

# INFORMATION REPORT

<b>TO:</b>	Chair and Members Hamilton Future Fund Board of Governors
<b>COMMITTEE DATE:</b>	May 28, 2019
<b>SUBJECT/REPORT NO:</b>	Hamilton Future Fund Reserve Status and Project Funding as of December 31, 2018 (FCS19044) (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	Marcin Zukowski (905) 546-2424 Ext. 2162
<b>SUBMITTED BY:</b>	Brian McMullen Director, Financial Planning, Administration and Policy Corporate Services Department
<b>SIGNATURE:</b>	

## 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 FCS19044 summarizes the activity in Fund A from the date it was established in 2002 to December 31, 2018.

Fund A earned \$1,086,336 in investment income in 2018 and approximately \$46,152,065 in investment income since inception in 2002 through to December 31, 2018. In addition, Fund A has earned interest of \$26,612,097 on loans to the City to fund capital projects as well as a loan to Good Shepherd, for a total of \$72,764,162 in investment income since 2002.

---

*OUR Vision: To be the best place to raise a child and age successfully.*

*OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.*

*OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.*

**SUBJECT: Hamilton Future Fund Reserve Status and Project Funding as of  
December 31, 2018 (FCS19044) (City Wide) – Page 2 of 8**

---

**Table 1**

**HAMILTON FUTURE FUND A**

**as of December 31, 2018**

<b>Beginning Balance</b>		<b>\$ 100,000,000</b>
<b>Additions:</b>		
Investment Income		46,152,065
Loan Repayments - City of Hamilton	- Principal	57,698,179
	- Interest	26,326,933
Loan Repayments - Good Shepherd	- Principal	2,280,000
	- Interest	285,164
<b>Less:</b>		
Transfers to Operating (2003 - 2008)		-13,845,000
Loans to Fund Capital Projects - COH		-97,969,761
Poverty Reduction Investment (\$20M over 5 yrs committed)		-8,000,000
<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)	10,000,000	-10,000,000
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 (Extended for additional 5 Yrs.)		-3,000,000
<b>Ending Balance - Cash &amp; Investments</b>		<b>\$ 43,185,684</b>
<b>Fund Assets</b>		
Cash & Investments		\$ 43,185,685
COH Loan Receivable (April 1, 2005 - \$15,236,000 @ 4.0%)		2,724,388
COH Loan Receivable (February 1, 2006 - \$15,000,000 @ 3.86%)		3,176,948
COH Loan Receivable (December 31, 2006 - \$14,323,000 @ 3.89%)		3,561,806
COH Loan Receivable (December 31, 2007 - \$11,504,953 @ 4.08%)		3,777,279
COH Loan Receivable (July 17, 2008 - \$2,500,000 @ 4.02%)		1,003,533
COH Loan Receivable (December 31, 2008, - \$4,035,000 @ 3.69%)		1,596,961
COH Loan Receivable (June 30, 2009 - \$2,150,000 @ 3.32%)		988,895
COH Loan Receivable (December 31, 2009 - \$5,400,000 @ 3.30%)		2,481,789
COH Loan Receivable (December 31, 2010 - \$4,000,000 @ 3.04%)		2,092,119
COH Loan Receivable (December 31, 2011 - \$3,182,498 @ 2.10%)		1,820,753
COH Loan Receivable (December 31, 2012 - \$3,118,151 @ 2.20%)		1,992,092
COH Loan Receivable (December 31, 2013 - \$3,672,439 @ 2.48%)		2,595,686
COH Loan Receivable (December 31, 2014 - \$5,395,617 @ 1.82%)		4,096,964
COH Loan Receivable (December 31, 2015 - \$2,369,681 @ 1.56%)		1,938,873
COH Loan Receivable (December 31, 2016 - \$2,833,036 @ 1.75%)		2,382,380
COH Loan Receivable (December 31, 2017 - \$2,773,758 @ 1.75%)		3,022,345
Good Shepherd Loan Receivable (Nov. 30, 2012 - \$3,000,000 @ various) *		720,000
* loan terms revised in 2017		
<b>Total Assets</b>		<b>\$ 83,158,493</b>

*OUR Vision: To be the best place to raise a child and age successfully.*

*OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.*

*OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.*

### **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	<u>1,640,000</u>
	<u>\$13,845,000</u>

On April 23, 2008, Report 08-17, 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 have been 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 2018 Capital Budgets, of which \$98 M has been borrowed as of December 31, 2018. Therefore, there is an additional \$2 M committed as loans from Fund A to fund projects as expenditures occur.

