



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

TO:	Chair and Members Audit, Finance and Administration Committee
COMMITTEE DATE:	June 6, 2024
SUBJECT/REPORT NO:	Tax and Rate Operating Budget Variance Report as at December 31, 2023 – Budget Control Policy Transfers (FCS23063(b)) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Kayla Petrovsky Fleming (905) 546-2424 Ext. 1310
SUBMITTED BY:	Kirk Weaver Acting Director, Financial Planning, Administration and Policy Corporate Services Department
SIGNATURE:	

RECOMMENDATION(S)

- (a) That the Tax Operating Budget Variance Report as at December 31, 2023, attached as Appendix “A” to Report FCS23063(b), be received;
- (b) That the City of Hamilton Combined Water, Wastewater and Storm Operating Budget Macro as at December 31, 2023, attached as Appendix “B” to Report FCS239063(b), be received;
- (c) That, in accordance with the “Budget Complement Control Policy”, the 2023 extensions of temporary positions with 24-month terms or greater, with no impact on the levy, as outlined in Appendix “C” to Report FCS23063(b), be approved;
- (d) That, in accordance with the “Budgeted Complement Control Policy”, the 2023 complement transfers from one department / division to another or a change in complement type, with no impact on the levy, as outlined in Appendix “D” to Report FCS23063(b), be approved;
- (e) That, subject to finalization of the 2023 audited financial statements, the disposition of the 2023 year-end operating budget surplus be approved as detailed in Table 1.

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Table 1

DISPOSITION / RECONCILIATION OF YEAR-END SURPLUS/ (DEFICIT)		
Corporate Surplus from Tax Supported Operations		\$ 7,440,069
Disposition to/from Self-Supporting Programs & Agencies		\$ (1,598,974)
Less: Police (Transfer to Police Reserve)	\$ (2,840,220)	
Add: Library (Transfer from Library Reserve)	\$ 1,299,228	
Less: Farmers Market (Transfer to Farmers Market Reserve)	\$ (57,982)	
Balance of Corporate Surplus		\$ 5,841,095
Less: To transfer Ward Office Budget surpluses to Ward Minor Maintenance Accounts		\$ (216,275)
Less: Transfer to fund shortfall in Development Charge Exemptions		\$ (596,810)
Less: Transfer to Flamborough Capital Reserve		\$ (1,160,967)
Less: Transfer to Tax Stabilization Reserve		\$ (3,867,043)
Balance of Tax Supported Operations		\$ 0
Corporate Surplus from Rate Supported Operations		\$ 3,341,776
Less: Transfer to the Rate Supported Water Reserve		\$ (2,921,351)
Less: Transfer to the Rate Supported Wastewater/Stormwater Reserve		\$ (420,425)
Balance of Rate Supported Operations		\$ 0

EXECUTIVE SUMMARY

Staff has committed to provide Council with three variance reports for the Tax and Rate Supported Operating Budgets during the fiscal year (Spring / Fall / Year-End). This is the final submission for 2023 based on the operating results as of December 31, 2023 (unaudited). Appendix “A” to Report FCS23063(b) summarizes the Tax Supported Operating Budget year-end variances by department and division while Appendix “B” to Report FCS23063(b) summarizes the year-end variances of the Rate Supported Operating Budget by program.

Tax supported operations ended the year in a surplus position of \$7.4 M and rate supported operations ended the year with a surplus of \$3.3 M. Details on the driving factors for the year-end surplus are provided in the Analysis and Rationale for Recommendation(s) section beginning on Page 5 of Report FCS23063(b).

The Tax Supported Operating Budget surplus of \$7.4 M is broken down by surpluses of \$1.6 M for Boards and Agencies, \$0.6 M for Capital Financing and \$5.2 M for City Departments and other Tax Supported Programs. For the Rate Supported Operating Budget, the surplus of \$3.3 M is related to favourable Capital Financing of \$3.0 M and a favourable revenue variance of \$1.7 M offset by unfavourable operating expenditures of \$1.4 M.

