



**CITY OF HAMILTON**  
**CORPORATE SERVICES DEPARTMENT**  
**Financial Planning, Administration and Policy Division**

<b>TO:</b>	Chair and Members General Issues Committee
<b>COMMITTEE DATE:</b>	March 22, 2023
<b>SUBJECT/REPORT NO:</b>	Hamilton Waterfront Trust Business Model Review (FCS23029) (City Wide) (Outstanding Business List)
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	Carolyn Paton (905) 546-2424 Ext. 4371
<b>SUBMITTED BY:</b>	Brian McMullen Director, Financial Planning, Administration and Policy Corporate Services Department
<b>SIGNATURE:</b>	

**RECOMMENDATION(S)**

- (a) That City of Hamilton – Hamilton Waterfront Trust Future Options – Final Report by KPMG dated November 29, 2022, attached as Appendix “A” to Report FCS23029, be received;
- (b) That a detailed review of the following two business models for the Hamilton Waterfront Trust future operations be undertaken as follows:
  - (i) Status quo with consideration of varying the business model and governance structure; and
  - (ii) A joint model whereby the management and operations of programs and services are principally delivered by the Hamilton Waterfront Trust with the potential for some operations delivered by the City of Hamilton;
- (c) That Council approve a single-source procurement, pursuant to Procurement Policy #11 – Non-competitive Procurements, for a detailed review of the two business models for Hamilton Waterfront Trust operations and that the General Manager, Finance and Corporate Services Department be authorized to negotiate, enter into, and execute the extension and any ancillary documents required to give effect thereto with KPMG LLP, in a form satisfactory to the City Solicitor;

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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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- (d) That staff report back to City Council on the preferred model and the cost including the resources necessary to deliver the programs and services required.

**EXECUTIVE SUMMARY**

Council, at its meeting on September 28, 2022, directed staff to work with the Hamilton Waterfront Trust and prepare a report for the General Issues Committee on how to transfer the Hamilton Waterfront Trust's operational responsibilities and Hamilton Waterfront Trust's assets to the City of Hamilton.

In October 2022, the City of Hamilton engaged KPMG to prepare a report on the future of the Hamilton Waterfront Trust ("HWT"), more specifically, a review of HWT was requested to provide options for the operations model of HWT including future programs and services of the Trust.

Since engaging KPMG, the following work was undertaken:

- KPMG engaged with both City staff and HWT staff;
- Established three high-level options for the future of HWT as follows:
  1. Transfer all assets and operations to the City: HWT is dissolved with all assets and operations absorbed by the City;
  2. Transfer all assets and operations to another entity: HWT is dissolved and all assets and operations absorbed by an outside entity;
  3. HWT remains status quo or operates under a hybrid model: HWT operates under a hybrid model or remains status quo;
- Defined understanding of the current governance and operating model of HWT, as well as, thoughts on future operating models of HWT;
- KPMG collected relevant information on HWT's current mandate and operations. The key steps in this process included: reviewing documents, stakeholder consultation and analysis of the three high-level options (identified above);
- A SWOT (strengths, weaknesses, opportunities and threats) analysis was prepared by KPMG to help assess internal and external factors affecting the three operational models / options for consideration; and
- KPMG released a final report for consideration (attached as Appendix "A" to Report FCS23029).

After further discussion with senior leadership, staff is recommending that a detailed review of the following two business models for HWT future operations be conducted:

- (i) Status quo with consideration of varying the business model and governance structure; and

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- (ii) A joint model whereby the management and operations of programs and services are principally delivered by the HWT with the potential for some operations delivered by the City of Hamilton.

The cost for the detailed review will be funded from the Corporate Financials operating budget (Dept ID 211090).

It is being recommended that KPMG be retained pursuant to Procurement Policy #11 – Non-competitive Procurements for the services required in Report FCS23029. As KPMG completed the initial evaluation (Appendix “A” to Report FCS23029), their knowledge of HWT and its operations will ensure this new work is carried out in a cost-effective and timely fashion. Staff will report back to City Council on the preferred model, and the cost including the resources necessary to deliver the programs and services required.

