




**CITY OF HAMILTON**  
**CITY MANAGER'S OFFICE**  
**Government Relations & Community Engagement Division**

<b>TO:</b>	Chair and Members Audit Finance, and Administration Committee
<b>COMMITTEE DATE:</b>	May 16, 2024
<b>SUBJECT/REPORT NO:</b>	City Enrichment Fund Repayment Procedure (CM24003) <b>(Outstanding Business List Item)</b>
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	Andrea Carvalho (289) 260-8119 Rebecca Frerotte (905) 546- 2424 ext. 4524
<b>SUBMITTED BY:</b>	Morgan Stahl Director Government Relations & Community Engagement
<b>SIGNATURE:</b>	

## RECOMMENDATION

- (a) That the current procedure for City Enrichment Fund grantees with funds owing to the City remain unchanged, due to existing policies having been updated prior to the in-take of the most recent grant cycle.
- (b) That Item A, on the Audit, Finance and Administration Outstanding Business List respecting "That staff, in collaboration with community groups in receipt of City Enrichment Funds, report back to the Audit, Finance and Administration Committee in advance of the next application cycle a procedure whereby any funds owing to the City as it relates to previous year commitments may be clawed back from future commitments" be identified as completed and removed from the outstanding business list.

## EXECUTIVE SUMMARY

The City Enrichment Fund (CEF) is the overall name for the City of Hamilton's (City) municipal investment in a wide range of program areas that support the City's Strategic Plan and 25-year Community Vision priorities. CEF invests in local charities, not-for-profit and grassroots organizations across seven unique sectors: Agriculture, Arts, Communities,

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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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Culture and Heritage, Community Services, Environment, Sports and Active Lifestyles, and the Digital pilot program area.

At its May 18, 2023, Audit, Finance & Administration Committee Meeting Council approved Grants Sub-Committee Report 23-002, which included the motion:

- (i) That staff, in collaboration with community groups in receipt of City Enrichment Funds, report back to the Audit, Finance and Administration Committee in advance of the next application cycle a procedure whereby any funds owing to the City as it relates to previous year commitments may be clawed back from future commitments.

Since 2015, the City has provided funding to grantees (successfully funded applicants) through the CEF program. In 2023-2024 an average of 345 programs and services were funded across the seven program areas. All grantees must meet the obligations outlined in the CEF Guidelines and Funding Agreement. Grantees are required to deliver the program as described in their application, recognize the City as a funder, submit a final report outlining the results of the program, and provide a final budget demonstrating that CEF funds were spent in accordance with the Funding Agreement and funding policies. Should a Grantee not meet any of these conditions, future funding is held until the outstanding obligation is successfully met and reported on.

Each year, a small number of grantees are required to return a portion of their CEF grant due to an overall lower final program budget, resulting in the grant exceeding 30% of their overall budget. In 2022, there were ten grantees with CEF funds owing to the City ranging from \$16.37 to \$26,646, which resulted in holds placed on future grant funding payments. Several grantees reported modifications to their program resulting in a lower overall program budget. The majority of grantees with funds owing were a result of lower-than-expected program budgets due to unrealized fundraising goals and grants from other sources.

In an effort to evolve the program in response to the growing and changing community needs, an introduction to the 30% policy was amended in the Fall of 2023 and applied to the 2024 CEF cycle. 2023 grantees submitted final reports from February to April and are the last cohort of grantees where the 30% policy is applied across all applicants. Moving forward, the 30% funding policy applies to operating streams and requests above \$15,001 only. This continuous improvement initiative allows CEF funding to make a more significant impact on approximately 60% of applicants, mainly impacting small organizations, equity-deserving groups, new initiatives, and one-time projects across all CEF program areas.

Due to the policy amendment within report GRA23004, approved on September 27, 2023, the number of grantees with funds owing to the city is expected to decrease. Grantees with larger dollar amounts owed are required to pay back the funds to the City, as a potential claw back of future funds places a risk to the viability of the future program. Therefore, there is no recommendation to adjust the payback/arrears procedure, as the revised 30% guideline will likely influence the potential claw back challenges that grantees were previously facing.

**Alternatives for Consideration – See Page 5**

**FINANCIAL – STAFFING – LEGAL IMPLICATIONS**

Financial: N/A

Staffing: N/A

Legal: N/A

**HISTORICAL BACKGROUND**

Launched in 2015, the City Enrichment Fund presented overall guidelines and specific program area criteria approved within report FCS14024(b), 2014. The CEF funding guidelines included a 30% funding policy whereby staff funding recommendations could not exceed 30% of an applicants' total program budget. This policy was first expanded in the 2016 CEF cycle, where it was applied to all streams equally and further amended in the 2024 CEF cycle to only apply to the operating streams and applicants with requests over \$15,001.

