



City of Hamilton
GENERAL ISSUES COMMITTEE REVISED

Meeting #: 20-017
Date: October 29, 2020
Time: 9:30 a.m.
Location: Council Chambers, Hamilton City Hall
71 Main Street West

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

	Pages
1. APPROVAL OF AGENDA	
2. DECLARATIONS OF INTEREST	
3. APPROVAL OF MINUTES OF PREVIOUS MEETING	
4. COMMUNICATIONS	
*4.1. Correspondence from the Lakewood Beach Community Council respecting the Recommendation to Increase the Rate Budget by 4.28%	3
Recommendation: Be received and referred to the consideration of Item 7.1.	
5. DELEGATION REQUESTS	
*5.1. Arwen Roussel, respecting Report FCS20087 - 2020 Budget Guidelines, Outlook and Process	5
For the October 29, 2020 GIC (Via WebEx)	
*6. PUBLIC HEARINGS / DELEGATIONS	
7. STAFF PRESENTATIONS	
7.1. 2021 Budget Guidelines, Outlook and Process (FCS20087) (City Wide)	7
8. DISCUSSION ITEMS	

8.1. 2019 Municipal Tax Competitiveness Study (FCS20029) (City Wide)

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9. MOTIONS

10. NOTICES OF MOTION

11. GENERAL INFORMATION / OTHER BUSINESS

12. PRIVATE & CONFIDENTIAL

13. ADJOURNMENT

From: Lakewood Beach Community Council <LakewoodBeachCC@hotmail.com>
Sent: October 26, 2020 12:15 PM
To: DL - Council Only <dlcouncilonly@hamilton.ca>
Cc: clerk@hamilton.ca
Subject: Staff Recommendation to increase Rate budget by 4.28% - GIC Item 6.1

Dear Mayor & Council,

Our community is made up of households with vastly different income levels. As such, we wanted to draw your attention to the recommended rate increase of 4.28% and ask that you give consideration to those households who have experienced financial hardships, or increased expenses, due to the covid-19 pandemic. Financial strains that are likely to continue throughout most if not all of 2021.

As per the Staff Report going to GIC on October 29th: *"The Canadian economy is in the deepest recession since the 1930s"*

This change in our economy occurred in 2020. Yet the Staff Recommendation is that the *"2020 Rate Supported Operating and Capital Budgets be prepared in alignment with the long term financing plan approved"* in November **2019** (pre-pandemic).

We already knew Hamilton pre-pandemic had one of the highest poverty rates. At this juncture, we don't know what impact the recession has had on those poverty rates however it doesn't take much effort to 'read the room' & recognize residential rate/tax payers need a period of recovery.

We also read within the Staff Report, that *"while industrial and commercial water consumption declined over the past year ... the increase in residential consumption has offset the negative impact on revenues"* to the city.

While we appreciate & respect that with no change in overall consumption, Staff would recommend to *continue with the pre-covid19 long-term financing plan for water, wastewater and storm capital infrastructure*, it is our hope that Council will approach this year differently in your deliberations prior to approving this Recommendation.

Questions that come to mind and answers that might be helpful for Council to consider are:

1. What are the projects that make up net capital costs? (which are estimated at \$173.5 M in 2021 versus \$135.6 M in 2020)
2. What are the financial details of those projects in regards to funding from other sources/reserves? (Gross Costs vs 87% of those costs, ~ \$33M, more being downloaded to the residential ratepayer)

3. What have been our historical Rate increases?. (ie A Table similar to Table 6 but for Rates Budgets)
4. How do our water rates and historical trends compare to other municipalities?
5. Has the % of late payments for Water increased, decreased or stayed the same in 2020 as compared to 2019?
6. Has the % of households in arrears status/late payments for Property Taxes increased, decreased or stayed the same in 2020?

If Council is going to consider increasing expenditures by ~ \$40M during these times - knowing that an even greater % will be shifted to the residential taxpayer than past years - in our humble opinion additional transparency on the how/why of spending/investing is warranted.

Respectfully,

Lakewood Beach Community Council

Request to Speak to Committee of Council

Submitted on Tuesday, October 27, 2020 - 9:33 am

==Committee Requested==

Committee: General Issues Committee

==Requestor Information==

Name of Individual: Arwen Roussell

Name of Organization: N/A

Contact Number:

Email Address:

Mailing Address:

Reason(s) for delegation request:

Hello, my name is Arwen. I have been a part of the Hamilton Community all of my life, and I have never shied away from the west east south or north ends and their inhabitants. I have been poor here, and I have been rich here in the financial sense. I have had those in the West and South assist me, those in the North I assist. The east is where both my parents reside. I have been a Community Volunteer, Global Activist and Artist, born and raised here my whole life, and I have always done my absolute best to represent truth in my community in the art I share here. I am an Indigenous Artist raised to respect all that I witness. Through being taught how to be respectful by my elders, speaking to protect, is also respect in my humble opinion. The people here in this city deserve to know we ALL are protected through our Council's awareness of our ground level and high levels of commune here.

I have spoken with delegation before, last year, during the Climate Issues Meet last year at City Hall, I was respectful, and I was chosen to speak based on Ute Schmid Jones request. Please, allow me to represent my friends, mothers and fathers, elder and youth, and cousin's words and truths on budget for our city through someone who has been watching the budget change and how it affects us our whole lives, as my whole life.

I am prepared.

Thank you for reading, enjoy your day.
Arwen Roussell

Will you be requesting funds from the City? No

Will you be submitting a formal presentation? Yes



CITY OF HAMILTON
CORPORATE SERVICES DEPARTMENT
Financial Planning, Administration and Policy Division

TO:	Chair and Members General Issues Committee
COMMITTEE DATE:	October 29, 2020
SUBJECT/REPORT NO:	2021 Budget Guidelines, Outlook and Process (FCS20087) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Kayla Petrovsky (905) 546-2424 Ext. 1335 Duncan Robertson (905) 546-2424 Ext. 4744
SUBMITTED BY:	Mike Zegarac General Manager, Finance and Corporate Services Corporate Services Department
SIGNATURE:	

RECOMMENDATION(S)

- (a) That staff be directed to prepare the 2021 Tax Operating Budget at an increase required to maintain current service levels and report back through the 2021 budget process;
- (b) That staff be directed to increase user fees towards full cost recovery where it is reasonable to expect that users can afford to pay;
- (c) That for all other user fees, the fee be increased by a rate of 2.0% and that any user fee increases below the guideline be forwarded for consideration with appropriate explanation;
- (d) That City Council provides a 2021 Tax Operating Budget guideline as it relates to Boards and Agencies and that any increase beyond the guideline be forwarded for consideration with appropriate explanation;
- (e) That staff be directed to prepare the 2021 Tax Capital Budget with a 0% tax increase for capital financing of discretionary block funded projects;
- (f) That staff be directed to prepare the 2021 Rate Supported Budget at a rate increase of 4.28%, in alignment with the long-term financing plan approved in principle;

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- (g) That the City Clerk forward Report FCS20087 to local Members of Parliament, local Members of Provincial Parliament, the Federation of Canadian Municipalities, the Association of Municipalities Ontario and Ontario's Big City Mayors for the purposes of advocating senior levels of government for ongoing financial support related to COVID-19 pressures.

EXECUTIVE SUMMARY

The 2021 budget process has begun internally for programs, services and capital infrastructure investments for the City of Hamilton's Tax Supported Operating and Capital Budgets, as well as programs, services and capital infrastructure investments of the Rate Supported Operating and Capital Budgets. The purpose of Report FCS20087 is to provide information regarding the process and an estimate of the pressures the City is facing for 2021.

The 2021 Budget Outlook has been updated with the most current information available and the required municipal levy increase is estimated at \$44.6 M, which amounts to a 4.0% municipal tax increase net of assessment growth, in order to maintain existing service levels. Table 1 outlines the residential property tax impact for municipal services based on the average current value assessment of a household. Details on the pressures requiring the levy increase can be found in the Analysis and Rationale section.

Table 1
Property Tax Impact of Municipal Services
(Per \$380,300 CVA)

	2020	2021	Change	
Municipal Taxes				
City Departments	\$ 2,443	\$ 2,557	\$ 114	3.1%
Boards and Agencies	\$ 861	\$ 875	\$ 14	0.4%
Capital Financing	\$ 384	\$ 401	\$ 18	0.5%
Total Municipal Taxes*	\$ 3,688	\$ 3,834	\$ 146	4.0%

Note - Anomalies due to rounding

*Assumes growth benefit of (1.0%) and no reassessment impact

There are still many unknown variables related to the impact of COVID-19 on municipal service delivery in 2021 and whether there will be additional support payments from senior levels of government to mitigate these pressures. Staff is monitoring the impacts of COVID-19 and the recovery plan while preparing the 2021 Tax Operating Budget and will continue to review all City provided services in an effort to generate efficiencies, improve revenues and reduce costs.

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In recent years, staff has been directed to work towards full cost recovery for user fees in program areas where it is reasonable to expect that users can afford to pay. This will again be a focus in the 2021 Budget to help reduce financial pressures on the tax base and to ensure continuity of essential services.

The 2021 tax capital financing plan, approved in principle through Report FCS19091, had included a 0.5% tax levy increase for capital financing of discretionary block funded capital projects amounting to approximately \$4.3 M. Staff recommends deferring the 0.5% levy increase in 2021 and to offset the reduction in the 2021 tax capital financing plan with \$4.3 M of remaining Federal Gas Tax funds from the one-time transfer payment in 2019.

Staff recommends that the 2021 Rate Supported Operating and Capital Budgets be prepared in alignment with the long-term financing plan approved, in principle, that would result in a rate increase of 4.28% in 2021.

Alternatives for Consideration – Not Applicable

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: The Preliminary Tax Operating Budget pressures / risks identified within Report FCS20087 would result in a levy increase of approximately \$44.6 M (inclusive of City Departments, Boards and Agencies and Capital Financing), which represents a residential municipal tax increase of 4.0% (assumes growth benefit of 1.0% and no reassessment impact).

The Preliminary Rate Operating Budget pressures / risks identified within Report FCS20087 result in a projected operating budget expenditure increase of approximately \$11.1 M, which represents a combined rate increase of 4.28%.

Staffing: There are no staffing implications as a result of Report FCS20087. During the budget process, staffing changes are highlighted for Council approval.

Legal: N/A

HISTORICAL BACKGROUND

Council, at its meeting on December 9, 2015, endorsed the creation of a multi-year budgeting and business planning framework through a Multi-Year Budget Planning Sub-Committee. The main goal of the Sub-Committee is to develop an updated process for communicating the cost and performance of City services, based on the Community Vision, Strategic Plan and priorities.

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Council, at its meeting on December 14, 2016, approved General Issues Committee (GIC) Report 16-032 and Multi-Year Budget Planning Sub-Committee Report 16-001 (Report FCS16087) adopting a Rolling Budget Cycle Without a Fixed Period as its Multi-Year Budget Process beginning with the 2018 Budget.

Council, at its meeting on July 14, 2017, approved GIC Report 17-015 and Multi-Year Budget Planning Sub-Committee Report 17-001 (Report FCS17066) adopting the Multi-Year Business Planning and Budget Policy (“Policy”) for City Departments and forwarding the Policy to Hamilton Police Service, Hamilton Public Library and Hamilton Farmers’ Market Boards for consideration.

The 2020 Tax Operating Budget approved by Council in March 2020 included a 2021-2023 Multi-Year Budget Outlook with a preliminary budget increase of \$43.7 M, or a residential municipal tax increase of 4.2%, for 2021. Finance staff has consulted with operating departments in determining the revised projected tax and rate budget pressures / risks for 2021 based on more recent information.

The 2020 Rate Supported Budget approved by Council in November 2019, resulted in a combined rate increase of 4.11%. The budget also included a projection for 2021 of a 4.28% rate increase. The 2020 Rate Supported Budget reflects Council's ongoing commitment and dedication to implement a sustainable financing plan while bridging the divide between the funding shortfalls for necessary infrastructure with affordable rates.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

There are no policy implications related to the recommendations within Report FCS20087.

RELEVANT CONSULTATION

Staff has consulted with operating departments and senior leadership in determining the projected tax budget and rate budget pressures / risks for 2021. Staff has also consulted with Council, the City Clerk’s Office and the operating departments in developing the timeline for the 2021 budget.

ANALYSIS AND RATIONALE FOR RECOMMENDATIONS

2021 Budget Process Timeline

Appendix “A” to Report FCS20087 provides a high-level summary of the budget calendar for the 2021 Rate and Tax Budgets (Operating and Capital). The Rate Operating and Capital Budgets and Tax Capital Budget are scheduled to be deliberated in late November 2020. The Tax Supported Operating Budget (which sets the tax increase) is scheduled to commence in January 2021 with an expected approval in March 2021. All budgets will be deliberated at meetings of the General Issues Committee.

Budget Principles

Staff will prepare the 2021 budget and 2022-2024 Multi-Year Outlook in accordance with the following principles:

- The annual budget reflects and supports the updated 2016-2025 Strategic Plan;
- The annual budget is aligned with the financial policies approved by Council;
- The City’s strong financial position and prudent financial management of debt is prioritized to ensure the City’s AA+ credit rating is maintained;
- All growth-related infrastructure costs that can be recovered under the *Development Charges Act, 1997* will be supported from development charge revenue, including dedicated development charge exemption funding for Council approved exemptions and interim financed through debt or reserves as necessary;
- The annual budget accounts for the investment required to maintain infrastructure in a state-of-good-repair in accordance with the Strategic Asset Management Policy and the Asset Management Plan;
- All grants available to municipalities will be investigated;
- Reserves are maintained per policy in order to repair / replace infrastructure, fund identified priorities and ensure long-term sustainability;
- Use of the Capital Levy is maximized and debt capacity is leveraged to finance capital infrastructure projects in order to limit the impact on taxpayers;
- Total tax and rate supported debt as a percentage of City own-source revenues does not exceed 60% unless approved by Council;
- Total development charge supported debt as a percentage of the total development charge eligible costs for the forecast period of the latest Development Charge Background Study does not exceed 25% unless approved by Council;
- Ongoing expenses are funded from sustainable revenue sources to ensure continuity of services;

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- New services, service level enhancements or reductions, increases or decreases to the full-time equivalent staff complement and changes in user fees beyond Council direction require a Business Case to be considered by Council as part of the annual budget process; and
- All 2021 capital projects require an accompanying Capital Detail Sheet to be considered by Council as part of the annual budget process.

Recommended Budget Direction

Staff is recommending that the 2021 Tax Operating Budget be prepared at an increase required to maintain existing levels of service. The updated preliminary Budget Outlook would result in a residential municipal tax increase of 4.0%, net of assessment growth, in 2021. There are still many unknown variables related to the impact of COVID-19 on municipal service delivery in 2021 and whether there will be sufficient provincial funding under the Safe Restart Agreement to mitigate these pressures. Staff is monitoring the impacts of COVID-19 and the recovery plan while preparing the 2021 Tax Operating Budget and will continue to review all City provided services in an effort to generate efficiencies and reduce costs.

The 2021 tax capital financing plan approved, in principle, had included a 0.5% tax levy increase for capital financing of discretionary block funded capital projects amounting to approximately \$4.3 M. Staff recommends deferring the 0.5% levy increase in 2021 and offset the reduction to the 2021 tax capital financing plan with \$4.3 M of remaining Federal Gas Tax funds from the one-time transfer payment in 2019.

Staff is recommending that the 2021 Rate Supported Operating and Capital Budgets be prepared in alignment with the long-term financing plan approved, in principle, that would result in a rate increase of 4.28% in 2021. While industrial and commercial water consumption declined over the past year as a result of lockdown restrictions in response to the COVID-19 pandemic, the increase in residential consumption has offset the negative impact on revenues. With no change in overall consumption, it is recommended that staff continues with the long-term financing plan for water, wastewater and storm capital infrastructure.

Advancing Council's Strategic Priorities

The 2016-2025 Strategic Plan is a key consideration in the preparation of the annual budget. The Strategic Plan outlines the priorities that support the community vision for the delivery of all City provided services. Through discussions with the City Manager, motions of Council and approval of various staff reports, previous Council direction where significant work was under way and matters critical to the successful operation of the administration, the following priorities were identified for the remainder of this Term of Council (2018-2022):

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- Climate Change;
- Multi-Modal Transportation;
- Affordable Housing;
- Equity, Diversity and Inclusion;
- Integrated Growth and Development;
- Trust and Confidence in City Government;
- Fiscal Health and Financial Management; and,
- A Healthy, Respectful and Supportive Workplace.

COVID-19 Economic Recovery and Financial Pressures

The Canadian economy is in the deepest recession since the 1930s, peaking in April and slowly recovering throughout the summer with the gradual reopening of the economy. Municipalities were hit particularly hard as they managed service continuity for essential services and infrastructure during the lockdown period. While financial pressures for municipalities in 2020 were somewhat alleviated through the historic Safe Restart Agreement and Social Services Relief Fund, it is anticipated that health risks will continue to remain on an ongoing basis and economic activity is not expected to return to pre-COVID-19 levels until at least 2022.

As the economy reopens, municipalities will play a crucial role in implementing robust crisis management programs, public health safeguards and community support for the most vulnerable. It is essential that municipalities continue to provide service continuity for front-line workers and to play a key role in local economic recovery through rebuilding growth and providing stimulus.

The City will continue to face many financial pressures in 2021 including the loss of revenue from transit operations and recreation user fees, as well as, increased costs for Public Health and housing for the most vulnerable. In accordance with the Safe Restart Agreement, the City can address its 2021 COVID-19 related financial pressures with remaining funds at the end of 2020, but there have been no announcements related to ongoing funding to address additional pressures in 2021.

Based on current information, staff is projecting additional financing pressures related to COVID-19 in 2021 between \$34.8 M and \$59.2 M. Staff will continue to monitor these assumptions and how they are impacted by the reopening strategy and report back to the General Issues Committee with a financing strategy through the 2021 budget process. In the 2021 Outlook, it is assumed that these pressures will be funded through contributions from senior levels of government.

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**Table 2
City of Hamilton
Projected 2021 COVID-19 Financial Pressures by Department**

Department	Low (\$)	High (\$)
Planning & Economic Development	2,403,000	5,391,000
Healthy and Safe Communities	20,322,000	27,267,000
Public Works	12,060,000	24,989,000
Corporate Financials	-	1,540,000
Subtotal	34,785,000	59,188,000
Contribution from Senior Levels of Gov't	(34,785,000)	(59,188,000)
Net Levy Impact	-	-

As supported through the recommendations in this report, the City of Hamilton should continue to pursue advocacy efforts for relief funding relating to ongoing financial pressures of COVID-19 and potential economic stimulus funding programs. A summary of the federal and provincial government priorities and how they have been impacted by the COVID-19 pandemic is attached as Appendix “B” to Report FCS20087.

2021 Preliminary Tax Budget Pressures (Outlook)

During the 2020 budget process, staff prepared a 2021-2023 Multi-Budget Year Outlook, which was included in the budget book and presented by the General Managers.

The initial Outlook for 2021 was projecting a levy increase of \$43.7 M and a 4.2% municipal tax increase. Based on updated information, the initial projection has been revised to a levy increase of \$44.6 M, resulting in a municipal tax increase of 4.0% (assumes assessment growth of 1.0% and no reassessment impact). Table 3 shows the 2021 Outlook by Department.

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**Table 3
2021 Operating Budget Outlook**

Department	2020 Restated \$	2021 Outlook \$	Change from 2020 \$
Planning and Economic Development	\$29,842,050	\$30,543,500	\$701,450
Healthy and Safe Communities	\$247,637,470	\$256,382,390	\$8,744,920
Public Works	\$257,247,140	\$267,427,160	\$10,180,020
Legislative	\$5,109,610	\$5,195,690	\$86,080
City Manager	\$12,344,910	\$12,853,700	\$508,790
Corporate Services	\$34,200,240	\$36,647,340	\$2,447,100
Corporate Financials / Non Program Revenues	(\$28,136,590)	(\$16,594,960)	\$11,541,630
Hamilton Entertainment Facilities	\$4,096,190	\$4,037,180	(\$59,010)
Total City Expenditures	\$562,341,020	\$596,492,000	\$34,150,980
Hamilton Police Services	\$170,815,160	\$175,597,980	\$4,782,820
Other Boards and Agencies	\$47,489,140	\$48,736,630	\$1,247,490
City Enrichment Fund	\$6,088,340	\$6,088,340	\$0
Total Boards and Agencies	\$224,392,640	\$230,422,950	\$6,030,310
Capital Financing	\$137,424,860	\$141,802,270	\$4,377,410
Total Levy Requirement	\$ 924,158,520	\$ 968,717,220	\$ 44,558,700
Municipal Tax Impact (after assessment)			4.0%

City Expenditures

Staff has identified a levy pressure of approximately \$34.2 M for City departments, which would have a residential municipal tax impact of 3.1%. This increase includes the following drivers as shown in Table 4 and described below.

**Table 4
City of Hamilton
2021 Outlook – Summary of Budget Pressures**

Budget Pressure	2021 Increase
Inflationary pressures including salary and benefits	\$ 17,543,120
Information Technology expenditures	\$ 3,250,000
Operating impacts of capital	\$ 3,167,000
Roxborough Housing Incentive Program	\$ 2,100,000
Curbside waste collection	\$ 2,900,000
Organics and recycling processing contracts	\$ 1,500,000
Recycling Program Revenue Pressure	\$ 1,500,000
Children's Services provincial funding	\$ 1,200,000
Insurance premiums	\$ 1,000,000
Total	\$ 34,160,120

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- **\$17.5 M** for general maintenance and inflation including salaries and benefits increases. This includes previously approved contract adjustments, performance increments, job evaluation changes and the proposed cost of living adjustment of 1.60%, as well as, employer provided benefits, Canada Pension Plan, Employment Insurance and Workers' Safety and Insurance Board changes;
- **\$3.3 M** for projected information technology expenditures including a \$1.4 M increase for the annual equipment replacement program, \$0.9 M increase in software licences and subscriptions (largely comprised of the addition of the Information Enterprise Asset Management System) and \$0.4M in additional security as a result of increased cloud-based applications;
- **\$3.2 M** for operating impacts of approved capital projects through the 2020 Capital Budget (Report FCS19091), including 7.6 full-time equivalent positions (FTE), have been incorporated into the 2021 Outlook, as well as, operating impacts that were previously approved but deferred to 2021 (10.8 FTE);
- **\$2.1 M** for the Roxborough Housing Incentive Program (RHIPP) as approved in Report HSC19034. The RHIPP allows developers of affordable rental or ownership housing units to receive exemptions of the City's development charges and parkland dedication fees for 10 years after the issuance of a building permit. Total cost of the program is estimated at \$10.47 M over five years;
- **\$2.9 M** has been included as a budget pressure for year one of the new curbside waste collection contract. The 2021 projection includes three months of the existing contract and nine months of new contracts with a 2% Consumer Price Index (CPI) and 1% growth;
- **\$1.5 M** in additional expenditures is projected for the organics processing contract (\$0.9 M) and the recycling processing contract (\$0.6 M). The organics processing contract assumes the current contract continues until June 2021 with a 2% estimated CPI over 2020 rates for the period of April to June. The new contract is projecting to begin July 2021 and has not yet been negotiated. The recycling processing contract has been adjusted for 2% CPI over 2020 rates and will be the first full year of the new contract;
- **\$1.5 M** has been included as a recycling program revenue pressure. This is the residual difference after depleting the Recycling Reserve Fund established to stabilize ongoing deficits as a result of declining recycling commodity revenues;
- **\$1.2 M** pressure in Children's Services and Neighbourhood Development as a result of reductions in provincial funding; and
- **\$1.0 M** in additional expenses related to an increase in insurance premiums.

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Boards and Agencies

Based on historical trends and updated information, staff has preliminary projected budget pressures / risks for Boards and Agencies of approximately \$6.0 M (refer to Table 5). The Police budget pressure of \$4.7 M, as well as, the \$892 K pressure for the Hamilton Public Library, is based on the Multi-Year Outlook prepared as part of the 2020 budget process with some updates to cost driver assumptions.

**Table 5
Boards and Agencies Levy Impact**

Board / Agency	Net Levy Increase
Police	\$ 4,782,820
Conservation Authorities	\$ 139,000
Library	\$ 892,000
Other Boards and Agencies	\$ 207,350
Total Impact	\$ 6,021,170

A budget pressure of \$139 K is related to the increased levy payable to the Niagara Peninsula Conservation Authority (NPCA) for capital works at the Binbrook Conservation Area. On January 21, 2020, the NPCA's 2020 Operating and Capital Budgets were presented to the City of Hamilton's General Issues Committee. The Binbrook Conservation Area capital levy was noted as a critical unfunded pressure for 2020 as it related to an urgently required septic system replacement.

