

2013 – 2017 Budget Information Report

Strategic Priorities & Policies
Committee

June 25, 2012

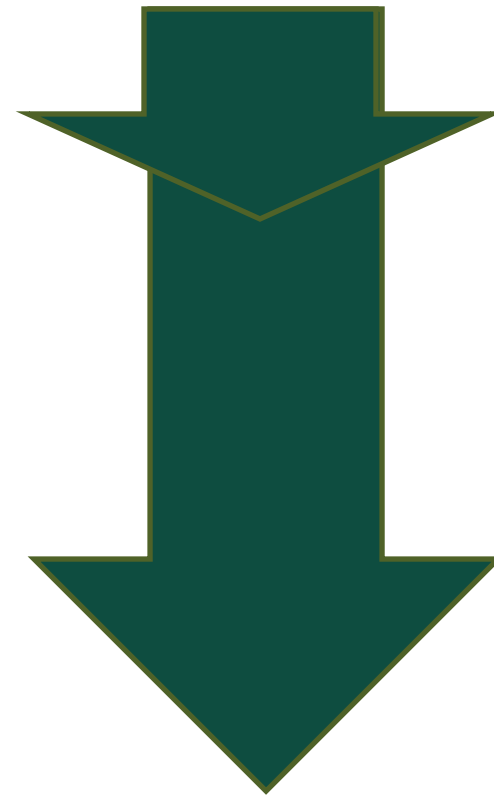


London
CANADA

2011 and 2012 Tightening - Recap -

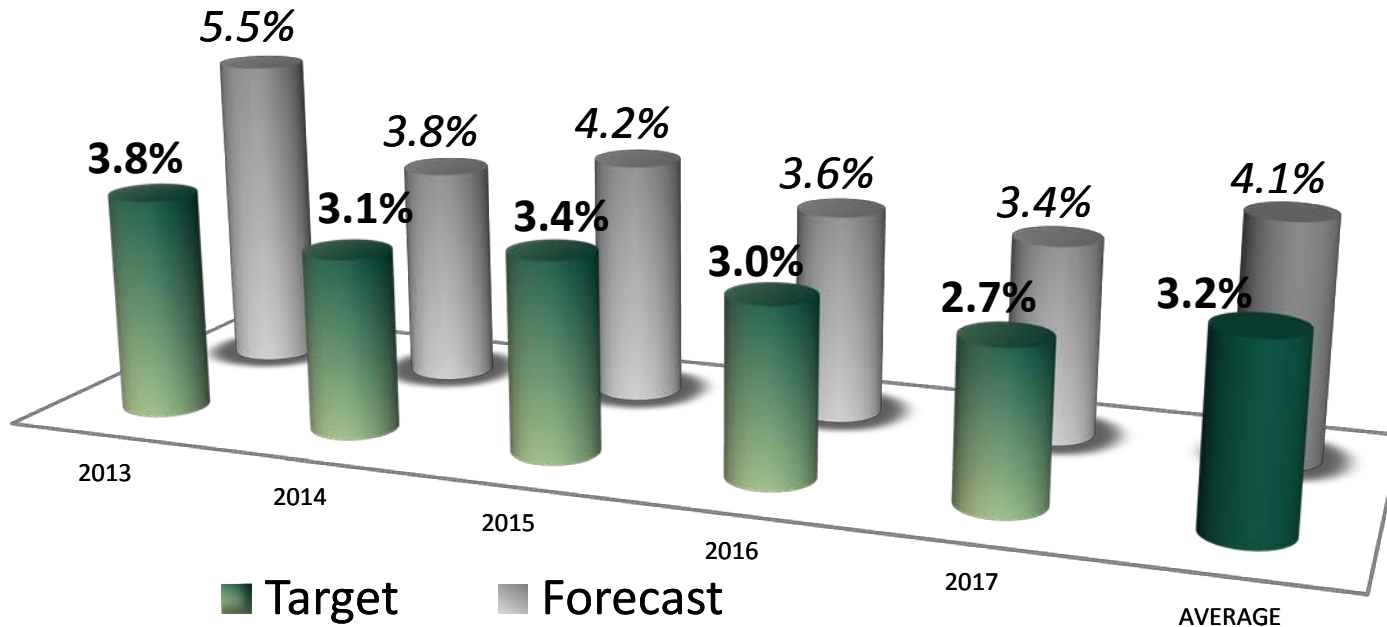
To achieve 0% :

- In 2011, **\$6.0** million in reductions were achieved through salary and wage freezes, position management and cost containment initiatives.
- In 2012, a further **\$18.1** million in adjustments comprising of:
 - One time funding sources
 - Service changes and reductions
 - Position Management
 - Additional revenue
 - Provincial Upload