The year-end consolidated operating budget surplus of \$10.8 M is summarized in Table 2 and the disposition is detailed in Recommendation (e) (Table 1) of Report FCS23063(b).

Table 2

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.

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CONSOLIDATED CORPORATE SURPLUS/ (DEFICIT)	\$
Tax Supported Programs	
Police	\$ 2,840,220
Library	\$ (1,299,228)
Capital Financing	\$ 596,818
Other Tax Supported Programs	\$ 5,302,259
Total Tax Supported Surplus	\$ 7,440,069
Rate Supported Programs	\$ 3,341,776
Consolidated Corporate Surplus/ (Deficit)	\$ 10,781,845

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. Details on the proposed disposition of the 2023 surplus is provided in the Analysis and Rationale for Recommendation(s) section.

2023 Budget Transfers and Extensions

In accordance with the “Budget Control Policy” and “Budgeted Complement Control Policy”, staff is submitting ten recommended items. Staff is recommending four items where temporary positions with 24-month terms or greater are being extended as identified in Appendix “C” to Report FCS23063(b) with no impact on the tax levy.

Four complement transfers, identified in Appendix “D” to Report FCS23063(b), moves budgeted complement from one department / division to another to accurately reflect where the staff complement is allocated within the department / division, without impacting the tax levy or rate. Two of the complement changes are complement type changes from temporary unbudgeted positions to permanent positions, identified in Appendix “D” to Report FCS23063(b) with no impact on the levy. Funding for these positions is recommended from budget transfers from non-employee related accounts.

Alternatives for Consideration – See Page 16

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: The financial information is provided in the Analysis and Rationale for Recommendation(s) section of Report FCS23063(b) beginning on page 4.

Staffing: Staffing implications of Report FCS23063(b) are detailed in Appendices “C” and “D”, which outline extensions of temporary positions and 2023 staff

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complement transfers from one department / division to another or a change in complement type with no impact on the levy and extensions of temporary positions.

Legal: Not Applicable

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 final submission for 2023 based on the operating results as of December 31, 2023.

In Report FCS23063(a), City staff projected a surplus of \$10.5 M (\$5.8 M deficit for City Departments, surplus of \$0.2 M for Boards and Agencies and a \$16.1 M surplus for Capital Financing). At that time, rate supported operations were also forecasted to be in a deficit of \$2.6 M.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

Budget Control Policy (Appendix 1 to FCS12010, CBP – 2). The purpose of this Policy is to ensure that City staff have appropriate authority to manage budget resources to ensure programs and services are delivered in an effective and efficient manner. Council also requires assurance that budget resources are used for the purpose intended through the approval of the annual budget.

Budget Complement Control Policy (Appendix “A” to FCS16024, CBP – 1). The purpose of this Policy is to ensure that the City’s staff complement is managed in an effective and efficient manner. The Policy provides guidance on transferring complement, increasing, or decreasing complement and changing complement type.

RELEVANT CONSULTATION

Staff in all City of Hamilton departments and boards provided the information in Report FCS23063(b).

ANALYSIS AND RATIONALE FOR RECOMMENDATION(S)

The following provides an overview of the more significant issues affecting the 2023 Tax and Rate Operating Budget Surpluses. Appendix “A” to Report FCS23063(b) summarizes the Tax Supported Operating Budget year-end variances by department and division and Appendix “B” to Report FCS23063(b) summarizes the Rate Supported Operating Budget results by program.

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Table 3 provides a summary of the departmental results as at December 31, 2023. The total operating budget surplus (tax and rate supported) is at \$10.8 M (unaudited), or approximately 1.0%.

