

## Budget Tabling

### 2023 Annual Budget Update

December 6, 2022



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## Budget Document



Accessible online: [www.London.ca/Budget](http://www.London.ca/Budget)

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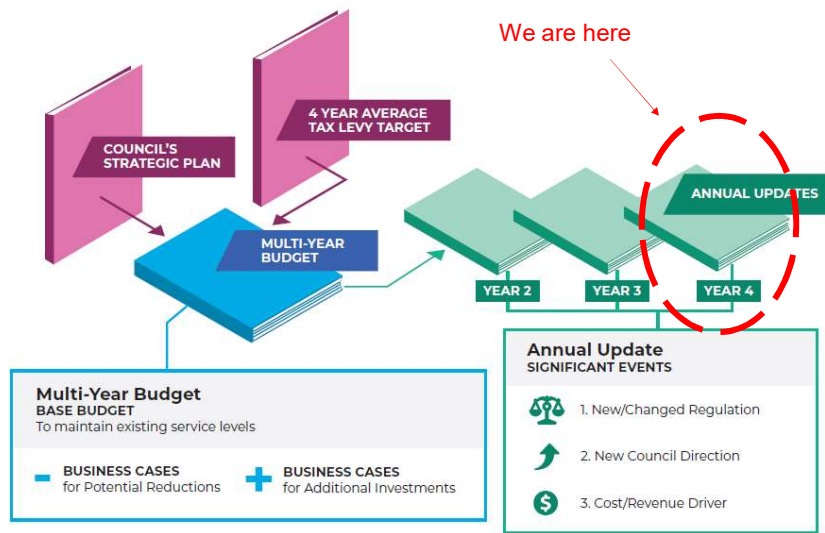
## Agenda

- Refresher: Multi-Year Budget Process & Types of Budget Amendments
- ESG Considerations in the 2023 Budget Update
- Recap: Property Tax Supported Multi-Year Budget after the 2022 Annual Budget Update
- Tax Policy & Key Financial Principles
- Summary of 2023 Budget Update
- Overview of Proposed 2023 Budget Amendments
- 2023 COVID-19 Impacts
- Inflationary Impacts – Operating and Capital Budgets
- Bill 23 Impacts on the Budget
- Key Dates in the 2023 Budget Update Process
- Public Engagement Overview

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## The Multi-Year Budget Cycle at the City of London



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## Categories of Budget Amendments

### 1. New/Changed Regulation

A new or changed legislation or regulation with a financial impact to the municipality

### 2. New Council Direction

A new Council direction that has transpired after the approval of the Multi-Year Budget

### 3. Cost/Revenue Driver

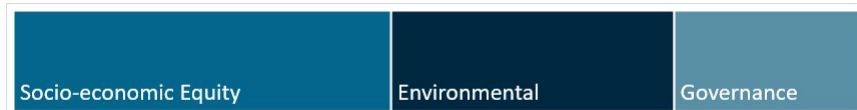
A corporate or service area budget adjustment as a result of a change in economic conditions

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## ESG Considerations in the 2023 Budget Update

- Building on the inclusion of the Environmental, Social and Governance (ESG) section in 2022 budget amendments, the format for considering ESG factors in 2023 budget amendments has been modified to provide for enhanced flexibility.
- While each amendment may not focus on all ESG aspects, all three components are considered and evaluated. Both positive and negative considerations are noted as they may apply to each amendment.
- A graphical “ESG Profile” has also been included in each amendment, highlighting the relative weights of the ESG factors in that amendment:

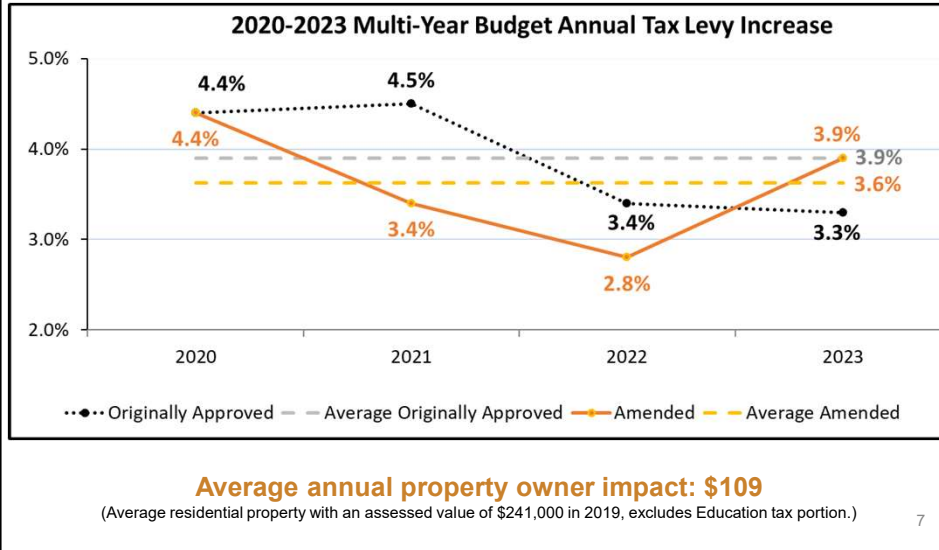


- Further integration of climate and equity impact considerations into other aspects of the City’s budgeting process (e.g., Business Plans, base budgets, etc.) will occur in preparation for the City’s 2024-2027 Multi-Year Budget.

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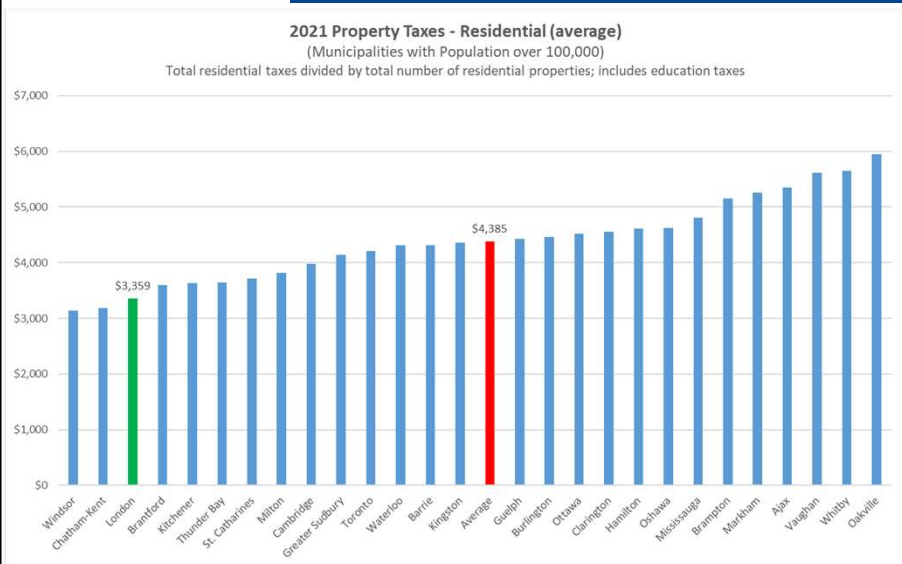
## Recap: Property Tax Supported Budget after the 2022 Budget Update



