



CITY OF HAMILTON
CORPORATE SERVICES DEPARTMENT
Financial Planning, Administration and Policy Division

TO:	Mayor and Members Audit, Finance and Administration Committee
COMMITTEE DATE:	December 17, 2018
SUBJECT/REPORT NO:	Procedures for Ward-Specific Funding Initiatives (FCS18014(a)) (Outstanding Business List Item)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Samantha Blackley (905) 546-2424 Ext. 2132 Joe Spiler (905) 546-2424 Ext. 4519
SUBMITTED BY:	Cindy Mercanti Director, Customer Service and POA Acting Director, Financial Planning and Policy Corporate Services Department
SIGNATURE:	

RECOMMENDATIONS

- (a) That the Area Rating Special Capital Re-Investment Reserve Fund Checklist, as outlined in Appendix “A” to Report FCS18014(a), be received;
- (b) That the Area Rating Special Capital Re-Investment Discretionary Fund Checklist, as outlined in Appendix “B” to Report FCS18014(a), be received;
- (c) That the Ward-Specific Funding Initiatives Procedure, as outlined in Appendix “D” to Report FCS18014(a), be received; and,
- (d) That during an election year, the Ward-Specific Funding Initiatives spending be completed by August 31 of that year.

EXECUTIVE SUMMARY

On April 9, 2018, staff was directed to report back to the Audit, Finance and Administration Committee (AF&AC) meeting with enhanced guidelines and tracking / reporting procedures on Area Rating Special Capital Re-investment (Area Rating) Reserve Funding, Area Rating Special Capital Re-investment Discretionary (Area Rating Discretionary) Fund, Cellular Tower and Ward-Specific Non-Property Tax Revenues and Minor Maintenance Council Priority Projects. In addition, it was also recommended that staff provides information on the history of social infrastructure as a criterion of Area Rating Reserve and Discretionary funding.

Report FCS18014(a) recommends amendments to the process of utilizing the Area Rating Reserve and Area Rating Discretionary funding from the former Wards 1 to 8. The former Wards 1 to 8 received \$1.678 M as a special capital infrastructure levy in the 2018 Tax Supported Operating Budget. From this funding, \$100 K was allocated as Area Rating Discretionary Funds for Wards 1 to 8. The existing practice for utilizing these Discretionary Funds provides Councillors in the former Wards 1 to 8 of the City of Hamilton (pre-amalgamation) with discretion and autonomy in the decision-making process.

Staff is recommending that Councillors utilize the guidelines set out in Appendices “A” and “B” of Report FCS18014(a) to determine if the project is eligible for Area Rating Reserve or Area Rating Discretionary Funds. These guidelines support transparency as well as provide context for the approval process.

In December 2017, the Ontario Municipal Board (OMB) approved the new boundaries for the City of Hamilton in which the alignment of Wards 1 to 8 and the former Wards 1 to 8 of the City of Hamilton (pre-amalgamation) no longer exist. Each Ward boundary has changed impacting the allocation of the Ward-Specific Funding Initiatives.

Staff is recommending that any Area Rating Reserve and Area Rating Discretionary Fund balances as of November 30, 2018 be spent in the former Wards 1 to 8 of the City of Hamilton (pre-amalgamation) to ensure the funding is allocated to the areas from which it was raised.

Further discussion will be needed regarding future spending and allocation of Ward-Specific Funding Initiatives based on the new Ward boundaries. A report regarding the allocation of funding due to the Ward boundary changes will be coming forward in 2019. Given the pending re-alignment, Councillors are required to defer project requests until the 2020 Budget process.

Appendix “A” to Report FCS18014(a) provides a checklist of the requirements for funding from the Area Rating Special Capital Re-Investment Reserve.

Appendix “B” of Report FCS18014(a) provides a checklist of the requirements for funding from the Area Rating Special Capital Re-Investment Discretionary Fund.

Appendix “C” of Report FCS18014(a) provides an outline of the Capital Detail Sheet required when submit projects for funding.

Appendix “D” of Report FCS18014(a) provides an outline of the procedure for Ward-Specific Funding Initiatives.

Appendix “E” of Report FCS18014(a) provides an outline of the Area Rating Special Capital Re-Investment Policy.

Report FCS18014(a) also provides Council with a social infrastructure framework.

