



**City of Hamilton**  
**GENERAL ISSUES COMMITTEE**

**Meeting #:** 19-022  
**Date:** October 30, 2019  
**Time:** 9:30 a.m.  
**Location:** Council Chambers, Hamilton City Hall  
71 Main Street West

Stephanie Paparella, Legislative Coordinator (905) 546-2424 ext. 3993

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1. **APPROVAL OF AGENDA**  
(Added Items, if applicable, will be noted with \*)
2. **DECLARATIONS OF INTEREST**
3. **COMMUNICATIONS**
4. **DELEGATION REQUESTS**
5. **PUBLIC HEARINGS / DELEGATIONS**
6. **STAFF PRESENTATIONS**
  - 6.1 2020 Updated Tax Supported Operating Budget Outlook and Mitigation Options  
(FCS19054(a)) (City Wide)
7. **MOTIONS**
8. **NOTICES OF MOTION**
9. **PRIVATE AND CONFIDENTIAL**
10. **ADJOURNMENT**



# INFORMATION REPORT

|                           |  |
|---------------------------|--|
| <b>TO:</b>                | Mayor and Members<br>General Issues Committee  |
| <b>COMMITTEE DATE:</b>    | October 30, 2019   |
| <b>SUBJECT/REPORT NO:</b> | 2020 Updated Tax Supported Operating Budget Outlook and Mitigation Options (FCS19054(a)) (City Wide) |
| <b>WARD(S) AFFECTED:</b>  | City Wide  |
| <b>PREPARED BY:</b>       | Andreia Bevilacqua (905) 546-2424 Ext. 4190  |
| <b>SUBMITTED BY:</b>      | Mike Zegarac<br>General Manager, Finance and Corporate Services<br>Corporate Services Department     |
| <b>SIGNATURE:</b>         |  |

## COUNCIL DIRECTION

At the General Issues Committee (GIC) meeting of July 8, 2019 (Item 4(c) to Report 19-013), staff received the following direction:

That staff be directed to report back to the General Issues Committee by October 2019 with an updated 2020 Tax Budget Outlook, with that report to provide actions, as it relates to all three (3) of the following scenarios:

- (i) Options that result in a 2.0% tax increase for City Departments, plus a 1.3% tax increase for Capital and a tax increase for Provincial Funding Shortfalls (currently estimated at 1.3%). This would result in a tax increase of about 4.6% and require \$18.3M in reductions from the current Outlook position;
- (ii) Options that result in a 1.0% tax increase for City Departments plus a 1.3% tax increase for Capital and a tax increase for Provincial Funding Shortfalls (currently estimated at 1.3%). This would result in a tax increase of about 3.6% and require \$27.0M in reductions from the current Outlook position;

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OUR Vision: To be the best place to raise a child and age successfully.

OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.

**SUBJECT: 2020 Updated Tax Supported Operating Budget Outlook and Mitigation Options (FCS19054(a)) (City Wide) – Page 2 of 2**

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- (iii) Options that result in a 0.0% tax increase for City Departments, plus a 1.3% tax increase for Capital and a tax increase for Provincial Funding Shortfalls (currently estimated at 1.3%). This would result in a tax increase of about 2.6% and require \$35.7M in reductions from the current Outlook position.

**INFORMATION**

Report FCS19054 “2020 Budget Guidelines, Outlook and Process” estimated a total levy increase of \$62.3 M which would result in a tax increase of approximately 6.7%. Some of the major departmental pressures included a shortfall due to cuts in provincial funding, pressures in transit and corporate financials and increases for Boards and Agencies.

The 6.7% tax increase also includes a 1.3% tax increase for capital. This supports the financing of discretionary / block funded capital projects and debt financing requirements for the City’s funding share of Investing in Canada Infrastructure Program – Public Transit Stream, the Downtown Office Accommodation project and the West Harbour Development.

For this year, Council directed staff to report back on a series of scenarios in order to mitigate the projected average residential tax impact of 6.7%. Report FCS19054(a) “2020 Updated Tax Supported Operating Budget Outlook and Mitigation Options” provides an update of the Budget Outlook that was presented on July 8, 2019 and the mitigation options prepared by the Departments that would result in the Council directed scenarios.

This information is exclusive of Council Referred Items and Business Cases.

The updated Budget Outlook and a discussion of mitigation options, will be provided to GIC in a staff presentation.

