

Report to Budget Committee

To: Chair and Members
Budget Committee

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

Subject: 2026 Annual Budget Update Process

Date: March 19, 2025

Recommendation

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

- a) This report providing an overview of the 2026 Annual Budget Update process **BE RECEIVED** for information;
- b) Civic Administration **BE DIRECTED** to submit budget reduction amendments for the 2026 Budget Update totaling a minimum of 1.5% of the net property tax budget for civic service areas, with priority to options resulting in permanent budget reductions, it being noted that a preliminary list of options will be presented at the May 22nd Budget Committee meeting;
- c) Agencies, boards and commissions **BE REQUESTED** to submit budget amendments for the 2026 Budget Update totaling a minimum reduction of 1.5% of each entity's net property tax-funded budget, with priority to options resulting in permanent budget reductions;
- d) The Mayor and the Budget Chair **BE REQUESTED** to meet with the agencies, boards and commissions to discuss 2026 budget expectations; and,
- e) Civic Administration **BE DIRECTED** to convene a special meeting of the Budget Committee on October 28, 2025 for the formal budget release presentation for the 2026 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 (48 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>

2025 Annual Budget Update: <https://london.ca/government/property-taxes-finance/municipal-budget/annual-budget-update>

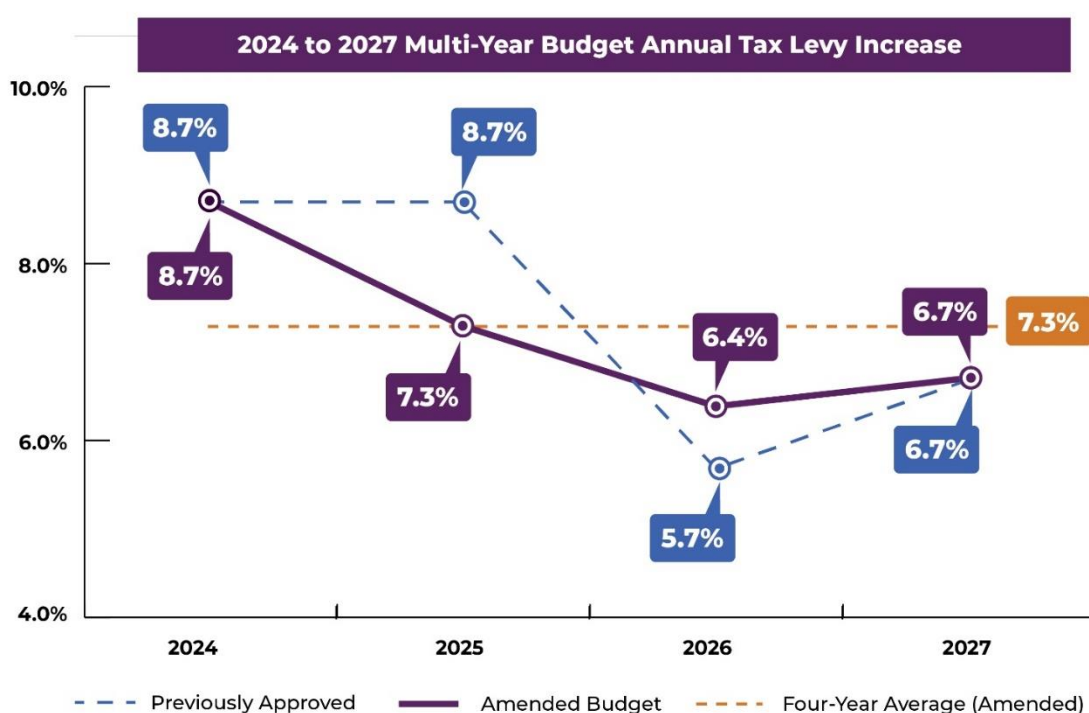
1.2 Refresher: Strong Mayor Legislation – Impact on the Budget Process

Consistent with the 2024-2027 Multi-Year Budget and 2025 Annual Budget Update, the “Strong Mayor” legislation introduced by the Province of Ontario in 2022 and extended to London in 2023 continues to apply to the 2026 Annual Budget Update process. Please refer to **Appendix A** for a summary of the “Strong Mayor” impact on the municipal budget process.

1.3 Budget Recap After Completion of 2025 Annual Budget Update

At the outset of the 2026 Annual Budget Update process, the anticipated tax levy increase for 2026 is 6.4% as outlined in Figure 1 (inclusive of the impacts of 2025 assessment growth):

Figure 1: 2024-2027 Tax Levy Increases after 2025 Annual Budget Update



Consistent with the Council-approved Multi-Year Budget Policy, any 2026 budget amendments will be supported by a Budget Amendment form and should 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.

1.4 Mayoral Direction Pertaining to 2026 Annual Budget Update

On February 4, 2025, Mayor Morgan issued Mayoral Direction 2025-002. Among other matters, this Mayoral Direction indicated:

1. That, the Civic Administration, along with Agencies, Boards, and Commissions, **BE DIRECTED** to bring forward options for consideration that, if adopted, would produce a 2026 property tax levy increase under 5%.
2. That, Civic Administration develop and submit a proposed process for achieving this direction in time for the first meeting of the Budget Committee, tentatively scheduled for March 2025, which will replace and absorb all matters currently before the Strategic Opportunities Review Working Group (SORWG)."

