



Hamilton

City of Hamilton

2013 Tax Budget Guideline & Preliminary Outlook

General Issues Committee

September 28, 2012

Item 4.1

FCS12065



1. Budget Context
2. 2013 Budget Schedule
3. 2013 Tax Budget Preliminary Pressures
4. 2013 Budget Guidelines



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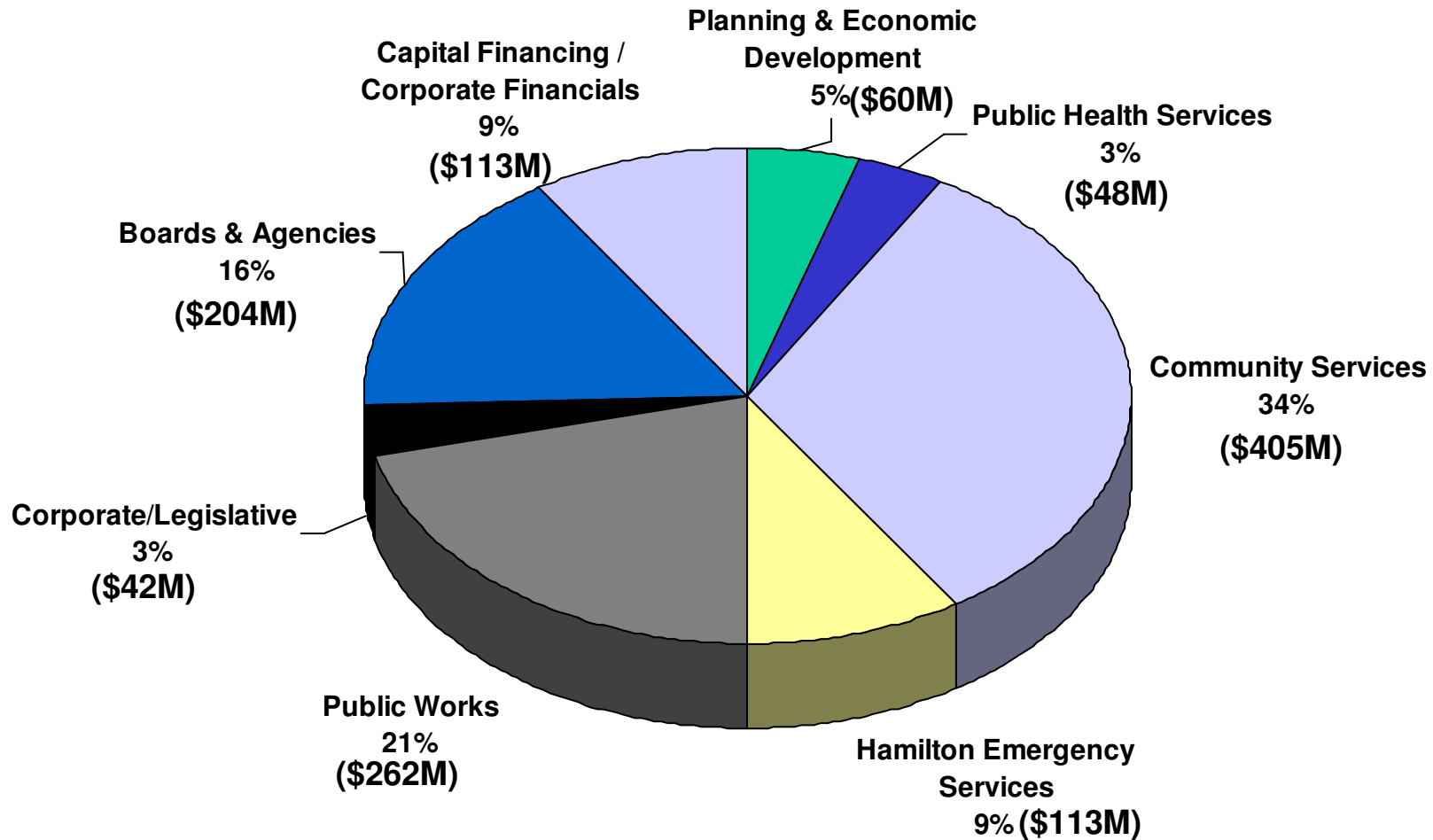
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Budget Context



2012 Gross Tax Operating Budget by Service

\$1.25 billion





2012 Gross Tax Operating Budget Key Services/Programs

Planning & Economic Development - \$60 M

- \$24 M Parking and By-law services
- \$9.7 M Building Services
- \$8.4 M Tourism & Culture
- \$7.1 M Economic Development
- \$5.2 M Planning
- \$3.7 M Growth Management



2012 Gross Tax Operating Budget Key Services/Programs

Public Health Services - \$48 M

- \$11 M Clinical & Preventive Services
- \$10 M Family Health
- \$8.4 M Health Protection
- \$8.4 M Healthy Living
- \$6.1 M Medical Officer of Health
- \$4.0 M Planning & Business Improvement



2012 Gross Tax Operating Budget Key Services/Programs

Community Services Department - \$405 M

- \$138 M Employment & Income Support
- \$109 M Housing Services
- \$48 M Social Development & Early Childhood
- \$48 M Recreation
- \$38 M Lodges
- \$18 M Benefit Eligibility



2012 Gross Tax Operating Budget Key Services/Programs

Hamilton Emergency Services - \$113 M

- \$76 M Fire Services
- \$35 M Emergency Medical Services

Corporate/Legislative - \$42 M

- \$26 M Corporate Services
 - \$12 M City Manager
 - \$4 M Legislative
-



2012 Gross Tax Operating Budget Key Services/Programs

Public Works - \$262 M

- \$96 M Transit (ATS & HSR)
- \$51 M Roads
- \$49 M Waste Management
- \$21 M Parks & Cemeteries
- \$13 M Traffic Operations
- \$10 M Forestry & Horticulture
- \$7 M Facilities



