



City of Hamilton
AUDIT, FINANCE AND ADMINISTRATION COMMITTEE
AGENDA

Meeting #: 25-006
Date: May 1, 2025
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. **CALL TO ORDER**
2. **CEREMONIAL ACTIVITIES**
3. **APPROVAL OF AGENDA**
(Added Items, if applicable, will be noted with *)
4. **DECLARATIONS OF INTEREST**
5. **APPROVAL OF MINUTES OF PREVIOUS MEETING**
 - 5.1 April 10, 2025
 - 5.2 April 15, 2025 (Special - Development Charges Hearing)
 - 5.3 April 23, 2025 (Special - Development Charges Hearing)
6. **DELEGATIONS**
 - 6.1 Mike Collins-Williams, West End Home Builders' Association, respecting Enhancing Support for Growth in the City of Hamilton: Review of Growth Funding Tools and Developer Incentives (Item 8.3)
 - 6.2 Pam Witt, Stoney Creek Seniors Outreach Services, respecting funding for snowblowers (Item 9.2)

Members of the public can contact the Clerk's Office to acquire the documents considered at this meeting, in an alternative format.

7. ITEMS FOR INFORMATION

7.1 AUD25004

Accounts Payable Special Investigation: CityHousing Hamilton Investigation Summary (Fraud and Waste Report #73367)

This Item includes a presentation.

7.2 FCS25014

Treasurer's Investment Report 2024 Fiscal Year by Aon (FCS25014)

7.3 FCS25017

Reserve / Revenue Fund Investment Performance Report as of December 31, 2024

7.4 FCS25018

Hamilton Future Fund Investment Performance Report as of December 31, 2024

7.5 FCS25019

Cemetery Trust Accounts Investment Performance Report as of December 31, 2024

8. ITEMS FOR CONSIDERATION

8.1 FCS25006

2025 Budget Adjustments

8.2 AUD25003

Transfer Payments and Grants Audit

This Item includes a presentation.

8.3 FCS25026

Review of Development Charges and Developer Incentives - *To be distributed*

This Item includes a presentation.

8.4 Amendments to the Outstanding Business List

8.4.a Items Considered Completed and to be Removed

8.4.a.a Enhancing Support for Growth in the City of Hamilton: Review of Growth Funding Tools and Developer Incentives

Added April 16, 2025

Addressed as Item 8.3 on today's agenda.

9. MOTIONS

- 9.1 One Year Pilot Funding for Financially Assisted Social Prescribing Project in Ward 4
- 9.2 Supporting Archeological Costs for the Third Wetland on the Punch Bowl Lands (SC-5) through GFL Royalties
- 9.3 Festitalia Transportation
- 9.4 Support for Equipment Replacement, Seniors Outreach Services (SOS) Stoney Creek

10. NOTICES OF MOTION

11. PRIVATE AND CONFIDENTIAL

- 11.1 Closed Session Minutes - April 10, 2025

Pursuant to Section 9.3, Sub-section (a) of the City's Procedural By-law 21-021, as amended, and Section 239(2), Sub-section (a) of the *Ontario Municipal Act, 2001*, as amended, as the subject matter pertains to the security of the property of the municipality or local board.

12. ADJOURNMENT



AUDIT, FINANCE AND ADMINISTRATION COMMITTEE

MINUTES AFA 25-005

9:30 a.m.

April 10, 2025

Council Chambers (Hybrid), City Hall, 2nd Floor
71 Main Street West, Hamilton, Ontario

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

Also

Present: Councillors C. Cassar and T. Jackson

1. CALL TO ORDER

Chair Spadafora called the meeting to order at 9:30 a.m.

2. CEREMONIAL ACTIVITIES

There were no ceremonial activities.

3. APPROVAL OF AGENDA

(Tadeson/Beattie)

That the agenda for the April 10, 2025, Audit, Finance and Administration Committee meeting, be approved, as presented.

CARRIED

4. DECLARATIONS OF INTEREST

There were no Declarations of Interest.

5. APPROVAL OF MINUTES OF PREVIOUS MEETINGS

(Hwang/M. Wilson)

That the Minutes of the March 20, 2025, meeting, be adopted, as presented.

CARRIED

6. DELEGATIONS

6.1 Mike Collins-Williams, West End Homebuilders' Association, respecting Item 7.2, FCS25016 – Development Charges Indexing (City Wide)

Mike Collins-Williams, West End Homebuilders' Association, addressed Committee respecting Item 7.2, FCS25016 – Development Charges Indexing (City Wide).

(Hwang/Beattie)

That the delegation from Mike Collins-Williams, West End Homebuilders' Association, respecting Item 7.2, FCS25016 – Development Charges Indexing (City Wide), be received.

CARRIED

7. ITEMS FOR INFORMATION

(Beattie/Hwang)

That the following Items for Information, be received:

7.1 HUR25003 Annual Employee Absence Report 2024 (City Wide)

7.2 FCS25016 Development Charges Indexing (City Wide)

7.2(a) Correspondence from West End Home Builders' Association, respecting Item 7.2, FCS25016 – Development Charges Indexing

CARRIED

8. ITEMS FOR CONSIDERATION

8.1 AUD21004(b) Cyber Security Follow Up Audit – Additional Public Disclosure (City Wide)

(Hwang/Beattie)

That Report FCS25008 dated April 10, 2025, respecting Cyber Security Follow Up Audit – Additional Public Disclosure, be received for information.

Result: Motion CARRIED by a vote of 8 to 0, as follows:

YES - Ward 1 Councillor Maureen Wilson
YES - Ward 2 Councillor Cameron Kroetsch
YES - 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 - CHAIR Ward 14 Councillor Mike Spadafora

8.2 FCS24008/HUR24002

Proposed Amendments to Fair Wage Policy and Fair Wage Schedule (City Wide)

(a) (Kroetsch/A. Wilson)

That Report FCS24008/HUR24002, dated May 2, 2024, respecting Proposed Amendments to Fair Wage Policy and Fair Wage Schedule (City Wide), be received, and the following recommendations be approved:

- (a) That the Fair Wage Policy and Fair Wage Schedule, attached as Appendix "A" and Appendix "C" to Report FCS24008/HUR24002, be approved;
- (b) That staff be directed to automatically update the Fair Wage Schedule every two years, in a manner consistent with Report FCS24008/HUR24002;
- (c) That staff be directed to report back any updates to the Fair Wage Policy every four years to the Audit, Finance and Administration Committee for consideration; and
- (d) That Outstanding Business Item 23-H be considered complete and removed from the Audit, Finance and Administration Committee Outstanding Business List.

(b) (Kroetsch/A. Wilson)

That Report FCS24008/HUR24002, dated May 2, 2024, respecting Proposed Amendments to Fair Wage Policy and Fair Wage Schedule (City Wide), be received, for information.

Result: Motion CARRIED by a vote of 8 to 0, as follows:

YES - Ward 1 Councillor Maureen Wilson
 YES - Ward 2 Councillor Cameron Kroetsch
 YES - 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 - CHAIR - Ward 14 Councillor Mike Spadafora

8.2(a) FCS24008(a)

Proposed Amendments to Fair Wage Policy and Fair Wage Schedule (City Wide) (Outstanding Business List)

(Kroetsch/A. Wilson)

That Report FCS24008(a), dated April 10, 2025, respecting Proposed Amendments to Fair Wage Policy and Fair Wage Schedule, be received, and the following recommendation be approved:

- (a) That the Fair Wage Policy and Fair Wage Schedule, attached as Appendix “A” and Appendix “B” to Report FCS24008(a) BE APPROVED.

Result: Motion CARRIED by a vote of 8 to 0, as follows:

YES - Ward 1 Councillor Maureen Wilson
 YES - Ward 2 Councillor Cameron Kroetsch
 YES - 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 - CHAIR - Ward 14 Councillor Mike Spadafora

8.3 Amendments to the Outstanding Business List

(Hwang/Tadeson)

That the following Amendments to the Outstanding Business List be approved:

8.3(a) Items Considered Complete and Needing to be Removed:

8.3(a)(a) Cyber Security Follow Up Audit – Planning Summary (City Wide) (AUD21004(a))

Added: January 16, 2025

Addressed as Item 8.1 on today’s agenda.

8.3(a)(b) Fair Wage Policy Review

Added: April 6, 2024

Addressed as Item 8.2 and 8.2(a) on today’s agenda.

Result: Motion CARRIED by a vote of 8 to 0, as follows:

YES - Ward 1 Councillor Maureen Wilson
 YES - Ward 2 Councillor Cameron Kroetsch
 YES - 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 - CHAIR - Ward 14 Councillor Mike Spadafora

9. MOTIONS

9.1 Financial Support for Art Gallery of Hamilton Humidifier Replacement (Ward 2)

(Kroetsch/Tadeson)

WHEREAS, a humidifier in a large gallery space at the Art Gallery of Hamilton is broken and urgently needs to be replaced as it is necessary for maintaining the required environment for the art in that space;

WHEREAS, the City of Hamilton owns 123 King Street West, the home of the Art Gallery of Hamilton, and many of its physical assets;

WHEREAS, the costs associated with this emergency need are significant and, as a non-profit arts-based organization, the Art Gallery of Hamilton does not have sufficient funding for emerging costs; and

WHEREAS, this replacement has been quoted by HTS London for a total of \$83,364.65.

THEREFORE, BE IT RESOLVED:

- (a) That costs associated with this humidifier replacement to Art Gallery of Hamilton be funded from the Ward 2 Capital Reinvestment Reserve #108052 at an upset limit, including contingency, not to exceed \$84,000; and
- (b) That the Mayor and City Clerk be authorized and directed to execute any required agreement(s) and ancillary documents, with such terms and conditions in a form satisfactory to the City Solicitor.

Result: Motion CARRIED by a vote of 8 to 0, as follows:

YES - Ward 1 Councillor Maureen Wilson
 YES - Ward 2 Councillor Cameron Kroetsch
 YES - 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 - CHAIR - Ward 14 Councillor Mike Spadafora

9.2 A Crosswalk for Heroes (Ward 15)

The Motion respecting A Crosswalk for Heroes (Ward 15) was withdrawn.

9.3 Financial Support for Sky Dragon Cooperative Redevelopment (Ward 2)

(Kroetsch/M. Wilson)

WHEREAS, Sky Dragon Cooperative is a non-profit community development organization that was founded in 2002, incorporated in 2004, and developed into a multi-use community centre in downtown Hamilton in 2005;

WHEREAS, Sky Dragon Cooperative is dedicated to nurturing and developing community projects that are socially, ecologically, and economically sustainable;

WHEREAS, Sky Dragon Cooperative is undergoing a development project to install an elevator that will make the building fully accessible, add three affordable rental housing units, and provide four large, multi-use, accessible and affordable studio spaces for use by Hamilton-based artists, wellness practitioners, community groups, non-profits, and entrepreneurs;

WHEREAS, the costs associated with this development project are significant and, as a non-profit organization, Sky Dragon Cooperative does not have sufficient funding for emerging costs; and

WHEREAS, an easement is necessary to satisfy a condition of development and that easement has been valued at \$54,000.

THEREFORE, BE IT RESOLVED:

- (a) That costs associated with the development project to install an elevator that will make the building fully accessible, add three affordable rental housing units, and provide four large, multi-use, accessible and affordable studio spaces for use by Hamilton-based artists, wellness practitioners, community groups, non-profits, and entrepreneurs by Sky Dragon Cooperative be funded from the Ward 2 Capital Reinvestment Reserve #108052 at an upset limit, including contingency, not to exceed \$54,000; and
- (b) That the Mayor and City Clerk be authorized and directed to execute any required agreement(s) and ancillary documents, with such terms and conditions in a form satisfactory to the City Solicitor.

Result: Motion CARRIED by a vote of 8 to 0, as follows:

YES - Ward 1 Councillor Maureen Wilson
YES - Ward 2 Councillor Cameron Kroetsch
YES - 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 - CHAIR - Ward 14 Councillor Mike Spadafora

**9.3(a) Memorandum respecting a Response to Questions regarding
Item 9.2 from Committee Meeting #25-004 Motion for Financial
Support for Sky Dragon Co-operative Redevelopment**

(Kroetsch/M. Wilson)

That the Memorandum respecting a Response to Questions regarding Item 9.2 from Committee Meeting #25-004 Motion for Financial Support for Sky Dragon Co-operative Redevelopment, be received.

CARRIED

Councillor Spadafora relinquished the Chair to Councillor Beattie in order to introduce the following Notices of Motion:

10. NOTICES OF MOTION

**10.1 One-Time Request for Funding to Support Building Repairs at
the Royal Canadian Legion Branch 163 (Ward 7)**

(Spadafora/Beattie)

That the Rules of Order be suspended to allow for the introduction of a Motion respecting One-Time Request for Funding to Support Building Repairs at the Royal Canadian Legion Branch 163 (Ward 7).

Result: Motion CARRIED by a 2/3 Majority vote of 8 to 0, as follows:

YES - Ward 1 Councillor Maureen Wilson
YES - Ward 2 Councillor Cameron Kroetsch
YES - 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 - CHAIR - Ward 14 Councillor Mike Spadafora

(Spadafora/Beattie)

WHEREAS, the Royal Canadian Legion Branch 163 has served as a longstanding hub of remembrance, community, and support for veterans and their families across Hamilton Mountain;

WHEREAS, recent assessments by the Branch, the City's Building Division, Licensing and By-Law Division and Public Health Department have confirmed the necessity of repairs to ensure the safety, accessibility, and continued operation of this valued community institution; and

WHEREAS, the estimated cost of required repairs is approximately \$100,000, as per submitted invoices and quotes received by the Branch.

THEREFORE, BE IT RESOLVED:

- (a) That the one-time costs associated with essential building repairs at the Royal Canadian Legion Branch 163, in an amount not to exceed \$100,000, be funded equally (25% each) from the Ward 6, Ward 7, Ward 8, and Ward 14 Discretionary Funds (3302309600, 3302309700, 3302309800, and 3302309014); and that a one-time exception to the Ward Specific Funding Initiatives Policy be approved to permit cost-sharing of this initiative across multiple ward budgets;
- (b) That all funds allocated for this initiative be contingent upon the submission of appropriate supporting documentation, including receipts or paid invoices, to the satisfaction of the General Manager of Finance and Corporate Services;
- (c) That funds be exempt on a one-time basis and not be counted toward any formula that restricts regular funding from the City including the City Enrichment Fund (e.g. the City's 30% formula); and
- (d) That the Mayor and City Clerk be authorized and directed to execute any required agreement(s) and ancillary documents, with such terms and conditions in a form satisfactory to the City Solicitor.

Result: Motion CARRIED by a vote of 8 to 0, as follows:

YES - Ward 1 Councillor Maureen Wilson
YES - Ward 2 Councillor Cameron Kroetsch
YES - 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 - CHAIR - Ward 14 Councillor Mike Spadafora

10.2 Festitalia 2025

(Spadafora/Beattie)

That the Rules of Order be suspended to allow for the introduction of a Motion respecting Festitalia 2025.

Result: Motion CARRIED by a 2/3 Majority vote of 8 to 0, as follows:

YES - Ward 1 Councillor Maureen Wilson
YES - Ward 2 Councillor Cameron Kroetsch
YES - 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 - CHAIR - Ward 14 Councillor Mike Spadafora

(Spadafora/Beattie)

WHEREAS, Festitalia commenced in September 1975 to celebrate and preserve Italian Culture, sports, Italian heritage, music, food, language and art;

WHEREAS, 2025 marks the 50th year and a jubilee celebration of this great non-profit organization;

WHEREAS, Festitalia has developed into an umbrella organization that supports the efforts of Italian Regional clubs, local artists, musicians, and local amateur athletes in cooperation with Mount Hamilton Youth Soccer Club and it is well documented that youth engaging in sport benefit from improved outcomes for mental health, physical well-being, communication, teamwork, problem-solving skills, and social integration;

WHEREAS, the Speakers Series highlights a local author and hosts an evening with readings by the authors as well as meet and greet opportunities;

WHEREAS, the Youth Soccer Tournament in association with M.H.Y.S.C which has 120 soccer teams ages 8-12 from across Ontario that come to Hamilton for a 2-day tournament;

WHEREAS, the Grape Stomp is a traditional wine making event showcasing tradition as well as adding a friendly competition amongst the participants and is free to participate and attend;

WHEREAS, the 50th expo weekend on June 20-22, 2025, will highlight 4 pillars of Italian Life: 1) Food & Drink, 2) Arts & Culture, 3) Sports & Leisure and 4) History & Local Roots, and each pillar will have numerous events happening (majority of which are free to the public) including, but not limited to: Italian Lessons, Youth Mini Soccer Tournament & Skills Camp, celebrity Chef dinner, local musicians from Italian descent, film series, wine tasting and bocce tournament; and

WHEREAS, the estimated attendance for the expo will be 10,000 people.

THEREFORE, BE IT RESOLVED:

- (a) That an one-time exception to the Area Rating Special Capital Re-Investment Discretionary Fund Policy BE APPROVED for Ward 7 to provide a grant to Festitalia Corporation for Operational Expenses to be funded from the Ward 7 Capital Discretionary Account (3302309700) to an upset limit of, \$6,000 for Sports and Leisure and \$8,000 for Arts and Culture including contingency, not to exceed \$14,000;
- (b) That any funds allocated and distributed through the Ward 7 Community Grants Program be exempt on a one-time basis and not be counted toward any formula that restricts regular funding from the City including the City Enrichment Fund or the One-Time Enhancement Grant (e.g. the City's 30% formula); and
- (c) That the Mayor and City Clerk be authorized and directed to execute any required agreement(s) and ancillary documents, with such terms and conditions in a form satisfactory to the City Solicitor.

Result: Motion CARRIED by a vote of 8 to 0, as follows:

YES - Ward 1 Councillor Maureen Wilson
 YES - Ward 2 Councillor Cameron Kroetsch
 YES - 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 - CHAIR - Ward 14 Councillor Mike Spadafora

Councillor Spadafora assumed the Chair.

11. PRIVATE AND CONFIDENTIAL**(Clark/Tadeson)**

That Committee move into Closed Session at 12:05 p.m. for Item 11.1, AUD25002 - Auditor General Reporting of Serious Matters to Council (Case #81489), pursuant to Section 9.3, Sub-section (a) of the City's Procedural By-law 21-021, as amended, and Section 239(2), Sub-section (a) 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.

Result: Motion CARRIED by a vote of 7 to 1, as follows:

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

The Audit, Finance and Administration Committee reconvened in Open Session at 12:15 p.m.

11.1 AUD25002**Auditor General Reporting of Serious Matters to Council (Case #81489)****(Clark/Beattie)**

That Report AUD25002, dated April 10, 2025, respecting Auditor General Reporting of Serious Matters to Council (Case #81489), be received, and remain confidential.

Result: Motion CARRIED by a vote of 8 to 0, as follows:

YES - Ward 1 Councillor Maureen Wilson
YES - Ward 2 Councillor Cameron Kroetsch
YES - 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 - CHAIR - Ward 14 Councillor Mike Spadafora

12. ADJOURNMENT

There being no further business, the Audit, Finance and Administration Committee, adjourned at 12:17 p.m.

Respectfully submitted,

Matt Gauthier
Legislative Coordinator
Office of the City Clerk

Councillor M. Spadafora,
Chair, Audit, Finance and
Administration Committee



AUDIT, FINANCE & ADMINISTRATION COMMITTEE DEVELOPMENT CHARGES HEARING

MINUTES AFA-DC 25-002

2:00 p.m.

April 15, 2025

**Room 264, 2nd Floor (Hybrid)
Hamilton City Hall**

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

Absent with

Regrets: Councillor C. Kroetsch – City Business

Tribunal Chair M. Spadafora called the hearing to order at 2:00 p.m.

1. APPROVAL OF AGENDA

(Hwang/Tadeson)

That the agenda for the April 15, 2025 Audit, Finance and Administration Committee Development Charges Hearing, be approved, as presented.

CARRIED

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. DEVELOPMENT CHARGES HEARING

3.1 Development Charges Complaint – 1110 Cannon Street East

The parties presented their opening statements.

The parties presented their closing statements.

**Audit, Finance and Administration Committee
Development Charges Hearing
Minutes AFA-DC 25-002**

**April 15, 2025
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Councillor A. Wilson recused himself from the deliberations as he was not present for the submissions from all parties.

(Beattie/Hwang)

That the Audit, Finance and Administration Committee retire to deliberate at 2:49 p.m.

CARRIED

The Audit, Finance and Administration Committee reconvened the hearing following private deliberations at 3:55 p.m.

Having heard and considered the evidence and submissions of the parties, respecting Development Charges Complaint – 1110 Cannon Street East, the Audit, Finance and Administration Committee found on behalf of the Complainant and are granting an exemption or credit of Development Charges, based on the statutory provisions contained within the Development Charges Act, and, as a result, no development charges are applicable. This decision is effective today. A final written decision including a summary of the evidence and submissions, as well as the Tribunal's reasons will be forwarded to the parties shortly.

For further information respecting the outcome of this matter, refer to the Notice of Decision.

5. ADJOURNMENT

There being no further business, the Audit, Finance and Administration Committee Development Charges Hearing adjourned at 3:57 p.m.

Respectfully submitted,

Tamara Bates
Legislative Coordinator
Office of the City Clerk

Councillor Mike Spadafora, Chair
Audit, Finance and Administration
Committee



AUDIT, FINANCE & ADMINISTRATION COMMITTEE DEVELOPMENT CHARGES HEARING

MINUTES AFA-DC 25-003

10:00 a.m.

April 23, 2025

Room 264, 2nd Floor (Hybrid)

Hamilton City Hall

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

Tribunal Chair M. Spadafora called the hearing to order at 10:00 a.m.

1. APPROVAL OF AGENDA

Chair Spadafora advised that the agenda be amended to include an opportunity to retire to obtain legal advice respecting an item not on the agenda, if deemed necessary.

(Beattie/Hwang)

That the agenda for the April 23, 2025 Audit, Finance and Administration Committee Development Charges Hearing, be approved, as amended.

CARRIED

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. DEVELOPMENT CHARGES HEARING

3.1 Development Charges Complaint – 198 and 206 Kellogg Avenue

The parties presented their opening statements.

The parties presented their closing statements.

(Clark/Beattie)

That the Audit, Finance and Administration Committee retire to deliberate at 12:56 p.m.

CARRIED

The Audit, Finance and Administration Committee reconvened the hearing following private deliberations at 1:09 p.m.

The opportunity to retire to obtain legal advice respecting an item not on the agenda was deemed unnecessary.

Having heard and considered the evidence and submissions of the parties, respecting Development Charges Complaint – 198 and 206 Kellogg Avenue, the Audit, Finance and Administration Committee's decision is that the Complaint as presented to Tribunal does not fall within any of the three categories in Section 20 (1) of the *Development Charges Act*, and therefore this Development Charges Complaint has been DISMISSED. This decision is effective today. A final written decision including a summary of the evidence and submissions, as well as the Tribunal's reasons will be forwarded to the parties shortly.

For further information respecting the outcome of this matter, refer to the Notice of Decision.

4. ADJOURNMENT

There being no further business, the Audit, Finance and Administration Committee Development Charges Hearing adjourned at 1:10 p.m.

Respectfully submitted,

Tamara Bates
Legislative Coordinator
Office of the City Clerk

Councillor Mike Spadafora, Chair
Audit, Finance and Administration
Committee

Bates, Tamara

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

Submitted on Tue, 04/22/2025 - 12:47

Reference number 66922

Submitted on

Committee Requested

Committee
Audit, Finance & Administration Committee

Will you be delegating in-person or virtually?
In-person

Will you be delegating via a pre-recorded video?
No

Requestor Information

Requestor Information
Mike Collins-Williams
West End Home Builders' Association
1112 Rymal Rd E
Hamilton, Ontario. L8W 3N7
mikecw@westendhba.ca
4164356757

Preferred Pronoun
he/him

Reason(s) for delegation request
Delegation regarding staff response to Councillor motion: Enhancing Support for Growth in the City of Hamilton: Review of Growth Funding Tools and Developer Incentives expected for May 1st.

Will you be requesting funds from the City?
No

Will you be submitting a formal presentation?
No

Bates, Tamara

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

Submitted on Tue, 04/22/2025 - 13:09

Reference number 66923

Submitted on

Committee Requested

Committee
Audit, Finance & Administration Committee

Will you be delegating in-person or virtually?
In-person

Will you be delegating via a pre-recorded video?
No

Requestor Information

Requestor Information
Pam Witt
Stoney Creek Seniors Outreach Services
777 Hwy 8
Stoney Creek, Ontario. L8E 5J4
seniorsoutreach608@gmail.com
905-643-1919

Preferred Pronoun
she/her

Reason(s) for delegation request
To speak to the motion being brought forward by Councillor Beattie regarding funding for snowblowers for our organization - May 1st Meeting

Will you be requesting funds from the City?
No

Will you be submitting a formal presentation?
No



City of Hamilton Report for Information

To: Chair and Members
Audit, Finance and Administration Committee

Date: May 1, 2025

Report No: AUD25004

Subject/Title: Accounts Payable Special Investigation:
CityHousing Hamilton Investigation Summary
(Fraud and Waste Report #73367)

Ward(s) Affected: City Wide

Recommendations

- a) That report AUD25004 respecting Accounts Payable Special Investigation: CityHousing Hamilton Investigation Summary (Fraud and Waste Report #73367) **BE RECEIVED** for information.

Key Facts

- A special investigation was conducted to investigate an alleged fraudulent payment of over \$552,000 from March 2024.
- One of the CHH's vendors was victim of a Business Email Compromise Fraud.
- The special investigation found process weaknesses and impacts from the February 2024 cyber security incident as major factors.
- Ultimately CityHousing Hamilton (CHH) incurred losses of over \$552,000 due to fraudulent activity, with \$417,000 recovered to date.
- The OAG notes that this is third incident of this nature at the City of Hamilton and its boards and agencies.
- OAG made recommendations to the CHH Board of Directors to address the investigation findings.

Financial Considerations

Not applicable.

Background

This matter was initially reported to the Office of the Auditor General in March 2024.

A police report was filed in late March 2024 by CityHousing Hamilton, thus requiring the OAG to inform Council of the matter. Confidential Report AUD24003 (Auditor General Reporting of Serious Matters to Council (Case #73367) went to the Audit, Finance and Administration Committee in April 2024. The CHH CEO handled communications with the CHH Board of Directors.

Analysis

As a result of a Serious Matter reported to the Audit, Finance, and Administration Committee in April 2024 (Confidential Report AUD24003), the Office of the Auditor General (OAG) engaged investigative and forensic accounting specialists, Delta Consulting Group Canada Ltd. (Delta Consulting), to conduct an investigation on behalf of the Office of the Auditor General.

The purpose of this special investigation was to investigate an alleged fraudulent payment of over \$552,000 processed by the CityHousing Hamilton's (CHH) Accounts Payable group in late March 2024. The OAG also requested that Delta Consulting provide the OAG with recommendations based on their investigation findings in order to improve processes.

Due to the materiality of the amount, and the fact that the special investigation findings are process focused and similar in nature to audit recommendations, the OAG has decided to provide a high-level summary of the investigation and share the recommendations and management responses publicly, as an audit report would be shared.

The special investigation found weaknesses in the manual processes that were in place for finance and accounts payable due to the impacts of the cyber security incident and ultimately CHH incurred losses of over \$552,000 due to fraudulent activity.

A formal report, attached as Appendix "A" to Report AUD25004, summarizes the control weaknesses uncovered in the above investigation and contains the Office of the Auditor General's observations, recommendations and CityHousing Hamilton's management responses and planned course of action to those recommendations.

