



Hamilton

# **HAMILTON FUTURE FUND BOARD OF GOVERNORS**

## **Report 11-001**

**March 16, 2011**

**3:00 p.m.**

**Room 264, City Hall**

**71 Main Street West**

- 
- Present: T. Weisz, Chair  
Mayor, R. Bratina  
Councillor, B. McHattie  
G. Hoath, M. Cruse, C. McLaughlin, B. Manson, J. Kollek,  
K. Dickson, M. Moccio
- Absent with regrets: Councillors, J. Partridge, L. Ferguson  
J. Capobianco, P. Vaccarello, G. Brown, E. Tshibwabwa,  
M. Armstrong
- Also Present: M. Zegarac, Director Financial Planning and Policy, Finance  
and Corporate Services  
C. Elliott, Finance and Corporate Services  
A. Grozelle, Office of the City Clerk

### **THE HAMILTON FUTURE FUND BOARD OF GOVERNORS PRESENTS REPORT 11-001 AND RESPECTFULLY RECOMMENDS THE FOLLOWING:**

**1. Hamilton Future Fund Reserve Status and Project Funding as of  
December 31, 2010 (FCS10069(b)) (City Wide) (Item 5.1)**

That report FCS10069(b) respecting, Hamilton Future Fund Reserve Status and  
Project Funding as of December, 2010, be received.

**2. Dr. Bob Kemp Hospice Outstanding Loan (FCS10092(a)) (City Wide) (Item  
8.1)**

- (a) That the outstanding loan to the Dr. Bob Kemp Hospice Foundation Inc. in  
the amount of \$1,500,000 be converted to an Interest-Free Forgivable  
Loan;

- (b) That the Interest-Free Forgivable Loan be secured by the City with a first mortgage registered against the Hospice's property at 277 Stone Church Road East;
- (c) That the Interest-Free Forgivable Loan be for a term of 20 years;
- (d) That the City enter into a Forgivable Loan Agreement with the Dr. Bob Kemp Hospice Foundation Inc. on the terms set out in Report FCS10092(a), attached hereto as Appendix A, and satisfactory to the General Manager, Corporate Services and the City Solicitor;
- (e) That the Mayor and Clerk be authorized to execute the said Forgivable Loan Agreement.

**FOR THE INFORMATION OF COMMITTEE:**

**(a) CALL TO ORDER**

Chair Weisz called the meeting to order at 3:05 p.m.

**(b) CHANGES TO THE AGENDA**

The Clerk advised that there were no changes to the agenda.

The agenda was approved as presented.

**(c) DECLARATIONS OF INTEREST**

None

**(d) APPROVAL OF MINUTES**

**3.1 Minutes of October 27, 2010**

The Minutes of the October 27, 2010 meeting were approved as presented.

**(e) Hamilton Future Fund Reserve Status and Project Funding as of December 31, 2010 (FCS10069(b)) (City Wide) (Item 5.1)**

Mike Zegarac, Director Financial Planning and Policy provided an overview with the aid of a Power Point presentation. Highlights included but were not limited to the following:

- Discussed the Financial status of the Future Fund Accounts
- Related past use of fund transfers to offset tax that has since ended
- Discussed current fund value of Future Fund
- Forecast going forward in relation to investment incomes and the loan repayments, as well as capital financing
- Providing an end year forecast going forward to 2020
- Discussed Future Fund A and B and the commitments made in relation to these
- Working with internal departments to provide further updates to the board on uncommitted balances
- Future Fund B in October staff recommended the closing of two programs the Business tax reduction program and the Giants Rib Discovery Centre
- Outlined the outstanding commitments

Committee members asked questions of staff. Highlights included but were not limited to the following:

- Kollek asked about the Funding Forecast on page three in relation to the West Harbour lands
- Staff indicated that approximately \$10 million has been spent to date
- Councillor McHattie asked about Fund A and when the amount reaches a certain amount to open up the application process
- Chair Weisz indicated that the original idea was that it would be when they reached \$100 million plus the interest to end up at a figure of around \$132 million.
- Chair Weisz indicated that the next committee membership should reconsider this when they are formed because right now they have about \$4 million that they could open up for applications however that wasn't considering the amount in the other Future Fund Account
- Councillor McHattie suggested than that the board would look at this when the new membership is formed with the possibility of coming up with a new policy for when applications will be open for funding

Chair Weisz thanked staff for their presentation.

On a motion the staff presentation respecting Report FCS10069(b), Hamilton Future Fund Reserve Status and Project Funding as of December 31, 2010, was received.

