

TO:	CHAIR AND MEMBERS STRATEGIC PRIORITIES AND POLICY COMMITTEE MEETING ON NOVEMBER 5, 2019
FROM:	ANNA LISA BARBON MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER
SUBJECT:	UPDATE ON THE 2020-2023 MULTI-YEAR BUDGET

RECOMMENDATION

That, on the recommendation of the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer:

- a) This report providing an update on the development of the 2020-2023 Multi-Year Budget **BE RECEIVED** for information; and
- b) Civic Administration **BE DIRECTED** to take the following actions to address anticipated tax levy pressures in the 2020-2023 Multi-Year Budget:
 - i. Develop business cases for potential reductions within civic service areas for Council's consideration, it being noted that these business cases will be provided after tabling of the 2020-2023 Multi-Year Budget but in advance of public consultation on the budget; and
 - ii. Engage with the City's agencies, boards and commissions (ABC's) who submitted draft budgets in excess of the budget targets provided to encourage them to submit potential opportunities for reductions, in accordance with the City's format and timelines, and to be prepared to address the impacts of a reduction to their budget to achieve the budget target;
- c) Middlesex-London Paramedic Service **BE INVITED** to attend a future meeting of the Strategic Priorities and Policy Committee to provide an overview of their anticipated budget pressures and potential opportunities for reductions in their budget submission.

RECENT REPORTS PERTINENT TO THIS MATTER
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Strategic Priorities and Policy Committee, meeting on May 6, 2019, agenda item 4.1 – 2020-2023 Multi-Year Budget:

<https://pub-london.escribemeetings.com/filestream.ashx?DocumentId=62405>

Corporate Services Committee, meeting on May 28, 2019, agenda item 2.1 – Provincial Budget & Recent Proposed Legislative Changes with Financial Impacts:

<https://pub-london.escribemeetings.com/filestream.ashx?DocumentId=62852>

LINK TO 2019-2023 STRATEGIC PLAN

Council's 2019-2023 Strategic Plan for the City of London identifies 'Leading in Public Service' as a strategic area of focus. The City of London's Multi-Year Budget process is a strategy to maintain London's finances in a transparent and well-planned manner to balance equity and affordability over the long term.

Additionally, the 2019-2023 Strategic Plan forms the foundation for the 2020-2023 Multi-Year Budget. Council will, through the 2020-2023 Multi-Year Budget process, be able to ensure that its priorities are achieved within the financial parameters that Council establishes during its term. The 2020-2023 Multi-Year Budget will determine the pace of implementation of the 2019-2023 Strategic Plan.

