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# 2014 PRELIMINARY TAX OPERATING BUDGET Corporate Overview

**General Issues Committee**

**January 27, 2014**

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## 2014 Operating Budget Impact

|                       | Levy            | Res.        |
|-----------------------|-----------------|-------------|
|                       | Increase        | Impact      |
| September *           | \$27.5 M        | 2.8%        |
| November *            | \$26.0 M        | 2.8%        |
| <b>Budget Book **</b> | <b>\$21.4 M</b> | <b>1.8%</b> |



# 2014 Base Budget Savings

| DEPARTMENT                                                                                 | \$ GROSS IMPACT      | \$ NET IMPACT        |
|--------------------------------------------------------------------------------------------|----------------------|----------------------|
| PLANNING & ECONOMIC DEVELOPMENT                                                            | \$ (428,700)         | \$ (128,700)         |
| PUBLIC HEALTH SERVICES                                                                     | \$ (15,830)          | \$ (14,750)          |
| COMMUNITY & EMERGENCY SERVICES                                                             | \$ (511,545)         | \$ (489,153)         |
| PUBLIC WORKS                                                                               | \$ (3,246,000)       | \$ (3,246,000)       |
| CITY MANAGER                                                                               | \$ (4,490)           | \$ (4,490)           |
| CORPORATE SERVICES                                                                         | \$ (138,990)         | \$ (138,990)         |
| <b>TOTAL BUDGET SAVINGS INCORPORATED INTO THE<br/>2014 DEPARTMENTAL PRELIMINARY BUDGET</b> | <b>(\$4,345,555)</b> | <b>(\$4,022,083)</b> |

- Included in preliminary budget
- Reduces the total residential tax impact about -0.5%
- Further information included in Appendix 1-5



# Enhances Sustainability

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- **Protects services while holding the total tax increase at a competitive level**
  - **Reduces reliance on reserves to fund on-going programs**
  - **Holds the line on staff complement**
  - **Achieved despite continued assessment growth challenges**
  - **Addresses revenue shortfalls and underfunded programs**
  - **Begins to provide for projected retiree costs**
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# 2014 Preliminary Tax Impact Average Home

|                              |          |          | 2014 Tax Impact<br>(Average Residential) |      |
|------------------------------|----------|----------|------------------------------------------|------|
|                              |          |          | DRAFT                                    |      |
|                              | 2013     | 2014     | \$                                       | %    |
| <b>Total Municipal Taxes</b> | \$ 3,002 | \$ 3,067 | \$ 65                                    | 2.2% |
| Education Taxes <sup>1</sup> | \$ 567   | \$ 567   | \$ -                                     | 0.0% |
| <b>Total</b>                 | \$ 3,569 | \$ 3,634 | \$ 65                                    | 1.8% |

<sup>1</sup> assumes no change in Education taxes, staff to report back on 2014 final Provincial Education tax rates as part of the Reassessment impacts

Note - based on City-wide average residential assessment

Note – anomalies in totals due to rounding



# 2014 Total Preliminary Impact for the Average Residential Tax Bill

|                                               | 2014 Tax Impact<br>(Average Residential) |             |
|-----------------------------------------------|------------------------------------------|-------------|
|                                               | DRAFT                                    |             |
|                                               | \$                                       | %           |
| Municipal Taxes                               |                                          |             |
| City Departments                              | \$ 54                                    | 1.8%        |
| Boards & Agencies                             | \$ 11                                    | 0.4%        |
| Capital                                       | \$ -                                     | 0.0%        |
| <b>Total Municipal Change</b>                 | <b>\$ 65</b>                             | <b>2.2%</b> |
| <b>Total (including Education) Tax Change</b> | <b>\$ 65</b>                             | <b>1.8%</b> |

Note - based on City-wide average residential assessment

***These numbers exclude Council Referred and Requested Enhancements***

Note – anomalies in totals due to rounding, assumes no change in education taxes



# 2014 Total Preliminary Impact for \$100k of Residential Assessment

|                                               | 2014 Tax Impact<br>(Average Residential) |             |
|-----------------------------------------------|------------------------------------------|-------------|
|                                               | DRAFT                                    |             |
|                                               | \$                                       | %           |
| Municipal Taxes                               |                                          |             |
| City Departments                              | \$ 20                                    | 1.8%        |
| Boards & Agencies                             | \$ 4                                     | 0.4%        |
| Capital                                       | \$ -                                     | 0.0%        |
| <b>Total Municipal Change</b>                 | <b>\$ 24</b>                             | <b>2.2%</b> |
| <b>Total (including Education) Tax Change</b> | <b>\$ 24</b>                             | <b>1.8%</b> |

