

ADDENDUM #1

REGULAR MEETING OF CITY COUNCIL

2007 03 26

4:30 P.M.

PART ONE – CONSENT AGENDA

5.

**COMMUNICATIONS AND ROUTINE REPORTS OF
CITY DEPARTMENTS; BOARDS AND COMMITTEES**

- (a) Further correspondence from AMO is attached for the information of Council.
- (z) **Provincial Budget - Future Property Tax Implications**
A report of the Manager of Budgets and Revenue is attached for the consideration of Council.

Mover - Councillor B. Hayes

Seconder - Councillor L. Turco

Resolved that the report of the Manager of Budgets and Revenue dated 2007 03 26 concerning Provincial Budget - Future Property Tax Implications be accepted as information.



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 E-mail: amo@amo.on.ca



MEMBER COMMUNICATION

FYI N°: 07-005

To the attention of the Clerk and Council
 March 23, 2007

FOR MORE INFORMATION CONTACT:
 Petra Wolfbeiss
 AMO Senior Policy Advisor
 (416) 971-9856 ext 329

Spaces Still Available for the Provincial Forum of the Canadian Coalition of Municipalities Against Racism and Discrimination

Barbara Hall, Chief Commissioner of the Ontario Human Rights Commission invites you to attend the March 29 Forum on the Coalition of Municipalities Against Racism and Discrimination in Windsor. This event will be of particular interest to elected officials and administrators who are dealing with race-related issues.

Ontario municipalities are invited to participate in a provincial forum of the Canadian Coalition of Municipalities Against Racism and Discrimination, to be held on Thursday March 29, 2007 from 8:30 am to 4:30 pm in Windsor, Ontario.

The Canadian Commission for UNESCO (the United Nations Educational, Scientific and Cultural Organization), the Ontario Human Rights Commission and other regional and national partners are calling on municipalities in Ontario and across Canada to join the Canadian Coalition of Municipalities Against Racism and Discrimination. This UNESCO-supported initiative is part of a global movement that recognizes local communities to be an ideal place to develop strategies and take meaningful action towards eliminating racism and discrimination.

A key aspect of the Coalition framework is cooperation among municipalities, other levels of government, Aboriginal peoples, the private sector and civil society organizations, all of whom have responsibilities in the area of human rights. This informative and highly interactive forum will provide you with:

- Knowledge of the Coalition, how it is being implemented across Canada and around the world, and how your municipality may join;
- Networking opportunities to discuss common local issues and challenges; and,
- Ideas and strategies to take home for building more inclusive communities.

For more information please click [here](#).

This information is available in the Policy Issues section of the AMO website at www.amo.on.ca.



Update on LAS's Electricity Program

February has been a busy month behind the scenes for the about-to-be-launched LAS Electricity Program, a unique pooled purchasing program for Ontario municipalities.

The RFP to Supply Electricity to Ontario municipalities was issued in early February to 19 potential vendors; eight responses were received and are being carefully reviewed by LAS staff and independent energy consultant, Dr. Larry Murphy of Henley International. Coral Energy acts as LAS Electricity Program Manager; Coral is not involved in any phase of the vendor selection process and will not be involved in the bid selection process, as Coral may also be a supplier. Coral Energy / Shell Trading will only become involved once the bids have been awarded by LAS, in order to manage the supply contracts and billing. To ensure transparency and accountability, LAS will make available to all bidders the winning bid price(s) and suppliers.

Once vendors are selected, contracts will be executed, deals confirmed and eligible municipalities enrolled. The target start date is April 1st. Detailed program information will be provided to all program members in the coming months.

With contracts established, we will be able to provide definitive pricing and projected savings information to all AMO members.

Additional enrollment opportunities will be offered throughout 2007 as Councils pass their resolutions, as we receive completed enrollment packages and as new load thresholds are met. To find out how your municipality can be proactive about managing electricity costs before the Regulated Price Plan ends next April, contact AMO/LAS.

LAS is a wholly-owned subsidiary of the Association of Municipalities of Ontario.

For more information on Electricity or other LAS Programs, contact [LornaGrace Irwin](#), LAS Program Coordinator.
416 971-9856 | 877 426-6527 ext. 320.



