

Halifax Regional Council
July 16, 2002

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY:


George McLellan, Chief Administrative Officer

DATE: June 28, 2002

SUBJECT: Reserves Transfers

ORIGIN

When the Third Quarter Financial Report was presented to Regional Council on February 12, 2002, the projected expenditures included transfers to Reserves in anticipation of funding requirements identified in conjunction with the 2002/03 budget process. This report addresses these reserve transfers.

RECOMMENDATIONS

It is recommended that Regional Council approve the following transfers totalling \$1,731,258 to the Reserve Funds for the fiscal year ended March 31, 2002:

- \$204,000 from Police Services Operating Accounts to Q205 Police Vehicles Reserve
- \$377,258 from Operating Fund Balance Sheet Account HROP-2080 to Q205 Police Vehicles Reserve
- \$200,000 from Fire Services Operating Accounts to Q206 Fire Vehicles Reserve
- \$500,000 from Fiscal Services Operating Accounts to Q103 Capital Surplus Reserve
- \$150,000 from Fiscal Services Operating Accounts to Q314 EMO Cost Recovery Reserve
- \$300,000 from Fiscal Services Operating Accounts to Q310 Service Improvement Reserve

BACKGROUND

Reserves have long been used by HRM and its predecessor units to assist in planning, saving and smoothing of expenditures. The documentation of the policies and practices surrounding reserves is outlined in the Multi-Year Financial Strategy and the Reserves Policy states that “reserve funding is incorporated into a financial plan as an integral part of the operating and capital budgets.”

DISCUSSION

Q205 Police Vehicles Reserve

The Police Services Business Unit identified a need to set up a funding source for unusual circumstances that might be encountered such as a bio-hazard issue. Funds had been accrued in the Operating Fund balance sheet, however, this report recommends that these funds be transferred to a Reserve Fund specific to this Business Unit and the stated need for the funds. Currently, the Police Vehicles Reserve is unique to this business unit and it is recommended that the \$377,258 currently on the balance sheet plus \$204,000 accrued in fiscal year 2001/02 be transferred to the Q205 Reserve Fund and interest accrued in accordance with the Reserves Policy. The Reserves Business Case for Q205 will be reviewed and revisions brought forward to Regional Council for approval based on the new broader context of the Police Vehicles *and Equipment* Reserve.

Q206 Fire Vehicles Reserve

The Fire and Emergency Business Unit has identified some immediate concerns regarding apparatus and equipment in the rural departments and the availability and need to set aside funds to address these concerns. Therefore, it is recommended that \$200,000 be transferred from the Fire Services operating accounts to the Fire & Emergency Service Vehicle & Equipment Reserve Account Q206 for the fiscal year ended March 31, 2002.

Q103 Capital Surplus Reserve

Funding for a Metro Transit Park and Ride Facility was identified as a priority in conjunction with the 2002/03 budget process, however, this project was not able to be included in the 2002/03 Capital Budget. In conjunction with third quarter projections, a transfer to reserves was identified as a potential funding source for issues such as this that could not be incorporated into the 2002/03 budgets. It is now recommended that \$500,000 be transferred to this Reserve to be available to fund the Metro Transit Park and Ride Facility.

Q314 EMO Cost Recovery Reserve

As noted at third quarter, the EMO Cost Recovery Reserve is a new reserve recently created with a balance of \$25,000 and an additional contribution of \$25,000 included in the budgets for fiscal 2002/03. Based on recent events, a one time contribution of \$150,000 is recommended to assist the

2002/03. Based on recent events, a one time contribution of \$150,000 is recommended to assist the Municipality in being better prepared for any future emergencies. A further review of this reserve will be carried out to determine an appropriate cap on the amount held in this reserve.

Q310 Service Improvement Reserve

As identified at third quarter, issues and opportunities have been identified across the organization which would require funding to study and implement. As it currently stands, the Service Improvement Reserve is available to provide loans for business redesign projects that improve HRM's business processes and for which seed capital is required. Eligible projects must demonstrate anticipated down stream benefits that will result from reworking processes and activities. An increase in the funds available in this reserve is recommended to ensure such seed money is available with a further review of the Reserve Business Case to assess the requirement for repayment of principle and interest to the reserve from the funded projects to be brought to Council in 2002/03.

BUDGET IMPLICATIONS

None - Transfers to reserves were anticipated in the third quarter projections and the surplus as projected at third quarter will be substantially maintained with these transfers.

FINANCIAL MANAGEMENT POLICIES/BUSINESS PLANS

This report complies with the Municipality's Multi-Year Financial Strategy as well as relevant legislation and policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves. It is recommending an increase in the amounts transferred from the Operating to the Reserve Fund for the fiscal year ended March 31, 2002.

ALTERNATIVES

Alternative uses of available funds are unlimited, however, these priorities had been identified and included in the projected results for the fiscal year ended March 31, 2002. Therefore, the transfer of the funds to these reserves for the year ended March 31, 2002 is the recommended course of action.

ATTACHMENTS

None

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: Pam Caswill, CA, Manager of Accounting

Report Approved by:


S. Dale MacLennan, CA, Director, Financial Services