A total of \$57 M in loan principal has been repaid to Fund A, leaving an outstanding loan balance of \$39 M as of December 31, 2018. The outstanding loans from the HFF are shown as Fund Assets (loans receivable) in Table 1 of Report FCS19044 to reflect a total asset value of the fund of \$83,158,493.

### **Poverty Reduction Investment**

On September 27, 2017, Council approved Poverty Reduction Investment Plan, Report CES16043(a), which provides funding towards construction of new affordable rental housing. The \$20 M in funding is to be allocated from the HFF reserve over a five-year period at \$4 M per year starting in 2017 and ending 2021.

## **Other Loans**

On March 23, 2011, Council Report FCS10092(a), approved that 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 M was approved by Council on October 10, 2012, Report FCS12035, of which \$3 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 2017, the **Good Shepherd Centre** requested that the terms of the remaining total principal in the amount of \$1.5 M, of which \$900 K represents HFF's portion, be paid back in equal annual instalments of \$300 K, HFF's portion \$180 K, plus an interest rate of 2.65% over five year period (2018-2022). The outstanding principal attributed to HFF is \$720 K as of December 31, 2018.

The request has been approved by the HFF Board of Governors at their November 29, 2017 meeting and later approved by Council, Report HFF 18-002 on January 24, 2018.

## **Pan Am Stadium**

On April 2, 2009, the HFF Board of Governors approved Report CM09006 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), Report CM09006, 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 Report CM09006(I) 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, through Report HFF 12-001, Council approved the Future Fund grant of \$5 M allocated to the Velodrome be returned to the HFF as the Velodrome was no longer being built in Hamilton. A total of \$247,224 had been spent on the Velodrome project which had been funded from Fund A.

## **McMaster Health Campus**

The recommendations contained in the August 2, 2011 report of the HFF Board of Governors to contribute \$10 M towards construction of new Hamilton Health Campus were approved by Council on August 11, 2011 in Report CM11008(b) / PED11134(a) / FCS11063(a) / BOH11026(a) as follows:

- 1) That the \$10 M contribution to McMaster Health Campus 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 (re: McMaster Health Campus).

#### **Fund A: Forecast**

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

It should be noted that the repayment to the Hamilton Future Fund reserve of \$10 M for the purchase of the West Harbour lands and the \$10 M loan to fund the McMaster Health Campus are not reflected in Table 2 of Report FCS19044. 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 (\$000's) - 10-YEAR FORECAST**

	<b>Actual</b>		<b>Projected</b>								
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>
Opening Asset Value	37,241	43,185	49,404	55,289	60,561	65,830	71,072	76,471	82,032	87,760	93,660
Revenues	3%										
Investment Income	1,086	1,296	1,482	1,659	1,817	1,975	2,132	2,294	2,461	2,633	2,810
Loan Repayment (P&I) - City of Hamilton (COH)	8,634	8,724	8,209	7,424	3,267	3,267	3,267	3,267	3,267	3,267	3,267
Loan Repayment (P&I) - Good Shepherd	224	199	194	190	185						
Expenditures											
Poverty Reduction (\$20 M) <sup>(1)</sup>	-4,000	-4,000	-4,000	-4,000							
West Harbour Lands (Loan) <sup>(2)</sup>											
McMaster Health Campus (Loan) <sup>(2)</sup>											
Balance (Cash and Investments)	43,185	49,404	55,289	60,562	65,830	71,072	76,471	82,032	87,760	93,660	99,737
Outstanding Loans Receivable											
COH - to Fund Capital	39,253	33,962	26,830	20,147	15,937	12,648	9,859	7,651	5,738	4,043	2,567
Good Shepherd	720	540	350	180							
Total Asset Value	83,158	83,906	82,469	80,889	81,767	83,720	86,330	89,683	93,498	97,703	102,304

<sup>(1)</sup> Recommendation to extend payback term on City loans from 2031 to 2036 existing (Report BOH16034 / CES16043 and Report CES16043(a) approved by Council on Sept. 27, 2017). The purpose of the loan repayment extension was to accommodate funding for the Poverty Reduction Investment Plan in the amount of \$20 M.

