

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 2023 Proposed Budget - Municipal Special Levy

Date: January 9, 2023

Recommendation

That, on the recommendation of the Deputy City Manager, Finance Supports, the following actions be taken with respect to the London Downtown Business Association:

- a. The London Downtown Business Association proposed 2023 budget submission in the amount of \$1,920,043 **BE APPROVED** as outlined in Schedule “A”.
- b. The amount to be raised by the Corporation of the City of London for the 2023 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 \$1,943,343.
- 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 24, 2023.

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 10, 2022, Agenda item 2.5, London Downtown Business Association 2022 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=88892>

1.2 What is a “Business Improvement Area”?

The Province defines a Business Improvement Area (BIA) as an “innovation that allows local business people and commercial property owners and tenants to join together and, with the support of the municipality, to organize, finance, and carry out physical improvements and promote economic development in their district. Traditionally,

a BIA is a body established by a municipality using the specific business improvement area provisions in the Municipal Act, 2001. It is governed by a board of management. Once a traditional BIA is approved by municipal council, businesses within its boundaries become members and pay the BIA levy along with their property taxes.” Further information regarding the functions, activities and benefits of BIA’s can be found here: <https://www.ontario.ca/document/business-improvement-area-handbook/introduction-business-improvement-areas>

2.0 Financial Impact/Considerations

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 London Downtown Business Association has met this requirement in Schedule “A”, noting the 2023 total expenditure budget of \$1,920,043.

On September 29, 2022, the Board of Management of the London Downtown Business Association (LDBA) approved the 2023 budget (Schedule “A”) which was presented to the members at the Annual General Meeting on November 4, 2022.

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

- a) The LDBA submitted a 2023 budget of \$1,920,043 which represents an increase of \$74,205 (4.0%) compared to its 2022 budget of \$1,845,838. The total increase in revenue is a result of the following:
 - i. The Municipal Special Levy increased by \$38,105 to \$1,943,343. This 2.0% increase is a board decision to account for inflationary pressures to ensure the same level of service is maintained.
 - ii. The Tax Write Offs/Allowance budget has been reduced by \$35,000 to \$55,000 in 2023 to better align with actuals in previous years.
- b) Significant changes to expenditures in 2023 include:
 - i. Wages and Benefits – An increase of \$17,100 from 2022 budget due to wage increases approved by the board.
 - ii. Data Management and Research – A decrease of \$55,000 due to this initiative entering a maintenance phase and no longer requiring additional start-up costs.
 - iii. Communication and Marketing – A decrease of \$11,250 from the 2022 budget due to additional work being completed internally reducing the overall cost.
 - iv. Event Sponsorships – A decrease of \$23,500 from 2022 budget due to implementation of a new application process which reduces overall costs.
 - v. Grant Program through Mainstreet – An increase of \$65,000 from 2022 budget due to additional planned grants in 2023 as there was positive feedback related to these grants in 2021 and 2022.
 - vi. Business Recruitment through Mainstreet – An increase of \$20,000 from the 2022 budget due to a new business recruitment program to reduce vacancies in downtown area.
 - vii. Public Art - An increase of \$12,000 from the 2022 budget reflecting new costs related to a partnership with Tourism London and Dundas Place for new murals.
 - viii. Cleaning and Maintenance – An increase of \$47,380 from the 2022 budget reflecting power washing pilot program being implemented, which has resulted in additional costs.
- c) LDBA did not provide a separate budget for Mainstreet London because all expenditures will be funded by LDBA.

At the time of submitting this report, audited 2022 financial statements were unavailable. Estimates received by LDBA indicated that there is a projected year-end surplus of

\$29,951 for 2022. The unaudited projected December 31, 2022, reserve fund balance is \$198,048 and the unaudited projected balance in the Operating Fund is \$597,169 including year-end adjustments.

Conclusion

The owners of business property within the BIA will be responsible for payment of \$1,943,343 to be raised by the Corporation for the 2023 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: Dylan Dubois, CPA, 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 Improvement Area 2023 Proposed Budget with 2022 Comparators