Overall, OAG has made seven recommendations to improve controls within the Accounts Payable processes at CHH, with a focus on vendor information changes.

Management responses were received for all recommendations. Overall, CHH management agreed with six of the seven recommendations and are implementing an alternative action for the seventh recommendation. We requested that the CHH Board of Directors direct staff to report back on their progress on management response implementation to the Board of Directors in November 2025.

Alternatives

Not applicable

Relationship to Council Strategic Priorities

- 3. Responsiveness & Transparency
 - 3.3. Build a high performing public service
 - 3.4. Modernize City systems

Previous Reports Submitted

- Confidential AUD24003 Auditor General Reporting of Serious Matters to Council (Case #73367)

Consultation

CityHousing Hamilton: CEO's Office, CHH Legal Counsel.

City of Hamilton: Financial Services Division, Legal and Risk Management Services Division.

Appendix "A" to Report AUD25004 includes responses from the CEO at CityHousing Hamilton.

Appendices and Schedules Attached

Appendix A: Accounts Payable Special Investigation: CityHousing Hamilton Investigation Summary (Fraud and Waste Report #73367)

Prepared by:

- Brigitte Minard, Deputy Auditor General
Office of the Auditor General
- Charles Brown, Auditor General
Office of the Auditor General
- Delta Consulting Group Canada Ltd.

Submitted and recommended by:

- Charles Brown, CPA, CA
Auditor General
Office of the Auditor General



**Office of the
Auditor General**
City of Hamilton

Accounts Payable Special Investigation: CityHousing Hamilton Investigation Summary (Fraud and Waste Report #73367)



**CityHousing Hamilton Corporation Board of Directors - April 22, 2025
Audit, Finance and Administration Committee - May 1, 2025**

Charles Brown, Auditor General

Brigitte Minard, Deputy Auditor General

Delta Consulting Group

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Investigation Summary

In March 2024, shortly after the City of Hamilton's cyber security incident (a ransomware attack), CityHousing Hamilton (CHH) realized two vendors had their electronic funds (EFT) payment amounts transposed in the data that was submitted to the bank, resulting in one vendor being paid about \$137,000 instead of about \$552,000 (an underpayment of about \$415,000) and the other vendor being paid about \$552,000 instead of about \$137,000 (an overpayment of about \$415,000). Manual workaround processes had been put in place for finance and accounts payable due to the impacts of the cyber security incident.

As a result, CHH was in touch with both of these vendors to resolve the error. However, one of the vendors informed CHH that they had not received any funds at all. Subsequent enquiries led to the discovery that this vendor's banking information had been changed by someone unknown to them, and funds diverted to a different bank account that was not a CHH bank account.

CHH Finance informed the Office of the Auditor General (OAG) of the incident, and CHH reported the matter to the Hamilton Police Service. A confidential "Serious Matter" Report was then provided to Council in April 2024 (AUD24003). The OAG engaged Delta Consulting Group Canada Ltd. (Delta Consulting) to complete an investigation on behalf of the Office of the Auditor General.

The investigation found that CHH had fallen victim to a "Business Email Compromise" scam. An imposter, posing as the vendor, contacted CHH Finance staff via email to change the banking information. Due to a combination of human error, poor process, and elevated risks from workaround procedures put in place in response to the cybersecurity incident the \$552,000 payment was approved for electronic transfer and paid.

In fact, the vendor that did not receive payment had emailed CHH about two weeks prior to the fraudulent incident as a precautionary measure, advising CityHousing Hamilton that they had experienced a security breach and asking CHH to call them if any requests to change their banking were made. Notwithstanding the warning, the imposter's request to CHH for banking changes were processed, and funds were electronically transferred to a bogus bank account.

A business email compromise (BEC) scam is a type of cybercrime where attackers gain access to and/or make use of a company's email system. The main components include:

- **Unauthorized access:** Attackers may obtain access to the target's email system, either by stealing login credentials or using other methods.
- **Impersonation:** Once the attacker is inside, they study communication patterns and identify key people.

- **Social Engineering:** The attacker then uses the information obtained to impersonate trusted individuals in the company and send fraudulent emails that seem legitimate.
- **Deceptive Requests:** The fraudulent email contains a request to do something that is "urgent" (e.g. transfer money) or make changes to banking information.
- **Financial Loss:** The target may not detect the scam and may comply with the request. If changes to banking information were made, payment is sent to the attacker's bank account.

Source: ChatGPT, December 18, 2023, search term: "explain business email compromise scam in plain language", edited and summarized by Office of the Auditor General for initial use in Report AUD24001.

The investigation included the use of multiple Norwich Orders, which is a court order that compels a third party to produce evidence in its possession – in this case account information for any bank that was in receipt of the funds procured by fraud. This allowed deposit and banking transaction and ownership details to be obtained. The transferred electronic funds were traced initially to a bank account in another city and province, from which they were depleted. OAG continued to use Norwich Orders to follow the monies transferred to other banks until substantial funds were located in one particular bank account, which were frozen through the use of a Mareva Injunction.

Ultimately about \$417,000 of funds have been recovered through the combined efforts of the OAG, our investigator Delta Consulting, City Hamilton Legal Services, CHH, and CHH's legal counsel.

The Hamilton Police Service have been provided with our investigation report for use in their investigation, and the OAG, with the assistance of Delta Consulting, set out to identify how procedures could be improved to prevent future occurrences, and to minimize such risk. This report summarizes our findings and conclusions.

Seven recommendations have been made, the observations and corresponding recommendations are included below:

1. Supervision

Observation

The finance staff at CityHousing were not properly supervised, with risky transactions, as elaborated upon below, not subject to review.

Recommendation 1

We recommend that CityHousing implement a senior level (non-union) supervisor position that requires the supervisor to possess suitable accounting credentials and experience, to assist in the supervision of the finance staff's work.

Management Response

Agree.

CityHousing Hamilton Corporation Board of Directors has approved an FTE to add a Manager (title yet to be determined) position to support the Chief Financial Officer. They will be required to possess appropriate accounting credentials (i.e. CPA or equivalent). Recruitment is expected to be completed in Q4 2025.

Expected Completion: November 2025.

2. Documentation of Fraud Risks Needed

Observation

CityHousing Finance did not properly consider the elevated risks, of both fraud and error, associated with the Cyber Incident as it pertained to making Capital vendor payments by EFT.

Recommendation 2

We recommend that CityHousing Finance document a set of procedures to mitigate the risks of fraud and error as it pertains to vendor Capital payments made by EFT.

Management Response

Agree.

CityHousing Hamilton updated its a procedure to guide capital payments made by EFT during an emergency to mitigate risks. These updated procedures are being reviewed and will be formalized. The normal (i.e. not associated with the cyber security incident) procedure for capital payments are currently being reviewed as part of the organization's transition back to Arcori Financial.

Estimated Completion: June 2025.

3. Vendor Banking Information

Observation

The lack of controls around changes to vendor banking information poses a significant fraud risk. The OAG found that there was an inadequate segregation of duties and inadequate review.

Recommendation 3

We recommend that vendor banking information be stored securely and locked for editing and that adequate segregation of duties be implemented for this process.

Management Response

Agree.

The functions of verifying banking information will shift from the FAI (as described below) to the Sr. Risk & Compliance Officer, a non-union position under recruitment and expected to be in place by June 2025.

Pending recruitment, the following system is used. Vendor banking information is view-only for all Finance staff but editable by only the Financial Assistant II (FAII) who have no responsibility or control over vendor payment. Currently, the Financial Assistant I (FAI) or Financial Coordinator will verify vendor banking following the established process (includes calling the vendor and verifying HST and banking information. CFO validates the vendor changes and communicate these to the FAII to update in the system. The Financial Assistant I would then process the capital payments based on the updated and validated banking information.

Estimated Completion: June 2025.

4. Capital EFT Payments Were Not Reviewed

Observation

We observed that vendor Capital EFT payments, for material dollar amounts, were not being reviewed at multiple stages of the process, which increases the risk of both fraud and error being undetected.

Recommendation 4

We recommend that the key banking file be reviewed for accuracy and that all vendor Capital EFT payments be authorized/endorsed by the appropriate signing officers prior to their release.

Management Response

Agree.

Currently, the CFO or Financial Coordinator reviews every invoice to every payment prior to release and signs to demonstrate review. The two signing authorities are each required to take an audited approach (10% of invoices) to their review.

Responsibility for this control will reside with the future Manager and allow for another level of audited review by CFO prior to signing off.

Expected Completion: November 2025.

5. Up-to-Date Signing Authorities Not Maintained

Observation

The bank agreement for signing authorities for wire payments required [any] three signatures for payments over \$10,000. The signing authorities included a former CEO and two employees not included in the bank agreement were also provided authorization to approve EFT payments without the bank agreement being updated. The signatures also did not require the CFO or CEO to authorize payments over a specific dollar amount (such as \$100,000).

Recommendation 5

We recommend that bank agreements be reviewed and updated whenever employee responsibilities change and whenever changes in employment impact employees who are added or removed from positions with signing authority. We also recommend that CityHousing consider requiring the CFO or CEO to be one of the signing officers for payments over a predetermined threshold.

Management Response

Agree.

CHH will implement this recommendation following an analysis to determine the appropriate predetermined threshold.

Estimated Completion: December 2025.

6. Centralization of Accounts Payable

Observation

The matter at hand is the third vendor fraud experienced by the City and its boards and agencies in less than one year. The OAG recently completed control walk-throughs of the accounts payable departments at each of the Hamilton Public Library, Corporate Accounts Payable, and CityHousing locations. Control deficiencies were identified in all three departments, and that processes are not executed in a consistent manner.

Recommendation 6

We recommend that the City consider centralizing Accounts Payable or key functions performed by Accounts Payable such that resources can be used most efficiently and processes can be harmonized. We recommend that, at a minimum, the processes associated with new vendor additions and vendor banking changes that are not already centralized be considered for centralization.

Management Response

Alternative To Be Implemented.

Without understanding the details of such an arrangement, CityHousing Hamilton Corporation (CHH) does not agree with this recommendation. However, CHH sees value in the spirit and substance of this recommendation and suggests periodically working with the City's Accounts Payable team to review its practices, share knowledge and harmonize procedures where appropriate.

CHH has been approved to procure and implement a new and comprehensive tenant and financial software system which is widely used by similar organizations and includes enhanced financial controls. As a large landlord, CHH has complex accounts payable needs ranging from vendors for capital projects, routine service contracts to individual tenants, averaging 350 invoices per week. The system is designed to handle this volume but also include flexibility to be able to issue refund payments quickly to individual, often vulnerable, tenants.

Estimated Completion: January 2027.

7. Need for Specialized Training

Observation

Consistent with the OAG's previous investigation findings, business email compromise is a common tool used by scammers to phish or lure fraudulent payments. In this case, the scammer created an illegitimate email account, the sole difference being the pluralized form of the word "constructions", and requested payments be made to a fraudulent bank account.

During our investigation, it was clear that CityHousing Finance did not fully appreciate the potential fraud risks associated with EFT vendor payments in general, and more specifically the risks associated with updating banking information; therefore, CityHousing Finance did not govern itself accordingly.

Recommendation 7

We recommend that all Accounts Payable staff dealing with vendor information change and payments processing receive additional training on risks related to business email compromise and the need to independently verify vendor information changes in order to avoid further losses to the City.

Management Response

Agree.

Current staff are required to complete all mandatory training offered through the City of Hamilton. There is no outstanding training related to cyber security at this time. In addition, this team includes discussions about fraud at its bi-weekly meetings.

CHH is also implementing a comprehensive training program which will be offered through My Learning Connection and will require staff to complete training and sign off on a variety of policies and procedures.

Estimated Completion: September 2025.



Office of the Auditor General

City of Hamilton

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Auditor General

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SPEAK UP – Reporting Fraud and Waste

Online: hamilton.ca/fraud

Phone: 1-888-390-0393

Mail: PO Box 91880, West Vancouver, BC
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Email: cityofhamilton@integritycounts.ca

Fax: 1-844-785-0699

Copies of our audit reports are available at: hamilton.ca/audit
Alternate report formats available upon request.

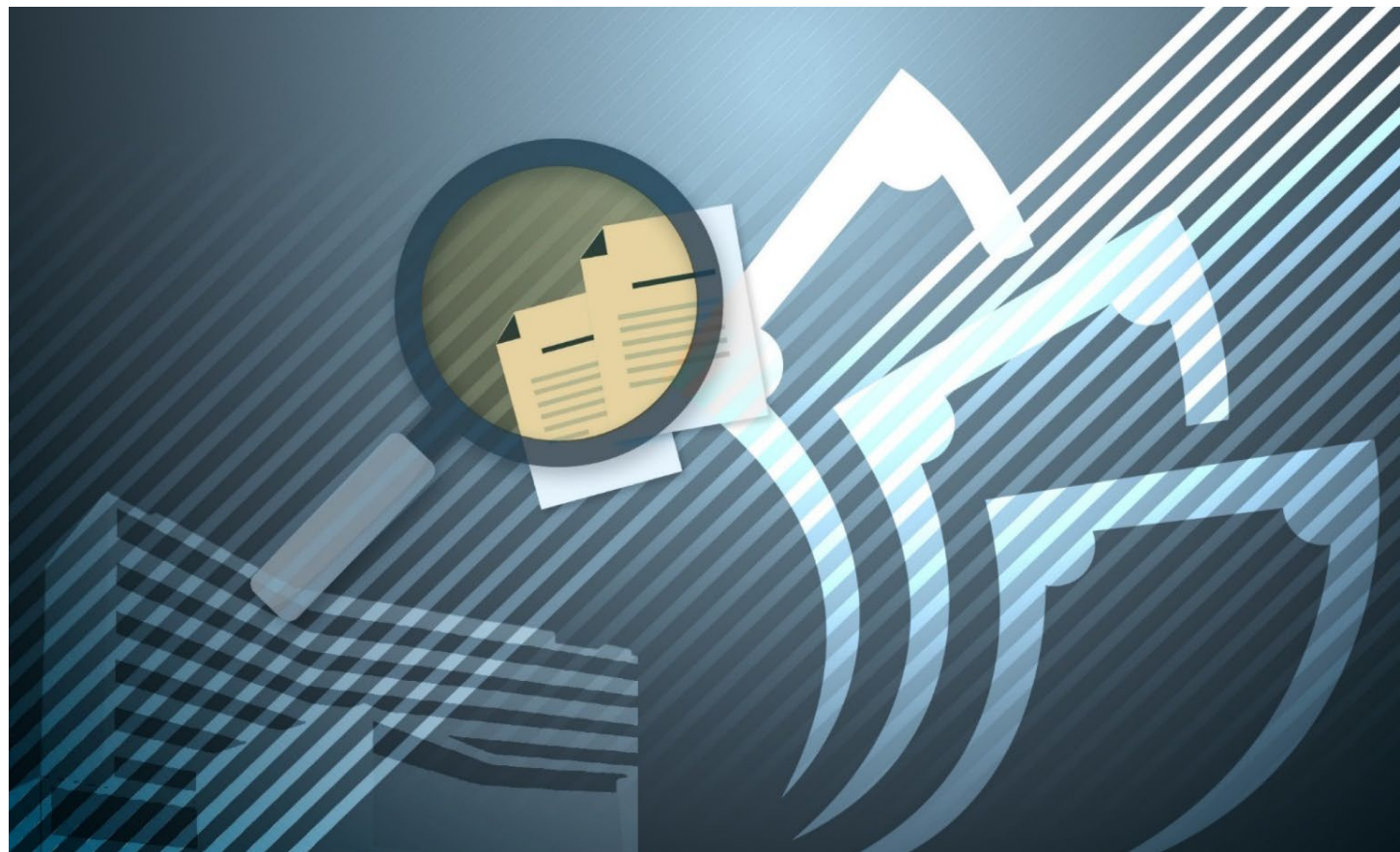


Office of the
Auditor General
City of Hamilton

Accounts Payable Special Investigation:

CityHousing Hamilton Investigation Summary (Fraud and Waste Report #73367)

Charles Brown, Auditor General
Ken Froese, Delta Consulting Group



CityHousing Hamilton Corporation Board of Directors - April 22, 2025
Audit, Finance and Administration Committee - May 1, 2025

- Gained an understanding of the incident, an alleged fraudulent payment of over \$552,000.
- Gained an understanding of operational processes regarding Accounts Payable.
- Procured Delta Consulting Group Canada Ltd. to complete the investigation on our behalf, while providing investigation support and maintaining oversight of the investigation process to ensure quality and value were received.



- A legitimate vendor contacted CHH to warn of a security issue at their company and be on the lookout for any requests for changes to banking information.
- Two weeks later an imposter posing as this same vendor (who was owed \$137,000) emailed CHH to change the vendor's bank account details used for electronic funds transfer. The banking changes were processed diverting any future payments to the fraudster's account .
- In error, the vendor was set up to be paid \$552,000 - an amount owed to a different vendor.
- The \$552,000 was sent to the imposter's account which was discovered when the real vendor that was owed \$552,000 received payment for only \$137,000



- The incident was reported to the Auditor General who informed Council in a confidential “Serious Matters Report”. CHH informed Hamilton Police.
- With the assistance of Delta Group and the City’s Legal Services, funds were traced to multiple bank accounts through Norwich Orders – a court order that compels a third party to produce relevant documents – in this case bank account information
- Some \$417,000 of funds were located and frozen by court order
- Through the issuance of summons to appear by the OAG, multiple witnesses were interviewed. Cooperation was secured with one key individual to return the funds. To date \$417,000 has been returned.
- The OAG has provided its information and reports to Hamilton Police to further their investigation



Ken Froese, Senior Managing Director

Delta Consulting Group Canada Ltd.



Delta Consulting - Investigation Summary

- Delta Consulting Background
- Investigation Mandate from OAG: investigate alleged fraudulent payment of over \$552,000.
 - Review of documentation, interviews with relevant staff and vendors, obtaining Norwich Orders, Mareva Injunction.
 - What happened, what was recovered.
 - Investigation findings and recommendations.
 - What internal control issues may have contributed to the issue.
 - What the current risk environment is for these type of issues.

- 1) We recommend that CityHousing implement a senior level (non-union) supervisor position that requires the supervisor to possess suitable accounting credentials and experience, to assist in the supervision of the finance staff's work.
- 2) We recommend that CityHousing Finance document a set of procedures to mitigate the risks of fraud and error as it pertains to vendor Capital payments made by EFT.
- 3) We recommend that vendor banking information be stored securely and locked for editing and that adequate segregation of duties be implemented for this process.
- 4) We recommend that the key banking file be reviewed for accuracy and that all vendor Capital EFT payments be authorized/endorsed by the appropriate signing officers prior to their release.



- 5) We recommend that bank agreements be reviewed and updated whenever employee responsibilities change and whenever changes in employment impact employees who are added or removed from positions with signing authority. We also recommend that CityHousing consider requiring the CFO or CEO to be one of the signing officers for payments over a predetermined threshold.

- 6) We recommend that the City consider centralizing Accounts Payable or key functions performed by Accounts Payable such that resources can be used most efficiently and processes can be harmonized. We recommend that, at a minimum, the processes associated with new vendor additions and vendor banking changes that are not already centralized be considered for centralization.

- 7) We recommend that all Accounts Payable staff dealing with vendor information change and payments processing receive additional training on risks related to business email compromise and the need to independently verify vendor information changes in order to avoid further losses to the City.



- Seven recommendations were made to the City Housing Hamilton.
 - Management agreed with six of seven recommendations and are implementing an alternative action for the seventh recommendation.
- Management is currently working on implementing their management responses.
- OAG is recommending that the Board of Directors directs the CEO to report back with a status update by November 2025.





THANK YOU



City of Hamilton Report for Information

To: Chair and Members
Audit, Finance and Administration Committee

Date: May 1, 2025

Report No: FCS25014

Subject/Title: Treasurer's Investment Report 2024 Fiscal Year by Aon (FCS25014)

Ward(s) Affected: (City Wide)

Recommendation

- 1) That Report FCS25014, "Treasurer's Investment Report 2024 Fiscal Year by Aon", as provided to Council, **BE RECEIVED** for information.

Key Facts

- The purpose of Report FCS25014 is for the Treasurer of the City of Hamilton (General Manager, Corporate Services), in accordance with the *Municipal Act, 2001*, the regulations thereunder and the City of Hamilton's Statement of Investment Policies and Procedures (the "City's SIPP"), to present to Council the City of Hamilton Reserve Funds Treasurer's Investment Report 2024 Fiscal Year (the "Treasurer's Report"), attached as Appendix "A" to Report FCS25014.
- In 2024, all investments met the eligibility requirements as prescribed by Ontario Regulation 438/97 ("O. Reg. 438/97") and were made in accordance with the investment policies and goals, the City's SIPP, adopted by the City of Hamilton.

Financial Considerations

There are no budgetary or financial implications to the recommendations.

Background

In accordance with the *Municipal Act, 2001* and the City's SIPP, the Treasurer shall prepare and present to Council each year an investment report on the management of the City's Funds during the prior fiscal year.

The Treasurer's Report is an investment report for the City of Hamilton Reserve Fund and the Hamilton Future Fund (the "Funds") for the City's fiscal year ending on December 31, 2024 and is prepared by Aon on behalf of the Treasurer of the City of Hamilton. Market value as of December 31, 2024 for the City Reserve Fund was \$1.17 B and for the Hamilton Future Fund was \$56.4 M.

In accordance with O. Reg. 438/97 and the City's SIPP, the Treasurer of the City shall prepare and present to Council each year, an investment report on the management of the City's Funds during the prior fiscal year that complies with section 8 (Investment report) of O. Reg. 438/97 and shall contain, but not be limited to, the following information:

- a statement about the performance of the investments for the Funds;
- a listing of the types of securities in which the portfolio invested during the period covered by the report;
- a listing of the securities and their credit ratings held by the portfolio at the date of the report;
- a description of the estimated proportion of the total investments of the City that are invested in its own long-term and short-term securities to the total investment of the municipality and a description of the change, if any, in that estimated proportion since the previous year's report;
- a record of the date of each transaction in or disposal of its own securities, including a statement of the purchase and sale of each security;
- a statement by the Treasurer as to whether or not, in his opinion, all investments are consistent with the investment policies and goals (the City's SIPP) adopted by the City;
- a statement by the Chief Investments Officer as to whether or not, in his or her opinion all investments are consistent with the investment policies and goals (the City's SIPP) adopted by the City;
- such other information that Council may require or that, in the opinion of the Treasurer, should be included.

The investment report, prepared by Aon on behalf of the Treasurer, is the Treasurer's Report and is attached as Appendix "A" to Report FCS25014.

Analysis

Investment Performance of the Funds (Page 4 of the Treasurer's Report)

Report FCS25017 provides details of the investment performance of the Reserve Fund as at December 31, 2024. Report FCS25018 provides details of the investment performance of the Hamilton Future Fund as at December 31, 2024.

The market rates of return for the 12-month period ending December 31, 2024 were 6.37% for the Reserve Fund and 5.74% for the Hamilton Future Fund. The Reserve Fund and the Hamilton Future Fund outperformed the benchmark rate of return of 4.49% by 1.88% and 1.25%, respectively.

The outperformance is due to the fixed income holdings consisting largely of short-maturity and mid-maturity bonds, which outperformed long-maturity bonds over the year 2024 and also due to the equity holdings which posted significant positive returns in 2024.

Market rate of return is based on security market value and includes net unrealized gains and losses, net realized gains and losses and income. The market rate of return is provided by RBC Investor & Treasury Services ("RBCITS"), which is also the City's custodian.

Table 1 shows the performance returns of the Funds along with the benchmark return over each of the quarters of 2024 and over the one-year and three-year periods ending December 31, 2024.

Table 1 – Performance Returns

	Q1 2024 %	Q2 2024 %	Q3 2024 %	Q4 2024 %	1 Year %	3 Year %
Benchmark	-0.30	1.07	3.40	0.28	4.49	1.08
Reserve Fund	0.17	0.93	4.69	0.50	6.37	1.74
Hamilton Future Fund	0.05	1.01	3.95	0.63	5.74	2.05
Reserve Fund Minus Benchmark	0.47	-0.14	1.29	0.22	1.88	0.66
Hamilton Future Fund Minus Benchmark	0.35	-0.06	0.58	0.35	1.25	0.96

The benchmark for the Funds is composed of 10% of the Financial Times Stock Exchange ("FTSE") Canada 91-day Treasury Bill Index, 62.5% of the FTSE Canada Short-Term All-Government Bond Index and 27.5% of the FTSE Canada All-Government Bond Index. The FTSE indices track performance returns of the various investments.

In the Canadian fixed income markets, in 2024, one-year returns on Canadian government and corporate bonds were positive across the curve, although short-maturity and mid-maturity bonds outperformed long-maturity bonds.

By the end of the year, yields for short-maturity and most mid-maturity government bonds were lower than at the start of the year, largely driven by easing inflationary pressures during the year which allowed the Bank of Canada to lower the policy interest rate from its more restrictive policy position.

The Bank of Canada cut the policy interest rate five times in 2024 (the first three each by 25 basis points and the last two each by 50 basis points), taking the policy interest rate from 5% at the beginning of the year in 2024 to 3.25% at the end of the year in 2024.

The two-year Government of Canada bond yield was 2.93% as of December 31, 2024, down 0.96% from its yield of 3.89% as of December 31, 2023, whereas, the 10-year Government of Canada bond yield was 3.23% as of December 31, 2024, up 0.12% from its yield of 3.11% as of December 31, 2023.

For the Canadian equity market's strong performance in 2024, key drivers were the Bank of Canada's policy interest rate cuts, investor enthusiasm in artificial intelligence and the resilience of the U.S. economy.

Types of Securities (Pages 5 and 6 of the Treasurer's Report)

The types of securities (and the entities who issue them) which municipalities are permitted to invest in are prescribed by legislation and regulations, including O. Reg. 438/97. The City's list of securities and approved issuers is provided on Page 5 of the Treasurer's Report and is set out in the Sector and Issuer Limitations section in the City's SIPP. The types of securities held during 2024 by the Reserve Fund and the Hamilton Future Fund are provided on Page 6 of the Treasurer's Report.

Portfolio Securities (Pages 7, 8, 9 and 10 of the Treasurer's Report)

As of December 31, 2024, the total market value (including cash but not including accrued income) of the securities in the Reserve Fund was \$1,170,042,434 of which \$107,777,542 consists of investments in the One Investment Program.

One Investment Program is jointly run by CHUMS (a subsidiary of the Municipal Finance Officers' Association of Ontario) and Local Authority Services (a corporation of the Association of Municipalities of Ontario).

As of December 31, 2024, the Reserve Fund held units with a market value of \$102,124,358 in the One Investment Program Canadian Equity Portfolio and held units with a market value of \$5,653,184 in the One Investment Program Canadian Corporate Bond Portfolio.

As of December 31, 2024, the total market value (not including accrued income) of the securities in the Hamilton Future Fund was \$56,397,625 of which \$3,026,133 consists of investments in the One Investment Program Canadian Equity Portfolio.

Investment in City of Hamilton Securities

During the fiscal year 2024, the City was invested in its own long-term securities, which had a market value of \$2,967,329 or a proportion of 0.25% of the total market value of the Reserve Fund as of December 31, 2024. As of December 31, 2023, the proportion was 0.25%.

The City had no other transactions in or disposals of its own securities during the fiscal year 2024 and the City was not invested in its own short-term securities, as was the case during fiscal year 2023.

