A. Recommendations

THAT the Grants and Donations Committee receive staff report FAF.20.105, entitled “Town of The Blue Mountains Community Foundation”;  

AND THAT the Grants and Donations Committee provide direction to Council on an Option.

B. Overview

This staff report is to provide the Grants and Donations Committee information in regards to a Community Foundation.

C. Background

In 2019, Council established a formal Committee of Council, being the Grants and Donations Committee, which includes members of the public and two members of Council. At the same time a Grants and Donations Reserve Fund was established to keep the donations separate and to allow for any monies in the fund to earn interest.

At the February 7, 2020 Grants and Donations Committee meeting the following motion was made:

Moved by: Peter Bordignon          Seconded by: Paula Hope

THAT the Grants and Donations Committee requests Council to direct staff to investigate the requirements and costs to establish a Town Community Foundation, with follow-up provided to Council and the Committee for information.

D. Analysis

The Grants and Donation Committee have oversight for the fundraising and the disbursement of the grants and donations program. The Town is considered a qualified donee and
accordingly the Town can currently issue charitable receipts to individuals to allow the individual to deduct the gift from their taxes, under section 118.1 (1) of the *Income Tax Act*.

The Town has a few options to consider with regards to a Charitable Foundation for grants and donations.

**Option 1 – Creation of an Ontario Charitable Corporation**

Section 203 of the *Municipal Act* allows a municipality to incorporate a corporation. The *Ontario Corporations Act* allows for the incorporation of non-share capital corporations through letter patent. Letter patent refers to the ministerial creation of a special privilege, such as a corporation. Section 119 of the *Corporations Act* requires an application to be filed for a non-share corporation. A separate foundation is a separate legal person for liability or administrative purposes. If the Foundation fails to comply with the Income Tax requirements for a charity or issues an improper charitable receipt, the Town is isolated from the repercussions. There would be no conflict of interest for Councillors who serve on the Foundation’s Board. A separate corporation is a distinct legal entity and therefore requires its own financial books, audited Financial Statements and an annual detailed report to Canada Revenue Agency to maintain the charity registration. *Ontario Regulation 599/06 Municipal Services Corporations* governs the establishment and operations of municipal services corporations. The following commentary relates only to those sections of this regulation which apply to the corporation proposed to be established.

1. Section 3 provides that the corporation may only be established if the service or thing provided by the corporation is one that the Town can provide.
2. Section 4 provides for a similar requirement dealing with the appointment of directors, officer or members.
3. Section 6 requires that a business case study be adopted before it uses its power under Sections 3 or 4.
4. Section 7 requires that a municipality shall adopt and maintain policies on asset transfer to corporations. The Town has a policy and By-law that was completed when the Attainable Housing Corporation was established.
5. Section 8 requires that a municipality consult with the public about the proposal to establish the corporation.

Next Steps - If the Grants and Donations Committee and Council wish to proceed with a Community Foundation, the next step would be to develop a business case study and consult with the public about the proposal to establish the corporation as per *Ontario regulation 599/06*. Staff recommend a budget of $60,000 be established to hire a consultant to develop the business case, public process and assist with establishing the corporation. The $60,000 is staff’s best estimate based on other consulting proposals that the Town has received in the past. This budget would become part of the 2021 Budget process. Staff recommend utilizing the public engagement website now in order to gage public interest in creating a Charitable Foundation for The Blue Mountains and as a proposed project in the 2021 Budget.
Option 2 – Community Foundation Grey Bruce – The Blue Mountains Community Fund

Another alternative that is being used by Owen Sound, Meaford, Grey Highlands, Saugeen Shores and Kincardine is the Community Foundation Grey Bruce. A presentation was made by the Community Foundation Grey Bruce to the Grants and Donations Committee on June 5, 2020. A Community Foundation is a non-profit corporation registered as a public foundation with the Canada Revenue Agency. Community Funds are a component of a Community Foundation and are run by a local Advisory Committee and support from Community Foundation staff and adheres to the policies and practices of the Foundation. The community fund may or may not implement its own application process and provides grant recommendations to the Community Foundation. The grants from each Community Fund are disbursed only to projects within the municipal boundary and support projects of not-for-profit charitable organizations involving affordable housing, food banks, agriculture, recreation, seniors and education. Donors receive charitable receipts for all donations made to the Community Fund through the Charitable Foundation. The principal amount of the donation remains in the fund and it is the interest that is earned on the fund that is disbursed to the community. The Foundation levies a 1.5% administration fee on total fund value of the year. Donations that are “flowed through” the organization are charged a 5% administration fee to cover time and expenses. Many of the groups that receive grants through the Town’s process, also receive community grants through the Foundation.

Next Steps – If the Grants and Donations Committee and Council wish to proceed with a Community Fund as part of the Community Foundation Grey Bruce, a signed agreement needs to be in place and the first donation of principal. The first administration fee (1.5%) will be charged at the next fiscal year end.

E. The Blue Mountains Strategic Plan

Goal #4: Promote a Culture of Organizational and Operational Excellence
Objective #4: To Be a Financially Responsible Organization

F. Environmental Impacts

None.

G. Financial Impact

A Community Foundation is a distinct legal entity. As a corporate entity it requires its own financial books, accounting, auditing and investing. Fees would be required to establish the entity and staff to run the Foundation. Staff recommend a budget be established in the amount of $60,000 to hire a consultant to complete the business case, public process and establish the corporation. Since there is no budget in 2020, staff recommend that this project be included in the 2021 budget.
There is no cost to establish a Community Fund with Community Foundation Grey Bruce; however, the Foundation levies a 1.5% administration fee on the total value of the Fund every year. Donations that are “flowed through” have a 5% administration fee. The principal remains constant with the Community Foundation and it is the income that is distributed to the community organizations.

H. In consultation with

Peter Bordignon, Grants and Donations Committee
Rob Sampson, Grants and Donations Committee
Will Thomson, Director of Legal Services

I. Public Engagement

The topic of this Staff Report has not been subject to a Public Meeting and/or a Public Information Centre as neither a Public Meeting nor a Public Information Centre are required. Comments regarding this report should be submitted to Ruth Prince, Director of Finance and IT Services at directorfit@thebluemountains.ca

J. Attached

None.

Respectfully Submitted,

Ruth Prince
Director of Finance and IT Services

For more information, please contact:
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