



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

TO:	Chair and Members Audit, Finance and Administration Committee
COMMITTEE DATE:	April 22, 2021
SUBJECT/REPORT NO:	Tax and Rate Operating Budget Variance Report as at December 31, 2020 and Budget Control Policy (FCS20069(b)) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Kayla Petrovsky Fleming (905) 546-2424 Ext. 1310 Duncan Robertson (905) 546-2424 Ext. 4744
SUBMITTED BY:	Mike Zegarac General Manager, Finance and Corporate Services Corporate Services Department
SIGNATURE:	

RECOMMENDATION(S)

- (a) That the Tax and Rate Operating Budget Variance Report as at December 31, 2020 attached as Appendices "A" and "B", respectively, to Report FCS20069(b) be received;
- (b) That, in accordance with the "Budgeted Complement Control Policy", the 2020 complement transfer transferring complement from one department / division to another, complement additions and removals of FTE with no impact on the levy, and 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(b), be approved;
- (c) That, in accordance with the "Budget 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 "D" to Report FCS20069(b), be approved;

**SUBJECT: Tax and Rate Operating Budget Variance Report as at
December 31, 2020 and Budget Control Policy (FCS20069(b))
(City Wide) – Page 2 of 24**

- (d) That, subject to finalization of the 2020 audited financial statements, the Disposition of 2020 Year-End Operating Budget Surplus / Deficit be approved as follows:

Table 1

DISPOSITION / RECONCILIATION OF YEAR-END SURPLUS/ (DEFICIT)	\$	\$
Corporate Surplus from Tax Supported Operations		\$ 55,325,707
Disposition to/from Self-Supporting Programs & Agencies		\$ (6,063,995)
Less: Police (Transfer to Police Reserve)	\$ (2,690,482)	
Less: Library (Transfer to Library Reserve)	\$ (3,333,841)	
Less: Farmers Market (Transfer to Hamilton Farmers Market Reserve)	\$ (39,672)	
Balance of Corporate Surplus		\$ 49,261,712
Less: Transfer to Tax Stabilization Reserve		\$ (2,000,000)
Less: Transfer to Early Years System Reserve		\$ (3,000,000)
Add: Transfer from HEF Capital Project Reserve		\$ 903,318
Less: Transfer to fund 2021 "Rent Ready" Program		\$ (1,000,000)
Less: Transfer to fund Menstrual Products Affordability Pilot Program		\$ (121,000)
Less: Transfer to Climate Change Reserve		\$ (1,500,000)
Less: Transfer to 2022 Capital Budget - Recreation Facilities Discretionary Block (Unallocated Capital Levy Reserve)		\$ (700,000)
Less: Transfer to ATS Reserve for PRESTO Agreement		\$ (162,872)
Less: Transfer to fund Red Hill Creek Inquiry		\$ (5,000,000)
Less: Transfer to Sick Leave Liability - General Reserve		\$ (1,300,000)
Less: Transfer to fund shortfall in Development Charge Exemptions		\$ (15,100,000)
Less: Hamilton Status of Women Advisory Committee - Donation of Remaining 2020 Budget Allocation		\$ (3,996)
Less: Transfer to COVID-19 Emergency Reserve		\$ (20,277,162)
Balance of Tax Supported Operations		\$ -
Corporate Deficit from Rate Supported Operations		\$ (4,592,662)
Add: Transfer from the Rate Supported Water Reserve		\$ 10,211,949
Less: Transfer to the Rate Supported Wastewater Reserve		\$ (5,619,287)
Balance of Rate Supported Operations		\$ -

- (e) That, the Outstanding Business List Item requiring the General Manager, Finance and Corporate Services, to report back on the potential use of City reserves to address the 2020 deficit related to the financial impact of COVID-19 be considered complete.

EXECUTIVE SUMMARY

Staff has committed to provide Council with three variance reports for the Tax Supported and Rate Supported Operating Budgets during the fiscal year (Spring / Fall / Year-End). This is the final submission for 2020 based on the operating results as of December 31, 2020 (unaudited). Appendix "A" to Report FCS20069(b) summarizes the Tax Supported Operating Budget year-end variances by department and division while Appendix "B" to Report FCS20069(b) summarizes the year-end variances of the Rate Supported Operating Budget by program.

**SUBJECT: Tax and Rate Operating Budget Variance Report as at
December 31, 2020 and Budget Control Policy (FCS20069(b))
(City Wide) – Page 3 of 24**

The Tax Supported and Rate Supported operations ended the year with a positive variance of \$55.3 M and an unfavourable variance of \$4.6 M, respectively, with Safe Restart Funding.

Through the Safe Restart Agreement with the federal government, funding was provided by the Ontario Government to municipalities to address operating pressures related to the COVID-19 pandemic. A Tax Supported Operating Budget Surplus was \$25.8 M before the Safe Restart Funding is applied. A total of \$29.5 M in Safe Restart Funding (SRF) was applied in 2020 resulting in a Tax Supported Operating Budget surplus of \$55.3 M. The Safe Restart funding composed of \$12.2 M for Transit and \$17.3 M was utilized across other divisions within the City.

The \$25.8 M surplus is composed of City Departments / Other (\$14.9 M favourable), Boards and Agencies (\$5.4 M favourable) and Capital Financing (\$5.5 M favourable). The surplus in Tax Supported Operating Budget is spread across several departments and is related to gapping surpluses, operational efficiencies and limits on discretionary spending. For the Rate Supported Operating Budget, the deficit is related to unfavourable variances from operating expenditures of \$7.1 M, partially offset by favourable Capital Financing of \$2.1 M and a favourable revenue variance of \$426 K.

Additional details are presented in the Analysis and Rationale for Recommendation(s) section of page 7 of Report FCS20069(b).

The year-end disposition of the Operating Budget Surplus with Safe Restart Funding of \$50.7 M summarized in Table 2 is detailed in Recommendation (b) (Table 1) of Report FCS20069(b).

Table 2

CONSOLIDATED CORPORATE SURPLUS/ (DEFICIT)	\$
Tax Supported Programs	
Police	\$ 2,690,482
Library	\$ 3,333,841
Capital Financing	\$ 5,517,752
Other Tax Supported Programs	\$ 43,783,632
Total Tax Supported Surplus	\$ 55,325,707
Rate Supported Programs	\$ (4,592,662)
Consolidated Corporate Surplus/ (Deficit)	\$ 50,733,045

The City of Hamilton has policies, obligations, future requirements and past practices that guide decisions around the disposition of the year-end operating budget surplus. This proposed disposition of the 2020 surplus is highlighted below.

**SUBJECT: Tax and Rate Operating Budget Variance Report as at
December 31, 2020 and Budget Control Policy (FCS20069(b))
(City Wide) – Page 4 of 24**

Tax Supported Operating Budget Variances

- Year-end variances for Police, Library and Farmers' Market to be allocated to their own reserves as per their policies.
- Tax Stabilization Reserve (Reserve #110046) – transfer of \$2 M to assist with addressing non-COVID-19 related pressures in 2022 and beyond such as any significant contractual updates or changes in Provincial cost sharing arrangements.
- Early Years System Reserve (Reserve #112218) – transfer of \$3 M to assist with ongoing pressures for funding reductions under the Provincial Funding Agreement and to offset municipal contributions for administration due to provincial changes in cost share requirements. Additionally, the transfer will be used to support the affordability grant program, which reduces the cost for families accessing child care for children 0 to 3.8 years. The Early Years System Reserve was originally established to support the transition from the previous Best Start Initiative and lessen the impact to the City of Hamilton resulting from changes in provincial direction.
- 2021 "Rent Ready" Program – Council approved \$1.0 M of the 2020 surplus to fund the 2021 "Rent Ready" Program – Motion 12.3, Emergency and Community Services Committee, December 10, 2020.
- Menstrual Products Affordability Pilot Program – Per Report HSC2001, \$121 K is to be transferred to fund Pilot Program.
- Climate Change Reserve – Staff recommends \$1.5 M be transferred to the Climate Change Reserve. The usage of the funds is subject to policy development in 2021. Staff will report back through the Climate Change Action Group on use of funds in the reserve. The Climate Change Action Group will be looking at ways to leverage these funds for new capital works that advance the City's climate change action goals or to partake in additional grant funding opportunities.
- 2022 Capital Budget Unallocated Capital Levy Reserve #108020 – Recreation Facilities Discretionary Block – Staff recommends \$700 K be transferred to the 2022 Capital Budget to fund Discretionary Block Funding for Recreation Facilities. This is the surplus pertaining to recreation facility operations as a result of closures during the COVID-19 pandemic. It is recommended that this amount be reinvested into the state-of-good-repair for those facilities.
- ATS Reserve (Reserve #110023) – Staff recommends \$162,872 be transferred to the reserve to fund previously committed and approved PRESTO capital equipment.

**SUBJECT: Tax and Rate Operating Budget Variance Report as at
December 31, 2020 and Budget Control Policy (FCS20069(b))
(City Wide) – Page 5 of 24**

- Red Hill Creek Inquiry – Staff recommends \$5.0 M be transferred to the Red Hill Judicial Review account (Project #2055919101).
- Sick Leave Liability – General Reserve – Staff recommends \$1.3 M be transferred to the General Reserve (Reserve #112035). The current obligation under the City's sick leave benefit plan for certain employee groups is well in excess of the reserves established to provide for this liability. The \$1.3 M is related to surplus provision for vacation liability.
- Development Charge Exemptions – Staff recommends \$15.1 M be transferred to fund the 2020 shortfall in discretionary tax supported development charge exemptions. Total Development Charge Exemptions, including both Rate and Tax Supported statutory and discretionary exemptions, were \$41.3 M in 2020 as outlined in Appendix "F" to Report FCS20069(b). The total budget for 2020 was \$16.5 M, leaving a funding shortfall of \$24.8 M. The funding shortfall in discretionary exemptions was primarily driven by non-residential development including industrial rate reductions and agricultural use.
- Hamilton Status of Women Advisory Committee (HSWAC) – Per the recommendation in the Citizen Committee Report at its meeting on February 4, 2021, the remaining \$3,996 in surplus for the HSWAC is to be donated across various charitable organizations and community support groups as outlined in the report.
- Hamilton Entertainment Facilities – HEF Program deficit of \$903 K to be funded from the Hamilton Entertainment Facilities Capital Projects Reserve (Reserve #100025).
- The remainder of the tax supported operating budget surplus (\$20.3 M) is recommended to be transferred to the COVID-19 Emergency Reserve (Reserve #110053) for the purposes of funding ongoing pressures related to economic recovery and resumption of services beyond the funding commitments made by senior levels of government to the end of 2021.

Rate Supported Operating Budget Variance

- The Rate Supported Operating Budget deficit of \$4.6 M is made up of a surplus in wastewater of \$5.6 M and a deficit in water of \$10.2 M. There are separate Rate Supported Reserves for each of the water, wastewater and stormwater programs.
- Deficit of \$10.2 M from water operations to be offset by a transfer from the Water Reserve (#108015).
- Surplus in wastewater / storm operations of \$5.6 M to be transferred to Wastewater Reserve (#108005).

**SUBJECT: Tax and Rate Operating Budget Variance Report as at
December 31, 2020 and Budget Control Policy (FCS20069(b))
(City Wide) – Page 6 of 24**

- The 2021 Rate Supported Budget, approved a rate increase of 4.28%, comprised largely of capital financing requirements. Staff will monitor and report to Council any opportunities to leverage the surplus through any future Federal / Provincial stimulus programs, including those that may arise as a result of the COVID-19 pandemic, or alternatively, reviewing the City's future rate supported debt forecast, as the City approaches the 2022 budget process.

2020 Budget Complement Control

In accordance with the "Budget Control Policy" and "Budgeted Complement Control Policy", staff is submitting thirty recommended items. The complement transfers, identified in Appendix "C" to Report FCS20069(b), 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.

There are five budget transfers, identified in Appendix "C" to Report FCS20069(a), that moves budget from one division to another within the same cost category. Completing the transfers simplifies the budget review process for the following year by ensuring comparable budget data.

There is also one item recommended for removal and one fully funded position addition. Both complement adjustments have no impact on the levy.

In addition, staff is recommending one item where temporary positions with 24-month terms or greater are being extended as identified in Appendix "D" to Report FCS20069(b) with no impact on the levy.

Alternatives for Consideration – See Page 24

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

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

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

Legal: Not Applicable

HISTORICAL BACKGROUND

**SUBJECT: Tax and Rate Operating Budget Variance Report as at
December 31, 2020 and Budget Control Policy (FCS20069(b))
(City Wide) – Page 7 of 24**

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 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.

Staff has previously provided Council (through the Committee of the Whole, General Issues Committee and Audit, Finance and Administration Committee) two updates on the financial implications of the COVID-19 pandemic response through Reports FCS20040 and FCS20040(a), as well as, two variance reports on the 2020 Tax and Rate Operating Budget with projections on the City's year-end position through reports FCS20069 and FCS20069(a).

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 has also provided an additional \$212 M through the Social Services Relief Fund (SSRF), bringing the total to \$510 M to help vulnerable people find shelter under the program.

On September 9, 2020, the General Issues Committee received Report FCS20071, Federal and Provincial Government Municipal Funding Announcements Update, which provided information on the Safe Restart Funds and other government funding announcements. In addition, the General Issues Committee received Report FCS20088 on October 21, 2020, authorizing staff to prepare, execute and submit any required documentation to support the City's application for Phase 2 funding under the Safe Restart Agreement.

**SUBJECT: Tax and Rate Operating Budget Variance Report as at
December 31, 2020 and Budget Control Policy (FCS20069(b))
(City Wide) – Page 8 of 24**

The General Issues Committee received Report FCS20088(a) on March 24, 2021 which outlined the City's allocation of \$11.7 M in municipal relief for Phase 2 of the Safe Restart Agreement, as well as, \$18.7 M in funding for 2021 under the COVID-19 Recovery Funding for Municipalities Program.

The Ontario Provincial Government made many other COVID-19 funding announcements during 2020 for Public Health Services, Long Term Care, Paramedics, Housing and Children's Services of approximately \$54.5 M.

Staff has 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 final submission for 2020 based on the operating results as at December 31, 2020. Council approval is required to allocate year-end surplus / deficit to / from reserves.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

Not Applicable

RELEVANT CONSULTATION

Staff in all City of Hamilton departments and boards provided the information in Report FCS20069(b).

ANALYSIS AND RATIONALE FOR RECOMMENDATION(S)

The following provides an overview of the more significant issues affecting the 2020 Tax and Rate Operating Budget Surpluses. Appendix "A" to Report FCS20069(b) summarizes the Tax Supported Operating Budget year-end variances by department and division and Appendix "B" to Report FCS20069(b) summarizes the Rate Supported Operating Budget results by program.

Table 3 provides a summary of the departmental results as at December 31, 2020. The final Tax Supported Operating Budget Surplus before applying Safe Restart Funding amounted to \$25.8 M or approximately 2.5% of the net levy. After Safe Restart Funding was applied, the surplus amounted to \$55.3 M or approximately 6.0% of the net levy.

**SUBJECT: Tax and Rate Operating Budget Variance Report as at
December 31, 2020 and Budget Control Policy (FCS20069(b))
(City Wide) – Page 9 of 24**

Table 3

	2020 Approved Budget	2020 Year-End Actuals	Pre Safe Restart Funding		Post Safe Restart Funding	
			Variance		Variance	
			\$	%	\$	%
TAX SUPPORTED						
Planning & Economic Development	29,143	30,420	(1,277)	(4.4)%	3,207	11.0%
Healthy and Safe Communities	246,916	233,172	13,744	5.6%	14,433	5.8%
Public Works	256,381	250,209	6,172	2.4%	21,187	8.3%
Legislative	5,095	4,662	433	8.5%	482	9.5%
City Manager	12,285	11,662	623	5.1%	872	7.1%
Corporate Services	34,663	32,986	1,677	4.8%	2,113	6.1%
Corporate Financials / Non Program Revenues	(26,242)	(21,465)	(4,777)	(18.2)%	2,355	9.0%
Hamilton Entertainment Facilities	4,097	5,790	(1,693)	(41.3)%	(903)	(22.0)%
TOTAL CITY EXPENDITURES	562,338	547,436	14,902	2.6%	43,746	7.8%
Hamilton Police Services	170,817	168,689	2,128	1.2%	2,690	1.6%
Library	31,572	28,238	3,334	10.6%	3,334	10.6%
Other Boards & Agencies	15,921	16,027	(106)	(0.7)%	38	0.2%
City Enrichment Fund	6,088	6,088	(0)	(0.0)%	(0)	(0.0)%
TOTAL BOARDS & AGENCIES	224,398	219,042	5,356	2.4%	6,062	2.7%
CAPITAL FINANCING	137,423	131,906	5,517	4.0%	5,517	4.0%
TOTAL OTHER NON-DEPARTMENTAL	361,821	350,948	10,873	3.0%	0	0.0%
TOTAL TAX SUPPORTED	924,159	898,384	25,775	2.8%	55,325	6.0%

Since the onset of the COVID-19 pandemic, there have been numerous announcements from the Federal and Provincial governments regarding funding opportunities to address financial pressures for individuals and organizations. Appendix “E” to Report FCS20069(b) provides a summary of the \$206 M in announced funding to the City of Hamilton, to date, in order to address the ongoing impact of the pandemic in 2020 and 2021. In total, \$61.3 M was recognized in 2020, \$3.1M was not required and \$141.3 M will be available in 2021 with limitations around timing of use.

Safe Restart Agreement – Transit

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. These financial pressures include reduced revenues from farebox, advertising, parking and contracts, as well as, added expenses related to cleaning, new contracts, labour, driver protection, passenger protection and other capital costs.

**SUBJECT: Tax and Rate Operating Budget Variance Report as at
December 31, 2020 and Budget Control Policy (FCS20069(b))
(City Wide) – Page 10 of 24**

Based on reporting instructions received from the Province, savings in specialized transit (DARTS) is to be netted against the 2020 operating deficit for conventional transit. With the DARTS service operating at 10% to 15% of pre-COVID-19 levels throughout the summer, annual savings are \$10.0 M. Taking that into consideration, a net amount of \$12.2 M is eligible to be recognized in 2020. The remaining \$5.0 M has been set aside in the Safe Restart Agreement Reserve to be utilized to fund ongoing COVID-19 financial pressures for Transit for the period from January 1, 2021 to March 31, 2021.

The City of Hamilton received an allocation of \$21.5 M in Phase 2 funding, which covers the period from October 1, 2020 and March 31, 2021. It is currently anticipated that the carry over funds from Phase 1 will be sufficient to offset transit pressures during this period and that Phase 2 funding will not be leveraged.

Phase 3 funding was confirmed in a letter from the Ministry of Transportation on March 3, 2021 for the period between April 1, 2021 and December 31, 2021 for a total allocation to the City of \$16.8 M. The City will be required to return any unused funding, including interest, at the end of the eligibility period. The Province may also, at its sole discretion and on a case-by-case basis, grant extensions to the Phase 3 eligibility period for costs incurred after December 31, 2021 to January 1, 2023.

Safe Restart Agreement – Municipal

In a letter dated August 12, 2020, the Province advised the City of Hamilton of its Phase 1 funding allocation of \$27.6 M under the Safe Restart Agreement to support the operating costs and pressures related to COVID-19. Based on eligible expenses and lost revenues, the City has recognized \$17.4 M in 2020 and carried the remaining \$10.2 M in Safe Restart Funding forward to 2021 to address ongoing pressures as a result of the pandemic.

An additional \$11.7 M was provided to the City under the Phase 2 allocation for the purpose of assisting with COVID-19 operating costs and pressures in 2021 on December 16, 2020. Combined with the unused portion from Phase 1, \$21.9 M of Safe Restart Agreement – Municipal funding will be available to December 31, 2021.

Additional to the Safe Restart Agreement, the Province of Ontario announced a \$500 M funding commitment to municipalities under the 2022 COVID-19 Recovery Funding for the Municipalities Program. The City of Hamilton's share under this program is \$18.7 M, which can be used to address general municipal COVID-19 costs and pressures in 2021. Remaining funds at the end of 2021 will be put into a reserve to support potential COVID-19 costs and pressures in 2022.

Social Service Relief Fund

In late March 2020, the Province announced the \$200 M Social Services Relief Fund (SSRF) in response to the ongoing COVID-19 crisis to allow communities to expand a wide range of services and supports for vulnerable populations, based on local need, to better respond to the emergency. The City of Hamilton received an initial \$6.9 M under this program.

On August 12, 2021, the SSRF was expanded by an additional \$362 M as part of the federal-provincial Safe Restart Agreement. Under Phase 2 of the program, the City of Hamilton has received an allocation of \$11.3 M, as well as, an application for an additional \$6.4 M. The SSRF Phase 2 includes an operating component and two new capital components with the objectives of mitigating ongoing risk for vulnerable people, encouraging long-term housing-based solutions to homelessness post COVID-19 and enhancing rent assistance provided to households in rent arrears due to COVID-19. In accordance with program guidelines and eligibility requirements, \$13.0 M in revenue from the SSRF was recognized in 2020.

On March 10, 2021, the City received a letter from the Ministry of Municipal Affairs and Housing announcing phase 3 of the SSRF and the City's allocation of \$12.3 M for the period of March 1, 2021 up to December 31, 2021. Combining this with the carryover amounts from phases 1 and 2, a total of \$23.9 M will be available for use in 2021 and is expected to be fully leveraged.

Tax Supported Operating Budget

Appendix "A" to Report FCS20069(b) summarizes the Tax Supported Operating Budget variances by department and division.

In order 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 detailed in Table 4 is \$26.2 M, in comparison to the Council approved target of \$4.9 M, resulting in a surplus of \$21.3 M, well above historical levels.

**SUBJECT: Tax and Rate Operating Budget Variance Report as at
December 31, 2020 and Budget Control Policy (FCS20069(b))
(City Wide) – Page 12 of 24**

Table 4

NET GAPPING BY DEPARTMENT	GAPPING TARGET (\$000's)	2020 ACTUAL GAPPING (\$000's)	VARIANCE (\$000's)
Planning & Economic Development	\$ 853	\$ 3,030	\$ 2,177
Healthy and Safe Communities	\$ 952	\$ 13,069	\$ 12,117
Public Works	\$ 2,202	\$ 8,100	\$ 5,898
Legislative	\$ 84	\$ (279)	\$ (363)
City Manager	\$ 225	\$ 358	\$ 133
Corporate Services	\$ 633	\$ 1,918	\$ 1,285
Consolidated Corporate Savings	\$ 4,950	\$ 26,196	\$ 21,246

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

Planning and Economic Development Department

Planning and Economic Development reported a favourable variance of \$3.2 M. Safe Restart funding of \$4.5 M was applied mainly in the Transportation, Planning and Parking Division to assist with foregone parking revenues due to COVID-19 (\$3.4 M), and in the Licensing and By-Law Services Division to assist in foregone revenues such as animal tag revenue, merchandise sales and surrender fees (\$990 K). Without Safe Restart Funding, the department reported an unfavourable deficit of \$1.3 M for the year-end.

The Transportation, Planning and Parking Division had an unfavourable variance before Safe Restart Funding of \$3.2 M. This is due to foregone revenues of \$4.4 M mainly related to COVID. In addition, there was a \$100 K pressure due to new parking lot lease expenses. This was offset slightly by favourable variances due to savings in various contractual costs of \$878 K mainly related to COVID, gapping of \$266 K and savings in training / conferences and associated costs.

Tourism and Culture had a surplus of \$1.5 M as a result of gapping savings and savings in contractual costs from facility closures, cancellations of special events and vacancies related to COVID-19. The Tourism Industry Association of Ontario provided a federal grant of \$279 K, offsetting the COVID-19 revenue shortfalls.

A favourable variance of \$528 K in the Planning Division is due to gapping, savings in training / conferences and associated costs, materials and supplies and consulting costs due to COVID-19. Safe Restart Funding of \$9 K for additional cleaning and operating supplies due to COVID-19 was applied to the division.

**SUBJECT: Tax and Rate Operating Budget Variance Report as at
December 31, 2020 and Budget Control Policy (FCS20069(b))
(City Wide) – Page 13 of 24**

The Licensing and By-Law Services Division has an unfavourable variance of \$340 K before Safe Restart Funding of \$990 K was applied. The deficit is due to a reduction in revenues of \$677 K mainly related to COVID-19. Favourable variances of \$144 K due to gapping, \$114 K in various materials and supplies, \$56 K in training / conferences and associated costs and \$55 K in vehicle costs helped to reduce some of the deficit.

The remaining divisions have a combined surplus of \$289 K. The majority of this is attributable favourable gapping.

The Planning and Economic Development departmental gapping target, included in the explanations above, is \$0.9 M for the year of 2020. As at December 31, 2020, the actual year-end gapping amount is \$3.0 M, resulting in a deficit of \$2.2 M.

Healthy and Safe Communities Department

Overall, the Healthy and Safe Communities Department experienced a favourable variance of \$14.4 M after Safe Restart Funding of \$688 K was applied. The main driver for this is a result of reduced expenditures across several divisions due to COVID-19 closures and various non-Safe Restart funding received.

Hamilton Paramedic Service experienced a deficit of \$58 K due to not using the transfer from reserve to fund the 2020 ambulance enhancement and employee-related costs for historically overspent accounts including statutory holiday pay and vacation pay.

The Hamilton Fire Department had a positive variance of \$1.5 M due to overall employee related costs.

Public Health Services had a surplus of \$2.0 M as a result of \$1.1 M received in additional Annual Service Plan (ASP) funding over budget (includes ASP programs, Raccoon Rabies and Public Health Inspector (PHI) Students), \$913 K in gross expenditures above ASP 100% cap funded expenditures due to COVID-19 and \$307 K savings in levy due to gapping in Dental and Residential Care Facility, partially offset by unused budgeted contribution (\$278 K) from the Public Health Services Reserve.

Long Term Care Division had a favourable variance of \$206 K due to nursing management gapping, unbudgeted / additional provincial subsidies to fund COVID related costs (Pay Equity, Direct Care Funding, Minor Capital Funding) and cost savings due to the COVID response requirement to close the Adult Day Program from March to December and Meals-on-Wheels from May to August.

**SUBJECT: Tax and Rate Operating Budget Variance Report as at
December 31, 2020 and Budget Control Policy (FCS20069(b))
(City Wide) – Page 14 of 24**

After applying \$630 K of Safe Restart Funding to the Recreation division, the divisional surplus amounted to \$4.4 M for 2020. The Safe Restart Funding was used to fund the unfavourable variance related to the Quad Pad operations. The overall divisional surplus was a result of scheduled closure for renovations at Valley Park Recreation Centre, Riverdale Recreation Centre and Parkdale Outdoor Pool.

An additional \$2.6 M in operating cost savings attributed to closures of programs due to COVID-19, \$1.1 M in employee costs savings due to their redeployment to other programs supporting the COVID-19 response and an additional \$6.1 M of employee related cost savings due to program closures. A surplus of \$530 K in golf course fees and \$600 K in facility cost savings due to COVID requirements and community response to COVID also added to the surplus. This was partially offset by \$7.5 M in foregone revenue.

The Ontario Works division had a surplus of \$1.6 M due to Provincial funding received in excess of 2020 approved budget to provide relief for COVID-19 costs. Further savings of \$662 K in net gapping due to hiring delays as a result of COVID-19 and the transition of employment services to the Ministry of Labour, Training and Skills Development, \$777 K savings in client benefits due to the Employment transition and COVID closures. Discretionary and low-income costs of \$434 K are due to a lack of referrals to the program from Doctors / Dentists due to COVID. This favourable variance is offset by projects completed to improve client service in the new environment including digitization costs (\$463 K), renovation (\$482 K) and relocation costs to minimize the office footprint from four buildings to two and COVID costs (\$430 K) to support virtual delivery of services.

The Children's Services and Neighbourhood Development Division had a surplus of \$3.3 M mostly due to \$3.0 M of provincial funding received to cover COVID-19 related expenses. Additional favourable variance of \$264 K is due to savings from various operating cost savings including \$100 K in gapping partially offset by \$58 K in unbudgeted utility costs.

Housing Services had a surplus of \$1.5 M due to \$1.1 M in savings resulting from the Social Housing prior year reconciliations for revenue rents, \$185 K in in-year Mortgage and Property Tax Adjustments, \$2.5 M favourability in Rent supplements and Housing Stability benefits that are underspent due to CERB payments and \$100 K in transportation savings, partially offset by \$2.5 M in COVID-19 related costs.

The Healthy and Safe Communities departmental gapping target is \$1.0 M for the 2020 year. The actual year-end gapping amount is \$13.2 M, resulting in a surplus of \$12.2 M.

Public Works Department

Overall, the Public Works department had a surplus of \$21.2 M after Safe Restart Funding of \$15 M was applied. There were several factors across the divisions that lead to the overall surplus.

Lost revenues for Transit for 2020 amounted to \$24.8 M in 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 \$1.4 M. Fuel savings of \$2.0 M, commission savings of \$1.4 M and DARTS contract agreement savings of \$10.0 M helped to offset the COVID-19 related impacts. Unredeemed ticket revenue of \$1.75 M was also recognized as revenue due to paper fare media no longer being valid. In addition, \$12.2 M was utilized 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. Transit ended the year with a surplus of \$5.0 M after applying Safe Restart Funding.

Transportation Operations and Maintenance had a surplus of \$7.8 M after applying Safe Restart Funding of \$275 K. The surplus is driven by gapping (\$3.4 M) and the Winter Season Roads Maintenance Program (\$4.7 M). The number of severe winter storm events was down from 2019 resulting in savings in salt and sand of \$1.6 M, contractor activation costs of \$1.3 M and general vehicle maintenance of \$1.2 M.

Environmental Services ended 2020 with a surplus of \$4.6 M after applying Safe Restart Funding of \$912 K. One of the main drivers of the surplus was gapping resulting from a temporary freeze on hiring of student and seasonal positions (\$1.6 M). Additionally, there were combined operating savings of \$1.6 M in Forestry and Horticulture and Parks due to the shutdown of parks during the state of emergency.

The Transfer Station and Community Recycling Centre saw an increase as a result of minimum vehicle fee rate increase and an increase in visits from residents cleaning house during COVID-19 shut down. Total visits were up 14.7% over same time last year and tonnage has increased by 0.4% over same time last year. This resulted in a surplus of \$1.3 M. In addition, the Waste Collection Contract is also projecting a \$1.1 M surplus. The annual escalation factor was budgeted at 0.63%, however, the actual escalation factor is (4.98%). The main driver for the escalation factor decreasing is the reduction in diesel prices.

**SUBJECT: Tax and Rate Operating Budget Variance Report as at
December 31, 2020 and Budget Control Policy (FCS20069(b))
(City Wide) – Page 16 of 24**

Energy, Fleet and Facilities (EFF) Division had an overall favourable variance of \$1.5 M mainly due to savings due to closed City facilities due to COVID-19 of \$1.6 M, \$1.4 M in avoided costs at Tim Hortons Field as a result of COVID-19 closure. This was partially offset by COVID-19 pressures for increased labour, cleaning and PPE at facilities and overlapping lease payments due to delay in construction as a result of COVID-19. Safe Restart Funding of \$1.6M was applied resulting in a total divisional surplus of \$3.1 M.

Engineering Services had a positive variance of \$615 K attributable to revenue realized in the Corridor Management program and various activities administered by this section in addition to higher than budgeted Road Cut Administrative Program fees and Permit Revenues.

The remaining PW-General Administration division had \$34 K in overtime relating to staff working specifically on COVID-19 activities, PPE, specialized cleaning and equipment due to COVID-19. This was offset by funding from Safe Restart Agreement.

The Public Works departmental gapping target, included in the explanations above, was \$2.2 M for the 2020 year. The actual year-end gapping amount is \$8.1 M, resulting in an annual surplus of \$5.9 M.

Legislative

After applying \$49 K in Safe Restart Funding, mainly to offset costs as a result of implementing remote meetings, the overall departmental surplus for 2020 was \$482 K. This was the result of savings in conferences, meeting expenses, consulting and contractual expenses and contingency budgets, offset by COVID expenses and corporate gapping targets. In addition, unspent ward office and volunteer committee budgets further drove a favourable variance.

The Legislative departmental gapping target was \$84 K for the year of 2020. The actual year-end gapping amount is -\$279 K, resulting in a deficit of \$363 K.

City Manager's Office

The City Manager's Office had a favourable variance of \$0.9 M. The majority of this was in the Human Resources Division (\$922 K). The main drivers of the favourable variance were gapping, savings in training, legal and contractual expenditures.

Safe Restart Funding of \$249 K was applied to the unfavourable variance in the CMO-Admin division mainly for overtime costs for communications staff due to COVID-19.

**SUBJECT: Tax and Rate Operating Budget Variance Report as at
December 31, 2020 and Budget Control Policy (FCS20069(b))
(City Wide) – Page 17 of 24**

The City Manager's Office departmental gapping target, included in the explanations above, was \$0.2 M for the 2020 year. The actual year-end gapping amount is \$0.3 M, resulting in a surplus of \$0.1 M.

Corporate Services Department

Corporate Services finished 2020 with a positive variance of \$2.1 M. This was mainly the result of favourable variances of \$1.0 M in Financial Services, Taxation and Corporate Controller Division, \$680 K in the Information Technology Division and \$244 K in Financial Planning, Administration and Policy Division. The variance in Financial Services, Taxation and Corporate Controller Division was due to gapping (\$619 K), bank fees and HST recovery work (\$124 K), arrears and processing fees (\$114 K) and tax certificates (\$99 K) offset by unfavourable tax registration fees (\$273 K). The variance in Information Technology division is mainly a result of gapping, savings in radio equipment, license fees and radio network maintenance, offset by COVID related expenses. The variance in Financial Planning, Administration and Policy Division is primarily due to employee related savings from gapping.

Safe Restart Funding of \$436 K was applied to the department, most significantly in the Customer Service, POA and Financial Integration Division (\$119 K) in addition to the Information Technology Division (\$206 K) to offset COVID-19 expenditures related to cleaning, PPE, Temp staff, VPN firewall hardware and software, plexiglass, additional laptop computers and retrofitting courtrooms.

The remaining divisions experienced minor favourable variances attributed to gapping.

The Corporate Services departmental gapping target, included in the explanations above, was \$0.6 M for the 2020 year. The actual year-end gapping amount is \$1.9 M, resulting in a surplus of \$1.3 M.

Corporate Financials / Non Program Revenues

Corporate Financials / Non Program Revenues show a \$2.3 M combined favourable variance after Safe Restart Funding of \$7.1 M was applied. Contributing factors are identified as follows:

- Non-Program Revenues: Dividends from Hamilton Utilities Corporation and Alectra Dividends were lower than anticipated as a result of COVID-19. Safe Restart Funding was applied to offset the \$1.1 M deficit.
- Non-Program Revenues: Shared revenues from the Ontario Lottery and Gaming Commission were low due to the closure of casinos and racetrack slots by the Province of Ontario. Safe Restart Funding was applied to reduce the \$4.2 M deficit.

**SUBJECT: Tax and Rate Operating Budget Variance Report as at
December 31, 2020 and Budget Control Policy (FCS20069(b))
(City Wide) – Page 18 of 24**

- Non-Program Revenues: Tax remissions and write-offs resulted in a \$1.1 M deficit based on appeals processed.
- Non-Program Revenues: POA revenues were lower than expected due to 2020 court closures, resulting in a \$2.8 M deficit.
- Non-Program Revenues: The favourable variance of \$1.3 M in Payments in Lieu is due to a reduction in realized write-offs.
- Non-Program Revenues: Supplementary taxes exceeded budgeted by \$3.1 M.

Corporate Initiatives: \$0.9 M unfavourable variance as a result of unrecoverable staffing costs from capital programs.

Hamilton Entertainment Facilities (HEF)

HEF had an unfavourable variance of \$903 K after applying \$790 K of Safe Restart Funding. This was a result of decreased revenues due to COVID-19.

Capital Financing

Capital financing had an overall positive variance of \$5.5 M as a result of timing differences in cash flow assumptions in the Capital Budget. As approved in the 2021 Tax Supported Capital Budget (Report FCS20101), \$5.1 M from the 2020 Capital Financing surplus was transferred to the Unallocated Capital Levy Reserve, prior to year-end, to fund initiatives in the 2021 Capital Budget. Without this transfer, the overall Capital Financing surplus would be \$10.6 M.

Boards and Agencies

Boards and Agencies had a surplus of \$6.1 M after applying \$707 K in Safe Restart Funding.

The main surpluses are attributable to both Library and Hamilton Police Services.

Library had a favourable variance of \$3.3 M as a result of staffing vacancies going unfilled (gapping), pages being put on declared emergency leave and less spending on physical collections due to COVID-19 shutdown in addition to service restrictions.

After applying \$562 K in Safe Restart funding, Hamilton Police Services had a surplus of \$2.7 M. The Hamilton Police Serviced Board will provide Council with an analysis on its variance at a later date.

**SUBJECT: Tax and Rate Operating Budget Variance Report as at
December 31, 2020 and Budget Control Policy (FCS20069(b))
(City Wide) – Page 19 of 24**

The Hamilton Farmers' Market had an unfavourable variance of \$105 K due a revenue shortfall and COVID-19 related expenditures offset by savings in advertising and programming costs, parking rent and gapping. Safe Restart Funding of \$145 K was used to offset the deficit incurred from additional security and cleaning costs.

The Library, Police and Farmers' Market surpluses are recommended to be transferred to their own reserves.

Disposition of Tax Supported Operating Budget Surplus

The City of Hamilton has policies, obligations, future requirements and past practice that guide decisions around the disposition of the year-end operating budget surplus. As outlined in Recommendation (b) of Report FCS20069(b), staff recommends that the Tax Supported Operating Budget Surplus of \$55.3 M be distributed to various reserves as per the following paragraphs.

This proposed disposition of the 2020 surplus is highlighted below:

- Year-end variances for Police, Library and Farmers' Market to be allocated to their own reserves as per their policies.
- Tax Stabilization Reserve (Reserve #110046) – transfer of \$2 M to assist with addressing non-COVID-19 related pressures in 2022 and beyond such as any significant contractual updates or changes in Provincial cost sharing arrangements.
- Early Years System Reserve (Reserve #112218) – transfer of \$3 M to assist with ongoing pressures for funding reductions under the Provincial Funding Agreement and to offset municipal contributions for administration due to provincial changes in cost share requirements. Additionally, the transfer will be used to support the affordability grant program, which reduces the cost for families accessing child care for children 0 to 3.8 years. The Early Years System Reserve was originally established to support the transition from the previous Best Start Initiative and lessen the impact to the City of Hamilton resulting from changes in provincial direction.
- 2021 "Rent Ready" Program – Council approved \$1.0 M of the 2020 surplus to fund the 2021 "Rent Ready" Program – Motion 12.3, Emergency and Community Services Committee, December 10, 2020.
- Menstrual Products Affordability Pilot Program – Per Report HSC2001, \$121 K is to be transferred to fund Pilot Program.
- Climate Change Reserve – Staff recommends \$1.5 M be transferred to the Climate

**SUBJECT: Tax and Rate Operating Budget Variance Report as at
December 31, 2020 and Budget Control Policy (FCS20069(b))
(City Wide) – Page 20 of 24**

- Change Reserve. The usage of the funds is subject to policy development in 2021. Staff will report back through the Climate Change Action Group on use of funds in the reserve. The Climate Change Action Group will be looking at ways to leverage these funds for new capital works that advance the City's climate change action goals or to partake in additional grant funding opportunities.
- 2022 Capital Budget Unallocated Capital Levy Reserve #108020 – Recreation Facilities Discretionary Block – Staff recommends \$700 K be transferred to the 2022 Capital Budget to fund Discretionary Block Funding for Recreation Facilities. This is the surplus pertaining to recreation facility operations as a result of closures during the COVID-19 pandemic. It is recommended that this amount be reinvested into the state-of-good-repair for those facilities.
- ATS Reserve (Reserve #110023) – Staff recommends \$162,872 be transferred to reserve to fund previously committed and approved PRESTO capital equipment.
- Red Hill Creek Inquiry – Staff recommends \$5.0 M be transferred to the Red Hill Judicial Review account (Project #2055919101).
- Sick Leave Liability – General Reserve – Staff recommends \$1.3 M be transferred to the General Reserve (Reserve #112035). The current obligation under the City's sick leave benefit plan for certain employee groups is well in excess of the reserves established to provide for this liability. The \$1.3 M is related to surplus provision for vacation liability.
- Development Charge Exemptions – Staff recommends \$15.1 M be transferred to fund the 2020 shortfall in discretionary tax supported development charge exemptions. Total Development Charge Exemptions, including both Rate and Tax Supported statutory and discretionary exemptions, were \$41.3 M in 2020 as outlined in Appendix "F" to Report FCS20069(b). The total budget for 2020 was \$16.5 M, leaving a funding shortfall of \$24.8 M. The funding shortfall in discretionary exemptions was primarily driven by non-residential development including industrial rate reductions and agricultural use.
- Hamilton Status of Women Advisory Committee (HSWAC) – per the recommendation in the Citizen Committee Report at its meeting on February 4, 2021, the remaining \$3,996 in surplus for the HSWAC is to be donated across various charitable organizations and community support groups as outlined in the report.
- Hamilton Entertainment Facilities – HEF Program deficit of \$903 K to be funded from the Hamilton Entertainment Facilities Capital Projects Reserve (Reserve #100025).

**SUBJECT: Tax and Rate Operating Budget Variance Report as at
December 31, 2020 and Budget Control Policy (FCS20069(b))
(City Wide) – Page 21 of 24**

- The remainder of the tax supported operating budget surplus (\$20.3 M) is recommended to be transferred to the COVID-19 Emergency Reserve (Reserve #110053) for the purposes of funding ongoing pressures related to economic recovery and resumption of services beyond the funding commitments made by senior levels of government to the end of 2021.

In 2020, a COVID-19 Emergency Reserve (Reserve #110053) was established for the purposes of funding ongoing pressures related to economic recovery and resumption of services beyond the funding commitments made by senior levels of government to the end of 2021. The Reserve will hold the necessary funds to assist in immediate financial needs, as well as, potential delayed recovery that will potentially exist in future years. A transfer of the remaining 2020 surplus (\$20.3 M) is proposed to be done to COVID-19 Emergency Reserve.

