

2016–2019 Multi-Year Budget

2017 Annual Budget Update

*Strategic Priorities & Policy Committee
November 24, 2016*

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Council Direction



On November 8, 2016 Council resolved the following:

the Civic Administration BE DIRECTED to report back at the November 24, 2016 Budget session with options for financing any Budget amendments that the Municipal Council may ultimately wish to make, without impacting the tax levy (e.g. funding through Assessment Growth, provincial and federal funding sources, efficiencies, surplus, etc.).

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Agenda



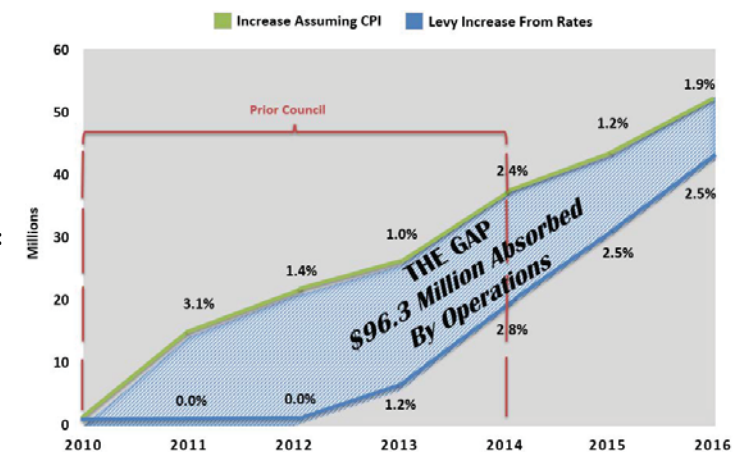
- Impact of “Inflation”
- Service Reviews - \$4 million target
- Financial Management Practices
- What Funding Options Are Available?
- Federal And Provincial Funding Announcements
- Outlook For 2020
- Emerging Issue - Budget Amendment #21
 - (No Cost/Reduced Transit Fares For Children & High School Students)
- Recommended Review Approach At SPPC On November 24th
- Budget Amendment Listing & Recommended Actions

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Impact of “Inflation”



If tax levy had increased by CPI:



- In a letter dated December 12, 2014, the London Chamber of Commerce stated:

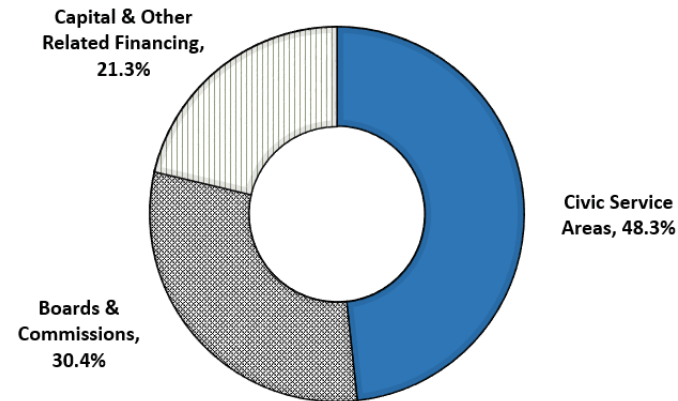
“The Chamber has long advocated for a tax increase formula that takes into account both population growth and inflation – typically a 2-3% increase”

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Service Reviews



- 2016-2019 budget has been reduced by \$4 million
- Civic Administration has been directed to fill the “gap” through service review, noting that Civic Service Areas represents less than 50% of the net operating budget



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Financial Management Practices



Permanent Expenditures – are those that support on-going operational needs

- Permanent funding sources:
 - Increasing Property Taxes
 - Property Tax From Rate Increases
 - Property Tax From Increased Assessment Growth
 - Increasing User Fees
- In certain circumstances, it may be appropriate to phase-in permanent expenditures with the use of one-time funding sources.

One-Time Expenditures - are generally short-term in nature with a fixed timeline

- One-time funding sources:
 - Annual Surplus
 - Reserves/Reserve Funds

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What Funding Options Are Available?



