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| TO: | CORPORATE SERVICES COMMITTEE MEETING ON MARCH 25, 2014 |
| FROM: | MIKE TURNER DEPUTY CITY TREASURER |
| SUBJECT: | LONDON DOWNTOWN BUSINESS ASSOCIATION 2014 PROPOSED BUDGET – MUNICIPAL SPECIAL LEVY |

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| RECOMMENDATION |
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It is recommended:

1. That the London Downtown Business Association proposed 2014 budget submission in the amount of \$968,133 **BE APPROVED** as outlined in Schedule A;
2. The amount to be raised by the Corporation for the 2014 fiscal year for the purposes of the London Downtown Business Association and pursuant to subsection 208(1) of the Municipal Act, 2001 **BE FIXED** at \$1,043,403 (which accounts for \$958,403 for the City of London levy as required by the London Downtown Business Association to help support its 2014 budget and an estimated allowance of \$85,000 to provide for vacancy rebates);
3. A special charge **BE ESTABLISHED** for the amount referred to in part 2, above, by a levy in accordance with By-law CP-2 as amended; it being noted that the special charge shall have priority lien status and shall be added to the tax roll pursuant to subsection 208(7) of the Municipal Act, 2001; and
4. That the attached by-law (see Schedule C) **BE INTRODUCED** at the Municipal Council on April 1, 2014 with respect to municipal special levy for the London Downtown Business Association.

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| BACKGROUND |
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The London Downtown Business Association (LDBA) approved its 2014 budget on December 19, 2013 and submitted it to the City of London's Finance Department on January 23, 2014 (see Schedule A).

Under subsection 205(2) of the Municipal Act, 2001, a business improvement area must submit an annual budget to Council that the Council may approve in whole or in part but may not add expenditures to. The LDBA has met this requirement in Schedule A, noting the 2014 expenditure budget is \$968,133.

We provide the following comments based on our review of the submission:

- a) The LDBA submitted a 2014 budget of \$968,133 which represents a \$16,904 or 1.8% increase compared to its 2013 budget of \$951,229.
- b) Significant changes to revenues include a 2.5% increase in the 2014 City of London Levy requested by the LDBA from \$935,027 in 2013 to \$958,403 in 2014. The revenue increase will be partially offset by a decreased reliance on the use of reserves. Significant changes to expenditures include a budget increase in rent, utilities and office furniture related to the occupancy of the new office (rental agreement expires May 31, 2018) and increases in communication and marketing costs due to a budget realignment associated with the reduction in festivals. Sponsorship of Mainstreet London has been increased to partially cover the reduction of City funding to Main Street London.

The LDBA also submitted the MainStreet London budget which, too, was approved on December 19, 2013. The following comments are offered based on our review:

- a) MainStreet London submitted a 2014 budget of \$441,693 which represents a decrease of \$50,056 or 10.2%, compared to its 2013 budget of \$491,749.
- b) Significant changes to revenues include elimination of the \$53,000 City of London funding. Significant changes to expenditures include reduced costs related to the About Face program due to fewer anticipated funding project requests and the elimination of a part-time staff member.

At the time of submitting this report, 2013 draft financial statements were unavailable. Estimates received by the LDBA and MainStreet London indicated that there was a combined year end deficit of \$49,944 in 2013. The unaudited December 31, 2013 reserve balances as reported by LDBA and MainStreet London, which include year end position adjustments, was \$57,695 (\$57,695 for LDBA and nil for MainStreet London).

As in 2013, owners of business property within the business improvement area will be responsible for payment of the municipal levy to the City of London. The City of London will pay the LDBA on a quarterly basis based on the estimated special levy amount of \$958,403.

Under subsection 207(1) of the Municipal Act, 2001, a business improvement area must submit to Council its annual financial report for the preceding year. The LDBA meets this requirement each year through the City of London's Annual Financial Report.

