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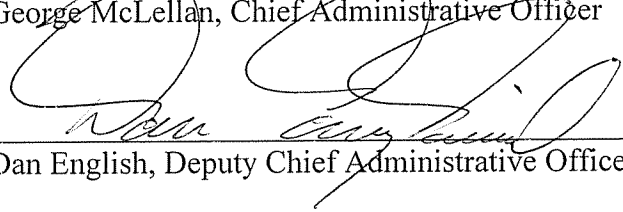
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**Halifax Regional Council**  
**January 25, 2005**

**TO:** Mayor Kelly and Members of Halifax Regional Council

**SUBMITTED BY:**

  
\_\_\_\_\_  
George McLellan, Chief Administrative Officer

  
\_\_\_\_\_  
Dan English, Deputy Chief Administrative Officer

**DATE:** January 18, 2005

**SUBJECT:** Energy and Underground Services Co-Location Reserve

**ORIGIN**

In December 1988, Council approved the Reserves Policy as part of the Multi-Year Financial Strategy. Part 10 of the Reserves Policy prescribed that "each Reserve will have a specific Business Case developed by the appropriate Director or General Manager in conjunction with the Director of Financial Services."

**RECOMMENDATION**

It is recommended that:

- Council approve the proposed Reserve Business case and transfers to the Energy and Underground Services Co-Location Reserve as outlined in this report.

## **BACKGROUND**

Reserves have 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. Part 10 of the Reserves Policy prescribes that “each Reserve will have a specific Business Case developed by the appropriate Director or General Manager in conjunction with the Director of Financial Services.” The policy also states that “reserve funding is incorporated into the financial plan as an integral part of the operating and capital budgets.” The Energy and Underground Services Co-Location Reserve is meant to enable HRM to take advantage of co-locations and energy and under ground services related projects that may arise throughout the year outside the normal business planning process.

## **DISCUSSION**

As noted in the attached business case, the purpose of the Energy and Underground Services Co-Location Reserve is to enable the municipality to respond quickly to opportunities that may arise outside the normal operating and capital budget during the fiscal year, and to leverage funds from other levels of government and external agencies to co-locate under ground services such as natural gas conduit, fibre optic cable, power and telecom lines with other capital projects. To the extent that capital projects can be planned in advance and are not contingent upon receiving funding from third parties, they will be submitted as part of the regular capital budget process for consideration.

## **BUDGET IMPLICATIONS**

There are no negative budget implications associated with the recommendation in this report. Currently the funds for the Energy and Underground Services Reserve are contained in an existing capital account, and an existing balance sheet account (as outlined in the Reserve Business case). With Council’s approval these amounts will be transferred into the Energy and Underground Services Co-Location Reserve. In future years, as part of the annual corporate scorecard/business planning and budget process, additional funding may be requested for this Reserve as projects are identified.

## **MULTI-YEAR FINANCIAL IMPLICATIONS**

This report complies with the Municipality’s Multi-Year Financial Strategy, the approved Operating Budget and policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves, as well as any relevant legislation. As noted in the Budget Implications Section, it is recommending a transfer from the Capital to the Reserve Budget such that funding for future co-location projects will be available in the Reserve.

**ATTACHMENT**

Energy and Underground Services Co-Location Reserve Business Case

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.

Report Prepared by: Cathie O'Toole, Manager, Environmental Performance (Energy & Utilities) 490-7061

Report Approved by:



S. Dale MacLennan, Director, Financial Services, 490-6308



Brad Anguish, Director, Environmental Management Services, 490-4825

# Reserves Business Case

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**Date:** January 18, 2005

**Contact:** Brad Anguish, Director, Environmental Management Services

## Energy and Underground Services Co-Location Reserve

### Purpose

The purpose of the Energy and Underground Services Co-Location Reserve is to enable the municipality to respond quickly to opportunities that may arise **outside** the normal operating and capital budget during the fiscal year, and to leverage funds from other levels of government and external agencies to co-locate under ground services such as natural gas conduit, fibre optic cable, power and telecom lines with other capital projects. Capital projects that can be planned in advance and are not contingent upon receiving funding from third parties, will be submitted as part of the regular capital business planning/budget process for consideration.

