



P.O. Box 1749  
Halifax, Nova Scotia  
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**Item No. 14.2.2**  
**Halifax Regional Council**  
**July 26, 2016**

**TO:** Mayor Savage and Members of Halifax Regional Council

Original Signed

**SUBMITTED BY:** \_\_\_\_\_  
Councillor Linda Mosher, Chair, Audit & Finance Standing Committee

**DATE:** July 20, 2016

**SUBJECT:** Long-term Fiscal Strategy – Reserve Review

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**ORIGIN**

July 20, 2016 meeting of the Audit & Finance Standing Committee, Item No. 12.1.2.

**LEGISLATIVE AUTHORITY**

Audit & Finance Standing Committee Terms of Reference section 3.8, which states “to review and make recommendations on proposals coming to Halifax Regional Council outside of the annual budget or tender process including but not limited to:

- New Programs or services not yet approved
- Programs or services that are being substantially altered
- Proposed changes in operating or budget items
- Committing of funds where there is insufficient approved budget, or,
- New or increased capital projects not included in the approved budget
- Increases in project budget due to cost sharing
- Creation or modification of reserves and withdrawals not approved in the approved budget

**RECOMMENDATION**

It is recommended by the Audit & Finance Standing Committee that Halifax Regional Council approve the proposed reserves as presented in Attachment 1 of the staff report dated June 28, 2016

## **BACKGROUND**

A staff report dated June 28, 2016 pertaining to a Long-term Fiscal Strategy Reserve Review was before the Audit & Finance Standing Committee for consideration at its meeting held on July 20, 2016.

For further information, please refer to the attached staff report dated June 28, 2016.

## **DISCUSSION**

Staff provided a presentation on the June 28, 2016 staff report and responded to questions from the committee pertaining to the ongoing consolidation of the municipality's reserves. The Audit & Finance Standing Committee having reviewed this matter at its meeting held on July 20, 2016, forwarded the recommendation to Halifax Regional Council as outlined in this report.

## **FINANCIAL IMPLICATIONS**

As outlined in the attached staff report dated June 28, 2016.

## **RISK CONSIDERATION**

As outlined in the attached staff report dated June 28, 2016.

## **COMMUNITY ENGAGEMENT**

The Audit & Finance Standing Committee meetings are open to public attendance, a live webcast is provided of the meeting, and members of the public are invited to address the Committee for up to five minutes at the end of each meeting during the Public Participation portion of the meeting. The agenda, reports, and minutes of the Audit & Finance Standing Committee are posted on Halifax.ca

## **ENVIRONMENTAL IMPLICATIONS**

Not applicable.

## **ALTERNATIVES**

The Audit & Finance Standing Committee did not discuss alternative recommendations.

## **ATTACHMENTS**

1. Staff report dated June 28, 2016.

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A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/cagenda.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.

Report Prepared by: Liam MacSween, Legislative Assistant, 902.490.6521.

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**Item No. 12.1-2**  
**Audit & Finance Standing Committee**  
**July 20, 2016**

**TO:** Chair and Members of Audit & Finance Standing Committee

Original Signed

**SUBMITTED BY:**

  
John Traves, Q.C. Acting Chief Administrative Officer

Original Signed

Amanda Whitewood, Director of Finance and Information Technology/CFO

**DATE:** June 28, 2016

**SUBJECT:** Long-term Fiscal Strategy – Reserve Review

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### ORIGIN

On June 5, 2014, at a Joint Meeting of Community Planning and Economic Development and Audit and Finance Standing Committee it was recommended that Council approve the recommendations in the Strategic Capital Funding Strategy Report. On July 29, 2014 Council approved the use of several reserves to fund the Planned Strategic Projects and Potential Strategic Projects. Specific capital asset sales were designated to fund both new reserves. There was approval to add a 1 cent general tax rate increase in the 2015/16 budget to fund the newly named Potential Strategic Projects Reserve (formerly the Strategic Growth Reserve).

On October 28, 2014 Council approved Administrative Order 2014-015-ADM, Respecting Reserve Funding Strategies and repealed the Reserves Policy from December 1, 1998 Multi Year Financial Strategy (MYFS) and Reserve Guidelines and Templates.

