



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

TO:	Chair and Members General Issues Committee
COMMITTEE DATE:	November 27, 2020
SUBJECT/REPORT NO:	2021 Tax Supported Capital Budget (FCS20101) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Duncan Robertson (905) 546-2424 Ext. 4744 Tran Trang (905) 546-2424 Ext. 4371
SUBMITTED BY: SIGNATURE:	Mike Zegarac General Manager, Finance and Corporate Services Corporate Services Department

RECOMMENDATION(S)

- (a) That the 2021 Tax Supported Capital Levy in the amount of \$127,365,000 be approved, inclusive of;
 - (i) a net levy increase of \$1,654,000 (0.18%) in 2021 for associated debt financing for the Investing in Canada Infrastructure Program – Public Transit Stream that was previously approved;
 - (ii) a net levy increase of \$2,000,000 (0.22%) in 2021 to fund an increase in the recovery of exemptions of tax services provided through the City's Development Charge exemption programs;
- (b) That an additional net levy increase of \$4,600,000 (0.50%) in 2021 to fund discretionary block funded projects be approved;
- (c) That the 2021 Tax Supported Capital Budget and Financing Plan in the amount of \$472,202,000 attached as Appendix "B" to Report FCS20101, be approved with the following funding sources:
 - (i) \$155,439,000 from government grants and subsidies;
 - (ii) \$25,000 from other external sources;

- (iii) \$78,761,000 from Development Charges Reserves;
- (iv) \$46,113,000 from Reserves;
- (v) \$22,498,000 from Work-in-Progress and other internal transfers;
- (vi) \$86,657,000 from the 2021 Tax Supported Capital Levy;
- (vii) \$5,300,000 from Hamilton Utilities Corporation (HUC) / Alectra Dividends;
- (viii) \$4,000,000 from Hamilton Future Fund Reserve (112246);
- (ix) \$36,543,000 from Federal Gas Tax Reserve (112213);
- (x) \$1,100,000 from COVID-19 Emergency Reserve (110053);
- (xi) \$2,090,000 from Roads, Bridges and Traffic Capital Reserve (108041);
- (xii) \$4,600,000 from the Unallocated Capital Levy Reserve (108020);
- (xiii) \$29,076,000 from Tax Supported Debenture Financing;
- (d) That the General Manager of Finance and Corporate Services be authorized to transfer \$4,600,000 to the Unallocated Capital Levy Reserve (108020) from the forecasted 2020 Capital Financing Surplus for the purposes of funding the 2021 Capital Financing Plan;
- (e) That the Tax Supported Discretionary Net Capital Funding Forecast 2022–2030, attached as Appendix “C” to Report FCS20101, which assumes the following, be approved, in principle, and re-visited by Council each budget year:
 - (i) a net levy increase of \$4,500,000 (0.5%) in each year from 2022 to 2030;
 - (ii) an additional net levy increase of \$374,000 (0.04%) in 2022, \$626,000 (0.07%) in 2023, \$1,773,000 (0.19%) in 2024, \$54,000 (0.01%) in 2025, \$20,000 (0.01%) in 2026, \$59,000 (0.01%) in 2027, \$87,000 (0.01%) in 2029 and \$3,072,000 (0.66%) in 2030 to fund the debt charges associated with the West Harbour Development;
- (f) That the operating budget and full-time equivalent (FTE) impacts of the 2021 Tax Supported Capital Budget, estimated at \$865,500 and 4 FTEs for 2021 and \$5,952,900 and 74.9 FTEs for future years, included in Appendix “D” to Report FCS20101 be incorporated into future Tax Supported Operating Budgets subject to Council approval;