Table 3

	2023 Approved Budget	2023 Year-End Actuals	2023 Variance (Actuals vs Budget)	
			\$	%
TAX SUPPORTED				
Planning & Economic Development	34,087	33,270	817	2.4%
Healthy and Safe Communities	301,426	292,004	9,422	3.1%
Public Works	294,461	309,455	(14,994)	(5.1)%
Legislative	5,596	5,517	80	1.4%
City Manager	15,423	15,150	273	1.8%
Corporate Services	45,548	43,806	1,741	3.8%
Corporate Financials / Non Program Revenues	(33,204)	(41,165)	7,961	24.0%
Hamilton Entertainment Facilities	150	207	(57)	(38.3)%
TOTAL CITY EXPENDITURES	663,487	658,244	5,244	0.8%
Hamilton Police Services	192,361	189,521	2,840	1.5%
Library	33,956	35,255	(1,299)	(3.8)%
Other Boards & Agencies	16,818	16,760	58	0.3%
City Enrichment Fund	6,575	6,575	0	0.0%
TOTAL BOARDS & AGENCIES	249,710	248,111	1,599	0.6%
CAPITAL FINANCING	156,410	155,813	597	0.4%
TOTAL OTHER NON-DEPARTMENTAL	406,120	403,924	2,196	0.5%
TOTAL TAX SUPPORTED	1,069,608	1,062,168	7,440	0.7%
RATE SUPPORTED	0	(3,342)	3,342	100.0%
TOTAL	1,069,608	1,058,826	10,782	1.0%

COVID-19 Funding

During the COVID-19 pandemic, there were numerous announcements from the Federal and Provincial governments regarding funding opportunities to address financial pressures for individuals and organizations. All of the City's allocation of COVID-19 Recovery Funding for Municipalities Program (CRFMP) was utilized in 2022. For 2023, COVID-19 related pressures are estimated at \$23.7 M. Of this amount, \$14.4 M was funded from the following sources:

- Ministry of Health – one-time funding approvals of \$11.0 M;
- Other Ministry Funding – Long-term Care allocations of \$3.3 M;
- COVID-19 Emergency Reserve – approved funding of \$3.1 M.

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The remaining pressure of \$6.3 M shows as a negative variance against the respective program’s operating budget and netted against the City’s final year-end position.

Tax Supported Operating Budget

Appendix “A” to Report FCS23063(b) summarizes the Tax Supported Operating Budget variances by department and division.

Through the 2023 Tax Supported Operating Budget process, Council approved a one-time gapping adjustment to be made in Corporate Financials to Fund 50% of the Hamilton Paramedic Service Business Cases in the amount of \$2,155,200 from gapping savings. This increased the 2023 gapping target from the previous \$5.1 M target for the year to \$7.3 M. Corporate-wide gapping is detailed in Table 4 and totalled \$9.3 M in 2023, in comparison to the Council approved target of \$7.3 M, resulting in a surplus of \$2.0 M.

Table 4

NET GAPPING BY DEPARTMENT	GAPPING TARGET (\$000's)	2023 ACTUAL GAPPING (\$000's)	VARIANCE (\$000's)
Planning & Economic Development	\$ 866	\$ 2,247	\$ 1,381
Healthy and Safe Communities	\$ 1,050	\$ (161)	\$ (1,211)
Public Works	\$ 2,247	\$ 2,663	\$ 416
Legislative	\$ 85	\$ (788)	\$ (873)
City Manager	\$ 229	\$ 242	\$ 13
Corporate Services	\$ 643	\$ 5,122	\$ 4,479
Corporate Financials (One-Time)	\$ 2,155	\$ -	\$ (2,155)
Consolidated Corporate Savings	\$ 7,275	\$ 9,325	\$ 2,050

Each department’s gapping variance (target versus projection) is detailed in the following sections, along with other departmental highlights.

Planning and Economic Development Department

The overall Planning and Economic Development surplus is \$817 K.

