

Report to Strategic Priorities and Policy Committee

To: Chair and Members
Strategic Priorities and Policy Committee
From: Anna Lisa Barbon, Deputy City Manager, Finance Supports
Subject: 2024-2027 Multi-Year Budget
Date: April 18, 2023

Recommendation

That, on the recommendation of the Deputy City Manager, Finance Supports:

- a) The Multi-Year Budget Policy (attached as Appendix B) **BE RECEIVED** for information;
- b) Municipal Council **PROVIDE DIRECTION**, for planning purposes, on the desired average annual tax levy increase range for the 2024-2027 Multi-Year Budget; it being noted that an estimated tax levy increase in the range of 2.9% to 3.9% will be required to maintain existing service levels; it being further noted that the 2024-2027 Multi-Year Budget will determine the pace of implementation of the 2023-2027 Strategic Plan and that each additional 1% average annual tax levy increase will result in approximately \$75 million over the four years to invest in Council's priorities;
- c) Civic service areas and the City's agencies, boards and commissions **BE REQUESTED** to develop their 2024-2027 Multi-Year Budgets in accordance with the direction provided by Council and the associated planning assumptions outlined in the City's budget guidelines document;
- d) The 2024-2027 Multi-Year Budget timetable (attached as Appendix C) **BE RECEIVED** for information; it being noted that the tabling of the 2024-2027 Multi-Year Budget is planned for December 12, 2023 at the Strategic Priorities and Policy Committee;
- e) The attached by-law (Appendix D) **BE INTRODUCED** at the Municipal Council meeting on April 25, 2023 to formalize the budget submission deadlines and requirements for the City's agencies, boards and commissions;
- f) The preliminary public engagement plan (attached as Appendix E) for the 2024-2027 Multi-Year Budget **BE ENDORSED**; it being noted that this public engagement plan has been incorporated into the 2024-2027 Multi-Year Budget timetable noted above.

Executive Summary

The City of London's Strategic Plan represents the foundation of the City's Multi-Year Budget process. With the approval of the 2023-2027 Strategic Plan anticipated on April 25, 2023, development of the 2024-2027 Multi-Year Budget can begin. The 2024-2027 Multi-Year Budget represents the City's third iteration since the implementation of multi-year budgeting in 2016.

This report represents the formal kick-off of the 2024-2027 Multi-Year Budget process and seeks Council's direction on the desired average annual tax levy increase for planning purposes. Providing this direction now will enable appropriate parameters to be put in place to guide budget development activities over the spring, summer and fall. There are three primary components that determine the average annual tax levy increase:

- Costs to maintain existing service levels;
- Additional investments; and
- Strategic disinvestments

Significant inflationary challenges have been experienced recently; inflationary pressures started developing in 2021 and continued throughout 2022 and into 2023 due

to COVID-19 induced supply chain disruptions and supply-demand imbalances. Canada has experienced inflationary levels not seen for over 20 years. While the inflationary pressures experienced in the City's operating budget have concentrated in certain areas to date, the inflationary impacts on the capital budget have been more significant and widespread and well beyond the inflationary increases built into the City's 2020-2023 Multi-Year Budget. As a result, there are many projects that require right-sizing to reflect the significant increase in costs that have occurred over the past two years. While inflation has shown signs of moderating in recent months from the highest levels experienced in 2022, costs continue to increase at higher-than-normal levels. While it is hoped that inflationary trends will return to historical levels over the coming quarters, it is not anticipated that outright price disinflation (declines) will be experienced unless there is a significant, unexpected economic shock.

In addition to the inflationary pressures being experienced, the City is also challenged to maintain existing service levels by recent provincial legislative changes, particularly the *More Homes Built Faster Act, 2022* (Bill 23). As outlined in the report titled "Implications of Bill 23, *More Homes Built Faster Act, 2022*" on the agenda for the April 18, 2023 Strategic Priorities and Policy Committee (SPPC) meeting, the *More Homes Built Faster Act, 2022* has significant and wide-reaching impacts on many City services. As outlined in that report, although the Provincial government has committed to addressing funding shortfalls associated with these legislative changes, details of this commitment are unclear at this time. Should additional funding not be provided to offset these impacts on municipalities, this will represent an added pressure on the budget to maintain existing service levels.

Based on these factors, it is estimated that the average annual tax levy increase required to maintain existing service levels will be in the range of 2.9% to 3.9%, it being noted that this is a preliminary estimate that will be refined as detailed budget development is undertaken.

In addition to maintaining existing service levels, the 2023-2027 Strategic Plan included several strategies that were identified as requiring additional funding to implement. While many strategies can be implemented within existing budgetary resources and/or have other sources of funding, Council may wish to invest additional property tax supported funds where alternate funding sources are not available. Civic Administration is seeking direction from Council on the desired average annual tax levy increase range for the 2024-2027 Multi-Year Budget. To help guide Council's discussions on the desired average annual property tax levy increase, it is estimated that each 1% average annual tax levy increase (i.e. 1% additional in every year) corresponds to approximately \$75 million of total additional funding over the 4-year period to implement strategies requiring additional investment; this would represent a total average annual tax levy increase of 3.9% to 4.9%. Similarly, an additional 0.5% average annual tax levy increase would result in approximately \$37.5 million of total additional investment over the period and represent a total average annual tax levy increase in the range of 3.4% to 4.4%. An additional 2% average annual tax levy increase would result in approximately \$150 million of total additional investment over the period and represent a total average annual tax levy increase in the range of 4.9% to 5.9%.

Additional investments, whether requiring additional property tax levy funding or funded through other one-time or non-tax levy sources, will be supported by a business case in the Multi-Year Budget process providing an overview of the initiative, the cost and associated funding sources, the risks of proceeding or not proceeding with it, etc. Council will be provided with a slate of business cases for review that will provide a suggested pacing and timing of the various initiatives requiring additional investment. While Civic Administration may further categorize the business cases (e.g. "recommended" or "for consideration"), the decision-making responsibility will ultimately rest with Council as to which business cases to approve, partially approve, or not approve.

Civic Administration will continue to undertake zero-based reviews and other service reviews throughout the 2024-2027 Multi-Year Budget period. The results of the reviews

will be reported to Council as they are completed. Any budgetary impacts identified will be reflected in a business case in the Multi-Year Budget process, or as a budget amendment in the subsequent annual budget update process. Should Council have specific areas of interest for possible review, Civic Administration seeks this direction as soon as possible in order to conduct the reviews in time for inclusion in the Multi-Year Budget where possible.

This report also addresses several other budget matters:

- 2024-2027 Water and Wastewater & Treatment rates – These rates will be determined after detailed review of the capital plans as well as revenue forecasts for Water and Wastewater. It is anticipated that multi-year Water and Wastewater rates will be brought to Council for approval in fall 2023 alongside other changes to various fees and charges.
- Multi-Year Budget Policy – The Policy is provided for information, it being noted that no changes are being recommended at this time.
- The Budget Timetable and Preliminary Public Engagement Plan are also included in this report, it being noted that tabling of the 2024-2027 Multi-Year Budget is planned for December 12, 2023. Budget deliberations are planned for February 2024 and final Council approval of the 2024-2027 Multi-Year Budget is anticipated March 5, 2024.
- Boards, Commissions or Other Bodies Budget By-law – This by-law has been included to formalize the budget expectations of the City’s agencies, boards and commissions.

Linkage to the Corporate Strategic Plan

Council’s draft 2023-2027 Strategic Plan for the City of London identifies ‘Well-Run City’ as a strategic area of focus. The City of London’s Multi-Year Budget (MYB) process is specifically listed as a strategy under this strategic area of focus: ‘Develop and monitor the Multi-Year Budget to align financial resources with Council’s Strategic Plan.’ The implementation of a MYB signifies that the City is looking beyond a short term focus when planning its finances. This results in improved accountability and transparency over spending changes and helps the City maintain positive operating results, stable debt levels, and strong liquidity, reflected in the continued affirmation of the City’s Aaa credit rating (46 consecutive years).

Analysis

1.0 Background Information

1.1 City of London Multi-Year Budget Process

Council is scheduled to approve the 2023-2027 Strategic Plan for the City of London on April 25, 2023, which is the foundation for the development of the 2024-2027 Multi-Year Budget, the City’s third MYB since the process was first implemented in 2016. The intentional linkage between the Strategic Plan and MYB allows Council to ensure that its priorities are achieved within the financial parameters Council establishes during its term.

While many strategies within the Strategic Plan can be accomplished within current funding levels, some strategies will require additional funding to implement. Linking the Strategic Plan to the budget provides accountability between what is achieved and the cost to the taxpayer. Rather than approving a budget annually, Council will approve budgets for the next four years (subject to annual readoption), with the last year being subject to reconfirmation by the new term of Council. The 2024-2027 Multi-Year Budget will provide the financial resources to implement the 2023-2027 Strategic Plan.

