



City of Hamilton

Hamilton Waterfront Trust Future Options

Final Report

November 29, 2022



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Project Overview

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Project Overview



Project Objectives

The City of Hamilton (the “City”) engaged KPMG to prepare a report on the future of the Hamilton Waterfront Trust (the “Trust”). Due to the nature of its operations, the Trust has a for-profit (HWT Inc.) and non-profit status.

The overall objectives of this report were to identify and analyze three high-level options for the Trust:

1. Transfer all assets and operations to the City.
2. Transfer all assets and operations to another entity.
3. Trust remains status quo or operates under a hybrid model.

Note: the above actions were not mutually exclusive and may have evolved over the course of the project.



Project Principles

- The knowledge and expertise of City and Trust staff will be fully engaged and built upon, to arrive at recommended actions through a transparent participative and inclusive process facilitated by KPMG.
- The development of the report will be conducted in a way that engages stakeholders.
- The framework and approach will be based on leading practices from other municipalities, or other levels of government experience and/or private sector.
- Lastly, this is not an audit nor a deeper-dive operational review. This is a review to provide options for the future programs and services of the Hamilton Waterfront Trust.

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Project Work Plan

The project commenced on October 14th, 2022 and will be completed when the Final Report is presented to the Project Team in January 2023.



Project Initiation

October

Meet with the Project Team to clarify expectations, clarify lines of inquiry, and refine proposed work program and stakeholder engagement plan.



Options Analysis

October - November

Key steps in this process include

- Documentation review
- Stakeholder consultation
- Analysis of three high-level options



Final Report

January 2023

Develop a draft Final Report. Incorporate City feedback to enhance and finalize the Final Report.

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Stakeholder Engagement

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Stakeholders Engaged

KPMG interviewed City staff and members of the Trust to obtain an understanding of the current governance and operating model as well as uncover any insights on the future options for the Trust. Below is a summary of the interviews (one-on-one) that were held.

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City Staff Interviews

1. City Auditor
2. Executive Director, Human Resources
3. Director, Financial Planning, Administration & Policy
4. Director, Environmental Services
5. General Manager, Planning & Economic Development
6. General Manager, Finance & Corporate Services
7. Director, Economic Development
8. Manager, Municipal Land Development
9. Manager, Construction, Engineering Services

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Trust Members

1. Former Executive Director, HWT
2. Chairman / Treasurer / Citizen Representative, HWT
3. Interim Executive Director / Administrative Assistant, HWT
4. Legal Advisor

Summary of Stakeholder Themes

Stakeholder Interviews

Based on our stakeholder interviews, KPMG identified the following consistent themes:

1

Importance of Trust Operations

All stakeholders identified the Trust's operations as crucial to the City and that they should continue regardless of the selected future option. Stakeholders expressed the need for animation and events to promote the waterfront as a tourism destination.

2

City's Liability

The Trust maintains an arms length relationship with the City. This relationship leaves the City with limited oversight into the Trust's compliance with City policies (e.g., City's procurement policy). Stakeholders also described the language within the current contracts between the Trust and the City as 'weak' due to the City's limited ability to monitor assets and that ultimately the City remains responsible for any liability incurred by the Trust.

3

Trust's Financial Constraints

All stakeholders identified financial sustainability as a barrier contributing to continued Trust operations. They noted that the project management work the Trust performs for the City is a key financial contributor for their operations. With the projects expected to end in the spring of 2023, stakeholders noted concerns with the financial implications for the Trust.

4

City's Ability / Capability to Operate

Stakeholders indicated that the City retains the ability, but not the capacity, to absorb Trust operations. The City will need financial and operational resources to carry out the Trust mandate. Some stakeholders indicated that the City might not have the bandwidth to manage Trust operations.

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Options

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Summary of Options

Options Development

Based on our interviews with stakeholders, KPMG identified three options. The options for the City's consideration regarding the future of the Trust are:

1

Transfer all assets and operations to the City

The Trust is dissolved with all its assets and operations absorbed by the City.

2

Transfer all assets and operations to another entity

The Trust is dissolved with all its assets and operations absorbed by an outside entity.

3

Trust remains status quo or operates under a hybrid model

The Trust remains either status quo or operates under a hybrid model.

