SUBJECT: 2010 Corporate Priority Plan (CM09021) (City Wide)

RECOMMENDATION:

(a) That Council approve the 2010 Corporate Priority Plan which aims to optimize economic opportunities in the lower city to the benefit of the entire City of Hamilton; and establish a long range strategy for managing service delivery costs that meet the needs of citizens.

(b) That Senior Management Team report back to Council in the first quarter of 2010 with a Work Plan that integrates and focuses the broad array of services SMT can implement to address item (a) of Report CM09021.

Chris Murray
City Manager

EXECUTIVE SUMMARY:

At its meeting held July 7, 2009 (Report FCS09071), Council approved and directed the City Manager to report back on a strategy that examines how best to address the heavy reliance we currently have on the residential taxpayer.

Based on today’s economic climate and demographic projections over the next 5 years, Council and the Senior Management Team (SMT) recognize the many challenges and opportunities that currently face this community.
The challenges include a growing property tax burden on households whose income earners are entering their retirement years in greater numbers; a poverty legacy that resulted from an economy that transitioned more than two decades ago, and the growing lifecycle cost of aging municipal infrastructure.

The opportunities are equally significant when one considers the successes of our community collaboratives, the many planning initiatives that are either completed or nearing completion (i.e., Official Plan, Secondary Plans, Economic Development Strategy, Human Services Plan, Indoor/Outdoor Public Use Recreational Study, Cultural Plan, Master Infrastructure Plans, etc.), the recent Pan Am announcement, and the pending announcement of the B-line Rapid Transit. The full benefit of these plans and initiatives will be only realized when the efforts of Senior Management Team (SMT) are integrated and focused.

This report recognizes the City’s projected revenue stream will have great difficulty supporting the changing needs of our citizens and that a co-ordinated strategy is required to:

- increase the number of living wage jobs for residents of Hamilton;
- grow the non-residential assessment base; and
- manage service delivery costs over the coming years.

It is important to note that, within our ranks, nearly 35% of City staff will be eligible to retire by 2015. This means SMT must develop a plan that bridges succession planning and the service delivery needs of citizens. The goal of this work will be to maintain service levels in a cost effective way while the work force experiences a major transition.

Because many of our growth plans are in place and significant government investments are being made in the lower City (below the escarpment), the 2010 efforts of Council and SMT must be well coordinated and focused if we are to achieve the economic benefits that accrue when well-placed public investment is made with private sector participation.

In addition to this focus, our efforts at the Airport and other industrial lands above the escarpment will remain a priority, and staff will continue to advance the business readiness of these areas through planning, infrastructure staging and sound investment.

Over time the projected outcome of this ‘community building’ initiative will be:

- a safer and more investment attractive downtown core;
- a waterfront that continues to serve the growing needs of this community;
- inner-city neighbourhoods that benefit from revitalization;
- better integration and focus between City and community actions; and
- a clear message to others that Hamilton’s image is changing.
This work and the work already being done under the Corporate Strategic Plan will contribute significantly to Hamilton’s vision of being the best place in Canada to raise a child, promote innovation, engage citizens and provide diverse economic opportunities.

With the support of Council, the Senior Management Team (SMT) will present its work plan in the first quarter of 2010. The plan will address:

- Optimizing Economic Opportunities – SMT will focus on the governance structures, activities and resources required to enable Hamilton – in particular the lower City – to prosper from the plans and investments being put forward; and
- Managing Service Delivery Costs - the service delivery program must ensure costs are well managed and citizen needs are met into the future.

In addition, SMT will be developing a 2010 Corporate Priority Plan communication document to be used with staff, stakeholders and the public.

The 2010 Corporate Priority Plan is fully aligned to, and highlights key aspects of, the Corporate Strategic Plan. Annual results will be presented to Council in June 2010. Staff suggests the review of the Corporate Strategic Plan’s Desired End Results be deferred until the next term of Council when an environmental scan will be available to inform the strategic planning effort.

**BACKGROUND:**

Over the last number of decades, Hamilton’s economy has evolved from a manufacturing industry once dominated by a relatively small number of large companies that employed thousands of Hamiltonians. Property taxes collected from the owners of such companies made up a large percentage of the City’s revenue.

Today, Hamilton’s economy has transformed and is much more diversified. While manufacturing still represents a considerable portion of our economic output, high value added sectors such as health care and education have emerged as key drivers of good-paying, stable jobs for many of our residents.

For older municipalities like the City of Hamilton where the revenue stream is supported mainly by property taxes, this trend provides significant financial challenges. While these new sectors of the economy provide high-valued jobs and a considerable amount of economic output, they do not add the same proportion of property tax revenue as the industrial sector of the past.

For example, in 1974 nearly 50 cents of every dollar within the former City of Hamilton came from its non-residential tax base. Today, that sector attributes for just over 26 cents – a significant decline.

On a per capita basis, Hamilton’s net expenditures on City services is at or lower than provincial averages for most service areas. Our tax assessment per capita however, is
lower than neighbouring GTA municipalities, which means a higher portion of city services is paid for by residential taxpayers in Hamilton than in other municipalities.

The over-reliance on residential taxpayers becomes even more significant when we consider Hamilton’s household income levels remain below the provincial average. Hamiltonians pay 6.1% of their household income on municipal taxes (the highest in Ontario) compared to the provincial average of 4.6% for cities greater than 100,000 people.

