



**TAX AND RATE OPERATING BUDGET
VARIANCE REPORT AS OF
JUNE 30, 2020**

FCS20069

1. Update on COVID-19 Funding
2. Financial Impact and Mitigation Efforts
3. Summary of Tax and Rate Operating Budget Variance Forecasts
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FUNDING UPDATE

- Funding Summary provided below – originally reported to council through Report FCS20071 presented to GIC on September 9, 2020
- Additional information provided in Report PW20061 (Financial Impact of Declining Transit Revenues)

	Phase 1 Immediate Funding	Phase 2 Ongoing Support
<u>Municipal Transit Funding</u>	<p>\$17.2 M For April 1, 2020 to September 30, 2020 period</p> <p>The estimated pressures for transit for the period being funded is \$19 M – application for additional funding must be submitted by October 30, 2020</p>	Eligible for additional funding from October 1, 2020 to March 2021.

FUNDING UPDATE

	Phase 1 Immediate Funding	Phase 2 Ongoing Support
<u>Social Services Relief Fund (SSRF):</u>	\$6.9 M provided in April 2020	<p>\$11.3 M To be used to offset the projected deficit for Housing Services in 2020, as well as, fund the projected COVID-19 related costs to March 31, 2021.</p> <p>\$4.5 M is forecasted in 2020 with the remaining \$6.8 M to be used in Q1-2021.</p>

FUNDING UPDATE

	Phase 1 Immediate Funding	Phase 2 Ongoing Support
<u>Municipal Funding</u>	<p>\$27.6 M to support COVID-19 operating costs and pressures for both 2020 and 2021.</p> <p>Staff must submit reports to the MMAH outlining COVID-19 pressures by October 30, 2020 to be eligible for additional funding</p>	Available to those that can demonstrate that 2020 COVID-19 operating costs and pressures exceed their Phase 1 per household allocation

Note: the City of Hamilton allocation of \$27.6 M is not included in the 2020 operating forecast. Staff is investigating eligibility requirements for Phase 1 and Phase 2 funding and will apply for any and all funds available based on the framework.

FUNDING UPDATE

Other sources of funding:

	Funding Details
Ministry of Health Pandemic Funding	The Ministry of Health announced an up to \$100 M COVID-19 Contingency Fund to cover extraordinary expenses associated with COVID-19. Staff are awaiting further details on the allocation to Public Health Units.
Investing in Canada Infrastructure Program	Investing in Canada Infrastructure Program (ICIP) is being adjusted so that provinces and territories can use federal funding on a wider range of more pandemic-resilient infrastructure projects. Staff is seeking further information from the Province on how this money will be utilized.
Other Funding Opportunities	Some funding sources recently announced may not directly involve municipalities as the funding recipient but may result in an indirect benefit through partnership. Staff also actively seeking other funding the City may be eligible for

FUNDING SUMMARY:

Social Services Relief Fund

- Phase 1 (April 1, 2020 – March 31, 2021): received \$6.9 M in April
- Phase 2 (April 1, 2020 – March 31, 2021): allocation of \$11.3 M

Safe Restart Agreement – Transit

- Phase 1 (April 1, 2020 – September 30, 2020): allocation of \$17.2 M (eligible additional support to be provided by December 31, 2020)
- Phase 2 (October 31, 2020 – March 31, 2021): to be eligible a submission is required by October 30, 2020

Safe Restart Agreement – Municipal

- Phase 1 (2020): allocation of \$27.6 M
- Phase 2 (2021): to be eligible a submission is required by October 30, 2020. Eligible municipalities will be informed before the end of the calendar year and can expect payment in early 2021.

Ministry of Health COVID-19 Contingency Fund

- Staff are awaiting further details on the allocation of the up to \$100 M for the Ministry of Health COVID-19 Contingency Fund.

REPORTING TIMELINES:

- Social Services Relief Fund – business case submission to MMAH outlining the planned allocation of Phase 2 funds due **September 11, 2020**
- Safe Restart Agreement - Transit – report to MTO on the use of Phase 1 funds, support for additional funding in Phase 1, and a forecast of eligible expenditures to March 31, 2021 due **October 30, 2020**
- Safe Restart Agreement - Municipal – report to MMAH on applying for Phase 2 funds due **October 30, 2020**
- Social Services Relief Fund – interim report to MMAH on the use of Phase 2 funds and projected spending due by **mid-December, 2020**
- Social Services Relief Fund – report to MMAH providing details of 2020 COVID-19 operating costs and pressures, overall 2020 financial position, and use of the provincial funding for Phase 1 due **March, 2021**

MITIGATION EFFORTS

- When compared to our originally forecasted 2020 budget deficit of \$61.6 M, there is still a gap not covered through the most recent announcements.
- Staff believes that the announcements, combined with other mitigation measures taken by the City, will assist in eliminating our 2020 forecast deficit. Measures include:
 - Facility closures;
 - Temporary suspension of scheduling for part-time and seasonal labour;
 - Restrictions on hiring for non-essential vacant positions;
 - Strict controls around discretionary spending; and,
 - Active seeking by staff for additional program or service specific funding.

