



# 2013 Budget - IEPC & Other Considerations

# Where Are We?



	\$ millions Incr/ (Decr)	Tax Levy Impact	Avg Taxpayer Annual Impact
<b>Tax Levy from Rates ...As of Friday (Decision Points 1 &amp; 2)</b>	7.1	1.5%	\$35
<b>Cost of IEPC Initiatives (Decision Point 3)</b> Repurpose London Hydro Loan Interest from general revenues to Economic Development	4.2	0.9%	\$22
<b>Cost of Other Considerations (Decision Point 4)</b> Normal School, Overnight Parking, Grants, Economic Development Resource (staff and consultants)	2.1	0.4%	\$10
<b>Tax Levy from Rates ...After Decision Points 3 &amp; 4</b>	?	?	?



IEPC

# IEPC Recommendations

## Funding Options



- **Increase Taxes** – necessary for immediate cash or to cover debt service payments
- **Cut Services** – this would require service cuts beyond those already included in “The Path to Zero”
- **Debt Financing** – this will increase taxes in future years and/or impact other services
- **Asset Sale/Disposal** – this is a longer term solution and may have some initial cost associated with it

# IEPC Recommendations (\$ millions)



Proposal	Description	Ops Cost 2013
Kilmer	Development of lands at 111 Horton St. No capital funds required <b>but</b> potential cost to relocate London Hydro.	\$0.0
Grand Theatre *	Development of performing arts space. No capital funds required but cost to donate parking lot at 185 Queens Ave (estimated value \$2.2 million due to lost parking revenue).*	\$0.2*
Music London *	Development of performing arts space. Total capital request \$10 m*	\$1.0*
Industrial Lands Development Strategy	Develop strategically located serviced lands for LEDC to market. Total capital request \$40 m	\$4.0
Medical Research Fund	Funding for medical research to leverage support from private and government sources. Total request \$10 m	\$1.0
Employment Program Strategy	Joint proposal from Employment Sector Council London Middlesex (ESCLM) and London Middlesex Immigrant Employment Council (LMIEC). Total request \$0.2 m	\$0.1
	<b>Total including Grand Theatre Required</b>	<b>\$5.3</b>
	<b>Total including Music London Required</b>	<b>\$6.1</b>

\* Only one performing arts space will be going forward. Community consultation will be included as part of the decision making process.

**Budget**  
2013

# Economic Development RF (\$ millions)

## Current State



	2013	2014	2015	2016	2017 - 2021
<b>Reserve Fund - Balance Forward</b>	<b>4.2</b>	<b>5.5</b>	<b>7.8</b>	<b>7.5</b>	<b>8.9</b>
Contributions from property tax	2.9	3.9	3.9	3.9	19.5
Contribution from Wastewater (planned)	0.5	0.5	0.5		
Interest	0.1	0.1	0.1	0.1	1.3
<b>Available Balance</b>	<b>7.7</b>	<b>10.0</b>	<b>12.3</b>	<b>11.5</b>	<b>29.7</b>
<b>Drawdowns</b>					
Fanshawe - Downtown Campus for the Arts	1.5	1.5	1.5	1.5	5.0
Digital Media Centre	0.7	0.7	0.7	0.7	3.1
Medical Devices Initiative			0.2	0.4	0.8
401 Lands Servicing			2.5		-
<b>Total Drawdowns</b>	<b>2.2</b>	<b>2.2</b>	<b>4.9</b>	<b>2.6</b>	<b>8.9</b>
<b>RF Balance with Interest</b>	<b>5.5</b>	<b>7.8</b>	<b>7.5</b>	<b>8.9</b>	<b>20.8</b>

- Contributions reflect approved \$1.1 million decrease in 2013 (business case #12) plus planned \$1.0 million increase in 2014
- Drawdown for Fanshawe Arts Campus (\$20.0 million) complete in 2019
- Drawdown for Digital Media Centre (\$6.0 million) complete in 2021
- Drawdown for Medical Devices Initiative (\$2.0 million) complete in 2018

# Funding Options

## Current State



### London Hydro

- \$70 million note payable @ 6% = \$4.2M operating contribution (General Revenue ...helps reduce tax levy requirement)
- **Report of the Ontario Distribution Sector Review Panel**, 2012 released and recommends the following:

*Many municipalities hold promissory notes from their LDCs that were taken out at the time of the utilities' transformation into corporations under the OBCA. These notes have frequently continued to bear the higher interest rates that were common at the time. Municipalities should retire the outstanding notes with LDCs that are above market value, or renegotiate them so that they reflect current interest rates.*



# IEPC Potential Funding Impact



	\$ millions Incr/(Decr)	Tax Levy Impact
<b>Cost of IEPC Initiatives (Decision Point 3)</b> ( <i>Industrial Land, Medical Research Fund, Employment Program Strategy, Performing Arts Space</i> )	6.1	1.3%
<b>Source of Funding:</b>		
• Assessment Growth	-2.5	(0.5%)
• Interest Revenue from re-investment of \$70 million	-2.5	(0.5%)
• Renegotiate dividend from London Hydro	-1.1	(0.3%)
<b>Total Source of Funding</b>	<b>-6.1</b>	<b>(1.3%)</b>
<b>Repurpose Hydro Loan Interest from general revenues to economic development reserve fund contribution</b>	<b>4.2</b>	<b>0.9%</b>
<b>Potential Impact on Tax Levy from Rates</b>	<b>4.2</b>	<b>0.9%</b>



