

2016 | MULTI-YEAR 2019 | BUDGET



AMENDMENT FORM – CASE # 1

STRATEGIC AREA OF FOCUS: BUILDING A SUSTAINABLE CITY

INITIATIVE: ENERGY PRICES - NEW CAP AND TRADE PROGRAM

SERVICE(S): FACILITIES, FLEET, LONDON TRANSIT, LONDON POLICE SERVICES, LAND AMBULANCE, MUSEUM LONDON, TOURISM LONDON, LONDON PUBLIC LIBRARY, LONDON CONVENTION CENTRE, ELDON HOUSE, THE CONSERVATION AUTHORITIES, AND LONDON MIDDLESEX HOUSING CORPORATION

SERVICE LEAD(S): JAY STANFORD, DIRECTOR - ENVIRONMENT, FLEET AND SOLID WASTE
TIM WELLHAUSER, DIVISION MANAGER - FACILITIES

Budget Amendment Tax Levy Impact (\$000's)	2016	2017	2018	2019	2016-2019 TOTAL
Expenditure Inc/(Dec)	\$0	\$800	\$800	\$900	\$2,500
Revenue (Inc)/Dec ¹	\$0	(\$800)	(\$800)	(\$700)	(\$2,300)
Net Requested Tax Levy (Cumulative)	\$0	\$0	\$0	\$200	\$200
Net Incremental Tax Levy	\$0	\$0	\$0	\$200	\$200
Annual Tax Levy Impact % ²	0.0%	0.0%	0.0%	0.04%	

Note 1: Strategic use of the Operating Budget Contingency Reserve to phase in the impact of Cap and Trade.

Note 2: The tax levy impact is calculated using the approved 2016-2019 budget.

AMENDMENT 1: INCREASE IN ENERGY AND FUEL PRICES RESULTING FROM THE NEW CAP AND TRADE PROGRAM

Operating Budget Table (\$000's)

Natural gas, steam, propane, gasoline, and diesel budgets	2016	2017		2018		2019		2020-2026	
	Net	Expense	Net	Expense	Net	Expense	Net	Expense	Net
Approved Budget ¹	12,969	14,174	14,174	14,651	14,651	15,453	15,453	132,112	132,112
Cumulative Amendment		800	0 ²	800	0 ²	900	200 ²	17,891 ³	17,891
Revised Budget		14,974	14,174	15,451	14,651	16,353	15,653	150,003	150,003

Note 1: Includes budgets of the Agencies, Boards and Commissions

Note 2: Strategic use of the Operating Budget Contingency Reserve to phase in the impact of Cap and Trade

Note 3: New Federal plan for carbon pricing floor, as per October 3, 2016 announcement

Tax Levy Per Cent Impact Table

Tax Levy Impact (Incremental Changes)	2016	2017	2018	2019	2016-2019 Average
Operating Impact	0.0%	0.0%	0.0%	0.04%	0.01%
Capital Impact	0.0%	0.0%	0.0%	0.0%	0.0%

Staffing Table

Staffing Summary (Cumulative Changes)	2017	2018	2019
# of Full-Time Employees Impacted	0	0	0
# of Full-Time Equivalents Impacted	0.0	0.0	0.0
Full-Time Equivalents Cost Inc./(Dec.) - \$000's	0	0	0

What is the reason(s) for the budget amendment(s)?

Ontario is moving forward implementing a greenhouse gas emissions Cap and Trade Program – the details of which continue to be finalized. The Province has indicated that its current go-live date is January 1, 2017. The overall goal of the Cap and Trade Program is the continued reduction of human produced greenhouse gas emissions and reward innovations. Greenhouse gases include carbon dioxide from fossil fuel use (not biofuel use), methane, and nitrous oxide (N₂O).

