



Hamilton

City of Hamilton

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# *2012 Tax Budget Guideline & Preliminary Outlook*

*General Issues Committee  
September 12, 2011*

**FCS11074**

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1. Budget Context
2. 2012 budget process (*previously approved*)
3. 2012 budget schedule (*previously approved*)
4. 2012 tax budget preliminary pressures
5. 2012 budget guidelines



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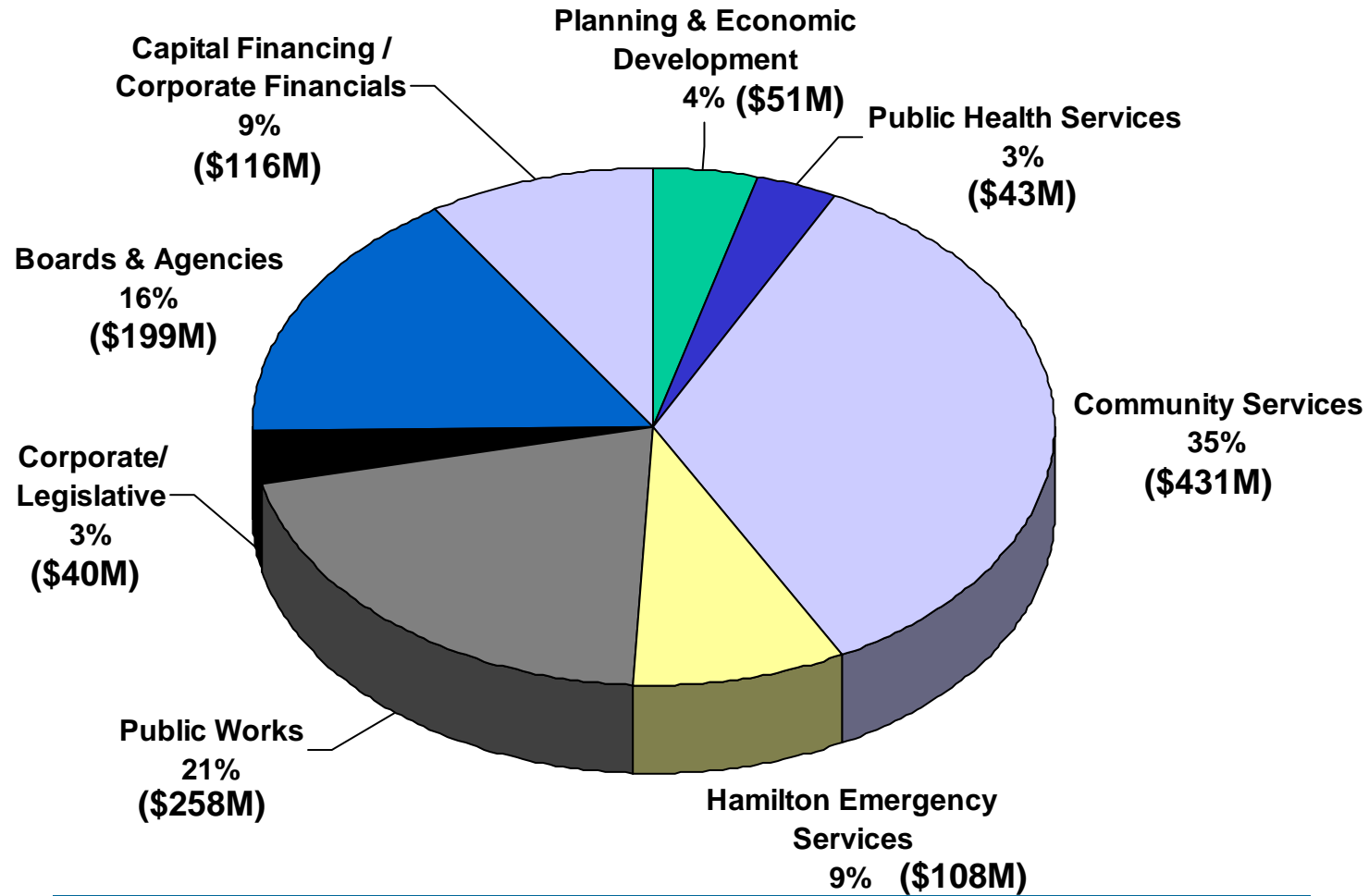
# *Budget Context*

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# 2011 Gross Tax Operating Budget by Service