The *Conservation Authority Act* requires that the benefitting municipality levy for capital projects that are deemed by the Conservation Authority to directly benefit that municipality. City staff is recommending providing the NPCA the required funds and fund this payment internally through reserves for the required \$1.2 M. Repayments to the reserve would be made through the NPCA levy over a period of 15 years.

Staff is seeking direction from Council on the 2021 Tax Operating Budget guideline for Boards and Agencies. Historical increases are provided in Table 6.

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**Table 6
Historical Budget Trends 2018-2020
City of Hamilton Boards and Agencies**

Historical Budget Board or Agency	Annual % Increase		
	2018	2019	2020
Conservation Authorities			
Niagara Peninsula Conservation	1.50%	1.50%	161.15%
Grand River Conservation	3.06%	1.50%	433.90%
Halton Region Conservation	3.50%	1.50%	243.98%
Hamilton Conservation	1.50%	1.50%	1.64%
Other Agencies			
Hamilton Beach Rescue	1.51%	1.50%	0.00%
Royal Botanical Gardens	1.50%	1.50%	0.00%
MPAC	2.65%	1.94%	1.90%
City Boards			
Hamilton Farmer's Market	1.51%	1.53%	0.00%
Hamilton Public Library	2.18%	2.40%	2.86%
Hamilton Police Service	2.46%	2.38%	3.97%

Note: 2020 increases for Conservation Authorities are the result of a levy formula change after loss of appeal

Capital Financing

The 2021 Outlook for Capital Financing includes a \$1.9 M pressure related to the City's share of Investing in Canada Infrastructure Program (ICIP) – Transit funding that was approved through Report PW19083 / FCS18048(a) and a \$2.0 M pressure for Development Charge (DC) exemptions that was deferred in the 2020 Capital Budget (Report FCS19054), as well as, changes in debt servicing costs required for the Hamilton Police Service and the Hamilton Public Library as outlined in Table 7.

**Table 7
Capital Financing Levy Impact**

	Levy Increase		Tax Impact	
	\$		%	
ICIP - Transit	\$	1,893,000	0.20	%
DC Exemption	\$	2,000,000	0.22	%
B&A Capital Financing	\$	484,410	0.05	%
Total Impact	\$	3,893,000	0.47	%

Note - Anomalies due to rounding

SUBJECT: 2021 Budget Guidelines, Outlook and Process (FCS20087) (City Wide) – Page 13 of 14

The 2021 tax capital financing plan approved, in principle, had also included a 0.5% tax levy increase for capital financing of discretionary block funded capital projects amounting to approximately \$4.3 M. Staff recommends deferring the 0.5% levy increase in 2021 and offset the reduction to the 2021 tax capital financing plan with \$4.3 M of remaining Federal Gas Tax funds from the one-time transfer payment in 2019.

2021 Preliminary Rate Budget Pressures (Outlook)

A number of pressures / risks have been identified for 2021 (refer to Table 8).

**Table 8
2021 Preliminary Rate Supported
Budget Outlook**

Rate Budget Pressures	\$ M
City Division (Hamilton Water)	
Energy and Other Operating Costs	\$1.7
Capital Financing	\$9.4
Preliminary Pressures / Risks	\$11.1
Combined Rate Impact	4.28%

The preliminary outlook for the 2021 Rate Operating Budget projects an operating expenditure increase for Hamilton Water Division of approximately \$1.7 M or 2.0% over the 2020 Budget.

The recommended rate increase of 4.28% is largely comprised of capital financing requirements. Net capital costs are estimated at \$173.5 M in 2021 versus \$135.6 M in 2020. The \$38.0 M increase year-over-year is broken down as \$16.5 M for wastewater, \$19.5 M for water and \$1.9 M for stormwater infrastructure.

2022 – 2024 Multi-Year Budget

Multi-year budgeting strengthens the link between budgeting and strategic priorities and enables Council to implement a multi-year vision, assessing the long-term financial implications of current and proposed operating and capital budgets and policies.

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: 2021 Budget Guidelines, Outlook and Process (FCS20087) (City Wide) – Page 14 of 14

The initial outlook for 2022 prepared during the 2020 budget process resulted in a projected municipal tax increase of 2.7% and combined rate increase of 4.5%. This projection, however, needs to be re-evaluated to identify pressures and tax increases above inflation and other known factors such as contractual agreements and needs to be adjusted based on the 2021 budget. Actions taken to mitigate the pressures in the 2021 budget should not include postponing expenditures to future years but rather, they should be geared towards finding sustainable solutions. The 2023 outlook projected a municipal tax increase of 2.6% and a combined rate increase of 4.6%.

During the 2021 budget process, the Multi-Year Budget Outlook will be updated for the 2022 and 2023 budget years, as well as, to include 2024.

ALTERNATIVES FOR CONSIDERATION

N/A

ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN**Economic Prosperity and Growth**

Hamilton has a prosperous and diverse local economy where people have opportunities to grow and develop.

APPENDICES AND SCHEDULES ATTACHED

Appendix “A” to Report FCS20087 – 2021 City of Hamilton Budget Schedule
Appendix “B” to Report FCS20087 – Summary of Federal and Provincial Government Priorities

KP/DR/dt

2021 City of Hamilton Budget Schedule

ITEM	DATE
2021 Budget Guidelines, Outlook and Process Report	October 29, 2020
Rate Supported Budget	November 23, 2020 (December 1, 2020 if required)
Tax Supported Capital Budget	November 27, 2020 (December 3, 2020 if required)
User Fee Report	December 9, 2020
Tax Supported Operating Budget Overview	January 15, 2021
Boards and Agencies Presentations	January 19, 2021 January 21, 2021
Transit Day	January 22, 2021
Departmental Budget Presentations	January 26, 2021 January 27, 2021 January 28, 2021 February 5, 2021
Public Delegations	February 8, 2021
Budget Deliberations	February 11, 2021 February 22, 2021 February 25, 2021 March 1, 2021 March 3, 2021
Tax Assessment and Growth Reports	February and March 2021
Budget Approval (Council)	March 31, 2021

SUMMARY OF FEDERAL AND PROVINCIAL GOVERNMENT PRIORITIES

COVID-19 and Public Sector Funding

The COVID-19 pandemic has disrupted individuals' lives and the operations of businesses, governments, and institutions. Since being declared a pandemic, COVID-19 has been recognized as the single largest public health crisis in a century and has strained governments' fiscal and service capacities worldwide. Canada has been no exception and the emergence of the pandemic has led to the sustained mobilization of public health units across the country and dramatic new government emergency funding supports from senior orders of government.

Pre-pandemic Funding Priorities

Before the pandemic, the federal and, to a lesser extent, the provincial government had outlined clear funding priorities in election platforms, ministerial mandate letters, and budgets.

As outlined in many of its election commitments, the federal government placed its fiscal priorities in two main areas: families and underrepresented groups and the environment. The federal government demonstrated its commitment to these areas through a variety of programs and initiatives, including:

- Child tax benefit and guaranteed family leave
- Enhancements to the Status of Women Ministry
- Investments in First Nation reserves for critical infrastructure
- Increased federal employment for people with various gender identities
- Increased Supports for Racialized persons, including mental health, supports minority groups.
- The mandating of a carbon tax across the country
- Investments in clean technology programs, green infrastructure, and public transit

Prior to the pandemic, the provincial government's funding commitments were less clear, but two key areas did emerge as priorities in funding commitments, including:

- A commitment to invest in public transit,
- Investments in rural broadband infrastructure

COVID-19 and the Shift in Public Funding Priorities for Ottawa and Queen's Park

With the declaration of the pandemic and the subsequent public health crisis that followed, the federal and provincial governments have engaged in unprecedented public spending programs designed to support the health care system and the financial health of businesses and individual Canadians.

Appendix “B” to Report FCS20087
Page 2 of 4

The federal government has invested billions in new programs and initiatives over the past seven months. Outside the debt-to-GDP ratio, there do not appear to be major fiscal constraints being contemplated. Pandemic related investments by the federal government include:

- \$60 billion was earmarked for the Canada Emergency Response Benefit (CERB), which provided individuals with \$2,000 per month in assistance. While the CERB has technically ended, the CRA is continuing to accept and process retroactive applications for period 7 (August 30 to September 26, 2020) until December 2, 2020.
- Tax deferrals for individuals and businesses.
- More than \$300 million in vaccine research.
- Investments to source and import PPE for front-line workers.
- A top-up to the Regional Relief Fund.
- A multi-billion commitment to its Safe Restart Program that earmarked money for testing, contact tracing, data management, and funding for municipalities (in cooperation with the provincial government).

For its part, the provincial government has provided public health guidance, advice and directives, and several billion dollars of funding towards Ontario’s Action Plan: Responding to COVID-19. Ontario’s COVID supports have included:

- \$7 billion in additional resources for the health care system, provides direct support for people, and jobs
- \$3.3 billion in additional health care resources
- \$3.7 billion to support people and jobs
- \$10 billion in support for people and businesses through tax and other deferrals to improve their cash flows, helping protect jobs and household budgets
- In addition, more than \$50 million to encourage manufacturing conversion so businesses can build ventilators, PPE, and hand sanitizer

The Province also worked with the federal government to provide \$4 billion to support municipalities and transit systems under the Safe Start Agreement. The agreement provided one-time assistance to Ontario’s 444 municipalities. Hamilton was a beneficiary of the program with \$44.8 million in funding that included:

- \$27.6 million for Municipal Funding Relief
- \$17.2 million for transit

Future Funding Priorities of the federal and provincial governments

Because the future and longevity of the current global health crisis are uncertain, long-term, direct funding for municipalities outside COVID-related funding are difficult to predict. There have, however, been strong indications that from both levels of government of funding priorities that could closely align with the needs of Hamilton.

Appendix “B” to Report FCS20087
Page 3 of 4

In its recent Speech from the Throne, the federal government outlined its continued commitment to public health efforts as well as a clear indication that it will fund its previous commitments related to supports for individuals and the environment.

For COVID-19, the recent throne speech identified:

- A commitment to working with provinces to increase testing capacity, including a federal testing assistance response team
- Continued efforts to build domestic capacity to create PPE
- A commitment to create one million jobs through direct investments in the social sector and infrastructure
- An expansion of the Canada Emergency Business Account and improvements to the Business Credit Availability Program
- Create a transitional Canada Recovery Benefit for those who do not qualify for EI and the transition of the EI system to the sole delivery mechanism for employment benefits, including for the self-employed and gig workers
- Long-term investments in early learning and child care
- Sector-specific supports for the economy's hardest hit areas, including travel, tourism, hospitality, and the cultural industries

Beyond COVID-19, the recent throne speech also identified:

- Setting national standards for long term care centres
- A continued commitment to work on a national pharmacare strategy
- Commitment to exceed Canada's 2030 climate goals and legislation to move to net zero emissions by 2050
- An expansion of the National Housing Strategy and a commitment to ending chronic homelessness
- A continued focus on reconciliation and fighting systemic racism
- A desire to be a partner to cities and communities moving forward

Further details are expected in a "mini-budget" expected later this fall and updated mandate letters for all ministers.

The provincial government's future funding priorities are less clear at present. For COVID-19, the provincial government has indicated that ongoing support will be made available, including:

- Phase 2 funding of \$695 million available to municipalities by application. To be eligible, municipalities must demonstrate that Phase One Funding did not eliminate their financial pressures. Applications require a council resolution with a submission deadline of October 30.
- Ongoing support for and partnerships with private sector to promote the made-in-Ontario COVID Alert app.

Appendix “B” to Report FCS20087
Page 4 of 4

- *Supporting Ontario's Recovery Act, 2020*, that if passed, will provide liability protection for workers, volunteers and organizations that make an honest effort to follow public health guidelines and laws relating to exposure to COVID-19.
- In addition to its COVID-related commitments, the provincial government has continued to show support for public transit, including LRTs, BRTs and the GO system, as well investing \$550 million in building and upgrading schools, and launching a number of additional projects (30) to make government services more digitally accessible, reduce red tape and simplify policies while protecting public health and safety, improve government purchasing, and create more responsible and flexible public services.

CONCLUSION

COVID-19 has vastly impacted the in-year spending priorities of the provincial and federal governments and have led to unprecedented public spending by the senior orders of government and increased reliance on debt.

It is anticipated that in addition to the COVID-19 related supports, the federal and potentially the provincial governments may introduce stimulus funding programs that align with their key priority areas, which include projects and programs that were identified before the pandemic.

In anticipation of potential funding programs, the City of Hamilton should consider identifying a limited number of clear advocacy priorities that not only align with the Term of Council Priorities, but also closely align with the demonstrated priorities of the provincial and federal governments. Several of Council's priorities have also been identified to some degree by senior orders of government, including homelessness and affordable housing, climate change, public transportation, and equity, diversity and inclusion initiatives.



Economic Update

City of Hamilton General Issues Committee

October 29, 2020

Marc Desormeaux, Senior Economist

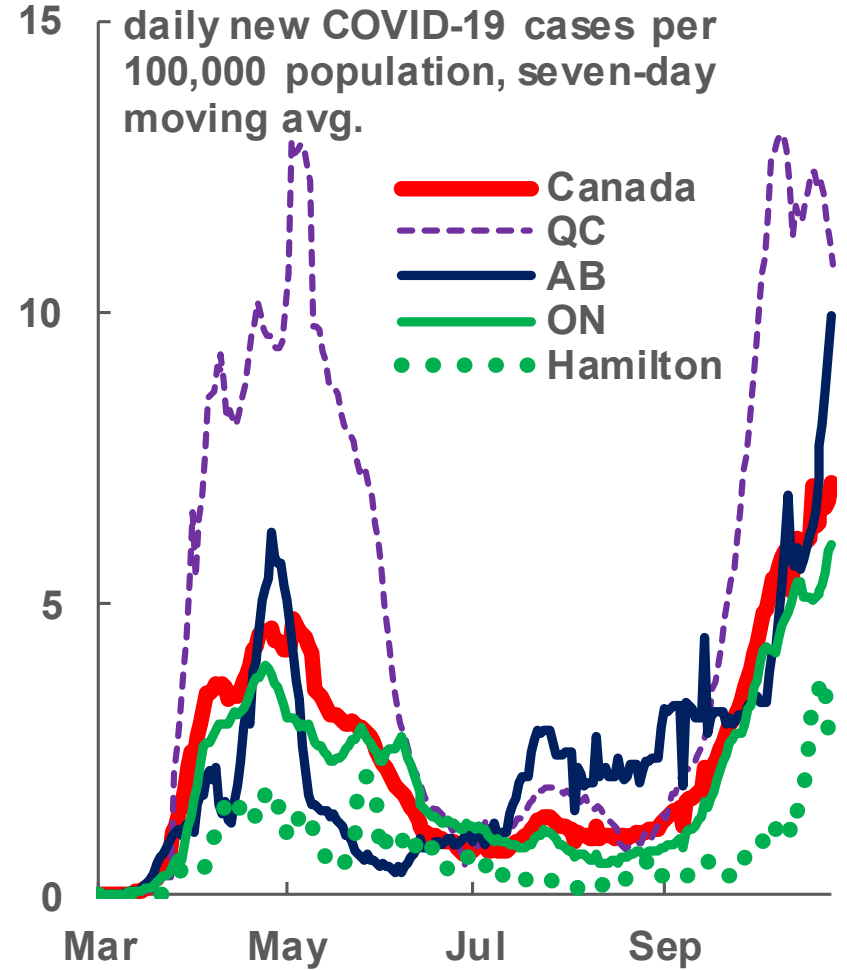
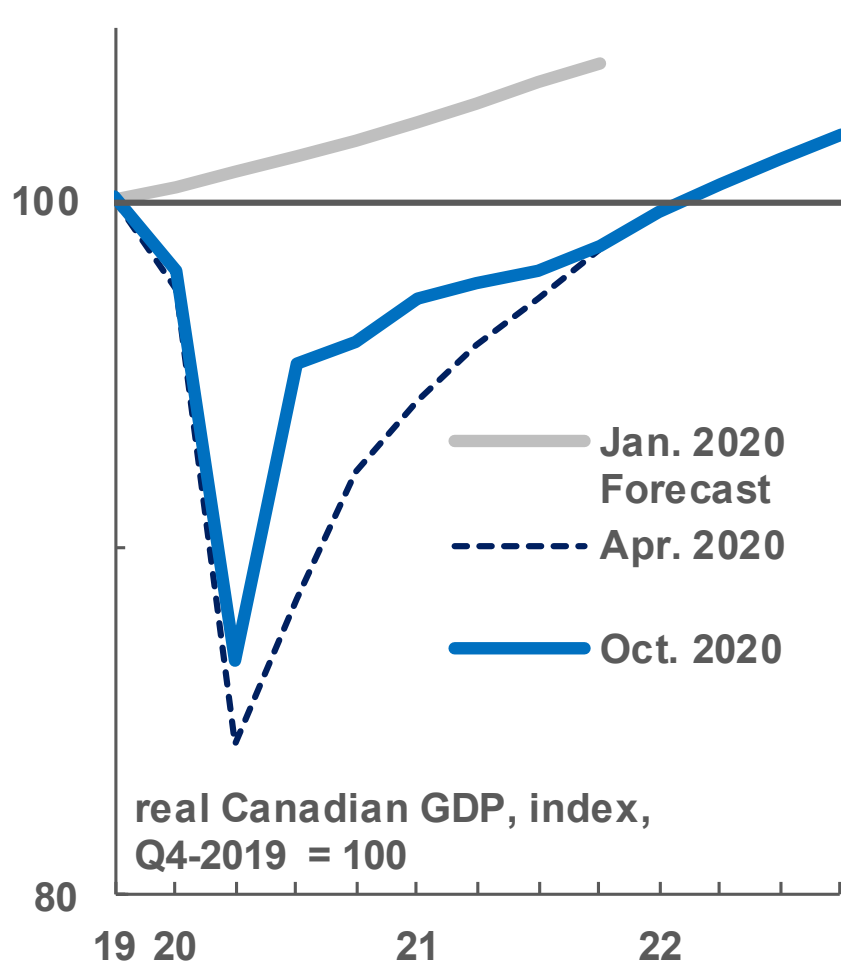
 [@ScotiaEconomics](#)
[@marcdesormeaux](#)

1. Canadian Macroeconomic Backdrop

2. Sector and Distributional Impacts

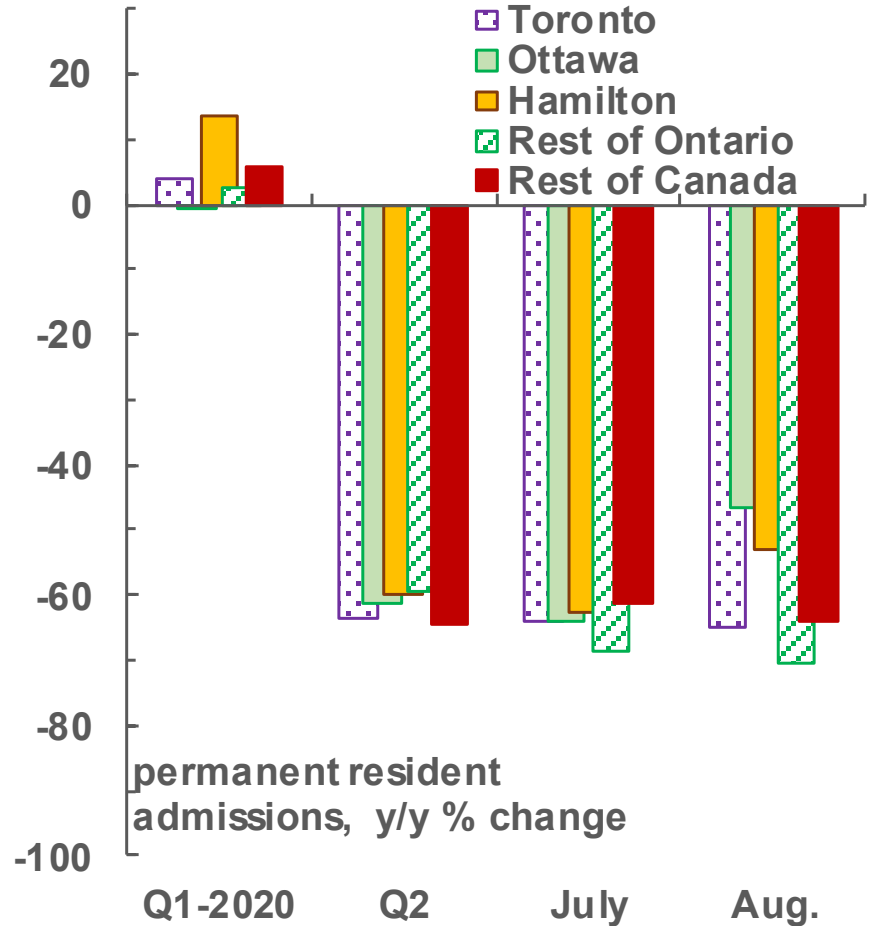
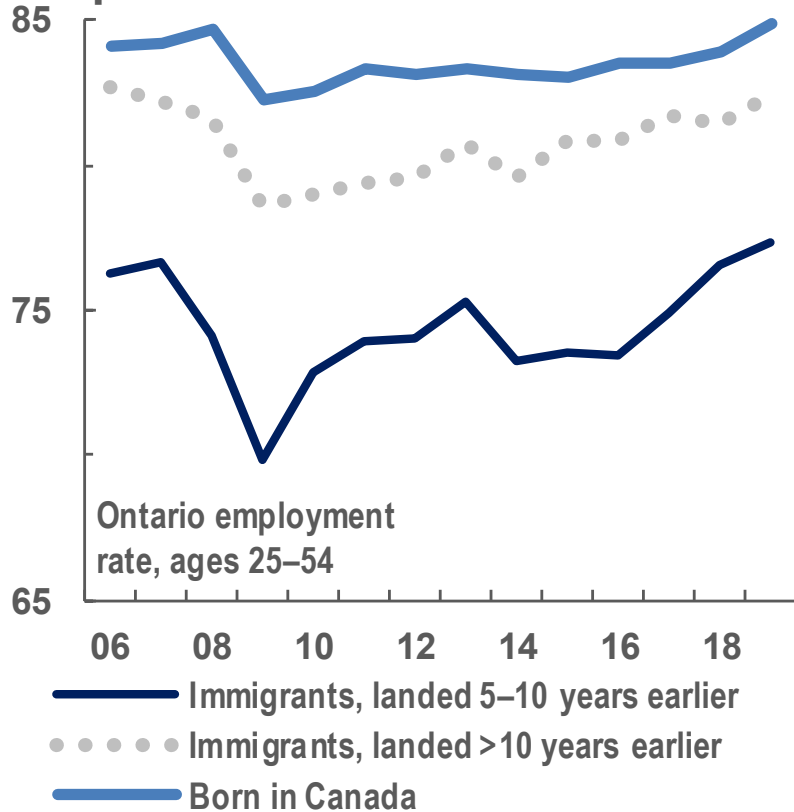
- Economic recovery moving into slower phase of growth, depends fundamentally on evolution of virus
- Ontario economy's trajectory dominated by lockdown measures
- COVID-19's industry impacts different than typical recessions
- Extraordinary fiscal, monetary policy support, anchored by Federal Government contributions

