



Back row L-R: Councillors Chad Collins, Phil Bruckler, Sam Merulla, Margaret McCarthy
 Middle row L-R: Councillors Murray Ferguson, Bob Bratina, Dave Mitchell, Brian McHattie, Terry Whitehead, Dave Braden
 Front row L-R: Councillors Bernie Morelli, Maria Pearson, Mayor Larry Di Ianni, Councillors Bill Kelly, Tom Jackson, Art Samson

A Message from the Mayor PROUD OF OUR ACCOMPLISHMENTS

There are a lot of great things happening in Hamilton right now. Hamilton is moving forward, our citizens are benefiting from this momentum, and results are being achieved through old and new partnerships.

As a community we have come together and are seeing a positive momentum that our city hasn't felt for years. We are involving people, groups, and organizations throughout our community to take part in our city's rebuilding. This effort combined with Council's determination to get things done has worked for all residents of Hamilton, no matter where they live.

Take a moment to look back over the past year, or in fact, over the past three years and you will see a city that is moving forward. Despite the challenges, there is a sense of momentum and a belief that things are moving in the right direction. We are setting goals and achieving results.

Working together in partnership with Hamiltonians we are improving the economic, environmental, social, and civic life of our city.

At City Hall, we have taken a proactive approach to ensuring that our community grows at a sustainable pace while protecting the important values and natural attributes of our city. We are trying to find the right balance between greenfield development, Brownfield site regeneration, urban core intensification and employment land expansion.

Although there are many positive things that have been done, here are some of this year's top accomplishments:

Taxes - progressively our city tax rate has decreased over the past three years to offset the average assessment increase. From a budgetary standpoint, last year we had the third lowest tax increase among larger Ontario municipalities.

2004 - 5.6% • 2005 - 3.2% • 2006 - 2.2%

Poverty - Hamilton's levels of poverty are among the highest in the Province of Ontario. It is unacceptable that almost 20% of our population or 95,000 people live in low income households. We are taking action to tackle this issue with other partners in our community. The City of Hamilton along with the Hamilton Community Foundation co-convoked the Roundtable for Poverty Reduction in 2005 to find new ways to reduce poverty in our community.

The Roundtable, comprised of representatives from all sectors of the community, has reviewed research and best practices, engaged the broader community in dialogue and consultation, determined an area of focus as a starting point for its work and developed a strategic plan or framework to guide the new ways we will work to solve this problem. When we link all

sectors, acknowledge our inter-dependence, and work systemically toward a common goal, we can have a lasting impact on poverty.

The community has told us that to reduce poverty we should initially focus on children and youth. Our children deserve the best. Together we can make Hamilton the best place to raise a child!

Downtown revitalization has seen a huge push in recent years and remains a key component of our economic development initiatives. City Council has played a pivotal role in moving forward the re-development of such buildings as the Lister Block, the Royal Connaught project, the Spallacci Building, and the former Kit Kat Building.

Through City sponsored incentive programs we have also seen more than 700 new residential units created in the core, with nearly 1000 more expected in the near future.

Downtown construction has also reached an all time high with well over \$100 million in new construction projects taking place in the core. These are positive signs for our city and they speak to the re-invention of our downtown for the 21st century.

In total, during the first half of 2006 Hamilton saw 2 million square feet of new business development take place.

In terms of our industrial past, we are happy that **Stelco's** restructuring is now complete and we can once again look forward to a strong and successful Stelco in Hamilton.

We also have our prized **Dofasco** which was recently purchased by Arcelor and has become one of the most sought after steel producers in North America.

Once complete next fall the **Red Hill Valley Parkway** will become a key component of Hamilton's long range planning and economic growth. A considerable amount of construction took place in 2005 and 2006. As the project nears completion, we are already beginning to see renewed interest in our industrial parks and east-end development lands.

2006 also saw the announcement of what will be one of the largest inner city developments in Canada - the \$150 million redevelopment of the **Centre Mall** site.

