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

TO:	Chair and Members Audit, Finance and Administration Committee
COMMITTEE DATE:	September 23, 2021
SUBJECT/REPORT NO:	Tax and Rate Operating Budgets Variance Report as at June 30, 2021 – Budget Control Policy Transfers (FCS21070) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Kayla Petrovsky Fleming (905) 546-2424 Ext. 1335 Duncan Robertson (905) 546-2424 Ext. 4744
SUBMITTED BY: **SIGNATURE:**	Mike Zegarac General Manager, Finance and Corporate Services Corporate Services Department

RECOMMENDATION(S)

(a) That the Tax and Rate Operating Budgets Variance Report as at June 30, 2021 attached as Appendices "A" and "B", respectively, to Report FCS21070, be received;

(b) That, in accordance with the "Budgeted Complement Control Policy", the 2021 complement transfers from one department / division to another with no impact on the levy, as outlined in Appendix "C" to Report FCS21070, be approved;

(c) That, in accordance with the "Budgeted Complement Control Policy", the 2021 extensions of temporary positions with 24-month terms or greater, with no impact on the levy, as outlined in Appendix "D" to Report FCS21070, be approved;

(d) That, in accordance with the "Budget Control Policy", the 2021 budget transfers from one department / division to another or from one cost category to another with no impact on the property tax levy, as outlined in Appendix "E" to Report FCS21070, be approved;

(e) That Council approve funding the unfavourable variances of Development Charge Discretionary Exemptions from the 2021 corporate year-end tax and / or rate surplus or from the Unallocated Capital Reserve 108020, Waterworks Capital Reserve 108015, Sanitary Sewer Capital Reserve 108005 or Storm Sewer Capital Reserve 108010.

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. This is the first submission for 2021 based on the operating results as of June 30, 2021. Appendix “A” to Report FCS21070 summarizes the Tax Supported Operating Budget year-end variances by department and division while Appendix “B” to Report FCS21070 summarizes the year-end variances of the Rate Supported Operating Budget by program.

The Tax Supported operations are projecting a surplus of $25.2 M, taking into consideration all anticipated funding from senior levels of government to offset financial pressures from the COVID-19 pandemic response. The Rate Supported operations are projecting a deficit of $1.3 M.

The $25.2 M surplus is comprised of City Departments / Other ($10.43M favourable), Boards and Agencies ($4.8 M favourable) and Capital Financing ($10.0 M favourable). The surplus in Tax Supported Operating Budget is spread across several departments and is related to gapping surpluses, savings in capital financing, operational changes as a result of the pandemic response and limits on discretionary spending. For the Rate Supported Operating Budget, the deficit is related to unfavourable variances from operating expenditures of $2.3 M, partially offset by favourable revenue variance of $1.0 M.

Through the Safe Restart Agreement (SRA) and the COVID-19 Recovery Funding for Municipalities Program (CRFMP), funding was provided by senior levels of government to municipalities to address operating pressures related to the COVID-19 pandemic. A Tax Supported Operating Budget Deficit of $13.7 M is projected without the SRA / CRFMP funding applied. A total of $38.9 M in funding is projected to be applied in 2021 through the SRA and CRFMP, as well as, $61.4 M in other various funding programs related to the pandemic such as the Social Services Relief Fund and Ministry of Health funding for COVID-19 vaccination and response programs. Appendix “F” to Report FCS21070 details the estimated net financial pressures of $100.3 M in 2021 and the funding received to offset those pressures. Based on current estimates, $14.9 M of confirmed funding would be available to carry forward to 2022. There is also $20.3 M available in the COVID-19 Emergency Reserve.

Additional details are presented in the Analysis and Rationale for Recommendation(s) section beginning on page 5 of Report FCS21070.

2021 Budget Transfers, Extensions, and Amendments

In accordance with the "Budget Control Policy" and "Budgeted Complement Control Policy", staff is submitting 15 recommended items. The complement transfers, identified in Appendix "C" to Report FCS21070, 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, without impacting the tax levy or rate. The tax operating budget amendments, identified in Appendix "E" to Report FCS21070, moves budget from one cost category to another between either the same or different departments / divisions or from one division or department to another within the same cost category. Completing this transfer simplifies the budget review process for the following year by ensuring comparable budget data.