UPDATE ON COVID-19 IMPACT ON FORECAST IN \$MILLIONS

PROJECTED DEFICIT AS OF FCS20040(a) SCENARIO 1:	\$ 61.6
Reduced by:	
Public Works	
DARTS contract savings	\$ (10.6)
Winter control savings and temporary suspension of student positions	\$ (7.4)
Healthy and Safe Communities	
Recreation facility closures and temporary suspension of part-time staff	\$ (7.8)
Planning & Economic Development	
Contribution from Building Permit Revolving Fund (to cover Building Services deficit)	\$ (3.7)
Development Application Fees (more revenues than previously forecasted)	\$ (1.8)
Other	
Capital Financing Surplus	\$ (8.3)
Other	\$ (0.7)
REVISED TOTAL TAX SUPPORTED FORECAST	\$ 21.3

GAPPING (\$000's)

Net Gapping by Department	Gapping Target (\$000's)	Projected Gapping (\$000's)	Variance (\$000's)
PLANNING AND ECONOMIC DEVELOPMENT	\$ 853	\$ 1,062	\$ 209
HEALTHY & SAFE COMMUNITIES	\$ 952	\$ 4,293	\$ 3,341
PUBLIC WORKS	\$ 2,202	\$ 3,910	\$ 1,708
LEGISLATIVE	\$ 84	\$ (135)	\$ (219)
CITY MANAGER	\$ 225	\$ (228)	\$ (453)
CORPORATE SERVICES	\$ 633	\$ 732	\$ 99
CONSOLIDATED CORPORATE SURPLUS/ (DEFICIT)	\$ 4,950	\$ 9,635	\$ 4,685

FUNDING ADJUSTED YEAR-END VARIANCE FORECAST

(\$000's)

	2020 Variance (Forecast vs Budget)	
	\$	%
TOTAL TAX SUPPORTED - FORECAST	(21,270)	(2.30%)
MUNICIPAL TRANSIT FUNDING - PHASE 1	17,212	-
SOCIAL SERVICES RELIEF FUND - PHASE 2 (2020 PORTION)	4,478	-
ADJUSTED SURPLUS (DEFICIT)	420	0.05%

2020 PROJECTED YEAR END OPERATING BUDGET VARIANCES (\$000's)

	2020	2020	2020 Variance	
	Approved Budget	Year-End Forecast	(Forecast vs Budget) \$	%
<u>TAX SUPPORTED</u>				
PLANNING & ECONOMIC DEVELOPMENT	29,137	32,354	(3,217)	(11.0%)
HEALTHY & SAFE COMMUNITIES	246,810	255,750	(8,940)	(3.6%)
PUBLIC WORKS	256,381	258,570	(2,189)	(0.9%)
LEGISLATIVE	5,095	5,202	(107)	(2.1%)
CITY MANAGER	12,285	12,284	1	0.0%
CORPORATE SERVICES	34,663	34,361	302	0.9%
CORP FINANCIALS/ NON PROG REVENUES	(26,125)	(11,024)	(15,101)	(57.8%)
HAMILTON ENTERTAINMENT FACILITIES	4,097	4,117	(20)	(0.5%)
TOTAL CITY DEPARTMENTS	562,343	591,614	(29,271)	(5.2%)
TOTAL BOARDS & AGENCIES	224,398	224,677	(280)	(0.1%)
CAPITAL FINANCING	137,423	129,141	8,282	6.0%
TOTAL TAX SUPPORTED	924,164	945,433	(21,270)	(2.3%)
TOTAL RATE SUPPORTED	0	1,755	(1,755)	2.1%

() Denotes unfavourable variance

Tax Supported Operating Budget Variance Forecast

CITY DEPARTMENT VARIANCES

(\$000's)

	2020 Approved Budget	2020 Year-End Forecast	2020 Variance (Forecast vs Budget)	
			\$	%
<u>TAX SUPPORTED</u>				
PLANNING & ECONOMIC DEVELOPMENT	29,137	32,354	(3,217)	(11.0%)
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DEPARTMENT VARIANCES EXPLANATION SUMMARY

MAIN DRIVERS

Planning and Economic Development:

\$3.2 M departmental deficit

- (\$4.1 M) unfavourable in Transportation Planning & Parking division attributed to decreased parking and fine revenues
- \$1.4 M combined favourable in Growth Management and Planning division attributable to less financial impact on COVID-19 in growth sector than initially projected and an increase in subdivision processing and development application fees over budget
- (\$0.2 M) unfavourable in Building Services due to anticipated \$3.8 M loss in Building Permit revenues offset by a contribution from the Building Permit Fee Revolving Fund in addition to decline in miscellaneous revenues

DEPARTMENT VARIANCES EXPLANATION SUMMARY

MAIN DRIVERS

Healthy and Safe Communities:

\$8.9 M departmental deficit

- (\$4.5 M) unfavourable in Housing Services
- (\$3.4 M) unfavourable in Hamilton Paramedics
- (\$3.9 M) unfavourable in Public Health Services

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, are the primary drivers of the above deficits.