Note - based on City-wide average residential assessment

***These numbers exclude Council Referred and Requested Enhancements***

Note – anomalies in totals due to rounding, assumes no change in education taxes



# 2014 Preliminary Budget by Department

|                                          | 2014<br>Preliminary | Change 2014 / 2013 |             |
|------------------------------------------|---------------------|--------------------|-------------|
|                                          |                     | \$                 | %           |
| PLANNING & ECONOMIC DEVELOPMENT          | 24,808,240          | 2,104,950          | 9.3%        |
| PUBLIC HEALTH SERVICES                   | 10,797,290          | 297,500            | 2.8%        |
| COMMUNITY & EMERGENCY SERVICES           | 226,931,580         | 2,237,840          | 1.0%        |
| PUBLIC WORKS                             | 202,800,400         | 8,351,740          | 4.3%        |
| LEGISLATIVE                              | 4,217,780           | 121,950            | 3.0%        |
| CITY MANAGER                             | 10,232,510          | 299,720            | 3.0%        |
| CORPORATE SERVICES                       | 21,072,120          | 227,370            | 1.1%        |
| CORP FINANCIALS/ NON PROG REVENUES       | (32,786,570)        | 4,536,080          | 12.2%       |
| HAMILTON ENTERTAINMENT FACILITIES        | 1,788,300           | (1,065,480)        | (37.3%)     |
| <b>TOTAL CITY EXPENDITURES</b>           | <b>469,861,650</b>  | <b>17,111,670</b>  | <b>3.8%</b> |
| COMMUNITY SERVICES (exclusive of upload) | 230,145,500         | 5,451,760          | 2.4%        |

Note – anomalies in totals due to rounding



# Significant Budget Items City Departments

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## Compensation (Estimated Net)

|                                 |               |
|---------------------------------|---------------|
| COLA / Settlements              | \$5.9M        |
| Merit/Step Increases/Job Change | \$0.6M        |
| Retiree Benefits                | \$0.9M        |
| OMERS                           | \$0.8M        |
| Employer Benefits               | \$0.7M        |
| Government Benefits             | \$0.5M        |
|                                 | <hr/>         |
|                                 | <b>\$9.4M</b> |

**Operating Impacts from Capital** **\$1.1M**



# Significant Budget Items City Departments (cont'd)

## Other

|                                           |               |
|-------------------------------------------|---------------|
| Revenue and Reserve Adjustments - Various | \$2.5M        |
| Risk Management                           | \$2.5M        |
| Winter Control                            | \$1.3M        |
| Social Housing                            | \$1.1M        |
| Assessment Write-Offs/Rebates             | \$0.9M        |
| Fuel - Unleaded/Diesel                    | \$0.6M        |
| Fuel - Natural Gas                        | (\$0.5M)      |
| Electricity                               | \$0.4M        |
| Paramedic Overtime Costs                  | \$0.3M        |
| Planning - Proactive Enforcement          | \$0.3M        |
| Flamboro Slot Revenue                     | (\$0.8M)      |
| HECFI Restructuring                       | (\$1.1M)      |
| Penalty & Interest Revenue                | (\$1.3M)      |
| Provincial Upload                         | (\$3.2M)      |
|                                           | <hr/>         |
|                                           | <b>\$3.0M</b> |

|                                       |                |
|---------------------------------------|----------------|
| <b>Total of Highlighted Pressures</b> | <b>\$13.5M</b> |
|---------------------------------------|----------------|



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## 2014 Preliminary Budget - Boards & Agencies / Other

|                                    | 2014<br>Preliminary | Change 2014 / 2013 |             |
|------------------------------------|---------------------|--------------------|-------------|
|                                    |                     | \$                 | %           |
| HAMILTON POLICE SERVICES           | 143,880,240         | 4,178,270          | 3.0%        |
| HAMILTON PUBLIC LIBRARY            | 28,082,440          | 43,840             | 0.2%        |
| MPAC                               | 6,215,950           | (550)              | (0.0%)      |
| OTHER BOARDS & AGENCIES            | 7,205,630           | 23,800             | 0.3%        |
| COMMUNITY GRANTS                   | 3,212,200           | 0                  | 0.0%        |
| <b>TOTAL BOARDS &amp; AGENCIES</b> | <b>188,596,460</b>  | <b>4,245,360</b>   | <b>2.3%</b> |
| <b>CAPITAL FINANCING</b>           | <b>90,177,000</b>   | <b>0</b>           | <b>0.0%</b> |
| <b>TOTAL OTHER</b>                 | <b>278,773,450</b>  | <b>4,245,350</b>   | <b>1.5%</b> |



