



City of Hamilton
AUDIT, FINANCE AND ADMINISTRATION COMMITTEE
AGENDA

Meeting #: 21-015
Date: September 23, 2021
Time: 9:30 a.m.
Location: Due to the COVID-19 and the Closure of City Hall (CC)

All electronic meetings can be viewed at:

City's Website:
<https://www.hamilton.ca/council-committee/council-committee-meetings/meetings-and-agendas>

City's YouTube Channel:
<https://www.youtube.com/user/InsideCityofHamilton> or Cable 14

Angela McRae, Legislative Coordinator (905) 546-2424 ext. 5987

1. CEREMONIAL ACTIVITIES
2. APPROVAL OF AGENDA
(Added Items, if applicable, will be noted with *)
3. DECLARATIONS OF INTEREST
4. APPROVAL OF MINUTES OF PREVIOUS MEETING
 - 4.1. September 9, 2021
5. COMMUNICATIONS
6. DELEGATION REQUESTS
7. CONSENT ITEMS
 - 7.1. 2020 Annual Report on Commodity Price Hedging (FCS21069) (City Wide)

7.2. Immigrant and Refugee Advisory Committee Minutes - May 13, 2021

8. STAFF PRESENTATIONS

8.1. Tax and Rate Operating Budgets Variance Report as at June 30, 2021 - Budget Control Policy Transfers (FCS21070) (City Wide)

9. PUBLIC HEARINGS / DELEGATIONS

10. DISCUSSION ITEMS

10.1. Employee Computer Purchase Plan (FCS21065) (City Wide)

10.2. Road Maintenance Small Tools and Equipment Inventory Audit and Follow Up to Audit Report AUD11006 (AUD21010) (City Wide)

Discussion of Confidential Appendix "D" to Item 10.2, in Closed Session, would be pursuant to Section 9.1, Sub-section (a) of the City's Procedural By-law 21-021, as amended, and Section 239(2), Sub-section (a) of the Ontario Municipal Act, 2001, as amended, as the subject matter pertains to the security of the property of the municipality or local board.

Please see Item 14.2 for Confidential Appendix "D".

11. MOTIONS

12. NOTICES OF MOTION

13. GENERAL INFORMATION / OTHER BUSINESS

14. PRIVATE AND CONFIDENTIAL

14.1. Closed Minutes - September 9, 2021

Pursuant to Section 9.1, Sub-sections (b), (d) and (e) of the City's Procedural By-law 21-021, and Section 239(2), Sub-sections (b), (d) and (e) of the *Ontario Municipal Act, 2001*, as amended, as the subject matter pertains to personal matters about an identifiable individual, including municipal or local board employees; labour relations or employee negotiations; and litigation or potential litigation, including matters before administrative tribunals, affecting the municipality or local board.

14.2. Confidential Appendix "D" to Item 10.2 - Road Maintenance Small Tools and Equipment Inventory Audit and Follow up to Audit Report AUD11006 (AUD21010) (City Wide)

Discussion of Confidential Appendix "D" to Item 10.2, in Closed Session, would be pursuant to Section 9.1, Sub-section (a) of the City's Procedural By-law 21-021, as amended, and Section 239(2), Sub-section (a) of the *Ontario Municipal Act, 2001*, as amended, as the subject matter pertains to the security of the property of the municipality or local board.

15. **ADJOURNMENT**



AUDIT, FINANCE AND ADMINISTRATION COMMITTEE MINUTES 21-013

9:30 a.m.

September 9, 2021

Council Chambers

Hamilton City Hall

Present: Councillors L. Ferguson (Chair), B. Clark, B. Johnson, M. Pearson, A. VanderBeek, and M. Wilson

Absent: Councillor C. Collins - Personal

THE FOLLOWING ITEMS WERE REFERRED TO COUNCIL FOR CONSIDERATION:

**1. City Auditor Reporting of Serious Matters to Council (Case #39691)
(AUD21007) (City Wide) (Item 7.1)**

(Clark/VanderBeek)

That Report AUD21007, City Auditor Report of Serious Matters to Council (Case #39691), be received.

Result: Motion CARRIED by a vote of 6 to 0, as follows:

YES - Ward 13 Councillor Arlene VanderBeek
YES - Ward 12 Councillor Lloyd Ferguson
YES - Ward 11 Councillor Brenda Johnson
YES - Ward 10 Councillor Maria Pearson
YES - Ward 9 Councillor Brad Clark
NOT PRESENT - Ward 5 Councillor Chad Collins
YES - Ward 1 Councillor Maureen Wilson

2. Citizen Committee Report - Lesbian, Gay, Bisexual, Transgender and Queer (LGBTQ) Advisory Committee - Changing the Standing Committee to which the LGBTQ Advisory Committee Reports (Item 10.1)

(Pearson/Wilson)

That the Standing Committee to which the LGBTQ Advisory Committee Reports be changed from the Audit, Finance and Administration Committee to the Emergency and Community Services Committee, including updating any Standing Committee mandates or terms of reference that might be impacted by this change.

Result: Motion CARRIED by a vote of 6 to 0, as follows:

YES - Ward 13 Councillor Arlene VanderBeek

YES - Ward 12 Councillor Lloyd Ferguson
YES - Ward 11 Councillor Brenda Johnson
YES - Ward 10 Councillor Maria Pearson
YES - Ward 9 Councillor Brad Clark
NOT PRESENT - Ward 5 Councillor Chad Collins
YES - Ward 1 Councillor Maureen Wilson

3. Offsetting Parking Revenue Losses for the City's Business Improvement Areas (PED21161) (Wards 1, 2, 3, 4, 7, 8, 12, and 13) (Item 10.2)

(Wilson/VanderBeek)

- (a) That each of the City's eleven Business Improvement Areas (BIAs) that participate annually in the Parking Revenue Sharing Program (PRSP) be provided a one-time grant in 2021 that is equal to the amount they received in 2020 through the PRSP, with the exception of the Locke Street BIA which would receive an amount equivalent to their 2019 Parking Revenue Sharing grant;
- (b) That the total grant amount of \$124,563.09 be funded from the Economic Development Investment Reserve (Account No. 112221).

Result: Motion CARRIED by a vote of 6 to 0, as follows:

YES - Ward 13 Councillor Arlene VanderBeek
YES - Ward 12 Councillor Lloyd Ferguson
YES - Ward 11 Councillor Brenda Johnson
YES - Ward 10 Councillor Maria Pearson
YES - Ward 9 Councillor Brad Clark
NOT PRESENT - Ward 5 Councillor Chad Collins
YES - Ward 1 Councillor Maureen Wilson

4. Governance Review Sub-Committee Report 21-006 – August 24, 2021 (Item 10.3)

(Wilson/VanderBeek)

- (a) Councillor Ward Office Budgets and Policy Guidelines for Eligible Expenses for Elected Officials (FCS18083(c)) (City Wide) (Item 10.1)**

That Appendix "A" to Governance Review Sub-Committee Report 21-006, Policy and Guidelines for Eligible Expenses for Elected Officials: Budget for the Office of the Mayor, Legislative Budget and Councillor Ward Office Budget, be approved.

Result: Motion CARRIED by a vote of 5 to 1, as follows:

YES - Ward 13 Councillor Arlene VanderBeek
NO - Ward 12 Councillor Lloyd Ferguson
YES - Ward 11 Councillor Brenda Johnson
YES - Ward 10 Councillor Maria Pearson
YES - Ward 9 Councillor Brad Clark

NOT PRESENT - Ward 5 Councillor Chad Collins
YES - Ward 1 Councillor Maureen Wilson

5. Fraud and Waste Report #32153 - Update (AUD21009) (City Wide) (Added Item 14.1)

(Pearson/Clark)

- (a) That the direction provided to staff in Closed Session, respecting Report AUD21009, Fraud and Waste Report #32153 – Update, be approved: and,
- (b) That Report AUD21009, Fraud and Waste Report #32153 – Update, remain confidential.

Result: Motion CARRIED by a vote of 5 to 0, as follows:

YES - Ward 13 Councillor Arlene VanderBeek
YES - Ward 12 Councillor Lloyd Ferguson
NOT PRESENT - Ward 11 Councillor Brenda Johnson
YES - Ward 10 Councillor Maria Pearson
YES - Ward 9 Councillor Brad Clark
NOT PRESENT - Ward 5 Councillor Chad Collins
YES - Ward 1 Councillor Maureen Wilson

FOR INFORMATION:

(a) CHANGES TO THE AGENDA (Item 2)

The Committee Clerk advised of the following change to the agenda:

14. PRIVATE AND CONFIDENTIAL

14.1 Fraud and Waste Report #32153 - Update (AUD21009) (City Wide)

(Pearson/Clark)

That the agenda for the September 9, 2021 Audit, Finance and Administration Committee meeting be approved, as amended.

Result: Motion CARRIED by a vote of 6 to 0, as follows:

YES - Ward 13 Councillor Arlene VanderBeek
YES - Ward 12 Councillor Lloyd Ferguson
YES - Ward 11 Councillor Brenda Johnson
YES - Ward 10 Councillor Maria Pearson
YES - Ward 9 Councillor Brad Clark
NOT PRESENT - Ward 5 Councillor Chad Collins
YES - Ward 1 Councillor Maureen Wilson

(b) DECLARATIONS OF INTEREST (Item 3)

There were no declarations of interest.

(c) APPROVAL OF MINUTES OF PREVIOUS MEETING (Item 4)

(i) August 12, 2021 (Item 4.1)

(VanderBeek/Wilson)

That the Minutes of the August 12, 2021 meeting of the Audit, Finance and Administration Committee be approved, as presented.

Result: Motion CARRIED by a vote of 6 to 0, as follows:

YES - Ward 13 Councillor Arlene VanderBeek
YES - Ward 12 Councillor Lloyd Ferguson
YES - Ward 11 Councillor Brenda Johnson
YES - Ward 10 Councillor Maria Pearson
YES - Ward 9 Councillor Brad Clark
NOT PRESENT - Ward 5 Councillor Chad Collins
YES - Ward 1 Councillor Maureen Wilson

(d) DISCUSSION ITEMS (Item 10)

(i) Governance Review Sub-Committee Report 21-006 – August 24, 2021 (Item 10.3)

(Wilson/VanderBeek)

(a) Councillor Ward Office Budgets and Policy Guidelines for Eligible Expenses for Elected Officials (FCS18083(c)) (City Wide) (Item 10.1)

That Appendix "A" to Governance Review Sub-Committee Report 21-006, Policy and Guidelines for Eligible Expenses for Elected Officials: Budget for the Office of the Mayor, Legislative Budget and Councillor Ward Office Budget, be approved.

Councillor Ferguson relinquished the Chair to introduce the following motions:

(Ferguson/VanderBeek)

That Item (g)(i) from the Information Section be lifted and added as Item 2 of the Governance Review Sub-Committee Report 21-006.

Result: Motion CARRIED by a vote of 6 to 0, as follows:

YES - Ward 13 Councillor Arlene VanderBeek
YES - Ward 12 Councillor Lloyd Ferguson
YES - Ward 11 Councillor Brenda Johnson
YES - Ward 10 Councillor Maria Pearson
YES - Ward 9 Councillor Brad Clark
NOT PRESENT - Ward 5 Councillor Chad Collins
YES - Ward 1 Councillor Maureen Wilson

(Ferguson/Pearson)

2. Proposed Amendment to the Procedural By-law Referred by Council on August 13, 2021 to Governance Review Sub-Committee, respecting Special Meetings of Council (Added Item 10.2)

That Council approve the proposed *amendment* to Sub-Section 3.4, Special Meetings of Council of Procedural By-law 21-021, as follows:

3.4 Special Meetings of Council

- (7) *Notwithstanding subsection 3.4(3), on urgent and extraordinary occasions, with the consent of the majority of all the Members of Council, recorded in the Minutes, a special meeting of the Council may be called by the Mayor without notice to consider and deal with such urgent and extraordinary matters.***

Result: Amendment DEFEATED by a vote of 3 to 3, as follows:

NO - Ward 13 Councillor Arlene VanderBeek
YES - Ward 12 Councillor Lloyd Ferguson
YES - Ward 11 Councillor Brenda Johnson
YES - Ward 10 Councillor Maria Pearson
NO - Ward 9 Councillor Brad Clark
NOT PRESENT - Ward 5 Councillor Chad Collins
NO - Ward 1 Councillor Maureen Wilson

Councillor Ferguson assumed the Chair.

For further disposition of this matter, please refer to Item 4.

(e) PRIVATE AND CONFIDENTIAL (Item 14)

(Pearson/VanderBeek)

That Committee move into Closed Session respecting Item 14.1, pursuant to Section 9.1, Sub-sections (b), (d) and (e) of the City's Procedural By-law 21-021, and Section 239(2), Sub-sections (b), (d) and (e) of the Ontario Municipal Act, 2001, as amended, as the subject matter pertains to personal matters about an identifiable individual, including municipal or local board employees; labour relations or employee negotiations; and litigation or potential litigation, including matters before administrative tribunals, affecting the municipality or local board.

Result: Motion CARRIED by a vote of 6 to 0, as follows:

YES - Ward 13 Councillor Arlene VanderBeek
YES - Ward 12 Councillor Lloyd Ferguson
YES - Ward 11 Councillor Brenda Johnson

YES - Ward 10 Councillor Maria Pearson
YES - Ward 9 Councillor Brad Clark
NOT PRESENT - Ward 5 Councillor Chad Collins
YES - Ward 1 Councillor Maureen Wilson

**(i) Fraud and Waste Report #32153 - Update (AUD21009) (City Wide)
(Added Item 14.1)**

For disposition of this matter, please refer to Item 5.

(f) ADJOURNMENT (Item 15)

(Pearson/VanderBeek)

That, there being no further business, the Audit, Finance and Administration Committee, be adjourned at 10:21 a.m.

Result: Motion CARRIED by a vote of 5 to 0, as follows:

YES - Ward 13 Councillor Arlene VanderBeek
YES - Ward 12 Councillor Lloyd Ferguson
NOT PRESENT - Ward 11 Councillor Brenda Johnson
YES - Ward 10 Councillor Maria Pearson
YES - Ward 9 Councillor Brad Clark
NOT PRESENT - Ward 5 Councillor Chad Collins
YES - Ward 1 Councillor Maureen Wilson

Respectfully submitted,

Councillor Ferguson, Chair
Audit, Finance and Administration
Committee

Angela McRae
Legislative Coordinator
Office of the City Clerk



INFORMATION REPORT

TO:	Chair and Members Audit, Finance and Administration Committee
COMMITTEE DATE:	September 23, 2021
SUBJECT/REPORT NO:	2020 Annual Report on Commodity Price Hedging (FCS21069) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Dianne Hicks (905) 546-2424 Ext. 2016
SUBMITTED BY:	Brian McMullen Director, Financial Planning, Administration and Policy Corporate Services Department
SIGNATURE:	

COUNCIL DIRECTION

The City's Corporate Energy and Sustainability Policy (Report PW14050(a)) stipulates the Treasurer report to Council at least once each fiscal year with respect to any Energy Commodity agreements.

As per City by-law, the General Manager of Finance and Corporate Services is designated as Treasurer.

INFORMATION

Price volatility on commodity products purchased by the City presents both a budgeting challenge and a financial risk. While long-term, fixed price contracts can be tendered or negotiated for some products, other products are subject to market pricing at the time of the delivery of the product or the demand for the product is sufficiently uncertain that long-term commitments are not available or prudent.

The primary purpose of a commodity price hedging agreement is to provide price stability / cost certainty by fixing some portion of future commodity prices. A secondary purpose is to use hedging to lock in favourable pricing for commodity purchase commitments when other means, such as long-term contracts, are not practicable.

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OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.

SUBJECT: 2020 Annual Report on Commodity Price Hedging (FCS21069) (City Wide) – Page 2 of 3

The primary objectives for the City's commodity price hedging program are as follows:

- Adhere to statutory requirements
- Promote financial flexibility
- Limit financial risk exposure

A commodity price hedging agreement may only be undertaken if the agreement follows the relevant sections of the *Municipal Act, 2001* and regulations thereunder.

Requirements include but are not limited to the following:

- a) The City may enter into a financial agreement only for the future delivery of some or all of a commodity or the future cost of an equivalent quantity of a commodity. A financial agreement shall not be entered into for the purpose of speculative investing; and
- b) The City is prohibited from selling or disposing of the financial agreement or an interest in the agreement. An exception to this requirement exists if there is a sale or change of use of real property to which the agreement applies, or the City ceases an activity for which the commodity was being acquired.

Reporting Requirements

The Treasurer shall report to Council at least once each fiscal year with respect to any and all energy commodity price hedging agreements and other energy commodity agreements in place. The report shall contain, at a minimum, all requirements as set out in O. Reg. 653/05 (as it exists from time to time) and shall include:

- (1) A statement about the status of the energy commodity price hedging agreements during the period of the report, including a comparison of the expected and actual results of using the agreements;
- (2) A statement by the Treasurer indicating whether, in his opinion, all the agreements entered during the period of the report are consistent with this Energy Commodity Policy relating to the use of financial agreements to address commodity pricing and costs;
- (3) An overview of any agreements with contract agents (including, without limitation, actual costs, services provided and frequency of use) and a statement by the Treasurer indicating whether, in his opinion, all these agreements are consistent with this Energy Commodity Policy with respect to the use of contract agents.

SUBJECT: 2020 Annual Report on Commodity Price Hedging (FCS21069) (City Wide) – Page 3 of 3

- (4) An overview of any co-operative energy purchasing initiatives and / or agreements and a statement by the Treasurer indicating whether, in his opinion, all these agreements are consistent with this Energy Commodity Policy with respect to the use of co-operative energy purchasing;
- (5) Such other information as Council may require; and
- (6) Such other information as the Treasurer considers appropriate to include in the report.

Accordingly, Appendix “A” to Report FCS21069 provides the Treasurer’s Annual Statement on Commodity Price Hedging that includes statements as required per the reporting requirements.

Appendix “B” to Report FCS21069 provides the annual Report on Commodity Price Hedging authored by the City’s Office of Energy Initiatives. This Report, that forms the foundation for the Treasurer’s Annual Statement of Commodity Price Hedging, deals exclusively with the City’s energy commodity price hedging agreements and utility rate transactions for natural gas, electricity and fuel.

APPENDICES AND SCHEDULES ATTACHED


Appendix “A” to Report FCS21069 – 2020 Treasurer’s Annual Statement on Commodity Price Hedging

Appendix “B” to Report FCS21069 – 2020 Annual Energy Report on Commodity Price Hedging

DH/dt

2020 Treasurer's Annual Statement on Commodity Price Hedging

1. I warrant that, to the best of my knowledge, the 2020 Annual Energy Report on Commodity Price Hedging, Appendix "B" to Report FCS21069, provided to the Audit, Finance and Administration Committee on September 23, 2021, meets the reporting requirements as set out in O.Reg. 653/05 including a comparison of the expected and actual results of using commodity price hedging agreements;
2. I warrant that, to the best of my knowledge, all the agreements entered during the period of the report, are consistent with the City's Energy Commodity Policy relating to the use of financial agreements to address commodity pricing and costs;
3. I warrant that, to the best of my knowledge, agreements with contract agents are consistent with the City's Energy Commodity Policy with respect to the use of contract agents; and
4. I warrant that, to the best of my knowledge, co-operative energy purchasing initiatives and / or agreements are consistent with this Energy Commodity Policy with respect to the use of co-operative energy purchasing.



M. Zegarac
General Manager, Finance and Corporate Services
Corporate Services Department

2020 Annual Report on Commodity Price Hedging
The Office of Energy Initiatives

September 2021

Tom Chessman
Manager, Energy Initiatives
Energy, Fleet & Facilities Management Division
Public Works Department

Introduction

The City of Hamilton’s 2020 Annual Report on Commodity Price Hedging deals exclusively with the City’s energy commodity price hedging agreements and utility rate transactions for natural gas, electricity and fuel.

As defined in the Corporate Energy and Sustainability Policy, “Energy Commodities” means electricity, green power, natural gas, methane and all other petroleum based fuel products such as, diesel, bio-diesel, gasoline, fuel oil, propane and any other bulk commodity primarily used by the City for the purpose of heating and cooling of buildings and other structures, electricity generation, cogeneration demand response programs, smart grid programs and the fuelling of City fleets, as determined by the Manager of Energy Initiatives.

Utility Rates and Commodity Strategies Results

The utility rates and commodity strategies results include Global Adjustment (GA) rate changes and natural gas hedging programs. For the 2020 calendar year, there was a \$8.02M cost benefit; \$7.40M as a result of Class A and \$0.62M savings from hedging of natural gas.

Figure 1: 2020 Utility Rates and Commodity Strategies Results

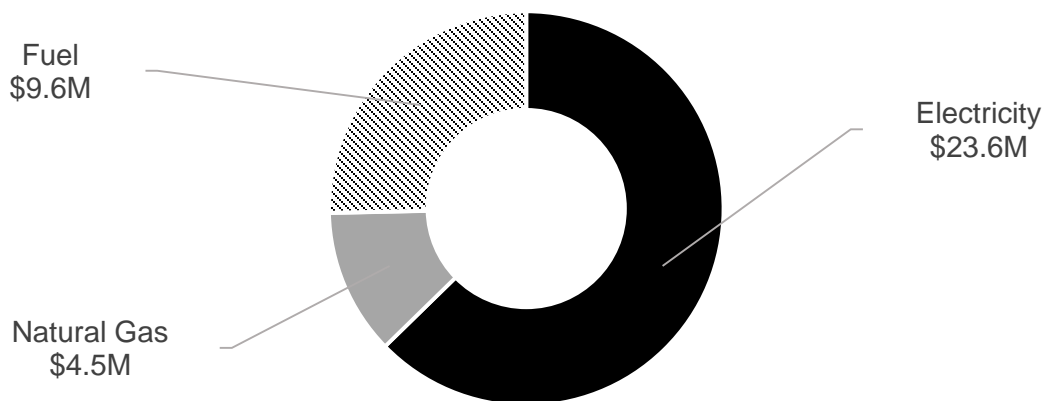
2020 Results	\$M	% Levy	% Rate
Global Adjustment	\$ 7.40	23%	77%
Natural Gas Hedging	\$ 0.62	78%	22%
Total	\$ 8.02	27%	73%

Further breakdown of these results can be found in the Global Adjustment and Natural Gas Risk Management sections in the report.

Overall Costs

In the City’s 2020 Annual Energy Report on Commodity Price Hedging (Report PW21049), the total actual energy costs for electricity, natural gas and fuels were reported at \$37.7M. Overall, this is a 7.2% decrease from 2019 energy costs. As outlined in the Annual Energy Report, the results in 2020 are considered atypical due to the varying impacts of COVID-19 on consumption and resulting costs from building closures and changes to operational and staffing activities throughout the year. The breakdown is shown in Figure 2.

Figure 2: 2020 Total Energy Costs (Electricity, Natural Gas & Fuel) in Millions (M)



The electricity and natural gas costs, including those from district heating and cooling are incurred by City-owned buildings / facilities, Hamilton Water, Public Works Operations and Street and Traffic lighting. It excludes CityHousing Hamilton. Utilities include Alectra Utilities, Hydro One and Enbridge Gas Inc. Sites with only partial data may be excluded.

Fuel includes diesel, unleaded gasoline and compressed natural gas (CNG) for all Fleet, Operations and Transit vehicles but does not include Hamilton Police Services or Darts.

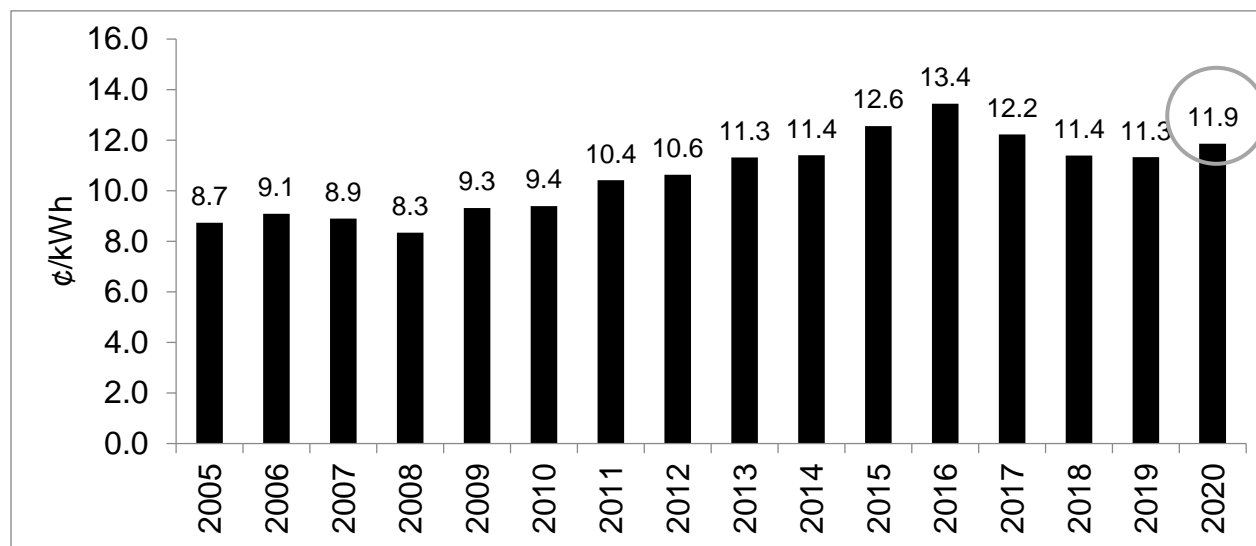
Electricity

The electricity price comprises commodity, as well as, costs for distribution, transmission, regulatory and delivery. Hamilton is served by two local distribution companies (Alectra Utilities and Hydro One). Both Alectra Utilities and Hydro One are regulated by the Ontario Energy Board (OEB) and must get approval for any rate changes.

In 2020, the City’s overall expenditure for electricity was \$23.6 M. Overall, electricity costs in 2020 decreased by 4% compared to 2019. There was a decrease of 8.2% in overall consumption when compared to 2019. The City’s overall average price of electricity per kilowatt-hour (kWh) increased by 5% from 11.3 cents per kWh (¢/kWh) in 2019 to 11.9 ¢/kWh in 2020.

The average price for electricity, year over year, from 2005 to 2020 is outlined in Figure 3.

Figure 3: City of Hamilton Annual Average Electricity Price (¢/kWh)



There are a variety of factors that impact electricity cost, some of which are consumption, process changes, regulatory changes, market activity and weather. In 2020, consumption was lower than 2019, due largely to impacts of COVID-19 resulting in operational changes and shuttering of facilities at various periods throughout the year. However, temperatures during the summer months of 2020 were also higher than the previous year. Warmer temperatures will typically increase cooling demand. With limited capacity in most facilities, the impacts from weather would be lower, though cannot be dismissed completely. The cooling degree days in Hamilton were 43% higher in 2020 versus 2019 and 12% higher than the five-year average.

