



London
CANADA

BUDGET 2015



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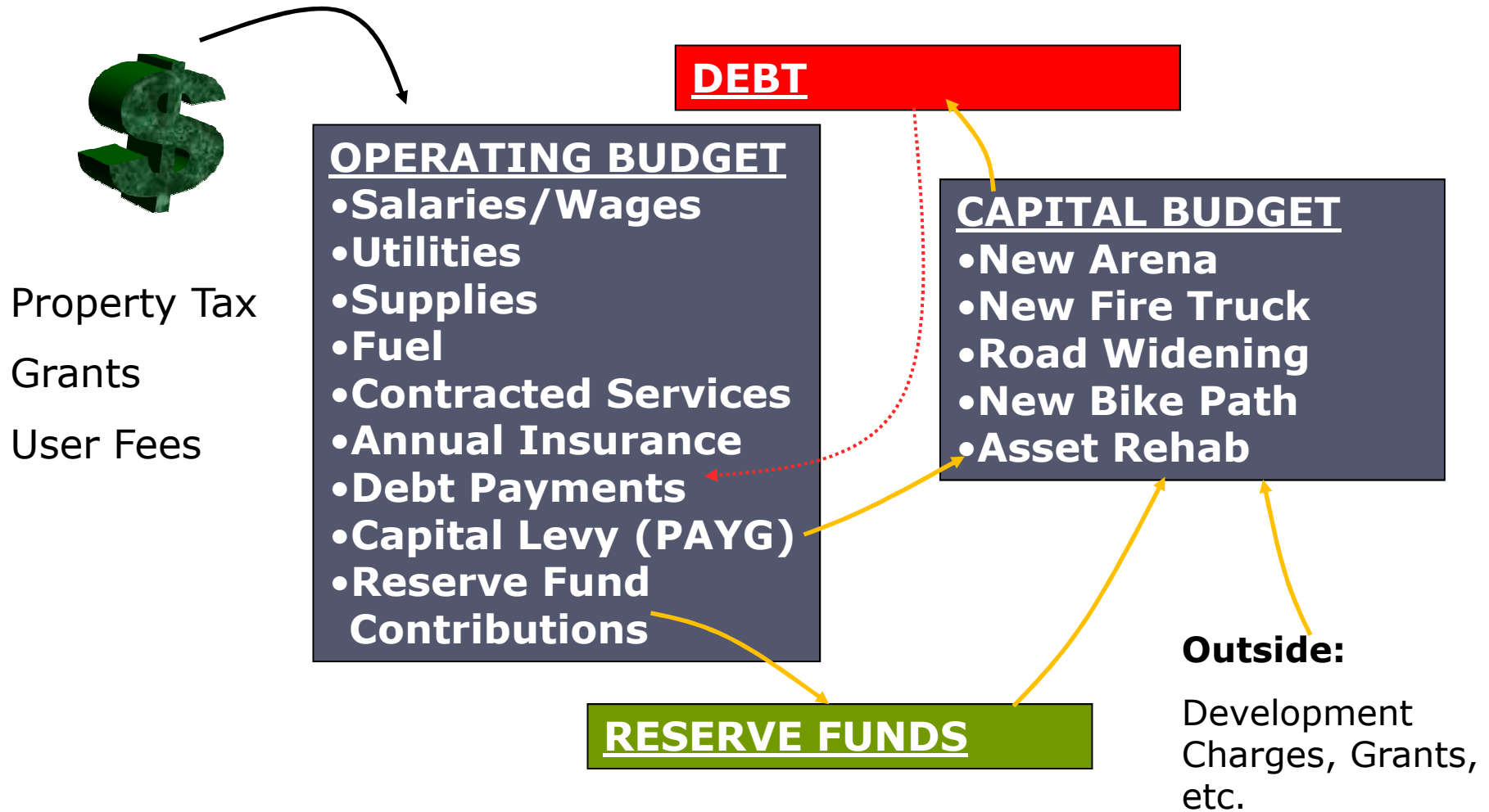
Creature of the Province



- The Municipal Act – governs what we can and cannot do and every aspect of our operation
 - Required to have a “Balanced Budget”
- The Planning Act – governs our use of land
- Other legislation that we must comply with based on:
 - the fact we are an employer, or
 - are in a specific business (for example, home for the aged)

Budget 2015

How the Municipal Budget Works



Budget 2015

Budget Focus



$$\text{Expenditures} - \text{Non-Property Tax Revenues} = \text{Net Budget (Tax Levy)}$$

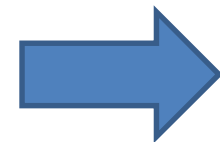
From
Assessment
Growth

From
Tax Rate
Increase

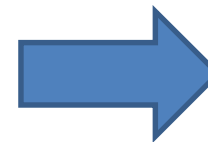
Assessment Growth

Did You Know...

Assessment growth funding comes from taxes levied on new homes and businesses.



Generates
new tax
revenue



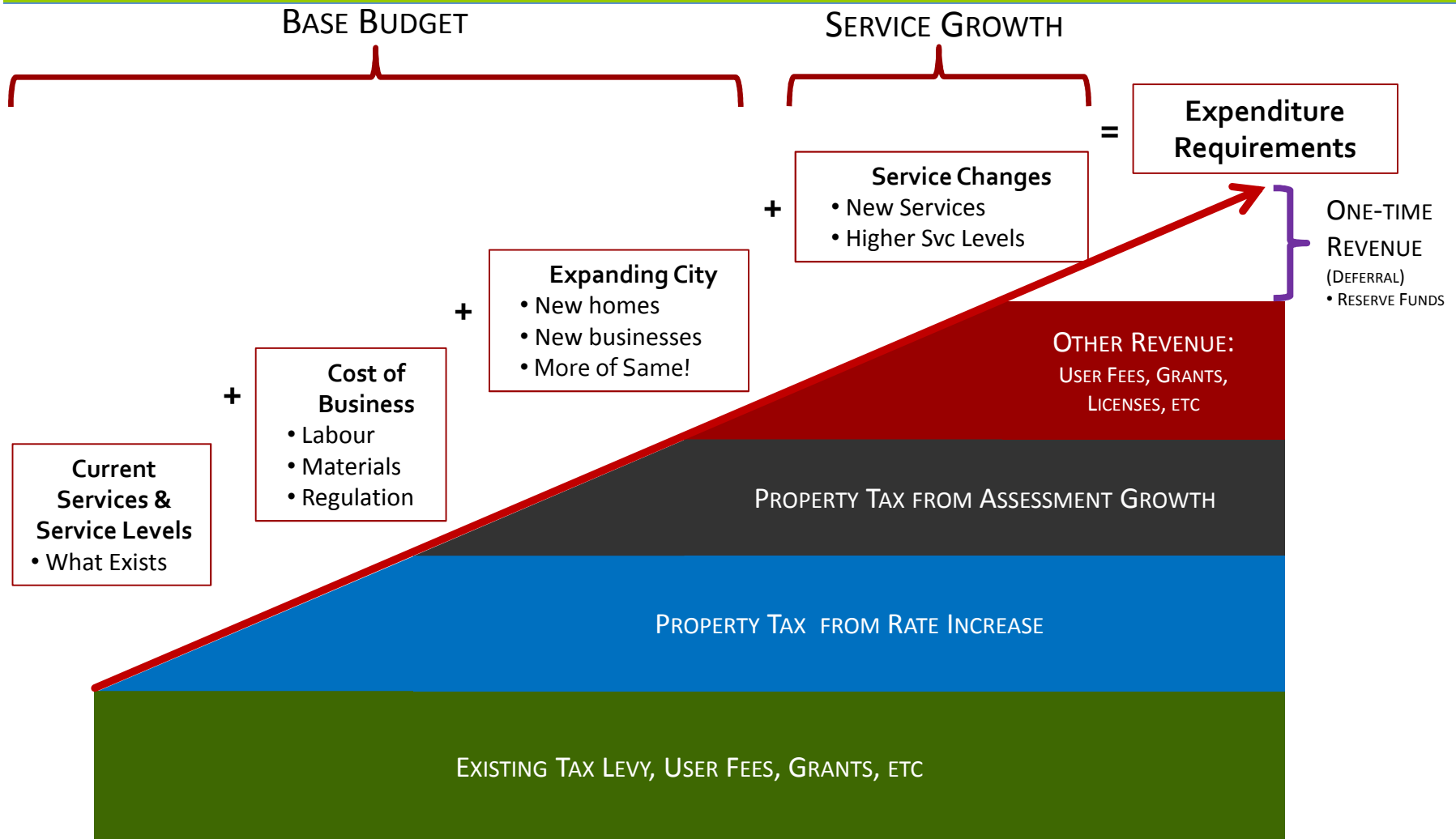
fund the
extension of
municipal
services

Requires Services;

- Garbage pickup
- Snow plowing
- Road maintenance
- Police and Fire services

Budget 2015

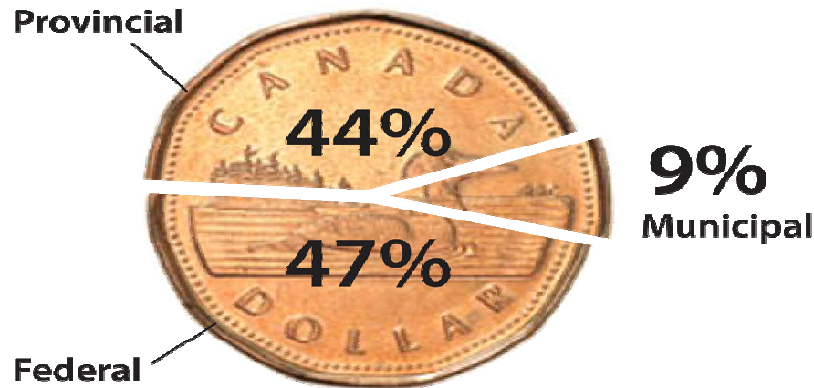
Balancing the Budget



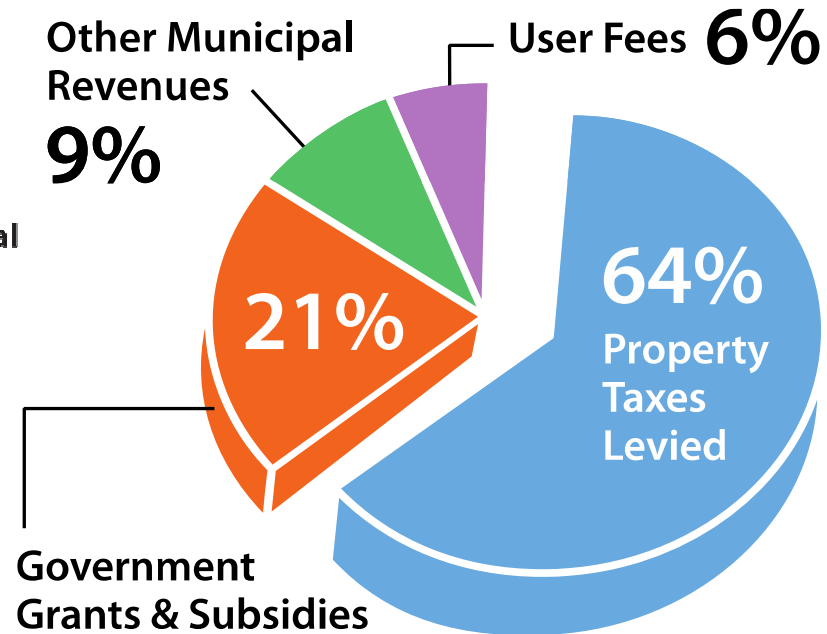
How Municipal Services are Funded



Total Tax Revenue



Annual operating revenue = \$804.4 million



Did you know...

