



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

<b>TO:</b>	Chair and Members Audit, Finance and Administration Committee
<b>COMMITTEE DATE:</b>	July 8, 2015
<b>SUBJECT/REPORT NO:</b>	Tax and Rate Operating Budget Variance Report as of April 30, 2015 - Budget Control Policy Transfers (FCS15052) (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	Katie Black (905) 546-2424, Extension 1335 Gloria Rojas (905) 546-2424, Extension 6247
<b>SUBMITTED BY:</b>	Mike Zegarac General Manager Finance & Corporate Services
<b>SIGNATURE:</b>	

### RECOMMENDATION

- (a) That, in accordance with the “Budget Control Policy”, the 2015 budget restatements, transferring budget from one department/division to another with no impact on the levy, as outlined in Appendix “C” to Report FCS15052, be approved;
- (b) That, in accordance with the “Budgeted Complement Control Policy”, the 2015 complement transfers, transferring complement from one department/division to another with no impact on the levy, as outlined in Appendix “D” to Report FCS15052, be approved.

### EXECUTIVE SUMMARY

Staff have committed to provide Council with three variance reports for the Tax and Rate Operating Budget during the fiscal year (Spring/Fall/Year-End). This is the first submission for 2015 based on the operating results as of April 30, 2015.

**Tax supported operations** are projecting an unfavourable variance of -\$2.9m (-0.4% of net levy). Primary contributors to this negative variance are the projected deficits in Public Works of -\$5.3m, Planning & Economic Development of -\$832k, Non Program Revenues of -\$600k and City Manager of -\$276k. Partially offsetting the deficit are savings in Capital Financing of \$3.5m, projected one-time grant revenue related to the 2013/2014 Ice Storm of \$2.7m and Community & Emergency Services of \$404k.

**SUBJECT: Tax and Operating Budget Variance Report as of April 30, 2015 -  
Budget Control Policy Transfers (FCS15052) (City Wide) - Page 2 of 9**

Staff will continue to monitor variances and review mitigation measures.

**Rate supported operations** are projecting a favourable variance of \$1.6m for the 2015 fiscal year, primarily due to debt charge savings of \$1.9m and \$872k in savings from employee-related costs. Partially offsetting the projected surplus is an unfavourable variance in revenues of -\$994k based on the current 2015 water consumption trends.

The following table summarizes the projected corporate results:

CITY OF HAMILTON 2015 Projected Year-End Variance (\$000's)				
	2015 Final Budget	2015 Year-End Forecast	Variance	
			\$	%
<b>TAX SUPPORTED</b>				
Planning & Economic Development	27,800	28,632	(832)	(3.0)%
Public Health Services	11,096	11,282	(186)	(1.7)%
Community & Emergency Services	230,856	230,452	404	0.2%
Public Works	215,406	220,721	(5,315)	(2.5)%
Legislative	4,288	4,288	0	0.0%
City Manager	13,064	13,340	(276)	(2.1)%
Corporate Services	20,127	20,030	97	0.5%
Corporate Financials/ Non Program Revenues	(31,252)	(30,944)	(308)	1.0%
Hamilton Entertainment Facilities	4,050	4,064	(14)	(0.4)%
<b>TOTAL CITY EXPENDITURES</b>	<b>495,435</b>	<b>501,866</b>	<b>(6,430)</b>	<b>(1.3)%</b>
Hamilton Police Services	148,148	148,148	0	0.0%
Library	28,514	28,514	0	0.0%
Other Boards & Agencies	12,118	12,118	0	0.0%
City Enrichment Fund	5,333	5,333	0	0.0%
<b>TOTAL BOARDS &amp; AGENCIES</b>	<b>194,112</b>	<b>194,112</b>	<b>0</b>	<b>0.0%</b>
<b>CAPITAL FINANCING</b>	<b>108,071</b>	<b>104,571</b>	<b>3,500</b>	<b>3.2%</b>
<b>TOTAL TAX SUPPORTED</b>	<b>797,618</b>	<b>800,549</b>	<b>(2,930)</b>	<b>(0.4)%</b>
<b>TOTAL RATE SUPPORTED</b>	<b>0</b>	<b>(1,551)</b>	<b>1,551</b>	<b>0.0%</b>
<b>TOTAL CITY</b>	<b>797,618</b>	<b>798,998</b>	<b>(1,379)</b>	<b>(0.2)%</b>

( ) - Denotes unfavourable variance

Appendix "A" to report FCS15052 summarizes the tax supported budget year-end variances by department and division and Appendix "B" to report FCS15052 summarizes the rate budget results by program.

