Agenda – Executive Policy Committee - November 15, 2006

REPORTS

Item No. 6 Appointment of Sinking Fund Trustees
File FI-4

ADMINISTRATIVE RECOMMENDATION:

That the following be approved with respect to the Sinking Fund Trustees of the City:

1. Scott Penman's term be extended to December 31, 2007;
2. John McCallum's term be extended to December 31, 2009; and
3. Garry Steski be appointed to the Sinking Fund Trustees for a term ending on December 31, 2008;

and, that the City's Organization By-law be amended to have the position of City Treasurer become the treasurer position for purposes of the former City of Winnipeg Act with reference to being a member of the Sinking Fund Trustees.

RE: APPOINTMENT OF SINKING FUND TRUSTEES

FOR SUBMISSION TO: EXECUTIVE POLICY COMMITTEE

ORIGINAL REPORT SIGNED BY: ACTING CHIEF FINANCIAL OFFICER

REPORT DATE: October 31, 2006

RECOMMENDATION:

That the following be approved with respect to the Sinking Fund Trustees of the City:

1. Scott Penman's term be extended to December 31, 2007;
2. John McCallum's term be extended to December 31, 2009; and
3. Garry Steski be appointed to the Sinking Fund Trustees for a term ending on December 31, 2008;

and, that the City's Organization By-law be amended to have the position of City Treasurer become the treasurer position for purposes of the former City of Winnipeg Act with reference to being a member of the Sinking Fund Trustees.

Report Summary

Key Issues:

Involves a change to the City's Organization By-law with respect to one of the members of the Sinking Fund Trustees, the extension to the terms of two other of the current members and the appointment of one other member.

Implications of the Recommendation(s):

General Implications

(X) None

( ) For the organization overall and/or for other departments

( ) For the community and/or organizations external to the City

( ) Involves a multi-year contract

Comment(s):

Policy Implications

(X) No

( ) Yes

Comment(s):

Regulatory Implications

(X) None

( ) Eliminates or reduces regulatory impact

( ) Proposes regulatory impact

Comment(s):

Environmental Implications

(X) No

( ) Yes

Comment(s):

Human Resources Implications

(X) No

( ) Yes

Comment(s):

Financial Implications

(X) Within approved current and/or capital budget

( ) Current and/or capital budget adjustment required

Comment(s): There are no financial implications with this report.

Report

REASON FOR THE REPORT:

Section 520(1) of The City of Winnipeg Charter provides for the continuation of the existing Sinking Fund Trustees for sinking fund debentures that were outstanding on the date the Charter came into force. The terms for two of the current Trustees of the Sinking Fund, Scott Penman and John McCallum, expire on December 31, 2006. In addition, with the recent retirement of Robert P. Gannon as the City's Chief Financial Officer, it is being recommended that the City's Organization By-law be amended to have the position of City Treasurer become the treasurer position for purposes of the former City of Winnipeg Act.

Under Section 314(2) of the former City of Winnipeg Act, provision was made for the appointment of Sinking Fund Trustees for The City of Winnipeg as follows:

"314(2) The corporation referred to in subsection (1) shall consist of four trustees, of which the treasurer shall be one, and the other three trustees, none of whom shall be a member of council, shall be appointed by council."

Section 520(1)(b) of The City of Winnipeg Charter states "the city continues to have the same rights, duties and obligations set out in the former Act to (ii) appoint and remunerate the trustees of the Sinking Fund Trustees of the City of Winnipeg."

HISTORY:

The City of Winnipeg Charter provides for the continuation of the existing Sinking Fund Trustees for the purpose of continuing to manage sinking fund contributions for any sinking fund debentures outstanding on the date the Charter came into force or the refinancing of those debentures.

The City is empowered to raise funds through the issuance of debt securities or other means of borrowing. When the City passes a by-law authorizing the issuance of a new debt instrument it may choose to issue a sinking fund note or debenture. The sinking fund debt security is characterized by a requirement that obliges the City to provide for its orderly repayment through a system of levies paid into a reserve fund known as the Sinking Fund. At the time of borrowing the annual levy rate is established and is paid into the Sinking Fund each year on its anniversary date. Under the former City of Winnipeg Act this obligation to pay the levy is considered a debt of the City, which is to be paid to the Sinking Fund Trustees. In turn, the Sinking Fund Trustees, at the request of the City, are obliged to pay to the City, at or before the maturity date of each

respective sinking fund debenture, all amounts collected by way of levy, together with interest accrued thereon.

In accordance with Sections 314 to 332 inclusive of the former City of Winnipeg Act, the Sinking Fund Trustees are empowered to act and manage the monies deposited by the City into the Sinking Fund. The Sinking Fund Trustees have custody of the Sinking Fund for the purpose of investing the monies deposited into the Sinking Fund in a manner which shall accommodate the retirement of the sinking fund debt securities either before, or at, their respective maturities.

Section 38 of the City's Organization By-law provides that "the Chief Financial Officer shall be the Treasurer of the City of Winnipeg in accordance with the provisions of *The City of Winnipeg Act*, S.M. 1989-90, c. 10, for the purposes of the continuation of the Sinking Fund Trustees, in accordance with section 520 of *The City of Winnipeg Charter*."

DISCUSSION:

Since The City of Winnipeg Charter requires the existing Sinking Fund Trustees to continue to manage the sinking fund contributions on sinking fund debentures that were outstanding at the time the new Charter came into force, the City will need to ensure there are four trustees appointed for this purpose as per Section 314(2) of the former City of Winnipeg Act. Section 314(2) of the Act specifies the treasurer shall be one (of the trustees). As outlined above, Section 38 of the City's Organization By-law provides that for purposes of the former City of Winnipeg Act, the treasurer position is the Chief Financial Officer of the City and this is the sole purpose for which the treasurer position exists under the former City of Winnipeg Act. The recent retirement of the City's Chief Financial Officer, R. P. Gannon, has left this trustee position vacant. With regard to this, it is being recommended that an amendment be made to the City's Organization By-law to allow for the position of City Treasurer to become the treasurer for the purposes of the former City of Winnipeg Act. This would result in continuity of this Sinking Fund Trustee position.

Jo-Anne Ferrier, City Treasurer, had been appointed as a trustee for a two-year term ending on December 31, 2007. Since it is being recommended that her position of City Treasurer become the treasurer position for purposes of the former City of Winnipeg Act, she will be resigning her appointed position thereby creating a vacancy. As a result, a fourth trustee will need to be appointed. In this regard, it is being recommended that Garry Steski, Manager of Financial Services in the City's Corporate Finance Department, be appointed as a Sinking Fund trustee for a two-year term ending on December 31, 2008.

Two of the other trustees, John McCallum and Scott Penman, will need to have their terms renewed. They have both agreed to remain on as trustees, Scott Penman for a

further one-year term, ending on December 31, 2007 and John McCallum for a further three-year term, ending December 31, 2009.

Section 314(6) of the City of Winnipeg Act states that “Two trustees shall form a quorum.”

FINANCIAL IMPACT STATEMENT

There is no financial impact with this report as it involves the appointment of Sinking Fund Trustees.

"Original signed by Carrie Erickson"
Carrie Erickson
Manager of Finance & Administration

IN PREPARING THIS REPORT THERE WAS:

Internal Consultation With and Concurrence By:

Legal Services Division, Corporate Services Department

External Consultation With:

THIS REPORT SUBMITTED BY:

Corporate Finance Department
Financial Services
Prepared by: Garry Steski , Manager of Financial Services
File No.