The benefits of multi-year budgeting include:

- Alignment of longer-term goals and objectives with longer-term funding plans;
- A direct linkage to the implementation of the Strategic Plan, including pacing and

associated targets, and contributes to accountability for the implementation of the Plan;

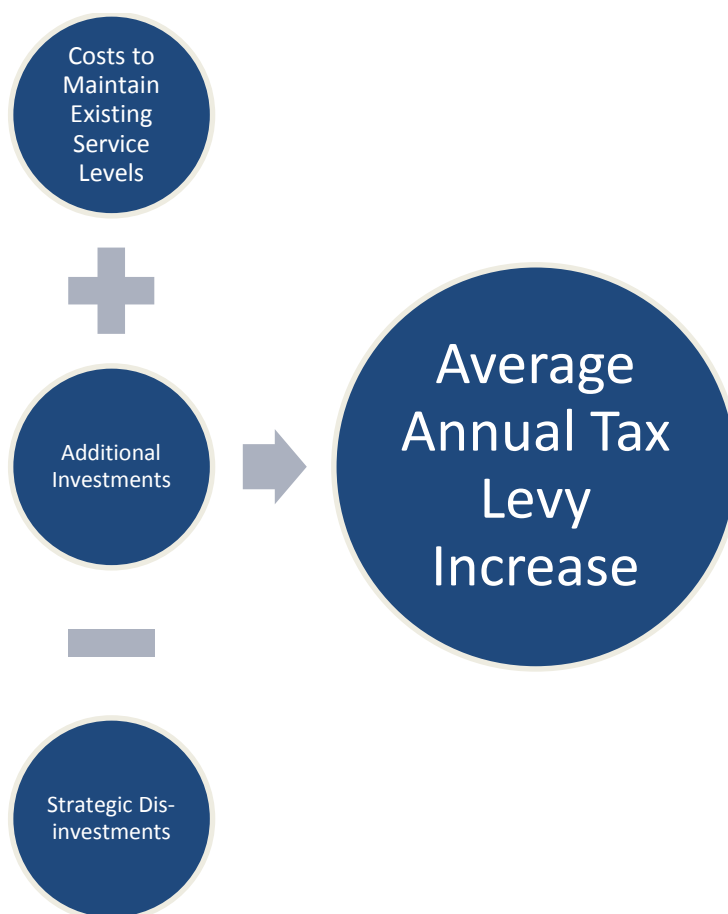
- Greater certainty is provided to taxpayers/residents about the future direction of taxes and the timing of implementation of the Strategic Plan;
- Improved accountability and transparency over spending plan changes (amendments to the Multi-Year Budget);
- Flexible allocation of resources over time to accomplish goals/objectives;
- More efficient use of time and resources as the organization is not in 'perpetual budget mode'; and
- Long-term financial planning supports maintenance of the City's Aaa (stable) credit rating: "...the City of London displays strong governance and management practices, **such as the application of multi-year budgets**, which helps promote stable operations." – Moody's Investors Service Credit Opinion, October 5, 2022

2.0 Discussion and Considerations

2.1 2024-2027 Tax Levy Increase for Planning Purposes

Components of the Tax Levy Increase:

The tax levy increase in a multi-year budget is generally driven by three elements as illustrated by the following graphic:



The following sections elaborate on these components in greater detail.

Maintaining Existing Service Levels (MESL):

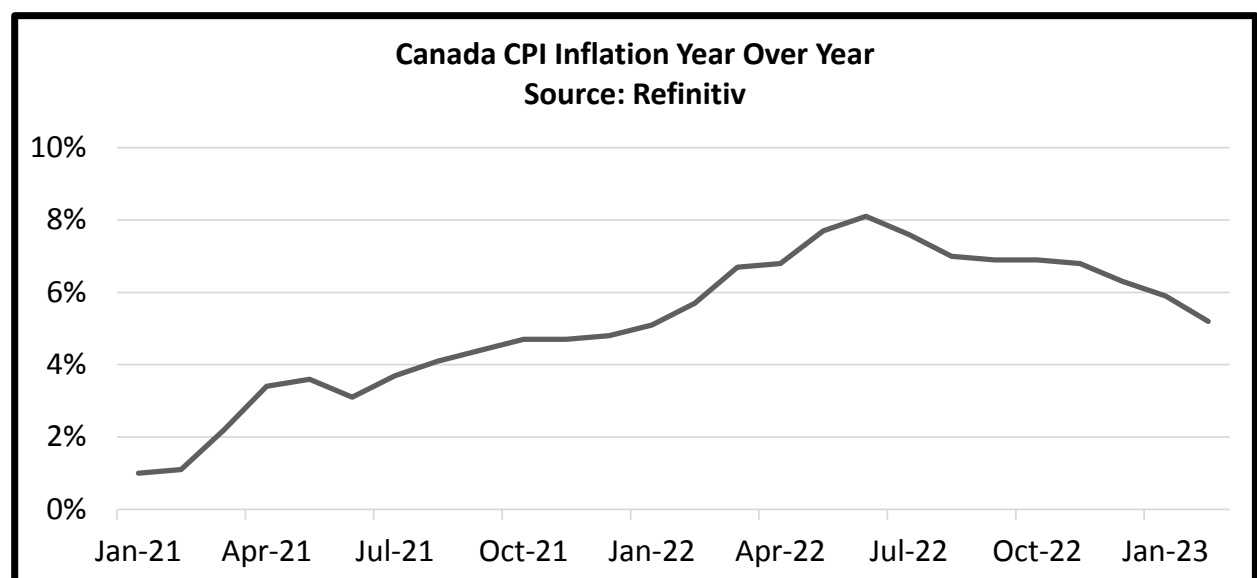
Municipalities, including the City of London, are similar to other individuals, families and businesses in that inflationary pressures impact the cost of delivering the more than 90 services that the City provides. Where the City differs from others is in the nature of goods and services purchased.

While most identify the Canadian Consumer Price Index (CPI) as the primary measure of inflationary pressures, it is important to note that this is one of many inflationary indices.

Municipal governments have their own spending patterns that are different than those of other economic sectors¹ and are different from a household “basket” of goods and services which CPI is meant to represent. These differences are highlighted in the following table:

Consumer Price Index – Basket of Goods/Services	Typical Municipal Spending – Example Basket of Goods/Services
<ul style="list-style-type: none"> • Food • Shelter • Transportation • Clothing and Footwear • Health and Personal Care • Household Operations and Furnishings • Recreation Education and Reading • Alcoholic Beverages and Tobacco • Etc. 	<ul style="list-style-type: none"> • Wages/Salaries and Benefits • Contracted Services • Building Maintenance and Rent • Equipment Purchases, Leases and Maintenance • Debt Servicing Costs • Specialized Supplies and Consumables (fuel, oil, natural gas/propane, electricity, salt, asphalt, chemicals, other construction materials, etc.)

Despite the differences in the nature of goods and services purchased, it is unquestionable that significant inflationary pressures have been experienced recently. As Canada’s economy has emerged from the pandemic, inflationary pressures started developing in 2021 and continued throughout 2022 and into 2023 due to COVID-19 induced supply chain disruptions and supply-demand imbalances. Canada has experienced inflationary levels not seen for over 20 years. While CPI is not necessarily indicative of the “basket” of municipal spending, it is a broad gauge of inflationary pressures within the economy. The long-term CPI target range for the Bank of Canada continues to be one to three percent. Recent levels of inflation have been significantly higher, as illustrated in the graph below, with CPI reaching as high as 8.1% on a year-over-year basis in June 2022, noting that some moderation has been seen in recent months.

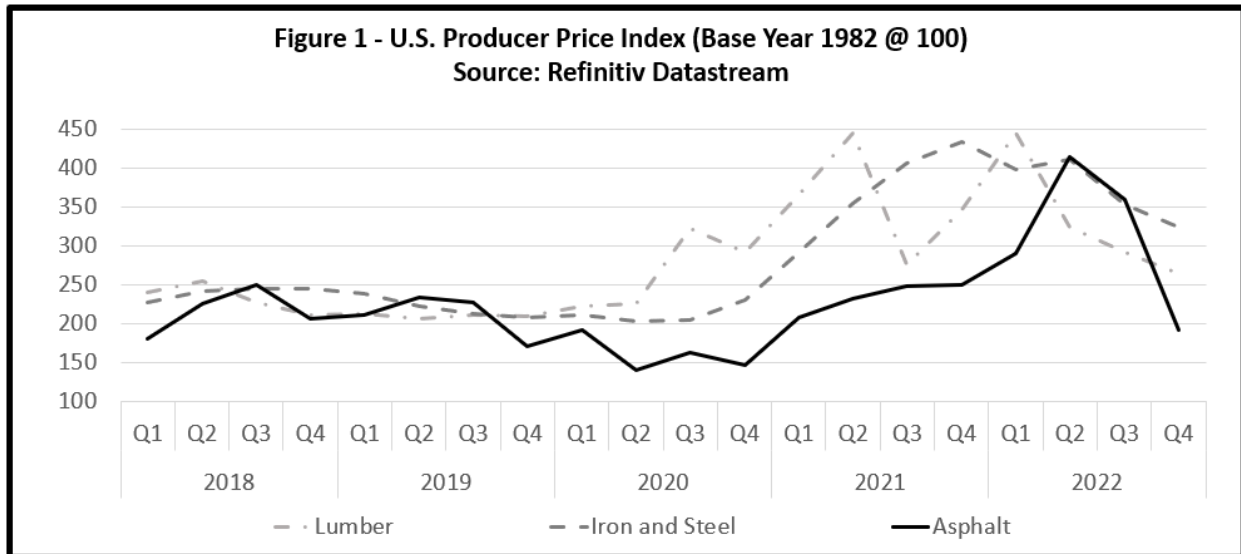


A significant portion of the City of London’s spending is on materials, supplies and labour to support the City’s capital plan. The cost of labour and materials have increased significantly. The following excerpt from the 2022 Year-end Capital Budget Monitoring Report highlights the significance of these increases:

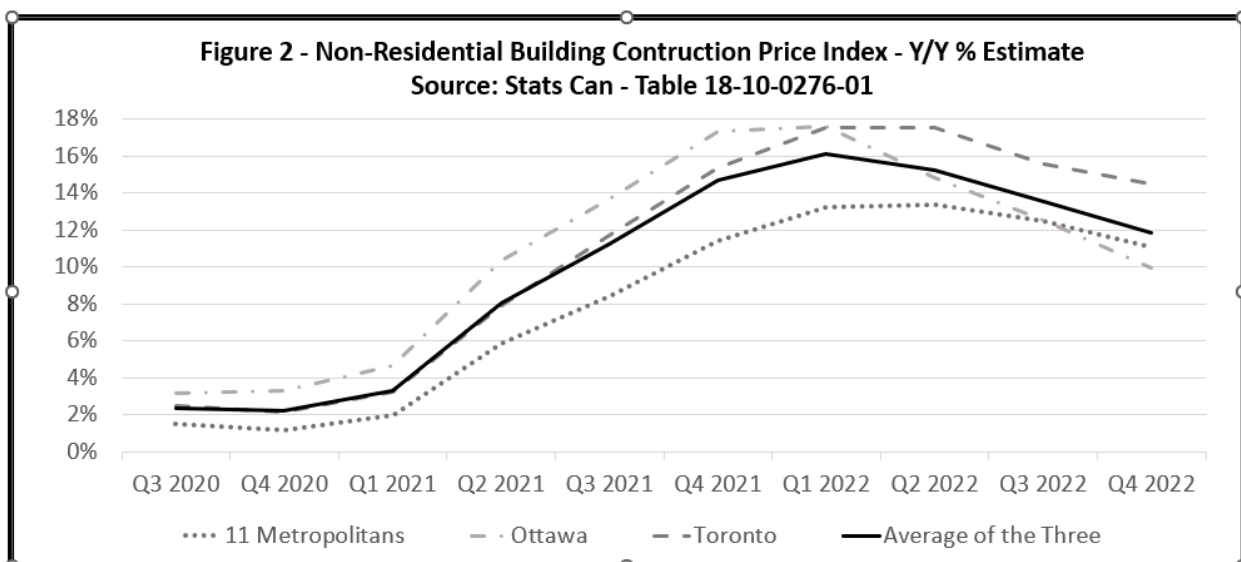
“The U.S. Producer Price Index (Figure 1 – below) is the official monthly measure of producer prices in the economy of the United States, and a good comparator of trends being experienced in Canada. It measures average changes in prices received by domestic producers for their outputs like lumber, iron and steel; the

¹ Developing a Municipal Price Index – Government Finance Review April 2010 – Government Finance Officers Association

prices for lumber and iron and steel have increased 19% and 54% respectively over the Q1 2020 (beginning of the current multi-year budget) to the Q4 2022 period. Interestingly, asphalt prices which were on a similar trend have shown signs of returning to pre-pandemic levels in recent months. Similarly, Statistics Canada tracks various input prices through the Industrial Product Price Index. Since the beginning of 2020 through to December 31, 2022, the price of lumber and other wood products has increased 32% and primary ferrous metal products (e.g. steel) have increased 41%. The Statistics Canada Industrial Product Price Index does not specifically include asphalt. Clearly, therefore, significant price increases for various materials utilized in construction projects have been experienced, not only in Canada but across North America and the world.