# 2014 Tax Complement (Appendix 1-4)

## 2014 Preliminary Complement (FTE) (excluding Police, Library & HEF)

|                                                               |                | Change        |
|---------------------------------------------------------------|----------------|---------------|
| 2013 Approved                                                 | 5,512.5        |               |
| 2013 Restated                                                 | 5,525.1        | 12.6*         |
| <b>2014 Preliminary</b>                                       | <b>5,523.1</b> | <b>(2.0)</b>  |
| <b>2014 Preliminary (including Police, Library &amp; HEF)</b> | <b>6,925.2</b> | <b>(58.6)</b> |

\* - Restated represents Council's 2013 in-year approvals



## Risks & Assumptions

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- 2014 OW Caseload budgeted at 2013 level. Change of 100 cases results in net impact of about \$100,000
  - Winter control budget based on cumulative average from 2005 – 2012
  - Unleaded fuel budgeted @ \$1.12 per litre / Diesel @ \$1.10/litre
  - Assumes Council will pass on the maximum allowable (50% of budget increase) to restricted property classes (Industrial)
  - Excludes reassessment impacts and final 2014 education tax rates – staff to report back
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# COUNCIL REFERRED & OTHER ITEMS

(not included in preliminary budget totals)



# Council Referred Enhancements (Appendix 1-6)

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- 14 items referred by Council to the 2014 budget process
- Represents \$3.1 million gross, \$2.9 million net; 12.7 FTE
- **NOT** included in the preliminary budget pending Council's consideration
- If all approved, would increase total tax impact by 0.3%
- Details to be presented at Feb 13<sup>th</sup> GIC



# Requested Enhancements (Appendix 1-7)

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In addition to Council Referred :

- 8 requested items submitted to the 2014 budget process
- Represents \$3.3 million gross, \$2.1 million net; 21.0 FTE
- **NOT** included in the draft budget pending Council's consideration
- If all approved, would increase total tax impact by 0.2%
- Details to be presented at Feb 13<sup>th</sup> GIC





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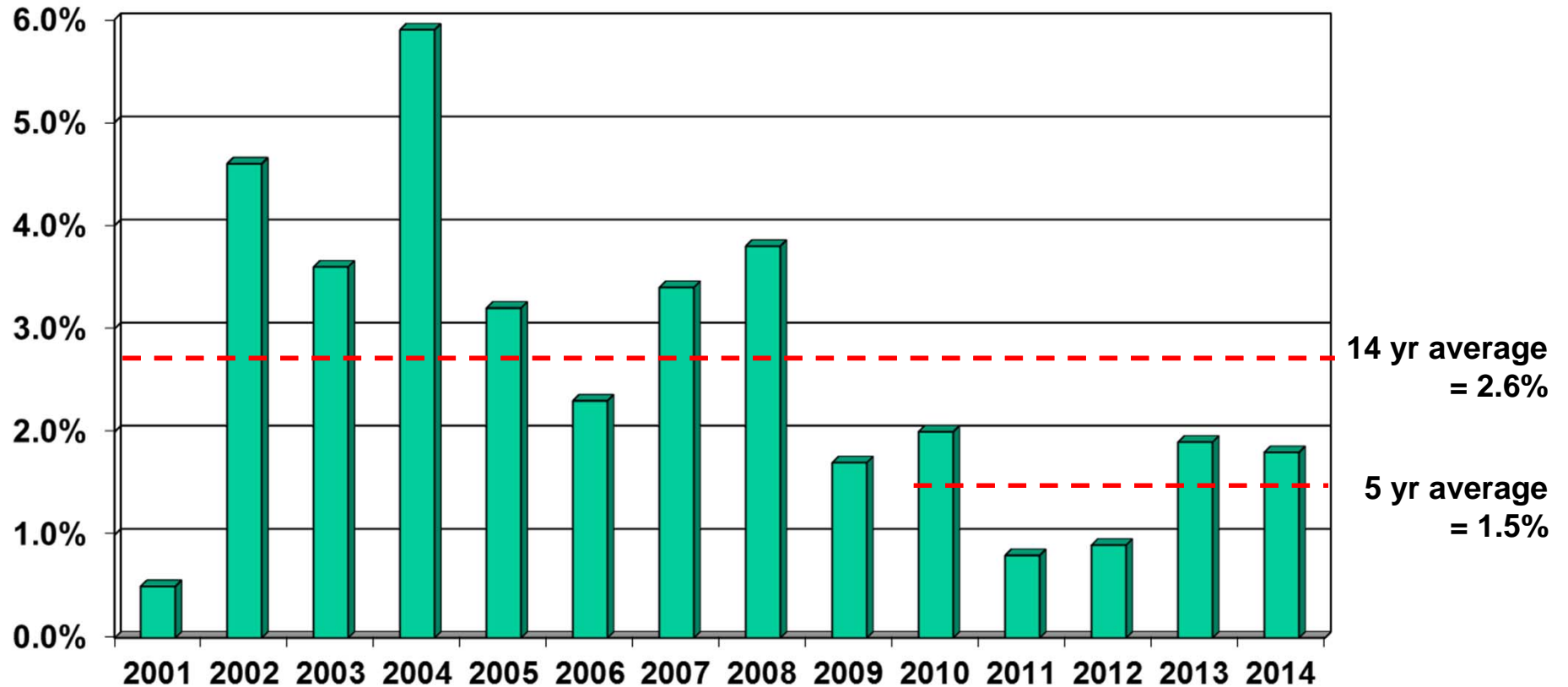
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# ADDITIONAL INFORMATION & PROCESS