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| PREPARED BY: | REVIEWED BY: |
| | |
| JASON SENESE MANAGER - FINANCIAL PLANNING & POLICY | LARRY PALARCHIO DIRECTOR - FINANCIAL PLANNING & POLICY |
| RECOMMENDED BY: | |
| | |
| MIKE TURNER DEPUTY CITY TREASURER | |

cc: Martin Hayward – Managing Director, Corporate Services and City Treasurer, Chief Financial Officer
 Jim Logan – Division Manager, Taxation & Revenue
 Ian Collins – Senior Financial Business Administrator

Schedule A

London Downtown Business Association 2014 Proposed Budget with 2013 Comparators

Revenue Overview

| LDBA Revenue Detail: | 2013 Revised Budget | 2013 Actuals | Surplus (Deficit) | 2014 Proposed Budget | Increase / (Decrease) over 2013 |
|--------------------------------|---------------------------|-----------------|----------------------|----------------------------|---------------------------------------|
| Total City of London Levy | 1,018,027 | 1,018,027 | 0 | 1,043,403 | 25,376 |
| Allowance for vacancy rebates | (83,000) | (83,000) | 0 | (85,000) | (2,000) |
| <i>Net City of London Levy</i> | <i>935,027</i> | <i>935,027</i> | <i>0</i> | <i>958,403</i> | <i>23,376</i> |
| Tax Write offs | (8,000) | (9,212) | (1,212) | (9,000) | (1,000) |
| LDBA Reserve Drawdown | 22,202 | 12,867 | (9,335) | 16,730 | (5,472) |
| Interest Income | 2,000 | 1,721 | (279) | 2,000 | 0 |
| Miscellaneous Income | 0 | 20,000 | 20,000 | 0 | 0 |
| Total LDBA Revenue | 951,229 | 960,403 | 9,174 | 968,133 | 16,904 |

Expenditure Overview

| LDBA Expenditure Detail: | 2013 Revised Budget | 2013 Actuals | Surplus (Deficit) | 2014 Proposed Budget | Increase / (Decrease) over 2013 |
|--|---------------------------|-----------------|----------------------|----------------------------|---------------------------------------|
| <u>Administration</u> | | | | | |
| Telephone | 4,800 | 6,371 | (1,571) | 5,750 | 950 |
| Stationery and Supplies | 0 | 0 | 0 | 3,500 | 3,500 |
| Training / Conferences | 5,000 | 5,752 | (752) | 16,100 | 11,100 |
| Subscriptions / Memberships | 1,300 | 2,491 | (1,191) | 2,590 | 1,290 |
| Legal & Audit | 4,000 | 4,607 | (607) | 2,000 | (2,000) |
| Cleaning | 0 | 0 | 0 | 6,300 | 6,300 |
| Board Development & Expenses | 1,500 | 1,753 | (253) | 1,200 | (300) |
| Office Furniture | 0 | 0 | 0 | 12,000 | 12,000 |
| Misc Expense | 900 | 899 | 1 | 1,000 | 100 |
| Depreciation Expense - Furniture/Phone | 0 | 538 | (538) | 0 | 0 |
| Total Administration | 17,500 | 22,412 | (4,912) | 50,440 | 32,940 |
| <u>Rent</u> | | | | | |
| Rent and Hydro | 32,000 | 59,839 | (27,839) | 64,500 | 32,500 |
| Move | 80,000 | 116,247 | (36,247) | 0 | (80,000) |
| Total Rent | 112,000 | 176,086 | (64,086) | 64,500 | (47,500) |
| <u>Member Services</u> | | | | | |
| Graffiti Removal | 34,000 | 31,699 | 2,301 | 31,000 | (3,000) |
| Pigeon Program | 12,000 | 11,158 | 842 | 12,000 | 0 |
| Annual General Meeting | 14,000 | 0 | 14,000 | 14,000 | 0 |
| Wi-Fi Project | 18,000 | 28,335 | (10,335) | 19,500 | 1,500 |
| Total Member Services | 78,000 | 71,191 | 6,809 | 76,500 | (1,500) |
| <u>Business Development</u> | | | | | |
| Communications & Marketing | 132,000 | 156,530 | (24,530) | 210,000 | 78,000 |
| Festivals | 50,000 | 36,048 | 13,952 | 0 | (50,000) |
| Promo Downtown Dollars | 40,000 | 30,000 | 10,000 | 30,000 | (10,000) |
| MainStreet Sponsorship | 347,249 | 347,249 | 0 | 375,193 | 27,944 |
| MainStreet About Face Sponsorship | 75,000 | 50,000 | 25,000 | 65,000 | (10,000) |
| <i>Total MainStreet Funding</i> | <i>422,249</i> | <i>397,249</i> | <i>25,000</i> | <i>440,193</i> | <i>17,944</i> |
| Planters | 15,000 | 13,465 | 1,535 | 15,000 | 0 |
| Public Art | 7,000 | 9,475 | (2,475) | 7,000 | 0 |
| Clean Team | 60,000 | 50,950 | 9,050 | 54,500 | (5,500) |
| Miscellaneous | 3,480 | 2,804 | 676 | 2,000 | (1,480) |
| Depreciation Expense - Metal Trees | 0 | 22,716 | (22,716) | 0 | 0 |
| Total Business Development | 729,729 | 719,238 | 10,491 | 758,693 | 28,964 |
| HST | 14,000 | 7,728 | 6,272 | 18,000 | 4,000 |
| Total LDBA Expenditure | 951,229 | 996,655 | (45,426) | 968,133 | 16,904 |
| Net Surplus / (Deficit) | 0 | (36,252) | (36,252) | 0 | 0 |
| Net | 0 | 0 | 0 | 0 | 0 |