1. Macroeconomic Backdrop

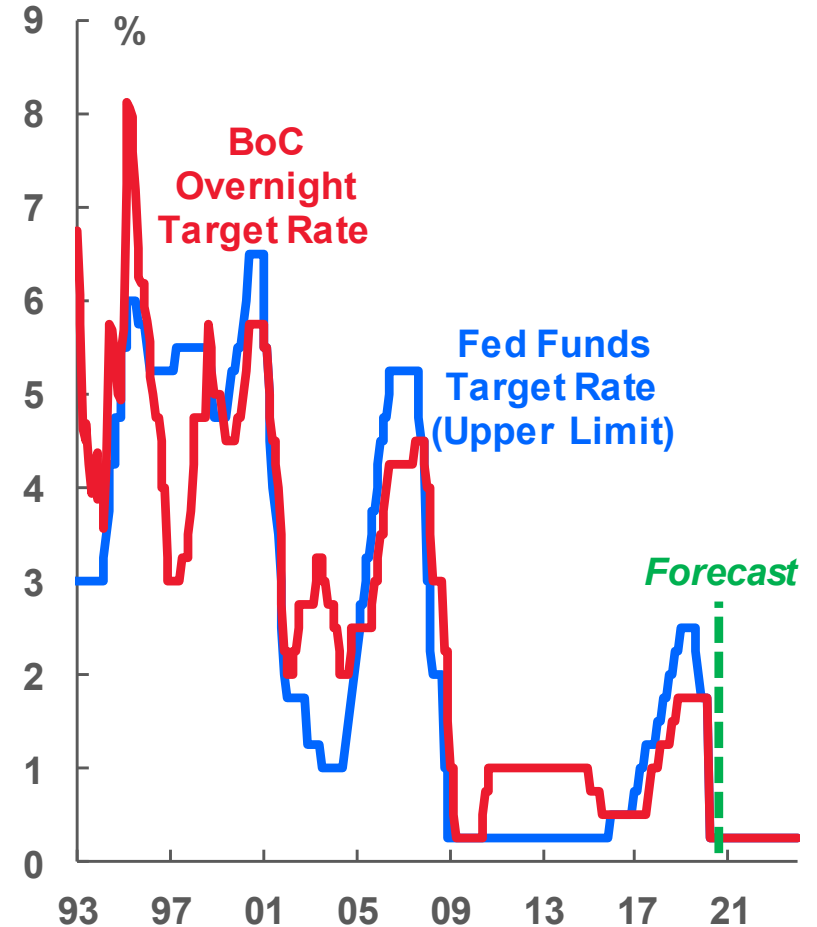
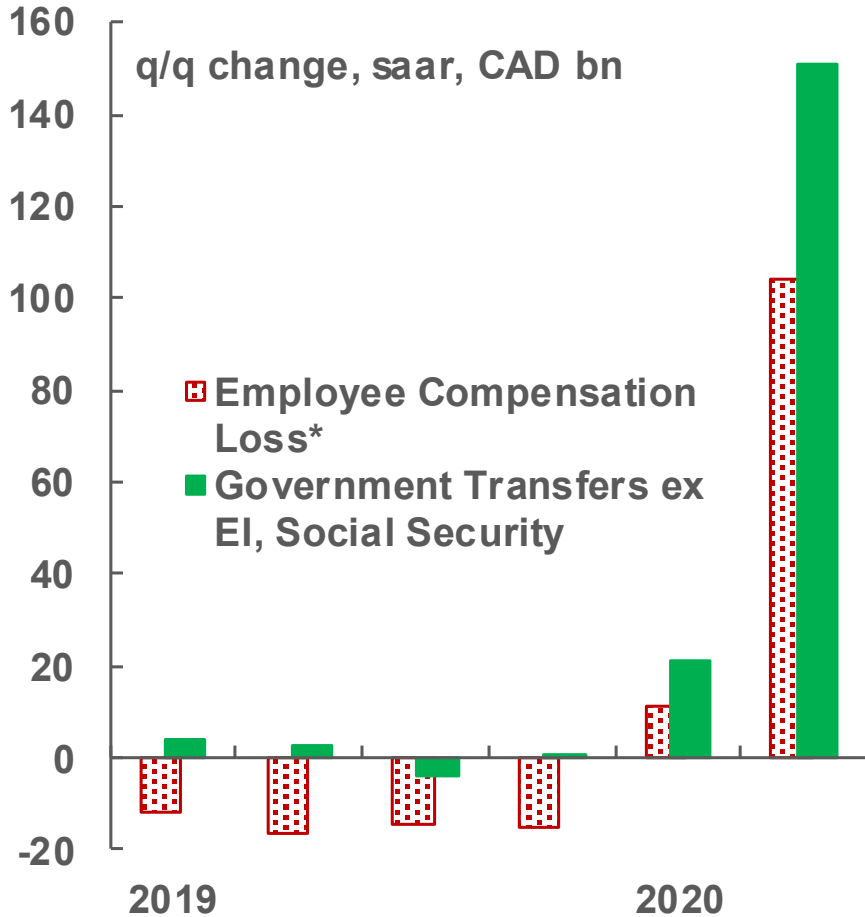


COVID-19 data current to Oct. 26, 2020. Sources: Scotiabank Economics, Statistics Canada, Government of Canada, City of Hamilton.

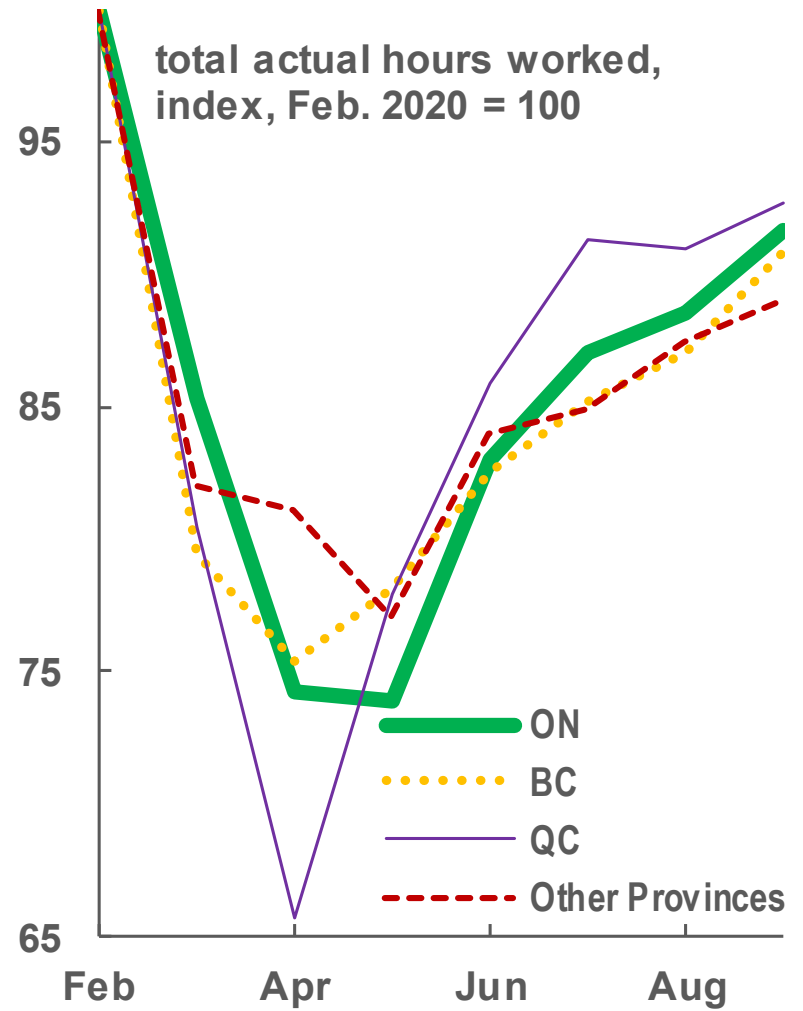
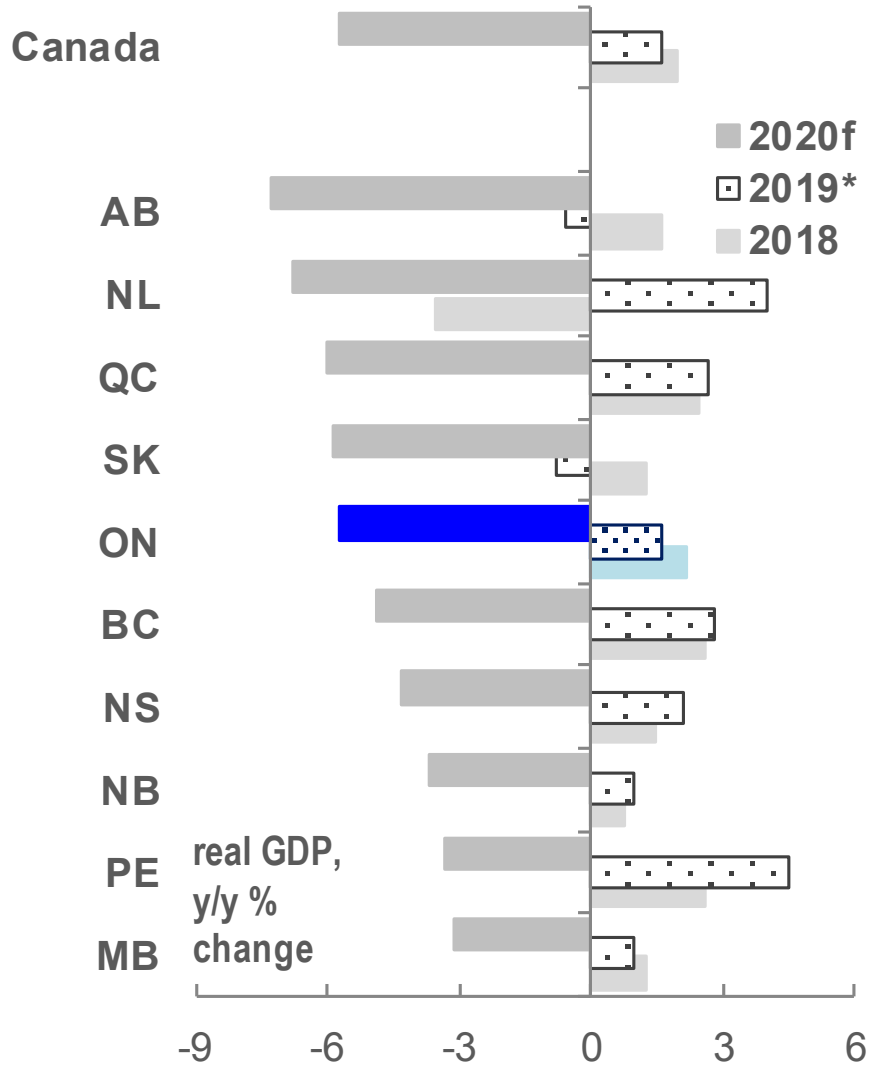
Labour Market Outcomes Had Improved for Ontario Newcomers



Sources: Scotiabank Economics, Statistics Canada, IRCC.

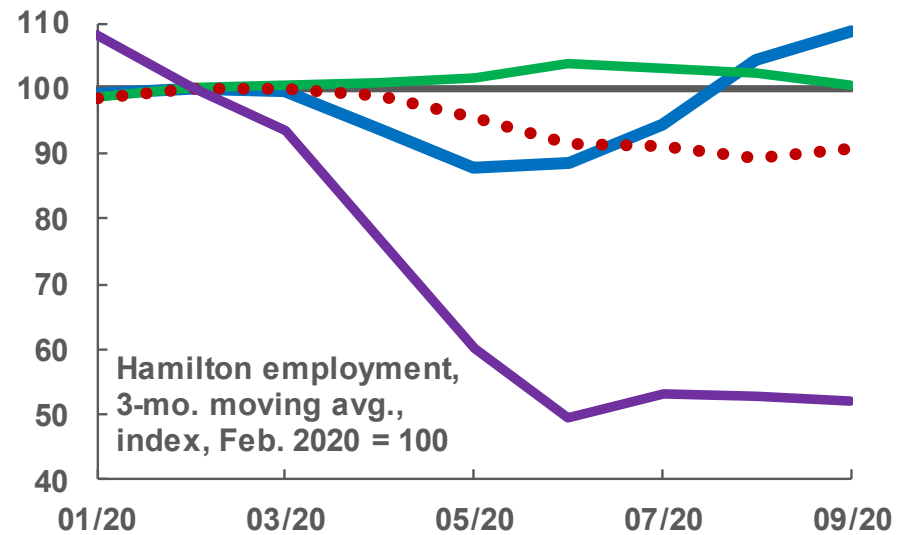
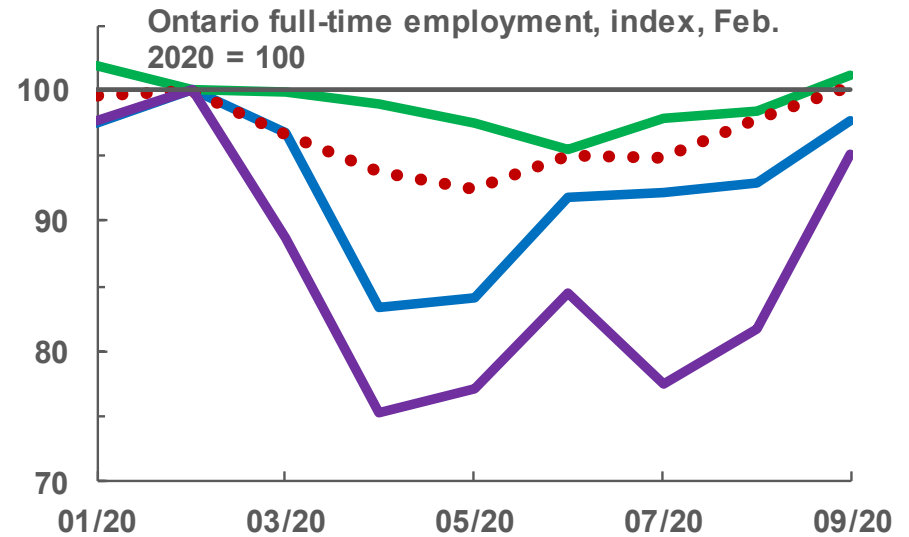
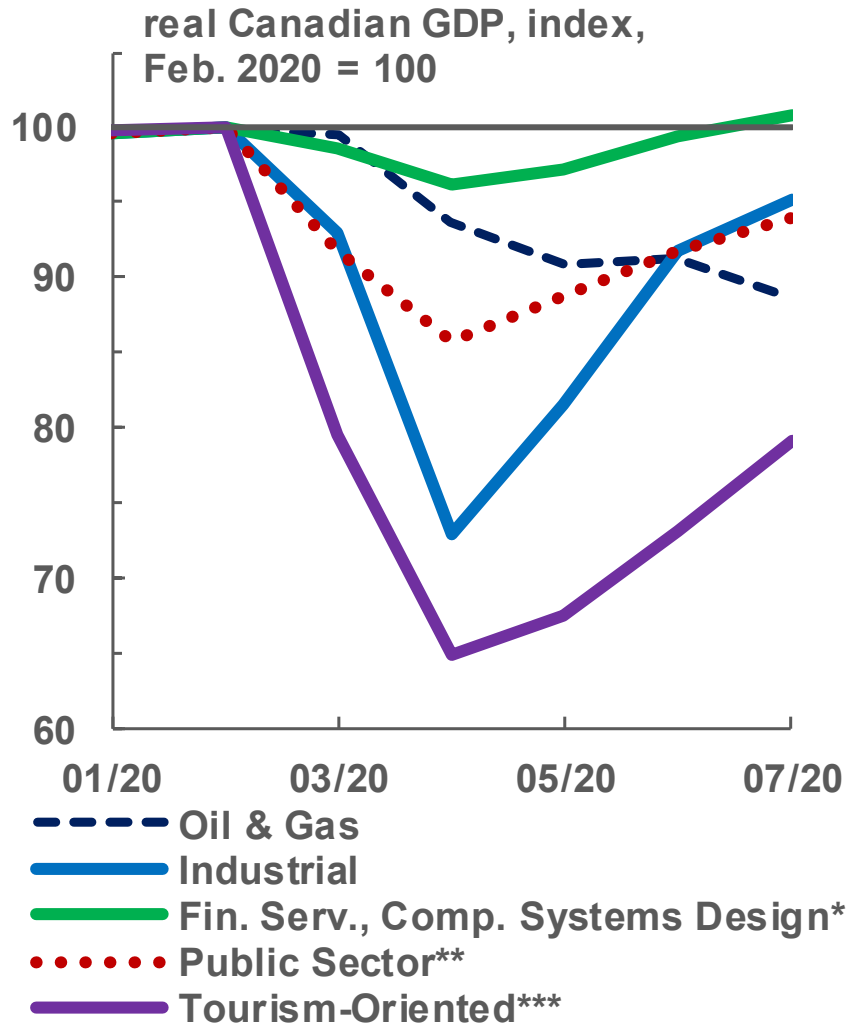


* Positive on chart = Income Loss; Negative = Income Gain. Sources: Scotiabank Economics, Haver Analytics, Statistics Canada.



* Based on preliminary estimates of GDP by industry for all provinces except for Quebec and Ontario.
Sources: Scotiabank Economics, Statistics Canada.

2. Sector and Distributional Impacts

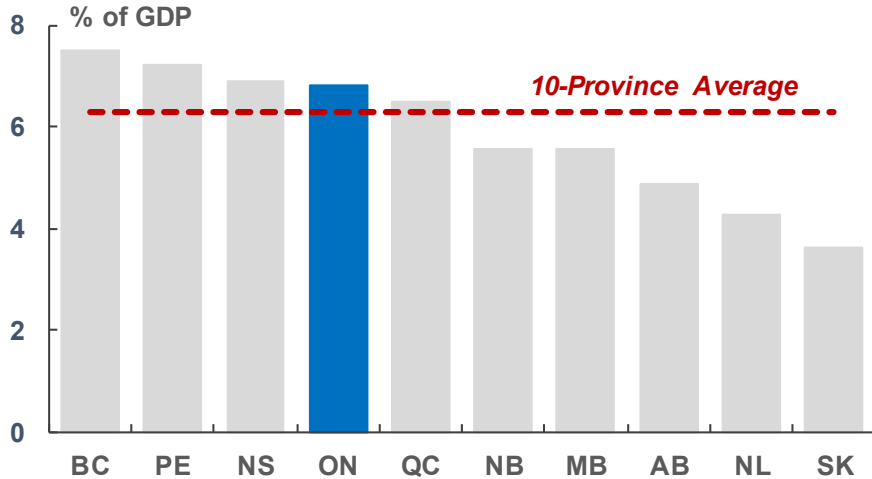


* Financial + Professional, Scientific and Technical Services used for Ontario and Hamilton. ** Education, Health Care, Public Administration.

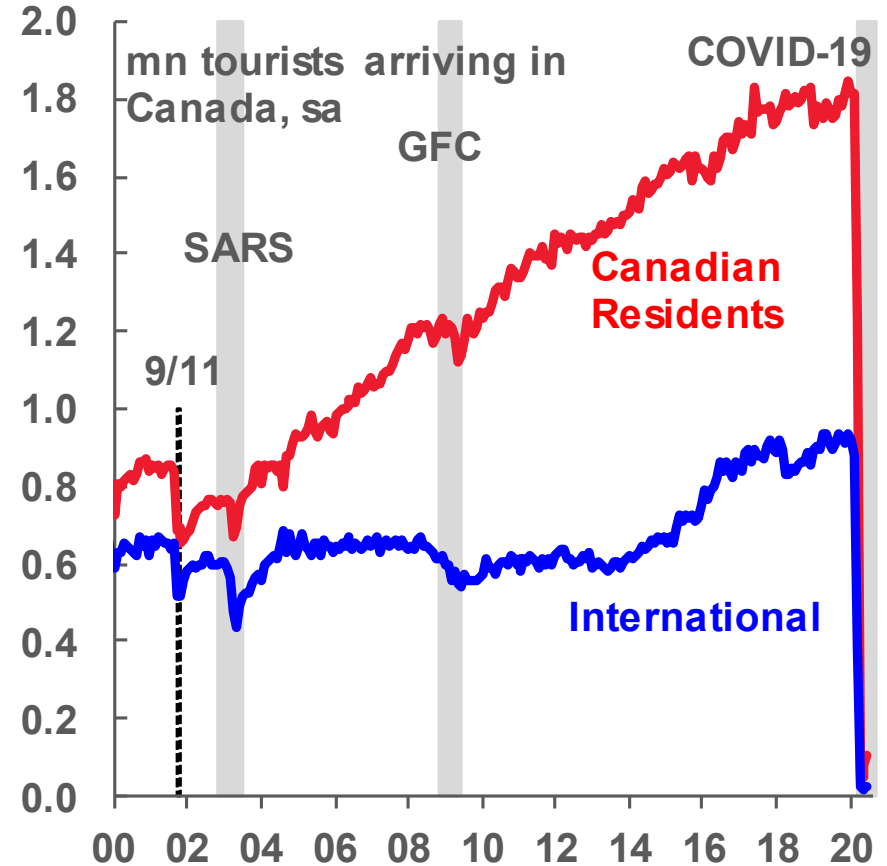
*** Info, Culture & Rec., Accommodation & Food Services. Sources: Scotiabank Economics, Statistics Canada.



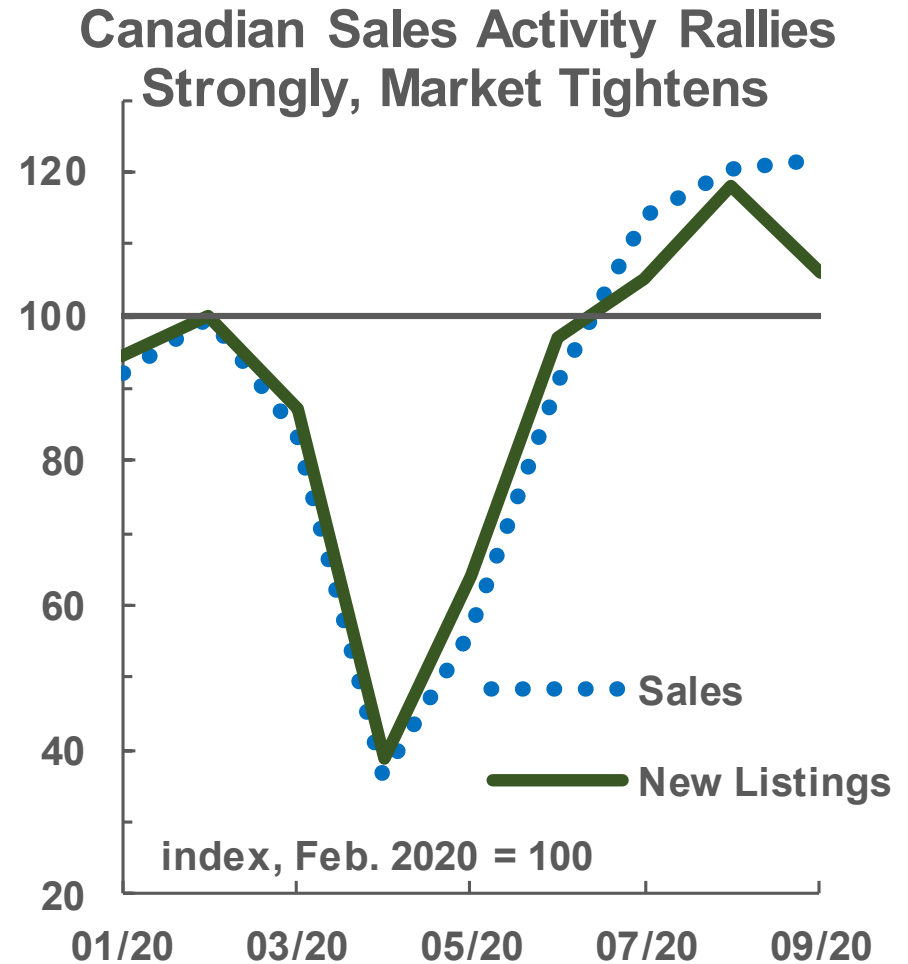
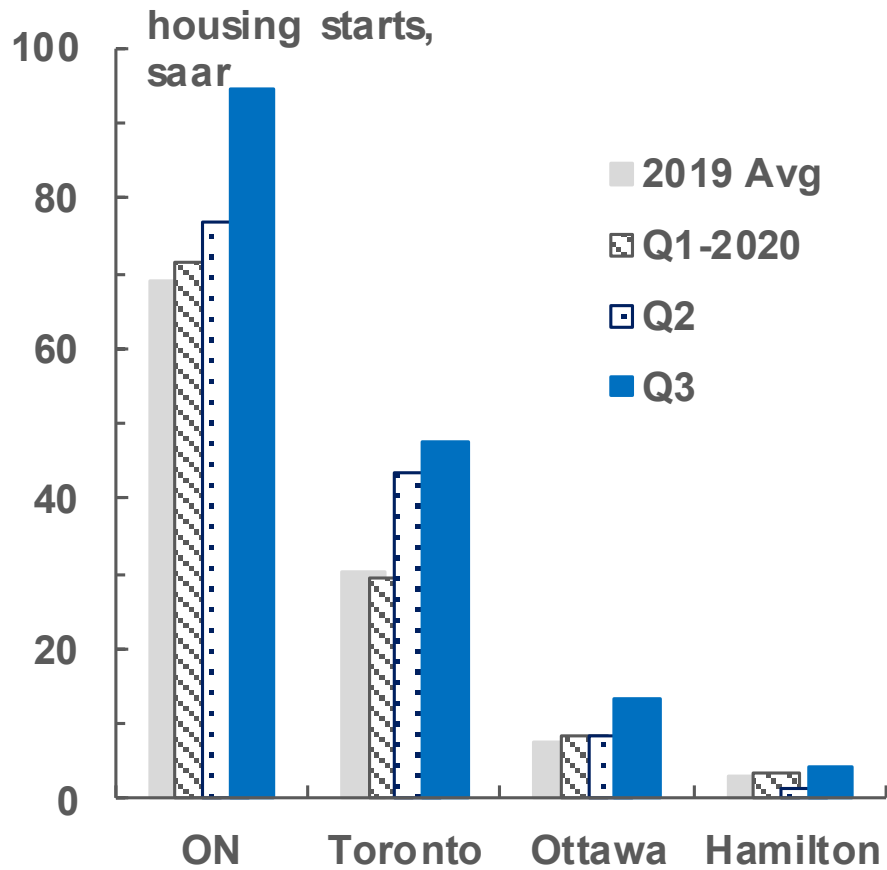
Tourism-Oriented Industries* Play Important Role in Ontario's Economy



Travel Took Time to Recover After Past Global Events

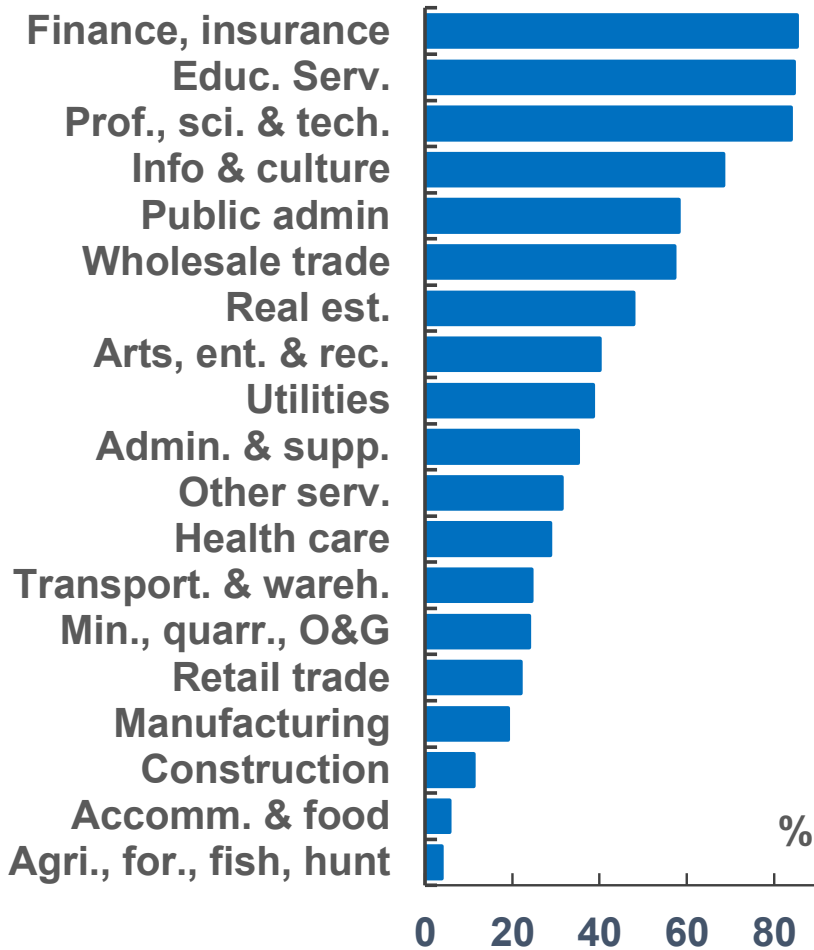


* Accommodation & Food Services + Arts, Entertainment & Recreation + Information & Culture. Sources: Scotiabank Economics, Statistics Canada, CD Howe Institute.



