



City of Hamilton
AUDIT, FINANCE AND ADMINISTRATION COMMITTEE
AGENDA

Meeting #: 24-012
Date: June 20, 2024
Time: 9:30 a.m.
Location: Council Chambers
Hamilton City Hall
71 Main Street West

Tamara Bates, Legislative Coordinator (905) 546-2424 ext. 4102

1. **CEREMONIAL ACTIVITIES**
2. **APPROVAL OF AGENDA**
(Added Items, if applicable, will be noted with *)
3. **DECLARATIONS OF INTEREST**
4. **APPROVAL OF MINUTES OF PREVIOUS MEETING**
 - 4.1 June 6, 2024
5. **COMMUNICATIONS**
6. **DELEGATION REQUESTS**
 - 6.1 Bozica Sajatovic, respecting partial payment of taxes without an extension agreement in tax arrears certificate cancellation (for a future meeting)
7. **DELEGATIONS**
8. **STAFF PRESENTATIONS**
9. **CONSENT ITEMS**

- 9.1 Financial Impact of the Losses of Hamilton Renewable Power Inc. on the City of Hamilton (FCS24011) (City Wide) (Outstanding Business List Item)

10. DISCUSSION ITEMS

- 10.1 Request to Single Source Professional Implementation Services for a Point-of-Sale Solution to Replace Legend (Excluding Recreation and Culture) (FCS24037) (City Wide)

11. MOTIONS

12. NOTICES OF MOTION

13. GENERAL INFORMATION / OTHER BUSINESS

- 13.1 Amendments to the Outstanding Business List

13.1.a Items Considered Completed and to be Removed

13.1.a.a Constituent Relationship Software

Added: February 16, 2023

Addressed as Item 10.2, on the June 6, 2024 agenda

13.1.a.b Financial Impact of the Hamilton Renewable Power Inc.'s Losses on the City of Hamilton

Added October 25, 2023 (Council Item 7.9)

Addressed as Item 9.1 on today's agenda

14. PRIVATE AND CONFIDENTIAL

- 14.1 Closed Minutes - June 6, 2024

Pursuant to Section 9.3, Sub-sections (a), (d), (e) and (k) of the City's Procedural By-law 21-021, as amended, and Section 239(2), Sub-sections (a), (d), (e) and (k) of the *Ontario Municipal Act, 2001, as amended*, as the subject matter pertains to the security of the property of the City or a local board; labour relations or employee negotiations; litigation or potential litigation, including matters before administrative tribunals, affecting the City or a local board; and a position, plan, procedure, criteria or instruction to be applied to any negotiations carried on or to be carried on by or on behalf of the City or a local board.

15. ADJOURNMENT



AUDIT, FINANCE AND ADMINISTRATION COMMITTEE MINUTES 24-011

9:30 a.m.
June 6, 2024
Council Chambers
Hamilton City Hall

Present: Councillors T. Hwang (Chair), M. Spadafora, J. Beattie, B. Clark,
C. Kroetsch, M. Tadeson, and A. Wilson

Absent with

Regrets: Councillor M. Wilson – City Business

THE FOLLOWING ITEMS WERE REFERRED TO COUNCIL FOR CONSIDERATION:

1. **Tax and Rate Operating Budgets Variance Report as at December 31, 2023 – Budget Control Policy Transfers (FCS22063(b)) (Item 8.1)**

(i) **(A. Wilson/Kroetsch)**

- (e) That, subject to finalization of the 2023 audited financial statements, the disposition of the 2023 year-end operating budget surplus transfer to the Police Reserve in the amount of \$2,840,220 be approved as detailed in Table 1.

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

Result: Motion CARRIED by a vote of 4 to 3, as follows:

- ABSENT - Ward 1 Councillor Maureen Wilson
- NO - Ward 2 Councillor Cameron Kroetsch
- NO - CHAIR - Ward 4 Councillor Tammy Hwang
- YES - Ward 9 Councillor Brad Clark
- YES - Ward 10 Councillor Jeff Beattie
- YES - Ward 11 Councillor Mark Tadeson
- NO - Ward 13 Councillor Alex Wilson
- YES – Ward 14 Councillor Mike Spadafora

(ii) (A. Wilson/Kroetsch)

- (f) That, subject to finalization of the 2023 audited financial statements, the disposition of the 2023 year-end operating budget surplus, with the exception of the transfer to the Police Reserve in the amount of \$2,840,220, be approved as detailed in Table 1.