These higher input costs are among the factors driving increases in the cost of construction. The Building Construction Price Indexes tracked by StatsCan are a quarterly measure of change in prices that contractors charge to construct a range of new commercial, institutional, industrial (ICI) and residential buildings. Of particular importance to the City of London is the Non-Residential Building Construction Price Index (NRBCPI), which is presented in Figure 2 for the Q1 2020 to Q2 2024 period.”



As the data highlighted above demonstrates, inflationary pressures are a clearly a challenge the City has had to navigate over the past two years. From the operating budget perspective, the City has been quite successful in managing these challenges in-year during 2022, noting that inflationary pressures were generally concentrated in certain pockets of the City’s operating budget (e.g. fuel costs, certain specialized materials and supplies, etc.). However, as articulated in previous Operating Budget Monitoring reports, there is concern that inflationary pressures will continue to be a challenge as fixed price contracts come up for renewal and suppliers pass on increased

costs. As a result, there are certain areas of the operating budget that require right-sizing to address these inflationary pressures.

With respect to the capital budget, inflationary challenges are proving much more prevalent and challenging. While the 10-year capital plan approved in the 2020-2023 Multi-Year Budget did include an inflationary factor of 2.4% per year, inflationary pressures have been experienced at a much higher rate over the past two years. Some near-term projects with inflationary pressures were addressed as part of the 2021 and 2022 Annual Budget Update processes, or through reports to Council associated with construction tender awards. Cost pressures on other projects have been managed by reviewing and modifying the scope of the project to realize cost reductions. However, as noted in the 2022 Year-end Capital Budget Monitoring Report, many projects and programs in the 10-year capital plan still do not fully reflect the funding requirements in order to complete the projects and programs as originally planned. An increase to the budget for these projects will therefore be required to address this “step-change” increase in cost.

While there are signs that inflationary pressures are easing from their highs in 2022 as illustrated in the CPI and NRBCPI charts above, it is important to emphasize that costs are still increasing on a month-over-month and year-over-year basis, well above historical norms. While it is hoped that inflationary trends will return to historical trends over the coming quarters, it is not anticipated that outright price disinflation (declines) will be experienced unless there is a significant, unexpected economic shock.

In addition to the inflationary pressures being experienced, the City is also challenged to maintain existing service levels by recent provincial legislative changes, particularly the *More Homes Built Faster Act, 2022* (Bill 23). As outlined in the report titled “Implications of Bill 23, *More Homes Built Faster Act, 2022*” on the agenda for the April 18, 2023 Strategic Priorities and Policy Committee (SPPC) meeting, the *More Homes Built Faster Act, 2022* has significant and wide-reaching impacts on many City services. Fortunately, many of those impacts can be delayed until the implementation of a new Development Charges (DC) By-law. Subject to the approval of the recommendations in the companion report on this SPPC agenda, the next DC By-law will not come into effect until January 1, 2028, meaning that some financial impacts (such as the mandatory phase-in of DC rates) will not be experienced in this Multi-Year Budget period. However, there are a few changes that will result in financial impacts over the next 4 years, including:

- Funding for required DC exemptions and discounts (e.g. affordable, rental and attainable housing) prescribed in the Act;
- Additional staff resources to address increased volume associated with the *More Homes Built Faster Act, 2022* and other Provincial efforts to increase housing supply.

As outlined in the companion report on this SPPC agenda, although the Provincial government has committed to addressing funding shortfalls associated with these legislative changes, details of this commitment are unclear at this time. Should additional funding not be provided to offset these impacts on municipalities, this will represent an added pressure on the budget to maintain existing service levels.

Based on the above factors, Civic Administration estimates that the tax levy increase to maintain existing service levels will be in the range of 2.9% to 3.9% for the 2024-2027 period. In developing this estimate, the following inputs were taken into consideration in Civic Administration’s modelling:

- Right-sizing of 2023 budgets where opportunities exist to reallocate budgetary resources to offset other pressures;
- Increased costs associated with existing and anticipated collective agreement obligations;
- Required “step-change” increases to certain operating budget lines to reflect the increased cost of those elements based on a preliminary scan conducted by civic service areas and agencies, boards and commissions;

- In addition to the one-time “step-change” in certain operating budget lines, anticipated annual inflationary pressures on non-personnel budget lines, estimated at 2%, based on the assumption that inflation will return to the Bank of Canada’s long-term target over the next few quarters;
- Required adjustments to the capital plan and associated sources of financing to right-size project budgets to be reflective of the higher anticipated cost for various projects in the capital plan;
- In addition to the one-time “step-change” in certain capital projects, anticipated annual inflationary pressures on the capital plan, estimated at 3%, based on:
 - Analysis of historic NRBCPI trends, which has consistently averaged approximately 3% based on 5-year, 10-year and 20-year historical data across multiple census metropolitan areas tracked by Statistics Canada;
 - Review of NRCPI forecasts from the Conference Board of Canada, indicating that inflationary pressures are expected to continue to moderate and return to more historical trend levels over the coming quarters;
- A preliminary estimate of the financial impacts of recent legislative changes (as noted above) that will impact the 2024-2027 Multi-Year Budget period;
- Other cost pressures to maintain existing service levels as identified by civic service areas and agencies, boards and commissions.

It is important to note that the range of 2.9% to 3.9% to maintain existing service levels is based on preliminary modelling conducted at this time and will be refined as detailed budget development is undertaken. In developing this range, many assumptions have been made that will be refined. It is also subject to change as greater clarity is obtained with respect to the financial impacts of certain pressures that are still uncertain (e.g. *More Homes Built Faster Act, 2022* impacts).

Due to the required “step-change” in many operating and capital budgets, it is anticipated that the tax levy increase required to maintain existing service levels will be larger in the first year (2024) of the Multi-Year Budget period but will be lower in subsequent years.

As noted, Civic Administration will mitigate these budgetary pressures to the greatest extent possible by utilizing the various “tools” as part of the City’s service review program. In particular, Civic Administration will continue to regularly review and right-size budgets utilizing zero-based budgeting techniques in order to reallocate budgetary resources to address areas of need. This right-sizing process will be conducted as part of the development of the 2024-2027 Multi-Year Budget and will be continued annually throughout the MYB cycle, with any additional budgetary savings identified in subsequent years brought forward as a budget amendment through the annual budget update process.

Additional Investments:

In addition to the costs of maintaining existing services, a variety of priorities were identified through the 2023-2027 Strategic Plan. While it is important to emphasize that many strategies with the Strategic Plan can be accomplished within existing budgetary resources, there are a number identified as requiring additional investment to fully implement, as highlighted through the “Order of Magnitude” information provided to Council: <https://pub-london.escribemeetings.com/filestream.ashx?DocumentId=97570>

It should be further noted that for some strategies, other non-property tax supported sources of financing may be available. In other words, implementation of a strategy requiring additional funding may not necessitate a property tax increase.

However, to support the implementation of Council’s Strategic Plan, Council may wish to invest additional property tax supported funds where alternate funding sources are not available. This additional property tax supported funding represents another component of the property tax levy increase for the 2024-2027 Multi-Year Budget period.

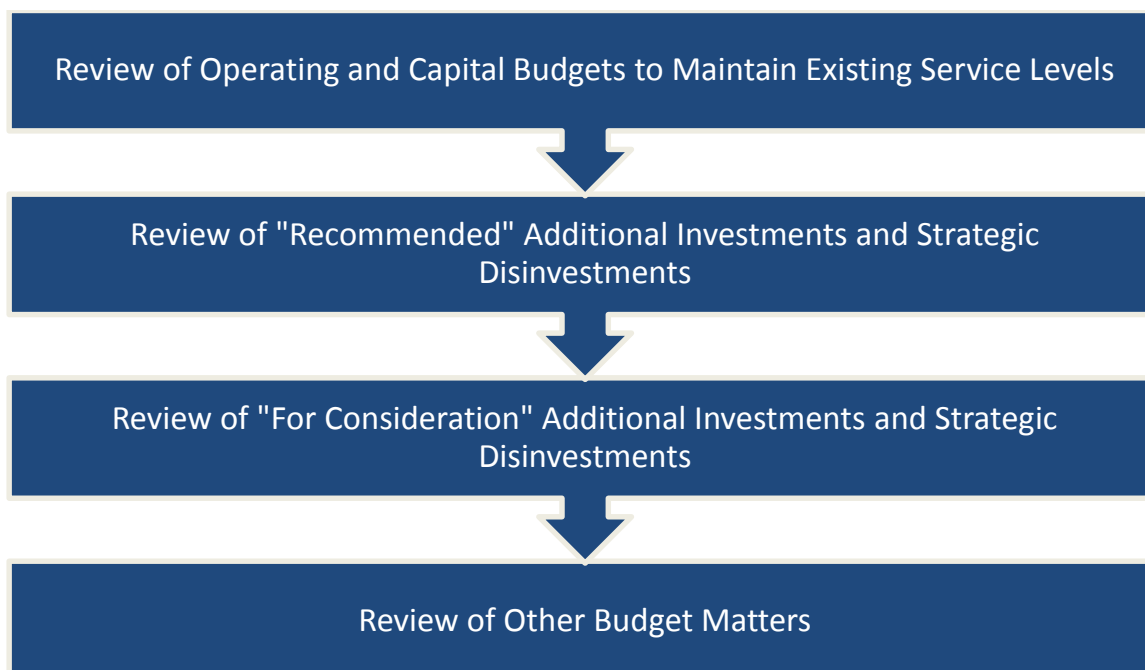
To help guide Council's discussions on the desired average annual property tax levy increase, it estimated that each 1% average annual tax levy increase (i.e. 1% additional in every year) corresponds to approximately \$75 million of total additional funding over the 4-year MYB period to implement strategies requiring additional investment (assuming the additional increase is spread evenly over the 4 years). The amount of additional funding available is, however, dependent on when the additional increase is implemented. Council may wish to approve a higher tax levy increase in the earlier years of the Multi-Year Budget cycle, such that the additional funding becomes part of the budget in subsequent years as well – providing a greater total investment in new initiatives. For example, a 1% additional tax levy increase in the first year of the Multi-Year Budget has the same impact on the four-year average annual tax levy increase (0.25%) as a 1% additional tax levy increase implemented in the final year of the Multi-Year Budget. However, by implementing that 1% increase in the first year of the cycle, that funding will be available in the second, third and fourth years as well, rather than only being available in the fourth year under the alternate scenario. In short, implementing an additional tax levy increase in the earlier years of the Multi-Year Budget results in additional funding to invest in Council's priorities.