The terms and conditions in the Revised Deed of Trust between the City and HWT, effective as of October 1, 2018, indicate that it shall continue until terminated by the City on no less than 12 months’ written notice to the Trust. Further, this Revised Deed of Trust may be amended by a Special Resolution of the Trustees, subject to the prior written approval of the City, provided that the Trust Assets shall, at all times, be held in trust absolutely and exclusively for the purposes set out in this Revised Deed.

**FINANCIAL – STAFFING – LEGAL IMPLICATIONS**

**Financial:** The cost of the detailed review will be funded from the Corporate Financials operating budget (Dept ID 211090).

**Staffing:** Staff in the Financial Planning, Administration and Policy Division of the Corporate Services Department will be the lead division for the contract for the review outlined in Report FCS23029. It is highly unlikely that existing staff would be able to take on the necessary thorough review required to make a recommendation to Council on what the best option would be for the future of the HWT. Staff will certainly be an integral part of discussions surrounding options (i.e. effort and impacts on bringing in-house). However, a consulting firm with experience in business operations modelling and tax expertise is essential.

**Legal:** Staff in Legal and Risk Management Services of the Corporate Services Department may be required to review the Revised Deed of Trust and review agreements related to changes to the HWT business model.

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**HISTORICAL BACKGROUND**

Hamilton Waterfront Trust (HWT), initially known as Hamilton Harbour Development Trust, was established through a Trust Deed dated November 24, 2000 between the City and the Hamilton Harbour Commissioners (the “Commissioners”) now known as the Hamilton Port Authority (the “HPA”).

On or about November 24, 2000, the Commissioners transferred to HWT approximately \$6.3 M for the purposes of land assembly, improvements and development costs relating to Hamilton’s West Harbour which funds have long since been invested or expended and HWT has since developed several alternative revenue sources.

Council, at its meeting of September 26, 2018, approved a Revised Deed of Trust.

In closed session at its meeting on April 27, 2022, Council received confidential correspondence from David A. van der Woerd, Ross & McBride LLP, respecting the Hamilton Waterfront Trust.

Council, at its meeting on September 28, 2022, received correspondence from HWT Board Chair and Executive Director Werner Plessl stating: “As mutually desired, the Hamilton Waterfront Trust team welcomes the imminent arrival of amicable and productive dialogue with City Staff respecting the future path of management of all of our much loved and managed operations.”

Council, at its meeting on September 28, 2022, approved the release of the direction to staff from the closed session Council meeting on April 27, 2022 which stated:

“That staff be directed to work with the Hamilton Waterfront Trust and prepare a report for the General Issues Committee within 90 days on how to transfer the Hamilton Waterfront Trust’s operational responsibilities and Hamilton Waterfront Trust’s assets to the City of Hamilton.”

In October 2022, and in accordance with Procurement Policy #11, Non-Competitive Procurements, the City of Hamilton engaged KPMG to prepare a report on the future of HWT, more specifically, a review of HWT was requested to provide options for the business operations model of HWT including future programs and services of HWT.

**POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS**

In accordance with By-law 20-205 as amended, Procurement Policy #11, Non-Competitive Procurements, staff is recommending that a single-sourced contract through Policy #11 of the City’s Procurement Policy be awarded to KPMG as it is more cost effective or beneficial for the City.

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**RELEVANT CONSULTATION**

Staff representatives from appropriate city departments, including Procurement and Legal Services, were consulted in the preparation of Report FCS23029.

HWT staff and HWT Board members were consulted in the preparation of KPMG's report, attached as Appendix "A" to Report FCS23029.

**ANALYSIS AND RATIONALE FOR RECOMMENDATION(S)**

Since engaging KPMG, the following work was undertaken:

October 2022

- KPMG engaged with both City staff and HWT leadership and Board Members
- Scope of work defined
- Established three high-level options for the future of HWT as follows:
  1. Transfer all assets and operations to the City: HWT is dissolved with all assets and operations absorbed by the City;
  2. Transfer all assets and operations to another entity: HWT is dissolved and all assets and operations absorbed by an outside entity;
  3. HWT remains status quo or operates under a hybrid model: HWT operates under a hybrid model or remains status quo;
- During research, review and stakeholder engagement, KPMG gained an understanding of the current governance and operating model of HWT, as well as, thoughts on future operating models of HWT;
- Staff in the Office of the City Auditor were consulted in preparation of Report FCS23029.

