

Budget >>> 2014



Draft – December 3, 2013

What's Guiding Us?



Governance Principle

Fiscal Responsibility: “Investing wisely to continue building our community, while maintaining a solid Financial position”

Financial Management Strategies

- ✓ Promote affordable & competitive property taxes
- ✓ Reduce debt levels & costs
- ✓ Promote pay-as-you-go financing
- ✓ Contain costs
- ✓ Ensure adequacy of reserves & reserve funds
- ✓ Invest strategically
- ✓ Manage assets

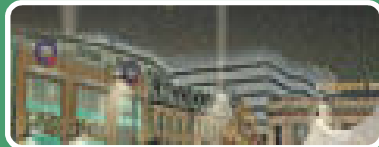
What You Need to Consider



- Decisions you make impact the future in terms of: services, asset life, level of risk
- Budget methods worthy of avoiding:
 - Using one-time funding to fund on-going costs
 - Not considering the impact of flow-through costs when increasing services or service levels
 - Reducing asset maintenance
 - Increasing risk
- Don't waiver from the principles endorsed in the strategic financial plan
- **Five results for strategic plan** (Strong Economy; Vibrant and Diverse Community; Green and Growing City; Sustainable Infrastructure; Caring Community)

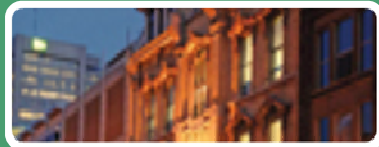
Strategic Results

Sample Of Recent Achievements & Investments



A Caring Community

Over 8,000 social housing and rent supplement units provided to low to moderate income households, senior citizens and other vulnerable citizens.



A Strong Economy

Invested in 87 acres of strategically located “shovel ready” industrial land.



A Green and Growing City

Constructed 17 km of new pathways and bike lanes since 2011.



A Sustainable Infrastructure

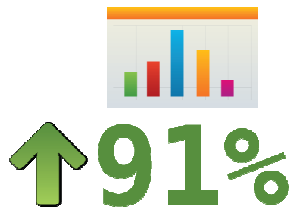
Significant infrastructure investments have been made since 2011 to facility upgrades, outdoor pools, sports fields, park spray pads, and skate parks.



A Vibrant and Diverse Community

Host of the International Skating Union World Figure Skating Championships. The event was seen by 165 million fans around the world and generated an estimated \$32 million in economic activity for the City and \$42.6 million for Ontario.

How Well Do We Deliver Our Services?



London's services perform on par or better than those in peer municipalities in 91% of service areas



London has had a Aaa credit rating, the highest possible, for 37 years straight



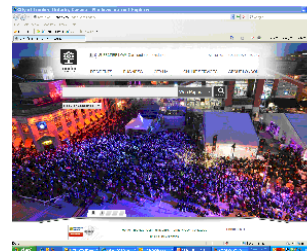
Annual visits to Community Centres



New jobs have been logged at www.hireonlondon.ca since September 2012



Satisfaction rating from 26,000 Spectrum recreation program participants



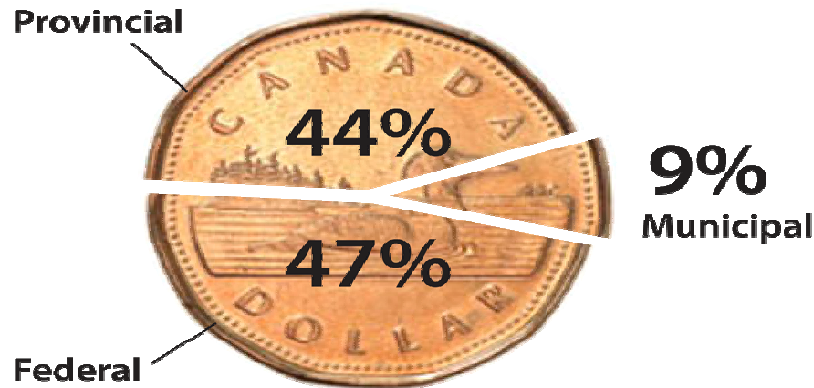
Approximately 439,000 visits to the new www.london.ca

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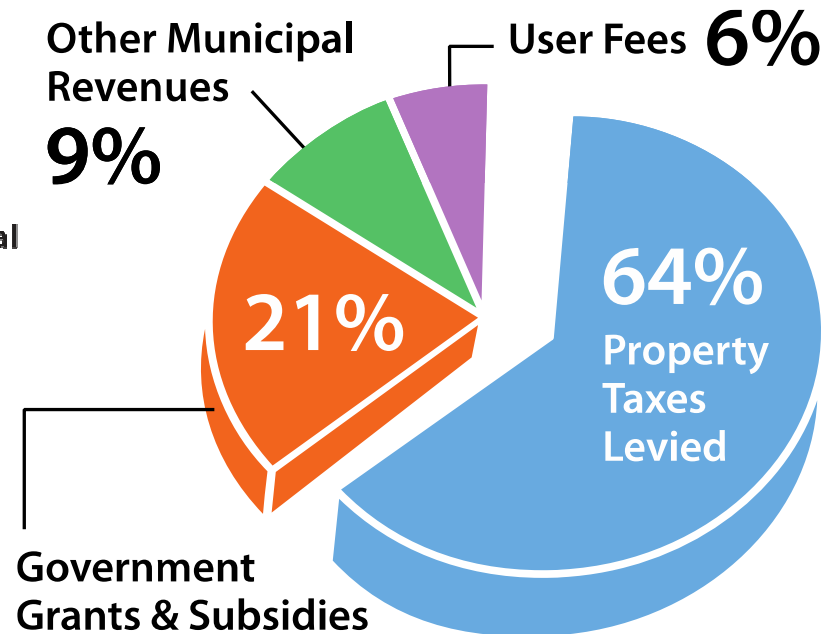
How Municipal Services are Funded



Total Tax Revenue



Annual operating revenue = \$774.6 million

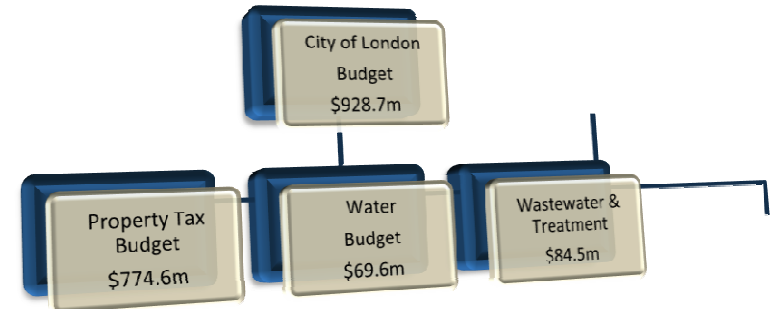


Did you know...

Ontario municipalities receive 9% of total tax revenues, yet are responsible for over 50% of infrastructure. Source: AMO

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2014 Municipal Operating Budget



Tax Supported Budget by Service	2014 Expenditure Budget (\$ millions)	2014 Net Budget (\$ millions)	% of Net Budget
Culture	23.4	22.7	4.5%
Economic Prosperity	9.4	9.4	1.9%
Environmental Services	28.0	16.6	3.3%
Parks, Recreation and Neighbourhood Services	70.3	29.0	5.8%
Planning & Development Services	11.9	5.3	1.1%
Protective Services	164.1	152.1	30.5%
Social and Health Services	206.3	66.3	13.3%
Transportation Services	67.3	57.2	11.5%
Corporate, Council and Public Services	70.9	53.4	10.7%
Capital Financing and Contingencies	115.7	80.2	16.1%
Cost of a Growing City	7.3	7.3	1.5%
Total 2014 Expenditure/ Tax Levy	\$774.6	\$499.5	100.0%

