



**Submission to the Strategic Priorities & Policy Committee
2012 City of London Operating and Capital Budgets**

The Urban League of London appreciates the opportunity afforded it by the Strategic Priorities & Policy Committee to comment on the 2012 City of London Operating and Capital Budgets during this period of Council deliberations.

The League commends the efforts made by City staff to constrain costs within their own budgets.

As a general comment, we have some concerns that some of the agencies, boards, and commissions (ABCs) which the City of London funds from the tax levy, in whole or in part, were not as diligent in meeting assigned budget targets. Some ABCs are flat-lined in the budget, such as the Middlesex-London Health Unit; others are assigned maximum budget increases, and some others yet have funding that is not entirely under the control of Council.

The League wishes to make the general point, as well, that there is more to managing a municipal budget prudently than simple tax management, important as that is. Ratepayers want to be assured that they are receiving good value for the money they spend on city services, certainly, but we suggest that citizens are also at least as interested in the efficient delivery of the services they want or need. Managing the budget is, in effect, managing the development of the community as a whole, and here citizens have social, environmental and legacy concerns (will we be passing on a well-functioning city to the next generation?) running in parallel with economic ones.

Comparing the municipal budgeting process with that of “households”, or even “corporations”, though it slips easily from the tongue, is not particularly useful in engaging the community in real dialogue about the kind of city in which we wish to live. Municipalities provide mandated services to its residents, often at prices that the private sector would or could not match, and the planning horizon (if you are doing your job diligently) is most properly thought of as *intra-generational*.

We begin our submission with some larger themes that we wish to explore – general matters that relate more to tax planning policy than particular line items, which we will detail afterwards.

Concerns regarding the future of provincial uploading, other municipal subsidies and federal transfers to municipalities.

In light of the work being done by Don Drummond on restructuring how the province of Ontario delivers services to its residents, we would ask what assurances the City has with regard to the long-term sustainability of the uploading of costs currently underway. Here we’re thinking specifically of the Ontario Works Benefit and the provision of court security by the local police service. These uploads represent several million dollars

annually that will have to be found in the operating budget going forward should the provincial government rethink its funding commitments to municipalities. We understand that these events are beyond the control of the municipality, but remain concerned that this funding, and other similar types of funding and transfers, remains stable and long-term only at the whim of more senior levels of government.

Recommendation: While transfers, funding and uploading of costs to/from more senior levels of government remain outside of the direct control of municipalities, a **careful management of contingency reserves, such as the Operating Budget Contingency Reserve, would be prudent and allow for fiscal impact buffering in the event restructuring changes at the provincial or federal level have direct financial impacts on the municipality.**

Note: We note that, in addition to a \$4.7 million draw to reduce the tax increase in 2012 by 1%, there is a further draw planned on the Operating Budget Contingency Reserve of some \$2.3 million, with no explanation on the purpose for the draw in the budget.

More efficient use of performance indicators in budget documents, especially summary documents.

The League appreciates the efforts of city departments and ABCs to use selected performance measures throughout the budget document. We think this is a radical improvement in how budget information is presented to citizens in a way that allows us to make sense of the naked data. The 2012 budget document is a vastly more accessible document than it has been in the past, and the League wishes to commend the Finance Department for its continuing efforts in this regard. The use of performance measures contribute to a richer understanding by citizens about the service provided and allows each of us to get a better feel for the annual costs involved, especially when comparisons are drawn to other similar municipalities.

It is our opinion that each budget area should highlight its most important performance measures, at the very least in the summary sections of the budget documents. We acknowledge that some departments and ABCs, though not all, have included a number of significant performance measures within their particular budgets. Many, however, lack any context or comparison to other municipalities. Even with selected performance measures included in budget details, the lack of context or inter-municipal comparisons makes it difficult for citizens to make rough “value for money” comparisons.

We question the utility of allowing budget areas to self-select performance measures for use in their own budgets. It seems to us that, in many if not most cases, the most instructive performance measures are well known to Administration and/or Council.