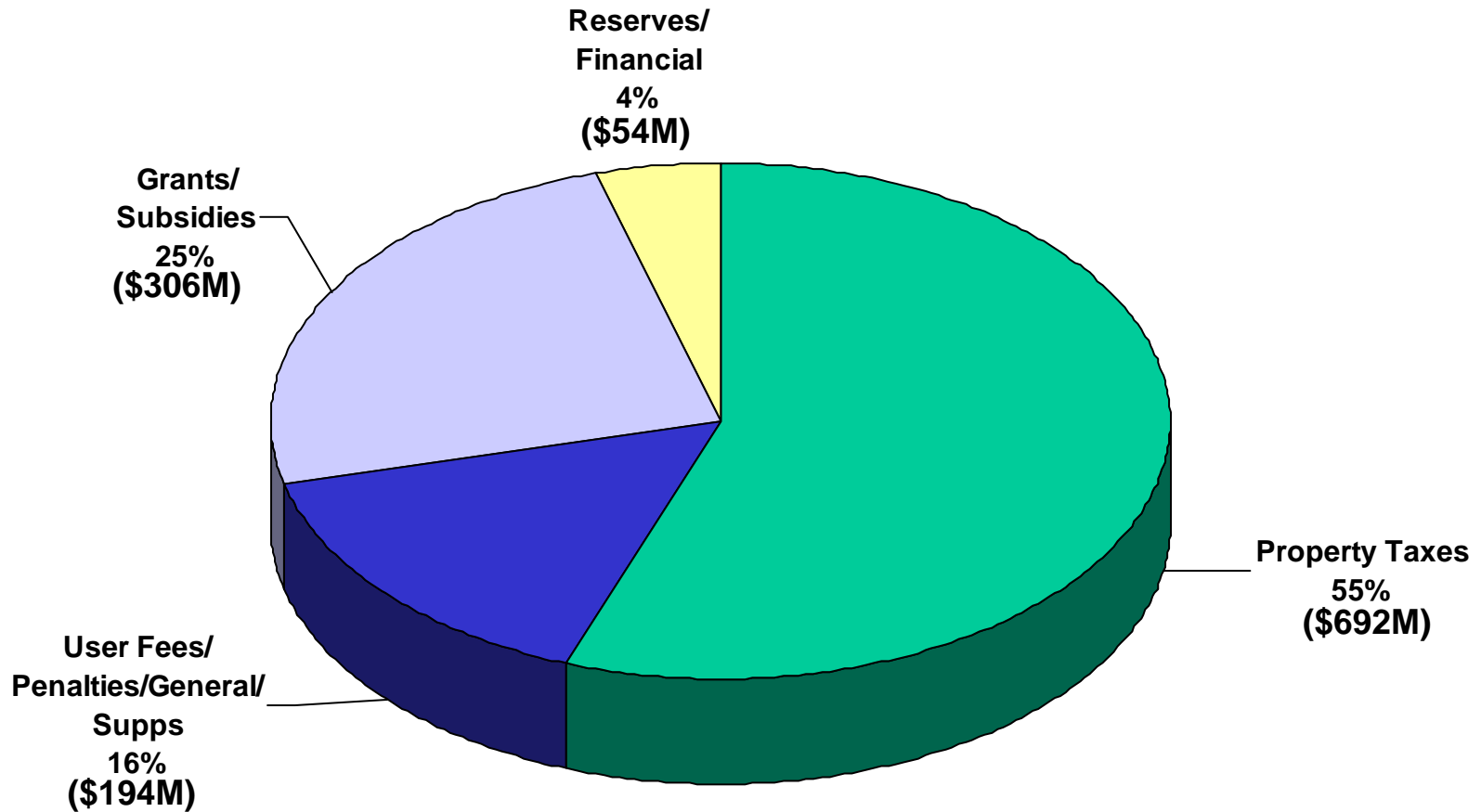
**\$1.25 billion**





# 2011 Gross Tax Revenues by Type

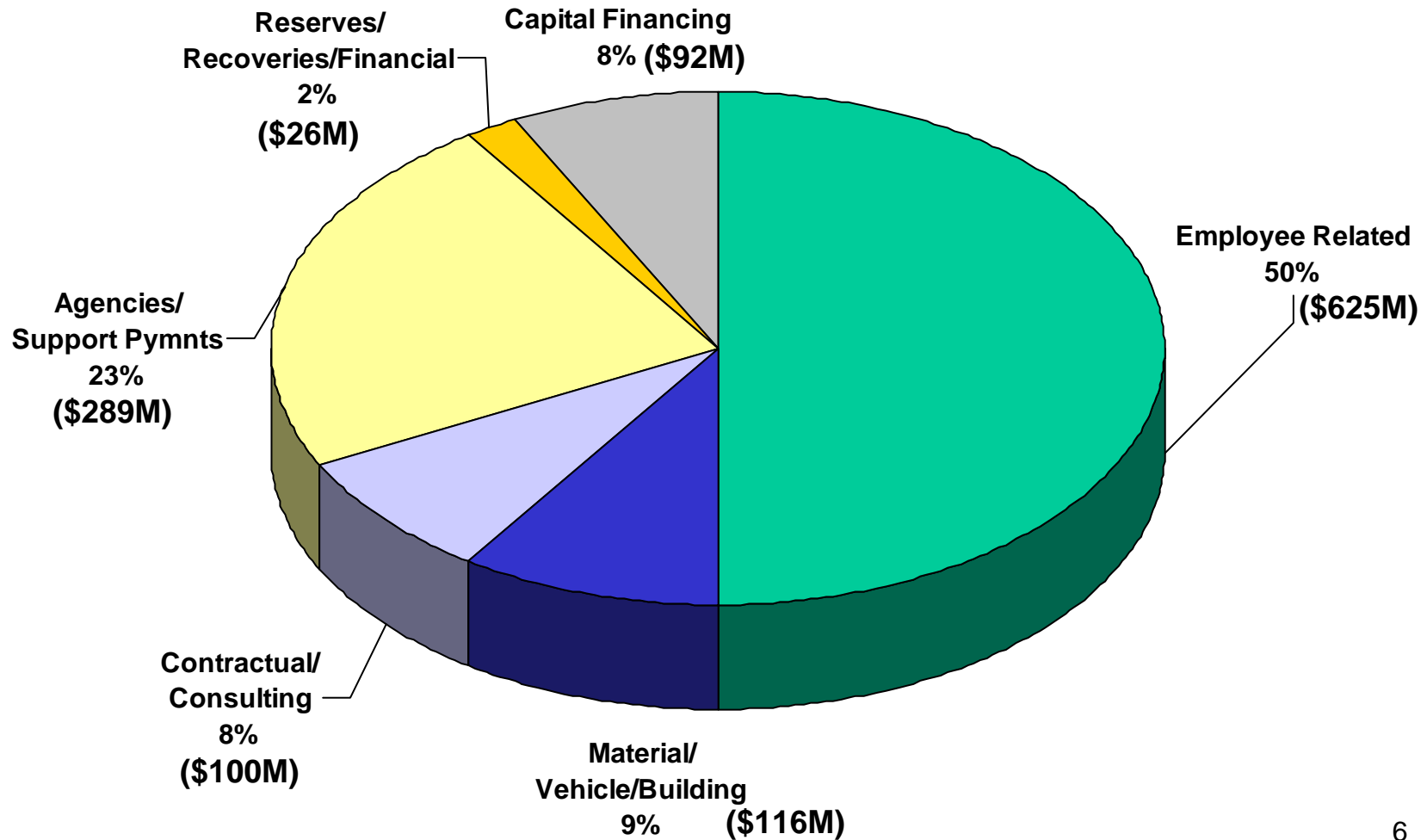
