

**Item 6.1**



Hamilton

**2021 TAX SUPPORTED CAPITAL  
BUDGET  
FCS20101**

**Mike Zegarac**  
General Manager, Finance and Corporate Services

**November 27, 2020**  
General Issues Committee

# PRESENTATIONS

## 1. Asset Management

Gord McGuire

Director, Engineering Services

## 2. 2021 Tax Supported Capital Budget

Mike Zegarac

General Manager, Finance and Corporate Services



Hamilton

# ASSET MANAGEMENT AT THE CITY OF HAMILTON

Gord McGuire  
Director, Engineering Services

November 27, 2020  
General Issues Committee

# Asset Management at City of Hamilton

## **What is required, where we are, what we are doing?**

*-The Province has defined requirements for municipalities to develop an Asset Management Policy (2019) and develop Asset Management Plans (2021, 2023, 2024) that ultimately express the City's objectives, the levels of service required to achieve those objectives, the work needed on assets to meet the levels of service and the cost of doing that work.*

## **What this will mean to Council?**

*-Portfolio, program and project management to align to desired LOS while understanding fiscal track.*

## **What processes lie ahead?**

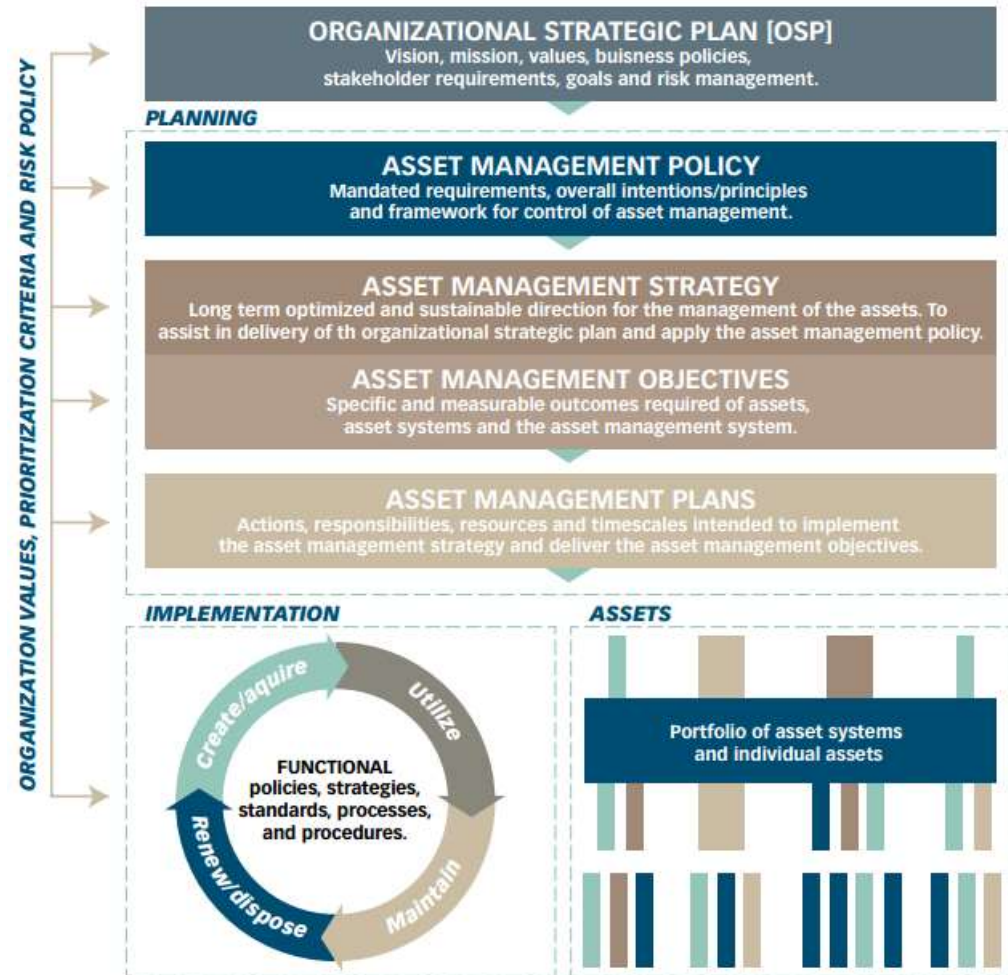
*-Numerous portfolios that plan service level increases which inherently means definition of priorities.*

# Asset Management at City of Hamilton

In recent years, the discipline of Asset Management has evolved ...

Then: a focus on the implementation of managing asset lifecycles. (the implementation box)

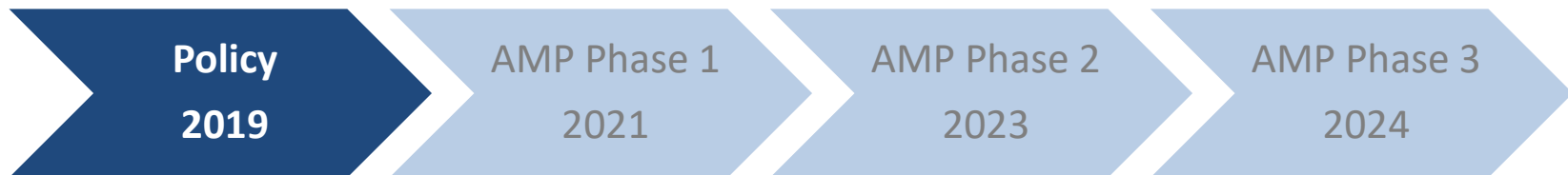
Now: all the activities and practices an organization applies to its physical assets in order to achieve its strategic objectives.



Source: Institute of Asset Management, [www.theIAM.org](http://www.theIAM.org)

# O.Reg. 588: Asset Management Policy

| O. Reg 588   | Next Steps  | Results   |
|--|---|---|
| <ul style="list-style-type: none"> <li>Establish an AM Policy by July 2019</li> <li>Update every 5 years</li> </ul>  | <ul style="list-style-type: none"> <li>Ensure AM Policy is suitable, adequate, effective, reviewed and updated as required</li> <li>Senior management and committee review</li> </ul> | <ul style="list-style-type: none"> <li>Council review and approval</li> </ul> |
| <b>Status</b>  |   |   |
| <ul style="list-style-type: none"> <li><b>Completed and approved by Council June 2019</b></li> <li>Upcoming renewal in July 2024: Review and update with direction from AMP processes</li> </ul> |   |   |



# Climate Change in the AM policy

## City's Strategic AM Policy address Climate Change within the body of the policy:

*"The City is committed to considering climate change. This includes:*

- a. Identifying the vulnerabilities of the City's existing and proposed infrastructure assets caused by climate change, and subsequent potential costs;*
- b. Considering the means to address those vulnerabilities, related to operations, levels of service and lifecycle activities;*
- c. Considering adaptation opportunities that may be undertaken to manage the vulnerabilities,*
- d. Considering mitigation approaches to limit the magnitude or rate of long-term climate change (such as reduction objectives), and*
- e. Considering disaster planning and contingency funding. "*