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

Result: Motion CARRIED by a vote of 7 to 0, as follows:

- ABSENT - Ward 1 Councillor Maureen Wilson
- YES - Ward 2 Councillor Cameron Kroetsch
- YES - CHAIR - Ward 4 Councillor Tammy Hwang
- YES - Ward 9 Councillor Brad Clark
- YES - Ward 10 Councillor Jeff Beattie
- YES - Ward 11 Councillor Mark Tadeson
- YES - Ward 13 Councillor Alex Wilson
- YES – Ward 14 Councillor Mike Spadafora

(iii) (A. Wilson/Kroetsch)

- (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;

Result: Motion CARRIED by a vote of 7 to 0, as follows:

ABSENT - Ward 1 Councillor Maureen Wilson
YES - Ward 2 Councillor Cameron Kroetsch
YES - CHAIR - Ward 4 Councillor Tammy Hwang
YES - Ward 9 Councillor Brad Clark
YES - Ward 10 Councillor Jeff Beattie
YES - Ward 11 Councillor Mark Tadeson
YES - Ward 13 Councillor Alex Wilson
YES – Ward 14 Councillor Mike Spadafora

2. Treasurer’s Investment Report 2023 Fiscal Year by Aon (FCS24030) (City Wide) (Item 10.1)

(A. Wilson/Kroetsch)

- (a) That Report FCS24030, respecting Treasurer’s Investment Report 2023 Fiscal Year by Aon, be received; and
- (b) That Report FCS24030, respecting Treasurer’s Investment Report 2023 Fiscal Year by Aon, be forwarded to the Hamilton Future Fund Board of Governors for information.

Result: Motion CARRIED by a vote of 7 to 0, as follows:

ABSENT - Ward 1 Councillor Maureen Wilson
YES - Ward 2 Councillor Cameron Kroetsch
YES - CHAIR - Ward 4 Councillor Tammy Hwang
YES - Ward 9 Councillor Brad Clark
YES - Ward 10 Councillor Jeff Beattie
YES - Ward 11 Councillor Mark Tadeson
YES - Ward 13 Councillor Alex Wilson
YES - Ward 14 Councillor Mike Spadafora

**3. Constituent Relationship Management Solution (FCS24036) (City Wide)
(Outstanding Business List Item) (Item 10.2)**

(Clark/Spadafora)

- (a) That, pursuant to Procurement Policy #11 – Non-competitive Procurements, Council approve a single-source procurement for CivicTrack software, a Constituent Relationship Management Solution, as a one-year pilot to support the requirements of Council and their Staff, and that the Director of Information Technology, or designate, be authorized to negotiate and execute an agreement and any ancillary documents required with Momentum BPO Inc., in a form satisfactory to the City Solicitor;
- (b) That the Director of Information Technology, or designate, be authorized to amend any contracts executed and ancillary documents as required if a supplier(s) identified in this report undergoes a name change;
- (c) That staff conduct a review with Council and Council Staff on the effectiveness of the solution before the end of the one-year pilot, and if the solution is deemed to meet the needs of Council and Council staff, that the Director of Information Technology, or designate, be authorized to negotiate a contract extension as identified in Recommendation (a) via Procurement Policy #11;
- (d) That, should the pilot solution prove unsuitable before the end of the one-year pilot, staff bring a follow-up recommendation report to Council;
- (e) That the City of Hamilton, Information Technology Division, be responsible for administering the contract and ensuring the solution meets all Corporate Security and Privacy requirements, and that if Council and Council members opt to use this solution, the pro-rated costs be charged back to the respective Council Office expenses;
- (f) That, as part of an enhanced support model, Council approve a temporary Full-Time Equivalent (FTE) position to be funded from existing IT Operating Budget 350035 to provide enhanced support to the Office of the Mayor, Council, Council Staff, City Manager's Office and City Hall Staff. The support will include facilitating the adoption and initial maintenance of technology tools, including the support of the Customer Relationship Management Solution;
- (g) That, after a nine-month trial period, staff assess the value for money and service experience enhancements, and if appropriate, bring forward a business case for consideration as part of the 2025 Budget, and;
- (h) That the Outstanding Business List item respecting Constituent Management Software, added February 16, 2023, be removed.

Result: Motion CARRIED by a vote of 7 to 0, as follows:

ABSENT - Ward 1 Councillor Maureen Wilson
YES - Ward 2 Councillor Cameron Kroetsch
YES - CHAIR - Ward 4 Councillor Tammy Hwang
YES - Ward 9 Councillor Brad Clark
YES - Ward 10 Councillor Jeff Beattie
YES - Ward 11 Councillor Mark Tadeson
YES - Ward 13 Councillor Alex Wilson
YES - Ward 14 Councillor Mike Spadafora

**4. Auditor General Reporting of Serious Matters to Council (Case #74254)
(AUD24004) (City Wide) (Item 14.1)**

(Spadafora/Kroetsch)

- (a) That Report AUD24004, respecting Auditor General Reporting of Serious Matters to Council (Case #74254), be received; and
- (a) That Report AUD24004, respecting Auditor General Reporting of Serious Matters to Council (Case #74254) remain confidential.

Result: Motion CARRIED by a vote of 6 to 0, as follows:

ABSENT - Ward 1 Councillor Maureen Wilson
YES - Ward 2 Councillor Cameron Kroetsch
YES - CHAIR - Ward 4 Councillor Tammy Hwang
YES - Ward 9 Councillor Brad Clark
YES - Ward 10 Councillor Jeff Beattie
YES - Ward 11 Councillor Mark Tadeson
ABSENT - Ward 13 Councillor Alex Wilson
YES – Ward 14 Councillor Mike Spadafora

**5. Commercial Relationship Between the City of Hamilton and Walgo
Environmental Controls Inc. (PW24027/FCS24001) (City Wide) (Item 14.2)**

(Spadafora/Tadeson)

- (a) That the direction provided to staff in Closed Session, respecting Report PW24027/FCS24001, Commercial Relationship Between the City of Hamilton and Walgo Environmental Controls Inc. be approved;
- (b) That Closed Session recommendations (a), (b) and (c) be released publicly following approval by Council; and
- (c) That Report PW24027/FCS24001, respecting Commercial Relationship Between the City of Hamilton and Walgo Environmental Controls Inc. and its Appendix “A” remain confidential.

