



# *2014 Tax Budget Preliminary Outlook*

*General Issues Committee*

*September 18, 2013*

*Item 7.3*

*FCS13062*

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1. Historical Budgets & Tax Impact
2. 2014 Tax Budget Preliminary Outlook
3. 2014 Budget Guideline (Approved by Council June 26<sup>th</sup>)
4. 2014 Budget Schedule



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# *Historical Budgets & Tax Impacts*



# Average Residential Tax Impacts 2011-2013

	Residential Tax Impacts			
	2011	2012	2013	3 Year Average
<b>City Departments</b>	<b>-1.9%</b>	<b>-0.5%</b>	<b>1.2%</b>	<b>-0.4%</b>
Grant Loss / Transition	1.6%	0.6%	0.3%	0.8%
Boards & Agencies	0.6%	0.4%	0.5%	0.5%
Capital Financing	0.5%	0.5%	0.5%	0.5%
<b>Municipal Tax Impact</b>	<b>0.9%</b>	<b>1.0%</b>	<b>2.5%</b>	<b>1.5%</b>
<b>Total Tax Impact *</b>	<b>0.8%</b>	<b>0.9%</b>	<b>1.9%</b>	<b>1.2%</b>

\* - Includes education set provincially.



# City Departments - How did we get there?

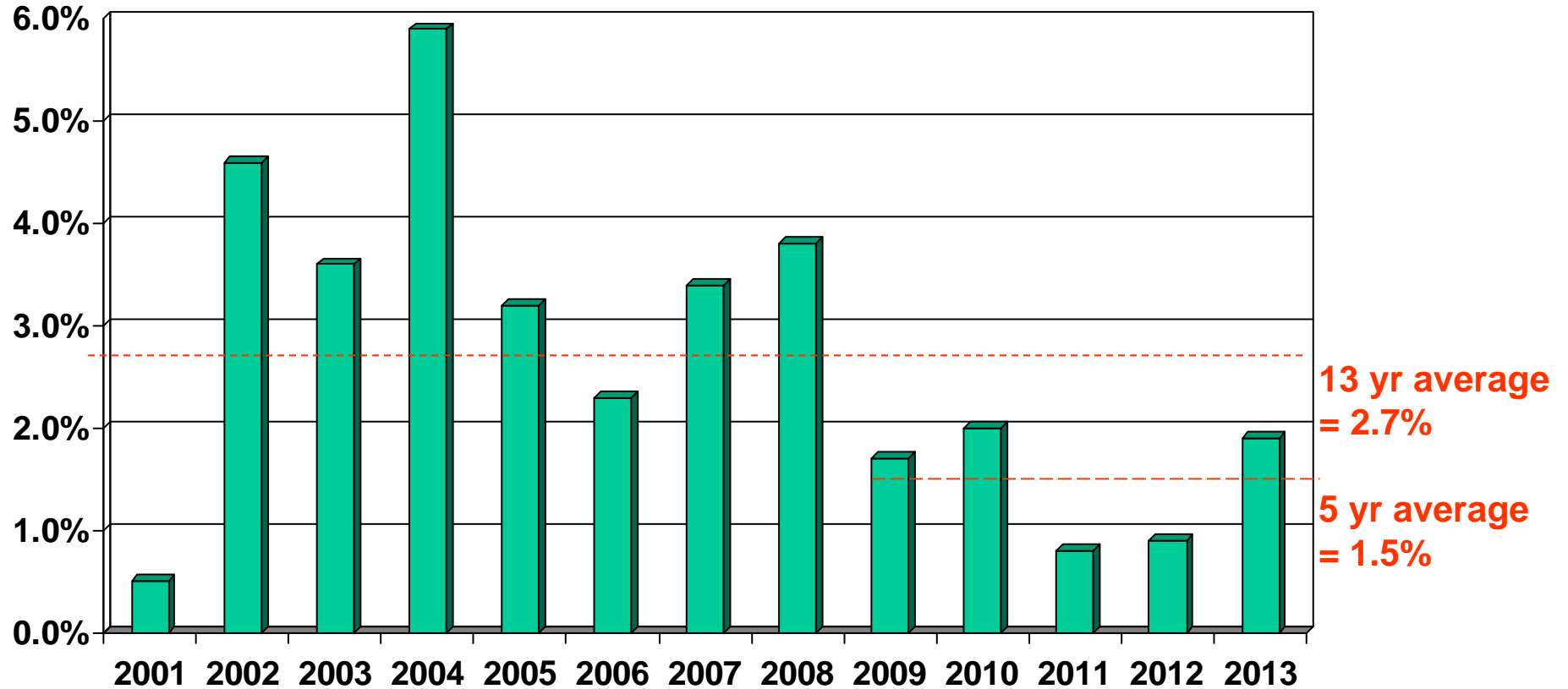
- **Efficiencies / base budget savings included in base budget\*:**
  - 2011 = (\$6.0M)
  - 2012 = (\$4.2M)
  - 2013 = (\$6.2 M)
- **Net budget reductions through budget deliberations:**
  - 2011 = (\$11.8M)
  - 2012 = (\$8.2M)
  - 2013 = (\$5.6M)

