



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

TO:	Chair and Members Audit, Finance and Administration Committee
COMMITTEE DATE:	November 19, 2020
SUBJECT/REPORT NO:	Tax and Rate Operating Budget Variance Report as at August 31, 2020 – Budget Control Policy Transfers (FCS20069(a)) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Kayla Petrovsky Fleming (905) 546-2424 Ext. 1335 Duncan Robertson (905) 546-2424 Ext. 4744
SUBMITTED BY:	Brian McMullen Director, Financial Planning, Administration and Policy Corporate Services Department
SIGNATURE:	

RECOMMENDATION(S)

- (a) That the Tax and Rate Operating Budget Variance Report as at August 31, 2020 attached as Appendices “A” and “B”, respectively, to Report FCS20069(a) be received;
- (b) That, in accordance with the “Budget Control Policy”, the 2020 budget transfer, transferring budget from one department / division to another or from one cost category to another with no impact on the levy, as outlined in Appendix “C” to Report FCS20069(a), be approved;
- (c) That, in accordance with the “Budgeted Complement Control Policy”, the 2020 complement transfer transferring complement from one department / division to another with no impact on the levy, as outlined in Appendix “D” to Report FCS20069(a), be approved;
- (d) That, in accordance with the “Budgeted Complement Control Policy”, the 2020 extensions of temporary positions with 24-month terms or greater, with no impact on the levy, as outlined in Appendix “E” to Report FCS20069(a), be approved;

EXECUTIVE SUMMARY

In accordance with the Budget Control Policy (FCS12010(a)), 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 2020 based on the operating results as of August 31, 2020. Appendix “A” to Report FCS20069(a) summarizes the Tax Supported Operating Budget projected year-end variances by department and division while Appendix “B” to Report FCS20069(a) summarizes the projected year-end variances of the Rate Supported Operating Budget by program.

Staff has previously provided the Committee of the Whole and the General Issues Committee with two updates on the financial implications of the COVID-19 pandemic response through Reports FCS20040 and FCS20040(a), in addition to the first variance Report FCS20069. The assumptions made in Report FCS20069(a) provide an update to those impacts, as well as, capture the cost containment measures that staff has taken to limit the financial impact of COVID-19 on the City.

Both the Tax and Rate Supported Operating Budgets are projecting surpluses of \$12.1 M and \$3.0 M, respectively. The COVID-19 related forecast deficit of \$61.6 M outlined in Report FCS20040(a) has been offset from funding received through the Safe Restart Agreement, Social Services Relief Fund and other previously announced funding from senior levels of government, as well as, other cost savings and avoidance measures implemented by Council and senior leadership in response to the declaration of emergency.

On August 12, 2020, the Ontario government announced details of the up to \$1.6 B of the first round of emergency funding for municipalities under the Federal - Provincial Safe Restart Agreement. Through the Safe Restart Agreement with the Federal government, \$695 M will help municipalities address operating pressures related to the COVID-19 pandemic through the first round of emergency funding and over \$660 M will support transit systems. The Province is also providing an additional \$212 M through the Social Services Relief Fund (SSRF), bringing the total to \$510 M to help vulnerable people find shelter.

The City of Hamilton’s share of the Phase 1 Safe Restart allocation is just over \$44.8 M with \$17.2 M for transit relief and \$27.6 M for municipal relief. In addition, the City of Hamilton’s share of SSRF – Phase 2 is \$11.3 M to go along with the \$6.9 M received in Phase 1. Phase 2 is intended to cover additional costs related to COVID-19 for Housing Services up to March 31, 2021. With these funding announcements, it is anticipated that the City’s allocation will be sufficient to successfully mitigate the 2020 deficit, originally forecasted at \$61.6 M, after taking into consideration other cost saving and avoidance measures.

Through the application of various COVID-19 related funding of approximately \$41.7 M in 2020, staff is anticipating a Tax Supported Operating Budget surplus of \$12.1 M and a Rate Operating Budget surplus of \$3.0 M. Additionally, it is expected that there will be estimated remaining funds of \$38.4 M from the Safe Restart Agreement and the Social Services Relief Fund to carry over into 2021 to offset ongoing financial pressures related to COVID-19 by placing it in COVID-19 Reserve (110053) at year-end 2020. Despite this, as outlined in Report FCS20087 – 2021 Budget Guidelines, Outlook and Process, identified potential COVID-19 pressures ranging from \$34.8 M to \$59.2 M.