2/3 of the budget increase will be in these areas

Budget 2014

Subject to rounding

Another Way Of Looking At The Budget

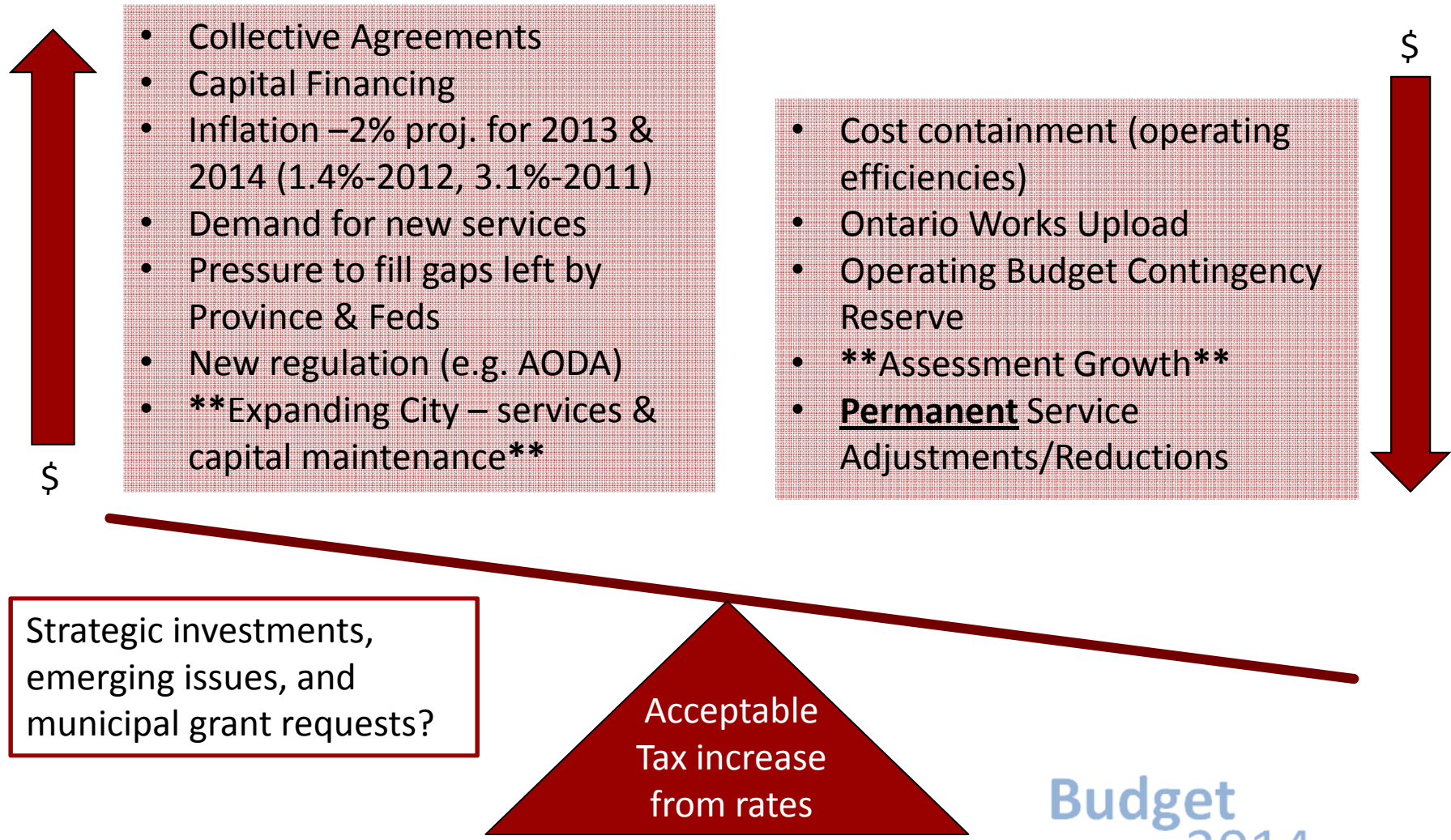


How Operating Dollars are Spent
By Expenditure Type
\$774.6 million Expenditure

	2014 Budget (\$000's)	% Of Budget
Expenditures		
Personnel	305,055	39.4%
Administrative	5,928	0.8%
Financial	108,814	14.0%
Purchased Services	148,852	19.2%
Materials & Supplies	31,803	4.1%
Furniture & Equipment	23,211	3.0%
Transfers	160,468	20.8%
Recovered Expenses	(16,829)	-2.2%
Costs Due To A Growing City (funded by assessment growth)	7,261	0.9%
Total Expenditures	774,563	100.0%

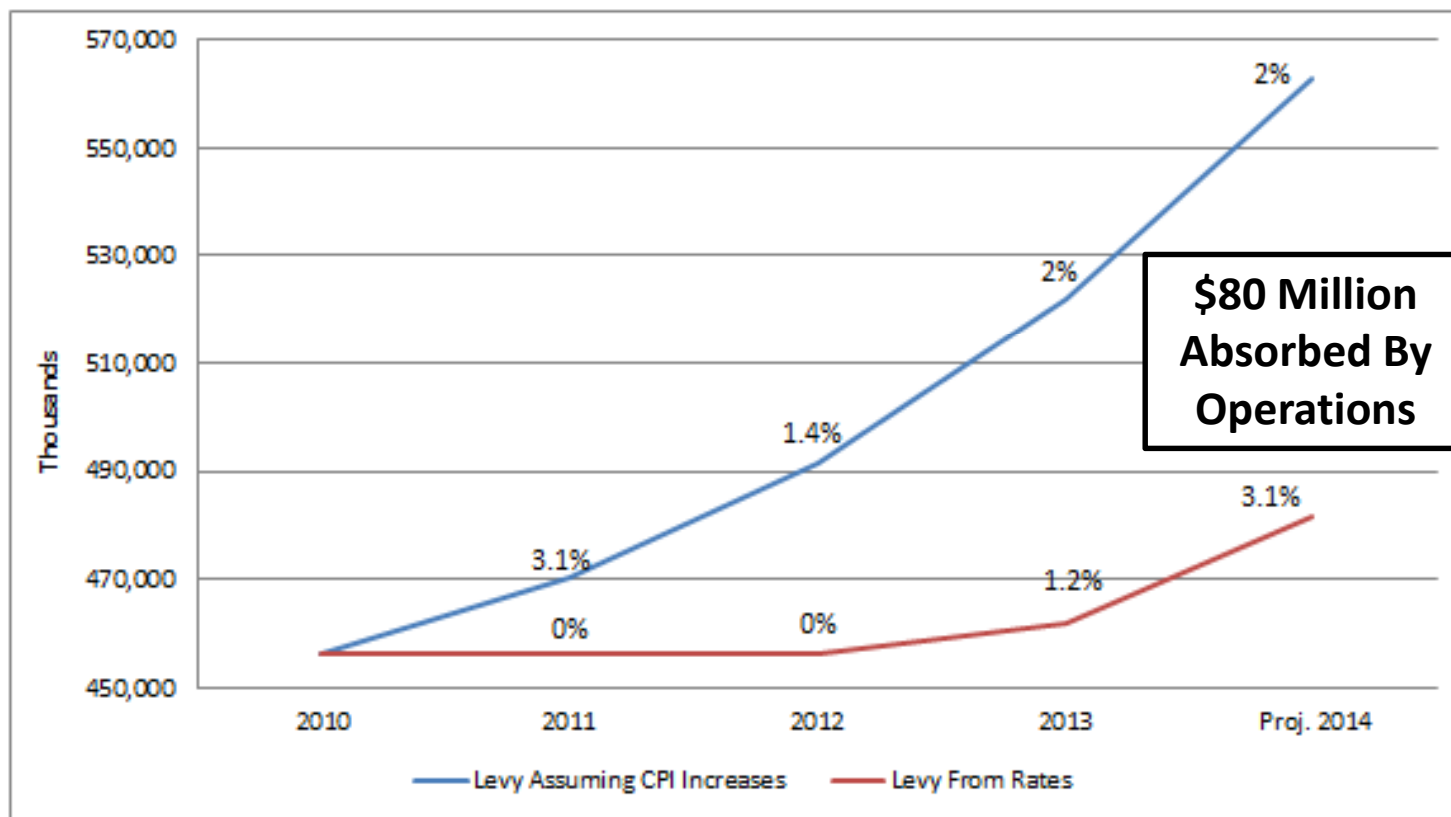
Subject to rounding

Balancing the Budget



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Tax Levy From Rates Versus CPI

