

Administrative Amendment to Reserve Fund Accounts

Date: November 26, 2020

To: Executive Committee

From: Chief Financial Officer and Treasurer

Wards: All

SUMMARY

This report seeks Council approval to establish a new discretionary reserve fund called the OIC External Legal and Investigative Expense Reserve Fund and to make an associated amendment to City of Toronto Municipal Code Chapter 227, Reserves and Reserve Funds ("Chapter 227"). The proposed reserve fund is needed to hold funds that will be required by the Office of the Integrity Commissioner (OIC) to fund future investigations and/or the hire of external legal services.

RECOMMENDATIONS

The Chief Financial Officer and Treasurer recommends that:

1. City Council approve the establishment of a discretionary reserve fund called the 'OIC External Legal and Investigative Expense Reserve Fund' in Appendix B, Schedule 7, Corporate Discretionary Reserve Funds of the City of Toronto Municipal Code Chapter 227, Reserves and Reserve Funds, the purpose of which is to fund investigations or external legal services required by the Office of the Integrity Commissioner, with criteria as set out in Appendix 1.
2. City Council authorize the necessary amendments to Chapter 227, Reserves and Reserve Funds, in accordance with Recommendation 1 and direct the City Solicitor to introduce any necessary bills to give effect to the recommendations of this report.
3. City Council approve a budget adjustment that reallocates \$0.100 million from Legal and Investigative Expenses to Contribution to the newly created OIC External Legal and Investigative Expense Reserve Fund in the 2020 Approved Operating Budget of the Office of the Integrity Commissioner, having no impact on the 2020 Approved Net Operating Budget of the City.

FINANCIAL IMPACT

There is no impact on the 2020 Approved Net Operating Budget of the City associated with the adoption of the recommendations of this report. The initial contribution of

\$0.100 million will be drawn from the 2020 Approved Operating Budget of the Office of the Integrity Commissioner in an adjustment that reallocates Legal and Investigative expense to Contribution to the Reserve. Future year contributions will be from the Operating Budget of the Office of the Integrity Commissioner to maintain the fund at a level not to exceed its maximum level of \$0.400 million. Draws from this reserve will be up to, and not exceed, the limit of the Reserve.

DECISION HISTORY

Since the initial reorganization of Chapter 227 - Administration of Reserves and Reserve Funds – (Policy and Finance Committee Report No. 9 Clause 30 - adopted by Council October 26, 27, 28, and 31, 2005), the Chief Financial Officer has reported on updates to this chapter of the Municipal Code as a result of Council actions, administrative requirements of Programs and Agencies and/or financial administration considerations. The last such report was Executive Committee (EX3.5) 'Administration Amendments to Reserve Fund Accounts' which was adopted by Council at the March 27 & 28, 2019, 2019 meeting.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.EX3.5>

At its meeting of February 19, 2020, City Council adopted the 2020 Capital and Operating Budgets and requested the City Manager and the Chief Financial Officer and Treasurer to report back in 2020 on the feasibility of establishing a reserve fund to fund investigations or external legal services required by the Office of the Integrity Commissioner.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.EX13.2>

COMMENTS

The Integrity Commissioner (IC) is responsible for providing advice, education, policy recommendations and complaint resolution to City Council, local boards, their members and the public on the application of the City's Codes of Conduct, bylaws, policies and legislation governing ethical behaviour.

The Integrity Commissioner's presentation to the Budget Committee on January 16, 2020 (<https://www.toronto.ca/legdocs/mmis/2020/ex/bgrd/backgroundfile-146089.pdf>) identified concerns about the capacity of the Office to deal with concurrent or complex investigations and matters under the Municipal Conflict of Interest Act (MCIA). The Integrity Commissioner requested that the 2020 budget of the Office of the Integrity Commissioner be increased by \$0.188 million for legal and investigative expense. This request was approved by City Council at its meeting of February 19, 2020. Further the IC recommended that City Council request the City Manager and the Chief Financial Officer and Treasurer to report back in 2020 on the feasibility of establishing a reserve fund to fund investigations and external legal services.

The City Manager's Office and Chief Financial Officer and Treasurer's Office consulted with the Integrity Commissioner, and identified that the establishment of a reserve fund was possible, and is being recommended in this report.

The purpose of the proposed reserve fund is to hold funds for investigations or external legal services required by the Office of the Integrity Commissioner. The reserve fund would ensure the availability of funds to pay for unexpected or extraordinary expenses related to these purposes only. The creation of the reserve fund will reduce the 2021 net budget request of the IC and also ensure that the IC will have a more stable operating budget in subsequent years. It will also ensure that the IC will not need to request funds for Council approval where the independence of the IC arising from any potential or perceived conflict of interest exists. The reserve fund will be contributed to annually and capped when it achieves its maximum of \$0.400 million.

The recommended criteria for the reserve fund follows in Appendix 1.

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SIGNATURE

Heather Taylor
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ATTACHMENTS

Appendix 1 – Recommended Criteria Sheet for OIC External Legal and Investigative Expense Reserve Fund