

2025 Tax Budget

The City is responsible for delivering services and maintaining infrastructure that residents use every day. The funding received from property taxes, user fees and other revenue sources ensures that the City can deliver the services that matter to residents and businesses, while planning for the future, and responding to unforeseen events.

Municipalities are facing increasingly complex challenges, such as, tackling homelessness and climate change. Barring a more progressive Provincial-Municipal fiscal framework, these challenges combined with frequent legislative changes impact the City’s ability to deliver services and invest in infrastructure, in an affordable way. The 2025 Tax Budget addresses these challenges while taking into consideration affordability for taxpayers and citizens.

Municipal governments face a balancing act in maintaining and expanding services in a way that is fiscally sustainable. The need for funding, including added property tax funding, may come from the requirement to maintain and replace aging infrastructure, as well as, from the need to service growth areas. In alignment with the Mayoral Directive to Staff (MDI-2024-03), the 2025 Tax Budget balances the need for continuity of services, investment to support growth in our community, as well as, increased investments in priority areas, including the homelessness crisis.

Through the 2024 Budgets, multi-year financing strategies were approved to respond to a variety of issues, in response to the economic conditions and addressing tax competitiveness and affordability concerns.

Through the consideration of the 2024 Tax Supported Budget and Financing Plan (FCS24002), staff had forecast a residential tax impact of 8.2% for 2025. In the Fall of 2024 Council was presented a 2025 Tax Budget Outlook reflecting a series of factors contributing to a revised forecast of 6.9%. The 2025 Tax Budget reveals further amendments that continues to provide for Council priorities. The reconciliation of the 2024 Tax Supported Budget and Financing Plan forecast, the 2025 Tax Budget Outlook and the Propose 2025 Tax Budget are summarized in Table 1 below:

TABLE 1: 2025 Proposed Budget Reconciliation

2024 Budget Book Forecast for 2025	8.2%
Reductions	
Change in Assessment Growth	(0.4%)
Deferred Reassessment	(1.2%)
Departmental Savings	(0.8%)
Subtotal	5.8%
In-Year Council Referred Items	
Reducing Homelessness and Managing Encampments	0.3%
911 Call Centre at Waterdown Station	0.2%
Main St. Conversion	0.2%
Paramedics Central Reporting Station	0.2%
Macassa Lodge B-Wing	0.2%
Other	0.1%
2025 Outlook Forecast	6.9%
Additions	
City Department Changes	1.6%
Hamilton Police Services - Adjustment to Board Report	0.5%
Hamilton Police Services - 911 Chargeback	0.4%
Subtotal	9.4%
Reductions	
Capital Financing	(0.9%)
Business Cases and Council Referred Items	(0.8%)
Contingency Reduction/Non Program Revenue	(0.6%)
Operating Impacts of Capital Reductions	(0.5%)
Gapping Savings - Cyber Resiliency and Build Back	
Better Portfolio Office	(0.3%)
2025 Proposed Residential Increase	6.3%

The major factors in arriving at the proposed net for levy increase of \$95.8 M (tax impact of 6.3%) in comparison to the initial outlook (8.2%) are as follows:

- Reduction of 0.50% in the proposed Capital Financing Levy from 3.19% to 2.55% with the implementation of three key strategies:
 - Year Two of the Four-Year phase-in strategy for the funding of development charge exemptions by leveraging City discretionary reserves.
 - Updated cash flow forecast for some major capital projects and use of the Canada Community Building Fund for the Transit Maintenance and Storage Facility.
 - Leveraging of discretionary reserves to fund Cyber Resiliency and Cyber Impact investments.
- Review of Operating Impacts of Capital for potential reductions as a result of deferral / delays of capital projects (0.5% residential tax impact reduction).

- Review and reprioritization of departmental budgets including business cases (0.4% residential tax impact reduction).
- Removal of the estimated impact from Province-wide reassessment in 2025 as the reassessment continues to be paused, reducing the anticipated residential tax impact by 1.2%.
Updated assessment growth estimate from 1.0% to 1.6%, which reduces the anticipated residential tax impact by 0.6%.

The 2025 Tax Budget, as presented, represents an estimated residential property tax increase of 6.3%. The City’s principal source of revenue is property taxes and these revenues support over 70 distinct City services, including provincially shared programs, such as, social services, social housing, public health, police services, as well as, the local school boards through the education rate.

Key challenges and priority investment areas in the 2025 Tax Budget include:

- A. Advancing Strategic Priorities:
 - i. Housing
 - ii. Climate Change
- B. Building Back Better and Stronger
- C. Public Health and Safety
- D. Responding to Provincial Legislative Changes
- E. Infrastructure

A. Advancing Strategic Priorities

Housing Sustainability and Investment Roadmap

The City of Hamilton has made considerable progress in tackling housing challenges. The City’s Housing Sustainability and Investment Roadmap delivered key achievements in year two, underscoring the collective efforts to create, preserve, and support affordable housing across the City. The 2025 Tax Budget includes the continuation of sizable local investments towards affordable housing, the shelter system, homelessness, while calling on other levels of government to similarly increase funding towards this crisis that cannot be financially sustained at the local level. The investments in this area reflect the City’s commitment to affordable housing for all.

Ontario is in a housing crisis and municipalities are doing everything in their power to increase housing supply and affordability and work towards the Province’s ambitious target of building 1.5 M homes over 10 years. The City is working diligently within the limited revenue tools to advance housing development more quickly and efficiently while ensuring these projects align with sustainability and environmental goals, as well as, changing Provincial legislation.

Over the past year, the City has made significant strides in the area of housing and homelessness, some of the key initiatives representing new investments in 2024 include:

- **Advocacy Efforts:** The City continues to implement a comprehensive government relations action plan and engagement strategies to strengthen partnerships at all levels of government.
- **Affordable Home Ownership:** Habitat for Humanity completed two new affordable townhomes in June 2024.
- **Affordable Housing Development Project Stream:** Since launching in January 2024, the program has held three intake rounds, received 42 eligible applications, representing more than 2,500 potential units. Municipal contributions have been approved for 885 new affordable units.
- **Rental Housing Protection Program:** In 2024, City Council enacted several by-laws, including *the Renovation Licence and Relocation By-law, Safe Apartment Buildings By-law and Rental Housing Licensing Pilot*, to protect tenants and preserve affordable housing options.
- **CityHousing Hamilton (CHH) Renovations:** Repairs are 90% complete for 476 rent-geared-to-income units slated for repair in 2024 (430 of 476 units), helping to ensure safe and affordable housing options for low-income households. CHH is on track to finish renovations in all units by the end of 2024.
- **Finance and Acquisition Action Plan:** This proposed new two-year pilot program provides \$5 M in capital funding to help non-profits acquire private rental properties at risk of steep rent increases, supporting up to 100 affordable units and helping to ensure long-term housing stability.
- **Housing Accelerator Fund (HAF):** With a \$93.5 M investment from the Federal government, the HAF aims to support the creation of 2,675 housing units over the next three years. The City launched the application process in May 2024, receiving considerable interest from a wide range of stakeholders across the housing spectrum, including developers, nonprofit organizations and local homeowners.
- **Housing Needs Assessment:** A part of the Housing Accelerator Fund program, this City-wide assessment analyzes current housing needs that will shape future strategies to address urgent requirements, such as, additional rental housing, supportive housing and rehabilitation of aging properties.
- **Indigenous Relations:** Governance structures have expanded to include Indigenous providers and stakeholders in the whole of Hamilton approach, aligning efforts to the City’s Urban Indigenous Strategy.
- **Shelter Expansion:** Council approved an additional 192 temporary shelter beds, with all of them planned to be in January 2025. Work is also underway to operationalize 80 temporary outdoor shelter spaces.

The City of Hamilton Housing and Homelessness gross budget has increased considerably over the past number of years, leveraging increased local taxpayer funding, leveraging reserve funding that will be sunset within this multi-year forecast, requiring offsetting funding from other levels of government to sustain current service

levels. The 2025 Tax Budget, in alignment with the Mayoral Directive, reflects \$14.7 M in funding from other levels of government for housing and the shelter system. The federal Reaching Home funding allocation for the City will increase by \$1.14 M, to \$10.7 M in 2024-25 and 2025-26. The City has demonstrated a strong financial commitment over the past number of years reflecting the City’s response to the crisis. The City’s share of housing and homelessness costs relative to funding from senior levels of government, as well as, the proportion of the City’s budget that is invested in Housing and Homelessness initiatives has grown significantly.

In 2023, the Province of Ontario recognized the City of Hamilton for exceeding the 2023 provincial housing target, with 120 per cent of the target achieved in 2023. As a result, the City received \$17.6 M in funding through the Province’s Building Faster Fund.

As part of a long-term strategy to facilitate the construction of 1.5 million Homes over the next 10 years the Province developed the More Homes Built Faster Act, 2022 (Bill 23), which assigned the City a housing target of 47,000 additional dwellings which is also known as the Housing Pledge. In the Fall of 2024, the Government of Ontario revised its housing starts projections, reflecting a lower number of housing starts for 2024, 2025, 2026 and 2027, relative to previous projections. Notwithstanding the City’s efforts to advance housing development more quickly and efficiently, the City is not projecting to meet the 2024 housing target, therefore Tax Budget 2025 does not assume the funding received in 2023 which was critical in achieving the City’s 2024 approved budget.

With the support of the Federal Government through the Housing Accelerator Fund investment, the City of Hamilton has set a target of increasing its historical average of newly constructed residential units by 2,675 net new units over the 3-year period, 2024-26. To date, the City has received \$46.8 M in funding, (\$23.4 M for both of Year 1 and 2 for a total received of \$46.8M). . The dampening of housing starts, as reflected in the Province of Ontario’s projections for the next few years, will likely impact the City’s ability of meeting its target, thereby impacting the final year of funding, representing approximately \$23.4 M in investments towards, affordable housing, growth and infrastructure and program delivery.

Climate Action Strategy

Hamilton’s Climate Action Strategy consists of two integrated and complimentary plans for climate mitigation and climate adaptation: ReCharge Hamilton – Our Community Energy and Emissions Plan and The Climate Change Impact Adaptation Plan. Progress on the actions within the strategy is reported annually to Council, most recently in October 2024 through Report PED24166. Some highlights of the initiatives included are listed below:

- Hamilton Regional Decarbonization Hub. Efforts continue to secure funding to launch the Hub. In the meantime, a priority indicator associated with this Action calls

for tracking large industrial greenhouse gas emitters who must report their emissions to the federal Greenhouse Gas Reporting Program.