October / November 2022

- KPMG collected relevant information on HWT's current mandate and operations. The key steps in this process included: reviewing documents, stakeholder consultation and analysis of the three high-level options (identified above).
- A SWOT (strengths, weaknesses, opportunities, and threats) analysis was prepared by KPMG to help assess internal and external factors affecting the three operational models / options for consideration.
- KPMG released a final report for consideration (attached as Appendix "A" to Report FCS23029).

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KPMG is recommending that following Council endorsement of their report, both the City and HWT establish a Steering Committee to further review the preferred option. For the Steering Committee to be effective, the composition of the committee requires a cross-departmental team including members of Finance, Legal, Human Resources and Internal Audit. Policies and implementation plans are to form part of the plan.

City Staff Discussions

Through a consensus of leadership, a sustainable framework going forward to further assess the options being considered for a future operating model of the HWT is warranted. The framework would ensure consideration of the following principles and criteria in assessing any business model of the HWT. They are as follows:

1. That the role and purpose of the waterfront lands is, first and foremost, a public space, for the free and accessible enjoyment of residents and visitors;
2. Land and other assets relating to Hamilton's waterfront will remain public (i.e. use of spaces or buildings would be contemplated through leases and licenses, but not sale of assets);
3. All decisions must consider Hamilton's waterfront in its entirety. The geographic scope of the "operator" would, at minimum, include Pier 5-8 lands, but should consider a single entity to be responsible for the operations of the full waterfront area from Bayfront Park to Pier 8;
4. The chosen operating model should be one that generates revenues to help offset operating costs and ensures that commercial and for-profit entities pay appropriate market rates for use of waterfront spaces or buildings; and
5. The Hamilton waterfront should be financially stable not excluding an investment by the City.

**ALTERNATIVES FOR CONSIDERATION**

Alternatives to selecting KPMG, an external vendor, for the consulting services review of the two recommended business models for the HWT would be preparing a Request for Proposal or having internal City staff manage the review.

Existing City staff do not have the complete expertise and capacity to undertake the review required to make a recommendation to Council on the best option for the future of the Hamilton Waterfront Trust operations. Staff will certainly be an integral part of discussions surrounding options (i.e. effort and impacts on bringing in-house). KPMG has the experience in business operations modelling and tax expertise that will be required.

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**ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN**

**Community Engagement and Participation**

Hamilton has an open, transparent, and accessible approach to City government that engages with and empowers all citizens to be involved in their community.

**Economic Prosperity and Growth**

Hamilton has a prosperous and diverse local economy where people have opportunities to grow and develop.

**Healthy and Safe Communities**

Hamilton is a safe and supportive City where people are active, healthy, and have a high quality of life.

**Clean and Green**

Hamilton is environmentally sustainable with a healthy balance of natural and urban spaces.

**Built Environment and Infrastructure**

Hamilton is supported by state-of-the-art infrastructure, transportation options, buildings and public spaces that create a dynamic City.

**Culture and Diversity**

Hamilton is a thriving, vibrant place for arts, culture, and heritage where diversity and inclusivity are embraced and celebrated.

**Our People and Performance**

Hamiltonians have a high level of trust and confidence in their City government.

**APPENDICES AND SCHEDULES ATTACHED**

Appendix "A" to Report FCS23029 – City of Hamilton – Hamilton Waterfront Trust Future Operations – Final Report by KPMG November 29, 2022.

CP/dt



# City of Hamilton

# Hamilton Waterfront Trust Future Options

**Final Report**

November 29, 2022





# Disclaimer

This report has been prepared by KPMG LLP ("KPMG") for City of Hamilton (the "City", or "Client") pursuant to the terms of our engagement agreement with Client dated July 8, 2022 (the "Engagement Agreement"). KPMG neither warrants nor represents that the information contained in this report is accurate, complete, sufficient or appropriate for use by any person or entity other than Client or for any purpose other than set out in the Engagement Agreement. This report may not be relied upon by any person or entity other than Client or for any purpose other than set out in the Engagement Agreement. This report may not be relied upon by any person or entity other than Client, and KPMG hereby expressly disclaims any and all responsibility or liability to any person or entity other than Client in connection with their use of this report.

