



**CITY OF HAMILTON**

**CORPORATE SERVICES DEPARTMENT**  
**Financial Planning & Policy Division**

<b>TO:</b> Mayor and Members General Issues Committee	<b>WARD(S) AFFECTED:</b> CITY WIDE
<b>COMMITTEE DATE:</b> February 28, 2013	
<b>SUBJECT/REPORT NO:</b> 2013 Tax Supported Operating Budget - Boards & Agencies (FCS13011) (City Wide)	
<b>SUBMITTED BY:</b> Mike Zegarac Acting General Manager Finance & Corporate Services Department	<b>PREPARED BY:</b> Tom Hewitson (905) 546-2424 ext 4159 Cyrus Patel (905) 546-2424 ext 7698
<b>SIGNATURE:</b>	

**RECOMMENDATION**

That the 2013 net operating levies for Boards and Agencies at \$188,271,200 be approved per Appendix "A" to FCS13011.

**EXECUTIVE SUMMARY**

At its meeting of October 10, 2012, Hamilton City Council directed staff by way of recommendation 1(b) of General Issues Committee Report 12-024 as follows:

"That Boards and Agencies be requested to submit a 2013 budget based on a guideline of 0% increase, and that any increase be forwarded for consideration with appropriate explanation."

The preliminary 2013 budget for the City's Boards and Agencies is submitted for Council's consideration. A summary is provided in the table below. The full listing can be found in Appendix "A" to report FCS13011.

**SUBJECT: 2013 Tax Supported Operating Budget - Boards & Agencies  
(FCS13011) (City Wide) - Page 2 of 11**

<b>SUMMARY NET BUDGET INFORMATION: Years 2012 and 2013</b>				
<b>Board/Agency</b>	<b>2012 Budget Net</b>	<b>2013 NET Preliminary Budget \$</b>	<b>Change \$</b>	<b>Change %</b>
Hamilton Police Services	134,712,320	140,219,590	5,507,270	4.1%
Hamilton Public Library	28,038,610	28,038,610	0	0.0%
H.E.C.F.I.	3,247,140	3,247,140	0	0.0%
Conservation Authorities	4,500,610	4,509,605	8,995	0.2%
HCA: Contracted Services	546,554	546,554	0	0.0%
MPAC	6,205,585	6,216,497	10,912	0.2%
Other Boards & Agencies <i>Discretionary Grants</i>	2,254,496	2,281,004	26,508	1.2%
Community Partnership Program	3,212,176	3,212,200	24	0.0%
<b>Total for Above Items <i>excluding Capital Financing</i></b>	<b>182,717,491</b>	<b>188,271,200</b>	<b>5,553,709</b>	<b>3.0%</b>

At the General Issues Committee (GIC) meetings of January 24<sup>th</sup>, 25<sup>th</sup> and January 31<sup>st</sup> of 2013, representatives of the various boards and agencies (except Hamilton Police Services) have made representations in support of their budget requests, and the GIC has had the opportunity to inquire about their respective budget details. The preliminary budget numbers provided in this report are accurate as of January 31<sup>st</sup>, 2013.

The budget presentation for the Hamilton Police Services (HPS) is scheduled for February 21<sup>st</sup>, 2013 at which time its current preliminary net budget request of \$140,219,590 may be revised. Should the budget request be reduced, the recommendation in this report can be updated accordingly.

***Alternatives for Consideration – See Page 9.***

**FINANCIAL / STAFFING / LEGAL IMPLICATIONS (for Recommendation(s) only)**

**Financial:** The draft 2013 Boards and Agencies operating budget results in a total net levy increase of approximately \$5,553,709 (3.0%) comprised of:

- \$5,507,270 or 4.1% for Police Services;
- \$8,995 or 0.2% for Conservation Authorities;

**SUBJECT: 2013 Tax Supported Operating Budget - Boards & Agencies  
(FCS13011) (City Wide) - Page 3 of 11**

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- \$10,912 or 0.2% on account of MPAC related increase; and,
- \$26,508 or 3% in relation to Art Gallery of Hamilton, reflecting the implementation of Council's policy to reduce dependency on reserves by 3% per year over a 10 year period.

**Staffing:** Police Services, Library Services and HECFI make their own respective presentations concerning changes in staff levels; funding for all the other entities among the boards and agencies does not involve any staff funding from the City of Hamilton.

