Agenda – Executive Policy Committee – December 8, 2004

REPORTS

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

ADMINISTRATIVE RECOMMENDATION:

That Scott Penman's term on the Sinking Fund Trustees be extended to December 31, 2005 and John McCallum's term on the Sinking Fund Trustees be extended to December 31, 2006.

ADMINISTRATIVE REPORT

RE: APPOINTMENT OF SINKING FUND TRUSTEES

FOR SUBMISSION TO: EXECUTIVE POLICY COMMITTEE

ORIGINAL REPORT SIGNED BY: CHIEF FINANCIAL OFFICER

REPORT DATE: November 29, 2004

RECOMMENDATION(S):

That Scott Penman's term on the Sinking Fund Trustees be extended to December 31, 2005 and John McCallum's term on the Sinking Fund Trustees be extended to December 31, 2006.

REPORT SUMMARY:

Key Issue(s):

Involves the extension to the term of two of the representatives to the Sinking Fund Trustees.

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):

Environmental Implications:

- [X] **No**
- [ ] **Yes**

Comment(s):

Human Resources Implications:

X	**No**
	Yes

Comment(s):

Financial implications

	Within approved current and/or capital budget
	Current and/or capital budget adjustment required

Comment(s): There are no financial implications with this 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 in 2004.

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.

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). For purposes of the former City of Winnipeg Act, the treasurer position is the Chief Financial Officer of the City. Therefore, the Chief Financial Officer, R. P. Gannon, automatically becomes one of the trustees. One of the other three trustees, Jo-Anne Ferrier, City Treasurer, will be continuing on as her term does not expire until December 31, 2005. The other two trustees will need to have their terms renewed. Scott Penman, has agreed to remain on for a further one-year term, ending on December 31, 2005. John McCallum has agreed to remain on for a two-year term ending on December 31, 2006. 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 CONSULTATION WITH AND CONCURRENCE BY:

- Glenda Willis, Executive Director of The Winnipeg Civic Employees Benefits Program
- Ursula Goeres, City Solicitor

THIS REPORT SUBMITTED BY:

Corporate Finance Department
Financial Services
Prepared by: Garry Steski, Manager of Financial Services
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