Additional details are presented in the Analysis and Rationale for Recommendation(s) section of Report FCS20069(a).

2020 Budget Transfers and Extensions

In accordance with the “Budget Control Policy” and “Budgeted Complement Control Policy”, staff is submitting three items recommended for transfer. The tax operating budget amendment, identified in Appendix “C” to Report FCS20069(a), moves budget from one division to another within the same cost category. Completing this transfer simplifies the budget review process for the following year by ensuring comparable budget data.

The complement transfers, identified in Appendix “D” to Report FCS20069(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. The budget complement transfers identified were not realized at the time of the 2020 budget submission. However, these transfers will amend the 2020 operating budget once approved with no impact on the levy.

In addition, staff is recommending four items where temporary positions with 24-month terms or greater are being extended as identified in Appendix “E” to Report FCS20069(a) with no impact on the levy.

Alternatives for Consideration – Not Applicable

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: The financial information is provided in the Analysis and Rationale for Recommendation(s) section of Report FCS20069(a).

Staffing: Staffing implications of Report FCS20069(a) are detailed in Appendix “D”, which outlines the 2020 staff complement transfers from one department / division to another with no impact on the levy and Appendix “E”, which outlines the extensions of temporary positions with 24-month terms or greater with no impact on the levy.

Legal: N/A

HISTORICAL BACKGROUND

The COVID-19 pandemic has resulted in many changes affecting human behavior and impacting the world's economic condition. In response, the City's operations have changed considerably with facility closures, program cancellations and modification of services provided. In recent weeks, attention has turned to the resumption of many services in modified ways that meet evolving restrictions on social gathering. Employees' work environments have also been modified where employees have been redeployed to other services or are working from home. City staff is considering all measures taken by the City when monitoring and assessing the financial impact to the City.

On April 21, 2020, City staff shared projections with the Federation of Canadian Municipalities (FCM) for the purpose of advocacy for Federal financial support. The FCM report was released publicly on April 23, 2020 making several recommendations for Federal government support to mitigate financial impacts of COVID-19. Most notably, the FCM report communicated to the Federal Government of Canada that covering municipal losses related to the COVID-19 pandemic through one-time property tax levies was not a viable option given the significant impact it would have on households amid an economic downturn.

In late April 2020, at a meeting of the Mayors and Chairs of the Greater Toronto and Hamilton Area (GTHA), the Treasurers were asked to prepare a high-level forecast of financial implications resulting from the COVID-19 pandemic. The goal was to share consistent information on COVID-19 financial implications to aid in discussions with the Provincial and Federal governments, as well as, to share information on cost containment measures in mitigating the financial impact.

That analysis prepared for the GTHA Treasurers' group forecasted two scenarios. In Scenario 1, a full lockdown was assumed for three months, followed by a six-month recovery period allowing for resumption of services. In Scenario 2, a nine-month lockdown period was assumed, followed by a twelve-month recovery period. The scenarios analyzed cash flow implications, as well as, operating shortfalls with specificity to Transit based on known conditions at that time.

Staff has previously provided the Committee of the Whole and the General Issues Committee with two updates on the financial implications of the COVID-19 pandemic response through Reports FCS20040 and FCS20040(a). In the latest update, staff forecasted the financial impact of the COVID-19 response based on the timelines introduced in the two GTHA scenarios resulting in a 2020 budget pressure of \$61.6 M under Scenario 1, while the impact of Scenario 2 would have financial implications of \$86.5 M in 2020 and \$35.5 M in 2021 for a combined pressure of \$122.0 M. These financial impacts would be in addition to operating budget variances that would typically be expected in any normal year.

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

On August 12, 2020, the Ontario government announced details of the up to \$1.6 B of the first round of emergency funding for municipalities under the Federal - Provincial Safe Restart Agreement.