February / March 2007
Volume 1 #2

At a Glance

25
municipalities enrolled
in LAS Electricity
Program
(with many more
expected throughout
2007)

April 2008
Electricity price
protection for MUSH
sector under
Regulated Price Plan
expected to end

• .0226 cents/kWh
RPP exit price
(as at March 15, 07)
exiting now generates a
refund
(not a payment)

Making the Most of Energy Conference

Mark your calendars and watch for more information.

AMO is developing a comprehensive 2-day conference for elected officials, key staff and industry partners interested in a broad range of energy issues, including:

- Green powering your fleet
- Bill 21
- Developing an Energy Plan
- Water / Waste Water
- Carbon Credits
- Municipal case studies and much more...

June 4 & 5
Doubletree International
Plaza Hotel, Toronto

June 27 & 28
Valhalla Inn, Thunder Bay

From the Program Manager, Coral Energy Canada / Shell Trading

Why Hedge for Electricity?

Hedges look great in your yard... and they are considered a best practice for managing the volatility and uncertainty (and therefore the risk) related to forward purchasing commodities.

A hedge is a contract purchased now for future supply. While no one knows what future prices will be, a hedge provides the price assurance that helps municipalities budget correctly and confidently. Depending on the marketplace and the purchasing strategies, hedges can also save money.

In Ontario, the spot market for electricity is meant to reflect the actual cost to generate power. This can be very volatile as the price of electricity changes hourly. Closely linked to supply and demand, the Hourly Ontario Electricity Price (HOEP) is usually higher during peak demand and lower during off-peak times.

Ontario municipalities can choose to be served in one of three ways for electricity:

- the Regulated Price Plan (RPP)
- the spot market, or
- a Retail Contract (may include financial hedging).

The Regulated Price Plan offers less volatility than the spot market. However, under the RPP, municipal accounts are reconciled to the true cost of generation, which is based on the spot market price. Ultimately, municipalities pay the spot market price.

If your municipality is involved in a Retail Contract, you typically purchase a financial deal from a supplier for a fixed amount of electricity over a set period of time at a fixed price. The supplier makes sure that you receive the price you contracted for regardless of what else goes on in the market. This way your price is protected. Under this type of contract there is no reconciliation to the cost of generation or spot market each year; you pay for what you buy – or hedge.

A well-managed hedging plan protects your municipality when most needed during high price periods and allows you to take advantage of low prices. Again, no one knows when each of those will happen. However, a good plan takes into account the risks, mitigates them based on solid decisions and balances those risks against the opportunity to buy lower priced power.

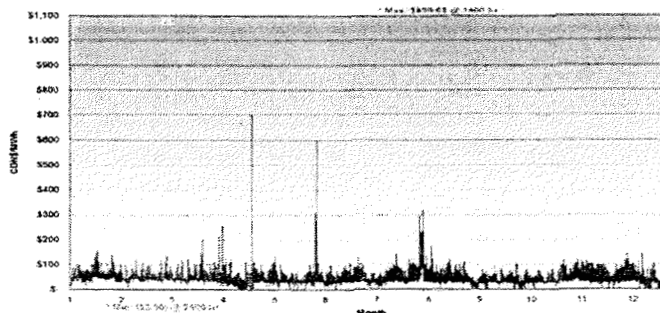
The LAS Electricity program optimises the advantages of all three methods by:

- determining which municipal accounts may best be served under the RPP
- hedging a portion of each municipality's electricity usage to offer price certainty and budgetability
- maintaining spot market involvement when it is beneficial to do so.

Go Green, join the 5000 tonne challenge!

AMO has partnered with Bullfrog Power, Ontario's first 100% green electricity retailer, to provide municipalities with a convenient way to go green. [Find out more.](#)

Hourly Ontario Energy Price (HOEP)
January 1, 2006 - December 31, 2006



Leading Lights

The following municipalities are enrolled in the LAS Electricity program. We salute them as energy leaders!

Brant

Chatsworth

Dryden

Essex

Goderich

Greenstone

Grimsby

Hanover

Howick

Huntsville

Kawartha

Leamington

Middlesex

Mississippi Mills

Oakville

Owen Sound

Red Rock

Saugeen Shores

South Huron

Southwest Middlesex

St. Clair

Stratford

Thames Centre

Val Rita-Harty

Wellington

bullfrogpower



Local Authority Services

newsfLASH for Natural Gas Program members

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Update on LAS's Natural Gas program

After many years the LAS Natural Gas program is in transition with a new Program Manager; effective June 1st, Burlington-based, independent energy services provider, Energy Advantage, will replace ECNG.