- (g) That the General Manager, Finance and Corporate Services, be authorized to negotiate the terms and placement of a debenture issue(s), and / or private placement debenture issue(s), in either a public or private market and / or bank loan agreement and debenture issue(s) and / or variable interest rate bank loan agreement and debenture issue(s), in an amount not to exceed \$86,025,000 Canadian currency, as attached in Appendix “B” to Report FCS20101, which includes \$29,076,000 in Tax Supported municipal debt and \$56,949,000 in Development Charges Tax Supported municipal debt;
- (h)
 - (i) That the General Manager, Finance and Corporate Services, be authorized to engage the services of all required professionals to secure the terms and issuance of the debenture issue(s) described in subsection (g) including, but not limited to, external legal counsel, fiscal agents and Infrastructure Ontario’s Loan Program;
 - (ii) That the General Manager, Finance and Corporate Services, Mayor and City Clerk are each authorized and directed to enter into and / or execute, on behalf of the City of Hamilton, all agreements and necessary ancillary documents requiring their respective signatures, to secure the terms and issuance of the debenture issue(s) described in subsections (g) and (h), in a form satisfactory to the City Solicitor;
 - (iii) That the Mayor and City Clerk are authorized and directed to enter into and / or execute, on behalf of the City of Hamilton, all agreements and necessary ancillary documents not requiring any specific signing authority, to secure the terms and issuance of the debenture issue(s) described in subsections (g) and (h), in a form satisfactory to the City Solicitor and with content acceptable to the General Manager, Finance and Corporate Services;
- (i) That all necessary By-Law(s) be passed to authorize the debenture issue(s) negotiated placed and secured in accordance with subsections (g) and (h).

EXECUTIVE SUMMARY

Report FCS20101 provides the recommendations required to approve the 2021 Tax Supported Capital Budget. The complete details of the capital budget are provided in the 2021 Tax Supported Capital Budget Book attached as Appendix “A” to Report FCS20101.

Due to the timing of the of the direction given by Council on November 11, 2020 to include an additional Capital Levy increase of 0.50% for discretionary block funded projects in 2021, the approximate \$4.6 M in additional capital financing and associated capital projects have not been included in the analysis of Report FCS20101 or Appendices. Recommendation (b) has been added to Report FCS20101 to reflect the direction from Council – the revised total municipal tax impact of the Capital Levy would be 0.90% if all recommendations were approved.

The 2021 Tax Supported Capital Budget supports the City's 2016-2025 Strategic Plan. The Strategic Plan outlines the priorities that support the community vision for the delivery of all City provided services. Through discussions with the City Manager, motions of Council and approval of various staff reports, previous Council direction, where significant work was under way and matters critical to the successful operation of the administration, the following priorities were identified for the remainder of this term of Council (2018-2022):

- Climate Change;
- Multi-Modal Transportation;
- Affordable Housing;
- Equity, Diversity and Inclusion;
- Integrated Growth and Development;
- Trust and Confidence in City Government;
- Fiscal Health and Financial Management; and,
- A Healthy, Respectful and Supportive Workplace.

The Tax Supported Operating Budget funds a portion of the projects in the Tax Supported Capital Budget. The recommendations in Report FCS20101 and Table 1 reflect a capital levy increase in the Tax Supported Operating Budget of \$3,654,000 that translates into an average residential property tax increase of 0.40% or \$13 for an average residential property assessed at \$380,300.

The increase in the Capital Levy of \$3,654,000 is broken down as follows:

- \$1,654,000 (0.18%) Tax Supported Capital Levy for the debt related financing of the Investing in Canada Infrastructure Program (ICIP) – Public Transit Stream projects as previously approved through Report PW19083 / FCS18048(a); and
- \$2,000,000 (0.22%) Tax Supported Capital Levy related to recovery of exemptions of tax services provided through the City's Development Charge exemption programs.

The recommended 2021 Tax Supported Capital Levy of \$127,365,000 is split between debt charges and transfer from operating to capital as detailed in Table 1.

Table 1
Tax Supported Capital Levy Impact on Operating Budget

(\$000's)			CHANGE		Levy Impact (%)
	2020	2021			
	Restated	PROPOSED	\$	%	
Debt Charges	41,759	40,708	(1,051)	(2.5)	(0.1)
Transfer from Operating	81,952	86,657	4,705	5.7	0.5
Total Tax Supported Capital Levy	123,711	127,365	3,654	3.0	0.4
Municipal Tax Impact on Average Residential Property Tax 0.4% (\$13)					

Council previously approved several 2021 Capital Projects, including approvals through Reports FCS19080(a) (Investing in Canada Infrastructure Program – Community, Culture and Recreation Stream) and FCS20061 (Police Station 40 – Waterdown). The gross cost of the above noted previously approved 2021 Capital Projects totals \$10.1 M and is in addition to the \$472.2 M recommended for approval through Report FCS20101.