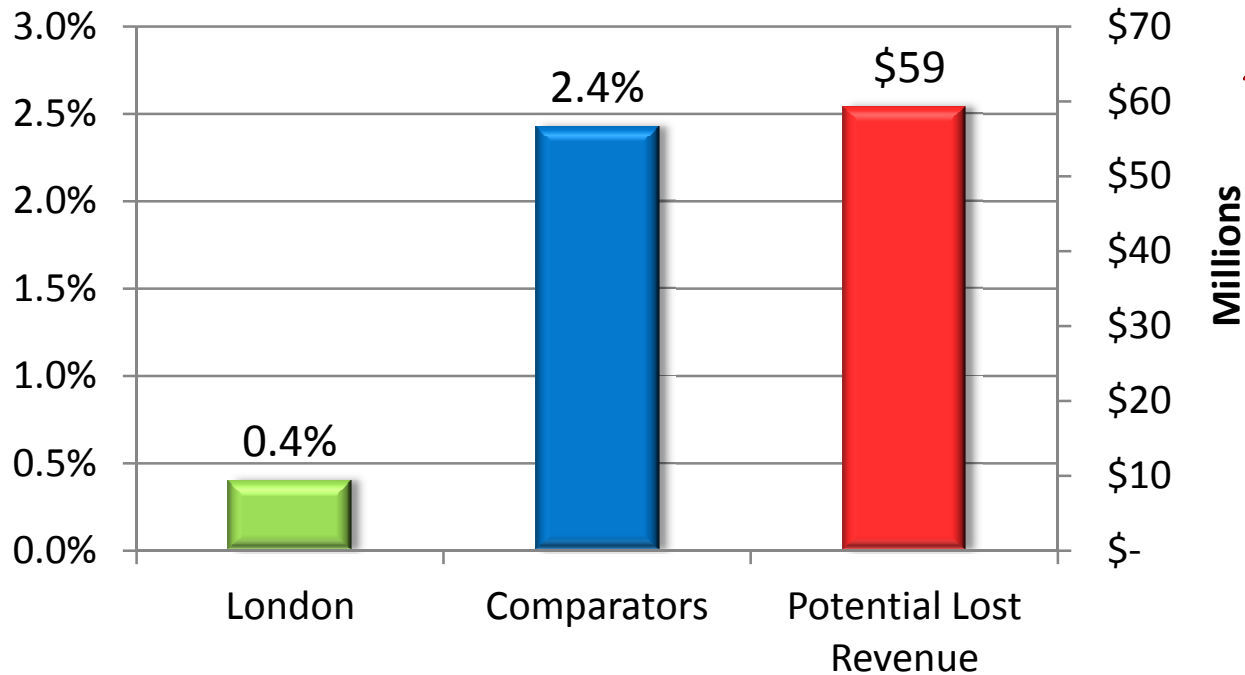


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What's Happening with Tax Rates in Other Communities?



How Does London Compare 2011 - 2013



London received \$59 million less in revenue in comparison to other municipalities

Comparator municipalities include Chatham, Guelph, Hamilton, Ottawa, Sarnia, and Kingston

2011 – 2014 Budget Story



1. **Reduced Personnel Costs**

- ✓ Reorganized and reduced workforce
- ✓ Vacancy management
- ✓ Management and union agreements (cost avoidance/savings)

2. **Created Service Efficiencies and Alternative Service Delivery**

- ✓ Renegotiated contracts for services (ex. Information Technology)
- ✓ Outsourced Internal Audit

3. **Revenue Opportunities**

- ✓ New or increased fees in many service areas

2011 – 2014 Budget Story



4. Capital Budget Cuts and Deferrals

- ✓ \$1.1 million cut in 2012
- ✓ \$3.6 million cut in 2013
- ✓ \$3.6 million cut included in 2014 submitted budget

5. Reserves and Reserve Funds

- ✓ Budgeted \$15.4 million in stabilization reserves to mitigate tax rate growth from 2011 - 2014

6. Value for Money Audits

- ✓ In 2011, engaged PWC to perform 3 year plan of risk based audits
- ✓ To date identified approximately \$590K in tax supported savings for 2011 & 2012 with potential for future savings of \$935K

The capital budget breakdown

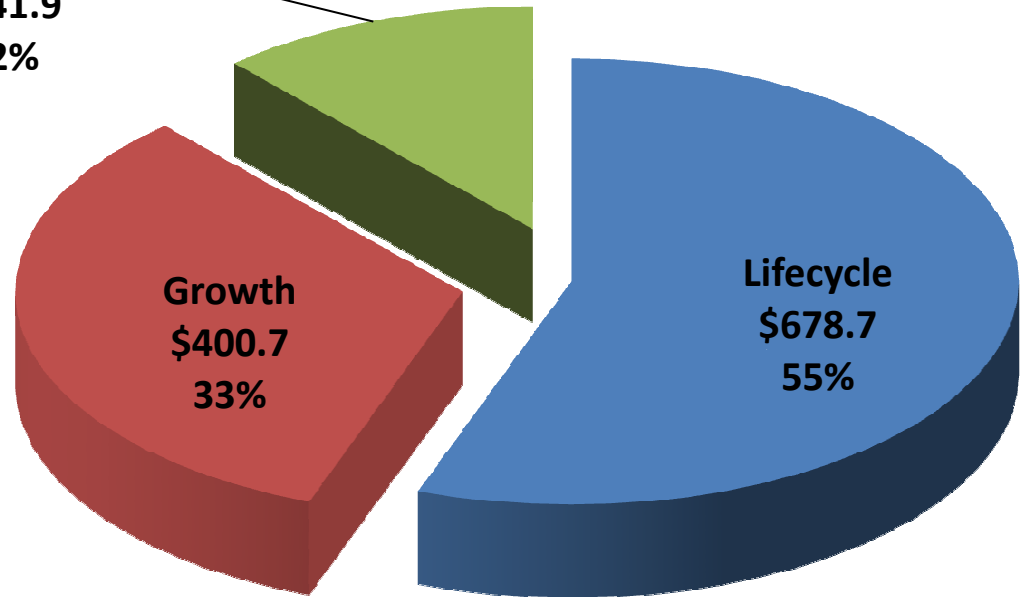


2014 -2023 Capital Plan

(\$ millions)

Total = \$1.22 Billion

Service
Improvements
\$141.9
12%

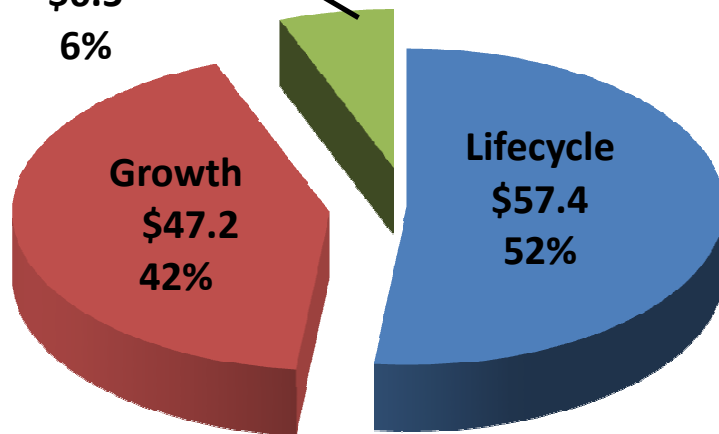


2014 Capital Plan

(\$ millions)

