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

TO:	Chair and Members Audit, Finance and Administration Committee
COMMITTEE DATE:	July 7, 2022
SUBJECT/REPORT NO:	Tax and Rate Operating Budgets Variance Report as at April 30, 2022 – Budget Control Policy Transfers (FCS22042) (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:**	Brian McMullen Director, Financial Planning, Administration and Policy Corporate Services Department

RECOMMENDATION(S)

(a) That the Tax and Rate Operating Budgets Variance Report, as at April 30, 2022, attached as Appendices "A" and "B", respectively, to Report FCS22042, be received;

(b) That the City of Hamilton continue to participate in efforts with other municipalities seeking financial support from senior levels of government for the unfunded financial pressures of the COVID-19 pandemic response and recovery;

(c) That, in accordance with the "Budgeted Complement Control Policy", the 2022 complement transfer transferring complement from one department / division to another with no impact on the levy, as outlined in Appendix "C" to Report FCS22042, be approved.

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 2022 based on the operating results as of April 30, 2022. Appendix "A" to Report FCS22042 summarizes the Tax Supported Operating Budget year-end variances by department and division while Appendix "B" to Report FCS22042 summarizes the year-end variances of the Rate Supported Operating Budget by program.

Tax Supported operations are projecting a deficit of $23.7 M, taking into consideration all confirmed funding from senior levels of government to address financial pressures from the COVID-19 pandemic response. The City of Hamilton currently projects $82.2 M in pressures related to COVID-19 response and recovery efforts for 2022, with only $44.7 M in confirmed transfers from senior levels of government, leaving an unfunded pressure of $37.5 M. Non-COVID-19 related tax supported operations are projected to be in a surplus position of $13.8 M. Rate Supported operations are also projecting a deficit of $2.9 M driven by a reduction in revenues from the Industrial, Commercial and Institutional sector as a result of the pandemic.

In addressing the financial pressures related to pandemic response and recovery, the City assumes fully leveraging the following confirmed funding sources:

- Social Services Relief Fund – Phase 4 carry-over of $5.2 M;
- Social Services Relief Fund – Phase 5 allocation of $6.1 M;
- Ministry of Health – one-time funding approvals of $16.1 M;
- Safe Restart Agreement – Transit Phase 4 eligible carry-over of $7.1 M;
- Safe Restart Agreement – Long-term Care allocations of $3.8 M; and
- COVID-19 Recovery Funding for Municipalities Program carry-over of $6.3 M.

It is recommended that the City continue to work with other municipalities to pursue emergency funding provisions from senior levels of government to offset the remaining unfunded pressure of $37.5 M. Should advocacy efforts be unsuccessful, the City has set aside $35.6 M of discretionary funds in the COVID-19 Emergency Reserve in order to offset future impacts of the pandemic on operations. Based on current projections, the reserve would need to be fully leveraged in 2022, leaving no available funding for future years to ease the property tax burden of funding recovery efforts.

Recommendations relating to usage of the COVID-19 Emergency Reserve will come forward in the final 2022 year-end reporting.

The non-COVID-19 related Tax Supported operating surplus of $13.8 M is broken down by surpluses of $1.3 M for Boards and Agencies and $12.9 M for Capital Financing and offset by a $0.4 M deficit for City Departments / Other. For the Rate Supported Operating Budget, the deficit of $2.9 M is related to unfavourable revenues of $5.5 M, partially offset by a favourable operating expenditure variance of $2.6 M.

Additional details including impacts from supply chain delays and inflation are presented in the Analysis and Rationale for Recommendation(s) section of page 4 of Report FCS22042.

2022 Budget Complement Control

In accordance with the "Budgeted Complement Control Policy", staff is submitting four recommended items. The complement transfers, identified in Appendix "C" to Report FCS22042, 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.

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 FCS22042.

Staffing: Staffing implications of Report FCS22042 are detailed in Appendix "C", which outlines the 2022 staff complement transfers from one department / division to another with no impact on the levy.

Legal: N/A

HISTORICAL BACKGROUND

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 2022 based on the operating results as of April 30, 2022.

