



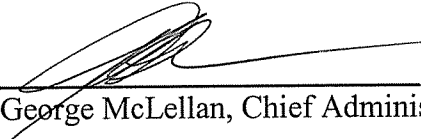
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Halifax Regional Council
July 15, 2003

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY:


George McLellan, Chief Administrative Officer


S. Dale MacLennan, CA, Director, Financial Services

DATE: July 9, 2003

SUBJECT: Transfer to Sale of Capital Assets (Sale of Land Reserve), Q101 from Business Parks Expansion Reserve

ORIGIN

Staff.

RECOMMENDATIONS

It is recommended:

1. That Council approve a transfer of \$2,000,000 to the Sale of Capital Assets (Sale of Land Reserve, Q101, from the Business Parks Expansion Reserve, Q121, during fiscal 03/04 and \$1,000,000 to be transferred during fiscal 05/06, pending availability of funds, in the Business Park Expansion Reserve, to repay the initial contribution that created the Business Parks Expansion Reserve.

**Transfer to Sale of Capital Assets
(Sale of Land Reserve), Q101 from
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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

The Business Park Expansion Reserve Q121, approved in March 2000, was created with the transfer of \$3,000,000 from the Sale of Land Reserve Q101 and has subsequently been funded through business park lots sales and interest paid in accordance with the Reserve Policy. As of March 31, 2003, the Business Park Expansion Reserve has a balance of \$5,930,000. Net contributions to the Reserve are projected at \$5,700,000 for 2003/04.

The Reserve Policy sets a recommended minimum balance of \$1,000,000 be retained in order to respond to market requirements. Since its inception the Business Park Expansion Reserve has performed well, largely in part to the predictable development and sale of lots in the greater Halifax market.

However, the same cannot be said for the Sale of Land Reserve. With the current commitment pressures on the Sale of Land Reserve, in part, a result of the time lines associated with surplus properties which often span two business cycles, a cash infusion is necessary to stabilize the Reserve. Staff is recommending that the initial \$3,000,000 of start-up funds be repatriated to the Sale of Land Reserve through an initial transfer of \$2,000,000 in 2003/04 and \$1,000,000 in 2005/06. The latter would be subject to availability of funds from the Business Park Expansion Reserve.

BUDGET IMPLICATIONS

There are no negative budget implications associated with this recommendation. Listed below are anticipated cash flows for the next three years for both reserves.

**Sale of Capital Assets
Reserve Q101:**

	Actual 02/03	Proposed 03/04	Proposed 04/05	Proposed 05/06
Opening Balance	(\$1,749,000)			
Transfer From Q121		\$2,000,000		\$ 1,000,000
Projected Contributions		\$2,600,000	\$3,500,000	\$ 2,000,000
Projected Withdrawals		(\$2,383,000)	(3,300,000)	(\$3,000,000)
Projected Closing Balance	(\$1,749,000)	\$ 468,000	\$ 668,000	\$ 668,000

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**Business Parks Expansion
Reserve Q121**

	Actual 02/03	Proposed 03/04	Proposed 04/05	Proposed 05/06
Opening Balance	\$5,930,000			
Transfer To Q10		(\$2,000,000)		(\$1,000,000)
Projected Contributions		\$ 5,700,000	\$3,000,000	\$3,300,000
Projected Withdrawals		(\$2,070,000)	(\$7,595,000)	(\$ 765,000)
Projected Closing Balance	\$5,930,000	\$7,560,000	\$2,965,000	\$5,265,000

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


Council could choose not to approve this transfer. This is not the recommended course of action, as the demands on the Sale of Capital Assets Reserve are growing in demand, and by utilizing a reserve for funding, it will benefit HRM with reduced need for debt financing for those types of projects.

ATTACHMENTS

N/A

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.

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Report Approved by: 
for: Mike Labrecque, Director Real Property & Asset Management Services 490-4851