



City of Hamilton Report for Consideration

To: Chair and Members
Audit, Finance and Administration Committee

Date: May 7, 2026

Report No: FCS26015

Subject/Title: Tax and Rate Operating Budget – Forecast 2025
Variance Report

Ward(s) Affected: (City Wide)

Recommendations

- a) That the City of Hamilton Tax Operating Budget Variance Report, based on current 2025 projections, attached as Appendix “A” to Report FCS26015, **BE RECEIVED**;
- b) That the City of Hamilton Water (Rate) Operating Budget Variance Report, based on current 2025 projections, attached as Appendix “B” to Report FCS26015, **BE RECEIVED**; and
- c) That the proposed budget appropriations of \$250,000 or greater and reserve contributions to capital projects, as outlined in Appendix “C” to Report FCS26015, **BE APPROVED**.

Key Facts

- Report FCS26015 provides a high-order forecast of the 2025 year-end tax operating and Water (Rate) budget operating variances.
- The forecasted 2025 tax operating surplus totals \$20.2 M, before pre-commitments. As \$5.9 M has already been incorporated into the 2026 tax budget, the forecast net surplus available is \$14.3 M.

- The Water (Rate) operating budget is currently projected to be on target, with revenues and expenditures aligning with the Council-approved budget.
- Given ongoing Build Back Better efforts, Report FCS26015 reflects the best available data and informed estimates based on current 2025 projections.

Financial Considerations

Staff is currently projecting a 2025 tax operating surplus of \$20.2 M, before pre-commitments of \$5.9 M, leaving a new forecast surplus of \$14.3 M. Financial information is provided in the Analysis section of Report FCS26015 (page 2).

Detailed financial impacts of the recommendations, including capital appropriations, can be found in Appendices “A” through “C” of Report FCS26015. In accordance with the City’s financial policies, all proposed budget adjustments do not have an impact on the 2025 tax levy or Water rate. The capital appropriation has no net effect on the 2025 tax levy.

Any required revisions will be reflected through the year-end variance reporting process, along with recommendations regarding the disposition of any surplus.

Background

The most recent variance reporting in 2025 was through Report FCS25043, which provided a forecast of projected 2025 year-end operating variances as of May 31, 2025 and projected a \$14.5 M surplus in the tax operating budget at that time.

Report FCS26015 provides an updated forecast of 2025 year-end operating variances based on current available financial information and management assumptions.

The forecast presented in Report FCS26015 represents current estimates, using existing systems. While staff has worked diligently to ensure the quality and reliability of this data, the forecast remains subject to change as additional information becomes available prior to year-end.

Analysis

The following provides an overview of the more substantial items impacting the 2025 Tax and Water (Rate) operating year-end forecast. Appendix “A” to Report FCS26015 summarizes the tax operating budget year-end variances by department and division and Appendix “B” to Report FCS26015 summarizes the (Water) Rate operating budget variances by program.

Table 1 summarizes the current projected 2025 operating results. The forecast 2025 tax operating surplus, net of pre-commitments, is \$14.3 M, representing approximately 1.2% of the 2025 net levy. This forecast reflects an updated position from the May 31, 2025 Budget Exception Report (FCS25043), which projected a \$14.5 M surplus (exclusive of pre-commitments). The current forecast of \$14.3 M (1.2%) falls between the December 2022 surplus of \$22.9 M (2.3%) and the December 2023 surplus of \$7.4 M (0.7%).

Table 1

	2025 Restated Budget	2025 Year-End Forecast	2025 Variance (Forecast vs Budget)	
			\$	%
<u>TAX SUPPORTED</u>				
Planning & Economic Development	37,828	35,144	2,684	7.1%
Healthy and Safe Communities	342,312	348,510	(6,198)	(1.8)%
Public Works	343,694	344,170	(476)	(0.1)%
Legislative	7,733	7,733	0	0.0%
City Manager	17,067	17,181	(113)	(0.7)%
Corporate Services	51,469	52,483	(1,015)	(2.0)%
Corporate Financials / Non Program Revenues	(57,673)	(55,737)	(1,936)	(3.4)%
TOTAL CITY EXPENDITURES	742,430	749,484	(7,054)	(1.0)%
Hamilton Police Services	224,754	224,703	52	0.0%
Library	37,481	37,831	(350)	(0.9)%
Other Boards & Agencies	35,868	35,949	(80)	(0.2)%
City Enrichment Fund	7,770	7,770	0	0.0%
TOTAL BOARDS & AGENCIES	305,874	306,253	(379)	(0.1)%
CAPITAL FINANCING	195,585	173,823	21,762	11.1%
TOTAL OTHER NON-DEPARTMENTAL	501,458	480,076	21,383	4.3%
TOTAL TAX SUPPORTED	1,243,889	1,229,560	14,329	1.2%