**\$1.25 billion**





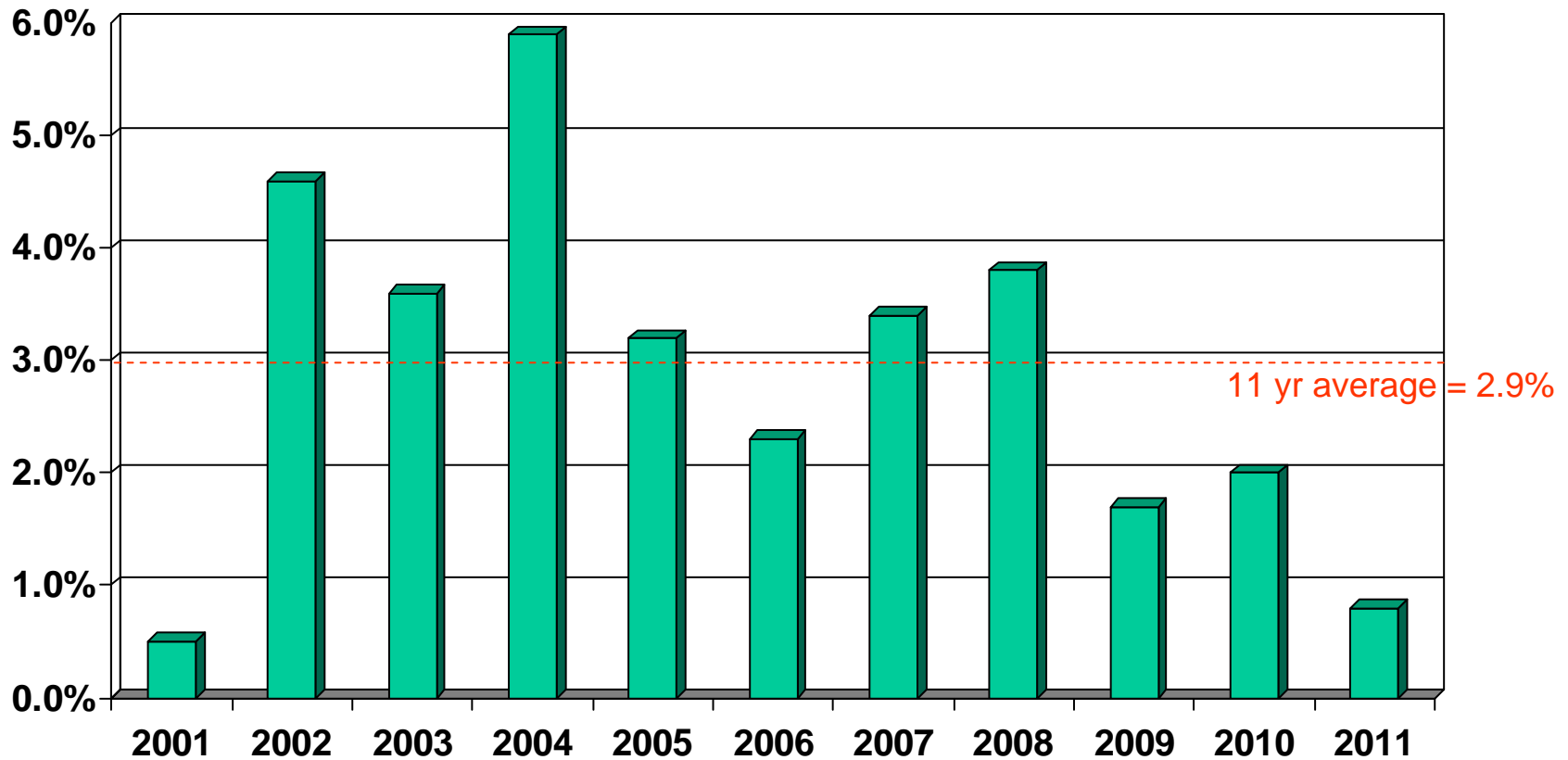
# 2011 Gross Tax Expenditures by Type

**\$1.25 billion**





# Annual City-wide Residential Tax