McMaster University continues to be one of the pre-eminent student-centered, research universities in the world. This past year McMaster University began to develop the McMaster Innovation Park (MIP). The Innovation Park will house more than one-million square feet of laboratory, office, training, and conference facilities. Already this facility has attracted an anchor tenant - the federal CANMET Materials Technology Laboratory. When complete, the McMaster Innovation Park will represent a potential investment of \$300

to \$400 million into our community.

During the past year we have also seen a rejuvenation of the arts in Hamilton with the reopening of the **Art Gallery of Hamilton** and the opening of a new studio in what was the former Imperial Cotton Centre. Hamilton has also seen its share of **movie and television production** this year, with initial estimates topping \$15 million. Everything from an episode of West Wing in downtown Dundas to numerous blockbuster movies could be seen gracing Hamilton streets.

From an **environmental** standpoint we remain committed to investing in the infrastructure needs of our city. Over this term of Council we have invested over \$100 million to clean up Hamilton Harbour. We have also invested \$33 million to construct a state-of-the-art centralized composting facility in order to achieve our waste diversion targets.

We continue to foster and build upon our **partnerships** with senior levels of government. These new partnerships have resulted in Hamilton obtaining significant funding for social service costs - in the last three years we have received over \$55 million in social service funding from the provincial government.

2004 - \$19.5 million • 2005 - \$15.5 million • 2006 - \$20.0 million

Without this new money, taxpayers would have seen an additional 4% increase in taxes in each of the last 3 years. We are grateful for the provincial assistance that we have received and need to work with our provincial partners at making this funding ongoing and sustainable.

As well, we have benefited from provincial and federal gas tax money, the federal GST rebate, new funding for infrastructure, and a seat at the table with the federal government in discussing the issues affecting big cities across Canada, like Hamilton. This will assist the City in moving forward towards a sustainable financial plan for our hard assets from sewers to bridges and parks to roads.

Additionally, working with our provincial partners we have secured a \$20 million dollar commitment to service the North Glanbrook Industrial Business Park. Combine that with the City's \$20 million commitment and this will provide us with 680 acres of shovel ready employment land.

As we move forward, we will be working with senior levels of government to secure additional funding to service our airport employment lands. The increased development of Hamilton International Airport and the surrounding employment lands will be significant as we move towards our economic development targets.

Looking forward to 2006 and 2007, I remain confident about the prospects of our future.

In September we will once again host the **Canadian Open Golf Tournament**. This premier event will once again showcase our city to the world.

Following this, a delegation from the city will be embarking on a trip to Queen's Park for what we are calling "**Hamilton Day**". This will give us an opportunity to discuss Hamilton's needs and show off our successes.

In October we will kick-off our **2nd Annual Hamilton Celebrates Month** festivities. This month long celebration will see daily events take place in every community of our great city. This year's honorary chair is Doreen Horbach. I encourage all of you to explore the magnificent treasures of our community and to celebrate Hamilton during the month of October.

As we head into 2007, the **Tim Horton's 2007 Canadian Brier** will be coming to Hamilton and we will also be celebrating the **50th Anniversary of the CANUSA Games** in our community.

As we reflect on our accomplishments over the past year our future looks bright. As a city council we remain focused on making Hamilton the best it can be and providing good government for our great city.

Thank you,



Mayor Larry Di Ianni



Corporate Management Team
 Back row L-R: Glen Peace, City Manager; Joe-Anne Priel, General Manager, Community Services; Scott Stewart, General Manager, Public Works; Jim Kay, General Manager/Chief Hamilton Emergency Services. Front row L-R: Catherine Graham, General Manager, Human Resources; Joseph Rinaldo, General Manager, Finance and Corporate Services; Lee Ann Coveyduck, General Manager, Planning and Economic Development

A Message from Glen Peace, City Manager

I am pleased to present the City of Hamilton's Annual Report to the Community. This report provides an overview of the City's 2005 expenditures and the 2006 municipal budget.

