

Budget >>> 2014



2014 Budget Overview February 6, 2014

Draft – December 3, 2013

Agenda



Topic

- 2014 Budget Update
- Assessment Growth
- 2013 Surplus
- 2014 to 2023 Capital Budget Review
 - Strategic Investments
 - Emerging Issues
 - New Municipal Grant Requests

Increased Cost of Municipal Services



**** AS SUBMITTED ****

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**



Land Ambulance (Submitted at 8%).....

\$4 **\$0.9 M**



London Transit Commission (Submitted at 2.4%).....

\$3 **\$0.6 M**



London Public Library (Submitted at 1.8%).....

\$2 **\$0.3 M**



London Middlesex Housing Corporation (Submitted at 2.7%).....

\$1 **\$0.2 M**

Conservation Authorities.....

\$1 **\$0.1 M**

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**

*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.

Increased Cost of Municipal Services



** AS ADJUSTED **

Avg. Residential Homeowner Increase From Rates

\$86 **\$17.2 M**



Protective Services.....
 • Police (Submitted at 3.3% - **Decision Pending**).....
 • Fire (SPPC Approval at 2% - From 4%).....

\$21 \$4.1 M
 \$15 \$3.0 M ?
 \$6 **\$1.1 M**



Capital Financing.....
 • Pay As You Go (From \$2.8M to \$5.9M).....
 • Debt Servicing.....

\$39 \$7.8 M
 \$29 **\$5.9 M**
 \$10 \$1.9 M



Corp. Contingencies (Tax Write-Offs, Legal, Pers.) - Decision Pending

\$18 \$3.7 M ?



Land Ambulance (SPPC Approval at 8%).....

\$4 \$0.9 M



London Transit Commission (SPPC Approval at 2.4%).....

\$3 \$0.6 M



London Public Library (SPPC Approval at 1.8%).....

\$2 \$0.3 M



London Middlesex Housing Corporation (SPPC Approval At 2.7%)

\$1 \$0.2 M

Conservation Authorities.....

\$1 \$0.1 M

Net Ontario Works.....

\$(4) \$(0.9) M

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

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

Remaining Service Areas.....

\$1 \$0.4 M

*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.

Budget Update – Levy From Rates



Tax Levy From Rates	\$ Millions	%
Starting Point (Budget As Submitted – December 3, 2013)	\$15.1	3.1%
Adjustments (January 30/31):		
BC #4 - UTCRA Contract – Reduction Declined	0.1	0.0
BC# 6, 8-13 - Capital Cuts – \$3.1 Million Capital Levy Added Back to the Budget (BC #7 – Bus Purchase Renewal – funding not required)	3.1	0.7
Fire Operating Budget – Reduced From 4% To 2%	(1.1)	-0.2%
Budget Position (January 31)	\$17.2	3.6%

Decisions Deferred On:

- Animal Services Operating Budget
- London Police Services
- Corporate Operational & Council Services
 - Corporate Services
 - Corporate Planning & Corporate Administration
 - Financial Management (incl. Reserve Funds)

NOTE: Committee/Council will consider BC#6-13 during the capital budget deliberations

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Assessment Growth Funding



Description	\$ Millions		
	As Submitted Dec. 3/2013	SPPC	Remaining
\$8.3 Million – Available Assessment Growth Funding			
Category A - Cost of Services (BC# 14 to 30)	\$4.7	\$3.4	\$1.3
Category B - Cost of Services (BC# 31 to 40) <i>Note: Assumes Police Request Of \$0.9 M Will Be Approved.</i>	\$3.6	\$3.4	\$0.2
Total	\$8.3	\$6.8	\$1.5

For Council Consideration:

Option	\$ Millions
50% to reduce debt	\$0.75
Economic Development (ongoing)	\$0.38
Tax Mitigation	\$0.38
Total	\$1.50

Assessment Growth Recommendations



- That the remaining assessment growth funding be applied as follows:
 - Financial Management be increased by \$0.75 million to be applied to debt reduction.
 - Business Attractions & Retention be increased by \$0.375 million to increase the contribution to the Economic Development Reserve Fund.
 - That \$0.375 million be applied to reduce the 2014 tax levy.

- It being noted that the recommended remaining assessment growth funding allocation is consistent with the assessment growth policy.