2012 Gross Tax Operating Budget Key Services/Programs

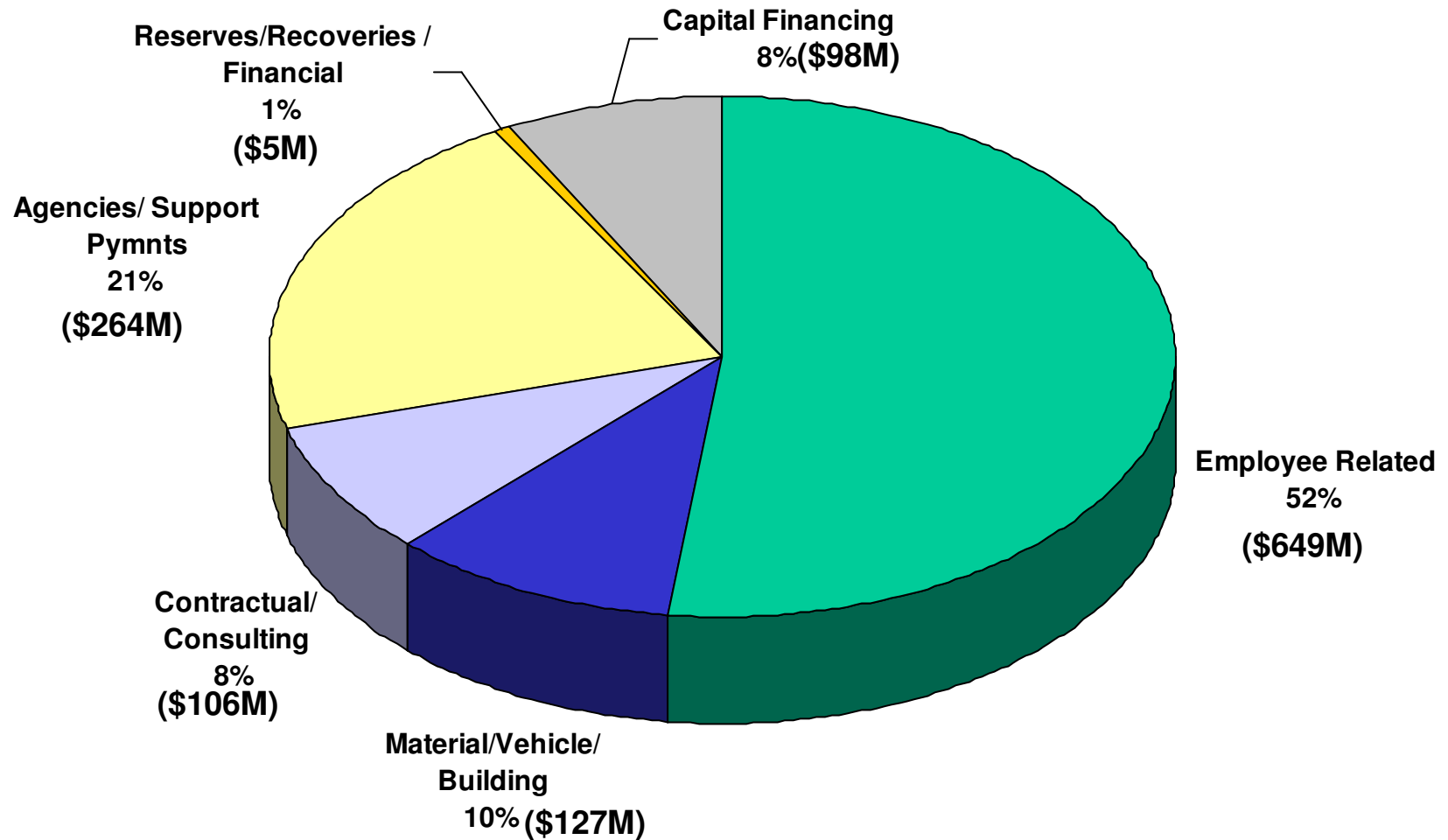
Boards & Agencies - \$204 M

- \$144 M Police
- \$30 M Library
- \$13 M HECFI
- \$6.2 M MPAC
- \$4.5 M Conservation Authorities
- \$3.2 M Community Partnership Program