3 Options Have Been Presented For Consideration:

OPTION 1 – Approve average annual increase of \$1 to the average residential rate payer

- Average annual increase from rates would increase from 2.8% to 2.9%

OPTION 2 – Review budget amendments 1-5 (budget amendments with tax levy impacts)

- Approve budget amendments 1-3 as recommended
- For budget amendments 4 (UTRCA) and 5 (LMHC), review options to mitigate impact

OPTION 3 – Notwithstanding the Assessment Growth Policy, utilize \$437,000 of assessment growth funding to mitigate the 2017 budget pressure

- Both UTRCA and LMHC be required to resubmit budgets for 2018 and 2019 and report back on the results of service delivery options to reduce budget requests

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What Funding Options Are Available?



OPTION 1

Approve an average annual increase of \$1 to the average residential rate payer

Civic Administration’s recommendation continues to be:

- To approve budget amendments 1-3 and 8-20; and
- To consider budget amendments 4 UTRCA, 5 LMHC, 6 Community Economic Roadmap Implementation (one-time), and 7 HDC (one-time)

Average annual increase from rates would rise from 2.8% to 2.9% if budget amendments 1-20 are approved

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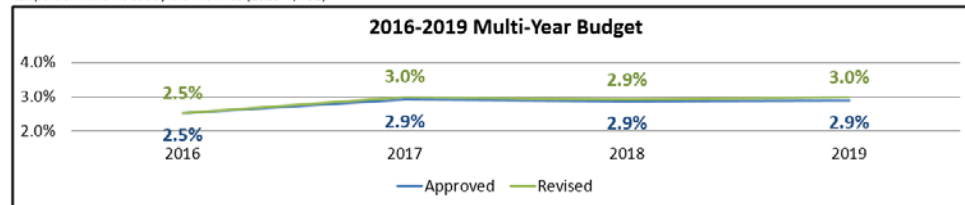
What Funding Options Are Available?



2017 Multi-Year Budget Update	Net Budget \$000's				Average Annual %	2016-2019 Avg. Annual Residential Homeowner Impact ¹
	2016	2017	2018	2019		
Approved % Increase From Rates	2.5%	2.9%	2.9%	2.9%	2.8%	76
Approved Net Budget (Tax Levy)	536,434	552,073	567,915	584,313		
Budget Amendments (Total Net Request)		437	695	1,269		
Revised Net Budget (Tax Levy)	536,434	552,510	568,610	585,582		
Incremental Net Increase / (Decrease)		437	258	574		
Revised % Increase From Rates	2.5%	3.0%	2.9%	3.0%	2.9%	77

Subject to rounding

¹) Average rate payer owning a home with an assessed value of \$221,000 in 2015. Municipal property tax amount is subject to tax policy. Excludes the Education tax portion which is set by the Province (2015 - \$431).



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What Funding Options Are Available?



OPTION 2

Review budget amendments 1-5 (budget amendments with tax levy impacts)

- Approve budget amendments 1-3 as recommended
- For budget amendments 4 (UTRCA) and 5 (LMHC), review options to mitigate impact

BUDGET AMENDMENT 1 – ENERGY PRICES NEW CAP AND TRADE PROGRAM

What has been done to mitigate?

- Phased-in through Operating Budget Contingency Reserve draws
 - Tax Levy Impact: \$0 in 2017-2018 and \$200,000 in 2019

What are further options for Council?

- No further action recommended

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What Funding Options Are Available?



BUDGET AMENDMENT 2 – CARRYING/HOLDING COSTS ON CITY OWNED PROPERTIES

What has been done to mitigate?

- Phased-in through Operating Budget Contingency Reserve draws
 - Tax Levy Impact: \$300,000 in 2017, \$0 in 2018, \$100,000 in 2019

What are further options for Council?

- No further action recommended

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What Funding Options Are Available?



BUDGET AMENDMENT 3 – UPDATED DEBT SERVICING BUDGET

What has been done to mitigate?

- N/A

What are further options for Council?

- No further action recommended

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What Funding Options Are Available?



