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Item No. 10.1.7
Halifax Regional Council
August 3, 2010

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY: Original Signed by 
Wayne Anstey, Acting Chief Administrative Officer

Original Signed by 
Mike Labrecque, Deputy Chief Administrative Officer

DATE: July 16, 2010

SUBJECT: Four Pad Arena Funding

ORIGIN

Project Budget 2010/11

Regional Council Report Contract Award RFP # 08-134 Four Pad Arena Project

RECOMMENDATION

It is recommended that Halifax Regional Council approve:

- 1) an increase to the gross budget of CBX01144 Four Pad Arena by \$400,000 to recognize grant funding from the Green Municipal Fund (GMF).
- 2) an increase of \$3.51M to Project No. CBX01144 Four Pad Arena with funding identified as an unscheduled reserve withdrawal from account Q126 (Strategic Growth) in the amount of \$1.51M and a transfer from Project No. CBW00978 - Central Library, funded by Q126 as well, in the amount of \$2M.
- 3) a repayment to reserve Q126 - Strategic Growth, in the amount of \$1.51M in the 2011/12 Project Budget.
- 4) a repayment to Project No. CBW00978 - Central Library, in the amount of \$2M in the 2011/12 Project Budget.

BACKGROUND

The Bedford Four Pad Arena Project was approved by Council in April 2008, when staff were instructed to prepare an RFP and \$5 million was set aside in the 2008/09 Project Budget. In January 2009, the project was estimated to cost \$38 million.

In May 2009, Council approved a budget for the arena of \$41.28 million, including land costs. This was based on anticipation of receiving \$21 million in funding from senior levels of government. Also in May 2009, the 2009/10 project budget was approved and included a project budget for the arena based on the original \$38 million.

In November 2009, Council agreed to move forward with the project using debt to fund the arena in the absence of funding from the Infrastructure Stimulus Program, based on a budget of \$38 million. The 2010/11 project budget was subsequently approved but continued to reflect the original estimate of \$38 million for the arena.

The four pad arena is currently under construction and is estimated to be completed in September, 2010.

DISCUSSION

Although Regional Council approved the budget for the arena and the purchase of the land, sufficient funds to complete the project in accordance with the Council report were never fully identified in the Project Budget. As stated in the Background section of this report, Council approved a budget for the project of \$41.28 million including land costs. However, the Project Budget only identifies a total budget of \$38M over the three fiscal years 2008/09, 2009/10 and 2010/11.

This oversight occurred partly because the budget spans three fiscal years and was never fully stated in any one budget year, and partly because the budget for the project was approved in advance of the supporting funding. In this case, it also resulted partially from delays in receiving confirmation of stimulus funding application for this project. Staff were still optimistic that some funding from other levels of government would be available and did not want to prematurely commit debt funds to this project and eliminate the possibility of funding from other levels of government. As a result, some of the funding checks and balances that normally come into play for project work were missed, allowing this human error to go undetected until this time. This is a very unusual circumstance and, in part, a product of the very unusual and widespread implications of HRM's budget accommodations for the various stimulus funds. There is no reason to suspect this will occur again.

The purpose of this report is to correctly align the Project Budget with the budget for the project that was approved by Council.

In 2010, HRM staff applied for and received a grant in the amount of \$400,000 from the Green Municipal Fund. In addition, there are approximately \$628,528 in unforeseen costs on the project, for a net impact of \$228,528 to the project. The approval of the recommendation included with this report will also authorize acceptance of the grant.

The approved 2010/11 Project Budget included \$10M in funding for the Central Library project. Due to the extensive community consultation in the summer and fall of 2010, funds will not be expended as rapidly as anticipated in the Project Budget. Therefore, there is capacity to move \$2M of funds without jeopardizing the execution of the Central Library project. The funding portion of the \$2M is from Q126, and therefore, reusing these funds for the 4Pad Arena, qualify for this use.

The reserve will be repaid in 2011/12 through a reduction in capital capacity as well as the repayment/reinstatement of the library project. This will reduce the project budget for buildings in 2011/12 by \$1.51 million.

BUDGET IMPLICATIONS

<u>Budget Summary: CBX01144 -Four Pad Arena</u>	
Original Budget	\$ 38,000,000
Add: GMF Grant	\$ 400,000
Add: Q126 - Strategic Growth Reserve	\$ 1,510,000
Add: Q126 funding due to reduction in acct CBW00978 - Central Library	<u>\$ 2,000,000</u>
Balance	\$ 41,910,000
 <u>Budget Summary: CBW00978 - Central Library</u>	
Less: reduction in acct due to transfer to project CBX01144	<u>(\$2,000,000)</u>
Balance	\$48,686,112
 <u>Q126 - Strategic Growth Reserve:</u>	
Projected 3/31/11 balance	\$ 3,194,232
<u>Less: funding for project CBX01144</u>	<u>(\$1,510,000)</u>
Balance	\$ 1,684,232

FINANCIAL MANAGEMENT POLICIES/BUSINESS PLAN

This report does not comply with the Municipality's Multi-Year Financial Strategy, because it is pre-committing funds from the 2011/12 Project Budget which is not yet approved. If recommendations are approved, this will increase the 2010/11 Gross Project Budget, but not the net budget. As well withdrawals from Reserves will increase.

COMMUNITY ENGAGEMENT

Over the past few years, HRM staff have identified through community consultation the need of additional ice surfaces. This situation became worse with the closure of the Akerley Arena. This has resulted in the development of a short term strategy to construct a new four pad arena. User groups were invited to provide input both at the needs assessment and design development stages of the project.

ALTERNATIVES

Council could decide not to approve the recommendation of this report, however, this is not recommended as it would put at risk the completion of the project, which has been identified as a high priority through the community engagement process.

Council could approve the required additional funding of \$3.51 million from Q126, Strategic Growth, in the amount of \$3,000,000 and the remaining \$510,000 could be withdrawn from Q103, Capital Surplus Reserve. There are funds available in both these reserves, and the withdrawal will not impact the library project account. The reserves would still be repaid during the 2011/12 budget as a contribution to reserves, due to the reduced 11/12 building budget.

ATTACHMENTS

None

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.

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