# O.Reg. 588: Asset Management Plan Phase 1 Core Assets

| O. Reg 588  | Next Steps   | Results   |
|---|--|---|
| <ul style="list-style-type: none"> <li>AM Plan for Core Assets by July 2021</li> <li>Water, wastewater, storm, roads, bridges                             <ul style="list-style-type: none"> <li>Inventory of assets,</li> <li>Current levels of service measured by standard metrics, set by the province through regulation 588/17</li> <li>Lifecycle Activities and Risks related to current levels of service</li> <li>Costs to maintain levels of service (LOS)</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>Review of land-use or master plans, forecasts, policies and other planning or financial commitments related to municipal infrastructure assets</li> <li>Coordinating with the asset owners to align asset management planning with budgets, land-use or master plans, forecasts, policies and other planning or financial commitments</li> <li>Senior management and committee endorsement</li> </ul> | <ul style="list-style-type: none"> <li>Council review and approval</li> </ul> |





# O.Reg. 588: Asset Management Plan Phase 2 Add in All Assets

| O Reg 588  | Status   | Next Steps   | Results   |
|--|--|--|---|
| <ul style="list-style-type: none"> <li>By July 2023</li> <li>AM Plan for all assets</li> <li>Examples: IT, Fleet, parks, transit, cemeteries, facilities                             <ul style="list-style-type: none"> <li>- Inventory of assets</li> <li>- Current levels of service measured by standard metrics</li> <li>- Lifecycle Activities - Risks related to current levels of service</li> <li>- Costs to maintain current levels of service</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>PW and consultant are currently striving to develop inclusive methods and frameworks in current assignments to include all assets to meet future requirements.</li> </ul> | <ul style="list-style-type: none"> <li>Communicating land-use or master plans, forecasts, policies and other planning or financial commitments related to municipal infrastructure assets.</li> <li>Coordinating with the General Managers to align asset management planning with budgets, land-use or master plans, forecasts, policies and other planning or financial commitments.</li> <li>Senior management and committee endorsement</li> </ul> | <ul style="list-style-type: none"> <li>Council review and approval</li> </ul> |

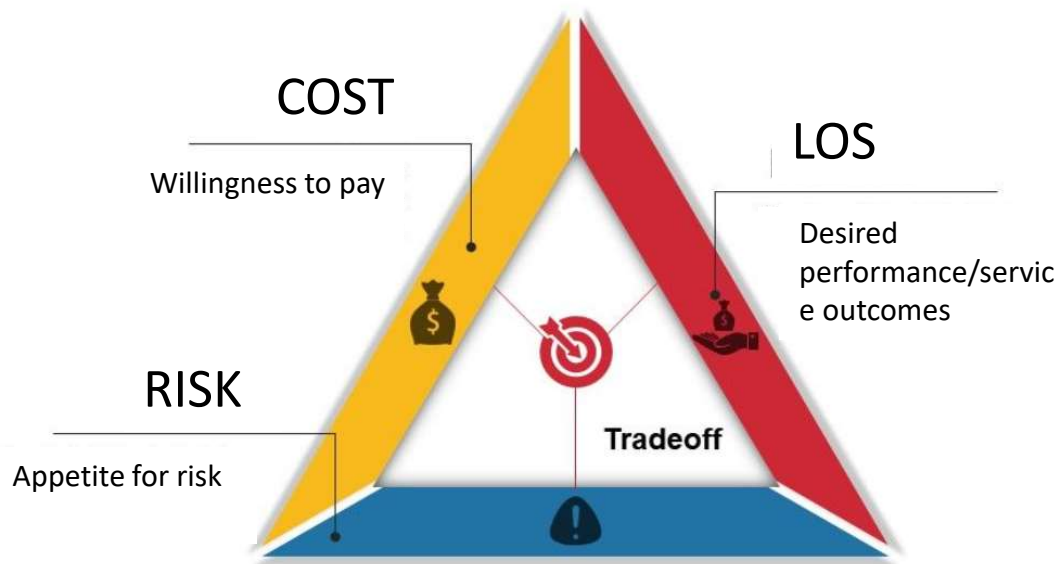


# O.Reg. 588: Asset Management Plan Phase 3 Add in Future Levels of Service

| O Reg 588   | Status   | Next Steps   | Results   |
|---|--|--|---|
| <ul style="list-style-type: none"> <li>By July 2024</li> <li>Modified AMP to include proposed and desired Levels of Service                             <ul style="list-style-type: none"> <li>Current LOS (as reported in 2023 AMP)</li> <li>Proposed/target LOS</li> </ul> </li> <li>Lifecycle management strategies and financial strategies for proposed LOS</li> </ul> | <ul style="list-style-type: none"> <li>LOS framework can be expanded to include proposed LOS target</li> </ul> | <ul style="list-style-type: none"> <li>Communicating land-use or master plans, forecasts, policies and other planning or financial commitments related to municipal infrastructure assets</li> <li>Coordinating with the General Managers to align asset management planning with budgets, land-use or master plans, forecasts, policies and other planning or financial commitments</li> <li>Senior management and committee endorsement</li> </ul> | <ul style="list-style-type: none"> <li>Council review and approval</li> </ul> |



# Future State - Balancing Risk, Cost and LOS



- Discussion to review how to prioritize between LOS, cost, risk happening across programs throughout asset lifecycle
- Finding the balance that delivers the greatest value to the City

# Defining Priorities

- The Current Policy lays out principles to consider
- No preference for priorities, just seek to know the priorities
- Especially related to Service Enhancements
- Many ongoing level of service questions to ask and be answered between now and 2024



QUESTIONS?

Asset Management at the City of Hamilton



Hamilton

# 2021 TAX SUPPORTED CAPITAL BUDGET

Mike Zegarac  
General Manager, Finance and Corporate Services

November 27, 2020  
General Issues Committee

# AGENDA

## 2021 Tax Supported Capital Budget

1. 2021 Capital Summary
2. 2021-2024 Forecast

# ASSET VALUE

## Snap Shot

- Replacement value of hard assets is approx. **\$24B**
- **42%** represents water, wastewater and stormwater funded from the rate supported budget
- **58%** represent roads, recreation facilities, emergency vehicles and buildings, etc., funded from the tax supported budget



# 2021 GROSS CAPITAL AND ADDITIONAL FUNDING

- The 2021 Tax Supported Capital Budget is \$482.3M compared to \$397.7M in 2020
- Additional \$14.7M in 2021 compared to the forecasted amount for 2021 in the approved 2020 Capital Financing Plan

## **Supplemental to 2021 Tax Capital Budget**

- Additional funding through the Investing in Canada Infrastructure Program (ICIP) COVID-19 Resilience Infrastructure Stream (\$7.4M)
- Additional funding through the Canada Mortgage and Housing Corporation (CMHC) Rapid Housing Initiative (\$10.8M)

