



CITY OF HAMILTON
CORPORATE SERVICES DEPARTMENT
Financial Planning & Policy Division

TO:	Mayor and Members General Issues Committee
COMMITTEE DATE:	November 27, 2015
SUBJECT/REPORT NO:	2016 Tax Supported Capital Budget (FCS15088) (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 2016 Tax Supported Capital Levy in the amount of \$98,371,000 be approved;
- (b) That the 2016 Tax Capital Budget & Financing Plan in the amount of \$216,685,000, attached as Appendix “A” to Report FCS15088, be approved;
- (c) That the Tax Supported Discretionary Net Capital Funding Forecast 2016 – 2025, attached as Appendix “B” to Report FCS15088, which assumes a 0.5% tax increase in each year from 2016 to 2025 be approved, in principle, and re-visited by Council each budget year;
- (d) That the operating budget and FTE impacts of the 2016 capital budget, estimated to be \$2,397,200 and 15.29 FTE’s, attached as Appendix “C” to Report FCS15088, be incorporated into the 2017 Tax Supported Operating Budget;
- (e) That staff investigate options to mitigate the financial impact identified in Recommendation (d) during the 2017 Tax Supported Operating Budget Process;
- (f) That the reserve funding included in the 2016 Tax Capital Budget totalling \$49.248 million, as itemized in Appendix “D” to Report FCS15088, be approved;
- (g) That the funding from previously approved projects (WIP’s) included in the 2016 Tax Capital Budget totalling \$8.656 million, as itemized in Appendix “E” to Report FCS15088, be approved;

- (h) 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 2016 Tax Supported Operating Budget; and
- (i) That 2016 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 2016 Tax Supported Capital Budget. The complete details of the capital budget are provided in the "2016 Tax Supported Capital Budget" books 1 and 2 which are distributed under separate cover.

The recommendations in Report FCS15088 and the table below reflect a levy increase in the Tax Supported Operating Budget to fund Tax Supported Capital Budget projects of \$3,900,000 that translates into a tax increase of 0.5%. The recommended 0.5% capital levy tax increase represents an increase of \$16 for an average assessed house. The recommended 2016 Tax Supported Capital Levy of \$98,371,000 and the split between debt charges and transfer from operating to capital is reflected in Table 1 below:

Table 1

CAPITAL BUDGET IMPACT ON OPERATING BUDGET				
(\$000's)	2015 RESTATED	0.5% Levy Increase		
		2016 PROPOSED	CHANGE	
			\$	%
Debt Charges	48,555	49,639	1,084	2.2%
Transfer from Operating	45,916	48,732	2,816	6.1%
Total Impact	94,471	98,371	3,900	4.1%
Impact on Average Residential Property Tax 0.5% (\$16)				

Table 2 of Report FCS15088 provides a summary of the proposed 2016 Tax Supported Capital Budget by program area with a comparison to the Approved 2015 Tax Supported Capital Budget.

Table 2

2016 PROPOSED TAX SUPPORTED CAPITAL BUDGET (\$000's)				
	2015 APPROVED		2016 PROPOSED	
	GROSS	NET	GROSS	NET
Proposed Program Funding	\$	\$	\$	\$
Recreation Facilities	8,843	5,165	14,678	5,100
Corporate Facilities	5,480	4,480	7,202	4,583
Entertainment Facilities	0	0	1,000	800
Forestry & Horticulture (Includes Tree Planting)	2,945	1,345	2,782	1,345
Open Space Development	7,764	3,183	14,750	3,327
Waste Management	7,013	6,066	2,635	1,420
Transit Services	24,028	3,700	18,234	3,700
Corporate Fleet Services	6,805	0	9,181	0
Parks & Cemeteries	1,708	1,138	1,592	1,265
Roads	98,829	50,680	90,919	54,995
West Harbour & Waterfront Initiatives	11,005	5,691	7,475	7,475
Public Health	92	92	92	92
Community Services	0	0	90	90
Housing Services	500	500	1,500	1,500
Long-Term Care Facilities	1,950	1,450	2,090	1,590
Emergency Services	5,271	765	6,680	508
Corporate Services / City Manager	2,635	2,030	3,015	2,865
Area Rating (Ward 1-8)	1,900	0	1,241	0
Planning & Development	5,725	524	7,744	1,089
Tourism & Culture	1,732	1,732	2,450	1,702
Public Art Program	171	171	0	0
Urban Renewal	1,810	1,810	2,210	2,210
Total Program Funding	196,206	90,522	197,560	95,656
Other Major Projects				
Parkland Acquisition	1,500	1,500	1,500	1,500
Pan Am Games	2,797	2,797	0	0
Provincial Offences Administration Building	20,380	0	9,000	0
McMaster Health Campus Proposal - City's Contribution	1,000	0	0	0
Randle Reef	300	300	300	300
Emerald Ash Borer Program	1,600	1,600	2,600	2,600
Stadium Precinct	16,300	0	0	0
Total Other Major Projects	43,877	6,197	13,400	4,400
Total Before Special Levies and Boards	240,083	96,719	210,960	100,056
Special Levies & Boards				
CityHousing	571	571	2,300	1,500
Police Services	15,000	900	0	0
Hamilton Public Library	3,800	1,575	1,365	0
Beach Rescue	77	0	60	0
H.C.A\Confederation Park\Westfield	2,000	2,000	2,000	2,000
Total Special Levies & Boards	21,448	5,046	5,725	3,500
Total Funded Projects	261,531	101,765	216,685	103,556

The 2016 Tax Supported Capital Budget provides \$216.7 million in funding compared to \$261.5 million in the Approved 2015 Tax Supported Capital Budget which included some significant commitments to one-time projects.