\$ 24.1 million

2013 – 2017 Operating Budget Forecasts Compared to Proposed Targets



	2013	2014	2015	2016	2017	Total
Forecasted Tax Levy	\$ 493.1 m	\$ 511.8 m	\$ 533.1 m	\$ 552.0 m	\$ 571.0 m	\$ 2,661 m
Proposed Tax Levy TARGET	\$ 485.0 m	\$ 500.2 m	\$ 517.3 m	\$ 532.8 m	\$ 547.3 m	\$ 2,583 m
Difference	\$ 8.1m	\$ 11.6 m	\$ 15.8 m	\$ 19.2 m	\$ 23.7 m	\$ 78 m



2013 – 2017 Operating Budget Forecasts

- Items included in forecasts are:
 - Impact of contractual settlements
 - Financing costs associated with capital plans in keeping with Strategic Financial Plan
 - Increase to complement (Policing Services; 16 in 2013, 16 in 2014, 17 in 2015, 17 in 2016)
 - Anticipated increases in costs for fuel and energy (electricity expected to increase 10 – 14% per year)
 - Continued upload of Ontario Works Benefit costs and Court Security costs
 - Moderate growth in transit (2013 Service Hour Growth – Conventional 8,600 Specialized 11,300)
 - Continued position management initiatives
 - Increased contribution to Economic Development Reserve Fund (2013 +\$ 1 m, 2014 +\$ 1 m)
 - Property Tax Supported Reserve fund contributions reduced in 2012 (Affordable Housing Reserve Fund, Fleet Management, Capital Reserve Funds, AODA) +\$ 3.4 m
 - Capital Grant Program – budget increased back to \$250k
- Forecasts did not include:
 - Additional funding for the Investment & Economic Prosperity Plan
 - Increased investment in municipal infrastructure to close infrastructure gap
 - Additional funding to meet targets as laid out in the Emerald Ash Borer Strategy
 - New initiatives, or enhanced service delivery of existing services
 - Moving bus service off of Dundas Street

Strategic Priorities and Policy Committee

April 30, 2012

Direction from Committee

“a) notwithstanding the updated forecasts provided by Civic Departments, Boards, Commissions and outside agencies that would indicate that a 5.5% property tax levy increase is required, the Civic Administration, Boards, Commissions and outside agencies **BE REQUESTED** to report back to the Strategic Priorities and Policy Committee with 3.8%, 2% and 0% tax increase scenarios, including the implications of those various scenarios;”

Impact of 2013 Targets

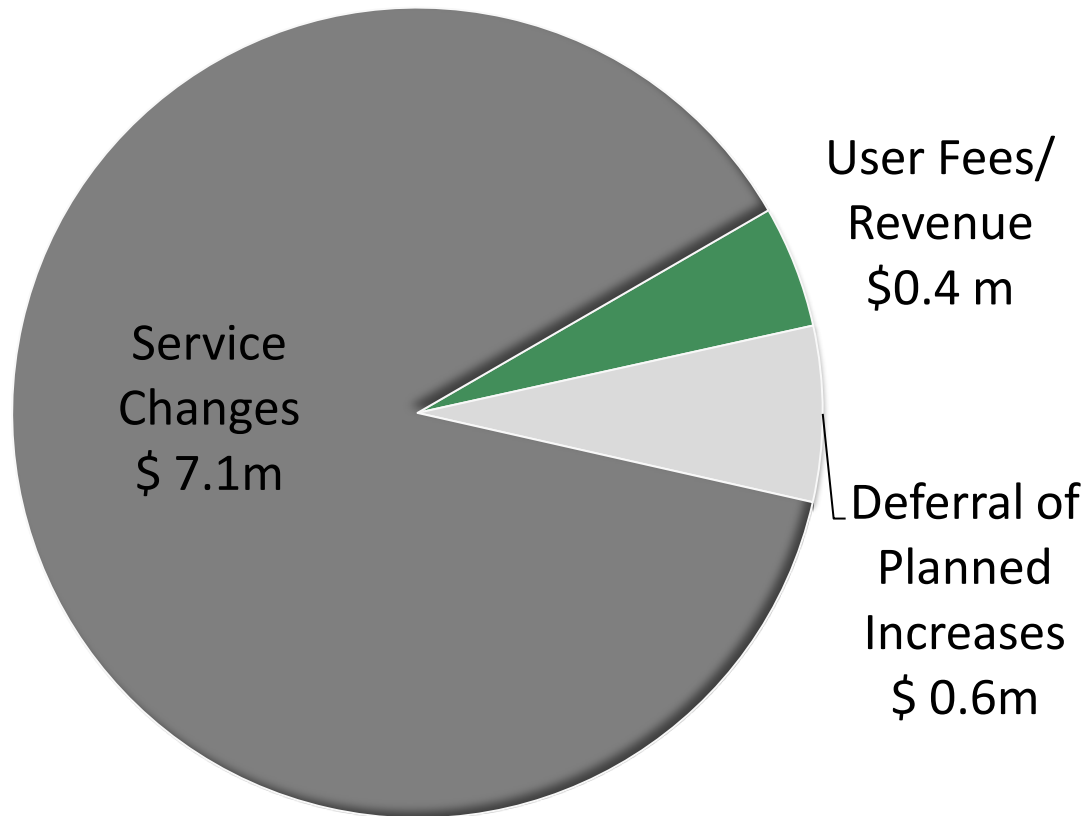
➔ Two ways to achieve target:

- ✓ Permanent service reduction (expenditures)
- ✓ Sustainable non property tax supported revenue sources

	Increase/ Decrease
2013 Property Tax Levy Increase based on forecast	\$ 25.6 million
Reduction required to meet 3.8% target	\$ - 8.1 million
Additional reductions required to achieve 2.0%	\$ - 8.3 million
Additional reductions required to achieve 0%	\$ - 9.2 million
Total impact to services in order to achieve 0%	\$ - 25.6 million

Impact of 2013 Targets

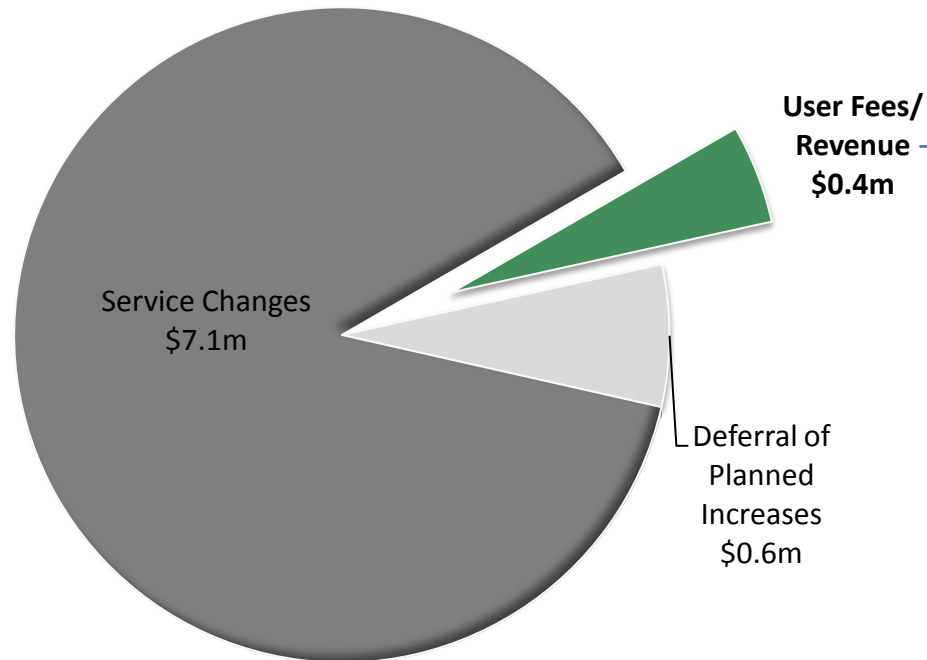
- 3.8% Scenario -



\$ 8.1 million reduction to forecast

Impact of 2013 Targets

- 3.8% Scenario -



W12A Tipping Fees - waste disposal fees increasing anywhere between \$1.00 to \$1.50 per tonne (e.g. from \$41 per tonne to between \$42 to \$42.50)

Neighbourhood & Recreation Services – fee & rate increases to various services that can handle price increases that are not price sensitive.

Taxation Services – review of all existing fees

By-Law Enforcement – re-evaluation of existing user fees (licenses)

