Item 6.1

2021 BUDGET GUIDELINES, OUTLOOK & PROCESS

FCS20087

Mike Zegarac
General Manager, Finance and Corporate Services

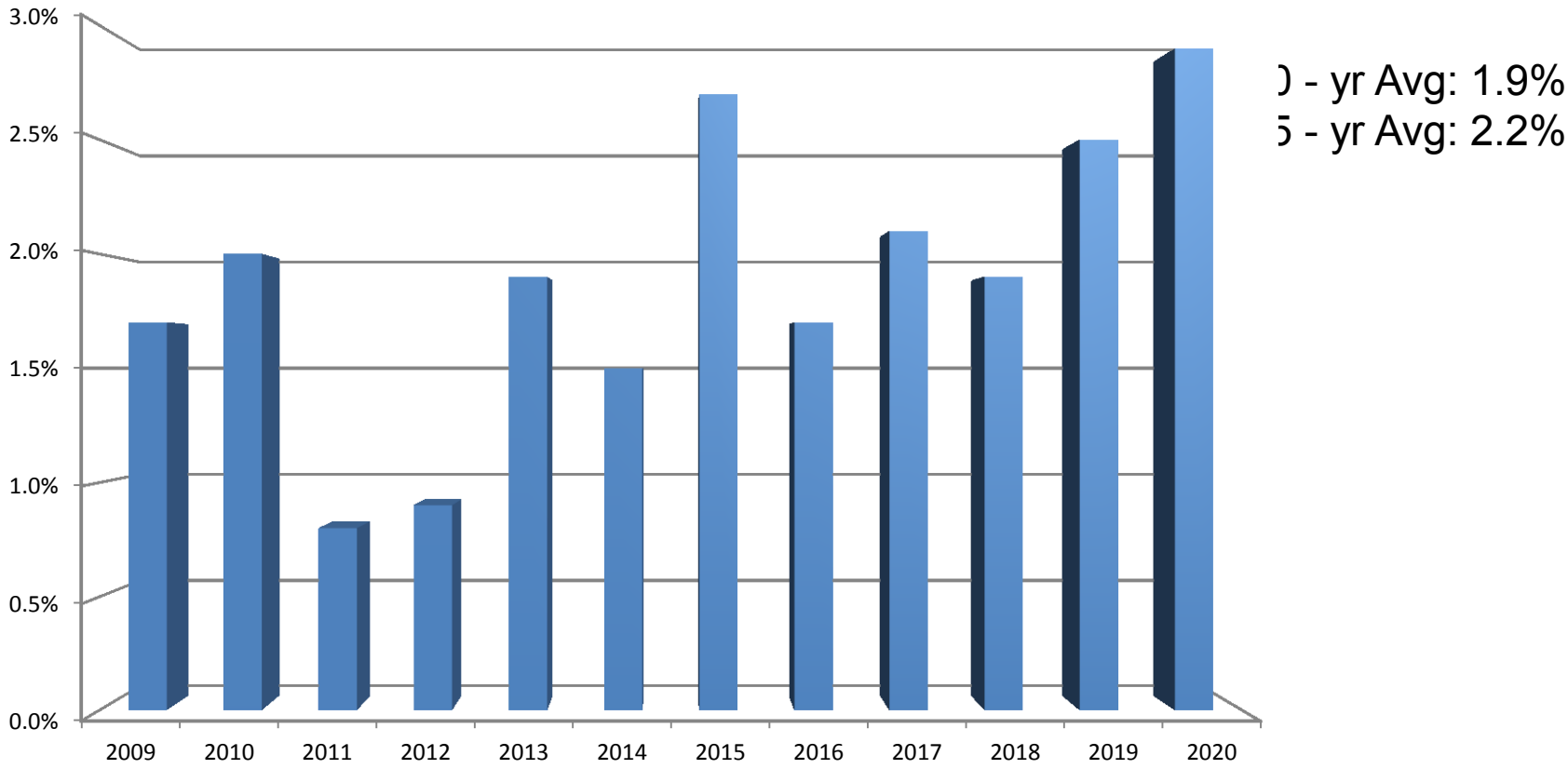
October 29, 2020
General Issues Committee

AGENDA

1. Tax Supported Historical Budgets
2. 2021 Tax Supported Operating Budget Preliminary Outlook
3. 2021 Tax Budget Guidelines & Recommendations
4. Rate Supported Historical Budgets
5. 2021 Rate Supported Operating Budget Preliminary Outlook
6. 2021 Rate Budget Recommendations
7. 2021 Budget Schedule

