

What's Guiding Us?

Governance Principle

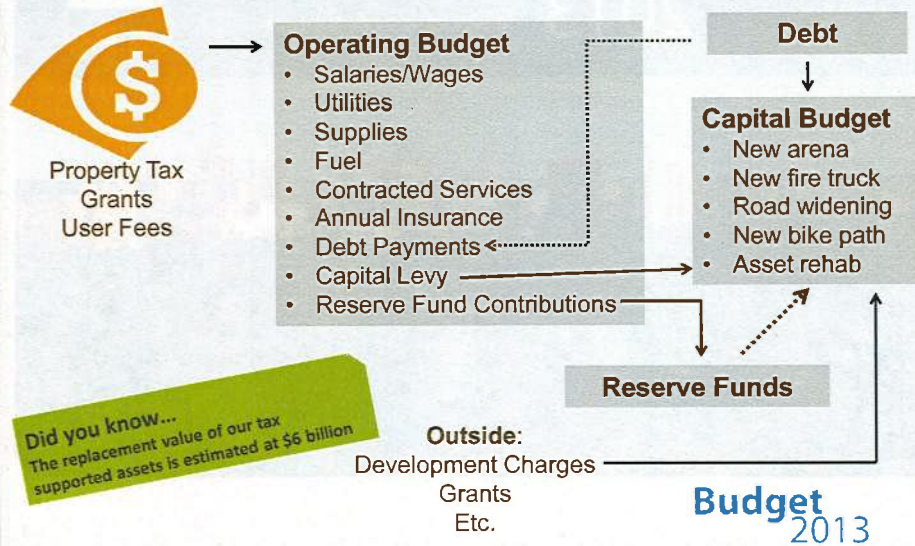
Fiscal Responsibility: "Investing wisely to continue building our community, while maintaining a solid Financial position"

Financial Management Strategies

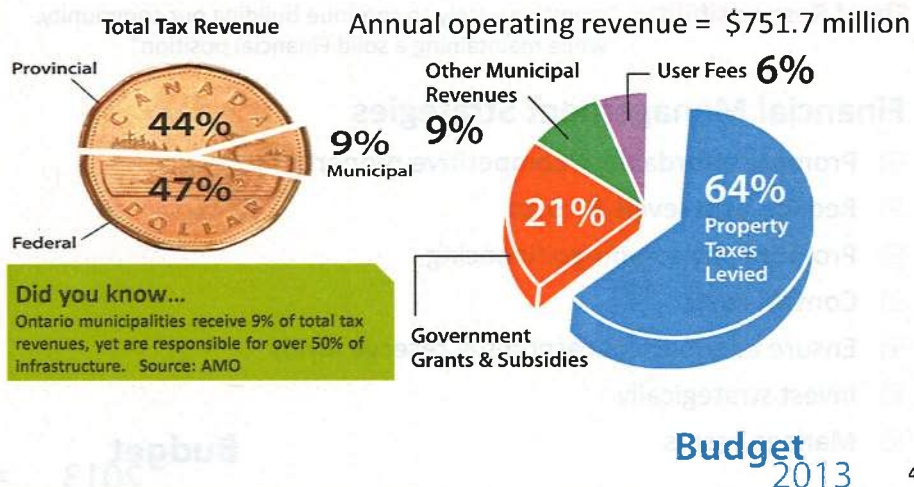
- ☑ Promote affordable & competitive property taxes
- ☑ Reduce debt levels & costs
- ☑ Promote pay-as-you-go financing
- ☑ Contain costs
- ☑ Ensure adequacy of reserves & reserve funds
- ☑ Invest strategically
- ☑ Manage assets