Staff was directed to review reserves against Administrative Order 2014-015-ADM and make revisions, combine reserves, and group them into new categories with a description of changes included in a report to Council. This review began in July 2015.

On January 15, 2016 the Auditor General released a report, "A Performance Review of the Management of Halifax Regional Municipality's Reserve Funds", and presented to Audit and Finance Standing Committee.

On February 3, 2016 Committee of the Whole approved THAT Halifax Regional Council, as part of the ongoing budget process undertaken in 2017-2018 and the following years, a much broader view that looks at the underlying fiscal and economic assumptions and critical key decisions such as; the level of the overall capital budget, debt, tax levels, reserves and the capacity to undertake service enhancements.

**Recommendation is on page 2.**

## **LEGISLATIVE AUTHORITY**

Halifax Regional Municipality Charter, section 120(1) – The Municipality shall maintain a capital reserve fund; section 120(3) - The capital reserve fund includes

- (a) funds received from the sale of property;
- (b) the proceeds of insurance resulting from loss or damage of property that is not used for 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) the current fiscal year's accrual for landfill closure and post closure costs; and
- (h) amounts transferred to the fund by the Council; section 120(6) - The Municipality may maintain other reserve funds for such purposes as the Council may determine.

The Provincial Financial Reporting and Accounting Manual (FRAM) section 3.16(g) requires the municipality's operating fund surplus to be transferred to an operating reserve.

Audit and Finance Standing Committee Terms of Reference section 3.2.6 which states "Review, as required, any other policies, procedures, forecasts, reports or process as agreed to mutually by the Municipality's CAO and the Committee.

## **RECOMMENDATION**

It is recommended that the Audit & Finance Standing Committee recommend that Halifax Regional Council approve the proposed reserves as presented in Attachment 1 of this report.

## **BACKGROUND**

The long-term financial stability of the Municipality is a key priority outcome for Council. Ensuring long-term financial sustainability requires better information for Council and the public, including improved metrics, additional information on program costs and enhanced performance information including the costs of services. This work is supported by the need for improved long-term decisions on debt, capital, taxes, reserves, capital from operating funding and our long-term service requirements. Reserves are a key part of the long-term plan.

In 2014, Administrative Order 2014-015-ADM was approved by Council and lays out a new framework for reserves. The new Reserve categories are intended to serve three specific purposes:

1. Risk.
2. Opportunities.
3. Future Obligations.

Council directed staff to group the reserves into the new categories and prepare recommendations on combining or revising the current reserves.

There are currently 52 reserves, with approximately 50% of them with a balance less than \$1M. Many of the reserves have unclear purposes, or duplicate purposes with specific uses which can lead to limited flexibility. The number of reserves also contributes to a complex administration of them for the business units and to finance in administration of the reserves.

## **DISCUSSION**

The Municipality's long-term financial health is critically important and reserves play a significant role in this. Long-term planning integrates Council's priority outcomes with services, service standards and a long-term capital plan.

This requires the balancing of the current needs of the residents and businesses in the Municipality, the long-term outlook of the Municipality as outlined by the Halifax Partnership, global economic influences and the current and long-term financial resources. It is prudent for HRM to determine the right mix of taxes, user fees and other revenues, and the appropriate debt and funding strategy.

Funding to and from the reserves through the annual budget process creates a circular transfer of funds in some instances. For example, in the 2016/17 fiscal year, the Operating Budget is to contribute \$32.5M to the Reserves; in turn, Reserves are to contribute \$6.5M to the Operating Budget. In addition, the Reserve Budget will receive \$56.5M from the sales of assets, primarily land, and is budgeted to transfer \$72.0M to the Capital Budget. Through a review of financial policies, developing a long-term financial strategy and updating reserve business cases, some of these transfers are expected to be eliminated, or reduced to provide a clear, non-convoluted representation of how funds move or transfer between HRM's operating, capital and reserve funds.

In addition to the funding from Reserves, the Capital Budget is to receive \$42.1M from the Operating Budget in the form of Capital from Operating funding, \$32.3M from outside sources such as Gas Tax and cost sharing and \$51.3M from debt.