Recommendation: We would recommend that when Administration sends out the pre-budget targets and instructions, it also include the specific performance measures to be reported out by the various civic departments and ABCs.

Cuts in service levels by civic departments and ABCs.

The League notes that the current budget, as presented, already contains a number of service level cuts and that a 0% increase in the tax levy in 2012, and certainly over the period 2012-2106, will undoubtedly result in significantly more reductions in the services citizens receive from the municipal government.

The League believes that the ratepayers of London deserve to be informed when existing services are being cut during the annual budgeting process, and the budget document ought to be re-jigged to clearly flag the proposed or actual cuts.

This is not pre-suppose that cuts in service *ought* not be considered by Council or staff – merely that the ratepayers ought to be able to easily identify the complete range of service cuts under consideration. We have flagged a couple of representative examples from the 2012 Operating and Capital Budgets, and note that there may be others as well:

- We note that the decision to revert to a previous standard in sidewalk snow removal (p. 55 and p. 323), resulting in the saving of \$375,000, represents a cut in service.

- We note that in the London Public Library budget, financial constraints imposed to allow the LPL to meet its budget target, together with efforts to lower the Development Charge, have already shifted out the timing for new library branches in those areas of the city experiencing significant population growth (NW and SE).

Recommendation: We believe that it would be instructive if all actual or contemplated cuts in service levels were flagged in a separate schedule to the budget document.

We would also draw your attention to the following chart, drawn from p. 33 of the budget book:

**2012 SUBMITTED BUDGET
& 2013 to 2016 OPERATING BUDGET FORECAST**

YEAR	Budget Forecast Provided by City Departments, Boards, and Committees	TAX LEVY FROM MTRB	TAX LEVY FROM ASSESSMENT GROWTH PROJECTED AT	TOTAL TAX LEVY	BUDGET REDUCTION REQUIRED FROM FORECASTS
2011	462.7		1.0%		
2012	478.0	462.7	4.6	467.3	10.7
2013	496.8	467.3	4.7	472.0	24.8
2014	521.5	472.0	4.7	476.7	44.8
2015	543.1	476.7	4.8	481.5	61.5
2016	564.6	481.5	4.8	486.3	78.3
Total (2012 to 2016)	2,604	2,360	23.6	2,384	220.0

Budget Forecast excludes annual 1% incremental Special Economic Development Levy, growth requests to sufficiently fund an expanding city or program growth such as Green Mtr, Transit Subsidy, and/or capital related items (City Hall, Community Services to the Community)

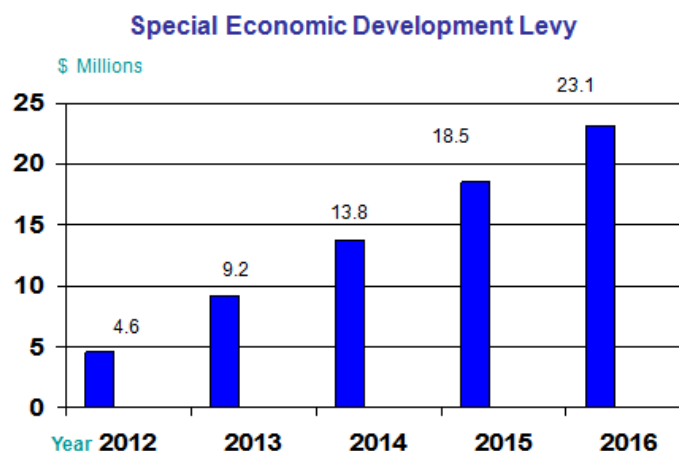
Note: To achieve a 0% tax levy increase, significant service level reductions will be required.

The net effect of holding the levy to 0% over the course of the period 2012-2016, adjusted only for 1% annual growth in assessment, is that, by the end of the 2016 budget year, you will need to find \$220 million in reductions in operating expenses. Common sense tells us that staff are correct in their belief that this will require significant service level reductions; again, not a reason not to go down this road, but let's make sure we are honest with citizens and say out loud that holding the line on increases in property taxes over the next year, or two, or five, will have a real and measurable effect on the services the city provides.