In addition, staff is recommending three items, where temporary positions with 24-month terms or greater, are being extended as identified in Appendix "D" to Report FCS21070 with no impact on the levy.

Alternatives for Consideration – Not Applicable

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: The financial information is provided in the Analysis and Rationale for Recommendation(s) section of Report FCS21070.

Staffing: Staffing implications of Report FCS21070 are detailed in Appendices "C" and "D", which outlines the 2021 staff complement transfers from one department / division to another with no impact on the levy and extensions of temporary positions.

Legal: N/A

HISTORICAL BACKGROUND

The COVID-19 pandemic has resulted in many changes affecting human behavior and impacting the world's economic condition. In response, since March of 2020, the City's operations have changed and evolved considerably with facility closures, program cancellations and modification of services provided.

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.

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, to date, has provided $817 M to municipalities through the Social Services Relief Fund (SSRF) and through the Canada-Ontario Community Housing Initiative (COCHI) to help vulnerable people find shelter under the program.

The General Issues Committee received Report FCS20071, “Federal and Provincial Government Municipal Funding Announcements Update”, on September 9, 2020 and Report FCS21057, “Multi-Year Outlook” on June 16, 2021 which provided information on the Safe Restart Funds and other government funding announcements.

There have been various other funding announcements, outside of the Social Services Relief Fund and Safe Restart Agreement, to assist municipalities in the delivery of critical programs and services throughout the pandemic. This includes funding from the Ministry of Health for the COVID-19 response and vaccination programs, mental health and addictions funding, enhancements to the Reaching Home Initiative, the CMHC Rapid Housing Initiative, the ICIP – COVID-19 Resilience Infrastructure Stream, as well as, funding for other emergency response and essential services such as paramedics, long-term care and children services.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

Not Applicable

RELEVANT CONSULTATION

Staff in all City of Hamilton departments and boards provided the information in Report FCS21070.

ANALYSIS AND RATIONALE FOR RECOMMENDATION(S)

The following provides an overview of the more significant issues affecting the 2021 Tax and Rate Operating Budget Surpluses. Appendix “A” to Report FCS21070 summarizes the Tax Supported Operating Budget year-end variances by department and division and Appendix “B” to Report FCS21070 summarizes the Rate Supported Operating Budget results by program.

Table 1 provides a summary of the departmental results as at June 30, 2021. The projected Tax Supported Operating Budget deficit before applying SRA / CRFMP funding amounts to $13.7 M or approximately 1.4% of the net levy. After SRA / CRFMP funding is applied, there is a projected surplus of $25.2 M or approximately 2.6% of the net levy.

Table 1

	2021 Approved Budget	2021 Year-End Forecast	Pre Safe Restart/COVID-19 Recovery Funding Variance $	%	Post Safe Restart/COVID-19 Recovery Funding Variance $	%
TAX SUPPORTED						
Planning & Economic Development	30,357	33,520	(3,163)	**(10.4)%**	3,322	**10.9%**
Healthy and Safe Communities	255,023	263,921	(8,898)	**(3.5)%**	3,706	**1.5%**
Public Works	266,803	273,190	(6,388)	**(2.4)%**	7,676	**2.9%**
Legislative	5,164	5,258	(94)	**(1.8)%**	(94)	**(1.8)%**
City Manager	13,017	12,732	285	**2.2%**	409	**3.1%**
Corporate Services	37,212	37,380	(168)	**(0.5)%**	278	**0.7%**
Corporate Financials / Non Program Revenues	(27,941)	(18,522)	(9,419)	**(33.7)%**	(5,014)	**(17.9)%**
Hamilton Entertainment Facilities	4,037	4,817	(780)	**(19.3)%**	0	**0.0%**
TOTAL CITY EXPENDITURES	**583,672**	**612,296**	**(28,624)**	**(4.9)%**	**10,284**	**1.8%**
Hamilton Police Services	**175,352**	**175,352**	**0**	**0.0%**	**0**	**0.0%**
Library	**32,030**	**28,230**	**3,800**	**11.9%**	**3,800**	**11.9%**
Other Boards & Agencies	**16,334**	**16,392**	**(58)**	**(0.4)%**	**(58)**	**(0.4)%**
City Enrichment Fund	**6,088**	**6,088**	**0**	**0.0%**	**0**	**0.0%**
TOTAL BOARDS & AGENCIES	**229,804**	**226,062**	**3,742**	**1.6%**	**3,742**	**1.6%**
CAPITAL FINANCING	**140,943**	**129,809**	**11,134**	**7.9%**	**11,134**	**7.9%**
TOTAL OTHER NON-DEPARTMENTAL	**370,747**	**355,871**	**14,876**	**4.0%**	**14,876**	**100.0%**
TOTAL TAX SUPPORTED	**954,419**	**968,166**	**(13,748)**	**(1.4)%**	**25,160**	**2.6%**