\* No impact on service delivery



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# Annual City-wide Residential Tax Impacts

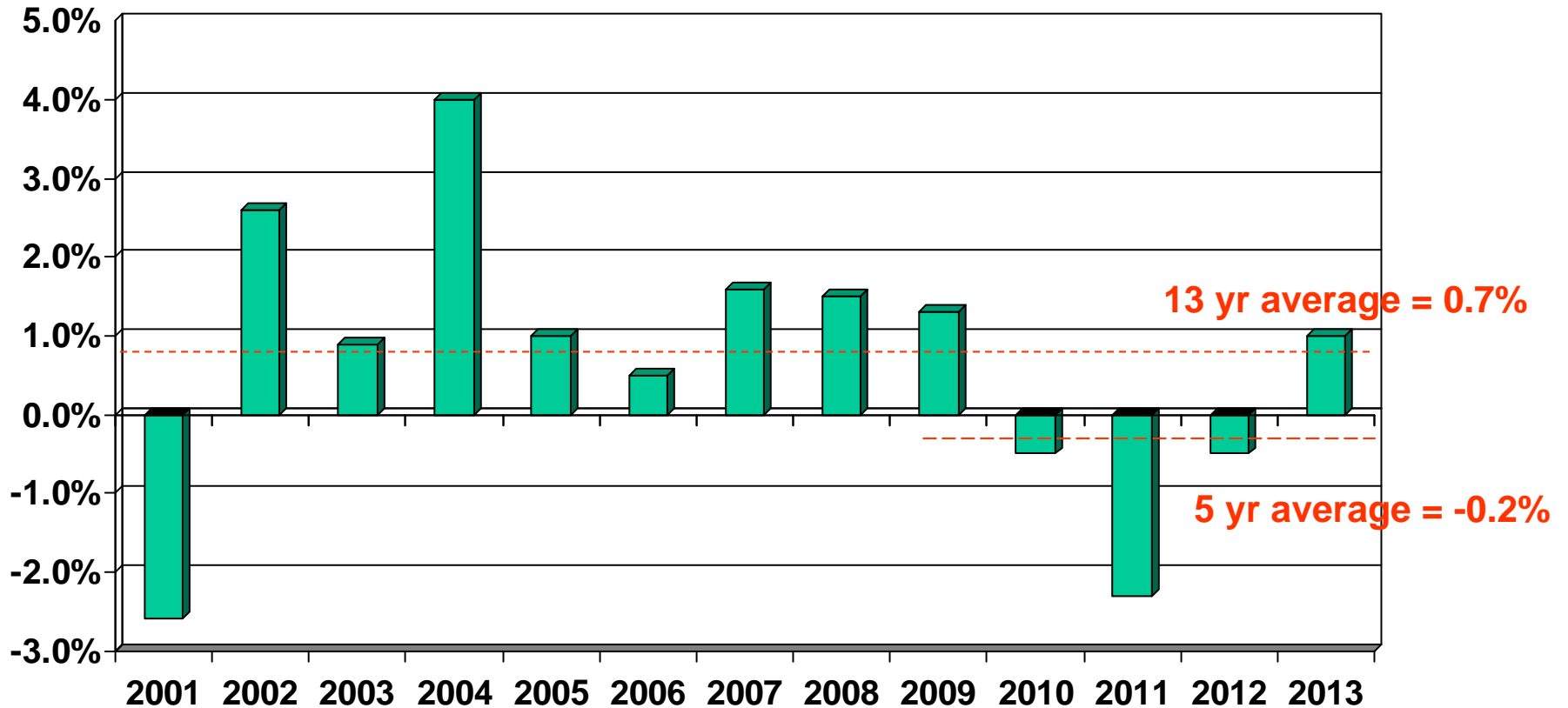


Annual residential impacts - includes budget, reassessment, area-rating, education and tax policies



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# Annual City-wide Residential Tax Impacts adjusted for Inflation