Budget 2013 2

How the Budget Works



How Municipal Services are Funded



Environment & Trends

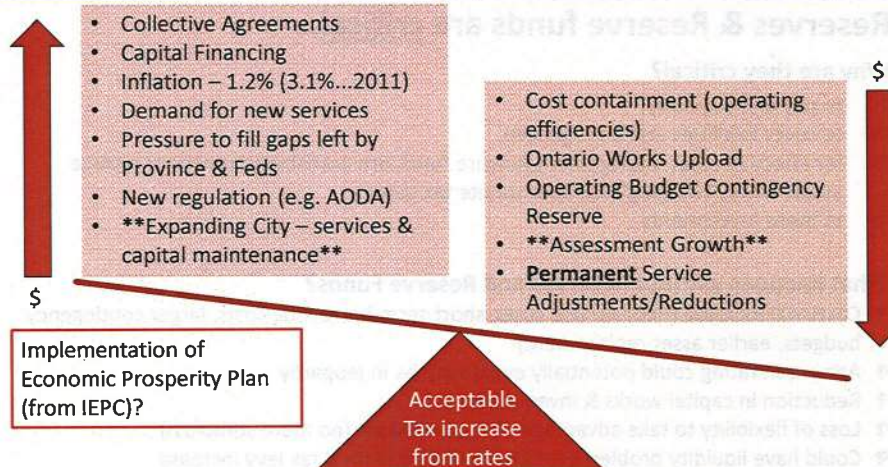


- **Lingering global economic uncertainty** (U.S. economy – “Fiscal Cliff”)
- **Federal & Provincial cutbacks** (Ontario deficit, pressure on municipalities to fill the gaps)
- **U.S. subsidization** (repatriation of jobs to U.S.)
- **High Value of Canadian Dollar** (good for resource based operations – bad for manufacturing)
- **Uncertainty with debt markets & liquidity** (U.S. debt, Euro Zone)
- **Some growth projected** (Organization for Economic Co-operation & Development projects Canada’s economy will grow by 1.5 per cent in the final three months of this year and advance 1.8 per cent in 2013)

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2013

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Balancing the Budget



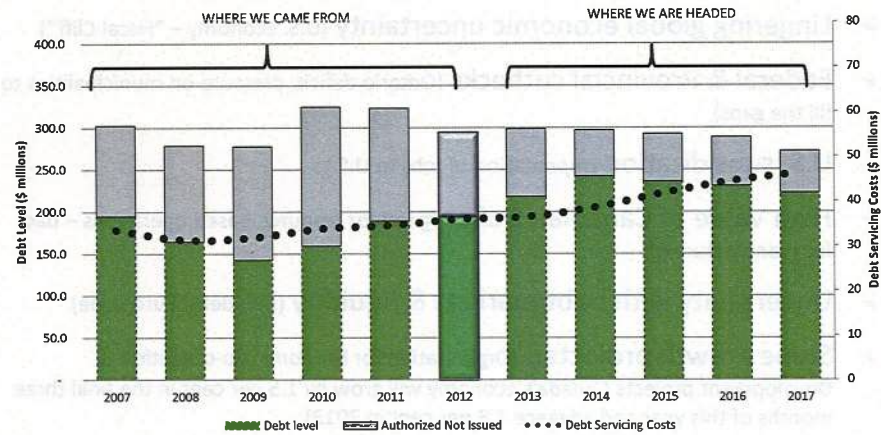
Budget
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Debt Levels & Debt Servicing



Property Tax Supported Debt Levels and Servicing Costs



Debt Servicing cost is \$182.30 per year or \$0.50 per day.

Budget 2013

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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 & investments
- ❖ Loss of flexibility to take advantage of opportunities (no more stimulus!)
- ❖ Could have liquidity problems & have to issue a second tax levy increase

Budget 2013

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Reserves & Reserve Funds



How much do we have in reserve funds anyway?

2011 Financial Statements...shows a balance close to \$500 million

- This is the cash position at the end of 2011 (does not account for projects that have not yet drawn their allocation from the reserve funds; therefore balance is higher than projected)
- The number is **consolidated** with some boards and commissions (not just City of London)
- The balance includes obligatory reserve funds like Development Charges which have strict rules around their use

2011 Budget...shows \$210.4 million balance

- This is the estimated position at the end of 2011 after all projects commitments have been withdrawn
- While the number includes some Boards & Commission, it is primarily focused on City of London (**unconsolidated**)

Just like any service, there is a plan for Reserves & Reserve funds
→ Change the contribution/balance, change the plan

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Development Charges & Assessment Growth



Development Charges...

Paid for through building permits and used to fund new infrastructure (capital costs) related to growth

Assessment Growth...

New revenue (property taxes) that pays for expanding services to an expanding city

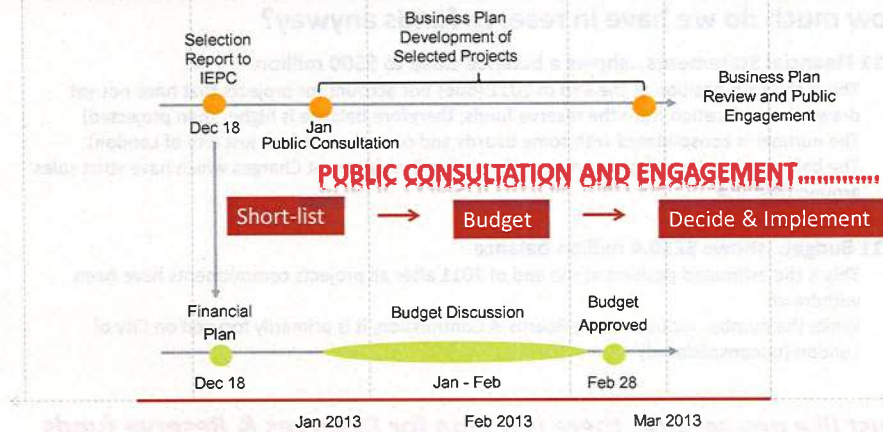
Assessment growth is not always equivalent to...
"Profit" or "Gravy" available to reduce tax rates