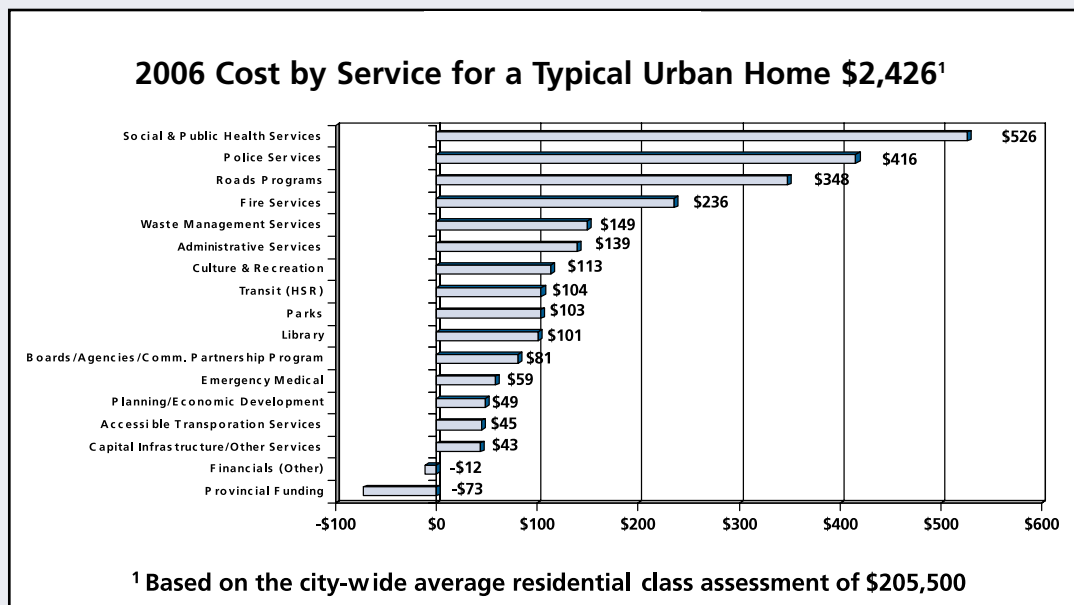
The 2006 City Budget continues to focus on the programs and services that are important to the residents and businesses of Hamilton. It maintains and enhances services in some areas while reducing spending in others. Throughout the budget process, significant financial pressures associated with waste management enhancements, energy costs, pension liabilities, and infrastructure needs were largely offset through identifying new efficiencies, increasing user fees in some areas, and the receipt of \$20 million in additional provincial funding.

The 2006 City Budget...

- preserves the services that people rely on most
- reflects a residential tax increase that remains one of the lowest among Ontario's larger municipalities
- includes additional funding support from the province

Services for Your Tax Dollar

To help you better understand where your tax dollars are spent below is a detailed breakdown of municipal services and their costs based on a typical urban household.



The above is only for municipal services and does not include education.

to offset Hamilton's social service pressures and obligations

Where We Started

When the 2006 budget process began, it was identified that the City needed approximately \$45.2 million more than the previous year in order to:

- maintain existing service levels
- implement City Council items approved during 2005
- respond to provincially mandated changes and program changes recommended primarily on the basis of new funding or response to safety concerns

The \$45 million translated into a 7.8% residential property tax increase.

Sources of Hamilton's Budget Pressures

There were significant challenges as we entered the 2006 budget process. However, of the \$45 million levy increase requested for 2006, over half was driven by only two factors. First, about \$11 million was required to implement the enhanced waste management program (about \$6 million in operations and \$5 million in capital financing). Second, there was uncertainty with respect to \$12 million in provincial funding received in 2005 with no assurance of sustainability to assist with the high demand and rising costs for social services. Excluding these two items the levy request was reduced to about \$22 million or a tax increase of about 3.8%.

Other pressures remained unchanged from the previous year. Among them:

- salary and wage pressures - cost of living adjustments and collective agreement settlements
- rising hydro and gas prices
- mandated programs such as ambulance, social housing, social services and public health services - all of which the City is obliged to provide and are outside of Council's control

Preparatory Work for the 2006 Budget

Planning for the 2006 Budget began early. Staff turned to a number of resources that assisted them in identifying, managing and prioritizing pressures in the both the short and long term.

