



Hamilton

2013 PRELIMINARY TAX OPERATING BUDGET UPDATE

General Issues Committee

February 28, 2013



*Assessment Growth Analysis
(FCS13021)*

2012 Assessment Growth

- Final 2012 net growth = 0.8% (or \$5.2M)
 - Includes both new construction / supplementary taxes (increase in assessment) and write-offs/successful appeals (decrease in assessment)
- Used to offset 2013 budgetary pressures
- Lower than what was realized in the last five years;

2008	2009	2010	2011	2012
1.0%	1.3%	1.3%	1.1%	0.8%

- Reasonable 2012 growth, however offset by appeals and lower-valued new properties

2012 Assessment Growth: By Property Class

- Growth primarily driven by the Residential property class

	Change in Unweighted Assessment		Change in Weighted Assessment		Change in Municipal Taxes	% Class Change ¹	% Total Change ²
Residential	\$ 551,562,110		\$ 551,562,110		\$6,014,130	1.3%	0.9%
Multi-Residential	\$ (41,542,080)		\$ (87,309,940)		(\$1,033,310)	-1.3%	-0.1%
Commercial	\$ 6,180,020		\$ 17,043,890		\$187,050	0.2%	0.0%
Industrial	\$ 2,410,410		\$ 12,456,180		\$34,380	0.3%	0.0%
Other	\$ 6,439,740		\$ (681,450)		\$15,110	-0.1%	0.0%
Total	\$ 525,050,210		\$ 493,070,800		\$5,217,370	0.8%	0.8%

¹ % change in respective property class weighted assessment

² % change in total weighted assessment

2012 Assessment Growth: Increases/Decreases

- As identified below, assessment decreases (primarily due to successful assessment appeals) drove down the 2012 assessment growth by -0.4%
 - Represents a reduction in municipal taxes of \$3.1 million

	Change in Unweighted Assessment	Change in Weighted Assessment	Change in Municipal Taxes	# of Properties	% Change ¹ (Growth)
Assessment Increase (existing property)	\$ 456,568,990	\$ 610,240,470	\$ 6,589,370	6,898	1.0%
Assessment Decrease (existing property)	\$ (165,042,950)	\$(270,762,010)	\$ (3,077,970)	2,251	-0.4%
Assessment Increase & Decrease (existing property)	\$ 13,756,470	\$ (5,011,440)	\$ (57,300)	346	0.0%
Deleted Roll	\$ (79,296,300)	\$(144,828,190)	\$ (1,550,360)	333	-0.2%
New Roll	\$ 299,064,000	\$ 303,431,970	\$ 3,313,630	2,187	0.5%
Total Change	\$ 525,050,210	\$ 493,070,800	\$ 5,217,370	12,015	0.8%

¹ % change in total weighted assessment

Examples of some significant appeals in 2012 include: Golf Courses, McMaster Innovation Park, Development Lands (i.e. Hwy 5&6)



2012 Assessment Growth: by Ward

	Change in Unweighted Assessment		Change in Weighted Assessment		Change in Municipal Taxes	% Ward Change ¹	% Total Change ²
Ward 1	\$ 829,540		\$ (9,047,120)		(\$108,960)	-0.2%	0.0%
Ward 2	\$ 5,188,030		\$ (25,100,840)		(\$302,300)	-0.6%	0.0%
Ward 3	\$ (9,801,610)		\$ (33,032,160)		(\$397,820)	-0.9%	-0.1%
Ward 4	\$ 13,246,300		\$ (426,460)		(\$5,140)	0.0%	0.0%
Ward 5	\$ 21,206,800		\$ 33,652,670		\$405,290	0.8%	0.1%
Ward 6	\$ 1,444,000		\$ 3,450,990		\$41,560	0.1%	0.0%
Ward 7	\$ 29,737,700		\$ 38,891,930		\$468,390	0.6%	0.1%
Ward 8	\$ 65,653,800		\$ 62,287,690		\$750,190	1.3%	0.1%
Ward 9	\$ 14,115,200		\$ 16,620,790		\$176,860	0.5%	0.0%
Ward 10	\$ 5,229,600		\$ 2,470,430		\$26,310	0.1%	0.0%
Ward 11	\$ 234,407,970		\$ 280,396,120		\$2,861,380	5.1%	0.4%
Ward 12	\$ 94,065,210		\$ 94,466,040		\$1,021,100	1.6%	0.2%
Ward 13	\$ 3,738,210		\$ 1,632,470		\$18,380	0.1%	0.0%
Ward 14	\$ 12,843,870		\$ 10,665,790		\$105,460	0.5%	0.0%
Ward 15	\$ 33,145,600		\$ 16,142,460		\$156,650	0.4%	0.0%
Total	\$ 525,050,210		\$ 493,070,800		\$5,217,370	0.8%	0.8%

¹ % change in respective ward weighted assessment

² % change in total weighted assessment



Assessment Growth vs. Building Permits

- Three main differences between assessment growth and building permits:
 1. Time lag – potential 2+ years from when building permit issued and property on assessment roll
 2. Difference in valuation – assessed value may be years behind current market value; some items included in construction value (i.e. equipment) are not assessable
 3. Property Type – Government/Institution properties (which over the last five years accounts for 20%, on average, of the total construction value), are not taxable (either exempt or subject to payment-in-lieu of taxes) therefore not included in assessment growth



