the ordinary course of business, or in connection with the purchase of assets;” and “sell any distribution assets other than in the ordinary course of business;”. The City should satisfy itself that this change is acceptable. In addition, the City should satisfy itself with the thresholds for expenditures, investment, exposure, selling of equity of LEI, and debt to equity ratios.
- Schedule “A” Corporate Combination and Disposition Guidelines – Confirm that the guidelines remain relevant and are aligned with the interests of the City.

**RECOMMENDATIONS**

Based on our preliminary review of the documentation associated with the proposed reorganization of LHI, we provide the following recommendations for consideration:

1. A detailed steps memo outlining the proposed transactions along with documentation to support the FMV and tax cost of each asset category being transferred to each of the proposed new entities being created is required in order to firmly support the incidence of income tax where it will be incurred.
2. A detailed legal review and risk assessment of the draft Shareholder Declaration documents to ensure that key terms are aligned with City’s objectives and interests, and do not create additional risk and exposure.
3. A review of the LEI business plan to confirm no additional business risk exposure.

\* \* \* \* \*

*The advice/opinion/conclusion contained in this correspondence is based on the facts, assumptions and representations stated herein. You have represented to us that you have provided us with all facts and circumstances that you know or have reason to know are pertinent to this correspondence. If any of these facts, assumptions or representations are not entirely complete or accurate, it could have a material effect on our advice/opinion/conclusion. Our advice/opinion/conclusion takes into account the applicable provisions and judicial and administrative interpretations of the relevant taxing statutes, the regulations thereunder and applicable tax treaties. Our advice/opinion/conclusion also takes into account all specific proposals to amend these authorities or other relevant statutes and tax treaties publicly announced prior to the date of our advice, based on the assumption that these amendments will be enacted substantially as proposed. Our*



*advice/opinion/conclusion does not otherwise take into account or anticipate any changes in law or practice, by way of judicial, governmental or legislative action or interpretation. These authorities are subject to change, retroactively and/or prospectively, and any such changes could have an effect on the validity of our advice/opinion/conclusion and may result in incremental taxes, interest or penalties. Unless you specifically request otherwise, we will not update our advice to take any such changes into account.*

*Québec announced through its November 10, 2017 economic plan that it intends to introduce legislation that will prohibit a taxpayer who has carried out a transaction, or series of transactions, subject to a Revenu Québec final assessment based on the general anti-avoidance rule from being able to obtain authorization from the Autorité des marchés financiers (AMF) to bid for or obtain public contracts. The taxpayer will be listed in the Register of Enterprises Ineligible for Public Contracts.*

*Our advice is limited to the conclusions specifically set forth herein and KPMG expresses no opinion with respect to any other federal, provincial or foreign tax or legal aspect of the transactions described herein. It should be noted that the Canada Revenue Agency and/or the relevant provincial tax authority and/or a foreign tax authority and/or any other governmental tax authority (collectively a Tax or Revenue Authority) could take a different position with respect to these transactions in which case it may be necessary for you to defend this position on appeal from an assessment or litigate the dispute before the courts, including one or more appellate courts, in order for our conclusions to prevail. If a settlement were reached with a Tax or Revenue Authority or if such appeal and litigation were not, or were not entirely, successful, the result would likely be different from the views we express herein. Unless expressly provided for, KPMG's services do not include representing Client in the event of a challenge by a Tax or Revenue Authority or litigation before any court.*

*KPMG's advice is for the sole use of KPMG's client. The advice is based on the specific facts and circumstances and the scope of KPMG's engagement and is not intended to be relied upon by any other person. KPMG disclaims any responsibility or liability for any reliance that any person other than the client may place on this advice.*



**Appendix A**

Figure 1: Current Corporate Structure

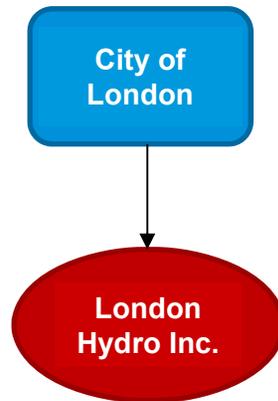


Figure 2: Proposed New Corporate Structure

