



PO Box 1749  
Halifax, Nova Scotia  
B3J 3A5 Canada

## Item No. 11.1.2

**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".

**SUBMITTED BY:**

\_\_\_\_\_  
Dan English, Chief Administrative Officer

A handwritten signature in black ink, appearing to read "G. Kaiser".

\_\_\_\_\_  
Geri Kaiser, Deputy Chief Administrative Officer - Corporate Services  
and Strategy

**DATE:** July 18, 2008

**SUBJECT:** Major Events Facilities Reserve - Q319

### ORIGIN

Availability of surplus from Metro Centre operations.

### RECOMMENDATION

It is recommended that:

1. The Business Case for the Major Events Facilities Reserve (Q319) be revised to permit the funding of major repairs, maintenance, renovations and upgrades to the Metro Centre;
2. Funding to the Reserve for this purpose be provided from the annual surplus from the operations of the Metro Centre;
3. The funds from the Metro Centre be segregated and accounted for separately from other funds in the reserve. Funding from the Metro Centre will be used only for the Metro Centre, and funding in the Reserve from other sources will not be used for the Metro Centre; and
4. Interest credited to the Reserve will be prorated between funds from the Metro Centre and funds from other sources.

## **BACKGROUND**

The tripartite agreement between the three levels of government dated May 14, 1982 states under Section 4 that “Upon the execution of this Agreement Metro Centre shall be managed and operated by Trade Centre and the City shall continue to finance the operation of Metro Centre, and all profits from the Metro Centre shall accrue to the account of the City.”

On March 28, 2000, Regional Council approved a temporary borrowing resolution for \$2.5 million for the construction of sky boxes at the Metro Centre. Council approved an additional \$1.0 million for this project on November 28, 2000 following the discovery of several deficiencies during construction which required remediation to ensure the building satisfied code and safety requirements. On June 18, 2002, Regional Council approved a capital project in the amount of \$2 million for a new centre ice clock and scoreboard for the Metro Centre.

Approximately \$1.9 million is still owing from Metro Centre operating surplus to retire the debt incurred to fund these projects. To March 31, 2008, approximately \$1.74 million in surplus was available for this purpose, leaving only \$160,000 in debt to be carried forward to 2008/09. For 2008/09, the Metro Centre is budgeting for a surplus of about \$900,000 after this final debt payment. With the debt retired, substantial capacity will be available within the Metro Centre operating budget this year and in future years. As a result, a decision is required from Council as to how to utilize the substantial surplus which is now accruing to HRM.

## **DISCUSSION**

The Metro Centre was first opened in February 1978. Because of the facility’s age, improvements in construction technology, and the changing expectations of the public, capital maintenance and upgrades are constantly required. Metro Centre management have developed a prioritized list of capital deficiencies and upgrades which require addressing over a period of several years. Metro Centre management are proposing \$2.4 million in capital projects over the next four years, with another \$23.5 million in future years. Because the Metro Centre is a centrepiece of HRM with very significant economic and cultural spinoffs for the Region as a whole, it is Staff’s opinion that the surplus from operations should be re-invested in the facility to ensure it’s longevity and relevance well into the future.

Capital improvements funded on a “pay-as-you-go” basis rather than borrowing are obviously desirable given the significant potential savings in debt servicing costs and should be encouraged wherever practical. As outlined in the Background section, the retirement of the Metro Centre’s capital debt has created substantial capacity for the Centre’s management to do this. A reserve is the most appropriate mechanism to accumulate the operating surplus accruing to HRM because it would permit the prioritization and timing of capital projects based on cash flows from the Metro Centre. The Reserve is also credited with interest. The revised business case attached to this report also includes a cash flow analysis for the segregated funds from the Metro Centre for the next 7 years. It is not intended that the Reserve be used to fund regular on-going maintenance which is normally

charged to the operating budget for the Metro Centre. HRM Staff will meet with Metro Centre management at least annually to review multi-year capital priorities and determine the timing of projects based on funding available from the Reserve. As much as possible, requests for funding from the Reserve will be directed through the annual Capital Budget process. Metro Centre management cannot undertake any capital expenditure requiring funding from the Reserve without written authorization from HRM.

Following are the details of the changes to the Business Case:

- C To the “Purpose” section is added the following sentence: “This Reserve will also allow HRM to re-invest the operating surplus from the Metro Centre back into that facility for capital improvements to ensure it’s longevity and utility to the public.”
- C To the “Source of Funds” section is added the following: “Funding will be provided annually from the operating surplus of the Metro Centre. The tripartite agreement between the three levels of government dated May 14, 1982 states under Section 4 that “all profits from the Metro Centre shall accrue to the account of the City.” Funds from the Metro Centre will be segregated and accounted for separately from other funds in the reserve.”
- C To the “Application of Funds” section is added the following: “With respect to the Metro Centre, the funds will be used to (1) preserve and maintain the structure and systems of the building, and (2) upgrade and improve the facility to meet evolving expectations and requirements, and to take advantage of efficiencies from improved building technologies.”