The favourable variance of \$536 K in the Transportation Planning and Parking Division is attributed to savings of \$722 K in gapping and \$344 K in higher revenues (net of planned COVID-19 funding), partially offset by \$530 K pressures in contractual costs associated with higher parking revenue.

The Building and General Manager Divisions had a combined deficit of \$18 K mainly as a result of staffing costs and temporary acting role increases.

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The Growth Management Division had a surplus of \$156 K mainly as a result of gapping savings of \$146 K.

The Licensing and By-Law Services Division had a surplus of \$138 K mainly attributed to \$637 K gapping savings which was used to reduce pressure on reserves originally planned to fund initiatives.

The Planning Division had a favourable variance of \$172 K attributable to savings of \$135 K in gapping and \$43 K in Memberships.

The deficit of \$175 K in Tourism and Culture Division is mainly caused by \$610 K in additional Security costs partially offset by \$435 K total savings in Contractual, Maintenance and Repairs and additional museum revenues.

The Planning and Economic Development departmental gapping target, included in the explanations above, is \$0.9 M for the year of 2023. As at December 31, 2023, the actual year-end net gapping amount is \$2.2 M, resulting in favourable gapping of \$1.3 M.

Healthy and Safe Communities Department

The Healthy and Safe Communities (HSC) year-end surplus is \$9.4 M.

The HSC Administration had an unfavourable variance of \$738 K in 2023 primarily due to contribution to Emergency Food Share Program (Report HSC23072), additional temporary positions, material and supplies, offset by backfilling vacant positions and increase in grants and subsidies.

The Children's and Community Services had a favourable variance of \$4.0 M due to maximizing Provincial funding opportunities, including the utilization of one-time transitional grant funding to cover off 2023 municipal levy contributions.

The Ontario Works division had a favourable variance of \$957 K in 2023 a result of gapping, higher than anticipated recoveries, maximization of Provincial funding and other program cost savings partially offset by reallocated spending related to Ministry approved initiatives and pressures related to Special Supports benefits.

The Housing Services had a favourable variance of \$3.5 M in 2023 due to additional in year funding received (Reaching Home for winter response and Interim Housing Assistance Program (IHAP)), Social Housing Provider annual reconciliation recoveries along with other program savings, offset by pressures related to housing supports for Dorothy Day, shelters and emergency hotel costs.

Housing Secretariat had an unfavourable variance of \$78 K due to unbudgeted program costs. However, these were offset in the Housing Services division.

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Indigenous Relations had a favourable variance of \$176 K primarily due to employee related costs as a result of gapping that occurred while recruiting for management positions.

Long Term Care had a favourable variance of \$79 K due to revenue received greater than anticipated including increased level of care funding offset by staffing costs, overtime, long-term disability (LTD), sick pay, as well as, food and supply and contracted costs. Recreation had a favourable variance of \$2.9 M due to gapping as a residual impact of COVID-19 related staffing issues and program delivery and increased revenues in summer programming.

The Hamilton Fire Department had an unfavourable variance of \$2.5 M attributable to differential of accrued and budgeted unionized wage contingency and higher than budgeted overtime due to parental leaves and unfunded COVID-19 costs. Additional pressures due to increased costs for vehicle parts and fuel. Offset slightly by higher than budgeted revenues for user fees.

The Hamilton Paramedic Service had a favourable variance of \$888 K due to additional Land Ambulance Service Grant subsidy, savings in contractual employee related costs and higher than budgeted revenues for user fees, offset partially by significant increases in costs for operating expenses including uniforms and clothing and medical supplies.

Public Health Services had a favourable variance of \$213 K. This is primarily related to additional funding received from the province and savings in levy funded programs. The additional funds were applied against Board of Health (BOH) approved allocations to Hamilton Opioid Action plan equipment (\$100 K) and Health Babies Healthy Children's operating pressure (\$205 K).

The Healthy and Safe Communities departmental gapping target is \$1.0 M for the 2023 year. The actual year-end gapping amount is (\$161 K), resulting in a deficit of \$1.2 M.

