

Item No.
Audit & Finance Standing Committee
May 15, 2013

TO: Chair and Members of Audit & Finance Standing Committee
Original Signed

SUBMITTED BY: _____
Richard Butts, Chief Administrative Officer

DATE: March 15, 2013

SUBJECT: Amendment to Changes to Cost Sharing for Capital Projects Policy

ORIGIN

Changes to Cost Sharing for Capital Projects Policy (the "Cost Sharing Policy") approved by Regional Council on April 24, 2007 and amendments to the Procurement Policy, Administrative Order #35 approved by Regional Council on May 12, 2009 increasing the value of contracts that may be approved by the Chief Administrative Officer to \$500,000.

LEGISLATIVE AUTHORITY

Under the HRM Charter, Section 79 Halifax Regional Council may expend money for municipal purposes. The Halifax Charter Section 35(2)(d)(i) states the CAO may "make or authorize expenditures, and enter into contracts on behalf of the Municipality, for anything required for the Municipality where the amount of the expenditure is budgeted or within the amount determined by the Council by policy, and may delegate this authority to employees of the Municipality".

RECOMMENDATION

It is recommended that the Audit & Finance Standing Committee recommend that Halifax Regional Council adopt as policy the amendment to the "*Changes to Cost Sharing for Capital Projects Policy*" as outlined in Attachment "A".

BACKGROUND

Council approved the *Changes to Cost Sharing for Capital Projects Policy* (the “Cost Sharing Policy”) on April 24, 2007. This policy sets out the approval parameters when there are changes to the amount of cost sharing HRM receives from external parties for a project - any changes that increase the gross project budget by an amount not exceeding \$100,000 to be approved by the CAO and any increases to the gross project budget exceeding \$100,000 would require Council approval. These limits were set at that time for consistency with the Procurement Policy where awards not exceeding \$100,000 were awarded by the CAO and awards exceeding \$100,000 would require Council approval.

The limits in the Procurement Policy have been increased and the limits in the Cost Sharing Policy should be increased to the same levels to be consistent.

DISCUSSION

Since the approval of the Changes to Cost Sharing for Capital Projects Policy in 2007, the Procurement Policy has been revised to increase the CAO contract award limit from \$100,000 to \$500,000. Amendments included in Attachment “A” are with regard to the CAO limits in Sections 1(d) and 2(a) of the Cost Sharing Policy such that these limits will be consistent with the Procurement Policy. Section 3(a) of the Cost Sharing Policy has also been amended so that limits for the Business Unit Director and the CAO are automatically changed to be consistent with the limits set in Administrative Order #35 - Procurement Policy as approved by Council.

In addition, Section 4(a) of the Changes to Cost Sharing for Capital Projects Policy has been amended to allow the CAO to approve cost sharing as identified in Sections 1(d) and 2(a) in the manner consistent with the CAO’s contract award limits as outlined in the Interim Award provisions of Administrative Order #35 - Procurement Policy Section 9 (5) which applies when Council is on break during the summer months and December holidays.

The name of the policy has changed to reflect the change in name from Changes to Cost Sharing for Capital Projects Policy to Changes to Cost Sharing for Projects Policy (the “Cost Sharing Policy”).

FINANCIAL IMPLICATIONS

There are no financial implications.

COMMUNITY ENGAGEMENT

N/A

ENVIRONMENTAL IMPLICATIONS

None

ALTERNATIVES

Council could set alternate CAO approval limits, but for consistency, this is not recommended.

ATTACHMENTS

Attachment "A" – Cost Sharing for Projects Policy (Revised May 2013)

Attachment "B" – Procurement Policy, Administrative Order #35 – Sections 9(3), 9(4) and 9(5).

A copy of this report can be obtained online at <http://www.halifax.ca/boardscom/SCfinance/index.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: Kathy Smith, Manager, Accounting Service Delivery, 490-5656

