



November 9th 2018

Mayor Matt Brown and Members of the Strategic Priority and Policy Committee
The City of London
c/o City Hall
300 Dufferin Avenue P.O. Box 5035
London, Ontario - N6A 4L9

Re: Recommendations for an Allocations Formula for Municipal Surpluses

As the Committee contemplates how best to deal with any budgetary surplus(es), and bearing in mind that this has been a recurring challenge for Councils over the years, we would once again respectfully recommend the Committee adopt the formulaic approach we have outlined here.

It is our view that this is the fairest and most reasonable way to allocate some, or all, of any budgetary surplus(es). Adoption of this formula could be put in place by means of an enabling policy or formally embedding it in the budget process. Once approved, it should be administered to the letter of the policy and not simply revoked to accommodate a trending civic opportunity or challenge.

By adopting a standard formula for such purposes, the City could avoid the lengthy debates we have witnessed in recent years and the polarizing views that tie up a great deal of Council's time and cause the administration to work unnecessarily on lengthy reports that spell out the various options (and their costs) for Council's consideration.

Respectfully, Municipal Council should adopt a set of principles to guide the allocation of year-end surplus dollars, ensuring that any surplus is allocated in the best interest of the overall community. A principled approach to disposing of year end budget surpluses and deficits is supported by the Auditor General of Canada, as well as many municipalities who have recently adopted policies to deal with year-end surplus/deficit positions.

We are of the view that while not all of the surplus should go towards debt repayment or tax relief, a reasonable percentage of the surplus should logically be affixed to tax relief with the recognition that it was taxpayers who funded the surplus in the first place and therefore warrant some relief out of the total mix of options. Debt pay-down also has significant relief for taxpayers over the longer term.

With respect to the tax supported general budget, we would again recommend that Council **ADOPT** the following principles.

- 1) The Operating Budget Contingency Reserve (already established) be set at an amount equivalent to 1.5% of the gross tax supported expenditures. This will provide a reasonable cushion against deficits and unexpected or one-time expenditures or revenue losses that occur from time to time.**
- 2) Surpluses, of any kind, should be fully contributed to the Operating Budget Contingency Reserve at year end and, in the subsequent year, allocated as follows:**

- a) 10% of year-end surplus be applied to replenish the Operating Budget Contingency Reserve until the reserve is at its maximum of 1.5% of gross tax supported expenditures;
 - b) 40% of year-end surplus be applied to debt reduction/elimination and/or avoidance;
 - c) 20% of year-end surplus be applied to a tax refund proportional to the amount of tax collected from the ratepayers;
 - d) 10% of year-end surplus be applied to the unfunded liability reserve;
 - e) 10% of year-end surplus be retained by the originating civic department, board, and or commission to meet one-time community/programming needs and/or implement programs that will generate further cost savings in the future;
 - f) 10% of year-end surplus to be applied by Council to meet one-time community needs.
- 3) Deficits, if any, should be funded through a draw from the Operating Budget Contingency Reserve at year end.

Respectfully,



Gerry Macartney, CEO and General Manager
London Chamber of Commerce
On behalf of the Board of Directors

Copy: The Government Affairs Committee of the London Chamber of Commerce
The Board of Directors of the London Chamber of Commerce