Costs were 4% less in 2020 than in 2019 due mainly from lower consumption although the average per unit price was slightly higher. There were provincial rate relief programs related to COVID-19 response, which temporarily halted regulatory increases in an effort to reduce the impacts on residential and commercial customers. In addition, Global Adjustment (GA) price caps for the April – June 2020 period were intended to limit the upside of those costs despite market activity that could have increased the GA portion of the commodity price.

The electricity market in Ontario itself is complex and volatile. Ontario’s electricity commodity includes the Hourly Ontario Electricity Price (HOEP) and the Global Adjustment (GA). When the HOEP is low, the GA increases to cover the costs of generation. The monthly costs vary depending on consumer demand, the generation mix, weather conditions and how often each type of generation is offered into the market.

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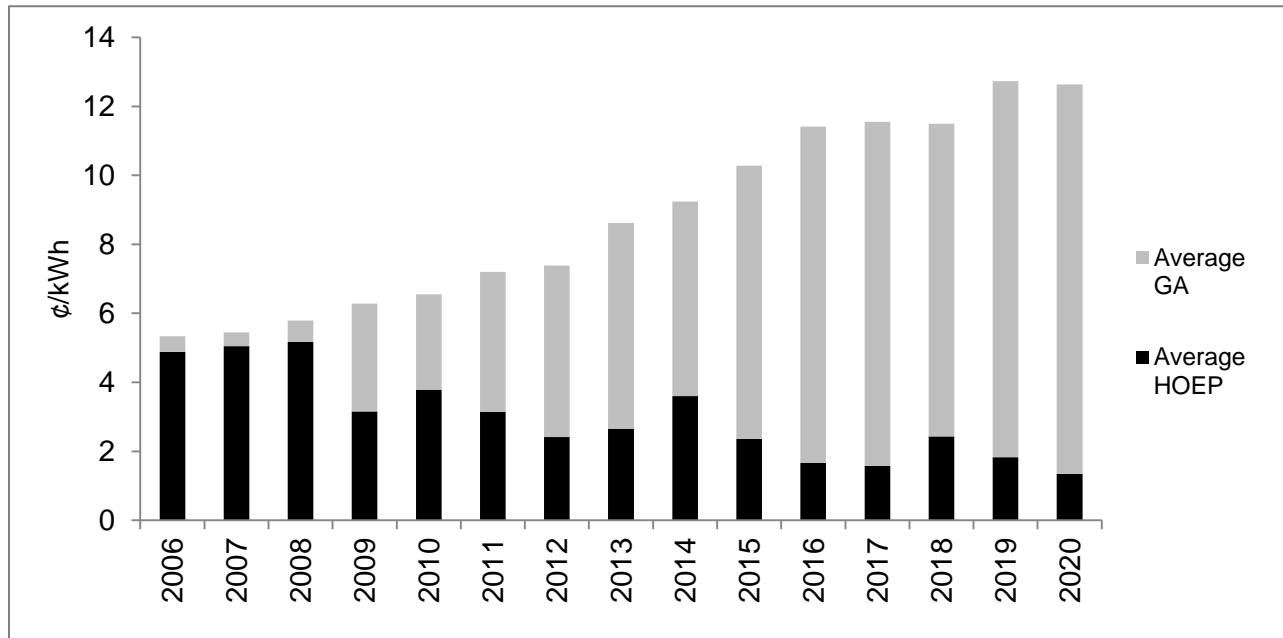
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Appendix “B” to Report FCS21069
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It is possible to fix the price on forward terms for the HOEP. However, doing so does little to protect against the greater fluctuations of the GA, which makes up the larger portion of commodity costs. Staff recommendations have been to not hedge against the HOEP due to unfavourable market conditions. While the HOEP has declined over recent years, this has been offset by significant increases to the price of the Global Adjustment, as illustrated in Figure 4.

Figure 4: Electricity - Annual Average Price of HOEP and Global Adjustment



The commodity portion of the electricity price includes HOEP and GA. The annual average HOEP in 2020 was 1.4 ¢/kWh, which was a 36% decrease from 2019. The average GA price component in 2020 was 11.3 ¢/kWh. This represents a 3% increase over 2019. The overall combined commodity price for electricity (12.6 ¢/kWh) was a 1% decrease from 2019.

Global Adjustment

The Global Adjustment (GA) is a market mechanism to account for differences between the market price and the rates paid to regulated and contracted generators and for conservation and demand management programs. Most of the GA costs arise from contracts that the Independent Electricity System Operator (IESO) has with generators, many of which are fixed price or guaranteed revenue agreements. There is no market mechanism to hedge specifically against the GA rate.

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When spot prices (HOEP) are lower, the generator does not earn enough revenue from power sales to meet its revenue guarantees. In that case, the IESO pays the generator to make up this difference and the costs are recovered from consumers through the GA. Therefore, in a month when the market price of electricity is low, the GA will be higher and conversely when market prices are high, the GA will be lower.

For billing of the GA costs, most commercial consumers are on a Class B rate. Class B consumers pay a regulated GA rate set monthly and posted by the IESO. Eligible, high electrical demand customers can opt for a Class A rate. Class A rate customers pay the GA costs based on their percentage contribution to the total monthly provincial GA costs, calculated on the top five peaks during a peak setting period. This is called the peak demand factor (PDF). Class A customers can impact their GA costs by reducing demand during peak periods, resulting in lower costs. As part of the pandemic response, the IESO initiated a peak hiatus for Class A customers to allow large customers to focus on economic recovery from the impacts of COVID-19. For the latter part of 2020, Class A customers did not need to anticipate and reduce demand during peak events and instead would keep the existing PDF into the 2021-2022 period if other eligibility requirements were met.

Class A sites within the City include 900 Woodward Avenue, 850 Greenhill Avenue, 78 Kenilworth North, CUP Operations and Tim Hortons Field. Changes in 2020 included, 1579 Burlington Street East which was re-added and FirstOntario Centre was removed as of July 1, 2020. The results for 2020 was a cost benefit of \$7.4 M as shown in Figure 5.

Figure 5: Annual Global Adjustment Class A Results 2011-2020

Year	Global Adjustment Cost Benefit
2011	\$ 1,061,230
2012	\$ 1,511,939
2013	\$ 2,598,221
2014	\$ 2,348,577
2015	\$ 3,911,299
2016	\$ 4,682,209
2017	\$ 5,976,102
2018	\$ 6,404,572
2019	\$ 7,248,037
2020	\$ 7,397,100
CUMULATIVE	\$ 43,139,287

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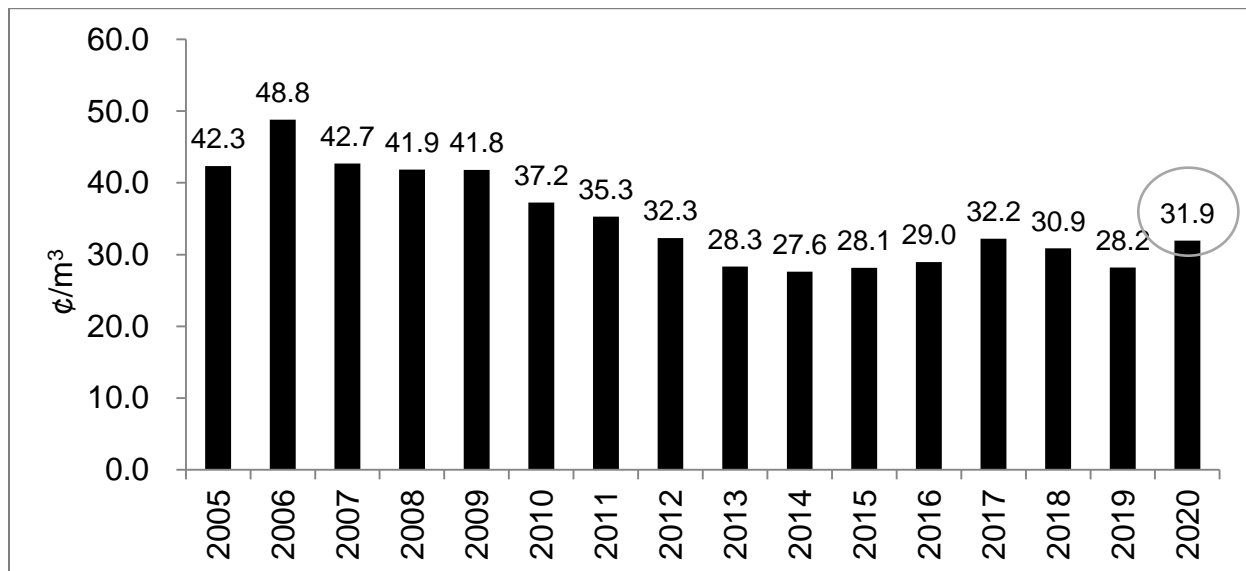
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Natural Gas

The natural gas price includes commodity, transportation, regulatory and delivery. Hamilton is served by one local distribution company, Enbridge Gas Inc.

The City’s overall expenditure for 2020 natural gas, including the commodity costs and utility charges for delivery, transportation and storage was \$4.5 M. This is an increase of 19% over 2019 costs. There was an increase of 5% in natural gas consumption compared to 2019 totals. The overall average unit price was 31.9 cents per cubic metre ($\text{¢}/\text{m}^3$), which was a 13% increase compared to 2019’s price of 28.2 $\text{¢}/\text{m}^3$. The average price for natural gas, year over year, from 2005 to 2020 is outlined in Figure 6.

Figure 6: City of Hamilton Annual Average Natural Gas Cost ($\text{¢}/\text{m}^3$)



The higher consumption in 2020 is primarily a result of the additional volume required for the biosolids production activity with Hamilton Water. While, the majority of facilities natural gas consumption was lower in 2020 due to pandemic response, the biosolids was a steady user of natural gas starting in May 2020 leading to the overall increase. Weather was of less of an impact to costs and consumption in 2020. The bulk of the heating season was over by the time the first lockdowns began in March 2020, and heating degree days overall were 7% less in 2020 than the 5-year average. Commodity costs themselves remained relatively stable. Ongoing hedging activity, described below in the Natural Gas Risk Management section, helped to mitigate market fluctuations due to uncertainty over COVID-19 and its global economic impacts.

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Another impact to costs was the annual increase to the Federal Carbon Charge (FCC). The FCC, mandatory for provinces without a designated carbon reduction plan, was approved for April 2019 and implemented in Ontario starting August 2019. The FCC is charged per cubic meter of consumption on Enbridge Gas bills. The FCC is set to increase annually every April and does increase costs as a result. The charge for the January to March 2020 period was 3.91 cents per cubic meter and increased to 5.87 cents per cubic meter as of April 2020.

Natural Gas Risk Management

Natural gas can be a volatile commodity. There are many factors that can influence prices in natural gas markets including weather, supply, demand, geo-political events and changes to refining and extraction technologies. To maintain control of costs and minimize the degree of price volatility, the City has purchased its natural gas directly from the wholesale market (since June 2006). The City has supply agreements with multiple parties to allow for competitive purchasing.

Overall, the procurement strategy is dynamic as staff, in conjunction with industry experts and the retained consultancy firm, make purchasing decisions based on market conditions. A portion of natural gas supply may be purchased as much as two to three years in advance to protect against market volatility while other portions are purchased just a month or two in advance. Fixing the price on a portion of the City’s natural gas volumes results in better budget predictability and protection against spot market fluctuations, particularly during extreme weather conditions or unforeseen market events.

The City purchases natural gas for City-owned facilities (excluding CityHousing Hamilton) and for compressed natural gas (CNG) for the Transit natural gas bus fleet. The average 2020 price for the natural gas (commodity only) was \$3.14 per gigajoule (GJ) (\$0.124/m³) including a blend of hedged and unhedged volumes. This does not include any Enbridge Gas charges such as delivery, storage or federal carbon charge which make up the total price.

For the majority of 2020, an average of 80-85% of natural gas supply was fully hedged. This was based on 2020 volume requirements. At the end of 2020, volumes were hedged for the periods starting November 1, 2020, November 1, 2021, November 1, 2022 and a small volume for period starting November 1, 2023. Figure 7 provides a profile of the completed hedges of the end of December 2020. Staff monitors the market and continues to develop strategies for purchasing into the forward terms to further capture agreeable market opportunities.

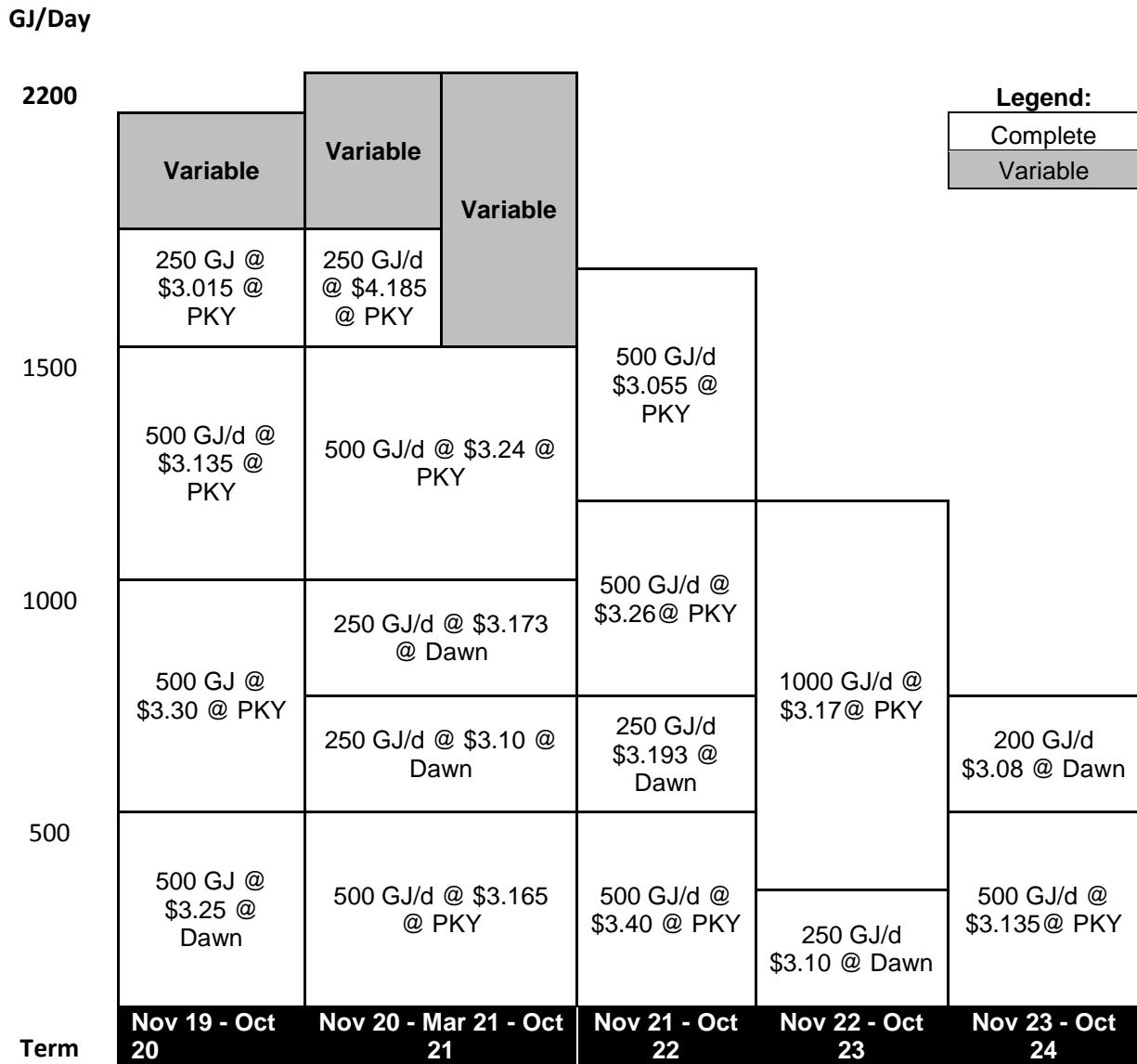
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Figure 7: Natural Gas Hedge Profile (as of December 2020)

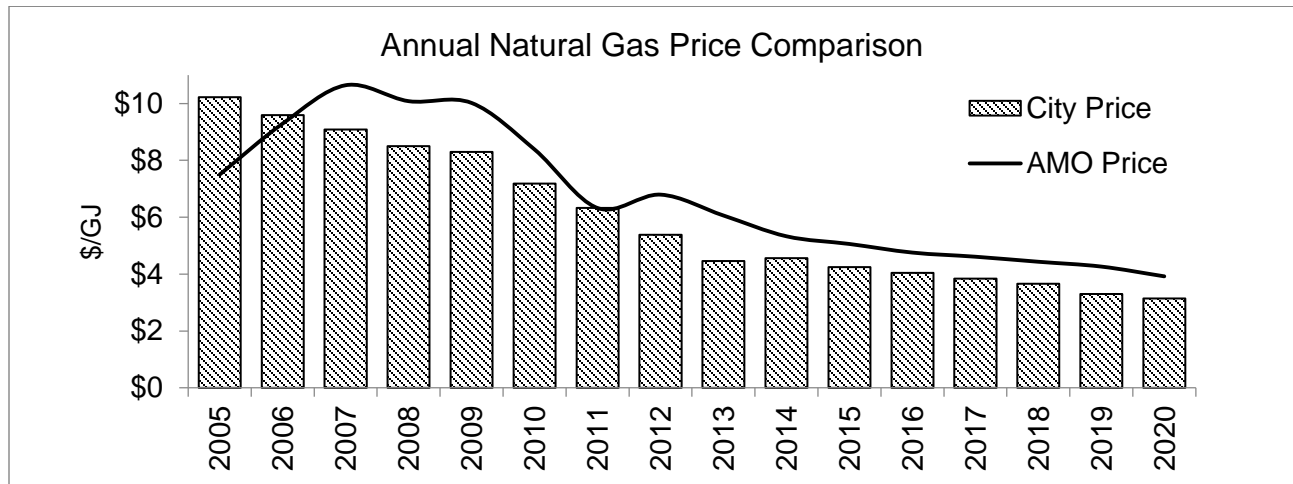


Notes on Figure 7:

- GJ/Day = Gigajoule per day
- PKY = Parkway Ontario delivery point
- Dawn = Union Dawn Ontario delivery point

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To evaluate the performance of the hedging program, the City benchmarks its natural gas hedging activities against the procurement program offered by the Association of Municipalities of Ontario / Local Authority Services (AMO / LAS). Although the City has enough volume to allow for wholesale purchase from market suppliers, smaller municipalities may not have the volume or expertise to manage their own programs and may benefit from and highly valued AMO / LAS purchasing program. The City and AMO / LAS program comparison is shown in Figure 8 with overall results shown in Figure 9. Figure 8: Average Price Comparison of City to AMO/LAS Natural Gas Program*



*As posted on LAS program website. <https://www.las.on.ca/>

Figure 9: Performance of Natural Gas Hedging Activity Compared to AMO/LAS Program

Natural Gas Hedging Performance Results	2020 Results	Cumulative Results*
Levy (Tax) Supported Budget	\$ 489,742	\$ 7,674,624
Rate Supported Budget	\$ 134,580	\$ 1,342,831
Total Cost Benefits:	\$ 624,322	\$ 9,017,455

*Performance relative to AMO/LAS Natural Gas Hedging Program since 2007

Although hedging activities do serve to effectively manage the commodity portion of natural gas prices, controlling consumption plays a role in managing the overall costs of natural gas. Consumption reduction helps to mitigate the potential for increased costs of natural gas due to changes in utility or regulated rates (i.e. delivery, carbon programs), while further reducing the footprint of the City’s facilities by reducing carbon emissions.

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Natural Gas Agreements for Supply, Transportation, Storage and Delivery

In 2020, the City had master agreements for natural gas supply in place with Shell Energy North America (Canada) Inc., Tidal Energy Marketing Inc., Royal Bank of Canada and EDF Trading North America, LLC. In July 2020, EDF Trading North America sold its Canadian natural gas portfolio and existing forward hedges to Twin Eagle Resource Management Canada LLC. All current supply counterparties have credit ratings that are compliant with the Corporate Energy Policy.

In addition, the City has contracts in place with Enbridge Gas that are required to facilitate the transportation, delivery and storage of the City’s natural gas supply. The utility agreements include a direct purchase agreement for City sites, two T1 rate storage contracts for managing Transit CNG and Hamilton Water biosolids and an M13 rate production contract for renewable natural gas.

Direct Purchase Agreements (DPA) with Enbridge Gas

DPAs outline the terms of service for delivery of natural gas, including designated delivery points, contract volumes and storage. The parameters are shown below in gigajoules (GJ) which is the unit in which gas is purchased to meet the requirements. Prices and consumption data on Enbridge Gas bills are reported in cubic metres (1 GJ = ~26 cubic metres). In 2020, the agreements and parameters on contract renewal were:

- SA7020 for 1,333 GJ/day – 250 miscellaneous City natural gas accounts which run from November 1 to October 31 each year.
- T1 for 651 GJ/day (increased from 598 GJ/day as of September 2019) - For Transit’s CNG bus fleet and transit site. The contract runs September 1 to August 31 each year.
- T1 for 437 GJ/d (as of May 1, 2020) – For Hamilton Water biosolids production operation. The contract runs from May 1 to April 30 each year.

Each DPA has its own specific delivery requirements, at different points along the variety of pipelines within North America and are reviewed and renewed annually. DPAs may also be amended throughout the year or adjusted to meet specific parameters. Specifically, for the T1 contracts, volumes are reviewed regularly to accommodate more frequent changes to requirements, such as changes to fleet size, weather impacts or operational adjustments. Incremental volumes over DCQ or lower volumes (less than DCQ) are commonly delivered to accommodate for these changes.

Compressed Natural Gas (CNG)

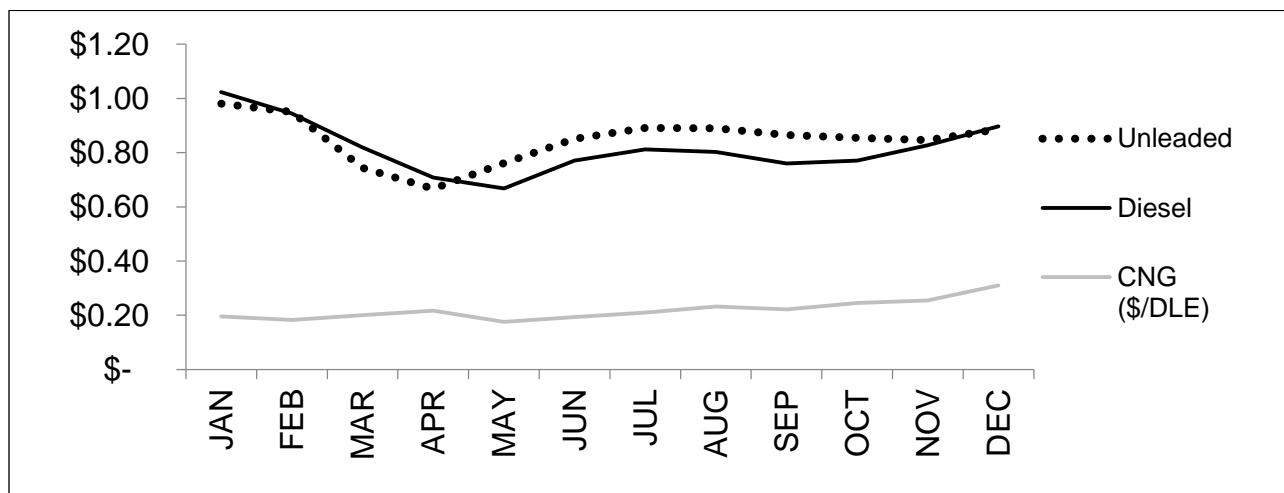
Natural gas is also purchased for Transit’s fleet of natural gas buses. The CNG station at the Mountain Transit Centre services the fleet of existing and growing number of natural gas buses for the City.

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The CNG station operates under a natural gas storage contract (T1). The T1 contract is a daily-balanced contract with storage availability. The amount of storage volume is contracted annually and for the 2019-2020 contract term (September 2019 to August 2020), the T1 was allotted 15,318 GJs of storage. The difference between the daily volumes purchased and consumed are injected or withdrawn from the storage account. The contract allows for greater flexibility in managing the supply but must be reviewed daily to adhere to specific storage parameters.

The Transit fleet of natural gas buses totalled around 140 by the end of 2020 and is expected to increase in the coming years. Natural Gas has a lower cost compared to diesel, however, it does operate at approximately 75% efficiency per diesel litre equivalent when compared to diesel bus usage. Despite its lower efficiency, the lower cost and lower GHG emissions is of benefit to the City. In 2020, the total cost of natural gas for the buses was \$1.26 M. Figure 10 shows the City’s monthly fuel prices with CNG price converted to diesel equivalent (DLE).

Figure 10: 2020 Monthly Average Fuel Prices for Diesel, Unleaded Gasoline and CNG



*Prices include Fleet charge of 3.5 cents per litre for diesel and gasoline.

When converted to diesel equivalent dollars and adjusting for efficiency, Transit spent \$2.3 M less in fuel costs using CNG buses than they would have using only diesel buses.

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Figure 11: 2020 Cost Benefit of CNG as Compared to Diesel

Diesel Litre Equivalent (L)	5,776,818
Number of DLE Litres of Diesel Required*	4,274,845
DSL cost at \$0.83/L (Average Fuel Price)	\$ 3,548,121.58
2020 CNG Cost	\$ 1,260,549.04
Avoided fuel cost by using CNG	\$ 2,287,572.54

* Average of CNG buses run at ~75% of DLE compared to average DSL bus.

Traditional Fuel Supply

The City of Hamilton purchases diesel and gasoline fuel for its fleet of vehicles including buses, waste collection vehicles, snow removal trucks, street sweepers, forestry and parks vehicles, as well as, Fire and Emergency Services vehicles. In addition, the City purchases fuel for Hamilton Police Services.

In 2020, the City’s fuel procurement strategy involved utilizing a contractual bulk supply agreement with Suncor Energy Products Partnership. Fuel contracts are reviewed annually and based on pricing, deliverability and fuel types, the strategy can be adjusted accordingly.

The pricing arrangement for 2020 was based on the daily “rack” price of each required fuel type (diesel and gasoline) from a designated source terminal with negotiated discounts, delivery charges and taxes. Paying daily rack pricing for fuel assures customers are getting the lowest available price on the market for that day. Suncor Energy Products Partnership has a credit rating that is compliant with the Corporate Energy Policy.

Wholesale purchase of diesel and gasoline offer lower prices than those at public fuel stations across the City. With data collected from reliable industry sources on average fuel pump prices in Hamilton, Figures 12 and 13 show the comparison between the average prices paid for diesel and gasoline purchased under City wholesale contracts versus the average retail prices paid at the pump (“Pump”) by the public at fuel stations throughout Hamilton.