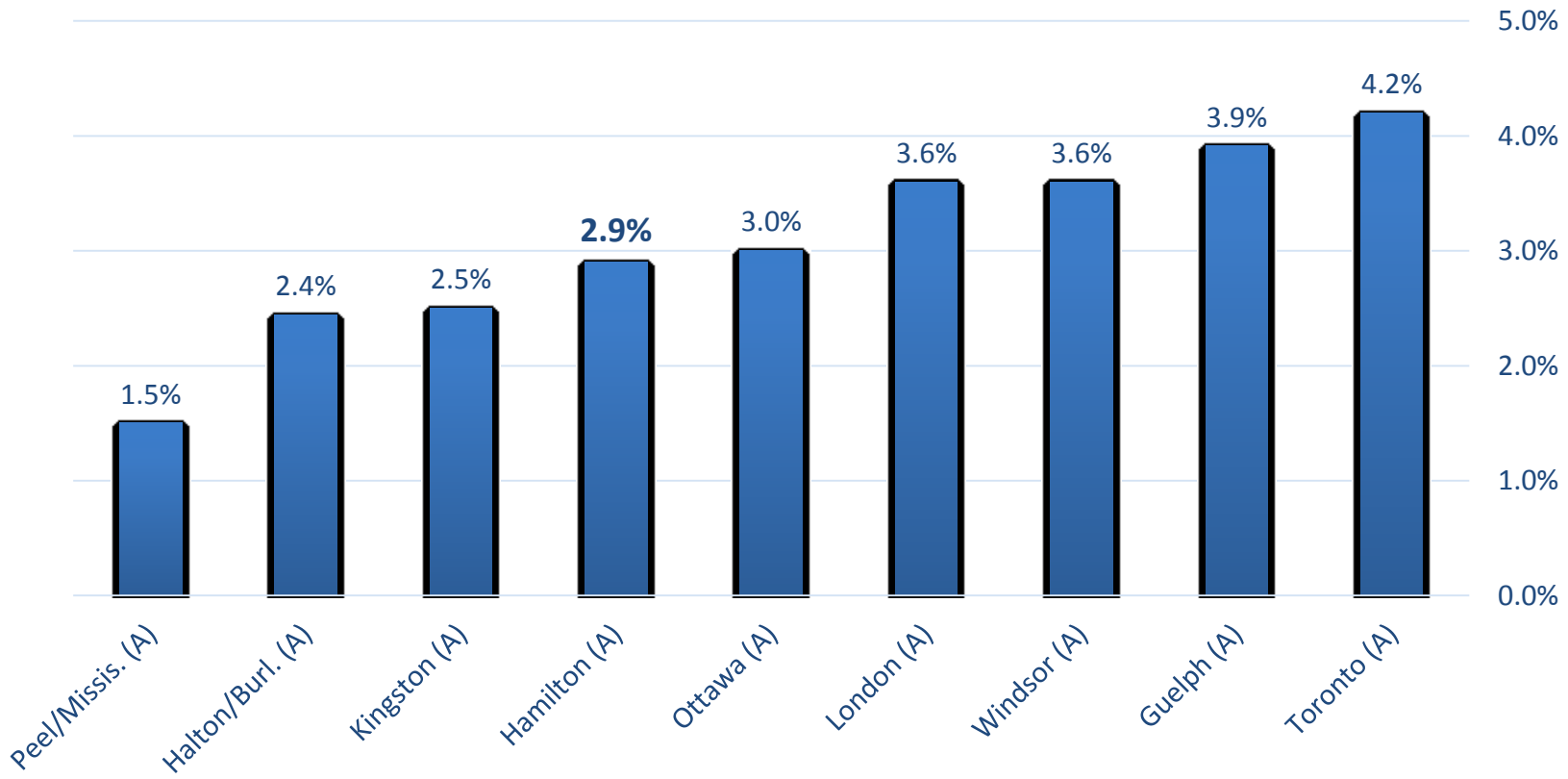
TAX SUPPORTED HISTORICAL BUDGETS

ANNUAL AVERAGE RESIDENTIAL TAX IMPACT



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

2020 RESIDENTIAL TAX IMPACTS COMPARATORS



A = Approved

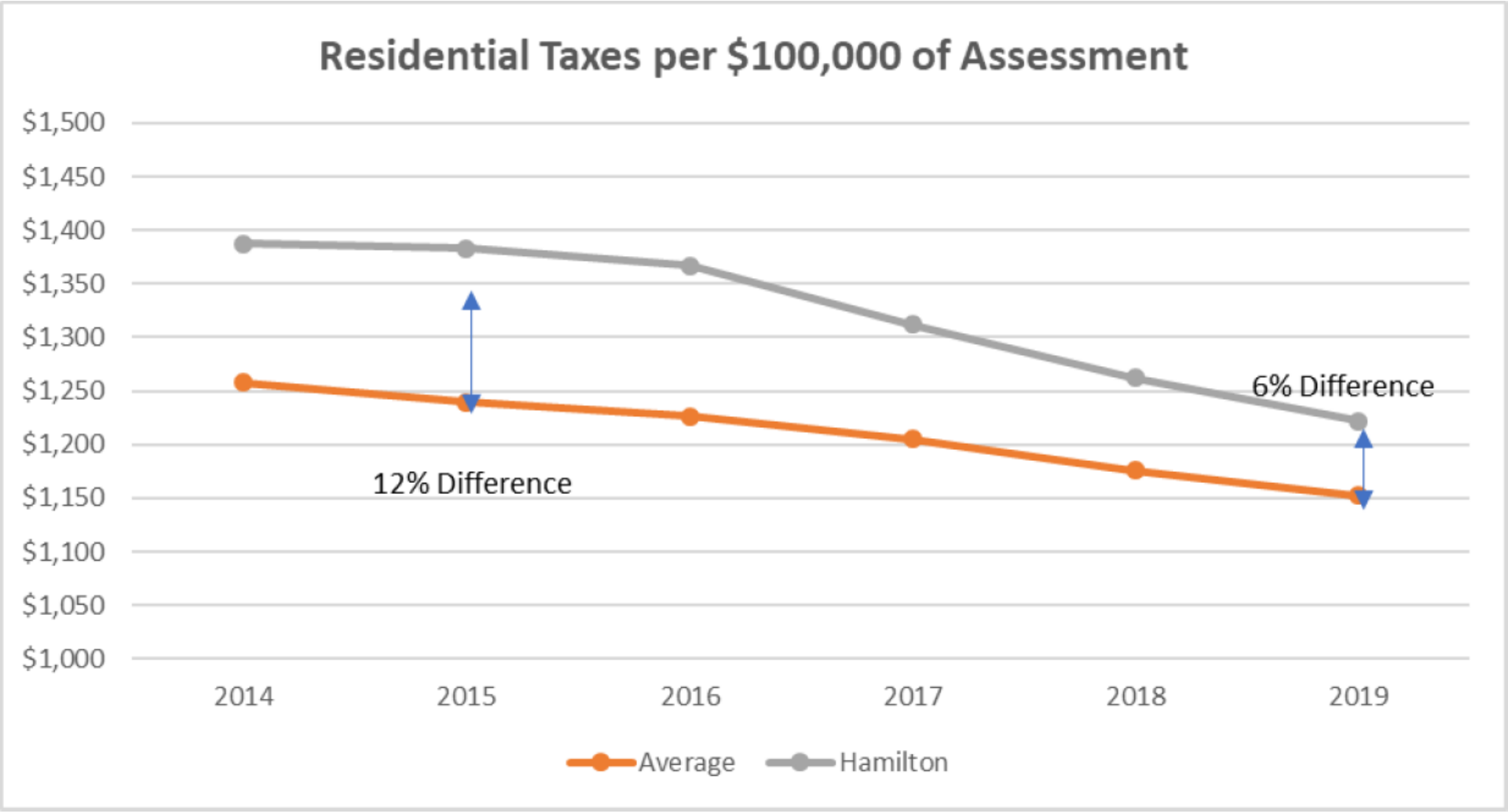
Note: London and Toronto increase excludes Education impact