To achieve a 2026 property tax levy increase of under 5%, a reduction of at least 1.5% to the currently adopted 2026 tax levy increase will be required. This translates into a nominal minimum required budget reduction of approximately \$13 million.

This report details the process Civic Administration intends to undertake to fulfill this Mayoral Direction.

2.0 Discussion and Considerations

2.1 2025 Budget Overview and Key Considerations

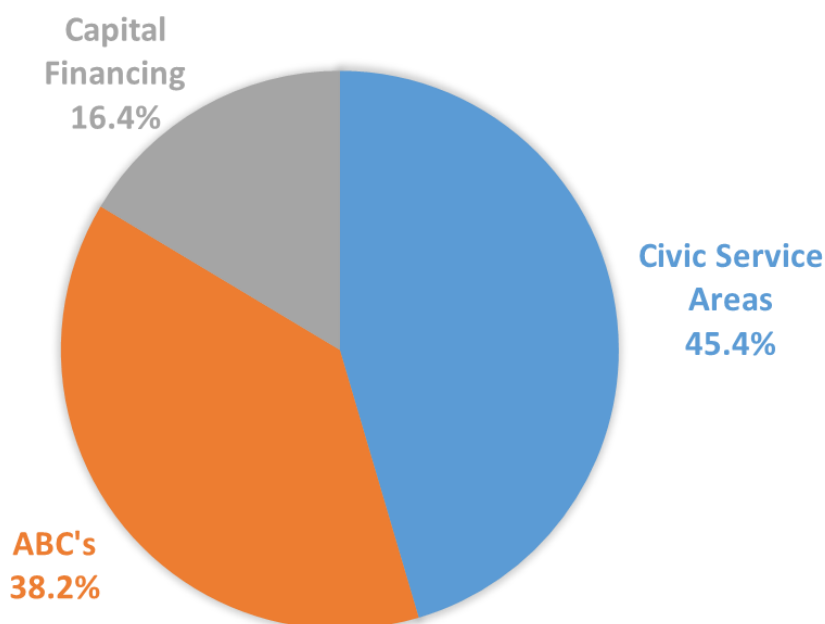
Before considering the approach to achieve the directed tax levy reduction, it is helpful to understand the key drivers of the City of London’s budget and associated increases. The City’s 2025 operating budget, which supports more than 90 different services, is approximately \$1.4 billion, of which approximately \$882 million is funded through property taxes. Much of the net (property tax funded) budget, however, is concentrated in a relatively small number of services, as outlined in Figure 2. A full listing of all 90+ services is provided in **Appendix B**.

Figure 2: Top 5 Services as a Percentage of Net 2025 Property Tax Budget

Service	% of Net 2025 Property Tax Budget
Police Services	20.6%
Capital Financing	16.4%
Fire & Rescue Services	8.3%
Conventional Transit	5.4%
Land Ambulance	3.6%
All Others (approx. 90 services)	45.7%

In total, civic service areas represent approximately 45% of the net budget, agencies boards and commissions (ABC’s) represent approximately 38% of the net budget, with Capital Financing (applicable to both civic service areas and agencies, boards and commissions) representing the balance:

Figure 3: Breakdown of 2025 Budget



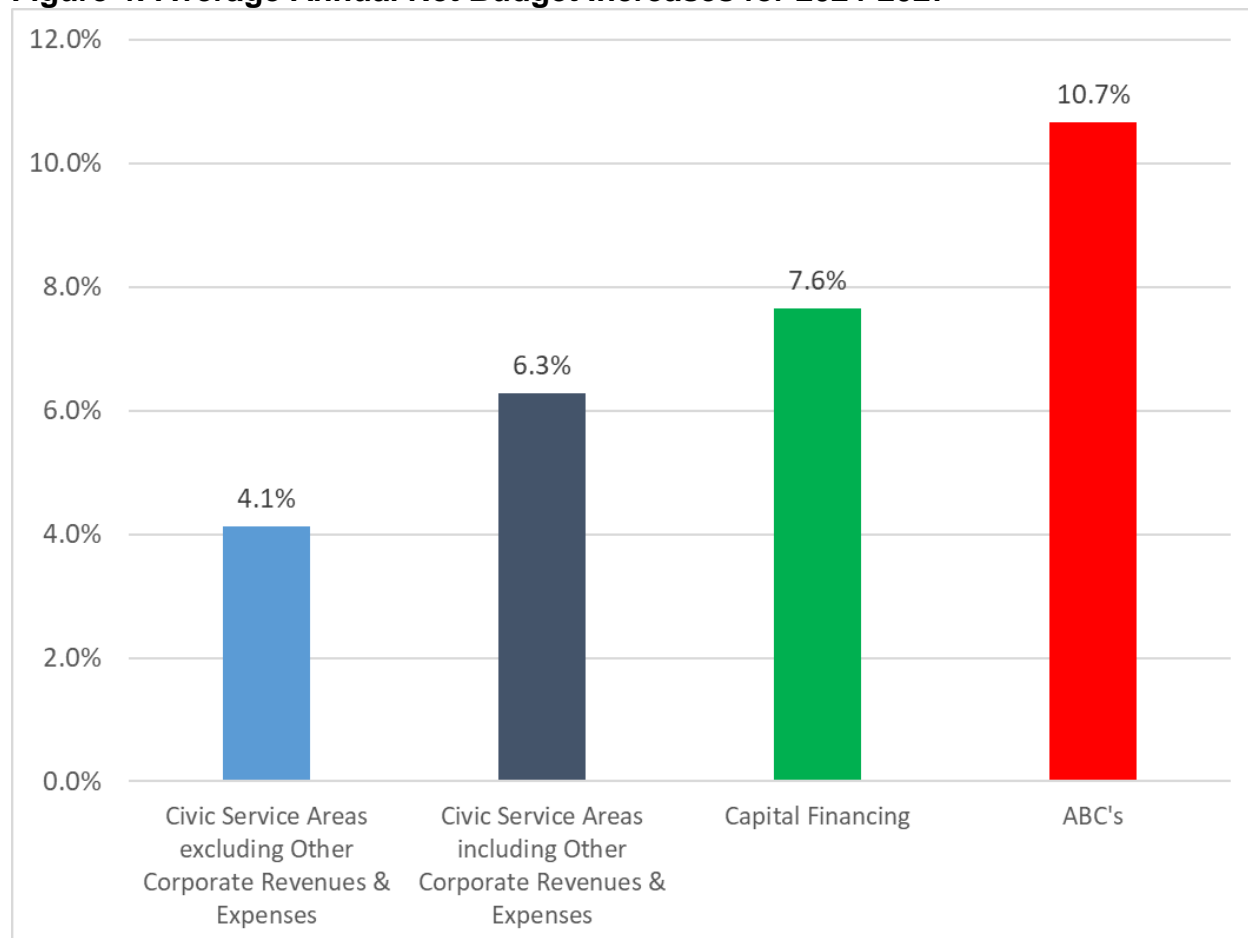
It is also helpful to understand the drivers of the average annual tax levy increase. Figure 4 breaks down the 2024-2027 average annual tax levy increases in the following categories:

- Civic Service Areas excluding “Other Corporate Revenues and Expenses” – this represents the increases for civic service areas excluding other corporate revenues and expenses (such as contingencies for unsettled collective

agreements, insurance costs, investment revenues, etc.); this represents the core operational costs of civic service areas

- Civic Service Areas including “Other Corporate Revenues and Expenses”
- Capital Financing – this includes capital levy (pay-as-you-go financing), debt servicing costs and reserve fund contributions (applicable to both civic service areas and agencies, boards and commissions)
- Agencies, Boards and Commissions

Figure 4: Average Annual Net Budget Increases for 2024-2027



It is important to note that many of the 90+ services delivered by the City and its agencies, boards and commissions are legislated/mandated or essential to the functioning of the City. It is estimated that approximately 65% of the City’s net budget relates to services that have significant legislated/mandated components or are essential to the City’s effective functioning. This also excludes capital financing required to support these legislated/mandated or essential services.

Finally, it is helpful to understand where London stands on a relative basis compared to its large (greater than 100,000 population) Ontario municipal peers as it relates to property taxes. Comparative information on average residential property taxes, commercial property taxes, industrial property taxes and average residential taxes as a percentage of household income are provided in **Appendix C**. This information is sourced from the 2024 BMA Municipal Study, compiled by BMA Management Consulting (an independent third-party consultant) on an annual basis.

2.2 Proposed Process to Identify and Incorporate Budget Reduction Opportunities in 2026 Annual Budget Update

As noted in Mayoral Direction 2025-002 and highlighted by the graphics included in section 2.1, it will be imperative that both civic service areas and agencies, boards and commissions identify opportunities for budget reductions to achieve the directed tax levy reduction. Civic Administration has previously identified – and incorporated into adopted budgets – more than \$40 million of incremental, ongoing expenditure reductions, cost avoidance and additional revenue opportunities since the start of the 2020-2023 Multi-Year Budget period. Opportunities for further reductions in civic service areas may be more limited going forward given the reductions already

incorporated in the budget. As a result, it is not feasible for the full reduction to be borne exclusively by civic service areas.

Civic Administration considered multiple approaches to fulfilling the Mayoral Direction. It is recommended that each entity (i.e. the City and each agency, board and commission), be requested to put forward budget reduction opportunities totalling a minimum of 1.5% of the net property tax-funded budget for each respective entity. It should be noted that this is a minimum amount and that each entity is encouraged to submit reduction opportunities in excess of 1.5% where identified.

A 1.5% reduction translates into the following approximate amounts:

Entity	1.5% of 2025 Net Budget (rounded to the nearest thousand)
Civic Service Areas & Capital Financing	\$8,088,000
Agencies, Boards and Commissions, including: <ul style="list-style-type: none"> • London Police Service • London Transit Commission • Land Ambulance – Middlesex-London Paramedic Service (under the governance of the County of Middlesex) • London Public Library • London & Middlesex Community Housing • Middlesex-London Health Unit • Tourism London • Upper Thames River Conservation Authority • Museum London • RBC Place • Eldon House • Kettle Creek Conservation Authority • Lower Thames Valley Conservation Authority 	\$5,148,000

Budget reduction opportunities could take various forms, but must be realistic and achievable in 2026:

- Budget “right-sizing” opportunities with no service impacts;
- Delays to previously approved additional investments;
- Adjustments to programs, services or service levels; or,
- Additional revenue generation opportunities.

Civic Administration will naturally prioritize budget right-sizing opportunities with no service impacts where such opportunities can be identified. However, it is unlikely that sufficient right-sizing will be available to achieve the desired reduction outlined in Mayoral Direction 2025-002. Agencies, boards and commissions will similarly be encouraged to prioritize any right-sizing opportunities in their respective budgets.