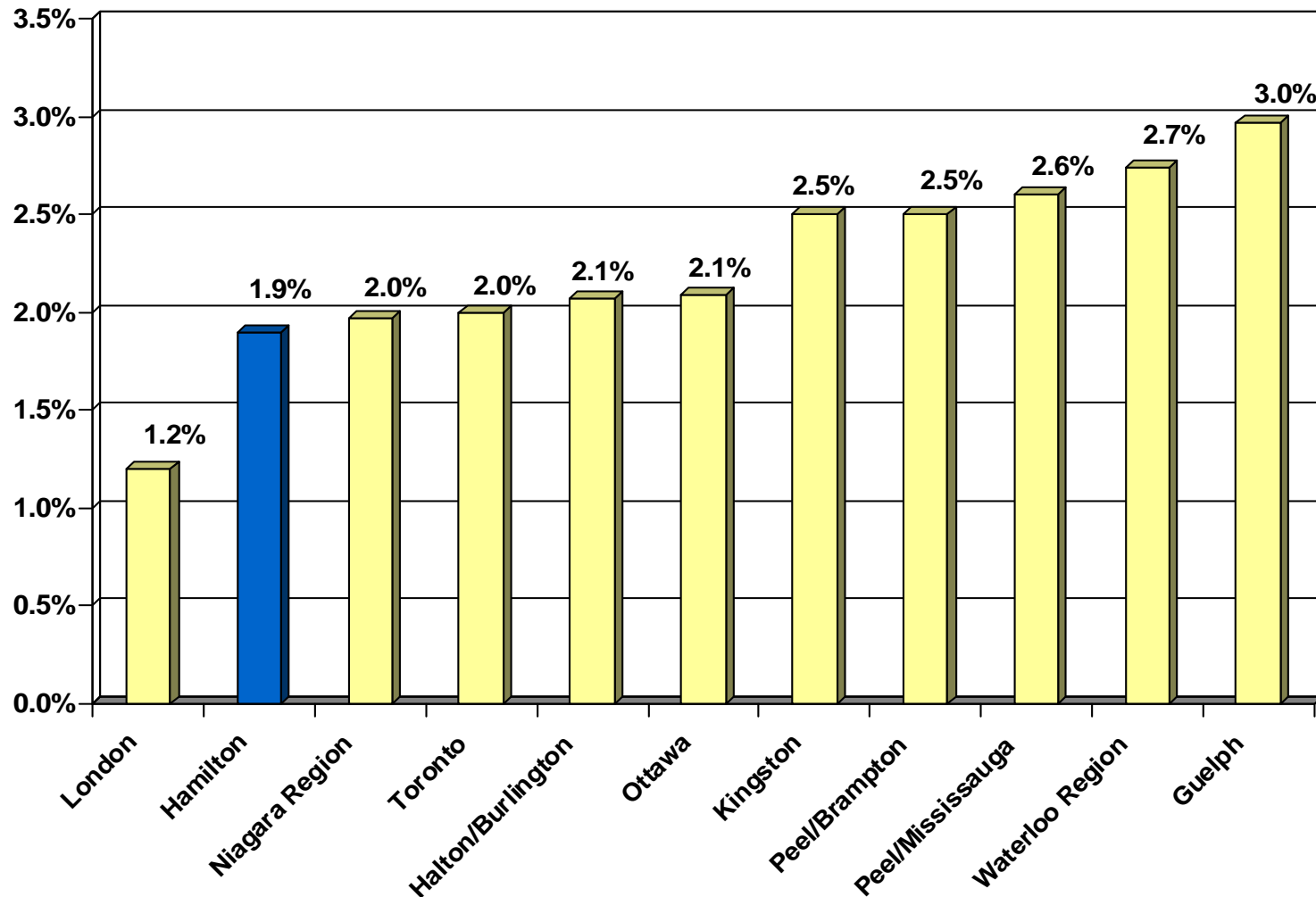


Annual residential impacts - includes budget, reassessment, area-rating, education and tax policies

Inflation = Ontario CPI (all items)



# Municipal Comparison 2013 Average Total Tax Impacts







# Average Tax Impacts

	3 Year Average
