2013 Tax Budget
Guideline & Preliminary Outlook

General Issues Committee
September 28, 2012
Item 4.1

FCS12065
Presentation Outline

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

Budget Context
2012 Gross Tax Operating Budget by Service

$1.25 billion

- Community Services: 34% ($405M)
- Public Works: 21% ($262M)
- Hamilton Emergency Services: 9% ($113M)
- Capital Financing / Corporate Financials: 9% ($113M)
- Planning & Economic Development: 5% ($60M)
- Public Health Services: 3% ($48M)
- Boards & Agencies: 16% ($204M)
- Corporate/Legislative: 3% ($42M)
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
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
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
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

- Employee Related: 52% ($649M)
- Capital Financing: 8% ($98M)
- Contractual/Consulting: 8% ($106M)
- Material/Vehicle/Building: 10% ($127M)
- Reserves/Recoveries/Financial: 1% ($5M)
- Agencies/Support Pymnts: 21% ($264M)

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2012 Gross Tax Budget Revenues by Type

$1.25 billion

- Property Taxes: 56% ($705M)
- Grants/Subsidies: 25% ($307M)
- User Fees / Penalties/General/Supps: 14% ($177M)
- Reserves/Financial: 5% ($58M)
Annual City-wide Residential Tax Impacts

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

12 yr average = 2.7%
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
2012 Average Municipal Tax Impacts

excludes Education

* Inclusive of Education Hamilton = 0.9%

Source: Regional Treasurer's
2012 Average Residential Tax Bill

$3,453 per Household

- **Municipal**
  - 83%
  - $2,883

- **City Departments**
  - 51%
  - $1,778

- **Education**
  - 17%
  - $570

- **Capital**
  - 10%
  - $355

- **B & A**
  - 22%
  - $750

Based on average CVA of $258,000
% Breakdown of Total Government Revenues

- Municipal: 10%
- Federal: 42%
- Provincial: 48%

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%

Weighted

Non-Residential 23%

87% Residential

77% Residential
2013 Budget Schedule
## 2013 Budget Schedule

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

- **Budget GIC dates for Sept – Dec 2012 include:**
  - Capital workshops: Sep 13\(^{th}\) & 28\(^{th}\)
  - Service Delivery Review workshops: Oct
  - Tax operating budget workshops: Nov 27\(^{th}\) & 29\(^{th}\)
  - User fees: Nov 21\(^{st}\)
  - Rate: Dec 7\(^{th}\)
  - Capital: Dec 11\(^{th}\)
  - Tax Overview / Budget book: Mid - Jan

- **Budget GIC dates for 2013 will be part of 2013 Committee Calendar (going to October GIC)**
2013 Tax Budget Preliminary Outlook
### Preliminary Pressures / Risks

**2013 Preliminary Pressures / Risks**

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>City Departments</td>
<td></td>
</tr>
<tr>
<td>Salary / Wage Compensation</td>
<td>$15.6 million</td>
</tr>
<tr>
<td>Pre-approvals / Annualizations</td>
<td>$1.4 million</td>
</tr>
<tr>
<td>Provincial Impacts*</td>
<td>$0.0 million</td>
</tr>
<tr>
<td>Corporate</td>
<td>$9.8 million</td>
</tr>
<tr>
<td>Other City Departments</td>
<td>$9.7 million</td>
</tr>
<tr>
<td>Boards &amp; Agencies</td>
<td>$5.0 million</td>
</tr>
<tr>
<td>Capital</td>
<td>$3.45 million</td>
</tr>
<tr>
<td><strong>Total 2013 Preliminary Pressures / Risks</strong></td>
<td><strong>$44.8 million</strong></td>
</tr>
</tbody>
</table>

*Excludes potential impacts from Homelessness ($3.4M to $7.0M) and Discretionary benefit issues ($3.8M)*
2013 Preliminary Tax Impact

<table>
<thead>
<tr>
<th>Municipal Taxes</th>
<th>DRAFT</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>City Departments</td>
<td>$128</td>
<td>4.5%</td>
</tr>
<tr>
<td>Boards &amp; Agencies</td>
<td>$15</td>
<td>0.5%</td>
</tr>
<tr>
<td>Capital</td>
<td>$15</td>
<td>0.5%</td>
</tr>
<tr>
<td><strong>Total Municipal Taxes</strong>*</td>
<td><strong>$158</strong></td>
<td><strong>5.5%</strong></td>
</tr>
</tbody>
</table>

*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)
### Salary / Wage Compensation:

<table>
<thead>
<tr>
<th>Description</th>
<th>Levy Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>- COLA / Settlements</td>
<td>$ 7.3 M</td>
</tr>
<tr>
<td>- Merit / Step Increases</td>
<td>$ 2.5 M</td>
</tr>
<tr>
<td>- Non-union Merit Update</td>
<td>-$ 0.1 M</td>
</tr>
<tr>
<td>- OMERS (excluding Boards and Agencies)</td>
<td>$ 4.2 M</td>
</tr>
<tr>
<td>- Government Benefits</td>
<td>$ 0.7 M</td>
</tr>
<tr>
<td>- Employer Benefits</td>
<td>$ 1.0 M</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$ 15.6 M</strong></td>
</tr>
</tbody>
</table>

- 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

$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

<table>
<thead>
<tr>
<th>Pre-approvals / Annualizations:</th>
<th>Levy Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Operating Impact of Capital Projects (FCS11111)</td>
<td>$ 1.3 M</td>
</tr>
<tr>
<td>- HRPI Dividend Reduction</td>
<td>$ 0.1 M</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$ 1.4 M</strong></td>
</tr>
</tbody>
</table>
City Departments: Provincial

Levy Impact
$  

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

*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)

<table>
<thead>
<tr>
<th>YEAR</th>
<th>UPLOAD BENEFIT *</th>
<th>OMPF / GRANT REDUCTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>(9.40)</td>
<td>0.00</td>
</tr>
<tr>
<td>2009</td>
<td>(5.20)</td>
<td>9.70</td>
</tr>
<tr>
<td>2010</td>
<td>(16.70)</td>
<td>14.40</td>
</tr>
<tr>
<td>2011</td>
<td>(21.80)</td>
<td>11.60</td>
</tr>
<tr>
<td>2012</td>
<td>(2.20)</td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Levy Impact</th>
<th>$</th>
</tr>
</thead>
</table>

**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

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

<table>
<thead>
<tr>
<th>Boards &amp; Agencies:</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Police (3.5%)</td>
<td>$ 4.7 M</td>
</tr>
<tr>
<td>- Boards &amp; Agencies (excluding Police)</td>
<td></td>
</tr>
<tr>
<td>Conservation Authorities &amp; MPAC @ 2.3%</td>
<td>$ 0.2 M</td>
</tr>
<tr>
<td>Other Boards &amp; Agencies @ 0.0%</td>
<td>$ 0.0 M</td>
</tr>
<tr>
<td>Community Partnership @ 0.0%</td>
<td>$ 0.0 M</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$ 5.0 M</td>
</tr>
</tbody>
</table>

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

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

<table>
<thead>
<tr>
<th>Capital:</th>
<th>Levy Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Preliminary direction at 0.5%</td>
<td>$ 3.45 M</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$ 3.45 M</td>
</tr>
</tbody>
</table>

- 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
2013 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
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.