



**CITY OF HAMILTON**

**CORPORATE SERVICES DEPARTMENT**  
**Financial Planning & Policy Division**

<b>TO:</b> Chair and Members Audit, Finance and Administration Committee	<b>WARD(S) AFFECTED:</b> CITY WIDE
<b>COMMITTEE DATE:</b> February 17, 2011	
<b>SUBJECT/REPORT NO:</b> 2011 Tax Supported Operating Budget – Other Programs (FCS11023d) (City Wide)	
<b>SUBMITTED BY:</b> Roberto Rossini General Manager Finance & Corporate Services Department	<b>PREPARED BY:</b> Tom Hewitson (905) 546-2424 ext 4159
<b>SIGNATURE:</b>	

**RECOMMENDATION**

- (a) That the 2011 net operating levy for the Legislative of \$3,408,542 be considered;
- (b) That the 2011 net operating levy for the Corporate Financials of \$9,437,195 be considered;
- (c) That the 2011 net operating levy for the Non-Program Revenues of (\$37,879,250) be considered;
- (d) That the 2011 Capital Financing Charges of \$83,686,000 be considered.

**EXECUTIVE SUMMARY**

This report deals with those areas that do not fall within an operating department. They include the Legislative, Corporate Financials/Non-Program Revenues and Capital Financing budgets. The Capital financing budget represents the impacts of the Capital budget on the operating budget. Depending on the final approved Capital budget, the Capital financing budget will be adjusted accordingly. The Corporate Financials/Non-Program Revenues budget consists of non-program expense and revenue items including corporate contingencies, corporate savings targets (gapping), Ontario Municipal Provincial Funding (OMPF) and special grant revenue, property tax related revenues and provisions, Horizon Utilities Corporation dividend and Provincial Offences Act and Investment revenues.

Legislative Budget

The draft 2011 Legislative budget is submitted for Council's consideration.

<b>2010 Budget</b>	<b>\$3,425,500</b>
<b>2011 Draft Budget</b>	<b>\$3,408,500</b>
<b>\$ Change</b>	<b>(\$17,000)</b>
<b>% Change</b>	<b>(0.5%)</b>

As shown above, the draft 2011 Legislative budget results in a net levy decrease of approximately -\$17,000 or -0.5%. The small reduction is primarily the result of an increase in recoveries. It should be noted that the budget includes the freeze to Councillor and Mayor wages as directed by Council.

Legislative Complement

The 2011 draft complement for the Legislative is 24 FTE, which is consistent with the 2010 approved complement.

	2010		2011 Draft	2011 Draft vs 2010 Restated	
	Approved	Restated			
Legislative	24.00	24.00	24.00	-	0.0%

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Corporate Financials Budget

The draft 2011 Corporate Financials budget is submitted for Council's consideration.

<b>2010 Budget</b>	<b>\$2,751,000</b>
<b>2011 Draft Budget</b>	<b>\$9,437,200</b>
<b>\$ Change</b>	<b>\$6,686,200</b>
<b>% Change</b>	<b>243.0%</b>

As shown above, the draft 2011 Corporate Financials budget results in a net levy increase of approximately \$6.7 million or 243%. This increase is largely related to compensation provisions which reflect Council direction as of January 10, 2011 (GIC). Also included within this budget are provisions for non-union compensation increase for COLA of 1.5% (\$1.167 million) and the second phase of the non-union percentile phase-in (\$1.2 million). Both of these items are included further to Council direction received in 2009.

The Corporate Financials budget also includes the operating impacts from capital projects approved in 2010 (FCS09114 - 2010 Tax Supported Capital Budget). Although \$997,000 was approved, only \$582,000 has been included in the 2011 budget due to the deferral of some projects.

Corporate Financials Complement

The 2011 draft complement for Corporate Financials is 7.42 FTE which represents the complement associated with operating impacts from capital which were approved as part of the 2010 Capital Budget. Once the 2011 budget is approved, these FTE will be transferred to the appropriate department.

	2010		2011 Draft	2011 Draft vs 2010 Restated	
	Approved	Restated			
Corporate Financials	-	4.00	7.42	3.42	85.5%

Non-Program Revenues Budget

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The draft 2011 Non- Program Revenues budget is submitted for Council's consideration.