For strictly illustrative purposes, Council may wish to implement an additional 1% average annual tax levy increase over the 2024-2027 Multi-Year Budget, in addition to the tax levy increase required to maintain existing service levels (estimated to be in the range of 2.9% to 3.9%). This would result in a total average annual tax levy increase in the range of 3.9% to 4.9% and provide approximately \$75 million for new investments, assuming the additional 1% is spread evenly across the 2024-2027 period. Similarly, a 0.5% additional average annual increase would provide approximately \$37.5 million for new investments (if spread equally) and represent a total average annual tax levy increase in the range of 3.4% to 4.4%. By extension, if Council wished to implement an additional 2% average annual tax levy increase, this would result in a total average annual tax levy increase of 4.9% to 5.9% and result in approximately \$150 million for new investments.

To provide further context, it is estimated that to fully implement all strategies identified as requiring additional funding in the Strategic Plan during the 2024-2027 Multi-Year Budget period, an average annual tax levy increase in excess of 8% per year would be required.

Additional Investments – Council Review Process:

Additional investments, whether requiring additional property tax levy funding or funded through other one-time or non-tax levy sources, will be supported by a business case in the Multi-Year Budget process providing an overview of the initiative, the cost and associated funding sources, the risks of proceeding or not proceeding with it, etc. Council will be provided with a slate of business cases for review that will provide a suggested pacing and timing of the various initiatives requiring additional investment. While Civic Administration may further categorize the business cases as "recommended" or "for consideration", the priority setting and decision-making responsibility will ultimately rest with Council as to which business cases to approve, partially approve, or not approve. It is anticipated that 2024-2027 Multi-Year Budget deliberations will be structured similarly to 2020-2023 MYB deliberations, allowing Council to work through the various decision points in a comprehensive manner:



While it is anticipated that additional investment business cases will be based on the strategies identified as requiring additional funding in the 2023-2027 Strategic Plan, if there are other investments that Council wishes to make that are not identified in the Strategic Plan, these initiatives should be raised through the appropriate standing committee of Council to obtain direction for Civic Administration to prepare a business case accordingly.

Strategic Disinvestments:

While Civic Administration will continually review budgets through the 2024-2027 Multi-Year Budget cycle for potential budget savings or opportunities to reallocate funds to offset other pressures elsewhere in the budget, these reviews generally do not have impacts on services or service levels; rather they are focused on “right-sizing” budgets to reflect the current service levels being provided.

Civic Administration also regularly reviews the City’s operations with consideration to whether the existing services and/or service levels being provided continue to be recommended. These reviews can take many forms, including (among others):

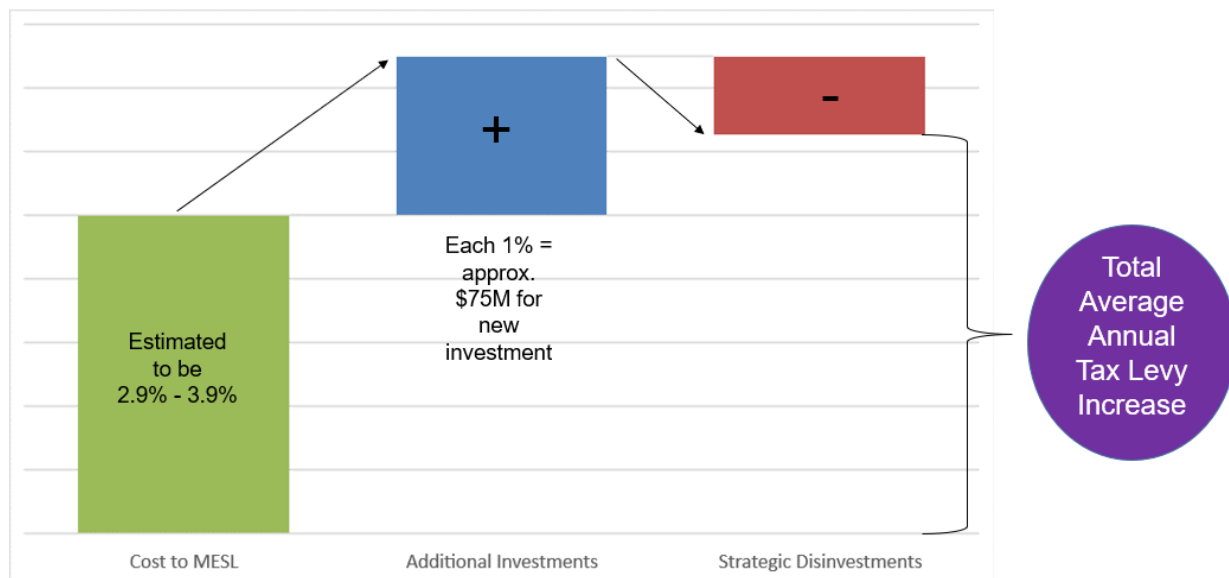
- Program Reviews – Assessment of the effectiveness and efficiency of the program in achieving the stated goals and associated key performance metrics, also considering the financial sustainability of the program;
- “Deep Dive” Service Reviews – Examination of service delivery models and levels of service in a comprehensive manner, considering levels of service and possible adjustments, alternative service delivery opportunities, potential service reductions/eliminations, etc.;
- Asset Reviews – Assessment of City of London physical assets to determine the future of the assets and whether any candidates for disposal/sale emerge for Council consideration;
- Organizational Reviews – Analysis to ensure that organizational structures are designed to be able to deliver on Council’s Strategic Plan, leverage best practices, enhance collaboration and eliminate duplication within and across service areas with the goal to create effective and efficient organizational structures that provide optimum service delivery and flexibility for future growth and increased work demands.

Civic Administration will continue to conduct these reviews throughout the 2024-2027 Multi-Year Budget cycle and will report to Council on the results of the reviews as they are completed. Should any budgetary impacts be identified, they will be reflected in a business case in the Multi-Year Budget process, or as a budget amendment in the subsequent annual budget update process.

Should Council have specific areas of interest for possible review, Civic Administration seeks this direction as soon as possible in order to conduct the reviews in time for inclusion in the Multi-Year Budget where possible. Appendix A provides a summary of the various services the City offers, as well as the associated 2023 net property tax supported budget, which may be helpful in the identification of such areas.

Summary

To reiterate, there are three primary components that determine that average annual tax levy increase for the Multi-Year Budget.



The following table outlines the implications of various tax levy increase scenarios for the 2024-2027 Multi-Year Budget:

Tax Levy Increase in MESL Range: 2.9%-3.9%	Tax Levy Increase Above the MESL Range	Tax Levy Increase Below the MESL Range
<ul style="list-style-type: none"> • Current programs, services and service levels maintained • Zero-based reviews and budget right-sizing will be continued • Investment in Strategic Plan priorities limited to reallocation of existing funding, available one-time funding sources (e.g. reserve funds) and other non-tax levy funding sources (e.g. grants, user fees, etc.) 	<ul style="list-style-type: none"> • Current programs, services and service levels maintained • Zero-based reviews and budget right-sizing will be continued • Amount of additional investment in Strategic Plan priorities dependent on additional tax levy increase desired • Each 1% average annual tax levy increase generates approx. \$75 million of additional funding (if spread equally across the MYB period) 	<ul style="list-style-type: none"> • Zero-based reviews and budget right-sizing will be continued • Direction sought from Council on areas for potential reductions or elimination • Investment in Strategic Plan priorities limited to reallocation of existing funding, available one-time funding sources (e.g. reserve funds) and other non-tax levy funding sources (e.g. grants, user fees, etc.)

Civic Administration is therefore requesting direction from Council as to the desired average annual tax levy increase range for the 2024-2027 Multi-Year Budget period. This direction is only intended for planning purposes to guide Multi-Year Budget development and provide appropriate parameters to civic service areas and the City's agencies, boards and commissions in developing their budgets in line with Council's expectations. It should be noted that Council has discretion to deviate from this

average annual tax levy increase when deliberating the 2024-2027 Multi-Year Budget if desired; this preliminary target is not intended to commit Council to a particular tax levy increase.

Based on the direction provided by Council, Civic Administration will develop detailed budget guidelines that will be distributed to all civic service areas and agencies, boards and commissions in May. These guidelines will outline the planning assumptions that should be utilized in developing the 2024-2027 Multi-Year Budget. Areas that deviate from those planning assumptions will be required to provide justification for those deviations as part of the budget that will be presented to Council later this year.