Option 1 – Transfer all Assets and Operations to the City

Strengths

- As the City currently performs maintenance services (e.g., grass cutting) for other City properties, the assumption of additional maintenance services will not significantly impact City's operations.
- The City's direct ownership of all other waterfront assets will ensure smoother coordination of activities across the waterfront.
- The quality of maintenance and other operations may increase as trained personnel complete the specialized jobs.
- The City can leverage its larger social media presence to more effectively promote waterfront events.
- The City's policies and procedures reduce the its potential liabilities and increases the transparency compared to the Trust.
- The City's policies and procedures will improve overall governance of Trust operations. For e.g., the City will have control over physical assets, will be able to conduct environmental inspections etc.
- The City has the resources to provide streamlined back office functions (e.g. HR, Finance etc.).

Opportunities

- All waterfront development will be housed within the City allowing the City to have more control over waterfront development and a strategic/connected vision.
- Current Trust staff will potentially move into the City and benefit from a higher pay/benefits (through the unionized environment).

Weaknesses

- To meet the expected service levels with the additional assets and responsibilities, the City will require additional resources.
- The City's bureaucratic barriers may make the decision-making process slower.
- The current decentralized nature of the City will create difficulties when determining the ownership of the absorbed assets and responsibilities.
- The City does not retain the in-house expertise to program events for the waterfront.
- The City's current collective agreements will increase the operating costs associated with Trust activities as the union absorbs Trust positions.
- The staff will take time integrating into the new model and this may impact staff morale.

Threats

- Retirement of the Trust's current Executive Director poses as a loss of institutional knowledge and skills.
- The Trust maintains long-standing relationships with community partners (e.g., Rotary Club utilizes Williams Café for meetings). If the City ends these informal agreements, it may pose as a reputational risk.
- The City's mandate does not include operation of a commercial restaurant. This will require the City to lease out the space and decrease the revenue currently used to support some Trust activities. The City also identified facing challenges leasing space.
- If the City absorbs Trust operations without proper resourcing or necessary leadership, it could negatively impact Trust operations and the historical goodwill the Trust has created.
- The City may not find an operator to manage the "for profit" structure of the Trust (for e.g. Williams Café). In this situation, the City might have to operate a business that does not align with the City's mandate. The City also has limited experience in managing food handling (with the exception of the food handling at the two golf courses).
- Insufficient change management resulting in Trust operations not receiving due attention.
- The City will have to explore any tax implications of this option.

Option 2 – Transfer All Assets and Operations to Another Entity

Strengths

- As an independent agency, the entity would face limited bureaucratic decision-making barriers (e.g., Council approval not required to increase staffing complement).
- If the assets and operations are transferred to a not-for-profit entity, there is potential for the entity to access grants, such as Trillium Foundation grants, to offset cost of operations.
- The entity may remain a non-unionized environment with lower staffing costs compared to the City's unionized positions.
- The City can draft and implement modern contracts with the entity to increase the City's authority and limit their liability exposure.

Weaknesses

- The entity's overall goal and vision may not be aligned with the City's vision for waterfront development.
- The entity will not possess the same level institutional knowledge or skills when compared to Trust or the City.
- The entity may not have the governance structure, internal controls an/or procedures that meet City requirements. The entity may not be bound to use the City's procurement policies and contractual terms and conditions.
- If recruiting challenges continue, the entity will face similar challenges as the Trust in staffing seasonal positions.

Opportunities

- A new entity with a newly developed MOU and contracts will ensure the clarity of responsibilities.
- The potential for shared services agreements with the City would give the entity access to the City's expertise and tools (e.g., City of Hamilton social media accounts, HR functions).
- A new entity with an expanded mandate that includes the entire waterfront would ensure a coordination of activities across the waterfront.
- The City can further support the entity through a funding agreement similar to the one in place with City Housing Hamilton.
- The entity can purchase and operate a dinner boat on the harbour to generate additional revenues.
- The entity will need to ensure the governance model promotes transparency and accountability.

Threats

- The new entity will not have access to the project management revenues that currently sustain the Trust.
- There may be labor relations implications in providing any shared services to another entity. The new model will have to clearly identify the level and kind of services the City will provide.
- Ongoing construction projects will negatively impact waterfront access and parking. This may impact the Trust's attendance and revenues.
- If the entity operates without proper resourcing or necessary leadership, it could negatively impact operations and the historical goodwill the Trust has created.