Through the Safe Restart Agreement with the federal government, \$695 M will help municipalities address operating pressures related to the COVID-19 pandemic through the first round of emergency funding and over \$660 M will support transit systems. The Province is also providing an additional \$212 M through the Social Services Relief Fund (SSRF), bringing the total to \$510 M to help vulnerable people find shelter.

The City of Hamilton's share of the Phase 1 allocation is just over \$44.8 M, with \$17.2 M for transit relief and \$27.6 M for municipal relief. These announcements only address pressures to the end of the provincial fiscal year on March 31, 2021. To date, there has been no formal communication with respect to Federal and Provincial funding support beyond March 31, 2021 related to municipal COVID-19 financial pressures. While the City of Hamilton will be submitting the required documentation to be eligible for Phase 2 funding, the specific allocations and eligibility conditions remain unknown at this time.

On September 9, 2020, the General Issues Committee received Report FCS20071, Federal and Provincial Government Municipal Funding Announcements Update, which provides information on the Safe Restart Funds and other government funding announcements. In addition, the General Issues Committee received Report FCS20088 on October 21, 2020, which authorized staff to prepare, execute and submit any required documentation to support the City's application for Phase 2 funding under the Safe Restart Agreement. Staff will be reporting back with details of the Province's review of the application, when available.

Staff provided the General Issues Committee with the first variance projection on September 23, 2020 based on operating results as at June 30, 2020 through Report FCS20069. Taking into consideration the City's allocation of the Municipal and Transit Funding through the Safe Restart Agreement and the Phase 2 funding allocation from the Social Services Relief Fund, the projected tax supported deficit of \$21.3 M was reduced to a \$0.4 M surplus at that time.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

In accordance with the Budget Control Policy, 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 2020 based on the operating results as of August 31, 2020.

RELEVANT CONSULTATION

Staff in all City of Hamilton departments provided the information in Report FCS20069(a). Detailed analysis was prepared by Finance and Administration staff in consultation with department leadership teams.

ANALYSIS AND RATIONALE FOR RECOMMENDATIONS

The following provides an overview of the more significant issues affecting the 2020 projected tax and rate operating budgets. Table 1 provides a summary of the departmental forecasts as at August 31, 2020.

Table 1
CITY OF HAMILTON
2020 Projected Year-End Variance
Adjusted for COVID-19 Federal & Provincial Funding
(\$000's)

	2020	2020	2020 Variance	
	Approved Budget	Year-End Forecast	(Forecast vs Budget) \$	(Forecast vs Budget) %
Tax Supported				
Planning & Economic Development	29,143	29,530	(387)	(1.3)%
Healthy and Safe Communities	246,916	247,008	(92)	(0.0)%
Public Works	256,381	241,735	14,646	5.7%
Legislative	5,095	5,214	(119)	(2.3)%
City Manager	12,285	12,089	196	1.6%
Corporate Services	34,663	33,963	700	2.0%
Corporate Financials / Non Program Revenues	(26,242)	(18,013)	(8,229)	(31.4)%
Hamilton Entertainment Facilities	4,097	4,117	(20)	(0.5)%
Total City Expenditures	562,338	555,643	6,695	1.2%
Hamilton Police Services	170,817	170,817	0	0.0%
Library	31,572	30,693	879	2.8%
Other Boards and Agencies	15,921	15,921	0	0.0%
City Enrichment Fund	6,088	6,088	0	0.0%
Total Boards and Agencies	224,398	223,518	879	0.4%
Capital Financing	137,423	132,888	4,535	3.3%
Total Tax Supported	924,159	912,049	12,109	1.3%
Rate Supported	0	(3,002)	3,002	N/A
Total	924,159	909,048	15,111	1.6%

() Denotes unfavourable variance
 Anomalies due to rounding

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On August 12, 2020, the City received confirmation of \$17.2 M of immediate funding through the Safe Restart Agreement: Municipal Transit Funding – Phase 1 to support COVID-19 pressures incurred from April 1, 2020 to September 30, 2020.