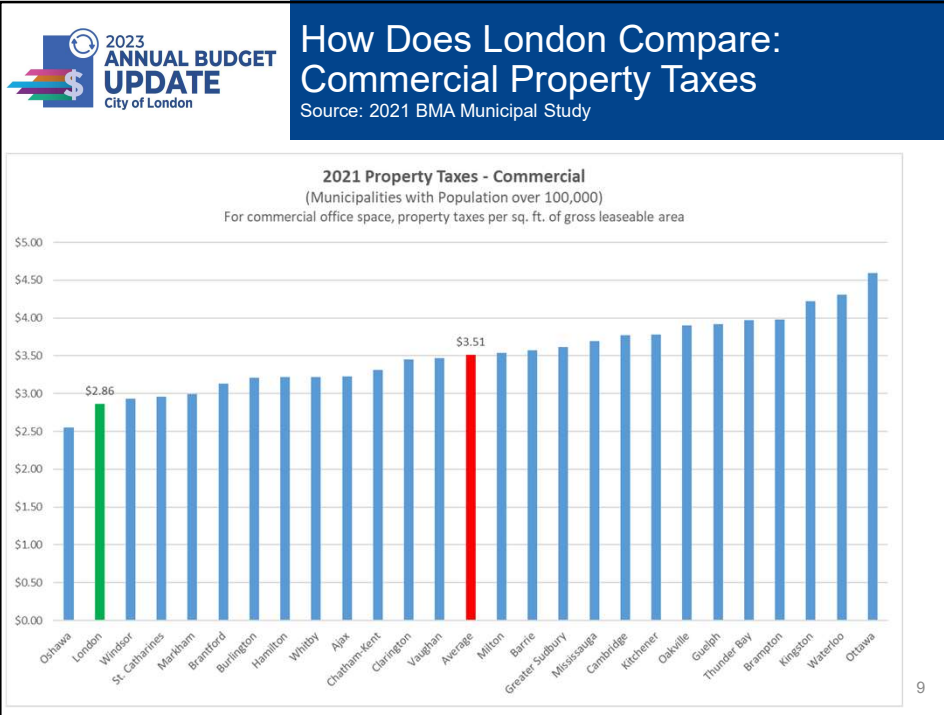
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## How Does London Compare: Residential Property Taxes

Source: 2021 BMA Municipal Study

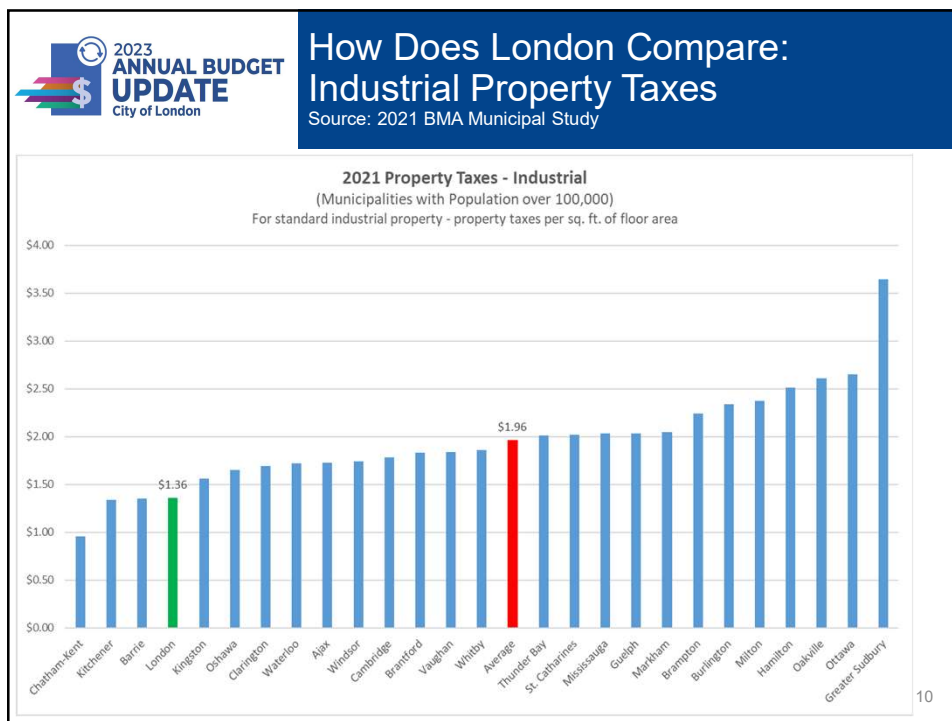


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## Tax Policy

- The actual year over year tax levy increase for a particular property is determined by multiple factors, only two of which are controlled by the City:

Controllable	<ul style="list-style-type: none"> <li>Council approved budget increase</li> <li>Council approved tax policy</li> </ul>
Uncontrollable	<ul style="list-style-type: none"> <li>Education tax policy (Provincial)</li> <li>Change in assessed value of the property (determined by MPAC – an independent not-for-profit corporation)</li> <li>Other Provincial legislation (e.g. introduction of new classes, requirements for the capping of increases, etc.)</li> </ul>

