



CITY OF HAMILTON
CORPORATE SERVICES DEPARTMENT
Financial Planning & Policy Division

TO:	Mayor and Members General Issues Committee
COMMITTEE DATE:	January 15, 2015
SUBJECT/REPORT NO:	2015 Tax Supported Capital Budget (FCS15011) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Joe Spiler (905) 546-2424 Ext. 4519 Charlie Elliott (905) 546-2424 Ext. 2162
SUBMITTED BY:	Mike Zegarac General Manager Finance & Corporate Services
SIGNATURE:	

RECOMMENDATION

- (a) That the 2015 Tax Supported Capital Levy in the amount of \$93,877,000 be approved;
- (b) That the 2015 Tax Capital Budget & Financing Plan in the amount of \$241,676,000, attached as Appendix "A" to Report FCS15011, be approved;
- (c) That the Tax Supported Discretionary Net Capital Funding Forecast 2015 – 2024, attached as Appendix "B" to Report FCS15011, which assumes a 0.5% tax increase in each year from 2015 to 2024 be approved, in principle, and re-visited by Council each budget year;
- (d) That the operating and FTE impacts of the 2015 Tree Planting Program in the amount of \$101,400 and 1.0 FTE, included in Appendix "C" to Report FCS15011 be incorporated into the 2015 Tax Supported Operating Budget, subject to approval of the "Tree Planting Program" project 4451553444;
- (e) That the operating and FTE impacts of the 2015 capital budget (excluding the 2015 Tree Planting Program, estimated to be \$3,704,400 and 32.84 FTE's, attached as Appendix "C" to Report FCS15011, be incorporated into the 2016 Tax Supported Operating Budget;
- (f) That staff investigate options to mitigate the financial impact identified in Recommendation (e) during the 2016 tax supported operating budget process;

- (g) That the Area Rating Capital Reinvestment projects be approved subject to approval of the \$13.4 million Special Infrastructure Levy for Wards 1 to 8 in the 2015 Tax Supported Operating Budget; and
- (h) That 2015 capital projects from the Hamilton Police Service and the Hamilton Public Library, subject to approval of the respective board and Council, be funded from debt.

EXECUTIVE SUMMARY

This report provides the recommendations required to approve the 2015 Tax Supported Capital Budget. The complete details of the capital budget are provided in the "2015 Tax Supported Capital Budget" books 1 and 2 which are distributed under separate cover.

The recommendations in Report FCS15011 and the table below reflect a levy increase in the Tax Supported Operating Budget to fund Tax Supported Capital Budget projects of \$3,700,000 that translates into a tax increase of 0.5%. The recommended 0.5% capital levy tax increase represents an increase of \$15 for an average assessed house. The recommended 2015 Tax Supported Capital Levy of \$93,877,000 and associated split between debt charges and transfer from operating to capital is reflected in Table 1 below:

Table 1

CAPITAL BUDGET IMPACT ON OPERATING BUDGET				
Capital Levy (\$000's)	0.5% Tax Increase			
	2014 APPROVED	2015 PROPOSED	CHANGE \$	%
Debt Charges	48,090	48,780	690	1.4%
Transfer from Operating	42,087	45,097	3,010	7.2%
Total Impact	90,177	93,877	3,700	4.1%
Impact on Average Residential Property Taxpayer is 0.5% or \$15				

Table 2 of Report FCS15011 provides a summary of the proposed 2015 Capital Budget by program area, and a comparison to the approved 2014 Capital Budget.