### Source of Funds

There are five sources of funds for this reserve:

- 1. Funds received September 2004 regarding sale of natural gas orphan systems on Troop Avenue and Lakeside Terrace - \$99,609.79.** HRM constructed these orphan systems through existing capital projects in prior fiscal years. Money from the sale of these orphan system has been received and is being temporarily held in a balance sheet account pending approval of this reserve business case.
- 2. Funds received for HRM services (mostly staff time) provide to Heritage Gas during prior fiscal years - \$60,820.** In September 2004, HRM billed for these prior year services and received payment from Heritage Gas. As with the money received from the sale of the orphan systems noted above, this money is being temporarily held in a balance sheet account pending approval of this reserve business case.

On November 2, 2004, Council approved a Development Agreement between Heritage Gas and

HRM. Future services will be billed on a quarterly basis and recorded as a recovery within the budget where the cost of services was recorded - PWT - Right of Way Services.

**3. Transfer of the Balance of HRM Capital Account #CSE0900 regarding Co-location of Underground Services - \$121,000.** This project was approved as part of the 2004/05 capital budget in the amount of \$250,000. The capital project objective is to take advantage of opportunities to co-locate utilities in existing capital projects such as Harbour Solutions trenching or existing TUGS works. To date \$129,000 has been expended regarding the installation of two segments of conduit in Hollis Street as part of the Harbour Solutions project, to enable natural gas lines to be threaded at a future date. The balance of the Capital Account has not been identified to specific projects.

**4. The net proceeds from any future sales of natural gas orphan system or conduit assets.** Currently, the only asset which could be sold in the future is a segment of conduit in Hollis Street, through which natural gas line, fibre optic or telecom cables could be threaded in the future.

5. The Provincial Department of Energy has committed to pay HRM \$30,000 per year for 10 years, commencing in 2004/05 to be used toward projects which further development of the natural gas distribution system in HRM. On an annual basis we will review projects with them that could be funded directly by the Department of Energy contribution, and any remaining balance shall be deposited in the Energy and Underground Services Reserve, with the understanding that it must be used for future natural gas related projects.

6. Future allocations to the reserve will be reviewed in conjunction with the annual corporate scorecard/business planning and budget process.

Interest will be paid on the funds in accordance with the HRM Reserves Policy.

### **Application of Funds**

The funds in the Energy and Underground Services Co-location Reserve can be accessed on a repayable or non-repayable basis subject to the approval of the Energy and Underground Services Subcommittee of Council, EMT and Council. Funds may be utilized for the following applications:

- Co-location of natural gas lines with HRM capital projects, or projects led by others
- Co-location of fibre optic cable with HRM capital projects, or projects led by others
- Under grounding telecom & power lines in conjunction with HRM capital projects, or projects led by others
- Other projects may be considered if they pertain to under ground services or co-locations

**Time Line**

The adequacy of the balance in the reserve will be assessed on an annual basis, and corrective funding actions taken if necessary. A minimum of balance of \$200 thousand will be maintained in the reserve to enable response to sudden unanticipated opportunities. The balance in the reserve will not be permitted to accumulate beyond \$2 million dollars.

**Approval Process**

The Energy and Under Ground Services sub-committee of the Healthy, Sustainable, Vibrant Community theme team can initiate expenditures from the reserve subject to confirmation of the availability of funds, approval of the Director of Finance, and approval of EMT prior to going to Council for authorization in accordance with the Reserve Policy.

**Attachment**

Projected annual contributions, withdrawals and balances.

**Approval**

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## ***Energy and Underground Services Co-Location Reserve Source and Application of Funds***

	<b>Proposed per Reserve Business Case 2004/05</b>	<b>Proposed 2005/06</b>
Sales of orphan systems	99,609.79	
Prior year services to Heritage Gas	60,820.00	
Balance in Capital Account CSE0900	121,000.00	
<b><i>Opening Balance</i></b>	281,429.79	281,430
 <i>Contribution</i>		*
<i>Withdrawals</i>		**
 <i>Interest Earned as per Reserve Policy</i>		7,036
 <b><i>Closing Balance</i></b>	281,430	288,466

\* Future Contributions:

As noted in the reserve business case, future contributions are being reviewed in conjunction with the annual budget and business planning process.

\*\* Future Withdrawals

A project currently being reviewed in relation to the 2005/06 capital budget process is a pole-free zone in the Duke and Salter Street area.

2005/06 and future year contributions and withdrawals will be updated and included in the annual budget and business planning process. However, the nature of the reserve is to enable HRM to respond to opportunities that may arise outside the normal budget fiscal year. Therefore, in addition to the annual budget approval, reports will come before Council for approval of reserve withdrawals throughout future fiscal years.