

Report to Strategic Priorities and Policy Committee

To: Chair and Members
Strategic Priorities and Policy Committee

From: Anna Lisa Barbon, CPA, CGA
Deputy City Manager, Finance Supports

Subject: 2025 Annual Budget Update Process

Date: May 7, 2024

Recommendation

That, on the recommendation of the Deputy City Manager, Finance Supports:

- a) This report providing an overview of the 2025 Annual Budget Update process **BE RECEIVED** for information; and
- b) Civic Administration **BE DIRECTED** to make the following amendments to the approved 2024 Council and Committee Calendar to accommodate the budget process timelines prescribed by “Strong Mayor” legislation:
 - i) Reschedule the Budget Committee meetings currently scheduled for November 28th and 29th to November 21st and 22nd to consider Council amendments to the 2025 Budget Update; and
 - ii) Schedule a special Council meeting on November 27th to formally adopt Council amendments to the 2025 Budget Update.

Linkage to the Corporate Strategic Plan

Council’s 2023-2027 Strategic Plan for the City of London identifies ‘Well-Run City’ as a strategic area of focus. The City of London’s Multi-Year Budget (MYB) process is specifically listed as a strategy under this strategic area of focus: ‘Develop and monitor the Multi-Year Budget to align financial resources with Council’s Strategic Plan.’ The implementation of a MYB signifies that the City is looking beyond a short-term focus when planning its finances. This results in improved accountability and transparency over spending changes and helps the City maintain positive operating results, stable debt levels, and strong liquidity, reflected in the continued affirmation of the City’s Aaa credit rating (47 consecutive years).

Analysis

1.0 Background Information

1.1 Previous Reports Related to this Matter

2024-2027 Multi-Year Budget: <https://london.ca/government/property-taxes-finance/municipal-budget/multi-year-budget>

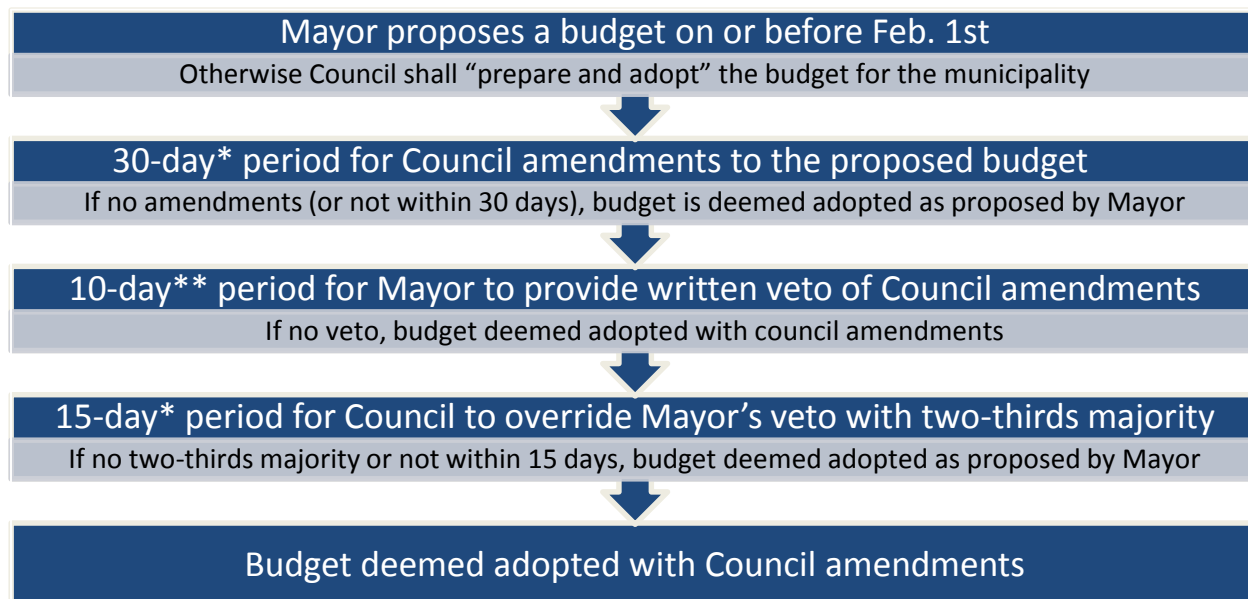
1.2 Strong Mayor Legislation – Impact on the Budget Process

On June 16, 2023, the Province of Ontario announced that it was extending “Strong Mayor” powers to 26 Ontario municipalities, including London, effective July 1, 2023. Similar powers had already taken effect for Toronto and Ottawa in November 2022 with the proclamation of Bill 3, Strong Mayors, Building Homes Act, 2022.