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 FCS22002, “2022 Tax Supported Operating Budget Report” on March 23, 2022 and the Audit, Finance and Administration Committee received Report FCS21070(b), “Tax and Rate Operating Budget Variance Report as at December 31, 2021, on April 21, 2022 which provided information on the Safe Restart Agreement Funds and other government funding announcements.

There have been various other funding announcements, outside of the Social Services Relief Fund and Safe Restart Agreements, 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 FCS22042.

ANALYSIS AND RATIONALE FOR RECOMMENDATION(S)

The following provides an overview of the more significant issues affecting the 2022 Tax and Rate Operating Budget Variances. Appendix “A” to Report FCS22042 summarizes the Tax Supported Operating Budget year-end variances by department and division and Appendix “B” to Report FCS22042 summarizes the Rate Supported Operating Budget results by program.

Table 1 provides a summary of the projected operating results as at April 30, 2022. The projected Tax Supported Operating Budget deficit after applying all available COVID-19 Recovery Funding from senior levels of government is $23.7 M or approximately 2.4% of the 2022 net levy.

Table 1

	2022 Approved Budget	2022 Year-End Forecast	2022 Variance (Forecast vs Budget) $	%
TAX SUPPORTED				
Planning & Economic Development	31,621	31,536	85	**0.3%**
Healthy and Safe Communities	268,137	303,284	(35,146)	**(13.1)%**
Public Works	278,499	276,291	2,208	**0.8%**
Legislative	5,283	5,396	(113)	**(2.1)%**
City Manager	13,649	13,645	4	**0.0%**
Corporate Services	39,667	38,816	851	**2.1%**
Corporate Financials / Non Program Revenues	(30,350)	(24,542)	(5,808)	**(19.1)%**
Hamilton Entertainment Facilities	2,338	2,338	(0)	**(0.0)%**
TOTAL CITY EXPENDITURES	**608,845**	**646,763**	**(37,919)**	**(6.2)%**
Hamilton Police Services	**182,369**	**182,369**	**0**	**0.0%**
Library	**32,710**	**31,427**	**1,283**	**3.9%**
Other Boards & Agencies	**16,654**	**16,647**	**6**	**0.0%**
City Enrichment Fund	**6,088**	**6,088**	**0**	**0.0%**
TOTAL BOARDS & AGENCIES	**237,821**	**236,531**	**1,289**	**0.5%**
CAPITAL FINANCING	**147,028**	**134,096**	**12,932**	**8.8%**
TOTAL OTHER NON-DEPARTMENTAL	**384,849**	**370,627**	**14,221**	**3.7%**
TOTAL TAX SUPPORTED	**993,693**	**1,017,391**	**(23,697)**	**(2.4)%**

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 “D” to Report FCS22042 provides a summary of all the net financial pressures from COVID-19 for 2022 and all funding from senior levels of government that were applied to offset the pressures. For 2022, the remaining $6.3 M funding as part of the COVID-19 Recovery Funding for Municipalities Program (CRFMP) is assumed to be utilized to offset further COVID-19 related pressures. COVID-19 related pressures of $37.5 M remain unfunded. Recovery pressures related to COVID-19 are expected to continue into 2023, though there are no commitments from senior governments to provide additional funding beyond 2022. Additional details on 2023 COVID-19 related pressures will be included in the 2023 Budget Guidelines, Outlook and Process Report that will be presented to the General Issues Committee in August 2022.

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 granted an extension to the Phase 3 eligibility period for costs incurred after December 31, 2021 to December 31, 2022.

As of April 30, 2022, it is projected that $7.1 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 $3.0 M in funding remaining at the end of 2022. These funds have not been authorized by the MTO to be carried forward into 2023 as of the writing of Report FCS22042.

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. An additional $11.7 M was provided to the City under the Phase 2 allocation on December 16, 2020. In addition to the Safe Restart Agreement, in March 2021, the Province of Ontario announced a $500 M funding commitment to municipalities under the COVID-19 Recovery Funding for the Municipalities Program (CRFMP). The City of Hamilton's share under this program of $18.7 M is available to address general municipal COVID-19 costs and pressures in 2021 and 2022.

