

ITEM 6.1



Hamilton

**2020 UPDATED TAX OPERATING
BUDGET OUTLOOK AND
MITIGATION MEASURES**

GENERAL ISSUES COMMITTEE OCTOBER 30, 2019

Report FCS19054(a)

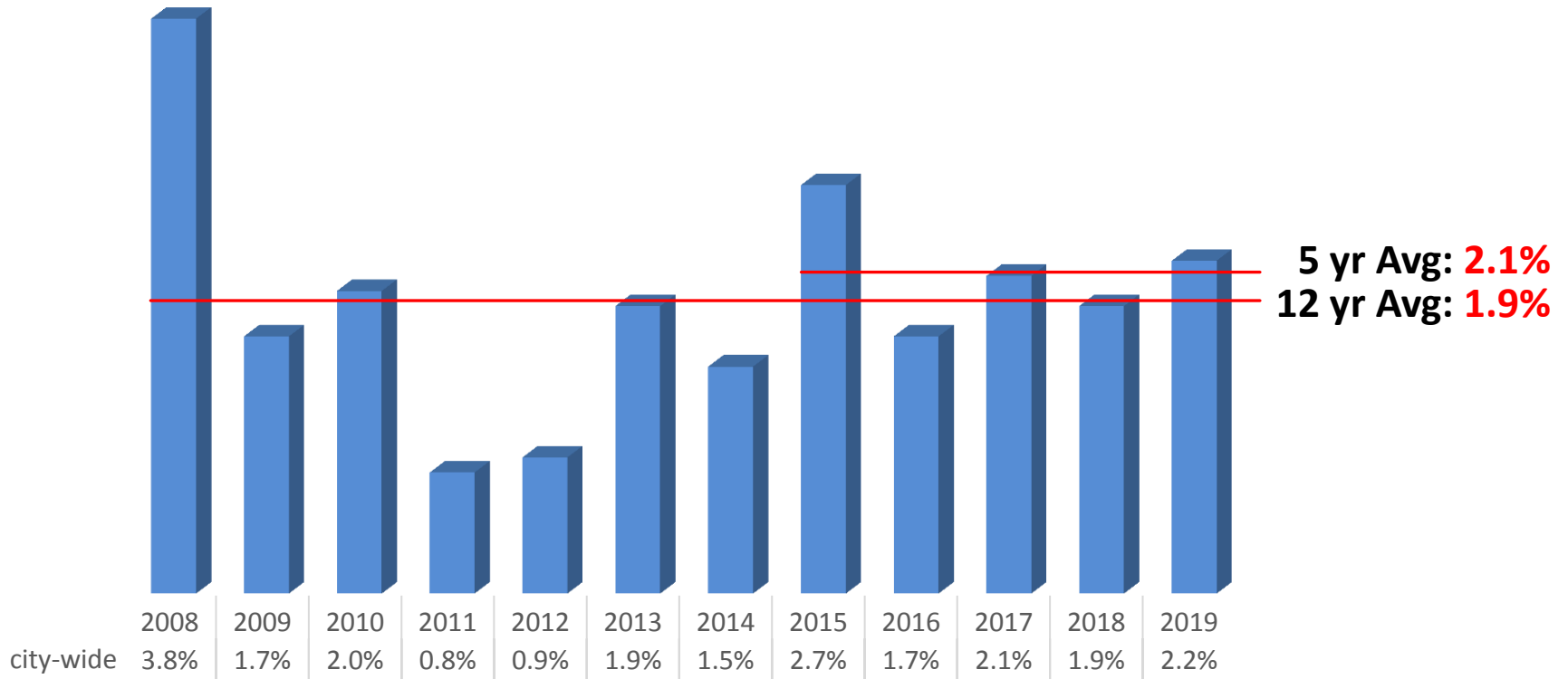
July 8, 2019 Council Direction:

- User Fees be increased **3%** and staff report back on fees that could be considered to move towards full cost recovery
- Police, Libraries and Conservation Authorities target a guideline of **2%**
- All other boards and agencies target a guideline of **0%**
- Tax Capital budget be submitted at a total levy impact of **1.3%**
- The Rate budget include options to reduce the projected increase of **4.5%**
- Staff develop options to reduce the tax impact based on these scenarios:
 - Reductions of **\$18.3M** to achieve a **4.6%** tax impact
 - Reductions of **\$27.0M** to achieve a **3.6%** tax impact
 - Reductions of **\$35.7M** to achieve a **2.6%** tax impact

Objectives

- Inform - Provide an Updated 2020 Budget Outlook
- Inform - Provide insight into 2021 challenges
- Inform - Reduction amounts to achieve the **4.6%**, **3.6%** and **2.6%** targets
- Inform - Describe the types of reductions required to meet the targets.
- Engage - Council feedback on the options
- Direction - Council provide direction on a target for 2020 tax increase understanding the types of options required to achieve that target.

Annual Average Residential Tax Impacts



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

Other Factors

- Provincial uploading versus downloading
- Provincial and Federal Grants
- Market conditions - fuel prices, sale of commodities
- Collective agreements
- Restructuring (2017)
- Assessment appeals
- Assessment shifts to residential from not-residential properties

2020 Updated Tax Operating Outlook

2020 Tax Budget

	Levy Increase \$	Tax Impact %
Outlook (July GIC)	\$ 62,341,000	6.7%
Current Draft	\$ 52,339,000	5.5%
CHANGE	-\$ 10,002,000	-1.2%

NOTE: Anomalies due to rounding

Major Changes Since Outlook



\$6.7 M reduced
Provincial Impact



\$3.3 M reduced
from continued review

Average Residential Tax Impact

Municipal Taxes

	\$	%
Other City Departments	\$ 118	3.4%
Boards and Agencies	\$ 34	1.0%
Capital Financing	\$ 45	1.12%
MUNICIPAL TAXES	\$ 196	5.5%

NOTE: Anomalies due to rounding


Ward Average Reassessment Impacts range




-0.3% to +1.6%

Budget Drivers – Maintenance

MAINTENANCE

Annual		Salary and Wage/Benefits	\$ 12,500,000
		Other (Contractual, Revenue, etc.)	\$ 2,250,000

EXTRAORDINARY

Variable		Insurance Premiums	\$ 2,000,000
		WSIB Shortfall	\$ 1,500,000
		Computer Software Licensing	\$ 1,500,000

\$19,750,000 TOTAL BUDGET DRIVERS = 2.0% TAX IMPACT

Budget Drivers – Additional Items

PROVINCIAL IMPACTS



Children's Services

\$ 2,600,000



Ontario Works

\$ 1,500,000



Public Health Services

\$ 1,300,000

TOTAL \$ 5,400,000

Budget Drivers – Additional Items

TRANSIT IMPACTS



DARTS

\$ 2,664,000



TRANSIT'S DARTS
CONTRACT PROVIDES

97,774
ADDITIONAL TRIPS

885,000
TOTAL ANNUAL TRIPS



PRESTO

\$ 1,243,000



5th Year of Transit Strategy

\$ 688,000

\$ 688,000
TRANSIT'S 5
YEAR STRATEGY

46,000
ADDITIONAL
SERVICE HOURS



35
ADDITIONAL FULL
TIME EQUIVALENTS



TOTAL \$ 4,595,000

Budget Drivers – Additional Items

OPERATING IMPACTS FROM CAPITAL

	West Harbour	\$ 1,140,000
	Traffic Management/Signaling	\$ 800,000
	Open Space Development	\$ 509,000
	IT Strategy	\$ 235,000
	Others	\$ 456,000

TOTAL \$ 3,140,000

\$13,095,000 TOTAL ADDITIONAL ITEMS = 1.4% TAX IMPACT

Budget Drivers – Capital Financing

	Levy Increase \$	Tax Impact %
Investing in Canada Infrastructure Program - Transit	\$ 1,835,000	0.21%
DC Exemptions	\$ 2,000,000	0.23%
Office Accommodations	\$ 1,204,000	0.14%
West Harbour	\$ 297,000	0.03%
Discretionary/Block Funding	\$ 4,300,000	0.50%
TOTAL IMPACT	\$ 9,636,000	1.12%