Note: Council approved a financial policy on Assessment Growth May 23, 2012

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Investment & Economic Prosperity Committee



Budget 2013

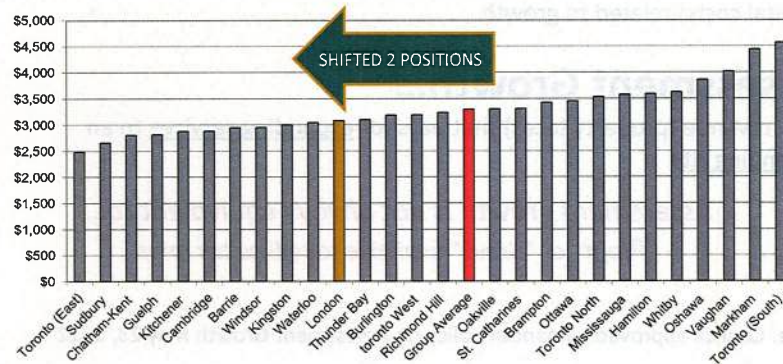
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How do we Compare?



2011 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 2011)



2011 Group Average:

\$ 3,293 (2009 \$ 3,196)

2011 City of London:

\$ 3,079 (2009 \$ 3,031)

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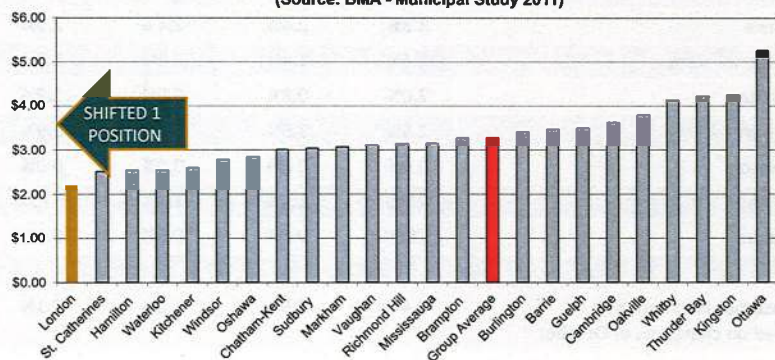
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How do we Compare?



2011 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 2011)



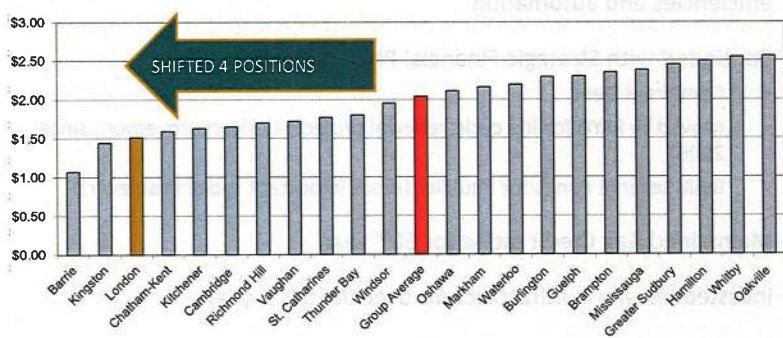
2011 Group Average: \$ 3.28/sq. ft (2009 \$ 3.38/sq. ft)
2011 City of London: \$ 2.23/sq. ft (2009 \$ 2.61/sq. ft)

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How do we Compare?



2011 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 2011)



2011 Group Average: \$ 2.04/sq. ft (2009 \$ 2.12/sq. ft)
2011 City of London: \$ 1.51/sq. ft (2009 \$ 1.76/sq. ft)

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What's Happening with Tax Rates in Other Communities?



Municipality	2010	2011	2012	3 Year Average
Toronto	2.9%	0.0%	2.5%	1.8%
Ottawa	3.8%	2.4%	2.4%	2.9%
Chatham – Kent	1.4%	1.4%	2.3%	1.7%
Hamilton	2.0%	0.8%	0.9%	1.2%
Sudbury	2.5%	3.5%	2.8%	2.9%
Windsor	0.0%	0.0%	0.0%	0.0%
AVERAGE	2.1%	1.3%	1.8%	1.75%
London	1.86%	0.0%	0.0%	0.6%
Consumer Price Index Based on change as of October	2.4%	2.9%	1.2%	2.1%

* Tax levy increases based on information identified on respective websites.

