

2018 Budget Guidelines, Preliminary Outlook and Process

**General Issues Committee
August 14, 2017
FCS17063**



Hamilton



1. Historical Budgets, Tax Impacts & Rate Impacts
2. 2018 Tax Supported Operating Budget Preliminary Outlook
3. 2018 Recommended Tax Budget Guidelines
4. 2018 Rate Supported Operating Budget Preliminary Outlook
5. 2018 Recommended Rate Budget Guideline
6. 2018 Budget Schedule
7. Multi-Year Business Plans and Budgets



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Historical Budgets, Tax Impacts & Rate Impacts

Historical Tax Operating Budget Average Residential Tax Impacts 2015-2017

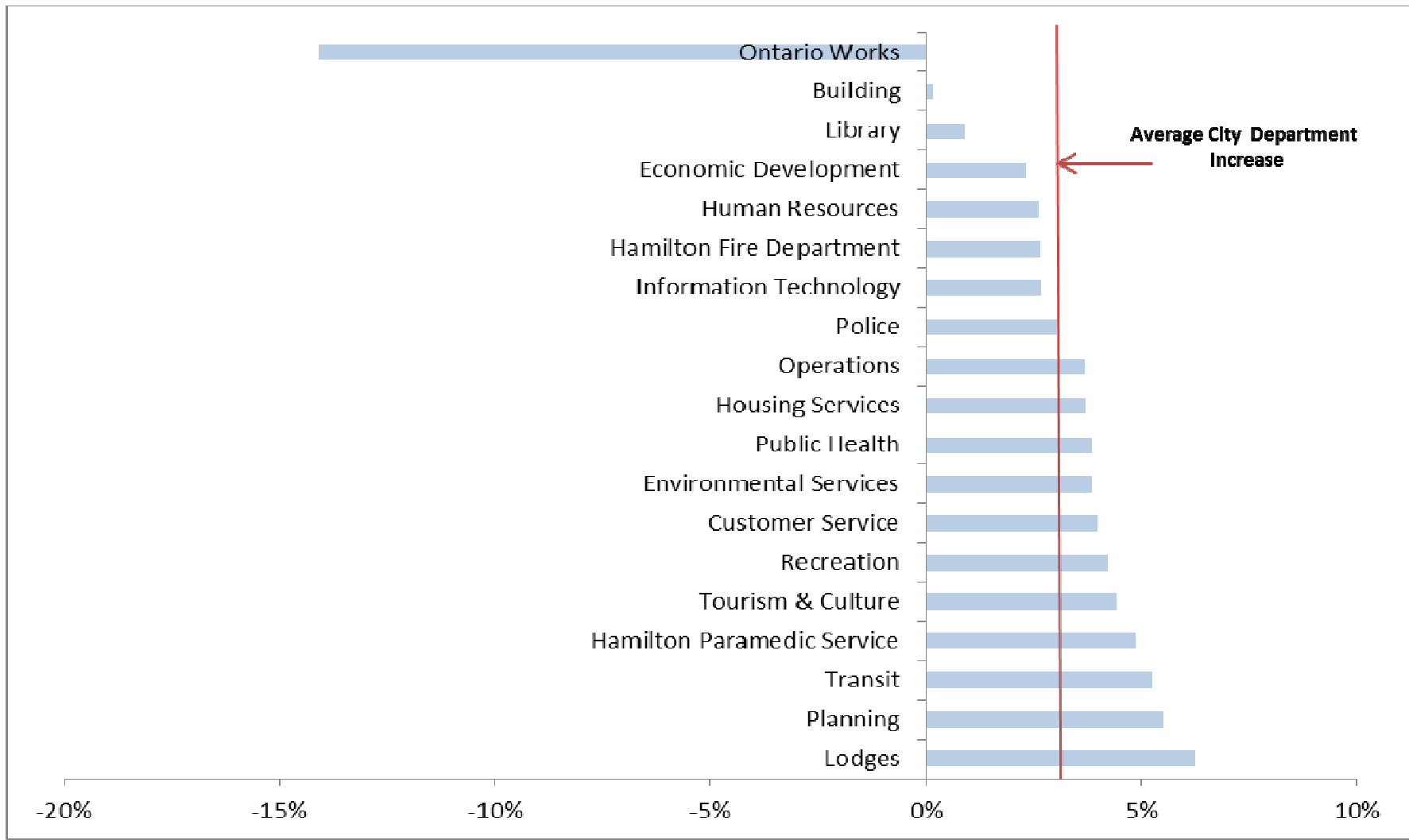
	Residential Tax Impacts			
	2015	2016	2017	3 Year Average
City Departments	2.6%	1.3%	1.1%	1.7%
Boards & Agencies	0.3%	0.3%	0.7%	0.4%
Capital Financing	0.5%	0.5%	0.5%	0.5%
Municipal Tax Impact	3.4%	2.1%	2.2%	2.6%
Total Tax Impact *	2.7%	1.7%	2.1%	2.2%

* - Includes education set provincially.