After the go-live date, there will be de facto carbon pricing (estimated to be \$18/tonne in 2017) applied to the consumption of natural gas for space heating and water heating and the consumption of fuel for transportation. This regulation will increase the cost of consuming carbon-based fuels used by the City and its Agencies, Boards and Commissions. Carbon based fuels include; natural gas, steam, propane, gasoline, and diesel (excluding the 5 percent bio-diesel component of B5 blends).

Municipalities are not currently mandated to participate directly in the cap and trade program, as this program applies to individual facilities (i.e., “large emitters”) that surpass the 25,000 tonnes per year emissions threshold as well as the distributors of natural gas and petroleum products. At this point in time it is expected that municipalities will feel the impact of the Cap and Trade Program through increases in the price of natural gas and transportation fuel passed on to them from distributors. Note that methane from the City’s landfill is excluded from the Cap and Trade Program, as control of landfill gas emissions is already subject to provincial regulation.

Estimated cost increases as of August 2016 suggest that the City and its Agencies, Boards and Commissions are likely to experience the following:

- Approximately 4.2 cent increase in the price of a litre of gasoline;
- Approximately 3.4 cent increase in the price of a cubic metre of natural gas;
- Approximately 4.7 to 4.9 cent increase in the price of a litre of diesel fuel; and
- Potential price increases for other energy related products and services that may occur from the use of fossil fuel.

Note that Cap & Trade is not expected to have a significant impact on electricity prices. Natural gas use only accounts for about 10 percent of Ontario’s electricity generation, and future electricity prices are driven by factors outside of Cap & Trade, namely the “global adjustment” used to pay for existing fixed price contract for nuclear power and gas-fired power, feed-in tariff contracts for renewable power generation, electricity conservation programs, and other electricity system upgrades.

Over time the cap on carbon emissions will be decreased, which will serve to apply upward pressure on carbon pricing. How this impacts municipalities is not exactly known at this time as there will be numerous market-based factors that will come into play. In addition, how the funds raised by the Cap and Trade Program will be applied to incentive based programs for energy conservation and renewable energy is still in its infancy stage through the Ontario Climate Change Action Plan. City staff are following the progress of these programs closely. It is currently anticipated that future projections provided in this Budget Amendment will be revisited in mid-2017.

The Corporate Energy Management Program activities that the City has already undertaken over the last ten years with respect to high efficiency space heating equipment and increased fuel efficiency within its fleet vehicles, for example, has helped to mitigate the impact of the introduction of the Cap and Trade Program. These ongoing energy management activities will continue to reduce the City’s exposure to the cost of carbon. Furthermore, the City will pursue further opportunities to reduce its carbon emissions through any future carbon reduction programs that may arise. A review of the Provincial Cap and Trade Program and its impact on London will become an embedded activity in the Corporate Energy Management Program.

It is important to note that the data used to quantify (estimate) the magnitude of this amendment includes the City of London’s corporate fuel use which is affected by the Cap and Trade Program as well as that used by Agencies, Boards and Commissions. The tables below provide the annual carbon based fuels usage snapshot for the City of London, and its Agencies, Boards and Commissions along with the resulting emissions factor (emissions created by fuel usage) and the estimated 2017 cost impact by fuel.

Annual Fuel Usage Snapshot

Group	Natural Gas [m ³]	District Steam [Mlb]	Gasoline [litres]	Diesel [litres]	B5 Bio-Diesel [litres]	Propane [litres]	Fuel Oil [litres]
City of London	3,254,120	9,770	427,500	1,026,040	595,000		
Agencies, Boards and Commissions	5,145,000	20,095	696,190	6,879,165	3,750	814,800	3,200
Total	8,399,120	29,865	1,123,690	7,905,205	598,750	814,800	3,200

*Subject to rounding.