- Green Building Standards are being created to guide new private development in a manner that considers principles of environmental, social and economic sustainability. Features proposed in Hamilton’s Green Building Standards include energy efficiency, on-site greening, electric vehicle charging infrastructure, bike parking and bird friendly building design.
- In January 2024, Council approved the Proposed Accelerated Active Transportation Implementation Plan (2024-2029) for the completion of additional active transportation projects over the next five years including 140 km of new and upgraded cycling, pedestrian and multi-use trail projects.
- The City will be tendering a 250 kW solar energy project for the Harry Howell Arena, and is developing a technical and financial business case for incorporating solar power on the roof of the new transit storage facility, which would bring an estimated 2 MW in power generation capacity.
- Low Impact Development guidelines were developed in 2023 and were approved by City Council in the Fall of 2024.

B. Building Back Better and Stronger

On Sunday, February 25, 2024, the City of Hamilton experienced a cybersecurity incident that resulted in the disabling of most of the City’s Information Technology Systems and Infrastructure.

As the City continues to bring back applications, there is a unique opportunity to build back its infrastructure stronger and better.

Efforts include a focus on the customer and employee experience, utilizing enterprise solutions, finding efficiencies and increasing resilience to protect against future cybersecurity incidents. City staff, with the support of external subject matter experts at Deloitte Inc., have worked to provide a clear understanding of the financial and operational impact of the cybersecurity incident.

The 2025 Tax Budget includes provisions to accommodate the investments required to support this work. The details of the Cyber Resiliency and Cyber Impact investments are included in separate reports to the General Issues Committee (see CM24004(a) and CM24006).

C. Public Health and Safety

Public Health and Safety is a priority. To that end, Council has adopted a series of plans to address current and future needs. The Hamilton Paramedic Service Master 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. The 2025 Tax Budget includes the financing plan to support the \$82.5 M gross investment for a new Paramedic Central Reporting Station. City Council endorsed the Hamilton Fire Department 10-Year Service Delivery Plan, which includes additional investments for volunteer staffing and equipment, as well as, outfitting and staffing for Waterdown Station.

D. Responding to Provincial Legislative Changes

More and more, municipal governments are being asked to take on new responsibilities as the level of government closest to the people.

In 2024, Council approved a multi-year financing strategy to address the legislative changes (Bill 23) relating to development charges. Post approval of the 2024 budget, the Province of Ontario approved legislation (Bill 185) reversing some previous requirements surrounding enhanced development charge discounts. The changes have been reflected in the 2025 Tax Budget and financing plan. While these changes did have a positive financial impact on the 2025 Tax Budget versus pre-Bill 185 forecasts, it is important to note that the funding of mandatory Development Charges exemptions remains a significant budget pressure for the City.

E. Infrastructure

The 2025 Tax Budget includes \$641.8 M in gross capital investment to maintain existing infrastructure, as well as, to improve and build new facilities, including improvements to Macassa Lodge, development of a Paramedic Central Hub, transportation network construction, parks, greenspaces, new buses to support transit expansion and climate change goals. This includes projects to repair and refurbish existing transportation network, recreation, library and cultural facilities and amenities. The 2025 Tax Budget incorporates a 1.14% levy increase in support of a multi-year financing strategy to address the City’s core and non-core annual infrastructure gaps of \$196 M and \$187 M, respectively.

About 37% or \$239.0 M of the 2025 Tax Capital Budget is for projects to help support growth, including a new Paramedic Central hub, Next Generation 9-1-1, transportation network construction, parks, green spaces and Transit Maintenance and Storage Facility.

Municipalities own and maintain more than 60% of Canada’s core public infrastructure. Over several decades, competing priorities led to cuts in government spending on public infrastructure, as well as, changes in funding for municipalities from other orders of government. The City is embarking on a multi-year infrastructure financing strategy to address aging infrastructure, which are tied to the City’s asset management plans. Asset management plans will help to identify critical repairs to infrastructure and the

allocation of scarce financial resources. Provincial and federal governments must also collaborate with municipal governments to help fund these projects.

The 2025 Tax Budget allocates approximately 57% of the 2025 Tax Capital Budget or \$364.1 M to maintaining existing infrastructure in a good state of repair.

Key Capital Projects

The 2025 Tax Budget gross capital investments of \$641.8 M includes:

- Approximately \$98.3 M that will, in part, facilitate the rehabilitation and replacement of transportation network assets, such as, roads, inspection and rehabilitation of bridges and other structures and the modernization of traffic signals across the City, including an investment of \$1.64 M to support the advancement of Vision Zero priorities.
- Year 9 of the 10-Year Local Transit Strategy will see an investment of 53,000 service hours to improve service and a total capital investment of \$106.4 M which will be used to facilitate the completion of the Birch Street Operations, Maintenance and Storage Facility and the purchase of 15 new buses to expand transit service in Hamilton.
- \$82.5 M for a central reporting station that aligns with the Paramedic Service’s 10-year Master Plan.
- \$33.0 M for strategic acquisition of parkland throughout the City as identified in the Parks Master Plan.
- \$30.4 M for projects and strategies to help rebuild a better and stronger City which was impacted from the cybersecurity incident.
- \$12.5 M in addition to the previous approval of \$27.8 M, for the continuing redevelopment and expansion of the Macassa Lodge B-Wing.

F. Capital Financing

Over the past three years, local taxpayers have been asked to contribute more of their property taxes towards addressing aging infrastructure. In 2025, the net levy increase for the capital levy is expected to be 2.55%. The forecast capital financing increase for 2025 is \$29.5 M, which would represent a 17.5% increase over 2024.

The City of Hamilton’s budget for 2025 incorporates gross expenditures of \$2.8 B as illustrated in Figure 1.

FIGURE 1
2025 Gross Tax Budget Expenditures

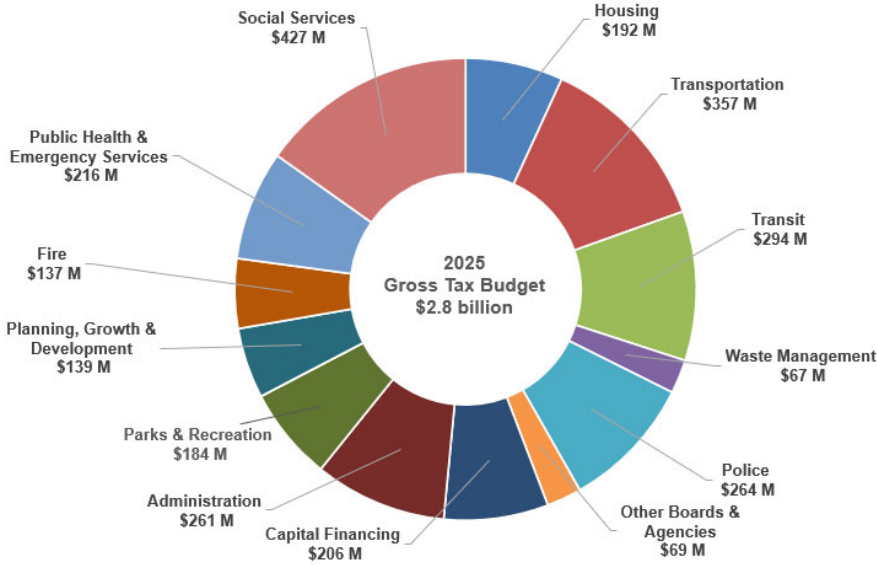
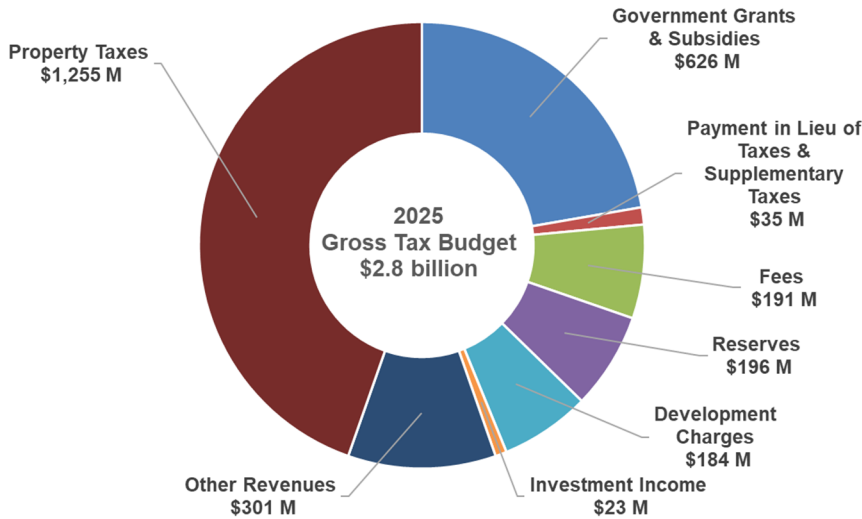


Figure 2 highlights how the \$2.8 B budget is funded. As detailed below, \$1.3 M of the total budget is funded by property tax and supports the day-to-day operations and service delivery.

FIGURE 2
2025 Gross Tax Budget Revenues



The \$95.8 M increase in the 2025 net for tax levy is detailed in Table 2 and is broken down into three categories:

1. Maintenance: the additional cost required for the continuity of municipal services (to maintain existing levels of service);
 2. Strategic Priorities: the additional investments required to advance term of Council priorities and other strategies that have been endorsed by Council (to enhance levels of service); and,
 3. Capital Levy: the additional investment required to support the City’s capital program, growth and development.
- 4.

**TABLE 2
2025 Tax Supported Operating Budget Summary (\$000’s)**

(\$000’s)	2024		2025						
	Restated Budget	Maintenance	Maintenance vs. Restated	Capital Levy	Strategic Priorities Business Cases	Council Referred	Total	Total vs. Restated	
Planning and Economic Development	35,501	37,896	2,395	6.7%	-	97	37,993	2,492	7.0%
Healthy and Safe Communities	331,997	360,244	28,247	8.5%	-	49	360,293	28,296	8.5%
Public Works	321,305	340,408	19,103	5.9%	-	932	341,341	20,036	6.2%
Legislative	7,472	7,811	340	4.5%	-	-	7,811	340	4.5%
City Manager	16,369	17,133	764	4.7%	-	326	17,459	1,090	6.7%
Corporate Services	48,681	51,709	3,028	6.2%	-	-	51,709	3,028	6.2%
Corporate Financials & Non Program	(40,061)	(54,859)	(14,798)	36.9%	-	-	(54,859)	(14,798)	36.9%
Total City Expenditures	721,264	760,342	39,078	5.4%	-	1,404	761,747	40,483	5.6%
Hamilton Police Services	207,451	229,853	22,402	10.8%	-	-	229,853	22,402	10.8%
Other Boards and Agencies	52,698	55,531	2,832	5.4%	-	-	55,531	2,832	5.4%
City Enrichment Fund	7,101	7,101	0	0.0%	-	668	7,770	668	9.4%
Total Boards and Agencies	267,250	292,485	25,235	9.4%	-	668	293,153	25,903	9.7%
Capital Financing	168,032	168,032	-	0.0%	29,451	-	197,483	29,451	17.5%
Total Net for Levy	1,156,546	1,220,860	64,313	5.6%	29,451	2,072	1,252,383	95,837	8.3%
Average Residential Tax Impact									
Municipal Net Levy Tax Impact				4.9%					7.4%
Assessment Growth				-1.6%					-1.6%
Reassessment				0.0%					0.0%
Tax Policy				0.5%					0.5%
Education Tax Impact				0.0%					0.0%
Total				3.8%					6.3%

Appendix “B” to Report FCS25004 provides additional detail on the 2025 Tax Budget.

