

Agenda Including Addeds

Strategic Priorities and Policy Committee

5th Meeting of the Strategic Priorities and Policy Committee

February 4, 2020, 4:00 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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TO:	CHAIR AND MEMBERS STRATEGIC PRIORITIES AND POLICY COMMITTEE MEETING ON FEBRUARY 4, 2020
FROM:	CHERYL SMITH MANAGING DIRECTOR, NEIGHBOURHOOD, CHILDREN AND FIRE SERVICES AND ANNA LISA BARBON MANAGING DIRECTOR, CORPORATE SERVICES & CITY TREASURER, CHIEF FINANCIAL OFFICER
SUBJECT:	CITY OF LONDON SERVICE REVIEW: REVIEW OF MUNICIPAL USER FEES

RECOMMENDATION

That on the recommendation of the Managing Director, Neighbourhood, Children and Fire Services and the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer, the attached Appendix “A” City of London Service Review: Review of Municipal User Fees **BE RECEIVED** for information.

PREVIOUS REPORTS PERTINENT TO THIS MATTER
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“RFP 18-04: City of London Service Review – Consulting Services,” Strategic Priorities and Policy Committee, March 26, 2018

“Service Review Initiatives 2018 Update,” Strategic Priorities and Policy Committee, September 17, 2018

“City of London Service Review: Project Update”, Strategic Priorities and Policy Committee, April 8, 2019

LINK TO THE STRATEGIC PLAN

The City of London Service Review links to Council’s Strategic Plan 2019 – 2023 strategic area of focus of Leading in Public Service, specifically:

- Increase efficiency and effectiveness of service delivery; and,
- Maintain London’s finances in a transparent and well-planned manner to balance equity and affordability over the long term

PURPOSE OF REPORT

The purpose of this report is to present findings and recommendations from the review undertaken by KPMG for the City’s user fees. In addition, Civic Administration has provided an update on the actions taken to date and the next steps to be implemented by Civic Administration commencing in 2021.

RESULTS OF REVIEW

Further to the service review project update identified in the April 2019 report, KPMG has undertaken, on behalf of the City, an in-depth review of the City's user fees, with the exception of user fees for water, wastewater, stormwater, transit and police as they are not established under the City Fees and Charges By-Law, and benchmarked them against comparator municipalities within Ontario. The results of KPMG's analysis indicated that the City's percentage of operating costs funded through user fees is generally consistent with its comparator municipalities. However, KPMG identified the following services for a more detailed review: Fire Services, Taxation Services, and Development Services. Detailed information on the findings of KPMG's review can be found in the attached Appendix "A" entitled City of London Service Review: Review of Municipal User Fees.

The results of the additional analysis undertaken for Fire Services and Taxation Services did not provide significant findings or incremental revenues, indicating that user fees for these services are generally consistent with the comparator municipalities. In instances where they differed, KPMG developed recommendations with respect to potential courses of action which can be found in the attached Appendix "A".

It is noted that the review of Development Services user fees has been deferred as the information required by KPMG was not available during the time the review was planned to be undertaken. Specifically, the City was undertaking process mapping of its development services application processes, along with the time required for approvals, and it was anticipated that this project would not be completed to align with the timing for KPMG's review. Civic Administration is anticipating that the Development Services user fees review will be completed by Q3 2020 in time to inform the 2021 Fees and Charges update, and ultimately the 2021 Multi-Year Budget Update.

ACTIONS COMPLETED TO DATE

Civic Administration has reviewed the recommendations that have been developed by KPMG and note the following actions that have been undertaken.

Fire Services

As part of the 2020 update to User Fees (Amendments to Consolidated Fee and Charges By-law – SPPC October 28, 2019), Civic Administration undertook the following changes/updates:

- The Highway and Local Non-resident Vehicle Incidents User Fees were changed to align with the timing of changes to the MTO (Ministry of Transportation) Authorized rate.
- User Fees for Hazmat calls were expanded to include Tech Rescue and Water & Ice Rescue charges under the category of Special Teams.
- Costs of additional personnel call-in coverage, if required, were added to the allowable fees under Special Teams fees.
- Extraordinary Costs which include costs in addition to expenses ordinarily incurred to eliminate an emergency or risk, preserve property or evidence or investigate were added.
- Fire Re-inspection fees for non-compliance were increased from \$75 to \$100 to reflect increased labour costs and be closer in line with other municipalities.
- False alarm fees were changed from being charged on 4th alarm to the same building within a month to the 3rd alarm to the same building within 30 days. Noting the City starts to charge after five false alarms within the same building in a calendar year.

Taxation Services

The detailed review conducted by KPMG confirmed that the fees charged for taxation services were appropriate, in line with other municipalities. Further, their review went on to include a cost of service analysis (identified as Taxation Cost of Service Analysis in the report), which looked at the cost of service delivery for the six (6) main taxation user fees. Given that KPMG concluded that a change in fees were not warranted, no taxation user fees were adjusted for 2020. However, Civic Administration will continue to monitor the costs related to service delivery, and will consider changing fees in future years as part of the annual update process.

With respect to the two items identified for consideration by KPMG:

- Given the City's Operating Budget Contingency Reserve (OBCR), a discreet stabilization reserve for taxation user fee revenue is not required. The potential volatility in user fee revenues across the City is already taken into consideration in establishing the appropriate OBCR balance, which provides a mechanism for the City to manage excesses, and shortfalls in budgeted amounts.
- As part of the multi-year budget, accommodated within the Taxation Service budget target, Civic Administration has included an annual contribution to the Technology Services Reserve Fund in preparation of technology reinvestment in the future.

NEXT STEPS

Based on KPMG's analysis of Fire Services user fees, the report (Appendix A) outlines some potential opportunities for consideration. Civic Administration reviewed these opportunities and will be implementing the following changes to the current user fees for Fire Services:

1. Reduce the Number of False Alarms Not Subject to Fees

- Currently the London Fire Department user fee structure allows for five free false alarms to the same building within a calendar year, before charging the fee of \$700.00 per false alarm call (beginning with the 6th false alarm to the same building).
- Civic Administration will update the user fee structure over the next three years to allow for two free false alarms within a calendar year. This will be phased in as follows:
 - 2020 – allow for five free false alarms (current)
 - 2021 – allow for four free false alarms
 - 2022 – allow for three free false alarms
 - 2023 onwards – allow for two free false alarms

2. Increase the Fee for False Alarms

- Currently the City's fee is \$700.00 per false alarm. Typically five vehicles are dispatched for a monitor alarm (six vehicles if the monitor alarm is a high rise building). The City does not charge per vehicle.
- Civic Administration will increase this user fee over the next three years in alignment with the reduction of the number of false alarms not subject to fees as follows:
 - 2020 - \$700.00 per false alarm (current)
 - 2021 - \$900.00 per false alarm
 - 2022 - \$1,100.00 per false alarm
 - 2023 - \$1,400.00 per false alarm
- The fee of \$1,400 per false alarm aligns with the recommendation made by KPMG to better reflect the typical number of vehicles dispatched in response to a monitor alarm call.

The two changes identified above, will be implemented annually over the next three years as part of Civic Administration's yearly Fees and Charges update (Amendments to

Consolidated Fee and Charges By-law). This process provides an opportunity for the public to provide feedback on any changes to the City's User Fees on an annual basis through a public participation meeting.

As part of the changes identified above, Civic Administration will also report back through the Community and Protective Service Committee with a detailed process and bylaw providing authority to the Fire Chief or designate to review the false alarm charges and, where considered appropriate in the circumstances, waive the fee.

In addition, the London Fire Department will work with Communications to develop a comprehensive communications strategy to inform the public of the change to the user fee structure (number of allowable free false alarms) and to the increase in the fee related to false alarms being implemented over the next three years.

CONCLUSION

The results of KPMG's review indicate that the City's user fees are generally consistent with its comparator municipalities and did not provide significant findings or incremental revenues. Civic Administration has identified next steps to implement changes to the current user fees for Fire Services. Any recommended changes will be incorporated as part of the 2021 Fees and Charges update and ultimately inform the 2021 Multi-Year Budget Update.

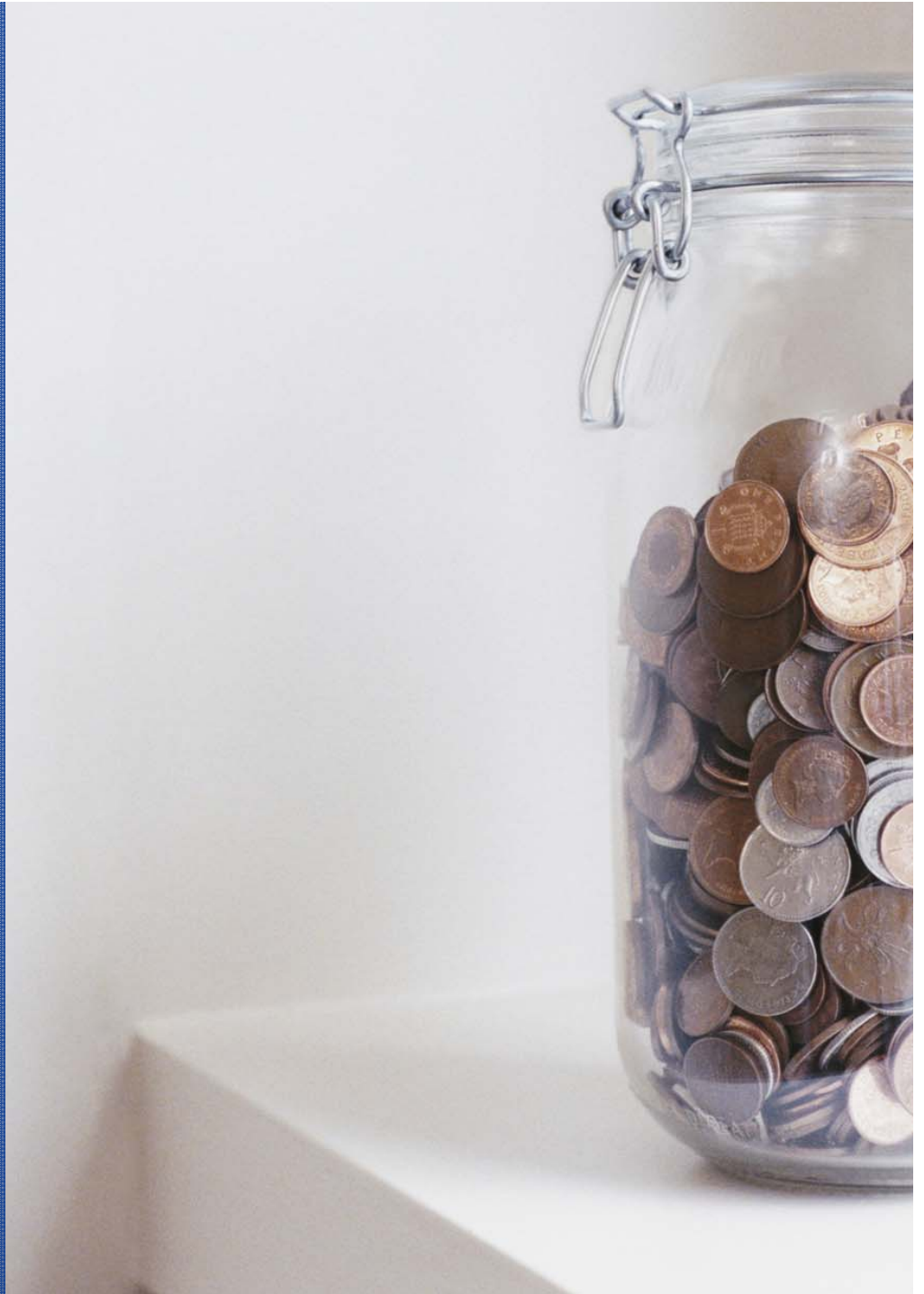
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City of London Service Review

Review of Municipal User Fees

Final Report
January 24, 2020



Executive Summary

At the request of the City of London (the 'City'), KPMG has undertaken a review of the City's user fees, the purpose of which is to identify potential changes to the City's user fee structure that could alleviate pressure on the municipal levy by contributing towards a fair distribution of funding between user fees and taxes. As outlined in further detail in our report, the review included an analysis of the City's historical user fee trends, a comparison of the City's user fee structure to other comparable municipalities and, for selected municipal services, a detailed analysis of factors that could be considered in determining user fees.

This report outlines the results of our review and analysis, which has identified the following key matters:

- Over the last five years, the City's average annual increase in user fee revenues of 4.05% was generally consistent with selected comparator municipalities, which reported an average increase of 3.95% per year.
- For the most part, the portion of operating costs funded through user fees is generally consistent with selected municipal comparators for most municipal services, although the City's user fees for Development Services, Fire Services and Taxation Services appeared lower in comparison to the selected municipal comparators.
- The City provides a higher level of free false alarms than most of the selected comparator municipalities, which would reduce its overall user fee revenues. At the same time, other municipalities have implemented user fees for specific fire services that are currently not charged by the City.
- However, further analysis that was undertaken by KPMG found that the City's user fee structure for Taxation Services – in terms of the type and amount of fees – is generally consistent with other large Ontario municipalities and also reflects the cost of providing the specific services to customers.

Notwithstanding the fact that our review has identified a number of aspects of the City's current user fee structure that are reflective of best practices adopted by other Ontario municipalities, the City could consider the following potential courses of action with respect to its user fees:

- Reducing the number of free false alarms from the current level of five per year to two per year, which could be implemented over a multi-year period in order to allow property owners to adjust to the change;
- Increasing the user fee for false alarms to reflect the number of vehicles actually dispatched by the City, which could be as high as three fire vehicles per call;
- Implementing additional user fees for specialized fire services such as inspection fees for premises with liquor licenses, natural gas leak responses, reviews of risk and safety management plans and family firework sales permits;
- Establishing a stabilization reserve for taxation user fees in order to address fluctuations in revenues resulting from decreases in transaction levels;
- Assessing the extent to which user fees should incorporate the cost of future upgrades to the City's taxation information technology infrastructure.

In evaluating these potential courses of action, consideration should be given to:

- The public policy benefit of the changes to user fees (i.e. a reduction in free false alarms could provide an incentive to property owners to address faults in fire alarm systems, thereby reducing the risk of loss should a fire occur); and
- The issue of affordability so as to ensure that the user fees do not provide a disincentive to use municipal services.



Introduction to the Review

A. The City of London Service Review

Pursuant to the terms of RFP 18-04, the City of London (the 'City') has engaged KPMG to undertake a service review, the overall goals of which included:

- Developing a better understanding of the relevance, effectiveness and efficiency of City programs and services, as well as those offered by selected Agencies, Boards and Commissions;
- Identifying gaps in service that present opportunities for financial and time efficiencies, continuous improvement, and alignment with the City's strategic goals.

The 2018 Service Review project is part of a larger process begun in 2016 in response to direction by City Council to identify \$4 million in annual permanent operating budget reductions by 2019 that were built-in to the approved 2016 - 2019 Multi-Year Budget. As well, the opportunities identified through the 2018 Service Review are intended to create capacity and or mitigate budget pressures anticipated for the next Multi-Year Budget (2020-2023).

During the course of the review, KPMG prepared a list of opportunities for consideration by the City to pursue for further analysis. While a high level analysis of all opportunities was undertaken with respect to potential financial impacts and implementation considerations, the review also involved the prioritization of the identified opportunities based on financial and non-financial considerations, with priority opportunities further refined through the completion of individual detailed reviews. Overall, three opportunities were selected for more detailed analysis, including a review of the City's user fees.

Pursuant to Part XII of the Municipal Act, 2001, S.O. 2001, c.25 (the "Municipal Act"), the City is permitted to "*impose fees or charges on persons,*

(a) for services or activities provided or done by or on behalf of it;

(b) for costs payable by it for services or activities provided or done by or on behalf of any other municipality or any local board; and

(c) for the use of its property including property under its control."

There are a number of factors that are typically considered by any municipality when determining the extent to which a municipal service is funded through user fees as opposed to property taxation. In our experience, services that are typically used by only a specific portion of the community, as opposed to the population as a whole, are more likely to be funded through user fees. Similarly, services such as water and wastewater are often viewed as quasi-business utility, with a common approach being to fund most if not all capital and operating costs through user fees. Additionally, services that are seen as being above and beyond the standard level of service contemplated by the municipality may be funded through user fees (i.e. property taxes fund to a certain standard, with services above this funded through user fees).

Balancing these considerations is the concept that user fees need to be affordable. Given that the majority of services provided by the City are either essential or provide a significant public policy benefit, user fees need to be designed such that they do not constrain access to services by pricing them beyond the affordability of users.

The detailed review is intended to identify potential changes to the City's user fee structure that could alleviate pressure on the municipal levy by contributing towards a fair distribution of funding between user fees and taxes. This report outlines the results of our review.



Introduction to the Review

B. Structure of the Report

This report summarizes the results of our review of the City's user fees and is structured as follows:

- An **Overview of the City's User Fees** which provides an analysis of the City's user fees from a corporate-wide perspective, including major sources of user fee revenues and a comparison of the City's user fees to comparator municipalities.
- An **Analysis of the City's Fire Services User Fees** which provides a more detailed analysis of fees charged for fire services.
- An **Analysis of the City's Taxation User Fees** which provides a more detailed analysis of user fees for taxation services.

C. Restrictions

This report is based on information and documentation that was made available to KPMG at the date of this report. We had access to information up to January 24, 2020 in order to arrive at our observations but, should additional documentation or other information become available which impacts upon the observations reached in our report, we will reserve the right, if we consider it necessary, to amend our report accordingly. This report and the observations and recommendations expressed herein are valid only in the context of the whole report. Selected observations and recommendations should not be examined outside of the context of the report in its entirety.

Our review was limited to, and our recommendations are based on, the procedures conducted. The scope of our engagement was, by design, limited and therefore the observations and recommendations should be in the context of the procedures performed. In this capacity, we are not acting as external auditors and, accordingly, our work does not constitute an audit, examination, attestation, or specified procedures engagement in the nature of that conducted by external auditors on financial statements or other information and does not result in the expression of an opinion.

Pursuant to the terms of our engagement, it is understood and agreed that all decisions in connection with the implementation of advice and opportunities as provided by KPMG during the course of this engagement shall be the responsibility of, and made by, the City of London. Accordingly, KPMG will assume no responsibility for any losses or expenses incurred by any party as a result of the reliance on our report.

This report includes or makes reference to future oriented financial information. Readers are cautioned that since these financial projections are based on assumptions regarding future events, actual results will vary from the information presented even if the hypotheses occur, and the variations may be material.



Restrictions

Comments in this report are not intended, nor should they be interpreted, to be legal advice or opinion.

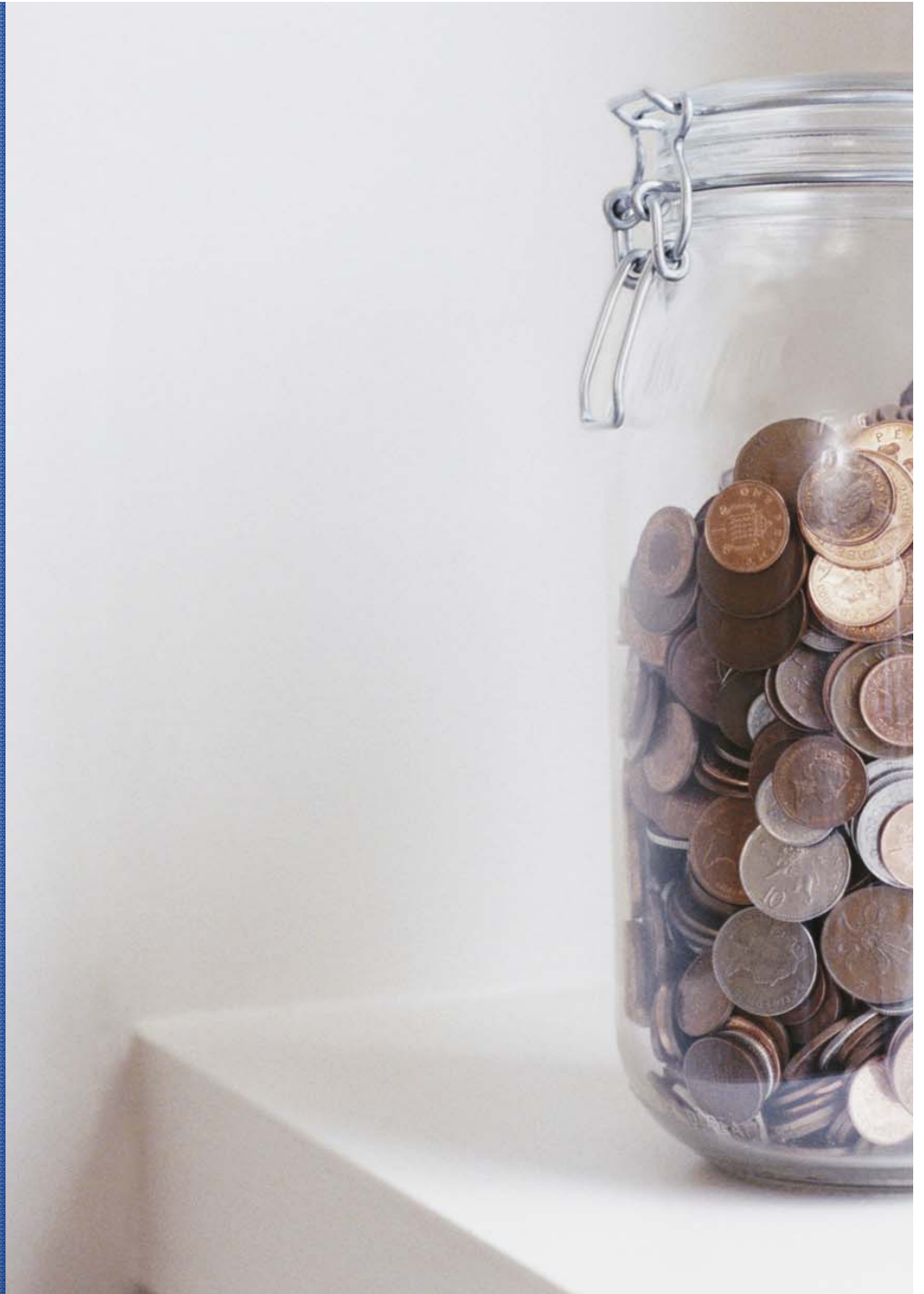
KPMG has no present or contemplated interest in the City of London nor are we an insider or associate of the City of London or its management team. Our fees for this engagement are not contingent upon our findings or any other event. While KPMG does provide auditing and other professional services to the City of London, the service review was conducted by KPMG partners and employees that are not involved in the provision of these services. Accordingly, we believe we are independent of the City of London and are acting objectively.





City of London Service Review

Chapter 1 Overview of the City's User Fees



Overview of the City's User Fees

On an annual basis, the City passes its Fees and Charges By-Law, which establishes user fees on a calendar year basis for the following services:

- Culture services;
- Environmental services;
- Parks, recreation and neighbourhood services;
- Planning and development services;
- Protective services;
- Social and health services;
- Transportation services;
- Corporate, operational and council services;
- Financial management services; and
- Publications.

While the Fees and Charges By-Law covers a number of municipal services, it is not inclusive in that certain user fees, including but not limited to water, wastewater and stormwater fees, are established through separate by-laws. Additionally, other user fees are determined by either agencies, boards or commissions (e.g. library, transit, police) or, in the case of long-term care resident fees, by the Province of Ontario.

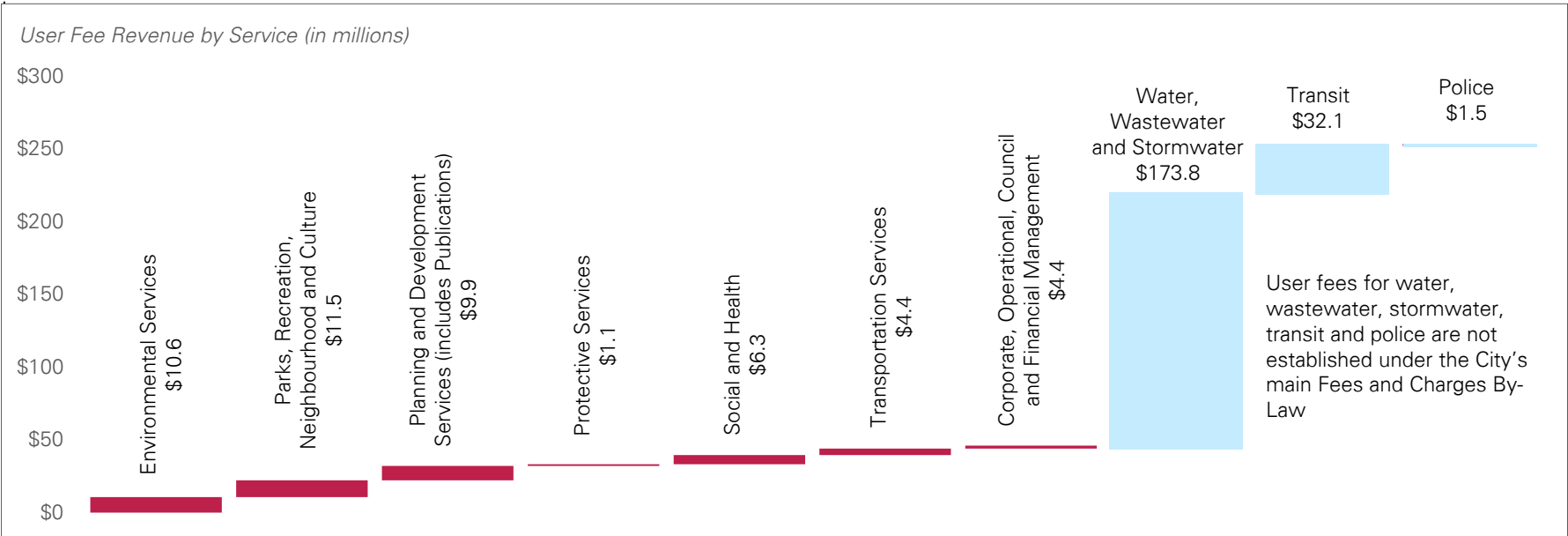
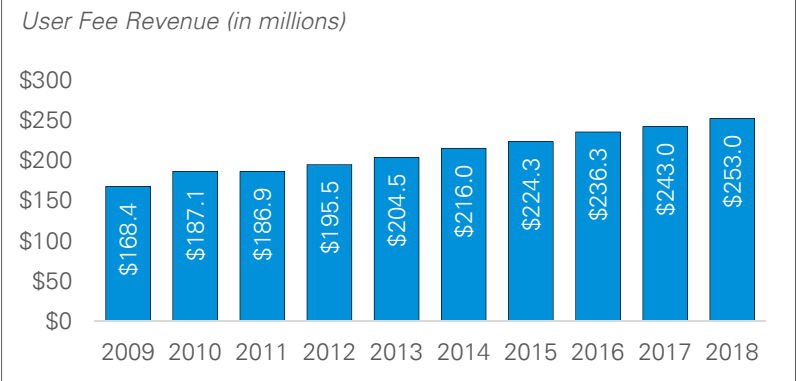
In establishing the City's user fees, we understand that staff will consider changes to the cost of delivering the service (both direct and indirect), user fees established by comparable municipalities (both in terms of the quantum of the fee and the percentage of costs recovered through user fees), capital requirements associated with the service and affordability considerations for the target market of the service. We note that staff undertake regular consultations and communications with user groups affected by user fees, which provides direct insight into customer concerns relating to the affordability of user fees. Where significant changes for user fees are identified, such as the most recent focus on development application fees, staff will undertake more detailed analysis in support of the recommended changes to user fees.

Overview of the City's User Fees

During the 2018 fiscal year, the City generated a total of \$253 million in user fees for municipal services, which includes user fees generated by controlled agencies, boards and commissions such as London Transit and London Police Services but excludes development charges. As noted below, there is a high degree of concentration with respect to the City's user fees, with the four largest categories – water, wastewater, transit and stormwater – accounting for 81% of all user fees.