In December 2024, approximately 35 representatives from the agencies, boards and commissions participated in service review training organized by the City and facilitated by external consultants from KPMG. This training provided the tools and techniques to support the review of each entity’s programs, services and budgets for reduction opportunities that will be integral to achieving the directed tax levy reduction. As outlined in recommendation d) of this report, Mayor Morgan and Budget Chair Pelosa are also requested to meet with each of the ABC’s to discuss 2026 budget expectations and how each ABC can contribute to the broader process of identifying reductions to achieve the tax levy direction.

In considering potential budget reductions with program or service impacts, Civic Administration will consider a variety of factors, as outlined below. Agencies, boards

and commissions may also wish to consider these factors (among others) in assessing budget reduction opportunities for their respective organizations.

- Legislative service delivery requirements
- Council priorities
- Impacts on vulnerable populations
- Impacts on equity-seeking groups
- Environmental/climate change risks
- Organizational risks
- Infrastructure risks
- Technological risks
- Future financial risks
- Reputational risks

As part of this process, priority should be given to permanent budget reduction opportunities. Although one-time reductions do result in tax levy savings, those savings are temporary in nature and ultimately shift the tax levy pressure to a future year.

2.3 Proposed Timelines and Key Dates for the 2026 Annual Budget Update

Civic Administration has already commenced the process of identifying budget reduction opportunities for civic service areas. The following approximate timeline outlines the planned approach over the coming months:

- March through early May – compile preliminary list of budget reduction options from civic service areas;
- May 22nd Budget Committee meeting:
 - Preliminary list of budget reduction opportunities provided, noting that this list is likely to focus on the opportunities identified by civic service areas given the limited time for agencies, boards and commissions to work with their boards to identify opportunities (however, any opportunities from these organizations will certainly be included if available);
 - Budget Committee questions and discussion on preliminary list of opportunities (NOTE: Budget Committee will not be making decisions on these budget reductions at this time, but instead whether Civic Administration should prepare budget amendments for these matters to be brought forward as part of the 2026 Budget Update);
 - Councillors are encouraged to submit ideas for potential reduction opportunities at this meeting for further consideration by civic administration or agencies, boards and commissions;
- June 11th Budget Committee meeting:
 - Updates provided on further budget reduction opportunities identified;
 - Opportunity for further discussion on matters arising from the May 22nd Budget Committee meeting;
- Mid May through early July – continued compilation of budget reduction options (including right-sizing opportunities);
- Early July – preliminary list of budget amendments presented to Mayor Morgan for consideration in development of the Mayor’s proposed budget;
- July through August – development of budget amendments;
- Late August – budget amendment submission deadline for civic service areas and agencies, boards and commissions;
- September and October – compilation of 2026 Budget Update document and associated materials.

Key meeting dates in the process are summarized in the following table:

What	When
2026 Budget Update Kick-off Report at Budget Committee	March 19 th
Budget Committee Meeting to Discuss Budget Reduction Opportunities	May 22 nd

What	When
Budget Committee Meeting to Discuss Budget Reduction Opportunities	June 11 th
Release of the Mayor's Proposed 2026 Budget Update	October 27 th
Budget Release Presentation by Civic Administration and Mayor Morgan at Budget Committee	October 28 th
Public Engagement Period (budget information sessions, opportunity for Councillor ward meetings as requested, etc.)	October 29 th to November 17 th
Public Participation Meeting at Budget Committee	November 18 th
Budget Committee Deliberations	November 20 th & November 21 st (if needed)
Special Council Meeting for Approval of Budget Committee Amendments to the Mayor's Proposed Budget	November 26 th
Mayor to Provide Intentions with Respect to Mayoral Veto of Council Amendments	December 1 st
Council Approval of Overrides of Mayoral Vetoes (if required)*	December 16 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 16th Council meeting.

The previously approved 2025 Council and Committee Calendar includes a scheduled Strategic Priorities and Policy Committee meeting on October 28th. Consistent with the approach utilized for the 2025 Budget Update, this report seeks approval to schedule a special meeting of the Budget Committee on October 28th for the budget release presentation.

3.0 Key Issues and Considerations

3.1 Public Engagement Approach

With respect to potential budget reduction opportunities that the Budget Committee may be contemplating over the course of 2025, Councillors are encouraged to seek feedback from their constituents on those matters in advance of the release of the budget and kick-off of the formal public engagement period for the 2026 Budget Update.

Civic Administration cannot launch the formal public engagement plan until the 2026 Budget Update is released and the various budget decision points are public. The formal public engagement plan for the 2026 Budget Update is anticipated to include:

- Public participation meeting;
- Online survey on budget amendment preferences using the Get Involved platform;
- 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 Property Tax Breakdown Calculator tool;
- Budget materials available online and at all library branches;
- Availability of the Budget team by phone and e-mail.

Consistent with Civic Administration's continuous improvement lens on public engagement for the budget, opportunities to enhance existing channels while also engaging with groups who have historically not participated in the municipal budget process will be considered.

Conclusion

Mayoral Direction 2025-002 outlines clear expectations to inform the development of the 2026 Budget Update. This report outlines the process and anticipated timelines for the 2026 budget process, including scheduled meetings of the Budget Committee early in this year's process to receive regular updates on progress in identifying potential budget reductions and the opportunity to provide feedback throughout the process.