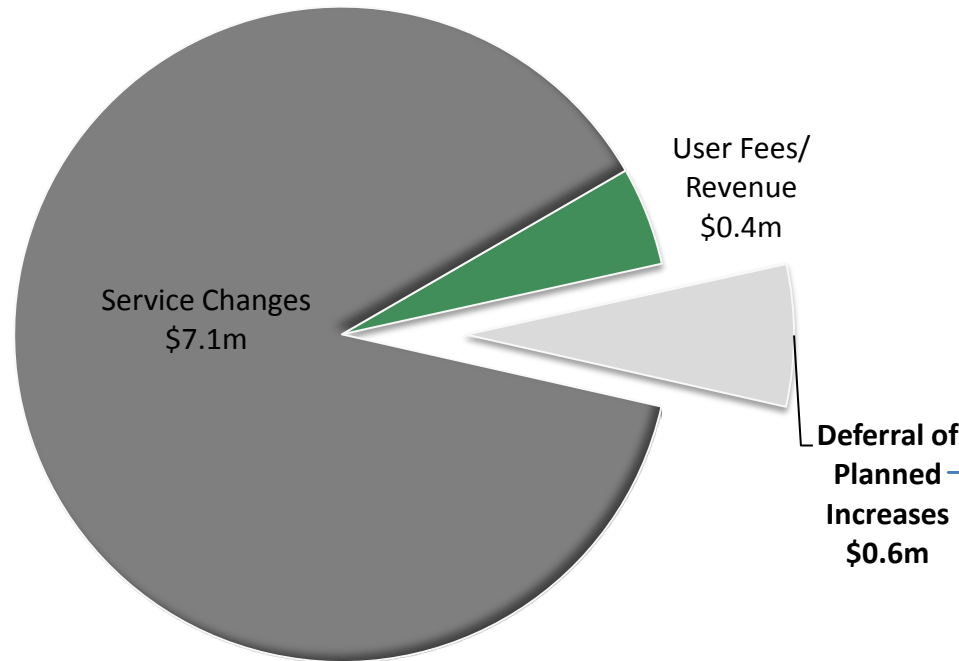
Parking – revision to PUC parking lot revenue sharing agreement. Currently 88% of net revenue goes to PUC.

Development Services – reintroduction of a tiered fee for cost recovery for Certificate of Approvals

\$ 8.1 million reduction to forecast

Impact of 2013 Targets

- 3.8% Scenario -



Community Centres (additional free community access - 4 hours per week - DEFERRED)

Community Centres (setting up network of neighbourhood hubs will be DEFERRED)

Corporate Services (deferral of additional staff in purchasing)

Advisory Committee (increases flat lined)

Community Development & Funding (increases to core funded organizations flat lined)

Inflationary increases to Culture & Heritage Funding (increases flat lined)

\$ 8.1 million reduction to forecast



Impact of 2013 Targets

- 3.8% Scenario –

Service Change Examples - \$ 7.1 million

Recreation (aquatics)
– closure of low use pools, wading pools & reduced service hours at arenas

London Public Library – potential reduction in service hours, reduced collections budget, Sunday Service

Brownfield assessment studies, Business Improvement Area support reduced

Green Bin Pilot Project – end existing work

Decrease in community outreach investment to support environmental awareness and action initiatives.

Police Services – significant impact to service. Based on the preliminary 2013 forecast, the impact of achieving this scenario would be approximately 21 positions.

Fire Services - Potential reduction to existing level of service in order to accommodate cost pressures (fuel, utilities, etc).

Reduction in Ontario Works caseload budget to reflect lower caseload – risk of deficit

Middlesex London Health Unit – acceleration of achieving 75/25 split – may result in service reductions if no additional funding from Province.

Eliminate parking consulting fee budget

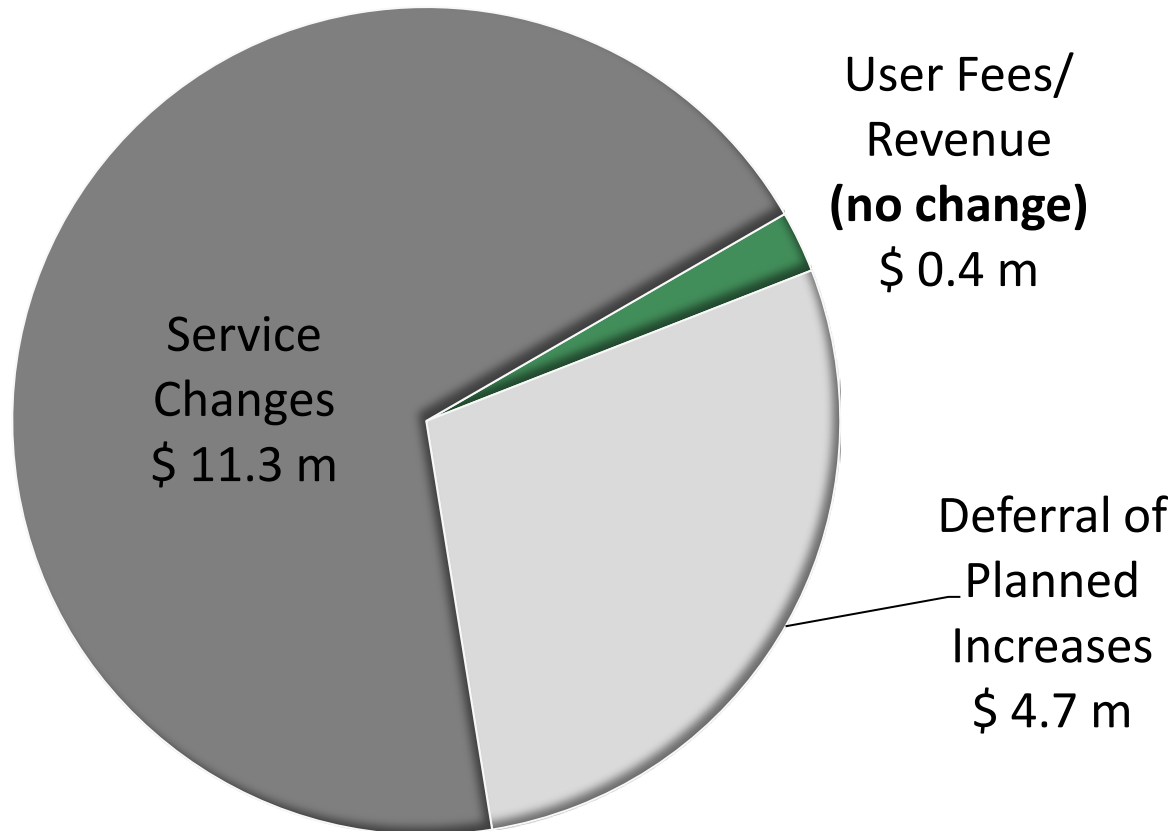
Service adjustments in Housing (Social Housing and LMHC) – maintenance, waste collection