Over the last ten years, the City's user fee revenues have increased by approximately \$84.6 million, the majority of which is relates to:

- The introduction of stormwater management user fees in 2012; and
- Significant increases in water rates, presumably for capital financing purposes (+\$30.8 million from 2009 to 2018).



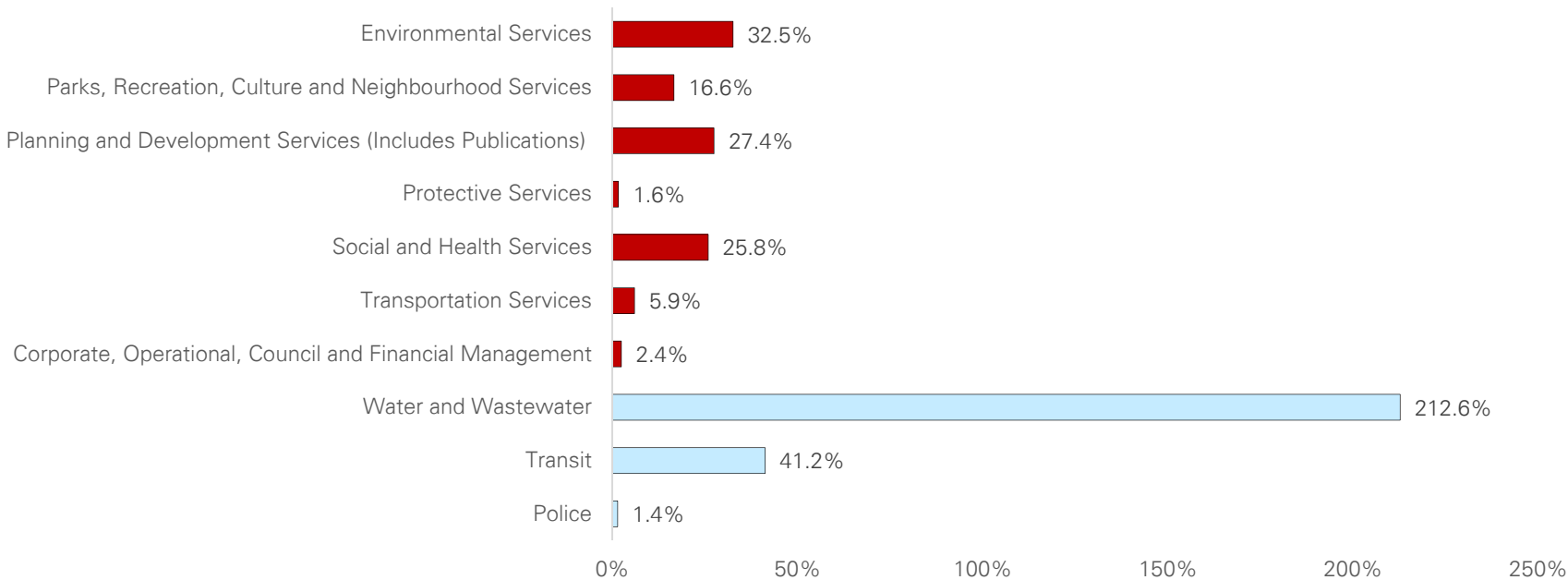
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Overview of the City's User Fees

The reliance on user fees to fund operating costs, as opposed to grants and taxation support, will vary by type of service. In the case of services where the service is used by specific customers as opposed to City residents as a whole, for example environmental services (landfill tipping fees); parks, recreation and neighbourhood services; planning and development; social and health services (Dearness Home); and transit, the City recovers a higher percentage of operating costs (excluding amortization) through user fees. Other services which are more applicable to residents of the City as a group, such as corporate services, transportation, protective services (fire, by-law enforcement) and police, tend to have a lower rate of funding through user fees.

As noted below, the City's user fees for water, wastewater and stormwater services exceed total annual operating costs, with the difference being capital funding generated through user fees. This reflects the City's intention for these services to be fully funded through user fees, with no municipal taxation support, which requires both operating and capital funding requirements to be met through user fees.

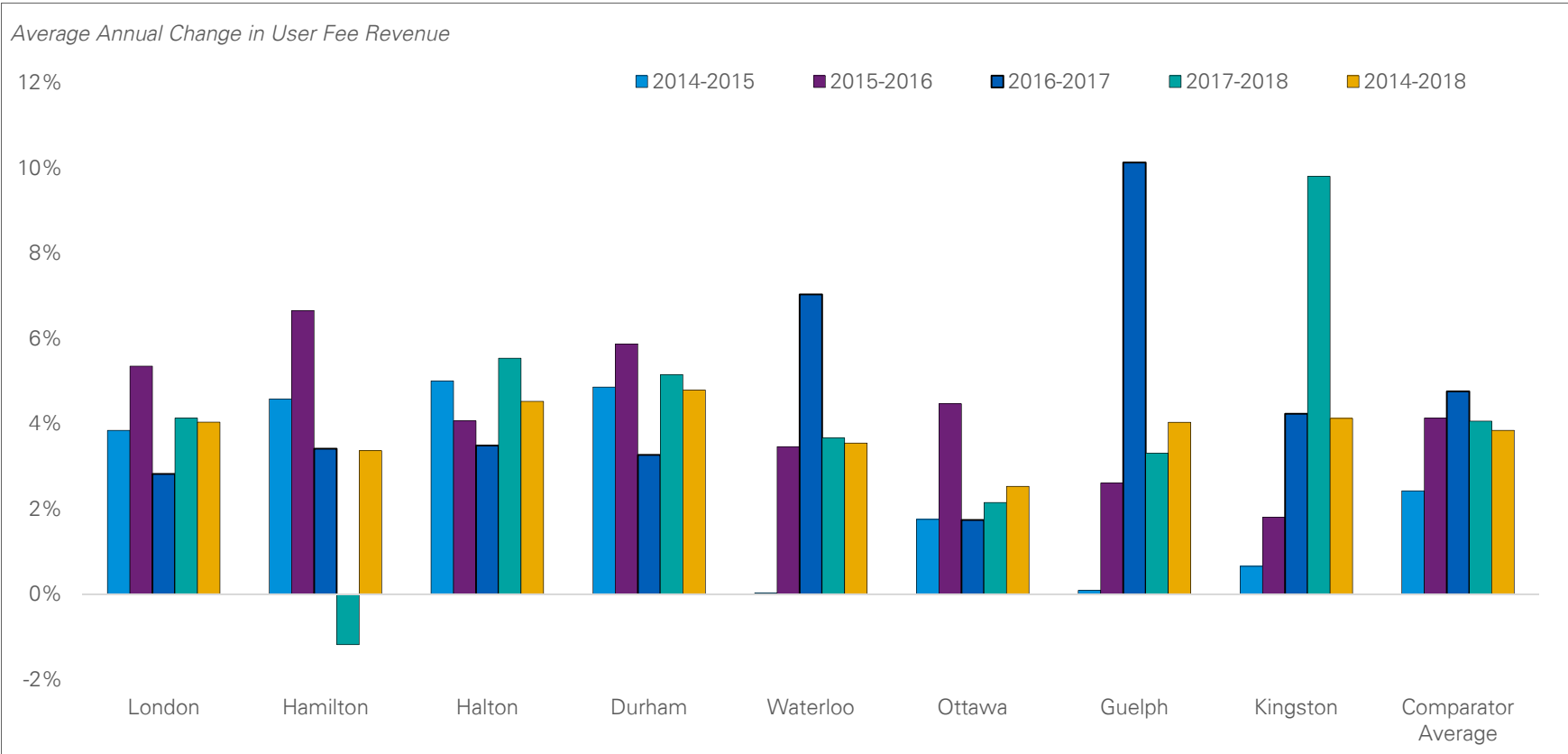
User Fees as a Percentage of Operating Costs (Excluding Amortization)



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Overview of the City's User Fees

From 2014 to 2018, the City's reported user fee revenues have increased at an average annual rate of 4.05%, which reflects the combination of usage and rate increases. In order to provide perspective on the City's user fee increases, we have summarized below annual rate increases for selected Ontario municipalities. In order to provide a range of comparators, and recognizing the limited number of single tier municipalities with comparable population and household levels as the City, we have included regional municipalities, the rate for which reflects the combination of their upper and lower tier municipalities. Overall, the rate of increase in the City's total user fees since 2014 is slightly higher than the average of the selected comparator municipalities (3.95%).



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Overview of the City's User Fees

During the course of the main service review, KPMG undertook an analysis of budgeted user fee revenues for the 2019 fiscal year for a variety of municipal services that are typically funded through a mix of user fees and municipal taxation, although services excluded from the scope of the main review – most notably transit and police services – were not included in the analysis. The results of our analysis are summarized below.

Fees and Charges By-Law Category	Service Grouping	Non-Taxation Revenue as a Percentage of Operating Costs (2019 Budget or 2018 FIR)						Is The City Consistent with the Average?
		London	Hamilton	Windsor	Vaughan	Brampton	Average	
Environmental Services	<ul style="list-style-type: none"> Garbage, Recycling and Composting 	42.6%	27.0%	26.7%	Not delivered exclusively at the lower tier		26.9%	Yes
Parks, Recreation and Neighbourhood Services	<ul style="list-style-type: none"> Neighbourhood and Recreation Services Parks and Urban Forestry 	45.8%	24.3%	29.6%	27.5%	36.7%	29.5%	Yes
Planning and Development Services	<ul style="list-style-type: none"> Building Approvals 	120.1%	90.1%	91.8%	157.8%	125.1%	116.2%	Yes
	<ul style="list-style-type: none"> Development Services 	29.2%	80.1%	18.8%	113.4%	48.2%	65.1%	No
Protective Services	<ul style="list-style-type: none"> Animal Services By-law Enforcement and Property Standards 	51.2%	46.2%	67.8%	67.1%	17.7%	49.7%	Yes
	<ul style="list-style-type: none"> Fire Services 	0.2%	0.5%	2.1%	1.9%	1.2%	1.4%	No
Transportation Services	<ul style="list-style-type: none"> Parking 	210.5%	109.5%	99.8%	n.a.	n.a.	104.6%	Yes
	<ul style="list-style-type: none"> Roadways 	14.1%	14.0%	Comparable financial information is not available			14.0%	Yes
Corporate, Operational and Council Services Financial Management Services	<ul style="list-style-type: none"> Corporate Services Corporate Planning and Administration Council Services Public Support Services Financial Management 	13.9%	23.0%	35.0%	23.0%	12.8%	23.5%	No

- Culture Services has not been included in the analysis due to significant differences in comparator information and the City's existing (high) cost recovery percentage (79%).
- Social and Health Services has not been included in the analysis due to the fact that accommodation rates for the Dearness Home are determined in accordance with the provisions of the Long-Term Care Homes Act, providing the City with no ability to change rates.
- Publications List user fees have not been included in the analysis as these are already included in Development Services.



Overview of the City's User Fees

The analysis provided on the previous page indicates that the City is funding a lower percentage of operating costs through non-taxation revenues for the following services:

- **Fire services.** The City's user fee revenue for fire services amounts to approximately 0.2% of operating costs, compared to a range of 0.5% to 2.1% for the selected comparator municipalities.
- **Development services.** The City currently funds approximately 29% of development services operating costs through user fees, compared to a range of 19% to 113% for the selected comparator municipalities.
- **Corporate, Operational and Council Services and Financial Management Services.** The City's user fee revenue for corporate and financial services amounts to approximately 14% of operating costs, compared to a range of 13% to 35% for the selected comparator municipalities. This category includes a range of financial, clerk and other corporate services. Further analysis indicates that the City's user fees recover 66% of the cost of taxation services compared to an average of 83% for the comparator municipalities.

The scope of work for the user fee review anticipated that services where the City recovered a lower level of operating costs through user fees than the comparator municipalities would be analyzed in additional detail to determine the extent to which additional non-taxation revenues could be generated.

Based on the above analysis, the following services were selected for additional review:

- Fire Services
- Taxation Services

Our analysis includes potential courses of action that could be undertaken by the City in order to align its user fees to reflect best/common municipal practice, as well as to provide a different distribution between taxation and user fees for these services.

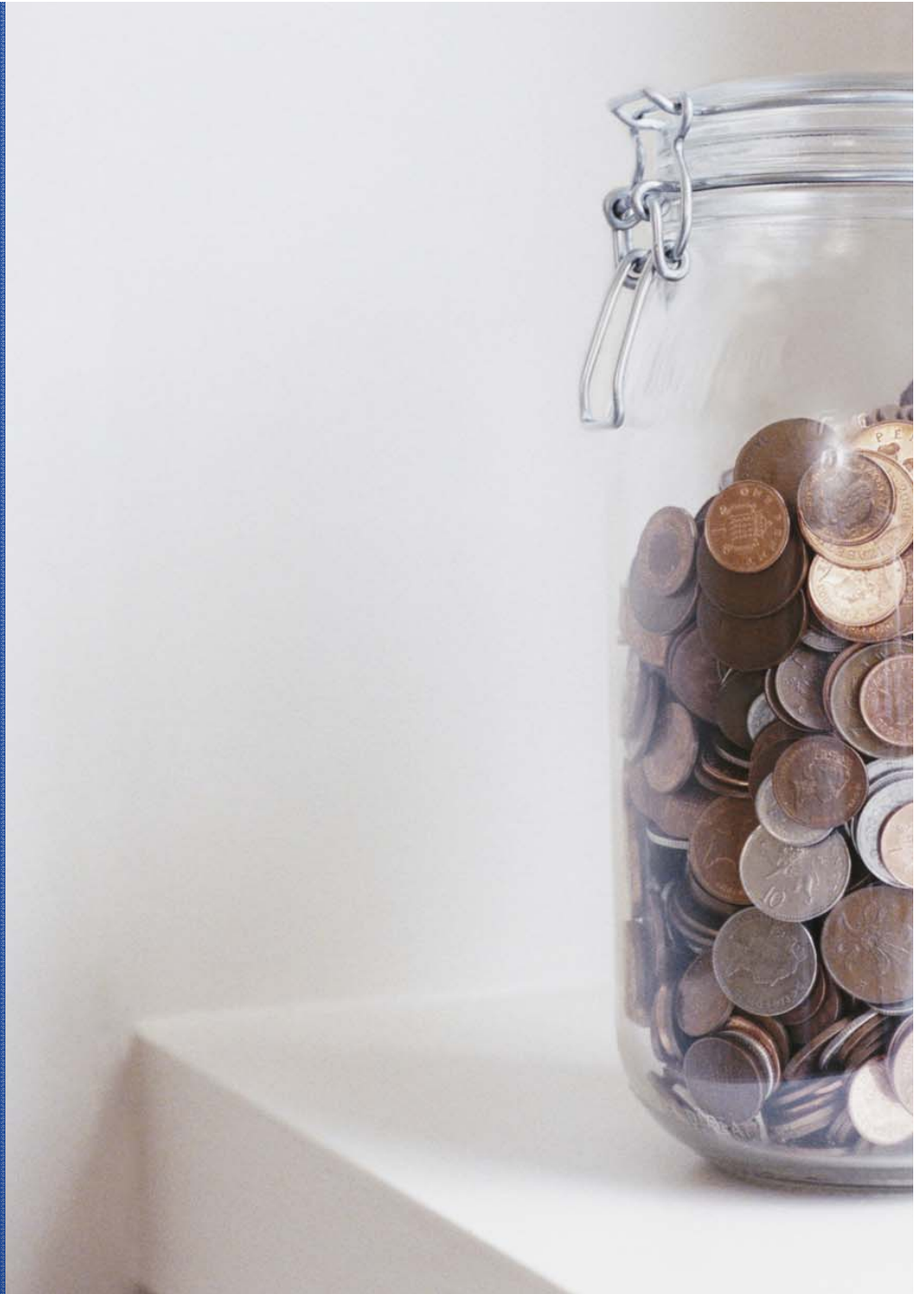
For the purposes of the in-depth review, we have deferred an analysis of the City's development services user fees as the City is currently undertaking process mapping of its development services application processes. The process mapping will identify the individual steps involved in the application review and approval process, along with the time required for approvals, which can then be used as the basis of a cost of service analysis in support of future changes to the City's development services user fees. As the process mapping and time analysis is not expected to be completed until early 2020, we have excluded development services user fees from our in-depth analysis.



City of London Service Review

Chapter II

Analysis of Fire Service User Fees



Analysis of Fire Service User Fees

A. Overview of Fire Services User Fees

The City's 2019 budget reflects a total of \$138,690 in non-taxation revenues for fire services, representing 0.2% of its total budgeted operating costs of \$62,345,144.

Based on our analysis of 2018 Financial Information Return (FIR) data, for the largest fire services in Ontario, we note that the City has the 5th highest fire expenditures in Ontario but the 19th highest user fee revenues.

However, there are varying degrees of cost recoveries for the comparator municipalities selected for the purposes of our review and based on this analysis, we note that over the last five years:

- The City has consistently reported the lowest amount of fire user fees in its FIR, notwithstanding the fact that its average annual operating expenses are the fourth highest of the comparator municipalities; and
- The City's recovery percentage for fire service operating costs (user fees as a percentage of operating costs) has increased in recent years but continues to remain among the lowest of the comparator municipalities.

Fire Service	Average Annual Operating Costs ¹	Reported Fire User Fees (FIR Reported) ²					User Fees as a Percentage of Operating Costs					
		2014	2015	2016	2017	2018	2014	2015	2016	2017	2018	Average
London	\$58,895	\$121	\$153	\$255	\$245	\$228	0.21%	0.27%	0.45%	0.39%	0.38%	0.34%
Ottawa	\$160,056	\$881	\$789	\$1,030	\$753	\$577	0.47%	0.49%	0.58%	0.49%	0.34%	0.48%
Hamilton	\$88,848	\$411	\$275	\$298	\$321	\$348	0.49%	0.32%	0.34%	0.36%	0.36%	0.37%
Brampton	\$65,395	\$323	\$386	\$658	\$978	\$1,056	0.55%	0.64%	1.08%	1.35%	1.41%	1.01%
Vaughan	\$49,274	\$861	\$935	\$992	\$1,121	\$1,205	2.04%	1.96%	2.04%	2.09%	2.22%	2.07%
Windsor ³	\$48,838	\$257	\$288	\$349	\$496	n.a.	0.59%	0.56%	0.67%	1.04%	n.a.	0.71%
Kitchener	\$34,720	\$1,153	\$1,294	\$1,388	\$1,491	\$1,458	3.57%	3.84%	4.02%	4.13%	3.94%	3.90%
Guelph	\$25,749	\$278	\$310	\$328	\$283	\$416	1.21%	1.25%	1.29%	1.03%	1.49%	1.25%
Kingston	\$24,815	\$303	\$322	\$340	\$312	\$478	1.30%	1.36%	1.31%	1.27%	1.80%	1.41%

¹ Represents the average annual operating costs for fire services from 2014 to 2018, excluding amortization expense and corporate allocations, in thousands.

² In thousands.

³ The 2018 FIR reported negative user fee revenue and as such, we have excluded this year from our analysis.



Analysis of Fire Service User Fees

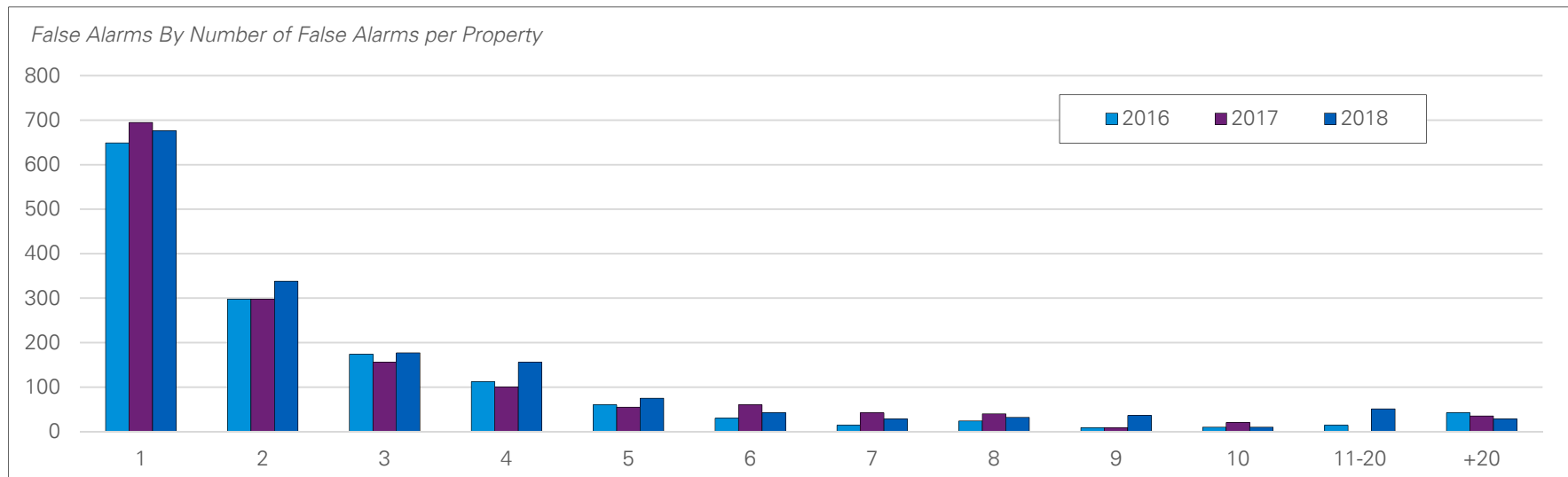
Based on our discussions with representatives of fire services in London, Vaughan, Brampton and Greater Sudbury, we understand that the majority of fire service user fees are generated from calls for assistance for motor vehicle collisions and false alarm charges, with other sources of revenues representing relatively small percentages of total user fees. With respect to these services, the City’s current user fee structure is as follows:

- The City does not charge a false alarm fee for either (i) the first two false alarms in the same building in a 30-day period; or (ii) the first five false alarms in the same building in a calendar year, with a fee of \$700 charged for subsequent false alarm call; and
- The City charges an hourly rate to respond to motor vehicle collisions, based on the hourly vehicle rate established by the Ministry of Transportation (the “MTO Rate”). We note that the City’s user fee by-law allows the City to charge the current MTO Rate, which is adjusted on an annual basis.

Our analysis of each of these user fees follows.

B. False Alarm Fees

During the period 2016 to 2018, the City’s Fire Services received a total of 4,610 false alarms, the majority of which were received from properties reporting one or two false alarms per year, of which 722 would be subject to false alarm fees under the City’s current user fee structure. Included in this amount are 367 false alarms that originated from post-secondary institutions (University of Western Ontario, Fanshawe College) and hospitals (London Health Sciences Centre, St. Joseph’s Health Care London), which current do not attract false alarm fees from the City due to the nature of the facility and factors leading to the false alarms.



Analysis of Fire Service User Fees

As part of our review, we have undertaken a comparative analysis of false alarm fee structures for selected Ontario municipalities, the purpose of which is to identify strategies used by these municipalities to generate fire service user fees. The comparative analysis includes those municipalities identified earlier in our report, as well as additional municipalities that have reported a higher level of fire service user fees to provide added perspective. Based on our review, we note that the City appears to allow a higher level of free false alarms than the majority of the selected comparator municipalities, which typically provide one to two free false alarms per calendar year as compared to up to five free fire alarms per year allowed by the City. We note, however, that Hamilton's fee structure for false alarms is consistent with the City's current structure (i.e. five free fire alarms), while five municipalities do not charge for false alarms.

	Number of Free False Alarms	Term	False Alarm Fee (First Occurrence)	False Alarm Fee (Subsequent Occurrence)
London	5	Calendar year	\$700.00	\$700.00
Comparator Group 1 – Comparable Sized Municipalities				
Ottawa	No charge for false alarms			
Hamilton	5	Calendar year	\$511.55	\$511.55
Brampton	1	Trailing 12-month period	\$566.00	\$566.00
Vaughan	2	Calendar year	\$532.00	\$532.00
Windsor	1	Calendar year	\$1,350.00	\$1,350.00
Comparator Group 2 – Municipalities with Relatively High Levels of Fire Service User Fee Revenue				
Kitchener	No charge for false alarms			
Guelph	None		\$477.00	\$477.00
Kingston	1	Calendar year	\$250.00	\$500.00
Richmond Hill	2	Calendar year	\$477.00	\$477.00
Caledon	1	Calendar year	\$1,415.00	\$1,415.00
Sarnia	2	Calendar year	\$457.50	\$457.50
Greater Sudbury	None		\$477.00	\$954.00
Cambridge	2	Month	\$1,000.00	\$1,000.00

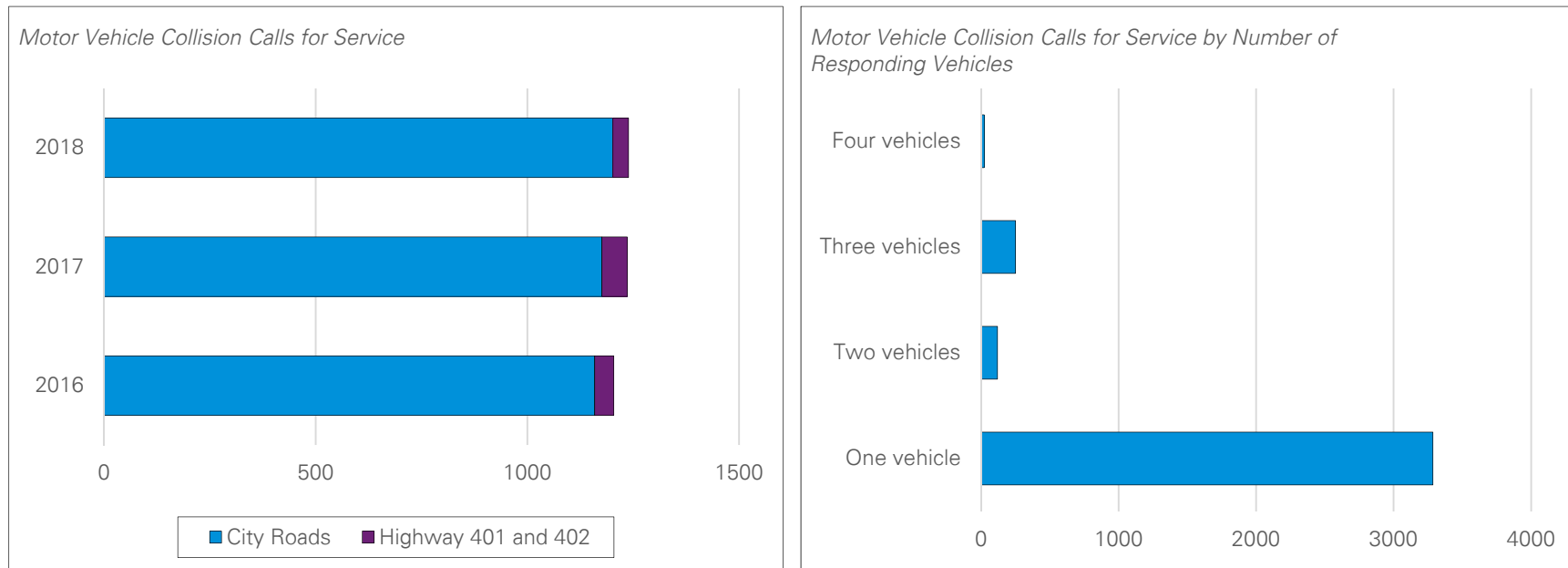
⁴ Our analysis has identified municipalities that do not appear to charge for false alarms, including Peterborough, Barrie and Markham.



Analysis of Fire Service User Fees

C. Motor Vehicle Collision Fees

During the period 2016 to 2018, the City's Fire Services received a total of 3,679 calls for service relating to motor vehicle collisions, the majority of which (3,537) occurred within the City's road network as opposed to Highways 401 and 402. For motor vehicle collisions occurring within the City's road network, Fire Services responded with one vehicle to 93% of the calls for service (the remaining 7% involved a three vehicle response), while the majority of motor vehicle calls for service occurring on Highways 401 and 402 (84%) involved a two vehicle response (the remaining 16% involved a four vehicle response).



