



PO Box 1749  
Halifax, Nova Scotia  
B3J 3A5 Canada

9.1.22

**Halifax Regional Council**  
**June 13, 2006**

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

**SUBMITTED BY:**

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

\_\_\_\_\_  
Geri Kaiser, Deputy Chief Administrative Officer

**DATE:** June 2, 2006

**SUBJECT:** Reserves Business Cases and Transfers - 2005/06

**ORIGIN**

Finalization of year end results for the fiscal year ended March 31, 2006.

**RECOMMENDATION**

It is recommended that :

1. Council approve the Reserve Business Cases and 2005/06 budgets as per the attachments to this report for the following reserves:  
Q321 Information and Communication Technologies  
Q130 Capital Replacement Reserve  
Q107 Parkland Development Reserve  
Q306 Self Insurance Reserve

2. Council approve the following Reserves contributions for 2005/06:
  - Q103 Capital Surplus Account - \$3,141,868 - To reduce required debt funding in 2006/07.
  - Q120 Otter Lake Landfill Closure - \$700,000
  - Q315 Special Events Reserve - \$62,500
  - Q101 Sale of Capital Assets (Sale of Land) - \$1,200,000
  - Q130 Capital Replacement - \$115,000
3. Council approve a withdrawal of \$260,773 from Q309 Snow & Ice Control Reserve to reflect actual costs in 2005/06.

## **BACKGROUND**

Reserves have long been used by HRM and its predecessor units to assist in planning, saving and smoothing of expenditures. In December 1998, Council approved the Reserves Policy as part of the Multi-Year Financial Strategy whereby “each Reserve will have a specific Business Case developed by the appropriate Director in conjunction with the Director of Financial Services” and that “reserve funding is incorporated into a financial plan as an integral part of the operating and capital budgets.”

## **DISCUSSION**

### **Reserves recommended:**

The Information and Communication Technologies (ICT) Reserve is being created to provide a mechanism to capture savings generated by information or communication technology systems improvements and upgrades, with funds to be used to support future maintenance, upgrade, and replacement requirements of information or communication systems. In addition, 50% of the annual budget in Fiscal Services M322 for transfer to the Capital Replacement Reserve Q130 will be redirected to the ICT Reserve. The Capital Replacement Reserve Business Case has been revised to reflect the change in future funding.

The Parkland Development Reserve and Self-Insurance Reserve have been in place for a number of years, however have been operating within the guidelines of draft business cases. The business cases are now being brought forward for final approval.

### **Recommended Reserves Contributions:**

The following reserves have specific sources of funding which do not normally include contributions from annual general operating surpluses. It is recommended that these reserves receive contributed funds from the 2005/06 operating surplus as listed below, to be used primarily for budgeted items

in the 2006/07 fiscal year.

Q103 Capital Surplus Account - \$3,141,000 - Contribution will be used to fund the capital budget, allowing for the elimination of 2006/07 proposed debt that is outside of the Debt Strategy;

Q120 Otter Lake Landfill Closure - \$700,000 - This additional contribution to the reserve supports HRM in moving towards compliance with provincial legislation for the funding of the Otter Lake Landfill Closure;

Q315 Special Events Reserve - \$62,500 - This contribution will allow support for various community events.

Q101 Sale of Capital Assets (Sale of Land) - \$1,200,000- This contribution will be used to support the purchase of the building in Musquodoboit Harbour and for the District 2 Fire Station; and

Q130 Capital Replacement - \$115,000 - This contribution will be used to fund SAP HR Phase 2 as per the amended proposed Capital Budget provided to Regional Council on May 30, 2006.

### **Recommended Reserve Withdrawal:**

#### **Q309 Snow & Ice Control Reserve**

This reserve is to provide funding for costs associated with snow and ice control which are beyond that provided in the annual operating budget. The balance should not exceed 25% of the average of the most recent five fiscal years of actual snow and ice costs and should not drop below 10% of the same average. Based on these parameters, the current reserve minimum and maximum are \$1,400,000 and \$3,500,000 respectively. Prior to the withdrawal recommended in this report, the reserve balance is \$ 1.7 million.

Snow and Ice Control costs for 2005/06 were in excess of budget in the amount of \$318,000 and in accordance with the reserve business case, a withdrawal of \$260,000 is recommended.