# 2021 PROPOSED VS. 2021 FORECAST

| TAX CAPITAL FINANCING PLAN (\$000's)       | Change        |
|--|---------------|
| Debt Carrying Costs                        | 9,870         |
| Discretionary Block Funding Increase       | 200           |
| New Debt (Transit) (PW19083/FCS18048(a))   | (239)         |
| Federal Gas Tax                            | 2,486         |
| 2020 Capital Financing Surplus             | 2,600         |
| COVID-19 Reserve                           | 1,100         |
| Roads, Bridges and Traffic Capital Reserve | 2,090         |
| New Tax Debt Principal                     | (3,451)       |
| <b>Total Additional Capital Financing</b>  | <b>14,656</b> |

# 2021 GROSS CAPITAL

- Additional \$14.7M in 2021 compared to the forecasted amount for 2021 in the approved 2020 Capital Financing Plan:
  - Information Technology +\$7.3M
  - Hamilton Fire Service +\$4.9M
  - Transportation Infrastructure +\$1.9M
  - Corporate Facilities +\$1.0M
  - 0.5% Capital Levy increase for discretionary blocks:
    - Transportation Infrastructure +\$3.0M
    - Facilities Management +\$1.5M

# CAPITAL LEVY INCREASE

(\$000's)

|   | <u>2020<br/>Restated</u> | <u>2021<br/>PROPOSED</u> | <u>CHANGE</u> |            | <u>Levy<br/>Impact (%)</u> |
|---|--------------------------|--------------------------|---------------|------------|----------------------------|
|   |                          |                          | <u>\$</u>     | <u>%</u>   |                            |
| Debt Charges                            | 41,759                   | 40,708                   | (1,051)       | (2.5)      | (0.1)                      |
| Transfer from Operating                 | 81,952                   | 91,157                   | 9,205         | 11.2       | 1.0                        |
| <b>Total Tax Supported Capital Levy</b> | <b>123,711</b>           | <b>131,865</b>           | <b>8,154</b>  | <b>6.6</b> | <b>0.9</b>                 |

**Municipal Tax Impact on Average Residential Property Tax 0.9% (\$32)**

|   | <u>2019<br/>Approved</u> | <u>2020<br/>Approved</u> | <u>2021<br/>Proposed</u> |
|---|--------------------------|--------------------------|--------------------------|
| Discretionary Block Funding             | 0.50%                    | 0.50%                    | 0.50%                    |
| ICIP - Transit / PTIF                   | 0.27%                    | 0.21%                    | 0.18%                    |
| West Harbour                            | 0.13%                    | 0.03%                    | 0.00%                    |
| Downtown Office Accomodations           | 0.00%                    | 0.14%                    | 0.00%                    |
| DC Exemptions                           | 0.00%                    | 0.00%                    | 0.22%                    |
| <b>Total Tax Supported Capital Levy</b> | <b>0.90%</b>             | <b>0.88%</b>             | <b>0.90%</b>             |

Note: updated to include 0.50% increase in discretionary block funding at direction of Council on Nov. 11, 2020

# UPDATED MUNICIPAL TAX INCREASE

| Municipal Taxes |                        | \$            | %           |
|-----------------|------------------------|---------------|-------------|
|                 | Other City Departments | \$ 82         | 2.2%        |
|                 | Boards and Agencies    | \$ 7          | 0.2%        |
|                 | Capital Financing      | \$ 32         | 0.9%        |
|                 | <b>MUNICIPAL TAXES</b> | <b>\$ 122</b> | <b>3.3%</b> |

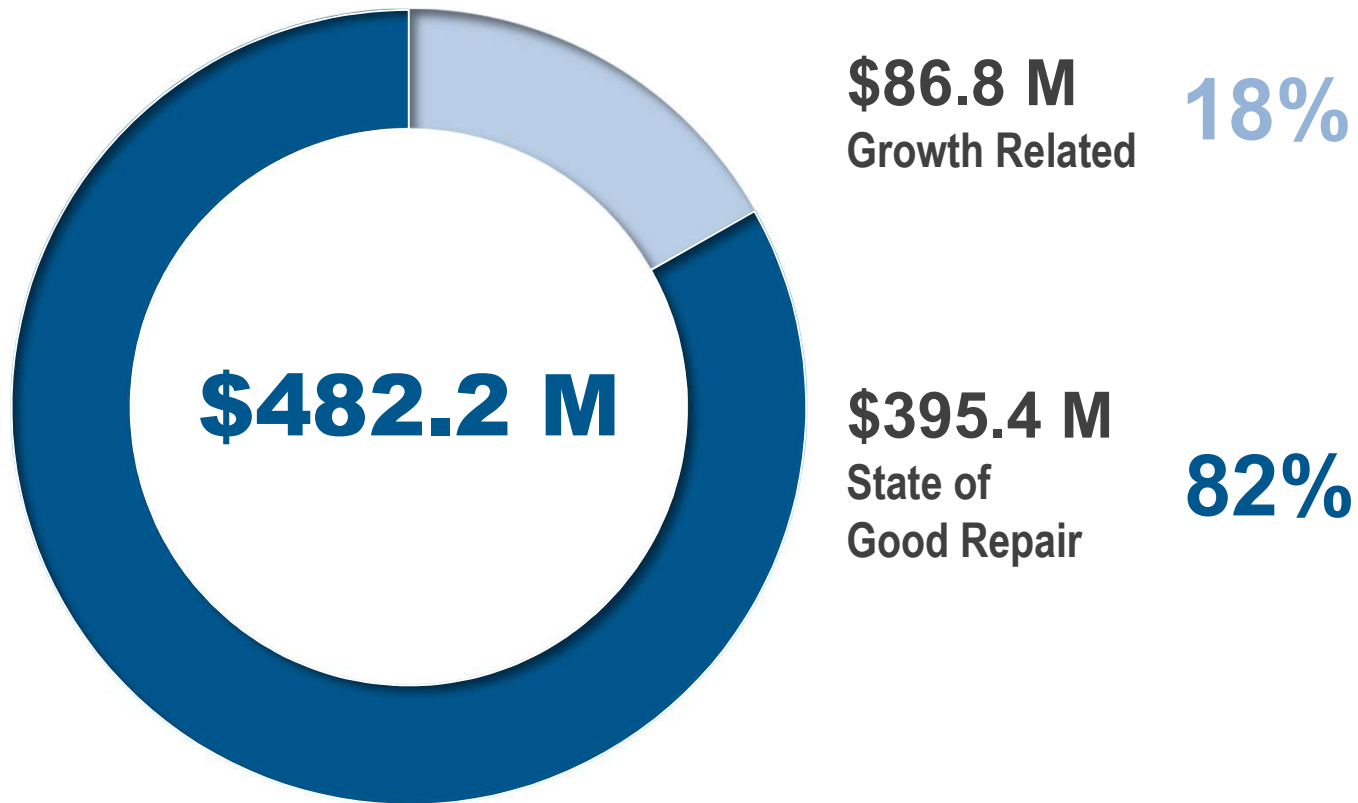
**NOTE:**

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

**Assumes Boards and Agencies budget increase is at Council's direction of 2.0%**

**Assumes Capital Levy increase is 0.9% inclusive of the 0.5% increase for discretionary block funded projects at Council's direction**

