



**City of Hamilton**  
**AUDIT, FINANCE AND ADMINISTRATION COMMITTEE**  
**AGENDA**

**Meeting #:** 21-020  
**Date:** November 18, 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

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**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. November 4, 2021

**5. COMMUNICATIONS**

**6. DELEGATION REQUESTS**

**7. CONSENT ITEMS**

7.1. Committee Against Racism - No Quorum Notes - October 26, 2021

**8. STAFF PRESENTATIONS**

8.1. Fraud and Waste Annual Report (AUD21011) (City Wide)

8.2. Tax and Rate Operating Budgets Variance Report as at August 31, 2021 – Budget Control Policy Transfers (FCS21070(a)) (City Wide)

**9. PUBLIC HEARINGS / DELEGATIONS**

**10. DISCUSSION ITEMS**

**11. MOTIONS**

**12. NOTICES OF MOTION**

**13. GENERAL INFORMATION / OTHER BUSINESS**

**14. PRIVATE AND CONFIDENTIAL**

14.1. November 4, 2021 - Closed Minutes

Pursuant to Section 9.1, Sub-sections (e), (f), (i) and (k) of the City's Procedural By-law 21-021 and Section 239(2), Sub-sections (e), (f), (i) and (k) of the *Ontario Municipal Act, 2001*, as amended, as the subject matters pertain to litigation or potential litigation, including matters before administrative tribunals, affecting the municipality or local board; advice that is subject to solicitor-client privilege, including communications necessary for that purpose; a trade secret or scientific, technical, commercial, financial or labour relations information, supplied in confidence to the municipality or local board, which, if disclosed, could reasonably be expected to prejudice significantly the competitive position or interfere significantly with the contractual or other negotiations of a person, group of persons, or organization; and a position, plan, procedure, criteria or instruction to be applied to any negotiations carried on or to be carried on by or on behalf of the municipality or local board.

14.2. Information Security Program - Capital Project (FCS21104) (City Wide)

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 21-019**

**9:30 a.m.**

**November 4, 2021**

**Council Chambers**

**Hamilton City Hall**

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

**Also Present:** Councillor J.P. Danko

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### **THE FOLLOWING ITEMS WERE REFERRED TO COUNCIL FOR CONSIDERATION:**

**1. Workplace Mental Health and Wellbeing Strategy (2019-2021) (HUR21013)  
(City Wide) (Item 7.2)**

**(Pearson/Johnson)**

That Report HUR21013, respecting Workplace Mental Health and Wellbeing Strategy (2019-2021), 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

YES - Ward 1 Councillor Maureen Wilson

**2. Citizen Committee Report - Status of Women Advisory Committee -  
Renaming the Committee and Changes to the Terms of Reference and  
Mandate (Item 10.1)**

**(Clark/Wilson)**

(a) That the Status of Women Advisory Committee be renamed the Women and Gender Equity Committee; and,

(b) That the amended Terms of Reference and Mandate, attached as Appendix "A" to the Citizen Committee Report - Status of Women Advisory Committee - Renaming the Committee and Changes to the Terms of Reference and Mandate, be approved.

**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  
YES - Ward 1 Councillor Maureen Wilson

**3. Procurement Sub-Committee Report 21-001 - October 29, 2021 (Added Item 10.2)**

**(Clark/Wilson)**

**(a) Commercial Relationship Between the City of Hamilton and Associated Paving & Materials Ltd. (FCS21102 / LS21044 / PW21064) (City Wide) (Item 14.2)**

- (i) That the directions provided to staff in Closed Session, be approved;
- (ii) That Closed Session recommendations be released publicly following approval by Council; and,
- (iii) That the contents of Report FCS21102 / LS21044 / PW21064, Commercial Relationship Between the City of Hamilton and Associated Paving & Materials Ltd. and the attached Appendix remain confidential.

**(b) Amendment to Procurement Policy to Allow for Negotiation of Contracts in Extenuating Circumstances (FCS21103 / LS21045) (City Wide) (Item 14.3)**

- (i) That the directions provided to staff in Closed Session, be approved;
- (ii) That Confidential Appendix A to Report FCS21103 / LS21045, Amendment to Procurement Policy to Allow for Negotiation of Contracts in Extenuating Circumstances, *as amended*, be released when the by-law is for consideration at Council; and,
- (iii) That the contents of Report FCS21103 / LS21045, Amendment to Procurement Policy to Allow for Negotiation of Contracts in Extenuating Circumstances remain confidential.

**Result: Motion CARRIED by a vote of 4 to 2, as follows:**

YES - Ward 13 Councillor Arlene VanderBeek  
NO - Ward 12 Councillor Lloyd Ferguson  
YES - Ward 11 Councillor Brenda Johnson  
NO - Ward 10 Councillor Maria Pearson  
YES - Ward 9 Councillor Brad Clark  
YES - Ward 1 Councillor Maureen Wilson

**4. Timely Access To View Confidential Documents (Item 11.1)**

**(Clark/Johnson)**

That staff be directed to create a Procedure **and Policy** to enable Council timely access to confidential documents such as Memorandums of Understanding, Contracts and Agreements.

**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
- YES - Ward 1 Councillor Maureen Wilson

**5. Commercial Relationship Between City of Hamilton and Garda Canada Security Corporation also known as GardaWorld Canada Security Corporation also known as GardaWorld Corporation (LS20025(a) / FCS20083(a)) (City Wide) (Item 14.1)**

**(Pearson/VanderBeek)**

- (a) That the directions provided to staff in Closed Session, be approved;
- (b) That Closed Session recommendations be released publicly following approval by Council; and,
- (c) That the contents of Report LS20025(a) / FCS20083(a), respecting the Commercial Relationship Between City of Hamilton and Garda Canada Security Corporation also known as GardaWorld Canada Security Corporation also known as GardaWorld Corporation, remain confidential.

**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
- YES - Ward 1 Councillor Maureen Wilson

**FOR INFORMATION:**

**(a) CHANGES TO THE AGENDA (Item 2)**

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

## 5. COMMUNICATIONS

- 5.2 Correspondence from Howard Krupat, DLA Piper (Canada) LLP, respecting Associated Paving and Materials Ltd.

Recommendation: Be received and referred to consideration of Item 6.1.

- 5.3 Correspondence from Stan Capobianco, President, Associated Paving & Materials Ltd, respecting the commercial relationship between the City and Associated Paving & Materials Ltd.

Recommendation: Be received and referred to consideration of Item 6.1.

## 6. DELEGATION REQUESTS

- 6.1 Stan Capobianco, Marco Capobianco, Roger B. Campbell (Counsel), Howard D. Krupat (Counsel), Emma Cosgrave (Counsel), Associated Paving & Materials Ltd., respecting the commercial relationship between the City and Associated Paving (For today's meeting)

- 6.2 Max Warmuth, Garda Canada Security Corporation "GardaWorld", respecting the commercial relationship between the City of Hamilton and Garda (For today's meeting)

## 10. DISCUSSION ITEMS

- 10.2 Procurement Sub-Committee Report 21-001 - October 29, 2021

### (Clark/Pearson)

That the agenda for the November 4, 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
- 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) October 21, 2021 (Item 4.1)**

**(Wilson/VanderBeek)**

That the Minutes of the October 21, 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  
YES - Ward 1 Councillor Maureen Wilson

**(d) COMMUNICATIONS (Item 5)**

**(i) Correspondence from the Hamilton Waterfront Trust respecting their December 31, 2020 Audited Financial Statements (Item 5.1)**

**(Wilson/Clark)**

That staff be directed to meet with Hamilton Waterfront Trust Staff and gather information surrounding their 2020 audited financial statements in an effort to provide a summary of the relevant changes, and report back to the Audit, Finance and Administration Committee.

**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  
YES - Ward 1 Councillor Maureen Wilson

**(ii) (Johnson/Pearson)**

That Communications 5.2 to 5.3, be received and referred to consideration of Item 6.1:

- (a) Correspondence from Howard Krupat, DLA Piper (Canada) LLP, respecting Associated Paving and Materials Ltd. (Added Item 5.2)
- (b) Correspondence from Stan Capobianco, President, Associated Paving & Materials Ltd, respecting the commercial relationship between the City and Associated Paving & Materials Ltd. (Added Item 5.3)

**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  
YES - Ward 1 Councillor Maureen Wilson

**(e) DELEGATION REQUESTS (Item 6)**

**(Pearson/VanderBeek)**

That the following Delegation Requests be approved for today's meeting:

- (i) Stan Capobianco, Marco Capobianco, Roger B. Campbell (Counsel), Howard D. Krupat (Counsel), Emma Cosgrave (Counsel), Associated Paving & Materials Ltd., respecting the commercial relationship between the City and Associated Paving (For today's meeting) (Added Item 6.1)
- (ii) Max Warmuth, Garda Canada Security Corporation "GardaWorld", respecting the commercial relationship between the City of Hamilton and Garda (For today's meeting) (Added Item 6.2)

**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  
YES - Ward 1 Councillor Maureen Wilson

**(f) CONSENT ITEMS (Item 7)**

**(Pearson/Johnson)**

That the following Consent Item, be received:

- (i) **Immigrant and Refugee Advisory Committee - No Quorum Notes - October 14, 2021 (Item 7.1)**

**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  
YES - Ward 1 Councillor Maureen Wilson



**(g) PUBLIC HEARINGS / DELEGATIONS (Item 9)**

- (i) Stan Capobianco, Marco Capobianco, Roger B. Campbell (Counsel), Howard D. Krupat (Counsel), Emma Cosgrave (Counsel), Associated Paving & Materials Ltd., respecting the commercial relationship between the City and Associated Paving (Added Item 9.1)**

Stan Capobianco, Marco Capobianco, Roger B. Campbell (Counsel), Howard D. Krupat (Counsel), Emma Cosgrave (Counsel), Associated Paving & Materials Ltd., addressed the Committee respecting the commercial relationship between the City and Associated Paving.

**(Clark/Pearson)**

That the delegates be granted an additional fifteen minutes for their delegation.

**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  
YES - Ward 1 Councillor Maureen Wilson

**(Pearson/Johnson)**

That the delegation from Stan Capobianco, Marco Capobianco, Roger B. Campbell (Counsel), Howard D. Krupat (Counsel), Emma Cosgrave (Counsel), Associated Paving & Materials Ltd., respecting the commercial relationship between the City and Associated Paving, 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  
YES - Ward 1 Councillor Maureen Wilson

For disposition of this matter, refer to Item 3(a).

- (ii) Max Warmuth, Garda Canada Security Corporation "GardaWorld", respecting the commercial relationship between the City of Hamilton and Garda (Added Item 9.2)**

Max Warmuth, Garda Canada Security Corporation "GardaWorld", addressed the Committee respecting the commercial relationship between the City of Hamilton and Garda.

**(Pearson/Johnson)**

That the delegation from Max Warmuth, Garda Canada Security Corporation "GardaWorld", respecting the commercial relationship between the City of Hamilton and Garda, 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  
YES - Ward 1 Councillor Maureen Wilson

For disposition of this matter, refer to Item 5.

**(h) DISCUSSION ITEMS (Item 10)**

**(i) Procurement Sub-Committee Report 21-001 - October 29, 2021  
(Added Item 10.2)**

**(Clark/Johnson)**

That consideration of Procurement Sub-Committee Report 21-001 – October 29, 2021, be DEFERRED until after Closed Session.

**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  
YES - Ward 1 Councillor Maureen Wilson

For disposition of this matter refer to Item 3.

**(i) PRIVATE AND CONFIDENTIAL (Item 14)**

**(Pearson/VanderBeek)**

That Committee move into Closed Session, respecting Items 10.2 and 14.1 pursuant to Section 9.1, Sub-sections (e), (f), (i) and (k) of the City's Procedural By-law 21-021 and Section 239(2), Sub-sections (e), (f), (i) and (k) of the *Ontario Municipal Act, 2001*, as amended, as the subject matters pertain to litigation or potential litigation, including matters before administrative tribunals, affecting the municipality or local board; advice that is subject to solicitor-client privilege, including communications necessary for that purpose; a trade secret or scientific, technical, commercial, financial or labour relations information, supplied in confidence to the municipality or local board, which, if disclosed, could reasonably be expected to prejudice significantly the competitive position or interfere significantly with the contractual or other negotiations of a person, group of persons, or organization; and a position, plan, procedure, criteria or instruction

to be applied to any negotiations carried on or to be carried on by or on behalf of 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  
YES - Ward 1 Councillor Maureen Wilson

**(i) Procurement Sub-Committee Report 21-001 - October 29, 2021  
(Added Item 10.2)**

For disposition of this matter, please refer to Item 3.

**(ii) Commercial Relationship Between City of Hamilton and Garda  
Canada Security Corporation also known as GardaWorld Canada  
Security Corporation also known as GardaWorld Corporation  
(LS20025(a) / FCS20083(a)) (City Wide) (Item 14.1)**

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

**(j) ADJOURNMENT (Item 15)**

**(VanderBeek/Pearson)**

That, there being no further business, the Audit, Finance and Administration Committee, be adjourned at 12:00 p.m.

**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  
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





Hamilton

NOTES

**ADVISORY COMMITTEE AGAINST RACISM**

Tuesday, October 26, 2021

6:30 p.m. – 8:30 p.m.

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>

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Present: Marlene Dei-Amoah, Taimur Qasim, Leslyn Gombakomba

Absent with

Regrets: Simone McWatt, Gerry Smith, Phillip Jeffrey, Shamini Jacobs, Councillor Nann, Annie Law, Tyrone Childs

Also, Present: Sunil Angrish, Community Inclusion & Equity, Facilitator  
Taline Morris, Admin. Assistant

Pursuant to Section 5.4(4) of the City of Hamilton's Procedural By-law 21-021 at 7:00 p.m. the Staff Liaison to the Committee advised those in attendance that quorum had not been achieved within 30 minutes after the time set for the Advisory Committee Against Racism, therefore, the Staff Liaison to the Committee noted the names of those in attendance and the meeting stood adjourned.

Respectfully submitted,

Sunil Angrish, Community Inclusion & Equity,  
Facilitator





Hamilton

**CITY OF HAMILTON  
OFFICE OF THE CITY AUDITOR**

<b>TO:</b>	Chair and Members Audit, Finance and Administration Committee
<b>COMMITTEE DATE:</b>	November 18, 2021
<b>SUBJECT/REPORT NO:</b>	Fraud and Waste Annual Report (AUD21011) (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	Charles Brown, CPA, CA (905) 546-2424 Ext. 4469  Brigitte Minard, CPA, CA, CIA, CGAP (905) 546-2424 Ext. 3107  Cindy Purnomo Stuive (905) 546-2424 Ext. 2257
<b>SUBMITTED BY:</b>	Charles Brown, CPA, CA City Auditor Office of the City Auditor
<b>SIGNATURE:</b>	<i>Charles Brown</i>

**RECOMMENDATION**

- (a) That the Senior Leadership Team consider revising the process for disclosure and mitigation of Conflicts of Interest as required per the Code of Conduct for Employees and report back to the Audit, Finance and Administration Committee by June 2022; and
- (b) That the Fraud and Waste Hotline pilot program be extended through to April 30, 2022 using the existing Council-approved funding allotment (Report AUD18007); and
- (c) That Appendices "A" and "B" to Report AUD21011 be received.

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OUR Vision: To be the best place to raise a child and age successfully.

OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

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

**SUBJECT: Fraud and Waste Annual Report (AUD21011) (City Wide) - Page 2 of 6****EXECUTIVE SUMMARY**

This report is the Annual Report of Fraud and Waste activity and includes the reporting period of July 1, 2020 to June 30, 2021. A total of 80 reports were received and assessed by the Office of the City Auditor OCA during this reporting period. Twenty-four investigations were launched by the OCA, and there was an overall substantiation rate of 32%.

A detailed report containing the types of reports received, investigations opened, and report examples can be found in Appendix "A" to Report AUD21011.

**Alternatives for Consideration – Not Applicable****FINANCIAL – STAFFING – LEGAL IMPLICATIONS**

Financial: None. The Fraud and Waste Hotline pilot program extension requested can be accommodated within the funds previously approved by Council.

Staffing: None.

Legal: None.

**HISTORICAL BACKGROUND**

By-law 19-181 (Whistleblower By-law), Section 19 – Responsibility of the City Auditor requires reporting to Council semi-annually, in the aggregate, on the number, nature and outcome of disclosures of serious wrongdoing made under this By-law.

On June 27, 2018, Council directed the City Auditor to implement a Fraud and Waste Hotline with intake performed by an independent third party as part of a three-year pilot project. The City's Fraud and Waste Hotline launched in July 2019.

The contract with the third-party vendor that provides intake services and case management software began in early May 2019, as some setup, preparation and training time was required in advance of the July 2019 launch, and expires in early May 2022.



**SUBJECT: Fraud and Waste Annual Report (AUD21011) (City Wide) - Page 3 of 6****POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS**

Whistleblower By-law No. 19-181

To Appoint the City Auditor as an Auditor General under Section 223.19 of the *Municipal Act, 2001* By-law No. 19-180

**RELEVANT CONSULTATION**

Human Resources was consulted as required during the assessment and investigation of Fraud and Waste Hotline reports.

Management was informed of reports relating to their area of responsibility.

**ANALYSIS AND RATIONALE FOR RECOMMENDATION**

This report is the Annual Report of Fraud and Waste activity and includes the reporting period of July 1, 2020 to June 30, 2021, meeting the 2020 year-end reporting requirement for whistleblower disclosures and the 2021 mid-year reporting requirement for whistleblower disclosures.

Since the Fraud and Waste Hotline launch, there has been an increased level of awareness by employees and management to report fraud, waste and whistleblower matters to the Office of the City Auditor. The Office of the City Auditor would like to acknowledge the reports submitted by employees and management, along with the assistance provided to complete assessments and investigations. Reporting these matters so they can be assessed and investigated increases the City of Hamilton's transparency and accountability.

A detailed report containing the types of reports received, investigations opened, and report examples can be found in Appendix "A" to Report AUD21011. This report does not represent an overall picture of fraud, waste or other wrongdoing at the City of Hamilton as there may be items that were not reported to the Office of the City Auditor or items that remain undetected.

An infographic summarizing the activity can be found in Appendix "B" to Report AUD21011.

The Office of the City Auditor would like to thank members of the public that submitted reports and for providing additional information as requested by the Office of the City Auditor.

**SUBJECT: Fraud and Waste Annual Report (AUD21011) (City Wide) - Page 4 of 6****Future Reporting**

The City of Hamilton's Whistleblower By-law (19-181) has a semi-annual reporting requirement. Information about the number, nature and volume of whistleblower disclosures for the first six months of 2021 are included in this report. The next status report for whistleblower disclosures for the final six months of 2021 (July to December) will be issued in early 2022.

The next Fraud and Waste Annual Report will cover the 12-month period July 2021 to June 2022 and is planned to be issued in early 2023 due to the October 2022 Municipal Elections.

