


Hamilton

INFORMATION REPORT

TO: Mayor and Members General Issues Committee	WARD(S) AFFECTED: CITY WIDE
COMMITTEE DATE: March 6, 2012	
SUBJECT/REPORT NO: 2011 Draft Tax and Rate Operating Year End Variance (Unaudited) (FCS12027) (City Wide)	
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SIGNATURE: 	

Council Direction:

During the 2012 Tax Operating Budget deliberations, Council has requested that staff provide an update in respect of the potential 2011 year-end surplus.

Information:

The forecasted total surplus for tax supported services is \$5.6 million (+0.8% of net levy). Also, there is forecasted to be a favourable variance in rate supported services of \$8.9 million. Therefore, the forecasted year end operating surplus for all City services is \$14.5 million.

With respect to tax supported services, the surplus is largely a result of a surplus in Capital Financing (\$3.2 million) and surpluses in operations for Public Works (\$4.7 million), Public Health Services (\$1.3 million) and Corporate Services (\$1.3 million). The favourable variances are partially offset by unrealized special provincial funding (-\$4.0 million), HES (\$0.5 million), and Non Program Revenues (\$0.95 million).

The Public Works surplus can be attributable to higher than expected recycling/transfer station revenues (\$1.9 million), subsidy revenue for recycling program (\$1.5 million) and contractual savings in Waste (\$1.3 million). Gapping due to vacancies and timing of hires is highlighted as a common driver for the positive variances in Public Health

Services and Corporate Services. Additionally, Public Health Services had supplementary subsidies available to apply to areas where none were budgeted.

The \$8.9 million surplus in Rate is a result of savings in employee related costs, materials and supplies, contractual services (\$8.9 million) and capital financing costs (\$8.0 million). This helped to mitigate the \$8.0 million shortfall in revenues as a result of declining consumption across all sectors.

Historical Year End Variance

As indicated below, year-end variance can vary significantly from year to year. The tax supported year end variance has averaged \$5.5 million the last five years (inc. draft 2011). However, this has ranged from a significant surplus in 2010 of \$14.4 million to a deficit in 2007 of -\$2.0 million. On the rate supported side, the range has been from a surplus of \$8.9 million in 2011 (draft) to a deficit of -\$9.2 million in 2010.

Tax & Rate Operating Budget Year-End Variances

	(\$ Millions)				
	2007	2008	2009	2010	2011 Draft
Total Tax Supported	(2.0)	5.8	3.8	14.4	5.6
Total Rate Supported	7.4	1.6	(7.1)*	(9.2)	8.9
Total City	5.4	7.4	(3.3)*	5.2	14.5

* - Financed through the Water/Wastewater reserve

() - denotes unfavourable variance

Historical Year End Staff Gapping Savings

The table below provides a six year history of the net gapping savings realized in the tax supported services (2011 is projected). Over the six years, the City has averaged about \$3.9 million in net gapping savings, slightly less than what has been budgeted. Staff would not recommend adjusting the -\$4.1 million in gapping savings currently in the budget.

**Estimated Net Gapping Savings 2006-2011
Tax Supported City Departments**

\$ Millions

	2006	2007	2008	2009	2010	2011 Projected
Actuals	3.0	2.0	6.1	4.8	2.7	4.5
Budget	3.0	3.0	4.1	4.1	4.1	4.1
Variance	-	(1.0)	2.0	0.7	(1.4)	0.4

() - denotes unfavourable variance

Conclusion

Detailed variance information will be forthcoming to GIC in April. In addition, through this same report, staff will recommend options for the disposition of the 2011 tax and rate support surpluses.

With respect to the tax surplus, there are a number of significant items that staff may recommend to direct part of the 2011 surplus. This includes the ISF funding deficit, currently estimated at \$5.0 million, which represents the Federal and Provincial grant shortfall of \$5.7 million less project under spending. An option to fund this deficit may be through the expected \$4.5 million one-time HUC dividend (2012), plus \$0.5 million from the 2011 tax supported operating surplus.

Staff may also recommend allocating part of the 2011 tax surplus to partly address deficiencies in some of the City's liability accounts (retiree benefits, sick bank, WSIB) and operational reserves (Fleet).

The remainder of the surplus is typically allocated to the Tax Stabilization Reserve or the Tax Capital Reserve. Of note, the 2012 tax operating budget is drawing in excess of \$7.7 million from the Tax Stabilization Reserve to support one-time items. The reserve is currently at about \$13.9 million, with a potential increase of about \$0m - \$2m for year-end 2011. Therefore, the Tax Stabilization Reserve will likely decline by about 50% in 2012.

Attached is a summary of all variances by Department for consideration and will be included in the forthcoming report to Council.

CITY OF HAMILTON
2011 Draft Year-End Variance (Unaudited)
(\$000's)

	2011 Final Budget	2011 Year-End Actuals	Variance	
			\$	%
TAX SUPPORTED				
Planning & Economic Development	16,533	16,212	321	1.9%
Public Health Services	10,314	9,016	1,298	12.6%
Community Services	135,086	134,125	961	0.7%
Hamilton Emergency Services	91,124	91,631	(507)	(0.6)%
Public Works	178,556	173,816	4,740	2.7%
Legislative	3,400	2,620	780	22.9%
City Manager	8,842	8,615	227	2.6%
Corporate Services	18,620	17,359	1,261	6.8%
Corporate Financials	6,627	8,816	(2,189)	(33.0)%
Non Program Revenues	(36,773)	(35,825)	(948)	(2.6)%
TOTAL CITY EXPENDITURES	432,329	426,384	5,945	1.4%
Hamilton Police Services	130,752	130,724	28	0.0%
Boards & Agencies	45,086	44,659	426	0.9%
Community Grants	3,286	3,286	(0)	(0.0)%
TOTAL BOARDS & AGENCIES	179,124	178,670	454	0.3%
CAPITAL FINANCING	84,939	81,701	3,238	3.8%
PROVINCIAL FUNDING / OMPF	(4,000)	-	(4,000)	100.0%
TOTAL TAX SUPPORTED	692,391	686,755	5,637	0.8%
TOTAL RATE SUPPORTED	-	(8,880)	8,880	0.0%
TOTAL CITY	692,391	677,875	14,517	2.1%

(-) - Denotes unfavourable variance