As of April 30, 2022, it is projected that the remaining amount of CRFMP funding available that was carried forward from 2021 in the amount of $6.3 M will be required for 2022. As the SRA funding was fully utilized in 2021, $1.9 M in COVID-19 related pressures remain unfunded in 2022. Without additional funding, these COVID-19 costs may need to be funded from existing non COVID-19 related City reserves / sources.

Additionally, the City has set aside $35.6 M in a COVID-19 Emergency Reserve (Reserve #110053) for the purpose of financing pressures related to pandemic response and recovery. Based on commitments to date from senior levels of government, the City is projecting that this entire amount will be required to offset unfunded pressures in 2022 with a net unfunded pressure of $1.9 M remaining.

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. The SSRF Phase 2 included 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.

A letter was received by the City on August 16, 2021 from the Ministry of Municipal Affairs and Housing (MMAH) detailing the fourth 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 and an additional $2 M of capital funding for a total funding allocation of $15.8 M under Phase 4. 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 for the 2021 - 2022 fiscal year.

Another letter was received by the City on April 7, 2022 from the Ministry of Municipal Affairs and Housing (MMAH) outlining a fifth and final Phase of the province's SSRF. Under this fifth phase, the City of Hamilton has received an allocation of $6.1 M for the 2022 – 2023 fiscal year.

Combining Phase 5 funding of $6.1 M with eligible carryover amounts from Phase 4 funding of $5.2 M, a total of $11.3 M is available for 2022. All SSRF funding is projected to be utilized by the end of 2022 with a remaining unfunded pressure in Housing Services of $22.7 M.

Tax Supported Operating Budget

Appendix "A" to Report FCS22042 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 $5.8 M, in comparison to the Council approved target of $5.1 M, resulting in a surplus of $0.7 M.

Table 2

NET GAPPING BY DEPARTMENT	GAPPING TARGET ($000's)	2022 PROJECTED GAPPING ($000's)	VARIANCE ($000's)
Planning & Economic Development	$ 866	$ 275	$ (591)
Healthy and Safe Communities	$ 1,050	$ (367)	$ (1,417)
Public Works	$ 2,247	$ 4,137	$ 1,890
Legislative	$ 85	$ 14	$ (71)
City Manager	$ 229	$ 373	$ 144
Corporate Services	$ 643	$ 1,340	$ 697
Consolidated Corporate Savings	**$ 5,120**	**$ 5,772**	**$ 652**

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 $85 K.

The Transportation Planning and Parking Division is projecting a deficit of $0.2 M. This is mainly attributable to unfavourable gapping of $0.3 M. This is partially offset by savings in contractual services of $50 K due to reduced parking activity and information retrieval costs of $55 K due to less issuance of fines.

The Building Division is projecting a deficit of $0.2 M as a result of unfavourable Zoning Compliance revenues.

A combined favourable variance of $0.4 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 $85 K mainly due to gapping.

The Planning and Economic Development departmental gapping target is $0.9 M for 2022. As at April 30, 2022, the projected year-end gapping amount is $0.3 M, resulting in a projected deficit of $0.6 M.

Healthy and Safe Communities Department

Overall, the Healthy and Safe Communities Department is projecting a deficit of $35.1 M for the 2022 year-end.

The Children's and Community Services Division and the HSC Administration Division is forecasting a combined surplus of $0.2 M as a result of gapping savings.

The Ontario Works division is projecting a surplus of $1.1 M. The projected surplus is mainly due to $0.2 M in maximization of available subsidies and gapping savings of $0.8 M.

Housing Services is projecting a deficit of $22.7 M relating to ongoing COVID-19 emergency supports. Continuation of the operation of isolation services, drop-ins, and hotel rooms for expanded temporary sheltering for the period of January 1, 2022 through to December 31, 2022 was approved through Report HSC20020(d) and the 2022 Tax Supported Operating Budget (Report FCS22002(a)) in the hopes that the federal and provincial governments would continue to provide the funding necessary to support these services through the Social Services Relief Fund (SSRF). For 2022, the City of Hamilton had $5.2 M of SSRF – Phase 4 funding remaining to cover January 1, 2022 to March 31, 2022 expenses and received a letter from the Ministry of Municipal Affairs and Housing on April 7, 2022 confirming SSRF – Phase 5 allocation of $6.1 M for the period of April 1, 2022 to December 31, 2022. However, given the cost of running these emergency services, these allocations are insufficient to cover the demands of the program leaving an unfunded balance of $22.7 M for 2022.

