

**Item 8.2**



Hamilton

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

**FCS21070(b)**

**Mike Zegarac**  
General Manager, Finance and Corporate Services

**April 21, 2022**  
Audit, Finance and Administration Committee

# AGENDA

1. Summary of Tax and Rate Operating Budget Variances  
(Unaudited)
2. Update on COVID-19 Funding
3. Recommendations
  1. Surplus Disposition
  2. Complement and Budget Control Policy

## 2021 YEAR-END VARIANCE

<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>

\* Deficit is exclusive of recreational Cannabis funding offset

## 2021 YEAR-END VARIANCES (\$000's)

	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>
<b>RATE SUPPORTED</b>	<b>0</b>	<b>491</b>	<b>(491)</b>	<b>100.0%</b>
<b>TOTAL</b>	<b>954,419</b>	<b>920,584</b>	<b>33,835</b>	<b>3.5%</b>

\* Without COVID-19 related funding, the year-end variance is a deficit of \$0.8 M

( ) Denotes unfavourable variance

# Tax Supported Operating Budget Variance

## VARIANCE CHANGES AUG 31<sup>st</sup> VS. DEC 31<sup>st</sup>

- Aug 31<sup>st</sup> Forecast vs. Dec 31<sup>st</sup> is a surplus of **\$28.6 M** vs. **\$34.3 M** Year-End Surplus
  - Library more favourable due to increase in realized gapping savings from vaccine rollout/pandemic response **\$1.7 M**
  - Environmental Services more favourable due to an increase in savings associated with delayed purchases due to supply shortages (Parks) in addition to gapping savings **\$1.8 M**
  - Tourism and Culture more favourable variance due to increase in gapping savings, in addition to savings in building and ground and materials and supply due to COVID-19 related restrictions and closures. **\$1.6 M**

## GAPPING (\$000's)

Net Gapping by Department	Gapping Target (\$000's)	Actual Gapping (\$000's)	Variance (\$000's)
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>

# DEPARTMENT VARIANCES EXPLANATION SUMMARY

## MAIN DRIVERS

### Planning and Economic Development:

- **\$4.5 M surplus** *after* Federal & Provincial funding
  - Gapping surplus **\$2.2 M**
  - Planning revenues (higher volume) **\$1.8 M**
  - Transportation, Planning and Parking (increased revenues) **\$0.4 M**
  - Licensing & By-Law (increased revenues) **\$0.4 M**
  - Tourism contractual and materials and gapping **\$1.8 M**
  - COVID-19 financial pressures of **\$4.2 M**, largely attributed to forgone parking revenues, are offset from Safe Restart Agreement funding



# DEPARTMENT VARIANCES EXPLANATION SUMMARY

## MAIN DRIVERS

### Healthy and Safe Communities:

- **\$7.0 M** surplus after Federal & Provincial funding
  - Gapping surplus **\$1.9 M**
  - Housing Services favourable rent supplements and Housing Stability benefits **\$1.4 M**
  - Ministry of Health unbudgeted Long-Term Care subsidies **\$1.8 M**
  - Children's Services and Neighbourhood Development surplus as a result of lower caseload for fee subsidy **\$1.2 M**
  - Recreational savings due to closures **\$0.9 M**
  - Ontario Works savings due to additional subsidy **\$0.6 M**
  - Deficit in Hamilton Fire Department due to material and supplies cost increases due to supply chain issues **\$0.5 M**
  - Total pressures of **\$70 M** related to COVID-19 mitigated through 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

# DEPARTMENT VARIANCES EXPLANATION SUMMARY

## MAIN DRIVERS

### Public Works:

- **\$12.5 M** surplus after Federal & Provincial Funding
  - Gapping surplus **\$3.9 M**
  - Winter and Summer Season Roads Maintenance Program **\$2.7 M**
  - Increased recycling commodity revenues **\$2.5 M**
  - Increase in TS/CRC revenues due to increased visits and tonnage **\$1.5 M**
  - Transit fuel savings **\$0.5 M**
  - COVID-19 financial pressures of **\$8.4 M** 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:

- **\$4.1 M** surplus after Federal & Provincial funding
  - Gapping surplus **\$2.1 M**
  - Savings in computer hardware and software costs **\$1.2 M**
  - COVID-19 financial pressures of **\$0.7 M** for enhanced cleaning and IT offset by Safe Restart Agreement funding