Section 284.16 of the Municipal Act describes the powers and duties of the Mayor with respect to the municipal budget process. Under the new “Strong Mayor” process, the power to propose and adopt the budget defaults to the Mayor and cannot be delegated. In addition, the powers are mandatory rather than permissive under section 284.16(2) and there is no ‘opt-out’ provision. O. Reg. 530/22 outlines prescriptive timelines and requirements for the passing of a budget. Under O. Reg. 530/22, the proposed budget must be prepared, presented to council and made public by the Mayor before February 1st each year. O. Reg. 530/22 further outlines the following timelines for the budget process:

- Within 30 days after receiving the proposed budget from the head of council, the council may pass a resolution making an amendment to the proposed budget (noting that the council may pass a resolution to shorten the 30-day period);
- If a council does not pass a resolution to amend the budget within the prescribed time period, the proposed budget shall be deemed to be adopted by the municipality;
- Within 10 days after the expiry of the time period for council to pass a resolution to amend the proposed budget, the head of council may veto a resolution passed by council (noting that the head of council may, in writing, shorten the 10-day period);
- If the head of council does not veto a resolution to amend the budget, the proposed budget shall be deemed to be adopted by the municipality with the council amendment;
- Within 15 days after the expiry of the time period for the head of council to veto a resolution to amend the budget, council may override the head of council’s veto if two-thirds of the members of council vote to override the veto (noting that the council may pass a resolution to shorten the 15-day period);
- If council overrides the veto, the veto does not apply and the proposed budget is deemed to be adopted by the municipality with the council amendment.

This process can be summarized in the following graphic:



* Council may pass resolution to shorten this time period

** Mayor may provide written document to shorten this time period

The 2024-2027 Multi-Year Budget was the first City of London budget process to be completed under the new “Strong Mayor” legislation and associated timelines. However, because the “Strong Mayor” powers were extended to London in the midst of the 2024-2027 Multi-Year Budget development period, it necessitated a unique process that resulted in a Civic Administration draft budget being released first on December 12, 2023 to facilitate public engagement and feedback, followed by the release of the Mayor’s proposed budget on January 31, 2024. Council amendments to the Mayor’s proposed budget were then approved on February 29, 2024. The 2024-2027 Multi-Year Budget process concluded with the deemed adoption of the budget on March 1, 2024

when Mayor Morgan announced that he was not intending to veto any Council amendments to the budget.

2.0 Discussion and Considerations

2.1 Proposed Timelines and Key Dates for the 2025 Annual Budget Update

For the 2025 Budget Update, a streamlined process is anticipated, with the release of only one budget document which will represent the Mayor’s proposed budget. The proposed timelines are outlined in the following table, with the objective of completing the 2025 Budget Update process before the end of December 2024, while ensuring compliance with the legislative timelines outlined above.

What	When
2025 Budget Update Kick-off Report at Strategic Priorities and Policy Committee (SPPC)	May 7 th
Release of 2025 Budget Guidelines to Civic Service Areas and Agencies, Boards and Commissions	Late May
Budget Amendment Submission Deadline for Civic Service Areas and Agencies, Boards and Commissions	August 23 rd
Release of the Mayor’s Proposed 2025 Budget Update on the “Added” Agenda for the Oct. 29 th SPPC Meeting	October 28 th
Budget Release Presentation by Civic Administration and Mayor Morgan at SPPC and Referral of the 2025 Budget Update to the Budget Committee	October 29 th
Public Engagement Period (budget information sessions, opportunity for Councillor ward meetings as requested, etc.)	October 30 th to November 18 th
Public Participation Meeting at Budget Committee	November 19 th
Budget Committee Deliberations	November 21 st & November 22 nd (if needed)
Special Council Meeting for Approval of Budget Committee Amendments to the Mayor’s Proposed Budget	November 27 th
Mayor to Provide Intentions with Respect to Mayoral Veto of Council Amendments	December 2 nd
Council Approval of Overrides of Mayoral Vetoes (if required)*	December 17 th