From a debt perspective, the tax supported debt of the municipality continues to steadily decline. Debt had peaked in 1998-99 at nearly \$350M and now stands at \$251M today, an average decline of 1.6% per year since 1999. Creating long term financial plans (including multi-year operating and capital budgets) offers the municipality the chance to make even better use of public funds. Through consolidation of the number of reserves, the proceeds from sales of assets, required by the HRM Charter to be placed into a capital reserve, would be placed into fewer reserves providing flexibility to fund capital projects that may otherwise have been funded by debt through the capital budget process.

The Administrative Order 2014-015-ADM approved by Council in 2014, provided the overall framework for improving the effectiveness of our reserves. It provided definitions for three types of reserves:

1. A "**contingency fund for risk**" recognizes that the "financial risk of unforeseen events involving substantial costs, such as emergencies or economic events" can be mitigated through a reserve;
2. A "**contingency fund for opportunities**" recognizes that not all expenditures are "planned or anticipated" and that opportunities arise to develop services or achieve efficiencies such as a "sudden change in the economy or the introduction of cost shared programs from other levels of government or the private sector".
3. A "**saving fund for future obligation**" to "recapitalize assets" or where the asset or project "may not yet be specified" but is "associated with a strategic plan", such as the Central Library Recapitalization Reserve.

### Current State of Reserves

Currently there are 52 reserves divided into three funds:

1. **Operating Reserves:** These reserves are used to maintain operating stabilization for unplanned events, and/or obligations such as the Election Reserve or the Snow & Ice Variable Operating Reserve to name a few. The balance of the Operating Reserves, as of March 31, 2016, was \$27.1M.
2. **Equipment Reserves:** These reserves are used to save for large expenditures on vehicles and equipment. The balance of the Equipment Reserves, as of March 31, 2016, was \$4.1 million.

3. Capital Reserves: These reserves are used to fund long-term future contingencies and the capital cost of future projects such as the Planned Strategic Project Reserve, Gas Tax Reserve, Waste Resources Capital Reserve to name a few. The balance of the Capital Reserves, as of March 31, 2016, was \$81.9 million.

Of these 52 reserves, nearly 50% of reserves have a balance below \$1M, and three have a balance, after commitments, that are negative. These are the Sale of Capital Assets Reserve (Sale of Land), the Major Events Facilities Reserve and the Culture Development Reserve.

Currently, reserves are used for a large variety of purposes:

- To carry forward Provincial and Federal funds (gas tax, police officers).
- To fund operating costs that overlap fiscal years (grants and studies).
- To provide funding for unbudgeted items that may arise.
- To fund capital projects of all types.
- To 'normalize tax rates' or smooth expenditures that only occur periodically or fluctuate (elections and winter works).
- To save for unknown risk (insurance).
- To save for future obligations (landfills).
- To create miscellaneous funds for specific assets (BMO, Metro Park and cemeteries).
- To pay off principal and interest of future debt (\$10m fund for strategic infrastructure).

The variety of reserve purposes adds complexity to managing and using the current reserves. The assumptions for each reserve have to be consistent with both the Capital and Operating budgets, otherwise plans will need to be adjusted or revised. Often the specific purpose of a reserve is either vague, written very narrowly, or has become outdated due to changing events and circumstances. A better approach is to have clear purposes based on long-term expectations and outcomes. At the same time, the final use of a reserve will often be made by a future Council which may consider changes in demographic needs, technology, societal expectations, etc. For example, it would not make practical sense to have a reserve for every building that HRM owns. The Capital Budget can adequately plan for the vast majority of such structures. Council might consider a reserve for a significant public structure, such as the Central Library or a class of buildings, such as regional facilities.

None of the activities that are allowed under the current reserve structure are recommended to be eliminated. Some activities, however, are better suited to be carried out through the Operating or the Capital Budget rather than reserve funds. The changes, as outlined in the Administrative Order 2014-015-ADM, would result in significant improvements and would include:

- Strengthening the accountability and improved transparency of reserves and the budget.
- Creating more strategic reserves by merging existing reserves.
- Ensuring each reserve has a clear purpose that is tied to Council's strategic direction.
- Integrating both the Operating and Capital Budgets through proactive reserve management.

In preparing the changes to the reserves, several organizations provided best practice or guidance. The Government Finance Officers Association (GFOA) recommends areas to review to determine the need for reserves. Despite being United States focused, their process provided a good framework.