Submitted by: Kyle Murray, CPA, CA
Director, Financial Planning & Business Support

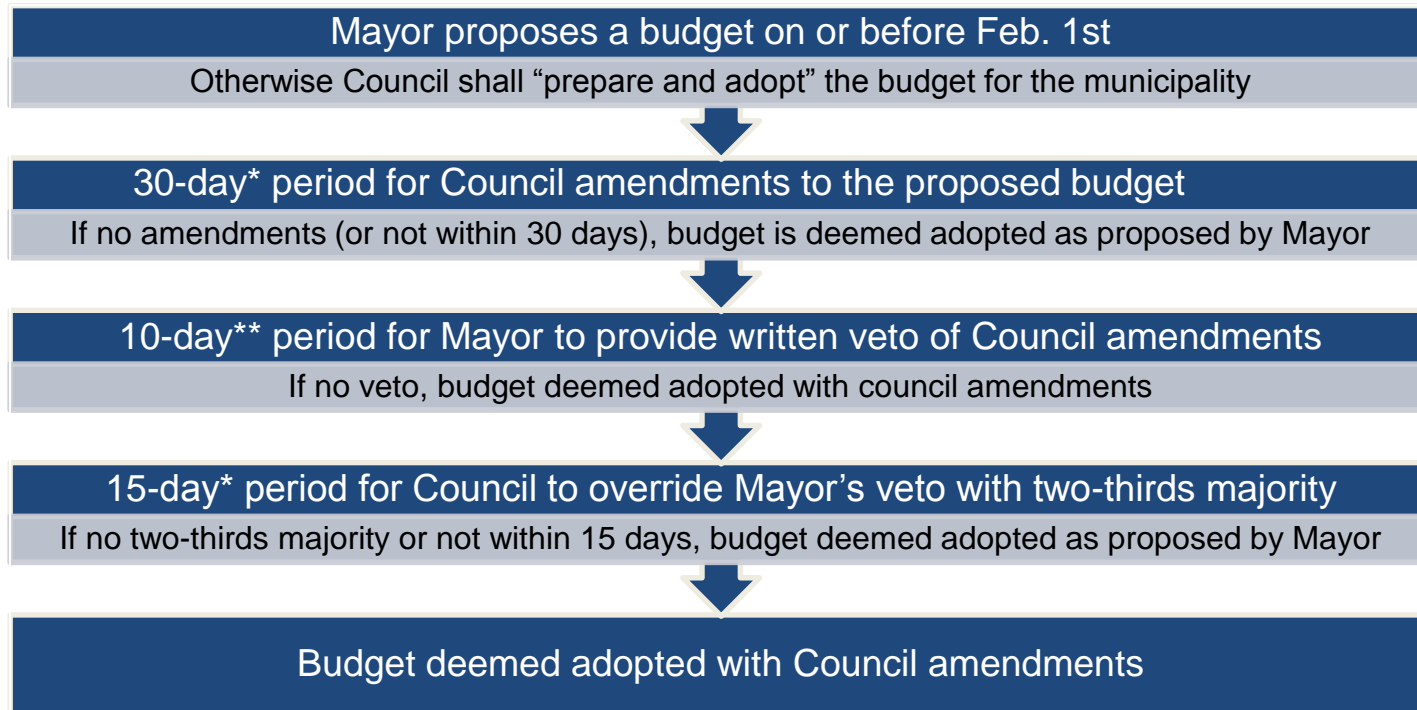
Recommended by: Anna Lisa Barbon, CPA, CGA
Deputy City Manager, Finance Supports

