2010 PROPOSED TAX-SUPPORTED CAPITAL BUDGET

Committee of the Whole
December 8, 2009
2010 Tax-Supported Capital Budget Presentation Objectives

- TRENDS IN CAPITAL LEVY SUPPORT
- CAPITAL LEVY FINANCING OPTIONS
- DEBT / FUNDING IMPACT
- 2011-2019 CAPITAL FORECAST
Capital Financing Trends

• Capital levy (discretionary capital) as percentage of total levy has declined from 13.4% to 11.9%.
• Operating levy has increased at a greater rate than the capital levy.
• External debt financing has declined from 7.9% to 5.3% of total levy.
• Funding through contribution from operating has remained constant last few years.
Assumes - Option 3 (1.0%) for 2010
- 1.0% Levy Increase in 2011 & 2012
Tax Capital Financing Trends - Summary

- Capital Envelope forecast sharply decreases from $294m to $191m (2010 to 2011).

- Future Capital Requirements for large projects such as Rapid Transit, Pan-Am Games, Parkland Acquisition, strategic investments for economic development and Downtown will require a larger, more flexible Capital Levy envelope.
## Tax-supported Infrastructure Funding Shortfall

### Infrastructure Funding Shortfall Forecast ($000's)

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Roads</td>
<td>75,000</td>
<td>48,000</td>
<td>27,000</td>
</tr>
<tr>
<td>Corp Facilities (exc C.H.)</td>
<td>20,000</td>
<td>7,000</td>
<td>13,000</td>
</tr>
<tr>
<td>Indoor Rec Facilities</td>
<td>20,000</td>
<td>17,000</td>
<td>3,000</td>
</tr>
<tr>
<td>Parks</td>
<td>15,000</td>
<td>5,000</td>
<td>10,000</td>
</tr>
<tr>
<td>Forestry</td>
<td>10,000</td>
<td>2,500</td>
<td>7,500</td>
</tr>
<tr>
<td>Information Technology</td>
<td>15,000</td>
<td>13,000</td>
<td>2,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>155,000</strong></td>
<td><strong>92,500</strong></td>
<td><strong>62,500</strong></td>
</tr>
</tbody>
</table>
• The City’s infrastructure deficit for major program areas is forecast to be approximately $62 million annually for the next 10 years.

• For future capital flexibility and to maintain the existing asset base, a 1.0% total levy increase dedicated to Capital is critical. Increased funding from senior levels of government required.
COMMITTEE OF THE WHOLE on Sept. 17 approved the following:

1. “That the financing strategy for the tax supported I.S.F. projects ……through a 0.3% tax increase be approved.”

2. That further levy increases be considered during the 2010 Capital Budget process.
2010 Capital Budget by Program

$293.9 Million

- Facilities: 33%
- Emergency Services: 14%
- Transit: 5%
- Waste Mgmt.: 1%
- Parks / Forestry: 5%
- Fleet: 2%
- Downtn/Waterfront: 2%
- Council Strategic Proj.: 3%
- Planning & Ec. Dev.: 5%
- Other: 3%
- Roads: 27%
$294 million in gross capital, $87 million in proposed discretionary capital spending.

$58.8 million in Provincial and Federal stimulus subsidies for tax supported projects.

$41 million in DC funding.

$15 million in WIP funding.

Establishment of staff WIP committee.

Proposed 1.0% total Levy increase dedicated to Capital ($6m annually) for 10-years would add $330m in capital projects.
2010 Capital Funding

$293.9 Million

- Transfer from Operating, $32.7M, 11%
- DC's, $41.3M, 14%
- Reserves, $34.8M, 12%
- Fed. Gas Tax, $31.9M, 11%
- External Debt, $56.8M, 19%
- Subsidy / Other Revenue, $96.4M, 33%
- Subsidy / Other Revenue, $96.4M, 33%
2010 Capital Project Highlights

- Multi-Agency Training Complex $27m
- WestMount Rec Centre $21m
- Hamilton City Hall $15.4m
- Lower Stoney Creek Rec Centre $13m
- Trinity Church Arterial Corridor (Rymal to Stonechurch) $11.7m
- Morgan Firestone Arena Twinning $10.3m
- HSR Bus Replacement $9.3m
- Council Strategic Initiatives $5m
- Rapid Transit Studies $4.9m
- Trinity Road Link $4m
2010 Capital Project Highlights

- 95 King St, Artists Live/Work Development $3.5m
- Woodward Rd (Melvin to Brampton) $3.4m
- York Rd (Caroline to James) $3m
- Economic Development Initiatives $2.5m
- Dofasco Ingot Truck Route $2.5m
- Parkland Acquisition $2.4m
- ATS Vehicle Replacement $2.1m
- Randle Reef Rehab $2m
- Waterfront Development Corp $2m
- Binbrook Rd (Royal Winter to #56) $1.2m
2010 Capital Budget Highlights

• Base (0.3% increase)
  - Option 2 = 0.5%
  - Option 3 = 1.0%

• Staff recommends Option 3 = $294 million in Capital Projects.

