



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

<b>TO:</b>	Chair and Members Audit, Finance and Administration Committee
<b>COMMITTEE DATE:</b>	April 21, 2022
<b>SUBJECT/REPORT NO:</b>	Tax and Rate Operating Budget Variance Report as at December 31, 2021 – Budget Control Policy Transfers (FCS21070(b)) (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	Kayla Petrovsky Fleming (905) 546-2424 Ext. 1310 Duncan Robertson (905) 546-2424 Ext. 4744
<b>SUBMITTED BY:</b>	Brian McMullen Director, Financial Planning, Administration and Policy Corporate Services Department
<b>SIGNATURE:</b>	

**RECOMMENDATION(S)**

- (a) That the Tax and Rate Operating Budget Variance Report as at December 31, 2021 attached as Appendices “A” and “B”, respectively, to Report FCS21070(b) 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(b), be approved;
- (c) That, in accordance with the “Budget 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(b), be approved;
- (d) That, subject to finalization of the 2021 audited financial statements, the disposition of the 2021 year-end operating budget surplus be approved as detailed in Table 1.

**SUBJECT: Tax and Rate Operating Budget Variance Report as at  
December 31, 2021 – Budget Control Policy Transfers (FCS21070(b))  
(City Wide) – Page 2 of 21**

**Table 1**

<b>DISPOSITION / RECONCILIATION OF YEAR-END SURPLUS/ (DEFICIT)</b>	<b>\$</b>	<b>\$</b>
<b>Corporate Surplus from Tax Supported Operations</b>		<b>\$ 34,326,316</b>
<b>Disposition to/from Self-Supporting Programs &amp; Agencies</b>		<b>\$ (2,670,023)</b>
Add: Police (Transfer from Police Reserve)	\$ 2,015,449	
Less: Library (Transfer to Library Reserve)	\$ (4,702,285)	
Add: Farmers Market (Transfer from Hamilton Farmers Market Reserve)	\$ 16,813	
<b>Balance of Corporate Surplus</b>		<b>\$ 31,656,293</b>
Less: Transfer to Tax Stabilization Reserve		\$ (759,462)
Less: Transfer to fund Hamilton's Home Energy Retrofit Opportunity (HERO) Program Study		\$ (40,000)
Less: Transfer to fund Hamilton Police Services Cannabis Enforcement		\$ (405,255)
Less: Transfer to Unallocated Capital Levy Reserve		\$ (2,000,000)
Less: Transfer to fund shortfall in Development Charge Exemptions		\$ (12,951,576)
Less: Transfer to Election Expense Reserve		\$ (500,000)
Less: Transfer to COVID-19 Emergency Reserve		\$ (15,000,000)
<b>Balance of Tax Supported Operations</b>		<b>\$ -</b>
<b>Corporate Deficit from Rate Supported Operations</b>		<b>\$ (491,206)</b>
Add: Transfer from the Rate Supported Water Reserve		\$ 1,149,056
Less: Transfer to the Rate Supported Wastewater Reserve		\$ (657,849)
<b>Balance of Rate Supported Operations</b>		<b>\$ -</b>

**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 2021 based on the operating results as of December 31, 2021 (unaudited). Appendix "A" to Report FCS21070(b) summarizes the Tax Supported Operating Budget year-end variances by department and division while Appendix "B" to Report FCS21070(b) summarizes the year-end variances of the Rate Supported Operating Budget by program.

The Tax Supported and Rate Supported operations ended the year with a positive variance of \$34.3 M and an unfavourable variance of \$0.5 M, respectively. This result is after taking into consideration all anticipated funding from senior levels of government to offset financial pressures from the COVID-19 pandemic response.

Through the Canada – Ontario Safe Restart Agreement (SRA) and the Ontario COVID-19 Recovery Funding for Municipalities Program (CRFMP), funding was provided by senior levels of government to municipalities to address general municipal and transit operating budget pressures related to the COVID-19 pandemic. The Tax Supported Operating Budget Deficit was \$852 K before the SRA / CRFMP funding was applied. A total of \$35.3 M in SRA / CRFMP funding (SRF) was applied in 2021 resulting in a Tax Supported Operating Budget surplus of \$34.3 M. The SRA / CRFMP funding composed of \$8.4 M for Transit and \$26.9 M was utilized across other divisions within the City.