- (\$0.8 M) unfavourable in Recreation as a result of loss of revenue due to facility closures and program cancellations, mostly mitigated by suspension of part-time and seasonal staff in addition to operating cost avoidance.
- Remaining divisions are forecasting a combined surplus of \$3.7 M, primarily driven by gapping.

DEPARTMENT VARIANCES EXPLANATION SUMMARY

MAIN DRIVERS

Public Works:

\$2.2 M departmental deficit

- (\$13.9 M) unfavourable in Transit
 - \$27 M lost revenues due to COVID-19
 - \$0.8 M increased cleaning/disinfectant and shield installation on buses
 - Partially offset by fuel savings, commission savings, delay in Year 5 Transit Strategy, and DARTS contract savings (\$15 M combined)
- \$7.3 M favourable in Transportation Operations & Maintenance
 - \$3.1 M gapping savings
 - \$4.5 M savings in Winter Season Roads Maintenance Program
- \$3.8 M favourable in Environmental Services
 - \$2.2 M Gapping resulting from freeze on hiring of student and seasonal positions
 - Expected \$1.0 M in operating savings due to the shutdown of parks
- \$0.6 M favourable variance in Energy Fleet and Facilities due to \$2 M in COVID related avoided costs offset by foregone stadium revenues and incremental COVID costs.

DEPARTMENT VARIANCES EXPLANATION SUMMARY

MAIN DRIVERS

Corporate Services:

\$0.3 M departmental surplus

- \$0.2 M favourable Financial Planning, Admin & Policy variance due to gapping

Corporate Financials / Non Program Revenues:

\$15.1 M departmental deficit

- (\$7.0 M) unfavourable in Corporate Initiatives
 - \$3.3 M COVID-19 expenses
 - \$3.7 M (net of reduced claims of \$1.1 M) increase in insurance premiums
- (\$8.1 M) unfavourable variance in Non-Program Revenues
 - HUC and Alectra dividends are estimated to be \$2.4 M lower than anticipated
 - Shared revenues from the Ontario Lottery and Gaming Commission are expected to be \$3.0 M lower than budget
 - POA revenues – expected deficit of \$4.2 M in 2020 due to court closures

OTHER NON-DEPARTMENTAL VARIANCES

(\$000's)

	2020 Approved Budget	2020 Year-End Forecast	Variance (2020 Forecast vs Budget)	
			\$	%
POLICE	170,817	171,304	(487)	(0.3%)
LIBRARY	31,572	31,189	383	1.2%
OTHER BOARDS & AGENCIES	15,921	16,097	(176)	(1.1%)
CITY ENRICHMENT FUND	6,088	6,088	0	0.0%
TOTAL BOARDS & AGENCIES	224,398	224,678	(280)	(0.1%)
CAPITAL FINANCING	137,423	129,141	8,282	6.0%
TOTAL OTHER NON- DEPARTMENTAL	361,821	353,819	8,003	2.2%

() Denotes unfavourable variance

Rate Supported Operating Budget Variance Forecast

2020 RATE OPERATING BUDGET PROJECTED YEAR-END VARIANCE (\$000's)

	2020 Approved Budget	2020 Projected To Year End	2020 Projected Variance	
			\$	%
TOTAL EXPENDITURES	233,012	230,767	2,245	1.0%
TOTAL REVENUES	(233,012)	(229,012)	(4,000)	1.7%
NET	-	1,755	(1,755)	(0.8%)

() Denotes unfavourable variance

RECOMMENDATIONS

- 2020 complement transfers (no levy impact), outlined in Appendix “C”, be approved;
- 2020 extensions of temporary positions with 24-month terms (no levy impact), outlined in Appendix “D”, be approved;
- That the financing strategy outlined in Appendix “E”, which utilizes \$11.2 M of Federal Gas Tax Reserve funding in the place of previously approved Capital Levy funds with the intent to offset COVID-19 financial pressures, be received.

2021 Budget Workshop

- Presentation to GIC on October 23, 2020

2021 Budget Outlook Report

- Report to GIC on October 29, 2020

2020 Tax and Rate Operating Budgets Variance Report as at August 31, 2020

- Report to GIC on November 18, 2020

2021 Rate Budget

- Report to GIC on November 23, 2020

2021 Tax Capital Budget

- Report to GIC on November 27, 2020



THANK YOU