TAX COMPETITIVENESS

Residential Tax Impact 2015 - 2019

	Ottawa	Hamilton	Halton / Burlington	Kingston	Peel / Mississauga	London	Toronto	Guelph
2015	2.0%	3.4%	2.7%	2.5%	2.8%	2.5%	2.8%	4.3%
2016	2.0%	1.7%	2.0%	2.5%	2.5%	2.9%	2.7%	3.0%
2017	2.0%	2.1%	2.6%	2.5%	2.9%	2.9%	2.5%	3.1%
2018	2.1%	1.9%	2.5%	2.5%	2.7%	2.8%	2.9%	3.0%
2019	3.0%	2.2%	2.0%	1.8%	2.9%	2.7%	3.6%	3.9%
Average	**2.2%**	**2.3%**	**2.4%**	**2.4%**	**2.8%**	**2.8%**	**2.9%**	**3.5%**

TAX COMPETITIVENESS



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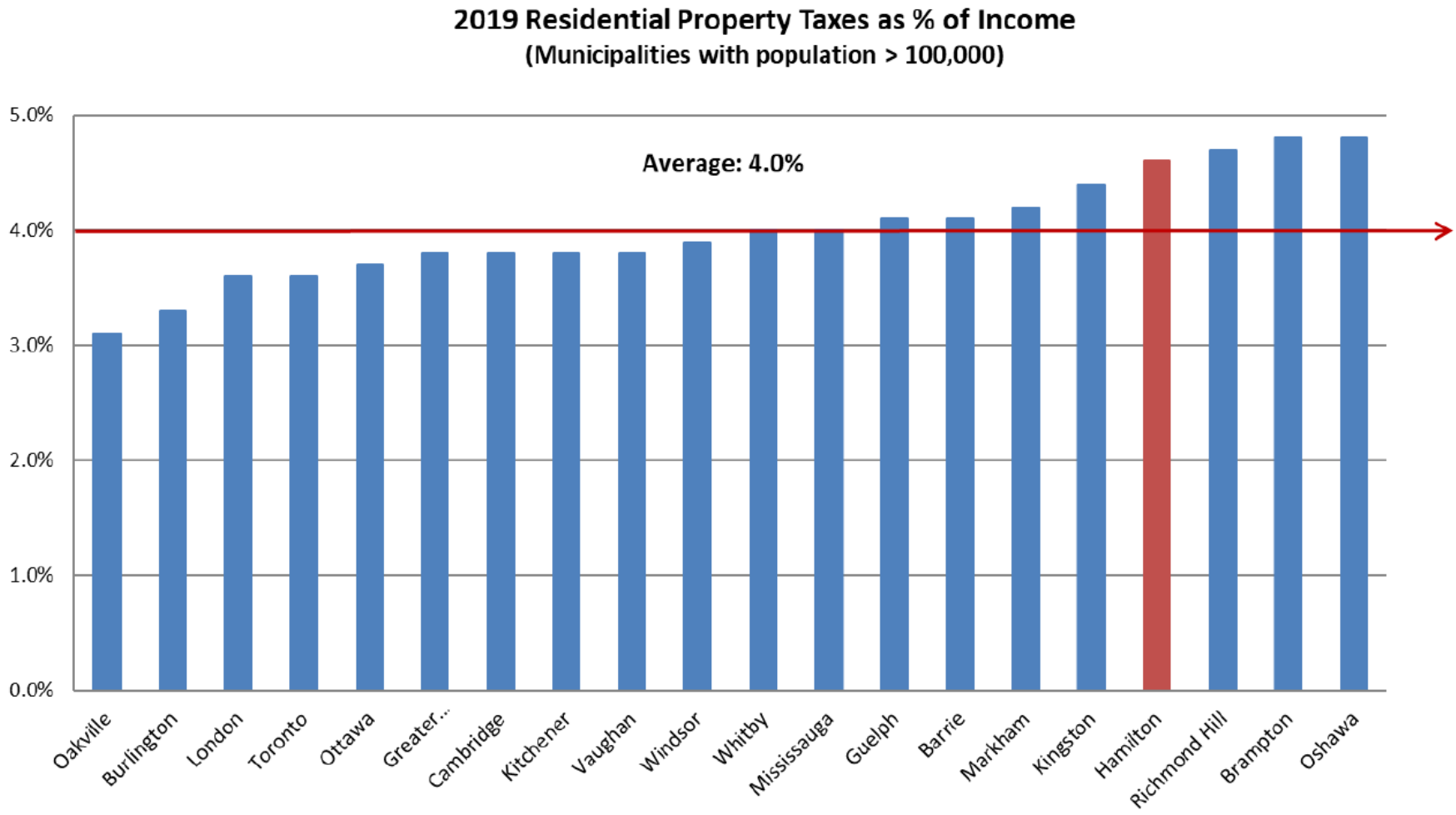


2020 DISTRIBUTION OF TAX DOLLARS

CITY SERVICES
$1,690

- **$317** Roads Program
- **$202** Waste Management Services
- **$203** Administrative Services
- **$166** Parks, Forestry, Cemeteries
- **$129** Library
- **$80** Boards/Agencies/City Enrichment Fund
- **$125** Planning/Economic Development
- **$86** Accessible Transportation Services (ATS)
- **$380** Others

PROVINCIALLY SHARED
$492

- **$384** Social Services
- **$76** Public Health
- **$40** EMS
- **($8)** POA

AREA RATED SERVICES
$859

- **$385** Fire Services
- **$230** Transit (HSR)
- **$157** Recreation
- **$37** Sidewalk and Streetlighting
- **$51** Special Capital Re-investment

