



2017 Budget Guidelines, Preliminary Process & Outlook

General Issues Committee

September 21, 2016

Item 7.3

FCS16070



1. Historical Budgets & Tax Impact
 2. 2017 Tax Budget Preliminary Outlook
 3. 2017 Recommended Budget Guidelines
 4. 2017 Budget Schedule
 5. 2017 Reassessment
 6. Multi-Year Budgeting
 7. Credit Rating
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Historical Budgets & Tax Impacts



Average Residential Tax Impacts 2014-2016

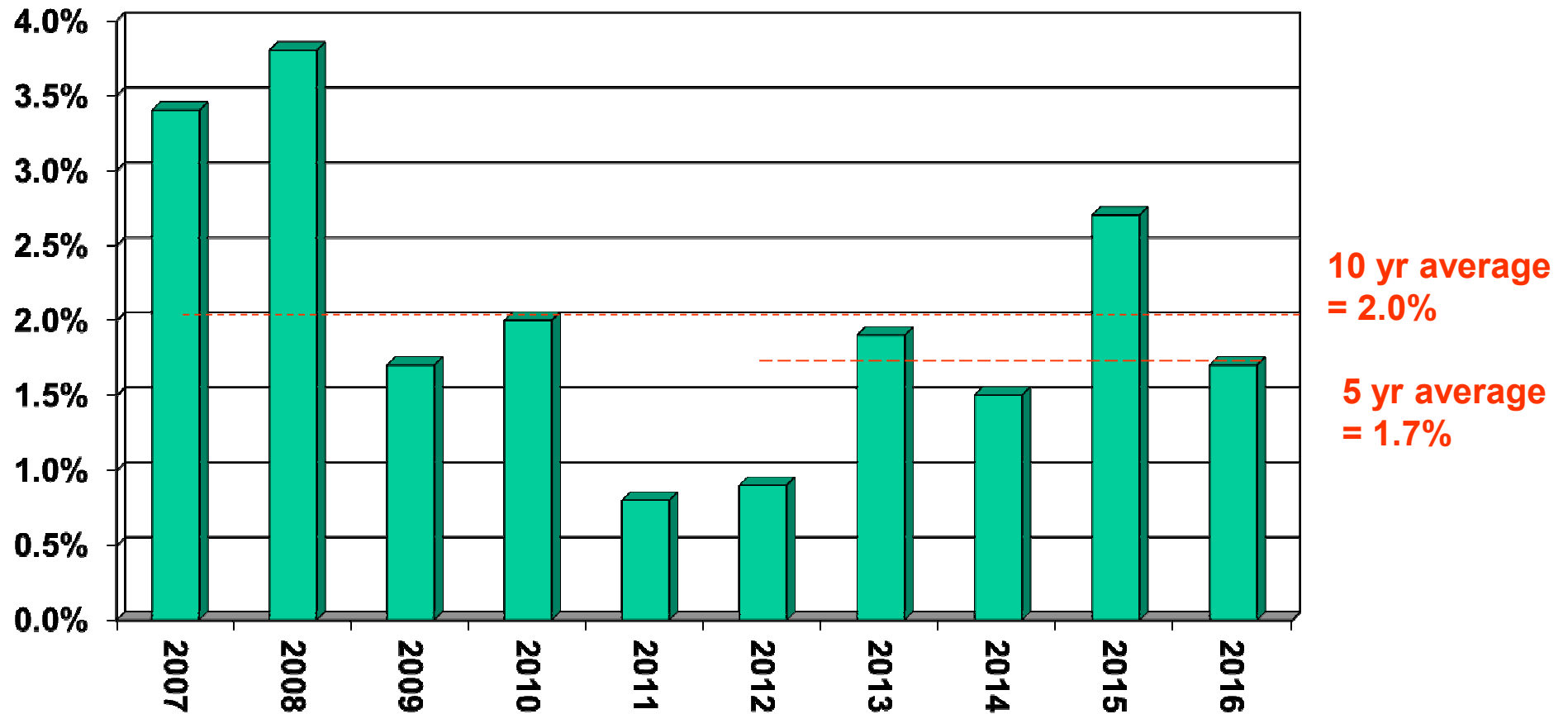
	Residential Tax Impacts			
	2014	2015	2016	3 Year Average
City Departments	1.7%	2.6%	1.3%	1.9%
Boards & Agencies	0.3%	0.3%	0.3%	0.3%
Capital Financing	0.0%	0.5%	0.5%	0.3%
Municipal Tax Impact	2.0%	3.4%	2.1%	2.5%
Total Tax Impact *	1.5%	2.7%	1.7%	2.0%