• Option 3 providing
  - $5m for Council Strategic Priorities
  - $2.5m for park acquisition
  - $2.5m for ec-dev initiatives
  - $2.0m seed $ for Waterfront Dev Corp
1. Additional Pan Am Games contribution (exclusive of $60m HFF commitment)

2. Downtown Education Centre

3. Light Rail Transit - Timing and Financial Plan undetermined to date.

4. Auchmar – To be determined.

5. Cycling and Outdoor Recreation Recreation Masterplan Requirements.
## DISCREATIONARY FINANCING OPTIONS - Advantages

<table>
<thead>
<tr>
<th></th>
<th>Base</th>
<th>Option 2</th>
<th>Option 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Levy Increase</td>
<td>0.3% = $1.7M</td>
<td>0.5% = $2.9M</td>
<td>1.0% = $5.8M</td>
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<tr>
<td>Additional Debt</td>
<td>$16.5 M</td>
<td>$28.2 M</td>
<td>$34.2 M</td>
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<tr>
<td>Roads</td>
<td>$34.2 M</td>
<td>$40.0 M</td>
<td>$44.0 M</td>
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<tr>
<td>Park Development</td>
<td>$3.8 M</td>
<td>$5.6 M</td>
<td>$5.6 M</td>
</tr>
<tr>
<td>Park Acquisition</td>
<td>$0</td>
<td>$0.4 M</td>
<td>$2.4 M</td>
</tr>
<tr>
<td>Ec. Dev. Initiatives</td>
<td>$0</td>
<td>$2.5 M</td>
<td>$2.5 M</td>
</tr>
<tr>
<td>Waterfont Dev. Corp.</td>
<td>$0</td>
<td>$2.0 M</td>
<td>$2.0 M</td>
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## Capital Levy

### CAPITAL BUDGET IMPACT ON OPERATING BUDGET

($000's)

<table>
<thead>
<tr>
<th></th>
<th>2009 APPROVED</th>
<th>2010 PROPOSED</th>
<th>CHANGE $</th>
<th>%</th>
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<tbody>
<tr>
<td>Debt Charges</td>
<td>47,907</td>
<td>49,847</td>
<td>1,940</td>
<td>4.0%</td>
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<tr>
<td>Transfer from Operating</td>
<td>29,629</td>
<td>33,489</td>
<td>3,860</td>
<td>13.0%</td>
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<tr>
<td>Total Impact</td>
<td>77,536</td>
<td>83,336</td>
<td>5,800</td>
<td>7.5%</td>
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Impact on Average Residential 1.0%
## 2010 Proposed Capital

<table>
<thead>
<tr>
<th></th>
<th>Base Gross</th>
<th>Base Net</th>
<th>Option 2 Gross</th>
<th>Option 2 Net</th>
<th>Option 3 Gross</th>
<th>Option 3 Net</th>
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<tr>
<td><strong>Roads</strong></td>
<td>69,275</td>
<td>34,235</td>
<td>75,040</td>
<td>40,000</td>
<td>79,040</td>
<td>44,000</td>
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<tr>
<td><strong>Corporate Facilities (Excl. CH)</strong></td>
<td>6,558</td>
<td>6,000</td>
<td>6,558</td>
<td>6,000</td>
<td>6,558</td>
<td>6,000</td>
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<tr>
<td><strong>Recreation Facilities</strong></td>
<td>64,165</td>
<td>18,611</td>
<td>64,165</td>
<td>18,611</td>
<td>64,165</td>
<td>18,611</td>
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<tr>
<td><strong>Culture</strong></td>
<td>1,931</td>
<td>1,593</td>
<td>1,931</td>
<td>1,593</td>
<td>1,931</td>
<td>1,593</td>
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<tr>
<td><strong>Public Art</strong></td>
<td>250</td>
<td>250</td>
<td>250</td>
<td>250</td>
<td>250</td>
<td>250</td>
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<tr>
<td><strong>Park Dev.</strong></td>
<td>7,503</td>
<td>3,765</td>
<td>9,738</td>
<td>6,000</td>
<td>11,738</td>
<td>8,000</td>
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<tr>
<td><strong>Downtown</strong></td>
<td>3,650</td>
<td>3,250</td>
<td>3,650</td>
<td>3,250</td>
<td>3,650</td>
<td>3,250</td>
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<tr>
<td><strong>Lodges</strong></td>
<td>620</td>
<td>500</td>
<td>620</td>
<td>500</td>
<td>620</td>
<td>500</td>
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<tr>
<td><strong>Economic Dev. Initiatives</strong></td>
<td>-</td>
<td>-</td>
<td>2,500</td>
<td>2,500</td>
<td>2,500</td>
<td>2,500</td>
</tr>
<tr>
<td><strong>Waterfront Development Corp.</strong></td>
<td>-</td>
<td>-</td>
<td>2,000</td>
<td>2,000</td>
<td>2,000</td>
<td>2,000</td>
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</table>
Debt History – Tax & DC Supported

