

From: Chris Butler

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To: Council Agenda <councilagenda@london.ca>

Cc: csc <csc@london.ca>; Woolsey, Heather <hwoolsey@London.ca>

Subject: [EXTERNAL] Added Agenda - April 23 - Full Council Meeting - Item 8.2 - 7th Report OF CSCCommittee

City Clerks office – Please consider this both direction and approval to distribute this E – Mail as “ Added Agenda “ for the Tuesday April 23 Full Council Meeting for Item 8.2 – the 7th Report of the CSC with respect to the Operating Budget Surplus . This was originally Item 2.2 – Consent Report on dealing with our Operating Budget Surplus .

Mayor Morgan (Chair) & full Council . I would welcome a more productive debate on the outcome of the allocation of the 2023 Budget Surplus and our way forward on the by-law that umbrellas this allocation .

The City of London’s Annual Tax Levy supported Operating Surpluses are regularly starting to equal or exceed the annual tax levy increase %% in magnitude (2023 Year 3.18 % increase / 3.8 % surplus) . The elephant or budget bomb in this room should be the very real possibility that our 2024 Operating Surplus will be 5 % of the Tax Levy + 1 % or – 1 % . Why is that a very strong possibility ?

- We didn’t approve the 2024 Budget until February 29 / 24 delaying delta spending authority by a full 2 months (16 %) of the full fiscal year. Operating Dept Leads will be challenged to spend at an accelerated pace.
- The 1st calendar year of a new 4 year Budget Cycle pulls in a new Strategic Plan and this drives the maximum **project driven changes** in the shortest period of time at the highest risk of variance. It takes time for any organization to hire/ pivot / train & implement to meet that level of change with time outs and delays expected on our paths to get there. Its healthy that this drives a budget surplus as employee teams move forward and rate payers & council should expect this .
- We exited the CSC Meeting on April 15th with no recommended action (again) on a serious review of this by-law to support both rate payer fairness and a look at the variance sources . This by-law needs a serious recalibration (see below)

Recommendations To Consider;

- Sent this By-law back to the Budget Committee for an early 2024 review , with the results available prior to the mid – year 2024 budget review .
- Ask now! Are the interest income proceeds to be gained from our \$ 625 Million (approximate) Reserve Fund investments in 2024 actually currently budgeted to be allocated to general reserves to avoid a repeat of 2023 huge allocation to surplus ?

- We appear to currently consider OPS Budget Surpluses driven by **new project schedule changes** in the same light as a budget surplus from a mature program spend like snow removal in this By-Law . As a long time project manager, any PMP designated professional would advise both the customer facing lead project manager (example – Jay Stanford – Green Bins) and Finance team that the approved but unspent OPS Budget should be carried over with the new schedule ; a process called re-baselining the full and revised plan (Capital + OPS in harmony) . This is both a customer fairness and project management tool. Variances like these should never even show up in a future OPS Budget Surplus report.

Just imagine if in 2024 or 2025 Chief Troung is not able to execute our massive project reset as quickly as currently budgeted on a time phased basis and the surplus OPS Funds are allocated per the current By – Law That would be a bomb with respect to taxpayer fairness as we would be paying for the Budgeted (not actual) services not received .

THXS for your consideration – Chris Butler