* - Includes education set provincially.



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Annual City-wide Residential Tax Impacts

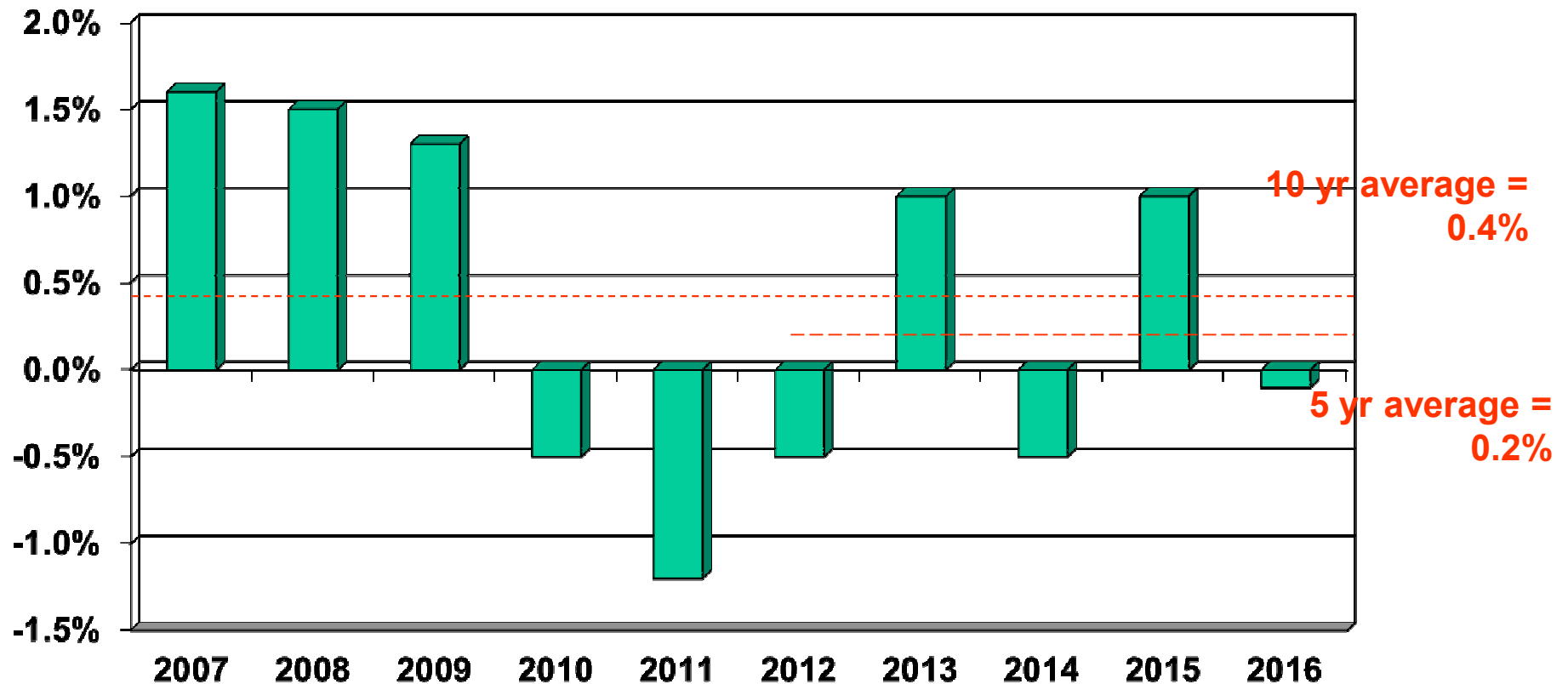


Annual residential impacts - includes budget, reassessment, area-rating, education and tax policies