Estimated Annual Greenhouse Gas Emissions (tonnes of equivalent carbon dioxide - CO₂e)

Group	Natural Gas	District Steam	Gasoline	Diesel	B5 Bio-Diesel	Propane	Fuel Oil
City of London	6,147	561	998	2,736	1,587		
Agencies, Boards and Commissions	9,718	1,482	1,624	18,344	10	1,254	10
Total	15,865	2,043	2,622	21,081	1,597	1,254	10

*Subject to rounding.

Estimated 2017 Cost Impact by Fuel

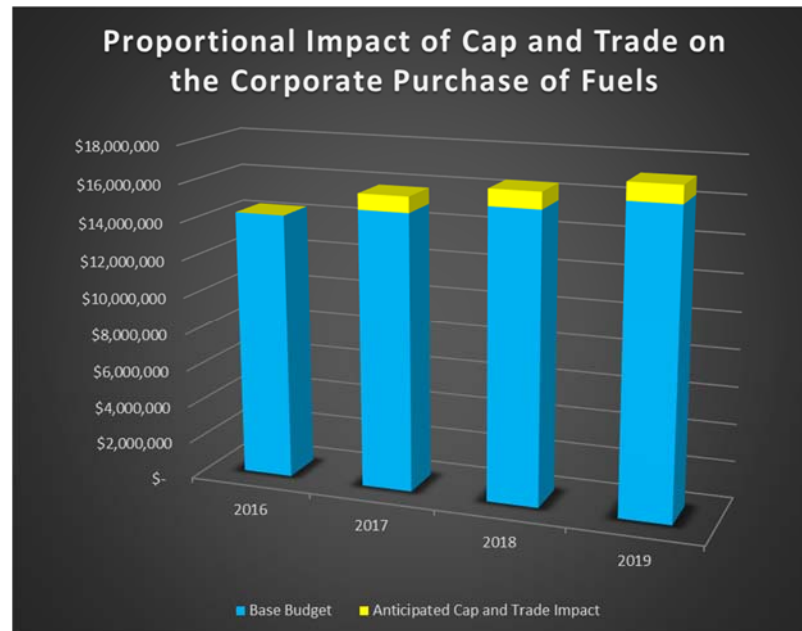
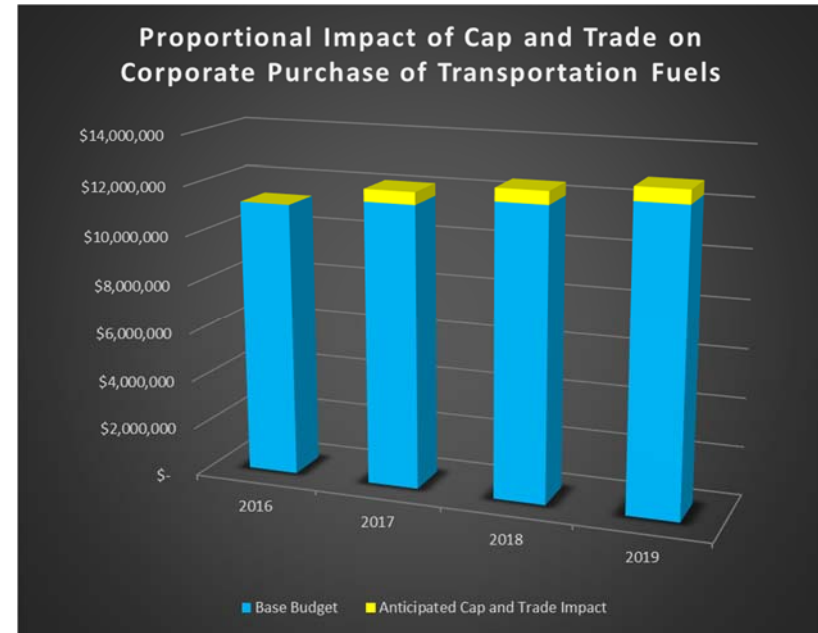
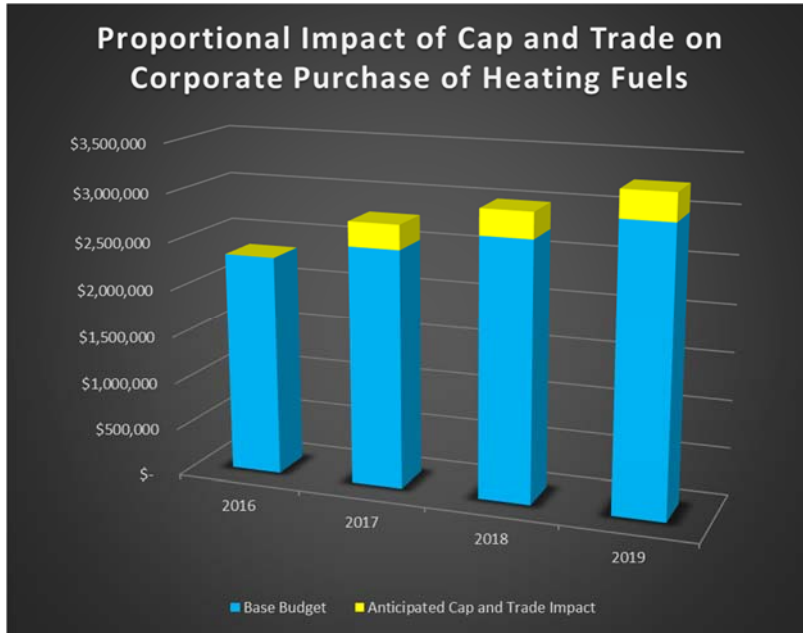
Group	Natural Gas	District Steam	Gasoline	Diesel	B5 Bio-Diesel	Propane	Fuel Oil
City of London	\$ 110,640	\$ 10,090	\$ 17,955	\$ 49,250	\$ 28,560		
Agencies, Boards and Commissions	\$ 174,930	\$ 26,675	\$ 29,240	\$ 330,200	\$ 180	\$ 22,570	\$ 180
Total	\$ 285,570	\$ 36,765	\$ 47,195	\$ 379,450	\$ 28,740	\$ 22,570	\$ 180