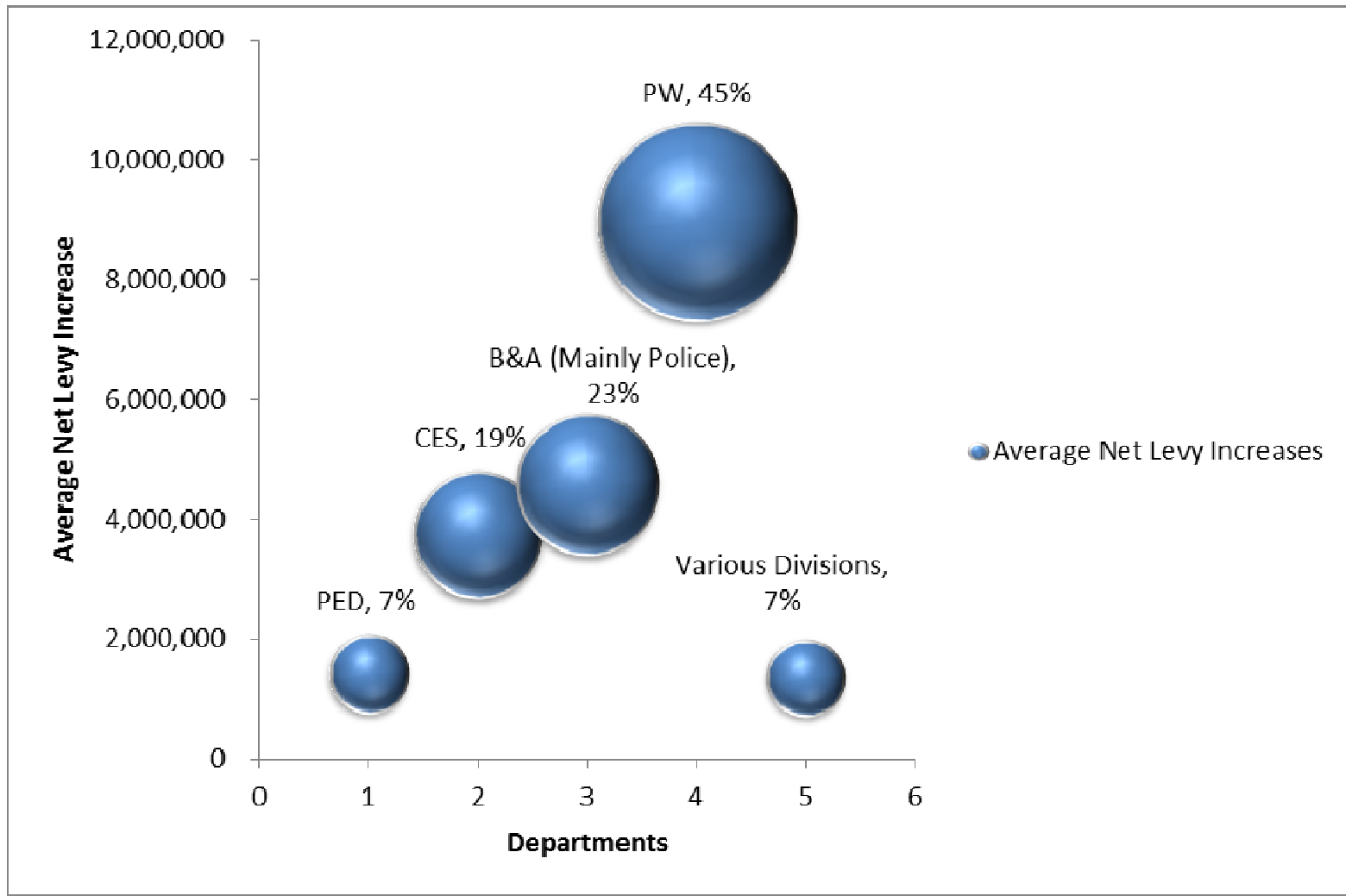
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Average Net Levy (Budget) % Changes 2013-2017