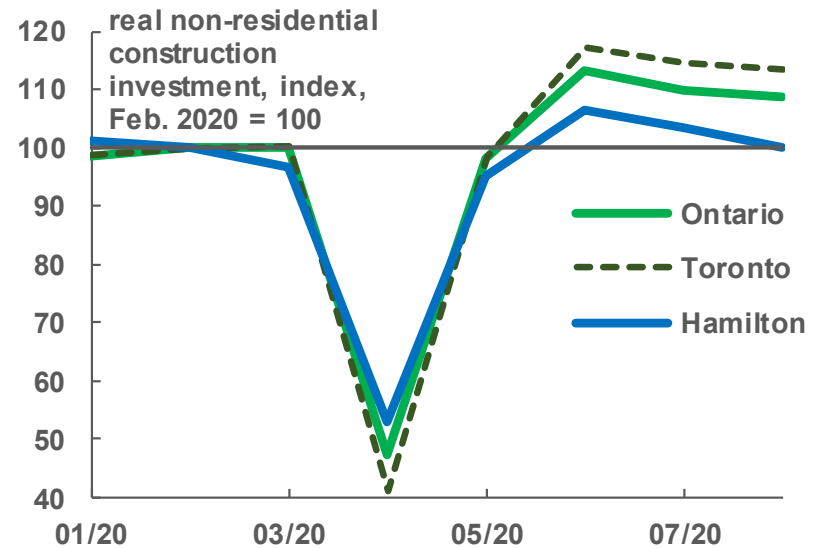
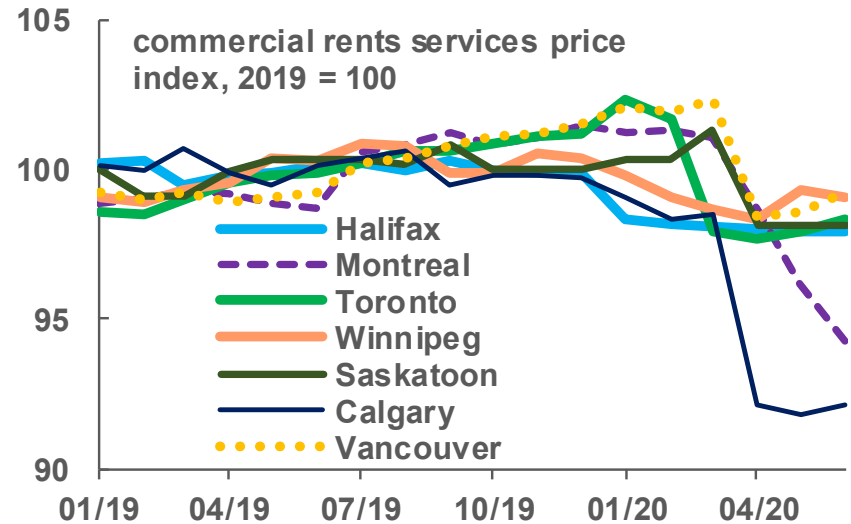
Sources: Scotiabank Economics, CMHC, CREA.

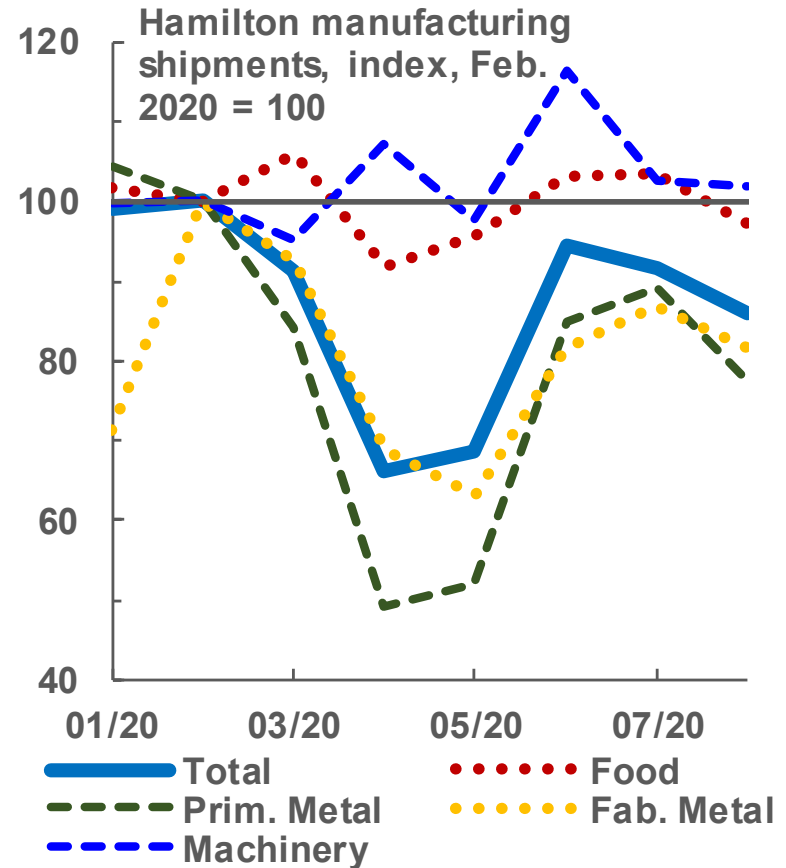
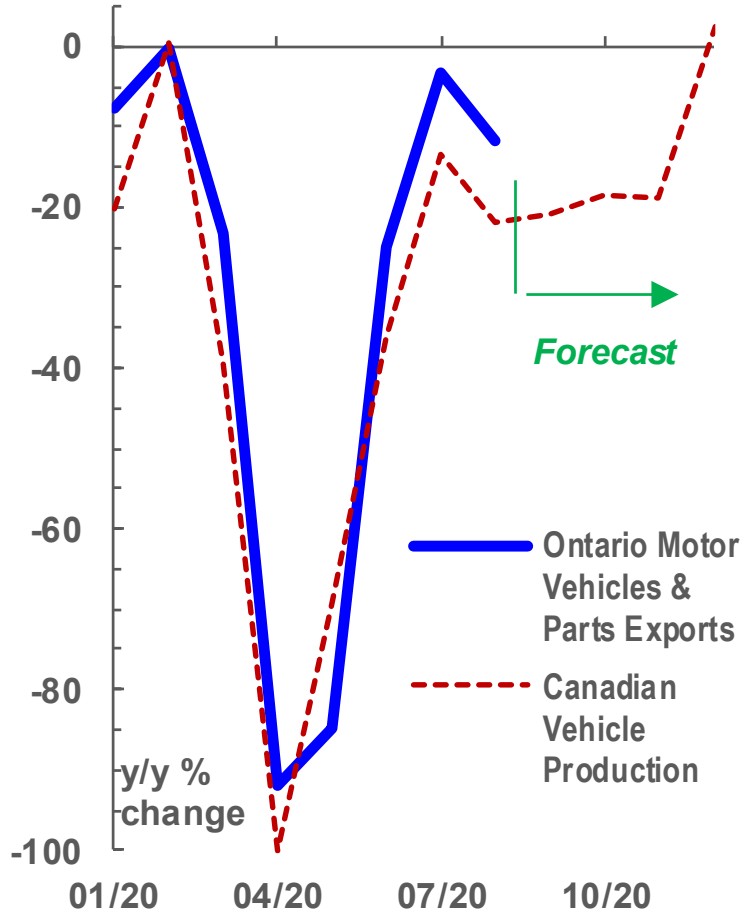
Telework Capacity by Industry



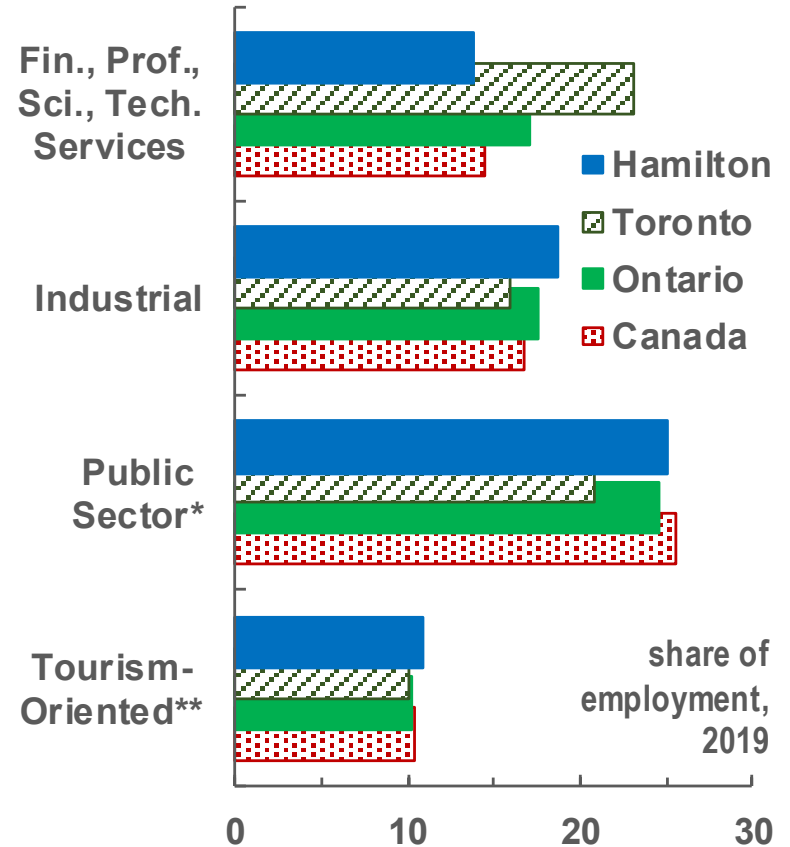
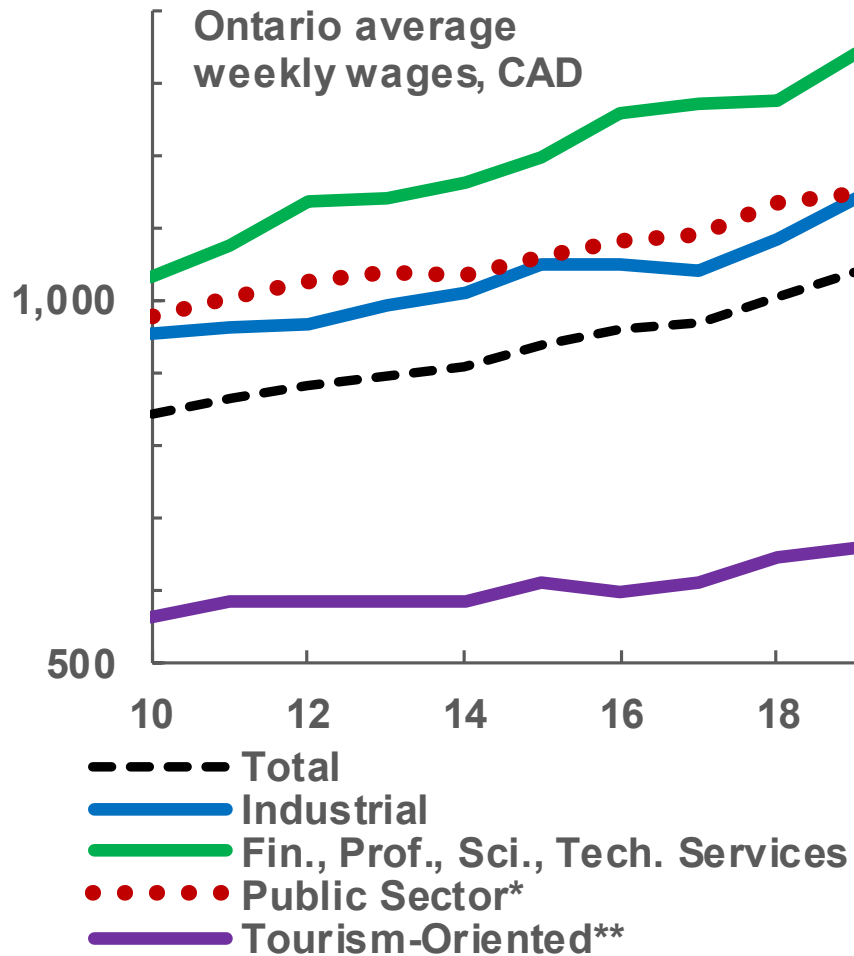
Sources: Scotiabank Economics, Statistics Canada.

Commercial Rents Drop Across Canadian Cities

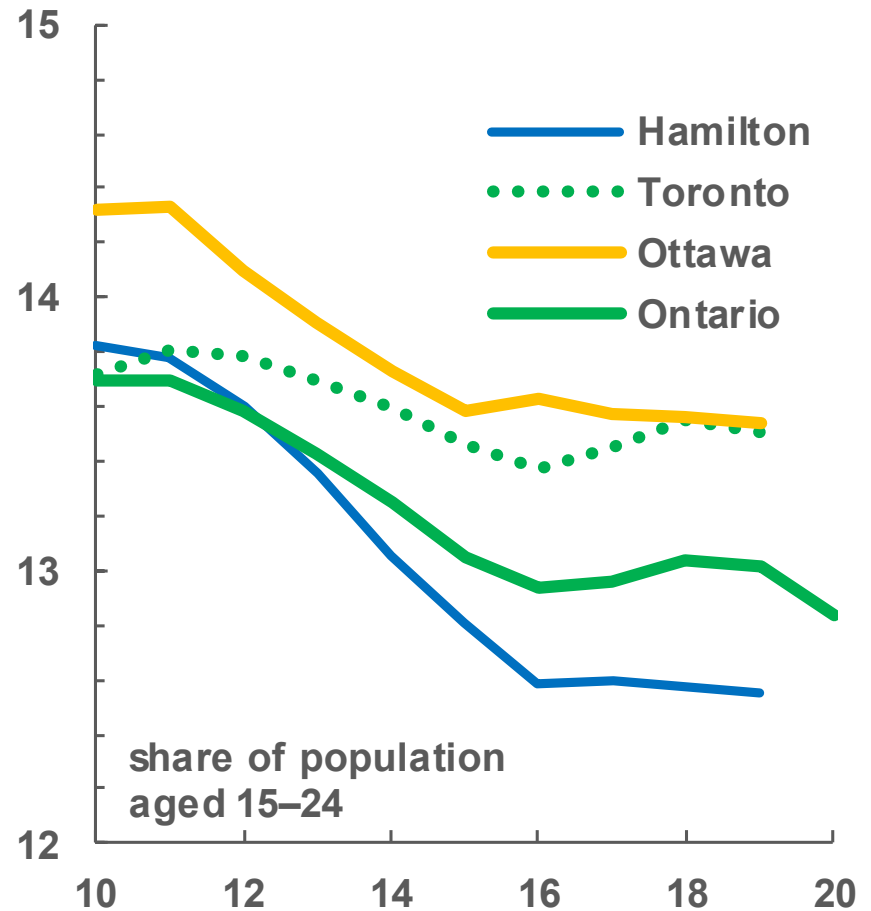
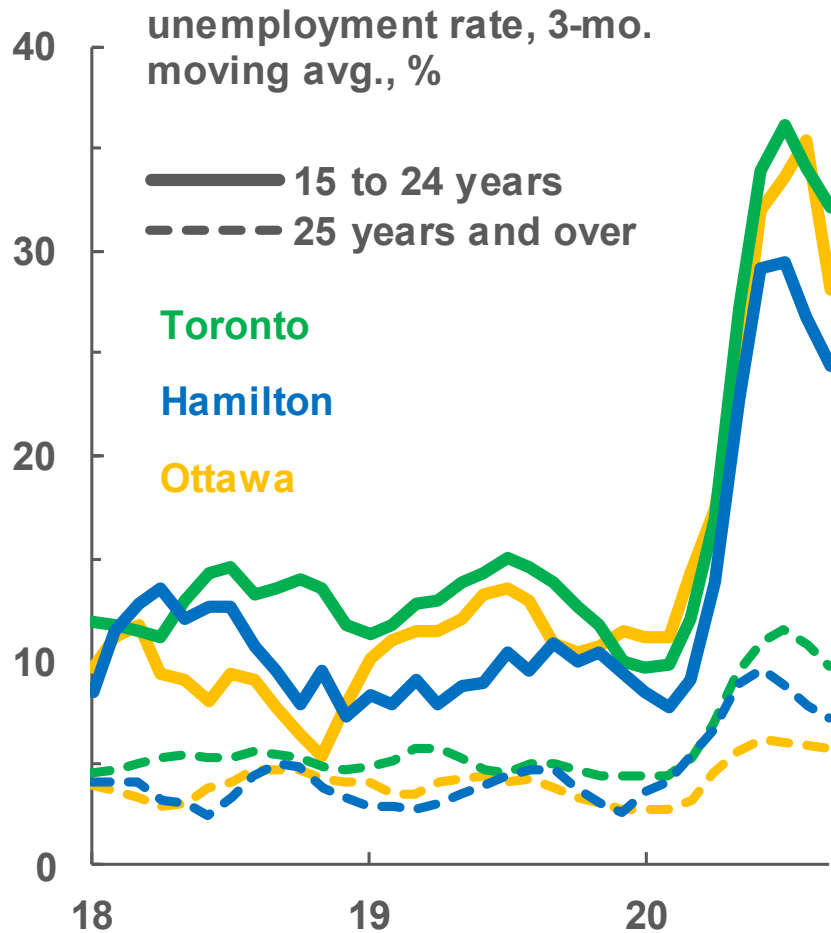




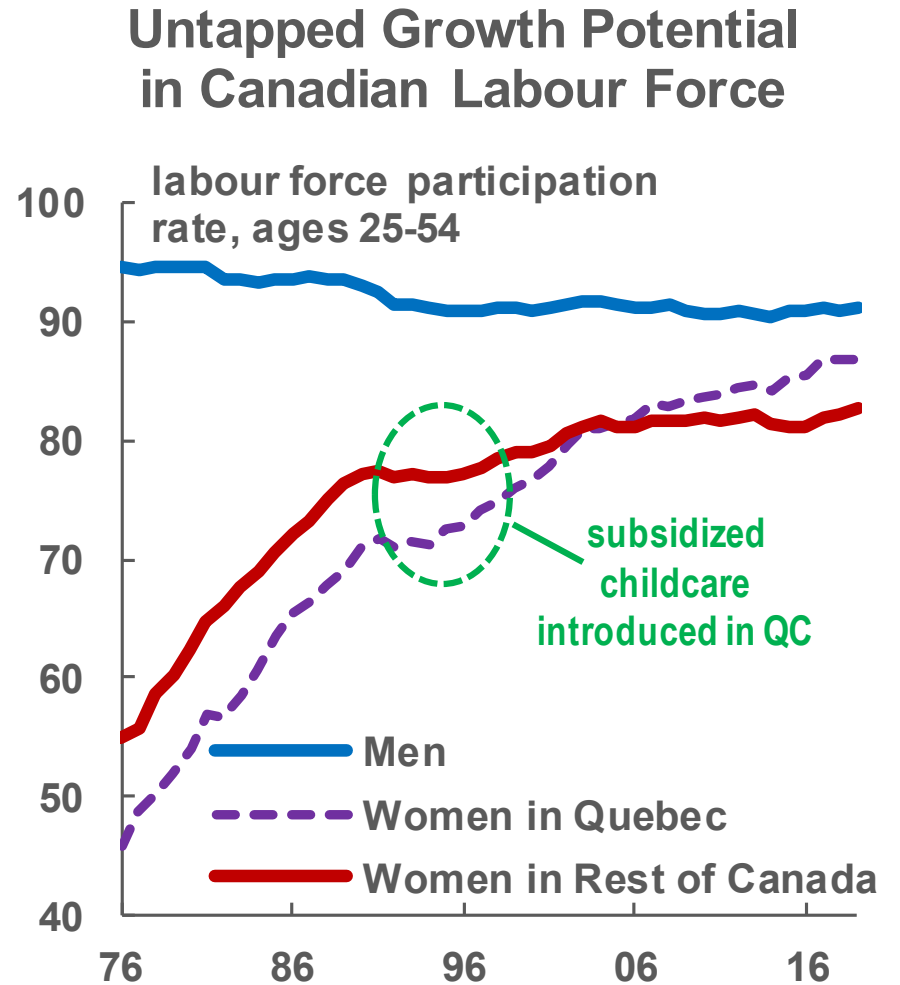
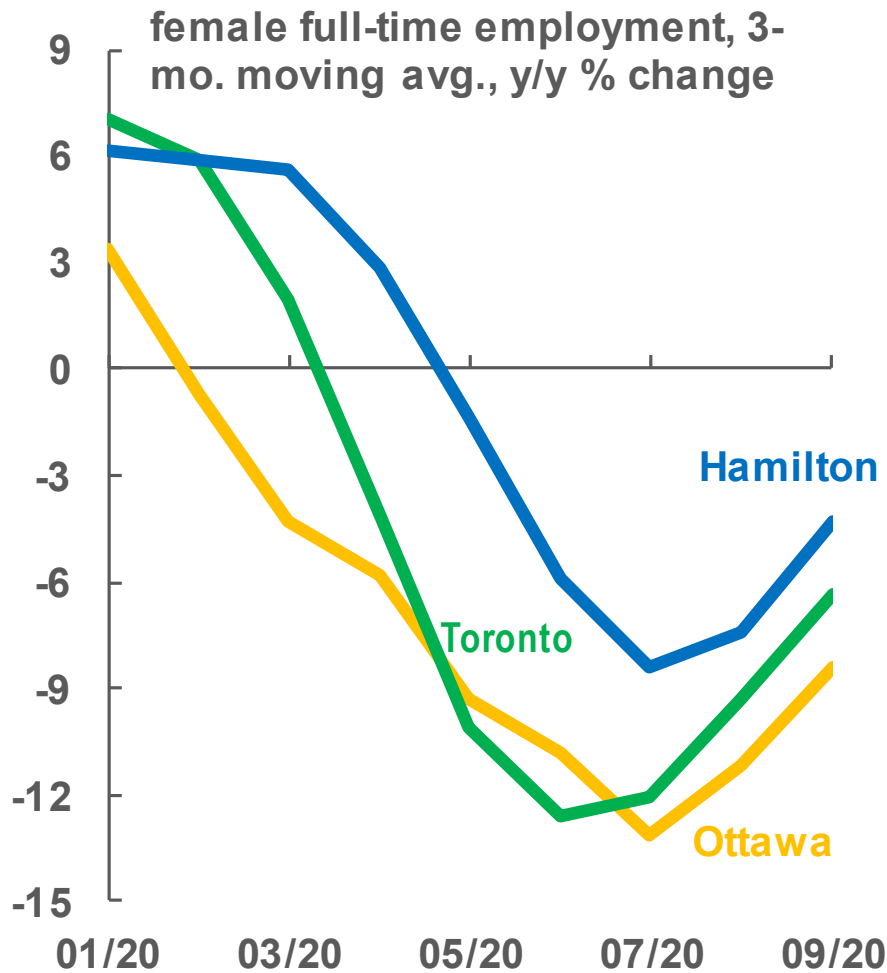
Sources: Scotiabank Economics, Statistics Canada, Wards Automotive.