Reduction in roadway maintenance (snow control (sidewalks), street lights, street lighting) and reduced frequency of grass cutting at parks and roadsides.

Reduction in Corporate Services (IT services, payroll services, facilities, fleet rationalization, financial services)

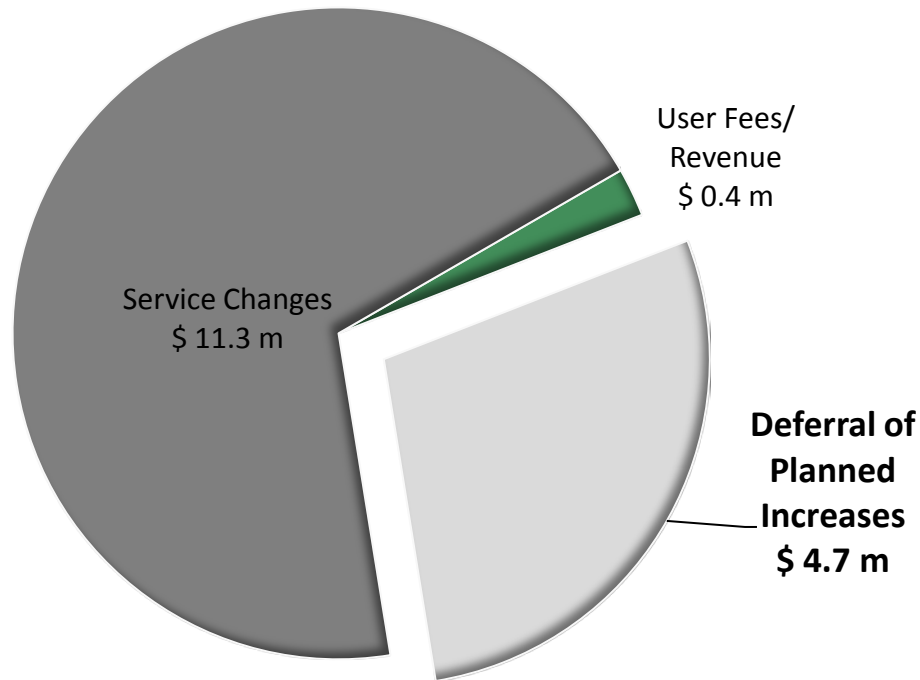
Other Board reductions : Museum London (maintenance), Tourism London (marketing)

Impact of 2013 Targets - 2.0% Scenario -



\$ 16.4 million reduction to forecast

Impact of 2013 Targets - 2.0% Scenario -



ADDITIONAL ITEMS:

Deferred - Increased contribution of \$1 million to Economic Development Reserve Fund eliminated.

Deferred – Increased contribution to Capital Grant Program \$0.25 m

Deferred – increased contribution to Reserve Funds cut from 2012 reduced (Affordable Housing Reserve Fund, AODA, Fleet, and other capital reserve funds)

**\$ 16.4 million reduction
to forecast**

Impact of 2013 Targets

- 2.0% Scenario –

Service Change Examples on top of those identified in 3.8% scenario

Conservation Authorities – reductions in service and programs to accommodate inflationary pressures (\$ 0.1 m)

Fire Services – re-evaluation of existing service deployment which will reduce existing service level. (\$0.5 m)

London Police Service – may result in an appeal to Ontario Civilian Commission on Police Service or reduction of up to 42 jobs. (\$1.3 m)