The City's current user fee by-law allows the City to invoice the driver responsible for the motor vehicle collision based on hourly rates established by the Ministry of Transportation ("MTO"), which we understand is currently set at \$477.00 per hour per vehicle. Consistent with a number of municipalities, the City does not invoice the responsible driver for motor vehicle collisions occurring on City roads if they are a resident of London. Regardless of residency, the City will charge user fees for collisions on Highways 401 and 402, which is consistent with the approach adopted by a number of other municipalities.

Analysis of Fire Service User Fees

As noted below, the MTO hourly rate appears to be the typical basis for invoicing for fire service responses to motor vehicle collisions, although we note that certain municipalities will invoice one rate for up to three vehicles as opposed to invoicing on a per vehicle basis. In addition to the MTO rate, other municipalities will also invoice for consumables and an administration fee, which is consistent with the approach adopted by the City.

Fire Service	Motor Vehicle Collision Fee	Basis	Additional Charges Listed in Fee By-Law
London	\$477.00	Per vehicle	<ul style="list-style-type: none"> By-law allows the City to recover the full cost of extraordinary costs to eliminate an emergency or risk, preserve property or evidence or to investigate, including but not limited to renting equipment, hiring contractors, hiring professional services, using consumable materials, replacing damaged materials or purchasing materials, fixing of damaged equipment or vehicles as a result of response.
Hamilton	\$511.55	Per vehicle	<ul style="list-style-type: none"> By-law allows the City to recover the full cost of extraordinary costs to eliminate an emergency or risk, preserve property or evidence or to investigate, including but not limited to renting equipment, hiring contractors, hiring professional services, using consumable materials, replacing damaged equipment or purchasing materials.
Brampton	\$477.00	Per vehicle	<ul style="list-style-type: none"> By-law allows the City to charge for consumables, damages or contamination to equipment in the event of a hazardous materials response. By-law also allows the City to recover the cost of renting special equipment or using consumable materials to board or barricade a property.
Vaughan	\$1,120.00	First three vehicles	<ul style="list-style-type: none"> By-law allows the City to recover the cost of materials or supplies consumed, or equipment/apparatus damages sustained or other expenses incurred at an incident. The by-law also allows the City to recover miscellaneous expenses not included elsewhere in the by-law and where the service is not exempt from user fees.
Windsor	\$465.42	Per vehicle	<ul style="list-style-type: none"> By-law allows for additional fees for staffing time and a 10% administrative charge.
Kitchener	\$477.00	Per vehicle	<ul style="list-style-type: none"> Consumable materials are identified in the by-law as being in addition to the hourly apparatus fee.
Guelph	\$477.00	Per vehicle	<ul style="list-style-type: none"> The by-law indicates that overtime and other expenses are in addition to the vehicle response rate.

Analysis of Fire Service User Fees

Fire Service	Motor Vehicle Collision Fee	Basis	Additional Charges Listed in Fee By-Law
Kingston	\$410.00	Per vehicle	<ul style="list-style-type: none"> By-law allows for the cost recovery of incidentals, optional equipment and consumables.
Richmond Hill	\$477.00	Per vehicle	<ul style="list-style-type: none"> By-law allows for additional fees to be levied for the total replacement cost of any contaminated or damaged equipment or materials used in the response.
Caledon	\$1,415.00	First three vehicles	<ul style="list-style-type: none"> By-law allows for the recovery of the full cost of damaged equipment and consumables used plus an administration fee of 15%.
Sarnia	\$457.50	Per vehicle	<ul style="list-style-type: none"> By-law allows for additional fees relating to personnel costs and any additional costs.
Greater Sudbury	\$477.00	Per vehicle	<ul style="list-style-type: none"> By-law allows for fees for additional costs and also includes a specific charge for foam usage.
Cambridge	\$450.00	Per vehicle	<ul style="list-style-type: none"> None identified.

The majority, but not all, of fee by-laws for the above-noted municipalities indicate that motor vehicle collision fees are only charged to non-residents, which is consistent with the approach adopted by the City. Accordingly, while precedence does exist for the City to charge residents in these circumstances, we do not suggest this as a potential course of action given that the City's current approach is consistent with the majority of the comparator municipalities. Please note that municipalities do not appear to adopt different rates for motor vehicle collisions based on residency, with only one rate established for motor vehicle collisions. Rather, residency determines whether the motor vehicle collision fee will apply with respect to accidents occurring on municipal roads.

In addition, while some municipalities have adopted a motor vehicle collision fee that reflects an hourly rate for up to three vehicles, we do not suggest that the City change its current approach of charging the MTO rate per vehicle dispatched. This reflects the fact that 89.3% of motor vehicle collision calls for service involve the dispatch of only one vehicle.

The majority of fire services included in our analysis have adopted the MTO rate as the basis for determining the hourly cost of fire service response. Given that this appears to be best/common practice for Ontario fire services, we have not completed a cost of service analysis for the City's Fire Services.

Observations and Conclusions

Based on the results of our review, we note that a number of aspects of the City's user fee with respect to fire services are reflective of best practices adopted by other large municipalities in Ontario:

- The City utilizes the MTO Rate as the basis for motor vehicle collision responses, with the by-law providing for use of the most recent rate, avoiding the need to revise the by-law;
- The City does not charge residents for motor vehicle collisions, which represents the most common practice among the municipalities reviewed in our analysis;
- The City's rate for false alarm response (\$700.00) is in the mid-range of the fee charged by the selected comparator municipalities;
- The City's user fees for special team responses (hazardous materials, technical rescue, ice and water rescue) and fire inspections are generally consistent with a number of Ontario municipalities; and
- The City has introduced charges for materials and supplies consumed in the course of providing a response in addition to the charge for the fire vehicles.

Notwithstanding the City's general consistency with best practices, our analysis indicates that there is a significant difference with respect to the number of free false alarms, with the City's annual allowable number of free false alarms (five) being higher than the number of free fire alarms typically allowed by other municipalities (one to two). In addition, our analysis has identified other differences between the City's user fees for fire services and other municipalities with respect to fees for specific services.

A overview of potential courses of action that could be considered by the City is provided on the following pages.

Potential Opportunities for Consideration

Based on the results of our analysis, we suggest that the City consider the following potential courses of action with respect to Fire Service user fees.

A. Reduce the Number of False Alarms Not Subject to Fees to Two Per Calendar Year

As noted previously in our report, the user fee structure for a number of municipalities provides for either one or two free false alarms, as opposed to the five free false alarms currently provided by the City per year and two free fire alarms within a 30-day period. To the extent that the City reduces the number of free false alarms, the estimated incremental revenue (based on the average annual false alarm volumes for 2016 to 2018) could be in the range of \$19,800 to \$315,500, as follows:

	Current State Five Free False Alarms	Option 1 Four Free False Alarms	Option 2 Three Free False Alarms	Option 3 Two Free False Alarms	Option 4 One Free False Alarm
Total number of false alarms (2016 to 2018)	4,610	4,610	4,610	4,610	4,610
Exempt properties (post-secondary institutions and hospitals)	(367)	(367)	(367)	(367)	(367)
Number of non-exempt fire alarms	4,243	4,243	4,243	4,243	4,243
Number of free false alarms based on threshold	4,099	4,014	3,849	3,520	2,747
Number of false alarms subject to fees	144	229	394	723	1,496
False alarm fee	\$700.00	\$700.00	\$700.00	\$700.00	\$700.00
Total potential revenue (2016 to 2018)	\$100,800	\$160,300	\$275,800	\$506,100	\$1,047,200
	÷ 3 years	÷ 3 years	÷ 3 years	÷ 3 years	÷ 3 years
Average annual potential revenue	\$33,600	\$53,400	\$91,900	\$168,700	\$349,100
Potential incremental annual revenue		\$19,800	\$58,300	\$135,100	\$315,500

To the extent that the City wishes to consider a reduction in the number of free false alarms, we suggest that consideration be given to establishing the number of free false alarms to two per calendar year. In addition, the City may also wish to consider:

- Phasing in the reduction in the number of free false alarms over a two year period, thereby allowing property owners to make changes necessary to reduce the number of false alarms; and
- Providing authority to the Fire Chief and their designate to review false alarm charges and, where considered appropriate in the circumstances, waive the fee.



Potential Opportunities for Consideration

B. Increasing the Fee for False Alarms

We understand that the City's current fee of \$700.00 per false alarm does not fluctuate based on the number of fire vehicles dispatched, which we understand could be as high as three vehicles. Accordingly, the current false alarm charge does not reflect the MTO rate for fire vehicles when more than one vehicle is dispatched, as follows:

- Where two vehicles are dispatched, the MTO rate would result in a fee of \$954.00 (difference of \$254.00 per hour); and
- Where three vehicles are dispatched, the MTO rate would result in a fee of \$1,431.00 (difference of \$731.00 per hour).

We understand that the MTO rate is intended to reflect the cost of operating a fire vehicle and as such, can be considered to be representative of the City's cost for responding to false alarms. Accordingly, we suggest that the City consider increasing the false alarm fee to reflect the typical number of vehicles dispatched in response to a fire call for service.

C. Consider Other Potential User Fee Changes

Based on our review of the City and comparator municipalities, we note that there is considerable variability with respect to user fees for fire services outside of false alarms and motor vehicle collision responses. Specifically, we note that other fire services have implemented fees for the following services that are currently not charged by the City:

- Inspection fees for premises with liquor licenses issued by the Alcohol and Gaming Commission;
- Response fee for natural gas leaks, to the extent that this is not already addressed by the special team incident response fee;
- Fees for the review of risk and safety management plans for facilities storing propane; and
- Fees for family fireworks sales permits.

A summary of comparable fees charged by other fire services for the services listed above is provided on the following page.

Potential Opportunities for Consideration

	London	Hamilton	Windsor	Vaughan	Brampton
AGCO inspection fees	n.a.	\$81.81 (patio) \$177.43 (indoor)	n.a.	\$242.00	\$210.00
Natural gas response	\$700.00 per hour for special team response	\$511.55 per hour	\$465.42 per hour		\$546.00 per hour
Review of risk and fire safety plans - Level 1 facility (<5,000 gallons)	n.a.	\$288.01	n.a.	\$305.00 (new) \$608.00 (existing)	\$300 (existing) \$600 (new or change of ownership)
Review of risk and fire safety plans - Level 2 facility (>5,000 gallons)	n.a.	\$2,131.33 (expanded) \$2,880.13 (new) \$1,440.13 (renewal)	n.a.	\$2,735.00 (existing) \$3,039.00 (new or modified)	\$1,500 (existing) \$3,000 (new or change of ownership)
Family firework sales permits	n.a.	\$204.91 (store) \$409.65 (trailer)	n.a.	\$183.00 (initial) \$141.00 (re-inspection)	\$100.00 (fireworks retailer course)
Inspections	\$171.00 for the first 10,000 square feet \$84.00 for every 10,000 square feet thereafter	\$68.23 to \$1,637.35	\$150.00 per hour	\$78.00 to \$242.00	Base inspection fees are \$210.00, with additional charges for occupants, square footage and number of floors depending on the nature of the property

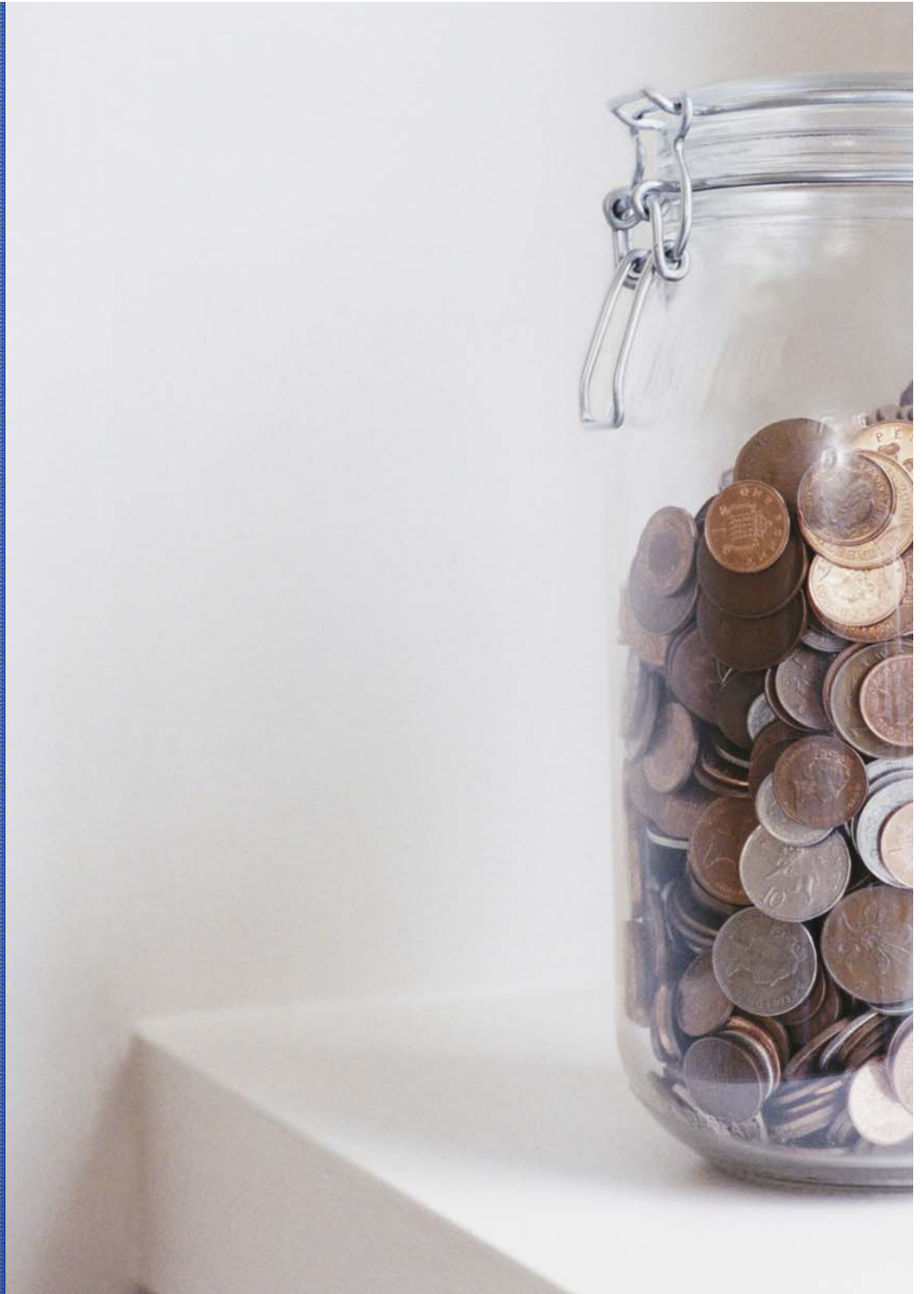
The use of separate user fees is consistent with specific risks associated with different types of properties and activities and as such, we suggest that the City consider the implementation of additional fees in line with those adopted by other municipalities.

In addition to these new fee categories, the City may also wish to consider revising its fees for fire inspections. Currently, the City's rate for inspections (\$171.00 for the first 10,000 square feet of building area and \$84.00 for every 10,000 square feet thereafter) appears to be inconsistent with certain other municipalities which will establish different fees for different types of facilities (commercial properties, residential properties, etc.). This approach may provide a better matching of the cost of undertaking a fire inspection to the size and complexity of the property under inspection.



City of London Service Review

Chapter III Analysis of Taxation User Fees



Analysis of Taxation User Fees

A. Overview of Taxation User Fees

The City's 2019 budget reflects a total of \$1,433,519 in revenues for taxation services, representing 67.6% of the budgeted taxation operating costs of \$2,119,133. The City's user fee by-law includes a number of fees relating to taxation services, a sample of which is provided below.

	London	Hamilton	Brampton	Kitchener	Windsor	Kingston	Guelph	Vaughan	Comparator Average
Tax certificates	\$57.00	\$61.30	\$65.00	\$60.00	\$75.00	\$73.15	\$60.00 to \$75.00	\$90.00	\$65.74
Ownership change fee	\$37.00	\$14.55	\$35.00	\$40.00	\$75.00	–	\$35.00	\$32.00	\$33.26
New account fee	\$67.00	\$18.05	\$35.00	–	\$75.00	\$31.95	\$50.00	\$55.00	\$35.00
Past due notification	\$8.00	\$3.00	\$7.00	–	–	–	\$10.00	–	\$3.33
Duplicate tax bill printing	\$26.00	\$11.75	\$15.00	\$25.00	\$10.00	\$15.65	\$25.00	\$23.00	\$17.07
NSF returned cheque fee	\$45.00	\$34.25	\$35.00	\$35.00	\$50.00	\$38.10	\$40.00	\$45.00	\$38.73

As noted in the analysis, the City's user fees appear to be generally consistent with other similar sized municipalities. We note, however, that the City's fee for tax certificates is the lowest of the selected municipalities and is approximately \$8.00 lower than the average of the comparator municipalities, while its fee for duplicate tax billing is the highest of the comparator group.

B. Process Mapping and Cost of Service Analysis

In addition to assessing the City's taxation user fees based on a comparison to other similar sized municipalities, we have also undertaken a high level analysis of the various steps that are required to be completed in connection with the services listed above (see Appendix A). The purpose of this analysis is to provide an indication as to the level of resources required to maintain the City's taxation system. Accompanying the process mapping is an analysis of the associated cost of providing this service (see Appendix B).

Analysis of Taxation User Fees

We have included as Appendix A a graphical depiction of the individual worksteps that compromise the following taxation-related processes:

- Interim tax billing
- Final tax billing
- Supplementary tax billing
- Payment processing (cheques and cash)
- Payment processing (online, telephone and mortgage companies)
- Pre-authorized payments (account set-up, billing, payment)
- Arrears notices
- Tax certificates
- Tax account changes

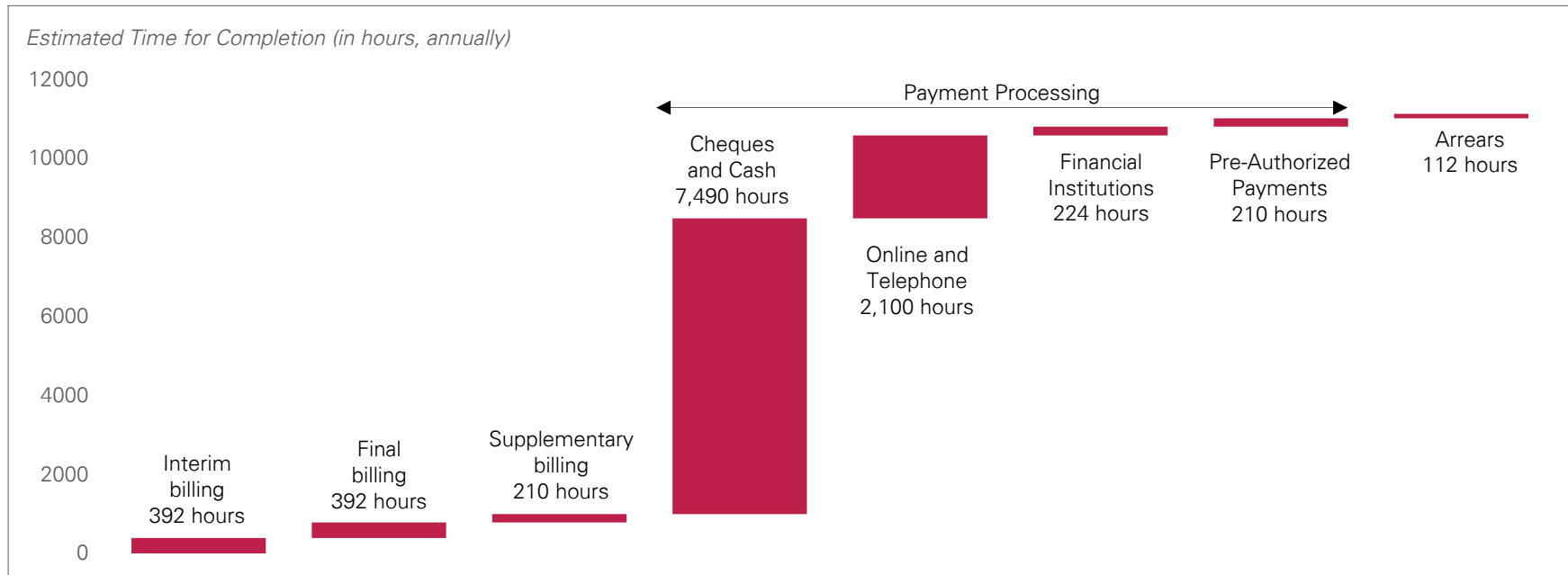
While not depicted on the workflow diagrams, a number of aspects of the City's taxation processes involve two steps:

- An initial processing of taxation data within a test mode of its tax systems, which is intended to ensure that the data is processed accurately and provides the City with the opportunity to resolve any errors or processing issues; and
- A final processing of taxation data and transactions within a "live" mode of its tax systems.

As such, certain work processes depicted on the following pages are actually performed twice – once in test mode and once in live mode.

A review of the process workflows with City staff indicate that as many as 11,130 hours or 1,590 person days are required to complete the recurring tax transaction processes (please see graphic on next page). This equates to approximately 6.4 full-time equivalent staff involved solely in recurring tax transaction processing.

Analysis of Taxation User Fees



The time estimates noted above relate solely to tax transaction processing and do not include other functions undertaken by tax personnel, including but not limited to:

- Taxation policy;
- Customer support and inquiries;
- Tax certificates, tax account changes and other one-time, non-recurring transaction processing;
- Work performed for other municipal departments;
- Property registrations and tax sales; and
- Administrative duties.

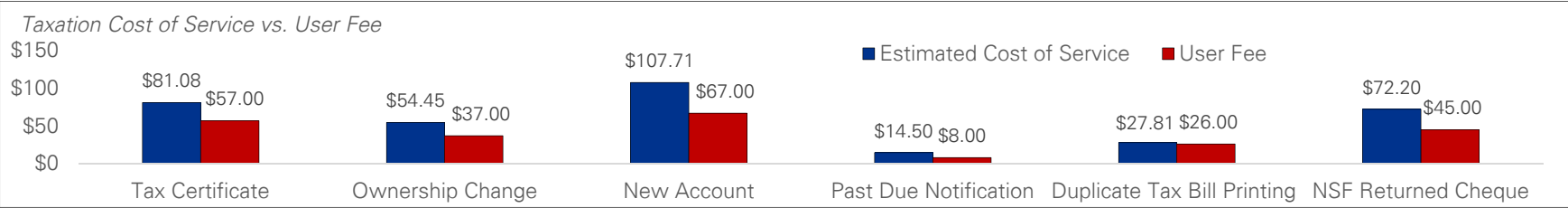
In addition, resources from other functional areas within the City (e.g. information technology) as well as the City's external service provider (Watt) are not included in the analysis presented above.



Observations and Conclusions

Based on the results of our analysis, we make the following comments and observations:

- Given the comparability of the City’s user fees for taxation services to other similar sized municipalities and the extent of work processes and associated resources required to maintain the City’s taxation system, we do not believe that a significant change to the City’s current taxation user fees is warranted at this time.
- By their nature, the taxation services for which the City charges user fees are non-recurring and are prone to significant fluctuations on a year-over-year basis depending on economic conditions and other factors. While the level of user fees will change depending on factors such as the level of new construction, property ownership changes and late taxation payments, operating costs associated with taxation processes are predominantly fixed in nature, increasing the risk of deficits associated with taxation services in years where revenues fall below budgeted levels.
- The recurring tax processing transactions identified in Appendix A are generally required to be performed in support of the non-recurring services such as tax certificates in that they maintain the balance of taxation owing. As such, while the actual time required to complete a tax certificate may be 90 minutes, the cost of providing the tax certificate reflects:
 - The cost of all City personnel involved in the processing of recurring taxation transactions;
 - Direct non-personnel costs, including expenses relating to printing, envelopes and postage;
 - Indirect support costs, such as information technology support (particularly with respect to data transfers undertaken as part of the tax transaction processing), occupancy costs and corporate support for City personnel involved in recurring transactions; and
 - Capital costs associated with technology used in the City’s processing of tax technology.
- Included as Appendix B is a cost of service analysis that identifies the estimated cost of providing the different taxation services covered under the City’s Fees and User Charges By-Law. As summarized below, the cost of service analysis indicates that the cost of providing the City’s taxation services is higher than the current user fee, with the City’s user fees recovering 55% to 93% of the estimated cost of providing taxation services.



- As outlined in the process maps for taxation services (Appendix A), the City’s taxation processes rely heavily on information technology systems. Accordingly, the consideration of user fees for taxation services should extend beyond operating costs to include future reinvestment for information technology infrastructure and applications to support continued operations.



Potential Opportunities for Consideration

In addition to the observations and conclusions provided in this chapter, the City may wish to consider the following courses of action:

- Establishing a stabilization reserve for taxation revenues that would allow for a smoothing of budgeted levy support requirements. During years when the City's taxation user fees exceed the budgeted amount, the excess would be contributed to the reserve with the expectation that shortfalls in future years would be funded from the reserve. As part of the establishment of the reserve, the City could also consider setting a limit on the maximum reserve balance, with excess amounts treated as general revenue.
- Assessing the extent to which user fees should incorporate the cost of future upgrades to the City's taxation information technology infrastructure. We understand that the City is currently undergoing asset management planning intended to assess the anticipated capital reinvestment requirements over the short to medium term future. To the extent that the City's asset management planning identifies a significant reinvestment requirement relating to taxation, the City may wish to consider assessing whether future rate increases are required in order to fund a portion of the required capital costs.