Impacts

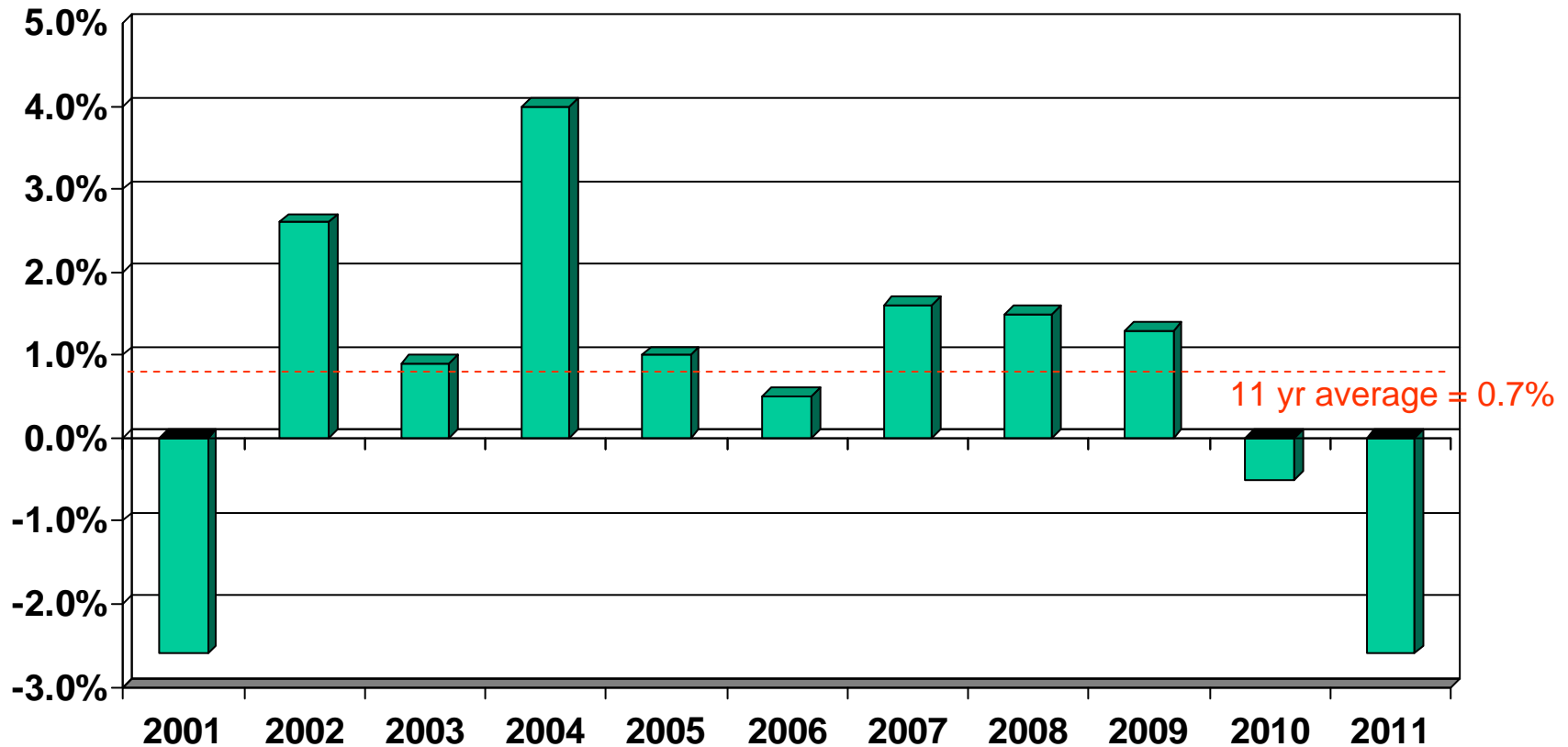


Annual residential impacts - includes budget, reassessment, area-rating, education and tax policies