**SUBJECT: Tax and Rate Operating Budget Variance Report as at  
December 31, 2021 – Budget Control Policy Transfers (FCS21070(b))  
(City Wide) – Page 3 of 21**

---

The \$34.3 M surplus is composed of City Departments / Other \$22.3 M favourable, Boards and Agencies \$3.1 M favourable and Capital Financing \$8.9 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 \$1.0 M, partially offset by a favourable revenue variance of \$0.5 M after applying SRA / CRFMP funding of \$7.3 M to offset the revenue deficit of \$6.8 M.

Additional details are presented in the Analysis and Rationale for Recommendation(s) section beginning on page 6 of Report FCS21070(b).

The year-end disposition of the consolidated Operating Budget Surplus of \$33.8 M summarized in Table 2 is detailed in Recommendation (d) (Table 1) of Report FCS21070(b).

**Table 2**

<b>CONSOLIDATED CORPORATE SURPLUS/ (DEFICIT)</b>	<b>\$</b>
<b>Tax Supported Programs</b>	
Police	\$ (2,015,449)
Library	\$ 4,702,285
Capital Financing	\$ 8,983,000
Other Tax Supported Programs	\$ 22,656,480
<b>Total Tax Supported Surplus</b>	<b>\$ 34,326,316</b>
<b>Rate Supported Programs</b>	<b>\$ (491,206)</b>
<b>Consolidated Corporate Surplus/ (Deficit)</b>	<b>\$ 33,835,110</b>

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 2021 surplus is highlighted below.

**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.
- Unallocated Capital Levy Reserve #108020. Staff recommends \$2.0 M be transferred to the Unallocated Capital Levy Reserve due to a surplus in 2021 as a result of delays in issuance of debt.

**SUBJECT: Tax and Rate Operating Budget Variance Report as at  
December 31, 2021 – Budget Control Policy Transfers (FCS21070(b))  
(City Wide) – Page 4 of 21**

---

- Development Charge Exemptions – Staff recommends \$12.9 M be transferred to fund the 2021 shortfall in discretionary tax supported development charge exemptions. Total Development Charge Exemptions, including both Rate and Tax Supported statutory and discretionary exemptions, were \$39.4 M in 2021 as outlined in Appendix “F” to Report FCS21070(b). The total budget for 2021 was \$20.1 M, leaving a funding shortfall of \$19.3 M. The recommended transfer of \$12.9 M funds the 2021 shortfall in tax supported discretionary exemptions. The funding shortfall in discretionary exemptions was primarily driven by non-residential development including industrial rate reductions and agricultural use.
- COVID-19 Emergency Reserve #110053 – \$15 M is recommended to be transferred to the COVID-19 Emergency Reserve 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 2022.
- Hamilton’s Home Energy Retrofit Opportunity (HERO) Study – Per the recommendation in Report CM21008 / HSC21016 to General Issues Committee at its meeting at May 19, 2021, \$40,000 will be funded through the 2021 Healthy and Safe Communities – 2021 Air Quality Climate Change operating budget surplus.
- Hamilton Police Services Cannabis Enforcement – Since 2019, the City of Hamilton has received \$1.7 M in funding under the Ontario Cannabis Legalization Implementation Fund. The remaining funds were not sufficient to cover the costs incurred for Cannabis Enforcement by the Hamilton Police Service of \$405,255 in 2021 and will be transferred to Police Reserves.
- Election Expense Reserve #112206 – Per Report FCS20081, a one-time increase of \$350 K to the Election Expense Reserve be used to support the general administration of the 2022 municipal election. Combined with a one-time increase to the same reserve of \$150 K (FCS20081(a)) to support on-line voting initiatives, amounts to a total transfer of \$500 K.
- Tax Stabilization Reserve #110046 – The remainder of the tax supported operating budget surplus of \$759 K to be transferred to the Tax Stabilization Reserve 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.

### **Rate Supported Operating Budget Variance**

- The Rate Supported Operating Budget deficit of \$0.5 M is made up of a surplus in wastewater of \$0.6 M and a deficit in water of \$1.1 M. There are separate Rate Supported Reserves for each of the water, wastewater and stormwater programs.

**SUBJECT: Tax and Rate Operating Budget Variance Report as at  
December 31, 2021 – Budget Control Policy Transfers (FCS21070(b))  
(City Wide) – Page 5 of 21**

---

- Deficit of \$1.1 M from water operations to be offset by a transfer from the Water Reserve (#108015).
- Surplus in wastewater / storm operations of \$0.6 M to be transferred to Wastewater Reserve (#108005).
- The 2022 Rate Supported Budget, approved a rate increase of 4.98%, 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 2023 budget process.