### **2015 Budget Transfers**

In accordance with the “Budget Control Policy” & “Budgeted Complement Control Policy”, approved by Council in February 2012, staff are recommending three items. The tax budget restatements identified in Appendix “C” to Report FCS15052 transfer budget from one department/division within the same cost category to more accurately reflect the actual expense that is occurring. Completing these transfers simplifies the budget review process for the following year by ensuring comparable budget data. The complement transfers identified in Appendix “D” to Report FCS15052 transfer 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. The recommended transfers will not have an impact on the levy.

***Alternatives for Consideration – Departments will continue to monitor the operating results and will report any significant changes in their projections in the next operating budget variance report.***

### **FINANCIAL – STAFFING – LEGAL IMPLICATIONS (for recommendation(s) only)**

**Financial:** The financial information is provided in the analysis sections of this report.

**Staffing:** None.

**Legal:** None.

### **HISTORICAL BACKGROUND**

Staff have committed to provide Council with three variance reports on the Tax and Rate Operating Budget during the fiscal year (Spring/Fall/Final). This is the first submission for 2015 based on the operating results as of April 30.

### **POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS**

N/A

### **RELEVANT CONSULTATION**

This report is based on information provided from all the departments.

### **ANALYSIS AND RATIONALE FOR RECOMMENDATION (Include Performance Measurement/Benchmarking Data if applicable)**

The following provides an overview of the more significant issues affecting the 2015 projected operating deficit:

## **TAX SUPPORTED BUDGET**

The tax supported budget is forecasting a deficit of -\$2.9m for year-end. The major drivers are the projected deficits in Public Works, Planning & Economic Development, Non Program Revenues and City Manager, which are partially offset by savings in Capital Financing, Corporate Financials and Community & Emergency Services.

Departmental details are as follows:

### **Planning & Economic Development**

Overall the department is projected to have a negative variance of -\$832k for year-end.

The Growth Management division is showing a favourable variance of \$168k as a result of higher than anticipated revenue for Sewer Repair Permits Fees (\$80k) and positive gapping (\$85k).

Parking and By-law Services is forecasting a negative variance of -\$768k. This is largely attributed to a -\$1.7m shortfall in revenues for: Business licensing (-\$250k), Animal Tags (-\$260k), Sign Fees (-\$90k), Bingo (-\$110k), Inspection Fees (-\$285k), Fines (-\$620k) and non-budgeted overtime costs (-\$85k). This unfavourable variance is offset by increased Parking Revenue of \$210k, and net gapping of \$741k.

Tourism & Culture is forecasting an unfavourable variance of -\$211k, primarily due to backfilling of extended sick absences (-\$172k) and the remainder due to snow removal and ground maintenance expenses over budget due to five additional sites being added to the contract.

### **Public Health Services**

Public Health Services is expecting an unfavourable variance in 2015 of -\$186k.

Medical Officer of Health, Clinical & Preventative Services, Family Health, Healthy Protection and Healthy Living are forecasting a combined deficit of -\$332k. This is largely attributable to various staffing pressures and employee related costs partially offset by vacancies.

The Planning & Business Improvement division is projecting a positive variance of \$146k. This is mainly due to gapping due to an administrative review implementation mid-year, offset by staffing and consultant costs to support key records and information initiatives.

### **Community & Emergency Services**

The Community and Emergency Services Department is projecting a positive variance of \$404k for 2015.

**SUBJECT: Tax and Operating Budget Variance Report as of April 30, 2015 -  
Budget Control Policy Transfers (FCS15052) (City Wide) - Page 5 of 9**

---

The Administration – Community & Emergency Services, Children's & Home Management Services and Neighbourhood and Community Initiatives divisions are expecting a combined favourable variance of \$184k for year-end mainly due to gapping and timing of hires.

The Employment & Income Support division is forecasting a positive variance of \$526k attributed to favourable gapping combined with underspending in employment assistance as a result of a decrease in employment activities (January to June) due to the Social Assistance Management System (SAMS). This is partially offset by OW organizational review costs. It should be noted that Ontario Works client costs including Housing Stability Benefits are estimated based on current information available, however due to the lack of reporting capability and data integrity within SAMS, financial reports cannot be validated which may pose a potential risk with the reliability of this budget forecast.