2.2 2024-2027 Water and Wastewater & Treatment Rates

The 2024-2027 Water and Wastewater & Treatment rates will be determined in large part by the required infrastructure needs and associated increased costs associated with delivering those infrastructure investments. Civic Administration will be updating the 20-year capital plans for Water and Wastewater & Treatment, which will be a key input into the 2024-2027 MYB for the utilities. As with the property tax supported budget, it is anticipated that the cost of many projects in the capital plan has increased beyond what is currently budgeted and will require right-sizing as part of the 2024-2027 MYB process.

As part of the MYB development process, Civic Administration will review all available capital funding sources to mitigate potential rate impacts of the inflationary pressures on the capital plans. Civic Administration will also be examining revenue projections, noting that water consumption trends were declining for many years due to water conservation efforts. Recently, however, consumption has been higher than anticipated, potentially due to behavioural changes as a result of COVID-19 (i.e. people spending more time at home) and also potentially due to the robust growth of the City experienced in the last few years. Future revenue forecasts will be closely reviewed to assess the sustainability of recent consumptions trends, which will inform the rate increases required to raise the necessary revenues to support the Water and Wastewater & Treatment services.

It is anticipated that multi-year Water and Wastewater & Treatment rates will be brought to Council for approval in fall 2023 alongside other changes to various fees and charges. The 2024-2027 MYB for Water and Wastewater & Treatment will be tabled and deliberated alongside the property tax supported budget based on the timelines outlined later in this report.

2.3 Multi-Year Budget Policy

Civic Administration has attached a copy of the Multi-Year Budget Policy (Appendix B) for Council's reference. Civic Administration is not recommending any changes to the Policy at this time.

2.4 2024-2027 Multi-Year Budget Timetable

Civic Administration plans to table the 2024-2027 Multi-Year Budget on December 12, 2023 with budget deliberations set to begin in February 2024. Civic Administration will be seeking final Council approval of the budget in March 2024. For the complete preliminary budget timetable refer to Appendix C. The following graphic outlines the anticipated activities leading up to budget tabling in December:



2.5 Budget By-law Governing Agencies, Boards and Commissions

To formalize the budget expectations of the City’s agencies, boards and commissions, a by-law (Appendix D) has been developed to outline the requirements of the ABC’s in the City’s budget process. This by-law outlines:

- Budget submission deadlines;
- Requirement to submit budgets in the format and level of detail required by the City;
- The timing of payments made by the City to ABC’s;
- Parameters for non-compliance with the by-law, including the potential freezing or reduction of the ABC’s budget.

This by-law is largely intended to formalize existing expectations and ensure the efficiency of the budget process by ensuring expectations are consistent and clearly defined.

2.6 Preliminary Public Engagement Plan

Public engagement on the MYB will continue to be an important element of the process. The MYB public engagement activities will be aligned with and guided by the City of London’s Community Engagement Policy (<https://london.ca/council-policies/community-engagement-policy>). It is important to note that these engagement activities complement the various engagement initiatives that the City already undertakes, notably the 2023-2027 Strategic Plan, which utilized various other public engagement tools. For the 2024-2027 MYB, the emphasis will continue to be on:

- Informing – providing detailed information and awareness to the public;
- Consulting – encouraging the public to provide feedback through the appropriate forums, educating community members on how to provide feedback to Council and working with Council to share feedback the Financial Planning and Policy office has received.

Although public engagement activities for the 2021 and 2022 Annual Budget Updates were somewhat disrupted by the inability to host in-person events due to the COVID-19 pandemic, Civic Administration utilized the three annual budget updates to the 2020-2023 MYB to explore other engagement approaches and channels. For example, virtual events (which had not been utilized prior to the pandemic) were introduced and were generally as well attended (and in some cases better attended) than in-person alternatives. These learnings have been incorporated into the preliminary public engagement plan for the 2024-2027 MYB, which will be supplemented by the public engagements activities that were found to be effective during the last MYB process, as well as other new engagement approaches that will be trialled for this MYB process.

Elements that will continue to be emphasized in Civic Administration's plan include:

- Ensuring multiple channels are utilized to provide the greatest variety of engagement opportunities;
- Utilizing a blend of pre-budget tabling awareness on the municipal budget and the MYB process, as well as post-budget tabling education and feedback on the various decision points contained within the budget;
- Highlighting the various means of providing feedback on the budget;
- Consideration of the times and location of events to maximize accessibility and opportunities to participate;
- Aiding accessibility and decreasing barriers to participation by providing alternate formats of materials when requested and continuing to offer accessibility tools/equipment at in person events.

Appendix E outlines all proposed City of London Multi-Year Budget engagement methods with associated timelines.

Conclusion

The 2024-2027 Multi-Year Budget will be the implementation vehicle for the 2023-2027 Strategic Plan. This report initiates the 2024-2027 MYB process by seeking Council's direction on a desired average annual tax levy increase for planning purposes to establish parameters for the development of the 2024-2027 Multi-Year Budget. It should be noted that this guidance does not commit Council to a particular average annual tax levy increase and that the decision points in the MYB process will determine the tax levy increase that is ultimately approved to achieve Council's priorities.

Based on the direction provided by Council, Civic Administration will develop detailed budget guidelines that will be distributed to all civic service areas and agencies, boards and commissions in May. These guidelines will outline the planning assumptions that should be utilized in developing the 2024-2027 Multi-Year Budget.

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

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

APPENDIX A

2023 Operating Budget by Service

2023 Operating Budget (\$ Thousands)	Expenditure Budget	Non-Tax Levy Revenue	Tax Levy Revenue
Centennial Hall	848	657	191
Arts, Culture & Heritage Advisory & Funding	2,511	0	2,511
Museum London	1,927	0	1,927
Eldon House	308	0	308
Heritage	1,481	0	1,481
Library Services	22,129	0	22,129
Total Culture Services	29,204	657	28,547
Economic Development	9,002	1,528	7,474
Community Improvement / Business Improvement Areas	2,966	925	2,041
RBC Place London	678	0	678
Tourism & Sports Attraction	2,147	0	2,147
Covent Garden Market	0	0	0
Total Economic Prosperity	14,792	2,453	12,339
Kettle Creek Conservation Authority	316	0	316
Lower Thames Valley Conservation Authority	72	0	72
Upper Thames River Conservation Authority	1,727	0	1,727
Climate Change & Environmental Stewardship	1,674	355	1,319
Recycling & Composting	22,416	11,615	10,802
Garbage Collection & Disposal	19,704	5,234	14,471
Total Environmental Services	45,909	17,204	28,706
Aquatics	5,175	3,717	1,458
Arenas	8,722	6,718	2,004
Community Centres	3,694	1,742	1,952
Community Development & Grants	8,843	3,270	5,573
Community Recreation & Leisure Programming	3,810	2,323	1,487
Golf	3,234	3,234	0
Special Events Coordination	442	133	309
Sports Services	2,311	979	1,332
Storybook Gardens	2,045	1,868	177
Recreation Administration	3,468	310	3,158
Parks & Horticulture	8,773	0	8,773
Parks & Natural Areas Planning & Design	1,034	0	1,034
Urban Forestry	5,782	106	5,676
Total Parks, Recreation & Neighborhood Services	57,332	24,399	32,933

2023 Operating Budget (\$ Thousands)	Expenditure Budget	Non-Tax Levy Revenue	Tax Levy Revenue
Building Approvals	8,970	8,429	541
Planning Services	4,013	264	3,749
Development Services	6,079	3,357	2,722
Total Planning & Development Services	19,061	12,050	7,011
Animal Services	3,300	1,205	2,094
By-Law Enforcement & Property Standards	3,763	2,620	1,142
Emergency Management	1,287	6	1,281
Security Services	2,423	61	2,362
Fire & Rescue Services	66,143	110	66,033
Fire Prevention & Education	4,443	216	4,227
London Police Services	137,311	9,471	127,840
Total Protective Services	218,669	13,688	204,981
Housing Services	20,797	11,063	9,734
Housing Development Corporation	3,386	0	3,386
London & Middlesex Community Housing	14,912	0	14,912
Adult Day Programs	604	576	28
Long Term Care (Dearness Home)	26,301	20,194	6,107
Homemakers	217	144	73
Land Ambulance	29,535	0	29,535
Middlesex-London Health Unit	7,345	0	7,345
Housing Stability Services	24,023	13,937	10,086
Immigration Services	622	353	269
Subsidized Transit	1,512	0	1,512
Ontario Works	149,347	135,054	14,293
Children's Services	60,608	52,389	8,218
Total Housing, Social & Health Services	339,209	233,711	105,499
Parking	4,396	8,380	(3,984)
Conventional Transit	35,804	0	35,804
Specialized Transit	10,033	0	10,033
Roadway Maintenance	17,729	3,823	13,906
Roadway Planning & Design	4,750	1,417	3,333
Winter Maintenance	17,653	543	17,110
Traffic Control & Street Lights	17,032	1,509	15,523
Rapid Transit	80	80	0
Total Transportation Services	107,478	15,752	91,726

2023 Operating Budget (\$ Thousands)	Expenditure Budget	Non-Tax Levy Revenue	Tax Levy Revenue
AODA	434	0	434
Asset Management	942	401	541
Dispatch	1,213	301	912
Facilities	25,748	553	25,195
Fleet Management	118	78	40
Geomatics	2,341	909	1,432
People Services	6,920	894	6,027
Human Rights	407	0	407
Legal Services	3,565	83	3,482
Finance Payroll Services	1,432	256	1,176
Purchasing	2,117	733	1,384
Realty Services	2,211	1,332	879
Risk Management	570	176	394
Information Technology	22,898	532	22,366
Employee Systems	710	91	619
Anti Racism Anti Oppression	943	125	818
Corporate Management	2,251	23	2,228
Advisory Committees	120	0	120
Internal Audit	338	8	330
Councillors' Offices	1,788	0	1,788
Mayor's Office	619	0	619
Municipal Elections	856	861	(5)
Secretariat Support-City Clerk	1,320	29	1,291
Administration of Justice	4,070	5,802	(1,732)
Taxation	2,504	2,068	436
Corporate Communications	1,797	82	1,715
Service London	1,137	0	1,137
Licensing & Certificates	851	906	(55)
Cafeteria	459	324	135
Information & Archive Mgmt.	1,835	34	1,801
Total Corporate, Operational and Council Services	92,513	16,601	75,912
Capital Financing	128,733	0	128,733
Other Related Financing	53,477	41,685	11,792
Finance	10,902	2,623	8,279
Total Financial Management	193,112	44,308	148,804
Total Budget	1,117,281	380,823	736,458

Subject to rounding.