During the 2024 Tax Budget process, staff prepared a 2025 to 2027 Multi-year Outlook based on assumptions and known increases. The initial Outlook for 2025 was a projected levy increase of \$98.3 M and an 8.2% average residential tax increase. An updated outlook for 2025 was provided to Council through Report FCS24041 in November 2024, which had forecasted a 6.9% residential tax impact. Based on updated information and deliberations by the Senior Leadership Team, the 2025-2028 forecast was revised with a levy increase of \$95.8 M and a 6.3% tax increase. See Table 1 for additional details on the change between initial outlook and proposed budget. See Table 6 for additional details on the Multi-Year Outlook.



The proposed residential tax increase in 2025 is 6.3%. For the average home, this represents an increase of \$318 for the average residential home assessed at \$387,000. Table 3 highlights the estimated tax increase by component on the residential tax bill.

TABLE 3
2025 Average Residential Tax Impact

2025 Average Residential Impact (Per \$387,000 Current Value Assessment)		
Service	Property Tax (\$)	Property Tax (%)
City Services	\$99.02	2.0%
Capital Financing	\$106.20	2.1%
Provincial Impact and Legislated Services	\$25.10	0.5%
Police	\$57.55	1.1%
Public-Safety Answering Point (911)	\$19.68	0.4%
Other Boards & Agencies	\$10.85	0.2%
Ave. Residential Impact	\$318.40	6.3%

Note: anomalies due to rounding

As indicated in Table 3, the tax impact attributable to City services is 2.0%. The increase is driven by inflation on employee related costs and contracted services, which have led to increased expenses in the delivery of municipal programs and services, as well as, additional proposed investments to services as directed by Council through budget referrals and strategic plans. Additionally, the 2025 Tax Budget continues the multi-year strategy on leveraging the City’s discretionary reserves to help offset the immediate tax burden of both provincial impacts and City services to outer years of the multi-year budget.

Capital Financing represents the largest impact on the 2025 tax impact at 2.1%. Local taxpayers have been asked to contribute more to property taxes towards addressing aging infrastructure, new facilities, and in support of growth.

Provincial Impacts and Legislated Services also impact the 2025 tax impact at 0.5%. These impacts include Housing Services, Public Health, Hamilton Paramedic Service, Ontario Works, Long-Term Care and Children’s Services and to provide development charge exemptions under the *Development Charges Act, 1997*. Over the past several years, these programs have experienced an increased reliance on property taxes resulting from structural changes to funding agreements with other levels of government that have capped the amount of funding available to pay for these services.

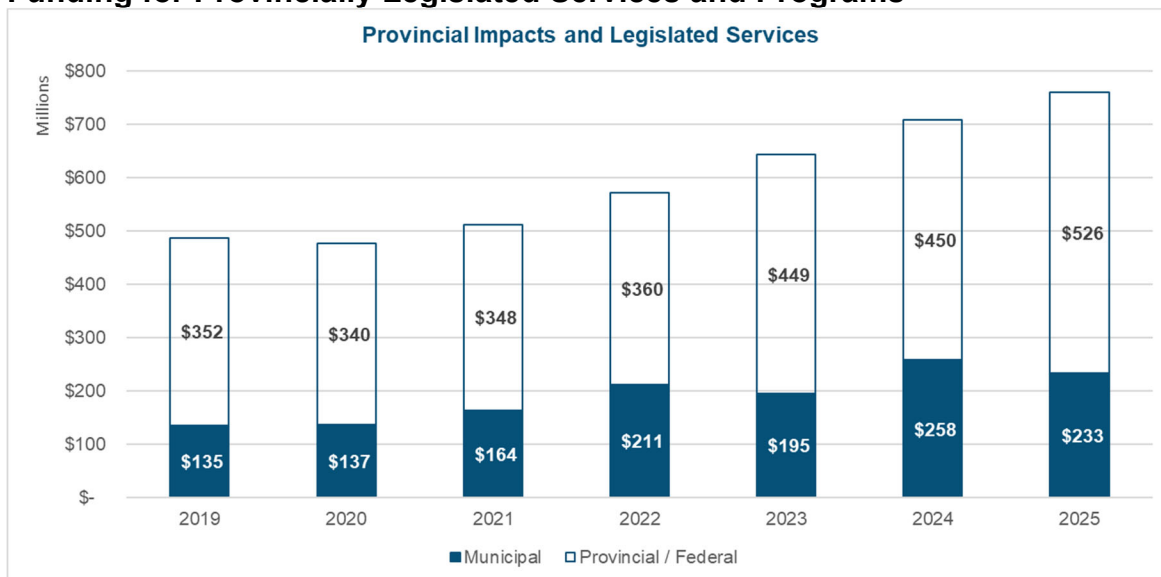
Additionally, in 2024, the *More Homes, Built Faster Act, 2022* made several changes that reduced the amount of revenues the City will be eligible to collect from developers and not-for-profit housing providers through development charges to support growth related infrastructure.

Funding from other levels of government is essential for meeting City needs, including infrastructure, transit, housing and social services. Funding from other levels of government reduces the financial burden on local taxpayers and supports critical projects. Partnerships with other orders of government are critical to address and achieve shared outcomes. Staff is continuing to build and leverage intergovernmental and community partnerships to develop and deliver services that are responsive to community needs.

The 2025 Tax Budget reflects the impacts of Bill 185, *Cutting Red Tape to Build More Homes Act, 2024*, more specifically, the amendment to remove mandated development charge phase-ins proposed under the *More Homes, Built Faster Act, 2022*. This change will have a positive impact on the reserve strategy approved through the 2024 Tax Budget, as well as, property tax rate for 2025 relative to last year's forecast for 2025. In addition, the 2025 Tax Budget reflects the positive change in Hamilton’s Ontario Works funding allocation as reflected in business case #9 as referenced in Appendix “B” to Report FCS25004.

Notwithstanding these positive amendments, Figure 3 shows the escalation in costs of providing provincially mandated services and legislated impacts since 2019 and funding share between the Municipal, Provincial and Federal governments. The municipal cost share has increased by \$98.6 M, or 73%, over the past seven years. The City’s contribution is 31% of the overall 2025 budgeted expenditures.

FIGURE 3
Funding for Provincially Legislated Services and Programs



The education rate will remain unchanged for 2025 because of the freeze on property tax reassessments by the Province of Ontario. For 2025, property assessments will remain the same as they were for the 2024 tax year based on the assessment valuation date of January 1, 2016. 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.

City of Hamilton residents in all communities pay the same rate for general City services, such as, police, public health, roads, waste management, libraries, parks and City administration while some services are area rated based on former municipal boundaries or other boundaries delineated by service standard. Area rating is a municipal property taxation policy tool intended to account for either significant differences in service levels or differences in the cost of providing services across different parts of the City (*Municipal Act, 2001*, Section 326).

The City of Hamilton remains committed to providing high quality services and programs in a financially responsible and sustainable way. Ensuring that our residents and businesses enjoy a high quality of life supported by essential programs and services is Hamilton’s top priority. By making strategic investments, Hamilton’s vision “To be the best place to raise a child and age successfully” will be advanced.

2025 Tax Budget for City Services

The budget for the delivery of high quality city services by City Departments represents a \$53.8 M increase in 2025. The major drivers for this increase are:

- \$36.3 M in expenditures for employee related costs due to contractual settlements, cost of living adjustments, increases in premiums for employer provided benefits, Canada Pension Plan, Employment Insurance and Workers’ Safety and Insurance Board and the annualization of staffing changes approved in the 2024 Tax Operating Budget. City operations are service oriented where salaries, wages and benefits comprise almost 50% of the City’s gross operating expenses.
- \$6.8 M in contractual agreements, inclusive of inflation escalation factors, across Transportation, Accessible Transit, Recreation, Corporate Facilities and Security.
- \$4.3 M in Social Housing and Housing and Homelessness initiatives (\$10.3 M) partially offset by additional revenues related to Federal and Provincial Funding predominantly in Long-Term Care and Ontario Works (\$6.0 M).
- \$4.2 M in materials and supplies and fuel and energy costs, utilities, other.
- \$3.7 M in expenditures for the annualization of year eight and implementation of year nine of the Ten-Year Local Transit Strategy.
- \$2.7 M in additional contributions to reserves for inflationary pressures related to vehicle and fleet replacement.
- \$2.2 M in cost allocation increases mainly attributable to increased security, information technology (IT) costs.
- \$1.7 M in increased security costs in Corporate Facilities & Energy Management
- \$1.2 M in annualization of 2024 investments.

These drivers are partially offset by:

- (\$1.1 M) in operational efficiencies.
- (\$6.7 M) in savings relating to Blue-Box slightly offset by \$3.3 M in additional expenditures in recycling facility processing, Transfer Stations / Community Recycling, landfill and composting operations.
- (\$4.8 M) in additional revenues from user fees based on the fees contained in the 2025 Tax Supported User Fees Report (FCS25001).

2025 Strategic Priorities for City Services

On July 14, 2023, City Council set its priorities and outcomes for this term of Council (2022 to 2026). Through 2024, Council has referred several potential investments for consideration as part of the 2025 Tax Budget. These items are termed “Council Referred Items”. In alignment with the Strong Mayor powers related to the municipal budget, on December 11, 2024 Council passed a motion to refer all items previously referred to the 2025 Budget to the Mayor for consideration of inclusion in the budget.

Items that have been referred to the budget process by Council represent a total gross investment of \$16.8 M, 16.0 full-time equivalent positions (FTE) in the 2025 budget and an annualized gross investment of \$19.8 M. These investments have a net tax levy impact of \$2.2 M in 2025 and \$2.5 M in subsequent years. The residential tax impact of Council Referred Items in 2025 is 0.2%. Business Cases (items put forward by staff) represent a total gross investment of \$3.4 M and 29.64 FTE in the 2025 budget and an annualized gross investment of \$4.4 M. These investments have no net levy impact in 2025.

Table 4 provides a consolidated summary of investments by Council priority. Additionally, Council Referred Items and Business Cases are detailed and prioritized in Appendix “C” to Report FCS25004 and also Appendix “B” to Report FCS25004.