The Special Economic Development Levy

There has been much talk over the past several months about the possibility of implementing a special economic development levy as a tool to "kick-start" the local economy and create jobs for Londoners. While it is unclear to us whether the strategy will gain the support of a majority of Council, we would like to make a few observations on the matter.

Firstly, the levy as proposed is an annual 1% incremental surcharge on the ratepayers of London, building over years 1-5, as detailed in the following chart:



The 2012 Capital Budget and Ten Year Plan contain a list of potential projects to which the \$100 million fund (\$70M levy, \$30 M borrowings) might be applied, as follows:

- New City Hall \$ 100.0 M
- Downtown presence for U.W.O. 30.0 M
- Concert Hall 50.0 M
- Bus Rapid Transit 91.5 M
- 401/402 Employment Corridor 300.0 M
- SoHo C.I.P. 11.2 M

With Council's decision to limit the municipal contribution to \$100 million of the nearly \$700 million cost of completing these projects, and Council's clearly-stated intention of using the city's contribution to leverage other public and private monies, the implication is that the city will be leverage these municipal funds at the rate of 6:1.

This leveraging ratio, with the appropriate controls in place, represents a satisfactory public investment, as evidenced, for example, by the experience of the city of London in creating affordable housing over the past several years. The city's \$20 million contribution to affordable housing has resulted in construction projects worth about \$140 million.

Such satisfactory results are not always obtained, however, and due diligence is required. We would remind Council of its experience in the construction of the John Labatt Centre. Out of its total construction cost of some \$50 million, only \$2 million came from the private sector, \$7 million from the operations of the facility (in repaying the private partner's city-guaranteed loan) and \$5 million from other levels of government. The leveraging ratio in this example of a public-private partnership, was **1:2.5**; a far cry from the 6:1 ratio contemplated in the Ten Year Plan.

Recommendation: Should Council move forward with the special economic development levy, we would encourage you to do so with clearly-defined leveraging targets in place, and would strongly recommend that the **leveraging commitments be in place BEFORE Council commitments are made to particular projects.**

Note: We would also draw to your attention that there is no clearly-defined term to the surcharge, as found on p. 742 of the budget book. There, **the choice for Council starting in the year 2017 is detailed as reducing the surcharge, or continuing the surcharge, or some combination of the two options. It is not clear that simply ending the special levy is considered an option.**

London Police Service Budget

Perhaps no budget item is as controversial as that of the London Police Service, with increases above the targeted rate, and no direct control by Council over how city contributions by way of the levy are allocated by the London Police Services Board.

The tax-supported portion of the police budget is expected to grow from \$85 million in 2011 to \$113 million by 2016. This rate of increase is more than half again as fast as that forecasted by the City for all civic departments and ABCs other than the police budget over the same 5-year period, leaving Council less room to operate in its discretionary spending year over year as it tries to balance cost containment with providing the services citizens expect going forward.

We would ask the question, without having an answer for you, how is this sustainable?

We would suggest to you that it isn't, and that municipal police forces are going to have to be become much more pro-active in the re-engineering of the *administrative* structures and processes of the criminal justice system. What that kind of administrative reform might look like is beyond our capacity to imagine. But the ratepayers of the city of London pay a great deal each year for local policing and we ought to be able to expect the sworn officers we employ to be "doing policing" rather than paperwork. For example, couldn't less-expensive civilian employees be used in greater numbers and capacities to relieve front-line police of administrative and technical burdens: forensics, accident reconstruction, and the like?

We would also question the comment in the budget that LPS cannot replace maternity and paternity leaves with part-time or temporary officers. Is there legislation that prohibits LPS from doing this? Given that uniformed officers themselves do part-time work (providing private policing on their own time), we would suggest that there is already a mechanism in place that allows for part-time, and hence temporary, work.

London Transit Commission.

It is well known that the City of London provides less direct support for public transit than most other similar municipalities in Ontario, forcing the LTC to rely for more of its operating requirements on the fare box.