City of London Service Review

Appendix A Taxation Process Workflows

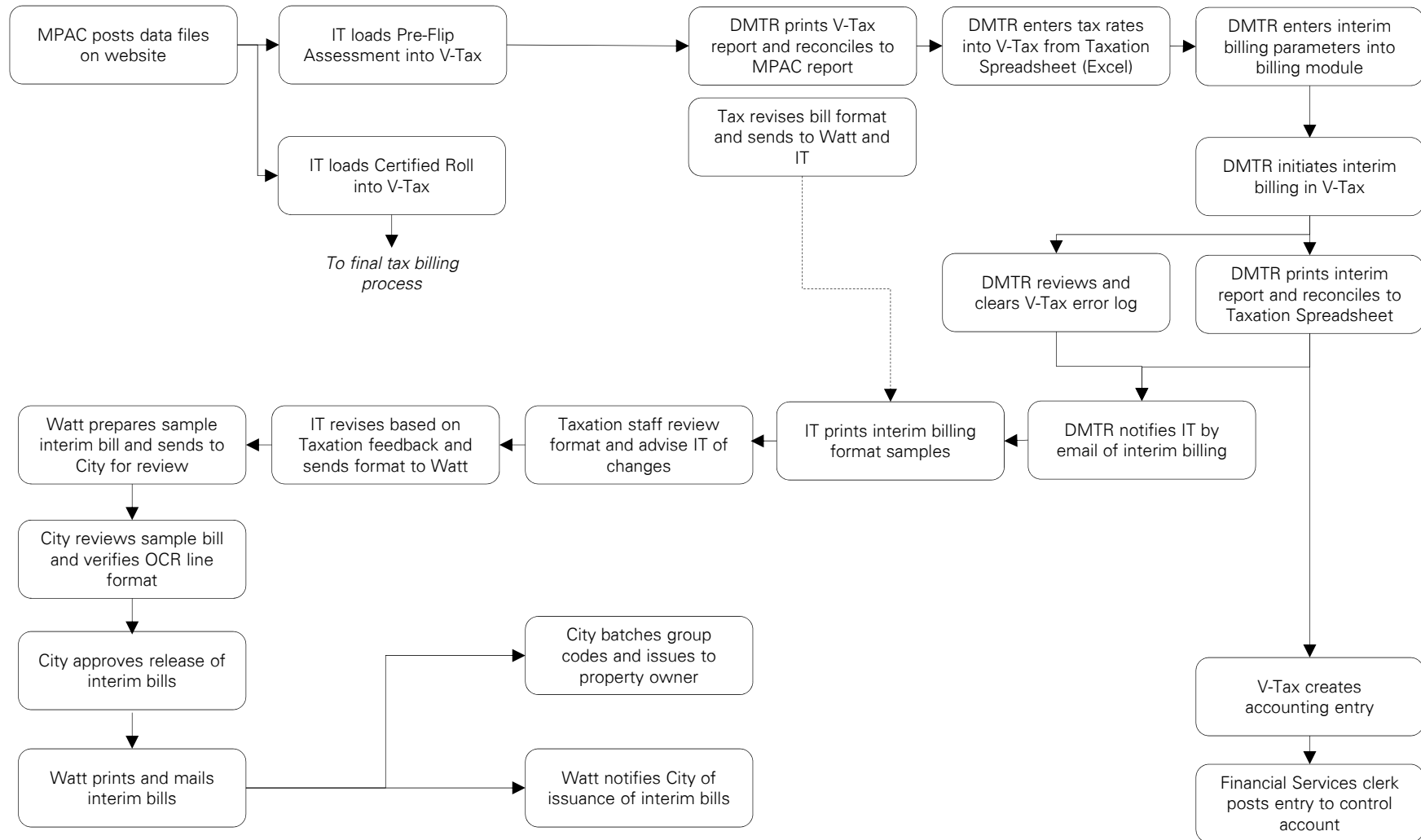


Introduction

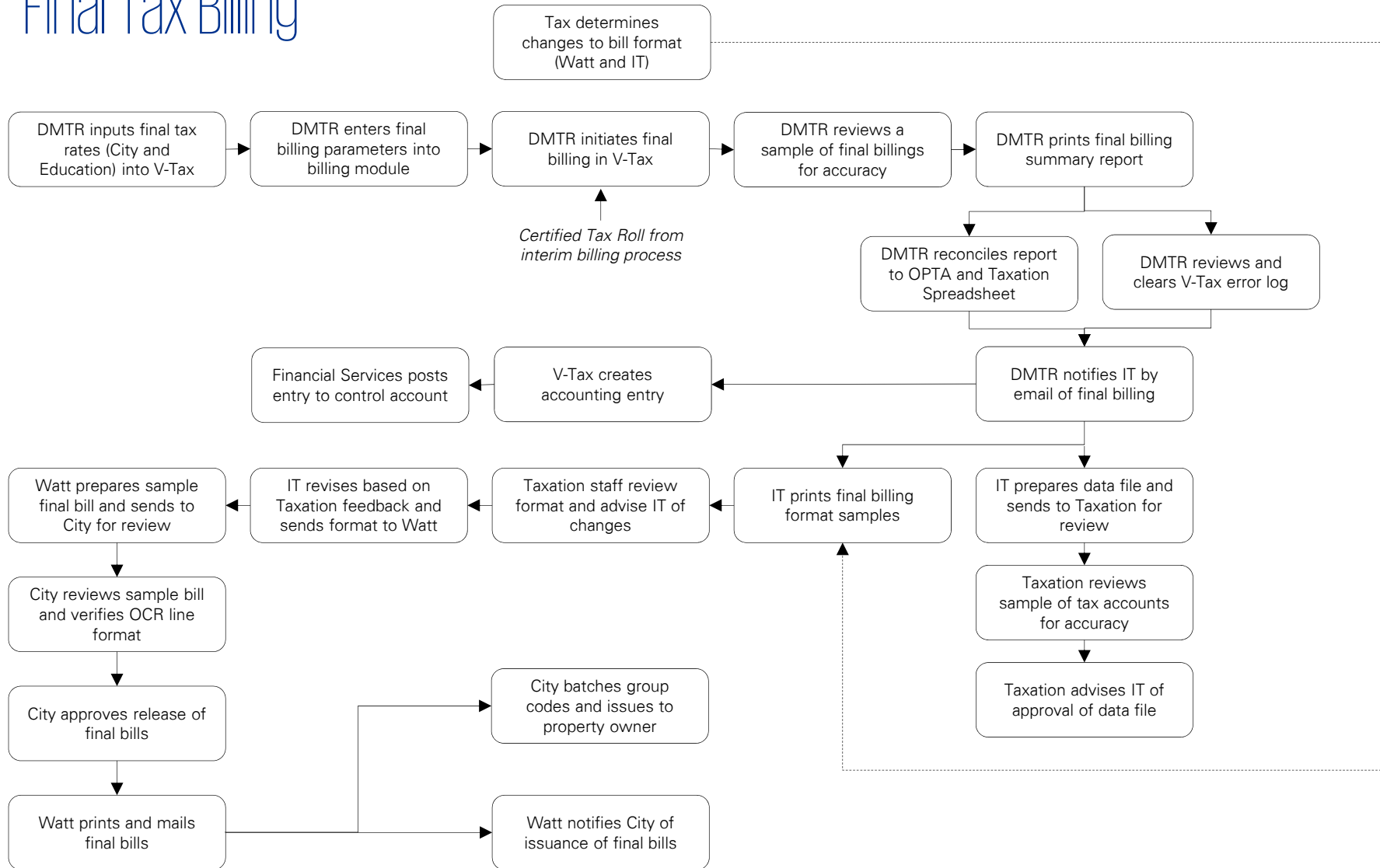
For the purposes of the taxation process workflows, the following abbreviations have been used:

- Division Manager – Taxation and Revenue DMTR
- Manager – Taxation and Accounting Services MTAS
- Manager – Customer Service and Assessment MCSA
- Customer Service Representative CSR

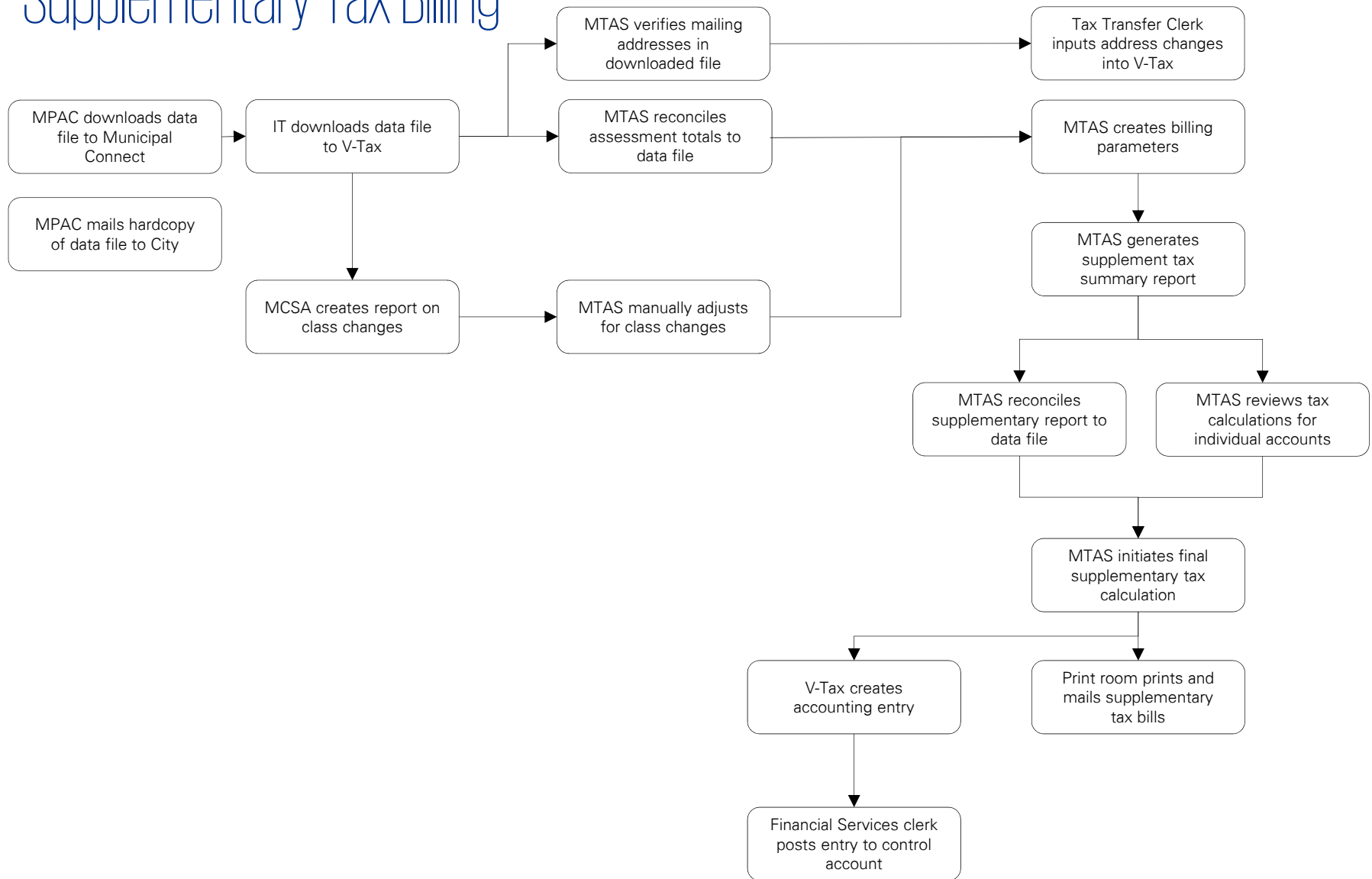
Interim Tax Billing



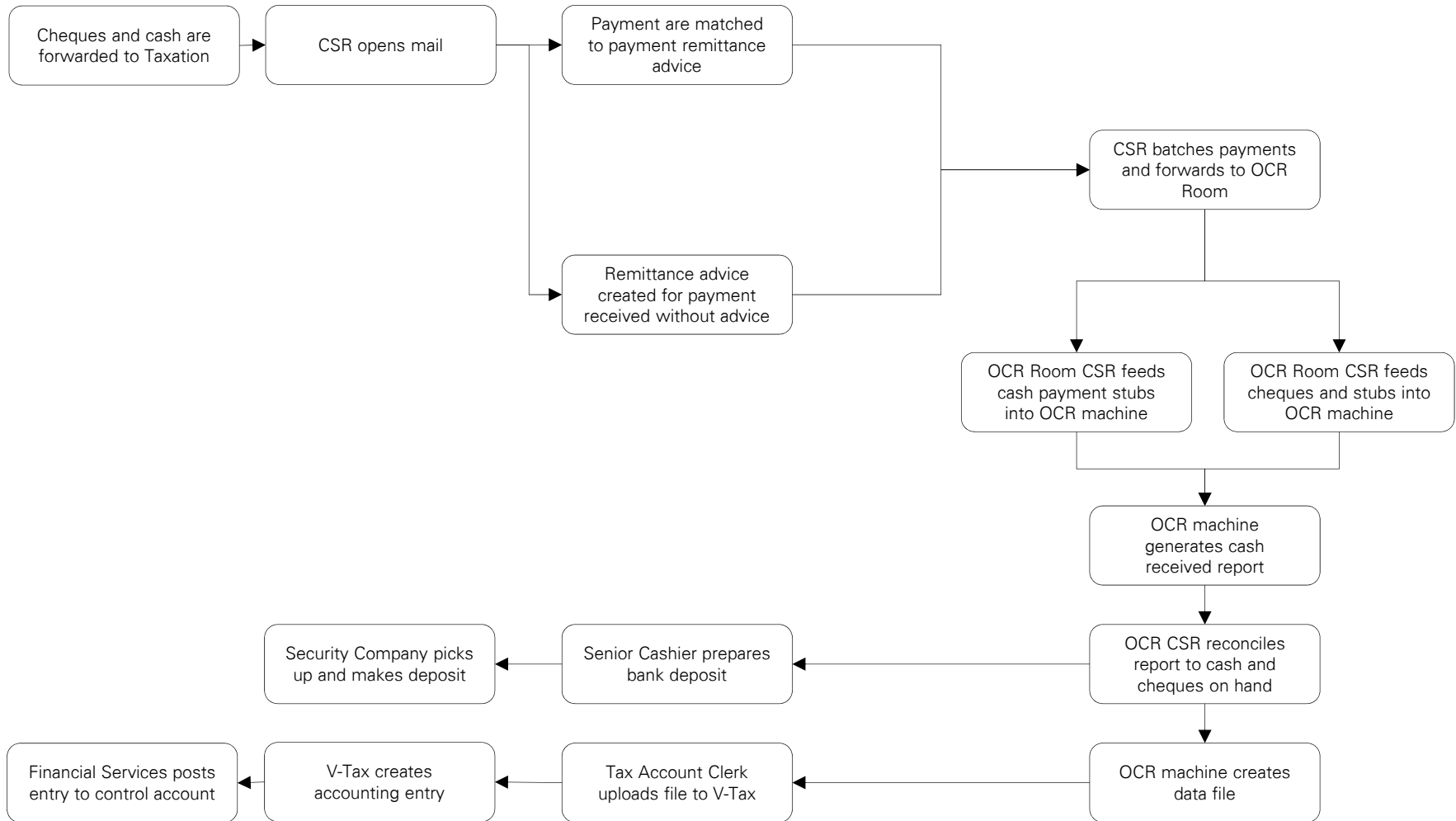
Final Tax Billing



Supplementary Tax Billing

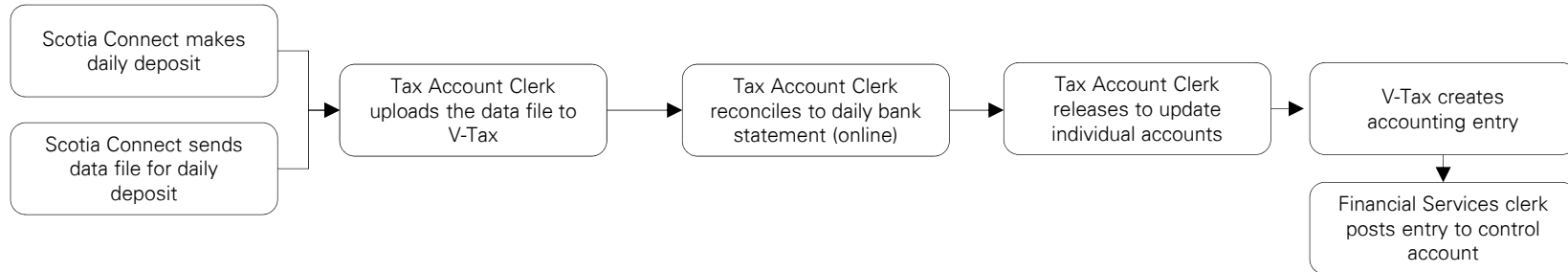


Payment Processing (Cheques and Cash)

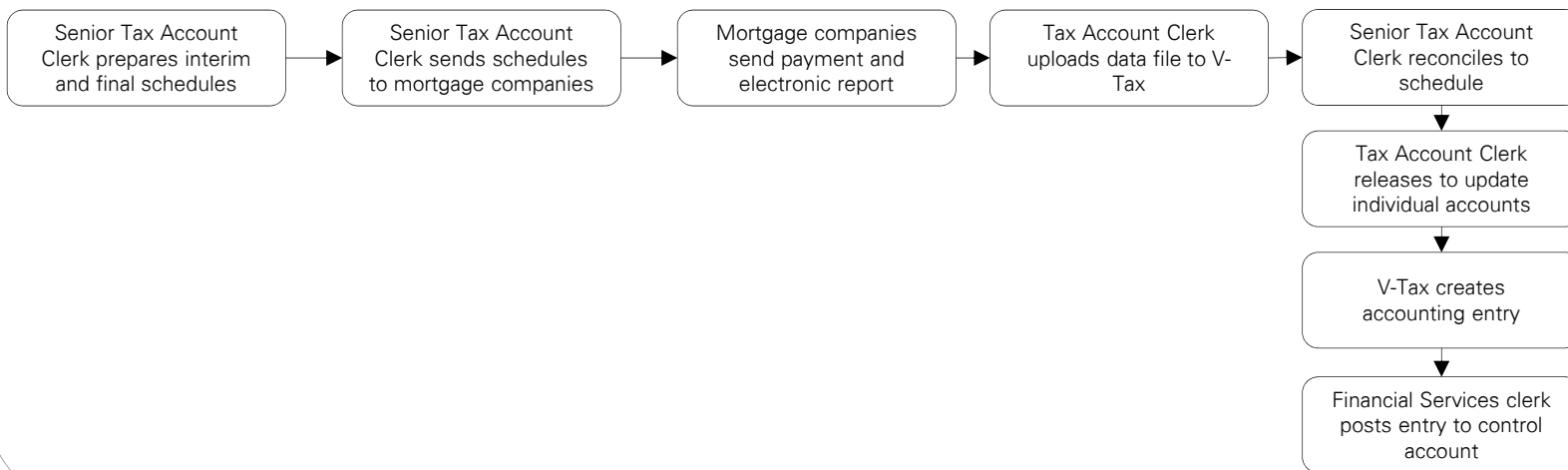


Payment Processing (Online, Telephone and Mortgage Companies)

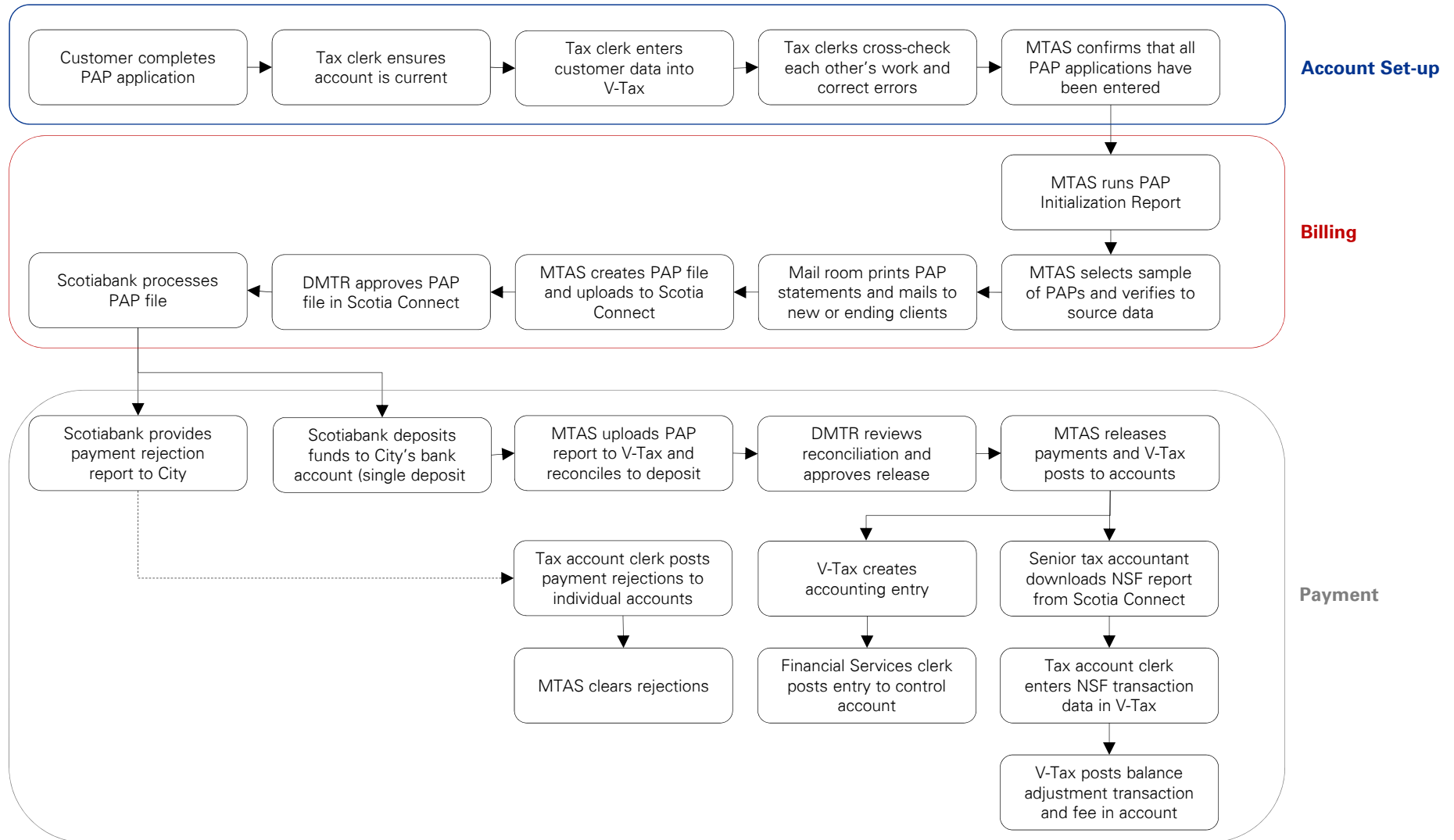
Online and Telephone Banking



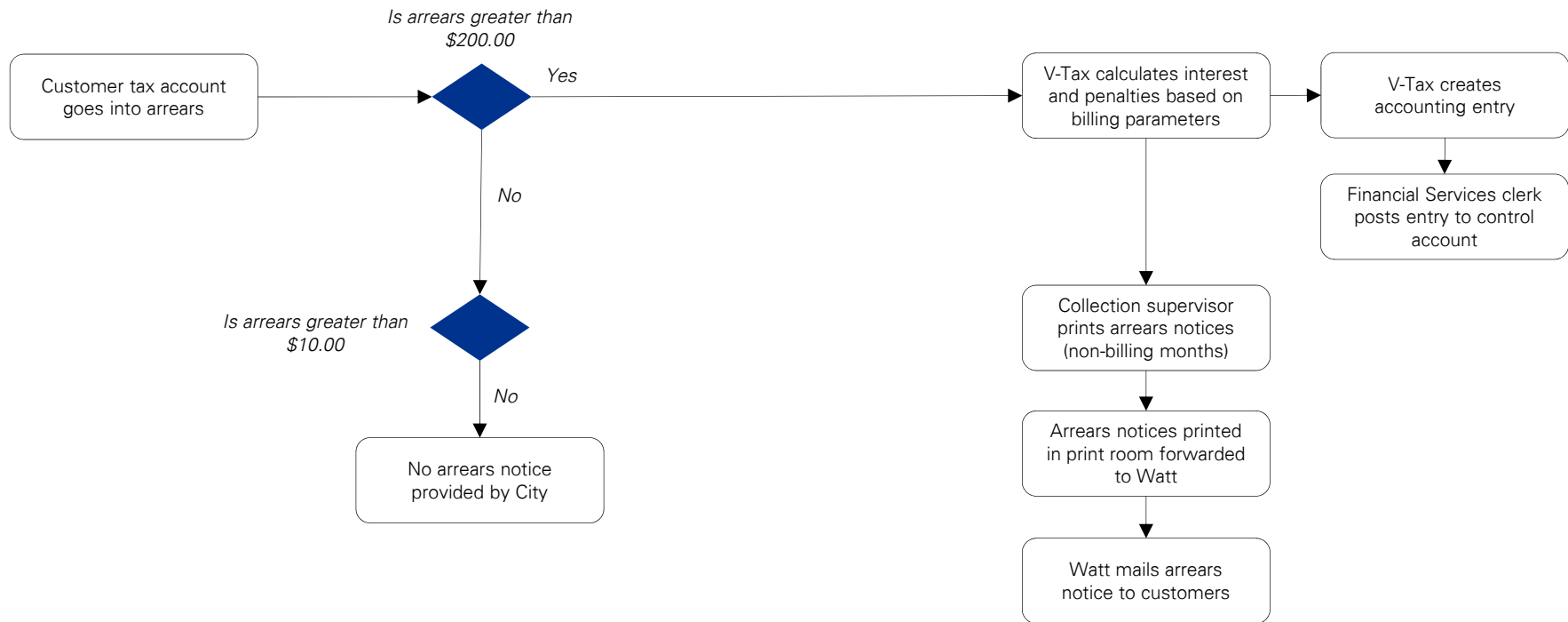
Mortgage Companies



Pre-Authorized Payments (Account Set-up, Billing, Payment)



Arrears Notices

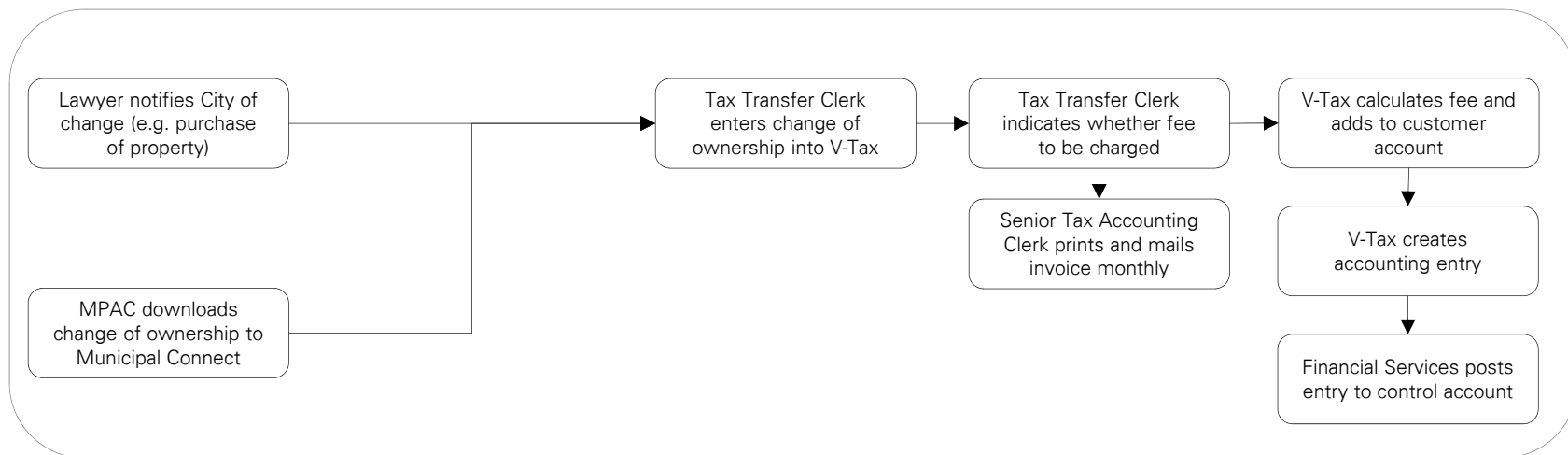


Tax Certificates and Tax Account Changes

Tax Certificate



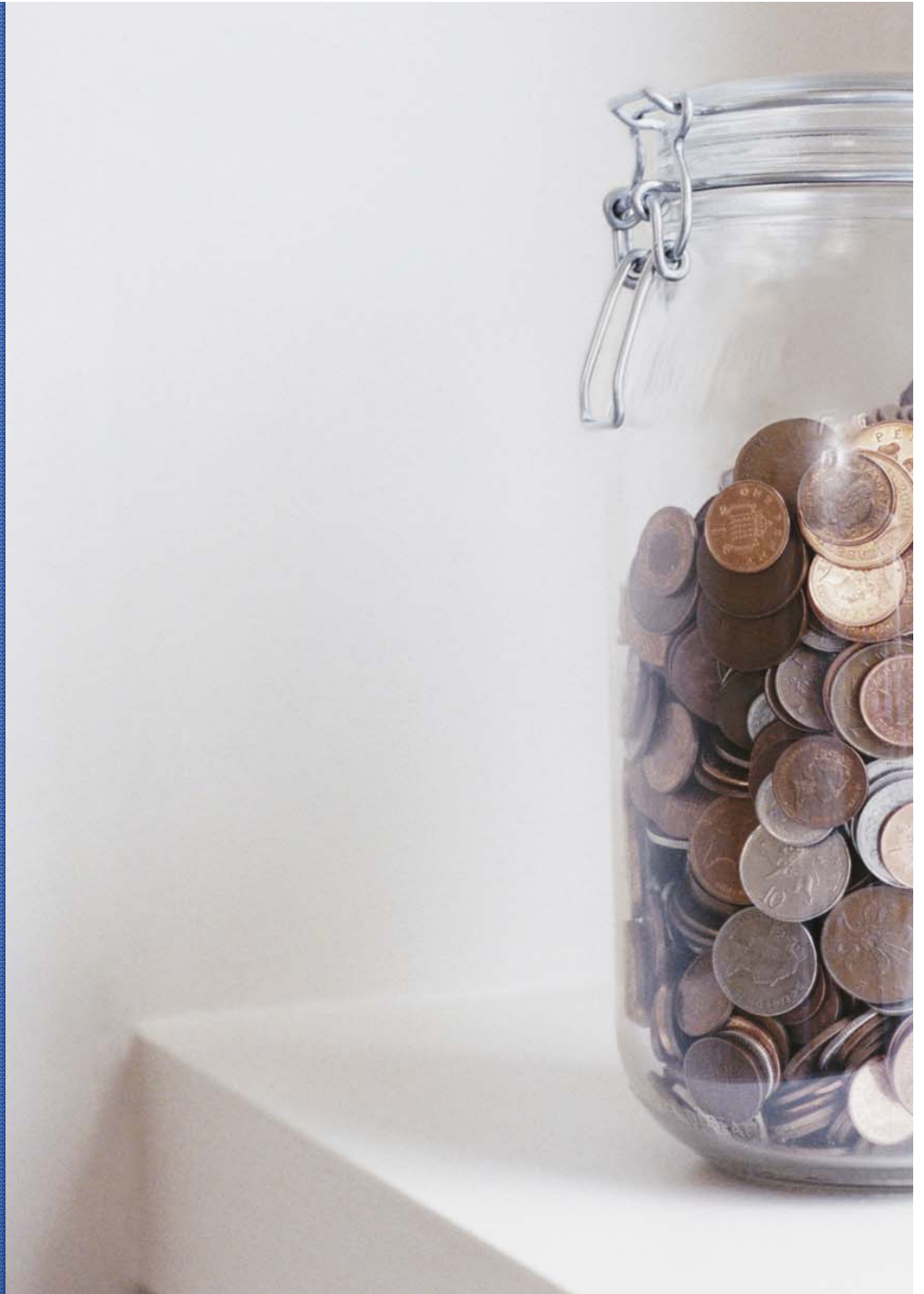
Tax Account Change





City of London Service Review

Appendix B Taxation Cost of Service Analysis



CITY OF LONDON

Cost of Service Analysis Taxation User Fees

	Reference	Tax Certificate	Ownership Change	New Account	Past Due Notification	Duplicate Tax Bill Printing	NSF Returned Cheque	Average
Estimated direct time required for completion (in minutes)	(note 1)	90	60	120	15	30	80	
Estimated hourly rate (labour plus benefits)	(note 2)	\$ 45.05	45.05	45.05	45.05	45.05	45.05	
Total direct labour cost		\$ 67.57	45.05	90.09	11.26	22.52	60.06	49.43
Total direct non-labour costs (postage, printing)	(note 3)	\$ 1.00	1.00	1.00	1.00	1.00	1.00	1.00
Total estimated direct cost		\$ 68.57	46.05	91.09	12.26	23.52	61.06	50.43
Estimated corporate allocation (4.55%)	(note 4)	\$ 3.12	2.09	4.14	0.56	1.07	2.78	2.29
Estimated capital allocation	(note 5)	\$ 9.39	6.31	12.48	1.68	3.22	8.36	6.91
Total estimated cost of service		\$ 81.08	54.45	107.71	14.50	27.81	72.20	59.63
Current user fee		\$ 57.00	37.00	67.00	8.00	26.00	45.00	40.00
Current user fee as a percentage of total estimated cost of service		70%	68%	62%	55%	93%	62%	67%