Public Works Department

The Public Works Department realized a deficit of \$15.0 M in 2023.

The Corporate Asset Management Division had an unfavourable variance of \$1.1 M. This is largely due to new permanent and temporary positions which resulted in a negative impact of \$762 K. As a result of the Enterprise Asset Management Software system implementation being delayed, the City continues to pay for the old system licenses concurrently with the new system licenses causing an unfavourable amount of \$336 K.

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The Corporate Facilities and Energy Management Division had an unfavourable variance of \$2.5 M resulting from three main drivers. The Corporate Security Office received approval for additional temporary staff to meet the level of demand across the City. Additionally, the security outside contract increased in costs (\$870 K combined unfavourable variance). The second driver was unbudgeted security costs at leased / rented Civic properties in the City resulting in a \$857 K unfavourable variance. Lastly, Tim Horton's Field Stadium had a variance of \$485 K due to the increased contractual costs, unbudgeted winter events and higher than expected Grey Cup costs.

The Engineering Services Division had a favourable surplus of \$867 K attributed to revenues and fees realized in the Corridor Management Program.

The Environmental Services realized a deficit of \$2.3 M. The Division incurred \$757 K in security costs for 24/7 washroom security in parks. As in previous years, the recoveries from Capital for the Street Tree Planting and the Emerald Ash Borer programs were not booked resulting in an unfavourable variance of \$796 K. The plan is to eventually eliminate this funding source from the operating budget through phasing out of these recovery budgets. Council-approved emergency work of \$363 K was required to fix the escarpment stairs and replace the lighting. Increased costs of \$709 K were also significantly higher due to supply chain issues and inflation.

Hamilton Transit (HSR) realized a deficit of \$6.4 M. Farebox revenue continued to slowly recover and is \$4.5 M unfavourable to budget. Also contributing to the deficit is a shortfall of \$2.1 M for revenue budgeted to be drawn from Safe Restart funding that was not realized due to the Province requiring all advanced amounts to be returned. Employee Related costs were also unfavourable by \$1.7 M. While vehicle parts were \$1.6 M unfavourable, fuel was favourable by \$853 K, as well as, tires and tubes at \$104 K favourable. Contractual services also showed an overall favourable balance at year-end of \$2.9 M. This was driven by the savings in the DARTS contract and savings in Taxi Scrip and TransCab contracts totaling \$857 K.

The Transportation Division realized an unfavourable variance of \$29 K in 2023. This is mainly due to favourable employee related costs due to net gapping savings realized from staff vacancies. In addition, favourable variances in building and ground, relating to hydro and propane and vehicle expenses existed. Offsetting some of these favorable variances was increased winter control hired equipment \$466 K due to the severe winter events and excess soil costs due to new legislative regulations (O. Reg. 406/19). Both items were increased in the 2024 budget process.

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The Waste Management Division realized a deficit of \$3.4 M for 2023. The volatility in the commodity market impacted the division with year-end revenues totaling \$1.3 M below budget. Escalation factors on waste contracts were again higher than budgeted resulting in a net overage of \$725 K. Issues with the Transfer Stations and the insolvency of the contractor resulted in additional money being spent on security due to break-ins and vandalism (\$371 K) and contract and retendering costs of \$215 K.

The Public Works departmental gapping target, included in the explanations above, was \$2.2 M for the 2023 year. The actual year-end gapping amount is \$2.6 M, resulting in an annual surplus of \$0.4 M.

Legislative

The overall Legislative departmental surplus is \$80 K.

The surplus is due savings in contractual, consulting and contingency budgets, slightly offset by temporary staffing costs, unmet gapping targets, facilities expenses and Council training and orientation costs.

The deficit in the General Legislative division of \$191 K is largely due to the gapping target, employee related expenses, as well as, orientation and training fees.

The Mayor's Office temporary staffing costs were offset by savings in their consulting and contractual budgets.