*Subject to rounding.

** For cost breakdown by Agencies, Boards and Commissions see appendix A of Form.

The estimated 2017 Net Budget Impact is based upon applying the estimated \$18/tonne initial cost to the estimated annual tonnes of emissions produced from fossil fuel use.

Overview of Anticipated Impact of Cap and Trade



All data and graphs include the property tax supported services as well the impacted Agencies, Boards and Commissions.

All Agencies, Boards and Commissions were contacted in this process. The Agencies, Boards and Commissions that are impacted include: London Transit, London Police Services, Land Ambulance, Museum London, Tourism London, London Public Library, London Convention Centre, Eldon House, Kettle Creek Conservation Authority, Lower Thames Valley Conservation Authority, Upper Thames Valley Conservation Authority and London Middlesex Housing Corporation.

The estimated cost per tonne values and data presented in this amendment is predicated based upon program information that was available as of June 2016.

Cap and Trade Program Links:

<https://www.ontario.ca/page/cap-and-trade-program-overview>

http://www.ontla.on.ca/web/bills/bills_detail.do?locale=en&Intranet=&BillID=3740

<https://www.ebr.gov.on.ca/ERS-WEB-External/displaynoticecontent.do?noticeId=MTI3ODA1&statusId=MTk0NDU3&language=en>

<http://www.wci-inc.org/>

APPENDIX A

Estimated 2017 Cost Impact by Fuel

Group	Natural Gas	District Steam	Gasoline	Diesel	B5 Bio-Diesel	Propane	Fuel Oil
London Transit	\$66,200			\$ 329,075			
London Police Services	\$23,250		\$12,480	\$ 555	\$ 180	\$ 22,360	
Land Ambulance Services			\$14,410				
Museum London		\$5,900					
Tourism London	\$290						
London Public Library	\$4,950	\$ 6,385					
London Convention Centre	\$210	\$14,390					
Eldon House	\$595						
Conservation Authorities	\$ 255		\$2,350	\$ 570		\$ 210	\$ 180
London Middlesex Housing Corporation	\$79,180						
Total	\$174,930	\$26,675	\$29,240	\$330,200	\$180	\$22,570	\$180

*Subject to rounding.