Long-Term Care Division is projecting an unfavourable variance of $0.6 M driven by a net prior year adjustment in subsidy revenue of $366 K, as well as $181 K in additional employee related costs, $14 K inflationary pressures for food and $144 K in additional medication safety technology pressures. The deficit is slightly offset by projected savings in training and equipment costs of $68 K and $47 K in revenue adjustments including preferred rate increases. Long-Term Care is currently forecasting a total pressure of $4.0 M related to COVID-19 response for Macassa and Wentworth lodge for additional employee related costs, medical supplies and cleaning, which has been entirely offset from Safe Restart Agreement and Long-Term Care funding allocations.

Recreation is forecasting a deficit of $0.3 M due to unfavourable employee related costs of $0.5 M and higher than budgeted utilities costs of $63 K and $44 K in operating supplies contribute to the overall deficit. The anticipated deficit is expected to be partially offset by higher revenues of $0.1 M in Golf Course and Pool fees, and $0.2 M in lower use of the Recreation Fee Assistance Program. A net deficit in program revenues of $1.6 M due to COVID-19 has been offset through the application of CRFMP.

Hamilton Fire Department is forecasted to be in a deficit of $1.6 M. The deficit is primarily driven by unfunded COVID-19 pressures of $1.5 M in employee related costs. Additionally, vehicle maintenance and fuel costs are forecasted to be higher than budgeted and operating expenditures are expected to be unfavourable as a result of supply chain shortages. This is slightly offset by favourable gapping.

Hamilton Paramedic Service is projecting a deficit of $3.2 M due to unfunded overtime, medical supplies and equipment related to COVID-19 response and recovery efforts, ancillary employee related costs including statutory holidays, vacation and pay in lieu of benefits estimated based on historical averages, other operating expenses, such as, vehicle fuel due to significant price increases and operating equipment and medical supplies due to supply chain shortages. The deficit is partially offset by User fee revenues that are expected to be higher than budget.

Public Health Services is projecting an overall deficit of $8.1 M. The annual funding letter from the Ministry of Health was received in early May, which approved a portion of the submitted COVID-19 General (non-vaccine) and the COVID-19 Vaccine one-time funding requests of $4.6 M and $8.7 M respectively, resulting in a projected deficit of $8.1 M for those programs. However, through subsequent communications, the Ministry of Health has indicated that there would be additional opportunities to apply for reimbursement of all extraordinary COVID-19 related costs over and above the Annual Service Plan and Budget subsidized expenditures in 2022.

Although this has not been confirmed in writing, it is the same process that was followed in 2021 and is consistent with historical provincial decision-making for similar issues other than COVID-19. At this time, only confirmed funding has been reflected in the 2022 forecast resulting in an overall deficit of $8.1 M for Public Health Services.

As outlined in Report BOH22003(a), staff submitted a one-time funding request for $9.0M to address the deficits of care in the community and the backlog of services that have resulted from many programs being partially or fully on-hold for over two years due to the COVID-19 pandemic. This request was not approved, as the Province indicated that there was considerable variability in the Annual Service Plan & Budget submissions across public health units making it difficult to determine a policy direction and funding level. Instead, public health units have been instructed to cover recovery costs through the redirection of base funds. At this time, Public Health Services anticipates the ability to offset recovery costs using base funding as financial results through the first quarter of the year showed considerable underspending in base programs due to ongoing recruitment and retention challenges.

The Healthy and Safe Communities departmental gapping target is $1.0 M for the 2022 year. As at April 30, 2022, the projected year-end gapping amount is negative $0.4 M, resulting in a projected deficit of $1.4 M.