**Request to Extend Fraud and Waste Hotline Pilot Program**

The Office of the City Auditor recommends that Council approve the extension of the Fraud and Waste Hotline pilot program through to April 30, 2023. The rationale for this is that the current vendor contract expires in early May 2022. An extension would be required to extend the contract to provide a full three-year pilot program through to the end of June 2022. Furthermore, Municipal Elections are scheduled in October 2022 across the Province of Ontario. Typically, the next Fraud and Waste Annual Report would be issued in October or November 2022. Due to Municipal Elections, it is prudent for the reporting to be deferred until January 2023, subsequent to the inauguration of the new Council in December 2022. This would provide the Office of the City Auditor time to perform a comprehensive evaluation of the Fraud and Waste Pilot Program and to report back to the Audit, Finance and Administration Committee with the OCA's recommendations. Having a contract in place through to April 30, 2023 would provide sufficient time to either enter negotiations with the existing vendor or to complete a competitive procurement process if a permanent program is approved or to provide adequate time to wind-down operations of the pilot program if the Fraud and Waste Hotline program is directed to cease operations.

The Office of the City Auditor has been in touch with the existing vendor. Competitive pricing can be obtained for a one-year extension and is able to be funded within the existing Council-approved funds (\$94,500, 3 years at \$30,000 per year, plus \$4,500 for initial setup costs) for the Fraud and Waste Pilot Program. The pricing obtained by the OCA in the competitive Request for Proposal procurement in early 2019 resulted in annual pricing below what was approved by Council.

The Office of the City Auditor would complete a Policy 11 (contract extension) if Council approves the extended timeline for the Pilot Program. The extension, if approved, would have a seamless transition, with zero negative impact to the users of the Fraud and Waste Hotline, since the existing vendor would continue to provide uninterrupted service.

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OUR Vision: To be the best place to raise a child and age successfully.

OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

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

**SUBJECT: Fraud and Waste Annual Report (AUD21011) (City Wide) - Page 5 of 6****ALTERNATIVES FOR CONSIDERATION**

Not applicable.

**ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN****Community Engagement and Participation**

Hamilton has an open, transparent and accessible approach to City government that engages with and empowers all citizens to be involved in their community

**Our People and Performance**

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

**HOW TO SUBMIT A REPORT**

The Fraud and Waste Hotline is available for the public, employees, and vendors that do business with the City of Hamilton.



The Fraud and Waste Hotline accepts reports through the following methods:

- **Online:** [hamilton.ca/fraud](http://hamilton.ca/fraud)
- **Email:** [cityofhamilton@integritycounts.ca](mailto:cityofhamilton@integritycounts.ca)
- **Phone:** 1-888-390-0393
- **Mail:** PO Box 91880, West Vancouver, BC V7V 4S4
- **Fax:** 1-844-785-0699

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**SUBJECT: Fraud and Waste Annual Report (AUD21011) (City Wide) - Page 6 of 6**

If any reports are received directly by the Office of the City Auditor by telephone, email, fax, mail, or the web-based suggestions form ([hamilton.ca/audit](http://hamilton.ca/audit)) these complaints will be entered directly into the Hotline case management system and assessed similar to any other report.

**APPENDICES AND SCHEDULES ATTACHED**

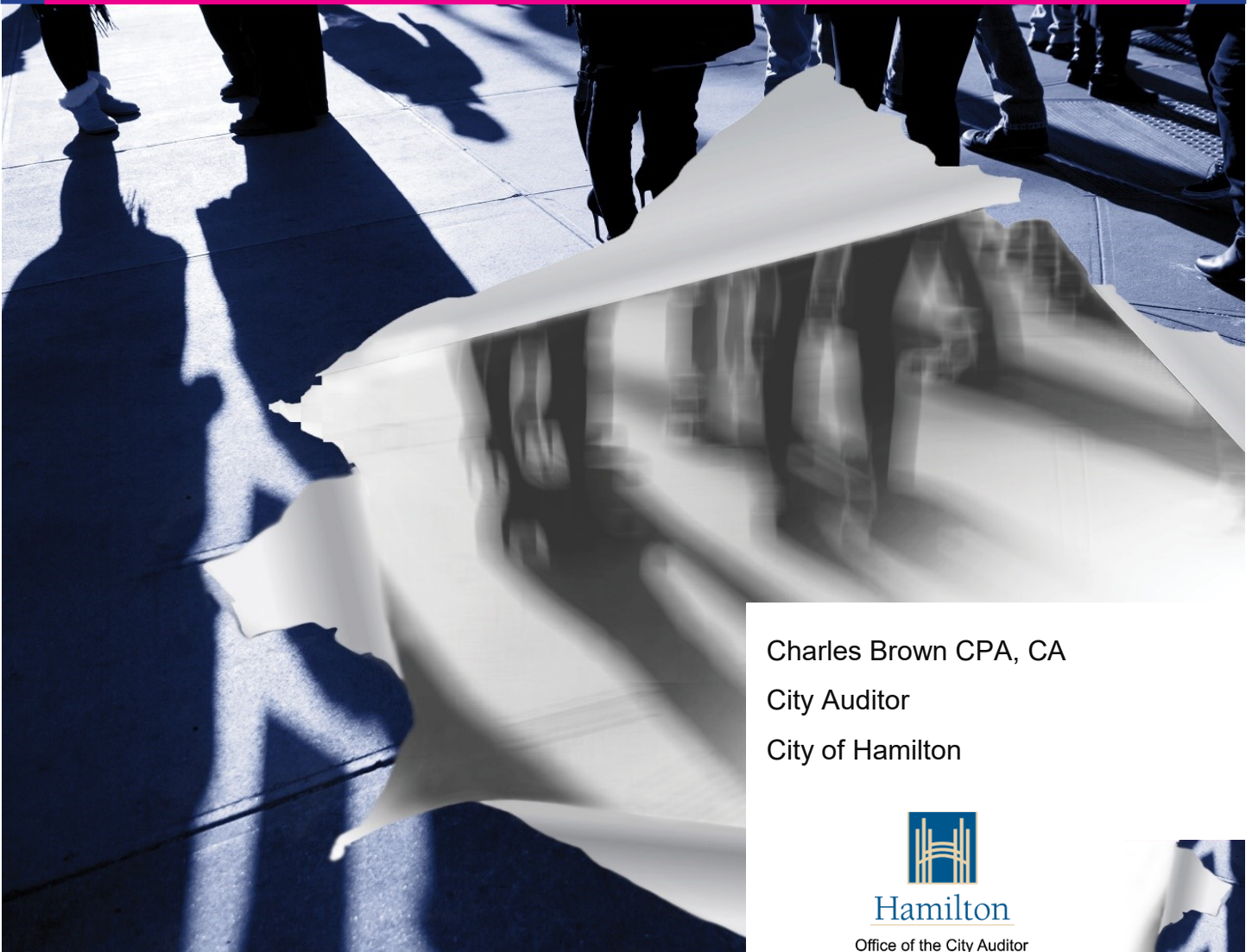
Appendix “A” to Report AUD21011 – Fraud and Waste Annual Report

Appendix “B” to Report AUD21011 – Fraud and Waste Annual Report Infographic

City of Hamilton  
Office of the City Auditor

# FRAUD AND WASTE ANNUAL REPORT

July 1, 2020 to June 30, 2021



Charles Brown CPA, CA  
City Auditor  
City of Hamilton



Hamilton

Office of the City Auditor

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## Summary and Commentary

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This year's Fraud and Waste Annual Report reflects the second year of activity of the hotline since it was launched in July 2019. It provides a summary of the complaints received, the investigations launched, and the results and actions that took place related to allegations of fraud and government waste.

During the first year, July 2019 to June 2020, the volume of reports received by the Office of the City Auditor exceeded initial expectations, with 85 reports being received. For the second year, July 2020 to June 2021, the volume of activity continued to exceed expectations with 80 reports received. In fact, that trend has continued during the first three months of the third year of implementation, with 27 reported complaints, the highest ever quarterly volume. Clearly, the hotline continues to be well used.

With 80 reports received in the current reporting year, we have noted that 59% come from employees and 41% from the public. While most of the complaints we receive are dealt with through referral and report back, a significant number, 23%, involve investigation by our office. Overall, the substantiation rate of complaints received was 32%. We also continued to follow the approach of the previous year by making it a practice to initiate spontaneous system or process audits in response to issues that could have systemic repercussions. In that regard we launched audits of inventory management and the personal use by employees of City vehicles.

The purpose of the hotline and ensuing investigation of complaints is to ensure honesty, integrity and accountability in the operations of the City. One of the significant benefits is that it affords an opportunity to identify systemic problems, themes or emerging issues that can be considered by City management in their operations and Council in their governance.

One issue that OCA is bringing forward is the apparent difficulty that management experiences in properly dealing with conflict of interest situations that arise with employees of the City. Since the hotline was implemented OCA has investigated no fewer than 10 instances where either the disclosure process or the related mitigation of the conflict of interest has been an issue.

In our view, the current policy is not clear, and does not lend itself to consistent, accurate and unambiguous interpretation. In practice, potential conflicts are not being reported, and when they are the process is inadequate to ensure they are properly addressed. The form that is used for conflicts does not match the actual requirements in the policy, and it tends to be completed in a perfunctory manner. Nor does the process ensure that there is a third party, objective determination being made of the nature and severity of each case.

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## Summary and Commentary

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In general, we have found that they do not come under adequate scrutiny. Another difficulty is that there is no central repository of conflict declarations, where decisions can be tracked and evaluated for consistency or consulted for precedent. In comparing the City's process with other jurisdictions, we note that some organizations manage conflicts of interest through an annual reminder and disclosure letter from the senior leader, with disclosures being adjudicated by them with support from legal services. In our opinion, that approach provides more objective, third party scrutiny to the decisions that are made on whether a situation is a conflict and how it is to be mitigated.

Accordingly, we recommend that senior leadership undertake a review of its current process to rationalize and improve the effectiveness with which conflicts of interest are both disclosed and mitigated, and most importantly to elevate the importance of proper disclosure of **potential** conflicts.



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## About the Fraud and Waste Hotline

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The Fraud and Waste Hotline provides City of Hamilton employees, contractors, vendors, and members of the public a convenient, confidential, and anonymous way to report suspicion or proof of wrongdoing. Wrongdoing is defined as any activity that could be illegal, dishonest, wasteful, or violates a City of Hamilton policy.



**Fraud** encompasses any array of irregularities and illegal acts characterized by intentional deception.



**Waste** involves taxpayers not receiving reasonable value for money in connection with any government funded activities, due to mismanagement or an inappropriate or careless act or omission by those with control over or access to government resources.



**Whistleblower** By-law No. 19-181 is intended to help uncover serious wrongdoing at the City, by bringing it to the attention of management and the City Auditor or their designate, and to ensure it is addressed appropriately, including by means of an investigation where required.

The Fraud and Waste Hotline enables the City of Hamilton to operate with a high level of honesty and integrity. The Fraud and Waste Hotline is managed by the Office of the City Auditor (OCA), an independent and objective office accountable to Council.

The Office of the City Auditor reviews and assesses every Hotline report to ensure it was made in good faith and if necessary, launch an investigation. The Office of the City Auditor conducts an objective and impartial assessment of each report, regardless of the alleged wrongdoer's position, title, length of service, or relationship with the City.

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## Alignment to the 2016-2025 Strategic Plan

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### **Community Engagement and Participation**

Hamilton has an open, transparent and accessible approach to City government that engages with and empowers all citizens to be involved in their community.

### **Our People and Performance**

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

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## Introduction

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This is the Fraud and Waste Annual Report on fraud, waste and whistleblower matters at the City of Hamilton and includes information about the activities of the Fraud and Waste Hotline. It highlights the reports that have been communicated to the Office of the City Auditor July 2020 to June 2021. It does not represent an overall picture of fraud, waste, or other wrongdoing across the City of Hamilton.

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## Fraud and Waste Hotline Program

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**Pilot launched  
July 2019**

The Fraud and Waste Hotline was established to help protect City of Hamilton assets and reduce losses. Since the pilot launch in July 2019, the cumulative total of actual and potential losses investigated is approximately \$439,000, with \$26,000 recovered via repayments/restitution. Additionally, the Fraud and Waste Hotline provides the following benefits that cannot be quantified:

- Deterring fraud, waste, and wrongdoing,
- Strengthening internal controls and mitigation of risks,
- Improving policies and standard operating procedures,
- Building a culture of accountability,
- Better value in service delivery through increasing operational efficiencies,
- Using hotline report data to identify trends, manage risks, make results-oriented recommendations to management, and inform future audits for the Office of the City Auditor work plan.

**No dedicated Fraud and Waste team**

The Office of the City Auditor operates the Fraud and Waste program in addition to their other audit, risk assessment, and consulting project assignments. The Office of the City Auditor are a team of professionals who collectively possess the expertise to assess a broad range of reports and conduct investigative work into allegations ranging from simple to complex. When required, the Office of the City Auditor engages outside experts to assist on complex investigations or specialty work due to the small size of the team. Investigation costs are recovered from the home department, per the Fraud Policy and Protocol.

**Independent oversight**

The Office of the City Auditor also provides independent oversight of management-led investigations by reviewing the adequacy of work performed and evaluating mitigation plans to protect City of Hamilton assets, reduce the risk of future losses, and prevent and deter future fraud, waste, or wrongdoing.

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## Anonymity of the Fraud and Waste Hotline

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Fraud and Waste Hotline intake is independently operated by a third party, Whistleblower Security Inc. Whistleblower Security Inc. provides IntegrityCounts, a Certified Ethics Reporting System, which is a confidential way to report important information and ethical misconduct. Providing any personal information, such as your name, is optional. For any person willing to identify themselves, their information will remain confidential and will not be disclosed unless, the City Auditor is compelled to do so by law.

The Office of the City Auditor may have questions or require additional information about a reported incident and will communicate using the Fraud and Waste Hotline anonymous messaging system.

All participants in a fraud and waste investigation are required to keep the investigation details and results confidential.

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## Role of the City Auditor

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The City of Hamilton has appointed the City Auditor as an Auditor General under the Municipal Act. This position has the responsibility to assist City Council in holding itself and its administrators accountable for stewardship over public funds and value for money in City operations. This responsibility is fulfilled by completing audits, operating the Fraud and Waste Hotline and conducting investigations as required.

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## Report Sources

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Reports in good faith are made in one of the following ways:



**Online** at [hamilton.ca/fraud](https://hamilton.ca/fraud)



**Email** to [cityofhamilton@integritycounts.ca](mailto:cityofhamilton@integritycounts.ca)



**Phone** 1-888-390-0393



**Mail** to PO Box 91880, West Vancouver, BC V7V 4S4



**Fax** to 1-844-785-0699

# Overview

## Number of Reports

80

## Number of Reports Since Hotline Launch

165

## Number of Reports by Source

23 Reports Directly Received by the Office of City Auditor (Proxy)

21 Proxy Reports Sent by Management, HR, Procurement, Finance, Councillor's Office, City Staff

32



Online

19



Email

28



Phone/  
In Person

1



Mail

0

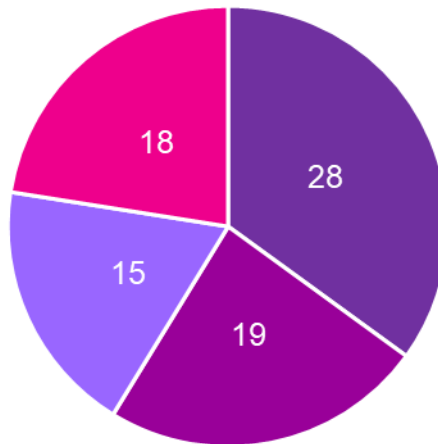


Fax

59% of Reporters Self-Identified as an Employee

41% of Reporters were non-Employees

## Report Types July 1, 2020 to June 30, 2021



- Referral - Response Required - 28
- Referral - No Action Required - 19
- No Response Required/Out of Jurisdiction/Not Enough Information - 15
- Investigation Launched - Current Year 18

## Total Investigations Launched

Current Year Reports: 18

Carryforward Reports from Prior Reporting Period: 6

Total: 24

\$235,000

Loss or Waste Substantiated (\$439K since Hotline launch)

## Investigation Type

1



Fraud

13



Waste/  
Mismanagement

8



Combined Fraud and  
Waste/Mismanagement

2

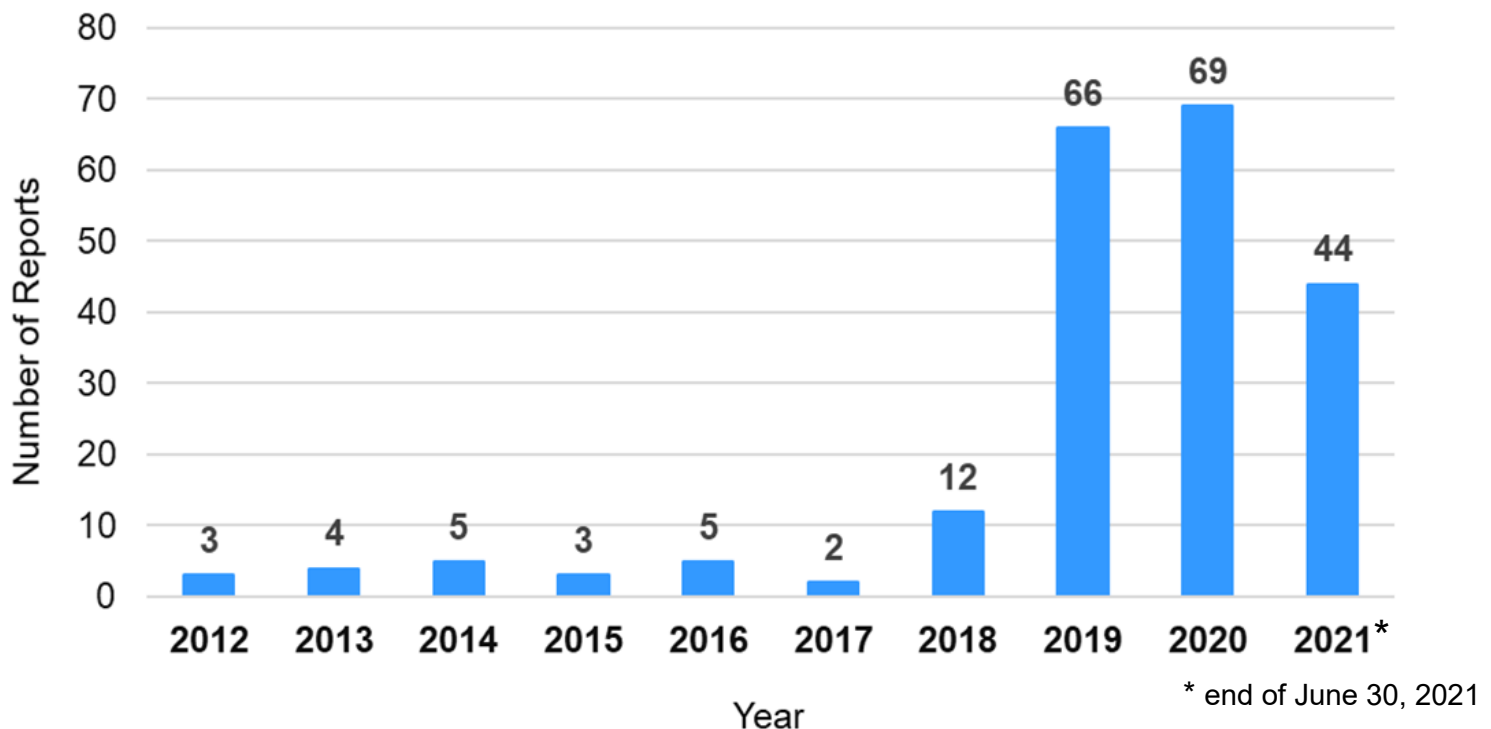


Whistleblower

## Historical Volume

This chart depicts the number of fraud, waste, and whistleblower reports from 2012 to June 2021. Between 2018 to 2020, the Office of the City Auditor saw a large increase in reports since the Fraud and Waste Hotline was announced in late 2018 and launched in July 2019. This trend continued into the first half of 2021.

