SUBJECT: Hamilton FireFighters Drum Corps Loan (FCS06034) (City Wide)

RECOMMENDATION:

That the request by the Hamilton FireFighters Drum Corps to forgive their $202,463 debt to the City of Hamilton be denied.

EXECUTIVE SUMMARY:

The Hamilton FireFighters Drum Corps (HFFDC) have submitted a written request, Appendix A, to have their interest free loan and property tax arrears totalling $202,463 forgiven. As part of their submission, they have provided financial statements for 2001 through 2004 inclusive. Due to declining revenues they state that they are not able to make either the contracted quarterly payments of $8,000 or payment of their property tax arrears.

Forgiving this debt would set a precedent that could have significantly unfavourable financial impact on the City of Hamilton with respect to $17 million of other outstanding loans.

BACKGROUND:

The original lease and loan agreement was signed on October 27, 1994. The lease covered the rental of City owned land at 175 Dartnall Road for a rate of $1 per year. The term of the 25 year lease runs from November 1, 1994 to October 31, 2019. The agreement states that the tenant will pay all realty taxes applicable to the property.
This document also provided for a $300,000 interest free loan, to assist HFFDC to finance the construction of their practice facility. The loan was to be paid in full by January 2003. Arrears would be charged a 6% annual interest rate. If the lease was terminated for any reason the loan would be repayable immediately.

Due to cash flow difficulties, HFFDC have previously requested and received three amendments to the contract:

- In June 1995 the loan was increased to $400,000 thus extending the repayment schedule to December 2005.

- In February 1997 it was agreed to reduce the quarterly loan payments from $10,700 to $8,000, defer two outstanding payments to the end of the loan, and extend the maturity date three years to October 2008.

- In March 2002 it was agreed to defer three loan payments to the end of the loan thus adding nine months to the life of the loan. This deferment was to provide them with enough capital funding to pave the parking lot thereby making the facility more rentable. The expiry date of the loan is currently July 2009.

The HFFDC have submitted a letter, Appendix A, dated December 2005 requesting that the amount owing to the City of Hamilton be written off.

**ANALYSIS/RATIONALE:**

The annual required payments to the City of Hamilton total approximately $43,000 consisting of $32,000 for principal repayment and $11,000 for annual property taxes. In the past three years, HFFDC have submitted payments to the City of Hamilton as follows: 2005 -$14,451, 2004 -$23,000, 2003 -$30,027. In 2002 due to the amending agreement the invoiced amount was $18,548 and payments received were $4,000.

The HFFDC are currently in default of their Lease Agreement with the City of Hamilton by not making one or more quarterly payments as required. The agreement allows for the City of Hamilton to seize the land and building in the event of default of payment.
**ALTERNATIVES FOR CONSIDERATION:**

Writing off and forgiving the full value of the loan and all arrears including outstanding property taxes would cost the City of Hamilton $202,000 directly affecting the 2006 surplus/deficit figure. It could also set precedence for other organizations that have outstanding loans to ask for the same consideration. This course of action is not recommended.

The City of Hamilton could negotiate with the HFFDC to arrange for a revised payment schedule that would extend the length of the loan with the intent of making collection of the loan and property taxes more feasible. Upon review of their 2001 to 2004 Financial Statements it appears that if they could continue to achieve the average revenue stream of the past 4 years, they could pay the loan off in 15 to 20 years. Given the pattern of decreasing net income, their future ability to pay will probably be diminished further. Therefore this option is not favourable.

The City of Hamilton could seize the land and building with the intent of selling it to recover the loan and tax arrears. This would leave the HFFDC without a practice facility. However, this alternative would relieve the City of Hamilton of future financial burdens with respect to this property.

**POLICIES AFFECTING PROPOSAL:**

**RELEVANT CONSULTATION:**

City Manager
Hamilton Emergency Services

**CITY STRATEGIC COMMITMENT:**

By evaluating the “Triple Bottom Line”, (community, environment, economic implications) we can make choices that create value across all three bottom lines, moving us closer to our vision for a sustainable community, and Provincial interests.

- **Community Well-Being is enhanced.**  ☐ Yes  ☑ No
- **Environmental Well-Being is enhanced.**  ☐ Yes  ☑ No
- **Economic Well-Being is enhanced.**  ☐ Yes  ☑ No
- **Does the option you are recommending create value across all three bottom lines?**  ☐ Yes  ☑ No
- **Do the options you are recommending make Hamilton a City of choice for high performance public servants?**  ☐ Yes  ☑ No
HAMILTON FIREFIGHTERS DRUM CORPS

December 2005

Councillors: Ferguson, Kelly, Jackson and Morelli,

It is with great humility this letter is being written on behalf of the Hamilton Firefighters Drum Corps. We are currently in a position of "financial instability", which will be depicted through the course of this letter. Before I can continue, I feel it is necessary to remind you of several very important facts regarding this corps.

HFFDC was founded in 1961 by Lt. William Mitchell. He along with a "few good men" had the insight to create a Drum Corps made up of firefighters from the city of Hamilton, who in turn would represent our city in various parades throughout the region. There was much work to be done as the men who volunteered to take on this position were not musicians. With the help of Jim Inrig and Ron Falla Sr., as drum and brass instructors, a street corps was put together. Their debut performance was the November 11th Remembrance Day Parade downtown Hamilton, which the corps has participated in since its conception.

