



Hamilton

TAX AND RATE OPERATING BUDGET
VARIANCE REPORT AS AT
DECEMBER 31, 2017
FCS17060(b)

Audit, Finance & Administration Committee – April 23, 2018

AGENDA

1. Summary of Tax and Rate Operating Budget Variance (Unaudited)
2. Tax Supported Operating Budget Variance Explanations
3. Rate Supported Operating Budget Variance Explanations
4. Surplus Disposition Recommendations

2017 YEAR-END VARIANCE (\$'000s)

	2017 Approved Budget	2017 Year-End Actuals	Variance	
			\$	%
TOTAL CITY EXPENDITURES	524,412	506,093	18,319	3.5%
TOTAL BOARDS & AGENCIES	204,597	204,535	63	0.0%
CAPITAL FINANCING	116,383	109,796	6,587	5.7%
TAX SUPPORTED	845,392	820,424	24,969	3.0%
PROGRAM EXPENDITURES	0	(13,532)	13,532	100.0%
CAPITAL FINANCING	0	(4,569)	4,569	100.0%
RATE SUPPORTED	0	(18,101)	18,101	100.0%
TOTAL	845,392	802,323	43,070	5.1%

() - Denotes unfavourable variance

Tax Supported Operating Budget Variance (Unaudited)

CITY DEPARTMENT VARIANCES

(\$000's)

	2017 Approved Budget	2017 Year-End Actuals	Variance	
			\$	%
<u>TAX SUPPORTED</u>				
Planning & Economic Development	28,408	27,763	645	2.3%
Public Health Services	12,090	11,670	420	3.5%
Community & Emergency Services	226,517	225,211	1,306	0.6%
Public Works	230,063	220,573	9,490	4.1%
Legislative	4,875	4,533	342	7.0%
City Manager	10,146	9,677	469	4.6%
Corporate Services	24,902	23,461	1,441	5.8%
Corporate Financials / Non Program Revenues	(16,353)	(20,423)	4,070	24.9%
Hamilton Entertainment Facilities	3,764	3,628	136	3.6%
TOTAL CITY EXPENDITURES	524,412	506,093	18,319	3.5%

() Denotes unfavourable variance

DEPARTMENT VARIANCES EXPLANATION SUMMARY

Public Works: \$9.5 M departmental surplus

- Operations - \$5.8 M
 - Gapping - \$2.3 M
 - Winter Season - \$2.5 M
 - Gapping - \$0.7 M
 - Hired Equipment & Snow Disposal - \$1.0 M
 - De-icing Material - \$0.8 M
- Recycling - \$2.4 M
 - Revenues - \$2.2 M
 - Vehicle Costs - \$0.2 M
- Parks - \$1.1 M
 - Gapping - \$0.8 M
 - Deferred Maintenance and offsetting operating costs - \$0.3 M
- Transit - (\$0.2 M)
 - Employee costs \$0.6 M
 - Vehicle expenses \$0.9 M
 - Revenues (\$1.6 M)
 - Darts (\$0.2 M)

DEPARTMENT VARIANCES EXPLANATION SUMMARY

Community and Emergency Services:

- \$1.3 M departmental surplus
- \$1.5 M favourable Housing Services variance
 - Social Housing prior year end reconciliation adjustments, property taxes & RGI subsidy; \$2.1 million transferred to Social Housing Reserve
 - CHPI program costs underspent
- \$964 K favourable Recreation variance - temporary closures of recreational facilities
- \$529 K favourable Ontario Works variance – maximizing additional available subsidies
- Partially offset by unfavourable employee related costs:
 - Macassa Lodge (\$462 K)
 - Wentworth Lodge (\$171 K)
 - Paramedics: (\$145 K)

DEPARTMENT VARIANCES EXPLANATION

SUMMARY

Corporate Services:

- \$1.4 M departmental surplus
 - \$980 K gapping surplus
 - \$433 K surplus in tax transfer revenues, other tax revenues, and other minor savings.

Other Departments:

- Planning and Economic Development (\$645 K favourable variance)
 - Gapping and favourable revenues in the Licensing & By-Law Services, Tourism & Culture, Planning divisions
- Public Health (\$420 K favourable variance)
 - Gapping as a result of timing of vacancies and hires across divisions, additional unbudgeted subsidies received, and maximization of available subsidies
- City Manager's Office (\$469 K favourable variance)
 - Gapping and savings in contractual, consulting and training expenditures in the Human Resources division.

DEPARTMENT VARIANCES EXPLANATION SUMMARY

Corporate Financials / Non Program Revenues:

- \$3.8 M unfavourable variance (Corporate Financials)
 - Budget savings of \$4.5 M - Gapping
- \$7.9 M favourable variance (Non Program Revenues)
 - Hamilton Utilities Corporation/Alectra dividends \$5.0 M favourable
 - Supplementary taxes of \$2.1 M
 - Other tax revenues of \$1.4 M
- HST Audit
 - On January 10, 2018, the City received the results of a Canada Revenue Agency (CRA) audit (Jan 2014 – June 2016) on Harmonized Sales Tax (HST).
 - The HST audit resulted in a reassessment of approximately \$1.4 M . The obligation to the City was \$0.9 M.