Result: Motion CARRIED by a vote of 6 to 0, as follows:

ABSENT - Ward 1 Councillor Maureen Wilson
YES - Ward 2 Councillor Cameron Kroetsch
YES - CHAIR - Ward 4 Councillor Tammy Hwang
YES - Ward 9 Councillor Brad Clark
YES - Ward 10 Councillor Jeff Beattie
YES - Ward 11 Councillor Mark Tadeson
ABSENT - Ward 13 Councillor Alex Wilson
YES – Ward 14 Councillor Mike Spadafora

FOR INFORMATION:

(a) CHANGES TO THE AGENDA (Item 2)

The Committee Clerk advised of the following changes to the agenda:

8. STAFF PRESENTATIONS

8.1(a) Tax and Rate Operating Budgets Variance Report as at December 31, 2023 – Budget Control Policy Transfers (FCS22063(b)) - PRESENTATION

(Spadafora/A. Wilson)

That the agenda for the June 6, 2024 Audit, Finance and Administration Committee meeting, be approved, as amended.

Result: Motion CARRIED by a vote of 6 to 0, as follows:

ABSENT - Ward 1 Councillor Maureen Wilson
YES - Ward 2 Councillor Cameron Kroetsch
YES - CHAIR - Ward 4 Councillor Tammy Hwang
YES - Ward 9 Councillor Brad Clark
ABSENT - Ward 10 Councillor Jeff Beattie
YES - Ward 11 Councillor Mark Tadeson
YES - Ward 13 Councillor Alex Wilson
YES - Ward 14 Councillor Mike Spadafora

(b) DECLARATIONS OF INTEREST (Item 3)

There were no declarations of interest.

(c) APPROVAL OF MINUTES OF PREVIOUS MEETING (Item 4)

(i) Approval of Minute of Previous Meetings (Item 4.1)

(Clark/Kroetsch)

That the Minutes of May 16, 2024, be approved, as presented.

Result: Motion CARRIED by a vote of 6 to 0, as follows:

ABSENT - Ward 1 Councillor Maureen Wilson
YES - Ward 2 Councillor Cameron Kroetsch
YES - CHAIR - Ward 4 Councillor Tammy Hwang
YES - Ward 9 Councillor Brad Clark
ABSENT - Ward 10 Councillor Jeff Beattie
YES - Ward 11 Councillor Mark Tadeson
YES - Ward 13 Councillor Alex Wilson
YES - Ward 14 Councillor Mike Spadafora

(d) STAFF PRESENTATIONS (Item 8)

(i) Tax and Rate Operating Budgets Variance Report as at December 31, 2023 – Budget Control Policy Transfers (FCS22063(b)) (Added Item 8.1(a))

(1) Mike Zegarac, General Manager, Corporate Services, addressed Committee respecting Tax and Rate Operating Budgets Variance Report as at December 31, 2023 – Budget Control Policy Transfers, with the aid of a presentation.

(A. Wilson/Kroetsch)

That the presentation from Mike Zegarac, General Manager, Corporate Services, respecting Tax and Rate Operating Budgets Variance Report as at December 31, 2023 – Budget Control Policy Transfers, be received.

Result: Motion CARRIED by a vote of 7 to 0, as follows:

ABSENT - Ward 1 Councillor Maureen Wilson
YES - Ward 2 Councillor Cameron Kroetsch
YES - CHAIR - Ward 4 Councillor Tammy Hwang
YES - Ward 9 Councillor Brad Clark
YES - Ward 10 Councillor Jeff Beattie
YES - Ward 11 Councillor Mark Tadeson
YES - Ward 13 Councillor Alex Wilson
YES - Ward 14 Councillor Mike Spadafora

(2) (A. Wilson/Kroetsch)

(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:

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

- (3) Upon Committee’s request, the transfer of the 2023 year-end operating budget surplus to the Police Reserve in Table 1 of sub-section (e) of Report FCS22063(b) was voted on separately.

For further disposition of this matter, refer to Item 1(i).

- (4) Upon the result of the vote on the transfer of the 2023 year-end operating budget surplus to the Police Reserve in Table 1 of sub-section (e) of Report FCS22063(b), the balance of Table 1, added as sub-section (f) of Report FCS22063(b), was voted on separately.

For further disposition of this matter, refer to Item 1(ii).

- (5) Upon the result of the vote on sub-section (f) of Report FCS22063(b) (balance of Table 1), the balance of the of Report FCS22063(b) was voted on.

For further disposition of this matter, refer to Item 1(iii).