APPENDIX A: Strong Mayor's Budget Process

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

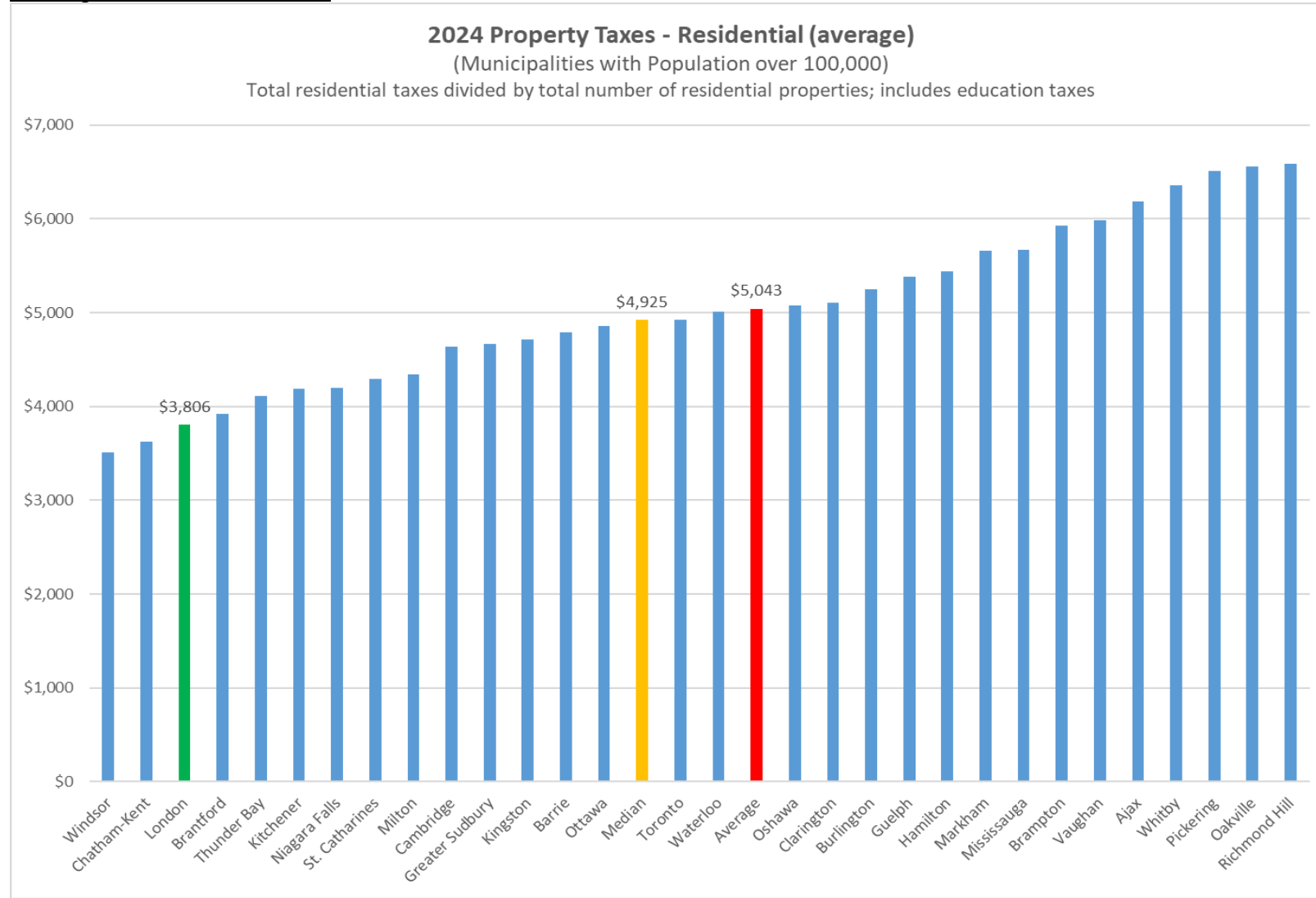
APPENDIX B: 2025 Net Budget by Service

Service	2025 Net Budget	% of Total 2025 Net Budget	2024-27 Average Annual Increase / (Decrease)
Police Services	181,693,679	20.6%	12.4%
Capital Financing	144,703,447	16.4%	7.6%
Fire & Rescue Services	72,914,841	8.3%	2.4%
Conventional Transit	47,936,100	5.4%	12.8%
Land Ambulance	31,746,565	3.6%	4.8%
Facilities	27,355,339	3.1%	3.1%
Information Technology	25,404,808	2.9%	3.3%
Library Services	24,737,803	2.8%	5.4%
Garbage Collection & Disposal	20,125,833	2.3%	9.9%
Winter Maintenance	19,142,882	2.2%	3.1%
London & Middlesex Community Housing	18,857,064	2.1%	9.0%
Traffic Control & Street Lights	17,679,846	2.0%	5.0%
Housing Services	15,534,880	1.8%	15.7%
Ontario Works	15,509,714	1.8%	0.9%
Specialized Transit	15,034,500	1.7%	17.6%
Roadway Maintenance	14,977,158	1.7%	2.9%
Housing Stability Services	14,643,158	1.7%	14.0%
Parks & Horticulture	11,275,799	1.3%	6.4%
Recycling & Composting	10,262,201	1.2%	-1.1%
Finance	9,263,880	1.1%	1.7%
Economic Development	7,896,956	0.9%	2.0%
Children's Services	7,888,243	0.9%	-1.1%
Middlesex-London Health Unit	7,792,096	0.9%	3.0%
Long Term Care (Dearness Home)	7,551,390	0.9%	1.7%
People Services	6,671,132	0.8%	1.3%
Urban Forestry	6,512,674	0.7%	3.7%
Development Services	5,635,728	0.6%	22.5%
Other Corporate Revenues & Expenses	5,162,079	0.6%	N/A
Community Development & Grants	4,982,196	0.6%	-2.2%
Planning Services	4,629,793	0.5%	5.7%
Roadway Planning & Design	4,507,155	0.5%	6.9%
Fire Prevention & Education	4,494,113	0.5%	1.7%
Legal Services	3,733,204	0.4%	1.5%
Recreation Administration	3,644,235	0.4%	3.8%
Community Improvement/BIA	3,568,660	0.4%	23.7%
Climate Change & Environ. Stewardship	2,882,087	0.3%	15.4%
Corporate Management	2,799,206	0.3%	1.6%
Security Services	2,670,614	0.3%	2.7%
Tourism London	2,605,426	0.3%	2.5%
Upper Thames River Cons. Auth.	2,577,943	0.3%	13.8%
Arts, Culture & Heritage Advisory & Funding	2,485,046	0.3%	2.4%
Community Centres	2,392,577	0.3%	-0.6%
Councillors' Offices	2,203,925	0.2%	3.2%
Bylaw Enforcement & Property Standards	2,184,657	0.2%	14.9%
Museum London	2,172,416	0.2%	5.4%
Animal Services	2,043,451	0.2%	2.5%
Information & Archive Management	1,875,448	0.2%	1.5%
Building Approvals	1,854,286	0.2%	18.5%
Community Rec. & Leisure Programs	1,748,497	0.2%	4.6%
Aquatics	1,731,121	0.2%	1.4%
Strategic Comm. & Government Relations	1,704,049	0.2%	6.5%
Parks & Natural Areas Planning & Design	1,631,708	0.2%	13.5%
Geomatics	1,604,332	0.2%	2.6%
Emergency Management	1,599,338	0.2%	6.0%
Purchasing	1,591,922	0.2%	2.2%
Sports Services	1,545,645	0.2%	5.5%
Arenas	1,525,540	0.2%	6.8%