Restrictions (Pages 11 and 12 of the Treasurer's Report)

Table 2, taken from the Treasurer's Report, shows that as of December 31, 2024, on a combined basis, the Funds were being managed in accordance with the minimum quality requirements, maximum quantity restrictions and all other imposed restrictions.

Table 2 – Compliance with Restrictions as of December 31, 2024

Were the Funds managed in compliance with the Policy?		Yes / No
The City shall not invest more than 25% of the portfolio in short-term debt issued or guaranteed by the City		Yes
Total investment in "A" or equivalent rated debt on purchase must not exceed 35% of the market value of the City's bond portfolio		Yes
The City shall not invest in a security that is expressed or payable in any currency other than Canadian dollars with exception of investments specified in Section 4.07 and footnote 6 of Appendix "A" of the SIPP		Yes
The City shall not invest in a security issued or guaranteed by a school board or similar entity unless the money raised by issuing the security is to be used for school purposes		Yes
Permitted Ranges	%	
Federal issues	0-100	Yes
Provincial holdings in aggregate	0-100	Yes
Single province exposure	0-50	Yes
Individual non-federal / non-provincial holdings*	0-10	Yes
Non-federal / non-provincial holdings in aggregate	0-50	Yes
Municipal Issues*	Years	
Individual muni issue rated "AAA"	0-10	Yes
Individual muni issue rated "AA"	0-10	Yes
Individual muni issue rated "A"	0-5	Yes
Municipal holdings in aggregate	0-30	Yes
Banks and Credit Unions in aggregate	0-50	Yes
Short-term securities	0-50	Yes
Portfolio duration	1-6	Yes

Note to Table 2: * Except for City of Hamilton issues which have an upper limit of 25%

Treasurer's Investment Report 2024 Fiscal Year by Aon (FCS25014) (City Wide)

Page 6 of 8

Table 3, which is provided in addition to information in the Treasurer's Report, shows the Funds' credit exposure with respect to the approved issuers given in the City's SIPP.

Table 3 - Credit Exposure¹ (%) As of December 31, 2024

Issuer or Sector	Reserve Fund	Hamilton Future Fund ² "HFF"	Reserve Fund and HFF Combined	Maximum Limit %
Cash	0.0%	1.1%	0.1%	N/A
Canada Bonds				
Canada	0.0%	0.0%	0.0%	100%
Guarantee	6.0%	11.4%	6.3%	25%
Provincial Bonds				
Ontario	18.2%	11.6%	17.9%	50%
Other (rated AA or higher)	32.2%	38.2%	32.4%	100%
Other (rated A)	6.4%	5.3%	6.3%	20%
Municipal Bonds				
Hamilton	0.3%	0.0%	0.3%	25%
Other	17.9%	20.8%	18.0%	30%
Banks and Credit Union				50%
Schedule I Banks	11.5%	7.5%	11.3%	50%
Credit Union	0.0%	0.0%	0.0%	8%
Asset Backed Securities	0.0%	0.0%	0.0%	25%
Corporate Bonds	0.0%	0.0%	0.0%	15%
Commercial Paper and Asset Backed Commercial Paper (ABCP)	0.0%	0.0%	0.0%	20%
One Investment Program				15%
Canadian Equity Portfolio	7.0%	4.1%	6.9%	10%
Canadian Corporate Bond Portfolio	0.5%	0.0%	0.5%	10%
Total	100.0%	100.0%	100.0%	

Notes to Table 3:

¹ Credit Exposure refers to the par value of holdings in individual issuers or sectors as a percentage of the total par value of holdings in the fund.

² For the Hamilton Future Fund, Credit Exposure does not reflect the shares of the Hamilton Utilities Corporation, which are held in the Hamilton Future Fund custodial account with RBCITS.

Activity and Transactions (Page 13 of the Treasurer's Report)

During the fiscal year 2024, the total dollar amount of cash inflows for the Reserve Fund was \$263.2 M, consisting of \$118.2 M in sales and maturities, \$48.2 M in investment income and \$96.8 M in contributions / transfers. Cash outflows were also \$263.4 M and consisted of \$109.9 M in purchases and \$153.4 M in distributions and \$0.1 M in expenses.

During the fiscal year 2024, the total dollar amount of cash inflows for the Hamilton Future Fund were \$2.0 M, consisting of \$2.0 M in investment income. Cash outflows were \$1.9 M and consisted of \$1.9 M in purchases.

Certificate by Chief Investments Officer (Page 14 of the Treasurer's Report)

The Chief Investments Officer has certified on page 14 of the Treasurer's Report that the Funds were managed in compliance with the *Municipal Act, 2001* and in accordance with the terms, conditions and guidelines stipulated in the City's SIPP.

Alternatives

There are no alternatives for consideration.

Relationship to Council Strategic Priorities

Report FCS25014 enforces and supports the following:

1. Sustainable Economic & Ecological Development
 - 1.1 Reduce the burden on residential taxpayers
3. Responsiveness & Transparency
 - 3.1 Prioritize customer service and proactive communication

Previous Reports Submitted

Recent Treasurer's Investment Reports include:

FCS24030 - [Treasurer's Investment Report 2023 Fiscal Year by Aon](#) – June 6, 2024
FCS24030 - Treasurer's Investment Report 2023 Fiscal Year by Aon - [Appendix "A"](#) – June 6, 2024

Consultation

On behalf of the Treasurer, Aon prepared the Treasurer's Report, attached as Appendix "A" to Report FCS25014.

Appendices and Schedules Attached

Appendix "A" to Report FCS25014 – City of Hamilton – Reserve Funds Treasurer's
Investment Report 2024 Fiscal Year

Prepared by: Rosaria Morelli, Senior Investment Fund Manager
Corporate Services Department, Finance/Administration,
Investments and Special Projects Division

**Submitted and
recommended by:** Mike Zegarac, General Manager, Finance and Corporate
Services, Corporate Services Department

City of Hamilton—Reserve Funds Treasurer’s Investment Report 2024 Fiscal Year

April 2025

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Introduction

As the acting Investment Consultant, Aon is engaged to prepare, on behalf of the Treasurer of the City of Hamilton (“City”), an investment report, referred to as the Treasurer’s Report (“the report”), relating to the activities of the City of Hamilton Reserve Fund and the Hamilton Future Fund (“the Funds”) during the prior fiscal year. The report will be presented to City Council in the second quarter of every calendar year.

The report is part of a broader governance oversight of the Funds, which includes financial audits, used to evaluate and monitor the various responsibilities that have been delegated by the Treasurer of the City of Hamilton (“City Treasurer”) and City Council. More specifically, the overall objective of the report is to ensure that the Funds are managed in accordance with existing legislation that came into effect in 2022 and the guidelines set out in the Statement of Investment Policies and Procedures for the City of Hamilton Reserve/Revenue Funds and Trust Accounts (“SIP&P”).

The report has been written in accordance with Section 1.12 of the SIP&P and shall contain:

- A statement about the performance of the portfolio of investments of the City during the period covered by the report;
- A listing of the types of securities in which the portfolio invested during the period covered by the report;
- A listing of the securities and their credit ratings held by the portfolio as at the date of the report;
- A description of the estimated proportion of the total investments of a municipality that are invested in its own long-term and short-term securities to the total investment of the municipality and a description of the change, if any, in that estimated proportion since the previous year’s report;
- A record of the date of each transaction in or disposal of its own securities, including a statement of the purchase and sale of each security;
- A statement by the Chief Investments Officer (“CIO”) as to whether or not, in his or her opinion, all investments are consistent with the SIP&P adopted by the City;
- A statement by the treasurer as to whether or not, in his or her opinion, all investments are consistent with the SIP&P adopted by the City¹; and
- Any other information that the council may require or that, in the opinion of the City Treasurer, should be included.

This report addresses only the activities of the City of Hamilton Reserve Fund and the Hamilton Future Fund. The Trust Accounts are not covered by this report.

¹ In the executive summary of the staff report, Treasurer’s Investment Report 2024 Fiscal Year by Aon (FCS25014) (City Wide), to which this report is attached as Appendix “A”, the City treasurer states whether all investments met the eligibility requirements as prescribed by the Ontario Regulation 438/97 (“O. Reg. 438/97”) and were made in accordance with the investment policies and goals adopted by the City of Hamilton’s SIP&P.

Reserve Fund Performance and Future Fund Performance

The returns of the Funds are determined by RBC Investor & Treasury Services (“RBC”), who is also the City’s custodian, on a daily basis for the City of Hamilton Reserve Fund and on a monthly basis for the Hamilton Future Fund.

The Funds’ performance objective, as outlined in Section 4.10 of the SIP&P, is to outperform a benchmark portfolio constructed from a blend of returns composed of 62.5% of the FTSE Canada All-Government Short-Term Bond Index, 27.5% of the FTSE Canada All-Government Bond Index and 10.0% of FTSE Canada 91-Day Treasury Bill Index.

Benchmark	%
FTSE Canada All-Government Short-Term Bond Index	62.5
FTSE Canada All-Government Bond Index	27.5
FTSE Canada 91-Day Treasury Bill Index	<u>10.0</u>
	100.0

The performance returns of the Funds over each of the quarters of 2024, and over the one-, two-, three- and four-year periods ending December 31, 2024 are as follows:

City of Hamilton Reserve Fund—Performance² %

	Q1 2024	Q2 2024	Q3 2024	Q4 2024	One Year	Two Years (annualized)	Three Years (annualized)	Four Years (annualized)
Reserve Fund	0.17	0.93	4.69	0.50	6.37	6.57	1.74	1.16
Benchmark	-0.30	1.07	3.40	0.28	4.49	4.65	1.08	0.43
Value Added	0.47	-0.14	1.29	0.22	1.88	1.83	0.66	0.73

Over a one-year period, the City of Hamilton Reserve Fund’s return of 6.37% outperformed the benchmark return of 4.39% by 188 basis points.

Hamilton Future Fund—Performance² %

	Q1 2024	Q2 2024	Q3 2024	Q4 2024	One Year	Two Years (annualized)	Three Years (annualized)	Four Years (annualized)
Future Fund	0.05	1.01	3.95	0.63	5.74	5.89	2.05	1.22
Benchmark	-0.30	1.07	3.40	0.28	4.49	4.65	1.08	0.43
Value Added	0.35	-0.06	0.58	0.35	1.25	1.24	0.97	0.79

Over a one-year period, the Hamilton Future Fund’s return of 5.74% outperformed the benchmark return of 4.49% by 125 basis points.

² One Investment Program performances are included. The Reserve Fund has approximately 8.7% and 0.5% of the total Reserve Fund invested in the One Canadian Equity Portfolio and One Corporate Bond Portfolio respectively. The Hamilton Future Fund has approximately 5.4% of the total Future Fund invested in the One Canadian Equity Portfolio.

Types of Securities

The City is only allowed to invest in securities permitted under Ontario Regulation 438/97: Eligible Investments, Related Financial Agreements and Prudent Investment under the Municipal Act, 2001, S.O. 2001, c. 25, that came into effect during 2022. As per Section 4.02 of the SIP&P, an Approved List of Investments (“Approved List”) has been established by the City Treasurer and the CIO. All investments on the Approved List meet the eligibility requirements as prescribed by Ontario Regulation 438/97. The Approved List is as follows:

Bonds, Debentures, Promissory Notes, Other Evidence of Indebtedness Issued by or Guaranteed by

Government of Canada
 Canadian Provincial Government
 Government of Canada Agency
 Canadian Provincial Agency
 Country other than Canada
 Canadian Municipality, including City of Hamilton
 School Board in Canada
 Municipal Finance Authority of British Columbia
 Canadian Corporation
 Banks in Canada
 Infrastructure Ontario
 International Bank for Reconstruction and Development
 Inter-American Development Bank
 Supranational Financial Institution
 Supranational Governmental Organization

Deposit Receipts, Deposit Notes, Certificate of Deposits, Acceptances Issued by or Guaranteed by

Banks in Canada
 Credit Union with Guarantee

Asset Backed Securities (ABS)

Asset Backed Securities
 Asset Backed Commercial Paper (ABCP)

Negotiable Promissory Notes or Commercial Paper (other than ABS)

Forward Rate Agreements

One Investment Program³

Security – gift in a will or non-charitable donation, and Shares of a Corporation as per footnotes 13 and 14 in Appendix A of the SIP&P.

³ The One Investment Program is jointly run by CHUMS (a subsidiary of the Municipal Finance Officers’ Association of Ontario) and Local Authority Services (a corporation of the Association of Municipalities of Ontario).

We have reviewed the custodian statements as well as the transactions that have occurred to determine the types of securities that were held by the Funds during the 2024 period. We can confirm that the types of securities that were held in the City of Hamilton Reserve Fund and the Hamilton Future Fund during 2024 are as listed as follows:

The types of securities held by the City of Hamilton Reserve Fund were as follows:

City of Hamilton Reserve Fund—Types of Securities

**Bonds, Debentures, Promissory Notes, Other Evidence of
Indebtedness Issued by or Guaranteed by**

Government of Canada
Canadian Provincial Government
Government of Canada Agency
Canadian Municipality, including City of Hamilton
Municipal Finance Authority of British Columbia

**Deposit receipts, Deposit Notes, Certificate of Deposits,
Acceptances Issued by or Guaranteed by**

Banks in Canada

One Investment Program

Canadian Equity Portfolio
Canadian Corporate Bond Portfolio

The types of securities held by the Hamilton Future Fund were as follows:

Hamilton Future Fund—Types of Securities

**Bonds, Debentures, Promissory Notes, Other Evidence of
Indebtedness Issued by or Guaranteed by**

Canadian Provincial Government
Government of Canada Agency
Canadian Municipality
Municipal Finance Authority of British Columbia

**Deposit Receipts, Deposit Notes, Certificate of Deposits,
Acceptances Issued by or Guaranteed by**

Banks in Canada

One Investment Program

Canadian Equity Portfolio

In addition to the above list of securities, the Hamilton Future Fund has some monies invested in a private placement of 2,000 common shares of the Hamilton Utilities Corporation.

All securities were expressed or payable in Canadian dollars. The types of securities held by the City of Hamilton Reserve Fund and the Hamilton Future Fund during 2024 were all part of the Approved List.

Portfolio Securities as at December 31, 2024

City of Hamilton Reserve Fund

Below are The City of Hamilton Reserve Fund securities and credit ratings⁴ as at December 31, 2024. As shown in the list below, the City of Hamilton Reserve Fund also held equity and fixed income investments through the One Investment Program. The City's Reserve Fund investment in the One Investment Program Canadian Equity Portfolio had a market value of \$102.1 million and book value of \$82.7 million; the City's investment in the One Investment Program Canadian Corporate Bond Portfolio had a market value of \$5.7 million and book value of \$6.1 million.

As at December 31, 2024, City of Hamilton Reserve Fund held a market value of \$3.0 million or 0.25% of the Fund in City of Hamilton securities. Over the last year, the market value of City of Hamilton securities increased by \$0.2 million from \$2.8 million as at December 31, 2023.

⁴ Credit ratings are provided by RBC. Credit rating data is collected from 3 major rating agencies (S&P, Moody's and DBRS) if available. "AA" includes AA-, AA, AA+ or an equivalent rating. "A" includes A-, A, A+ or an equivalent rating. Rating field will be blank if no rating is available. All results are based on highest available rating.

Date	Issuer Name	Coupon Rate	Maturity Date	Market Price	Credit Rating	Portfolio Market Value (\$)	Market Value (%)
Federal and Federal Guarantee Bonds							
31-Dec-24	Canada Housing Trust	2.55%	15-Mar-25	99.87	AAA	9,986,688.00	0.85%
31-Dec-24	Canada Housing Trust	1.90%	15-Sep-26	98.26	AAA	10,808,391.66	0.92%
31-Dec-24	Canada Housing Trust	2.35%	15-Jun-27	98.59	AAA	4,929,280.35	0.42%
31-Dec-24	Canada Housing	1.40%	15-Mar-31	89.69	AAA	13,453,691.10	1.15%
31-Dec-24	Canada Housing	1.90%	15-Mar-31	92.48	AAA	18,496,117.40	1.58%
31-Dec-24	Canada Housing	2.15%	15-Dec-31	92.76	AAA	9,275,769.60	0.79%
Provincial and Provincial Guarantee Bonds							
31-Dec-24	Province of Alberta	2.35%	01-Jun-25	99.69	AA	7,476,774.00	0.64%
31-Dec-24	Province of Alberta	2.20%	01-Jun-26	98.93	AA	5,935,838.22	0.51%
31-Dec-24	Province of Alberta	2.55%	01-Jun-27	98.92	AA	7,913,376.96	0.68%
31-Dec-24	Province of Alberta	2.90%	01-Dec-28	99.27	AA	3,970,838.60	0.34%
31-Dec-24	Province of Alberta	2.90%	20-Sep-29	98.76	AA	14,320,148.09	1.22%
31-Dec-24	Province of Alberta	1.65%	01-Jun-31	90.04	AA	9,003,652.30	0.77%
31-Dec-24	Province of Alberta	3.05%	01-Dec-48	82.12	AA	8,211,503.40	0.70%
31-Dec-24	Province of British Columbia	2.30%	18-Jun-26	99.06	AAA	9,905,627.70	0.85%
31-Dec-24	Province of British Columbia	2.55%	18-Jun-27	98.91	AAA	7,913,033.76	0.68%
31-Dec-24	Province of British Columbia	1.55%	18-Jun-31	89.29	AAA	8,928,800.20	0.76%
31-Dec-24	Province of British Columbia	3.20%	18-Jun-32	97.55	AAA	4,877,489.90	0.42%
31-Dec-24	Province of British Columbia	3.55%	18-Jun-33	98.88	AAA	15,820,880.00	1.35%
31-Dec-24	Province of British Columbia	4.15%	18-Jun-34	102.55	AAA	15,381,780.15	1.31%
31-Dec-24	Province of Manitoba	2.45%	02-Jun-25	99.74	AA	11,469,720.04	0.98%
31-Dec-24	Province of Manitoba	2.55%	02-Jun-26	99.40	AA	14,412,916.77	1.23%
31-Dec-24	Province of Manitoba	2.60%	02-Jun-27	99.01	AA	2,970,222.03	0.25%
31-Dec-24	Province of Manitoba	2.75%	02-Jun-29	98.23	AA	4,911,496.80	0.42%
31-Dec-24	Province of Manitoba	2.05%	02-Jun-31	92.11	AA	9,671,444.58	0.83%
31-Dec-24	Province of Manitoba	3.80%	02-Jun-33	100.56	AA	10,055,680.90	0.86%
31-Dec-24	Province of Manitoba	4.25%	02-Jun-34	103.18	AA	25,793,973.25	2.20%
31-Dec-24	Province of New Brunswick	2.60%	14-Aug-26	99.35	AA	4,967,623.30	0.42%
31-Dec-24	Province of New Brunswick	2.35%	14-Aug-27	98.26	AA	6,386,843.45	0.55%
31-Dec-24	Province of New Brunswick	4.45%	14-Aug-33	157.90	A	31,579,245.90	2.70%
31-Dec-24	Province of Newfoundland	2.35%	02-Jun-25	99.66	A	4,983,061.25	0.43%
31-Dec-24	Province of Newfoundland	2.30%	02-Jun-26	99.96	A	14,994,260.10	1.28%
31-Dec-24	Province of Newfoundland	3.00%	02-Jun-28	99.03	A	18,816,576.09	1.61%
31-Dec-24	Province of Newfoundland	2.85%	02-Jun-29	98.36	A	4,918,015.90	0.42%
31-Dec-24	Province of Newfoundland	1.75%	02-Jun-30	91.97	A	7,357,291.92	0.63%
31-Dec-24	Province of Newfoundland	2.05%	02-Jun-31	91.68	A	9,167,696.90	0.78%
31-Dec-24	Province of Newfoundland	3.30%	17-Oct-46	83.52	A	10,857,806.83	0.93%
31-Dec-24	Province of Nova Scotia	2.15%	01-Jun-25	99.61	AA	2,988,385.20	0.26%
31-Dec-24	Province of Nova Scotia	2.10%	01-Jun-27	97.86	AA	6,849,985.87	0.59%
31-Dec-24	Province of Ontario	2.60%	02-Jun-27	99.04	AA	20,799,387.21	1.78%
31-Dec-24	Province of Ontario	2.90%	02-Jun-28	99.45	AA	14,917,224.60	1.27%
31-Dec-24	Province of Ontario	3.60%	08-Mar-28	101.63	AA	30,488,959.80	2.61%
31-Dec-24	Province of Ontario	3.40%	08-Sep-28	100.97	AA	15,145,437.30	1.29%
31-Dec-24	Province of Ontario	1.55%	01-Nov-29	92.69	AA	8,341,846.83	0.71%

31-Dec-24 Province of Ontario	2.15%	02-Jun-31	92.87	AA	9,287,127.00	0.79%
31-Dec-24 Province of Ontario	4.05%	02-Feb-32	103.47	AA	10,346,558.20	0.88%
31-Dec-24 Province of Ontario	3.75%	02-Jun-32	101.28	AA	60,769,532.40	5.19%
31-Dec-24 Province of Ontario	4.10%	04-Mar-33	103.16	AA	14,545,273.21	1.24%
31-Dec-24 Province of Ontario	3.65%	02-Jun-33	99.79	AA	29,936,252.40	2.56%
31-Dec-24 Province of Prince Edward Island	1.85%	27-Jul-31	90.32	AA	15,354,363.28	1.31%
31-Dec-24 Province of Prince Edward Island	4.05%	02-Jun-34	100.79	AA	10,079,103.70	0.86%
31-Dec-24 Province of Quebec	2.60%	06-Jul-25	99.78	AA	2,155,336.21	0.18%
31-Dec-24 Province of Quebec	2.50%	01-Sep-26	99.21	AA	19,841,667.20	1.70%
31-Dec-24 Province of Quebec	2.75%	01-Sep-27	99.27	AA	9,927,424.80	0.85%
31-Dec-24 Province of Quebec	2.75%	01-Sep-28	98.75	AA	5,924,783.04	0.51%
31-Dec-24 Province of Saskatchewan	2.65%	02-Jun-27	99.14	AA	15,862,566.72	1.36%
31-Dec-24 Province of Saskatchewan	2.15%	02-Jun-31	92.81	AA	23,202,244.75	1.98%
31-Dec-24 Province of Saskatchewan	3.90%	02-Jun-33	143.89	AA	17,267,160.44	1.48%
Municipal Bonds						
31-Dec-24 City of Hamilton	1.75%	03-Nov-32	86.08	AAA	2,967,329.27	0.25%
31-Dec-24 City of Barrie	2.40%	20-Jun-29	95.89	AA	3,166,284.50	0.27%
31-Dec-24 City of London	2.65%	02-Apr-27	98.98	AAA	5,166,949.14	0.44%
31-Dec-24 City of Montreal	3.00%	01-Sep-25	99.91	AA	5,994,365.34	0.51%
31-Dec-24 City of Montreal	2.75%	01-Sep-26	99.39	AA	3,975,439.48	0.34%
31-Dec-24 City of Montreal	3.00%	01-Sep-27	99.54	AA	3,981,459.12	0.34%
31-Dec-24 City of Montreal	2.30%	01-Sep-29	95.63	AA	9,562,970.20	0.82%
31-Dec-24 City of Montreal	3.15%	01-Dec-36	90.28	AA	3,611,227.40	0.31%
31-Dec-24 City of Montreal	3.50%	01-Dec-38	91.54	AA	9,154,486.80	0.78%
31-Dec-24 City of Montreal	2.40%	01-Dec-41	75.83	AA	7,583,217.80	0.65%
31-Dec-24 Municipal Finance Authority of BC	3.35%	01-Jun-27	100.66	AAA	20,938,032.54	1.79%
31-Dec-24 Municipal Finance Authority of BC	3.05%	23-Oct-28	99.59	AAA	9,511,044.79	0.81%
31-Dec-24 Municipal Finance Authority of BC	4.50%	03-Dec-28	104.84	AAA	10,483,660.80	0.90%
31-Dec-24 Municipal Finance Authority of BC	2.55%	09-Oct-29	96.95	AAA	9,598,183.45	0.82%
31-Dec-24 Municipal Finance Authority of BC	2.30%	15-Apr-31	93.67	AAA	6,556,781.49	0.56%
31-Dec-24 Municipal Finance Authority of BC	3.30%	08-Apr-32	98.18	AAA	1,472,668.91	0.13%
31-Dec-24 Municipal Finance Authority of BC	4.05%	03-Dec-33	102.07	AAA	7,655,055.68	0.65%
31-Dec-24 Niagara Regional Municipality	3.00%	03-Jul-25	99.95	AA	2,998,356.00	0.26%
31-Dec-24 City of Ottawa	4.45%	04-Jun-33	104.76	AAA	15,714,650.10	1.34%
31-Dec-24 City of Ottawa	3.05%	23-Apr-46	80.61	AAA	2,821,441.84	0.24%
31-Dec-24 Regional Municipality of Peel	2.30%	02-Nov-26	98.71	AAA	5,429,109.68	0.46%
31-Dec-24 Regional Municipality of Peel	2.60%	07-Mar-30	96.47	AAA	4,823,575.00	0.41%
31-Dec-24 Quebec City	3.15%	08-Dec-25	99.89	AA	2,497,241.78	0.21%
31-Dec-24 City of Toronto	2.40%	07-Jun-27	98.43	AA	9,842,745.10	0.84%
31-Dec-24 City of Toronto	3.25%	20-Apr-32	97.67	AA	4,883,618.45	0.42%
31-Dec-24 City of Toronto	3.50%	02-Jun-36	94.71	AA	2,841,280.83	0.24%
31-Dec-24 City of Toronto	2.15%	25-Aug-40	75.16	AA	13,341,449.72	1.14%
31-Dec-24 City of Vancouver	3.75%	03-Nov-27	99.40	AAA	9,939,980.50	0.85%
31-Dec-24 City of Vancouver	2.85%	05-Nov-31	92.76	AAA	927,589.23	0.08%
31-Dec-24 City of Vancouver	2.30%	03-Nov-33	108.50	AAA	3,797,482.50	0.32%
31-Dec-24 City of Winnipeg	4.10%	01-Jun-45	94.30	AA	3,017,582.46	0.26%
Schedule I Banks						
31-Dec-24 Bank of Montreal	4.61%	10-Sep-25	100.95	AA	3,533,421.26	0.30%
31-Dec-24 Bank of Montreal	3.19%	01-Mar-28	99.39	AA	41,245,766.44	3.53%
31-Dec-24 Bank of Nova Scotia	2.62%	02-Dec-26	99.02	AA	15,842,547.68	1.35%
31-Dec-24 Bank of Nova Scotia	3.10%	02-Feb-28	99.18	AA	48,377,522.38	4.13%
31-Dec-24 Canadian Imperial Bank	3.30%	26-May-25	100.05	AA	20,010,058.60	1.71%
31-Dec-24 Royal Bank of Canada	4.93%	16-Jul-25	100.92	AA	5,045,939.80	0.43%
One Investment Program						
31-Dec-24 Canadian Equity Portfolio					102,124,357.82	8.73%
31-Dec-24 Canadian Corporate Bond Portfolio					5,653,184.54	0.48%
Cash on Hand					198.48	0.00%
Total Fund					\$ 1,170,042,434.46	100.00%

Hamilton Future Fund

Below are the Hamilton Future Fund securities and credit ratings⁵ as at December 31, 2024. As shown in the list below, the Hamilton Future Fund also held equity investments through the One Investment Program. The Hamilton Future Fund investment in the One Investment Program Canadian Equity Portfolio had a market value of \$3.0 million and book value of \$2.3 million.