(e) **PRIVATE AND CONFIDENTIAL (Item 14)**

(Spadafora/A. Wilson)

That the Audit, Finance and Administration Committee move into Closed Session respecting Items 14.1 and 14.2, pursuant to Section 9.3, Sub-sections (a), (d), (e) and (k) of the City's Procedural By-law 21-021, as amended, and Section 239(2), Sub-sections (a), (d), (e) and (k) of the *Ontario Municipal Act, 2001, as amended*, as the subject matter pertains to the security of the property of the City or a local board; labour relations or employee negotiations; litigation or potential litigation, including matters before administrative tribunals, affecting the City or a local board; and a position, plan, procedure, criteria or instruction to be applied to any negotiations carried on or to be carried on by or on behalf of the City or a local board.

Result: Motion CARRIED by a vote of 7 to 0, as follows:

ABSENT - Ward 1 Councillor Maureen Wilson
YES - Ward 2 Councillor Cameron Kroetsch
YES - CHAIR - Ward 4 Councillor Tammy Hwang
YES - Ward 9 Councillor Brad Clark
YES - Ward 10 Councillor Jeff Beattie
YES - Ward 11 Councillor Mark Tadeson
YES - Ward 13 Councillor Alex Wilson
YES - Ward 14 Councillor Mike Spadafora

(i) **Auditor General Reporting of Serious Matters to Council (Case #74254) (AUD24004) (City Wide) (Item 14.1)**

For further disposition of this matter, refer to Item 4.

(ii) **Commercial Relationship Between the City of Hamilton and Walgo Environmental Controls Inc. (PW24027/FCS24001) (City Wide) (Item 14.2)**

For further disposition of this matter, refer to Item 5.

(f) **ADJOURNMENT (Item 15)**

(Spadafora/Tadeson)

That, there being no further business, the Audit, Finance and Administration Committee, be adjourned at 11:56 a.m.

Result: Motion CARRIED by a vote of 6 to 0, as follows:

ABSENT - Ward 1 Councillor Maureen Wilson
YES - Ward 2 Councillor Cameron Kroetsch
YES - CHAIR - Ward 4 Councillor Tammy Hwang
YES - Ward 9 Councillor Brad Clark
YES - Ward 10 Councillor Jeff Beattie
YES - Ward 11 Councillor Mark Tadeson

YES - Ward 13 Councillor Alex Wilson
YES - Ward 14 Councillor Mike Spadafora

Respectfully submitted,

Councillor Tammy Hwang, Chair
Audit, Finance and Administration
Committee

Tamara Bates
Legislative Coordinator
Office of the City Clerk

Bates, Tamara

Subject: FW: Webform submission from: Request to Speak to a Committee of Council

Submitted on Sun, 06/09/2024 - 10:50

Submitted by: Anonymous

Submitted values are:

Committee Requested

Committee

Taxes I am not sure which committee this is

Will you be delegating in-person or virtually?

In-person

Will you be delegating via a pre-recorded video?

No

Requestor Information

Requestor Information

Bozica Sajatovic

mississauga, Ontario.

Preferred Pronoun

she/her

Reason(s) for delegation request

I would like to discuss why the City of Hamilton is the only city in Ontario that allows partial payment of taxes without an extension agreement in tax arrear certificate cancellation. The city of Hamilton is not helping people since they are not providing equitable treatment as is the case of Barrs vs Queen. In Barrs vs the Queen everyone should have equitable treatment when it comes to interest and penalties in regards to taxes.

Hamilton is the only city in Ontario to my knowledge that does not follow the Municipal Act of 2001. According to the Municipal Act 2001 Municipalities cannot accept a partial payment unless an Extension Agreement is entered into and passed as a bylaw. Subection 347(3) of the Municipal Act , 2001 states: "No part payment shall be accepted on account of taxes in respect of which a tax arrears certificate is registered under this Act except under an extension an extension agreement entered into under section 378."

Also please note that an extension agreement may only be entered agreement may only be entered into within one year of the date that a tax arrears certificate was registered (subsection 378(1)).

My concern is that due to the City of Hamilton allowing partial payment of taxes to cancel a tax arrear certificate without an extension agreement can lead to multiple legal disputes. Due to a partial payment of taxes for tax arrear

cancellation without an extension agreement has resulted in people paying for other peoples taxes and them not having a automatic lien on the property due to a full payment for the cancellation price of the taxes not being made and no extension agreement allows people to sue for their partial payment made without extension agreement after the tax arrear certificate is cancelled and registered with Land Titles.

The issue is the not following of the tax arrear certificate cancellation rules in regards to the Municipal Act causes multiple court houses in Ontario such as Hamilton and Toronto being burdened by the costs of the court fees, and judges fees having to deal with cases where people are sued because someone paid partial payment of taxes on a property without an extension agreement to cancel the tax arrear certificate .

There should be equality in Ontario and Hamilton needs to follow the rules that the other municipalities follow in regards to the cancellation of tax arrear certificates. Till that time, there will be lawsuits taken to courts in Ontario due to a partial payment of taxes without extension agreement due cancel the tax arrear certificate. There has been lawsuits that have resulted due to the City not following the municipal act 2001 in regards to the cancellation of tax arrear certificates and this needs to stop.

Taxpayers pay for the courts and judges fees and this could cost the government over \$100000 in judges salary to pay for lawsuit when the City of Hamilton does not follow the rules all other municipalities follow in regards to the cancellation of Tax arrear certificates.