Land Ambulance – may require reduction in service in order to accommodate contractual increases and inflation. (\$0.1 m)

London Transit Commission – “targeted” service reductions resulting in a reduction in 16,700 conventional service hours, and 8,100 specialized service hours. (\$ 0.9 m)

Further service adjustments in Housing LMHC) – maintenance, waste collection (\$ 0.3 m)

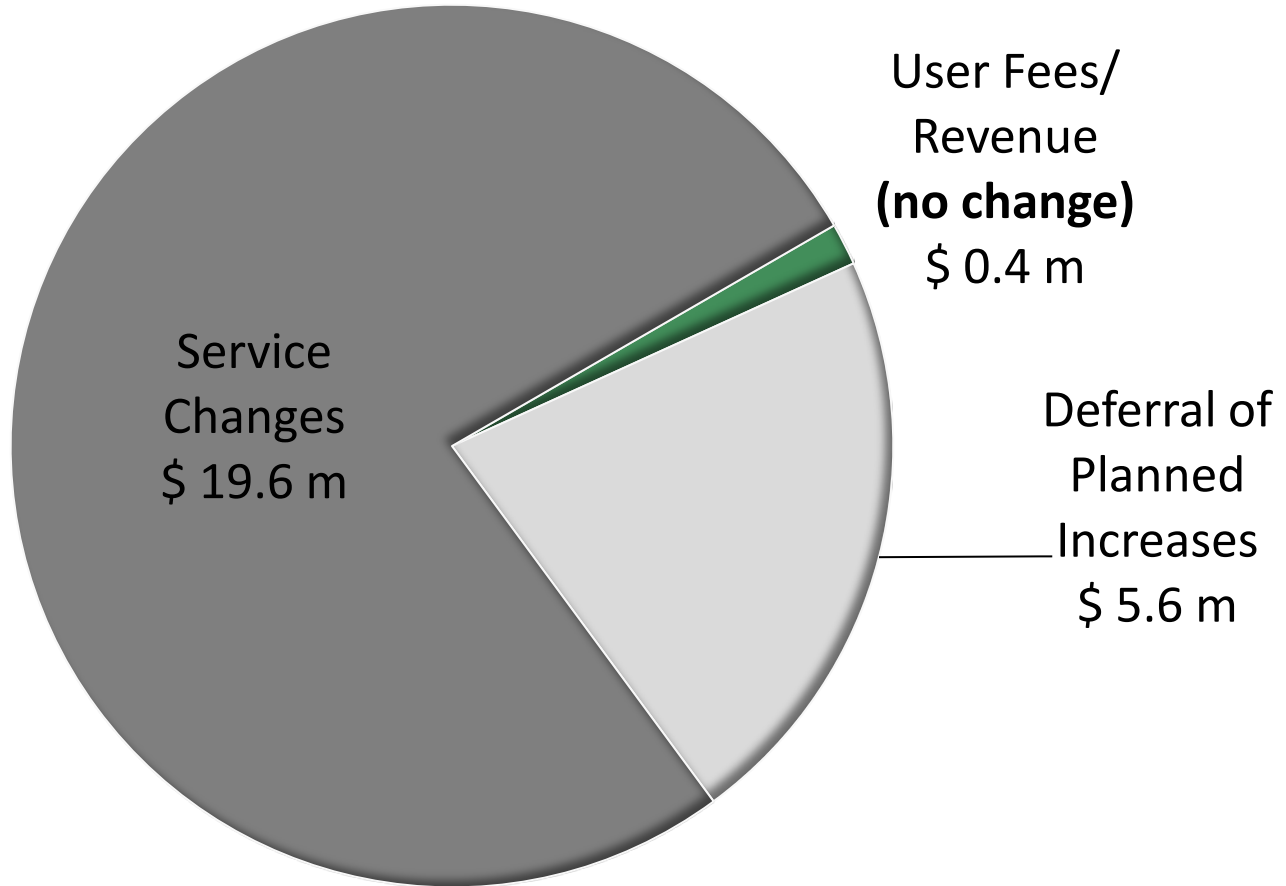
Middlesex London Health Unit – further acceleration of achieving 75/25 split – may result in service reductions if no additional funding from Province.

\$ 4.2 million in **additional service reductions** over and above the \$ 7.1 million identified in the 3.8% scenario.