**2021 Budget Complement Control**

In accordance with the "Budget Control Policy" and "Budgeted Complement Control Policy", staff is submitting two recommended items. The complement transfers, identified in Appendix "C" to Report FCS21070(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.

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

**Alternatives for Consideration – See Page 20**

**FINANCIAL – STAFFING – LEGAL IMPLICATIONS**

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

**Staffing:** Staffing implications of Report FCS21070(b) are detailed in Appendix "C", which outlines the 2021 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**

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.

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.

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 2021 based on the operating results as at December 31, 2021. 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 FCS21070(b).

## **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(b) summarizes the Tax Supported Operating Budget year-end variances by department and division and Appendix "B" to Report FCS21070(b) summarizes the Rate Supported Operating Budget results by program.

**SUBJECT: Tax and Rate Operating Budget Variance Report as at  
December 31, 2021 – Budget Control Policy Transfers (FCS21070(b))  
(City Wide) – Page 7 of 21**

Table 3 provides a summary of the departmental results as at December 31, 2021. The Tax Operating Budget surplus is projected at \$34.3 M or approximately 3.6% of the net levy.

**Table 3**

	2021 Approved Budget	2021 Year-End Actuals	2021 Variance (Actuals vs Budget)	
			\$	%
<b>TAX SUPPORTED</b>				
Planning & Economic Development	30,357	25,867	4,490	14.8%
Healthy and Safe Communities	255,173	248,135	7,038	2.8%
Public Works	266,653	254,198	12,456	4.7%
Legislative	5,164	4,682	482	9.3%
City Manager	13,017	11,901	1,116	8.6%
Corporate Services	37,212	33,118	4,094	11.0%
Corporate Financials / Non Program Revenues	(27,941)	(21,479)	(6,462)	(23.1)%
Hamilton Entertainment Facilities	4,037	4,989	(952)	(23.6)%
<b>TOTAL CITY EXPENDITURES</b>	<b>583,672</b>	<b>561,411</b>	<b>22,261</b>	<b>3.8%</b>
Hamilton Police Services	175,352	177,367	(2,015)	(1.1)%
Library	32,030	27,328	4,702	14.7%
Other Boards & Agencies	16,334	15,939	395	2.4%
City Enrichment Fund	6,088	6,088	0	0.0%
<b>TOTAL BOARDS &amp; AGENCIES</b>	<b>229,804</b>	<b>226,722</b>	<b>3,082</b>	<b>1.3%</b>
<b>CAPITAL FINANCING</b>	<b>140,943</b>	<b>131,960</b>	<b>8,983</b>	<b>6.4%</b>
<b>TOTAL OTHER NON-DEPARTMENTAL</b>	<b>370,747</b>	<b>358,682</b>	<b>12,065</b>	<b>3.3%</b>
<b>TOTAL TAX SUPPORTED</b>	<b>954,419</b>	<b>920,093</b>	<b>34,326</b>	<b>3.6%</b>

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 FCS21070(b) provides a summary of all the net financial pressures from COVID-19 for 2021 and all funding from senior levels of government that were applied to offset the pressures. For 2021, \$92.5 M in COVID-19 related funding was applied (see Appendix E for further details).

### **Safe Restart Agreement – Transit**

On August 12, 2020, the City received confirmation of \$17.2 M of 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 and if unutilized funds remained from Phase 1 period, they were to be applied to the next eligible period to be utilized from October 1, 2020 to March 31 2021. These financial pressures included 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 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 Ministry of Transportation (MTO) to return the remaining unused funds. The City of Hamilton was allocated \$21.5 M in Phase 2 funding to cover the period from October 1, 2020 and March 31, 2021, if needed. 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 MTO 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 at December 31, 2021, \$8.3 M was required from the Safe Restart – Transit funding to cover COVID-19 related costs incurred during the year with \$1.6 M from Phase 1 and \$6.7 M from Phase 3, leaving \$10.1 M in funding remaining at the end of 2021. These funds have been authorized by the MTO to be carried forward to be utilized to offset 2022 eligible expenditures.

### **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 SRA / CRFMP funding forward to 2021 to address ongoing pressures as a result of the pandemic.



**SUBJECT: Tax and Rate Operating Budget Variance Report as at  
December 31, 2021 – Budget Control Policy Transfers (FCS21070(b))  
(City Wide) – Page 9 of 21**

---

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 will be put into a reserve to support potential COVID-19 costs and pressures in 2022.