TABLE 4
Summary of Priority Investments in City Services (\$000’s)

Council Priority	Business Cases		Council Referred Items		TOTAL	
	Annualized Gross Investment	Annualized Net Levy Impact	Annualized Gross Investment	Annualized Net Levy Impact	Annualized Gross Investment	Annualized Net Levy Impact
Sustainable Economic & Ecological Development	\$ 2,542	\$ -	\$ 1,061	\$ 1,061	\$ 3,603	\$ 1,061
Safe & Thriving Neighbourhoods	\$ 598	\$ -	\$ 18,068	\$ 734	\$ 18,666	\$ 734
Responsiveness & Transparency	\$ 1,225	\$ 56	\$ 704	\$ 704	\$ 1,929	\$ 760
TOTAL	\$ 4,366	\$ 56	\$ 19,833	\$ 2,499	\$ 24,199	\$ 2,555



Boards and Agencies Budget Submissions

External boards and agencies have submitted their budgets for Council’s consideration, which represents a total increase of \$25.9 M, or 9.7%, over 2024 budget. In its request for submissions, the City advised external boards and agencies that increases should reflect the resources required to maintain existing services and that service enhancements should be presented as business cases. Table 5 summarizes the current Boards and Agencies budgets for 2025 in comparison to 2024. Additional details are provided in Appendix “B” to Report FCS25004 and Appendix “D” to Report FCS25004.

The Hamilton Police Service budget is approved by the Police Services Board and included in 2025 Tax Budget in accordance with the *Comprehensive Ontario Police Services Act, 2019*.

The Hamilton Police Service (HPS) Communications Branch currently manages the Public-Safety Answering Point (PSAP) for all 9-1-1 calls for the City of Hamilton. HPS Communications downstream dispatch calls for the Hamilton Police Service, Hamilton Paramedic Service and the Hamilton Fire Service. In 2022, the HPS began a three-year phase-in plan for staffing increases for Communications to support both increases in call volumes and the implementation of next generation 9-1-1.

Some jurisdictions have entered into a Service Agreement in which the Police Service administers the PSAP on the municipality’s behalf. HPS proposes that the City of Hamilton enter into a similar agreement that provides HPS with the funding to operate the PSAP system.

The HPS proposal is to allocate approximately \$5.1 M in the 2025 Budget to the City of Hamilton for the operation of the PSAP system. The City will review this proposal and the rationale for a Service Agreement for the PSAP and will reflect the outcome in the 2026 Tax Budget.

HPS has submitted its respective budget for Council’s consideration, which totals a \$22.4 M, or \$10.8% levy, over 2024 (inclusive of the \$5.1 M allocation for the PSAP system). The HPS Board Report shows an increase of 5.7% over 2024. The difference is relating to 2025 Capital Budget (CSPA Section 50(1)) items that have already been accounted for in the City’s 2025 Capital Levy and the PSAP allocation of \$5.1 M.

Additionally, other outside boards and agencies have submitted budgets for Council’s consideration, which total \$3.5 M, or 5.9%, levy increase. The Hamilton Police Service Budget Report, as well as, the budget submissions for other boards and agencies are on the January 28, 2025 GIC agenda as correspondence and the GIC will receive presentations from select boards and agencies at that meeting. A summary of boards and agencies budgets is attached as Appendix “D” to Report FCS25004.

TABLE 5
2025 Boards and Agencies Budget Summary

2025 Boards & Agencies Proposed Budgets (\$000's)				
Board/Agency	2024	2025 NET	Change	
	Budget Net \$	Proposed Budget \$	\$	%
Conservation Authorities	9,357	9,756	399	4.3%
MPAC	6,976	7,116	140	2.0%
Hamilton Beach Rescue Unit	146	148	3	1.8%
Hamilton Farmers' Market	332	342	10	3.0%
Royal Botanical Gardens	674	687	13	2.0%
Hamilton Police Services	206,237	220,502	14,265	6.9%
Police Capital Financing	1,213	4,252	3,039	250.4%
911 Service	-	5,099	5,099	100.0%
Hamilton Public Library	35,016	37,481	2,466	7.0%
Library Capital Financing	198	-	(198)	(100.0%)
City Enrichment Fund	7,101	7,770	668	9.4%
Total Boards & Agencies	267,250	293,153	25,903	9.7%

Detailed budget information can be found in the reports submitted by the respective boards which will be included as correspondence to the Boards and Agencies agenda for the January 28, 2025 GIC meeting where select boards will be presenting to Committee.

2025 to 2028 Multi-Year Operating Budget

Multi-year budgeting strengthens the link between budgeting and strategic priorities and enables Council to implement a multi-year vision, assessing the long-term financial implications of current and proposed operating and capital budgets and policies. The City of Hamilton has included multi-year budgeting as part of the annual budget process since 2017. A detailed three-year outlook for 2026 to 2028 is located in Appendix “B” to Report FCS25004 in the “Tax Supported Budget and Financing Plan Schedules” section.



TABLE 6
2025 to 2028 Tax Supported Budget Multi-Year Outlook (\$000’s)

DEPARTMENT	2024 Restated Budget	2025 Budget	%	2026 Outlook	%	2027 Outlook	%	2028 Outlook	%
Planning & Economic Development	35,501	37,993	7.0%	39,539	4.1%	41,395	4.7%	43,292	4.6%
Healthy and Safe Communities	331,997	360,293	8.5%	379,789	5.4%	397,541	4.7%	414,866	4.4%
Public Works	321,305	341,341	6.2%	353,582	3.6%	369,017	4.4%	379,871	2.9%
Legislative	7,472	7,811	4.5%	8,028	2.8%	8,262	2.9%	8,485	2.7%
City Manager	16,369	17,459	6.7%	17,981	3.0%	18,403	2.3%	18,935	2.9%
Corporate Services	48,681	51,709	6.2%	53,712	3.9%	55,309	3.0%	57,385	3.8%
Corporate Financials / Non Program Revenue	(40,061)	(54,859)	36.9%	(33,435)	-39.1%	(37,225)	11.3%	(33,913)	-8.9%
City Departments	721,264	761,747	5.6%	819,196	7.5%	852,702	4.1%	888,921	4.2%
Hamilton Police Service	207,451	229,853	10.8%	249,410	8.5%	259,275	4.0%	270,149	4.2%
Other Boards & Agencies	52,698	55,531	5.4%	57,186	3.0%	58,794	2.8%	60,100	2.2%
City Enrichment Fund	7,101	7,770	9.4%	7,770	0.0%	7,770	0.0%	7,770	0.0%
Boards & Agencies	267,250	293,153	9.7%	314,365	7.2%	325,838	3.6%	338,019	3.7%
Capital Financing	168,032	197,483	17.5%	231,173	17.1%	243,382	5.3%	267,054	9.7%
Total Net for Levy	1,156,546	1,252,383	8.3%	1,364,734	9.0%	1,421,923	4.2%	1,493,993	5.1%

AVERAGE RESIDENTIAL TAX IMPACT	2025	2026	2027	2028
Municipal Net Levy Tax Impact	7.4%	8.0%	3.8%	4.6%
Assessment Growth	-1.6%	-1.0%	-1.0%	-1.0%
Reassessment	0.0%	1.2%	1.2%	1.2%
Tax Policy	0.5%	0.5%	0.5%	0.5%
Education Tax Impact	0.0%	0.0%	0.0%	0.0%
Average Residential Tax Impact	6.3%	8.7%	4.5%	5.3%

2025 Capital Levy and the 2025 to 2034 Tax Supported Capital Budget

The gross capital investment by the City of Hamilton in 2025 is \$641.8 M. To support the investment, the Capital Financing Plan detailed within Report FCS25004 incorporates a \$29.5 M increase to the Capital Levy or a 2.55% increase to the net for tax levy. The increase in the Capital Levy is broken down as follows:

- \$9.5 M, or 0.82%, increase for year two of a ten-year transitional plan to address the \$94.7 M annual infrastructure funding gap for transportation assets that was identified in the Transportation Asset Management Plan;
- \$3.75 M, or a 0.32% levy, increase for year one of a 25-year transitional plan to address the \$187.0 M annual infrastructure funding gap for non-core assets that was identified in the various Non-Core Asset Management Plans;
- \$3.64 M, or 0.31%, for year two of a four-year phase-in strategy to address statutory DC exemptions resulting from the *More Homes Built Faster Act, 2022* (Bill 23) and including adjustments resulting from Bill 185;
- \$2.30 M, or 0.20%, for year two of a three-year phase-in strategy to address historically unfunded statutory DC exemptions prescribed under the *Development Charges Act, 1997*;
- \$2.16 M, or 0.19%, for year two of a three-year phase-in strategy to address unfunded discretionary DC exemptions provided under the City’s Development Charges Bylaw; and
- \$8.13 M, or a 0.70% levy increase, for servicing requirements of new debt which include West Harbour, Paramedics, Transit MSF, Main Street Upgrades, Police Marine Unit, Waterdown Fire and Police Station, Cybersecurity Strategy.



In addition to the Capital Levy increase, the 2025 Capital Financing Plan relies on approximately \$63.3 M in contributions from reserves to support the level of investment. Appendix "F" to Report FCS25004 highlights the use of reserves to phase-in the property tax impacts of development charge exemptions and to address the inflation impacts on construction projects.

The 2025 Tax Capital Budget and 2025-2034 Capital Forecast is supported by a multi-year Capital Financing Plan that prioritizes asset reinvestment in accordance with Asset Management Plans, as well as, investment required to support growth and development and the City's Strategic Plan, while maintaining the City's strong financial position and AAA credit rating. The primary elements of the multi-year Capital Financing Plan include:

1. Annual increases to the Capital Levy to meet the required asset reinvestment needs and inflationary increases to maintain infrastructure in its current state, as well as, a transitional plan to address the \$94.7 M annual funding gap for transportation assets that was identified in the Transportation Asset Management Plan over the next 10 years;
2. Increases to the Capital Levy equal to the annual debt servicing charges for all new debt to be issued over the 10-year planning period. It is necessary to increase the Capital Levy at least in proportion with the amount needed to finance new debt in order to ensure continuity of the level of funding available for replacement and rehabilitation, as well as, the proportion of debt repayments to City own-source revenues in order to maintain the City's AAA credit rating;
3. A four-year phase-in strategy to incorporate the annual sustainable funding level required for development charge exemptions. The phase-in strategy leverages the City's Unallocated Capital Levy Reserve in order to spread the immediate financial burden over several years. It is necessary to fund the DC reserves for the lost revenues resulting from exemptions in order to continue with growth and development plans. Not funding these exemptions would result in delayed investment in infrastructure that supports growth and development;
4. All program block allocations are increased annually at the rate of inflation (Non-Residential Construction Price Index). This ensures that program areas maintain the same level of investment in capital infrastructure over the planning period and purchasing power is not eroded by inflation. Block allocations and service level targets will be revisited with the presentation of Asset Management Plans by the July 1, 2025, legislated deadline;
5. The Capital Financing Plan includes a strategy to address the \$54 M funding shortfall in discretionary DC exemptions. Beginning in 2023, the Capital Financing Plan incorporated an additional \$6.5 M per year over an eight-year period (ending in 2030) as dedicated funding for unfunded DC exemptions that were realized prior to 2020;
6. The Capital Financing Plan has prioritized funding for growth and development, such as, the West Harbour Waterfront and Airport Employment Growth District, that will

provide both economic and socio-economic advantages to businesses and residents while also increasing the City’s non-residential assessment; and,

7. The Capital Financing Plan advances key priorities of the 2016-2025 Strategic Plan through investment in strategic initiatives including Transportation, Transit, Housing and Homelessness, Parkland Development, Integrated Growth and Development and others.