2012 Gross Tax Expenditures by Type

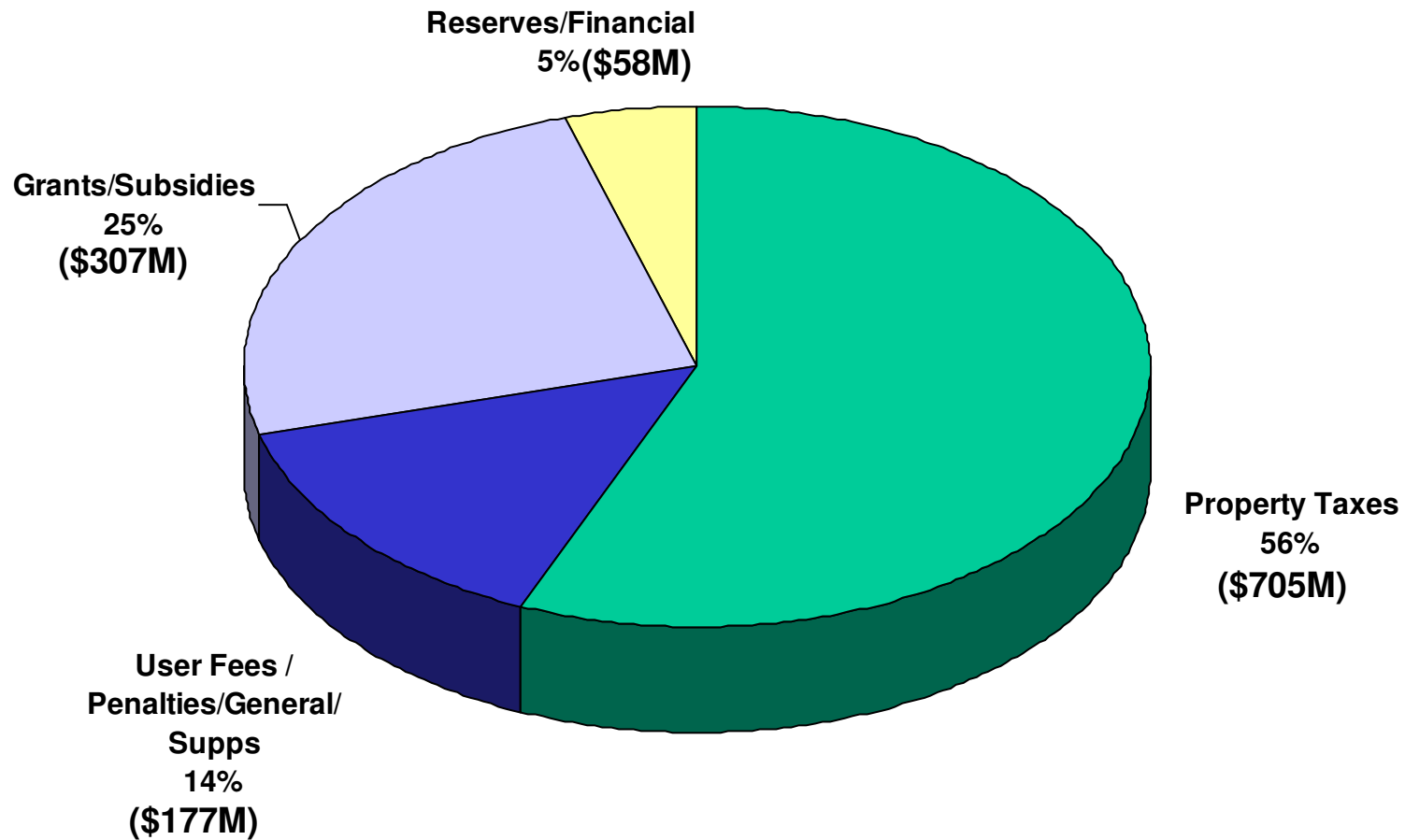
\$1.25 billion





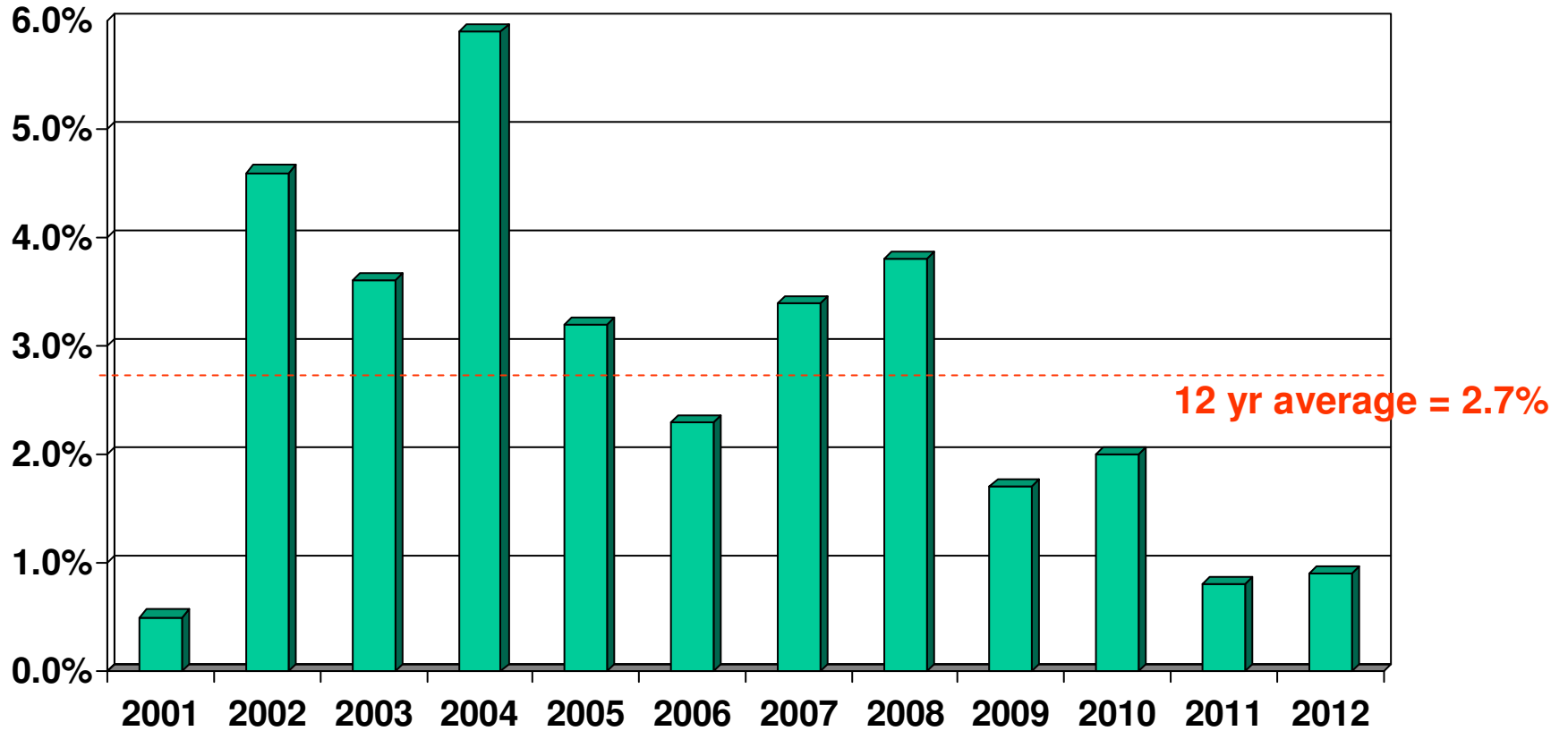
2012 Gross Tax Budget Revenues by Type

\$1.25 billion