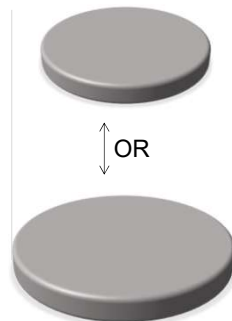
- If the assessed value of a property increases more or less than the class average, the increase will change accordingly
- Tax policy is approved separately **after** budget approval

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## Budget vs. Tax Policy - Illustrated

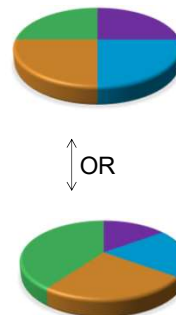
### NET EXPENDITURE BUDGET



"How big is the pie?"

Aggregate amount to be funded by taxpayers

### TAX POLICY



"How is the pie sliced?"

Between property classes: residential, multi-residential, commercial, industrial, etc.

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## Key Financial Principles

- One-time funding is appropriate to fund one-time costs, but should not be used to implement permanent programs with ongoing costs;
- Alternate sources of revenue should be considered to cover only those expenses that are linked to them, to ensure that this funding is not required to support other expenses in the event that the funding is reduced or eliminated;
- Council should avoid taking on services/programs where there is pressure to “fill in” for services/programs that are generally the responsibility of other levels of government;
- When considering new initiatives, consider the total cost of the initiative (both one-time and ongoing operating costs), cash flow requirements and benefits to the community;

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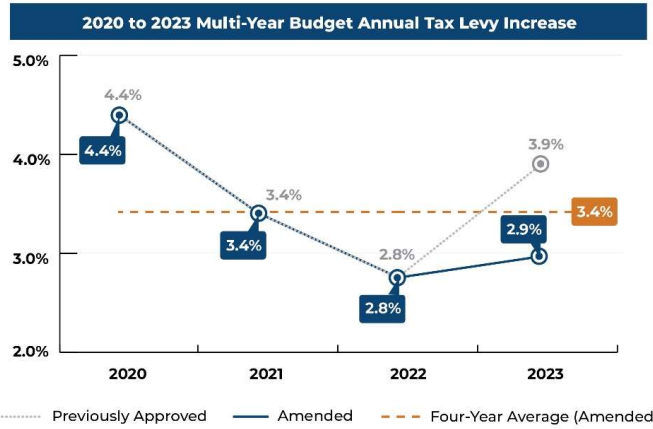
## Key Financial Principles – cont'd

- Avoid taking on more/new services without considering long-term exit strategies;
- The City of London should determine its own capital priorities. New infrastructure programs introduced by the federal and provincial governments should be assessed relative to the capital needs and priorities of the City and ability to fund these initiatives;
- Ensure that reserves and reserve funds are kept at an adequate level to ensure the Corporation maintains sufficient liquidity; and
- Debt is appropriate for certain large-scale growth and service improvement capital projects, but should generally be avoided for lifecycle renewal projects.

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## Summary of the Proposed 2023 Property Tax Supported Budget Update – As Tabled



**Average annual property owner impact: reduced from \$109 to \$101**  
(Average residential property with an assessed value of \$241,000 in 2019, excludes Education tax portion.)

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## Suggested Process for 2023 Budget Deliberations