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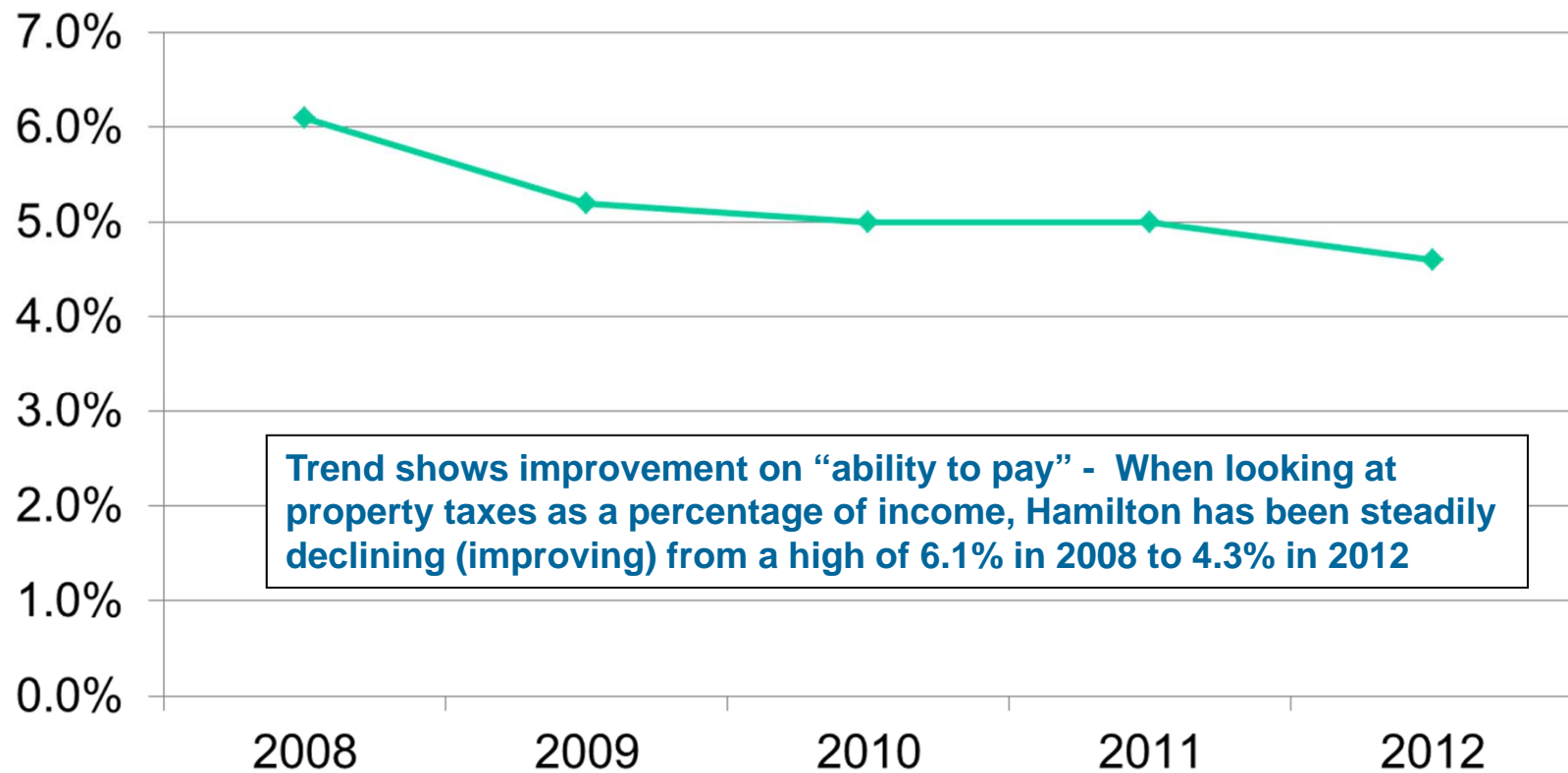
# Average Residential Tax Increases since Amalgamation