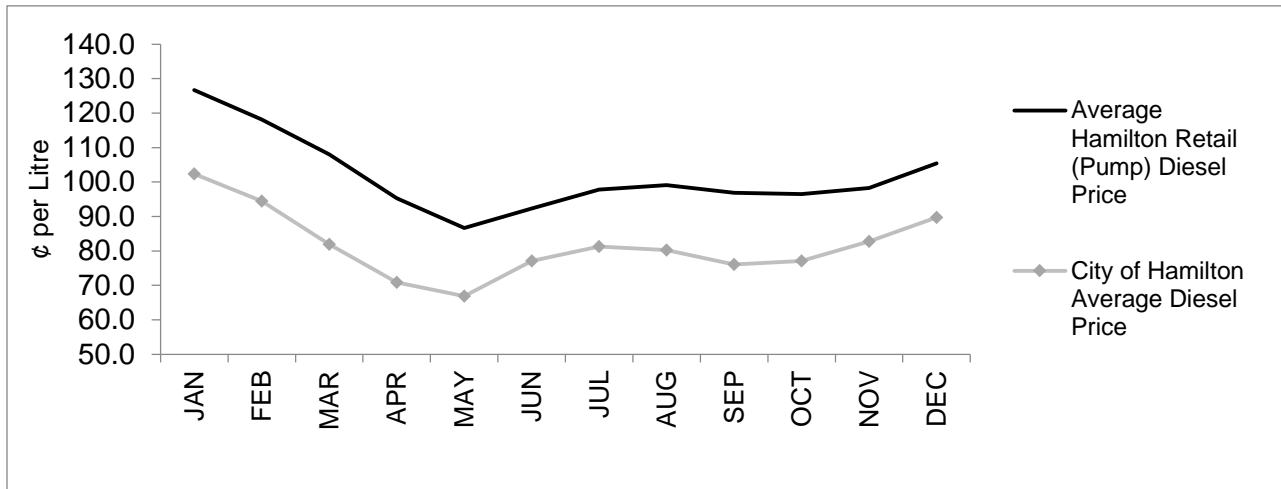
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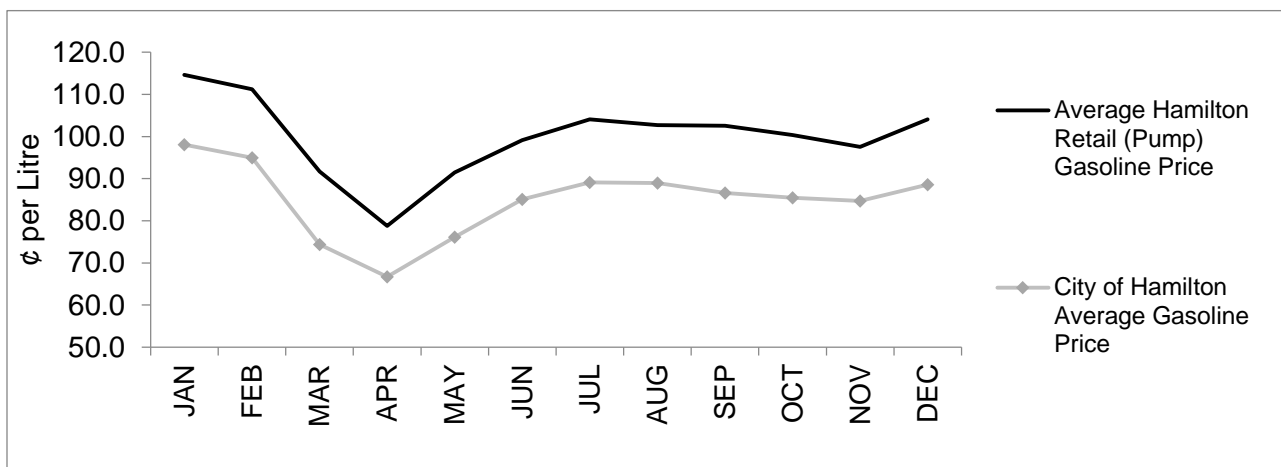
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Figure 12: 2020 Monthly Average Price of Diesel Paid by City versus at the Pump*



*Average Canadian Diesel retail pump prices for Hamilton from data available by Kent Group Ltd (weekly)

Figure 13: 2020 Monthly Average Price of Gasoline Paid by City versus at the Pump*



*Average Canadian gasoline retail pump prices for Hamilton from data available by Kent Group Ltd (weekly)

Fuel purchases for diesel and gasoline, as reported in the 2020 Annual Energy Report on Commodity Price Hedging (Report PW21049) excludes Hamilton Police Services. City departments used approximately 7.6 million litres of diesel, a 12% decrease from 2019. City departments used approximately 2.3 million litres of gasoline, a 3% decrease from 2019. Overall usage in diesel and gasoline was lower in 2020 due to interruptions or changes in services as a result of COVID-19.

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The 2020 budget prices for diesel and gasoline were set at \$1.04 per litre and \$1.10 per litre, respectively. For 2020, the average diesel and gasoline unit prices were under budget, with overall costs at 28% below budget. Prices for diesel and gasoline overall dipped dramatically during the early stages of the pandemic but did recover near the mid to end of 2020 to more expected levels as provincial and global demand for fuels increased. With both lower consumption and lower prices, the variance of actual to budget was \$3.2 M. Figure 14 shows the 2020 results as compared to budget.

Figure 14: 2020 Actual Fuel Consumption and Costs Compared to Budget

Fuel Type	2020 Budget	2020 Actual	2020 Variance (Actual - Budget)
Diesel Consumption (L)	8,697,083	7,599,384	- 1,097,700
Diesel Cost (\$)	\$ 9,044,960	\$ 6,313,428	-\$ 2,731,532
Diesel Unit Price (\$)	\$ 1.04	\$ 0.83	-\$ 0.21
Gasoline Consumption (L)	2,267,659	2,292,783	25,124
Gasoline Cost (\$)	\$ 2,494,420	\$ 1,977,370	-\$ 517,050
Gasoline Unit Price (\$)	\$ 1.10	\$ 0.86	-\$ 0.24
Total Consumption (L)	10,964,743	9,892,167	- 1,072,576
Total Costs (\$)	\$ 11,539,380	\$ 8,290,798	-\$ 3,248,582

Purchasing wholesale fuel does help insulate the City from some of the costs associated with pump prices, largely the marketing fees. However, City prices do include Fleet’s fee of 3.5 cents per litre.

Fuel Risk Management

Like other commodities, diesel and gasoline markets are volatile and are impacted by many localized and global geopolitical factors. One method to manage volatility is to hedge volumes for a forward term at a set price. This is typically achieved by utilizing a financial hedge to manage fluctuations in the market. Although the City has hedged in the past and staff continues to monitor related markets for favorable opportunities, no volumes were hedged in 2020 or are currently hedged.

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Contract Agents

Managing the annual energy cost of over \$37 M requires continuous attention within an ever-changing energy industry. To maximize available expertise, the City uses outside consultants (Contract Agents) to assist staff in negotiating the unstable and complex energy commodity markets and associated regulatory frameworks. The use of these Contract Agents has proven valuable in that they are immersed daily in the energy commodity markets and have specialized expertise with respect to monitoring and responding to market changes. In 2020, the City had a professional services agreement with Jupiter Energy Advisors Inc. to assist with the day-to-day management of the City’s natural gas portfolio.

Additionally, the City reviews several market-based publications and engages with outside parties to further gather information on factors influencing pricing both domestically and globally.

Consistency with City Energy Commodity Hedging Policy and Goals

The agreements executed during the reporting period are consistent with the City’s Commodity Price Hedging Policy and Goals:

- The agreements have provided for a price of natural gas that was more stable and therefore, less risky than it would have been omitting the agreements;
- The actions taken through the authority of the Energy Commodity Policy have reduced uncertainty about energy costs, which have a direct impact on the City’s financial position. It has also enabled staff to respond to favourable market conditions;
- Credit ratings for the City’s primary commodity suppliers remain above the minimum threshold outlined in the policy;
- Commodity hedging provides municipalities with added flexibility to potentially mitigate or manage potential price fluctuations.

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Hamilton

Minutes

IMMIGRANT & REFUGEE ADVISORY COMMITTEE

May 13, 2021

6:30pm-8:30pm

Due to the COVID-19 and the Closure of City Hall

All electronic meetings can be viewed at:

City's YouTube Channel:

<https://www.youtube.com/user/InsideCityofHamilton>

Present: Dina Honig, Aref Alshaikhahmed, Leslyn Gombakomba, Grace Maciak, Councillor Maureen Wilson

Also Present: Cole Gately- Staff Liaison, Diversity & Inclusion, Office
Taline Morris- Admin Assistant, Diversity & Inclusion

Absent with Regrets : Rami Safi

1. WELCOME & INTRODUCTIONS

R. Safi provided a round of welcome and introductions.

2. CEREMONIAL ACTIVITIES (Item 1)

A. Alshaikhahmed gave a Land Acknowledgement

3. APPROVAL OF AGENDA (Item 2)

Item to be added to 13.1 General Information / Other Business respecting discussion on recording and retaining Advisory Committee meetings for future viewing by the public.

(A. Alshaikhahmed/L. Gombakomba)

That the Agenda of May 13, 2021 be approved with admendments.

4. APPROVAL OF MINUTES OF PREVIOUS MEETING (Item 4)

- i. **Minutes of April 8, 2021 and March 11, 2021 (Item 4.1)**

(A. Alshaikhahmed/D. Honig)

That the Immigrant and Refugee Committee approves the Minutes of April 8, 2021 and March 11, 2021as presented.

CARRIED

5. DISCUSSION ITEMS (Item 10)**i. Citizen committee report respecting Urban Indigenous Strategy (Item 10.1.a)**

Committee members reviewed and provided final edits to the citizen committee report respecting Urban Indigenous Strategy. Staff to submit report on behalf of the committee.

ii. Mental Health support for Immigrants and Refugees (Item 10.1.b)

Deferred to June meeting as R. Safi is not present to provide update.

iii. COVID -19 in Marginalized Communities (Item 10.1.c)

Deferred to June meeting as R. Safi is not present to provide update.

iv. Workplan (Item 10.2)

Defferred to June meeting as requested by A. Alshaikhahmed.

6. MOTIONS (Item 11)**i. Approval of All Advisory Committee Event Date and Selection of a Presenter.**

Deferred to June meeting as committee chair is away and cannot accept nomination as presenter.

7. GENERAL INFORMATION/ OTHER BUSINESS (Item 13)**i. Discussion on recording and retaining Advisory Committee meetings for future viewing by the public**

Committee members recently received communications from the Clerk's office asking if they were in favour of recording and retaining Advisory Committee meetings for future viewing by the public

Councillor Wilson addressed the committee and provided background on the reason for the request.

Committee members discussed the pros and cons of retaining meeting video's. Members will send individual responses to clerk's as requested.

8. ADJOURNMENT (Item 15)**(A. Alshaikhahmed/L. Gombakomba)**

That the Meeting for the Immigrant and Refugee Committee be adjourned at 7:39pm.

Next Meeting: Thursday, June 10, 2021



CITY OF HAMILTON
CORPORATE SERVICES DEPARTMENT
Financial Planning, Administration and Policy Division

TO:	Chair and Members Audit, Finance and Administration Committee
COMMITTEE DATE:	September 23, 2021
SUBJECT/REPORT NO:	Tax and Rate Operating Budgets Variance Report as at June 30, 2021 – Budget Control Policy Transfers (FCS21070) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Kayla Petrovsky Fleming (905) 546-2424 Ext. 1335 Duncan Robertson (905) 546-2424 Ext. 4744
SUBMITTED BY:	Mike Zegarac General Manager, Finance and Corporate Services Corporate Services Department
SIGNATURE:	

RECOMMENDATION(S)

- (a) That the Tax and Rate Operating Budgets Variance Report as at June 30, 2021 attached as Appendices “A” and “B”, respectively, to Report FCS21070, be received;
- (b) That, in accordance with the “Budgeted Complement Control Policy”, the 2021 complement transfers from one department / division to another with no impact on the levy, as outlined in Appendix “C” to Report FCS21070, be approved;
- (c) That, in accordance with the “Budgeted Complement Control Policy”, the 2021 extensions of temporary positions with 24-month terms or greater, with no impact on the levy, as outlined in Appendix “D” to Report FCS21070, be approved;
- (d) That, in accordance with the “Budget Control Policy”, the 2021 budget transfers from one department / division to another or from one cost category to another with no impact on the property tax levy, as outlined in Appendix “E” to Report FCS21070, be approved;

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**SUBJECT: Tax and Rate Operating Budget Variance Report as at June 30, 2021 –
Budget Control Policy Transfers (FCS21070) (City Wide) –
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- (e) That Council approve funding the unfavourable variances of Development Charge Discretionary Exemptions from the 2021 corporate year-end tax and / or rate surplus or from the Unallocated Capital Reserve 108020, Waterworks Capital Reserve 108015, Sanitary Sewer Capital Reserve 108005 or Storm Sewer Capital Reserve 108010.

EXECUTIVE SUMMARY

Staff has committed to provide Council with three variance reports for the Tax Supported and Rate Supported Operating Budgets during the fiscal year. This is the first submission for 2021 based on the operating results as of June 30, 2021. Appendix “A” to Report FCS21070 summarizes the Tax Supported Operating Budget year-end variances by department and division while Appendix “B” to Report FCS21070 summarizes the year-end variances of the Rate Supported Operating Budget by program.

The Tax Supported operations are projecting a surplus of \$25.2 M, taking into consideration all anticipated funding from senior levels of government to offset financial pressures from the COVID-19 pandemic response. The Rate Supported operations are projecting a deficit of \$1.3 M.

The \$25.2 M surplus is comprised of City Departments / Other (\$10.43M favourable), Boards and Agencies (\$4.8 M favourable) and Capital Financing (\$10.0 M favourable). The surplus in Tax Supported Operating Budget is spread across several departments and is related to gapping surpluses, savings in capital financing, operational changes as a result of the pandemic response and limits on discretionary spending. For the Rate Supported Operating Budget, the deficit is related to unfavourable variances from operating expenditures of \$2.3 M, partially offset by favourable revenue variance of \$1.0 M.

Through the Safe Restart Agreement (SRA) and the COVID-19 Recovery Funding for Municipalities Program (CRFMP), funding was provided by senior levels of government to municipalities to address operating pressures related to the COVID-19 pandemic. A Tax Supported Operating Budget Deficit of \$13.7 M is projected without the SRA / CRFMP funding applied. A total of \$38.9 M in funding is projected to be applied in 2021 through the SRA and CRFMP, as well as, \$61.4 M in other various funding programs related to the pandemic such as the Social Services Relief Fund and Ministry of Health funding for COVID-19 vaccination and response programs. Appendix “F” to Report FCS21070 details the estimated net financial pressures of \$100.3 M in 2021 and the funding received to offset those pressures. Based on current estimates, \$14.9 M of confirmed funding would be available to carry forward to 2022. There is also \$20.3 M available in the COVID-19 Emergency Reserve.

**SUBJECT: Tax and Rate Operating Budget Variance Report as at June 30, 2021 –
Budget Control Policy Transfers (FCS21070) (City Wide) –
Page 3 of 17**

Additional details are presented in the Analysis and Rationale for Recommendation(s) section beginning on page 5 of Report FCS21070.

2021 Budget Transfers, Extensions, and Amendments

In accordance with the “Budget Control Policy” and “Budgeted Complement Control Policy”, staff is submitting 15 recommended items. The complement transfers, identified in Appendix “C” to Report FCS21070, moves budgeted complement from one department / division to another to accurately reflect where the staff complement is allocated within the department / division for the purpose of delivering programs and services at desired levels, without impacting the tax levy or rate. The tax operating budget amendments, identified in Appendix “E” to Report FCS21070, moves budget from one cost category to another between either the same or different departments / divisions or from one division or department to another within the same cost category. Completing this transfer simplifies the budget review process for the following year by ensuring comparable budget data.

In addition, staff is recommending three items, where temporary positions with 24-month terms or greater, are being extended as identified in Appendix “D” to Report FCS21070 with no impact on the levy.

Alternatives for Consideration – Not Applicable

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: The financial information is provided in the Analysis and Rationale for Recommendation(s) section of Report FCS21070.

Staffing: Staffing implications of Report FCS21070 are detailed in Appendices “C” and “D”, which outlines the 2021 staff complement transfers from one department / division to another with no impact on the levy and extensions of temporary positions.

Legal: N/A

HISTORICAL BACKGROUND

The COVID-19 pandemic has resulted in many changes affecting human behavior and impacting the world’s economic condition. In response, since March of 2020, the City’s operations have changed and evolved considerably with facility closures, program cancellations and modification of services provided.

**SUBJECT: Tax and Rate Operating Budget Variance Report as at June 30, 2021 –
Budget Control Policy Transfers (FCS21070) (City Wide) –
Page 4 of 17**

In late March 2020, the Province announced the \$200 M Social Services Relief Fund (SSRF) in response to the ongoing COVID-19 crisis to allow communities to expand a wide range of services and supports for vulnerable populations, based on local need, to better respond to the emergency.

On July 27, 2020, the Ontario Government announced an Historic Agreement to Support Municipalities and Transit. The Ontario government, in partnership with the federal government, is providing up to \$4.0 B in urgently needed one-time assistance to Ontario's 444 municipalities. This funding is intended to help municipalities continue to effectively deliver critical public services, such as public transit and shelters, as the Province continues down the path of renewal, growth and economic recovery.

On August 12, 2020, the Ontario government announced details of the up to \$1.6 B of the first round of emergency funding for municipalities under the Federal - Provincial Safe Restart Agreement. Through the Safe Restart Agreement with the federal government, \$695 M will help municipalities address operating pressures related to the COVID-19 pandemic through the first round of emergency funding and over \$660 M will support transit systems. The Province, to date, has provided \$817 M to municipalities through the Social Services Relief Fund (SSRF) and through the Canada-Ontario Community Housing Initiative (COCHI) to help vulnerable people find shelter under the program.

The General Issues Committee received Report FCS20071, "Federal and Provincial Government Municipal Funding Announcements Update", on September 9, 2020 and Report FCS21057, "Multi-Year Outlook" on June 16, 2021 which provided information on the Safe Restart Funds and other government funding announcements.

There have been various other funding announcements, outside of the Social Services Relief Fund and Safe Restart Agreement, to assist municipalities in the delivery of critical programs and services throughout the pandemic. This includes funding from the Ministry of Health for the COVID-19 response and vaccination programs, mental health and addictions funding, enhancements to the Reaching Home Initiative, the CMHC Rapid Housing Initiative, the ICIP – COVID-19 Resilience Infrastructure Stream, as well as, funding for other emergency response and essential services such as paramedics, long-term care and children services.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

Not Applicable

**SUBJECT: Tax and Rate Operating Budget Variance Report as at June 30, 2021 –
Budget Control Policy Transfers (FCS21070) (City Wide) –
Page 5 of 17**

RELEVANT CONSULTATION

Staff in all City of Hamilton departments and boards provided the information in Report FCS21070.

ANALYSIS AND RATIONALE FOR RECOMMENDATION(S)

The following provides an overview of the more significant issues affecting the 2021 Tax and Rate Operating Budget Surpluses. Appendix “A” to Report FCS21070 summarizes the Tax Supported Operating Budget year-end variances by department and division and Appendix “B” to Report FCS21070 summarizes the Rate Supported Operating Budget results by program.

Table 1 provides a summary of the departmental results as at June 30, 2021. The projected Tax Supported Operating Budget deficit before applying SRA / CRFMP funding amounts to \$13.7 M or approximately 1.4% of the net levy. After SRA / CRFMP funding is applied, there is a projected surplus of \$25.2 M or approximately 2.6% of the net levy.

Table 1

	2021 Approved Budget	2021 Year-End Forecast	Pre Safe Restart/COVID-19 Recovery Funding		Post Safe Restart/COVID-19 Recovery Funding	
			Variance		Variance	
			\$	%	\$	%
TAX SUPPORTED						
Planning & Economic Development	30,357	33,520	(3,163)	(10.4)%	3,322	10.9%
Healthy and Safe Communities	255,023	263,921	(8,898)	(3.5)%	3,706	1.5%
Public Works	266,803	273,190	(6,388)	(2.4)%	7,676	2.9%
Legislative	5,164	5,258	(94)	(1.8)%	(94)	(1.8)%
City Manager	13,017	12,732	285	2.2%	409	3.1%
Corporate Services	37,212	37,380	(168)	(0.5)%	278	0.7%
Corporate Financials / Non Program Revenues	(27,941)	(18,522)	(9,419)	(33.7)%	(5,014)	(17.9)%
Hamilton Entertainment Facilities	4,037	4,817	(780)	(19.3)%	0	0.0%
TOTAL CITY EXPENDITURES	583,672	612,296	(28,624)	(4.9)%	10,284	1.8%
Hamilton Police Services	175,352	175,352	0	0.0%	0	0.0%
Library	32,030	28,230	3,800	11.9%	3,800	11.9%
Other Boards & Agencies	16,334	16,392	(58)	(0.4)%	(58)	(0.4)%
City Enrichment Fund	6,088	6,088	0	0.0%	0	0.0%
TOTAL BOARDS & AGENCIES	229,804	226,062	3,742	1.6%	3,742	1.6%
CAPITAL FINANCING	140,943	129,809	11,134	7.9%	11,134	7.9%
TOTAL OTHER NON-DEPARTMENTAL	370,747	355,871	14,876	4.0%	14,876	100.0%
TOTAL TAX SUPPORTED	954,419	968,166	(13,748)	(1.4)%	25,160	2.6%

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Since the onset of the COVID-19 pandemic, there have been numerous announcements from the Federal and Provincial governments regarding funding opportunities to address financial pressures for individuals and organizations. Appendix “F” to Report FCS21070 provides a summary of all the net financial pressures from COVID-19 for 2021 and all funding from senior levels of government to be applied to offset the pressures. In total, \$100.3 M is recognized as 2021 pressures with \$96.4 M in funding to be utilized. The remaining variance of \$3.9 M for the Hamilton Paramedic Service represents funding for COVID-19 pressures that is awaiting confirmation from the Ministry of Health.

Safe Restart Agreement – Transit

On August 12, 2020, the City received confirmation of \$17.2 M of immediate funding through the “Safe Restart Agreement: Municipal Transit Funding – Phase 1” to support COVID-19 pressures incurred from April 1, 2020 to September 30, 2020. These financial pressures include reduced revenues from farebox, advertising, parking and contracts, as well as, added expenses related to cleaning, new contracts, labour, driver protection, passenger protection and other capital costs.

Total Phase 1 funds utilized under the eligible periods from April 1, 2020, to September 30, 2020 and October 1, 2020 to March 31, 2021 was \$13.8 M. The \$3.4 M of unused Phase 1 funding is expected to be returned to the Province. To date, no request has been made by the MTO to return the remaining unused funds. The City of Hamilton received an allocation of \$21.5 M in Phase 2 funding, which covers the period from October 1, 2020 and March 31, 2021. The funding was not claimed by the Transit Division since there were no further eligible expenditures incurred within that timeframe to be offset by additional funding.

Phase 3 funding was confirmed in a letter from the Ministry of Transportation on March 3, 2021 for the period between April 1, 2021 and December 31, 2021 for a total allocation to the City of \$16.8 M. The City will be required to return any unused funding, including interest, at the end of the eligibility period. The Province may also, at its sole discretion and on a case-by-case basis, grant extensions to the Phase 3 eligibility period for costs incurred after December 31, 2021 to January 1, 2023.

As of June 30, 2021, it is projected that \$13.2 M will be required from the Safe Restart – Transit Phase 3 funding to cover projected COVID-19 related costs to be incurred during the year, leaving \$3.6 M in funding remaining at the end of 2021. If the Transit Division does not incur enough eligible expenditures to utilize all of the Phase 3 funding before December 31, 2021, the City will request that the MTO allow the remaining funding to be used to cover eligible expenditures in 2022.

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**Safe Restart Agreement – Municipal and COVID-19 Recovery Funding for
Municipalities Program**

In a letter dated August 12, 2020, the Province advised the City of Hamilton of its Phase 1 funding allocation of \$27.6 M under the Safe Restart Agreement to support the operating costs and pressures related to COVID-19. Based on eligible expenses and lost revenues, the City recognized \$17.4 M in 2020 and carried the remaining \$10.2 M in Safe Restart Funding forward to 2021 to address ongoing pressures as a result of the pandemic.

An additional \$11.7 M was provided to the City under the Phase 2 allocation for the purpose of assisting with COVID-19 operating costs and pressures in 2021 on December 16, 2020. Combined with the unused portion from Phase 1, \$21.9 M of Safe Restart Agreement – Municipal funding is available to December 31, 2021.

Additional to the Safe Restart Agreement, the Province of Ontario announced a \$500 M funding commitment to municipalities under the COVID-19 Recovery Funding for the Municipalities Program. The City of Hamilton's share under this program is \$18.7 M, which can be used to address general municipal COVID-19 costs and pressures in 2021. Remaining funds at the end of 2021 will be put into a reserve to support potential COVID-19 costs and pressures in 2022.

As of June 30, 2021, it is projected that the Safe Restart Funding will be fully utilized and \$3.9 M will be drawn from the COVID-19 Recovery Funding Program leaving an eligible amount of \$14.9 M to be carried over to 2022.

Social Services Relief Fund

In late March 2020, the Province announced the \$200 M Social Services Relief Fund (SSRF) in response to the ongoing COVID-19 crisis to allow communities to expand a wide range of services and supports for vulnerable populations, based on local need, to better respond to the emergency. The City of Hamilton received an initial \$6.9 M under this program.

On August 12, 2020, the SSRF was expanded by an additional \$362 M as part of the federal-provincial Safe Restart Agreement. Under Phase 2 of the program, the City of Hamilton has received an allocation of \$11.3 M, as well as, an application for an additional \$6.4 M. The SSRF Phase 2 includes an operating component and two new capital components with the objectives of mitigating ongoing risk for vulnerable people, encouraging long-term housing-based solutions to homelessness post COVID-19 and enhancing rent assistance provided to households in rent arrears due to COVID-19. In accordance with program guidelines and eligibility requirements, \$13.0 M in revenue from the SSRF was recognized in 2020.

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On March 10, 2021, the City received a letter from the Ministry of Municipal Affairs and Housing announcing Phase 3 of the SSRF and the City's allocation of \$12.3 M for the period of March 1, 2021 up to December 31, 2021.

Another letter was received by the City on August 16, 2021 from the Ministry of Municipal Affairs and Housing detailing the fourth and final Phase of the province's SSRF and through Canada-Ontario Community Housing Initiative (COCHI). Under Phase 4 of the SSRF program, the City of Hamilton has received an allocation of \$13.8 M for the 2021 – 2022 fiscal year. Under the COCHI program, the government has also approved the release of up to an additional \$21 M. This funding will support community housing providers across Ontario, including the state of repair of the legacy social housing stock. Under COCHI, the City of Hamilton has received an additional funding allocation in the amount of \$1.0 M to the City of Hamilton for the 2021 - 2022 fiscal year.

Combining Phase 3 and 4 allocations with the carryover amounts from Phases 1 and 2, a total of \$37.7 M for SSRF is available for use in 2021. As of June 30, 2021, it is forecasted that \$12.6 M will be leveraged in 2021. Remaining funds at the end of 2021 will be put into a reserve to support potential COVID-19 costs and pressures in 2022.

Tax Supported Operating Budget

Appendix "A" to Report FCS21070 summarizes the Tax Supported Operating Budget variances by department and division.