Transit is currently estimating a year-end deficit of \$12.5 M as at August 31, 2020. This includes \$25 M in lost fare revenues and \$1 M in enhanced cleaning of buses and installation of protective barriers. The deficit is partially offset by \$10.3 M in DARTS contract savings due to a reduction in required service, as well as fuel savings of approximately \$1.8 M. It is assumed that \$0.4 M received from the Enhanced Cleaning Grant and \$12.1 M from the Safe Restart Agreement will cover the \$12.5 M anticipated deficit and that the remaining funds from the Safe Restart Agreement will be carried over to 2021 for ongoing COVID-19 related Transit pressures. The estimated remaining \$5.1 M of the \$17.2 M allocation from the Safe Restart Agreement is to be placed in a reserve at year-end to be utilized in 2021.

The City also received confirmation of \$11.3 M for the Social Services Relief Fund – Phase 2 allocation, which complemented the Phase 1 allocation of \$6.9 M received earlier this year. The \$11.3 M will offset the projected deficit for Housing Services in 2020, as well as, fund the projected COVID-19 related costs to March 31, 2021.

On October 21, 2020, the General Issues Committee also received Report FCS20088 requesting documentation to support the City's application for Phase 2 funding under the Safe Restart Agreement. Staff will be reporting back with details of the Province's review of the application when available.

Without funding support from senior levels of government, the forecasted deficit, after taking into consideration cost savings and avoidance measures implemented by Council and senior leadership, would be \$29.6 M. Through various funding announcements, including the Safe Restart Agreement and the Social Services Relief Fund, the Tax Supported Operating Budget is expected to be in a surplus position of \$12.1 M as outlined in Table 2.

Furthermore, it is anticipated that there will be remaining funding of approximately \$38.4 M available to offset ongoing pressures related to COVID-19 in 2021. Despite this, as outlined in Report FCS20087 – 2021 Budget Guidelines, Outlook and Process, identified potential COVID-19 pressures ranging from \$34.8 M to \$59.2 M.

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.

Table 2

CITY OF HAMILTON

2020 Summary of COVID-19 Funding

(\$000's)

Tax Supported Budget Forecasted Surplus (Deficit)	(29,561)
COVID-19 Funding:	
Long-Term Care Prevention and Containment Funding	1,597
Enhancements to the Reaching Home Initiative	2,275
Reaching Home Initiative - Designated Communities Funding Stream	377
Emergency Funding for Community Mental Health & Addictions	45
FCM - Community Response Fund for Vulnerable Persons	346
Transit – Enhanced Cleaning Grant	464
Public Health Services	1,574
Pandemic Pay	10,335
Social Services Relief Fund - Phase 1	6,881
Social Services Relief Fund - Phase 2	5,040
Safe Restart Agreement - Phase 1 Transit	12,073
Safe Restart Agreement - Phase 1 Municipal	663
Subtotal	41,669
Adjusted Tax Supported Budget Forecasted Surplus (Deficit)	12,109
Estimated remaining funds for ongoing pressures:	
Social Services Relief Fund - Phase 2	6,284
Safe Restart Agreement - Phase 1 Transit	5,139
Safe Restart Agreement - Phase 1 Municipal	26,951
Total	38,374

Tax Supported Operating Budget

Appendix “A” to Report FCS20069(a) summarizes the Tax Supported Operating Budget variances by department and division.

In an effort to contain costs and associated budget deficits with the COVID-19 pandemic response, the Senior Leadership Team and Council adopted several measures including the suspension of scheduling for part-time casual labour in affected program areas, not hiring the full complement of student and seasonal positions and restrictions on hiring for non-essential positions. As a result, corporate-wide gapping is projected at \$12.2 M, in comparison to the Council approved target of \$5.0 M, resulting in a surplus of \$7.2 M (as shown in Table 3).