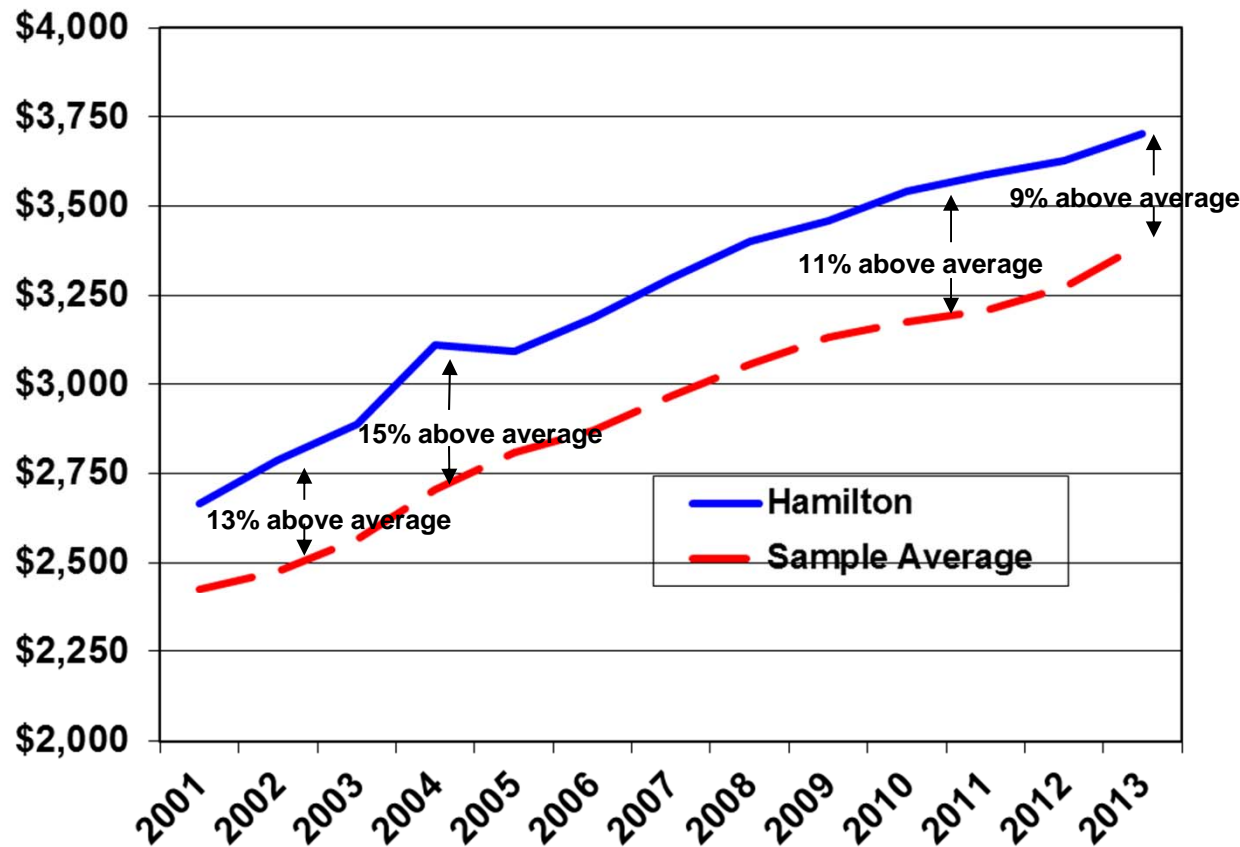
Annual residential impacts – includes budget, reassessment, area-rating, education and tax policies



