

Report to Corporate Services Committee

To: Chair and Members
Corporate Services Committee

From: Anna Lisa Barbon, CPA, CGA, Deputy City Manager, Finance Supports

Subject: London Downtown Business Association 2022 Proposed Budget - Municipal Special Levy

Date: January 10, 2022

Recommendation

That, on the recommendation of the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer, the following actions be taken with respect to the London Downtown Business Association:

- a. The London Downtown Business Association proposed 2022 budget submission in the amount of \$1,845,838 **BE APPROVED** as outlined in Schedule “A”.
- b. The amount to be raised by the Corporation of the City of London for the 2022 fiscal year for the purposes of the London Downtown Business Association and pursuant to subsection 208(1) of the Municipal Act, 2001 **BE FIXED** at \$1,905,238.
- c. A special charge **BE ESTABLISHED** for the amount referred to in part b, above, by a levy in accordance with By-law CP-2 as amended; it being noted that the special charge shall have priority lien status and shall be added to the tax roll pursuant to subsection 208(7) of the Municipal Act, 2001; and
- d. The attached by-law (Schedule “C”) with respect to Municipal Special Levy for the London Downtown Business Association **BE INTRODUCED** at the Municipal Council meeting on January 25, 2022.

Linkage to the Corporate Strategic Plan

Council’s 2019 to 2023 Strategic Plan for the City of London identifies “Growing Our Economy” and “Leading in Public Service” as strategic areas of focus. These involve working better together for economic growth with Business Improvement Areas (BIA’s) of London and continuing to build strong working relationships with such community partners. In line with these areas of focus, the City provides guidance to the BIA’s in regard to establishment and ongoing business and financial operations. The City also acts as the intermediary with respect to collecting the approved levy amounts which fund services provided to the BIA members and thus promote continued growth in London’s economy.

Analysis

1.0 Background Information

1.1 Previous Reports Related to this Matter

Corporate Services Committee, January 18, 2021, Agenda item 2.6, London Downtown Business Association 2021 Proposed Budget – Municipal Special Levy. This report can be found on the City’s website by visiting:

<https://pub-london.escribemeetings.com/filestream.ashx?DocumentId=76695>

2.0 Financial Impact/Considerations

On October 21, 2021, the Board of Management of the London Downtown Business Association (LDBA) approved the 2021 budget (Schedule “A”) which was presented to the members at the Annual General Meeting on November 12, 2021.

Under subsection 205(2) of the Municipal Act, 2001, a business improvement area (BIA) must submit an annual budget to Council that Council may approve in whole or in part, but may not add expenditures. The LDBA has met this requirement in Schedule "A", noting the 2022 total expenditure budget of \$1,845,838.

Civic Administration provides the following comments based on its review of LDBA's submission:

- a) The LDBA submitted a 2022 budget of \$1,845,838 which represents a decrease of \$126,444 (6.4%) compared to its 2021 budget of \$1,972,282. The total decrease in revenue is a result of the following:
 - i. The Municipal Special Levy increased by \$28,156 to \$1,905,238. This 1.5% increase is a board decision to re-align the budget for 2022 following a budget reduction of 2% in 2021.
 - ii. The Tax Write Offs/Allowance budget has been reduced by \$40,000 to \$90,000 in 2022 to better align with 2021 experience.
 - iii. The budget for Draw from Operating Fund has reduced by \$195,000 to \$29,000 in 2022. The draw in 2021 was higher than usual to use up the operating surplus from 2020 and stimulate economic recovery.
- b) Significant changes to expenditures in 2022 include:
 - i. Wages and Benefits - A decrease of \$71,200 from 2021 budget due to staff changes in 2022 (two less full-time employees partially offset by wage increases for two other positions).
 - ii. Business to Business – An increase of \$16,500 in 2022 as a new program is introduced to encourage business drop-ins, allowing merchants to drop in and visit with their neighbours while sharing ideas and best practices.
 - iii. Member Services and Retention –The recruitment portion of this expenditure decreased by \$65,000 in 2022, which was transferred to a new expenditure line, Recruitment through Mainstreet.
 - iv. Public Safety Member Liaison – This expenditure line was reduced to \$0 but this function will still be provided under Member Services and Retention. This initiative was part of LDBA's strategic plan to realign staffing requirements to achieve cost effectiveness.
 - v. Recruitment through Mainstreet – This new expenditure line was created to enhance the effectiveness of the Mainstreet operation. The budget of \$120,000 came from the \$65,000 transferred from Member Services and Retention (as described in iii. above) plus \$55,000 of the reduction to the line for Public Safety Member Liaison (as described in iv. above).
 - vi. Communication and Marketing – An increase of \$20,500 from the 2021 budget to build a value proposition and establish a new business recruitment marketing campaign and tools.
 - vii. Data Management and Research - \$65,000 has been budgeted in 2022 to initiate a new program which will involve data collection, white papers, grant applications and best practices.
 - viii. Campaigns and Street Activation – This expenditure budget has doubled to \$104,000 in 2022 to provide a new focus on more small activations and a signature event each year. The 2021 budget was insufficient. LDBA received extra one-time funding from the City for a holiday market in 2021, along with extra funds from the LDBA budget to create a successful signature event that they plan to continue in 2022.
 - ix. Mainstreet Grant Programs – The budget from 2021 declined by half to \$100,000 in 2022 as there are no COVID-19 grant plans for 2022.
 - x. Public Art - \$21,000 is budgeted to undertake two projects with Tourism London in 2022.
 - xi. Cleaning and Maintenance – A decrease of \$33,000 from the 2021 budget reflecting new costs from a recently completed RFP for this service.

- c) LDBA did not provide a separate budget for Mainstreet London because all expenditure will be funded by LDBA.

At the time of submitting this report, audited 2021 financial statements were unavailable. Estimates received by LDBA indicated that there is a projected year-end surplus of \$44,271 for 2021. The unaudited projected December 31, 2021, reserve fund balance is \$218,782 and the unaudited projected balance in the Operating Fund is \$613,668 including year-end adjustments.

Conclusion

The owners of business property within the BIA will be responsible for payment of \$1,905,238 to be raised by the Corporation for the 2022 fiscal year for the purposes of LDBA and pursuant to subsection 208(1) of the Municipal Act, 2001. Upon Council approval, the City of London will pay the LDBA 50% of the budgeted Municipal Special Levy, with the remaining 50% to be paid on or after June 30th.

Prepared by: Nathan Asare-Bediako, CPA, CGA, Financial Business Administrator

Alan Dunbar, CPA, CGA, Manager, Financial Planning and Policy

Submitted by: Kyle Murray, CPA, CA, Director, Financial Planning and Business Support

Recommended by: Anna Lisa Barbon, CPA, CGA, Deputy City Manager, Finance Supports

Schedule "A"

London Downtown Business Association 2021 Proposed Budget with 2020 Comparators

Revenue Overview

Revenue Detail:	2020 Audited Actuals	2021 Approved Budget	2021 Projected Actuals	2021 Projected Variance	2022 Proposed Budget	Percentage of Total Revenue	Increase/ Decrease over 2021	Percentage Budget Change over 2021
Municipal Special Levy	1,915,390	1,877,082	1,877,082	0	1,905,238	103.2%	28,156	1.5%
Tax Write Offs/Allowance	-68,207	-130,000	-100,000	30,000	-90,000	-4.9%	40,000	-30.8%
Net Municipal Special Levy	1,847,183	1,747,082	1,777,082	30,000	1,815,238	98.3%	68,156	3.9%
Draw from Operating Fund	0	224,000	224,000	0	29,000	1.6%	-195,000	-87.1%
Interest Income	2,745	1,200	2,015	815	1,600	0.1%	400	33.3%
Funding from City for Holiday Market	0	0	90,061	90,061	0	0.0%	0	0.0%
Miscellaneous Income	6,254	0	0	0	0	0.0%	0	0.0%
Total Revenue	1,856,182	1,972,282	2,093,158	120,876	1,845,838	100.0%	-126,444	-6.4%