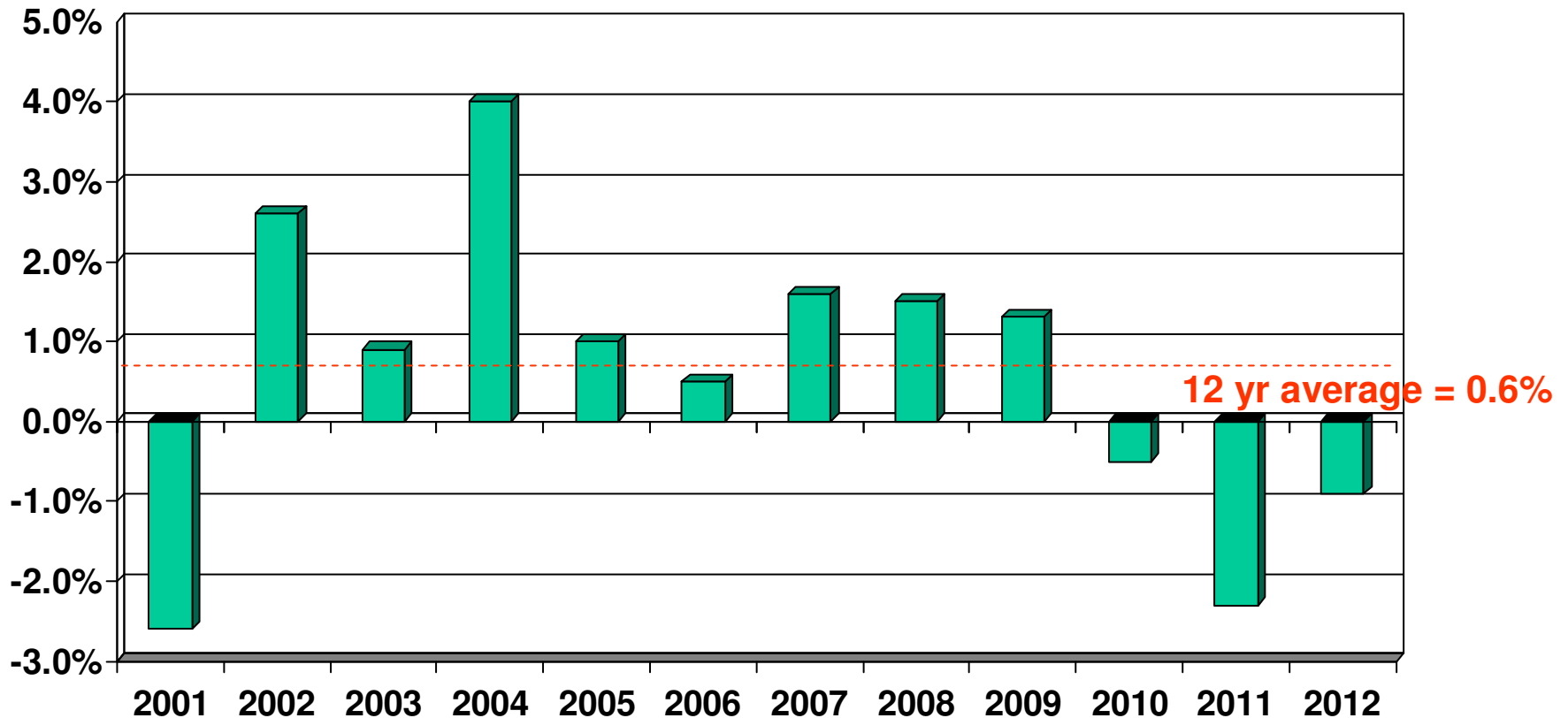
Annual City-wide Residential Tax Impacts



Annual residential impacts - includes budget, reassessment, area-rating, education and tax policies