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Annual City-wide Residential Tax Impacts adjusted for Inflation



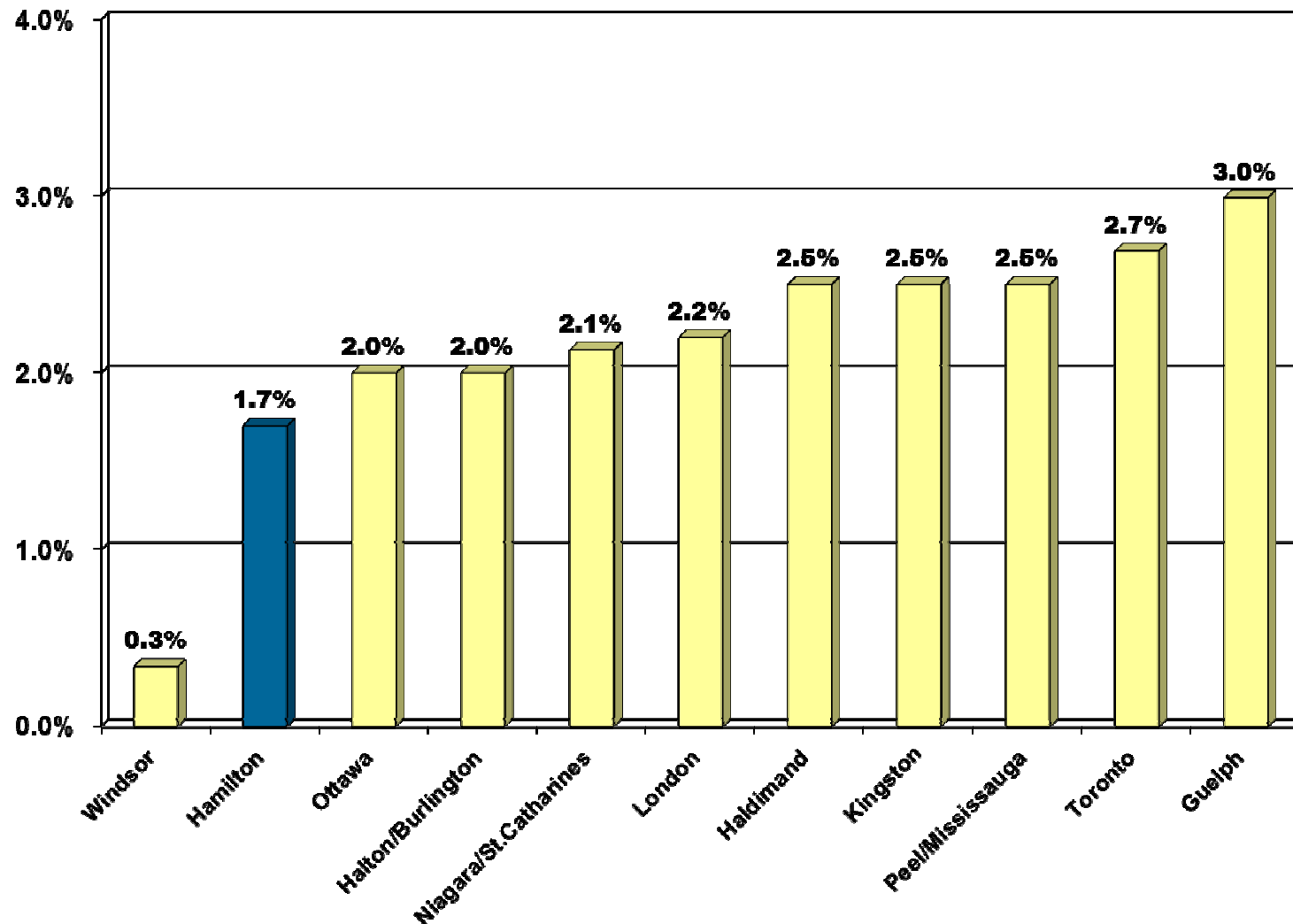
Annual residential impacts - includes budget, reassessment, area-rating, education and tax policies