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



What's Guiding Us?



Governance Principle

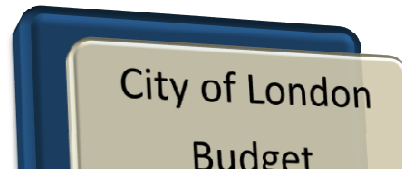
Fiscal Responsibility: “Investing wisely to continue building our community, while maintaining a solid Financial position”

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

Did You Know...
London has been rated Aaa
for 38 consecutive years

2015 Municipal Operating Budget



Tax Supported Budget by Service	2015 Expenditure Budget (\$ millions)	2015 Net Budget (\$ millions)	% of Net Budget
Culture	24.1	23.5	4.5%
Economic Prosperity	14.6	14.6	2.8%
Environmental Services	29.8	17.7	3.4%
Parks, Recreation and Neighbourhood Services	74.1	30.2	5.8%
Planning & Development Services	12.5	5.8	1.1%
Protective Services	164.6	153.2	29.6%
Social and Health Services	212.6	65.3	12.6%
Transportation Services	70.6	60.0	11.6%
Corporate, Council and Public Services	80.7	27.1	5.2%
Capital Financing & Contingencies	115.8	115.8	22.3%
Cost of a Growing City	5.0	5.0	1.0%
Total 2015 Expenditure/ Tax Levy	\$804.4	\$518.2	100.0%

More than 3/4 of the budget increase will be in these areas











2015 Operating Expenditures



How Operating Dollars are Spent

By Expenditure Type

\$804.4 Million Expenditure

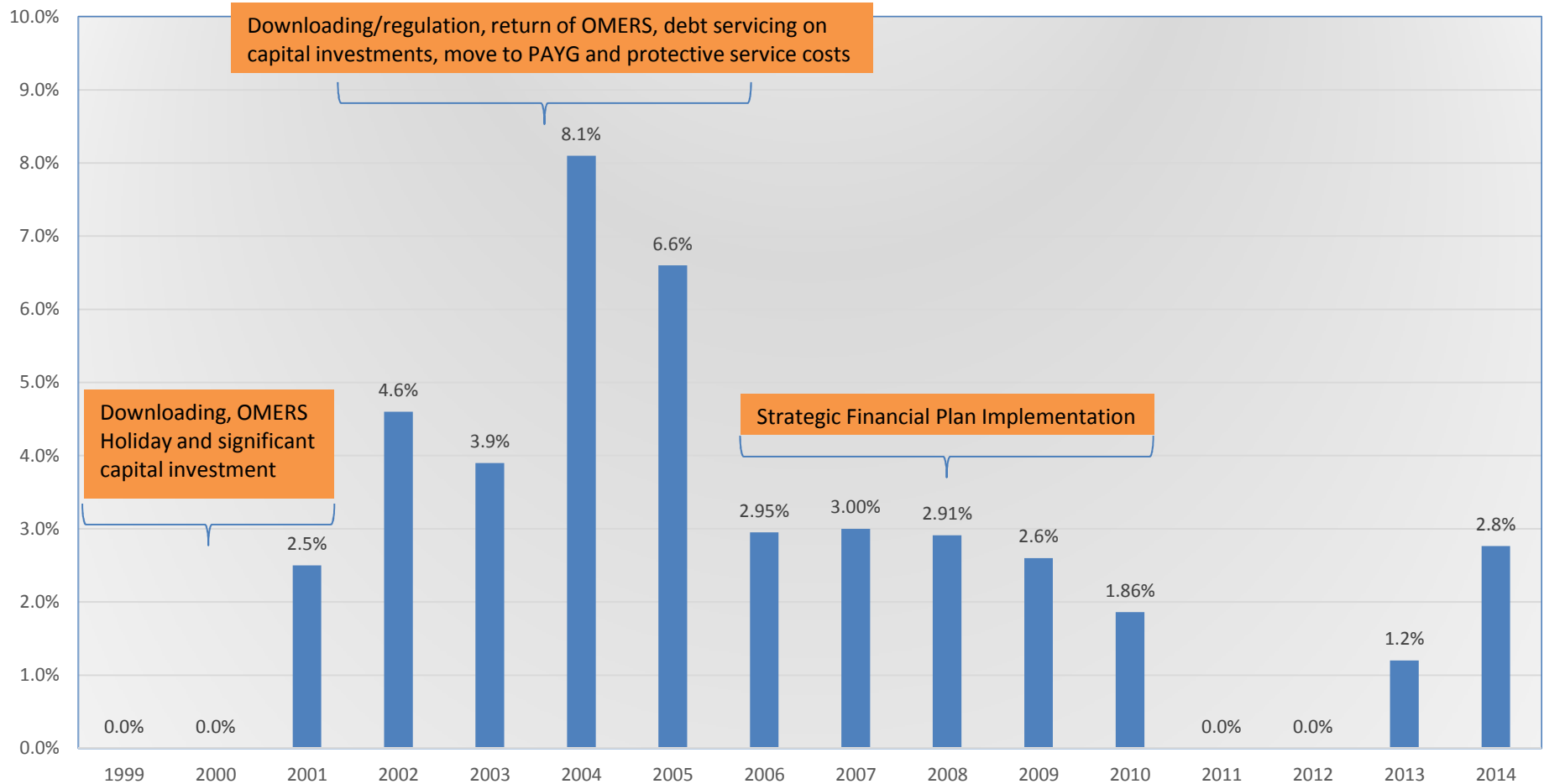
	2015 Budget % Of Budget (\$000's)	
Expenditures		
Personnel	309,621	 38.5%
Administrative	5,829	 0.7%
Financial	122,807	 15.3%
Purchased Services	153,712	 19.1%
Materials & Supplies	32,974	 4.1%
Vehicles & Equipment	22,479	 2.8%
Transfers	167,521	 20.8%
Recovered Expenses	(15,512)	 (1.9%)
Costs Due To A Growing City (funded by assessment growth)	4,987	 0.6%
Total Expenditures	804,418	 100.0%

* Subject to rounding.

Recent Budget History



Tax Levy Increase from Rates



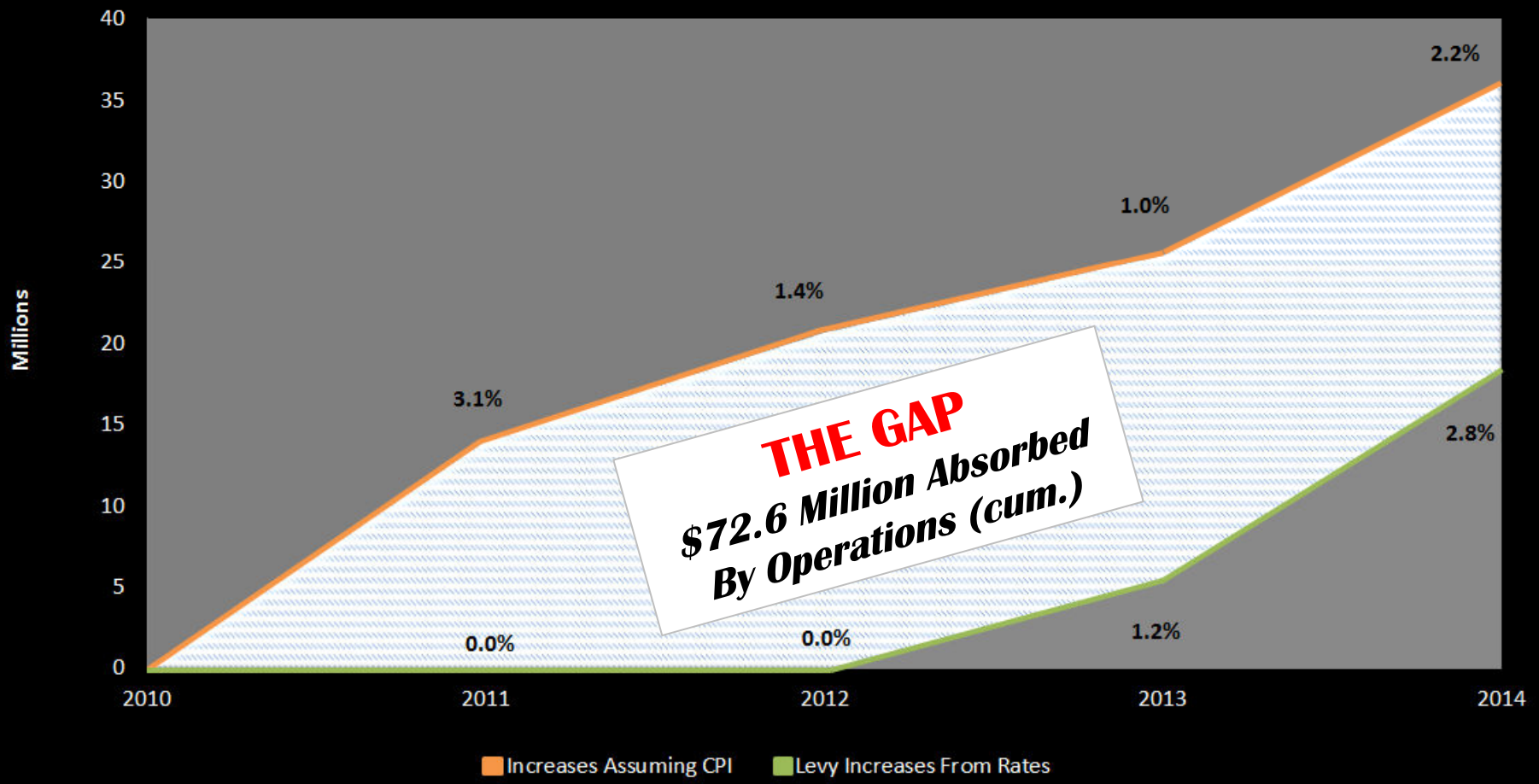
■ Tax Levy increase from rates

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If we had only kept up with CPI!



