




# INFORMATION REPORT

<b>TO:</b>	Mayor and Members General Issues Committee
<b>COMMITTEE DATE:</b>	September 20, 2023
<b>SUBJECT/REPORT NO:</b>	2024 Budget Outlook (FCS23074) (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
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<b>SIGNATURE:</b>	

## COUNCIL DIRECTION

N/A

## INFORMATION

### Executive Summary

The 2024 budget process has begun internally for programs and services for the City of Hamilton's (the City's) Tax and Rate Supported Budgets. The purpose of Report FCS23074 is to provide a preliminary estimate of the 2024 to 2026 Tax and Rate Budget Outlook, including some description of the factors contributing to the preliminary forecast, in advance of 2024 budget deliberations.

The 2024 to 2026 budget outlook presented to the General Issues Committee (GIC) and Council during 2023 budget deliberations, through Report FCS23007(a), has been updated with the most current information available at the end of August 2023. The preliminary forecast will continue to evolve throughout the budget process in the coming months.

The preliminary outlook for the 2024 Tax Supported Budget would result in an estimated residential tax impact of 14.2% in order to maintain existing services, provide for legislated changes and introduce strategic investments to address the Council Priorities that have been referred to the 2024 budget process. In consideration of the extraordinary pressures facing residents and businesses in the community, the City's Senior Leadership Team will

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develop a financing strategy in order to curb the impact on taxpayers by leveraging the City's financial position through the use of reserves and debt, as well as, exploring opportunities for budget savings and efficiencies prior to submitting the budget for Council's consideration.

Recognizing that the impacts of inflation are also impacting residents and businesses in the community, the focus of 2024 budget preparation is to develop sustainable multi-year balanced budgets. As a result, staff is reflecting a continuation of the user fee strategy that has been in place in recent years to increase user fees towards full cost recovery, or with a minimum inflationary increase of 4.4%, in order to maintain the rate of subsidy for municipally provided services that had been approved in the 2023 budget. User fee increases below inflation would result in increased reliance on property taxes and an increase to the subsidy provided.

The preliminary outlook for the 2024 Rate Supported Budget is now a 19.79% average increase for water and wastewater fees after factoring in the \$27.28 M impact, or 9.75%, for Development Charge Exemptions detailed in Report FCS23064. Similarly, to the Tax Supported Budget, the Senior Leadership Team will explore alternative financing strategies to limit the impact of the legislative changes from Bill 23 on ratepayers.

There are many financial challenges and opportunities in the multi-year outlook to consider in the development of the annual Budget and Financing Plan. Report FCS23074 provides background information on several factors faced by the City and initiatives underway to limit the financial impact on tax and rate payers, as well as, strategic investments to enhance or sustain municipal services. Key themes for the 2024 budget include:

- Affordable housing and homelessness;
- Climate Change;
- Transportation;
- Employee Relations;
- Development Charge Exemptions; and
- Public Health and Emergency Response.

### **Budget Direction**

Staff will be preparing the preliminary 2024 Budget and the corresponding Multi-Year Outlook and Capital Financing Plan in accordance with the principles outlined in the "Budget Principles" section below, the Mayoral Directive to Staff (MDI-2023-02) and the 2022 – 2026 Council Priorities. In accordance with the *Municipal Act, 2001*, Section 289, the City must prepare a balanced budget and provide for any deficit in the previous year's budget. On Friday, June 16, 2023, the provincial government announced that strong mayor powers will be issued to the City along with 25 other municipalities that have committed to a housing pledge to build 1.5 million homes by 2031. On August 21, 2023 the provincial government announced the expansion of strong mayor powers to an additional 21 municipalities effective October 31, 2023

As background, *The Strong Mayors, Building Homes Act* received Royal Assent on September 8, 2022, creating new powers for Mayors to implement provincial priorities as defined in the *Municipal Act*. These priorities are: building 1.5 million new homes by 2031 to address the housing supply crisis; and the construction and maintenance of infrastructure, such as transit and roads, to support new and existing housing development.

On August 31, 2023, the Mayor issued a directive to staff (MDI-2023-02) on the preparation of the 2024 budget. Staff will be working with the Mayor during the 2024 budget process to determine any impacts on the current and multi-year budget period.

