



INFORMATION REPORT

TO:	Chair and Members Hamilton Future Fund Board of Governors
COMMITTEE DATE:	June 16, 2017
SUBJECT/REPORT NO:	Hamilton Future Fund Reserve Status and Project Funding as of December 31, 2016 (FCS17064) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Marcin Zukowski (905) 546-2424 Ext. 2162
SUBMITTED BY:	Brian McMullen Director, Financial Planning, Administration and Policy Corporate Services Department
SIGNATURE:	

Council Direction:

In 2002, Council approved the recommendations in Report FCS02107 “Creation of a Permanent Hamilton Future Fund – Final Report” and directed staff to provide Council and the Trustee Panel with regular reports on the status of the Hamilton Future Fund (HFF) reserves and projects funded from the HFF.

Information:

Hamilton Future Fund Reserves

The funds received from Hamilton Utilities Corp. (HUC), in 2002, were segregated into two reserve accounts:

Account 112246	Hamilton Future Fund A	\$100,000,000
Account 112247	Hamilton Future Fund B	\$ 37,430,705

FUND A

Fund A was established as a permanent fund to be protected and invested, initially for five years, thus providing investment income as a permanent source of funding. Table 1 of Report FCS17064 summarizes the activity in Fund A from the date it was established in 2002 to December 31, 2016.

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Fund A earned \$759,440 in investment income in 2016 and approximately \$44.1 M in investment income since inception in 2002 through to December 31, 2016. In addition, Fund A has earned interest of \$22.9 M on loans to the City to fund capital projects and on a \$3.0 M loan to Good Shepherd, for a total of \$67 M in investment income since 2002.

Table 1: Hamilton Future Fund A – Balance as of December 31, 2016

HAMILTON FUTURE FUND A		
as of December 31, 2016		
Beginning Balance		\$ 100,000,000
Additions:		
Investment Income		44,110,849
Loan Repayments - City of Hamilton	- Principal	44,677,644
	- Interest	22,710,077
Loan Repayments - Good Shepherd	- Principal	2,137,620
	- Interest	220,623
Less:		
Transfers to Operating (2003 - 2008)		-13,845,000
Loans to Fund Capital Projects - COH		-94,720,376
<u>Pan Am Games</u>	<u>Approved</u>	
Ivor Wynne / Brian Timmis Stadiums	45,000,000	-44,994,672
Velodrome (not being built in Hamilton, \$5 Million in funding redirected back to HFF)		-247,224
West Harbour Initiatives (Loan)	<u>10,000,000</u>	<u>-10,000,000</u>
Total	55,000,000	-55,241,896
McMaster Health Campus (Loan)	10,000,000	-10,000,000
Forgivable Loan to Dr. Bob Kemp Hospice		-1,500,000
Good Shepherd Loan (5 Yrs.)		<u>-3,000,000</u>
Ending Balance - Cash & Investments		\$ 35,549,541
Fund Assets		
Cash & Investments		\$ 35,549,541
COH Loan Receivable (April 1, 2005 - \$15,236,000 @ 4.0%)		5,107,258
COH Loan Receivable (February 1, 2006 - \$15,000,000 @ 3.86%)		5,473,117
COH Loan Receivable (December 31, 2006 - \$14,323,000 @ 3.89%)		5,717,639
COH Loan Receivable (December 31, 2007 - \$11,504,953 @ 4.08%)		5,449,033
COH Loan Receivable (July 17, 2008 - \$2,500,000 @ 4.02%)		1,352,265
COH Loan Receivable (December 31, 2008, - \$4,035,000 @ 3.69%)		2,158,356
COH Loan Receivable (June 30, 2009 - \$2,150,000 @ 3.32%)		1,277,431
COH Loan Receivable (December 31, 2009 - \$5,400,000 @ 3.30%)		3,206,499
COH Loan Receivable (December 31, 2010 - \$4,000,000 @ 3.04%)		2,613,090
COH Loan Receivable (December 31, 2011 - \$3,182,498 @ 2.10%)		2,230,347
COH Loan Receivable (December 31, 2012 - \$3,118,151 @ 2.20%)		2,383,985
COH Loan Receivable (December 31, 2013 - \$3,672,439 @ 2.48%)		3,042,371
COH Loan Receivable (December 31, 2014 - \$5,395,617 @ 1.82%)		4,758,054
COH Loan Receivable (December 31, 2015 - \$2,369,681 @ 1.56%)		2,228,304
COH Loan Receivable (December 31, 2016 - \$2,833,036 @ 1.75%)		2,833,036
Good Shepherd Loan Receivable (Nov. 30, 2012 - \$3,000,000 @ 2.28%)		<u>900,000</u>
Total Assets		\$ 86,280,325

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Transfers to Operating Budget

As part of the 2003 Budget, Council approved using \$4 M in interest revenues to reduce property taxes and directed staff to develop a strategy to eliminate reliance on this funding in future operating budgets. A total of \$13,845,000 has been transferred to operating in years 2003 through 2008 as indicated by year as follows:

Transfers to Operating		
2003	\$	4,000,000
2004		3,285,000
2005		1,640,000
2006		1,640,000
2007		1,640,000
2008		1,640,000
		<hr/>
	\$	13,845,000

On April 23, 2008, Council approved an amendment to the 2008 Tax Supported Budget as follows: "That the interest from the Hamilton Future Fund not be used to lower the tax levy in 2009 and forward." Therefore, there are no Transfers to Operating from the HFF since 2008.

