



**ED CORRIGAN COUNCILLOR WARD 7**  
**300 DUFFERIN AVE, LONDON, ON N6B 1Z2**

**CORRIGAN'S CORNER: NOVEMBER 2002**  
**DIFFICULT BUDGET AHEAD**

By Ed Corrigan, Councillor Ward 7

City Council is now starting the difficult job of setting the budget. Staff were directed by Council to prepare a draft budget based on maintaining existing levels of service. In June 2002 staff reported that to "maintain existing service levels" will cause a minimum tax increase of 6.3%. On July 2, 2002, Council passed a resolution to limit the 2003 budget property tax increase to 3-5%. All civic departments, boards, and commissions were to be guided by this provision in preparing their budgets.

Developing a budget for the City is very difficult. Most expenditures are mandatory. Police Services, Public Health, Social Assistance, Social Housing, Ambulance, employment contracts are set by contract and/or provincial legislation. For example the Police Services budget for 2002 was \$45,442,000 and is strictly governed by the province and binding employment contracts. It is projected that improvements in police service will cost \$1 million.

Our Fire Fighters recently negotiated a 7.75% salary increase which puts them in line with other cities' salaries. The alternative, binding arbitration, could have resulted in an even higher cost. Police and fire protection are essential services and personnel costs make up most of their budget. The new Byron Fire Hall also increased costs.

Recent City investments include \$20 million in the downtown arena, \$12 million in the Western Fair Ground four-pad arena, \$17 million in the Central Library, \$6 million in industrial lands and \$12 million in sewers (including Gordon Ave) have increased our long term debt. In 2001 the City took on \$87 million in new debt. This investment was long over due. It costs \$135,868 to service \$1 million of debt at 6% over 10 years. Approved projects in Storybook Gardens, the Springbank Foot Bridge, Springbank Dam and the Oxford Street Bridge will impact the budget.

Other areas where costs will increase include staff retirement payments which were temporarily on hold (\$3.5 million); collective agreement wage adjustments (\$3-4 million); and the cost of services from new investments, i.e., the Central Library and Westmount Library (\$1 million).

A continuing annual \$3.6 million commitment to our colleges and hospitals represents about 1.2% of the tax rate. This investment is critical to our health services and educational institutions and was key to obtaining matching funds from other levels of government.

Assuming a 1% growth rate, just maintaining our existing level of service would require an 8.3% property tax rate increase. This amount was unacceptable and staff were directed to find savings. Staff found \$11.9 million in reductions in the budgets directly controlled by City Hall. However, only \$800,000 in reductions were found by Boards and Commissions excluding Police Services. This area includes London Transit, the Health Unit and our Libraries.

The difficulty is that there are many worthwhile projects that require funding. The

Provincial government is offering \$32 million and Federal government is offering \$15 million to London for new infrastructure. Does the City put up its share or loose the money? Are these new investments worth a tax increase? These projects include expanding Airport Road to four lanes and extending Wonderland Road to the 401.

Financial pressure may delay much needed recreation facilities in South-west London. All other projects are under review.

Nobody likes a tax increase. Community investments that return a substantial dividend in financial health and social well being cost money. Down loading from senior levels of government has shifted more of the burden to property tax payers. Cities are the real engines of economic growth and prosperity. American cities, with whom we compete, have many other financial tools, such as direct U.S. Federal government transfers, sales taxes, gasoline taxes and hotel taxes to fund their operations.

The Federation of Canadian Municipalities has called for a major overhaul to municipal government funding. Forcing municipal governments to rely on property taxes is unfair to property owners and drives business to locations with lower property taxes. The impact of this process and the resulting loss of jobs and investment will severely damage the Canadian economy if we do not change how we fund municipalities.

On January 8, 2003, a public participation meeting will be held on the budget. I would like to hear your views on the budget and other City related matters. I can be reached at City Hall at 661-1558 or at home at 652-0973. My email address is [ecorriga@city.london.on.ca](mailto:ecorriga@city.london.on.ca).