In order to show a holistic view of the City's 2021 Capital Program, Appendix "B" to Report FCS20101 details the list of 2021 capital projects that are being recommended, as well as, the projects previously approved to arrive at the full value of the 2021 Capital Program. The 2021 Tax Supported Capital Budget, inclusive of previously approved 2021 capital projects, provides \$482.3 M in funding compared to \$397.7 M of restated 2020 Tax Supported Capital Budget.

Table 2 of Report FCS20101 provides a summary of the proposed 2021 Tax Supported Capital Budget by program area, inclusive of previously approved 2021 capital projects, with a comparison to the Restated 2020 Tax Supported Capital Budget.

Table 2
2021 Proposed Tax Supported Capital Budget Compared to 2020
Inclusive of In Year Project Approvals

(\$000's)	2020		2021		Difference	
	Approved		CAPITAL PROGRAM			
	GROSS	NET	GROSS	NET	GROSS	NET
Proposed Program Funding						
Recreation Facilities	14,125	4,695	15,604	4,581	1,479	(114)
Corporate Facilities / Energy Initiatives	6,776	4,745	13,820	5,540	7,044	795
Entertainment Facilities	900	800	2,900	800	2,000	-
Forestry & Horticulture (Includes Tree Planting)	1,480	1,345	1,715	1,565	235	220
Open Space Development	10,897	2,503	13,863	3,590	2,966	1,087
Waste Management	8,912	7,495	6,515	4,034	(2,397)	(3,461)
Transit Services	2,074	312	41,468	2,474	39,394	2,162
Transit Services (ICIP PW19083/FCS18048(a))	149,828	18,589	151,424	16,876	1,596	(1,713)
Corporate Fleet Services	10,148	-	10,632	-	484	-
Parks & Cemeteries	3,178	1,138	2,375	1,678	(803)	540
Roads / Bridges / Sidewalk / Street Lighting / Traffic	100,900	59,189	111,907	62,764	11,007	3,575
West Harbour & Waterfront Initiatives	10,200	7,450	9,020	9,020	(1,180)	1,570
Healthy and Safe Communities- Other	0	-	160	160	160	160
Housing Services	28,319	17,500	30,296	17,500	1,977	-
Long-Term Care Facilities	1,664	912	5,467	500	3,803	(412)
Fire / Paramedics	11,654	1,000	13,250	5,940	1,596	4,940
Corporate Services / City Manager	15,602	15,299	18,063	17,153	2,461	1,854
Area Rating	900	-	900	-	-	-
Planning & Development	5,130	543	9,182	2,639	4,052	2,096
Tourism & Culture	1,702	1,702	2,533	1,702	831	-
Commercial Districts and Small Business	2,210	2,210	2,210	2,210	-	-
Total Program Funding	386,599	147,427	463,304	160,725	76,705	13,299
Other Major Projects						
Parkland Acquisition	2,500	2,500	1,500	1,500	(1,000)	(1,000)
Randle Reef	375	375	500	500	125	125
Emerald Ash Borer Program	2,600	2,600	2,600	2,600	-	-
Total Other Major Projects	5,475	5,475	4,600	4,600	(875)	(875)
Total Before Special Levies and Boards	392,074	152,902	467,904	165,325	75,830	12,424
Special Levies & Boards						
CityHousing	500	500	500	500	-	-
Police Services	1,280	1,280	10,792	1,540	9,512	260
Hamilton Public Library	1,750	750	1,000	0	(750)	(750)
Beach Rescue	70	-	70	-	-	-
Hamilton Conservation Authority	2,000	2,000	2,000	2,000	-	-
Total Special Levies & Boards	5,600	4,530	14,362	4,040	8,762	(490)
Total Funded Projects	397,674	157,432	482,266	169,365	84,592	11,934

The proposed 2021 Tax Supported Capital Budget and the 2022-2030 Capital Forecast continue a solid long-term plan to maximize own source capital funding and take advantage of partnerships with senior levels of government (transit, housing, culture and recreation). Elements of this plan include the following:

OUR Vision: To be the best place to raise a child and age successfully.
 OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.
 OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.