**Legal:** N/A.

**HISTORICAL BACKGROUND** (Chronology of events)

As requested by the General Issues Committee (GIC) at the October 2012 meeting, staff are bringing forward the 2013 proposed budget based on the City's current position including preliminary budgets for Boards & Agencies based on their submissions as of January 31<sup>st</sup>, 2013.

**POLICY IMPLICATIONS/LEGISLATED REQUIREMENTS**

N/A.

**RELEVANT CONSULTATION**

The budget has been developed in conjunction with internal and external partners.

**ANALYSIS / RATIONALE FOR RECOMMENDATION**

(include Performance Measurement/Benchmarking Data, if applicable)

**HAMILTON POLICE SERVICES (HPS)**

The requested operating budget for HPS, as advised to the City as of January 31<sup>st</sup>, 2013, including the capital financing portion, is \$140,932,240 resulting in an increase of \$5,290,700 or 3.9% (comprised of +4.1% for the operating portion and -23.3% for the capital financing portion of the budget). The following table highlights the budget increase, as well as the capital funding provided to the HPS through the City's capital budget process. It is to be noted that, since the capital financing portion of the HPS budget has already been approved as part of the City's capital budget process, this report relates exclusively to the approval of the operating budget. Therefore, the HPS operating budget request of \$140,219,590 is submitted for Council approval. It is to be noted that the budget presentation by HPS on February 21<sup>st</sup>, 2013 may alter the board approved request indicated below.

<b>SUMMARY NET BUDGET INFORMATION: Years 2012 and 2013</b>				
<b>Board/Agency</b>	<b>2012 Budget Net</b>	<b>2013 NET Preliminary Budget \$</b>	<b>Change \$</b>	<b>Change %</b>
<b>Hamilton Police Services</b>				
Operating Budget	134,712,320	140,219,590	5,507,270	4.1%
Capital Financing	929,220	712,650	(216,570)	-23.3%
<b>Hamilton Police Services</b>	<b>135,641,540</b>	<b>140,932,240</b>	<b>5,290,700</b>	<b>3.9%</b>

**SUBJECT: 2013 Tax Supported Operating Budget - Boards & Agencies  
(FCS13011) (City Wide) - Page 5 of 11**

**LIBRARY BOARD**

The Library budget request as approved by the Library Board (including the capital financing portion), is for \$28,103,090 which represents a 0.0% increase over the 2012 budget consistent with the Council direction of October 2012.

<b>SUMMARY NET BUDGET INFORMATION: Years 2012 and 2013</b>				
<b>Board/Agency</b>	<b>2012 Budget Net</b>	<b>2013 Preliminary Budget Net</b>	<b>Change \$</b>	<b>Change %</b>
<b>Library</b>				
Operating Budget	28,038,610	28,038,610	0	0.0%
Capital Financing	69,550	64,480	(5,070)	-7.3%
<b>Library Total</b>	<b>28,108,160</b>	<b>28,103,090</b>	<b>(5,070)</b>	<b>0.0%</b>

It is to be noted that since the capital financing portion of the Library budget has already been approved as part of the City's capital budget process, this report excludes that portion in requesting the approval of the operating budget. Therefore, the Library operating budget request of \$28,038,610 is submitted for Council approval.

**H.E.C.F.I.**

The H.E.C.F.I. budget request is for \$3,247,140 which represents a 0% increase over the 2011 budget, consistent with the Council direction of October 2012.

The following additional expenditures related to H.E.C.F.I. operations are included in the City's departmental budgets:

<b>Department</b>	<b>Comments</b>	<b>2012 Budget</b>	<b>2013 Preliminary Budget</b>	<b>Change \$</b>	<b>Change %</b>
Corporate Financials	Subsidy-Hamilton Bulldogs	222,000	220,000	-2,000	-0.90%
Corporate Financials	WSIB Benefit Recovery	143,300	143,300	0	0.00%
Public Works	Utilities (net of recoveries)	2,567,720	2,433,651	-134,069	-5.22%
	<b>Total</b>	<b>2,933,020</b>	<b>2,796,951</b>	<b>-136,069</b>	<b>-4.64%</b>

As indicated, these items reside within City departmental budgets of Public Works and Corporate Financials and are not included in the approval recommendations within this report.