In order to contain costs and associated budget deficits with the COVID-19 pandemic response, the Senior Leadership Team and Council adopted several measures including redeployment of staff for the COVID-19 vaccination, response and recovery programs. As a result, corporate-wide gapping detailed in Table 2 is \$8.1 M, in comparison to the Council approved target of \$4.9 M, resulting in a surplus of \$3.1 M.

Table 2

NET GAPPING BY DEPARTMENT	GAPPING TARGET (\$000's)	2021 PROJECTED GAPPING (\$000's)	VARIANCE (\$000's)
Planning & Economic Development	\$ 853	\$ 1,880	\$ 1,027
Healthy and Safe Communities	\$ 952	\$ (450)	\$ (1,402)
Public Works	\$ 2,202	\$ 5,400	\$ 3,198
Legislative	\$ 84	\$ 47	\$ (37)
City Manager	\$ 225	\$ 388	\$ 163
Corporate Services	\$ 633	\$ 822	\$ 189
Consolidated Corporate Savings	\$ 4,950	\$ 8,087	\$ 3,137

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Each department's gapping variance (target versus projection) is detailed in the following sections, along with other departmental highlights.

Planning and Economic Development Department

Planning and Economic Development is forecasting a surplus of \$3.3 M. SRA / CRFMP funding of \$6.5 M is applied mainly in the Transportation Planning and Parking Division to assist with foregone parking revenues due to COVID-19 and staffing costs. Without SRA / CRFMP funding, the Department is projecting a deficit for the year of \$3.2 M.

The Transportation Planning and Parking Division is projecting a deficit of \$6.4 M before SRA / CRFMP funding. This is attributable to forgone revenues due to COVID-19 of \$6.4 M and staffing costs of \$100 K. This is partially offset by savings in contractual services of \$170 K due to reduced parking activity and information retrieval of \$50 K due to less issuance of fines.

A combined favourable variance of \$3.4 M is projected in the Planning Division and Growth Management Division due to higher than anticipated revenues (higher volume) and net gapping savings.

The remaining divisions have an anticipated combined surplus of \$0.2 M, after SRA / CRFMP funding of \$0.4 M was applied. The funding was mainly applied in the Licensing and By-Law Division and Tourism and Culture Division to help offset lost revenues in both divisions as a result of COVID-19. This was slightly offset by favourable gapping in the divisions.

The Planning and Economic Development departmental gapping target is \$0.9 M for 2021. As at June 30, 2021, the projected year-end gapping amount is \$1.9 M, resulting in a projected surplus of \$1.0 M.

Healthy and Safe Communities Department

Overall, the Healthy and Safe Communities Department is projecting an overall surplus of \$3.7 M after SRA / CRFMP funding of \$12.6 M is applied. Without funding, the overall deficit would be \$8.9 M driven by staff and resourcing costs to meet the demands required for the COVID-19 pandemic response, as well as, additional expense for combatting homelessness and protecting the community's most vulnerable.

Long Term Care Division is projecting a favourable variance of \$1.6 M after applying \$0.3 M in SRA / CRFMP funding. The favourable variance was a result of gapping from vacancies and unfilled shifts due to staffing shortages of \$1.2 M and unbudgeted provincial funding of Structural Compliance of \$1.4 M. Slightly offset by foregone accommodation fee revenue (\$770 K) and Adult Day Program Closure (\$215 K).

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Recreation is forecasting a surplus of \$0.3 M after applying \$3.2 M in SRA / CRFMP funding. The anticipated revenue loss of \$10 M as a result of facility closures and cancellation of programs is expected to be offset by a combination of savings in employee related costs (\$5.5 M), operational and maintenance cost savings due to closures (\$1.7 M) and SRA / CRFMP funding (\$3.2 M).

Hamilton Paramedic Service (HPS) is projecting a deficit of \$1.4 M due to COVID expenses (i.e. overtime, materials and supplies, cleaning, etc.) forecasted to be higher than expected. If the Ministry funds the expected COVID expenses in total, HPS will likely end the year in a surplus position (approximately \$2.5 M). If the Ministry does not fund the expected COVID expenses, HPS will end the year in a deficit position of \$1.4 M.

Hamilton Fire Department is forecasted to be in line with budget with a variance of \$9 K projected for year-end. An unfavourable variance due to operational expenses including materials and supplies is projected to be greater than budget, in addition to required vehicle repairs. This is partially offset with expected savings in overall employee related costs.

Public Health Services is projecting a surplus of \$0.4 M. The surplus relates to savings in Racoon Rabies Program for one less staff than budgeted of \$0.2 M, \$120 K in savings as it relates to Residential Care Facilities from staff redeployed and services decreases due to COVID and additional funding from the Ministry that was not budgeted in the amount of \$54 K. The forecast assumes that the Ministry will fund 100% of COVID and Vaccine related expenditures above the budgeted amounts for mandatory programs. The total forecasted Public Health COVID related expenditures are \$46.6 M, of which \$24 M is vaccine related.

Housing Services is forecasting a surplus of \$0.9 M after SRA / CRFMP funding of \$8.2 M was applied. The surplus is a result of favourability in Rent supplements and Housing Stability benefits that are underspent due to CERB payments of \$2.2 M, in addition to favourable gapping of \$0.3 M. This was offset slightly by COVID-19 related pressures (\$1.6 M).

The Children's Services and Neighbourhood Development Division is forecasting a surplus of \$0.7 M due to savings in redeployment to Public Health of \$270 K, in addition to savings in program, conferences, travel and meeting related expenditures. There were also savings due to payment of fee subsidies down by 35% in addition to an increase in cross jurisdictional fee subsidies of \$6.6 M. This was almost entirely offset by a \$6.5 M reduction in childcare 80/20 cost share funding.

The Ontario Works division is projecting a surplus of \$1.3 M. The projected surplus is due to \$360 K in Ministry funding carried forward from 2020, \$340 K in underspending

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in the low-income program due to a lack of program recoveries / referrals and gapping savings (\$409 K). This was slightly offset by a pressure of \$83 K in unbudgeted COVID-19 costs due to additional technology requirements to support virtual delivery and \$175 K for new desks to support return to the office.

The Healthy and Safe Communities departmental gapping target is \$1.0 M for the 2021 year. As at June 30, 2021, the projected year-end gapping amount is -\$450 K, resulting in a projected deficit of \$1.4 M.

Public Works Department

Overall, the Public Works department is forecasting a surplus of \$7.7 M after SRA / CRFMP funding of \$14.1 M is applied. Without funding, the overall deficit would be \$6.4 M. There are several contributors, both favourable and unfavourable, across the divisions that are leading to the projected position.

Energy, Fleet and Facilities (EFF) Division is projecting a deficit of \$0.2 M for the year, after SRA / CRFMP funding of \$0.6 M is applied. The deficit is mainly due to \$0.5 M in incremental expenses from enhanced cleaning and PPE and \$150 K charges for obsolete inventory fleet parts write-off.

Engineering Services is projecting a surplus of \$0.4 M due to Road Cut Administrative Program fees and Permit Revenues along with other user fee revenues collected for various Corridor Management activities administered by this section.

Environmental Services anticipates a surplus of \$0.9 M mainly due to savings in park operations resulting from supply chain shortages (\$0.5 M) and gapping savings largely due to staff redeployed to the Hamilton Public Health Vaccination Clinics (\$0.9 M). This is partially offset by incremental forecasted costs for labour, cleaning, PPE and other COVID-19 related expenses to maintain normal operations, resulting in an unfavourable variance of \$0.5 M.

Waste Management is forecasting a surplus of \$0.2 M. This is a result of several favourable and unfavourable variances across the division. The favourable variances are with regard to contractual savings on the Central Composting Facility Contract (\$0.7 M), savings in the Materials Recycling Facility (MRF) contract due to new contract transition costs taking place in January-February 2021 resulting in materials being shipped offsite for processing (\$0.3 M) and net gapping savings (\$0.2 M). These projected surpluses are offset by deficits in the Waste Collection Contract and the Transfer Station / Community Recycling Centre (TS/CRC).

The Waste Collection Contract is projecting a \$0.8 M deficit. The annual escalation factor was budgeted at 2.00%, however, the actual escalation factor is 2.167%. The main driver for the escalation factor increasing is due to higher than expected natural

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gas prices. Further contributing to the unfavourable variance is an increase in actual bulk collection and front-end garbage lifts (multi-residential and commercial) for the first half of 2021. This trend is projected to continue for the remainder of the year.

Transit is expected to mitigate its projected COVID-related deficit of \$11.4 M through use of \$13.2 M in emergency funding (Phase 3 stream of Safe Restart Agreement funding), resulting in a non-COVID related projected surplus for the year of \$1.8 M. Lost revenues for Transit are estimated at \$25.0 M in 2021 as a result of the COVID-19 pandemic lockdown in the first half of the year resulting from decreased ridership. Further, the forecast has an expectation of ridership to only approach 65% by the end of 2021. The hybrid learning model (online versus in-person) at post-secondary institutions will also affect UPASS uptake and contribute to the deficit which include lost revenues under the University / College Transit Pass (UCTP) agreements. In addition, cleaning and disinfectant of buses, purchases of Medical / Safety equipment for drivers and communication materials (signage) have contributed to increased costs of \$1.2 M.

A \$950 K unfavourable variance in vehicle parts related to aging fleet and \$620 K deficit from a shortfall in Taxi Scrip and Charter revenue due to lower utilization of Taxi Scrip and cancellation of charters (COVID-19) is also adding to the expected deficit. Fuel savings of \$0.7 M, commission savings of \$1.2 M and DARTS, TransCab and Taxi Scrip contract agreement savings of \$1.5 M are expected to help offset the COVID-19 related impacts.

Transportation Operations and Maintenance is forecasting a surplus of \$4.5 M, after SRA / CRFMP funding is applied. The surplus is driven by gapping (\$2.3 M) and the Winter Season Roads Maintenance Program (\$2.2 M). There were decreased severity and quantity of winter events than budgeted, resulting in \$1.5 M of material and supplies savings and \$700 K in contractor activation savings. This was offset by \$0.3 M in incremental COVID-19 costs including labour, cleaning, PPE and other related expenses to maintain operations.

The Public Works departmental gapping target, included in the explanations above, is \$2.2 M for the 2021 year. As at June 30, 2021, the projected year-end gapping amount is \$5.4 M, resulting in a projected surplus of \$3.2 M.

Legislative

The Legislative budget is projected to be at a slight deficit of \$0.1 M for 2021 resulting from additional costs from implementing remote meetings, membership fee costs and unfavourable staffing costs.

The Legislative departmental gapping target is \$84 K for 2021. As at June 30, 2021, the projected year-end gapping amount is \$47 K, resulting in a projected deficit of \$37 K

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City Manager's Office

City Manager's Office is projecting a surplus of \$0.4 M in 2021, after SRA / CRFMP funding of \$124 K is applied. The funding is forecasted to be applied to overtime costs for communications staff due to COVID-19.

The Human Resources Division is projecting a surplus of \$436 K. The main drivers of the favourable variance were gapping (\$230 K) and savings in corporate leadership training due to COVID-19 restrictions (\$200 K).

The remaining divisions are forecasting a combined deficit of \$15 K. This is driven by unfavourable gapping.

The City Manager's Office departmental gapping target is \$0.2 M for the 2021 year. As at June 30, 2021, the projected year-end gapping amount is \$0.4 M, resulting in a projected surplus of \$0.2 M.

Corporate Services Department

Corporate Services is forecasting an overall surplus of \$0.3 M, after applying SRA / CRFMP funding of \$447 K. The overall surplus is mainly the result of favourable gapping across several divisions in addition to savings of \$300 K in software, hardware and computer repairs in the Information Technology division. This is slightly offset by an unfavourable variance in the City Clerk's Office of \$158 K mainly due to a decrease in marriage certificates as a result of COVID-19, as well as, offsetting favourable and unfavourable gapping across the Department.

SRA / CRFMP funding of \$447 K is applied to the Department, most significantly in the Customer Service, POA and Financial Integration Division (\$120 K) and the Information Technology Division (\$322 K) to offset COVID-19 expenditures related to cleaning, PPE, Temporary staff, Virtual Private Network (VPN) firewall hardware and software, plexiglass, additional laptop computers and retrofitting courtrooms.

The Corporate Services departmental gapping target is \$0.6 M for the 2020 year. As at June 30, 2021, the projected year-end gapping amount is \$0.8 M, resulting in a projected surplus of \$0.2 M.

Corporate Financials / Non-Program Revenues

Corporate Financials / Non-Program Revenues are projected as a combined deficit of \$5.0 M after SRA / CRFMP funding is applied. Contributing factors are identified as follows:

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- Non-Program Revenues: Payment in Lieu (PIL) is expecting a surplus of approximately \$0.6 M based on 2020 actuals, though these figures are not well known until closer to year-end.
- Non-Program Revenues: Penalties and Interest is projecting a surplus of approximately \$0.9 M based on payments received to date that are higher than expected.
- Non-Program Revenues: POA revenues are expected to be at a deficit of \$2.6 M in 2021 due to payments out to other City Departments being higher than expected. The forecast is related to the last year's ratio of payments collected (gross) to payments out to other cities.
- Corporate Pensions, Benefits & Contingency: \$4.0 M deficit is anticipated based on forecasted WSIB payments.
- Corporate Initiatives: \$2.1 M deficit for insurance premiums per Report LS21027 approved at GIC meeting on August 9, 2021.

Hamilton Entertainment Facilities (HEF)

HEF is projecting to be in line with budget for the year after applying \$780 K of SRA / CRFMP funding to offset operating losses associated with the contract agreement.

Capital Financing

Capital financing (includes Police and Library Capital Financing) is projecting a year-end surplus of \$11.1 M in principal and interest savings due to timing in the issuance of debt.

Boards and Agencies

In Boards and Agencies (excludes Police and Library Capital Financing), there is a projected surplus of \$3.7 M. This is attributable to the projected Library surplus of \$3.8 M based on a combination of staff secondments and vacancies going unfilled. This is COVID-19 related as a result of helping the City with vaccine rollout and service restrictions.

The Hamilton Farmers' Market is projecting an unfavourable variance of \$58 K due to decreased rental revenues from vacant stalls of \$51 K, \$38 K in additional costs due to fitting and repairing stalls in an effort to rent them and \$36 K in additional security costs, partially offset by \$62 K in favourable gapping.

Hamilton Police Services will be providing a forecast update to the Hamilton Police Services Board on September 16, 2021. The forecast is currently presented as in line with budget.

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2021 Development Charge (DC) Discretionary Exemptions

Any DC exemptions authorized by Council through DC By-law 19-142 (e.g. reduced industrial rate) or through a Council meeting (i.e. exemptions for non-profits) are required to be recovered through other sources. Council has approved amounts in the Rates and Tax Capital Budgets to fund these exemptions, but the volume of exemptions continues to exceed the allocated funding. Recommendation (d) provides staff direction to ensure that any shortfall in being able to cover the in-year discretionary exemptions in 2021 is achieved through an allocation of the annual surplus. The City has an historical back-log of approximately \$60 M in unfunded discretionary DC exemptions and this recommendation will ensure that that figure does not increase.

Rate Supported Operating Budget

As at June 30, 2021, the Rate Supported Operating Budget is projecting a deficit of \$1.3 M mainly due to unfavourable operating expenditures of \$2.3 M, partially offset by favourable revenues of \$1.0 M.

Revenues

As of June 30th, total rate revenues are \$1.7 M above budget with a year-end forecast projected to be \$1.0 M favourable (0.4% above budget). A projected favourable variance is mainly due to increased demand from Residential customers, likely due to a combination of residents working and learning from home, as was the case for much of 2020. Partially offsetting the surplus is a projected deficit in Industrial, Commercial and Institutional customers of (\$3.9M). This includes the net impact of several significant adjustments made for customers in 2021. The City's water sales to Haldimand and Halton are forecasted to align with budget.

Expenditures

Overall program spending for 2021 is projected to have an unfavourable variance of \$2.3 M. The driving factors behind this are shown in Table 3:

Table 3

City of Hamilton - Rate Budget Operating Expenditures Variance Drivers	
Expenditure Types	Variance (\$000's)
Contractual and Consulting	(2,399)
Employee Related Costs	682
Buildings and Grounds	(534)
Materials and Supplies	(498)
Capital Recoveries	(2,960)
Capital Financing	3,465
Total Operating Expenditures	(2,244)

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Contractual expenditures are projecting an unfavourable variance of \$2.4 M largely due to increased soils testing and disposal to meet new compliance standards, Storm Water phragmite management, faulty air valve replacement and emergency work such as Beach Boulevard Storm Water Management and Binbrook Odour Control. Partially offsetting these contractual pressures are savings in Outreach and Education program resulting from COVID-19.

Employee related costs are estimated at a favourable variance of \$682 K. The main drivers of the variance are attributable to net gapping savings realized from staff vacancies and redeployment and decreased spending in training and conferences due to COVID-19.

Building and Ground is forecasting an unfavourable variance of \$534 K mainly due to increased hydro costs at the new Electricity Upgrade Building at Woodward Treatment Plant. Materials and supplies are projecting an unfavourable variance of \$498 K due to increased Polyaluminium Coagulant chemical costs used in the water and wastewater treatment at the Woodward Plant.

Capital Recoveries are estimated at an unfavourable variance of \$2.9 M due to less recoveries from capital to align the nature of work to the appropriate budget. The 2022 Budget will be adjusted to reflect the change.

Lastly, capital financing is forecasting a positive variance of \$3.5 M due to timing in the issuance of debt.

Appendix “B” to Report FCS21070 summarizes the Rate Budget results by program.

ALTERNATIVES FOR CONSIDERATION

N/A

ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN

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Hamiltonians have a high level of trust and confidence in their City government.

APPENDICES AND SCHEDULES ATTACHED

Appendix “A” to Report FCS21070 – City of Hamilton Tax Operating Budget Variance Report as at June 30, 2021

Appendix “B” to Report FCS21070 – City of Hamilton Combined Water, Wastewater and Storm Systems Rate Operating Budget Variance Report as at June 30, 2021

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Appendix “C” to Report FCS21070 – City of Hamilton Budgeted Complement Transfer Schedule

Appendix “D” to Report FCS21070 – City of Hamilton Budgeted Complement Temporary Extension Schedule

Appendix “E” to Report FCS21070 – City of Hamilton Budgeted Amendment Schedule

Appendix “F” to Report FCS21070 – 2021 COVID-19 Financial Forecast

CITY OF HAMILTON
TAX OPERATING BUDGET VARIANCE REPORT AS AT JUNE 30, 2021
(\$ 000's)

	2021 Approved Budget	2021 Actuals to June 30	Projected Actuals to Dec. 31	2021 Projected Actuals vs Approved Budget		2021 Safe Restart/COVID-19 Recovery Funding	Revised Variance With Safe Restart Funding		Comments/Explanations
				\$	%		\$	%	
PLANNING & ECONOMIC DEVELOPMENT									
General Manager	1,055	390	914	141	13.4%	0	141	13.4%	Favourable variance mainly due to gapping.
Transportation, Planning and Parking	1,977	3,977	8,340	(6,363)	(321.9)%	(6,055)	(308)	(15.6)%	Unfavourable variance attributed to forgone revenues due to covid of \$6.4 million and staffing costs of \$100k . Partially offset by savings in contractual services of \$170k due to reduced parking activity and information retrieval of \$50k due to less issuance of fines.
Building	1,112	(1,496)	1,133	(21)	(1.9)%	(1)	(20)	(1.8)%	Unfavourable variance in Hardware and Software costs for the purchase of additional computers offset by favourable variance due to gapping.
Economic Development	5,581	2,800	5,700	(119)	(2.1)%	(7)	(111)	(2.0)%	Unfavourable variance of \$308 K in Real Estate fees offset by savings of \$189 K due to gapping.
Growth Management	486	(3,559)	(1,036)	1,522	313.2%	0	1,522	313.2%	Favourable variance of \$1 M in additional revenues due to higher activity volumes and savings of \$457 K in gapping.
Licensing & By-Law Services	6,801	3,847	6,901	(100)	(1.5)%	(297)	197	2.9%	Unfavourable variance mainly attributed to lost revenues of \$130 K mainly due to covid and increased building cleaning of \$25 K, partially offset by savings of \$36 K due to gapping.
Planning	3,856	160	1,946	1,910	49.5%	0	1,910	49.5%	Favourable variance of \$1.5 M in revenues due to higher activity volumes, net gapping savings of \$334 K and \$75 K in Grants.
Tourism & Culture	9,489	3,570	9,623	(134)	(1.4)%	(126)	(8)	(0.1)%	Unfavourable variance attributed to decreased revenues mainly due to COVID of \$599 K, partially offset by savings from COVID related closures in gapping of \$156 K, contractual costs of \$146 K and material and supply of \$128 K.
TOTAL PLANNING & ECONOMIC DEVELOPMENT	30,357	9,689	33,520	(3,163)	(10.4)%	(6,485)	3,322	10.9%	
HEALTHY AND SAFE COMMUNITIES									
HSC Administration	2,988	1,370	3,232	(244)	(8.2)%	(97)	(147)	(4.9)%	Favourable variance of \$51 K in F&A due to \$124 K savings from temporary vacancies, step differential and savings in discretionary costs due to work from home (conferences, training), \$10 K COVID Admin Recovery in CW. Offset by vacation, stat and retro payout (\$9 K), maternity leave top up (\$17 K), (\$27 K) due to anticipated FC overcompletion from Sept-Dec in Housing, COVID \$28 K less expenses anticipated due to actuals less than budget for buyout of desktops and temporary FAI Housing (COVID tracking related), no levy pressure as offset by Safe Restart reserve. Unfavourable variance of (\$198 K) in GMO party due to Hamilton's Community Safety and Well-Being Plan HSC19032(b) FTE 1.0 (\$41 K) salary + (\$10 K) benefits to be levy funded. GMO Staffing changes (\$4 K) and vacation payout (\$15 K). GM role transition pressure of (\$99 K). Additionally, unfavourable variance due to budgeted gapping deficit (\$31 K) offset by \$2 K expenses due to work from home.
Children's Services and Neighbourhood Development	11,265	3,996	10,531	734	6.5%	0	734	6.5%	Favourable variance of \$734 K due to \$270 K savings due to redeployment to Public Health, \$77 K due to less spending in program costs, conferences, travel, meeting expenses, \$6.6 M due to payment of fee subsidies down by 35% and increase in cross jurisdictional fee subsidy, \$162 K savings in vacancies and other program costs due to COVID, \$117K saving due to two vacant positions. Offset by new manager of Indigenous Strategies position (\$10 K), increased costs of medical and cleaning supplies in Red Hill Centre due to COVID (\$9 K), Youth in construction stipends and minimal sponsorship donations for Seniors kick off events and no ticket sales due to COVID (\$24 K), \$6.45 M reduction in childcare 80/20 cost share funding.
Ontario Works	12,310	3,597	11,041	1,269	10.3%	0	1,269	10.3%	Favourable variance of \$1.26 M due to underspending of \$340 K in the low income program due to a lack of referrals, program recoveries, \$230 K of maximizing available subsidies in 2021, \$360 K of Ministry revenue carried forward from 2020, \$115 K of Ministry revenue received in 2021 related to 2020, \$69K in other savings across portfolios, \$409 K Gapping due to vacant positions and the delays in the hiring process combined with recoveries for redeployed staff. Offset by a pressure of (\$83 K) in unbudgeted COVID costs due to additional technology requirements to support virtual delivery and (\$175 K) for new desks to support return to the office.
Housing Services	46,717	19,470	53,970	(7,253)	(15.5)%	(8,225)	972	2.1%	Favourable variance due to \$2 M unspent Housing Stability Benefit , \$137 K in Rent Supplements due to COVID, \$29 K in bus pass tickets due to COVID restrictions , \$254 K gapping due to vacancies and recoveries for redeployed staff, \$365 K in Annual Information Return recoveries. Offset by pressures related to COVID of \$1.6 M.
Long Term Care	11,525	3,902	10,260	1,265	11.0%	(287)	1,552	13.5%	Favourable variance due to \$1.2 M in Employee Related Expenses due to vacant shifts not being filled due to staffing shortages, gapping due to vacancies, pay differentials and other operational expenses of \$50 K, \$1.4 M in unbudgeted provincial funding of Structural Compliance and lower co-payment resident rate than budgeted amount. Offset by lost revenues of \$770 K in Accommodation Fees, Adult Day Program closure \$215 K, Meals on Wheels program \$40 K and \$50 K in COVID related spending.
Recreation	35,320	14,967	38,166	(2,846)	(8.1)%	(3,168)	322	0.9%	Favourable variance due to \$5.5 M in Employee Related Expenses, \$1.2 M in Net Savings in Operating, approximately \$3.3 M required from COVID Safe Restart Fund and \$454 K savings due to Maintenance Closures, offset by (\$137 K) in golf cart rental and (\$10 M) in lost revenue due to COVID closures.
Hamilton Fire Department	93,288	47,818	94,124	(836)	(0.9)%	(827)	(9)	(0.0)%	Unfavourable variance due to operational expenses including materials and supplies greater than budget and required vehicle repairs. Partially offset with savings in overall employee related costs.
Hamilton Paramedic Service	28,102	11,750	29,502	(1,400)	(5.0)%	0	(1,400)	(5.0)%	Unfavourable variance due to COVID expenses (i.e. overtime, materials and supplies, cleaning, etc.) forecasted to be higher than expected with no forecast from budgeted City reserves to offset the pressure. Note: If the Ministry funds the expected COVID expenses in total, HPS will likely end the year in a surplus position (approx. \$2.5 M). If the Ministry does not fund the expected COVID expenses, HPS would need to pull \$1.4 M from reserve of the \$1.8 M budgeted to end the year with \$0 surplus/deficit.
Public Health Services	13,508	8,419	13,095	413	3.1%	0	413	3.1%	Favourable variance of \$413 K is created by saving in levy and one-time funding programs. \$165 K of savings relates to Raccoon Rabies for one less staff than budgeted \$54 K of funding approved from the Ministry that was not budgeted. \$120 K relates to Residential Care Facility Saving from staff redeployed and service decreases due to COVID. Forecast is based on the assumption that the Ministry will fund 100% of COVID Extraordinary and Vaccine above the budgeted amounts for the mandatory programs.
TOTAL HEALTHY AND SAFE COMMUNITIES	255,023	115,288	263,921	(8,898)	(3.5)%	(12,604)	3,706	1.5%	

- () Denotes unfavourable variance.