The Province of Nova Scotia, through their Financial Condition Index (FCI's), indicates that all municipalities should have operating reserves of 10% or more of operating expenditures. The Provincial FCI does not differentiate between small and large municipalities in their recommendation. This index does provide a good reference point for consideration.

### Consolidation of Reserves

The review of the current reserves, the administrative order, the GFOA and FCI, resulted in a rethink of how reserves are used. The focus has shifted to fewer reserves with a broader, HRM wide long-term perspective. This will reduce complexity, increase flexibility and allow the more effective utilization of the reserves.

The reserves are regrouped into the 3 categories, Risk, Obligation and Opportunity, and are reduced from 52 to 20 reserves. It is expected that this list of reserves will be further refined as we move forward. Please refer to Attachment 1 to show consolidation details of which reserves merge into the new reserves.

Risk Reserves - A contingency fund for risk recognizes that the financial risk of unforeseen events involving substantial costs, such as emergencies or economic events, and that a reserve can mitigate this risk by providing funding for sufficient public safety or preventing service interruptions.

Currently there are 9 reserves that fit into this category. The following 4 reserves are recommended:

1. Self-Insurance Reserve to fund insurance claims above the deductible and other uninsured risks.
2. Police Officer on the Job Injury Reserve to support police officers injured while on duty.
3. Operating Stabilization Reserve to fund fluctuations in operating expenditures such as winter works or service improvements.
4. General Contingency Reserve to provide a flexible source of additional funds for additional risks and fluctuations not already considered.

Obligation Reserves - 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.

Currently there are 29 reserves that fit into this category. The following 11 reserves are recommended:

1. Landfill Closure and Post Closure Cost Reserve to fund the long-term cost of closing the various landfill sites and monitoring them into the future. This reserve is required under the Halifax Regional Municipality Charter and the Provincial Financial Reporting and Accounting Manual (FRAM).
2. Municipal Elections Reserve to fund the Municipal Election every 4 years and special elections as required.
3. Debt Principal and Interest Repayment Reserve to help cover the increased debt costs related to the expected new Federal infrastructure programs or a project such as the replacement of LED streetlights.
4. Convention Centre Reserve to help cover the costs of the new convention centre.
5. Vehicle Reserve for the purchase of vehicles for the organization.
6. Central Library Recapitalization Reserve to accumulate funds to support the eventual revitalization and replacement of the Central Library.
7. Building Recapitalization and Replacement Reserve for the recapitalization and replacement of our buildings not covered by other reserves.
8. Multi-district Facilities Reserve for the long-term improvement, recapitalization and replacement of the multi-district facilities.
9. Transit Capital Reserve to support transit capital projects.
10. Waste Facilities Construction Reserve for the construction of waste facilities.
11. Capital Fund Reserve for capital projects not specifically covered by the above reserves.

Opportunity Reserves – A contingency fund for opportunities recognizes that: a) not all expenditures are planned or anticipated; and b) an opportunity may arise to develop services or achieve efficiencies and

that the Municipality must react rapidly or lose that opportunity, such as a sudden change in the economy or the introduction of cost shared programs from other levels of government or the private sector.

Currently there are 11 reserves that fit into this category. The following 5 are recommended:

1. Strategic Capital Project Reserve for the construction of long-term assets. Current projects would include the new four-pads and the Dartmouth Sportsplex.
2. Parkland Development Reserve for the development of parkland.
3. Business/Industrial Parkland Expansion Reserve for the development and expansion of the Business and Industrial Parks.
4. Community and Events Reserve to provide support for events, marketing and community partnerships.
5. Gas Tax Reserve to segregate the Gas Tax funding received and utilized for public infrastructure. This reserve is required under the terms of the Municipal Funding Agreement for the transfer of Federal Gas Tax Funds.

#### **Next Steps**

Staff will develop the required 20 new business cases for these reserves and return with these for approval in the fall of 2016. The intent is for the new business cases to include the purpose and intent of the reserves being consolidated and to allow for greater flexibility going forward.

As long-term operating and capital planning are better established, the requirement and classification for some of these reserves may be altered. It is also possible that staff may recommend some adjustments to the Administrative Order.