On July 14, 2023 Council set its three priorities and outcomes for this term of Council (2022 – 2026):

- Sustainable Economic and Ecological Development
  - Outcomes: reduced burden on residential taxpayers, advancement of our climate change / decarbonization efforts and increased protection of our green spaces and water
- Safe and Thriving Neighbourhoods
  - Outcomes: increased housing units for all, reduced homelessness and improved mobility, accessibility and road safety
- Working of City Hall and Transparency in Municipal Government
  - Outcomes: new and improved budget process, increased public engagement, enhanced customer service and communication, and being considered an employer of choice

The Council Priorities consider and reflect Council input, urgent issues in the community, the City's Federal and Provincial Priorities, Our City Survey 2022 results, projects and initiatives currently underway and the 2016 to 2025 Strategic Plan. More information about the priorities can be found on the City website (<https://www.hamilton.ca/city-council/council-committee/council-priorities-outcomes-measures-success>). Specific measures of success are also being finalized for each outcome and those will also be added to the website in the coming weeks. Staff is working on the action plans for each priority and will table those recommended plans to Council in late September.

## **Budget Principles**

Staff has begun preparations of the Preliminary 2024 Budget, 2025-2027 Multi-Year Outlook and 10-year Capital Financing Plan in accordance with the following principles:

- The annual budget reflects and supports the current 2016-2025 Strategic Plan and 2022 – 2026 Council Priorities;
- The annual budget is aligned with the financial policies approved by Council;
- The annual budget and financial plan are aligned with the objectives of the Strategic Asset Management Policy and Asset Management Plans;
- Reserves are maintained per policy in order to repair / replace infrastructure, fund identified priorities and ensure long-term sustainability;

- Total tax and rate supported debt as a percentage of City own-source revenues does not exceed 60% unless approved by Council;
- 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;
- The annual budget leverages user fees at full cost recovery as permitted under the *Municipal Act, 2001* unless an alternative strategy is approved by Council; and
- The 2024 budget strategy balances the need for municipal services with affordability by leveraging debentures and reserves in a financially responsible manner.

In previous years, the Preliminary Tax Supported Operating Budget has included only the investments required to maintain previously approved service levels. Business Cases and Council Referred Items had been considered in addition to the proposed Preliminary Tax Supported Operating Budget. In the interest of transparency, City staff will be including and prioritizing Council Referred Items and Business Cases in the Preliminary Tax Supported Operating Budget. The General Issues Committee and City Council will still deliberate on each individual Business Case, as has been past practice, but the Preliminary Tax Supported Operating Budget Report will now better reflect the total expected pressures and investments to be considered in the deliberations process.

### **2024 – 2026 Tax Supported Operating Budget**

Based on updated information, the initial projection for 2024 has been revised to a potential levy increase of \$166.4 M, or 15.6%. This is for the maintenance of current municipal services, legislated changes and inclusion of items referred to the 2024 budget process by Council.

Additionally, Hamilton Health Sciences and St. Joseph's Healthcare Hamilton have prepared multi-year hospital re-development plans. City staff is participating in a working group to review the multi-year development needs, plans and local share funding options. In the 2024 – 2026 multi-year outlook, a 1.0% Hamilton Hospital Redevelopment Levy placeholder has been incorporated. Council will receive additional reporting on this topic in Q4 2023.

Staff recommended a 2024 tax capital financing plan increase that was approved, in principle, through Report FCS22081, of \$11.8 M or 1.19%. This estimate has been revised to reflect the information presented to Council through Report PW23051 / FCS23084 in August 2023. Additionally, Report FCS23064, Development Charge Exemptions Sustainable Funding Strategy, was presented to Council on June 14, 2023, which referred consideration of an additional \$40.6 M, or 3.69%, to the 2024 Tax Capital Budget Process for the purposes of addressing the shortfall in development charge exemptions funding and the legislated impacts of Bill 23. The revised 2024 capital financing amount of \$63.6 M now incorporates these two key changes from the Financing Plan approved in principle during 2023 Tax Supported Capital deliberations.

The total average residential impact is projected at 14.2% after factoring in assumptions for growth, education and tax policy.

Table 1 provides the most up-to-date projections for 2024 through 2026, by department, showing the total net levy requirement by year based on assumptions for assessment growth, hospital redevelopment levy, affordable housing levy, reassessment, tax policy changes and education tax adjustments.