As natural gas utilities require 30—90 days to record account changes, we are working now to ensure a smooth transfer of services. For most program members, this transition will be seamless and invisible. However, we may discover anomalies with individual accounts along the way that require immediate attention to facilitate the shift in program management. In that case, we will be in touch with our municipal natural gas program contact immediately.

What other changes can you expect?

- Improved communication about the program and about the energy marketplace
- Enhanced reporting to program members at the program, the municipal and the individual account levels
- Estimated program pricing for the November to October program year provided by June of each year to align with the budget cycles of most program members
- Multiple opportunities to enhance your understanding of the marketplace and regulatory issues through AMO/LAS communications, conference sessions, town hall presentations that include both our natural gas and electricity program managers, etc.

What hasn't changed?

- Commitment to delivering long-term value
- LAS staff available to address your questions and concerns
- Program oversight by your peers who bring a range of municipal perspectives to both the Advisory Committee and the LAS Board of Directors
- Program management by knowledgeable and experienced energy professionals

February / March 2007
Volume 1 #2

At a Glance

$\$.3526/m^3$
Current gas supply price
(includes transportation
and fuel gas)
for
LAS program members

Making the Most of Energy Conference

Mark your calendars and watch for more information. AMO is comprehensive 2-day conference for elected officials, key staff and industry partners interested in a broad range of energy issues, including:

- Green powering your fleet
- Bill 21
- Developing an Energy Plan
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- Municipal case studies and much more...

June 4 & 5
Doubletree International
Plaza Hotel, Toronto

June 27 & 28
Valhalla Inn, Thunder Bay

LAS is a wholly-owned subsidiary of the
Association of Municipalities of Ontario.



For more information on Natural Gas or other
LAS Programs, contact LornaGrace Irwin, LAS
Program Coordinator:
416 971-9856 | 877 426-6527 ext. 320.

What You Should Know About Retail Energy Marketers

In jurisdictions that have deregulated energy markets (electricity and/or natural gas) it is likely that retail energy marketing companies will approach municipalities and their individual locations to solicit their energy supply business. Some of the retail marketers currently operating in Canada are Direct Energy Essential Home Services, Ontario Energy Savings Corporation (OESC) and Superior Energy Management.

Typically, retail energy marketing companies are skilled, assertive marketers whose salespeople may use high-pressure tactics to sign up new businesses. Some unwary consumers can be "signed-up" without even knowing it. By simply providing the salesperson with a copy of the current utility account number (often obtained when they ask to see a recent utility bill), accounts can be enrolled in a retail program.

Currently, a common practice of retail energy marketers is to offer three or five year fixed price terms for the energy commodity, on the premise of providing "peace of mind" to consumers who are concerned about rising and volatile costs.

So, what's the problem?

The cost of the "peace of mind" can be very high. Recently, a sampling of four retail marketers' 5-year fixed natural gas prices (for the gas commodity alone, does not include transportation or fuel gas compression) ranged from 34.8¢/m³ to 39.9¢/m³ and averaged 38.2¢/m³ (or \$10.07/GJ). On the same day, 5-year gas supply was available on the wholesale market for 30.68¢/m³ (\$8.10/GJ) plus transportation and fuel gas compression. LAS's program price for 2006/2007 is 35.26¢/m³ and includes transportation and fuel gas. Make sure you are comparing apples to apples when looking at prices and terms.

Generally speaking, by committing to one of these retailers' offerings, your municipality would be getting a price that reflects record high levels in the futures market, where your municipality would be locked in for a long time, perhaps even longer than you think.

Retail marketers' contracts with commercial customers will almost invariably have "negative option" clauses, whereby the marketer may automatically renew the contract for further term(s) unless the customer specifically serves written notice before the termination date that it does not wish to renew.