- **Strategy Sessions** - held with each Councillor in

order to identify major priorities that helped to guide Council's decision-making and governance in the years ahead

- **Annual Tax Competitiveness Survey** - shows that Hamilton continues to make significant progress towards creating a better balance for tax rates on commercial and industrial property classes

- **Environmental Scan** - gives the City a clear picture of the social, economic and environmental challenges that we face such as:

- the strength of the Canadian dollar and its impact on the manufacturing sector
- the transfer of services to municipalities from high levels of government without sufficient funds to cover the costs
- demographic changes that result in new needs and expectations for municipal government
- health impacts due to poor air quality resulting in high health care costs and lost productivity
- the impacts from municipal planning and operations related to water, waste, greenhouse gas emissions, land use and economic development

- **Road Map to Sustainability** - developed in response to the Environmental Scan, it was designed to stimulate discussion about our future sustainability as an organization and a city

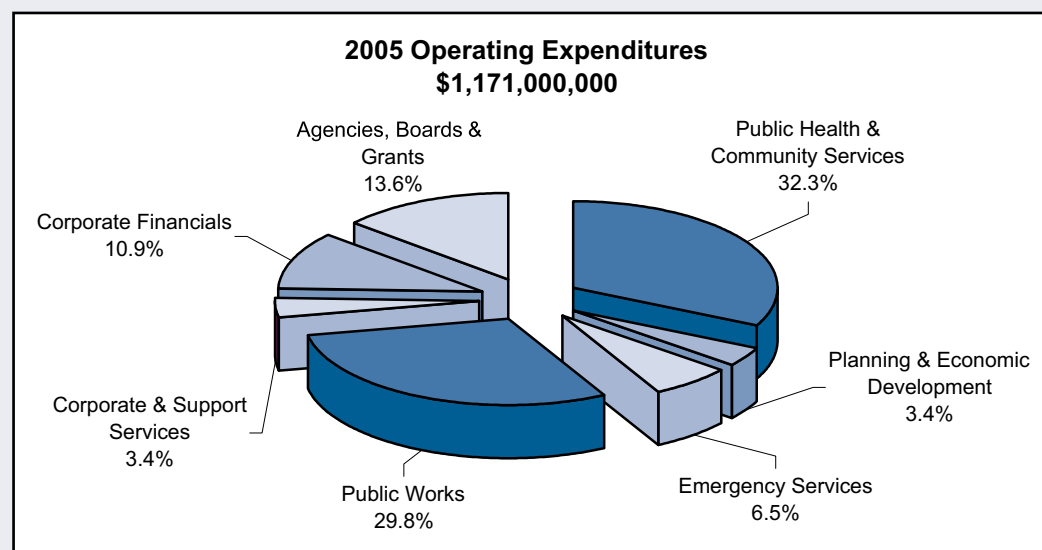
- **Public Information Sessions** - continued to play an important role, allowing residents in each of the communities in Hamilton to contribute their thoughts and ideas towards creating a truly made in Hamilton budget

- **Cost Savings Ideas Program** - implemented in 2005, the program continued to engage staff at all levels and their representative unions in discussions to find savings to improve efficiency

- **State of the Infrastructure Report** - since the late 1990s the City of Hamilton has been actively adopting sustainable asset management practices and is recognized throughout Canada and the United States as a leader in this field. This project was undertaken, in part to gauge the impact of this initiative, as well as to provide a reference that will facilitate a regular tracking of the City's path towards sustainability.

Hamilton's 2005 Expenditures (Unaudited)

The 2005 City of Hamilton operating expenditures (unaudited) represent the resources required to deliver all of the City's programs. The information provided below excludes revenues. Most programs offset some of their expenditures through revenues, recoveries and subsidies.



*Police Services represents 9.2 per cent of the 2005 Operating Expenditures and is included with Agencies, Boards & Grants which is shown above.

Finding Solutions

It was clear that Council wanted to pass a responsible budget that allowed the City to continue to provide quality programs and services that were not going to be carried on the backs of the taxpayers in 2006.