Date	Issuer Name	Coupon Rate	Maturity Date	Market Price	Credit Rating	Portfolio Market Value (\$)	Market Value (%)
Federal and Federal Guarantee Bonds							
31-Dec-24	Canada Housing	1.25%	15-Jun-26	97.59	AAA	2,537,252.48	4.50%
31-Dec-24	Canada Housing	4.25%	15-Dec-28	104.48	AAA	3,970,121.52	7.04%
Provincial and Provincial Guarantee Bonds							
31-Dec-24	Province of Alberta	2.35%	01-Jun-25	99.69	AA	1,993,806.40	3.54%
31-Dec-24	Province of Alberta	2.20%	01-Jun-26	98.93	AA	1,978,612.74	3.51%
31-Dec-24	Province of British Columbia	3.55%	18-Jun-33	98.88	AAA	3,955,220.00	7.01%
31-Dec-24	Province of Manitoba	2.60%	02-Jun-27	99.01	AA	1,980,148.02	3.51%
31-Dec-24	Province of Manitoba	3.00%	02-Jun-28	99.71	A	2,991,374.88	5.30%
31-Dec-24	Province of Manitoba	2.05%	02-Jun-31	92.11	AA	1,381,634.94	2.45%
31-Dec-24	Province of Newfoundland	3.00%	02-Jun-26	99.96	A	1,999,234.68	3.54%
31-Dec-24	Province of Newfoundland	3.30%	17-Oct-46	83.52	A	835,215.91	1.48%
31-Dec-24	Province of Nova Scotia	2.15%	01-Jun-25	99.61	AA	1,992,256.80	3.53%
31-Dec-24	Province of Nova Scotia	2.00%	01-Sep-30	93.23	AA	1,864,587.04	3.31%
31-Dec-24	Province of Ontario	2.65%	05-Feb-25	99.95	AA	2,098,863.00	3.72%
31-Dec-24	Province of Ontario	2.60%	02-Jun-27	99.04	AA	1,980,894.02	3.51%
31-Dec-24	Province of Ontario	3.75%	02-Jun-32	101.28	AA	2,430,781.30	4.31%
31-Dec-24	Province of Prince Edward Island	4.05%	02-Jun-34	100.79	AA	503,955.19	0.89%
31-Dec-24	Province of Quebec	2.75%	01-Sep-27	99.27	AA	2,481,856.20	4.40%
Municipal Bonds							
31-Dec-24	Regional Municipality of Durham	4.10%	05-Jul-29	103.10	AAA	2,061,982.00	3.66%
31-Dec-24	City of London	2.55%	07-Mar-25	99.88	AAA	299,630.70	0.53%
31-Dec-24	City of Montreal	3.00%	01-Sep-25	99.91	AA	2,073,051.35	3.68%
31-Dec-24	City of Montreal	3.00%	01-Sep-27	99.54	AA	995,364.78	1.76%
31-Dec-24	City of Montreal	3.15%	01-Dec-36	90.28	AA	902,806.85	1.60%
31-Dec-24	City of Toronto	2.40%	24-Jun-26	99.09	AA	1,783,674.14	3.16%
31-Dec-24	City of Toronto	2.40%	07-Jun-27	98.43	AA	984,274.51	1.75%
31-Dec-24	Municipal Finance Authority of BC	3.30%	08-Apr-32	98.18	AAA	1,472,668.91	2.61%
31-Dec-24	Municipal Finance Authority of BC	3.75%	03-Dec-34	98.88	AAA	988,773.03	1.75%
Schedule I Banks							
31-Dec-24	Bank of Nova Scotia	3.10%	02-Feb-28	99.18	AA	1,983,579.58	3.52%
31-Dec-24	Bank of Montreal	3.19%	01-Mar-28	99.39	AA	1,723,377.33	3.06%
31-Dec-24	Canadian Imperial Bank	3.30%	26-May-25	100.05	AA	500,251.47	0.89%
Cash and Cash Equivalents							
31-Dec-24	Cash					624,241.76	1.11%
One Investment Program							
31-Dec-24	Canadian Equity Portfolio					3,026,133.31	5.37%
Other Equity							
31-Dec-24	Hamilton Utilities Corp					2,000.00	0.00%
Total Fund						\$56,397,624.84	100.00%

⁵ Credit ratings are provided by RBC. Credit rating data is collected from 3 major rating agencies (S&P, Moody's and DBRS) if available. "AA" includes AA-, AA, AA+ or an equivalent rating. "A" includes A-, A, A+ or an equivalent rating. Rating field will be blank if no rating is available. All results are based on highest available rating.

Restrictions		
Constraints		Policy Complied with Yes/No
The City shall not invest more than 25% of the portfolio in short-term debt issued or guaranteed by the City.		Yes
Total Investment in 'A' or equivalent rated debt on purchase most not exceed 35% of the market value of the City's bond portfolio.		Yes
The City shall not invest in a security that is expressed or payable in any currency other than Canadian dollars with exception of investments specified in Section 4.07 and footnote 6 of Appendix "A" of the SIP&P.		Yes
The City shall not invest in a security issued or guaranteed by a school board or similar entity unless the money raised by issuing the security is to be used for school purposes.		Yes
Permitted ranges	(%)	
Federal issues	0-100	Yes
Provincial holdings in aggregate	0-100	Yes
Single province exposure	0-50	Yes
Individual non-federal/non provincial holdings *	0-10	Yes
Non-federal/non provincial holdings in aggregate	0-50	Yes
Municipal issues *		
- individual muni issue rated "AAA"	0-10	Yes
- individual muni issue rated "AA"	0-10	Yes
- individual muni issue rated "A"	0-5	Yes
Municipal holdings in aggregate	0-30	Yes
Banks and Credit Unions in aggregate	0-50	Yes
Short-term securities	0-50	Yes
Portfolio duration	1-6 Years	Yes

* Except for City of Hamilton issues which have a limit of 25%

As at December 31, 2024 on a combined basis, the Funds were being managed in a manner that is consistent with the minimum quality requirements, maximum quantity restrictions and all other restrictions imposed on the Funds. Securities lending is allowed, and as such, monies were loaned during the year for the purpose of generating revenues for the Funds. In managing the securities lending program, RBC complied with the constraints described in the Securities Lending Letter Agreement dated as of January 6, 2003, as amended. The ratings were assumed to be the same for all issues of an issuer. Throughout the year, reports are provided by RBC to the CIO on a weekly basis, showing the securities that the City invested in for the Reserve Fund and the Hydro Fund together with each security's market value.

In addition, on monthly basis, RBC provides CIO with compliance reports⁶, indicating whether or not the Funds were consistent with terms, conditions and guidelines stipulated in the SIP&P. Securities that not consistent with the terms, conditions and guidelines stipulated in the SIP&P are reviewed and action is taken to remedy the situation as soon as possible.

Aon has reviewed these compliance reports for 2024 and confirms the compliance reports indicate the Funds were consistent with the terms, condition and guidelines stipulated in the SIP&P at each month end throughout 2024.

⁶ Starting in 2019, the City engaged RBC as an independent third party to provide monthly compliance reports as part of their overall engagement with RBC. These reports assist the City to identify any potential deviations from a compliance perspective.

Activity and Transactions

Activity every month consists of:

- 1) Cash Inflows: Proceeds from bond maturities and sales, contributions/transfers and investment income; and
- 2) Cash Outflows: Funds for bond purchases, distributions and other required outflows.

For the City of Hamilton Reserve Fund, cash inflows were \$263.2 million, consisting of \$118.2 million in sales and maturities, \$48.2 million in investment income and \$96.8 million in contributions/transfers. Cash outflows were \$263.4 million and consisted of \$109.9 million in purchases, \$153.4 million in distributions, and \$0.1 million in expenses.

For the Hamilton Future Fund, cash inflows were \$2.0 million, consisting of \$2.0 million in investment income. Cash outflows were \$1.9 million and consisted of \$1.9 million in purchases.

The records of each activity are summarized in the custodial statements of RBC on a monthly basis. Aon uses these monthly statements to record and reconcile all of the transactions noted above.

Certificate by Chief Investments Officer

This Certificate by the Chief Investments Officer applies to the City of Hamilton Reserve Fund and the Hamilton Future Fund ("the Funds").

The undersigned hereby confirms that throughout the reporting period of 2024:

1. The management of the Funds was in accordance with all the terms, conditions and guidelines stipulated in the SIP&P in effect during 2024.
2. The Funds were managed in compliance with the Municipal Act, 2001, S.O. 2001, c. 25, and Ontario Regulation 438/97 that came into effect in 2022.
3. The Chief Investments Officer, who manages the Funds, complied at all times and in all respects with the Code of Ethics and Standard of Professional Conduct as promulgated by the CFA Institute.
4. The Chief Investments Officer managed the Funds' assets with the care, diligence and skill that an investment manager of ordinary prudence would use in dealing with the assets of these types of Funds.

Certified by,



Gerald T. Boychuk
Chief Investments Officer
City of Hamilton



City of Hamilton Report for Information

To: Chair and Members
Audit, Finance and Administration Committee

Date: May 1, 2025

Report No: FCS25017

Subject/Title: Reserve / Revenue Fund Investment Performance
Report as of December 31, 2024

Ward(s) Affected: (City Wide)

Recommendations

- 1) That Report FCS25017 respecting Reserve / Revenue Fund Investment Performance as of December 31, 2024 **BE RECEIVED** for information.

Key Facts

- For 2024, the City's Reserve / Revenue Fund ("Reserve Fund") had an earnings rate of return of 4.04% on market value basis and an overall market value return of 6.37% which outperformed the benchmark of 4.49% by 188 points.
- For 2024, the Reserve Fund together with the City's bank account and GICs realized a return of 4.54% on cost basis, and generated income of \$80.63 M. The income generated over five years averages \$51.89 M.
- The Reserve Fund is governed by Ontario legislation (Ontario Regulation 438/97) and the City's Statement of Investment Policies and Procedures (Report FCS24004).
- The Reserve Fund investment holdings comprises bonds, ONE Investment Program Canadian Corporate Bond Portfolio ("ONE Canadian Corporate Bond Portfolio") and ONE Investment Program Canadian Equity Portfolio ("ONE Canadian Equity Portfolio").
- The Reserve Fund investment holdings together with the City's Guaranteed Investment Certificates (GICs) and bank balances totalled \$1.8 B as at December 31, 2024.

Financial Considerations

There are no budgetary or financial implications to the recommendations.

Background

Report FCS25017 provides transparency on the financial management of the City's investments.

Analysis

The Reserve Fund investment holdings (bonds, ONE Canadian Corporate Bond Portfolio, and ONE Canadian Equity Portfolio) together with Bank GICs and bank balances total \$1.8 B on market value basis and \$1.8 B on cost basis as at December 31, 2024.

Reserve Fund Values and Composition

As at December 31, 2024, the market value of the Reserve Fund (including accruals) was \$1,176,025,761 compared with \$1,158,613,000 as at December 31, 2023 representing an increase of \$17,412,761. The book value of the Reserve Fund (including accruals) as at December 31, 2024 was \$1,176,404,026 resulting in an unrealized loss on market value of \$378,265.

The composition of the market value of the Reserve Fund was \$1,068,248,219 (or 90.8% of the fund) in bonds, including cash and accruals, \$102,124,357 (or 8.7% of the fund) in the ONE Canadian Equity Portfolio and \$5,653,184 (or 0.5% of the fund) in the ONE Canadian Corporate Bond Portfolio, resulting in a total of \$1,176,025,761 as at December 31, 2024.

As of December 31, 2024, the portfolio weighted term-to-maturity of the Reserve Fund was 5.46 years compared with 5.52 years as at December 31, 2023.

Earnings Rate of the Reserve Fund

The Reserve Fund had an earnings rate of 4.04% for the 12 months ending December 31, 2024 and had an average earnings rate of 3.14% over the past five years. The earnings rate includes investment income and bond lending income but excludes realized and unrealized capital gains / losses.

Return on Average Cost for Reserve Fund, Bank Account and GICs

Income generated of \$80,626,525 was realized on an average cost of assets of \$1,776,728,996 giving a percentage return on average cost of 4.54% in 2024.

The average cost of assets of \$1,776,728,996 consists of \$1,212,108,130 in Reserve Fund investments (\$1,135,905,946 in bonds, \$70,181,889 in ONE Canadian Equity Portfolio; \$6,020,295 in the ONE Canadian Corporate Bond Portfolio), \$500,690,899 for the City's bank account balance and \$63,929,967 in GICs.

The income generated of \$80,626,525 is composed of investment income, net realized capital gains / losses, lending income, bank interest and GICs interest, over the 12 months ending December 31, 2024. The average annual income generated over the last five years is \$51.89 M.

Overall Market Value Return of Reserve Fund

For the 12 months ending December 31, 2024, the overall market value return (which includes investment income, bond lending income, realized capital gains / losses and unrealized capital gains / losses) for the Reserve Fund was 6.37% and the return on the benchmark was 4.49%, resulting in an outperformance of 188 basis points. Over the last five-year period, the annual overall market value return averaged over the years from 2020 to 2024 is 2.49% per annum, outperforming the average return on the benchmark over the same five-year period of 1.52% by 97 basis points.

Over the 12-month period ending December 31, 2024, the City's investment in ONE Canadian Equity Portfolio returned 20.57% and the City's investment in ONE Canadian Corporate Bond Portfolio returned 4.60%.

The outperformance of the Reserve Fund versus the benchmark for the year ending December 31, 2024 is mostly attributed to the holdings in short-term and mid-term maturity bonds, which outperformed bonds with longer maturity over the year. ONE Canadian Equity Portfolio holdings posted significant positive returns in 2024, which also contributed to the outperformance.

Our benchmark or Policy target return of 4.49% is comprised of returns on a portfolio of 62.5% FTSE Canada Short Term Government Bond index, 27.5% FTSE Canada All Government index and 10.0% FTSE Canada 91 Day T-Bill index. FTSE refers to Financial Times Stock Exchange.

Comparators

By comparison, for the year ending December 31, 2024 the overall market value returns were 4.85% for the ONE Investment Program Canadian Government Bond Portfolio (bonds with term to maturity 18 months to three years) and 7.17% for ONE Investment Program Money Market / HISA Portfolio. If the City's Policy had been used in these ONE Investment Program Portfolios (i.e., 90% in ONE Investment Program Canadian Government Bond Portfolio and 10% in ONE Investment Program Money Market / HISA Portfolio), then the overall market value return would have been 5.08%, or 1.29% less than the actual overall market value return of 6.37%.

Reserve / Revenue Fund Investment Performance Report as of December 31, 2024
(FCS25017) (City Wide)
Page 4 of 6

On an average (over 12 months in 2024) Reserve Fund market value of \$1,196 M, an incremental return of 1.29% would translate to an improved market value of approximately \$15.43 M.

Also, for comparison with short term bond indices, the FTSE TMX Short Government Index returned 4.92% while the FTSE TMX All-Government Mid Index returned 4.00%.

Table 1 summarizes the investment return indicators for the Reserve Fund and other comparators over the past five years.

Table 1 – Investment Return Indicators

	12 Months ended 12/31/2024	12 Months ended 12/31/2023	12 Months ended 12/31/2022	12 Months ended 12/31/2021	12 Months ended 12/31/2020
Policy Target	4.49%	4.80%	-5.70%	-1.49%	5.51%
Reserve Fund - Overall Market Value Return	6.37%	6.60%	-7.09%	-0.57%	7.16%
Comparators (1 to 4):					
1 ONE Investment Program – Canadian Government Bond	4.85%	4.61%	-4.04%	-1.44%	5.29%
2 ONE Investment Program – Money Market/HISA Portfolio *	7.17%	4.65%	1.57%	0.04%	0.85%
3 FTSE TMX – Short Government	4.92%	4.19%	-3.88%	-1.12%	4.85%
4 FTSE TMX – Mid Government	4.00%	5.65%	-10.33%	-3.07%	9.69%
Reserve Fund - Earnings Rate (Excludes Capital Gains/Losses)	4.04%	3.14%	2.86%	2.95%	2.71%
Reserve Fund - Return on ONE Canadian Equity Portfolio **	20.57%	20.55%	17.07%	33.56%	19.56%

Notes to Table 1:

* 2024 CoH calculation based on One Investment Program Money Market (Jan to Sept) and One Investment Program HISA (Oct to Dec); 2020-2023 as per One Investment Program Money Market (MM). One Investment Program MM was discontinued in Oct 2024.

** 2023 & 2024 market returns as per RBCITS; 2020 to 2022 returns calculated by COH

Canadian Interest Rates

Table 2 shows the changes in Canadian interest rates from January 2023 to January 2025.

Table 2 – Canadian Interest Rates

Canada Benchmark Bond	Interest Rate January 2, 2025	Interest Rate January 2, 2024	Interest Rate January 3, 2023
One Month (T-Bill)	3.19%	5.03%	4.10%
2 year	2.93%	3.96%	4.02%
5 year	2.96%	3.35%	3.34%
10 year	3.22%	3.18%	3.21%

City's Bank Account and GICs

In regard to interest earned on the City's bank account, it is noted that during the year ending December 31, 2024 the interest rate on the City's bank account was often greater than the interest rate on short term investments. Therefore, monies earmarked for short-term operations / expenses were held in the City's bank account to earn the higher interest rate. Additionally, monies earmarked for short term operations / expenses were also invested in GICs at attractive rates compared to short term investments and these GICs were held in the City's bank account.

Looking Forward

Market and economic expectations drive interest rates and return on assets. The current global issues including tariffs affect growth, investment, employment and inflation. Staff will continue to monitor the current situation and make adjustments to the investment strategy and asset mix accordingly.

Alternatives

There are no alternatives for consideration.

Relationship to Council Strategic Priorities

Report FCS25017 enforces and supports the following:

1. Sustainable Economic & Ecological Development
 - 1.1 Reduce the burden on residential taxpayers
3. Responsiveness & Transparency
 - 3.1 Prioritize customer service and proactive communication

Previous Reports Submitted

Recent Investment Performance Reports and Statement of Investment Policies and Procedures Report include:

- FCS24067 - [Reserve / Revenue Fund Investment Performance Report – December 31, 2023](#) – AF&A, December 5, 2024
- FCS23001 - [Reserve / Revenue Fund Investment Performance Report – December 31, 2022](#) – AF&A, May 18, 2023
- FCS22032 - [Reserve / Revenue Fund Investment Performance Report - December 31, 2021](#) – AF&A May 19, 2022
- FCS24004 - [Reserve/Revenue Statement of Investment Policies and Procedures](#) – AF&A, January 18, 2024

Consultation

None.

Appendices and Schedules Attached

None.

Prepared by:

Gerald T. Boychuk, Chief Investment Officer
Corporate Services Department, Finance / Administration,
Investments and Special Projects
Brandon A. Teglas, Investment Assistant
Corporate Services Department, Finance / Administration,
Investments and Special Projects

Submitted and recommended by:

Brian McMullen, Director
Finance / Administration, Investments and Special Projects
Corporate Services Department



City of Hamilton Report for Information

To: Chair and Members
Audit, Finance and Administration Committee

Date: May 1, 2025

Report No: FCS25018

Subject/Title: Hamilton Future Fund Investment Performance Report
as of December 31, 2024

Ward(s) Affected: (City Wide)

Recommendations

- 1) That Report FCS25018 respecting Hamilton Future Fund Investment Performance as of December 31, 2024, **BE RECEIVED** for information.

Key Facts

- For 2024, the City of Hamilton Future Fund (“Hamilton Future Fund”) investment portfolio had earnings rate of return of 3.56% on market value basis and 3.67% on average cost basis.
- An overall return of 5.74%, market value basis, outperformed the benchmark of 4.49% by 125 basis points.
- Income generated in 2024 was \$2.02 M and five-year average is \$1.54 M.
- The Hamilton Future Fund is governed by Ontario legislation (Ontario Regulation 438/97) and the City’s Statement of Investment Policies and Procedures (Report FCS24004).
- The Hamilton Future Fund Investment portfolio holdings include cash, bonds and ONE Investment Program Canadian Equity Portfolio (“ONE Canadian Equity Portfolio”).
- The Hamilton Future Fund investment portfolio holdings had a market value of \$56.66 M as at December 31, 2024.

Financial Considerations

There are no budgetary or financial implications to the recommendations.

Background

Report FCS25018 provides transparency on the financial management of the City's Hamilton Future Fund investments.

Analysis

The Hamilton Future Fund investment portfolio holdings include cash, bonds and ONE Canadian Equity Portfolio of \$56.66 M on market value basis and \$56.16 M on cost basis as at December 31, 2024.

The portfolio weighted term to maturity was 3.96 years as of December 31, 2024 compared with 4.81 years as of December 31, 2023.

Earnings Rate, Return on Average Cost Basis, and Overall Market Value Return

The Hamilton Future Fund portfolio of investments had an earnings rate of 3.56% for the 12 months ending December 31, 2024 and an average earnings rate of 2.89% over the past five years. The earnings rate includes investment income and bond lending revenues but excludes realized and unrealized capital gains/losses.

The Hamilton Future Fund's portfolio generated approximately \$2,022,867 in investment income, net realized capital gains/losses and bond lending revenue over the 12 months ending December 31, 2024. Income generated of \$2,022,867 was realized on assets at an average cost of \$55,047,974, giving a percentage return on average cost of 3.67%. Investment income, net realized capital gains/losses and bond lending revenue over the last five years have averaged \$1.54 million annually.

As of December 31, 2024, the market value of the Hamilton Future Fund was \$56,659,420 compared with \$53,593,628 as of December 31, 2023, an increase of \$3,065,792. As of December 31, 2024, net unrealized capital gain was \$498,627.

For the 12 months ending December 31, 2024, the overall market value return (includes investment income, bond lending revenue, realized and unrealized capital gains/losses) for the Hamilton Future Fund was 5.74%, outperforming the benchmark return of 4.49% by 125 basis points. Over the past five years, the overall market value return has averaged 2.61% per annum, outperforming the average benchmark return over the same five-year period of 1.52% by 109 basis points.

The market value return for the ONE Canadian Equity Portfolio for the year ending December 31, 2024 was 20.57%.

The outperformance of the Hamilton Future Fund versus the benchmark for the year ending December 31, 2024 is mostly attributed to the holdings in short-term and mid-term maturity bonds, which outperformed bonds with longer maturity over the year. ONE Canadian Equity Portfolio holdings posted significant positive returns in 2024, which also contributed to the outperformance.

Hamilton Future Fund Investment Performance Report as of December 31, 2024
(FCS25018) (City Wide)
Page 3 of 5

Our benchmark or Policy target return of 4.49% is comprised of returns on a portfolio of 62.5% FTSE Canada Short Term Government Bond index, 27.5% FTSE Canada All Government index and 10.0% FTSE Canada 91 Day T-Bill index. FTSE refers to Financial Times Stock Exchange.

Comparators

By comparison, over the 12-month period ending December 31, 2024 the overall market value returns were 4.85% for the ONE Investment Program Canadian Government Bond Portfolio (bonds with term to maturity 18 months to three years) and 7.17% for the ONE Investment Program Money Market / HISA Portfolio.

If the City's Policy had been used in these ONE Investment Program Portfolios (i.e., 90% in ONE Investment Program Canadian Government Bond Portfolio and 10% in ONE Investment Program Money Market / HISA Portfolio), then the overall return would have been 5.08%, or 0.66% less than the actual overall return of 5.74%.

On an average investment portfolio market value of \$54.79 M this incremental return of 0.66% would translate to an improved market value of approximately \$0.361 M.

Table 1 summarizes the investment return indicators for the Hamilton Future Fund and other comparators over the past five years.

Table 1: Investment Return Indicators

	12 Months ended 12/31/2024	12 Months ended 12/31/2023	12 Months ended 12/31/2022	12 Months ended 12/31/2021	12 Months ended 12/31/2020
Policy Target	4.49%	4.80%	-5.70%	-1.49%	5.51%
Hamilton Future Fund Portfolio	5.74%	6.03%	-5.20%	-1.25%	7.75%
Comparators (1 to 4)					
1 One Investment Program - Canadian Government Bond Portfolio	4.85%	4.61%	-4.04%	-1.44%	5.29%
2 One Investment Program – Money Market / HISA *	7.17%	4.65%	1.57%	0.04%	0.85%
3 FTSE TMX – Short Government	4.92%	4.19%	-3.88%	-1.12%	4.85%
4 FTSE TMX – Mid Government	4.00%	5.65%	-10.33%	-3.07%	9.69%
Earnings Rate (Excludes Capital Gains/ Losses)	3.56%	3.11%	2.73%	2.60%	2.43%
Hamilton Future Fund - Return on ONE Canadian Equity Portfolio **	20.57%	20.55%	17.07%	33.56%	19.56%

Notes to Table 1:

* 2024 CoH calculation based on One Investment Program Money Market (Jan to Sept) and One Investment Program HISA (Oct to Dec); 2020-2023 as per One Investment Program Money Market (MM). One Investment Program MM was discontinued in Oct 2024.

** 2023 & 2024 market returns as per RBCITS; 2020 to 2022 returns calculated by COH

Hamilton Future Fund Investment Performance Report as of December 31, 2024
(FCS25018) (City Wide)

Page 4 of 5

Table 2 shows the changes in Canadian interest rates from January 2023 to January 2025.

Table 2 – Canadian Interest Rates

Canada Benchmark Bond	Interest Rate January 2, 2025	Interest Rate January 2, 2024	Interest Rate January 3, 2023
One Month (T-Bill)	3.19%	5.03%	4.10%
2 year	2.93%	3.96%	4.02%
5 year	2.96%	3.35%	3.34%
10 year	3.22%	3.18%	3.21%

Looking Forward

Market and economic expectations drive interest rates and return on assets. The current global issues including tariffs affect growth, investment, employment and inflation. Staff will continue to monitor the current situation and make adjustments to the investment strategy and asset mix accordingly.

Alternatives

There are no alternatives for consideration.

Relationship to Council Strategic Priorities

Report FCS25018 enforces and supports the following:

1. Sustainable Economic & Ecological Development
 - 1.1 Reduce the burden on residential taxpayers
3. Responsiveness & Transparency
 - 3.1 Prioritize customer service and proactive communication

Previous Reports Submitted

The two most recent reports include:

FCS54066 - [Hamilton Future Fund Investment Performance Report – December 31, 2023](#) – AF&A, December 5, 2024

FCS23050 - [Hamilton Future Fund Investment Performance Report -December 31, 2022](#) – AFA, May 18, 2023

Consultation

None.

Appendices and Schedules Attached

None.

Prepared by: Gerald T. Boychuk, Chief Investment Officer
Corporate Services Department, Finance / Administration,
Investments and Special Projects

Brandon A. Teglas, Investment Assistant
Corporate Services Department, Finance / Administration,
Investments and Special Projects

Submitted and recommended by: Brian McMullen, Director
Corporate Services Department, Finance / Administration,
Investments and Special Projects



City of Hamilton Report for Information

To: Chair and Members
Audit, Finance and Administration Committee

Date: May 1, 2025

Report No: FCS25019

Subject/Title: Cemetery Trust Accounts Investment Performance
Report as of December 31, 2024

Ward(s) Affected: (City Wide)

Recommendations

- 1) That Report FCS25019 respecting Cemetery Trust Accounts Investment Performance as of December 31, 2024 **BE RECEIVED** for information.

