2011 Budget
Process, Schedule, Pressures

Committee of the Whole
June 21, 2010

FCS10055
1. Budget Context
2. 2011 budget process
3. 2011 budget schedule
4. 2011 tax budget pressures (draft)
5. 2011 budget guidelines
6. “Seeing the way forward”
Budget Context
2010 Gross Tax Operating Budget by Service

$1.3 billion

- Community Services: 36%
- Public Works: 21%
- Boards & Agencies: 15%
- Corporate/Legislative: 4%
- Capital Financing / Corporate Financials: 9%
- Planning & Economic Development: 4%
- Public Health Services: 3%
- Hamilton Emergency Services: 8%
- Public Health Services: 3%

Total: $1.3 billion
2010 Gross Tax Expenditures by Type

$1.3 billion

- Employee Related: 47%
- Agencies/Support Pymnts: 25%
- Material/Vehicle/Building: 9%
- Contractual/Consulting: 8%
- Financial: 9%
- Reserves/Recoveries: 2%

2010 Gross Tax Expenditures

$1.3 billion
2010 Gross Tax Revenues by Type

$1.3 billion

- Property Taxes: 54%
- Grants/Subsidies: 26%
- User Fees/Penalties/General/Supps: 15%
- Reserves/Financial: 5%

2010 Gross Tax Revenues

$1.3 billion
2010 Capital Budget by Program

$288.1 Million

- Roads 26%
- Facilities 34%
- Emergency Services 14%
- Fleet 2%
- Council Strategic Proj. 3%
- Downtn/Waterfront 2%
- Planning & Ec. Dev. 5%
- Other 3%
- Parks / Forestry 5%
- Waste Mgmt. 1%
- Transit 5%
2010 Capital Funding

$288.1 Million

Transfer from Operating, $30.9M, 11%

External Debt, $50.8M, 18%

Reserves, $36.8M, 13%

Fed. Gas Tax, $31.9M, 11%

Subsidy / Other Revenue, $96.4M, 33%

DC's, $41.3M, 14%
2010 Municipal Comparison
Excludes Education

* 2.0% including education
Annual City-wide Residential Tax Impacts

Annual residential impacts - includes budget, reassessment, area-rating, education and tax policies

3.1% (10-yr average)
2011 Budget Process
• Staff have reviewed results of questionnaire sent out to Council/ SMT
• Feedback received to date has been positive
• For the most part it appears that Council was satisfied with the 2010 budget committee process
2011 Budget Process

- Not recommending any changes to the current budget committee process (CoW – Standing Committees – CoW)
- Due to positive feedback, other options were not investigated

CoW
- corporate overview
- guidelines
- schedule

Standing Committees
- departmental budget deliberations

CoW / Council
- final deliberations
- budget approval
2011 Budget Schedule
2011 Budget Schedule

- Due to the municipal election (late Oct) and pending labour negotiations strategy (late Dec / early Jan), budget process is not recommended to commence until January
  - Many cities adopting this approach

- Only the rate budget and user fees are proposed to go in December
2011 Budget Schedule

- **Dec 13-15:** Rate (operating & capital) budget; User fees (including Transit fees)
- **Early Jan:** Tax Capital budget
- **Late Jan:** Distribute Tax Operating Budget Book
- **First week Feb:** CoW - Corporate Overview
- **Feb:** Standing Committees
- **Mar:** CoW - Public Delegations, B&A, Deliberations
- **Early April:** Area Rating / Tax Policies/ Council Approval
2011 Tax Budget Pressures
• *Public Sector Compensation Restraint to Protect Public Services Act, 2010* (2010 Ontario Budget) – ensures compensation plans are not increased for 2 years

• Municipalities not governed by this legislation, however encouraged to follow Province’s lead

• Compensation increases for cost shared programs will likely NOT attract Provincial $

• Current uncertainties = salary/wage increases **not** included in 2011 pressures (1% = $4M)
## Compensation

<table>
<thead>
<tr>
<th>Non-Salary/Wage Compensation Base Budget Pressures</th>
<th>Levy Impact</th>
<th>Residential Tax Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>OMERS draft rate increase</td>
<td>5,100,000</td>
<td></td>
</tr>
<tr>
<td>EI rate draft increase</td>
<td>571,000</td>
<td></td>
</tr>
<tr>
<td>Employer Benefits</td>
<td>2,000,000</td>
<td></td>
</tr>
<tr>
<td><strong>Non-Salary/Wage Compensation Base Budget</strong></td>
<td><strong>7,671,000</strong></td>
<td><strong>1.2%</strong></td>
</tr>
</tbody>
</table>

**Note:** 1% salary/wage = $4 million
## Pre-approvals / Provincial Impacts

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<th>Levy Impact</th>
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<tr>
<td>$</td>
<td>%</td>
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</table>

### 2010 Pre-approvals & Annualizations
- Street Tree Trimming Program - phase 4: 410,000
- Ice Revenues (CS10029 approved rates decrease): 80,000
- Operating Impact of Capital Projects (FCS09114) - 2010: 997,000