**TABLE 1**

CITY OF HAMILTON UPDATED TAX SUPPORTED 2024-2026 MULTI-YEAR OUTLOOK (\$000's)								
DEPARTMENT	2023 Net Levy	2024 Increase	2024 Outlook	%	2025 Outlook	%	2026 Outlook	%
Planning & Economic Development	33,471	2,374	35,846	7.1%	37,427	4.4%	38,762	3.6%
Healthy and Safe Communities	300,021	60,268	360,289	20.1%	394,010	9.4%	426,074	8.1%
Public Works	293,698	11,832	305,530	4.0%	315,082	3.1%	327,394	3.9%
Legislative	5,499	124	5,623	2.3%	5,754	2.3%	5,882	2.2%
City Manager	14,703	972	15,675	6.6%	16,279	3.9%	16,863	3.6%
Corporate Services	44,207	2,552	46,760	5.8%	48,151	3.0%	49,443	2.7%
Corporate Financials	24,534	14,220	38,754	58.0%	45,517	17.5%	52,803	16.0%
Non-program Revenues	(52,787)	(134)	(52,921)	0.3%	(52,991)	0.1%	(53,050)	0.1%
Hamilton Entertainment Facilities	150	3	153	2.0%	156	2.3%	160	2.3%
<b>City Departments</b>	<b>663,497</b>	<b>92,211</b>	<b>755,708</b>	<b>13.9%</b>	<b>809,386</b>	<b>7.1%</b>	<b>864,331</b>	<b>6.8%</b>
Hamilton Police Service	193,596	8,657	202,253	4.5%	207,963	2.8%	215,261	3.5%
Other Boards & Agencies	50,963	1,307	52,271	2.6%	53,660	2.7%	55,000	2.5%
City Enrichment Fund	6,575	617	7,193	9.4%	7,810	8.6%	8,427	7.9%
<b>Boards &amp; Agencies</b>	<b>251,135</b>	<b>10,582</b>	<b>261,716</b>	<b>4.2%</b>	<b>269,433</b>	<b>2.9%</b>	<b>278,688</b>	<b>3.4%</b>
Capital Financing	154,977	63,604	218,581	41.0%	232,224	6.2%	244,342	5.2%
<b>Total Net for Levy</b>	<b>1,069,608</b>	<b>166,397</b>	<b>1,236,005</b>	<b>15.6%</b>	<b>1,311,042</b>	<b>6.1%</b>	<b>1,387,361</b>	<b>5.8%</b>

AVERAGE RESIDENTIAL TAX IMPACT	2024	2025	2026
Municipal Net Levy Tax Impact	13.7%	5.4%	5.2%
Hamilton Hospital Redevelopment Tax Impact	1.0%	0.0%	0.0%
Assessment Growth	-1.0%	-1.0%	-1.0%
Re-Assessment	0.0%	1.2%	1.2%
Tax Policy	0.5%	0.5%	0.5%
Education	0.0%	0.0%	0.0%
<b>Average Residential Tax Impact</b>	<b>14.2%</b>	<b>6.1%</b>	<b>5.9%</b>

Increases to the net levy are required in order to maintain municipal services, advance strategic priorities that have been identified by Council, provide for requirements of outside boards and agencies and the local school boards, as well as, finance capital infrastructure. As outlined in Table 2, approximately one third of the projected increase for 2024, \$48.5 M or 4.5%, is related to maintaining existing municipal services. The 4.8% maintenance increase is relatively higher than past years (3.7% in the 2023 Tax Supported Operating Budget) as a result of the extraordinary inflationary pressures facing the City including collective bargaining, waste and recycling collection contracts, insurance and provincially legislated benchmark funding for housing providers.

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**TABLE 2**

CITY OF HAMILTON UPDATED PRELIMINARY 2024 TAX SUPPORTED BUDGET OUTLOOK (\$000's)								
	2023	2024 Outlook			Change			
	Council Approved	Maintenance	Strategic Priorities	Preliminary	Maintenance vs. Council Approved		Preliminary vs. Council Approved	
City Departments	663,497	705,059	50,649	755,708	41,563	6.3%	92,211	13.9%
Boards & Agencies	251,135	261,099	617	261,716	9,965	4.0%	10,582	4.2%
Capital Financing	154,977	154,977	63,604	218,581	0	0.0%	63,604	41.0%
<b>Net Levy</b>	<b>1,069,608</b>	<b>1,121,136</b>	<b>114,870</b>	<b>1,236,005</b>	<b>51,527</b>	<b>4.8%</b>	<b>166,397</b>	<b>15.6%</b>
Municipal Net Levy Tax Impact						4.2%		13.7%
Hamilton Hospital Redevelopment Tax Impact						0.0%		1.0%
Assessment Growth						(1.0%)		(1.0%)
Impact of Levy Restrictions / Re-assessment						0.0%		0.0%
Tax Policy						0.5%		0.5%
Education Impact						0.0%		0.0%
<b>Total Average Residential Tax Impact</b>						<b>3.7%</b>		<b>14.2%</b>