Key Facts

- The City's Cemetery Trust accounts (Care and Maintenance, Monument Care and Pre-Need Assurance) investment portfolio holdings totalled \$26.97 M as at December 31, 2024 and generated income of \$0.807 M in 2024.
- For 2024, the City's Cemetery Care and Maintenance Trust investment portfolio had earnings rate of return of 3.28% on market value basis and 3.73% on cost basis.
- An overall return of the City's Cemetery Care and Maintenance Trust of 4.89%, market value basis, outperformed the benchmark of 4.23% by 66 basis points.
- Earnings rates and market value returns on the remaining Cemetery trust accounts, Monument Care and Pre-need Assurance trust funds, are also provided in the report.

Financial Considerations

There are no budgetary or financial implications to the recommendations.

Background

Report FCS25019 provides transparency on the financial management of the City's Cemetery Trust Fund Accounts.

Analysis

Over the 12-month period ending December 31, 2024, the earnings rates are 3.28% for the Cemetery Care and Maintenance Trust, 3.63% for the Cemetery Monument Care Trust and 3.40% for the Cemetery Pre-Need Assurance Trust. These earnings rates include interest and bond lending revenue but exclude realized and unrealized capital gains / losses.

Over the same period, the overall returns based on market value (which include interest, lending revenue, realized and unrealized capital gains / losses) are 4.89% for the Cemetery Care and Maintenance, 4.09% for the Cemetery Monument Care and 4.82% for the Cemetery Pre-Need Assurance. The overall return for the benchmark (or Policy return) is 4.23%. As a result, the Cemetery Care and Maintenance outperformed the benchmark by 66 basis points, the Cemetery Monument Care underperformed the benchmark by 14 basis points, and the Cemetery Pre-Need Assurance outperformed the benchmark by 59 basis points.

As of December 31, 2024, the total portfolio market values are \$19,584,173 (with \$281,872 of net unrealized capital losses) for the Cemetery Care and Maintenance Trust, \$1,768,805 (with \$6,579 of net unrealized capital gains) for the Cemetery Monument Care Trust and \$4,616,717 (with \$47,436 of net unrealized capital losses) for the Cemetery Pre-Need Assurance Trust.

Table 1 summarizes the investment income and return indicators for the past three years for the Cemetery Trust accounts compared to the Benchmark or Policy Target.

Cemetery Trust Accounts Investment Performance Report as of December 31, 2024
FCS25019 (City Wide)
Page 3 of 4

Table 1 – Investment Return Indicators

	12 Months ended 12/31/2024	12 Months ended 12/31/2023	12 Months ended 12/31/2022
Earnings Rate (Excluding Unrealized Capital Gains or Loss)			
Cemetery Care and Maintenance	3.28%	3.21%	3.01%
Cemetery Monument Care	3.63%	3.46%	3.32%
Cemetery Pre-Need Assurance	3.40%	3.22%	3.09%
Total Return			
Cemetery Care and Maintenance	4.89%	6.07%	-8.35%
Cemetery Monument Care	4.09%	6.33%	-8.77%
Cemetery Pre-Need Assurance	4.82%	6.22%	-9.33%
Policy Target (FTSE TMX Canada Universe Bond)	4.23%	6.69%	-11.69%
Bond Lending Revenue			
Cemetery Care and Maintenance	\$ 5,182	\$ 6,493	\$ 5,461
Cemetery Monument Care	\$ 574	\$ 706	\$ 695
Cemetery Pre-Need Assurance	\$ 1,525	\$ 1,437	\$ 1,451
Income Earned*			
Cemetery Care and Maintenance	\$ 594,668	\$ 496,264	\$ 436,867
Cemetery Monument Care	\$ 61,783	\$ 42,571	\$ 45,403
Cemetery Pre-Need Assurance	\$ 151,337	\$ 102,268	\$ 107,782
Ending Balance Portfolio Market Value			
Cemetery Care and Maintenance	\$ 19,584,173	\$ 15,263,071	\$ 16,101,842
Cemetery Monument Care	\$ 1,768,805	\$ 1,147,347	\$ 1,324,943
Cemetery Pre-Need Assurance	\$ 4,616,717	\$ 3,144,708	\$ 3,366,127

Note: * Does not include interest earned in the bank account on balances.

Alternatives

There are no alternatives for consideration.

Relationship to Council Strategic Priorities

Report FCS25019 enforces and supports the following:

1. Sustainable Economic & Ecological Development
 - 1.1 Reduce the burden on residential taxpayers
3. Responsiveness & Transparency
 - 3.1 Prioritize customer service and proactive communication

Previous Reports Submitted

The last two recent reports include:

- FCS24065 - [Cemetery Trust Accounts Investment Performance Report - December 31, 2023](#) – AF&A, December 5, 2024
FCS23052 - [Cemetery Trust Accounts Investment Performance Report - December 31, 2022](#) – AF&A, May 18, 2023

Consultation

None.

Appendices and Schedules Attached

None.

Prepared by: Gerald T. Boychuk, Chief Investment Officer
Corporate Services Department, Finance / Administration,
Investments and Special Projects

Brandon A. Teglus, Investment Assistant
Corporate Services Department, Finance / Administration,
Investments and Special Projects

Submitted and recommended by: Brian McMullen, Director
Corporate Services Department, Finance / Administration,
Investments and Special Projects



City of Hamilton Report for Consideration

To: Mayor and Members
Audit, Finance and Administration Committee
Date: May 1, 2025
Report No: FCS25006
Subject/Title: 2025 Budget Adjustments
Ward(s) Affected: City Wide

Recommendations

1. That, in accordance with the "Budgeted Complement Control Policy," the extensions of temporary positions with 24-month terms or greater, with no impact to the net for tax levy, as outlined in Appendix "A" to Report FCS25006, **BE APPROVED**;
2. That, in accordance with the "Budgeted Complement Control Policy," the staff complement transfers from one department / division to another or a change in complement type, with no impact to the net for tax levy, as outlined in Appendix "B" to Report FCS25006, **BE APPROVED**;
3. That, in accordance with the "Budget Control Policy," the 2025 budget transfers from one department / division to another with no impact to the net for tax levy, as outlined in Appendix "C" to Report FCS25006, **BE APPROVED**;
4. That the capital budget amounts requiring a change in funding, as outlined in Appendix "D" to Report FCS25006, **BE APPROVED**; and
5. That the proposed budget appropriations of \$250,000 or greater and reserve contributions to capital projects, as outlined in Appendix "E" to Report FCS25006, **BE APPROVED**.

2025 Budget Adjustments (FCS25006) (City Wide)Page 2 of 4

Key Facts

- Report FCS25006 recommends routine budget adjustments that are typically made on a quarterly basis during a regular year of operations.
- The budget adjustments align with the City's Budget Control, Budgeted Complement Control, Capital Closing, Capital Budget Appropriation and Work-in-Progress Transfer and General Reserve Policies.

Financial Considerations

Detailed financial impacts of the recommendations can be found in Appendices "A" through "E" of Report FCS25006. In accordance with the City's financial policies, all proposed budget adjustments are tax-levy neutral. Staffing implications, including temporary position extensions and staff complement transfers from one department to another, or changes in complement type, are outlined in Appendices "A" and "B," and also have no net impact to the net tax levy.

Background

Report FCS25006 is presented in accordance with the City's Budget Control Policy and Budget Complement Control Policy, which govern how financial and staff resources are managed within the adopted budget. It ensures that appropriate authority is in place for reallocating resources across the organization.

Analysis

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

Budget Control Policy (Appendix 1 to FCS12010, CBP – 2). The purpose of this Policy is 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. 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.

2025 Budget Adjustments (FCS25006) (City Wide)

Page 3 of 4

The City's **Capital Projects Budget Appropriation and Work-in-Progress Transfer Policy** states that approval authority for the appropriation of funds coincide with the City's Procurement Policy:

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

Based on the "Budget Control Policy" and "Budgeted Complement Control Policy", staff recommend thirteen (13) temporary contract extensions and four complement conversions beyond one pay band, for Council's consideration (Appendices "A" and "B" to Report FCS25006, respectively).

The tax operating budget amendment (Appendix "C") moves budget from one division or department to another. Completing this transfer simplifies the budget review process for the following year by ensuring comparable budget data.

There are three capital budget appropriations that require Council approval in accordance with the Capital Budget Appropriation Policy (Appendix "E"). There are several recommended financing plan adjustments to capital projects resulting from Housing-Enabling Water Systems Fund application (Appendix "D").

The recommendations in Report FCS25006 are aligned with Council-approved policies and have no impact on the City's net tax levy.

Alternatives

There are no alternatives for consideration.

Relationship to Council Strategic Priorities

The recommendation in Report FCS25006 aligns with the Council Priority of Responsiveness & Transparency. Report FCS25006 aligns with the City of Hamilton's Budget Control and Complement Policies and ensures transparency in the budget amendment process.

Consultation

Staff in all City of Hamilton departments were consulted to form the recommendations in Report FCS25006.

2025 Budget Adjustments (FCS25006) (City Wide)Page 4 of 4

Appendices and Schedules Attached

Appendix "A" to Report FCS25006 – Temporary Complement Extension Schedule

Appendix "B" to Report FCS25006 – Budgeted Complement Amendment Schedule

Appendix "C" to Report FCS25006 – Budget Transfer Schedule

Appendix "D" to Report FCS25006 – Capital Projects Requiring a Change in Funding Source

Appendix "E" to Report FCS25006 – Projects Budget Appropriations of \$250,000 or greater and Capital Project Reserve Funding Requiring Council Approval

Prepared by: Kayla Petrovsky Fleming, Supervisor
Financial Planning, Administration & Policy, Corporate Services

Submitted and recommended by: Kirk Weaver, Acting Director
Financial Planning, Administration & Policy, Corporate Services

CITY OF HAMILTON TEMPORARY COMPLEMENT EXTENSION SCHEDULE

Extensions to temporary positions with terms of 24 months or greater per the Budgeted Complement Control Policy

ITEM #	Department	Division	Position Title	FTE	Extension Length
1	Public Works	Waste Management	SPM Long Term Waste Planning	1.0	7/01/2026 18 months
<p>Original Need: This position is part of our temporary Waste Management Division. The SPM manages / oversees our major waste projects such as the Blue Box Transition, the Solid Waste Management Master Plan, Asset Management Plan update, the EAM MVP implementation, as well as our Organics Management Strategy. Most of these items are hitting their plateau in 2025.</p> <p>Rationale for Extension: As noted above, a number of these projects are hitting their peak in 2025 and not having this SPM would be detrimental to the long term success of the division. Also, adding new long term projects in late 2025 and early 2026 related to implementing the Master Plan once approved, preparing for the next waste collection contract and working on the feasibility of bringing a couple of contracts in house (i.e.. HHW depot operations and the scale house attendants).</p>					
2	Public Works	Hamilton Water	Lab Technician - CoOp Student	1.0	12/31/2025 7 months
<p>Original Need: Since 2018, the City of Hamilton Environmental Laboratory's sample load has increased by 30% including a consistent increase in samples with a complex matrix requiring labour intensive analysis and additional investigation. This increase in samples has been resourced with a temporary (over complement) student and the use of overtime.</p> <p>Rationale for Extension: Hamilton Water submitted a business case for a new Lab Technician I as part of the 2025 Rate Budget. This student extension is needed during the transition phase of hiring a new full-time permanent Technician and onboarding the new employee.</p>					
3	Planning and Economic Development Department	Economic Development	Senior Planner - Economic Development	1.0	18 months
<p>Original Need: To support the development and implementation of new or amended Community Improvement Project Areas, Community Improvement Plans and associated financial incentive and assistance programs and strategies. Co-ordinates and participates in research studies and best practices respecting Economic Development initiatives.</p> <p>Rationale for Extension: The study, development and implementation of the new/amended Community Improvement Plans and associated financial incentive programs has been delayed due to coordination with Planning on their new Green Building standards. In addition, new projects have been assigned to the CDSB section requiring additional Senior Planner support. Position funding is from capital.</p>					
4	Planning and Economic Development	Planning	Application Support Coordinator	1.0	5/23/2026 12 months
<p>Original Need: the position was to support the launch and administration, troubleshooting, training and user experience of the Planning On-Line Portal. The position is funded from Capital 8121957901-Digital Planning Applications</p> <p>Rationale for Extension: The position is expected to support all applications that serve to improve our business in Planning. For example, SharePoint site development, staff training and user experience for all of Planning, Virtual Agent chatbot development, D365, POS, and the pending introduction of the new Development Application Tracker that will require several staff to support the implementation of the new enterprise system across Planning. In addition, this position is working closely with the Building Dept support staff to ensure synergies are created/maintained amongst Divisions for tracking applications, sharing data, etc.</p>					
5	Planning and Economic Development	Economic Development	Senior Business Development Officer	1.0	March 2026 12 months
<p>Original Need: To support Provincial, Federal and strategic programming including My Main Street, Digital Main Street and Common House Café.</p> <p>Rationale for Extension: Ministry provided an extension to the original TPA, the position is required to support KPI's and delivery of key programming. Position is fully funded and has no levy impact. Loss of the position would have contractual and KPI delivery impacts. Business case to stabilize the position will go to Council in the 2026 budget with the request to extend indefinitely with the provision of funding source.</p>					

CITY OF HAMILTON TEMPORARY COMPLEMENT EXTENSION SCHEDULE

Extensions to temporary positions with terms of 24 months or greater per the Budgeted Complement Control Policy

ITEM #	Department	Division	Position Title	FTE	Extension Length
6	Planning and Economic Development	Economic Development	Business Development Officer - My Main Street	1.0	March 31/26 12 months
<p>Original Need: This incumbent was originally hired to support the My Main Street program. The original program received an extension and the position remained fully funded.</p> <p>Rationale for Extension: The position continues to support MEDJCT Core program activities and is tied to the extended TPA that will expire on March 31st, 2026. There is no levy impact on this position and loss of the consultant/ position would result in the inability to achieve KPI's within the current TPA.</p>					
7	Corporate Services	Information Technology	Service Desk technician (co-op)	1.0	24 months
<p>Original Need: Position supports the Service Desk, the Service Desk supports the City users' IT needs. The desk has a hotline that intakes IT service requests.</p> <p>Rationale for Extension: Co-ops create a hiring and evaluation stream from learning institutions into the City. This is an invaluable HR recruitment tool. We would like to continue the Co-op program for an additional 24 months.</p>					
8	Corporate Services	Financial Planning Administration and Policy	Financial Assistant II	1.0	24 months
<p>Original Need: Additional FAIL to assist with the heavy volume of Housing Services purchase orders, invoicing & attendance.</p> <p>Rationale for Extension: Position #14460 is essential to assisting the Housing Services division in keeping up with the continued large volume of purchase orders, invoicing and attendance requirements which was further exacerbated due to the Cyber Incident. The Cyber incident has created additional work load due to manual processes. If not approved the task would fall behind & could impact reporting required to maintain funding. In addition we are experiencing an unusual amount of turn over in the FAIL role and require to maintain a level of resources to maintain service levels. This position is funded by 100% Provincial HPP funding. Therefore no levy impact.</p>					
9	Corporate Services	Financial Planning Administration and Policy	Financial Coordinator	1.0	24 mths
<p>Original Need: To develop improved processes and implement continuous improvement to find efficiencies in reporting, managing and providing appropriate financial controls to the many funding envelopes Housing Services division must manage. The intent was to develop improvements to facilitate more accurate and timely reporting and control over transactions in managing the many funding envelopes in order to meet the last minute requests from Management, Council and Media.</p> <p>Rationale for Extension: The original intent continues to be required but due to the Cyber incident it could not be completed. The need to retain PN 14253 is vital to the ongoing tracking & maintaining of manual reporting due to the cyber disruption to provide detailed reporting required for funding reporting. Further turnover continues to put pressure on our need to retain all resources available to deliver the necessary outcomes to keep vendor's paid and program funding flowing through Ministry reports. Once processes return to normal (ie Cyber attack solution implemented) the original intent of the position will be put into action. This position is funded by 100% Provincial HPP Program funding. Therefore no levy impact.</p>					
10	Healthy and Safe Communities	Housing Services Division	Performance Reporting and Evaluation Specialist	1.0	24 months
<p>Original Need: This role is a project lead position who functions in a strategic data capacity. This role identifies key info needed from analyst positions and communicates, and trouble shoots issues with providers. It sets data standards for HIFIS and provide direction to the analyst roles who function in a technical capacity. The position would continue to be 100% Federally funded (Reaching Home).</p> <p>Rationale for Extension: Future staff report/business case to seek permanent position status will go to Council at a later date.</p>					

CITY OF HAMILTON TEMPORARY COMPLEMENT EXTENSION SCHEDULE

Extensions to temporary positions with terms of 24 months or greater per the Budgeted Complement Control Policy

ITEM #	Department	Division	Position Title	FTE	Extension Length
11	Healthy and Safe Communities	Housing Services Division	Social Policy Analyst	1.0	24 months
Original Need: This role supports research, engagement, program design, coordinating services, and policy development for Housing Services Division. Due to the increasing demand for housing services, the policy team needs to maintain current complement of policy staff. The position would continue to be 100% Federally funded (Reaching Home). Rationale for Extension: Future staff report/business case to seek permanent position status will go to Council at a later date.					
12	Healthy & Safe Communities	Housing Secretariat	Admin Asst.	1.0	24 months
Original Need: The Administrative Assistant supports the Housing Secretariat division in the divisions focus on actions designed to impact Hamilton's affordable housing system across the four pillars of the HSIR. Rationale for Extension: Continued need of the position. Future staff report/business case to seek permanent position status will go to Council at a later date.					
13	Public Works	Engineering Services	Sr Project Manager of Continuous Improvement	1.0	24 months
Original Need: To support the Continuous Improvement of the Engineering Services Division within Public Works. Rationale for Extension: This position was intended to be budgeted as it is an on-going position in Public Works to have Senior Project Manager for Continuous Improvement in each Division. The staff are temporary for 18-24 months. The position is recovered from Capital in Engineering Services. It will be made permanent budgeted in a future Operating budget cycle.					
14	Corporate Services	Revenue Services	Senior Project Manager	1.0	12 months
Original Need: Project manager to oversee the Utility Billing Transition Project whereby the City will insource utility billing responsibilities from Alectra. Rationale for Extension: Alectra's original position was to discontinue providing utility billing services to the City by December 31, 2024. However, due to a protracted procurement process the billing transition will not be fully complete until Q2 2026.					

CITY OF HAMILTON BUDGETED COMPLEMENT AMENDMENT SCHEDULE

Amendments to budgeted complement per the Budgeted Complement Control Policy including transfers, position conversions and pay grade adjustments

ITEM #	TRANSFER FROM				TRANSFER TO			
	Department	Division	Position Title	FTE	Department	Division	Position Title	FTE
1	Healthy and Safe Communities	Hamilton Fire Department	Emergency Vehicle Technician	1.00	Healthy and Safe Communities	Hamilton Fire Department	Mechanical Officer	1.00
	Explanation: Seeking Council Approval to convert 1.00 FTE for an existing, permanent, Emergency Vehicle Technician - Pay Grade 6A to 1.00 FTE for a new, permanent, Mechanical Officer - Pay Grade 8A. The conversion of this position is a result of collective bargaining and will be funded from 2025 base budget.							
2	Other Boards and Agencies	Hamilton Farmers' Market	Admin Clerk - Farmers' Market	0.70	Other Boards and Agencies	Hamilton Farmers' Market	Admin Secretary - Farmers' Market	1.00
	Explanation: Seeking Council Approval to convert 0.70 FTE for an existing permanent Administrative Clerk - Pay Grade B to 0.70 FTE for a new permanent Administrative Secretary - Pay Grade F. The conversion of this position is to better reflect the requirements of the role, and improve retention of incumbents. The increase in the cost will be funded within existing budget from the repurposing of existing vacant permanent part-time Marketing Associate. Three part-time positions are being converted to two Full-time positions.							
3	Other Boards and Agencies	Hamilton Farmers' Market	Market Programming Coordinator	0.70	Other Boards and Agencies	Hamilton Farmers' Market	Market Programming Coordinator	1.00
	Explanation: Seeking Council Approval to convert 0.70 FTE for an existing permanent Market Programming Coordinator - Pay Grade G to 1.0 FTE for the same position and same grade. The conversion of this position is to better reflect the requirements of the role, and improve retention of incumbents. The change will be funded within existing budget from the repurposing of existing vacant permanent part-time Marketing Associate. Three part-time positions are being converted to two Full-time positions.							
4	Other Boards and Agencies	Hamilton Farmers' Market	Marketing Associate	0.60	Other Boards and Agencies	Hamilton Farmers' Market	Market Programming Coordinator	-
	Explanation: Seeking Council Approval to repurpose 0.60 FTE for an existing vacant permanent Marketing Associate - Pay Grade G, by converting two existing part-time positions above into two Full-time positions. Three part-time positions are being converted to two Full-time positions.							

Note - Complement transfers include the transfer of corresponding budget.

(1) - All other budgeted complement changes that require Council approval per Budgeted Complement Control Policy must be done through either separate report or the budget process (i.e. Increasing/decreasing budgeted complement).

(2) - If a position is changing, the impact of the change is within 1 pay band unless specified.

**CITY OF HAMILTON
BUDGET AMENDMENT SCHEDULE**

Budget Transfer to another division, department, or cost category

ITEM #	TRANSFER FROM				TRANSFER TO			
	<u>Department</u>	<u>Division</u>	<u>Cost Category</u>	<u>Amount</u>	<u>Department</u>	<u>Division</u>	<u>Cost Category</u>	<u>Amount</u>
1	City Manager	Government & Community Relations	Consulting	190,000	Healthy & Safe Communities	Children's and Community Services	Agencies & Support Payments	190,000
	Explanation: The contract for Hamilton Anti-Racism Resource Centre (HARRC) has transitioned over to the Community Strategies team to better support and align with the Community Safety & Wellbeing Plan.							

CITY OF HAMILTON CAPITAL PROJECTS REQUIRING A CHANGE IN FUNDING SOURCE

Project ID	Description	Original Funding Source	Revised Funding Source	Amount (\$)	Comments
Public Works (Tax Supported Budget)					
4032311031	Cannon - James to Queen and York - Dundurn to Caroline	Federal Gas Tax Revenue (42020)	Provincial Contribution (43526)	2,110,680	Project was awarded grant funding through the Housing-Enabling Water Systems Fund.
4030011400	Asset Preservation - State of Good Repair	Current Contribution (49300)	Federal Gas Tax Revenue (42020)	2,110,680	As a portion of the CCBF funds that were applied to Project 4032311031 are no longer required, the excess CCBF funds can now be applied to this project. As a result, \$2,110,680 will be returned to the Unallocated Capital Reserve (#108020).
Subtotal Engineering Services				4,221,360	
Subtotal Public Works (Tax Supported Budget)				4,221,360	
Public Works (Rate Supported Budget)					
5142363277	Hwy 5 and 6 MTO Interchange Strategic Upsizing of Existing Watermains	Debenture Proceeds (49002)	Current Contribution (49300)	-\$ 1,050,000.00	To adjust the change in funding source approved through report FCS24047. The funding split between debentures and current contributions has changed since this time. No net impact to total debt or reserve transfers.
5141269250	HVAC system Upgrades at New Environmental Laboratory and Administration Building	Debenture Proceeds (49002)	Current Contribution (49300)	\$ 1,350,000.00	To adjust the change in funding source approved through report FCS24047. The funding split between debentures and current contributions has changed since this time. No net impact to total debt or reserve transfers.

CITY OF HAMILTON CAPITAL PROJECTS REQUIRING A CHANGE IN FUNDING SOURCE

Project ID	Description	Original Funding Source	Revised Funding Source	Amount (\$)	Comments
5142096850	Locke St Trunk Watermain - Main to Barton (W-19)	Federal Grant (42001)	Development Charges (48475 & 48476)	1,560,375	To reverse the change in funding source that was approved through report FCS24047. The Housing-Enabling Water Systems Fund revenue will be applied to different projects IDs in 2025 & 2026 and this project will be closed on a future closing report.
5142396851	Locke St Trunk Watermain - York - Locke to Cannon @ Caroline (W-19)	Federal Grant (42001)	Provincial Contribution (43526)	1,801,275	Project was awarded grant funding through the Housing-Enabling Water Systems Fund which is funded by the Province and not the Federal Government.
5142396851	Locke St Trunk Watermain - York - Locke to Cannon @ Caroline (W-19)	Development Charges Debt (49004 & 49005)	Provincial Contribution (43526)	45,625	Project was awarded grant funding through the Housing-Enabling Water Systems Fund.
Subtotal Waterworks				3,707,275	
5162418420	Size upgrade to sanitary sewer at Dundas St. East	Debenture Proceeds (49002)	Current Contribution (49300)	-\$ 300,000.00	To adjust the change in funding source approved through report FCS24047. The funding split between debentures and current contributions has changed since this time. No net impact to total debt or reserve transfers.
Subtotal Wastewater				(300,000)	
Subtotal Public Works (Rate Supported Budget)				3,407,275	
Total Revised Funding				7,628,635	

CITY OF HAMILTON

CAPITAL PROJECTS BUDGET APPROPRIATIONS OF \$250,000 OR GREATER AND CAPITAL PROJECT RESERVE FUNDING REQUIRING COUNCIL APPROVAL

Appropriated/ Transferred From	Description	Appropriated/ Transferred To	Description	Amount (\$)	Comments
43526 - Provincial Contribution	Metrolinx	5142561001	Main Street East and Ottawa St - London Street to Grosvenor Avenue - Watermain Works	10,489,500	The amount of \$10,500 was entered into the 2025 Rates Budget in error for this project. The total budget should have been \$10,500,000 resulting in a difference of \$10,489,500. This amount is 100% Provincial Contribution from Metrolinx resulting in a a zero net impact to the Rates Budget.
2052059001	Talent Management System Enhancement s	2052555001	Employee Survey (OPS) 2025	196,382	Final phase of Employee Survey in 2025 (reference Proj ID 2015659601 which was closed in June 2023). Funding is being transferred from Proj ID 2052059001 which is no longer required.

CITY OF HAMILTON

CAPITAL PROJECTS BUDGET APPROPRIATIONS OF \$250,000 OR GREATER AND CAPITAL PROJECT RESERVE FUNDING REQUIRING COUNCIL APPROVAL

Appropriated/ Transferred From	Description	Appropriated/ Transferred To	Description	Amount (\$)	Comments
5162466121	Woodward WWTP - Dewatering Polymer System Upgrades	5161966102	Woodward WWTP - Expansion (CASH FLOWED)	300,000	At the request of the Plant Maintenance and Technical Services Section, the Dewatering Polymer System Upgrades was transferred for inclusion in the Woodward WWTP Phase 2 Expansion Project under the Wastewater Treatment Capital Section within the Woodward Water & Wastewater Treatment Capital team.
Subtotal Public Works (Rate Supported Budget)				10,985,882	
Total				10,985,882	



City of Hamilton Report for Consideration

To:	Chair and Members Audit, Finance and Administration Committee
Date:	May 1, 2025
Report No:	AUD25003
Subject/Title:	Transfer Payments and Grants Audit
Ward(s) Affected:	City Wide

Recommendations

- 1) That Audit Report titled "Transfer Payment and Grants Audit", attached as Appendix "A" to Report AUD25003 **BE RECEIVED** for information.
- 2) That the management response, as detailed in Appendix "B" to Report AUD25003 be approved; and
- 3) That the General Manager of Finance and Corporate Services be directed to implement the management response (contained in Appendix "B" to Report AUD25003) and report back to Audit, Finance and Administration Committee by December 2025, on the nature and status of actions taken in response to the audit report.