The information provided to us by Client was determined to be sound to support the analysis. Notwithstanding that determination, it is possible that the findings contained could change based on new or more complete information. KPMG reserves the right (but will be under no obligation) to review all calculations or analysis included or referred to and, if we consider necessary, to review our conclusions in light of any information existing at the document date which becomes known to us after that date. Analysis contained in this document includes financial projections. The projections are based on assumptions and data provided by Client. Significant assumptions are included in the document and must be read to interpret the information presented. As with any future-oriented financial information, projections will differ from actual results and such differences may be material. KPMG accepts no responsibility for loss or damages to any party as a result of decisions based on the information presented. Parties using this information assume all responsibility for any decisions made based on the information.

No reliance should be placed by Client on additional oral remarks provided during the presentation, unless these are confirmed in writing by KPMG.

KPMG have indicated within this report the sources of the information provided. We have not sought to independently verify those sources unless otherwise noted within the report.

KPMG is under no obligation in any circumstance to update this report, in either oral or written form, for events occurring after the report has been issued in final form.

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**01**

# **Project Overview**

# City of Hamilton | Hamilton Waterfront Trust Future Options

## 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.

# City of Hamilton | Hamilton Waterfront Trust Future Options Project Overview



## Project Work Plan

The project commenced on October 14<sup>th</sup>, 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.

**02**

# **Trust Background Information**

# City of Hamilton | Hamilton Waterfront Trust Future Options

## Trust Background

The City of Hamilton and the Hamilton Harbour Commission's November 24<sup>th</sup>, 2000 Deed of Trust resulted in the constitution of the Hamilton Waterfront Trust (Trust). During this time, the Hamilton Harbour Commission transferred funds to the Trust for the purposes of land assembly, improvements and development costs relating to Hamilton's West Harbour. A Board of Trustees managed the Trust and ensured that the investment of funds to designated projects aligns with the terms of the Deed of Trust. On October 26<sup>th</sup>, 2018, the City, Hamilton Port Authority, and the Trust approved a restructuring of the board removing the Port Authority from further participation and allowing the City to appoint all Trustees. This agreement also noted that the Trustees may, when in that position, carry out any transaction on behalf of the Trust and exercise any of the powers, discretion and authorities (e.g., enter into contracts) conferred upon them in the revised Deed.<sup>1</sup>

### Purpose

The Hamilton Waterfront Trust (HWT) is an organization that creates public benefit through its dedication to developing facilities and activities that enhance the public's access to the water's edge and enjoyment of Hamilton's waterfront.

### Mission Statement

HWT makes it possible for everyone to use and enjoy Hamilton's waterfront. The HWT is a leader in providing developments designed to enhance the waterfront experience and promote easy access to the water's edge within its beautiful surroundings.

### Tagline

*"Connecting you to the water's edge"*

### Mandate

HWT is dedicated to finding new, exciting ways of making it easier for residents and visitors to experience this wonderful part of the City.

### Goals

- Engage more citizen's to the water's edge.
- Implement structure and practices which will maximize the efforts and resources of the HWT.
- Be respected as a leader and expert in development at the water's edge.

Source – Deed of Trust Effective October 1, 2018

# City of Hamilton | Hamilton Waterfront Trust Future Options

# Trust Operations

As of November 21, 2016, the Trust restructured and began operating as a not-for-profit organization. On the same date, the trust incorporated HWT Inc. as a wholly-owned subsidiary.

## For-profit Operations

- Waterfront Rink Operation
- Hamiltonian Tour Boat
- Williams Fresh Café
- Hamilton Harbour Queen
- Waterfront Scoops
- Waterfront Trolley
- Waterfront Grill
- Skate Rental Concession
- HWT Centre Operations
- Bike Rental Concession

## Not-for-profit Events and Activities

- Hamilton Harbour Fishing Derby
- Hamilton Waterfront Wingfest
- Music on the Waterfront
- Winter Light Display



**03**

# **Stakeholder Engagement**

# City of Hamilton | Hamilton Waterfront Trust Future Options

## 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.

01

### 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

02

### Trust Members

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

# City of Hamilton | Hamilton Waterfront Trust Future Options

## 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.

# City of Hamilton | Hamilton Waterfront Trust Future Options

## Stakeholder Feedback – Trust Objectives

Key themes from the stakeholder interviews are summarized below:

	Observations
<p><b>Trust Objectives</b></p>	<ul style="list-style-type: none"> <li>• All stakeholders identified the Trust’s operations as crucial to the City and that they should continue regardless of the selected future option. All stakeholders indicated that the Trust has met its objectives and mandate, is a valuable contributor to waterfront development and has created a strong goodwill within the community. Stakeholders noted that the Trust has the structure and model that allows focused attention and dedicated energy for the assets.</li> <li>• Stakeholders agreed that the Trust has been able to deliver on the City’s capital projects effectively.</li> <li>• Trust stakeholders indicated that the Trust has been able to achieve its objectives due to their independent nature, quick decision making and minimal procedural red tape.</li> <li>• Some stakeholders indicated that overtime there has been a ‘scope creep’ that lead the Trust to engage in activities that is not aligned with municipal mandate.</li> <li>• Stakeholders identified a misalignment between the City’s goal of a self-sustaining entity and the Trust’s goal of enhancing the enjoyment of the waterfront. To operate as a self-sustaining entity, the Trust may need to eliminate popular activities that operate at a loss (i.e., the Trolley).</li> <li>• Stakeholders noted that City staff, members of the public, and Trust members have an inconsistent understanding of the Trust’s mandate and objectives.</li> <li>• All stakeholders agreed that the Trust has maintained an arms length relationship with the City that has at times created a knowledge gap for City staff.</li> <li>• Stakeholders noted that City staff are unsure about their roles and responsibilities regarding Trust operations. There remains unclarity around who is the “owner” of Trust related documents/processes (for e.g. financial statements, rink agreement etc.).</li> <li>• All stakeholders believe that the Trust can not continue operations without increased financial support.</li> </ul>

# Stakeholder Feedback – Trust Operations

Key themes from the stakeholder interviews are summarized below:

	Observations
Trust Operations	<ul style="list-style-type: none"><li>• Stakeholders indicated that the Trust has historically been seen as a “vendor” versus an agency and the City’s overall approach to the Trust differs from how the City financially supports and manages other transfer payment recipients (for e.g. CityHousing Hamilton).</li><li>• Stakeholders expressed a difference in opinion regarding the Trust’s transparency. City stakeholders noted the Trust’s current independent governance structure provides limited transparency and accountability for the City. Trust stakeholders identified that the Trust remains transparent by posting all meeting minutes, videos, and financial statements to their website and YouTube channel.</li><li>• Stakeholders indicated that the Trust’s performance is regularly reported to the Board. These reports include an analysis of the Trust’s sales per customer, number of customers, etc. The Trust also tracks performance through website analytics.</li><li>• Stakeholders expressed concerns regarding the Trust’s limited policy guidance, systems, and supports.</li><li>• The Trust follows the City’s procurement guidelines. However, given the arms length relationship, the City has limited oversight over compliance of the procurement policy (for example, if City’s standard terms and conditions were employed) by the Trust. Stakeholders recognized that the City will ultimately be responsible for any liability incurred by the Trust.</li><li>• From a governance and controls perspective, Trust operations have not been internally audited by the City Auditor. However, Trust operations are part of the overall audit plan.</li><li>• Stakeholders indicated that the Trust provides their audited financials to the City annually. Some stakeholders believe that the Trust should provide further information regarding the activities that make a profit, breakeven, and require subsidization.</li><li>• Stakeholders noted that the City has limited ability to monitor the Trust’s assets. Stakeholders described the contract language surrounding the monitoring of physical assets as ‘weak’. The contract also has limited ‘checks and balances’ pertaining to environmental inspections.</li><li>• Stakeholders identified that a gap exists between the Trust Board members understanding of their role and the City’s expectation’s of the Trust’s Board.</li></ul>

# City of Hamilton | Hamilton Waterfront Trust Future Options

## Stakeholder Feedback - Constraints

Key themes from the stakeholder interviews are summarized below:

	Observations
<b>Financial Sustainability</b>	<ul style="list-style-type: none"> <li>All stakeholders expressed financial sustainability as a barrier to continued Trust operations. Trust staff noted that the not-for-profit status of the Trust limits its ability to generate funds. Moreover, Trust operations were also negatively impacted in recent years due to the pandemic.</li> <li>Stakeholders noted that the project management work the Trust has performed for the City is a key financial contributor for Trust operations. With the projects expected to end in the spring of 2023, stakeholders noted concerns with financial implications for the Trust.</li> <li>Stakeholders expressed concern regarding the Trust's ability to address any significant capital failures independent of the City.</li> </ul>
<b>Reporting Structure</b>	<ul style="list-style-type: none"> <li>City stakeholders indicated that the current Trust governance model and Council presence on the Trust board sometimes informs City actions/involvement without sufficient City staff input.</li> </ul>
<b>Recruitment</b>	<ul style="list-style-type: none"> <li>The Trust is facing challenges in recruitment of seasonal staff with the number of applications declining significantly in recent years.</li> <li>Stakeholders identified the retirement of the Trust's current Executive Director (ED) as a major barrier for the Trust's continued operations due to their institutional knowledge, experience and skills. Stakeholders noted it will be challenging to fill the ED position.</li> </ul>
<b>Parking and Storage Constraints</b>	<ul style="list-style-type: none"> <li>Stakeholders identified storage as an operational constraint; the Trust has limited space for storing assets in the winter. Stakeholders also identified parking as an ongoing constraint and noted that the opening of Pier's five to seven will create a further strain on already limited parking.</li> </ul>
<b>City Support</b>	<ul style="list-style-type: none"> <li>Trust stakeholders indicated that under the current arms length arrangement, the Trust receives limited operational and financial support from the City. The City provides advice and support on a limited basis (by human resources, landscape architects etc.).</li> <li>The City provides other mechanisms to support the Trust – for. e.g. the City utilized the Trust to deliver project management services that boosted the financial performance of the Trust in recent years.</li> <li>Multiple stakeholders indicated that the overall relationship between the City and Trust has not been the strongest. City staff do not fully understand the Trust scope and mandate (confusion around why services are provided by the Trust versus the City). The gap in understanding Trust mandate has lead to a barrier in terms of developing or leveraging relationships.</li> </ul>

# City of Hamilton | Hamilton Waterfront Trust Future Options

## Stakeholder Feedback – Future Operations

Key themes from the stakeholder interviews are summarized below:

	Observations
<b>Continued Operations</b>	<ul style="list-style-type: none"> <li>• Most stakeholders expressed the significance of the City retaining control of the waterfront either through the Trust or absorption of Trust operations.</li> <li>• Some stakeholders indicated that the Trust provides a valuable service, but that other entities, both internally within the City or a third-party, could provide similar services.</li> <li>• Stakeholders noted that regardless of the chosen model, the future leaders will require significant knowledge transfer to obtain an adequate understanding of the current processes, policies, and agreements.</li> <li>• Stakeholders indicated that the unique Trust offerings (e.g., skate rentals) and the waterfront animation should continue regardless of the selected option.</li> </ul>
<b>City Assumes Operations</b>	<ul style="list-style-type: none"> <li>• 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. The additional resources are expected to be at a higher cost due to unionized employment for some of the roles. The City will also have to take into account labour relation implications.</li> <li>• Some stakeholders indicated that the City might not have the bandwidth to manage Trust operations. City staff indicated plans are in place to operationalize Discovery Centre in the near future.</li> <li>• Stakeholders acknowledged that if Trust operations are absorbed by the City, the overall responsibility would have to be clearly defined and the City departments will need to collaborate to manage operations. This division of responsibilities may include the Corporate Facilities team in Public Works overseeing the facilities management, the Parks and Recreation department handling asset management (e.g., grass cutting, garbage removal), and potentially tourism managing the animation of the waterfront.</li> <li>• Stakeholders noted that the City's mandate does not include the operation of a commercial business (i.e., Williams Café). The potential absorption of the Trust operations by the City may require the City to lease out the business to new operators.</li> </ul>
<b>Possible Future State</b>	<ul style="list-style-type: none"> <li>• Multiple stakeholders suggested that there is an opportunity for the City to collaborate with the Trust to develop a strategic plan (with an updated agreement) and operate as a hybrid model in the short-term. The model will be successful if roles, responsibilities, funding, accountability and governance are clearly defined, there is explicit direction and the model integrates with the City's vision for the waterfront.</li> <li>• Stakeholders acknowledged that decisions regarding the future of the Trust should be taken based on impact on community and the City's overall commitment to waterfront development.</li> </ul>