Total = \$111.1 Million

Service
Improve
ments
\$6.5
6%

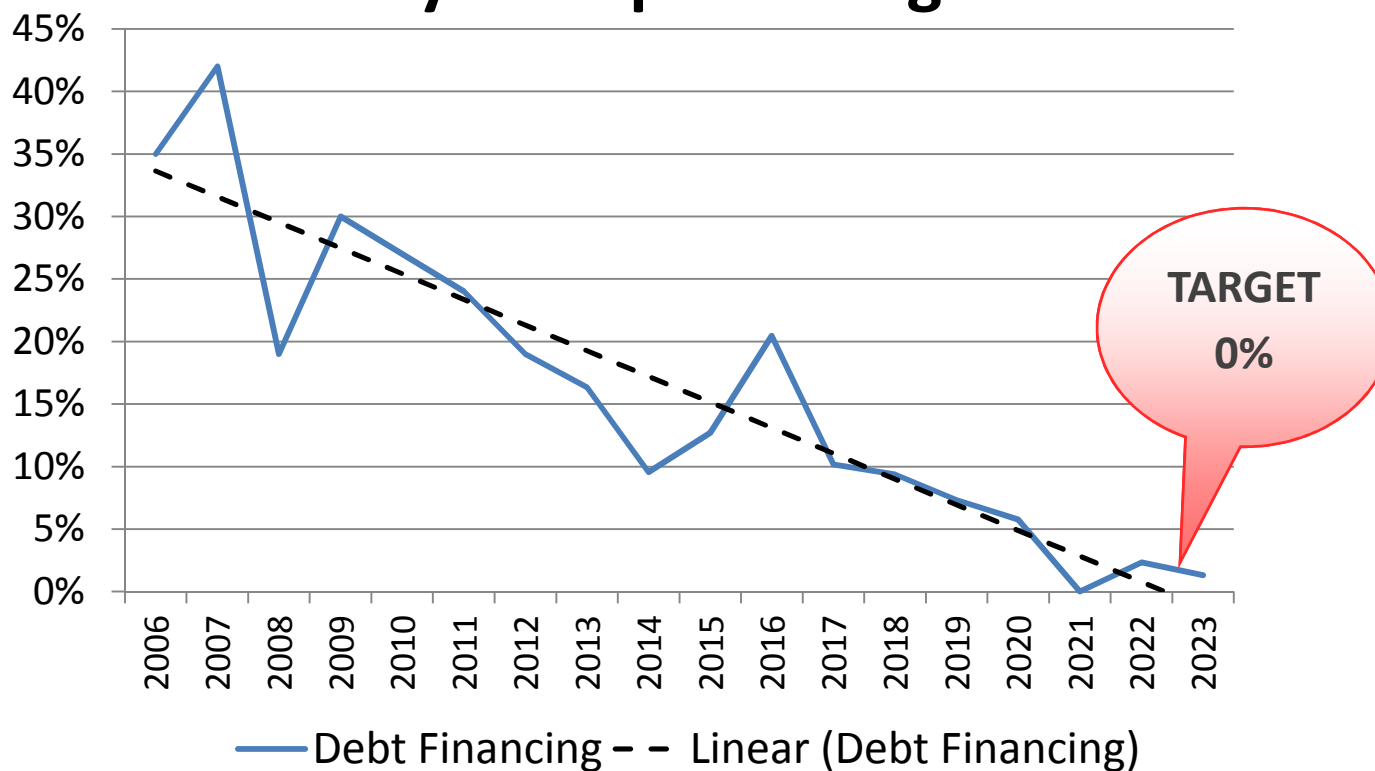


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Life Cycle Debt Financing

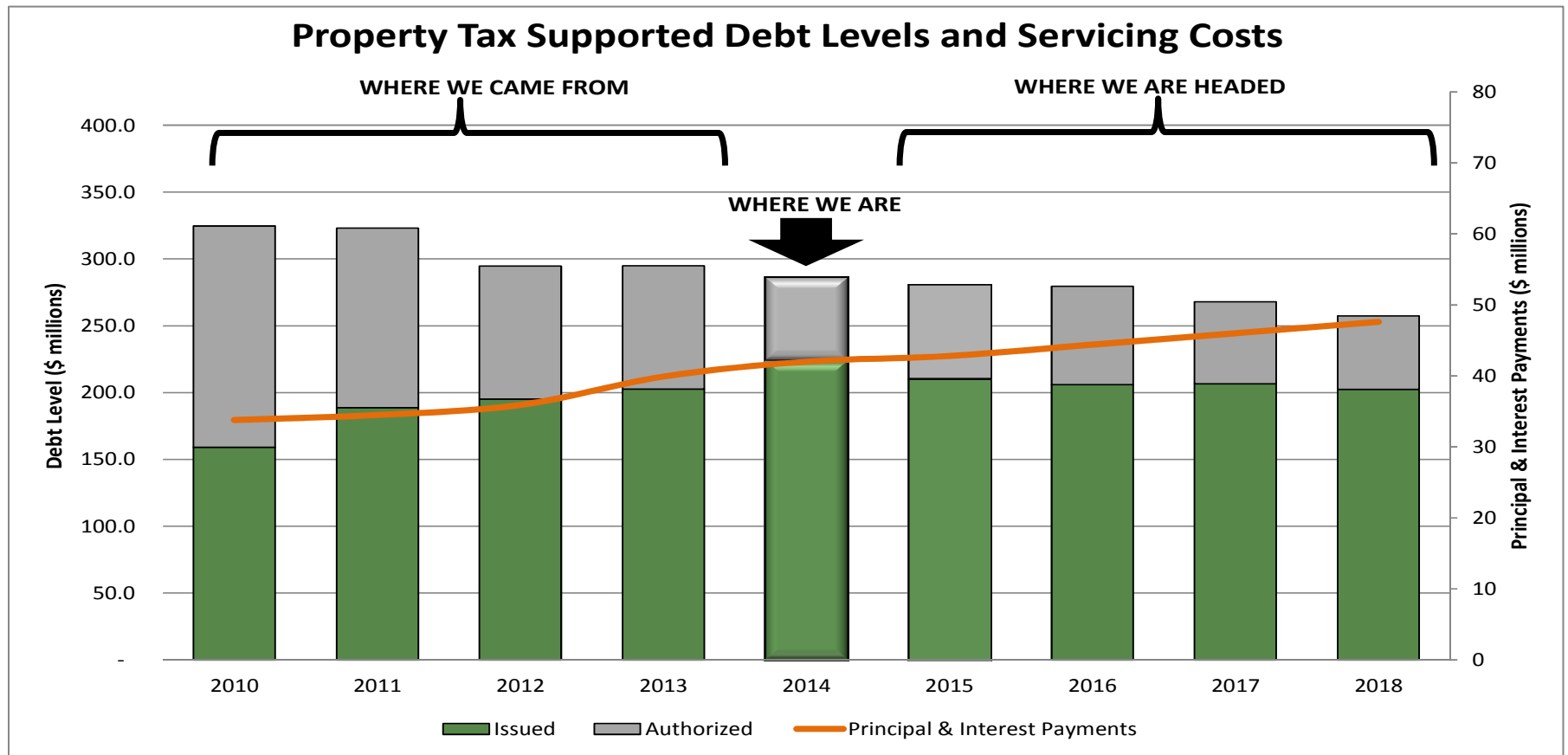


Debt Financing as a % of Lifecycle Capital Budget



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Debt Levels & Debt Servicing



Debt Servicing cost is \$210.53 per year or \$0.58 per day
 (For a residential homeowner with a house valued at \$208,000.)

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Reserves and Reserve Funds



(in \$000's)	Projected Balance Dec 31, 2013	Projected Contribution from Tax	Other Income and Interest	Planned Draws	Projected Balance Dec 31, 2014	Change Over Previous Year
Capital Asset Renewal and Replacement	44,283	18,878	7,179	(21,904)	48,436	4,153
Capital Asset Growth	7,413	2,892	1,449	(3,072)	8,682	1,269
Specific Projects & New Initiatives	43,713	9,865	6,061	(23,884)	35,755	(7,958)
Contingencies and Stabilization	17,698	497	-	(4,673)	13,522	(4,176)
Risk Management and Long Term Planning	71,774	1,670	3,298	(3,882)	72,860	1,086
Total City Owned	184,881	33,802	17,987	(57,415)	179,255	(5,626)
Obligatory	22,218	-	18,488	(22,144)	18,562	(3,656)
Total Reserves and Reserve Funds	207,099	33,802	36,475	(79,559)	197,817	(9,282)

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Reserves and Reserve Funds



- State of the Infrastructure Report (still in draft) must be considered when looking at the balances...