Assessment Growth Policy



KEY POINTS:

1. Assessment Growth revenue is dedicated to civic departments, boards and commissions that incur costs to provide existing core services to new growth areas.
2. Business case prepared by the respective civic department, board or commission that explains the added costs of growth.
3. If assessment growth funding **exceeds** the accumulated growth costs of civic departments, boards and commissions in any one budget year, the balance available will be applied in that year as follows:
 - 50% to reducing debt; and
 - 50% to economic development initiatives and/or tax mitigation.

2013 Surplus



Description	\$ Millions	
	Recommended By Civic Admin.	SPPC Decisions Pending
SURPLUS PROJECTION	\$7.3	\$7.3
Application of Surplus:		
City Facilities Reserve Fund (Ontario Works)	\$2.3	\$2.3
Economic Development Reserve Fund	\$1.0	\$1.0
Alternate Funding for Capital Budget Initiatives:		
• Bus Purchase Renewal	\$0.5	\$0.0
• VMP Noise Wall	\$0.5	\$0.5
• Remaining Capital Budget Initiatives	<u>\$3.1</u>	<u>\$0.0</u>
Subtotal	\$3.6	\$0.5
Additional Surplus Of \$0.4 Million <i>Based On Revised Projection - January 2014</i>		
• Debt Reduction	\$0.2	\$0.0
• Capital Initiatives To Be Identified	\$0.2	\$0.0
Total Allocation	\$7.3	\$3.8
Balance Remaining	\$0.0	\$3.5

Surplus Policy



1. Surpluses, if any, should be fully contributed to the Operating Budget Contingency Reserve at year end and, in the subsequent year, allocated as follows:
 - a) The first \$850,000 be used to reduce the tax levy;
 - b) 50% of the balance be applied to debt reduction;
 - c) The balance of year end surplus be applied by Council to:
 - i. Unfunded capital projects;
 - ii. The Operating Budget Contingency Reserve to provide a reasonable cushion against unexpected or one-time expenditure/revenue losses;
 - iii. The Unfunded Liabilities Reserve,
 - iv. New initiatives/investments.
2. Deficits, if any, should be funded through a draw from the Operating Budget Contingency Reserve at year end.

Projected Surplus Of \$7.3 Million

Millions	Recommendation	
\$2.3	City Facilities Reserve Fund (Ontario Works)	✓ Highly Recommended
\$1.0	Economic Development Reserve Fund	✓ Highly Recommended
\$0.5	VMP Noise Wall	✓ Highly Recommended
\$3.1	2014 Capital Initiatives that are Unfunded	✓ Consider One-Time Costs Under Strategic Investments, Emerging Issues, & New Grant Requests
\$0.2 \$0.2	<ul style="list-style-type: none"> • Debt Reduction • Capital Initiatives To Be Identified 	✓ Per Surplus Policy, 50% To Debt Reduction & Remainder To Capital Or New Initiatives
\$7.3	Total Allocation of Projected 2014 Surplus	

Surplus Recommendation



- That the projected 2013 surplus be applied as follows:
 - \$2.3 million be applied to increase the contribution to the City Facilities Reserve Fund.
 - \$1.0 million be applied to increase the contribution to the Economic Development Reserve Fund.
 - \$0.5 million be applied as a funding source for the one-time capital costs associated with the VMP Noise Wall.
 - \$3.1 million be applied as a funding source for unfunded 2014 capital initiatives (strategic investments, emerging issues, and new municipal grant requests).
 - \$0.2 million be applied as a funding source for unfunded 2014 capital initiatives.
 - Financial Management be increased by \$0.2 million to be applied to debt reduction.

State of the Infrastructure Report



- This report just released Jan 7, 2014
- Must be considered when looking at capital budget and reserve fund contributions

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

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Capital Budget Review



\$ millions	2013 Revised Budget	2014 Proposed Budget	2015-2023 Forecast ⁽¹⁾	10 year Capital Plan (2014-23)
Lifecycle Renewal	49.4	57.4	621.3	678.7
Growth	46.2	47.2	353.5	400.7
Service Improvement	9.2	6.5	135.4	141.9
Total FUNDED Expenditures	\$104.8	\$111.0	\$1,110.2	\$1,221.2
Add 2014 Shortfall Restored by SPPC (Jan 30, 2014)		\$3.1	(\$4.5)	(\$1.4)
Add Infrastructure Gap in 10 years			\$405.6	\$405.6
Desired 10 Year Capital Plan		\$114.1	\$1,511.3	\$1,625.4

