2012 Tax Operating Budget

Workshop #1

General Issues Committee
October 27, 2011
Operating Budget Workshops

- 3 workshops scheduled for 2012 operating budget (Oct 27, Nov 17, Dec 16)
- Overall purpose is to engage Council and get feedback on priorities, issues, directions, etc. **before** actual budget deliberations
Operating Budget Workshops

• **Workshop 1 (Oct 27)**
  - Corporate outlook; Guiding Principles; Additional information listing
  - Council feedback

• **Workshop 2 (Nov 17)**
  - Departmental presentations identifying budget issues
  - Council feedback

• **Workshop 3 (Dec 16)**
  - Draft 2012 budget (budget overview schedules)
  - Provide additional information
  - Council feedback
Operating Workshop #1 Outline

1. 2011 community wellness indicators
2. 2012 tax budget preliminary outlook
3. Additional information list (FCS11098)
4. 2012 tax budget schedule
5. 2012 budget guiding principles (FCS11097)
6. Priorities
Community Wellness Indicators
Community Wellness Indicators

- Monthly report identifying the City’s performance indicators
  - Provided on the City’s website and circulated to Council / SMT
- A selection of indicators providing budget context included today
- Full monthly report distributed at GIC today
Ontario Works Caseloads

- September 2011 total caseloads at 13,893 cases, down 105 cases (or 0.8%) from August 2011 – the decline is thought to be a lag effect due to the postal disruption.
- Average monthly caseload over last 12-month period at (13,698 cases) is up 3.4% vs. the average monthly caseload in previous 12-month period (at 13,244).
- Over the last 12 months, the trend has been increasing with the monthly caseload continuing to remain well above pre-recession levels.
• September 2011 total 848, down 101 individuals (10.6%) compared to August 2011 (at 949 individuals)

• The average monthly Waitlist over the last 12-month period (at 834) up 1.3% vs. the average monthly Waitlist in previous 12-month period (at 823)
Ontario Disability Support Program (ODSP) Caseloads

- September 2011 total 16,957 caseloads, up 124 cases (0.7%) vs. August 2011 (at 16,833)
- Average monthly caseload over the last 12-month period (at 16,676) up 2.9% vs. the average monthly caseload in previous 12 month period (at 16,208)
- Over last 3 years, trend is increasing steadily, monthly caseload well above pre-recession levels
• September 2011 total 5,781 applications; up 41 applications (0.7%) over August 2011 (at 5,740)
• Average monthly Waitlist over the last 12-month period (at 5,547 applications), up 6.8% vs. the average monthly Waitlist in the previous 12 month period (at 5,192 applications)
• Over the last 3 years the trend has been increasing with monthly Waitlist above pre-recession levels
September 2011 unemployment rate at 6.7%, down 0.2% compared to August 2011 at 6.9% and down 1.0% compared to September 2010 at 7.7%

Over the last 3 years the unemployment rate reached a peak of 9.1 in September 2009
Bankruptcies – Hamilton CMA
(Hamilton, Burlington, Grimsby)

- 2Q 2011 Consumer total 420 – up 12.9% over Q1 2011, down 24.1% over Q2 2010
- 2Q 2011 Business total 18 – up 50.0% over Q1 2011 but down 45.5% over Q2 2010
$63.87 million for September 2011, down $76.9 million (54.6%) over August 2011 and down $58.6 million (47.9%) versus September 2010

Year-to-date 2011 total dollar value at $590.5 million, down 32.8% versus the same period 2010 ($878.8 million)
August 2011 at 168 starts, up 19 starts (12.8%) from July 2011 (at 149 starts) but down 104 units (38.2%) versus August 2010 (at 272 starts)

YTD 2011 Housing starts at 1000 units, down 39.0% versus same period 2010 at 1,640 units
October 2011 penalty and interest charges at $944,731, up 24.0% from September 2011 and up 8.1% compared to October 2010

Note: Council approved an interest rate reduction to 12% from 15% effective May 1/09
Water, Wastewater and Storm-water Revenue

- September 2011 at $15.5 million, up 3.4% over August 2011 and up 13.2% vs. September 2010
- Total revenue year-to-date 2011 at $113.2 million, up 5.4% versus total revenue for the same period 2010
- Total revenue excluding miscellaneous revenue year-to-date 2011 at $112.3 million, down 2.5% versus Budget total revenue year-to-date 2011
• September 2011 at $3.15 million, up 26.9% over August 2011 and up 5.0% versus September 2010
• Total revenue year-to-date 2011 at $25.8 million, up 3.7% versus total revenue for the same period 2010
• Total revenue year-to-date 2011 at $25.8 million, up 3.9% versus Budget year-to-date 2011
Community Wellness Indicators

• Observations / budget context:
  • Data indicates leveling, but continued demand for social programs
  • Economic activity relatively stable; not boom, not bust
  • General health in revenue indicators
2012 Tax Budget
Preliminary Outlook
(from Sept 12)
## Preliminary Pressures / Risks