1. It is recommended that the usual 0.5% Capital Levy increase for discretionary state-of-good-repair funding be deferred in 2021 to balance infrastructure needs and affordability. A 0.5% levy increase would amount to approximately \$4.5 M in additional capital investment in 2021. The 2021 Capital Budget supports the deferral of this investment through additional contribution from the Federal Gas Tax Reserve, which has excess funding remaining from the one-time payment transfer in 2019;
2. The 2021 Capital Financing Plan was updated with new assumptions around the cost to borrow given recent changes in the investment market, cash flow assumptions required for debt servicing upcoming transit and affordable housing projects and leveraging of existing capacity from reserves to provide additional financing of \$12.3 M in comparison to the previous Financing Plan;
3. The additional financing capacity created by Federal Gas Tax Reserve funds and assumption changes in the financing plan are utilized to maintain the planned increase in roads discretionary funding to address the infrastructure deficit;
4. An additional 0.18% Property Tax Increase (\$1.654 M or \$6 annual property tax increase) to fund the debt charges associated with the City's share of the Investing in Canada Infrastructure Program (ICIP) – Transit Stream Capital Investments. The total cost of the ICIP – Transit Stream submissions for 2021 was \$191.2 M with the City's share amounting to \$19.1 M (debt repayment impact of \$1.654 M);
5. An additional 0.22% Property Tax Increase (\$2.0 M or \$7 annual property tax increase) to fund the increase in the recovery of exemptions of tax services provided through the City's Development Charge exemption programs;
6. Prioritize funding for assessment growth opportunities such as the West Harbour and Waterfront and Airport Employment Growth District;
7. Investment in strategic capital areas, including Transit, Affordable Housing, Waste Management, Park Development and others;
8. Ensure that debt levels are sustainable. This can be accomplished by ensuring that the City has an efficient Works-In-Progress Capital turn-around process thereby freeing up funds that are not in use. The City's projected long-term budgeted tax supported debt levels top at \$788 M in 2028. Debt sustainability can further be achieved by carefully examining each major project with a proper cost / benefit approach deferring, when necessary, until debt capacity is freed-up; and,
9. Additional capacity for capital financing through updates to the Financing Plan, as well as, additional funding from senior levels of government to address municipal infrastructure through the COVID-19 Resilience Infrastructure Stream, the City of Hamilton can make continued progress towards the infrastructure deficit in 2021 while managing tax affordability by deferring the annual 0.5% Capital Levy increase.

Alternatives for Consideration – See Page 14

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: The 2021 Tax Supported Capital Budget and Financing Plan in the amount of \$472,202,000 attached as Appendix “B” to Report FCS20101, includes the gross costs and sources of financing. The 2021 Capital Levy of \$127,365,000 will be incorporated into the 2021 Tax Operating Budget, representing a \$3,654,000 increase from 2020 and a 0.40% tax impact.

Some capital projects, especially those that provide new or expanded services, have an impact on operating costs on an ongoing basis once the projects have been completed. The estimated operating budget impacts of the recommended 2021 capital projects is \$6,817,900 and 78.9 FTEs. The operating impacts are detailed in Appendix “D” to Report FCS2101 and recommended to be incorporated into future years (2022 and beyond) Tax Supported Operating Budgets with the exception of Information Technology projects of \$865.5k and 4 FTEs which are required in 2021.

The Discretionary Tax Supported Net Capital Funding Forecast 2021–2030, attached as Appendix “C” to Report FCS20101, provides a forecast of discretionary capital funding for years 2021–2030 in the total amount of \$1,752,102,000.

The 2021–2030 forecast assumes increases for the Capital Levy with an annual standard tax levy increase of 0.50% in years 2022-2030, as well as, additional increases for debt servicing requirements for the municipal share of the Investing in Canada Infrastructure – Public Transit Stream (ICIP), debt servicing costs for West Harbour Waterfront Strategic Initiatives and sustainable funding for development charge exemption funding. The levy impact for the increase in Development Charge Exemption funding is required to move the City closer to funding all the exemptions provided through the City’s Development Charges By-law.

