

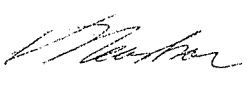
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**Audit and Finance  
Standing Committee  
September 21, 2011**

**TO:** Chair and Members of Audit and Finance Standing Committee

**SUBMITTED BY:**   
\_\_\_\_\_  
Ken Reashor, P.Eng., Director, Transportation & Public Works

**DATE:** September 1, 2011

**SUBJECT:** Reserve Policy Update Q121 Business Park Reserve

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**INFORMATION REPORT**

**ORIGIN**

**May 18, 2011 - 9.5.2 Review of the Business Park Reserve Policy**

The May 3, 2011 motion from Regional Council was before the Standing Committee. A copy of the Business/Industrial Parks Expansion Reserve – Q121 policy was before the Standing Committee for review and clarification with respect to policy interpretation and definitions contained within the approved 2000 policy.

## **BACKGROUND/DISCUSSION**

On May 18, 2011, the May 3, 2011 motion from Regional Council was before the Standing Committee and a copy of the Business/Industrial Parks Expansion Reserve – Q121 policy for discussion and clarification with respect to policy interpretation and definitions contained within the Policy approved in 2000.

The year 2000 approved Policy requires language and definition updates to capture the current development practices and requirements of modern land and increasing complexities of land and subdivision development.

The Reserve Policy updates focus on updates to the following areas and the proposed Policy is attached to this report in draft. The updated Reserve Policy will be formally brought forward to Regional Council by Finance staff along with other Reserves as part its comprehensive Reserve Review Program.

Q121 Business/Industrial Parks Development Reserve - Key Updates or Clarifications:

### *Reserve Funding:*

- The Reserve is funded from net revenues from the sale of property in HRM business and industrial parks, and from interest paid in accordance with the Reserve Policy.

### *Reserve Purpose:*

- The Reserve is used exclusively to fund the required servicing and development of lands for sale in HRM owned and designated business and industrial parks.

### *Eligible Costs (Clarified):*

- Servicing and development costs eligible under this policy include, but are not limited to, acting reasonably, land acquisition, surveying, appraisal, engineering services, installation of municipal water and sewer mains, construction roads and supporting transportation infrastructure, concrete curb and gutter, street and park directory signage, streetscape construction, intersection signalization, lot grading, marketing and administrative costs, other related construction costs and interest charges.
- Eligible costs include all on-site and proportionate off-site costs, as required by policy and/or are necessary to develop and bring the lands to market.

## **BUDGET IMPLICATIONS**

There are no immediate budget implications associated with this report, the added clarity around the policy is overdue and is required to ensure the municipal industrial park development is optimal and cost efficient in providing a sustainable asset base for the program and services delivered.

**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**

This report outlines an administrative process, decisions and outcomes of the process will involve community engagement throughout the implementation of the action plans developed.

**ALTERNATIVES**

N/A

**ATTACHMENTS**

- Attachment 1. Reserve Policy Q121 – 2011
- Attachment 2. 2011/12 Approved Q121 Budget

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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 & Approved by:

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Peter Stickings, Manager, Real Estate & Facility Services, TPW 490-7129

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## **Reserve Business Case**

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**Date:** March 28, 2000  
**Revised Date:** September, 2011  
**Contact:** Director, Transportation & Public Works

### **Business/Industrial Parks Development Reserve - Q121**

#### **Purpose**

The Reserve is the primary funding source for the Municipality's Business Park Program. The reserve is used to fund the capital investment required to acquire and develop land for HRM's business and industrial parks. Phasing plans and lot inventory pricing is approved at a market minimum unit price per square foot to ensure full cost recovery of development costs as further defined herein.

The Business Park Program is a key pillar of the Municipality's Economic Strategy and Regional Plan.

#### **Source of Funds**

The Halifax Regional Municipality Charter 120 (3a) requires the Municipality to maintain a Reserve for funds received from the sale of property. Net sale proceeds from the sale of lots are deposited to Q121 and used to fund future development phases.

The Reserve is funded from net revenues from the sale of land in HRM business and industrial parks, and from interest paid in accordance with the Reserve Policy. Deductions from the gross revenue from sales include project management fee or operating recovery of up to a maximum of 10 percent, marketing costs up to a maximum of 5 percent, brokerage fees if applicable, legal and administrative and closing costs.

Where sales volume and values can fluctuate year to year, any planned operating recovery surplus or deficit will be managed via a transfer to or from the Reserve at the end of each fiscal year.

#### **Application of Funds**

The Reserve is used exclusively to fund the required servicing and development of HRM owned and designated business and industrial parks. Servicing and development costs eligible under this policy include, but are not limited to, acting reasonably, land acquisition, surveying, appraisal, consulting engineering services, installation of municipal water and sewer mains, construction of roads and supporting transportation infrastructure, concrete curb and gutter, street and park directory signage, streetscape construction, intersection signalization, lot grading, marketing and administrative costs, other related construction costs and interest charges.