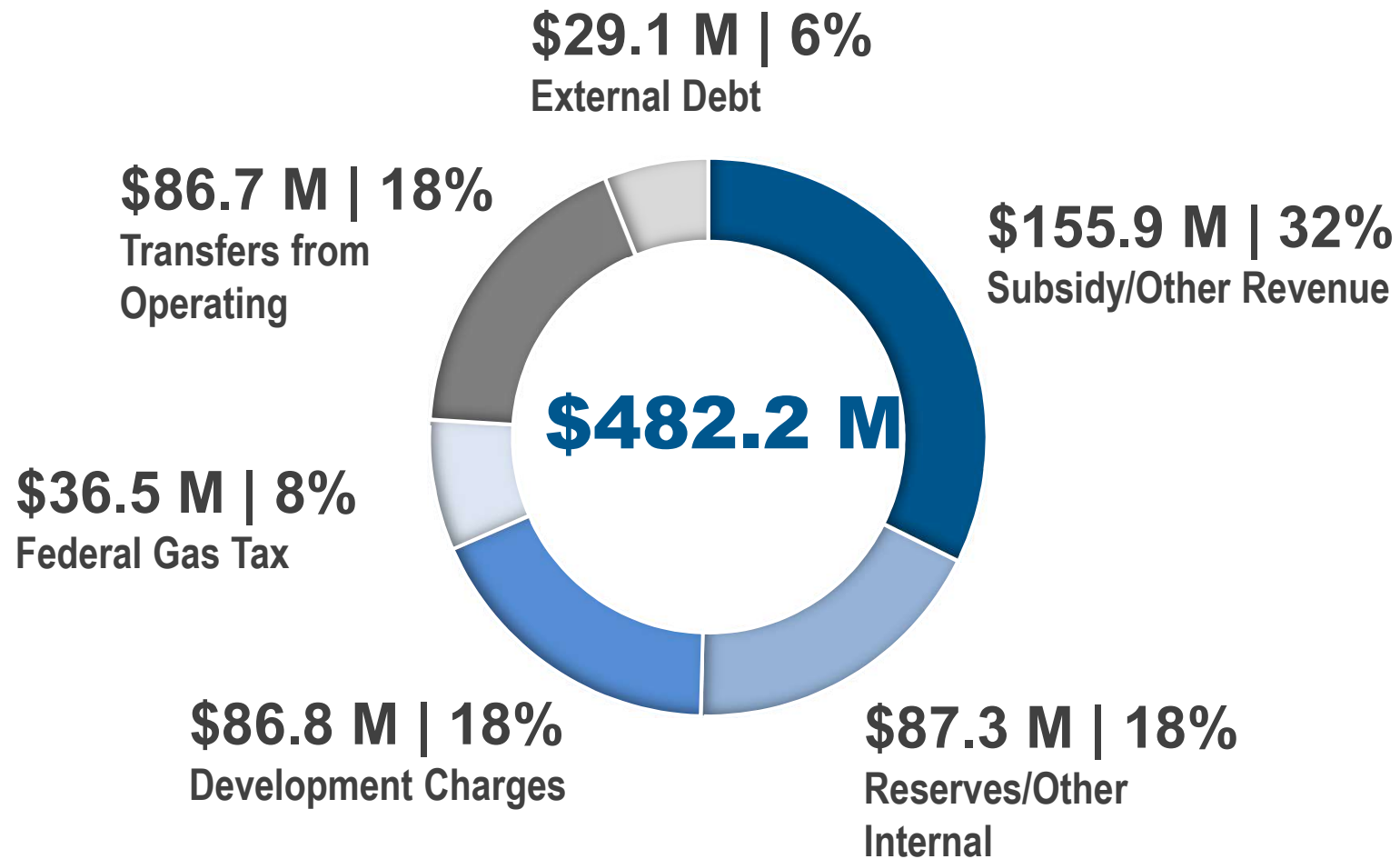
# 2021 TAX CAPITAL GROSS INVESTMENT



# CAPITAL FINANCING PLAN

- Proposed 2021 Capital Budget includes additional contributions not included in the 2020 Financing Plan for 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
- Further investments in infrastructure outside of the 2021 Capital Budget (ICIP – COVID-19 Resilience Stream \$7.4M, CMHC Rapid Housing Initiative \$10.8M)













# 2021 GROSS CAPITAL FUNDING





# 2021 Capital Gross Investment

\$482.2 M Gross

|   |  |            |       |
|---|--|------------|-------|
|    | Transit Initiatives                            | \$ 192.9 M | 40.0% |
|    | Roads/Bridges/Sidewalk/Street Lighting/Traffic | \$ 111.9 M | 23.2% |
|    | Facilities                                     | \$ 37.7 M  | 7.8%  |
|    | Housing  | \$ 30.3 M  | 6.3%  |
|    | Other  | \$ 21.2 M  | 4.4%  |
|    | Parks/Forestry/Open Space                      | \$ 20.6 M  | 4.3%  |
|    | Boards & Agencies                              | \$ 14.4 M  | 3.0%  |
|   | Emergency Services                             | \$ 13.3 M  | 2.8%  |
|  | Planning & Economic Development                | \$ 13.9 M  | 2.9%  |
|  | Fleet  | \$ 10.6 M  | 2.2%  |
|  | Waterfront                                     | \$ 9.0 M   | 1.9%  |
|  | Waste Management                               | \$ 6.5 M   | 1.3%  |