City of London Infrastructure Summary *			
Replacement Value	Current Condition	Infrastructure Gap Current	Infrastructure Gap In 10 Years
\$ 4.1 Billion		\$ 50.1 Million	\$ 405.6 Million

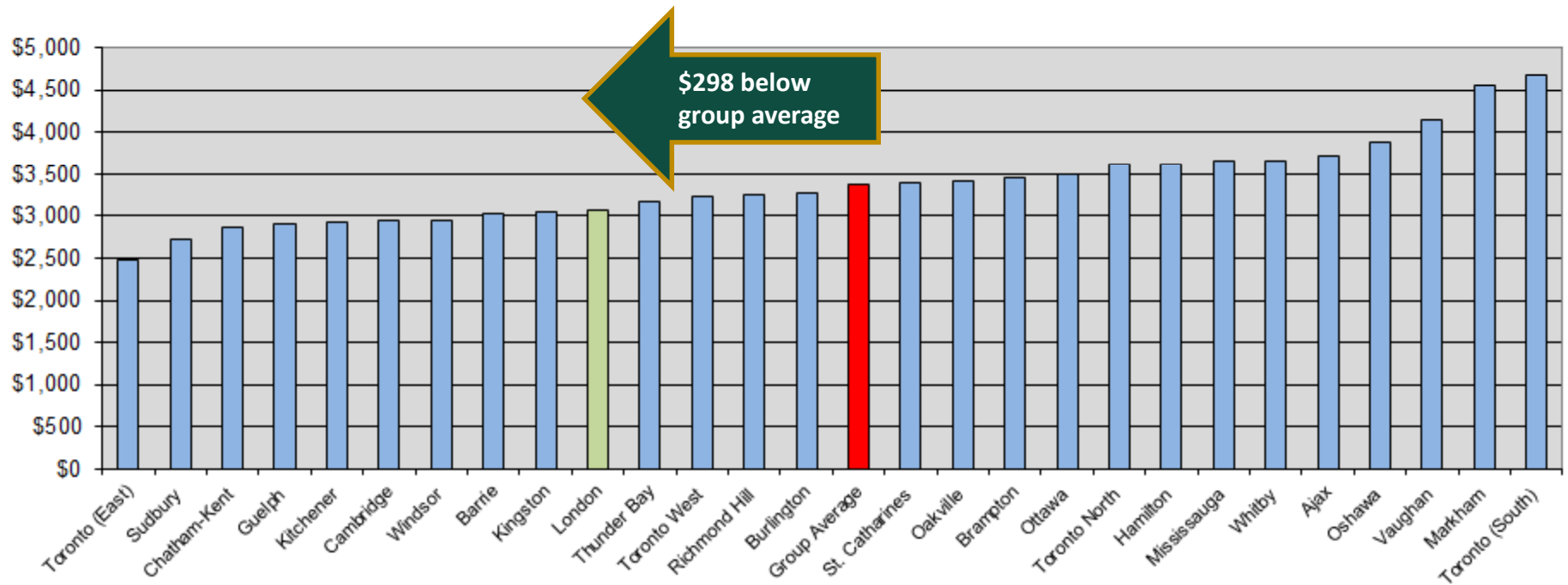
* Tax supported infrastructure only

How do we Compare?



2012 Property Tax - Residential (for Municipalities with Populations over 100,000)

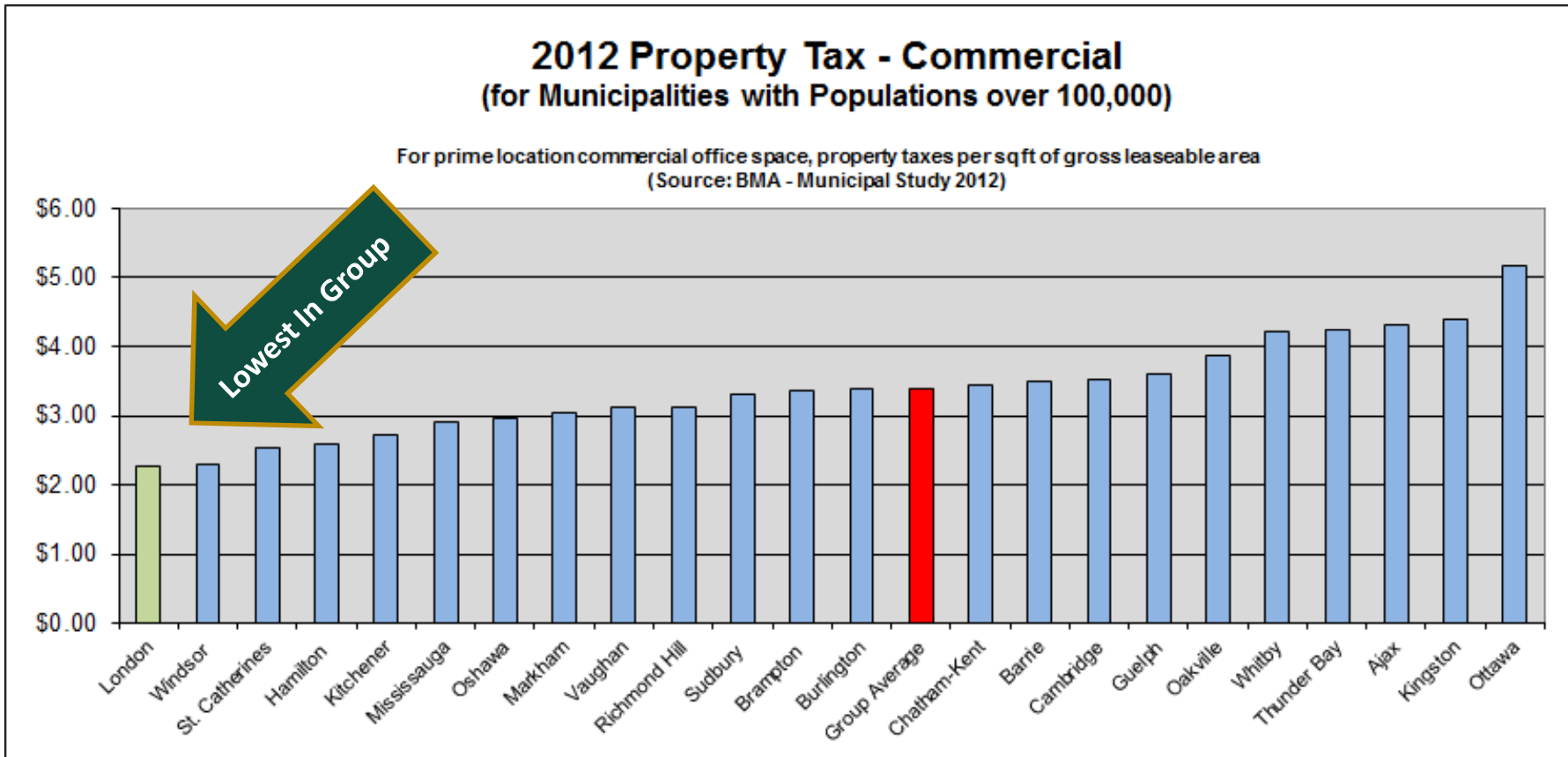
For a three bedroom 1,200 sq ft detached bungalow with 1.5 baths and a single car garage, on a 5,500 sq ft lot
(Source: BMA - Municipal Study 2012)



2012 Group Average: \$ 3,378 (2011 \$ 3,293)
2012 City of London: \$ 3,080 (2011 \$ 3,079)

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How do we Compare?