Inflation = Ontario CPI (all items) – 2016 Projection 1.8%



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2016 Average Residential Tax Impacts

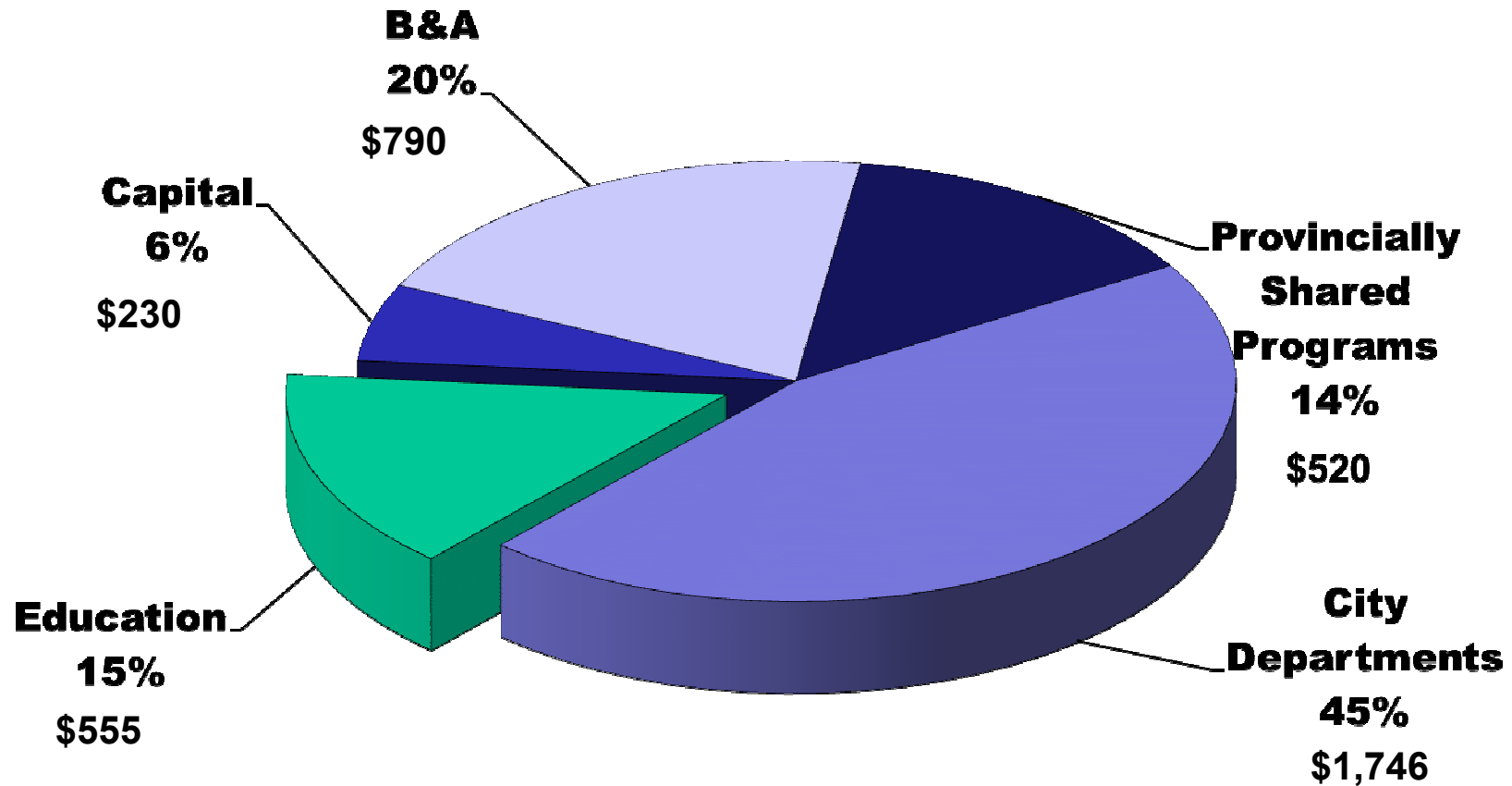


Note – anomalies in totals due to rounding.