### Step 1:

Review Recommended Property Tax Supported Operating Budget Amendments

### Step 2:

Review Recommended Property Tax Supported Capital Budget Amendments

### Step 3:

Review For Consideration Property Tax Supported Operating Budget Amendments

### Step 4:

Review For Consideration Property Tax Supported Capital Budget Amendments


### Step 5:

Review Recommended Water and Wastewater & Treatment Budget Amendments


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 <b>Step 1: Recommended 2023 Operating Budget Amendments (\$000's)</b>			
#	Description	Annual Tax Levy Impact	
		2023	2024 & Beyond
P-1	Reductions due to Zero-based Reviews and Other Budget Right-sizing	(\$6,581)	(\$4,996)
	Civic Administration conducts regular reviews of its budgets to ensure resources are aligned with current service level requirements. Permanent budget reductions (reduced expenditures and increased revenues) have been identified that can be implemented without impacting service levels.		
P-2	Ontario Works and Children's Services - Reduction in Required 2023 Investments	(\$1,030)	\$0
	In the 2020-2023 Multi-Year Budget, due to provincial funding changes, Council approved additional funding for the Ontario Works and Child Care programs and for the development of anticipated new child care centres. As a result of COVID-19 related recovery benefits, the Ontario Works program has experienced a decreased caseload along with a decrease in employment related expenses. While caseload has seen growth in 2022, it has not reached the level experienced pre-COVID so part of the investment approved can be reduced without service impact. Furthermore, Child Care cost sharing changes have not yet been reinstated, and transitional funding received can be utilized to offset 2023 costs if necessary. Finally, the development of anticipated child care centres has been delayed due to COVID-19, resulting in savings in 2023 to the municipal portion of Child Care Expansion Plan Funding. <sup>17</sup>		

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 <b>Step 1: Recommended 2023 Operating Budget Amendments (\$000's)</b>			
#	Description	Annual Tax Levy Impact	
		2023	2024 & Beyond
P-3	Roadmap to 3,000 Affordable Units – Portable Benefits & Staff Resources	\$1,794	\$1,794
	On December 7, 2021, Council approved the Roadmap to 3,000 Affordable Units Action Plan and directed a business case be brought forward to the 2023 Annual Budget Update to establish a permanent funding source for the portable housing benefit program and staffing resources required to support the Plan. The portable housing benefit program will provide rent allowances and supplements to tenants to allow access to available market units and is critical to the overall Roadmap.		
P-4	Project Clean Slate	\$200	\$200
	Operated by Youth Opportunities Unlimited (YOU) beginning in 2021, Project Clean Slate helps to address the issue of loose trash and garbage on private property in the Core Area, while also providing employment and development opportunities for youth engaged in YOU programming. Using reallocations within existing budgets, Council funded the Project in 2021 and 2022. This amendment is to establish permanent funding for the program starting in 2023.		


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 <b>Step 1: Recommended 2023 Operating Budget Amendments (\$000's)</b>			
#	Description	Annual Tax Levy Impact	
		2023	2024 & Beyond
P-5	Cybersecurity Infrastructure Expansion and Updates	\$1,009	\$1,009
	The ITS Division faces new and rapidly evolving cybersecurity threats that put the Corporation at significant operational and financial risk in the event of a successful attack. Approval of this recommended amendment will reduce risks to the City of London and enhance information security's defensive measures.		
P-6	1001 Inventions Exhibit	\$125 - \$125* = \$0	\$0
	<p>On February 15, 2022, Council resolved that the recommendations of A London for Everyone: An Action Plan to Disrupt Islamophobia be endorsed. One such recommendation is to explore the feasibility of bringing the 1001 Inventions exhibition to London in October 2023. 1001 Inventions is a not-for-profit award-winning international science and cultural heritage organization that raises awareness of the creative golden age of Arabic Science.</p> <p>* Revenue to support this expenditure is recommended to be drawn from the Community Investment Reserve Fund, resulting in no tax levy impact.</p>		


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 <b>Step 1: Recommended 2023 Operating Budget Amendments (\$000's)</b>			
#	Description	Annual Tax Levy Impact	
		2023	2024 & Beyond
P-7	Land Ambulance – Additional Resources to Address Service Pressures	\$1,759 - \$1,759* = \$0	\$0
	<p>On September 7, 2022, notification was received from County of Middlesex (the service manager for land ambulance services in the City and County) of the anticipated 2023 budget for Middlesex-London Paramedic Service; the City of London's share represents an increase from the previously approved 2023 budget.</p> <p>* As a significant portion of the increase is growth-related, the 2023 increase is proposed to be funded through Assessment Growth revenue in accordance with the Council approved Assessment Growth Policy.</p>		