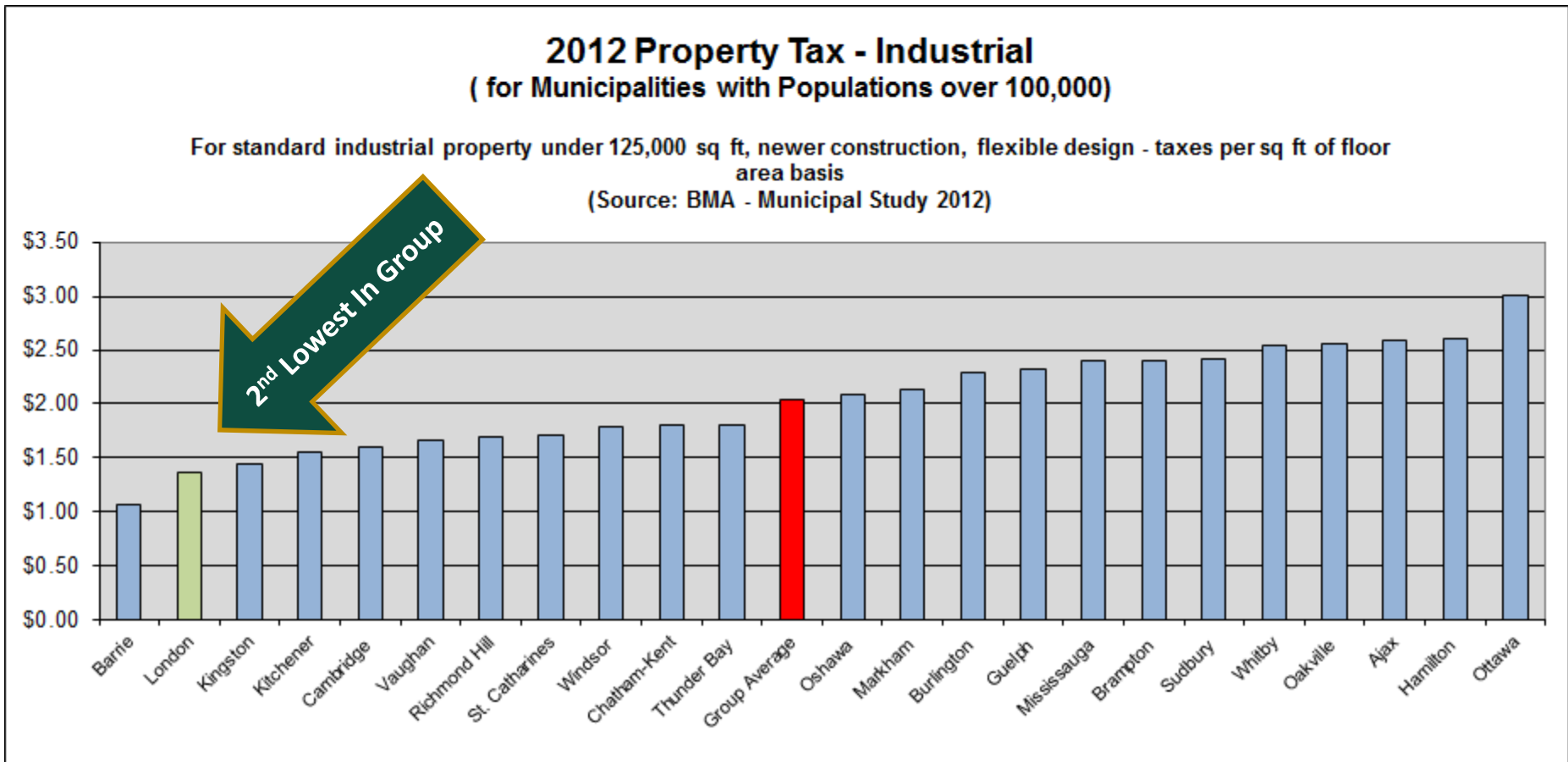


2012 Group Average:
 2012 City of London:

\$ 3.39/sq. ft (2011 \$ 3.28/sq. ft)
 \$ 2.26/sq. ft (2011 \$ 2.23/sq. ft)

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How do we Compare?



2012 Group Average:
 2012 City of London:

\$ 2.04/sq. ft (2011 \$ 2.04/sq. ft)
 \$ 1.37/sq. ft (2011 \$ 1.51/sq. ft)

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Financial Picture is Good



- ✓ Taxes competitive with similar sized Ontario municipalities (BMA Municipal Studies)
- ✓ Contained costs through management and union agreements, restructuring, efficiencies and automation
- ✓ Continued with Strategic Financial Plan principles
 - ✓ Contained debt
 - ✓ Moved to pay-as-you-go for lifecycle renewal projects (25% improvement since 2006)
 - ✓ Move to more adequate reserve fund balances for:
 - i. Liquidity
 - ii. Focusing on long term financial obligations
 - iii. Addressing infrastructure deficits
- ✓ Maintained Aaa Credit rating for 37th year
- ✓ Invested heavily in infrastructure over the last 5 years

Others Issues



- ✓ Regulatory change (e.g. AODA, DC, Minimum Maintenance Standards)
- ✓ Protective Service costs and specifically the arbitration system (e.g. Windsor, Ottawa)
- ✓ Infrastructure gap and changing standards (slide 18 & 34)
- ✓ Needs in the community – requests for grants (slide 36)
- ✓ City's role in economic development and competitive advantage! (slide 34)

Tax Levy Requirement



\$19.9 M Tax Levy Requirement
Total increase in property tax
levy required to be collected

\$15.1 M
3.1%

Property Tax From Rates
Increased costs of doing
business

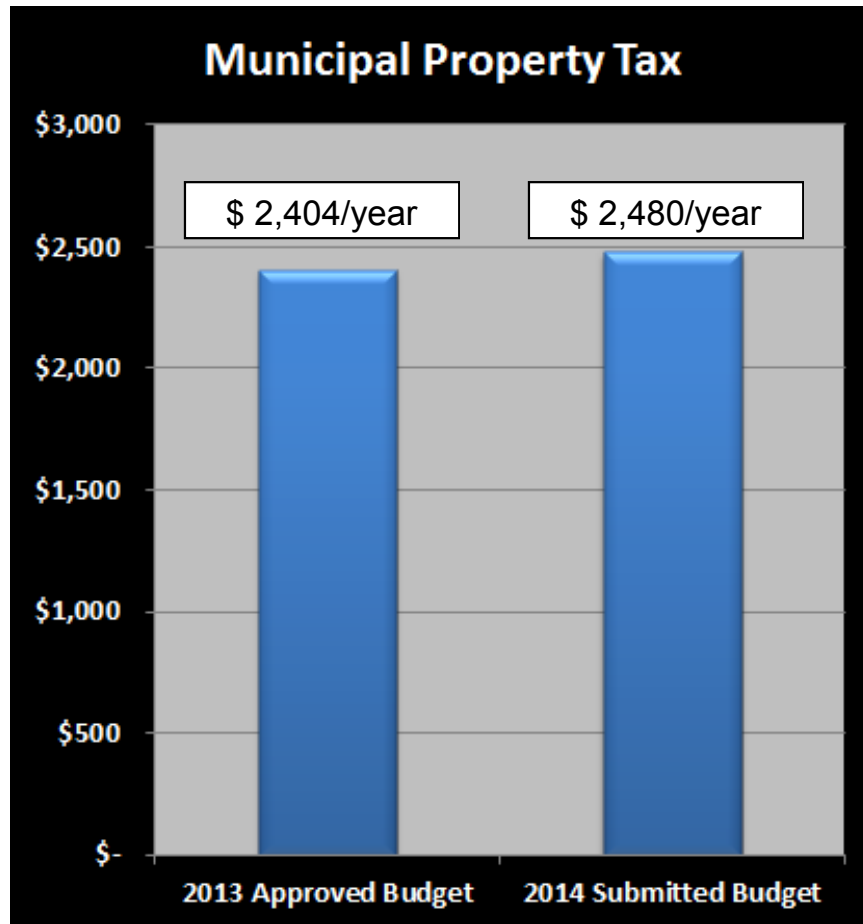
\$4.8 M
1%

Assessment Growth
Costs for services due to an
expanding City

Estimate

+ or - ?