As at December 31, 2021, the SRA funding has been fully utilized. A total of \$12.4 M has been drawn of the \$18.7 M in CRFMP funding available leaving an eligible amount of \$6.3 M to be carried over to 2022. Remaining funds will be put into a reserve to support potential COVID-19 costs and pressures in 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.

**SUBJECT: Tax and Rate Operating Budget Variance Report as at  
December 31, 2021 – Budget Control Policy Transfers (FCS21070(b))  
(City Wide) – Page 10 of 21**

---

Another letter was received by the City on August 16, 2021 from the Ministry of Municipal Affairs and Housing (MMAH) 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 at December 31, 2021, \$20.9 M has been leveraged in 2021. Remaining funds will be put into a reserve to support potential COVID-19 costs and pressures to March 31, 2022. In a letter dated March 7, 2022, the MMAH indicated that the SSRF would continue for the period April 1, 2022 to December 31, 2022 with details on the allocation to be provided at a later date.

**Tax Supported Operating Budget**

Appendix “A” to Report FCS21070(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 \$15.1 M, in comparison to the Council approved target of \$4.9 M, resulting in a surplus of \$10.2 M.

**Table 4**

<b>NET GAPPING BY DEPARTMENT</b>	<b>GAPPING TARGET (\$000's)</b>	<b>2021 ACTUAL GAPPING (\$000's)</b>	<b>VARIANCE (\$000's)</b>
Planning & Economic Development	\$ 853	\$ 3,052	\$ 2,199
Healthy and Safe Communities	\$ 952	\$ 2,923	\$ 1,971
Public Works	\$ 2,202	\$ 6,144	\$ 3,942
Legislative	\$ 84	\$ (233)	\$ (317)
City Manager	\$ 225	\$ 565	\$ 340
Corporate Services	\$ 633	\$ 2,713	\$ 2,080
<b>Consolidated Corporate Savings</b>	<b>\$ 4,950</b>	<b>\$ 15,164</b>	<b>\$ 10,214</b>

---

OUR Vision: To be the best place to raise a child and age successfully.

OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.

**SUBJECT: Tax and Rate Operating Budget Variance Report as at  
December 31, 2021 – Budget Control Policy Transfers (FCS21070(b))  
(City Wide) – Page 11 of 21**

---

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 \$4.5 M. SRA / CRFMP funding of \$4.2 M was applied mainly in the Transportation, Planning and Parking Division to assist with foregone parking revenues due to COVID-19 (\$2.9 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 (\$1.3 M). Without SRA / CRFMP funding, the department reported a surplus of \$0.3 M for the year-end.

The Transportation, Planning and Parking Division had a favourable variance after SRA / CRFMP funding of \$0.8 M. This is due to increased revenues of \$364 K, contractual savings of \$252 K and an unbudgeted Provincial payment of \$143 K for share of the 2021 net loss relating to Ellen Fairclough Building.

Tourism and Culture had a surplus of \$1.8 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.

A favourable variance of \$0.8 M in the Planning Division is driven by \$1.8 M in excess revenues (\$367 K Zoning Application, \$350 K Site Plan Control, \$309 K Committee of Adjustment, \$255 K Condominium Fees, \$214 K Miscellaneous, \$128 K Plan of Subdivision) and gapping savings of \$438 K. These savings were partly offset by \$1.6 M surplus transfer to Development Fees Stabilization Reserve.

The Licensing and By-Law Services Division had a surplus of \$0.7 M after SRA / CRFMP funding of \$1.3 M was applied. The favourable variance is due to increased revenues of \$367 K, savings related to office relocation (\$44 K), in addition to gapping (\$161 K) and materials and supplies savings (\$104 K).

The remaining divisions have a combined surplus of \$489 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 2021. As at December 31, 2021, the actual year-end net gapping amount is \$3.1 M, resulting in favourable gapping of \$2.2 M.

## **Healthy and Safe Communities Department**

Overall, the Healthy and Safe Communities Department experienced a favourable variance of \$7.0 M after SRA / CRFMP funding of \$12.8 M was applied. Without funding, the overall deficit would be \$5.8 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. In addition, Appendix "E" to Report FCS21070(b) reflects other funding, separate from SRA and CRFMP, from senior levels of government of \$57.2 M supporting programs and services delivered by HSC in 2021.