Alternatives for Consideration – N/A

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: There are no financial implications of the recommendations to Report FCS18014(a). Corporate Services staff will be required to summarize the information on Ward-Specific Initiatives and report annually to AF&AC.

Staffing: N/A

Legal: N/A

HISTORICAL BACKGROUND

Area Rating Special Capital Re-Investment

Council, at its meeting on April 14, 2011, approved amendments to the previous Area Rating methodology, constituting an “Urban / Rural” model of Area Rating, through Report FCS11042, as follows:

- (a) That the following proposed amendments to the current method of Area Rating, constituting an “Urban / Rural” model be approved:
 - (i) Elimination of Culture from Area Rating;
 - (ii) Area Rating of Recreation based on urban / rural model;
 - (iii) Continuation of Area Rating of Parkland purchases by former area municipality;
 - (iv) Area Rating of Fire services based on an urban / rural model to align to the Fire primary response area;
 - (v) Continuation of Area Rating Sidewalk Snow Clearing within the transit area of Ward 12;
 - (vi) Area Rating of Sidewalks and Street Lighting based on an urban / rural model to align to the service area;

- (b) That the proposed urban / rural method of Area Rating, as identified in Recommendation (a), be phased-in over four years;

- (c) That changes to the Area Rating of Transit be deferred until completion of an approved implementation plan for Transit service improvements in response to the recently complete IBI Study;
- (d) That the tax shift variance be phased-in and re-invested into former City of Hamilton to address its infrastructure needs.

With the Area Rating model approved, staff prepared Report FCS12024 on the Policy for Area Rating Fund administration and procedures which was approved by Council on February 22, 2012. Area Rating Special Capital Re-Investment Policy (Report FCS12024) states:

- 1) Approved Area Rating Special Capital Re-Investment (Area Rating) Funds will be allocated to affected Wards by Council for the purpose of investment in infrastructure projects and / or one-time funding of a principally capital nature to address the infrastructure deficit / shortfall.
- 2) Councillors, within the affected Wards, are provided adequate flexibility to identify infrastructure priorities within their Wards for consideration and approval of Council to ensure efficient and effective delivery of programs / services.
- 3) Funding through Area Rating should not replace the Tax Supported Capital Budget, although consideration can be made to accelerate projects which may otherwise be deemed unaffordable.
- 4) Projects must be approved by Council and all potential operating and financial impacts should be identified.
- 5) Funding can be banked for the purpose of providing funding in whole or in part towards a financially significant one-time infrastructure investment.

Cellular Tower & Ward-Specific Non-Property Tax Revenues

From 2011 to 2016, Cell Tower revenues were deposited to City revenue and transferred to reserves that were established for Ward-Specific purposes. Council, at its meeting on June 22, 2016, approved AF&AC Report 16-010 containing recommendations, as amended to Ward-Specific Non-Property Tax Revenues (Report FCS16042) including that Ward-Specific, non-property tax revenues (net of any operating costs) be deposited in associated Ward-Specific capital projects. 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 through in-year reports or motions. This change in accounting would facilitate tracking these Ward-Specific revenues separately.

During the January 22, 2018 Audit, Finance and Administration Committee (AF&AC) meeting, staff was requested to report back on the funding of sponsorships, committee events and office expenses through the Area Rating Special Capital Re-Investment Discretionary (Area Rating Discretionary) Fund and Area Rating Reserves for Wards 1 to 8.

On April 9, 2018 Report FCS18014 was submitted to AF&AC outlining the spending of the Area Rating Reserve and Area Rating Discretionary Fund, as well as the spending of the Cellular Tower and Ward-Specific Non-Property Tax Revenues and Minor Maintenance Council Priority Projects. Upon review, the Committee requested that staff provides clear criteria for evaluating the eligibility of funding requests from the Area Rating Reserve, Area Rating Discretionary Fund, Cellular Tower and Ward-Specific Non-Property Tax Revenues and Minor Maintenance Council Priority Projects. In addition, it was also recommended that staff provides information on the history of social infrastructure as a criterion of the Area Rating Special Capital Re-Investment Funds.

The proposed recommendations in Report FCS18014(a) include checklists outlining the guidelines for funding from the Area Rating Reserve and Area Rating Discretionary Funds. This additional reporting will enhance consistency and awareness of eligible project costs.