### Fraud, Waste, and Whistleblower Report Volume January 1, 2012 to June 30, 2021



In the first half of 2019, 14 reports were received by the Office of the City Auditor. After the Fraud and Waste Hotline launched in July 2019, there were 52 reports submitted to the Office of the City Auditor using the Fraud and Waste Hotline, for a total of 66 reports in 2019 and 69 reports in 2020. In the first half of 2021, 44 reports were received. There was a total of 165 reports received in the 24 months of the Fraud and Waste Hotline being operational (July 2019-June 2021).

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## Work Volume

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A total of 80 reports were assessed by the Office of the City Auditor in the twelve-month period between July 1, 2020 to June 30, 2021.

There are no staff dedicated solely to the Fraud and Waste Hotline Pilot Program. Existing staff are used to complete assessments and investigations, with some limited usage of external specialty expertise for investigations that required additional support.

In total, about 2,837 hours were spent on Fraud and Waste Hotline administration, assessment, investigations and reporting during this 12-month period. This is approximately equivalent to 2.0 frontline audit FTEs annually (excluding management's time spent on hotline matters). Another way of looking at the resource requirements, the effort is similar to having completed 4 audits of significant scope and complexity. There are a total of 5 frontline employees in the OCA. It is estimated that management spends between 30-50% of their time on Fraud and Waste matters, depending on the active number of files at any given point in time. Compared to the prior year, an increased amount of time has been spent on Fraud and Waste Hotline matters.

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## Reports

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From July 2020 to June 2021, a total of 80 reports were received and assessed.

Of the 80 reports received, 57 reports were received via the third-party hotline operation. Another 23 reports were received directly by the Office of the City Auditor and were entered as a proxy into the case management system that is provided as part of the IntegrityCounts service contract. Of the 23 proxy reports received directly by the OCA, 10 were made by City Staff, and 10 were received from City Management. Two items were received directly from residents and one was received directly from a Councillor's Office.

For reports received regarding Ontario Works (OW) and Housing Services social services matters, these were referred to OW and Housing Services for assessment and investigation. The investigations were handled by OW/Housing Services, not the OCA. The substantiation status is reported to the OCA for tracking the aggregate statistics. The OCA reserves the right to investigate any matter which is not found to be satisfactorily investigated.

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## Employee Reports

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Forty-seven of these 80 reports were reported by City of Hamilton employees (59%). Twenty-three of the 47 employee reports were made anonymously (49%). The remaining 24 reports were employees that identified themselves. Many of these 24 reports where the employee identified themselves were employees working in HR, Finance, Procurement, and Management where they had an awareness of the Fraud Policy and Protocol and of their responsibility to report matters to the Office of the City Auditor as part of their job duties.

The Office of the City Auditor continues to encourage employees and management to submit reports and thanks all those that submitted reports for this reporting period, and for their cooperation during report assessments and investigations.

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## Reports from the Public

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All reports received from the public were assessed and investigated as appropriate. The Office of the City Auditor continues to encourage members of the public to submit reports and thanks all those that submitted reports for this reporting period and for providing additional information as requested.

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## Anonymous Reports

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When a report is made anonymously, it automatically does not qualify as a whistleblower disclosure per the Whistleblower By-law, although it may meet the definition of serious wrongdoing. The vast majority of the reports the Office of the City Auditor received do not qualify as a whistleblower matter due to the anonymity of the employee. Therefore, the majority of employee reports made would not be able to qualify as a whistleblower disclosure. Forty-five of the 80 (56%) reports received for the current 12-month reporting period were anonymous.

It should be noted that anonymous reports are able to be effectively assessed and investigated if the Reporter provides a sufficient level of information. The OCA is able to communicate with an anonymous reporter in the case management system if the Reporter has chosen to enable this feature. City of Hamilton employees continue to prefer making anonymous reports to the Hotline. While anonymity is not necessarily a constraint to the Office of the City Auditor investigations, the ability to dialogue with a Reporter through the IntegrityCounts online messaging system has proven effective in assisting with investigations.

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## Whistleblower Disclosure

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## Reports Involving Whistleblower

1

July to December 2020  
(Previously Reported)

2

January to June 2021

By-law 19-181 (Whistleblower By-law), Section 19 - Responsibility of the City Auditor requires reporting to Council semi-annually, in the aggregate, on the number, nature and outcome of disclosures of serious wrongdoing made under this By-law. Previously, there was a quarterly reporting requirement. Activity for July to December 2020 was reported to Council in February 2021.

There were three qualifying Whistleblower disclosures from July 2020 to June 2021.

One item was reported in the Fraud, Waste, and Whistleblower Semi-Annual Update (AUD21001) covering the period July 2020 to December 2020. This report was received during the previous reporting period and was reported with a status of "Investigation Launched" with a substantiation outcome of "Pending". Since the 2019-2020 Fraud and Waste Annual Report was issued, work on the investigation continued and the report was found to be a qualifying disclosure. The report category is Theft/Misappropriation and the outcome was unsubstantiated.

There were two reports received from January to June 2021. The first report related to a privacy matter and the outcome was unsubstantiated. The second report related to multiple categories, including vendor/contractor wrongdoing, workplace health and safety, and legal matters. The substantiation outcome is pending.



## Report Categories

A wide variety of reports were received by the Office of the City Auditor for the 12-months covered in this reporting period. The top most common report categories were the following:

### Top Report Categories (Current Year)

Multiple Categories Applicable	17
Employee Time Theft/Misconduct	11
Social Services – Fraud/Wrongdoing	11
Service Complaint/Concern	8
Conflict of Interest	5
Improper Financial Reporting/Budgeting	4
Misuse of City Resources	4
Out of Jurisdiction	3
Theft/Misappropriation	3
Fraud/Wrongdoing	2
Contractor/Vendor Wrongdoing	1
Public Safety	1
Miscellaneous Categories	10
<b>Total Reports</b>	<b>80</b>

## Prior Year Reports

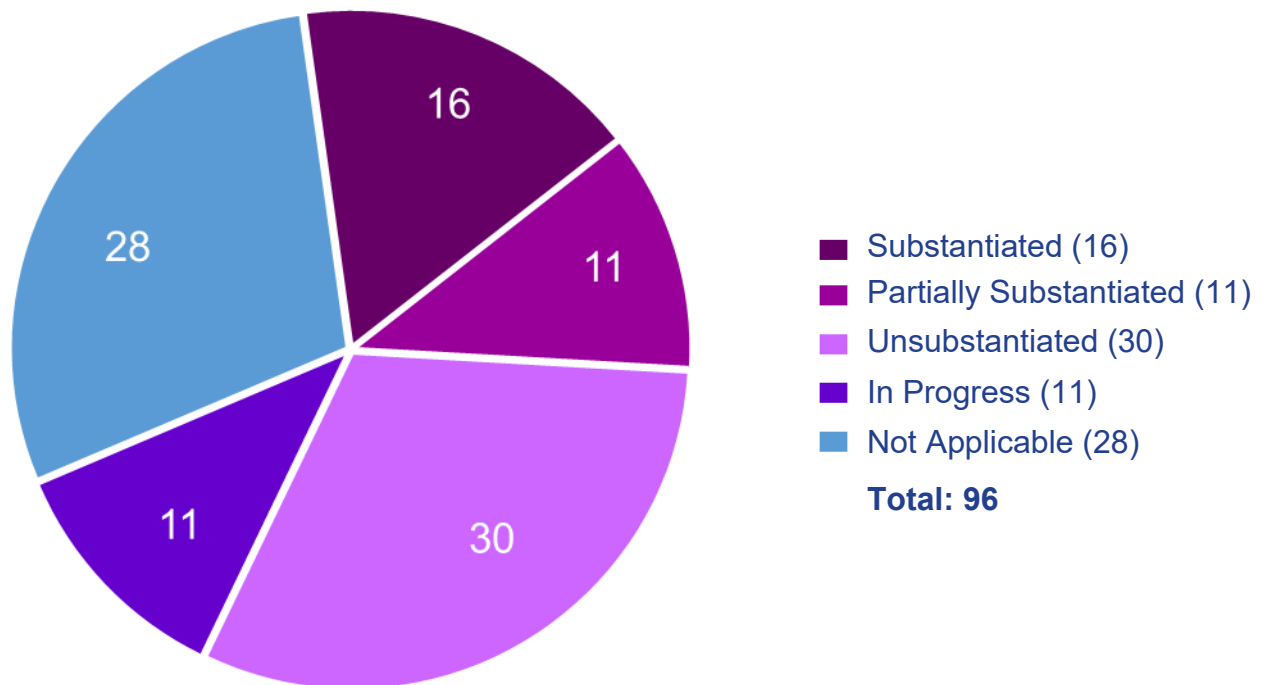
Fifteen open reports were reported at the time the 2019-2020 Fraud and Waste Annual Report was issued and one report was subsequently re-opened, for a total of 16 carryforward reports. The assessments and investigations were completed by the Office of the City Auditor with the following outcomes: 3 were substantiated, 5 were partially substantiated, 6 were unsubstantiated, 1 was not applicable, and 1 has an outcome pending. There is one prior year report open, the substantiation result and any losses and recoveries will be reported in the next Fraud and Waste Annual Report. Outcomes are included in the section above for reports that were closed during the current reporting period.

## Substantiation

One way of summarizing outcomes is to report on the volume of reports that were substantiated, that is the number of reports where the allegation(s) were found to have merit and were able to be proven by reviewing evidence or with findings from interviews.

Of the reports received from July 2020 to June 2021, the following is a summary of substantiated status. A substantiation result is not applicable (N/A) if a report was out of jurisdiction, the assessment result was that no action was to be taken, or if the report was to be referred elsewhere.

### Volume of Reports Substantiated



Typically, a result is "pending" if the report is still in process of being assessed and/or investigated. Overall the current substantiation rate including carryforward reports from the previous reporting period (both substantiated and partially substantiated) is 32%.

**Substantiation  
Rate  
32%**

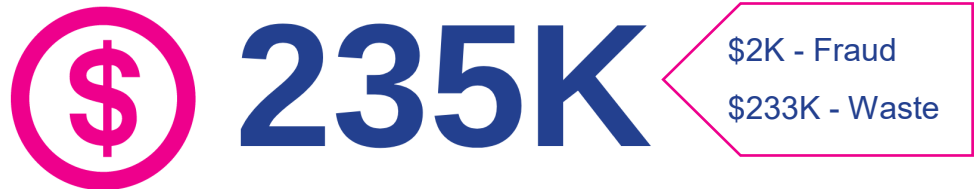
The City of Hamilton's substantiation rate for the prior reporting period was 21%. For comparative purposes, in the City of Toronto Auditor General's 2020 Annual Report on the Fraud and Waste Hotline, 9% of complaints were substantiated in whole or in part. In the City of Ottawa's 2020 Report on the Fraud and Waste Hotline, 33% of reports closed in 2020 were substantiated. The substantiation rate will vary annually, depending on the mix of reports received by the OCA and the number of reports in progress at the end of reporting period, which have their substantiation rate counted in the year that the work is completed.

## Loss or Waste Substantiated

**\$439K Loss or Waste  
Substantiated  
Since Hotline Launch**

It is difficult to measure or substantiate a precise cost of fraud and waste. Incidents sometimes remain undetected for long periods of time. It is also challenging at times to determine the time period that a fraud or waste was occurring, which makes it hard to quantify losses.

As at September 30, 2021, the amount of confirmed loss or waste substantiated by the Office of the City Auditor since the last Annual Report was issued was \$235,000. Of this this amount, \$2,000 was fraud and \$233,000 was waste. Since the launch of the Hotline cumulatively \$439,000 of loss or waste has been substantiated. Of this amount \$102,000 was fraud, \$278,000 was waste, and a category was unable to be determined for \$59,000.



## Disciplinary Action

The Office of the City Auditor is not responsible for disciplinary actions (including terminations). Investigation results are shared with Management and Human Resources. The Office of the City Auditor is informed of terminations and disciplinary actions, and this information is tracked and compiled for reporting purposes.

As at the date of report publication, the following disciplinary actions related to investigations had been confirmed by the Office of the City Auditor:

- 8 Terminations,
- 1 Disciplinary Action (corrective action taken),
- 5 Other Actions Taken (includes employee letter of counsel, letter of expectations, meeting held and outcome pending).

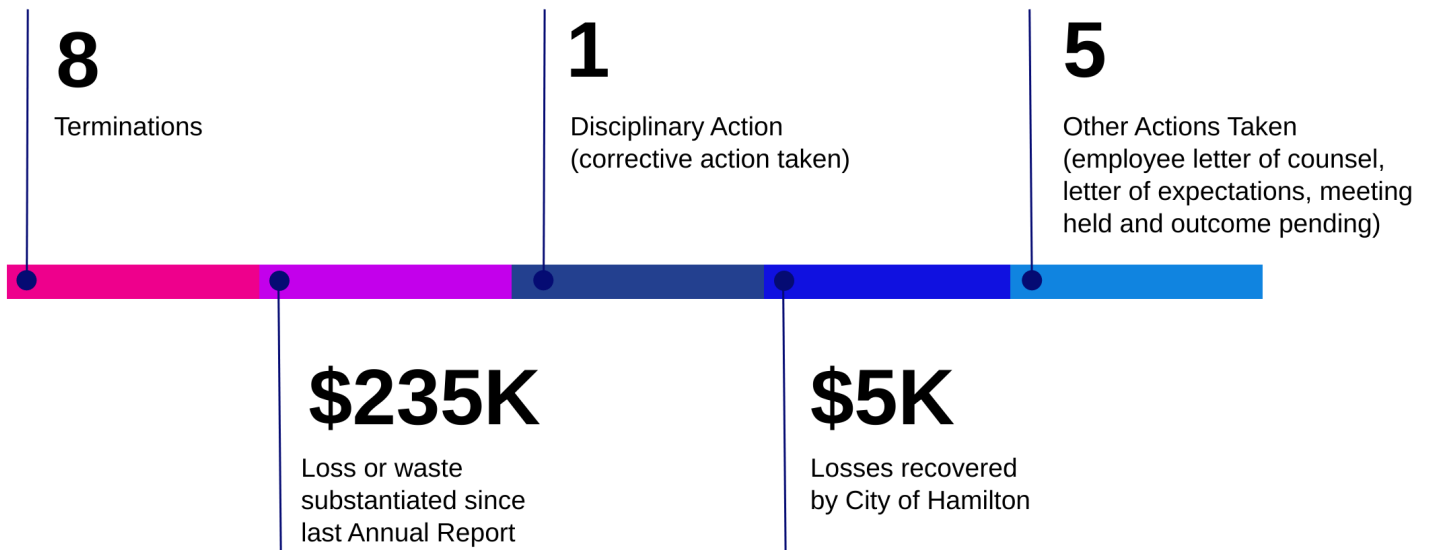
## Recoveries and Impact

As at September 30, 2021, the City of Hamilton recovered \$300 of losses and received \$4,700 in restitution since the last Annual Report was issued.

The impact of fraud and waste to an organization goes well beyond financial impact. There are also non-financial impacts such as impact to reputation, impact to other staff working in an affected area. The level of effort to investigate allegations of fraud and waste are quite high.

Sometimes there is a time lag for the completion of an investigation and calculating the losses. As there are 11 open reports at report issuance, there may be additional losses and recoveries that will be reported in the next Fraud and Waste Annual Report.

## Report Outcomes



## Report Examples - Introduction

To provide more information about the type of reports that the Office of the City Auditor receives and assesses, several report examples are provided in pages 17-23 of this annual report.

The reports included here provide examples of:

- fraud,
- waste/mismanagement; and,
- combined fraud and waste/mismanagement reports.

All items qualifying as a "Serious Matter" per the "City Auditor Reporting of Serious Matters to Council Policy" for the reporting period have been previously reported to Council. There were five items that qualified under this Policy, since it was approved by Council in 2020.

1. AUD20006 City Auditor Reporting of Serious Matters to Council (two serious matters reported)
2. AUD20010 City Auditor Reporting Serious Matters to Council (Case #26158)
3. AUD21005 City Auditor Reporting of Serious Matters to Council (Case #37265)
4. AUD21008 City Auditor Reporting of Serious Matters to Council (Case #39691)

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## Report Examples

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### **Project Costs Allocated to Incorrect Projects**

Vendor management is important to ensure that value for money is achieved in road construction contracts. While the Roads Value for Money Audit (AUD21006) was in progress, a Fraud and Waste report was received by the Office of the City Auditor related to vendor management and project management practices.

Several issues were noted including: budgeted funds from completed projects with unspent/surplus balances were used to pay for two unrelated contracts at different locations where there was no budget remaining. The appropriation to move funds between these projects was not approved, contravening the Capital Projects' Budget Appropriation and Work-in-Progress Transfer Policy. Progress payment supporting documentation did not always correctly identify the exact location of the work completed.

Furthermore, compliance issues with the Construction Act were also identified, it was found that Contractors were not submitting invoices for payment, instead City staff were generating progress payment certificates and using that information as the basis for making payments to contractors – without an invoice. This constitutes poor controllership and if an error is made in the calculation the City runs the risk that an undetected overpayment will be made in favour of the contractor. A recommendation was made to address this issue in Report AUD21006 - management agreed with the recommendation and action is in progress.

### **City Crews Working at Employee's Private Residence**

It was alleged that a City employee arranged to have work done at City expense and by City crews on the approach, curbs and sidewalk in front of their residence. The Reporter of the incident, also an employee of the City and part of the work crew, became concerned with the propriety of the situation when he showed up at the job site and questioned the necessity of the work. Upon learning that it was associated with another City employee who resided there he intervened and had the work stopped before any excavation and improvements took place.

The OCA was able to substantiate the Reporter's concerns regarding the work being unnecessary and having been arranged by the City employee who resided at the work site. The OCA's findings were shared with management for review and disciplinary action.

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## Report Examples

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### **Inappropriate Usage of Parking Passes**

Human Resources reported an allegation of fraudulent usage of parking passes at a City of Hamilton-owned facility by two employees to the OCA. The OCA requested that HR investigate and report its findings to the OCA. The allegations were found to be substantiated, and HR informed the OCA that the two employees were terminated.

### **Inappropriate Use of Database Resources**

Human Resources reported to the OCA that they received allegations of an employee improperly using a City-subscribed confidential database resource to further their outside business interest. OCA reviewed the evidence collected by HR on this matter and concurred with their findings that the allegation was substantiated. Improper use of the database account was confirmed. The employee no longer works for the City.