Several strategic priorities will be coming before Council for consideration in the 2024 budget process that will enhance the current services provided by the City. Strategic investments referred to the budget process currently total \$114.9 M, or a 10.8% net levy increase for 2024. When combined with the cost of maintaining existing levels of service, the total net levy requirement would be \$166.4 M, or 15.6%.

Other factors impacting the total average residential tax rate include the City’s rate of growth, levy restrictions for protected property classes, education rate for the district school boards and the Hamilton Hospital Redevelopment Levy. Inclusive of the assumptions for these items, the total average residential tax impact would be 14.2% for 2024, inclusive of all Business Cases and Council Referred Items yet to be deliberated by Council.

On August 16, 2023, the Province extended the current assessment cycle through to the end of the 2024 taxation year. For 2024, property assessments will remain the same as they were for the 2023 tax year based on the assessment valuation date of January 1, 2016. The Province also announced that the new valuation date for the 2025 taxation year will be January 1, 2023. Any reassessment impacts on the residential tax rate will be based on the new valuation starting in 2025. The provincial government has committed to conducting a review of the property assessment and taxation system that will focus on fairness, affordability and business competitiveness.

Staff is forecasting net levy pressures of \$166.4 M (15.6%), \$75.0 M (6.1%) and \$76.3 M (5.8%) for the years 2024 through 2026, respectively, in order to maintain existing services, provide for legislated requirements and fund strategic investments for Council’s consideration in adopting the 2024 budget and multi-year outlook that support the City’s Strategic Plan and Council Priorities. Table 3 shows the incremental changes since the preparation of the 2024 – 2026 outlook provided during the 2023 budget process, by key theme.

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**TABLE 3**

CITY OF HAMILTON UPDATED TAX SUPPORTED 2024-2026 MULTI-YEAR OUTLOOK (\$000's)							
Additions by Key Theme	2023 Net Levy	2024 Outlook	% Increase	2025 Outlook	% Increase	2026 Outlook	% Increase
Preliminary Outlook (as per Budget Book)		1,124,866	5.2%	1,284,735	4.1%	1,362,170	4.0%
Additions:							
Employee Related Costs		13,015	1.2%	6,100	0.5%	6,100	0.4%
Affordable Housing and Homelessness		33,401	3.1%	16,273	1.2%	15,433	1.1%
Investments in Emergency Response Services		5,499	0.5%	3,317	0.3%	3,041	0.2%
Capital Financing		11,189	1.0%		0.0%		0.0%
-Asset Management				-		-	
-Development Charge - Bill 23		20,830		-	0.0%	-	0.0%
-Development Charge - Underfunded		19,760	1.8%	-	0.0%	-	0.0%
Annualization of 2023 BC and Council Referred		3,336	0.3%	-	0.0%	-	0.0%
Other Investments		4,109	0.4%	617	0.0%	617	0.0%
<b>Revised Net Levy</b>	<b>1,069,608</b>	<b>1,236,005</b>	<b>15.6%</b>	<b>1,311,042</b>	<b>6.1%</b>	<b>1,387,361</b>	<b>5.8%</b>

The following pressures and opportunities outline key themes in the development of the updated multi-year outlook.

**A. Affordable Housing and Homelessness** – Significant investments in the multi-year outlook and capital forecast have been endorsed by City Council over the past several years to combat homelessness and address ongoing concerns of housing affordability. Through the 2023 budget process, there were many additional investments approved by Council in order to keep up with demand for service, as well as, the continued implementation of several previously approved programs.

Ending Chronic Homelessness – Information Report HSC23021 was provided to Council in March 2023. The report provided an update on the current state of homelessness in Hamilton, including needs, trends and existing interventions, as well as, information on what it would take to end homelessness in Hamilton rather than manage it. It outlines a proactive approach and a comprehensive set of investments for Council to consider in 2024 and future years to address gaps and opportunities for expanding the reach and impact of the homeless-serving sector. The approach builds from the Homelessness and Housing Action Plan and the work on the Housing Sustainability and Investment Roadmap (HSIR). For 2024, a combined pressure of \$2.5 M has been included in the budget to account for Council approved interventions with a projected amount of \$5.8 M included in the 2026 forecast.

