

**TAX AND RATE OPERATING BUDGET
VARIANCE REPORT AS AT
DECEMBER 31, 2018
FCS18067(b)**

Audit, Finance & Administration Committee – April 18, 2019

- 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**

2018 YEAR-END VARIANCE (\$'000s)

CONSOLIDATED CORPORATE SURPLUS / (DEFICIT)	\$
Tax Supported Programs	
Police	\$ 1,056
Library	\$ 37
Farmers Market	\$ 40
Other Boards & Agencies	\$ (2,444)
Capital Financing	\$ 5,085
Other Tax Supported Programs	\$ 4,519
Total Tax Supported Surplus	\$ 8,292
Rate Supported Programs	
Operations	\$ 12,508
Capital Financing	\$ 2,757
Revenues	\$ 1,202
Total Rate Supported Surplus	\$ 16,467
Consolidated Corporate Surplus / (Deficit)	\$ 24,759

() Denotes unfavourable variance

Tax Supported Operating Budget Variance (Unaudited)

CITY DEPARTMENT VARIANCES

(\$000's)

	2018 Approved Budget	2018 Year-End Actuals	Variance	
			\$	%
<u>TAX SUPPORTED</u>				
Planning & Economic Development	28,954	27,625	1,329	4.6%
Healthy and Safe Communities	240,103	236,929	3,174	1.3%
Public Works	231,558	233,244	(1,686)	(0.7)%
Legislative	4,880	4,449	431	8.8%
City Manager	10,556	10,387	169	1.6%
Corporate Services	28,474	27,205	1,269	4.5%
Corporate Financials / Non Program Revenues	(25,031)	(24,400)	(631)	(2.5)%
Hamilton Entertainment Facilities	3,618	3,154	464	12.8%
TOTAL CITY EXPENDITURES	523,112	518,593	4,519	0.9%

() Denotes unfavourable variance

DEPARTMENT VARIANCES EXPLANATION SUMMARY

Planning and Economic Development: \$1.3M Favourable Variance

Transportation, Planning and Parking Division: \$843K Favourable	Higher revenue of \$470K (net of \$1.8M additional plate denial program revenue after transferring to reserve)
	Gapping surplus of \$220K
	Divisional efficiencies of \$150K mainly in contractual and building services

Growth Management Division: \$310K Favourable	Gapping surplus of \$458K
	Savings in computer software of \$42K
	Increased airport revenues net of \$164K after transferring to reserve
	Offset by lower than budgeted Recovery from Capital of \$194K
	Savings in admin expenses of \$160K

Tourism and Culture Division: -\$129K Unfavourable	Gapping pressures of \$581K unfavourable
	Offset by higher revenue, federal grants of \$236K
	Savings in contractual, grounds and building cost of \$216K

DEPARTMENT VARIANCES EXPLANATION SUMMARY

Healthy and Safe Communities: \$3.2M Favourable Variance

Long Term Care Division: \$1.6M Favourable	Approved provincial subsidy increase of \$285K Gapping of \$850K Hydro savings of \$325K
OW Division: \$1.3M Favourable	Additional subsidy of \$476K Gapping of \$455K
Housing Services Division: \$1.1M Favourable	Available subsidy of \$212K Social Housing prior year reconciliation (AIR) for revenue rents, RGI, property taxes and mortgages of \$3M Offset by a reserve transfer for housing allowances of \$2M and Unbudgeted staffing costs of \$227K
Public Health Division: \$808K Favourable	Unbudgeted provincial subsidy increase of \$680K Gapping of \$148K
Hamilton Fire: \$725K Favourable	Savings in employee related cost of \$755K Savings in utilities cost of \$125K Offset by increased facilities cost recovery of \$220K
Hamilton Paramedic Services: -\$1.9M Unfavourable	Increased employee related cost of \$1.3M Budgeted ministry funding not received of \$402K Increased medical supplies costs of \$352K