Did you know...

The latest annual CPI for Canada is 1.2%

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Financial Picture is Good



- ✓ Taxes competitive with similar sized Ontario municipalities (BMA Municipal Studies)
- ✓ Contained costs through labour agreements, restructuring, efficiencies and automation
- ✓ Continued with Strategic Financial Plan principles
 - ✓ Contained Debt
 - ✓ Moved to PAYG for life cycle renewal projects (26% improvement since 2006)
 - ✓ Built Reserve Funds for liquidity (more important today than ever!)
- ✓ Maintained Aaa Credit rating for 36th year
- ✓ Invested heavily in infrastructure over the last 5 years

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How Well Do We Deliver Our Services?



+Aaa

London has had a Aaa credit rating, the highest possible, for 36 years straight

↑75%

London's services perform on par or better than those in peer municipalities in 75% of service areas

1.7M+

Annual visits to Community Centres

25,000+

Metres of infrastructure replaced in 2012

1,191

New jobs have been logged at www.hireonlondon.ca since September 2012

93%

Satisfaction rating from 27,500 Spectrum recreation program participants



-38.5%

We've reduced road salt usage by 38.5%



608 Acres of new parkland established in 2012

Budget 2013

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Daily Cost of Municipal Services



	Police.....	\$1.25/day
	Fire.....	\$0.80/day
	Roadways & Parking.....	\$0.44/day
	Transit.....	\$0.35/day
	Housing.....	\$0.29/day
	Libraries.....	\$0.25/day
	Garbage, Recycling & Composting.....	\$0.17/day
	Parks & Urban Forestry.....	\$0.14/day
	Culture.....	\$0.05/day

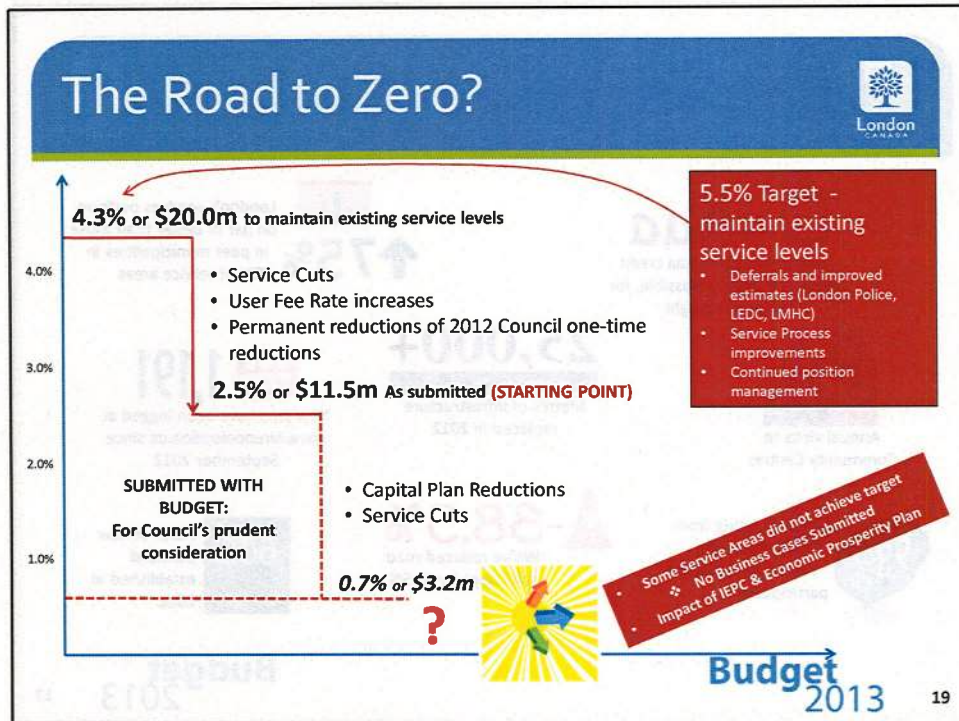
Did you know...