Notes:

- (1) Based on the process maps and consultation with City personnel. Represents the estimated average time required in minutes to complete the delivery of the service which includes:
- Tax certificates - Review of tax certificate request, review of tax account balance, issuance of tax certificate, posting of revenue to accounting system
 - Ownership change - Review of tax ownership change documentation, updating of V-Tax, printing and mailing of invoice, posting of revenue to accounting system
 - New account - Download of data file to V-Tax, verification of mailing address, review of tax calculation, posting of revenue to accounting system, print and mailing of tax bill
 - Past due notification - Printing of arrears notice, posting of entry for interest and penalty
 - Duplicate tax bill printing - Receipt of duplicate bill request, printing and mailing of duplicate bill, posting of revenue to accounting system
 - NSF returned cheque - Download of NSF report from Scotia Connect, NSF transaction entered into V-Tax, posting of NSF entry to control account
- (2) Based on the average hourly wage cost for taxation personnel and a provision of 25% for employee benefits.
- (3) Estimated to be \$1.00 per transaction for the cost of printing, envelope and postage.
- (4) Corporate allocation costs have been estimated as follows:

2019 Budget	Financial Services	Payroll	Human Resources	Facilities	Information Technology	Total Corporate Expenses
Total budgeted operating expenses by service (in thousands)	\$ 2,129	1,299	6,324	23,559	18,469	51,780
Total City budgeted operating expenses (in thousands)	\$ 1,138,459	1,138,459	1,138,459	1,138,459	1,138,459	1,138,459
Corporate allocation	0.19%	0.11%	0.56%	2.07%	1.62%	4.55%

- (5) During the 2018 fiscal year, the City reported amortization expense for corporate support services equal to 13.1% of reported operating costs. Given that amortization expense is indicative of the annual requirement associated with capital expenditures, we have estimated the capital requirement associated with the delivery of the City's taxation services to be 13.1% of the operating costs of delivering the services (direct and corporate allocation).



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The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

TO:	CHAIR AND MEMBERS STRATEGIC PRIORITIES AND POLICY COMMITTEE MEETING ON FEBRUARY 4, 2020
FROM:	SCOTT STAFFORD MANAGING DIRECTOR, PARKS AND RECREATION AND ANNA LISA BARBON MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER
SUBJECT:	CITY OF LONDON SERVICE REVIEW: REVIEW OF SERVICE DELIVERY FOR MUNICIPAL GOLF

RECOMMENDATION

That, on the recommendation of the Managing Director, Parks and Recreation and the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer, the following actions **BE TAKEN**:

- a) the attached Appendix "A": City of London Service Review: Review of Golf Operations **BE RECEIVED** for information;
- b) Civic Administration **BE DIRECTED** to report back on Option 1 as presented by KPMG including holding a Public Participation Meeting (PPM); and,
- c) Civic Administration **BE DIRECTED** to take no further action regarding Options 2, 3, 4 as presented by KPMG;

PREVIOUS REPORTS PERTINENT TO THIS MATTER
--

City of London Service Review: Project Update, Strategic Priorities and Policy Committee, April 8, 2019

RFP 18-04: City of London Service Review – Consulting Services, Strategic Priorities and Policy Committee, March 26, 2018

London's Municipal Golf System 2011: Financial Performance and 2012 Business Plan, Community and Neighbourhoods Committee, November 1, 2011

Municipal Golf Task Force Recommendations, Community and Neighbourhoods Committee, June 14, 2011

Potential Closing of River Road – Additional Information, Community and Neighbourhoods Committee, March 8, 2011

London Municipal Golf System Update and Shift in Strategic Direction, Community and Neighbourhoods Committee, February 1, 2011

2019-2023 STRATEGIC PLAN LINKAGES

The City of London Service Review links to Council's Strategic Plan 2019 – 2023 strategic area of focus of 'Leading in Public Service', specifically:

- Increase efficiency and effectiveness of service delivery; and
- Maintain London's finances in a transparent and well-planned manner to balance equity and affordability over the long term.

PURPOSE

On April 8, 2019, the Strategic Priorities and Policy Committee (SPPC) received an update regarding the City of London Service Review. In addition to the review of service delivery for housing, this report identified two in-depth ("Deep Dive") reviews to be undertaken by KPMG which included the service delivery for municipal golf.

The following was also noted in the April 8, 2019 SPPC report in relation to Municipal Golf:

- The City of London currently operates three golf courses, Fanshawe, Thames Valley and River Road, which provide golfing, cart rentals, retail sales, and food and beverage services.
- Revenue generated from golf services may be insufficient to fund future required capital investment.
- KPMG will be undertaking a review of the service delivery model for municipal golf to ensure a sustainable long term service delivery of affordable quality golf opportunities.
- The service review may include the consideration of alternative strategies to maximize revenue from golf services.

This report presents the findings and recommendations from the review undertaken by KPMG for the service delivery for municipal golf (attached as Appendix "A"), provides background and historical context of London's Municipal Golf System, and offers recommendations from Civic Administration on next steps for City Council's consideration.

BACKGROUND

Today, London's Municipal Golf System consists of 90 holes, across three properties throughout the city including Thames Valley Classic (18 holes), Thames Valley Hickory (9 holes), Fanshawe Traditional (18 holes), Fanshawe Quarry (18 holes), Parkside Nine (accessible 9 holes) and River Road (18 holes).

Maps of all three properties are attached as Appendix "B" for reference.

Mission: To offer an affordable, accessible and amazing golf experience for Londoners.

2019 Municipal Golf System – By the Numbers:

- 1,836 members: 714 Senior (65+); 851 Adult (25-64); 271 Junior (9-18)
- # of rounds played = 104,667 (River Road = 13,752; Thames Valley = 45,365; Fanshawe = 44,550)
- # of guest rounds played = 35,292
- Golf Reserve Fund balance after 2019 season = \$260,000

London's Municipal Golf History

London's Municipal Golf System has a long history of providing affordable and accessible golf to the community, dating back to 1924. Over the past 95 years, green fees and other golf revenues have been used to cover all operating expenses, fund capital improvements and to expand the system. This means the system has historically operated without municipal tax subsidy. During the late 1990's and early 2000's, the municipal golf system contributed over \$1,000,000 in funding for other municipal recreational endeavours:

- Thames Valley opened in 1924 with a 6 hole golf course and expanded to 18 holes over time and eventually to 27 holes in 1931. It should be noted that from 1940-1945, during the Second World War, Thames Valley ceased golf operations to become a military camp.
- Fanshawe Traditional was constructed in 1957 and grew to 3 nine hole courses. In 1998, nine new holes were added creating two 18 hole courses with the second becoming known as the Quarry. In addition, the Parkside Nine, an accessible course, one of very few in the province/country, and free to play, was built in 1998.
- In 1991, River Road Golf Course, an 18 hole course, was constructed. This was done to take advantage of what was then considered an expanding golf market in the London and area and the potential of adding a course geographically in the southeast.

The timing of the course builds are not uncommon as the golf course construction industry has gone through three boom periods; the 1920's, 1960's and 1990's.

As mentioned above, the revenues generated from all golf activities fund operating expenses, capital improvements, and in the past, until the late 1990's, system expansion (more holes), which is the last time the system grew. The principle of a self-sustaining golf system has been around since the inception of the system in 1924, according to records, which recognizes that even the building of Thames Valley was funded through memberships.

London's Municipal Golf Courses and Service Reviews

The City of London's municipal golf system has been through previous service reviews, most recently in 2011. This review was completed by TE Golf Services, and the impetus for this was noted as follows: "Civic Administration has been growing increasingly concerned about the declining financial performance of the London Civic Golf Courses."

The staff report dated February 1, 2011 further explains: "Over its 85 year history municipal golf has paid for golf, which is operated without municipal tax subsidy. In recent years, as costs rose, golf rounds and associated revenues have declined. For many years, the system covered all operating costs, made healthy annual contributions to capital repairs and contributed additional surplus to offset other recreation costs. In 2010, the system produced its first operating deficit in ten years."

Based on the findings of the 2011 Service Review, civic administration recommended that River Road Golf Course be closed; that a new multi-year golf business plan focusing on the long-term viability of Fanshawe and Thames Valley be developed; that the lands of River Road golf course be repurposed as a City park; and that any decision be referred to a Public Participation Meeting (PPM).

The above recommendations were passed by Municipal Council on February 7, 2011 but following the public participation meeting on March 8, 2011, different direction was provided to civic administration. This direction included:

- The establishment of a Municipal Golf Task Force and associated guidelines.

- The development of a business plan (by May 2011) with specific emphasis on River Road Golf Course that would set the stage for continued operation of the course without the requirement of municipal subsidy.

This work was completed and reported to Municipal Council in June and November of 2011 respectively with some final decisions being made. Most notably, that River Road Golf Course would remain open and operational, and that the golf courses would be treated as a municipal golf system as opposed to individual golf courses. Other directions provided by Municipal Council, and as recommended by the Municipal Golf Task Force at this time included a focus on 3 main goals: improving the golf experience, increasing participation, and increasing revenues.

It is important to share this historical service review information as it reflects the last community and Council discussion on the future of London’s Municipal Golf System. It also provides insight and context into how the golf system currently operates in 2019.

London Municipal Golf System 2012-2019

In response to the aforementioned recommendations and resolutions of Municipal Council in 2011 (improving the golf experience, increasing participation, and increasing revenues), civic administration has implemented the following strategies and actions, as noted in the most recent 2015-2019 Municipal Golf Business Plan:

GOAL	STRATEGIES/ACTIONS
1) Improving Experience	<ul style="list-style-type: none"> • Course playability improvements, such as improved turf management practices, cart path construction and hole layout • Service enhancements, such as food and beverage, cart rentals, membership structures and fees
2) Increasing Participation	<ul style="list-style-type: none"> • Creation and continuation of club events, tournaments, and leagues • Support high school golf programs • Introduction of golf junior camps into recreational/spectrum offerings
3) Increasing Revenues	<ul style="list-style-type: none"> • Introduction of a variety of membership structures, green fees and guest fees • Contracted 3rd party re-seller agreements • Increasing cart availability • Introduction of sponsorship and advertising program (started in 2019)

Despite all the above strategies and actions taken by civic administration, financial challenges still exist.

Capital Funding in a ‘Golf pays for Golf’ Environment

Capital planning and re-investment in a “golf pays for golf” environment is challenging. It requires land and playability (i.e. cart paths, greens, irrigation, etc.) as well as structure (pro-shops, bathrooms, maintenance shops, etc.) investments. The golf reserve fund is the only source of financing available for both areas of investment, and contributions to this reserve fund are directly impacted by the ebbs and flows of participation, economic and market conditions and unfavorable weather patterns. This often presents a challenge in the prioritization of both short and long term needs and can often result in the deferral of important capital works, pushing assets past ideal life-cycle replacement timelines. It is

important to note, that this financing approach is different than all other assets in the Parks and Recreation portfolio.

As noted earlier in this report, and also in KPMG's findings (Appendix 'A'), revenue generated from golf services may be insufficient to fund future required capital investment.

According to the 2019 Corporate Asset Management report (Section 11, page 240), "Golf courses are generally maintained in 'Good' to 'Very Good' condition as required for playability. Golf buildings, including clubhouses and other on course facilities like washrooms, concessions and maintenance buildings, have less priority than the golf courses and are predominantly in 'Fair' to 'Very Poor' condition. The condition of some golf building assets indicates short term investments are required."

Other important information from 2019 Corporate Asset Management Plan related to Municipal Golf System (CAM 2019 only reflects capital needs for buildings and structures, not golf course improvements or needs):

- Replacement value of all golf assets = \$20,578,000
- Average annual funding gap of \$615,000 or a 10-year funding gap of \$6,145,053:
 - Thames Valley Golf Course = \$3,577,363
 - River Road Golf Course = \$881,317
 - Fanshawe Golf Course = \$1,686,372

With the current balance in the golf reserve fund being approximately \$260,000 and future contributions being directly tied to revenues generated, civic administration believes that there is insufficient funding in a "golf pays for golf" environment to fund all future required capital needs. The largest factor in realizing insufficient funding moving forward, is the annual operating losses at River Road Golf Course, which has a large impact on the golf system's ability to contribute to the reserve fund annually.

REPORT FINDINGS & RECOMMENDATIONS

Detailed information on the Service review for municipal golf conducted by KPMG is attached in Appendix "A". KPMG has provided four options for the Council to consider with respect to the future of the municipal golf system.

Civic Administration notes that public consultation was not included in the scope and therefore not conducted as part of the review. Civic Administration is recommending that as part of next steps, should Council wish to proceed, that a public participation meeting be held as part of the next steps.

PROPOSED PROCESS/NEXT STEPS

Civic Administration is recommending a report back to Committee and Council on Option 1 (the closure of River Road golf course) as presented by KPMG. This report back will provide Council the necessary information to decide on the future of the River Road property. Staff are supportive of reporting back on this option for the following reasons:

- River Road golf course is experiencing on-going financial losses;
- Since 2012, River Road has experienced a 37.5% reduction in rounds played;
- KPMG's report indicates, "discontinuance of River Road is the preferred approach to reducing the size of the City's golf system in the event that the City determines a reduction is necessary"
- Revenue generated from the Golf System is insufficient to fund future capital

Civic Administration is also recommending that no further action be taken on Options 2, 3, and 4 as presented by KPMG. Staff are recommending no further action for the following reasons:

- The community is not over-serviced nor under-serviced when it comes to the supply of golf;
- A reduction of 45 holes from the current Municipal Golf System creates risk and could further decrease rounds played, memberships, and in turn, revenue;
- Financing, from an unidentified source would be required to re-work course layouts and design;

As part of the recommended report back regarding Option 1 as presented by KPMG, civic administration will bring back revised capital plans, options to alleviate infrastructure gap, and options to maximize properties for secondary uses. Such options may include the creation of neighbourhood hubs, senior satellite sites and/or community centres. It is important to note that the City of London did submit an application through the Investing in Canada Infrastructure Program (ICIP): Community, Culture and Recreation stream, for Thames Valley Golf Course, and more specifically, “convert the clubhouse to an all season community centre for year round resident use.”

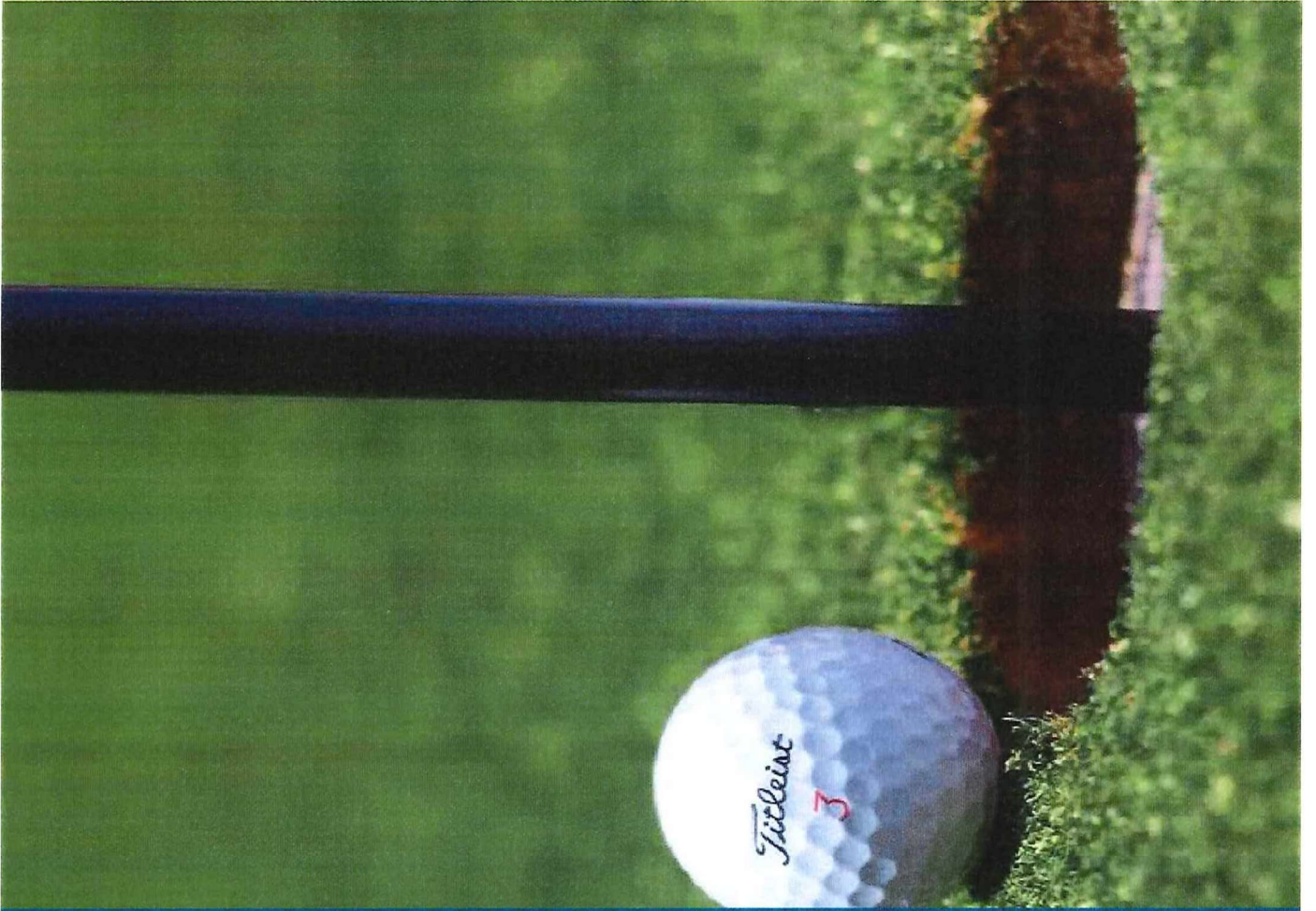
PREPARED BY:	PREPARED BY:
JON-PAUL MCGONIGLE, DIVISION MANAGER, CULTURE, SPECIAL EVENTS AND SPORT SERVICES	MARK JOHNSON, BUSINESS PLANNING PROCESS MANAGER
RECOMMENDED BY:	RECOMMENDED BY:
SCOTT STAFFORD, MANAGING DIRECTOR, PARKS AND RECREATION	ANNA LISA BARBON, MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER



City of London Service Review

Review of Golf Operations

Final Report
January 23, 2020



Introduction to the Review

A. The City of London Service Review

Pursuant to the terms of RFP 18-04, the City of London (the 'City') has engaged KPMG to undertake a service review, the overall goals of which included:

- Developing a better understanding of the relevance, effectiveness and efficiency of City programs and services, as well as those offered by selected Agencies, Boards and Commissions;
- Identifying gaps in service that present opportunities for financial and time efficiencies, continuous improvement, and alignment with the City's strategic goals.

The 2018 Service Review project is part of a larger process begun in 2016 in response to direction by City Council to identify \$4 million in annual permanent operating budget reductions by 2019 that were built-in to the approved 2016 - 2019 Multi-Year Budget. As well, the opportunities identified through the 2018 Service Review are intended to create capacity and/or mitigate budget pressures anticipated for the next Multi-Year Budget (2020-2023).

During the course of the review, KPMG prepared a list of opportunities for consideration by the City to pursue for further analysis. While a high level analysis of all opportunities was undertaken with respect to potential financial impacts and implementation considerations, the review also involved the prioritization of the identified opportunities based on financial and non-financial considerations, with priority opportunities further refined through the completion of individual detailed reviews. Overall, three opportunities were selected for more detailed analysis, including a review of the City's golf operations.

The City currently operates three golf properties through the use of City employees (three full-time non-union, five full-time unionized and 85 casual). The selection of the City's golf operations for further analysis reflects the following factors:

- The operation of golf courses is a discretionary service that is also offered by the private sector;
- The financial performance of the City's golf courses varies, with one course experiencing ongoing financial losses;
- The City is expecting to incur major capital investments relating to its golf operations, with 2019 Corporate Asset Management Plan identifying a funding gap of approximately \$6 million over ten years for both aesthetic improvements and major systems; and
- The City could consider alternative service delivery approaches (e.g. contracting out) as a means of potentially reducing costs.

The detailed review is intended to evaluate the rationale for the City's operation of golf courses, potential changes to its service delivery model and other strategies that could enhance its financial performance.

Introduction to the Review

B. Structure of the Report

This report summarizes the results of our review of the City's golf services and is structured as follows:

- The **Current State Assessment** provides a summary of the City's golf operations, including an overview of its facilities, their utilization and financial performance. The current state assessment also includes an assessment of industry trends as well as the supply of and demand for golfing in the community.
- The **Opportunity Identification and Evaluation** provides an overview of potential opportunities for changes to the City's golfing operations.
- The **Suggested Course of Action** outlines potential strategies that could be adopted by the City with respect to its golf operations.
- The **Financial Analysis** provides a summary of the calculated financial impacts and key assumptions underlying the calculations.

C. Restrictions

This report is based on information and documentation that was made available to KPMG at the date of this report. We had access to information up to November 14th, 2019 in order to arrive at our observations but, should additional documentation or other information become available which impacts upon the observations reached in our report, we will reserve the right, if we consider it necessary, to amend our report accordingly. This report and the observations and recommendations expressed herein are valid only in the context of the whole report. Selected observations and recommendations should not be examined outside of the context of the report in its entirety.

Our review was limited to, and our recommendations are based on, the procedures conducted. The scope of our engagement was, by design, limited and therefore the observations and recommendations should be in the context of the procedures performed. In this capacity, we are not acting as external auditors and, accordingly, our work does not constitute an audit, examination, attestation, or specified procedures engagement in the nature of that conducted by external auditors on financial statements or other information and does not result in the expression of an opinion.

Pursuant to the terms of our engagement, it is understood and agreed that all decisions in connection with the implementation of advice and opportunities as provided by KPMG during the course of this engagement shall be the responsibility of, and made by, the City of London. Accordingly, KPMG will assume no responsibility for any losses or expenses incurred by any party as a result of the reliance on our report.

This report includes or makes reference to future oriented financial information. Readers are cautioned that since these financial projections are based on assumptions regarding future events, actual results will vary from the information presented even if the hypotheses occur, and the variations may be material.



Introduction to the Review

Comments in this report are not intended, nor should they be interpreted, to be legal advice or opinion.

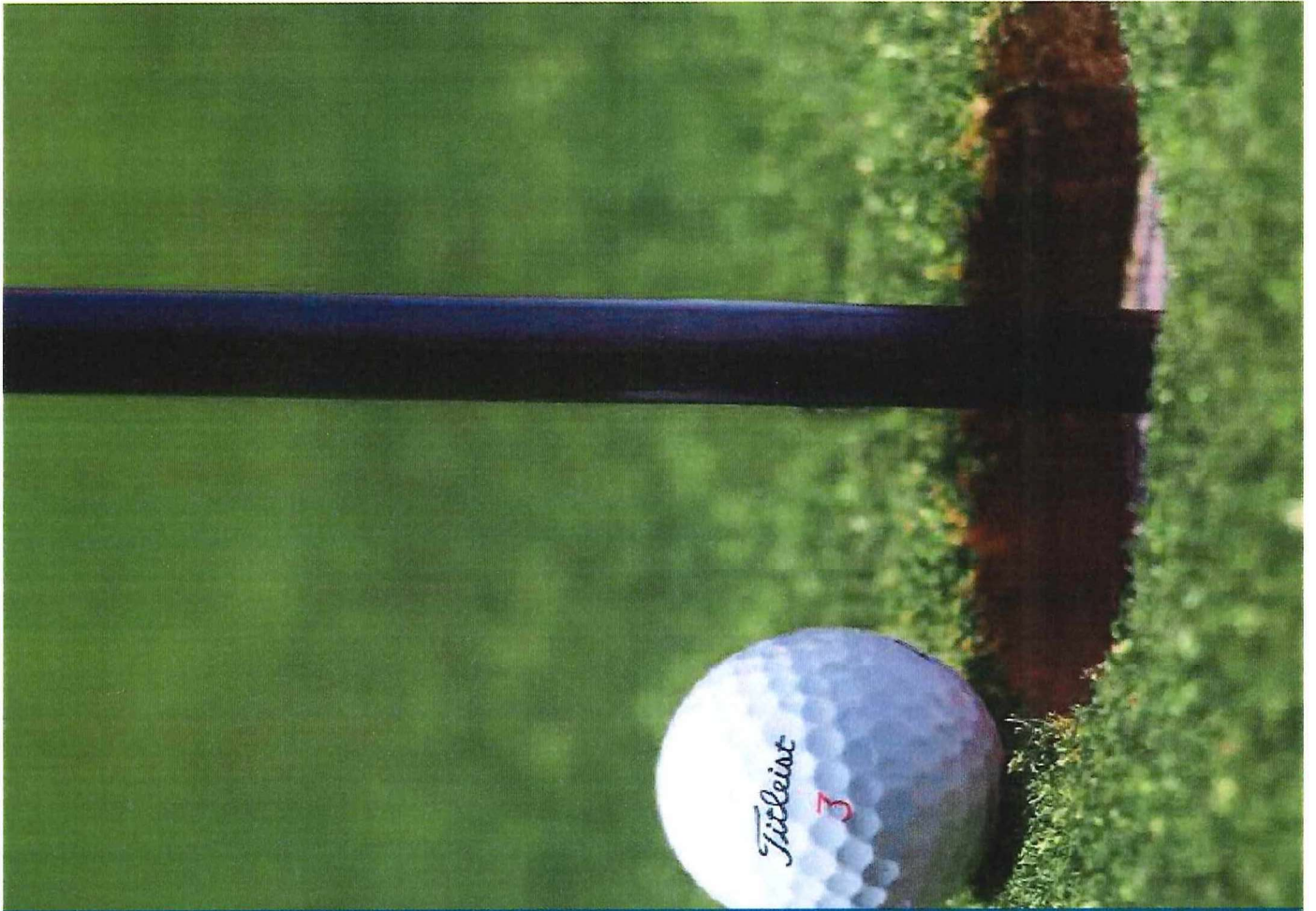
KPMG has no present or contemplated interest in the City of London nor are we an insider or associate of the City of London or its management team. Our fees for this engagement are not contingent upon our findings or any other event. While KPMG does provide auditing and other professional services to the City of London, the service review was conducted by KPMG partners and employees that are not involved in the provision of these services. Accordingly, we believe we are independent of the City of London and are acting objectively.