Increase In Tax Levy (CPI) vs Increase In Tax Levy (Council Approved)

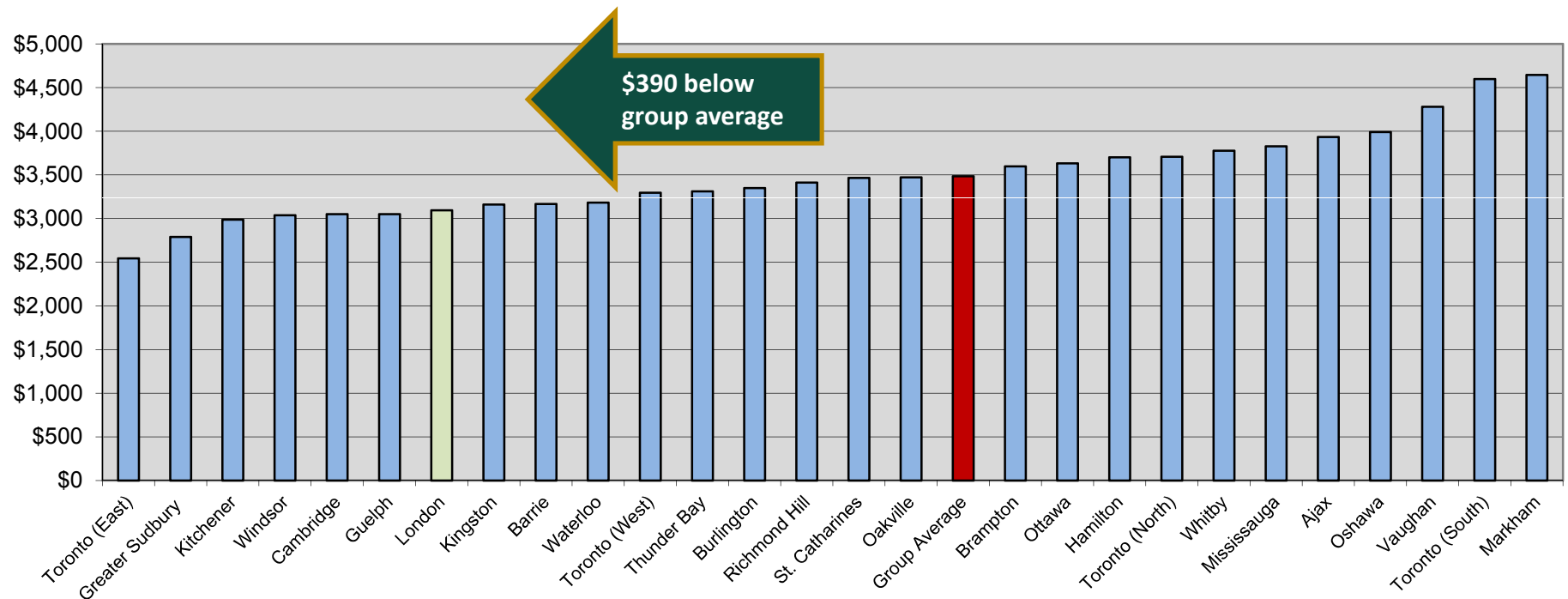


How do we Compare?



2013 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 2013)



2013 Group Average: \$ 3,484 (2012 \$ 3,378)

2013 City of London: \$ 3,094 (2012 \$ 3,080)

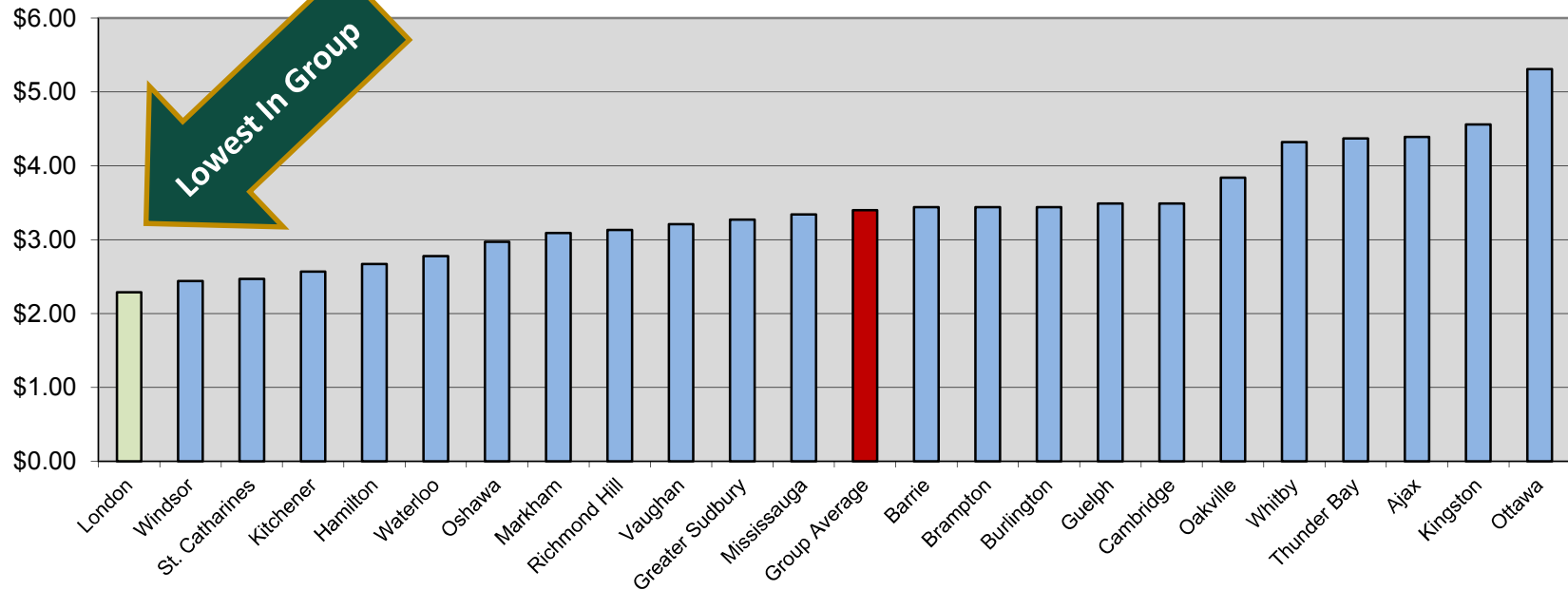
* Includes the Education tax portion which is set by the Province

How do we Compare?



2013 Property Tax - Commercial (for Municipalities with Populations over 100,000)

For prime location commercial office space, property taxes per sq ft of gross leaseable area
(Source: BMA - Municipal Study 2013)



2013 Group Average: \$ 3.40/sq. ft (2012 \$ 3.39/sq. ft)
 2013 City of London: \$ 2.29/sq. ft (2012 \$ 2.26/sq. ft)

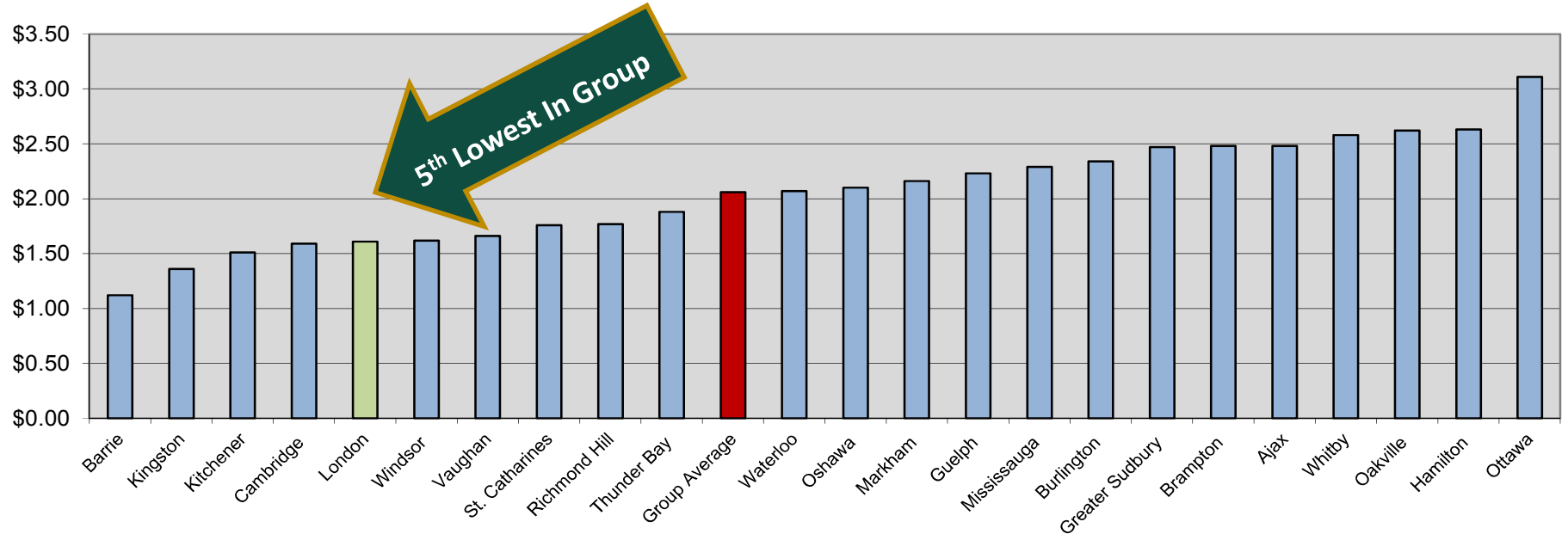
* Includes the Education tax portion which is set by the Province

How do we Compare?



