



**CITY OF HAMILTON**

**CORPORATE SERVICES DEPARTMENT**  
*Financial Planning & Policy Division*

- and -

**CITY MANAGER'S OFFICE**

<b>TO:</b> Mayor and Members General Issues Committee	<b>WARD(S) AFFECTED:</b> CITY WIDE
<b>COMMITTEE DATE:</b> June 19, 2013	
<b>SUBJECT/REPORT NO:</b> 2014 Tax Budget Guideline and Process (FCS13048 / CM13010) (City Wide)	
<b>SUBMITTED BY:</b> Mike Zegarac Acting General Manager Finance & Corporate Services -and- Chris Murray City Manager	<b>PREPARED BY:</b> T. Hewitson (905) 546-2424 ext 4159 V. Terella (905) 546-2424 ext 4169 B. Goodger (905) 546-2424 ext 5639 M. Kirkopoulos (905) 546-2424 ext 2261
<b>SIGNATURE:</b>	

**RECOMMENDATION**

- (a) That 2014 user fees (excluding golf, transit, ice rental fees and web transaction or convenience fees) be increased by a rate of 2.0% and that any user fee adjustments, other than this rate, include an appropriate explanation when submitted;

- (b) That Boards & Agencies be requested to submit a 2014 budget based on a guideline of 0% increase and that any increase be forwarded for consideration with appropriate explanation;
- (c) That, consistent with Council direction at the beginning of this term, in an effort to achieve the goal of an overall tax impact of zero per cent for City Services, all City departments target a 2014 budget guideline of 0% increase and in order to consider ways to achieve this target that the following be considered as part of the 2014 budget process:
  - (i) Increases required to maintain current service levels be forwarded for consideration with appropriate explanation;
  - (ii) Options to modify service levels or reduce services be brought forward based on the Service Delivery Review opportunities and emerging initiatives;
  - (iii) Service enhancements, either Council directed or staff initiated, be limited or not considered for 2014.

## **EXECUTIVE SUMMARY**

The 2014 tax operating budget guidelines and the 2014 budget draft timeline are submitted for Council's consideration.

The guidelines and draft timeline are being brought forward in this standalone staff report (FCS13048/CM13010) instead of accompanying the outlook in an effort to create greater awareness of the budget guidelines and the process timeline earlier in the process.

In accordance with the direction set at the beginning of this term of Council (April 2011), the budget guideline for 2014 continues to call for a goal of a zero per cent increase. Staff have initiated the internal budget process for 2014 and, as such, the list of potential pressures and risks are being compiled and will be brought forward through the preliminary outlook report in September. The pressures and risks will be thoroughly reviewed to ensure that the 2014 budget request minimizes the impact to the levy. It should be recognized that sustaining current service levels, based on a zero target, will be challenging given the collective agreements, fluctuations in utility prices and other pressures currently being identified. Furthermore, in order to achieve Council's objective, the Senior Management Team has recommended that options to modify service levels or reduce services be brought forward based on the Service Delivery Review opportunities and emerging initiatives; and that any service enhancements, either Council directed or staff initiated, be limited or not considered for the 2014 budget year.

With respect to user fee increases, staff are recommending to use a rate of 2.0% which is higher than the current Ontario Consumer Price Index (CPI) average for the last twelve months (April 2012 – March 2013 = 1.0%). A rate of 2.0% more accurately reflects the increasing cost of service for the City as items such as labour costs (including collective agreements) and utility costs increase at a rate above CPI.

Exceptions to the user fee increases are those relating to golf, transit, ice rental fees and web transaction or convenience fees. The golf, transit and ice rental fees are considered separately through the departmental budget submissions. The web transaction /convenience fees were considered as part of the Web Redevelopment project and where there are no contractual obligations will be eliminated for 2014 to encourage use of on line services.

The 2014 budget process resembles that of 2013 and is identified in Appendix “A” to report FCS13048 / CM13010. A few minor changes have been made to reflect the actual timeline followed in 2013.

***Alternatives for Consideration – See Page 5***

**FINANCIAL / STAFFING / LEGAL IMPLICATIONS** (for Recommendation(s) only)

**Financial:** N/A

**Staffing:** N/A

**Legal:** N/A

**HISTORICAL BACKGROUND** (Chronology of events)

The 2013 tax operating budget, approved by Council in April 2013, resulted in an average city-wide residential tax impact of 1.9%. This represented the second lowest tax increase amongst comparator municipalities in Ontario for the third consecutive year.

Previous to that, Council has approved tax increases of 0.8 % in 2011 and 0.9% in 2012. Council has expressed their intent to continue this trend and, as such, staff are recommending a 2014 budget guideline similar to the 2013 guideline, being a goal of zero per cent.

**POLICY IMPLICATIONS/LEGISLATED REQUIREMENTS**

There are no policy implications related to the recommendations within this report FCS13048 / CM13010.