<b>London</b>	<b>0.4%</b>
<b>Hamilton</b>	<b>1.2%</b>
<b>Toronto</b>	<b>1.5%</b>
<b>Niagara*</b>	<b>1.8%</b>
<b>Halton/Burlington*</b>	<b>1.9%</b>
<b>Kingston</b>	<b>3.1%</b>

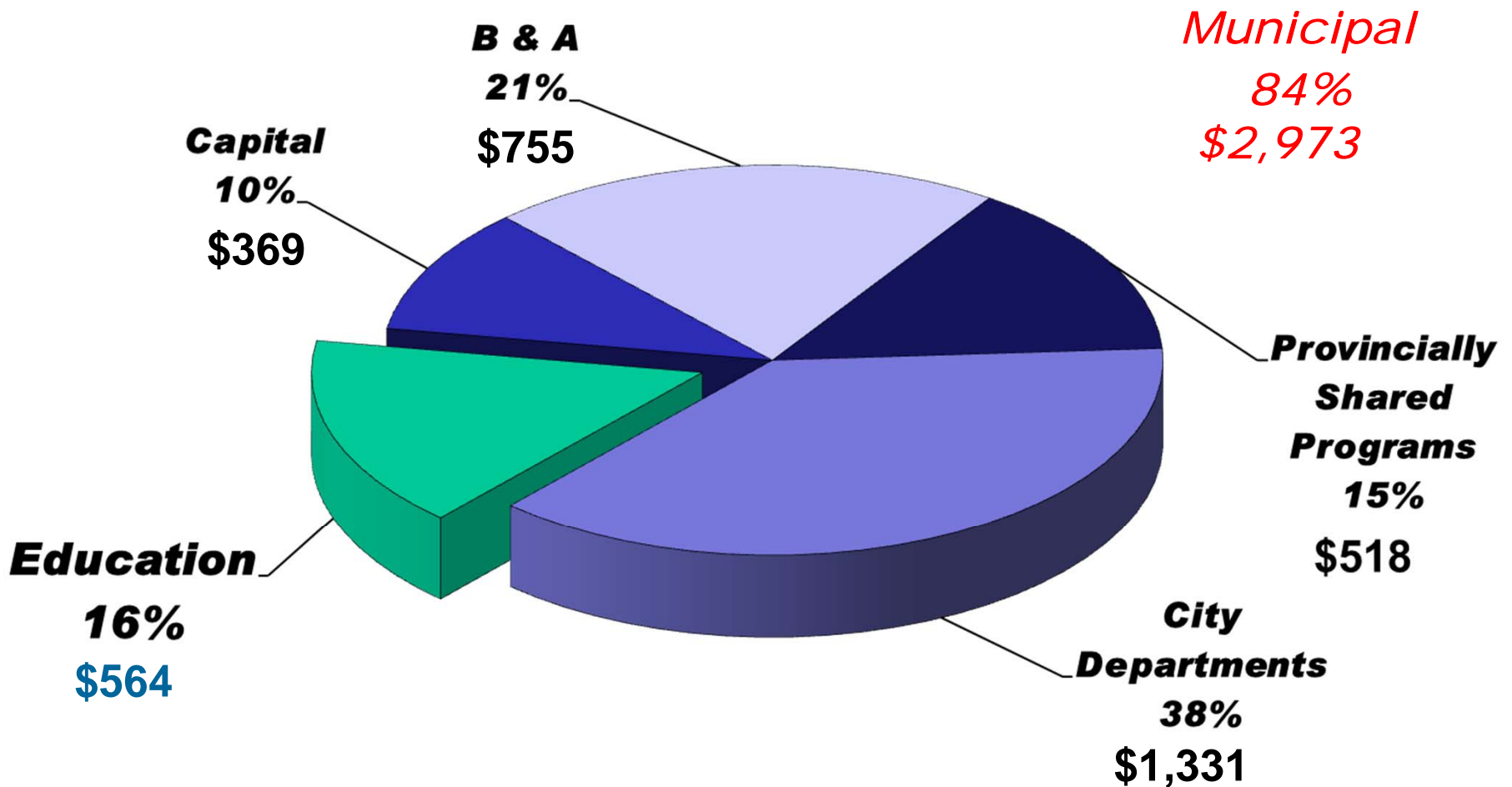
Note: 2011 & 2012 = municipal tax impact; 2013 = total (municipal + education) tax impact

