

Item 8.2



Hamilton

**TAX AND RATE OPERATING BUDGET
VARIANCE REPORT AS AT
AUGUST 31, 2021**

FCS21070(a)

Mike Zegarac
General Manager, Finance and Corporate Services

November 18, 2021
Audit, Finance and Administration Committee

AGENDA

1. Summary of 2021 Tax and Rate Operating Budget Variance
Forecasts (Unaudited)
2. Update on 2021 COVID-19 Funding
3. Recommendations

2021 PROJECTED YEAR-END OPERATING BUDGET VARIANCES (\$000's)

	2021 Approved Budget	2021 Year-End Forecast	2021 Variance (Forecast vs Budget)	
			\$	%
<u>TAX SUPPORTED</u>				
Planning & Economic Development	30,357	28,334	2,023	6.7%
Healthy and Safe Communities	255,173	248,676	6,497	2.5%
Public Works	266,653	256,745	9,909	3.7%
Legislative	5,164	5,258	(94)	(1.8)%
City Manager	13,017	12,535	482	3.7%
Corporate Services	37,212	36,080	1,132	3.0%
Corporate Financials / Non Program Revenues	(27,941)	(22,927)	(5,014)	(17.9)%
Hamilton Entertainment Facilities	4,037	4,037	0	0.0%
TOTAL CITY EXPENDITURES	583,672	568,737	14,936	2.6%
Hamilton Police Services	175,352	175,760	(408)	(0.2)%
Library	32,030	29,060	2,970	9.3%
Other Boards & Agencies	16,334	16,391	(57)	(0.4)%
City Enrichment Fund	6,088	6,088	0	0.0%
TOTAL BOARDS & AGENCIES	229,804	227,299	2,505	1.1%
CAPITAL FINANCING	140,943	129,809	11,134	7.9%
TOTAL OTHER NON-DEPARTMENTAL	370,747	357,108	13,639	3.7%
TOTAL TAX SUPPORTED	954,419	925,845	28,574	3.0%
TOTAL RATE SUPPORTED		1,425	(1,425)	(0.6)%

() Denotes unfavourable variance

2021 Tax Supported Operating Budget Variance Forecast

FORECAST CHANGES JUNE 30th VS. AUG. 31st

- Forecast vs. Aug. 31st is a surplus of \$28.6M vs. \$25.2M forecasted surplus as of June 30th
 - Housing Services more favourable mainly due to higher recoveries/housing stability benefits **\$2.5M**
 - Waste Management more favourable mainly due to increased recycling commodity revenues (Fibers and Steel) **\$2.3M**
 - Corporate Services more favourable mainly due to higher gapping and tax certificates revenue **\$0.9M**
 - Planning less favourable variance due to a higher contribution to the Development Fees Stabilization Reserve **\$1.5M**

GAPPING (\$000's)

Net Gapping by Department	Gapping Target (\$000's)	Projected Gapping (\$000's)	Variance (\$000's)
Planning & Economic Development	\$ 853	\$ 2,296	\$ 1,443
Healthy and Safe Communities	\$ 952	\$ 3,971	\$ 3,019
Public Works	\$ 2,202	\$ 6,700	\$ 4,498
Legislative	\$ 84	\$ 47	\$ (37)
City Manager	\$ 225	\$ 647	\$ 422
Corporate Services	\$ 633	\$ 1,176	\$ 543
Consolidated Corporate Savings	\$ 4,950	\$ 14,837	\$ 9,887

DEPARTMENT VARIANCES EXPLANATION SUMMARY

MAIN DRIVERS

Planning and Economic Development:

- **\$2.0M** surplus *after* Federal & Provincial funding
 - Combined gapping surplus **\$1.4M**
 - Planning revenues (higher volume) **\$0.4M**
 - Tourism contractual and materials **\$0.2M**
 - Forecasted COVID-19 financial pressures of \$7.1M, largely attributed to forgone parking revenues, are assumed to be offset from Safe Restart Agreement funding

DEPARTMENT VARIANCES EXPLANATION SUMMARY

MAIN DRIVERS

Healthy and Safe Communities:

- **\$6.5M surplus after Federal & Provincial funding**
 - Combined gapping surplus **\$3.0M**
 - Housing Services favourable rent supplements and Housing Stability benefits **\$1.7M**
 - Ministry of Health unbudgeted Long-Term Care subsidies **\$1.7M**
 - Ontario Works savings due to additional subsidy and program intake **\$0.9M**
 - Forecasted deficit in Hamilton Paramedic Service for pending application of COVID-19 expenses **\$2.8M**
 - Total forecasted pressures of \$79.8M related to COVID-19 are assumed to be mostly mitigated through \$77.0M of revenues from the Social Services Relief Fund, Ministry of Health, Safe Restart Agreement, Municipal Funding for Municipalities Program and various other funding announcements for social services
 - \$1M of the Housing Services surplus has been committed for the 2022 Rent Ready Program

DEPARTMENT VARIANCES EXPLANATION SUMMARY

MAIN DRIVERS

Public Works:

- **\$9.9M surplus after Federal & Provincial Funding**
 - Combined gapping surplus **\$4.5M**
 - Winter Season Roads Maintenance Program **\$2.2M**
 - Increased recycling commodity revenues **\$1.7M**
 - Increase in TS/CRC revenues due to increased visits and tonnage **\$0.9M**
 - Transit fuel savings **\$0.5M**
 - Forecasted COVID-19 financial pressures of \$8.6M offset by revenues from the Transit and Municipal Safe Restart Agreement funding. Financial pressures include forgone transit revenues net of DARTS savings, as well as enhanced cleaning for facilities, fleet and parks