Property taxes represent 3% of average household income, compared to 25% for Federal & Provincial income tax*

*Based on average household income of \$76,546 (BMA 2011) and municipal portion of average residential tax bill of \$2,410

Budget 2013

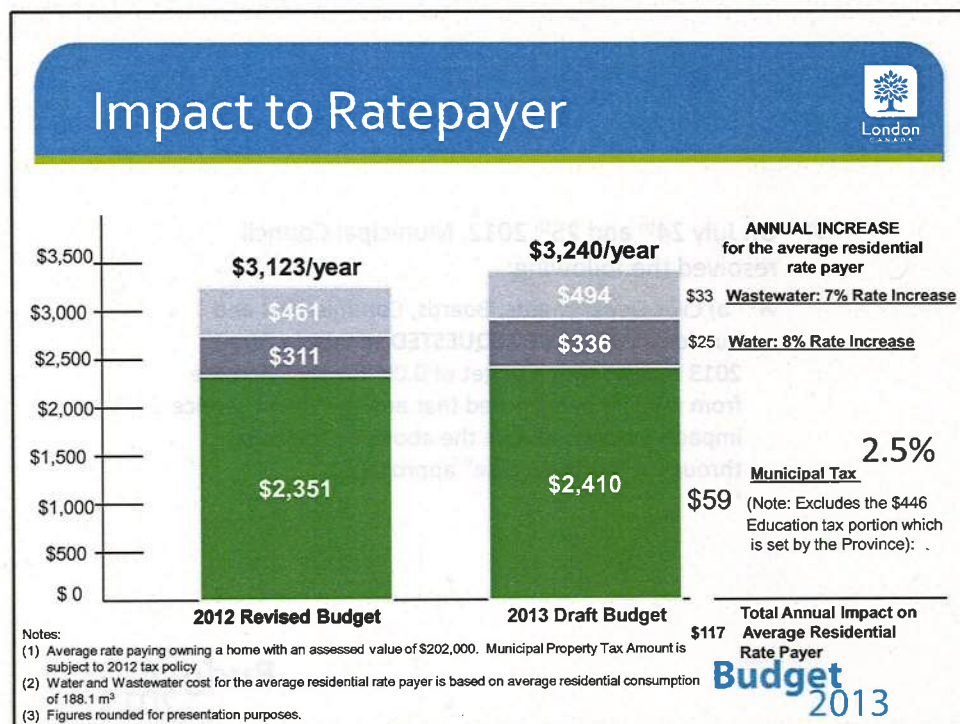
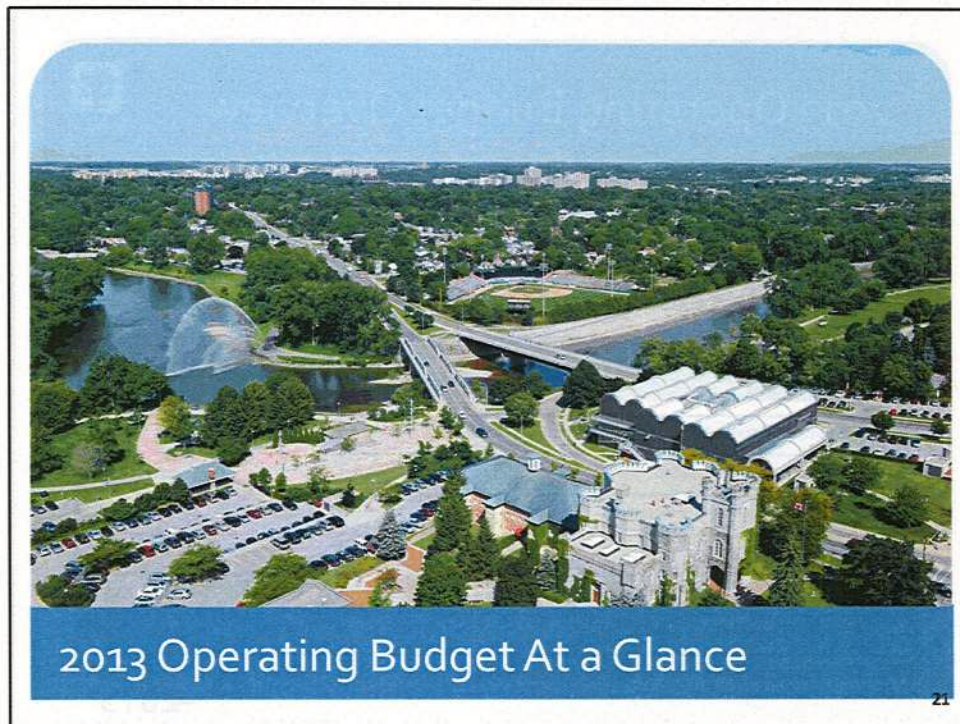
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What You Need to Consider

- Decisions you make impact the future in terms of: services, asset life, level of risk
- Budget methods worthy of avoiding:
 - 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
- Don't waiver from the principles endorsed in the strategic financial plan
- 5 results for strategic plan (Strong Economy; Vibrant and Diverse Community; Green and Growing City; Sustainable Infrastructure; Caring Community)

Budget 2013 20



2013 Operating Budget Overview



- **Developments since the 2013 Operating Budget**
Forecasted increase of 5.5% or \$25.7 million required to
“maintain existing service levels” identified on April 30th.