Annual City-wide Residential Tax Impacts adjusted for Inflation



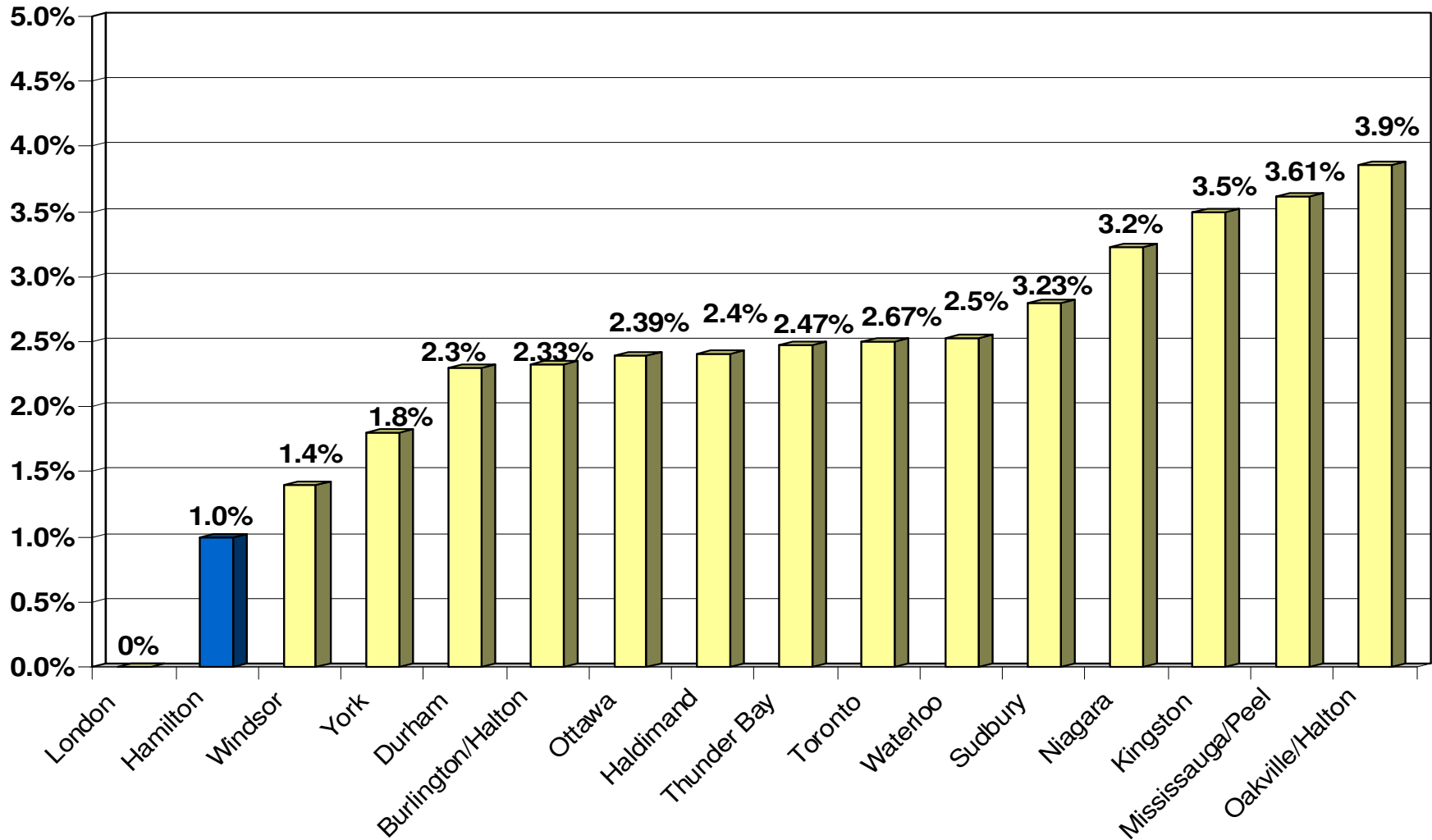
Annual residential impacts - includes budget, reassessment, area-rating, education and tax policies

Inflation = 2.3% Ontario CPI (all items, excluding energy) average for last 12 months



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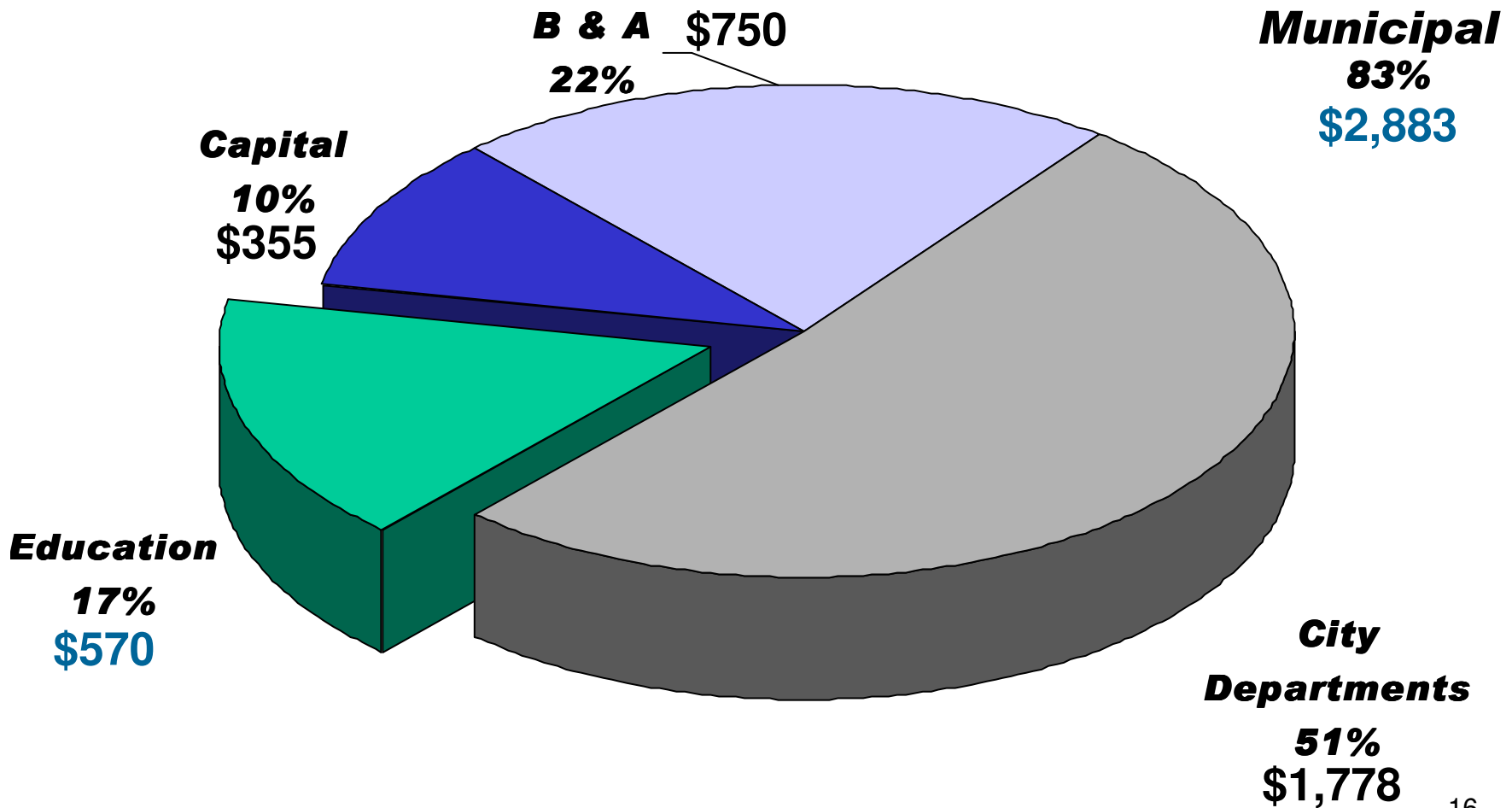
2012 Average Municipal Tax Impacts