Table 3

Net Gapping by Department	Gapping Target (\$000's)	Projected Gapping (\$000's)	Variance (\$000's)
Planning & Economic Development	\$ 853	\$ 2,038	\$ 1,185
Healthy and Safe Communities	\$ 952	\$ 2,938	\$ 1,986
Public Works	\$ 2,202	\$ 5,372	\$ 3,170
Legislative	\$ 84	\$ (51)	\$ (135)
City Manager	\$ 225	\$ 336	\$ 111
Corporate Services	\$ 633	\$ 1,556	\$ 923
Consolidated Corporate Savings/ (Deficit)	\$ 4,950	\$ 12,189	\$ 7,239

Anomalies due to rounding

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

With respect to COVID-19 overtime specific to the City’s collective agreement obligations, these have been included within the variance reporting. In addition, as per Council approved policy, limited COVID-19 overtime has been paid for management and union supervisors. Staff is also considering additional vacation payout in recognition of the need to ensure the continuity of operations. These costs would be offset through the use of Safe Restart or other funding from Senior levels of government.

Planning and Economic Development

Planning and Economic Development is forecasting a deficit of \$0.4 M, which is primarily driven by Transportation Planning and Parking operations as a result of lost parking revenues and a shortfall in fines (\$3.0 M deficit).

Building Services is forecasting a year-end deficit of \$0.6 M. The unfavourable variance can be attributed to the projected decline in all Engineering and Zoning revenues (Building permits projected revenues have recovered but not by enough to offset other revenue declines).

The remaining divisions have an anticipated combined surplus of \$3.4 M. The majority of this is attributable to Growth Management and Tourism and Culture, both of which are expecting surpluses of \$2.3 M and \$0.9 M, respectively. The immediate financial impact of COVID-19 on the growth sector was not as severe as originally anticipated, as staff worked through pre-existing applications. Subdivision processing, sewer repair permits, official plan application fees and service recoveries are all forecasted to be in excess of budget. Tourism and Culture is projecting a favourable variance as a result of gapping savings from closures and vacancies related to COVID-19, Federal grant and various savings due to cancellations of special events and closure of facilities. This is partially offset by foregone revenues.

The Planning and Economic Development departmental gapping target is \$0.9 M for 2020. As at August 31, 2020, the projected year-end gapping amount is \$2.0 M, resulting in a projected surplus of \$1.2 M.

Healthy and Safe Communities

The Healthy and Safe Communities Department is projecting an overall deficit of \$0.1 M resulting from several surpluses and deficits across several divisions that have offset each other.

Hamilton Paramedic Service (\$4.0 M) and Public Health Services (\$2.1 M) are both forecasting deficits as a result of 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. These forecasted deficits do not take into consideration outstanding funding applications that may be received from the Province for Paramedic Services. Currently, \$2.5 M in COVID-19 related Paramedic costs have been submitted, but the funding is yet to be confirmed. Housing Services is projecting a balanced year-end position due to the utilization of \$5.0 M in Social Services Relief Funding to offset \$1.96 M in in-year savings and \$7.0 M in COVID-19 expenses. The remaining \$6.28 M of Social Services Relief Fund is projected to be utilized in 2021.

Recreation is forecasting a surplus of \$2.8 M. The anticipated revenue loss of \$8.0 M as a result of facility closures and cancellation of programs is expected to be mostly mitigated through the suspension of scheduling part-time and seasonal staff between May and September and redeployment of staff to other areas in the City requiring resources. In addition, another \$2.0 M in discretionary operating costs is expected to be avoided through facility closures.

The remaining divisions are forecasting a combined surplus of \$3.1 M (Fire of \$1.8 M, Ontario Works of \$0.6 M and Children's Services and Neighbourhood Development of \$0.8 M) which is primarily driven by gapping but net of COVID related funding of \$1.35M. Long Term Care is forecasting a small surplus under \$10K which is primarily due to COVID funding of \$1.338 M received from the Province to offset redeployed staffing costs, backfilling temporary positions, vacation payouts and operating costs related to COVID (medical supplies, cleaning supplies, PPE costs).

The Healthy and Safe Communities departmental gapping target is \$1.0 M for the 2020 year. As at August 31, 2020, the projected year-end gapping amount is \$2.9 M, resulting in a projected surplus of \$1.9 M.

Public Works

Overall, the Department is forecasting a surplus of \$14.6 M. There are several contributors, both favourable and unfavourable, across the divisions that are leading to the projected surplus.

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Lost revenues for Transit are estimated at \$25.0 M in 2020 as a result of the COVID-19 emergency, which include lost revenues under the University / College Transit Pass (UCTP) agreements. In addition, cleaning and disinfectant of buses and installation of operator bio-shields to allow for front door boarding have contributed to increased costs of \$0.8 M. Unfavourable gapping of \$1.0 M is also adding to the divisional deficit.

Fuel savings of \$1.8 M, commission savings of \$1.2 M and DARTS contract agreement savings of \$10.3 M are expected to help offset the COVID-19 related impacts, which would result in an overall deficit of \$12.5 M for Transit. To offset the deficit in 2020, staff anticipates \$12.1 M will be needed from the Safe Restart Agreement – Phase 1 Transit stream, with the remaining \$4.7 M to be carried into 2021 to help mitigate ongoing financial pressures related to COVID-19. The remaining deficit of \$0.4 M is covered through the application of Transit's Enhanced Cleaning Grant received from the Ministry of Transportation.

In summary, Transit is anticipated to mitigate its projected deficit in 2020 through operational savings, primarily in specialized transit, as well as, the emergency funding through the Safe Restart Agreement.

Transportation Operations and Maintenance is forecasting a surplus of \$7.5 M. The surplus is driven by gapping (\$3.0 M) and the Winter Season Roads Maintenance Program (\$4.5 M). The number of severe winter storm events in January through April was below the seasonal average resulting in salt and sand savings of \$2.0 M, contractor activation costs of \$1.7 M and general vehicle maintenance of \$0.8 M.

Environmental Services anticipates a surplus of \$7.1 M due to gapping resulting from a temporary freeze on hiring of student and seasonal positions (\$2.6 M). Additionally, there is an expected \$1.4 M in operating savings due to the shutdown of parks during the state of emergency. The Transfer Station and Community Recycling Centre is projecting a \$2.0 M surplus due to increased tonnage projected in budget due to the requirement to separate leaf and yard waste from green bin organics at the curb, however, tonnage target not achieved (\$1.1 M). The remainder is due to higher projected revenues, as a result of minimum vehicle fee rate increase and an increase in visits from residents cleaning their homes during COVID shut down. Total visits up 9.5% over same time last year, however, tonnage is down 3.5% over same time last year. In addition, the Waste Collection Contract is also projecting a \$1.0 M surplus. The annual escalation factor was budgeted at 1.95%, however, the actual escalation factor is (4.98%). The main driver for the escalation factor decreasing is the reduction in diesel prices.

The Public Works departmental gapping target is \$2.2 M for the 2020 year. As at August 31, 2020, the projected year-end gapping amount is \$5.4 M, resulting in a projected surplus of \$3.2 M.

Legislative

The Legislative budget is projected to be at a slight deficit of \$0.1 M for 2020 resulting from unfavourable gapping.

The Legislative gapping target is \$84 K for 2020. As at August 31, 2020, the projected year-end gapping amount is -\$51 K, resulting in a projected deficit of \$135 K.

City Manager's Office

The City Manager's Office is projecting a surplus of \$0.2 M in 2020 mainly resulting from favourable gapping.

The City Manager's Office departmental gapping target is \$0.2 M for the 2020 year. As at August 31, 2020, the projected year-end gapping amount is \$0.3 M, resulting in a surplus of \$0.1 M.

Corporate Services

Corporate Services is forecasting an overall surplus of \$0.7 M due to gapping and savings in discretionary spending, which is partially offset by revenues lower than budget.

The Corporate Services departmental gapping target is \$0.6 M for the 2020 year. As at August 31, 2020, the projected year-end gapping amount is \$1.6 M, resulting in a projected surplus of \$0.9 M.

Corporate Financials / Non-Program Revenues

Corporate Financials / Non-Program Revenues are projected as a combined deficit of \$8.2 M. Contributing factors are identified as follows:

- Non-Program Revenues: Dividends from Hamilton Utilities Corporation and Alectra are estimated to be \$2.4 M lower than anticipated;
- Non-Program Revenues: Shared revenues from the Ontario Lottery and Gaming Commission are expected to be \$3.0 M lower than budget;
- Non-Program Revenues: Tax remissions and write-offs are estimated to be \$1.3 M higher than anticipated;
- Non-Program Revenues: POA revenues are expected to be at a deficit of \$4.2 M in 2020 due to court closures; and,
- Corporate Initiatives: \$1.2 M unfavourable variance as a result of unrecoverable staffing costs from capital programs.