Tax Supported Operating Budget

Appendix “A” to Report FCS26015 summarizes the tax supported operating budget variances by department and division.

At year end, corporate-wide gapping is projected at \$818 K, compared to the target of \$11.3 M, resulting in a (\$10.5 M) shortfall. A departmental breakdown is provided in Table 2.

Table 2

NET GAPPING BY DEPARTMENT	GAPPING TARGET (\$000's)	2025 PROJECTED GAPPING (\$000's)	VARIANCE (\$000's)
Planning & Economic Development	\$ 1,585	\$ 2,748	\$ 1,163
Healthy and Safe Communities	\$ 1,895	\$ (2,834)	\$ (4,729)
Public Works	\$ 4,089	\$ (1,347)	\$ (5,436)
City Manager	\$ 869	\$ 406	\$ (463)
Corporate Services	\$ 2,860	\$ 1,845	\$ (1,015)
Consolidated Corporate Savings	\$ 11,298	\$ 818	\$ (10,480)

The corporate gapping variance reflects mixed results across operational areas, influenced by a variety of contributing factors. While some operational areas exceeded their gapping target, several operational areas are projecting shortfalls due principally to operational pressures. One of the factors contributing to this gapping forecast is structural reliance on overtime. We see this reflected, for example, in the operational areas of Fire Services and Long Term Care, contributing to the need and costs for temporary staffing. A further factor is the staff resource requirements to build back the City’s financial data and the transition to the interim financial solution. The objective of returning to regular financial reporting and the need to standup an interim financial system drove the requirement for overtime and temporary resources. Additional shortfalls across Public Works and Planning and Economic Development reflect higher employee-related costs and challenges in fully realizing vacancy management savings.

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

Planning and Economic Development

Planning and Economic Development is projecting a forecast 2025 year-end surplus of \$2.7 M. The projected surplus is largely driven by Transportation Planning and Parking, which accounts for the majority of the favourable position, while the remaining divisions are primarily reflecting modest gapping-related savings.

- General Manager Division is projecting a surplus of \$205 K, primarily driven by \$159 K in net gapping savings and \$45 K in meeting expense savings and other minor variances.
- Growth Management Division is projecting a surplus of \$176 K, reflecting \$91 K in favourable net gapping, \$70 K in consulting savings and \$17 K in software expenditure savings due to timing impacts related to the AMANDA system disruption.
- Planning Division is forecasting a surplus of \$340 K, consisting mainly of \$320 K in favourable net gapping and \$22 K in software expenditure savings related to the AMANDA system disruption.
- Building Division is projecting a surplus of \$111 K, attributable to \$102 K in favourable net gapping and \$8 K in software expenditure savings related to the AMANDA system disruption.
- Economic Development Division is forecasting a deficit of (\$20 K), driven by \$185 K in gapping pressures, partially offset by \$166 K in unbudgeted capital recoveries.
- Licensing and By-law Services is projecting a surplus of \$40 K, mainly due to \$32 K in favourable net gapping and \$8 K in lower software expenditures resulting from timing impacts related to the AMANDA system disruption.
- Tourism and Culture is projecting a surplus of \$147 K, primarily attributable to favourable net gapping.
- Transportation Planning and Parking is forecasting a surplus of \$1.7 M. Favourable variances include \$332 K in net gapping savings and \$2.0 M in additional Parking Enforcement revenue. These are partially offset by \$551 K in increased security costs due to ongoing needs at parking lot locations, \$142 K in additional snow removal costs related to the winter weather conditions experienced in November and December and \$81 K in reduced revenue associated with planned parking lot closures in Q4, partially offset by \$37 K in related operating savings.