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AMENDMENT FORM – CASE # 2

STRATEGIC AREA OF FOCUS: LEADING IN PUBLIC SERVICE

INITIATIVE: CARRYING/HOLDING COSTS ON CITY OWNED PROPERTIES

SERVICE(S): CAPITAL FINANCING

SERVICE LEAD(S): JOHN FLEMING, MANAGING DIRECTOR, PLANNING AND CITY PLANNER;
MARTIN HAYWARD, MANAGING DIRECTOR, CORPORATE SERVICES AND CITY
TREASURER, CHIEF FINANCIAL OFFICER

Budget Amendment Tax Levy Impact (\$000's)	2016	2017	2018	2019	2016-2019 TOTAL
Expenditure Inc/(Dec)	\$0	\$400	\$400	\$400	\$1,200
Revenue (Inc)/Dec ¹	\$0	(\$100)	(\$100)	\$0	(\$200)
Net Requested Tax Levy (Cumulative)	\$0	\$300	\$300	\$400	\$1,000
Net Incremental Tax Levy	\$0	\$300	\$0	\$100	\$400
Annual Tax Levy Impact % ²	0.0%	0.06%	0.0%	0.02%	

Note 1: Strategic use of the Operating Budget Contingency Reserve to phase in the impact of Carrying/Holding costs.

Note 2: The tax levy impact is calculated using the approved 2016-2019 budget.

AMENDMENT 1: CARRYING/HOLDING COSTS FOR CORPORATE PROPERTIES

Operating Budget Table (\$000's)

Property Maintenance Costs	2016	2017		2018		2019		2020-2026	
	Net	Expense	Net	Expense	Net	Expense	Net	Expense	Net
Approved Budget	880	880	880	880	880	880	880	6,160	6,160
Cumulative Amendment	880	400 ¹	300 ²	400 ¹	300 ²	400 ¹	400	2,800	2,800
Revised Budget	880	1,280	1,180	1,280	1,180	1,280	1,280	8,960	8,960

Note 1: A contribution to the Land Acquisition Reserve Fund is being recommended as a funding source for the carrying and holding costs, it being noted that the reserve fund by-law will need to be changed to allow for the funds to be used for this purpose.

Note 2: Strategic use of the Operating Budget Contingency Reserve to phase-in the impact of carrying and holding costs.

Capital Budget Table (\$000's)

Capital Repairs		Expenditure				
		2016	2017	2018	2019	2020-2026
Approved Budget		0	0	0	0	0
Cumulative Amendment		0	1,000	0	0	0
Revised Budget		0	1,000	0	0	0
Source of Financing						
Approved Budget		0	0	0	0	0
Amendments	Capital Levy (CL)	0				
	Debenture (D)	0				
	Reserve Fund (RF)	0	(1,000)			
	Other (O)	0				
	Non-tax Supported (NTS)	0				
Revised Budget		0	(1,000)	0	0	0

Source of Financing: Land Acquisition Reserve Fund

Tax Levy Per Cent Impact Table

Tax Levy Impact (Incremental Changes)	2016	2017	2018	2019	2016-2019 Average
Operating Impact	0.0%	0.06%	0.0%	0.02%	0.02%
Capital Impact	0.0%	0.0%	0.0%	0.0%	0.0%

Staffing Table

Staffing Summary (Cumulative Changes)	2017	2018	2019
# of Full-Time Employees Impacted	0	0	0
# of Full-Time Equivalents Impacted	0.0	0.0	0.0
Full-Time Equivalents Cost Inc./(Dec.) - \$000's	0	0	0

Key Performance Indicator(s) Table

Metrics (Cumulative Changes)	2016	2017	2018	2019
Increase in Square Footage of City Owned Properties	149,372	239,372	239,372	239,372

Note – number of properties may change pending Council's determination on the use of these buildings.