City of London Service Review

Review of Golf Operations

Current State Assessment



Current State Assessment

The City golf operations consist of three golf courses comprising of 81 conventional holes (one 9-hole course and four 18-hole courses) and a 9-hole course that is wheelchair accessible.

Course	Year Opened	Number of Holes			Notes
		Conventional 9-Hole Layout	Conventional 18-Hole Layout	Accessible Total	
Fanshawe Golf Course ("Fanshawe" ¹)	1958	-	36	9	Property is leased from the Upper Thames River Conservation Authority ("UTRCA")
Thames Valley Golf Course ("Thames Valley" ²)	1924	9	18	-	Property is owned directly by the City
River Road Golf Course ("River Road")	1992	-	18	-	Property is owned directly by the City
Total		9	72	9	90

A. Activity Levels

A total of 99,348 rounds of golf were played at the City's golf courses during 2018, with Thames Valley and Fanshawe accounting for 42.3% and 41.8% of rounds played, respectively.

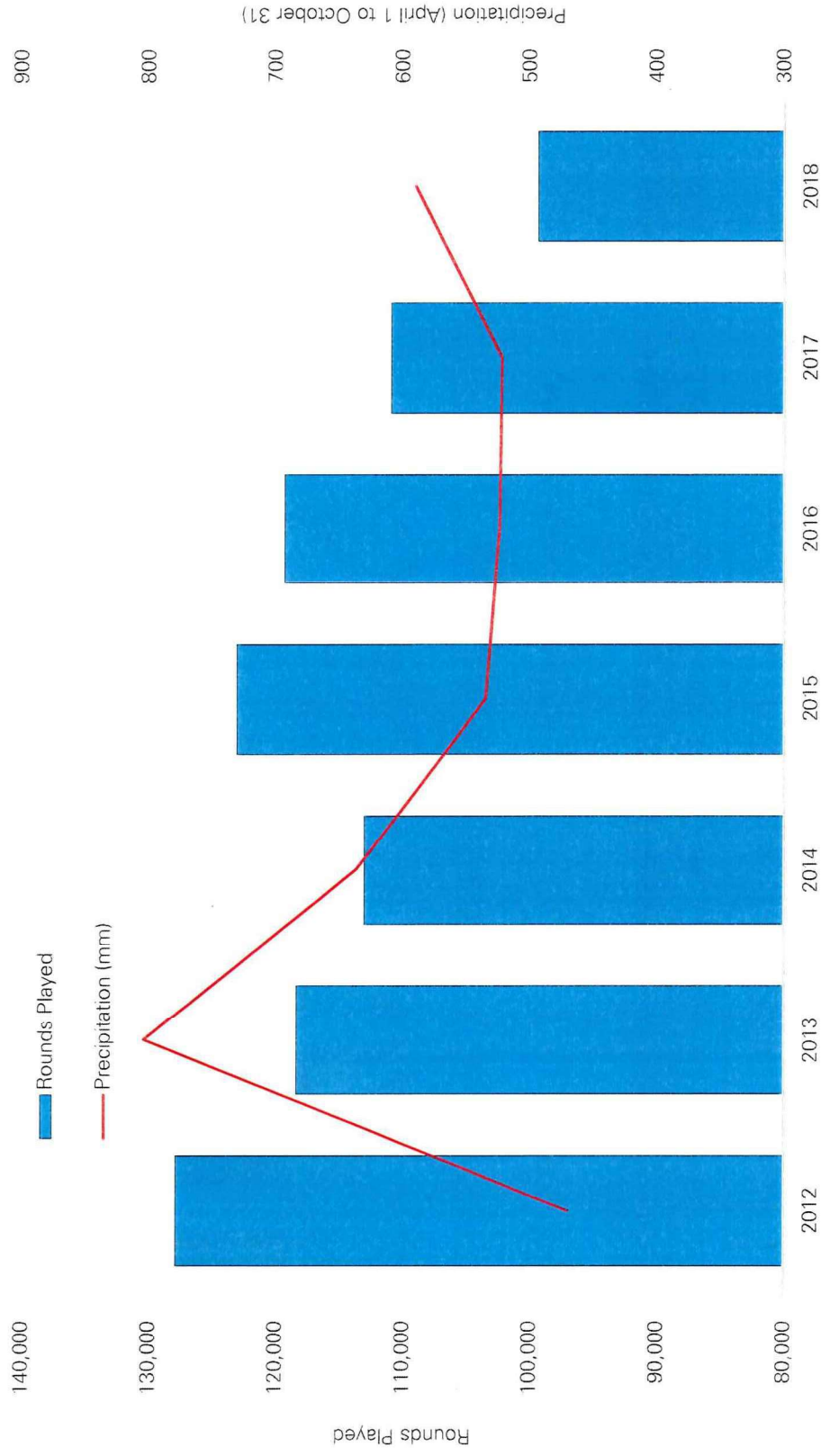
As noted on the following page, the number of rounds of golf played at the City's courses has decreased on an overall basis since 2012, with an average of 116,000 rounds played per year since 2012. An analysis of weather statistics for London (as provided by Environment Canada) indicates that the level of activity appears to be impacted somewhat by precipitation levels, with more rounds played during years with less rainfall. In addition, we were advised that pricing strategies undertaken by other London-area golf courses that offer higher quality golfing experiences have resulted in a loss of market share.

- 1 Fanshawe is comprised of (1) the 18-hole Traditional Course; (2) the 18-hole Quarry Course; and (3) the 9-hole Parkside Course (accessible to those with physical challenges).
- 2 Thames Valley is comprised of (1) the 18-hole Classic Course; and (2) the 9-hole Hickory Course.



Current State Assessment

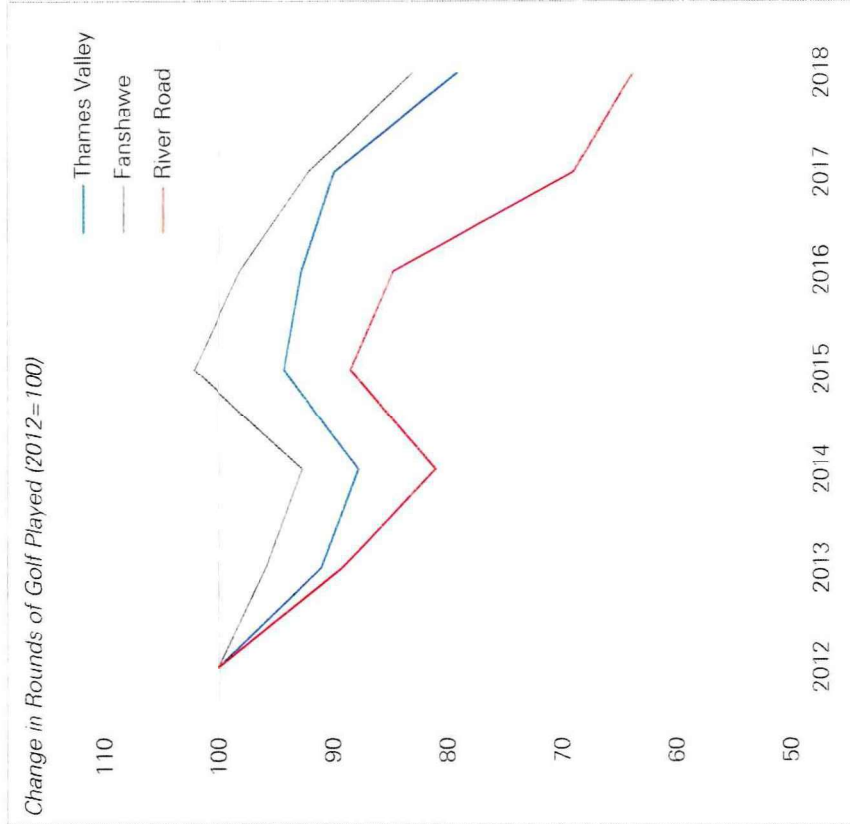
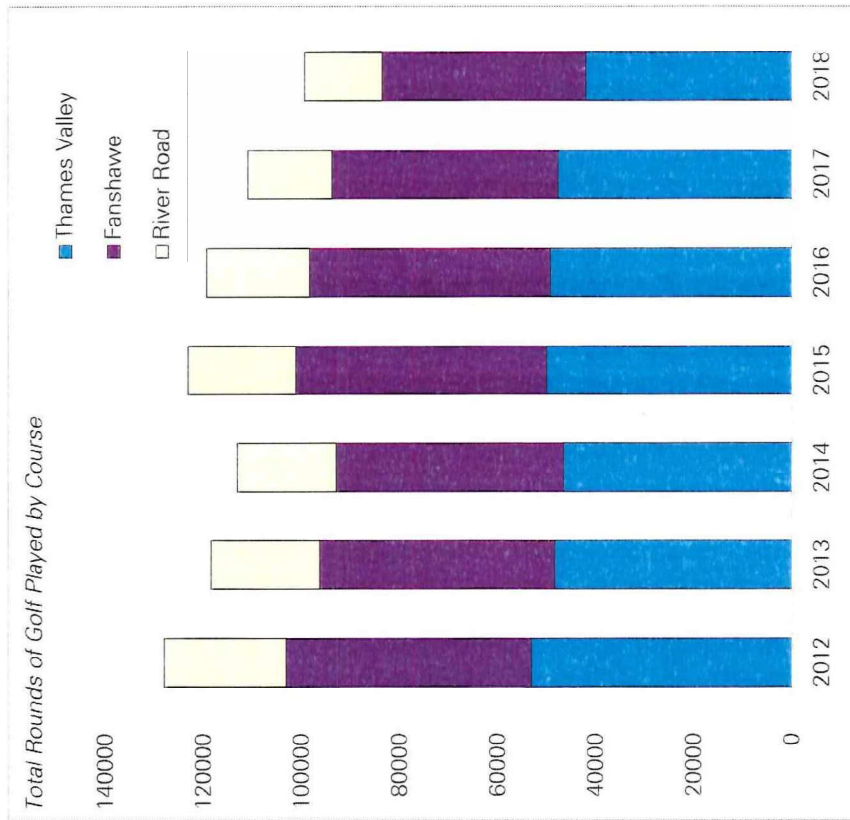
Total Rounds of Golf Played (All Courses) and Total Precipitation (April 1 to October 31)



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Current State Assessment

While all of the City's golf courses have seen a decrease in the number of rounds of golf played since 2012, the largest decreases during this time period have been experienced at River Road (37.5% decrease) and Thames Valley (20.9% decrease). Over the same period, Fanshawe has experienced a 16.7% decrease in the number of rounds of golf played.



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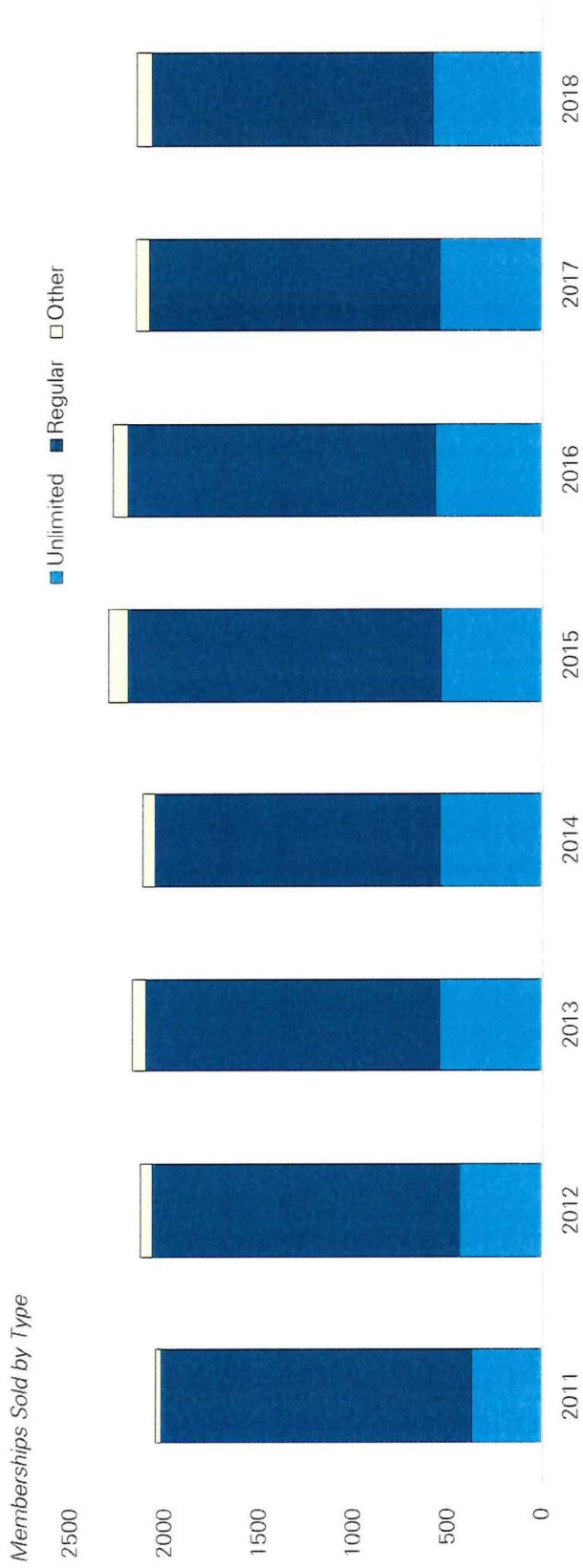
Current State Assessment

B. Membership Levels

The City's golf courses are open to the public (walk-on) and also sell memberships. Generally speaking, two classes of memberships are sold by the City³:

- Unlimited memberships, which provide unlimited access to all of the City's courses at no additional cost beyond the initial membership fee; and
- Regular golf memberships, which allow access to all of the City's courses with reduced green fees.

Member levels have remained fairly consistent over the past ten years, averaging just under 2,150 memberships per year. As noted below, regular memberships represent the most popular category of memberships sold by the City and account for approximately three-quarters of all memberships sold.

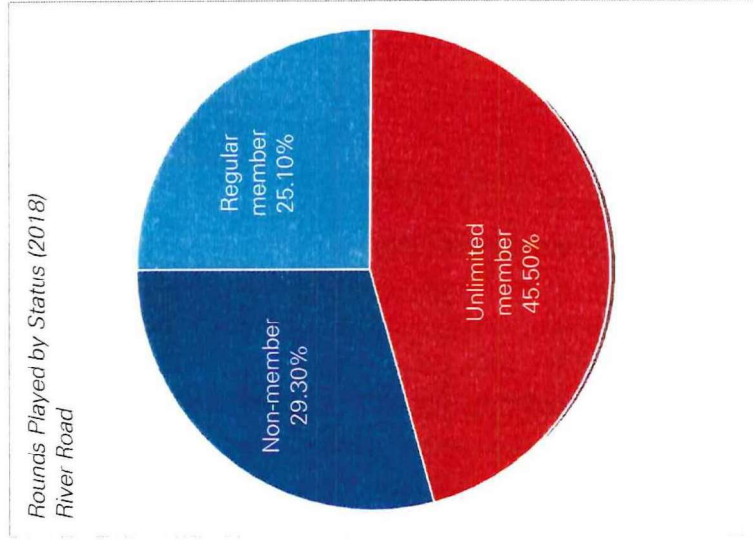
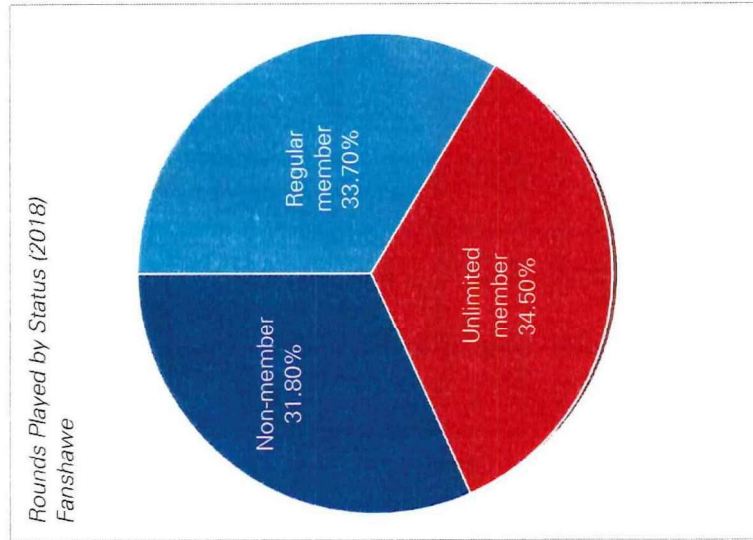
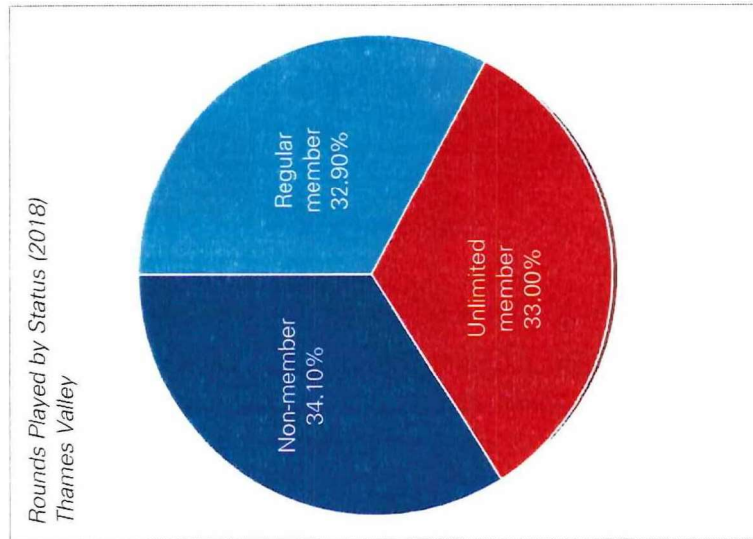


³ Memberships will also vary by age group (bantam, junior, adult, senior), weekday or weekend and other considerations.



Current State Assessment

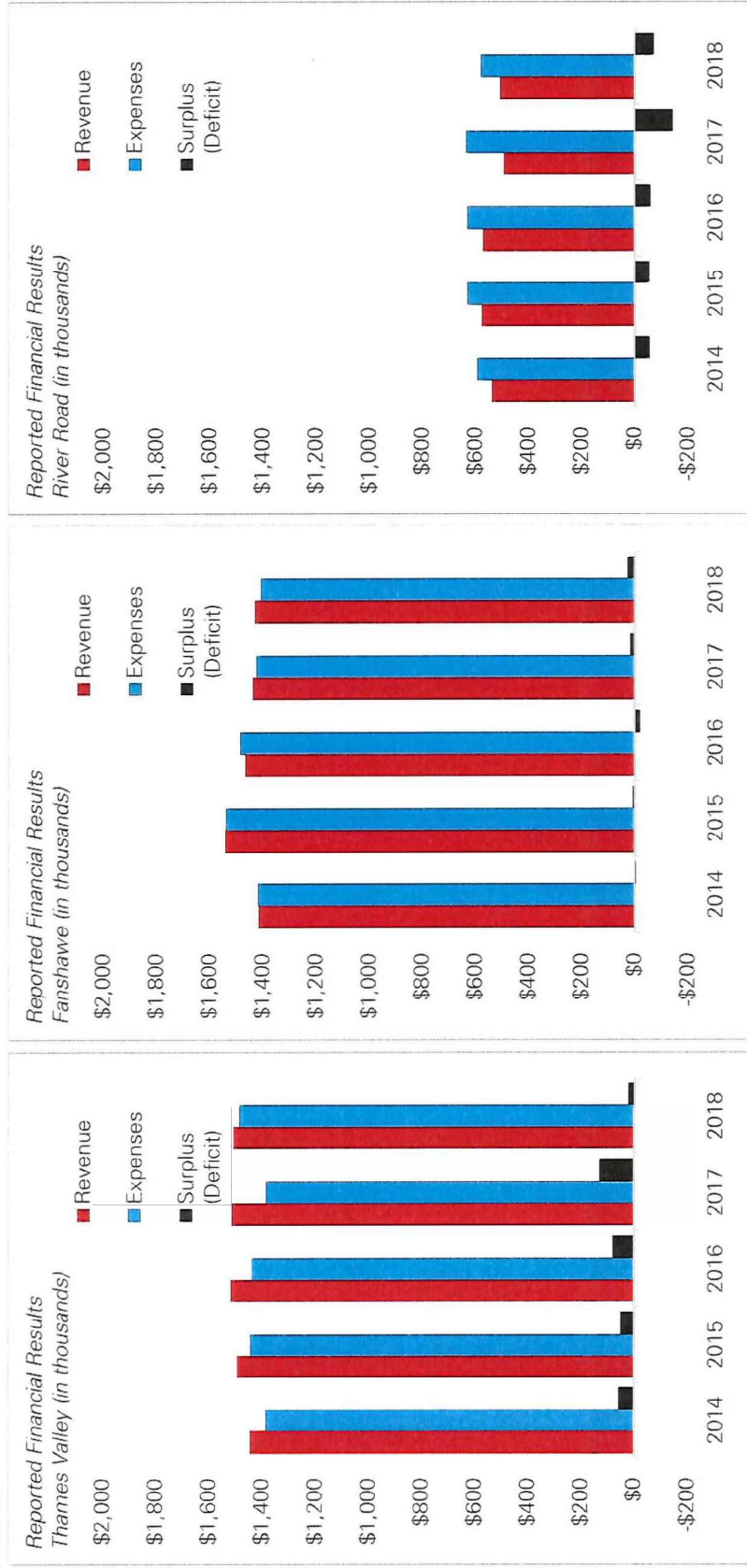
From an overall perspective, members (unlimited and regular) accounted for 67.6% of rounds played at the City's golf courses in 2018. While the distribution between members and non-members was generally consistent at Thames Valley and Fanshawe, River Road had a higher level of rounds played by members, particularly unlimited members, as opposed to non-members. This distribution is consistent with River Road's experience over the last five years, during which members accounted for between 70.0% and 72.4% of all rounds played.



Current State Assessment

C. Financial Performance

During 2018, the City generated a total of \$3.433 million in revenues from its golf operations compared to \$3.459 million in reported operating expenses, resulting in an overall deficit of \$26,858. As summarized on the following page, Thames Valley and Fanshawe reported positive financial results for the year, while River Road incurred a financial loss of approximately \$71,000. The 2018 financial results are generally reflective of financial performance of the City's golf courses over the past five years, with Thames Valley and Fanshawe reporting breakeven to positive financial results, while River Road has consistently incurred financial deficits.



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Current State Assessment

Financial Results for the Year Ended December 31, 2018	Thames Valley	Fanshawe	River Road	Total
Revenues:				
• Memberships sales	\$414,772	282,000	161,143	857,915
• Green fees (members)	186,581	215,367	58,583	460,531
• Green fees (non-members)	305,554	313,013	96,682	715,249
• Golf cart rentals	172,559	251,947	89,363	513,869
• Concessions (food and beverage sales)	224,270	267,600	59,158	551,028
• Merchandise sales	134,872	56,281	17,786	208,939
• Rentals, merchandise sales and other revenues	67,567	39,241	18,688	125,496
Total revenues	\$1,506,175	1,425,449	501,403	3,433,027
Operating costs:				
• Wages and benefits	\$739,296	736,077	353,133	1,828,506
• Cost of goods sold (food and merchandise)	287,335	158,403	26,432	472,170
• Equipment operation	152,814	206,281	75,982	435,077
• Materials, supplies and utilities	129,834	127,622	64,365	321,821
• Golf cart leasing costs	54,779	70,551	27,000	152,330
• Property taxes ⁴	-	55,493	-	55,493
• Other	120,541	48,107	25,840	194,488
Total operating costs	\$1,484,599	1,402,534	572,752	3,459,885
Surplus (deficit) before reserve transfers	\$21,576	22,915	(71,349)	(26,858)

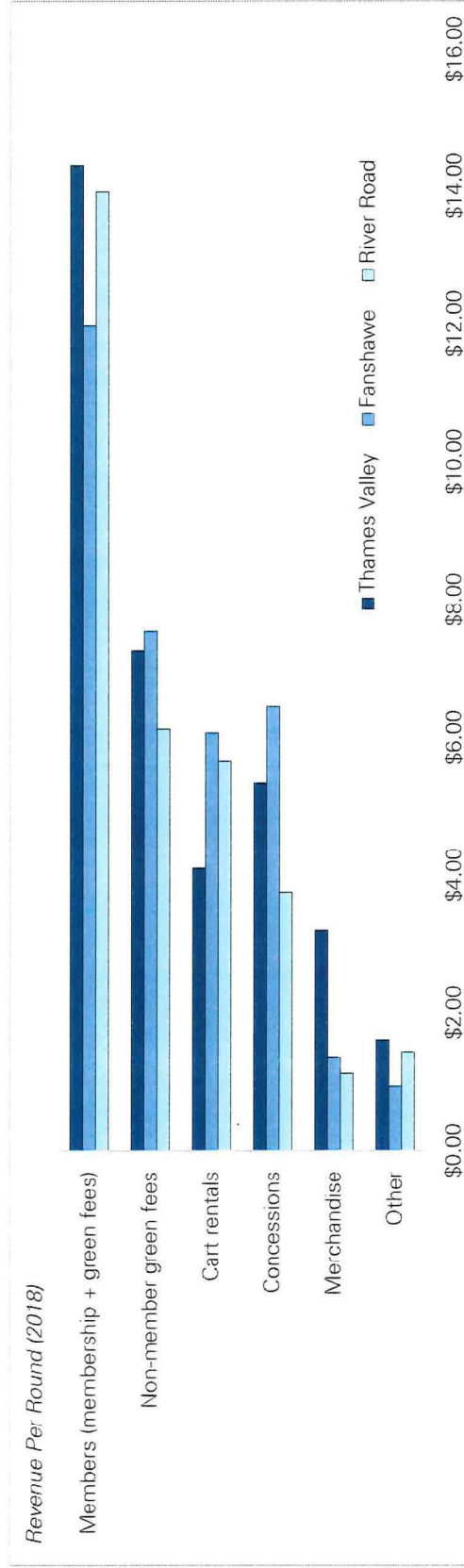
⁴ The City owns Thames Valley and River Road, and as such no property taxes are paid on these properties. As Fanshawe is leased from the UTRCA, the City is required to pay property taxes on the course.