DEPARTMENT VARIANCES EXPLANATION SUMMARY

Public Works Department: -\$1.7M Unfavourable Variance

Transit Division: -\$1.8M Unfavourable	Gapping pressure of \$1.6M
	DARTS contract pressure net of \$300K
Energy, Fleet and Facilities (EFF): -\$1.8M Unfavourable	Pressure from payroll related cost net of \$300K
	Central Fleet (\$335K): less billable hours due to staff shortage
	Operating vacant facilities (300K)
	Golf courses had loss of \$302K
Environmental Services: -\$268K Unfavourable	Increased contractual cost of \$790K
	Incentive payment for landfill of \$648K
	Higher operating cost of \$500K for Parks & Cemeteries
	Favourable gapping of \$1.5M
Engineering Services: \$1.4M Favourable	Streetlighting program savings of \$850K
	Corridor Management program revenue of \$550K
Transportation Operations & Maintenance: \$763K Favourable	Gapping savings of \$1.9M
	Offset by reduced capital recoveries and higher cost total of \$1.2M

DEPARTMENT VARIANCES EXPLANATION SUMMARY

Legislative: \$431K Favourable	Savings from consulting & contractual services
City Manager's Office: \$169K Favourable	Savings in HR Division of \$307K Gapping savings Savings in consulting & training expenditures
Corporate Services: \$1.3M Favourable	Gapping savings Higher revenue in Financial Services (\$794K) and FPAP (\$273K) IT: savings in gapping & computer expenses
Corporate Financials: \$200K Unfavourable	Pressure from higher than budgeted WSIB claim payouts of \$2.6M Savings from lower insurance claims of \$1.7M Savings of \$700K from additional interest income, HST adjustment & cheques written off
Non Program Revenues: -\$476K Unfavourable	Deficit of -\$3.2M in General Revenues (timing of HUC dividends receipt, decreased POA revenue) Surplus of \$2.7M in Tax Revenues (Supplementary taxes, penalties & interest, PILs)
Hamilton Entertainment Facilities (HEF): \$464K Favourable	Higher contract revenues with Global Spectrum Offset by additional facilities cost

CAPITAL FINANCING / BOARDS & AGENCIES VARIANCES (\$000's)

	2018 Approved	2018 Year-End	Variance	
	Budget	Actuals	\$	%
Hamilton Police Services	160,470	159,414	1,056	0.7%
Library	29,981	29,944	37	0.1%
Other Boards & Agencies	12,872	15,277	(2,405)	(18.7)%
City Enrichment Fund	6,023	6,023	0	0.0%
TOTAL BOARDS & AGENCIES	209,346	210,658	(1,312)	(0.6)%
CAPITAL FINANCING	125,523	120,438	5,085	4.1%
TOTAL OTHER NON-DEPARTMENTAL	334,869	331,096	3,773	1.1%

* Anomalies due to rounding

() Denotes unfavourable variance

CAPITAL FINANCING / BOARDS & AGENCIES VARIANCES EXPLANATION SUMMARY

Capital
Financing:
\$5.1M
Favourable

Lower debt charges due to budgeted debt not issued to date

Boards &
Agencies
-\$2.4M
Unfavourable

NPCA Appeal resulted in -\$2.4M Unfavourable variance

Farmers' Market had \$39K surplus due to increased rent and sponsorship

Library had \$37K surplus primarily from gapping

Police Services: \$1.1M surplus

SALARY/WAGE GAPPING

- For 2018, the City corporately budgets \$4.5 M in gapping savings related to expected staff vacancies.
- Net gapping savings amounted to \$9.3 M, or a \$4.8 M gapping surplus.

NET GAPPING BY DEPARTMENT	2018 ACTUAL GAPPING (\$000's)
Planning & Economic Development	\$ 1,500
Healthy and Safe Communities	\$ 2,400
Public Works	\$ 3,500
Legislative	\$ 23
City Manager	\$ 404
Corporate Services	\$ 1,500
Consolidated Corporate Savings	\$ 9,327

Rate Supported Operating Budget Variance Forecast

2018 RATE OPERATING BUDGET PROJECTED YEAR-END VARIANCE

(\$000's)

	2018 Approved Budget	2018 Actuals at Dec. 31	2018 Actuals vs. Approved Budget	
			\$	%
Operating Expenditures	93,738	81,076	12,662	13.5%
Capital & Reserve Impacts	117,125	114,523	2,603	2.2%
Total Expenditures	210,863	195,599	15,265	7.2%
Rate Revenue	207,838	209,282	1,444	0.7%
Non-Rate Revenue	3,025	2,784	(242)	(8.0)%
Total Revenues	210,863	212,066	1,202	0.6%
Net Surplus	0	16,467	16,467	7.8%