Note: all figures subject to audit.

Schedule B

**MainStreet London
2014 Proposed Budget
with 2013 Comparators**

Revenue Overview

| Mainstreet London Revenue Detail: | 2013 Revised Budget | 2013 Actuals | Surplus (Deficit) | 2014 Proposed Budget | Increase / (Decrease) over 2013 |
|--|----------------------------|---------------------|--------------------------|-----------------------------|--|
| Revenue | | | | | |
| City of London Funding | 53,000 | 53,000 | 0 | 0 | (53,000) |
| London Downtown Business | 347,249 | 347,249 | 0 | 375,193 | 27,944 |
| LDBA Sponsorship for Aboutface | 75,000 | 50,000 | (25,000) | 65,000 | (10,000) |
| <i>Total LDBA Funding</i> | <i>422,249</i> | <i>397,249</i> | <i>(25,000)</i> | <i>440,193</i> | <i>17,944</i> |
| Interest Income | 1,500 | 1,909 | 409 | 1,500 | 0 |
| Reserve Drawdown | 15,000 | 0 | (15,000) | 0 | (15,000) |
| Total Mainstreet London Revenue | 491,749 | 452,158 | (39,591) | 441,693 | (50,056) |

Expenditure Overview

| Mainstreet London Expenditure Detail: | 2013 Revised Budget | 2013 Actuals | Surplus (Deficit) | 2014 Proposed Budget | Increase / (Decrease) over 2013 |
|--|----------------------------|---------------------|--------------------------|-----------------------------|--|
| Administration Payroll | | | | | |
| Personnel Costs | 354,865 | 354,865 | 0 | 330,385 | (24,480) |
| Total Administrative Payroll | 354,865 | 354,865 | 0 | 330,385 | (24,480) |
| Administration | | | | | |
| Telephone | 4,000 | 4,062 | (62) | 4,000 | 0 |
| Stationary & Supplies | 3,000 | 3,465 | (465) | 0 | (3,000) |
| Travel & Expenses | 1,600 | 1,858 | (258) | 0 | (1,600) |
| Conferences & Continuing Education | 2,600 | 2,610 | (10) | 2,500 | (100) |
| Memberships | 1,265 | 1,288 | (23) | 0 | (1,265) |
| Legal & Audit | 1,000 | 2,383 | (1,383) | 1,000 | 0 |
| Insurance | 5,900 | 5,880 | 20 | 5,900 | 0 |
| Professional Services | 500 | 521 | (21) | 600 | 100 |
| Postage & Courier | 300 | 567 | (267) | 0 | (300) |
| Purchase/Leasing Furniture & Equipment | 12,500 | 20,149 | (7,649) | 14,000 | 1,500 |
| Cleaning | 3,000 | 4,650 | (1,650) | 0 | (3,000) |
| Meeting Expense | 0 | 46 | (46) | 0 | 0 |
| Miscellaneous Expenses | 2,019 | 5,884 | (3,865) | 1,908 | (111) |
| HST Write off of 50% at year end | 8,800 | (1,877) | 10,677 | 8,500 | (300) |
| Depreciation Expense | 0 | 4,592 | (4,592) | 0 | 0 |
| Total Administration | 46,484 | 56,078 | (9,594) | 38,408 | (8,076) |
| Organization / Design / Promotion | | | | | |
| Volunteer Recognition/Event | 400 | 195 | 205 | 400 | 0 |
| About Face | 75,000 | 39,670 | 35,330 | 65,000 | (10,000) |
| Recruitment | 15,000 | 15,042 | (42) | 7,500 | (7,500) |
| Total Organization / Design / Promotion | 90,400 | 54,907 | 35,493 | 72,900 | (17,500) |
| Total Mainstreet London Expense | 491,749 | 465,850 | 25,899 | 441,693 | (50,056) |
| Net Surplus / (Deficit) | 0 | (13,692) | (13,692) | 0 | 0 |
| Net | 0 | 0 | 0 | 0 | 0 |