Table 7 provides a summary of the of the Capital Levy increases required to support the 2025 Tax Supported Capital Budget, as well as, the multi-year investments for 2026 through 2028.

TABLE 7
Tax Capital Financing Plan 2025-2028

	2025	2026	2027	2028
Transportation Asset Management Plan	0.82%	0.82%	0.82%	0.82%
Non-Core Asset Management Plans	0.32%	0.65%	0.65%	0.65%
Development Charge Exemptions	0.70%	0.70%	0.50%	0.00%
Servicing Requirements for New Debt	0.70%	0.80%	0.25%	0.62%
Total Net for Levy Impact	2.55%	2.97%	2.22%	2.08%

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 2025 capital projects is \$6.5 M and 58.48 FTE positions. The operating impacts are detailed in the “Tax Budget and Financing Plan Schedules” section of Appendix “B” to Report FCS25004 and have been included in the 2025 Tax Budget and 2026 to 2028 Multi-Year Outlook.

Table 8 provides a summary of the historical Capital Levy increases over the past four years in comparison to what has been included in the 2025 plan.

TABLE 8
Historical Capital Levy Increases

	2021	2022	2023	2024	2025
General Capital Levy	0.00%	0.50%	0.50%	0.00%	0.00%
Transportation Asset Management Plan	0.00%	0.00%	0.00%	0.77%	0.82%
Non-Core Asset Management Plans	0.00%	0.00%	0.00%	0.00%	0.32%
Climate Change Action Strategy	0.00%	0.00%	0.25%	0.00%	0.00%
Development Charge Exemptions	0.22%	0.00%	0.00%	0.45%	0.70%
Servicing Requirements for New Debt	0.18%	0.15%	0.17%	0.00%	0.70%
Total Levy Impact	0.40%	0.65%	0.92%	1.23%	2.55%

2025 Tax Capital Budget

The 2025 Tax Capital Budget includes a gross capital investment by the City of Hamilton of \$641.8 M in total. This amount includes the \$430.3 M through Report FCS25004, as well as, \$211.5 M of previously approved funding for 2025.



Appendix "B" to Report FCS25004 provides additional detail on the 2025 Tax Capital Budget 2025.

Table 9 summarizes the proposed 2025 Tax Capital Budget by program area and compares it to the previous year's approved capital program. The 2025 capital budget incorporates a 2.55% net levy increase (\$29.5 M) dedicated to the Capital Levy. The \$29.5 M increase in the Capital Levy would result in an average residential tax impact of 2.55%, or approximately \$129, for the average household assessed at \$387 K.

TABLE 9
Tax Supported Capital Budget

	2024		2025		Difference	
	CAPITAL PROGRAM		CAPITAL PROGRAM			
	GROSS	NET	GROSS	NET	GROSS	NET
Proposed Program Funding						
Corporate Facilities & Energy Management	25,855	17,243	37,474	39,103	11,619	21,860
Corporate Asset Management	16,743	-	19,302	-	2,559	-
Environmental Services	18,775	6,585	51,329	9,991	32,554	3,406
Waste Management	14,718	13,140	3,980	2,984	(10,738)	(10,156)
Transit Services	2,386	606	4,840	395	2,455	(211)
Transit Services (ICIP PW19083/FCS18048(a))	62,953	27,588	106,013	45,778	43,060	18,190
Transportation Network	121,887	72,885	189,896	98,258	68,009	25,373
West Harbour & Waterfront Initiatives	7,000	4,404	1,050	1,050	(5,950)	(3,354)
Healthy and Safe Communities- Other	356	256	275	275	(81)	19
Housing Services	3,746	3,746	4,478	4,478	732	732
Fire / Paramedics	23,002	1,600	87,776	10,471	64,773	8,871
Corporate Services / City Manager	12,974	6,054	39,965	29,237	26,991	23,184
Area Rating	900	-	900	-	-	-
Planning & Development	14,281	3,908	22,158	12,542	7,877	8,634
Tourism & Culture	2,727	2,585	2,954	2,881	227	296
Commercial Districts and Small Business	3,306	3,081	5,478	3,728	2,172	647
Total Program Funding	331,610	163,682	577,869	261,172	246,259	97,490
Other Major Projects						
Parkland Acquisition	2,399	2,399	2,530	2,530	131	131
DC Exemptions	57,642	57,642	38,778	38,778	(18,864)	(18,864)
Council Priorities	-	-	-	-	-	-
Climate Change Action Plan	2,500	2,500	2,500	2,500	-	-
Total Other Major Projects	62,541	62,541	43,808	43,808	(18,733)	(18,733)
Total Before Special Levies and Boards	394,151	226,223	621,677	304,980	227,525	78,757
Special Levies & Boards						
CityHousing	-	-	844	844	844	844
Police Services	7,820	7,372	17,118	16,400	9,299	9,028
Hamilton Public Library	2,913	1,080	49	-	(2,864)	(1,080)
Hamilton Farmer's Market	-	-	-	-	-	-
Beach Rescue	31	-	132	-	101	-
Hamilton Conservation Authority	2,000	2,000	2,000	2,000	-	-
Total Special Levies & Boards	12,764	10,452	20,143	19,244	7,379	8,792
Total Funded Projects	406,915	236,675	641,820	324,224	234,905	87,549

The Capital Levy balances the need for additional investment required to support asset rehabilitation, continuity for municipal services, growth and development and Council's priorities with affordability for residents and businesses within the community. The total Capital Levy increase of 2.55%, or \$29.5 M, in 2025 is intended to accomplish these objectives. This is in recognition of the sustainable funding required for the

Transportation Asset Management Plan, as well as, other non-core asset management plans that have been presented to Council to date, development charge exemptions and annual requirements for debt financing.

Table 10 illustrates the distribution of the Capital Levy of \$187.1 M between annual debt servicing costs and funding that is transferred from the operating budget.

TABLE 10
Capital Budget Impact on Operating Budget

(\$000's)	2024	2025	CHANGE	
	Restated	PROPOSED	\$	%
Debt Charges	41,519	47,468	5,950	14.3
Transfer from Operating	114,495	137,997	23,502	20.5
Total Tax Supported Capital Levy	156,014	185,465	29,451	18.9

Municipal Tax Impact on Average Household \$129.26

Figure 4 and Figure 5 illustrate the 2025 capital funding sources and the corresponding allocation across City programs and services.

FIGURE 4

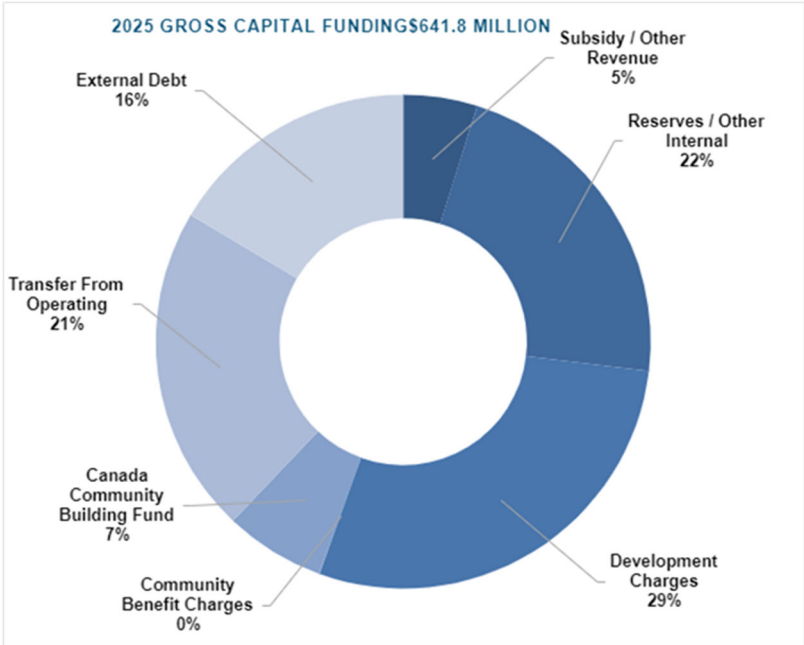
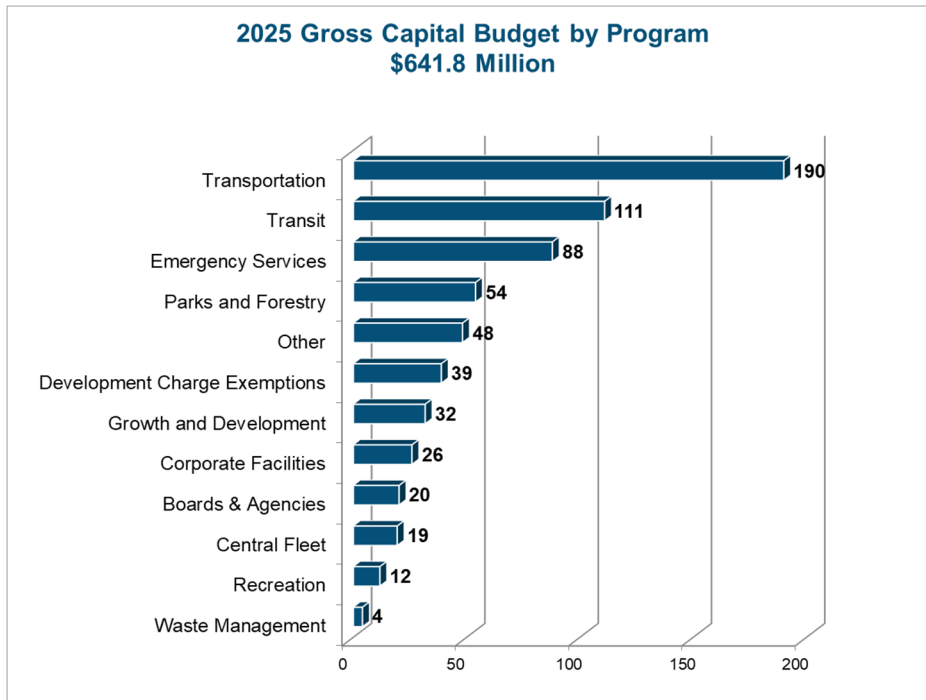


FIGURE 5





Capital Financing Plan 2025-2034

The Capital Financing Plan is an important tool in achieving Council’s strategic priorities ensuring programs have the resources needed to provide services and in maintaining the fiscal health and financial management of the City. Table 11 illustrates a four-year snapshot of the Capital Financing Plan.