**SUBJECT: 2013 Tax Supported Operating Budget - Boards & Agencies  
(FCS13011) (City Wide) - Page 6 of 11**

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On February 12, 2013, GIC considered the Report CM11013(e) which indicated how the eventual annualized savings estimated at \$2.2 million would be realized over the period of 2013 to 2018. The management agreements with Global Spectrum / Live Nation for Copps Coliseum and Hamilton Place, and with The Carmen's Group for Hamilton Convention Centre are expected to be effective March 1, 2013.

Council had previously referred the budget savings resulting from the H.E.C.F.I. restructuring to the 2013 budget process. Staff are updating Council with respect to transition items as this report is being written. Any change to this budget can be dealt with during deliberation of the Council Referred items.

**CONSERVATION AUTHORITIES**

The proposed budget for the conservation authorities is based on the budget submissions provided by the eligible conservation authorities. The total proposed budget for the Conservation Authorities is increasing by \$8,995 or 0.2%; it is to be noted that the information as provided by the Conservation Authorities is to be considered as draft until it is approved by their respective boards.

The summary of the budget request for the conservation authorities is provided on the following page.

<b>Conservation Authorities</b>				
<b>SUMMARY NET BUDGET INFORMATION: Years 2012 and 2013</b>				
<b>Board/Agency</b>	<b>2012 Budget Net</b>	<b>2013 NET Preliminary Budget \$</b>	<b>Change \$</b>	<b>Change %</b>
Niagara Peninsula Conservation Authority	513,470	513,470	-	0.0%
Grand River Conservation Authority	238,160	243,115	4,955	2.1%
Conservation Halton	179,660	183,700	4,040	2.2%
Hamilton Conservation Authority	3,569,320	3,569,320	-	0.0%
<b>Total for ALL Conservation Authorities</b>	<b>4,500,610</b>	<b>4,509,605</b>	<b>8,995</b>	<b>0.2%</b>

**Niagara Peninsula Conservation Authority (NPCA)**

The requested levy for the Niagara Peninsula Conservation Authority (NPCA) is maintained at the 2012 level. Based on the agreed apportionment formula, the City of Hamilton's percentage was revised from 3.9697% in 2012 to 4.002% in 2013.

**Grand River Conservation Authority (GRCA)**

The requested levy for Grand River Conservation Authority is \$243,115 which represents an increase of \$4,955 or 2.1% increase over 2012. Major factors causing the budget pressure are reduction in Ministry of Natural Resources grant by about \$80,000 and increase in property taxes and staff compensation by about 2%. The cost apportionment ratio for the City in 2013 remains unchanged from last year at 2.4%.

**Conservation Halton**

The requested levy for Conservation Halton is \$183,700, which represents an increase of \$4,040 or 2.2% over 2012. Major budget pressures include higher staff costs and debt financing charges. The cost apportionment ratio for the City in 2013 remains unchanged from 2012 at 2.4%.

**Hamilton Conservation Authority (HCA)**

The 2013 requested levy for HCA is maintained at its 2012 level of \$3,569,320. Nearly the entire HCA levy is paid by the City of Hamilton with a very small contribution of about \$10,000 from Puslinch.

**HAMILTON CONSERVATION AUTHORITY (HCA): CONTRACTED SERVICES**

The Hamilton Conservation Authority provides contracted services related to the day to day management and operation of the Confederation Park and the Westfield Heritage Village. The earlier service level agreement had expired and in 2012 the City negotiated a new agreement with respect to Confederation Park; also in 2012, Council has directed staff to complete a similar new agreement with respect to Westfield Heritage Village.

In past years, the budget for both these programs was provided for as a payment of grants under the heading "Boards and Agencies"; after the finalization of the management agreement with respect to Confederation Park, the budget for that program was moved in 2012 to the Public Works Department under the "contractual" cost category. Therefore, in 2013, only the budget for the Westfield Heritage Village is considered under the "Boards and Agencies" group and continues to be budgeted as a grants payment.

The 2013 budget request for the Westfield Heritage Village remains unchanged at \$546,554. In a recent communication, HCA has identified a need to hire a coordinator for managing the volunteers on site; however, the financial impact and potential funding sources are yet to be determined.

**MPAC (Municipal Property Assessment Corporation)**

The City is legislated to fund MPAC's financial requirements based on a prescribed formula; for 2013, MPAC has confirmed a levy of \$6,216,497, representing an increase of \$10,912 or 0.2% over the 2012 approved budget of \$6,205,585.

