**Agenda – Council – April 30, 2014**

**Report – Executive Policy Committee – April 9, 2014**

**Item No. 4 Appointment of Fund Manager for the Financial Stabilization Reserve and the General Purpose Reserve**

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On April 9, 2014, the Executive Policy Committee concurred in the recommendation of the Winnipeg Public Service and submitted the following to Council:

1. That the Chief Financial Officer (CFO) of the City of Winnipeg be appointed as the Fund Manager of the following reserves:

   A. Financial Stabilization Reserve and
   B. General Purpose Reserve.

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

**Report – Executive Policy Committee – April 9, 2014**

DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On April 9, 2014, the Executive Policy Committee concurred in the recommendation of the Winnipeg Public Service and submitted the matter to Council.

Further, on April 9, 2014, David Sanders submitted a communication dated April 9, 2014 in opposition to the Appointment of Fund Manager for the Financial Stabilization Reserve and the General Purpose Reserve.

# ADMINISTRATIVE REPORT

**Title:** **Appointment of Fund Manager for the Financial Stabilization Reserve and the General Purpose Reserve**

**Critical Path:** **Executive Policy Committee - Council**

## AUTHORIZATION

| Author | Department Head | CFO | CAO |
|---|---|---|---|
| J. Ferrier | J. Ferrier | Mike Ruta | D. Joshi<br>A/CAO |

## RECOMMENDATIONS

1. That the Chief Financial Officer (CFO) of the City of Winnipeg be appointed as the Fund Manager of the following reserves:
    a. Financial Stabilization Reserve and
    b. General Purpose Reserve.

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

## REASON FOR THE REPORT

Council approval is being sought to appoint the CFO as a Fund Manager under Section 289(1) of the City of Winnipeg Charter which states: "Council may provide for the establishment or maintenance of a reserve fund for any purpose for which the city has authority to make expenditures." This is necessary because the City Treasurer, the current Fund Manager for both funds, has retired.

## IMPLICATIONS OF THE RECOMMENDATIONS

The City's Standard (Administrative Directive No. FM-005) on Reserves Administration indicates that when Council is requested to establish a new or amend an existing reserve, the Fund Manager should be included/identified. As the CFO is the most senior financial position in the organization, this position is well suited to be the Fund Manager of these two reserves, which cross departmental boundaries.

## HISTORY

### Financial Stabilization Reserve

Purpose:
The purpose of the Financial Stabilization Reserve Fund is to counteract the budgetary effect of fluctuations from year to year in property and business taxes and/or to fund deficits in the General Revenue Fund, which assist in the stabilization of the City's mill rate and/or property tax requirements.

History:
On September 28, 2011, City Council adopted the combining of the Fiscal Stabilization Reserve and the Mill Rate Stabilization Reserve Funds into the Financial Stabilization Reserve Fund. All previous regulations for the two Stabilization Reserves were replaced with the following:

- Sources of funding for the Reserve are: the excess of actual total taxes billed compared to budget; surpluses in the General Revenue Fund; unspent amounts in the Commitment Reserve Fund; and interest revenue.

- The Reserve can be used to fund any shortfall of actual total taxes billed compared to budget; major unforeseen expenditures once the target level is exceeded and subject to rules noted below; General Revenue Fund year-end deficits and subject to rules noted below; and one-time expenditures once the target level has been reached.

- No transfers can be made to the General Revenue Fund to fund ongoing current operations.

- Funds above the 8% target may be used for major unforeseen expenditures and General Revenue Fund deficits. Accessing funding in any given year requires City Council approval if the required amount would reduce the Reserve's balance below the 8% target.

- A replenishment plan shall be adopted by City Council if the Financial Stabilization Reserve Fund's equity is reduced below the 8% target of tax-supported expenditures.

### General Purpose Reserve Fund

Purpose:
Use of funds from this Reserve are subject to approval by City Council.

History:
On March 15, 2000, City Council approved the establishment of the Pension Surplus Reserve Fund. The Reserve was funded by the retroactive refund of pension contributions for 1998 and 1999. City Council also approved that the purpose of the Reserve and further details including the use of these funds be subsequently determined by City Council.

On March 15, 2000, City Council approved the establishment of the Pension Stabilization Reserve Fund.

The Reserve was funded by ongoing savings from the partial pension contribution holiday that were not
used for operations. The purpose of the Reserve was to support general operating expenditures thereby reducing the amount of revenue to be raised through property taxation, in order to share the benefits of the surplus with the citizens of Winnipeg. The use of funds from the Reserve was contingent upon approval by City Council.

On May 23, 2001, City Council approved the amalgamation of the Pension Stabilization Reserve and
Pension Surplus Reserve Funds and that the new Fund be renamed the General Purpose Reserve Fund.

**FINANCIAL IMPACT**

# FINANCIAL IMPACT STATEMENT

**No financial impact**

"Original signed by R Abeysekera"
R. Abeysekera
Manager of Finance (Campus)

## CONSULTATION

**In preparing this report there was consultation with:**

Legal Services

## SUBMITTED BY

Department: Corporate Finance Department
Division: City Treasurer's Division
Prepared by: J. Ferrier
Date: March 18, 2014
File No.