

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF OCTOBER 29, 2013

Item 1, Report No. 12, of the Finance and Administration Committee, which was adopted, as amended, by the Council of the City of Vaughan on October 29, 2013, as follows:

By approving the following:

That the recommendation set out in Communication C12 from the Interim City Manager, dated October 22, 2013, be approved, as follows:

- 1. That the City of Vaughan agrees, in principle, to subscribe for equity common shares in Vaughan Holdings Inc. in the maximum amount of \$22,657,500; and***
- 2. That the City of Vaughan's investment in such common shares may be made in tranches, with amounts and timing determined consistent with the dates and amounts of the additional common shares to be issued from PowerStream to Vaughan Holdings Inc. for PowerStream's core distribution business; and***
- 3. That the Mayor, together with the City Clerk are hereby authorized to execute all documents and that staff are authorized take such steps as may be necessary or desirable in connection with the foregoing.***

1 EQUITY INVESTMENT IN POWERSTREAM INC. CORE DISTRIBUTION

The Finance and Administration Committee recommends:

- 1) That the recommendation contained in the following report of the Interim City Manager, dated October 21, 2013, be approved; and**
- 2) That the Commissioner of Legal and Administrative Services & City Solicitor provide a legal opinion on the potential for conflict pertaining to Members of Council involvement with the PowerStream Board.**

Recommendation

The Interim City Manager recommends:

- 1. That the Interim City Manager be directed to report back to the October 29, 2013 Council meeting with the Vaughan Holdings Inc. decision on an equity investment in PowerStream's core local distribution business.**

Contribution to Sustainability

Additional revenue opportunities provide support to the City's budget and the long term financial sustainability of the City, therefore investment opportunities must be considered and evaluated to determine if they present long term financial benefits to the City.

Economic Impact

The City of Vaughan, through its wholly owned subsidiary Vaughan Holdings Inc. receives dividends from PowerStream Inc. as a result of equity investment and net profit sharing in PowerStream Inc. The dividends received support the City's operating budget, and mitigate tax increases to residents and businesses. The financial impact of an additional equity investment into PowerStream's core distribution business will first be considered by the Vaughan Holdings Inc. Board of Directors, and subject to Vaughan Holdings Inc.'s decision, final approval will be required from the City of Vaughan. It is anticipated that the equity investment, if approved, will be implemented by the City of Vaughan purchasing additional shares of Vaughan Holdings Inc., followed by an equivalent purchase by Vaughan Holdings Inc. of PowerStream shares.

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Item 1, Finance Report No. 12 – Page 2

Communications Plan

Staff will communicate Council's decision to PowerStream Inc. following the October 29, 2013 Council Meeting.

Purpose

The purpose of this report is to provide notice to Council that a decision on the matter of additional equity investment into PowerStream's core distribution business will be made by Vaughan Holdings Inc. and forwarded to the Council meeting of October 29, 2013, for Council's final decision.

Background - Analysis and Options

The City of Vaughan, through its wholly owned subsidiary Vaughan Holdings Inc.(VHI), owns 45.315% of PowerStream Inc. The balance of the shares in PowerStream Inc. are owned by the cities of Markham and Barrie, through their respective holding companies.

In early 2013, PowerStream Inc. advised the shareholders of the forecasted equity requirements over the next four years for the core local distribution business, and offered an opportunity to the shareholders to consider investing additional equity into the core business.

The approval for Vaughan to invest additional equity must be made at two levels, firstly through VHI, and secondly, subject to VHI's decision, the City of Vaughan Council makes the final decision. The VHI Board of Directors will be dealing with this matter at the Vaughan Holdings Inc. meeting on October 21, 2013.

Regional Implications

Not applicable

Conclusion

Following the Vaughan Holdings Inc. meeting on October 21, 2013, the Interim City Manager will provide additional information and a recommendation based on the Vaughan Holdings Inc.'s decision regarding an additional equity investment to the Council meeting of October 29, 2013.

Attachments

Not applicable

Report prepared by:

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