2013 Property Tax - Industrial (for Municipalities with Populations over 100,000)

For standard industrial property under 125,000 sq ft, newer construction, flexible design - taxes per sq ft of floor area basis
(Source: BMA - Municipal Study 2013)



2013 Group Average: \$ 2.06/sq. ft (2012 \$ 2.04/sq. ft)

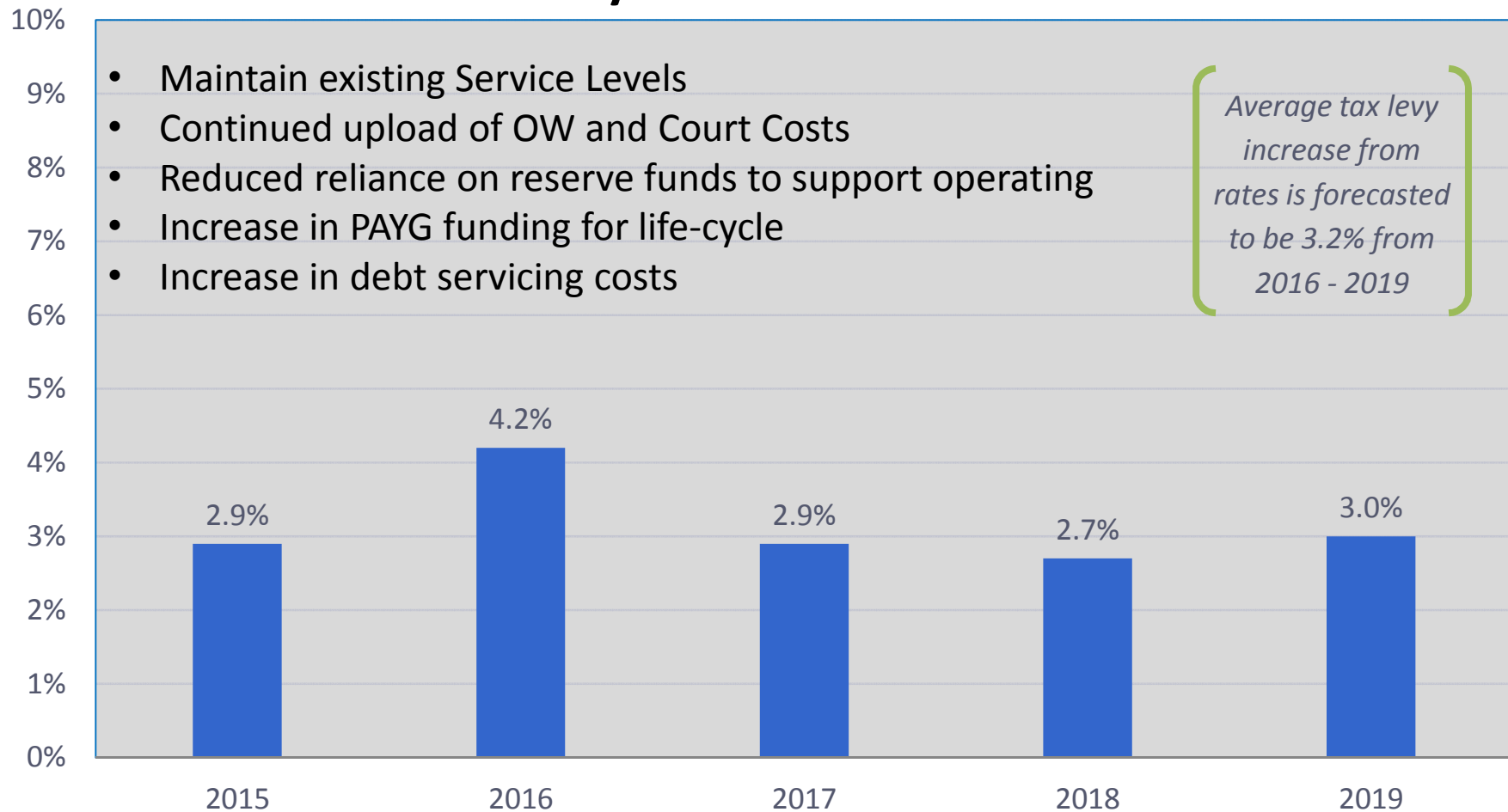
2013 City of London: \$ 1.61/sq. ft (2012 \$ 1.37/sq. ft)

* Includes the Education tax portion which is set by the Province

2016-2019 Forecast



Tax Levy Increase from Rates



- Maintain existing Service Levels
- Continued upload of OW and Court Costs
- Reduced reliance on reserve funds to support operating
- Increase in PAYG funding for life-cycle
- Increase in debt servicing costs

■ Tax Levy Rate Increase Forecast

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Issues and Drivers



- Personnel costs – especially Protective Services
- Increased regulatory control, standards and reporting
- Infrastructure gap – capital costs
- Implementing the principles of the Strategic Financial Plan
- Contingencies (reduction in risk)
- Increases in services or service levels without full financial plan e.g. animal control, forestry, downtown plan, CIP's, etc.

Issues and Drivers (Cont'd)



- Effect of short-term “budget bomb” decisions:
 - 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 (reduction or elimination of contingency funding)
- Too many plans and expectations!

2011 – 2014 Budget Story



- Reduced Personnel Costs
 - Vacancy Management (reorganized and contained workforce)
 - Vacancy Gapping (90 day waiting period to fill vacancies)
 - Collective Bargaining (cost avoidance/savings)

- Created Service Efficiencies/Rationalized Services and Alternative Service Delivery
 - Renegotiated contracts for services (ex. Information Technology)
 - Outsourced Internal Audit
 - Emphasis on energy conservation and implementation of energy procurement strategies

- Implemented non-tax revenue opportunities
 - User fees increases
 - Used City funding to leverage external funding sources

2011 – 2014 Budget Story (Cont'd)

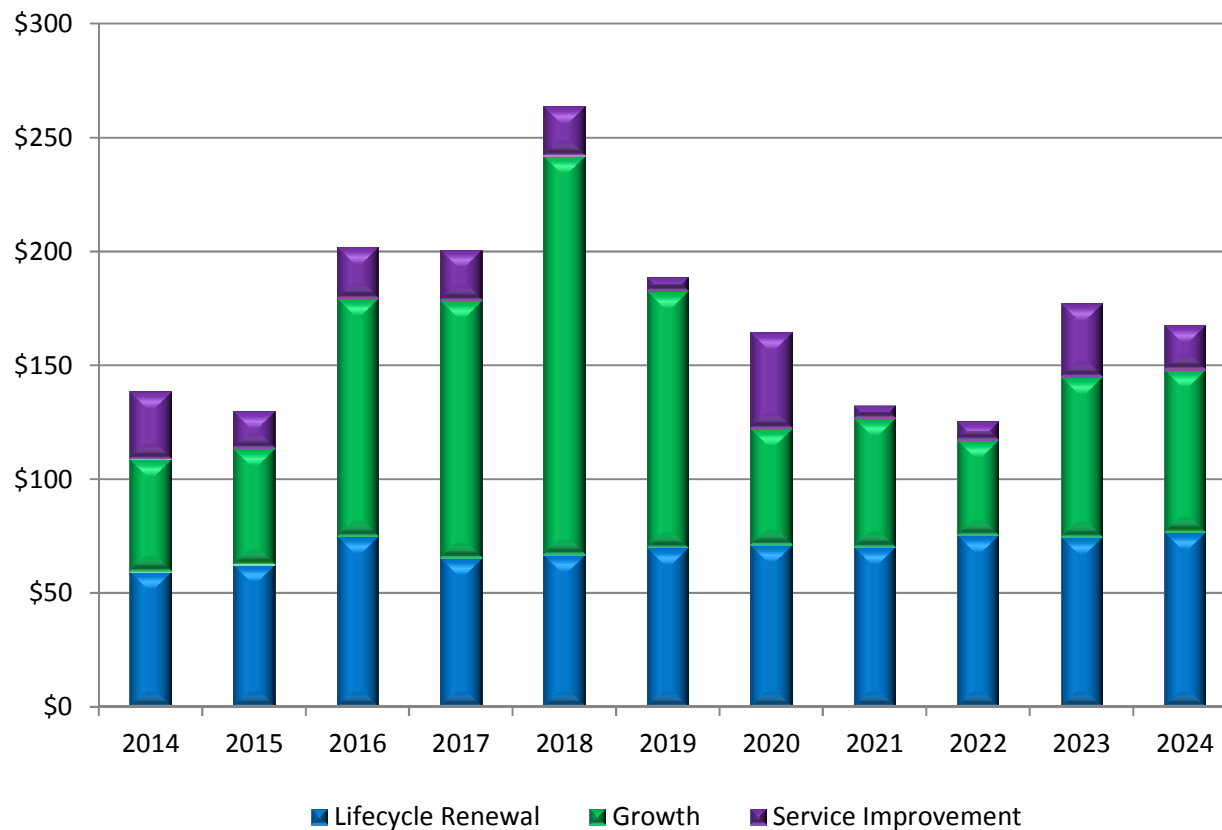


- Capital budget cuts and deferrals
- Budgeted draws from contingency reserve fund to mitigate tax rate increases
- Undertaken value for money audits (PwC)
 - Fleet Asset Management – Reduction of 17 units with low utilization
 - Contract and Tendering Administration – Utilization of available staffing (reducing consultant costs) and development of construction bonding criteria