### **BUDGET IMPLICATIONS**

There are no budget implications in relation to the new reserve business cases. The withdrawal from the Snow & Ice Control reserve is in accordance with the reserve purposes and provides for the funding of actual operating expenditures incurred during 2005/06.

### **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.

**ALTERNATIVES**


There are no recommended alternatives.

**ATTACHMENTS**

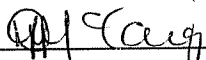
Q321 Information and Communication Technologies Reserve Business Case  
Q130 Capital Replacement Reserve Business Case  
Q107 Parkland Development Reserve Business Case  
Q306 Self Insurance Reserve Business Case

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:

  
Anna (Emeno) Marchand, CMA, Operations Manager, Accounting - 490-7222

Financial Review:

  
Debbi McCaig, CMA, Acting Manager, Budget & Financial Analysis - 490-7203

Report Approved by:

  
Cathie O'Toole, CGA, A/Director of Finance 490-6308

# Reserves Business Case

---

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

**Date:** May 1, 2006

**Contact:** Director Business Planning and Information Management

## **Information & Communication Technologies (ICT) Reserve (Q321)**

### **Purpose**

To provide a mechanism to capture savings generated by information or communication technology systems improvements and upgrades. Funds will be used to support future maintenance, upgrade, and replacement requirements of information or communication systems.

### **Source of Funds**

The ICT Reserve will be funded through an initial transfer of 50% of the projected March 31, 2006 balance in the Capital Replacement Reserve Q130 and an annual transfer of \$500,000 from M322 (50% of the annual transfer budgeted for Q130 Capital Replacement Reserve). Additional funds generated through occasional or predictable cost savings through the use of technology and through current ICT expenditures efficiencies will be transferred to the reserve at the end of each fiscal year. Potential cost savings are identified as:

#### 1. Radio System Maintenance Savings

HRM is changing its approach to maintaining radio equipment. Fixed-cost maintenance agreements that provide a predictable expenditure do not provide adequate value. HRM has implemented an incident-based approach to maintaining most radio equipment and is paying for repairs as required.

Dependent on the number of maintenance incidents in a fiscal year, there is the potential for annual savings in all emergency and non-emergency Business Units. A review completed by the

Radio system savings shall also encompass the sale of obsolete equipment.

## 2. Voice Radio and Wireless Data Airtime Savings

HRM incurs airtime expenditures for voice radio and wireless data. The current level of airtime budget should be maintained. A review completed by the Manager of Telecommunications and the Finance Department will determine the annual savings derived from reductions in airtime costs due to fewer units or lowered rates. These savings will be transferred to the ICT Reserve at the end of each fiscal year.

## 3. Telephony Savings

HRM is auditing all telephone charges. These charges include: long distance, telephone set leases, Centrex rates, administrative errors, dedicated circuits, and discontinued services.

All one time operating savings will be directed to the ICT Reserve. In addition, a portion of on-going operating savings will be transferred to the ICT Reserve at the end of each fiscal year.

## 4. IT Equipment Operating Savings

Any future savings derived from reduced IT equipment operating cost be contributed to the ICT reserve. A review completed by the Manager of Telecommunications and the Finance Department will determine the annual savings to be transferred to the ICT Reserve at the end of each fiscal year.

### **Application of Funds**

The funds from the ICT Reserves would be used for the following purposes:

- 1) Future Information and Communications Technology infrastructure projects that are consistent with HRM's ICT strategies. ICT infrastructure projects encompass enterprise data networks, radio, wireless broadband, telephone, and fibre optic cable. Priority would be given to projects that reduce current operating costs;
- 2) Radio maintenance expenditures that exceed annual budgetary allocations;
- 3) Radio user equipment replacement programs;
- 4) Occasional specialized services intended to optimize system configurations and minimize operating costs, such as network, telecommunications or billing consultants (excluding software application development consultants).

Exclusions - New equipment expenditures due to expanded requirements; enterprise software applications

### **Time Line**

Ongoing with annual review.

### **Approval Process**

Expenditures will be initiated by IT Managers or Telecommunications Managers with approvals granted by the Director of Business Planning and Information Management and the Executive Management Team. Finance will confirm availability of funds prior to going to Council for authorization in accordance with the Reserve Policy.

### **Attachments**

Detailed budget showing projection of annual contributions, withdrawals and balances is attached.