* Education, Health Care, Public Administration. ** Info, Culture & Rec., Accommodation & Food Services. Sources: Scotiabank Economics, Statistics Canada.

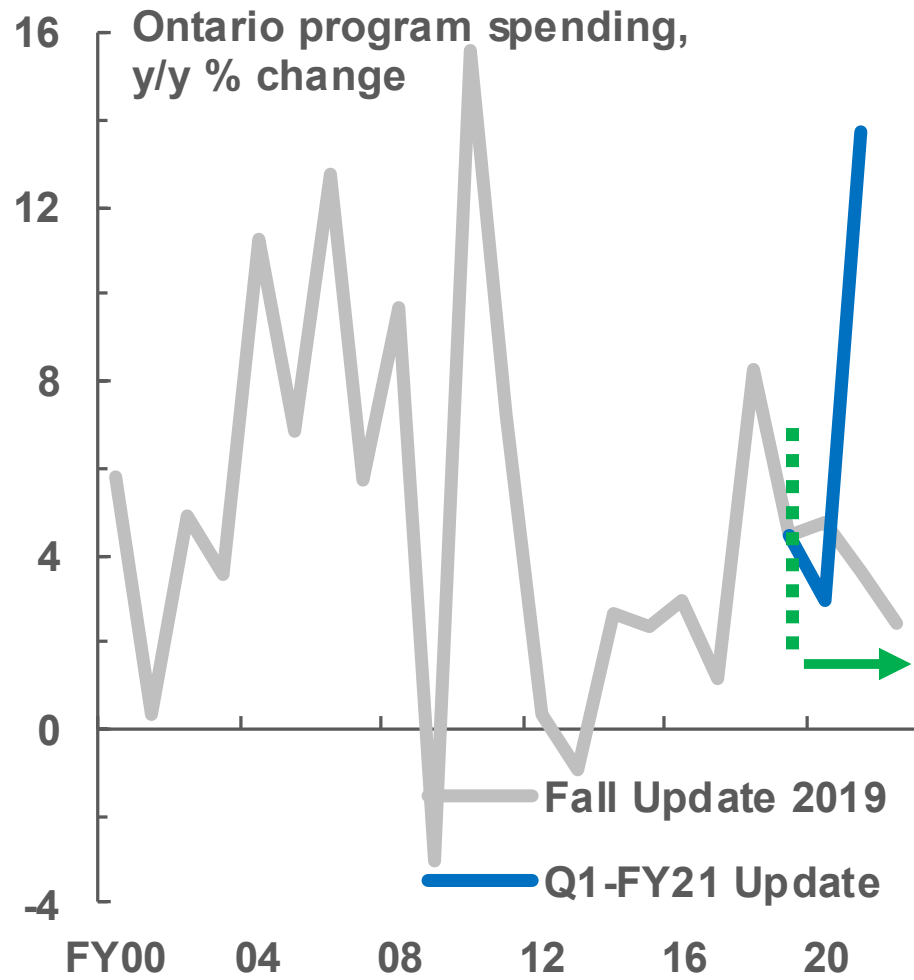


Sources: Scotiabank Economics, Statistics Canada.



Sources: Scotiabank Economics, Statistics Canada.

Ontario Fiscal Policy: Stepped-Up Spending to Address Pandemic



Highlights

- People and Jobs Fund (\$5 bn total)
- Safe Restart Agreement (\$2.2 bn provincial contrib., \$1.8 bn fed.)
- Health Contingency Fund Top-Up (\$4.3 bn)
- Standard Contingency Fund Top-Up (\$2.2 bn)

Sources: Scotiabank Economics, Statistics Canada, Ontario Finance.

- Economic recovery moving into slower phase of growth, depends fundamentally on evolution of virus
- Ontario economy's trajectory dominated by lockdown measures
- COVID-19's industry impacts different than typical recessions
- Extraordinary fiscal, monetary policy support, anchored by Federal Government contributions

Contacts and Caveats: Keep in Touch

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2021 BUDGET GUIDELINES, OUTLOOK & PROCESS

FCS20087

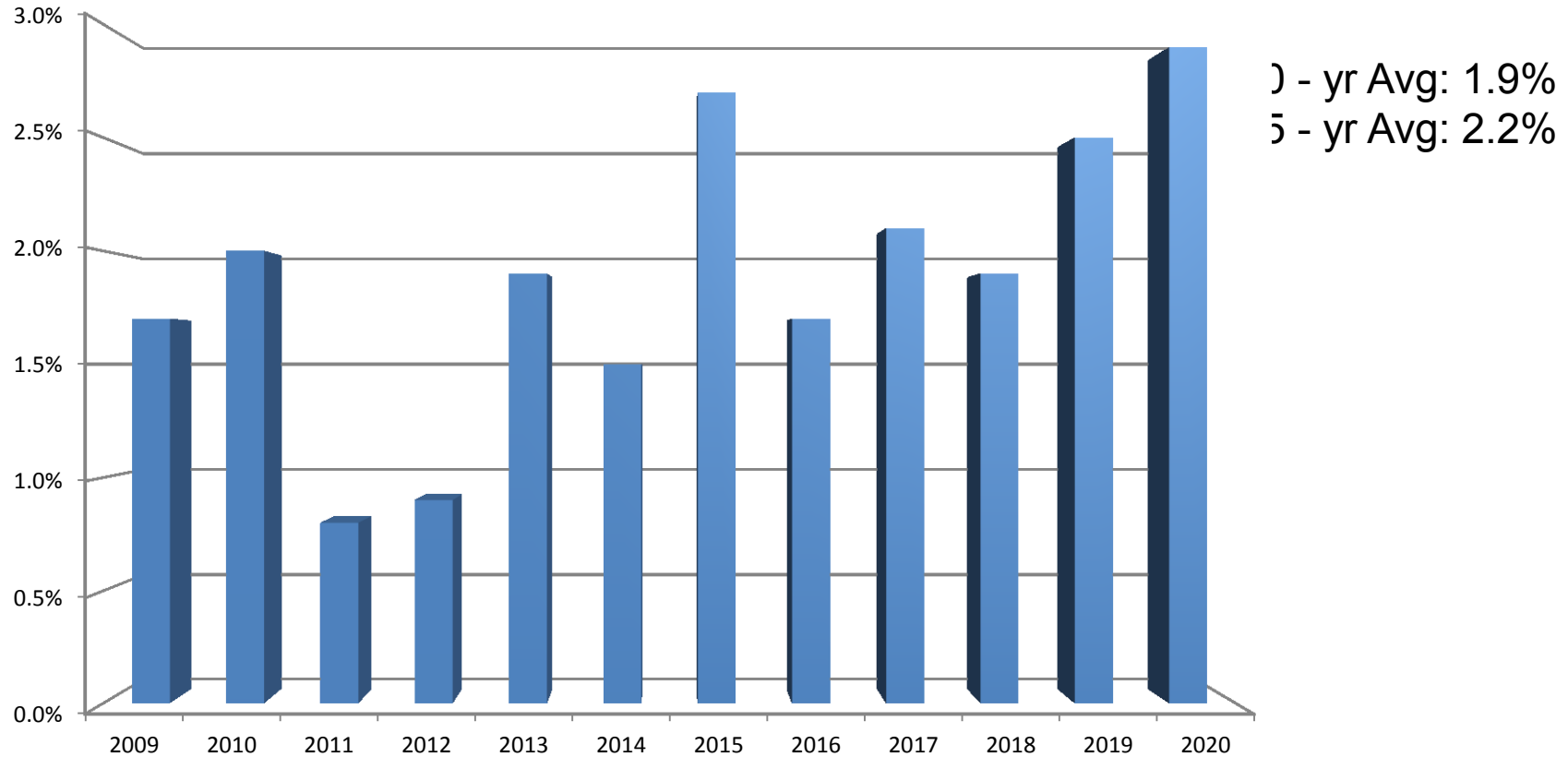
AGENDA

1. Tax Supported Historical Budgets
2. 2021 Tax Supported Operating Budget Preliminary Outlook
3. 2021 Tax Budget Guidelines & Recommendations
4. Rate Supported Historical Budgets
5. 2021 Rate Supported Operating Budget Preliminary Outlook
6. 2021 Rate Budget Recommendations
7. 2021 Budget Schedule

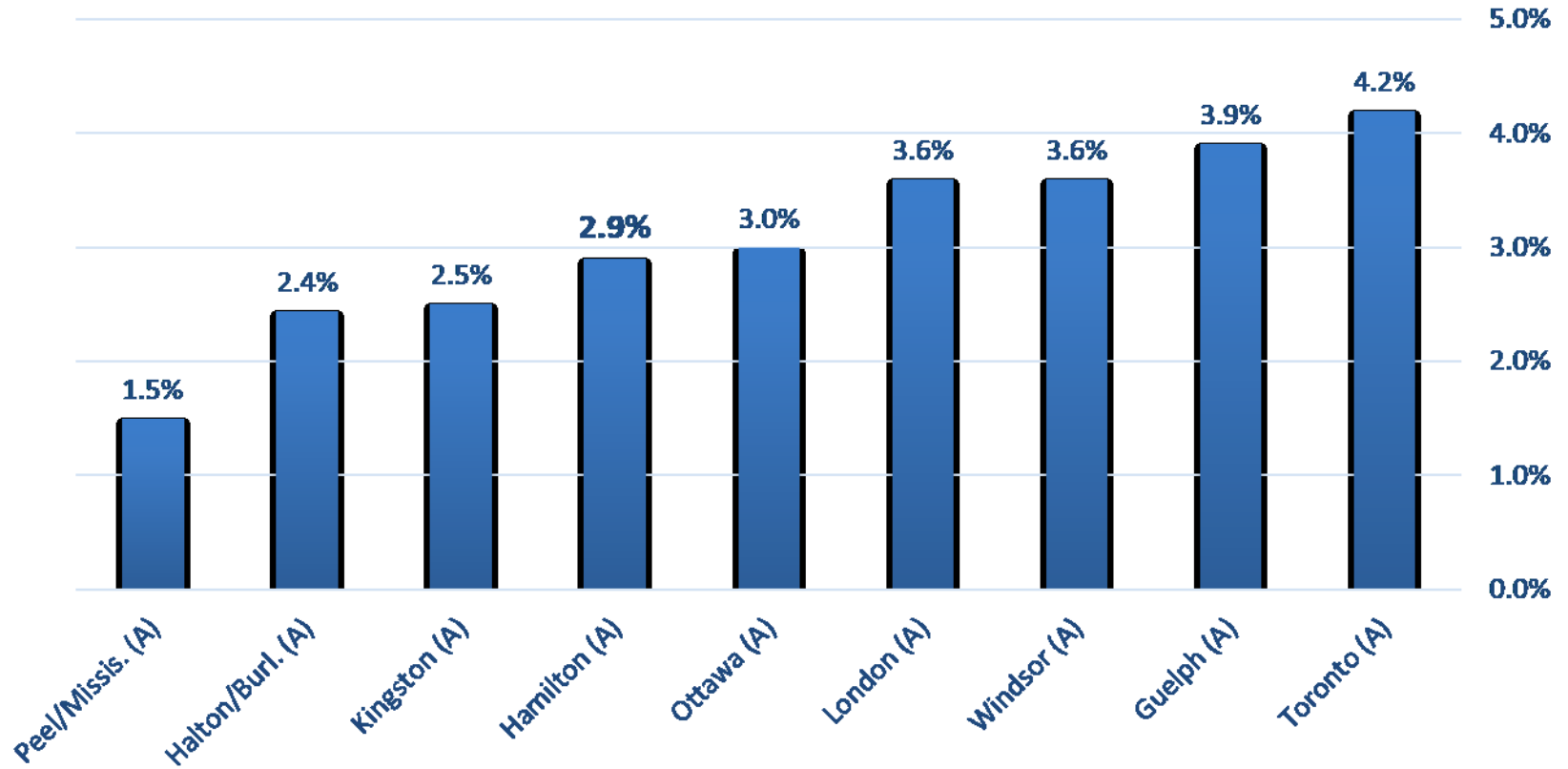


TAX SUPPORTED HISTORICAL BUDGETS

ANNUAL AVERAGE RESIDENTIAL TAX IMPACT



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



A = Approved

Note: London and Toronto increase excludes Education impact

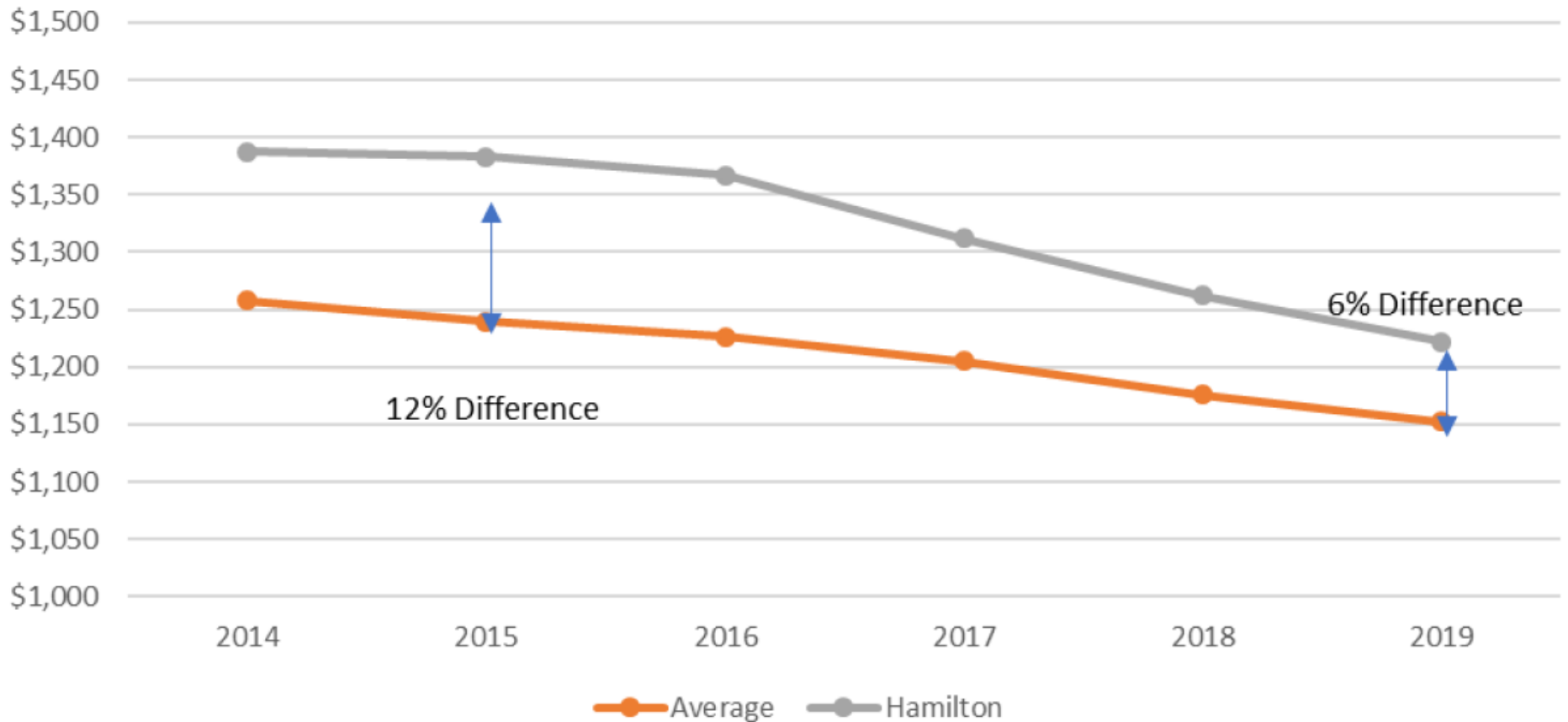
TAX COMPETITIVENESS

Residential Tax Impact 2015 - 2019

	Ottawa	Hamilton	Halton / Burlington	Kingston	Peel / Mississauga	London	Toronto	Guelph
2015	2.0%	3.4%	2.7%	2.5%	2.8%	2.5%	2.8%	4.3%
2016	2.0%	1.7%	2.0%	2.5%	2.5%	2.9%	2.7%	3.0%
2017	2.0%	2.1%	2.6%	2.5%	2.9%	2.9%	2.5%	3.1%
2018	2.1%	1.9%	2.5%	2.5%	2.7%	2.8%	2.9%	3.0%
2019	3.0%	2.2%	2.0%	1.8%	2.9%	2.7%	3.6%	3.9%
Average	2.2%	2.3%	2.4%	2.4%	2.8%	2.8%	2.9%	3.5%

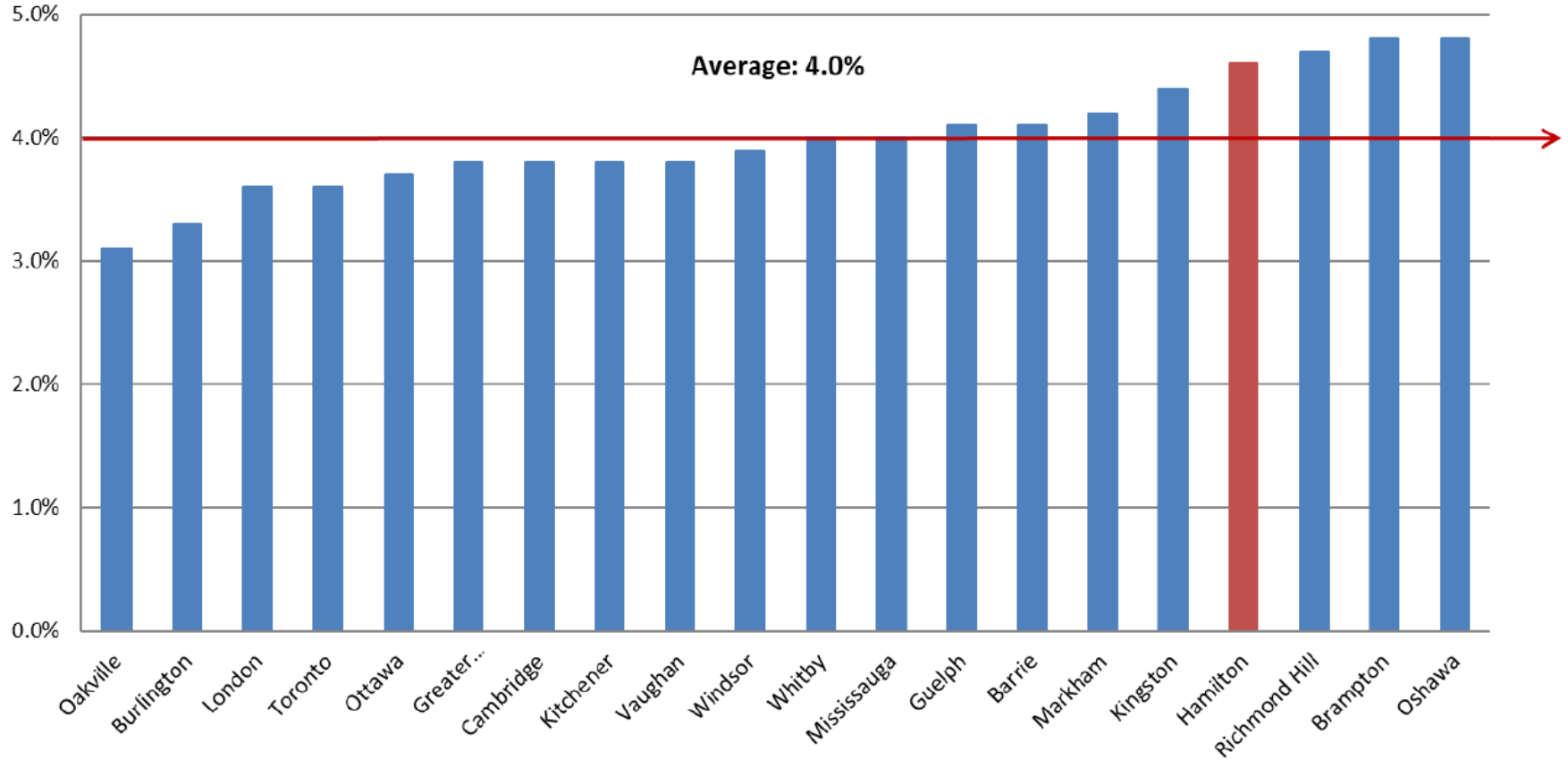
TAX COMPETITIVENESS

Residential Taxes per \$100,000 of Assessment



TAX COMPETITIVENESS

2019 Residential Property Taxes as % of Income
 (Municipalities with population > 100,000)



2020 DISTRIBUTION OF TAX DOLLARS

PROVINCIALY SHARED

\$492

- \$384 Social Services
- \$76 Public Health
- \$40 EMS
- (\$8) POA

EDUCATION

\$582

\$582 Education

CITY SERVICES

\$1,690

- \$317 Roads Program
- \$202 Waste Management Services
- \$203 Administrative Services
- \$166 Parks, Forestry, Cemeteries
- \$129 Library
- \$80 Boards/Agencies/City Enrichment Fund
- \$125 Planning/Economic Development
- \$86 Accessible Transportation Services (ATS)
- \$380 Others

AREA RATED SERVICES

\$859

- \$385 Fire Services
- \$230 Transit (HSR)
- \$157 Recreation
- \$37 Sidewalk and Streetlighting
- \$51 Special Capital Re-investment

