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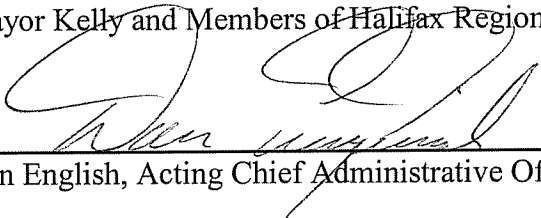


PO Box 1749  
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Halifax Regional Council  
July 8, 2003

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

**SUBMITTED BY:**

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

**DATE:** July 2, 2003

**SUBJECT:** Reserve Business Cases - 2002/03

**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.”

**RECOMMENDATIONS**

It is recommended:

- that Council approve the reserve business cases and transfers to the Strategic Growth Reserve and MetroPark Parkade Reserve as outlined in the attachments to this report, and
- that Council approve the updated reserve business case for the Service Improvement Reserve as outlined in an attachment to this report.

## 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 and the Reserves Policy states that "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

### Strategic Growth Reserve

As noted in the attached business case, this reserve is to enable the municipality to respond to challenges posed to our service and infrastructure capability caused by population growth, rapid urban and suburban development expansion, changing demographics and rapid technological advancement. An initial transfer of \$3,000,000 was included in the operating budget of 2002/03 pending approval of the reserve business case.

### MetroPark Parkade Reserve

Construction of the MetroPark was completed in June 2002. The facility is owned by HRM and operated by The Hardman Group Limited under the terms of a Management Agreement. This agreement specifies that a capital reserve be established and that an amount equal to two percent (2%) of the Guaranteed Maximum Price for construction of the facility be transferred into the reserve annually. It is to provide a financial vehicle for the accumulation of funds for capital expenditures, leasehold improvements, commissions payable to leasing agents and for such other purposes related to the MetroPark facility as HRM may determine from time to time. The required amount to be transferred into the reserve on an annual basis is \$222,500.

### Q310 Service Improvement Reserve

The Service Improvement Reserve has been used to provide loans for business redesign projects that improve HRM's business processes and for which seed capital is required. The reserve has been self-sustaining by replenishment of funds flowing back to the Reserve in the form of loan payments (principle and interest) from projects and was capped at a maximum of \$1,000,000 in available dollars. Projects funded from this reserve in the past have included Call Centre Improvements and Electronic Parking Meters. In the 2003/04 budget, reserve funding of \$582,000 was identified for additional parking meters and ticket printers for Financial Services as well as booking software for the Library, printing software in Shared Services and funding for an operational review within Real Property and Asset Management Services.

While this reserve serves a useful purpose as a source of funding for business process improvement projects which will return funds to the reserve as the savings are realized, capturing the savings may

not always be feasible and, at times, it may be beneficial for a business unit to redirect the savings to another area within their business unit rather than back to the reserve. Therefore, it is recommended that this reserve business case be amended to enable access to the funds on repayable or non-repayable basis subject to the approval of EMT. In addition, to ensure that funds are available when needed by business units, it is recommended that the cap on this reserve be increased to a maximum of \$1,500,000.

**BUDGET IMPLICATIONS**

There are no negative budget implications associated with these recommendations. The funds for the Strategic Growth Reserve and the MetroPark Parkade Reserve were identified and included in the 2002/03 operating budget, pending approval of the reserve business cases. There is no budget implication regarding the recommended amendments to the Service Improvement Reserve Business Case.

**FINANCIAL MANAGEMENT POLICIES/BUSINESS PLANS**

This report complies with the Municipality's Multi-Year Financial Strategy as well as relevant legislation. There is no impact on the approved Operating, Capital and Reserves budgets and is in accordance with policies and procedures regarding withdrawals from and utilization of Capital and Operating reserves.

**ALTERNATIVES**

None.