Option 3 – Trust Remains Status Quo or Operates Under a Hybrid Model

Strengths

- As an independent agency, the Trust remains agile with limited bureaucratic decision-making barriers (e.g., the Trust does not require Council approval to increase staffing complement).
- The Trust can access grants, such as Trillium Foundation grants, to offset cost of operations.
- The Trust may remain a non-unionized environment with lower staffing costs compared to the City's unionized positions.
- The Trust can continue operations without significant staffing/organizational changes.

Weaknesses

- The current standalone governance model limits the Trust's transparency and accountability.
- The Trust will need to implement additional governance policies and contracts that align with City's overall governance structure.
- If recruiting challenges continue, the Trust may not receive enough applications to appropriately staff the operations.

Opportunities

- A refined mandate will increase the clarity of the Trust's responsibilities and ensure the Trust focuses on in-scope activities.
- A hybrid model will allow the City and Trust to enter into shared services agreements that give the Trust access to the City's expertise and tools (e.g., City of Hamilton social media accounts, HR functions).
- The Trust can create social media accounts to further promote events occurring at the waterfront.
- A hybrid model that expands the Trust's mandate to include other areas within the waterfront will ensure a coordination of activities across the waterfront.
- The City can further support the Trust through a formalized funding agreement.
- The Trust can purchase and operate a dinner boat on the harbour to generate additional revenues.
- The hybrid model will have defined roles, responsibilities, funding, reporting, accountability and governance, with a clear direction on the mandate objectives.

Threats

- Retirement of the Trust's current Executive Director poses a threat due to the loss of institutional knowledge and skills. The Trust may be unable to find a replacement with the same skill set.
- After spring 2023, the Trust will not perform project management responsibilities related to the pier construction. This loss in revenue will create additional financial challenges for the Trust.
- There may be labor relations implications in providing any shared services to the Trust. The new model will have to clearly identify the level and kind of services the City will provide.
- Ongoing construction projects will negatively impact waterfront access and parking. This may impact the Trust's attendance and revenues.

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Next Steps

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Next Steps

These SWOT analyses identify the strengths, weaknesses, opportunities, and threats of each option. Following this report, the City and Trust should review the following considerations prior to determining the preferred option and developing an implementation plan.

Steering Committee

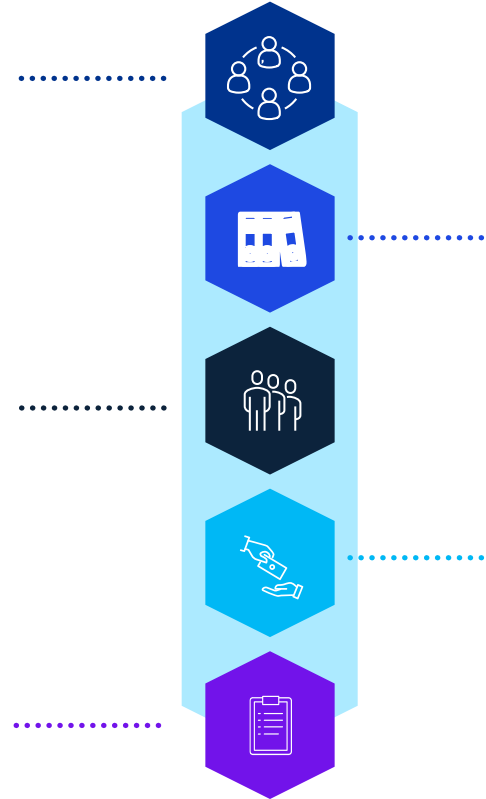
The City and Trust should establish a collaborative team (e.g., a steering committee) to review all options and considerations. The team's role should include the coordination of analyses and interviews to obtain a fulsome understanding of each option. This includes the development of governance policies, implementation plan, etc.

Labour Implications

The City's Human Resource department can provide input regarding the labour implications associated with each option.

Audit Input

The team should consult the Office of the City Auditor prior to determining the preferred option. The City Auditor can provide input regarding the financial sustainability, and comment on governance risks and controls for each option.



Legal Constraints

The collaborative team should consult the City's Solicitor to obtain legal implications of all options. This includes the amendment of current contracts, by-laws, or other legal documentation.

Financial Constraints

The collaborative team should perform an analysis of the financial implications of each option. This includes any financial support the Trust would require when continuing operations, the salary costs associated with the positions absorbed by the City, and any potential tax implications.



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