Boards and Agencies

In Boards and Agencies, there is a projected surplus of \$0.9 M. Hamilton Police Services reported a projected deficit of \$0.5 M to their Board on September 3, 2020. In addition, the Hamilton Farmers' Market is projecting a deficit of \$0.2 M related to cleaning and disinfectant costs. Both deficits are assumed to be offset through the Safe Restart Agreement – Phase 1 Municipal funding stream. There is a forecasted surplus of \$0.9 M for Hamilton Public Library operations, as reported to their Board on September 16, 2020.

Capital Financing

A capital financing year-end surplus of \$4.5 M is projected in principal and interest savings due to timing of the issuance of debt.

Rate Supported Operating Budget

As at August 31, 2020, the Rate Supported Operating Budget is projecting a surplus of \$3.0 M mainly due to a decrease in overall expenditures of \$2.3 M. Revenue is also expecting a surplus of \$0.7 M as a result of Overstrength and Sewer Surcharge Agreements.

A deficit of \$3.0 M in Commercial/ICI is expected to be offset by a surplus in residential revenues. Although the Commercial and ICI sectors suffered due to COVID-19 shutdowns in the spring and summer of 2020, a combination of residents working and learning from home and a dry summer has led to a surplus in residential revenues (\$3.0 M).

Overall program spending for 2020 is projected to align to the budget of \$86.7 M with a slight surplus of \$24 K. Within the overall operating expenditures balanced position, there are favourable and unfavourable variances that offset each other. The driving factors behind this are shown in Table 4.

Table 4

**City of Hamilton
Rate Budget Operating Expenditures Variance Drivers**

Expenditure Type	Variance (\$000's)
Contractual	(2,105)
Employee Related Costs	1,488
Agencies and Support Payments	773
Building & Ground	1,047
Materials & Supplies	(1,179)
Total Operating Expenditures	24

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Contractual expenditures are projecting an unfavourable variance of \$2.1 M largely due to unexpected Lynden water system work and the increased operating and maintenance expenditures to support the stormwater program to meet compliance standards. Partially offsetting the contractual pressures related to the Lynden water system and the stormwater program are decreased spending in the Outreach and Education program resulting from COVID-19.

Employee related costs are estimating a favourable variance of \$1.5 M. The main drivers of the variance are attributable to net gapping savings of \$1.2 M realized from staff vacancies and decreased spending in training and conferences of \$268 K due to COVID-19. Agencies and support payments category is forecasting a favourable variance of \$773 K mainly due to the Protective Plumbing Program (3P). As a result of the COVID-19 economic shut-down the Protective Plumbing Program (3P), service providers were unable to perform the required services. The pandemic combined with less adverse weather in early 2020 resulted in lower than expected uptake in the 3P program.

Building and ground is also projecting a favourable variance of \$1.0 M due to lower than expected Hydro consumption and costs. Material and supply are estimated at an unfavourable variance of \$1.2 M mainly due to fluids and chemicals used in the water and wastewater treatment at the Woodward Plant.

A capital financing year-end surplus of \$2.2 M is projected in principal and interest savings due to timing of the issuance of debt.

Appendix “B” to Report FCS20069(a) summarizes the Rate Supported Operating Budget results by program.

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 FCS20069(a) – City of Hamilton Tax Operating Budget Variance Report as at August 31, 2020

Appendix “B” to Report FCS20069(a) – City of Hamilton Combined Water, Wastewater and Storm Systems Rate Operating Budget Variance Report as at August 31, 2020

Appendix “C” to Report FCS20069(a) – Budget Restatement Schedule

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Appendix “D” to Report FCS20069(a) – City of Hamilton Budgeted Complement Adjustment Schedule

Appendix “E” to Report FCS20069(a) – City of Hamilton Budgeted Complement Temporary Extension Schedule

KP/DR/dt