# 2021 Roads/Bridges/Traffic

**\$111.9 M Gross Total Dollar Investment**

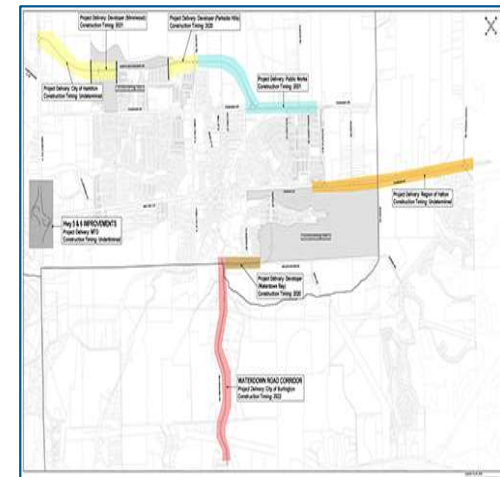
**\$78.5 M**

**State of Good Repair**



**\$33.4 M**

**Gross Growth Projects**



# 2021 West Harbour

\$9.0 M Gross Total Dollar Investment



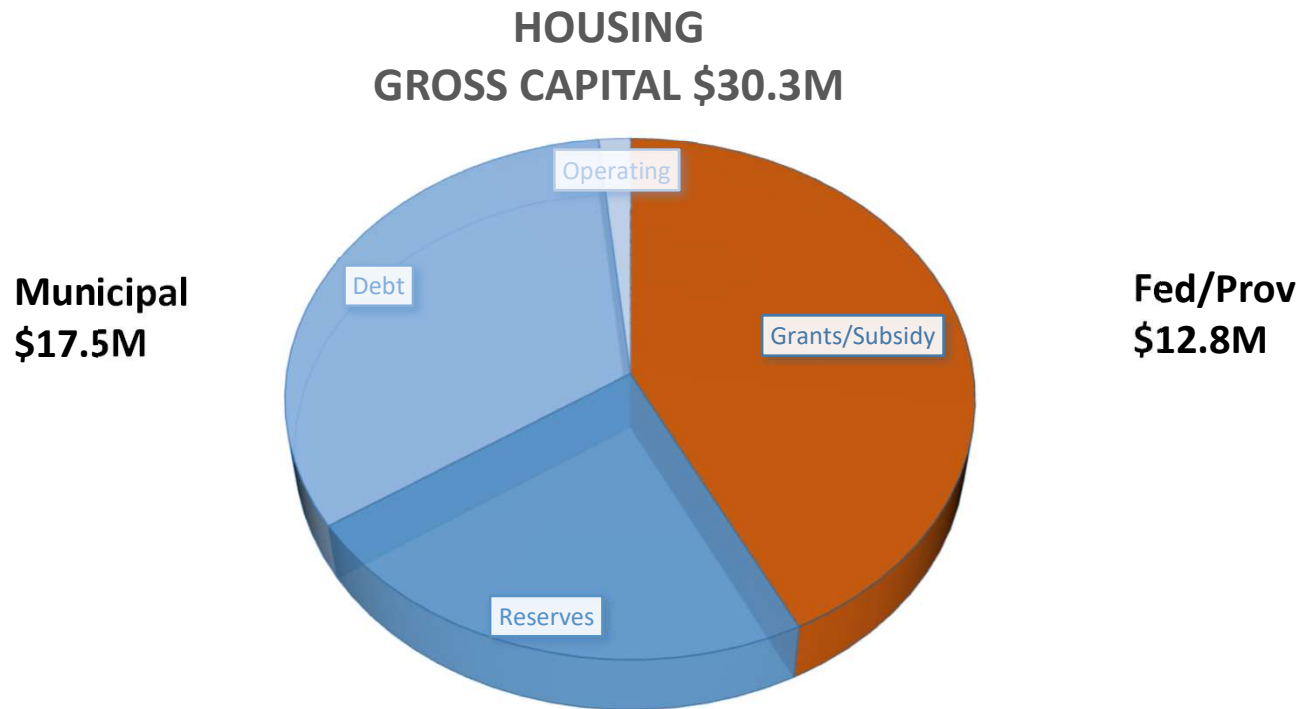
# 2021 Housing Initiatives

**\$30.3 M Gross Total Dollar Investment**

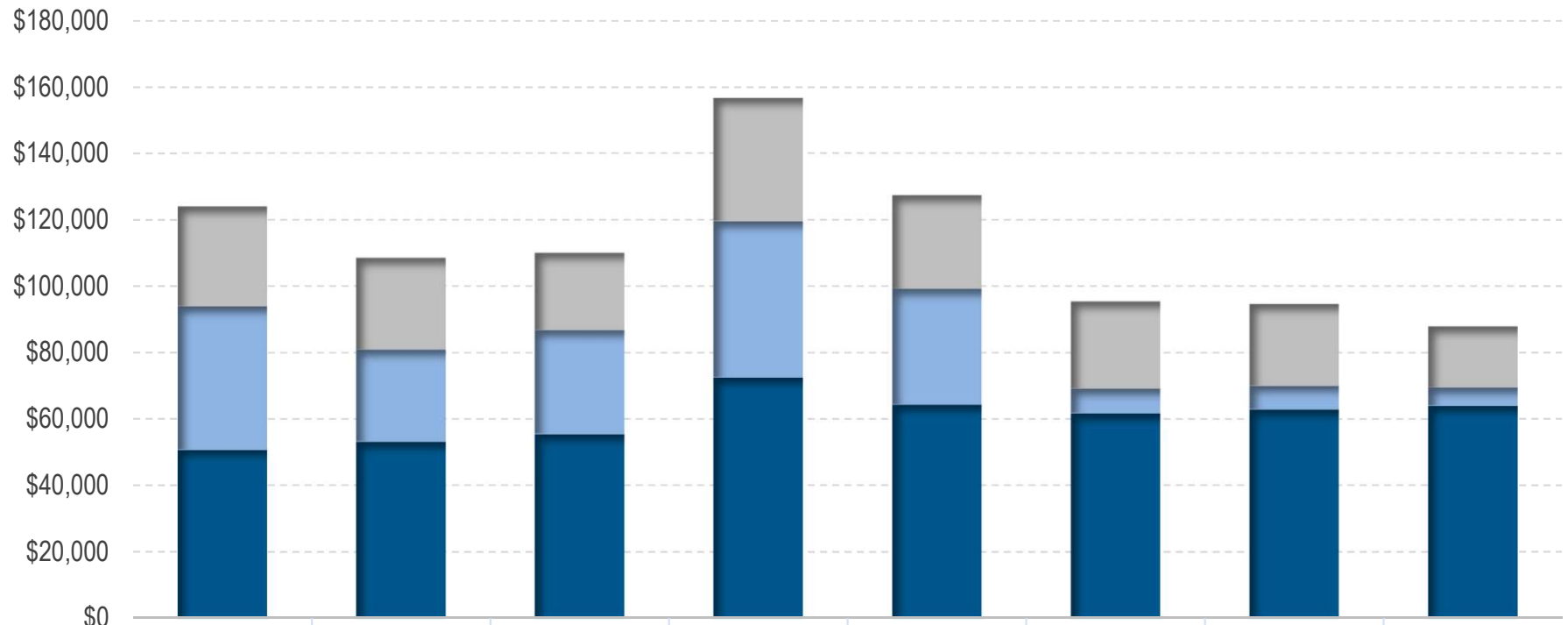


| Strategic Outcomes  |   |
|---|---|
|    | Increased supply and appropriate mix of affordable and adequate housing   |
|    | People have improved access to affordable housing and supports that meet their needs to achieve housing stability |
|  | Improved efficiency of the community housing system to ensure value for money and long-term sustainability        |