There is an operating surplus for the Advisory Committees due to the pause on operations to review their structure and the surplus in the Ward Budgets due to unspent budgets in some Wards.

The Legislative departmental gapping target was \$85 K for the year of 2023. The actual year-end gapping amount is (\$788 K), resulting in a deficit of \$873 K.

City Manager's Office (CMO)

The overall CMO departmental surplus is \$273 K.

The surplus is due to unspent leadership development allocations and Government Relations contractual budgets as well as savings in mediation / arbitration and legal costs. These were partially offset by strategic spend in temporary staffing costs, unmet gapping targets, consulting and recruitment related expenses.

The surplus in the Office of the Auditor General of \$84 K is due to temporary vacancies, offset by legal fees.

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The deficit in the CMO Administration Division and Communications and Strategic Initiatives of \$80 K is largely due to temporary staffing costs, increased one-time recruitment expenses and subscriptions.

The surplus in Government and Community Relations of \$154 K is the result of unspent funds in the contractual budget for government relations where deliverables were in-sourced, as well as, temporary staffing vacancies.

The Human Resources surplus of \$197 K is due to savings in leadership development costs and lower mediation / arbitration and legal expenses offset by gapping target and consulting costs.

The City Manager's Office departmental gapping target, included in the explanations above, was \$229 K for the 2023 year. The actual year-end gapping amount is \$242 K, resulting in a surplus of \$13 K.

Corporate Services Department

Corporate Services ended 2023 with a surplus of \$1.7 M.

The overall departmental surplus was mainly the result of favourable variances of \$0.8 M in the Customer Service, POA and Financial Integration Division, \$0.8 M in the Financial Services, Taxation and Corporate Controller Division, \$0.4 M in the Information Technology Division, partially offset by a deficit of \$0.3 M in the City Clerk's Office.

The deficit of \$246 K in the City Clerk's Office was due to unbudgeted expenditures in the Elections section of \$318 K and higher than anticipated facilities costs of \$145 K, partially offset by savings in employee related gapping of \$204 K.

The favourable variance in Customer Service, POA and Financial Integration Division of \$814 K was mainly due to gapping of \$782 K.

The Financial Services, Taxation and Corporate Controller Division surplus of \$776 K is mainly a result of gapping \$425 K, higher than budgeted revenues in tax transfer and arrears processing fees \$314 K and savings in computer software of \$99 K.

The favourable variance in Information Technology Division of \$393 K is primarily due to employee related savings from gapping of \$1.2 M, partially offset by budgeted contribution from the Motorola Trunk Radio reserve not completed of \$512 K and unbudgeted office renovations of \$266 K.

The remaining divisions were primarily on budget and had a combined surplus of \$4 K.

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The Corporate Services departmental gapping target, included in the explanations above, was \$0.6 M for the 2023 year. The actual year-end gapping amount is \$5.1 M, resulting in a surplus of \$4.5 M.

Corporate Financials / Non-Program Revenues

Corporate Financials / Non-Program Revenues show a \$8.0 M combined favourable variance for the 2023 year. Contributing factors are identified as follows:

- Corporate Pensions, Benefits and Contingency: \$1.1 M deficit due higher insurance costs.
- Corporate Initiatives: \$0.5 M deficit from unbudgeted COVID-19 expenditures for personal protective equipment.
- Non-Program Revenues: Shared revenues from the Ontario Lottery and Gaming Corporation were higher than anticipated, resulting in a surplus of \$1.2 M.
- Non-Program Revenues: Dividends from Hamilton Utilities Corporation and Alectra Dividends net of administration costs were lower than anticipated resulting in a deficit of \$110 K.
- Non-Program Revenues: Tax remissions and write-offs resulted in a \$1.5 M surplus based on appeals processed.
- Non-Program Revenues: Supplementary taxes exceeded budget by \$5.3 M based on Assessment Roll update by MPAC.
- Non-Program Revenues: POA revenues were lower than expected (\$1.9 M) due to higher victim surcharge paid by City and higher transfers to Transportation Reserve.
- Non-Program Revenues: Higher than anticipated Payment in Lieu and Penalties and Interest Revenues of \$0.9 M and \$2.7 M, respectively.