2013 Budget	2012 Revised Budget \$	2013 Submitted Budget \$	\$ Increase/ (Decrease)	Tax Levy Impact
Maintain Existing Service Levels as Forecasted April 30, 2012	\$467.4	\$493.1	\$25.7	5.5%
Adjustments since April 30, 2012:				
Position Management Program		\$(1.5)	\$(1.5)	(0.3%)
London Police Services		\$(1.1)	\$(1.1)	(0.2%)
Improved non-property tax supported revenue		\$(1.2)	\$(1.2)	(0.3%)
Process Improvements and efficiencies		\$(1.9)	\$(1.9)	(0.4%)
Maintain Existing Service Levels as submitted Dec 4, 2012		\$487.4	\$20.0	4.3%

2013

2013 Operating Budget Overview



- On July 24th and 25th 2012, Municipal Council resolved the following:
- “b) Civic Departments, Boards, Commissions and outside agencies **BE REQUESTED** to table a “draft” 2013 budget with a target of 0.0% tax levy increase from rates; it being noted that any significant service impacts associated with the above be reviewed through a “business case” approach”

Budget
2013

2013 Operating Budget Overview



	2012 Revised Budget \$	2013 Submitted Budget \$	\$ Increase/ (Decrease)	Tax Levy Impact
2013 Budget to Maintain Existing Service Levels	\$467.4			
"Add Backs": • New Affordable Housing Initiatives \$ 1 m • Capital Grants, \$0.2 m • AODA \$ 0.5m • Vehicle & Equipment Reserve Fund \$0.5m • Cross the board reserve fund reduction \$1.4m			\$3.6	0.8%
London Fire Services @ 7.7%			\$4.1	0.9%
London Police Services @ 3.6%			\$3.2	0.7%
London Transit Commission @ 4.9%			\$1.2	0.3%
London & Middlesex Housing Corporation @ 6.0%			\$0.5	0.1%
Economic Prosperity (increase to Economic Development Reserve Fund) @ 19.9%			\$1.1	0.2%
London Public Library @ 2.3%			\$0.4	0.1%
Capital Financing (debt servicing & capital levy)			\$2.8	0.6%
Other (e.g. Roadways, Civic Department OMERS, Land Ambulance)			\$3.1	1.2%
2013 Budget to Maintain Existing Service Levels	\$467.4	\$487.4	\$20.0	4.3%

2013 Operating Budget Overview



	2012 Revised Budget \$	2013 Submitted Budget \$	\$ Increase/ (Decrease)	Tax Levy Impact
2013 Budget to Maintain Existing Service Levels	\$467.4	\$487.4	\$20.0	4.3%
Service Cuts as Submitted Dec 4, 2012				
'Add Backs' – One Time reductions taken in 2012, submitted as permanent reductions for 2013 • Capital Grants \$0.2 m • New Affordable Housing Initiatives \$1.0 m • Extending the Life Cycle of Fleet (Vehicle & Equipment Reserve Fund) \$0.5 m • AODA Funding \$0.6 m			\$(2.4)	(0.5%)
User Fee Increases – rate increases to assist in achieving Council Target • E.g. Recreation (Aquatics Family pass \$12.56 increase), Building Approvals (new fee for zoning compliance letters \$60), By-Law Enforcement (Residential Rental Unit Fee Increase)			\$(0.4)	(0.1%)
Service Cuts • Economic Development (i.e. reduced contribution to Economic Development \$1.1 m) • Environmental Services (i.e. Elimination of initial funding for Green Bin Pilot Program \$ 0.1 m) • Rec. & Neighbourhood Services (e.g. delay implementation of Neighbourhood Hubs \$0.1 m) • Transportation (e.g. reduction in road patching \$0.3 m, sidewalk snow removal \$0.1m, walkway cleaning \$0.1 m, road sweeping \$0.1 m) • Corporate, Operational, and Council Services (Corporate Initiatives \$2.5m)			\$(5.7)	(1.2%)
Service Changes as Submitted Dec 4, 2012			\$(8.5)	(1.8%)

2013 Operating Budget Overview



	2012 Revised Budget \$	2013 Submitted Budget \$	\$ Increase/ (Decrease)	Tax Levy Impact
2013 Budget to Maintain Existing Service Levels	\$467.4	\$487.4	\$20.0	4.3%
Service Cuts as Submitted Dec 4, 2012			\$(8.5)	(1.8%)



