

3. APPOINTMENTS TO SINKING FUND COMMITTEE

COMMITTEE RECOMMENDATION

That Council enact a by-law appointing the Treasurer of the City of Ottawa and the Treasurer of the City of Kanata as members of the Regional Municipality of Ottawa-Carleton Sinking Fund Committee (SFC).

DOCUMENTATION:

- 1 Finance Commissioner's report dated 3 Jul 98 is immediately attached.

Our File/N/Réf.
 Your File/V/Réf.

DATE 3 July 1998

TO/DEST. Co-ordinator
 Corporate Services and Economic Development Committee

FROM/EXP. Finance Commissioner

SUBJECT/OBJET **APPOINTMENTS TO SINKING FUND COMMITTEE**

DEPARTMENTAL RECOMMENDATION

That the Corporate Services and Economic Development Committee recommend Council enact a by-law appointing the Treasurer of the City of Ottawa and the Treasurer of the City of Kanata as members of the Regional Municipality of Ottawa-Carleton Sinking Fund Committee (SFC).

BACKGROUND

Under Section 116 (26) of the *Regional Municipalities Act, R.S.O. 1990*, R.8 when sinking fund debentures are issued an SFC shall be formed comprised of the Regional Treasurer as Chair and such other members appointed by Regional Council. The Region's SFC held its first meeting on June 15, 1971.

Since the original formation of SFC, its membership has consisted of the Regional Treasurer as Chair and from 2 to 4 members appointed by Council from the local business and financial sector. By by-law 55 of 1993, the Chief Administrative Officer of the Region was also appointed to the SFC.

The members of the SFC are as follows:

J.C. LeBelle	Chair and Treasurer
C.M. Beckstead	Member
E.R.G. Burgess	Member
R.P. White	Member

Over the years, business practices in the financial sector have changed significantly. When the SFC was originally formed, investment purchases involved the issue of cheques in exchange for certificates which were then held in a safety deposit box. With the introduction of booked-based investment trading through the Canadian Depository for Securities Limited (CDS), trading in physical investment certificates has, for the most part, disappeared. In order to continue to operate in the changing financial markets as well as to take advantage of the efficiencies offered by new technology, the Region implemented new investment management software and financial information systems. In addition, Regional Council has approved a Custody and Safekeeping arrangement with the Royal Bank. This covers the safekeeping of all investments and the execution of all investment transactions including purchases, sales, maturities and the receipt of interest income.

As a result of the various changes in the operations of the financial markets and the measures adopted by the Region to improve the management of its investments, the administrative duties of the SFC have declined significantly. In addition, with the enactment of *Bill 86* a number of responsibilities which had previously vested with the SFC have changed. For example, the disposition of sinking fund surpluses which previously was the sole responsibility of the SFC, now requires the authorization of Regional Council. Furthermore Ontario Regulation 438/97 specifies the eligible investments which may be held by municipalities including Sinking Funds and provides a number of restrictions governing investment activities thus restricting the number of investment alternatives which the SFC needs to review in determining investment strategies.

DISCUSSION

Since both current external members are nearing retirement from the SFC, it is timely to review the membership in view of its changing role and responsibilities. Now that the daily administrative responsibilities have largely been removed, it is desirable to seek outside participation by individuals who have financial experience, are familiar with municipal financial regulations and issues and can represent the interest of the participants who have funds invested with the Sinking Fund.

In the past it was appropriate to select individuals from the private sector who had financial experience and were readily available to respond to the numerous administrative demands. In order to meet these requirements and to maintain the independence of the SFC and avoid any conflict of interest, the external members were typically retired financial or business executives. Now that most of the administrative tasks have been eliminated, the SFC can focus more of its efforts on its responsibility as a "trustee" of public funds by providing advice and guidance on investment policy and portfolio strategy.

The Region issues debentures both for its own purposes and on behalf of area municipalities. The amount of Sinking Fund debentures issued and outstanding as well as the value of Sinking Funds as at December 31, 1997 by Area Municipality is as follows:

<u>Area Municipality</u>	<u>Sinking Fund Debentures Issued</u> \$000's	<u>Value of Sinking Funds</u> \$000's
Ottawa	164,151	81,240
Vanier	1,500	955
Gloucester	2,486	2,349
Cumberland	2,580	2,580
Kanata	14,433	8,205
Nepean	2,368	1,913
West Carleton	<u>1,300</u>	<u>512</u>
Total Area Municipalities	188,818	97,754
Ottawa Board of Education	1,069	0
Regional Purposes	<u>301,870</u>	<u>125,121</u>
Total	<u>491,757</u>	<u>222,875</u>

In order to have individuals on the SFC with financial experience, and who will represent the interests of the area municipalities who participate in the fund, it is suggested that the area treasurers from the two area municipalities which have the highest proportion of funds invested should be appointed as members of the SFC in addition to the CAO and Treasurer from the Region. At the present time, this would mean that the Treasurer from the City of Ottawa and the Treasurer from the City of Kanata would be appointed to the SFC. It is proposed that the membership would be reviewed from time to time in light of changing participation of area municipalities in the Sinking Fund.

PUBLIC CONSULTATION

The management of Sinking Funds is an administrative matter and public consultation is not applicable.

FINANCIAL IMPLICATIONS

The non-staff members of the SFC received a small remuneration of \$1,000 annually. With the appointment of two area municipality treasurers, this compensation will be discontinued.

CONCLUSION

The appointment of area municipality treasurers to the SFC will provide the opportunity for those area municipalities with the greatest vested interest in the management of Sinking Fund investments to participate on the Sinking Fund Committee.

*Approved by
J.C. LeBelle
Finance Commissioner*

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