APPENDIX B

Multi-Year Budget Policy

Policy Name: Multi-Year Budget Policy

Legislative History: Enacted June 13, 2017 (By-law No. CPOL.-45-241); Amended July 24, 2018 (By-law No. CPOL.-45(a)-374); Amended August 10, 2021 (By-law No. CPOL.-45(b)-239)

Last Review Date: August 10, 2021

Service Area Lead: Director, Financial Planning & Business Support (or written designate)

1. Policy Statement

Municipal Act, 2001, Section 291(1) authorizes a municipality to prepare and adopt a budget covering a period of two to five years in the first year to which the budget applies or in the year immediately preceding the first year to which the budget applies. The process for preparing and adopting a multi-year budget and the requirements for a municipality's budget are prescribed in the *Municipal Act, 2001*.

If a municipality chooses to adopt a multi-year budget, establishing an annual review process is mandatory as outlined in section 291(4) of the *Municipal Act, 2001*. The annual review process requires Council to readopt the budget for that year and subsequent years that the budget applies in order to ensure the municipality has sufficient funds to pay all debts, amounts required for sinking funds or retirement funds, and amounts required for boards, commissions or other bodies. Also, pursuant to section 290(6) of the *Municipal Act, 2001* the passing of a multi-year budget does not limit the power of a municipality to amend or revoke a budget adopted under section 290 nor does it remove the obligation of a municipality to levy taxes/rates in each year.

Integration and alignment of Council's Strategic Plan to the multi-year budget links the delivery of the Strategic Plan with the funding requirements. Benefits of multi-year budgeting include the following:

- Alignment of longer-term goals and objectives with longer-term funding plans;
- Greater certainty is provided to tax/rate payers/residents about the future direction of taxes/rates and the timing of implementation of the Strategic Plan;
- Improved accountability and transparency over spending plan changes; and
- Prioritization principles aligned with service delivery principles that include:
 - Risk profile
 - Degree and speed of implementation.
 - Balancing competing needs across various strategic areas of focus.
 - Impact to the community.

Purpose

The purpose of the Multi-Year Budget policy is to define the approach to be used for multi-year budgeting and Council approvals.

2. Definitions

- 2.1. **Capital Budget** – A budget that funds new infrastructure projects as well as expands and maintains existing infrastructure. Some of the expenses could include: A new arena, widening roads, and roof replacement on an existing community centre.
- 2.2. **City of London** – The Corporation of the City of London
- 2.3. **City Treasurer** – The individual appointed by the municipality as treasurer.
- 2.4. **Civic Service Areas** – Service Areas that operate within the Corporation.

- 2.5. **Boards and Commissions** – Groups outside the Corporation, typically (although not always) funded by the municipal tax base, that provide specific and/or specialized services to the London community.
- 2.6. **Budget** – An estimated financial plan of revenue and expenditure for a set period of time.
- 2.7. **Multi-Year Budget** – Approval of a four year operating and capital budget.
- 2.8. **Multi-Year Budget Policy** – Refers to this policy.
- 2.9. **Municipal Act** – Refers to legislation that governs municipalities in Ontario.
- 2.10. **Net Budget** – The net budget is the cost to deliver the City of London’s programs and services, after accounting for all non-tax/non-rate revenues and subsidies received. This is the portion of the budget that is paid for through property taxes or utility rates.
- 2.11. **Operating Budget** – A budget that funds the day to day operations of the municipality. Some of the expenses could include personnel, utilities, and reserve fund contributions.

3. **Applicability**

The scope of multi-year budgeting, including both operating and capital, extends to all City of London Service Areas, boards, and commissions and applies to both the property tax supported as well as water and wastewater & treatment rate supported budgets.

4. **The Policy**

4.1. **Approvals / Adjustments to Multi-Year Budget:**

- 4.1.1. A Multi-Year Budget is developed covering a four year time period beginning in the second year of a new Council term. Annual updates for years two and three will be brought forward for Council consideration during the remaining Council term. The first year of a new Council term will reconfirm the fourth year of the Multi-Year Budget.
- 4.1.2. Early in a new Council term, Council will develop its Strategic Plan. Council will approve a four year average annual tax levy adjustment from rates and four year water and wastewater rates that address municipal inflationary pressures and funding for additional investments that are aligned with Council’s Strategic Plan.
- 4.1.3. After Council approves the Strategic Plan and the Multi-Year Budget, Civic Administration will prepare corporate business plans that clearly outline the current state and future direction of each service. The business plans will identify the strategies and priorities that are driving the strategic direction of the service. All strategies and priorities must be aligned with the Council’s Strategic Plan and the funding approved through the Multi-Year Budget. Throughout the Multi-Year Budget process, business plans will be modified for material changes that result from any material amendments through annual updates.
- 4.1.4. Civic Administration will present to Council a budget that is in compliance with the *Municipal Act, 2001*. The budget will contain adjustments to reflect inflationary pressures and additional investments or disinvestments that would further adjust the budget requirement. Each additional investment or disinvestment submitted for Council consideration shall be supported with a comprehensive business case.

4.1.5. In the first year of a budget cycle, the Civic Administration will be seeking approval of a Multi-Year Budget for a four year period. Commencing in the second year and in each subsequent year of the multi-year budget, Council is required by the *Municipal Act, 2001* to review and readopt the budget for that year. As part of the review process, Council is required to make changes that are required for the purpose of making the budget compliant with the provisions of the *Act* which include ensuring that the municipality has sufficient funds to pay all debts, amounts required for sinking funds or retirement funds and amounts required for boards, commissions or other bodies. As such, Council will have the opportunity to make other amendments to the budget annually. In addition to the matters required to be addressed by the *Municipal Act, 2001*, the scope of annual budget changes may include, but are not limited to, the following:

- a) **New or Changed Regulation** – A new or changed legislation or regulation with a financial impact to the municipality.
- b) **New Council Direction** – A new Council direction that has transpired after the approval of the Multi-Year Budget.
- c) **Cost or Revenue Driver** – A corporate or service area budget adjustment as a result of changes in economic conditions.

Proposed changes to future years' operating budgets should only be brought forward and approved once per year. Adjustments are limited to once per year, during the annual update period, to ensure that all requests are considered together.

4.1.6. The City Treasurer or designate is authorized to make adjustments considered "housekeeping" in nature including operating and capital budget transfers made by a service that do not change the net budget.

4.1.7. The City Treasurer or designate would be authorized to release budget funds prior to a new Multi-Year Budget or Annual Budget Update approval up to a prorated amount based on the previous fiscal year's approved budget. Such authorization will continue for a reasonable period of time until budget approval of a new Multi-Year Budget or Annual Budget Update.

APPENDIX C

Budget Timetable

Description	Date
Table the General Property Tax, Water and Wastewater & Treatment Budgets	December 12, 2023 (4:00 pm at SPPC)
Budget Public Participation Meeting	February 6, 2024 (4:00 pm at SPPC)
Property Tax, Water and Wastewater & Treatment Operating and Capital Budget Review*	February 8, 2024 (9:30 am at SPPC) February 9, 2024 (9:30 am at SPPC) February 15, 2024 (9:30 am at SPPC) February 16, 2024 (9:30 am at SPPC) February 22, 2024 (9:30 am at SPPC) February 23, 2024 (9:30 am at SPPC)
Budget Public Participation Meeting	February 27, 2024 (4:00 pm at SPPC)
Property Tax, Water and Wastewater & Treatment Budget Approval	March 5, 2024 (1:00 pm at Council)

* More detailed information on the structure of the agendas for these sessions will be determined in the upcoming months.

APPENDIX D

Boards, Commissions or Other Bodies Budget By-law

Bill No.
2023

By-law No.

A By-law to authorize the form and detail of the budget of various boards, commissions or other bodies and the specific dates for which they are required to submit their budgets to The Corporation of the City of London.

WHEREAS, pursuant to ss. 291(4)(b) and ss. 290(1) of the *Municipal Act, 2001*, S.O. 2001, c. 25, in the immediately preceding year, the City is required to prepare a budget including estimates of all sums required during the year for the purposes of the City, including,

- (a) amounts sufficient to pay all debts of the City falling due within the year;
- (b) amounts required to be raised for sinking funds or retirement funds; and
- (c) amounts required for any board, commission or other body;

AND WHEREAS the City operates on a 4-year Multi-Year Budget (MYB) cycle, as permitted by ss. 291(1) of the *Municipal Act, 2001*;

AND WHEREAS pursuant to ss. 291(8) of the *Municipal Act, 2001*, for the purpose of adopting a multi-year budget for two or more years or readopting a multi-year budget for one or more remaining years, a municipality may require that a budget for the year or years of every board, commission or other body for which the municipality is required by law to levy a tax or provide money, be submitted to the municipality on or before a date specified by the municipality and that the budget shall be in such detail and form as the by-law provides;

AND WHEREAS pursuant to subsection 10(2) of the *Municipal Act, 2001*, the City may pass by-laws respecting: 1. Governance structure of its local boards; 2. Accountability and transparency of its local boards and their operations; 3. Financial management of its local boards, (where "local board" is defined in that section to mean a local board other than a child and family services review board, a board of health, a committee of management, a police services board, a public library board, or a corporation established under s. 203);

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

1. Where the City has been requested, or is required, to levy a tax or provide money to a board, commission or other body ("Body" or "Bodies"), the Body shall submit to the City its budget in accordance with the applicable attached Schedules 1, 2, 3 or 4.
2. By-law A.-7136-243 is repealed.
3. The short title of this by-law is the Boards, Commissions or Other Bodies Budget By-law.
4. This By-law comes into force and effect on the day it is passed.

PASSED in Open Council on

, 2023.