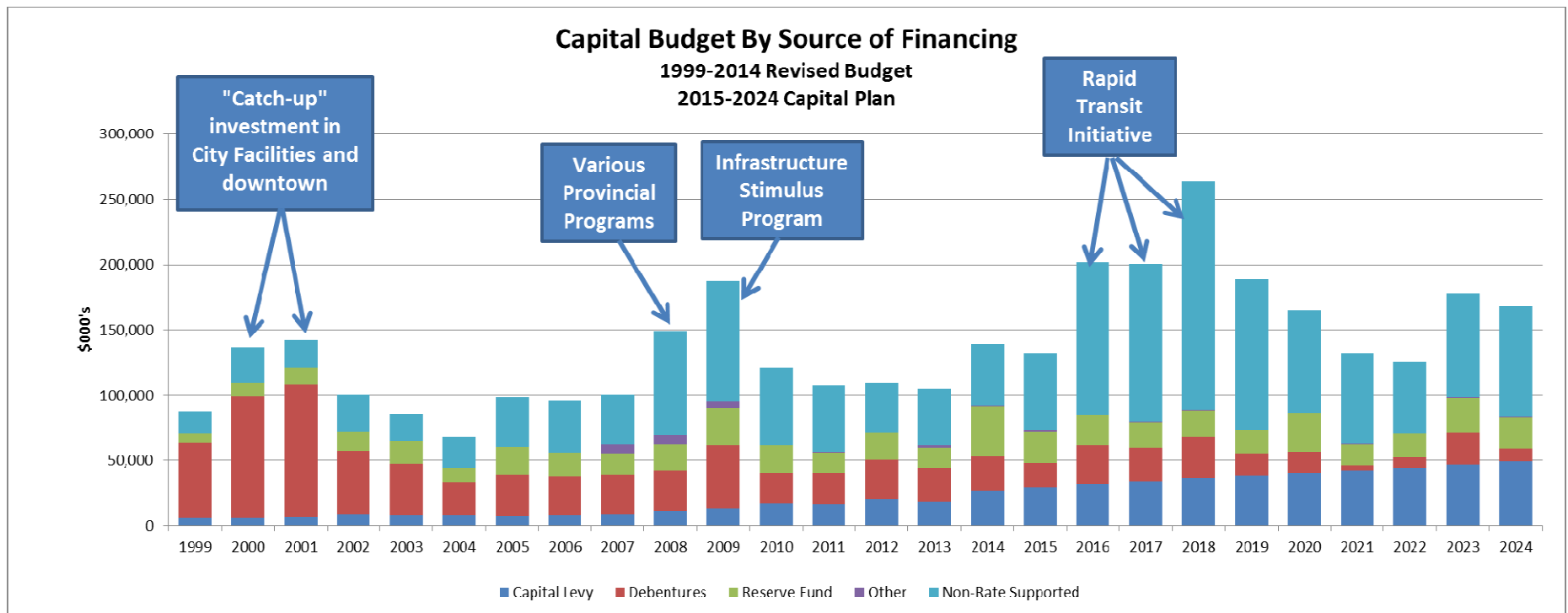
Capital Forecast by Category



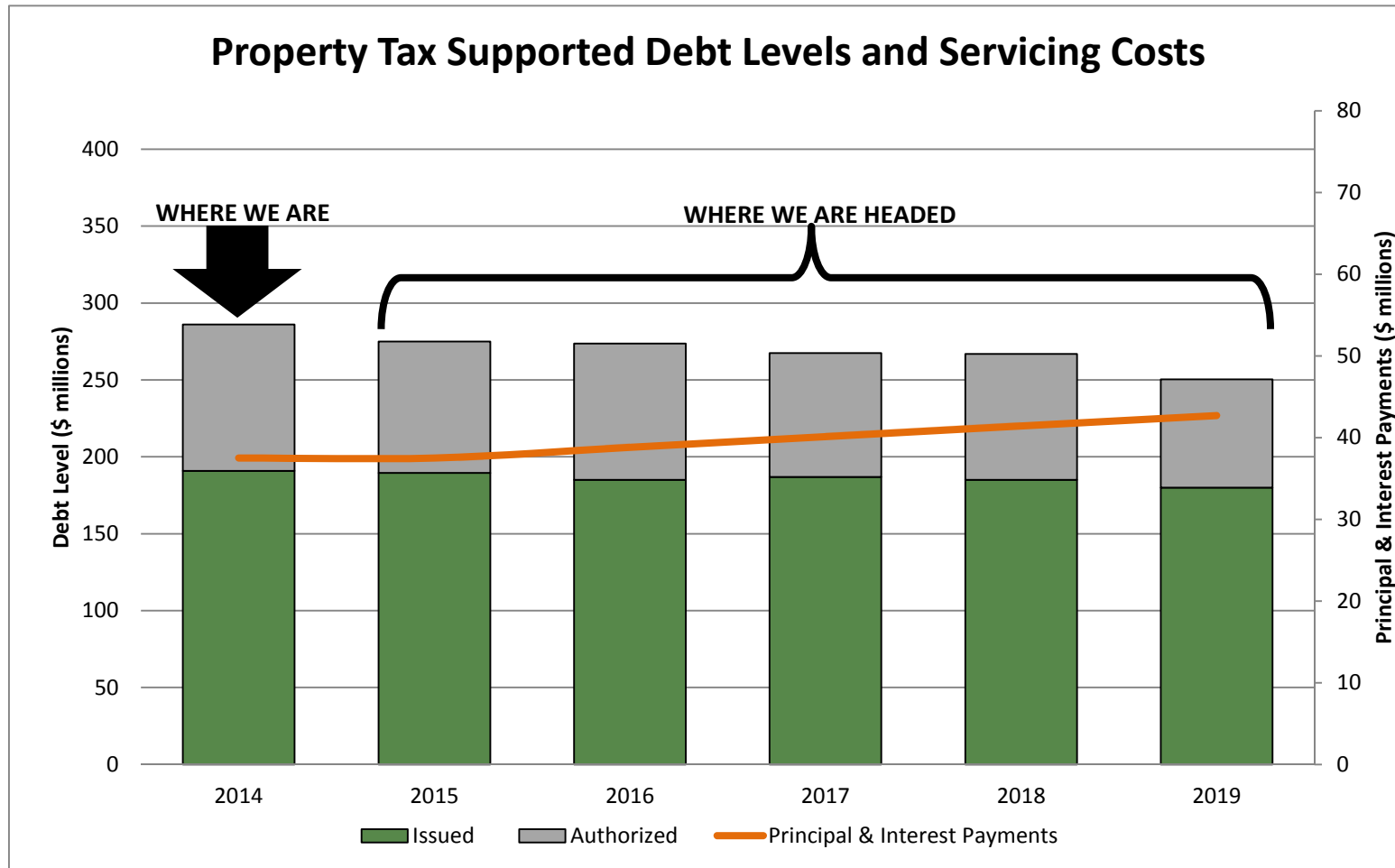
2014-2024 Capital Budget by Classification
(\$Millions)



Capital Budget by Funding Source



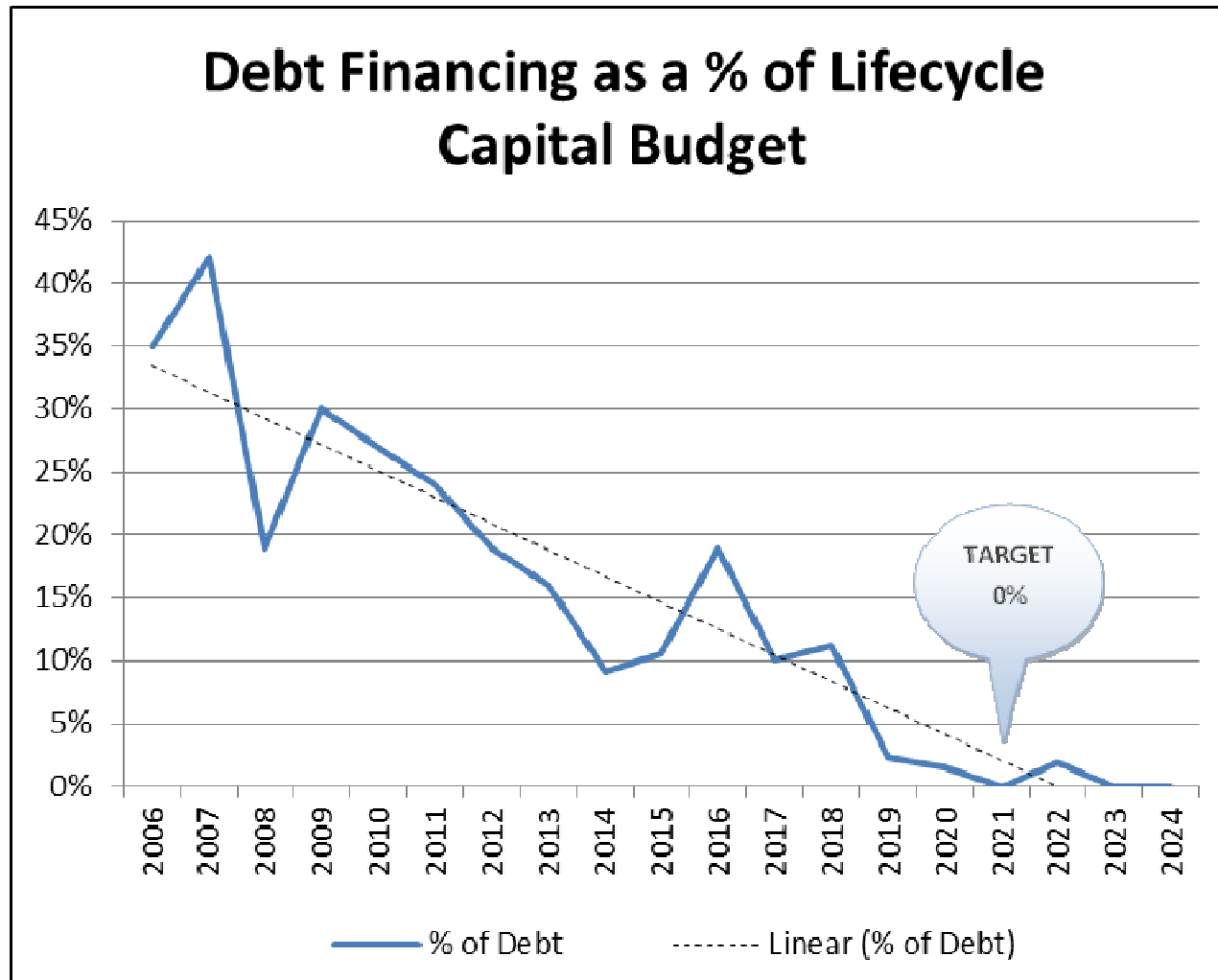
Debt Levels & Debt Servicing



Debt Servicing cost is \$187.55 per year or \$0.51 per day
 (For a residential homeowner with a house valued at \$214,000)

Budget 2015

Life Cycle Debt Financing



Budget 2015

Development Charge Impact



Growth Capital Budget → 2015 - \$51m; 2016-2024 - \$796m

- The plan increased considerably from the 2014 budget/plan
- Includes \$343 million for the rapid transit initiative,
 - including road widenings and buses.
 - 2/3 of the funding for this initiative is planned to be provided by senior governments.
- Also includes \$158 million for other road widenings
- The growth budget will be controlled by the annual Growth Management Implementation Strategy (GMIS).

Reserves & Reserve Funds



Reserves & reserve funds are critical...

Why are they critical?

- To pay bills (liquidity)
- To cover liabilities and emergencies
- For effective asset management (ensure funds are available to renew or replace assets while “charging” the appropriate tax payer)
- To make investments

What happens without Reserves and Reserve Funds?

- Costs will increase (debt service costs, short-term borrowing costs, larger contingency budgets, earlier asset replacement)
- Aaa credit rating could potentially eventually be in jeopardy
- Reduction in capital works and investments
- Loss of flexibility to take advantage of opportunities (no more stimulus!)
- Could have liquidity problems and have to issue a second tax levy increase

Reserves & Reserve Funds (Cont'd)



000's	←-----2015-----→				
	PROJECTED BALANCE 31-Dec-14	PROJECTED CONTRIBUTION FROM TAX	OTHER INCOME AND INTEREST	PLANNED DRAWS (OUTFLOWS)	PROJECTED BALANCE 31-Dec-15
TOTAL OBLIGATORY	21,792	-	36,007	(37,075)	20,724
CITY OWNED					
Capital Asset Renewal and Replacement	47,442	18,924	5,968	(19,303)	53,031
Capital Asset Growth	12,103	8,742	2,430	(14,544)	8,731
Specific Projects and New Initiatives	36,206	14,415	4,203	(16,603)	38,221
Contingencies and Stabilization	20,278	1,997	-	(3,750)	18,525
Risk Management and Long Term Planning	72,372	2,595	2,183	(3,882)	73,268
TOTAL CITY OWNED (EXCLUDING OBLIGATORY)	188,400	46,673	14,784	(58,082)	191,776

Reserves and Reserve Funds (Cont'd)



- State of the Infrastructure Report released 2013 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
\$ 4.2 Billion		\$ 50.2 Million	\$ 405.5 Million

