



2024 to 2027 Business Plan

Service: Capital Financing

\$1.63

Cost per day for the average rate payer (2024 to 2027)

16.00%

Of the 2024 to 2027 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, including capital levy (pay-as-you-go financing), reserve fund contributions, and debt servicing costs for debt issued to fund completed capital projects.

What we do:

- This Service is critical as it provides the capital financing to enable all Civic Service Areas to acquire or construct capital assets that are integral to deliver the City's almost 100 services.

Why we do it:

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

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

Budget Summary (\$000's)	2024	2025	2026	2027	2024 to 2027 TOTAL
Gross Operating Expenditures – Capital Levy	\$55,455	\$57,405	\$59,418	\$61,501	\$233,779
Gross Operating Expenditures – Debt Servicing	\$22,543	\$21,558	\$24,394	\$36,045	\$104,540
Gross Operating Expenditures – Reserve Funds	\$46,829	\$48,905	\$48,993	\$49,617	\$194,344
Other Revenues	-\$0	-\$0	-\$0	-\$0	-\$0
Net Tax Levy Supported Operating Budget	\$124,827	\$127,868	\$132,805	\$147,163	\$532,663
Total Capital Expenditures	\$0	\$0	\$0	\$0	\$0
Full-Time Equivalents (FTE's)	0	0	0	0	N/A

Reflects Draft 2024 to 2027 Multi-Year Budget – December 12, 2023.

Linkage to the 2023 to 2027 Strategic Plan

This service supports the following Strategic Areas of Focus in the 2023 to 2027 Strategic Plan:



Reconciliation, Equity, Accessibility, and Inclusion



Economic Growth, Culture, and Prosperity



Housing and Homelessness



Mobility and Transportation



Wellbeing and Safety



Climate Action and Sustainable Growth



Safe London for Women, Girls, and Gender-Diverse and Trans People



Well-Run City

Environmental, Socio-economic Equity and Governance (ESG) Considerations

Environmental, Socio-economic Equity and Governance Profile for this service:



Environmental:

- Significant capital projects funded through the Capital Financing Service are generally reviewed using the Climate Lens process (Climate Emergency Screening Tool) prior to their inclusion in the Multi-Year Budget. This tool serves to ensure climate emergency issues are incorporated into decision-making across the City in a consistent manner.
- There are a variety of financing tools (e.g., green bonds) that have been developed in recent years to fund projects that aim to achieve environmental benefits. While the City has not yet utilized the green bond financing tool, Civic Administration will continue to monitor developments in this area and may consider this financing option in the future.

Socio-economic Equity:

- Significant capital projects funded through the Capital Financing service are generally reviewed using the Anti-Racism and Anti-Oppression Framework and Equity Tool prior to their inclusion in the Multi-Year Budget. The Equity Tool provides an intentional way to consider the impact of the City's work on equity-deserving groups and ensures an intentional identification and removal of barriers to inclusion.
- Similar to green bonds noted above, various financing tools (such as social bonds) have been developed to finance initiatives with associated benefits to various social issues (e.g., affordable housing, access to essential services, etc.). While the City has not yet utilized the social bond financing tool, Civic Administration will continue to monitor developments in this area and may consider this financing option in the future.

Governance:

- The City's Capital Financing Service is grounded in various financial policies that guide capital financing decisions (Debt Management Policy, Capital Budget and Financing Policy, etc.). Updates on the components of the City's capital financing are provided through regular reports to Council (debenture issuance, reserve fund updates, etc.). Capital financing variances are regularly monitored and reported through the City's semi-annual budget monitoring report.

The following section provides an overview of the key activities the service plans to undertake from 2024 to 2027 to implement the Corporation's 2023 to 2027 Strategic Plan, as well as an overview of the risks and challenges the service is anticipated to experience during this period:

Service Highlights 2024 to 2027

- Maintain reliance on capital levy and reserve fund 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 maintaining 0% debt financing for this category of projects.
- 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 maintaining the City's Aaa credit rating.
- Perform regular reviews of all reserve funds, including those funding the capital plan, and monitor progress against achieving reserve fund target balances.
- Regularly review the City's Strategic Financial Framework 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 2024 to 2027

- Considerable investments are anticipated through the 2024 to 2027 Multi-Year Budget in order to implement Council's 2023 to 2027 Strategic Plan. Balancing the need for community investment with the Corporation's financial policies and principles will be of paramount importance.
- Recent legislative changes, including the More Homes Built Faster Act (Bill 23), 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.
- Recent higher interest rates driven by general economic conditions will increase the City's debt servicing costs on future debt issuances (assuming current conditions continue to prevail). 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.

Other reference information and links:

- Link to the City of London website: [Multi-Year Budget | City of London.](#)

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