Josh Morgan
Mayor

Michael Schulthess
City Clerk

First Reading –
Second Reading –
Third Reading –

SCHEDULE 1

(note: the authority for this Schedule is ss. 291(8) of the *Municipal Act, 2001*; this Schedule is applicable to every board, commission or other body for which the City is required by law to levy a tax or provide money)

WHEREAS pursuant to subsection 291(8) of the *Municipal Act, 2001*, for the purpose of adopting a multi-year budget for two or more years or readopting a multi-year budget for one or more remaining years, a municipality may require that a budget for the year or years of every board, commission or other body for which the municipality is required by law to levy a tax or provide money, be submitted to the municipality on or before a date specified by the municipality and that the budget shall be in such detail and form as the by-law provides;

NOW THEREFORE this Schedule 1 is applicable to the following boards, commissions or other bodies (“Body” or “Bodies”) for which the City is required by law to levy a tax or provide money, pursuant to ss. 291(8) of the *Municipal Act, 2001*:

- (1) London Police Services Board;
- (2) London Public Library Board;
- (3) Middlesex-London Health Unit;
- (4) London & Middlesex Community Housing Inc.;
- (5) Conservation Authorities (Kettle Creek Conservation Authority, Upper Thames Valley Conservation Authority, Lower Thames Valley Conservation Authority); and
- (6) The Corporation of the County of Middlesex (*Ambulance Act* cost apportionment);

Budget Submission Requirements

1. The following are the City of London requirements for the budget that must be submitted to the City by the Bodies listed above in this Schedule 1:

- (1) **Date of Submission:**
 - (a) A Body shall submit its budget approved by its governing body annually to the City by September 30.
 - (b) The Body shall submit to the City a draft budget by August 15.
- (2) **Detail and form:**
 - (a) A Body is required to submit a Multi-Year Budget to the City based on the City’s 4-year Multi-Year Budget cycle.
 - (b) A Body shall provide documentary evidence to the City that its governing body approved the budget.
 - (c) A Body shall submit to the City its budget and supporting budget materials (including but not limited to budget documents, assessment growth requests and business plans) in the form and level of detail that is specified in the City’s annual budget guidelines document.
 - (d) The budget shall set out the Body’s estimated revenues and expenses, in such detail and form as the City requires in this by-law and in the City’s annual budget guidelines document.

Payments by City

2. The timing and amount of payments of budgetary amounts by the City to Bodies is entirely within the City’s discretion, in accordance with and subject to applicable legislation, regulations and by-laws.

Compliance

3. Where a Body fails to comply with the requirements of this By-law, the Body's budget amount may be subject to reduction or "freezing" based on the previous year's budget, subject to any contractual or legislative requirements.

SCHEDULE 2

(note: the authority for this Schedule is section 10(2) of the Municipal Act, 2001; the City is not legally required to provide funding to the Body; a by-law or private legislation requires that the Body provide a budget to the City)

WHEREAS section 10(2) of the *Municipal Act, 2001* provides that the City may pass by-law respecting: in paragraph 2, Accountability and transparency of its local boards and their operations; in paragraph 3. Financial management of the municipality and its local boards (meaning a local board other than a child and family services review board, a board of health, a long-term care home committee of management; a police services board, a public library board, or a corporation established under s. 203);

NOW THEREFORE this Schedule 2 is applicable to the following boards, commissions or other bodies (“Body” or “Bodies”) for which the City is not required by law to levy a tax or provide money, but which are required to submit a budget to the City pursuant to a City of London By-law, or Private legislation:

- (1) Covent Garden Market Corporation;
- (2) Eldon House Corporation;
- (3) London Convention Centre; and
- (4) London Transit Commission.

Budget Submission Requirements

1. The following are the City of London requirements for the budget that must be submitted to the City by the Bodies listed above in this Schedule 2:

- (1) **Date of submission:**
 - (a) A Body shall submit its budget approved by its governing body annually to the City by September 30.
 - (b) The Body shall submit to the City a draft budget by August 15.
- (2) **Detail and form:**
 - (a) A Body is required to submit a Multi-Year Budget to the City based on the City’s 4-year Multi-Year Budget cycle.
 - (b) A Body shall provide to the City documentary evidence that its governing body approved the budget.
 - (c) A Body shall submit to the City its budget and supporting budget materials (including but not limited to budget documents, assessment growth requests and business plans) in the form and level of detail that is specified in the City’s annual budget guidelines document.
 - (d) The budget shall set out the Body’s estimated revenues and expenses, in such detail and form as the City requires in this by-law and in the City’s annual budget guidelines document.

Payments by City

2. The timing and amount of payments by the City to Bodies of budgetary amounts is entirely within the City’s discretion, in accordance with and subject to applicable legislation, regulations and by-laws.

Compliance

3. Where a Body fails to comply with the requirements of this By-law, the Body’s budget amount may be subject to reduction or “freezing” based on the previous year’s budget, subject to any contractual or legislative requirements.

SCHEDULE 3

(note: the City has a contractual obligation to provide some funding or a grant to the Bodies in this Schedule)

WHEREAS section 107 of the *Municipal Act, 2001* provides that a municipality may make grants to any person, group or body for any purpose that council considers to be in the interests of the municipality;

NOW THEREFORE this Schedule 3 is applicable to the following Bodies for which the City is not required by law to levy a tax or provide money, and which are not required to submit a budget to the City, but which have a contract with the City with respect to submitting an annual budget or business plan as a condition precedent to receiving any Grant or payment for services from the City:

- (1) Tourism London (contractual grant); and
- (2) London Economic Development Corporation (contractual payment for services).

Budget Submission Requirements

1. If an above-listed Body asks the City to provide it with a grant, in addition to any requirements set out in a contract with the City, the following are the City of London requirements for the budget that must be submitted to the City by the Bodies listed above in this Schedule 3:

- (1) **Date of submission:**
 - (a) A Body shall submit its budget approved by its governing body annually to the City by September 30.
 - (b) The Body shall submit to the City a draft budget by August 15.
- (2) **Detail and form:**
 - (a) If a Body asks the City to provide it with a grant, the Body is required to submit a Multi-Year Budget to the City based on the City's 4-year Multi-Year Budget cycle.
 - (b) If a Body asks the City to provide it with a grant, the Body shall provide documentary evidence that its governing body approved the budget.
 - (c) If a Body asks the City to provide it with a grant, the Body shall submit to the City its budget and supporting budget materials (including but not limited to budget documents, assessment growth requests and business plans) in the form and level of detail that is specified in the City's annual budget guidelines document.
 - (d) If a Body asks the City to provide it with a grant, the budget shall set out the Body's estimated revenues and expenses, in such detail and form as the City requires in this by-law and in the City's annual budget guidelines document.

Payments by City

2. The timing and amount of payments, if any, by the City to Bodies of budgetary amounts is entirely within the City's discretion, in accordance with and subject to applicable legislation, regulations, by-laws, and contracts.

Compliance

3. Where a Body fails to comply with the requirements of this By-law, the Body's budget amount may be subject to reduction or "freezing" based on the previous year's budget, subject to any contractual or legislative requirements.

SCHEDULE 4

(note: the authority for this Schedule is section 107 of the Municipal Act, 2001; the City has no obligation to provide funding to the Bodies in this Schedule. If the City provides funding, it is a discretionary grant)

WHEREAS section 107 of the *Municipal Act, 2001* provides that a municipality may make grants to any person, group or body for any purpose that council considers to be in the interests of the municipality;

NOW THEREFORE this schedule 4 is applicable to the following Bodies for which the City is not required by law to levy a tax or provide money, and which are not required to submit a budget to the City, and which do not have a contract with the City with respect to submitting an annual budget as a condition precedent to receiving any Grant from the City:

- (1) Museum London; and
- (2) Housing Development Corporation, London.

Budget Submission Requirements

1. If an above-listed Body asks the City to provide it with a grant, in addition to any requirements set out in a contract with the City, the following are the City of London requirements for the budget that must be submitted to the City by the Bodies listed above in this Schedule 4:

- (1) **Date of submission:**
 - (a) A Body shall submit its budget approved by its governing body annually to the City by September 30.
 - (b) The Body shall submit to the City a draft budget by August 15.
- (2) **Detail and form:**
 - (a) If a Body asks the City to provide it with a grant, the Body is required to submit a Multi-Year Budget to the City based on the City's 4-year Multi-Year Budget cycle.
 - (b) If a Body asks the City to provide it with a grant, the Body shall provide documentary evidence to the City that its governing body approved the budget.
 - (c) If a Body asks the City to provide it with a grant, the Body shall submit to the City its budget and supporting budget materials (including but not limited to budget documents, assessment growth requests and business plans) in the form and level of detail that is specified in the City's annual budget guidelines document.
 - (d) If a Body asks the City to provide it with a grant, the budget shall set out the Body's estimated revenues and expenses, in such detail and form as the City requires in this by-law and in the City's annual budget guidelines document.

Payments by City

2. The timing and amount of payments, if any, by the City to Bodies of budgetary amounts is entirely within the City's discretion, in accordance with and subject to applicable legislation, regulations, by-laws, and contracts.

Compliance and Administrative Penalty

3. If a Body fails to comply with the requirements of this By-law, the City may reduce or reject entirely the Body's requested grant amount, subject to any contractual requirements.

APPENDIX E

Preliminary Budget Public Engagement Plan

Engagement Vehicles	Comments/Notes	Timelines
Online - Website	Continue to post all budget information and updates on www.london.ca/budget as well as Get Involved Portal and Open Data Portal.	September 2023 – March 2024
Newsprint	Advertise budget key dates and contact information in the Londoner and local community newspapers to reach community members through non-digital means.	November 2023
Bus Advertisements	Place advertisements with key dates/direction to Get Involved website.	November 2023 – January 2024
Digital Advertisements	Display advertisements across various websites promoting Get Involved website to access more information and key dates.	November 2023 – January 2024
Community Calendars	Leveraging media online and broadcast community calendars to promote open house and public participation meetings.	November 2023 – March 2024
Community Billboards & Facility Televisions	Utilize city-wide digital billboards and facility televisions to promote and advertise Get Involved website and advertise Open House/Virtual Sessions and public participation meetings.	November 2023 – March 2024
Email Distributions	Communicate and release details on budget information, events and key dates to subscribed users, both through City E-news and Get Involved website.	November 2023 – March 2024
Social Media	Continue to use our Twitter, Facebook, Instagram accounts to distribute information about meetings. Utilization of advertisements to promote Get Involved website.	November 2023 – March 2024
Virtual Information Sessions	Schedule online information sessions to provide information on municipal finances and the City's budget process, present the tabled budget information and answer submitted questions from attendees.	November 2023 - January 2024
Budget Breakdown Calculator	Update the City's online property tax calculator to highlight how taxes are spent.	December 2023- March 2024
Materials Available at Public Library Branches	Provide printed copy of budget document at each branch of London's Public Library system.	December 2023 - March 2024
Budget Open House	Opportunity for residents to come out and speak with Civic Administration to ask questions about the budget.	January 2024