Note: all figures subject to audit.

Schedule C

Bill No.
2014

By-law No.

A by-law to raise the amount required for the purposes of The London Downtown Business Association Improvement Area Board of Management for the year 2014 in accordance with section 208 of the *Municipal Act, 2001*.

WHEREAS subsection 5(3) of the *Municipal Act, 2001* S.O. 2001, c.25, as amended, provides that a municipal power shall be exercised by by-law;

AND WHEREAS section 9 of the *Municipal Act, 2001* provides that a municipality has the capacity, rights, powers and privileges of a natural person for the purpose of exercising its authority under this or any other Act;

AND WHEREAS subsection 10(1) of the *Municipal Act, 2001* as amended provides that a municipality may provide any service or thing that the municipality considers necessary or desirable for the public;

AND WHEREAS subsection 10(2) of the *Municipal Act, 2001* as amended provides that a municipality may pass by-law respecting; the financial management of the municipality (paragraph 3) and services or things that the municipality is authorized to provide under subsection 10 (1) (paragraph 7);

AND WHEREAS By-law CP-2, as amended, provides for an improvement area to be known as the London Downtown Business Association Improvement Area and to establish a Board of Management for it known as The London Downtown Business Association Improvement Area Board of Management;

AND WHEREAS subsection 208(1) of the *Municipal Act, 2001* provides that Council shall annually raise the amount required for the purposes of The London Downtown Business Association Improvement Area Board of Management;

AND WHEREAS section 23 of the *Municipal Act, 2001* provides that without limiting sections 9, 10 and 11 those sections authorize a municipality to delegate its powers under the *Municipal Act, 2001*;

AND WHEREAS it is deemed expedient to pass this by-law;

NOW THEREFORE the Municipal Council of The Corporation of the City of London enacts as follows:

1. That the budget for the 2014 fiscal year submitted by The London Downtown Business Association Improvement Area Board of Management in the amount of \$968,133 attached as Schedule "A", which includes a City of London Levy in the amount of \$958,403, is approved.
2. The amount to be raised by the Corporation for the 2014 fiscal year for the purposes of The London Downtown Business Association Improvement Area Board of Management and pursuant to subsection 208(1) of the *Municipal Act, 2001* is \$1,043,403.
3. A special charge is established for the amount referred to in section 2 of this by-law by a levy in accordance with By-law CP-2, as amended.
4. The special charge referred to in section 3 of this by-law shall have priority lien status and shall be added to the tax roll pursuant to subsection 208(7) of the *Municipal Act, 2001*.
5. The administration of this by-law is delegated to the City Treasurer who is hereby authorized and directed to do such things as may be necessary or advisable to carry out fully the provisions of this by-law.
6. This by-law comes into force and effect on the day it is passed.

Joe Fontana,
Mayor

Catharine Saunders,
City Clerk