### **Inadequate Supervision of Procurement Card (P-card) Usage**

In the course of investigating a reported situation where a P-Card was not being properly administered, OCA substantiated that a Supervisor inappropriately delegated responsibilities for entry and approval of transactions. The issue was reported to management for their consideration and correction.

### **Conflict of Interest with Vendor #1**

A report was received that a City employee had an undisclosed conflict of interest where they were approving invoices and responsible for oversight of a vendor while their spouse was an employee.

The OCA completed a review of financial and other data, and the allegation was found to be substantiated. The OCA provided this information to Management and Human Resources for action.

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## Report Examples

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### Conflict of Interest with Vendor #2

A City Councillor received a report from a citizen that alleged that two City of Hamilton employees were out golfing, during business hours, with a City vendor who was in the process of submitting a proposal for a live, competitive City of Hamilton procurement (Request for Proposal, RFP) that was worth about \$2M in services over 3 years. The Reporter also alleged that there was additional and substantial socializing between various City of Hamilton staff and this vendor. They had concerns that this "coziness" could influence the City's procurement processes.

During the course of the investigation, the OCA found further evidence of more widespread socializing with a range of vendors. The golfing and many other occasions of fraternizing and acceptance of hospitality and gifts were found to be substantiated, along with instances of time theft by the employees due to the fact that some of this activity occurred during core business hours where no vacation time was utilized and they were presumed to be working. The OCA also found that a third employee was involved in the socializing and time theft, with a high level of golfing with vendors noted.

On top this, one of these three employees wrote a reference letter for the firm they were found to be golfing with, to support their RFP submission, and subsequently participated in the evaluation of that firm as part of their duties as a member of the RFP evaluation committee, the committee that chose the successful vendor.

A second employee was found to have gone on five international trips with vendors in recent years, including one where they were a representative of the City of Hamilton, while failing to obtain authorization to attend on City business, and did not inform any of their superiors because they took vacation time for the trip. That same employee unilaterally increased the rates paid to one of these vendors which ended up costing the City substantial additional fees and charges. The employee also hired and paid the executive of a vendor to provide advice on contract terms and specifications for the very RFP the vendor would be bidding on.

It was also found that some vendors were "sponsoring" the Christmas party for this team, by way of paying for the City employees' alcohol at this event.

The OCA made several recommendations to management to remedy this situation. Management took various actions in the short term, including bringing in an entirely new Evaluation team to re-assess the RFP submissions, and they committed to implementing improved processes and procedures for vendor management. The OCA

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## Report Examples

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estimated there was \$233,000 of Waste/Mismanagement at issue in this investigation in the form of increased expenses to the City and undisclosed hospitality benefiting the employees. HR informed the OCA that the three employees were terminated.

### Waterdown Gardens

On February 16, 2021, the City was notified of a Statement of Claim issued by Waterdown Garden Supplies Ltd. and others ("WGS") seeking \$75M in damages based on allegations that thousands of loads of contaminated soil taken from City sites were illegally deposited on its lands and that this illegal dumping was facilitated by a criminal conspiracy involving two named City employees.

An investigation has been commenced through the Office of the City Auditor to ascertain if there is any credence to the claims against the named employees.

This investigation is in the final stages with results expected to be shared with Committee and Council in early December 2021.

### Alleged Equipment Theft and Related Inventory Issues

Management and Labour Relations alerted the Office of the City Auditor about an alleged misappropriation of small equipment and tool inventory at a City of Hamilton Yard. The investigation was coordinated by Labour Relations and carried out by the Hamilton Police Service. The investigation corroborated that inventory with value under \$1,500 was stolen and charges were laid against a City's employee. The OCA supported certain aspects of the investigation as requested by Labour Relations.

As a result of the alleged theft, and at the request of management, the Office of the City Auditor initiated an audit of small tool and equipment inventory processes in Roadway Maintenance. The audit brought forward 21 recommendations which were reported to the Audit, Finance, and Administration Committee in a separate report.



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## Report Examples

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### Contractor Causes Damage to City Street

A resident brought a complaint to their Councillor about a contractor that had parked heavy equipment on the side of a local street while doing a job in the neighbourhood. The resident alleged the contractor had caused substantial damage to the local roadway. When confronted by the citizen about the damage, the contractor ignored the resident, claiming to have a relative at the City who works in the Roads department.

OCA investigated and found that the claim of contractor having a relative working for the City was false. However, the damage was confirmed to be significant and the contractor admitted to the OCA investigator that it was caused by his equipment. OCA sent a letter to management indicating there was evidence that significant damage was done by the contractor to the roadway in this neighbourhood, and recommended they take action to recover for the cost of repair. Management is currently acting on the recommendation.

### Personal Use of City Vehicle

A report was received alleging that a City employee was deriving substantial personal benefit from their non-business use of a City vehicle that was put at their disposal as part of their work duties. The allegation was that the proportion of business usage was low in the extreme, to the point that not only were they deriving benefits from the use of the vehicle, but also from the City absorbing the expense of maintaining, repairing and insuring that vehicle, and notwithstanding they may incur a taxable benefit, would enjoy a significant increase to their pensionable earnings. Our preliminary assessment of the situation substantiated extreme low business use, and inadequate justification for the assignment of a vehicle, prompting OCA to look for wider systemic issues. So, the decision was made to complete a corporate-wide audit on this issue. The audit report will be tabled at the Audit, Finance and Administration Committee in 2022.

## Other Report Examples

Although the Office of the City Auditor may find some reports not to be substantiated, there are reports that show significant control weaknesses. Some unsubstantiated examples are also provided for insight into the varying outcomes that can occur when cases are assessed and investigated.

### Alleged Theft of Inventory

The OCA received a report regarding potential systematic and recurring thefts of equipment by an employee. All staff were required to have access to this equipment to fulfil their job duties.

The OCA investigated and found that there was no evidence that any equipment had been stolen by the employee. However, OCA found that equipment was being replaced on a regular basis due to recurring loss, damage and lifecycling; an issue which was consistent among different locations using this type of equipment.

In order to optimize inventory management and improve controls, management was in the process of upgrading and changing the Division's inventory system. The OCA recommended that management consider incorporating controls into the new inventory system that would enable better overall monitoring of equipment replacement; including required lifecycling.

### Vexatious Report Made in Bad Faith

An anonymous report was made that alleged time theft and sick time abuse on the part of a City employee. The Reporter provided supporting documentation to the complaint, but it was assessed as being inadequate by the OCA. Working with Human Resources, it was determined that, in fact, the Reporter of the allegation was another City employee. The Reporter was found to have engaged in a wide range of inappropriate behaviours, including the filing of this vexatious complaint against the innocent employee for their own personal reasons. As a result, the Reporter/employee had their employment with the City of Hamilton terminated.

### Alleged Nepotism in Hiring

A report was received by the Office of the City Auditor about nepotism in the hiring process. It was alleged that Management made the decision to hire an employee because the individual has a relative who works in the same Department. The OCA reviewed information and evidence relevant to this report and found this report to be unsubstantiated. However, the OCA did identify opportunities for continuous improvement and made three recommendations to Human Resources to strengthen the recruitment process.

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## Conclusion

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The Fraud and Waste Hotline has been operational since July 2019 as a 3-year pilot. Based on the experiences of other Canadian cities that operate similar fraud and waste hotlines, it was estimated that the City of Hamilton would receive 50-70 reports in a 12-month period. During the first year of the pilot period, July 2019 to June 2020, the volume of reports received by the Office of the City Auditor exceeded the initial expectations, with 85 reports received. For the second year of the pilot period, July 2020 to June 2021, the 80 reports received also exceeds the forecasted 50 to 70 reports that would likely be received. In the first three months of the third year of the pilot period, July 2021 to September 30 2021, 27 reports were received. This is the highest quarterly volume ever received. The trend is that the hotline continues to be well used.

Overall, the first twenty-four months of the Fraud and Waste Hotline operation have been successful, by and large, with a high volume of reports assessed and investigations launched as appropriate.

An evaluation of the Fraud and Waste Hotline and its accomplishments will be performed at the end of the pilot. The next Fraud and Waste Annual Report will provide an update on the reports received by the OCA between July 2021 and June 2022.

Without a Fraud and Waste Hotline in place, it is likely that many of these reports would not have been received by the Office of the City Auditor and wrongdoing involving City resources may have continued. Generally speaking, it indicates Hamiltonians and employees alike share the commitment in protecting the City of Hamilton's revenue, property, information and other assets and resources from fraud, waste and other wrongdoing.

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## Office of the City Auditor

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City Auditor

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Deputy City Auditor

**Jane Schope** CPA, CMA  
Senior Auditor

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### **SPEAK UP - Reporting Fraud and Waste**

**Online:** [hamilton.ca/fraud](http://hamilton.ca/fraud)

**Phone:** 1-888-390-0393

**Mail:** PO Box 91880, West Vancouver, BC V7V 4S4

**Email:** [cityofhamilton@integritycounts.ca](mailto:cityofhamilton@integritycounts.ca)

**Fax:** 1-844-785-0699

Copies of our audit reports are available at:  
[hamilton.ca/audit](http://hamilton.ca/audit)

Alternate report formats available upon request.



Hamilton  
Office of the City Auditor

Appendix "B" to Report AUD21011

# FRAUD AND WASTE ANNUAL REPORT

July 1, 2020 to June 30, 2021

## Total Reports

Current Year	80
Prior Year Carryforward	16
Reports Since Hotline Launch	165

## Top Report Categories

(Current Year)

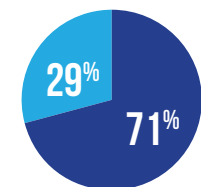
Multiple Categories Applicable	17
Employee Time Theft/Misconduct	11
Social Services – Fraud/Wrongdoing	11
Service Complaint/Concern	8
Conflict of Interest	5
Improper Financial Reporting/Budgeting	4
Misuse of City Resources	4
Out of Jurisdiction	3
Theft/Misappropriation	3
Fraud/Wrongdoing	2
Contractor/Vendor Wrongdoing	1
Public Safety	1
Miscellaneous Categories	10
<b>Total Reports</b>	<b>80</b>

## Number of Reports by Source



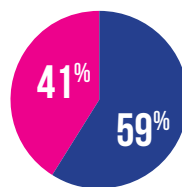
Total Investigations Launched by Office of the City Auditor	24
Current Year Reports	18
Carryforward Reports from Prior Year	6

## Reports Directly Received by the Office of the City Auditor (Proxy)



Hotline 57 (71%)  
Proxy 23 (29%)

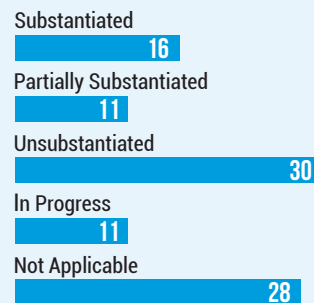
## Employee Reports



Self-Identified 47 (59%) as an Employee  
Non-Employee 33 (41%)

## Volume of Reports Substantiated

(Current Year and Carryforward Reports from Prior Year)



Overall Substantiation Rate  
**32%**

## Report Types

Referral – Response Required	28
Referral – No Action Required	19
No Response Required / Not Enough Information / Out of Jurisdiction	15
Investigations Launched (Current Year)	18

## Investigation Type

(Current Year and Carryforward Reports from Prior Year)



Loss or Waste Substantiated	\$235,000
Recovery/Restitution	\$5,000
Loss or Waste Substantiated Since Hotline Launch	\$439,000





Hamilton

Office of the City Auditor

# FRAUD AND WASTE ANNUAL REPORT

July 1, 2020 to June 30, 2021

**Charles Brown CPA, CA**  
**City Auditor**

# What is a Fraud and Waste Hotline?

The general public, City staff, and those doing business with the City can report **suspected fraud, waste or wrongdoing involving City resources**.

Confidential and anonymous service

Independently operated by a third party

Accessible by phone or online

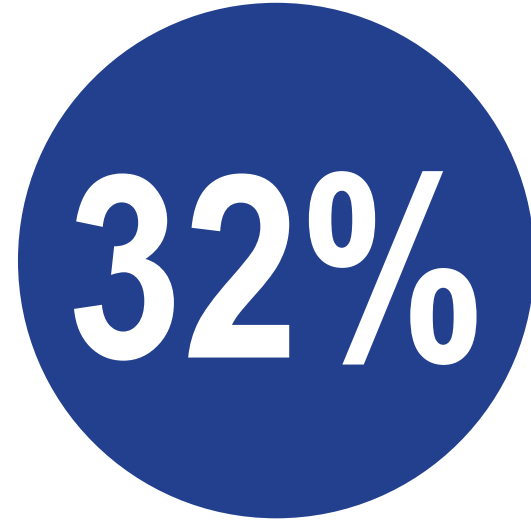
Available 24 hours a day 7 days a week





## Reports

Received between  
July 1, 2020 and June 30, 2021

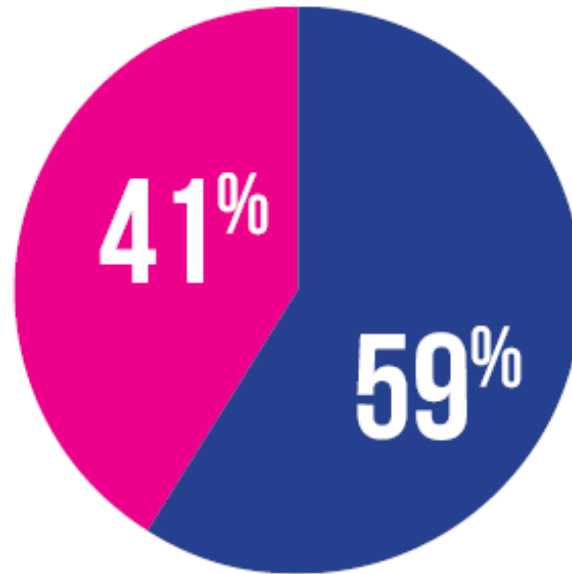


## Substantiation Rate

# Top Report Categories

Multiple Categories Applicable	17
Employee Time Theft/Misconduct	11
Social Services – Fraud/Wrongdoing	11
Service Complaint/Concern	8
Conflict of Interest	5
Improper Financial Reporting/Budgeting	4
Misuse of City Resources	4
Out of Jurisdiction	3
Theft/Misappropriation	3
Fraud/Wrongdoing	2
Contractor/Vendor Wrongdoing	1
Public Safety	1
Miscellaneous Categories	10
<b>Total Reports</b>	<b>80</b>

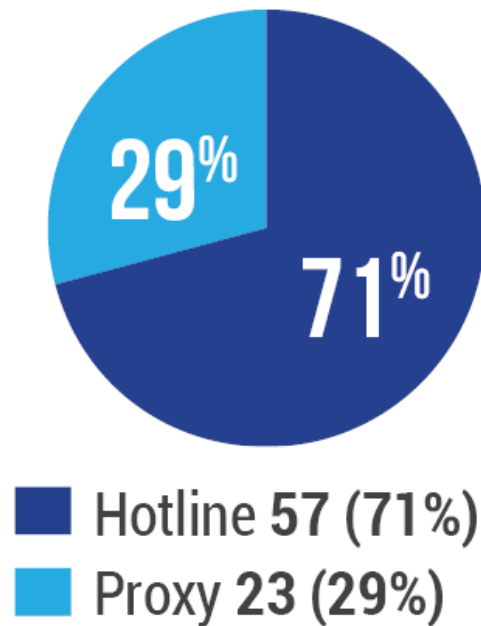
# Statistics - Employee Reports



- Self-Identified **47 (59%)**  
as an Employee
- Non-Employee **33 (41%)**

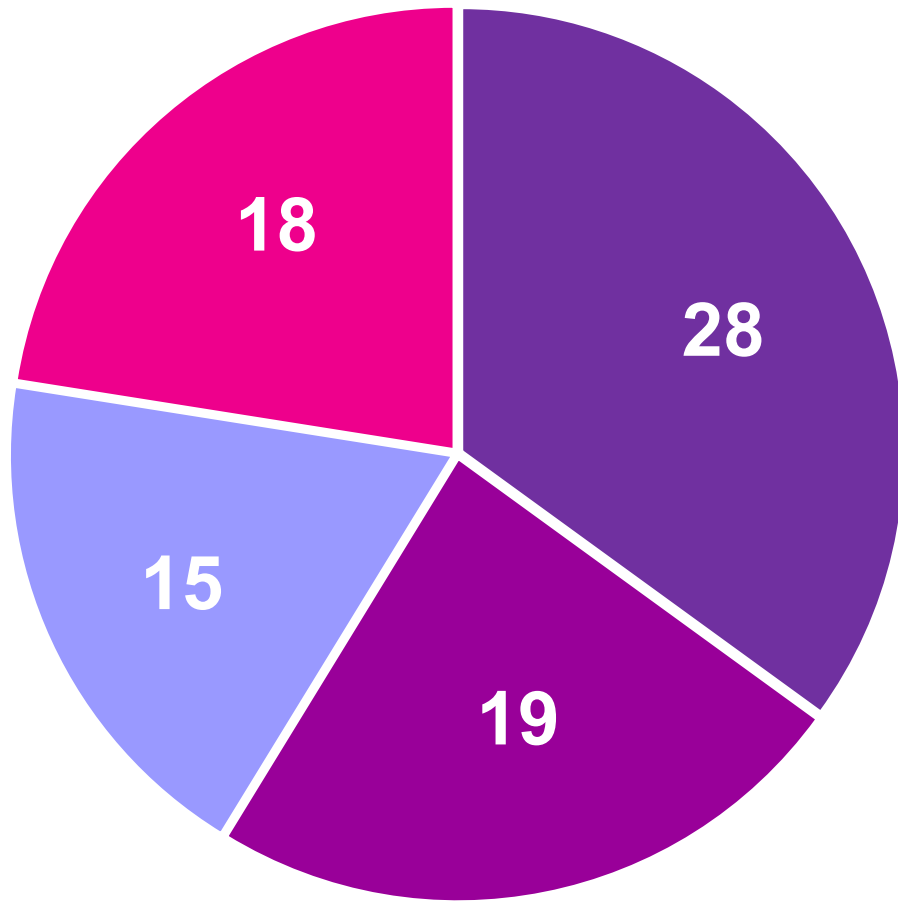
# Statistics - Direct vs. Proxy Reports

Of these 80 reports, 23 were made directly to the OCA, remainder were made using the Hotline service provider

