



INFORMATION REPORT

TO:	Chair and Members Hamilton Future Fund Board of Governors
COMMITTEE DATE:	July 13, 2022
SUBJECT/REPORT NO:	Hamilton Future Fund Reserve Status and Project Funding as of December 31, 2021 (FCS22066) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Duncan Robertson (905)546-2424 Ext.4744 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 Community Trustee Panel (now the HFF Board of Governors) 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

Details of Fund A and Fund B are provided in Report FCS22066 and its Appendices.

Fund A

Fund A of \$100 M was to be invested and protected for a five-year period from inception to provide investment income as a permanent source of funding. After the five-year initial investment period and growth of the HFF, the funds could be used for capital projects.

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, 2021 (FCS22066) (City Wide) – Page 2 of 6**

Table 1 of Report FCS22066 summarizes the activity in Fund A from the date it was established in 2002 to December 31, 2021.

Table 1: Hamilton Future Fund A – Continuity as of December 31, 2021

HAMILTON FUTURE FUND A	
as of December 31, 2021	
	<u>Year-to-date</u>
Beginning Balance	\$ 100,000,000
Additions:	
Investment Income	49,611,448
Loan Repayments - City of Hamilton - Principal	79,094,307
Loan Repayments - City of Hamilton - Interest	29,712,834
Loan Repayments - Good Shepherd - Principal	2,820,000
Loan Repayments - Good Shepherd - Interest	327,049
Less:	
Transfers to Operating (2003 - 2008)	13,845,000
Fund / Return Capital Projects - COH	97,690,414
Poverty Reduction Investment (\$20M over 5 yrs committed)	20,000,000
Pan Am Games	
Ivor Wynne / Brian Timmis Stadiums	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
Total	55,241,896
McMaster Health Campus (Loan)	10,000,000
Forgivable Loan to Dr. Bob Kemp Hospice	1,500,000
Good Shepherd Loan (Extended for additional 5 Yrs.)	3,000,000
Ending Balance - Cash & Investments	\$ 60,288,328

Note to Table 1: Council approved the net proceeds from the sale or lease of West Harbour lands be returned to HFF reserves related to West Harbour lands (Jan 31, 2011) and the McMaster Health Campus (Aug 11, 2011)

Appendix "A" to Report FCS22066 provides details for 2019 to 2021.

**SUBJECT: Hamilton Future Fund Reserve Status and Project Funding as of
December 31, 2021 (FCS22066) (City Wide) – Page 3 of 6**

Fund A earned \$3,459,383 in investment income for the period of 2019 to 2021 for total investment income of \$49,611,448 since inception in 2002 through to December 31, 2021. In addition, Fund A has earned interest of \$30,039,883 on loans to the City to fund capital projects and a loan to Good Shepherd bring the total investment income since 2002 to \$79,651,330.

Loans to Fund City Capital Projects

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 2017 Capital Budgets of which \$98 M has actually been borrowed as of December 31, 2021. Therefore, there is an additional \$2 M committed as loans from Fund A that is available to fund projects as expenditures occur.

A total of \$78.7 M in loan principal has been repaid to Fund A leaving an outstanding loan balance of \$19.3 M as of December 31, 2021. The outstanding loans from the HFF are shown as Fund Assets (loans receivable) in Appendix "A" to Report FCS22066 to reflect a total asset value of the fund of \$78,971,611.

Poverty Reduction Investment

On September 27, 2019, the City Council approved Poverty Reduction Investment which provides funding towards new affordable rental housing. The \$20 M in funding from the Hamilton Future Fund reserve was cash-flow budgeted over a five-year period at \$4 M per year starting in 2017 and ended in 2021.

Other Loans

In 2017, a loan to the Dr. Bob Kemp Hospice in the amount of \$1.5 M was 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 of which \$3 M was borrowed from the HFF. The original loan agreement provided for the loan to be repaid over five years at an interest rate of 2.28%. In 2017, The Board of Governors of the Hamilton Future Fund passed a motion at their November 29th meeting and later approved by Council, Report 18-002 on January 24, 2018, agreeing that the remaining principal in the amount of \$1,500,000 be paid in equal instalments of \$300,000 plus an interest rate of 2.65%, in each of the subsequent five years (2018-2022). The City is expected to receive the final loan repayment from Good Shepherd in 2022.

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	\$60 M

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”. Sale of lands is anticipated to be completed in 2023.

On July 12, 2012, Council directed staff to return the Future Fund grant of \$5 M allocated to the Velodrome 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. This revised the total amount funded from the HFF to Pan Am Games initiatives to \$55.2 M.

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 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

Appendix “B” to Report FCS22066 provides a 10-year forecast for Fund A.

It should be noted that any repayment to the HFF Reserves related to the purchase of the Pan Am Stadium West Harbour lands and loan to fund the McMaster Health Campus are not reflected in Appendix “B” to Report FCS22066. The sale of the West Harbour lands is expected to be completed in 2023.

The Fund A forecast in Appendix “B” to Report FCS22066 includes amendments to the repayment terms approved by Council at its meeting on April 27, 2016, GIC Report 16-011, (i) Notices of Motion, Item (iii) (a) of which reads: “That \$20 million 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 Poverty Reduction Investment of \$20 M was approved by the Board at \$4 M annually over five years from 2017 to 2021.

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 “C” to Report FCS22066) as recommended by the Community Trustee Panel (now the HFF Board of Governors) and approved by Council. Table 2 of Report FCS22066 provides a summary of the transactions from the date the fund was established in 2002 to December 31, 2021.

Appendix “C” to Report FCS22066 provides project funding from Fund B to the approved projects, as well as, the status of the projects and other details. A total of \$47,273,100 in funding has been approved from Fund B of which \$44,881,343 has been used to fund the various projects and initiatives to date.

Since the last report in 2018, Report FCS19044, investment income for Fund B was:

- \$61,030 in 2019
- \$49,068 in 2020
- \$40,855 in 2021

The fund has earned a total of \$9,339,525 in investment income from 2002 to December 31, 2021. As of December 31, 2021, the uncommitted balance in Fund B of \$1,875,616 is reported in Table 2 of Report FCS22066.

**SUBJECT: Hamilton Future Fund Reserve Status and Project Funding as of
December 31, 2021 (FCS22066) (City Wide) – Page 6 of 6**

Table 2: Hamilton Future Fund B – Continuity as of December 31, 2021

Initial Investment	\$	37,430,705
Revenues		
Total Investment Income		9,339,525
Funds returned		2,391,786
Project Funding & Other Expenses		
Prior year grants		(47,273,100)
Current year grants		-
Total grants		(47,273,100)
Other Expenses (marketing)		(9,335)
Total Expenditures / Project Funding to date		(47,282,435)
Fund Balance	\$	1,879,581
Committed - Grants		-
Committed - Admin		3,964.80
Uncommitted Balance	\$	1,875,616

Note to Table 2: Hamilton Future Fund Application In-Take was postponed for 2020 to 2022 due to COVID-19 restrictions.

APPENDICES AND SCHEDULES ATTACHED

Appendix “A” to Report FCS22066 – Hamilton Future Fund A Financial Summary 2019 to 2021

Appendix “B” to Report FCS22066 – Hamilton Future Fund A Financial 10 Year Forecast

Appendix “C” to Report FCS22066 – Hamilton Future Fund B Projects / Grants Funding Analysis

MZ/dt