This Plan consists of a ten-year phased investment to address the \$94.7 M annual funding gap identified in the Transportation Asset Management Plan resulting in net levy increases of 0.82% annually for 2025 through 2033, as well as a twenty-five year phased investment to address the \$187.0 M annual funding gap identified for non-core assets resulting in a net levy increase of 0.65% annually for 2026 through 2050. Additionally, discretionary capital blocks are increased at the pace of inflation as reported through Statistics Canada for the Non-Residential Construction Price Index over the ten-year Capital Financing Plan. This is to ensure that programs maintain their current rate of investment towards asset replacement and rehabilitation.

The Capital Financing Plan also incorporates additional levy increases for new debt planned within the ten-year outlook. This ensures that funding capacity for the replacement and rehabilitation of existing assets is maintained throughout the Capital Financing Plan and that the City maintains its current financial position and AAA credit rating.

Additionally, the Capital Financing Plan incorporates a four-year phase-in strategy for the lost development charge revenues resulting from the *More Homes, More Choice Act, 2022*, as well as, a three-year phase-in strategy for historically unfunded DC exemptions under the *Development Charges Act, 1997* and the City's DC By-law inclusive of anticipated grant revenues from the Housing Accelerator Fund.

TABLE 11
Discretionary Tax Supported Net Capital Forecast for 2025 – 2028

Discretionary Tax Supported Net Capital Funding 2025 - 2034 Forecast					
Capital Financing Plan (Net) (\$000's)	2024 Restated	2025 Proposed	2026 Forecast	2027 Forecast	2028 Forecast
Sustainable Funding Sources					
Contribution from Operating	114,495	137,997	167,849	192,965	211,004
Hydro Dividends	2,300	2,300	2,300	2,300	2,300
Investment Reserve Funding	3,000	3,000	3,000	3,000	-
Canada Community Building Fund (CCBF)	62,421	41,972	37,293	38,784	38,784
Total Sustainable Funding Sources	182,216	185,269	210,442	237,050	252,088
Non-Sustainable Funding Sources					
Unallocated / Other Capital Reserve	25,426	18,441	-	-	-
Capital Financing Surplus	12,500	9,000	9,500	6,500	6,500
Housing Accelerator Fund	6,063	6,063	6,063	-	-
Building Faster Fund	8,537	-	-	-	-
Total Non-Sustainable Funding Sources	52,526	33,504	15,563	6,500	6,500
New External Debt (Principal)					
West Harbour & Waterfront Initiatives	-	-	-	4,000	30,000
Waste Management Master Plan	-	-	-	-	50,000
Library Capital Projects as approved by Board	-	-	-	-	5,100
Police Marine Unit	3,720	-	-	-	-
Hamilton Paramedic Service Master Plan (Central Station)	-	-	10,059	10,059	-
Transit Maintenance & Storage Facility	-	41,099	41,099	-	-
Main Street Upgrades	-	-	13,000	13,000	-
Macassa Lodge B Wing Expansion	-	21,148	21,148	-	-
Additions to the new Waterdown Fire and Police Station	-	22,551	-	-	-
Confidential Settlement	-	4,300	-	-	-
Cybersecurity Recovery Build Back Stronger Strategy	-	14,975	14,530	7,180	-
Summer's Lane Structural Slab and Expansion Joint Repairs	-	1,325	-	-	-
General Debt	-	-	200	-	250
Total New External Debt (Principal)	3,720	105,398	100,036	34,239	85,350
Total Funding (Net)	238,462	324,171	326,040	277,789	343,938

Net Capital Funding (Block Funding) (\$000's)	2024 Restated	2025 Proposed	2026 Forecast	2027 Forecast	2028 Forecast
Corporate Services	500	-	155	159	163
Information Technology	3,686	3,613	2,451	1,697	1,775
Corporate Facilities	9,691	8,075	8,340	8,808	9,280
Cultural Facilities	2,585	2,881	3,138	3,395	3,655
DC exemptions	55,642	36,278	40,151	40,524	40,897
Commercial Districts and Small Business	3,298	3,728	3,814	3,902	3,992
Economic Development Initiatives	2,000	3,440	3,651	3,862	4,075
Corporate Facilities Security Program	-	800	800	800	800
Fire / Paramedic Services	1,600	1,999	2,658	3,320	3,983
Forestry & Horticulture	35	2,272	2,331	2,391	2,453
Health and Safe Communities - Other Div	256	275	292	309	325
Housing Services	4,019	4,478	4,581	4,687	4,794
Long Term Care Facilities	500	894	1,012	1,131	1,250
Park Development (New/Expansion)	4,674	5,779	6,525	7,276	8,030
Park's Operations	1,876	1,940	2,024	2,109	2,195
Parkland Acquisition	2,399	2,530	2,588	2,648	2,709
Planning / Development	1,419	4,748	224	230	235
Recreation Facilities	7,052	8,186	9,282	10,382	11,487
Transportation Network	72,385	96,958	109,629	121,043	132,502
Block Funding Total	173,616	188,875	203,645	218,673	234,600
Net Capital Funding (Corporate Initiatives)					
Additions to the new Waterdown Fire and Police Station	-	22,551			
Climate Change Action Plan	2,500	2,500	2,500	2,500	2,500
Cybersecurity Recovery Build Back Stronger Strategy	1,868	25,625	14,530	7,180	-
DC Exemptions Beyond Block	2,000	2,500	3,000	3,500	5,750
Hamilton Paramedic Service Master Plan (Central Station)	-	-	10,059	10,059	-
Macassa Lodge B Wing Expansion	-	21,148	21,148	-	-
Main Street Two-Way Conversion	500	1,300	13,110	13,090	-
Confidential Settlement	-	4,300			
Transit & ICIP Master Plan	28,194	46,173	43,204	5,759	6,288
Waste Management Master Plan	13,140	2,984	10,400	8,651	46,765
West Harbour & Waterfront Initiatives	4,404	1,050	1,805	4,674	30,240
Corporate Initiatives Total	52,606	130,132	119,756	55,413	91,543
Total Block & Major Capital	226,223	319,006	323,401	274,087	326,144
Net Capital Funding (Boards & Agencies)					
Boards & Agencies	2024 Restated	2025 Proposed	2026 Forecast	2027 Forecast	2028 Forecast
CityHousing Hamilton	-	844	863	883	903
Hamilton Conservation Authority	2,000	2,000	-	-	-
Library	1,080	-	-	-	15,100
Police Services	7,372	2,321	1,631	1,669	1,707
Boards & Agencies Total	10,452	5,165	2,494	2,552	17,710
Total Expenditures (Net)	236,675	324,171	325,895	276,638	343,854



In June of 2022, City Council approved the Transportation Asset Management Plan (Report PW22048), which identified an annual funding gap of \$94.7 M for Transportation assets (\$86.6 M for the Road Network and \$8.1 M for Engineered Structures). To provide for the annual funding required for asset renewal, the historical Capital Levy of 0.50% was increased to 0.77% beginning in 2024 and continuing annually at 0.89% until 2033. This will effectively increase the Transportation Network block from \$65.9 M in 2023 to \$193.5 M by 2033.

The 10-year Capital Financing Plan includes annual inflationary increases to the capital block allotments for all other asset categories managed by the City, in addition to transportation infrastructure to ensure that all City assets are maintained in their current state until formal Asset Management Plans can be adopted with approved level of service targets by the July 1, 2025 deadline. At that time, the Capital Financing Plan will need to reflect required investment to achieve Council approved service level standards.

Extraordinary inflation pressures over the past several years resulting from global social and economic factors have been a major theme in budget discussions. Inflationary pressures of capital expenditures relative to the inflationary capacity of the Capital Levy and property tax increases are illustrated in Table 12. In 2024, there has been some relief in terms of the inflation on construction activities, though the aging infrastructure needs has brought required increases in the both the Capital Levy and property tax increases.

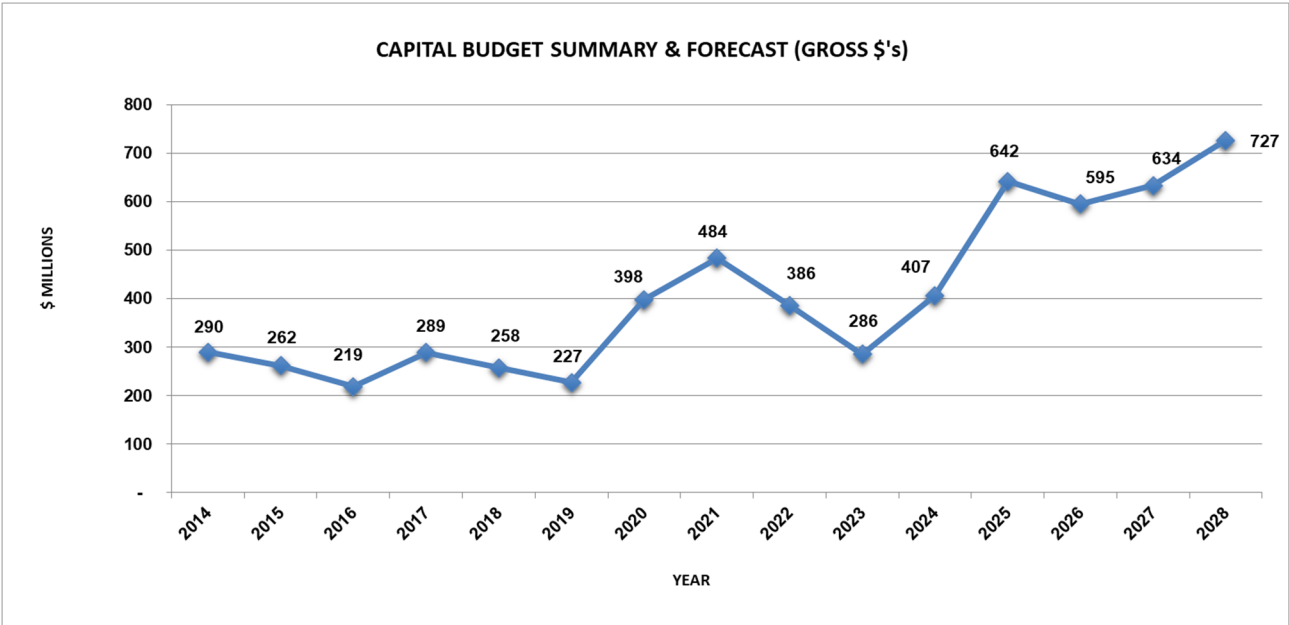
Moving forward, it is imperative that the Capital Financing Plan continues to increase program funding blocks at least at the rate of the Non-Residential Construction Price Index to maintain consistent reinvestment into the City’s capital program and the current state of infrastructure. Investment beyond the rate of inflation would be required to address the infrastructure gap and provide for new assets related to growth that are ineligible for DC or Community Benefit Charges (CBC) funding or new assets for enhancements to existing service levels.