Capital Financing

Capital financing had an overall positive variance of \$597 K as a result of timing differences in cash flow assumptions for completion of capital projects and related timing in the issuance of debt.

Boards and Agencies

Boards and Agencies had a surplus of \$1.6 M.

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The main surplus is attributable to Hamilton Police Service in the amount of \$2.8 M. The Hamilton Police Board will be presenting its year-end 2023 operating budget variance report in June 2024. The Police surplus is recommended to be transferred to its own reserve.

Library had an unfavourable variance of \$1.3 M as a result of higher than budgeted staffing costs along with increased security contract costs due to increased hours used and higher rates under the current emergency contract the Library has been operating under since the previous provider filed for receivership in 2023. The deficit is recommended to be funded from its own reserve.

The Hamilton Farmers' Market had a surplus of \$58 K. The surplus is recommended to be transferred to its own reserve.

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 (e) of Report FCS23063(b), staff recommends that the Tax Supported Operating Budget Surplus of \$7.8 M be distributed to various reserves as per the following paragraphs.

This proposed disposition of the 2023 surplus is highlighted below:

- Year-end variances for Police and Farmers Market to be allocated to their own reserves as per their policies.
- Library deficit to be funded from its own reserve as per past practice.
- Ward Surpluses – At its General Issues Committee meeting on May 1, 2024, Council approved that any surplus operating funds at 2023 year-end in the ward office budgets be transferred to the corresponding ward minor maintenance account. Staff recommends \$216.3 K be transferred to the Ward Reserves to fund the Ward Minor Maintenance Projects.
- Development Charge (DC) Exemptions – Staff recommends that \$0.6 M be transferred to fund the 2023 shortfall in budgeted discretionary tax supported development charge exemptions. Tax supported development charge exemptions (Project ID #2052180510), statutory and discretionary, were \$42.8 M in 2023 as outlined in Appendix “E” to Report FCS22042(b). The total tax supported budget for 2022 was \$13.2 M, leaving a funding shortfall of \$29.6 M.

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The recommended transfer of \$0.6 M funds a portion of the 2022 shortfall and represents the total capital financing surplus for 2023. The funding shortfall in discretionary exemptions was driven by development related exemptions in a variety of sectors. At the Audit, Finance and Administration Committee on May 2, 2024, Council recently adopted a new DC By-Law (part of Report FCS23103(b)) which includes further changes to discretionary exemption policies, which will be incorporated by Staff into future financing planning.

- Slot Revenues – Slot revenue surplus of \$1.2 M to be transferred to the Flamborough Capital Reserve Fund per Council approval of Report FCS12031 on April 25, 2012.
- Tax Stabilization Reserve #110046 – The remainder of the tax supported operating budget surplus of \$3.9 M is proposed to be transferred to the Tax Stabilization Reserve.

Rate Supported Operating Budget

The Hamilton Water Division Rate supported operating budget had a favourable 2023 year-end variance of \$3.3 M due to unfavourable operating expenditures of \$1.4 M, offset by favourable Capital Financing of \$3.0 M and a favourable revenue variance of \$1.7 M.

Revenues

Total year-end rate revenues are \$1.7 M (0.6%) favourable to the budget.

An overall favourable variance is attributed to surpluses in the residential sector of \$0.6 M and \$0.8M in the Industrial, Commercial and Institutional (ICI) sector. Staff continues to monitor consumption patterns and post-pandemic related impacts, as well as, changes in water consumption trends as some customers' consumption has not returned to pre-pandemic levels as anticipated, particularly in the ICI sector.