Housing Sustainability and Investment Roadmap (HSIR) – On April 21, 2023, the General Issues Committee (GIC) took an important step in continuing to put the housing needs of Hamiltonian’s first. The adoption of the Housing Sustainability and Investment Roadmap will help to deliver the best possible outcomes for affordable housing in Hamilton by focusing on actions designed to strengthen Hamilton’s affordable housing system across four pillars: new construction of affordable housing, maintaining and preservation of existing units, acquisition and the provision of housing-based supports. Staff will continue to monitor the impact of the HSIR on the 2024 – 2027 budget period.

Addressing Needs of Unsheltered Individuals (Report HSC23041) – Hamilton’s shelter system has consistently been at or over-capacity since before the COVID-19 pandemic. This issue has worsened as a result of a severe lack of affordable housing, lingering bottlenecks from the COVID-19 pandemic and long lengths of stay in the shelter system. Emergency shelters currently absorb the greatest proportion of investment within Hamilton’s homeless-serving sector and are intended to provide temporary, emergency accommodation. The shelter system in Hamilton is part of an integrated homeless-serving system that has many components and investments. The homeless-serving system needs to be ‘right-sized’ to prioritize limited resources where they will have the most impact in addressing community need.

Through Report HSC23041, City Council approved, in principle, a multi-year commitment of \$31 M towards the creation of 200 units of supportive housing in order to maximize opportunities for affordable housing providers to leverage provincial and federal funding. This has been reflected in the 2024 to 2026 multi-year outlook as a \$10.33 M levy per year over three years, resulting in an estimated 0.9% residential tax impact in 2024.

Capital Rehabilitation Funding for Service Providers – At the expiry of mortgage operating agreements, the City has a legal obligation to provide funding to the provincial reformed, non-profit providers to maintain service level standards and ensure long-term viability. To account for this obligation, \$5.7 M in 2024, \$5.1 M in 2025, and \$5.1 M in 2026 has been incorporated into the multi-year outlook.

Rapid Housing Initiative – On August 11, 2022, Report HSC22047 was presented to the Emergency and Community Services Committee and further approved by Council. The report was further amended and approved by Council on December 7, 2022 due to a delay in capital renovations causing the original dates, as stipulated by Council, to be unable to be met. Staff is recommending the inclusion of funding to provide low barrier housing supports at 35 Arkledun Avenue for approximately 73 women, transgender and nonbinary community members experiencing homelessness, in the maximum amount of \$3.6 M in the 2024 budget. The financing strategy of ancillary program support costs was referred to the 2024 tax supported operating budget process.

Tenant Support Program – This comprehensive program will be focused on supporting tenants in Hamilton to understand their rights and provide supports for them to exercise their rights. A \$900 K impact has been incorporated into the 2024 outlook.

- B. Climate Change** – City Council declared a climate change emergency in March 2019, at that time, joining 435 municipalities world-wide. Since then, the total number of municipalities has reached more than 800 cities around the world, as well as, the Government of Canada, all acknowledging the scale of the climate crisis and the need for accelerated action.

To support the Corporate Climate Change Task Force and Hamilton’s Climate Change Action Strategy, City Council established a Climate Change Reserve and Policy with



initial funding of \$1.5 M in the disposition of the 2020 tax operating budget surplus. A 0.25% special levy (\$2.5 M) was included in the 2023 Tax Supported Capital Budget which would be contributed towards the Climate Change Reserve and used to support implementation items coming out of the Climate Change Action Strategy. Additionally, City Council approved the establishment of a Climate Change Office in 2022 within the Planning and Economic Development Department through Report CM22016 / PED22058(a) / HSC22030(a). During the 2023 budget process, Council approved two additional FTEs (\$152 K) for project managers for the Climate Change Office and additional support for the Bay Area Climate Change office of \$160 K. The annualized impact of these positions has been included in the 2024 outlook.

June 28, 2023, Report FCS22043(b) – Stormwater Funding Review was presented to GIC and further ratified by Council. One of the recommendations that was approved was that property tax levy funding related to stormwater expenditures that are to be funded by the new stormwater rate structure and to be transferred to the Climate Change Reserve and applied to climate change / environmental initiatives in conjunction with the introduction of the Stormwater Rate Structure.