Retail marketers buy the physical energy commodity for re-sale to their customers or enter into financial contracts (hedges) covering their supply obligations. These supply-side transactions are greatly influenced by

Market Snapshot

- Natural gas prices for the 7-month period from April 1/07 to October 31/07, decreased by 1.4 cents/m³ during the last month. Gas prices typically decrease towards the end of the winter season
- As of March 2/07, North American natural gas inventories were 45% full compared to 53% full last year at this time and to 40% full, on average, over the last 5 years
- The daily spot market gas prices are currently trading at 26.0 to 27.0 cents/m³ – down 2.0 cents from the mid-February 2007 level.

prevailing market conditions and by the credit-worthiness of the marketer. In volatile markets, if the marketer does not have a strong credit rating, its supply (and by extension, its customers' supply) could be at risk.

If I don't deal with a retail marketer, what are my options?

You can stay with your local utility as supplier. For natural gas, you would be purchasing what is known as "system gas." Supply will be assured, however the price you pay for the gas will be a pass-through of the utility's cost to purchase gas – and that is typically tightly linked to the spot market prices. Utility customers are frequently required to pay retroactive adjustments when the utility's projected gas costs fall short of their actual costs.

OR

You can join the AMO/LAS or other pooled purchase programs that buy wholesale rather than retail. The LAS program is managed by an independent energy consultant that sits on the municipalities' side of the table and whose objective is to provide AMO and its members with expert advice and to execute and manage purchase strategies that will reduce costs and volatility over the long term.

What can I do if a marketer has already signed up municipal accounts?

Unfortunately, not much. The contracts are legally binding if signed by duly authorized staff.

Just make sure you remember to avoid the automatic renewal by providing the written notice of cancellation stipulated in your agreement. [Click here to obtain a Termination Letter template.](#)

And make sure your employees know about these practices and, in particular, that under no circumstances should they provide utility bills, account numbers or any information to energy marketers that may call or visit the municipal premises.

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MEMBER COMMUNICATION

ALERT N°: 07/015

To the attention of the Clerk and Council
March 22, 2007

FOR MORE INFORMATION CONTACT:
Patricia Swerhone, Senior Policy Advisor
416.971.8099 ext. 323

Ontario Budget 2007

Issue:

The Ontario Government tabled a 2007 Budget that will see some municipalities receiving additional funding for infrastructure projects but offer no structural improvements in current provincial-municipal cost-shared programs.

Budget Highlights:

- An immediate additional \$70 million for the provincial "Rural Infrastructure Investment Initiative Fund" to bring the total funding for this one-time initiative to \$140 million. This additional funding is to be allocated by March 31, 2007 based on existing applications already received.
- A commitment to invest in public communications infrastructure with \$10 million in 2007-2008 to help expand broadband coverage in rural southern Ontario by leveraging community and private-sector investments.
- A commitment to immediately flow through the Federal Government "Infrastructure Transit Trust" funds of \$352 million to transit-operating municipalities by March 31, 2007 based on transit ridership; and, to immediately flow through \$127 million of the Federal Government's \$392 million "Affordable Housing Trust" to municipalities to either build new affordable housing or to rehabilitate existing housing.
- A proposal to address the current variations by implementing a maximum Business Education Tax (BET) rate of 1.6%. The adjustment will result in a \$540 million cut to BET rates phased-in over a seven-year period. This is a welcome change that will improve the competitive position of affected municipalities across the province. The change does not, however, reduce the burden on the municipal residential property tax payer.
- Proposed new measures to address volatility in the property tax assessment system. These included a move to a four-year assessment cycle, to be implemented province-wide in 2009, with future residential assessment increases phased-in over four years.