What is the reason(s) for the budget amendment(s)?

The City assumed possession of several buildings in the last couple of years (Lorne Avenue Public School, Colborne Building (SOHO), War Memorial (SOHO) and Old Medical Building (SOHO)). As the City determines the future of these buildings, there is an ongoing need to pay for security, utilities and maintenance (snow removal, pest control, grounds, etc).

Former Lorne Ave Public School

Rationale for purchasing the property: This heritage designated property comprises a building of minimal architectural significance, high archaeological potential, plus a large schoolyard open space. It was divested by the Thames Valley District School Board following its surplus space rationalization process. Recognized as a focal point of community use in Old East, the City purchased it to address the deficit of parkland in the area and provide for the existing school building's occupancy, following requests from area residents and business groups to do so.

Nature of carrying costs: Cost of pre-development studies (e.g. archaeological assessment) undertaken to unencumber sale of the building site; interim property maintenance (e.g. lawn care); security and stabilization of the building/property until City divesture.

Opportunities to divest this property: A 2016 City initiated RFP yielded no qualified respondents for the building site. The City intends to proceed with another method of its disposition. It is expected the majority of the schoolyard site would be retained as City owned park.

PROPERTIES IN THE OLD VICTORIA HOSPITAL LANDS SECONDARY PLAN AREA

Colborne Building

Rationale for purchasing the property: The City owns the property south of South Street formerly occupied by the LHSC Hospital Campus and reassumed control of it following the Phase A decommissioning of the property after it was vacated by the hospital. It was not purchased at this point. The architecturally significant former institutional building on this heritage listed property was retained for potential future commercial/residential adaptive reuse in pursuit of the Old Victoria Hospital (OVH) Plan's policy directions.

Nature of carrying costs: Cost recovery for pre-development studies (e.g. archaeological assessment) undertaken to unencumber sale of the building/site; interim property maintenance (e.g. lawn care); security and stabilization of the building/property until City divesture.

Opportunities to divest this property: Through the City's Request for Expression of Interest/Request for Proposal (REOI/RFP) process a respondent has come forward. Pursuant to receiving Council permission to negotiate property sale and development agreements, divesture of the building and a portion of property for redevelopment around it, would follow.

War Memorial Children's Hospital Building [original portion only]

Rationale for purchasing the property: The City owns a majority of the property north of South Street formerly occupied by the LHSC Hospital Campus and will reassume control of it following the Phase B decommissioning of the property after it is vacated by the hospital expected in 2017. The portion containing this building need not be purchased. The architecturally significant former institutional building on this heritage listed property was retained for potential future commercial/residential adaptive reuse in pursuit of the OVH Plan's policy directions.

Nature of carrying costs: Cost recovery for pre-development studies (e.g. archaeological assessment) undertaken to unencumber sale of the building/site; interim property maintenance (e.g. lawn care); security and stabilization of the building/property until City divesture; retention/protection of heritage significant architectural attributes during and following Phase B decommissioning. Also identified is \$500,000 for capital expenditures such as roof repairs, and other essential one-time expenses.

Opportunities to divest this property: No decision has been made on the method for disposing of this building/site. However, it is expected that development underway across the street at the Colborne Building may provide another boost in developer interest in this property.