# IEPC Recommendations

## Funding Recommendations



1. Require London Hydro to renegotiate loan on open market and return \$70 million principal to City of London. In addition, the following actions should be approved:
  - a. INCREASE tax levy from rates by 0.9% or \$4.2 million to replace the lost interest from London Hydro.
  - b. Invest full \$70 million with the banks investment group and direct interest earned to economic development reserve fund to help fund the above plan, it being noted that the \$70 million needs to be retained intact.
  - c. Request London Hydro increase the annual dividend to reflect the reduction in interest cost and direct this increase in dividend to the economic development reserve fund.
2. Use \$2.5 million from assessment growth to fund IEPC on an on-going basis
3. Review the potential sale or disposal of “assets that are owned by the municipality and provide non-core services, as deemed by Council.” (*Report on Capital Assets & Revenue Alternatives*, Nov 8, 2011)



# Other Considerations

# Other Considerations (\$ millions)



Proposal	Description	Net Cap Cost	Ops Cost 2013
<b>Normal School</b>	Purchase and renovate Normal School for use by YMCAWO		
<b><u>STILL IN NEGOTIATION</u></b>	<b>Estimated Net Capital Cost</b> including: <ul style="list-style-type: none"> <li>• purchase of land and building</li> <li>• renovations to meet building code, AODA, and Day Nurseries Act requirements</li> <li>• YMCA one-time capital contribution</li> </ul>	\$10.2	
	<b>Annual Debt Financing Cost</b>		\$1.3
	<b>Net Annual Revenue</b> including: <ul style="list-style-type: none"> <li>• YMCA annual lease payment*</li> <li>• City's contribution to capital reserve fund</li> </ul>		\$(0.3)
	<b>Net Annual Increased Operating Expenditure (for 10 years)</b>		\$1.0
	<b>Tax Levy Increase Required</b>		0.2%

\* Annual Operating Costs to be covered by YMCA

# Other Considerations (\$ millions)



Proposal	Description	Ops Cost 2013
<b>Overnight Parking</b>	Overnight parking rates included in budget overturned by Council in December 2012 (\$85,000 impact in 2013; \$260,000 impact ongoing)	\$0.3
<b>Grant Requests</b>	New requests for grants through budget process	\$0.35
<b>Economic Development Resources</b>	Additional staff/consulting to handle economic development analysis and implementation.	\$0.4
<b>Total</b>		<b>\$2.05</b>

# Other Considerations

## Potential Funding Impact



	\$ millions Incr/ (Decr)	Tax Levy Impact
<b>Cost of Other Considerations (Decision Point 4)</b>		
• Normal School	1.0	0.2%
• Overnight Parking	0.3	0.06%
<b>Potential Impact on Tax Levy from Rates</b>	<b>1.3</b>	<b>0.26%</b>

# Other Considerations

## Funding Recommendations



1. **Normal School** - increase tax levy by \$1.0 million to cover debt servicing costs
2. **Overnight Parking** – increase tax levy by \$0.3 million to offset lost revenue
3. **Grants** – Take no action
4. **Resources for economic development** – Take no action

# Remaining Recommendations



## 3 (I) Recommendation:

That assessment growth **BE ALLOCATED** toward the following, in accordance with the Municipal Council's Assessment Growth Policy:

- i) \$1.8 million to Programs and Projects related to servicing an expanding city
- ii) \$2.5 million to Debt Reduction on a one-time basis
- iii) \$2.5 million Tax Levy Reduction from Rates with the \$2.5 million reduction in rate support being allocated to **INCREASE** contribution to the Economic Development Reserve Fund on an on-going basis



# Remaining Recommendations



## 4 (i) Recommendation:

That the Reserve Fund Overview and Analysis Schedules **BE APPROVED**; it being noted that the projections are subject to annual review and adjustment.

# Remaining Recommendations



## 4 (j) Recommendation:

That the Civic Administration **BE DIRECTED** to bring forward any necessary by-laws regarding the 2013 Operating and Capital Budgets for introduction at the Municipal Council meeting on February 28, 2013.

## 4 (k) Recommendation:

That the Civic Administration **BE AUTHORIZED** to accommodate the 2013 budget transfers that are considered “housekeeping” in nature, and do not impact the Corporate Net Operating Budget.

# Remaining Recommendations



## 4 (I) Recommendation:

i) the 2013 Tax Levy **BE ADOPTED** in the amount of \$\_\_\_\_\_; it being pointed out that the tax levy represents an approximate \_\_\_\_\_% increase/decrease over the 2012 tax levy after recognizing \$\_\_\_\_\_ of increased taxation from assessment growth; and

ii) the Managing Director, Corporate Services & City Treasurer, Chief Financial Officer and the City Clerk **BE AUTHORIZED** to prepare the 2013 Tax Levy By-law and to submit it to the Municipal Council for enactment at the appropriate time.