Throughout the years, HFFDC have represented the city of Hamilton in hundreds of events within our own country and the United States, thus being given the name of Canada's Firefighting Ambassadors. This corps carried and to this day still carries the Canadian, City and Corps Flags in our Honour Guard. Upon receiving a "New" city flag from our current Mayor Larry Dillani, our "old" flag has been retired. We as a unit are very proud to carry these flags at every parade and event we participate in as representatives of the City of Hamilton.

When the corps was told it would have to leave its old practice site (Mt. Hope Airport) a facility that was provided by the city at a very minimal cost, the dream of having a building of our own began. The executive at that time made a presentation to then Councillor Henry Merling, who in turn approached the Finance Administration. The Firefighters Drum Corps Banquet Hall/practice facility became a reality. Now remember at that time the corps was in excellent financial control. We had a Bingo revenue of close to $60,000.00/year, and our parade schedule was such that we were constantly on the go, which also in turn brought in much revenue. This allowed the corps to meet its financial obligation to the City with regards to mortgage and tax payments. Today this is clearly not the case.

Before I continue, let me mention that through the years HFFDC has brought its share of revenue and tourists into our city. For example, within the last 4 years we have hosted a Senior Drum Corps Competition and Exhibition at Ivor Wyn Stadium, sponsored a GAS reunion week-end (GAS standing for Greater Alliance of Seniors), an organization that represents alumni from Canada and the United States. We have represented our city in the Greater Hamilton Tattoo, and have marched consistently the Remembrance Day Parade and several years in the Boyscout/Girlguide Parade.

Throughout the corps history, we have donated our time and have played at
local malls for various organizations such as the Burn Unit at the Hamilton General Hospital and have recently participated in a fund raiser for a Simcoe Composite School whose gymnasium was torched by a local student. After 9/11, HFFDC hosted an outstanding event at Hamilton Place, the result being $11,000.00 sent to the Widows Fund of the New York City Fire Department. The corps has well represented Hamilton in both competitive and street parades, winning many honours - one of them being Best International Band at the 1989 St. Patrick’s Day Parade in New York City. To date the corps has won over half of the Grey Cup Parades it has entered, and has been by invitation only, asked to participate in Cleveland, Ohio for their Police Peace Memorial Parade and Tattoo. A highlight for the corps was being able to lead the parade of dignitaries into the newly named Dave Adreychuck Arena and take part in the opening ceremonies of the Can/Am baseball tournament sponsored by the Canadian Thunderbirds at Bernie Arbour Stadium.

We are classified as a non-profit organization with an Ontario Corporation number being 631285. Now, thus the reason for this letter (book!) Since 2001 the corps has been on a steady decline with regards to consistent financial income. Just to quickly give you a birdseye view (full financial reports have been included), I would like you to see and hopefully comprehend our status.

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<th>Year</th>
<th>Total Revenues</th>
<th>Total Expenses</th>
<th>Net Income</th>
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<td>2001</td>
<td>150,250.07</td>
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<td>2002</td>
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<td>2004</td>
<td>139,558.72</td>
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When you read the full financial reports, you will see the predicament we are now in. Due to the loss of our Bingo revenues, which diminished substantially due to the influx of Casinos, and the loss of parade contracts, which is due to the funds not available from the cities and towns we used to go to on a regular basis, our total revenue has dramatically decreased. As a note of interest, when we do travel by bus, our transportation alone cost us an average of $800.00 per trip, which means that out of our parade fee of $1200.00, we make $400.00. Not much of a profit!

I have recently done some research of my own with regards to the dilemma the Hamilton Tiger Cats were in, and have had a report given to me by the Supervisor of Accounts Receivable Ange Jelasic.

In April 2004 the city waved off an outstanding debt of $526,043.10, report 50504034, the loan portion being $210,000.00.

I am asking council to take a good look at our current numbers and hopefully a decision will be made to help keep the HFFDC in existance for many years to come. The question now being asked is, is it possible for our debt which is much smaller than the Tiger Cats, to be forgiven and waved as was the Tiger
Cats. Our current mortgage is at $119,900.00, and with the arrears of $82,563.55, our outstanding account receivables is $202,463.55. Please keep in mind the Tiger Cats has an ongoing regular season income, whereas the HFFDC have at the moment minimal income. We as a corps can still maintain the building, but at a much lower cost, especially if the debt is forgiven, be it totally or otherwise. Also keep in mind we have to factor in the tax situation as well.

This request is being asked out of respect for the current membership aging from 16 years to 73. As in the beginning, the members are still on a voluntary basis and come from many diverse backgrounds. In 1995 when the corps membership was on a decline, the corps opened its doors to women, and we have recently recruited young people - which in this day and age of computers etc. is a feat in itself.

Our new Business Manager is working on a recruitment drive to take place in 2006, and is also working diligently on promoting the corps in our area as well as the United States.

After reading this, I am hoping we can meet and work out a strategy plan to present to council in the new year. HFFDC are an integral part of our community, and needs to remain so.

Thank you for taking the time to read this lengthy letter. I am anxiously awaiting a positive answer from those of you who support our organization.

Sincerely

Laura Jean Falla
President, Hamilton Firefighters Drum Corps
905-575-7577