(1) \$3.6 million “cut” added back in 2015 – 2023 (consistent with recommendation to reinstate funding)
 \$4.5 million reduction reflects additional \$0.5 million for 9 years in plan (\$3.6 - \$3.1 million)

Capital Budget Recommendation



➔ That the additional Capital Levy financing of \$3.1 million in 2014 be utilized as a Source of Financing for the following capital projects:

- Landfill Site Property Acquisition (BC #6) \$0.2
- Arterial Road Rehabilitation (BC #8) \$1.7
- Glen Cairn Major Upgrades (BC #9) \$0.1
- Floodplain Acquisition (BC #10) \$0.2
- Downtown On-Street Pay & Display (BC #11) \$0.2
- Bike Lane Program (BC #12) \$0.2
- Facility Energy Management (BC #13) \$0.5

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 (incl. Medical Innov.)	\$520,000	\$60,000	\$6,000	1.25%
Economic Development Initiatives (excl. Medical Innov.) ⁽¹⁾				
• Industrial Land Development Strategy	\$420,000	\$50,000	\$5,000	1.04%
• Performing Arts Centre (incl. related development)				
• Hydro Lands (Kilmer Brownfield)				
Ontario Works Decentralization Strategy	\$6,500	\$6,500	\$2,300	-0.48%
Ontario Works Decentralization Strategy ⁽²⁾	\$0	\$0	\$0	0.0%
Total	\$1,421,000	\$393,500	\$13,200	2.75%

(1) \$10 million funding included in Economic Development RF

(2) \$2.3 million included in recommendation on 2013 Surplus (Dec Pt #1)

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.

Emerging Issues



Initiative	2014 Cost (\$000's)	2014 Tax Levy Impact	2015 Cost (\$000's)	Comments
VMP Noise Wall	\$500	0.00%	\$0	One-time – consider 2013 Surplus
Huron Street Improvements	\$500	0.00%	\$0	One-time – consider 2013 Surplus
Blackfriars Bridge	\$0	0.00%	\$3,000	One-time in 2015
Safety - Railway Pedestrian Crossings	\$135	0.00%	\$170	Consider 2013 Surplus
Sidewalk Maintenance Program	\$315	0.00%	\$315	Consider 2013 Surplus
Traffic Calming Program	\$25	0.01%	\$25	Ongoing – consider tax levy increase
Emerald Ash Borer	\$200	0.04%	\$200	Ongoing – consider tax levy increase
Cultural Prosperity Plan	\$100	0.02%	\$100	Ongoing – consider tax levy increase
Animal Welfare Services: Enhancements	\$700 (Capital)	0.00%	\$0	One-time – consider 2013 Surplus (<i>net capital request \$433,000</i>)
	\$376 (Operating)	0.08%	\$376	Ongoing– consider tax levy increase
Million Tree Challenge	\$50	0.01%	\$50	Ongoing – consider tax levy increase
Planning – Urban Regeneration	\$85	0.02%	\$85	Ongoing – consider tax levy increase
Total (revised as of Jan 30)	\$2,986	0.18%	\$4,321	

RECOMMENDATION: That surplus funding **BE CONSIDERED** for one-time issues and a tax levy increase **BE CONSIDERED** for ongoing issues, noting that these issues have not been accommodated in the submitted 3.1% tax levy increase.

New Municipal Grant Requests



Organization	Amount Requested (\$000)	
	One Time Operating/Capital	Ongoing 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 (Junior Chamber International)	\$20.0	
London Celebrates Canada		\$50.0
London Children's Museum	\$150.0	
St. Joseph's Hospice	\$200.0	
Subtotal (as submitted Dec 3)	\$489.1	\$159.9
Sunfest (Council – Dec 17)	\$50.0	
Total (received as of Dec 3)	\$699.0	

RECOMMENDATION: That surplus funding **BE CONSIDERED** for one-time grant requests and a tax levy increase **BE CONSIDERED** for ongoing grant requests, noting that these new municipal grant requests have not been accommodated in the submitted 3.1% tax levy increase.

Note – Submitted Grant requests have been posted on the City's website

<http://www.london.ca/city-hall/budget-business/budget/Pages/2014-Submitted-2014-Detailed-Budget.aspx>

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