Alternatives for Consideration – See Page 6

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

Financial: The 2016 Tax Supported Capital Budget & Financing Plan in the amount of \$216,685,000, attached as Appendix “A” to Report FCS15088, includes the gross costs and sources of financing. The 2016 Capital Levy of \$98,371,000 will be incorporated into the 2016 Tax Operating Budget, representing a \$3,900,000 increase from 2015 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 2016 capital projects is \$2.397 million, which is being recommended to be incorporated into the 2017 operating budget for Council’s consideration next year. Staff are also recommending options be investigated to identify savings/efficiencies in an effort to off-set the \$2.397 million impact during the 2017 budget process.

A summary of the Operating Budget Impacts of Capital by project are attached as Appendix “C” to Report FCS15088. The operating costs, by project, are also identified on the “2016 – 2025 Capital Budget Project Lists” and the “Capital Budget Project Detail Sheets” included in the 2016 Tax Supported Capital Budget Book 2.

The Discretionary Tax Supported Net Capital Funding Forecast 2016 – 2025, attached as Appendix “B” to Report FCS15088, provides a forecast of discretionary capital funding for years 2017 to 2025. The forecast assumes a 0.5% tax increase or \$3.9 million levy increase for capital annually and provides a total of \$1.225 billion in discretionary funding for the period 2016 to 2025.

During 2015, the City received a commitment of \$1.78 million in grants from the Federal Economic Development Agency of Southern Ontario (FedDev Ontario) under the Canada 150 Community Infrastructure Program. The projects for which the grants were approved have been incorporated into the 2016 Tax Supported Capital Budget and Financing Plan. Table 3 below provides a list of projects with funding from Canada 150 grants and the funding source for the City’s share.

Table 3

Projects with Canada 150 Infrastructure Funding (\$000's)		Funding			
		Gross Cost	Canada 150 Grant	Area Rating Reserves	Capital Levy
7201641602	Rehabilitation of St. Marks Church	960	280	400	280
7201658604	Expansion of Griffin House National Historic Site	205	68	-	137
7101654610	Carlisle & Beverly Arena Accessibility Upgrades & Expansion	550	183	-	367
7101654611	Mt. Hope & Binbrook Hall Renovations & Accessibility Upgrade:	1,030	541	-	489
7101654613	Westoby (Olympic) Arena Roof Replacement	550	250	-	300
7101641601	Ancaster Aquatic Centre Refurbishment	458	458	-	-
Total		3,753	1,780	400	1,573

Staffing: The staffing impacts of an additional 15.29 full time equivalent (FTE) of the 2016 Tax Supported Capital Budget are identified in Appendix “C” to Report FCS15088.

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 2016 Tax Supported 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 second and third quarters of 2015 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 2016 Tax Supported Capital Budget is prepared from submissions from departments and consultation with departments.

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

The 2016 Tax Supported Capital Budget & Financing Plan in the amount of \$216,685,000, attached as Appendix "A" to Report FCS15088, includes the gross costs and sources of financing.

Staff are recommending a 2016 Capital Levy of \$98.371 million representing an increase of \$3.90 million over the 2015 restated Capital Levy of \$94.471 million in the Tax Supported Operating Budget. The increase of \$3.90 million represents a 0.5% increase to the tax impact of the City's Preliminary 2016 Tax Supported Operating Budget which equates to an increase of \$16 on an average residential property.

Funding from Program Reserves of \$48.1 million and Discretionary Reserves of \$1.1 million is provided in Appendix "D" to Report FCS15088. The remaining sources of financing the 2016 Gross Tax Supported Capital Budget are summarized in Appendix "A" to Report FCS15088.

Staff have submitted a number of projects that are not included in the 2016 Tax Supported Capital Budget and Financing Plan, attached as Appendix "A" to Report FCS15088. A list of these projects is included in 2016 Tax Supported Capital Budget Book 1 which will be available prior to the General Issues Committee meeting on November 27, 2015. This list includes two projects that were referred to the 2016 Capital Budget Process as follows:

1. Community Bed Bug Strategy (Report BOH14010(a)/CES14013(a)) funding at a cost of \$1,060,000 from April 1, 2016 to March 31, 2019 was referred to the 2016 Capital Budget Process by the Board of Health at its meeting on October 19, 2015. The project includes one temporary FTE for three years and one temporary FTE for two years of the project; and
2. Sesquicentennial Initiatives (Report PED15087) includes various events planned as Hamilton Celebrates Canada's 150th birthday. The project with a gross cost of \$940,000 and 1 temporary FTE for 2 years was referred to the 2016 Capital Budget Process by the General Issues Committee at its meeting on August 10, 2015.

ALTERNATIVES FOR CONSIDERATION

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

One alternative to increase the investment in capital infrastructure is to add an additional 0.5% increase to the 2016 Operating Budget Capital Levy. The additional funds generated by the increase in the Capital Levy of \$3.9 million would bring the total tax capital levy to a 1% tax increase or an additional tax levy of \$7.8 million from 2015. The tax impact of the Capital Levy of 1% represents an increase of \$32 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, facilities, 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 FCS15088 – 2016 Tax Capital Budget & Financing Plan

Appendix "B" to Report FCS15088 – Discretionary Tax Supported Net Capital Funding 2016 – 2025 Forecast

Appendix "C" to Report FCS15088 – 2016 Tax Capital Budget Operating Budget & FTE Impact for Projects included in the Financing Plan

Appendix "D" to Report FCS15088 – 2016 Tax Capital Budget Proposed Reserve Funding by Reserve and Project

Appendix "E" to Report FCS15088 – 2016 W.I.P. Funding