Public Works Department

Overall, the Public Works department is forecasting a surplus of $2.2 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 $0.5 M for the year. The deficit is due to $0.3 M in unfavourable gapping and $0.2 M in snow removal charges for winter Stadium events at Tim Hortons Field.

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 $1.6 M mainly due to savings in park operations resulting from contractual and supplies savings of $0.5 M and utilities savings in parks facilities of $0.7 M and divisional gapping savings of $0.6 M.

Waste Management is forecasting a deficit of $0.4 M. This is a result of several favourable and unfavourable variances across the division. Contributing to the surplus is increased recycling commodity largely due to increase in market rates for commodities such as fibres, aluminium and plastic ($1.5 M) and savings in the Household Special Waste program of $0.2 M. The favourable variances are offset by The Waste Collection Contract that is projecting a $1.1 M deficit. The annual escalation factor was budgeted at 2.0%, however, the actual escalation factor is (6.48%). The main driver for the escalation factor increasing is due to higher than expected natural gas prices.

Transit is forecasting a surplus of $45 K. COVID-19 impacts that are funded from Safe Restart Funds include unfavourable variances in fare revenue of $11.8M and fleet maintenance of $1.0M and favourable variances in DARTS contract of $5.8M and PRESTO contract of $441K. In addition, the negative impact of rising fuel prices of $2.3M, less fuel consumption of $325K is offset by other net favourable variances

Transportation Operations and Maintenance is forecasting a surplus of $1.2 M. The surplus is driven by gapping of $1.9 M. This was slightly offset by $0.5 M in costs associated with increased Diesel Fuel and $0.2 M for Unleaded Fuel.

The Public Works departmental gapping target, included in the explanations above, is $2.2 M for the 2022 year. As at April 30, 2022, the projected year-end gapping amount is $4.1 M, resulting in a projected surplus of $1.9 M.

Legislative

The Legislative budget is projected to be at a slight deficit of $0.1 M for 2022 resulting from additional costs from implementing remote meetings, membership fee costs and unfavourable staffing costs.

The Legislative departmental gapping target is $85 K for 2022. As at April 30, 2022, the projected year-end gapping amount is $14 K, resulting in a projected deficit of $71 K.

City Manager’s Office

City Manager’s Office is projecting a surplus of $4 K in 2022.

The Human Resources Division is projecting a surplus of $271 K. The main drivers of the favourable variance were gapping and savings in corporate leadership training due to COVID-19 restrictions.

The remaining divisions are forecasting a combined deficit of $267 K. This is driven by unfavourable gapping and a shortfall in projected revenue in the Digital and Innovation Office ($0.2 M).

The City Manager's Office departmental gapping target is $0.2 M for the 2022 year. As at April 30, 2022, 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 $0.9 M. The overall surplus is mainly the result of favourable gapping across several divisions in addition to savings of $384 K in consulting contractual and computer repairs savings in the Information Technology division. The combined divisional surpluses are slightly offset by an unfavourable variance in the City Clerk's Office of $224 K mainly due to postage recovery costs and unfavourable gapping in the division.

The Corporate Services departmental gapping target is $0.6 M for the 2022 year. As at April 30, 2022, the projected year-end gapping amount is $1.3 M, resulting in a projected surplus of $0.7 M.

Corporate Financials / Non-Program Revenues

Corporate Financials / Non-Program Revenues are projected as a combined deficit of $5.8 M. Contributing factors are identified as follows:

- Corporate Pensions, Benefits & Contingency: $1.6 M deficit due to increased insurance premiums for Cyber and environmental and $0.8 M in unfunded extraordinary COVID-19 Emergency Operation Centre expenditures.
- Corporate Initiatives: $2.7 M deficit projected variance related to WSIB payments based on the projection of the year-to-date pay-outs on a pro rata basis for the whole year.
- Non-Program Revenues: Shared revenues from the Ontario Lottery and Gaming Commission have remained low due to a reduction in revenues collected at casinos and racetrack slots by the Province of Ontario. There was no COVID-19 funding remaining to reduce the $1.5 M forecasted deficit.