**04**

# Options



# City of Hamilton | Hamilton Waterfront Trust Future Options

## 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.).

## 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.

## 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).

## 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

# City of Hamilton | Hamilton Waterfront Trust Future Options

## 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

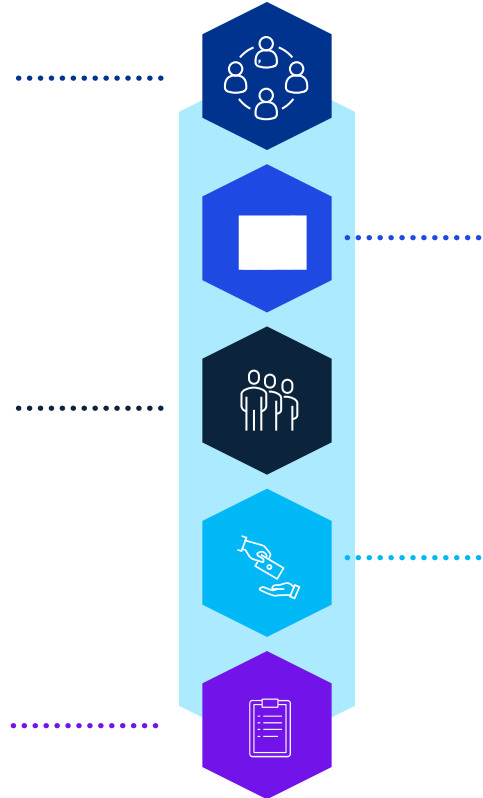
The City and Trust should establish a collaborative team (e.g., a steering committee) to review all options and considerations. The team's role should include the coordination of analyses and interviews to obtain a fulsome understanding of each option. This includes the development of governance policies,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

# Project Approach

KPMG’s approach to this project was divided into three (3) phases. Each phase was focused on the accomplishment of specific tangible objectives and activities. Below is an outline of KPMG’s approach for each phase.

Phase 1: Project Initiation October	Phase 2: Options Analysis October – November	Phase 3: Final Report & Presentation November
Met with the Project Team to clarify expectations, lines of inquiry, refine work program, and stakeholder engagement plan.	Collected relevant information on Trust’s current mandate, structures and operations, and conducted stakeholder engagement exercises. Performed an analysis of the three high-level options.	Developed a draft final report and recommendations for the City of Hamilton’s consideration. Incorporated the City of Hamilton’s feedback and presented the final report.

# Documents Reviewed

Throughout the project KPMG reviewed documentation provided by the Project Team and documentation discovered during desktop research to support the analysis. Below is a listing of the documentation reviewed over the course of this project.

Document Title	Document Title	Document Title	Document Title
Deed of Trust – Effective October 1, 2018 – SIGNED COPY	Organizational Chart – 2022	General Security Agreement	HWT 2022 PowerPoint Presentation
Executive Director – contract	Salary Employees – vacation entitlement	Full and Final Release – June 24 2011	HWT Background
HWT – Incorporation	HWT Board By-Law No. 1	BARC – Occupancy Agreement – 47 Discovery Drive	HWT Vision
HWT Letters Patent	Franchise Agreement – WFC – June 24 2011	Building Lease – 47 Guise St.	Waterfront Outdoor Rink Management Agreement – 2017 – HWT Signatures
Signed Minutes mtg auth continuance 1.10.2017	Franchise AMENDING Agreement – WFC – June 24 2011	Continuance – Prorogation.2017	HWT – Needs and Challenges
			HWT Vision Session Report Apr. 2016 BOOKER



# Stakeholders Engaged

Throughout the project KPMG engaged stakeholders to gain an understanding of the current operating environment and obtain their perspectives regarding the desired future state. Below is a listing of all the stakeholders engaged over the course of this project.

City Stakeholders Engaged	Hamilton Waterfront Trust Stakeholders Engaged
City Auditor	Executive Director, HWT
Executive Director, Human Resources	Vice-Chairman, Treasurer, Citizen Representative, HWT
Director, Financial Planning, Administration & Policy	Administrative Assistant, HWT
Director, Environmental Services	Legal Advisor
General Manager, Planning & Economic Development	
General Manager, Finance & Corporate Services	
Director, Economic Development	
Manager, Municipal Land Development	
Manager, Construction, Engineering Services	



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