**APPENDICES AND SCHEDULES ATTACHED**

N/A

AB/dt

**ITEM 6.1**



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**2020 UPDATED TAX OPERATING  
BUDGET OUTLOOK AND  
MITIGATION MEASURES**

**GENERAL ISSUES COMMITTEE OCTOBER 30, 2019**

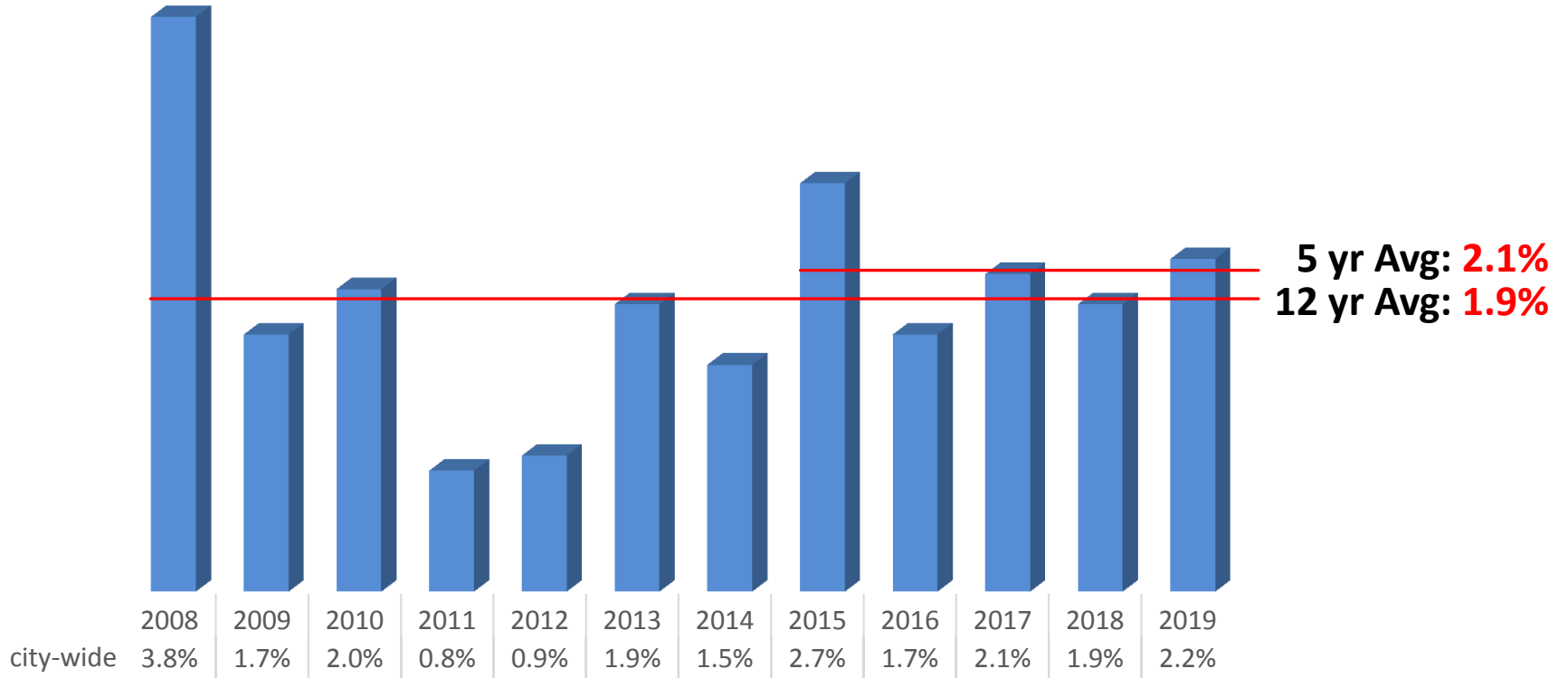
Report FCS19054(a)

## July 8, 2019 Council Direction:

- User Fees be increased **3%** and staff report back on fees that could be considered to move towards full cost recovery
- Police, Libraries and Conservation Authorities target a guideline of **2%**
- All other boards and agencies target a guideline of **0%**
- Tax Capital budget be submitted at a total levy impact of **1.3%**
- The Rate budget include options to reduce the projected increase of **4.5%**
- Staff develop options to reduce the tax impact based on these scenarios:
  - Reductions of **\$18.3M** to achieve a **4.6%** tax impact
  - Reductions of **\$27.0M** to achieve a **3.6%** tax impact
  - Reductions of **\$35.7M** to achieve a **2.6%** tax impact

- Inform - Provide an Updated 2020 Budget Outlook
- Inform - Provide insight into 2021 challenges
- Inform - Reduction amounts to achieve the **4.6%**, **3.6%** and **2.6%** targets
- Inform - Describe the types of reductions required to meet the targets.
- Engage - Council feedback on the options
- Direction - Council provide direction on a target for 2020 tax increase understanding the types of options required to achieve that target.