*Reassessment Impacts
(FCS13022)*

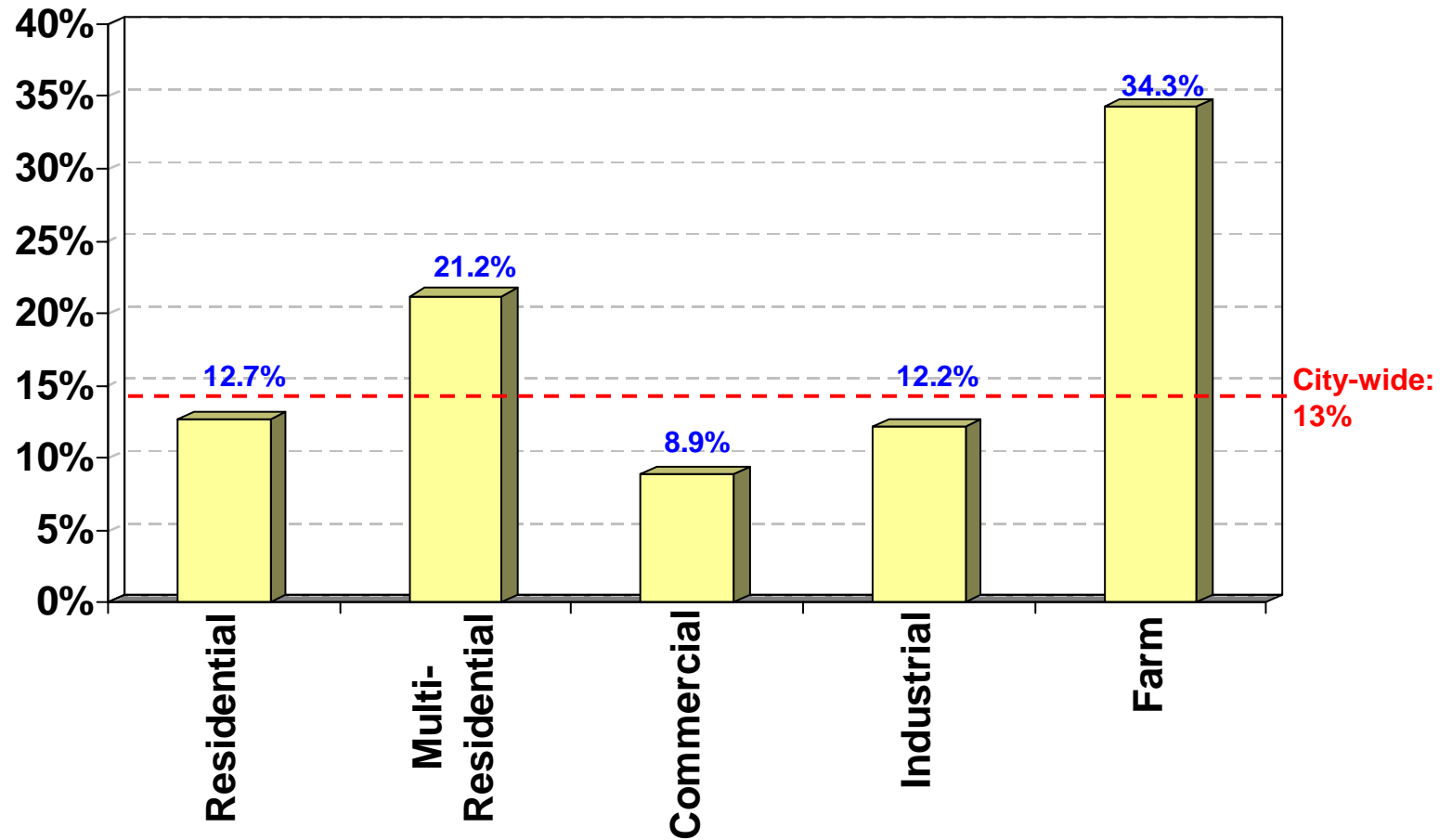
- 2013 marks a new general reassessment
 - updated valuation date of January 1, 2012
- Previous general reassessment was in 2009 (valuation date of January 1, 2008)
- Similar to the previous reassessment, assessment increases will be phased-in over 4 years (2013-2016)
- Tax impacts identified will be for 2013 only (year 1 of the 4-year assessment phase-in)

2013 Changes in Assessment by Property Class

Full Assessment Changes

(from valuation date of January 1, 2008 to January 1, 2012)

Multi-Residential and Farm properties increased at a faster rate than Residential, Commercial and Industrial properties

