Minutes – Executive Policy Committee – September 18, 2013

REPORTS

Minute No. 437 Single Source Negotiations - Consultants assisting with the City of Winnipeg Employees' Group Life Insurance Program

EXECUTIVE POLICY COMMITTEE DECISION:

The Executive Policy Committee concurred in the recommendation of the Winnipeg Public Service, namely:

1. That single source negotiations be approved with Deloitte Inc., Fillmore Riley LLP and Western Compensation & Benefits Consultants Inc. (WCBC) to assist with the evaluation and restructuring of the City of Winnipeg Employees' Group Life Insurance Program (the "Program") for a total estimated cost for all contracts of $150,000 plus GST and MRST.

2. That the Chief Financial Officer award assignments as set out in recommendation 1 above.

3. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

DECISION MAKING HISTORY:

Moved by Councillor Pagtakhan,

That the recommendation of the Winnipeg Public Service be concurred in.

Carried

ADMINISTRATIVE REPORT

Title: **Single source negotiations for Consultants assisting with the City of Winnipeg Employees' Group Life Insurance Program (Program)**

Critical Path: **Executive Policy Committee (EPC)**

AUTHORIZATION

Author	Department Head	CFO	CAO
Mike Ruta	Mike Ruta	Mike Ruta	D. Joshi COO

RECOMMENDATIONS

1. That Executive Policy Committee approve single source negotiations with Deloitte Inc., Fillmore Riley LLP and Western Compensation & Benefits Consultants Inc. (WCBC) to assist with the evaluation and restructuring of the City of Winnipeg Employees' Group Life Insurance Program (the "Program") for a total estimated cost for all contracts of $150,000 plus GST and MRST.

2. That the CFO award assignments as set out in recommendation 1 above.

3. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

REASON FOR THE REPORT

As the total amount to be paid by the City for each proposed consultant service single source contract is estimated to exceed $35,000 and the consultant service is not related to a capital project included in the capital budget, authorization for the single source negotiations is required from EPC pursuant to Administrative Standard FM-002. After EPC approval of single source negotiations the CFO has the authority to award contracts where the value is not expected to exceed $5 million under the authority delegated under Administrative Standard FM-002.

IMPLICATIONS OF THE RECOMMENDATIONS

Approval of this report will permit technical compliance with provisions in the Materials Management Policy.

HISTORY

The Board of Trustees of The Winnipeg Civic Employees' Benefits Program and the Winnipeg Police Pension Board (the Boards) have been delegated oversight responsibility over the Program by virtue of Bylaws 5644/91 (Civic Employee's Group Life Insurance Plan) and 5643/91 (Police Employees' Group Life Insurance Plan). The Employee Benefit Program (EBP) administers the Program on behalf of the City and the Boards. However, the Program is technically owned by the City.

In December, 2007, the EBP advised the City that there may be issues relating to taxability of the Program. At the time Fillmore Riley and WCBC (actuaries for the Program) were engaged to review the taxation issues and potential remedies relating to the issues identified. Payments from 2007 to the beginning of 2013 were made from the Program. Over the past few months, the Program auditors, Deloitte, were also engaged to assist in reviewing the taxation issues and potential remedies and restructuring alternatives. All of the consultants engaged are very familiar with the operation of the Program and provide considerable value that would not be immediately available from other sources.

Paragraph 5.1 of Bylaw 5644/91 and Paragraph 5 of Bylaw 5643/91 set out the Powers of the Boards. In particular the Boards are empowered to pay from the Program all costs and expenses of the Boards attributable to the operation and administration of the Plan. The Boards have sought legal advice to determine whether recent costs incurred with respect to evaluation and restructuring of the Program to address the taxation issues referenced above may be paid out of the Program pursuant to the current by-law provisions.

In order to provide clarity around this issue, the Public Service could seek approval from Council to amend the by-laws to permit payment from the Program of all costs including those relating to operation, administration, or restructuring. However, amendments to the by-laws require consultation with and feedback from the Boards and the approval of Council via an extended process before any changes to the by-laws can be made, which would significantly delay payments to the consultants assisting with the issues identified above.

The Public Service is requesting EPC to approve single source negotiations with the CFO approving the awards. There are funds in an approved budget to pay for the award of contract and the specific accounts will be identified.as set out in the financial impact statement. The Public Service will also pursue changes to the by-laws to further expand on the definitions as noted above. If approved by the Boards, the City will charge-back to the Program for reimbursement of these costs.

Both Boards have been advised concerning the taxation issues under consideration. Once restructuring discussions have been finalized and the Boards are in agreement, the Public Service will bring forward a report for Council's consideration in terms of recommended options to address the issues identified.

FINANCIAL IMPACT

Project Name: **First Year of Program** **2013**

Sole source of consulting assistance for the Group Life Insurance Program

	2013	2014	2015	2016	2017
Capital					
Capital Expenditures Required					
Less: Existing Budgeted Costs					
Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal					
Debt - External					
Grants (Enter Description Here)					
Reserves, Equity, Surplus					
Other - Enter Description Here					
Total Funding	$ -	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ -				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs	$ 150,000				
Less: Incremental Revenue/Recovery					
Net Cost/(Benefit)	$ 150,000	$ -	$ -	$ -	$ -
Less: Existing Budget Amounts	150,000				
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments: The City had requested that the Program pay for all costs and expenses of the assistance recently incurred. Previous amounts related to the assistance of Fillmore Riley were paid by the Program. In the event that the Boards do not approve this request, the City will be required to make payment. At this time the total cost of this assistance is unknown because services are ongoing however total fees are estimated to be in the range of $150,000 plus GST and MRST. The Public Service has identified funds to assist with payment from a consulting and professional services account in the CFO's office with any remainder being derived from Corporate Finance and Corporate accounts.

(Original Signed by R. Abeysekera)
Radhika Abeysekera
Manager of Finance (Campus)
Corporate Finance Department

CONSULTATION

In preparing this report there was consultation with:

Legal Services (as to legal issues)
Materials Management Division

SUBMITTED BY

Department: Corporate Finance
Division: CFO Office
Prepared by: Mike Ruta
Date: September 6, 2013
File No.