



MANITOBA
OMBUDSMAN

OMBUDSMAN ACT INVESTIGATION REPORT

Local Government
District of Pinawa

Funding of a
Community Event

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THE COMPLAINT

A complaint against the Local Government District of Pinawa (the LGD) was brought to our office on May 7, 2024. The complaint relates to the operation of a community event, the Lund Mania Fishing Tournament (Lund Mania). The complainant raised concern about the relationship between the LGD and Lund Mania and questioned the use of LGD resources (both financial and in-kind) to support the event.

MANITOBA OMBUDSMAN ROLE

Under The Ombudsman Act, Manitoba Ombudsman investigates complaints about administrative actions and decisions made by government departments and agencies, municipalities, and their officers and employees. Our investigations are independent and impartial.

A matter of administration can include any practice, procedure, action or decision that government makes as it implements or administers its laws and policies. We assess whether administrative processes and procedures are followed according to applicable legislation, regulation and/or existing policies.

Manitoba Ombudsman investigations obtain, review and analyze relevant information to identify areas requiring administrative improvement. Our investigations take a broad view that considers the fairness and reasonableness of government actions and decisions.

Where appropriate, our reports include recommendations for administrative improvement. Improved administrative practices can enhance the relationship between government and the public and reduce administrative complaints.

ISSUES

The intent of this investigation was to determine whether maladministration occurred at the LGD of Pinawa regarding its relationship to the Lund Mania community event and a loan made by the LGD to the community event.

We identified the following issues for investigation:

1. What is the nature of the relationship between the LGD and Lund Mania and is it properly authorized?
2. Is there a proper financial relationship between the LGD of Pinawa and the Lund Mania event?

EVIDENCE REVIEWED

Our investigation included a review of the following:

- Documents provided by the complainant,
- Interviews with the complainant, Resident Administrator (RA) of the LGD, and the Mayor of the LGD,
- Lund Mania Facebook page,
- Correspondence with a former employee of the LGD,
- LGD Council minutes and resolutions,
- LGD documents and correspondence, and
- The Municipal Act and the LGD Council Code of Conduct.

BACKGROUND

Lund Mania is a competitive fishing tournament that originated in the United States. Participants with a Lund boat pay an entry fee and the top three anglers win thousands of dollars in prizes in the form of a boat and accessories. The event takes place in Pinawa, usually in July as part of Pinawa's birthday weekend celebrations.

In an interview with the LGD Mayor, they stated the support given by the LGD to the Lund Mania event is similar to the support given to other community events, such as the Birthday Weekend and local golf tournaments. They said the Lund Mania event draws anglers to the town and provides economic development for the community. The Mayor also said the Pinawa community enjoys the various facets of the Lund Mania event, such as the parade of boats and the morning boat launches.

EVIDENCE

As part of this investigation, Manitoba Ombudsman requested the LGD provide copies of all documents, records and correspondence related to the Lund Mania event from January 1, 2019 to the present day.

Based on the information received, we determined that the LGD established the Pinawa Lund Mania event in 2013 and the LGD has run the Lund Mania event since its inception. At the time, the LGD did not pass a resolution to establish Lund Mania. We also found no evidence that the LGD developed rules, by-laws or a corporate constitution for this event. Nor was there any record of Lund Mania being established as a non-profit organization or committee. We spoke to a person who worked for the LGD in 2013, when the event began, and they indicated there was no formal organization set up at that time. However, we did find that the LGD set up an account for Lund Mania with a local credit union.

According to information provided by the LGD, the first few years of this event ran at a profit. In more recent years, the event ran at a loss. The event was not run in 2020 due to the COVID epidemic but ran in 2021. The Lund Mania event was not held in 2022, 2023 or 2024. In 2023 the RM started planning the event, but it was cancelled due to low participation. In 2024, the LGD decided not to hold the event in the future. The reason the Mayor provided for this decision was the prizes for Lund Mania are purchased in American dollars and the exchange rate difference is too costly for the event to afford.

Financial Management

The LGD keeps the bank account and a set of books for Lund Mania separate from the LGD's account at the local credit union. In a June 2023 email, the RA, who is the chief administrative officer of the LGD, stated:

"The Lund Mania account is not part of LGD of Pinawa operations, therefore it does not show up in the LGD of Pinawa budget. In summation, Lund Mania has a private fund which is independent of the LGD of Pinawa."