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 “F” to Report FCS21070 provides a summary of all the net financial pressures from COVID-19 for 2021 and all funding from senior levels of government to be applied to offset the pressures. In total, $100.3 M is recognized as 2021 pressures with $96.4 M in funding to be utilized. The remaining variance of $3.9 M for the Hamilton Paramedic Service represents funding for COVID-19 pressures that is awaiting confirmation from the Ministry of Health.

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.

Total Phase 1 funds utilized under the eligible periods from April 1, 2020, to September 30, 2020 and October 1, 2020 to March 31, 2021 was $13.8 M. The $3.4 M of unused Phase 1 funding is expected to be returned to the Province. To date, no request has been made by the MTO to return the remaining unused funds. 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. The funding was not claimed by the Transit Division since there were no further eligible expenditures incurred within that timeframe to be offset by additional funding.

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.

As of June 30, 2021, it is projected that $13.2 M will be required from the Safe Restart – Transit Phase 3 funding to cover projected COVID-19 related costs to be incurred during the year, leaving $3.6 M in funding remaining at the end of 2021. If the Transit Division does not incur enough eligible expenditures to utilize all of the Phase 3 funding before December 31, 2021, the City will request that the MTO allow the remaining funding to be used to cover eligible expenditures in 2022.

Safe Restart Agreement – Municipal and COVID-19 Recovery Funding for Municipalities Program

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 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 is 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 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.

As of June 30, 2021, it is projected that the Safe Restart Funding will be fully utilized and $3.9 M will be drawn from the COVID-19 Recovery Funding Program leaving an eligible amount of $14.9 M to be carried over to 2022.

Social Services 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, 2020, 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.

Another letter was received by the City on August 16, 2021 from the Ministry of Municipal Affairs and Housing detailing the fourth and final Phase of the province's SSRF and through Canada-Ontario Community Housing Initiative (COCHI). Under Phase 4 of the SSRF program, the City of Hamilton has received an allocation of $13.8 M for the 2021 – 2022 fiscal year. Under the COCHI program, the government has also approved the release of up to an additional $21 M. This funding will support community housing providers across Ontario, including the state of repair of the legacy social housing stock. Under COCHI, the City of Hamilton has received an additional funding allocation in the amount of $1.0 M to the City of Hamilton for the 2021 - 2022 fiscal year.

Combining Phase 3 and 4 allocations with the carryover amounts from Phases 1 and 2, a total of $37.7 M for SSRF is available for use in 2021. As of June 30, 2021, it is forecasted that $12.6 M will be leveraged 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.

Tax Supported Operating Budget

Appendix "A" to Report FCS21070 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 redeployment of staff for the COVID-19 vaccination, response and recovery programs. As a result, corporate-wide gapping detailed in Table 2 is $8.1 M, in comparison to the Council approved target of $4.9 M, resulting in a surplus of $3.1 M.

Table 2

NET GAPPING BY DEPARTMENT	GAPPING TARGET ($000's)		2021 PROJECTED GAPPING ($000's)		VARIANCE ($000's)	
Planning & Economic Development	$	853	$	1,880	$	1,027
Healthy and Safe Communities	$	952	$	(450)	$	(1,402)
Public Works	$	2,202	$	5,400	$	3,198
Legislative	$	84	$	47	$	(37)
City Manager	$	225	$	388	$	163
Corporate Services	$	633	$	822	$	189
Consolidated Corporate Savings	**$**	**4,950**	**$**	**8,087**	**$**	**3,137**

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 is forecasting a surplus of $3.3 M. SRA / CRFMP funding of $6.5 M is applied mainly in the Transportation Planning and Parking Division to assist with foregone parking revenues due to COVID-19 and staffing costs. Without SRA / CRFMP funding, the Department is projecting a deficit for the year of $3.2 M.