TABLE 12
Inflationary Pressures on Capital Expenditures

(%)	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Non-Residential Building Construction Price Index	1.8	2.9	3.2	4.6	3.9	2.6	9.5	16.2	6.6	3.3
Capital Levy Increase	4.9	4.7	3.9	8.8	3.9	6.3	3.0	5.0	6.9	9.1
Property Tax Increase	3.4	1.7	2.1	1.9	2.2	2.9	1.9	2.8	5.8	5.8

The following 15-year Capital Budget summary of gross spending (Figure 6) shows historical and forecasted levels of capital investment.

FIGURE 6



Debt Management

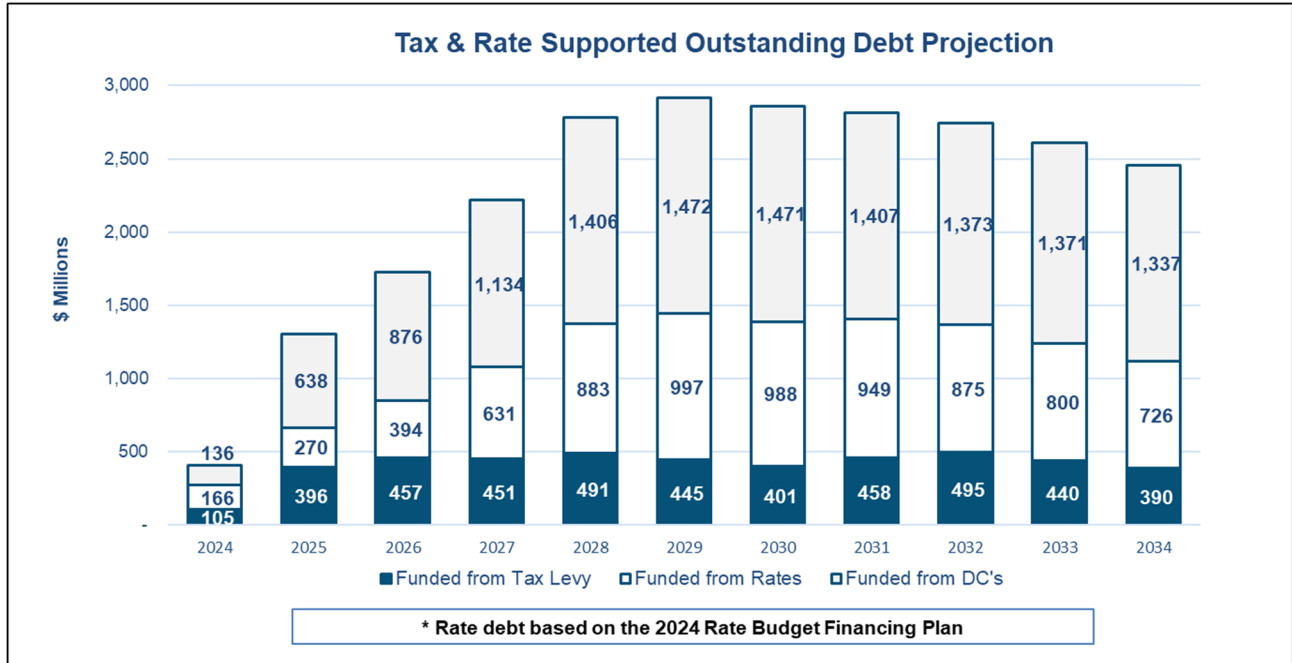
Planned debt financing in the 2025 to 2034 Capital Financing Plan has increased by \$143 M in comparison to the Capital Financing Plan approved in principle last year. The increase in debt is required to support the Transit Maintenance and Storage Facility, Police Marine Unit, Macassa Lodge B-Wing Expansion and Transportation Network Debt support 2025 infrastructure investments accounts for approximately \$11.8 M in annual debt charges over a 15-year term or an estimated additional 0.91% residential tax increase. Figure 7 provides the projected combined tax and rate supported outstanding debt amounts across the ten-year forecast.

The actual debt forecast takes into consideration the many reasons that debt issuance may be delayed (i.e., capital projects require a longer environmental assessment process, availability of contractors, lead times on materials, etc.). The City historically only issues debt upon substantial completion of associated capital works. In the latter end of the ten-year debt forecast, the City is still issuing debt for previous period capital investments and that is why the budgeted debt is greater than the actual debt. Credit Rating Agencies are most focused on the level of actual external debt in assessing investor risk.



On October 16, 2024, City Council received a communication update that the City of Hamilton maintained its AAA credit rating and stable outlook from S&P Global Ratings. The City has maintained its AAA credit rating since June 2022 when S&P Global Ratings had raised the City of Hamilton’s rating from AA+ to AAA following the revision of the Canadian municipal institutional framework assessment to extremely supportive and predictable from very predictable and well-balanced. S&P Global Ratings cited that the City is expected to have a relatively modest and stable debt burden and prudent long-term financial planning polices such that budgetary performance remains strong.

FIGURE 7



However, approximately \$1.4 B in capital works in progress have been approved for debt funding that has not yet been issued due to timing of completion and cash flow requirements. Given the amount of debt that has been previously approved and the reliance on debt financing for infrastructure improvements needed in the ten-year Rate Financing Plan, the City will exceed Council’s approved DC supported debt limit in 2027 and the approved tax and rate limit in 2028 as illustrated in Figures 8 and 9.

Finance staff will continue to monitor cash flow requirements and only issue debt when needed. Council has directed staff to review and recommend updates to the City’s Debt Policy. That report is planned for Q1 2025. Staff will minimize the risk associated with DC debt by ensuring that any growth-related debt principal and interest are forecasted to be covered by future growth projections.

FIGURE 8

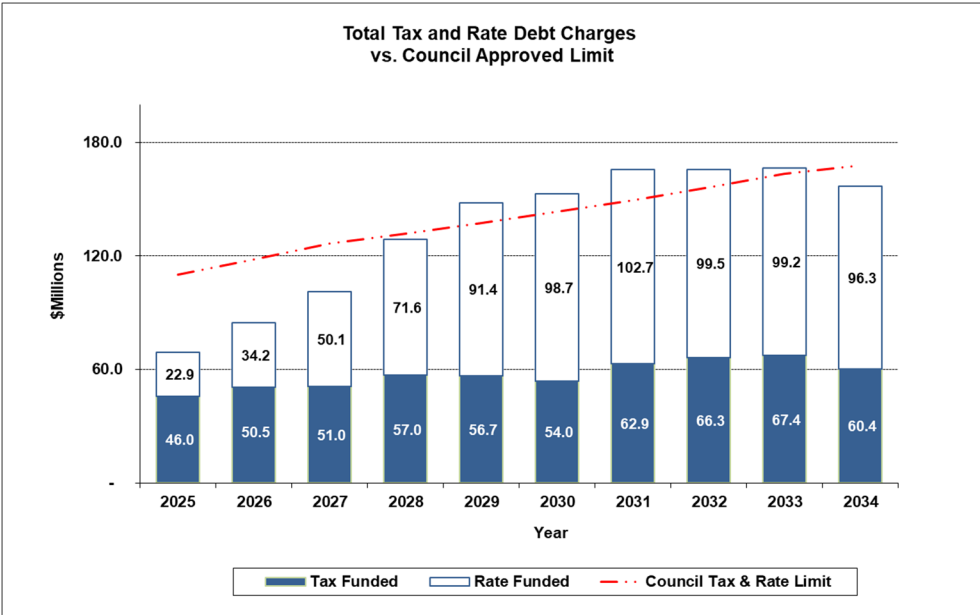
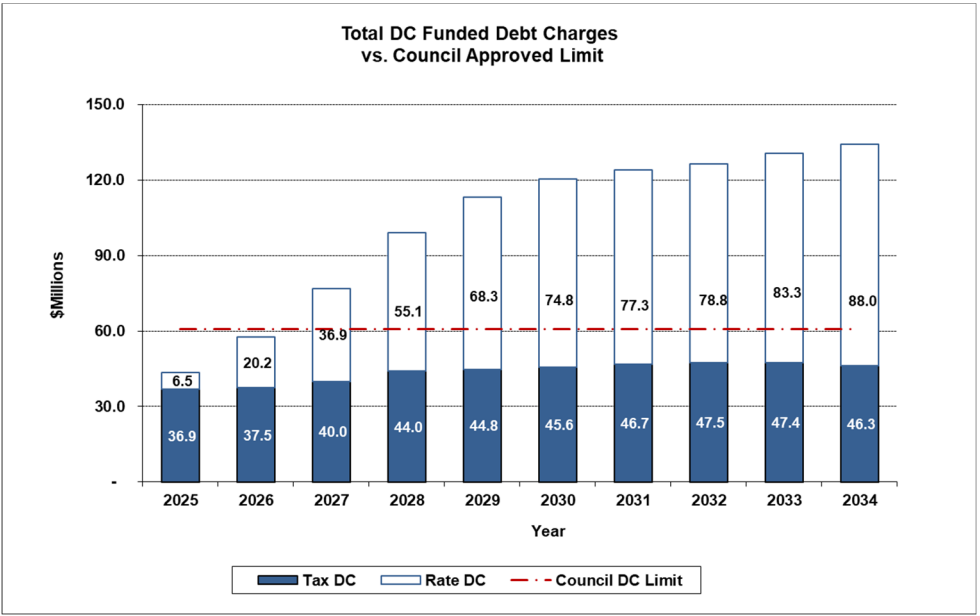


FIGURE 9



Council Approved Debt Limits:

- I. 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 2022 was 17.5% and is forecasted to be 15.1% in 2023 and 18.5% in 2024, well within the limit of 60%.
- II. 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’s DC supported debt in 2022 was 1.0% and is forecasted to be 1.5% in 2023 and 1.4% in 2024, well within the limit of 25%.

Statutory Limits:

- I. 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 4.0% in 2022 and forecasted at 3.1% in 2023 and 2.8% for 2024 are well within the limit of 25%.
- II. 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 3.6% in 2022 and forecasted at 3.6% in 2023 and 2.2% in 2024.

Financial Ratios:

The debt related financial ratios remain within statutory and Council approved limits for 2025 and are forecasted to achieve the highest scoring in budgetary performance in assessing the City’s credit rating. Figure 10 highlights key financial ratios related to debt over the past several years.