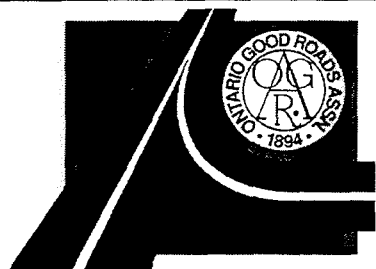


Member Communication

- A proposed increase of social assistance (Ontario Works and Ontario Disability Support Program) rates by two (2) per cent effective November 2007. This proposed increase will result in additional \$18 million in annual costs to municipalities, beginning January 2008. Combined with other social assistance rate increases since 2003, this proposed rate increase will result in total additional costs to municipal property tax payers of approximately \$60 million a year.
- The Province has committed to provide \$11 million to municipalities in strategic locations (Hamilton, Cornwall, Brantford, St. Catharines and the University of Ottawa) to clean up Brownfield properties for the economic and social vitality and growth of Ontario.
- GTA pooling was established under the previous government in 1998, to share social assistance and social housing costs across the GTA. This program results in a transfer of approximately \$200 million in assistance from the municipal property tax bases of contributing municipalities including York Region, Peel Region and Halton Region primarily to benefit the City of Toronto. The Province has committed to phase out GTA pooling over seven years, beginning in 2007 with pooling contributions to be rolled back to 2004 levels.
- The Ontario Government has identified a proposed Ontario Child Benefit (OCB) to be phased-in over a five-year period to provide assistance to children whether their parent(s) are employed or on social assistance. As part of this initiative, the Province proposes to end the National Child Benefit Supplement (NCBS) "clawback" effective July 2008. AMO has always advocated for the creation of a separate income-tested child benefit as an excellent opportunity to end the clawback – provided that the Province continues to fund the reinvestment portion of the NCBS that currently funds programs and services in local communities and municipalities. The Province has identified \$15 million in net savings for municipalities (at maturity in 2011) as a result of this initiative. It is not clear if the estimated \$40 million in NCBS-funded community based programs and services will result in a financial pressure for municipalities.
- The Ministry of Finance made a curious comment at the end of the Budget Speech. He said, in the context of the pending provincial election, that the government would, within weeks, "present the Province's first pre-election financial report". It is not clear what the pre-election "Financial Report" will entail.
- What we do know is that the 2007 Ontario Budget projects a provincial surplus of \$1.3 billion in 2008-09; and, \$1.6 billion in 2009-10. This, coupled with an additional \$2 billion a year in health and social service transfer from the federal government to the Province, will assist the Province in financing the upload of provincial health and social services off the municipal property tax base.

Action: For your information.

This information is available in the Policy Issues section of the AMO website at www.amo.on.ca.



Working for Municipalities

Heads UP



keeping members informed.

March 23, 2007

Few Transportation and Infrastructure Gains in Provincial Budget

While some attention was paid to transportation and infrastructure in the 2007 Provincial Budget, many priority areas were overlooked, leaving municipalities with considerable funding gaps. "With the Province projecting budget surpluses in excess of \$1.5 billion, there is certainly room for the Province to make a better commitment to helping municipalities meet their infrastructure needs. Ontario Good Roads Association is extremely disappointed," said OGRA President, Jim Harrison.

The most significant announcement is the doubling of the Rural Infrastructure Investment Initiative with an additional \$70 million. This fund is intended to help rural and small municipalities provide safe and reliable local infrastructure, including water and wastewater system upgrades.

The Connecting Link program is receiving a one-time investment of \$25 million that municipalities may use for municipal roads across the Province.

The Provincial Government will continue to provide municipalities with two cents per litre of the provincial gas tax for public transit. Municipal roads did not receive a similar commitment.

Provincial highways and bridges, in both northern and southern Ontario will be repaired and expanded through the ReNew Ontario plan.

The Budget does contain a commitment to move ahead with the Provincial-Municipal Fiscal and Service Delivery Review and a report will be released in the spring of 2008.

Missing from the Ontario Budget was any commitment to additional Move Ontario funding that was welcomed as part of last year's budget. "OGRA had strongly recommended that the \$400 million unconditional roads funding that was allocated last year become an annual program as a first step toward sustainable infrastructure funding," said Harrison. "Municipalities put this road and bridge funding to good use. It is unfortunate that municipalities cannot count on continued support."

The Ontario Good Roads Association (OGRA) represents the infrastructure interests of municipalities through advocacy, consultation, training and the delivery of identified services. OGRA currently serves 416 municipal members, 21 First Nations communities, and 240 corporate members.

ONTARIO GOOD ROADS ASSOCIATION

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MEMBER COMMUNICATION

ALERT N°: 07/016

To the attention of the Clerk and Council
 March 26, 2007

FOR MORE INFORMATION CONTACT:
 Patricia Swerhone, Senior Policy Advisor
 (416) 971-9856 Ext. 323

Rural Infrastructure Investment Initiative Final List of Approved Grants Now Available

Issue:

Infrastructure Ontario has now posted the list of approved grants to successful municipalities competing for the **Rural Infrastructure Investment Initiative** funding.

