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Item No. 10.1.1

**Halifax Regional Council
November 24, 2009**

TO: Mayor Kelly and Members of Halifax Regional Council

A handwritten signature in dark ink, appearing to read "Dan English".

SUBMITTED BY:

Dan English, Chief Administrative Officer

A handwritten signature in dark ink, appearing to read "Wayne Anstey".

Wayne Anstey, Deputy Chief Administrative Officer - Operations

DATE: October 21, 2009

SUBJECT: Infrastructure Planning Office - Reserve Withdrawal

ORIGIN

Staff.

RECOMMENDATION

It is recommended that Council approve the withdrawal of up to \$75,000 from Q310 - Service Improvement Reserve, in the form of a non-repayable grant, to support the administration of infrastructure funding programs for a one year period.

BACKGROUND

During the 2008/09 budget and business planning process, Infrastructure and Asset Management submitted a business case to establish an Infrastructure Planning Office. The business case received approval in July 2008, enabling creation of a team to oversee the Asset Management Program, develop long range infrastructure plans, operationalize asset management, administer the Capital Cost Contribution Program, and prepare the capital plan in cooperation with Finance.

DISCUSSION

When capital grants are received, there are usually formal reporting requirements that must be met as a condition of funding. These requirements are designed to ensure transparency and accountability when public funds are spent, and to assist the funding agencies with cash flow management. Funding programs typically require cash flow projections, investment plans, and annual expense reports. It is essential that reporting requirements of funding programs are met; that capital investment plans and interim expenditure reports are submitted; and there is a liaison between project managers and Finance staff to ensure that claims and audited expense reports are submitted in a timely manner. Also, expenditures need to be tracked so that under-expenditures are identified earlier and can be more easily re-allocated if possible.

In recent months, HRM has received significant funding through the Build Canada and Federal Stimulus programs which creates an urgent need for a dedicated focus to keep up with the reporting and claim requirements (complete list is attached as Appendix B). This urgency arises from both the significant amount of capital grant money involved as well as the requirement to complete the Stimulus Fund projects by March 31, 2011.

Funding programs also have very strict and formal communication requirements relating to events, media releases, and project signage which need to be fulfilled

The measure for success will be:

- reduced interim project financing costs by timely submission of claims;
- approved funding amounts are fully utilized;
- no funding is placed at risk or is lost because of not complying with program reporting requirements; and,
- increased budget capacity to address both the renewal of existing infrastructure and opportunities to provide new services to our growing communities.

BUDGET IMPLICATIONS

A non-repayable withdrawal of up to \$75,000 from Q310 - Service Improvement Reserve is requested to fund the salary, benefits, and ancillary expenses for the administration of the infrastructure funding program. This amount will span fiscal years 2009/10 and 2010/11. The reserve withdrawal pertaining to 2010/11 will be reflected in the 2010/11 reserve budget. Currently there is \$1,721,123 available within the Service Improvement Reserve. The funding availability has been confirmed by Financial Services.

Q310 - Service Improvement Reserve

Uncommitted balance	\$1,721,123
Proposed withdrawal	<u>\$ (75,000)</u>
Projected balance March 31, 2010	\$1,646,123

FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Capital and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves, as well as any relevant legislation. Approving this report will increase the 2009/10 withdrawals from reserves.

ALTERNATIVES

Council could choose not to approve the reserve withdrawal. This would mean that HRM continues to approach infrastructure funding programs within existing staff resources. This is not recommended as there is significant risk of non-compliance with program requirements.

ATTACHMENTS

Appendix A - Service Improvement Reserve Business Case

Appendix B - HRM Infrastructure Projects

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: Holly Power-Garrett, Asset Management Program Coordinator, IAM, 490-4488



Report Approved by:

Peter Duncan, Manager, Infrastructure Planning Office, IAM, 490-5449

Financial Approval by:



Cathie O'Toole, CGA, Director of Finance 490-6308

Report Approved by:

Phillip Townsend, Director, Infrastructure & Asset Management, 490-7166

Reserves Business Case

Halifax Regional Municipality • Corporate Services • Finance Division • 490-4446 • Fax: 490-4175

Date: July 8, 2003
Contact: Director of Finance

Service Improvement Reserve - Acct Q310

Purpose

The Service Improvement Reserve will be used to provide loans or withdrawals for business redesign projects that improve HRM's business processes and for which seed capital is required. Eligible projects must demonstrate anticipated down stream service improvement benefits that will result from reworking processes and activities.

Source of Funds

It is recommended that the Reserve be capped to a maximum of \$1,500,000 in available dollars. The fund will be self-sustaining by replenishment of funds flowing back to the Reserve in the form of loan payments (principal and interest) from projects. Any operating surplus at year end, may also be directed into this reserve to replenish withdrawals that are not repayable.

Application of Funds

Funds can be used for any resourcing costs associated with a Business Process change that will produce an identifiable and sustainable net cost reduction.

Funding can be accessed through an application to the Executive Management Team.

A Loan Application should be accompanied by a Business Case which will include a justification for the change, and a description of the project and its anticipated benefits and savings. It should identify any outside consulting required, a method for tracking savings and benefits, and a time line for realization of these savings and benefits. The Business Case should also incorporate a detailed project budget which identifies any assumptions made. The application must identify the Project management, the organizational impact of the resulting change and be recommended by the appropriate Director or General Manager.

The application to EMT must be accompanied by a recommendation from Financial Services regarding compliance with the Reserve Business Case and availability of funds.

A loan application must include a schedule of repayments for not longer than five years, by way of direct reduction of specific budget cost centres in specified future years. The Budget reduction will be offset by the loan repayments over the life of the loan. Loans will be charged interest at the short-term earning rate unless otherwise specified.

A withdrawal application must include a justification for the change, description of the project and anticipated benefits. It should identify any outside consulting required, a detailed project budget including any assumptions made and the specific service enhancements which will result from the change or from the reinvestment of savings realized from the change. The application must also include the method of measuring the service enhancements. Where savings are reinvested to create service enhancements and those service enhancements are not realized, EMT may consider requiring that the withdrawal be repaid.

Time Line

The Reserve is intended to be permanent subject to annual review as to its usefulness to the organization in accordance with the Reserves Policy.

Attachments

None.

Approval

CAO

Table 1	
HRM Infrastructure Projects - Construction Costs (2009\$)	
Project	Construction Costs
HRM Central Library	\$42,031,000
Mainland Commons Project	\$40,700,000
Buildings	\$11,610,000
All Buildings Bundle (Misc. Capital Upgrades)	\$610,000
Halifax City Hall Restoration	\$2,000,000
Herring Cove Fire Station	\$3,000,000
Hubley Fire Station	\$3,000,000
Waste Stabilization Facility Roof	\$3,000,000
Roadways, Bridge and Other	\$22,000,000
Bridge Repairs	\$1,500,000
Point Pleasant Park Upgrades	\$2,000,000
Regional Trails (Chester Spur Line)	\$1,000,000
Sheet Harbour Sidewalks	\$3,500,000
Washmill Lake/102 Underpass/Regency Park	\$10,000,000
Burnside/North Dartmouth (Trunk Sewer)	\$4,000,000
Total	\$116,341,000
<i>Source: Halifax Regional Municipality</i>	