Table 3 details the anticipated future Capital Levy impacts that are required to support the 2021-2024 Capital Financing Plan.

Table 3
Tax Supported Four-Year Capital Financing Plan

	2021	2022	2023	2024
Capital Levy Increase dedicated to rehab of existing Assets	0.00%	0.50%	0.50%	0.50%
<i>Additional Capital Levy Impact:</i>				
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%
Total Levy Impact	0.40%	0.63%	0.58%	0.70%

In order to accommodate capital spending requirements, \$86,025,000 has been allocated to debt financing in the 2021 Tax Capital Budget. This amount includes \$29,076,000 in Tax Supported debt and \$56,949,000 in Development Charges Tax Supported debt.

The City's 2021 Capital Program incorporates several major capital initiatives such as the Investing in Canada Infrastructure Program – Public Transit Stream, the West Harbour Development, and the National Housing Strategy. These initiatives, as well as other major capital investments, are detailed in the 2021 Tax Supported Capital Budget Book attached as Appendix "A" to Report FCS20101.

Staffing: The operating budget and FTE impacts related to the proposed 2021 Tax Supported Capital Budget totals \$6,817,900 and 78.9 FTE as identified in Appendix "D" to Report FCS20101. Approval of the 2021 Capital Budget would approve these ongoing operating costs in principle with consideration given in future budget years based on implementation of the associated capital works. Currently, \$865,500 and 4 FTE of this amount is required for 2021.

Legal: N/A

HISTORICAL BACKGROUND

The City of Hamilton employs a hybrid Capital Block Funding Prioritization methodology that has evolved over the years, aligning with the City's Strategic Plan. The methodology was developed to direct funding towards addressing the City's infrastructure deficit. The recommended 2021 Capital Budget and Financing Plan, inclusive of previously approved amounts, is a result of staff applying Council's strategic priorities and incorporating previously referred items within the financial constraints of the Financing Plan.

Council, through the 2020 Tax Capital Budget Report (FCS19091(a)), approved, in principle, the Tax Supported Discretionary Net Capital Funding forecast for 2021–2029.

In October 2020, through the 2021 Budget Guidelines, Outlook and Process Report (FCS20087), the General Issues Committee approved the guideline of a 0% tax increase for capital financing of discretionary block funded projects. The additional capital investment generated from the 0.5% Capital Levy increase was to be offset by additional contribution from the Federal Gas Tax Reserve with remaining funds from the one-time transfer payment in 2019. Staff also identified \$12.3 M in additional funding that could be leveraged to deliver the 2021 Tax Supported Capital Budget through the updating of debt financing assumptions with current investment market trends, cash flow assumptions for the debt financing of ICIP – Transit and National Housing Strategy capital projects and further leveraging of reserves.

Table 4 provides a summary of the historical direction related to 2020 tax supported Capital levy and the actual impacts recommended through Report FCS19091.

Table 4
Historical Tax Supported Capital Levy Increases

	2019 Approved	2020 Approved	2021 Proposed
Discretionary Block Funding	0.50%	0.50%	0.00%
ICIP - Transit	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%
Total Tax Supported Capital Levy	0.90%	0.88%	0.40%

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

Provincial Asset management regulations under Bill 6, *Infrastructure for Jobs and Prosperity Act, 2015*, were adopted in January 2018. On June 26, 2019, City Council adopted a Strategic Asset Management Policy (AMP) (Report PW19053). Currently, the Strategic AMP applies to core infrastructure assets only, which includes assets in water treatment and distribution, wastewater collection and treatment, stormwater management, roads, bridges and culverts. At a later date, the Policy will be updated to include all infrastructure assets such as facilities and fleet before the legislative deadline of July 1, 2023.

Future key legislative deadlines for all Ontario municipalities related to Asset Management are:

1. July 1, 2021 – Develop enhanced AMPs that include the cost to maintain current service levels covering core infrastructure assets.