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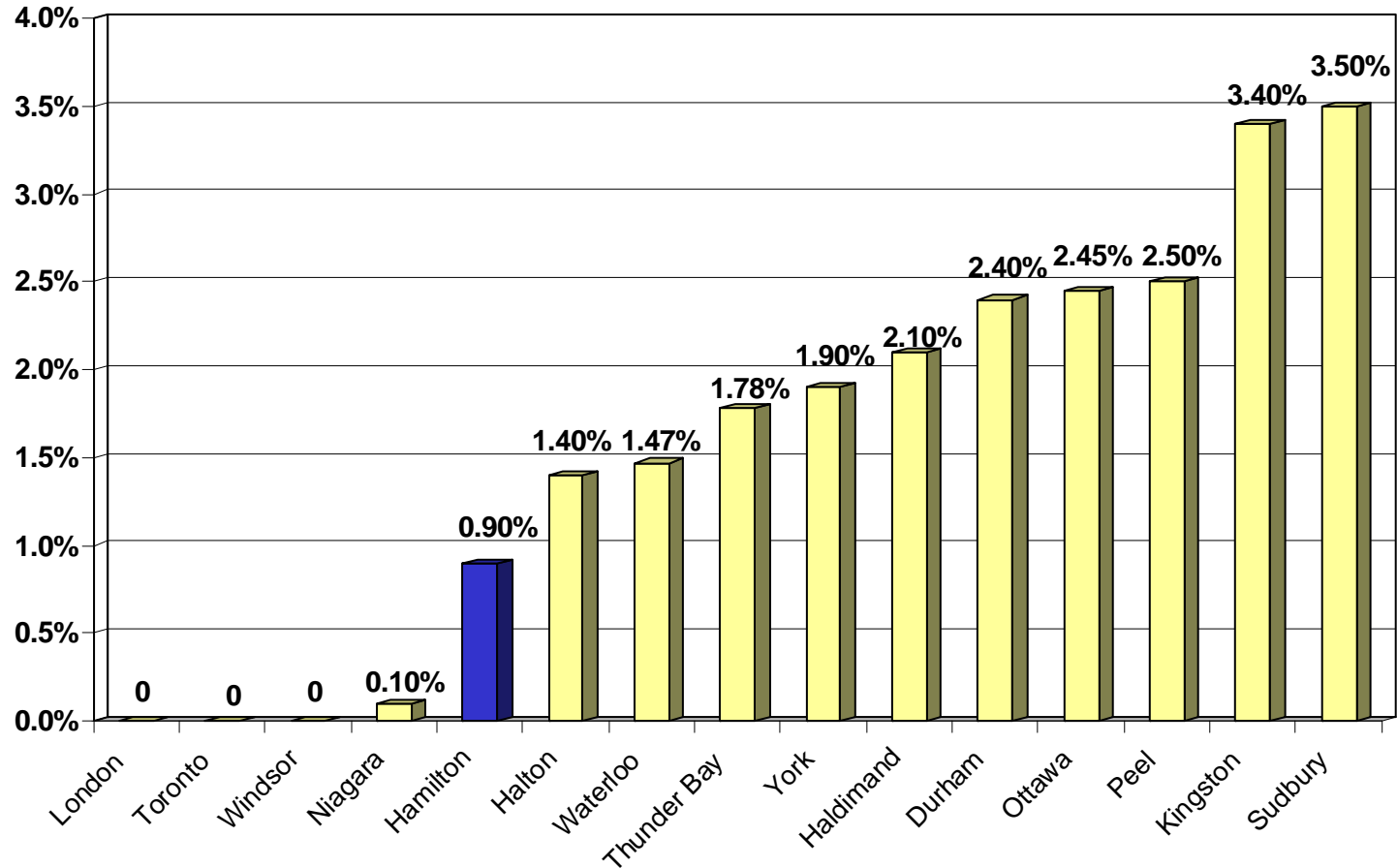
# Annual City-wide Residential Tax Impacts adjusted for Inflation



Annual residential impacts - includes budget, reassessment, area-rating, education and tax policies