- C. Transportation** – The annualization of year seven and implementation of year eight of the Ten-Year Local Transit Strategy has been incorporated into the 2024 Tax Supported Operating Budget as approved through Report PW14015(a). For 2024, a net levy pressure of \$3.4 M is anticipated to support the continuation of the Ten-Year Local Transit Strategy.

Additionally, through Report PW22048, Core Asset Management Plan, Council approved Asset Management Plans for transportation and waterworks assets in accordance with the provincial regulations introduced through Ontario Regulation 588/17. An annual funding gap of \$94.7 M for Transportation assets was identified based on renewal needs and planned operations and maintenance. A \$101.1 M annual funding gap was identified for rate supported programs.

During 2023 budget deliberations, City Council approved the 2024-2032 Capital Financing Plan, in principle, which had included a tax levy increase to primarily address deficiencies in state-of-good-repair within the road network.

Even with planned increases to the Capital Levy included in the Capital Financing Plan, there will be a significant funding gap for the renewal of assets within the road network and engineered structures portfolios of approximately \$900 M over the 10-year capital plan. The Capital Financing Plan has been updated to reflect a phase-in approach to increase the annual funding amounts for those assets over the 10-year planning period beginning in 2024. This results in an additional \$6.2 M, or 0.6%, to the 0.5% annual increase that had previously been included in the Capital Financing Plan for a total Capital Levy increase of 1.1% in years 2024 through 2033 to address the annual funding gap.

**D. Development Charge Exemptions** –The City has historically budgeted insufficient funding to cover the discretionary DC exemptions that are provided by Council through the City’s DC By-law. On June 14, 2023, Report FCS23064, Development Charges Exemptions Sustainable Funding Strategy, was presented to Council. In the report, a \$40.59 M (3.69%) Property Tax Levy increase was referred to the 2024 Tax Capital budget process. In addition, a \$27.28 M (9.75%) impact was referred to the 2024 Rate Budget process. Both increases were added to the 2024 tax operating and rate levies, respectively. Report FCS23064 also recommends the establishment of a DC Exemption Reserve and accompanying Policy which is a change from the City’s past practice related to financing of DC Exemptions.

**E. Employee Relations** – The City launched a recruitment and retention strategy to help it become more competitive in an increasingly difficult fight for talent. In August 2022, Human Resources engaged the consulting services of Optimus SBR for a comprehensive review of the organization to better understand the City’s ability to attract and retain top talent. The review concluded that the City had a weakened competitive position as an employer compared to other municipalities. As a result, Optimus SBR provided high-level recommendations informed by market research, an environmental scan of comparable municipalities and best practices in recruitment and retention.

On January 18, 2023, Report HUR23002, the Human Resources Recruitment and Retention Strategy, was presented to GIC. One of the approved amendments was to the Total Compensation Policy. In order to adjust the current market comparators and maintain the targeted 50th percentile for non-union compensation, an adjustment to reflect a July 1, 2023 effective date for the Recruitment and Retention Strategy was incorporated into the 2023 budget. An impact of \$2.7 M has been incorporated into the 2024 budget to reflect the annualized impact of the salary adjustment.

Additionally, the City reached a tentative agreement with Local 5167 of the Canadian Union of Public Employees (CUPE) over a four-year contract. Assumptions based on the tentative agreement have been reflected in the preliminary outlook.

**F. Investments in Emergency Response Services and Public Health - Hamilton Paramedic Service Master Plan** – City Council adopted the Hamilton Paramedic Service Master Plan on May 26, 2022 through Report HSC22012. This plan provides direction for the service over the next 10 years through technology advancements, innovation, resource allocation and optimization of operations. The plan identifies 29 objectives with corresponding actions to address current and future needs to ensure optimal service delivery under three scenarios. This investment in the Paramedic Service Master Plan represents approximately \$2.4 M for 2024, \$2.0 M for 2025 and \$1.7 M for 2026. **Hamilton Fire Department Service Delivery Plan** – Through Report HSC19026, City Council endorsed the Hamilton Fire Department 10-Year Service Delivery Plan, which includes additional costs for volunteer staffing and equipment, as well as, outfitting and staffing for Waterdown Station.

**Boards and Agencies**

Based on multi-year budgets submitted by the Hamilton Public Library and Hamilton Police Service, as well as, historical trends for all other Boards and Agencies, staff has projected a net levy requirement of \$10.4 M, or 4.1%, for Boards and Agencies in 2024 as illustrated in Table 4.

