

Item 8.2



Hamilton

2022-2024 MULTI-YEAR OUTLOOK AND CAPITAL FINANCING PLAN UPDATE

FCS21057

Mike Zegarac
General Manager, Finance and Corporate Services

June 16, 2021
General Issues Committee

AGENDA

- 2020/21 – COVID impact
- Uncertainty about immediate future
- Provide background on key constraints facing the City for 2022
- Tax Supported Budget Outlook
- Rate Supported Budget Outlook

BUDGET PRINCIPLES

- Supports the updated 2016-2025 Strategic Plan
- Alignment with the financial policies approved by Council
- Ensure the City's AA+ credit rating is maintained
- Growth-related infrastructure costs will be supported from development charge revenue
- Investment to maintain infrastructure in a state-of-good-repair
- Grants available to municipalities will be investigated
- COVID-19 related financial pressures in 2022 will be offset by either federal or provincial funding or contribution from the COVID-19 Emergency Reserve
- New services, enhancements or reductions, changes to the full-time equivalent complement require a Business Case

BUDGET APPROACH DIRECTION

- Staff are budgeting for 2022 based on “pre-COVID” services and service levels with approved enhancements
 - It is assumed that COVID-19 pressures will be funded from the funding carried forward from 2021 under the Safe Restart Agreement, the 2021 COVID-19 Recovery Funding for Municipalities Program, and the funds set aside in the COVID-19 Emergency Reserve from the 2020 tax operating budget surplus
- Staff are budgeting 2023 – 2025 based on “pre-COVID” services and service levels, while factoring in the uncertainty of the recovery
- At this time, staff are not seeking a 2022-2025 budget guideline but will come forward with a Recommendation Report in the Fall for consideration



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COVID-19 IMPACT ON 2022

COVID-19 FUNDING

Grant Funding From Senior Levels of Government	Total Announcements (\$)
<i>Transit</i>	<i>56,032,905</i>
<i>General Municipal</i>	<i>65,407,127</i>
<i>Housing Services</i>	<i>57,883,857</i>
<i>Public Health and Emergency Services</i>	<i>60,548,958</i>
<i>Other Social Services</i>	<i>12,425,386</i>
Total City of Hamilton	\$ 252,298,232

**Note: Assumes Public Health COVID response and vaccine program will be 100% funded by Province. An application is filed but has not yet been confirmed.*

COVID-19 IMPACT ON 2020

- Total funding announcements to date for 2020 and 2021 have been \$252.3 M for the City of Hamilton
- The response to the COVID-19 pandemic resulted in significant financial pressures estimated at \$38 M in additional expenses and \$55 M in lost revenues, for a total of \$93 M in pressures in 2020
- These pressures were covered through both funding from senior levels of government and measures the City put in place to mitigate the financial impact of the pandemic response
- An additional \$20.3 M of City funding was transferred to the COVID-19 Emergency Reserve as part of the 2020 surplus and year-end disposition

FORECASTED COVID-19 IMPACT ON 2021

- The Province of Ontario announced a \$500 M funding commitment to municipalities under the 2021 COVID-19 Recovery Funding for Municipalities Program
 - The City of Hamilton's share under this program is \$18.7 M, which can be used to address general municipal COVID-19 costs and pressures in 2021
- Staff are projecting financial pressures of \$141.6 M through 2021 as detailed in Appendix "A" to Report FCS21057
- The 2021 pressures are expected to be mitigated through available funding from senior levels of government of \$191.5 M
- Based on existing agreements, approximately \$24.5 M of remaining funding in 2021 is eligible to carryover into 2022
- Staff will continue to monitor assumptions used and how they are impacted by changes in various COVID-19 prevention measures through the rest of 2021

FORECASTED COVID-19 IMPACT ON 2022

- Based on current information, staff are projecting additional financial pressures related to COVID-19 in 2022 of \$57.2 M, leaving an estimated \$2.6 M in the City's COVID-19 Emergency Reserve by the end of 2022 based on all available funding sources
- Based on the funding announcements received to date and the funds in reserve from the 2020 operating surplus for COVID-19 recovery, it is anticipated that the pressures related to COVID-19 will be mitigated to the end of 2022
- It is expected that the City will continue to face many challenges in the medium term (2023-2025) as the economy begins to recover
- At this point there is no committed funding from senior levels of government beyond 2022 and it is yet to be determined what impact is to be seen on municipal services moving forward

ESTIMATED COVID PRESSURES IN 2022

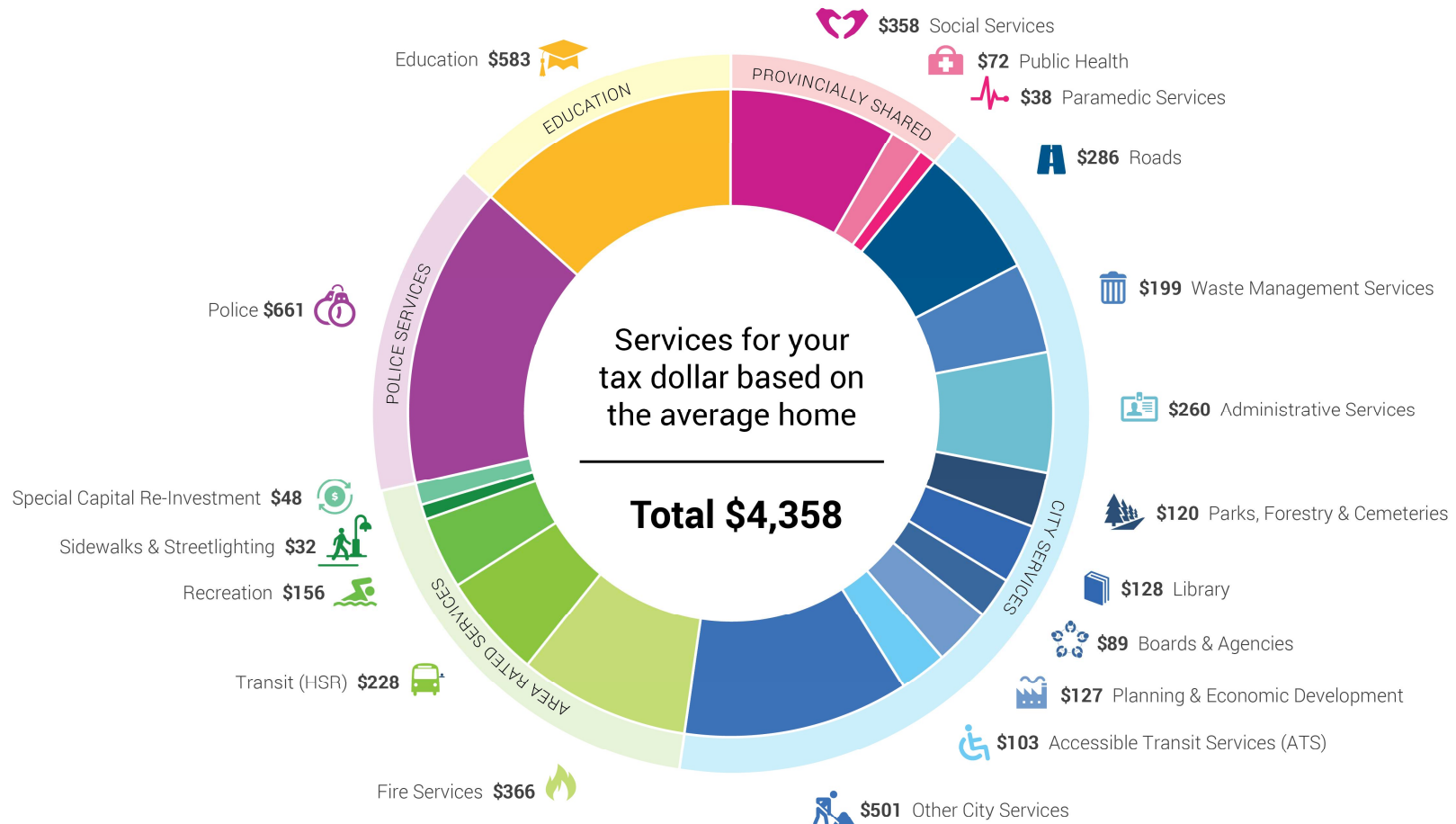
Service	2022 Impact (\$)	Assumptions
Parking Services	3,000,000	20% reduction in pre-COVID-19 revenues
Children's Services	4,500,000	Estimate of annual Covid costs directly to operators and licensed home child care agencies in Ontario (PPE, enhanced cleaning, additional staff)
Housing Services	13,400,000	Estimate of annual COVID costs for Drop Ins, Isolation Centers, Hotels, Security, Case Management. Outstanding confirmation from Managers for the types of continued support expected.
Long-Term Care	3,500,000	Estimate of annual Covid costs (PPE, medical supplies/equipments, potential ERE costs)
Hamilton Paramedic Service	1,800,000	Estimated cost for overtime, upstaffing for infection disease protocols and enhanced disinfection protocols, PPE and medical supply costs.
Public Health	15,000,000	Estimate for ongoing costs related to vaccination and contact centres
Transit	11,559,000	Assumptions: 65% conventional ridership Jan-Aug, 80% Sep-Dec, 90% specialized ridership, Year 5 of Local Transit Strategy implemented, University/College return in winter with reduced ridership and enrolment and returns to 2019 enrolment levels for 2021/2022 academic year. Physical distancing measures prevent full standing loads.
Slot Revenues	2,600,000	50% reduction in pre-COVID-19 revenues
POA Revenues	1,800,000	10% reduction in pre-COVID-19 revenues
Total	\$ 57,159,000	