**ATTACHMENTS**

- Strategic Growth Reserve Business Case
- MetroPark Parkade Reserve Business Case
- Revised Service Improvement Reserve Business Case (revisions noted in bold)

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 490-6324

Report Approved by: S. Dale MacLennan  
S. Dale MacLennan, CA, Director, Financial Services 490-6308

for: M. Labrecque  
Mike Labrecque, Director Real Property & Asset Management Services 490-4851

for: Betty MacDonald  
Betty MacDonald, Director, Governance and Strategic Initiatives 490-4769

# Reserves Business Case

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

**Date:** June 27, 2003

**Contact:** Betty MacDonald, Director of Governance and Strategic Initiatives

## Strategic Growth Reserve

### Purpose

The purpose of the Strategic Growth Reserve is to enable the municipality to respond to challenges posed to our service and infrastructure capability caused by population growth, rapid urban and suburban development expansion, changing demographics and rapid technological advancement. The Strategic Growth Reserve is meant to allow the municipality to take advantage of opportunities that may arise outside the normal operating and capital budget during the fiscal year, and to leverage funds from other levels of government and external agencies.

“Strategic” is defined to mean initiatives which will enable HRM to provide new services or an improved level of service in response to the challenges listed above, and are consistent with long term policies and plans such as the Regional Plan, and the Corporate Scorecard.

### Source of Funds

The Strategic Growth Reserve will be funded through an initial transfer of funds from Other Fiscal Services M310, an approved transfer from M310 of \$5,000,000 in 2003/04, and annual transfers in the following years from Other Fiscal Services M310. Interest will be paid on the funds in accordance with the HRM Reserves Policy. A minimum balance of \$2 million dollars will be maintained in the reserve to enable response to sudden unanticipated strategic opportunities.

### Application of Funds

The funds in the Strategic Growth Reserve can be accessed on repayable or non-repayable basis subject to the approval of the Corporate Scorecard Steering Committee and Council. Funds may be utilized for the following applications:

- capital purchases to respond to infrastructure challenges caused by significant development and changing demographics, and any corresponding operating costs during the implementation period.
- capital purchases to respond to significant technological advancement and any corresponding operating costs during the implementation period.
- the cost of studies to explore strategic development opportunities that are outside the scope of an annual business unit budget.
- the cost of the municipal share of strategic ventures to be cost shared with other levels of government or third party agencies, that are outside the scope of an annual business unit budget.

### **Time Line**

The adequacy of the balance in the reserve will be assessed on an annual basis, and corrective funding actions taken if necessary.

### **Approval Process**

A project summary, outlining the specific benefits, capital budget and operating budget impacts along with planned sources measurement methodology must be prepared for review by EMT & must be accompanied by a recommendation from the Director, Governance and Strategic Initiatives and the Director, Financial Services regarding compliance with the Reserve Business Case and availability of funds. The Director(s) of the appropriate Business Unit(s) must submit this project summary . EMT approval is required prior to submission to Council for authorization.

### **Attachments**

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

### **Approval**

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CAO

**Strategic Growth Reserve  
Source and Application of Funds  
Beginning in Fiscal Year 02/03**

	Actual 02/03	Approved 03/04	← 04/05	Proposed 2005/06	→ 2006/07
<i>Opening Balance</i>	0	3,000,000	7,950,680	4,308,461	9,502,341
<i>Proceeds from Disposals</i>	0	0	0	0	0
<i>Contribution</i>	3,000,000	5,000,000	5,000,000	5,000,000	5,000,000
<i>Withdrawals</i>		(200,000)	(9,000,000)		
<i>Interest Earned</i>		150,680	357,781	193,881	427,605
<i>Closing Balance</i>	3,000,000	7,950,680	4,308,461	9,502,341	14,929,947

Estimated Withdrawals are based on current information

\$200 k in 03/04 pertains to analyses associated with the Burnside/Bi-Hi Connector, and electrical utility issues.

\$9 m in 2004/05 pertains to a ferry.

Projections will be updated quarterly.

# Reserves Business Case

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Halifax Regional Municipality • Corporate Services • Finance Division • 490-6470 • Fax: 490-6238

**Date:** June 27, 2003  
**Contact:** Director Real Property and Asset Management Services

## MetroPark Parkade Reserve

### Purpose

Construction of the MetroPark was completed in June 2002. The facility is owned by HRM and is operated by the Hardman Group Limited under a Management Agreement. The agreement specifies that a capital reserve be established.

The MetroPark Parkade Reserve is to maintain a capital reserve to be used by HRM for capital expenditures, leasehold improvements, commissions payable to leasing agents and for such other purposes related to the facility as outlined in the contract or as HRM may determine from time to time.