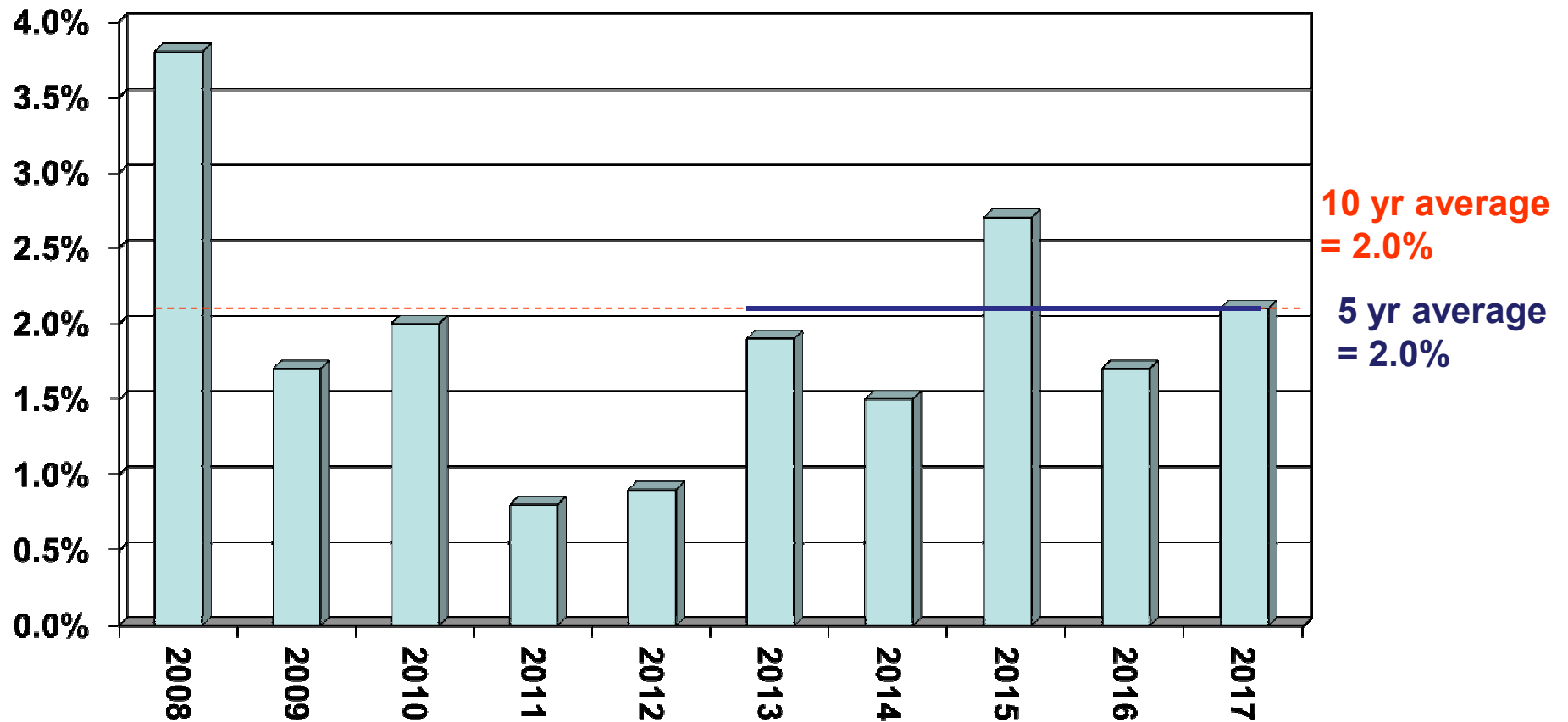
Average Net Levy Increases 2013 - 2017





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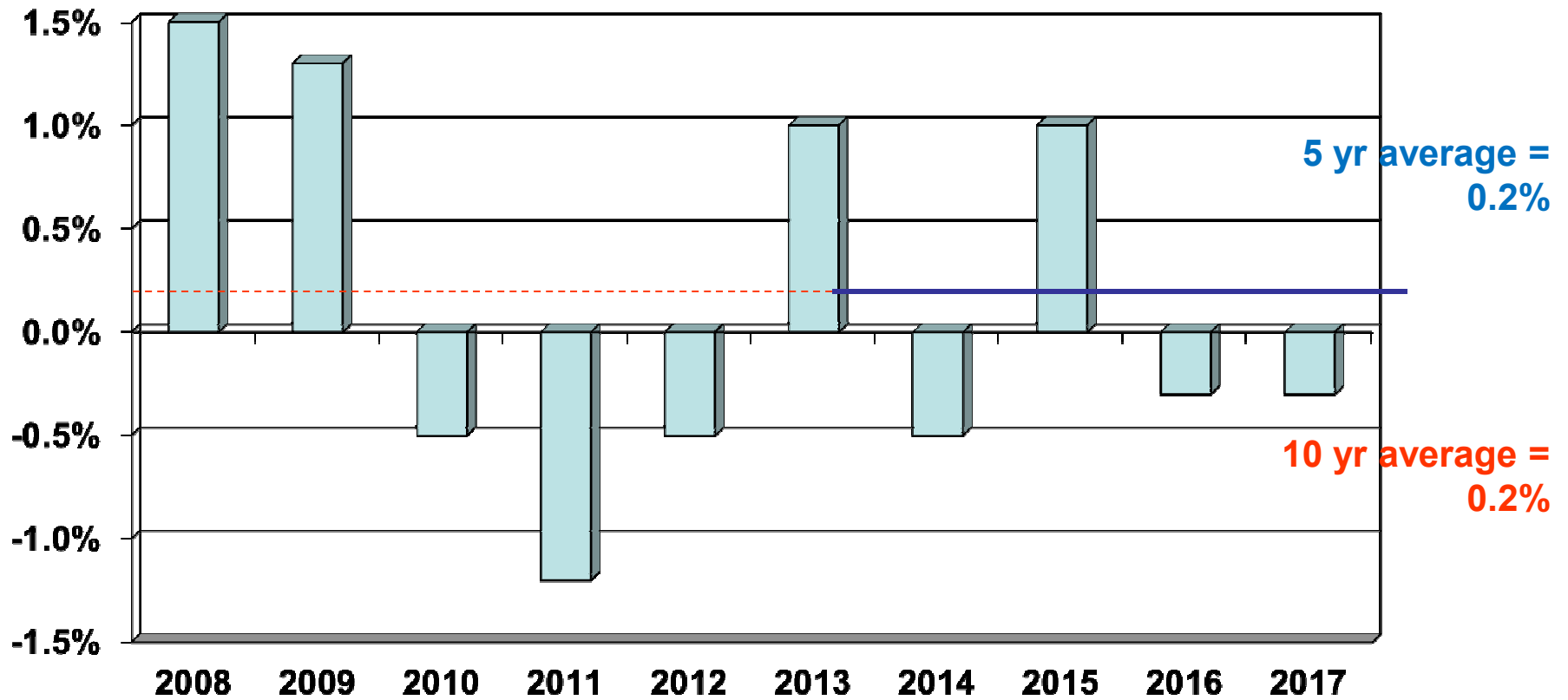
Annual City-wide Residential Tax Impacts