Table 2

2015 PROPOSED TAX SUPPORTED CAPITAL BUDGET (\$000's)				
	2014 APPROVED		2015 PROPOSED	
	GROSS	NET	GROSS	NET
Proposed Program Funding	\$	\$	\$	\$
Recreation Facilities Program	8,140	5,500	8,843	5,165
Corporate Facilities	6,617	4,583	5,580	4,580
Forestry & Horticulture (Includes Tree Planting)	1,371	1,345	2,945	1,345
Open Space Development	9,716	3,317	7,839	3,258
Waste Management	5,278	4,178	7,663	6,716
Transit Services	15,826	3,700	24,028	3,700
Corporate Fleet Services	6,576	0	7,305	0
Parks & Cemeteries	1,408	1,138	1,708	1,138
Roads	98,650	48,400	96,649	48,500
West Harbour & Waterfront Initiatives	11,610	3,458	11,005	5,691
Public Health	485	315	92	92
Community Services	90	90	90	90
Housing Services	500	0	500	500
Long-Term Care Facilities	1,723	1,723	1,950	1,450
Fire / Paramedic Services	4,061	950	4,506	0
Corporate Services	5,133	1,770	2,710	2,105
Area Rating (Ward 1-8)	1,300	0	1,900	0
Planning & Development	6,350	185	5,725	524
Tourism & Culture Program	1,874	1,774	1,732	1,732
Public Art Program	71	71	171	171
Urban Renewal / Downtowns	2,743	2,210	2,210	2,210
Total Program Funding	189,522	84,707	195,151	88,967
Other Major Projects				
Parkland Acquisition	3,500	3,500	1,500	1,500
Pan Am Games	69,133	2,783	2,797	2,797
Provincial Offences Administration Building	3,000	0	20,380	0
McMaster Health Campus Proposal - City's Contribution	9,000	0	1,000	0
Randle Reef	300	300	300	300
Emerald Ash Borer Program	1,600	1,600	1,600	1,600
Stadium Precinct	11,000	0	16,300	0
Total Other Major Projects	97,533	8,183	43,877	6,197
Total Before Boards and Agencies	287,055	92,890	239,028	95,164
Boards & Agencies				
CityHousing	571	571	571	571
Police Services	430	430	0	0
Hamilton Public Library	300	0	0	0
Beach Rescue	25	0	77	0
H.C.A \ Westfield	2,000	2,000	2,000	2,000
Total Boards & Agencies	3,326	3,001	2,648	2,571
Total Funded Projects	290,381	95,891	241,676	97,735

The 2015 Capital Budget provides \$241.7 million in funding compared to \$290.4 million in 2014. The proposed 2015 Capital Budget supports the following capital priorities.

**Capital Priorities
(\$000's)**

	2015	
	Gross	Net
Roads	96,649	48,500
West Harbour/Waterfront	11,005	5,691
Provincial Offences Admin. Building	20,380	-
Transit Services	24,028	3,700
Parkland Acquisition	1,500	1,500
Stadium Precinct	16,300	-

Alternatives for Consideration – See Page 6

FINANCIAL – STAFFING – LEGAL IMPLICATIONS (for recommendation(s) only)

Financial: The 2015 Capital Levy of \$93,877,000 will be incorporated into the 2015 Tax Operating Budget, representing a \$3,700,000 increase from 2014 and a 0.5% tax impact on an average residential property.

Some capital projects, especially those that provide new or expanded services, have an impact on operating costs on an ongoing basis once the projects have been completed. The estimated operating impact of the recommended 2015 capital projects is \$3.806 million, of which \$3.704 million is being recommended to be incorporated into the 2016 operating budget for Council's consideration next year. The difference of \$101,400 for increased operating costs and 1 FTE related to the annual Tree Planting Program project 4451553444 is recommended to be incorporated into the 2015 Tax Supported Operating Budget. Staff are also recommending options be investigated to identify savings/efficiencies in an effort to off-set the \$3.704 million impact during the 2016 budget process.

A summary of the Operating Impacts of Capital by project are attached as Appendix "C" to FCS15011. The operating costs, by project, are also identified on the "2015 – 2024 Capital Budget Project Lists" and the "Capital Budget Project Detail Sheets" included in the 2015 Tax Supported Capital Budget Book 2.