Key Facts

- The Office of the Auditor General (OAG) performed an audit of transfer payments and grants.
- The City of Hamilton received over \$500 million in incoming transfer payments in and paid out over \$200 million in 2022 (the most recently available audited financial statements)
- The OAG finds that an effective governance structure for transfer payment administration does not exist at the City of Hamilton.

- There is also a lack of corporate level strategic policy and planning to effectively oversee transfer payment and grant programs, ensuring transparency and accountability to the public.
- The OAG made six (6) recommendations to improve the governance and administration of transfer payments and grants.
- Management agreed with all six recommendations and provided one overall management response.

Financial Considerations

None.

Background

This audit was part of the Council-approved Office of the Auditor General Work Plan 2023 to 2026 (Report AUD23012).

Analysis

The City of Hamilton received between \$450 million and \$510 million annually in incoming transfer payments and contributions from upper levels of government in the last 5 years (2018-2022), based on available City records.

The City of Hamilton was also responsible for the management and distribution of about \$200 million in annual outgoing transfer payments and grants in recent years.

Effective governance and administration transfer payment funds requires a governance model that provides leadership, strategic policy guidance for program and service areas that have responsibilities in administering transfer payments.

The audit set out to answer the following questions:

- **Governance** – Are there sufficient structures, tools, and systems in place to ensure that transfer payments are managed effectively, efficiently and consistently across the City?
- **Program Design and Evaluation** – Does the City routinely assess the effectiveness of transfer payment and grant programs?
- **Funding Allocation and Award** – Is due diligence being exercised when conducting budgetary planning and funding assessments to ensure that taxpayer dollars are allocated in an equitable and transparent manner?

- **Monitoring and Oversight** – Are appropriate processes being utilized to ensure that transfer payment and grant recipients remain compliant with program terms, and that funds are used as intended?

We found that an effective governance structure for transfer payment administration does not exist at the City of Hamilton. Additionally, there is a lack of corporate level strategic policy and planning to effectively oversee transfer payment and grant programs, ensuring transparency and accountability to the public.

There is also a distinct lack of policy to provide corporate direction to ensure prudent transfer payment management / administration. The City of Hamilton should have:

- A Funding Agreement template that ensures fund recipients are held accountable for service delivery and protects the interests of the City.
- Clearly defined roles and responsibilities, with respect to transfer payments, particularly for corporate functions, program operations, and vendor oversight.
- Clearly defined funding eligibility criteria.
- Transparent application evaluation processes.
- Risk-based performance monitoring of fund recipients.
- Mechanisms for validating funds spent as intended.
- Data collection, tracking and monitoring for achievement of outcomes as required by funding agreements.
- Effective reporting on outcomes.

In the absence of governance structures and corporate policies, transfer payment administration and management at the City of Hamilton is left to individual program and service areas.

The City of Hamilton provides various grants to external organizations. Even though operational staff believed there was a corporate policy related to grant administration, we found there is not such a policy in existence. While some grant programs have developed a handbook or guidelines, we however, found these programs lack a systematic approach for administering the grant program through its lifecycle that incorporates the following key aspects:

- Intended outcome of a grant designed at launch.
- Clear criteria and evaluation process.
- Monitoring of fund use as intended.
- Reporting on outcomes.
- Effective agreement/contract management.

Any grant program should be able to answer the following questions:

- What outcome(s) does the grant program intend to achieve?
- What is the current status with regards to the intended outcome(s)?
- Were the funds used as intended?

The OAG found that these basic questions were unable to be answered unambiguously by the program areas responsible for the administration of these three grant programs that were sampled as part of this audit.

A formal report, attached as Appendix “A” to Report AUD25003, summarizes the details of the audit findings.

The City of Hamilton is accountable for the effective governance, management and administration of transfers payments and grants, which requires the City establish a governance mechanism to ensure transfer payments achieve the intended outcome. The City also has a responsibility to ensure grant programs are administered prudently and value of the investment is realized.

Overall, the OAG has made recommendations to improve the governance and administration of transfer payments and grants, to close policy gaps and ensure that taxpayers are receiving value for money in transfer payments and grants that the City of Hamilton is accountable for.

Alternatives

Not Applicable.

Relationship to Council Strategic Priorities

3. Responsiveness & Transparency
 - 3.3. Build a high performing public service.
 - 3.4. Modernize City systems.

Previous Reports Submitted

[Report AUD25001 Audit of Contract Payments to DARTS](#)

[Report AUD22007 Accessible Transit Service: DARTS Fleet Management and Vehicle Safety Audit \(Report #50695\)](#)

[AUD21013 Hamilton Future Fund](#)

[AUD19004\(a\) Supplementary Audit Report – Housing Services Division: Capital](#)

[AUD19004 Housing Services Division – Capital Funding](#)

[AUD13019 Community Partnership Program Grants \(now known as City Enrichment Fund\)](#)

[AUD13016 Housing Services - Rent Supplement Programs](#)

Consultation

Mike Zegarac-General Manager, Finance and Corporate Services

Kirk Weaver-Acting Director Financial Policy, Administration, and Planning

Brian McMullen-Director Financial Policy, Administration, and Planning

Children's and Community Services Division

Housing Services Division

Economic Development Division

Hamilton Water Division

Recreation Division

Government Relations and Community Engagement Division-City Enrichment Fund

Appendices and Schedules Attached

Appendix A: Transfer Payments and Grants Audit Report

Appendix B: Recommendations and Management Responses

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Auditor General**
City of Hamilton

Transfer Payments and Grants Audit



May 1, 2025

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Executive Summary

- 1 The City of Hamilton received between \$450 million and \$510 million annually in incoming transfer payments and contributions from upper levels of government in the last 5 years (2018-2022), based on available City records.
- 2 The City of Hamilton was also responsible for the management and distribution of about \$200 million in annual outgoing transfer payments and grants in recent years.
- 3 Effective governance and administration transfer payment funds requires a governance model that provides leadership, strategic policy guidance for program and service areas that have responsibilities in administering transfer payments.
- 4 The audit set out to answer the following questions:
 - **Governance** – Are there sufficient structures, tools, and systems in place to ensure that transfer payments are managed effectively, efficiently and consistently across the City?
 - **Program Design and Evaluation** – Does the City routinely assess the effectiveness of transfer payment and grant programs?
 - **Funding Allocation and Award** – Is due diligence being exercised when conducting budgetary planning and funding assessments to ensure that taxpayer dollars are allocated in an equitable and transparent manner?
 - **Monitoring and Oversight** – Are appropriate processes being utilized to ensure that transfer payment and grant recipients remain compliant with program terms, and that funds are used as intended?
- 5 We found that an effective governance structure for transfer payment administration does not exist at the City of Hamilton. Additionally, there is a lack of corporate level strategic policy and planning to effectively oversee transfer payment and grant programs, ensuring transparency and accountability to the public.
- 6 There is also a distinct lack of policy to provide corporate direction to ensure prudent transfer payment management/administration. The City of Hamilton should have:
 - A Funding Agreement template that ensures fund recipients are held accountable for service delivery and protects the interests of the City.
 - Clearly defined roles and responsibilities, with respect to transfer payments, particularly for corporate functions, program operations, and vendor oversight.

- Clearly defined funding eligibility criteria.
- Transparent application evaluation processes.
- Risk-based performance monitoring of fund recipients.
- Mechanisms for validating fund spent as intended.
- Data collection, tracking and monitoring for achievement of outcomes as required by funding agreements.
- Effective reporting on outcomes.

7 In the absence of governance structures and corporate policies, transfer payment administration and management at the City of Hamilton is left to individual program and service areas. We reviewed a sample of transfer payment funded programs: Child care and EarlyON, Reaching Home, and Small Business Enterprise Center (SBEC). We found the following:

- Fund recipient risk profiles have not been established, contributing to lack of risk-based monitoring of fund recipient performance.
- Lack of mechanisms to verify and validate that recipients have used the money as intended.
- Lack of metrics and meaningful data to inform reporting on outcome achievement.

8 The City of Hamilton provides various grants to external organizations. Even though operational staff believed there was a corporate policy related to grant administration, we found there is not such a policy in existence. While some grant programs have developed a handbook or guidelines, we however, found these programs lack a systematic approach for administering the grant program through its lifecycle that incorporates the following key aspects:

- Intended outcome of a grant designed at launch.
- Clear criteria and evaluation process.
- Monitoring of fund use as intended.
- Reporting on outcomes.
- Effective agreement/contract management.

9 The three grant programs we sampled are Protective Plumbing Program, Sports and Recreation grants, City Enrichment Fund. Each program was created for different reasons, and the administration of the program also varies widely.

10 Any grant program should be able to answer the following questions:

- What outcome(s) does the grant program intend to achieve?

- What is the current status with regards to the intended outcome(s)?
- Were the funds used as intended?

- 11 The OAG found that these basic questions were unable to be answered unambiguously by the program areas responsible for the administration of these three grant programs that were sampled as part of this audit.
- 12 The City of Hamilton is accountable for the effective governance, management and administration of transfers payments and grants, which requires the City establish a governance mechanism to ensure transfer payments achieve the intended outcome. The City also has a responsibility to ensure grant programs are administered prudently and value of the investment is realized.

Introduction and Background

- 13 The Council-approved 2023-2026 Office of Auditor General Workplan included a Transfer Payments and Grants value for money audit.
- 14 Fieldwork for this audit was completed in early 2024, and then the City of Hamilton was impacted by the ransomware attack on February 25, 2024. This delayed the reporting phase of this audit. Additionally, as of February 2025 the City of Hamilton's 2023 Audited Financial Statements had not been released, which is why the report generally refers to figures from the 2022 Audited Financial Statements. 2023 final numbers from the City's PeopleSoft Financial System were also not available to the Office of the Auditor General due to the ransomware attack.

- 15 According to the Province of Ontario's "Transfer Payment Accountability Directive",

"Transfer payments are a mechanism used by the Ontario Government to fund activities that benefit the public and are designed to achieve public policy objectives. Transfer payments are transfers of money to individuals, external organizations or to other governments for which the Ontario government does not:

- Receive goods or services directly in return, as would occur in a purchase or sales transaction.

What is a Transfer Payment?

The City of Hamilton does not have a policy definition of what a transfer payment is or guidelines to support effective administration. Given that under the Constitution Act, 1867 municipalities are creatures of the Province, for the purposes of the audit, we adopted the definition of "Transfer Payments" utilized by the Province of Ontario.

- Expect to be repaid in the future, as would be expected in a loan; or
- Expect a direct financial return, as would be expected in an investment."

16 Based on the above definitions, incoming funds received by the City of Hamilton from the Government of Canada and Province of Ontario would be categorized as follows:

- **Time limited payments:**
Contracted programs such as Reaching Home (RH), Community Homelessness Prevention Initiative (CHPI), Starter Companies and Small Business Enterprise Center, and other infrastructure funding.
- **Ongoing payments:** transit, policing, court security, waste diversion, ambulance services, child care, long-term care homes, housing, and public health etc.
- **Support payments:** social assistance, child care fee subsidies, housing subsidies etc.

A transfer payment belongs to one of the three categories:

- Time-limited payments
- Ongoing payments
- Support payments

17 Outgoing transfer payments paid out by the City of Hamilton could also be classified using the above categories.

Characteristics of Transfer Payments with Service Delivery by External Organizations

18 The OAG finds external organizations tasked with service delivery funded by transfer payments also typically have the following common characteristics:

- The vast majority of these external organizations are not-for-profit organizations.
- These external organizations are substantially funded by government funding and charitable contributions.
- Objective is to service the public or community interest
- Work is not completed solely on a fee for service basis, funding is provided to deliver a program.

- The receiving organization is expected to be a "steward" of public money

Reporting to the Province of Ontario

- 19 In addition to the City's annual audited financial statements, the City is required to submit a Financial Information Return (FIR) annually to the Province of Ontario.
- 20 "The FIR is the main data collection tool used by the Ministry of Municipal Affairs and Housing to collect financial and statistical information on municipalities."
<https://data.ontario.ca/dataset/financial-information-return-fir-for-municipalities>
- 21 Financial Information Returns are publicly available via the Province's website. It is the OAG's opinion that the FIRs are not particularly user friendly and are more suited for research purposes rather than communicating with the public for transparency and accountability purposes.
- 22 The OAG has questions regarding whether or not "Contracted Services" reported in the FIR were classified appropriately, as many of them appeared to be related to transfer payments (social housing, social and family services, etc.). The OAG did not pursue this in the audit because it was not the purpose of the audit. The purpose of the audit was to ensure adequate accountability of transfer payments.

23 Principles of the Province's Transfer Payment Accountability Directive¹

- A. Accountability** – Ministries are accountable for protecting the public interest. Ministries hold recipients responsible for delivering the activities for which the funds were received.
- B. Value for money** – Ministries are efficient and effective in using public resources for transfer payments.
- C. Risk-based approach** – Transfer payment oversight is in proportion to any risks associated with the activity and the recipient.
- D. Fairness, integrity and transparency** – The decision to provide transfer payments and the oversight of transfer payment activities is fair, impartial and transparent and conforms to applicable legislation and corporate policy direction.
- E. Focus on outcomes** – Transfer payment activities are clearly defined and contribute to the achievement of public policy objectives.

¹ [Transfer Payment Accountability Directive | ontario.ca](#)

F. Common processes – Ministries use common processes, tools and templates as appropriate to create administrative efficiencies and support consistency in the oversight of transfer payments.

G. Information sharing – Relevant and appropriate information and data are collected, managed and shared across the Ontario government.

H. Communication – There is respectful, open and ongoing communication between ministries and transfer payment recipients.

24 The directive aims to ensure that public funds are managed responsibly, with a focus on achieving desired outcomes, minimizing risk, and maintaining transparency throughout the process.

25 The Province of Ontario has established strong governance and oversight expectations with their Transfer Payment Directive as strong governance structure and expectations for the oversight and management of transfer payments. The Office of the Auditor General believes a similar model could be used at the City of Hamilton to improve the administration of transfer payments to third parties.

What Transfer Payments Did the City of Hamilton Receive?

26 Incoming transfer payments are referred to as Government Grants and Contributions, and Government Transfers in the City of Hamilton's Annual Financial Report, which includes the audited financial statements. As according to the 2022 Consolidated Statement of Operations (income statement), Government Grants and Contribution received was \$511.7 million.

Table 1 – Government Transfers Received

Government Transfers Received	2022 (in millions)	2021 (in millions)
Social assistance	\$150.5 M	\$158.4 M
Child Care	\$96.2 M	\$79.3 M
Public Health	\$56.3 M	\$65.2 M
Federal and Provincial gas tax	\$47.2 M	\$34.7 M
Ambulance services	\$37.7 M	\$34.8 M
Long term care homes	\$34.3 M	\$31.7 M
Housing	\$27.7 M	\$41.1 M
Infrastructure	\$24.4 M	\$39.1M
Other	\$11.3 M	\$25.9 M
Transit	\$8.1 M	\$8.5 M
Waste diversion	\$7.0 M	\$6.6 M
Policing	\$6.1 M	\$5.8 M
Court security	\$4.9 M	\$5.2 M
Total received:	\$511.7 M	\$536.3 M

Source: City of Hamilton 2022 Financial Report, Notes to Consolidated Financial Statements, Note 16. All numbers are in millions.

How Much in Transfer Payments Did the City Pay Out?

- 27 According to Note (16) Government Transfers were paid out under three categories of services in a total of \$201.1 million, which is 39% of what was received during the year. See Table 2 for details.

Table 2 – Government Transfers Paid Out

Government Transfers Paid Out	2022 (in millions)	2021 (in millions)
Social Assistance	\$123.6 M	\$99.9 M
Social Housing	\$57.1 M	\$58.0 M
Grants	\$20.4 M	\$39.9 M
Total Paid	\$201.1 M	\$197.8 M

Source: Source: City of Hamilton 2022 Financial Report, Notes to Consolidated Financial Statements, Note 16. All numbers are in millions.

How Does the City Manage Transfer Payments?

- 28 “Flat” is how the management of transfer payments at the City of Hamilton can be described, meaning that individual program areas administer the incoming and outgoing transfer payments, and the corresponding programs, either based on the agreement with the Provincial or Federal government, or the legislation that governs the program.
- 29 Some of the services and programs funded by outgoing transfer payments are provided by the City directly to individuals, such as Ontario Works income support, Housing Rent Supplements, etc., while others have service delivered by external organizations, such as child care operators, an accessible transportation provider (DARTS), and numerous social housing providers. Per the City of Hamilton’s 2022 Financial Information Return submitted to the Province of Ontario, contracted services for social housing, and social and family services were \$134.2M. This is a significant amount of money.
- 30 Even with over \$134M worth of transfer payments spent on service delivered by external organizations in 2022, the OAG was unable to locate a corporate policy or guidelines regarding managing/administration of government transfer payments, either incoming or outgoing.
- 31 Our audit work found that some City management generally are of the opinion that transfer payments are a form of purchase of service, which should fall under Procurement By-law. However, City of Hamilton Procurement By-law No. 22-255 Schedule B specifically exempts services funded by transfer payments from the requirements of procurement policies.

32 According to Schedule (B) of the City of Hamilton Procurement By-law No. 22-255 Professional Services and Special Services are exempt from the City of Hamilton's procurement requirements as follows (excerpt):

a) Providers of community support services including:

- Counselling, individual assessments, training;
- Residential care facilities for vulnerable persons and emergency shelters;
- Children with special needs resourcing, licensed child care service providers and the system support of the Ontario Child Care Management System, Early On service providers, planned parenthood, prenatal care and education;
- Ontario Works recipients;
- Long Term Care Facilities nursing;
- Homemakers and funeral services, including funerals, burials, cremations.

33 The OAG finds that there is a significant gap in both governance and policy for the administration of transfer payments at the City of Hamilton.

34 The OAG researched other municipalities, and senior levels of government regarding transfer payment management strategy. We note, in addition to the Province of Ontario having established a sound transfer payment management methodology and clear expectations and training of its fund managers, some municipalities also have relatively mature strategies for managing transfer payments and administering grant programs.

35 These include:

- City of Ottawa established a Grants and Contribution Policy for programs funded by City of Ottawa.
- Township of Cramahe established a Municipal Grant and Donation Policy for funding to support non-profit groups and organizations that provide programs, services or events to the community.
- City of Toronto established City of Toronto Grants Policy.

36 While most municipalities call funding to support services and programs at the community level "grants", the funding is in fact a type of transfer payment.

37 We further note some common elements in these municipalities' grants policy, which make grant programs management more mature. These include:

- A requirement to define funding outcome(s).

- A requirement to define eligibility criteria.
- A requirement to have a transparent application process.
- A requirement for a signed funding contract with recipients.

Lack of Corporate Policies, Directives and Systems

- 38 Unlike the Province that has internal policies and directives, tools and training program for transfer payment fund managers, the City of Hamilton does not have a corporate policy on managing transfer payments, and consequently there is a gap in guidelines and directions for staff in administering the funds to ensure transfer payments achieve the intended outcomes.
- 39 The OAG would not expect the City of Hamilton to have anything of the scale and complexity of the Province, but it is reasonable to expect that there would be a corporate policy and related guidelines and standard operating procedures for the management of such a large amount of money, particularly when this is an annual responsibility of the City of Hamilton and is not a one-time occurrence. Such a policy and guidelines would strengthen transparency and accountability for a significant portion of City spending.
- 40 In the absence of corporate policy or guidelines for transfer payment administration, operational areas developed their own procedures to support the transfer payment program administration. Our audit found that this is not always the case. While some developed division procedures, outdated in some cases, others follow the agreement with the upper-level government without specific policy or procedures.

What is a Grant?

- 41 The OAG found that City of Hamilton does not have an official definition of Grant. However, we used the definition from the Government of Canada. A Grant is a form of unconditional transfer payment, and grants are payments made to an individual or organization as long as eligibility and entitlement criteria are met. In most cases, recipients are not required to account for how the grant is used and the department will not usually subject them to an audit.

What is a Grants Did the City Pay Out?

- 42 The City provides various grant programs across the organization, for example: City Enrichment Fund (CEF), Protective Plumbing Program (3Ps), and One Time Enhancement Grant Relief Program for impact of COVID-19 pandemic.

43 According to City of Hamilton 2022 FIR Schedule (42), City of Hamilton disbursed \$20.4 million in grants. We found that Grants at the City of Hamilton can generally be grouped into four categories:

1. **Grant that is a Federal or Provincial flow through grant**, e.g., Wage Enhancement Grant (WEG), General Operating Grant (GOG) in child care.
2. **Grants supported by Council**, e.g., City Enrichment Fund Grants and the Hamilton Future Fund.
3. **Operational Grants**, e.g., 3Ps (Protective Plumbing Program) and Recreation and Sports grants.
4. **One-time Grants**, e.g., One-Time Enhancement Grant Relief Program.

How Does the City Manage Grants?

44 Our findings for Grants governance and administration were similar to our findings for transfer payment governance and administration overall. Some grant programs have a handbook and an agreement, such as the CEF. There are guidelines for the 3P (Protective Plumbing Program). While there are still other grant programs such as sports and recreation grant programs that do not have any formally documented procedures or SOP for the administration of the grant.

45 Some program staff communicated to the OAG that it was their opinion that they managed their specific grant program to be following corporate policy, but the OAG found that a corporate policy for grant administration does not exist.

Audit Objective

- 46 The audit objective was to assess whether the City has adequate systems and controls in place to support effective and accountable delivery of its transfer payment and grants, with a primary focus on outgoing transfer payments.

Lines of Inquiry

- 47 We sought to answer the following questions:
- **Governance** – Are there sufficient structures, tools, and systems in place to ensure that transfer payments are managed effectively, efficiently and consistently across the City?
 - **Program Design and Evaluation** – Does the City routinely assess the effectiveness of transfer payment and grant programs?
 - **Funding Allocation and Award** – Is due diligence being exercised when conducting budgetary planning and funding assessments to ensure that taxpayer dollars are allocated in an equitable and transparent manner?
 - **Monitoring and Oversight** – Are appropriate processes being utilized to ensure that transfer payment and grant recipients remain compliant with program terms, and that funds are used as intended?

Audit Scope

- 48 The scope of the audit included all outgoing transfer and grant payment programs from January 1, 2020 to December 31, 2022 (3 years), except those noted below.
- 49 Incoming transfer payments received from Province and Federal government for services that are directly delivered by the City of Hamilton were excluded from the scope of the audit as they are governed and managed by the Government of Canada and the Province of Ontario. The OAG made the decision to focus on the transfer payment and grant programs where the City of Hamilton is in a lead role for the governance and accountability of the transfer payment and grant programs.
- 50 The City Enrichment Fund was last audited in 2014. Given that some Fraud and Waste hotline data indicated some emerging risks, the OAG included the City Enrichment Fund in the scope of the audit.

What the Scope Did Not Include

- Support payments (e.g. social assistance payments paid to individuals, such as Ontario Works)
- Non-monetary/in-kind grants
- Previously audited areas (DARTS accessible transit, SHARP and SHIP programs for Social Housing Capital Funds, Hamilton Future Fund, Strong Communities Rent Supplement, Commercial Rent Supplement, Ontario Community Housing Assistance Program)

What We Did and How We Did It

- Researched Federal and Provincial policies, directives and best practices on transfer payment administration.
- Reviewed relevant documentation such as Procurement Policy Bylaw No. 22-255, corporate policies, divisional Standard Operating Procedures (where available), agreements, Council Reports, City organizational charts, job descriptions of key positions, etc.
- Reviewed City of Hamilton webpages for services and programs funded by transfer payments and grants.
- Interviewed staff and management at both the corporate level and operational level.
- Reviewed available data, metrics, and performance measures, as applicable.
- Performed relevant testing to verify/validate the processes.
- Reviewed transfer payment contracts with the Government of Canada and Province of Ontario in areas sampled.

51 We selected three programs funded by outgoing transfer payments from the City of Hamilton and three outgoing grant programs for review to gain an understanding of how funding is being administered.

52 As multiple services and programs receive and administer transfer payments and grants, some areas had been audited in the past by the OAG and had varying results. We considered these audits and the audit results in our sample selection process. We selected the following six areas for sampling to evaluate whether each area has effective processes to manage and administer the transfer payments or grants to achieve the outcome intended.

Transfer Payments

1. Children's Services - Wage Enhancement Grant (WEG) and General Operating Grant (GOG).
2. Housing Services - Reaching Home (RH) program.
3. Economic Development - Starter Company Plus in Small Business Enterprise Centre (SBEC) program.

Grant Programs

1. Hamilton Water - Protective Plumbing Program (3P).
2. Recreation - Operating grants.
3. Government and Community Relations - City Enrichment Fund (CEF).

Key Terms

- 53 **Transfer payment**² - are transfers of money from ministries to an individual, external organization or government for which the Ontario government does not:
- receive goods or services directly in return, as would occur in a purchase or sales transaction;
 - expect to be repaid in the future, as would be expected in a loan; or
 - expect a direct financial return, as would be expected in an investment.
- 54 **Services**³ - all professional, consulting, construction or maintenance services, as well as any other services described in a Contract or in a Request for Quotations (RFQ), Request for Tenders (RFT) or Request for Proposals (RFP).
- 55 **Purchase of Service** - means monies expended for the provision of specific units of time and effort rather than an end product.
- 56 **Grant** - a form of unconditional transfer payment. Per the Government of Canada's definition: Grants are payments made to an individual or organization based on eligibility and entitlement criteria. In most cases, recipients are not required to account for how the grant is used and the department will not subject them to an audit; however, there can be exceptions depending on program requirements. Recipients may be required to report on the results achieved with the grant.

² Source: Province of Ontario: Transfer Payment Accountability Directive 3 Application and Scope.

³ Source: Procurement Policy, City of Hamilton Bylaw-22-255 Definition and Interpretation Section 3.

57 **Controllershship** - Modern controllershship as determined by a federal panel known as the "Independent Review Panel on Modernization of Comptrollership in the Government of Canada" has four Key Elements (Principles):

- Integrated performance information.
- Appropriate control systems.
- A sound approach to risk management, and
- A shared set of ethical practices and organizational values.

Source: City of Brampton Corporate Policies, Finance Controllershship.

Systems or Applications Utilized to Manage Transfer Payments and Grants

58 The OAG found that Microsoft Excel spreadsheets are a popular tool for staff across the organization to record and track transactions for both grants and transfer payments. Peoplesoft Financial was the system for all financial matters, including disbursements of grants and transfers.

59 There is not a separate system for grants or transfer payments management. Staff at operational areas that administer transfer payments or grants use Excel to record, track, analyze their payments and vendor information. Some areas such as Children Services use OCCMS, a system to manage children and child care operator information, financial matters such as payments and reconciliation, as well as financial analysis are performed in Excel.

Detailed Findings

- 60 Overall, we find the City of Hamilton has a significant opportunity to improve the governance, oversight and management structure required for the effective management of transfer payments and grant programs. There is a lack of corporate level of strategic planning and policy to direct effective administration of transfer funds received and grant program.

Accountability Framework Needs Improvement

- 61 A formalized accountability framework for the management of transfer payments and grants provides rigour and transparency to the processes for City Council, City staff and transfer payment and grant recipients.
- 62 Formalized processes and procedures ensure that transfer payments and grants are managed in accordance with sound governance principles in order to ensure that City goals and specific program objectives are achieved.