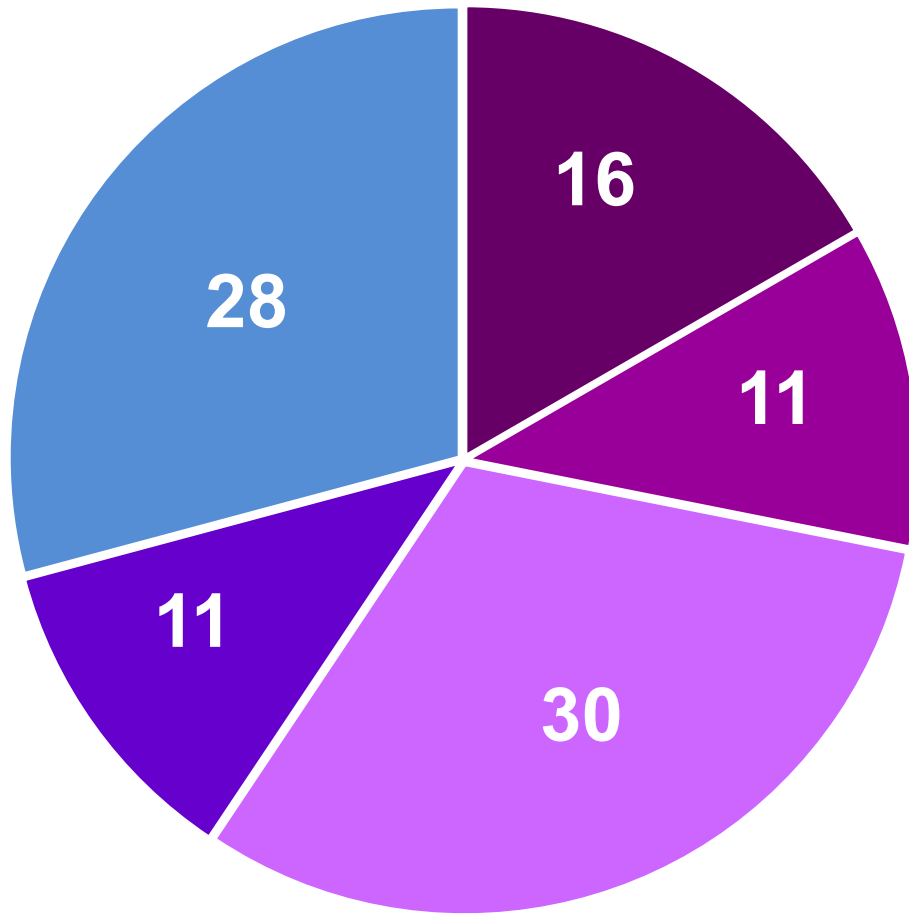


Proxy Reports from Management, Finance, Procurement, Human Resources – **21 of 23**

# What We Did With The Reports

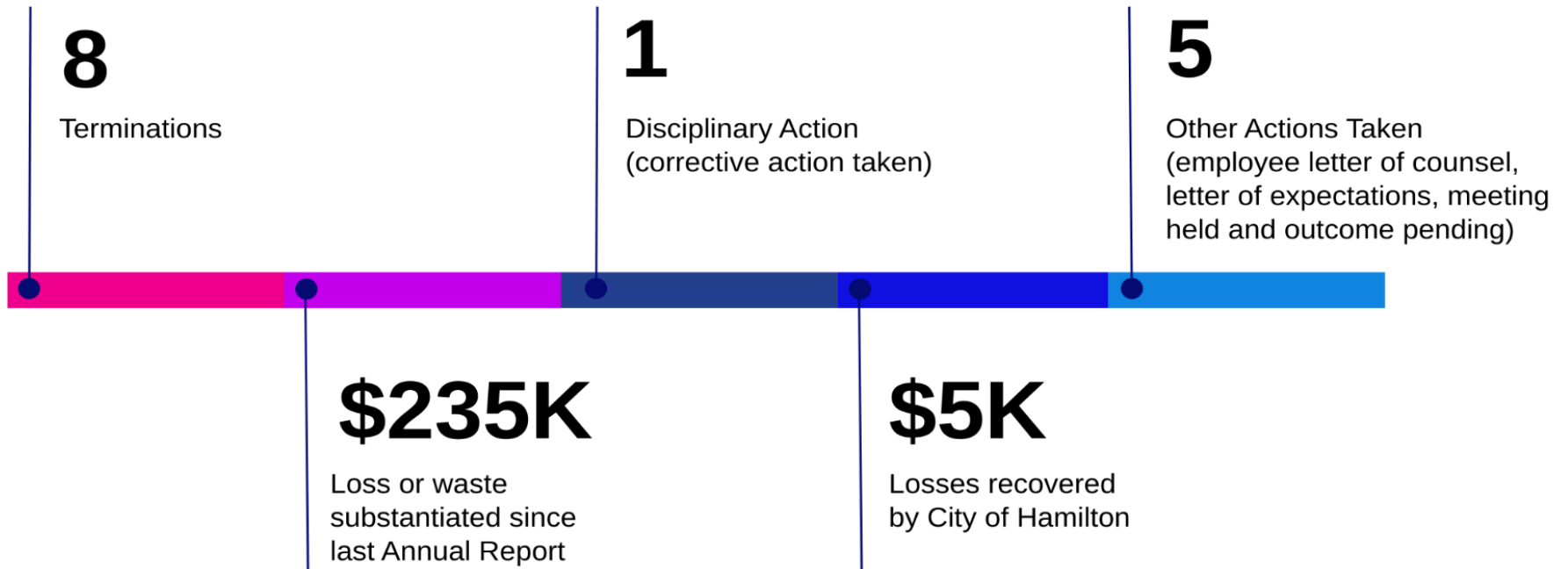


- Referral - Response Required (28)
- Referral - No Action Required (19)
- No Response Required/Out of Jurisdiction/Not Enough Information (15)
- Investigations Launched - Current Year (18)



- Substantiated (16)
- Partially Substantiated (11)
- Unsubstantiated (30)
- In Progress (11)
- Not Applicable (28)

**Total: 96**



### **Project Costs Allocated to Incorrect Projects**

- Budgeted funds from completed projects with unspent/surplus balances were used to pay for two unrelated contracts at different locations where there was no budget remaining, contravening corporate policy.
- Compliance issues with Construction Act also identified.

### **City Crews Working at Employee's Private Residence**

- Alleged that a City employee arranged to have work done at City's expense and by City crews on the approach, curbs and sidewalk in front of their residence, ultimately the work was called off.
- It was substantiated that the work was unnecessary and arranged by the City employee who resided at the work site.

### **Conflict of Interest with Vendor #2**

- Many serious issues substantiated including procurement irregularities, inappropriate socializing with vendors and the receipt of gifts and hospitality by City employees.
- Estimated \$233,000 in waste/management in the form of increased expenses to the City and undisclosed hospitality benefitting employees.

### **Alleged Equipment Theft and Related Inventory Issues**

- Inventory with value under \$1,500 was stolen and charges laid against a (former) City employee.
- An audit was completed and 21 recommendations made.



# Report Examples Continued

## Contractor Causes Damage to City Street

- Allegation the contractor had caused substantial damage to the local roadway while doing a job in the neighbourhood. Contractor ignored resident claiming to have a relative that worked in the City's Roads Department.
- The allegation about the relative was found to be false, however the damage was confirmed to be significant, and the contractor admitted this to the OCA investigator.

## Personal Use of City Vehicle

- Report received regarding high use of City vehicle for personal trips.
- OCA initiated an audit to identify systemic issues which is currently underway

## Vexatious Report Made in Bad Faith

- Report was made that alleged time theft and sick time abuse on the part of a City employee. Supporting documentation provided was found to be inadequate by the OCA.
- Reporter was another City employee and found to have engaged in a wide range of inappropriate behaviours, including filing this vexatious report against the innocent employee.

# Closing Remarks: City Auditor Reflections

## **Conflict of Interest (COI)**

- 10 instances with issues identified since hotline launch.
- Current policy is not clear.
- Potential conflicts not being reported, if reported, existing processes are inadequate to ensure COIs are properly addressed.
- Objective adjudication of disclosures is needed.
- We recommend that senior leadership review its current processes to rationalize and improve the effectiveness of the COI disclosure and mitigation processes.

# Closing Remarks: City Auditor Reflections

## **The Fraud and Waste Hotline provides benefits that cannot always be quantified:**

- Deters fraud, waste, and wrongdoing
- Strengthens internal controls and mitigation of risks
- Improves policies and standard operating procedures
- Building a culture of accountability
- Better value in service delivery
- Hotline report data can be used to identify trends and inform future audits for the Office of the City Auditor work plan



confidential  
anonymous

# SPEAK UP

Report any wrongdoing



Hamilton  
Office of the City Auditor

Use the Fraud and Waste Hotline

[www.hamilton.ca/Fraud](http://www.hamilton.ca/Fraud)

Call Toll Free 24/7 1-888-390-0393



**Online**

[hamilton.ca/fraud](http://hamilton.ca/fraud)



**Email**

[cityofhamilton@integritycounts.ca](mailto:cityofhamilton@integritycounts.ca)



**Phone**

1-888-390-0393



**Mail**

PO Box 91880, West Vancouver, BC V7V 4S4



**Fax**

1-844-785-0699

# Thank you

For submitting reports and  
cooperating during report  
assessments and  
investigations



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

<b>TO:</b>	Chair and Members Audit, Finance and Administration Committee
<b>COMMITTEE DATE:</b>	November 18, 2021
<b>SUBJECT/REPORT NO:</b>	Tax and Rate Operating Budgets Variance Report as at August 31, 2021 – Budget Control Policy Transfers (FCS21070(a)) (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	Kayla Petrovsky Fleming (905) 546-2424 Ext. 1335 Duncan Robertson (905) 546-2424 Ext. 4744
<b>SUBMITTED BY:</b>	Mike Zegarac General Manager, Finance and Corporate Services Corporate Services Department
<b>SIGNATURE:</b>	

**RECOMMENDATION(S)**

- (a) That the Tax and Rate Operating Budgets Variance Report as at August 31, 2021 attached as Appendices “A” and “B”, respectively, to Report FCS21070(a), 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(a), 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(a), be approved;
- (d) That, in accordance with the “Budget Control Policy”, the 2021 budget transfers from one department / division to another with no impact on the property tax levy, as outlined in Appendix “E” to Report FCS21070(a), be approved.

**SUBJECT: Tax and Rate Operating Budgets Variance Report as at  
August 31, 2021 – Budget Control Policy Transfers (FCS21070(a))  
(City Wide) – Page 2 of 17**

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## **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 second submission for 2021 based on the operating results as of August 31, 2021. Appendix “A” to Report FCS21070(a) summarizes the Tax Supported Operating Budget projected year-end variances by department and division while Appendix “B” to Report FCS21070(a) summarizes the projected year-end variances of the Rate Supported Operating Budget by program.

The Tax Supported operations are projecting a surplus of \$28.6 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 \$1.4 M.

The \$28.6 M surplus is comprised of City Departments / Other (\$15.0 M favourable), Boards and Agencies (\$2.5 M favourable) and Capital Financing (\$11.1 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 revenues of \$2.8 M, partially offset by favourable operating expenditures of \$1.4 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 \$2.7 M is projected without the SRA / CRFMP funding applied. A total of \$31.2 M in funding is projected to be applied in 2021 through the SRA and CRFMP, as well as, \$67.3 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(a) details the estimated net financial pressures of \$101.4 M in 2021 and the funding received to offset those pressures. Based on current estimates, \$16.9 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.

Additional details are presented in the Analysis and Rationale for Recommendation(s) section beginning on page 4 of Report FCS21070(a).



**SUBJECT: Tax and Rate Operating Budgets Variance Report as at  
August 31, 2021 – Budget Control Policy Transfers (FCS21070(a))  
(City Wide) – Page 3 of 17**

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**2021 Budget Transfers, Extensions and Amendments**

In accordance with the “Budget Control Policy” and “Budgeted Complement Control Policy”, staff is submitting four recommended items. The complement transfers, identified in Appendix “C” to Report FCS21070(a), 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.

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

The tax operating budget amendments, identified in Appendix “E” to Report FCS21070(a), moves budget from one division or department to another. Completing this transfer simplifies the budget review process for the following year by ensuring comparable budget data.

**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(a).

Staffing: Staffing implications of Report FCS21070(a) 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**

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 second submission for 2021 based on the operating results as of August 31, 2021. Appendix “A” to Report FCS21070(a) summarizes the Tax Supported Operating Budget projected year-end variances by department and division while Appendix “B” to Report FCS21070(a) summarizes the projected year-end variances of the Rate Supported Operating Budget by program.

**SUBJECT: Tax and Rate Operating Budgets Variance Report as at  
August 31, 2021 – Budget Control Policy Transfers (FCS21070(a))  
(City Wide) – Page 4 of 17**

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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.

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

#### **RELEVANT CONSULTATION**

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

#### **ANALYSIS AND RATIONALE FOR RECOMMENDATION(S)**

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

Table 1 provides a summary of the departmental results as at August 31, 2021. The Tax Operating Budget surplus is projected at \$28.6 M or approximately 3.0% of the net levy. This includes \$98.6 M in applied funding (see Appendix F for further details). Without this funding, there would be an overall deficit of \$70.0 M.

**SUBJECT: Tax and Rate Operating Budgets Variance Report as at  
August 31, 2021 – Budget Control Policy Transfers (FCS21070(a))  
(City Wide) – Page 5 of 17**

Table 1

	2021 Approved Budget	2021 Year-End Forecast	2021 Variance (Forecast vs Budget)	
			\$	%
<b><u>TAX SUPPORTED</u></b>				
Planning & Economic Development	30,357	28,334	2,023	6.7%
Healthy and Safe Communities	255,173	248,676	6,497	2.5%
Public Works	266,653	256,745	9,909	3.7%
Legislative	5,164	5,258	(94)	(1.8)%
City Manager	13,017	12,535	482	3.7%
Corporate Services	37,212	36,080	1,132	3.0%
Corporate Financials / Non Program Revenues	(27,941)	(22,927)	(5,014)	(17.9)%
Hamilton Entertainment Facilities	4,037	4,037	0	0.0%
<b>TOTAL CITY EXPENDITURES</b>	<b>583,672</b>	<b>568,737</b>	<b>14,936</b>	<b>2.6%</b>
Hamilton Police Services	175,352	175,760	(408)	(0.2)%
Library	32,030	29,060	2,970	9.3%
Other Boards & Agencies	16,334	16,391	(57)	(0.4)%
City Enrichment Fund	6,088	6,088	0	0.0%
<b>TOTAL BOARDS &amp; AGENCIES</b>	<b>229,804</b>	<b>227,299</b>	<b>2,505</b>	<b>1.1%</b>
<b>CAPITAL FINANCING</b>	<b>140,943</b>	<b>129,809</b>	<b>11,134</b>	<b>7.9%</b>
<b>TOTAL OTHER NON-DEPARTMENTAL</b>	<b>370,747</b>	<b>357,108</b>	<b>13,639</b>	<b>3.7%</b>
<b>TOTAL TAX SUPPORTED</b>	<b>954,419</b>	<b>925,845</b>	<b>28,574</b>	<b>3.0%</b>

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(a) 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, \$101.4 M is recognized as 2021 pressures with \$98.6 M in funding to be utilized. The remaining variance of \$2.8 M for the Hamilton Paramedic Service represents funding for COVID-19 pressures that is awaiting confirmation from the Ministry of Health.

OUR Vision: To be the best place to raise a child and age successfully.

OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

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

**SUBJECT: Tax and Rate Operating Budgets Variance Report as at  
August 31, 2021 – Budget Control Policy Transfers (FCS21070(a))  
(City Wide) – Page 6 of 17**

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**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 net pressures incurred from April 1, 2020 to September 30, 2020 and if unutilized funds remained from Phase 1 period they were to be applied to the next eligible period to be utilized from October 1, 2020 to March 31 2021. These financial pressures, net of the COVID-19 program savings mainly due to DARTS, included 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.

The total Phase 1 funds utilized was \$13.8 M and covered both eligible periods from April 1, 2020, to September 30, 2020 and October 1, 2020 to March 31, 2021. The \$3.4 M of unused Phase 1 funding (\$17.2 M less \$13.8 M) 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 covered the period from October 1, 2020 and March 31, 2021. However, the funding was not claimed by the Transit Division since there were no further eligible expenditures incurred within that timeframe to be offset by the 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 and received 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 up to December 31, 2022.

As of August 31, 2021, it is projected that \$7.4 M will be required from the Safe Restart Transit funding to cover projected COVID-19 related costs to be incurred during the year (Phase 1 funding of \$1.6 M for the period from January 1, 2021 to March 31, 2021 and Phase 3 funding of \$5.8 M for the period from April 1, 2021 to December 31, 2021), leaving \$11.0 M in Phase 3 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.

**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

**SUBJECT: Tax and Rate Operating Budgets Variance Report as at  
August 31, 2021 – Budget Control Policy Transfers (FCS21070(a))  
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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 August 31, 2021, it is projected that the Safe Restart Funding will be fully utilized and \$1.9 M will be drawn from the COVID-19 Recovery Funding Program leaving an eligible amount of \$16.8 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.

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.

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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 August 31, 2021, it is forecasted that \$20.8 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(a) 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 \$14.8 M, in comparison to the Council approved target of \$4.9 M, resulting in a surplus of \$9.9 M.

**Table 2**

<b>NET GAPPING BY DEPARTMENT</b>	<b>GAPPING TARGET (\$000's)</b>	<b>2021 PROJECTED GAPPING (\$000's)</b>	<b>VARIANCE (\$000's)</b>
Planning & Economic Development	\$ 853	\$ 2,296	\$ 1,443
Healthy and Safe Communities	\$ 952	\$ 3,971	\$ 3,019
Public Works	\$ 2,202	\$ 6,700	\$ 4,498
Legislative	\$ 84	\$ 47	\$ (37)
City Manager	\$ 225	\$ 647	\$ 422
Corporate Services	\$ 633	\$ 1,176	\$ 543
<b>Consolidated Corporate Savings</b>	<b>\$ 4,950</b>	<b>\$ 14,837</b>	<b>\$ 9,887</b>

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

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### **Planning and Economic Development Department**

Planning and Economic Development is forecasting a surplus of \$2.0 M. SRA / CRFMP funding of \$7.1 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 \$5.1 M.

The Transportation Planning and Parking Division is projecting a deficit of \$0.6 M after SRA / CRFMP Funding is applied. Before SRA / CRFMP funding, a deficit of \$6.4 M is projected primarily from forgone revenues due to COVID-19 of \$6.6 M and staffing costs of \$100 K. This is partially offset by savings in contractual services of \$150 K due to reduced parking activity and information retrieval of \$50 K due to less issuance of fines.

A combined favourable variance of \$1.2 M is projected in the Planning Division, Economic Development Division and the Growth Management Division due to higher than anticipated revenues (higher volume) and net gapping savings.

The remaining divisions have an anticipated combined surplus of \$0.9 M after SRA / CRFMP funding of \$0.8 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 August 31, 2021, the projected year-end gapping amount is \$2.3 M, resulting in a projected surplus of \$1.4 M.

### **Healthy and Safe Communities Department**

Overall, the Healthy and Safe Communities Department is projecting an overall surplus of \$6.5 M after SRA / CRFMP funding of \$9.7 M is applied. Without funding, the overall deficit would be \$3.2 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 \$2.1 M after applying \$0.9 M in SRA / CRFMP funding. The favourable variance was a result of gapping from vacancies and unfilled shifts due to staffing shortages of \$1.1 M and unbudgeted provincial funding of Structural Compliance of \$0.3 K and Ministry of Health and Long Term Care subsidies of \$1.4 M. Slightly offset by foregone accommodation fee revenue (\$770 K) and Adult Day Program Closure (\$216K).