* Tax supported infrastructure only

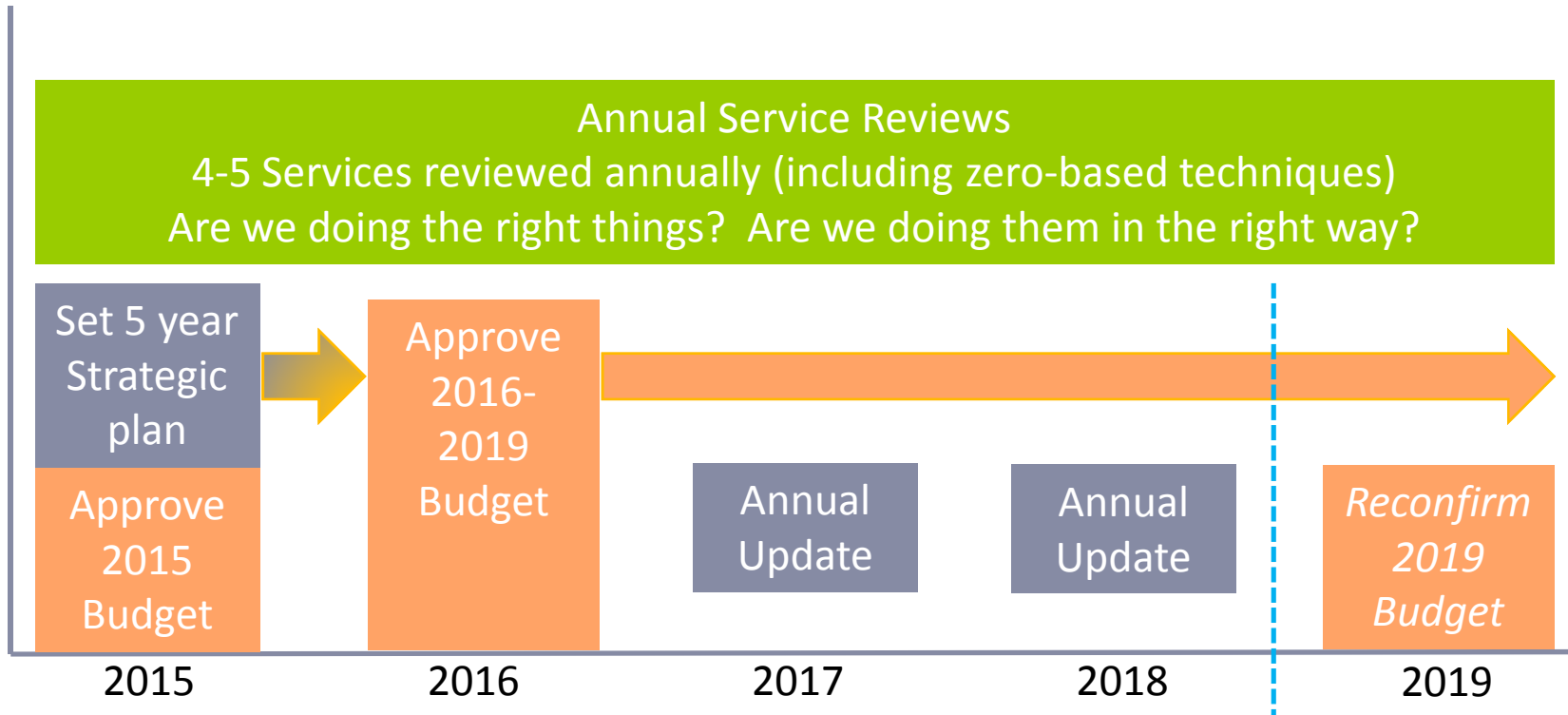
Impact of existing plans and initiatives:

→ The inputs...

The London Plan, Transportation Master Plan, London's Downtown Plan, SoHo Plan, Industrial Land Development Strategy, Heritage Plan, Forestry Plan, Asset Management Plan, Rapid Transit, Bicycle Master Plan, Parks and Open Spaces, Age Friendly City, Parks and Recreation Master Plan, Child and Youth Agenda....Libraries, Police, Conservation Authorities, Museums...etc.

→ Impossible to deliver it all...speaks of the need for a Strategic Plan to focus resources and move us forward

The Future and Multi-year Budgets



- Alignment of longer-term goals and objectives with longer-term funding plans;
- Greater certainty is provided to tax payers/residents about the future direction of the City and taxes; and
- Improved accountability and transparency over spending plan changes.

An aerial photograph of a park featuring a large fountain with multiple water jets spraying upwards. The fountain is situated on a grassy area next to a calm lake. The surrounding landscape is lush with green trees and includes some residential buildings and a road in the background. The entire scene is captured in a monochromatic green color scheme.

2015 BUDGET HIGHLIGHTS

2015 Budget Highlights



Increase of \$14.5 Million or 2.9%

Homeowner Impact



NOTE: Average rate payer owning a home with an assessed value of \$214,000. Municipal Property Tax Amount is subject to 2015 tax policy. Excludes the Education tax portion which is set by the Province (2014 - \$434.42).

Key Considerations



Key Consideration		Increase / (Decrease) (000's)	Increase / (Decrease)	Impact To Residential Homeowner ⁽¹⁾
2015 Operating Budget ⁽²⁾ (recommended)		\$14,479	2.9%	\$72
2015 Additional Investments ⁽³⁾ (for consideration)		\$4,876	1.0%	\$25
Total		\$19,355	3.9%	\$97

1. Average rate payer owning a home with an assessed value of \$214,000.
2. Included in the operating budget is financing to support the capital plan.
3. Excludes the impacts of the Municipal Grant Requests as they are not recommended by Civic Administration.

Increased Cost of Municipal Services



Avg. Residential Homeowner

Increase From Rates

\$72

\$14.5 M



Capital Financing		\$15	\$3.0 M
• Pay As You Go.....	\$11		\$2.2 M
• Reserve / Reserve Fund Contributions.....	\$4		\$0.8 M
Protective Services		\$6	\$1.3 M
• Police (Submitted at 0.7%).....	\$3		\$0.7 M
• Fire (Submitted at 1.0%).....	\$3		\$0.6 M
Roadways (Submitted at 3.4%)		\$6	\$1.2 M
London Transit Commission (Submitted at 2.9%)		\$4	\$0.8 M
London & Middlesex Housing Corporation (Submitted at 7.4%) ...		\$3	\$0.6 M
Land Ambulance (Submitted at 3.6%)		\$2	\$0.4 M
London Public Library (Submitted at 2.1%)		\$2	\$0.4 M
Conservation Authorities		\$1	\$0.2 M
Remaining Service Areas		\$4	\$0.7 M
Net Ontario Works		\$(3)	\$(0.5) M
• Ontario Works (-8.0% primarily due to Provincial Uploading).....	\$(9)		\$(1.7) M
• Reduced Reliance On Stabilization Reserve.....	\$6		\$1.2 M
Corp. Contingencies (for all service areas)		\$32	\$6.4 M



*Average rate payer owning a home with an assessed value of \$214,000. Municipal Property Tax Amount is subject to 2015 tax policy. Excludes the Education tax portion which is set by the Province.

Key Consideration #2: 2015 Additional Investments Increase of \$4.9M or 1.0%



#	Initiative	2015 Cost (\$000's)	2015 Tax Levy (\$000's)	2015 Tax Levy Impact
1	Infrastructure Gap – Contribution to Capital Infrastructure Reserve Fund	\$2,505	\$2,505	0.5%
2	Corporate Properties – Carrying Costs	\$1,361	\$1,361	0.3%
3	Central Library Revitalization Plan	\$1,010	\$1,010	0.2%
4	London Convention Centre - Reconfiguration of the Main Level (1)	\$1,965	\$0	0.0%
5	Municipal Grant Requests (Strategic Funding Framework) – Not Recommended <ul style="list-style-type: none"> • BMO Centre (one-time capital of \$750) • Pillar Non-profit Network (one-time capital of \$289 & operating of \$100) • Other (\$601) 	\$1,740	\$0	0.0%
TOTAL		\$8,581	\$4,876	1.0%

Note 1: Initiative to be funded through debt financing with future debt servicing costs to be offset by increased revenues.

Budget 2015

Additional Investments to Consider for 2016 to 2019



#	Initiative	\$ Impact	Tax Levy %
CULTURE			
1	Continuation of Central Library Revitalization Plan	\$1,010	0.2%
PARKS, RECREATION & NEIGHBOURHOOD SERVICES			
2	* Urban Forest Strategy and Implementation	\$675	0.1%
3	T Block Tenants	\$110	0.0%
4	Thames Valley Corridor Plan – Implementation	\$585	0.1%
5	Western Counties Health & Occupational Centre – Cultural Heritage Restoration	\$400	0.1%
PROTECTIVE SERVICES			
6	* Business Continuity/Public Notification System	\$160	0.0%
SOCIAL AND HEALTH SERVICES			
7	Subsidized Transit For Low Income Londoners	\$370	0.1%

Subject to rounding

* Indicates initiatives that Council has requested more information on.

Additional Investments to Consider for 2016 to 2019



#	Initiative	\$ Impact	Tax Levy %
TRANSPORTATION SERVICES			
8	LED Street Light Upgrade 1	\$24,350	0.0%
9	Dundas Flexible Street	\$1,300	0.3%
10	Upgraded Pavement Markings at Pedestrian Crossings	\$100	0.0%
CORPORATE, OPERATIONAL & COUNCIL SERVICES			
11	* Succession Planning Program	\$90	0.0%
12	* Expansion of Internship Program	\$120	0.0%
13	Infrastructure Gap – Contribution to Capital Infrastructure Reserve Fund	\$2,500	0.5%
14	London Transit – Fare Processing Equipment	\$1,495	0.3%
TOTAL		\$33,265	1.7%

Subject to rounding

* Indicates initiatives that Council has requested more information on.

Note 1: Further investigation is being done into the feasibility of this initiative to self-fund itself with the savings in utility costs.

Budget 2015 - Timetable



December 8th
Budget Tabling at SPPC

January 12th
Budget Presentations and overviews by Staff

January 14th & 17th **
Build A Budget Workshops

January 22nd **
Public Participation at SPPC – (Before deliberations)

*** Public engagement opportunities*

Budget 2015

Budget 2015 – Timetable (Cont'd)



January 29th (& 30th)
SPPC Review of Operating Budget

February 5th
SPPC Review of Capital Budget

February 19th **
Public Participation at SPPC – (After
deliberations)