**(f) Dr. Bob Kemp Hospice Outstanding Loan (FCS10092(a)) (City Wide) (Item 8.1)**

Mike Zegarac, Director Financial Planning and Policy, provided an overview on the report before the board highlights included but were not limited to the following:

- Discussed the work that staff had done based on the direction given at the last Future Fund meeting in relation to the \$1.5 million dollar loan
- Discussed the staff recommendations to convert the loan to a forgivable loan
- Discussed how staff had consulted with both the staff and representatives of the hospice indicating
- Discussed the intent of the conditions in protecting the communities interest in service being provided to the community for a twenty year term

Committee members asked questions of staff. Highlights included but were not limited to the following:

- Chair Weisz asked about what happens after the twenty year term
- Staff indicated after the completion of the twenty year term the interest free loan would be forgiven. This acknowledges that the 1.5 million would be paid back to the community through the Hospices continual service to area over the twenty years.

Chair Weisz indicated that Beth Ellis and Jan Nichols were in attendance to answer any further questions of the board. Highlights included but were not limited to the following.

- Beth Ellis outlined the communications that they have had with the Trillium Foundation since the last meeting of the Future Fund on October 27, 2010.
- Discussed how they are still not in any position to pay back a loan right now as they are still very dependant upon government funding for their operational funding
- Indicated that verbally the Trillium Foundation did indicate that what is being recommended by City staff will allow the Hospice to apply for grants something which has been hampered in their previous attempts by the \$1.5 million debt

Chair Weisz provided an overview of the past history of the Outstanding Loan to the Dr. Bob Kemp Hospice. He indicated that it was not part of the grant application process undergone by the Board. Chair Weisz Indicated that at the time that the Hospice came to the Board asked for the loan they assured them they would be able to repay it. He also indicated that at the last Future Fund meeting the Hospice related that they were not able to get grants because of the outstanding loan at which point the Board requested staff investigate ways to both secure the debt and allow the Hospice to pursue grants.

- Mayor Bratina asked Ms. Ellis what component the wages play in the running of the Hospice
- Beth Ellis indicated wages amount for around 70% of the cost however the majority of that money is for front line staff and care givers not administration
  
- Mayor Bratina inquired what would occur if they did not proceed with staff's recommendations
- Ms. Ellis indicated that they would likely have to cut beds and look at offering less services, however they have not yet fully examined what the consequences would be
  
- Mayor Bratina asked if the Hospice was in line with what is being done at other hospices
- Ms. Ellis indicated that we are in line with the operating costs with the other Hospices.
  
- Mayor Bratina asked if there was a cost savings for less or more beds
- Ms. Ellis indicated that the most cost effective is to have ten beds as more requires an institutional certification and there are requirements to have a registered nurse around the clock which makes ten beds the best use of money and resources
  
- Councillor McHattie thanked staff and the Board for their work and indicated that the Hospice does great work for the community
  
- Kieran Dickson indicated that he is still against the staff recommendation as the funding was occurring outside of the a competition based grant system established by the Board. He indicated that he felt the alternative option given by staff to take possession of the Hospices property and have the Hospice as would be his preference
- Chair Weisz indicated that if the City owned the property they would be responsible for reasons of maintaining the facility and liability
- Staff indicated that there were costs associated with taking over the facility as well as maintenance, etc.
- Mayor Bratina added that he would be afraid that having the Hospice as a tenant of the City would lead to the possibility of the Hospice coming to the City if they require more funding

- Kieran Dickson indicated that he feels that option one would meet the Hospices concerns and allow would allow them to apply for grants. He added that the City could get additional revenue from the rent on the Hospice
- Chair Weisz indicated that he felt that the Hospice likely wouldn't be able to afford rent. Ms. Ellis agreed that the Hospice would not be in the position to pay rent to the City
- Julia Kollek suggested that the Board could be more flexible in this as they often give grants not loans
- Chair Weisz verified that the Hospice came after the grant process and indicated that they could repay a loan
  
- Chair Weisz asked for further clarification on why staff came to a twenty year term on the forgivable loan
- Staff indicated that there was no reason for the twenty year term it just seemed like an appropriate length of time however the board was free to suggest a different term length

**(g) OTHER BUSINESS**

**Proposed guarantee process on applications for loans and grants**

Bill Mason suggested that when the new Board membership is formed they should consider instituting some type of guarantee policy for loans and grants awarded by the Board. This would be used as a way to ensure that the money is directed towards the projects identified to the Board.

There being no further business the meeting was adjourned at 3:55 p.m.