CITY OF HAMILTON
TAX OPERATING BUDGET VARIANCE REPORT AS AT JUNE 30, 2021
(\$ 000's)

	2021 Approved Budget	2021 Actuals to June 30	Projected Actuals to Dec. 31	2021 Projected Actuals vs Approved Budget		2021 Safe Restart/COVID-19 Recovery Funding	Revised Variance With Safe Restart Funding		Comments/Explanations
				\$	%		\$	%	
PUBLIC WORKS									
PW-General Administration	785	430	785	0	0.0%	0	0	0.0%	
Energy Fleet and Facilities	13,357	5,898	14,069	(712)	(5.3)%	(562)	(150)	(1.1)%	Overall the Energy, Fleet & Facilities Management division is forecasting an unfavourable variance of (\$712 K) mainly due to: <ul style="list-style-type: none"> • (\$522 K) (COVID-19) incremental expenses due enhanced cleaning and PPE • (\$40 K) (COVID-19) projected reduction to Dart's fuel consumption • (\$150 K) largely due to fleet parts obsolete Inventory write-off
Engineering Services	0	(396)	(350)	350	0.0%	0	350	100.0%	The Engineering Services division is projecting a favourable surplus of \$350 K attributed to: <ul style="list-style-type: none"> • \$350 K surplus projected due to Road Cut Administrative Program fees and Permit Revenues along with other user fee revenues collected for various Corridor Management activities administered by this section
Environmental Services	45,358	18,008	44,402	956	2.1%	0	956	2.1%	The Environmental Services division is forecasting a favourable variance of \$956 K: Favourable variance of \$1.4 M mainly due to: <ul style="list-style-type: none"> • \$907 K Net gapping savings after gapping target largely due to staff redeployed to the Hamilton Public Health Vaccination Clinics. Additional savings resulting from seasonal staff (i.e. Students) not hired per complement due to fewer or unsuccessful applicants and delayed or postponed hiring of other full time positions • \$500 K (COVID-19) Savings estimated in Parks Operations resulting from supply chain shortages Partially offset by unfavourable variance of (\$451 K): <ul style="list-style-type: none"> • (\$451 K) (COVID-19) incremental forecasted costs for labour, cleaning, PPE and other COVID-19 related expenses to maintain normal operations
Waste Management	42,983	19,361	42,764	219	0.5%	0	219	0.5%	The Waste Management division is forecasting a favourable variance of \$219 K: Favourable variance of \$1.29 M mainly due to: <ul style="list-style-type: none"> • \$719 K Contractual savings on the Central Composting Facility Contract. \$142 K Savings in the Central Composting Facility (CCF) contract due to favorable pricing in the new contract which came into effect June 28, 2021 • \$300 K Savings in the Materials Recycling Facility (MRF) contract due to new contract transition costs taking place in January-February 2021 resulting in materials being shipped offsite for processing • \$270 K Net gapping savings due to \$203 K (COVID-19) savings for Waste By-Law staff redeployed to Municipal Law Enforcement and remaining due to staff temporary assignments where hiring was delayed or postponed Partially offset by unfavourable variance of \$1.07 M due to: <ul style="list-style-type: none"> • (\$750 K) deficit in waste collection program mainly due to the escalation factor budgeted at 2%, however, the actual escalation factor is 2.167%. The main driver for the escalation factor increasing is due to higher than expected natural gas prices. Further contributing to the unfavourable variance is an increase in actual bulk collection and front-end garbage lifts (multi-residential and commercial) for the first half of 2021. This trend is projected to continue for the remainder of the year
Transit	80,835	54,073	92,253	(11,418)	(14.1)%	(13,249)	1,831	2.3%	The Transit division is forecasting an favourable variance of \$1.8 M due mainly to the following: Projected unfavourable variance of (\$27.7 M) due to the following: <ul style="list-style-type: none"> • (\$25 M) (COVID-19) deficit in Fare revenue continues as a result of the COVID-19 pandemic lockdown in the first half of the year resulting in decreased ridership. Further, the forecast has an expectation of ridership to only approach 65% by the end of 2021. The hybrid learning model (online versus in-person) at post-secondary institutions will also affect UPASS uptake and contribute to the deficit • (\$620 K) (COVID 19) shortfall in Taxi Scrip and Charter revenue due to lower utilization of Taxi Scrip and cancellation of charters • (\$1.2 M) (COVID-19) unfavourable largely due to enhanced building cleaning, purchases of Medical/Safety equipment for Drivers, Communications (signage, etc.) • (\$950 K) unfavourable variance in Vehicle Parts related to aging fleet Offset by favourable variance of \$29.5 M due to: <ul style="list-style-type: none"> • \$13.2 M Safe Restart Funding Phase 3 expected utilization • \$1.2 M (COVID-19) Savings in the PRESTO commissions due to lower ridership as a result of the pandemic • \$1.0 M (COVID-19) Taxi Contract Savings due to lower utilization of TransCab and Taxi Scrip Programs • \$10.5 M (COVID-19) Savings related to the DARTS contract (50% - 60% fewer trips than planned) • \$718 K favourable variance - \$650 K (COVID-19) related to lower consumption of Diesel, Unleaded and Natural Gas fuel, \$68 K due to prices lower than expected from January to April • \$417 K favourable net gapping variance in Employee Related costs • \$358 K other vehicle expenses (rebuild components, tires and tubes, antifreeze, lubricants, etc.) • \$308 K saving in materials and supplies such as office supplies, equipment repairs, NGV station repairs and printing and reproduction • \$252 K (COVID-19) savings mainly related to reduced BRINKS pickups (\$71 K), paused Travel Training (\$135 K), reduced Licence Fess (\$47 K)
Transportation Operations & Maintenance	83,485	41,121	79,266	4,219	5.1%	(252)	4,471	5.4%	The Transportation, Operations & Maintenance division is forecasting a surplus of \$4.2 M made up of the following: Favourable variance of \$4.5 M due to: <ul style="list-style-type: none"> • \$2.3 M net gapping savings due to seasonal staff/students not hired as a result of the COVID-19 hiring delays, staff vacancies attributed to normal staff turnover (retirements, job transfers, seasonal hiring, etc.) • \$2.2 M favourable variance in the Winter Season Roads Program due to decreased number and severity of winter events than budgeted, resulting in \$1.5 M material and supplies savings and \$700 K in contractor activation savings Partially offset by unfavourable variances of (\$251 K): <ul style="list-style-type: none"> • (\$251 K) (COVID-19) incremental costs associated with our response to the COVID-19 pandemic including labour, cleaning, PPE and other COVID-19 related expenses to maintain operations
TOTAL PUBLIC WORKS	266,803	138,495	273,190	(6,388)	(2.4)%	(14,063)	7,676	2.9%	

- () Denotes unfavourable variance.

CITY OF HAMILTON
TAX OPERATING BUDGET VARIANCE REPORT AS AT JUNE 30, 2021
(\$ 000's)

	2021 Approved Budget	2021 Actuals to June 30	Projected Actuals to Dec. 31	2021 Projected Actuals vs Approved Budget		2021 Safe Restart/COVID-19 Recovery Funding	Revised Variance With Safe Restart Funding		Comments/Explanations
				\$	%		\$	%	
LEGISLATIVE									
Legislative General	(386)	(115)	(256)	(130)	33.7%	0	(130)	(33.7)%	Savings in meetings, conferences and hosting costs offset by additional costs due to virtual meetings, membership fees and staffing costs.
Mayors Office	1,189	456	1,152	37	3.1%	0	37	3.1%	Favourable variance due to temporary vacancies, conferences, consulting and contractual costs offset by printing costs for Community Update.
Volunteer Committee	125	12	125	0	0.4%	0	0	0.4%	
Ward Budgets	4,236	2,010	4,237	(1)	(0.0)%	0	(1)	(0.0)%	
TOTAL LEGISLATIVE	5,164	2,363	5,258	(94)	(1.8)%	0	(94)	(1.8)%	
CITY MANAGER									
Office of the City Auditor	1,175	702	1,190	(15)	(1.3)%	0	(15)	(1.3)%	Unfavourable variance due to gapping.
CMO - Admin	208	240	344	(136)	(65.3)%	(124)	(12)	(5.7)%	Unfavourable variance mainly related to COVID related costs mostly due to overtime for Communications staff.
Communications and Strategic Initiatives	2,421	1,204	2,386	35	1.4%	0	35	1.4%	Favourable variance due to gapping and savings in communication administration expenses.
Digital and Innovation Office	202	(223)	202	0	0.2%	0	0	0.2%	
Government & Community Relations	848	308	883	(35)	(4.1)%	0	(35)	(4.1)%	Unfavourable variance due to consulting costs offset by savings due to gapping.
Human Resources	8,163	3,912	7,727	436	5.3%	0	436	5.3%	Favourable variance due to gapping of \$230 K and savings in corporate leadership training of \$200 K due to covid restrictions.
TOTAL CITY MANAGER	13,017	6,143	12,732	285	2.2%	(124)	409	3.1%	
CORPORATE SERVICES									
City Clerk's Office	2,972	1,358	3,133	(161)	(5.4)%	(3)	(158)	(5.3)%	Unfavourable variance of \$150 K due to decrease in marriage certificates, \$30 K due to lower recoveries in Postage and \$40 K in lower print recoveries. Offset by favourable variance of \$75 K due to temporary vacancies.
Customer Service, POA and Fin'l Integration	5,822	2,969	6,022	(200)	(3.4)%	(120)	(80)	(1.4)%	Unfavourable variance due to gapping of \$82 K and covid expenses of \$120 K.
Financial Serv, Taxation and Corp Controller	4,083	1,080	3,954	129	3.2%	0	129	3.2%	Favourable variance mainly due to temporary vacancies.
Legal Services and Risk Management	3,578	3,524	3,716	(138)	(3.9)%	0	(138)	(3.9)%	Unfavourable variance due to employee related costs and recruitment fees.
Corporate Services - Administration	328	160	333	(5)	(1.5)%	0	(5)	(1.5)%	Unfavourable variance mainly due to gapping due to staff overlaps offset by savings in consulting and training costs.
Financial Planning, Admin & Policy	5,217	3,225	5,167	50	1.0%	(2)	51	1.0%	Favourable variance mainly due to temporary vacancies.
Information Technology	15,212	3,472	15,055	157	1.0%	(322)	479	3.1%	Favourable variance mainly due to temporary vacancies of \$174 K and \$200 K savings in software and hardware and \$100 K in Computer repairs. Unfavourable variance of \$322 K due to COVID related expenses.
TOTAL CORPORATE SERVICES	37,212	15,788	37,380	(168)	(0.5)%	(447)	278	0.7%	
CORPORATE FINANCIALS									
Corporate Pensions, Benefits & Contingency	3,797	5,321	7,699	(3,902)	(102.8)%	(1,805)	(2,097)	(55.2)%	Anticipated deficit due to forecasted WSIB payments
Corporate Initiatives	15,654	(3,453)	17,854	(2,200)	(14.1)%	0	(2,200)	(14.1)%	\$2.1 M for insurance premiums per Report LS21027 approved at GIC meeting on August 9, 2021.
TOTAL CORPORATE FINANCIALS	19,451	1,868	25,553	(6,102)	(31.4)%	(1,805)	(4,297)	(22.1)%	
HAMILTON ENTERTAINMENT FACILITIES									
Operating	4,037	2,389	4,817	(780)	(19.3)%	(780)	0	0.0%	HEF is projecting to be in line with budget for the year after applying \$780 K of SRA funding to offset operating losses associated with the contract agreement.
TOTAL HAMILTON ENTERTAINMENT FACILITIES	4,037	2,389	4,817	(780)	(19.3)%	(780)	0	0.0%	
TOTAL CITY EXPENDITURES	631,064	292,024	656,371	(25,307)	(4.0)%	(36,308)	11,001	1.7%	

- () Denotes unfavourable variance.

CITY OF HAMILTON
TAX OPERATING BUDGET VARIANCE REPORT AS AT JUNE 30, 2021
(\$ 000's)

	2021 Approved Budget	2021 Actuals to June 30	Projected Actuals to Dec. 31	2021 Projected Actuals vs Approved Budget		2021 Safe Restart/COVID-19 Recovery Funding	Revised Variance With Safe Restart Funding		Comments/Explanations
				\$	%		\$	%	
CAPITAL FINANCING									
Debt-Healthy and Safe Communities	3,546	(629)	3,029	517	14.6%	0	517	14.6%	Principal and interest savings due to delay in debt issuance.
Debt-Planning & Economic Development	1,563	0	26	1,537	98.3%	0	1,537	98.3%	
Debt-Public Works	31,044	0	26,372	4,672	15.0%	0	4,672	15.0%	
Debt-Corporate Financials	89,960	82,237	86,657	3,303	3.7%	0	3,303	3.7%	
Infrastructure Renewal Levy	13,429	0	13,429	0	0.0%	0	0	0.0%	
TOTAL CAPITAL FINANCING	139,542	81,608	129,513	10,029	7.2%	0	10,029	7.2%	
BOARDS & AGENCIES									
Police Services									
Operating	175,352	107,353	175,352	0	0.0%	0	0	0.0%	Forecast to be provided to the Hamilton Police Services Board on September 16, 2021.
Capital Financing	1,235	0	296	939	76.0%	0	939	76.0%	Principal and interest savings due to delay in debt issuance.
Total Police Services	176,587	107,353	175,648	939	0.5%	0	939	0.5%	
Other Boards & Agencies									
Library	32,030	13,292	28,230	3,800	11.9%	0	3,800	11.9%	Projection of \$3.8 M favourable variance based on combination of staff secondments and vacancies going unfilled. This is COVID-19 related as a result of helping the City with vaccine rollout and service restrictions.
Conservation Authorities	8,460	5,676	8,460	0	0.0%	0	0	0.0%	
Hamilton Beach Rescue Unit	132	44	132	0	0.0%	0	0	0.0%	
Royal Botanical Gardens	647	212	647	0	0.0%	0	0	0.0%	
MPAC	6,980	3,434	6,980	0	0.0%	0	0	0.0%	
Farmers Market	115	60	173	(58)	(50.1)%	0	(58)	(50.1)%	Favourable gapping of \$62 K is offset by \$51 K deficit in rental revenues caused by vacant stalls, \$38 K additional costs with fitting and repairs of stalls in an effort to rent them, and \$36 K in additional security costs.
Total Other Boards & Agencies	48,364	22,718	44,622	3,742	7.7%	0	3,742	7.7%	
Capital Financing - Other Boards & Agencies	166	0	0	166	100.0%	0	166	100.0%	Principal and interest savings due to delay in debt issuance.
City Enrichment Fund	6,088	669	6,088	0	0.0%	0	0	0.0%	
TOTAL BOARDS & AGENCIES	231,205	130,740	226,357	4,847	2.1%	0	4,847	2.1%	
TOTAL EXPENDITURES	1,001,811	504,372	1,012,240	(10,431)	(1.0)%	(36,308)	25,877	2.6%	
NON PROGRAM REVENUES									
Slot Revenues	(5,200)	0	(2,600)	(2,600)	50.0%	(2,600)	0	0.0%	The closure of casinos and racetrack slots by the Province of Ontario resulted in lost revenues. Safe Restart Funding was applied to reduce the variance.
Investment Income	(4,100)	(19,335)	(4,270)	170	(4.1)%	0	170	(4.1)%	Actuals projected slightly higher than budgeted
Hydro Dividend and Other Interest	(5,281)	6,279	(5,363)	82	(1.6)%	0	82	(1.6)%	
Tax Remissions and Write Offs	9,570	328	9,523	47	0.5%	0	47	0.5%	Vacancy rebate has ended. Actuals will reflect clawbacks of prior vacancy rebates due to successful appeals.
Payment In Lieu	(16,400)	(17,488)	(17,007)	607	(3.7)%	0	607	(3.7)%	2021 budget reflected 2020 actuals (June 2020 final billing). 2022 to reflect 2021 actuals. Not known until year end.
Penalties and Interest	(11,000)	(5,656)	(11,924)	924	(8.4)%	0	924	(8.4)%	Higher Interest and Penalties Received
Right of Way	(3,227)	(3,229)	(3,229)	2	(0.1)%	0	2	(0.1)%	
Senior Tax Credit	537	583	510	27	5.0%	0	27	5.0%	
Supplementary Taxes	(9,925)	28	(9,925)	0	0.0%	0	0	0.0%	Supplementary taxes experience year over year volatility. Based on the preliminary first billing, expected to be at budget at year-end.
POA Revenues	(2,366)	(1,103)	210	(2,576)	108.9%	0	(2,576)	108.9%	
TOTAL NON PROGRAM REVENUES	(47,392)	(39,593)	(44,075)	(3,317)	7.0%	(2,600)	(717)	1.5%	
TOTAL LEVY REQUIREMENT	954,419	464,779	968,165	(13,748)	(1.4)%	(38,908)	25,160	2.6%	

CITY OF HAMILTON
2021 COMBINED WATER, WASTEWATER AND STORM OPERATING BUDGET
BUDGET VARIANCE REPORT as at JUNE 30th, 2021

	2021 Council Approved Budget	2021 YTD Actuals as at June 30th	2021 Full-year Forecast	2021 Projected Variance \$ %	
OPERATING EXPENDITURES:	\$				
Divisional Administration & Support	2,464,490	1,324,235	2,569,900	(105,410)	(4.3%)
Woodward Upgrades	1,735,670	900,794	1,728,068	7,602	0.4%
Customer Service	325,250	132,865	303,456	21,794	6.7%
Outreach & Education	1,189,417	348,334	987,833	201,584	16.9%
Service Co-ordination	3,660,840	1,595,792	3,315,974	344,866	9.4%
Engineering Systems & Data Collection	1,172,372	208,447	786,896	385,476	32.9%
Compliance & Regulations	1,005,054	496,647	1,003,209	1,845	0.2%
Laboratory Services	3,553,884	1,938,702	3,704,130	(150,246)	(4.2%)
Environmental Monitoring & Enforcement	2,215,026	984,280	2,140,425	74,601	3.4%
Water Distribution & Wastewater Collection	22,563,399	9,416,612	23,630,647	(1,067,248)	(4.7%)
Plant Operations	27,373,740	15,820,685	28,240,181	(866,441)	(3.2%)
Plant Maintenance	11,577,879	5,027,956	11,315,361	262,518	2.3%
Capital Delivery	2,072,271	1,005,653	2,041,772	30,499	1.5%
Watershed Management	1,275,560	481,877	1,468,141	(192,581)	(15.1%)
Infrastructure Planning & System Design	2,799,873	1,305,465	2,693,880	105,993	3.8%
Gapping Target	(1,855,000)			(1,855,000)	100.0%
Wastewater Abatement Program	1,192,450	420,015	1,022,759	169,691	14.2%
Alectra Utilities Service Contract	5,712,000	2,926,219	5,712,000	-	0.0%
Corporate & Departmental Support Services	7,242,552	3,727,333	7,242,552	-	0.0%
Utilities Arrears Program	500,320	35,626	500,320	-	0.0%
Sewer Lateral Management Program	300,000	147,282	277,609	22,391	7.5%
Hamilton Harbour Remedial Action Plan	370,964	108,485	506,982	(136,018)	(36.7%)
Protective Plumbing Program (3P)	752,870	351,358	757,743	(4,873)	(0.6%)
Financial Charges	86,020	(2,170)	86,020	-	0.0%
Sub-total	99,286,901	48,702,492	102,035,856	(2,748,956)	(2.8%)
Capital and Reserve Recoveries	(8,635,161)	(8,828)	(5,674,372)	(2,960,789)	34.3%
Operating Expenditures Sub-Total	90,651,740	48,693,664	96,361,484	(5,709,745)	(6.3%)
 Capital and Reserve Impacts on Operating					
Contributions to Capital					
Water Quality Initiatives	50,498,000	51,098,000	50,498,000	-	0.0%
Wastewater	57,237,984	57,237,980	57,237,980	4	0.0%
Stormwater	17,632,679	17,632,680	17,632,680	(1)	(0.0%)
Sub-Total Contributions to Capital	125,368,663	125,968,660	125,368,660	3	0.0%
Contributions for DC Exemptions					
Water Quality Initiatives	2,520,000	-	2,520,000	-	0.0%
Wastewater	4,590,000	-	4,590,000	-	0.0%
Stormwater	1,890,000	-	1,890,000	-	0.0%
Sub-Total Contributions for DC Exemptions	9,000,000	-	9,000,000	-	0.0%
Capital Debt Charges					
Water Quality Initiatives	9,844,773	-	8,266,428	1,578,345	16.0%
Wastewater	12,534,242	-	10,781,146	1,753,096	14.0%
Stormwater	2,490,898	-	2,356,948	133,950	5.4%
DC Debt Charges Recoveries	(4,335,428)	-	(4,335,428)	-	0.0%
Sub-Total Debt Charges	20,534,486	-	17,069,095	3,465,391	16.9%
Sub-Total Capital Financing	154,903,149	125,968,660	151,437,755	3,465,394	2.2%
Reserve Transfers	-	-	-	-	0.0%
Sub-Total Capital and Reserve Impacts on Operating	154,903,149	125,968,660	151,437,755	3,465,394	2.2%
TOTAL EXPENDITURES	245,554,888	174,662,324	247,799,239	(2,244,351)	(0.9%)

REVENUES:

Rate Revenue

Residential	107,653,756	45,851,871	112,153,756	4,500,000	4.2%
Industrial/Commercial/Institutional/Multi-res	118,417,217	43,121,617	114,518,217	(3,899,000)	(3.3%)
Haldimand	2,588,952	1,280,960	2,588,952	-	0.0%
Halton	269,837	77,015	269,837	-	0.0%
Raw Water	128,750	31,213	128,750	-	0.0%
Non-Metered	880,000	339,479	880,000	-	0.0%
Private Fire Lines	1,924,000	747,451	1,924,000	-	0.0%
Hauler / 3rd Party Sales	1,400,000	972,886	1,750,000	350,000	25.0%
Overstrength Agreements	3,210,510	371,105	3,210,510	-	0.0%
Sewer Surcharge Agreements	6,224,456	1,797,718	6,224,456	-	0.0%
Sub-Total Utility Rates	242,697,478	94,591,315	243,648,478	951,000	0.4%

Non-Rate Revenue

Local Improvement Recoveries	275,850	164,806	275,850	-	0.0%
Permits / Leases / Agreements	1,065,050	256,959	1,065,050	-	0.0%
Investment Income	450,000	-	450,000	-	0.0%
General Fees and Recoveries	1,066,510	432,611	1,066,510	-	0.0%
Sub-Total Non-Rate Revenue	2,857,410	854,376	2,857,410	-	0.0%

TOTAL REVENUES	245,554,888	95,445,691	246,505,888	951,000	0.4%
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NET SURPLUS / (DEFICIT)	(0)	79,216,633	1,293,350	(1,293,351)	
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**CITY OF HAMILTON
BUDGET AMENDMENT SCHEDULE**

STAFF COMPLEMENT CHANGE

Complement Transfer to another division or department ^(1,2)

ITEM #	TRANSFER FROM				TRANSFER TO			
	Department	Division	Position Title (2)	FTE	Department	Division	Position Title (2)	FTE
1.1	Corporate Services	Customer Service & POA	Cust Contact Centre Rep	1.0	Corporate Services	Customer Service & POA	CRM Solutions Analyst	1.0
	Explanation: Requesting approval to convert Customer Service Rep position grade F to a CRM Solution Analyst, grade level 5, to support the continued expansion of services at the CCC. Differential to be absorbed by operating budget. No levy impact.							
1.2	Healthy and Safe Communities	Children's Services and Neighbourhood Development	Sr Proj Mgr UrbanIndigen Strat	1.0	Healthy and Safe Communities	Children's Services and Neighbourhood Development	Mgr Indigenous Relations	1.0
	Explanation: Transfer vacant permanent Sr Project Manager Urban Indigenous Strategies position to support currently non-budgeted Manager of Indigenous Relations position.							
1.3	Public Works	Engineering Services	Road Programming Technician	1.0	Public Works	Engineering Service	SPM - Geomatics and Process Improvement Services	1.0
	Explanation: Convert Road Programming Technician (grade I) position title 1 FTE to a Senior Project Manager - GEOMATICS AND PROCESS IMPROVEMENT SERVICES (level 7) – 1 FTE in order to support a Quality Management System, and develop more stringent oversight over our digital information. The net budget impact will be zero as these positions are funded through corridor revenue.							
1.4	Public Works	Engineering Services	Geomatics EngineeringTech Coop	1.0	Public Works	Engineering Service	Senior Project Manager	1.0
	Explanation: To convert 1 FTE Co-op Student position to a Senior Project Manager (level 7). The Project Manager position is more applicable to the required functions and level of expertise required within the scope of responsibilities and project management. The net budget impact will be zero as these positions are funded through corridor revenue.							
1.5	Public Works	Engineering Services	Design Techl	1.0	Public Works	Engineering Service	Proj Mgr - Design	1.0
	Explanation: To convert 1 FTE Design Techl (CUPE 5167, grade L) to a Project Mgr - Design (CUPE 1041, grade 6). In the current market it is challenging to find and retain qualified technologists. By increasing this role to a PM we can attract a wider pool. The PM will support the program delivery with alternate means including internal and external resources. The net budget impact will be zero as these positions are funded through capital funds.							
1.6	Public Works	Engineering Services	Analyst-Infra Prog & Plng Coop	1.0	Public Works	Engineering Service	Proj Mgr Infra Progrrng & Plng	1.0
	Explanation: To convert 1 FTE Co-op Student position to a Project Manager (CUPE 1041, grade 6). The Project Manager position is more applicable to the required functions and level of expertise required within the scope of responsibilities and project management. The net budget impact will be zero as these positions are funded through capital funds.							
1.7	Public Works	Engineering Services	Infra Prog Techl Coop	1.0	Public Works	Engineering Service	Proj Mgr-Surface Infrastructure	1.0
	Explanation: To convert 1 FTE Co-op Student position to a Project Manager (CUPE 1041, grade 6). The Project Manager position is more applicable to the required functions and level of expertise required within the scope of responsibilities and project management. The net budget impact will be zero as these positions are funded through capital funds.							
1.8	Public Works	Energy Fleet & Facilities	Supervisor facities Manangement	1.0	Public Works	Energy, Fleet & Facilities	Supt Fac Ops & Mtce LTC	1.0
	Explanation: To convert 1 FTE Supv Facilities Management (CUPE 1041, grade 5) to a Supt Fac Ops & Mtce LTD (CUPE 1041, grade 7). The position has increased significantly in responsibility at the two LTC facilities. The salary differential of \$38,010 will be absorbed through existing operating budget.							
1.9	Health & Safe Communities	Recreation	GolfCourse techn/Stadium Tech	0.26	Public Works	Energy, Fleet & Facilities	GolfCourse techn/Stadium Tech	0.26
	Explanation: To distribute the dual position FTE evenly between Recreation and Energy, Fleet and Facilities. Currently Recreation (Golf) has 0.63 FTE and EFFM (Stadium) has 0.37 FTE. This transfer will result in Recreation (Golf) having 0.5 FTE and EFFM (Stadium) having 0.5 FTE. The net budget impact will be zero as these positions are moving from one department to another.							
2.0	Public Works	Engineering Services	Vault Keeper/Print Room Opr	1.00	Public Works	Engineering Service	Geomatics Techn	1.00
	Explanation: To convert 1 FTE Vault Keeper/Print Room Opr (CUPE 5167, grade E) to a Geomatics Techn (CUPE 5167, grade I). The duties of the Vault Keeper/Print Room Opr position are no longer required to be performed. . With the Shift to digital drawings and no longer a reliance on hard copy drawings, Engineering Services, and particularly Geomatics do not require this service any longer. Staff are now using technology such as digital PDF files to collaborate and share maps and drawings. The net budget impact will be zero as these positions are funded through corridor revenue.							
2.1	Public Works	Environmental Services	Waste Collection Operator	1.0	Public Works	Waste Policy & Planning	Manager, Waste Policy & Planning	1.0
	Explanation: To approve the transfer of budgeted FTE from DeptID 512570 Waste Collection Operator CUPE 5167 P#3195 Grade F (vacant) to DeptID 512825 Manager of Waste Policy & Planning, Grade 8. Waste Reorg did not include a Manager of Waste Policy & Planning and this position is required so the waste policy & planning can be consolidated in one section.							
2.2	Corporate Services	Financial Planning, Administration & Policy	Financial Assistant I	2.0	Corporate Services	Financial Planning, Administration & Policy	Financial Coordinator	2.0
	Explanation: To convert a Financial Assistant I (Grade J) position to a Financial Coordinator (Grade 4) position to support the increasing demands of portfolio changes, the difference between the pay band will be absorbed within the current budget.							
2.3	Planning and Economic Development	Tourism & Culture	Museum Clerk PT	0.6	Planning and Economic Developmer Tourism & Culture	Museum Operations Clerk- Various Locations		0.6
	Explanation: Conversion of a vacant part time position to align duties with those required by section to improve customer service and efficiency. Change will move the pay band up three levels but can be accommodated within the current operating budget.							