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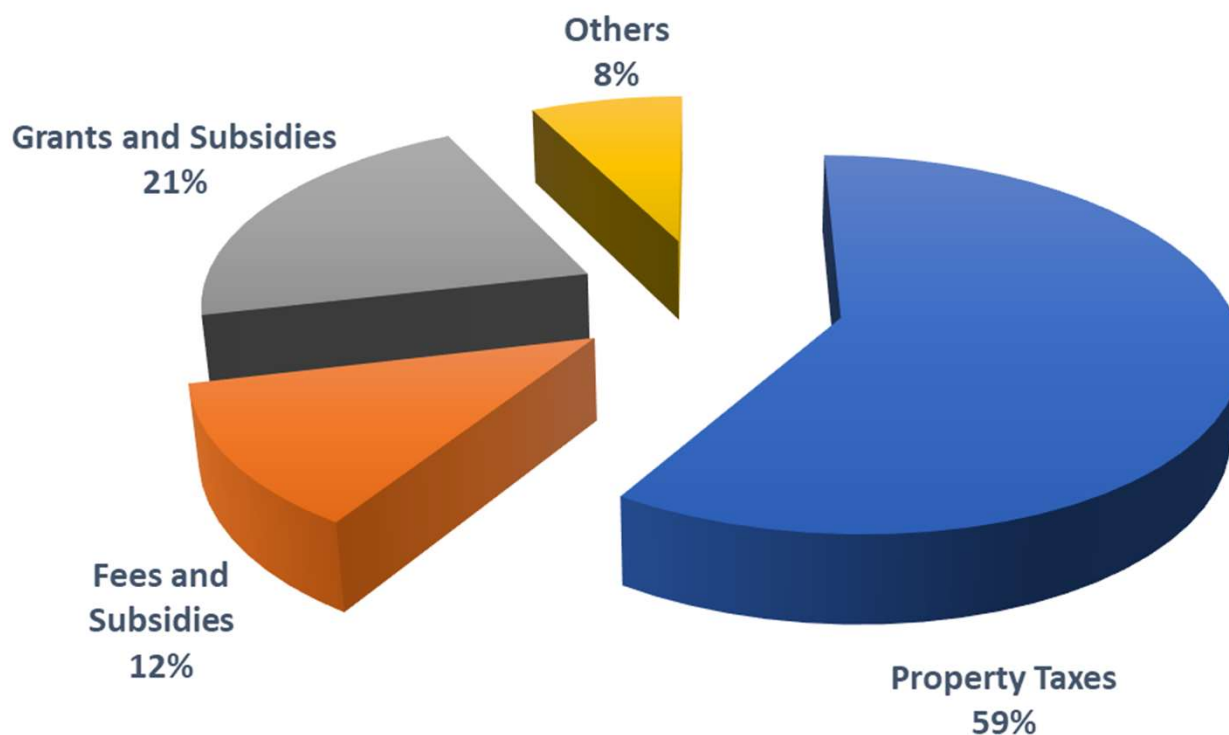
TAX SUPPORTED HISTORICAL BUDGETS