Current State Assessment

During 2018, Thames Valley reported the highest revenue per round (\$35.82), with Fanshawe and River Road generating an average of \$34.33 and \$32.01 per round, respectively. The contributing factor to the differences in average revenue per round is different levels in non-golf revenues, with golf revenue (memberships, green fees and cart rentals) relatively consistent between the three courses.

Golf Property	Rounds Played	Revenue per Round (Amount)			Revenue per Round (Percentage)	
		Golf Revenue ⁵	Non-Golf Revenue ⁶	Total	Golf Revenue ⁵	Non-Golf Revenue ⁶
Thames Valley ⁷	42,045	\$25.67	\$10.15	\$35.82	71.7%	28.3%
Fanshawe	41,519	\$25.59	\$8.75	\$34.33	74.5%	25.5%
River Road	15,784	\$25.71	\$6.31	\$32.01	80.3%	19.7%



⁵ Golf revenue is comprised of memberships, green fees and cart rentals.

⁶ Non-golf revenue is comprised of concessions, merchandise sales and other revenues.

⁷ Thames Valley includes a 9-hole course that results in a lower average revenue per round in comparison to Fanshawe and River Road.

Current State Assessment

D. Key Themes

Based on the results of our review, we have identified a number of key themes relating to the City's golf operations.

1. While golf operations represent a discretionary service, there is precedence for municipal ownership of golf courses

As part of our review, we undertook an analysis of municipalities with populations in excess of 175,000 residents in order to assess the extent to which other large municipalities directly own and operate golf courses.

The results of our analysis indicate that municipal involvement in golf operations is relatively common, with eight of the 13 Ontario single and lower tier municipalities with populations in excess of 175,000 residents reporting municipal golf operations (62%). We note, however, that the extent of the City's involvement appears to be more pronounced than other municipalities that have golf operations:

- With a total of 81 conventional holes, the City's golf operations represent the largest for the selected communities (tied with Toronto in absolute terms).
- On a per capita basis, the City operates the most golf holes of the selected municipalities (21.1 holes per 100,000 residents vs. 5.0 holes per 100,000 for the selected municipalities that operate municipal golf courses). If the City were to reduce its involvement to a level consistent with the average of the selected municipal comparators, it would operate 18, 27 or 36 holes as opposed to the current system of 81 holes.

⁸ For the purposes of our analysis, we have excluded Parkside (nine holes) due to its unique nature (accessible for individuals with physical challenges)

Municipality	Population	Municipal Courses	Municipal Holes	Courses per 100,000 Residents	Holes per 100,000 Residents
Toronto	2,731,571	5	90	0.1830	3.2948
Ottawa	934,243	-	-	-	-
Mississauga	721,599	2	27	0.2772	3.7417
Brampton	593,638	1	9	0.1685	1.5161
Hamilton	536,917	3	54	0.5587	10.0574
London ⁸	383,882	3	81	0.7815	21.1002
Markham	328,966	-	-	-	-
Vaughan	306,233	-	-	-	-
Kitchener	233,222	2	36	0.8576	15.4359
Windsor	217,188	2	27	0.9209	12.4316
Richmond Hill	195,022	-	-	-	-
Oakville	193,832	-	-	-	-
Burlington	183,314	1	18	0.5455	9.8192
Average (excluding London)		2	37	0.5016	8.0423

Current State Assessment

2. The community of London does not appear to be overserved or underserved with respect to golf facilities when compared to other larger urban centres in Ontario

An analysis of golf courses for selected Ontario geographic areas (see next page) indicates that both the number of golf courses in London and the surrounding area and the number of holes is consistent with other larger population areas in Ontario (excluding the GTA). As a result, our analysis would support the conclusion that the London/Middlesex area, from an overall perspective, does not have an apparent need for additional golf courses/holes, nor is it operating with a significantly higher level of supply than other larger population centres.

3. The City appears to be a high cost service provider

The City's golf operations are staffed by three full-time non-union personnel (one per course), five full-time unionized greenkeepers and greenkeeper assistants and approximately 85 casual staff responsible for maintenance, sales and food and beverage services. Overall, wages and benefits account for 52.8% of operating costs in 2018. In comparison, financial indicators provided by Industry Canada indicate that on an overall sector basis, wages and benefits average 37.6% of total expenses, with the differential equating to approximately \$525,000 per year.

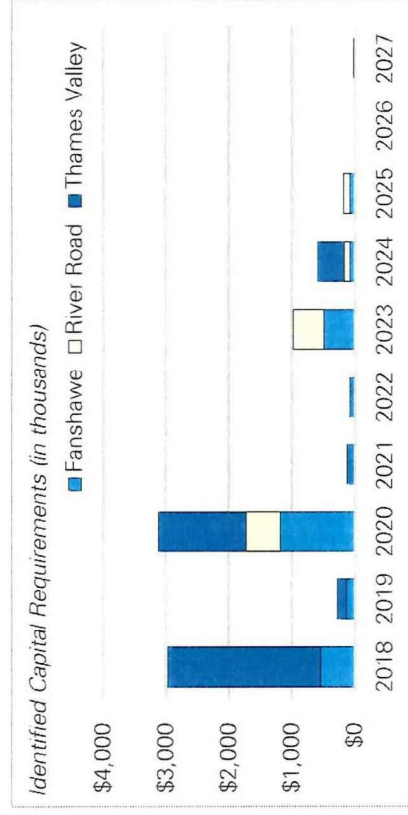
3. Reported financial information likely does not reflect the true cost of golf operations to the City's taxpayers

As noted earlier in our report, the City's financial analysis indicates that its golf courses traditionally operate at near breakeven of with a small financial surplus, resulting in no impact on the municipal levy. However, we note the following with respect to the reported financial results for the City's golf operations:

- The reported financial results for 2018 do not appear to include a contribution towards capital expenditures, meaning that any capital requirements in excess of operating surpluses will need to be funded by either the City's golf reserve (which amounts to \$0.315 million) or other sources, most likely taxation support. We note, however, that the golf operations generated positive cash flows that supported a contribution to capital reserves in prior years.

Based on discussions with City representatives, we understand that capital expenditures have not been significant in the past and have traditionally been funded through operating surpluses and the reserve fund. However, the 2019 Corporate Asset Management Plan has identified a ten year capital reinvestment requirement for aesthetic improvements and major systems of \$8.4 million. At the present time, there does not appear to be sufficient reserves available to fund these expenditures, with the City identifying a funding shortfall of approximately \$6 million.

While the reported financial results include direct labour costs, the cost of City staff providing support – including but not limited to personnel from the City's Parks and Recreation Department as well as corporate support functions (finance, information technology, human resources) – does not appear to be included in the reporting operating costs.



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Current State Assessment

Type of course	Public			Semi-Private			Private			Total			
	<18	18	27	36+	<18	18	27	36+	<18		18	27	36+
	Number of holes												
Golf Courses:													
London/Middlesex	2	4	-	-	1	18	1	1	-	8	-	-	
Hamilton/Burlington	5	7	1	-	-	8	3	3	-	5	1	-	
Windsor/Chatham	3	5	3	-	2	9	2	-	-	4	-	-	
Kitchener/Waterloo/ Cambridge/Guelph	1	-	1	-	3	16	5	1	1	7	2	-	
Niagara	1	2	-	1	6	15	2	1	-	4	-	-	
Average (excluding London/Middlesex)	3	5	2	1	4	12	3	2	1	5	2	-	

Type of course	Public			Semi-Private			Private			Total			
	<18	18	27	36+	<18	18	27	36+	<18		18	27	36+
	Number of holes												
Number of Holes:													
London/Middlesex	24	72	-	-	12	324	27	45	-	144	-	-	
Hamilton/Burlington	45	126	27	-	-	144	81	108	-	90	27	-	
Windsor/Chatham	27	90	81	-	18	162	54	-	-	72	-	-	
Kitchener/Waterloo/ Cambridge/Guelph	9	-	27	-	27	288	135	54	9	126	54	-	
Niagara	9	36	-	45	56	270	54	36	-	72	-	-	
Average (excluding London/Middlesex)	23	84	45	45	34	216	81	66	9	90	41	-	

Public – Public courses are open to the general public without restrictions.

Semi-Private – Semi-Private courses are open to the general public and also sell memberships that provide specific privileges to members (e.g. preferred times, reduced green fees). The City's golf properties are all considered to be semi-private courses.

Private – Private courses are open solely to members and not members of the general public.

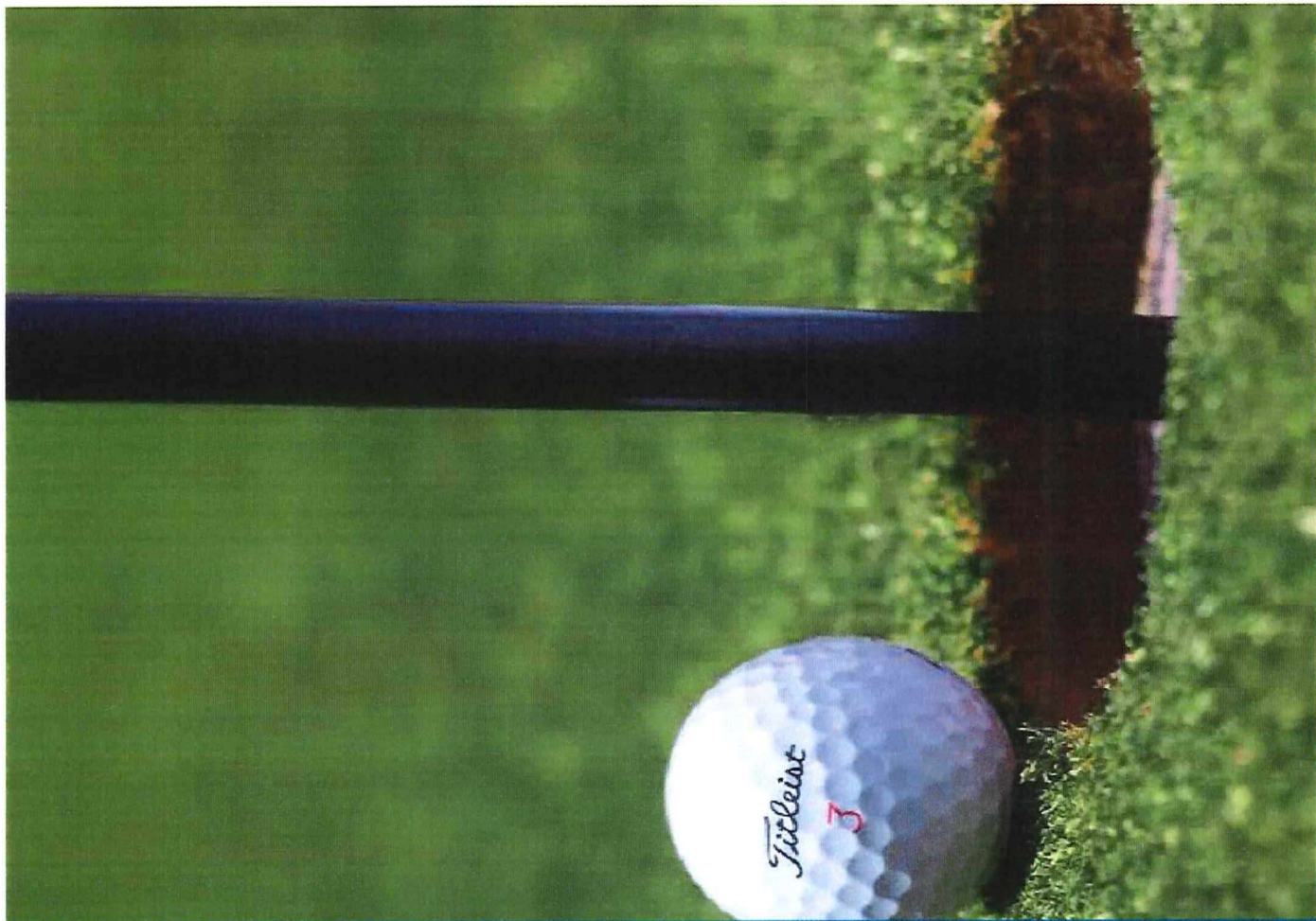




City of London Service Review

Review of Golf Operations

Opportunity Identification and Evaluation



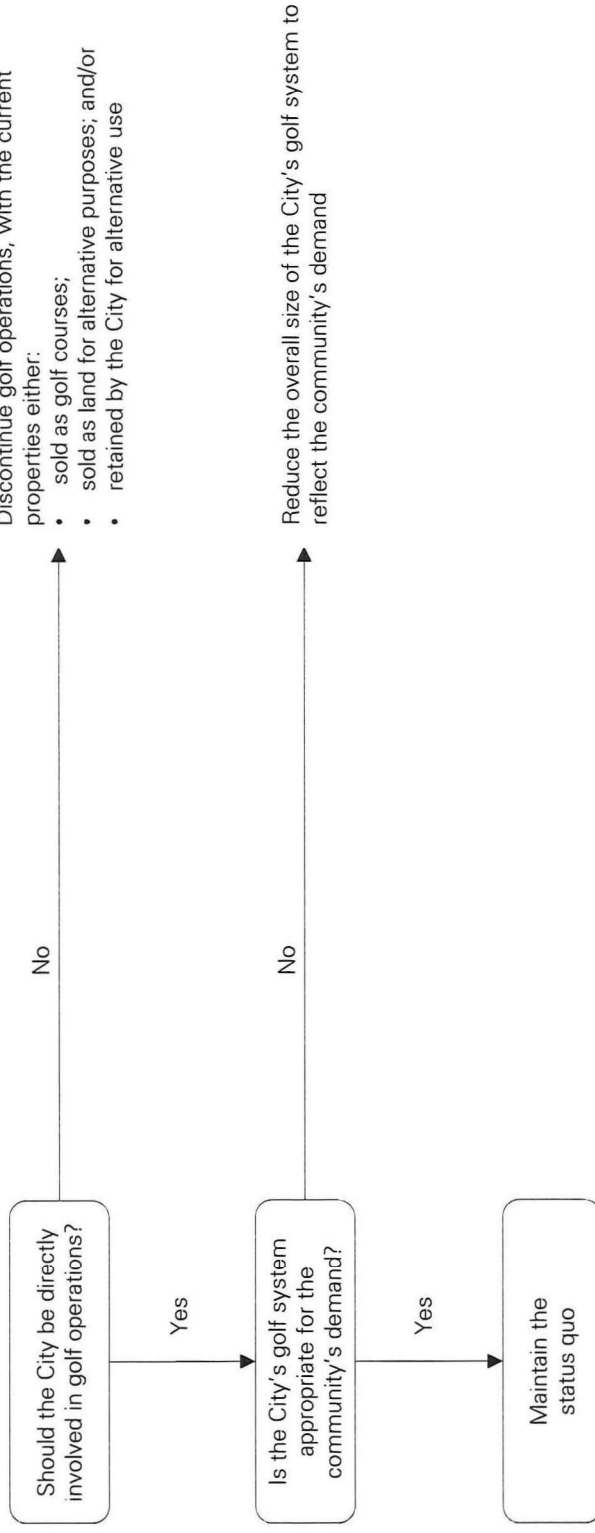
Opportunity Identification and Analysis

A. Opportunity Decision Tree

In order to assess potential opportunities for consideration by the City with respect to its golf operations, we have developed a decision tree that attempts to identify key choices that could be considered by the City which, depending on the decision, would open up potential courses of action that could be pursued. In determining the approach to be adopted, consideration should be given to the current context for the City's golf operations:

- The City's golf infrastructure has an anticipated capital investment shortfall of approximately \$6.0 million over the next ten years;
- Thames Valley and Fanshawe generate positive financial results (which could be used to support debt servicing costs associated with infrastructure borrowing), while River Road has experienced consistent financial losses; and
- Usage of the City's golf courses has decreased in recent years.

Our assessment of the City's options is included on the following pages.



Opportunity Identification and Analysis

Question 1 – Should the City be Directly Involved in Golf Operations?

Ultimately, the determination as to whether the City should be directly involved in golf operations rests with Council.

Factors that would support the decision to remain involved in golf operations include the following:

- The direct involvement of larger municipalities in golf operations occurs elsewhere in Ontario and as such, a choice to continue the City's involvement is not without precedence;
- With the exception of the 2018 fiscal year, the City's golf courses have, on a consolidated basis, generated positive financial operating results (ranging from \$59,000 to \$134,000 during the period 2014 to 2017), requiring no taxation support for operations; and
- Continued involvement by the City in golf operations allows the City to adjust its operations to reflect affordability considerations, as well as to continue programming and strategies that continues to provide additional benefits to targeted segments of the community (e.g. youth, low income, individuals with physical challenges).

Factors that would support the decision to discontinue the City's involvement in golf operations include the following:

- The City's golf operations are at risk of incurring financial losses, particularly in light of anticipated future capital funding shortfall over the next ten years of approximately \$6.0 million;
- The level of activity at the City's golf courses has been decreasing, resulting in a decline in overall profitability; and
- There are 32 golf courses in the London/Middlesex area that are in direct competition with the City of London golf system.

Opportunity Identification and Analysis

Question 2 – If the City Continues to be Involved in Golf Operations, Is The Size of The City’s Golf System Appropriate for the Community’s Demand?

In the event that Council wishes to continue the City’s involvement in golf operations, consideration could still be given to reducing the extent of its involvement. As noted earlier in our report, the City’s golf operations – when viewed from the perspective of number of courses and holes – is higher than other communities that operate municipal golf courses. Accordingly, even if the City continues to be directly involved in golf operations, consideration could be given to reducing its involvement to reflect a level that is consistent with other municipalities.

To the extent that the City chooses to reduce the size of its golf system, there are a number of potential options that could be considered, which we have highlighted below⁹.

- **Option 1 – Discontinue operations at River Road.** Under this option, the City would discontinue golf operations at River Road, which would eliminate 18 holes from the City’s golf system. Based on our review, and as highlighted later in this chapter, we consider this option to be the most apparent strategy for reducing the City’s golf system given the ongoing financial losses experienced by River Road, which has experienced the highest degree of decrease in terms of rounds of golf played of the three City-owned golf courses.
- **Option 2 – Discontinue operations at River Road and the Quarry Course portion of Fanshawe (“Quarry”).** which would eliminate a total of 36 holes from its golf system (18 from River Road and 18 from Quarry).
- **Option 3 – Discontinue operations at River Road and the Hickory Course portion of Thames Valley (“Hickory”).** which would see the City reduce its golf system by 27 holes (18 from River Road and nine from Hickory).
- **Option 4 – Discontinue operations at River Road, Quarry and Hickory.** which would reduce the City’s golf system by 45 holes (18 from River Road, 18 from Quarry and 9 from Hickory).

A graphical depiction of potential strategies involving River Road, Quarry and Hickory are provided on the following pages, with our analysis of each of the options provided in the following section.

⁹ For the purposes of our analysis, we have excluded the potential discontinuance of golf operations at the remaining portions of Thames Valley or Fanshawe as these options are predicated on the City wishing to maintain some form of golf operations. We believe this would, at a minimum, involve the continued operation of the original Thames Valley and Fanshawe given their higher rate of utilization, positive financial results and the potential for adverse public response to a closure of either course.



Opportunity Identification and Analysis

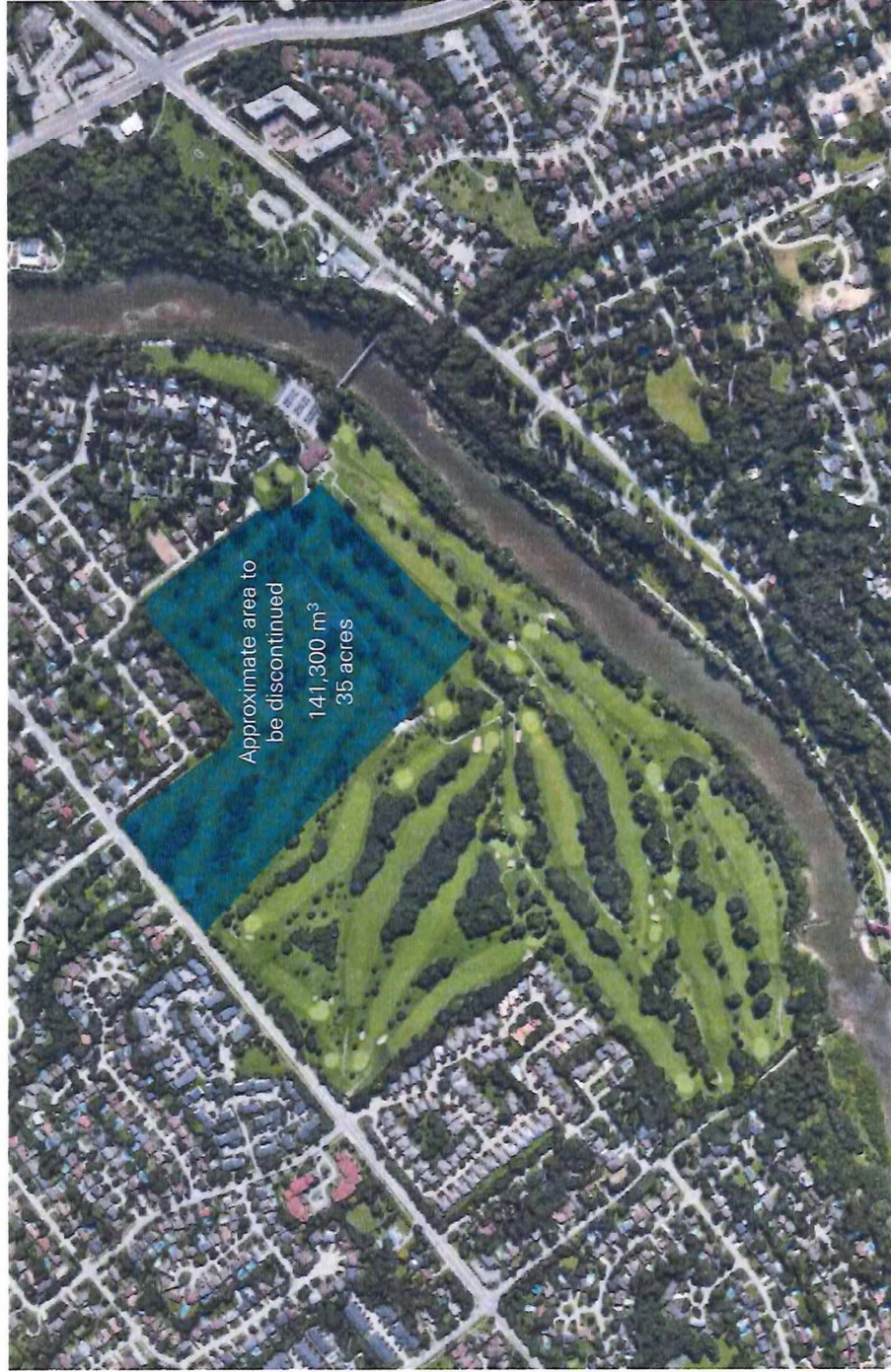
Potential divestment of River Road



- ① Land available for development (11 acres)
- ② Land regulated by UTRCA and not available for development (109 acres)
- ③ Adjacent former landfill site
- ④ Adjacent industrial areas

Opportunity Identification and Analysis

Potential reduction of Thames Valley



Opportunity Identification and Analysis

Potential reduction of Fanshawe



Opportunity Identification and Analysis

For the purposes of our report, we have evaluated these options based on the following criteria:

- Is the option expected to result in a manageable and acceptable impact on the supply of golf infrastructure in the community?
- Could the option provide an annual financial benefit to the City in the form of incremental net revenues?
- Could the option provide a financial contribution to the City through one-time sale proceeds?
- Does the option allow the City to avoid future capital expenditures?
- How does the opportunity align the City's golf system with the average for comparator municipalities of 0.5016 courses and 8,0423 holes per 100,000 residents?

Our evaluation of each option is summarized on the following pages, based on the following rating scale.

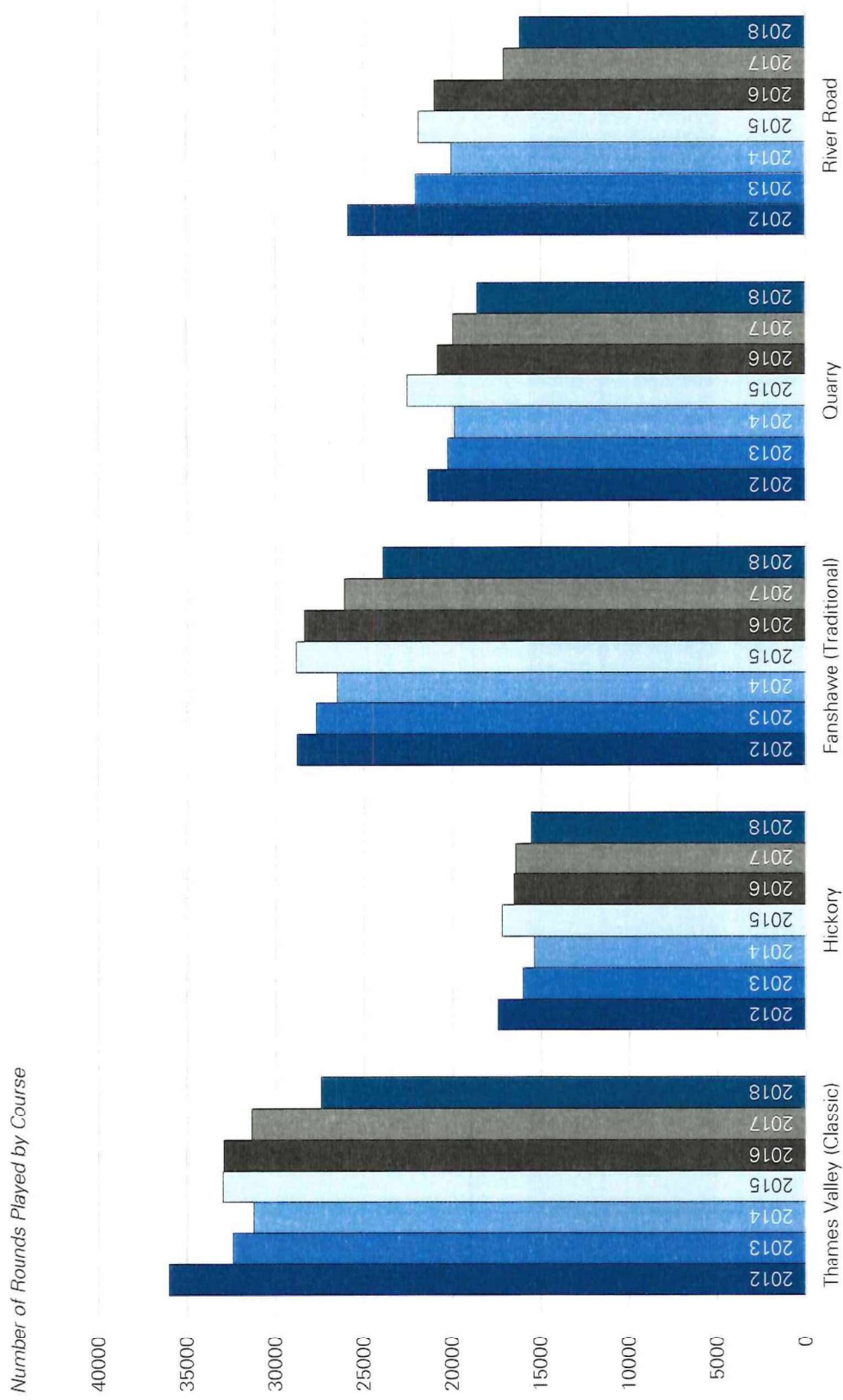
- Fully effective in meeting consideration
- ◐ Partially effective in meeting consideration
- Least effective in meeting consideration

With respect to the evaluation, please note that the determination of rankings is relative (i.e. Option 1 vs. Option 2 vs. Option 3 vs. Option 4) and as such, assigning a "least effective" rating is not necessarily a negative reflection on the option. Rather, it indicates that while the option may sufficiently address the consideration, other options do so to a greater extent.