Controllershship Mindset and Structures are Needed

- 63 Controllershship is the centralized leadership that provides overall oversight and strategic direction for various corporate functions including financial management and accounting to departments and divisions across the organization.
- 64 We found a lack of controllershship for the governance and management of transfer payments and grants, which is reflected in lack of policy and directives, lack of strategic planning and oversight of funds administration and subsequent monitoring and outcome reporting.
- 65 It is our view that it is important that Corporate Finance exercises its oversight responsibility and provides strategic direction and oversight for transfer payments and grant programs. This should include developing strategy and corporate policy that clearly defines the role of corporate finance and operational management, putting in place tools and system to support effective fund administration and overseeing performance outcome reporting.

No Corporate Policy for Transfer Payments

- 66 We found there is no corporate policy to provide guidance on the governance, management and administration of transfer payment and funds and other contributions received from the Province of Ontario and the Government of

Canada. Additionally, there is no policy to provide guidance for the management of outgoing transfer payments that are the responsibility of the City of Hamilton.

67 Additionally there are no procedures/directives on elements essential for prudent management of transfer payments. It is our view that the City of Hamilton is accountable for effective and prudent management of transfer funds to benefit the public. In addition to putting in place policy and directives, the City should also ensure those tasked with managing transfer payments are sufficiently trained on implementing the policy.

68 Elements built into transfer payment policy/directive should include:

- Defining clear roles and responsibilities with regards to corporate, operational management.
- Developing tools and system to support efficient administration such as agreement template.
- Requirement on transparent application review and fund awarding processes.
- Requirement on risk assessment and up-to-date risk profile of fund recipient to inform performance monitoring.
- Developing oversight mechanism to ensure funds are spent as intended by recipients.
- Requirement of performance measure metrics and reporting on outcomes.

No Policy For Grant Administration

69 In addition to lack of a transfer payment policy, there is no overall corporate policy for grant program administration. The OAG found that City of Hamilton does not have a definition of grant. In the Key Terms section, we considered what the Government of Canada uses as a definition of a grant.

70 Effective grant administration should consider the lifecycle of a grant, from inception to closing, and a process should be in place to ensure grant money is spent as intended.

71 While some grant programs, e.g. City Enrichment Fund, have a handbook as guidelines for both fund applicants and fund administrator/manager, there are other operational grant programs such as sports and recreation grants that do not have any guideline, even though fund managers in these areas believe they are compliant with corporate policy, they could not identify which policy they were complying with. This is likely because there is no corporate policy for grants.

- 72 Based on Schedule 42 of City of Hamilton's 2022 Financial Information Return (FIR), the City of Hamilton awarded approximately \$20 million of grants to charitable, non-profit organizations, universities, and colleges in 2022. With no further information available to the OAG at a corporate level, based on the wording, we can only conclude the total amount of grants listed on the 2022 FIR did not include operational grants such as 3P (Protective Plumbing Program), and sports and recreation grants, which could make the total grant amount distributed much larger.
- 73 The OAG does not know what the total amount of grants administered by the City of Hamilton in 2022 was, based on the information available to us. Regardless of what the actual amount of grants distributed was, a policy on prudent management of grant program is required. Such policy should consider grant administration through the entire lifecycle of a grant.
- 74 Grant program administration should also consider the following:
- Value for money: what outcomes is the grant to achieve?
 - Transparency: clear criteria, and a fair application and adjudication process.
 - Accountability: performance metrics and monitoring.

Financial Reporting on Transfer Payments

- 75 The City of Hamilton's annual Audited Financial Statements (AFS) follows the Public Sector Accounting Board (PSAB) standards, which have specific requirements on items reported. Notes to the financial statements are where users of the audited financial statements can obtain additional information about the financial statements. However, financial statements are not the only method for a municipality to disclose information about its spending and program accomplishments.
- 76 As noted earlier in this report, the City is required to submit a Financial Information Return (FIR) annually to the Province of Ontario. It is the OAG's opinion that the FIRs are not particularly user friendly and are more suited for research purposes rather than communicating with the public for transparency and accountability purposes. There is an opportunity for the City of Hamilton to do annual performance reporting that discloses all transfer payment and grant recipients to the public via the City's website and open data portal. Annual performance reporting and disclosure in an easy to understand format would improve transparency and accountability to Hamilton residents.

Performance and Outcome Reporting Needs Improvement

- 77 Reporting is two ways: The City reports aggregate results, most often to the accountable Ministry of the Provincial/Federal government on outcome; and fund recipients report to the City on relevant information that informs the City outcome reporting.
- 78 We noted reporting on outcomes has been inconsistent. It appears when it comes to monitoring and reporting, the first thing staff think about is collecting of audited financial statements. In some area, this has been problematic as not all fund recipients can afford auditor's services. In other areas such as some grant programs, there was no available evidence of collecting information to evaluate if the desired outcome(s) have been achieved. In addition, as discussed above, audited financial statements do not provide information that informs transfer payment or grant outcome and programs lack a consistent approach to evaluating financial statement information in the absence of audits.
- 79 Reporting on outcomes should focus on information and metrics that inform effective outcome achievement, it should further support the City in reporting to the accountable Ministries at Government of Canada and Province of Ontario what the City of Hamilton's needs are. It is our view performance metrics, KPIs towards achieving the intended outputs and/or outcomes are the ones that should be collected and reported.

Roles and Responsibilities

- 80 One of the results from the lack of governance structures and corporate policy for transfer payments and grants administration is a lack of clarity regarding roles and responsibilities.
- 81 Specifically, the following is not clearly defined:
- 82 **At the Corporate level:**
- Who is responsible for the governance structures and general controllership accountability for transfer payment and grant program at the City of Hamilton?
- It is unclear who is or should be responsible for providing direction and oversight for transfer payment and grant programs across the organization.
- Who is responsible for sound accounting practices to ensure transfer payment and grant program administration follows good record-keeping practices throughout the lifetime of transfer payment/grant?

83 **At the Operational level:**

- Who is responsible for strategic planning regarding the outcomes the transfer payment/grant is intending to achieve?
- Who is responsible for monitoring funds were spent as intended and monitoring fund recipient compliance with the terms and conditions of the funding or grant agreement?
- Who is responsible for reporting the performance and outcomes?

84 It is our view that corporate policy should clearly define the roles and responsibilities to ensure accountable administration of transfer payment and grant programs. It is also an opportunity to elevate the importance of controllership, and adapt its focus from transactional to strategic outcomes.

Funding Agreement/Contract

85 Transfer payments and grants are designed to achieve intended outcomes and public benefits, for example: ending homelessness, revitalizing local economic areas, etc. Similar to the City being held accountable for achieving the intended outcomes by the Government of Canada and the Province of Ontario, the City, in turn, should hold those who receive fund from the City accountable for using the funds to achieve the intended outcomes and provide data for the City to measure the outcomes. This could be accomplished through rigorous funding agreements with fund recipients.

86 We noted various programs areas developed their own agreements for transfer payments with the support of Legal and Risk Management Services. There is not a consistent template or level of rigour used in the organization. Some agreements are five pages long, while others are 52 pages long. Some areas have either outdated agreement or no agreement existing at all. The funding agreements do not always optimally protect the interests of the City with adequate liability insurance requirements.

87 The agreement is the binding document that holds fund recipients accountable for delivering the services per the agreement's terms and conditions. It is our view that having various agreement templates available from Legal and Risk Management Services would be beneficial in terms of efficiency and consistency and cost savings and may reduce the use of legal resources in the longer term.

Risk-Informed Monitoring

- 88 Risk assessment of fund recipients should be a requirement of all program areas that administer funds redistributed to third-party service providers.
- 89 A risk assessment of fund recipients informs the approach and degree of oversight that needs to be provided. Instead of exercising the same degree of monitoring for all fund recipients, proportional monitoring based on fund recipient risk profile is the most effective way to use the City resources in dispositioning of its responsibility.
- 90 Risk assessment should consider:
- Recipients' governance structure and control structure that directs the work and processes of the organization.
 - Recipients' performance history
 - Recipients' ability and records of outcome achievement
- 91 We found generally found that risk assessment of fund recipients was not being performed with the exception of the Reaching Home transfer payment program in Housing Services, however the risk assessment was not kept current. No program areas were found to have developed a risk-informed mechanism to monitor recipient performance. Even though right-to-audit clauses are included in some funding agreements, based on the information available to us, audits were rarely conducted, if at all.
- 92 One key aspect of both transfer payments and grants is determining what outcomes a transfer payment or grant is intended to achieve. Staff tend to think monitoring is about requiring fund recipients to submit a set of audited financial statements. It needs to be understood that audited financial statements do not serve the purpose of validating whether funds have been used as intended. Monitoring mechanisms based on recipient risk profiles is an effective use of limited staff resources to ensure funds are used as intended and the intended outcomes are being achieved.

Ensuring Value for Money in Transfer Payments in Third-Party Service Delivery

- 93 We found both transfer payments and grants administration at the City currently in a paradoxical situation. On the one hand, transfer payment administration is thought by various management to be a purchase of services that should follow Procurement By-law, while on the other hand, the Procurement By-law exempts transfer payments funding community support services and grants from the

requirements of Procurement By-law No. 22-255, according to Schedule B Exemptions 1(d) and 3(a).

- 94 It is our view that transfer payment and grant administration being exempted from the Procurement by-law is appropriate. However, prudent management of financial resources can only be accomplished by putting in place the proper governance and oversight.

Records Retention

- 95 We found that the City of Hamilton's Record Retention By-law (By-Law 11-040, subsequently amended under By-Law 18-310) states that documents relating to the receipt and provision of grants/loans must be retained for at least seven years. It states that the department responsible is Finance. The reality is that transfer payment and grant administration are residing with both Finance and operational areas, and documents are retained by individual program areas. The By-law should be reviewed and revised to reflect current business practices.

Technology Improvements Needed to Improve Data Confidence and Reliability

- 96 During the audit, the OAG requested enterprise-wide transfer payment and grants financial data from Finance. We found that this information cannot be derived without significant manual manipulation of the data extracts from PeopleSoft Financial by staff. This is concerning to the OAG, particularly regarding data confidence.
- 97 PeopleSoft Financial is a powerful enterprise resources planning (ERP) system when accounts are properly set up and functions are explored. However, the OAG found that the coding of transfer payments and grants was not well executed, and we found it quite challenging to identify all transfer payments and grants. We still have concerns about the completeness of the data we were provided for our data analysis. Our selection of audit samples was based on the information available to us.
- 98 With regards to transfer payments and grants specifically, we found there is no documented policy for naming and numbering conventions for Account IDs and Dept IDs in PeopleSoft Financial. The current set up and coding does not allow users to extract needed information quickly. The organization should have a set of rules and conventions when setting up accounts or entering information in the system, and the rules and conventions should be adhered to by staff.
- 99 In the aftermath of the February 2024 ransomware attack, it is the OAG's understanding that a procurement is needed and is being planned for a

replacement ERP system, including the financial system (a replacement for the PeopleSoft Financial system). The OAG notes that there is an opportunity to "get it right" with the implementation of a new ERP system, and there is an opportunity for the Transfer Payments and Grants to be set up in the system in a way that reports can be easily obtained. This would enable better management and oversight of transfer payments and grants.

Program Area Findings

100 In the absence of corporate policies, guidelines and standard operating procedures for transfer payment and grant administration, operational areas that manage transfer payments and grant programs have been filling this gap by developing their own practices to manage the funds.

101 We noted, as evidenced by audit sampling of the six areas across the organization:

- Not every program area has developed policies and/or procedures for transfer payments and/or grant program administration.
- The objectives or outcomes of the funding were not consistently defined.
- There had been inconsistent practices in selecting and awarding funds.
- Most areas had not conducted a risk assessment to inform monitoring of fund recipient performance.
- There are few mechanisms to validate funds were used as intended.
- Audit rights not consistently utilized.
- Inconsistent reporting of outcomes.
- Funding agreements do not consistently protect the interests of the City.
- Funding agreements are in various different formats and have varying degrees of involvement and review by Legal and Risk Management Services. Some grant programs do not even have an agreement in place.
- Without corporate definitions of grants or transfer payments.

Program Case Studies

A) Children’s Services

- 102 Child care in Ontario is legislated by Child Care and Early Years Act 2014. It is a flow through transfer payment program where child care operators are licensed by the Province of Ontario, and the City of Hamilton is the Service Manager. Service Manager responsibilities can be summarized as followed:
- Develops and administers local policies respecting the operation of child care and early years programs and services.
 - Coordinates the planning and operation of child care and early years programs and services with the planning and provision of other human services delivered by the service manager.
 - Administers the delivery of financial assistance provided by the Province, in accordance with the regulations.
 - Assess the economic viability of child care and early years programs in the service area and facilitate changes as needed.
- 103 There are a few main funding streams that flow from the Province of Ontario and Government of Canada through to the City of Hamilton as the local Service Manager:
- Funding to assist child care operators with general operations and system support (General Operating Grants or GOG).
 - Funding to close wage gaps for eligible educators and eligible staff (Wage Enhancement Grants, or WEG).
 - Fee subsidy for eligible children/families (Fee Subsidy).
 - New in 2022, the Canada-Wide Early Learning and Child Care (CWELCC) Agreement is known as the national child care plan, which aims to reduce child care fees to an average of \$10 per day for children under the age of 6 by March 2026⁴.
- 104 For each stream of funding, the City issued a set of guidelines outlining eligibility requirements, and funding formulas. The guidelines are also used by City of Hamilton staff in administration the funding.

⁴ [Canada-Ontario early years and child care agreement | ontario.ca](https://www.ontario.ca/govt/canada-ontario-early-years-and-child-care-agreement)

105 The Service System Manager, represented by Children and Community Services Division at the City of Hamilton, administered and redistributed a total of \$98.3 million transfer payments according to the City's 2022 Financial Information Return.

Table 3 – City's 2022 Financial Information Return: Child Care

	Contract Services	External Transfers	Administration Cost (Rent, materials and amortization)	Total Expenses (Before adjustment)
Child Care	\$75,456,038	\$22,842,513	\$662,093	\$98,960,644

Source: FIR 2022 Schedule 40 Consolidated Statement of Operations: Expenses

106 Funding was distributed in the following categories:

- Wage Enhancement
- GOG for Wages
- GOG System Priority Fee Subsidy Special Needs Resourcing
- EarlyON
- Indigenous Led Funding
- System Supports (Resource Centres Capacity) as part of Canada-wide Early Learning and Child Care (CWELCC) Agreement.

107 As shown in Table 3, \$75.5 million was paid out to child care operators under Contracted Services to provide child care services, with the bulk of the remaining monies paid out to children and families as fee subsidies.

108 The City, as the Service Manager, signs an umbrella funding agreement with licensed child care operators to provide funding, both child care centre-based and home-based settings. Under the umbrella agreement, there is no need to sign a separate agreement for each stream of funding. However, an agreement is required when one-time funding is awarded, such as for building repairs or playground development, etc.

109 Being licensed by the Province of Ontario and being able to produce proof of required insurance coverages are the eligibility criteria for funding. In 2022, there

were about 90 licensed child care operators receiving funding from City of Hamilton.

- 110 Child care operators who signed the agreement with the City are required to participate in the City's quality program, which is a mechanism that documents and monitors the quality of child care services. It is not a mechanism to monitor if funds were spent as intended. The City of Hamilton as the Service Manager has the right to audit records and books of operators that have signed an umbrella agreement, however there are no specific details such frequency of audits included.

Audit Findings

- 111 The evidence that staff provided to the OAG demonstrated that oversight is being provided with regards to whether operators had allocated the grants in accordance with the guidelines. Some operators were required to take action to address the findings. However, we found no specific timeline was outlined that operators must be taking actions in most cases.

Audit Rights Not Utilized Consistently

- 112 The Children's Services website states "Child care operators with a Funding Agreement are subject to random auditing to ensure compliance.". Staff provided OAG evidence of six audits conducted by in 2022-2023. During the audit, the OAG was also informed of current plans was to select four child care operators each year for audit. The OAG finds this plan to be inadequate, as it will take 22.5 years to complete one round of audits, and it will take even longer if more child care operators are brought on to receive funding from the City of Hamilton.

Risk Assessments Need to Be Formally Incorporated into Service Manager Oversight Efforts

- 113 To effectively use the available staff resources to achieve the goal of monitoring operators' performance and evaluating if funds are being used as intended, the use of a risk assessment would enable the Service Manager to develop an effective audit work plan for each year. Operators found to be high-risk can be prioritized for audit accordingly. We found that operator risk profiles informed by risk assessment have not been established.

B) Housing Services: Ending Homelessness – Reaching Home Program (Federal)

- 114 Under Government of Canada’s “Reaching Home” program, the City of Hamilton received \$29.4 million funding over the 5-year period from 2019-2024. The Government of Canada contribution agreement stipulated the purpose of the funding, and how the funds should be used. The funding was specifically not to fund capital projects/items.
- 115 The City of Hamilton Reaching Home (RH) program is part the Federal Reaching Home program funded by the Government of Canada. The Reaching Home Program also required cost matching at the Provincial and Municipal Levels. This was achieved at the City of Hamilton with various Province of Ontario funding programs (Community Homelessness Prevention Initiative and Home For Good).
- 116 The “Coming Together to End Homelessness - Hamilton’s System Planning Framework” (the Framework) is the guidelines aiming to achieve the goal of “Hamilton will end chronic homelessness by 2025”.
- 117 In January 2020, the result of Call for Applications (CFA) that was completed in 2019 was presented to Emergency and Community Services Committee in Report HSC20004. The Report recommended 12 successful community service providers be awarded with a total funding of \$6,205,120, to provide intervention services aiming to reduce the burden on emergency shelter system and to support families and individuals in imminent risk of losing their homes. Among the 12 successful applicants recommended, Good Shepherd Centers received the highest amount, approximately \$2.5 million.
- 118 An agreement was signed between the City and each of the 12 successful organizations. Services each provider was to provide were prescribed in the Schedule “A” Service Plan that formed part of the agreement. The City’s right to audit books and records was included in the Agreement Part III – Financial Provision (19):
- “The General Manager shall have the right to require an audit of the books of account and records of the Service Provider in relation to the services provided under this Agreement.”
- The City of Hamilton will be responsible for regular monitoring, inspection and program evaluation. The City of Hamilton will at its sole discretion audit, monitor, and take necessary steps to monitor program performance, and financial expenditures. The Program agrees to fully participate in any audit, monitoring or such process.”

COVID-19 Impact

- 119 According to the HSC20004 Report “An additional call for applications for this intervention will be required to occur in calendar year 2020, with new contracts in place by April 1, 2021.” Staff however stated to OAG, the 2nd CFA was not carried out because continued funding to the providers would ensure continuation of services, unless providers performance is not remediable, which staff regularly monitored. The OAG recognizes that continuity of services was important during this time period because of the ongoing COVID-19 pandemic.

2022 Federal Government Audit – Areas for Improvement Identified

- 120 In June 2022, Samson, a Federal government appointed auditor, conducted an audit⁵ of City Reaching Home program in accordance with the Contribution Agreement to:
- Validate funds disbursed to the City have been used for the intended purpose.
 - Assess whether the City has an adequate financial and internal control framework in place to ensure appropriate management of the financial activities of the project.
 - Assess whether the City monitors sub-agreement Holders to ensure compliance with the Contribution Agreement.

Audit Findings

Financial Tracking Systems Could be Improved

- 121 The Housing Services Division uses Federal Homeless Management Information System to collect data for reporting, coordinate intake, perform assessment, and make referrals and service coordination. For funds distribution and records tracking, the project team uses Excel spreadsheets and follows corporate payment request processes.
- 122 At the time of the audit, the program was in the 2nd year of the funding cycle. There was no documented evidence provided to us that audits or inspections have been conducted since the implementation of the program, nor documented

⁵ Auditor’s Report Department of Employment and Social Development Canada Reaching Home: Canada Homelessness Strategy - Designated Communities - Community Entity Program Audit of the Contribution Agreement Signed on March 22, 2019 with City of Hamilton RH 2019-2024 - Hamilton (Project 16408569) June 2022.

evidence of performance monitoring of fund recipients in accordance with the agreement.

Accountability Practices Need Improvement

- 123 According to the Eligible Costs outlined in the "Call for Application (CFA) 2019 Guidelines and Overviews", much of the Reaching Home program is to pay for providers' staff time in providing prevention and intervention services, such as case management, street outreach, housing placement etc. Funds are released to sub-contractors each quarter at the receipt of invoices. The invoices contain no itemized cost, nor accompanied with supporting documents. According to staff, such practice was accepted because the invoices and payments are governed by the contract/agreement.

Federal Audit Findings Remain Unaddressed

- 124 In 2022, the auditor (Samson), the appointed auditor of the Ministry of Employment and Social Development Canada, conducted an audit of City of Hamilton's Reaching Home program to assess if it was being managed in accordance with the agreement 2022. The Federal auditor determined the City has used the funds for the intended purpose and the City had an appropriate internal control framework to carry out the activities. The Federal auditor however made several observations and recommendations related to:
- City not undertaking periodic audits and inspections of the sub-agreement holders' financial records.
 - Invoices without supporting documents were accepted for fund disbursement.
 - City not verifying cost claims are eligible according to the agreement.
- 125 At the time of audit, there was no evidence the Federal auditor's observations were addressed.
- 126 The OAG agrees with the Government of Canada's auditor that service providers' invoicing should be accompanied with supporting documents such as payroll registers, timesheets, as well as evidence of the time allocated to the funded project, proof of payments and the methodology used to allocate the overhead costs to the Project.

City of Hamilton Not Conducting Audits to Ensure Accountability and Transparency

- 127 At the time of the audit, the program was in the 2nd year of the funding cycle. Based on the information and evidence available to us, it appears that no audits or inspections have been conducted since the implementation of the Reaching Home program. There is also no evidence of performance monitoring of fund recipients to ensure they are delivering in accordance with the agreement.

C) Small Business Enterprise Centre (Incoming Transfer Payment, Outgoing Grants)

- 128 The Small Business Enterprise Center (SBEC) is a Provincial Program that supports small businesses and offers entrepreneurs tools they need to start and grow their businesses. The SBED Core includes:
- Training/Inquiries
 - Business advisory and coaching
 - Business skill development
 - Resources
- 129 As part of the SBEC program, two types of micro-grants are available for qualified business and entrepreneurs: Starter Company Plus and Summer Company.
- 130 In 2019, Council passed Bylaw 19-261 to authorize the City to participate in the Provincial SBEC program. The Commercial District and Small Business section in Economic Development division is leading the City SBEC program since 2019.
- 131 The agreement with the Ministry of Economic Development, Job Creation and Trade is a 2-year program that funds SBEC Core, 26 Starter Company Plus grants to a \$5,000 maximum and 13 Summer Company grants to a \$3,000 maximum each year. The total funding for the SBEC is \$745,000 for the two-year program.
- 132 The eligibility criteria for the Starter Company Plus grant include:
- 18 years of age or older Ontario resident and Canadian citizen or permanent resident,
 - not attending school full-time or returning to school,
 - Sole Proprietor, Partnership or Corporation with majority share, registered with Hamilton address,
 - In operation for 6 months – 2 years, can provide investment of 25% of the grant amount,

- Completed 12 hours of entrepreneurship training.

- 133 The City hosts three cohorts of online grant applications each year, each cohort focuses on different priority industries and sectors. Grant applicants must have participated and completed the required entrepreneurship training.
- 134 Applications for the grant are evaluated by three volunteers from local communities, following a set of predefined high-level criteria. The average of the three evaluation scores determines whether grant will be awarded. According to staff, no grant will be awarded if there is no quality application in any one cohort to ensure the quality of the program is not compromised.
- 135 The Transfer Payment Agreement with the Province of Ontario prescribes detailed activities and components the SBEC program that are to be delivered. The City signs a grant agreement with grant recipient, even though the grant is more of a reimbursement of eligible expenses. At the end of the funding cycle the Ministry will conduct an audit of the program. The Provincial system SCREEN is used for program reporting. Grant payment disbursement is processed through the corporate PeopleSoft Financial system.

Audit Findings

- 136 The OAG finds that the SBEC program is implemented in accordance with the agreement with the Ministry of Economic Development, Job Creation and Trade.
- 137 We found the program implementation compliant with the agreement with the Province of Ontario, and business processes are well documented.
- 138 We note one general item for continuous improvement, the volunteer consultants who evaluate grant applications are local business experts. There are no specific qualification requirements and/or guidelines in recruiting these volunteers. We believe it would be beneficial to put in place the qualification guidelines. This will contribute to consistent quality of training and mentoring services, and efficiency of recruitment process.

D) Protective Plumbing Program

- 139 Per Council Report PW11056, the City of Hamilton created the Protective Plumbing Program (also known as 3P) in 2010 to encourage property owners to mitigate basement flooding risks. The ultimate goal of the program is “To make it possible for each Residential Property within the City of Hamilton to have a backwater valve (BWV) installed in order to help prevent basement flooding.”
- 140 The maximum grant available is \$2,000 plus the permit fee and is intended to assist property owners with the cost of installing a backwater valve (BWV) and disconnecting up to five downspouts from City wastewater collection system. 3P is an expense reimbursement program, where the property owner must first pay for the cost and is then reimbursed for eligible costs.
- 141 Between 2009 to 2012, the grant was limited to owner-occupied residential properties built prior to January 1, 2012. By adopting a community improvement plan titled “Water and Wastewater Infrastructure Support Community Improvement Plan” in 2013, 3P grant was extended to residential rental properties.
- 142 Based on information tracked by the 3P project team in Hamilton Water, and statistics from the Municipal Property Assessment Corporation (MPAC), the following Table 4 is a portrait of the 3P program and cost to the City:

Table 4 – Portrait of the 3P Program and Cost to the City

3P Program and Cost to the City	
Total 3P grant spending 2010-2022	\$24,074,646
Total permits issued 2010-2022	12,096
Average grant per residential property	\$1,990
Estimated number of Hamilton residential properties meeting the criteria that have not yet received a grant	137,666
Estimated future maximum program costs (\$1,990/property)	\$274 million

Source: MPAC July 2023, Teranet October 2023, Planning Property Inventory (PPI) 2023. Annual – Protective Plumbing Program Total NC.

- 143 Hamilton Water records and tracks the grant applications in the Hansen system. A system ID number is assigned to an approved application. When the property owner sends in proof that work has been completed by one of the City's prequalified contractors, a supervisor reviews and approves the payment, and sends a request for reimbursement to Corporate Finance, who prepares and arranges payment via cheque through the PeopleSoft Financial system.

Audit Findings

- 144 The OAG found that the 3P program uses an in-house application developed within the "Hansen" system. We found that there are no data entry controls that limit the payout amount (e.g. a maximum limit of \$2,265 to reflect the grant and permit maximums for 2022). We found seven payments that exceeded the program maximum in 2022. These variances were for small dollar amounts (under \$100). The cause of this is a combination of human error and a lack of built-in system controls.
- 145 During audit testing in the Protective Plumbing Program (3P), the OAG identified 10 duplicate payments made to various grant recipients in 2022. Our investigation into the matter found the duplicate payments were made due to human error in the manual payment process and also due to a lack of review. In addition, the financial system was found to be lacking the needed built-in controls to identify and reject transactions that have all the same attributes except for one. The total amount of the duplicated payments is over \$18,400.
- 146 The OAG issued an urgent memo to management requesting immediate action be taken to recover the duplicate payments and to further review transactions processed in this manual process. Management reported back to the OAG that no further duplicate payments were found. Collection efforts were being led by Finance and Legal Services.