Revenue Overview

| Revenue Detail: | 2021 Audited Actuals | 2022 Approved Budget | 2022 Projected Actuals | 2022 Projected Variance | 2023 Proposed Budget | Percentage of Total Revenue | Increase/ Decrease over 2022 | Percentage Budget Change over 2022 |
|-----------------------------------|----------------------------|----------------------------|------------------------------|-------------------------------|----------------------------|-----------------------------------|------------------------------------|---|
| Municipal Special Levy | 1,877,082 | 1,905,238 | 1,905,238 | 0 | 1,943,343 | 101.2% | 38,105 | 2.0% |
| Tax Write Offs/Allowance | -36,350 | -90,000 | -90,000 | 0 | -55,000 | -2.9% | 35,000 | (38.9%) |
| Net Municipal Special Levy | 1,840,732 | 1,815,238 | 1,815,238 | 0 | 1,888,343 | 98.3% | 73,105 | 4.0% |
| Draw from Operating Fund | 0 | 29,000 | 0 | -29,000 | 30,000 | 1.6% | 1,000 | 3.4% |
| Government Student Funding | 0 | 0 | 0 | 0 | 0 | 0.0% | 0 | N/A |
| Interest Income | 3,847 | 1,600 | 1,700 | 100 | 1,700 | 0.1% | 100 | 6.3% |
| Miscellaneous Income | 157,970 | 0 | 203,242 | 203,242 | 0 | 0.0% | 0 | N/A |
| Total Revenue | 2,002,549 | 1,845,838 | 2,020,180 | 174,342 | 1,920,043 | 100.0% | 74,205 | 4.0% |

Expenditure Overview

| Expenditure Detail: | 2021 Audited Actuals | 2022 Approved Budget | 2022 Projected Actuals | 2022 Projected Variance | 2023 Proposed Budget | Percentage of Total Revenue | Increase/ Decrease over 2022 | Percentage Budget Change over 2022 |
|---------------------|----------------------------|----------------------------|------------------------------|-------------------------------|----------------------------|-----------------------------------|------------------------------------|---|
|---------------------|----------------------------|----------------------------|------------------------------|-------------------------------|----------------------------|-----------------------------------|------------------------------------|---|

| Administration | | | | | | | | |
|------------------------------------|---------|---------|---------|--------|---------|-------|--------|---------|
| Wages and Benefits | 699,129 | 570,000 | 562,000 | 8,000 | 587,100 | 30.6% | 17,100 | 3.0% |
| Telephone and Internet | 9,789 | 10,000 | 9,500 | 500 | 9,500 | 0.5% | -500 | (5.0%) |
| Stationery and Supplies | 3,988 | 4,000 | 4,000 | 0 | 4,000 | 0.2% | 0 | N/A |
| Insurance | 4,512 | 7,700 | 8,999 | -1,299 | 8,200 | 0.4% | 500 | 6.5% |
| Legal, Audit and Professional Fees | 22,664 | 12,000 | 9,000 | 3,000 | 9,000 | 0.5% | -3,000 | (25.0%) |
| Purchase and Leasing Equipment | 15,894 | 15,000 | 18,000 | -3,000 | 15,000 | 0.8% | 0 | N/A |

| Expenditure Detail: | 2021 Audited Actuals | 2022 Approved Budget | 2022 Projected Actuals | 2022 Projected Variance | 2023 Proposed Budget | Percentage of Total Revenue | Increase/ Decrease over 2022 | Percentage Budget Change over 2022 |
|------------------------------|----------------------------|----------------------------|------------------------------|-------------------------------|----------------------------|-----------------------------------|------------------------------------|---|
| Training/ Conferences | 14,680 | 18,000 | 18,000 | 0 | 18,000 | 0.9% | 0 | N/A |
| Meetings and Meals | 496 | 4,000 | 1,500 | 2,500 | 4,000 | 0.2% | 0 | N/A |
| Subscriptions/ Memberships | 8,189 | 3,800 | 4,080 | -280 | 4,500 | 0.2% | 700 | 18.4% |
| Cleaning | 4,224 | 7,700 | 9,200 | -1,500 | 9,200 | 0.5% | 1,500 | 19.5% |
| Board Development & Expenses | 1,406 | 3,000 | 1,000 | 2,000 | 5,000 | 0.3% | 2,000 | 66.7% |
| Miscellaneous Expense | 943 | 1,000 | 1,750 | -750 | 1,000 | 0.1% | 0 | N/A |
| Total Administration | 785,914 | 656,200 | 647,029 | 9,171 | 674,500 | 35.1% | 18,300 | 2.8% |

| Rent | | | | | | | | |
|-------------------|---------------|---------------|---------------|----------|---------------|-------------|----------|------------|
| Rent and Hydro | 80,226 | 83,000 | 83,000 | 0 | 83,000 | 4.3% | 0 | N/A |
| Total Rent | 80,226 | 83,000 | 83,000 | 0 | 83,000 | 4.3% | 0 | N/A |

