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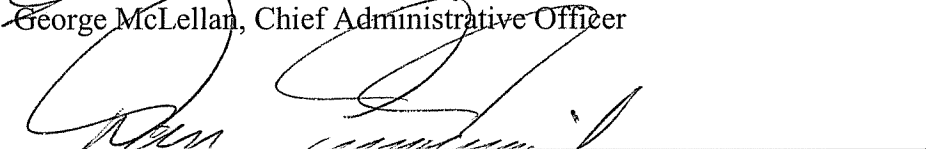
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Halifax Regional Council
April 15, 2003

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY:


George McLellan, Chief Administrative Officer


Dan English, Deputy Chief Administrative Officer

DATE: April 15, 2003

SUBJECT: Upper Sackville ("Weir Field") Turf Capital Reserve Business Case

ORIGIN

In December 1998, Council approved the Reserves Policy as part of the Multi-Year Financial Strategy. Part 10 of the Reserves Policy prescribed that "each Reserve will have a specific Business Case developed by the appropriate Director or General Manager in conjunction with the Director of Financial Services."

RECOMMENDATION

It is recommended that Regional Council approve the Upper Sackville ("Weir Field") Turf Capital Reserve Business Case attached.

BACKGROUND

The Weir property was approved for purchase by HRM Council on May 7, 1996. The artificial turf field on the Weir property is currently managed by the Springfield Lake Recreation Association (the “Association”).

DISCUSSION

Attached is the Upper Sackville (“Weir Field”) Turf Capital Reserve Business Case. It is to provide a financial vehicle for the building of funds for future repairs and/or replacement to the artificial turf field located on the Weir Property owned by HRM and managed by the Springfield Lake Recreation Association. The reserve business case is designed to allow flexibility for the Association to provide funds to the reserve while maintaining operations at the Weir property on a sound fiscal basis.

The present value of the funds required to achieve the amount recommended in the attached business case reserve would be approximately \$316,000 based upon the same expected return (2.4%) presented in the reserve business case.

BUDGET IMPLICATIONS

There will not be any current budget implications. There is the probability that additional funds may be required at the time of the artificial turf field replacement.

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

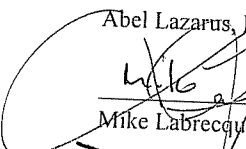
A reserve is not created. This is not the recommended alternative.

ATTACHMENTS

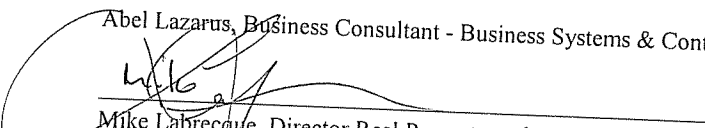
Upper Sackville ("Weir Field") Turf Capital Reserve Business Case

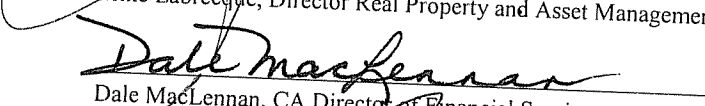
Additional copies of this report, and information on its status, can be obtained by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

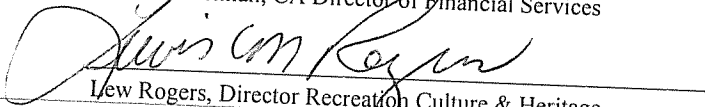
Report Prepared by:


Abel Lazarus, Business Consultant - Business Systems & Control 490-4806

Report Approved by:


Mike Labrecque, Director Real Property and Asset Management;


Dale MacLennan, CA Director of Financial Services


Lew Rogers, Director Recreation Culture & Heritage

Reserves Business Case

Halifax Regional Municipality • Financial Services • 490-6470 • Fax: 490-6238

Date: April 8, 2003

Contact: Director, Real Property and Asset Management

Upper Sackville Turf Capital Reserve Fund

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 Financial Services and requests for withdrawals coming from the Directors of Real Property and Asset Management in consultation with the Recreation, Culture and Heritage Business Unit.

Source of Funds

The source of funding for this reserve shall be three quarters (3/4) 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. The current principal balance to initiate the reserve fund is \$51,564.75. Schedule 1 highlights the projections and initial reserve balance.

Annual contributions are projected to be \$25,000 based on year one's performance (2000). 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 2013/2014

Approval Process

The Director of Real Property and Asset Management will initiate the expenditures from the reserve and approve appropriateness of expenditure after discussions with Parks and Open Spaces staff. Financial Services 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

Reserve Business Case
 Upper Sackville Turf Capital Reserve Fund
 Projected Funds/Cash Flows

Assumptions:

Time (in years)	11
Expected return of reserve fund assets	2.4%
Initial Cash inflow:	
75% user fees for FYE March 2001	\$25,035.00
75% user fees for FYE March 2002	26,529.75
Total user fees deposited for Reserve	\$51,564.75

Proposed yearly cash inflows \$25,000.00

Fiscal Year	01/02 Year 0	02/03 Year 1	03/04 Year 2	04/05 Year 3	05/06 Year 4	06/07 Year 5
Initial inflow	51,564.75					
Annual expected inflow	-	25,500.00	26,010.00	26,530.20	27,060.80	27,602.02
Expected balance	51,564.75	78,606.49	106,813.31	136,223.51	166,876.48	198,812.80

Present value of funds required in year 12 315,827.31

Notes:

The time of replacement for the artificial turf may reach up to a maximum of 12 years.

The expected return on reserve funds of 2.4% has been applied.

Annual expected inflows are assumed to be deposited on a quarterly basis, for the first three fiscal quarters. Interest is applied to the annual expected inflows on a mid-year convention (assumes cash is received throughout the fiscal year).

The prior year's expected balance is assumed to earn interest for the entire year.

The initial cash inflow of \$51,564.75 has already been transferred by the association to HRM and is currently in Cost Centre C290 in the surplus account.

The proposed annual inflows for each year will be received on a quarterly basis which are based upon 3/4's of the user fees received from the artificial turf field located on the Weir property.

Increases in user fees receipts is assumed at a 2% growth rate.

Year 0 is the year end balance as of March 31, 2002.

Reserve Business Case
 Upper Sackville Turf Capital Reserve Fund
 Projected Funds/Cash Flows

Assumptions:

- Time (in years)
- Expected return of reserve fund assets
- Initial Cash inflow:
 - 75% user fees for FYE March 2001
 - 75% user fees for FYE March 2002
- Total user fees deposited for Reserve

Proposed yearly cash inflows

Fiscal Year	07/08 Year 6	08/09 Year 7	09/10 Year 8	10/11 Year 9	11/12 Year 10	12/13 Year 11	13/14 Year 12
Initial inflow	28,154.06	28,717.14	29,291.48	29,877.31	30,474.86	31,084.36	31,706.04
Annual expected inflow	232,074.21	266,703.70	302,745.48	340,245.09	379,249.36	419,806.51	461,966.12
Expected balance							

Present value of funds required in year 12