As the business cases are being developed and approved, additional conversations will take place with the business units to ensure there is full understanding of the approach and that all current commitments are still required. There will likely be changes to the 2017-18 Operating Budgets to include activities that are better funded through that mechanism than through a reserve.

#### **FINANCIAL IMPLICATIONS**

The proposed regrouping of the reserves will have no financial implication to the current fiscal year. In the longer term, the additional flexibility in the reserves and a full integration in the long-term operating and capital budget process will ensure that the reserves have the appropriate balances to support the organization.

#### **RISK CONSIDERATION**

There are no significant risks associated with the recommendation in this report. The risks considered rate Low. The consolidation of 52 reserves into 20 reserves will improve reserve flexibility to fund operating or capital and could actually reduce our risk exposure by building reserves that are flexible to respond and plan for future needs or unknown events.

#### **COMMUNITY ENGAGEMENT**

None required.

#### **ENVIRONMENTAL IMPLICATIONS**

There are no environmental implications.

**ALTERNATIVES**

The Audit and Finance Standing Committee may reject the current proposal and maintain the status quo or may modify the number, and purpose, of the reserves.

**ATTACHMENTS**

Attachment 1: Detailed list of proposed reserves.  
Attachment 2: Administrative Order 2014-015-ADM.

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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.

Report Prepared by: Louis de Montbrun, Manager, Financial Reporting, 902.476.0585  
Bruce Fisher, Manager, Financial Policy and Planning, 902.490.4493

Original Signed

Financial Approval by: \_\_\_\_\_  
Amanda Whitewood, Director of Finance & ICT/CFO, 902.490.6308

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<b>Proposed Reserve Reallocations</b>			
<b>Reserve</b>	<b>Current Balance as of March 31, 2016</b>	<b>Pending Expenditures</b>	<b>Net Available Balance March 31, 2016</b>
<b>Risk Reserves</b>			
Self Insurance Reserve			
Q306 Self Insurance Reserve	3,995,376	-	3,995,376
Self Insurance Reserve	3,995,376	-	3,995,376
Police Officer on the Job Injury Reserve			
Q323 Police Officer on the Job Injury (Compensation) Reserve	1,851,908	-	1,851,908
Police Officer on the Job Injury Reserve	1,851,908	-	1,851,908
Operating Stabilization Reserve			
Q308 Operations Stabilization Reserve	994,723	-	994,723
Q309 Snow & Ice Control Variable Operating Reserve	2,750,329	-	2,750,329
Q314 EMO Cost Recovery Reserve	350,746	-	350,746
Q316 DNA Cost Reserve	223,930	-	223,930
Q322 Police Emergency/Extraordinary Investigation Reserve	1,037,009	-	1,037,009
Q325 Provincially Funded Police Officers & Facility Lease Reser	3,520,206	-	3,520,206
Operating Stabilization Reserve	8,876,943	-	8,876,943
General Contingency Reserve			
Q328 Operating Surplus Reserve	2,973,400	(285,647)	2,687,753
General Contingency Reserve	2,973,400	(285,647)	2,687,753
<b>Total Risk Reserves</b>	<b>17,697,627</b>	<b>(285,647)</b>	<b>17,411,980</b>