2012 Average Residential Tax Bill

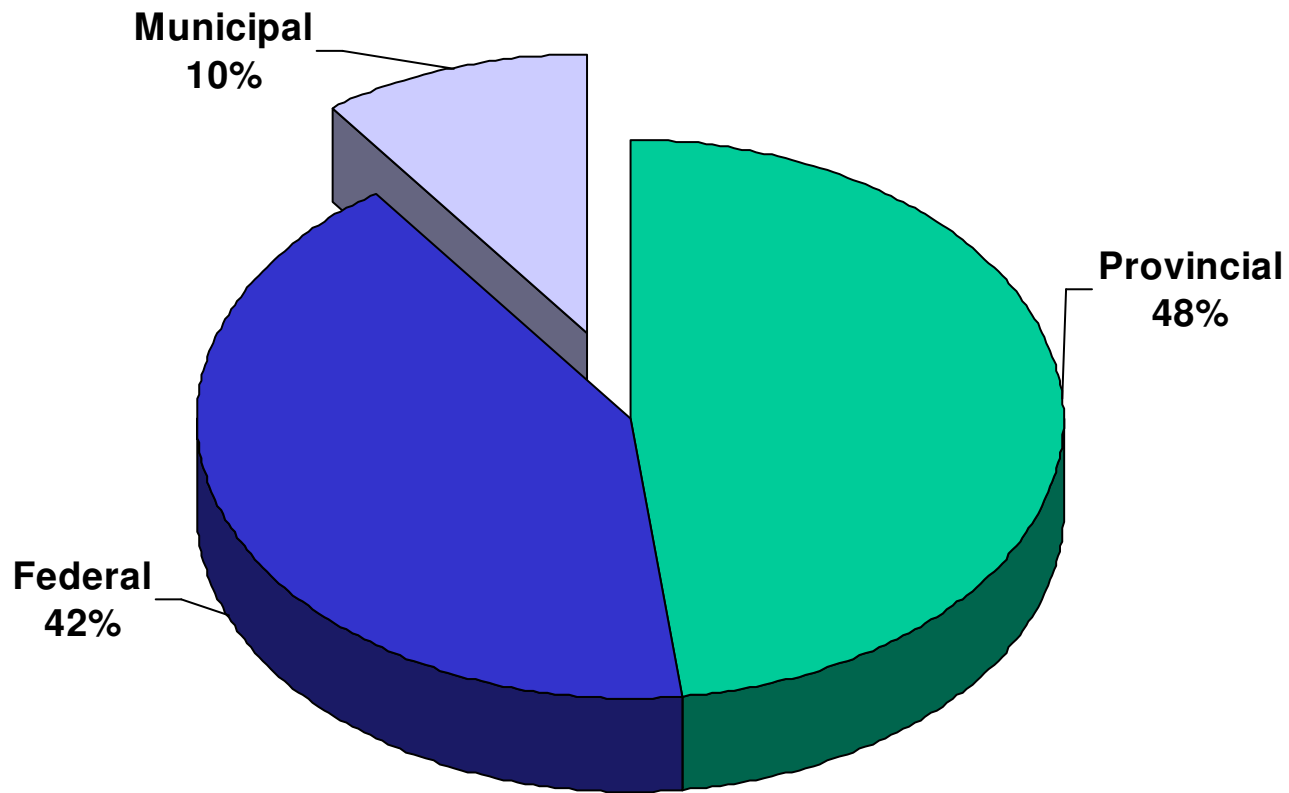
\$3,453 per Household



Based on average CVA of \$258,000



% Breakdown of Total Government Revenues



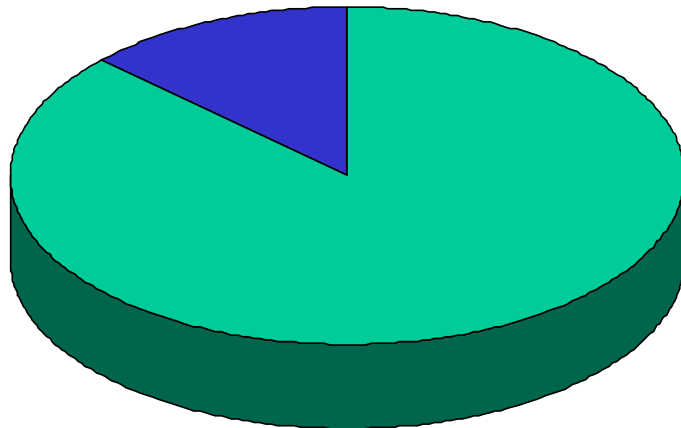
Source: Government of Canada, Government of Ontario, MARS (for 2000 only 89% of municipalities reported), Provincial Auditor, Deloitte & Touche