Impact To The Average Residential Homeowner



3.1% Increase
Or
\$76 / Year

NOTE: Average rate payer owning a home with an assessed value of \$208,000. Municipal Property Tax Amount is subject to 2014 tax policy. Excludes the Education tax portion which is set by the Province.

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Increased Cost of Municipal Services



Avg. Residential Homeowner

Increase From Rates

\$76

\$15.1 M



Protective Services.....

- Police (Submitted at 3.3%).....
- Fire (Submitted at 4%).....

	\$26		\$5.2 M
	\$15	\$3.0 M	
	\$11	\$2.2 M	

Capital Financing.....

- Pay As You Go.....
- Debt Servicing.....

	\$24		\$4.7 M
	\$14	\$2.8 M	
	\$10	\$1.9 M	

Corp. Contingencies (Tax Write-Offs, Legal, Personnel).....

	\$18		\$3.7 M
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Land Ambulance (Submitted at 8%).....

	\$4		\$0.9 M
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London Transit Commission (Submitted at 2.4%).....

	\$3		\$0.6 M
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London Public Library (Submitted at 1.8%).....

	\$2		\$0.3 M
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London Middlesex Housing Corporation (Submitted at 2.7%).....

	\$1		\$0.2 M
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Conservation Authorities.....

	\$1		\$0.1 M
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Net Ontario Works.....

- Ontario Works (-10.9% due to Provincial Uploading).....
- Reduced Reliance On Stabilization Reserve.....

	\$(4)		\$(0.9) M
	\$(13)	\$(2.6) M	
	\$9	\$1.7 M	

Remaining Service Areas.....

	\$1		\$0.3 M
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*Average rate payer owning a home with an assessed value of \$208,000. Municipal Property Tax Amount is subject to 2014 tax policy. Excludes the Education tax portion which is set by the Province.

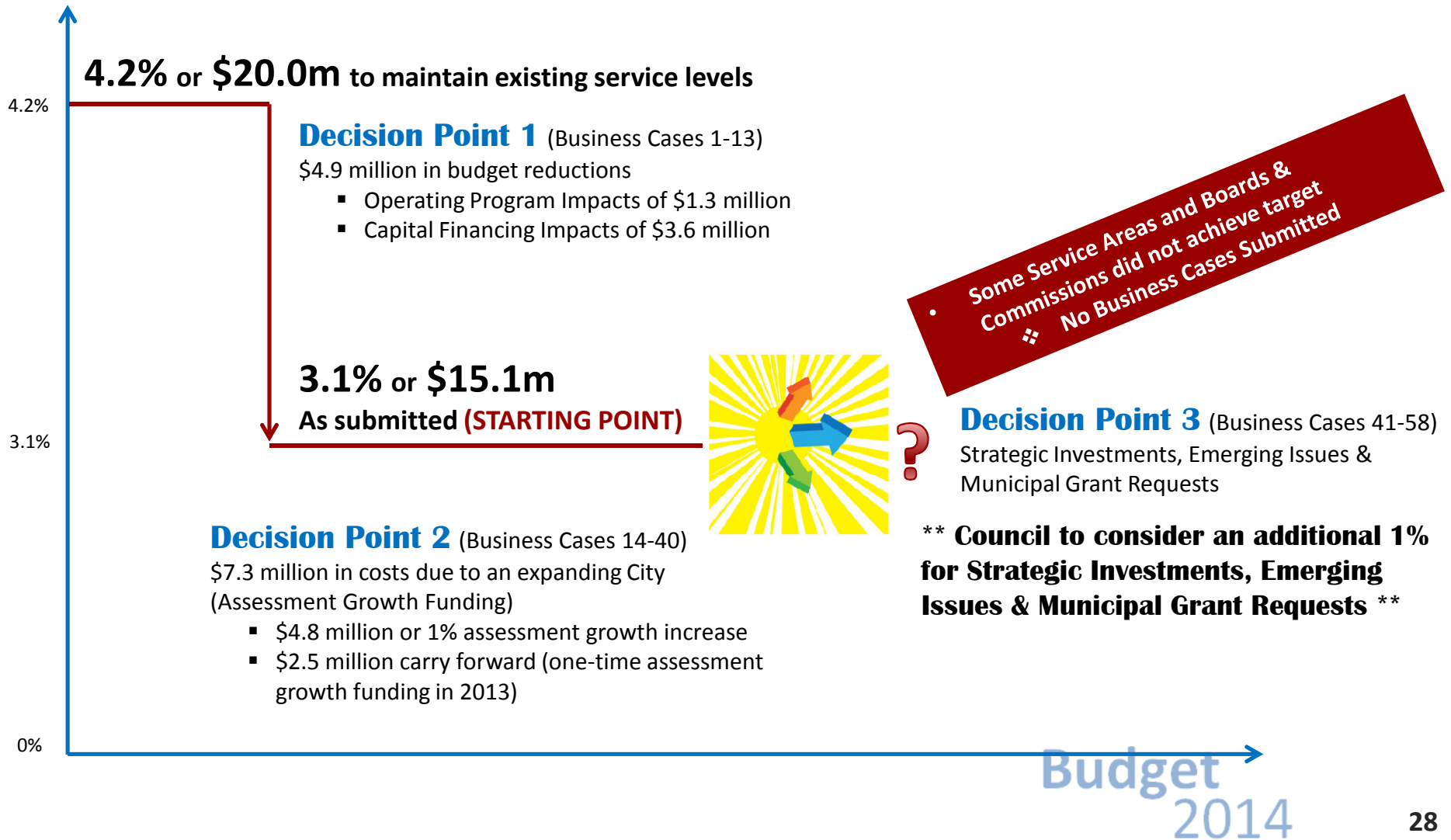
\$ Increase From Rates

2011 – 2014



Category	Total 2011 - 2013	2014 Submitted	Total 2011 - 2014
Tax Levy from Rates	\$5.6 M	\$15.1 M	\$20.7 M
Protective Services			
London Police Services	\$7.2 M	\$3.0 M	\$10.2 M
Fire Services	\$2.1 M	\$2.2 M	\$4.3 M
Capital Financing / Corp Conting.	\$12.2 M	\$8.4 M	\$20.6 M
London Transit Commission	\$4.3 M	\$0.6 M	\$4.9 M
London Public Library	\$1.2 M	\$0.3 M	\$1.5 M
Other Boards & Agencies	\$2.2 M	\$1.3 M	\$3.5 M
Civic Departments	\$(23.6) M	\$(0.7) M	\$(24.3) M

Path To The Submitted Budget?



Decision Point 1 – Included in the 3.1% Submitted Budget: Service Changes and Capital Cuts



a. Operating program impacts amounting to \$1.3 million

Case #	Service Program	Business Case Description (\$000's)	(Cut)/Add
1	Economic Prosperity	Downtown London Business Improvement Area	\$(53)
2	Economic Prosperity	Elimination of planned increased contribution to the Economic Development Reserve Fund	\$(1,000)
3	Environmental Services	Reduction to the contribution to the Sanitary Landfill Reserve Fund	\$(255)
4	Parks, Rec. & Neighbourhood Services	Upper Thames River Conservation Authority contract for managing environmentally sensitive areas	\$(72)
5	Culture	Eldon House - Addition of a Curator	\$59
		Total	\$(1,321)

RECOMMENDATION: That business cases 1 to 4 **BE APPROVED** and business case 5 **BE REVIEWED**.