### Source of Funds

The MetroPark Parkade Reserve will be funded based on an annual operating budget which is sufficient to accommodate the Management Agreement requirement to place 2% of the Guaranteed Maximum Price for construction of the facility in a Reserve. Based on this, the annual contribution will be \$222,500. Interest will be paid on the funds in accordance with the HRM Reserves Policy.

### *Application of Funds*

Funds may be used by HRM in accordance with the Management Agreement “for capital expenditures, leasehold improvements, commissions payable to leasing agents and for such other purposes related to the facility as HRM may determine from time to time.”

“Withdrawals from the capital reserve fund shall be at the discretion of HRM. If the company undertakes, at the direction of HRM, any capital improvements, replacement or upgrade to the facility, HRM shall reimburse the company for such work, and may do so from the capital reserve fund within thirty (30) days of receipt by HRM of an invoice from the company, provided the work has been completed as authorized. .... The Company shall not make any capital expenditure or undertake any capital improvement, replacement or upgrade without the written authorization of HRM.”

### *Time Line*

Ongoing with annual review. As per the Management Agreement, any balance in the capital reserve on the termination date of the Management Agreement with The Hardman Group shall be retained by HRM.

### *Approval Process*

All requests for funding from this Reserve must be initiated by the Director of Real Property and Asset Management Services. 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.

### *Attachments*

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

### *Approval:*

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CAO



**Metropark Parkade Reserve  
Source and Application of Funds  
Beginning in Fiscal Year 02/03**

	Actual 02/03	Approved 03/04	Proposed 04/05	05/06	06/07
Opening Balance	0	222,500	454,378	590,025	831,836
Contribution	222,500	222,500	222,500	222,500	222,500
Withdrawals					
Interest Earned		9,378	12,947	19,311	25,847
Closing Balance	222,500	454,378	590,025	831,836	1,080,183

# Reserves Business Case

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Halifax Regional Municipality • Corporate Services • Finance Division • 490-6470 • Fax: 490-6238

**Date:** June 27, 2003  
**Contact:** Director of Finance

## Service Improvement Reserve - Acct Q310

### Purpose

The Service Improvement Reserve will be used to provide loans **or withdrawals** for business redesign projects that improve HRM's business processes and for which seed capital is required. Eligible projects must demonstrate anticipated down stream service improvement benefits that will result from reworking processes and activities.

### Source of Funds

It is recommended that the Reserve be capped to a maximum of **\$1,500,000** in available dollars. The fund will be self-sustaining by replenishment of funds flowing back to the Reserve in the form of loan payments (principal and interest) from projects. **Any operating surplus at year end, may also be directed into this reserve to replenish withdrawals that are not repayable.**

### Application of Funds

Funds can be used for any resourcing costs associated with a Business Process change that will produce an identifiable and sustainable net cost reduction.

Funding can be accessed through an application to the Executive Management Team.

A Loan Application should be accompanied by a Business Case which will include a justification for the change, and a description of the project and its anticipated benefits and savings. It should identify any outside consulting required, a method for tracking savings and benefits, and a time line for realization of these savings and benefits. The Business Case should also incorporate a detailed project budget which identifies any assumptions made. The application must identify the Project management, the organizational impact of the resulting change and be recommended by the appropriate Director or General Manager.

The application to EMT must be accompanied by a recommendation from Financial Services regarding compliance with the Reserve Business Case and availability of funds.

A loan application must include a schedule of repayments for not longer than five years, by way of direct reduction of specific budget cost centres in specified future years. The Budget reduction will be offset by the loan repayments over the life of the loan. Loans will be charged interest at the short-term earning rate unless otherwise specified.

A withdrawal application must include a justification for the change, description of the project and anticipated benefits. It should identify any outside consulting required, a detailed project budget including any assumptions made and the specific service enhancements which will result from the change or from the reinvestment of savings realized from the change. The application must also include the method of measuring the service enhancements. Where savings are reinvested to create service enhancements and those service enhancements are not realized, EMT may consider requiring that the withdrawal be repaid.

**Time Line**

The Reserve is intended to be permanent subject to annual review as to its usefulness to the organization in accordance with the Reserves Policy.

**Attachments**

None.

**Approval**

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CAO