BUDGET AMENDMENT 4 – UTRCA ENVIRONMENTAL TARGETS STRATEGIC PLAN

What has been done to mitigate?

- The UTRCA has phased-in the implementation of the environmental targets strategic plan
 - Tax Levy Impact: \$179,000 in 2017, \$193,000 in 2018, and \$208,000 in 2019

What are further options for Council?

- Approve the 2017 request only, either on a permanent basis or on a one-time basis
 - Request UTRCA to undertake reviews of their services and service delivery options in an effort to find permanent budget savings in 2018 & 2019
 - Report back to Council during the 2018 Annual Budget Update

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What Funding Options Are Available?



BUDGET AMENDMENT 5 – LMHC BUILDING MAINTENANCE AND TENANT SERVICES

What has been done to mitigate?

- Undertaken a Facility Condition Assessment in 2016 which will form the foundation of a future comprehensive asset management strategy and implementation plan
 - Tax Levy Impact: \$258,000 in 2017, \$65,000 in 2018, and \$66,000 in 2019

What are further options for Council?

- Option 1: Eliminate the LMHC request (may result in continued systemic operational deficits)
- Option 2: Approve the 2017 request only, either on a permanent basis or on a one-time basis
 - Request LMHC to undertake reviews of their services and service delivery options in an effort to find permanent budget savings in 2018 & 2019
 - As part of the review, LMHC should prepare the appropriate planning and condition analysis that provides firm direction on the funding request
 - Report back to Council during the 2018 Annual Budget Update

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What Funding Options Are Available?



OPTION 3

Notwithstanding the Assessment Growth Policy, utilize \$437,000 of assessment growth funding to mitigate the 2017 budget pressure

- Both UTRCA and LMHC be required to resubmit budgets for 2018 and 2019 and report back on the results of service delivery options to reduce budget requests

Budget Amendment	2017 Request (\$000's)	Action
4 – UTRCA	179	Permanently Funded From AG
5 - LMHC	258	Permanently Funded From AG
TOTAL	437	

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What Funding Options Are Available?



What Is The Council Approved Assessment Growth Policy?

- Service areas that incur costs to provide existing core services to new growth areas must submit a business case
- First available assessment growth funds are applied to business cases approved by the City Treasurer or designate
- If available assessment growth funding exceeds growth costs, then the balance will be applied as follows:
 - 50% to reducing authorized and unissued debt on a one-time basis
 - 50% contributed to the Capital Infrastructure Gap Reserve Fund on a one-time basis
- Unfunded business cases will be resubmitted for consideration in the following year
- Assessment growth funding not allocated permanently will be carried forward to the following year as a permanent source of funding for future growth costs

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What Funding Options Are Available?



Preliminary estimates suggest that assessment growth funding will be 0.74% and that assessment growth costs exceed available funding

	\$ Millions
Estimated Assessment Growth (AG) Revenue (0.74%)	4.0
Prior Year Carry Forward	1.2
Total Available AG Revenue	5.2
2017 Tax Mitigation (UTRCA & LMHC)	0.4
Revised Available AG Revenue	4.8
AG Growth Cost Requests Received To Date ¹	6.8
Growth Costs Exceed Available Funding	(2.0)

1) The assessment growth business cases are currently under review by the City Treasurer and an information report will be brought forward in February 2017 on the allocation of assessment growth funds, consistent with the Assessment Growth Policy

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Outlook For 2020



- Civic Administration is monitoring the forecasted increase from rates in 2020
- A full analysis of the next multi-year budget (2020-2023) has not been undertaken, but preliminary analysis indicates that the rate is in the 3% range due to:
 - One-time funding sources used to mitigate budget pressures in the 2016-2019 multi-year budget
 - New costs and services potentially being added

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Federal and Provincial Funding Announcements



- For the 2017 annual Budget Update, there are no budget changes related to federal and provincial funding sources.
- Federal or provincial funding is generally directed to specific capital projects (the only exception is subsidies related to social services).
- Future announcements may be incorporated into the remaining years of the multi-year budget during the annual update process.