Expenditure Overview

Expenditure Detail:	2020 Audited Actuals	2021 Approved Budget	2021 Projected Actuals	2021 Projected Variance	2022 Proposed Budget	Percentage of Total Revenue	Increase/ Decrease over 2021	Percentage Budget Change over 2021
Administration	0	0	0	0	0	0	0	0
Wages and Benefits	490,548	641,200	649,616	-8,416	570,000	30.9%	-71,200	-11.1%
Telephone	10,331	12,000	8,925	3,075	10,000	0.5%	-2,000	-16.7%
Stationery and Supplies	3,376	4,000	6,512	-2,512	4,000	0.2%	0	0.0%
Insurance	7,637	7,600	7,600	0	7,700	0.4%	100	1.3%

Expenditure Detail:	2020 Audited Actuals	2021 Approved Budget	2021 Projected Actuals	2021 Projected Variance	2022 Proposed Budget	Percentage of Total Revenue	Increase/Decrease over 2021	Percentage Budget Change over 2021
Professional Services	14,963	3,500	1,889	1,611	4,000	0.2%	500	14.3%
Purchase and Leasing Equipment	14,858	15,000	15,557	-557	15,000	0.8%	0	0.0%
Training/ Conferences	4,800	18,000	13,500	4,500	18,000	1.0%	0	0.0%
Meetings and Meals	369	4,000	600	3,400	4,000	0.2%	0	0.0%
Subscriptions/ Memberships	3,975	3,600	3,763	-163	3,800	0.2%	200	5.6%
Legal & Audit	5,607	5,000	19,992	-14,992	8,000	0.4%	3,000	60.0%
Cleaning	5,482	7,700	4,200	3,500	7,700	0.4%	0	0.0%
Board Development & Expenses	384	3,000	640	2,360	3,000	0.2%	0	0.0%
Miscellaneous Expenses	332	1,000	840	160	1,000	0.1%	0	0.0%
Total Administration	562,659	725,600	733,634	-8,034	656,200	35.6%	-69,400	-9.6%
Rent								
Rent and Hydro	79,538	83,000	81,000	2,000	83,000	4.5%	0	0.0%
Total Rent	79,538	83,000	81,000	2,000	83,000	4.5%	0	0.0%
Member Services								
Graffiti Removal	52,200	53,000	52,200	800	53,000	2.9%	0	0.0%
Business to Business	15,000	5,000	500	4,500	21,500	1.2%	16,500	330.0%
Member Services and Retention	0	140,000	82,668	57,332	75,000	4.1%	-65,000	-46.4%
Communications & Marketing	194,963	218,000	246,713	-28,713	238,500	12.9%	20,500	9.4%
Annual General Meeting	7,500	3,900	6,625	-2,725	8,000	0.4%	4,100	105.1%
Data Management and Research	0	0	0	0	65,000	3.5%	65,000	0.0%
Total Member Services	269,663	419,900	388,706	31,194	461,000	25.0%	41,100	9.8%
Business Development								
Downtown Dollars	62,091	60,000	60,000	0	60,000	3.3%	0	0.0%
Campaigns and Street Activations	22,514	52,000	245,400	-193,400	104,000	5.6%	52,000	100.0%

Expenditure Detail:	2020 Audited Actuals	2021 Approved Budget	2021 Projected Actuals	2021 Projected Variance	2022 Proposed Budget	Percentage of Total Revenue	Increase/ Decrease over 2021	Percentage Budget Change over 2021
Event Sponsorships	13,850	33,850	36,000	-2,150	30,000	1.6%	-3,850	-11.4%
Recruitment through MainStreet	0	0	0	0	120,000	6.5%	120,000	0.0%
MainStreet Grant Programs	141,924	200,000	200,000	0	100,000	5.4%	-100,000	-50.0%
Planters	14,124	28,000	28,200	-200	33,000	1.8%	5,000	17.9%
Public Art		0	0	0	21,000	1.1%	21,000	0.0%
Public Safety Member Liaison		75,000	23,032	51,968	0	0.0%	-75,000	-100.0%
Cleaning and Maintenance	144,250	195,000	150,500	44,500	162,000	8.8%	-33,000	-16.9%
Miscellaneous	175	1,932	500	1,432	1,838	0.1%	-94	-4.9%
COVID-19 Response	201,580	80,000	83,915	-3,915	0	0.0%	-80,000	-100.0%
Total Business Development	600,508	725,782	827,547	-101,765	631,838	34.2%	-93,944	-12.9%
Other								
Harmonized Sales Tax	12,186	18,000	18,000	0	13,800	0.7%	-4,200	-23.3%
Miscellaneous	16,264	0	0	0	0	0.0%	0	0.0%
Total Other	28,450	18,000	18,000	0	13,800	0.7%	-4,200	-23.3%
Total Expenditure	1,540,819	1,972,282	2,048,887	-76,605	1,845,838	100.0%	-126,444	-6.4%
Net Surplus/ Deficit	315,364	0	44,271	44,271	0			
Draw from / (Contribution to) Operating Fund	-315,364	0	-44,271	-44,271	0			
Net								