The Transportation Planning and Parking Division is projecting a deficit of $6.4 M before SRA / CRFMP funding. This is attributable to forgone revenues due to COVID-19 of $6.4 M and staffing costs of $100 K. This is partially offset by savings in contractual services of $170 K due to reduced parking activity and information retrieval of $50 K due to less issuance of fines.

A combined favourable variance of $3.4 M is projected in the Planning Division and Growth Management Division due to higher than anticipated revenues (higher volume) and net gapping savings.

The remaining divisions have an anticipated combined surplus of $0.2 M, after SRA / CRFMP funding of $0.4 M was applied. The funding was mainly applied in the Licensing and By-Law Division and Tourism and Culture Division to help offset lost revenues in both divisions as a result of COVID-19. This was slightly offset by favourable gapping in the divisions.

The Planning and Economic Development departmental gapping target is $0.9 M for 2021. As at June 30, 2021, the projected year-end gapping amount is $1.9 M, resulting in a projected surplus of $1.0 M.

Healthy and Safe Communities Department

Overall, the Healthy and Safe Communities Department is projecting an overall surplus of $3.7 M after SRA / CRFMP funding of $12.6 M is applied. Without funding, the overall deficit would be $8.9 M driven by 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.

Long Term Care Division is projecting a favourable variance of $1.6 M after applying $0.3 M in SRA / CRFMP funding. The favourable variance was a result of gapping from vacancies and unfilled shifts due to staffing shortages of $1.2 M and unbudgeted provincial funding of Structural Compliance of $1.4 M. Slightly offset by foregone accommodation fee revenue ($770 K) and Adult Day Program Closure ($215 K).

Recreation is forecasting a surplus of $0.3 M after applying $3.2 M in SRA / CRFMP funding. The anticipated revenue loss of $10 M as a result of facility closures and cancellation of programs is expected to be offset by a combination of savings in employee related costs ($5.5 M), operational and maintenance cost savings due to closures ($1.7 M) and SRA / CRFMP funding ($3.2 M).

Hamilton Paramedic Service (HPS) is projecting a deficit of $1.4 M due to COVID expenses (i.e. overtime, materials and supplies, cleaning, etc.) forecasted to be higher than expected. If the Ministry funds the expected COVID expenses in total, HPS will likely end the year in a surplus position (approximately $2.5 M). If the Ministry does not fund the expected COVID expenses, HPS will end the year in a deficit position of $1.4 M.

Hamilton Fire Department is forecasted to be in line with budget with a variance of $9 K projected for year-end. An unfavourable variance due to operational expenses including materials and supplies is projected to be greater than budget, in addition to required vehicle repairs. This is partially offset with expected savings in overall employee related costs.

Public Health Services is projecting a surplus of $0.4 M. The surplus relates to savings in Racoon Rabies Program for one less staff than budgeted of $0.2 M, $120 K in savings as it relates to Residential Care Facilities from staff redeployed and services decreases due to COVID and additional funding from the Ministry that was not budgeted in the amount of $54 K. The forecast assumes that the Ministry will fund 100% of COVID and Vaccine related expenditures above the budgeted amounts for mandatory programs. The total forecasted Public Health COVID related expenditures are $46.6 M, of which $24 M is vaccine related.

Housing Services is forecasting a surplus of $0.9 M after SRA / CRFMP funding of $8.2 M was applied. The surplus is a result of favourability in Rent supplements and Housing Stability benefits that are underspent due to CERB payments of $2.2 M, in addition to favourable gapping of $0.3 M. This was offset slightly by COVID-19 related pressures ($1.6 M).

The Children's Services and Neighbourhood Development Division is forecasting a surplus of $0.7 M due to savings in redeployment to Public Health of $270 K, in addition to savings in program, conferences, travel and meeting related expenditures. There were also savings due to payment of fee subsidies down by 35% in addition to an increase in cross jurisdictional fee subsidies of $6.6 M. This was almost entirely offset by a $6.5 M reduction in childcare 80/20 cost share funding.