Hamilton Paramedic Service experienced a deficit of \$285 K due to not using the transfer from reserve to fund the 2021 ambulance enhancement and higher than expected costs for ancillary employee related costs. This was partially offset by higher than expected revenues for user fees, and other operating savings. Funding from senior levels government, as reported in Appendix "E" to Report FCS21070(b), of \$3.7 M was required to offset the COVID-19 pandemic response required by the division.

The Hamilton Fire Department had a deficit of \$510 K due to material and supply costs higher than budget as a result of supply chain issues and required vehicle repairs. This is partially offset by a favourable variance due to net gapping.

Public Health Services had a surplus of \$0.6 M as a result of savings in for Racoon Rabies Program, Healthy Baby Healthy Children and Dental Programs. Provincial funding, as reported in Appendix "E" to Report FCS21070(b), of \$26.0 M was required to offset the COVID-19 pandemic response.

Long Term Care Division had a favourable variance of \$333 K due to gapping from vacancies and unfilled shifts due to staffing shortages of \$86 K and unbudgeted provincial funding of \$1.8 M. This was offset by foregone accommodation fee revenue of \$873 K, \$393 K in medical supplies, equipment and computer hardware purchases, and unbudgeted minor capital funding (\$262 K). Funding from senior levels government, as reported in Appendix "E" to Report FCS21070(b), of \$7.7 M was required to offset the COVID-19 pandemic response required by the division.

Recreation had a surplus of \$3.1 M. The operational and maintenance cost savings due to closures of \$0.9 M and savings in employee related costs (\$3.2 M) were slightly offset by increased building costs (\$1.1 M).

The Ontario Works division had a surplus of \$1.9 M. The surplus is due to \$360 K in Ministry funding carried forward from 2020, ministry funding received in 2021 of \$115 K, maximization of subsidies of \$170 K and gapping savings of \$918 K. This was slightly offset by \$260 K for new desks to support return to the office.

**SUBJECT: Tax and Rate Operating Budget Variance Report as at  
December 31, 2021 – Budget Control Policy Transfers (FCS21070(b))  
(City Wide) – Page 13 of 21**

---

The Children's Services and Neighbourhood Development Division had a surplus of \$1.8 M mostly due to a \$1.2 M surplus because of COVID-19 causing a lower caseload for fee subsidy, savings in redeployment to Public Health of \$270 K, and gapping of \$0.2 M. This was slightly offset by LEAP subsidy loss due to offsetting savings of \$188 K.

Housing Services had a deficit of \$1 K. There was a surplus of \$861 K resulting from the Social Housing prior year reconciliations for revenue rents, \$950 K in Women's Shelter savings, \$1.4 M favourability in Rent supplements and Housing Stability benefits that are underspent due to CERB payments and \$260 K in gapping costs. Per Report HSC20020(d), \$3.2 M was transferred to reserve for Housing Allowance, Capital Grants and Consultation costs. Funding from senior levels government, as reported in Appendix "E" to Report FCS21070(b), of \$31.2 M was required to offset the COVID-19 pandemic response required by the division.

The Healthy and Safe Communities departmental gapping target is \$1.0 M for the 2021 year. The actual year-end gapping amount is \$2.9 M, resulting in a surplus of \$1.9 M.

### **Public Works Department**

Overall, the Public Works department had a surplus of \$12.5 M after SRA / CRFMP funding of \$8.6 M was applied. There were several factors across the divisions that led to the overall surplus.

Energy, Fleet and Facilities (EFF) Division had a surplus of \$0.1 M for the year after SRA / CRFMP funding of \$0.3 M was applied. The deficit is mainly due to \$0.6 M in incremental expenses from enhanced cleaning and PPE, partially offset by Backflow Prevention inspection savings.

Engineering Services had a surplus of \$0.6 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.

The PW - General Administration division had \$0.2 M deficit due to investigation charges from the Office of the City Auditor.

Environmental Services ended the year with a surplus of \$2.5 M mainly due to savings in park operations resulting from supply chain shortages (\$0.9 M) and gapping savings largely due to staff redeployed to the Hamilton Public Health Vaccination Clinics (\$1.8 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 \$0.4 M.

**SUBJECT: Tax and Rate Operating Budget Variance Report as at  
December 31, 2021 – Budget Control Policy Transfers (FCS21070(b))  
(City Wide) – Page 14 of 21**

---

Waste Management had a surplus of \$2.5 M. This is mainly the result of increased recycling commodity revenues due to increase in market rates for commodities such as Fibres and Steel of \$2.5 M. There was also an increase in Transfer Station / Community Recycling Centre (TS/CRC) revenues due to increased visits and tonnages (\$1.5 M). Favourable variances in the division were also a result of 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 (\$0.7 M). The Waste Collection Contract had 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. There was also a \$0.4 M deficit in Waste Collections due to fleet maintenance costs.