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Emerging Issue - Budget Amendment #21



BUDGET AMENDMENT 21 – NO COST/REDUCED TRANSIT FARES FOR CHILDREN/HIGH SCHOOL STUDENTS

- Within the budget amendment there are 3 options for consideration:

Options For Consideration	Cost Beginning In 2017 (\$000's)	2017	2018	2019	2016-2019 Avg. Annual
If amendments 1-20 approved as submitted		3.0%	2.9%	3.0%	2.856%
1. Free Transit for Children Ages 5-12	\$150	3.0%	2.9%	3.0%	2.863%
2. Free Transit for Children Ages 5-14	\$566	3.1%	2.9%	3.0%	2.881%
3. Free Transit for Children Ages 5-14 & Reduced Transit for Students 15-19	\$971	3.2%	2.9%	3.0%	2.899%

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Emerging Issue - Budget Amendment #21



The following funding options have been identified for “Free Transit for Children Ages 5-12” since this option is consistent with the *London For All* recommendation

OPTION 1 – Approve an additional average annual increase of \$0.19 to the average rate payer

OPTION 2 – Review existing base budget:

- A) Reallocate operating funding of \$150,000 from Neighbourhood and Children’s Services Budget
- B) Reduce the capital budget (those funded by capital levy) by \$150,000 (Example: Reducing the Roadways capital budget by \$150,000 would result in 0.8 lane kilometers of road rehabilitation to be eliminated)

OPTION 3 – Notwithstanding Council Assessment Growth Policy, utilize an additional \$150,000 (from \$437,000 to \$587,000) of assessment growth funding to provide permanent funding for “Free Transit for Children Ages 5-12”

OPTION 4 – Review the corporate contingency budget

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Recommended Review Approach At SPPC On November 24th







1. Approve budget amendments 1-3 & 8-20
2. Review budget amendment 4 (UTRCA)
 - 2017 request of \$179,000
3. Review budget amendment 5 (LMHC)
 - 2017 request of \$258,000
4. Review one-time budget amendments
 - 6 (Community Economic Roadmap Implementation)
 - 7 (HDC)
5. Review added budget amendment
 - 21 (No Cost/Reduced Transit Fares For Children & High School Students)

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Budget Amendment Listing & Recommended Actions




Budget Amendment	Recommended Action
OPERATING AMENDMENTS	
1 – Energy Prices New Cap and Trade Program	Approve As Submitted
2 – Carrying/Holding Costs on City Owned Properties	Approve As Submitted
3 – Updated Debt Servicing Budget	Approve As Submitted
4 – UTRCA Environmental Targets Strategic Plan	 Consider Funding Options (as outlined in presentation)
5 – LMHC Building Maintenance and Tenant Services	 Consider Funding Options (as outlined in presentation)
6 – Community Economic Roadmap Implementation	 For Consideration, including source of funding as submitted
7 – HDC Additional Investment in Affordable Housing Development	 For Consideration, including source of funding as submitted

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Budget Amendment Listing & Recommended Actions



Budget Amendment	Recommended Action
CAPITAL AMENDMENTS	
8 – Public Art Restoration	Approve As Submitted
9 – Municipal Waste Study	Approve As Submitted
10 – Vehicle and Equipment Replacements	Approve As Submitted
11 – Other Lifecycle Renewal Amendments	Approve As Submitted
12 – Additional Police Vehicle & Equipment Requirements (2020-2025)	Approve As Submitted
13 – London Transit Demolish & Rebuild Highbury Facility (2020-2025)	Approve As Submitted
14 – Northwest and Southeast Libraries	Approve As Submitted
15 – Multi-purpose Recreation Centre Southeast	Approve As Submitted
16 – Transportation	Approve As Submitted
17 – Other Growth Amendments	Approve As Submitted
18 – Ontario Works Desk-side Service Delivery Model	Approve As Submitted
19 – Facility Energy Management	Approve As Submitted
20 – Other Service Improvement Amendments	Approve As Submitted
ADDED: 21 - No Cost/Reduced Transit Fares For Children & High School Students 	For Consideration

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Questions?