\*two-tier municipality: Halton - upper-tier impact reflected for 2011; Niagara - upper-tier impact reflected for 2011-2013



# 2013 Average Residential Tax Bill

## \$3,537 per Household





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# *2014 Tax Budget Preliminary Pressures*



# 2014 Preliminary Pressures / Risks

	2014 Preliminary Pressures / Risks
City Departments	
- Salary / Wage Compensation	\$ 10.1 million
- Operating Impact of Capital Projects	\$ 1.3 million
- Corporate Wide	\$ 5.6 million
- City Departments Other	\$ 1.6 million
Boards & Agencies	\$ 5.2 million
Capital	\$ 3.6 million
<b>2014 Preliminary Pressures / Risks</b>	<b>\$ 27.5 million</b>
<b>2014 Tax Impact (assumes 1.0% growth)</b>	<b>2.8%</b>



# 2014 Preliminary Tax Impact

	2014 Tax Impact (Average Residential)	
	DRAFT	
	\$	%
Municipal Taxes		
City Departments	\$ 56	1.9%
Boards & Agencies	\$ 13	0.4%
Capital	\$ 15	0.5%
<b>Total Municipal Taxes*</b>	<b>\$ 84</b>	<b>2.8%</b>

\*Assumes 1.0% growth.

**1% municipal tax impact = \$7.2 M**

**Based on the current estimated budget pressures of \$27.5 M.  
(impacts based on a typical home assessed at \$266,200)**



# City Departments: Compensation

	Levy Impact \$
<b>Salary / Wage Compensation:</b>	
- COLA / Settlements	\$ 5.0 M
- Merit / Step Increases	\$ 2.4 M
- OMERS	\$ 0.9 M
- Government Benefits	\$ 0.5 M
- Employer Benefits	\$ 0.5 M
- Retiree Benefits	\$ 0.9 M
<b>TOTAL</b>	<b>\$ 10.1 M</b>

- COLA 1.9%
- Merit increase per City Policy
- OMERS no increase in contribution rates (increase identified is commensurate with COLA/merit increase)
- EI & WSIB contribution increase by 2.0%



# City Departments: Operating Impact of Capital Projects

	Levy Impact \$
<b>Operating Impact of Capital Projects:</b>	
- Approved through Capital Budget (FCS12096)	\$ 1.1 M
- Deferred from previous years	\$ 0.2 M
- Area Rated Special Capital Reinvestment projects	\$ 0.03 M
<b>TOTAL</b>	<b>\$ 1.3 M</b>