Eligible costs include all on-site and proportionate off-site costs, as required by policy and/or are necessary to develop and bring the lands to market.

Funds required to service a group of lots being offered for sale must first be provided in an agreement of purchase and sale prior to commencing the project or sufficient funds must be present in the Reserve to fund the servicing and development of the lots or phase of the project for which sales have not been finalized. For example, the most cost effective approach to servicing an expansion of a business park might be to service and grade a particular 40 acre parcel of land; however, even with strong demand it may only be possible to pre-sell 20 acres prior to construction award. In this instance, provided the sufficient Reserve funding was available, Council could decide to proceed with the servicing of the entire 40 acres at one time.

**Time Line**

As long as the Municipality has lands that have the potential to be serviced for sale as industrial/commercial building lots, the Municipality shall retain the Reserve.

**Approval Process**

All requests for funding from the Business/Industrial Parks Expansion Reserve Account must be initiated by Director of Transportation & Public Works. Financial Services is responsible for ensuring availability of funds and appropriateness of expenditures in accordance with the Reserve Policy. These approvals are primarily done through the annual budget process. If expenditure was excluded from the approved budget, approval on an individual basis can be obtained via recommendation reports to Council.

**Recommendation**

At the end of each fiscal year any projected available balance in this reserve should be considered as a funding source of the following year's budget process.

**Attachments**

2011/12 Reserve Budget

**Approval**

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CAO

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CFO

HALIFAX REGIONAL MUNICIPALITY  
PROPOSED CAPITAL RESERVE FUNDS BUDGET  
to March 31, 20112

		Projected Available Balance March 31/11	2011/12 Budgeted Contributions	2011/12 Projected Interest	2011/12 Capital Budget Withdrawals	2011/12 Operating Budget Withdrawals	2011/12 Other Budgeted Withdrawals	Projected Available Balance March 31/12
<b>Capital Reserves</b>								
Q101	Sale of Capital Assets	(3,107,909)	5,237,024	34,619	(750,000)	0	(50,550)	1,363,184
Q121	Business/Industrial Parks Expansion	(6,705,078)	18,712,392	99,468	(1,804,000)	0	0	10,302,782
Q103	Capital Surplus	1,280,900	0	48,154	0	0	0	1,329,054
Q107	Parkland Development	481,238	650,000	29,789	(500,000)	0	(65,000)	596,027
Q119	Sackville Landfill Closure	4,575,962	0	88,783	(843,000)	(355,140)	0	3,466,605
Q120	Otter Lake Landfill Closure	1,597,606	2,403,000	1,889	(739,000)	0	0	3,263,495
Q123	Waste Resources	8,433,683	12,778,000	130,502	(20,555,000)	0	0	787,185
Q124	Upper Sackville Turf	297,704	25,000	4,994	0	0	0	327,698
Q125	Metro Park Parkade	1,841,172	223,800	37,547	(60,000)	0	0	2,042,519
Q126	Strategic Growth	1,572,945	5,025,000	48,480	(3,500,000)	0	0	3,146,425
Q127	Sustainable Communities	330,291	275,775	9,925	(50,000)	(290,433)	0	275,558
Q128	Rural Fire	583,064	250,000	12,066	(250,000)	0	0	595,130
Q129	Ferry Replacement	206,271	5,150,000	37,372	(1,700,000)	0	0	3,693,643
Q130	Capital Replacement	771,156	627,340	26,769	0	0	0	1,425,265
Q131	Energy & Underground Services	1,037,672	515,000	21,745	(650,000)	0	0	924,417
Q133	CCC Bedford South Interchange	92,173	450,000	11,456	(380,000)	0	0	173,629
Q134	Gax Tax Reserve	1,679,901	24,802,514	209,870	(24,001,000)	0	0	2,691,285
Q135	Alderney Gate Recapitalization	580,725	405,200	14,123	(295,000)	0	0	705,048
Q137	Regional Capital Cost Contribution	714,484	0	14,901	0	0	0	729,385
Q138	Community Facility Partnership	8,644	0	13,105	0	0	0	21,749
Q139	Central Library Repayment Reserve	(15,500,000)	4,000,000	0	0	0	0	(11,500,000)
Q140	Central Library Recapitalizaton Reserve	0	0	0	0	0	0	0
Q141	BMO Ctr Life Cycle Reserve	50,051	200,000	0	0	0	0	250,051
Q108	Kingswood Water	3,802	0	66	0	0	0	3,868
Q112	5594-96 Morris St	44,779	7,874	673	0	(30,000)	0	23,326
Q113	Rockingham Community Centre	13,348	0	232	0	0	0	13,580
Q115	Captain William Spry	1,746	0	30	0	0	0	1,776
Q116	Richmond School	1,119	0	19	0	0	0	1,138
	<b>Total Capital Reserves</b>	<b>887,449</b>	<b>81,737,919</b>	<b>896,576</b>	<b>(56,077,000)</b>	<b>(675,573)</b>	<b>(115,550)</b>	<b>26,653,821</b>