Staff also recommends that a Capital Detail Sheet be provided outlining the project duration, expected costs and impact on the Operating Budget to better determine the long-term expenses associated with each project.

To help better align with the Elected Officials Ward Operating Budgets, staff recommends that the Ward-Specific Funding Initiatives cannot be spent after August 31 of an election year.

In December 2017, the Ontario Municipal Board (OMB) approved the new boundaries for the City of Hamilton in which the alignment of Wards 1 to 8 and the former Wards 1 to 8 of the City of Hamilton (pre-amalgamation) no longer exist. Each Ward boundary has changed impacting the allocation of the Ward-Specific Funding Initiatives.

Staff is recommending that any Area Rating Reserve and Area Rating Discretionary Fund balances as of November 30, 2018 be spent in the former Wards 1 to 8 of the City of Hamilton (pre-amalgamation) to ensure the funding is allocated to the areas from which it was raised.

Further discussion will be needed regarding future spending and allocation of Ward-Specific Funding Initiatives based on the new Ward boundaries. A report regarding the allocation of funding due to the Ward boundary changes will be coming forward in 2019.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

The guidelines for the Area Rating Reserve and Area Rating Discretionary Fund support the Area Rating Special Capital Re-Investment Policy.

RELEVANT CONSULTATION

- Staff in Financial Services Division of the Corporate Services Department provided information on Cellular Tower customer billings and collections
- Staff in the Public Works Department provided information on Minor Maintenance Council Priority Projects
- Staff in Procurement section of the Corporate Services Department provided information on the Procurement Policy (for Appendices A, B and D)

ANALYSIS AND RATIONALE FOR RECOMMENDATIONS

On April 9, 2018, Report FCS18014 was submitted to AF&AC outlining the spending of the Area Rating Special Capital Re-Investment (Area Rating) Reserve and Area Rating Special Capital Re-Investment Discretionary (Area Rating Discretionary) Fund, as well as the spending of the Cellular Tower and Ward-Specific Non-Property Tax Revenues and Minor Maintenance Council Priority Projects. Upon review, the Committee asked staff to provide clear criteria for evaluating the eligibility of funding requests from the Area Rating Reserve, Area Rating Discretionary Fund, Cellular Tower and Ward-Specific Non-Property Tax Revenues and Minor Maintenance Council Priority Projects. In addition, it was also recommended that staff provides information on the history of social infrastructure as a criterion of Area Rating Special Capital Re-Investment Funds.

The proposed recommendations in Report FCS18014(a) include a checklist outlining the guidelines of when funding can be utilized through the Area Rating Special Capital Re-Investment Funds. This additional reporting will enhance consistency and awareness of eligible projects.

To help better align with the Elected Officials Ward Operating Budgets, staff recommends that the Ward-Specific Funding Initiatives cannot be spent after August 31 of an election year.

Area Rating Special Capital Re-Investment (Area Rating) Reserve

The guidelines for the Area Rating Special Capital Re-Investment Reserve are mentioned in Report FCS12024 as listed below:

- Funding should be targeted at infrastructure and / or one-time funding of a principally capital nature to address the infrastructure deficit / shortfall within affected Wards;

- One-time funding may include funding that is committed in an effort to leverage similar funding from outside agencies or senior levels of government;
- Funding expended through the Special Capital Re-Investment should not replace the regular Tax Supported Capital Budget, although consideration can be made to accelerate projects which may otherwise be deemed unaffordable within the 10-year forecast;
- Projects must be approved by Council and all potential operating and financial impacts should be identified;
- Beyond 2012, projects should be brought forward in conjunction with the annual Capital Budget Process.

Funding may be banked for the purpose of providing funding towards a future financially significant infrastructure / one-time investment.

Appendix “A” to Report FCS18014(a) provides a checklist for Councillors to help determine whether projects are eligible for funding from the Area Rating Special Capital Re-Investment Reserve.

Area Rating Special Capital Re-Investment Discretionary (Area Rating Discretionary) Fund

In February 2012, Report FCS12024 recommended that a capital project be created for and funded by each of the eight Area Rating Special Capital Re-Investment Reserves in the amount of \$100 K. Funds are to be utilized for infrastructure and / or one-time funding requirements with no associated Operating Budget impacts.

