

TAX AND RATE OPERATING BUDGET VARIANCE REPORT AS AT DECEMBER 31, 2022



FCS22042(b)

Audit, Finance, and Administration Committee

TAX AND RATE OPERATING BUDGET VARIANCE REPORT AS AT DECEMBER 31, 2022
Agenda

1. Summary of Tax and Rate Operating Budget Variances (Unaudited)
2. Recommendations
 - a) Surplus Disposition
 - b) Complement and Budget Control Policy



TAX AND RATE OPERATING BUDGET VARIANCE REPORT AS AT DECEMBER 31, 2022

Themes - Summary

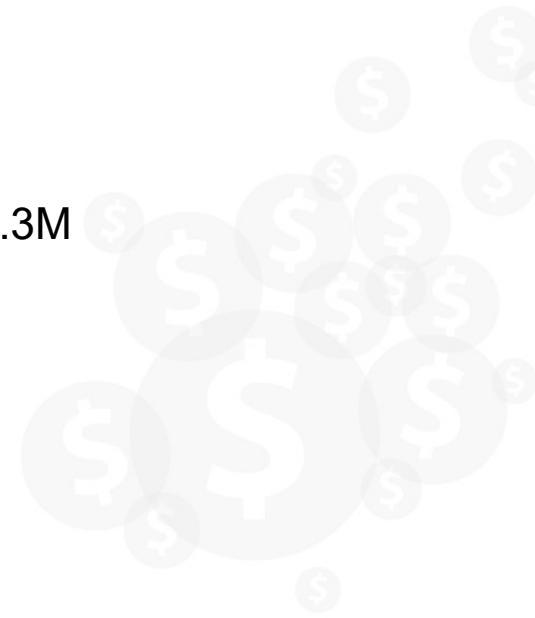
1. Pandemic Recovery
2. Tight Labour Market
3. Development Charge Exemptions
4. Other



TAX AND RATE OPERATING BUDGET VARIANCE REPORT AS AT DECEMBER 31, 2022
Themes - Detail

1. Pandemic Recovery

- Recovery net expenditures of \$62.6M
- Recovery net revenue impacts of \$9.8M
- Funding from senior levels of government \$55.1M
- Total unfunded pressure (absorbed by City of Hamilton) of \$17.3M



TAX AND RATE OPERATING BUDGET VARIANCE REPORT AS AT DECEMBER 31, 2022
Themes - Detail

2. Tight Labour Market

- Net Gapping Surplus of \$9.1M
- 7.0% of positions were vacant as of December 31, 2022



TAX AND RATE OPERATING BUDGET VARIANCE REPORT AS AT DECEMBER 31, 2022
Themes - Detail

3. Development Charge Exemptions

- Total value tax and rate in 2022 of \$50.6M
- Total budgeted DC exemptions tax and rate in 2022 of \$19.1M
- Total unfavourable variance \$31.5M
- Total DC liability carried forward from 2021 \$91M



TAX AND RATE OPERATING BUDGET VARIANCE REPORT AS AT DECEMBER 31, 2022
Themes - Detail

4. Other:

- Inflation (fuel, materials)
- Capital Financing surplus of \$10.7M
- Alectra dividends surplus of \$2.8M
- Tax write-offs surplus of \$5.3M
- Supplementary tax surplus of \$3.9M
- Reserve Funds:
 - COVID-19 Emergency Reserve – did not require contribution of \$17.3M
 - Development Fee Reserve – revenue surplus of \$2.0M transferred to reserve
 - Building Permit Fee Reserve – revenue surplus of \$0.9M transferred to reserve