<table>
<thead>
<tr>
<th></th>
<th>2012 Preliminary Pressures / Risks</th>
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<tbody>
<tr>
<td>City Departments</td>
<td>$32.2 million</td>
</tr>
<tr>
<td>Boards &amp; Agencies</td>
<td>$5.6 million</td>
</tr>
<tr>
<td>Capital (assumes 0.5% increase)</td>
<td>$3.4 million</td>
</tr>
<tr>
<td>Less: estimated growth and reassessment benefit (1.3%)</td>
<td>($8.7 million)</td>
</tr>
<tr>
<td><strong>2012 Preliminary Pressures / Risks</strong></td>
<td><strong>$32.5 million</strong></td>
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1% municipal tax impact = $6.7 M

Above pressures / risks of $32.5 M translates into a projected residential municipal tax increase of 4.8% (or about $136 for a typical home assessed at $245,000)
### City Departments: Compensation

<table>
<thead>
<tr>
<th>Salary/Wage Compensation:</th>
<th>Levy Impact $</th>
</tr>
</thead>
<tbody>
<tr>
<td>- COLA / Settlements</td>
<td>$3.9 M</td>
</tr>
<tr>
<td>- Merit / Step Increases</td>
<td>$4.0 M</td>
</tr>
<tr>
<td>- OMERS</td>
<td>$2.2 M</td>
</tr>
<tr>
<td>- Government Benefits</td>
<td>$0.5 M</td>
</tr>
<tr>
<td>- Employer Benefits</td>
<td>$1.1 M</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$11.7 M</strong></td>
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</tbody>
</table>

- Settled contracts (CUPE Local 5167 @ 1.9%, Fire Local 228 @ 3.48%) + allowance for non-settled contracts
- Latest OMERS published rates (0.9%\(^1\) and 2.1%\(^2\))
- EI rate increase of $0.10 per $100 of insurable earnings
- CPP earnings limit increase
- Estimated 4% increase in employer health benefits

\(^1\) on earning up to CPP limit; \(^2\) on earnings over CPP limit
City Departments: Pre-approvals

Pre-approvals / Annualizations:
- Operating Impacts from Capital
- Pedestrian Traffic Signals (FCS10040) – maintenance
- HRPI Dividend (FCS11002)

TOTAL $2.7 M

<table>
<thead>
<tr>
<th>Levy Impact $</th>
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</thead>
<tbody>
<tr>
<td>$2.5 M</td>
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<tr>
<td>$0.1 M</td>
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<tr>
<td>$0.1 M</td>
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</tbody>
</table>

- $1.1 M approved through Capital budget (FCS11011a)
- $1.4 M for ISF capital projects (Morgan Firestone, Lower Stoney Creek & Westmount)
  - Both are under review
- Estimated Street Tree Trimming / Emerald Ash Borer Control (PW10088) costs currently being reviewed by staff
## City Departments: Provincial

<table>
<thead>
<tr>
<th>Levy Impact $</th>
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</thead>
<tbody>
<tr>
<td>Provincial Impacts:</td>
</tr>
<tr>
<td>- Provincial Upload:</td>
</tr>
<tr>
<td>- OW Upload: from 18.8% in 2011 to 17.2% in 2012 (-$2.2 M)</td>
</tr>
<tr>
<td>- Court Security Upload (Police): 14% in 2012 (-$0.6 M)</td>
</tr>
<tr>
<td>- Removal of Budgeted Grant ($4.0 M)</td>
</tr>
<tr>
<td>- Net Provincial Upload Impact</td>
</tr>
<tr>
<td>- OLG: Reduction of Municipal Share of Revenues</td>
</tr>
<tr>
<td>TOTAL</td>
</tr>
</tbody>
</table>

- City forecast to be in a net positive upload position by 2013 of approximately $3.3 million / year to 2018
## City Departments: Corporate

### Levy Impact

<table>
<thead>
<tr>
<th>Corporate:</th>
<th>Levy Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Inflationary / Contractual Requirements</td>
<td>$8.3 M</td>
</tr>
<tr>
<td>- User Fees (excluding Transit, Ice, Golf)</td>
<td>$(1.5 M)</td>
</tr>
<tr>
<td>- Energy (Fuel, Natural Gas, Electricity)</td>
<td>$2.1 M</td>
</tr>
<tr>
<td>- Cost Allocation Review – Implement cost shift from Rate / Capital</td>
<td>$0.6 M</td>
</tr>
<tr>
<td>Budget to Tax Budget (3 yr phase-in)</td>
<td></td>
</tr>
<tr>
<td>- Risk Management – Phasing out contribution from reserve</td>
<td>$0.3 M</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$9.8 M</strong></td>
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</tbody>
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- Projected fuel increase from $0.92 to $1.06 ($1.9 M)
- Natural gas reduction of -10% (-$500k)
- Electricity increase of 6% ($700k)
- Estimated Lister Block operating costs currently being reviewed by staff
### Boards & Agencies