# Municipal Comparison 2011 Average Tax Impacts

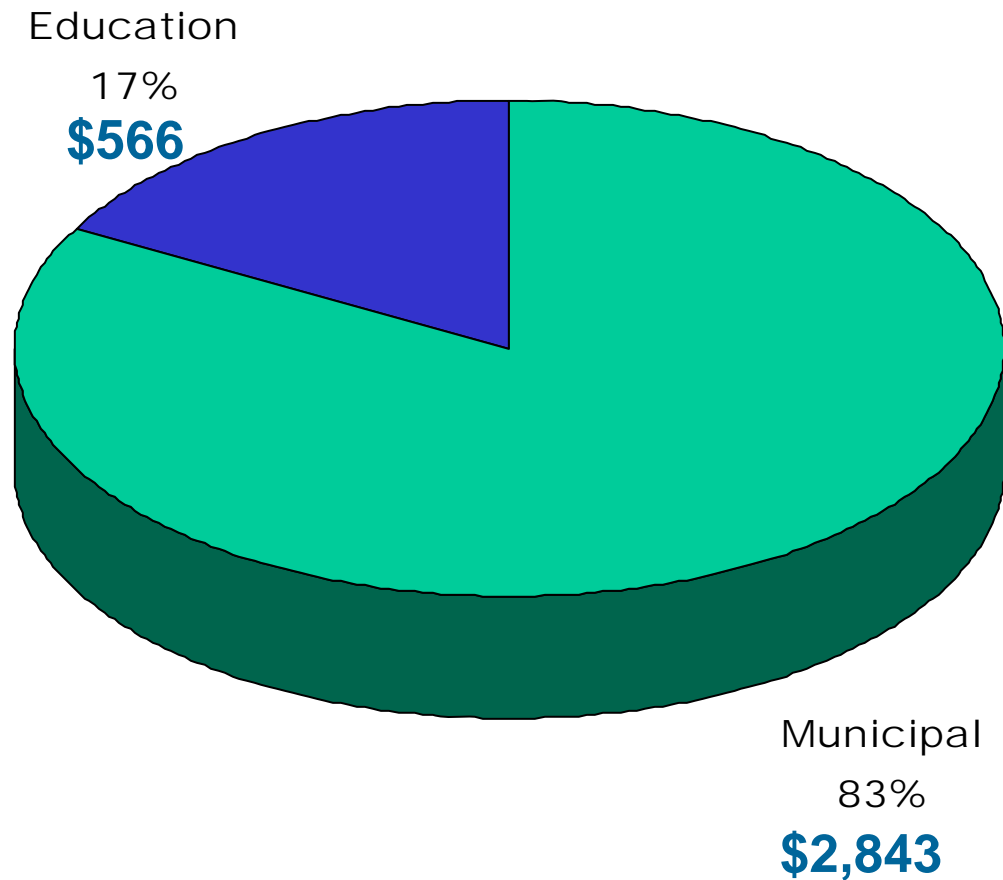




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# 2011 Average Residential Tax Bill

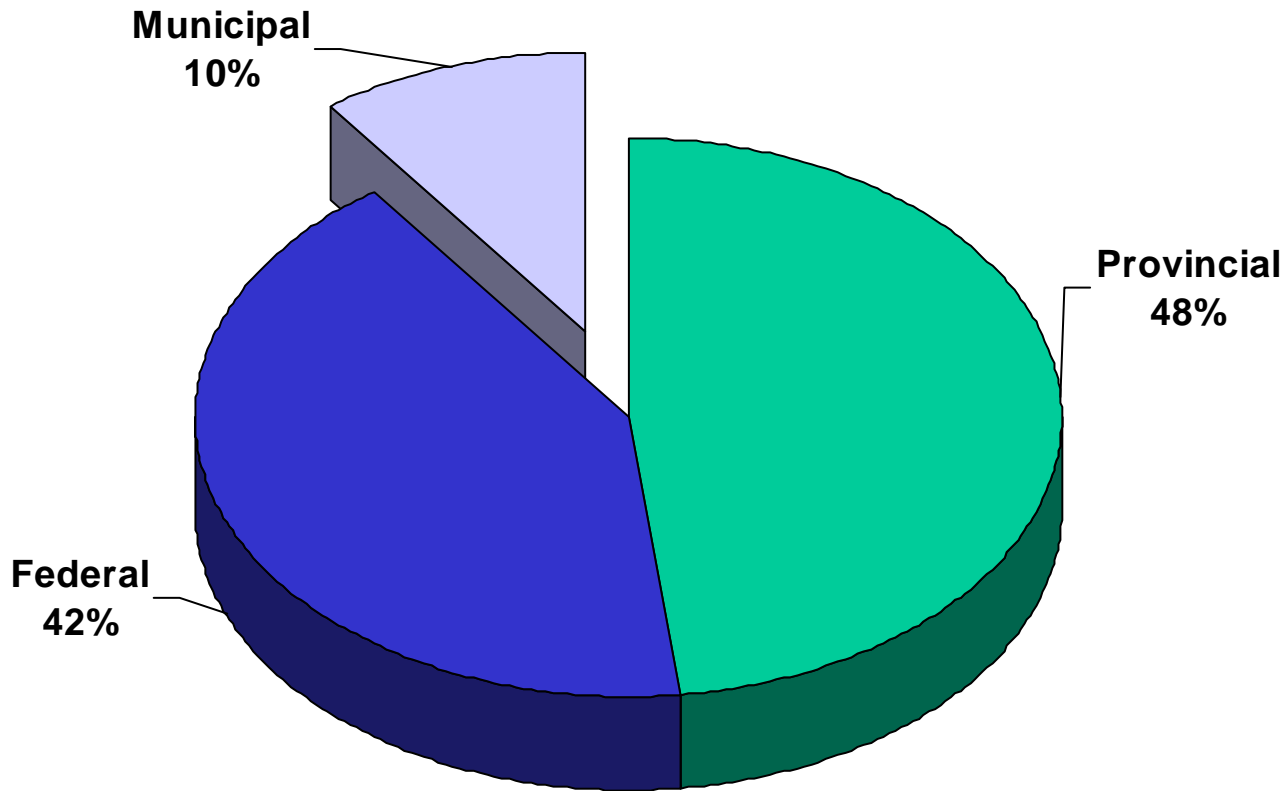
## \$3,409 per Household



Based on average CVA of \$245,100



# % Breakdown of Total Government Revenues



Source: Government of Canada, Government of Ontario, MARS (for 2000 only 89% of municipalities reported), Provincial Auditor, Deloitte & Touche