<b>Proposed Reserve Reallocations</b>			
<b>Reserve</b>	<b>Current Balance as of March 31, 2016</b>	<b>Pending Expenditures</b>	<b>Net Available Balance March 31, 2016</b>
<b>Obligation Reserves</b>			
Landfill Closure & Post Closure Cost Reserve			
Q119 Sackville Landfill Closure Reserve	2,005,608	(1,263,762)	741,846
Q120 Otter Lake Landfill Closure Reserve	11,295,659	(7,512,261)	3,783,398
Landfill Closure & Post Closure Cost Reserve	13,301,267	(8,776,023)	4,525,244
Municipal Election Reserve			
Q313 Municipal Elections Reserves	1,663,942	(87,784)	1,576,158
Municipal Election Reserve	1,663,942	(87,784)	1,576,158
Debt Principal and Interest Repayment Reserve			
Q327 LED Street Light Conversion Reserve	3,920,357	(802,421)	3,117,936
Q331 Strategic Infrastructure Reserve	-	-	-
Debt Principal and Interest Repayment Reserve	3,920,357	(802,421)	3,117,936
Convention Centre Reserve			
Q326 Convention Centre Reserve	2,773,899	-	2,773,899
Convention Centre Reserve	2,773,899	-	2,773,899
Capital Fund Reserve			
Q101 Sale of Capital Assets Reserve (Sale of Land)	999,149	(7,912,342)	(6,913,193)
Q103 Capital Surplus Account Reserve	11,301,292	(6,162,595)	5,138,697
Q124 Upper Sackville Turf Capital Reserve	146,969	-	146,969
Q130 Capital Replacement Reserve	1,609,332	(21,348)	1,587,984
Q131 Energy and Underground Services Reserve	2,024,473	(1,711,206)	313,267
Q142 Waterfront Development Reserve	268,175	-	268,175
Q311 Cemetery Maintenance Reserve	148,606	-	148,606
Q321 Information & Communication Technologies (ICT) Reserve	238,489	(222,086)	16,403
Q329 Regional Parking Strategy & Urban Core Improvement Re	2,022,516	-	2,022,516
Capital Fund Reserve	18,759,001	(16,029,577)	2,729,424
Vehicle Reserve			
Q204 General Fleet Reserve	2,661,525	-	2,661,525
Q205 Police Vehicles & Equipment Reserve	702,897	-	702,897
Q206 Fire & Emergency Service Vehicle & Equipment Reserve	828,996	(51,790)	777,206
Vehicle Reserve	4,193,418	(51,790)	4,141,628

<b>Proposed Reserve Reallocations</b>			
<b>Reserve</b>	<b>Current Balance as of March 31, 2016</b>	<b>Pending Expenditures</b>	<b>Net Available Balance March 31, 2016</b>
Central Library Recapitalization Reserve			
Q140 Central Library Recapitalization Reserve	1,634,328	-	1,634,328
Central Library Recapitalization Reserve	1,634,328	-	1,634,328
Building Recapitalization and Replacement Reserve			
Q112 5594-96 Morris-Future Capital Expenditure Reserve	67,629	-	67,629
Q125 Metro Park Parkade Reserve	2,653,164	-	2,653,164
Q135 Alderney Gate Recapitalization/Leasehold Improvement R	821,296	(711,441)	109,855
Q319 Major Events Facilities Reserve	1,580,150	(4,019,284)	(2,439,134)
Building Recapitalization and Replacement Reserve	5,122,239	(4,730,725)	391,514
Multi-District Facilities Reserve			
Q141 BMO Centre Life Cycle Reserve	1,354,963	(79,114)	1,275,849
Multi-District Facilities Reserve	1,354,963	(79,114)	1,275,849
Transit Capital Reserve			
Q129 Ferry Replacement Capital Reserve	2,297,959	(1,489,614)	808,345
Q143 Bus Replacement Reserve	5,087,862	-	5,087,862
Q144 Metro Transit Technology Reserve	1,895,615	-	1,895,615
Transit Capital Reserve	9,281,436	(1,489,614)	7,791,822
Waste Facilities Construction Reserve			
Q123 Waste Resources Capital Reserve	11,820,052	(2,525,568)	9,294,484
Q137 Regional Capital Cost Charges Reserve	3,232,675	-	3,232,675
Waste Facilities Construction Reserve	15,052,727	(2,525,568)	12,527,159
<b>Total Obligation Reserves</b>	<b>77,057,577</b>	<b>(34,572,616)</b>	<b>42,484,961</b>