### **Approval**

---

**CAO**

# ICT Operating Reserve

← Proposed →

## Cash Flow Projection

### Opening Balance

	05/06	06/07	07/08	08/09	09/10	10/11
Interest *	0	54,490	85,535	100,428	109,018	115,284
Transfers from Operating:**						
Transfer from Q130	1,556,859					
Annual Transfer from Fiscal	0	500,000	500,000	500,000	500,000	500,000
Radio System Maintenance:						
TMR Unit Maintenance(emergency)	0	100,000	60,000	50,000	40,000	30,000
TMR Unit Maintenance(non-emergency)	0	40,000	30,000	20,000	10,000	
Vehicle Repeater Maintenance	0	20,000	15,000	15,000	15,000	15,000
Sale of Surplus Equipment	0	17,500	0	0	0	0
Voice Radio and Wireless Data Airtime:						
TMR Airtime Savings	0	65,000	55,000	55,000		
Police Mobile Data	0					40,000
Telephony:						
Cellular Contract Savings	0	40,000				
Telephone Services	0	70,000				
IT Equipment Operations:						
IT Equipment	0	80,000	180,000	5,000	5,000	5,000
Transfers to Operating ***	0	-100,000	-500,000	-500,000	-500,000	-3,500,000
<b>Closing Balance</b>	<b>1,556,859</b>	<b>2443,849</b>	<b>2,869,384</b>	<b>3,114,812</b>	<b>3,293,831</b>	<b>499,115</b>

\* Interest rate assumed to be 3.5%

\*\*Transfers from operating have been estimated

\*\*\* Transfers to Operating costs are estimates only at this time.

Initial funding is a transfer of 50% of the projected March 31, 2006 balance in the Capital Replacement Reserve



# Reserves Business Case

---

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

**Date:** May 1, 2006  
**Contact:** Director of Finance

## **Capital Replacement Reserve - Q130**

### **Purpose**

To create an internal fund to support the replacement of HRM assets. The timing of replacing most assets can be reasonably estimated based on past experience or industry standards. With reasonable planning it is possible to plan for setting aside funding to partially or fully cover the cost of replacement.

### **Source of Funds**

The Capital Replacement Reserve will be funded through an annual transfer of \$500,000 from Fiscal Services cost centre M322. \$1,000,000 was transferred in the 2005/06 Approved Budget.

### **Application of Funds**

The intent of the reserve is to fund the replacement of existing capital assets which have reached the end of their useful life. Priority will be given to projects that support the legislated mandate of the municipality and to projects that reduce current operating costs.

Several reserves have been created in previous fiscal years to support the replacement of specific capital assets. A detailed list of these reserves is included in Attachment 1. Any capital asset supported by these reserves should be funded from the specific intent reserve before projects will be considered for funding from the Capital Replacement Reserve.

### **Time Line**

Ongoing with annual review.

### **Approval Process**

Staff will recommend the capital projects to be funded from the reserve as part of the proposed annual capital budget. Council will approve the recommendation or an alternative to the recommendation as part of the approval of the annual capital budget.

### **Attachments**

Attachment 1: List of asset specific replacement reserves

Attachment 2: Detailed budget showing projection of annual contributions, withdrawals and balances.

### **Approval**

---

**CAO**

## **Attachment 1**

As of April 7, 2006 the following reserves have been approved by Regional Council or are under consideration by Regional Council:

Q204	General Fleet
Q205	Police Fleet
Q206	Fire Fleet
Q101	Sale of Capital Assets (Sale of Land)
Q105	Environmental Control
Q106	Wastewater/Stormwater Management
Q117	Sludge Tipping Fees
Q121	Business/Industrial Parks Expansion
Q104	Sewer Redevelopment
Q122	Water Treatment Plants Infrastructure
Q124	Upper Sackville Turf
Q125	Metro Park Parkade
Q128	Rural Fire
Q125	Ferry Replacement
Q321	Information and Communications Technology

# **Capital Replacement Reserve - Q130** **Source and Application of Funds Beginning in Fiscal Year 2005/06**

	Actual	←	→	Proposed	→
	2005/06	2006/07	2007/08	2008/09	2009/10
Opening Balance	2,037,196	1,556,859	2,111,349	2,685,246	3,279,230
Proceeds from Disposals	0	0	0	0	0
Contribution	1,000,000	500,000	500,000	500,000	500,000
Withdrawals	-1,556,859				
Interest Earned *	76,522	54,490	73,897	93,984	114,773
Closing Balance	1,556,859	2,111,349	2,685,246	3,279,230	3,894,003

\* Interest rate assumption: 3.50%  
 Withdrawal is a transfer to the Information and Communications Technology Reserve  
 Projections will be updated quarterly.