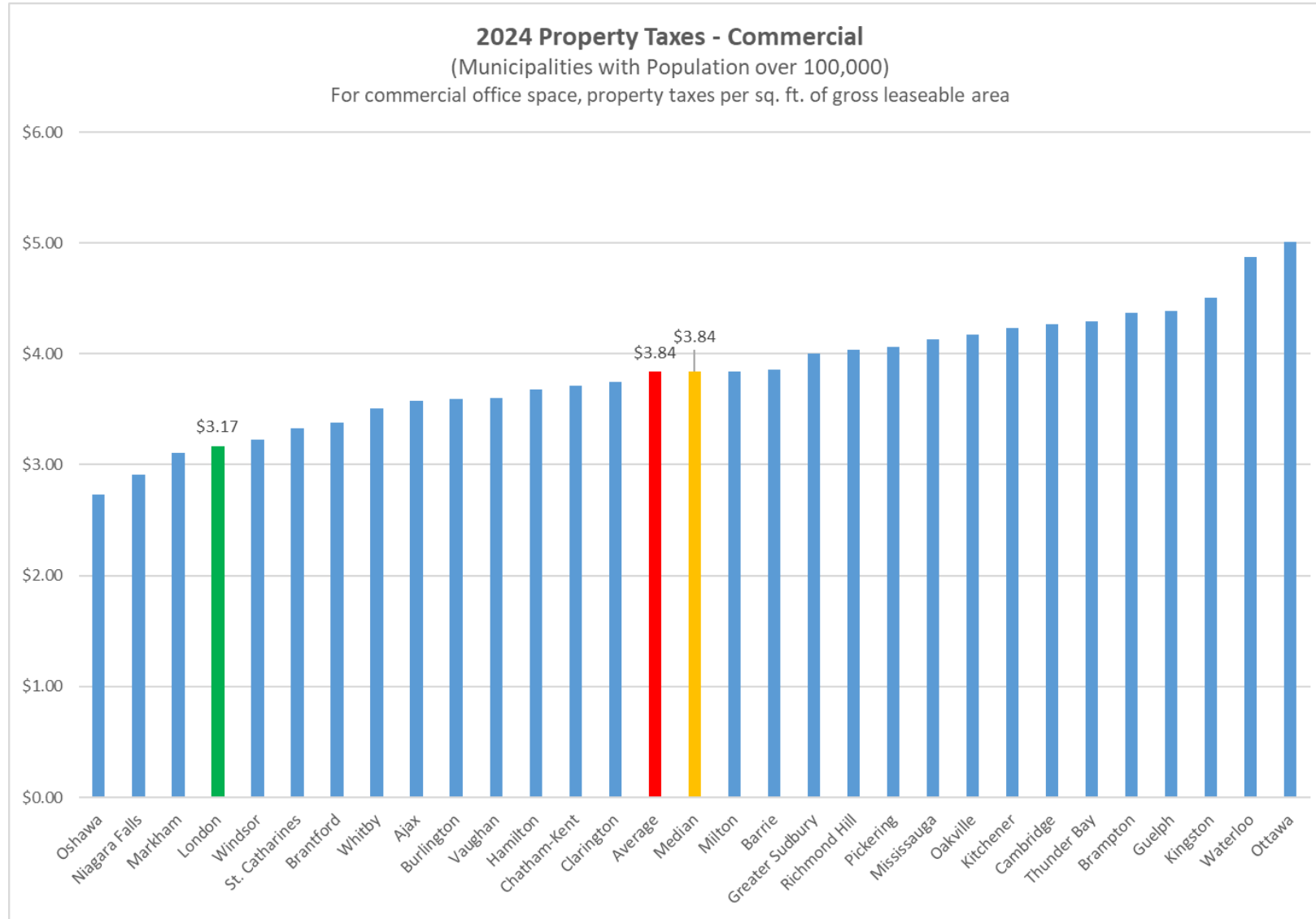
Service	2025 Net Budget	% of Total 2025 Net Budget	2024-27 Average Annual Increase / (Decrease)
Subsidized Transit	1,512,076	0.2%	0.0%
Secretariat Support-City Clerk	1,504,094	0.2%	3.6%
Finance Payroll Services	1,339,167	0.2%	3.5%
Service London	1,230,914	0.1%	1.9%
Anti Racism Anti Oppression	1,141,420	0.1%	8.6%
Dispatch	941,570	0.1%	1.6%
Realty Services	873,637	0.1%	0.1%
Rapid Transit	873,365	0.1%	3266.2%
Taxation	870,360	0.1%	30.9%
Mayor's Office	789,441	0.1%	6.8%
RBC Place London	739,483	0.1%	4.5%
Employee Systems	683,164	0.1%	-4.6%
Human Rights	567,473	0.1%	9.5%
Heritage	526,583	0.1%	3.8%
Asset Management	483,782	0.1%	-3.5%
Special Events Coordination	410,116	0.0%	9.1%
Risk Management	405,242	0.0%	-0.1%
AODA	395,873	0.0%	-2.2%
Eldon House	379,152	0.0%	7.8%
Internal Audit	336,176	0.0%	1.5%
Immigration Services	290,739	0.0%	2.5%
Kettle Creek Cons. Auth.	277,138	0.0%	-0.7%
Storybook Gardens	251,126	0.0%	5.2%
Cafeteria	201,798	0.0%	11.3%
Municipal Elections	194,999	0.0%	1100.0%
Centennial Hall	173,401	0.0%	0.8%
Advisory Committees	118,901	0.0%	0.2%
Administration of Justice	97,376	0.0%	201.1%
Lower Thames Valley Cons. Auth.	80,813	0.0%	4.6%
Homemakers	69,145	0.0%	-1.2%
Adult Day Programs	46,310	0.0%	7.5%
Covent Garden Market	-	0.0%	0.0%
Golf	-	0.0%	0.0%
London Regional Employment Services	-	0.0%	0.0%
Fleet Management	-	0.0%	0.0%
Housing Development Corp.	-	0.0%	-25.0%
Licensing & Certificates	(82,537)	0.0%	-49.4%
Parking	(4,474,713)	-0.5%	-4.7%
TOTAL	882,145,969	100.0%	8.0%
Civic Service Areas	400,812,344	45.4%	6.3%
Agencies, Boards and Commissions	336,630,178	38.2%	10.7%
Capital Financing	144,703,447	16.4%	7.6%