Former Health Services [Old Medical School] Building:

Rationale for purchasing the property: Though the City owns a majority of the property north of South Street formerly occupied by the LHSC Hospital Campus, the LHSC owns this portion. Following the Phase B decommissioning of the property after it is vacated by the hospital expected in 2017, the LHSC has offered it for sale first to the City. The architecturally significant former institutional building on this heritage listed property was retained for potential future commercial/residential adaptive reuse in pursuit of the OVH Plan's policy directions. City ownership of this building/site permits the City to exercise a higher than standard degree of development control on new neighbourhood-compatible medium density residential development.

Nature of carrying costs: Cost recovery for pre-development studies (e.g. archaeological assessment) undertaken to unencumber sale of the building/site; interim property maintenance (e.g. lawn care); security and stabilization of the building/property until City divestiture; retention/protection of heritage significant architectural attributes during and following Phase B decommissioning. Also identified is \$500,000 for capital expenditures such as roof repairs, and other essential one-time expenses.

Opportunities to divest this property: No decision has been made on the method for disposing of this building/site. However, it is expected that development underway across the street at the Colborne Building may provide another boost in developer interest in this property.

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AMENDMENT FORM – CASE # 3

STRATEGIC AREA OF FOCUS: LEADING IN PUBLIC SERVICE
INITIATIVE: UPDATED DEBT SERVICING BUDGET
SERVICE(S): FINANCIAL MANAGEMENT
SERVICE LEAD(S): MARTIN HAYWARD, MANAGING DIRECTOR, CORPORATE SERVICES AND CITY
 TREASURER, CHIEF FINANCIAL OFFICER

Budget Amendment Tax Levy Impact (\$000's)	2016	2017	2018	2019	2016-2019 TOTAL
Expenditure Inc/(Dec)	\$0	(\$300)	(\$300)	(\$300)	(\$900)
Revenue (Inc)/Dec	\$0	\$0	\$0	\$0	\$0
Net Requested Tax Levy (Cumulative)	\$0	(\$300)	(\$300)	(\$300)	(\$900)
Net Incremental Tax Levy	\$0	(\$300)	\$0	\$0	(\$300)
Annual Tax Levy Impact % ¹	0.0%	(0.06)%	0.0%	0.0%	

Note 1: The tax levy impact is calculated using the approved 2016-2019 budget.

AMENDMENT: INTEREST RATE CHANGES – UPDATED DEBT SERVICING BUDGET

Operating Budget Table (\$000's)

Debt servicing costs	2016	2017		2018		2019		2020-2026	
	Net	Expense	Net	Expense	Net	Expense	Net	Expense	Net
Approved Budget	37,575	38,005	38,005	39,006	39,006	40,465	40,465	300,185	300,185
Cumulative Amendment	37,575	(300)	(300)	(300)	(300)	(300)	(300)	(2,100)	(2,100)
Revised Budget	37,575	37,705	37,705	38,706	38,706	40,165	40,165	298,085	298,085

Tax Levy Per Cent Impact Table

Tax Levy Impact (Incremental Changes)	2016	2017	2018	2019	2016-2019 Average
Operating Impact	0.0%	(0.06)%	0.0%	0.0%	(0.01)%
Capital Impact	0.0%	0.0%	0.0%	0.0%	0.0%

Staffing Table

Staffing Summary (Cumulative Changes)	2017	2018	2019
# of Full-Time Employees Impacted	0	0	0
# of Full-Time Equivalents Impacted	0.0	0.0	0.0
Full-Time Equivalents Cost Inc./ (Dec.) - \$000's	0	0	0

What is the reason(s) for the budget amendment(s)?

The debt servicing budget is driven by the amount of debt issued and interest rates. Interest rates are subject to volatility and are primarily driven by economic conditions which are beyond the control of the municipality. This budget amendment consists of savings within the multi-year budget debt servicing costs as a result of lower than anticipated interest rates for 10 year debentures. These savings are attributed to debt issued in 2016 and future forecasted debt. Noting that interest rate forecasts are monitored on a regular basis and will change depending on market conditions an annual assessment of budgeted interest costs will be completed. Any additional savings will be brought forward each year during the annual update process