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



Annual City-wide Residential Tax Impacts adjusted for Inflation

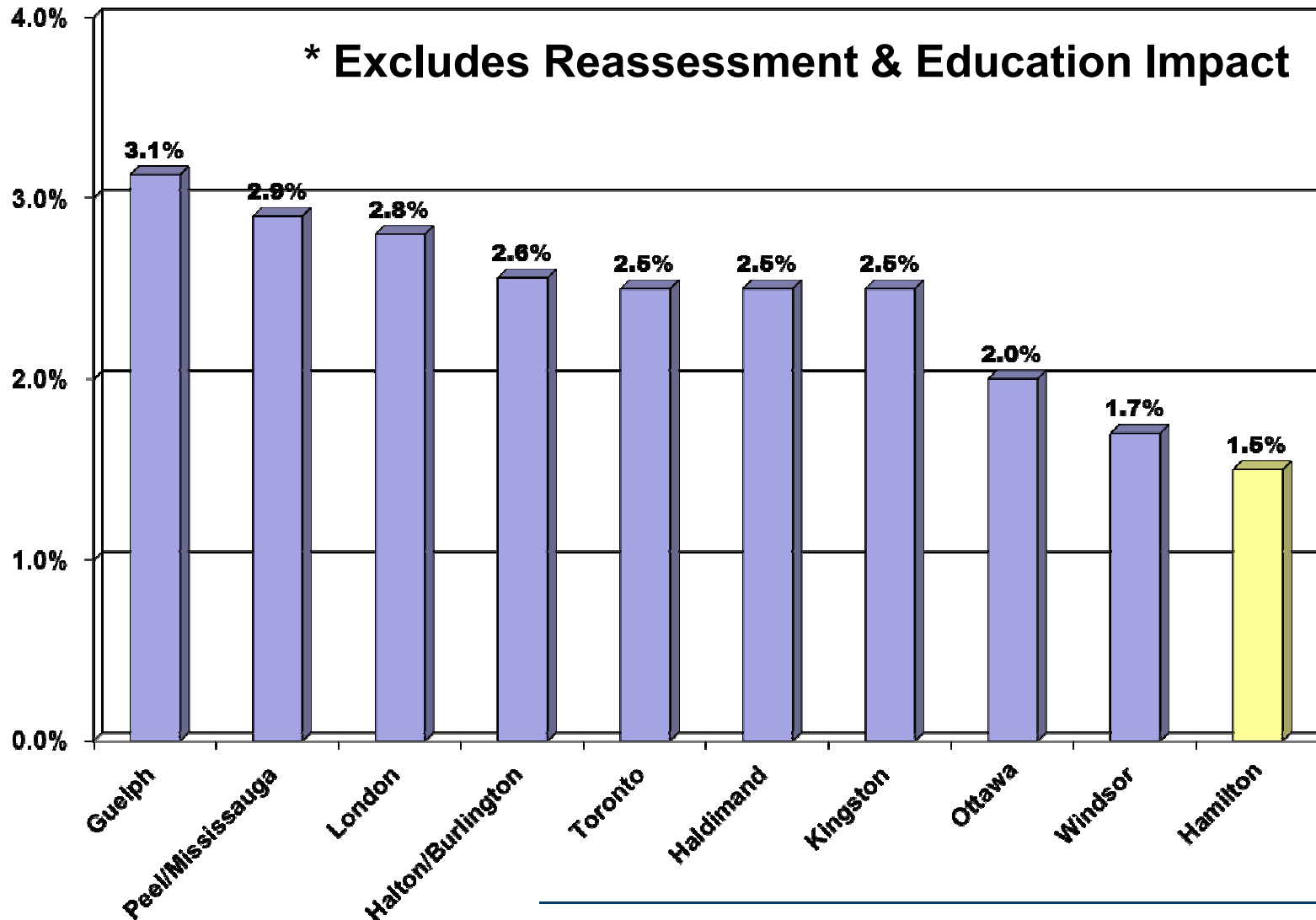


Annual residential impacts - includes budget, reassessment, area-rating, education and tax policies

Inflation = Ontario CPI (all items) – 2017 Projection 2.4%

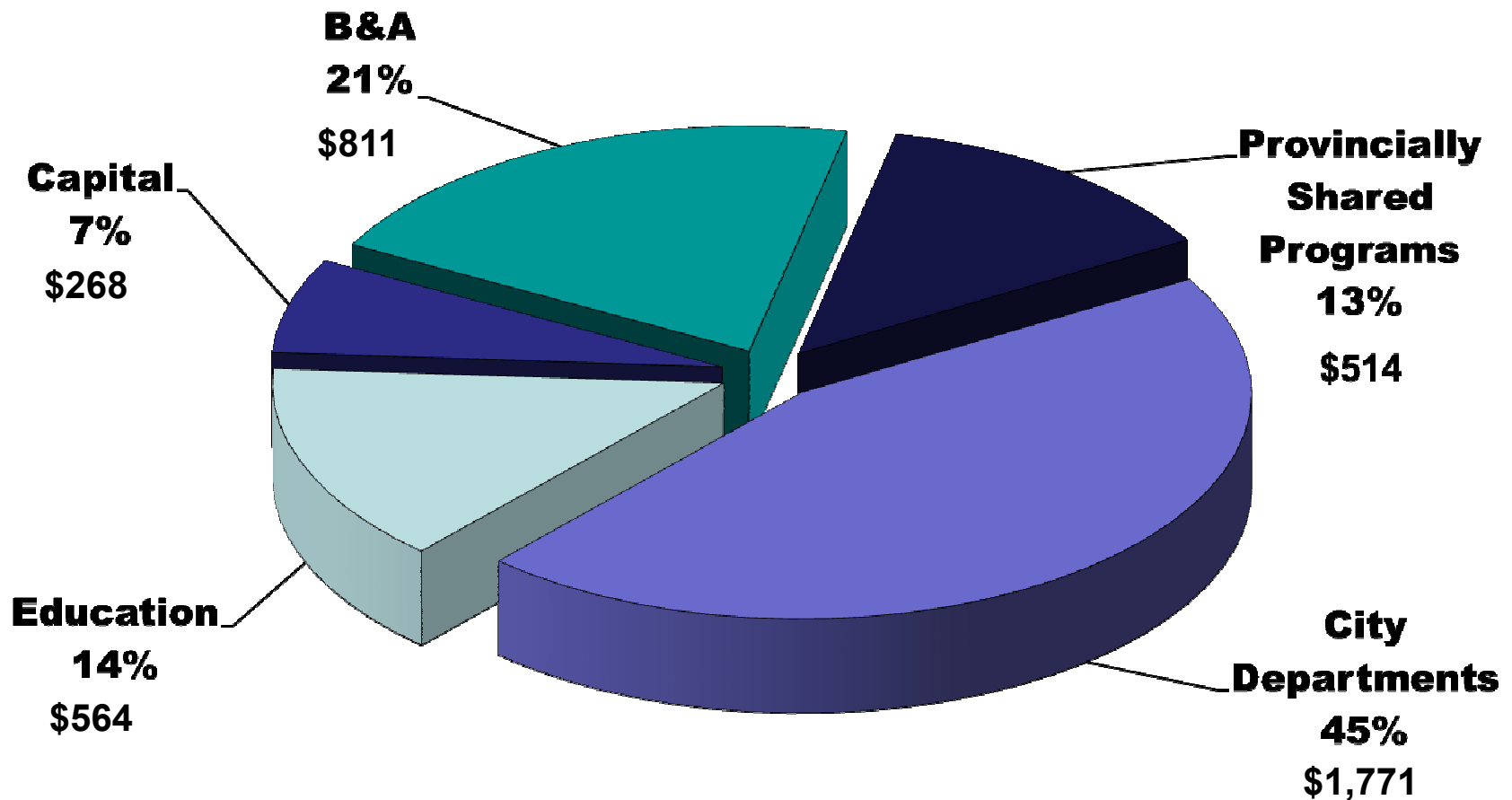


2017 Average Residential Tax Impacts Municipal Comparators



Note – anomalies in totals due to rounding.