Respectfully submitted,

Andy Grozelle  
Legislative Assistant  
March 16, 2011


T. Weisz, Chairman  
Hamilton Future Fund Board of Governors



Hamilton

**CITY OF HAMILTON**

**CORPORATE SERVICES DEPARTMENT**  
**Financial Planning & Policy Division**

<b>TO:</b> Chair and Members Hamilton Future Fund Board of Governors	<b>WARD(S) AFFECTED:</b> CITY WIDE
<b>COMMITTEE DATE:</b> March 16, 2011	
<b>SUBJECT/REPORT NO:</b> Dr. Bob Kemp Hospice Outstanding Loan (FCS10092(a)) (City Wide)	
<b>SUBMITTED BY:</b> Roberto Rossini, General Manager Finance & Corporate Services	<b>PREPARED BY:</b> Charlie Elliott (905) 546-2424 ext. 2162
<b>SIGNATURE:</b> 	

**RECOMMENDATION:**

- (a) That the outstanding loan to the Dr. Bob Kemp Hospice Foundation Inc. in the amount of \$1,500,000 be converted to an Interest-Free Forgivable Loan;
- (b) That the Interest-Free Forgivable Loan be secured by the City with a first mortgage registered against the Hospice's property at 277 Stone Church Road East;
- (c) That the Interest-Free Forgivable Loan be for a term of 20 years;
- (d) That the City enter into a Forgivable Loan Agreement with the Dr. Bob Kemp Hospice Foundation Inc. on the terms set out in Report FCS10092(a) and satisfactory to the General Manager, Corporate Services and the City Solicitor;
- (e) That the Mayor and Clerk be authorized to execute the said Forgivable Loan Agreement.

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**EXECUTIVE SUMMARY**

At the October 27, 2010 Hamilton Future Fund Board of Governors' meeting, staff were directed "to explore options to substitute or secure the \$1.5 million dollar Future Fund loan with the intent of assisting the Bob Kemp Hospice's fundraising efforts by removing current barriers to accessing grants through the elimination of the \$1.5 million liability". This report responds to the direction given to staff and presents recommendations that will result in meeting the objectives of the HFF Board's directive.

Staff from Finance, Legal and Real Estate discussed options that would secure the loan and eliminate the liability from the Hospice. Staff determined the best option was to convert the loan to an Interest-Free Forgivable Loan, and secure the loan by the City registering a mortgage on the Hospice's property for the term of the loan.

The Interest-Free Forgivable Loan would not be required to be repaid, unless certain conditions contained in the Loan Agreement occur, which may include:

- the Borrower becomes bankrupt or insolvent;
- a writ of execution against the Borrower becomes binding against the Hospice property;
- a disposal, including a lease, by the Borrower of any part of the Hospice property, without the prior written consent of the City which may be arbitrarily withheld by the City;
- the Borrower's certificate of incorporation is cancelled and/or the Borrower is wound up or dissolved
- use of the Hospice property for a purpose other than set out in the loan agreement

The mortgage on the property would act as security on the Interest-Free Forgivable Loan, and would only be enforceable should the loan not be repaid in the event of any of the conditions included in the Loan Agreement.

The Interest-Free Forgivable Loan option was presented to Hospice staff, who in turn presented it to the Hospice's Board in early January 2011. It should be noted that the Hospice's Board is in favour of the proposed recommendations in this report FCS10092(a).

It is anticipated that converting the existing loan to an interest-free forgivable loan will remove the current barriers for the Hospice in accessing grants. Hospice staff have contacted the Trillium Foundation, and although Trillium cannot definitively commit funding to the Hospice at this time, they have advised that they believe the plan to convert the loan to an interest-free forgivable loan would address the Trillium Foundation's concerns with regards to the Hospice's loan liability.



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*Alternatives for Consideration – See Page 5*

**FINANCIAL / STAFFING / LEGAL IMPLICATIONS (for Recommendation(s) only)**

**Financial:** The recommendations in report FCS10092(a) do not have a direct impact on the Tax Levy. The loan to the Bob Kemp Hospice is committed against the Hamilton Future Fund reserve, therefore reducing the amount available in the HFF for other initiatives. The mortgage on the Hospice's property secures the City's investment in the Hospice for the term of the Forgivable Loan (20 years). There is a minimal cost (Approx. \$75) to register the mortgage.

It should be noted however that if this report is approved by the HFF Board and Council, then the initial "loan" to the Hospice effectively becomes a grant so long as they continue operating.

**Staffing:** N/A

**Legal:** N/A

**HISTORICAL BACKGROUND (Chronology of events)**

An interest-free loan in the amount of \$1.5 million was approved at the August 9, 2006, Council for the construction of the Dr. Bob Kemp Hospice (the "Hospice"). The funds were advanced to the Hospice, in instalments during 2006 and 2007, as the funds were required during construction. The repayment terms of the loan were for semi-annual payments of \$187,500 from March 1, 2007, to September 1, 2010, at which time, the loan would be repaid in full.

