Chair Bratina and Members of the Public Works Committee:

With respect to “Issues” contained within the 2009 Budget Task List for the Public Works Committee, and in preparation for our January 30th meeting, I wish to report as follows:

(A) Fuel Costs

Please refer to Information Update dated January 26, 2009, entitled Costs/Bulk Purchase of Fuel.

(B) Recyclables

Staff is estimating optimistically that there will be approximately a $2 million negative variance based on current projections and net of additional funding that will be received from Waste Diversion Ontario for the Blue Box Program.

The submitted budget includes $6.2 million for recycling revenues and based on current projections, revenues are more likely to be in the range of $2.7 to $4.2 million based on discussions with ReMM, the company that markets container materials for the City and neighbouring municipalities. Market prices have dropped significantly since the fall of 2008 as can be seen from CSR monthly price sheets (http://www.csr.org/pricesheet/pricesheet.htm), that monitors recycling commodity prices in Ontario. The revised estimate is based on an average price for the year and assumes prices will increase from current levels. The lower range estimate assumes prices continue at current levels.

As part of the budget deliberations, Committee and Council may wish to consider revisions to the submitted budget for the Waste Management Division to better reflect the changes in recycling revenues. There are three basic options presented below for consideration. All of the options include the removal of the one-time contribution from the Recycling Reserve of $640,000 that is included in the submitted budget. This change is recommended to maintain a sufficient balance in the Reserve at $2.59 million, given the change in market conditions. If no changes are made, the 2009 year end balance for the Reserve will be $1.95 million.

Options for consideration:

- Use of Recycling Program Reserve - With this option, no recycling revenue adjustments would be made to the submitted budget and the Reserve could be used as required to mitigate variances.
- Tax Levy & Recycling Reserve - The recycling revenues could be decreased by a portion of the revised budget estimate ($2.7 to $4.2 million) and the Recycling Reserve could be used to mitigate the remainder of the variance later in the year as necessary. For example if revenues were adjusted by $1 million to $5.2 million, the
2009 operating budget would increase by $1.64 million. If revenues came in at the worst case budget estimate of $2.7 million, there still would be sufficient funds in the Recycling Reserve to cover the year end variance.

- **Tax Levy** - The budget could be revised to fully reflect revised revenue projections. This would increase the 2009 operating budget by $2.64 million, based on the optimistic budget projection of $4.2 million. If the worst case revenue estimates are used, the budget would increase by $4.14 million. Depending on actual revenues received, this would limit the amount that would need to be drawn from the Recycling Reserve at year end.

Staff will be following up as the budget process unfolds to monitor recycling commodity prices. We have been contacting other Ontario municipalities to find out how others are planning to address the change in the recycling markets. Preliminary information indicates a range of approaches from no changes from the original estimates to adjusting budgets to reflect very conservative revenue estimates (i.e. current pricing levels).

(C) **Tree Trimming**

Please refer to Information Update dated January 26 2009, entitled Street Tree Trimming Program - Status of Phased Budget Enhancement Implementation

(D) **Commodities - Asphalt and Salt**

Please refer to Information Update dated January 26, 2009, entitled Asphalt and Salt Commodity Price Information

(E) **FTE's**

(F) **Utility Costs**


(G) **Bulk Purchases**

Please refer to Information Update dated January 26, 2009, entitled Costs/Bulk Purchase of Fuel.

(H) **Cost of Asphalt versus Concrete**

As the costs of oil and related products such as asphalt cement continue to fluctuate unpredictably, estimating of capital projects involving paving or road reconstruction become more difficult. In the past, concrete option pavements were not cost competitive in most applications. However, in order to ensure the lowest cost and the best value for
each capital budget dollar, selected projects - where applicable, will be tendered with both the conventional asphalt pavement designs and a reciprocal composite concrete pavement designs. Bidders will be asked to submit one or the other (whichever can be provided at the lowest cost). This will accomplish a number of objectives:

1) give us the lowest cost per project;
2) gives us an update on concrete option prices; and
3) keep the asphalt suppliers prices competitive.

(I) Energy Installation at Glanbrook

Information to be provided before the January 30th Public Works Budget meeting.

We will provide further detail and respond to any questions at Friday’s meeting.

Thank you.

Gerry Davis, CMA
Acting General Manager
Public Works Department, City of Hamilton
320 - 77 James Street North Hamilton ON L8R 2K3
905.546.2313 (Telephone) 905.546.4481 (Facsimile)

Hamilton Public Works - Providing services that bring our City to life!
### PUBLIC WORKS LEVY BUDGET

<table>
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<tr>
<th></th>
<th>2008 Base</th>
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**IN YEAR COUNCIL APPROVED PROGRAMS**

1. STREET TREE TRIMMING: $0, 2.69 $216,130

2. A LINE RAPID TRANSIT: $0, 4.00 $275,000

**2009 BUDGET ENHANCEMENT**

1. ROUTE 44 SERVICE LEVEL: $0, 3.00 $198,000

**TOTAL**

|                           | 1,733.15  | $122,696,113| 1742.84 | $130,191,886 | 7,495,773 | 6.1% |