This needs to be finally be dealt with the city of hamilton councillors and the city of Hamilton needs to be follow the same rules as other municipalities.

Will you be requesting funds from the City?


No

Will you be submitting a formal presentation?

Yes



INFORMATION REPORT

TO:	Chair and Members Audit, Finance and Administration Committee
COMMITTEE DATE:	June 20, 2024
SUBJECT/REPORT NO:	Financial Impact of the Losses of Hamilton Renewable Power Inc. on the City of Hamilton (FCS24011) (City Wide) (Outstanding Business List Item)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Collins Kyere (905) 546-2424 Ext. 5745
SUBMITTED BY:	Kirk Weaver Acting Director, Financial Planning, Administration and Policy Corporate Services Department
SIGNATURE:	

COUNCIL DIRECTION

City Council, at its meeting of October 25, 2023, approved the following Motion:

“That City staff be directed to investigate the financial impact of the City of Hamilton should Hamilton Renewable Power Inc.’s losses continue, which would result in a wind up of the corporation and report back to the Audit, Finance and Administration Committee in Q1 2024.”

INFORMATION

Hamilton Renewable Power Inc, at its Shareholders Annual General Meeting (AGM) on October 23, 2023, approved the above motion of City Council. Hamilton Renewable Power Inc. reported losses in the years 2020, 2021, 2022 and realized a net loss in the year 2023.

The purpose of Report FCS24011 is to provide the Audit, Finance and Administration Committee members with information regarding the financial impact to the City of Hamilton should the losses of Hamilton Renewable Power Inc. continue. Staff reviewed Hamilton Renewable Power Inc. financial information, reports, policies and procedures, and agreements in the preparation of Report FCS24011.

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.

SUBJECT: Financial Impact of the Losses of Hamilton Renewable Power Inc. on the City of Hamilton (FCS24011) (City Wide) – Page 2 of 7

Background

The City of Hamilton wholly owns Hamilton Renewable Power Inc. The corporation owns and operates two renewable power generation facilities located on City-owned lands. Woodward Plant is a 1.6-Megawatt cogeneration facility and fuelled by methane gas provided by the City's Wastewater Treatment Facility. The Glanbrook Plant comprises two separate 1.6 Megawatt generators fuelled by methane gas provided by a methane gas collection system at the Glanbrook Landfill site. Electricity produced by both plants are sold to the Independent Electricity System Operator (IESO) through a contract with the Ontario Power Authority. Thermal energy produced at the Woodward Plant is used by the City's Wastewater Treatment Facility processes and for space heating.

Hamilton Renewable Power Inc. started reporting profits consecutively from 2009 up to 2019 and paid out dividends to shareholders based on their dividend policy. The first net loss was reported in 2020 after which the next four years also reported net losses: 2020 (\$66 K); 2021 (\$256 K); 2022 (\$475 K); 2023 (\$456 K). Table 1 provides a summary of the 2023 financial results relative to budget.

As of December 31, 2023, the City has realized a net financial benefit from Hamilton Renewable Power Inc. since it was established in 2005 in the amount of \$22.3 M. The financial benefits include, dividends paid to shareholders (City of Hamilton) and the net profit earned by Hamilton Renewable Power Inc. As outlined in Table 2 to Report FCS24011 the total dividend revenues paid to the City of Hamilton to date is about \$3.9 M. For the past four fiscal years, Hamilton Renewable Power Inc. has experienced losses. Some of the basis for these losses are due to less methane supply and an aging generator that has resulted in higher costs for repairs and maintenance over the past few years. In 2023 Repairs and Maintenance was 55% of the total expenses for the year (\$1.1 M out of \$2.0 M)

Table 1
2023 Income Statement

Income Statement			
Year Ended December 31, 2023			
	Budget	Actual	Variance
Revenue	2,132,430	1,870,108	(262,322)
Cost of Goods Sold	561,120	473,680	(87,440)
Gross Profit	1,571,310	1,396,428	(174,882)
Expenses	2,069,190	1,978,714	(90,476)
Tax	(131,940)	(126,703)	5,237
Net Loss	(365,940)	(455,583)	(89,643)

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.

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SUBJECT: Financial Impact of the Losses of Hamilton Renewable Power Inc. on the City of Hamilton (FCS24011) (City Wide) – Page 3 of 7

**Table 2
Net City Benefits Over Years**

Net City Benefit Over Years				
Year	Net Income (loss)	Methane & Salary Recovery		City Net Benefit
		a	b	
2006	(218,363)	11,257	-	11,257
2007	184,301	591,719	-	591,719
2008	(28,544)	447,373	-	447,373
2009	834,850	2,000,345	-	2,000,345
2010	816,973	955,415	1,257,963	2,213,378
2011	635,185	1,296,823	736,920	2,033,743
2012	399,710	1,081,570	626,642	1,708,212
2013	306,585	1,380,015	306,122	1,686,137
2014	279,202	1,337,851	295,816	1,633,667
2015	75,935	1,268,095	249,150	1,517,245
2016	76,892	1,240,498	60,748	1,301,246
2017	128,821	1,148,794	61,514	1,210,308
2018	133,711	1,028,805	103,057	1,131,862
2019	177,646	1,062,496	106,970	1,169,466
2020	(66,331)	1,068,799	142,117	1,210,916
2021	(264,527)	963,239	-	963,239
2022	(474,989)	734,038	-	734,038
2023	(455,583)	735,441	-	735,441
Total	2,541,474	18,352,573	3,947,019	22,299,592