DEPARTMENT VARIANCES EXPLANATION SUMMARY

MAIN DRIVERS

Corporate Services:

- ***\$1.1M surplus after Federal & Provincial funding***
 - Combined gapping surplus **\$1.2M**
 - Forecasted COVID-19 financial pressures of \$0.5M for enhanced cleaning and IT offset by Safe Restart Agreement funding

City Manager's Office:

- ***\$0.5M surplus after Federal & Provincial funding***
 - Combined gapping surplus **\$0.6M**
 - Forecasted COVID-19 financial pressures of \$0.2M for additional Communications resources offset by Safe Restart Agreement funding

DEPARTMENT VARIANCES EXPLANATION SUMMARY

MAIN DRIVERS

Corporate Financials / Non Program Revenues:

- **\$5.0M** deficit *after* Federal & Provincial funding
 - Additional WSIB pressures **\$4.0M**
 - POA revenues **\$2.6M**
 - insurance premiums per Report LS21027 approved at GIC meeting on August 9, 2021 **\$2.1M**
 - Payment in lieu of taxes **\$0.6M**
 - Forecasted forgone slot revenues of \$2.6M and corporate expenses related to the COVID-19 pandemic response of \$1.8M are expected to be funded from the Safe Restart Agreement

OTHER NON-DEPARTMENTAL PROJECTED VARIANCES (\$000's)

	2021 Approved Budget	2021 Year-End Forecast	2021 Variance (Forecast vs. Budget)	
			\$	%
Hamilton Police Services	175,352	175,760	(408)	(0.2)%
Library	32,030	29,060	2,970	9.3%
Other Boards & Agencies	16,334	16,437	(57)	(0.4)%
City Enrichment Fund	6,088	6,088	0	0.0%
TOTAL BOARDS & AGENCIES	229,804	227,345	2,505	1.1%
CAPITAL FINANCING	140,943	129,809	11,134	7.9%
TOTAL OTHER NON-DEPARTMENTAL	370,747	357,154	13,639	100.0%

() Denotes unfavourable variance

2021 Rate Supported Operating Budget Variance Forecast

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2021 RATE OPERATING BUDGET PROJECTED YEAR-END VARIANCE (\$000's)

	2021 Approved Budget	2021 Projected To Year End	2021 Projected Variance	
			\$	%
TOTAL EXPENDITURES	245,555	244,133	1,422	0.6%
TOTAL REVENUES	(245,555)	(242,708)	(2,847)	1.2%
NET	-	1,425	(1,425)	(0.6%)

() Denotes unfavourable variance

RATE REVENUES

- Forecasted deficit in total rate revenues largely driven by Industrial, Commercial and Institutional customers **\$2.8M**
 - Total deficit in ICI revenues is projected to be **\$4.5M**
 - This includes the net impact of several significant adjustments made for customers in 2021
 - Partially offsetting the deficit is a surplus of \$2.4M attributed to the increased demand from Residential customers, likely due to a combination of residents working and learning from home
 - Non-rate revenue is forecasting an unfavourable variance of (\$500 K) in Permits & Lease Agreements mainly due to the delay in issuing new construction permits as a result of COVID-19

EXPENDITURES

- Overall program spending for 2021 is projected to have a favourable variance of **\$1.4M**
 - Capital Financing favourable variance due to timing in the issuance of debt **\$3.5M**
 - Employee related costs are estimating a favourable variance from staff vacancies and redeployment, and decreased spending in training and conferences due to COVID-19 **\$0.7M**
 - Contractual expenditures - unfavourable variance largely due to increased soils testing and disposal to meet new compliance standards **\$1.6M**
 - Building & Ground - unfavourable variance mainly due to increased utility costs at the Woodward Treatment Plant **\$1.2M**
 - Materials and supplies - unfavourable variance of (\$123K) due to increased chemical costs used in the water and wastewater treatment at the Woodward Plant **\$0.1M**

COVID-19 FINANCIAL PRESSURES

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COVID FUNDING AND OUTLOOK

Department - Division	Net Financial Pressures from COVID-19	2021 Funding from Senior Levels of Government						Net Total Impact
		Social Services Relief Fund	Ministry of Health	Safe Restart Agreement - Transit & Municipal	COVID-19 Recovery Funding for Municipalities Program	Ministry of LTC	Total Funding	
Planning & Economic Development	7,080,209	-	-	(7,080,209)	-	-	(7,080,209)	-
Healthy and Safe Communities	79,779,810	(20,784,841)	(41,797,722)	(7,728,858)	(1,945,099)	(4,717,000)	(76,973,520)	2,806,290
Public Works	8,616,462	-	-	(8,616,462)	-	-	(8,616,462)	-
Legislative	-	-	-	-	-	-	-	-
City Manager	140,000	-	-	(140,000)	-	-	(140,000)	-
Corporate Services	457,412	-	-	(457,412)	-	-	(457,412)	-
Hamilton Entertainment Facilities	876,000	-	-	(876,000)	-	-	(876,000)	-
Boards & Agencies	45,571	-	-	(45,571)	-	-	(45,571)	-
Corporate Financials & Non-Program Revenue	4,405,000	-	-	(4,405,000)	-	-	(4,405,000)	-
Total	101,400,464	(20,784,841)	(41,797,722)	(29,349,512)	(1,945,099)	(4,717,000)	(98,594,174)	2,806,290

OTHER RECOMMENDATIONS

- Staff complement transfers (Appendix C)
- Temporary contract extensions (Appendix D)
- Budget transfers (Appendix E)



THANK YOU