2. July 1, 2023 – Expand enhanced AMPs that include the cost to maintain current service levels covering all infrastructure assets.
3. July 1, 2024 – Expand AMPs to provide further details on all infrastructure assets, include proposed service levels and the revenue and expenditure plan to achieve the proposed service levels (if greater than current service levels).

Report FCS20101 meets the requirements of the City of Hamilton's Debt Policy, whereby Council authority is required to issue debt.

Debt Management

I. Council Approved Debt Limits:

1. Total tax and rate-supported debt as a percentage of City Own-Source revenues, not to exceed 60%, unless approved by Council.

The City's debt ratio in 2019 was 24.3% and is forecasted to be 28.7% in 2020 and 27.0% in 2021 – well within the limit of 60%.

2. Total Development Charge (DC) supported debt as a percentage of the total DC Eligible Costs for the forecast period of the latest DC Background Study, not to exceed 25%, unless approved by Council.

The City considers the limit of 25% to be an appropriate balance between two competing uses of revenues generated by development charges: (i) to sustain and ensure adequate infrastructure (capital), services and resources to support the City's growth plans; and, (ii) to repay the debt issued for development.

The City's debt in 2019 was 1.8% in 2018 and is forecasted to be 2.0% in 2020 and 2.6% in 2021 – well within the limit of 25%.

II. Statutory Limits:

1. The annual debt and financial obligation limit for the City is calculated in accordance with Section 3 of Ontario Regulation 403/02 as amended.

The City's debt service charges as a percentage of City Own Source Revenue of 4.6% in 2019 and forecasted at 4.2% in 2020 and 4.6% for 2021 are well within the limit of 25%.

2. Outstanding variable interest rate bank loan agreements and variable interest rate debentures, in total, cannot exceed 15% of the total outstanding debt of the City as set out in Ont. Reg. 276/02 s(2).

The City's debt ratios are below the limit of 15% with 4.7% in 2019 and forecasted at 4.0 % in 2020 and 2.9% in 2021.

III. Financial Ratios:

The debt related financial ratios will remain well within the affordability range and acceptable levels of prudent financial management. Appendix “G” to Report FCS20101 provides the results of the following ratios:

- Debt and debt service charges per capita;
- Debt service charges as a percentage of City Own Source Revenue;
- Debt service charges as a percentage of the municipal levy;
- Debt to operating revenues;
- Debt to reserves and reserve funds; and
- Cash and liquid assets to debt service; cash and liquid assets minus debt.

According to Ontario Regulation 403/02, Council shall, before giving authorization for capital work that would require a long-term debt or financial obligation, have the City Treasurer calculate an updated Annual Repayment Limit (ARL) using the most recent Annual Repayment Limit determined by the Ministry. The most recent ARL, determined and sent in writing by the Ministry to the City Treasurer, is the 2020 ARL in the amount of \$275,795,317 and is based on 2018 Financial Information Returns.

Using this 2020 ARL, the City Treasurer has calculated an updated ARL of \$201,221,385, shown on page two of Appendix “G” to Report FCS20101. The 2020 ARL was adjusted for possible debt service charges of \$74,573,931 corresponding to approximately \$465.0 M of debt which has been approved by Council in 2020 and prior years but not yet issued. The 2020 ARL was then further adjusted for debt service charges assumed or discharged on debt since December 31, 2019 to the end of 2020. According to this calculation, the updated ARL of \$201,221,385 represents the maximum amount that the City has available to commit to payments related to debt and financial obligations before the statutory limit is breached and corresponds to approximately \$2,088,609,171 of additional borrowing capacity (assuming a 15-year term and 5% interest rate).

RELEVANT CONSULTATION

The 2021 Tax Supported Capital Budget is prepared in consultation with staff from all departments, as well as, senior leadership to determine the proposed submission and Capital Levy requirements to appropriately address budget pressures and risks while balancing tax affordability.

ANALYSIS AND RATIONALE FOR RECOMMENDATION(S)

The recommendations for the 2021 Tax Supported Capital Levy and the proposed 2021 capital projects are the result of a lengthy and thorough process in which available discretionary funding is identified, operating groups prioritize capital needs and Council’s previous directions are incorporated to the extent that funding is available.