2021 Distribution of Tax Dollars

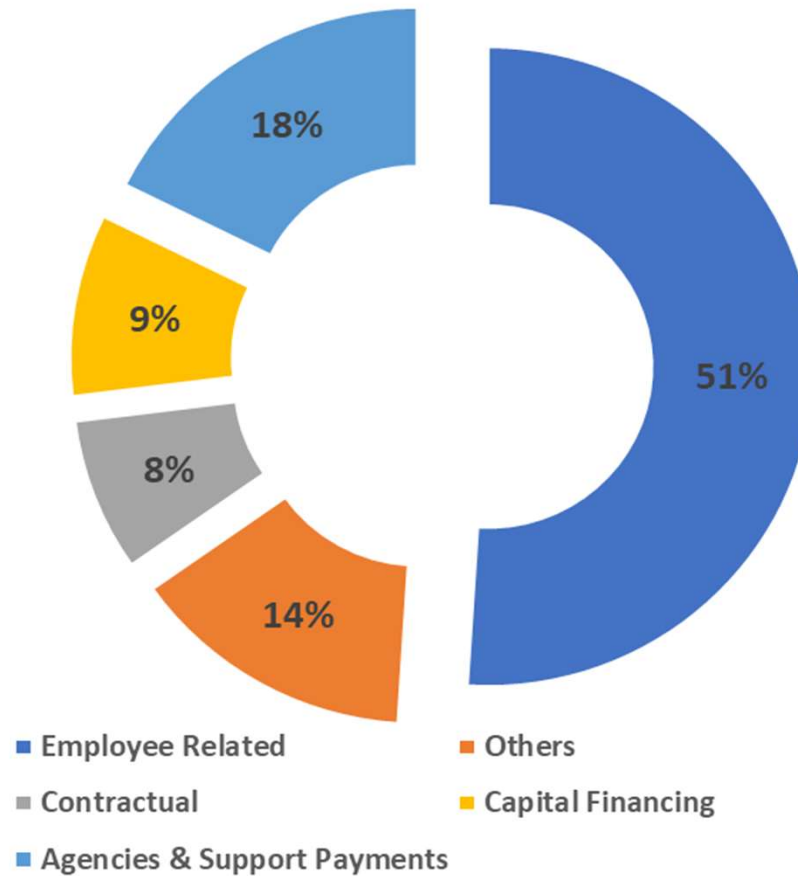


Based on Council Approved Budget, March 31, 2021

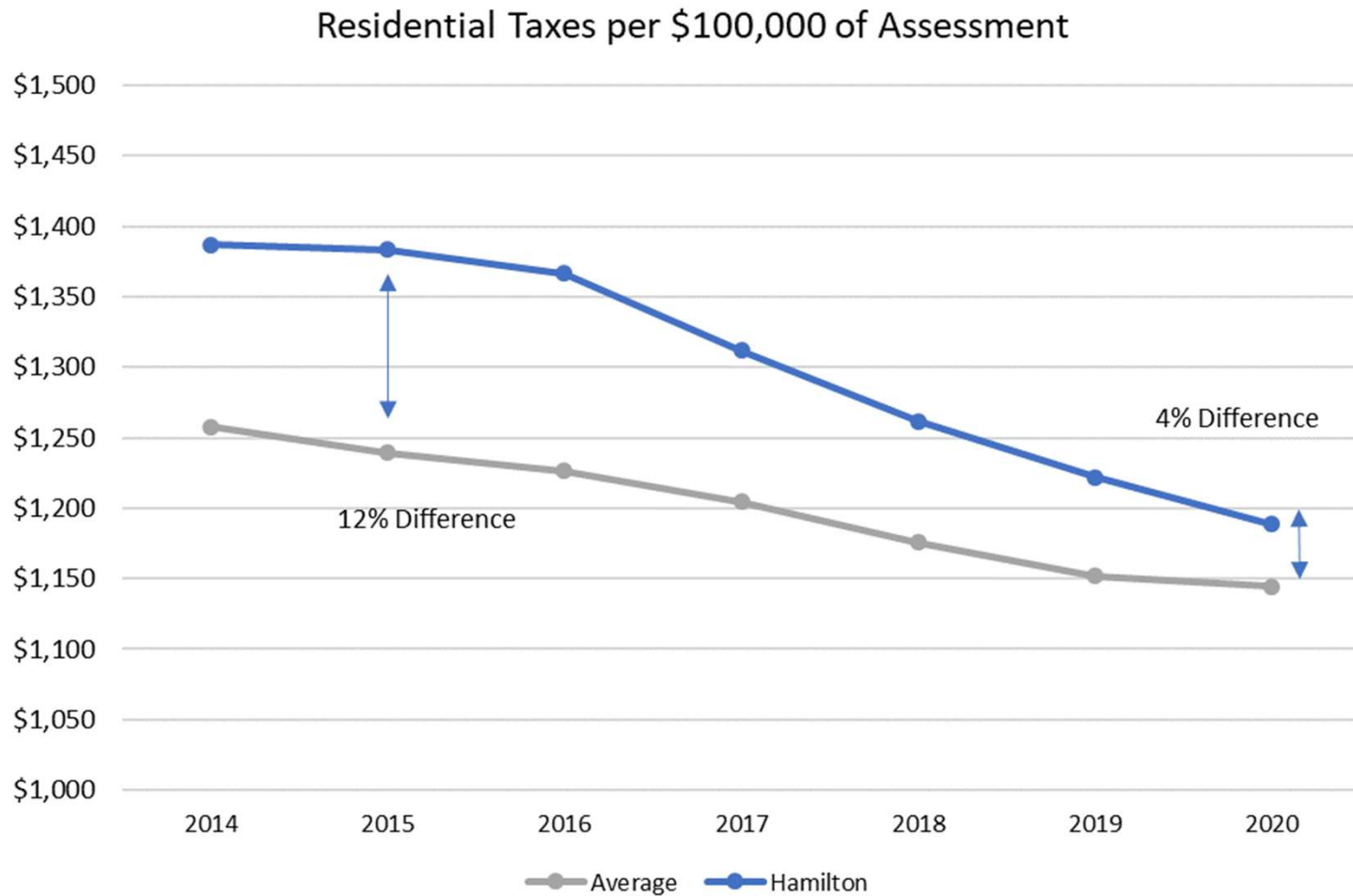
RELIANCE ON PROPERTY TAXES BASED ON 2021 BUDGET