Budget
2013

2013 Operating Budget Overview



	2012 Revised Budget \$	2013 Submitted Budget \$	\$ Increase/ (Decrease)	Tax Levy Impact
Culture Services	\$21.9	\$22.3	\$0.4	0.1%
Economic Prosperity	\$8.4	\$8.4	\$(0.04)	0.0%
Environmental Services	\$16.4	\$16.5	\$0.1	0.0%
Parks, Recreation, and Neighbourhood Services	\$28.2	\$28.2	\$0.03	0.0%
Planning & Development Services	\$4.8	\$4.9	\$0.2	0.0%
Protective Services	\$145.6	\$152.9	\$7.3	1.6%
Social & Health Services	\$71.3	\$68.4	\$(2.9)	(0.6%)
Transportation Services	\$53.6	\$54.8	\$1.3	0.3%
Corporate, Operational, and Council Services	\$117.2	\$122.4	\$5.2	1.1%
BUDGET AS SUBMITTED	\$467.4	\$478.9	\$11.5	2.5%

2013 Operating Budget Overview



	2012 Revised Budget \$	2013 Submitted Budget \$	\$ Increase/ (Decrease)	Tax Levy Impact
Tax Levy Increase as Submitted			\$11.5	2.5%
Further Service Cut Options for Council Consideration toward ZERO				
Capital Program Reductions <i>(for Council's consideration)</i>			\$(4.7)	(1.0%)
<ul style="list-style-type: none"> Service Improvements \$ 3.2 million Growth \$0.9 million Life Cycle Renewal \$0.6 million 				
Service Cuts			\$(3.7)	(0.8%)
<ul style="list-style-type: none"> London Public Library \$0.4 million London & Middlesex Housing Corporation \$0.5 million London Transit Commission \$ 1.2 million Corporate Initiatives \$ 1.6 million 				
Service Adds			\$0.1	0.0%
<ul style="list-style-type: none"> Councillor's Office – administrative support 				
Further Service Change Options for Council Consideration toward ZERO			\$(8.3)	(1.8%)
POSSIBLE TAX LEVY AFTER SUBMITTED AND FURTHER SERVICE CHANGES			\$3.2	0.7%

2013

Capital Project Cuts included in the "Path to Zero" (for Council's consideration)



Capital Projects included with Service Change Business Cases to Arrive at a Tax Levy Increase of 0.7% (\$ millions)	2013	2014 – 2022
Service Improvement Projects including: <ul style="list-style-type: none"> Relocation of Fire Services Training Tower (\$2.4 in 2013, +\$1.5 future) Management of Emerald Ash Borer (\$0.4 in 2013, \$3.6 future) Facilities Energy Management (\$0.3 in 2013, \$2.2 future) Bike Lane Program (\$0.1 in 2013, \$1.0 future) Audible Pedestrian Signals (\$0.05 in 2013, \$0.45 future) Delay in Landfill Site Property Acquisition (\$7.8 future) Repurposing Rec and Community Facilities/New Spray Pads (\$4.3 future) 	\$3.2	\$27.9
Growth Projects including: <ul style="list-style-type: none"> Industrial Oversizing - City's Share of Ind. Dev. (\$0.6 in 2013, \$5.4 future) 	\$0.9	\$8.3
Life Cycle Renewal Projects including: <ul style="list-style-type: none"> Reduction in Bus Purchase Replacements (\$0.5 in 2013, \$4.5 future) Dearness Home Major Upgrades (\$0.05 in 2013, \$0.45 future) Integrated Library System (\$0.02 in 2013, \$0.18 future) 	\$0.6	\$5.1
TOTAL	\$4.7	\$41.3

Budget
2013

Capital Budget by Category



Tax Supported 2013 Capital Budget @ 2.5% Increase (Submitted) with Forecast for 2014-2022 (in \$ millions)

	2012 Revised Budget	2013 Proposed Budget	2014 Forecast	2015 Forecast	2016 Forecast	2017 Forecast	2018 to 2022 Forecast	Total 2013 to 2022
Expenditures Requested								
Life Cycle Renewal	57.7	48.0	54.0	59.6	71.0	63.3	341.0	636.9
Growth	18.6	40.4	45.5	48.5	49.9	40.0	147.3	371.6
Service Improvement	39.5	15.8	13.4	16.1	7.6	6.6	32.3	91.8
Total Capital Expenditures	\$115.8	\$104.2	\$112.9	\$124.2	\$128.5	\$109.9	\$520.6	\$1,100.3
Financing Available								
Capital Levy (Pay-as-you-go)	19.5	21.6	23.8	26.0	28.2	30.4	183.6	313.6
Debtenture (1)	37.1	25.9	29.9	29.0	31.8	20.4	71.8	208.8
Reserve Fund	34.7	12.1	17.7	25.0	18.1	18.0	88.8	179.7
Other	1.4	0.9	0.3	0.1	0.1	0.1	1.0	2.5
Total Tax Supported	\$92.7	\$60.5	\$71.7	\$80.1	\$78.2	\$68.9	\$345.2	\$704.6
Total Non-Tax Supported	\$23.1	\$43.7	\$41.2	\$44.1	\$50.3	\$41.0	\$175.4	\$395.7
Total Financing Available(2)	\$115.8	\$104.2	\$112.9	\$124.2	\$128.5	\$109.9	\$520.6	\$1,100.3