The departmental gapping target for 2025 is \$1.6 M. Based on current projections, total year-end gapping is estimated at \$2.8 M, resulting in a favourable gapping of \$1.2 M above target. The additional gapping savings are primarily driven by vacancies across several divisions.

Healthy and Safe Communities

Healthy and Safe Communities (HSC) is projecting a forecast 2025 year-end deficit of (\$6.2 M). The projected deficit is primarily driven by pressures within Housing Services and the Hamilton Fire Department, partially offset by favourable variances in Children's and Community Services and Recreation.

- HSC Administration is projecting an unfavourable variance of (\$481 K), primarily driven by employee-related costs, along with contractual and materials and supplies expenditures and provincial grants and subsidies.
- Children's and Community Services is projecting a favourable variance of \$2.5 M, largely due to maximizing 100% provincial funding under the Licensed Child Care / Early Years System.
- Ontario Works is projecting a favourable variance of \$14 K, with increased agencies and support payments driven by higher caseloads fully offset by additional provincial grants and subsidies. The net favourable position is primarily attributable to favourable variances in materials and supplies and contractual and financial costs, partially offset by higher employee-related costs, fees and general and building and grounds expenditures.
- Housing Services is projecting an unfavourable variance of (\$5.6 M) primarily due to assumed funding contributions from other levels of government that are not expected to be fully realized prior to year-end. The pressure is partially mitigated by additional Unsheltered Homelessness and Encampments Initiative (UHEI), Encampment Response Initiative (ERI) and Ontario Works (OW) Discretionary funding received in 2025, along with savings within the Social Housing and Housing Emergency Fund (HEF) programs. HEF is a relatively new program launched in 2024 and uptake is still developing.

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- Housing Secretariat is projecting a favourable variance of \$90 K, driven by gapping and program cost savings.
 - Long Term Care is forecasting an unfavourable variance of (\$882 K) due to increased WSIB costs, higher overtime and higher than budgeted food, meal and medical supply costs. Offsetting some of these negative variances is additional provincial funding through several Long Term Care funding streams, including High Intensity Needs (HIN) and Level of Care funding.
 - Recreation is projecting a favourable variance of \$1.8 M, primarily driven by higher-than-assumed user participation and related revenues from ice and outdoor rentals, aquatics and program registrations, along with adjustments to fee waivers. Capital and Maintenance related facility closures, vacancy-related gapping and heating fuel savings are partially offset by financing costs related to LED lighting efficiency upgrades at recreation facilities and higher than assumed fees associated with greater adoption of online payment option.
 - Hamilton Fire Department is projecting an unfavourable variance of (\$3.9 M), primarily attributable to overtime staffing costs to cover long term absences (\$3.58 M) and reduced revenues resulting from the ongoing impacts of the cybersecurity incident and loss of the Fire Records Management System (\$273 K).
 - Hamilton Paramedic Service is projecting a favourable variance of \$25 K, mainly due to favourable fuel expenditures, partially offset by higher employee-related costs and operating expenses.
 - Indigenous Relations is projecting a favourable variance of \$139 K, attributable to gapping and the deferral or delay of certain project work, including the Landmarks and Monuments Review consulting work (deferred to 2026), and the Social Navigator Initiative.

The departmental gapping target for 2025 is \$1.9 M. The projected year-end gapping amount is (\$2.8 M), resulting in a difference of (\$4.7 M). The shortfall is primarily attributable to overtime pressures within Fire and Long-Term Care (\$3.5 M), with the balance related to temporary full-time positions, sick pay and WSIB costs.

Public Works Department

Public Works is projecting a forecast 2025 year-end unfavourable variance of (\$476 K). The projected deficit is primarily driven by pressures within Transit and Corporate Facilities and Energy Management, partially offset by favourable variances within Waste, Environmental Services and Transportation.

