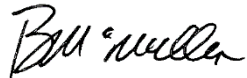




INFORMATION REPORT

TO:	Chair and Members Audit, Finance and Administration Committee
COMMITTEE DATE:	December 1, 2022
SUBJECT/REPORT NO:	Hamilton Future Fund Governance Review and Reserve Strategy Update (FCS22045(a)) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Gloria Rojas (905) 546-2424 Ext. 6247
SUBMITTED BY:	Brian McMullen Director, Financial Planning, Administration and Policy Corporate Services Department
SIGNATURE:	

COUNCIL DIRECTION

Not applicable.

INFORMATION

The purpose of Report FCS22045(a) "Hamilton Future Fund (HFF) Governance Review and Strategy Update" is to provide:

- i. an update on approvals by Council at its meeting on September 28, 2022 following discussion by the Hamilton Future Fund Board of Governors at its meeting on September 16, 2022;
- ii. an updated timeline regarding upcoming consultation and public engagement.

The Hamilton Future Fund (HFF) was established in 2002 with the proceeds of the sale of Hamilton Hydro Inc. for \$137 M following restructuring of the electricity industry in Ontario (under the *Electricity Act, 1998*). Two reserves were created. Fund A, for \$100 M, was to be invested to provide income which would be used to fund various capital projects and initiatives. Fund B, for \$37 M, was to provide funding for various City and community organization initiatives. As at December 31, 2021, reserve balances are \$60.3 M in Fund A and \$1.9 M in Fund 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.

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On December 9, 2021, the Office of the City Auditor presented Report AUD21013 “Hamilton Future Fund Audit” to the Audit, Finance and Administration Committee with the results of a compliance and value-for-money audit on the HFF and 10 recommendations to strengthen the fund’s governance.

On May 30, 2022, the Governance Review Sub-Committee approved the following recommendations contained in Report FCS22045 “Hamilton Future Fund Governance Review and Reserve Strategy”:

- (a) That staff be directed to develop and execute public engagement and consultation on the Hamilton Future Fund governance and reserve strategy and report back on the results in January 2023;
- (b) That the framework of the public engagement and consultation on Hamilton Future Fund governance and reserve strategy, attached as Appendix “A” to Report FCS22045, be approved.

The approved framework for the public engagement contains two governance options for feedback:

Option 1

Maintain existing governance structure with the Hamilton Future Fund Board of Governors making recommendations to Council on investments of Funds A and B. Fund A will continue to be a permanent fund to be invested in capital initiatives and Fund B will continue to fund City and community initiatives.

Option 2

Change the governance structure by eliminating the Hamilton Future Fund Board of Governors and transfer Funds A and B to City Council for decision making. Funds will be invested in the short term with significant impact to the selected initiatives and will be closed once all the funds have been allocated.

Regarding the investment priorities for use of the HFF reserves, citizens will be consulted on their preferences for investments in the following areas of focus:

- Municipal infrastructure asset management
- Investments in affordable housing
- Time limited investments in Strategic Priorities
- Supplemental funding for City Enrichment Fund

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Council, at its meeting of August 12, 2022, referred the following Motion to the Hamilton Future Fund Board of Governors for consideration and directed staff to report back to the Audit, Finance and Administration Committee:

That Sub-section (b) to Item 4 to the Audit, Finance and Administration Committee Report 22-011, respecting the Governance Review Sub-Committee Report 22-002 - May 30, 2022, Hamilton Future Fund Governance Review and Reserve Strategy (FCS22045) (City Wide) (Item 10.1), be *amended*, to read as follows:

4. Governance Review Sub-Committee Report 22-002 - May 30, 2022

- (b) Hamilton Future Fund Governance Review and Reserve Strategy (FCS22045) (City Wide) (Item 10.1)
 - (i) That staff be directed to develop and execute public engagement and consultation on the Hamilton Future Fund governance and reserve strategy and report back on the results in January 2023; and,
 - (ii) That the framework of the public engagement and consultation on Hamilton Future Fund governance and reserve strategy, attached hereto as *REVISED Page 4* of Appendix “C” to Audit, Finance and Administration Committee Report 22-011, be approved, as *amended*, by including:

Priorities for investment along the housing continuum specific to non-profit affordable housing whereby the Hamilton Future Fund, in whole or in conjunction with federal monies, could serve as a permanent revolving source of sustainable funding to assist in making affordable housing projects viable where co-investment is appropriate and / or required with upper levels of government, and that the public engagement feedback be considered in the context of future updates to the City’s Affordable Housing strategy.

Feedback from Hamilton Future Fund Board of Governors

The Board of Governors met on September 16, 2022 to consider the amendment to public engagement framework. The Board of Governors supported the four priorities for the use of the reserves presented by staff and in response to the Council motion from August 12, 2022, recommended to add “not-profit” to the affordable housing area of focus.

The Board of Governors also advised that the context and history of the HFF should be clearly explained in public engagement and that the principle of permanence of the fund should continue.

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The following motions were approved by the HFF Board of Governors at its meeting of September 16, 2022 and were further endorsed by the General Issues Committee on September 21, 2022 and Council on September 28, 2022.

- (a) That staff be directed to report back to the Audit, Finance and Administration Committee that the Hamilton Future Fund Board of Governors supports the 2002 Council approved principle that Future Fund A Reserve serve as a Self-Sustaining Fund, satisfying the principle of permanence, with a target balance of \$100 M.
- (b) That staff be directed to report back to the Audit, Finance and Administration Committee that the Hamilton Future Fund Board of Governors recommends that Appendix “A” to Report FCS22045 be amended by adding “not-profit” to the affordable housing area of focus, in place of the amendment to Item 4 of the Audit, Finance and Administration Committee Report 22-022 – May 30, 2022, Hamilton Future Fund Governance Review and Reserve Strategy (FCS22045) (City-Wide):

Use of Reserves

Under both options, the Hamilton Future Fund will continue to invest in City’s Strategic Priorities. Citizens will be consulted on investments in the following areas of focus:

- Municipal infrastructure asset management
- Investments in “not-profit” affordable housing
- Time limited investments in Strategic Priorities
- Supplemental funding for City Enrichment Fund

Given that the feedback received from the HFF Board of Governors related to the content of the information to be used in the public engagement materials, staff has updated the workplan and key dates of the HFF Governance Review and Reserve Strategy have been updated.

Updated Key Dates

- | | |
|--------------|---|
| May 30, 2022 | Governance Review Sub-committee approves the recommendations from Report FCS22045 “Hamilton Future Fund Governance Review and Reserve Strategy” |
| June 8, 2022 | Audit, Finance and Administration Committee and Council Approval of recommendations from May 30, 2022 Governance Review Sub-committee |

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- Sep. 16, 2022 Hamilton Future Fund Board of Governors reviewed and provided feedback on the approach to public engagement
- Q1 2023 Public engagement through Engage Hamilton
- Q2 2023 Report to the Governance Review Sub-committee with results of the public engagement and any recommendations for next steps

APPENDICES AND SCHEDULES ATTACHED

N/A

GR/dt