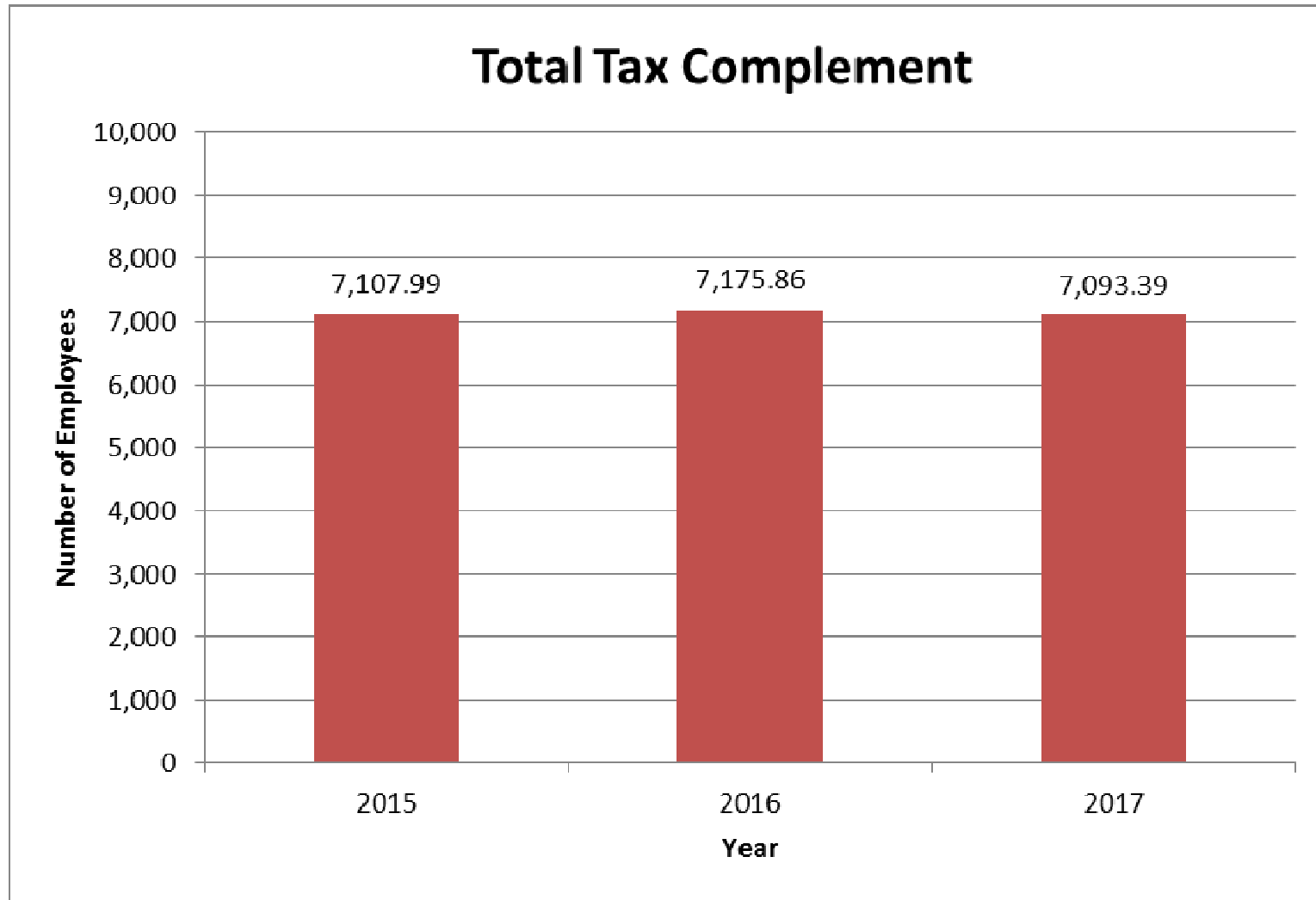
2017 Average Residential Tax Bill



Total \$3,928 - Municipal only \$3,364 – 86%



Historical Tax Operating Budget Complement 2015-2017





2017 Tax Operating Budget

	Net Operating Budget				
	Preliminary Change 2017 / 2016		Approved Amendments	Revised Change 2017 / 2016	
	\$	%		\$	%
PLANNING & ECONOMIC DEVELOPMENT	698,940	2.3%	(1,192,200)	(493,260)	(1.7%)
PUBLIC HEALTH SERVICES	688,100	5.6%	(605,420)	82,680	0.7%
COMMUNITY & EMERGENCY SERVICES	5,460,950	2.3%	(3,648,860)	1,812,090	0.8%
PUBLIC WORKS	8,374,770	3.7%	(5,394,884)	2,979,886	1.3%
LEGISLATIVE	104,520	2.2%		104,520	2.2%
CITY MANAGER	185,750	1.3%	(600,461)	(414,711)	(2.8%)
CORPORATE SERVICES	344,950	1.8%	(782,835)	(437,885)	(2.3%)
CORP FINANCIALS/ NON PROG REVENUES	4,963,860	-15.8%	65,500	5,029,360	16.0%
HAMILTON ENTERTAINMENT FACILITIES	(124,540)	-3.2%		(124,540)	(3.2%)
TOTAL CITY EXPENDITURES	20,697,300	4.0%	(12,159,160)	8,538,140	1.7%
HAMILTON POLICE SERVICES	4,900,000	3.2%	(817,057)	4,082,943	2.7%
OTHER BOARDS & AGENCIES	749,820	1.8%	53,110	802,930	2.0%
CITY ENRICHMENT FUND	300,000	5.2%		300,000	5.2%
TOTAL BOARDS & AGENCIES	5,949,820	3.0%	(763,947)	5,185,873	2.6%
CAPITAL FINANCING	7,600,000	6.8%	(3,600,000)	4,000,000	3.6%
TOTAL LEVY REQUIREMENT	34,247,120	4.1%	(16,523,107)	17,724,013	2.1%

*anomalies due to rounding



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Historical Rate Operating Budget Average Residential Impacts 2015-2017

	Residential Rate Impacts			
	2015	2016	2017	3 Year Average
Rate Impact %	4.20%	4.70%	4.85%	4.58%
Rate Impact \$	\$ 24	\$ 29	\$ 31	\$ 28