Housing Services is reflecting a minimal positive variance of \$13k. Anticipated social housing pressures are assumed to be completely offset by funding from the Social Housing reserve balance.

Macassa and Wentworth Lodges are showing a combined favourable variance of \$41k as a result of unanticipated provincial subsidy increases and gapping partially offset by unbudgeted work accommodation and long term disability costs and required building maintenance and repairs.

In Recreation, a negative variance of -\$396k is expected mainly due to unfavourable variances in hydro costs as well as a reduction in revenues due to low registration and rentals and extended closures to Laurier, Dalewood and Jimmy Thompson centres which are partially offset by gapping due to vacancies and programming changes.

With respect to Hamilton Paramedic Service, currently the division is projecting to be on budget for 2015. However, this is predicated on receiving an additional \$480k in subsidy related to the 2015 paramedic enhancement. As staff advised during budget deliberations, there is some risk to receiving this funding as the Province normally funds based on prior year expenditures.

### **Public Works**

Public Works is forecasting an overall unfavourable variance of -\$5.3m in the Operations Division. A deficit of -\$4.9m in Roads Winter Control was caused by the severe weather in the first quarter of 2015. This caused an unfavourable variance in Materials & Supplies (-\$2.4m), Contractual Costs (-\$1.9m) and Vehicle Costs (-\$600k). The deficit of -\$400k in the Waste programs are caused by the declining prices of recycling commodities.

### **City Manager**

City Manager projects an unfavourable variance of -\$276k. Pressures arising from legal fees (HR), mediation and arbitration costs are partially offset by savings in Lease & Service contracts and positive gapping.

### **Corporate Services**

Corporate Services has an overall positive of \$97k. Savings due to gapping are partially offset by unfavourable variances in salaries, wages and benefits in the Customer Contact Centre due to the expanded Call Handling project temporary phase-in impact.

### **Corporate Financials/Non Program Revenues**

Corporate Financials/Non Program Revenues are projecting a -\$308k deficit, contributing factors are identified as follows:

### **Corporate Financials**

#### *Corporate Pensions / Benefits & Contingency*

The positive variance of \$328k is attributable to savings in corporate salary contingency.

### *Gapping*

For 2015, the City has budgeted \$4.5m in gapping savings corporately. As of April 2015, departments have identified \$2.5m in projected savings for the year. The following table summarizes the projection by department.

<b>NET GAPPING BY DEPARTMENT</b>	<b>(\$000's)</b>
Planning & Ec. Development	\$ 666
Public Health Services	\$ (43)
Community & Emergency Services	\$ 481
Public Works	\$ 1,175
Legislative	\$ -
City Manager	\$ 123
Corporate Services	\$ 99
<b>Consolidated Corporate Savings/ (Deficit)</b>	<b>\$ 2,502</b>

Council will note that the budget savings of \$4.5m resides in the Corporate Financials and the \$2.5m actual savings projection is identified within the department projections. The remaining amount required to achieve the target is \$2.0m and is identified in the Corporate Financials. If this does not materialize, a variance could result. Staff expect the gapping savings target should be met by year-end.

### *Corporate Initiatives*

A positive variance of \$2.7m is due to the projected one-time grant revenue related to the 2013/2014 Ice Storm.

### *Risk Management*

An unfavourable variance of -\$239k in Risk Management is largely attributable to the addition of Cyber and Terrorism policies.

### **Non-Program Revenues**

The Tax Remissions and Write Offs are expected to have an unfavourable variance of -\$400k due to additional grants relating to the LEED Grant Program to be paid by year-end. Slot revenues are also unfavourable at -\$200k under budget for 2015.

### **Capital Financing**

Due to delay in debt issuance, principal and interest savings of \$5.5m are projected. However, a \$2.0m transfer to the unallocated capital levy reserve during the year-end process has been assumed which aligns to the 2016 capital forecast.

### **Boards & Agencies**

There is no variance currently projected for Boards and Agencies, however, the appeal of the Niagara Peninsula Conservation Authority levy is on-going. If the appeal is unsuccessful the impact to the levy would be about \$780k.

