



CITY OF HAMILTON
CORPORATE SERVICES DEPARTMENT
Financial Planning and Policy Division

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| TO: | Chair and Members Audit, Finance and Administration Committee |
| COMMITTEE DATE: | June 20, 2016 |
| SUBJECT/REPORT NO: | Ward Specific Non-Property Tax Revenues (FCS16042) (City-Wide) |
| WARD(S) AFFECTED: | City Wide |
| PREPARED BY: | Samantha Blackley (905) 546-2424, extension 2132 Joseph Spiler (905) 546-2424, extension 4519 |
| SUBMITTED BY: | Mike Zegarac General Manager Finance and Corporate Services Department |
| SIGNATURE: | |

RECOMMENDATION

- (a) That Non-property tax revenues generated within a Ward be deposited to new Ward specific Capital projects exclusive of direct operating costs on a go forward basis from the following sources:
 - (i) Existing and new license agreements for cellular towers (as identified in Appendix “A” to Report FCS16042);
 - (ii) New Easements and other Right of Ways;
 - (iii) Signage; and,
 - (iv) Other similar Ward specific non-property tax revenues deemed appropriate by the General Manager of Finance and Corporate Services;
- (b) That initiatives funded from the Ward specific non-property tax revenue sources be submitted whenever possible as Ward specific Capital projects and approved annually through the City of Hamilton Capital Budget Process.

EXECUTIVE SUMMARY

Non-property tax revenues from license agreements for cellular towers, easements, right of ways and signage are currently being deposited in ward-specific Reserves or funding associated operating cost requirements such as right of way maintenance responsibilities. Staff recommends that, going forward, these Ward-specific non-property tax revenues (net of any operating costs) be deposited in associated Ward-specific Capital projects.

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The City's administrative policies and procedures require Council approval of uses of reserve funds or disbursement of reserve funds. This creates timeliness and administrative issues when dealing with relatively minor and frequent transactions for which the cellular tower rental revenues could be a funding source.

For example, revenue from existing license agreements for cellular towers on City property of approximately \$230,000 annually is being deposited to ward-specific Capital Reserves or a former Municipal Unallocated Capital Reserve. Cell tower revenue has been used to fund relatively minor Capital and Operating related requests.

Report FCS16042 recommends creating new Ward-specific Capital projects which would be funded from non-property tax revenue from cellular towers, easements, right of ways and signage. Requests to spend funds from these Ward-specific Capital projects would be submitted whenever possible and approved annually through the City of Hamilton Capital Budget Process. When deemed appropriate, other requests to spend funds from these Ward specific capital projects would be submitted to Council in reports or motions. This change in accounting would facilitate tracking these Ward specific revenues separately.

Alternatives for Consideration – Not Applicable

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: Staff recommends that the Ward specific non-property tax revenues from cellular towers, easements, right of ways and signage be deposited to Ward-specific Capital projects on a go forward basis (except for cellular tower revenues) due to existing operating budget obligations against these revenues.

For the cellular tower revenues, the revenue can be deposited to Ward specific Capital projects effectively immediately. The amount received will remain unchanged as it is based on the current agreements with telecommunication providers.

Table 1 lists the cellular towers on City-owned property and the associated annual rental revenue.

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Table 1

| Cell Tower | Ward | Annual Amount (\$) |
|--|-------------|---------------------------|
| 28 York Boulevard | 2 | \$20,000 |
| 75 Balsam Avenue North (Tim Hortons Field) * | 3 | \$28,138 |
| 14-28 Sherwood Park Road ** | 10 | \$26,522 |
| 415 Arvin Avenue | 11 | \$37,927 |
| 385 Jerseyville Road West | 12 | \$27,999 |
| 70 Olympic Drive *** | 13 | \$36,777 |
| Dundas Water Tower-Sutter Crescent | 13 | \$26,922 |
| 115 Cole Street | 15 | \$26,922 |

Notes to table:

* Replacing tower at 1989 King E., (Scott Park)

*** Approved but not started yet

*** Telecoms are co-located

Table 2 list the current revenue accounts being used for deposits and proposed Ward specific projects.