Average Residential Rate Increases Municipal Comparators 2010-2017

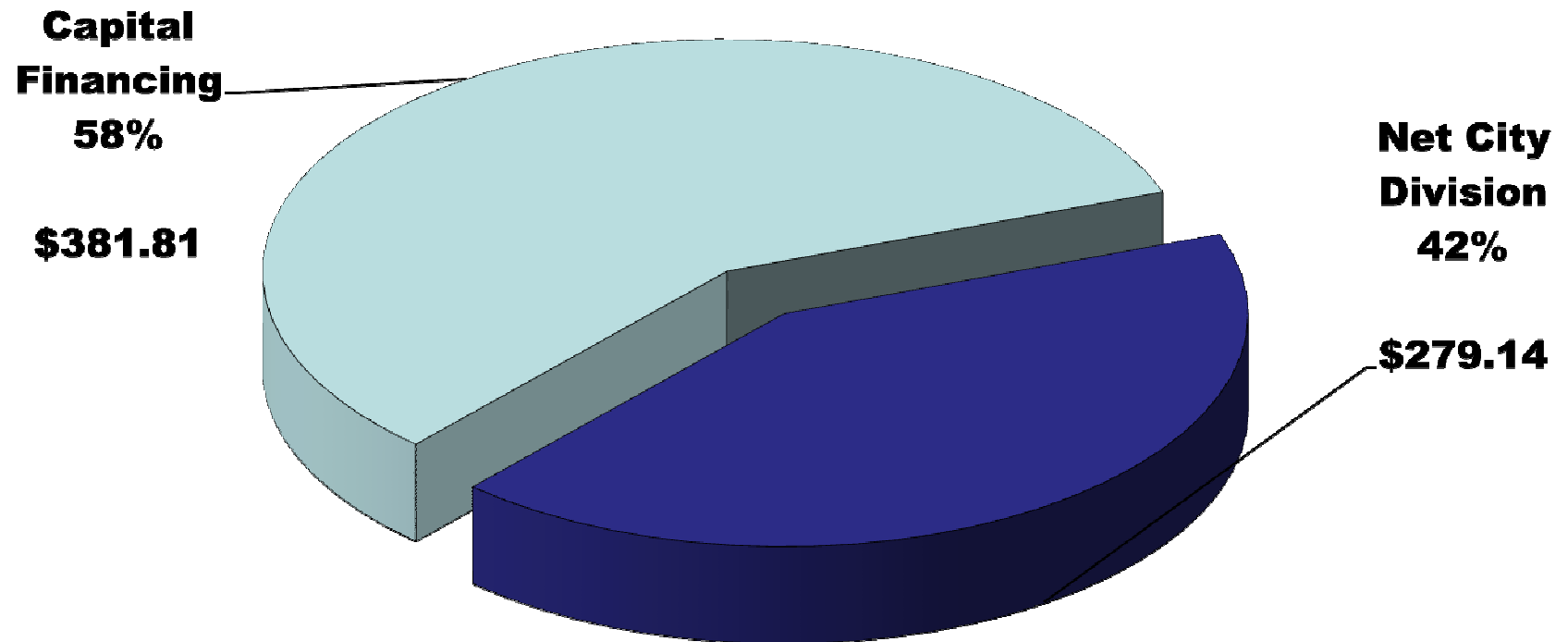
MUNICIPALITY									2010-17
	2010	2011	2012	2013	2014	2015	2016	2017	Avg
Guelph	10.0%	10.0%	8.5%	8.0%	3.5%	5.2%	4.0%	3.3%	6.6%
Halton	0.0%	4.1%	3.5%	4.8%	4.3%	4.9%	5.0%	5.1%	4.0%
London	8.5%	0.0%	7.5%	7.5%	7.5%	7.0%	3.0%	3.0%	5.5%
Norfolk	5.6%	6.2%	6.8%	7.2%	0.4%	3.9%	4.3%	4.3%	4.8%
Toronto	9.0%	9.0%	9.0%	9.0%	9.0%	8.0%	8.0%	5.0%	8.3%
Hamilton	4.0%	4.25%	4.25%	4.25%	4.0%	4.2%	4.7%	4.9%	4.3%
Average	6.2%	5.6%	6.6%	6.8%	4.8%	5.5%	4.8%	4.3%	5.6%

Note – anomalies in totals due to rounding.



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2017 Average Residential Rate Bill (Water, Wastewater, Storm)