2018 RATE OPERATING BUDGET YEAR-END VARIANCE BY EXPENDITURES (\$000's)

Expenditure Type	Variance (\$000's)
Contractual	4,677
Employee Related	3,337
Materials & Supplies	2,418
Buildings & Grounds	3,543
Agencies & Support Payments	1,254
Cost Allocations	(9)
Vehicle Expenses	6
Reserve & Capital Recoveries	(2,994)
Financial Charges	276
Total Operating	12,508
Debt Charges	5,512
Contributions for DC Exemptions	-
DC Debt Charges Recoveries	(2,755)
Capital Financing	2,757
Total Expenditures	15,265

Recommendations

DEVELOPMENT CHARGES

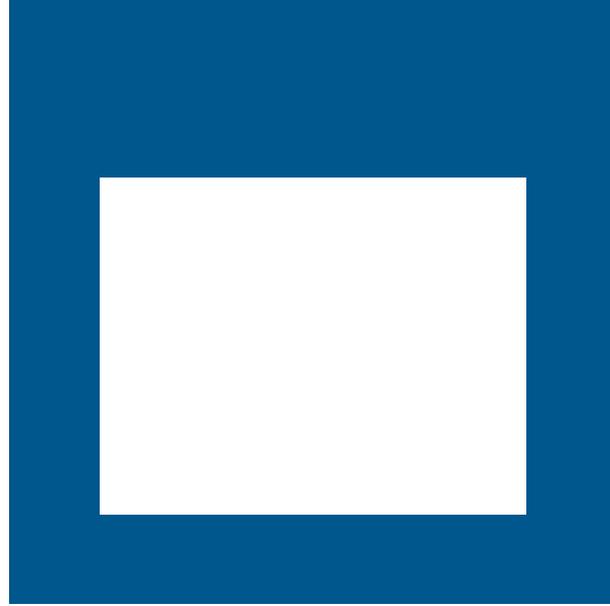
DC EXEMPTIONS	6 Year Total (2013 - 2018)
Exemptions	\$ 119,987,900
Funded	\$ (53,349,703)
Unfunded	\$ 66,638,197
Proposed Transfer to increase direct dollar funding for Non-Res Roads	\$ 538,630
Transfer to Rate Supported DC Reserves	\$ 2,700,000

RECOMMENDATIONS

- 2018 complement transfers outlined in Appendix “C”, be approved;
- Subject to final audit, the Disposition of 2018 Year-End Operating Budget Surplus / Deficit be approved, as follows:

DISPOSITION / RECONCILIATION OF YEAR-END SURPLUS/ (DEFICIT)	\$	\$
Corporate Surplus from Tax Supported Operations		\$ 8,291,887
Less: Disposition to Self-Supporting Programs & Agencies		\$ (1,132,176)
Police (Transfer to Police Reserve)	\$ (1,055,515)	
Library (Transfer to Library Reserve)	\$ (37,144)	
Farmers Market (Transfer to Hamilton Farmers Market Reserve)	\$ (39,517)	
Balance of Corporate Surplus		\$ 7,159,711
Less: Transfer to Unallocated Capital Levy Reserve		\$ (5,085,049)
Less: Transfer to Flamborough Capital Reserve		\$ (346,362)
Less: Transfer to the Non-Residential Roads Development Charge Reserve		\$ (538,630)
Less: Transfer to Hamilton Entertainment Facilities - Capital Projects Reserve		\$ (464,325)
Less: Transfer to Vehicle Replacement Reserve - Fire		\$ (725,345)
Balance of Tax Supported Operations		\$ 0
Corporate Surplus from Rate Supported Operations		\$ 16,467,202
Less: Transfer to the Rate Supported Water Reserve		\$ (8,002,578)
Less: Transfer to the Rate Supported Wastewater Reserve		\$ (5,764,624)
Less: Transfer to the Unfunded Rate Development Charge Reserve		\$ (2,700,000)
Balance of Rate Supported Operations		\$ 0

* -anomalies due to rounding



THANK YOU