



2020 to 2023 Business Plan

Service: Capital Financing

\$1.52

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

17.68%

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

Who we are:

- This Service includes the budgets required to fund capital projects for all City of London Service Areas.
- The budget includes capital levy (pay-as-you-go financing), reserve fund contributions, and debt servicing costs for completed capital projects.

What we do:

- This Service is critical as it provides the capital financing to enable all Civic Service Areas to construct capital assets integral to the delivery of the City's almost 100 services.

Why we do it:

- This service provides capital financing to a variety of Civic Service Areas that are mandatory, essential and/or traditional.

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	\$117,616	\$118,610	\$122,610	\$125,538	\$484,374
Other Revenues	\$0	\$0	\$0	\$0	\$0
Net Tax Levy Supported Operating Budget	\$117,616	\$118,610	\$122,610	\$125,538	\$484,374
Total Capital Expenditures	\$0	\$0	\$0	\$0	\$0
Full-Time Equivalents (FTE's)	0	0	0	0	N/A

Reflects 2020 to 2023 Council Approved Budget - January 12, 2021.

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

- Continue to increase reliance on capital levy (pay-as-you-go) financing, particularly for lifecycle renewal capital projects, in accordance with the Capital Budget and Financing Policy.
- Avoid the use of debt financing for lifecycle renewal capital projects, with the goal of having 0% debt financing for this category of projects by 2022.
- Continue to limit and reduce the amount of debt financing required by:
 - Adhering to the City's internal debt cap;
 - Applying operating surpluses and surplus assessment growth funding to reduce authorized debt in accordance with the Surplus/Deficit Policy and Assessment Growth Policy;
 - Utilizing surplus from the capital budget to reduce authorized but unissued debt.
- Minimize debt servicing costs by:
 - Continuing to monitor progress against targets for debt servicing costs as a percentage of revenues for property tax, water and wastewater;
 - Maintaining the City's Aaa credit rating.
- Establish target balances for all reserve funds, including those funding the capital plan, and monitor progress against those targets on an ongoing basis.

- Review and update the City's Strategic Financial Plan to ensure the City's financial principles, including those relating to financing the capital budget, are up to date and reflective of best practices.

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 2019-2023 Strategic Plan. Balancing the need for community investment with the Corporation's financial policies and principles will be of paramount importance.
- 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, including the City's capital plan. 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.
- Increases in interest rates driven by general economic conditions will increase the City's debt servicing costs. Finance staff monitor economic conditions actively and incorporate the most up-to-date information available from the City's fiscal agents and financial institutions into budget forecasts.

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

Building a Sustainable City

London's infrastructure is built, maintained, and operated to meet the long-term needs of our community.

Expected Result: Manage the infrastructure gap for all assets.

Strategy:

- Prioritize investment in assets to implement the Asset Management Plan. (BSC-08)

Metric	2019	2020	2021	2022	2023
Ratio of Budget to Corporate Asset Management Plan targeted infrastructure investment by functional area.	TBD	TBD	TBD	TBD	TBD

Strategy:

- Monitor the infrastructure gap to inform the management of City assets. (BSC-09)

Metric	2019	2020	2021	2022	2023
\$ of infrastructure gap by functional area.	TBD	TBD	TBD	TBD	TBD

Leading In Public Service

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:

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

Metric	2019	2020	2021	2022	2023
47 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
100% of reserve and reserve fund targets established and monitored.	35%	35%	15%	10%	5%

Strategy:

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

Metric	2019	2020	2021	2022	2023
100% of Strategic Financial Plan update completed.	10%	35%	55%	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](#)

Contact:

- Anna Lisa Barbon, Managing Director, Corporate Services and City Treasurer, Chief Financial Officer
- 519-661-CITY (2489) Extension 4705
- abarbon@london.ca