

# HALIFAX

***Long-term Fiscal Strategy:  
Reserve Review & Recommendations  
Administrative Order 2014-015-ADM***

Audit & Finance Standing Committee  
July 20, 2016

# Presentation Overview

- How do Reserves fit within the broader context of Financial Responsibility & Sustainability?
- How do we currently categorize and use Reserves?
- What will NOT change as a result of this project?
- How do we transition to new categories?
- What are the next steps?

# Reserves and Financial Responsibility

## What's the Connection?

### 16/17 Priority Outcomes

We accept a shared responsibility for the planning and management of resources.

We consider the financial impact of our decisions on tax payers.

- **Working to Create Better Information for Council and Public**
- **Link our Priority Outcomes to Our Services:**
  - Improved Metrics
  - Service Costs
  - Performance Info
  - Budgets/Costs by Service
  - Long Term Decisions  
(RESERVES, debt, capital, taxes, capital from operating, services)

# How do we achieve the right balance?

- Balance needs of current residents and businesses, while planning for future generations.
- Incorporate long-term outlooks/goals from other experts such as Halifax Partnership.
- Actively manage current and long-term financial resources.
- Monitor the mix of taxes, user fees, revenues and debt for long term sustainability.
- Increase flexibility to participate in all economic cycles.

# Do other Fiscal Planning Strategies need to be updated?

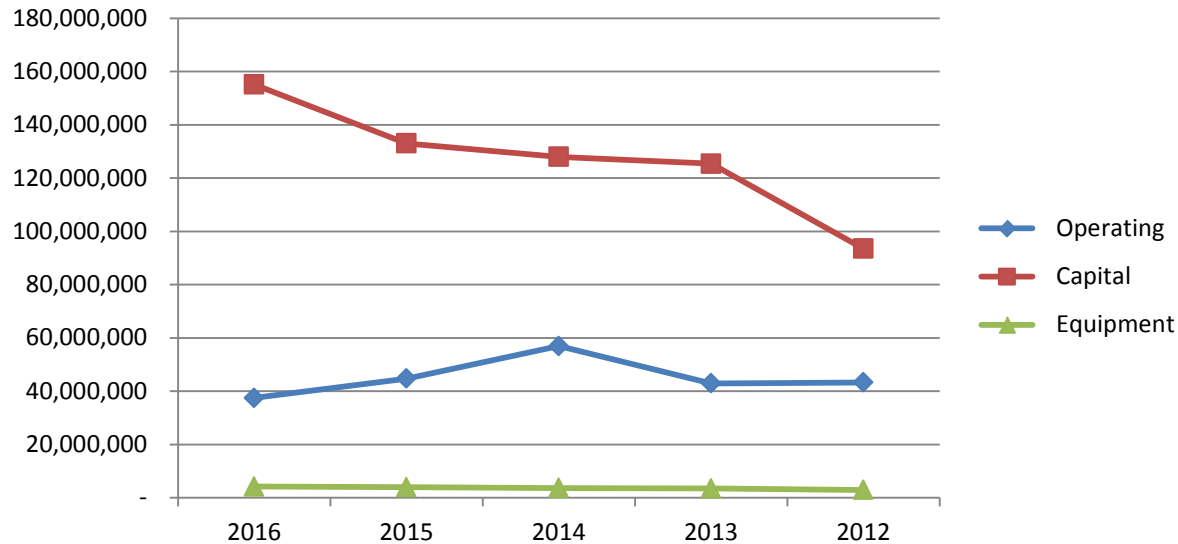
- Re-positioning our reserves is a critical step in our Fiscal Strategy.
- As our Fiscal Strategy matures, our approach to reserves will continue to improve.
- As the approach we use for reserves changes:
  - Operating budgets need to be focused longer term
  - Project plans need to be more integrated with capital budgets
  - Issuing debt needs to be better integrated with the sales of assets, other funding sources, and trends in the economy and interest rates.