# Property Taxes as a % of Income



# Residential Taxes Detached Bungalow



The city was as high as 15% above the sample average (2004)

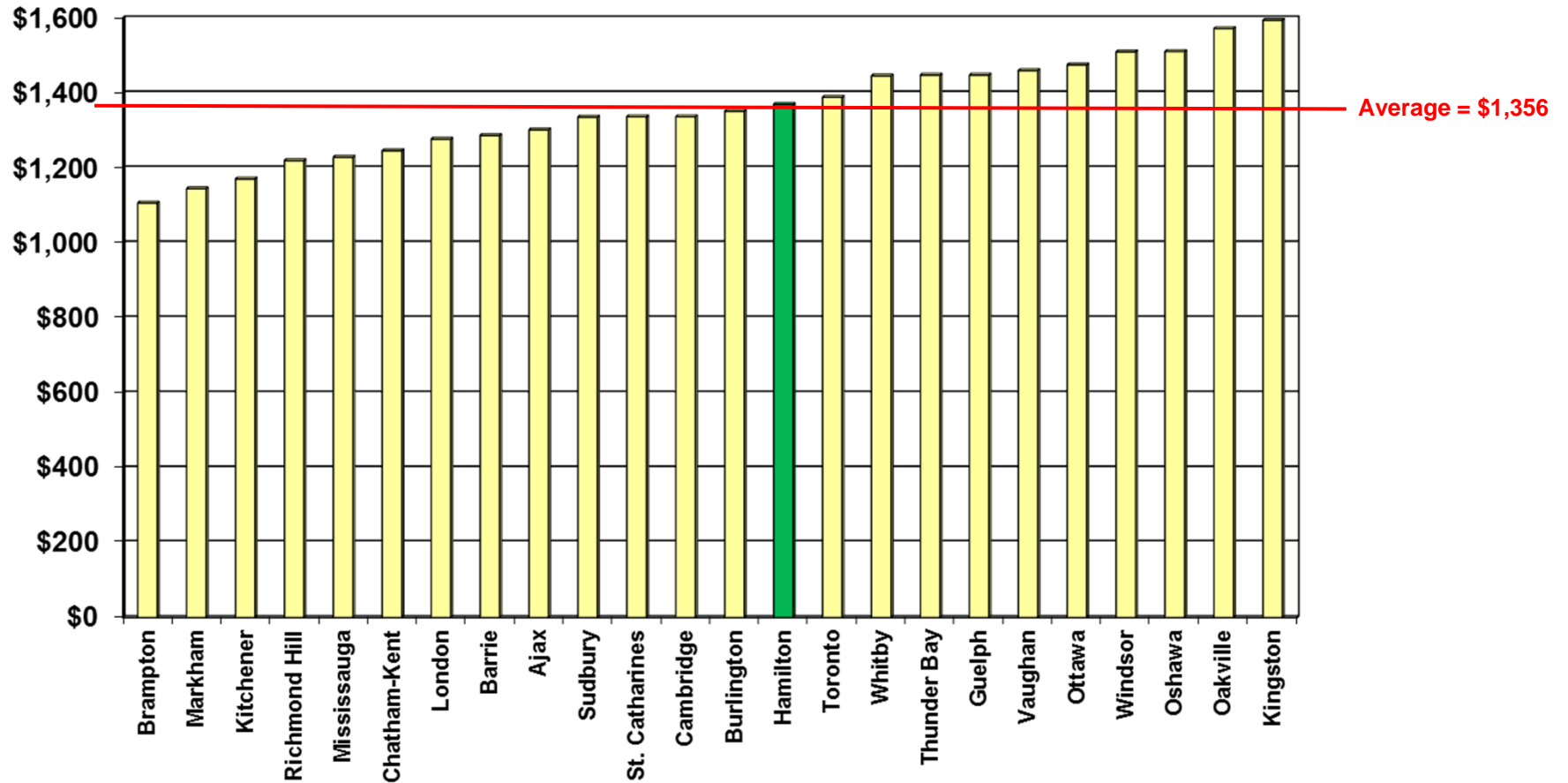
Maintained a stable position of 11% above the sample average from 2006 - 2012