2012 Residential vs. Non-Residential Assessment Split

Unweighted

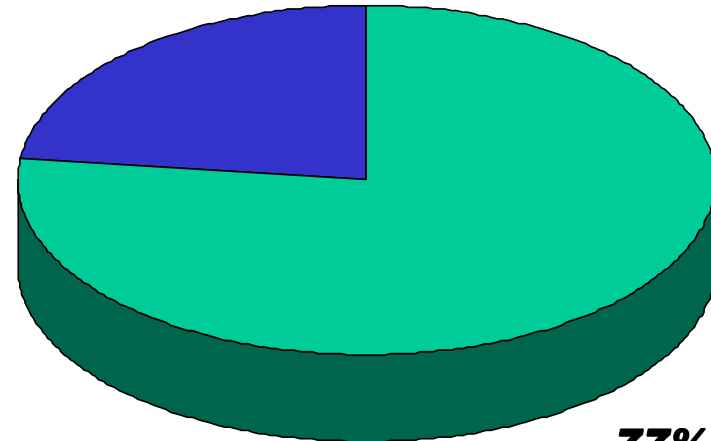
Non-Residential
13%



87%
Residential

Weighted

Non-Residential
23%



77%
Residential



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2013 Budget Schedule



2013 Budget Schedule

ITEM	GIC DATE
Capital Budget Workshop - 1	September 13 th
2013 Tax Budget Guideline & Preliminary Outlook	September 19 th
Capital Assets/Projects Tour Sites	September 21 st
Capital Budget Workshop - 2	September 28 th
Service Delivery Review Workshops – 1 to 5	October 18 th to October 31 st
Rate Budget Workshop	November 1 st
2013 User Fees	November 21 st
Operating Budget Workshop - 1 and 2	November 27 th & 29 th
2013 Rate Budget	December 7 th
2013 Capital Budget	December 11 th
2013 Preliminary Tax Operating Book	Mid-January
Boards and Agencies Presentations	Late January
Department Presentations	Late January
Public Delegations	February
GIC Deliberations	February
GIC/Council Approval	March



2013 Budget Schedule

- Budget GIC dates for Sept – Dec 2012 include:
 - Capital workshops: Sep 13th & 28th
 - Service Delivery Review workshops: Oct
 - Tax operating budget workshops: Nov 27th & 29th
 - User fees: Nov 21st
 - Rate: Dec 7th
 - Capital: Dec 11th
 - Tax Overview / Budget book: Mid - Jan
- Budget GIC dates for 2013 will be part of 2013 Committee Calendar (going to October GIC)



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2013 Tax Budget Preliminary Outlook



Preliminary Pressures / Risks

	2013 Preliminary Pressures / Risks
City Departments	
Salary / Wage Compensation	\$ 15.6 million
Pre-approvals / Annualizations	\$ 1.4 million
Provincial Impacts*	\$ 0.0 million
Corporate	\$ 9.8 million
Other City Departments	\$ 9.7 million
Boards & Agencies	\$ 5.0 million
Capital	\$ 3.45 million
Total 2013 Preliminary Pressures / Risks	\$ 44.8 million

*Excludes potential impacts from Homelessness (\$3.4M to \$7.0M) and Discretionary benefit issues (\$3.8M)



2013 Preliminary Tax Impact

	2013 Tax Impact (Average Residential)	
	DRAFT	
	\$	%
Municipal Taxes		
City Departments	\$ 128	4.5%
Boards & Agencies	\$ 15	0.5%
Capital	\$ 15	0.5%
Total Municipal Taxes*	\$ 158	5.5%

*Assumes 1.0% growth.

1% municipal tax impact = \$6.9 M

**Based on the current estimated budget pressures of \$44.8 M.
(impacts based on a typical home assessed at \$258,000)**



City Departments: Compensation

	Levy Impact \$
Salary / Wage Compensation:	
- COLA / Settlements	\$ 7.3 M
- Merit / Step Increases	\$ 2.5 M
- Non-union Merit Update	-\$ 0.1 M
- OMERS (excluding Boards and Agencies)	\$ 4.2 M
- Government Benefits	\$ 0.7 M
- Employer Benefits	\$ 1.0 M
TOTAL	\$ 15.6 M

- Increases per settled union contracts + allowance for non-settled contracts
- OMERS published rate increases (+0.7%¹ and +1.8%²)
- EI rate increase 2013 = 1.175% vs 2012 = 1.163%
- CPP earnings limit increase
- Estimated 2% increase in employer benefits

¹ on earning up to CPP limit; ² on earnings over CPP limit



City Departments: Pre-approvals

	Levy Impact \$
Pre-approvals / Annualizations:	
- Operating Impact of Capital Projects (FCS11111)	\$ 1.3 M
- HRPI Dividend Reduction	\$ 0.1 M
TOTAL	\$ 1.4 M

- \$2.6 M approved through Capital budget (FCS11111)
- Revised down to \$1.0 M
- \$200,000 carryovers from prior year approvals
- \$51,000 related to 2012 Area Rated Special Capital Reinvestment projects



City Departments: Provincial

	Levy Impact \$
Provincial Impacts:	
- OW Upload: from 82.8% in 2012 to 85.8% in 2013	-\$ 3.9 M
- Court Security Upload (Police)*	-\$ 0.7 M
- Loss of Provincial Subsidy for Compensation related Expense Increases**	\$ 2.6 M
- Removal of Budgeted Grant (2 nd year phase-in)	\$ 2.0 M
TOTAL	\$ 0.0 M

*Court Security Upload is also included in the Police net levy.

