



## 2020 to 2023 Business Plan

Service: Finance

**\$0.09**

Cost per day for the average rate payer (2020 to 2023)

**1.04%**

Percentage of the 2020 to 2023 City of London Net Property Tax Supported Budget

### Who we are:

- Finance provides financial leadership, planning, advice, guidance (i.e. policies) and reporting to internal and external stakeholders as well as transactional services relating to accounts payable, accounts receivable, general ledger, banking and tangible capital assets, along with contributing to business process, redesigning financial system configuration and testing.

### What we do:

- Finance contributes to financial sustainability and flexibility by undertaking financial planning and analysis in connection with municipal decisions and strategies.
- Finance contributes to the safeguarding of the City's financial assets by ensuring policies, procedures and internal controls are effective.

### Why we do it:

- **Mandatory** - Pursuant to Section 286(1) of the Municipal Act, 2001, all Ontario municipalities are required to appoint a Treasurer "who is responsible for the handling of all financial affairs of the municipality on behalf of and in a manner directed by the council of the municipality".

The following table provides an overview of the budget for this service:

Budget Summary (\$000's)	2020	2021	2022	2023	2020 to 2023 TOTAL
Gross Operating Expenditures	\$9,279	\$9,424	\$9,557	\$9,604	<b>\$37,864</b>
Other Revenues	-\$2,279	-\$2,342	-\$2,357	-\$2,422	<b>-\$9,400</b>
<b>Net Tax Levy Supported Operating Budget</b>	<b>\$7,000</b>	<b>\$7,082</b>	<b>\$7,200</b>	<b>\$7,182</b>	<b>\$28,464</b>
Total Capital Expenditures	\$400	\$900	\$1,000	\$1,175	<b>\$3,475</b>
Full-Time Equivalents (FTE's)	95.4	95.4	92.4	92.4	N/A

Reflects 2020 to 2023 Housekeeping Budget Adjustments up to August 31, 2020.

The following section provides an overview of the key activities the service plans to undertake from 2020 to 2023 to implement the Corporation's 2019 to 2023 Strategic Plan, as well as an overview of the risks and challenges the service is anticipated to experience during this period:

## Service Highlights 2020 to 2023

### Financial Planning, Policies & Principles:

- Implement the Corporation's approved financial policies.
- Review the Corporation's financial policies annually.
- Update the Corporation's Strategic Financial Plan by 2021.
- Review the City's internal debt cap annually.
- Report to Council on the establishment and monitoring of reserve and reserve fund targets.
- Implement and monitor the City's investment strategy.
- Update Council on investment performance through the annual Investment Report.
- Complete the annual credit review process by Moody's Investor Services.

### Multi-Year Budget:

- Develop and submit for Council's approval the 2020-2023 Multi-Year Budget and annual updates.
- Develop and implement a comprehensive engagement strategy for the Multi-Year Budget and annual updates.
- Partner with community organizations for enhanced engagement through the Multi-Year Budget process.
- Regularly monitor budget performance through the semi-annual Operating and Capital Budget Monitoring Reports.

### Service Review Program:

- Conduct 8 targeted zero-based budget reviews annually to ensure budgets are appropriately right-sized.
- An additional 2 targeted services reviews will be supported and/or completed by Finance annually.
- Update Council on the Service Review program through the annual Service Review Update report.