This reliance on the taxpayer will be further aggravated when we look at the aging population and projected retirement wave over the next 10 years. More specifically, by 2016, there will be 167,400 citizens over the age of 55 in Hamilton – an increase of 35,400 from 2006. By 2021, that number will rise to 187,000.

This demographic shift will cause challenges across the municipality as service demands will change to meet the needs of this cohort. The nature of services will also evolve as citizen demands and expectations change, while governments find efficiencies to hold the line on costs.

Further challenges will occur as key talent, skills and intelligence retire and vacate all employment sectors. By 2015, 35% of City staff will be eligible to retire, leaving a substantial gap in our ability to deliver service.

Like many other older cities across the province, the City of Hamilton also faces significant pressures due to aging infrastructure. As millions of dollars are allocated in the current municipal budget for the rehabilitation and reconstruction of recreation, housing, corporate facilities, and roads and bridges, the City is still facing a $100 million annual infrastructure deficit.

Considering the economic challenges of the past year, the flow of credit remains constrained and economic activity is still relatively weak. This reality combined with Hamilton’s high poverty rate and less projected household income for our aging citizens means the City’s projected revenue stream will not be capable of supporting the changing service needs of our citizens. A coordinated strategy is needed to increase the number of living wage jobs and the non-residential tax assessment base.

**ANALYSIS/RATIONALE:**

Focusing on growing the economy – through job creation and non-residential assessment growth – and managing service delivery costs clearly resonates with today’s economic outlook and projections over the next 5 years, and supports the Corporate Strategic Plan. The priorities have also been validated through the work of Tim Dobbie Consulting and interviews conducted with members of Council.

The Senior Management Team (SMT) recognizes that the challenges are many but they are not new. Staff has worked diligently over the past several years and continue to work on numerous plans, such as:
Urban & Rural Official Plans
Secondary Plans (i.e., Setting Sail, Airport Employment Growth District, McMaster Innovation Park
Human Services Plan
Indoor/Outdoor Public Use Recreational Study
Master Infrastructure Plans
Cultural Plan
Economic Development Strategy

Equally important are the opportunities that will result from Hamilton’s participation in the Pan Am Games and the pending announcement of the B-line Light Rapid Transit undertaking. This, coupled with the sighting of a second GO Transit/VIA station at Liuna Station and expanded all-day service to and from Union Station, will result in a significant benefit to this community.

Focused investments in the lower City by upper levels of government should be leveraged by City actions and an integrated strategy developed by the Senior Management Team (SMT). The outcome of this ‘community building’ initiative is most likely to result in a safer and more investment-attractive downtown core; a waterfront that continues to serve the growing needs of this community; inner-city neighbourhoods that benefit from revitalization; and a clear message to others that Hamilton’s image is changing.

This work will contribute significantly to Hamilton being the best place in Canada to raise a child, promote innovation, engage citizens and provide diverse economic opportunities.

Implementation is the key to our success. The City must transition the organization to focus on the economy and effective high-performing human resources that will lead to financially sustainable municipal services.

It has been stated that considerable change will occur over the next five to ten years. This will require the City’s administration to assist Council in positioning the City as a whole for success. The 2010 Corporate Priority Plan will begin focusing our resources, investments, services and staff on how we can best achieve the desired outcomes.

**ALTERNATIVES FOR CONSIDERATION:**

Based on the information presented, should Council choose not to support the Corporate Priority Plan, SMT will continue to focus on the desired end results as per the Corporate Strategic Plan, and risk not achieving the outcomes of the ‘community building’ initiative mentioned earlier.

Approval of the 2010 Corporate Priority Plan will allow senior Staff to take the necessary steps to ensure the priorities of this City are addressed in an efficient and timely manner.
This approach is required to better manage the challenges of our aging population, internal and external workforce issues, and service delivery.

We must also ensure that we take advantage of any and all opportunities. Reallocation and realignment of staff to ensure we have the right people working on the right issues will reinforce the corporation’s commitment to delivering on key priorities and achieving Community Prosperity and Sustainable Services.

**FINANCIAL/STAFFING/LEGAL IMPLICATIONS:**

**Staffing:** To effectively and efficiently deliver on the Priority Plan, there will be a need to reallocate some existing staff and also, when necessary, to hire for new positions.

**Financial:** Staffing changes are required in the City Manager’s office and other departments to support the 2010 Corporate Priority Plan and will be made within the confines of the existing budget.

Additional resources required to facilitate the work of the Priority Plan will be brought forward to Council for approval.

**Legal:** There are no legal implications.

**POLICIES AFFECTING PROPOSAL:**

There are no policies that affect this proposal.

**RELEVANT CONSULTATION:**

Senior Management Team

**CITY STRATEGIC COMMITMENT:**

By evaluating the “Triple Bottom Line”, (community, environment, economic implications) we can make choices that create value across all three bottom lines, moving us closer to our vision for a sustainable community, and Provincial interests.

Community Well-Being is enhanced. ☑ Yes ☐ No
Environmental Well-Being is enhanced. ☑ Yes ☐ No
Economic Well-Being is enhanced. ☑ Yes ☐ No
Does the option you are recommending create value across all three bottom lines? ☑ Yes ☐ No
Do the options you are recommending make Hamilton a City of choice for high performance public servants? ☑ Yes ☐ No