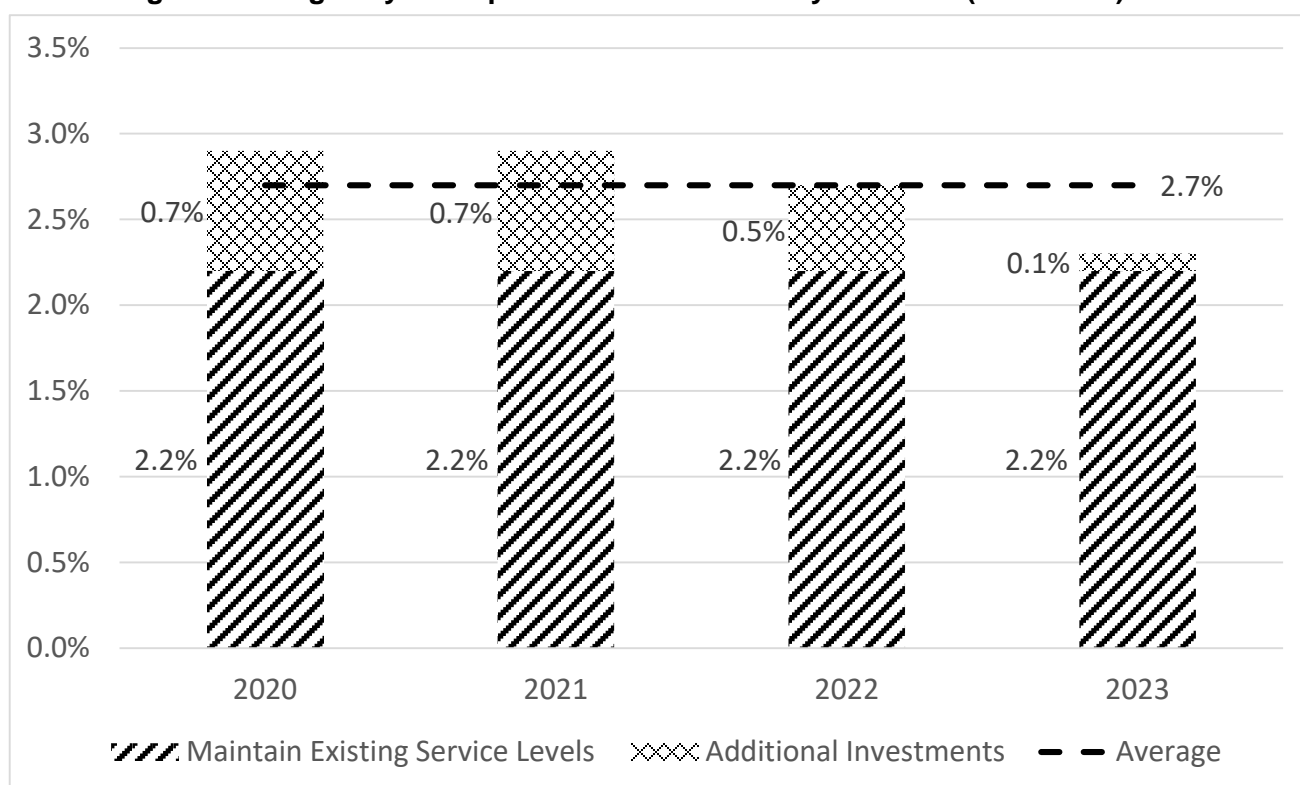
BACKGROUND

At the Strategic Priorities and Policy Committee meeting on May 6, 2019, Council received a report outlining preliminary budget targets, timelines and public engagement plans for the 2020-2023 Multi-Year Budget.

Civic Administration recommended a 2.7% average annual tax levy increase for planning purposes, comprised of 2.2% per year on average to maintain existing service levels and an additional 0.5% per year on average for additional investments in priorities outlined in the 2019-2023 Strategic Plan.

In order to maintain flexibility to address unanticipated pressures in later years of the 2020-2023 Multi-Year Budget cycle, Civic Administration was originally planning for higher tax levy increases in the earlier years of the budget cycle that would be reduced in later years as illustrated in Figure 1.

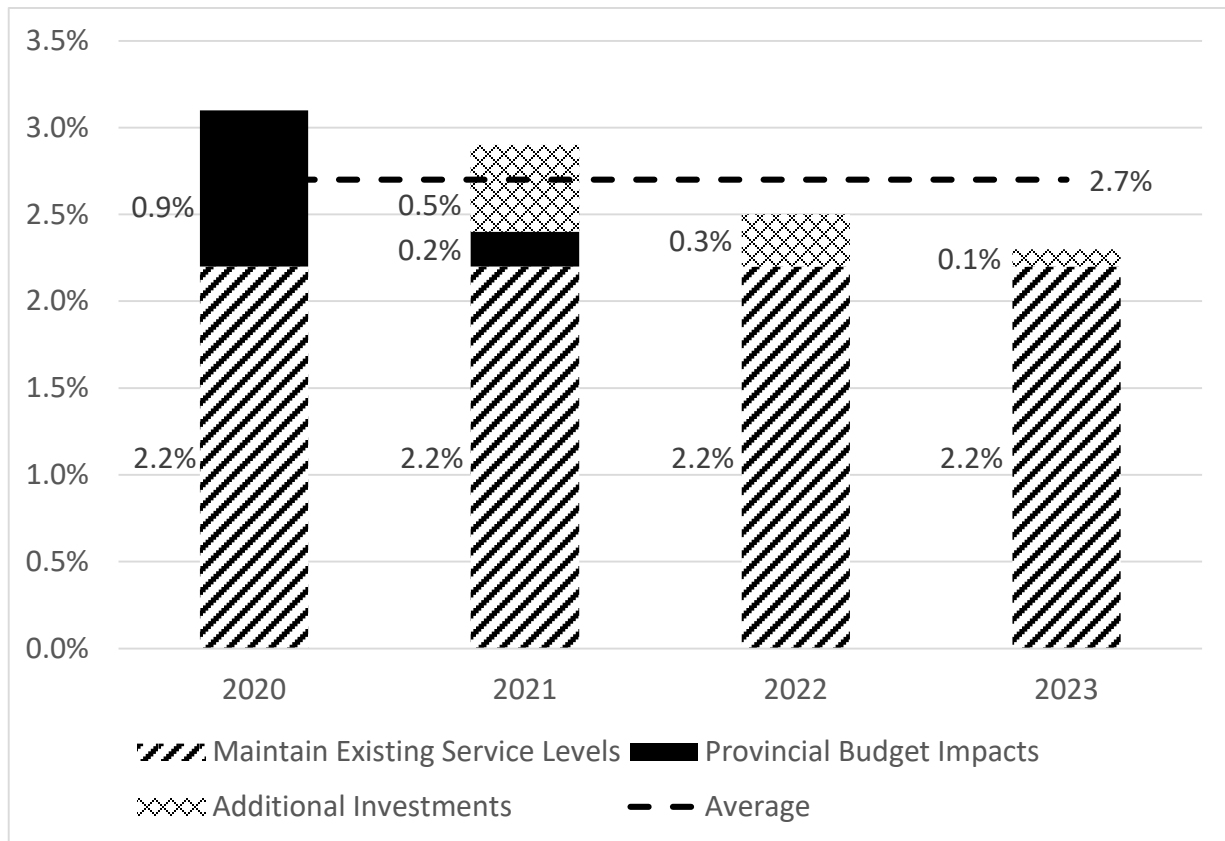
Figure 1 – Originally Anticipated Possible Tax Levy Scenario (2020-2023)