Impact of 2013 Targets

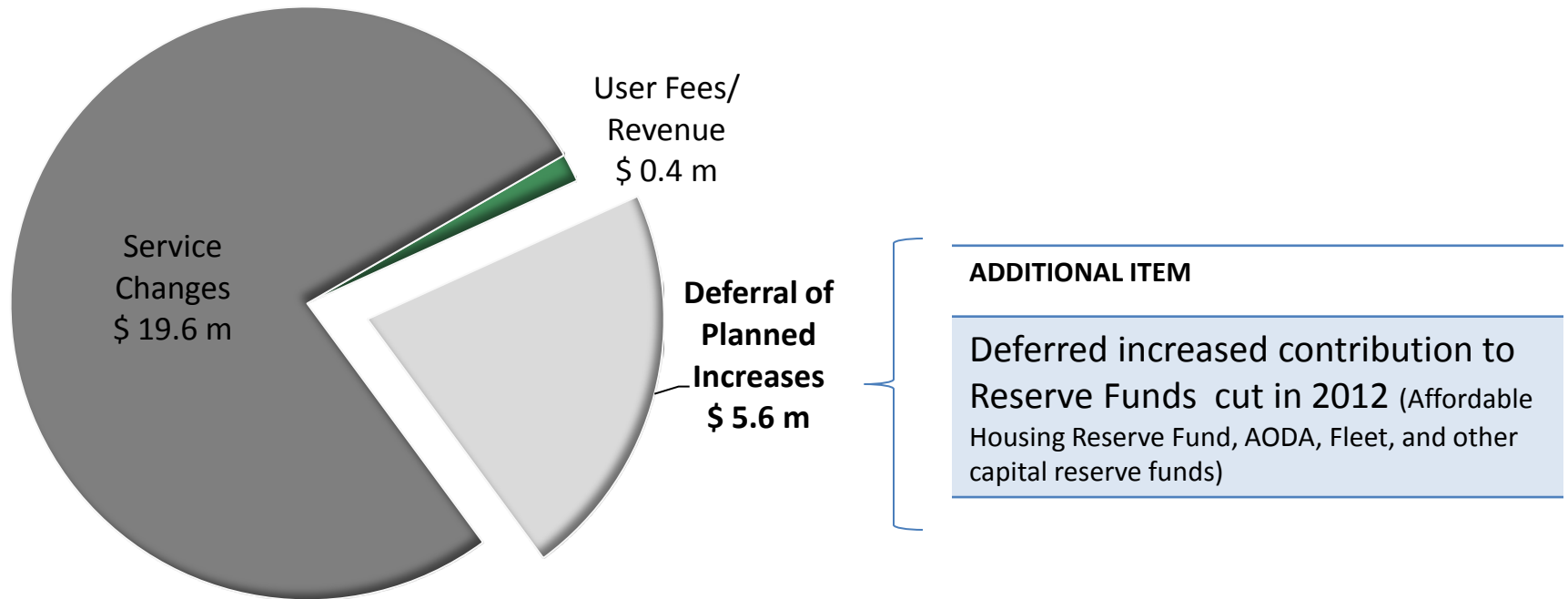
- 0 % Scenario -



\$ 25.6 million reduction to forecast

Impact of 2013 Targets

- 0 % Scenario -



\$ 25.6 million
reduction to forecast

Impact of 2013 Targets

- 0% Scenario –

Service Change Examples on top of those identified in 2.0% scenario

Conservation Authorities – additional reductions in service and programs to accommodate inflationary pressures (\$ 0.1 m)

Fire Services –further reduce existing service level and increase risk. (\$0.5 m)

London Police Service – will increase likelihood of an appeal to Ontario Civilian Commission on Police Service budget or could result in a reduction of up to 73 jobs. (\$1.8 m)

Land Ambulance – further reduction in service in order to accommodate contractual increases and inflation. (\$0.2 m)

London Transit Commission – further “targeted” service reductions resulting in a total reduction of 22,900 conventional service hours, and 16,300 specialized service hours. (\$ 0.5 m)

Further service adjustments in Housing (LMHC) – maintenance, waste collection (\$ 0.2 m)

Middlesex London Health Unit – further acceleration of achieving 75/25 split – may result in service reductions if no additional funding from Province.

Corporate Financing – Reduction in capital funding (pay as you go, reserve fund contributions) \$ 4.8 million. NOTE: This reduction would result in **at least a \$48 million** cut to the property tax supported portion of the capital plan over the next 10 years, (\$96 million over 20 years)

\$ 8.3 million in additional service reductions over and above the \$ 11.3 million identified in the 2.0% scenario.

Impact of 2013 Targets

The following impact statements and information were received after the submission of the written report:

- Middlesex London Health Unit
 - “significant reduction in general expenditures, together with elimination of approximately twenty two (22) full time equivalent positions representing 10.6% of the total cost-shared FTE staff complement, would be required to achieve a 75/25 cost-sharing funding arrangement in 2013” – Middlesex-London Health Unit Report No. 084-12
- London Police Service
 - *Potential* impacts of achieving the following scenarios (2013 Budget presentation to the London Police Services Board – June 14, 2012):
 - 3.8% - reduction of up to 21 positions
 - 2% - reduction of up to 42 positions
 - 0% - reduction of up to 73 positions

Impact of 2013 Targets

- In all 3 scenarios, services have been challenged to achieve target.
- Due to legislative and or mandated service provisions for some services:
 - achievement of these targets may not be attainable for those services,
 - further reductions to other services and capital works would therefore be required.