<sup>(2)</sup> The \$10 M for purchase of the West Harbour Lands and \$10 M for the McMaster Health Campus are to be repaid to the Hamilton Future Fund with the net proceeds from the sale of the West Harbour Lands. (Approvals: West Harbour - Jan. 31, 2011 Council; McMaster Health - Aug. 11, 2011 Council)

The Fund A forecast in the Table 2 includes amendments to the repayment terms approved by Council at its meeting on September 27, 2017 in Report CES16043(a):

“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 approved disbursement of the \$20 M loan is \$4 M annually over five years, 2017-2021, as it was previously presented to the Board.

## **Fund B**

Fund B was established to provide funding for the various initiatives that provide permanent legacy for current and future generations of Hamiltonians to enjoy economic prosperity and improved quality of life (refer to Appendix “A” to Report FCS19044) as recommended by the Community Trustee Panel (now the HFF Board of Governors) and approved by Council. Table 3 of Report FCS19044 provides a summary of the transactions from the date the fund was established in 2002 to December 31, 2018. Investment income for Fund B in 2018 was \$101,171 and has earned a total of \$9,188,571 in investment income from 2002 to December 31, 2018.

---

*OUR Vision: To be the best place to raise a child and age successfully.*

*OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.*

*OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.*

The total approved funding from Fund B is \$ 43,390,431, as shown in Appendix “A” to Report FCS19044, has been allocated to fund the various initiatives to date. As of December 31, 2018, the uncommitted balance in Fund B is \$3,228,845 (Table 3 of Report FCS19044).

**Hamilton Realty Capital Corporation (HRCC)**

On March 9, 2016 Council approved the recommendations in Report PED16061 effectively dissolving the HRCC. Council further approved cancelling capital contribution commitment from Fund B to HRCC in the amount of \$1.85 M.

**Table 3**

**Hamilton Future Fund B  
As of December 31, 2018**

Initial Investment	\$ 37,430,705
Revenues	
Total Investment Income	9,188,571
Funds returned	3,983,664
Project Funding & Other Expenses	
Prior year grants (Appendix "A" To Report FCS19044)	- 45,813,295
2017/2018 grants (Table 4)	- 1,553,500
Total grants	-\$ 47,366,795
Other Expenses (Appendix "A" To Report FCS19044)	- 7,300
Total Expenditures / Project Funding to date	-\$ 47,374,095
Fund Balance	\$ 3,228,845
Committed	\$ -
Uncommitted Balance	\$ 3,228,845

Recipients of the Hamilton Future Fund 2017 Application In-Take in the amount of \$1,553,500 are shown in Table 4 and in the Appendix “A” to Report FCS19044. The approval of the grants was ratified by Council on March 28, 2018, Report HFF 18-001.

**Table 4**

**Hamilton Future Fund B  
2017/2018 Application In-Take**

<u>Applicant</u>	<u>Amount</u>	<u>Project Scope</u>
Cancer Assistance	93,000	Scheduling software
City Kidz	102,000	Kitchen equipment project
City of Hamilton	42,500	Albion Falls South Access and Viewing Platform
Hamilton Air Force Association	67,000	Replace walk-in cooler lounge & install wheelchair lift
Hamilton Olympic Club	35,000	Purchase of an electronic score board
Royal Botanical Gardens	93,000	3 Season Pavilion
Theatre Aquarius	196,000	Audience Accessibility
Westdale Cinema Group	250,000	Restoration of the Westdale Theatre
St. Joseph's Healthcare Hamilton Foundation	675,000	Purchase of orthopaedic robotics surgery equipment
	<u>\$ 1,553,500</u>	

**Project Funding Status (Appendix “A” to Report FCS19044)**

Appendix “A” to Report FCS19044 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 \$ 43,390,431 has been used to fund the various projects and initiatives, to date, leaving an unexpended balance of \$3,228,845 as of December 31, 2018.

**Appendices and Schedules Attached**

Appendix “A” – Hamilton Future Fund Projects / Grants – Fund B: Funding Analysis as of December 31, 2018

MZ/dt