Table 2

| Cell Tower Location | Licensee | Existing Capital Reserves (where revenue is deposited) | Proposed Ward Specific Revenue Projects |
|--|-----------------|---|--|
| 28 York Boulevard | Wind Mobile | 108052 (Ward 2 Capital Reserve) | 3301609602 (Ward 2) |
| 75 Balsam Avenue North (Tim Hortons Field) | Bell Mobility | 108053 (Ward 3 Capital Reserve) | 3301609603 (Ward 3) |
| 14-28 Sherwood Park Road | Wind Mobile | 108034 (Stoney Creek Capital Reserve) | 3301609610 (Ward 10) |
| 415 Arvin Avenue | Rogers Wireless | 108034 (Stoney Creek Capital Reserve) | 3301609611 (Ward 11) |
| 385 Jerseyville Road West | Rogers Wireless | 108030 (Ancaster Capital Reserve) | 3301609612 (Ward 12) |
| 70 Olympic Drive | Bell Mobility | 108031 (Dundas Capital Reserve) | 3301609613 (Ward 13) |
| Dundas Water Tower-Sutter Crescent | Rogers Wireless | 108031 (Dundas Capital Reserve) | 3301609613 (Ward 13) |
| 115 Cole Street | Bell Mobility | 108032 (Flamborough Capital Reserve) | 3301609615 (Ward 15) |

Staffing: N/A

Legal: N/A

HISTORICAL BACKGROUND

The City currently has eight license agreements for cellular towers. Appendix "A" to Report FCS16042 provides details about these agreements. Most of the agreements are for five years and clearly states the revenue that the City will receive each year. The revenue received increases annually between 2.5% and 3% depending on the contract, to help account for inflation.

Currently, the cellular tower rental revenue is deposited to various City Capital Reserves and combined with several other reserve funding sources. Staff tracks the cellular tower rental revenues separately when determining the amount uncommitted to specific projects.

Other Ward specific non-property tax revenues for easements, right of ways and signage are deposited to various operating budget deptids and are used to offset costs.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

Currently, Non-property tax revenues from for cellular towers, easements, right of ways and signage are being deposited into either Ward specific Capital Reserves, former Municipal Unallocated Capital Reserves or used to fund maintenance requirements (i.e., easements) in the operating budget. The purpose for this revenue is to fund relatively minor Capital and Operating related requests. However, Reserve Accounting Policies (approved by Council) require that a report be submitted to Council every time funding is requested from a reserve. By changing the process to record Non-property tax revenue in Ward specific Capital projects rather than reserves requires that Capital Budget Policies and procedures be followed.

RELEVANT CONSULTATION

Revenues billed to customers for cellular tower license agreements were discussed with staff in Corporate Services Department, Financial Services Division.

Cellular tower license agreements were discussed with staff in Planning and Economic Development, Economic Development and Real Estate.

ANALYSIS AND RATIONALE FOR RECOMMENDATION

Through the creation of new Ward specific revenue Capital projects, staff and councillors will be able to administer and track Ward specific non-property tax revenues from cellular towers, easements, right of ways and signage with more ease and transparency.

ALTERNATIVES FOR CONSIDERATION

N/A

ALIGNMENT TO THE 2012 – 2015 STRATEGIC PLAN

Strategic Priority #2

A Prosperous and 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

- 1.2 Continue to prioritize Capital infrastructure projects to support managed growth and optimize community benefit.
- 1.6 Enhance Overall Sustainability (financial, economic, social and environmental).

Strategic Priority #2

Valued and 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 and 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 AND SCHEDULES ATTACHED

Appendix "A" to Report FCS16042 Summary of License Agreements Cellular Towers

SB/dkm