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<div>  <div>Step 2: Recommended 2023 Capital Budget Amendments (\$000's)</div> </div>			
#	Description	Total Capital Budget Impact	
		2023	2024 & Beyond
P-8	Realignment and Adjustment of Transportation Capital Growth Projects	(\$10,225)	\$25,329
	This amendment relates to several large, complex transportation projects that have and/or are progressing through planning and environmental assessment stages which have provided better information to inform the required budgets and their timing, which are proposed for adjustment in this budget amendment. This budget amendment has <u>no tax levy impact</u> as it can be accommodated within available capital budget funding sources.		
P-9	Project Timeline and Funding Realignment – Regeneration of Public Housing	\$21,000	(\$21,000)
	Amending the timing of funds received through 2020 to 2023 Additional Investment Business Case #21 – Regeneration of Public Housing - will allow LMCH to complete Phase 1 of this project while simultaneously allowing development of a fulsome Regeneration Strategy for the entire LMCH portfolio. This amendment has <u>no tax levy impact</u> , although may impact future debt servicing budgets.		


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<div>  <div>Step 3: For Consideration 2023 Operating Budget Amendments (\$000's)</div> </div>			
#	Description	Annual Tax Levy Impact	
		2023	2024 & Beyond
P-10	Reduction to Previously Approved “For Consideration” Business Cases for Streetlights and Winter Maintenance, and Walkway Maintenance Reductions	(\$936)	(\$936)
	This budget amendment has three parts and has been proposed to help alleviate tax levy pressures through adjusting the funding approach for the previously approved additional investment in Local Improvements for Streetlights, reducing annual walkway maintenance during summers, and reducing the previously approved additional investment in winter maintenance for sidewalks.		
P-11	Reduction in Horticulture Aesthetics	(\$200)	(\$200)
	A reduction to horticulture displays has been identified as a potential budget savings opportunity. This could include the reduction/elimination of the Hanging Basket Program, winter horticultural displays in the core and other horticultural beds that will be grassed in.		


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 <b>Step 3: For Consideration 2023 Operating Budget Amendments (\$000's)</b>			
#	Description	Annual Tax Levy Impact	
		2023	2024 & Beyond
P-12	Reduction to Neighbourhood Playground Program Locations	(\$250)	(\$250)
	The Neighbourhood Playground Program is a free summer program for children aged 6 to 12 with limited registration. The program has been identified as a potential budget saving opportunity, and this amendment would see the program reduced from 22 full day sites to 10 full day sites.		
P-13	Eliminate Printing of Council Agenda Materials	(\$8)	(\$57)
	By ceasing the printing of Council Agenda materials and relying on distribution of electronic copies of such materials, the City can avoid costs of paper and print impression reductions. Further savings in associated print technology and print room labour would be realized following the conclusion of the current Print Room contract in November 2024.		


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 <b>Step 3: For Consideration 2023 Operating Budget Amendments (\$000's)</b>			
#	Description	Annual Tax Levy Impact	
		2023	2024 & Beyond
P-14	Humane Society of London & Middlesex Animal Campus	\$3,000 - \$3,000* = \$0	\$0
	This amendment is a \$3 million request from Humane Society of London & Middlesex that has been referred from the London Community Grants Program Community Review Panel as it was in excess of the available program budget. The one-time grant would support the construction of a new Animal Campus in London. * Funding is recommended to be drawn from the Community Investment Reserve Fund, resulting in no tax levy impact.		
P-15	Increase to Neighbourhood Decision Making Program	\$250	\$250
	On August 2 <sup>nd</sup> , 2022, Council directed staff to include a business case in the 2023 Annual Budget Update for expanding the Neighbourhood Decision Making Program (NDM) by doubling the tax levy funding. The NDM Program engages thousands of residents annually through idea submission and voting. Additional investment in NDM would increase funding available to neighbourhoods, the number of projects considered feasible, and potentially the number of projects implemented.		