* NOTE: In the event of mayoral veto(es), a special Budget Committee meeting would need to be convened to consider potential council overrides of the veto(es), the outcome of which would formally be approved at the December 17th Council meeting.

The previously approved 2024 Council and Committee Calendar was created prior to the introduction of the new “Strong Mayor” legislation and associated budget timelines. This report seeks direction for Civic Administration to make the required changes to the 2024 Council and Committee Calendar to facilitate these timelines, specifically:

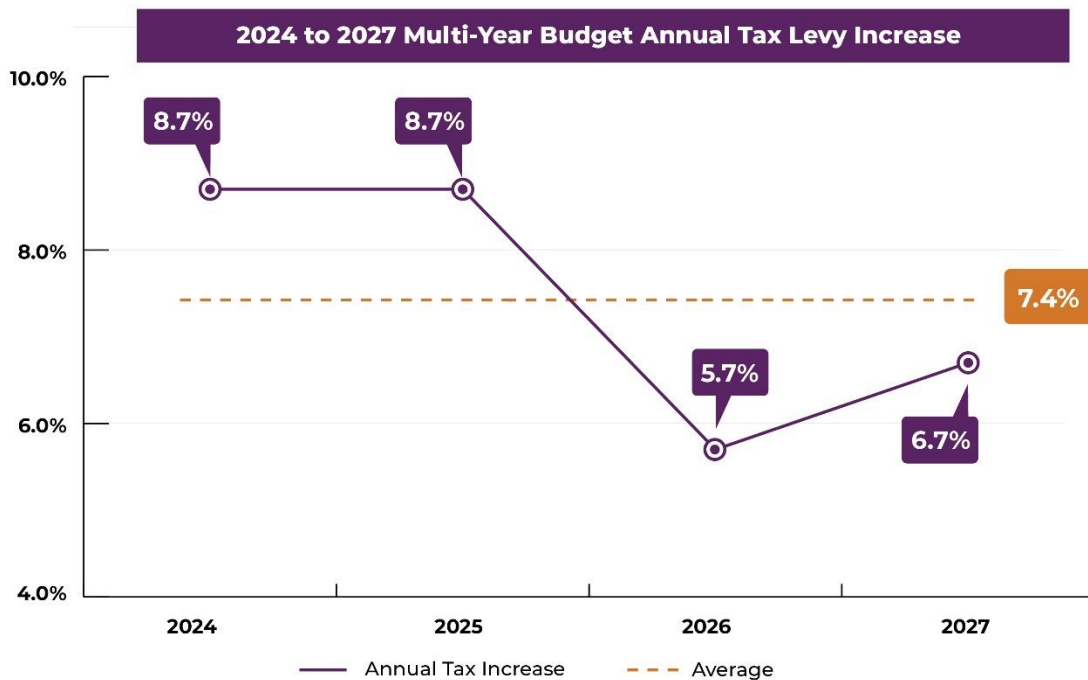
- Rescheduling the Budget Committee meetings currently scheduled for November 28th and 29th to November 21st and 22nd to consider Council amendments to the 2025 Budget Update;
- Schedule a special Council meeting on November 27th to formally adopt Council amendments to the 2025 Budget Update.

The other deadlines within the budget process can be accommodated within previously scheduled committee and council meetings.