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2016 Average Residential Tax Bill



Total \$3,841 - Municipal only \$3,286 – 86%

Based on average CVA of \$295,300



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2017 Tax Budget Preliminary Pressures



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2017 Preliminary Pressures / Risks

	2017 Outlook Pressures / Risks
City Departments	
- Salary / Wage Compensation	\$ 13.2 million
- Operating Impact of Capital Projects	\$ 2.1 million
- Corporate Wide	\$ 9.4 million
- City Departments Other	\$ 7.5 million
Boards & Agencies	\$ 6.0 million
Capital	\$ 4.0 million
2017 Preliminary Pressures/Risks	\$ 42.1 million
2017 Municipal Tax Impact (assumes 1.0% growth)	4.2%



2017 Preliminary Impact for the Average Residential Tax Bill

	2017 Preliminary Impact (Average Residential)	
	Draft	
	\$	%
Municipal Taxes		
City Departments	\$ 109	3.3%
Boards & Agencies	\$ 15	0.4%
Capital Financing	\$ 16	0.5%
Total Municipal Taxes	\$ 140	4.2%

- Assumes 1.0% Growth
- 1.0% municipal tax impact is equivalent to a tax levy increase of about \$8M



Salary/Wage Compensation

	Levy Impact \$
Salary / Wage Compensation:	
- COLA / Settlements	\$ 8.0 million
- Merit / Step Increases	\$ 2.4 million
- OMERS	\$ 1.2 million
- Government Benefits	\$ 0.5 million
- Employer Benefits	\$ 0.2 million
- WSIB Contributions	\$ 0.4 million
- Retiree Benefits	\$ 0.5 million
TOTAL	\$ 13.2 million

- Total of employee related costs is 1.7%

Operating Impact of Capital Projects / Contribution to Capital

	Levy Impact \$
Operating Impact of Capital Projects:	
- Approved through Capital Budget (FCS15088)	\$ 1.8 million
- Deferred from previous years	\$ 0.3 million
TOTAL	\$ 2.1 million

- Pending projects deferred until 2018 total \$900K

	Levy Impact \$
Capital:	
- Preliminary direction at 0.5%	\$ 4.0 million
TOTAL	\$ 4.0 million



Corporate Impacts

	Levy Impact \$
Corporate: <ul style="list-style-type: none"> - Inflationary / Contractual Requirements - User Fees (excluding Transit, Ice, Golf) - Energy (Fuel, Natural Gas, Electricity) 	\$ 8.5 million (\$ 2.8) million \$ 3.7 million
TOTAL	\$ 9.4 million

Breakdown of Fuel Pressures

	2017	2016	2016 - no increases in natural gas and fuel diesel based on anticipated market condition
Natural Gas	0.1	0	
Electricity	2.7	0.7	
Fuel diesel/unleaded	0.9	0	
	3.7	0.7	



	Levy Impact \$	FTE
Planning & Economic Development		
Affordable Housing Fee Reduction Program PED16098 proposing affordable housing projects resulting in an expected revenue shortfall of \$100 K.	100,000	
Part Lot Control Fees review	25,000	
Total	125,000	
Public Health Services		
Clinical and Preventive Services -Vaccine Program: existing service levels	71,910	3.00