From February to April of each year, CEF staff review Grantee Final Reports to ensure the funded program was delivered as described and within budget. CEF staff review the Final Report Budget to ensure only eligible items are included and that funding from all departments of the City, including CEF, does not exceed 30% of the total program budget. If a program budget exceeds the 30% level, staff inform grantees of the dollar amount owing and provide instructions for repayment to the City. A revision to the funding policy and resulting threshold was approved by Council and implemented for the 2024 cycle (2024 Final Reports are due in February – April 2025).

Per the CEF Funding Agreement, grantees with funds owing to the City are in arrears and are required to return the owed amount before any future funding can be released. Grantees in arrears but with additional successful applications to CEF have been approved with a 'Hold' before funding can be released. Staff work with these grantees to ensure arrears are returned to the City and that the applicants move forward in good standing.

**POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS – N/A**

**RELEVANT CONSULTATION**

Corporate Services Department – Finance and Administration Division

**ANALYSIS AND RATIONALE FOR RECOMMENDATION**

City Enrichment Fund staff continue to take steps towards improvements in program delivery, increasing accessibility, reaching equity-deserving groups, and alignment with best practices.

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A revision to the 30% funding policy on September 27, 2023, was approved by Council with the objective of providing grantees with a greater capacity to deliver public programming and services and reduce staff resources to administer arrears within a reasonable funding threshold amount. All CEF applications and final reports must continue demonstrating diverse program revenue and sound fiscal management.

Following the completion of each CEF cycle, grantees submit final reports from February to April annually. Grantee Final Reports provide an assessment of the funded program's measurable outcomes, the overall impact to community, and the final program budget. Staff review the final program budget to ensure the CEF funds have been spent in alignment with the CEF Guidelines and Funding Agreement. Funded programs that do not meet the CEF Guidelines or Funding Agreement Terms of Reference are flagged, and a hold is placed on the grantee, preventing the release of any future funding until all agreements have been met. Holds are typically the result of outstanding final reports, when additional information is required, or when a grantee has not met the funding policy and must repay a portion of their CEF funding.

Grantees in arrears with the City are commonly related to unspent funds or a lower-than-expected final program budget. Several issues may cause a final program budget to differ from the proposed budget, most commonly due to unrealized grants from other levels of government or agencies, and lower than expected fundraising levels. Since 2015, the number of grantees in arrears is low relative to the number of funded programs.

In the 2022 CEF cycle, the number of grantees with funds owing to CEF, resulting in holds, was 10 out of 317 applications, with arrears ranging from \$16.37 to \$26,646. In the 2023 CEF cycle, the approximate number of grantees with funds owing, resulting in holds, is 13 out of 337 applications. For the 2024 CEF cycle, the expected number of grantees with funds owing resulting in holds is expected to be lower as a result of the amended 30% policy. Comparatively, had the 30% funding policy been applied to the 2022 and 2023 CEF cycles, the number of grantees with holds would have been 2-3 organizations, respectively.

During the 2023 CEF cycle, ten funding recommendations were held due to arrears ranging from \$16.37 to \$26,646. In all cases this was due to the 30% rule, as applicants had underspent on total program expenses or received less revenue from other sources than originally proposed in their initial budget.

On May 18, 2023, City Council, at its Audit, Finance and Administrative Committee meeting, identified arrears with nominal sums due as an administrative burden. Grantees with significant sums owing and passing funding thresholds would remain in arrears with future funding recommendations held until repayment has been provided to the City. Providing a claw back or reduction of future funding places uncertainty on the future program or service delivery. Grantees must demonstrate that they are able to pay back arrears before accepting any future funding.

The recommendation to continue the established CEF procedure for arrears is supported by

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the CEF Guidelines and Funding Agreement and done in accordance with the City's accounts receivable policies.

**ALTERNATIVES FOR CONSIDERATION**

As an alternative for consideration, Council may choose to delay accepting this recommendation to retain the payback procedure and direct staff to revisit the Council direction in Q2 2025. A review of this procedure following the 2024 CEF cycle and final reporting period would include the results of the implementation of the amended 30% policy and the relative impact on the number of grantees with financial holds.

**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.

**Healthy & Safe Communities**

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

**Culture and Diversity**

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

**APPENDICES AND SCHEDULES ATTACHED – N/A**