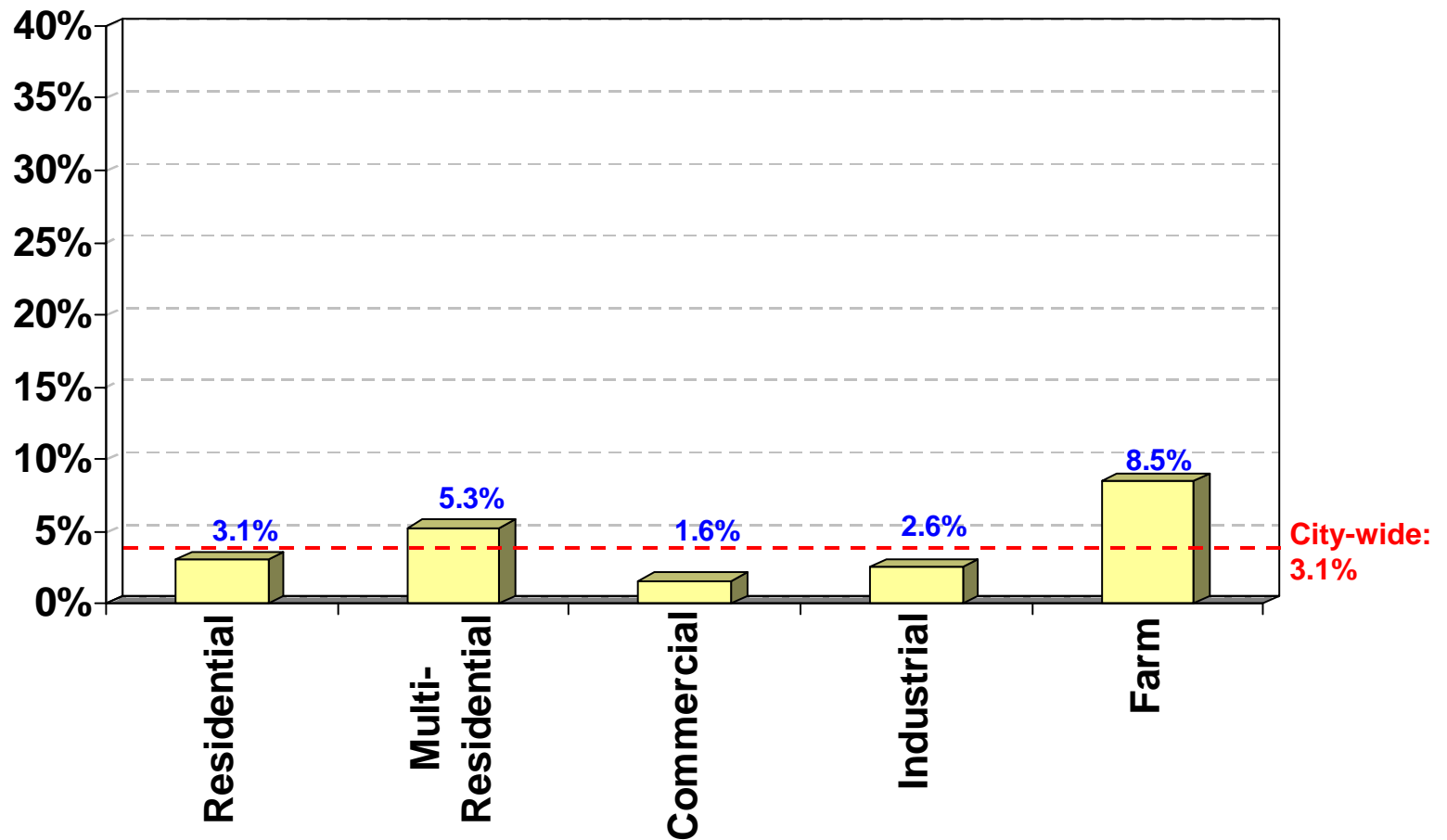


Taxable assessment only

2013 Changes in Assessment by Property Class

2013 Phased-in Assessment Changes

Increases phased-in equally over 4 years (2013-2016), decreases reflected in whole in 2013



Taxable assessment only

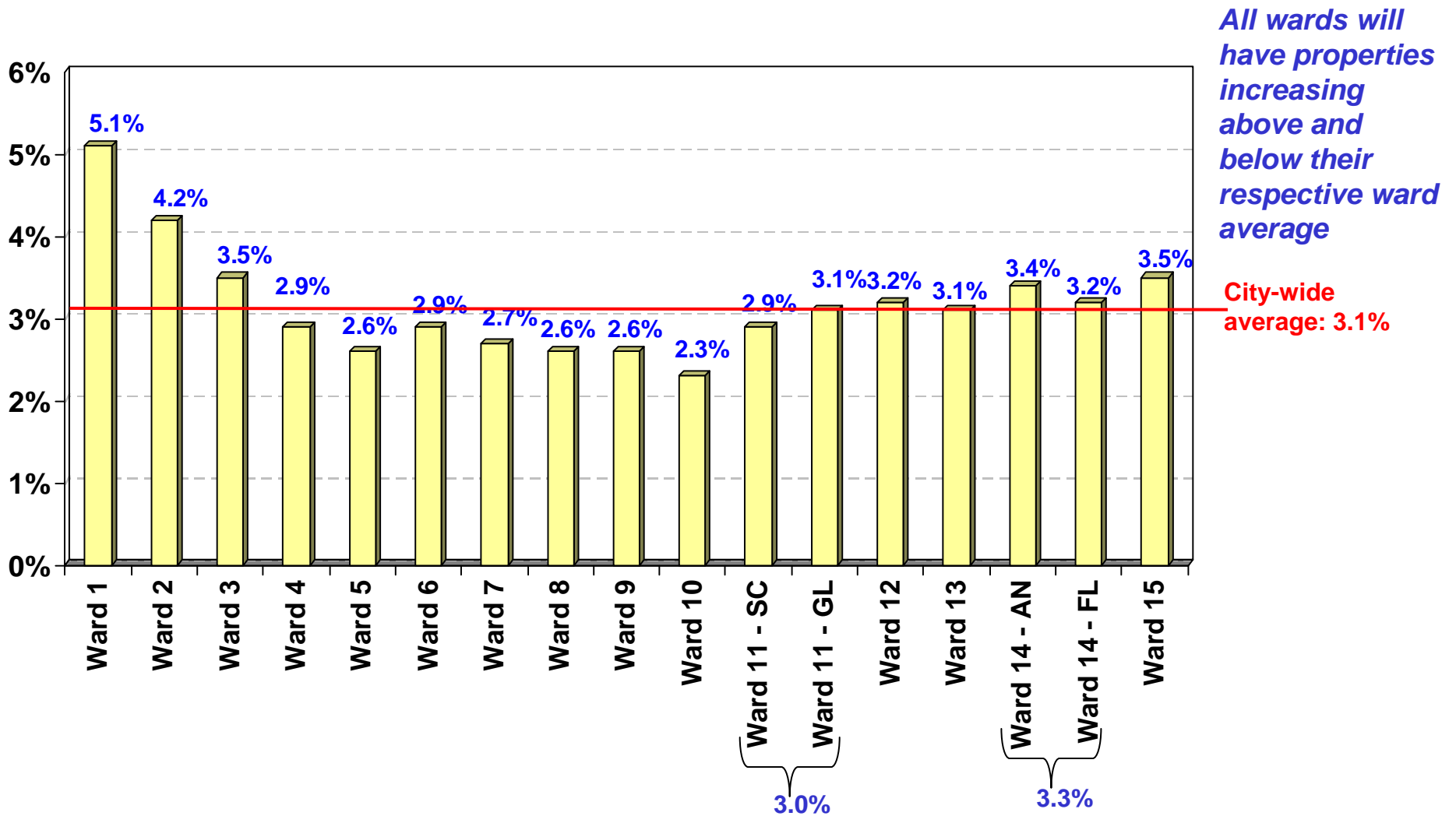
Assessment Changes by Former Area Municipality

