



P.O. Box 1749
Halifax, Nova Scotia
B3J 3A5 Canada

**Audit & Finance Standing Committee
March 21, 2012**

TO: Chair and Members of the Audit & Finance Standing Committee

A handwritten signature in black ink, appearing to read "G. Keefe".

SUBMITTED BY: _____
Greg Keefe, A/Director of Finance and ICT/CFO

DATE: March 6, 2012

SUBJECT: Disposal of Surplus HRM Assets

INFORMATION REPORT

ORIGIN

Motion of Environment and Sustainability Standing Committee of March 1, 2012:

MOVED by Councillor Lund, seconded by Councillor Sloane that the Environment and Sustainability Standing Committee ask the Audit and Finance Standing Committee to examine opportunities to revise the Disposal of Surplus Assets Policy to enable donation of furniture, including file cabinets, to not-for-profit community groups and report back to the Standing Committee on these opportunities. MOTION PUT AND PASSED.

BACKGROUND

In response to a request of the Environment and Sustainability Standing Committee on February 6, 2012, staff provided the committee with a report, a copy of which is attached, on the disposal of surplus HRM equipment and the environmental impacts of these disposal practices. The Environment and Sustainability Standing Committee subsequently requested the Audit and Finance Committee examine opportunities to revise the Disposal of Surplus Assets Policy to enable donation of furniture, including filing cabinets, to not-for-profit community groups. This report anticipates and responds to this request.

DISCUSSION

The disposal of surplus HRM assets is guided by Section 12 of Administrative Order #35, The Procurement Policy as follows:

12. (1) The Procurement Section shall accumulate surplus assets from the Business Units. Items that are likely to be of use to other Business Units of Halifax Regional Municipality can be transferred, after notice is given to all Business Units of the availability of these items.

(2) Surplus assets over the value of \$100,000 shall be disposed of by Request for Tender and contract for disposal of such assets shall be awarded by the CAO.

(3) In other cases surplus assets shall be disposed of by either Request for Tender, Request for Quotation or auction as reasonably practical in the circumstances.

(4) The CAO may award the disposal of surplus material without competition to any non-profit corporation, association, or entity, or any Municipality, Crown Corporation, School Board or level of government.

In accordance with the policy, surplus serviceable furniture with useful remaining life is first offered to business units for re-use. If the furniture cannot be redistributed internally, it is sent to public auction for sale. In general, most serviceable surplus furniture is redistributed internally and as a result, very few items are directed to public auction for sale.

Furniture that is not suitable for redistribution is either at the end of its useful life or cannot be economically returned to a serviceable state. These items are disposed of in an environmentally appropriate manner and in accordance with governing legislation for waste disposal.

Donating serviceable surplus assets with value to entities outside of the municipality can be problematic for two primary reasons. Firstly, procurement processes are predicated on the principles of openness, fairness and transparency. The donation of surplus assets presents a dilemma in preserving these values even when assets are of a nominal value. This is demonstrated in the CAO's desire to amend Section 12 (4) of the Procurement Policy so that the approval of donations of surplus assets is elevated from the CAO's authority to Regional Council's authority. Currently, only significant surplus non fixed capital assets, including various fire apparatus and buses, are disposed of in accordance with this section of the policy.

Secondly, the donation of surplus items is problematic from an administrative perspective. A disposal program that includes the donation of surplus items can be difficult to manage. Pressures are often placed on staff to consider items of marginal use as serviceable that would otherwise have been deemed waste and, as a result, HRM incurs the associated additional costs of repair which may not be insignificant. Administrating a program to offer surplus assets to a potentially large number of community groups would also be an inefficient use of resources given the wide array of available surplus assets including furniture, the limited availability of high quality items, and the administrative burden of canvassing these groups and redistributing assets.

Being mindful of the need to achieve a balance between the objective of offering a broad spectrum of not-for-profit community groups the opportunity to re-use surplus items at no cost and the associated administrative /procurement process challenges, staff suggest an acceptable solution lies in the extension of Section 12 (1) of the Procurement Policy to include the offering of surplus assets to the agencies, boards and commissions of HRM. This has the advantage of including more community groups in the process that internally redistributes HRM surplus assets and minimizes the administrative/process challenges associated with the donation of surplus assets.