Although Lund Mania has its own bank account, the complainant alleged that LGD staff had significant control over that account as part of their employment responsibilities with the LGD.

When asked for the names of municipal employees who are, or have been, signatories to the Access Credit Union chequing account, the LGD provided our office with an

extensive list of names, including the Mayor and senior LGD staff. Only two signatories at a time had access to the account and were responsible for issuing cheques.

The LGD has in its possession financial information concerning the Lund Mania event for 2019, 2020, 2021 and 2023. The Lund Mania bank account with Access Credit Union has the account holder's address as the LGD of Pinawa office address. The financial information held by the LGD includes:

- bank account transactions,
- bank statements,
- purchase invoices,
- income statements,
- payments to Lund Boats Canada,
- sponsorship agreements,
- cheque registers,
- receipts, and
- purchase orders.

In August 2019, the LGD Council passed a resolution to loan Lund Mania \$4,000 to cover the deficit of the event. This deficit was created due to low participation rates, which did not raise enough money in entry fees and local business sponsorships to cover event operational costs. Without the loan, the LGD would not have been able to purchase an estimated \$19,000 in prizes from Lund Boat Company for event winners.

No terms, such as the repayment schedule or the rate of interest charged on the principle, were set for this loan.

There was a September 2019 resolution to convert the loan to a grant. However, in 2024, the LGD confirmed in writing to the complainant that the LGD is still carrying the loan amount on its books as a receivable.

In an interview with the RA, they confirmed the loan is still noted as a receivable in the LGD accounts. However, the RA stated the funds to repay this loan are in the Lund Mania account and the loan will be paid back. This statement is not consistent with the September 2019 resolution to convert the loan to a grant. The RA stated the Lund Mania event will not be held in the future. Any excess funds in the Lund Mania account after all settlements are made will be transferred to the LGD account.

In March 2021, the LGD asked the Pinawa Community Development Corporation (PCDC)¹ if the Lund Mania event could use a billboard it owned for signage promoting the Lund Mania event. The cost for the signage on the billboard was \$3,810.00. The LGD intended money for the billboard signage be recovered by obtaining three-year sponsorships from local businesses and organizations that support the event.

An undated note from 2021 obtained from the LGD states:

"Thompson Designs should be requested for an updated quote and once approved, request PCDC to pay for the cost of the sign until Lund Mania has enough funds to pay for it. The sign should be put up as soon as possible by Public Works once the permit is received from Manitoba Infrastructure."

This note states the Public Works department of the LGD will be responsible for putting up the Lund Mania sign on the billboard. Another 2021 form shows the RA applied for the provincial permit regarding an advertising sign adjacent to a provincial highway for Lund Mania.

Allocation of Staffing

Significant LGD staff time was spent organizing and operating the Lund Mania event. Documents provided by the LGD note staff and elected officials frequently participated in meetings organizing the 2021 event. The LGD held these meetings during office hours, using LGD resources. A review of the Lund Mania Facebook page indicates the contact person for the event is an employee of the LGD using a LGD email address. The telephone number for the event on the Facebook page is also the main telephone number for the LGD.

At the time of the September 2019 resolution, which aimed to convert the earlier mentioned LGD loan to Lund Mania into a grant, the resolution preamble discussed the involvement of municipal staff in organizing this event:

"Whereas municipal staff have organized the event in partnership with Lund Canada and the bank account has not been included in the municipal operations"

¹ The Pinawa Community Development Corporation (PCDC) is a non-profit corporation that is funded primarily through the LGD of Pinawa. According to the corporate by-law, five members of the LGD Council sit as directors on the Board of Directors of the PCDC (out of a possible total of 11 directors). In the past, the Mayor of the LGD has served as the President of the CDC. The Deputy Mayor is the current Vice-President of the PCDC Board.

The LGD also received invoices and sponsorships on behalf of the Lund Mania event. For example, on July 18, 2021, the LGD received an invoice from the Pinawa Golf and Country Club for \$2,194.56 made out to “Lund Mania c/o LGD of Pinawa.”

In June 2023, a publication of the LGD called “Council Highlights” made the following call for volunteers:

“If you are interested in participating on a committee to assist with Lund Mania in future years, please visit the Town Office to share your contact information.”