### Financial Operations and Accounting:

- Review existing processes within Finance that may be informed by annual reporting and annual financial system upgrades. Update and operationalize process improvements as required.
- Support external auditors through the Financial Statement audit process.
- Support internal auditors in executing the internal audit plan.
- JD Edwards Cyclical Updates:
  - Starting in 2020, the City's ERP/Financial System (JD Edwards) will be updated on an annual basis going forward. Financial Services will be providing leadership and a significant number of resources on the annual updates. The JDE system includes Payroll, Budget, Accounts Payable, Work Orders, Fixed Assets, Purchasing, Inventory, Address Book, Accounts Receivable and General Ledger. An ERP system provides for data input, storage, retrieval, reporting and analysis features to meet corporate business needs. The annual updates will provide both the opportunity and tools necessary to streamline existing business processes. The updates will also allow for cross-training and internal resource development.
- System implementations, updates and Business Process Reviews.
- The City is initiating a number of major systems projects that will require the expertise of Financial Services staff. Staff will be involved in the planning, development, documentation, process reengineering, testing, procedure creation, interface design and training for these new implementations. Examples of projects to be explored and undertaken are Caseware (working paper management), Corporate Point of Sale, Cityworks (Computerized Maintenance Management System), Ontario Works Bank Reconciliation and Ontario Work re-loadable cards.

### **Risks and Challenges Anticipated in 2020 to 2023**

- Considerable investments are anticipated through the 2020-2023 Multi-Year Budget in order to implement Council's 2019 to 2023 Strategic Plan. Balancing the need for community investment with the Corporation's financial policies and principles will be of paramount importance. Public engagement through the budget process will be a significant focus to ensure that the community understands this balancing act.
- The 2019 Province of Ontario Budget contained a number of initiatives aimed at reducing the Provincial deficit, many of which are anticipated to have significant impacts on municipal finances. The City will continue advocacy efforts with the aim of informing the Provincial government of the potential impacts of the proposed changes, as well as working proactively to identify solutions to areas of shared challenges.

- Interest rates continue to remain at historically low levels. While this is beneficial when it comes to issuing debt to finance the City's capital projects, generating acceptable returns on the City's financial assets is challenging. Continued efforts will be undertaken to optimize the City's investment returns while minimizing the City's cost of borrowing.
- Public Sector Accounting Board (PSAB) Changes
  - Implementation of PSAB PS3280 Asset Retirement Obligations, which establishes an accounting standard that addresses the accounting and reporting of legal obligations associated with the retirement of tangible capital assets. Implementation of this accounting standard is estimated to be a multi-year project that will require a dedicated project leader to manage a multi-disciplinary team of accounting and engineering professionals.
  - PSAB PS3450 Financial Instruments establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives and PS2601 Foreign Currency Translation establishes standards for reporting exchange rates to the rate in effect at the Financial Statement date for monetary assets and liabilities denominated in foreign currency. The implementation of both of these standards is required to be adopted in the same year. This PSAB implementation is estimated to be a year-long project that will require a part-time project leader to manage a multi-disciplinary team of accounting professionals.
- Financial Service Contracts
  - Various financial contracts including financial banking services, merchant card processing services, external and internal audit contracts, and third party debt collection agency services will expire between 2020 and 2023, etc. A number of these renewals may include the Request for Proposal (RFP) process as determined by the Procurement of Goods and Services Policy, which can take 4 to 6 months for each RFP. A project lead and team will need to be established for each contract, noting that some will run concurrently, with some team members serving on more than one project at the same time.
- JD Edwards Cyclical Updates
  - Major upgrades for JD Edwards have historically been planned for and resourced on a 5 to 6 year cycle. This was done to maximize the amount of time on a software release and limit service disruption while still maintaining vendor support. As with most other major systems, updates are now being provided by the vendor for security and system compatibility reasons on a more frequent basis and it is no longer possible to wait for a major upgrade to "catch up". This has necessitated a move to planned annual updates. The City will need to quickly adjust to the increased resource demands of these updates. This will place significant pressure on Financial Services staff along with our partners in ITS and other key areas in the Corporation.
- Accounts Payable Automation
  - The City currently has manual, paper based approach for Accounts Payable and it is becoming increasingly labour intensive and difficult to manage. The Prompt Payment Act which comes into effect in October 2019, has

tight deadlines for making payments for Construction related projects. Implementing a new electronic system integrated with JD Edwards that improves invoice processing time would reduce the number of exceptions and issues resulting from the new act and decrease the need for additional resources.