**TABLE 4**

<b>CITY OF HAMILTON</b>							
<b>UPDATED PRELIMINARY 2024 OUTLOOK FOR BOARDS &amp; AGENCIES</b>							
<b>Board/Agency</b>	<b>2023</b>		<b>2024</b>		<b>Change</b>		
	<b>Council Approved</b>		<b>Outlook</b>		<b>\$</b>	<b>%</b>	
Conservation Authorities	\$	8,929,910	\$	9,110,231	\$	180,321	2.0%
MPAC	\$	6,833,220	\$	6,975,609	\$	142,389	2.1%
Hamilton Beach Rescue Unit	\$	143,050	\$	145,910	\$	2,860	2.0%
Hamilton Farmers' Market	\$	242,280	\$	266,730	\$	24,450	10.1%
Royal Botanical Gardens	\$	660,350	\$	673,826	\$	13,476	2.0%
Hamilton Police Services	\$	193,596,010	\$	202,253,198	\$	8,657,188	4.5%
Hamilton Public Library	\$	34,154,270	\$	35,098,248	\$	943,978	2.8%
City Enrichment Fund	\$	6,575,410	\$	7,192,614	\$	617,204	9.4%
<b>Net Levy Requirement</b>							
<b>inclusive of Capital Financing</b>	<b>\$</b>	<b>251,134,500</b>	<b>\$</b>	<b>261,716,366</b>	<b>\$</b>	<b>10,581,866</b>	<b>4.2%</b>

**Capital Financing**

The multi-year outlook for Capital Financing includes a tax levy increase of \$11.5 M (1.1%) in 2024 for discretionary block funding related to state-of-good-repair asset replacement. This is the first year of a ten-year phase-in strategy to address the annual funding gap identified in the Transportation Asset Management Plan of \$94.7 M. Additional increases for debt servicing requirements for the municipal share of the Investing in Canada Infrastructure – Public Transit Stream (ICIP) have also been reflected into the 2024 Capital Financing Plan.

The City has historically budgeted insufficient funding to cover the discretionary DC exemptions that are provided by Council through the City’s DC By-law. On June 14, 2023, a Report FCS23064, Development Charges Exemptions Sustainable Funding Strategy, was presented to Council (FCS23064). In the report, a \$40.59 M (3.69%) Property Tax Levy increase was referred to the 2024 Tax Capital budget process. This has been incorporated into the 2024 Capital Financing Plan.

Table 5 provides the forecasted net levy pressures related to the financing of the Tax Capital Budget from 2024 to 2026.

**TABLE 5**

CITY OF HAMILTON UPDATED PRELIMINARY 2024-2026 OUTLOOK FOR CAPITAL FINANCING						
Capital Financing	2024		2025		2026	
	(\$)	(%)	(\$)	(%)	(\$)	(%)
Asset Management	\$ 11,480,000	7.4%	\$ 11,480,000	5.3%	\$ 11,480,000	4.9%
ICIP - Transit	\$ 11,534,000	7.4%	\$ -	0.0%	\$ -	0.0%
Development Charge Exemptions	\$ 40,590,000	26.2%	\$ -	0.0%	\$ -	0.0%
West Harbour Development	\$ -	0.0%	\$ 2,463,000	1.1%	\$ 351,000	0.2%
Waste Management	\$ -	0.0%	\$ -	0.0%	\$ 503,000	0.3%
Library	\$ -	0.0%	\$ -	0.0%	\$ 586,000	0.4%
<b>Net Levy Requirement</b>	<b>\$ 63,604,000</b>	<b>41.0%</b>	<b>\$ 13,943,000</b>	<b>6.4%</b>	<b>\$ 12,920,000</b>	<b>5.6%</b>

**2024 – 2027 Preliminary Rate Supported Budget**

The 2023 Rate Supported Budget approved by Council in November 2022, resulted in a combined rate increase of 6.49%. The budget also included a “10% over 10-years” financing plan that was approved, in principle, for 2024 to 2033 to address the infrastructure requirements identified in the Waterworks Asset Management Plan, Flooding and Drainage Improvement Framework and upgrades required to the wastewater treatment plants in the context of Climate Change. The Rate Supported Budget reflects Council's ongoing commitment and dedication to implement a sustainable financing plan while bridging the divide between the funding shortfalls for infrastructure with affordable rates.