Tax Supported Operating Budget Variance



TAX AND RATE OPERATING BUDGET VARIANCE REPORT AS AT DECEMBER 31, 2022
2022 Year-End Variance

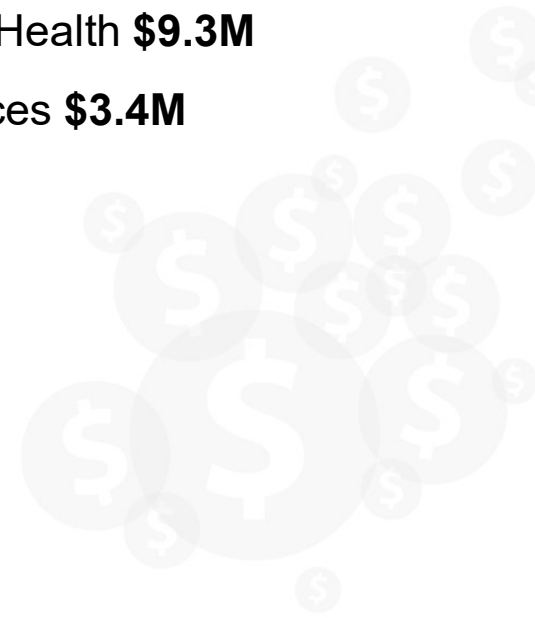
CONSOLIDATED CORPORATE SURPLUS/ (DEFICIT)	\$
Tax Supported Programs	
Police	\$ 1,020,546
Library	\$ 2,139,741
Capital Financing	\$ 10,748,933
Other Tax Supported Programs	\$ 9,029,119
Total Tax Supported Surplus	\$ 22,938,340
Rate Supported Programs	\$ 1,173,485
Consolidated Corporate Surplus/ (Deficit)	\$ 24,111,824

TAX AND RATE OPERATING BUDGET VARIANCE REPORT AS AT DECEMBER 31, 2022
Departmental 2022 Year-End Variance

	2022 Approved Budget	2022 Year-End Actuals	2022 Variance (Actuals vs Budget)	
			\$	%
<u>TAX SUPPORTED</u>				
Planning & Economic Development	31,621	26,553	5,068	16.0%
Healthy and Safe Communities	268,137	272,746	(4,609)	(1.7)%
Public Works	278,499	283,312	(4,813)	(1.7)%
Legislative	5,283	4,891	393	7.4%
City Manager	13,649	12,892	757	5.5%
Corporate Services	39,667	35,655	4,012	10.1%
Corporate Financials / Non Program Revenues	(30,506)	(37,247)	6,741	22.1%
Hamilton Entertainment Facilities	2,338	960	1,377	58.9%
TOTAL CITY EXPENDITURES	608,689	599,762	8,927	1.5%
Hamilton Police Services	182,369	181,348	1,021	0.6%
Library	32,710	30,570	2,140	6.5%
Other Boards & Agencies	16,654	16,553	101	0.6%
City Enrichment Fund	6,088	6,088	0	0.0%
TOTAL BOARDS & AGENCIES	237,821	234,559	3,261	1.4%
CAPITAL FINANCING	147,028	136,278	10,750	7.3%
TOTAL OTHER NON-DEPARTMENTAL	384,849	370,838	14,011	3.6%
TOTAL TAX SUPPORTED	993,538	970,600	22,938	2.3%
RATE SUPPORTED	0	(1,173)	1,173	100.0%
TOTAL	993,538	969,427	24,111	2.4%

TAX AND RATE OPERATING BUDGET VARIANCE REPORT AS AT DECEMBER 31, 2022
Changes Between Aug 31st and Dec 31st – Tax Supported

- Aug 31st Budget variance report forecasted a deficit of \$16.4M vs. the \$22.9M Year-End Surplus
- Driven by unknown items at the time; largely as a result of pandemic response:
 - Ministry of Health confirmed additional COVID-19 funding for Public Health **\$9.3M**
 - Ministry of Health confirmed COVID-19 funding for Paramedic Services **\$3.4M**
 - Timing of Housing Services funding commitments **\$9.3M**
 - Recreation program cost savings and higher revenues **\$2.9M**
 - Favourable tax write-offs and supplementary tax revenues **\$9.2M**
 - Favourable Alectra dividends **\$2.8M**



TAX AND RATE OPERATING BUDGET VARIANCE REPORT AS AT DECEMBER 31, 2022
Gapping (\$000's)