E) Sports and Recreation Grants

147 The Recreation Division administers a total of 15 grants, of which 13 grants are for amounts of \$60,000 or less. The 13 grants are for seven rural communities and six other organizations or programs for “which the City of Hamilton was originally and directly involved in planning/organizing and have evolved to partner organizations”. These grants are long-standing dating as far back as amalgamation and are based on a By-law enacted at the time of amalgamation. When the OAG requested the By-law, it was unable to be located by Recreation Division staff.

148 The following grants are administered by the Recreation Division:

Table 5 – Rural Sub-Committee Grants

Grant Sub-Committee Recipient	Grant Amount
Freelton	\$11,480
Lynden/Troy	\$16,000
Rockton	\$55,000
Strabane	\$14,760
Valens	\$17,530
Sheffield	\$16,000
Millgrove	\$15,700

Source: City of Hamilton Recreation Division, “2023 Recreation Operating Grants” spreadsheet.

Table 6 – Grants to Organizations

Grant Recipient	Grant Amount
International Children's Games	\$15,000
Sport Hamilton	\$16,500
CANUSA	\$41,200
Catholic Youth Organization	\$10,140
Jewish Social Services	\$15,680
Wesley Urban Ministries	\$38,270
Kiwanis Boys and Girls Club	\$233,080
YWCA (2 locations)	\$286,508

Source: City of Hamilton Recreation Division, "2023 Recreation Operating Grants" spreadsheet.

- 149 Of all the grant recipients listed above in Tables 5 and 6, only two organizations have an agreement with the City of Hamilton, one of which dates to the late 1990's. Another four of the grant recipients submit a letter requesting funds. There is no grant application process and/or grant agreements for the rural sub-committee grants. For all grants, the amounts have remained the same since they were established.
- 150 The grants listed in Tables 5 and 6 total to \$802,848 and are considered annual operating expenses that are included in the Recreation Division's annual operating budget that is put forward for Council approval each year. When Council approves the City's Operating Budget, the grants are considered approved. Grants are remitted to recipients in the first quarter of the year, except for Kiwanis and YWCA, who receive quarterly payments.

Audit Findings

Lack of Strategic Planning or Processes for Recreation Grants

- 151 There is no documented strategic planning and/or business processes in the Recreation Division for grant administration. The desired/expected outcomes for the grants and how funds are to be spent are not documented. The grant recipients do not need to apply for the grants, nor is there a periodic evaluation of

the grants and their effectiveness. Staff are confident of grant recipient performance because of regular interactions and participating in board meetings, but there is a lack of documentation of these monitoring actions.

Limited Review and/or Monitoring for Extended Time Periods

- 152 There is one agreement (Kiwanis) where the Recreation Division are aware of the older agreement, per the Recreation Division, renewing the agreement is not currently a priority. However, when requested, evidence of performance monitoring and verifying the Club has used funds as intended was unable to be provided.
- 153 The Agreement with the YWCA is more recent, signed in 2020 and is still in effect. Per the Recreation Division, the current grant amount of \$286,508 has remained the same since the original agreement was signed many years ago, the exact date was unable to be provided to the OAG when requested. Similar to the Kiwanis agreement, evidence of performance monitoring and verifying the Club has used funds as intended was unable to be provided.
- 154 The Recreation Division's grants to rural sub-committees were put in place in 1998, during the City of Hamilton's amalgamation process. However, these grants have not been reviewed since then. The OAG was unable to determine if the City's goals and objectives for recreation are being met. It is our opinion that, at a minimum, the following be documented for the Recreation Division's various grants:
- What outcome(s) is the grants program intended to achieve?
 - Standard operating procedures for administration and management of the grants.
 - How success is measured?

F) City Enrichment Fund

155 The City Enrichment Fund (CEF) represents the City of Hamilton’s investment in a wide range of program areas that support the City’s Strategic Plan and 25-year Community Vision priorities. CEF invests in local charities, not-for-profit and grassroots organizations across seven sectors: Agriculture, Arts, Communities Culture and Heritage, Community Services, Digital (initially a pilot, made permanent in 2024), Environment, and Sports and Active Lifestyles. Our audit sample was from 2022, and one item for each sector was selected for review by the OAG.

Table 7 – Total Grants under City Enrichment Fund From 2019 to 2023

Total Grants under City Enrichment Fund From 2019 to 2023		
Year	CEF Grant Approved ⁶	CEF Grant Paid/Released ⁷
2019	\$6.11M	\$6.03M
2020	\$6.09M	\$5.36M
2021	\$6.09M	\$5.59M
2022	\$6.09M	\$5.94M
2023	\$6.61M	\$6.51M

Process

156 Each year in November the applications are invited from organizations and people in the City of Hamilton for each program area of CEF. CEF Information sessions and applicant information workshops are conducted by the CEF staff to educate Hamiltonians about CEF eligibility criteria, submission requirements, timelines, etc. Such presentations and Handbooks are also posted on the City website for public education and information. Grant applications undergo review by the Program Managers, Adjudication panel, the Grants and Strategic Partnerships Coordinator and the Advisor, City Enrichment Fund. A summary of CEF Grants is presented to and approved by the Grant sub-committee, Audit, Finance and Administration

⁶ Source: GRA files obtained from Advisor, City Enrichment Fund.

⁷ Source: CEF Master Files obtained from Business Administrator, Corporate Services.

Committee and finally by the City Council. Funds are released to the approved applicants in accordance with the CEF Guidelines.

- 157 Grant recipients are required to submit a final report to demonstrate that grant funds were spent on programming as described in their application. Such reports are due February 1st annually, except for the Community Services area where the due date is April 30th. Final reports must be submitted before subsequent grants are released. Program surplus/deficit reported in the final report is considered in assessing the CEF overall application for the next year.

Policies, Procedures and System

- 158 City Enrichment Fund General Guidelines and program area handbooks are updated/issued every year, are posted on the City of Hamilton Website and are available to the applicants/public as well as the staff. There are six handbooks attributed to program areas of CEF i.e. Agriculture, Arts, Communities Culture and Heritage, Community Services, Environment, and Sports and Active Lifestyles.
- 159 Program Area Handbooks list all requirements of applications including eligible and ineligible expenses for individual program areas. When read in conjunction with the CEF General Guidelines these program area handbooks provide guidance necessary to assess the CEF applications.

Applications and Data Collection

- 160 CEF applications are collected and assessed in the software portal, Survey Monkey Apply (SMA). The application has necessary fields built as detailed in the CEF General Guidelines and the Program Area Handbooks. The Budget Section has some typical categories (such as salary, administrative expense) and 'other' expense categories where applicant can enter various expense items.

Grant Applications Review and Funding Assessment

- 161 Each year from September to early November CEF Grant applications are collected within SMA portal from individuals and organizations in the City of Hamilton for the following year's CEF grant. The applications are reviewed/adjudicated by an adjudication panel that is comprised of external assessors and COH staff with knowledge of specific program area/sector of CEF grant. The adjudication panels assess the applications based on the assessment criteria specific to CEF program area and determine final score and findings. The CEF Advisor develops funding recommendations based on the adjudication scores and findings. These fundings recommendations are then submitted to and approved by Director, followed by the Grant Sub-Committee, the Audit, Finance and Administration Committee and finally by City Council.

CEF Funding Agreements and Fund Release

162 Subsequent to approval, CEF agreements signed by the applicants are obtained via the SMA portal. Such agreements are made on a pre-established template. Finance prepares the journal entry based on grant approval and vendor list (notepad file in PeopleSoft) and sends this off to Accounts Payable (AP). AP prepares the payment file and sends it to Finance to confirm the accuracy of payment. Corporate Finance reviews the journal entry for vendors, amount paid to each vendor, and the batch total, and then informs AP to release the payment.

Audit Findings

No System In Place to Track Total Funding From All City Sources

- 163 Per CEF Guidelines, the City funding/investment to CEF recipients should not exceed 30% of the total initiative/program budget per calendar year. Total funding from all programs within CEF is tracked by the City. However, there is no system in place to track total funding from all City sources.
- 164 The reliance is on CEF recipients to report City funding from all sources. There is risk of over-funding of recipients that may lead to waste of City funds/resources and lack of prudence over public money spent. Additionally, City's investment in community may not achieve its intended objectives.

Increased Due Diligence Needed

- 165 The OAG found some instances where increased levels of due diligence are needed in the CEF Administration process, including:
- Formal agreements are necessary for legally valid contracts that establish clear responsibilities, accountabilities, and obligations of both parties. The CEF Agreement template has not been updated since 2014. Based on the information available to the OAG, it was unclear if Legal Services has ever reviewed the template. The agreement template is not detailed enough to establish rights and responsibilities of parties to the contract.
 - CEF Agreements are not signed by City Officials.
 - Specific provisions to safeguard City's interest such as a right-to audit clause, funding recovery and hold back provisions are included in the agreement, however they do not stand out and are less prominent, potentially reducing their effectiveness in ensuring compliance.

- Evidence to support of the legal status of CEF applicants, such as Ontario Business Registration Number were not obtained. None of the six files sampled contained evidence of this.
- Requiring the most current financial statements to be provided with the application. The timeline of the financial statements to be provided with the CEF application are not specified in the CEF guidelines. The OAG found 2022 grant applications with financials ranging from 2018-2020. We expected more recent financial statements to be provided, such as from 2020 year end as the 2022 applications were submitted in late 2021, and for the 2021 financials to be provided prior to the release of the final portion of 2022 grants.
- Improved quality of financial assessments of fund applications. We found the financial assessments to be of poor quality. Funding decisions were made without due consideration to financial and operational viability of the applicants.
- Funding Assessment based solely on an applicant's budget. Analysis is not performed to ensure the reasonability of the numbers reported as program budget.

Final Reporting Process Needs Improvement

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The OAG noted several irregularities in the final reports submitted by CEF fund recipients:

- Funding claw-back/recovery provisions are not clearly defined in policies and procedures. As a result, the impact of surplus/deficit reported in the final report on the CEF grant amount cannot be clearly determined.
- In three of the six samples, the required final report for 2022 CEF funding was not submitted by the grant recipient.
- Final report numbers do not contain evidence to support their accuracy. The surplus or deficit reported are not given due consideration when determining CEF eligibility for subsequent year.

Program Effectiveness Is Unknown

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Regular and timely evaluation of program effectiveness is essential for ensuring that program is achieving the intended objectives. Feedback from program participants, both internal (i.e. City staff and management) and external (i.e. Adjudicators, grant recipients and end users/community members who

attended/benefitted from the CEF programs) is an effective tool to inform decision-making necessary to enhance program effectiveness and delivery.

168 We find there is no formal review process in place to collect feedback from internal and external program participants. Further, there are no performance evaluation criteria defined in CEF policies and procedures. There are informal discussions at the team meetings of CEF staff, but the results of such discussions are not documented.

Recommendations

169 Please refer to Appendix "B" to Report AUD25003 for a list of Recommendations and the related Management Responses that will address the key audit findings.

Conclusion

170 The OAG would like to thank the staff across the organization who we interviewed and provided information for this audit. We look forward to following up with management in the future to see the progress of their action plans and their impact on improving the governance and administration of transfer payments and grants as well as generally improving controllership at the City of Hamilton.



Office of the Auditor General

City of Hamilton

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Office of the
Auditor General
City of Hamilton

Transfer Payments and Grants Audit

Recommendations and Management Responses



May 1, 2025

Office of the Auditor General

Management Responses provided by Finance and Corporate Services.

Introduction

The following recommendations aim to help improve the oversight and administration of transfer payments and grant programs in the City. The management response is written by the Corporate Services Department, with input from a Corporate-wide working group comprised of various Directors.

Recommendation 1

It is recommended that Corporate Finance establish a governance and policy structure that provides strategic guidelines, policies, and standard operating procedures to provide oversight of transfer payments and grants administration across the organization, similar to the Transfer Payment Directive at the Province of Ontario.

The governance structure and related policies should clearly define roles and responsibilities of each party involved in the transfer payment administration. The governance structure should be accompanied with a set of policies, and standard operating procedures, as well as best practices that may contribute to prudent financial management.

Recommendation 2

That the City of Hamilton publish publicly annual performance reporting of all transfer payments, and the results achieved for Hamiltonians.

This performance reporting should disclose all sources of funding received by organizations from the City of Hamilton, and details of the various funding programs.

Recommendation 3

It is recommended that Corporate Finance review how transfer payments and grants are recorded in the City's financial system, including the chart of accounts and account set up. This is an excellent opportunity for improvement, as the replacement Enterprise Resource Planning (ERP) system is implemented as part of the cybersecurity incident recovery. This is an opportunity to streamline data extraction and enable accurate financial and performance reporting for transfer payments and grants.

Recommendation 4

It is recommended that a risk assessment of all transfer payment and grant recipients be conducted, and that the grant recipient risk profiles be regularly updated.

Recommendation 5

It is recommended that monitoring and evaluation of transfer payment and grant recipient performance be proportionate to recipients' risk profile; and this monitoring be documented. Monitoring should include verification of money spent as intended and services provided as according to the terms and conditions of the agreement.

Recommendation 6

It is recommended that risk-based, periodic evaluations of transfer payment and grant programs be completed to determine if they are in alignment with current City of Hamilton Council priorities.

Management Response (All Recommendations)

Agree.

Staff is in agreement with the direction of all six recommendations. Given that these recommendations have impact to all areas of the organization an implementation plan with corporate wide input will be needed. Staff will work towards the development of a plan to support the successful implementation of these recommendations. This implementation plan, including implementation timelines will be shared with the Office of the Auditor General by Q4 2025.

A cross functional working team has been established to review the results and recommendations of the Transfer Payments and Grants Audit. This team will assist in the development of proper oversight of transfer payments and grants by identifying resources and practices including but not limited to, financial tracking tools, development of documented policies and procedures, staff training, outreach, to ensure the responsible stewardship of taxpayers funding.

It is important to recognize, and include in the implementation plan, the reporting and accountability mechanisms that are already embedded into our funding agreements as a result of receiving provincial and/or federal funding. Some of the recommendations from the audit are already being fulfilled through provincial/federal requirements, and we should be building upon this work to ensure that we aren't duplicating reporting or other accountability mechanisms.

For example, City Enrichment Fund (CEF) publishes annual results each Q2 through a Council approved report. Impact reporting began in 2022 and has been accelerated beginning with our 2024 funding year in an effort to share the direct and indirect impact of the City's investment through CEF. As part of the evaluation of all incoming CEF grant requests, each application is assessed for merit, feasibility and financial health. Additionally, all approved grantee's with outstanding arrears or documents are held pending the satisfactory submission or payment to the City. CEF grant recipients (grantees) are required to submit a final report that provides confirmation of the funded activities and ensures the CEF funding policies and expectations have been met. Final reports include a written component and final budget.

Expected Completion: Q4 2025



Office of the
Auditor General
City of Hamilton

Transfer Payments and Grants Audit



May 1, 2025

Charles Brown, Auditor General
Brigitte Minard, Deputy Auditor General



Transfer Payments
Received

\$511.7 Million

Transfer Payments
Paid Out

\$201.1 Million

Source: 2022 audited financial statements, the most recently available statements.

Transfer payments are a mechanism to fund activities that benefit the public and are designed to achieve public policy objectives. Transfer payments are transfers of money to individuals, external organizations or to other governments for which the Ontario government does not:

- Receive goods or services directly in return, as would occur in a purchase or sales transaction.
- Expect to be repaid in the future, as would be expected in a loan; or
- Expect a direct financial return, as would be expected in an investment.

A transfer payment belongs to one of the three categories:

- Time-limited payments.
- Ongoing payments.
- Support payments.

- City of Hamilton does not have an official definition of Grant.
- A Grant is a form of unconditional transfer payment, and grants are payments made to an individual or organization based on eligibility and entitlement criteria.
- Grants are a subset of Transfer Payments.

Total Grants
Paid Out
\$20.4 Million

Source: Note 16 Government Transfers of City of Hamilton Financial Report 2022.

To assess whether the City has adequate systems and controls in place to support effective and accountable delivery of its transfer payment and grant programs.



- **Governance** – Are there sufficient structures, tools, and systems in place to ensure that transfer payments are managed effectively, efficiently and consistently across the City?
- **Program Design and Evaluation** – Does the City routinely assess the effectiveness of transfer payment and grant programs?
- **Funding Allocation and Award** – Is due diligence being exercised when conducting budgetary planning and funding assessments to ensure that taxpayer dollars are allocated in an equitable and transparent manner?
- **Monitoring and Oversight** – Are appropriate processes being utilized to ensure that transfer payment and grant recipients remain compliant with program terms, and that funds are used as intended?



- **Accountability**
- **Value for money**
- **Risk-based approach**
- **Fairness, integrity and transparency**
- **Focus on outcomes**
- **Common processes**
- **Information sharing**
- **Communication**

- Researched Federal and Provincial policies, directives and best practices for transfer payment administration.
- Reviewed City of Hamilton Procurement By-law, Divisional SOPs, funding agreements, as available.
- Interviewed staff.
- Reviewed available data, metrics, and performance measures, as applicable.
- Performed analysis.

- City of Hamilton does not have a corporate policy for transfer payment governance and administration.
- Individual program areas administer the incoming and outgoing transfer payments.
 - Either based on the agreement with the Provincial or Federal government, or the legislation that governs the program.

- City of Hamilton does not have a corporate grant administration policy.
- Some grant programs follow a handbook and have an agreement.
- Some grant programs do not have any formally documented standard operating procedures.

Transfer Payments

- Children's Services - Wage Enhancement Grant (WEG) and General Operating Grant (GOG)
- Housing Services - Reaching Home (RH) program
- Economic Development - Starter Company Plus in Small Business Enterprise Centre (SBEC) program

Grant Programs

- Hamilton Water - Protective Plumbing Program (3P)
- Recreation - Operating Grants
- Government and Community Relations - City Enrichment Fund (CEF)

Corporate governance review and the findings from programs sampled informed the audit findings. Five themes emerged:

- Policies and directives,
- Roles and responsibilities,
- Risk-based fund recipient performance monitoring,
- IT system for fund management,
- Reporting on outcomes.

There are no documented policies or guidelines specific to the City-wide administration and oversight of transfer payment and grant programs.

A lack of directives and requirements for:

- Risk-based fund recipient management.
- Clear eligibility criteria and transparent evaluation process.
- Funding agreements consistent with City expectations and protecting City interests.
- Mechanisms to validate funds were used as intended.
- Reporting on the outcomes achieved.

We found unclear /undefined roles and responsibilities in:

- Administration of Transfer Payments and grants,
- Oversight of service delivery,
- Reporting on the outcomes,
- Funding agreement /contract management.

Case example findings included:

- Fund recipient risk profile not established to inform proportionate recipient performance monitoring.
- No consistent practices across the organization in fund performance monitoring.
- There is no mechanism to validate grant funds are used as intended.
- Some grants were disbursed year over year without reviewing whether it is optimal option, whether it still meets the City's objectives.
- Expired funding agreements.

Manual process for tracking and managing transfer payment and grant funds, without a central system.

- No documented naming and numbering convention in setting up grants and transfer payments in the financial system.
- Extraction of data for audit planning required significant staff manipulation.
 - OAG has data confidence concerns
- Built-in controls / functionality of the financial system not fully explored, risking duplicate payments not being prevented, or identified.

- Intended outcomes for transfer payment and grant programs are either:
 - Not established
 - Not adequately established
- Funding outcomes are not consistently monitored or reported upon regularly.

- Overall, six recommendations were made to Management.
 - Management agreed with all recommendations.
- Management is currently working on more detailed management action plans.
- OAG is recommending that Council directs Management to report back with a status update by December 2025.





THANK YOU

CITY OF HAMILTON M O T I O N

Audit, Finance, Administration Committee: May 1, 2025

MOVED BY COUNCILLOR T. HWANG

SECONDED BY COUNCILLOR

One Year Pilot Funding for Financially Assisted Social Prescribing Project in Ward 4

WHEREAS, Social Prescribing is a holistic approach to healthcare that brings together social and medical models of health and wellness to individuals and communities, best known for its integration within the National Health System starting in the 1990s in the United Kingdom where it has been proven to result in better health outcomes and reduced emergency room wait times;

WHEREAS, Social Prescribing bridges the gap between clinical care and social care by referring patients to local, non-clinical services that are chosen according to the client's interests, goals, and gifts and could include opportunities for some to reconnect back to ancestral lands, attend cultural or art-focused events that they would otherwise not be able to, and even lead to social connections for those experiencing loneliness;

WHEREAS, acknowledging the social determinants of health and the fact that poverty has a direct correlation to health, Wards 2, 3, and 4 have been identified in the 2010 Code Red Reports and subsequent census datasets as having the highest health needs coupled with the lowest average income per household in Hamilton and thereby individuals living in these wards have life expectancies 10 years less than other Hamilton residents;

WHEREAS, Social Prescribing ensures health equity and, with Financial Assistance, it will continue to remove barriers that clients may experience including economic, geographical, interpersonal, or psychological and it is about providing necessary supports and empowering people to be co-creators in improving their own health and well-being with trusted relationships that already exist within community; and

WHEREAS, since launching in September 2024 with the goal to increase health equity and informed care and services in the Hamilton region by bringing the health and social sectors together, the Canadian Red Cross has convened 29 local community organizations including the Greater Hamilton Health Network Primary Care Network, YMCA HBB, Wesley, De Dwa Da Dehs Nye Aboriginal Health Centre and many more to form the Social Prescribing Service Coordination Community Collective;

THEREFORE, BE IT RESOLVED THAT:

- Page 169 of 173
- Prescribing
- (a) That a one-time grant be allocated to the Financially Assisted Social Project with the Canadian Red Cross that will directly support Ward 4 residents in their health and wellbeing journey in an amount not to exceed \$25,000 funded from the Ward 4 Discretionary Account #3302309400;
 - (b) That funds be exempt on a one-time basis and not be counted toward any formula that restricts regular funding from the City including the City Enrichment Fund (e.g. the City's 30% formula); and
 - (c) That the Mayor and City Clerk be authorized and directed to execute any required agreement(s) and ancillary documents, with such terms and conditions in a form satisfactory to the City Solicitor.

CITY OF HAMILTON M O T I O N

Audit, Finance and Administration Committee: May 1, 2025

MOVED BY COUNCILLOR B. CLARK

SECONDED BY COUNCILLOR

Supporting Archeological Costs for the Third Wetland on the Punch Bowl Lands (SC-5)

WHEREAS, the Saltfleet Wetland Restoration Project is a major environmental restoration project within the City of Hamilton;

WHEREAS, the wetlands will reduce the impacts of flooding and erosion below the Niagara Escarpment in Stoney Creek and further the long-term vision of the entire Saltfleet Conservation Area, which will provide new natural areas and associated habitats and trails connecting these natural areas;

WHEREAS, the City of Hamilton has demonstrated its partnership and support through the provision of \$2M grant for the purposes of land acquisition for the Saltfleet Conservation Area Wetland Restoration project in 2014 funded through royalties related to the GFL Stoney Creek Landfill Site, participation in the 2018 Environmental Assessment through technical comment and input and resolution in 2024 confirming municipal partnership to support requirements of an external fund application; and

WHEREAS, Hamilton Conservation Area staff has been directed, by the Hamilton Conservation Area Board of Directors, to enter into a Contribution Agreement and any other ancillary agreement with the City of Hamilton to facilitate further grants for the purpose of supporting archaeological costs for the third wetland on the Punch Bowl lands (SC-5).

THEREFORE, BE IT RESOLVED:

- (a) That a grant for the purpose of supporting archaeological costs for the third wetland on the Punch Bowl lands (SC-5) to the Hamilton Conservation Authority be funded from the GFL Stoney Creek Compensation Royalties Reserve #117036 at an upset limit not to exceed \$1,000,000;
- (b) That the Mayor and City Clerk be authorized and directed to execute any required agreements and ancillary documents, with such terms and conditions that are satisfactory to the City Solicitor.

CITY OF HAMILTON M O T I O N

Audit, Finance and Administration Committee: May 1, 2025

MOVED BY COUNCILLOR B. CLARK

SECONDED BY COUNCILLOR J. BEATTIE

Festitalia Transportation

WHEREAS, the 50th Anniversary of Festitalia will be celebrated on June 20-22, 2025, with multiple events taking place across the City of Hamilton;

WHEREAS, Festitalia is a longstanding cultural festival that contributes to Hamilton's vibrancy and community spirit;

WHEREAS, transportation can be a barrier for seniors and those with mobility challenges in accessing festival events; and

WHEREAS, providing a complimentary shuttle service will enhance accessibility and community participation, particularly for the senior population;

THEREFORE, BE IT RESOLVED:

- (a) That a one-time exception to the Area Rating Special Capital Re-Investment Discretionary Fund Policy BE APPROVED to allow Ward 6 to provide a grant of up to \$3,300 to Festitalia Corporation, to fund a shuttle service, with the amount to be funded from the Ward 6 Capital Discretionary Account (3302309600);
- (b) That all funds allocated for this initiative be contingent upon the submission of appropriate supporting documentation, including receipts or paid invoices, to the satisfaction of the General Manager of Finance and Corporate Services;
- (c) That any funds allocated and distributed through the Ward 6 Community Grants Program be exempt on a one-time basis and not be counted toward any formula that restricts regular funding from the City including the City Enrichment Fund or the One-Time Enhancement Grant (e.g. the City's 30% formula); and
- (d) That the Mayor and City Clerk be authorized and directed to execute any required agreement(s) and ancillary documents, with such terms and conditions in a form satisfactory to the City Solicitor.

CITY OF HAMILTON

MOTION

Audit, Finance and Administration Committee: May 1, 2025

MOVED BY COUNCILLOR B. CLARK

SECONDED BY COUNCILLOR J. BEATTIE

Support for Equipment Replacement, Seniors Outreach Services (SOS) Stoney Creek

WHEREAS, Seniors Outreach Services (SOS) is a Stoney Creek based, volunteer-led seniors support organization that enables seniors to remain independent in their homes in our Community for over 35 years;

WHEREAS, SOS provides services that include but are not limited to rides to healthcare appointments and shopping, lawn care and snow removal;

WHEREAS, SOS provides snow clearing for 104 seniors in all parts of Stoney Creek;

WHEREAS, SOS has a complement of 13 snow blowers, all of which are at or nearing the end of their operational life, are prone to breakdowns, and require a high level of maintenance;

WHEREAS, during the major snow event in February 2025, only 2 of the 13 units remained operational, which severely impeded the ability of SOS Volunteers undertake their work;

WHEREAS, after exhaustive research, SOS has identified the TORO 721 R-C snowblower unit as the preferred option for volunteers, due to its proven reliability, lightweight design, long service life, relative affordability and easy access to local parts supply, as compared to other units;

WHEREAS, SOS has confirmed the purchase of 14 snowblower units will allow them to maintain and enhance their snow clearing program for Stoney Creek Seniors, and increase the reach of their program to more clients, and;

WHEREAS, the GFL Stoney Creek Compensation Royalties Reserve #117036 supports community investment within the boundaries of the former City of Stoney Creek, and its intent aligns with supporting Community-Based efforts within the Stoney Creek Community;

THEREFORE, BE IT RESOLVED:

- (a) That the purchase of 14 snowblower units for Seniors Outreach Services be funded from the GFL Stoney Creek Compensation Royalties Reserve #117036 at an upset limit, including contingency and HST, not to exceed \$20,000;
- (b) That any funds allocated to Seniors Outreach Services be exempt on a one-time basis and not be counted toward any formula that restricts regular funding from the City, including the City Enrichment Fund or the One-Time Enhancement Grant (e.g. the City's 30% formula); and
- (c) That the Mayor and City Clerk be authorized and directed to execute any required agreements and ancillary documents, with such terms and conditions that are satisfactory to the City Solicitor.