February 26th
Council Approval of the 2015 Budget

Note: February 6th - SPPC Discussion on 2015-2019 Strategic Plan

*** Public engagement opportunities*

Budget 2015

Water and Wastewater & Treatment 2015 Budgets



Strategic Priorities & Policy Committee

December 8, 2014

Budget 2015

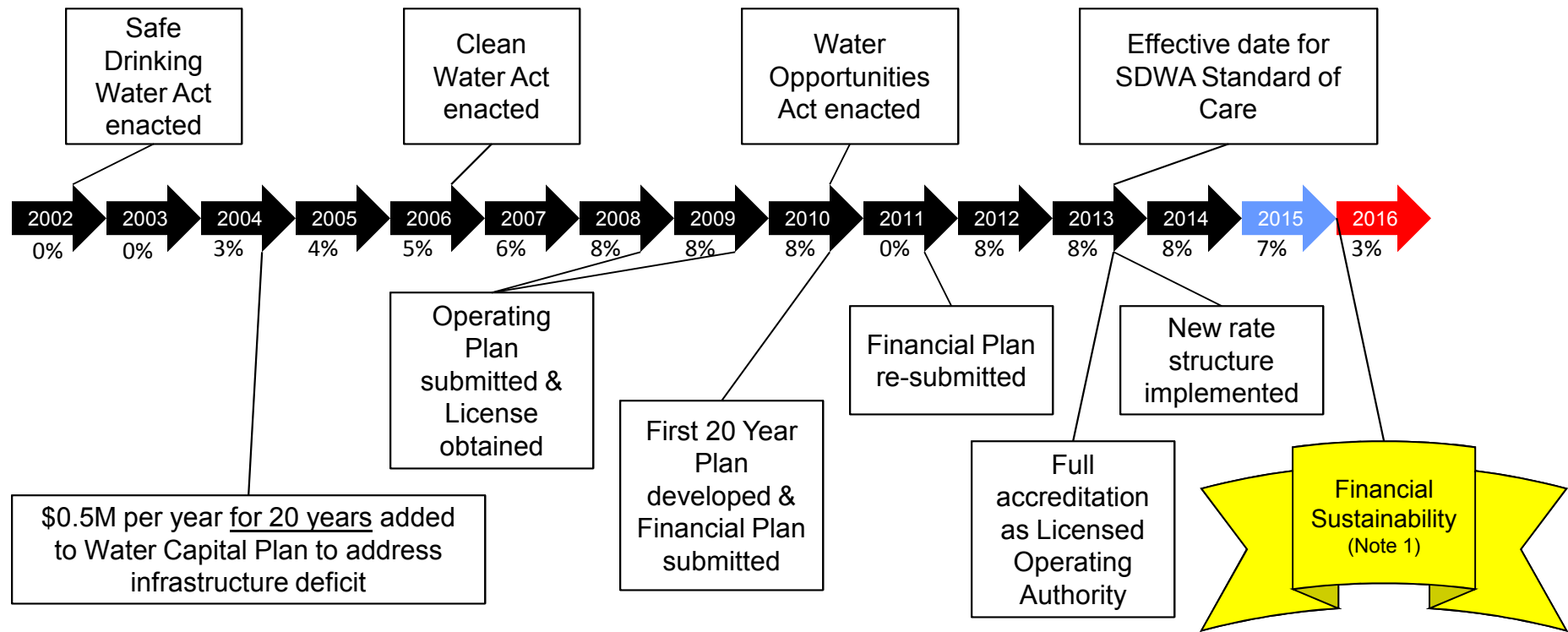
Core Business Objectives



Water & Wastewater priorities focus on 4 primary objectives:



The Big Picture (Water)



Note 1 – In the utilities context, Financial Sustainability is defined as the achievement of annual rate increases that can be maintained at or near the annual rate of inflation based on a combination of CPI and the Construction Price Index with appropriate use of debt financing, adequate reserve funds and the appropriate investment in capital.

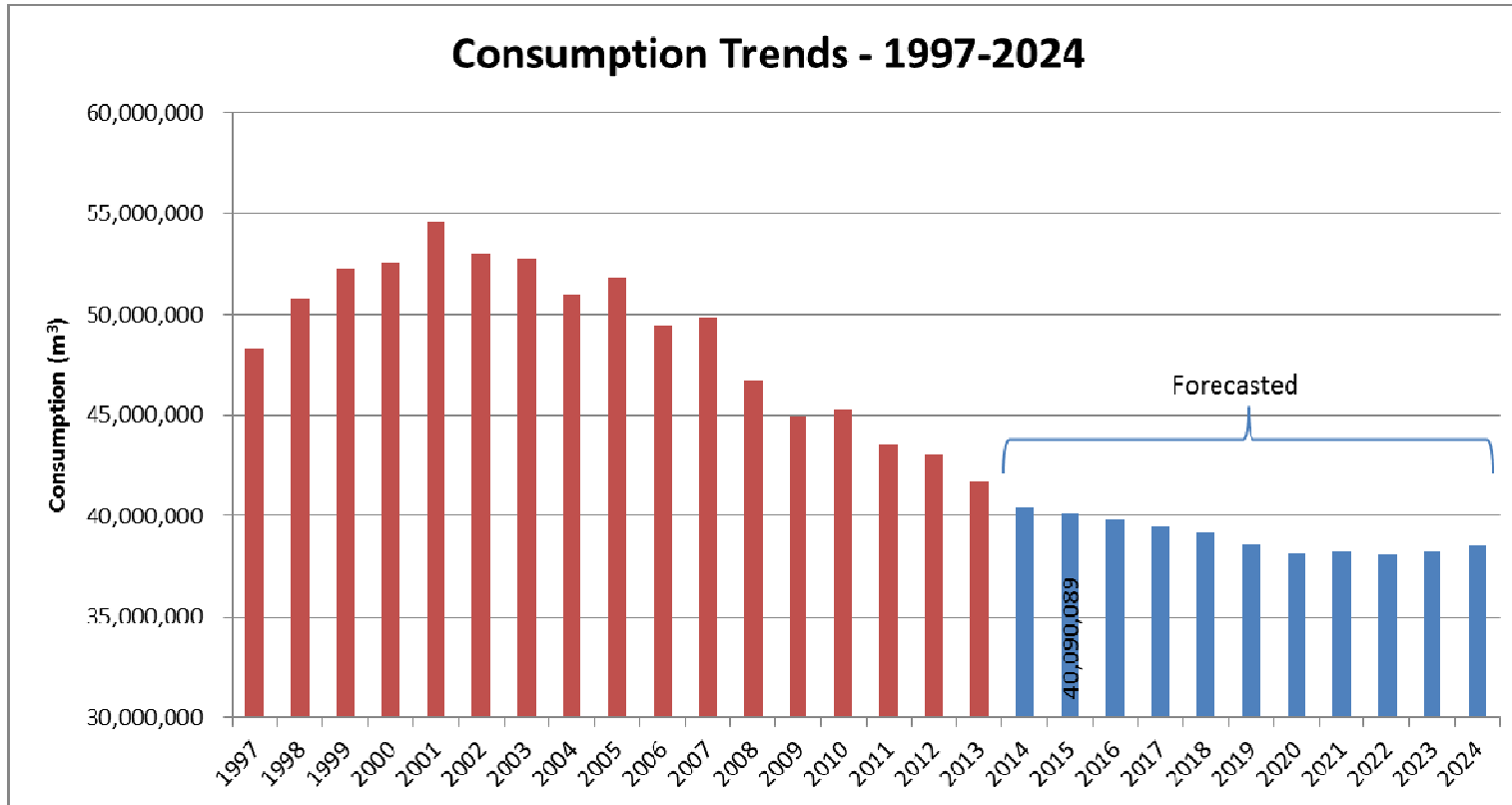


WHAT'S DRIVING THE BUDGETS?

Consumption



Declining consumption challenges our ability to generate sufficient revenues to support the water & wastewater infrastructure:

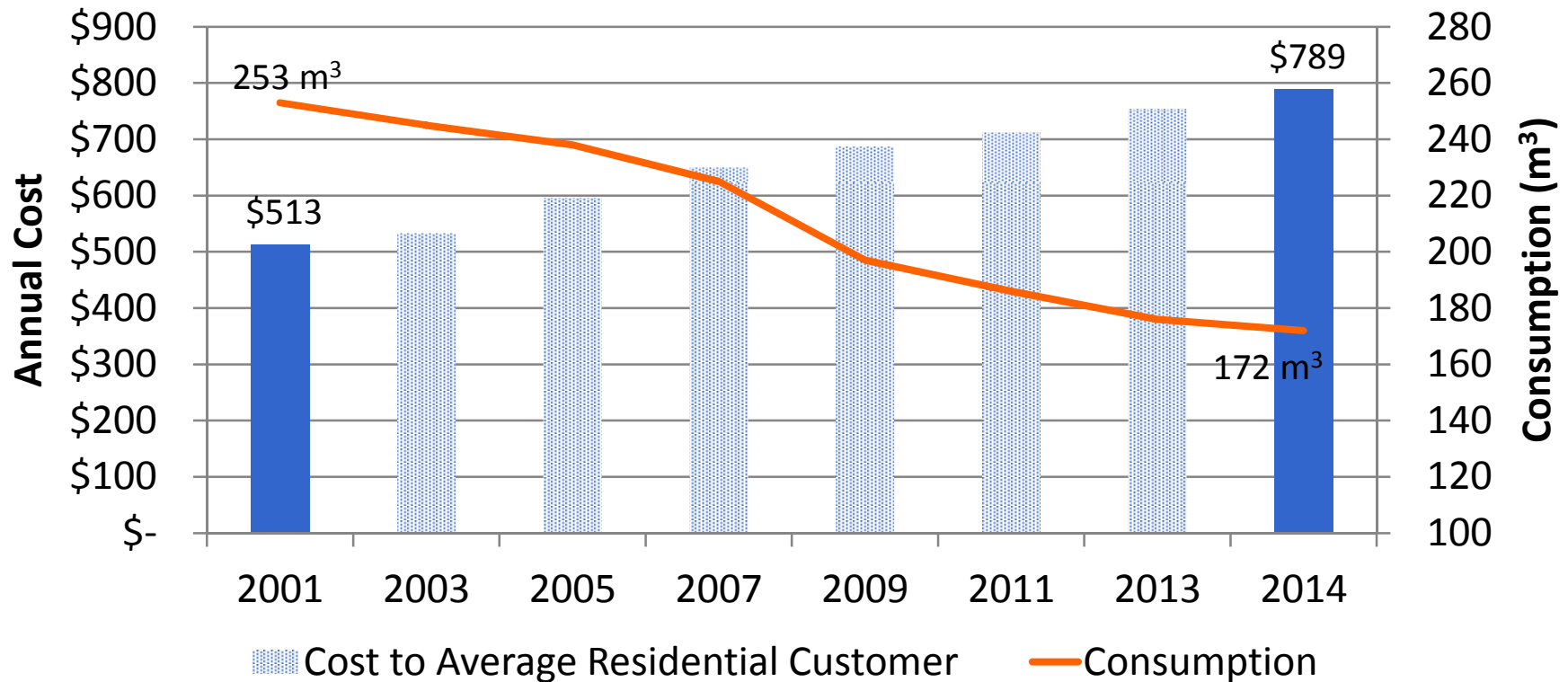


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Consumption Trends – Residential Customers



Average Annual Residential Water & Wastewater Bill Relative to Annual Water Consumption



WHAT'S DRIVING THE BUDGETS?