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Recreation is forecasting a surplus of \$56 K after applying \$1.1 M in SRA / CRFMP funding. The anticipated revenue loss of \$9.2 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 (\$6.7 M), operational and maintenance cost savings due to closures (\$2.6 M) and SRA / CRFMP funding (\$1.1 M).

Hamilton Paramedic Service (HPS) is projecting a deficit of \$2.2 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 \$600 K). If the Ministry does not fund the expected COVID expenses, HPS will end the year in a deficit position of \$2.2 M.

Hamilton Fire Department is forecasted to end the year with a projected surplus of \$0.2 K after applying \$888 K in SRA / CRFMP funding. The projected favourable variance is due to savings in overall employee related costs.

Public Health Services is projecting a surplus of \$0.4 M. The surplus relates to savings in Raccoon Rabies Program for one less staff than budgeted of \$0.1 M, \$209 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 \$64 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 \$47.7 M, of which \$24 M is vaccine related.

Housing Services is forecasting a surplus of \$3.5 M after SRA / CRFMP funding of \$6.7 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 \$1.7 M, Annual Information Return recoveries for Social Housing Providers of \$1.2 M, in addition to favourable gapping of \$0.2 M.

The Children's Services and Neighbourhood Development Division is forecasting a surplus of \$0.6 M due to savings in redeployment to Public Health of \$287 K, in addition to savings in program, conferences, travel and meeting related expenditures and gapping of \$0.5 M. This was slightly offset by LEAP subsidy loss due to offsetting savings of \$245 K.

The Ontario Works division is projecting a surplus of \$2.0 M. The projected surplus is due to \$360 K in Ministry funding carried forward from 2020, maximization of subsidies of \$222 K, \$340 K in underspending in the low-income program due to a lack of program recoveries / referrals and gapping savings of \$522 K. This was slightly offset by \$281 K for new desks to support return to the office.

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The Healthy and Safe Communities departmental gapping target is \$1.0 M for the 2021 year. As at August 31, 2021, the projected year-end gapping amount is \$4.0 M, resulting in a projected surplus of \$3.0 M.

### **Public Works Department**

Overall, the Public Works department is forecasting a surplus of \$9.9 M after SRA / CRFMP funding of \$8.6 M is applied. Without funding, the overall surplus would be \$1.3 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 \$0.4 M for the year, after SRA / CRFMP funding of \$0.9 M is applied. The deficit is mainly due to unrealized gapping of \$254 K 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 \$0.7 M mainly due to savings in park operations resulting from supply chain shortages (\$0.5 M) and COVID-19 related 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 of \$0.7 M.

Waste Management is forecasting a surplus of \$2.6 M. This is mainly the result of increased recycling commodity revenues due to increase in market rates for commodities such as Fibres and Steel of \$1.7 M. There was also an increase in Transfer Station / Community Recycling Centre (TS/CRC) revenues due to increased visits and tonnages (\$0.9 M). Favourable variances in the division were also a result of 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). The Waste Collection Contract is projecting a \$0.8 M deficit from the annual escalation factor impact of 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 is expected to mitigate its projected COVID-related deficit of \$7.4 M through Phase 1 utilization of emergency funding of \$1.65 M and Phase 3 projected utilization of \$5.8 M, resulting in a non-COVID related projected surplus for the year of \$0.9 M. Lost

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revenues for Transit are estimated at \$20.6 M in 2021 as a result of the COVID-19 pandemic lockdown in the first half of the year resulting from decreased ridership. The forecast assumes that approximately 43.1% of budgeted ridership will be achieved (56.9% projected loss in ridership) which equates to a revenue loss of 43.6% to budget.

A \$903 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 \$0.5 M, commission savings of \$2.2 M and DARTS, TransCab and Taxi Scrip contract agreement savings of \$12.6 M are expected to help offset the COVID-19 related impacts.

Transportation Operations and Maintenance is forecasting a surplus of \$5.7 M, after SRA / CRFMP funding is applied. The surplus is driven by gapping (\$3.5 M) and the Winter Season Roads Maintenance Program (\$2.2 M). There were decreased severity and quantity of winter events than budgeted, resulting in \$1.4 M of material and supplies savings and \$0.8 M in contractor activation savings.

The Public Works departmental gapping target, included in the explanations above, is \$2.2 M for the 2021 year. As at August 31, 2021, the projected year-end gapping amount is \$6.7 M, resulting in a projected surplus of \$4.5 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 August 31, 2021, the projected year-end gapping amount is \$47 K, resulting in a projected deficit of \$37 K.

### **City Manager's Office**

City Manager's Office is projecting a surplus of \$0.5 M in 2021, after SRA / CRFMP funding of \$140 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 \$618 K. The main drivers of the favourable variance were gapping (\$418 K) and savings in corporate leadership training due to COVID-19 restrictions (\$200 K).

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The Digital and Innovation Office is projecting a deficit of 207 K as a result of an expected shortfall in revenue for 2021.

The remaining divisions are forecasting a combined surplus of \$71 K. This is driven by net favourable gapping.

The City Manager's Office departmental gapping target is \$0.2 M for the 2021 year. As at August 31, 2021, the projected year-end gapping amount is \$0.6 M, resulting in a projected surplus of \$0.4 M.

### **Corporate Services Department**

Corporate Services is forecasting an overall surplus of \$1.1 M, after applying SRA / CRFMP funding of \$0.5 M. 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 \$89 K mainly due to a decrease in marriage certificates as a result of COVID-19 and an unfavourable variance of \$152 K in Legal Services and Risk Management due to gapping, as well as, offsetting favourable and unfavourable gapping across the Department.

SRA / CRFMP funding of \$0.5 M is applied to the Department, most significantly in the Customer Service, POA and Financial Integration Division (\$130 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 2021 year. As at August 31, 2021, the projected year-end gapping amount is \$1.1 M, resulting in a projected surplus of \$0.5 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:

- 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.

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- 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 \$876 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 \$2.9 M. This is attributable to the projected Library surplus of \$3.0 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 \$57 K, after applying SRA / CRFMP funding of \$46 K. This is due to decreased rental revenues from vacant stalls, additional costs due to fitting and repairing stalls in an effort to rent them and \$32 K in additional security costs, partially offset by \$44 K in favourable gapping.

Based on the most recent June Budget Exception Report (BER) projection presented to the Hamilton Police Services Board on September 16, 2021, Hamilton Police Services is forecasting an overall operating deficit of \$408 K and a capital financing surplus of \$939 K for a combined overall surplus of \$531 K.

#### Rate Supported Operating Budget

As at August 31, 2021, the Rate Supported Operating Budget is projecting a deficit of \$1.4 M mainly due to unfavourable revenues of \$2.8 M, partially offset by favourable operating expenses, inclusive of capital financing expenses, of 1.4 M.

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### Revenues

As of August 31st, total rate revenues are \$1.6 M below budget with a year-end forecast projected to be \$2.8 M unfavourable (1.2% under budget). A projected unfavourable variance is mainly due to a forecasted deficit in Industrial, Commercial and Institutional customers of \$4.5 M. This includes the net impact of several significant adjustments made for customers in 2021. Staff will continue to monitor the trends and impacts of the pandemic. At this time, no adjustment to the 2022 budget has been reflected. Partially offsetting the deficit is a surplus of \$2.4 M attributed to the 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. The City's water sales to Haldimand and Halton are forecasting to align with budget. Forecasted surplus water sales to haulers and third parties of \$550 K are offset by forecasted deficits in overstrength and sewer surcharge agreements of \$822 K.

Non-rate revenue is forecasting an unfavourable variance of \$500 K in Permits and Lease Agreements mainly due to the delay in issuing new construction permits as a result of the COVID-19 pandemic.

### Expenditures

Overall program spending for 2021 is projected to have an favourable variance of \$1.4 M. The driving factors behind this are shown in Table 3.

**Table 3**

<b>City of Hamilton - Rate Budget Operating Expenditures Variance Drivers</b>	
<b>Expenditure Types</b>	<b>Variance (\$000's)</b>
Contractual and Consulting	(1,579)
Employee Related Costs	739
Agencies and Support Payments	128
Buildings and Grounds	(1,209)
Materials and Supplies	(123)
Capital Financing	3,465
<b>Total Operating Expenditures</b>	<b>1,421</b>

Contractual expenditures are projecting an unfavourable variance of \$1.6 M largely due to increased soils testing and disposal to meet new compliance standards, increased Inlet and Outlet cleaning and maintenance, 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 due to decreased spending resulting from COVID-19.

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Employee related costs are estimating a favourable variance of \$739 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.

Agencies and Support Payments are forecasting a favourable variance of \$128 K primarily due to savings in Outreach and Education Program due to decreased spending resulting from COVID-19.

Buildings and Grounds is forecasting an unfavourable variance of \$1.2 M mainly due to increased utility costs at the Woodward Treatment Plant. Materials and supplies are projecting an unfavourable variance of \$123 K due to increased Polyaluminium Coagulant chemical costs used in the water and wastewater treatment at the Woodward Plant.

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

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

## **ALTERNATIVES FOR CONSIDERATION**

N/A

## **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” to Report FCS21070(a) – City of Hamilton Tax Operating Budget Variance Report as at August 31, 2021

Appendix “B” to Report FCS21070(a) – City of Hamilton 2021 Combined Water, Wastewater and Storm Operating Budget Variance Report as at August 31, 2021

Appendix “C” to Report FCS21070(a) – City of Hamilton Budget Amendment Schedule (Staff Complement Change)

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

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Appendix “E” to Report FCS21070(a) – City of Hamilton Budget Amendment Schedule  
(Budget Transfer to Another Division or Department)

Appendix “F” to Report FCS21070(a) – City of Hamilton 2021 COVID-19 Financial  
Forecast as at August 31, 2021

KP/DR/dt





**CITY OF HAMILTON**  
**TAX OPERATING BUDGET VARIANCE REPORT AS AT AUGUST 31, 2021**  
**(\$ 000's)**

	2021 Approved Budget	2021 Actuals to Aug 31	Projected Actuals to Dec. 31	2021 Projected Actuals vs Approved Budget		Comments/Explanations
				\$	%	
<b>PLANNING &amp; ECONOMIC DEVELOPMENT</b>						
General Manager	1,055	511	798	257	24.4%	Favourable variance mainly due to gapping of \$237 K, other small savings in meeting expenses, marketing and furniture and fixtures.
Transportation, Planning and Parking	1,977	4,265	2,038	(61)	(3.1)%	Unfavourable variance primarily attributed to provincial payment of \$177 K, staffing costs of \$96 K, partially offset by savings in contractual services of \$150 K due to reduced parking activity and information retrieval due to less issuance of fines of \$50 K. Lost parking revenues of \$6M have been offset by SRA/ CRFMP funding of \$6 M.
Building	1,112	4,180	1,161	(49)	(4.4)%	Unfavourable variance of \$49 K is due to consulting for AMANDA software, hardware and software costs for the purchase of additional computers offset by favourable variance in gapping and savings in other areas.
Economic Development	5,581	3,858	5,313	268	4.8%	Favourable variance of \$268 K is mainly due to net gapping savings and savings in Conferences and Training.
Growth Management	486	(4,489)	26	460	94.7%	Favourable variance of \$460 K mainly due to additional revenues in Sewer Repair permits and Sub processing fees offset by transfer to Development Fees Stabilization reserve. Net savings of \$490 K in gapping and Material & Supply partially offset by pressures in Contractual and Financial
Licensing & By-Law Services	6,801	5,097	6,267	534	7.9%	Unfavourable variance mainly attributed to lost revenues of \$65 K mainly due to COVID-19 and increased property work maintenance of \$175 K, credit card charges of \$29 K, building cleaning and other various costs of \$51K. These are partially offset by savings from staffing costs of \$95 K and SRA Funding of \$760 K.
Planning	3,856	133	3,425	431	11.2%	Favourable variance of \$431 K in revenues due to higher activity volumes offset by transfer to Development Fees Stabilization Reserve. Favourable variance due to net gapping savings.
Tourism & Culture	9,489	4,857	9,307	182	1.9%	Favourable variance mainly attributed to savings from COVID-19 related closures in gapping of \$139 K, contractual costs, material and supply, building & ground and savings in other miscellaneous costs. Partially offset by decreased revenues of \$295 K mainly due to COVID-19 with SRA/ CRFMP funding of \$116 K.
<b>TOTAL PLANNING &amp; ECONOMIC DEVELOPMENT</b>	<b>30,357</b>	<b>18,412</b>	<b>28,334</b>	<b>2,023</b>	<b>6.7%</b>	
<b>HEALTHY AND SAFE COMMUNITIES</b>						
HSC Administration	2,988	1,880	3,076	(88)	(3.0)%	Favourable variance of \$69 K in F&A due to \$84 K savings from temporary vacancies, step differential and savings in discretionary costs due to work from home (conferences, training), \$10 K COVID-19 Admin Recovery in OW. Offset by vacation, stat and retro payout (\$9 K), and maternity leave top up (\$15 K). COVID-19 - \$34 K less than budgeted attributable to savings for buyout of desktops and less wage for temporary Housing FAI (no levy pressure as offset by COVID-19 Safe Restart reserve).  Unfavourable variance of (\$157 K) in General Manager's Office partly due to Hamilton's Community Safety and Well-Being Plan HSC19032(b) (\$33 K) Salary & Benefits levy funded. HSC21024 GMO Staffing changes (\$6 K), GM role transition pressure of (\$125 K). Additionally, unfavourable variance due to budgeted gapping deficit (\$31 K) offset by \$21 K expenses due to work from home and underspent program costs of \$18 K.
Children's Services and Neighbourhood Development	11,415	6,014	10,854	561	4.9%	Favourable variance due to \$287 K savings due to COVID-19 redeployment to Public Health, \$96 K due to less spending in conferences, travel, meeting expenses. \$179 K savings in other program costs due to COVID-19. \$237 K saving due to four vacant positions, \$39 K for Snow Angels staff reduction.  Offset by new manager of Indigenous Strategies position (\$7 K), increased costs of medical and cleaning supplies at Red Hill Centre due to COVID-19 (\$11K), Overtime due to COVID-19 (\$12 K), and (\$245 K) LEAP subsidy loss due to offsetting savings.
Ontario Works	12,310	5,537	10,327	1,983	16.1%	Favourable variance of \$1.98 M due to underspending of \$342 K in the low income program due to a lack of referrals/program recoveries, \$222 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, \$142 K underspending of 2021 Ministry 50/50 provincial funds, \$94 K savings in bus pass expenses due to COVID-19 and \$80 K of additional Discretionary funding available, \$63 K in other savings across portfolios, \$723 K in Client Benefits due to COVID-19 closures impacting participation and availability of programming and low # of referrals, \$522 K gapping due to vacant positions, retirements, and the delays in the hiring process combined with recoveries for redeployed staff. Offset by a pressure of (\$116 K) in unbudgeted COVID-19 costs due to additional technology requirements to support virtual delivery and utilizing program savings rather than budgeted reserve and (\$281 K) for new desks and other costs to support return to the office.
Housing Services	46,717	28,474	43,215	3,502	7.5%	Favourable variance of \$3.5 M due to \$1.28 M unspent Housing Stability Benefit due to CERB COVID-19 payments, \$403 K in Rent Supplements and Housing Allowances due to COVID-19, \$161 K in gapping due to COVID-19 admin funding recoveries, \$(40 K) pressure in bus pass & transportation related to Presto passes, \$51 K Other program savings, \$1.21 M in Annual Information Return recoveries for Social Housing Providers offset by (\$515 K) Mortgage Adjustment and \$950K Women's shelter unused budget due to delays in program launch.

- ( ) Denotes unfavourable variance.

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**CITY OF HAMILTON**  
**TAX OPERATING BUDGET VARIANCE REPORT AS AT AUGUST 31, 2021**  
**(\$ 000's)**

	2021 Approved Budget	2021 Actuals to Aug 31	Projected Actuals to Dec. 31	2021 Projected Actuals vs Approved Budget		Comments/Explanations
				\$	%	
Long Term Care	11,525	6,954	9,448	2,077	18.0%	Favourable variance due to \$1.1 M in Employee Related Expenses due to staffing shortages, step differentials and gapping due to vacancies, \$4.7 M in unbudgeted provincial COVID-19 funding, \$339 K in unbudgeted provincial funding of Structural Compliance and lower co-payment resident rate than budgeted amount, \$1.4 M in MOHLTC provincial subsidy, \$270 K reduction in program cost due to COVID-19, \$444 K additional funding from Safe Restart Reserve to offset COVID-19 expenses, \$268 K due to increase funding for High Intensity Needs, \$24 K Medication Safety Technology funding. Offset by lost revenues of \$770 K in Accommodation Fees, Adult Day Program closure \$216 K, Meals on Wheels Program \$40 K, \$50 K in COVID-19 related spending, \$1.3 M COVID-19 medical supplies, \$2.6 M COVID-19 related overtime, salary, benefit and \$1.2 M PSW wage enhancement and \$280 K due to staff redeployment.
Recreation	35,320	21,853	35,264	56	0.2%	Favourable variance due to \$6.7 M in Employee Related Expenses, \$2.1 M in Net Savings in Operating, approximately \$1.1 M less than anticipated COVID-19 Safe Restart Funding requirements and \$498 K savings due to Maintenance Closures. Offset by (\$9.2 M) in lost revenue & (\$766 K) incremental costs due to COVID-19 closures, (\$310 K) non-budgeted Facilities Maintenance and (\$132 K) in golf cart rental.
Hamilton Fire Department	93,288	63,414	93,073	215	0.2%	Favourable variance due to savings in overall employee related costs. Offset partially by an unfavourable variance due to operational expenses including materials and supplies greater than budget and required vehicle repairs.
Hamilton Paramedic Service	28,102	17,326	30,318	(2,216)	(7.9)%	Unfavourable variance due to COVID-19 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-19 expenses in total, HPS will likely end the year in a surplus position (approx. \$600 K). If the Ministry does not fund the expected COVID-19 expenses, HPS would need to pull \$2.2 M from reserve to end the year with \$0 surplus/deficit. The City has applied to the Ministry for recovery of these funds.
Public Health Services	13,508	11,556	13,100	408	3.0%	Favourable variance of \$408 K is created by saving in levy and one-time funding programs. \$134 K of savings relates to Raccoon Rabies for one less staff than budgeted \$64 K of funding approved from the Ministry that was not budgeted. \$209 K of savings relates to staff in our 100% levy funded programs working in COVID-19 (\$47 K for Pest control, \$32 K for Air Quality control, \$80 K for Dental Bus & Municipal Dental treatments and \$50 K other levy programs). Forecast is based on the assumption that the Ministry will fund 100% of COVID-19 Extraordinary and Vaccine above the budgeted amounts for the mandatory programs.
<b>TOTAL HEALTHY AND SAFE COMMUNITIES</b>	<b>255,173</b>	<b>163,007</b>	<b>248,676</b>	<b>6,497</b>	<b>2.5%</b>	
<b>PUBLIC WORKS</b>						
PW-General Administration	635	612	635	0	0.0%	
Energy Fleet and Facilities	13,357	8,482	13,761	(404)	(3.0)%	Overall the Energy, Fleet & Facilities Management division is forecasting an unfavourable variance of (\$0.4M) mainly due to: • (\$254K) Unrealized Gapping • (\$150K) largely due to fleet parts obsolete Inventory write-off
Engineering Services	0	(239)	(450)	450	0.0%	The Engineering Services division is projecting a favourable surplus of \$450K attributed to: • \$450K 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	43,825	53,444	43,140	685	1.6%	The Environmental Services Division is forecasting a favorable variance of \$685 K: Favourable variance of \$1.5 M due to: • \$965 K Net gapping savings after staff redeployment to the Hamilton Public Health Vaccination Clinics (\$370 K COVID-19 related). 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 Offset by unfavourable variances of (\$780 K) mainly due to: • (\$705 K) (COVID-19) Incremental forecasted costs for labour, cleaning, PPE and other COVID-19 related expenses to maintain normal operations
Waste Management	44,516	(52)	41,960	2,555	5.7%	The Waste Management division is forecasting a favourable variance of \$2.6 M: Favourable variance of \$3.9 M due to: • \$1.7 M increased recycling commodity revenues due to increase in market rates for commodities such as Fibers and Steel • \$946 K increase in TS/CRC revenues due to increased visits and tonnages • \$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 • \$278 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 Unfavourable variance of (\$1.4 M) mainly due to: • (\$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