Net Gapping by Department	Gapping Target (\$000's)	Actual Gapping (\$000's)	Variance (\$000's)
Planning & Economic Development	\$ 866	\$ 5,591	\$ 4,725
Healthy and Safe Communities	\$ 1,050	\$ 1,642	\$ 592
Public Works	\$ 2,247	\$ 2,700	\$ 453
Legislative	\$ 85	\$ (295)	\$ (380)
City Manager	\$ 229	\$ 787	\$ 558
Corporate Services	\$ 643	\$ 3,792	\$ 3,149
Consolidated Corporate Savings	\$ 5,120	\$ 14,217	\$ 9,097

TAX AND RATE OPERATING BUDGET VARIANCE REPORT AS AT DECEMBER 31, 2022
Departmental Drivers

Planning and Economic Development:

- Net departmental surplus **\$5.1M**:
 - Gapping surplus \$4.7M
 - Development fee revenues \$2.0M (transferred to reserve)
 - Building Permit Fees \$0.9M (transferred to reserve)
 - Office relocation of Licensing and By-Law Services savings \$0.3M
 - COVID-19 financial pressures of \$2.8M, largely attributed to forgone parking revenues, were mostly offset by a \$2.3M transfer from the COVID-19 Recovery Funding for Municipalities Program. Unfunded pressures of \$0.5M covered from departmental surplus

TAX AND RATE OPERATING BUDGET VARIANCE REPORT AS AT DECEMBER 31, 2022
Departmental Drivers

Healthy and Safe Communities:

- Net departmental deficit (**\$4.6M**):
 - Emergency supports in affordable housing and homeless serving system in response to the pandemic resulted in a deficit of (\$14.5M). The total financial pressure in 2022 was \$21.1M with Social Services Relief Funding of \$6.6M
 - Program closures in Recreation Services resulted in net savings of \$2.1M and golf operations surplus of \$0.6M
 - A surplus of \$2.3M in funding for Children's Services from the Ministry of Education
 - Net gapping surplus of \$0.6M
 - Public Health and Hamilton Paramedic Service COVID-19 response and vaccine costs totaling \$28.9M supported from Ministry of Health one-time funding
 - Hamilton Fire Department and Long-Term Care COVID-19 response expenses of \$6.5M were also supported from funding transfers from senior levels of government

TAX AND RATE OPERATING BUDGET VARIANCE REPORT AS AT DECEMBER 31, 2022
Departmental Drivers

Public Works:

- Net departmental deficit (**\$4.8M**):
 - A (\$3.3M) deficit in the Winter Season Roads Program
 - Transit Services incurred a (\$2.7M) deficit in fuel resulting from price increases that are ineligible for Safe Restart Agreement funding
 - (\$1.7M) of the total deficit relates to the unfunded Corporate Asset Management Office
 - A (\$0.8M) deficit related to snow removal and winterizing costs in Facilities
 - A \$1.5M surplus in recycling commodity revenues and a \$0.9M surplus in Transfer Station and Community Recycling Centre revenues
 - Gapping surplus \$0.5M

TAX AND RATE OPERATING BUDGET VARIANCE REPORT AS AT DECEMBER 31, 2022
Departmental Drivers

Corporate Services:

- Net departmental surplus **\$4.0M:**
 - Gapping surplus \$3.2M
 - Savings in computer software, licensing and hardware of \$1.2M
 - Additional Tax Certificates and Transfer Fees revenues of \$0.2M

City Manager's Office:

- Net departmental surplus **\$0.8M:**
 - Gapping surplus \$0.6M
 - Savings in contractual costs of \$0.1M



TAX AND RATE OPERATING BUDGET VARIANCE REPORT AS AT DECEMBER 31, 2022
Departmental Drivers

Corporate Financials / Non Program Revenues:

- Net surplus **\$6.7M:**
 - Surplus on tax write-offs based on appeals \$5.3M
 - Supplementary taxes exceeded budget by \$3.9M
 - Dividends from Alectra were higher than anticipated resulting in a surplus of \$2.8M
 - Shared revenues from the Ontario Lottery and Gaming Corporation were higher than anticipated resulting in \$263K surplus
 - POA revenues lower than expected due to 2022 court closures resulting in a (\$1.5M) deficit
 - (\$3.0M) deficit in insurance premiums