The Ontario Works division is projecting a surplus of $1.3 M. The projected surplus is due to $360 K in Ministry funding carried forward from 2020, $340 K in underspending in the low-income program due to a lack of program recoveries / referrals and gapping savings ($409 K). This was slightly offset by a pressure of $83 K in unbudgeted COVID-19 costs due to additional technology requirements to support virtual delivery and $175 K for new desks to support return to the office.

The Healthy and Safe Communities departmental gapping target is $1.0 M for the 2021 year. As at June 30, 2021, the projected year-end gapping amount is -$450 K, resulting in a projected deficit of $1.4 M.

Public Works Department

Overall, the Public Works department is forecasting a surplus of $7.7 M after SRA / CRFMP funding of $14.1 M is applied. Without funding, the overall deficit would be $6.4 M. There are several contributors, both favourable and unfavourable, across the divisions that are leading to the projected position.

Energy, Fleet and Facilities (EFF) Division is projecting a deficit of $0.2 M for the year, after SRA / CRFMP funding of $0.6 M is applied. The deficit is mainly due to $0.5 M in incremental expenses from enhanced cleaning and PPE and $150 K charges for obsolete inventory fleet parts write-off.

Engineering Services is projecting a surplus of $0.4 M due to Road Cut Administrative Program fees and Permit Revenues along with other user fee revenues collected for various Corridor Management activities administered by this section.

Environmental Services anticipates a surplus of $0.9 M mainly due to savings in park operations resulting from supply chain shortages ($0.5 M) and gapping savings largely due to staff redeployed to the Hamilton Public Health Vaccination Clinics ($0.9 M). This is partially offset by incremental forecasted costs for labour, cleaning, PPE and other COVID-19 related expenses to maintain normal operations, resulting in an unfavourable variance of $0.5 M.

Waste Management is forecasting a surplus of $0.2 M. This is a result of several favourable and unfavourable variances across the division. The favourable variances are with regard to contractual savings on the Central Composting Facility Contract ($0.7 M), savings in the Materials Recycling Facility (MRF) contract due to new contract transition costs taking place in January-February 2021 resulting in materials being shipped offsite for processing ($0.3 M) and net gapping savings ($0.2 M). These projected surpluses are offset by deficits in the Waste Collection Contract and the Transfer Station / Community Recycling Centre (TS/CRC).
The Waste Collection Contract is projecting a $0.8 M deficit. The annual escalation factor was budgeted at 2.00%, however, the actual escalation factor is 2.167%. The main driver for the escalation factor increasing is due to higher than expected natural

gas prices. Further contributing to the unfavourable variance is an increase in actual bulk collection and front-end garbage lifts (multi-residential and commercial) for the first half of 2021. This trend is projected to continue for the remainder of the year.

Transit is expected to mitigate its projected COVID-related deficit of $11.4 M through use of $13.2 M in emergency funding (Phase 3 stream of Safe Restart Agreement funding), resulting in a non-COVID related projected surplus for the year of $1.8 M. Lost revenues for Transit are estimated at $25.0 M in 2021 as a result of the COVID-19 pandemic lockdown in the first half of the year resulting from decreased ridership. Further, the forecast has an expectation of ridership to only approach 65% by the end of 2021. The hybrid learning model (online versus in-person) at post-secondary institutions will also affect UPASS uptake and contribute to the deficit which include lost revenues under the University / College Transit Pass (UCTP) agreements. In addition, cleaning and disinfectant of buses, purchases of Medical / Safety equipment for drivers and communication materials (signage) have contributed to increased costs of $1.2 M.

A $950 K unfavourable variance in vehicle parts related to aging fleet and $620 K deficit from a shortfall in Taxi Scrip and Charter revenue due to lower utilization of Taxi Scrip and cancellation of charters (COVID-19) is also adding to the expected deficit. Fuel savings of $0.7 M, commission savings of $1.2 M and DARTS, TransCab and Taxi Scrip contract agreement savings of $11.5 M are expected to help offset the COVID-19 related impacts.

Transportation Operations and Maintenance is forecasting a surplus of $4.5 M, after SRA / CRFMP funding is applied. The surplus is driven by gapping ($2.3 M) and the Winter Season Roads Maintenance Program ($2.2 M). There were decreased severity and quantity of winter events than budgeted, resulting in $1.5 M of material and supplies savings and $700 K in contractor activation savings. This was offset by $0.3 M in incremental COVID-19 costs including labour, cleaning, PPE and other related expenses to maintain operations.