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**CITY OF HAMILTON**  
**TAX OPERATING BUDGET VARIANCE REPORT AS AT AUGUST 31, 2021**  
**(\$ 000's)**

	2021 Approved Budget	2021 Actuals to Aug 31	Projected Actuals to Dec. 31	2021 Projected Actuals vs Approved Budget		Comments/Explanations
				\$	%	
Transit	80,835	68,211	79,959	876	1.1%	The Transit division is forecasting a favourable variance of \$0.9 M: Projected unfavourable variance of (\$22.4 M) mainly due to the following: •(\$20.6 M) (COVID-19) deficit in Fare Revenue continues as a result of the COVID-19 pandemic lockdowns in the first half of the year resulting in decreased ridership and revenue. The forecast assumes that approximately 43.1% of budgeted ridership will be achieved (56.9% projected loss in ridership) which equates to a revenue loss of 43.6% to budget. •(\$903 K) (COVID-19) Due to COVID-19-19 emergency there has been continued delays experienced in replacing fleet, therefore there has been a need to continue to employ older fleet which is having a negative impact on Maintenance costs. •(\$494 K) (COVID-19) shortfall in Taxi Scrip and Charter revenue due to lower utilization of Taxi Scrip and cancellation of charters. •(\$237 K) (COVID-19) shortfall in advertising revenue partially offset by slight increase in total shelter advertising revenue for the year. •(\$181 K) (COVID-19) impact due to all enhanced bus cleaning due to COVID-19.  Offset by favourable variance of \$23.2 M largely due to: •\$7.43 M Safe Restart Funding Agreement (SRA) representing Phase 1 utilization of \$1.65 M and Phase 3 projected utilization of \$5.78 M. •\$14.9 M projected savings due to \$11.5 M (COVID-19) savings in DARTS contract; \$1.1 M (COVID-19) savings in Taxi Contract due to lower utilization of TransCab and Taxi Scrip programs; \$2.2 M (COVID-19) savings in the PRESTO commissions due to lower ridership. •\$522 K Net fuel savings comprised of \$744 K (COVID-19) consumption savings offset by (\$222 K) (Non-COVID-19) unfavourable impact due to higher prices for Diesel and Unleaded. •\$433 K favourable net gapping variance in employee related costs.
Transportation Operations & Maintenance	83,486	52,143	77,739	5,747	6.9%	The Transportation, Operations & Maintenance division is forecasting a surplus of \$5.7 M made up of the following: • \$3.5 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, difficulties recruiting etc.); • \$2.2 M favourable variance in the Winter Season Roads Program. The number and severity of winter events less than previous years resulting in \$1.4 M material and supplies savings and \$778 K in contractor activation savings
<b>TOTAL PUBLIC WORKS</b>	<b>266,653</b>	<b>182,601</b>	<b>256,745</b>	<b>9,909</b>	<b>3.7%</b>	
<b>LEGISLATIVE</b>						
Legislative General	(386)	(194)	(256)	(130)	33.7%	Savings in meetings, conferences and hosting budgets offset by communication modules, membership fees and gapping target.
Mayors Office	1,189	678	1,152	37	3.1%	Gapping due to temp vacancy, savings in conferences, consulting and contractual budgets offset by printing costs for Community Update prepared once per council term.
Volunteer Committee	125	15	125	0	0.0%	
Ward Budgets	4,236	2,668	4,237	(1)	(0.0)%	
<b>TOTAL LEGISLATIVE</b>	<b>5,164</b>	<b>3,167</b>	<b>5,258</b>	<b>(94)</b>	<b>(1.8)%</b>	
<b>CITY MANAGER</b>						
Office of the City Auditor	1,175	1,004	1,189	(14)	(1.2)%	Deficit due to gapping.
CMO - Admin	208	283	210	(2)	(1.0)%	Unfavourable variance mainly related to COVID-19 related costs mostly due to overtime for Communications staff.
Communications and Strategic Initiatives	2,421	1,561	2,318	103	4.3%	Favorable variance due to gapping and savings in communication administration expenses
Digital and Innovation Office	202	(32)	409	(207)	(102.5)%	Shortfall in revenue targets
Government & Community Relations	848	424	864	(16)	(1.9)%	Unfavorable variance due to gapping offset by unbudgeted HAARC consulting costs
Human Resources	8,163	4,910	7,545	618	7.6%	Favorable variance due to gapping and savings in corporate leadership training due to current restrictions
<b>TOTAL CITY MANAGER</b>	<b>13,017</b>	<b>8,150</b>	<b>12,535</b>	<b>482</b>	<b>3.7%</b>	
<b>CORPORATE SERVICES</b>						
City Clerk's Office	2,972	1,623	3,061	(89)	(3.0)%	Unfavourable Variance due to new printing software and fewer marriage licence and other revenues, less mailing offset by gapping and reduced printing
Customer Service, POA and Fin'l Integration	5,822	3,858	5,794	28	0.5%	Favourable variance due to employee related expenses, offset by Unfavourable variance due to internal debt repayment and COVID-19 expenses.
Financial Serv, Taxation and Corp Controller	4,083	1,309	3,577	506	12.4%	Favourable variance mainly due to temporary vacancies and better than plan Tax Certificates and Tax Transfer Fees.
Legal Services and Risk Management	3,578	3,193	3,730	(152)	(4.3)%	Unfavourable variance due to employee related costs and recruitment fees.
Corporate Services - Administration	328	209	333	(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	4,324	5,016	201	3.8%	Favourable variance mainly due to temporary vacancies.
Information Technology	15,212	7,757	14,568	644	4.2%	Favourable variance mainly due to temporary vacancies and savings in software and hardware and in Computer repairs.
<b>TOTAL CORPORATE SERVICES</b>	<b>37,212</b>	<b>22,273</b>	<b>36,080</b>	<b>1,132</b>	<b>3.0%</b>	Unfavourable variance due to COVID-19 expenses.

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**CITY OF HAMILTON**  
**TAX OPERATING BUDGET VARIANCE REPORT AS AT AUGUST 31, 2021**  
 (\$ 000's)

	2021 Approved Budget	2021 Actuals to Aug 31	Projected Actuals to Dec. 31	2021 Projected Actuals vs Approved Budget		Comments/Explanations
				\$	%	
<b>CORPORATE FINANCIALS</b>						
Corporate Pensions, Benefits & Contingency	3,797	5,321	5,894	(2,097)	(55.2)%	Anticipated deficit due to forecasted WSIB payments
Corporate Initiatives	15,654	(3,453)	17,854	(2,200)	(14.1)%	\$2.1 M for insurance premiums per Report LS21027 approved at GIC meeting on August 9, 2021.
<b>TOTAL CORPORATE FINANCIALS</b>	<b>19,451</b>	<b>1,868</b>	<b>23,748</b>	<b>(4,297)</b>	<b>(22.1)%</b>	
<b>HAMILTON ENTERTAINMENT FACILITIES</b>						
Operating	4,037	3,416	4,037	0	0.0%	HEF is projecting to be in line with budget for the year after applying \$876K of SRA funding to offset operating losses associated with the contract agreement.
<b>TOTAL HAMILTON ENTERTAINMENT FACILITIES</b>	<b>4,037</b>	<b>3,416</b>	<b>4,037</b>	<b>0</b>	<b>0.0%</b>	
<b>TOTAL CITY EXPENDITURES</b>	<b>631,064</b>	<b>402,894</b>	<b>615,412</b>	<b>15,653</b>	<b>2.5%</b>	
<b>CAPITAL FINANCING</b>						
Debt-Healthy and Safe Communities	3,546	(629)	3,029	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%	
Debt-Public Works	31,044	0	26,372	4,672	15.0%	
Debt-Corporate Financials	89,960	82,237	86,657	3,303	3.7%	
Infrastructure Renewal Levv	13,429	0	13,429	0	0.0%	
<b>TOTAL CAPITAL FINANCING</b>	<b>139,542</b>	<b>81,608</b>	<b>129,513</b>	<b>10,029</b>	<b>7.2%</b>	
<b>BOARDS &amp; AGENCIES</b>						
<b>Police Services</b>						
Operating	175,352	86,985	175,760	(408)	(0.2)%	Projections based on June BER report provided at the Hamilton Police Services Board Meeting on September 16th, 2021.
Capital Financing	1,235	0	296	939	76.0%	Principal and interest savings due to delay in debt issuance.
<b>Total Police Services</b>	<b>176,587</b>	<b>86,985</b>	<b>176,056</b>	<b>531</b>	<b>0.3%</b>	
<b>Other Boards &amp; Agencies</b>						
Library	32,030	18,029	29,060	2,970	9.3%	Projection of \$2.9 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	7,313	8,460	0	0.0%	
Hamilton Beach Rescue Unit	132	67	132	0	0.0%	
Royal Botanical Gardens	647	212	647	0	0.0%	
MPAC	6,980	5,151	6,980	0	0.0%	
Farmers Market	115	103	172	(57)	(49.8)%	Favourable gapping is offset by deficit in rental revenues caused by vacant stalls, additional costs with fitting and repairs of stalls in an effort to rent them, additional security costs.
<b>Total Other Boards &amp; Agencies</b>	<b>48,364</b>	<b>30,875</b>	<b>45,451</b>	<b>2,913</b>	<b>6.0%</b>	
<b>Capital Financing - Other Boards &amp; Agencies</b>	<b>166</b>	<b>0</b>	<b>0</b>	<b>166</b>	<b>100.0%</b>	
<b>City Enrichment Fund</b>	<b>6,088</b>	<b>3,091</b>	<b>6,088</b>	<b>0</b>	<b>0.0%</b>	
<b>TOTAL BOARDS &amp; AGENCIES</b>	<b>231,205</b>	<b>120,951</b>	<b>227,594</b>	<b>3,610</b>	<b>1.6%</b>	
<b>TOTAL EXPENDITURES</b>	<b>1,001,811</b>	<b>605,453</b>	<b>972,519</b>	<b>29,291</b>	<b>2.9%</b>	

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**CITY OF HAMILTON**  
**TAX OPERATING BUDGET VARIANCE REPORT AS AT AUGUST 31, 2021**  
**(\$ 000's)**

	2021 Approved Budget	2021 Actuals to Aug 31	Projected Actuals to Dec. 31	2021 Projected Actuals vs Approved Budget		Comments/Explanations
				\$	%	
<b>NON PROGRAM REVENUES</b>						
Slot Revenues	(5,200)	0	(5,200)	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)	(20,059)	(4,270)	170	(4.1)%	Actuals projected slightly higher than budgeted
Hydro Dividend and Other Interest	(5,281)	(3,542)	(5,363)	82	(1.6)%	
Tax Remissions and Write Offs	9,570	4,337	9,523	47	0.5%	Vacancy rebate has ended. Actuals will reflect clawbacks of prior vacancy rebates due to successful appeals.
Payment In Lieu	(16,400)	(17,502)	(17,007)	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)	(7,897)	(11,924)	924	(8.4)%	Higher Interest and Penalties Received
Right of Way	(3,227)	(3,229)	(3,229)	2	(0.1)%	
Senior Tax Credit	537	587	510	27	5.0%	
Supplementary Taxes	(9,925)	(4,855)	(9,925)	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)	(1,214)	210	(2,576)	108.9%	
<b>TOTAL NON PROGRAM REVENUES</b>	<b>(47,392)</b>	<b>(53,374)</b>	<b>(46,675)</b>	<b>(717)</b>	<b>1.5%</b>	
<b>TOTAL LEVY REQUIREMENT</b>	<b>954,419</b>	<b>552,079</b>	<b>925,844</b>	<b>28,574</b>	<b>3.0%</b>	

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**CITY OF HAMILTON**  
**2021 COMBINED WATER, WASTEWATER AND STORM OPERATING BUDGET**  
**BUDGET VARIANCE REPORT as at AUGUST 31st, 2021**

	2021 Council Approved Budget	2021 YTD Actuals as at August 31st	2021 Full-year Forecast	2021 Projected Variance \$ %	
<b><u>OPERATING EXPENDITURES:</u></b>	<b>\$</b>				
Divisional Administration & Support	2,464,490	1,732,375	2,612,750	(148,260)	(6.0%)
Woodward Upgrades	1,735,670	1,224,117	1,835,177	(99,507)	(5.7%)
Customer Service	325,250	165,048	247,934	77,317	23.8%
Outreach & Education	1,189,417	484,702	758,530	430,888	36.2%
Service Co-ordination	3,660,840	2,163,302	3,221,147	439,694	12.0%
Engineering Systems & Data Collection	1,172,372	309,398	571,107	601,265	51.3%
Compliance & Regulations	1,005,054	640,367	959,455	45,600	4.5%
Laboratory Services	3,553,884	2,508,059	3,705,037	(151,153)	(4.3%)
Environmental Monitoring & Enforcement	2,215,026	1,371,451	2,099,337	115,689	5.2%
Water Distribution & Wastewater Collection	22,563,399	13,053,853	23,871,167	(1,307,768)	(5.8%)
Plant Operations	27,373,740	19,939,632	29,010,320	(1,636,580)	(6.0%)
Plant Maintenance	11,577,879	6,650,985	10,729,602	848,278	7.3%
Capital Delivery	2,072,271	1,369,135	2,144,734	(72,463)	(3.5%)
Watershed Management	1,275,560	700,609	1,016,538	259,022	20.3%
Infrastructure Planning & System Design	2,799,873	1,732,788	2,589,714	210,159	7.5%
Gapping Target	(1,855,000)			(1,855,000)	100.0%
Wastewater Abatement Program	1,192,450	591,719	887,579	304,872	25.6%
Alectra Utilities Service Contract	5,712,000	3,822,194	5,733,291	(21,291)	(0.4%)
Corporate & Departmental Support Services	7,242,552	4,788,173	7,359,132	(116,580)	(1.6%)
Utilities Arrears Program	500,320	71,062	354,080	146,240	29.2%
Sewer Lateral Management Program	300,000	195,864	299,796	204	0.1%
Hamilton Harbour Remedial Action Plan	370,964	159,752	547,987	(177,023)	(47.7%)
Protective Plumbing Program (3P)	752,870	444,619	666,929	85,942	11.4%
Financial Charges	86,020	(2,893)	86,020	-	0.0%
<b>Sub-total</b>	<b>99,286,901</b>	<b>64,116,311</b>	<b>101,307,358</b>	<b>(2,020,458)</b>	<b>(2.0%)</b>
Capital and Reserve Recoveries	(8,635,161)	(11,834)	(8,611,797)	(23,363)	0.3%
<b>Operating Expenditures Sub-Total</b>	<b>90,651,740</b>	<b>64,104,477</b>	<b>92,695,561</b>	<b>(2,043,821)</b>	<b>(2.3%)</b>
<b><u>Capital and Reserve Impacts on Operating</u></b>					
<b><u>Contributions to Capital</u></b>					
Water Quality Initiatives	50,498,000	50,498,000	50,498,000	-	0.0%
Wastewater	57,237,984	57,237,984	57,237,984	-	0.0%
Stormwater	17,632,679	17,632,679	17,632,679	-	0.0%
<b>Sub-Total Contributions to Capital</b>	<b>125,368,663</b>	<b>125,368,663</b>	<b>125,368,663</b>	<b>-</b>	<b>0.0%</b>
<b><u>Contributions for DC Exemptions</u></b>					
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%
<b>Sub-Total Contributions for DC Exemptions</b>	<b>9,000,000</b>	<b>-</b>	<b>9,000,000</b>	<b>-</b>	<b>0.0%</b>
<b><u>Capital Debt Charges</u></b>					
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%
<b>Sub-Total Debt Charges</b>	<b>20,534,486</b>	<b>-</b>	<b>17,069,095</b>	<b>3,465,391</b>	<b>16.9%</b>
<b>Sub-Total Capital Financing</b>	<b>154,903,149</b>	<b>125,368,663</b>	<b>151,437,758</b>	<b>3,465,391</b>	<b>2.2%</b>
<b>Reserve Transfers</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.0%</b>
<b>Sub-Total Capital and Reserve Impacts on Operating</b>	<b>154,903,149</b>	<b>125,368,663</b>	<b>151,437,758</b>	<b>3,465,391</b>	<b>2.2%</b>
<b>TOTAL OPERATING EXPENDITURES</b>	<b>245,554,888</b>	<b>189,473,140</b>	<b>244,133,319</b>	<b>1,421,570</b>	<b>0.6%</b>

**REVENUES:**

**Rate Revenue**

Residential	107,653,756	65,854,026	110,053,756	2,400,000	2.2%
Industrial/Commercial/Institutional/Multi-res	118,417,217	63,375,299	113,967,217	(4,450,000)	(3.8%)
Haldimand	2,588,952	1,879,552	2,588,952	-	0.0%
Halton	269,837	130,250	269,837	-	0.0%
Raw Water	128,750	42,083	103,750	(25,000)	(19.4%)
Non-Metered	880,000	510,823	880,000	-	0.0%
Private Fire Lines	1,924,000	1,038,358	1,924,000	-	0.0%
Hauler / 3rd Party Sales	1,400,000	1,350,754	1,950,000	550,000	39.3%
Overstrength Agreements	3,210,510	1,159,800	3,012,854	(197,656)	(6.2%)
Sewer Surcharge Agreements	6,224,456	3,335,620	5,600,130	(624,327)	(10.0%)
<b>Sub-Total Utility Rates</b>	<b>242,697,478</b>	<b>138,676,565</b>	<b>240,350,496</b>	<b>(2,346,982)</b>	<b>(1.0%)</b>

**Non-Rate Revenue**

Local Improvement Recoveries	275,850	164,806	275,850	-	0.0%
Permits / Leases / Agreements	1,065,050	371,414	565,050	(500,000)	(46.9%)
Investment Income	450,000	-	450,000	-	0.0%
General Fees and Recoveries	1,066,510	705,648	1,066,510	-	0.0%