# 2021 Capital Housing Investment



# 2017 to 2024 Total Housing Investment (\$000's)



|              | 2017             | 2018             | 2019             | 2020             | 2021             | 2022            | 2023            | 2024            |
|--------------|------------------|------------------|------------------|------------------|------------------|-----------------|-----------------|-----------------|
| ■ Federal    | \$29,944         | \$27,555         | \$23,213         | \$37,149         | \$28,188         | \$26,214        | \$24,561        | \$18,386        |
| ■ Provincial | \$43,233         | \$27,738         | \$31,338         | \$47,005         | \$34,869         | \$7,472         | \$7,158         | \$5,505         |
| ■ Municipal  | \$50,743         | \$53,177         | \$55,458         | \$72,524         | \$64,314         | \$61,735        | \$62,890        | \$63,987        |
| <b>Total</b> | <b>\$123,920</b> | <b>\$108,471</b> | <b>\$110,010</b> | <b>\$156,678</b> | <b>\$127,371</b> | <b>\$95,421</b> | <b>\$94,609</b> | <b>\$87,878</b> |

# Climate Change

**\$114.9M in 2021 capital investments that have potential to contribute positively to the City's climate action goals**

Transit investments

Accelerate net-zero energy buildings

Fleet replacement with low carbon emission alternatives









Building retrofits

Park Development

Tree Planting

# 2021 Growth Projects

## \$78.8 M Development Charges

|  |           |
|--|-----------|
|  Roads                  | \$ 29.3 M |
|  Transit                | \$ 21.4 M |
|  Recreation Facilities  | \$ 7.9 M  |
|  Parks & Open Space     | \$ 7.6 M  |
|  Fire                   | \$ 3.7 M  |
|  Subdivision Servicing | \$ 3.0 M  |
|  LT Care Facilities   | \$ 1.8 M  |
|  Waste                | \$ 1.4 M  |
|  Other                | \$ 2.7 M  |



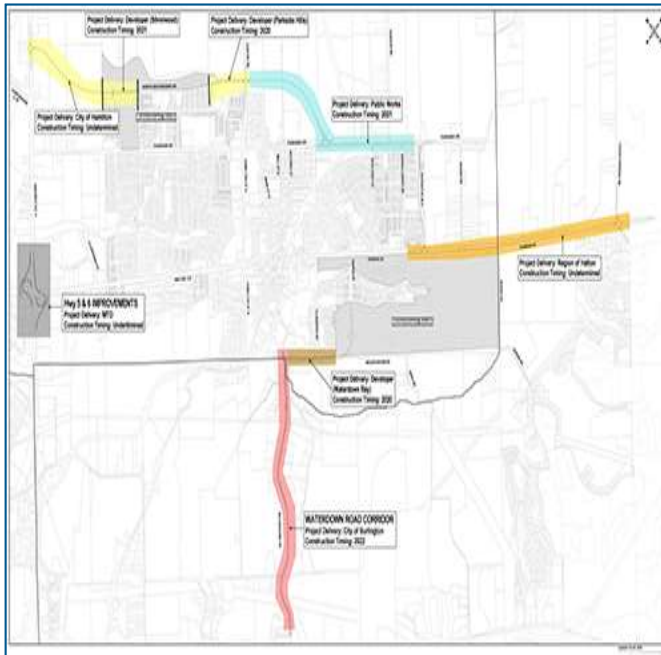
# 2021 Financing of Growth



## \$140 M Transit Maintenance Storage Facility

|          |            |
|----------|------------|
| Grant    | \$ 102.7 M |
| DC Debt  | \$ 20.5 M  |
| Tax Debt | \$ 16.9 M  |

# 2021 Financing of Growth



## \$16.8 M East-West Road Corridor (Waterdown By-Pass)

|           |           |
|-----------|-----------|
| DC Debt   | \$ 16.0 M |
| Operating | \$ 0.8 M  |