EDUCATION
$582

- **$582** Education

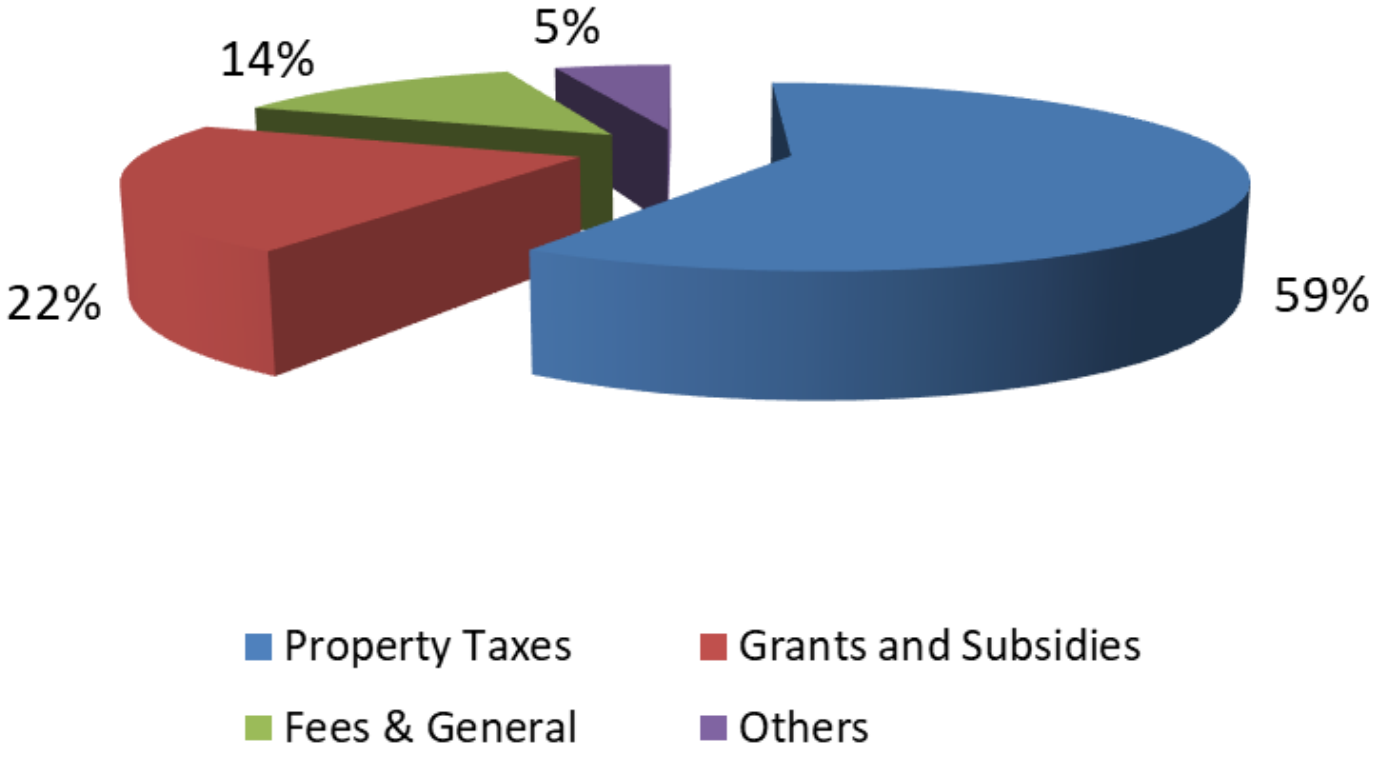
POLICE
$648

- **$648** Police Services

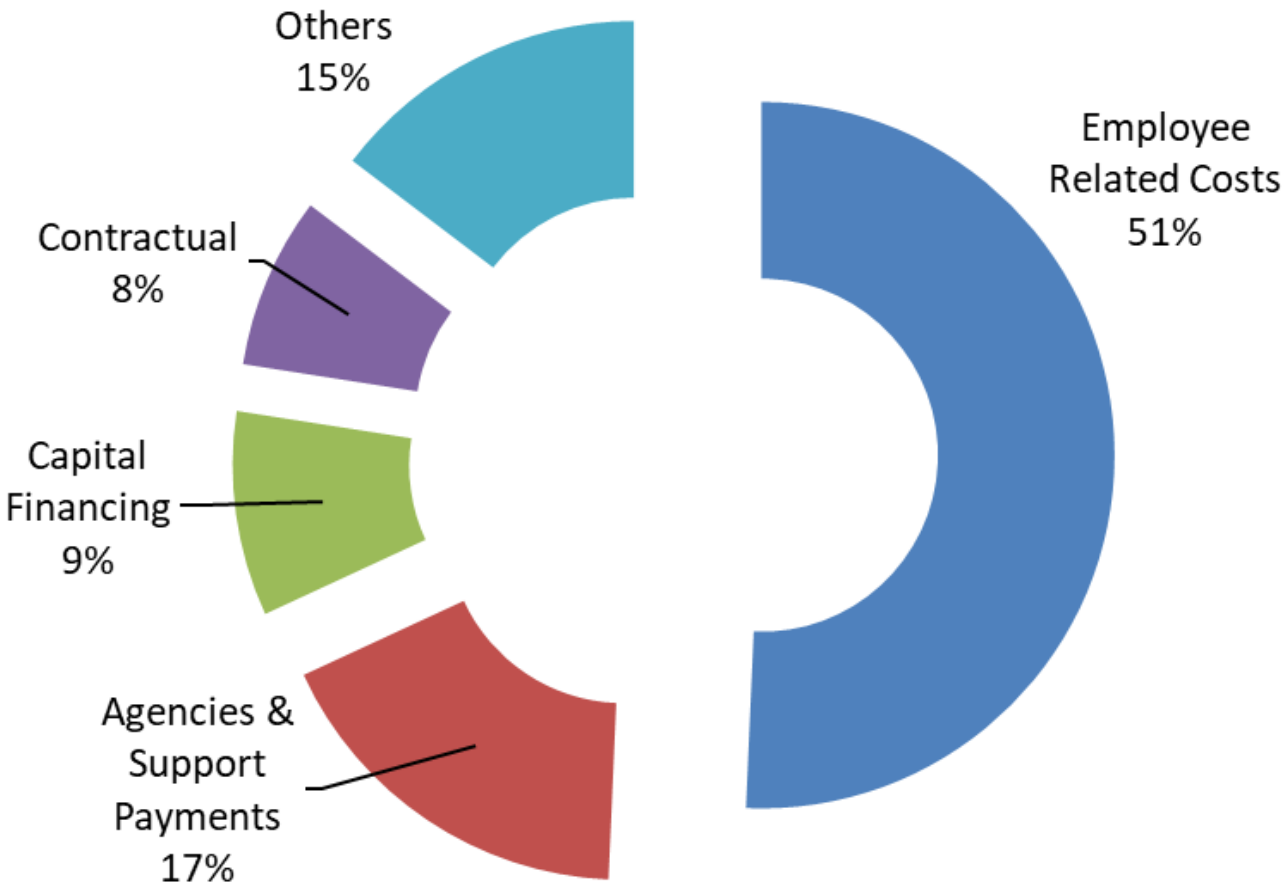
$3,689 TOTAL MUNICIPAL TAXES
Average residential assessment **$380,300**