CITY OF HAMILTON

2013 CVA REASSESSMENT (2013 TAXATION YEAR: YEAR 1 OF 4 YEAR PHASE-IN)
COMPARISON OF CHANGES IN CURRENT VALUE (TAXABLE ASSESSMENT ONLY)

	Residential	Multi-Residential	Total Commercial	Total Industrial	Farm	TOTAL
Stoney Creek	2.6%	5.6%	1.9%	2.3%	8.4%	2.6%
Glanbrook	3.1%	5.4%	1.9%	12.6%	10.2%	3.5%
Ancaster	3.2%	6.5%	1.7%	5.8%	8.5%	3.2%
Hamilton	3.2%	5.2%	1.9%	1.8%	8.0%	3.1%
Dundas	3.1%	6.6%	3.0%	4.4%	-14.2%	3.2%
Flamborough	3.4%	5.1%	-2.8%	4.2%	7.8%	3.3%
TOTAL	3.1%	5.3%	1.6%	2.6%	8.5%	3.1%

2013 Changes in Assessment by Ward - Residential





2013 Average Residential Values by Ward

	2013
Ward 1	267,200
Ward 2	177,900
Ward 3	143,400
Ward 4	158,600
Ward 5	225,800
Ward 6	229,300
Ward 7	251,700
Ward 8	269,200
Ward 9	278,500
Ward 10	280,000
Ward 11 - SC	329,000
Ward 11 - GL	283,700
Ward 11 - TOTAL	299,723
Ward 12	398,500
Ward 13	337,100
Ward 14 - AN	343,400
Ward 14 - FL	367,400
Ward 14 - TOTAL	363,845
Ward 15	380,200
City-Wide	266,200



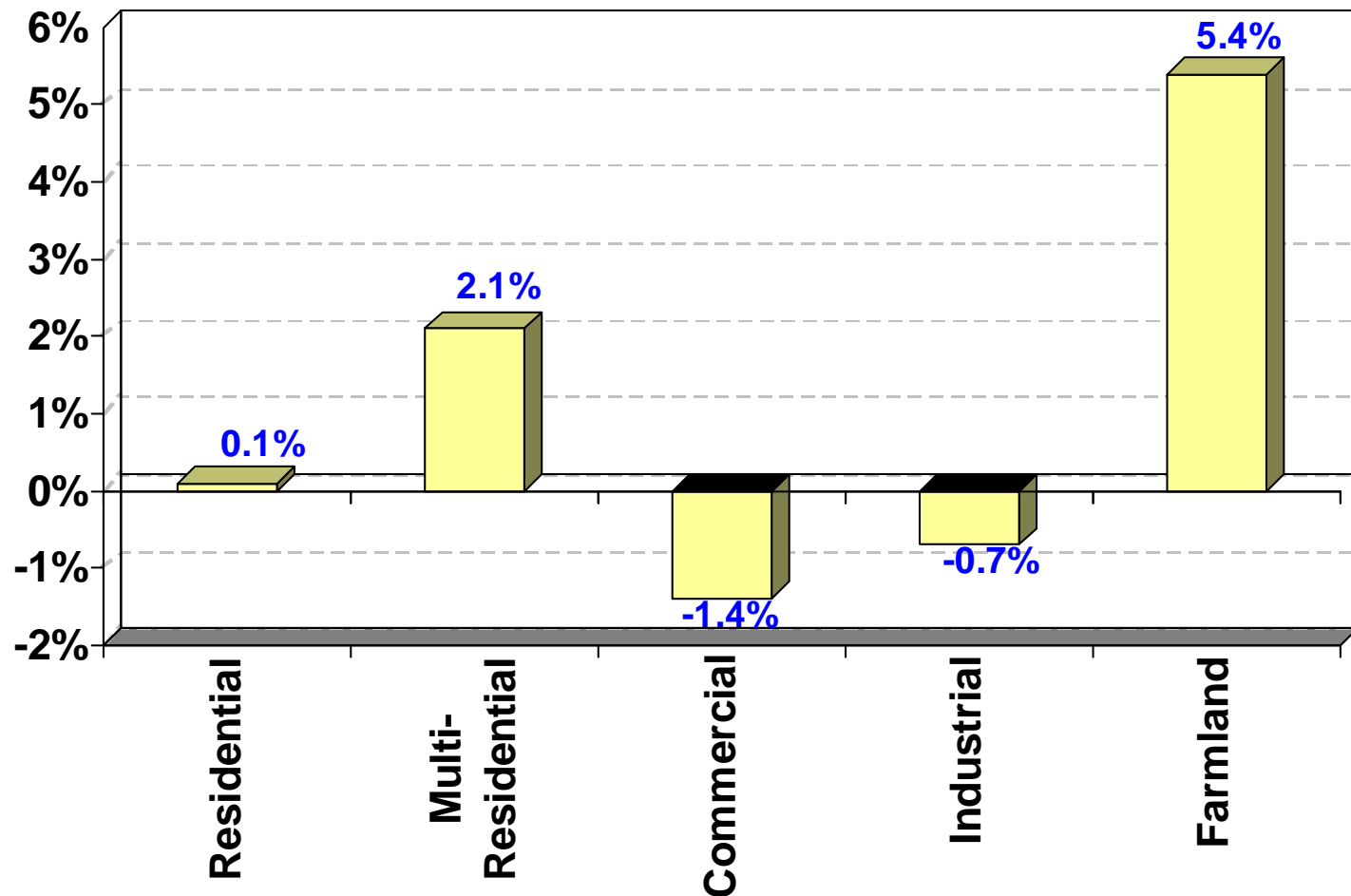
Changes in Assessment vs. Reassessment Tax Impacts