Note - Complement transfers include the transfer of corresponding budget.

(1) - All other budgeted complement changes that require Council approval per Budgeted Complement Control Policy must be done through either separate report or the budget process (i.e. Increasing/decreasing budgeted complement).

(2) - If a position is changing, the impact of the change is within 1 pay band unless specified.

**CITY OF HAMILTON
BUDGETED COMPLEMENT TEMPORARY EXTENSION SCHEDULE**

TEMPORARY POSITION EXTENSIONS

Extensions to temporary positions with terms of 24 months or greater as per the Budgeted Complement Control Policy

ITEM #	TRANSFER FROM				TRANSFER TO			
	<u>Department</u>	<u>Division</u>	<u>Position Title</u>	<u>FTE</u>	<u>Department</u>	<u>Division</u>	<u>Position Title</u>	<u>FTE</u>
1.1	Public Works	Hamilton Water	SCADA Supervisor	1.0	Public Works	Hamilton Water	SCADA Supervisor	1.0
	Explanation: Temporary position with a 24 month term is expiring, requesting approval for additional 24 months extension. The additional costs will be funded by gapping. No net levy impact.							
1.2	Healthy and Safe Communities	Housing Services	Housing Support Worker	1.0	Healthy and Safe Communities	Housing Services	Housing Support Worker	1.0
	Explanation: The temporary position ends November 2021, we are requesting a temporary extension for 7 months to June 2022 to provide continued support for housing allowances and other pandemic-related housing concerns.							
1.3	Healthy and Safe Communities	Housing Services	Applications Analysts	1.0	Healthy and Safe Communities	Housing Services	Applications Analysts	1.0
	Explanation: The temporary position ends July 2021, we are requesting a temporary extension for 17 months to December 2022 to provide continued support on the HIFIS system upgrade. There is significant risk to our business processes and accountability to our funders and outcomes without the continuation of this position at this time.							

**CITY OF HAMILTON
BUDGET AMENDMENT SCHEDULE**

BUDGET RESTATEMENT

Budget Transfer from one cost category to another cost category

ITEM #	TRANSFER FROM					TRANSFER TO				
	Department	Dept ID	Division	Cost Category	Amount	Department	Dept ID	Division	Cost Category	Amount
1.1	City Manager	320500	Human Resources	Financial	\$195,050	City Manager	320500	Human Resources	Contractual	\$195,050
Explanation: To reallocate budget from Debt Recovery to Contractual Services (Rent) to support HR's rent recovery at new location in alignment with actual charges being incurred.										


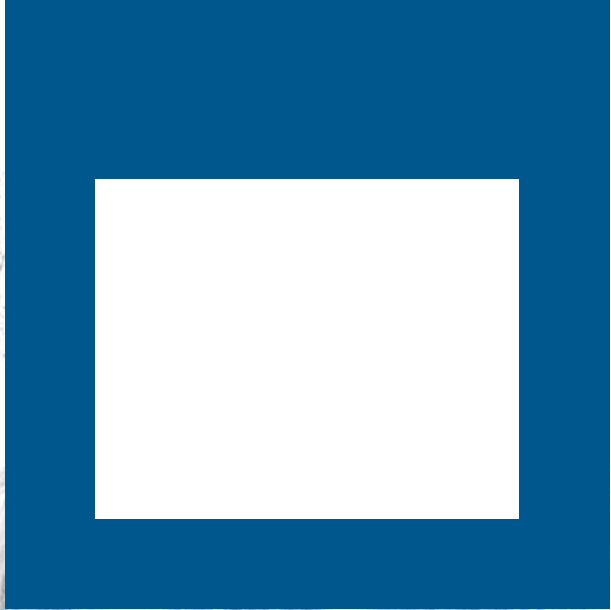
Budget Transfer to another division or department

ITEM #	TRANSFER FROM			TRANSFER TO		
	Department	Division	Amount	Department	Division	Amount
1.2	Healthy and Safe Communities	Children's Services and Neighbourhood Dev.	\$7,969	Planning & Economic Development	Building	\$441,709
	Healthy and Safe Communities	Ontario Works	\$12,212	Healthy and Safe Communities	Public Health Services	\$3,797
	Public Works - Tax	Engineering Services	\$1,063	Corporate Financials - Expenditures	Corporate Initiatives	\$4,810
	Corporate Services	Legal Services and Risk Management	\$304,036	Library	Library Administration	\$2,063
	Corporate Services	Legal Services and Risk Management	\$127,099			
Explanation: Redistribution of legal recoveries based on revised methodology.						

Note - Above budget transfers remain in the same cost category.

**City of Hamilton
 2021 COVID-19 Financial Forecast
 As at June 30, 2021**

Department - Division	Net Financial Pressures from COVID-19	2021 Funding from Senior Levels of Government						Total Funding	Net Total Impact
		Social Services Relief Fund	Ministry of Health	Safe Restart Agreement - Transit	Safe Restart Agreement - Municipal	COVID-19 Recovery Funding for Municipalities Program	Other		
Planning & Economic Development									
General Manager	379				(379)			(379)	-
Transportation, Planning and Parking	6,054,756				(6,054,756)			(6,054,756)	-
Building	770				(770)			(770)	-
Economic Development	7,289				(7,289)			(7,289)	-
Growth Management	180				(180)			(180)	-
Licensing & By-Law Services	296,551				(296,551)			(296,551)	-
Planning	150				(150)			(150)	-
Tourism & Culture	125,723				(125,723)			(125,723)	-
Planning & Economic Development Subtotal	6,485,798	-	-	-	(6,485,798)	-	-	(6,485,798)	-
Healthy and Safe Communities									
HSC Administration	97,237				(97,237)			(97,237)	-
Children's Services and Neighbourhood Development	-								-
Ontario Works	-								-
Housing Services	20,850,366	(12,625,210)			(4,308,116)	(3,917,040)		(20,850,366)	-
Long Term Care	3,444,373				(286,504)		(3,157,869)	(3,444,373)	-
Recreation	3,168,260				(3,168,260)			(3,168,260)	-
Hamilton Fire Department	826,760				(826,760)			(826,760)	-
Hamilton Paramedic Service	5,234,620		(1,316,990)					(1,316,990)	3,917,630
Public Health Services	40,388,533		(40,388,533)					(40,388,533)	-
Healthy and Safe Communities Subtotal	74,010,149	(12,625,210)	(41,705,523)	-	(8,686,877)	(3,917,040)	(3,157,869)	(70,092,519)	3,917,630
Public Works									
PW-General Administration	-								-
Energy Fleet and Facilities	562,000				(562,000)			(562,000)	-
Engineering Services	-								-
Environmental Services	-								-
Waste Management	-								-
Transit	13,249,257			(13,249,257)				(13,249,257)	-
Transportation Operations & Maintenance	251,505				(251,505)			(251,505)	-
Public Works Subtotal	14,062,762	-	-	(13,249,257)	(813,505)	-	-	(14,062,762)	-
Legislative									
Legislative General	103				(103)			(103)	-
Mayors Office	-								-
Volunteer Committee	-								-
Ward Budgets	-								-
Legislative Subtotal	103	-	-	-	(103)	-	-	(103)	-
City Manager									
Office of the City Auditor	-								-
CMO - Admin	124,205				(124,205)			(124,205)	-
Communications and Strategic Initiatives	-								-
Digital and Innovation Office	-								-
Government & Community Relations	-								-
Human Resources	-								-
City Manager Subtotal	124,205	-	-	-	(124,205)	-	-	(124,205)	-
Corporate Services									
City Clerk's Office	3,192				(3,192)			(3,192)	-
Customer Service, POA and Fin'l Integration	119,639				(119,639)			(119,639)	-
Financial Serv, Taxation and Corp Controller	334				(334)			(334)	-
Legal Services and Risk Management	75				(75)			(75)	-
Corporate Services - Administration	-								-
Financial Planning, Admin & Policy	1,558				(1,558)			(1,558)	-
Information Technology	322,486				(322,486)			(322,486)	-
Corporate Services Subtotal	447,284	-	-	-	(447,284)	-	-	(447,284)	-
Hamilton Entertainment Facilities									
Hamilton Entertainment Facilities	780,000				(780,000)			(780,000)	-
Hamilton Entertainment Facilities Subtotal	780,000	-	-	-	(780,000)	-	-	(780,000)	-
Corporate Financials & Non-Program Revenue									
COVID-19 Emergency Event	1,800,000				(1,800,000)			(1,800,000)	-
COVID-19 EOC	5,000				(5,000)			(5,000)	-
Slot Revenues	2,600,000				(2,600,000)			(2,600,000)	-
Corporate Financials & Non-Program Revenue Subtotal	4,405,000	-	-	-	(4,405,000)	-	-	(4,405,000)	-
Total	100,315,301	(12,625,210)	(41,705,523)	(13,249,257)	(21,742,772)	(3,917,040)	(3,157,869)	(96,397,671)	3,917,630



**TAX AND RATE OPERATING BUDGET
VARIANCE REPORT AS AT
JUNE 30, 2021**

FCS21070

1. Summary of Tax and Rate Operating Budget Variance Forecasts
(Unaudited)
2. Update on COVID-19 Funding
3. Recommendations
 1. Budget Control Policy
 2. Development Charge Discretionary Exemptions
4. Next Steps

2021 PROJECTED YEAR-END OPERATING BUDGET VARIANCES (\$000's)

	2021 Approved Budget	2021 Year-End Forecast	Pre Safe Restart/COVID-19 Funding		Post Safe Restart/COVID-19 Funding	
			Variance		Variance	
			\$	%	\$	%
TAX SUPPORTED						
Planning & Economic Development	30,357	33,520	(3,163)	(10.4)%	3,322	10.9%
Healthy and Safe Communities	255,023	263,921	(8,898)	(3.5)%	3,706	1.5%
Public Works	266,803	273,190	(6,388)	(2.4)%	7,676	2.9%
Legislative	5,164	5,258	(94)	(1.8)%	(94)	(1.8)%
City Manager	13,017	12,732	285	2.2%	409	3.1%
Corporate Services	37,212	37,380	(168)	(0.5)%	278	0.7%
Corporate Financials / Non Program Revenues	(27,941)	(18,522)	(9,419)	(33.7)%	(5,014)	(17.9)%
Hamilton Entertainment Facilities	4,037	4,817	(780)	(19.3)%	0	0.0%
TOTAL CITY EXPENDITURES	583,672	612,296	(28,624)	(4.9)%	10,284	1.8%
Hamilton Police Services	175,352	175,352	0	0.0%	0	0.0%
Library	32,030	28,230	3,800	11.9%	3,800	11.9%
Other Boards & Agencies	16,334	16,392	(58)	(0.4)%	(58)	(0.4)%
City Enrichment Fund	6,088	6,088	0	0.0%	0	0.0%
TOTAL BOARDS & AGENCIES	229,804	226,062	3,742	1.6%	3,742	1.6%
CAPITAL FINANCING	140,943	129,809	11,134	7.9%	11,134	7.9%
TOTAL OTHER NON-DEPARTMENTAL	370,747	355,871	14,876	4.0%	14,876	100.0%
TOTAL TAX SUPPORTED	954,419	968,166	(13,748)	(1.4)%	25,160	2.6%
TOTAL RATE SUPPORTED		1,293	(1,293)	(1.6)%	(1,293)	(1.6)%

() Denotes unfavourable variance

Tax Supported Operating Budget Variance Forecast

Net Gapping by Department	Gapping Target (\$000's)	Projected Gapping (\$000's)	Variance (\$000's)
Planning & Economic Development	\$ 853	\$ 1,880	\$ 1,027
Healthy and Safe Communities	\$ 952	\$ (450)	\$ (1,402)
Public Works	\$ 2,202	\$ 5,400	\$ 3,198
Legislative	\$ 84	\$ 47	\$ (37)
City Manager	\$ 225	\$ 388	\$ 163
Corporate Services	\$ 633	\$ 822	\$ 189
Consolidated Corporate Savings	\$ 4,950	\$ 8,087	\$ 3,137

DEPARTMENT VARIANCES EXPLANATION SUMMARY

MAIN DRIVERS

Planning and Economic Development:

- **\$3.2M deficit** *before* COVID funding
- **\$3.3M surplus** *after* COVID funding
 - **Transportation, Planning, and Parking** - **\$0.3M** deficit
 - \$6.1M of Safe Restart Funding was applied (\$6.4M deficit pre-funding)
 - Foregone revenues and unfavourable staffing costs
 - **Economic Development**- **\$0.1M** deficit:
 - Unfavourable variance of \$308 K in Real Estate fees offset by savings of \$189 K due to gapping.
 - **Planning and Growth Management Divisions**- **\$3.4M combined** surplus:
 - Higher than anticipated revenues (higher volume) and net gapping savings
 - **Remaining** surplus is mainly due to gapping

Healthy and Safe Communities:

MAIN DRIVERS

- **\$8.9M deficit before COVID funding**
- **\$3.7M surplus after COVID funding**
 - **Long Term Care - \$1.6M surplus:**
 - Gapping and other employee expenditures savings (\$1.2M) and unbudgeted provincial funding of Structural Compliance (\$1.4M)
 - Slightly offset by foregone accommodation fee revenue and Adult Day Program Closure (\$1.0M)
 - **Ontario Works - \$1.3M surplus:**
 - Carry-over Ministry funding from 2020 (\$0.4M) and subsidy maximization (\$0.2 M)
 - Underspending in the low-income program and gapping savings (\$0.7M)
 - **Housing - \$0.9M surplus:**
 - Favourability in Rent supplements and Housing Stability benefits that are underspent due to CERB payments and gapping
 - **Children's Services and Neighbourhood Development - \$0.7M surplus:**
 - Savings in redeployment to Public Health in addition to savings in program, conferences, travel and meeting related expenditures
 - **Hamilton Paramedic Services - \$1.4M deficit:**
 - Unfavourable variance due to COVID expenses

MAIN DRIVERS

Public Works:

- **\$6.4M** deficit before COVID funding
- **\$10.4M** surplus after Safe Restart Transit Funding
- **Transportation Operations & Maintenance** - **\$4.2M** surplus:
 - Winter Season Roads Maintenance Program (\$2.2M)
 - Gapping including seasonal staff not hired/hiring delays (\$2.2M)
- **Transit** - **\$1.8M** surplus:
 - \$25M lost revenues, \$1.2M in enhanced cleaning, \$1.0 M in vehicle parts related to aging fleet, offset by fuel savings, PRESTO, gapping, DARTS, TransCab, and Taxi Scrip contract savings
- **Environmental Services** - **\$0.9M** surplus:
 - Gapping savings largely due to staff redeployed to the Hamilton Public Health Vaccination Clinics (\$0.9M)
- **Energy, Fleet, and Facilities** - **\$0.7M** surplus:
 - Incremental expenses from enhanced cleaning and PPE (\$0.5 M)
 - Charges for obsolete inventory fleet parts write-off. (\$0.2M)

MAIN DRIVERS

Corporate Services:

- **\$0.2M** deficit before COVID funding
- **\$0.3M** surplus after COVID funding
 - Favourable gapping across several divisions
 - Savings in software, hardware, and computer repairs in the Information Technology division offset slightly by decreases in marriage certificates in City Clerk's Office

City Manager's Office:

- **\$0.3M** surplus before COVID funding
- **\$0.4M** surplus after COVID funding
 - Favourable combined gapping across several divisions

Corporate Financials / Non Program Revenues:

- **\$8.4M** deficit before COVID funding
- **\$2.9M** deficit after COVID funding
 - POA revenues are expected to be at a deficit of \$2.6 M
 - \$3.9 M deficit due to PTSD pressures
 - \$2.1 M for insurance premiums per Report LS21027 approved at GIC meeting on August 9, 2021.

OTHER NON-DEPARTMENTAL PROJECTED VARIANCES (\$000's)

	2021 Approved Budget	2021 Year-End Forecast	Pre Safe Restart/COVID-19 Funding		Post Safe Restart/COVID-19 Funding	
			Variance		Variance	
			\$	%	\$	%
Hamilton Police Services	175,352	175,352	0	0.0%	0	0.0%
Library	32,030	28,230	3,800	11.9%	3,800	11.9%
Other Boards & Agencies	16,334	16,392	(58)	(0.4)%	(58)	(0.4)%
City Enrichment Fund	6,088	6,088	0	0.0%	0	0.0%
TOTAL BOARDS & AGENCIES	229,804	226,062	3,742	1.6%	3,742	1.6%
CAPITAL FINANCING	140,943	129,809	11,134	7.9%	11,134	7.9%
TOTAL OTHER NON-DEPARTMENTAL	370,747	355,871	14,876	4.0%	14,876	100.0%

() Denotes unfavourable variance

Rate Supported Operating Budget Variance Forecast

2021 RATE OPERATING BUDGET PROJECTED YEAR-END VARIANCE (\$000's)

	2021 Approved Budget	2021 Projected To Year End	2021 Projected Variance	
			\$	%
TOTAL EXPENDITURES	245,555	247,799	(2,244)	(0.9%)
TOTAL REVENUES	(245,555)	(246,506)	951	(0.4%)
NET	-	1,293	(1,293)	(0.5%)

() Denotes unfavourable variance

2021 RATE OPERATING PROJECTED VARIANCE (\$000's) - BY COST CATEGORY

Expenditure Type	Variance (\$000's)
Contractual and Consulting	(2,399)
Employee Related Costs	682
Buildings & Grounds	(534)
Materials & Supplies	(498)
Capital Financing	505
Total Operating Expenditures	(2,244)

COVID FUNDING AND OUTLOOK

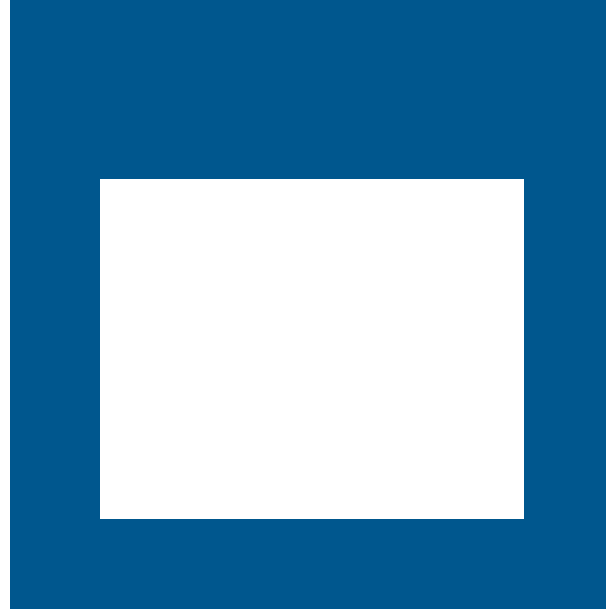
Department - Division	Net Financial Pressures from COVID-19	2021 Funding from Senior Levels of Government					Total Funding	Net Total Impact
		Social Services Relief Fund	Ministry of Health	Safe Restart Agreement - Municipal & Transit	COVID-19 Recovery Funding for Municipalities	Ministry of LTC		
Planning & Economic Development	6,485,798	-	-	(6,485,798)	-	-	(6,485,798)	-
Healthy and Safe Communities	74,010,149	(12,625,210)	(41,705,523)	(8,686,877)	(3,917,040)	(3,157,869)	(70,092,519)	3,917,630
Public Works	14,062,762	-	-	(14,062,762)	-	-	(14,062,762)	-
Legislative	103	-	-	(103)	-	-	(103)	-
City Manager	124,205	-	-	(124,205)	-	-	(124,205)	-
Corporate Services	447,284	-	-	(447,284)	-	-	(447,284)	-
Hamilton Entertainment Facilities	780,000	-	-	(780,000)	-	-	(780,000)	-
Corporate Financials & Non-Program Rev	4,405,000	-	-	(4,405,000)	-	-	(4,405,000)	-
Total	100,315,301	(12,625,210)	(41,705,523)	(34,992,029)	(3,917,040)	(3,157,869)	(96,397,671)	3,917,630

OTHER RECOMMENDATIONS

- 2021 budget transfer, transferring complement from one department / division to another, outlined in Appendix “C”, be approved;
- 2021 extensions of temporary positions with 24-month terms or greater, with no impact on the levy, as outlined in Appendix “D”, be approved;
- 2021 budget transfer, transferring budget from one department / division to another or from one cost category to another with no impact on the levy, outlined in Appendix “E”, be approved;

OTHER RECOMMENDATIONS

- 2021 Development Charge Discretionary Exemptions
 - Any DC exemptions authorized by Council through DC By-law 19-142 or through a Council meeting are required to be recovered through other sources
 - Council has approved amounts in the Rates and Tax Capital Budgets to fund these exemptions but the volume of exemptions continues to exceed the allocated funding
 - Recommendation e) provides staff direction to ensure that any shortfall in being able to cover the in-year discretionary exemptions in 2021 is achieved through an allocation of the annual surplus



THANK YOU



CITY OF HAMILTON
CORPORATE SERVICES DEPARTMENT
Information Technology Division

TO:	Chair and Members Audit, Finance and Administration Committee
COMMITTEE DATE:	September 23, 2021
SUBJECT/REPORT NO:	Employee Computer Purchase Plan (FCS21065) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Sean Betts (905) 546-2424 Ext. 4895
SUBMITTED BY:	Maria McChesney Director, Information Technology Corporate Services
SIGNATURE:	

RECOMMENDATION

That the New Employee Personal Computer Purchase Plan, attached as Appendix "A" to Report FCS21065, be approved.

EXECUTIVE SUMMARY

Through Report FSC01132 approved by Council December 11, 2001, a plan was established to allow staff to receive an interest free loan from the City of Hamilton to purchase computer equipment for home use.

The minimum loan available is \$1,000 and the maximum available is \$2,000. Council approved that the loan had to be paid back over a maximum of 36 months. The employee may not request that the payment schedule be altered once it has been established, except to pay the full balance of the loan.

Council approved that employees could take advantage of this program every 3 years. Any loan made by the City for this program will be considered an employee taxable benefit with regards to the savings from being interest free.

Staff review the plan every 2 years and are proposing the following changes, which are reflected in Appendix "A", Employee Personal Computer Purchase Plan:

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SUBJECT: Employee Computer Purchase Plan (FCS21065) (City Wide) - Page 2 of 4

- A \$25 administration fee charged to the employee for each loan processed to cover staff costs.
- The Information Technology Division of the Corporate Services Department has legislative authority to change the list of eligible products (Hardware and Software) as needed.

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: Since this is an interest free loan, the City is losing the associated loan interest.

Staffing: Staff from the Information Technology and Finance Division's of the Corporate Services Department are involved in the administration of this plan.

Legal: NA

HISTORICAL BACKGROUND

This program, when originally approved by Council in 2001 through Report FCS01132, was intended to offer full-time employees the ability to purchase a complete computer system or the necessary components to upgrade an existing system for home use. The primary goal of the plan as outlined in Report FCS01132, was to facilitate the purchase of a home computer to provide:

- Increased knowledge and confidence of the employee using personal computers;
- Reduced internal demand for training and support;
- Broader base of skilled employees to participate more fully and to be more open and accepting of the changes in workplace automation;
- Facilitate telecommuting where and when appropriate;
- Improved employee morale;
- An extension of the office computer to allow for increased productivity; and
- Employee access to the City's website from home could facilitate better employee communication.

Employees are able to purchase the equipment from a retail vendor of their choice and allows the employee to shop, where convenient, comparing prices as necessary. Only the equipment and software that support the purpose and intent of this program is eligible. Information Technology Division, Corporate Services Department staff provide an acceptable computer specification, based on the City's own Corporate Standards for computer equipment.

Providing access to a computer, at home, for employees promotes continuous learning

SUBJECT: Employee Computer Purchase Plan (FCS21065) (City Wide) - Page 3 of 4

and that learning is then brought back to the workplace. Employee stress levels could be reduced, by allowing them to further develop their skills at home, at their own pace.

This program is a good benefit for recruitment and retention of staff.

Based on our recent experience with the COVID-19 pandemic, employees are becoming increasingly more reliant on technology to conduct essential everyday functions ranging from grocery shopping to medical appointments to job interviews. The ability to have an affordable technology solution will allow our employees to safely engage in necessary activities while having a reliable computer to facilitate their full participation.

The added employer benefit is that the more technologically savvy our staff become, the greater the ease in successfully operating in a virtual work environment.

This program was made available to all permanent full time and part-staff as previously approved by Council, through Report FCS01132(b).

All loans are conditional upon the employee agreeing to the following, in writing:

- To the payroll deductions;
- To repay the loans in full in the event of a leave of absence except in the case of a maternity leave (which may be paid by the provision of post-dated cheques); and
- To full payment in the event of termination of employment.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

N/A

RELEVANT CONSULTATION

In preparation of Report FCS21065, staff from Human Resource Division of the City Manager's Office and Finance and the Information Technology Divisions of the Corporate Services Department were involved and the recommendations have been reviewed by the Service Excellence Subcommittee of Senior Leadership Team (SLT).

ANALYSIS AND RATIONALE FOR RECOMMENDATIONS

Staff review this plan every 2 years to ensure it is meeting the needs of the employees and the City. A recent review resulted in the recommendations with report FCS21065.

ALTERNATIVES FOR CONSIDERATION

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SUBJECT: Employee Computer Purchase Plan (FCS21065) (City Wide) - Page 4 of 4

One alternative to the Recommendations of Report FCS21065 is to simply cancel this program. This is not being recommended as this program is considered a benefit to the employee retention process and is also considered valuable to the staff recruitment process. Other municipalities promote this benefit on their recruitment web site to attract new hires.

A second alternative to the Recommendations of Report FCS201065 would be to expand the list of eligible equipment while increasing the availability of the plan to once every 4 years. It was agreed to expand the list of eligible equipment given the changes in the technology landscape, however, given this is an attractive benefit for the recruitment and retention of staff, the eligibility period will remain once every 3 years.

ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN**Our People and Performance**

Hamiltonians have a high level of trust and confidence in their City government.