# Annual Average Residential Tax Impacts



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

# Other Factors

- Provincial uploading versus downloading
- Provincial and Federal Grants
- Market conditions - fuel prices, sale of commodities
- Collective agreements
- Restructuring (2017)
- Assessment appeals
- Assessment shifts to residential from not-residential properties



# 2020 Updated Tax Operating Outlook

## 2020 Tax Budget

|                    | Levy Increase \$      | Tax Impact % |
|--------------------|-----------------------|--------------|
| Outlook (July GIC) | \$ 62,341,000         | 6.7%         |
| Current Draft      | \$ 52,339,000         | 5.5%         |
| <b>CHANGE</b>      | <b>-\$ 10,002,000</b> | <b>-1.2%</b> |

NOTE: Anomalies due to rounding

## Major Changes Since Outlook



**\$6.7 M reduced**  
Provincial Impact



**\$3.3 M reduced**  
from continued review

# Average Residential Tax Impact

## Municipal Taxes

|                        | \$            | %           |
|------------------------|---------------|-------------|
| Other City Departments | \$ 118        | 3.4%        |
| Boards and Agencies    | \$ 34         | 1.0%        |
| Capital Financing      | \$ 45         | 1.12%       |
| <b>MUNICIPAL TAXES</b> | <b>\$ 196</b> | <b>5.5%</b> |

NOTE: Anomalies due to rounding


Ward Average Reassessment Impacts range




-0.3% to +1.6%

# Budget Drivers – Maintenance

## MAINTENANCE

|        |   |                                    |               |
|--------|---|------------------------------------|---------------|
| Annual |  | Salary and Wage/Benefits           | \$ 12,500,000 |
|        |   | Other (Contractual, Revenue, etc.) | \$ 2,250,000  |

## EXTRAORDINARY

|          |  |                             |              |
|----------|--|-----------------------------|--------------|
| Variable |  | Insurance Premiums          | \$ 2,000,000 |
|          |  | WSIB Shortfall              | \$ 1,500,000 |
|          |  | Computer Software Licensing | \$ 1,500,000 |

**\$19,750,000 TOTAL BUDGET DRIVERS = 2.0% TAX IMPACT**

# Budget Drivers – Additional Items

## PROVINCIAL IMPACTS



Children's Services

\$ 2,600,000



Ontario Works

\$ 1,500,000



Public Health Services

\$ 1,300,000

**TOTAL \$ 5,400,000**

# Budget Drivers – Additional Items

## TRANSIT IMPACTS



DARTS

\$ 2,664,000



TRANSIT'S DARTS  
CONTRACT PROVIDES



97,774  
ADDITIONAL TRIPS



885,000  
TOTAL ANNUAL TRIPS



PRESTO

\$ 1,243,000



5<sup>th</sup> Year of Transit Strategy

\$ 688,000

\$ 688,000  
TRANSIT'S 5  
YEAR STRATEGY



46,000  
ADDITIONAL  
SERVICE HOURS



35  
ADDITIONAL FULL  
TIME EQUIVALENTS



**TOTAL \$ 4,595,000**

# Budget Drivers – Additional Items

## OPERATING IMPACTS FROM CAPITAL

|   |                              |              |
|---|------------------------------|--------------|
|  | West Harbour                 | \$ 1,140,000 |
|  | Traffic Management/Signaling | \$ 800,000   |
|  | Open Space Development       | \$ 509,000   |
|  | IT Strategy                  | \$ 235,000   |
|   | Others                       | \$ 456,000   |

**TOTAL \$ 3,140,000**

**\$13,095,000 TOTAL ADDITIONAL ITEMS = 1.4% TAX IMPACT**

# Budget Drivers – Capital Financing

|  | Levy Increase \$    | Tax Impact % |
|--|---------------------|--------------|
| Investing in Canada Infrastructure Program - Transit | \$ 1,835,000        | 0.21%        |
| DC Exemptions  | \$ 2,000,000        | 0.23%        |
| Office Accommodations                                | \$ 1,204,000        | 0.14%        |
| West Harbour   | \$ 297,000          | 0.03%        |
| Discretionary/Block Funding                          | \$ 4,300,000        | 0.50%        |
| <b>TOTAL IMPACT</b>                                  | <b>\$ 9,636,000</b> | <b>1.12%</b> |