APPENDIX C: Comparative Property Tax Information – Source: 2024 BMA Municipal Study

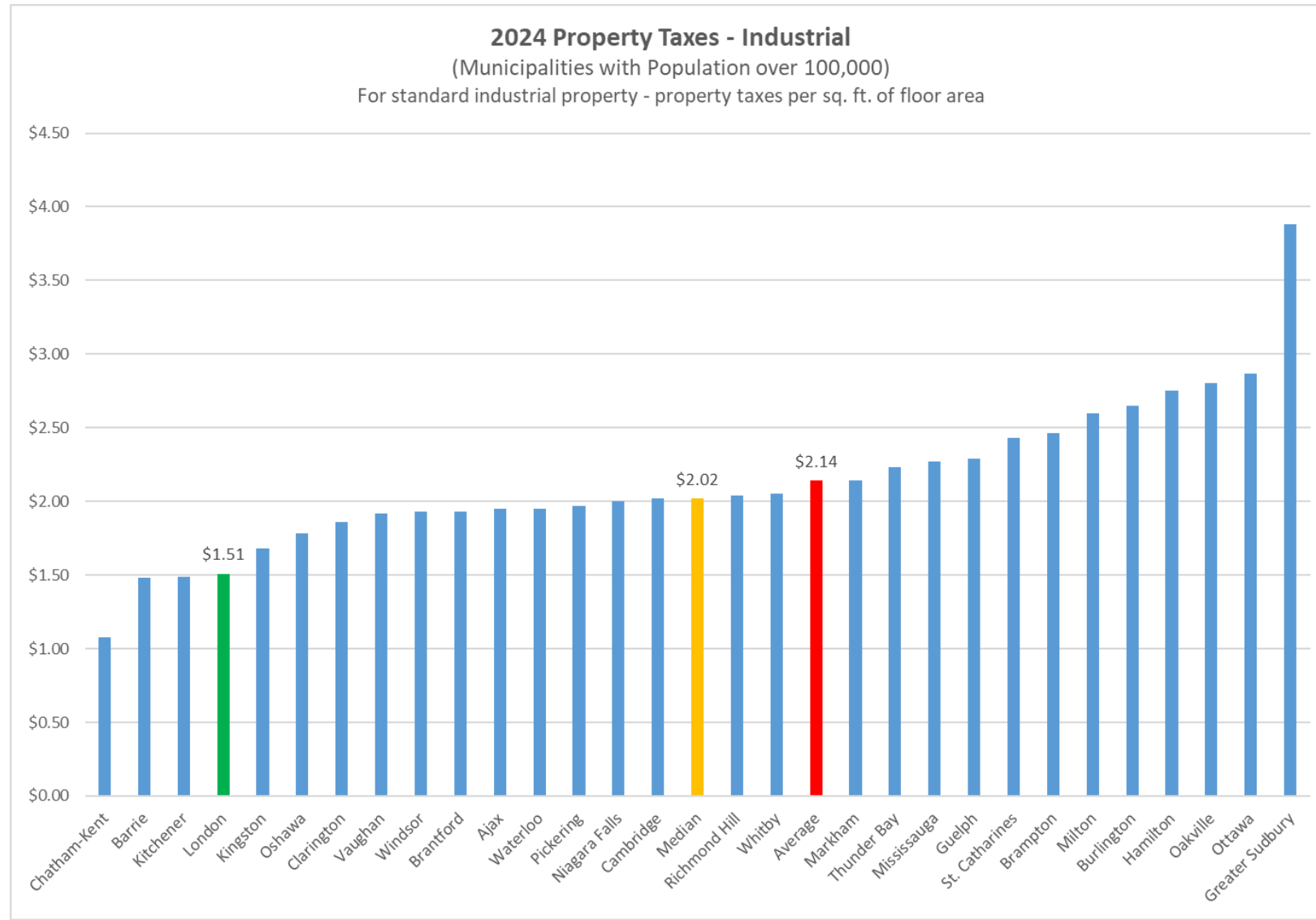
Average Residential Taxes:



Commercial Property Taxes:



Industrial Property Taxes:



Average Residential Property Taxes as a Percentage of Household Income:

