

City of Hamilton
2020 Consolidated Financial Statements
Analysis – June 2021

General

The City of Hamilton’s (City) 2020 consolidated financial statements have been prepared by management and staff of the City of Hamilton in accordance with Canadian Generally Accepted Accounting Principles (GAAP) for local governments as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA).

These financial statements, Appendix “B” to Report FCS21037, are based on the full accrual basis of accounting under the CPA Public Sector Accounting Handbook sections PS1201 Financial Statement Presentation. The consolidated statement of financial position provides a summary of the City’s financial position as of the end of the year while the consolidated statement of operations provides a summary of the financial activity during the year.

Under the full accrual basis, expenditures related to the purchase and acquisition of tangible capital assets are reported as non-financial assets on the statement of financial position rather than as expenses in the statement of operations. Amounts received that relate to expenditures of future periods are recorded as deferred revenue and reported as liabilities on the statement of financial position.

Expenses are reported on the statement of operations by functional area. Expenses are also broken out by salaries and benefits, interest on long-term debt, materials and supplies, contracted services, rents and financial expenses, external transfers, and amortization of tangible capital assets over the useful life of the assets in the Schedule of Operations for Business Segments. Expenses include the change in liabilities for post-employment, retirement and pension benefits, contaminated sites, and solid waste landfill closure and post closure care costs.

In addition to taxation and investment income, reported revenues include government grants and development charges recognized in the period as well as tangible capital assets donated to the City.

The operating and capital budgets are prepared on the modified accrual basis of accounting. Proceeds from the issuance of long term debt that are included as a source of funding in the capital budget and debt principal repayments that are included as expenditures in the operating budget are not reported in the consolidated statement of operations.

2020 City of Hamilton Consolidated Financial Statements Analysis

The consolidated financial statements report the financial transactions and estimates made by management during 2020. The consolidated financial statements report the City’s municipal operations including all departments, Hamilton Police Services, Hamilton Library, CityHousing, Hamilton Street Railway, Hamilton Business Improvement Areas and Government Business Enterprises (Hamilton Utilities Corporation, Hamilton Renewable Power Inc. and Hamilton Enterprises Holding Corporation), Flamborough Recreation Sub-Committees, Confederation Park and Hamilton Farmer’s Market.

The Consolidated Financial Statements consist of:

- Consolidated Statement of Financial Position
- Consolidated Statement of Operations
- Consolidated Statement of Changes in Net Financial Assets
- Consolidated Statement of Cash Flows
- Notes to the Consolidated Financial Statements

Consolidated Statement of Financial Position

The Consolidated Statement of Financial Position consists of financial assets, liabilities, non-financial assets and accumulated surplus.

Financial Assets

The City’s total financial asset position increased in 2020 by \$221.9M to \$2.070B and is reported in the consolidated financial statements as:

	<u>2020</u> \$000's	<u>2019</u> \$000's
Financial Assets		
Cash and cash equivalents	\$ 459,178	\$ 187,704
Taxes receivable	85,023	86,309
Accounts receivable	139,157	131,232
Other assets	1,428	1,473
Long term receivables	42,237	47,379
Portfolio investments	1,022,899	1,069,908
Investment in Government Business Enterprises	<u>319,823</u>	<u>323,851</u>
Total financial assets	<u>\$ 2,069,745</u>	<u>\$ 1,847,856</u>

Cash and cash equivalents \$459.2M (2020) \$187.7M (2019)

The total represents the balance in City’s bank accounts, deposits held and CityHousing short term investments. The bank accounts mainly consists of the City’s operating bank, accounts payable bank, payroll bank, Ontario Works bank, and CityHousing Hamilton bank. The balance increased in 2020 from 2019 as

2020 City of Hamilton Consolidated Financial Statements Analysis

more money was held in the bank at year end. Throughout 2020 we seen interest rates drop resulting in unfavourable investment market conditions.

Taxes Receivable \$85M (2020) \$86.3M (2019)

Taxes receivable represent unpaid property tax bills net of estimates for allowances for uncollectible accounts. Taxes receivable represent 7.3% of current year's tax levies (2019 – 7.7%). The 2020 balance includes an allowance for doubtful accounts of \$2.1M (2019 - \$1.9M).

Accounts Receivable \$139.2M (2020) \$131.2M (2019)

Accounts receivable represents revenues earned by the City but not received at year end net of estimates of allowances for uncollectible accounts. The 2020 balance primarily consists of water and wastewater receivables (\$55.7M), general receivables & accruals (\$15.1M), HST receivables (\$13.6M), provincial and federal grants receivable (\$28.3M) and interest receivable (\$4.1M).

Long Term Receivables \$42.2M (2020) \$47.4M (2019)

Long term receivables represent the balance of loans and deferral agreements with agencies and organizations net of the provision for loans with concessionary terms. The long term receivables include:

	<u>2020</u> \$000's	<u>2019</u> \$000's
Development charge deferral agreements	\$26,658	\$30,012
Mortgages receivable:		
Downtown convert to rent program	4,784	5,425
Hamilton Utilities Corporation	-	6,480
Hamilton Enterprises Holding Corporation	6,156	-
Sheraton Hotel loan	610	755
Other City loan programs	3,424	3,764
Loans to other agencies and organizations	3,091	3,632
Less: Provision for loans with concessionary terms	<u>(2,486)</u>	<u>(2,689)</u>
	<u>\$42,237</u>	<u>\$47,379</u>

Portfolio Investments \$1.02B (2020) \$1.07B (2019)

Portfolio investments represent the City's holdings, as prescribed by the Municipal Act, in short and long term fixed income securities. The investments earn various interest rates with different premiums, discounts and maturities. Portfolio investments have a market value of \$1.095B.

Investment in Government Business Enterprises \$319.8M (2020) \$323.9M (2019)

Investment in Government Business Enterprises represents net equity of the consolidation of the City's subsidiary corporations, Hamilton Utilities Corporation (HUC), Hamilton Renewable Power Inc. (HRPI) and Hamilton Enterprises Holding Corporation (HEHCO). The consolidation of subsidiary corporations under the modified equity basis of accounting is required by the generally

2020 City of Hamilton Consolidated Financial Statements Analysis

accepted accounting principles of the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA). This PSAB recommendation was instituted in 2000. This also affects the reporting of the accumulated surplus and net municipal position in the consolidated financial statements. Dividends received in 2020 is \$13.9M; consisting of \$51.8M from HUC, \$0.1M from HRPI, less share capital issuance from HEHCO of \$38M. (2019 - \$14M from HUC, \$0.1M from HRPI).

Liabilities

The City's total liabilities position increased in 2020 by \$247M to \$1.84B and is reported in the consolidated financial statements as:

	<u>2020</u>	<u>2019</u>
	\$000's	\$000's
Liabilities		
Accounts payable and accrued liabilities	\$ 390,003	\$ 339,830
Deferred revenue - general	87,143	42,542
Deferred revenue - obligatory reserve funds	470,579	331,278
Long term liabilities – municipal operations	395,298	385,742
Long term liabilities – CityHousing Corporation	40,991	46,967
Employee future benefits and other obligations	387,950	372,695
Solid waste landfill liabilities	65,148	71,420
Total liabilities	\$ 1,837,112	\$ 1,590,474

Accounts Payable and Accrued Liabilities	\$390M (2020)	\$339.8M (2019)
<p>Accounts payable and accrued liabilities represent obligations owing by the City to third parties and employees at year end. The balance primarily consists of amounts payable to vendors and contractors (\$216.1M), payroll accruals (\$20.1M), security deposits (\$45.7M), amounts for insurance claims (\$19.1M) and contaminated sites (\$28.9M).</p>		

Deferred Revenue - General.	\$87.1M (2020)	\$42.5M (2019)
<p>Deferred revenue represents amounts received that will be recorded as revenue in future years to match expenditures incurred for goods received and services performed. The balance primarily consists of federal and provincial government grants and subsidies (\$30.8M), future urban roads (\$16.1M), CityHousing (\$3.8M), general deferred (\$6.1M), and forestry (\$6.1M).</p>		

Deferred Revenue – Obligatory Reserve Funds \$470.6M (2020) \$331.3M (2019)

Deferred revenue – Obligatory reserve funds represents amounts received that will be recorded as revenues in future years to match expenditures incurred for goods received and services performed. The balance includes:

2020 City of Hamilton Consolidated Financial Statements Analysis

	<u>2020</u> \$000's	<u>2019</u> \$000's
Development charge reserve funds	\$285,420	\$186,994
Recreational land dedicated under the Planning Act	66,934	56,154
Gasoline tax revenue: Provincial	19,220	9,699
Federal	59,101	54,846
Building Permit Revenue	24,613	23,493
Other (Main Street Revitalization)	15	92
Safe Restart Agreement: Municipal & Transit Funding	<u>15,276</u>	<u>0</u>
	<u>\$470,579</u>	<u>\$331,278</u>

Development charge and special area reserve fund balances increased in 2020. The increase is made up of \$128.2M in collections less transfers to finance capital projects of \$22.3M and transfers to operating of \$11.4M. During 2020 the City received and accrued federal gas tax transfers of \$32.6M and provincial gas tax transfers of \$20.2M. Federal gas tax was allocated for capital upgrades to roads and bridges for \$26.7M and to transit for \$3M. The provincial gas tax was allocated to transit related projects for \$0.06M and transit operating budget \$10.9M. During 2020 the City received parkland dedication fees of \$9.1M and \$0.01M was allocated to capital projects for future development of city parks. Approximately \$0.6M of the surplus building permit revenue in 2020 was transferred to the building permit revenue reserve fund. “Other (Main Street Revitalization)” refers to a reserve established with one-time funding from the provincial government to support revitalization activities within Main street areas.

Long Term Liabilities – Municipal Operations \$395.3M (2020) \$385.7M (2019)
 Long term liabilities – Municipal operations represents the outstanding principal for long term debt issued to finance capital expenditures and obligations for leased tangible capital assets. In 2020, the City made principal repayments on long term debt of \$41.5M (2019 - \$45.7M) and principal repayments on leased tangible capital assets of \$0.6M (2019 - \$0.6M). New debt of \$51.7M was issued in 2020 for capital projects (2019 – \$0).

Long Term Liabilities – CityHousing Operations \$41M (2020) \$47M (2019)
 Long term liabilities – CityHousing Operations represents the outstanding principal for loans and mortgages obtained to finance certain CityHousing capital expenditures and asset purchases. In 2020, CityHousing made principal repayments on long term debt of \$6M (2019 - \$5.8M).

CityHousing debenture debt issued by the Ontario Housing Corporation remains the obligation of the Province of Ontario as a result debenture debt of \$6M (2019 - \$8.3M) is not reported in the consolidated financial statements.

2020 City of Hamilton Consolidated Financial Statements Analysis

Employee Future Benefits and Other Obligations \$388M (2020) \$372.7M (2019)

These estimates represent the liabilities associated with employee post-employment; sick leave, retirement, LTD, WSIB and pension benefits. The Canadian Generally Accepted Accounting Principles recognize the liabilities in the year in which the employees provide the services associated with the benefits.

The 2020 estimates are provided by independent actuaries from actuarial valuations performed for 2020 or performed for earlier years and extrapolated for 2020. The estimates use assumptions for inflationary increases of 2% annually, a discount rate of 3% to 4.4%, payroll increases of 3%, and increases in pension plan assets of 4.4%. Projections for retirement benefits assumed that drug costs would increase by 7.6% in 2020 reducing by 0.20% each year to an ultimate rate of 4.0% in 2038 and dental costs will increase by 4.0% annually. These liabilities are not reported net of any reserves already setup on the balance sheet in the Statement of Financial Position.

The employee future benefits and other obligations are summarized in the consolidated financial statements as:

	<u>2020</u> \$000's	<u>2019</u> \$000's
Accrued Benefit Obligation		
Sick leave benefit plan	\$ 60,015	\$ 58,789
Long term disability plan	43,676	33,431
Workplace safety and insurance board liabilities (WSIB)	128,967	97,787
Retirement benefits	168,449	153,571
Vacation benefits	27,212	26,806
Pension benefit plans	<u>(34,366)</u>	<u>(2,196)</u>
	393,953	368,188
Net unamortized actuarial gain (loss)	<u>(6,003)</u>	<u>4,507</u>
Accrued Liability	\$ 387,950	\$ 372,695
Less: Funded liabilities (balance sheet)	<u>(24,531)</u>	<u>(24,367)</u>
Unfunded Liability	<u>\$ 363,419</u>	<u>\$ 348,328</u>

PSAB's disclosure requirements for employee benefits and other obligations are quite extensive. Notes 10 and 11 to the Consolidated Financial Statements provide the details of the actuarial valuations, the actuarial gains and losses, payments and expenses related to these liabilities.

Actuarial gains and losses, permitted in the PSAB accounting standards, result from changes in valuation assumptions used for the current valuations versus previous valuations. The net unamortized actuarial loss of \$6M represents a loss in long term disability of \$13.9M, a loss in retirement benefits of \$24M, a loss in WSIB liabilities of \$28M, a loss in sick leave obligations of \$1.8M and a gain in the pension plans of \$61.7M. These actuarial gains and losses will be spread

2020 City of Hamilton Consolidated Financial Statements Analysis

over future periods and recognized as expenses under the category of salaries and benefits in the Statement of Operations.

Provisions have been made in the reserves for \$74.3M (2019 - \$71.2M) to fund a portion of these liabilities. There is no PSAB requirement to fund the net unfunded liability portion of these employee benefits of \$363.4M from reserves or taxation currently. These unfunded liabilities can be funded in future years as amounts are expensed in the operating budget for actual payments.

Solid Waste Landfill Liabilities \$65.1M (2020) \$71.4M (2019)

This amount represents the estimate of the liability for closure and post closure costs of the City's twelve closed and one open landfill sites. The liability is calculated by discounting the future years' expected cash outflows for the spending on eligible activities on the landfill sites. For liability calculation purposes, the open landfill site has been divided into three phases. Phase 1 closed in 2018, phase 2 has begun accepting fill and is expected to close in 2046. Construction of Phase 3 has not been initiated. It is estimated that the site will reach full capacity and close in 2055. Expenses for the post-closure care of the open landfill site are estimated for 50 years after each phase is expected to close. The City's expenses related to spending on capital projects and the change in the estimated liability are reflected in the Statement of Operations.

Waste diversion rates, waste initiatives such as the green cart program and composting, new waste technologies and ongoing assessments of the closed sites impact the landfill liabilities. The City's waste diversion rate for 2020 was 42% (2019 – 41%).

Provisions have been made in a reserve of \$1.2M (2019 - \$1.2M) to fund a portion of this liability. There is no PSAB requirement to fund the liability at this time.

Non-Financial Assets

The City's total non-financial assets position increased in 2020 by \$278.7M to \$6.232B and is reported in the consolidated financial statements as:

	<u>2020</u> \$000's	<u>2019</u> \$000's
Non-Financial Assets		
Tangible capital assets	\$6,202,964	\$ 5,930,788
Inventories	19,394	15,672
Prepaid expenses	10,119	7,361
	<u>\$ 6,232,477</u>	<u>\$ 5,953,821</u>

2020 City of Hamilton Consolidated Financial Statements Analysis

Tangible Capital Assets (TCAs) \$6.2B (2020) \$5.9B (2019)

The City's general and infrastructure tangible capital assets include land, land improvements, buildings, vehicles, computer, other machinery and equipment, roads, bridges and structures, water and wastewater, facilities and underground infrastructure networks. The net book value of \$6.2B represents the cost of the tangible capital assets less accumulated amortization over the life of the assets. The TCA total includes amounts spent to the end of the year on tangible capital assets under construction.

A summary of the tangible capital assets valued as at Dec. 31, 2020 include:

	<u>2020</u> \$000's	<u>2019</u> \$000's
General		
Land	\$ 403,879	\$ 387,321
Land improvements	181,506	167,237
Buildings	829,290	815,472
Vehicles	138,937	148,259
Computer hardware and software	18,698	19,499
Other	92,062	93,335
Infrastructure		
Roads	1,315,237	1,310,342
Bridges and structures	181,098	181,896
Water and wastewater facilities	416,470	395,495
Underground and other networks	<u>2,021,641</u>	<u>1,986,865</u>
Net Book Value	\$ 5,598,818	\$ 5,505,721
Assets under construction	<u>604,146</u>	<u>425,067</u>
Total	\$ <u>6,202,964</u>	\$ <u>5,930,788</u>

The Schedule of Tangible Capital Assets in the Consolidated Financial Statements contains additional information on these non-financial assets. The replacement cost of assets valued as at Dec. 31, 2020 is estimated at \$22.9B.

Inventories	\$19.4M (2020)	\$15.7M (2019)
Prepaid expenses	\$10.1M (2020)	\$7.4M (2019)

Two other categories of non-financial assets are inventories of goods for use in the delivery of services and prepaid expenses for purchases made in 2020 for expenses to be incurred in 2021 and beyond. In 2020 a new inventory account was established for personal protective equipment as a result of COVID-19 in the amount of \$3.7M.

2020 City of Hamilton Consolidated Financial Statements Analysis

Accumulated Surplus

Net Municipal Financial Position

\$6.465B (2020)

\$6.211B (2019)

The City’s accumulated surplus represents the net municipal financial position in PSAB’s financial statement presentation requirements for 2020. The balance is comprised of the following:

	<u>2020</u> \$000's	<u>2019</u> \$000's
Accumulated surplus (Net municipal financial position)		
Operating surplus of BIA, Flamborough Recreation sub-committee, Confederation Park	\$ 1,784	\$ 1,775
Operating surplus – CityHousing	82,203	72,343
Capital surplus – Municipal	119,817	113,897
Capital surplus – CityHousing	73,952	59,960
Reserves and Reserve Funds	682,432	665,476
Unfunded liabilities – Employee benefits	(363,419)	(348,328)
Unfunded liabilities – Landfill sites	(65,148)	(71,420)
Investment in Government Business Enterprises	319,823	323,851
Investment in tangible capital assets	<u>5,629,066</u>	<u>5,393,649</u>
Total accumulated surplus	\$ <u>6,465,110</u>	\$ <u>6,211,203</u>

Consolidated Statement of Operations

The Consolidated Statement of Operations represents the revenue and expenses under the PSAB format for financial statements introduced in 2009. The budget and actual revenues and expenses reported in the Consolidated Statement of Operations will not match amounts reported to Council for several reasons. The consolidated financial statements include revenues from donated capital assets, expenses from the amortization of tangible capital assets and change in unfunded liabilities which are not included in the budget. Proceeds from the issuance of long-term debt that are included as a source of funding in the capital budget and debt principal repayments that are included as expenditures in the operating budget are not reported in the consolidated statement of operations.

These financial statements reflect the transfers to reserves of the City’s municipal tax and rate operating budget surplus of \$50.7M as reported in report FCS20069(b).

The annual surplus in the Consolidated Statement of Operations of \$254.7M represents the excess of revenue over expenses for 2020 under PSAB’s full accrual basis of accounting and, therefore, is a different surplus than the operating budget surplus reported to Council.

2020 City of Hamilton Consolidated Financial Statements Analysis

Revenue increased by \$18.3M to \$2.015B in 2020 from \$1.997B in 2019 and is reported in the Consolidated Statement of Operations as:

	Budget <u>2020</u> \$000's	Actual <u>2020</u> \$000's	Actual <u>2019</u> \$000's
Revenue			
Taxation	\$ 953,883	\$ 957,739	\$ 917,126
Government grants and contributions	621,458	521,305	447,833
User charges	365,598	329,316	372,145
Developer contributions earned	35,463	33,693	60,646
Donated tangible capital assets	8,494	8,494	21,715
Investment and dividend income	33,730	33,545	37,598
Net income from Government Business Enterprises	-	10,726	11,262
Other	<u>111,332</u>	<u>120,526</u>	<u>128,764</u>
Total revenue	\$ <u>2,129,958</u>	\$ <u>2,015,344</u>	\$ <u>1,997,089</u>

Government grants and contributions revenues increased by \$73.5M in 2020 from 2019. Significant government grants and contributions for operating budget programs and capital projects include:

	<u>2020</u> \$ 000's	<u>2019</u> \$ 000's
General government	\$10,147	\$ 1,697
Protection services	15,049	9,751
Transportation services	52,090	52,898
Environmental services	52,198	40,645
Health services	79,544	58,785
Social and family services	264,936	234,556
Social housing (after consolidations)	35,672	40,356
Recreation and cultural services	9,854	4,767
Planning and development	<u>1,815</u>	<u>4,378</u>
Total Funding	<u>\$521,305</u>	<u>\$ 447,833</u>

User charges of \$329M primarily consist of water and wastewater revenues of \$232.4M (\$235.4M in 2019) and transit fares and fees of \$26.3M (\$66M in 2019). Other user fees are recorded in recreation & cultural services of \$11.3M (\$24.2M in 2019), Social and family services of \$14.2M (\$16.9M in 2019), Waste diversion & disposal of \$8.3M (\$8.6M in 2019), planning and development of \$11.4M (\$10.7M in 2019) and protection services of \$5.3M (\$6.2M in 2019).

Development charges and sub-dividers contributions of \$33.7M was recognized as revenue in 2020 while unearned revenue is recorded as deferred revenue on the Statement of Financial Position.

2020 City of Hamilton Consolidated Financial Statements Analysis

Donated tangible capital assets of \$8.5M represent assets that were donated or contributed to the City by developers and recorded as revenue as per PSAB accounting standards.

Investment and dividend income consist of investment income of \$33.5M from City municipal and CityHousing operations from fixed income securities, bank balances and deposits.

Net income from Government Business Enterprises represents net income of \$10.7M from HUC, HRPI and HEHCO for 2020 (\$11.3M in 2019). This includes dividends to the City in 2020 of \$51.8M from HUC (\$14M in 2019) and \$0.1M from HRPI (\$0.1M in 2019). The other comprehensive income (loss) from Government Business Enterprises was a loss of \$0.8M in 2020 (2019 - \$2.6M loss).

Other Revenue of \$120.5M represents revenue from licenses and permits of \$22.4M (\$23M in 2019), rents of \$45.5M (\$45.4M in 2019), fines and penalties of \$25.3M (\$29.9M in 2019) and other miscellaneous revenue of \$27.3M (\$30.5M in 2019).

