



INFORMATION REPORT

TO: Chair and Members Hamilton Future Fund Board of Governors	WARD(S) AFFECTED: CITY WIDE
COMMITTEE DATE: October 27, 2010	
SUBJECT/REPORT NO: Hamilton Future Fund Reserve Status and Project Funding as of September 30, 2010 (FCS10069(a)) (City Wide)	
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SIGNATURE: 	

Council Direction:

In 2002, Council approved the recommendations in report FCS02107 "Creation of a Permanent Hamilton Future Fund – Final Report" and directed staff to provide Council and the Trustee Panel with regular reports on the status of the Hamilton Future Fund (HFF) reserves and projects funded from the HFF.

At the July 27, 2010 HFF Board meeting, staff were directed to report back to the HFF Board with further details on available funds in the HFF reserves.

Information:

Hamilton Future Fund Reserves

The funds received from Hamilton Utilities Corp. in 2002 were segregated into two reserve accounts:

Account 112246	Hamilton Future Fund A	\$100,000,000
Account 112247	Hamilton Future Fund B	\$ 37,430,705

Fund A

Fund A was established as a permanent fund to be protected and invested, initially for five years, thus providing investment income as a permanent source of funding. Table 1 of report FCS10069(a) summarizes the activity in Fund A from the date it was established in 2002 to September 30, 2010.

Fund A has earned approximately \$31.3 million in investment income since inception (2002) through to December 31, 2009. In addition, the Fund has earned interest of \$7.7 million on loans to fund City capital projects, for a total of \$39.0 million in investment income earned. The 2010 Investment income will be allocated to the HFF reserves at year end (December 31, 2010) and therefore is not reflected in Table 1 as of September 30, 2010.

Table 1

HAMILTON FUTURE FUND A		
Reserve Account 112246		
as of September 30, 2010		
Beginning Balance		100,000,000
Additions:		
Investment Income		31,254,694
Loan Repayments	- Principal	9,607,147
	- Interest	7,750,565
Less:		
Transfer to Operating		(13,845,000)
Loans to Fund Capital Projects		(70,944,733)
Pan Am Games		(5,573,000)
Loan to Dr. Bob Kemp Hospice		(1,500,000)
Ending Balance		56,749,673
Principal Balance		31,589,414
Interest Balance		25,160,259
Fund Balance		56,749,673
Fund Assets		
Cash & Investments		56,749,673
Loan Principal Receivable (April 1, 2005 - \$15,236,000 @ 4.0%)		12,106,378
Loan Principal Receivable (February 1, 2006 - \$15,000,000 @ 3.86%)		12,258,014
Loan Principal Receivable (December 31, 2006 - \$14,323,000 @ 3.89%)		12,079,697
Loan Principal Receivable (December 31, 2007 - \$11,504,953 @ 4.08%)		10,342,691
Loan Principal Receivable (July 17, 2008 - \$2,500,000 @ 4.02%)		2,375,707
Loan Principal Receivable (December 31, 2008, - \$4,035,000 @ 3.69%)		3,829,321
Loan Receivable (June 30, 2009 - \$2,150,000 @ 3.32%)		2,150,000
Loan Receivable (December 31, 2009 - \$5,400,000 @ 3.30%)		5,400,000
Loan Receivable (Promissory Note to be issued)		795,780
Loan to Dr. Bob Kemp Hospice		1,500,000
Total Fund Value		119,587,261

Transfers to Operating

As part of the 2003 Budget, Council approved using \$4 million in interest revenues to reduce property taxes and directed staff to develop a strategy to eliminate reliance on this funding in future operating budgets. A total of \$13,845,000 has been transferred to operating in years 2003 through 2008 as indicated by year below:

Transfers to Operating	
2003	\$ 4,000,000
2004	3,285,000
2005	1,640,000
2006	1,640,000
2007	1,640,000
2008	1,640,000
	<u>\$ 13,845,000</u>

On April 23, 2008, Council approved an amendment to the 2008 Tax Supported Budget as follows: "That the interest from the Hamilton Future Fund not be used to lower the levy in 2009 and forward." Therefore, there are no Transfers to Operating from the HFF since 2008.

Loans to Fund Capital

The City's 2004 - 2013 Capital Financing Plan incorporates borrowing \$100 million from the HFF to finance capital projects as authorized by By-law No. 05-093. The loans are being repaid with interest to Fund A over a 15 year period from the date of the loans.

A total of \$91.270 million in loans has been committed to fund projects approved through the 2004 through 2010 Capital Budgets, of which, \$70.945 million has actually been borrowed as of September 30, 2010. Therefore, there is \$20.325 million committed as loans from Fund A to fund the projects as expenditures occur.

A total of \$9.607 million in loan principal has been repaid to Fund A, leaving an outstanding loan balance of \$61.338 million as of September 30, 2010.

There is one additional loan outstanding to the Dr. Bob Kemp Hospice in the amount of \$1.5 million on which no loan repayments have been received to date.