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<div>  <div> Step 3: For Consideration 2023 Operating Budget Amendments (\$000's) </div> </div>			
#	Description	Annual Tax Levy Impact	
		2023	2024 & Beyond
P-16	Funding for the Hamilton Road BIA	\$100	\$100
	The budget request from Hamilton Road BIA, dated October 22, 2021, was deferred by Municipal Council to be brought forward as a full business case as part of the 2023 Annual Budget Update. If approved, an annual grant from the City to support the Hamilton Road BIA will be funded through the property tax levy.		
P-17	Reduction to Previously Approved "For Consideration" Business Case – Infrastructure Gap	(\$950)	(\$950)
	This amendment would reduce the Council approved 2020 to 2023 Additional Investment Business Case #4B – City of London Infrastructure Gap. This additional investment provides for increased tax supported contributions to the Infrastructure Gap Reserve Fund to mitigate growth in the City's approximate \$666.9 million 10-year infrastructure gap. Approval of this amendment would result in a decreased contribution of \$950 thousand per year to the Infrastructure Gap Reserve Fund starting in 2023 as a budget reduction opportunity.		


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<div>  <div> Step 4: For Consideration 2023 Capital Budget Amendments (\$000's) </div> </div>			
#	Description	Total Capital Budget Impact	
		2023	2024 & Beyond
P-18	Streetscape Master Plan for Dundas Street – Argyle BIA	\$150	\$0
	As per Council direction, this amendment pertains to developing a Streetscape Master Plan for the Argyle portion of the Dundas Street Corridor, supporting the London Plan vision for Urban Corridors as high-quality spaces with neighborhood amenities including parks, civic spaces and attractive outdoor seating areas, accessible to the public. Funding is recommended to be sourced from the Community Investment Reserve Fund, resulting in <u>no tax levy impact</u> .		

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<div>  <div> Step 5: Recommended Water and Wastewater &amp; Treatment Budget Amendments (\$000's) </div> </div>			
#	Description	Total Capital Budget Impact	
		2023	2024 & Beyond
W-1	Schedule Change for Springbank #2 Water Reservoir Replacement and Expansion	(\$37,581)	\$37,581
	A schedule change to defer the Springbank #2 Water Reservoir Replacement and Expansion (Springbank #2) project due to current construction work at neighbouring reservoirs - Springbank Reservoirs #1 and #3; this work is expected to continue into 2023, which will create a construction conflict with Springbank #2. Delaying construction of this project for one year will eliminate the conflict and is not expected to have an operational impact on the drinking water system. This amendment has no impact on previously approved 2023 water rates.		
W-2	Schedule Changes for Water Growth Projects	(\$8,075)	\$8,075
	The need, scope, and timing of the projects in this budget amendment are under review as part of a servicing study that is expected to be completed by end of 2022 and incorporated in the next Development Charges Background Study. This amendment will allow the study to confirm if these growth projects and their current scopes are appropriate, in the City's best interests, and that the timing aligns with the projected needs for future growth. Constructing these works without the information from the study would risk limited funds being spent on projects that may not be required. This amendment has no impact on previously approved 2023 water rates.		

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<div>  <div> Step 5: Recommended Water and Wastewater &amp; Treatment Budget Amendments (\$000's) </div> </div>			
#	Description	Total Capital Budget Impact	
		2023	2024 & Beyond
WWT-1	Mud Creek East Branch Phase 2 Budget Increase & Related Project Deferrals	\$1,657	\$9,843
	Civic Administration is recommending a budget amendment to increase the 2023 capital budget for Mud Creek Branch Phase 2 project due to the results of a detailed design conducted in fall 2021. The detailed design estimate for constructing this project is \$11.5 million, as such, an associated budget increase for this amount is required in 2023. To accommodate the Mud Creek Phase 2 budget increase in 2023, Civic Administration is recommending deferring \$5 million for project Stormwater Management Contingency Facility from 2023 to 2024 to partially offset the budget increase. Civic Administration is also recommending deferring \$4.8 million budgeted for project Dingman #2 Remediation Stormwater Management Flood Control Facility from 2023 to 2025, as work related to this project is not yet ready to be constructed. This amendment has no impact on previously approved 2023 wastewater rates.		

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## 2023 COVID-19 Impacts

- With the 2021 and 2022 Annual Budget Updates, and continuing with this 2023 Annual Budget Update, budget amendments have been included that allow for a direct response to impacts from the pandemic – demonstrating the flexibility of the Multi-Year Budget process.
- COVID-19 effects continue to result in financial impacts to the City, however these impacts have gradually declined in 2022 as public health restrictions have been lifted. Further moderation is anticipated in 2023.
- Focus will shift to monitoring longer-term changes to behaviours and community trends.
- Funding remains earmarked in our Operating Budget Contingency Reserve should unanticipated COVID-19 financial impacts materialize in 2023.