The Discretionary Tax Supported Net Capital Funding Forecast 2015 – 2024, attached as Appendix "B" to Report FCS15011, provides a forecast of discretionary capital funding for years 2016 to 2024. The forecast assumes a 0.5% tax increase or \$3.7 million levy increase for capital annually and provides a total of \$1.152 billion in discretionary funding for the period 2015 to 2024.

Staffing: The FTE impacts of the 2015 Capital Budget are identified in Appendix "C" to Report FCS15011.

Legal: NA

HISTORICAL BACKGROUND (Chronology of events)

The City of Hamilton employs a hybrid Capital Block Funding Prioritization methodology which over the years has evolved, aligning with the City's Corporate Strategic Plan. This has been accomplished by senior staff in all program areas endorsing a corporate Capital funding program focused on financial sustainability. This process ensures stable long-term capital funding for hard infrastructure program areas (roads, facilities) which facilitates effective costing and priority planning outcomes.

The process for the 2015 Capital Budget was as follows:

Staff determined the discretionary funding available from the most current information available. Discretionary funds are those funds that could be directed to any Capital program area. This would not include specific use reserve funds (i.e. Development Charges, Fleet, Transit, etc.) or any other specific use funding. Staff met in the third quarter of 2014 to determine needs and create funding strategies based on those needs versus financial constraints. Quantitative Block Funding strategies were based on historical funding averages, masterplan requirements and subsidy eligibility. Capital projects receiving significant subsidy and/or approved by Council prior to Capital Budget deadlines receive priority in the Block Funding process.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

N/A.

RELEVANT CONSULTATION

The 2015 Capital Budget is based on submissions and consultation with all departments.

ANALYSIS AND RATIONALE FOR RECOMMENDATION (Include Performance Measurement/Benchmarking Data if applicable)

Staff are recommending a 2015 Capital Levy of \$93.877 million which represents an increase of \$3.70 million over the 2014 Capital Levy of \$90.177 million. The increase of \$3.70 million represents a 0.5% increase to the tax impact of the City's 2014 Tax Operating Budget which equates to an increase of \$15 on an average residential property.

ALTERNATIVES FOR CONSIDERATION

(Include Financial, Staffing, Legal and Policy Implications and Pros and Cons for each alternative)

One alternative method to increase the investment in capital is to add an additional 0.5% increase in the 2015 Capital Levy. The additional funds generated by the increase in the Capital Levy of \$3.7 million would bring the total tax capital levy to a 1% tax increase or an additional tax levy of \$7.4 million. The tax impact of the Capital Levy of 1% represents an increase of \$30 on an average residential property.

The additional capital investment is required for existing asset rehabilitation of aging infrastructure and new projects that increase the City's assessment base.

Some of the key capital priorities to consider for use of these additional funds include:

- Existing infrastructure rehabilitation (i.e. local roads, housing,...etc).
- Funding for Council's Strategic Capital reserve.
- Parkland Acquisition

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

- 1.1 Continue to grow the non-residential tax base.
- 1.2 Continue to prioritize capital infrastructure projects to support managed growth and optimize community benefit.
- 1.3 Promote economic opportunities with a focus on Hamilton's downtown core, all downtown areas and waterfronts.
- 1.4 Improve the City's transportation system to support multi-modal mobility and encourage inter-regional connections.
- 1.5 Support the development and implementation of neighbourhood and City wide strategies that will improve the health and well-being of residents.
- 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.
- 2.3 Enhance customer service satisfaction.

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

- 3.1 Engage in a range of inter-governmental relations (IGR) work that will advance partnerships and projects that benefit the City of Hamilton.
- 3.4 Enhance opportunities for administrative and operational efficiencies.

APPENDICES AND SCHEDULES ATTACHED

Appendix "A" to Report FCS15011 – 2015 Tax Capital Budget & Financing Plan

Appendix "B" to Report FCS15011 – Discretionary Tax Supported Net Capital Funding 2015 – 2024 Forecast

Appendix "C" to Report FCS15011 – 2015 Tax Capital Budget Operating & FTE Impact for Projects included in the Financing Plan