As staff looked at the budget, there were areas where user fee increases were necessary, but there were also areas where reductions in expenditures could be found.

A couple of important factors helped to lower the final tax rate:

- 1) The province announced funding that was able to offset our fiscal pressures. In the end, the City received a \$17 million one-time social service grant.
- 2) In addition, Council approved \$9.2 million in reductions from operating budgets and in the grants to outside boards and agencies - \$6.2 million through departmental budgets and \$3 million guaranteed through the Ontario Municipal Partnership Fund (OMPF).

The combined social service grant and OMPF dollars totaled \$20 million in provincial funding. The support from the province, in particular our MPPs who continue to work to secure the social service funding is greatly appreciated, but we will continue to look for a long term, sustainable solution.

The 2006 Approved Budget

Property taxes will rise on average by \$52 or 2.2% from last year, which is substantially below the 7.8% figure that opened budget deliberations in January.

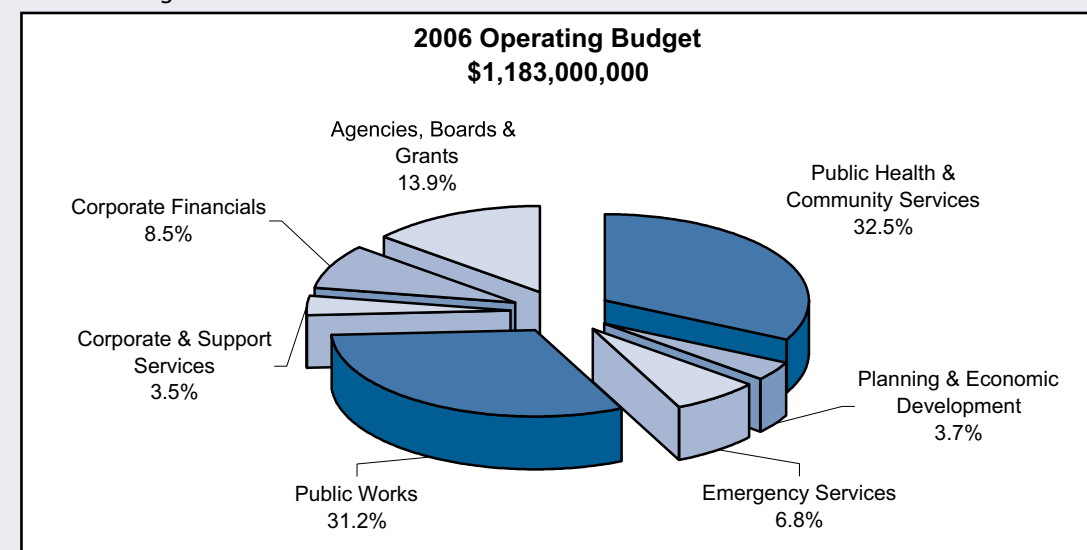
The actual residential tax increase will vary across the city due to individual property assessment changes and area rating of municipal services where the cost of services in a given community is determined by the level of service.

Highlights of the 2006 budget include:

- no transit fare increase - this will be offset by Gas Tax revenues
- \$1.9 million increase for winter control
- one time social service grant from the province - \$17 million - to offset social service costs
- \$600,000 for Royal Botanical Gardens; share of one-time funding agreement with province - no levy impact

Hamilton's 2006 Budget

The City of Hamilton's 2006 Budget supports a wide array of diverse programs and services. Ensuring adequate resources are provided to the programs, while limiting the impact on taxes and user fees, is a significant challenge. Many of the programs are mandated and cost shared with the province. These expenditures are supported through property taxes, user rates, provincial subsidies and other revenues. The following identifies how these resources were allocated in 2006.



*Police Services represents 9.4 per cent of the 2006 Operating Budget and is included with the Agencies, Boards & Grants which is shown above.