On April 11, 2019, the new Government of Ontario tabled its first budget, titled *Protecting What Matters Most*. The budget reflected a number of priorities, programs and direction, with a specific focus on reducing the provincial deficit. Multiple items in the provincial budget were identified as having impacts to municipal governments and their respective budgets. Subsequent to the budget, other proposed legislative changes were announced which may also have an impact on municipal finances.

As reported to the Corporate Services Committee on May 28, 2019, it was anticipated that the provincial budget and other proposed legislative changes would result in a net budgetary pressure of at least \$6.6 million per year by 2022. It was highlighted that these pressures will reduce the budget capacity that would otherwise have been available for additional investments in Council's priorities, as illustrated by the solid bars in Figure 2.

Figure 2 – Possible Tax Levy Scenario after Provincial Announcements (2020-2023)



Based on the budget targets endorsed by Council, Civic Administration distributed final budget guidelines to all civic service areas and agencies, boards and commissions (ABC's) on May 31, 2019. In order to achieve the targeted 2.2% average annual increase to maintain existing service levels, all civic service areas and ABC's (with the exception of Middlesex-London Health Unit (0%) and London Police Service (1% on non-personnel costs)) were requested to limit their average annual budget increases to 1.5% per year over the 2020-2023 Multi-Year Budget period, noting that the pressures in the Corporate Financing service area (primarily to finance the capital plan for civic services areas and ABC's) were anticipated to bring the overall average annual increase to 2.2% per year to maintain existing service levels.

UPDATE ON 2020-2023 MULTI-YEAR BUDGET DEVELOPMENT

Final operating and capital budget submissions were only recently received from some ABC's despite an August submission deadline. With all draft budget figures for 2020-2023 now available, Finance staff is able to model the forecasted tax levy increases, as summarized in Table 1 below:

Table 1 – Total Tax Levy Increase as Submitted	2020	4 Year Average
Tax Levy Increase to Maintain Existing Service Levels	2.6%	2.7%
Tax Levy Increase related to Provincial Impacts	1.4%	0.5%
TOTAL TAX LEVY INCREASE AS SUBMITTED	4.0%	3.2%

It should be noted that the above figures exclude the impact of any potential Additional Investment Business Cases that Council wishes to consider for further investment in the 2020-2023 Multi-Year Budget period.

The total levy increase outlined in Table 1 can further be broken down between civic service areas and ABC's as summarized in Table 2 below. The figures in Table 2 reflect the total increase including costs to maintain existing service levels and any provincial impacts.

Table 2 – Civic Service Areas vs. ABC's	2020	4 Year Average
Submitted Net Budget Increase – Civic Service Areas	2.1%	2.5%
Submitted Net Budget Increase – ABC's ¹	7.6%	4.5%

¹ For the purposes of this report, Land Ambulance is included as an ABC.

As anticipated in the May 28, 2019 report to the Corporate Services Committee, the provincial budget and other legislative changes are having a significant impact on the Corporation's draft 2020-2023 Multi-Year Budget as outlined in Tables 3 and 4.

As Table 3 illustrates below, excluding provincial impacts, civic service areas (inclusive of Corporate Financing) are close to achieving the 2.2% per year target average annual increase. It should be noted that the figures in Table 3 include the impact of the reserve and reserve fund adjustments presented to the Strategic Priorities and Policy Committee in the October 28, 2019 report titled "Review of City Services for Potential Reductions and Eliminations – Tax Supported Reserve Fund Contributions." Should these recommendations not be supported, the draft increases highlighted in Table 3 will be higher.