POLICE

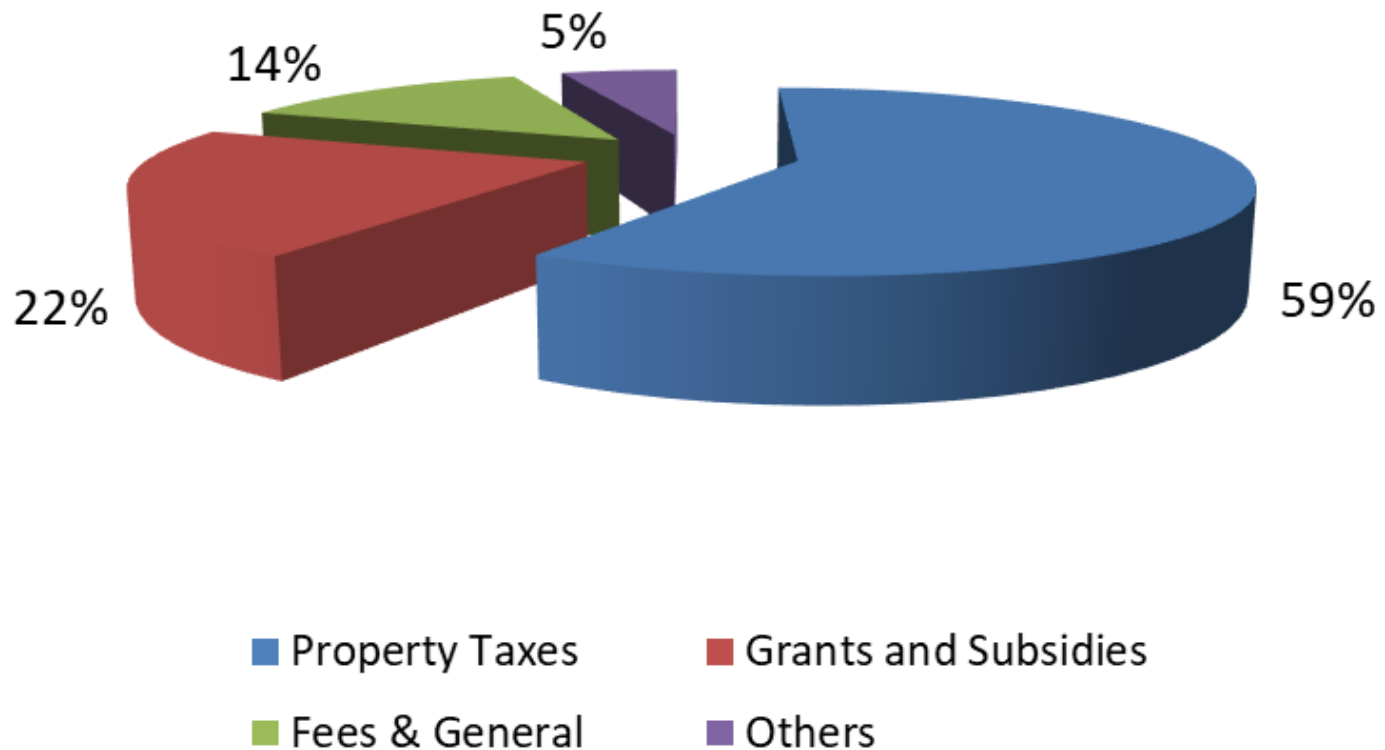
\$648

- \$648 Police Services

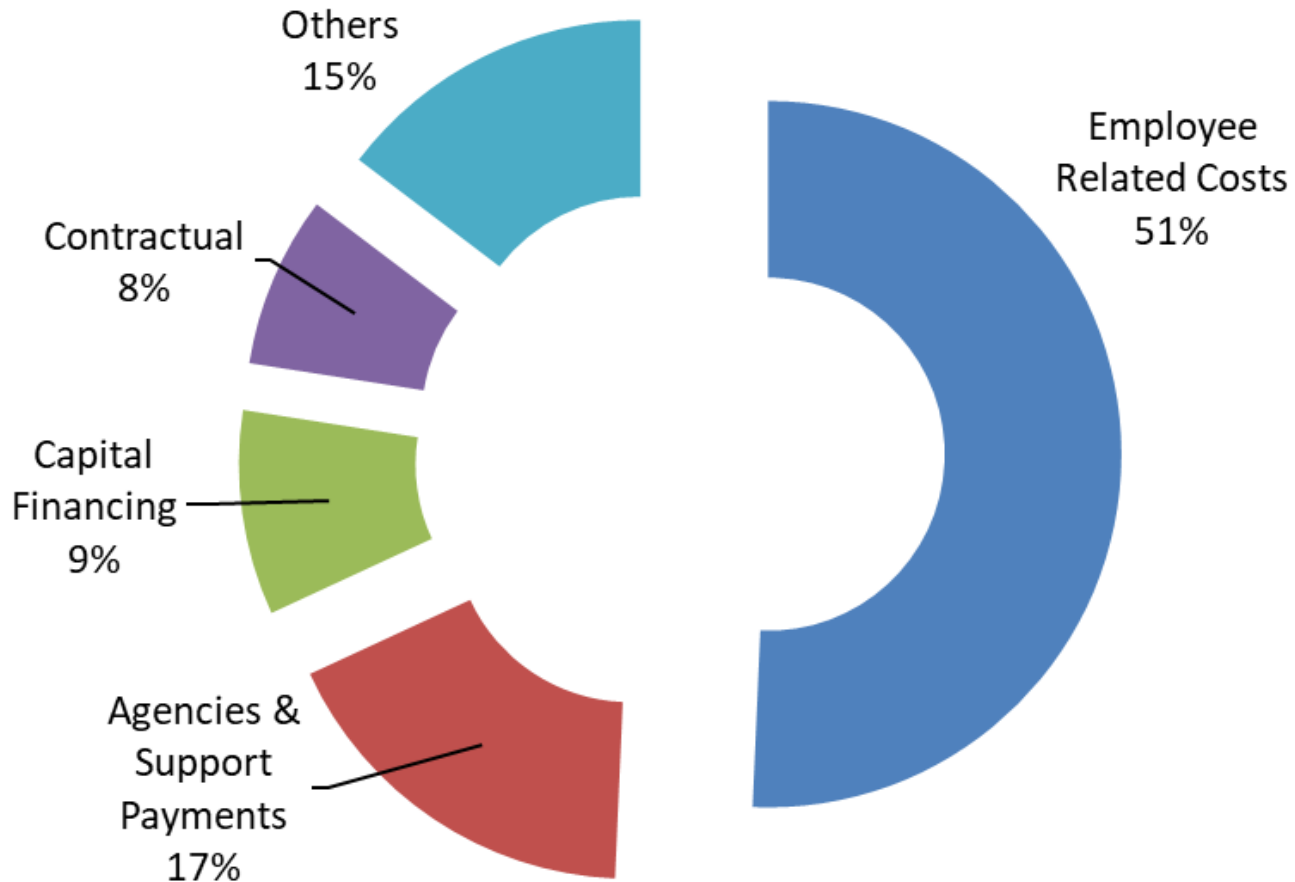
\$3,689 TOTAL MUNICIPAL TAXES
Average residential assessment \$380,300

\$ 4,271 TOTAL TAXES

RELIANCE ON PROPERTY TAXES BASED ON 2020 BUDGET



2020 COST OF PROVIDING SERVICES



MULTI-YEAR OUTLOOK BUDGET INCREASE (\$000's)

	Increase						
	2020	2021		2022		2023	
	\$	\$	%	\$	%	\$	%
Total City Departments	571,024	31,110	5.3%	18,739	3.0%	19,300	3.0%
Boards & Agencies	223,834	6,371	2.8%	6,474	2.8%	6,503	2.7%
Capital Financing	137,425	6,236	4.5%	5,815	4.0%	5,312	3.5%
Total Preliminary Operating Budget	932,283	43,717	4.7%	31,028	3.2%	31,115	3.1%
Residential Average Property Tax Impact *	4.5%		4.2%		2.7%		2.6%



**2021 TAX SUPPORTED
OPERATING BUDGET
PRELIMINARY OUTLOOK**

MUNICIPAL TAX IMPACT

Property Tax Impact of Municipal Services (Per \$380,300 CVA)

	2020	2021	Change	
Municipal Taxes				
City Departments	\$ 2,443	\$ 2,557	\$ 114	3.1%
Boards and Agencies	\$ 861	\$ 875	\$ 14	0.4%
Capital Financing	\$ 384	\$ 401	\$ 18	0.5%
Total Municipal Taxes*	\$ 3,688	\$ 3,834	\$ 146	4.0%

Note - Anomalies due to rounding

*Assumes growth benefit of (1.0%) and no reassessment impact

2021 BUDGET OUTLOOK

Department	2020 Restated \$	2021 Outlook \$	Change from 2020 \$
Planning and Economic Development	\$29,842,050	\$30,543,500	\$1,401,860
Healthy and Safe Communities	\$247,637,470	\$256,382,390	\$9,465,610
Public Works	\$257,247,140	\$267,427,160	\$11,047,040
Legislative	\$5,109,610	\$5,195,690	\$104,090
City Manager	\$12,344,910	\$12,853,700	\$568,460
Corporate Services	\$34,200,240	\$36,647,340	\$1,986,800
Corporate Financials / Non Program Revenues	(\$28,136,590)	(\$16,594,960)	\$9,645,270
Hamilton Entertainment Facilities	\$4,096,190	\$4,037,180	(\$59,010)
Total City Expenditures	\$562,341,020	\$596,492,000	\$34,160,120
Hamilton Police Services	\$170,815,160	\$175,597,980	\$4,782,820
Other Boards and Agencies	\$47,489,140	\$48,736,630	\$1,238,350
City Enrichment Fund	\$6,088,340	\$6,088,340	\$0
Total Boards and Agencies	\$224,392,640	\$230,422,950	\$6,021,170
Capital Financing	\$137,424,860	\$141,802,270	\$4,377,410
Total Levy Requirement	\$ 924,158,520	\$ 968,717,220	\$ 44,558,700
Municipal Tax Impact (after assessment)			4.0%

MAIN BUDGET DRIVERS FOR CITY EXPENDITURES

Budget Pressure	2021 Increase
Employee related and misc. other	\$ 17,543,120
Information Technology equipment and licenses	\$ 3,250,000
Operating impacts of capital	\$ 3,167,000
Roxborough Housing Incentive Program	\$ 2,100,000
Curbside waste collection	\$ 2,900,000
Organics and recycling processing contracts	\$ 1,500,000
Recycling Program Revenue Pressure	\$ 1,500,000
Children's Services provincial funding	\$ 1,200,000
Insurance premiums	\$ 1,000,000
Total	\$ 34,160,120

BOARDS & AGENCIES – LEVY IMPACT

Board / Agency	Net Levy Increase
Police	\$ 4,782,820
Conservation Authorities	\$ 139,000
Library	\$ 892,000
Other Boards and Agencies	\$ 207,350
Total Impact	\$ 6,021,170

CAPITAL FINANCING – LEVY IMPACT

Capital Financing		Net Levy Increase
ICIP - Transit	\$	1,893,000
DC Exemption	\$	2,000,000
B&A Capital Financing	\$	484,410
Total Impact	\$	4,377,410

- Pause on 2021 Re-assessment (COVID-19 related)
 - Resulting in known shifts across classes and within classes. For example, 2016-2020 0.5% annual shift from non-res to res
 - 2021 impact will reflect budget and area rating decisions

CAPITAL FINANCING

- Recommended budget direction would replace the planned \$4.3M investment in capital (0.5% Capital Levy increase) and provide additional capital investment through the use of one-time sources in 2021:
 - Additional Federal Gas Tax funds
 - Update interest rate assumptions for future debt financing
 - Update cash flow assumptions for debt servicing costs for Transit and the National Housing Strategy
 - Roads, Bridges and Traffic Capital Reserve
 - COVID-19 Reserve
- Provides a higher level of capital investment than originally forecasted in 2021, but level of financing is not sustainable in the long-term forecast

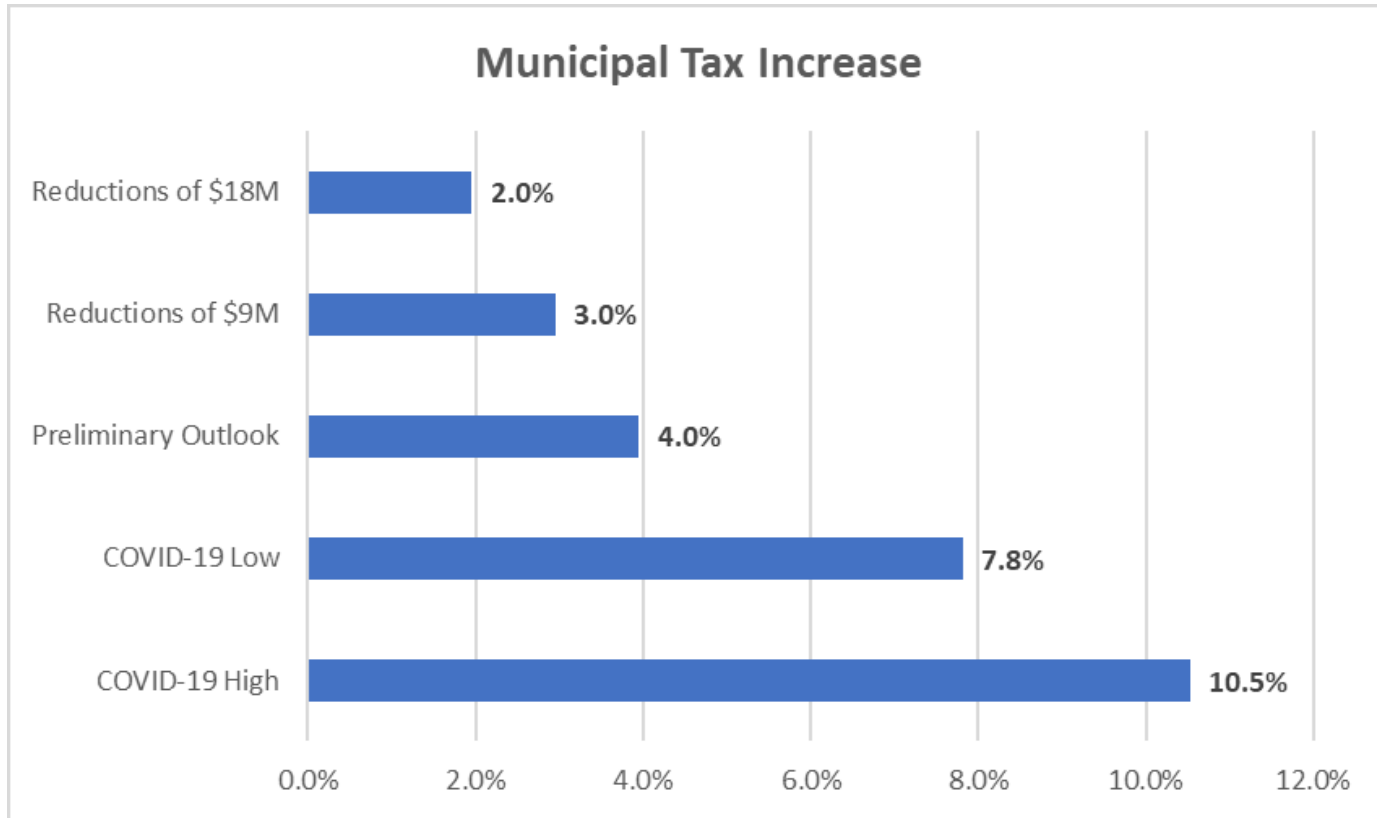
CAPITAL FINANCING

TAX CAPITAL FINANCING PLAN (\$'000's)	CURRENT YEAR			MULTI-YEAR		
	2021 Multi-year	2021 Preliminary	Change	2022 Forecast	2023 Forecast	2024 Forecast
Capital Levy	123,711	123,711	-	127,604	133,601	139,072
Debt Carrying Costs	(50,578)	(40,628)	9,950	(45,609)	(43,243)	(42,366)
Net Funding Available	73,133	83,083	9,950	81,995	90,358	96,706
Discretionary Block Funding Increase	4,300	-	(4,300)	4,800	4,800	4,800
New Debt (West Harbour) (FCS19054)			-	374	626	1,773
New Debt (Transit) (PW19083/FCS18048(a))	1,893	1,893	-	823	45	56
DC Exemptions (FCS19054)	2,000	2,000	-			
Increase to Capital Levy	8,193	3,893	(4,300)	5,997	5,471	6,629
<i>Other Sustainable Funding:</i>						
HUC/Alectra Dividends	5,300	5,300	-	5,300	5,300	5,300
Hamilton Future Fund	4,000	4,000	-			
Federal Gas Tax Funding Agreement	34,057	34,057	-	34,057	35,537	35,537
Total Other Sustainable	43,357	43,357	-	39,357	40,837	40,837
<i>Non-Sustainable Funding:</i>						
Federal Gas Tax		4,300	4,300			
2020 Capital Financing Surplus	2,000	4,600	2,600			
COVID-19 Reserve		1,100	1,100			
Roads, Bridges and Traffic Capital Reserve		2,090	2,090			
Total Non-Sustainable Funding	2,000	12,090	10,090	-	-	-
New Tax Debt Principal	32,527	29,076	(3,451)	34,548	18,005	43,922
Tax Supported Capital Financing	159,210	171,499	12,289	161,897	154,671	188,094

COVID RELATED PRESSURES

Department	Low (\$)	High (\$)
Planning & Economic Development	2,403,000	5,391,000
Healthy and Safe Communities	20,322,000	27,267,000
Public Works	12,060,000	24,989,000
Corporate Financials	-	1,540,000
Subtotal	34,785,000	59,188,000
Contribution from Senior Levels of Gov't	(34,785,000)	(59,188,000)
Net Levy Impact	-	-

COVID-19 AND REDUCTION SCENARIOS





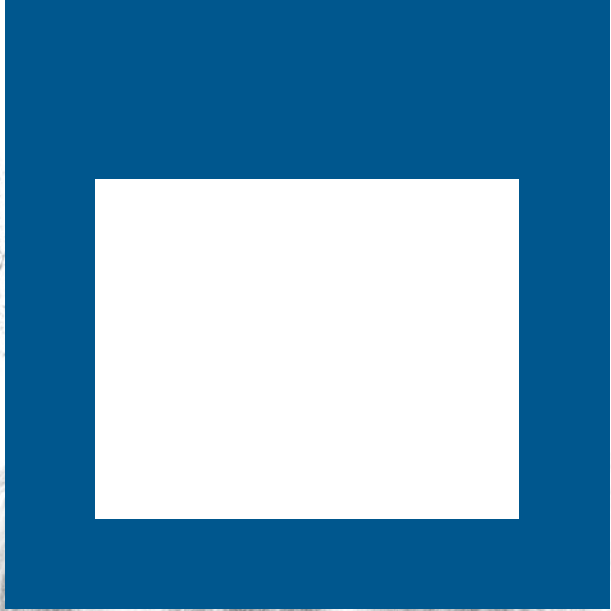
2020 TAX BUDGET GUIDELINES & RECOMMENDATIONS

GUIDELINES & RECOMMENDATIONS

- That staff be directed to prepare the 2021 Tax Operating Budget at an increase required to maintain current service levels and report back through the 2021 budget process;
- That staff be directed to increase user fees towards full cost recovery where it is reasonable to expect that users can afford to pay;
- That for all other user fees, the fee be increased by a rate of 2.0% and that any user fee increases below the guideline be forwarded for consideration with appropriate explanation;
- That City Council **provides** a 2021 Tax Operating Budget guideline as it relates to Boards and Agencies and that any increase beyond the guideline be forwarded for consideration with appropriate explanation;

GUIDELINES & RECOMMENDATIONS

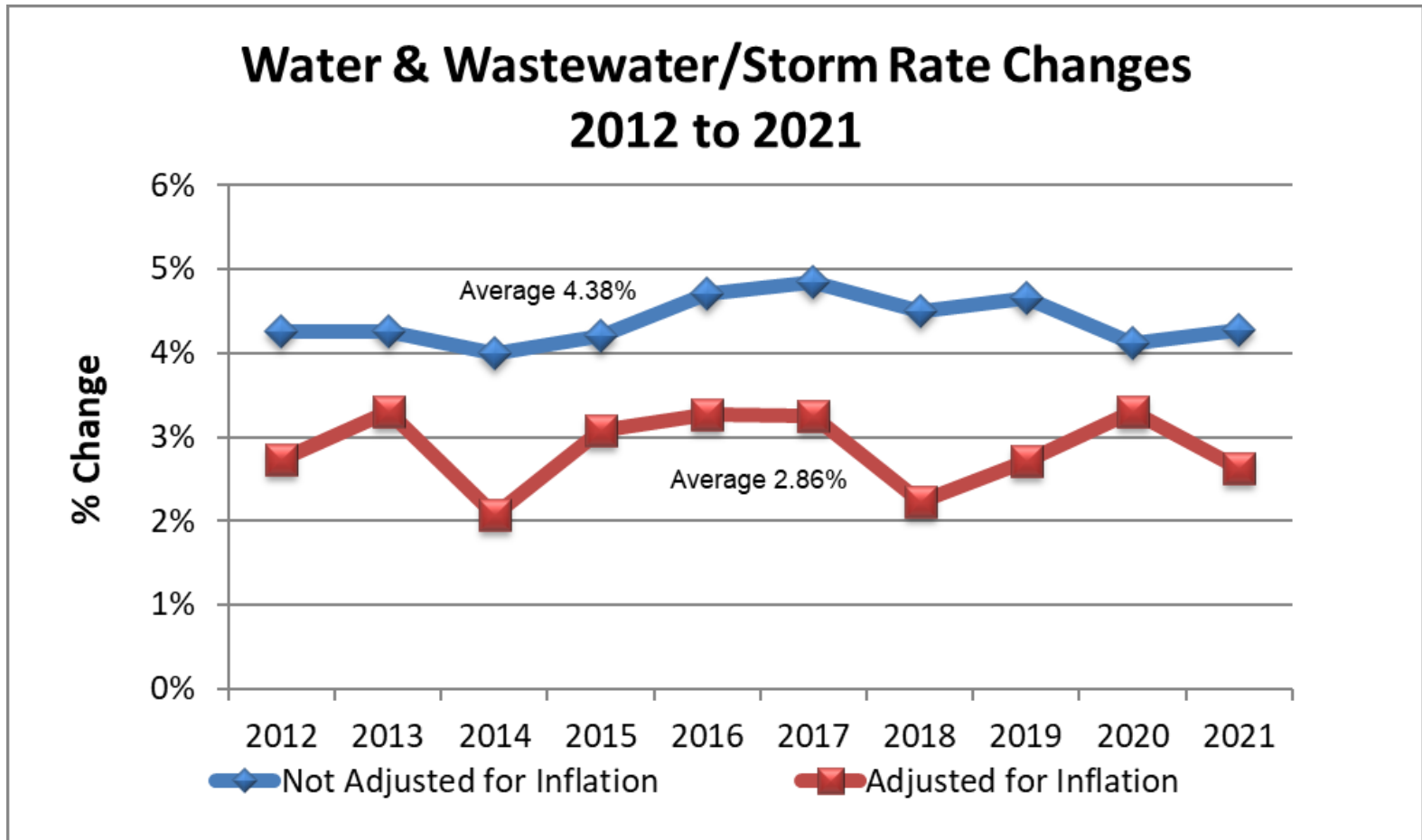
- That staff be directed to prepare the 2021 Tax Capital Budget with a 0% tax increase for capital financing of discretionary block funded projects;
- That the City Clerk forward Report FCS20087 to local Members of Parliament, local Members of Provincial Parliament, the Federation of Canadian Municipalities, the Association of Municipalities Ontario and Ontario's Big City Mayors for the purposes of advocating senior levels of government for ongoing financial support related to COVID-19 pressures.



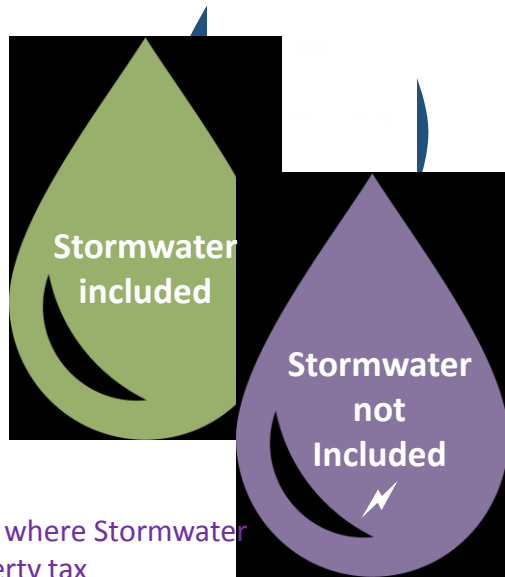
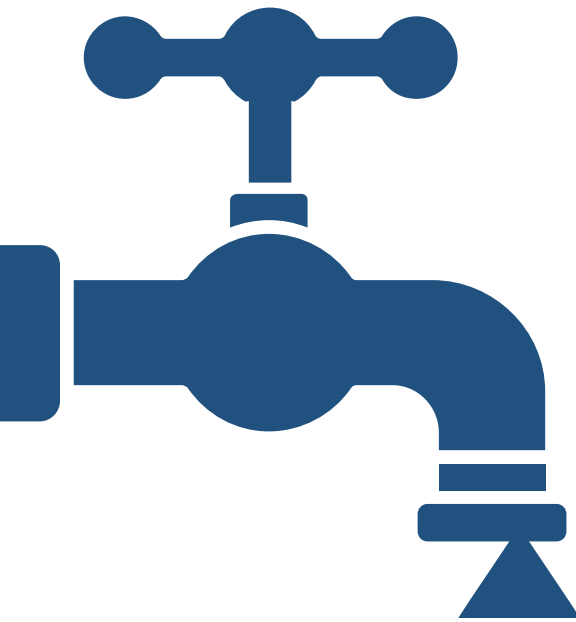
RATE SUPPORTED HISTORICAL BUDGETS



10 YEAR RATE CHANGES



HOW DOES HAMILTON COMPARE?