$ 4,271 TOTAL TAXES

RELIANCE ON PROPERTY TAXES BASED ON 2020 BUDGET

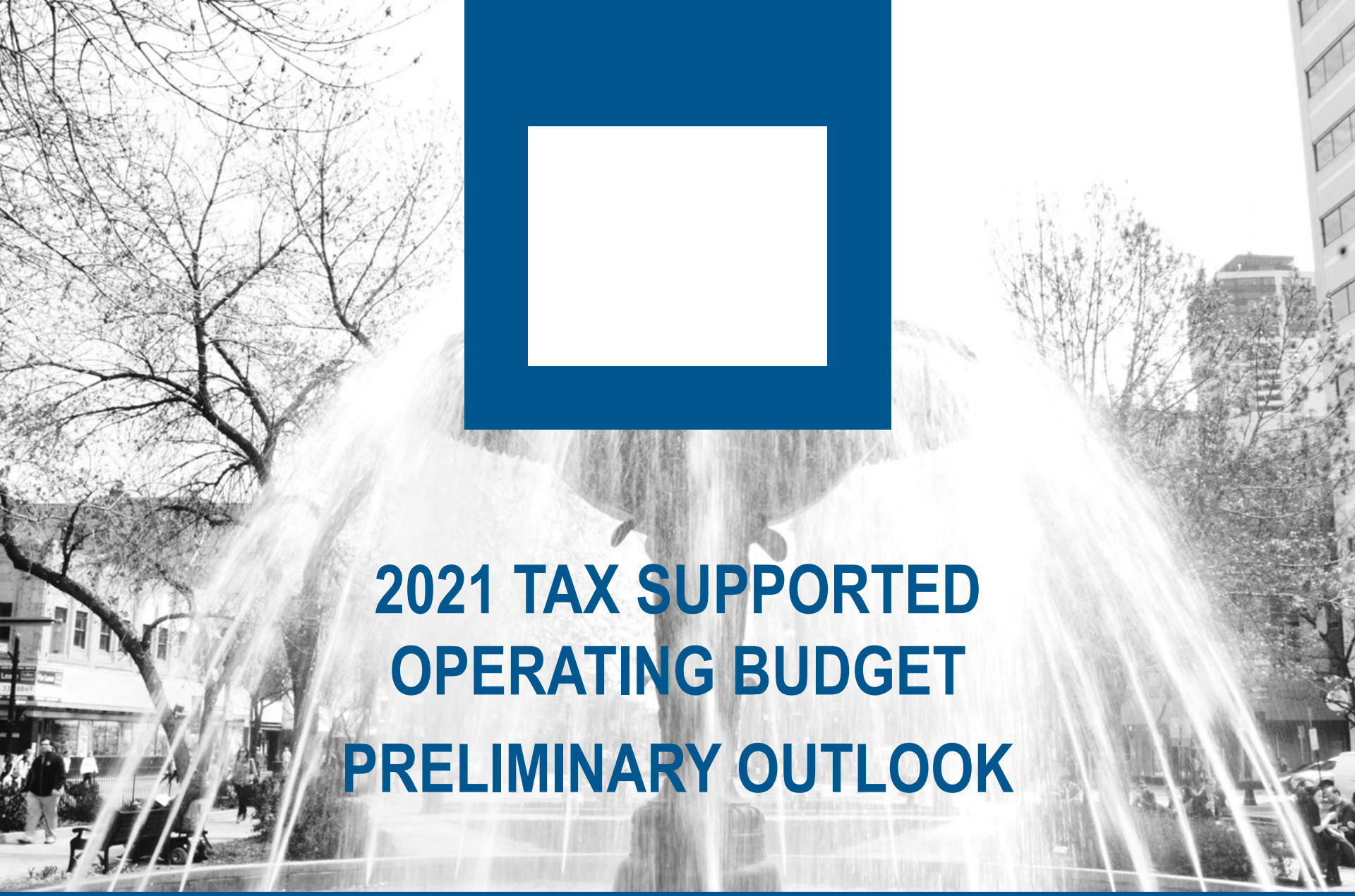


2020 COST OF PROVIDING SERVICES



MULTI-YEAR OUTLOOK BUDGET INCREASE ($000's)

		Increase					
	2020	**2021**		**2022**		**2023**	
	$	**$**	**%**	**$**	**%**	**$**	**%**
Total City Departments	571,024	31,110	5.3%	18,739	3.0%	19,300	3.0%
Boards & Agencies	223,834	6,371	2.8%	6,474	2.8%	6,503	2.7%
Capital Financing	137,425	6,236	4.5%	5,815	4.0%	5,312	3.5%
Total Preliminary Operating Budget	**932,283**	**43,717**	**4.7%**	**31,028**	**3.2%**	**31,115**	**3.1%**
Residential Average Property Tax Impact *	**4.5%**		**4.2%**		**2.7%**		**2.6%**



2021 TAX SUPPORTED OPERATING BUDGET PRELIMINARY OUTLOOK

MUNICIPAL TAX IMPACT

Property Tax Impact of Municipal Services
(Per $380,300 CVA)

	2020	2021	Change	
Municipal Taxes				
City Departments	$ 2,443	$ 2,557	$ 114	3.1%
Boards and Agencies	$ 861	$ 875	$ 14	0.4%
Capital Financing	$ 384	$ 401	$ 18	0.5%
Total Municipal Taxes*	**$ 3,688**	**$ 3,834**	**$ 146**	**4.0%**