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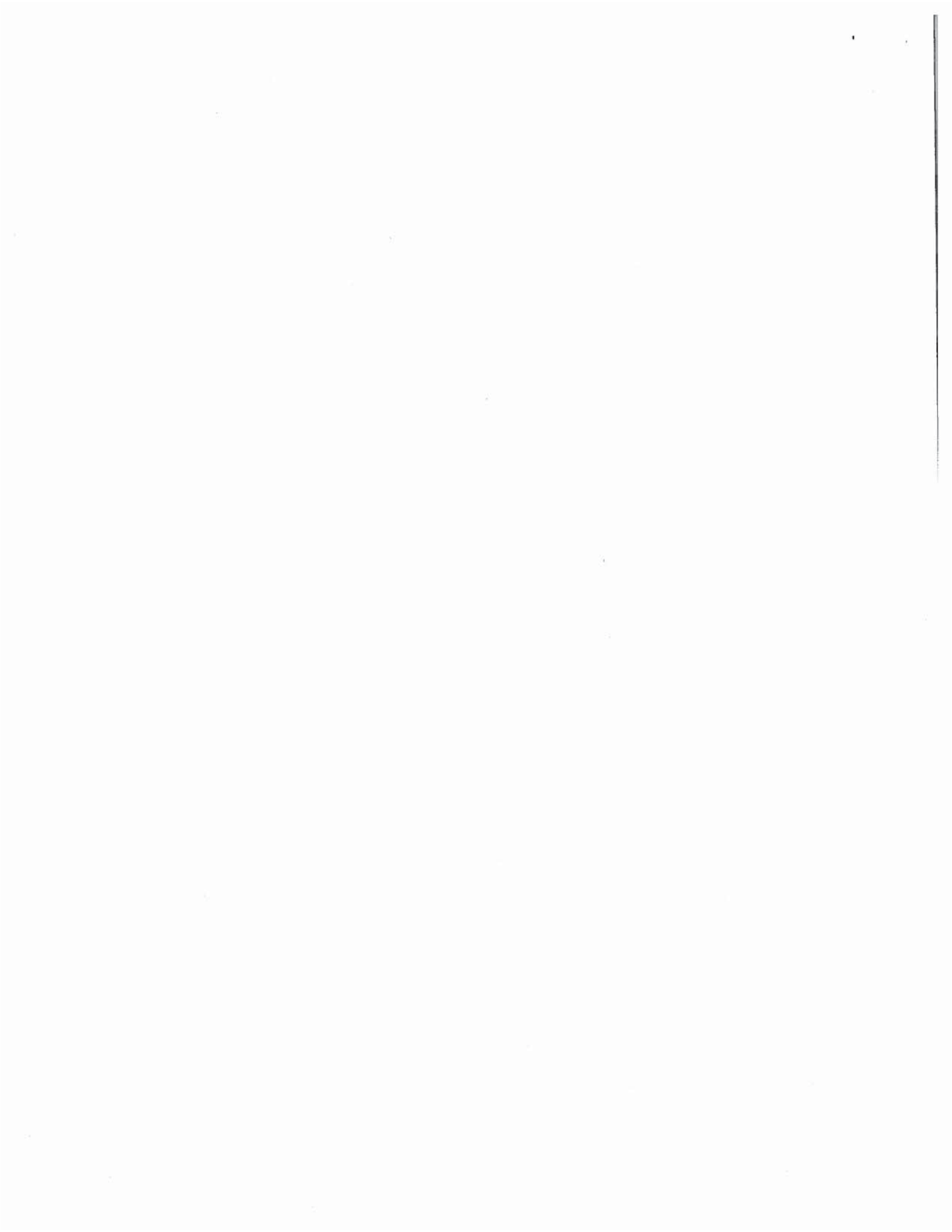
Report Approved by:

Louis de Montbrun, Manager, Financial Reporting, 490-7222

Financial Approval by:

Original Signed

Greg Keefe, Director of Finance & Information, Communication & Technology/CFO, 490-6308



“Attachment A”

Changes to Cost Sharing for Projects Policy (Cost Sharing Policy) (Revised May 2013)

Purpose

The purpose of the Cost Sharing Policy is to:

- Limit Regional Council's time dealing with changes in the Project Budget as a result of changes in cost sharing only.
- Provide guidance for staff when changes to the budget for a project are requested due to cost sharing, subsequent to Council's approval of the annual Project Budget.

Application

This policy shall apply to existing approved projects only. All new projects must be approved by Council. This policy is not applicable to a project for which a By-Law has been previously approved by Council.

Policy

1. Changes Not Requiring Council Approval

- (a) When additional cost sharing is identified and the scope of the project can be maintained without an increase to the project's gross budget, the cost sharing budget shall be increased and the budget for HRM funding sources shall be decreased by the amount of additional cost sharing received. Any surplus funding as a result of this decrease in HRM funding requirements shall be dealt with in accordance with existing policies. Additional cost sharing commitments must be received in writing prior to the budget changes.
- (b) When there is a shortfall in cost sharing and the scope of the project can be maintained without additional HRM funding, the project's gross budget and the cost sharing budget shall be reduced by the shortfall in cost sharing.
- (c) When additional cost sharing is identified that will increase the scope of the project, but the total increase to the project's gross budget will not exceed \$50,000, the Business Unit Director, in consultation with Finance, may approve the changes to the expenditure and cost sharing budgets so long as there is no increase in net project cost to HRM. Additional cost sharing commitments must be received in writing prior to the budget changes and any related expenditure of funds.
- (d) Subject to section 4(a) below, when additional cost sharing is identified that will increase the scope of the project, but the total increase to the project's gross budget will not exceed \$500,000, the CAO may approve the changes to the expenditure and cost sharing budgets so long as there is no increase in net project cost to HRM. Additional cost sharing commitments must be received in writing prior to the budget changes and any related expenditure of funds.