**OTHER BOARDS & AGENCIES – DISCRETIONARY GRANTS**

“Other Boards and Agencies” classification represents other organizations which are paid a discretionary grant through the tax operating budget. The budget for the discretionary grants has been set at a 0% increase over 2012. The summary on the next page identifies the preliminary net levy budgets for each organization considered for the discretionary grants.

<b>OTHER BOARDS AND AGENCIES - DISCRETIONARY GRANTS</b>				
<b>SUMMARY NET LEVY BUDGET INFORMATION: Years 2012 and 2013</b>				
<b>Board/Agency</b>	<b>2012 Budget Net</b>	<b>2013 NET Preliminary Budget \$</b>	<b>Change \$</b>	<b>Change %</b>
Art Gallery of Hamilton (Net)	883,599	910,107	26,508	3.0%
Boris Brott	90,109	90,109	0	0.0%
Hamilton Beach Rescue Unit Inc.	126,810	126,810	0	0.0%
Ham Philharmonic Orchestra	113,695	113,695	0	0.0%
HWCA - Festival of Friends	85,271	85,271	0	0.0%
Opera Hamilton	126,928	126,928	0	0.0%
Theatre Aquarius	73,534	73,534	0	0.0%
Hamilton Waterfront Trust	155,344	155,344	0	0.0%
Royal Botanical Gardens	599,206	599,206	0	0.0%
<b>Total - Other Boards &amp; Agencies</b>	<b>2,254,496</b>	<b>2,281,004</b>	<b>26,508</b>	<b>1.2%</b>

**Art Gallery of Hamilton**

The total funding request from the Art Gallery of Hamilton is \$1,000,000 (same as for 2012) with \$89,893 in funding coming from reserves resulting in a net levy request of \$910,107 for 2013. As part of the 2007 budget process, Council approved the City’s funding of the Art Gallery of Hamilton be based on an annual grant of \$1 million to be achieved through a 3% annual increase in the base grant. This was to be achieved through the establishment of a one-time Stabilization Fund of \$1.1 million to be applied to offset the difference over a 10-year period (year 2013 represents the seventh year); and any surpluses generated from the AGH operation was to be applied directly to



reduce the City's contribution to the stabilization fund. Since the amount of temporary reserve funding to partially offset the grant is decreased each year, for 2013, this results in an increase of \$26,508 or 3% in the levy requirement.

**Theatre Aquarius**

Theatre Aquarius anticipates a 10% reduction (about \$34,300) in the Federal and Provincial grants for 2013; for 2013, it has requested a corresponding increase in the City's grant, which if allowed, would result in a 47% increase from \$ 73,534 in 2012 to \$107,834 in 2013. Theatre Aquarius believes that this increase would be supported by the City of Hamilton's Arts Funding Task Force, based on an equitable distribution of resource in relation to other arts organizations based on merit and contributions made.

The current preliminary budget approval requested in this report does not include the increased level of funding sought by Theatre Aquarius. However, the General Issues Committee may amend the requested budget for Theatre Aquarius to offset some or all of the grants funding lost from other levels of government.

**Festival of Friends (FOF)**

For 2012, the FOF has an unpaid amount of \$34,126 on account of Police services used during 2012. At its presentation to the GIC on January 24<sup>th</sup>, 2013, FOF presented information on the sharp increase in policing costs during 2012 and requested the GIC to consider some relief in terms of policing costs and waiver of the City policy to withhold grants payments where the agency receiving the grants owes any amount to the City. There is a recommendation for consideration at Council meeting of February 13, 2013 to allow the City to continue to make payments to FOF while the matter relating to the Police accounts receivable is resolved.

The grant budgeted for 2013 is unchanged from 2012 at \$85,271. FOF has indicated that this will not be adequate to fund policing costs and this issue has been referred to the Community Partnership Program grants sub-committee.

The following is the operating result for FOF based on information provided by the organization.