	Levy Impact \$
Community & Emergency Services	
Employment & Income Support - Ontario Works - Upload savings based on 2016 subsidy rate of 94.2% to 2017 subsidy rate of 97.2% (employment, caseload, discretionary)	(3,200,000)
Housing - Increase in social housing costs due to provincial benchmarking	1,500,000
Housing - Annualizations of 2016 Housing allowance (Portable rent subsidy program).	275,000
HPS - Additional Ambulances - Annualization of Phase 3 (April 2016) implementation	144,660
Total	(1,280,340)



	Levy Impact \$	FTE
Public Works		
City/CASP - Contribution to Fleet Vehicle Reserve due to an increase in contribution to the Fleet Vehicle Reserve as a result of vehicle cost increases and impact of USD increase.	600,000	
City/CASP - Central Fleet Vehicle Charges due to an expected increase in the cost of parts and repairs for Central Fleet Vehicle Charges	400,000	
Environmental Services - Per City of Hamilton Cemeteries: approved that the program can no longer use the Care & Maintenance Fund (C&MF) interest to offset operating costs.(Report PW15075)	147,000	
Ten Year (2015 to 2024) Local Transit Strategy (Report PW14015a) - Phase-in of Year 1 and Year 2 service plus Year 3	2,600,000	26.00
Transit - 'Overtime to move toward being more in line with actual	1,000,000	
Transit - 'Contributions to Reserve to fund - Fleet/Terminals'	1,450,000	
Tim Hortons Field (CASP1602)	1,500,000	
Total	7,697,000	



City Department Other

	Levy Impact \$
Corporate Services	
IT - Software upgrade and purchase methodology increased annual expense to be distributed to all Departments.	700,000
IT - Savings - New Ricoh printing contract	(300,000)
Total	400,000
Coporate Financials / Non Program Revenues	
Write-Offs	300,000

- Additional revenue opportunities from the Finance & Administration and Revenue Generation Division will be incorporated pending approval



Boards & Agencies

	Levy Impact \$
Boards & Agencies:	
- Police (3.20% - based on five year average)	\$ 4.9 million
- Boards & Agencies (excluding Police)	
Conservation Authorities & MPAC @ 2.0%	\$ 0.2 million
Other Boards & Agencies @ 2.0%	\$ 0.6 million
- City Enrichment Fund - '17 funding (GIC16-003)	\$ 0.3 million
TOTAL	\$ 6.0 million



Council Referred Items

- In addition to the \$42.1M in pressures there have been a number of items referred to the 2017 tax budget process by Council. Currently these pressures are estimated to be approximately \$550K.
 - Implementation of Tourism Strategy: \$200K
 - Long Range Planning Office: \$350K
 - Golf Courses Business Plan Update: TBD
 - SIRE livestreaming Updates: TBD
 - Employment Systems Review: TBD



Other Potential Risks

- Unfavourable exchange rate for fire apparatus/equipment
- Annual payment requirement for Trunk Radio Software Maintenance Agreement
- Alignment of budgeted hydro costs to actuals for Recreation
- Tax risk exemption for not-for-profit long-term care homes
- Ongoing appeal from the Niagara Peninsula Conservation Authority levy



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2017 Recommended Tax Budget Guidelines



2017 Recommended Budget Guidelines

- 2017 user fees (excluding golf fees, transit fares, and ice rental fees) be increased based on guideline of 2.0%
- Boards and Agencies be requested to submit their 2017 operating budget based on a guideline of a 2.0% increase
- All City departments target a 2017 tax supported operating budget guideline of a 2.0% increase
- Tax supported operating budget guideline for capital of a 0.5% increase



Reduction Scenarios

2017 REDUCTION SCENARIOS

	Reductions	Levy Increase	Residential Tax Incr.
PRELIMINARY BUDGET		\$ 42,100,000	4.2%
TOTAL REDUCTIONS OF	\$ (17,600,000)	\$ 24,500,000	2.0%
TOTAL REDUCTIONS OF	\$ (25,600,000)	\$ 16,500,000	1.0%