At the October 15, 2007, Hamilton Future Fund (HFF) meeting, a delegation from the Dr. Bob Kemp Hospice asked the HFF Board of Governors to consider forgiving the \$1.5 million loan and granting the money in lieu. The HFF Board of Governors requested the Hospice to provide additional detailed information and directed staff to work with the Hospice to explore possible alternatives which may assist. The Hospice provided the additional information, in writing, which was circulated to the HFF Board of Governors at the June 5, 2008, HFF meeting. Staff were directed to work with the Hospice to draft possible funding options for the Board's review at the June 5, 2008, meeting.

Staff reported back to the HFF Board of Governors October 27, 2010 with regards to the direction given to staff to provide possible funding options through Information Report

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FCS10092. The HFF Board of Governors approved the following recommendations at the October 27, 2010 meeting:

- (a) That report FCS10092 respecting Dr. Bob Kemp Hospice Outstanding Loan be received.
- (b) That the Hamilton Future Fund Board of Governors recommends that the City not forgive the outstanding loan to the Bob Kemp Hospice.
- (c) That staff be directed to explore options to substitute or secure the \$1.5 million dollar Future Fund loan to eliminate the liabilities illustrated in report FCS10092 and with the intent of assisting the Bob Kemp Hospice's fundraising efforts by removing current barriers to accessing grants.

The above recommendations were submitted to the General Issues Committee January 10, 2011 through the Hamilton Future Fund Board of Governors Report 10-002. The recommendations were approved by GIC, with the addition of the following sub-section (d):

- (d) That Jan Nicols and Beth Ellis be invited to a future General Issues Committee to answer inquiries with respect to the outstanding loan for the Dr. Bob Kemp Hospice

This report FCS10092(a) is to address the direction given to staff in item (c) above

**POLICY IMPLICATIONS**

N/A

**RELEVANT CONSULTATION**

Legal Services – Don Fisher  
Real Estate Division – Bill Farkas  
Dr. Bob Kemp Hospice – Beth Ellis

**ANALYSIS / RATIONALE FOR RECOMMENDATION**

(include Performance Measurement/Benchmarking Data, if applicable)

Converting the existing loan to an Interest-Free Forgivable Loan secured by a mortgage will achieve the objective of securing the loan and may assist the Bob Kemp Hospice's

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fundraising efforts by removing current barriers to accessing grants. The proposal however, does not provide for the repayment of the original loan.

**ALTERNATIVES FOR CONSIDERATION:**

(include Financial, Staffing, Legal and Policy Implications and pros and cons for each alternative)

Option 1 – City take an ownership interest

An alternative to securing the forgivable loan with a mortgage considered by staff was for the City to take an ownership interest in the Hospice's property/building. This option would entail transferring title to the property from the Hospice to the City, and the City leasing the property back to the Hospice for a nominal amount.

The transfer of title to the property would incur significant costs including Land Transfer Tax, HST, and Legal expenses that will not be incurred with the recommendations in this report FCS10092(a). Ownership of the Hospice property could also subject the City to future liabilities with regards to property/building maintenance and repairs.

The recommended option would achieve the objectives of securing the City's investment and removing the Hospice's current barriers to accessing grants, facilitating the continuation of the role the Dr. Bob Kemp Hospice plays in the community.

Option 2 – Do not convert the repayable loan to a non-repayable loan

The implications of not converting the loan to a forgivable loan would have a significant impact on the Hospice's finances, which could lead to a reduction in services provided by the Hospice or possible closure. The Hospice's ability to raise funds from charitable foundations such as Trillium Fund would also continue to be hampered. In a worse case scenario, the City could possibly not recover the funds and end up with no hospice under this option.

**CORPORATE STRATEGIC PLAN (Linkage to Desired End Results)**

Focus Areas: 1 Skilled, Innovative and Respectful Organization, 2 Financial Sustainability,  
3. Intergovernmental Relationships, 4 Growing Our Economy, 5 Social Development,  
6 Environmental Stewardship, 7. Healthy Community

***Intergovernmental Relationships***

- ◆ Acquire greater share of Provincial and Federal grants (including those that meet specific needs)
- ◆ Maintain effective relationships with other public agencies

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***Social Development***

- ◆ Residents in need have access to adequate support services
- ◆ People participate in all aspects of community life without barriers or stigma

***Healthy Community***

- ◆ An engaged Citizenry
- ◆ Adequate access to food, water, shelter and income, safety, work, recreation and support for all (Human Services)

<b>APPENDICES / SCHEDULES</b>
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N/A