

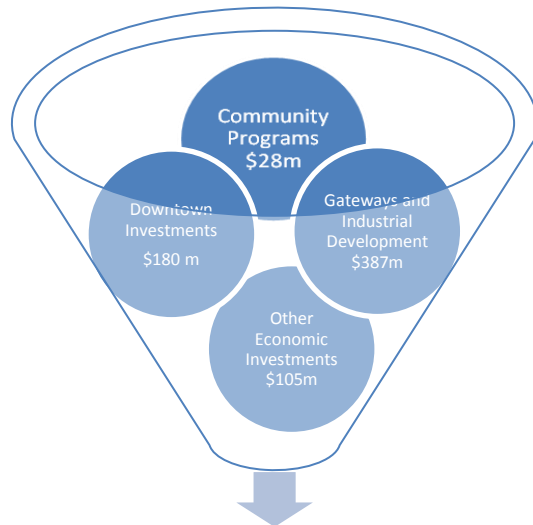
2012 DRAFT BUDGET SPECIAL ECONOMIC DEVELOPMENT LEVY

Background

The City of London has committed funding to a number of new economy investment projects (e.g. Composite Research Centre, Wastewater Technology Centre, Fanshawe College Downtown Campus, and Medical Devices Initiative). Each of these initiatives is expected to stimulate the local economy and assist in short term and long term job creation. This funding was made available through strategic increased contributions to the Economic Development Reserve Fund as well a one-time dividend received from London Hydro. This investment has allowed the City to enter into public private partnerships and leverage investments from these partnerships on top of the commitments it has made.

In October 2011, Committee of the Whole received a presentation entitled “Financing Future Capital Initiatives”. The plan outlined four specific areas which additional funding requirements have been requested; Downtown investments, London Gateways, Economic initiatives and Community Programs.

\$700 million
Current value of proposed projects



\$100 Million
Potential Special Economic Levy

Committed Funding

In the 2012 Budget, the ten year Capital Plan (2012 – 2021) contains \$98.1 million in planned financing for these initiatives. In order to entertain all the projects, an additional estimated \$700 million investment would be required. Therefore, an alternative source to finance these projects is required.

A list the estimated costs for each of the identified capital initiatives is summarized in the chart below.

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Summary of Costs			
Description	Existing Capital Plan (2012-2021) (\$Millions) (1)	Additional Capital request (2012-2021) (\$Millions) (2)	Operating Costs (3)
Downtown Investments			
New City Hall	\$10.0	\$100.0	\$2.0
University of Western Ontario		\$30.0	
Fanshawe College	\$20.0		
Performance Spaces/Concert Hall		\$50.0	\$1.0
Downtown Master Plan	\$11.0	\$0.5	\$0.9
London Gateways			
Transit Bus Systems and Expansion		\$111.5	\$2.0
401/402 Corridor	\$25.0	\$275.0	
London International Airport	\$2.5		
Economic Initiatives			
Southwest Area Plan		\$100.0	
Food Innovation Strategy		\$5.0	
Digital Media	\$5.0		
Composite Materials Research Centre	\$10.0		
Advanced Manufacturing Park, Goodwill Industries, Grand Theatre, Wastewater Joint Venture, Medical Devices, BMO Centre	\$10.3		
Community Programs			
SOHO Community Plan		\$11.2	\$1.0
Ontario Works in the Community	\$2.2	\$10.8	
Green Bin		\$5.0	\$6.0
Customer Service Centre	\$2.1	\$1.0	\$1.0
Total	\$98.1	\$700	\$13.9

(1) The existing capital plan column reflects items that are not included as part of the funded capital plan (2012-2021)

(2) The additional capital cost column reflects the estimated added costs

(3) Increase in annual operating costs is not included as part of the submitted 2012 operating budget

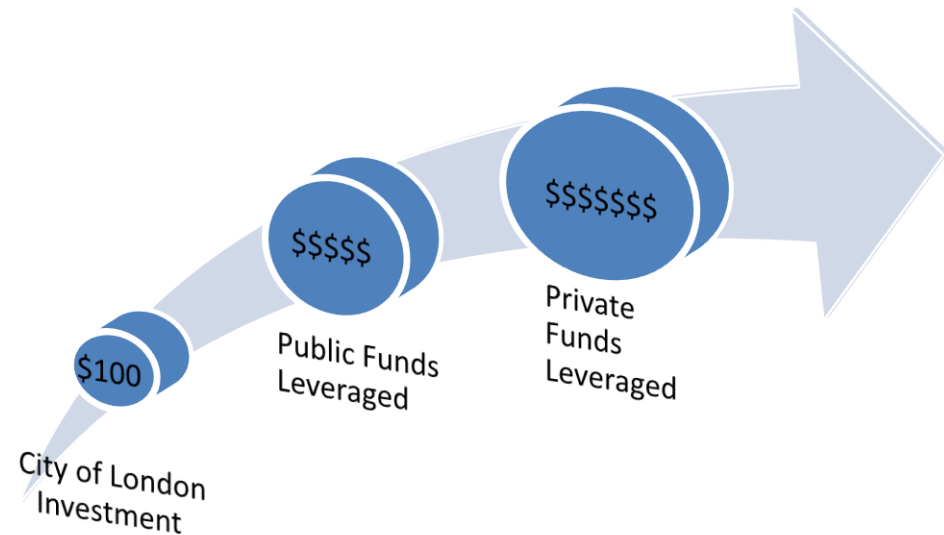
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Spending Limit