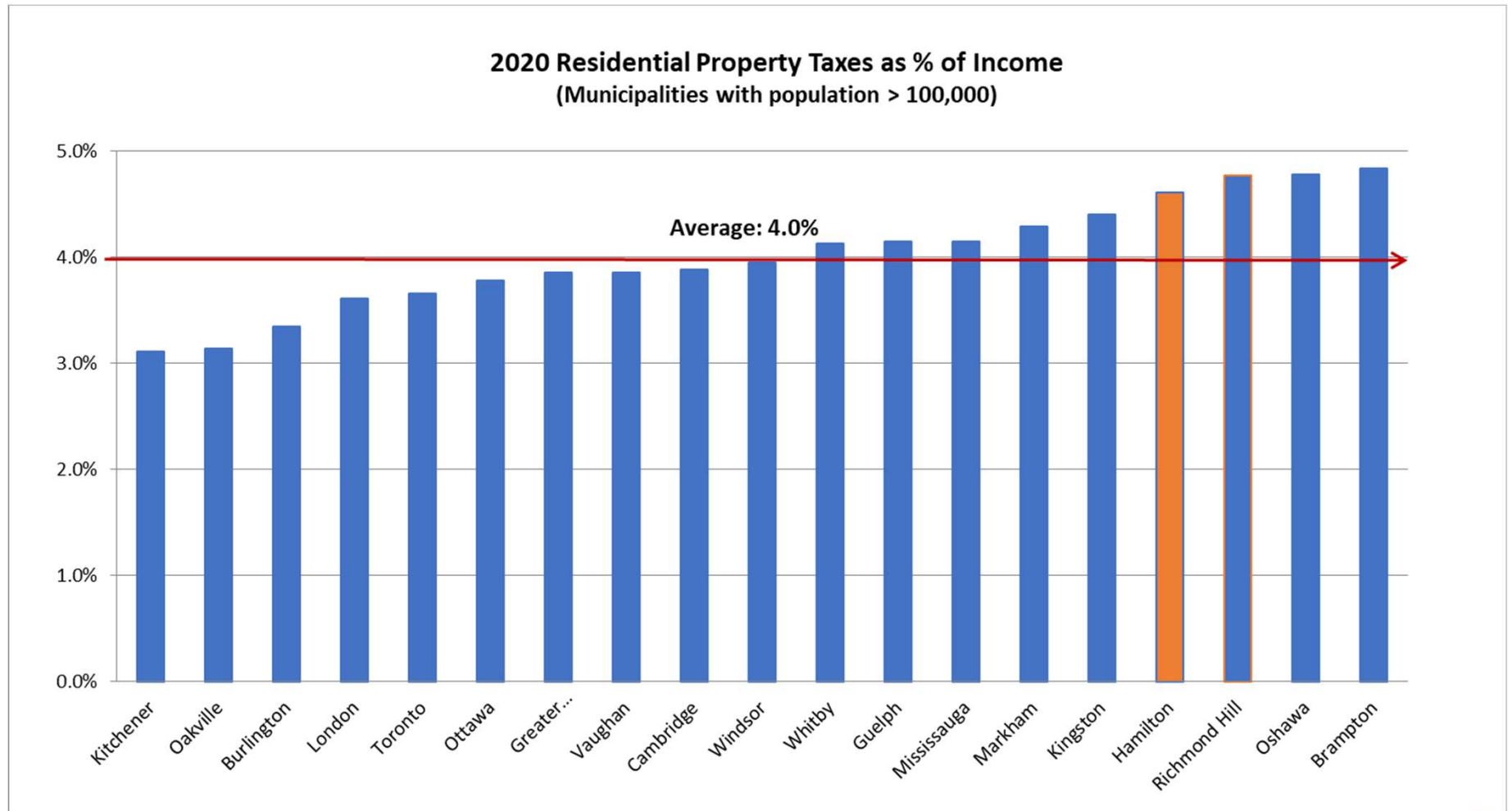
2021 COST OF PROVIDING SERVICES



TAX COMPETITIVENESS



TAX COMPETITIVENESS



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**2022 TAX SUPPORTED
OPERATING BUDGET
PRELIMINARY & MULTI-YEAR
OUTLOOK**

Total Tax Impact of Municipal Services (2022-2024)

	2022	2023		2024	
		Low	High	Low	High
Levy Increase	4.7%	3.1%	4.5%	3.3%	4.7%
Assessment Growth	(1.0%)	(1.0%)	(1.0%)	(1.0%)	-1.0%
Reassessment	0.0%	0.5%	0.5%	0.5%	0.5%
Levy Restrictions	0.1%	0.1%	0.1%	0.1%	0.1%
Tax Policy	0.2%	0.0%	0.0%	0.0%	0.0%
Education Impact	(0.3%)	(0.3%)	(0.3%)	(0.3%)	-0.3%
Total	3.6%	2.4%	3.8%	2.6%	4.0%

Note: Anomalies due to rounding

Assumptions:

Assessment Growth - Based on initial projections and continued construction activity in the City.

Reassessment: 0% for 2022 as announced by the Province and 2023-2024 based on 2016-2020 reassessment impact

Levy Restrictions: Based on historical results

Tax Policy: Assumes adoption of small business subclass

Education Impact: Based on historical results

2023 and 2024 provide an outlook range:

1) Low - no residual financial impacts of COVID-19 are assumed

2) High - assumes 25% of the forecasted COVID-19 pressures in 2022 will remain through recovery in 2023 and 2024

2022 – 2024 Operating Budget Outlook by Department

Department	2021 Revised Budget \$	2022 Outlook \$	% Change	2023 Outlook \$	% Change	2024 Outlook \$	% Change
Planning and Economic Development	\$30,357,480	\$31,514,130	3.8%	\$32,298,330	2.5%	\$32,932,680	2.0%
Healthy and Safe Communities	\$255,023,200	\$270,584,260	6.1%	\$278,579,860	3.0%	\$286,786,790	2.9%
Public Works	\$266,803,330	\$282,387,720	5.8%	\$296,315,340	4.9%	\$308,056,530	4.0%
Legislative	\$5,164,412	\$5,249,752	1.7%	\$5,342,022	1.8%	\$5,433,892	1.7%
City Manager	\$13,016,920	\$13,300,140	2.2%	\$13,596,590	2.2%	\$13,900,190	2.2%
Corporate Services	\$37,210,120	\$37,967,210	2.0%	\$38,911,130	2.5%	\$39,856,510	2.4%
Corporate Financials / Non Program Revenues	(\$27,940,780)	(\$28,759,180)	2.9%	(\$29,617,520)	3.0%	(\$30,527,040)	3.1%
Hamilton Entertainment Facilities	\$4,037,180	\$4,095,980	1.5%	\$0	(100.0%)	\$0	0.0%
Total City Expenditures	\$583,671,862	\$616,340,012	5.6%	\$635,425,752	3.1%	\$656,439,552	3.3%
Hamilton Police Services	\$176,587,027	\$181,884,638	3.0%	\$187,341,177	3.0%	\$192,961,412	3.0%
Other Boards and Agencies	\$48,529,804	\$49,597,460	2.2%	\$50,688,604	2.2%	\$51,803,753	2.2%
City Enrichment Fund	\$6,088,340	\$6,088,340	0.0%	\$6,088,340	0.0%	\$6,088,340	0.0%
Total Boards and Agencies	\$231,205,171	\$237,570,437	2.8%	\$244,118,121	2.8%	\$250,853,505	2.8%
Capital Financing	\$139,541,860	\$145,238,860	4.1%	\$150,409,860	3.6%	\$156,738,860	4.2%
Total Levy Requirement	\$ 954,418,893	\$ 999,149,310	4.7%	\$ 1,029,953,730	3.1%	\$ 1,064,031,920	3.3%
Net Levy Increase Year over Year	\$ -	\$ 44,730,417	4.7%	\$ 30,804,420	3.1%	\$ 34,078,190	3.3%

BUDGET PRESSURES SUMMARY

Budget Pressure	2022 Increase	2023 Increase	2024 Increase
Current Service Level			
Employee related and misc. other current service-level pressures	\$ 24,975,027	\$ 16,787,960	\$ 21,719,950
Enhancements/Service Level Adjustments			
Capital Levy for Discretionary Blocks	\$ 4,500,000	\$ 4,500,000	\$ 4,500,000
10-Year Transit Strategy	\$ 4,144,000	\$ 3,315,000	\$ 3,085,000
Expected loss of Public Health annual service plan funding	\$ 2,215,800	\$ -	\$ -
Sidewalk Snow Clearing	\$ 1,776,000	\$ 2,664,000	
DARTS	\$ 1,720,000	\$ 1,820,000	\$ 1,950,000
Area Rating for Fire Services	\$ 1,400,000		
Capital Levy for New Debt Related to ICIP – Transit and West Harbour	\$ 1,197,000	\$ 671,000	\$ 1,829,000
Affordable Housing - Roxborough	\$ 1,047,000	\$ -	\$ -
Child Care Provincial Funding Ageement	\$ 1,001,800	\$ -	\$ -
Social Housing – provincial benchmarks	\$ 753,790	\$ 1,046,460	\$ 994,240
Hamilton Entertainment Facilities	\$ -	\$ (4,095,980)	\$ -
Total Enhancements/Service Level Adjustments	\$ 19,755,390	\$ 9,920,480	\$ 12,358,240
Total	\$ 44,730,417	\$ 30,804,420	\$ 34,078,190