### Provincial Impacts
- ODSP / OW upload net of OMPF / Provincial funding reduction ¹: 0
- Transit: Loss of Provincial Gas Tax Funding: 300,000

| Pre-approvals/annualizations & Provincial Impacts | 1,787,000 | 0.3% |

¹ assumes receipt of special Provincial funding in 2011 to fully offset the impact of ODSP/OW upload net of the reduction of OMPF / 2010 special funding
## Corporate / Departmental Levy Impact

<table>
<thead>
<tr>
<th>Levy Impact</th>
<th>Residential Tax Increase</th>
</tr>
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<tbody>
<tr>
<td>$8,000,000</td>
<td>%8</td>
</tr>
<tr>
<td>$1,368,000</td>
<td>%10</td>
</tr>
<tr>
<td>$900,000</td>
<td>%11</td>
</tr>
<tr>
<td>$3,340,000</td>
<td>%44</td>
</tr>
<tr>
<td>$300,000</td>
<td>%4</td>
</tr>
</tbody>
</table>

### Corporate Pressures
- Inflationary/Contractual Requirements (2%)  
- Energy (Fuel, Hydro)  
- Cost Allocation Review - Shift to Rate (3yr phase)  
- Boards & Agencies  
- Contribution from Reserves Phase-out - Risk Management

### Public Works
- Transit: Loss of Bus Advertising Revenue  
- Recycling Revenues  
- HRPI Dividend (pending policy review)
## Levy Impact

<table>
<thead>
<tr>
<th>Levy Impact</th>
<th>Residential Tax Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>$85,000</td>
<td></td>
</tr>
<tr>
<td>$750,000</td>
<td></td>
</tr>
<tr>
<td>$150,000</td>
<td></td>
</tr>
<tr>
<td>$16,018,000</td>
<td>2.5%</td>
</tr>
</tbody>
</table>

### Community Services

- Macassa / Wentworth Lodge - mandatory training requirements
  - Levy Impact: $85,000

### Hamilton Emergency Services

- EMS - MUMC adult emergency department closure
  - (annualized = $1.5M)
  - Levy Impact: $750,000

### Corporate Services

- IS - Microsoft software licence upgrade
  - Levy Impact: $150,000

### Corporate / Departmental Pressures

- Levy Impact: $16,018,000
- Residential Tax Increase: 2.5%
## Total Potential Tax Impact

<table>
<thead>
<tr>
<th>Category</th>
<th>Levy Impact</th>
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<tbody>
<tr>
<td>Non-Salary/Wage Compensation Base Budget Pressures&lt;sup&gt;1&lt;/sup&gt;</td>
<td>7,671,000</td>
<td>1.2%</td>
</tr>
<tr>
<td>Pre-approvals/annualizations &amp; Provincial Pressures&lt;sup&gt;2&lt;/sup&gt;</td>
<td>1,787,000</td>
<td>0.3%</td>
</tr>
<tr>
<td>Corporate / Departmental Pressures</td>
<td>16,018,000</td>
<td>2.5%</td>
</tr>
<tr>
<td>Capital Infrastructure</td>
<td>6,500,000</td>
<td>1.0%</td>
</tr>
<tr>
<td>Estimate Assessment Growth / Reassessment Impact</td>
<td></td>
<td>-1.0%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>31,976,000</strong></td>
<td><strong>3.9%</strong></td>
</tr>
</tbody>
</table>

<sup>1</sup> assumes 0% for salary/wage

<sup>2</sup> assumes receipt of special Provincial funding in 2011
Potential Risks

• Assumes receipt of special provincial funding to ensure no budget impact of upload
  • 2010 special funding = $14.2M
  • 2011 special funding required = TBD (original estimate of $9.1M)
Potential Risks (cont’d)

- Loss of Ontario bus replacement program funding ($3.7M)
- Legislative compliance for Winter control
- Minimum Maintenance Standards – roads and sidewalk programs ($900k)
- Development Fee Stabilization Reserve
- J/Es (report forthcoming)
- No subsidy increases for cost shared programs (union and non-union)
- Non-union percentile movement / adjustments
2011 Budget Guidelines
2011 Budget Guidelines

• That user fees (excluding golf, transit and ice fees) be increased by inflation and that any user fee adjustments other than inflationary be forwarded for consideration with appropriate explanation

• That the Boards & Agencies be requested to submit a 2011 budget to Committee of the Whole based on a guideline of at or below inflation and that Boards & Agencies be requested to justify any additional increase above this guideline
2011 Budget Guidelines (cont’d)

• Due to pending labour negotiations strategy and significant implications of the provincial guideline on wages, not feasible to identify guideline for departmental budgets

• Proceed with development of departmental budgets which ensures lowest possible tax impact without affecting service levels
Seeing the Way Forward
Financial Sustainability

• New term of Council

• Strategic priorities set in the first year, followed by the implementation of a financial plan in remaining years

• Review of multi-year budgeting, business planning, zero based and other budgeting methodologies