Rate Supported Operating Budget

For 2020, the Rate supported operating budget finished the year with an unfavourable variance of \$4.6 M due to unfavourable operating expenditures of \$7.1 M, partially offset by favourable Capital Financing of \$2.1 M and a favourable revenue variance of \$426 K.

Revenues

Overall revenues had a surplus of \$426 K or 0.18% mainly due to the favourable variance in rate revenues. Non-rate revenue had an unfavourable variance of \$621 K.

The Industrial Commercial and Institutional metered water revenues were negatively affected by COVID-19 related shutdowns in the spring and summer of 2020 resulting in a year-end deficit of \$6.5 M. However, this deficit was entirely offset by the residential metered water revenue year-end surplus that resulted from increased consumption demand due to the combination of residents working and learning from home, and a dry summer. Water hauler and 3rd party sales as well as Overstrength and Sewer Surcharge Agreements lead to a favourable variance of \$1.1M, partially offset by a deficit in non-rate revenues in Permits & Lease Agreements of \$878 K mainly due to the delay in issuing permits as a result of the COVID-19 pandemic.

Expenditures

The Rate expenditures had a total net unfavourable variance of \$5 M or 2.15% of the 2020 Budget. The main driving factors of the unfavorable variance of \$7.1 M in operating expenditures along with the surplus of \$2.1 M in capital financing costs are shown in Table 5.

**SUBJECT: Tax and Rate Operating Budget Variance Report as at
December 31, 2020 and Budget Control Policy (FCS20069(b))
(City Wide) – Page 22 of 24**

**Table 5
City of Hamilton
Rate Budget Operating Expenditures Variance Drivers**

Expenditure Type	Variance (\$000's)
Contractual	(3,397)
Materials & Supplies / Buildings & Grounds	(2,426)
Financial Charges	(745)
Agencies & Support Payments	685
Reserve & Capital Recoveries	(671)
Consulting	(509)
Capital Financing / Capital Expenditures	(170)
Employee Related	110
Total Operating Expenditures	(7,123)
Debt Charges	5,573
DC Debt Charges Recoveries	(3,287)
Reserve Transfers	(182)
Capital Financing	2,104
Total Expenditures	(5,019)

Contractual expenditures had an unfavourable variance of \$3.4 M largely due to the new Biosolids facility, Chedoke Creek study, emergency flood response and the increased operating and maintenance expenditures to support the Storm Program to meet compliance standards. Both the Biosolids facility and the Storm Program variances were adjusted as part of the 2021 Budget process to reflect changing services levels.

Consulting expenditures had an unfavourable variance of \$509 K largely due to the increased operating and maintenance expenditures to support the Storm Program to meet compliance standards.

Savings in the employee related costs of \$110 K are mainly due to a decrease in discretionary training and conference spending during the COVID-19 pandemic. In 2020, the gapping target of \$1.4 M was achieved. The cancellation of community events during the pandemic, resulted in additional savings of \$179 K. Additional PPE, enhanced cleaning and signage, third party laboratory sampling were required during the pandemic, resulting in \$117 K of expenditures.

**SUBJECT: Tax and Rate Operating Budget Variance Report as at
December 31, 2020 and Budget Control Policy (FCS20069(b))
(City Wide) – Page 23 of 24**

Materials and Supplies had an unfavourable variance of \$2.3 M largely due to increased fluids and chemical spending used in the water and wastewater treatment at the Woodward Plant and the increased usage of water distribution parts and supplies, such as post hydrants. Building and Ground had an unfavourable variance of \$141 K due to the increased natural gas consumption in the new Biosolids facility. Fluid and chemical and natural gas consumption variances were adjusted in the 2021 budget for forecasted changes in production volumes.

Agencies and Support Payments had a favourable variance of \$685 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. The Program is expected to return to previous levels of intake once lockdown measures are lifted.

Reserve and Capital Recoveries had an unfavourable variance of \$671 K due to less recoveries from capital to align the nature of work to the appropriate budget. Capital Expenditures had an unfavourable variance of \$170 K mainly due to the new 703 Highway 8 site location.

Financial Charges had an unfavourable variance of \$745 K largely due to the increase in insurance premiums and additional property taxes of new water and wastewater site locations. Financial Charges variances were adjusted in the 2021 budget for forecasted changes in insurance and property taxes.

Capital Financing costs have a net overall favourable variance of \$2.1 M. The surplus in debt charges of \$5.6 M was offset by the Development Charges (DC) debt charge recoveries of \$3.3 M. The debt charge surplus is due to the difference in budgeted and forecasted interest rates and the increased timeframe for issuing debt. Local Improvement funds were transferred to the reserves for a net of \$182 K.

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

Disposition of Rate Supported Operating Budget Surplus:

The City of Hamilton has policies, obligations, future requirements and past practice that guide decisions around the disposition of the year-end operating budget surplus.

**SUBJECT: Tax and Rate Operating Budget Variance Report as at
December 31, 2020 and Budget Control Policy (FCS20069(b))
(City Wide) – Page 24 of 24**

Staff recommends that the Rate Supported Operating Budget Net Deficit of \$4.6 M be transferred as follows:

- Deficit of \$10.2 M from water operations proposed to be transferred from the water reserve.
- Surplus of \$5.6 M from wastewater / storm operations to be transferred to wastewater reserve.

ALTERNATIVES FOR CONSIDERATION

Table 1 in the Recommendation(s) section of Report FCS20069(b) identifies the recommended disposition of the surplus / deficit. Council may provide alternative direction to staff for the disposition of the surplus / deficit.

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(b) – City of Hamilton Tax Operating Budget Variance Report as at December 31, 2020

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

Appendix “C” to Report FCS20069(b) – City of Hamilton Budget Amendment Schedule

Appendix “D” – City of Hamilton Budgeted Complement Temporary Extension Schedule

Appendix “E” to Report FCS20069(b) – City of Hamilton COVID-19 Grant Funding from Senior Levels of Government

Appendix “F” to Report FCS20069(b) – 2020 Development Charges Exemption Summary

KP/DR/dt