### **BUDGET IMPLICATIONS**

In the past, surplus from the Metro Centre has been small if there was any at all, and was retained by the Metro Centre to be carried forward to the following fiscal year. Although the recommendation in this report will increase the gross Capital and Reserve budgets, these increases will be offset by surplus received from the Metro Centre. There will be no affect on the Operating Budget of HRM,

### **FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN**

This report complies with the Municipality’s Multi-Year Financial Strategy, the approved Operating budget, policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves, as well as any relevant legislation. It does result in changes to the approved Capital and Reserve budgets. The extent of these changes will be brought forward to Council when approval is sought for various projects to be funded from the Reserve.

## **ALTERNATIVES**

Council could direct that part or all of the surplus from the Metro Centre be allocated to other HRM corporate priorities. This is not recommended as it may jeopardize the ongoing longevity and viability of the Metro Centre.

## **ATTACHMENTS**

Revised Business Case for Major Events Facilities Reserve - Q319 with cash flow projections

A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/cagenda.html> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

Report Prepared by: Gordon Roussel, Financial Consultant, 490-6468

Financial Approval by:



\_\_\_\_\_  
Catherine Sanderson, Senior Manager, Financial Services, 490-1562

# Reserves Business Case

Halifax Regional Municipality • Corporate Services • Finance Division • 490-4446 • Fax: 490-4175

**Original Date:** June 28, 2005  
**Revision Date:** September 16, 2008  
**Contact:** Dan English, Deputy CAO

## Major Events Facilities Reserve -Q319 - Revised

### Purpose

To provide a funding source for the development of major cultural and public event facilities. This Reserve will be classified as an operating Reserve. This Reserve will also allow HRM to re-invest the operating surplus from the Metro Centre back into that facility for capital improvements to ensure it's longevity and utility to the public.

### Source of Funds

#### MUNICIPAL:

- C The initial deposit to the reserve will be the remaining \$420,000 which was approved as a withdrawal from Fiscal Services in the 05/06 Operating Budget. Although \$500,000 was budgeted, \$80,000 has been expended, consistent with the budget and the intent of the funds, directly from Fiscal Services, to accommodate a feasibility study relating to Major Facilities.

#### CORPORATE:

- C The funds generated by 0.5% of the marketing levy rate (2% of each room sold at eligible properties) will be collected and transferred to the Reserve annually.

#### METRO CENTRE:

- C Funding will be provided annually from the operating surplus of the Metro Centre. The tripartite agreement between the three levels of government dated May 14, 1982 states under Section 4 that "all profits from the Metro Centre shall accrue to the account of the City." Funds from the Metro Centre will be segregated and accounted for separately from other funds in the reserve.

Interest will be paid to the Reserve in accordance with the HRM Reserve Policy.

### **Application of Funds**

To provide a funding source for the development of major cultural and public event facilities. This would include facility specific work relating to research, feasibility studies, consulting, design and construction of Major Events Facilities. This Reserve may be used as a source of HRM's partnering, or leverage funds for larger projects.

With respect to the Metro Centre, the funds will be used to (1) preserve and maintain the structure and systems of the building, and (2) upgrade and improve the facility to meet evolving expectations and requirements, and to take advantage of efficiencies from improved building technologies.

### **Time Line**

The Major Facilities Reserve is intended to be ongoing with annual review.

### **Approval Process**

All requests for funds must be initiated by the Deputy Chief Administrative Officer. In accordance with the Reserves Policy, confirmation will be made by the Director of Finance as to compliance with the Reserve Business Case and availability of funds prior to going to Council for authorization.

### **Attachments**

- Cash Flow Projection showing projection of annual contributions, withdrawals and balances is attached.

### **Approval**

---

**CAO**

**Major Events Facilities Reserve - Q319**  
**Segregated Funds from the Metro Centre**  
**Proposed Source and Application of Funds**  
**Beginning in Fiscal Year 2008/09**

	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
Opening Balance	0	550,000	136,500	705,595	1,116,763	1,599,266	1,547,244
Contribution	900,000	800,000	800,000	800,000	800,000	800,000	800,000
Withdrawals	-350,000	-1,230,000	-235,000	-410,000	-351,000	-900,000	-2,235,000
Interest Earned (Note 1)	0	16,500	4,095	21,168	33,503	47,978	46,417
Closing Balance	550,000	136,500	705,595	1,116,763	1,599,266	1,547,244	158,661

**Notes:**

1. Based on interest rate of: 3.00%