Some examples of eligible projects listed within the detail of Report FCS12024 include historical plaques, small beautification projects and one-time maintenance initiatives. The Policy also notes that one-time funding may include funding that is committed in an effort to leverage similar funding from outside agencies or senior levels of government;

Appendix “B” to Report FCS18014(a) provides a checklist for Councillors to help determine whether projects are eligible for funding from the Area Rating Special Capital Re-Investment Discretionary Fund.

Cellular Tower & Ward-Specific Non-Property Tax Revenues

From 2011 to 2016, Cellular Tower and Ward-Specific Non-Property Tax Revenues were deposited to City revenue and transferred to reserves that were established for Ward-Specific purposes. Council, at its meeting on June 22, 2016, approved AF&AC Report 16-010 containing recommendations, as amended, to Ward-Specific Non-Property Tax Revenues (Report FCS16042) including that Ward-Specific Non-Property Tax Revenues (net of any operating costs) be deposited in associated Ward-Specific Capital projects.

The guidelines for funding requests, indicated in Report FCS16042, are as follows.

- 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 through in-year reports or motions. This change in accounting would facilitate tracking these Ward-Specific revenues separately.

Minor Maintenance Council Priority Projects

In 2012, the annual Minor Maintenance Council Priority Project was initiated which included one project for all City Wards. Separate projects were created for each Ward in 2014 to enhance transparency. In the City's 2016 Tax Capital Budget, it was determined that these separate projects should exist for a period of three years, to decrease duplication of projects. Unspent funds from the previous years were merged to form one Minor Maintenance Council Priority Project per Ward, which received funding of \$633 K in 2016. The annual Tax Supported Capital Budget process has provided \$200 K for each Ward for a total of \$3 M per year for 2017 and 2018. Staff in the Public Works Department works with each Ward Councillor to program the Capital infrastructure improvements.

The current guidelines for this funding specify that the funds are to be invested in road right-of-way infrastructure and are subject to the Ward Councillor's discretion.

Social Infrastructure

Staff has reviewed the Council approved funding requests from the Area Rating Reserve since 2012 and has found that social infrastructure projects have been commonly funded from these reserves. Some examples of these projects include school nutrition programs, public art projects, community housing repairs and school playgrounds.

To help Council better define the criteria of a social infrastructure program, the following definition has been provided. Social infrastructure is infrastructure that helps maintain and facilitate individuals, families, groups and helps communities meet their social needs, maximize their potential for development and enhance community well-being. This term typically refers to facilitating projects for community housing, schools and hospitals.

In December 2017, the Ontario Municipal Board (OMB) approved the new boundaries for the City of Hamilton in which the alignment of Wards 1 to 8 and the former Wards 1 to 8 of the City of Hamilton (pre-amalgamation) no longer exist. Each Ward boundary has changed impacting the allocation of the Ward-Specific Funding Initiatives.

Staff recommends that any unspent funds as of November 30, 2018 of the Area Rating Special Capital Re-Investment be spent in the former Wards 1 to 8 to ensure the funding is allocated to the area which the funds were raised.

Further discussion is required, regarding future spending and allocation of Ward-Specific Funding Initiatives based on the new Ward boundaries. A report regarding the allocation of funding due to the Ward boundary changes will be coming forward in 2019.

ALTERNATIVES FOR CONSIDERATION

N/A

ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN

Community Engagement and Participation

Hamilton has an open, transparent and accessible approach to City government that engages with and empowers all citizens to be involved in their community.

Economic Prosperity and Growth

Hamilton has a prosperous and diverse local economy where people have opportunities to grow and develop.

Built Environment and Infrastructure

Hamilton is supported by state of the art infrastructure, transportation options, buildings and public spaces that create a dynamic City.

Our People and Performance

Hamiltonians have a high level of trust and confidence in their City government.

APPENDICES AND SCHEDULES ATTACHED

Appendix “A” – Area Rating Special Capital Re-Investment Reserve Fund Checklist

Appendix “B” – Area Rating Special Capital Re-Investment Discretionary Fund Checklist

Appendix “C” – 2019-2036 Capital Budget Project Detail Sheet

Appendix “D” – Ward-Specific Funding Initiatives Procedure

Appendix “E” – Area Rating Special Capital Re-Investment Policy

SB/dt