- The previous section reflected changes in assessment, not property taxes (tax impacts)
- An increase in assessment does not necessarily mean an increase in property taxes
- In general terms, a property whose assessment is increasing above the city-wide average may see a reassessment-related tax increase; conversely, a property whose assessment is increasing less than this city-wide average, may see a reassessment-related tax decrease
- Overall, there are no additional taxes raised as a result of a reassessment

Tax Shifts Between Property Classes – Municipal Impact

(No Mitigation)

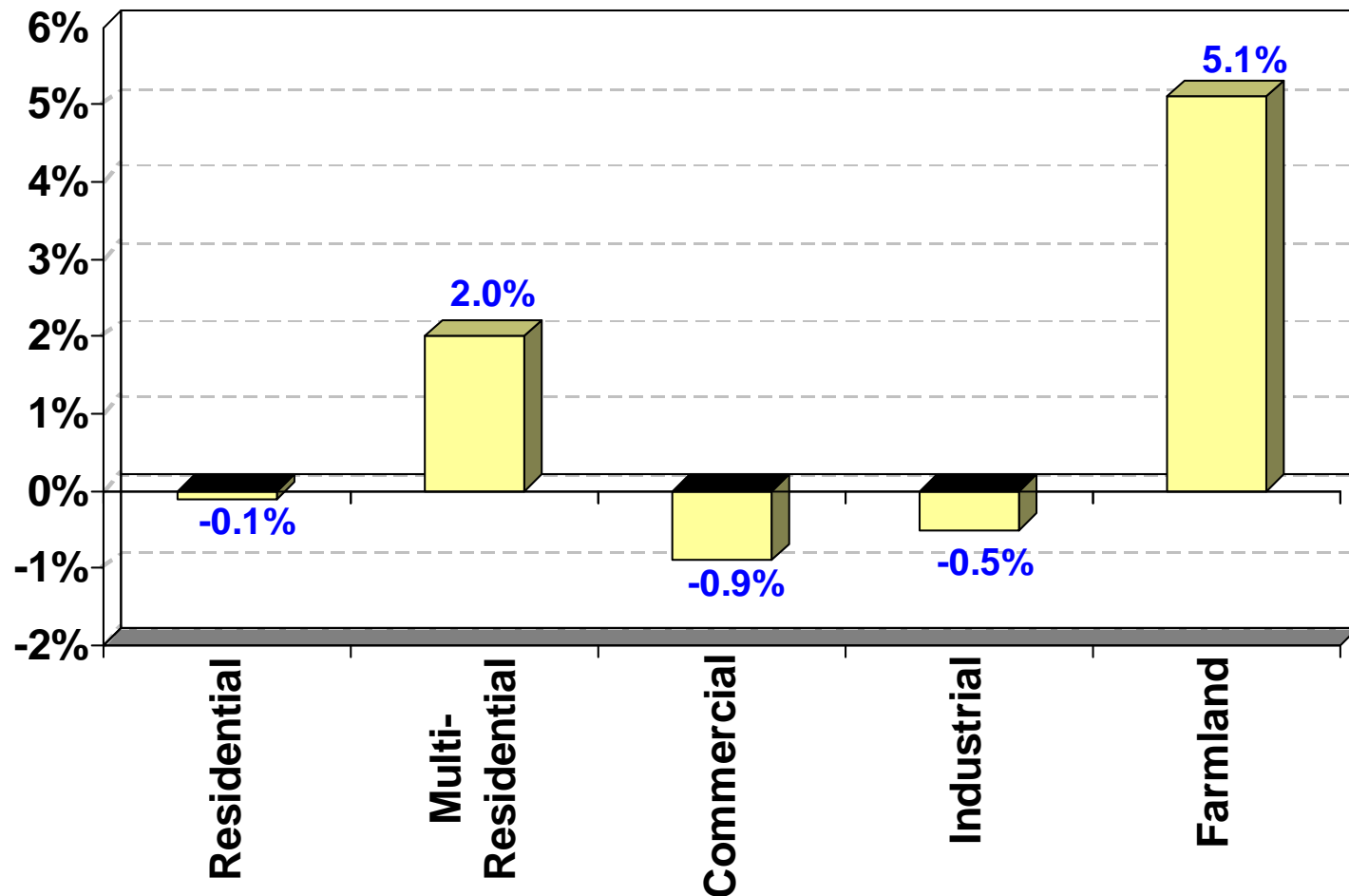
*Shift in taxes from the Commercial and Industrial property classes to the Multi-Residential and Farm property classes
Minor tax shift to the Residential property class*



Tax Shifts Between Property Classes – Total Impact

(No Mitigation)

2013 prescribed education tax rates negatively impacts the Non-Residential property classes, positively impacts the Residential property classes



Change in Total Taxes – Including Education

Mitigating Reassessment Tax Shifts: Not Recommended

- Municipalities have the option to offset reassessment-related tax shifts between property classes by establishing transition ratios
 - Decreases the Multi-Residential tax ratio
 - Increases the Commercial and Industrial tax ratios