Infrastructure Needs



Infrastructure gap must be managed to an acceptable level:

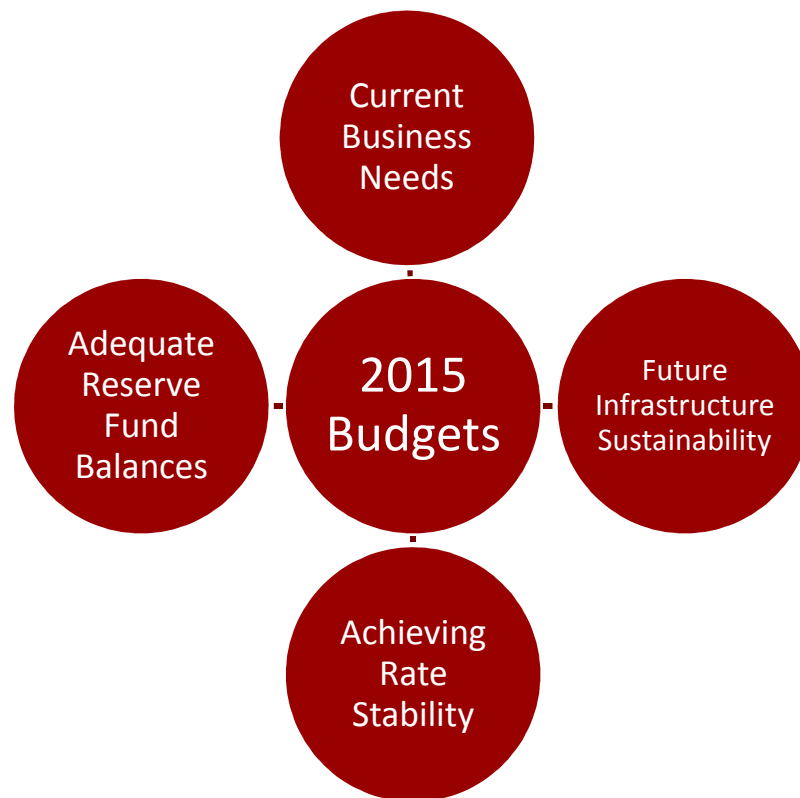
	Water	Wastewater	Total
Estimated Asset Replacement Value	\$2.7 billion	\$4.0 billion	\$6.7 billion
Current Estimated Infrastructure Gap	\$1.9 million	\$0	\$1.9 million
Estimated Infrastructure Gap in 10 Years	\$37.8 million	\$22.8 million	\$60.6 million
Total 10 Year Capital Plan (2015-24)	\$384.7 million	\$690.5 million	\$1.08 billion

WHAT DO THE 2015 BUDGETS ACHIEVE?

Balances Current & Future Priorities



Rate forecasts strike a balance between our pillars of future planning:



Rate History - Water



2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
3.0%	4.0%	5.0%	6.0%	8.0%	8.0%	8.0%	0.0%	8.0%	8.0%	8.0%

Budget Year	Forecasted Achievement of Inflationary Rate Increases	Additional Information
2010	2015	Original Financial Plan submission
2011	2017	Re-submission of Financial Plan (0% rate increase)
2012	2018	Revised consumption forecast
2013	2018	Consistent with 2012 forecast
2014	2016	New rate structure & technologies
2015	2016	Consistent with 2014 forecast

Rate History - Wastewater



2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
7.4%	11.0%	9.6%	9.0%	9.0%	9.0%	9.0%	0.0%	7.0%	7.0%	7.0%

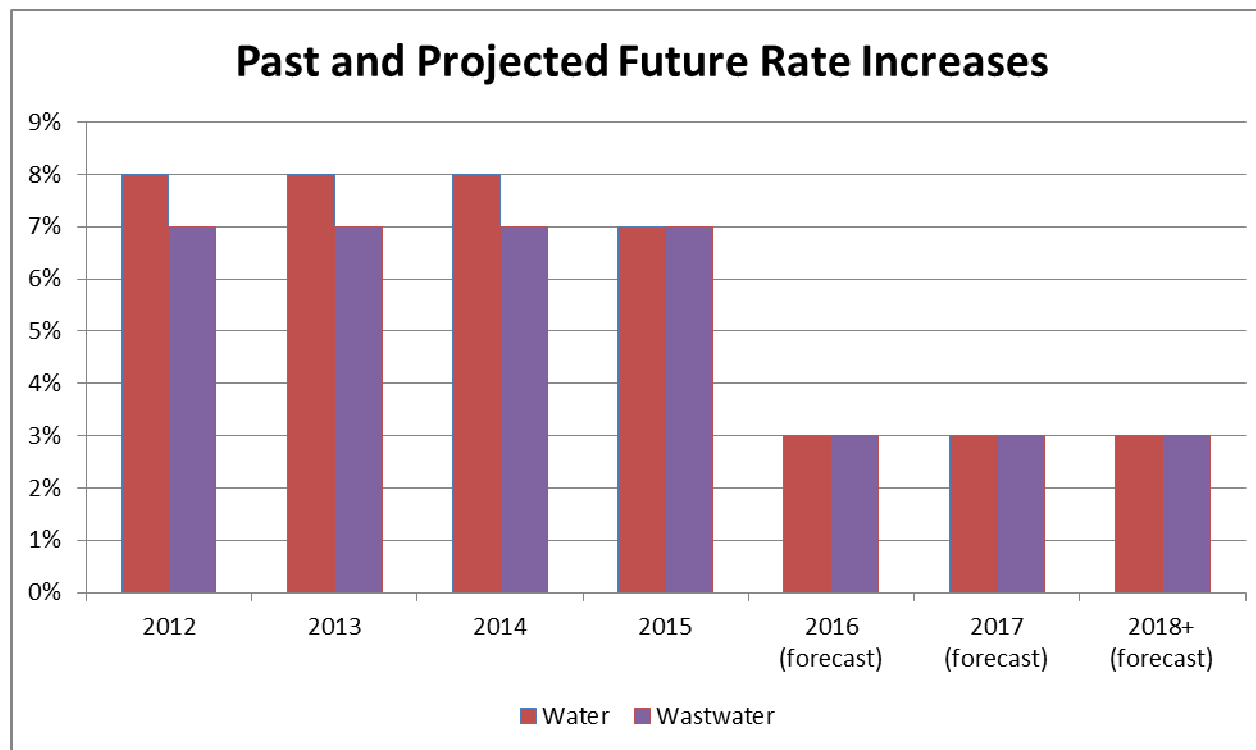
Budget Year	Forecasted Achievement of Inflationary Rate Increases	Additional Information
2010	2013	Original plan to achieve inflationary-level increases
2011	2016	0% rate increase for 2011
2012	2018	Revised consumption forecast
2013	2018	Consistent with 2012 forecast
2014	2016	New rate structure & technologies
2015	2016	Consistent with 2014 forecast

WHAT DO THE 2015 BUDGETS ACHIEVE?

Future Rate Stability



Positioned to achieve inflationary-level rate increases starting in 2016:



WHAT HAVE WE ALREADY ACCOMPLISHED?

Rate Approval



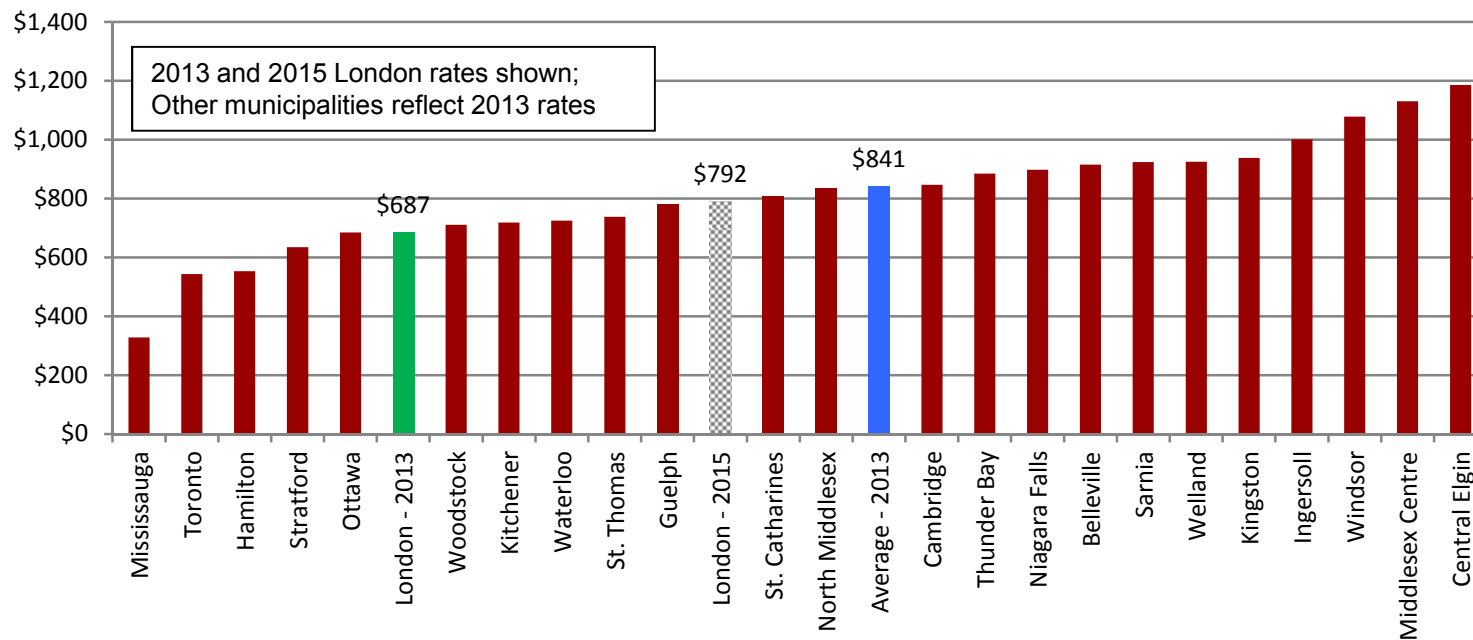
- 2015 rate increases of 7% for Water and Wastewater approved by Council on Nov. 25
- Effective Jan. 1, 2015
- Maintains revenue stream (\$1.7M) like other cities

London's Water and Wastewater rates are very competitive



Annual Residential Water & Wastewater Costs

Based on 200 m³ consumed & 16mm water meter



The data for other municipalities reflects 2013 rates. It is likely that the rates for the other municipalities presented have since increased.

WHERE DO WE GO FROM HERE?

Upcoming Water & WWT Budget Schedule



Upcoming Activities	Date
2015 Rate Increases (7%) Implemented	January 1
Water and Wastewater Budgets Review (including Public Participation)	January 15
Additional SPPC Meeting (if required)	January 22
Water and Wastewater Budgets Approved (Council)	February 9

Recommendation



That the following actions be taken with respect to the 2015 Draft Tax-Supported Annual Operating and Capital Budgets, the Draft 2015 Water Budget and the Draft 2015 Wastewater and Treatment Budget:

a) the Draft 2015 Tax-Supported Annual Operating and Capital Budgets **BE RECEIVED** and **BE REFERRED** to the 2015 Tax-Supported Annual Operating and Capital Budgets review process; and

b) the Draft 2015 Operating Budgets, Draft 2015 Capital Budgets and associated forecasts for Water Services and Wastewater and Treatment Services **BE RECEIVED** and **BE REFERRED** to the Strategic Priorities and Policy Committee meeting being held on January 15, 2015, in order to receive public input and consider those draft Budgets;

it being noted that the Strategic Priorities and Policy Committee heard the attached presentation from the Managing Director, Corporate Services & City Treasurer, Chief Financial Officer, and the Managing Director, Environmental and Engineering Services & City Engineer, with respect to the above-noted Draft Budgets.



Budget 2015