## **RATE SUPPORTED BUDGET**

The Rate supported operating budget is projecting a favourable variance of \$1.6m for the 2015 fiscal year, representing 0.8% of the gross operating budget. A negative variance in revenues of -\$994k is being forecasted for year-end from rate revenue of -\$792k and General Fees of -\$202k. Projected savings in program and capital financing expenditures of \$2.5m by year-end is expected, which should mitigate the expected shortfall in revenues.

### **Revenues**

Rate related revenues are forecasted to reach a total shortfall of approximately -\$792k (0.4% of the total 2015 rate revenues) based on current 2015 water consumption trends. The Residential Sector is currently projected to have a revenue shortfall of -\$536k (0.3% short of budget) and the Multi-residential Industrial Commercial Institutional sector has a forecast shortfall of -\$329k (0.2% shortfall to budget). The expected shortfalls are attributed to continued conservation across all customer sectors.

A positive revenue variance for Overstrength Agreements of \$196k is projected but there is a revenue shortfall in Sewer Surcharge Agreements of -\$123k.

General Fees including User Fees are projected to have a shortfall of -\$202k or 9.0% of budget. Contributing factors include unfavourable variances in New Construction Permits at -\$231k and Other Recoverable Fees at -\$64k but revenues from Broken Damaged Meters are positive at \$69k, General Fees have a positive variance at \$63k and Construction Water Fees have a positive variance at \$51k.

**SUBJECT: Tax and Operating Budget Variance Report as of April 30, 2015 -  
Budget Control Policy Transfers (FCS15052) (City Wide) - Page 8 of 9**

---

**Expenditures**

Program spending for 2015 is projected to be a favourable variance of \$ 2.5m or 1.2% of gross budget by year-end. The driving factors behind this favourable expenditure variance are as follows:

<b>Expenditure Type</b>	<b>(000's)</b>
Debt Charges	\$ 1,937
Contractual Services	\$ (232)
Employee Related Costs	\$ 872
Materials & Supplies	\$ (416)
Building & Grounds	\$ 275
Vehicle Expenses	\$ 105
All Others (net)	\$ 4
<b>Total</b>	<b>\$ 2,545</b>

The Rate operating program budgets annually for servicing costs on new and existing debt based on debenture financing needs for approved capital projects. The favourable variance in Debt Charges of \$1.9m is due to delays in issuing debt as the existing capital projects are adequately funded.

Savings in Employee Related Costs of \$872k are mainly on account of gapping realized from staff vacancies.

Buildings and Grounds savings of \$275k are attributed to Utilities \$205k, Ground Maintenance at \$61k and all others at \$9k.

Vehicle Charges savings of \$105k included Central Fleet of \$80k and all others \$25k.

Materials and Supplies have a projected negative variance of -\$416k with operating Supplies at -\$385k, Equipment and Equipment Repairs at -\$81k and all others at \$50k.

Contractual cost category has a negative variance of -\$232k which includes Contractual Services at a negative variance of -\$159k, Rent at a negative variance of -\$76k, Snow Removal negative variance of -\$47k and savings of \$51k for all others.

Protective Plumbing Program (3P) is projected to equal its 2015 budget of \$2.5m as indicated by current trends.

**ALTERNATIVES FOR CONSIDERATION**

N/A



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

### **Strategic Priority #1**

A Prosperous & Healthy Community

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

#### **Strategic Objective**

1.6 Enhance Overall Sustainability (financial, economic, social and environmental).

### **Strategic Priority #2**

Valued & Sustainable Services

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

#### **Strategic Objective**

2.1 Implement processes to improve services, leverage technology and validate cost effectiveness and efficiencies across the Corporation.

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

### **Strategic Priority #3**

Leadership & Governance

*WE work together to ensure we are a government that is respectful towards each other and that the community has confidence and trust in.*

#### **Strategic Objective**

3.4 Enhance opportunities for administrative and operational efficiencies.

## **APPENDICES AND SCHEDULES ATTACHED**

- Appendix A to report FCS15052 Tax Operating Budget Variance Report to April 30, 2015
- Appendix B to report FCS15052 Rate Operating Budget Variance Report to April 30, 2015
- Appendix C to report FCS15052 Budget Restatement Schedule
- Appendix D to report FCS15052 Budgeted Complement Transfer Schedule