Improvement seen in 2013 - now 9% above the sample average



# 2012 Net Levy per Capita (Municipalities with population > 100,000)

Hamilton's net levy per capita has remained at the average



# Household Daily Cost Comparison

## Typical Household Costs

(Source: 2011 StatCan Survey of Household Spending)

|                                    |         |
|------------------------------------|---------|
| Gas and other fuels (all vehicles) | \$ 7.56 |
| Electricity                        | \$ 3.44 |
| Cable TV & Internet                | \$ 2.64 |
| Cell Phone                         | \$ 2.43 |
| Natural Gas                        | \$ 2.35 |
| Coffee                             | \$ 1.70 |

## Cost of Municipal Services

(Source: Tax Calculator 2013 average CVA \$219,500 Hamilton-Urban / average water use 210m<sup>3</sup>/yr)

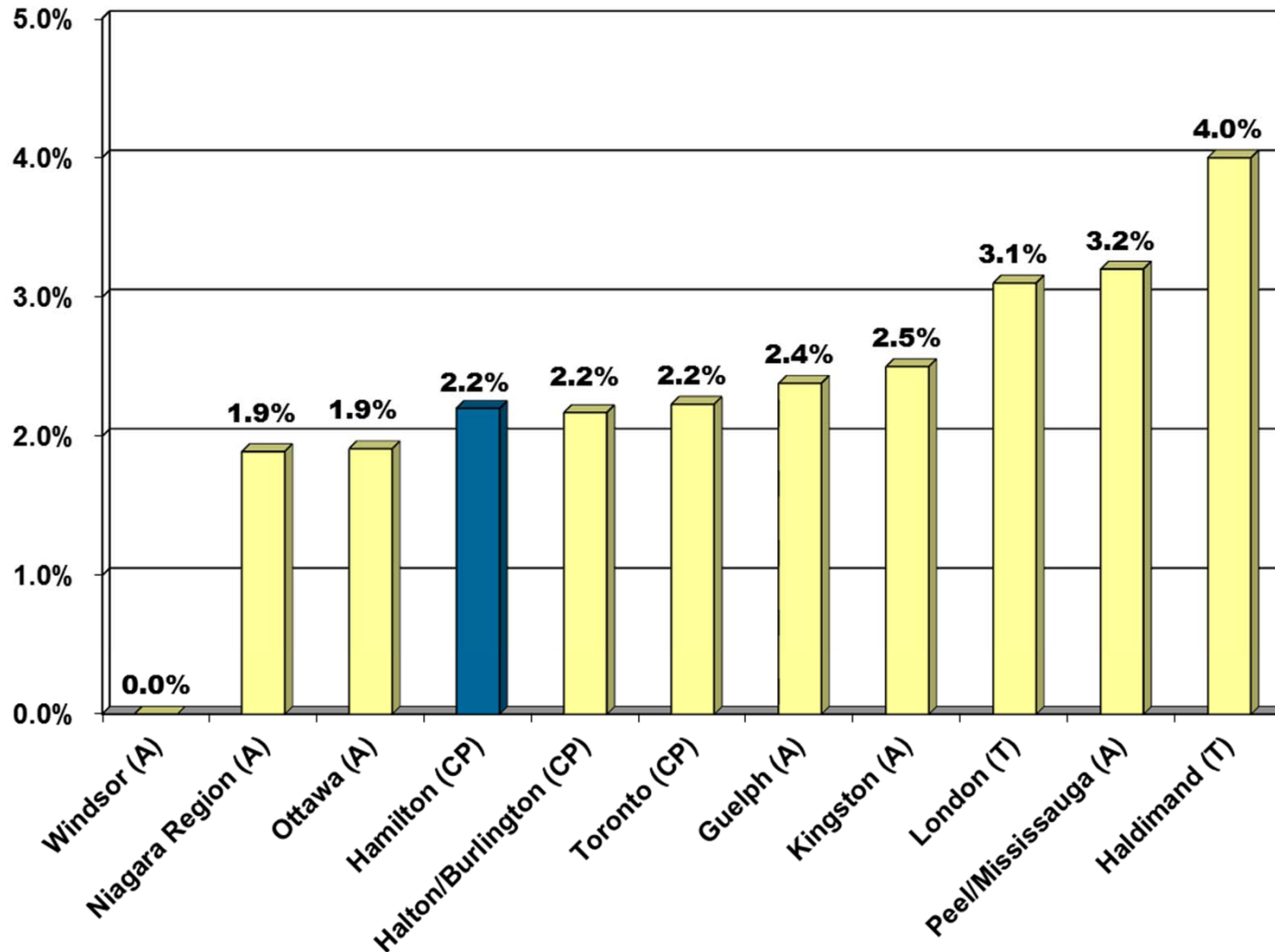
|                                    |         |
|------------------------------------|---------|
| Water, Wastewater & Storm          | \$ 1.59 |
| Police Services                    | \$ 1.23 |
| Social Services                    | \$ 0.95 |
| Fire Services - Urban              | \$ 0.83 |
| Roads Programs                     | \$ 0.76 |
| Transit (Hamilton Street Railway)* | \$ 0.53 |
| Waste Management Services          | \$ 0.39 |
| Recreation Services*               | \$ 0.34 |
| Library                            | \$ 0.26 |
| Paramedic Services                 | \$ 0.16 |