Transit mitigated its COVID-related deficit of \$8.3 M through Phase 1 utilization of emergency funding of \$1.6 M and Phase 3 utilization of \$6.7 M, resulting in a non-COVID related surplus for the year of \$1.2 M. Gapping savings of \$0.7 M within the division in addition to \$0.8 M in operational savings within the department (printing and reproduction, other fees and services, NGV station maintenance, uniforms and clothing), contributed to the \$1.2 M surplus.

Transportation Operations and Maintenance had a surplus of \$5.7 M after applying SRA / CRFMP funding of \$240 K. The surplus is driven by gapping (\$2.6 M) and the Winter and Summer Season Roads Maintenance Program (\$2.7 M).

The Public Works departmental gapping target, included in the explanations above, was \$2.2 M for the 2021 year. The actual year-end gapping amount is \$6.1 M, resulting in an annual surplus of \$3.9 M.

### **Legislative**

The overall departmental surplus for 2021 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 2021. The actual year-end gapping amount is -\$233 K, resulting in a deficit of \$317 K.

### **City Manager's Office**

The City Manager's Office had a favourable variance of \$1.1 M. The majority of this surplus was in the Human Resources Division of \$985 K. The main drivers of the favourable variance were gapping, savings in training, legal and contractual expenditures.

SRA / CRFMP funding of \$230 K was applied to the unfavourable variance in the CMO-Admin division mainly for overtime costs for communications staff due to COVID-19.

The City Manager's Office departmental gapping target, included in the explanations above, was \$0.2 M for the 2021 year. The actual year-end gapping amount is \$0.5 M, resulting in a surplus of \$0.3 M.

### **Corporate Services Department**

Corporate Services finished 2021 with a positive variance of \$4.1 M. This was mainly the result of favourable variances of \$1.4 M in Financial Services, Taxation and Corporate Controller Division, \$2.9 M in the Information Technology Division and \$398 K in Financial Planning, Administration and Policy Division. The variance in Financial Services, Taxation and Corporate Controller Division was due to gapping (\$617 K) and favourable fees collections of \$560 K (tax certificates and tax transfer fees). The variance in Information Technology division is mainly a result of gapping (\$820 K), savings in computer software and hardware (\$1.2 M) and \$588 K in contract savings from Motorola Trunk Radio. The variance in Financial Planning, Administration and Policy Division is primarily due to employee related savings from gapping.

SRA / CRFMP funding of \$671 K was applied to the department, most significantly in the Customer Service, POA and Financial Integration Division (\$204K) in addition to the Information Technology Division (\$411 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 Corporate Services departmental gapping target, included in the explanations above, was \$0.6 M for the 2021 year. The actual year-end gapping amount is \$2.7 M, resulting in a surplus of \$2.1 M.

### **Corporate Financials / Non-Program Revenues**

Corporate Financials / Non-Program Revenues show a \$6.5 M combined unfavourable variance after SRA / CRFMP funding of \$6.8 M was applied. Contributing factors are identified as follows:

**SUBJECT: Tax and Rate Operating Budget Variance Report as at  
December 31, 2021 – Budget Control Policy Transfers (FCS21070(b))  
(City Wide) – Page 16 of 21**

---

- Non-Program Revenues: Dividends from Hamilton Utilities Corporation and Alectra Dividends were lower than anticipated as a result of COVID-19. SRA / CRFMP funding was applied to offset the \$1.9 M deficit.
- Non-Program Revenues: Shared revenues from the Ontario Lottery and Gaming Corporation were low due to the closure of casinos and racetrack slots by the Province of Ontario. SRA / CRFMP funding was applied to reduce the \$2.6 M deficit.
- Non-Program Revenues: Tax remissions and write-offs resulted in a \$5.2 M deficit based on appeals processed.
- Non-Program Revenues: POA revenues were lower than expected due to 2021 court closures. SRA / CRFMP funding was applied to reduce the deficit from \$1.6 M to \$224 K.
- Non-Program Revenues: The favourable variance of \$1.0 M in Payments in Lieu is due to a higher recovery from Metrolinx than budgeted.
- Non-Program Revenues: Supplementary taxes exceeded budgeted by \$850 K based on Assessment Roll update by MPAC.
- Corporate Pensions, Benefits & Contingency: \$2.0 M deficit primarily from WSIB payments in excess of budget.
- Corporate Initiatives: \$1.9 M deficit for insurance premiums per Report LS21027 approved at GIC meeting on August 9, 2021.