# Reserves Business Case

---

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

**Date:** June 7, 2006  
**Contact:** Director, Community, Culture & Economic Development

## Parkland Development Q-107

### Purpose

This Reserve is governed by the Municipal Government Act (MGA). Cash in lieu of parkland dedication through the development and sub division process must be placed in a Capital Reserve and is governed by the requirements of the MGA with respect to its application.

### Source of Funds

On approval of a subdivision development, the developer is required to set aside at least 5% of the assessed value of the lots for parkland. This is proposed to increase to 10% subject to approval and implementation of the Regional Plan. If land is not set aside the developer may pay cash in lieu equivalent to the same value.

Where Council determines that any land transferred pursuant to the above is no longer needed for parks, playgrounds or similar public purposes, Council may sell the land after notification to the lot owners in the sub division and the proceeds shall be used for parks, playgrounds and similar public purposes.

This reserve shall also receive interest in accordance with the Reserve Policy.

### Application of Funds

It is Council's intention that the reserve be used for the acquisition and/or development of parkland, park and active recreation facilities, buildings and similar fixed assets.

### Time Line

Ongoing with annual review.

### **Approval Process**

All requests for funding from the Parkland Development Reserve must be initiated by Community, Culture & Economic Development, who will work closely with Transportation and Public Works to identify and prioritize projects. Confirmation will be made by Financial Services as to compliance with the Reserve Business Case and availability of funds prior to going to Council for authorization through the annual Business Planning and Budgeting Process. Any withdrawals of funds after budget approval, must have the approval of the Director of Finance and EMT prior to submitting to Council for approval.

### **Attachments**

Projected annual contributions, withdrawals and balances for a 3 year period.

### **Approval**

---

**CAO**

**Parkland Development Reserve  
Source and Application of Funds  
Beginning in Fiscal Year 2005/06**

	Approved 05/06	Proposed 06/07	07/08	08/09
Opening Balance	\$600,001	\$577,556	\$615,530	\$653,504
Contribution	\$275,000	\$300,000	\$300,000	\$300,000
Withdrawals	\$335,419	\$300,000	\$300,000	\$300,000
Interest Earned	\$37,974	\$ 37,974	\$ 37,974	\$ 37,974
Closing Balance	\$577,556	\$615,530	\$653,504	\$691,478

# Reserves Business Case

---

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

**Date:** June 7, 2006  
**Contact:** Director, Finance

## Self-Insurance Reserve (Q306)

### Purpose

To provide funds for settlement of insured risks to HRM and to reduce the expenses associated with insurance costs by increasing the minimum deductible provided in HRM's policy. The costs related to insurance and risk can fluctuate greatly each year. The HRM, at any time, has an amount of claims outstanding. This reserve will provide an amount to stabilize the fluctuation of these costs and reserve monies for outstanding claims.

### Source of Funds

Fiscal Services operating budget (cost centre M320) funds the activities of the Risk and Insurance section, to fund risk management activities, to investigate and pay for various claims against the HRM both under the insurance retention amount or self insured. Any savings in one year would be placed in the reserve and any deficit will be drawn from the reserve account. As the reserve grows, retention limits may be increased while reducing the cost of the insurance premiums.

### Application of Funds

To provide for payment of costs, uninsured settlements or judgements, and for deductibles on insured settlements or judgements covered by our outside provider insurance policy. The reserve would also be used to cover the costs of other expenses related to claims, and risk management activities designed to reduce the overall risk to the Municipality, such as training, consulting, inspections, and EDP services. The reserve is used to fund any deficit in the annual cost of insurance and risk management. The reserve should not exceed 1.2 times the total amount reserved for outstanding claims or as determined by an actuarial study nor should it go below one million dollars.



### **Time Line**

Ongoing with annual reserve.

### **Approval Process**

Expenditures from the Reserve fund will be approved by the responsible Manager - Insurance and Risk Management Services . Any report going to Council for expenditures of funds require Finance to confirm the availability of funds prior to being presented to Council for authorization in accordance with the Reserve Policy.

### **Approval**

As part of the annual review, the legal department should provide an assessment of outstanding litigation against the HRM and the possible impact of same on this reserve. This assessment would form part of the rationale behind the funding amount each fiscal year.

---

**CAO**