Prior to 2024, staff time spent on the event was not tracked or accounted for. A May 2023 email from the RA to the complainant stated:

“From what I have heard about the Lund Mania event, staff/public works time was instrumental in making Lund Mania happen. For 2024, we will certainly be tracking all staff hours.”

In an April 30, 2024 discussion of the Lund Mania event during a LGD Council meeting, one councillor stated they had difficulty organizing a meeting with LGD staff because the staff were involved in a Lund Mania meeting at the time. Several councillors expressed support for tracking LGD staff time on future Lund Mania events, should the event be resurrected. Several councillors also expressed concern that staff time was not tracked previously. In an interview with our office, the RA said tracking was put in place due to the concern of council members. Although the Lund Mania event is not operating at this time, the Mayor expressed hope of reviving it at a future date.

ISSUES AND ANALYSIS

What is the nature of the relationship between the LGD and Lund Mania and is it properly authorized?

Upon reviewing the extensive documentation concerning the Lund Mania event in the LGD’s possession, we found that the LGD was operating the Lund Mania event without the proper authorization under The Municipal Act.

In an interview, the Mayor said there are many community events that receive in-kind resources from the LGD. In the case of Lund Mania, LGD in-kind resources are significant and include the use of LGD staff to plan the event, administer its Facebook page, act as a point of contact, run the event bank account, and operate the actual event; meeting

space and record storage in the municipal office; LGD telephones and email services; and Public Works staff to set up and tear down the event.

It is our view the Lund Mania event is different from the many other community events the LGD supports with in-kind resources. The Lund Mania event is different because it is organized directly by the LGD and would not be possible without the significant in-kind resources, financial support, and extensive involvement of the LGD.

Given the amount of financial information held by the LGD, the fact that LGD staff acted as signatories to the chequing account, and the staff time spent on the Lund Mania event, the evidence does not support the notion that the operations of the Lund Mania event are independent of the LGD. Further, as the RA noted earlier, the LGD will be the recipient of any excess funds left over in the Lund Mania account once all outstanding matters are settled as the event is phased out

According to The Municipal Act, a municipality can only act by resolution or by-law. The use of municipal staff and in-kind resources must be authorized by a resolution passed during a LGD Council meeting. The LGD could not provide any evidence they passed such a resolution. Therefore, while significant staff time and municipal resources were dedicated to this event, there was no resolution or public record authorizing the use of this staff time and resources.

In an interview, we asked the Mayor why there was no resolution authorizing the use of LGD staff and resources for the Lund Mania event. As the Mayor stated:

"All of Council at the time was on board with the tournament and the issue never really came up. So, I would say that, you know, having learned the lessons of what's going on with this right now, with regards to your review and that, we would do it differently in the future. But at the time we did it, everybody was on board, and nobody saw a need to pass a resolution to do what we all agreed we should do."

Regardless, a resolution passed by the LGD Council is required to authorize the use of LGD staff and resources for any activity supported by the Council. We appreciate the Mayor's statement that, facing a similar situation, the LGD would seek a resolution authorizing the LGD's support going forward. It is best practice for a resolution to pass annually for ongoing events.

Is there a proper financial relationship between the LGD of Pinawa and the Lund Mania event?

The evidence reviewed by our office reveals the close relationship between the LGD and the Lund Mania event. In addition to staff being signatories to the Lund Mania bank account, the LGD has in its possession the various documents related to the financial management of the event bank account. While the event accounting books are kept separate from the LGD accounts, the line between the LGD and the management of the Lund Mania event is not clear.

Given the close relationship between the LGD and the Lund Mania event, we reviewed the \$4,000 loan made by the LGD to the event. . It should be noted that Section 180 of The Municipal Act requires any loan be made through a by-law and can only be loaned to a non-profit organization or municipal participation corporation.

Further, the by-law must set out the details of the loan including the minimum rate of interest, the term, the terms of repayment of the loan, and the sources of the money to be loaned. In this case, the municipality did not pass a by-law to approve the loan and there is no evidence to suggest Lund Mania was a community non-profit event with rules governing its structure or operations. Instead, it appears Lund Mania was an unauthorized project undertaken by the LGD. As such, we find that the loan of \$4,000 by the LGD to cover the Lund Mania deficit was not made in accordance with The Municipal Act.