| Member Services | | | | | | | | |
|-------------------------------|----------------|----------------|----------------|---------------|----------------|-------------|----------------|----------------|
| Graffiti Removal | 52,200 | 53,000 | 52,500 | 500 | 53,000 | 2.8% | 0 | N/A |
| Member Services and Retention | 105,314 | 96,500 | 79,000 | 17,500 | 96,500 | 5.0% | 0 | N/A |
| Annual General Meeting | 6,560 | 8,000 | 7,000 | 1,000 | 8,000 | 0.4% | 0 | N/A |
| Data Research | 0 | 65,000 | 53,000 | 12,000 | 10,000 | 0.5% | -55,000 | -84.6% |
| Total Member Services | 164,074 | 222,500 | 191,500 | 31,000 | 167,500 | 8.7% | -55,000 | (24.7%) |

| Business Development | | | | | | | | |
|---|---------|---------|---------|---------|---------|-------|---------|---------|
| Communications and Marketing | 273,068 | 238,500 | 255,000 | -16,500 | 227,250 | 11.8% | -11,250 | (4.7%) |
| Event Sponsorships | 269,626 | 104,000 | 104,000 | 0 | 80,500 | 4.2% | -23,500 | (22.6%) |
| Community Led Event Sponsorships | 35,700 | 30,000 | 40,000 | -10,000 | 25,000 | 1.3% | -5,000 | (16.7%) |
| Downtown Gift Card Sponsorships | 60,000 | 60,000 | 60,000 | 0 | 50,000 | 2.6% | -10,000 | (16.7%) |
| Pandemic Response | 80,066 | 0 | 80,000 | -80,000 | 0 | 0.0% | 0 | N/A |
| OBIAA Conference | 0 | 0 | 0 | 0 | 15,000 | 0.8% | 15,000 | 0.0% |
| Grant Program through MainStreet | 100,000 | 100,000 | 100,000 | 0 | 165,000 | 8.6% | 65,000 | 65.0% |
| Business Recruitment through MainStreet | 100,000 | 120,000 | 120,000 | 0 | 140,000 | 7.3% | 20,000 | 16.7% |

| Expenditure Detail: | 2021 Audited Actuals | 2022 Approved Budget | 2022 Projected Actuals | 2022 Projected Variance | 2023 Proposed Budget | Percentage of Total Revenue | Increase/ Decrease over 2022 | Percentage Budget Change over 2022 |
|---|----------------------------|----------------------------|------------------------------|-------------------------------|----------------------------|-----------------------------------|------------------------------------|---|
| Planters | 18,660 | 33,000 | 74,000 | -41,000 | 33,000 | 1.7% | 0 | N/A |
| Public Realm/ Art | 0 | 21,000 | 35,000 | -14,000 | 33,000 | 1.7% | 12,000 | 57.1% |
| Cleaning and Maintenance | 152,196 | 162,000 | 185,000 | -23,000 | 209,380 | 10.9% | 47,380 | 29.2% |
| Miscellaneous | 0 | 1,838 | 1,700 | 138 | 1,368 | 0.1% | -470 | (25.6%) |
| Total Business Development | 1,089,316 | 870,338 | 1,054,700 | -184,362 | 979,498 | 51.0% | 109,160 | 12.5% |
| Other | | | | | | | | |
| Harmonized Sales Tax | 13,342 | 13,800 | 14,000 | -200 | 15,545 | 0.8% | 1,745 | 12.6% |
| Total Other | 13,342 | 13,800 | 14,000 | -200 | 15,545 | 0.8% | 1,745 | 12.6% |
| Total Expenditure | 2,132,872 | 1,845,838 | 1,990,229 | -144,391 | 1,920,043 | 100.0% | 74,205 | 4.0% |
| Net Surplus/ Deficit | -130,323 | 0 | 29,951 | 29,951 | 0 | | | |
| Draw from / (Contribution to) Operating Fund | 130,323 | 0 | -29,951 | -29,951 | 0 | | | |
| Net | 0 | 0 | 0 | 0 | 0 | | | |

All figures subject to audit.

All figures subject to rounding.

Schedule "B"

Operating Fund

| | |
|--|----------------|
| Operating Fund Balance 2021 Audited | 567,218 |
| Draw from Operating Fund in 2022 | 0 |
| 2022 Projected Net Surplus | 29,951 |
| Operating Fund Balance 2021 Projected | 597,169 |

All figures subject to audit.

All figures subject to rounding.

Reserve Fund

| | |
|--|----------------|
| Reserve Fund Balance 2021 Audited | 198,048 |
| Draw from Reserve Fund in 2022 | 0 |
| 2022 Contribution to Reserve Fund | 0 |
| Reserve Fund Balance 2022 Projected | 198,048 |

All figures subject to audit.

All figures subject to rounding.

Schedule “C”

Bill Number
2023
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 2023 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 2023 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 2023 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 \$1,943,343.
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.

Josh Morgan, Mayor

Michael Schulthess, City Clerk

First Reading – January 24, 2023

Second Reading – January 24, 2023

Third Reading – January 24, 2023