TAX AND RATE OPERATING BUDGET VARIANCE REPORT AS AT DECEMBER 31, 2022
2022 COVID-19 Financial Pressures

Department/Division	Net Financial Impact (\$000's)	2022 Funding from Senior Levels of Government (\$)					City of Hamilton (\$)
		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	2,829,908	-	-	-	-	(2,285,288)	544,620
Healthy and Safe Communities	56,446,671	(6,562,266)	(18,688,046)	-	(15,472,889)	(1,195,727)	14,527,742
Public Works	8,319,729	-	-	(8,103,135)	-	(97,844)	118,750
City Manager's Office	112,542	-	-	-	-	(112,542)	-
Corporate Services	146,689	-	-	-	-	(143,618)	3,071
Legislative	1,733	-	-	-	-	(1,733)	-
Corporate Financials	3,259,471	-	-	-	-	(2,257,357)	1,002,114
Non-Program Revenues	1,043,500	-	-	-	-	-	1,043,500
Boards & Agencies	275,755	-	-	-	-	(221,871)	53,884
TOTAL	72,435,998	(6,562,266)	(18,688,046)	(8,103,135)	(15,472,889)	(6,315,980)	17,293,682

Rate Supported Operating Budget Variance

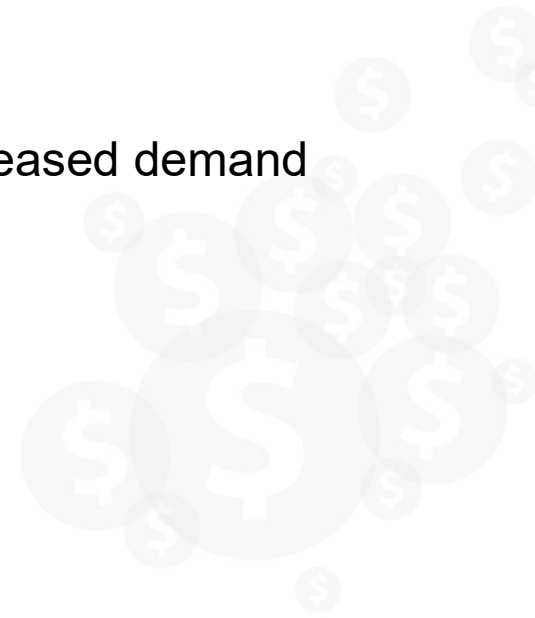


TAX AND RATE OPERATING BUDGET VARIANCE REPORT AS AT DECEMBER 31, 2022
2022 Rate Operating Budget Year-End Variance (\$000's)

	2022 Approved Budget	2022 Projected to Year-End	2022 Projected Year-End Variance	
			\$	%
TOTAL EXPENDITURES	257,851	258,726	(875)	(0.3%)
TOTAL REVENUES	(257,851)	(259,899)	2,048	(0.8%)
NET	-	(1,173)	1,173	0.5%

TAX AND RATE OPERATING BUDGET VARIANCE REPORT AS AT DECEMBER 31, 2022
Rate Revenues

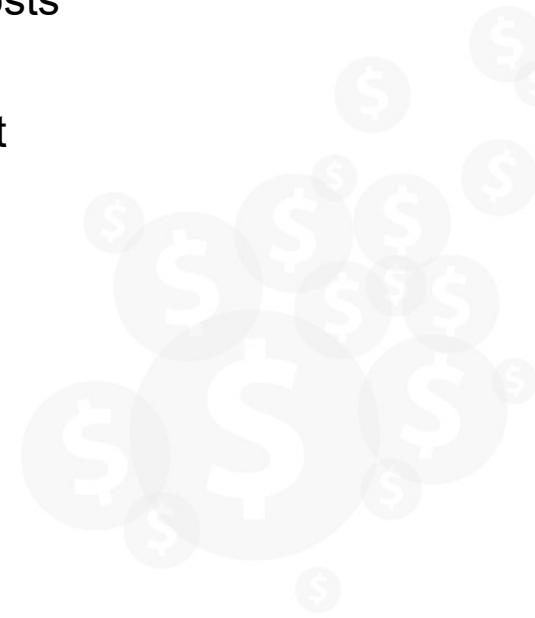
- Surplus in total rate revenues **\$2.0M:**
 - Residential surplus \$3.1M
 - Haldimand water billings ended 2022 with a surplus \$0.9M
 - Total deficit in ICI revenues of (\$2.3M)
 - Non-rate revenue had a deficit of (\$0.3M) mainly due decreased demand for new construction permits.