# What do Reserves look like now?

- There are currently 52 reserves under the following categories:
  - Operating Reserves \$ 37,476,264
  - Equipment Reserves \$ 4,193,418
  - Capital Reserves \$155,110,482
- Nearly 50% of reserves have a balance of \$1M or less and 3 are projected to be negative.
- Total reserves as of March 31, 2016 are \$196,780,164 with pending withdrawals of \$(83,597,595) for a net available balance of \$113,182,569.

# How have the reserve balances changed over the last 5 years?

	2016	2015	2014	2013	2012
Operating	37,476,264	44,707,109	56,924,027	42,954,838	43,317,973
Capital	155,110,482	132,989,603	127,990,485	125,411,217	93,497,665
Equipment	4,193,418	3,986,455	3,681,193	3,510,802	2,915,753
	<b>196,780,164</b>	<b>181,683,167</b>	<b>188,595,705</b>	<b>171,876,857</b>	<b>139,731,391</b>



# How do we currently use Reserves?

- We use reserves for many different purposes:
  - Carry forward Provincial & Federal funds.
  - Fund operating costs that overlap fiscal years.
  - Compensate for shortfalls in our budgeting process.
  - Fund capital projects of all types.
  - Save for unknown risk.
  - Save for future obligations.
  - Create a variety of funds for specific assets.
  - Retire principal & Interest on future debt.



# Why change?

- Improve clarity and focus.
- Increase flexibility and enable faster/better decision making.
- Increase administrative efficiency and reduce complexity.
- Align business cases with approach to Capital and Operating Budgets.

# What will this project NOT do?

- Consolidating and re-categorizing reserves will not:
  - change or eliminate any prior commitments.
  - change the original intent or access, as the Reserves Business Cases will be merged to reflect the same access as previous usage.
  - create any new commitments.

# How do we transition?

- The Administrative Order provides for:
  - A significant rethink of how we use Reserves.
  - Reserves that strengthen accountability and transparency.
  - Reserves with broader, HRM-wide, purposes.
  - Reserves that are more coordinated with the operating and capital budgets.

# What are the new categories?

- Risk \$ 17,697,627
- Obligation \$ 77,057,577
- Opportunity \$101,910,581
- Total Reserve Balance as of March 31, 2016  
\$196,665,785 with pending withdrawals of  
\$(83,597,595) for a net available of \$113,068,190.
- Repositions 52 reserves to 20, within 3 categories.
- Amount transferred to Trusts \$ 114,379

# Risk Reserves

- Currently we have 9 reserves and we are recommending 4; \$17,697,627:
  - Self Insurance Reserve.
  - Police Officer on the Job Injury Reserve.
  - General Contingency Reserve.
  - Operating Stabilization.

# Obligation Reserves

- Currently we have 29 reserves and we are recommending 11; \$77,057,577:
  - Landfill Closure and Post Closure Cost Reserve.
  - Municipal Elections Reserve.
  - Debt Principal and Interest Repayment Reserve.
  - Convention Centre Reserve.
  - Vehicle Reserve.
  - Central Library Reserve.
  - Building Recapitalization and Replacement Reserve.
  - Multi-district Facilities Reserve.
  - Transit Capital Reserve.
  - Waste Facilities Construction Reserve.
  - Capital Fund Reserve.

# Opportunity Reserves

- Currently we have 11 reserves and we are recommending 5; \$101,910,581:
  - Strategic Capital Project Reserve.
  - Parkland Development Reserve.
  - Business/Industrial Parkland Expansion Reserve.
  - Community and Events Reserve.
  - Gas Tax Reserve.

# What are the next steps?

- If approved:
  - Draft business cases for the new reserves to accommodate the purpose and intent of the current reserves and to allow for greater flexibility going forward.
  - Reconfirm the current commitments in all reserves to ensure they are still required.
  - Adjust the future Operating and Capital Budgets to accommodate reserve changes.
  - Work with the business units to change the reserve processes.



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