Engagement Vehicles	Comments/Notes	Timelines
Pop Up Events	Set up multiple short events at locations open to the public to engage with the community, with the focus being on education with respect to municipal finances and the budget.	January 2024
Business Case Feedback Tool	Set up an interactive feedback gathering tool, such as a survey or budget allocation exercise, to allow residents to provide feedback on how they would prioritize or allocate funds to available business cases.	January 2024
Budget Participation Meetings	An opportunity for residents to provide written submissions and speak to Council members to provide input on the budget.	February 2024
Attendance at Councillor Ward Meetings	Participate in Councillor ward meetings to present information and answer questions regarding the budget and/or municipal finances.	As requested by Councillors
Attendance at Community Group Meetings	The City Treasurer (and/or designates) will attend meetings/gatherings to do a short presentation as well as Q&A session.	As requested by Community Groups
Attendance at Advisory Committees	Present budget information and overview of business cases to City of London Advisory Committees.	As requested by Advisory Committees



2024-2027 Multi-Year Budget Target Setting

April 18, 2023

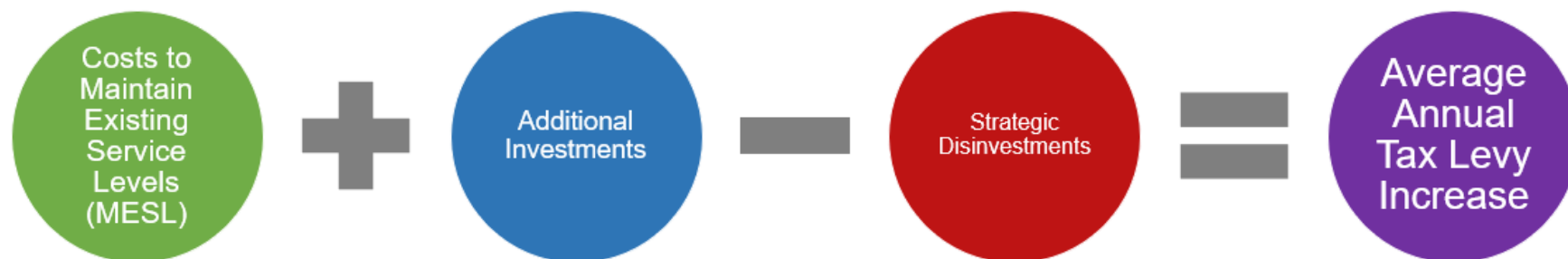


Objectives of the Report

- Obtain Council direction on the desired average annual tax levy increase range for the 2024-2027 Multi-Year Budget for planning purposes;
- Provide a summary of the 2024-2027 MYB timelines;
- Provide an overview of the public engagement plan for the 2024-2027 MYB;
- Obtain Council approval of a by-law to formalize budget submission deadlines and requirements for the City's agencies, boards and commissions



Components of the Tax Levy Increase





Costs to Maintain Existing Service Levels

- Estimated to be in the range of **2.9%** to **3.9%** per year based on:
 - Right-sizing of 2023 budgets where opportunities exist to reallocate budgetary resources to offset other pressures;
 - Preliminary scan conducted by civic service areas and agencies, boards and commissions of anticipated operating and capital budget pressures primarily as a result inflationary conditions over 2021-2023;
 - Continued moderation of inflationary pressures on operating and capital budgets to more “normal” historical levels over the coming months;
 - A preliminary estimate of the impacts of the *More Homes Built Faster Act* (Bill 23) and other legislative changes impacting the 2024-2027 Multi-Year Budget;
- Estimated range is based on preliminary modelling that will be refined as detailed budget development is undertaken and greater clarity is obtained on financial impacts of legislative changes.



Additional Investments

- Many strategies within the Strategic Plan can be accomplished within existing budgetary resources or have non-property tax supported sources of financing available that do not require a tax levy increase;
- Council may wish to invest additional property tax funds where alternate funding sources are not available;
- It is estimated that **each 1% average annual tax levy increase** would result in approximately **\$75 million of total additional funding over the 4-year MYB period** to implement strategies requiring additional investment (assuming the additional increase is spread evenly over the 4 years);
 - 0.5% additional increase each year = \$37.5M for additional investment = 3.4% to 4.4% total average tax levy increase
 - 1% additional increase each year = \$75M for additional investment = 3.9% to 4.9% total average tax levy increase
 - 2% additional increase each year = \$150M for additional investment = 4.9% to 5.9% total average tax levy increase
- It is estimated that to fully implement all strategies identified as requiring additional funding in the Strategic Plan during the 2024-2027 Multi-Year Budget period, an average annual tax levy increase in excess of 8% per year would be required;
- Additional investment business cases will be based on the strategies identified as requiring additional funding in the 2023-2027 Strategic Plan and Council will have decision-making responsibility for which to approve;
 - If there are other investments that Council wishes to make that are not identified in the Strategic Plan, these initiatives should be raised through the appropriate standing committee to obtain direction for Civic Administration to prepare a business case accordingly

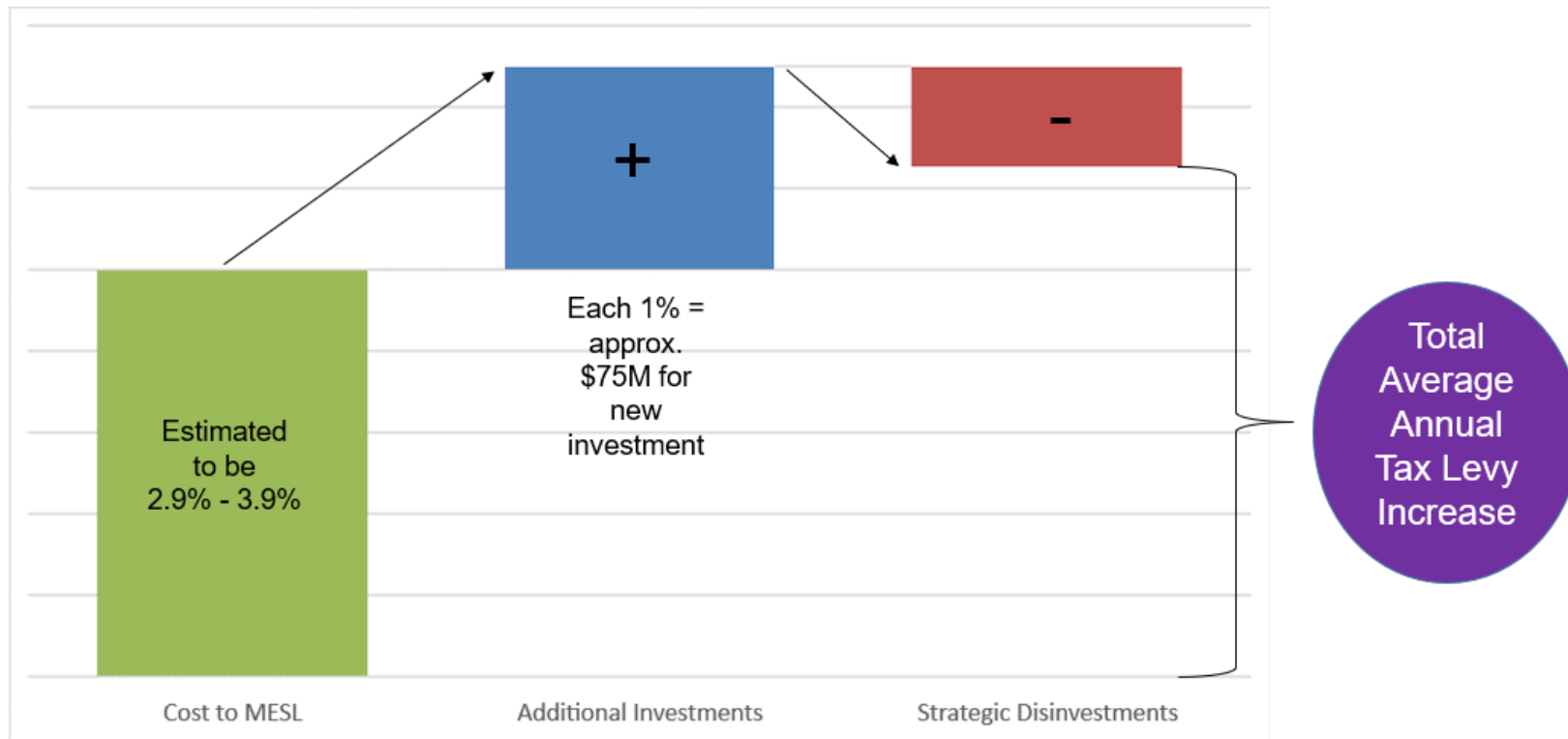


Strategic Disinvestments

- Civic Administration will continue to utilize zero-based budgeting techniques throughout the 2024-2027 Multi-Year Budget cycle to identify potential budget savings or opportunities to reallocate funds to offset other pressures elsewhere in the budget. These reviews generally do not have impacts on services or service levels; rather they are focused on “right-sizing” budgets to reflect the current service levels being provided.
- Civic Administration also regularly reviews the City’s operations with consideration to whether the existing services and/or service levels being provided continue to be recommended:
 - Program reviews
 - “Deep Dive” service reviews
 - Asset reviews
 - Organizational reviews
 - Etc.
- Civic Administration will continue to conduct these reviews throughout the 2024-2027 Multi-Year Budget cycle and will report to Council on the results of the reviews as they are completed. Should any budgetary impacts be identified, they will be reflected in a business case in the Multi-Year Budget process, or as a budget amendment in the subsequent annual budget update process.
- Should Council have specific areas of interest for possible review, Civic Administration seeks this direction as soon as possible in order to conduct the reviews in time for inclusion in the Multi-Year Budget where possible.



Recap – Components of the Average Annual Tax Levy Increase





Other Components of Report

- 2024-2027 Water and Wastewater rates preliminary discussion
- Multi-Year Budget Policy
- 2024-2027 Multi-Year Budget timetable
- Budget by-law governing agencies, boards and commissions
- Preliminary public engagement plan



Summary

Council direction is sought on the desired average annual tax levy increase range for the 2024-2027 Multi-Year Budget for planning purposes;