# 2021 Financing of Growth



**\$6.8 M Sir Wilfrid Laurier  
Gymnasium Addition**

Development  
Charges

**\$ 6.8 M**

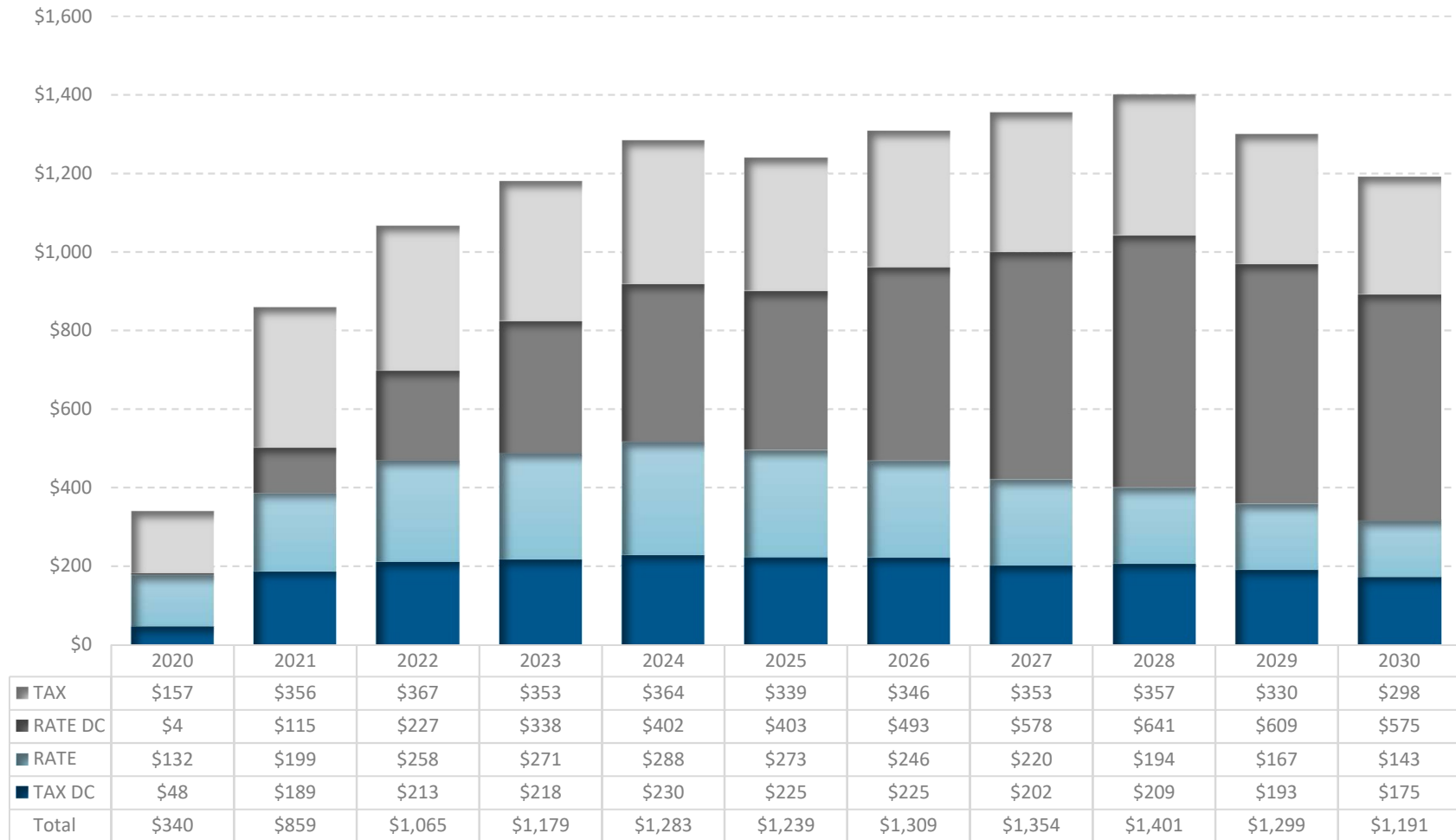
# 2021 Financing of Growth



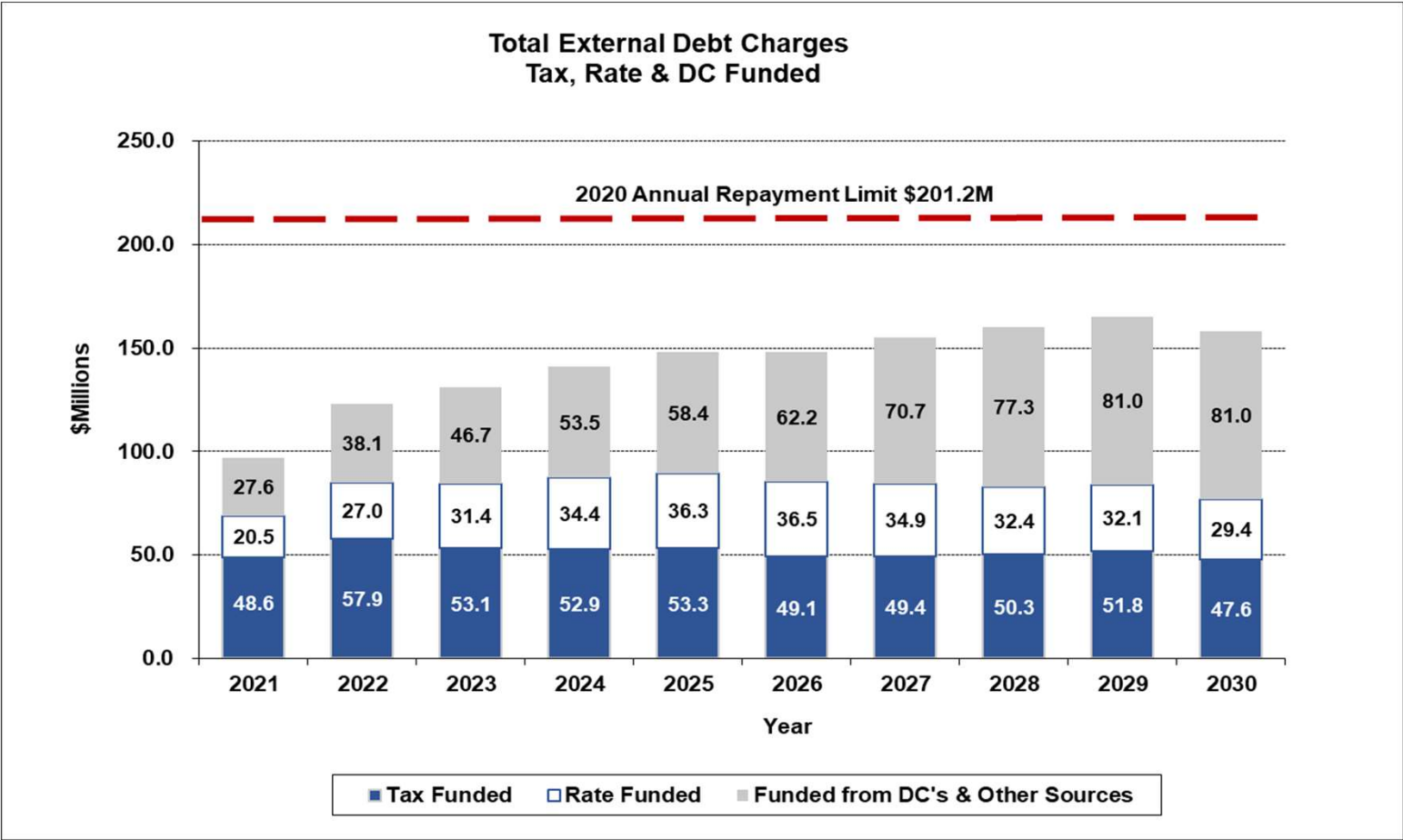
## \$6.6 M Confederation Park Redevelopment

|           |          |
|-----------|----------|
| DC Debt   | \$ 5.3 M |
| Operating | \$ 1.3 M |