#### Hamilton Entertainment Facilities (HEF)

HEF had an unfavourable variance of \$952 K after applying \$522 K of SRA / CRFMP funding. This was a result of decreased revenues due to COVID-19.

#### Capital Financing

Capital financing had an overall positive variance of \$8.9 M as a result of timing differences in cash flow assumptions for completion of capital projects and related delays in the issuance of debt.

#### Boards and Agencies

Boards and Agencies had a surplus of \$3.1 M after applying \$1.2 M in SRA / CRFMP funding.



**SUBJECT: Tax and Rate Operating Budget Variance Report as at  
December 31, 2021 – Budget Control Policy Transfers (FCS21070(b))  
(City Wide) – Page 17 of 21**

---

The main surplus is attributable to Library. Library had a favourable variance of \$4.7 M as a result of staffing secondments to assist with vaccine rollout/pandemic response, in addition to vacancies going unfilled (gapping) due to COVID-19 closures and service restrictions.

After applying \$1.0 M in SRA / CRFMP funding, Hamilton Police Service had a deficit of \$2.0 M. At its meeting on March 31, 2022, Hamilton Police Service's Board received its 2021 operating budget variance report in Report 22-023.

The Hamilton Farmers' Market had an unfavourable variance of \$17 K due to revenue shortfall and COVID-19 related expenditures offset by savings in facilities allocations and gapping. SRA / CRFMP funding of \$147 K was used to offset the deficit incurred from additional security and cleaning costs.

The Library surplus is recommended to be transferred to their own reserves, while both the Police and Farmers' Market deficits are recommended to be funded from 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 FCS21070(b), staff recommends that the Tax Supported Operating Budget Surplus of \$34.3 M be distributed to various reserves as per the following paragraphs.

This proposed disposition of the 2021 surplus is highlighted below:

- Year-end variances for Police, Library and Farmers' Market to be allocated to their own reserves as per their policies.
- Unallocated Capital Levy Reserve #108020: Staff recommends \$2.0 M be transferred to the Unallocated Capital Levy Reserve due to a surplus in 2021 as a result of delays in issuance of debt.

**SUBJECT: Tax and Rate Operating Budget Variance Report as at  
December 31, 2021 – Budget Control Policy Transfers (FCS21070(b))  
(City Wide) – Page 18 of 21**

---

- Development Charge Exemptions: Staff recommends \$12.9 M be transferred to fund the 2021 shortfall in discretionary tax supported development charge exemptions. Total Development Charge Exemptions, including both Rate and Tax Supported statutory and discretionary exemptions, were \$39.4 M in 2021 as outlined in Appendix “F” to Report FCS21070(b). The total budget for 2021 was \$20.1 M, leaving a funding shortfall of \$19.3 M. The recommended transfer of \$12.9 M funds the 2021 shortfall in tax supported discretionary exemptions. The funding shortfall in discretionary exemptions was primarily driven by non-residential development including industrial rate reductions and agricultural use.
- COVID-19 Emergency Reserve #110053: \$15 M is recommended to be transferred to the COVID-19 Emergency Reserve 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 2022.
- Hamilton’s Home Energy Retrofit Opportunity (HERO) Study: Per the recommendation in Report CM21008 / HSC21016 to General Issues Committee at its meeting at May 19, 2021, \$40,000 be funded through the 2021 Healthy and Safe Communities - 2021 Air Quality Climate Change operating budget surplus.
- Hamilton Police Services Cannabis Enforcement: Since 2019, the City of Hamilton has received \$1.7 M in funding under the Ontario Cannabis Legalization Implementation Fund. The remaining funds were not sufficient to cover the costs incurred for Cannabis Enforcement by the Hamilton Police Service of \$405,255 in 2021 and will be transferred to Police Reserves.
- Election Expense Reserve #112206: Per report FCS20081, a one-time increase of \$350 K to the Election Expense Reserve be used to support the general administration of the 2022 municipal election. Combined with a one-time increase to the same reserve of \$150 K to support on-line voting initiatives, amounts to a total transfer of \$500 K.
- Tax Stabilization Reserve #110046: The remainder of the tax supported operating budget surplus of \$759 K to be transferred to the Tax Stabilization Reserve 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.