BOARDS AND AGENCIES LEVY IMPACT

Board / Agency	Net Levy Increase			Basis of Increase
	2022	2023	2024	
Police	\$ 5,297,611	\$ 5,456,539	\$ 5,620,235	5 Year Average (3%) 2% 2% 2%
Conservation Authorities	\$ 169,195	\$ 172,579	\$ 176,031	
Library	\$ 643,927	\$ 656,805	\$ 669,941	
Other Boards and Agencies	\$ 157,474	\$ 160,624	\$ 163,836	
Total Impact	\$ 6,268,207	\$ 6,446,547	\$ 6,630,044	

CAPITAL FINANCING OUTLOOK

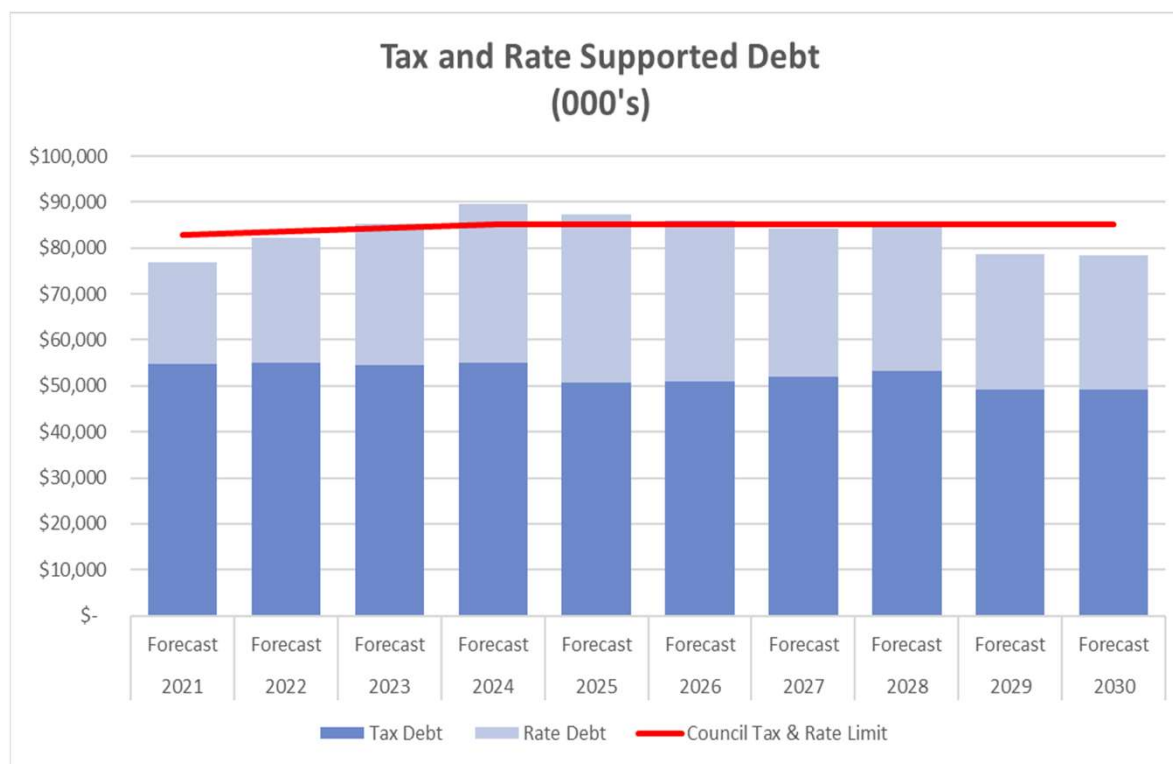
Capital Financing	2022		2023		2024	
	(\$)	(%)	(\$)	(%)	(\$)	(%)
Discretionary Block Funding	\$ 4,500,000	0.5%	\$ 4,500,000	0.5%	\$ 4,500,000	0.5%
West Harbour Development	\$ 374,000	0.0%	\$ 626,000	0.1%	\$ 1,773,000	0.2%
ICIP - Transit	\$ 823,000	0.1%	\$ 45,000	0.0%	\$ 56,000	0.0%
Total Impact	\$ 5,697,000	0.6%	\$ 5,171,000	0.5%	\$ 6,329,000	0.7%

Note - Anomalies due to rounding

- One-time transfer payment of \$32M in 2021 of Federal Gas Tax

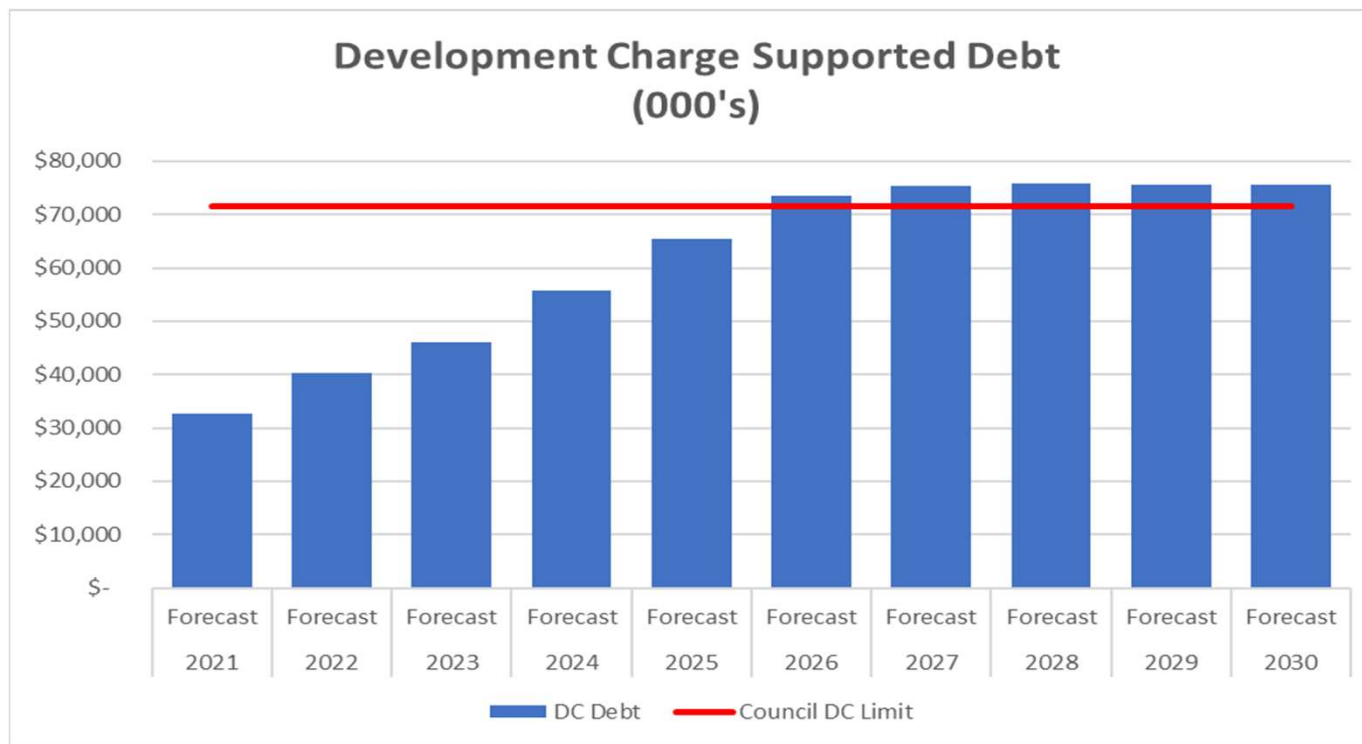
CAPITAL FINANCING – TAX & RATE DEBT

- Total tax and rate supported debt as a percentage of City own-source revenues does not exceed 60% unless approved by Council