# Total Forecasted Debt (\$Millions)



# Forecasted Debt



# Capital Reserves – 2021 Funded Projects



**\$10.6 M**

Fleet Vehicles &  
Equipment



**\$3.6 M**

Emergency Vehicles &  
Fire Apparatus



**\$9.3 M**

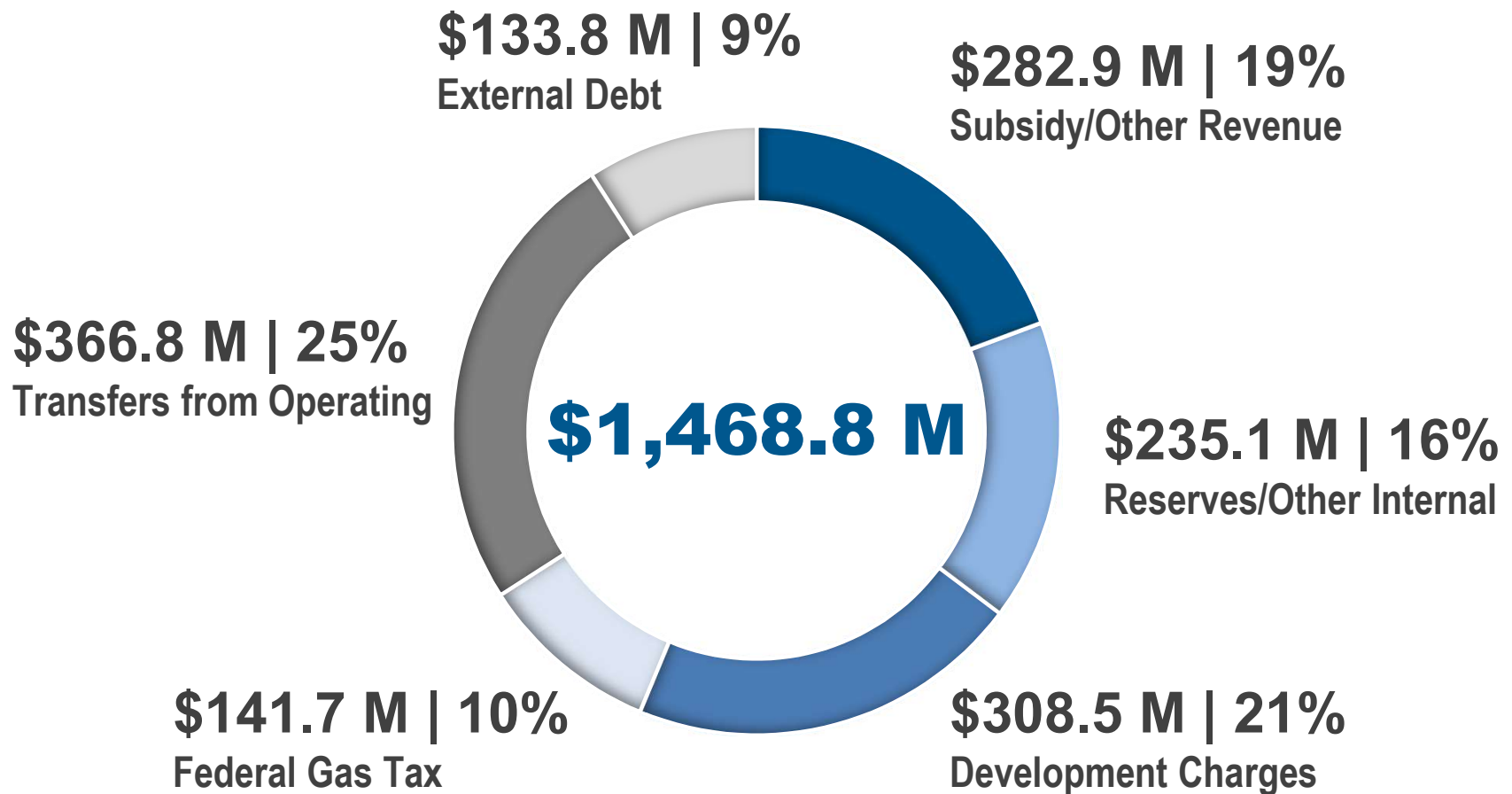
HSR Bus Replacement  
Program

# Forecasted Levy Increases

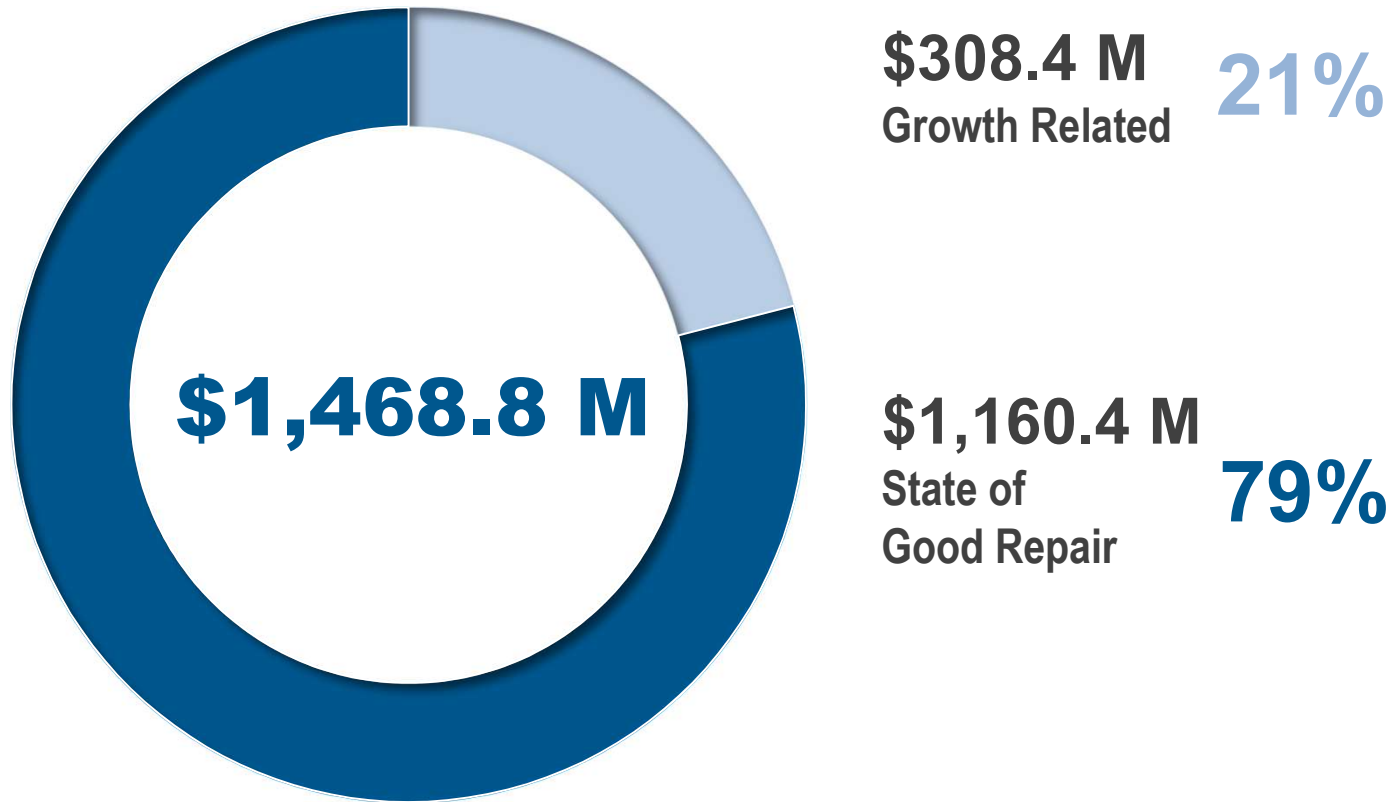
|   | 2021         | 2022         | 2023         | 2024         |
|---|--------------|--------------|--------------|--------------|
| Capital Levy Increase dedicated to rehab of existing Assets         | 0.50%        | 0.50%        | 0.50%        | 0.50%        |
| Additional Capital Levy Impact:                                     |              |              |              |              |
| Capital Levy Increase for ICIP - Transit Stream (City Share - debt) | 0.18%        | 0.09%        | 0.01%        | 0.01%        |
| Capital Levy Increase for West Harbour MP increase (debt)           | 0.00%        | 0.04%        | 0.07%        | 0.19%        |
| Capital Levy Increase for DC Exemption Funding increase             | 0.22%        | 0.00%        | 0.00%        | 0.00%        |
| <b>Total Levy Impact</b>  | <b>0.90%</b> | <b>0.63%</b> | <b>0.58%</b> | <b>0.70%</b> |



# 2021-2024 Gross Capital Funding



# 2021-2024 Gross Capital



## Next Steps

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



THANK YOU