**SUBJECT: 2013 Tax Supported Operating Budget - Boards & Agencies  
(FCS13011) (City Wide) - Page 10 of 11**

<b>HWCA - Festival of Friends Actual Operating Results - 2012 &amp; 2013</b>				
<b>Description</b>	<b>Actual Expenditures</b>			
	<b>2011</b>	<b>2012</b>	<b>Variance</b>	<b>% Change</b>
<b>Revenue</b> <i>including Sponsorship, Vendors &amp; Parking</i>	<b>(561,206)</b>	<b>(427,393)</b>	133,813	-23.8%
<b>Expenditures</b>	544,377	508,360	<b>(36,017)</b>	-6.6%
<b>Net Income</b> <small>-ve indicates surplus revenue; +ve indicates loss</small>	<b>(16,829)</b>	<b>80,967</b>	<b>97,796</b>	-23.8%
<b>Note: This summary excludes in-kind services received.</b>				

### Financial Reporting

As a normal part of the budget process, all external boards and agencies are required to provide to the City a copy of the audited financial statements for the last completed accounting period and make a presentation to the General Issues Committee outlining their major accomplishments for the completed year, their business plans for the next year, a brief outline of the current financial situation, and a formal request for the grant from the City. For the year 2012, audited financial statements (Statement of Income and Expenditures and Balance Sheet) have been received from all the entities supported, except for HWCA-Festival of Friends which has provided only the Statement of Income and Expenditure. These statements have been compiled and distributed to at the GIC meeting of January 24<sup>th</sup>, 2013.

### COMMUNITY GRANTS PARTNERSHIP PROGRAM

The draft 2013 budget for the Community Partnership Program is \$3,212,200, which represents an increase of \$24 compared to the approved 2012 budget (rounding). These grants are allocated through a sub-committee process.

### ALTERNATIVES FOR CONSIDERATION

(include Financial, Staffing, Legal and Policy Implications and pros and cons for each alternative)

As part of the budget deliberations, Council can direct changes to the budget as required. Staff will also continue to monitor the 2012 year-end actuals in an effort to identify further opportunities to reduce the 2013 budget.

**ALIGNMENT TO THE 2012 – 2015 STRATEGIC PLAN:**

**Strategic Priority #1**

A Prosperous & Healthy Community

*We enhance our image, economy and well-being by demonstrating that Hamilton is a great place to live, work, play and learn.*

**Strategic Objective**

- 1.3 Promote economic opportunities with a focus on Hamilton's downtown core, all downtown areas and waterfronts.
- 1.5 Support the development and implementation of neighbourhood and City wide strategies that will improve the health and well-being of residents.
- 1.6 Enhance Overall Sustainability (financial, economic, social and environmental).

**Strategic Priority #2**

Valued & Sustainable Services

*WE deliver high quality services that meet citizen needs and expectations, in a cost effective and responsible manner.*

**Strategic Objective**

- 2.2 Improve the City's approach to engaging and informing citizens and stakeholders.

**APPENDICES / SCHEDULES**

Appendix A: Summary of Preliminary Budget for 2013 for Boards and Agencies.

<b>Summary of Preliminary Budget for 2013 for Boards and Agencies</b>		
<b>#</b>	<b>Board/Agency</b>	<b>2013 NET Preliminary Budget \$</b>
<b>City Boards:</b>		
1	Hamilton Police Services	140,219,590
2	Hamilton Public Library	28,038,610
3	H.E.C.F.I.	3,247,140
<b>Sub Total</b>		<b>171,505,340</b>
<b>Conservation Authorities:</b>		
4	Niagara Peninsula Conservation Authority	513,470
5	Grand River Conservation Authority	243,115
6	Conservation Halton	183,700
7	Hamilton Conservation Authority	3,569,320
<b>Sub Total</b>		<b>4,509,605</b>
<b>HCA: Contracted Services</b>		
8	Total for Contracted Services	<b>546,554</b>
<b>Grants:</b>		
9	Art Gallery of Hamilton	910,107
10	Boris Brott - Approved Grant	90,109
11	Hamilton Beach Rescue Unit Inc.	126,810
12	Ham Philharmonic Orchestra	113,695
13	HWCA - Festival of Friends	85,271
14	Opera Hamilton	126,928
15	Theatre Aquarius	73,534
16	Hamilton Waterfront Trust	155,344
17	Royal Botanical Gardens	599,206
<b>Sub Total</b>		<b>2,281,004</b>
<b>Other Items:</b>		
19	MPAC	6,216,497
20	Community Partnership Program	3,212,200
<b>Sub Total</b>		<b>9,428,697</b>
<b>Total for All Boards and Agencies</b>		<b>188,271,200</b>
<b>NOTE:</b> Preliminary budget request as at January 31, 2013, subject to change per approval of Police Services Boards or Conservation Authority Boards.		