The Public Works departmental gapping target, included in the explanations above, is $2.2 M for the 2021 year. As at June 30, 2021, the projected year-end gapping amount is $5.4 M, resulting in a projected surplus of $3.2 M.

Legislative

The Legislative budget is projected to be at a slight deficit of $0.1 M for 2021 resulting from additional costs from implementing remote meetings, membership fee costs and unfavourable staffing costs.
The Legislative departmental gapping target is $84 K for 2021. As at June 30, 2021, the projected year-end gapping amount is $47 K, resulting in a projected deficit of $37 K

City Manager's Office

City Manager's Office is projecting a surplus of $0.4 M in 2021, after SRA / CRFMP funding of $124 K is applied. The funding is forecasted to be applied to overtime costs for communications staff due to COVID-19.

The Human Resources Division is projecting a surplus of $436 K. The main drivers of the favourable variance were gapping ($230 K) and savings in corporate leadership training due to COVID-19 restrictions ($200 K).

The remaining divisions are forecasting a combined deficit of $15 K. This is driven by unfavourable gapping.

The City Manager's Office departmental gapping target is $0.2 M for the 2021 year. As at June 30, 2021, the projected year-end gapping amount is $0.4 M, resulting in a projected surplus of $0.2 M.

Corporate Services Department

Corporate Services is forecasting an overall surplus of $0.3 M, after applying SRA / CRFMP funding of $447 K. The overall surplus is mainly the result of favourable gapping across several divisions in addition to savings of $300 K in software, hardware and computer repairs in the Information Technology division. This is slightly offset by an unfavourable variance in the City Clerk's Office of $158 K mainly due to a decrease in marriage certificates as a result of COVID-19, as well as, offsetting favourable and unfavourable gapping across the Department.

SRA / CRFMP funding of $447 K is applied to the Department, most significantly in the Customer Service, POA and Financial Integration Division ($120 K) and the Information Technology Division ($322 K) to offset COVID-19 expenditures related to cleaning, PPE, Temporary staff, Virtual Private Network (VPN) firewall hardware and software, plexiglass, additional laptop computers and retrofitting courtrooms.

The Corporate Services departmental gapping target is $0.6 M for the 2020 year. As at June 30, 2021, the projected year-end gapping amount is $0.8 M, resulting in a projected surplus of $0.2 M.

Corporate Financials / Non-Program Revenues

Corporate Financials / Non-Program Revenues are projected as a combined deficit of $5.0 M after SRA / CRFMP funding is applied. Contributing factors are identified as follows:

- Non-Program Revenues: Payment in Lieu (PIL) is expecting a surplus of approximately $0.6 M based on 2020 actuals, though these figures are not well known until closer to year-end.
- Non-Program Revenues: Penalties and Interest is projecting a surplus of approximately $0.9 M based on payments received to date that are higher than expected.
- Non-Program Revenues: POA revenues are expected to be at a deficit of $2.6 M in 2021 due to payments out to other City Departments being higher than expected. The forecast is related to the last year's ratio of payments collected (gross) to payments out to other cities.
- Corporate Pensions, Benefits & Contingency: $4.0 M deficit is anticipated based on forecasted WSIB payments.
- Corporate Initiatives: $2.1 M deficit for insurance premiums per Report LS21027 approved at GIC meeting on August 9, 2021.

Hamilton Entertainment Facilities (HEF)

HEF is projecting to be in line with budget for the year after applying $780 K of SRA / CRFMP funding to offset operating losses associated with the contract agreement.

Capital Financing

Capital financing (includes Police and Library Capital Financing) is projecting a year-end surplus of $11.1 M in principal and interest savings due to timing in the issuance of debt.

Boards and Agencies

In Boards and Agencies (excludes Police and Library Capital Financing), there is a projected surplus of $3.7 M. This is attributable to the projected Library surplus of $3.8 M based on a combination of staff secondments and vacancies going unfilled. This is COVID-19 related as a result of helping the City with vaccine rollout and service restrictions.