*Numbers subject to rounding

Budget
2013

Capital Budget by Category



Tax Supported Capital Budget @ 0.7% Increase (Not Recommended) with Forecast for 2014-2022 (in \$ millions)

	2012 Revised Budget	2013 Proposed Budget	2014 Forecast	2015 Forecast	2016 Forecast	2017 Forecast	2018 to 2022 Forecast	Total 2013 to 2022
Expenditures Requested								
Life Cycle Renewal	57.7	47.5	53.5	59.0	70.5	62.7	338.2	631.4
Growth	18.6	39.4	44.5	47.9	49.3	39.1	142.1	362.3
Service Improvement	39.5	12.6	10.4	12.6	4.1	3.5	17.4	60.6
Total Capital Expenditures	\$115.8	\$99.5	\$108.4	\$119.5	\$123.9	\$105.3	\$497.7	\$1,054.3
Financing Available								
Capital Levy (Pay-as-you-go)	19.5	17.9	21.4	22.9	25.8	28.1	171.3	287.4
Debtenture (1)	37.1	25.9	29.9	29.0	31.8	20.4	71.8	208.8
Reserve Fund	34.7	11.8	16.0	23.8	16.3	16.1	80.0	183.7
Other	1.4	0.9	0.3	0.1	0.1	0.1	1.0	2.5
Total Tax Supported	\$92.7	\$56.2	\$67.6	\$75.8	\$74.0	\$64.7	\$324.1	\$662.4
Total Non-Tax Supported	\$23.1	\$43.3	\$40.8	\$43.7	\$49.9	\$40.6	\$173.6	\$391.9
Total Financing Available(2)	\$115.8	\$99.5	\$108.4	\$119.5	\$123.9	\$105.3	\$497.7	\$1,054.3

*Numbers subject to rounding

Budget
2013

Reserves & Reserve Funds Balance Overview 2012-2013*



000's	PROJECTED BALANCE 31-Dec-12	2013			PROJECTED BALANCE 31-Dec-13
		PROJECTED CONTRIBUTION FROM TAX	OTHER INCOME AND INTEREST	PLANNED DRAWS (OUTFLOWS)	
Obligatory	49,208	-	30,390	(42,856)	36,742
RESERVES AND RESERVE FUNDS THAT ARE IMPORTANT TO BUDGET DECISION MAKING					
Capital Asset Renewal and Replacement	31,740	19,092	5,676	(14,618)	41,890
Capital Asset Growth	6,477	2,600	1,410	(865)	9,622
Specific Projects and New Initiatives	33,810	7,565	5,153	(13,858)	32,670
Contingencies/Stabilization	23,106	497	0	(5,843)	17,760
Risk Management and Long Term Planning	61,968	3,182	1,619	(4,001)	62,768
TOTAL (excludes Boards & Commissions)	206,309	32,936	44,248	(82,041)	201,452

* These reserves and reserve funds EXCLUDE Boards & Commissions.

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Important Dates



December 4, 2012	2013 Budget Tabled (Council Chambers)
NEW January 9, 2013	Overview of Operating Budgets & Service Changes (Council Chambers)
NEW January 12, 2013	Budget Workshops (City Hall Cafeteria)
January 14, 2013	Public Participating Meeting (Council Chambers)
January 24 (& 25 if needed), 2013	Operating Budget (Council Chambers)
February 7, 2013	Capital Budget (Council Chambers)
NEW February 13, 2013	Public Participating Meeting (Council Chambers)
February 28, 2013	Operating & Capital Budgets Approved (Council Chambers)

NEW All meetings, with the exception of the Jan 12 budget workshops, will be streamed live at www.london.ca

Budget
2013

Budget Workshops



STATION / ACTIVITY

Budget Basics: Introduction

Priority Pole

Ask the City Treasurer

Comment Corner

Your Voice

Budget Basics: Learn & Share, Concept Based

Visualizing the Budget

Speakers Corner

Twitter Wall - #BudgetLdn13

WHEN: Saturday, January 12, 2013

9:00-11:00 am • 1:00-3:00 pm

WHERE: Top of the Hall, City Hall Cafeteria



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Feedback



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