Raw water saw a deficit of \$64 K in 2023 due to a broken line which cut off the raw water supply for ArcelorMittal Long Products. The surplus in the ICI sector is partially due to the deficit in raw water sales. The line has now been repaired and usage levels have returned to normal in 2024.

As of December 31, 2023, there is a deficit \$925 K in Sewer Surcharge and Overstrength Agreements, offset by surpluses of \$348 K from hauled water and sewage, \$320 K in private fire lines, as well as, \$680 K from Halton and Haldimand, whose residential customer base continues to increase resulting in a continued trend of favourable revenues.

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Expenditures

Overall program spending for 2023 had a favourable variance of \$1.6 M. The driving factors behind this are shown in Table 5.

Table 5

City of Hamilton - Rate Budget Operating Expenditures Variance Drivers	
Expenditure Types	Variance (\$000's)
Capital Financing	3,500
Employee Related Costs	809
Buildings and Grounds	416
Contractual and Consulting	391
Agencies and Support Payments	257
Materials and Supplies/Other	240
Reserves/Recoveries	(472)
Financial	(3,500)
Total Operating Expenditures	1,641

Note: () Denotes unfavourable variance

Capital Financing had a favourable variance of \$3.5 M mainly due to timing in the issuance of debt. This positive variance is partially offset by the higher than anticipated reserve transfers of \$0.5 M.

Employee related costs had a favourable variance of \$809 K mainly due to net gapping savings realized from staff vacancies.

Buildings and Grounds also realized a surplus of \$416 K mainly due to decreased hydro consumption, offset by increased natural gas consumption at the Biosolids Facility due to the temporary closure and repair of a digester used in wastewater treatment at the Woodward Treatment Plant.

A favourable variance of \$391 K due to savings in Storm Water program, offset by increased utility locates contractual obligations associated with the Bill 93 existed within Contractual and Consulting.

Agencies and Support Payments had a favourable variance of \$257 K mainly due to the Protective Plumbing Program (3P) has also been realized. Less adverse weather in early 2023 has resulted in lower-than-expected uptake in the 3P program.

Materials and Supplies / Other had a favourable variance of \$240 K for 2023 as a result of a lower than expected inflationary impact on operating supply usage.

Reserves / Recoveries had an unfavourable variance of \$471 K as a result of unbudgeted Water, Wastewater and Storm Reserve Transfers.

**SUBJECT: Tax and Rate Operating Budget Variance Report as at
December 31, 2023 – Budget Control Policy Transfers (FCS23063(b))
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Financial expenses had an unfavourable variance of \$3.5 M mainly due to the Ministry order and fine related to the Chedoke Creek sewage spill.

Appendix “B” to Report FCS23063(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 Surplus of \$3.3 M be transferred as follows:

- Surplus in wastewater / stormwater operations of \$0.4 M to be transferred to Wastewater Reserve (#108005).
- Surplus in water operations of \$2.9 M to be transferred to Water Reserve (#108015).

ALTERNATIVES FOR CONSIDERATION

Table 1 in the Recommendation(s) section of Report FCS23063(b) identifies the recommended disposition of the surplus / deficit. Council may provide alternative direction to staff for the disposition of the surplus / deficit.

APPENDICES AND SCHEDULES ATTACHED

Appendix “A” to Report FCS23063(b) – City of Hamilton Tax Operating Budget Variance Report as at December 31, 2023

Appendix “B” to Report FCS23063(b) – City of Hamilton Combined Water, Wastewater and Storm Operating Budget Macro as at December 31, 2023

Appendix “C” to Report FCS23063(b) – City of Hamilton Budgeted Complement Temporary Extension Schedule

Appendix “D” to Report FCS23063(b) – City of Hamilton Budgeted Complement Transfer Schedule

Appendix “E” to Report FCS23063(b) – City of Hamilton 2023 Development Charges Exemption Summary

KP/dt