- Assumes PHS commitment to offset \$500,000 in accommodation costs



# City Departments: Corporate

	Levy Impact \$
<b>Corporate:</b>	
- Inflationary / Contractual Requirements	\$ 3.1 M
- User Fees (excluding Transit, Ice, Golf)	(\$ 1.6 M)
- Energy (Fuel, Natural Gas, Electricity)	\$ 0.5 M
- Cost Allocation Review - Implement cost shift from Rate / Capital Budget to Tax Budget (3 yr phase-in)	\$ 0.2 M
- Risk Management - Phasing out contribution from reserve	\$ 0.6 M
- Risk Management - Insurance Claim Costs	\$ 2.8 M
<b>TOTAL</b>	<b>\$ 5.6 M</b>

- Projected fuel increase: diesel from \$1.09 to \$1.10, unleaded from \$1.11 to \$1.12 (\$120k)
- Natural gas reduction of -6% (-\$260k)
- Electricity increase of 6% (\$630k)





## City Departments: Other

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- \$890K - Recycling Revenues removal of reserve contribution
- \$630K - Increased pressure on Rental Ice revenues
- \$500K – Potential snow melting requirement downtown
- \$500K - Waterdown, Stoney Creek off street parking currently covered by Tax Stabilization Reserve
- (\$1.6M) - Estimated Savings from new business model for former HECFI
- (\$3.3M) - OW Upload (from 2013 subsidy rate of 85.8% to 2014 subsidy rate of 88.6%)
- \$1.2M - Other Community & Emergency Services provincial impacts



# Boards & Agencies

	Levy Impact \$
<b>Boards &amp; Agencies:</b>	
- Police (3.65%)*	\$ 5.1 M
- Boards & Agencies (excluding Police) Conservation Authorities & MPAC @ 1.0%	\$ 0.1 M
Other Boards & Agencies @ 0.0%	\$ 0.0 M
Community Partnership @ 0.0%	\$ 0.0 M
<b>TOTAL</b>	<b>\$ 5.2 M</b>

- Police pressure of \$5.1M (as provided by Police Services) is based on an increase of 3.65% and includes Court Security Upload savings (-\$700K) and 2014 impact of additional 16 FTE (\$770K)



	Levy Impact \$
<b>Capital:</b>  - Preliminary direction at 0.5%	\$ 3.6 M
<b>TOTAL</b>	<b>\$ 3.6 M</b>

- 2013 discretionary capital projects = \$99.9 million
- 2014 discretionary capital projects forecast = \$99.35 million



## Council Referred Items

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- In addition to the \$27.5M in pressures there have been a number of items referred to the 2014 tax budget process by Council. Currently these pressures are estimated to be \$2.6 million.
  - \$2.0M Integrated Pest Management
  - \$500K Implementation of Rapid Ready – Local Transit System
  - \$60K James Street North Supercrawl Event
  - \$50K Hamilton Centre for Civic Inclusion
  - \$10K Language Line Enhancement Pilot
  - \$5K Agriculture and Rural Affairs Advisory Committee
  - Strategic Municipal Investment in the Arts



## Highlight of Other Potential Risks

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- Licensing alternatives for rental housing
- OW increase in the asset limits which may increase the number of new applicants
- Funding for Discretionary Benefits
- ATS AODA Implementation
- McMaster Lease



# Provincial Impacts

	Levy Impact \$
<b>Provincial Impacts:</b>	
- OW Upload: from 85.8% in 2013 to 88.6% in 2014	(\$ 3.3 M)
- Court Security Upload (Police)	(\$ 0.7 M)
- Annual benchmarking increase due to inflationary factors provided to CityHousing Hamilton	\$ 0.5 M
- \$200-a-month earnings exemption effective September 2013 for Ontario Works caseloads	\$ 0.4 M
- \$14 increase to Ontario Works benefits (cost per case) for single cases	\$ 0.2 M
- 1% increase in Ontario Works benefits (cost per case)	\$ 0.1 M
- Decreased Federal Funding for Social Housing	\$ 0.1 M
<b>TOTAL</b>	<b>(\$ 2.7 M)</b>

- These have already been reflected in their related departments and were combined here to give a full picture of the provincial upload savings.