### **Rate Supported Operating Budget**

For 2021, the Rate supported operating budget had an unfavourable variance of \$491 K due to unfavourable expenditures of \$1.0 M, and a revenue deficit of \$6.8 M, which has been offset by SRA / CRFMP funding of \$7.3 M.

**SUBJECT: Tax and Rate Operating Budget Variance Report as at  
December 31, 2021 – Budget Control Policy Transfers (FCS21070(b))  
(City Wide) – Page 19 of 21**

---

Revenues

Overall rate revenues had a deficit of \$6.4 M. Similar to 2020, Residential revenues remains favourable in 2021 with a reduced surplus of \$2.4 M that is likely attributable to residents working and learning from home for a portion of 2021. Offsetting the \$2.4 M favourable variance in Residential use is a deficit in the ICI / Multi-residential sector of -\$10.0 M. In 2020, the favourable surplus in Residential completely offset the unfavourable variance in ICI. The assumption was made that the offset between the two was a result of the pandemic. However, in 2021, ICI has declined even further from 2020's deficit of \$6.4 M. Analysis of the top water users in Hamilton has revealed several large users have declined steadily over the past two years. Staff will continue to monitor the top users' usage and patterns throughout 2022 and possibly revise the 2023 consumption budget, if required. Haldimand water billings ended 2021 with a surplus of \$662 K while water hauler and third party sales had a favourable variance of \$539 K.

Non-rate revenue had an unfavourable variance of \$347 K in Permits and Lease Agreements mainly due to the delay in issuing new construction permits as a result of the COVID-19 pandemic.

Expenditures

Overall program spending for 2021 had an unfavourable variance of \$1.0 M. The driving factors behind this are shown in Table 5.

**Table 5**

<b>City of Hamilton - Rate Budget Operating Expenditures Variance Drivers</b>	
<b>Expenditure Types</b>	<b>Variance (\$000's)</b>
Contractual and Consulting	(402)
Employee Related Costs	(283)
Agencies & Support Payments	142
Buildings and Grounds	(1,359)
Materials and Supplies	(613)
Capital Financing	1,487
<b>Total Operating Expenditures</b>	<b>(1,028)</b>

Building and Ground had an unfavourable variance of \$1.4 M mainly due to increased utility costs at the Woodward Treatment Plant. Materials and Supplies had an unfavourable variance of \$613 K due to increased chemical costs used in the water and wastewater treatment at the Woodward Plant.

**SUBJECT: Tax and Rate Operating Budget Variance Report as at  
December 31, 2021 – Budget Control Policy Transfers (FCS21070(b))  
(City Wide) – Page 20 of 21**

---

Contractual and Consulting expenditures had an unfavourable variance of \$402 K largely due to increased spoils testing and disposal to meet new compliance standards, 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 due to decreased spending resulting from COVID-19.

Employee Related Costs had an unfavourable variance of \$283 K due to contractual requirements. Agencies and Support Payments had a favourable variance of \$77 K primarily due to savings in Outreach and Education Program due to decreased spending resulting from COVID-19. Reserve and Capital Recoveries had a favourable variance of \$65 K due to additional recoveries from capital to align the nature of work to the appropriate budget.

Lastly, Capital Financing had a positive variance of \$1.7 M due to the timing in the issuance of debt. This positive variance is partially offset by the higher than anticipated reserve transfers of \$220 K.

Appendix “B” to Report FCS21070(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.

Staff recommends that the Rate Supported Operating Budget Net Deficit of \$0.5 M be transferred as follows:

- Deficit of \$1.1 M from water operations proposed to be transferred from the water reserve.
- Surplus of \$0.6 M from wastewater / storm operations to be transferred to wastewater reserve.

**ALTERNATIVES FOR CONSIDERATION**

Table 1 in the Recommendation(s) section of Report FCS21070(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 FCS21070(b) – City of Hamilton Tax Operating Budget Variance Report as at December 31, 2021

Appendix “B” to Report FCS21070(b) – City of Hamilton 2021 Combined Water, Wastewater and Storm Operating Budget Macro as at December 31, 2021

Appendix “C” to Report FCS21070(b) – City of Hamilton Budget Amendment Staff Complement Change

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

Appendix “E” to Report FCS21070(b) – City of Hamilton Safe Restart Agreement and Recovery Funding for Municipalities Program – December 31, 2021

Appendix “F” to Report FCS21070(b) – City of Hamilton 2021 Development Charges Exemption Summary

KP/DR/dt