Note - Anomalies due to rounding

*Assumes growth benefit of (1.0%) and no reassessment impact

2021 BUDGET OUTLOOK

Department	2020 Restated $	2021 Outlook $	Change from 2020 $
Planning and Economic Development	$29,842,050	$30,543,500	$1,401,860
Healthy and Safe Communities	$247,637,470	$256,382,390	$9,465,610
Public Works	$257,247,140	$267,427,160	$11,047,040
Legislative	$5,109,610	$5,195,690	$104,090
City Manager	$12,344,910	$12,853,700	$568,460
Corporate Services	$34,200,240	$36,647,340	$1,986,800
Corporate Financials / Non Program Revenues	($28,136,590)	($16,594,960)	$9,645,270
Hamilton Entertainment Facilities	$4,096,190	$4,037,180	($59,010)
Total City Expenditures	$562,341,020	$596,492,000	$34,160,120
Hamilton Police Services	$170,815,160	$175,597,980	$4,782,820
Other Boards and Agencies	$47,489,140	$48,736,630	$1,238,350
City Enrichment Fund	$6,088,340	$6,088,340	$0
Total Boards and Agencies	$224,392,640	$230,422,950	$6,021,170
Capital Financing	$137,424,860	$141,802,270	$4,377,410
Total Levy Requirement	$ 924,158,520	$ 968,717,220	$ 44,558,700
Municipal Tax Impact (after assessment)			4.0%

MAIN BUDGET DRIVERS FOR CITY EXPENDITURES

Budget Pressure	2021 Increase
Employee related and misc. other	$ 17,543,120
Information Technology equipment and licenses	$ 3,250,000
Operating impacts of capital	$ 3,167,000
Roxborough Housing Incentive Program	$ 2,100,000
Curbside waste collection	$ 2,900,000
Organics and recycling processing contracts	$ 1,500,000
Recycling Program Revenue Pressure	$ 1,500,000
Children's Services provincial funding	$ 1,200,000
Insurance premiums	$ 1,000,000
Total	**$ 34,160,120**

BOARDS & AGENCIES – LEVY IMPACT

Board / Agency	Net Levy Increase
Police	$ 4,782,820
Conservation Authorities	$ 139,000
Library	$ 892,000
Other Boards and Agencies	$ 207,350
Total Impact	**$ 6,021,170**

CAPITAL FINANCING – LEVY IMPACT

Capital Financing		Net Levy Increase
ICIP - Transit	$	1,893,000
DC Exemption	$	2,000,000
B&A Capital Financing	$	484,410
Total Impact	**$**	**4,377,410**

TAX POLICY

- Pause on 2021 Re-assessment (COVID-19 related)
  - Resulting in known shifts across classes and within classes. For example, 2016-2020 0.5% annual shift from non-res to res
  - 2021 impact will reflect budget and area rating decisions

CAPITAL FINANCING

- Recommended budget direction would replace the planned $4.3M investment in capital (0.5% Capital Levy increase) and provide additional capital investment through the use of one-time sources in 2021:
  - Additional Federal Gas Tax funds
  - Update interest rate assumptions for future debt financing
  - Update cash flow assumptions for debt servicing costs for Transit and the National Housing Strategy
  - Roads, Bridges and Traffic Capital Reserve
  - COVID-19 Reserve

- Provides a higher level of capital investment than originally forecasted in 2021, but level of financing is not sustainable in the long-term forecast