Review Of Strategic Options

In 2017 KPMG was retained by Hamilton Renewable Power Inc. to assist their management and staff with the high-level objective and facts-based analysis of strategic options available to the corporation. Below are the four strategic options that were evaluated:

Option 1: Retain Status Quo

Option 2: Transfer the assets and operations of Hamilton Renewable Power Inc. to the City's Public Works Department

Option 3: Sale of Hamilton Renewable Power Inc. to an arm's length private sector company

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Option 4: Transfer shares of Hamilton Renewable Power Inc. to Hamilton Utilities Corporation

KPMG recommended, in their report dated June 2018, that Option 1: Retain Status Quo was a viable option as the City would continue to receive financial benefits (estimated at \$20.55 M at the midpoint) from continued ownership of Hamilton Renewable Power Inc. with moderate levels of cash receipts over time. The assumption made by KPMG has played out as expected over time. Since 2019 cash receipts have declined moderately while expenses have increased resulting in net losses over the past four years.

Financial Impacts to the City's investments in Hamilton Renewable Power Inc. – Shareholders' Equity

The City of Hamilton, as sole shareholder of the Hamilton Renewable Power Inc., invested \$6 M into the corporation in 2005. Owners' equity in the corporation increased over the years when the corporation was doing well but started declining as the corporation incurred losses. Hamilton Renewable Power Inc.'s 2023 Financial Statements reflected a balance of \$4.4 M in owner's equity. Accumulated losses over the years have been applied to the owners' equity. If the losses continue, the owners' equity will continue to decline. If a decision to wind up the corporation is made, the net value to shareholders would be determined at that time.

Liquidity risk

Every year, auditors assess Hamilton Renewable Power Inc, liquidity risk to ensure that the entity will be able to meet its financial obligations as they become due. Hamilton Renewable Power Inc. manages liquidity risk by ensuring that it has sufficient cash available to meet its obligations. These requirements are met through cash flows from operations. Hamilton Renewable Power Inc. Management believes that the Entity's exposure to liquidity risk and management of this risk has not changed from the previous year.

On December 31, 2023, Hamilton Renewable Power Inc. current liabilities consisted of accounts payable and accrued liabilities and amounts due to a related party. Hamilton Renewable Power Inc. cash and cash equivalents together with projected cash flows over the next 12 months is sufficient to pay these current liabilities.

Financial Benefits to the City of Hamilton

Over the years, Hamilton Renewable Power Inc. has provided both direct financial benefits in the form of dividends and indirect financial benefits through buying methane from the City and paying for services offered by City staff to manage their operations.

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Sale of methane to Hamilton Renewable Power Inc. increases the revenue for Waste Management and Hamilton Water Divisions which reduces the burden on the City of Hamilton. The actual revenue was \$474 K out of \$561 K budget based on 2023 methane supply to help offset some expenses in the City budget. In the absence of Hamilton Renewable Power Inc., the City would face a budget pressure to offset this revenue loss in the budget.

Methane sale to Hamilton Renewable Power Inc. is a revenue generating opportunity that the City started receiving when Hamilton Renewable Power Inc. was established in 2005. Prior to the existence of Hamilton Renewable Power Inc., methane did not generate any revenue for the City. Currently, the City has not assessed selling methane to another renewable energy corporation to fill the gaps should Hamilton Renewable Power Inc dissolve. Research and feasibility study should be conducted by the City of Hamilton to determine if there is a potential methane buyer in the region to replace Hamilton Renewable Power Inc. before a decision to wind up is made.

Based on estimates / assumptions for the first three years after Hamilton Renewable Power Inc. is wound up, the City will not receive any revenue from the sale of methane. If methane is not sold, it needs to be flared. The cost of acquisition and installation of a new flare to burn the methane will cost the City is estimated at \$1.0 M plus the cost of operating the flare likely by a third-party contractor.

The City of Hamilton also receives staff salary recovery from Hamilton Renewable Power Inc. for the various roles that City staff play in managing Hamilton Renewable Power Inc. Departments, including Public Works (Hamilton Water) and Corporate Services, receive a portion of this revenue to offset their budget. The total annual revenue from staff recoveries for the past two years is approximately \$238 K. City employees that provide services to Hamilton Renewable Power Inc. are budgeted full-time employees. If Hamilton Renewable Power Inc. winds up, there will be revenue loss relating to the salary recovery.

Assumptions / Estimates

Table 3 to Report FCS24011 summarizes the estimated costs over three years should a decision be made to wind up the Corporation. Assumptions related to these estimates are listed below:

- Dividend Revenue – There will be no dividend loss after winding up as the company did not make any profit in the past four years. Shareholders are not expected to receive dividends in the short term.
- Staff Recovery Revenue – Staff salary recovery is estimated at \$238 K based on actual revenue for the past two years.
- Methane Sales Revenue - Is estimated at \$473 K in years 1, 2 and 3 due to lower methane supply at the Glanbrook landfill.