We note, with real regret and a sense of foreboding, that the LTC will once again be providing significantly fewer service hour increases than are desired by its customers. We note as well that the LTC provides fewer service hours than it did 20 years ago, at a time when it had 4 million fewer riders (p. 318).

Every great city has a great transit system, and the trend of parsimonious funding of our transit system is a cause for ongoing concern. It is well understood by successful cities all over the world that providing good transit is a tried and true economic development strategy, something we feel we shouldn't have to draw to your attention given the emphasis on economic development in the public consciousness these days.

Nevertheless, the League wishes to commend the efforts of the LTC, year over year, to provide the best service they can with the limited funding they get from this particular municipality.

Detailed Questions and Comments on the 2012 Operating and Capital Budgets:

1. The Existing Capital Plan 2012-2021, detailed on p. 739 of the budget book, shows \$20 million allocated to a downtown campus for Fanshawe College. We were of the understanding that half of this amount, \$10 million, was earmarked to help defray extraordinary costs in rehabilitating a heritage property(s) into which the college was thought to be moving. Given that the college opted to purchase a modern building in the core, will this \$10 million commitment be pulled back by the City of London?
2. There is no increase shown for the London Economic Development Corporation contract with the City, which expires June 30, 2012. Is there an agreement in place with LEDC that increased funds will not be provided going forward?
3. We note with interest that 2012 is the last instalment of the multi-year commitment of \$500,000 per year to U.W.O. and its affiliated colleges (p492). We assume this has been a draw from the levy and will provide some relief in 2013.
4. How will the City of London finance a new landfill in 15 years or so when the Landfill Reserve (p. 641) contains only \$3 million at present?
5. What is the estimated response time if additional firefighters are not hired (p. 749)? The performance measure, as we understand it, is 15 or 16 firefighters on scene within 8 minutes 90 % of the time. What is the current response time and what is projected going forward? The business cases are not included in the budget submission. Has Council seen them?
6. We note \$300,000 requested for service reviews (p. 753). This is an ongoing request. How confident is Staff that \$300,000 in savings can be found each year?

7. There is no information in the snow control budget on the change in costs for hiring outside contractors for snow removal, salting and sanding operations. Given that the city has been a `price-taker` for many years and that, to date at least, costs have been increasing at rates well above the rate of inflation, we would ask how these costs compare with other similar municipalities. If there has not been moderation in the rate of price increases recently, has the City calculated whether it might be more cost-effective to do this work with city crews and city equipment?
8. We are puzzled by the grant request (p. 427) for \$500,000 over three years for a “Jet Aircraft Museum”. Is there a business case for this funding request?
9. We are pleased to note that the City is now receiving rent revenue from the Western Fair Association. There were far too many years when rent was not being collected due to the structure of the contract and land-lease, which encouraged the WFA to spend on capital improvements to reduce its cash position.
10. The League applauds the work done by Roads and Transportation staff, who have achieved a 20% decrease in travel delays by taking a number of steps, including the optimization of traffic signals at some 155 local intersections (p. 323).
11. We would ask why the fees for business waste collection haven’t been increased since June 2004 (p. 662)? The city hasn’t been hesitant to increase fees in a myriad of other cost centres over the years, including fees to residents of the Dearness Home.
12. The League agrees with the recommendation of staff to increase parking rates. There hasn’t been an increase in 15 years. The time has come.
13. We note that there is an extra \$1 million going to the Economic Development Reserve in 2012 (p. 84), and in the years 2013 and 2014 as well (p. 88). Should Council opt to implement the Special Economic Development Levy this year, will these special contributions to the Economic Development Reserve be deleted? As a secondary question, is there a schedule in the budget book somewhere that details all of the various contributions made for “economic development” purposes in one form or another?
14. We note that the City is paying some \$2.1 million more this year for the OMERS contribution on behalf of city staff, police, LTC and, for that matter, councillors. There is another increase set in stone from OMERS for next year as well.