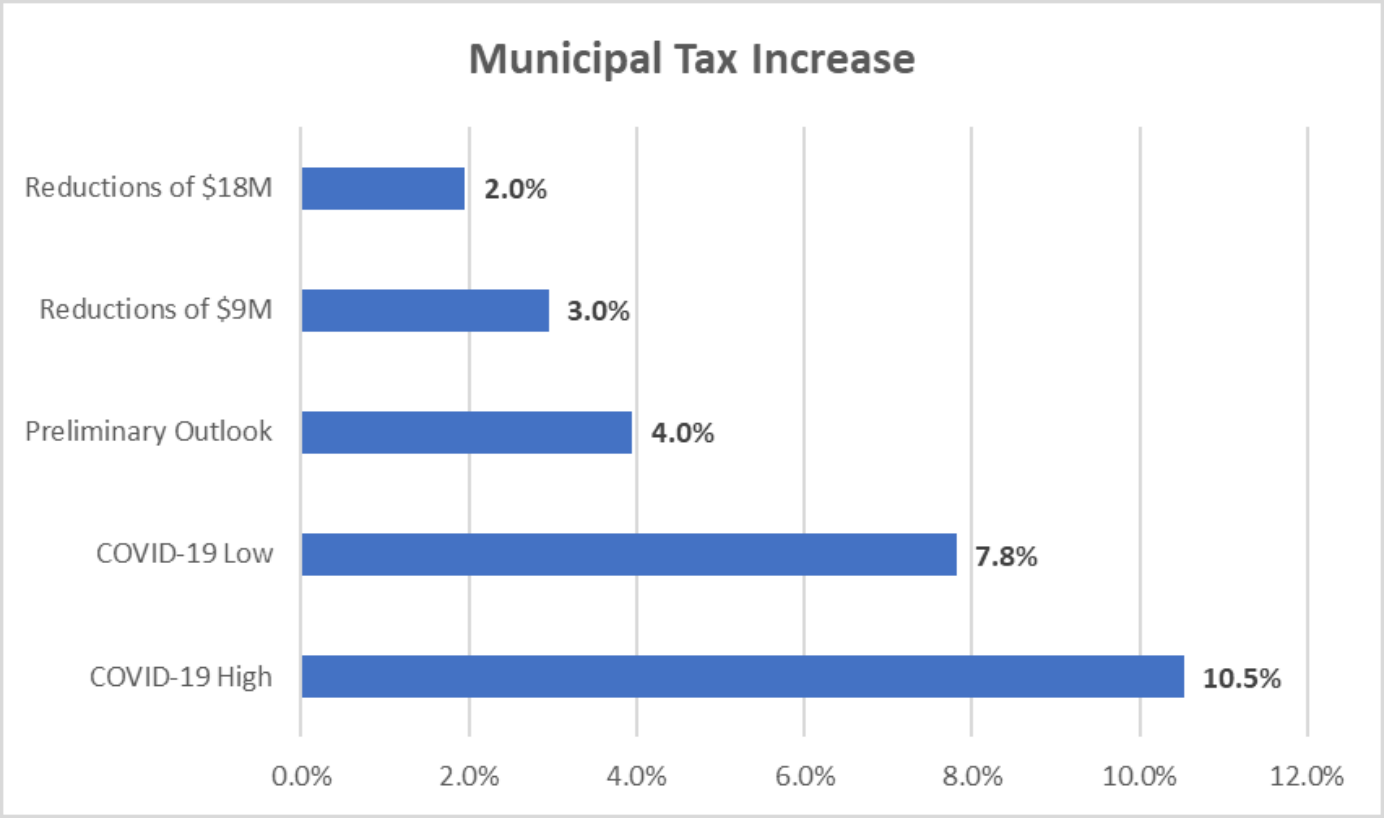
CAPITAL FINANCING

TAX CAPITAL FINANCING PLAN ($000's)	CURRENT YEAR			MULTI-YEAR		
	2021 Multi-year	2021 Preliminary	Change	2022 Forecast	2023 Forecast	2024 Forecast
Capital Levy	123,711	123,711	-	127,604	133,601	139,072
Debt Carrying Costs	(50,578)	(40,628)	9,950	(45,609)	(43,243)	(42,366)
Net Funding Available	**73,133**	**83,083**	**9,950**	**81,995**	**90,358**	**96,706**
Discretionary Block Funding Increase	4,300	-	(4,300)	4,800	4,800	4,800
New Debt (West Harbour) (FCS19054)			-	374	626	1,773
New Debt (Transit) (PW19083/FCS18048(a))	1,893	1,893	-	823	45	56
DC Exemptions (FCS19054)	2,000	2,000	-			
Increase to Capital Levy	**8,193**	**3,893**	**(4,300)**	**5,997**	**5,471**	**6,629**
Other Sustainable Funding:						
HUC/Alectra Dividends	5,300	5,300	-	5,300	5,300	5,300
Hamilton Future Fund	4,000	4,000	-			
Federal Gas Tax Funding Agreement	34,057	34,057	-	34,057	35,537	35,537
Total Other Sustainable	**43,357**	**43,357**	**-**	**39,357**	**40,837**	**40,837**
Non-Sustainable Funding:						
Federal Gas Tax		4,300	4,300			
2020 Capital Financing Surplus	2,000	4,600	2,600			
COVID-19 Reserve		1,100	1,100			
Roads, Bridges and Traffic Capital Reserve		2,090	2,090			
Total Non-Sustainable Funding	**2,000**	**12,090**	**10,090**	**-**	**-**	**-**
New Tax Debt Principal	**32,527**	**29,076**	**(3,451)**	**34,548**	**18,005**	**43,922**
Tax Supported Capital Financing	**159,210**	**171,499**	**12,289**	**161,897**	**154,671**	**188,094**

COVID RELATED PRESSURES

Department	Low ($)	High ($)
Planning & Economic Development	2,403,000	5,391,000
Healthy and Safe Communities	20,322,000	27,267,000
Public Works	12,060,000	24,989,000
Corporate Financials	-	1,540,000
Subtotal	**34,785,000**	**59,188,000**
Contribution from Senior Levels of Gov't	(34,785,000)	(59,188,000)
Net Levy Impact	**-**	**-**

COVID-19 AND REDUCTION SCENARIOS



2020 TAX BUDGET GUIDELINES & RECOMMENDATIONS

GUIDELINES & RECOMMENDATIONS

- That staff be directed to prepare the 2021 Tax Operating Budget at an increase required to maintain current service levels and report back through the 2021 budget process;

- That staff be directed to increase user fees towards full cost recovery where it is reasonable to expect that users can afford to pay;

- That for all other user fees, the fee be increased by a rate of 2.0% and that any user fee increases below the guideline be forwarded for consideration with appropriate explanation;

- That City Council **provides** a 2021 Tax Operating Budget guideline as it relates to Boards and Agencies and that any increase beyond the guideline be forwarded for consideration with appropriate explanation;