- Staff Turnover
  - The cyclical nature of the work requires many months and years of training over the peaks and valleys of the cycle. The year-end processes are complex and require numerous years of preparation in order to master all the intricate details of municipal financial reporting under Public Sector Accounting Board (PSAB). As staff move on to other opportunities, other financial areas of the Corporation benefit from the corporate training these staff have learned. Sometimes it is difficult to replace these staff on a timely basis which can impede year-end reporting deadlines causing excess overtime for staff. Automation of some of the year-end reporting will help but not eliminate these challenges.

The service directly supports the following components of the Corporation’s 2019 to 2023 Strategic Plan:

### Leading In Public Service

The City of London is trusted, open, and accountable in service of our community.

**Expected Result:** Increase opportunities for residents to be informed and participate in local government.

**Strategy:**

- Develop and deliver a corporate communications strategy, including staff training and tools to enhance communications and public engagement. (LPS-01))

Metric	2019	2020	2021	2022	2023
22 communication channels for Multi-Year Budget (MYB) engagement process.	4	6	4	4	4
5,580 resident interactions in the Multi-Year Budget engagement process.	970	1,400	1,020	1,070	1,120

Londoners experience exceptional and valued customer service.

**Expected Result:** Increase efficiency and effectiveness of service delivery.

**Strategy:**

- Conduct targeted service reviews. (LPS-09))

	2019	2020	2021	2022	2023
<b>40</b> zero-based budget reviews completed	8	8	8	8	8
<b>10</b> additional reviews completed	2	2	2	2	2
Total service reviews completed with efficiencies identified.	Actuals	Actuals	Actuals	Actuals	Actuals

**Strategy:**

- Promote and strengthen continuous improvement practices. (LPS-10))

Metric	2019	2020	2021	2022	2023
<b>10</b> financial process improvements.	2	2	2	2	2

The City of London is a leader in public service as an employer, a steward of public funds, and an innovator of service.

**Expected Result:** Maintain London's finances in a transparent and well-planned manner to balance equity and affordability over the long term.

**Strategy:**

- Plan, conduct, and support annual internal and external audits. (LPS-21)

Metric	2019	2020	2021	2022	2023
<b>40</b> audits completed.	8	8	8	8	8

**Strategy:**

- Continue to ensure the strength and sustainability of London’s finances.(LPS-22)

Metric	2019	2020	2021	2022	2023
<b>47</b> consecutive years the Aaa credit rating is maintained.	43	44	45	46	47
Debt financing as a percentage of the lifecycle renewal capital budget.	TBD	TBD	TBD	TBD	TBD
Debt servicing costs as a percentage of total revenues.	TBD	TBD	TBD	TBD	TBD

**Strategy:**

- Establish and monitor targets for reserves and reserve funds. (LPS-23)

Metric	2019	2020	2021	2022	2023
<b>100%</b> of reserve and reserve fund targets established and monitored.	35%	35%	15%	10%	5%

**Strategy:**

- Maximize investment returns, adhering to the City's investment policy. (LPS-24)

Metric	2019	2020	2021	2022	2023
<b>25 bps</b> (basis points) excess actual investment returns compared to the relevant market benchmarks.	5 bps				

**Strategy:**

- Review and update the City's financial strategic planning, principles, and policies. (LPS-25)

Metric	2019	2020	2021	2022	2023
<b>100%</b> of Strategic Financial Plan update completed.	10%	35%	55%	0%	0%

**Strategy:**

- Develop and monitor the Multi-Year Budget to align financial resources with Council's Strategic Plan. (LPS-26)

Metric	2019	2020	2021	2022	2023
0% variance between actual average annual tax levy, water, and wastewater rates compared to approved Multi-Year Budget	0%	0%	0%	0%	0%

**Strategy:**

- Adhere to City of London limit on authorized debt (internal debt cap). (LPS-27)

Metric	2019	2020	2021	2022	2023
< = 0 Actual debt authorized compared to internal debt cap.	< = 0	< = 0	< = 0	< = 0	< = 0

**Other reference information:**

- [Multi-Year Budget and Related Information](#)

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