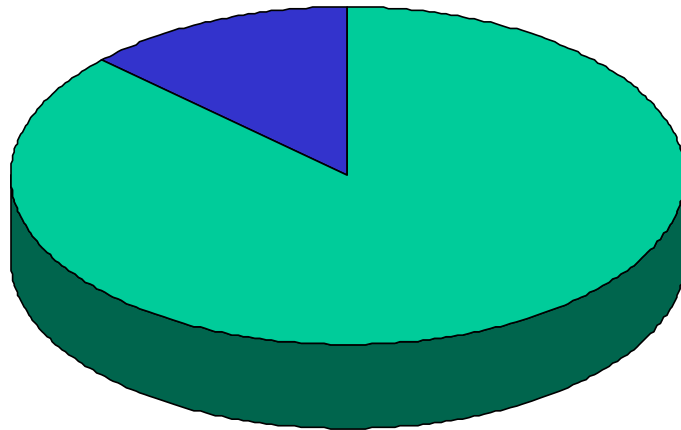


# 2011 Residential vs. Non-Residential Assessment Split

Unweighted

**Non-Residential**

13%



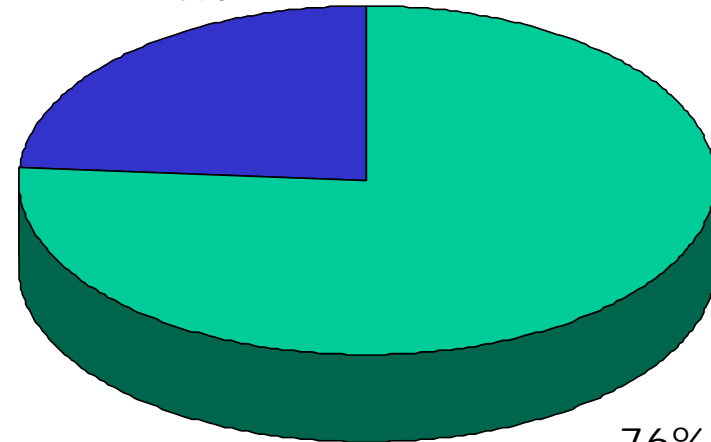
87%

**Residential**

Weighted

**Non-Residential**

24%



76%

**Residential**



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# *2012 Budget Process*

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- As approved through staff report FCS11050 “2012 Budget Process & Draft Timeline”, the Tax and Rate Budget processes will utilize GIC throughout (not standing committees)



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# *2012 Budget Schedule*

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# 2012 Approved Budget Schedule

Item	Projected Timeline
2012 Budget Process Report	July (2011)
2012 Tax Budget Guidelines & Outlook	September
2012 Tax Capital Workshops	September
2012 Tax Operating Workshop	October
2012 Tax User Fees & Transit Day	November
2012 Rate Budget	December
2012 Tax Capital Budget	December
2012 Tax Operating Budget	
Overview Presentation	December
Distribution of Draft Document(s)	December
Department workshops	December
Budget Submission	January (2012)
Boards & Agencies presentations	January
Public Delegations	January
GIC Deliberations	January / February
Council Approval	February



## 2012 Budget Schedule

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- Budget GIC dates for Sept – Dec 2011 will be set shortly; potential dates include:
  - Capital workshops: Nov
  - Tax operating budget workshops: Oct - Dec
  - User fees: Nov 14<sup>th</sup>
  - Transit Day: Nov 24<sup>th</sup>
  - Capital: Dec 1 & 8
  - Rate: Dec 2 & 9
  - Tax Overview / Budget book: Dec
- Budget GIC dates for 2012 will be part of 2012 Committee Calendar (going to October GIC)



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*2012 Tax Budget  
Preliminary Outlook*

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# Preliminary Pressures / Risks

	2012 Preliminary Pressures / Risks
City Departments	\$32.2 million
Boards & Agencies	\$5.6 million
Capital (assumes 0.5% increase)	\$3.4 million
Less: estimated growth and reassessment benefit (1.3%)	(\$8.7 million)
<b>2012 Preliminary Pressures / Risks</b>	<b>\$32.5 million</b>

1% municipal tax impact = \$6.7 M

**Above pressures / risks of \$32.5 M translates into a projected residential municipal tax increase of 4.8% (or about \$136 for a typical home assessed at \$245,000)**



# City Departments: Compensation

	Levy Impact \$
<b>Salary/Wage Compensation:</b>	
- COLA / Settlements	\$3.9 M
- Merit / Step Increases	\$4.0 M
- OMERS	\$2.2 M
- Government Benefits	\$0.5 M
- Employer Benefits	<u>\$1.1 M</u>
<b>TOTAL</b>	<b>\$11.7 M</b>

- Settled contracts (CUPE Local 5167 @ 1.9%, Fire Local 228 @ 3.48%) + allowance for non-settled contracts
- Latest OMERS published rates (0.9%<sup>1</sup> and 2.1%<sup>2</sup>)
- EI rate increase of \$0.10 per \$100 of insurable earnings
- CPP earnings limit increase
- Estimated 4% increase in employer health benefits