- \$8.0M is required to adjust the municipal tax impact by 1.0%



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2017 Budget Schedule



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2017 Budget Schedule

ITEM	DATE
Tax supported Operating Budget Guideline, Outlook, Process Report	September 21
Capital Assets/Projects Tour Sites (Bus Tour)	September 23
Tax Supported Capital Budget Workshop	October 21
User Fee Report (Regular GIC)	November 16
Rate Supported Budget Report	Nov. 18, Dec. 2 (if needed)
Tax Supported Capital Budget Report	Nov. 25, Dec. 9 (if needed)
Tax Supported Operating Budget Overview	January 20
Boards & Agencies Presentation	January 24, 26
Transit Day	January 27
Departmental Budget Presentations @ GIC	February 3, 7, 10, 17, 21 (TBC)
Public Delegations	February 23
GIC Budget Deliberations	February 24, 27(half day), March 2,3
Reassessment & Growth Reports	Late February
Council Budget Approval	Early March



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2017 Reassessment

Preliminary Residential Assessment Change

RESIDENTIAL AVERAGE BY WARD

Individual Properties will vary

	Percent Change
Ward 1	9.0%
Ward 2	8.7%
Ward 3	8.9%
Ward 4	7.1%
Ward 5	6.6%
Ward 6	6.7%
Ward 7	7.0%
Ward 8	6.9%
Ward 9	6.5%
Ward 10	6.5%
Ward 11	6.3%
Ward 12	6.1%
Ward 13	6.1%
Ward 14	5.2%
Ward 15	6.6%
CITY WIDE AVERAGE	6.9%



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Multi-Year Budgeting



Council Decisions

- On September 10, 2014, Council endorsed a Business Planning Sub-Committee to oversee the evolution of business planning processes
- On December 9, 2015, Council endorsed revisiting multi-year budget reporting through the creation of a Multi-Year Budget Planning Sub-Committee (MYBPSC)

MYBPSC's Mandate

To provide leadership and direction during the 2014 to 2018 term of Council for the transformation of the City's Budget and Business Planning process

The goal is to develop an updated process for communicating the cost and performance of City services, based on the Community Vision, Strategic Plan and Council priorities



Beginning the Conversation

- Members of the Multi-Year Budget Planning Subcommittee to be engaged on November 16, 2016 to discuss:
 - Mandate and Expectations of Sub-Committee
 - Multi-Year Budget and Business Planning Cycle Options
 - Budget & Business Planning Transition Plan



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Credit Rating

2015 Standard & Poor's Credit Rating

- Credit Rating affirmed AA (Positive)

Rating Score Snapshot

KEY RATING FACTORS	ASSESSMENT
1) Institutional framework	Very Predictable and Well-Balanced
2) Economy	Very Strong
3) Financial Management	Strong
4) Budgetary Flexibility	Average
5) Budgetary Performance	Average
6) Liquidity	Exceptional
7) Debt Burden	Very Low
8) Contingent Liabilities	Very Low

Peer Comparison/ Credit Rating History

Peer Comparison Using S&P Rating

Municipality (Single Tier City or Regional Municipality)	Rating (Stable outlook if not stated otherwise)
Durham	AAA
Halton	AAA
London	AAA
Peel	AAA
Waterloo	AAA
Brantford	AA+
Guelph	AA+
Regina (Sask)	AA+
York	AA+
Barrie	AA
Hamilton	AA (Positive)
Kingston	AA
Niagara	AA
Ottawa	AA
Toronto	AA
Windsor	AA

Credit Rating History

Rating Agency	Rating (Note 1)
Standard & Poor's (formerly CBRS)	AA/Positive: 2015 AA: 2008 - 2014 AA/Positive: 2005 - 2007 AA: 1999 to 2005 AA+: 1994 to 1999 AAA: 1989 to 1994
Moody's	Aa3: 1995 to 2001 Aa2: 1988 to 1995
Dominion Bond Rating Service	AA: 2004 to 2009 AA+: 1994 to 2004

Note 1: Table provides ratings for City of Hamilton from 2001 to 2015 and ratings for Regional Municipality of Hamilton-Wentworth from 1988 to 2000.



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END