**Loss of Provincial Subsidy for Compensation related Expense Increases is also included in Salary/Wage Compensation.

- This analysis may be revised pending Council decisions on referred items for Homelessness (\$3.4M to \$7.0M) and Discretionary benefit issues (\$3.8M).
- City forecast to be in a net positive upload position by 2014 of approximately \$3.3 million / year to 2018 assuming no change in provincial funding.



Social Services Upload vs Grant Clawback: 2008-2012 (DRAFT)

(\$ Millions)

YEAR	UPLOAD BENEFIT *	OMPF / GRANT REDUCTION
2008	(9.40)	0.00
2009	(5.20)	9.70
2010	(16.70)	14.40
2011	(21.80)	11.60
2012	(2.20)	
Special Grant reduction since 2009		16.50
TOTAL	(55.30)	52.20
OVERALL NET IMPACT		(3.10)

* Province has identified \$71M in upload, staff are reviewing discrepancy



Social Services Cost Increases: 2008-2012

- **During this same time period, social service costs have increased significantly;**
 - **Social Housing & Homelessness (\$7.3M)**
 - **OW Caseloads (up 40% since recession)**



City Departments: Corporate

	Levy Impact \$
Corporate:	
- Inflationary / Contractual Requirements	\$ 6.8 M
- User Fees (excluding Transit, Ice, Golf)	-\$ 1.8 M
- Energy (Fuel, Natural Gas, Electricity)	\$ 1.4 M
- Risk Management - Phasing out contribution from reserve	\$ 0.3 M
- Risk Management - Insurance Claim Costs	\$ 2.0 M
- Vehicle Replacement Reserve Underfunding	\$ 0.9 M
- Cost Allocation Review - Implement cost shift from Rate / Capital Budget to Tax Budget (3 yr phase-in)	\$ 0.2 M
TOTAL	\$ 9.8 M

- Projected fuel increase from \$1.06 to \$1.16 (\$1.4 M)
- Natural gas reduction of -12% (-\$578k)
- Electricity increase of 6% (\$584k)
- \$900k – Fleet reserve forecast deficit of \$11 M by 2014; options to increase reserve contribution every year for 5 years (total \$4.1 M by 2017) and/or fleet rationalization.



City Departments: Other

- \$3.3M – Winter Control and Maintenance (5 year average)
 - Staff are in the process of reviewing alternative models for budgeting winter control costs, including moving to a 3 year, 7 year or continuous average
- \$1.0M – street lighting energy and maintenance costs
- \$815k – fluctuations in MRF Commodity revenues
- \$750k – annual increase due to benchmarking factors allocated to CityHousing Hamilton
- \$500k – increase to provincially mandated rent supplement programs
- \$500k – annual increase due to inflationary factors for social housing subsidies using the Provincial benchmarking formula

Note:

- The 2013 Outlook also assumes that the \$1.7 million Waste Management contract savings anticipated for 2013, but budgeted in 2012 by use of reserve funding, will materialize leaving no impact on the 2013 budget.



Boards & Agencies

	Levy Impact \$
Boards & Agencies:	
- Police (3.5%)	\$ 4.7 M
- Boards & Agencies (excluding Police)	
Conservation Authorities & MPAC @ 2.3%	\$ 0.2 M
Other Boards & Agencies @ 0.0%	\$ 0.0 M
Community Partnership @ 0.0%	\$ 0.0 M
TOTAL	\$ 5.0 M

- Police pressure of \$4.7 M based on an increase of 3.5% and includes Court Security Upload savings



	Levy Impact \$
Capital: - Preliminary direction at 0.5%	\$ 3.45 M
TOTAL	\$ 3.45 M

- 2012 discretionary capital projects = \$99.6 million
- 2013 discretionary capital projects forecast = \$99.4 million



Council Referred Items

- In addition to the \$44.8M in pressures there have been a number of items referred to the 2013 tax budget process by Council. Currently these pressure are estimated to be up to \$17.5 million.
 - \$3.4M to \$7.0M Homelessness
 - \$3.8M elimination of the OW discretionary benefit
 - \$1.8M ATS AODA Implementation
 - \$1.4M Storm Water Facilities Maintenance
 - \$1.1M Road and Sidewalk Safety Maintenance
 - \$2.4M other council referred items



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2013 Tax 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 2012, will be difficult to achieve
- Inflation currently running at 2.3%



2013 Budget Guidelines (cont'd)

- That 2013 user fees (excluding golf, transit and ice fees) be increased by an inflation rate of 2.3% (Ontario CPI), and that any user fee adjustments, other than inflationary, be forwarded for consideration with appropriate explanation
- That Boards & Agencies be requested to submit a 2013 budget based on a guideline of 0% increase, and that any increase be forwarded for consideration with appropriate explanation

Note: 2.3% = Ontario CPI (all items, excluding energy) average for last 12 months



2013 Budget Guidelines (cont'd)

- That, in an effort to achieve the goal of an overall tax impact of zero percent for City Services, all City departments target a 2013 budget guideline of 0% increase, and that any increase be forwarded for consideration with appropriate explanation