3.0 Financial Impact/Considerations

3.1 2024-2027 Multi-Year Budget Recap

At the outset of the 2025 Budget Update process, the approved tax levy increase for 2025 is 8.7% as outlined in the following graphic (inclusive of the impacts of 2024 assessment growth):



Consistent with the Council approved Multi-Year Budget Policy, amendments to the 2024-2027 Multi-Year Budget will be supported by a Budget Amendment form and will be limited to the following matters:

- New or Changed Regulation – A new or changed legislation or regulation with a financial impact to the municipality;
- New Council Direction – A new Council direction that has transpired after the approval of the Multi-Year Budget; or
- Cost or Revenue Driver – A budget adjustment required as a result of unanticipated changes since the approval of the Multi-Year Budget.

New for the 2025 Budget Update will be two separate categories of budget amendments: i) those that are included in the Mayor's proposed budget; and ii) those that are referred to the budget process but not included in the Mayor's proposed budget, if applicable. Including both categories of amendments will allow fulsome public engagement and Council debate on the various decision points in the budget.

4.0 Key Issues and Considerations

4.1 Potential Reductions to Future Years' Budgets

Recognizing the 8.7% tax levy increase currently approved for 2025, as well as the tax levy increases planned for 2026 and 2027, Civic Administration remains committed to the ongoing service review program that has been utilized for many years. Various service review "tools" continue to be utilized, including:

- Zero-based reviews and budget right-sizing
- Internal audit
- Program reviews
- Organizational reviews

In particular, zero-based reviews are conducted on an ongoing basis and the results of these reviews are compiled into a budget amendment for inclusion in each year's Annual Budget Update. It is anticipated that a similar approach will be employed for the 2025 Budget Update. It should be noted, however, that because significant right-sizing was incorporated into the 2024-2027 Multi-Year Budget (more than \$36 million of total reductions were included in the 2024-2027 property tax supported budget), opportunities for right-sizing may be more limited in the 2025 Budget Update process than they are in the latter years of the multi-year budget cycle. Nevertheless, Civic Administration will bring forward right-sizing opportunities identified through 2025 budget development. Agencies, boards and commissions will similarly be encouraged

to thoroughly review their budgets and bring forward any opportunities for budget reductions.

In addition, Mayor Morgan has indicated his intention to establish a “Strategic Opportunities Review Working Group” with responsibilities including, but not limited to:

- conducting a strategic review of programs and services provided or funded by the City of London to identify potential divestiture opportunities, avenues for revenue generation, and/or alternate delivery models, in compliance with applicable legislation;
- exploring opportunities for shared services and revenue generation initiatives that align with the City's Strategic Plan and existing council direction;
- reviewing and considering service review opportunities for the City's boards and commissions.

Given the time required to operationalize the Strategic Opportunities Review Working Group, it is unclear the extent to which the recommendations of this working group will affect the 2025 budget. Any direction from Council (via this working group) to prepare budget amendments would need to be received by early August 2024 to provide sufficient time to develop the budget amendments and compile them in the budget document for release in October. It is likely that the outputs of this working group will more significantly inform the budget process in future years.

4.2 Public Engagement Approach

Civic Administration is still developing the public engagement plan for the 2025 Budget Update but would envision similar engagement activities to other annual budget updates. Anticipated engagement methods include, but are not limited to:

- Public participation meeting;
- Virtual and in-person information sessions;
- Support for Councillor ward meetings/townhalls (as requested);
- Attendance at community group events (as requested);
- Attendance at advisory committee meetings (as requested);
- Digital and print advertising in local media;
- Extensive use of social media;
- Continued use of the GetInvolved site;
- Continued use of Property Tax Breakdown Calculator tool;
- Budget materials available online and at all library branches;
- Availability of the Budget team by phone and e-mail.

As public engagement plans are formalized with a continuous improvement lens, consideration will be given to how to engage groups who have historically not participated in the municipal budget process.

Conclusion

Preliminary work on the 2025 Budget Update process, the first annual update to the 2024-2027 Multi-Year Budget and the second budget process under the new “Strong Mayor” legislation, is already underway. This report provides a summary of the anticipated process including a refresher on how the budget process is conducted in accordance with O. Reg. 530/22, the anticipated timelines and key dates in the process and the types of amendments that are anticipated in the 2025 Budget Update. This report also seeks approval to amend the Council-approved 2024 Council and Committee Calendar to accommodate the legislated budget process timelines.

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