### City Manager's Office:

- **\$1.1 M** surplus after Federal & Provincial funding
  - Gapping surplus **\$0.3 M**
  - Savings in training, legal, and contractual expenditures **\$0.9 M**
  - COVID-19 financial pressures of **\$0.2 M** for additional Communications resources offset by Safe Restart Agreement funding

# NON-DEPARTMENTAL VARIANCES EXPLANATION SUMMARY MAIN DRIVERS

## Corporate Financials / Non Program Revenues:

- **\$6.5 M** deficit after Federal & Provincial funding
  - Tax remissions and write-offs **\$5.2 M**
  - Insurance premiums per Report LS21027 approved at GIC meeting on August 9, 2021 **\$1.9 M**
  - Additional WSIB pressures **\$2.5 M**
  - Higher revenues of **\$2.8 M** (Penalties and interest, Payment in lieu, and supplementary taxes)
  - Unrealized slot revenues of **\$2.6 M**, POA revenues of **\$1.4 M**, and Hydro Dividend shortfall of **\$1.8 M** were funded from the Safe Restart Agreement

## DC EXEMPTIONS

	2021	2020	2021 vs 2020
<b>DC Act Statutory Exemptions</b>			
Residential Intensification	\$ 6,171,774	\$ 3,972,243	\$ 2,199,531
50% Industrial Expansion - Attached	548,076	3,564,391	\$ (3,016,315)
<b>Subtotal DC Act Statutory Exemptions</b>	<b>\$ 6,719,850</b>	<b>\$ 7,536,634</b>	<b>\$ (816,784)</b>
<b>Council Authorized</b>			
<b>Residential Exemptions</b>			
Affordable Housing	\$ 2,560,538		\$ 2,560,538
Student Residence <sup>[2]</sup>		489,308	\$ (489,308)
Redevelopment for residential facility	35,305	20,045	\$ 15,261
Laneway House / Garden Suite <sup>[2]</sup>		43,489	\$ (43,489)
<b>Non-Residential Exemptions</b>			
Industrial rate reduced from max	11,338,578	19,057,768	\$ (7,719,190)
Stepped non-industrial rates	151,958	52,844	\$ 99,114
Non-industrial expansion	-	4,843	\$ (4,843)
Agricultural Use	5,002,465	3,161,098	\$ 1,841,367
Place of Worship	1,165,862	750,922	\$ 414,939
50% Industrial Expansion - Detached	569,295		\$ 569,295
<b>Residential &amp; Non-residential Exemptions</b>			
Downtown Hamilton CIPA	8,499,377	8,694,113	\$ (194,736)
Downtown Public Art	4,422		\$ 4,422
Heritage Building	260,448		\$ 260,448
Transition Policy	3,098,804	1,496,304	\$ 1,602,500
<b>Subtotal Council Authorized Exemptions</b>	<b>\$ 32,687,051</b>	<b>\$ 33,770,733</b>	<b>\$ (1,083,682)</b>
<b>Total Exemptions By Development Type</b>	<b>\$ 39,406,901</b>	<b>\$ 41,307,367</b>	<b>\$ (1,900,466)</b>
<b>DC Exemption Funding</b>			
Exemptions funded from Rates Budget	\$ 9,000,000	\$ 8,000,000	\$ 1,000,000
Exemptions funded from Tax Budget <sup>[3]</sup>	11,060,538	8,500,000	2,560,538
<b>Total DC Exemption Funding</b>	<b>\$ 20,060,538</b>	<b>\$ 16,500,000</b>	<b>\$ 3,602,676</b>
<b>Net total unfunded Exemptions</b>	<b>\$ 19,346,363</b>	<b>\$ 24,807,367</b>	<b>\$ (5,503,143)</b>

# Rate Supported Operating Budget Variance

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

	2021 Approved Budget	2021 Year-End Actuals	2021 Year-End Variance	
			\$	%
<b>TOTAL EXPENDITURES</b>	245,555	246,583	(1,028)	(0.4%)
<b>TOTAL REVENUES</b>	(245,555)	(246,092)	537	(0.2%)
<b>NET</b>	-	491	(491)	(0.2%)

( ) Denotes unfavourable variance

## RATE REVENUES

- Deficit in total rate revenues of **\$6.4 M** offset by SRA / CRFMP funding of \$7.3 M
  - Total deficit in ICI revenues of **\$10.0 M**
  - Residential surplus of **\$2.4 M**
  - Haldimand water billings ended 2021 with a surplus of **\$662 K**
  - Non-rate revenue has an unfavourable variance of **\$347 K** in Permits & Lease Agreements mainly due to the delay in issuing new construction permits as a result of COVID-19