Expenses increased by \$31.5M to \$1.761B in 2020 from \$1.729B in 2019 and are reported in the Consolidated Statement of Operations as:

	Budget <u>2020</u> \$000's	Actual <u>2020</u> \$000's	Actual <u>2019</u> \$000's
Expenses			
General government	\$ 78,429	\$ 68,079	\$ 66,626
Protection services	343,042	341,243	330,258
Transportation services	359,977	322,651	337,719
Environmental services	250,886	251,828	252,778
Health services	118,240	126,930	106,057
Social and family services	337,009	333,523	309,361
Social housing	107,008	110,063	97,131
Recreation and cultural services	174,024	149,932	176,949
Planning and development	<u>60,825</u>	<u>56,382</u>	<u>52,263</u>
Total expenses	<u>\$1,829,440</u>	<u>\$ 1,760,631</u>	<u>\$ 1,729,142</u>

Expenses are summarized by the functional categories above in the Statement of Operations and by object of expenses in the schedule of operations for business segments in the notes to the Consolidated Financial Statements. Expenses include salaries and benefits, interest on long term debt, material and supplies, contracted services, rents and financial expenses, external transfers, amortization of tangible capital assets and inter-functional transfers. Expenses include expenses in the operating budget programs and expenses from specific projects in the capital budget that are not tangible capital assets. Expenses exclude principal repayments on long term debt recorded as reductions of long-term debt and capital expenditures recorded as acquisitions and construction of tangible capital assets.

2020 City of Hamilton Consolidated Financial Statements Analysis

Expenses are summarized in the following categories as:

	<u>2020</u> \$ millions	<u>2019</u> \$ millions
Salaries and benefits	\$ 819.2	\$ 797.6
Interest on long term debt	12.4	13.8
Materials and supplies	203.0	203.3
Contracted services	282.1	309.6
Rents and financial expenses	36.1	31.1
External transfers	193.7	168.5
Amortization	<u>214.1</u>	<u>205.2</u>
Total	<u>\$1,760.6</u>	<u>\$1,729.1</u>

Primary drivers for the increase in expenses relate to the increase of \$21.6M in salaries, decrease of (\$27.5M) in contractual services, increase of \$5.0M in rents and financials, increase of \$25.2M in external transfers, increase of \$8.8M related to amortization.

COVID-19 Impacts

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian, Ontario and Municipal governments, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to businesses globally and in Ontario resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions however the success of these interventions is not currently determinable.

The City of Hamilton has taken extraordinary measures to support its residents, including the most vulnerable, through this unprecedented public health and economic challenge. The response to the COVID-19 pandemic has resulted in significant financial pressures in 2020 estimated at \$38M in additional expenses and \$55M in lost revenues. Programs and revenues that faced financial challenges as a result of the pandemic response include:

- Public Health Services
- Ontario Works
- Housing Services
- Long-Term Care
- Paramedic Services
- Provincial Offences Act and Red-Light Camera Revenues
- Parking Services
- Transit
- Ontario Lottery and Gaming Slots

2020 City of Hamilton Consolidated Financial Statements Analysis

- Shared Airport Revenues
- Property Tax Assistance Program
- Police Services

In response to the pandemic, the City put in place several measures to mitigate the financial impact of the pandemic response including:

- Closure of facilities
- Temporary suspension of scheduling for part-time and casual labour
- Not hiring full complement of student and seasonal positions
- Redeployment of staff to affected program areas
- Restrictions on hiring for non-essential positions
- Strict controls on discretionary spending including training, travel and conferences

Together with the application of various COVID-19 related funding from senior levels of government, including the Safe Restart Agreement – Municipal and Transit streams, Social Services Relief Fund, Reaching Home Initiative, Ministry of Public Health funding, Prevention and Containment funding and many others, the City was able to successfully mitigate many of the financial pressures related to the COVID-19 pandemic response.

The current challenging economic climate may lead to adverse changes in cash flows, reduction of service levels and budgetary constraints, which may also have a direct impact on the Corporation's revenues, annual surplus or deficit and reserve and reserve funds in the future. The situation is dynamic and the ultimate duration and magnitude of the impact on the Corporation, surrounding economy and services are not known at this time.