



PO Box 1749  
Halifax, Nova Scotia  
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## Item No. 11.1.1

**Halifax Regional Council**  
**September 16, 2008**

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

A handwritten signature in black ink, appearing to read "Dan English", written over a horizontal line.

**SUBMITTED BY:**

Dan English, Chief Administrative Officer

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Geri Kaiser, Deputy Chief Administrative Officer

**DATE:** September 12, 2008

**SUBJECT:** New Policy for Advanced Funding of Capital Projects

### **ORIGIN**

This report originates from staff.

### **RECOMMENDATION**

It is recommended that Halifax Regional Council adopt new policy guidelines (Attachment A) for the advanced funding of capital projects. Projects meeting the requirements of the new policy would not have to come before Council for approval, while requests for advanced funding beyond the scope of the policy would require Council's approval.

## **BACKGROUND**

In recent years, staff has brought to Council an annual report each fall, listing capital projects that would benefit from advanced funding ahead of Council's approval, in the spring, of the annual budget for the new fiscal year. Advanced funding of selected projects is desirable in that it allows staff to ensure an earlier start on project implementation as it relates to design, land acquisitions (where required), utility and regulatory approvals, and other factors. For example, some vehicle purchases are multi year, and multimillion dollar contracts that can take more than 18 months to go through requisitioning, tendering, bidding, building and then on to final delivery. Advanced funding results in a more timely tendering of projects, more effective planning and real cost savings.

## **DISCUSSION**

The timing of the approval of HRM's Capital Budget - generally March/April, reduces staff's ability to take advantage of early year tendering of projects. Advanced capital funding approval allows HRM to:

1. take advantage of lower tendered prices from contractors which historically is the case with those projects tendered in the early period of the year. This results in financial savings.
2. take advantage of the full summer construction period to implement projects which are sensitive to time and weather, such as those of an environmental nature requiring the dry summer season of the year or those within school zone areas where implementation and completion become desirable during the summer school break.
3. tender projects which require a lengthy lead time to order equipment that will significantly delay the construction or implementation of services.

Staff's proposal for advanced funding approval of a portion of the following year's Capital Budget is similar to the practice that is in place with the Provincial level of government. Projects to be considered for this advanced approval are generally of a regular repair or rehabilitation nature. This includes projects that are:

- of a high priority nature based on existing infrastructure conditions;
- critical due to the timing and coordination with other capital projects; and,
- are of a seasonal nature making early construction advantageous.

Advanced funding requests for each budget category represent no more than 50% of the capacity funding approved in principle as part of the Capital Plan. This constraint recognises the need to maintain flexibility in the capital budgeting process to ensure Council priorities identified in the Council Focus Area discussions are addressed.

**Proposed Advanced Funding  
Approval for the 2008/09 Capital Budget  
Council Report**

**- 3 -**

**September 16, 2008**

Staff is looking to streamline the process by establishing policy guidelines that would allow for automatic approval of advanced funding for projects that fall within the guidelines while still requiring Council's approval for advanced funding of projects that don't meet the new policy criteria.

This change would free up staff time and eliminate one of the routine reports that Council is presented with each year. The normal public tendering process, followed with Council's or CAO's approval of the contract award, will still apply.

**BUDGET IMPLICATIONS**

All projects are funded through debt, capital from operating, or other broadly available funding sources. Funding and total amounts for each project may be adjusted as part of the proposed Capital Budget. Finance is limiting the amount of Advanced Capital to maintain some flexibility and capacity to address any realignment of the capital budget as a result of Council Focus Area discussions.

**FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN**

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Capital and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves, as well as any relevant legislation.

**ALTERNATIVE**


Continue with an annual report each fall requesting limited advanced capital funding for specified projects.

**ATTACHMENTS**

Advanced Capital Project Funding Policy - Attachment "A"

Additional copies of this report, and information on its status, can be obtained by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

Report Prepared by: Keith Macdonald, Budget Coordinator 490-4280

Report Approved by:   
Catherine Sanderson., Senior Manager, Financial Services 490-1562

## **Attachment “A”**

### **Advanced Capital Project Funding Policy**

All capital projects using Advanced Funding must meet the following criteria:

- , the project must be included in the proposed capital budget for the new fiscal year (Year 2 of the currently approved capital budget)
- , advanced funding for each project must not exceed 50% of the proposed capital budget for that project for the upcoming fiscal year
- , project manager must provide justification to business unit director for the need for advance funding
- , business unit director and capital steering committee must confirm that the project continues to be a part of the capital budget for the new fiscal year
- , approval for advanced funding cannot be given prior to October 1<sup>st</sup> (i.e. 6 months before the commencement of the new fiscal year)
- , no advanced capital requests can be approved after December 31<sup>st</sup>
- , the normal procurement process for contracts applies

Projects which have not been included in the previous year’s capital plan and any requests for additional funding beyond the limits established above, must be approved by Council.