<table>
<thead>
<tr>
<th>Boards &amp; Agencies:</th>
<th>Levy Impact $</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Police (5-yr average increase of 4.1%)</td>
<td>$5.4 M</td>
</tr>
<tr>
<td>- Boards &amp; Agencies (excluding Police)</td>
<td>$0.2 M</td>
</tr>
</tbody>
</table>
| TOTAL                                                  | **$5.6 M**     

- Assumes average increase for Police over the last 5 years (= 4.1%)
2011 discretionary capital projects = $87.3 million
2012 discretionary capital projects forecast = $81.3 million
2012 Budget Guidelines

• Council’s messaging is clear - goal of zero percent tax impact
• SMT are resolved to make every effort to achieve this goal
• Like 2011, will be difficult to achieve
That, in an effort to achieve the goal of an overall tax impact of zero percent for City Services, all City departments target a 2012 budget guideline of 0% increase, and that any increase be forwarded for consideration with appropriate explanation.
2012 Approved Budget Guidelines (cont’d)

• That 2012 user fees (excluding golf, transit and ice fees) be increased by an inflation rate of 2.2%, and that any user fee adjustments, other than inflationary, be forwarded for consideration with appropriate explanation.

• That Boards & Agencies be requested to submit a 2012 budget based on a guideline of 0% increase, and that any increase be forwarded for consideration with appropriate explanation.

Note: 2.2% = Ontario CPI (all items, excluding energy) average for last 12 months
2012 Budget
Additional Information
(FCS11098)
2012 Budget: Additional Information

- 2011 budget: in excess of seventy individual requests for additional information
  - information available in S:\Councillor Information\Committee Request\ and can be accessed by Council should they need to refer to it for the 2012 budget

- 2012 budget: staff are proposing to provide Council with the normally requested additional information earlier in the process
  - objective of improving the timing of communications in advance of deliberations
  - in addition, staff will certainly respond to additional information requests by Council at anytime during the 2012 budget process

Note: list of additional information identified in Appendix A of FCS11098
2012 Budget Schedule
# 2012 Approved Budget Schedule

<table>
<thead>
<tr>
<th>Item</th>
<th>Projected Timeline</th>
</tr>
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<tbody>
<tr>
<td>2012 Tax Operating Workshop</td>
<td>October / November</td>
</tr>
<tr>
<td>2012 Tax User Fees</td>
<td>November</td>
</tr>
<tr>
<td>2012 Rate Budget</td>
<td>December</td>
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<tr>
<td>2012 Tax Capital Budget</td>
<td>December</td>
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<tr>
<td>2012 Tax Operating Budget</td>
<td></td>
</tr>
<tr>
<td>Overview Presentation / Workshop</td>
<td>December</td>
</tr>
<tr>
<td>Budget Submission</td>
<td>January (2012)</td>
</tr>
<tr>
<td>Boards &amp; Agencies presentations</td>
<td>January</td>
</tr>
<tr>
<td>Public Delegations</td>
<td>January</td>
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<tr>
<td>GIC Deliberations</td>
<td>January / February</td>
</tr>
<tr>
<td>Council Approval</td>
<td>February</td>
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</tbody>
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2012 Budget Schedule

• Budget GIC dates for Sept – Dec 2011:
  • Tax operating budget workshops: Oct 27, Nov 17 & Dec 16
  • Capital workshops: Nov 1 (+ tentatively Nov 9)
  • User fees: Nov 14
  • Capital: Dec 1 & 8
  • Rate: Dec 2 & 9

• Budget GIC dates for Jan – Mar 2012:
  • Pending approval of 2012 Committee Calendar
2012 Budget
Guiding Principles
(FCS11097)
2012 Budget Guiding Principles

- Support Council’s direction on “Sustainable Savings Strategy”:

  “That further to Council’s 2011 operating budget principle to hold the line on the 2011 budget by achieving the goal of 0% tax change with no service cuts while utilizing attrition and departmental reorganizations, Senior Management be directed to:

  - Identify sustainable mechanisms and processes to reduce employee related costs during the current Council term on an ongoing basis through the 2012, 2013, and 2014 budget processes;
  
  - Identify other sustainable efficiencies and non-employee related cost saving measures for Council’s consideration;

  - Identify and implement cost reduction opportunities with a goal of up to $1M by December 31, 2011, prior to the approval of the 2012 budget.”

Note: list of guiding principles identified in Appendix A of FCS11097
2012 Budget Priorities
The 2012 Operating Budget Workshop sessions are an opportunity for Council to provide feedback to staff on a number of items including:

- Identifying program and service priorities (high & low) in light of fiscal constraints
- Information requirements
- Timeline / schedule