	2012 Final Tax Ratios		2013 Transition Ratios		Provincial Threshold	Provincial Range of Fairness
Residential	1.0000	➔	1.0000			1.0
Multi-Residential	2.7400		2.6872	2.7400	1.0 - 1.1	
Commercial	1.9800		2.0100	1.9800	0.6 - 1.1	
Industrial - Residual	3.2465		3.2652	2.6300	0.6 - 1.1	
Industrial - Large	3.8069		3.8288	2.6300	0.6 - 1.1	
Farm	0.1982		0.1982			

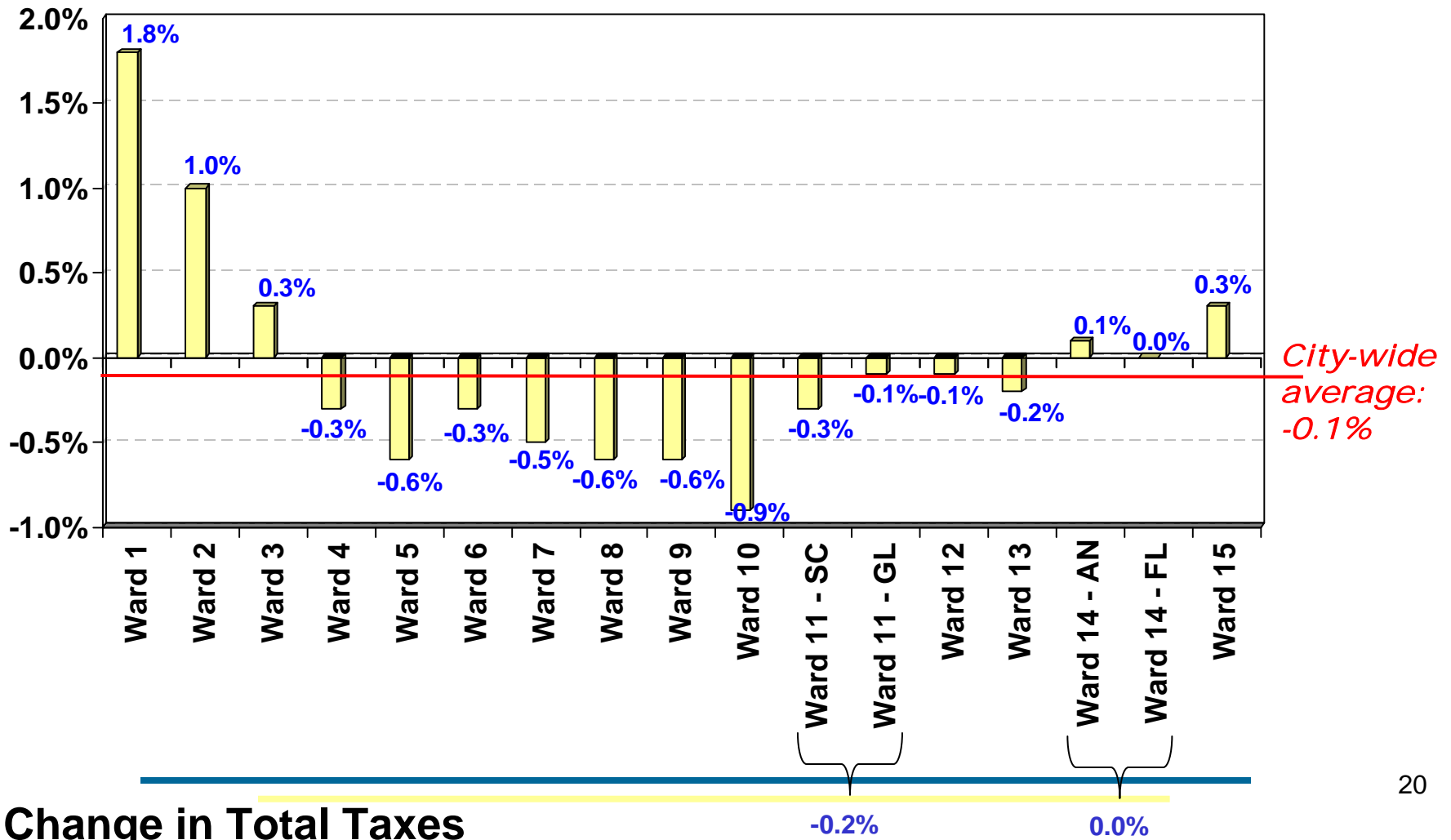


Mitigating Reassessment Tax Shifts: Not Recommended

- Does not result in any benefit to the Farm property class
- Results in the Commercial class exceeding the Provincial Threshold and thus becoming levy restricted
- Further increases the already high Industrial tax ratios
- Results in a +0.1% overall tax impact to the Residential property class (-0.1% due to elimination of tax shifts, more than offset by a +0.2% due to the added levy restriction)
- Tax shifts were not mitigated in the last general reassessment (2009)
- Potential for assessment appeals which would mitigate tax impacts
- Review options to mitigate Multi-Residential and Farm tax impacts through tax policy report in April

2013 Residential Reassessment-Related Tax Impacts by Ward

(No Mitigation)





Area Rating Phase-in (Year 3 of 4-yr Phase-in)

Area Rating Phase-in (Yr 3 of 4)				
	Urban	Rural	Urban with Rural Fire	Rural with Urban Fire
Stoney Creek	1.4%	-0.4%	0.1%	N/A
Glanbrook	3.2%	1.3%	1.9%	2.7%
Ancaster	0.8%	-1.0%	-0.5%	0.3%
Hamilton	0.0%	N/A	N/A	N/A
Dundas	0.9%	-0.8%	N/A	0.5%
Flamborough	1.6%	0.0%	N/A	N/A