Background:

On September 19, 2006, Premier McGuinty announced \$75 million in funding for rural municipalities, including a \$70 million one-time investment in rural and northern infrastructure under the "Rural Infrastructure Investment Initiative".

Municipalities deemed eligible for this fund were notified through a letter to Clerks/CAO's from Infrastructure Ontario, an agency of the Government of Ontario. Although AMO had strongly advocated for an "entitlement-based approach", the letters to municipalities confirmed that the funding would be made available through a *competitive-based process* for construction-ready projects within five priority areas: local roads and bridges; solid waste management; clean water and wastewater; sports, recreation and cultural facilities; and, community energy projects.

As well, the recent Provincial Budget 2007 announced an immediate additional \$70 million to this fund, for a total of \$140 million in one-time funding for projects in local rural and northern communities. All funding for this initiative, including these additional funds, was to be allocated by March 31, 2007 based on existing applications already received.

Successful municipalities on the final list of approved grants should have already received an e-mail notification, with formal letters to successful and unsuccessful municipalities to go in the mail today. Information on the fund, including access to this list can be found at the Infrastructure Ontario website: www.infrastructureontario.ca.

Action:

For your information.

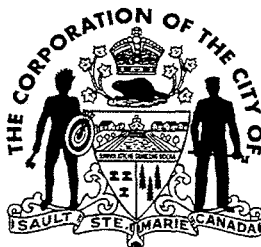
This information is available in the Policy Issues section of the AMO website at www.amo.on.ca

Association of
 Municipalities of Ontario



ALERT

Scott McLellan
Manager of Budgets and Revenue
Finance Department



March 26, 2007

Mayor John Rowsell
and Members of City Council

RE: PROVINCIAL BUDGET – FUTURE PROPERTY TAX IMPLICATIONS

On Thursday, March 22, 2007 the Provincial Government presented their 2007-08 Budget.

The Budget Document contains changes to the way municipalities will process property taxes. While the exact workings of the changes are not known, there are two main thrusts to the proposed changes that Council should be aware of.

The Province has stated that the Business Education Property Tax (BET) will be reduced. Currently, Commercial and Industrial Property Taxes are approximately 40.00 % for Education while Residential properties have an Education portion of approximately 14.00 %. The stated goal of the Province for Sault Ste. Marie is to reduce the Commercial Education Tax Rate by 23.00 % and the Industrial Education Tax Rate by 46.00 %. This reduction will be accomplished gradually until fully implemented in 2014 and has an estimated value of \$ 4,750,000. and will see the Education Rate reduced to 1.60 % of the Residential Rate.

There is no reference to changing the Residential Education Tax Rates although past practice indicates that the Province has generally reduced the Residential Education Tax Rate during Re-assessment years.

Property Re-assessment will now be on a 4 year cycle instead of the planned annual re-assessment. In order to lessen the impact of assessment increases the amount of the increase will be phased in over the 4 years and then another re-assessment cycle will begin. Although we do not have the details of the plan, our understanding of the process is provided in the example below.

This example is based on a property assessed at \$ 100,000 which receives a 10 % increase due to re-assessed. For the City's 2009 Budget, the Assessment Roll will be based on an estimated value at January 1, 2008. We do have some concerns as to the method that MPAC may use to return the Roll. If they do not return the Roll with the annual phased in amount, our tax calculations will be very onerous to complete as we will be dealing with an Assessment Roll which may have misstated values and we will have to calculate and budget for the shortfall.

<u>YEAR</u>	<u>ACTUAL ASSESSMENT</u>	<u>TAXABLE ASSESSMENT</u>
2008	100,000 (2005 value)	100,000
2009	110,000	102,500
2010	110,000	105,000
2011	110,000	107,500
2012	110,000	110,000
2013	Re-Assessment	

The new Re-assessment methodology is currently planned only for Residential properties. It is assumed the current "Capping" provisions will continue to apply to Commercial and Industrial properties.

Any reduction in residential assessment will be fully implemented with no phase in.

This report is provided for the information of Council.

Respectfully submitted,



S. McLellan
Manager of
Budgets and Revenue

Recommended for Approval



William Freiburger, CMA
Commissioner of Finance &
Treasurer.