- Corporate Asset Management is projecting an unfavourable variance of (\$158 K). Increased overtime and standby costs related to operational impacts, along with higher vehicle repairs and fuel site maintenance costs, are partially offset by higher fleet recoveries and related markups. The overtime pressures are expected to be temporary in nature as Fleet transitions to the new Enterprise Asset Management (EAM) system in 2026, with manual processes anticipated to subside once the system is fully implemented.
- Corporate Facilities and Energy Management is forecasting an unfavourable variance of (\$1.2 M). Pressures are primarily related to increased security costs, stadium-related maintenance and event preparation (including CONCACAF winterization), along with other miscellaneous pressures.
- Environmental Services is forecasting a favourable variance of \$750 K. Favourable variances across contractual services, employee-related costs, materials and supplies and fees and general revenues are partially offset by lower recoveries from capital due to staff vacancies.
- Transit is projecting an unfavourable variance of (\$2.6 M), primarily driven by higher employee-related costs related to sick pay, WSIB, overtime and gapping pressures, along with lower-than-budgeted revenues and increased vehicle repair costs. These pressures are partially offset by fuel savings, lower DARTS contractual costs and savings related to natural gas station maintenance.

- Transportation is forecasting a favourable variance of \$404 K, primarily driven by favourable variances related to central fleet charges, fuel savings and vehicle-related expenditures, along with savings in materials and supplies related to roadway snow clearing and hardtop surface maintenance and higher-than-budgeted cost recoveries from HSR / Transit. These favourable variances are partially offset by higher contractual costs primarily related to roadway snow clearing spread and higher employee-related costs including gapping pressures.
- Waste is forecasting a favourable variance of \$2.4 M, primarily driven by savings in processing and disposal contracts (including Central Composting Facility, leaf and yard waste, household hazardous waste and Glanbrook operations), increased recycling-related revenues and grants, additional reserve contributions and employee-related cost savings. These favourable variances are partially offset by higher temporary staffing, solid waste contract costs, security at transfer stations, vehicle expenses, materials and supplies and other contractual pressures.

The departmental gapping target for 2025 is \$4.1 M. Based on current projections, Public Works is forecasting realized gapping of approximately (\$1.3 M), resulting in a projected gapping shortfall of (\$5.4 M) relative to target. The shortfall is primarily driven by higher employee-related costs and temporary staffing pressures across several divisions, most notably within Transit and Transportation.

Legislative

Legislative Services is forecasting results in line with the approved 2025 budget, with no variances identified at this time.

City Manager's Office

The City Manager's Office (CMO) is projecting a forecast 2025 year-end unfavourable variance of (\$113 K). The projected variance is primarily driven by employee-related costs across various divisions, chiefly within Human Resources and Communications and Strategic Initiatives. These pressures are partially offset by forecast favourable variances within Government and Community Relations and the Digital and Innovation Office.

- Office of the Auditor General is projecting a (\$22 K) unfavourable variance, primarily driven by a net gapping shortfall.
- Human Resources is projecting a (\$148 K) unfavourable variance, primarily driven by a net gapping shortfall, partially offset by savings in learning and development costs.
- Communications and Strategic Initiatives is projecting a (\$140 K) unfavourable variance, primarily attributable to a net gapping shortfall.
- Digital and Innovation Office is projecting a \$36 K favourable variance, reflecting favourable gapping.
- CMO Administration is projecting a (\$14 K) unfavourable variance, primarily driven by a modest gapping shortfall, partially offset by \$9 K in employee-related costs.
- Government and Community Relations is projecting a \$174 K favourable variance, primarily due to \$140 K in consulting cost savings and net gapping savings.

The departmental gapping target for 2025 is \$869 K. The projected year-end gapping amount is \$406 K, resulting in a projected variance of (\$463 K).

Corporate Services Department

Corporate Services (CS) is projecting a forecast 2025 year-end deficit of (\$1.0 M). The projected deficit is primarily driven by an overall shortfall in achieving the departmental gapping target across several divisions, partially offset by favourable net compensation variances within Customer Service and Procurement.

- City Clerk's Office is projecting an unfavourable variance of (\$227 K), primarily attributable to unmet gapping targets (\$202 K) and additional temporary resources required to support preparation for the 2026 Municipal Election (\$25 K).
- Corporate Services Administration is projecting an unfavourable variance of (\$12 K). Savings from compensation rate differentials (\$10 K) are more than offset by unmet gapping targets (\$22 K).
- Customer Service, POA and Financial Integration is projecting a favourable variance of \$410 K, primarily driven by gapping savings of \$744 K, partially offset by the divisional gapping target of \$333 K.