<sup>1</sup> on earning up to CPP limit; <sup>2</sup> on earnings over CPP limit



# City Departments: Pre-approvals

	Levy Impact \$
<b>Pre-approvals / Annualizations:</b>	
- Operating Impacts from Capital	\$2.5 M
- Pedestrian Traffic Signals (FCS10040) – maintenance	\$0.1M
- Street Tree Trimming / Emerald Ash Borer Control (PW10088)	TBD
- HRPI Dividend (FCS11002)	<u>\$0.1M</u>
<b>TOTAL</b>	<b>\$2.7 M</b>

- \$1.1 M approved through Capital budget (FCS11011a)
- \$1.4 M for ISF capital projects (Morgan Firestone, Lower Stoney Creek & Westmount)
  - Both are under review



# City Departments: Provincial

	Levy Impact \$
<b>Provincial Impacts:</b>	
- Provincial Upload:	
- OW Upload: from 18.8% in 2011 to 17.2% in 2012 (-\$2.2 M)	
- Court Security Upload (Police): 14% in 2012 (-\$0.6 M)	
- Removal of Budgeted Grant (\$4.0 M)	
- Net Provincial Upload Impact	\$1.2 M
- OLG: Reduction of Municipal Share of Revenues	<u>\$0.1 M</u>
<b>TOTAL</b>	<b>\$1.3 M</b>

- City forecast to be in a net positive upload position by 2013 of approximately \$3.3 million / year to 2018



# City Departments: Corporate

	Levy Impact \$
<b>Corporate:</b>	
- Inflationary / Contractual Requirements	\$8.3 M
- User Fees (excluding Transit, Ice, Golf)	(\$1.5 M)
- Energy (Fuel, Natural Gas, Electricity)	\$2.1 M
- Cost Allocation Review – Implement cost shift from Rate / Capital Budget to Tax Budget (3 yr phase-in)	\$0.6 M
- Risk Management – Phasing out contribution from reserve	\$0.3 M
- Lister Block Operating Costs	<u>TBD</u>
<b>TOTAL</b>	<b>\$9.8 M</b>

- Projected fuel increase from \$0.92 to \$1.06 (\$1.9 M)
- Natural gas reduction of -10% (-\$500k)
- Electricity increase of 6% (\$700k)



## City Departments: Other

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- \$1.7 M – AODA compliance, expanded eligibility, client growth (ATS)
- \$1 M – street lighting rate increase (\$400k) and reappropriation of rate distribution (\$600k)
- \$1 M – potential expansion of pilot project for Hamilton Health Sciences Access to Best Care Plan (pilot expires April, 2012) (EMS)
- \$850k – Fleet reserve forecast deficit of \$11 M by 2014; options to increase reserve contribution every year for 5 years (total \$4.1 M by 2016) and/or fleet rationalization
- \$730k – mandated RGI targets (Housing)
- \$640k – reduced funding, increased pressure on mandated rent supplement programs (Housing)
- \$450k – repay reserve for reallocation of Provincial Gas Tax monies
- \$150k – Career Development Centre rent/cleaning



## City Departments: Other (cont'd)

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- \$150k – lost revenue for non-metered parking lots previously approved to be paid lots (Stoney Creek and Waterdown)
- \$140k – planning witness fees for OMB matters (Legal)
- \$120k – tonnage growth for disposal contracts (Waste)
- \$100k – rent previously funded from swing space capital funds (Audit)
- -\$600k – favourable fare revenue (Transit)
  
- Note: OW caseload pressure not include in this report (forecasting higher than projected, with continued increasing trend) - OW caseload report to be brought forward Oct 2011



# Boards & Agencies

	Levy Impact \$
<b>Boards &amp; Agencies:</b>	
- Police (5-yr average increase of 4.1%)	\$5.4 M
- Boards & Agencies (excluding Police)	<u>\$0.2 M</u>
<b>TOTAL</b>	<b>\$5.6 M</b>

- Assumes average increase for Police over the last 5 years (= 4.1%)



	Levy Impact \$
<b>Capital:</b> - Preliminary direction at 0.5%	\$3.4 M

- 2011 discretionary capital projects = \$87.3 million
- 2012 discretionary capital projects forecast = \$81.3 million



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# *2012 Tax Budget Guidelines*

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## 2012 Budget Guidelines

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- Council's messaging is clear - goal of zero percent tax impact
- SMT are resolved to make every effort to achieve this goal
- Like 2011, will be difficult to achieve



## 2012 Budget Guidelines (cont'd)

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- That, in an effort to achieve the goal of an overall tax impact of zero percent for City Services, all City departments target a 2012 budget guideline of 0% increase, and that any increase be forwarded for consideration with appropriate explanation



## 2012 Budget Guidelines (cont'd)

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- That 2012 user fees (excluding golf, transit and ice fees) be increased by an inflation rate of 2.2%, and that any user fee adjustments, other than inflationary, be forwarded for consideration with appropriate explanation
- That Boards & Agencies be requested to submit a 2012 budget based on a guideline of 0% increase, and that any increase be forwarded for consideration with appropriate explanation