APPENDICES AND SCHEDULES ATTACHED

Appendix A: City of Hamilton Employee Computer Purchase Plan

SB/sn

City of Hamilton
Employee Computer Purchase Plan

Process

Any eligible employee can only take advantage of this program once every 3 years regardless of when the loan is repaid.

As approved and amended by Council September 23, 2021, the Employee Computer Purchase Plan provides for an interest free loan (minimum of \$1,000 - maximum of \$2,000) for the acquisition of personal computer equipment, or the necessary components to upgrade an existing system.

The following procedure shall be followed by any eligible staff member wishing to take advantage of the Employee Computer Purchase Plan:

1. **The employee shall obtain quote** for the equipment from the **retail** vendor of their choice - ensuring the equipment meets the equipment eligibility requirements established by the Information Technology division. (Note: All forms required for this plan including the eligibility requirements are posted on eNet under Information Technology and selecting "Find/Review Personal Plan").
2. **The employee shall submit the quote from the vendor to the Information Technology Division**, via email to pcpurch@hamilton.ca, who will review the quote to ensure Plan eligibility.
3. **Information Technology Division shall return the quote to the employee, indicating "approved" or "not approved"**. Your quote will be returned to you via email.
4. **The employee shall purchase the equipment** as per the quote and submit the following to the Payroll Division, 9th floor, Standard Life Building:
 - the authorized quote approval form as marked "approved" by IT
 - the receipt from the vendor of the equipment
 - the signed and witnessed Promissory Note
 - a signed Schedule "A" to the Promissory Note
 The employee must complete **all** information on the promissory note and Schedule "A".
5. **Payroll Division shall:**
 - deposit the eligible reimbursable amount directly into the employee's regular payroll bank account on their regularly scheduled pay date.
 - process the loan request, making the necessary changes to the payroll file to ensure the appropriate amount is deducted from each pay, and will maintain the paperwork.
 - deduct and process a \$25 administration fee, payable by the employee, for each loan made through the Employee Personal Computer Purchase Plan.

Note: Under no circumstances will a manual cheque be issued in advance.
- Payroll Division must have the paperwork one week prior to your next payroll date to process the loan request for your next pay.

Plan Eligibility	<p>All full-time permanent staff of the City of Hamilton, HECFI, HSR, Hamilton Public Library, HPS, and Members of Council</p> <p>All full-time temporary employees under a written contract (repayment schedule cannot exceed contract term); and</p> <p>All full-time permanent employees in a job share arrangement (maximum loan amount of \$1000)</p>
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IT Resources

IT staff will not be available as a resource to assist with the computer purchase process, nor for assistance after installation. Inquiries on the administrative process of the Employee Computer Purchase Plan may be directed to the email address of pcpurch@hamilton.ca

**City of Hamilton Employee
Computer Purchase Plan**

**EQUIPMENT
ELIGIBILITY REQUIREMENTS**

The Information Technology Division of the Corporate Services Department has legislative authority to change the list of eligible products (Hardware and Software) as needed. The following are eligible under the Employee Computer Purchase Plan:

Hardware**Windows compatible personal computer****Windows compatible Notebooks/Laptops/Tablets etc.****Apple personal computer****Apple Notebooks/Laptops/Tablets etc.****Smart Watches – i.e. Apple watch, Samsung watch, etc****Routers – i.e. Mesh Wifi****Smart Phones****External peripherals**

- **Mouse/keyboard**
- **Monitor**
- **Printer/plotter**
- **Scanner**
- **All in one (i.e. scanner copier fax)**
- **Speakers**
- **Backup Device**
- **Power Protection (i.e. UPS)**

Software**All Microsoft Windows operating systems****All Microsoft office suites and/or development software****Any bundled software that is provided with computer package****Virus protection software****PC utilities software**

City of Hamilton Employee Computer Purchase Plan

AGREEMENT PROMISSORY NOTE

In consideration of my Employer, The City of Hamilton, agreeing to finance the computer equipment set out on the attached Schedule A,

I, _____ (name), Employee No. _____,

hereby agree to repay the sum of \$ _____ to The City of Hamilton according to the following terms and conditions:

1. I understand that my loan will be repaid to The City of Hamilton over a ____ month period.
2. My employer, the City of Hamilton, shall and is hereby authorized to deduct from my biweekly pay an amount equal to the total purchase price divided by the number of pays in the next _____ (12, 24, or 36) months.
3. I understand, and agree, that a \$25 administrative fee will be charged, payable by the employee, to cover the cost associated with processing the interest free loan.
4. I understand, and agree, that on any payroll date during the term of this agreement, I may, if I wish, pay the loan off in its entirety. I understand that partial payments are not allowed.
5. I understand, and agree, that in the event of termination of my employment with the City of Hamilton for any reason, including death, the balance of the amount payable at that time shall immediately become payable, and The City of Hamilton is hereby authorized to deduct this from my final pay, including vacation pay, and in the event my final pay is not sufficient to cover the balance I, or my estate, shall immediately pay directly to The City of Hamilton the amount outstanding to settle the debt.
6. In the event of the suspension of my employment with the City of Hamilton, for whatever reason, including but not limited to maternity leave, worker's compensation leave, long term disability leave, leave of absence, strike or lockout, I shall provide The City of Hamilton with a series of post-dated cheques to cover the payments I would otherwise have made to The City of Hamilton for the time period involved.
7. I understand, and agree, that upon delivery of my computer or upgrade, I shall be the owner of the computer equipment and the computer equipment purchased under this plan is my equipment to keep, to maintain, to insure and to repair at my expense, and that The City of Hamilton is in no way responsible for and cannot guarantee the quality of the equipment purchased or its suitability for my needs. I acknowledge and agree that neither I, or any subsequent owner of my computer or upgrade, shall have no recourse whatsoever against the City of Hamilton.

8. I understand that any savings I realize from borrowing the money from The City of Hamilton is a taxable benefit under current tax legislation. The amount of taxable benefit is based on Canada Custom and Revenue Agency's prescribed rate and will appear on my annual statement of remuneration (T4 slip) as a taxable benefit. The taxes associated with this taxable benefit will be **included** on each bi-weekly pay

Employee Number

Employee Name

Witness

Employee's Signature

Dated at Hamilton, Ontario, this _____ day of _____, 20____

For Finance and Corporate Services Use Only upon approval

Authorized Corporate Signature

**City of Hamilton Employee
Computer Purchase Plan**

**SCHEDULE "A" to
AGREEMENT/PROMISSORY NOTE**

*Total Purchase Price (including taxes)	\$ _____
**Repayment Term	_____ (months)
***Retail Vendor's Name	_____

For contact purposes only

Employee Name _____

Employee Number _____

Employee's Department and Division _____

Employee's Contact Phone Number _____

Employee's Fax Number _____

*The minimum loan amount is \$1,000, and the maximum loan amount is \$2,000 **Repayment term must be either 12, 24 or 36 months.

***Purchase must be from a retail vendor

Please submit the following to the Payroll Division of Finance and Corporate Services for loan processing:

- **Quote Approval Form – quote must be marked "Approved" by the Information Technology Division**
- **Receipt(s) for the purchased equipment**
- **Completed and signed Promissory Note**
- **Completed Schedule A to Promissory Note**

FOR PAYROLL USE ONLY

Effective date: _____

Total amount of Loan: _____

Divided by # of pays (26, 52, or 78): _____

Amount per Pay: \$ _____



CITY OF HAMILTON
OFFICE OF THE CITY AUDITOR

TO:	Chair and Members Audit, Finance and Administration Committee
COMMITTEE DATE:	September 23, 2021
SUBJECT/REPORT NO:	Road Maintenance Small Tools and Equipment Inventory Audit and Follow up to Audit Report AUD11006 (AUD21010) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Aleksandra Stojanova, CPA, CA, CIA, CPA (Illinois) (905) 546-2424 Ext. 4438 Brigitte Minard CPA, CA, CIA, CGAP (905) 546-2424 Ext. 3107
SUBMITTED BY:	Charles Brown CPA, CA, CPA (Illinois) City Auditor Office of the City Auditor
SIGNATURE:	

Discussion of Confidential Appendix “D” to this report in Closed Session, would be pursuant to Section 9.1, Sub-section (a) of the City's Procedural By-law 21-021, as amended, and Section 239(2), Sub-section (a) of the *Ontario Municipal Act, 2001*, as amended, as the subject matter pertains to the security of the property of the municipality or local board.

RECOMMENDATIONS

- (a) That Appendix “A” to Report AUD21010, respecting the Road Maintenance Small Tools and Equipment Inventory Audit, be received;
- (b) That the Management Responses as detailed in Appendix “B” and Private and Confidential Appendix “D” to Report AUD21010 be approved;
- (c) That the General Manager of Public Works be directed to implement the Management Responses (attached as Appendix “B” and Private and Confidential

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SUBJECT: Road Maintenance Small Tools and Equipment Inventory Audit and Follow Up to Audit Report AUD11006 (AUD21010) (City Wide)**Page 2 of 5**

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- Appendix “D” to Report AUD21010) and report back to the Audit, Finance and Administration Committee by September 2022; and
- (d) That Appendix “C” to Report AUD21010, respecting the follow up of Audit Report AUD11006 - Tools Audit, be received; and
- (e) That Private and Confidential Appendix “D” to Report AUD21010, remain confidential.

EXECUTIVE SUMMARY

In April 2021, Labour Relations notified the Office of City Auditor (OCA) of an alleged misappropriation of small equipment and tools inventory from a Yard in the Roadway Maintenance Section of the Transportation Operations and Maintenance Division (TOM) by a City employee. After preliminary discussions with management in TOM regarding their concerns, the OCA performed an audit of the small tools and equipment inventory processes in the area of Roadway Maintenance.

As a result of the audit, the City Auditor brought forward twenty-one recommendations to strengthen controls and increase process efficiencies related to inventory. The results of this audit are presented in a formal audit report containing OCA’s findings, conclusions, recommendations and management’s responses. This audit report is attached as Appendices “A”, “B” and “D” (Private and Confidential) to Report AUD21010.

In addition to this audit report, the Office of the City Auditor followed up on eight of fourteen recommendations that were applicable to Roadway Maintenance and brought forward during an audit of small tools inventory in 2010 (Report AUD11006). As of 2016, six of the eight recommendations were completed and two were in progress.

OCA noted that as of August 2021, the status of the six recommendations that were completed have regressed and the issues that led to the recommendations made in the original Report remain open. Details of implementation specific to each recommendation are included in Appendix “C” to Report AUD21010.

The investigation of the alleged misappropriation was coordinated by Labour Relations and carried out by Hamilton Police Service resulting in charges being laid. The OCA supported certain aspects of the investigation as requested by Labour Relations. Details of the police involvement were previously reported to this Committee in Report AUD21005 in June 2021.

SUBJECT: Road Maintenance Small Tools and Equipment Inventory Audit and Follow Up to Audit Report AUD11006 (AUD21010) (City Wide)

Page 3 of 5

Alternatives for Consideration – Not Applicable

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: None.

Staffing: None.

Legal: None.

HISTORICAL BACKGROUND

The City Auditor conducted the audit leading to Audit Report AUD21010 as a result of vulnerability concerns brought forward by Management. These concerns were due to an alleged misappropriation in spring of 2021 of small equipment and tools inventory by a City employee within Roadway Maintenance. The results of this audit are attached as Appendices “A” and “B” to Report AUD21010.

A City-wide controls-based audit related to inventory of small tools in Public Works, which included Roadway Maintenance, was previously carried out in 2010. Eight out of fourteen recommendations brought forward in the 2010 Tools Audit (AUD11006) were applicable to Roadway Maintenance. As of 2016 the OCA validated that six out of the eight management action plans were substantially implemented, but during the current follow up the Office of the City Auditor noted that the status of the six recommendations have regressed and the remaining two are not yet completed. The results of the follow up of 2010 Tools Audit Report (AUD11006) is contained in Appendix “C” to Report AUD21010.

The initial incident that triggered an investigation by Public Works Management and led to this audit ultimately was reported to the Hamilton Police Service and was reported to this Committee in Report AUD21005 in June 2021 as required per the “City Auditor Reporting of Serious Matters to Council” policy that was approved by Council in June 2020.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

City of Hamilton- Fraud Policy and Protocol

City of Hamilton - City Auditor Reporting of Serious Matters to Council Policy

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SUBJECT: Road Maintenance Small Tools and Equipment Inventory Audit and Follow Up to Audit Report AUD11006 (AUD21010) (City Wide)**Page 4 of 5**

RELEVANT CONSULTATION

Labour Relations, Human Resources Division

Appendix "B" and Private and Confidential Appendix "D" to Report AUD21010 include management responses from management in the Public Works Department responsible for overseeing small tools and equipment inventory in the Roadway Maintenance area. In all cases, management resides within the Transportation Operations and Maintenance Division of the Public Works Department.

ANALYSIS AND RATIONALE FOR RECOMMENDATIONS

The OCA interviewed staff, reviewed documents, conducted site visits and observed activities in order to understand and assess processes in place for safeguarding small tools and equipment inventory. Appendix "A" to Report AUD21010 contains a formal Audit Report containing the audit observations. The OCA made twenty-one recommendations to strengthen controls and increase process efficiencies for small tools and equipment inventory in Roadway Maintenance. These recommendations can be found in Appendix "B" and "D" (private and confidential) to Report AUD21010.

Management agreed with twenty recommendations and partially agreed with one recommendation, providing management responses for implementation. The implementation of the management responses is anticipated to be completed by 2022.

In addition, the Office of the City Auditor followed up on the progress of the recommendations made in the 2010 Tools Audit Report (AUD11006) which pertained to tools inventory management in Public Works. The follow up was limited to eight out of fourteen recommendations in the original Report that were applicable to Roadway Maintenance.

The report attached as Appendix "C" to Report AUD21010 contains the original Audit Report (Appendix "A" to Report AUD11006), previous follow up findings, along with comments indicating OCA's findings for the follow up work performed this year. As of August 2021, the status of the six recommendations that were completed as of 2016 have regressed and and the remaining two are not yet completed. The OCA has included a recommendation in Appendix "B" to Report AUD21010 to address these longstanding, open recommendations.

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**SUBJECT: Road Maintenance Small Tools and Equipment Inventory Audit and
Follow Up to Audit Report AUD11006 (AUD21010) (City Wide)**

Page 5 of 5

ALTERNATIVES FOR CONSIDERATION

Not applicable.

ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN

Our People and Performance

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APPENDICES AND SCHEDULES ATTACHED

Appendix “A” to Report AUD21010 – Road Maintenance Small Tools and Equipment Inventory Audit Report

Appendix “B” to Report AUD21010 – Recommendations and Management Responses

Appendix “C” to Report AUD21010– Follow Up to 2010 Tools Audit (AUD11006)

Private and Confidential Appendix “D” to Report AUD21010 – Security Observations, Recommendations and Management Responses



Hamilton

Office of the City Auditor

Road Maintenance Small Tools and Equipment Inventory Audit



September 23, 2021

Office of the City Auditor

Aleksandra Stojanova, Senior Auditor

Brigitte Minard, Deputy City Auditor

Charles Brown, City Auditor

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Executive Summary

- 1 In April 2021, Labour Relations and Transportation Operations and Maintenance (TOM) management notified the Office of the City Auditor (OCA) of an alleged misappropriation of small equipment and tool inventory from a Roadway Maintenance Yard in TOM by an employee of the City. As a result, the City Auditor chose to carry out an audit of the inventory processes to identify gaps that expose the inventory of small tools and equipment in Roadway Maintenance to the risk of fraud and misappropriation. In addition, the City Auditor chose to follow up on eight recommendations brought forward by the OCA during a similar inventory audit conducted in 2010. The City Auditor brought forward twenty-one new recommendations to strengthen controls and increase process efficiencies related to inventory. Management in TOM agreed with 20 of the recommendations and partially agreed with one recommendation. Action plan completion dates range from Q4 2021 to Q4 2022.

Introduction and Background

- 2 In April 2021, the OCA was notified of a misappropriation of small equipment and tool inventory from a Yard in the Roadway Maintenance Section of TOM. After preliminary discussions with management in TOM about their concerns, the OCA performed an audit of the small tools and equipment inventory management processes in Roadway Maintenance. This audit included a follow up on the recommendations applicable to Roadway Maintenance brought forward during a City-wide audit on small tool inventory conducted in 2010. The 2010 audit did not include small equipment inventory in its scope.
- 3 The investigation of the alleged misappropriation was carried out by Hamilton Police Services and coordinated by Labour Relations. The OCA supported certain aspects of the investigation as requested by Labour Relations.
- 4 As of June 2021, the approximate purchase value of small equipment inventory in Roadway Maintenance was \$325,000. However, the dollar value of small tools is not tracked.
- 5 The City of Hamilton, in accordance with its obligation to ensure that it is providing efficient and fair delivery of City services, has appointed an Auditor General, known as the City Auditor, who heads the OCA. From time to time the City Auditor receives reports of actual or suspected fraud from City management as outlined in the City's Fraud Policy and Protocol which affords discretion to the City Auditor to investigate matters which may involve related audits of processes that are not on the Audit Workplan. This audit was carried out under that authority and is intended to provide Council with the OCA's findings and conclusions regarding potential weaknesses in City processes.

Audit Objective

- 6 The overall objective of this audit was to determine the adequacy of processes and controls in place which are designed to safeguard small tool and equipment inventory and detect inappropriate inventory usage, loss or misappropriation.

Audit Scope

- 7 The scope of this audit included inventory-related processes, focusing on controls that would prevent and detect loss or misappropriation of small equipment and tools, including ordering, receiving, inventory management and tracking of inventory movement, access and security, and disposal of inventory.
- 8 The audit focused on inventory controls for small equipment and tools of the Roadway Maintenance Section in Transportation Operation Maintenance (TOM) and did not include review of small tools and equipment inventory management in other Divisions of Public Works although circumstantial evidence suggests that certain audit observations and control weaknesses may be applicable to them.

What We Did

- 9
- 1) Gained and understanding of the administrative and operational processes associated with small tools and equipment inventory controls of the Roadway Maintenance Section in TOM.
 - 2) Assessed processes and controls in place for small tools and equipment inventory management, which included documentation and analysis of the existing processes and controls, site visits and inventory counts on a sample basis, and assessment of the quality of inventory records.
 - 3) Followed up on recommendations applicable to Road Maintenance brought forward in Audit Report AUD11006.

How We Did It

- 10
- Reviewed applicable policies, procedures and reports.
 - Interviewed various City employees.
 - Documented pertinent processes in a narrative.
 - Observed relevant processes and handling of inventory.
 - Performed unannounced inventory counts on a sample basis.
 - Examined electronic and paper documents, reports and transactions, as needed to understand and evaluate inventory-related processes.

Key Terms

11 **Equipment Coordinator:** A position within Roadway Maintenance that among other duties, is responsible for purchasing, inventory record management and disposal of small equipment for Roadway Maintenance.

Hansen: The Information System currently used to record small equipment inventory and usage. Hansen is expected to be replaced with a new Enterprise Asset Management System. The replacement project is currently in its design stage.

Roadway Maintenance: A section within the Transportation Operations & Maintenance Division in Public Works responsible for road and sidewalk maintenance and repair, winter control and snow removal, roadway aesthetics, storm drainage, emergency response and road closures.

Segregation of Duties (SOD): A key internal control intended to minimize the occurrence of errors or fraud by ensuring that employees do not have the ability to both perpetrate and conceal errors or fraud in the normal course of their duties. If possible, different employees should perform the following functional categories: 1) Authorization or approval of transactions; 2) Recording of transactions; and 3) Custody of assets. If one person performs two or more of these functions, errors or irregularities are very likely to go undiscovered for long periods.

Small Equipment*: Gas powered tools i.e. lawn mowers, snow blowers, grass trimmers, etc.

Small Tools*: Manual hand tools, such as brooms, rakes, ladders, and wrenches; and small powered hand tools, such as hand drills, electric hand saws, hand grinders, etc.

*NOTE: While small tools and small equipment are not formally and clearly defined, for the purpose of this report the OCA will apply the terms as per the descriptions above.

Detailed Findings

Small Tools Versus Small Equipment

- 12 The practices and controls in place for the procurement, inventory management and disposal of inventory are dependent on the classification of an inventory item as a small tool or small equipment. However, interview comments and inventory logs in different yards demonstrate an inconsistent approach and indicate there are no clear guidelines or dollar value criteria for uniform classification of small tools and small equipment across the different locations.
- 13 The following are interview comments or examples from inventory logs illustrating this inconsistency:
- "Small equipment is anything with a gas-powered engine. Battery operated equipment is considered a small tool."
 - "Small equipment includes all fuel powered tools and large battery powered tools. Small battery powered tools are considered small tools."
 - "There is no clear distinguisher: if something has been on the small equipment list in the past, it goes on the small equipment list, and if has been on the small tools list, it will be classified the same."
 - "The purchase value of the item determines if it will be classified as a small tool or small equipment. I am not sure what the threshold is."
 - "Lasers do not have a gas-powered engine and therefore are considered small tools."
 - Lasers are listed on the small equipment inventory logs in some yards, and on the small tool inventory logs in other yards.

Purchasing of Small Tools and Equipment

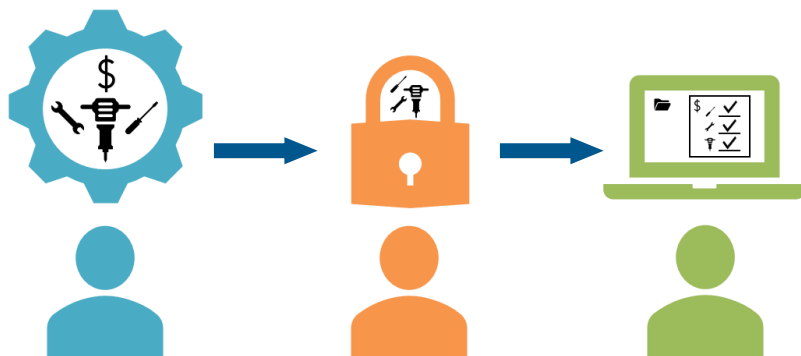
- 14 As illustrated below, the principle of segregation of duties discourages the assignment of responsibility to one person for the acquisition of assets, their custody, and their related record keeping.

Segregation of Duties

Person 1: Asset Acquisition

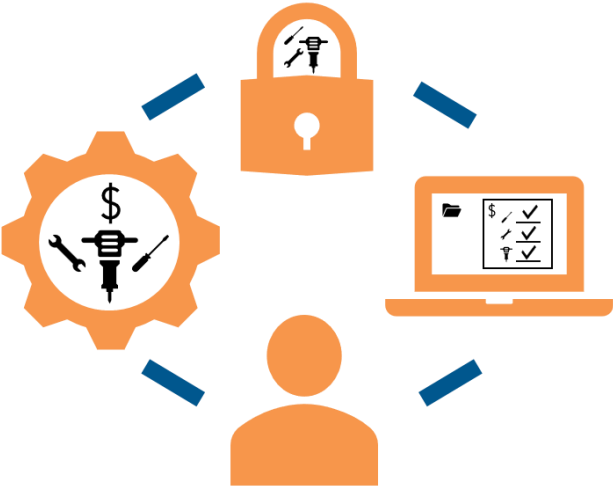
Person 2: Asset Custody

Person 3: Recordkeeping



Detailed Findings

- 15 When segregation of duties is lacking, compensating controls should exist to mitigate the risks of error, loss or misappropriation. These controls include audit trails, reconciliations, supervisory reviews and transaction logs.
- 16 Small equipment is purchased by the Equipment Coordinator who initiates the small equipment order, picks up the equipment from the vendors, delivers the equipment to the yards, validates the receipt of the equipment, and maintains all small equipment inventory records in Hansen.



The City was invoiced \$1,300 for a purchase of a trimmer and a mower in 2020. The items are missing and in the absence of good records it is not possible to investigate if the purchase was authorized and know who last had custody of the assets.

- 17 This violates segregation of duties principles. There are no compensating controls and recordkeeping to mitigate the risk of fraud and misappropriation. Management in the yards may be involved in the decision to procure small equipment, but there is no process in place that requires that they initiate and document the requisitions. Furthermore, the approval of small equipment purchases in PeopleSoft is exclusively based on whether the purchase is below the annual budget for small equipment purchases. Also, when small equipment is accepted by the yards, there is no formal sign-off form to document the hand off.

- 18 Small tools are purchased by yard employees from local hardware and supply stores using their procurement cards. Many Supervisors, all Superintendents and one Yard Attendant have procurement cards and can potentially purchase small tools. This process does not ensure standard quality and price savings, because the quality and price of purchased tools depends on the diligence and judgement of the different individuals making small tool purchases.

Detailed Findings

- 19 Because there are no consistent processes and controls in place, the purchasing practices are slightly different in various yards. There are occasions when the employee making a small tool purchase is the same person who is picking up the item, stocking it into inventory, and is also in charge of the inventory records and safekeeping. This also results in a segregation of duties conflict and related risk.
- 20 Superintendents currently review procurement card transactions on a monthly basis. Excessive purchases are likely to be detected with these reviews. There is an understanding that Superintendents should be made aware of higher dollar value purchases of small tools in advance, but there is no official dollar threshold, and approvals can be verbal and can vary based on the judgement of the employees involved in the process.

Unreliable Inventory Records and Tracking

- 21 Generally, items classified as small equipment are assigned and labelled with unique identification numbers and are logged into Hansen by the Equipment Coordinator. Aside from the inventory records in Hansen, the yards maintain their own independent logs for small equipment. Each yard is expected to count small equipment on a monthly basis, which are often completed by employees who safeguard the inventory and maintain the small equipment inventory logs. Annual counts are also completed by the Equipment Coordinator but are not done on surprise basis and are not documented. There is no expectation that yard inventory logs and Hansen's records are to be periodically reconciled.
- 22 OCA found numerous differences between the small equipment records in Hansen, the small equipment inventory records maintained at the yards, and the actual small equipment on hand at the yards. These differences demonstrate that both set of records (Hansen and the yards' records) are not reliable, accurate and complete.
- 23 OCA found the following examples that illustrate the inconsistencies:
- Items that were logged into Hansen but were not found in stock and/or were not on the yards' inventory logs;
 - Some items were recorded in Hansen more than once;
 - Items that were in stock and on the yards' inventory logs, but were not logged into Hansen;
 - Items that were in stock but were neither in Hansen nor on yards' inventory records;

Detailed Findings

- 23
- Items without unique identification numbers;
 - Different inventory items with identical unique identification numbers;
 - Items on the yards' inventory logs with same serial numbers;
 - Items that were on yard inventory records but were not in stock.
- 24
- There were also indications that the current numbering system for small equipment in Hansen and the lack of user training in Hansen are obstacles for effective inventory management and reliable reporting. This is demonstrated by records in the inventory reports pulled from Hansen that have identical unique identification numbers and employee's comments that question the integrity of the reports and the adequacy of user training received.
- 25
- Small tools are generally considered low dollar items and do not have unique inventory identification numbers for inventory control purposes. However, some of the items considered as small tools, such as lasers, laser kits, tools sets and powered tools are not low dollar items. Inventory logs for small tools are decentralized, are mostly manual, and are maintained separately at each yard. The format of the logs differs across the yards. Some of the small tools have serial numbers, but they are not necessarily logged or may be incorrectly logged in the tools inventory records. The purchase date and purchase value of small tools are not captured in any of the yards. Each yard is expected to count small tools on a quarterly basis and counts are often completed without supervision by the employees who are in charge of safeguarding and logging the inventory.
- 26
- There were many examples of items that were in stock but were not logged into small tool inventory and items that were on the inventory logs but are not at the yards. Furthermore, the small tool inventory records were not being adjusted for additions and dispositions of hand tools (i.e. rakes, brooms and shovels). Thus, the quantity in the inventory records was not always in agreement with the expected quantity on hand, but merely showed the quantity that was last counted.