Given the overall financial impact of all these projects, Administration recommended that a \$100 million limit be placed on spending relating to these initiatives. The \$100 million investment will be focused on areas where the City can leverage funding from other sources, both private and public. The ability to leverage funds from other sources becomes a critical factor in the success of these economic investments. Leveraging funds will create a better return on the City's initial investment.

Investment Principles and Evaluation Process

All investments that are considered must be prioritized based on key principles. The principles should be used as evaluation criteria to investigate which opportunities to pursue and are designed to ensure that all investments made create a return on the City's initial investment. Each proposed project must submit a business case outlining how it will address the key principles below. The review process will involve active community engagement to ensure all stakeholders are considered.



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Key Principles

Job Creation	Attract Investments	Building Partnerships	Stimulate Spin-off Benefits	Benefits Key Sectors	Community Vibrancy
<ul style="list-style-type: none"> • Number of permanent vs. temporary jobs • Types of Jobs that are being created (High income vs. Low Income) • Immediate vs. long term creation 	<ul style="list-style-type: none"> • Ability to leverage funding from private and public enterprises • Sufficient leverage ratio met • Foreign Direct Investment 	<ul style="list-style-type: none"> • Partnerships created with public, private and not for profit organizations • Institutional or other key sector presence • Investment must have a long term commitment 	<ul style="list-style-type: none"> • Catalyst for other opportunities and business • Lead to more efficient utilization of existing services • Generate direct and indirect assesemnt growth 	<ul style="list-style-type: none"> • Defined targed sectors • Grows existing strengths • Establishes London in emerging sectors 	<ul style="list-style-type: none"> • Brings people to downtown (feet on the street) • Generates "buzz factor" • Contributes to London brand • Puts London "On the Map" in Ontario and Canada

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Financing Strategy

Following the City's Strategic Financial Plan that is based on sound, reasonable and fiscally prudent financial principles, a balanced approach was recommended to fund these projects. By using a balanced approach of cash and debt financing, the City can limit the immediate impact on the ratepayer as well as limiting the overall cost of borrowing.

An annual 1% incremental Special Economic Development Levy (2012-2016) would raise an estimated \$70 million to invest in new economy projects. The remaining funding would be supplied through debt. The legacy funding from the Special Economic Development Levy would be used to support the debt repayments of the investments, with the additional funding to be used to other economic development opportunities that may arise.

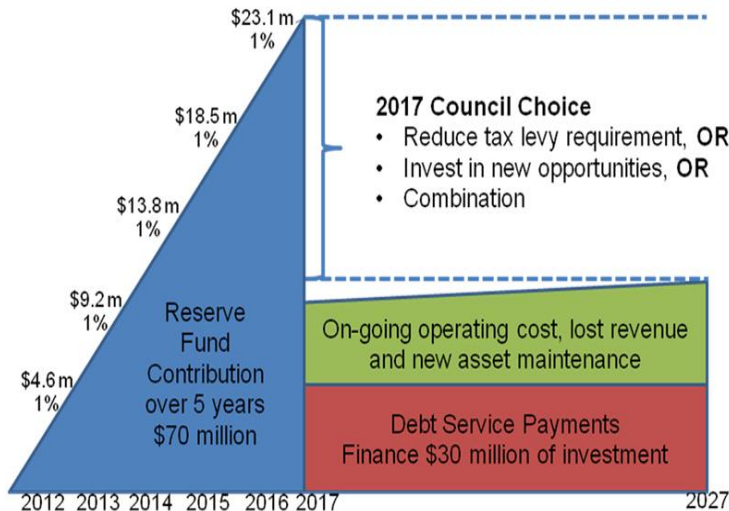


Figure 1

Figure 1 outlines the strategy as to how that cash would be raised over a five year period. The plan would generate \$4.6 million in year one and would increase to \$23.0 million annual by year five.

The impact would result in a \$24 annual increase to the municipal tax levy starting in 2012.