This proposed solution is consistent with other proposed amendments to the Procurement Policy currently under development and required as a result of the new Public Procurement Act. To meet legislative requirements and timelines for the Procurement Policy to comply with the requirements of the Act, staff is seeking more immediate direction on the amendment included in this report so that it can be presented to the Environment and Sustainability Standing Committee for their consideration at the next regularly scheduled meeting. This amendment as reviewed by the Environment and Sustainability Committee will then be incorporated along with other proposed amendments and brought back before the Audit and Finance Standing Committee for their consideration at the next regularly scheduled meeting.

BUDGET IMPLICATIONS

The net impact of including agencies, boards and commissions in the internal process of redistributing surplus HRM assets has a minimal impact on the budget. There may be a slight loss of revenue from the diversion of some surplus items from the public auction for re-use by the agencies, boards and commissions of HRM and a minimal incremental staff cost associated with the administration of an expanded internal redistribution process.

FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Project and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Project and Operating reserves, as well as any relevant legislation.

COMMUNITY ENGAGEMENT

Not applicable.

ALTERNATIVES

There are no other viable alternatives.

ATTACHMENTS

Attachment "A" – Disposal of Surplus HRM Assets

A copy of this report can be obtained online at <http://www.halifax.ca/commcoun/cc.html> then choose the appropriate Community Council and meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

Report Prepared by: Anne Feist, Manager, Procurement, Finance/Information, Communications and Technology, 490-4200



P.O. Box 1749
Halifax, Nova Scotia
B3J 3A5 Canada

**Environment and Sustainability Standing Committee
March 1, 2012**

TO: Chair and Members of Environment and Sustainability Standing
Committee

A handwritten signature in cursive script, appearing to read "G. Keefe".

SUBMITTED BY: _____
Greg Keefe, Acting Director of Finance and Information Technology

DATE: February 20, 2012

SUBJECT: Disposal of Surplus HRM Equipment

INFORMATION REPORT

ORIGIN

A request by the Environment and Sustainability Standing Committee on February 6, 2012 for a staff report on the disposal of surplus HRM equipment to ascertain environmental impacts of our disposal practices.

BACKGROUND/DISCUSSION

In keeping with Procurement's commitment to sustainability, surplus equipment is either reused or disposed of in an environmentally responsible manner. End of life provisions are routinely incorporated into standing offers and tenders. As an example, for electronics, photocopiers have an end of life term requiring the vendor to take them back at the end of their useful life. At the end of life, computers, fax machines, printers and monitors have memory storage removed and destroyed and are sent to Atlantic Electronics Stewardship (ACES) depots. Computers that have some serviceability, but are unsuitable for HRM use, have the hard drives removed and are sent to Computers for Schools where they are refurbished for use at Nova Scotia schools. Surplus cell phones and batteries are returned to the distributor for appropriate disposal.

Furniture is redistributed internally whenever possible. Serviceable furniture that cannot be redistributed is sent to public auction for sale. Furniture that is no longer serviceable is treated as solid waste and is disposed of accordingly.

Surplus vehicles and other motorized equipment go to public auction and are mostly purchased by local individuals for reuse. Most 40 foot transit buses, once retired are no longer road worthy and not saleable as a vehicle. These are sent to Dartmouth Metals to be crushed as scrap metal. Occasionally surplus Access-A-Buses are donated to non-profit organizations for use within the community. Surplus fire apparatus is also sold or donated to other volunteer municipal fire departments. Smaller equipment including such items as appliances, generators, recreational sports and gym equipment are redistributed as viable or repaired and sold as appropriate.

BUDGET IMPLICATIONS

There are no budget implications associated with this report.

FINANCIAL MANAGEMENT POLICIES/BUSINESS PLAN

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Project and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Project and Operating reserves, as well as any relevant legislation.

COMMUNITY ENGAGEMENT

No community engagement occurred in relation to this report.

ATTACHMENTS

None

A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/cagenda.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: Anne Feist, Manager, Procurement, Finance and Information Technology, 490-4200