Loans to Fund Capital

The City's Capital Financing Plan incorporates borrowing \$100 M from the HFF to finance capital projects as authorized by By-law No. 05-093. The loans are being repaid with interest to Fund A over a 15-year period from the date of the loans.

The full amount of \$100 M in loans has been approved and committed to fund projects approved in the 2004 through 2014 Capital Budgets of which \$94.7 M has actually been borrowed as of December 31, 2016. Therefore, there is an additional \$5.3 M committed as loans from Fund A to fund projects as expenditures occur.

A total of \$44.67 M in loan principal has been repaid to Fund A, leaving an outstanding loan balance of \$50 M as of December 31, 2016. The outstanding loans from the HFF are shown as Fund Assets (loans receivable) in Table 1 of Report FCS17064 to reflect a total asset value of the fund of \$86,280,325.

Other Loans

The loan to the **Dr. Bob Kemp Hospice** in the amount of \$1.5 M has been converted to a Forgivable Loan, interest free, for a term of 20 years. The loan will be forgiven, in full, at the end of the term (2031), subject to the terms of the Forgivable Loan Agreement.

A loan to the **Good Shepherd Centre** in the amount of \$5.0 M was approved by Council on October 10, 2012 of which \$3.0 M was borrowed from the HFF. The Loan Agreement provides for the loan to be repaid over five years at an interest rate of 2.28%. In 2016, principal of \$787,620 and interest of \$36,168 was repaid to the HFF by the Good Shepherd. Interest revenue of \$220,623 has been received on the loan to date.

Pan Am Stadium

On April 2, 2009, the HFF Board of Governors approved using \$60 M of HFF monies in the form of a loan to fund the City's financial requirement for participation in the 2015 Pan Am Games. At the April 14, 2009 Committee of the Whole (COW), the following resolution was approved and subsequently approved by Council: "That \$60 M dollars in the form of a grant be approved from the Hamilton Future Fund to fund the City's financial requirement for participation in the Pan Am Games."

On January 31, 2011 Council approved that the \$60 M in funding for the Pan Am Games be allocated as follows:

Pan Am Stadium project at Ivor Wynne	\$45 M
Velodrome	\$ 5 M
West Harbour land acquisitions	<u>\$10 M</u>
Total	<u>\$60 M</u>

Council further approved "that any net revenues from the sale of the West Harbour lands up to \$10 M be returned to the Hamilton Future Fund".

On July 12, 2012, Council approved the Future Fund grant of \$5 M allocated to the Velodrome be returned to the HFF as the Velodrome is no longer being built in Hamilton. A total of \$247,224 had been spent on the Velodrome project which has been funded from Fund A.

McMaster Health Campus

The recommendations contained in the August 2, 2011, Report 11-002 of the HFF Board of Governors were approved by Council as follows:

- 1) That the \$10 M contribution to McMaster University be funded as a loan from the Hamilton Future Fund A (Account 112246);
- 2) That the Future Fund Board of Governors is in support of the McMaster Health Campus Proposal as it coincides with the Board's Guiding Principles and will create a meaningful legacy for the City of Hamilton;
- 3) That all monies from the sale or lease of West Harbour lands be returned to the Future Fund.

Fund A Forecast

Table 2 provides a 10-year forecast for Fund A.

It should be noted that the repayment to the HFF of \$10 M for the purchase of the West Harbour lands and the \$10 M loan to fund the McMaster Health Campus is not reflected in Table 2 of Report FCS17064. The loans are to be repaid from the net proceeds of the sale of West Harbour lands which cannot be determined or forecasted at the current time.