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- Methane Flare / Flaring – Estimate of \$1 M includes acquisition, installation, operations and operational maintenance of flare by third-party contractor.
- Average Cost Per Year to the City over three Years \$1.1 M

**Table 3
Estimated Financial Impact to the City of Hamilton After Dissolution**

Description	Year 1	Year 2	Year 3	Year 1 - Year 3 Total
Revenues	\$0	\$0		\$0
Dividend Revenue Received	\$0	\$0	\$0	\$0
Staff Recovery Revenue	\$238	\$238	\$238	\$714
Methane Sales Revenue	\$473	\$473	\$473	\$1,419
Methane Flare / Flaring	\$1,100	\$100	\$100	\$1,300
Estimated Total Cost by Year	\$1,811	\$811	\$811	\$3,433
Average Cost Per Year				\$1,144

Hamilton Renewable Power Inc. has active contracts with Toromont Cat, a division of Toromont Industries Limited, to operate and maintain generators at Glanbrook and Woodward facilities until December 17, 2025, and December 31, 2027, respectively. Winding up Hamilton Renewable Power Inc. means these contracts must terminate. The termination clauses do not have specific penalty stipulations included in the operational and maintenance agreement so this may need further investigation for termination costing.

Land restoration cost is another unforeseen future cost, if any, that cannot be quantified, at this time, if Hamilton Renewable Power Inc. is to wind up. Environmental obligations to restore land or if the land will be handed back to the City at the current state is currently unknown.

Corporate Social Responsibility / Environmental Pollution / Vision 2050

Hamilton Renewable Power Inc. was created with the City of Hamilton's desire to construct, operate, and maintain a cogeneration facility, a source of a renewable energy. When methane is not used for generating power, it needs to be flared. This has an environmental impact and affects the City's Vision 2050 regarding climate change.

Methane production was at its lowest level in 2023 in the amount of 147,700 one million British thermal units (MMBtu). If the Glanbrook landfill continues to produce methane and is flared every year, the environmental result will be approximately 10,593 (tCO₂e) tons of carbon dioxide equivalent. This is equivalent to 2,357 gasoline powered passenger vehicles being driven for one year. This is calculated by using The Greenhouse Gas Equivalencies Calculator which can be found at <https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator>.

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SUBJECT: Financial Impact of the Losses of Hamilton Renewable Power Inc. on the City of Hamilton (FCS24011) (City Wide) – Page 7 of 7

Summary

Hamilton Renewable Power Inc. is a 19-year-old corporation established by the City of Hamilton as the shareholders. Over the years, the corporation has generated electricity and sold to the Independent Electricity System Operator (IESO) with the aim of making profits. Over the past three years, the company has been unable to generate profits for the owners. The City of Hamilton continues to receive indirect financial benefit through staff salary recoveries and methane sale to Hamilton Renewable Power Inc. If the losses continue which may lead to the corporation winding up, below are the costs to the City of Hamilton:

- Year 1 – (\$1.8 M)
- Year 2 – (\$811 K)
- Year 3 – (\$811 K)
- At the end of year three, the total estimated financial cost to the City of Hamilton is estimated \$3.4 M.
- The total environmental impact to the City is approximately 10,593 (tCo2e) tons of carbon dioxide emissions equivalent. This is equivalent to 2,357 gasoline powered passenger vehicles being driven for one year.


APPENDICES AND SCHEDULES ATTACHED

None

CK/dt



CITY OF HAMILTON
CORPORATE SERVICES DEPARTMENT
 Customer Service, POA and Financial Integration Division

TO:	Chair and Members Audit, Finance and Administration Committee
COMMITTEE DATE:	June 20, 2024
SUBJECT/REPORT NO:	Request to Single Source Professional Implementation Services for a Point-of-Sale Solution to Replace Legend (Excluding Recreation and Culture) (FCS24037) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Cindy Mercanti (905) 546-2424 Ext. 2654 Sheila DuVerney (905) 546-2424 Ext. 7659
SUBMITTED BY:	Mike Zegarac General Manager, Finance and Corporate Services Corporate Services Department
SIGNATURE:	

RECOMMENDATION(S)

- (a) That pursuant to Procurement Policy #11 – Non-competitive Procurements, Council approves the single source procurement of professional implementation services for a Microsoft Point of Sale solution and that the General Manager, Corporate Services, or their designate, be authorized to negotiate, enter into and execute a contract and any ancillary documents required to give effect thereto with Visionet Systems Inc., in a form satisfactory to the City Solicitor;
- (b) That the General Manager, Corporate Services, or their designate, be authorized to amend any Contract executed and any ancillary documents as required if the vendor identified in Report FCS24037 undergoes a name change, in a form satisfactory to the City Solicitor; and
- (c) The negotiated contract cost be publicly reported in the applicable quarterly status report for Emergency and Non-competitive Procurements.