*Budget Update & Proposed
Reductions
(FCS13010)*

Recommended Budget Amendments

			Total Potential Tax Impact
Preliminary Residential Tax Increase			2.9%
A1	Police	Hamilton Police Services	(\$ 1,151,310)
A2	B&A	Niagara Peninsula Conservation Authority	(\$ 9,957)
A3	B&A	Hamilton Conservation Authority	(\$ 9,980)
A4	Legislative	Veteran's Advisory Committee	\$ 8,410
Proposed City Amendments - Feb 28th GIC			(\$ 4,041,956)
			(\$ 5,204,793)
Average Residential Total Tax Impact			2.3%
Average Residential Reassessment-related tax impact			-0.1%
Average Residential Total Tax Impact (inclusive of reassessment)			2.2%

Detailed Budget Amendment schedule in Appendix A to Report FCS13010



Hamilton

Proposed City Amendments – Feb 28th

A5	PED	Airport Contract	\$	(30,000)
A6	PED	Increase Parking meter rates to reduce \$500k liability currently funded by reserve	\$	-
A7	PED	Draw additional funds from the Development Stabilization Reserve	\$	(50,000)
A8	PED	Cancellation of Winterfest.	\$	(36,000)
A9	PED	Minor reductions for various accounts in several Divisions	\$	(25,000)
A10	PHS	CINOT reduction based on review of 2012 year end numbers	\$	(160,000)
A11	CSD	Farmer's Market	\$	(56,000)
A12	CSD	Mortgage renewals	\$	(44,000)
A13	PW	AODA based on activity in 2012	\$	(900,000)
A14	PW	Bio-diesel	\$	(278,000)
A15	PW	McMaster Lease	\$	(500,000)
A16	PW	Safety program	\$	(200,000)
A17	PW	Winter Season - continuous average to include 2012	\$	(800,000)
A18	CMO	Increase the capital recovery	\$	(48,850)
A19	CMO	Reduction in contractual services and salary/benefits	\$	(20,686)
A20	Corp Serv	Minor reductions for various accounts - Information Services	\$	(32,680)
A21	Corp Serv	Decrease Contractual services	\$	(41,790)
A22	Corp Serv	Lease and service contracts	\$	(18,950)
A23	Corp Fin	Update to Canada Pension Plan (CPP) Max	\$	(50,000)
A24	Non-Prog	Raise penalty and interest from 1% to 1.25%.	\$	(750,000)
Total Proposed City Amendments - Feb 28th			\$	(4,041,956)

Significant Mitigation Since Original Outlook – Sept. '12

2013 Operating Budget Impact

	Levy Increase	Res. Impact
September*	\$44.8 M	5.5%
December*	\$36.7 M	4.3%
Budget Book**	\$29.5 M	2.9%
Updated Budget**	\$24.3 M	2.2%

* municipal impact

** total impact



2013 Updated Budget Tax Impact Average Home

	Change (2013 over 2012)	
	DRAFT	
	\$	%
Municipal Taxes		
City Departments	\$ 41	1.4%
Provincial Funding Loss Transition	\$ 8	0.3%
Boards & Agencies	\$ 17	0.6%
Capital	\$ 15	0.5%
Municipal Tax Change	\$ 81	2.8%
Education Taxes	\$ (6)	-1.1%
Total Tax Change	\$ 75	2.2%

Note – inclusive of reassessment impacts (FCS13022)



2013 Updated Budget Tax Impact Average Home

	2012	2013	Change (2013 over 2012)	
			DRAFT	
			\$	%
Total Municipal Taxes	\$ 2,900	\$ 2,981	\$ 81	2.8%
Education Taxes	\$ 571	\$ 564	\$ (6)	-1.1%
Total	\$ 3,471	\$ 3,545	\$ 75	2.2%

Note – inclusive of reassessment impacts (FCS13022)