Table 3 – Civic Service Areas Overview	2020	4 Year Average
Civic Service Areas Increase Excluding Provincial Impacts	1.6%	2.3%
Provincial Impacts affecting Civic Service Areas	0.5%	0.2%
TOTAL CIVIC SERVICE AREAS INCREASE	2.1%	2.5%

The budget pressures submitted by the ABC's (Table 4) are considerably greater as shown in Table 4 below. The most significant budget pressure and driver of the ABC's 2020 increase is the Land Ambulance budget submission.

Table 4 – ABC's Overview	2020	4 Year Average
ABC's Increase Excluding Provincial Impacts & Land Ambulance Increases	1.8%	2.1%
Provincial Impacts affecting ABC's	3.3%	0.8%
Impact of the Land Ambulance Proposed Increases	2.5%	1.6%
TOTAL ABC's INCREASE	7.6%	4.5%

The 2020-2023 budget submission for Land Ambulance includes a 32.4% increase in 2020 over the 2019 City of London budgeted cost share and an average annual increase of 17.3% per year over the 2020-2023 Multi-Year Budget. Civic Administration has met with representatives from Middlesex-London Paramedic Service who have verbally explained a number of key challenges they are experiencing. Civic Administration has only been provided a summary of the total requested budgets for 2020 to 2023 and cost sharing between the Province, City and County. At the time of writing this report, we have not yet received any details in writing concerning the key challenges or investments driving their proposed increases, despite repeated requests for this information. However, it is believed that additional ambulances are being requested to address continued growth in service demands as well as increased investment to support future capital requirements.

Table 5 outlines the historical budget increases for Land Ambulance for the 2016-2019 Multi-Year Budget, as well as the proposed increases for 2020-2023. During the meeting with representatives from Middlesex-London Paramedic Service, Civic Administration requested that given the significance of the budget submission, in particular for 2020, they review their submission further with to the aim of looking for opportunities where the submission can be reduced or introduced over a longer period of time. At the time of writing this report, we have not received any reductions or amendments to their budget submission.

Table 5 – Land Ambulance Overview									
2016	2017	2018	2019	2016-19 Avg.	2020	2021	2022	2023	2020-23 Avg.
7.0%	9.1%	2.2%	11.5%	7.5%	32.4%	18.7%	9.1%	8.9%	17.3%

Excluding the Land Ambulance increase from the overall budget increase reduces the total average annual increase from 3.2% (outlined in Table 1) to approximately 2.7%, illustrating the magnitude of the proposed increase on the City's draft budget. Civic Administration will continue efforts to obtain more information with respect to the proposed Land Ambulance budget.

Other ABC's are also contributing to the significant overall increase for the ABC's, most notably:

- The 2020-2023 budget submission for London Police Service includes a 2.5% average annual increase, driven by personnel cost increases in accordance with collective agreements and additional police officers requested in 2020. It should be noted that the London Police Service has already reduced their preliminary request (2.7% average annual increase) by 15 officers. The remaining foot patrol officers being requested in 2020 are integral to the City's Core Area Action Plan initiatives, which will be the topic of an Additional Investment Business case that will be presented for Council's consideration.
- The London Transit Commission's (LTC) 2020-2023 submission includes a 15.3% increase in 2020 and 5.9% average annual increase, driven primarily by the cancellation of the planned doubling of Provincial Gas Tax funding being relied upon to support LTC operations.

Although these ABC's represent the most significant drivers of the overall increase, all ABC's, with the exception of Eldon House, RBC Place and Tourism London, have submitted average annual budget increases in excess of the 1.5% per year target that was provided. The increases for ABC's are summarized in Table 6.

Table 6 – ABC's 2020-2023 Average Annual Increases	2020-2023 Avg. Annual Increase
Eldon House	1.5%
Housing Development Corporation (HDC)	2.2%
Kettle Creek Conservation Authority	4.0%
Land Ambulance (Middlesex-London Paramedic Service)	17.3%
London & Middlesex Community Housing	4.2%
London Police Service (as amended)	2.5%
London Public Library	2.2%
London Transit Commission	5.9%
Lower Thames Valley Conservation Authority	1.7%
Middlesex-London Health Unit	2.5%
Museum London	2.8%
RBC Place London	1.5%
Tourism London	0.2%
Upper Thames River Conservation Authority	3.8%

