

HALIFAX

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Item No. 14.1.3
Halifax Regional Council
April 10, 2018

TO: Mayor Savage and Members of Halifax Regional Council

Original Signed by 

SUBMITTED BY: Jacques Dubé, Chief Administrative Officer

DATE: January 17, 2018

SUBJECT: Inclusion of Springfield Lake Recreation Centre in Capital Fund Reserve

ORIGIN

Halifax Regional Council, November 14, 2017 Item 17.2. Motion approved that Halifax Regional Council request a staff report requesting that the Springfield Lake Recreation Centre be added to the list of facilities able to access the Capital Fund Reserve.

LEGISLATIVE AUTHORITY

Halifax Regional Municipality Charter

Section 120(1) of the Halifax Regional Municipality Charter states that "The Municipality shall maintain a capital reserve fund."

Section 120(3) of the Halifax Regional Municipality Charter states that "The capital reserve fund includes...(h) amounts transferred to the fund by the Council."

Administrative Order 2014-015-ADM

The Recommendation below is made in accordance with Section 13 of Administrative Order 2014-015-ADM, the Financial Reserves Administrative Order. In accordance with this section, amendments to an existing Reserve may result from a change in the strategic direction of the Municipality, or the relevance of the Reserve's defined purpose. Furthermore, upon review by staff of the change in strategic direction or the change in defined purpose, staff may recommend to the Council that the Reserve be revised or closed and Council may consider such a recommendation.

Reserve Business Case, Q526, Capital Fund Reserve.

RECOMMENDATION ON PAGE 2

RECOMMENDATION

For the reasons outlined in the Discussion section of this report, it is recommended that Halifax Regional Council make no changes to the Approved Business Case for Obligation Reserve - Q526 Capital Fund Reserve as the Springfield Lake Recreation Centre need not be added to the list of facilities in order to access the Capital Reserve Fund.

BACKGROUND

In July 2016, Council reduced the number of reserves from 52 to 20 and in September 2016, Council approved new business cases for these 20 reserves.

These new business cases were rewritten to remove some of the very specific language that was previously included in the reserves. The new language clearly indicated the intent and purpose of the reserve without requiring a list of each organization or an all-inclusive list of projects that could receive funding from the reserve. The change is designed to provide clarity to staff and flexibility to Council in administering the reserves.

DISCUSSION

The old reserve Q124 Upper Sackville Turf Capital Reserve was, "To provide a financial vehicle for the saving of funds to offset the costs of future upgrading, repairs or the replacement of the artificial turf field and amenities at the Weir Field, Upper Sackville". In addition, the old reserve would be "administered by the Director of Financial Services and requests for withdrawals coming from the Directors of Real Property and Asset Management in consultation with the Recreation, Culture and Heritage Business Unit."

In the purpose section of the old reserve it stated that, "the field and facilities are currently managed by the Springfield Lake Recreation Association".

The purpose of the new reserve, Q526 Capital Fund Reserve, is, "To provide funding for capital projects as identified in the annual budget process."

The new reserve states that funds can be used for:

- a) capital expenses for which the municipality may borrow;
- b) HRM's share of capital enhancement projects between HRM and WDCL of HRM-owned waterfront assets which consist of Nathan Green Park, Chebucto Landing, Sackville Landing, Karlsen Wharf, Lower Water Street and Salter Street;
- c) Capital costs for the Parking Strategy Project – Roadmap, identified in Functional Plan. Funding identified for governance, use of technology for parking payment (such as pay by plate technology) and the management of parking in high demand neighbourhoods. Projects from the roadmap should support three broad themes: (1) Strategies that increase the efficiency of the existing parking system; (2) Strategies that reduce parking demand; and (3) Additional supporting parking related strategies; and,
- d) Capital costs of the "Downtown I'm In – Urban Core Community Engagement" – Applicable initiatives should be "low cost/high impact opportunities to improve the urban core".

The purpose of new reserve enables the reserve to fund many projects including the upgrades, renovations, turf repairs and the replacement of the artificial turf fields and amenities at the Weir Field. One of the key reasons for writing the new reserve business cases was to eliminate very specific reserves and to create a more flexible system to meet the broad needs of the Municipality.

Adding the name of a specific operator to the purpose, or application of funds, would not change the

purpose of the use of the reserve. If the name of an operator is included, the business case would need to be changed if the operator changes.

For this reason, it is not recommended that the name of the current operator, Springfield Lake Recreation Association, be added to the reserve business case.

FINANCIAL IMPLICATIONS

There are no financial implications associated with this report.