- Kitchener: \$1,451
- ⚡ Norfolk: \$1,167
- ⚡ Cambridge: \$1,132
- ⚡ West-Lincoln: \$1,111
- London: \$1,086
- ⚡ Haldimand: \$1,032
- Waterloo: \$1,004
- Guelph: \$980
- ⚡ Brantford: \$923
- ⚡ St. Catharines: \$920
- ⚡ Durham: \$893
- ⚡ Halton: \$873
- Toronto: \$791
- Hamilton: \$722**
- Peel: \$594

2019 Water Bill Residential

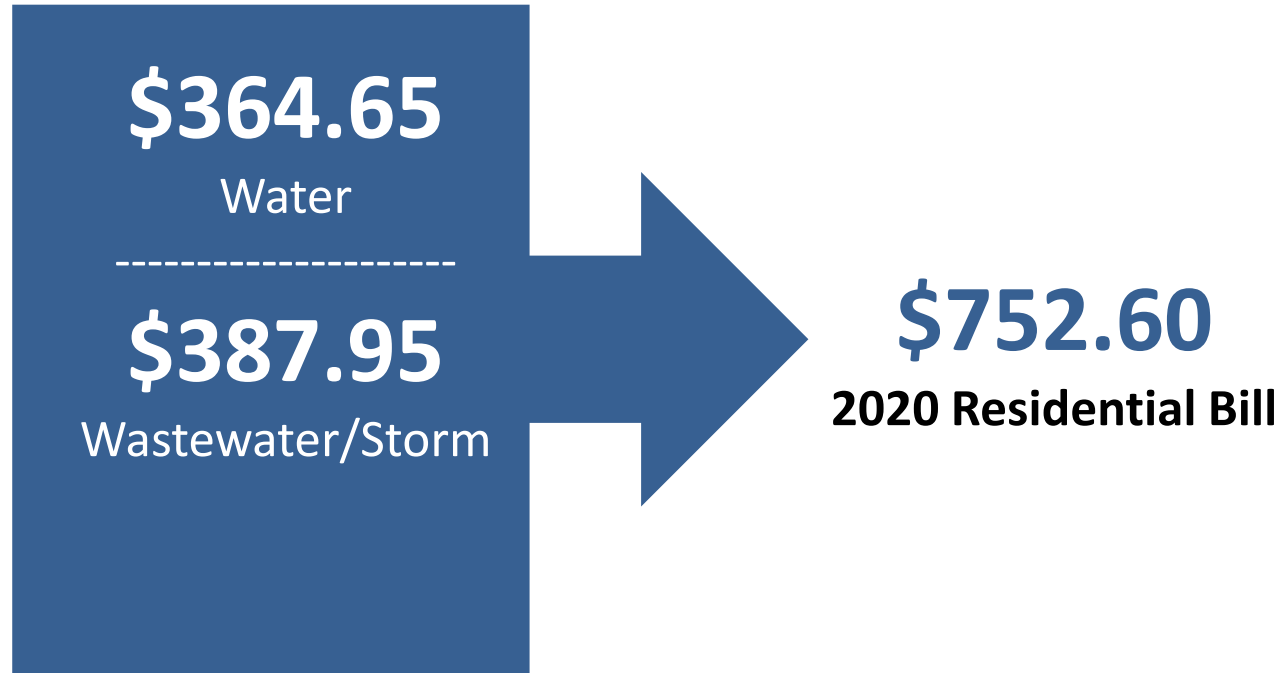
200m³/ (year)

Survey Average
\$948

Hamilton provides **three** services for less than some municipalities which offer **two**

⚡ Comparators where Stormwater funded by property tax

2020 RESIDENTIAL AVERAGE ANNUAL BILL



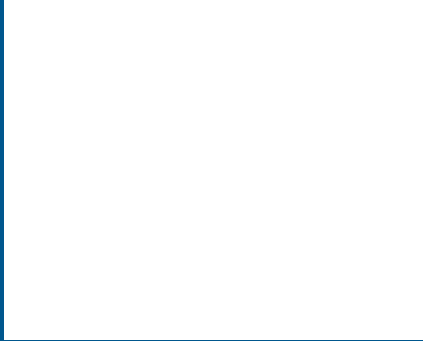
Based on annual water consumption of 200m³



2021 RATE BUDGET OUTLOOK

2021 RATE BUDGET OUTLOOK

Rate Budget Pressures	\$ M
City Division (Hamilton Water)	
Energy and Other Operating Costs	\$1.7
Capital Financing	\$9.4
Preliminary Pressures / Risks	\$11.1
Combined Rate Impact	4.28%

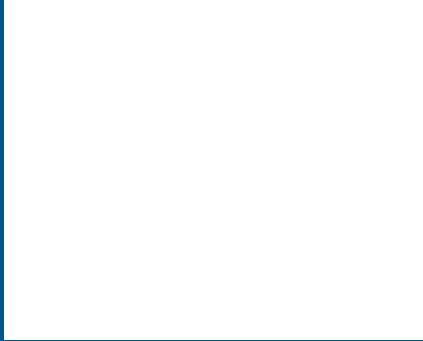


2021 RATE BUDGET RECOMMENDATIONS



RECOMMENDATION

- That staff be directed to prepare the 2021 Rate Supported Budget at a combined rate increase of 4.28%, in alignment with the long-term financing plan approved in principle



BUDGET SCHEDULE



2021 BUDGET KEY DATES

ITEM	DATE
GIC – 2021 Rate Budget	November 23 rd & December 1 st (if required)
GIC – 2021 Tax Capital Budget	November 27 th and December 3 rd (if required)
GIC – User Fee Report	December 9 th
GIC – Tax Operating Overview	January 15 th
GIC – Boards and Agencies	January 19 th & 21 st
GIC – Transit Day	January 22 nd
GIC – Departmental Presentations	January 26 th , 27 th , 28 th , Feb.5 th
GIC – Budget Delegations (Public)	Feb. 8 th
GIC – Budget Deliberations	Feb. 11 th , 22 nd , 25 th and March 1 st & 3 rd
Council Budget Approval	March 31 st



INFORMATION REPORT

TO:	Mayor and Members General Issues Committee
COMMITTEE DATE:	October 29, 2020
SUBJECT/REPORT NO:	2019 Municipal Tax Competitiveness Study (FCS20029) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Gloria Rojas (905) 546-2424 Ext. 6247
SUBMITTED BY:	Brian McMullen Director, Financial Planning, Administration and Policy Corporate Services Department
SIGNATURE:	

COUNCIL DIRECTION

N/A

INFORMATION

The City of Hamilton has participated in an annual tax competitiveness study since 2001. Each year, staff reports on the results of this study highlighting how Hamilton's property tax burden compares to other municipalities both for the current year and the trend experienced over the previous years.

The entire survey includes 103 Ontario municipalities ranging in population from 4,800 to 2.9 M. However, we have taken a smaller, more representative sample, referred to as the comparators, made up of 15 municipalities. Staff identifies and selects the municipalities based on whether the municipality has been included in the study since 2002, which allows for long-term trend analysis and either has a population greater than 100,000 or is in close proximity to the City of Hamilton.

When compared to this smaller sample, the general trend shows that Hamilton's tax competitive position, over the long-term, has improved. For example, Office Building and Large Industrial continue to be well below the comparator average (10% and 16%, respectively) and the neighbourhood shopping centre class has made improvements from a difference of 25% above the comparator average in 2013 to 6% above the average in 2019. In the case of the Residential property class, Hamilton taxes have been stable at 6% above average since 2017.

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**SUBJECT: 2019 Municipal Tax Competitiveness Study (FCS20029) (City Wide) –
Page 2 of 14**

Report FCS20029 deals with the main focus of the study – **comparison of relative taxes**. The full study will be made available through the City’s website (www.hamilton.ca).

What factors influence tax burden?

It should be noted that the objective of Report FCS20029 is to identify general trends and not a specific year-over-year result. There are many factors that affect a municipality’s tax burden (both compared to prior years and to the sample average) in any particular year. Some factors include:

- Changes to the sample properties included in the study. For example, Residential comparisons are based on a Single Family Detached Home which is a detached three-bedroom, single storey home with 1.5 bathrooms and a one car garage. Total area of the house is approximately 1,200 sq. ft. and the property is situated on a lot that is approximately 5,500 sq. ft. In smaller, more rural municipalities it is sometimes necessary to use larger lot sizes.
- Sample properties experiencing an impact that differs from the respective municipal average (change in value either due to reassessment or a physical change to the property).
- Levy restrictions to the Multi-Residential, Commercial and Industrial property classes.
- Tax policies (i.e. tax ratio, use of optional property classes, area rating).
- Non-uniform education tax rates in the non-residential tax class.
- The level of service provided and the associated costs of providing these services.
- Access to other sources of revenue such as land transfer tax (Toronto only), Provincial subsidies, gaming and casino revenues, user fees, etc.

By focusing on the general trends and not concentrating on the results of one specific year, one can determine if the municipality is moving towards a more competitive tax burden. The trend analysis presented in Report FCS20029 is critical to understand the relationship between the various controllable and uncontrollable factors that determine the City’s competitiveness and to establish targets and assess progress towards those targets.

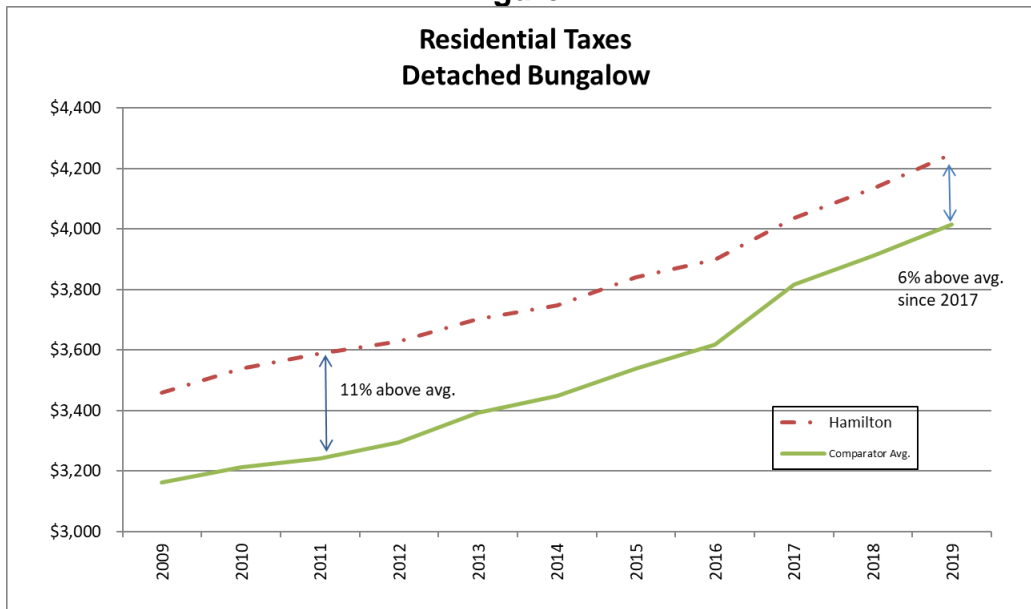
The following section highlights some key findings of the comparison of relative taxes for each of the main property classes.

Residential Property Taxes

As shown in Table 1, in 2019, Hamilton’s average property taxes of \$4,248 for a detached bungalow were 6% above the comparator average property taxes, which is a considerable improvement since 2011 when the residential taxes were 11% above the comparators.

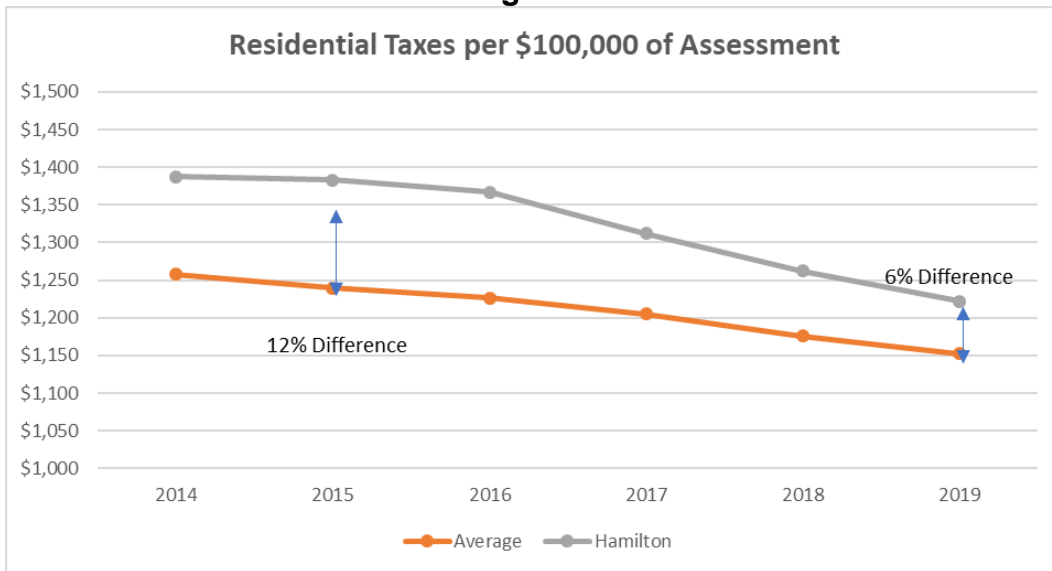
**SUBJECT: 2019 Municipal Tax Competitiveness Study (FCS20029) (City Wide) –
Page 3 of 14**

Figure 1



The same result is observed when we compare the residential taxes paid per \$100,000 of assessment as shown in Figure 2. The higher than average reassessment experienced in the City of Hamilton compared to the rest of the province is a determinant factor on the City’s closing the gap with the comparator group.

Figure 2



This trend is also in line with the relatively low tax increases passed by City Council over the last few years when compared to similar municipalities as shown in Figure 3.

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**SUBJECT: 2019 Municipal Tax Competitiveness Study (FCS20029) (City Wide) –
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**Figure 3
Residential Tax Impact 2015 - 2019**

	Ottawa	Hamilton	Halton / Burlington	Kingston	Peel / Mississauga	London	Toronto	Guelph
2015	2.0%	3.4%	2.7%	2.5%	2.8%	2.5%	2.8%	4.3%
2016	2.0%	1.7%	2.0%	2.5%	2.5%	2.9%	2.7%	3.0%
2017	2.0%	2.1%	2.6%	2.5%	2.9%	2.9%	2.5%	3.1%
2018	2.1%	1.9%	2.5%	2.5%	2.7%	2.8%	2.9%	3.0%
2019	3.0%	2.2%	2.0%	1.8%	2.9%	2.7%	3.6%	3.9%
Average	2.2%	2.3%	2.4%	2.4%	2.8%	2.8%	2.9%	3.5%

Overall, Hamilton has shown improvement over the last 10 years even though the City continues to be negatively impacted by the levy restriction regulation on the Industrial property class and more recently, with the restriction to pass any reassessment and levy related increases to the Multi-Residential property class which results in an added tax burden on Hamilton's Residential property class. The results of the latest reassessment cycle (2017-2020) will continue to have an additional impact to the Residential property class as property values rose above the City's average causing a shift in the tax burden. Details on how reassessment impacts the Residential property class can be found in Report FCS17023, "2017 Reassessment Impacts" and Report FCS20039 "2020 Tax Policies and Area Rating".

When compared with the full sample of the BMA Study (103 municipalities), Hamilton's residential taxes rank high at 22% above the average. This result, however, must be taken with caution as there are many reasons for differences in tax burdens across municipalities. These include but are not limited to:

- Availability of comparable properties, especially in smaller, rural municipalities
- The values of similar properties vary significantly across the municipalities
- Different levels of service and the cost associated with those services
- Area rating

Figure 4 illustrates that residential property taxes as a percentage of income, in Hamilton at 4.6%, are higher than the sample average of 4.0% (municipalities with populations greater than 100,000). Hamilton's average household income of \$96,700 in 2019 is approximately 13% lower than the sample at \$111,300.

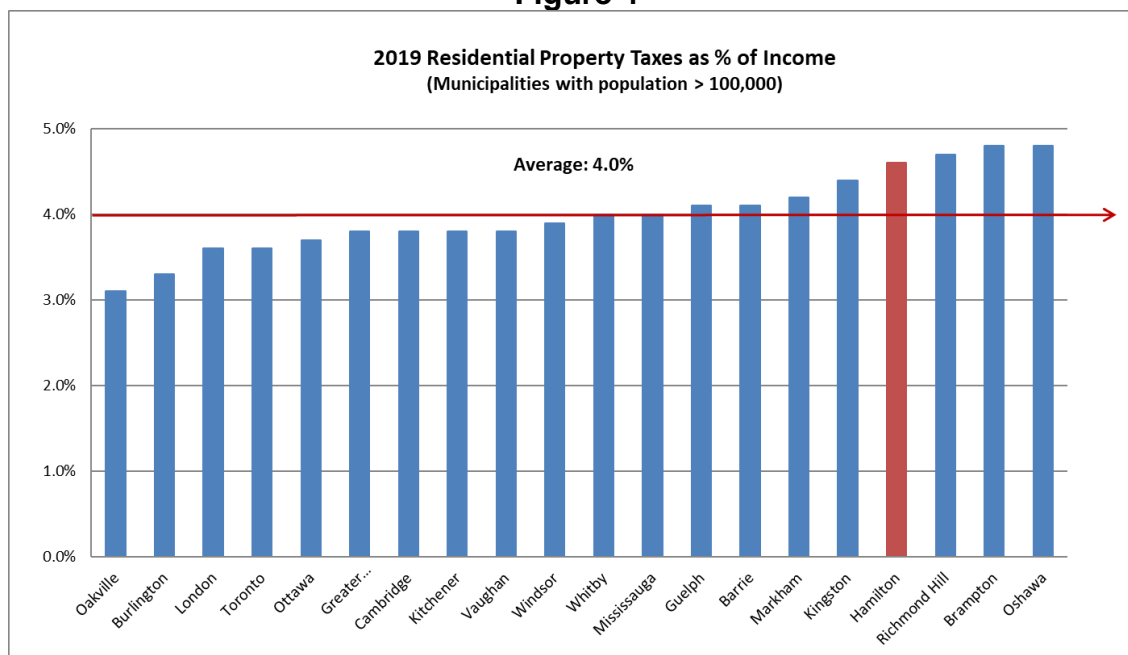
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**SUBJECT: 2019 Municipal Tax Competitiveness Study (FCS20029) (City Wide) –
Page 5 of 14**

Figure 4



Household income is one measure of a community's ability to pay for services. However, it can be a difficult measure for municipalities to affect change. To improve this measure, either expenditures need to be reduced (possibly impacting services to residents) or incomes need to increase which is a long-term factor influenced by broader economic conditions.

Figure 5 identifies the long-term trend for the City.

Figure 5

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Hamilton	5.2%	5.0%	5.0%	4.6%	4.3%	4.4%	4.4%	4.3%	4.5%	4.6%	4.6%
Comparator's Average	4.2%	4.1%	4.1%	3.8%	4.0%	4.0%	3.8%	3.7%	4.0%	4.0%	4.0%
Difference	25%	21%	23%	21%	7%	10%	14%	16%	13%	15%	15%

As shown in Figure 5, although Hamilton is above the average among the comparator municipalities, its position has had a significant improvement over the last few years. Hamilton's average property taxes as a percentage of income in 2009 was 25% above the larger municipalities sample average. This gap has been reduced to 15% above the average over the past several years. Notwithstanding the fact that property taxes are not conditional on income, overall, this trend shows improvement in the ability to pay.

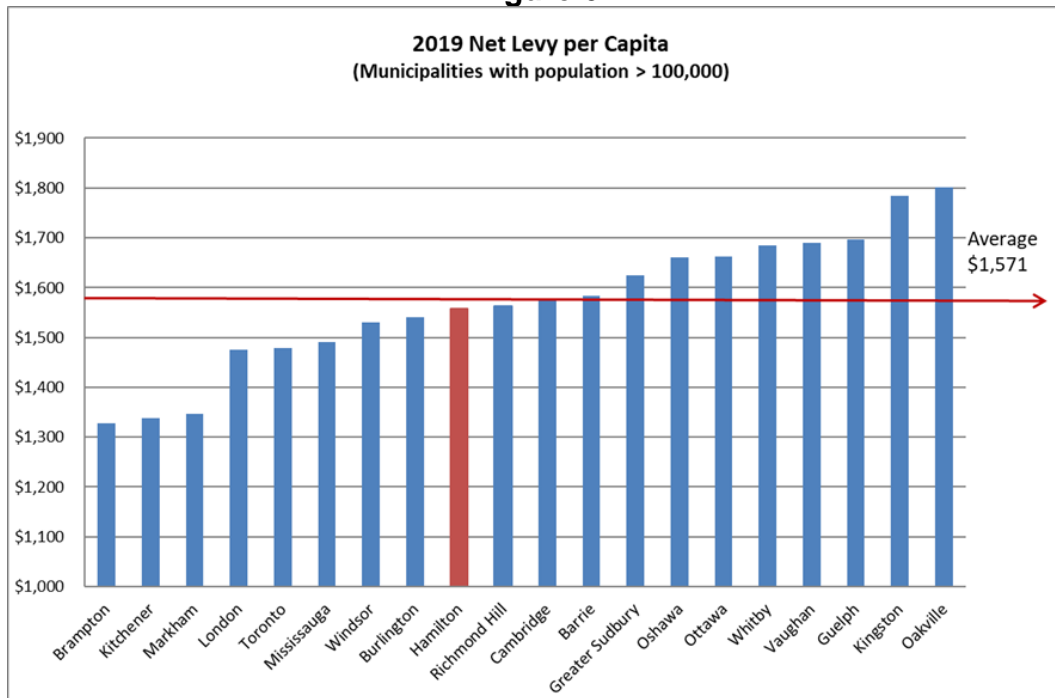
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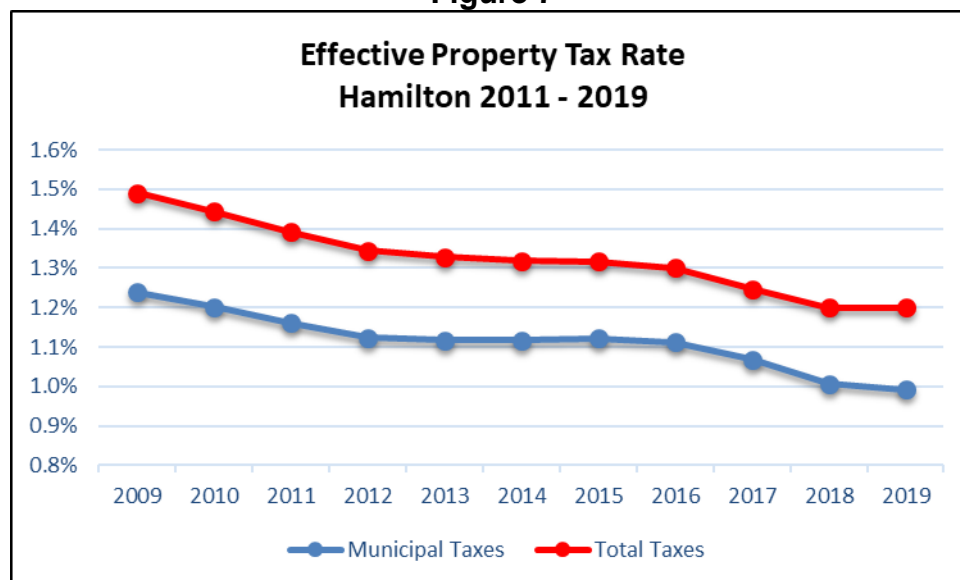
**SUBJECT: 2019 Municipal Tax Competitiveness Study (FCS20029) (City Wide) –
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Figure 6



As shown in Figure 6, Hamilton’s 2019 net levy per capita of \$1,557 is slightly below the average levy per capita of the comparators (at \$1,571). This is consistent with previous years. The result demonstrates that Hamilton’s higher than average property tax burden as a percentage of income is a product of lower income levels rather than a municipal spending issue.