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# *2014 Tax Budget Guidelines*

*(Approved by Council June 26<sup>th</sup>)*



# 2014 Approved Budget Guidelines

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- Council's messaging is clear - goal of zero per cent tax impact
- SMT are resolved to make every effort to achieve this goal
- Like 2013, will be difficult to achieve
- Inflation currently running at 1.0%





## 2014 Approved Budget Guidelines (cont'd)

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- 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;
- 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;

**Note:** 1.0% = Ontario CPI (all items) average for last 12 months

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# 2014 Approved Budget Guidelines (cont'd)

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- 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 per cent 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:
    - Increases required to maintain current service levels be forwarded for consideration with appropriate explanation;
    - Options to modify service levels or reduce services be brought forward based on the Service Delivery Review opportunities and emerging initiatives;
    - Service enhancements, either Council directed or staff initiated, be limited or not considered for 2014.
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*Potential SDR / Other  
Reductions to Mitigate  
2014 Budget*



# Potential SDR / Other Reductions to Mitigate 2014 Budget

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- The guideline approved by Council in June provided direction to bring forward opportunities/suggestions to alter service levels as a way of achieving the 0% budget guideline.
- Departments are currently reviewing the SDR opportunities list to identify options based on any of these opportunities or emerging initiatives to mitigate the pressures / risks.
- Potential options will be presented during the budget process for Council's feedback and consideration.



# Hamilton Reducing the Residential Tax Impact

## REDUCTION SCENARIOS

	Reductions	Levy Increase	Residential Tax Incr.*
<b>PRELIMINARY OUTLOOK</b>		<b>\$ 27,500,000</b>	<b>2.8%</b>
<b>TOTAL REDUCTIONS OF</b>	<b>\$ (5,800,000)</b>	<b>\$ 21,700,000</b>	<b>2.0%</b>
<b>TOTAL REDUCTIONS OF</b>	<b>\$ (13,000,000)</b>	<b>\$ 14,500,000</b>	<b>1.0%</b>
<b>TOTAL REDUCTIONS OF</b>	<b>\$ (20,200,000)</b>	<b>\$ 7,300,000</b>	<b>0.0%</b>

\*Assumes 1.0% growth.

- 1% on Municipal Residential Tax Increase = \$7.2M



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# *2014 Budget Schedule*



# 2014 Budget Schedule

ITEM	GIC DATE
2014 Tax Budget Guideline Report	June 19 <sup>th</sup>
Capital Budget Workshop - #1	September 13 <sup>th</sup>
Tax Budget Preliminary Outlook (Regular GIC)	September 18 <sup>th</sup>
Capital Assets/Projects Tour Sites	September 20 <sup>th</sup>
Capital Budget Workshop - #2	October 18 <sup>th</sup>
Rate Budget Workshop	October 30 <sup>th</sup>
User Fee Report (Regular GIC)	November 20 <sup>th</sup>
Operating Budget Workshop (Overview)	November 26 <sup>th</sup>
Capital Budget Report	November 28 <sup>th</sup>
Rate Budget Report	December 6 <sup>th</sup>
Preliminary Tax Operating Book	Mid-January
Boards and Agencies Presentations	Late January
Department Presentations	Late January
Public Delegations	February
GIC Deliberations	February
GIC/Council Approval	March



## 2014 Budget Schedule

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- Budget GIC dates for Sept – Dec 2013 include:
  - Capital workshops: Sep 13<sup>th</sup> & Oct 18<sup>th</sup>
  - Tax operating budget workshop: Nov 26<sup>th</sup>
  - User fees: Nov 20<sup>th</sup>
  - Capital: Nov 28<sup>th</sup>
  - Rate: Dec 6<sup>th</sup>
  - Tax Overview / Budget book: Mid - Jan
- Budget GIC dates for 2014 will be part of the 2014 Committee Calendar (going to October GIC)