

**Item 8.1**



Hamilton

**TAX AND RATE OPERATING BUDGET  
VARIANCE REPORT AS AT  
APRIL 30, 2022**

**FCS22042**

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

**July 7, 2022**  
**Audit, Finance and Administration Committee**

# AGENDA

1. Summary of 2022 Tax and Rate Operating Budget Variance Forecasts
2. Update on COVID-19 Funding
3. Recommendations
  1. Funding Advocacy efforts
  2. Complement and Budget Control Policy

## 2022 PROJECTED YEAR-END OPERATING BUDGET VARIANCES (\$000's)

	2022 Approved Budget	2022 Year-End Forecast	2022 Variance (Forecast vs Budget)	
			\$	%
<b>TAX SUPPORTED</b>				
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)%
<b>TOTAL CITY EXPENDITURES</b>	<b>608,845</b>	<b>646,763</b>	<b>(37,919)</b>	<b>(6.2)%</b>
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%
<b>TOTAL BOARDS &amp; AGENCIES</b>	<b>237,821</b>	<b>236,531</b>	<b>1,289</b>	<b>0.5%</b>
<b>CAPITAL FINANCING</b>	<b>147,028</b>	<b>134,096</b>	<b>12,932</b>	<b>8.8%</b>
<b>TOTAL OTHER NON-DEPARTMENTAL</b>	<b>384,849</b>	<b>370,627</b>	<b>14,221</b>	<b>3.7%</b>
<b>TOTAL TAX SUPPORTED</b>	<b>993,693</b>	<b>1,017,391</b>	<b>(23,697)</b>	<b>(2.4)%</b>
<b>RATE SUPPORTED</b>	<b>0</b>	<b>2,864</b>	<b>(2,864)</b>	<b>100.0%</b>
<b>TOTAL</b>	<b>993,693</b>	<b>1,020,255</b>	<b>(26,561)</b>	<b>(2.7)%</b>

\* Without COVID-19 related funding, the projected year-end variance is a deficit of \$68.4 M

( ) Denotes unfavourable variance

# **2022 Tax Supported Operating Budget Variance Forecast**

# MAIN DRIVERS YEAR-END PROJECTED VARIANCE

- Continuation of higher COVID-19 related service levels (similar to 2021 and 2020)
- Principal difference in 2022 is lower level of financial support from senior levels of government
- *Housing and Shelters* - \$22.7 M unfunded pressure relating to the operation of isolation services, drop-ins, and hotel rooms for expanded temporary sheltering
- *Public Health* - \$8.1 M Unfavorable variance due to unfunded COVID-19 General and Vaccine programs
- *Paramedics and Fire* - \$4.4 M in unfunded COVID-19 related staffing costs, operating equipment and medical supplies costs, and fuel charges
- *Slot Revenues* - \$1.5 M deficit due lower revenues (no funding left to cover deficit)

## GAPPING (\$000's)

Net Gapping by Department	Gapping Target (\$000's)	Actual 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
<b>Consolidated Corporate Savings</b>	<b>\$ 5,120</b>	<b>\$ 5,772</b>	<b>\$ 652</b>

# DEPARTMENT VARIANCES EXPLANATION SUMMARY

## MAIN DRIVERS

### Planning and Economic Development:

- **\$85 K** *forecasted surplus*
  - Gapping deficit **\$0.6 M**
  - Building (zoning compliance revenues) **\$0.2 M**
  - Planning Division and Growth Management (revenue volume) **\$0.4 M**
  - Includes \$4.2 M in transfers to reserves (\$2 M Building Permit Reserve and \$2.2 M Development Fee Stabilization Reserve)

# DEPARTMENT VARIANCES EXPLANATION SUMMARY

## MAIN DRIVERS

### Healthy and Safe Communities:

- **\$35.1 M** forecasted deficit
  - Gapping deficit **\$1.4 M**
  - Housing Services - relating to ongoing COVID-19 emergency supports **\$22.7 M**
  - Public Health Services deficit relating to unfunded COVID-19 General and Vaccine programs **\$8.1 M**
  - Hamilton Paramedic Service – unfunded COVID-19 related costs **\$2.8 M**
  - Hamilton Fire Department – unfunded COVID-19 related costs, vehicle maintenance, fuel price increase **\$1.6 M**
  - Long Term Care – a result of prior-year subsidy adjustment **\$0.4 M**
  - Ontario Works savings due to maximization of subsidy and gapping **\$1.1 M**



# DEPARTMENT VARIANCES EXPLANATION SUMMARY

## MAIN DRIVERS

### Public Works:

- **\$2.2 M** *forecasted surplus*
  - Gapping surplus **\$1.9 M**
  - Energy, Fleet and Facilities snow removal charges **\$0.2 M**
  - Engineering Services – Road Cut Administrative Program Fees and Permit Fee Revenues **\$0.4 M**
  - Environmental Services mainly due to savings in park operations **\$1.2 M**
  - Waste Management **\$0.4 M** – driven by Waste Collection Contract (escalation factor vs budget based on high natural gas prices)
  - COVID-19 financial pressures of **\$7.2 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:

- **\$0.9 M** forecasted surplus
  - Gapping surplus **\$0.7 M**
  - Savings in consulting contractual and computer repairs savings **\$0.4 M**
  - Deficit in City Clerk's Office due to postage recovery costs **\$0.2 M**
  - COVID-19 financial pressures of **\$0.2 M** for enhanced cleaning and IT offset by COVID-19 funding

### City Manager's Office:

- **\$4 K** forecasted surplus
  - Gapping surplus **\$0.2 M**
  - Shortfall of projected revenues in the Digital and Innovation Office **\$0.2 M**
  - Savings in training, legal, and contractual expenditures **\$0.9 M**
  - COVID-19 financial pressures of **\$54 K** for additional Communications resources offset by COVID-19 funding

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# NON-DEPARTMENTAL VARIANCES EXPLANATION SUMMARY MAIN DRIVERS

## Corporate Financials / Non Program Revenues:

- **\$5.8 M** *forecasted deficit*
  - Insurance premiums for Cyber and environmental **\$0.7 M**
  - Projected deficit variance related to WSIB **\$2.7 M**
  - Unfunded COVID-19 Non-Program Expenditures **\$0.8 M**
  - Slot revenues low due to a reduction in revenues collected at casinos and racetrack slots
    - No COVID-19 funding remaining to reduce the **\$1.5 M** forecasted deficit

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

	2022 Approved Budget	2022 Year-End Forecast	2022 Variance (Forecast vs Budget)	
			\$	%
Hamilton Police Services	182,369	182,369	0	0.0%
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<b>CAPITAL FINANCING</b>	<b>147,028</b>	<b>134,096</b>	<b>12,932</b>	<b>8.8%</b>
<b>TOTAL OTHER NON-DEPARTMENTAL</b>	<b>384,849</b>	<b>370,627</b>	<b>14,221</b>	<b>3.7%</b>

( ) Denotes unfavourable variance

# Rate Supported Operating Budget Variance

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## 2022 RATE OPERATING BUDGET PROJECTED YEAR-END VARIANCE (\$000's)

	2022 Approved Budget	2022 Projected to Year-End	2022 Projected Year-End Variance	
			\$	%
TOTAL EXPENDITURES	257,851	255,265	2,586	1.0%
TOTAL REVENUES	(257,851)	(252,401)	(5,450)	2.1%
NET	-	2,864	(2,864)	(1.1%)

( ) Denotes unfavourable variance

## RATE REVENUES

- Forecasted Deficit in total rate revenues of **\$5.5 M**
  - Total forecasted deficit in ICI revenues of **\$6.0 M**
  - Haldimand water billings forecasted surplus of **\$550 K**

## RATE EXPENDITURES

- Overall program spending and capital financing for 2022 is projected to have a favourable variance of **\$2.6 M**
  - Capital Financing projecting a favourable variance due to timing in the issuance of debt **\$3.8 M**
  - Contractual expenditures and agencies and support payments – forecasting a favourable variance totalling **\$61 K** due to savings in Outreach program partially offset by projected unfavourable variance due to enhanced cleaning (COVID-19)
  - Materials and supplies – unfavourable forecasted variance of **\$1.3 M** due to significant price increases realized within the chemical supply market, mainly due to liquid chlorine.



# COVID-19 FINANCIAL PRESSURES

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# 2022 COVID FUNDING OUTLOOK

Department/Division	Net Financial Impact (\$000's)	2022 Funding from Senior Levels of Government (\$000's)					City of Hamilton (\$000's)
		Social Services Relief Fund	Ministry of Health Funding	Safe Restart Agreement - Transit	Other	COVID-19 Recovery Funding for Municipalities Program (CRFMP)	Total Unfunded Pressure
Planning & Economic Development	2,064,742	-	-	-	-	(2,064,742)	-
Healthy and Safe Communities	70,245,620	(11,332,386)	(16,133,716)	-	(3,784,265)	(3,839,138)	35,156,115
Public Works	7,231,308	-	-	(7,106,410)	-	(124,898)	-
City Manager's Office	53,613	-	-	-	-	(53,613)	-
Corporate Services	192,304	-	-	-	-	(192,304)	-
Corporate Financials	840,000	-	-	-	-	-	840,000
Hamilton Farmer's Market	41,305	-	-	-	-	(41,305)	-
Slot Revenues	1,500,000	-	-	-	-	-	1,500,000
<b>TOTAL</b>	<b>82,168,892</b>	<b>(11,332,386)</b>	<b>(16,133,716)</b>	<b>(7,106,410)</b>	<b>(3,784,265)</b>	<b>(6,316,000)</b>	<b>37,496,115</b>

## COVID FUNDING OUTLOOK

- There is not enough funding from senior levels of government to support the expected 2022 COVID-19 related pressures (\$37.5 M in unfunded pressures)
- 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.

## OTHER RECOMMENDATIONS

- Continued City of Hamilton participation to seek financial support from senior levels of government for the unfunded COVID-19 financial pressures
- Staff complement transfers (Appendix C)



THANK YOU