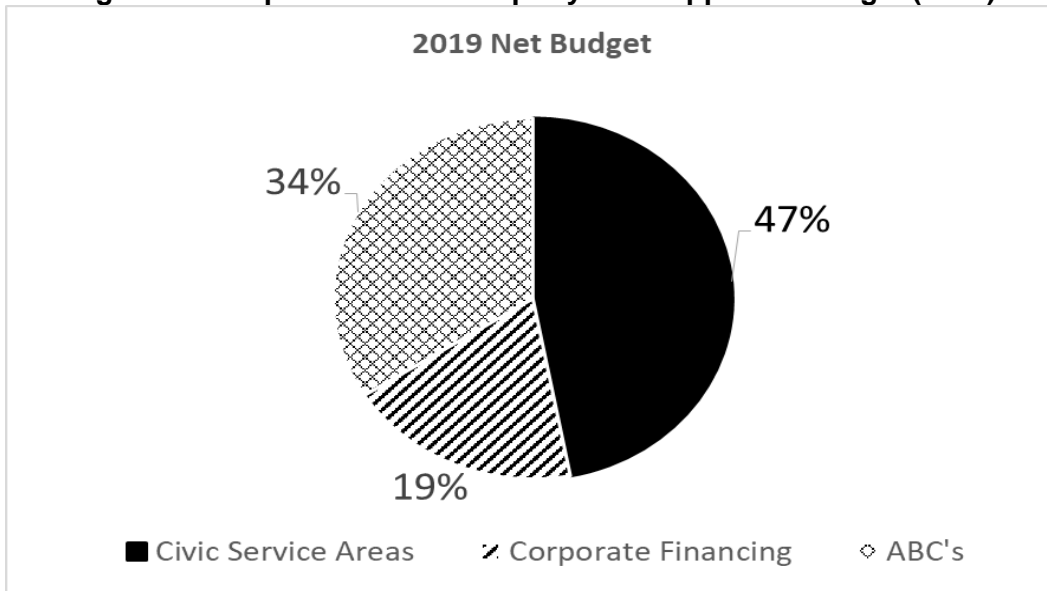
PROPOSED NEXT STEPS

In light of the budget challenges currently faced by the City, it is evident that it will not be possible to achieve Council's budget target without significant reductions. Civic Administration considered a number of potential solutions, including delaying the tabling of the 2020-2023 Multi-Year Budget scheduled for December 9th. However, in lieu of this approach, Civic Administration recommends the following actions in order to provide alternatives for Council to consider:

- 1) Civic Administration be directed to develop business cases for potential reductions within civic service areas for Council's consideration. It should be noted that these business cases may involve significant service delivery implications that could affect achievement of priorities included in Council's 2019-2023 Strategic Plan which Council will need to carefully consider.
- 2) Civic Administration be directed to engage with the ABC's who submitted draft budgets in excess of the budget targets provided, to encourage them to submit potential opportunities for reductions and to be prepared to address the impacts of a reduction to their budget to achieve the budget target.
- 3) Given the magnitude of their submitted increase, representatives from Middlesex-London Paramedic Service be invited to attend a future meeting of the Strategic Priorities and Policy Committee to provide an overview of their anticipated budget pressures and potential opportunities for reductions in their budget submission.

ABC's represent a significant portion of the net property tax supported budget as illustrated in Figure 3. As such, Civic Administration believes it is imperative that the ABC's also provide options to reduce the tax levy pressures in order to bring the overall tax levy increase closer to Council's target.

Figure 3 – Proportion of Net Property Tax Supported Budget (2019)



With the limited amount of time prior to budget tabling on December 9th, it will not be possible to include these business cases for potential reductions in the tabled budget document. Therefore, Civic Administration intends to provide these business cases at the regularly scheduled Strategic Priorities and Policy Committee meeting on January 7, 2020. This will allow these business cases to be available for public review and input at the scheduled Budget Open Houses on January 11th and January 15th, as well as the Public Participation Meeting on January 23rd so that Council can receive feedback from the public.

CONCLUSION

The City of London is facing significant budgetary pressures for the 2020-2023 Multi-Year Budget in excess of the Council-endorsed budget target. The draft submitted budgets currently require a 4% tax levy increase in 2020 with an average annual increase of 3.2% over the 2020-2023 Multi-Year Budget period, excluding any potential additional investments that Council wishes to make. Civic Administration is requesting direction to prepare business cases for potential reductions for Council’s consideration and to engage with agencies, boards and commissions who have submitted budget increases in excess of the prescribed target to provide similar opportunities for budget reductions.

PREPARED BY:	RECOMMENDED BY:
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