\* Excludes user fees.



# 2014 Average Municipal Tax Impacts

(information to date)



T = Target; CP = Current Position; A = Approved

Note: Hamilton Total Tax Impact including education is 1.8%. Niagara is upper-tier only.



# 2014 Council Approved Guidelines

**(GIC – June, 2013)**

**(a) That 2014 user fees (excluding golf, transit, ice rental fees and web transaction or convenience fees) be increased by a rate of 2.0%, and that any user fee adjustments, other than this rate, include an appropriate explanation when submitted;**

**(b) That Boards & Agencies be requested to submit a 2014 budget based on a guideline of 0% increase, and that any increase be forwarded for consideration with appropriate explanation;**



# 2014 Council Approved Guidelines cont'd

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**(c) That, consistent with Council direction at the beginning of this term, in an effort to achieve the goal of an overall tax impact of zero percent for City Services, all City departments target a 2014 budget guideline of 0% increase, and in order to consider ways to achieve this target that the following be considered as part of the 2014 budget process:**

- (i) Increases required to maintain current service levels be forwarded for consideration with appropriate explanation**
- (ii) Options to modify service levels or reduce services be brought forward based on the Service Delivery Review opportunities and emerging initiatives**
- (iii) Service enhancements, either Council directed or staff initiated, be limited or not considered for 2014**



# Reducing the Tax Impact

|                            | Reductions      | Levy Increase | Residential Tax Incr.* |
|----------------------------|-----------------|---------------|------------------------|
| <b>PRELIMINARY BUDGET</b>  |                 | \$ 21,400,000 | 1.8%                   |
| <b>TOTAL REDUCTIONS OF</b> | \$ (6,800,000)  | \$ 14,600,000 | 1.0%                   |
| <b>TOTAL REDUCTIONS OF</b> | \$ (11,050,000) | \$ 10,350,000 | 0.5%                   |
| <b>TOTAL REDUCTIONS OF</b> | \$ (15,300,000) | \$ 6,100,000  | 0.0%                   |

\* - Total residential tax increase includes education

- Excludes Council Referred & Requested Enhancement items
- 1% on Residential Tax Increase:
  - **“TOTAL” INCLUDING EDUCATION = \$8.5M**
  - **1% municipal only = \$7.2M**



- Department presentations will include more detailed information on levy requirement, pressures, staffing, services, and responses to additional information requests
- Departments also continue to review budgets for potential reductions (not impacting service)
- Process includes opportunity for Council to engage the Boards & Agencies and public



## 2014 Additional Information

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- Currently there are 32 requests on the Council additional information item list.
- Complete list can be found at:
  - S:\Councillor Information\Committee Request\2014 Requests\Outstanding Committee Requests - 2014.xls
- Most of the responses will occur during departmental presentations



- **Jan 20<sup>th</sup>** – Distribution of Budget Books
- **Jan 23<sup>rd</sup> & Jan 24<sup>th</sup>** – Boards & Agencies
- **Jan 27<sup>th</sup>** – Corporate Overview
- **Jan 29<sup>th</sup> - Feb 13<sup>th</sup>** – Departmental presentations
- **Feb 25<sup>th</sup>** – Public Delegations
- **Feb 27<sup>th</sup>** – Deliberations start
- **March 26<sup>th</sup>** – Council Approval



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END