TAX AND RATE OPERATING BUDGET VARIANCE REPORT AS AT DECEMBER 31, 2022

Rate Expenditures

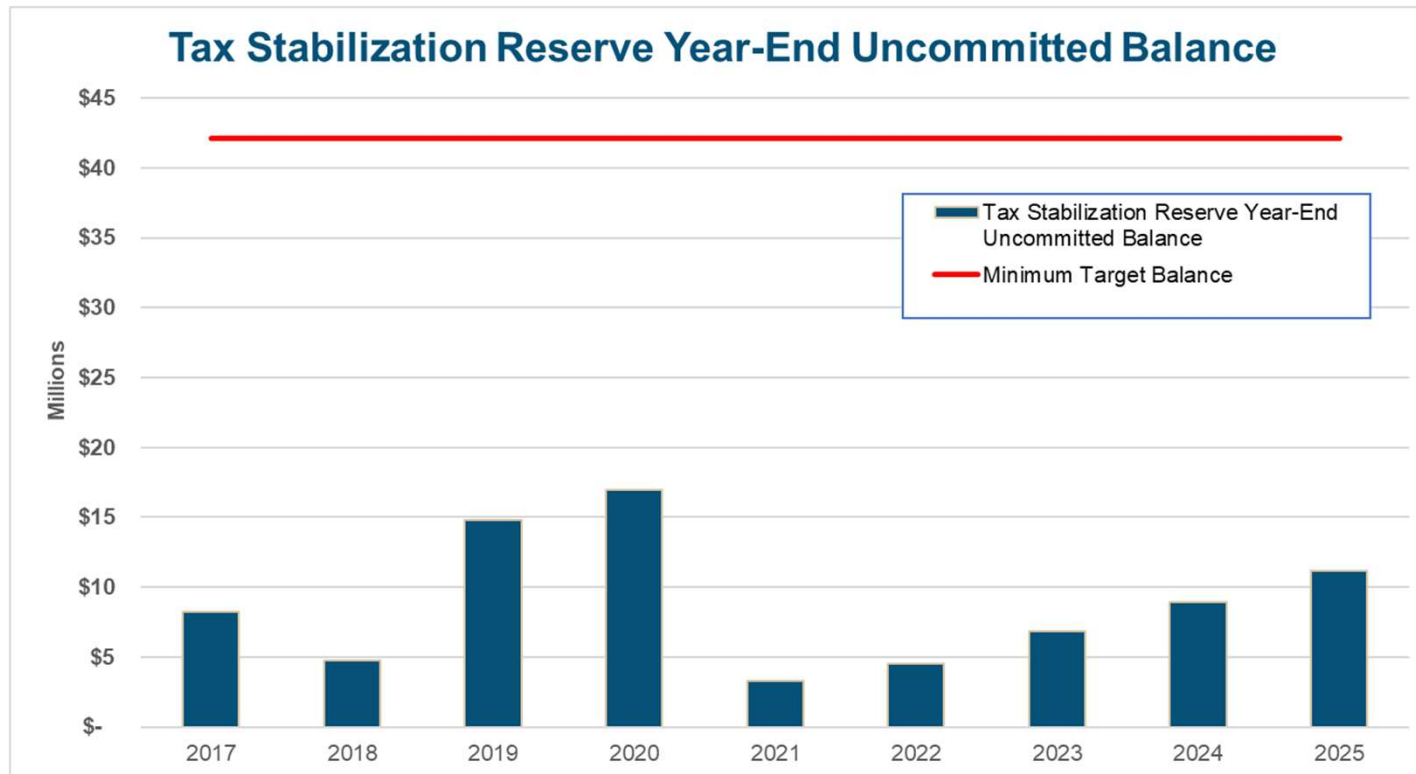
- Overall program spending and capital financing for 2022 had a deficit **(\$0.8M)**:
 - Materials and supplies deficit of (\$3.7M) largely attributed to the significant price increases realized within the chemical supply market
 - Building & Ground – deficit of (\$1.0M) mainly due to increased hydro costs
 - Employee related costs had a deficit of (\$0.3M)
 - Capital Financing surplus of \$3.1M due to timing in the issuance of debt



