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Item No. 8.1

Halifax Regional Council
February 3, 2009
February 10, 2009

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 "Wayne Anstey".

Wayne Anstey, Deputy Chief Administrative Officer - Operations

DATE: October 14, 2008

SUBJECT: Weir Artificial Turf Facility - Request to Change User Contribution

ORIGIN

Springfield Lake Recreation Association, Councillor for District 19, and staff

RECOMMENDATION

It is recommended that the Business Case for the Upper Sackville Turf Capital Reserve (Q124) be amended effective 2008/09 to permit revenues collected for the use of the Weir Artificial Turf Facility to be allocated 50% for operating costs, and 50% to the Reserve.

BACKGROUND

The Weir Artificial Turf Facility opened in the spring of 2000, becoming the first “field turf” built in the Atlantic provinces. The cost of building the facility was financed through funds from the Landfill Compensation Fund at a cost of approximately \$1,000,000.

Since its opening, the Facility has been used extensively; being booked on a regular basis with over 1,000 hours of use per year. The Facility generates approximately \$40,000 a year in user fees with over \$250,000 being allocated to the Reserve Fund over a nine (9) year period.

Halifax Regional Council approved a motion in June 2003, to set up the Upper Sackville Turf Capital Reserve Fund, which directed the Springfield Lake Recreation Association (manager of the facility) to contribute 75% of user fees to the Fund. The other 25% of user fees goes towards operating expenses for the field.

The purpose of the Reserve Fund was primarily intended to provide some funding for the replacement or upgrading of the artificial surface on the Weir property. Funds from this Reserve shall also be available to either fully pay or offset the replacement or upgrading of amenities of the artificial surfaces (ie: lighting, bleachers and parking lot).

DISCUSSION

Operating costs have escalated over the last nine (9) years. With the additional maintenance costs and the need to ensure the integrity of the Facility, Springfield Lake Recreation Association has been faced with financial challenges. It is anticipated that the life cycle expectancy of the field is another three (3) years. The Facility will then need to be resurfaced at an estimated cost of \$600,000. At that time, it is anticipated that there will be approximately \$330,000 in the Reserve Account.

To ensure the integrity of the Facility for the next three (3) years, it is imperative that approximately \$20,000 per year be spent on maintenance of the Facility.

With the present Reserve Business Case, the Facility will generate only \$10,000 annually for operating costs, and \$30,000 for the Reserve Account. The market value for Field Turf Facilities rental is currently \$40.00 per hour.

A change in the percentage for operating costs from 25% to 50% will enable the Association to meet operating costs. It should be noted that this Facility is the only facility currently contributing to a reserve fund.

BUDGET IMPLICATIONS

Reduction in reserve contributions of approximately \$10,000 per year. There would also be an increased requirement for debt funding when the field is resurfaced equal to approximately \$10,000 per year times the number of years from 2008/09 to the year in which the debenture is issued.

FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating and Capital budgets, policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves, as well as any relevant legislation. However, the approved Reserve budget would be changed if the Recommendation is approved since the budgeted contribution to Reserve Q124 would be reduced by \$10,000 annually.

ALTERNATIVES

The alternative would be to leave the annual reserve percentage as is. This is not the recommended course of action because of the rise in operating maintenance and the need to redirect more funds to normal maintenance. Reduced maintenance could result in an earlier replacement need ahead of schedule.

ATTACHMENTS

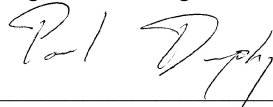
Appendix A: Revised Business Case for Upper Sackville Turf Capital Reserve (Q124)

Appendix B: Revised Cash Flow Schedule for Upper Sackville Turf Capital Reserve (Q124)

If the report is released to the public, a copy can be obtained by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.


Report Prepared by: Doug Rafuse, Manager, Service Delivery, 490-6205

Report Approved by:



Paul Dunphy, Director, Community Development

Financial Approval by:



Cathie O'Toole, Director of Finance, 490-6308

Reserves Business Case

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

Revision Date: January 20, 2009
Contact: Director, Community Development

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 Finance and requests for withdrawals coming from the Director of Community Development.

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 Community Development 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

Upper Sackville Turf Capital Reserve - Q124
Schedule 1: Source and Application of Funds
Beginning in Fiscal Year 2007/08

	Actual 2007/08	Projected 2008/09	← 2009/10	Proposed 2010/11	→ 2011/12
Opening Balance	170,836	238,134	237,401	268,084	300,148
Contribution (Note 1)	64,323	20,000	20,000	20,000	20,000
Withdrawals (Note 2)	-6,029	-31,449	0	0	0
Interest Earned (Note 3)	9,004	10,716	10,683	12,064	13,507
Closing Balance	238,134	237,401	268,084	300,148	333,655

Notes:

1. The \$64,323 contribution includes both 2006/07 and 2007/08. If approved, starting in 2008/09 the annual contribution to the Reserve would be reduced to \$20,000

2. Details of the reserve withdrawals are as follows:

Protective netting	16,176
Fencing	4,093
Lighting upgrades	1,838
Paving of Gravel area /grooming of field	15,371
	<u>37,478</u>

3. Interest Earned in 2009/10 and future years is based on 4.5% of the Opening Balance