Outstanding Debt - Tax

Year

2005 2006 2007 2008 2009

$ Millions

0 50 100 150 200 250 300 350

255 277 293 321 297

44 42 38 73 68

211 235 255 248 229

Tax Supported DC Funded

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Debt Forecast 2009-2019

PROJECTED OUTSTANDING DEBT - TAX

YEAR


$ MILLION

0 50 100 150 200 250 300 350 400 450

Tax Supported DC Funded

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City’s Debt Limit is approx. $2.1 Billion. Based on Annual Repayment Limit (ARL) of $221 M (25% of revenues)
Tax Capital Funding Sources

Capital Funding

<table>
<thead>
<tr>
<th>Year</th>
<th>Transfer from Operating</th>
<th>Debt</th>
<th>Development Charges</th>
<th>Reserves</th>
<th>Federal Gas Tax</th>
<th>Subsidy - Other Revenue</th>
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<tbody>
<tr>
<td>2005</td>
<td>$215 M</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$50 M</td>
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<tr>
<td>2006</td>
<td>$184 M</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$60 M</td>
</tr>
<tr>
<td>2007</td>
<td>$232 M</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$50 M</td>
</tr>
<tr>
<td>2008</td>
<td>$150 M</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$32 M</td>
</tr>
<tr>
<td>2009</td>
<td>$232 M</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$32 M</td>
</tr>
<tr>
<td>2010</td>
<td>$294 M</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$50 M</td>
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</table>

$ Millions

Year

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Federal Gas Tax Funding

- Long-term funding began in 2005 towards environmentally sustainable infrastructure
- May 2008, commitment by federal gov’t of permanent extension of gas tax funding
- Funding to reach $0.05/litre gas tax by 2009 with municipal allocation based on population (2001 Census)
- 2009 Allocation for Hamilton = $31.89M
- 2010-2014 allocation reset for 2006 Census results in Hamilton allocation to be $30.95M annually ($1 million less than 2009)
## Funding Sources for City's Share

<table>
<thead>
<tr>
<th>$000's</th>
<th>Total Budget</th>
<th>City's Share</th>
<th>Funding Source</th>
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<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Emergency Services Training Facility</td>
<td>25,000</td>
<td>8,333</td>
<td>Development Charges</td>
</tr>
<tr>
<td>Energy Retrofit - Lister District Energy</td>
<td>1,200</td>
<td>400</td>
<td>Lister Project</td>
</tr>
<tr>
<td>Recreation Projects - ISF &amp; RInC/REC</td>
<td>62,025</td>
<td>720</td>
<td>WIPs</td>
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<tr>
<td></td>
<td>16,530</td>
<td>3,425</td>
<td>Development Charges</td>
</tr>
<tr>
<td></td>
<td>20,675</td>
<td></td>
<td>Total Recreation</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>88,225</strong></td>
<td><strong>29,408</strong></td>
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2010 – 2019 Capital Forecast by Program

$1.95 Billion

- Roads 39%
- Emergency Services 6%
- Facilities 16%
- Transit 7%
- Waste 10%
- Parks / Forestry 5%
- Fleet 5%
- Council Strategic Proj. 2%
- Other 8%
- Downtn/Waterfront 2%
2010 – 2019 Capital Funding Forecast

$1.95 Billion

- Transfer from Operating, $496.1M, 26%
- External Debt, $286.6M, 15%
- Reserves, $337.9M, 17%
- Fed. Gas Tax, $319.0M, 16%
- DC’s, $245.1M, 13%
- Subsidy / Other Revenue, $261.0M, 13%
Tax Capital Forecast

Total Gross Capital

Assumes Option 3 (1.0%) for 2010 and 1.0% Annual Levy Increase 2011 - 2019
2011-2019 Tax Capital Forecast

• City is falling behind re; asset maintenance.
• After 2010, Capital envelope declines by 35%.
• Renewal of Hamilton with major capital such as Pan-Am, LRT and ec-dev initiatives requires flexibility.
• 10-year Capital Financing Strategy of 1% tax increases ($6M) adds $330m.
Questions and Answers.