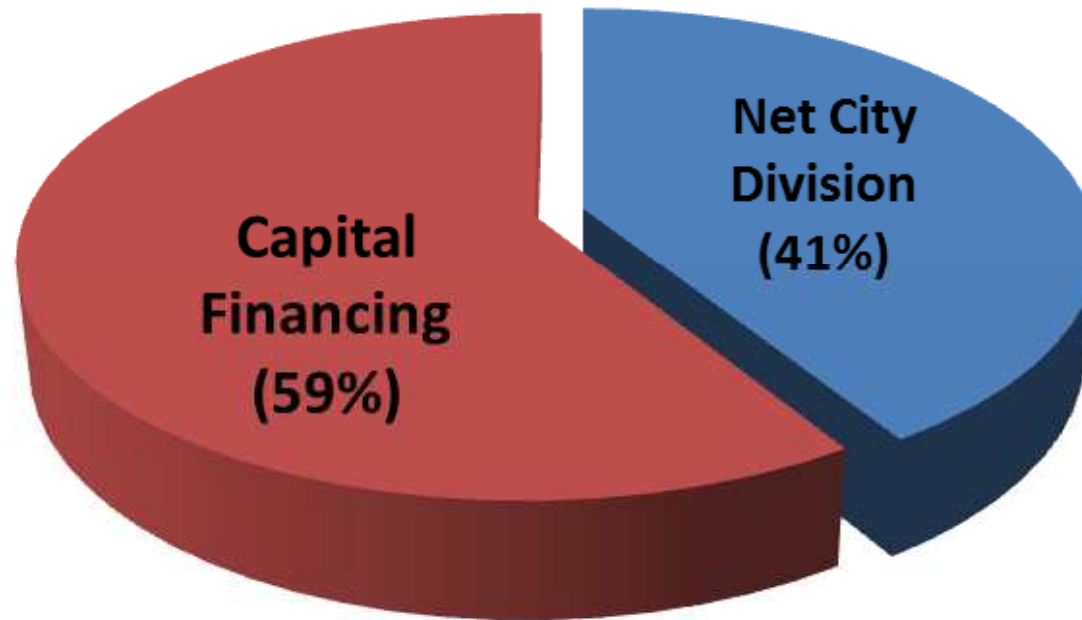


Total Bill: \$660.95



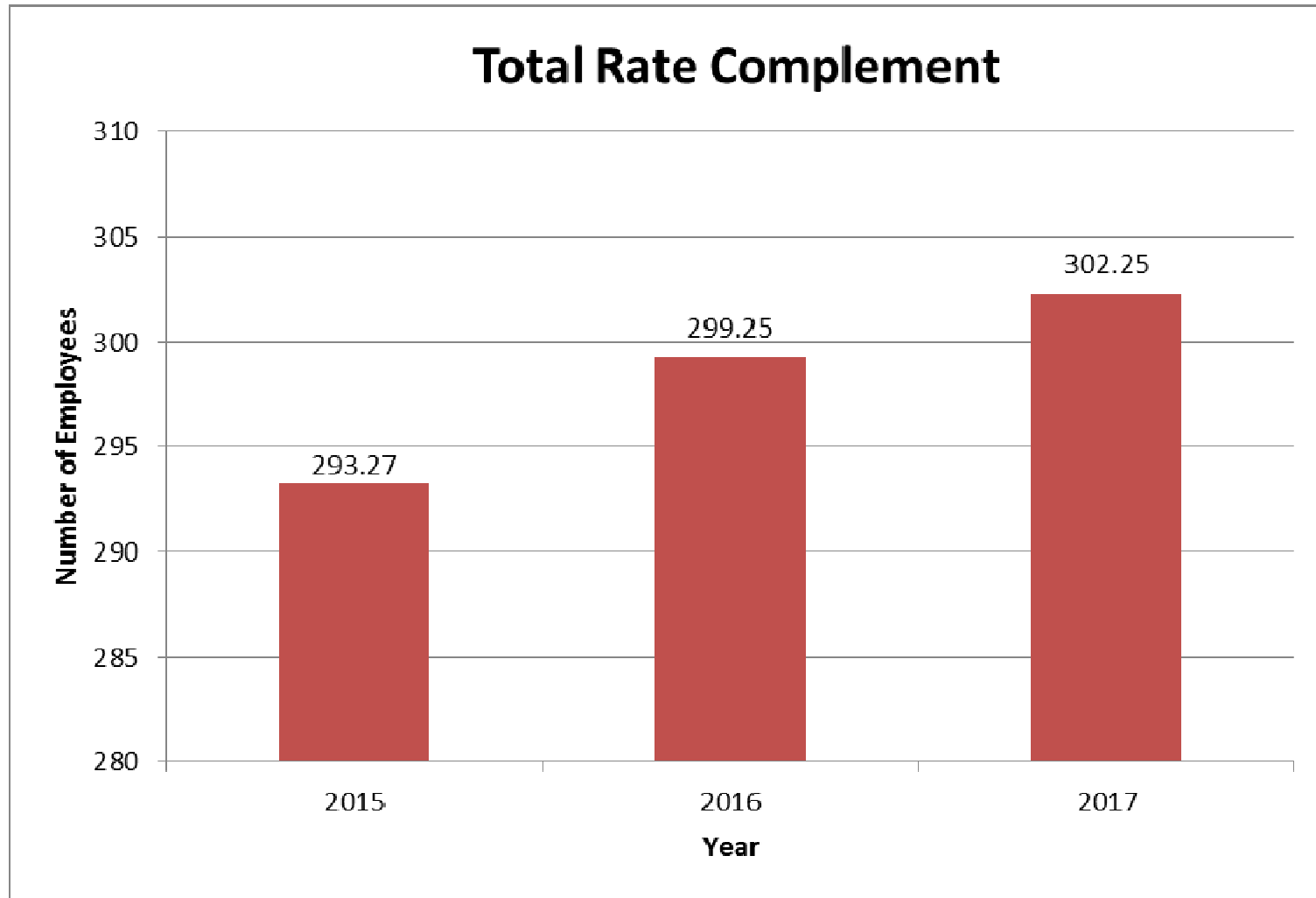
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Average Net Rate Budget Increases 2015 - 2017





Historical Rate Operating Budget Complement 2015-2017





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2018 Tax Operating Budget Preliminary Outlook



2018 Preliminary Pressures / Risks

	2018 Outlook Pressures / Risks
City Departments	
- Salary / Wage Compensation	\$ 14.2 million
- Operating Impact of Capital Projects	\$ 2.3 million
- Corporate Wide	\$ 6.2 million
- City Departments Other	\$ 7.8 million
Boards & Agencies	\$ 5.7 million
Capital	\$ 7.5 million
2018 Preliminary Pressures/Risks	\$ 43.7 million
2018 Municipal Tax Impact (assumes 1.0% growth)	4.8%



2018 Preliminary Impact for the Average Residential Tax Bill

	2018 Preliminary Impact (Average Residential)	
	Draft	
	\$	%
Municipal Taxes		
City Departments	\$ 113	3.4%
Boards & Agencies	\$ 18	0.6%
Capital Financing	\$ 17	0.5%
Sub-Total Municipal Taxes	\$ 148	4.4%
PTIF	\$ 14	0.41%
Total Municipal Taxes	\$ 162	4.8%

- Assumes 1.0% Growth
- 1.0% municipal tax impact is equivalent to a tax levy increase of about \$8.2M



Salary/Wage Compensation

	Levy Impact \$
Salary / Wage Compensation:	
- COLA / Settlements	\$ 8.9 million
- Merit / Step Increases	\$ 1.6 million
- OMERS	\$ 1.3 million
- Government Benefits	\$ 0.2 million
- Employer Benefits	\$ 0.1 million
- Fire – Line of Duty Benefit	\$ 0.6 million
- WSIB Contributions	\$ 0.4 million
- Minimum Wage	\$ 0.6 million
- Retiree Benefits	\$ 0.5 million
TOTAL	\$ 14.2 million

- Total of employee related costs is 1.7%



Operating Impact of Capital Projects / Capital Financing

	Levy Impact \$
Operating Impact of Capital Projects:	
- Approved through Capital Budget (FCS16089)	\$ 1.0 million
- Deferred from previous years	\$ 1.3 million
TOTAL	\$ 2.3 million

	Levy Impact \$
Capital:	
- Preliminary direction at 0.5%	\$ 4.1 million
- PTIF (0.41%)	\$ 3.4 million
TOTAL	\$ 7.5 million



	Levy Impact \$
Corporate:	
- Inflationary / Contractual Requirements	\$ 7.2 million
- User Fees (excluding Transit, Ice, Golf)	(\$ 2.8) million
- Energy (Fuel, Natural Gas, Electricity)	\$ 1.7 million
TOTAL	\$ 6.2 million

Breakdown of Fuel Pressures:

	2018	2017
	<i>in \$'000s</i>	
Natural Gas	-	0.1
Electricity	1.3	2.7
Fuel disel/unleaded	0.4	0.9
	1.7	3.7

2017 - average increase of 12% for electricity rates vs 5% projected for 2018.