<b>Proposed Reserve Reallocations</b>			
<b>Reserve</b>	<b>Current Balance as of March 31, 2016</b>	<b>Pending Expenditures</b>	<b>Net Available Balance March 31, 2016</b>
<b>Opportunity Reserves</b>			
<b>Strategic Reserve</b>			
Q310 Service Improvement Reserve	3,310,146	(2,200,000)	1,110,146
Q330 Strategic Studies Reserve	2,794,698	(1,414,156)	1,380,542
Q126 Strategic Growth Reserve	37,773,190	(463,466)	37,309,724
Q146 Planned Strategic Projects Reserve	12,867,454	(8,441,914)	4,425,540
<b>Strategic Reserve</b>	<b>56,745,488</b>	<b>(12,519,536)</b>	<b>44,225,952</b>
<b>Parkland Development Reserve</b>			
Q107 Parkland Development Reserve	4,713,895	(1,230,342)	3,483,553
<b>Parkland Development Reserve</b>	<b>4,713,895</b>	<b>(1,230,342)</b>	<b>3,483,553</b>
<b>Business/Industrial Parkland Expansion Reserve</b>			
Q121 Business/Industrial Parks Expansion Reserve	21,119,158	(20,395,590)	723,568
<b>Business/Industrial Parkland Expansion Reserve</b>	<b>21,119,158</b>	<b>(20,395,590)</b>	<b>723,568</b>
<b>Community/ Events Reserve</b>			
Q127 HRM Sustainable Community Reserve	159,094	-	159,094
Q138 Community Facility Partnership Reserve	550,722	-	550,722
Q312 Culture Development Reserve	910,484	(1,185,217)	(274,733)
Q315 Marketing Levy Special Events Reserve	300,971	(82,550)	218,421
<b>Community Events Reserve</b>	<b>1,921,271</b>	<b>(1,267,767)</b>	<b>653,504</b>
<b>Gas Tax Reserve</b>			
Q134 Gas Tax Reserve	17,410,769	(13,326,097)	4,084,672
<b>Gas Tax Reserve</b>	<b>17,410,769</b>	<b>(13,326,097)</b>	<b>4,084,672</b>
<b>Total Opportunity Reserves</b>	<b>101,910,581</b>	<b>(48,739,332)</b>	<b>53,171,249</b>

<b>Proposed Reserve Reallocations</b>			
<b>Reserve</b>	<b>Current Balance as of March 31, 2016</b>	<b>Pending Expenditures</b>	<b>Net Available Balance March 31, 2016</b>
<b>Summary</b>			
Total Risk Reserves	17,697,627	(285,647)	17,411,980
Total Obligation Reserves	77,057,577	(34,572,616)	42,484,961
Total Opportunity Reserves	101,910,581	(48,739,332)	53,171,249
<b>Total Reserves</b>	<b>196,665,785</b>	<b>(83,597,595)</b>	<b>113,068,190</b>
<b>Reserves to be Transferred to Trusts</b>			
Q317 Titanic Commemorative Reserve	114,379	-	114,379
<b>Total Reserves to be Transferred to Trusts</b>	<b>114,379</b>	<b>-</b>	<b>114,379</b>
<b>Reserves to be Closed</b>			
Q139 Central Library Repayment Reserve	-	-	-
Q318 Central Library Capital Campaign and Development Reser	-	-	-
<b>Total Reserves to be Closed</b>	<b>-</b>	<b>-</b>	<b>-</b>

**ADMINISTRATIVE ORDER NUMBER 2014-015-ADM  
RESPECTING RESERVE FUNDING STRATEGIES**

**BE IT RESOLVED AS AN ADMINISTRATIVE ORDER** of the Council of the Halifax Regional Municipality under the authority of the *Halifax Regional Municipality Charter*, as follows:

**Short Title**

1. This Administrative Order may be known as the "*Financial Reserves Administrative Order*".

**Purposes**

2. The purposes of this *Administrative Order* are to:

- (a) assist in planning for the long-term financial health and stability of the Municipality;
- (b) assist in removing unstable and unpredictable tax rates;
- (c) integrate the Reserve Business Cases into the Business Planning and Long-term Operating and Capital Budgets;
- (d) ensure the Municipality has the ability to fund projects and events:
  - (i) that produce long-term efficiency gains,
  - (ii) that are strategic or require significant cost sharing between the Municipality and another person or level of government,
  - (iii) between budget approvals where there is sudden or unexpected business opportunity,
  - (iv) where future obligations can be reasonably foreseen, and
  - (v) where substantial risk to the Municipality may occur; and
- (e) reduce the current and future financial impacts to the taxpayer by minimizing significant budget fluctuations and reliance on debt financing by balancing the need for sufficient funds for unforeseen opportunities or obligations with the inefficient use of resources that could otherwise be used for current financial obligations or needs.