NOTE: Anomalies due to rounding

# 0.5% Capital Levy Breakdown



Roads/Bridges/Sidewalks

\$ 2.9 M



Transit

\$ 1.0 M



Parkland Acquisition





\$ 0.4 M

**TOTAL \$ 4.3 M**



# Capital Funding Deficiency

## ANNUAL INFRASTRUCTURE DEFICIT

|  |                  |
|--|------------------|
|  Roads/Bridges                              | \$ 90M - \$ 120M |
|  Corp Facilities (including City Hall)      | \$ 10M - \$ 15M  |
|  Rec Facilities                             | \$ 6M - \$ 8M    |
|  Culture Facilities                         | \$ 3M - \$ 4M    |
|  Housing                                    | \$ 20M - \$ 30M  |
|  Parks/Open Space                           | \$ 2M - \$ 4M    |
|  Forestry                                   | \$ 5M - \$ 6 M   |
|  Fleet (including Fire, Paramedics, Police) | \$ 3M            |
|  Transit                                   | \$ 2M            |
|  Long-Term Care                           | \$ 1M- \$ 2M     |

**TOTAL ESTIMATE \$ 195M**

Annual infrastructure deficit amounts based on historical averages (level of service variables have yet to be determined)

# Budget Drivers – Boards & Agencies

|   |                          |              |
|---|--------------------------|--------------|
|  | Police                   | \$ 6,072,000 |
|  | Conservation Authorities | \$ 2,500,000 |
|  | Library                  | \$ 644,000   |
|  | Other Boards & Agencies  | \$ 302,000   |

**TOTAL \$ 9,518,000**

NOTE: Anomalies due to rounding

**1.0% TAX IMPACT**



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# MITIGATION OPTIONS

# Updated Reduction Scenarios

|                     |                 | Reductions | Levy Increase \$ | Residential Tax Increase % |
|---------------------|-----------------|------------|------------------|----------------------------|
| Preliminary Budget  |                 |            | \$ 52,339,000    | 5.5%                       |
| Total Reductions of | \$ (8,300,000)  |            | \$ 44,039,000    | 4.6%                       |
| Total Reductions of | \$ (17,000,000) |            | \$35,339,000     | 3.6%                       |
| Total Reductions of | \$ (25,700,000) |            | \$ 26,639,000    | 2.6%                       |

Reductions required are about **\$10M less** than the July GIC Outlook

# Option Types to Achieve 4.6%



## Financials

- Reduce contributions to reserves impacting long term financial plan.



## Revenues

- Enhance user fee increases in many areas.



## Services

- Reduce response time to inquiries, request for service.
- Reduce capability for policy work including in-year requests from Council.
- Reduce service hours for facilities/programs.
- Close under utilized facilities.
- Reduce or eliminate service levels where service is under utilized.
- Align service levels to comparator municipalities where the City exceeds those comparators.
- Align service levels to provincial funding.
- Reduce grants to external agencies.

# Option Types to Achieve 3.6%

## Previous slide plus:



### Revenues

- New user fees for services traditionally provided at no charge.



### Services

- Close facilities and related services not considered core municipal services or not required by provincial mandate.
- Reduce service levels in core areas.

**TO ACHIEVE 3.6% ALL ACTIONS ON 4.6% LIST + THE LIST ABOVE IS NEEDED**

# 2021 Will Be Challenging As Well

- Further Provincial Funding Policy changes were just postponed to 2021 and 2022
- Capital funding for potential successful grant projects (ICIP)
- Operating Impacts from Capital including those from potential grant announcements (ICIP)
- Fire 10 Year Service Delivery Plan
- Paramedic Ambulance pressures
- Continuation of Transit Strategy
- Housing
- Unfunded Development Charge Liabilities
- Bill 108 - Community Benefit Charges





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# **BUDGET PROCESS**



# 2020 BUDGET KEY DATES

| ITEM  | DATE                       |
|---|----------------------------|
| GIC – Updated Outlook Report                                | October 30                 |
| GIC – 2020 Rate Budget                                      | November 25 & December 6   |
| GIC – 2020 Tax Capital Budget                               | November 29 and Dec. 9     |
| GIC – User Fee Report                                       | December 4, 2019           |
| GIC – Tax Operating Overview and Departmental Presentations | January 17                 |
| GIC – Boards and Agencies                                   | January 21 & 23            |
| GIC – Transit Day   | January 24                 |
| GIC – Departmental Presentations                            | January 28, 29, 30, Feb. 7 |
| GIC – Budget Delegations (Public)                           | Feb. 10                    |
| GIC – Budget Deliberations                                  | Feb. 24, 27, March 2, 4    |