	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	1,900,000
Housing - Loss in Federal funding and property tax increases	1,100,000
Housing - Mortgage Savings	(200,000)
Total	<u>(400,000)</u>



	Levy Impact \$
Public Works	
City/EFF(Central Fleet) - 'Increase Contribution to Fleet Vehicle Reserve to improve sustainability and Increase Parts, Tires and Outside Services to reflect historical actuals'	1,000,000
Transit Revenue Adjustment	990,000
Transit - Year 3 of 10 year strategy	2,500,000
Transit - PTIF - Operating Impact	295,000
Transit - Fleet Reserve	450,000
Transit - PRESTO	356,000
DARTS	1,700,000
Total	<u>7,291,000</u>



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City Department Other

**Levy
Impact
\$**

Corporate Services

Risk Premiums

800,000

Revenue Generation

TBD



	Levy Impact \$
Boards & Agencies:	
- Police (3.0% - based on five year average)	\$ 4.8 million
- Boards & Agencies (excluding Police)	
Conservation Authorities & Other @ 2%	\$ 0.3 million
Library @ 2%	\$ 0.6 million
- City Enrichment Fund - @ 2%	\$ 0.1 million
TOTAL	\$ 5.7 million



- Potential stagnant revenues (fees & charges – transit, golf)
- Successful assessment appeals
- Contractual pressures (collective bargaining agreements)
- Environmental risks (unscheduled capital works)
- Ongoing appeal from the Niagara Peninsula Conservation Authority levy
- Flat water demand



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2018 Recommended Tax Budget Guidelines

2018 Recommended Budget Guidelines

- 2018 user fees (excluding golf fees, transit fares, and ice rental fees) be increased based on guideline of 2.0%
- That City Council provides a 2018 tax operating budget guideline as it relates to Boards and Agencies
- That City Council provides a 2018 tax operating budget guideline as it relates to all City departments
- Tax supported operating budget guideline for capital of a 0.5% increase



2018 REDUCTION SCENARIOS

	Reductions	Levy Increase	Residential Tax Incr
PRELIMINARY BUDGET		\$ 43,700,000	4.8%
TOTAL REDUCTIONS OF	\$ (22,400,000)	\$ 21,300,000	2.0%
TOTAL REDUCTIONS OF	\$ (30,400,000)	\$ 13,300,000	1.0%

- \$8.2M is required to adjust the municipal tax impact by 1.0%



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2018 Rate Supported Budget Outlook



2018 Preliminary Rate Outlook

- Outlook projects:
 - a gross expenditure budget increase of \$9.4 M
 - an increase in other revenue of \$0.3 M
 - increase in rate revenues of \$9.1 M
- The projected 2018 impact on an average residential rate payer is \$30 or 4.5%.

	\$	%
2018 Projected Average Residential Rate Impact:		
Net City Division (Hamilton Water)	\$ 5	0.8%
Capital Financing	\$ 25	3.7%
TOTAL	\$ 30	4.5%



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2018 Recommended Rate Budget Guideline

- The cost of City services supported by Rate Revenue is not directly aligned to the inflation rate due to influences such as collective bargaining, energy and other operating costs.
- When Council approved the 2017 Rate Supported Budget in November 2016, a projected residential rate increase for the 2018 Rate Supported Budget of 4.5% was included. Staff is requesting a residential rate increase guideline of 4.5% for 2018 to accommodate these projected costs and revenue assumptions.



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2018 Budget Schedule

2018 Budget Schedule

ITEM	DATE
Tax Supported Operating Budget Guideline, Outlook and Process Report	August 14, 2017
Capital Assets / Projects Tour Sites (Bus Tour)	September 29, 2017
Tax Supported Capital Budget Workshop	October 20, 2017
Transit Day	November 10, 2017
User Fee Report (Regular GIC)	November 15, 2017
Rate Supported Budget Report	November 17, 2017 (December 1, 2017, if required)
Tax Supported Capital Budget Report	November 24, 2017 (December 8, 2017, if required)
Tax Supported Operating Budget Overview	January 19, 2018
Boards and Agencies Presentation	January 23 and 25, 2018
Transit Day (if required)	January 26, 2018
Departmental Budget Presentations	January 30, 2018 / February 1, 9, 13, 16, 2018
Public Delegations	February 27, 2018
GIC Budget Deliberations	March 2, 5, 6, 8, 2018
Tax Assessment and Growth Reports	February / March 2018
Council Budget Approval	March 28, 2018



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Multi-Year Business Plans and Budgets

Multi-Year Business Plans and Budgets

- Multi-Year Business Plans and Budgets will be presented to Council during 2018 Budget Process
- Multi-Year Business Plans will answer the questions:
 - Where are we now?
 - Where are we going?
 - How will we get there?
 - Have we succeeded?
- Multi-Year Business Plans will communicate:
 - Costs and performance of City services
 - Strategies to meet expected service level outcomes by division and service
 - Linkages to the Strategic Plan
 - Business trends, opportunities and challenges from drivers of change (economic, environmental, societal, political and technological)

- Multi-Year Budgets will:
 - Communicate projected 4 year (2018 to 2021) Tax Supported Operating Budget including projected tax impacts
 - Communicate projected 4 Year Rate Supported Operating Budget including projected rate impacts
 - Focus on first four years (2018 to 2021) of capital projects in Tax Supported and Rate Supported Capital Budgets and provide another six years (2022 to 2027)
- During 2018 Budget Cycle, Council will approve 2018 Budget and adopt 3 Year Plan for 2019 to 2021



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Questions?