Decision Point 1 – Included in the 3.1% Submitted Budget: Service Changes and Capital Cuts



b. Capital program impacts amounting to \$3.6 million

Case #	Project Description (\$000's)	(Cut)/Add
6	Landfill Site Property Acquisition	\$(200)
7	Bus Purchase Renewal	\$(500)
8	Arterial Road Rehabilitation - Main	\$(1,700)
9	Glen Cairn Major Upgrades	\$(125)
10	Floodplain Acquisition	\$(200)
11	Downtown On-Street Pay & Display Parking	\$(175)
12	Bike Lane Program	\$(200)
13	Facility Energy Management	\$(500)
	TOTAL	\$(3,600)

RECOMMENDATION: Notwithstanding the Surplus Policy, the 2013 year end surplus, if realized, **BE APPROVED** as a source of funding to avoid the above cuts to the 2014 Capital Budget that have been submitted as part of the 3.1% submitted tax levy budget.

Decision Point 2 – Included in the 3.1% Submitted Budget: Costs of a Growing City Funded by Assessment Growth



Assessment Growth

What Is Assessment Growth?

Funding from assessment growth refers to property taxes levied on new homes and businesses. These new homes and businesses expect to receive the same municipal services that existing taxpayers receive.

Assessment Growth	Amount 000's
Available Assessment Growth Funding	<u>7,261</u>
Category A (Business Cases 14-30)	3,673
• Environmental Services	\$188
• Parks, Rec. & Neighbourhood Serv.	\$804
• Transportation Services	\$2,280
• Corp., Operational & Council Serv.	\$401
Category B (Business Cases 31-40)	3,588
• Culture	\$85
• Environmental Services	\$289
• Parks, Rec. & Neighbourhood Serv.	\$229
• Planning & Development	\$85
• Protective Services	\$900
• Transportation Services	\$2,000
Total Growth Costs Due To An Expanding City	<u>7,261</u>

Assessment growth funds the additional volume of municipal services such as; road maintenance, snow plowing, garbage collection, street lighting, parks, recreation, fire and police services, resulting primarily from the new homes and businesses.

RECOMMENDATION: That the assessment growth business cases that explain the operating and capital costs associated with servicing a “growing” City **BE APPROVED.**

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Capital Budget by Category



Tax Supported 2014 Capital Budget with Forecast for 2014-2022 (in \$ millions)

	2013 Revised Budget	2014 Proposed Budget	2015 Forecast	2016 Forecast	2017 Forecast	2018 Forecast	2019 to 2023 Forecast	Total 2014 to 2023
Expenditures Requested								
Lifecycle Renewal	49.4	57.4	63.1	71.8	65.3	65.0	356.1	678.7
Growth	46.2	47.2	48.8	52.8	26.2	39.6	186.2	400.8
Service Improvement	9.2	6.5	11.5	17.8	13.2	7.7	85.2	141.9
Total Capital Expenditures	\$104.8	\$111.1	\$123.4	\$142.4	\$104.7	\$112.3	\$627.5	\$1,221.4
Source of Financing for Capital Expenditures								
Capital Levy (Pay-as-you-go)	18.5	21.9	27.2	29.4	31.6	33.8	201.9	345.8
Debenture	25.9	23.0	25.7	33.0	22.8	24.8	77.6	206.9
Reserve Fund	15.0	21.0	23.6	24.3	16.9	17.2	109.3	212.3
Other	2.0	1.2	0.7	0.7	0.4	0.6	0.7	4.3
Total Tax Supported	\$61.4	\$67.1	\$77.2	\$87.4	\$71.7	\$76.4	\$389.5	\$769.3
Total Non-Tax Supported	\$43.4	\$44.0	\$46.2	\$55.0	\$33.0	\$35.9	\$238.0	\$452.1
Total Financing Available	\$104.8	\$111.1	\$123.4	\$142.4	\$104.7	\$112.3	\$627.5	\$1,221.4

* Figures rounded for presentation purposes

2014

Decision Point 3 – Not Included in the 3.1% Submitted Budget: Strategic Investments, Emerging Issues and Municipal Grant Requests



Strategic Investments

Initiative	Full Capital Cost (\$000's)	Municipal Portion (\$000's)	Potential 2014 Impact (\$000's)	Potential Annual Tax Levy Impact
Transportation Master Plan (Lifecycle & Growth Infrastructure Gap, Bus Rapid Transit)	\$946,000	\$343,500	\$8,200	1.71%
Downtown Master Plan	\$55,000	TBD	\$0	0.0%
Economic Development Initiatives	\$520,000	\$60,000	\$6,000	1.25%
Ontario Works Decentralization Strategy	\$6,500	\$6,500	\$2,300	0.48%
Total	\$1,527,500	\$410,000	\$16,500	3.44%

RECOMMENDATION: That a 1% tax levy increase in the 2014 budget **BE REVIEWED** to accumulate funding to support the strategic investments discussed above as Municipal Council continues to receive information on these initiatives and decide on the highest priority items.

Decision Point 3 – Not Included in the 3.1% Submitted Budget: Strategic Investments, Emerging Issues and Municipal Grant Requests



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Emerging Issues

Initiative	2014 Cost (\$000's)	Potential 2014 Tax Levy Impact	2015 Cost (\$000's)	Source
Blackfriars Bridge	\$0	0.0%	\$3,000	Civic Works – Sept 9
Huron Street Improvements	\$500	0.10%	\$0	Planning Comm – Sept 24
Safety Issues for Railway Pedestrian Crossings	\$135	0.03%	\$170	Civic Works – Oct 7
Veterans Memorial Parkway Noise Wall	\$500	0.10%	\$0	Civic Works – Oct 7
Traffic Calming Program	\$25	0.01%	\$25	Civic Works – Oct 7
Sidewalk Maintenance Program	\$315	0.07%	\$315	Civic Works – Oct 7
Emerald Ash Borer	\$200	0.04%	\$200	Planning Comm – Oct 29
Cultural Prosperity Plan	\$100	0.02%	\$100	Council - March 5
Total	\$1,775	0.37%	\$3,810	

RECOMMENDATION: That the emerging issues **BE REVIEWED** by Municipal Council for consideration for funding in the 2014 Budget, noting the tax levy impact included in the table above.

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Decision Point 3 – Not Included in the 3.1% Submitted Budget: Strategic Investments, Emerging Issues and Municipal Grant Requests



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Municipal Grant Requests

Organization	Amount Requested (\$000)	
	One Time Operating/Capital	On-going Operating
African Community Council (ACC)		\$93.0
Canadian National Institute for the Blind (CNIB)	\$19.1	
Family Services Thames Valley		\$16.9
Grand Theatre	\$100.0	
JCI London	\$20.0	
London Celebrates Canada		\$50.0
London Children's Museum	\$150.0	
St. Joseph's Hospice	\$200.0	
	\$489.1	\$159.9
	\$649.0	

RECOMMENDATION: That the City of London Municipal Grant requests **BE REVIEWED**, noting that additional funding requests for both operating and capital grants have not been accommodated in the submitted 3.1% tax levy increase

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Important Dates



December 3, 2013	2014 Budget Tabled (Council Chambers)
January 9, 2014	Property Tax Budget Presentations Overview of 2014 Budget & Process (Council Chambers)
January 11, 2014	Build a Budget Workshop (Session 1) (Goodwill Industries)
January 13, 2014	Public Participation Meeting (Council Chambers)
January 15, 2014	Build a Budget Workshop (Session 2) (Goodwill Industries)
January 30, 2014 (and January 31 if needed)	Decision Point 1 (Included in 3.1% Budget), Decision Point 2 (Assessment Growth), Operating Budget Review (Council Chambers)
February 6, 2014 (and February 7 if needed)	Capital Budget, Decision Point 3 (Strategic Investments, Emerging Issues, Grant Requests) (Council Chambers)
February 10, 2014	Public Participation Meeting (Council Chambers)
February 27, 2014	Operating & Capital Budgets Approved (Council Chambers)

All meetings, with the exception of the Jan 11 and Jan 15 budget workshops, will be streamed live at www.london.ca

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Feedback



Talk to Us!



e-mail budget@london.ca



Facebook.com/LondonCanada



@CityofLdnOnt or #LdnBudget14



Call Financial Planning at 519-661-4638