Impact of 2013 Targets

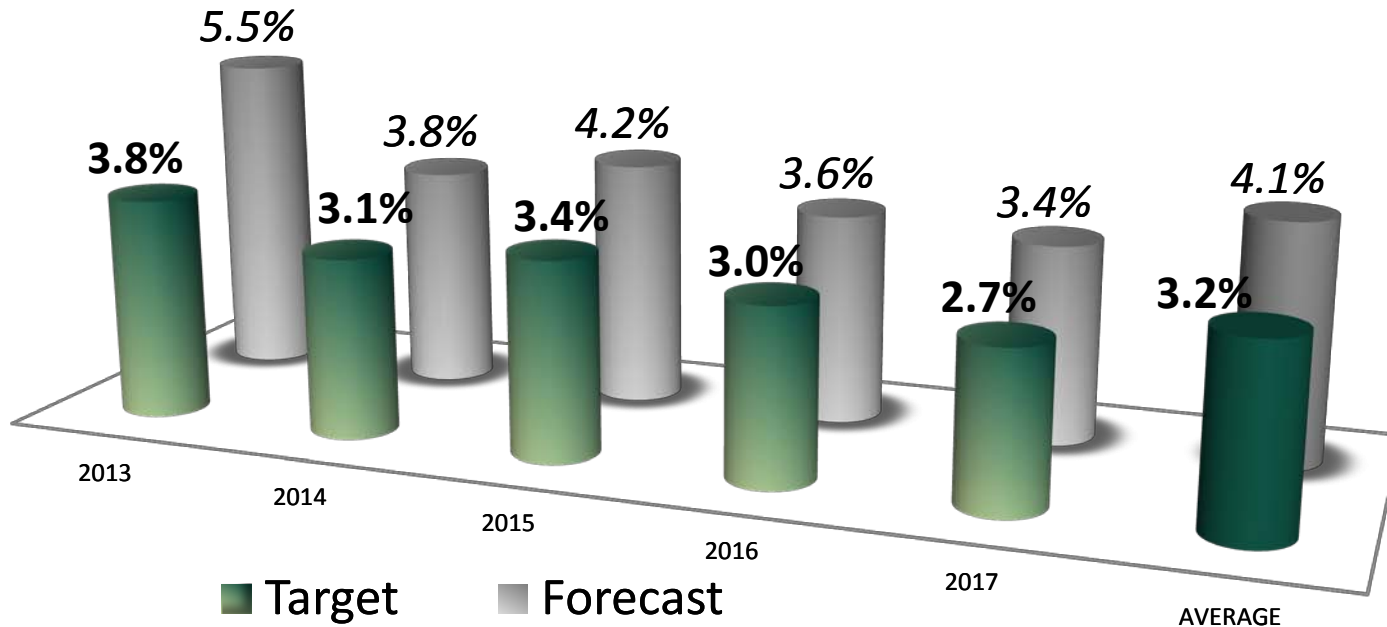
2013 Budget Development Direction:

- Budget will be submitted at 5.5% levy increase
(in the absence of specific, Council approved targets)
- Budget will be presented with 3 scenarios:
 - ➔ 3.8% tax levy
 - ➔ 2.0% tax levy
 - ➔ 0.0% tax levy
- Service Change Business Cases required
- Services have also been requested to identify whether or not their particular service is legislated or mandated and to what extent.

Multi-year Budget Targets

- As expressed by boards, commissions, outside agencies along with civic administration, it is important to set budget targets for more than one year in order to ensure:
 - a) Service changes are made with the understanding of mid to long term implications.
 - b) Ensure community expectations are not out of line with fiscal reality.
 - c) Business plans by service would be developed with funding certainty.

2013 – 2017 Operating Budget Forecasts Compared to Proposed Targets



	2013	2014	2015	2016	2017	Total
Forecasted Tax Levy	\$ 493.1 m	\$ 511.8 m	\$ 533.1 m	\$ 552.0 m	\$ 571.0 m	\$ 2,661 m
Proposed Tax Levy TARGET	\$ 485.0 m	\$ 500.2 m	\$ 517.3 m	\$ 532.8 m	\$ 547.3 m	\$ 2,583 m
Difference	\$ 8.1m	\$ 11.6 m	\$ 15.8 m	\$ 19.2 m	\$ 23.7 m	\$ 78 m



Impact of 2013 Targets

QUESTIONS?