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## Inflationary Impacts – Operating Budget

- Inflation is currently running at 20-year highs based on many metrics; while municipal spending is not necessarily reflective of the same types of purchases as consumer spending, inflation does nevertheless impact municipal operating budgets.
- There are no budget amendments presented relating solely to inflationary pressures for the operating budget. While some pockets of inflationary pressure have been noted, they are currently being managed through offsetting savings in the overall City budget.
- There is the potential for further pressures to be experienced by the City into the future as certain goods and services purchased through established contracts will come up for renewal.
- Throughout the pandemic, the City of London has strategically set aside funds in contingency reserves from savings resulting from operational adjustments in response to the pandemic. These savings remain available to mitigate unanticipated inflationary pressures through 2023.

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## Inflationary Impacts – Capital Budget

- Supply chain disruptions and increased demand for certain raw materials have resulted in many capital projects in the City's approved capital plan experiencing inflationary pressures.
- Capital projects in the City's 10-year capital plan do account for inflation; however, the 2.4% factor used during the multi-year budget development has been significantly outpaced since the start of 2021.
- Budget amendments have been included in the 2023 Annual Budget Update to secure additional funding for a number of capital projects that are being impacted by inflation and are planned to proceed in 2023.
- In the coming months leading up to the next multi-year budget, easing of supply chain pressures, commodity price moderation, central bank actions, etc. may help moderate future inflationary impacts.
- The 2024 to 2027 Multi-Year Budget will provide the best opportunity for significant changes to the City's capital budget and 10-year capital plan – providing time to monitor inflationary trends over the coming months.

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## Financial Impacts of Bill 23

- On October 25, 2022, the Government of Ontario introduced Bill 23, the *More Homes Built Faster Act, 2022* which proposes changes to the Development Charges Act, Planning Act, Ontario Heritage Act, Municipal Act, Conservation Authorities Act and other statutes.
- As reported to the Strategic Priorities and Policy Committee on November 22, there are many proposed changes with potential financial impacts:
  - Full and partial exemptions of Development Charges (DC's)
  - Mandatory 5-year phase-in of DC rates
  - Changes to eligible capital costs recoverable through DC's
  - Changes to parkland dedication and cash-in-lieu requirements
- Preliminary projections indicate financial impacts of at least \$97 million over a 5-year period. Given the timing of this legislation, changes have not been incorporated in the 2023 Budget Update. Any changes, if required, will be reflected in the 2024-2027 Multi-Year Budget.

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## Key Dates in the Budget Process

What / Where	Date
Tabling of the 2023 Annual Budget Update SPPC at 4:00pm	December 6
Public Participation Meeting SPPC at 4:00pm	January 17
2023 Annual Budget Update Review SPPC at 9:30am	January 26 January 27 (if required)
Final Approval of the 2023 Annual Budget Update Council at 1:00pm	February 14

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## Upcoming 2023 Budget Update Public Engagement Activities

Description	Date
Social Media & Digital Advertising	Ongoing through Budget Approval
Budget Webpage ( <a href="http://www.london.ca/budget">www.london.ca/budget</a> ) – all materials available	Ongoing
GetInvolved.London.ca Website – education & guidance on how to get more information or submit feedback	Ongoing
Budget Open Houses (same content at both sessions) City Hall, Committee Room 1, 2 <sup>nd</sup> Floor	January 12 12:00pm or 6:00pm
Virtual Budget Information Session Link accessible via GetInvolved.London.ca	January 14 10:00am
Public Participation Meeting	January 17 SPPC at 4:00pm
Support for Councillors' Engagement Activities	As Requested
Meetings with Community Groups & Advisory Committees	As Requested
Phone Calls (519-661-4638), E-mails ( <a href="mailto:budget@london.ca">budget@london.ca</a> )	As Requested
E-mail Updates via Newsletter	Ongoing

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