Recommendations



TAX AND RATE OPERATING BUDGET VARIANCE REPORT AS AT DECEMBER 31, 2022
Tax Stabilization Reserve



Note: includes recommended transfer to reserve through 2022 surplus disposition

TAX AND RATE OPERATING BUDGET VARIANCE REPORT AS AT DECEMBER 31, 2022

Development Charge Exemptions

- Total shortfall in Development Charge Exemptions budget of **\$31.5M**:
 - DC Act Statutory Exemptions \$13.3M
 - Council Authorized:
 - Non-Residential Exemptions (Industrial and Agricultural Use) \$15.6M
 - Downtown Hamilton CIPA \$12.9M
 - University \$7.6M
 - Transition Policy \$1.0M
 - Other 0.2M
 - DC Exemptions Budget (Tax and Rate) \$19.1M



TAX AND RATE OPERATING BUDGET VARIANCE REPORT AS AT DECEMBER 31, 2022
Boards & Agencies Surplus Recommendation

DISPOSITION / RECONCILIATION OF YEAR-END SURPLUS/ (DEFICIT)		
Corporate Surplus from Tax Supported Operations		\$ 22,938,340
Disposition to/from Self-Supporting Programs & Agencies		\$ (3,159,224)
Less: Police (Transfer to Police Reserve)	\$ (1,020,546)	
Less: Library (Transfer to Library Reserve)	\$ (2,139,741)	
Add: Farmers Market (Transfer from COVID-19 Emergency Reserve)	\$ 1,063	
Balance of Corporate Surplus		\$ 19,779,116

TAX AND RATE OPERATING BUDGET VARIANCE REPORT AS AT DECEMBER 31, 2022
Corporate Surplus Recommendation

Balance of Corporate Surplus		\$ 19,779,116
Less: Transfer to Flamborough Capital Reserve		\$ (262,944)
Less: Transfer to fund Mission Services one-time capital (Council Aug 2022; HSC20020(f))		\$ (3,040,000)
Less: Transfer to Hamilton Entertainment Facilities (HEF) Capital Project Reserve		\$ (544,658)
Less: Transfer to fund shortfall in Development Charge Exemptions		\$ (7,708,933)
Less: Transfer to fund Cold Alert Response		\$ (109,000)
Less: Transfer of Alectra dividends surplus to CityHousing Hamilton Vacant Unit Repair Program (Council Aug. 2019 HSC19048)		\$ (2,792,304)
Less: Transfer remaining balance to Tax Stabilization Reserve		\$ (5,321,277)
Balance of Tax Supported Operations		\$ (0)

TAX AND RATE OPERATING BUDGET VARIANCE REPORT AS AT DECEMBER 31, 2022
Rate Recommendation

Corporate Surplus from Rate Supported Operations	\$ 1,173,485
Less: Transfer Rate Supported Water Surplus to fund Development Charge Exemptions	\$ (770,107)
Less: Transfer Rate Supported Wastewater/Stormwater Surplus to fund Development Charge Exemptions	\$ (403,378)
Balance of Rate Supported Operations	\$ 0

TAX AND RATE OPERATING BUDGET VARIANCE REPORT AS AT DECEMBER 31, 2022
Alternatives

Surplus Disposition Alternatives:

- Transfer entire surplus to fund DC exemptions
- Fund previously approved housing investments



TAX AND RATE OPERATING BUDGET VARIANCE REPORT AS AT DECEMBER 31, 2022
Other Recommendations

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





THANK YOU