Table 2: Hamilton Future Fund A – 10 year forecast

HAMILTON FUTURE FUND A											
(\$ 000's)											
	Actual	Projected									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Opening Asset Value	28,809	35,550	38,758	44,638	50,694	56,417	61,526	68,094	73,815	79,125	83,947
Revenues	3.0%										
Investment Income	759	1,022	1,163	1,339	1,521	1,692	1,846	2,043	2,214	2,374	2,518
Loan Repayment (P&I) - COH	7,991	8,266	8,717	8,717	8,202	7,417	4,722	3,678	3,096	2,448	2,111
Loan Rpymt. (P&I) - Good Shepherd	824	920									
Expenditures											
Loans to Fund Capital - COH	(2,833)	(3,000)									
Poverty Reduction (\$20M)		(4,000)	(4,000)	(4,000)	(4,000)	(4,000)					
Balance (Cash & Investments)	35,550	38,758	44,638	50,694	56,417	61,526	68,094	73,815	79,125	83,947	88,576
Outstanding Loans Receivable											
COH - to Fund Capital	49,830	48,241	41,165	33,832	26,747	20,198	16,108	12,927	10,229	8,097	6,244
Good Shepherd	900	-	-	-	-	-	-	-	-	-	-
Total Asset Value	86,280	86,999	85,803	84,526	83,163	81,724	84,202	86,742	89,354	92,044	94,820
* The \$10 million for purchase of the West Harbour lands and \$10 million for the McMaster Health Campus is to be repaid to the Hamilton Future Fund with the net proceeds from sale of West Harbour lands. (Approvals: West Harbour Jan. 31, 2011 Council; McMaster Health - Aug. 11, 2011 Council) The \$20 million in repayments are not reflected in the forecast above, as it is not known when the land sales may occur.											

The Fund A forecast in Table 2 includes amendments to the repayment terms approved by Council at its meeting on April 27, 2016 from Item (i) (iii) of GIC Report 16-011 which reads: "That \$20 M be allocated to increase affordable housing and improve the state of good repair with funds derived by extending the payback term for existing City loans from the Future Fund from 2031 to 2036." The proposed disbursement of the \$20 M loan is \$4 M annually over five years, as it was previously presented to the Board. The disbursement terms are subject to change based on a decision reached by GIC at a meeting in July 2017 regarding the Poverty Reduction Implementation Plan.

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FUND B

Fund B was established to provide funding for the various initiatives (refer to Appendix “A” to Report FCS17064 “Hamilton Future Fund Projects / Grants Funding Analysis”), as recommended by the Community Trustee Panel (now the HFF Board of Governors) and approved by Council. Table 3 of Report FCS17064 provides a summary of the transactions from the date the fund was established in 2002 to December 31, 2016. Investment income for Fund B in 2016 was \$133,485 and has earned a total of \$8,965,640 in investment income from 2002 to December 31, 2016.

The total approved funding from Fund B is \$42,058,449 of which \$41,490,152 has been allocated to fund the various initiatives to date. The remaining amount of \$568,297 is reflected as committed in Table 3 of Report FCS17064, leaving an uncommitted balance in Fund B of \$4,599,163.

Hamilton Realty Capital Corporation (HRCC)

On March 9, 2016 Council approved the recommendations in Report PED16061 effectively dissolving the HRCC. Council further approved “that the \$1.85 M loan from the HFF committed to the HRCC be cancelled”, thereby cancelling the committed funding from Fund B.

Table 3: Hamilton Future Fund B – Balance as of December 31, 2016

HAMILTON FUTURE FUND B	
as of December 31, 2016	
Initial Investment	\$ 37,430,705
Revenues	
Total Investment Income	8,965,640
Funds returned (PED16061 - HRCC)	261,267
Expenditures / Project Funding	
Total Expenditures / Project Funding to date	-41,490,152
Fund Balance	<u>\$ 5,167,460</u>
Committed (\$42,058,449 - 41,490,152)	<u>-568,297</u>
Uncommitted Balance	<u>\$ 4,599,163</u>

Project Funding Status (Appendix “A” to Report FCS17064)

Appendix “A” to Report FCS17064 provides project funding from Fund B to the approved projects, as well as, the status of the projects and other project details. Total funding has been approved from Fund B of which \$41,490,152 has been used to fund the various projects and initiatives, to date, leaving an unexpended balance of \$4,599,163 as of December 31, 2016.

As noted previously, the funding commitment for the Hamilton Realty Capital Corporation was cancelled in March 2016. Therefore, the unexpended balance for remaining projects is \$568,297. Two projects from the 2016 In-take Process (Rygiel for \$150,000 and Troy for \$28,000) have been fully funded in early 2017.

Table 4 of Report FCS17064 provides the list of projects with approved funding from Fund B that have unexpended funds at December 31, 2016.

Table 4: Hamilton Future Fund – Projects with Unexpended Funding as of December 31, 2016

Projects with Unexpended Funding as of December 31, 2016				
	Approved Funding	Spent to date	Unexpended Balance	Approval Year
Repair Stone Walls at Auchmar	\$ 800,000	\$ 789,946	\$ 10,054	2013
Waterdown Memorial Hall	600,000	220,078	379,922	2013
Hamilton Public Library	150,000	149,679	321	2014
Rygiel	150,000	-	150,000	2016
Troy / Lynden Women`s Institute	28,000	-	28,000	2016
			<u>\$ 568,297</u>	

Appendices and Schedules Attached

Appendix “A” – Hamilton Future Fund Projects / Grants Funding Analysis

MZ/dt