CAPITAL FINANCING - DC DEBT

- Total development charge supported debt as a percentage of the total development charge eligible costs for the forecast period of the latest Development Charge Background Study does not exceed 25% unless approved by Council



CAPITAL FINANCING – PROJECTED RESERVES

CITY OF HAMILTON RESERVES	Projected Balances December 31		
	2020	2021	2022
CAPITAL RESERVES			
DEVELOPMENT CHARGES	285,421	322,678	349,023
PARKLAND RESERVES	70,638	38,413	49,022
VEHICLE & EQUIPMENT RESERVES	47,768	41,558	19,138
UNALLOCATED CAPITAL LEVY	37,209	21,886	24,800
RATE RESERVES	164,976	95,907	71,832
FEDERAL GAS TAX RESERVE	59,102	86,415	88,626
OTHER	17,463	19,707	29,878
TOTAL CAPITAL RESERVES	682,577	626,564	632,319
NON- TAX CAPITAL RESERVES			
TAX STABILIZATION	65,917	17,888	18,250
SAFE RESTART AGREEMENT	15,276	18,682	-
COVID-19 EMERGENCY RESERVE	-	20,277	2,615
EMPLOYEE RELATED RESERVES	108,267	110,705	111,965
PROGRAM SPECIFIC RESERVES	101,596	94,450	92,905
OTHER	114,721	118,428	124,669
TOTAL NON- TAX CAPITAL RESERVES	405,777	380,430	350,404
FUTURE FUND RESERVES			
HAMILTON FUTURE FUND A	56,420	60,498	66,040
HAMILTON FUTURE FUND B	2,047	1,879	1,669
TOTAL FUTURE FUND RESERVES	58,467	62,377	67,709
TOTAL ALL RESERVES	1,146,821	1,069,371	1,050,432

CAPITAL FINANCING – DC EXEMPTIONS SUMMARY

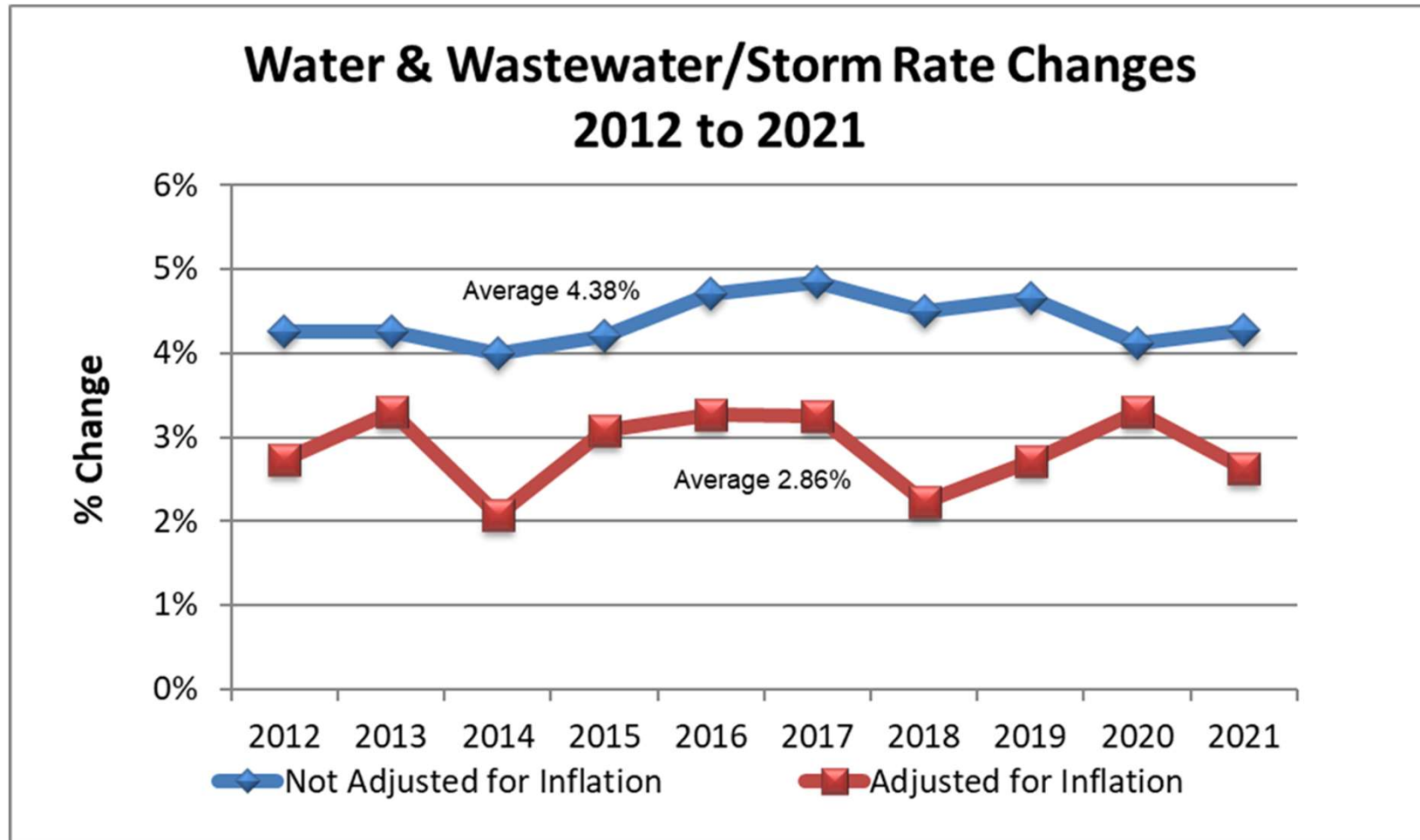
	2013 - 2018	2019	2020	8 Year Total
DC Exemptions By Area				
Hamilton	\$ 68,922,517	\$ 29,929,989	\$ 17,596,731	\$ 116,449,237
Stoney Creek	\$ 12,627,816	582,847	1,011,190	\$ 14,221,853
Flamborough	\$ 20,934,702	3,608,418	5,271,469	\$ 29,814,589
Ancaster	\$ 8,368,044	1,464,329	4,671,298	\$ 14,503,670
Glanbrook	\$ 7,698,401	5,458,725	12,682,093	\$ 25,839,219
Dundas	\$ 1,436,420	297,593	74,586	\$ 1,808,599
Total Exemptions By Area	\$ 119,987,900	\$ 41,341,901	\$ 41,307,367	\$ 202,637,168
DC Act Statutory Exemptions	\$ 19,117,656	\$ 3,389,825	\$ 7,536,634	\$ 30,044,114
Council Authorized Exemptions	\$ 100,870,244	\$ 37,952,077	\$ 33,770,733	\$ 172,593,053
Total Exemptions By Development Type	\$ 119,987,900	\$ 41,341,902	\$ 41,307,367	\$ 202,637,168
DC Exemption Funding	\$ 54,618,116	\$ 16,841,836	\$ 16,500,000	\$ 87,959,952
Net total Unfunded Exemptions	\$ 65,369,784	\$ 24,500,066	\$ 24,807,367	\$ 114,677,216
Prior Year DC Exemption Funding				\$ 15,258,711
Net total unfunded Exemptions (Prior Years)				\$ 99,418,505
Net total Discretionary unfunded Exemptions (Prior Years)				\$ 69,374,391