Further, since the Lund Mania event appears to be an unauthorized project of the LGD, the LGD Council covering the shortfall in the Lund Mania account gives the appearance of a public body giving money to a private body that it substantially controls. This is an example of self-dealing, which does not provide the proper transparency and accountability for the expenditure of public funds.

There is also the appearance the LGD requested the PCDC finance the Lund Mania event signage on a highway sign owned by the PCDC. Again, given the close relationship between the LGD and the Lund Mania event, and the influence the LGD exerts over the PCDC operations including having several council members appointed to the PCDC board, this request appears to be an inappropriate use of the LGD's influence over the PCDC.

CONCLUSION

The LGD of Pinawa established the Lund Mania event and committed staff time and municipal resources to the planning, management, and operations of the event. The support given to this event by the LGD goes beyond the support a community event would typically receive from their municipal government. The LGD established Lund Mania and committed its support to this event without any resolution of the LGD Council authorizing it to do so.

It is also clear that appropriate financial safeguards between the LGD and the Lund Mania event were not in place. The LGD maintained a separate financial account for Lund Mania, but both the LGD and event accounts were managed by LGD staff, who often acted as signatories to the event account. LGD staff were receiving entry fees, sponsorships and invoices on behalf of the Lund Mania event and issuing payments on its behalf.

In addition, the LGD loaned the Lund Mania event \$4,000 contrary to the Municipal Act. There were no terms, such as a re-payment schedule or interest rate that applied to the loan principle. The LGD also passed a resolution to forgive the loan. Given the close relationship between the event and the LGD, this has the appearance of self-dealing and does not supply the proper level of accountability for the use of public funds.

There are fairness and governance concerns regarding the arrangement between the LGD and the Lund Mania event.

Administrators are responsible for understanding and accurately applying The Municipal Act, and all other applicable legislation, to their programs, policies, procedures, and decision-making. The Municipal Act is the minimum standard the LGD must abide by. In this case, the LGD acted contrary to the act when it established the event and provided LGD financial and staff resources to support the event without passing a council resolution. The LGD also did not establish a sub-committee of council to implement the event.

Further, the LGD acted contrary to Section 180(1) of the act when it passed a resolution approving the loan to the Lund Mania event because a loan can only be made to an established community non-profit organization and only through a by-law. Lund Mania was not a non-profit organization.

This arrangement structured by the LGD resulted in the separating the Lund Mania event from the operations of the LGD, despite the LGD having oversight and administration of the event and incurring a financial liability for its operations without following the proper procedure

Local governments must uphold the public's trust in its use of public funds. This includes having systems in place that mitigate financial risk and uphold financial transparency. While the LGD passed a resolution to convert the loan to a grant, they fell short of implementing the by-law and at no point did they have the loan repaid.

The arrangement the LGD had with Lund Mania provided no oversight, fiscal accountability or transparency to the public. Citizens have the right to understand and influence how public funds are allocated.

When the rules are followed and the planning process transparent, community events can be a wonderful way to bring neighbours together and promote collaboration, while creating spin off benefits like economic development opportunities. However, not meeting these minimum standards can create mistrust.

While the Lund Mania event may have been popular, and the LGD's intentions in supporting this event good, this does not exempt the LGD from following proper procedure when it comes to the use of LGD staff and resources, as well as public funds.

RECOMMENDATIONS AND RESPONSE

As a result of this investigation, the Manitoba Ombudsman makes the following recommendations:

1. That the LGD of Pinawa take necessary steps to rectify the unauthorized loan.
2. The LGD Council receive training on The Municipal Act including the necessity of passing resolutions and by-laws to authorize the actions of the municipality and the mandatory process for making municipal loans.
3. The LGD ensure resolutions are passed annually for recurring events/decisions/actions.
4. The LGD create council committees, as per Section 107 of The Municipal Act, and Terms of Reference to guide their work, when executing similar work related to dedicating significant LGD resources to planning a community event. This would include the creation of a council committee if the LGD decides to run Lund Mania

again in the future. This recommendation ensures LGD transparency as all committee actions need to be ratified by resolution of the whole Council.

Response from the Local Government District of Pinawa

The Council of the Local Government District of Pinawa reviewed this report in a closed session of the March 11, 2025 Council Meeting. The LGD Council accepted the findings of the report and the report recommendations. Two resolutions to implement the recommendations were passed at this meeting once normal business of the council meeting resumed.

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