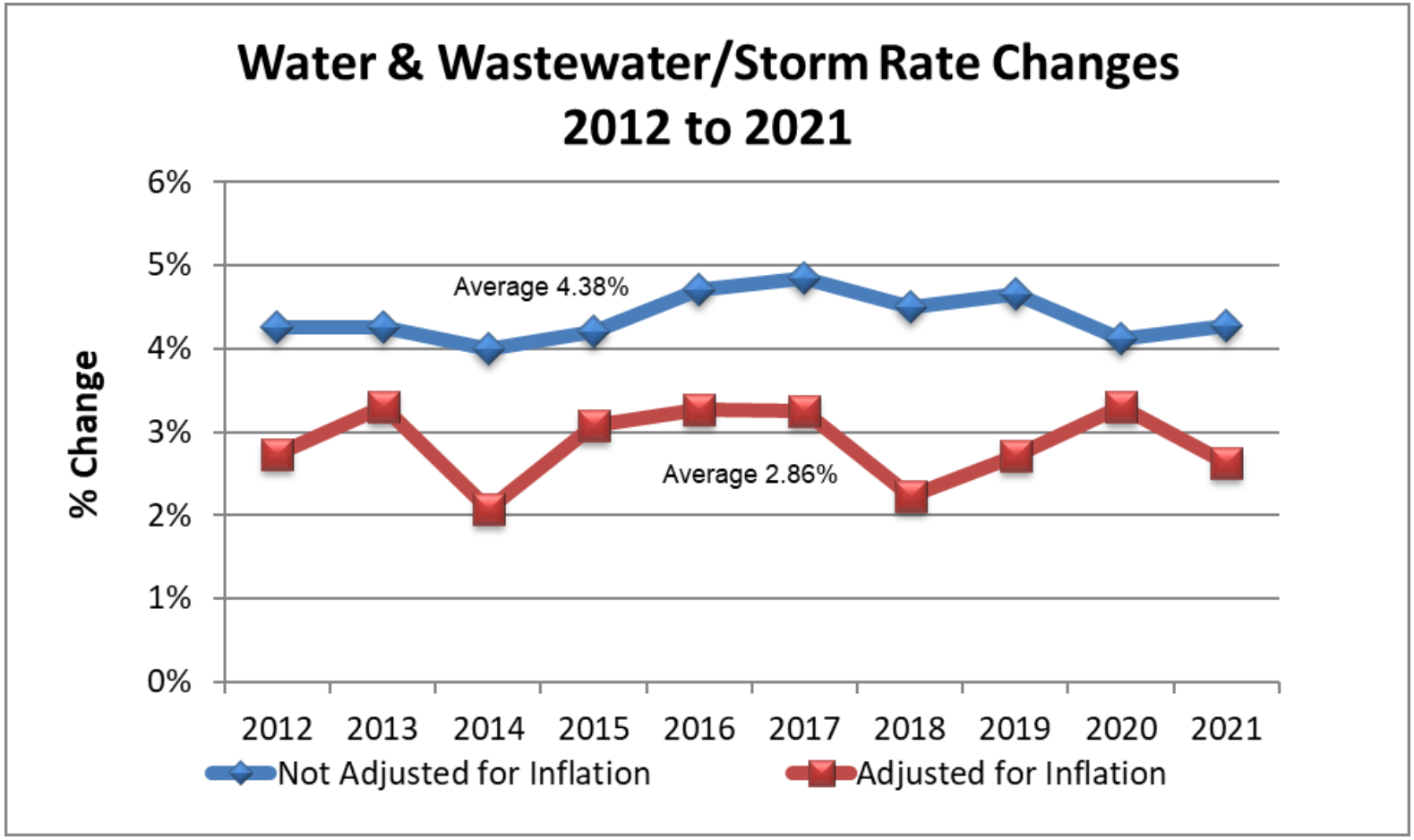
GUIDELINES & RECOMMENDATIONS

- That staff be directed to prepare the 2021 Tax Capital Budget with a 0% tax increase for capital financing of discretionary block funded projects;

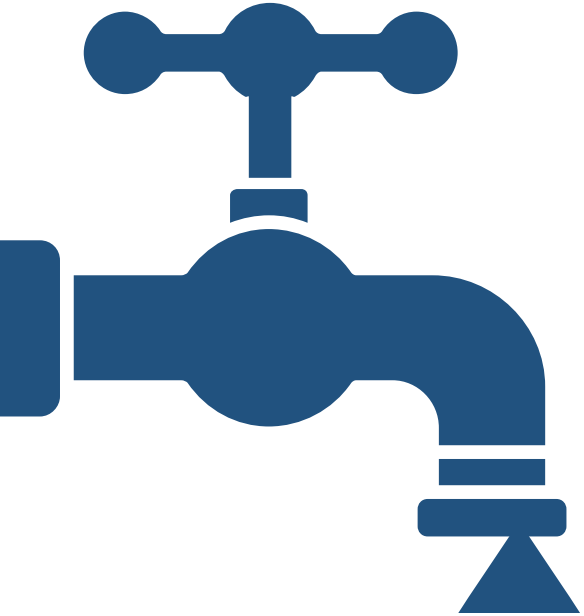
- That the City Clerk forward Report FCS20087 to local Members of Parliament, local Members of Provincial Parliament, the Federation of Canadian Municipalities, the Association of Municipalities Ontario and Ontario's Big City Mayors for the purposes of advocating senior levels of government for ongoing financial support related to COVID-19 pressures.

RATE SUPPORTED HISTORICAL BUDGETS

10 YEAR RATE CHANGES



HOW DOES HAMILTON COMPARE?

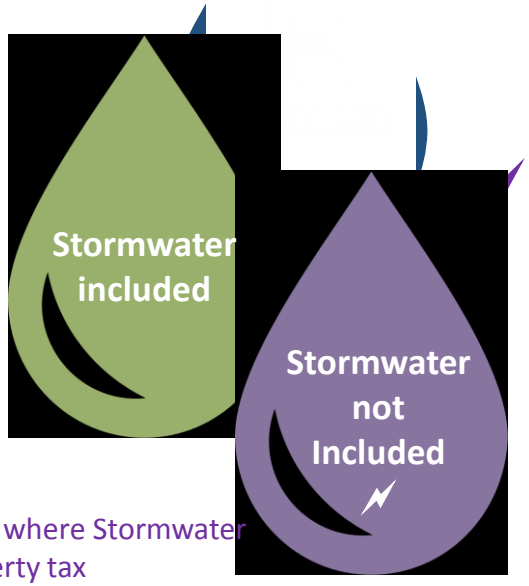


2019 Water Bill Residential

200m³/ (year)

Kitchener: $1,451
Norfolk: $1,167
Cambridge: $1,132
West-Lincoln: $1,111
London: $1,086
Haldimand: $1,032
Waterloo: $1,004
Guelph: $980
Brantford: $923
St. Catharines: $920
Durham: $893
Halton: $873
Toronto: $791
Hamilton: $722
Peel: $594

Survey Average $948



Comparators where Stormwater funded by property tax

Hamilton provides **three** services for less than some municipalities which offer two

2020 RESIDENTIAL AVERAGE ANNUAL BILL

$364.65
Water

$387.95
Wastewater/Storm

$752.60
2020 Residential Bill

Based on annual water consumption of 200m^3

2021 RATE BUDGET OUTLOOK

2021 RATE BUDGET OUTLOOK

Rate Budget Pressures	$ M
City Division (Hamilton Water)	
Energy and Other Operating Costs	$1.7
Capital Financing	$9.4
Preliminary Pressures / Risks	**$11.1**
Combined Rate Impact	**4.28%**

2021 RATE BUDGET RECOMMENDATIONS

RECOMMENDATION

- That staff be directed to prepare the 2021 Rate Supported Budget at a combined rate increase of 4.28%, in alignment with the long-term financing plan approved in principle

BUDGET SCHEDULE

2021 BUDGET KEY DATES

ITEM	DATE
GIC – 2021 Rate Budget	November 23rd & December 1st (if required)
GIC – 2021 Tax Capital Budget	November 27th and December 3rd (if required)
GIC – User Fee Report	December 9th
GIC – Tax Operating Overview	January 15th
GIC – Boards and Agencies	January 19th & 21st
GIC – Transit Day	January 22nd
GIC – Departmental Presentations	January 26th, 27th, 28th, Feb.5th
GIC – Budget Delegations (Public)	Feb. 8th
GIC – Budget Deliberations	Feb. 11th, 22nd, 25th and March 1st & 3rd
Council Budget Approval	March 31st