Hamilton

RATE SUPPORTED HISTORICAL BUDGETS

10 YEAR RATE CHANGES



HOW DOES HAMILTON COMPARE?

Kitchener: \$1,503

⚡ Norfolk: \$1,366

⚡ Cambridge: \$1,171

⚡ West-Lincoln: \$1,168

London: \$1,113

Waterloo: \$1,040

⚡ Haldimand: \$1,038

Guelph: \$998

⚡ St. Catharines: \$974

⚡ Brantford: \$943

⚡ Durham: \$913

⚡ Halton: \$902

Toronto: \$815

Hamilton: \$753

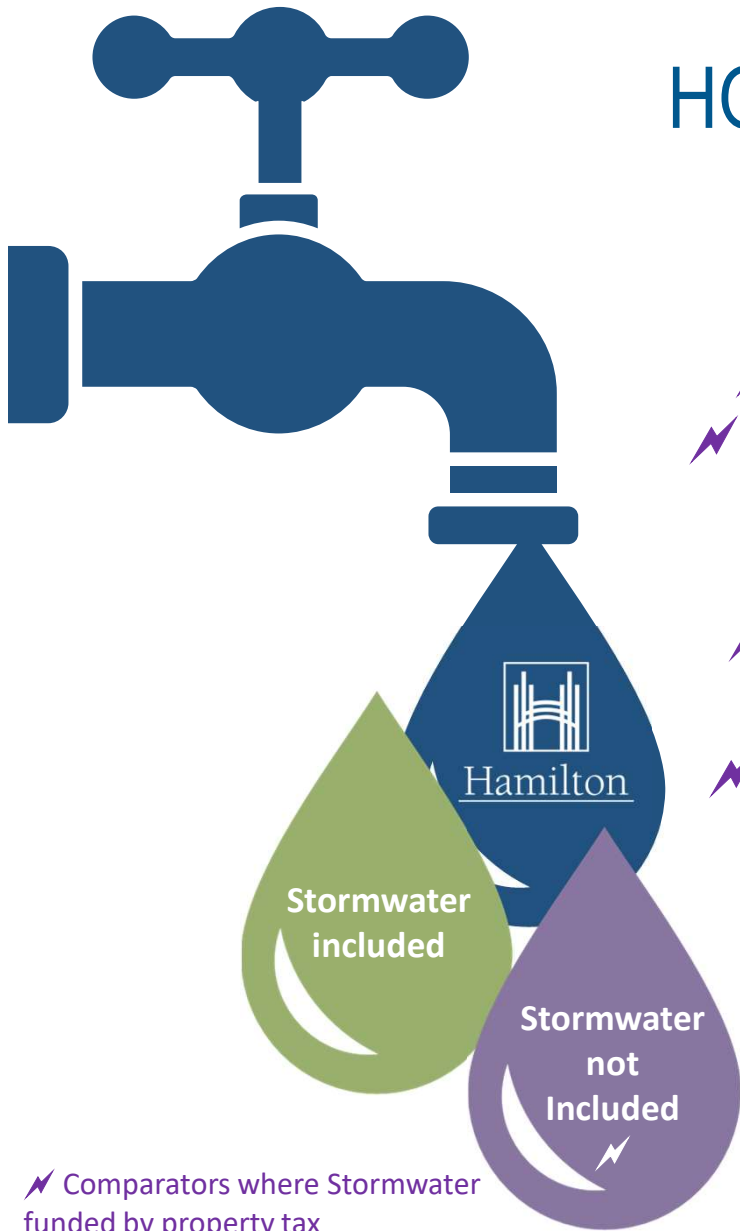
Peel: \$632

2020 Water Bill Residential

200m³/ (year)