The Hamilton Farmers' Market is projecting an unfavourable variance of $58 K due to decreased rental revenues from vacant stalls of $51 K, $38 K in additional costs due to fitting and repairing stalls in an effort to rent them and $36 K in additional security costs, partially offset by $62 K in favourable gapping.

Hamilton Police Services will be providing a forecast update to the Hamilton Police Services Board on September 16, 2021. The forecast is currently presented as in line with budget.

2021 Development Charge (DC) Discretionary Exemptions

Any DC exemptions authorized by Council through DC By-law 19-142 (e.g. reduced industrial rate) or through a Council meeting (i.e. exemptions for non-profits) are required to be recovered through other sources. Council has approved amounts in the Rates and Tax Capital Budgets to fund these exemptions, but the volume of exemptions continues to exceed the allocated funding. Recommendation (d) provides staff direction to ensure that any shortfall in being able to cover the in-year discretionary exemptions in 2021 is achieved through an allocation of the annual surplus. The City has an historical back-log of approximately $60 M in unfunded discretionary DC exemptions and this recommendation will ensure that that figure does not increase.

Rate Supported Operating Budget

As at June 30, 2021, the Rate Supported Operating Budget is projecting a deficit of $1.3 M mainly due to unfavourable operating expenditures of $2.3 M, partially offset by favourable revenues of $1.0 M.

Revenues

As of June 30th, total rate revenues are $1.7 M above budget with a year-end forecast projected to be $1.0 M favourable (0.4% above budget). A projected favourable variance is mainly due to increased demand from Residential customers, likely due to a combination of residents working and learning from home, as was the case for much of 2020. Partially offsetting the surplus is a projected deficit in Industrial, Commercial and Institutional customers of ($3.9M). This includes the net impact of several significant adjustments made for customers in 2021. The City's water sales to Haldimand and Halton are forecasted to align with budget.

Expenditures

Overall program spending for 2021 is projected to have an unfavourable variance of $2.3 M. The driving factors behind this are shown in Table 3:

Table 3

City of Hamilton - Rate Budget Operating Expenditures Variance Drivers

Expenditure Types	**Variance ($000's)**
Contractual and Consulting	(2,399)
Employee Related Costs	682
Buildings and Grounds	(534)
Materials and Supplies	(498)
Capital Recoveries	(2,960)
Capital Financing	3,465
Total Operating Expenditures	**(2,244)**

Contractual expenditures are projecting an unfavourable variance of $2.4 M largely due to increased soils testing and disposal to meet new compliance standards, Storm Water phragmite management, faulty air valve replacement and emergency work such as Beach Boulevard Storm Water Management and Binbrook Odour Control. Partially offsetting these contractual pressures are savings in Outreach and Education program resulting from COVID-19.

Employee related costs are estimated at a favourable variance of $682 K. The main drivers of the variance are attributable to net gapping savings realized from staff vacancies and redeployment and decreased spending in training and conferences due to COVID-19.

Building and Ground is forecasting an unfavourable variance of $534 K mainly due to increased hydro costs at the new Electricity Upgrade Building at Woodward Treatment Plant. Materials and supplies are projecting an unfavourable variance of $498 K due to increased Polyaluminium Coagulant chemical costs used in the water and wastewater treatment at the Woodward Plant.

Capital Recoveries are estimated at an unfavourable variance of $2.9 M due to less recoveries from capital to align the nature of work to the appropriate budget. The 2022 Budget will be adjusted to reflect the change.

Lastly, capital financing is forecasting a positive variance of $3.5 M due to timing in the issuance of debt.

Appendix “B” to Report FCS21070 summarizes the Rate Budget results by program.

ALTERNATIVES FOR CONSIDERATION

N/A

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 FCS21070 – City of Hamilton Tax Operating Budget Variance Report as at June 30, 2021

Appendix “B” to Report FCS21070 – City of Hamilton Combined Water, Wastewater and Storm Systems Rate Operating Budget Variance Report as at June 30, 2021

Appendix “C” to Report FCS21070 – City of Hamilton Budgeted Complement Transfer Schedule

Appendix “D” to Report FCS21070 – City of Hamilton Budgeted Complement Temporary Extension Schedule

Appendix “E” to Report FCS21070 – City of Hamilton Budgeted Amendment Schedule

Appendix “F” to Report FCS21070 – 2021 COVID-19 Financial Forecast