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SUBJECT: Request to Single Source Professional Implementation Services for a Point of Sale Solution to Replace Legend (Excluding Recreation and Culture) (FCS24037) (City Wide) – Page 2 of 4

EXECUTIVE SUMMARY

A point of sale (POS) is where a customer executes the payment for goods or services. The City of Hamilton (City) uses a few solutions to capture payment information, including the end-of-life Legend POS software. In 2023, the Information Technology Division organized an extensive engagement to collect requirements from stakeholders to conduct a gap / fit analysis and make recommendations for replacing the City's Legend POS software. Based on those recommendations, the 2024 budget process included the capital to replace Legend POS (excluding Recreation and Culture), which was approved.

Council approved Microsoft as the platform of technologies pursuant to Procurement Policy #14 per Report FCS23093 / CM23019.

Due to the cybersecurity incident, a Procurement Policy #11 was approved in March 2024 and provided staff with the authority to interview and evaluate two Microsoft recommended technical partners. The outcome of the interview and evaluation process was to select a technical partner that would provide professional services to design, build, test and launch a point-of-sale solution based on Microsoft.

The purpose of Report FCS24037 is to seek Council's approval to negotiate a contract for professional implementation services with Visionet Systems Inc. (Visionet) to design, build, test and launch a point-of-sale solution based on Microsoft.

Alternatives for Consideration – See Page 4

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: The estimated cost of the professional implementation services is \$400,000, which is funded by Capital Project 3452457002. Integration with the enterprise financial system is not included in the funding, however, will need to be addressed later.

Staffing: Major stakeholders across City departments support the transition.

Legal: The statement of work for Visionet will be reviewed and approved by the City Solicitor.

SUBJECT: Request to Single Source Professional Implementation Services for a Point of Sale Solution to Replace Legend (Excluding Recreation and Culture) (FCS24037) (City Wide) – Page 3 of 4

HISTORICAL BACKGROUND

A POS is where a customer executes the payment for goods or services. The City uses a few solutions to capture payment information, including the end-of-life Legend POS software. The Legend vendor provided notice for the end of support for Canada as of December 31, 2023 and a freeze on Canadian development effective January 2, 2024. The Legend vendor has also advised the City that elements of the existing Legend POS software will reach the end-of-life by the end of Q1 2025. Based on this notification and to maintain stability, security and support, the City sought a replacement.

In 2023, the Information Technology Division organized an extensive engagement to collect stakeholder requirements, to conduct a gap / fit analysis and recommend a replacement. Based on those recommendations, the 2024 budget process included the capital to replace Legend POS (excluding Recreation and Culture), which was approved.

Council approved Microsoft as the platform of technologies under Procurement Policy #14 per Report FCS23093 / CM23019.

Given that the Legend vendor has advised the City that elements of the existing software will reach the end-of-life by the end of Q1 2025, a Policy #11 was approved and executed in March 2024, providing for the interview and evaluation of two Microsoft recommended technical partners. The outcome of the interview and evaluation process was to select a technical partner that would provide professional services to design, build, test and launch a point-of-sale solution.

Staff requests approval to negotiate a contract with Visionet to deliver a solution that meets the City's requirements and timelines.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

Report FCS24037 is in accordance with the City of Hamilton's Procurement Policy and associated By-Law 20-205 as amended, whereby Procurement Policy #11 – Non-Competitive Procurements, Section 4.55, requires Council to approve any single-source request \$250,000 or greater.

RELEVANT CONSULTATION

City staff collected business requirements from 13 business units currently using Legend POS, excluding Recreation and Culture, and provided completed business requirements to five non-Legend POS business units to review and consider their POS requirements.

SUBJECT: Request to Single Source Professional Implementation Services for a Point of Sale Solution to Replace Legend (Excluding Recreation and Culture) (FCS24037) (City Wide) – Page 4 of 4

The 13 City businesses currently using the Legend POS software that participated in the requirements gathering process were Animal Services, Building, Planning, Committee of Adjustment, Engineering Services, Growth Management, Hamilton Water, Licensing, Municipal Service Centres, Parking Authority, Farmers Market, Transit and Hamilton Police Services.

The five non-Legend POS businesses included Healthy and Safe Communities, Parks and Cemeteries, Waste Operations, Provincial Offences Administration and Sports and Entertainment. City staff also consulted with current legacy system vendors and the Information Technology, Digital Innovation and Procurement Divisions.

ANALYSIS AND RATIONALE FOR RECOMMENDATION(S)

As part of the POS Discovery Project in 2023, business requirements gathered from various business users were used to complete a fit / gap analysis to find the most compatible POS solution to replace the existing Legend POS software. This fit / gap analysis focused on evaluating how well each solution aligns with the functional requirements that are critical to the business.

The two potential vendors are recognized Microsoft technical partners, linked to Microsoft by providing Microsoft related products and services that will enable the City to maximize its investment and resources. In accordance with Policy #11 and based on a process commonly used for service-based evaluations, staff selected a preferred vendor.

ALTERNATIVES FOR CONSIDERATION

Council may direct staff to procure professional implementation services utilizing a standard competitive process. A standard competitive process takes approximately six to nine months to award before services can begin, which may jeopardize the ability to meet a transition date of Q1 2025.

APPENDICES AND SCHEDULES ATTACHED

None