Hamilton Entertainment Facilities (HEF)

HEF is projecting to be in line with the budget for the year. This is a result of $365 K savings in Utilities, $642 K revenue for agreement with HUPEG, offset by $(509 K) pressure from Direct recoveries for Facilities and Insurance costs, $(222 K) pressure in recoveries for Central Utilities Plant and shared services, $(277 K) Contractual pressures for Manager fees and Net Loss guarantee forecasted based on actuals paid and assuming six months of current agreement.

Capital Financing

Capital financing is projecting a year-end surplus of $12.9 M in principal and interest savings due to timing in the issuance of debt.

Boards and Agencies

In Boards and Agencies, there is a projected surplus of $1.3 M. This is attributable to the projected Library surplus of $1.3 M based on a combination of staff secondments for the first few months of the year 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 favourable variance of $6 K due to gapping.

Hamilton Police Services will be providing a forecast update to the Hamilton Police Services Board on June 30, 2022. The forecast is currently presented as in line with budget.

Rate Supported Operating Budget

As at April 30, 2022, the Rate Supported Operating Budget is projecting a deficit of $2.9 M mainly due to unfavourable revenues of $5.5 M, partially offset by favourable operating expenses of 2.6 M.

Revenues

As of April 30th, total rate revenues are $4.4 M below budget with a year-end forecast projected to be $5.5 M unfavourable (2.1% under budget). It should be noted that the first quarter billings for Overstrength and Sewer Surcharge Agreements did not occur until May and thus, have a negative impact on the April 30th year to date actuals. An overall projected unfavourable variance of $5.5 M is mainly due to a forecasted deficit in the Industrial, Commercial and Institutional sector. Consumption trends and pandemic related impacts, as well as, changed water consumption trends continue to be monitored. Some customers' consumption has not returned to pre-pandemic levels as anticipated. Partially offsetting the deficit is a forecasted surplus of $0.6 M from Haldimand as their residential customer base continues to increase resulting in a continued trend of favourable revenues.

Residential revenues are projected to be on target as the impacts from the COVID-19 pandemic seem to have stabilized in this sector. In-school learning has returned and employees in many areas have either returned to work or have adopted a hybrid model which will be the new normal. All other rate revenues are currently trending to be on budget for 2022.

Non-rate revenues are currently forecasting to be on budget.

Expenditures

Overall program spending for 2022 is projected to have a favourable variance of $2.6 M. The driving factors behind this are shown in Table 3.

Table 3
City of Hamilton
Rate Budget Operating Expenditures Variance Drivers

Expenditure Type	Variance (000's)	
Capital Financing	$	3,802
Materials and Supplies	$	(1,277)
Agencies and Support Payments	$	42
Contratcual	$	19
Total Operating Expenditures	**$**	**2,586**

Capital Financing is projecting a favourable variance of $3.8 M due to timing in the issuance of debt.

Agencies and Support Payments and Contractual expenditures are forecasted to be favourable totalling $61 K mainly due to savings in the Outreach and Education program of $81 K as a result of COVID-19. Partially offsetting the surplus is a projected unfavourable variance of $20 K for enhanced cleaning due to COVID-19.

Partially offsetting the overall surplus in Operating Expenditures is a forecasted unfavourable variance in Material and Supplies ($1.3 M). This is largely attributed to the significant price increases realized within the chemical supply market, mainly due to liquid chlorine. The increased costs in fluids and chemicals and new contracts will be evaluated during the 2023 Rate Budget process. Unfavourable incremental COVID-19 forecasted costs for PPE is projected at $30 K.

Appendix “B” to Report FCS22042 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 FCS22042 – City of Hamilton Tax Operating Budget Variance Report as at April 30, 2022

Appendix “B” to Report FCS22042 – City of Hamilton 2022 Combined Water, Wastewater and Storm Operating Budget, Budget Variance Report as at April 30, 2022

Appendix “C” to Report FCS22042 – City of Hamilton Budget Amendment Schedule, Staff Complement Change

Appendix “D” to Report FCS22042 – City of Hamilton COVID-19 Pressures and Funding Sources as at April 30, 2022

KP/dt