RISK CONSIDERATION

There are no significant risks associated with the recommendation in the report. The risks considered rate low. To reach this conclusion, consideration was given to financial and reputational risk.

COMMUNITY ENGAGEMENT

None

ENVIRONMENTAL IMPLICATIONS

None

ALTERNATIVES

Council, for further clarity, could add the Weir Field to the list of specific projects referenced in the Q526 Business Case. As stated, the Weir Field is eligible for funding without this change.

Council could add the name of the current manager of the Weir Field, Springfield Lake Recreation Centre to the Q526 Business Case. This could lead to other groups asking to have their names specifically added to the various reserve business cases. As stated above, if the names of operators are added to the reserve business cases, the business cases would have to be modified each time an operator is changed. This could be problematic and is not recommended.

ATTACHMENTS

Attachment 1 - Old Reserve Business Case Q124 Upper Sackville Turf Capital Reserve
Attachment 2 - Current Reserve Business Case, Obligation Reserve – Q526 Capital Fund Reserve

A copy of this report can be obtained online at halifax.ca or by contacting the Office of the Municipal Clerk at 902.490.4210.

Report Prepared by: Nancy Harper, Accounting Controls & Reporting Manager, Finance and Asset Management, 902.490.3696

Reserves Business Case

Halifax Regional Municipality • Financial Services • 490-4446 • Fax: 490-4175

Date: April 15, 2003

Revision Date: January 20, 2009

Contact: Director, Real Property and Asset Management

Upper Sackville Turf Capital Reserve - Q124

Purpose

To provide a financial vehicle for the saving of funds to offset the costs of future upgrading, repairs or the replacement of the artificial turf field and amenities at the Weir Field, Upper Sackville. The field and facilities are currently managed by the Springfield Lake Recreation Association (the “Association”).

The Reserve will be administered by the Director of Financial Services and requests for withdrawals coming from the Directors of Community Development.

ATTACHMENT 1

Source of Funds

The source of funding for this reserve shall be one half (1/2) of all user fees from the artificial turf facilities located on the Weir field in Upper Sackville or another amount that will provide sustainable operations at this location. The funds shall be transferred by the Association to HRM on a quarterly basis. Schedule 1 highlights the projections and initial reserve balance.

Annual contributions are projected to be \$20,000 based on past performance. The following assumptions used in projecting the future balances are:

- Spring field bookings are fully booked and should continue throughout the summer season.
- Future summer bookings are anticipated to increase but will be offset by decreased demand as additional artificial turf fields are developed in Halifax and Dartmouth.

Interest paid to the fund in accordance with the Reserve Policy.

Application of Funds

The Reserve is primarily intended to provide some funding for the replacement or upgrading of the artificial surface on the Weir property. The expected time frame for field upgrading or replacement is approximately 10-12 years.

Funds from this reserve shall also be available to either fully pay or offset the replacement or

upgrading of amenities of the artificial surfaces, i.e. lighting, bleachers and the parking lot. However, prior to withdrawal for the above purposes, this reserve must be reviewed to identify the probability that a sufficient balance will be available to offset or fully provide funds to replace or upgrade the artificial surface of the Weir field in the expected time frame.

The minimum amount to be maintained should be \$1,000 and a maximum amount to be maintained in the fund is \$600,000. All funds within and contributed to the reserve shall be invested in compliance with the Investment Policy of HRM.

Time Line

As long as the Municipality continues to carry out maintenance of the field, the Reserve should be retained.

Attachment

Projected balances and transactions from initiation through fiscal year 2011/2012

Approval Process

The Director of Real Property and Asset Management will initiate the expenditures from the reserve and approve appropriateness of expenditure after discussions with Parks and Open Spaces staff. Finance will be responsible for ensuring availability of funds. Approvals are primarily done through the annual budget process or on an individual basis prior to being approved by Council.

Approval

CAO

Reserve Business Case

Capital Fund Reserve, Q526

Type of Reserve: Obligation. A saving fund for future obligation recognizes that:

- a) an obligation may be associated with recapitalization of a specific asset where the estimated lifecycle cost of an asset can be reasonably estimated;
- b) an obligation with a strategic plan where the asset or project may not yet be specified, such as the purchase of land;
- c) that a future expenditure may be managed through the long-term operating or capital budget, depending on the magnitude or situation of the obligation.

Purpose

To provide funding for capital projects as identified in the annual budget process.

This reserve is governed by the Halifax Regional Municipality Charter Section 120(1), (3) and (4).