- \$1.1 million to address tree trimming - no levy impact
- funding for the new waste management green cart program
- park maintenance and improvements
- enhancements to public health programs and services

Business Retention and Expansion Plan

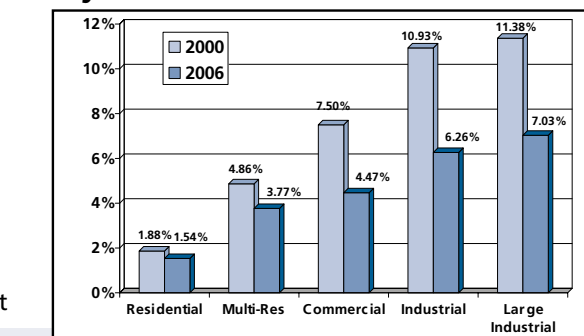
In 2001, the City of Hamilton embarked on an aggressive Business Tax Reduction Plan which has resulted in significant property tax reductions for business properties. In 2005, the program was re-named "Business Retention and Expansion" (BRE) to acknowledge the impact that the program has on retaining local businesses. Similar to previous years, the City's allocation to the program was matched by the Government of Ontario for a total tax reduction of \$9.5 million for 2005. As shown below, the combined city and provincial BRE cuts to date total \$92.3 million.

2001	2002	2003	2004	2005	Total to Date
\$millions					
\$24.6	\$18.7	\$21.5	\$18.0	\$9.5	\$92.3

The Business Retention and Expansion reductions, combined with reassessment and legislated tax levy restrictions, have resulted in substantial reductions in the business tax rates. In 2006, while no specific allocation was made towards the BRE, the business tax rates continued to fall.

The following graph highlights the ongoing tax rate reductions for both business and residential properties.

City of Hamilton Tax Rates



Hamilton continues to move in the right direction. The 2006 residential tax increase is one of the lowest among Ontario's larger municipalities. We have already begun the planning process for the 2007 budget and as we move forward the City's Corporate Management Team (CMT) is committed to identifying new opportunities, including working with senior levels of government, that allow the City to maintain the important services that its residents and businesses expect and deserve.

In closing, I want to say thank you to our City of Hamilton workforce - nearly 7,000 employees. They, in every way, work to build a community where residents and businesses can receive a wide range of services including protection to persons and properties, environmental, health, social and family, housing, transportation and culture and recreation.

This year, the City conducted an employee satisfaction survey in order to get a clear understanding of the challenges and opportunities that exist within our own organization. I have to say that it was a courageous step on the part of Council, management, and all staff, but a step that was necessary to ensure that the City, as an employer, is providing conditions where all employees can excel in service to the community. I speak for everyone when I say we are proud of our employee's commitment to provide a healthy, safe and sustainable community.

City Manager, City of Hamilton

Excellence in Program and Service Delivery

The City of Hamilton is committed to delivering high quality service that provides residents and businesses with value for their tax dollars. This commitment, evident through our many accomplishments, ensures a healthy, safe and sustainable community. Here are just a few of those accomplishments:

- Career Development Centre opened to provide residents with the right information and great job leads to assist in the search for employment
- Introduced Snow Angels Program, a new snow removal program to assist low income seniors and disabled residents clear snow from walkways around their homes
- Conducted the first post amalgamation employee survey to measure employee satisfaction with the City's progress against the HR Strategy - intended to meet Council's goal of becoming a "City of Choice for High-Performing Public Servants"
- Banner year for building activity with over \$650 million in construction value
- Completed a new state-of-the-art zoning bylaw for Downtown Hamilton which replaced the antiquated 1950's bylaw
- Hosted the Travel Media Association Conference which gave the City great profile across Canada
- Developed a new Growth Management Plan for the City called GRIDS to guide the City's growth for the next 30 years
- In September, the City joined with more than 40 community partners to launch myhamilton.ca, a comprehensive community web super site providing listings and links to local information and services that make it easier to live, work, play and do business in Hamilton
- Governments of Canada and Ontario joined with the City of Hamilton on October 24, 2005 to announce a \$75 million tripartite funding agreement to proceed with improvements to the City's wastewater treatment system and support the clean-up of Hamilton Harbour

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