2. Changes Requiring Council Approval

- (a) Subject to section 4(a) below, when additional cost sharing is identified that will increase the scope of the project, and the total increase to the project's gross budget will be more than \$500,000, the changes to the expenditure and cost sharing budgets must be approved by Council, even if there is no net increase in project cost to HRM. Additional cost sharing commitments must be received in writing prior to taking the request to Council.
- (b) When there is a shortfall in cost sharing and the scope of the project cannot be maintained without additional HRM funding, changes to the expenditure and/or funding budgets must be approved by Council.
- (c) Any change in cost sharing that will result in an increase in the net project cost to HRM must be approved by Council.

3. Threshold Changes

- (a) The thresholds identified in 1(c), 1(d) and 2(a) are the same as the current approved thresholds contained in Administrative Order #35 – Procurement Policy Section 9(4). The thresholds contained in the “Cost Sharing Policy” will be automatically adjusted to be consistent with any future threshold changes to Administrative Order #35 - Procurement Policy Section 9 (4) which have been approved by Council.

4. Approval of Cost Sharing when Council is not in Session

- (a) During those times identified as “summer months” and the “December holiday break” in section 9(5) of Administrative Order 35 – Procurement Policy, when Council is not in session and additional cost sharing is identified that would cause the project's total budget to increase by more than \$500,000, the CAO may approve the changes to the expenditure and cost sharing budgets so long as there is no increase in net project cost to HRM and HRM's scope of the project does not change.

5. Reporting

A report of changes made to projects as a result of this policy will be provided to Council quarterly as part of the Quarterly Financial Information Report.

Attachment "B"
Procurement Policy, Administrative Order #35 – Section 9(3), 9(4) and 9(5)

Award of Contracts

9. (3) Awards over the value of \$25,000, but below the value of \$50,000 may be committed by the Manager of Procurement with concurrence of the appropriate Director. A Director may delegate all or a portion of this approval to a Manager depending upon operational requirements.
9. (4) The CAO, or his designate, may approve the award of contracts under the following conditions:
- (a) Where the funds and program have been approved by Halifax Regional Council as part of the annual business planning and budget process and the expenditure will not result in an over-expenditure of the entire budget.
 - (b) Where the purchase was the result of a public procurement process conforming to the Halifax Regional Municipality Procurement Policy.
 - (c) Where the Request for Tender is awarded to a supplier with the lowest cost, or highest revenue, meeting specifications.
 - (d) Where the Request for Tender is awarded to a supplier based on achieving best value, with best value being determined by an evaluation method and weighted scale of each factor that is contained within the tender documents.
 - (e) Where the award of a Request for Proposal is made to the highest scoring proponent based upon evaluation criteria within the Request for Proposal.
 - (f) Where the award does not exceed \$500,000 for the purchase of goods, equipment, services, construction or facilities by Request for Tender.
 - (g) Where the award does not exceed \$500,000 for the purchase for goods, equipment, services, construction or facilities by Request for Proposal.
 - (h) Where the purchase is a sole source/single source purchase not to exceed \$50,000.
 - (i) Where there is no legislative requirement to obtain Halifax Regional Council approval.
 - (j) Where the CAO does not decide that the award is a matter best dealt with by Halifax Regional Council.
9. (5) During the summer months (July - September) and December Holiday break periods, the CAO or his/her designate, may approve the award of contracts under the following conditions:
- (a) Where the funds and program have been approved by Halifax Regional Council as part of the annual business planning and budget process and the expenditure will not result in an over expenditure of the entire budget and is within scope.
 - (b) Where the purchase was the result of a public procurement process conforming to the Halifax Regional Municipality Procurement Policy.
 - (c) Where the Request for Tender is awarded to a supplier with the lowest cost, or highest revenue, meeting specifications.
 - (d) Where the Request for Tender is awarded to a supplier based on achieving best value, with best value being determined by an evaluation method and weighted scale of each factor that is contained within the tender documents.
 - (e) The award of a Request for Proposal is made to the highest scoring proponent based upon evaluation criteria within the Request for Proposal.
 - (f) Where the purchase is a sole source/single source purchase not to exceed \$50,000.
 - (g) Where there is no legislative requirement to obtain Halifax Regional Council approval.
 - (h) Where the CAO does not decide that the award is a matter best dealt with by Halifax Regional Council.