This Reserve combines and replaces nine reserves: Q101 Sale of Capital Assets Reserve (Sale of Land); Q103 Capital Surplus Account; Q124 Upper Sackville Turf Capital Reserve; Q130 Capital Replacement Reserve; Q131 Energy and Underground Services Reserve; Q142 Waterfront Development Reserve; Q311 Cemetery Maintenance Reserve; Q321 Information & Communication Technologies (ICT) Reserve; and Q329 Regional Parking Strategy & Urban Core Improvement Reserve.

Source of Funds

Funding arises from:

- a) funds received from the sale of property, other than the sale of Business/Industrial Parks land, the sale of land conveyed to HRM for parks, playgrounds or other similar public purposes under section 282 of the Halifax Regional Municipality Charter and the sale of specific properties identified to be contributions to the Strategic Capital Reserve, Q606;
- b) proceeds of insurance resulting from loss or damage of property that is not used for the replacement, repair or reconstruction of the property;
- c) any surplus remaining from the sale of debentures that is not used for the purpose for which the debentures were issued;
- d) the surplus remaining in a sinking fund when the debentures for which it was established are repaid;

- e) any capital grant not expended in the year in which it was paid;
- f) proceeds received from the winding up of a municipal enterprise as defined in the Municipal Finance Corporation Act;
- g) funds held in excess of twenty years in the Tax Sale Surplus Trust account as per Section 162(5) of the Halifax Regional Municipality Charter;
- h) one half (1/2) of all user fees from the artificial turf facilities located on the Weir Field in Upper Sackville;
- i) revenue collected from the administration of parking enforcement by HRM on behalf of Waterfront Development Corporation Limited (WDCL);
- j) the operating surplus from MetroPark, other than amounts required by Q541;
- k) revenue from private sector and quasi-private sector parking providers in the urban core which are collaborating on projects related to tracking and communicating parking inventories;
- l) amounts transferred to the fund as approved by Council; and
- m) interest accumulates in accordance with the Corporate Guidelines on Reserves.

Application of Funds

Funds are allocated for:

- a) capital expenses for which the municipality may borrow;
- b) HRM's share of capital enhancement projects between HRM and WDCL of HRM owned waterfront assets which consist of Nathan Green Park, Chebucto Landing, Sackville Landing, Karlson Wharf, Lower Water Street and Salter Street.
- c) capital costs for the Parking Strategy Project – Roadmap, identified in Functional Plan. Funding identified for governance, use of technology for parking payment (such as pay by plate technology) and the management of parking in high-demand neighbourhoods.) Projects from the roadmap should support three broad themes: (1) Strategies that increase the efficiency of the existing parking system; (2) Strategies that reduce parking demand; and (3) Additional supporting parking related strategies; and,
- d) capital costs of the "Downtown I'm In – Urban Core Community Engagement" – Applicable initiatives should be "low cost/high impact opportunities to improve the urban core".

Time Line and Balances

Reserve is to be ongoing. The 2008 Regional Parking Strategy is a 25 year functional plan and as such this reserve is intended to be maintained to a minimum of March 31, 2032 for those types of funding withdrawals.

Per Administrative Order 2014-015, The Director of Finance shall:

- a) review the reserve annually to ensure that funds are contributed and withdrawn according to the approved Reserve Business Case;
- b) review each Reserve at set intervals to ensure continuing relevance and adequacy with the strategic direction of the Municipality;

- i. Set interval for this reserve will be every 3 years;
- c) provide to Council an annual report on Reserve activity and balance; and,
- d) recommend to Council the closure of any Reserve whose purpose is outdated or to combine any Reserves with similar purposes.

In accordance with the Administrative Order 2014-015, a minimum and maximum balance should be set to meet the purpose of the Reserve. Per the Administrative Order 2014-015 Guidelines, the Business Unit shall submit a five year detailed cash flow projection which includes contributions and withdrawals.

This will be developed in consultation with Business Units and will be updated by September 30, 2017.

Approval Process

As outlined in the Administrative order 2014-015 and Administrative Guidelines, withdrawals from the reserve will be approved by Council, either through the annual budget process to ensure it continues to meet the operational requirements, or by motion of Council subsequent to approved budget. Finance (Accounting) is responsible for ensuring availability of funds and appropriateness of withdrawals in accordance with the Reserve Business Case prior to report submission to Audit & Finance Standing Committee and Council requesting their approval.

Attachments

As per outlined in the time lines and reserve balances section above, the 5 year cash flow will be prepared and attached to reserve business case. This will include assumptions used in projecting dollar amounts with activity for an appropriate length of time keeping with the nature of the reserve.

Original Council Approval Date	September 20, 2016
Effective Date of Last Revision	September 20, 2016
Business Unit Director Contact	Director, Finance and Information Technology/CFO Director, Operations Support