## RATE EXPENDITURES

- Overall program spending and capital financing for 2021 had an unfavourable variance of **\$1.0 M**
  - Capital Financing favourable variance due to timing in the issuance of debt **\$1.5 M**
  - Employee related costs had an unfavourable variance **\$283 K**
  - Contractual and contractual expenditures - unfavourable variance largely due to increased soils testing and disposal to meet new compliance standards **\$402 K**
  - Building & Ground - unfavourable variance mainly due to increased utility costs at the Woodward Treatment Plant **\$1.4 M**
  - Materials and supplies - unfavourable variance of **\$613 K** due to increased chemical costs used in the water and wastewater treatment at the Woodward Plant **\$0.1 M**

# BOARDS & AGENCIES SURPLUS RECOMMENDATION

<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>

# CORPORATE SURPLUS RECOMMENDATION

<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>

# RATE RECOMMENDATION

<b>DISPOSITION / RECONCILIATION OF YEAR-END SURPLUS/ (DEFICIT)</b>	<b>\$</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>

# COVID-19 FINANCIAL PRESSURES

# 2021 COVID FUNDING

Department/Division	Net COVID Related Pressures	COVID Funding Sources						Total Unfunded Pressure
		Social Services Relief Fund	Ministry of Health Funding	Safe Restart Agreement - Transit	Other	Safe Restart Municipal (SRA) Funding	COVID-19 Recovery Funding for Municipalities Program (CRFMP)	
<i>Planning &amp; Economic Development</i>	4,234,693	-	-	-	-	(4,234,693)	-	-
<i>Healthy and Safe Communities</i>	70,035,541	(20,901,281)	(29,709,026)	-	(6,587,371)	(1,169,187)	(11,668,676)	-
<i>Public Works</i>	16,175,996	-	-	(8,339,952)	-	(7,836,044)	-	-
<i>City Manager's Office</i>	230,046	-	-	-	-	(230,046)	-	-
<i>Corporate Services</i>	670,518	-	-	-	-	(670,518)	-	-
<i>Corporate Financials</i>	899,586	-	-	-	-	(202,323)	(697,263)	-
<i>Hamilton Entertainment Facilities</i>	522,359	-	-	-	-	(522,359)	-	-
<i>Boards &amp; Agencies</i>	1,175,199	-	-	-	-	(1,175,199)	-	-
<i>Non-Program Revenues</i>	5,879,133	-	-	-	-	(5,879,133)	-	-
<b>TOTAL</b>	<b>99,823,071</b>	<b>(20,901,281)</b>	<b>(29,709,026)</b>	<b>(8,339,952)</b>	<b>(6,587,371)</b>	<b>(21,919,502)</b>	<b>(12,365,939)</b>	<b>-</b>
Less: Hamilton Water (Rate Supported Budget)	(7,322,557)					7,322,557		
<b>TOTAL TAX SUPPORTED OPERATING BUDGET</b>	<b>92,500,514</b>	<b>(20,901,281)</b>	<b>(29,709,026)</b>	<b>(8,339,952)</b>	<b>(6,587,371)</b>	<b>(14,596,945)</b>	<b>(12,365,939)</b>	<b>-</b>

## 2022 COVID FUNDING OUTLOOK

		2022 Funding from Senior Levels of Government (\$000,s)				City of Hamilton (\$000's)
Service or Program	Net Financial Impact (\$000's)	Social Services Relief Fund	Ministry of Health	Safe Restart Agreement	Recovery Funding for Municipalities Program	COVID-19 Emergency Reserve
Parking Services	4,700				(1,499)	(3,201)
Housing Services	29,031	(11,301)				(17,730)
Long Term Care	818				(818)	-
Recreation	7,254					(7,254)
Public Health Services	46,158		(46,158)			-
Emergency Response	2,957		(2,957)			-
Transit	6,230			(6,230)		-
Slot Revenues	2,600				(2,600)	-
General Municipal	1,399				(1,399)	-
<b>Total</b>	<b>101,147</b>	<b>(11,301)</b>	<b>(49,115)</b>	<b>(6,230)</b>	<b>(6,316)</b>	<b>(28,186)</b>
COVID-19 Reserve - Balance as of December 31, 2021						20,581
Disposition of 2021 Operating Surplus						15,000
<b>COVID-19 Reserve - Projected Balance as of December 31, 2022</b>						<b>7,395</b>

## OTHER RECOMMENDATIONS

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





THANK YOU