<b>2010 Budget</b>	<b>(\$58,873,300)</b>
<b>2011 Draft Budget</b>	<b>(\$37,879,200)</b>
<b>\$ Change</b>	<b>\$20,994,100</b>
<b>% Change</b>	<b>35.7%</b>

As shown above, the draft 2011 Non-Program Revenues budget results in a net levy increase of approximately \$21 million or 35.7%. This significant increase is due to a \$21.8 million reduction in OMPF and special provincial funding. In 2010, the OMPF and special funding was \$25.8 million. For 2011, \$4.0 million is being requested from the Province and included in the budget. The loss of grant funding is offset by the upload savings of -\$21.8 M realized in Community Services.

Other items included in this budget are further identified in the "Analysis /Rationale for Recommendation" section of this report.

Capital Financing Budget

The draft 2011 Capital Financing budget is submitted for Council's consideration.

<b>2010 Budget</b>	<b>\$80,436,100</b>
<b>2011 Draft Budget</b>	<b>\$83,686,000</b>
<b>\$ Change</b>	<b>\$3,249,900</b>
<b>% Change</b>	<b>4.0%</b>

As shown above, the 2011 draft Capital Financing budget is increasing \$3.25 million or 4.0%, which supports the recommended 2011 Tax Capital budget and results in a 0.5% residential municipal tax impact.

***Alternatives for Consideration – See Page 8***

**FINANCIAL / STAFFING / LEGAL IMPLICATIONS (for Recommendation(s) only)**

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**Financial:** The draft 2011 Legislative budget results in a net levy decrease of approximately -\$17,000 or -0.5%.

The draft 2011 Corporate Financials budget results in a net levy increase of \$6.7 million or 243%.

The draft 2011 Non-Program Revenues budget results in a net levy increase of \$21 million or 35.7%.

The draft 2011 Capital Financing budget results in a net levy increase of \$3.25 million or 4.0%.

**Staffing:** The draft 2011 Legislative budget results in a complement of 24 FTE, representing no change from the 2010 complement.

The 2011 draft complement of 7.42 FTE in Corporate Financials is as a result of operating impacts from Capital approved as part of the 2010 Capital budget.

**Legal:** N/A

**HISTORICAL BACKGROUND** (Chronology of events)

As directed by the General Issues Committee (GIC) on January 21<sup>st</sup>, staff are bringing forward the 2011 draft budget based on the City's current position. The budget summaries are included in the attached Appendix One to report FCS11023d. Senior Management Team will continue its internal process to develop further budget savings and present these during budget deliberations in March/April, 2011.

**POLICY IMPLICATIONS**

N/A

**RELEVANT CONSULTATION**

The budget has been developed in conjunction with internal and external partners.

**ANALYSIS / RATIONALE FOR RECOMMENDATION**

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(include Performance Measurement/Benchmarking Data, if applicable)

Legislative

As indicated, the Legislative draft budget is decreasing by approximately -\$17,000 or - 0.5%. The following table identifies the draft budget by division.

	2010		2011			2011 Draft vs. 2010 Budget	
	Budget	Projected Actuals	Base Budget	Savings Options	Draft Budget	\$	%
<b>LEGISLATIVE</b>							
Mayor	977,435	972,045	977,435	0	977,435	0	0.0%
Volunteer Committees	88,290	88,290	88,290	0	88,290	0	0.0%
Legislative Budget	(464,008)	(463,254)	(483,161)	0	(483,161)	(19,153)	(4.1)%
Ward Budgets	2,823,821	2,817,794	2,825,978	0	2,825,978	2,157	0.1%
<b>TOTAL LEGISLATIVE</b>	<b>3,425,538</b>	<b>3,414,875</b>	<b>3,408,542</b>	<b>0</b>	<b>3,408,542</b>	<b>(16,996)</b>	<b>(0.5)%</b>

The volunteer committee budgets will be submitted to their respective Council committee during the budget process for approval.