**Interpretation**

3. In this Administrative Order,

- (a) "Council" means the Council of the Municipality;

(b) "Municipality" means the Halifax Regional Municipality; and

(c) "Reserve" means accounts on the municipal balance sheet in which funds are held for a future use that is permitted under the *Halifax Regional Municipality Charter*.

### **Roles and Responsibilities**

4. Council shall consider,

(a) in respect of the annual Reserve Budget, whether to

(i) approve the Reserve Budget;

(ii) refuse to approve the Reserve Budget; or

(iii) approve the Reserve Budget, with any changes Council considers appropriate; and

(b) with respect to the Reserve Business Case, whether to .

(i) approve the Reserve Business Case;

(ii) refuse to approve the Reserve Business Cases; or

(iii) approve the Reserve Business Case, with any changes Council considers appropriate.

5. The Audit and Finance Standing Committee shall review and recommend to the Council for its consideration all impacts to the Reserves.

6. The Chief Administrative Officer may recommend to the Council that Reserve funds be expended.

7. The Director of Finance shall:

(a) review the active Reserves annually to ensure that funds are contributed and withdrawn according to the approved Reserve Business Case, relevant policies of the Municipality, and accounting policies;

(b) review each Reserve at set intervals to ensure continuing relevance and adequacy with the strategic direction of the Municipality;

(c) provide to the Council an annual report on Reserve activity and balances;  
and

(d) recommend to the Council the closure of any Reserves whose purpose is outdated or to combine any Reserves with similar purposes.

### **Establishing a Reserve**

8. The establishment of a Reserve shall require:

(a) a clear and specific purpose which captures the strategic goal and related success factors, and such purpose shall be set out in the Reserve Business Case;

(b) identifying the source of the funding for the Reserve and its relation to its stated purpose;

(c) identifying the risks and consequences of not establishing the Reserve;

(d) identifying a maximum and minimum balance which should be set to meet the purpose of the Reserve, and identified in the Reserve Business Case; and

(e) setting a start and end date for the Reserve based on its purpose, including any required conditions for renewal.

### **Types of Reserves**

9. (1) Council may only create Reserves for the following purposes:

(a) a contingency fund for opportunities;

(b) a contingency fund for risk; and

(c) a saving funds for future obligations.

(2) A contingency fund for opportunities recognizes that:

(a) not all expenditures are planned or anticipated; and

(b) an opportunity may arise to develop services or achieve efficiencies and that the Municipality must react rapidly or lose that opportunity, such as a sudden change in the economy or the introduction of cost shared programs from other levels of government or the private sector.

(3) A contingency fund for risk recognizes that:

(a) the financial risk of unforeseen events involving substantial costs, such as emergencies or economic events, and that a Reserve can mitigate this risk by providing funding for sufficient public safety or preventing service interruptions.

(b) a withdrawal from a contingency fund for risk must be quantifiable or subject to estimate based on assumptions.

(4) 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 may be associated with a strategic plan where the asset or project may not yet be specified, such as the purchase of land; and

(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.

#### **Administration of Reserves**

10. No Reserve shall have a negative balance.

11. (1) Staff shall not redesignate or transfer funds between Reserves for short-term needs unless approved by the Council.

(2) If Council approves an inter-reserve transfer or to redesignate funds pursuant to subsection (1) of this section, the resolution granting such approval shall prescribe the terms of repayment to a maximum of three (3) years to return the Reserve to its original purpose.

12. A Reserve may be funded by internal or external sources, providing that the source of the funds does not impose restrictions on the use of such funds that are contrary to the purpose of the Reserve.

#### **Amendments to Reserves**

13. (1) 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.

(2) 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.

#### **Corrections to Reserves**

14. Management of Reserve balances and correction of errors may be approved by the Director of Finance, within the parameters of Council's direction as set out in the approved Reserve Business Case.

#### **Repeal**

15. The Reserves Policy adopted by the Council on December 1, 1998 is repealed.

Done and passed this 28<sup>th</sup> day of October, 2014.

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Mayor

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Municipal Clerk

I, Cathy Mellett, Municipal Clerk of the Halifax Regional Municipality, hereby certify that the above noted Administrative Order was passed at a meeting of Halifax Regional Council held on October 28, 2014.

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Cathy Mellett, Municipal Clerk

Notice of Motion:  
Approval:

October 21, 2014  
October 28, 2014