Figure 7

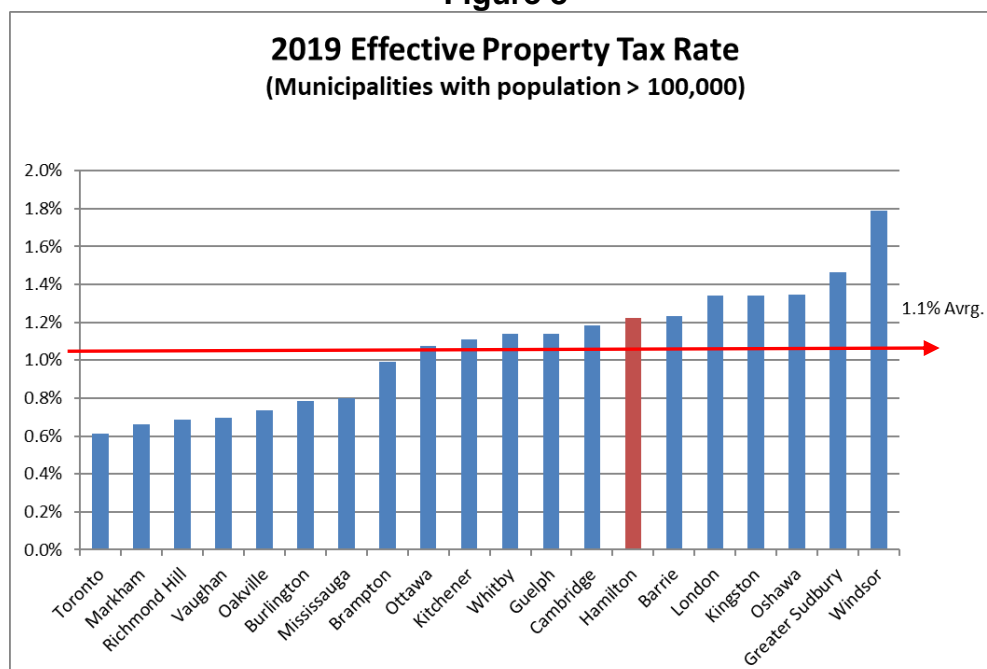


**SUBJECT: 2019 Municipal Tax Competitiveness Study (FCS20029) (City Wide) –
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As shown in Figure 7, Hamilton's effective residential property tax rate (tax rate as a percentage of property value) has been very stable since 2011, sitting at 1.2% for the last three years. The significant assessment growth in the residential property class experienced in Hamilton in the last several years has been a major factor for this result.

When compared to other municipalities, Hamilton is slightly above the 1.1% average. Municipalities such as Toronto, Markham, Richmond Hill, Oakville and Vaughan have effective property tax rates as low as 0.6% - 0.7% while Windsor is the highest of the comparators with an effective property tax rate of 1.8%. This indicator demonstrates the capacity level municipalities may have to increase taxes. Those with the lowest effective property tax rates (Toronto, Markham) have the greatest capacity while those at the higher end (Hamilton, Windsor) have less capacity. Figure 8 illustrates these results.

Figure 8



Multi-Residential Property Taxes

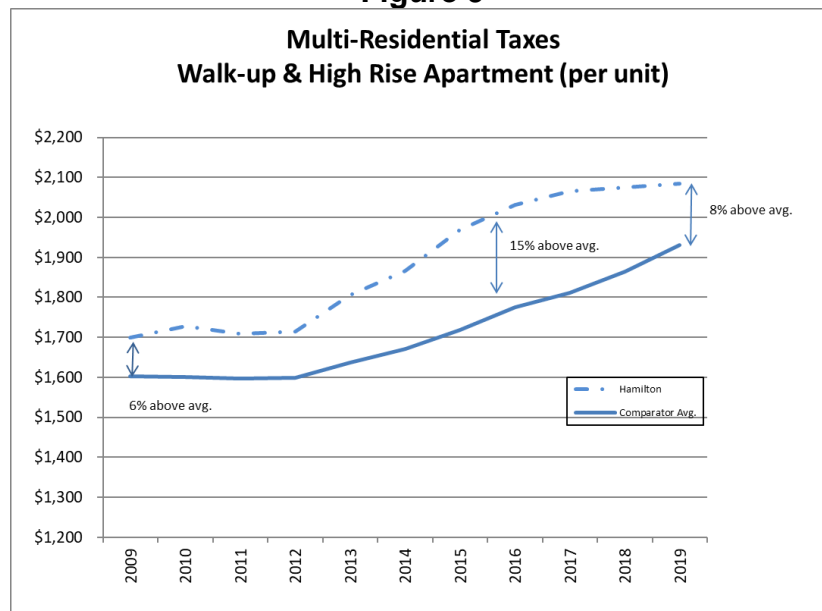
Prior to 2015, Hamilton's average taxes per unit for an apartment (both walk-up and high rise) were rising from as low as 6% above the comparator average reaching a high of 15% above the comparator average in 2015. This is primarily due to the Multi-Residential assessment values in the 2013-2016 reassessment cycle which rose above the City's average. Since 2015, this trend seems to be reversing and is now at 8% above the comparator average. In the latest reassessment cycle (2017-2020), the Multi-Residential property class saw an average reassessment benefit of 1.7% which resulted in an average tax decrease of 1.4% for 2019. The reduction in Multi-Residential taxes is expected to continue during 2019-2020 as the current reassessment cycle continues. Figure 9 illustrates these results.

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Figure 9



Additional reductions in the tax burden of the Multi-Residential property class are expected. This is because in 2017, the Province enacted legislation to freeze the tax burden for Multi-Residential properties in municipalities where the tax ratio is above 2.0. This prevents municipalities, in this situation, from passing any reassessment increases onto the Multi-Residential property class.

Additional information on the Multi-Residential property class can be found in Report FCS18002, “Update Respecting Multi-Residential Taxation”.

Commercial Property Class

When measuring the competitiveness of the Commercial property class across the Province, it is important to keep in mind the challenges that the sector is facing as a result of the evolving economic landscape, including:

- The closure of major anchor retailers
- The entry of new, high-end international retailers into the Canadian marketplace
- Changing shopping patterns of Canadian consumers / online shopping
- Substantial number of appeals filed by owners / operators

As seen in Figures 10 and 11, there is not a regular pattern between sectors in the class but rather, each type of property follows different trends. While the tax burden of office buildings in Hamilton has been historically lower than the sample average, the tax burden of the Neighbourhood Shopping Centres continues to be above the comparator average. In both cases, the trend was relatively stable starting around 2011 but the gap seems to be narrowing since 2017 which could be explained by the reassessment impacts of the last cycle.

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Figure 10

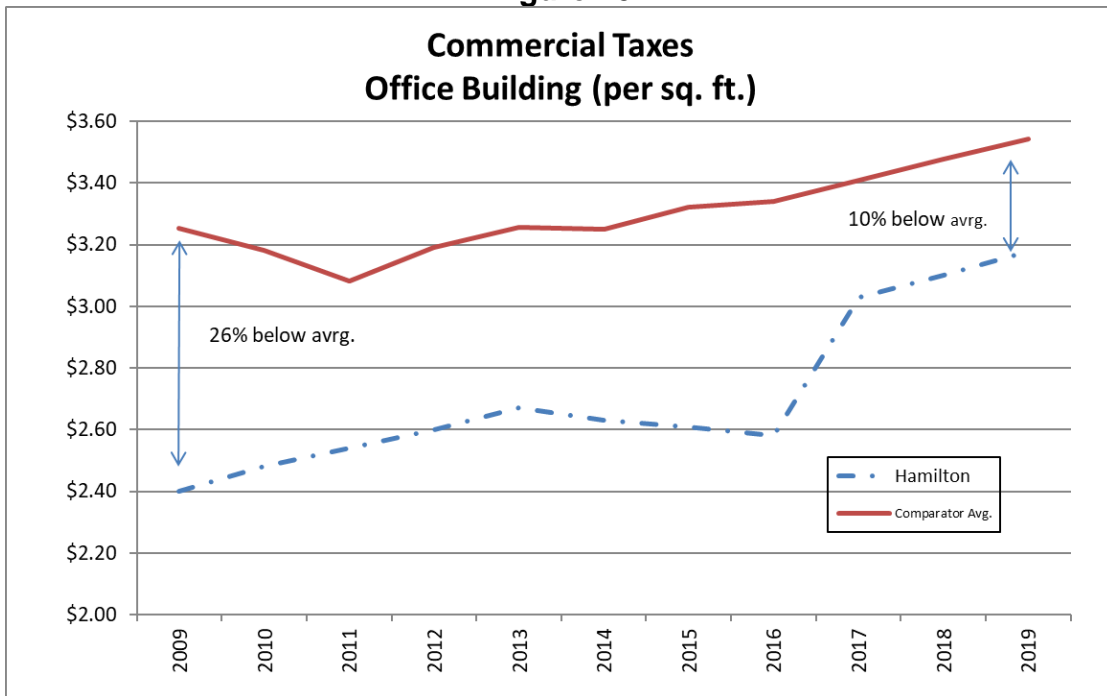
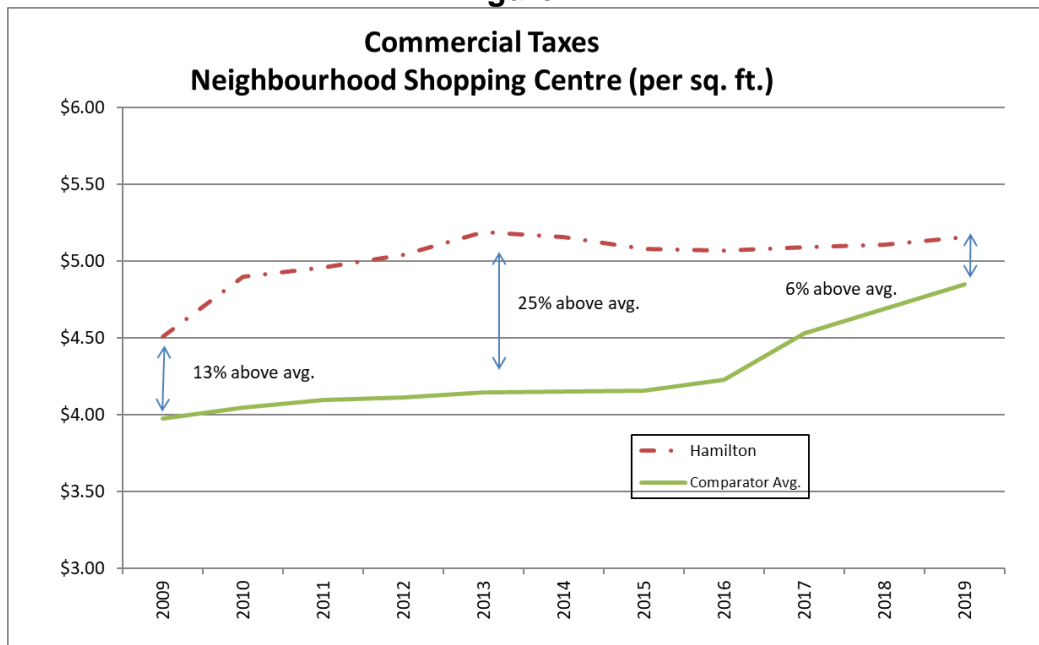


Figure 11



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

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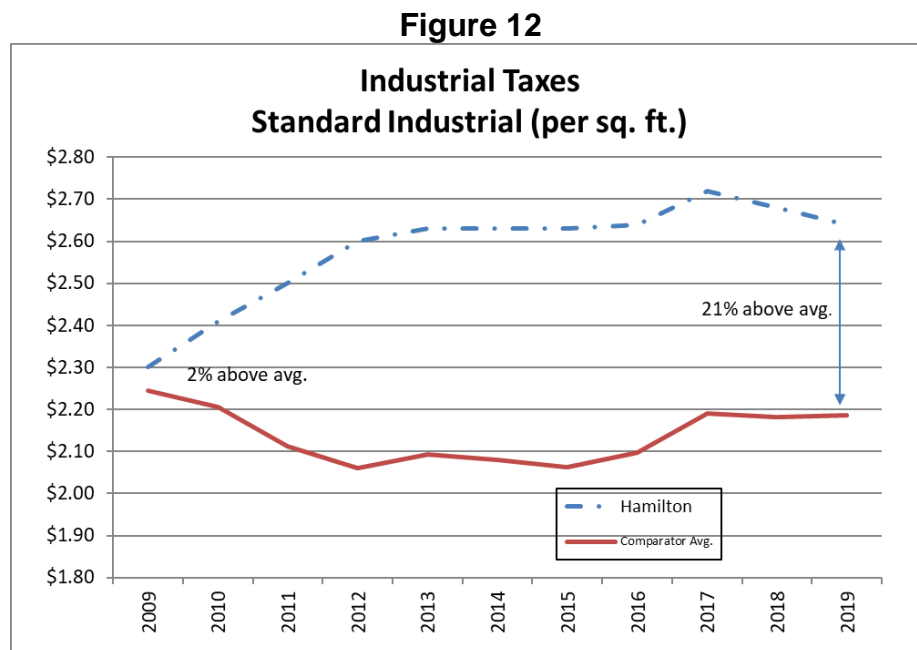
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Industrial Property Class

Similar to the Commercial property class, the Industrial property class follows different patterns depending on the type or size of industry.

Regarding the Standard Industrial property class (under 125,000 sq. ft. in size), the results have been somewhat volatile during the study period. After a steady and significant increase in the gap between Hamilton and comparable municipalities during 2010-2012, the difference has remained relatively stable, but still high at 21%.

Figure 12 illustrates the previously explained trend.



The gap between Hamilton and comparable municipalities in the Large Industrial property class (larger than 125,000 sq. ft. in size) has also been volatile during the study period but in this case, Hamilton is in a more competitive position being below the comparators (16% below in 2019). The fact that Hamilton's Large Industrial tax burden is low, however, translates into a greater tax burden for other classes, primarily the Residential property class.

The gap between the comparators and Hamilton can be attributed to a variety of reasons including the overall decline of the manufacturing industry in Ontario which is driven by global variables and has left many municipalities with a reduced assessment base due to appeals, vacancies, etc. In addition, the Provincial Business Education Tax (BET) reduction plan, which was in place until 2013 and was used to lower the Industrial education tax rate to an annual ceiling, benefitted many of the comparators but did not benefit Hamilton since Hamilton was already at or below the ceiling.

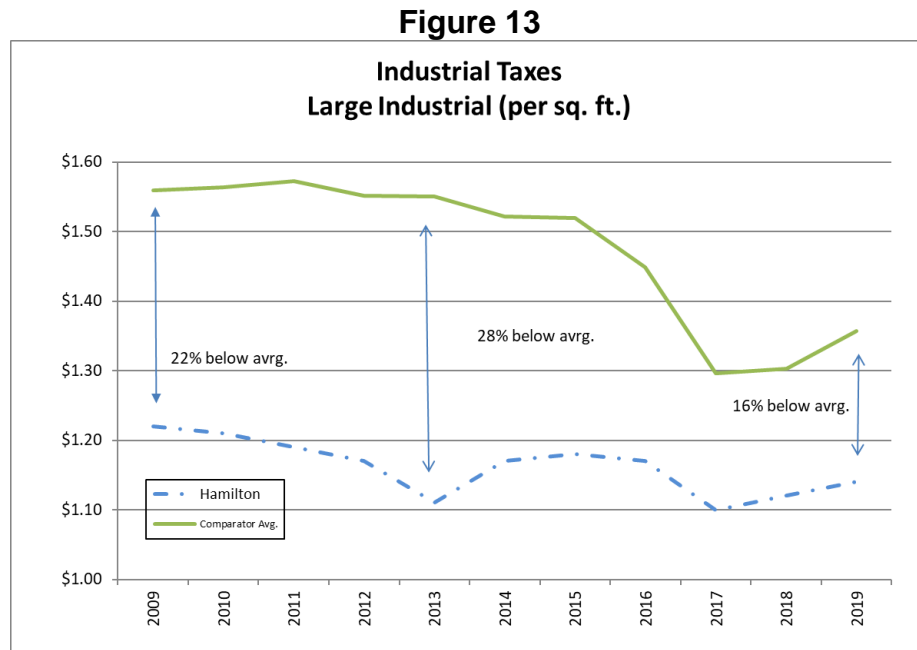
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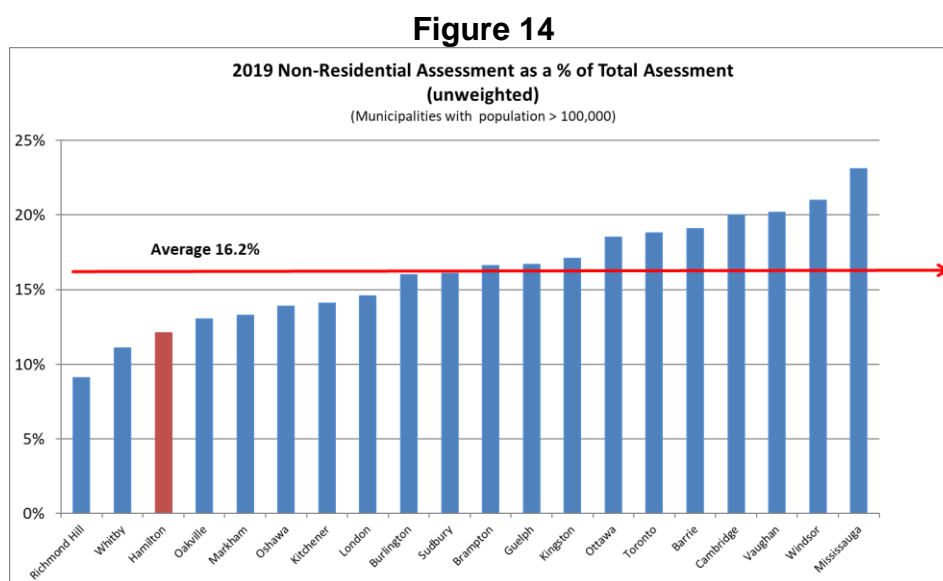
The previously explained trend can be seen in Figure 13.



Residential versus Non-Residential Split

Hamilton’s 2019 unweighted assessment is comprised of 87.9% Residential and 12.1% Non-Residential. Hamilton continues to have a lower percentage share of non-residential unweighted assessment when compared to larger municipalities (populations greater than 100,000), which averaged 83.8% Residential and 16.2% Non-Residential.

Figure 14 illustrates these results.



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At 12.1%, Hamilton’s current share of non-residential assessment has been among the lowest during the study period as shown in Figure 15.

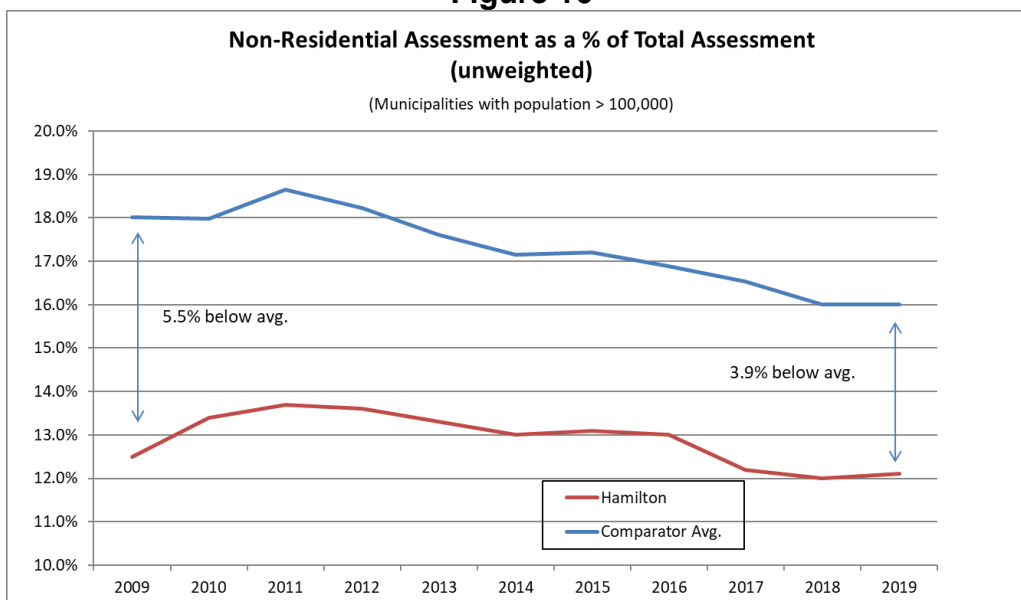
Figure 15
RESIDENTIAL VS. NON-RESIDENTIAL ASSESSMENT 2009 - 2019

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Residential	87.5%	86.6%	86.3%	86.4%	86.7%	87.1%	87.0%	87.0%	87.8%	88.0%	87.9%
Non-Residential	12.5%	13.4%	13.7%	13.6%	13.3%	12.9%	13.0%	13.0%	12.2%	12.0%	12.1%

Note: Commencing in 2010, BMA study includes PIL assessment. However, if PIL assessment is excluded, Hamilton still experienced an increase in Non-Residential Assessment in both 2010 and 2011.

It must be noted, however, that although Hamilton’s share of non-residential assessment has decreased over time, this is a trend that also has been experienced by the comparable municipalities. Additional details on the assessment growth in the City can be found in Report FCS20019 “2019 Assessment Growth”.

Figure 16



In 2009, the non-residential assessment share of total assessment in the comparable municipalities group had an average of 18.0% while Hamilton was at 12.5%. For 2019, the share has been reduced to 16.0% and 12.1%, respectively. In the last few years, the difference between Hamilton and comparable municipalities has been relatively stable at approximately 3.9%.

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Figure 17 shows the top three municipalities with highest proportion of unweighted assessment per property class.

Figure 17
**MUNICIPALITIES WITH HIGHEST PROPORTION OF UNWEIGHTED ASSESSMENT
PER PROPERTY CLASS**

Residential		Multi-Residential		Commercial		Industrial	
Gravenhurst	90.8%	Waterloo	9.7%	Niagara Falls	24.6%	Ingersoll	6.6%
Georgina	90.5%	Kingston	8.4%	Cornwall	23.5%	St. Mary's	6.4%
Richmond Hill	89.7%	Elliot Lake	8.3%	Hawkesbury	22.7%	North Dumfries	5.5%

Overall, Hamilton has experienced significant total assessment growth in the last several years, with building permits exceeding \$1 B in the last seven years. Most of that growth continues to be in the residential property class. In addition, the growth attained in the non-residential property classes is driven by institutional properties (hospitals, educational institutions) which does not translate into additional revenue for the City. Another factor that is negatively affecting the ratio of Residential versus Non-Residential assessment is the increasing number of successful appeals and ongoing assessment reviews by Municipal Property Assessment Corporation (MPAC) in the Commercial and Industrial property classes. Additional details on the assessment growth in the City can be found in Report FCS20019, “2019 Assessment Growth”.

Tax Ratios

Tax ratios distribute tax burden between classes relative to the residential class tax ratio. For example, a non-residential property with a tax ratio of 2.0 would pay twice the amount of municipal tax as a similarly valued residential property. Tax ratios are largely historical and represent the relative taxes between classes that existed when the Province established the current tax system in 1998.

Hamilton’s tax ratios compared to the Provincial Thresholds and comparators’ tax ratios by property class are shown in Figure 18.

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**Figure 18
2019 Tax Ratios by Property Class**

	Multi-Residential	Commercial	Industrial
Barrie	1.0000	1.4331	1.5163
Brampton	1.7050	1.2971	1.4700
Guelph	1.8254	1.8400	2.2048
Hamilton	2.5671	1.9800	3.3696
Kingston	1.8000	1.9800	2.6300
London	1.7491	1.9200	1.9200
Mississauga	1.3461	1.5007	1.6266
Ottawa	1.4008	1.8249	2.5521
Thunder Bay	2.2850	2.1152	2.4151
Toronto	2.3444	2.7800	2.7632
Windsor	2.0000	2.0187	2.3200
Provincial Threshold	2.7400	1.9800	2.6300

As shown in Figure 18, all municipalities have a Multi-Residential tax ratio below the Provincial Threshold. Although some municipalities have had reduction targets for this class other municipalities, including Hamilton, had reduced their Multi-Residential tax ratio due to reassessment or Provincial legislation. Regarding the Commercial tax ratio, with the exception of Thunder Bay, Toronto and Windsor, all municipalities have a tax ratio at or below the Provincial Threshold.

Hamilton, Greater Sudbury and Toronto are the only municipalities that have an Industrial tax ratio above the Provincial Threshold. Since the Industrial property class is restricted, municipalities with a tax ratio above the Provincial Threshold are not allowed to pass a municipal tax increase of more than 50% of the increase applied to the Residential property class.

APPENDICES AND SCHEDULES ATTACHED

N/A

GR/dt