Minutes – Executive Policy Committee – November 17, 2004

REPORTS

Minute No. 18 Two-Thirds Voting Requirement - Reserve Funds
File GK-4

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

The Executive Policy Committee recommends to Council:

1. That the September 29, 2004 Council Motion, pertaining to voting requirements for expenditures from reserve funds, be filed, inasmuch as The City of Winnipeg Charter and Council Policy regulate reserve fund expenditures.

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

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DECISION MAKING HISTORY:

Moved by Councillor Clement,

That the September 29, 2004 Council Motion, pertaining to voting requirements for expenditures from reserve funds, be filed, inasmuch as The City of Winnipeg Charter and Council Policy regulate reserve fund expenditures,

and forwarded to Council.

Carried

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On November 10, 2004, the Executive Policy Committee laid over consideration of the matter to its meeting scheduled for November 17, 2004.

On October 6, 2004, the Executive Policy Committee referred the September 29, 2004, Council Motion to the Administration for review and report back.

COUNCIL:

On September 29, 2004, Council ruled automatic referral of the following motion to the Executive Policy Committee:

Moved by Councillor Angus,
Seconded by Councillor Clement,

WHEREAS maintaining adequate reserves provides the City with the ability to respond to unexpected events and extraordinary situations such as natural disasters, maintain stable taxes and ensure sufficient funds are available for major capital projects;

AND WHEREAS City Council has authorized the establishment of Capital, Special Purpose and Stabilization reserve accounts;

AND WHEREAS the City of Winnipeg has established guidelines and rules regarding the expenditure of funds in reserve accounts;

AND WHEREAS maintaining adequate levels of funding in reserve accounts forms an integral part in maintaining the City's credit rating and allows the City to undertake long-term future planning;

DECISION MAKING HISTORY (continued):

AND WHEREAS The City of Winnipeg Charter puts restriction on the use of reserve funds as follows:

> 289(4) Money raised for a reserve fund established under subsection (1) shall not be expended or pledged for any purpose other than that for which the fund was established, except where
> a) the chief financial officer certifies that the amount in the fund is greater than the amount required for the purpose for which the fund was established;
> b) the amount in the fund is no longer required for the purpose for which the fund was established; or
> c) the purpose for which the fund was established is terminated;

THEREFORE BE IT RESOLVED that any expenditure out of a reserve fund for a purpose other than which it was established or is allowed by the City of Winnipeg Charter, require a two thirds majority vote of Council.

ADMINISTRATIVE REPORT

RE: Two-Thirds Council Voting Requirement on Reserve Funds

FOR SUBMISSION TO: Executive Policy Committee

ORIGINAL REPORT SIGNED BY: Chief Financial Officer

REPORT DATE: **November 16, 2004**

RECOMMENDATION:

That this report be received as information.

REPORT SUMMARY:

Key Issues:

Implications of the Recommendation(s):

General implications:

- ☐ **None**
- **X** **For the organization overall &/or for other departments**
- ☐ **For the community and/or organizations external to the City**
- ☐ **Involves a multi-year contract**

Comment(s): Two-thirds of Council would be required to approve the expenditure of funds set aside in a Reserve for a purpose other than that for which the fund was established**.**

Policy implications:

- X **No**
- ☐ **Yes** **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):

REASON FOR THE REPORT:

On September 29, 2004, a motion was made at Council, which read, "That any expenditure out of a reserve fund for a purpose other than which it was established or is allowed by The City of Winnipeg Charter require a two-thirds majority vote of Council". The disposition of the motion was an automatic referral to Executive Policy Committee. At the October 6, 2004 Executive Policy Committee meeting, the motion was referred to the Administration for review and comment.

HISTORY:

On January 1, 2003, The City of Winnipeg Charter came into effect. Subsection 73(1) of the Charter permits Council to pass by-laws requiring that certain matters be decided at Council or at a committee by a percentage of votes greater than a majority.

On September 24, 2003, Council enacted the Voting Requirements By-law No. 126/2003. That by-law provides a framework for Council to designate categories of matters that require approval at Council by a vote of 2/3 of the members present. (Presently, the by-law lists only one matter that requires a vote of 2/3 of Council, namely approval of any Community Incentive Grant that does not comply with the terms contained in the Community Incentive Grant Policy.)

DISCUSSION:

City of Winnipeg Council has approved the establishment of a number of Capital, Special Purpose and Stabilization Reserve Funds to provide the City with the ability to fund unexpected events and extraordinary situations, and to fund specific programs or specific capital projects. Council has approved guidelines and rules regarding the expenditure of funds from these Reserves. As well, The City of Winnipeg Charter places restrictions on the use of Reserve funds. This is done under Section 289(4), which states,

"Money raised for a reserve fund established under subsection (1) shall not be expended or pledged for any purpose other than that for which the fund was established, except where

a) the chief financial officer certifies that the amount in the fund is greater than the amount required for the purpose for which the fund was established;
b) the amount in the fund is no longer required for the purpose for which the fund was established; or
c) the purpose for which the fund was established is terminated."

The effect of s. 289(4) is that Council can only expend funds from a reserve for a purpose other than that for which the fund was established if the circumstances fall within one of the three exceptions listed in clauses (a), (b) or (c).

The September 29, 2004 motion would introduce a further restriction upon the use of funds for a purpose other than that for which the fund was established: not only must the circumstances fall within one of the three exceptions referred to in subsection 289(4), but the use would also have to be approved by a 2/3 vote of Council.

Council would approve this restriction by amending the Voting Requirements of By-law No. 126/2003 to provide that any expenditure from a Reserve Fund for a purpose other than that for which the fund was established as allowed by the City of Winnipeg Charter, require a two-thirds majority vote by Council.

Financial Impact Statement **Date:** November 16, 2004

Project Name: **First Year of Program** **2004**

Two-Thirds Council Voting Requirement on Reserve Funds

	2004	2005	2006	2007	2008
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	$ -	$ -	$ -	$ -	$ -
Less: Incremental Revenue/Recovery	-	-	-	-	-
Net Cost/(Benefit)	$ -	$ -	$ -	$ -	$ -
Less: Existing Budget Amounts	-	-	-	-	-
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments: This report be received as information only.

P. Bodnar
Senior Financial Accountant

IN PREPARING THIS REPORT THERE WAS CONSULTATION WITH, AND CONCURRENCY BY:

Legal Services – Corporate Services

THIS REPORT SUBMITTED BY:

Prepared by: Pat Bodnar
File No. Reserves two third council approval.doc