All figures subject to audit.

All figures subject to rounding.

Schedule "B"

Operating Fund

Operating Fund Balance 2020 Audited	793,397
Draw from Operating Fund in 2021	-224,000
2021 Projected Net Surplus	44,271
Operating Fund Balance 2021 Projected	613,668

All figures subject to audit.

All figures subject to rounding.

Reserve Fund

Reserve Fund Balance 2020 Audited	218,782
Draw from Reserve Fund in 2021	0
2021 Contribution to Reserve Fund	0
Reserve Fund Balance 2021 Projected	218,782

All figures subject to audit.

All figures subject to rounding.

Schedule “C”

Bill Number
2022
By-law Number

A by-law to raise the amount required for the purposes of the London Downtown Business Improvement Area Board of Management for the year 2022 in accordance with section 208 of the Municipal Act, 2001.

WHEREAS subsection 5(3) of the Municipal Act, 2001 S.O. 2001, c.25, as amended, provides that a municipal power shall be exercised by by-law;

AND WHEREAS section 9 of the Municipal Act, 2001 provides that a municipality has the capacity, rights, powers and privileges of a natural person for the purpose of exercising its authority under this or any other Act;

AND WHEREAS subsection 10(1) of the Municipal Act, 2001 as amended provides that a municipality may provide any service or thing that the municipality considers necessary or desirable for the public;

AND WHEREAS subsection 10(2) of the Municipal Act, 2001 as amended provides that a municipality may pass by-laws respecting; the financial management of the municipality (paragraph 3) and services or things that the municipality is authorized to provide under subsection 10 (1) (paragraph 7);

AND WHEREAS By-law CP-2, as amended, provides for an improvement area to be known as the London Downtown Business Improvement Area and establishes a Board of Management for it known as the London Downtown Business Improvement Area Board of Management;

AND WHEREAS subsection 208(1) of the Municipal Act, 2001 provides that the municipality shall annually raise the amount required for the purposes of the board of management (of a business improvement area);

AND WHEREAS section 23 of the Municipal Act, 2001 provides that without limiting sections 9, 10 and 11 those sections authorize a municipality to delegate its powers under the Municipal Act, 2001;

AND WHEREAS it is deemed expedient to pass this by-law;

NOW THEREFORE the Municipal Council of The Corporation of the City of London enacts as follows:

1. That the budget for the 2022 fiscal year submitted by the London Downtown Business Improvement Area Board of Management attached as Schedule “A” is approved.
2. The amount to be raised by the Corporation for the 2022 fiscal year for the purposes of the London Downtown Business Improvement Area Board of Management and pursuant to subsection 208(1) of the Municipal Act, 2001 is \$1,905,238.
3. A special charge is established for the amount referred to in section 2 of this by-law by a levy in accordance with By-law CP-2, as amended.
4. The special charge referred to in section 3 of this by-law shall have priority lien status and shall be added to the tax roll pursuant to subsection 208(7) of the Municipal Act, 2001.

5. The administration of this by-law is delegated to the City Treasurer who is hereby authorized and directed to do such things as may be necessary or advisable to carry out fully the provisions of this by-law.
6. This by-law comes into force and effect on the day it is passed.

Ed Holder, Mayor

Michael Schulthess, City Clerk

First Reading – January 25, 2022
Second Reading – January 25, 2022
Third Reading – January 25, 2022