The outstanding loans from the Hamilton Future Fund are shown as Fund Assets (loans receivable) in Table 1 of report FCS10069(a) to reflect the total fund value of \$119,587,261.

Pan Am Stadium

On April 2, 2009, the HFF Board of Governors approved using \$60 million of HFF monies in the form of a loan to fund the City's financial requirement for participation in the 2015 Pan Am Games. At the April 14, 2009, Committee of the Whole the following resolution was approved by COW and subsequently approved by Council: "That \$60

million dollars in the form of a **grant** be approved from the Hamilton Future Fund to fund the City's financial requirement for participation in the Pan Am Games."

Table 2 of report FCS10069(a) provides a forecast of Fund A's balances with the \$60 million in funding for the Pan Am Stadium based on the projected cash flow of expenditures.

Table 2

HAMILTON FUTURE FUND A										
(\$ 000's)		Actual	Projected							
		2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Investment Income @	3.5%	3,621	1,394	1,173	591	330	312	636	972	1,320
Loan Repayment (P&I)		5,656	6,269	8,174	8,753	8,961	8,961	8,962	8,961	8,961
Expenditures										
Loans to Fund Capital		(7,552)	(17,727)	(3,392)	(6,412)	(2,318)				
Pan Am Stadium Funding			(5,573)	(10,569)	(19,569)	(14,485)	(9,804)			
Balance - End of Year		63,116	47,479	42,865	26,228	18,715	18,184	27,783	37,716	47,997

Fund B

Fund B was established to provide funding for various initiatives (listed in Appendix A of report FCS10069(a)), as recommended by the Community Trustee Panel and approved by Council. Table 3 of report FCS10069(a) provides a summary of the transactions from the date the fund was established in 2002 to September 30, 2010. Fund B has earned a total of \$7,198,495 in investment income since inception in 2002 to September 30, 2010. The 2010 investment income will be allocated to the HFF reserves at year end (December 31, 2010) and therefore is not reflected in Table 3 as of September 30, 2010.

A total of \$43,222,615 in funding from Fund B has been approved, of which, \$36,447,704 has actually been allocated to date. The remaining amount of \$6,774,911 is reflected as committed in Table 3 of report FCS10069(a), leaving an uncommitted amount of \$1,406,585.

Table 3

HAMILTON FUTURE FUND B	
Reserve Account 112247 as of September 30, 2010	
Initial Investment	37,430,705
Revenues	
Total Investment Income	7,198,495
Expenditures / Project Funding	
Total Expenditures / Project Funding to date (Details on Appendix A)	(36,447,704)
Fund Balance	<u>8,181,496</u>
Committed (\$43,222,615 - \$36,447,704)	<u>(6,774,911)</u>
Uncommitted (Overcommitted) Balance	<u>1,406,585</u>

Project Funding Status (Appendix A to report FCS10069(a))

Appendix A to report FCS10069(a) provides project funding from the HFF, Fund B, to the approved projects, as well as, the projects' status and other project details. Total funding of \$43,222,615 has been approved from Fund B, of which, \$36,447,704 has been used to fund the various projects and initiatives to date, leaving an unexpended balance of \$6,774,911.

Fund B Available Funds

Staff were directed to report back to the HFF Board with further details on available funds in the HFF reserves, which could be used to fund new projects or initiatives. The City departments responsible for the projects listed in Appendix A to Report FCS10069(a) were consulted in order to identify any approved HFF project funding which will not be required for the projects. The description / status column in Appendix A provides the status of each project and justification for any remaining funding.

Table 4 provides a summary of available funds in Fund B. The total available funds of \$3,417,845 is comprised of uncommitted funds of \$1,406,585 identified in Table 3, as well as funds that had been previously committed to two projects / initiatives below, but are no longer required for those purposes.

Business Tax Reduction (BTR) – Initially \$8.0 million was approved of which \$5,188,740 was used for Business Tax Reductions in years 2002 through 2007 and \$1.0 million was reallocated to the Rent Supplement Program in 2008. It is expected no further funding will be required for BTR, leaving an available balance of \$1,811,260.

Giants' Rib Discovery Centre (GRDC) – Initially \$300,000 was approved of which \$50,000 was advanced for the development of site and project plans in 2002 and

\$50,000 for operational expenses in 2004. The project has been on hold due to a lack of funding commitment from the senior levels of Government. It is not expected the project for which the funds were approved will be going forward in the near future; therefore the remaining \$200,000 is being identified as available funding in Table 4.

Table 4

Fund B Available Funds	
Uncommitted Funds (Table 3)	\$ 1,406,585
Projects / Initiatives	
Business Tax Reduction	1,811,260
Giants' Rib Discovery Centre	200,000
Total	\$ 3,417,845

It would be appropriate that the Future Fund Board at its discretion may recommend that the above identified projects be closed and that the associated funds be returned to the Future Fund B reserve. Therefore, the \$3,417,845 of uncommitted funding would be available for future funding requests at the discretion of the Board.