**RELEVANT CONSULTATION**

Staff have consulted with Council, City Clerks Division and the operating departments in developing the process and timeline for the 2014 budget.

The Web Redevelopment and Service Channel Sub-Committee was consulted regarding web related user fees. The Committee was in support of eliminating transaction fees to encourage the use of online services.

**ANALYSIS / RATIONALE FOR RECOMMENDATION**

(include Performance Measurement/Benchmarking Data, if applicable)

The proposed budget schedule for 2014 is identified in Appendix "A" to report FCS13048 / CM13010.

The rate and capital budget processes are expected to continue similar to previous years, and are projected to be completed by December 2013.

The tax operating budget process is comparable to last year with an expected approval in March of 2014. However, based on review of the timeline experienced in 2013, the operating budget workshops have been reduced to one date. Last year's full agendas for General Issues Committee meetings led to the cancellation of the November 27<sup>th</sup> and 29<sup>th</sup> Operating Budget Workshops, which did not provide an opportunity for departments to make presentations. Consequently, a revised process was developed which only provided Councillors with copies of the department presentations through an information report. Staff are planning one operating budget workshop for the 2014 process which will provide the opportunity for staff to present an overview presentation including divisional draft budgets and engage discussions of specific budget issues, topics, services, pressures, etc. identified as priorities by Councillors.

Opportunities to improve City services were considered through the Service Delivery Review project and presented to Council in April as part of Report CM11009c/FCS11056c. Additional work is being done on Fleet related opportunities and Information Technology Governance, with a report back to General Issues Committee (GIC) this Fall. The service profiles and remaining opportunities will serve

as an ongoing resource for continuous improvement for the City and are being reviewed by departments for potential inclusion as part of the 2014 business plans and budget process. This work will be reported on separately and any decisions impacting the 2014 budget will be incorporated accordingly.

Of note, the budget process includes co-ordination of the additional items referred to in the tax budget process by Council. Staff tracked the referrals throughout the year in order to ensure all additional referrals are captured in the tax budget process for Council's consideration. Considerable effort is expended to maintain the list of Council referrals, incorporate the referrals into the budget process and plan for deliberation of these items. In 2012, 30 items were referred by Council to the 2013 budget, however, only 9 were eventually approved and included in the final budget.

With the 2014 budget likely to be as challenging as that of 2013, limiting the number of items referred, may result in a more expedited process in 2014.

#### **ALTERNATIVES FOR CONSIDERATION**

(include Financial, Staffing, Legal and Policy Implications and pros and cons for each alternative)

Council can provide alternative direction to the guideline recommendations in this report FCS13048 / CM13010.

#### **ALIGNMENT TO THE 2012 – 2015 STRATEGIC PLAN:**

##### **Strategic Priority #1**

A Prosperous & Healthy Community

*WE enhance our image, economy and well-being by demonstrating that Hamilton is a great place to live, work, play and learn.*

##### **Strategic Objective**

1.6 Enhance Overall Sustainability (financial, economic, social and environmental).

##### **Strategic Priority #2**

Valued & Sustainable Services

*WE deliver high quality services that meet citizen needs and expectations, in a cost effective and responsible manner.*

**Strategic Objective**

- 2.1 Implement processes to improve services, leverage technology and validate cost effectiveness and efficiencies across the Corporation.
- 2.2 Improve the City's approach to engaging and informing citizens and stakeholders.

**Strategic Priority #3**

Leadership & Governance

*WE work together to ensure we are a government that is respectful towards each other and that the community has confidence and trust in.*

**Strategic Objective**

- 3.4 Enhance opportunities for administrative and operational efficiencies.

**APPENDICES / SCHEDULES**

Appendix "A" to Report FCS13048 / CM13010 – Proposed 2014 Budget Timeline.

## Proposed 2014 Budget Timeline

### Key GIC Budget Dates

ITEM	GIC DATE
2014 Tax Budget Guideline Report	June 19 <sup>th</sup>
Capital Budget Workshop - #1	September 13 <sup>th</sup>
Tax Budget Preliminary Outlook (Regular GIC)	September 18 <sup>th</sup>
Capital Assets/Projects Tour Sites	TBD
Capital Budget Workshop - #2	October 18 <sup>th</sup>
Rate Budget Workshop	October 30 <sup>th</sup>
User Fee Report (Regular GIC)	November 20 <sup>th</sup>
Operating Budget Workshop (Overview)	November 26 <sup>th</sup>
Capital Budget Report	November 28 <sup>th</sup>
Rate Budget Report	December 6 <sup>th</sup>
Preliminary Tax Operating Book	Mid-January
Boards and Agencies Presentations	Late January
Department Presentations	Late January
Public Delegations	February
GIC Deliberations	February
GIC/Council Approval	March