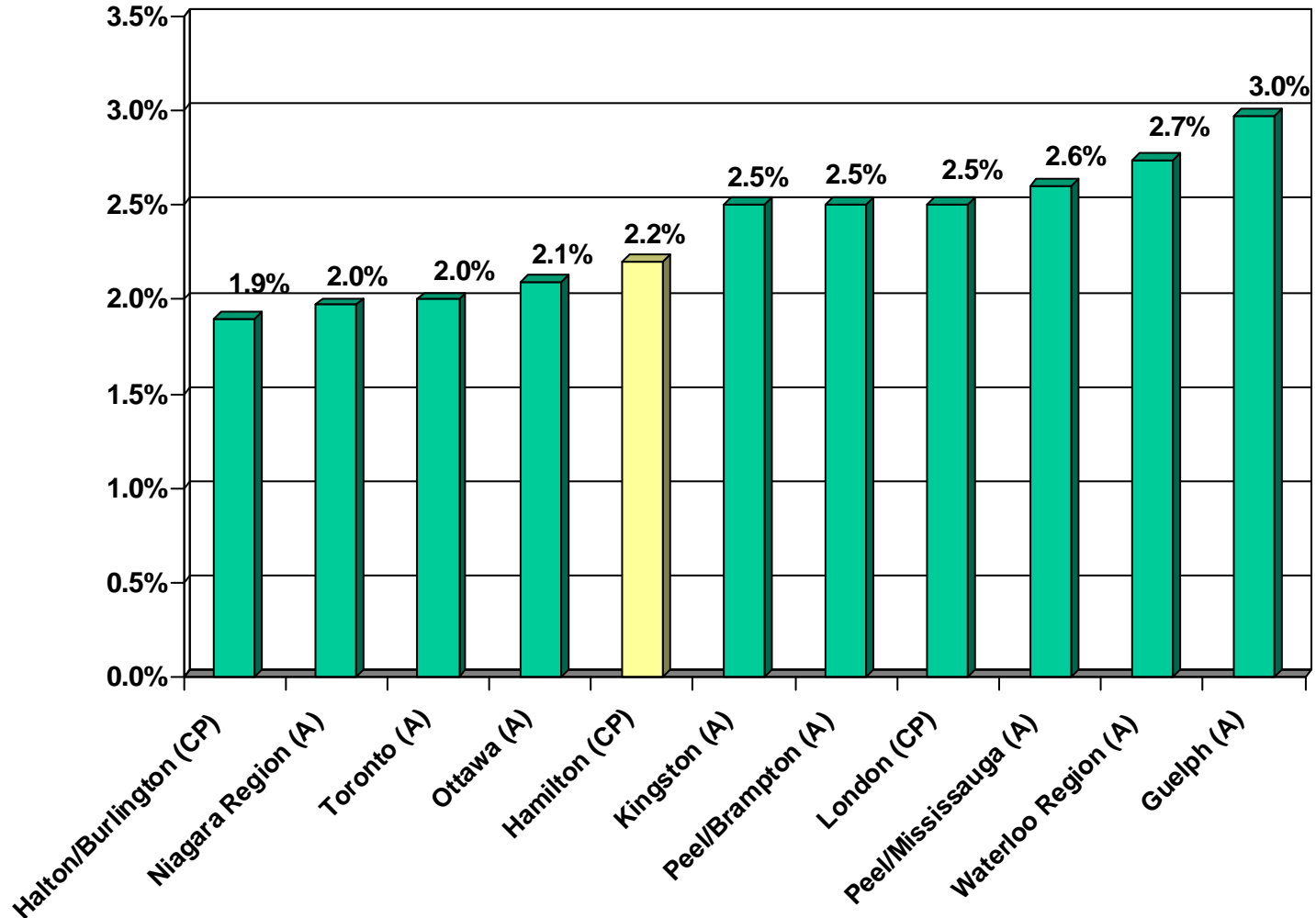
2013 Updated Budget by Department

	2013 Updated Preliminary	Change 2013 / 2012	
		\$	%
PLANNING AND ECONOMIC DEVELOPMENT	22,535,450	398,890	1.8%
PUBLIC HEALTH SERVICES	10,490,820	176,860	1.7%
COMMUNITY SERVICES	130,495,570	(854,060)	(0.7%)
HAMILTON EMERGENCY SERVICES	97,579,100	3,123,540	3.3%
PUBLIC WORKS	190,851,680	8,667,800	4.8%
LEGISLATIVE	3,997,580	50,390	1.3%
CITY MANAGER	10,085,014	301,234	3.1%
CORPORATE SERVICES	19,916,720	453,910	2.3%
CORP FINANCIALS/ NON PROG REVENUES	(35,058,710)	948,530	(2.6%)
TOTAL CITY EXPENDITURES	450,893,224	13,267,094	3.0%
PED (exclusive of in-year approval)	22,335,450	198,890	0.9%
CSD (exclusive of upload)	133,895,570	2,545,940	1.9%



2013 Average Total Tax Impacts

(information to date)



CP = Current Position; A = Approved



2013 Council Referred Items

(Appendix B to FCS13010)

- 28 items referred by Council to the 2013 budget process
- If all Council Referred Items are approved

Gross Impact	\$ 4,917,646
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Net Impact	\$ 4,802,546
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Annualized FTE	10.83
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Total Tax Impact	0.6%
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2014 Additional Net Impact	\$ 456,139*
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* The 2013 impact reflects part year commencement of some initiatives with an additional pressure created in 2014 from annualization.



Requested Enhancements

(Appendix C to FCS13010)

- 4 requested items submitted to the 2013 budget process
- If all Requested Enhancements are approved

Gross Impact	\$ 697,000
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Net Impact	\$ 206,000
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Annualized FTE	8.00
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Total Tax Impact	0.03%
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2014 Additional Net Impact	\$ 201,000*
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* The 2013 impact reflects part year commencement of some initiatives with an additional pressure created in 2014 from annualization.



Reducing the Tax Impact

	Reductions	Levy Increase	Residential Tax Incr.*
PRELIMINARY BUDGET		\$ 24,300,000	2.2%
TOTAL REDUCTIONS OF	-\$ 2,100,000	\$ 22,200,000	1.9%
TOTAL REDUCTIONS OF	-\$ 9,500,000	\$ 14,800,000	1.0%
TOTAL REDUCTIONS OF	-\$ 17,700,000	\$ 6,600,000	0.0%

- Excludes Council referred & requested enhancement items
- 1% on Residential Tax Increase:
 - **“TOTAL” INCLUDING EDUCATION = \$8.2M**
 - **1% municipal only = \$6.9M**

Note – anomalies in totals due to rounding



Hamilton

Process



- All the recommendations to approve the tax budget levies have been included in the Feb 28th agenda
- Council can deliberate by each submission and
 - Approve that item
 - Refer the item back with direction
 - Park/Defer the item
- Council Referred Items and Requested Items are submitted in appendices (update handed out today) to the report and require Council motion to be approved (usually each item is dealt with individually).
- Items Parked or Referred will be brought back at a future budget GIC



- Potential Road Map for Deliberations:
 - 5.1 Volunteer Advisory Committee Budgets
 - 5.2 Boards & Agencies
 - 5.3 City Budgets
 - Amendments submitted Feb 28th (Refer to slide #24 or Appendix A to FCS13010)
 - Council Referred Items (Appendix B to FCS13010 update attached)
 - Requested Items (Appendix C to FCS13010)
 - Department Budgets (Recommendations FCS13010)



- **Feb 28th** – Deliberations start
 - Volunteer Committees
 - B&A Budgets (FCS13011)
 - Department Budgets & Council Referred / Requested Enhancements (FCS13010)
 - **March 4th, March 7th, March 21st** - Deliberations
 - **March 27th** – Council Approval
 - **April** – Tax Policies
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END