On June 14, 2023, Report FCS23064, Development Charges Exemptions Sustainable Funding Strategy, was presented to Council. In the report, a \$27.28 M impact or 9.75% increase was referred to the 2024 Rate Budget process representing both the statutory DC exemptions funding needed to support the impacts from Provincial Bill 23 and the historical funding shortfall of discretionary DC exemptions. These investments are in support of the Federal and Provincial priorities to build attainable and affordable housing. This amount has been added to the 10.04% increase that was approved, in principle, for 2024 to illustrate the current projection of 19.79% illustrated in Table 6.

**TABLE 6**

RATE FINANCING PLAN (\$000's)	CURRENT YEAR				MULTI-YEAR		
	2023 Council Approved	2024 Approved in Principle	2024 Preliminary	2024 Preliminary vs. Approved in Principle	2025	2026	2027
Ave. Total Rate Increase	6.49%	10.04%	19.79%	9.75%	9.95%	10.04%	10.06%
<b>Total Revenues Available</b>	<b>272,447</b>	<b>298,647</b>	<b>325,932</b>	<b>27,285</b>	<b>358,160</b>	<b>393,595</b>	<b>432,297</b>
Debt Charges	21,581	31,687	31,687	-	43,967	51,688	53,832
DC Exemptions	9,000	9,000	36,285	(27,285)	39,006	41,932	45,077
Operating Expenditures	108,512	113,066	113,066	-	117,588	122,292	127,183
<b>Total Operating</b>	<b>139,093</b>	<b>153,753</b>	<b>181,038</b>	<b>(27,285)</b>	<b>200,562</b>	<b>215,912</b>	<b>226,092</b>
<b>Net Capital Budget Submission</b>	<b>148,246</b>	<b>235,080</b>	<b>235,080</b>	<b>-</b>	<b>237,447</b>	<b>186,038</b>	<b>239,213</b>
New Debt	14,892	90,186	90,186	-	79,848	8,355	33,009
Contributions to Capital	133,354	144,894	144,894	-	157,599	177,683	206,204
<b>Capital Financing Available</b>	<b>148,246</b>	<b>235,080</b>	<b>235,080</b>	<b>-</b>	<b>237,447</b>	<b>186,038</b>	<b>239,213</b>
<b>Suplus (Deficit)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1)</b>	<b>0</b>	<b>1</b>

During 2021 budget deliberations, City Council directed staff to perform a comprehensive evaluation of all City stormwater programs to identify existing gaps, immediate needs, risks to the City, including risks from climate change and extreme weather, outline the levels of service that the City should strive to achieve, quantify funding requirements along with options for long-term maintenance, second cycle replacements and financing alternatives. A summary of this work was provided through Report FCS22043, which detailed a proposed timeline of July 2022 through to January 2026 for the completion of the three phases outlined in the report: discovery, detailed analysis and implementation. A recent update was provided through Report FCS22043(b) to Council on June 28, 2023. Through this update, a recommended stormwater rate structure was presented and approved for incorporation into the 2025 – 2034 Rate Supported Budget.

The City continues to face upward pressure on water rates to maintain infrastructure in a state-of-good-repair and sustain service delivery. In response, Hamilton Water is undertaking a review of the Water, Wastewater and Stormwater budget process to better understand long-term sustainability and provide greater transparency to customers and Council. The scope of work includes a review of the prioritization process and risk portfolio for decision making, impacts of corporate strategic priorities and sustainable infrastructure investment needs to maintain the desired level of service.

The Waterworks Master Plan identified an annual funding shortfall of \$101.1 M towards capital renewal needs. Through the 2023 budget, staff had incorporated additional debt financing and rate increases of approximately 10% from 2024 – 2032 in order to address the deficiency in capital financing. Staff will continue to review and revise the Rate Financing Plan throughout the 2024 budget process.

On May 31, 2023, Report FCS23045 was presented to GIC to outline existing customer assistance programs currently available to Hamilton water, wastewater and storm ratepayers and to explain how the current Rate supported utilities arrears funding is being utilized. On an ongoing basis, staff assesses ratepayers' ability to pay current water and wastewater / storm billings. Report FCS23045 directed staff to report back to the Audit, Finance and Administration Committee regarding the development of a water / wastewater rebate program for low income persons that, if approved, would be included in the 2024 Rate Supported Budget.

## **APPENDICES AND SCHEDULES ATTACHED**

N/A