- Financial Planning, Administration and Policy's forecast is generally aligned with budget. Gapping savings of \$350 K are offset by temporary additional resources to respond to workload demands.
- Financial Services is projecting an unfavourable variance of (\$294 K), primarily due to unmet gapping targets (\$350 K) and temporary staffing resources required to support the financial rebuild initiative (\$12 K).
- Information Technology is forecasting an unfavourable variance of (\$1.1 M), primarily driven by gapping pressures, including \$122 K related to temporary resources and \$995 K in unmet gapping targets.
- Legal Services and Risk Management is projecting an unfavourable variance of (\$297 K). Vacancy savings of \$105 K are offset by unmet gapping targets (\$402 K).
- Procurement is projecting a favourable variance of \$513 K, reflecting higher than projected vacancies.
- Revenue Services is projecting a favourable variance of \$8 K, attributable to gapping savings.

The departmental gapping target for 2025 is \$2.9 M. The projected year-end gapping amount is \$1.9 M, resulting in a projected variance of (\$1.0). The shortfall is primarily attributable to challenges in fully realizing gapping targets across multiple divisions, as operational requirements and strategic initiatives are limiting factors.

Corporate Financials / Non-Program Revenues

Corporate Financials and Non-Program Revenues, as a whole, are tracking in line with a (\$1.9 M) deficit.

- Corporate Initiatives is projecting an unfavourable variance of (\$10.2 M) primarily driven by cyber-related costs.
- The Corporate Pensions, Benefits and Contingency division is forecasting a favourable variance of \$0.8 M from contingency surplus.
- Non-program revenues are projecting a surplus of \$7.5M attributable to:

- Slot Revenues is expected to be in a deficit position of approximately (\$1.3 M).
- Tax Remissions and Write Offs is forecasted at a \$3.0 M positive variance. The positive variance is primarily attributable to active participation in the appeals process, which has helped mitigate potential tax losses.
- Penalties and Interest is forecasted to realize a favourable variance of \$9.5 M at year end. The surplus is primarily attributable to higher property tax arrears balances. Elevated inflation and a less active housing market are contributing to the overall increase in arrears.
- Supplementary Taxes is forecasted to experience an unfavourable variance of (\$2.5 M) at year end. This revenue is dependent on development activity and the timing and volume of assessment growth returned by the Municipal Property Assessment Corporation (MPAC).
- Provincial Offences Act (POA) Revenues are projecting an unfavourable variance of (\$700 K), primarily driven by a continued reduction in charges filed, including impacts from the elimination of the Automated Speed Enforcement (ASE) program and lower-than-anticipated Red Light Camera (RLC) activity. Additional pressures relate to increased legal cost allocations and debt provisioning within the POA program.

Capital Financing

Capital financing is projecting a year-end surplus of approximately \$21.8 M, attributable to principal and interest savings from timing in the issuance of debt.

The 2026 Tax Supported Budget, adopted on February 24, 2026, incorporated a modified capital financing plan that utilized \$5.9 M of the 2025 forecasted capital financing surplus, enabling greater investment through a lesser capital levy increase. The sum of \$5.9 M was utilized to help fund the liability of unfunded DC exemptions in the 2026 Tax Supported Budget. The capital financing surplus before utilizing the \$5.9 M surplus was \$27.7 M.

Boards and Agencies

Boards and Agencies are generally tracking in line with their approved 2025 budgets, with minor year-end surpluses and deficits projected across individual boards. As of 2025, Public Health operates as its own Board of Health, having previously been a division within the Healthy and Safe Communities Department. This organizational change should be considered when comparing aggregated Boards and Agencies financial performance to prior year figures.

- Board of Health is projecting a \$7 K favourable variance, as presented in its Budget Variance Report to the Board on September 8, 2025.
- Hamilton Farmer’s Market is forecasting an unfavourable variance of (\$457), reflecting minor net variances within operations.
- Hamilton Public Library Board presented its Budget Variance Report to its Board on September 17, 2025. The Library is projecting a (\$350 K) deficit, primarily attributable to pressures within contractual services and materials and supplies.
- Hamilton Police Services Board received a budget update on November 27, 2025 (based on projections as at September 30, 2025). The projected surplus is \$52 K and the current year-end outlook remains consistent with this position.

City Enrichment Fund

The City Enrichment Fund is forecasting a balanced year-end position.