The small decrease in the Legislative budget is due to an increase in internal recoveries. As noted previously, the budget includes a freeze to the Mayor and Councillor's wages as directed by Council.

Corporate Financials/Non-Program Revenues

The Corporate Financials budget summary is provided in the table below.

	2010		2011			2011 Draft vs. 2010 Budget	
	Budget	Projected Actuals	Base Budget	Savings Options	Draft Budget	\$	%
<b>CORPORATE FINANCIALS</b>							
Corporate Pensions/Benefits & Contingency	6,390,976	8,643,835	13,077,195	0	13,077,195	6,686,219	104.6%
Corporate Reductions/Initiatives	(4,140,000)	0	(4,140,000)	0	(4,140,000)	0	0.0%
Senior Tax Credit	500,000	592,400	500,000	0	500,000	0	0.0%
<b>TOTAL CORPORATE FINANCIALS</b>	<b>2,750,976</b>	<b>9,236,235</b>	<b>9,437,195</b>	<b>0</b>	<b>9,437,195</b>	<b>6,686,219</b>	<b>243.0%</b>

As discussed, the \$6.7 million increase in the Corporate Financials budget is primarily related to compensation contingencies. This includes a provision for unsettled union contracts consistent with Council direction (January 10<sup>th</sup>). It also includes provisions for non-union compensation increase for COLA of 1.5% (\$1.167 million) and the second phase of the non-union percentile phase-in (\$1.2 million). Both of these items are included further to Council direction received in 2009.

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Other items of note include Flamboro Slot revenues, which remain budgeted at 2010 amount of \$4,400,000 (2010 actuals were about \$4,433,000). Also included in the Corporate Financials are parkland purchases that have been approved to be area rated, which for 2011 has increased \$260,000. This increase is related to new purchases area rated to Stoney Creek (\$230,000) and Dundas (\$30,000).

As identified above, the budget continues to count on \$4.1 million in gapping savings for 2011. Actuals for 2010 are still being analysed, but the August variance report included a projection of \$3.1 million saved to date with an expected further \$1.0 million in savings to year-end. The savings are budgeted in the Corporate Financials, but realized in the departmental budgets (hence the \$0 2010 actual in the table above).

The Non-Program Revenue budget is summarized in the table below:

	2010		2011			2011 Draft vs. 2010 Budget	
	Budget	Projected Actuals	Base Budget	Savings Options	Draft Budget	\$	%
<b>NON PROGRAM REVENUES</b>							
Hydro Dividends	(5,000,000)	(5,000,000)	(5,000,000)	0	(5,000,000)	0	0.0%
Investment Income	(4,000,000)	(4,000,000)	(4,000,000)	0	(4,000,000)	0	0.0%
Penalties & Interest	(7,700,000)	(8,050,000)	(7,700,000)	0	(7,700,000)	0	0.0%
Payments in Lieu of Taxes	(13,999,999)	(14,605,452)	(13,999,999)	0	(13,999,999)	0	0.0%
POA	(2,884,638)	(2,729,902)	(3,168,851)	0	(3,168,851)	(284,213)	(9.9)%
Right of Way Taxes	(3,204,000)	(3,204,000)	(3,204,000)	0	(3,204,000)	0	0.0%
Supplementary Taxes	(6,300,000)	(9,000,000)	(6,700,000)	0	(6,700,000)	(400,000)	(6.3)%
Capping	450,000	217,036	350,000	0	350,000	(100,000)	(22.2)%
Tax Remissions / Write Offs	9,543,600	9,499,300	9,543,600	0	9,543,600	0	0.0%
<b>TOTAL NON PROGRAM REVENUES</b>	<b>(33,095,037)</b>	<b>(36,873,018)</b>	<b>(33,879,250)</b>	<b>0</b>	<b>(33,879,250)</b>	<b>(784,213)</b>	<b>(2.4)%</b>
<b>PROVINCIAL FUNDING / OMPF</b>	<b>(25,778,305)</b>	<b>(25,778,305)</b>	<b>(4,000,000)</b>	<b>0</b>	<b>(4,000,000)</b>	<b>21,778,305</b>	<b>84.5%</b>
<b>TOTAL NON PROGRAM REVENUES</b>	<b>(58,873,342)</b>	<b>(62,651,323)</b>	<b>(37,879,250)</b>	<b>0</b>	<b>(37,879,250)</b>	<b>20,994,092</b>	<b>35.7%</b>

As discussed previously, the most significant item impacting this budget is the loss in provincial OMPF and special grant funding (\$21.8 million). The 2011 budget assumes the Province will provide \$4.0 million in special funding to ensure that the City experiences no net impact from the difference in upload savings (\$21.8 million) and the 2010 funding (\$25.8 million). The upload savings occur in the Community Services budget.