<b>Sub-Total Non-Rate Revenue</b>	<b>2,857,410</b>	<b>1,241,868</b>	<b>2,357,410</b>	<b>(500,000)</b>	<b>(17.5%)</b>
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<b>TOTAL REVENUES</b>	<b>245,554,888</b>	<b>139,918,433</b>	<b>242,707,906</b>	<b>(2,846,982)</b>	<b>(1.2%)</b>
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<b>NET SURPLUS / (DEFICIT)</b>	<b>(0)</b>	<b>49,554,707</b>	<b>1,425,413</b>	<b>(1,425,413)</b>	<b>(0.6%)</b>
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**CITY OF HAMILTON  
 BUDGET AMENDMENT SCHEDULE**

**STAFF COMPLEMENT CHANGE**

**Complement Transfer to another division or department <sup>(1,2)</sup>**

ITEM #	TRANSFER FROM				TRANSFER TO			
	<u>Department</u>	<u>Division</u>	<u>Position Title (2)</u>	<u>FTE</u>	<u>Department</u>	<u>Division</u>	<u>Position Title (2)</u>	<u>FTE</u>
1.1	Planning & Economic Development	Economic Development	Property Coordinator	1.0	Planning & Economic Development	Economic Development	Real Estate Consultant	1.0
<b>Explanation:</b> Unionized position #1764 declared redundant (JC 1259, Grade N) converted to Non-union position #12663 (JC7131, Grade 6). The impact of the change is absorbed in the current budget.								
1.2	Planning & Economic Development	Growth Management	Director Development Engineering	1.0	Planning & Economic Development	Growth Management	Sr Proj Mgr Devlt Approvals	1.0
<b>Explanation:</b> Downgrade Director 10 position to Sr Project Manager Development Approvals to support operational changes and increased activity. The financial savings will be reflected in the 2022 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	Legal Services and Risk Management	Inhouse-Outside Counsel - City	Solicitor	1.0	Legal Services and Risk Management	Inhouse-Outside Counsel - City	Solicitor	1.0
	<b>Explanation:</b> 24 month contract extended for position number 7580 (employee 128717) to October 21, 2023							
1.2	Corporate Services	Financial Planning, Administration & Policy	Sr. Financial Analyst	1.0	Corporate Services	Financial Planning, Administration & Policy	Sr. Financial Analyst	1.0
	<b>Explanation:</b> 24 month contract extended for position number 5152 to April, 2024							



**CITY OF HAMILTON  
BUDGET AMENDMENT SCHEDULE**

**Budget Transfer to another division or department**

ITEM #	TRANSFER FROM			TRANSFER TO		
	Department	Division	Amount	Department	Division	Amount
1.1	Planning and Economic Development	Growth Management	\$50,000	Planning and Economic Development	Economic Development	\$50,000
<b>Explanation:</b> \$50 K from Airport rent revenues allocated to Ec Dev division dept id 812036 for new temp unbudgeted positions						

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



**City of Hamilton  
2021 COVID-19 Financial Forecast  
As at August 31, 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		
<b>Planning &amp; Economic Development</b>									
General Manager	725				(725)		(725)	-	
Transportation, Planning and Parking	6,311,219				(6,311,219)		(6,311,219)	-	
Building	1,080				(1,080)		(1,080)	-	
Economic Development	7,517				(7,517)		(7,517)	-	
Growth Management	-				-		-	-	
Licensing & By-Law Services	759,518				(759,518)		(759,518)	-	
Planning	150				(150)		(150)	-	
Tourism & Culture	-				-		-	-	
<b>Planning &amp; Economic Development Subtotal</b>	<b>7,080,209</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(7,080,209)</b>	<b>-</b>	<b>(7,080,209)</b>	<b>-</b>	<b>-</b>
<b>Healthy and Safe Communities</b>									
HSC Administration	90,388				(90,388)		(90,388)	-	
Children's Services and Neighbourhood Development	-				-		-	-	
Ontario Works	-				-		-	-	
Housing Services	27,509,661	(20,784,841)			(4,779,721)	(1,945,099)	(27,509,661)	-	
Long Term Care	5,568,652				(851,652)		(5,568,652)	-	
Recreation	1,118,657				(1,118,657)		(1,118,657)	-	
Hamilton Fire Department	888,440				(888,440)		(888,440)	-	
Hamilton Paramedic Service	4,123,280		(1,316,990)		-		(1,316,990)	2,806,290	
Public Health Services	40,480,732		(40,480,732)		-		(40,480,732)	-	
<b>Healthy and Safe Communities Subtotal</b>	<b>79,779,810</b>	<b>(20,784,841)</b>	<b>(41,797,722)</b>	<b>-</b>	<b>(7,728,858)</b>	<b>(1,945,099)</b>	<b>(76,973,520)</b>	<b>2,806,290</b>	<b>-</b>
<b>Public Works</b>									
PW-General Administration	-				-		-	-	
Energy Fleet and Facilities	975,500				(975,500)		(975,500)	-	
Engineering Services	-				-		-	-	
Environmental Services	-				-		-	-	
Waste Management	-				-		-	-	
Transit	7,430,000			(7,430,000)			(7,430,000)	-	
Transportation Operations & Maintenance	210,962				(210,962)		(210,962)	-	
<b>Public Works Subtotal</b>	<b>8,616,462</b>	<b>-</b>	<b>-</b>	<b>(7,430,000)</b>	<b>(1,186,462)</b>	<b>-</b>	<b>(8,616,462)</b>	<b>-</b>	<b>-</b>
<b>Legislative</b>									
Legislative General	-				-		-	-	
Mayors Office	-				-		-	-	
Volunteer Committee	-				-		-	-	
Ward Budgets	-				-		-	-	
<b>Legislative Subtotal</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>City Manager</b>									
Office of the City Auditor	-				-		-	-	
CMO - Admin	140,000				(140,000)		(140,000)	-	
Communications and Strategic Initiatives	-				-		-	-	
Digital and Innovation Office	-				-		-	-	
Government & Community Relations	-				-		-	-	
Human Resources	-				-		-	-	
<b>City Manager Subtotal</b>	<b>140,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(140,000)</b>	<b>-</b>	<b>(140,000)</b>	<b>-</b>	<b>-</b>
<b>Corporate Services</b>									
City Clerk's Office	3,192				(3,192)		(3,192)	-	
Customer Service, POA and Fin'l Integration	129,767				(129,767)		(129,767)	-	
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)	-	
<b>Corporate Services Subtotal</b>	<b>457,412</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(457,412)</b>	<b>-</b>	<b>(457,412)</b>	<b>-</b>	<b>-</b>
<b>Hamilton Entertainment Facilities</b>									
Hamilton Entertainment Facilities	876,000				(876,000)		(876,000)	-	
<b>Hamilton Entertainment Facilities Subtotal</b>	<b>876,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(876,000)</b>	<b>-</b>	<b>(876,000)</b>	<b>-</b>	<b>-</b>
<b>Boards &amp; Agencies</b>									
Hamilton Farmers Market	45,571				(45,571)		(45,571)	-	
<b>Boards &amp; Agencies</b>	<b>45,571</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(45,571)</b>	<b>-</b>	<b>(45,571)</b>	<b>-</b>	<b>-</b>
<b>Corporate Financials &amp; Non-Program Revenue</b>									
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)	-	
<b>Corporate Financials &amp; Non-Program Revenue Subtotal</b>	<b>4,405,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,405,000)</b>	<b>-</b>	<b>(4,405,000)</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>101,400,464</b>	<b>(20,784,841)</b>	<b>(41,797,722)</b>	<b>(7,430,000)</b>	<b>(21,919,512)</b>	<b>(1,945,099)</b>	<b>(98,594,174)</b>	<b>2,806,290</b>	<b>-</b>





**Item 8.2**



Hamilton

**TAX AND RATE OPERATING BUDGET  
VARIANCE REPORT AS AT  
AUGUST 31, 2021**

**FCS21070(a)**

**Mike Zegarac**  
General Manager, Finance and Corporate Services

**November 18, 2021**  
Audit, Finance and Administration Committee

## AGENDA

1. Summary of 2021 Tax and Rate Operating Budget Variance  
Forecasts (Unaudited)
2. Update on 2021 COVID-19 Funding
3. Recommendations

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

	2021 Approved Budget	2021 Year-End Forecast	2021 Variance (Forecast vs Budget)	
			\$	%
<b><u>TAX SUPPORTED</u></b>				
Planning & Economic Development	30,357	28,334	2,023	6.7%
Healthy and Safe Communities	255,173	248,676	6,497	2.5%
Public Works	266,653	256,745	9,909	3.7%
Legislative	5,164	5,258	(94)	(1.8)%
City Manager	13,017	12,535	482	3.7%
Corporate Services	37,212	36,080	1,132	3.0%
Corporate Financials / Non Program Revenues	(27,941)	(22,927)	(5,014)	(17.9)%
Hamilton Entertainment Facilities	4,037	4,037	0	0.0%
<b>TOTAL CITY EXPENDITURES</b>	<b>583,672</b>	<b>568,737</b>	<b>14,936</b>	<b>2.6%</b>
Hamilton Police Services	175,352	175,760	(408)	(0.2)%
Library	32,030	29,060	2,970	9.3%
Other Boards & Agencies	16,334	16,391	(57)	(0.4)%
City Enrichment Fund	6,088	6,088	0	0.0%
<b>TOTAL BOARDS &amp; AGENCIES</b>	<b>229,804</b>	<b>227,299</b>	<b>2,505</b>	<b>1.1%</b>
<b>CAPITAL FINANCING</b>	<b>140,943</b>	<b>129,809</b>	<b>11,134</b>	<b>7.9%</b>
<b>TOTAL OTHER NON-DEPARTMENTAL</b>	<b>370,747</b>	<b>357,108</b>	<b>13,639</b>	<b>3.7%</b>
<b>TOTAL TAX SUPPORTED</b>	<b>954,419</b>	<b>925,845</b>	<b>28,574</b>	<b>3.0%</b>
<b>TOTAL RATE SUPPORTED</b>		<b>1,425</b>	<b>(1,425)</b>	<b>(0.6)%</b>

( ) Denotes unfavourable variance

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# 2021 Tax Supported Operating Budget Variance Forecast

## FORECAST CHANGES JUNE 30<sup>th</sup> VS. AUG. 31<sup>st</sup>

- Forecast vs. Aug. 31<sup>st</sup> is a surplus of \$28.6M vs. \$25.2M forecasted surplus as of June 30<sup>th</sup>
  - Housing Services more favourable mainly due to higher recoveries/housing stability benefits **\$2.5M**
  - Waste Management more favourable mainly due to increased recycling commodity revenues (Fibers and Steel) **\$2.3M**
  - Corporate Services more favourable mainly due to higher gapping and tax certificates revenue **\$0.9M**
  - Planning less favourable variance due to a higher contribution to the Development Fees Stabilization Reserve **\$1.5M**

## GAPPING (\$000's)

Net Gapping by Department	Gapping Target (\$000's)	Projected Gapping (\$000's)	Variance (\$000's)
Planning & Economic Development	\$ 853	\$ 2,296	\$ 1,443
Healthy and Safe Communities	\$ 952	\$ 3,971	\$ 3,019
Public Works	\$ 2,202	\$ 6,700	\$ 4,498
Legislative	\$ 84	\$ 47	\$ (37)
City Manager	\$ 225	\$ 647	\$ 422
Corporate Services	\$ 633	\$ 1,176	\$ 543
<b>Consolidated Corporate Savings</b>	<b>\$ 4,950</b>	<b>\$ 14,837</b>	<b>\$ 9,887</b>

# DEPARTMENT VARIANCES EXPLANATION SUMMARY

## MAIN DRIVERS

### Planning and Economic Development:

- **\$2.0M surplus** *after* Federal & Provincial funding
  - Combined gapping surplus **\$1.4M**
  - Planning revenues (higher volume) **\$0.4M**
  - Tourism contractual and materials **\$0.2M**
  - Forecasted COVID-19 financial pressures of \$7.1M, largely attributed to forgone parking revenues, are assumed to be offset from Safe Restart Agreement funding

# DEPARTMENT VARIANCES EXPLANATION SUMMARY

## MAIN DRIVERS

### Healthy and Safe Communities:

- **\$6.5M surplus after Federal & Provincial funding**
  - Combined gapping surplus **\$3.0M**
  - Housing Services favourable rent supplements and Housing Stability benefits **\$1.7M**
  - Ministry of Health unbudgeted Long-Term Care subsidies **\$1.7M**
  - Ontario Works savings due to additional subsidy and program intake **\$0.9M**
  - Forecasted deficit in Hamilton Paramedic Service for pending application of COVID-19 expenses **\$2.8M**
  - Total forecasted pressures of \$79.8M related to COVID-19 are assumed to be mostly mitigated through \$77.0M of revenues from the Social Services Relief Fund, Ministry of Health, Safe Restart Agreement, Municipal Funding for Municipalities Program and various other funding announcements for social services
  - \$1M of the Housing Services surplus has been committed for the 2022 Rent Ready Program



# DEPARTMENT VARIANCES EXPLANATION SUMMARY

## MAIN DRIVERS

### Public Works:

- **\$9.9M surplus after Federal & Provincial Funding**
  - Combined gapping surplus **\$4.5M**
  - Winter Season Roads Maintenance Program **\$2.2M**
  - Increased recycling commodity revenues **\$1.7M**
  - Increase in TS/CRC revenues due to increased visits and tonnage **\$0.9M**
  - Transit fuel savings **\$0.5M**
  - Forecasted COVID-19 financial pressures of \$8.6M offset by revenues from the Transit and Municipal Safe Restart Agreement funding. Financial pressures include forgone transit revenues net of DARTS savings, as well as enhanced cleaning for facilities, fleet and parks

# DEPARTMENT VARIANCES EXPLANATION SUMMARY

## MAIN DRIVERS

### Corporate Services:

- **\$1.1M surplus after Federal & Provincial funding**
  - Combined gapping surplus **\$1.2M**
  - Forecasted COVID-19 financial pressures of \$0.5M for enhanced cleaning and IT offset by Safe Restart Agreement funding

### City Manager's Office:

- **\$0.5M surplus after Federal & Provincial funding**
  - Combined gapping surplus **\$0.6M**
  - Forecasted COVID-19 financial pressures of \$0.2M for additional Communications resources offset by Safe Restart Agreement funding

# DEPARTMENT VARIANCES EXPLANATION SUMMARY

## MAIN DRIVERS

### Corporate Financials / Non Program Revenues:

- **\$5.0M** deficit *after* Federal & Provincial funding
  - Additional WSIB pressures **\$4.0M**
  - POA revenues **\$2.6M**
  - insurance premiums per Report LS21027 approved at GIC meeting on August 9, 2021 **\$2.1M**
  - Payment in lieu of taxes **\$0.6M**
  - Forecasted forgone slot revenues of \$2.6M and corporate expenses related to the COVID-19 pandemic response of \$1.8M are expected to be funded from the Safe Restart Agreement

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

	2021	2021	2021 Variance (Forecast vs. Budget)	
	Approved Budget	Year-End Forecast	\$	%
Hamilton Police Services	175,352	175,760	(408)	(0.2)%
Library	32,030	29,060	2,970	9.3%
Other Boards & Agencies	16,334	16,437	(57)	(0.4)%
City Enrichment Fund	6,088	6,088	0	0.0%
<b>TOTAL BOARDS &amp; AGENCIES</b>	<b>229,804</b>	<b>227,345</b>	<b>2,505</b>	<b>1.1%</b>
<b>CAPITAL FINANCING</b>	<b>140,943</b>	<b>129,809</b>	<b>11,134</b>	<b>7.9%</b>
<b>TOTAL OTHER NON-DEPARTMENTAL</b>	<b>370,747</b>	<b>357,154</b>	<b>13,639</b>	<b>100.0%</b>

( ) Denotes unfavourable variance

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# 2021 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	
			\$	%
<b>TOTAL EXPENDITURES</b>	245,555	244,133	1,422	0.6%
<b>TOTAL REVENUES</b>	(245,555)	(242,708)	(2,847)	1.2%
<b>NET</b>	-	1,425	(1,425)	(0.6%)

( ) Denotes unfavourable variance

## RATE REVENUES

- Forecasted deficit in total rate revenues largely driven by Industrial, Commercial and Institutional customers **\$2.8M**
  - Total deficit in ICI revenues is projected to be **\$4.5M**
  - This includes the net impact of several significant adjustments made for customers in 2021
  - Partially offsetting the deficit is a surplus of \$2.4M attributed to the increased demand from Residential customers, likely due to a combination of residents working and learning from home
  - Non-rate revenue is forecasting an unfavourable variance of (\$500 K) in Permits & Lease Agreements mainly due to the delay in issuing new construction permits as a result of COVID-19

## EXPENDITURES

- Overall program spending for 2021 is projected to have a favourable variance of **\$1.4M**
  - Capital Financing favourable variance due to timing in the issuance of debt **\$3.5M**
  - Employee related costs are estimating a favourable variance from staff vacancies and redeployment, and decreased spending in training and conferences due to COVID-19 **\$0.7M**
  - Contractual expenditures - unfavourable variance largely due to increased soils testing and disposal to meet new compliance standards **\$1.6M**
  - Building & Ground - unfavourable variance mainly due to increased utility costs at the Woodward Treatment Plant **\$1.2M**
  - Materials and supplies - unfavourable variance of (\$123K) due to increased chemical costs used in the water and wastewater treatment at the Woodward Plant **\$0.1M**



# COVID-19 FINANCIAL PRESSURES

## 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 - Transit & Municipal	COVID-19 Recovery Funding for Municipalities Program	Ministry of LTC		
Planning & Economic Development	7,080,209	-	-	(7,080,209)	-	-	(7,080,209)	-
Healthy and Safe Communities	79,779,810	(20,784,841)	(41,797,722)	(7,728,858)	(1,945,099)	(4,717,000)	(76,973,520)	2,806,290
Public Works	8,616,462	-	-	(8,616,462)	-	-	(8,616,462)	-
Legislative	-	-	-	-	-	-	-	-
City Manager	140,000	-	-	(140,000)	-	-	(140,000)	-
Corporate Services	457,412	-	-	(457,412)	-	-	(457,412)	-
Hamilton Entertainment Facilities	876,000	-	-	(876,000)	-	-	(876,000)	-
Boards & Agencies	45,571	-	-	(45,571)	-	-	(45,571)	-
Corporate Financials & Non-Program Revenue	4,405,000	-	-	(4,405,000)	-	-	(4,405,000)	-
<b>Total</b>	<b>101,400,464</b>	<b>(20,784,841)</b>	<b>(41,797,722)</b>	<b>(29,349,512)</b>	<b>(1,945,099)</b>	<b>(4,717,000)</b>	<b>(98,594,174)</b>	<b>2,806,290</b>

## OTHER RECOMMENDATIONS

- Staff complement transfers (Appendix C)
- Temporary contract extensions (Appendix D)
- Budget transfers (Appendix E)



THANK YOU