Rate Supported Operating Budget

Based on current 2025 projections, the Water (Rate) Operating Budget is forecasted to achieve an overall balanced year-end position, as favourable operating variances reduce the need for transfers from reserves. Appendix “B” to Report FCS26015 summarizes the Water (Rate) operating budget results by program.

- Employee-related costs are projecting a favourable variance of approximately \$3.3 M, primarily driven by gapping savings from permanent staff vacancies throughout the year.
- Contractual services are projecting a favourable variance of approximately \$0.3 M primarily due to lower-than-budgeted expenditures for services such as underground utility locate services and the supply and delivery of water distribution parts.
- Materials and supplies are forecasting a favourable variance of approximately \$1.7 M, reflecting lower-than-anticipated operating supply costs, including favourable variances on plant operations fluids and chemicals through the end of October.
- Water revenues are projecting a favourable variance of approximately \$1.7 M based on current consumption and billing trends. The favourable variance is driven by higher residential and commercial water consumption (relatively evenly distributed between the two), along with increased revenues from overstrength surcharge agreements.

These favourable variances are partially offset by an unfavourable variance of approximately (\$0.3 M) related to Agency and Support Payments. Savings in cost allocations are offset by lower capital recoveries related to employee vacancies. Based on the overall favourable operational results, transfers from reserves of approximately \$6.7 M are not expected to be required, resulting in an overall balanced year-end position. The lower transfer from reserves improves the overall reserve forecast that will allow additional flexibility in future Water (Rate) financing plans.

Budget Submissions and Capital Appropriations

Corporate Services staff reviewed all submissions for consistency and adherence to applicable financial policies.

Budget Control Policy (Appendix One to FCS12010, Policy No: CBP – 2) establishes the framework to ensure that City staff has appropriate authority to manage budget resources to ensure programs and services are delivered in an effective and efficient manner. The Policy also provides Council with assurance that budget resources are used for the purpose intended through the approval of the annual budget.

The City's Capital Projects' Budget Appropriation and Work-in-Progress Transfer Policy (Appendix "A" to FCS14031) states that approval authority for the appropriation of funds coincide with the City's Procurement Policy (By-law No. 25-181):

1. Council must approve appropriations of \$250,000 or greater.
2. City Manager or designate must approve appropriations greater than \$100,000 and less than \$250,000.
3. General Managers or delegated staff be authorized to approve appropriations up to \$100,000.

There is one capital budget appropriation that requires Council approval in accordance with the Capital Budget Appropriation Policy (Appendix "C" to Report FCS26015).

The recommendations in Report FCS26015 are aligned with Council-approved policies and have no impact on the City's net tax levy.

Alternatives

There are no alternatives for consideration. The presented variance report is for information purposes.

Relationship to Council Strategic Priorities

Report FCS26015 supports the Council Priority of Responsiveness and Transparency, specifically the outcome to modernize City systems (3.4) and build a high performing public service (3.3). By providing timely updates on the City's financial performance, Report FCS26015 enhances accountability, supports informed decision-making and strengthens the City's financial management practices. It also reflects a commitment to continuous improvement in fiscal oversight and transparency.

Report FCS26015 also aligns with the Priority of Sustainable Economic and Ecological Development, particularly the outcome to reduce the burden on residential taxpayers (1.1). By identifying forecasted variances and highlighting financial pressures or savings, it supports the City's efforts to manage costs and ensure the responsible use of tax dollars.

Previous Reports Submitted

- [FCS25043 – Tax and Rate Operating Budget Variance Report as of May 31, 2025](#)

Consultation

Staff in all City of Hamilton departments, as well as, Boards and Agencies including Hamilton Police Services, Board of Health and Hamilton Public Library, provided the information in Report FCS26015.

Appendices and Schedules Attached

Appendix "A" to Report FCS26015 – City of Hamilton Tax Operating Budget Variance Report (Forecast)

Appendix "B" to Report FCS26015 – City of Hamilton Water (Rate) Operating Budget Variance Report (Forecast)

Appendix "C" to Report FCS26015 – City of Hamilton Capital Projects Budget Appropriations of \$250,000 or Greater and Capital Project Reserve Funding Requiring Council Approval

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Submitted and recommended by:

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