NOTE: Anomalies due to rounding

0.5% Capital Levy Breakdown



Roads/Bridges/Sidewalks

\$ 2.9 M



Transit

\$ 1.0 M




Parkland Acquisition

\$ 0.4 M

TOTAL \$ 4.3 M

Capital Funding Deficiency

ANNUAL INFRASTRUCTURE DEFICIT

 Roads/Bridges	\$ 90M - \$ 120M
 Corp Facilities (including City Hall)	\$ 10M - \$ 15M
 Rec Facilities	\$ 6M - \$ 8M
 Culture Facilities	\$ 3M - \$ 4M
 Housing	\$ 20M - \$ 30M
 Parks/Open Space	\$ 2M - \$ 4M
 Forestry	\$ 5M - \$ 6 M
 Fleet (including Fire, Paramedics, Police)	\$ 3M
 Transit	\$ 2M
 Long-Term Care	\$ 1M- \$ 2M

TOTAL ESTIMATE \$ 195M

Annual infrastructure deficit amounts based on historical averages (level of service variables have yet to be determined)

Budget Drivers – Boards & Agencies

	Police	\$ 6,072,000
	Conservation Authorities	\$ 2,500,000
	Library	\$ 644,000
	Other Boards & Agencies	\$ 302,000

TOTAL \$ 9,518,000

NOTE: Anomalies due to rounding

1.0% TAX IMPACT



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MITIGATION OPTIONS

Updated Reduction Scenarios

		Reductions	Levy Increase \$	Residential Tax Increase %
Preliminary Budget			\$ 52,339,000	5.5%
Total Reductions of	\$ (8,300,000)		\$ 44,039,000	4.6%
Total Reductions of	\$ (17,000,000)		\$35,339,000	3.6%
Total Reductions of	\$ (25,700,000)		\$ 26,639,000	2.6%

Reductions required are about **\$10M less** than the July GIC Outlook

Option Types to Achieve 4.6%



Financials

- Reduce contributions to reserves impacting long term financial plan.



Revenues

- Enhance user fee increases in many areas.



Services

- Reduce response time to inquiries, request for service.
- Reduce capability for policy work including in-year requests from Council.
- Reduce service hours for facilities/programs.
- Close under utilized facilities.
- Reduce or eliminate service levels where service is under utilized.
- Align service levels to comparator municipalities where the City exceeds those comparators.
- Align service levels to provincial funding.
- Reduce grants to external agencies.

Option Types to Achieve 3.6%

Previous slide plus:



Revenues

- New user fees for services traditionally provided at no charge.



Services

- Close facilities and related services not considered core municipal services or not required by provincial mandate.
- Reduce service levels in core areas.

TO ACHIEVE 3.6% ALL ACTIONS ON 4.6% LIST + THE LIST ABOVE IS NEEDED

2021 Will Be Challenging As Well

- Further Provincial Funding Policy changes were just postponed to 2021 and 2022
- Capital funding for potential successful grant projects (ICIP)
- Operating Impacts from Capital including those from potential grant announcements (ICIP)
- Fire 10 Year Service Delivery Plan
- Paramedic Ambulance pressures
- Continuation of Transit Strategy
- Housing
- Unfunded Development Charge Liabilities
- Bill 108 - Community Benefit Charges



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BUDGET PROCESS

2020 BUDGET KEY DATES

ITEM	DATE
GIC – Updated Outlook Report	October 30
GIC – 2020 Rate Budget	November 25 & December 6
GIC – 2020 Tax Capital Budget	November 29 and Dec. 9
GIC – User Fee Report	December 4, 2019
GIC – Tax Operating Overview and Departmental Presentations	January 17
GIC – Boards and Agencies	January 21 & 23
GIC – Transit Day	January 24
GIC – Departmental Presentations	January 28, 29, 30, Feb. 7
GIC – Budget Delegations (Public)	Feb. 10
GIC – Budget Deliberations	Feb. 24, 27, March 2, 4