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Item No.
Audit & Finance Standing Committee
March 8, 2017

TO: Chair and Members of Audit & Finance Standing Committee

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SUBMITTED BY:

Jacques Dubé, Chief Administrative Officer

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Peter Stickings, Acting Director, Operations Support

DATE: Jan. 12, 2017

SUBJECT: Budget Increase to CVD01087 – Fleet Vehicle Replacement

ORIGIN

Approved 2016/17 Capital Budget for General Fleet reserve Q204.

LEGISLATIVE AUTHORITY

Halifax Regional Municipality Council approved, Dec 11, 2012, that all budget increases are to be presented to the Audit and Finance Standing Committee, prior to submission to Council.

Halifax Charter, section 93(1) - The Council shall make estimates of the sums that are required by the Municipality for the fiscal year; Halifax Charter, section 79(1) - Specifies areas that the Council may expend money required by the Municipality; Halifax Charter, section 35(2)(d)(i) - The CAO can only authorize budgeted expenditures or within the amount determined by Council by policy; Halifax Charter, section 120(6) - The Municipality may maintain other reserve funds for such purposes as the Council may determine; Halifax Regional Municipality policy on Changes to Cost Sharing for Capital Projects - Changes requiring Council approval; Financial Reserves Administrative Order 2014-015-ADM (5) the Audit and Finance Standing Committee shall review and recommend to the Council for its consideration all impacts to the Reserves.

RECOMMENDATION

It is recommended that the Audit & Finance Standing Committee recommend that Regional Council:

1. Approve an increase to Project Account CVD01087 – Fleet Vehicle Replacement in the amount of \$165,815; and,
2. Approve an unbudgeted withdrawal in the amount of \$129,906 from the Obligation Reserve, Fleet Vehicles & Equipment reserve Q531, as outlined in the Financial Implications section of this report.

BACKGROUND

During the annual budget process, Corporate Fleet estimates the funding requirements for vehicle replacements to occur during the next fiscal year. The budget does not provide capacity for unexpected replacements due to such events as catastrophic failures, vehicle thefts, or unrepairable damage. The capital budget for non-emergency vehicle replacements CVD01087 – Fleet Vehicle Replacements was \$1,700,000.

The Fleet Vehicles & Equipment reserve Q531 was approved in September 2016, and combined 3 previous separate fleet vehicle reserves. The reserve is in place to provide funding for replacement of fleet vehicles. The 2016/17 reserve budget for all planned fleet replacements is \$2,655,000, including \$1,700,000 to fund CVD01087.

DISCUSSION

This year, two pieces of equipment require replacement due to catastrophic failure and theft. As such, funding was not included in the 2016/17 capital budget.

Wood Chipper

In May of 2016, unit 52WZ002 (2007 Altec 18" Wood Chipper) had a catastrophic failure when its main suspension axle sheared off during regular forestry usage, leaving the unit unusable. This was a repeat failure showing signs of a serious issue in design or manufacturing defect. Due to this unforeseen failure and immediate need to replace this unit, Corporate Fleet used available project funding in Project No. CVD01087 to tender this replacement. The cost of this replacement is \$90,728 (net HST included), which will leave the project underfunded for remaining planned replacements. This tender was CAO approved and awarded in November 2016.

Toolcat and Trailer

In September 2015, a Toolcat and trailer were lost to theft. The Toolcat and trailer combo is used in Major Parks west. Together they are purposed as an all-around utility machine; there are no units available in the fleet to perform similar to this combination. Staff have explored the option of renting equipment, however with the Toolcat being required year-round, the annual cost would exceed \$42,000. If the equipment is not replaced, it will impact the department's ability to carry out much needed road/trail maintenance at Dingle and Hemlock Ravine parks; load other machines (trucks, gators, RTVs); handle materials; repair fence posts (post-hole digging function), which would have to be contracted out; and snow plowing and loading functions during the winter at Point Pleasant Park.

An investigation was completed by Risk and Insurance Services resulting in a claim being submitted to HRMs insurer. Insurance proceeds were received for the Toolcat - Unit No. 51LU003 (\$31,112 net HST included) and Trailer - Unit No. 52KF023 (\$4,797 net HST included). These funds, along with requested reserve funds, will be transferred to Project No. CVD01087, used to offset the replacement costs for the toolcat and v-blade, estimated to be \$75,087 (net HST included). If reserve funding is approved, staff will proceed with the tendering process to replace this equipment.

FINANCIAL IMPLICATIONS

To fund these two purchases without impacting remaining planned replacements, staff is requesting a withdrawal of funds from the Fleet Vehicles & Equipment reserve Q531 to fund Project CVD01087. This, along with the insurance proceeds will cover the replacement costs not included in the 2016/17 capital budget. Funding is available in the approved Project No. CVD01087 Fleet Vehicle Replacement and the budget availability has been confirmed by Finance.

Budget Summary: Project No. CVD01087 – Fleet Vehicle Replacement

Cumulative Unspent Budget	\$1,444,955
Plus: Funding from Q531	\$ 129,906
Plus: Insurance proceeds for stolen units	\$ 35,909
Balance	\$1,610,770

Budget Summary: Obligation Reserve - Fleet Vehicles & Equipment, Q531

Balance in reserve at November 30, 2016	\$ 4,244,995
Projected revenue to March 31, 2017	\$ 187,925
Commitments to March 31, 2017	\$(2,768,278)
Withdrawal per recommendation	\$(129,906)
Projected balance, March 31, 2017	\$ 1,534,736

Obligation Reserve - Fleet Vehicles & Equipment Reserve, Q531

Reserve is to provide for replacement of vehicles and equipment with a useful life of less than 10 years. Reserve is funded by the proceeds of sale of vehicles. This recommendation does not have a negative impact on the reserve to be able to complete the approved withdrawals to date, nor does it have a negative impact on the reserve to be able to complete proposed withdrawals as currently drafted in the 5 year draft reserve budget, per information to date.

RISK CONSIDERATION

Without reserve funding to cover these purchases, there will be insufficient project funding to replace one of the two planned street sweepers required this spring. This will impact service delivery.

COMMUNITY ENGAGEMENT

Community engagement was not undertaken as part of this report.

ENVIRONMENTAL IMPLICATIONS

None Identified

ALTERNATIVES

Should the request not be approved, Corporate Fleet will have to reconsider other planned replacements for the remainder of the year. Any changes to replacement plans will have an impact on operational needs and ability to provide services.

ATTACHMENTS

None

A copy of this report can be obtained online at <http://www.halifax.ca/boardscom/SCfinance/index.php> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 902.490.4210, or Fax 902.490.4208.

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