Opportunity Identification and Analysis

Consideration	Option 1 City Discontinues River Road	Option 2 City Discontinues River Road and Quarry	Option 3 City Discontinues River Road and Hickory	Option 4 City Discontinues River Road, Quarry and Hickory	Comments
Is the option expected to result in a manageable and acceptable impact on the supply of golf infrastructure in the community?	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<ul style="list-style-type: none"> As noted on the following page, River Road has experienced a decrease in rounds played of 37.5% since 2012, with Quarry and Hickory experiencing decreases of 13.1% and 10.8%, respectively, over the same period, which could indicate that market demand for River Road is less than the other courses. We understand that Hickory is the only 9-hole course located within the City of London and as such, its closure may impact golfers that prefer 9-hole play (although 9-hole courses are available in the Middlesex area and it is possible for golfers to play 9 holes on 18-hole courses located in the community).
Could the option provide an annual financial benefit to the City in the form of incremental net revenues?	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<ul style="list-style-type: none"> Included as Appendix A is an analysis of the potential financial impacts of the options under consideration. As noted in the analysis, Option 1 is expected to provide a net financial benefit of \$146,000 annually, while Options 2 to 4 are all expected to result in a net financial loss to the City.
Could the option provide a financial contribution to the City through one-time sale proceeds, as well as ongoing taxation revenue from new development?	<input checked="" type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<ul style="list-style-type: none"> As noted in Appendix A, the discontinuance of River Road could provide as much as \$1.9 million in proceeds on sale, with the discontinuance of Hickory potentially providing an additional \$6.1 million in sale proceeds. No proceeds have been assumed for Quarry as the land is currently owned by the UTRCA.

Opportunity Identification and Analysis



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Opportunity Identification and Analysis

Consideration	Option 1 City Discontinues River Road	Option 2 City Discontinues River Road and Quarry	Option 3 City Discontinues River Road and Hickory	Option 4 City Discontinues River Road, Quarry and Hickory	Comments															
Does the option allow the City to avoid future capital expenditures?	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<ul style="list-style-type: none"> The City's Corporate Asset Management Plan has identified a ten-year capital reinvestment requirement of \$1,245,000 for River Road, which we have assumed could be fully avoided in the event that River Road is discontinued. While the Corporate Asset Management Plan also identifies ten-year capital reinvestment requirements for Thames Valley and Fanshawe, this would likely not be avoided in the event of the discontinuance of Hickory and Quarry as the City would continue golf operations on the sites. In the event that the City discontinues Quarry and/or Hickory, one-time costs are expected to be incurred in connection with redesigning the layout of the remaining portions of Fanshawe and Thames Valley. 															
How does the opportunity align the City's golf system with the average for comparator municipalities of 0.5016 courses and 8.0423 holes per 100,000 residents?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<ul style="list-style-type: none"> The number of golf courses and holes per 100,000 residents under each option is as follows: <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th>Courses</th> <th>Holes</th> </tr> </thead> <tbody> <tr> <td>Option 1</td> <td style="text-align: center;">0.5209</td> <td style="text-align: center;">16.4112</td> </tr> <tr> <td>Option 2</td> <td style="text-align: center;">0.5209</td> <td style="text-align: center;">11.7223</td> </tr> <tr> <td>Option 3</td> <td style="text-align: center;">0.5209</td> <td style="text-align: center;">14.0668</td> </tr> <tr> <td>Option 4</td> <td style="text-align: center;">0.5209</td> <td style="text-align: center;">9.3778</td> </tr> </tbody> </table>		Courses	Holes	Option 1	0.5209	16.4112	Option 2	0.5209	11.7223	Option 3	0.5209	14.0668	Option 4	0.5209	9.3778
	Courses	Holes																		
Option 1	0.5209	16.4112																		
Option 2	0.5209	11.7223																		
Option 3	0.5209	14.0668																		
Option 4	0.5209	9.3778																		



Opportunity Identification and Analysis

Question 3 – What if The City Retains Status Quo

In the event that the City determines that (a) it will continue to be involved in the direct delivery of golf operations; and (b) a reduction of the current size of the municipal golf system is not warranted; it will continue with status quo. In this scenario, we encourage the City to continue to identify strategies for revenue generation and cost reductions, recognizing that:

- The City undertakes regular reviews of its user fee structure for golf and our review of the City's user fee structure indicates close alignment with other golf courses in terms of the quantum of rates as well as the use of different rate structures (e.g. different rates depending on tee-off times, the inclusion of golf cart rentals in a single rate).
- While the City could contract out golf operations to a private sector operator, we note that with the exception of River Road, the City's golf operations have traditionally operated at a surplus and as such, we expect the financial benefit of this strategy to be limited for Thames Valley and Fanshawe. In the event that contracting out is considered, we suggest that this strategy be undertaken through a request for proposal process as opposed to a lowest cost tender so as to allow for the evaluation of financial and non-financial considerations.

Suggested Course of Action

As noted in the preceding chapter and summarized below, the results of our analysis indicate that Option 1 – Discontinuance of River Road is the preferred approach to reducing the size of the City’s golf system in the event that the City determines a reduction is necessary.

	Option 1 City Discontinues River Road	Option 2 City Discontinues River Road and Quarry	Option 3 City Discontinues River Road and Hickory	Option 4 City Discontinues River Road, Quarry and Hickory
Number of fully effective ratings	4	-	1	2
Number of partially effective ratings	-	3	1	1
Number of least effective ratings	1	2	3	2

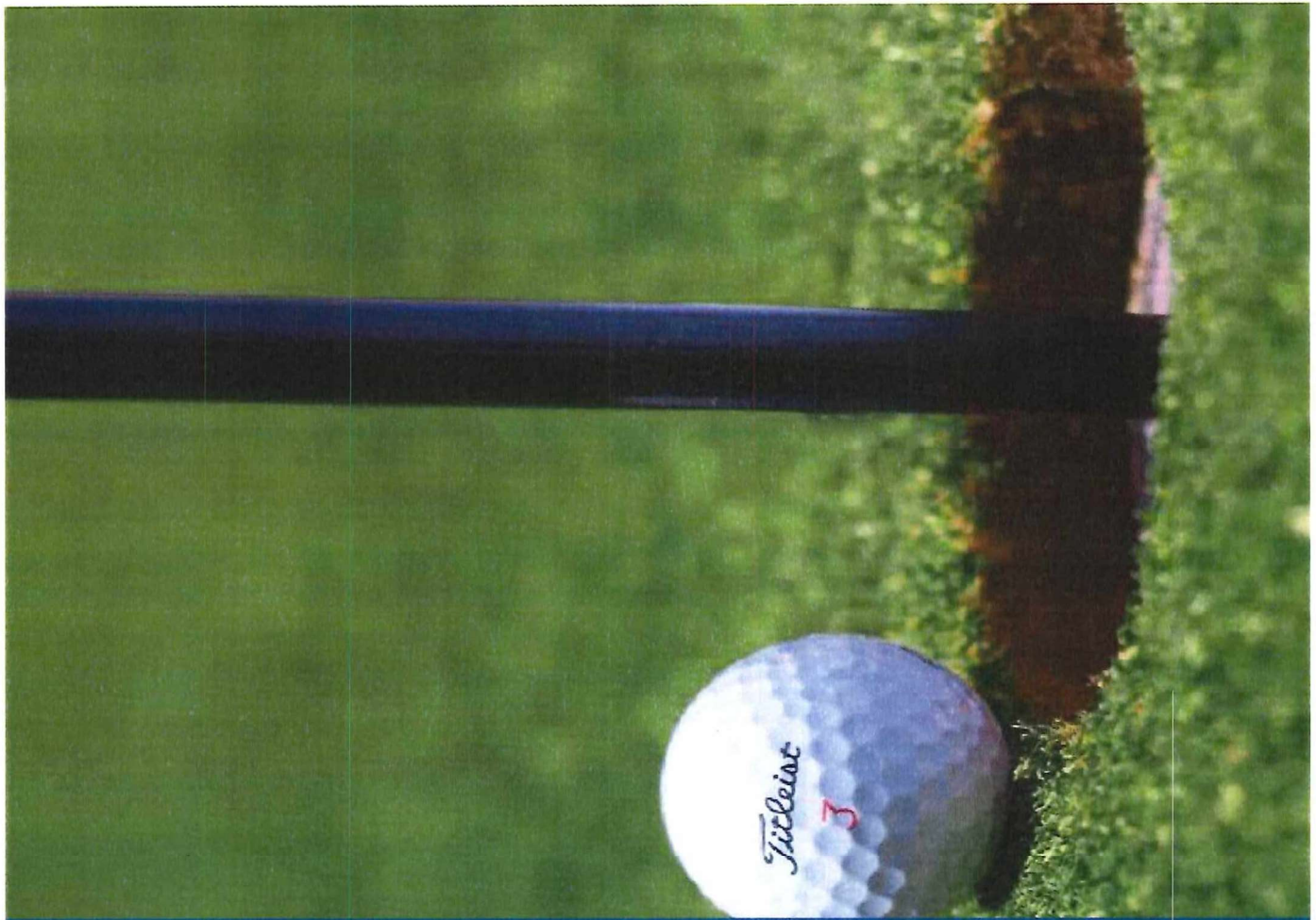
While the other options have merits, the analysis indicates that they would have a higher degree of adverse impact on residents that use the City’s golf system while at the same time likely resulting in ongoing annual financial losses, which would need to be financed through other sources. Accordingly, if the City were to determine that a reduction in the size of its golf system is appropriate while continuing to operate golf courses, the analysis would support the conclusion that the discontinuance of River Road (Option 1) is the sole practical option from a financial perspective.



City of London Service Review

Review of Golf Operations

Appendix A Financial Analysis of Potential Options



CORPORATION OF THE CITY OF LONDON

Summary of Projected Financial Impacts Associated With Municipal Golf (Unaudited - See Notice to Reader)

	Reference	Option 1 City Discontinues River Road	Option 2 City Discontinues River Road and Quarry	Option 3 City Discontinues River Road and Hickory	Option 4 City Discontinues River Road, Quarry and Hickory
(1) Annual financial results					
Reported operating surplus (deficit) based on status quo:					
River Road	(note 1)	\$ (71,349)	(71,349)	(71,349)	(71,349)
Thames Valley	(note 1)	21,576	21,576	21,576	21,576
Fanshawe	(note 1)	22,915	22,915	22,915	22,915
		(26,858)	(26,858)	(26,858)	(26,858)
Elimination of River Road financial loss upon discontinuance	(note 2)	71,349	71,349	71,349	71,349
Revenue shift from River Road golfers moving to other City-owned golf courses	(note 3)	101,450	50,700	50,700	-
Elimination of Quarry financial surplus upon divestment	(note 4)	-	(187,000)	-	(187,000)
Elimination of Hickory financial surplus upon divestment	(note 4)	-	-	(325,200)	(325,200)
		\$ 145,941	(91,809)	(230,009)	(467,709)
(2) One-time financial impacts					
Proceeds on divestment of River Road	(note 5)	\$ 1,925,000	1,925,000	1,925,000	1,925,000
Proceeds on divestment of Quarry	(note 5)	-	-	-	-
Proceeds on divestment of Hickory	(note 5)	-	-	6,125,000	6,125,000
Course reconstruction costs	(note 6)	-	(500,000)	(1,000,000)	(1,500,000)
Avoidance of capital reinvestment requirements	(note 7)	1,245,000	-	0	-
		\$ 3,170,000	1,425,000	7,050,000	6,550,000

CORPORATION OF THE CITY OF LONDON

Summary of Projected Financial Impacts Associated With Municipal Golf (Unaudited - See Notice to Reader)

Note 1 Based on the reported financial results for the City's golf services for the year ended December 31, 2018. Financial results for Thames Valley include both Hickory and Classic, while the financial results for Fanshawe include both Quarry and Traditional.

Note 2 With the discontinuance of River Road under Option 1, it is anticipated that its reported financial loss will be fully eliminated.

Note 3 For the purposes of our analysis, we have assumed that the discontinuance of River Road would result in a movement of golfers to other City-owned golf courses with 50% of current River Road golfers choosing to golf at another City-owned course. This transfer of golfers is expected to result in a net increase in revenues for the remaining City-owned golfing courses which we have assumed to be \$101,450, as follows:

	Option 1		Option 2		Option 3		Option 4	
	City Discontinues River Road	River Road	City Discontinues River Road and Quarry	River Road and Quarry	City Discontinues River Road and Hickory	River Road and Hickory	City Discontinues River Road, Quarry and Hickory	
Total River Road golfing revenues:								
Membership sales	\$	161,143		161,143		161,143		161,143
Green fees (members)		58,583		58,583		58,583		58,583
Green fees (non-members)		96,682		96,682		96,682		96,682
Golf cart rentals		89,363		89,363		89,363		89,363
Annual reported golfing revenue		405,771		405,771		405,771		405,771
Percentage of revenue assumed to be shifted to other City-owned golf courses (a)		50%		25%		25%		0%
Assumed revenue shifted from River Road to other City-owned golf facilities		202,900		101,400		101,400		-
Estimated increase in operating costs (b)		(101,450)		(50,700)		(50,700)		-
Incremental increase in net revenues from River Road to other City-owned golf courses	\$	101,450		50,700		50,700		-

(a) For the purposes of our analysis, we have assumed that 50% of River Road golfers would move to other City-owned courses under Option 1, with this percentage decreasing to 25% under Options 2 and 3 due to the further decrease in the size of the City's golf system and the associated impacts on capacity. Under Option 4, we have assumed no shift in golfers from River Road to other City-owned golf courses based on the magnitude of the reduction of the City's golf system.

(b) For the purposes of our analysis, we have assumed that operating costs would increase by 50% of the revenue shifted from River Road to the other City-owned golf facilities.

CORPORATION OF THE CITY OF LONDON

Summary of Projected Financial Impacts Associated With Golf Operations (Unaudited - See Notice to Reader)

Note 4 We have estimated the financial impact of the discontinuance of Quarry and Hickory to be as follows:

	Quarry	Hickory
Estimated loss of revenue:		
Current estimated annual revenue (a)	\$ 623,300	544,700
Less: Revenue shifted to Fanshawe Traditional/Thames Valley Classic (b)	(155,800)	(54,500)
Estimated annual loss of revenue	467,500	490,200
Estimated reduction in operating costs:		
Current estimated annual operating costs (c)	561,000	494,900
Less: Fixed costs to be incurred by Fanshawe Traditional/Thames Valley Classic (d)	(280,500)	(329,900)
Estimated annual reduction in operating costs	280,500	165,000
Estimated financial impact (loss)	\$ (187,000)	(325,200)

(a) Estimated based on the pro-rated revenue per round played for Fanshawe and Thames Valley.

(b) For the purposes of our analysis, we have assumed that, in the event that the City discontinues Quarry, 25% of current golfers would utilize Fanshawe Traditional, with the remaining 75% of golfers utilizing other (non-City owned) golf courses. We have also assumed that in the event that the City discontinues Hickory, 10% of the current golfers would utilize Thames Valley Classic, with the remaining 90% utilizing other (non-City owned) golf courses.

(c) Estimated based on the pro-rated operating cost per hole for Fanshawe and Thames Valley.

(d) As Quarry and Hickory are maintained as part of the overall Fanshawe and Thames Valley golf properties, a portion of their operating costs are fixed in nature and as such, would not be avoided in the event that Quarry and/or Hickory are discontinued. Based on discussions with City personnel, we have assumed that 50% of the estimated operating costs for Quarry are fixed in nature (land as such would continue in the event that Quarry was discontinued), while 67% of the estimated operating costs for Hickory are fixed in nature.

Note 5 For the purposes of our analysis, we have assumed a selling price of \$175,000 per acre, which reflects the rate for developable lands as identified in the City's 2019 Development Charges By-law. Our calculation of potential proceeds on disposition are as follows:

	River Road	Hickory
Number of acres available for disposition (a)	11	35
Assumed proceeds per acre	\$ 175,000	175,000
Potential proceeds from disposition	\$ 1,925,000	6,125,000

(a) For the purposes of our analysis, we have assumed the land would be redeveloped for residential purposes, with no consideration given to the value of the properties as golf courses. Accordingly, we have only considered the portion of River Road that is not subject to UTRCA limitations as available for sale.

No proceeds have been considered for Quarry as the land is leased from the UTRCA.

CORPORATION OF THE CITY OF LONDON

Summary of Projected Financial Impacts Associated With Golf Operations (Unaudited - See Notice to Reader)

- Note 6 For the purposes of our analysis, we have assumed that the City would be required to incur an estimated \$500,000 to construct a linkage between the main Fanshawe course and the accessible 9-hole course in the event that it discontinues Quarry. We have also assumed that the City would be required to incur an estimated \$1 million to redesign the Thames Valley course in the event that the City discontinues Hickory. This investment would be required in order to realign the layout of the 9th hole such that it ends at the Thames Valley clubhouse.
- Note 7 The City's Corporate Asset Management Plan has identified a ten-year capital reinvestment requirement of \$1,245,000 for River Road, which we have assumed could be fully avoided in the event that the City discontinues River Road. While the Corporate Asset Management Plan also identifies ten-year capital reinvestment requirements for Thames Valley and Fanshawe, we have assumed that these would not be reduced in the event that the City discontinues Quarry and/or Hickory as the City would continue to operate Thames Valley and Fanshawe.

Ana



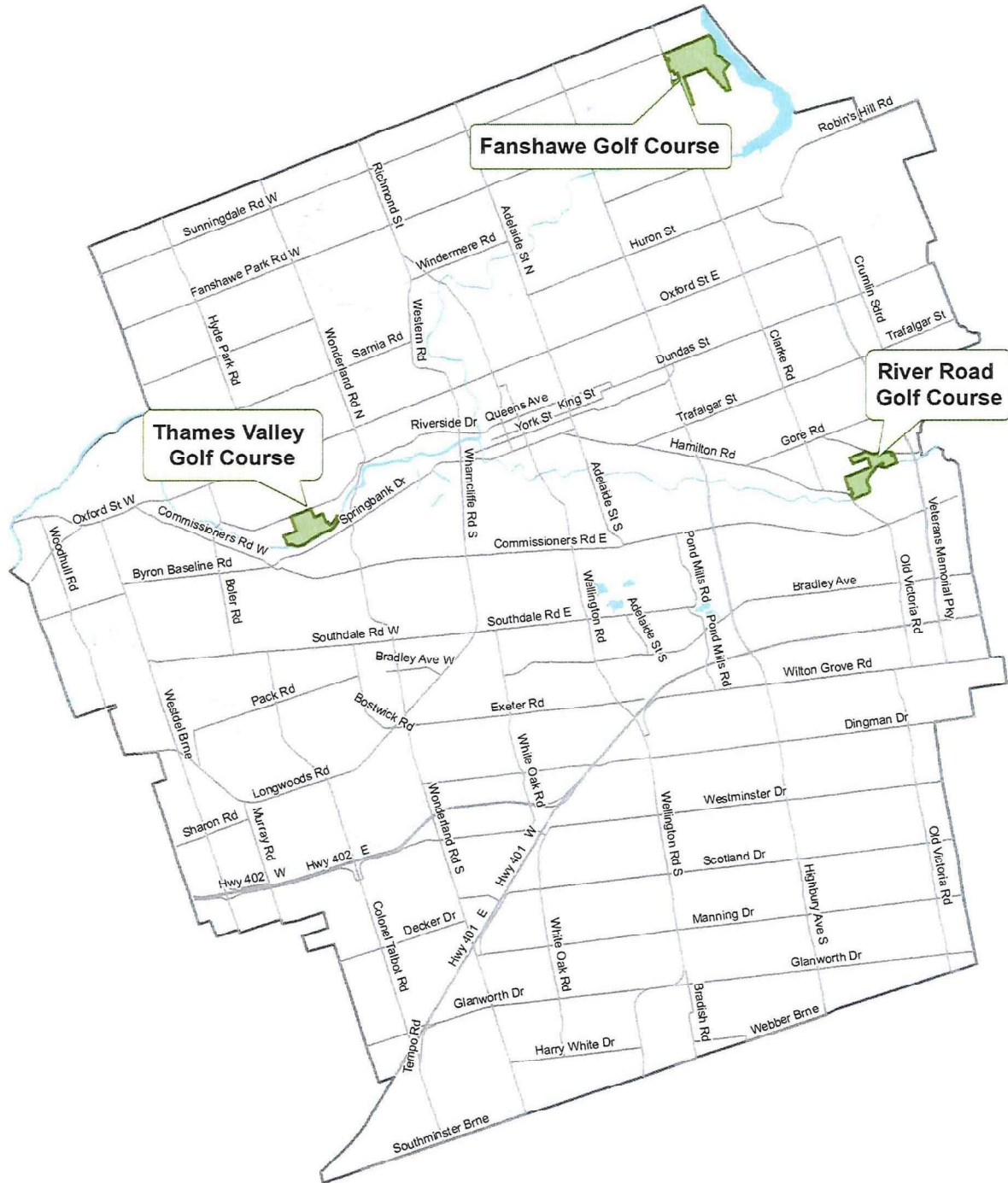
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City of London Golf Courses

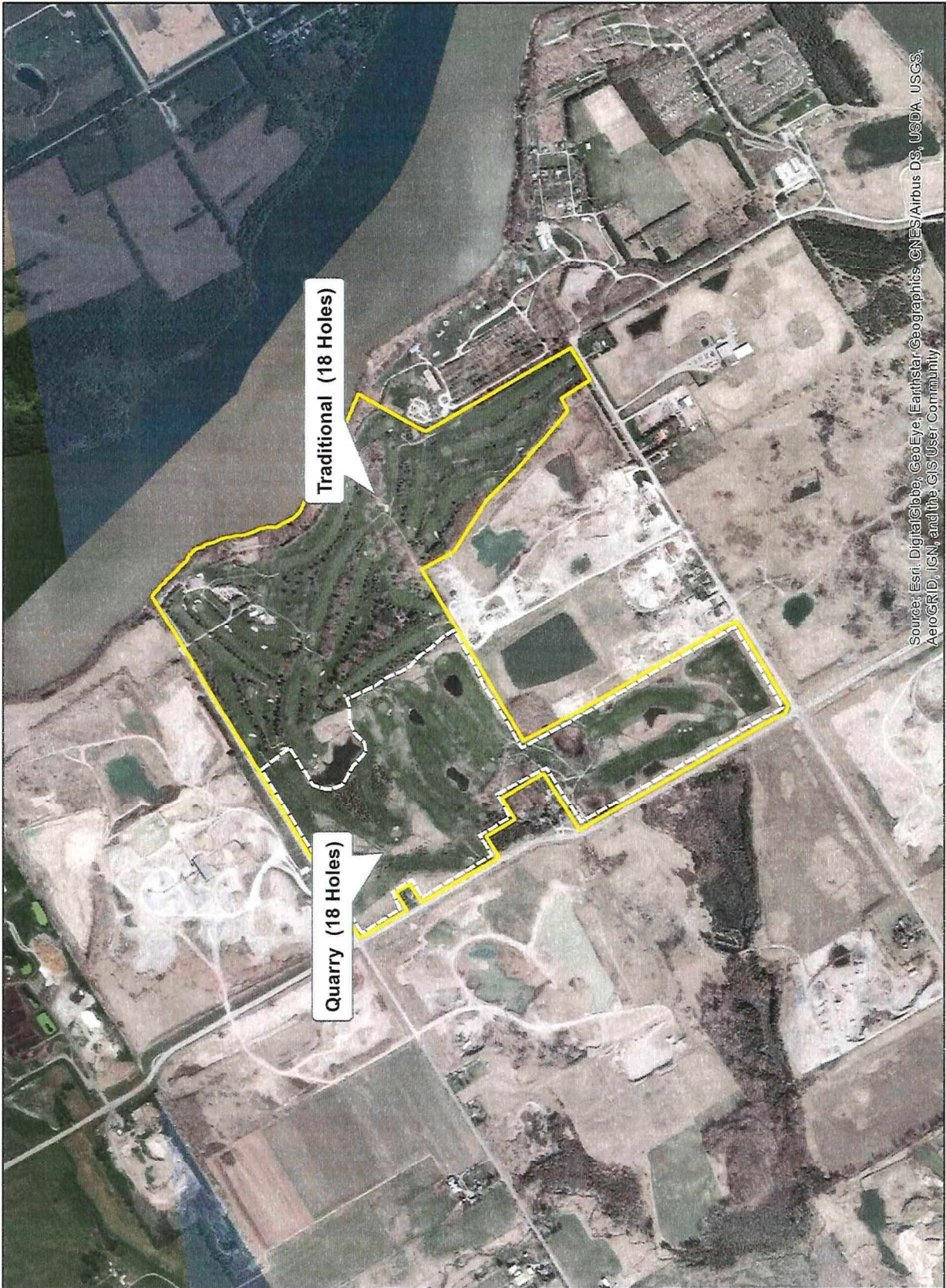


Thames Valley Golf Course



Source: Esri, DigitalGlobe, GeoEye, Earthstar Geographics, CNES/Airbus DS, USDA, USGS, AeroGRID, IGN, and the GIS User Community

Fanshawe Golf Course



River Road Golf Course



Source: Esri, DigitalGlobe, GeoEye, Earthstar Geographics, CNES/Airbus DS, USDA, USGS, AeroGRID, IGN, and the GIS User Community



Cathy Saunders

City Clerk

City of London

January 23, 2020

Dear Cathy,

Please have Council approve the new appointment to the Argyle Business Improvement Association's Board of Management as follows:

Donna Moerenhout, Owner of Razor's Barber Shop

Sincerely,

Randy Sidhu

Executive Director

Argyle BIA

Members of Strategic Priorities and Policy Committee

Dear colleagues:

Electrifying the London Transit Commission's fleet of buses has the potential to lower the operating costs of transit and to significantly reduce greenhouse gas emissions. Last week, the LTC initiated a study on electrifying its transit fleet that will model the energy cost savings and emissions reductions. This study will provide LTC with a roadmap for electrification.

We know that electrification lowers operating costs but also requires significant upfront capital investment. Electric buses cost more than diesel buses and they require charging infrastructure, either on-road at key locations along transit routes or off-road at a transit facility. LTC has a long-term capital plan for both expansion buses and replacement buses, but the difference between the capital cost of diesel buses and electric buses is not included in that long-term plan.

We are eager to see electric buses on the road in London as quickly as possible. Recognizing the significant amount of work involved in modelling and transitioning LTC's whole fleet of buses, we are seeking Municipal Council's support for undertaking a pilot program as soon as possible, while also engaging with senior levels of government to secure funding for same. This would be a practical way of putting electric buses into service quickly and in a responsible manner.

We recognize that LTC is responsible for transit and must lead this work.

Specifically, we are seeking Municipal Council's support of the following resolution:

1. The London Transit Commission BE THANKED for initiating a study of electrifying its fleet of buses.
2. Civic Administration BE DIRECTED to work with the London Transit Commission, the provincial government and the federal government to identify funding streams to be used for the purchase of electric buses and related charging infrastructure, starting as soon as possible; it being noted that this funding not come at the expense of the LTC's current five-year service plan, and that these funds not come at the expense of prospective transit improvements in the West and North.
3. Civic Administration BE DIRECTED to work with the London Transit Commission, London Hydro and other key partners in support of the transit electrification study.
4. Civic Administration BE DIRECTED to find an appropriate one-time source of financing, such as the Economy, Efficiency and Effectiveness Reserve Fund, to cover 100% of the cost of LTC's electrification study.

Respectfully submitted,

Ed Holder, Mayor, City of London
Phil Squire, Ward 6 Councillor, LTC Chair
Jesse Helmer, Ward 4 Councillor, Deputy Mayor