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

	2017 Approved Budget	2017 Year-End Actuals	Variance	
			\$	%
Hamilton Police Services	156,617	156,005	612	0.4%
Library	29,339	29,172	167	0.6%
Other Boards & Agencies	12,601	13,317	(716)	(5.7)%
City Enrichment Fund	6,040	6,040	0	0.0%
TOTAL BOARDS & AGENCIES	204,597	204,535	63	0.0%
CAPITAL FINANCING	116,383	109,796	6,587	5.7%
TOTAL OTHER NON-DEPARTMENTAL	320,980	314,331	6,650	2.1%

* Anomalies due to rounding

() Denotes unfavourable variance

SALARY/WAGE GAPPING

- For 2017, the City corporately budgets \$4.5 M in gapping savings related to expected staff vacancies.
- Net gapping savings amounted to \$7.0 M, or a \$2.5 M gapping surplus.

NET GAPPING BY DEPARTMENT	(\$000's)
Planning & Economic Development	\$ 524
Public Health Services	\$ 285
Community & Emergency Services	\$ 508
Public Works	\$ 4,023
Legislative	\$ -
City Manager	\$ 659
Corporate Services	\$ 980
Consolidated Corporate Savings/ (Deficit)	\$ 6,979

Rate Supported Operating Budget Variance Forecast

2017 RATE OPERATING BUDGET PROJECTED YEAR-END VARIANCE (\$000's)

	2017 Approved Budget	2017 Actuals Dec-31	2017 Actuals vs. 2017 Approved Budget	
			\$	%
OPERATING EXPENDITURE	90,687	77,162	13,526	14.9%
CAPITAL AND RESERVE IMPACTS	109,982	105,413	4,569	4.2%
TOTAL EXPENDITURES	200,670	182,575	18,095	9.0%
RATE REVENUE	(197,867)	(197,850)	(17)	0.0%
NON-RATE REVENUE	(2,803)	(2,826)	23	(0.8%)
TOTAL REVENUES	(200,670)	(200,676)	6	(0.0%)
NET REVENUE / EXPENDITURE	-	(18,101)	18,101	9.0%

2017 RATE OPERATING BUDGET YEAR-END VARIANCE BY EXPENDITURES (\$000's)

Expenditure Type	Variance (\$000's)
Contractual	3,825
Employee Related	3,087
Materials & Supplies	3,037
Buildings & Grounds	2,158
Agencies & Support Payments	1,760
Recoveries	-
Cost Allocations	32
Vehicle Expenses	(90)
Reserve & Capital Recoveries	(110)
Financial Charges	(220)
Total Operating	13,478
Debt Charges	7,864
Contributions for DC Exemptions	-
DC Debt Charges Recoveries	(3,247)
Capital Financing	4,617
Total Expenditures	18,095

Recommendations

Lower Reliance on Reserves:

- Tax Stabilization
 - 2017 Budget Reduction Plan costs of \$3.2 M absorbed in departments
 - \$0.26 M Paramedics costs absorbed in department
- Sick Bank Reserve
 - \$1.6 M absorbed within departments

Strengthening of Reserves:

- Social Housing \$2.1 M
- Development \$1.7 M
- Parking \$1.3 M

DEVELOPMENT CHARGES

DC EXEMPTIONS	5 Year Total (2013 - 2017)
Exemptions	\$ 110,604,987
Unfunded	\$ (66,450,112)
Funded	\$ 44,154,875

Proposed Transfer to increase direct dollar funding for Non-Res Roads	\$ 8,000,000
--	---------------------

RECOMMENDATIONS

In addition to the budget and complement transfers outlined in Appendix “C” and “D”, additional recommendations are as follows:

- That the Social Housing Stabilization Reserve (110041), with a balance of approximately \$2.1M, be repurposed from a stabilization reserve to providing development charge exemptions for affordable housing;
- That, subject to final audit, the Disposition of 2017 Year-End Operating Budget Surplus / Deficit be approved, as follows:

2017 YEAR-END DISPOSITION

DISPOSITION / RECONCILIATION OF YEAR-END SURPLUS/ (DEFICIT)	\$	\$
Corporate Surplus from Tax Supported Operations		\$ 24,969,167
Less: Disposition to Self-Supporting Programs & Agencies		\$ (778,531)
Police (Transfer to Police Reserve)	\$ (611,711)	
Library (Transfer to Library Reserve)	\$ (166,820)	
Balance of Corporate Surplus		\$ 24,190,636
Less: Transfer to Unallocated Capital Levy Reserve		\$ (6,586,334)
Less: Transfer to Unallocated Capital for 2019 and 2020 Capital Financing Plan		\$ (5,000,000)
Less: Transfer to the Non-Residential Roads Development Charge Reserve		\$ (8,000,000)
Less: Transfer to Flamborough Capital Reserve		\$ (272,000)
Less: Transfer to Tax Stabilization Reserve		\$ (4,332,302)
Balance of Tax Supported Operations		\$ 0
Corporate Surplus from Rate Supported Operations		\$ 18,101,234
Less: Transfer to the Rate Supported Water Reserve		\$ (8,698,579)
Less: Transfer to the Rate Supported Wastewater Reserve		\$ (7,771,462)
Less: Transfer to the Rate Supported Stormwater Reserve		\$ (1,631,193)
Balance of Rate Supported Operations		\$ 0



Hamilton

THANK YOU