There are a number of other significant revenue and expense items in this budget as identified above. A number of these items are projected to provide levy reduction for 2011. These include supplementary tax revenue, Provincial Offences Act (POA) revenue and Tax Capping provisions.

With respect to Supplementary Taxes (tax revenue received in year due to properties being added to the assessment roll), the budgeted revenue is increasing \$400,000 from \$6.3 million in 2010 to \$6.7 million in 2011.

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The following table highlights the previous five years for this revenue:

**NPR - Supplementary Taxes**

	2006	2007	2008	2009	2010
Actuals	6,218,678	6,528,033	8,404,353	9,177,281	9,465,003

The budget of \$6.7 million represents 1% of the 2010 levy. In essence, budgeting this amount requires an additional 1% assessment to be added to the levy each year. As is identified above, this amount has been exceeded from 2008-2010. However, the budget exceeds the amount experienced in 2006-2007. Budgeting greater than the \$6.7 million would represent an increased risk of budget shortfall, if supplementary tax revenue returned to 2006/2007 levels.

With respect to POA revenue, although the chart above indicates the potential for a small shortfall in the 2010 actuals, this was a preliminary estimate. Staff are reviewing final POA revenue for 2010 and expect a favourable variance. Thus, the 2011 budget has been increased to provide some levy savings.

Capital Financing

	2010		2011			2011 Draft vs. 2010 Budget	
	Budget	Projected Actuals	Base Budget	Savings Options	Draft Budget	\$	%
	<b>CAPITAL FINANCING</b>						
Planning & Economic Development	895,400	895,400	892,440	0	892,440	(2,960)	(0.3)%
Community Services	6,550,870	6,550,870	6,561,320	0	6,561,320	10,450	0.2%
Public Health	85,980	85,980	85,980	0	85,980	0	0.0%
Hamilton Emergency Services	1,074,750	1,074,750	1,075,340	0	1,075,340	590	0.1%
Public Works	39,506,370	39,506,370	41,475,970	0	41,475,970	1,969,600	5.0%
Corporate Financials	30,531,070	28,031,070	31,799,530	0	31,799,530	1,268,460	4.2%
Police	921,740	921,740	925,600	0	925,600	3,860	0.4%
Boards & Agencies	869,961	869,820	869,820	0	869,820	(141)	(0.0)%
<b>TOTAL CAPITAL FINANCING</b>	<b>80,436,141</b>	<b>77,936,000</b>	<b>83,686,000</b>	<b>0</b>	<b>83,686,000</b>	<b>3,249,859</b>	<b>4.0%</b>

**ALTERNATIVES FOR CONSIDERATION**

(include Financial, Staffing, Legal and Policy Implications and pros and cons for each alternative)

As part of the budget deliberations, Council can direct changes to the budget as required. Staff will also continue to monitor the 2010 year-end actuals in an effort to identify further opportunities to reduce the 2011 budget.



**CORPORATE STRATEGIC PLAN (Linkage to Desired End Results)**

Focus Areas: 1. Skilled, Innovative and Respectful Organization, 2. Financial Sustainability,  
3. Intergovernmental Relationships, 4. Growing Our Economy, 5. Social Development,  
6. Environmental Stewardship, 7. Healthy Community

***Financial Sustainability***

- ◆ Delivery of municipal services and management capital assets/liabilities in a sustainable, innovative and cost effective manner

***Healthy Community***

- ◆ An engaged Citizenry

**APPENDICES / SCHEDULES**

Appendix One – 2011 Budget Summaries