In setting the discretionary funding for the 2021 Tax Supported Capital Budget, staff updated the assumptions in the Financing Plan to determine the amount of funding available. Discretionary funds are base funding amounts that can be directed to any Capital program area. This would not include specific use reserve funds (i.e. Development Charges, Fleet, Transit, etc.) or any other specific use funding. The review of discretionary funds yielded approximately \$12.3 M in additional funding to be allocated to capital by updating debt servicing cost assumptions based on the current investment market, cash flows for debt servicing requirements for ICIP – Transit and the National Housing Strategy, as well as additional leveraging from reserves.

The distribution of available discretionary funds was first allocated based on the hybrid Capital Block Funding Prioritization methodology funding allocations approved, in principle, for 2021 through the 2020 Tax Supported Capital Budget (Report FCS19091). The hybrid Capital Block Funding Prioritization methodology was developed to direct funding towards addressing the City's infrastructure deficit. The methodology has been in use by the City for many years and has been based on historical funding averages, masterplan requirements and subsidy eligibility.

Departments reviewed capital works-in-progress and existing reserve balances to determine if the gross cost associated with the 2021 capital program could be offset from existing funds. Funding from reserves being utilized in the 2021 Tax Supported Capital Budget are detailed in Appendix "E" to Report FCS20101, while funding from internal sources and works-in-progress transfers are detailed in Appendix "E" to Report FCS20101.

Capital projects receiving significant subsidy and / or referred to the capital budget process by Council receive priority in the funding allocation process. Municipal pressures and Council priorities were used in allocating funding outside of the established funding allocations.

The 2021 Tax Supported Capital Budget Book attached as Appendix "A" to Report FCS20101 provides additional analysis and rationale around the capital projects included in the detailed listing attached as Appendix "B" to Report FCS20101.

The 2021 Tax Supported Capital Budget and Financing Plan in the amount of \$472,202,000 (\$482,266,000 if including projects previously approved in 2020), attached as Appendix "B" to Report FCS20101, includes the gross costs and identifies the sources of financing for each project recommended.

Staff is recommending a 2021 Capital Levy of \$127,365,000 which represents an increase of \$3,654,000 over the 2020 Capital Levy of \$123,711,000 in the Tax Supported Operating Budget amounting to a net levy increase of 0.40%, or \$13 per average residential household (home assessed at \$380,300).

Funding from Reserves of \$46,113,000 is provided in Appendix "E" to Report FCS20101. The remaining sources of financing for the 2021 Tax Supported Capital Budget are summarized in Appendix "B" to Report FCS20101.

ALTERNATIVES FOR CONSIDERATION

Council can direct changes to the 2021 Tax Supported Capital Budget as long as the approved Financing Plan remains in balance with the forecasted gross cost of all approved capital projects.

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.

Healthy and Safe Communities

Hamilton is a safe and supportive City where people are active, healthy, and have a high quality of life.

Clean and Green

Hamilton is environmentally sustainable with a healthy balance of natural and urban spaces.

Built Environment and Infrastructure

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

Culture and Diversity

Hamilton is a thriving, vibrant place for arts, culture, and heritage where diversity and inclusivity are embraced and celebrated.

Our People and Performance

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

APPENDICES AND SCHEDULES ATTACHED

Appendix “A” to Report FCS20101 – 2021 Tax Support Capital Budget Book

Appendix “B” to Report FCS20101 – 2021 Tax Capital Budget Project List

Appendix “C” to Report FCS20101 – Discretionary Tax Supported Net Capital Funding 2021–2030 Forecast

Appendix “D” to Report FCS20101 – 2021 Tax Supported Capital Budget Operating Budget Impacts and FTE Impact for Projects included in the 2021 Financing Plan

Appendix “E” to Report FCS20101 – 2021 Tax Supported Capital Budget Reserve Funding by Reserve and Project

Appendix “F” to Report FCS20101 – 2021 Tax Supported Capital Budget Summary of Work-in-Progress (WIP) and other Internal Funding

Appendix “G” to Report FCS20101 – City of Hamilton Debt Policy Ratios and Treasurer’s Updated 2020 Annual Repayment Limit

DR/TT/dt