FIGURE 10

City of Hamilton Debt Policy: Ratios

	2018	2019	2020	2021	2022	2023f	2024f
<u>Affordability:</u>							
Debt Per Capita	\$848.78	\$747.23	\$743.40	\$686.93	\$596.82	\$477.61	\$578.17
Debt Per Capita Year Over Year (% Change)	14.4%	-12.0%	-0.5%	-7.6%	-13.1%	-20.0%	21.1%
Debt Per Household	\$2,066.38	\$1,813.41	\$1,798.58	\$1,689.68	\$1,441.08	\$1,162.51	\$1,400.22
Debt Per Household Year Over Year (% Change)	14.0%	-12.2%	-0.8%	-6.1%	-14.7%	-19.3%	20.4%
Debt Service Charges Per Capita	\$99.34	\$113.89	\$103.16	\$108.27	\$104.96	\$80.93	\$78.43
Debt Service Charges Per Capita Year Over Year (% Change)	-17.8%	14.6%	-9.4%	5.0%	-3.1%	-22.9%	-3.1%
<u>Sustainability:</u>							
Debt Service Charges(Net) As A % of City Own Source Revenue	4.2%	4.6%	4.3%	4.3%	4.0%	3.1%	2.8%
Debt Service Charges(Net) As A % of the Municipal Levy	6.6%	7.4%	6.6%	6.6%	6.3%	4.5%	4.3%
Debt to City Own-Source Revenue	35.9%	30.2%	30.8%	27.3%	22.5%	18.0%	20.9%
Debt to S&P Adjusted Operating Revenue (S&P Global Ratings)	29.5%	26.1%	26.7%	30.1%	#DIV/0!	19.9%	23.0%
Debt to Total Reserves and Reserve Funds	0.51	0.43	0.38	0.31	0.26	0.20	0.22
Cash & Liquid Assets to Debt Service Charges	1509%	1365%	1652%	1582%	3758%	4828%	4926%
Cash & Liquid Assets minus Debt	\$371,700,146	\$467,407,123	\$563,711,013	\$598,857,492	\$1,981,983,331	\$2,049,854,381	\$1,985,793,315
<u>Goals:</u>							
Tax & Rate Supported Debt as a % of City Own-Source Revenue <i>Maximum (60%)</i>	27.3%	23.1%	23.5%	21.2%	17.5%	15.1%	18.5%
DC Supported Debt as a % of Total DC Eligible Costs <i>Maximum (25%)</i>	2.6%	1.8%	2.0%	1.2%	1.0%	1.5%	1.4%
<u>Statutory Limits:</u>							
Debt Service Charges as a % of City Own-Source Revenue (AR <i>Limit (25%)</i>)	4.2%	4.6%	4.3%	4.3%	4.0%	3.1%	2.8%
Total Variable Rate Debt as a % of Outstanding Total Debt <i>Limit (15%)</i>	4.7%	4.7%	4.1%	3.8%	3.6%	3.6%	2.2%

Reserve Management

The City maintains reserves and reserve funds to retain capital for future use. Reserves serve as general pools of capital that are often used to mitigate risk, maintain assets, support growth or meet unexpected expenses. Reserve funds are established for a specific purpose such as covering a foreseeable future expense or retaining monies for a particular goal, such as, defined capital projects or initiatives that involve substantial expense. Reserves and reserve funds share the purpose of easing the burden of the levy on the taxpayer for significant or infrequent expenses, minimizing credit market risk by accumulating financial resources for future capital needs, decreasing reliance on borrowing and offering a form of protection against unforeseeable situations, such as, catastrophic events, emergencies, etc. Reserves and reserve funds are leveraged to contribute to the City’s long-term financial stability and flexibility.

Reserve Funds may be obligatory (required by legislation) or discretionary (voluntarily established by Council). Council has the authority to allocate funds from obligatory reserve funds subject to the restrictions of applicable legislation. In contrast, Council has defined what constitutes an authorized use from discretionary reserve funds and there are processes that can be undertaken should Council seek to use funds for alternate purposes.



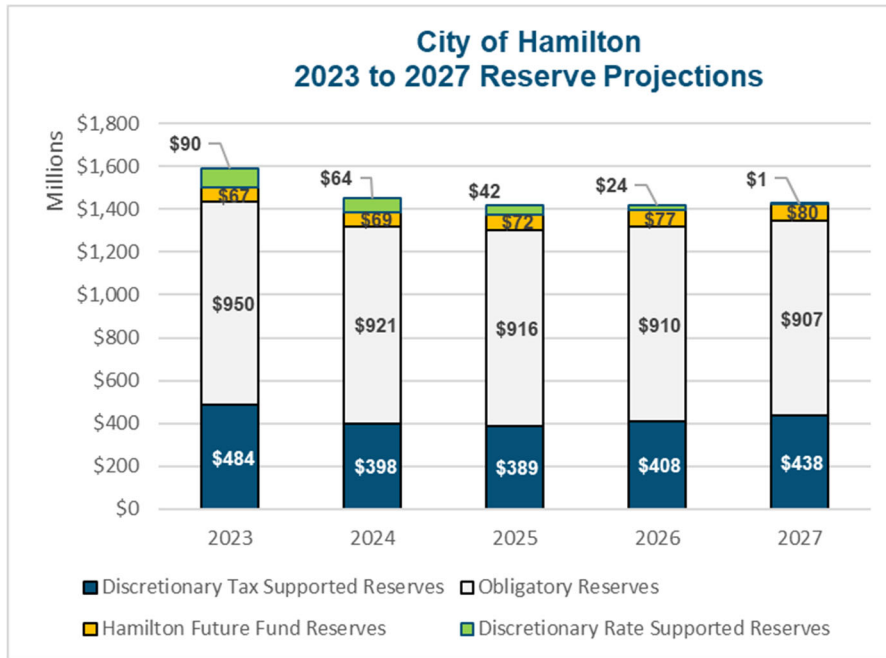
As detailed in the 2022 Reserve Report (FCS23027), reserve balances have increased substantially over the last five years from \$897 M in 2018 to a balance of \$1.4 B on December 31, 2022. The change is the result of increases in reserve provisions and overall collections, including DCs, Canada Community Building Fund and Parkland Dedication offset by completion of major projects and capital financing charges.

In line with the Mayoral Directive to Staff, the 2025 Tax Supported Budget leverages the City’s strong financial position to advance the Housing Sustainability and Investment Roadmap, phase-in property tax impacts resulting from Provincial legislation and to phase-in funding pressures from provincially mandated programs and collective bargaining, given the current economic environment and affordability concerns.

The proposed reserves strategy is sustainable as the intent is to phase out the reliance on reserves for the purposes identified above. The reserves strategy is dependent upon other orders of government increasing funding for priorities such as affordable housing. While the 2025 Tax Budget reflects draws on reserves, the 2025 Tax Budget also includes transfers to reserves for the purpose of replacing and/or maintaining assets. In addition, the City’s investments performance in the past years, including 2023, saw notable transfers to reserves. For example, in 2023, investment income transferred to reserves amounted to approximately \$70.5 M.

Figure 11 provides an updated outlook of the City’s reserve projections showing the recommended reserve financing strategies that leverage discretionary tax and rate supported reserves over the next several years.

FIGURE 11



Asset Management

The municipal asset management planning regulation (O. Reg. 588/17) under Bill 6, *Infrastructure for Jobs and Prosperity Act, 2015*, was adopted on January 1, 2018. On June 26, 2019, City Council adopted a Strategic Asset Management Policy (Report PW19053) and recently updated in June 2023 through Report PW23044. On March 15, 2021, O. Reg. 588/17 was amended to extend regulatory timelines for phases 2, 3 and 4 by one year:

1. July 1, 2019: Date for municipalities to have a finalized strategic asset management policy that promotes best practices and links asset management planning with budgeting, operations, maintenance and other municipal planning activities.
2. July 1, 2022: Date for municipalities to have an approved asset management plan (AMP) for core assets (roads, bridges and culverts, water, wastewater and stormwater management systems) that identifies current levels of service and the cost of maintaining those levels of service.
3. July 1, 2024: Date for municipalities to have an approved asset management plan for all municipal infrastructure assets that identifies current levels of service and the cost of maintaining those levels of service.
4. July 1, 2025: Date for municipalities to have an approved asset management plan for all municipal infrastructure assets that builds upon the requirements set out in 2024. This includes an identification of proposed levels of service, what activities will be required to meet proposed levels of service and a strategy to fund these activities.

Through Report PW22048, Core Asset Management Plan, Council approved Asset Management Plans for transportation and waterworks assets on June 22, 2022, in accordance with the provincial regulations introduced through Ontario Regulation 588/17. Additionally, Asset Management Plans for Waste Management, the Hamilton Police Service and the Hamilton Municipal Parking System were approved in December 2023 through Report PW23073. Financial plans to address the annual funding gaps identified for these services will be developed in alignment with the legislated requirements by July 1, 2025.

The goal of asset management is to provide a set level of service in the most cost-effective manner through the acquisition, operation, maintenance, renewal and disposal of assets. The effective management of infrastructure involves taking a lifecycle view, ensuring that cost, risk and level of service are all considered in decision making. This view ensures that, with its limited financial resources, the City can effectively sustain service delivery to residents and businesses.

In the future, the Province will require any municipality seeking provincial capital funding to prepare a detailed Asset Management Plan and show how its proposed project fits within the plan. It is reasonable to assume the ability to demonstrate the benefit of

a project to the community through quantifiable metrics tied to legislative-based levels of service and costs will be a component of future provincial funding requests.

Beyond compliance, there are further benefits to the establishment of an Asset Management Program for the City of Hamilton. Enhancements will provide opportunity to gain perspective on the current service levels being rendered to the community and identify the infrastructure needs to maintain current service levels or achieve proposed service levels. A sound policy along with a robust plan provides Council and staff new tools and information to make informed decisions, by offering:

- The annual requirements for lifecycle management based on asset performance and industry asset management best practices.
- Co-ordinated efforts for the planning of growth-related infrastructure and the ongoing operating and maintenance requirements for those assets.
- A means towards risk assessment and prevention, as well as, a clearer understanding of the risks involved with deferring or foregoing capital investment;
- An interpretation of the impacts of capital investment levels on municipal service delivery; and,
- A framework to prioritize capital investment amongst competing priorities for limited resources.

Through Report PW22048, an annual funding gap of \$94.7 M for the transportation network was identified based on asset renewal needs and planned operations and maintenance. A \$101.1 M annual funding gap was identified for rate supported programs.

The Capital Financing Plan reflects a phase-in approach to increase the annual funding amounts for Transportation assets over the 10-year planning period beginning in 2024 that would effectively close the annual funding gap by 2033. This results in an additional investment of \$9.5 M annually, or 0.82%.