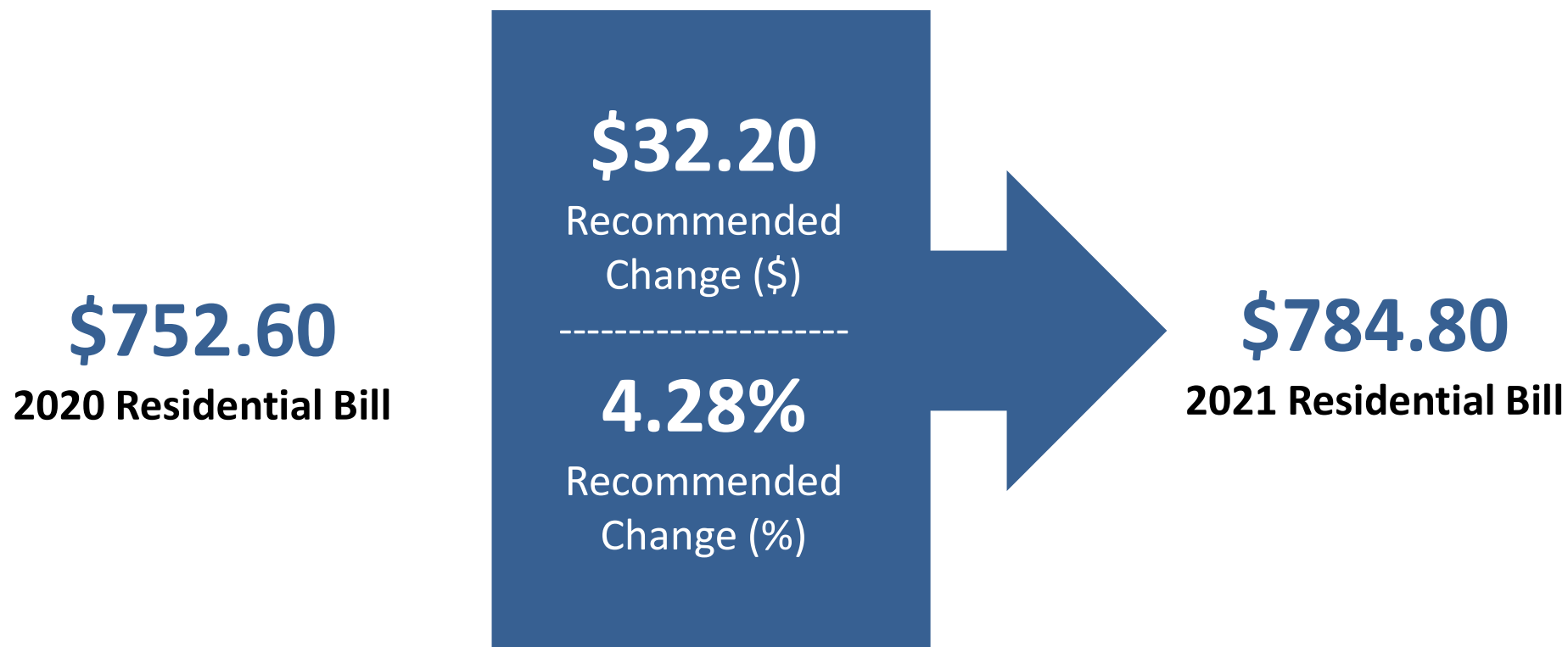
Survey Average
\$1,022

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



⚡ Comparators where Stormwater funded by property tax

2021 RESIDENTIAL AVERAGE BILL



**Impact of Recommended 2021 Water and Wastewater/Storm Rate
Increases on a Typical Residential Bill: 4.28%**

Based on annual water consumption of 200m³

30



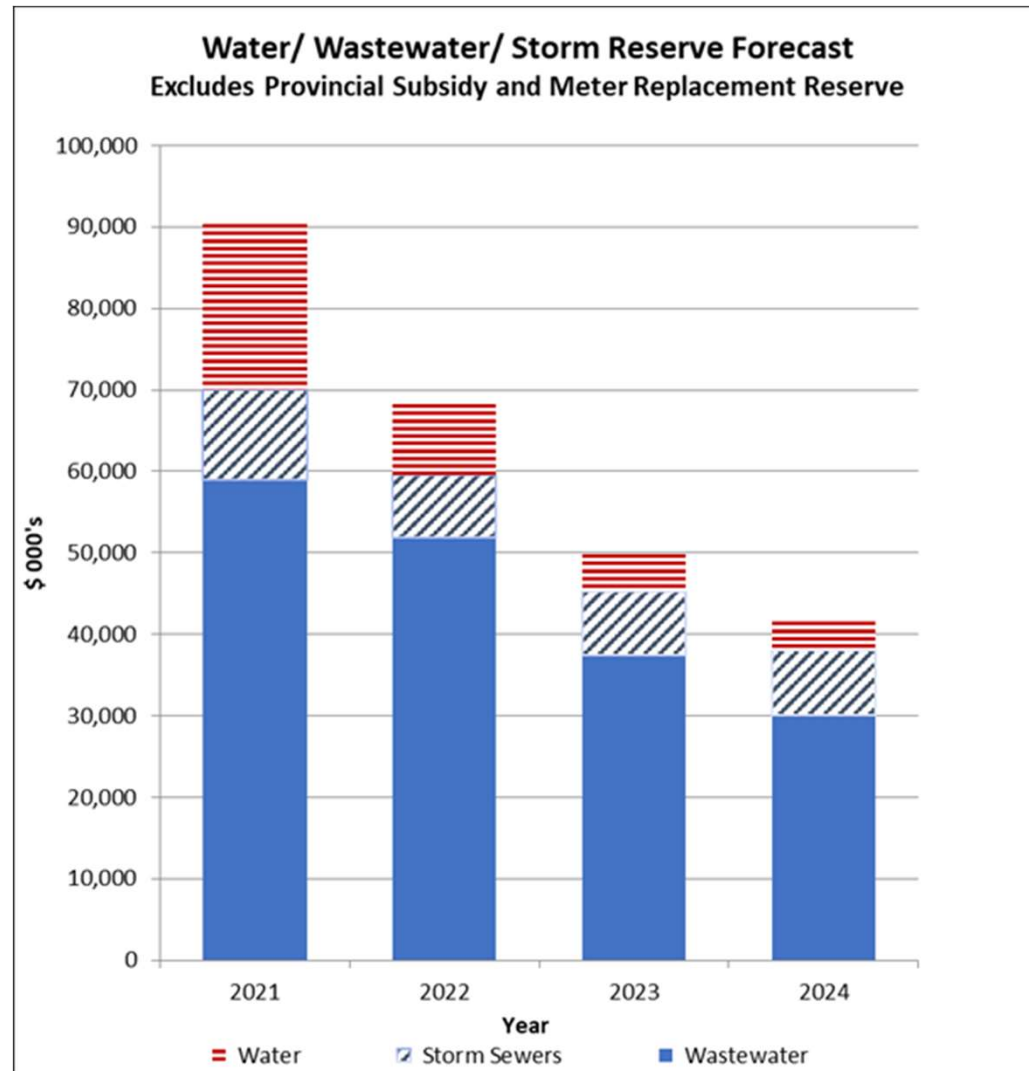
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**2022 RATE SUPPORTED
OPERATING BUDGET
PRELIMINARY & MULTI-YEAR
OUTLOOK**

RATE BUDGET OUTLOOK

	2022	2023	2024	2025
Rate Budget Pressures	\$ M	\$ M	\$ M	\$ M
City Division (Hamilton Water)				
Energy and Other Operating Costs	\$1.8	\$1.8	\$1.9	\$1.9
Capital Financing	\$9.1	\$10.2	\$10.7	\$10.8
Preliminary Pressures / Risks	\$10.9	\$12.0	\$12.6	\$12.7
Combined Rate Impact	4.05%	4.29%	4.35%	4.16%

RATE BUDGET OUTLOOK – RESERVE FORECAST



INFLATIONARY AND OTHER PRESSURES

- The expenditure profiles of municipal governments are much different than the expenditure profiles of an average Canadian consumer
- The CPI is a useful indicator of inflation because it is consistent, well known and readily available, but it does not reflect the purchasing patterns of municipal governments
- Municipal services are most heavily weighted in salaries & wages, benefits, professional services, hydro, natural gas, fuel and capital / construction costs, such as land purchases, equipment, materials and contracted services

INFLATIONARY AND OTHER PRESSURES

- On a year-over-year basis in April 2021:
 - Consumer Price Index 3.4%
 - Gasoline prices rose 62.5%
 - Electricity prices rose 18.3%
 - Construction prices have been significantly impacted in the past several months due to the demand of structural lumber

Construction Price Index Trends

	2020				2021
	Q1	Q2	Q3	Q4	Q1
Construction Price Index Non-Residential	3.0%	2.6%	2.5%	2.2%	3.1%
Construction Price Index Residential	2.0%	1.8%	4.0%	7.6%	15.0%

NEXT STEPS

- A recommendation report seeking more specific Direction will come to GIC in the Fall
 - Detailed Budget Schedule to be provided with this report
- Rate Operating and Capital Budgets and Tax Capital Budget
 - Scheduled to be deliberated on November 21, 2021 and November 26, 2021 respectively
- Tax Supported Operating Budget
 - To be commenced in January 2022 (expected March 2022 approval)



THANK YOU