Two lasers kits costing \$1,700 CAD each were purchased in 2020. They were not recorded in inventory but were returned to the dealer for repair by an employee who has since retired. The yard did not have any records of these two lasers. If it was not for the OCA's inquiry, management would most likely not have found the equipment.

- 27 OCA concluded the yards do not have an effective tracking process in place when valuable tools and equipment are issued to other yards or sent for repair. This further compromises the reliability of available inventory records.
- 28 The poor quality of inventory records is indicative of an inventory count process that is not effective in terms of timely investigations and adjustments for discrepancies. At the same time ad unreliable or compromised inventory records can be an obstacle for completing efficient and successful investigation of discrepancies.

Disposal of Small Tools and Equipment

- 29 The disposition of small equipment follows the Disposal of Surplus and Obsolete Goods Procurement Policy #16 for the City of Hamilton. However, the practices in place are inadequate to ensure proper control of inventory. Auctions are the approved method of disposing of equipment and tools that are saleable. For unusable inventory, past its useful life there should be a process that documents the disposition of each asset, subject to appropriate approvals and with adequate documentation. The last auction to dispose small equipment for Roadway Maintenance was done in May of 2016 – more than five years ago. The cage designated for storage of old small equipment was full, but a log was not used to track the equipment to be disposed.
- 30 In addition, OCA found issues with the way duties are assigned and carried out. Small equipment that needs to be disposed is handed from the yards to the Equipment Coordinator who assumes all further responsibilities for recordkeeping and storage of this equipment. This creates a segregation of duties conflict that has no compensating controls in place. When small equipment for disposal is picked up by the Equipment Coordinator, there is no formal sign-off form to document the hand off. The only record of the equipment replacement is maintained in Hansen which is also updated by the Equipment Coordinator without any supervision.

Detailed Findings

- 31 Disposal of small equipment requires approval at a director level, but in the absence of reliable records, Roadway Maintenance management does not have the ability to reconcile the disposal records to the items that were actually handed off for disposal to the Equipment Coordinator by the yards.
- 32 The assignment and return of hand tools are not being logged and employees do not always bring damaged hand tools back to the yards for disposals. Such circumstances, with poor accountability and record keeping, leave the City exposed to the risk of misappropriation. There are no records of disposal decisions or records of disposals, nor are inventory records adjusted to reflect the quantity for the disposed items. As a result, the quantity of tools that are damaged and disposed of is not known and there is no way to track wear and tear for such tools.
- 33 For powered tools, the disposal practices can vary depending on the judgement of the Supervisors in the various yards. Some yards keep the damaged items in storage, some yards dispose of the items "as is", and some cut the power cord before disposing the items. In all instances however, there are no records of disposal decisions and inventory records are not timely updated to reflect disposals.

Procurement Cards

- 34 Currently, small tools are being purchased by yard employees from local hardware and supply stores using their procurement cards. This type of purchasing is highly decentralized and many Supervisors, all Superintendents and one Yard Attendant have procurement cards and can potentially purchase small tools. The employees scan the receipts and code the transactions into Spend Dynamics – an online card program management and reporting tool used by the City of Hamilton to manage credit card (procurement card) purchases. Designated approvers review and approve procurement card transactions in Spend Dynamics on a monthly basis.
- 35 Some of the receipts attached in Spend Dynamics are not fully scanned and there are occasions when small tool purchases are charged to accounts for operating supplies or operating equipment, and not to the small tools account. This may be an indication of poor review and approval practices. OCA also found a few instances where the approvers were not supervisors of the card holders.

Detailed Findings

Preventative Maintenance, Repairs, and Warranties

- 36 Preventative maintenance and inspection schedules are not maintained for small equipment in Roadway Maintenance. Lack of preventative maintenance programs for critical equipment can lead to increased equipment breakdowns and workers' injuries, and unnecessary repair expenses. Minor preventative maintenance, such as cleaning out filters, greasing, and replacing blades on powered tools and small equipment is performed by yard employees on an as-needed basis.
- 37 Roadway Maintenance does not maintain records of small equipment that is under warranty and relies on its vendors to apply warranty as applicable, which can result in the City paying for repair expenses that should be covered under warranty. In addition, there is no system in place to track the history of repairs and repair cost for high value inventory items.

Follow Up on Audit Results

- 38 The OCA conducted a City-wide audit of the tool inventory management in 2010. Fourteen recommendations were made to strengthen the controls in place. Eight of the fourteen recommendations were applicable to TOM Roadway Maintenance, formerly Roads Section of Operations and Waste Management. Audit Report AUD11006 was originally issued in January 2011 with management action plans and implementation timelines included in the Report.
- 39 In 2012, the OCA conducted a follow up exercise to determine if appropriate and timely actions had been taken. A Follow Up Audit (AUD12009) to the tools inventory audit was issued in June 2012 with the results showing that, at that time, of the eight recommendations applicable to Roadway Maintenance made in the original Report, four recommendations were completed, one was incomplete, and three recommendations were in progress. The OCA reviewed the four outstanding action plans as part of its annual follow activities in 2014 and 2016. As of 2016, OCA found six of the eight recommendations made in the original Report were completed and two were in progress.

40 In light of the inventory concerns raised, the OCA decided to follow up on all eight recommendations again as part of the current audit. Please refer to Appendix "C" to Report AUD21010 for a detailed account of the observations, recommendations and management action plans from the original Report, the applicable follow up status comments, and the comments from this year's follow up audit. The City Auditor found that, as of August 2021, the status of the six recommendations that were completed in 2016 have regressed and the issues that led to the recommendations made in the original Report remain open.

Recommendations

41 Please refer to Appendix "B" to Report AUD21010 for a list of Recommendations and the related Management Responses that will strengthen controls and increase process efficiencies for inventory.

Conclusion

42 The OCA has brought forward several observations and recommendations in order to build upon Roadway Maintenance efforts to improve how small equipment and tools inventory is managed. Roadway Maintenance has an opportunity to undertake transformative change in this area. The OCA is confident that the passion and motivation shown by staff toward their daily work activities can be harnessed to build collective ownership and undertake this courageous change.

43 The OCA would like to thank employees and management in Roadway Maintenance and other participants for their openness, enthusiasm and contributions throughout this project. We look forward to following up with management in the future to see the progress of their management responses and their impact on safeguarding the City's inventory.

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Hamilton

Office of the City Auditor

Road Maintenance Small Tools and Equipment Inventory Audit

Recommendations and Management Responses

September 23, 2021

Office of the City Auditor

Aleksandra Stojanova, Senior Auditor

Charles Brown, City Auditor

Brigitte Minard, Deputy City Auditor

Introduction

The following 19 recommendations will strengthen controls and increase process efficiencies related to inventory to reduce the risk of loss and misappropriation.

Recommendation 1

That the criteria for classification of small tools and small equipment be clearly defined. The definition should be risk based and consider establishing dollar value thresholds, so that if there are different set of controls for procurement, inventory management and disposal of inventory they be dependent on risk and dollar value of the inventory (Appendix A, para. 12, 13).

Management Response

Agree.

The Roadway Maintenance & Business Initiatives sections will develop a Standard Operating Procedure (SOP) to include all components of small tool and equipment inventory management. The SOP will define the classification of small tools and equipment by establishing a dollar value threshold.

Expected Completion Date: Q2 2022

Recommendation 2

That the small equipment purchasing practices be reviewed and modified to eliminate segregation of duties conflicts or enhance compensating controls which will mitigate the risk of loss and misappropriation. The process should be formally defined and implemented and should ensure that standard and consistent authorization and transfer records are created and retained to enable independent oversight, reconciliations and investigations (Appendix A, para. 16, 17).

Management Response

Agree.

The division is reviewing the organizational structure and will make changes accordingly. The associated changes to the roles and responsibilities will be outlined in the forthcoming SOPs. In order to support the changes in processes/procedures and further strengthening inventory controls in a sustainable manner, additional full-time staff resource will be allocated through the organizational structure review, using existing FTE allotments as available.

Expected Completion Date: Q1 2022

Recommendation 3

That the current small tool purchasing practices be reviewed, strengthened, and formalized to ensure standard quality and price savings of small tool purchases and consistent practices across the yards. Consideration should be given to centralizing the process and establishing segregation of duties; or establishing mitigating controls, such as enhancing and formalizing the requirements for pre-approvals of small tool purchases, which may include dollar value thresholds and standard pre-approval forms (Appendix A, para. 18, 19, 20).

Management Response

Agree.

The Roadway Maintenance & Business Initiatives sections will develop a Standard Operating Procedure (SOP) to include all components of small tool and equipment procurement. The SOP will establish segregation of procurement duties and implement mitigating controls.

Expected Completion Date: Q3 2022

Recommendation 4

That inventory cleanup exercises for both small tools and small equipment be completed at all yards. Where applicable, the clean up exercises should identify, investigate, reconcile, and adjust the inventory records for any discrepancies between Hansen's inventory records, the inventory records maintained at the yards and the actual inventory on hand (Appendix A, para. 22, 23, 26).

Management Response

Agree.

An inventory cleanup exercise (for both small tools and small equipment) will be completed at all yards.

Expected Completion Date: Q1 2022

Recommendation 5

That all small tools, including hand tools, such as brooms, rakes, and shovels, be assigned and recorded in inventory using unique inventory identification numbers for inventory control purposes (Appendix A, para. 25).

Management Response

Partially Agree.

Dollar value threshold will be identified for small tools that require unique inventory identification numbers in the SOP developed in recommendation #1. Small tools under the dollar value threshold will be considered consumable tools and not have a unique inventory identification numbers due to their low-cost value.

Expected Completion Date: Q2 2022

Recommendation 6

That a standard small tool inventory log format with more comprehensive records (such as acquisitions dates, purchase values, serial numbers, or other information that helps identify the tools) be developed and used across all yards. Consideration can also be given to centralizing the records and using an inventory management solution (Appendix A, para. 25).

Management Response

Agree.

Centralization and standardization of small tool inventory log will be included in the SOP developed in Recommendation #1.

Expected Completion Date: Q2 2022

Recommendation 7

That the current numbering system for small equipment in Hansen be reviewed and revised so it can enable reliable reporting and effective inventory management. In addition, any Hansen training and knowledge gaps should be assessed and remediated prior to this review. (Appendix A, para. 24).

Management Response

Agree.

Business Initiatives will coordinate and complete Hansen training for the required individuals. Standardization of small equipment inventory numbering systems will be included in the SOP developed in Recommendation #1.

Expected Completion Date: Q2 2022

Recommendation 8

That the current small tool inventory count practices be reviewed, strengthened, and formalized to ensure consistent practices across the yards and accuracy and reliability of inventory records. Consideration can be given to establishing segregation of duties; or establishing mitigating controls, such independent surprise validations of counts on a sample basis and requirements for timely investigation and adjustment process (Appendix A, para. 25, 26).

Management Response

Agree.

Business Initiatives will prioritize the implementation of this recommendation to ensure an accurate inventory count procedure is published and adopted before the end of the calendar year.

Expected Completion Date: Q4 2021

Recommendation 9

That the current small equipment inventory count practices be reviewed, strengthened, and formalized to improve their efficiency and effectiveness. Consideration can be given to establishing a process that avoids duplication of inventory records, has more frequent surprise counts on a sample basis by employees who are not in charge for safeguarding and inventory records management, and has requirements for timely investigations, approvals, and adjustments for discrepancies (Appendix A, para. 21, 28).

Management Response

Agree.

Business Initiatives will prioritize the implementation of this recommendation to ensure an accurate inventory count procedure is published and adopted before the end of the calendar year.

Expected Completion Date: Q4 2021

Recommendation 10

That the purchase and discarding of hand tools (i.e. rakes, brooms, and shovels) be logged and monitored for each yard, and that small tool inventory records be adjusted for the purchase and discarding of hand tools (Appendix A, para. 26.)

Management Response

Agree.

The development of a purchasing policy will be included in the SOP developed in Recommendation #3. The development of a disposal/discarding policy will be included in the SOP developed in Recommendation #13.

Expected Completion Date: Q3 2022

Recommendation 11

That a process be developed to track the movement of equipment and valuable tools when they are issued to other yards or sent for repair (Appendix A, para. 27).

Management Response

Agree.

Implementation of a process to track the movement of equipment and valuable tools will be included in the SOP developed in Recommendation #1.

Expected Completion Date: Q2 2022

Recommendation 12

That the small equipment disposal practices be reviewed and modified to bring more oversight of these activities and reduce segregation of duties issues and/or enhance compensating controls. The process should be formally defined and implemented and should define minimum timelines between auctions. The process should also ensure that signed transfer records are retained when equipment is handed off for disposal, logs of equipment designated for disposals are maintained, independent validations of equipment on hand are conducted on a surprise basis, and disposal records are independently reconciled to inventory logs (Appendix A, para. 29, 30, 31).

Management Response

Agree.

The Roadway Maintenance & Business Initiatives sections will develop a Standard Operating Procedure (SOP) to include all components of small equipment disposal practices. The SOP will establish and define the minimum timelines between auctions and strengthen required inventory controls.

Expected Completion Date: Q3 2022

Recommendation 13

That a small tool disposal process be established to ensure that processes are consistent across yards, records of disposals are maintained, small tool wear and tear is tracked, and inventory records are adjusted to reflect the disposals (Appendix A, para. 32, 33).

Management Response

Agree.

The Roadway Maintenance & Business Initiatives sections will develop a Standard Operating Procedure (SOP) to include all components of small tool disposal practices. The SOP will strengthen and standardize inventory controls practices across yards.

Expected Completion Date: Q3 2022

Recommendation 14

That the need of having multiple procurement card holders be reassessed, and if practical, the number of card holders be reduced. The reassessment should, where applicable, include re-aligning procurement card system approvals to direct supervisors of card holders, and consider the management actions that were developed as a response to Recommendation 3 above (Appendix A, para. 34, 35).

Management Response

Agree.

The Roadway Maintenance & Business Initiatives sections will reassess the need for multiple procurement card holders and reduce where applicable. Additional training will be provided to purchase approvers.

Expected Completion Date: Q3 2022

Recommendation 15

That management communicate the importance of due diligence when reviewing procurement card transactions, focusing on fully reviewing the receipts and the validity of the transactions and charging the expenses to the correct general ledger accounts (Appendix A, para. 35).

Management Response

Agree.

Additional training will be provided to purchase approvers to review the importance of validating transactions and the coding of expenses.

Expected Completion Date: Q1 2022

Recommendation 16

That consideration be given to establishing preventative maintenance and inspection schedules for more valuable tools and equipment. This should include establishing clear criteria of the tools and equipment that should have formal preventative maintenance and inspection schedules. The criteria should be risk based and should include dollar value thresholds (Appendix A, para. 36).

Management Response

Agree.

The Roadway Maintenance & Business Initiatives sections will develop a Standard Operating Procedure (SOP) to include all components of establishing and implementing a preventative maintenance plan for valuable small tools and equipment.

Expected Completion Date: Q4 2022

Recommendation 17

That records of warranties be maintained and checked when valuable tools and equipment are sent for repair to make sure that the City does not pay for repairs that are under warranty (Appendix A, para. 37).

Management Response

Agree.

Implementation of a process to track warranties of equipment and valuable tools will be included in the SOP developed in Recommendation #16.

Expected Completion Date: Q4 2022

Recommendation 18

That consideration be given to tracking the history of repairs and repair cost for high value inventory items. As in Recommendation 16, clear risk-based criteria, including dollar value thresholds should be established (Appendix A, para. 38).

Management Response

Agree.

Implementation of a process to track historical repair cost of equipment and valuable tools will be included in the SOP developed in recommendation #18. Repair dollar values thresholds will be established and incorporated in the SOP.

Expected Completion Date: Q4 2022

Recommendation 19

That management recommit to the management action plans applicable to Roadway Maintenance outlined in the original tool audit. Management should review the audit observations to understand the issues which led to the audit recommendations and consider implementing alternative action plans (as required) considering the new recommendations brought forward (Appendix A, para. 40).

Management Response

Agree.

All outstanding recommendations will be addressed by the Roadway Maintenance & Business Initiatives sections with the development of a procedures and processes to strengthen all components of small tool and equipment Inventory Management.

Expected Completion Date: Q3 2022

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CITY OF HAMILTON
INTERNAL AUDIT REPORT (AUD11006)
FOLLOW UP OF THE 2010 TOOLS AUDIT
PUBLIC WORKS - TRANSPORTATION OPERATIONS & MAINTENANCE - ROADWAY MAINTENANCE
 (formerly ROADS SECTION of OPERATIONS & WASTE MANAGEMENT (OWM))

OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	PAST FOLLOW UPS	FOLLOW UP (JUNE 2021)
<p><u>Accounting for Expenditures for Small Tools</u></p> <p>Within PeopleSoft, there is a small tools account meant to record expenditures for hand powered (e.g. screwdrivers, hammers, shovels, brooms) and electronically powered (e.g. saws, grinders) tools. However, in reviewing purchases of such tools over several operational areas, numerous instances of incorrect accounting for the expenditures in the general ledger were noted.</p> <p><u>Roads Operation</u> Several consumable items such as paint, nails, foam spray and dust masks were erroneously booked to the tools account.</p>	<p>1. That greater care be taken to ensure that expenditures on tools, supplies, etc. are posted to their proper accounts</p>	<p>Agreed. The OWM Managers will review the audit findings respecting accounting for expenditures with their Superintendents to confirm accounts to be used and expenditures for error free recording of small tool purchases. Implementation date Q4, 2010.</p>	<p><u>2012 Follow Up Completed.</u> The account (#53074) was only used to record the purchase of small tools</p>	<p>In Progress. Tool Purchases are not consistently posted to the Small Tool Account. Small tool purchases are sometimes charged to the Operating Supplies and/or Operating Equipment accounts. Therefore, management does not have a reliable expenditure total for small tools.</p>

OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN OWM	PAST FOLLOW UPS	FOLLOW UP (AUGUST 2021)
<p><u>Written Procedures</u> Tools utilized by City staff have to be purchased from a supplier, delivered to the division or section that requires them, stocked in accessible locations and issued to the staff, as needed. The tools should also be safeguarded against premature wear, breakage and loss.</p> <p>During the course of Internal Audit’s review, it was noted that none of the nine divisions/sections sampled had formalized written procedures that would provide guidance for the receipting, stocking, issuance or safeguarding of tools used by their staff. Without written procedures, the employees currently carrying out related processes rely on personal understanding and experience which may result in incorrect, incomplete or inconsistent application. Also, it may be problematic and inefficient for a successor to commence his/her duties within a short period of time.</p>	<p>2. That written procedures be developed covering the purchase, receipting, stocking, issuance and safeguarding of tools.</p>	<p>Agreed. OWM Divisional small tools procedure(s) will be developed. Procedures will be developed by the 2nd quarter of 2011 and implementation of the procedures will be completed by the 4th quarter of 2011.</p>	<p><u>2012 Follow Up Completed.</u> A procedure has been developed for all sections of the Operations and Waste Management Division. This includes: Roads, Forestry & Horticulture, and Parks & Cemeteries.</p>	<p>In Progress. A written procedure was developed for OWM section as a result of the 2010 Tools Audit. However, the procedure was never approved, and have remained in draft form only. Therefore, the procedure has not been fully implemented.</p> <p>The draft procedure “as is” does not provide comprehensive guidelines with regards to segregating duties and establishing controls and has no guidelines on disposal of tools.</p>

OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	PAST FOLLOW UPS	FOLLOW UP (AUGUST 2021)
<p><u>Segregation of Duties - Purchase, Receipting & Stocking of Tools</u></p> <p><u>Roads Operations</u> The same individual (either a Supervisor or Lead Hand) that purchases new tools also takes delivery of the tools and stocks them for use by staff.</p>	<p>3. That tool purchase practices be modified to allow for independent verification that the number and type of tools purchased are received and stocked.</p>	<p>Agreed. The recommendations will be addressed as part of the divisional procedures identified in #2 above. The purchases will be captured in an inventory ledger system with the date and type of tool entered into stock. Procedures will ensure that the same person is not in charge of placing the order, receiving and stocking of tools.</p>	<p><u>2012 Follow Up Completed.</u> The tool purchasing practice was modified. The same person does not place the order, approve their purchase and stock the tools.</p>	<p>Not Completed. Although the draft procedure states that the Superintendents are to approve Small Tools Purchases and are to ensure segregation of duties, currently there is no segregation of duties nor are there compensating controls to mitigate this risk. In some yards the individual purchasing an item can take delivery of the item and stock it into inventory. Also, there is no official dollar threshold or formal process defining when purchases should be approved by superintendents, nor when written authorization of such approval is required.</p>

OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	PAST FOLLOW UPS	FOLLOW UP (AUGUST 2021)
<p><u>Tools Ledgers</u> A tools ledger should properly itemize and account for all of the tools in inventory. It should include the brand, serial number or other identifiers, if applicable, and monitor the tool’s location or to whom it has been assigned. Ideally, by including the age and cost of each tool, the ledgers could be used to ascertain the value of the tools inventory in a particular section, division, department or the City as a whole.</p> <p><u>Roads Operations, Parks & Cemeteries</u> The ledgers often do not include serial numbers where one would expect them, the tools’ costs or their date of acquisition. The ledgers are not updated regularly.</p>	<p>4. That all divisions or sections utilizing tools either modify existing tool ledgers or develop new ones that provide descriptions of the tools including brands and serial numbers (or other identifiers), locations, acquisition dates and costs.</p> <p>5. That these ledgers be updated periodically (monthly or quarterly) depending on the turnover of tools in inventory.</p>	<p>Agreed. Some tracking systems are in place but not in all areas. The recommendations will be addressed as part of the divisional procedures identified in #2 above. A system by which tools will be identified (e.g. serial numbers) and entered into the tools inventory system will be developed.</p> <p>As part of the small tools procedure(s), the inventory ledger system will be updated with all information recorded on tools being purchased and received. The inventory will be updated on a regular basis.</p>	<p><u>2012 Follow Up</u> Completed. A tools ledger has been developed.</p> <p><u>2012 Follow Up</u> Incomplete. It is not updated regularly</p> <p><u>2014 Follow Up</u> Initiated. Tools ledgers for only one of the three districts are updated regularly.</p> <p><u>2016 Follow Up</u> In progress. Evidence was found that the ledger is updated monthly. However, not all tools costing more than \$50</p>	<p>Not Completed. The tool inventory ledgers that are used by the various yards have different formats, are not accurate and complete, and are not kept up to date. Often the tools listed are missing their unique identifier numbers, their purchase date, the cost of the item, or other information that helps identify the tool.</p> <p>Not Completed. Evidence was found that the tool ledgers are not updated to reflect new purchases and disposal of tools.</p>

OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	PAST FOLLOW UPS	FOLLOW UP (AUGUST 2021)
	<p>6. That yearly inventory counts be taken to verify that the information in the ledgers is correct.</p>	<p>The frequency of the inventory counts will be determined once the inventory has been updated and as part of the development of the procedure(s).</p>	<p>are recorded and errors were noted in four of the six sampled tools purchases reviewed.</p> <p><u>2012 Follow Up</u> In Progress. An initial inventory count was conducted in Q3 2011. Even though staff claim that another count was done in March 2012, they could not provide proof that it had been completed.</p> <p><u>2014 Follow Up</u> In Progress. Annual inventory counts cannot be verified in some locations because evidence of such a count is not being retained.</p> <p><u>2016 Follow Up</u> In Progress. Annual inventory counts cannot be verified in some locations because evidence of such a count is not being retained.</p>	<p>In progress. There is evidence of inventory counts, but the counts are not effective in terms of adjusting the inventory logs.</p>

OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	PAST FOLLOW UPS	FOLLOW UP (AUGUST 2021)
<p><u>Identifying Ownership of City of Hamilton Tools</u> The marking of tools as belonging to the City of Hamilton and a particular division or section is not consistently applied, if at all. It would be much easier to trace specific tools if they were moved or borrowed from the location or from the individual to whom they were originally assigned.</p> <p><u>Roads Operations, Parks & Cemeteries</u> Only the more valuable tools are identified.</p>	<p>7. That all tools owned by the City of Hamilton be marked in a manner that permits their tracing to identified locations/vehicles.</p>	<p>Agreed. OMW will develop a system to ensure that small tools are branded (such as color coding or engraving) to identify as City of Hamilton property. This will be reflected in the procedures to be developed as identified in #2 above.</p>	<p><u>2012 Follow Up</u> In Progress. Some small tools that were recently acquired were found not marked as City property.</p> <p><u>2014 Follow Up</u> Completed.</p>	<p>In progress. There is no consistent process in place and many small tools are not marked in any way that would identify them as belonging to the City. Some of these tools can be expensive.</p> <p>Small equipment is usually marked with a sticker to identify it as belonging to the City. However, depending on the age of the equipment, the sticker is often faded or greasy and is difficult to read.</p>

OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	PAST FOLLOW UPS	FOLLOW UP (AUGUST 2021)
<p><u>Small Tools Issuance</u> In many sections, some of the tools that are deemed more valuable are stocked in a specific location and accessed by staff when a tool is needed or returned.</p> <p><u>Roads Operations, Parks & Cemeteries</u> There is no tracking of the tools issued regardless of whether they are low value items or more expensive tools.</p>	<p>8. That management develop a control to track the issuance and return of the tools whose value exceeds a predetermined limit.</p>	<p>Agreed. OWM will review its practices and develop and implement a consistent tracking system for higher value tools, including the sections identified in the audit. Appropriate tool value will be determined as part of this process. This will be reflected in the procedures to be developed as identified in #2 above.</p>	<p><u>2012 Follow Up</u> In Progress. A tracking system for the issuance of small tools is used in the larger yards but has not been extended to the smaller yards.</p> <p><u>2014 Follow Up</u> In Progress. Some form of control sheets tracking the use of tools is being used in all three districts. However, the return section of the control sheets used by the Wentworth yard is not utilized. Control sheets for West District do not show the name of the person taking the tools and control forms are only used for some tools in East District.</p> <p><u>2016 Follow Up</u> Completed.</p>	<p>Not Completed. Sign in/out sheets are generally not used for small tools. While there are attempts to track the issuance of more expensive powered tools; the tracking is not effective and the value for tools that require tracking has not been pre-defined.</p> <p>Sign-in/out sheets that track the issuance and return of small equipment are in place and used by most yards. However, their appearance (or format) differs from one yard to the next, and they are not used consistently. This makes them ineffective and unreliable in tracking the last location of the small equipment.</p>