



PO Box 1749  
Halifax, Nova Scotia  
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**Item No. 10.1.2**  
**Halifax Regional Council**  
**February 16, 2010**

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

**SUBMITTED BY:**

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Dan English, Chief Administrative Officer

A handwritten signature in cursive script, appearing to read "Mike Labrecque".

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Mike Labrecque, Deputy Chief Administrative Officer - Corporate  
Services and Strategy

**DATE:** February 16, 2010

**SUBJECT:** Reserves Business Case - Q321 Information and Communication  
Technologies

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**ORIGIN**

Staff.

**RECOMMENDATION**

It is recommended that Halifax Regional Council approve the revised Reserve Business Case Q321 Information and Communication Technologies as per the attachment to this report. The key changes include:

- 1) Removal of the Enterprise Software exclusion;
- 2) Allow for investment in new business tools;
- 3) Include references to the role of the ICT Committee which did not exist at the time of the Reserve establishment; and
- 4) General cleanup of the language to reflect changes since 2006.

## **BACKGROUND**

Reserves have long 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 whereby “each Reserve will have a specific Business Case developed by the appropriate Director in conjunction with the Director of Financial Services” and that “reserve funding is incorporated into a financial plan as an integral part of the operating and capital budgets.”

The Business Case for the Information and Communications Technologies (ICT) Reserve was approved by Council on June 13, 2006.

## **DISCUSSION**

At the time the ICT Reserve was approved by Council in 2006, staff had identified through the Capital Planning process significant future investments required to maintain and enhance information and communications systems. The ICT Reserve was designed to allow funds already allocated in operating budgets for technology and telecommunications services to be retained for such future investments. The original Business Case approved by Council contained a specific exclusion of “Enterprise Software Applications”.

In 2007 EMT approved the establishment of the ICT committee, a committee of staff with representation from each business unit. The terms of reference of the ICT committee defines the mandate as follows:

*On behalf of HRM and its stakeholders, the Committee will oversee the ICT Portfolio of activities and functions. This includes identifying, prioritizing, governing and facilitating policies, principles, activities, projects and processes associated with information/data management, information technology, and telecommunications across HRM.*

The establishment of the ICT Committee has allowed for coordination of the planning of ICT related projects, ensuring related initiatives are considered collectively, as well as identifying financial and other benefits through a detailed business case for each project. A goal of the committee is to redirect actual savings from these projects back into the portfolio of ICT initiatives, as much as possible creating a self funding situation for new technology initiatives. The ICT Reserve is the recommended vehicle for the capture of these savings.

In order to realize this self funding model, the ICT Reserve Business Case was reviewed to ensure an appropriate fit for the use of the ICT Committee.

**BUDGET IMPLICATIONS**

Approval of the amended ICT Reserve Business Case will provide a funding vehicle for new ICT Projects, capture savings from these projects for reinvestment, and should have a positive impact on future capital and operating budgets.

**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.

**ALTERNATIVES**

Council may decide not to approve the recommended amendments. The existing exclusion of enterprise software if maintained will require these projects to obtain funding from the capital budget. This alternative is not recommended.

**ATTACHMENTS**

Q321 Information and Communication Technologies Reserve Business Case

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: David Muise, Division Manager Information Technology - 490-6555

Financial Approval by:   
Cathie O'Toole, CGA, Director of Finance, 490-6308

Report Approved by:   
Brad Anguish, Director Business Planning and Information Management - 490-4769

# Reserves Business Case

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

**Date:** February 16, 2010  
**Contact:** Director Business Planning and Information Management

## **Information & Communication Technologies (ICT) Reserve (Q321)**

### **Purpose**

To provide a mechanism to capture savings generated by information or communication technology systems improvements and upgrades. Funds will be used to support future maintenance, upgrade, and replacement of information or communication systems, as well as new business tools projects identified through the ICT committee process.

### **Source of Funds**

The ICT Reserve was funded through an initial transfer of \$1,556,858 which represented 50% of the March 31, 2006 balance in the Capital Replacement Reserve Q130 and an annual transfer of \$500,000 from M322 (50% of the annual transfer budgeted for Q130 Capital Replacement Reserve). Additional funds generated through occasional or predictable cost savings through the use of technology and through current ICT expenditures efficiencies will be transferred to the reserve at the end of each fiscal year. Potential cost savings are identified as:

#### 1. Radio System Maintenance Savings

HRM has changed its approach to maintaining radio equipment. Fixed-cost maintenance agreements that provide a predictable expenditure do not provide adequate value. HRM has implemented an incident-based approach to maintaining most radio equipment and is paying for repairs as required.

Radio system savings shall also encompass the sale of obsolete equipment.

#### 2. Voice Radio and Wireless Data Airtime Savings

HRM incurs airtime expenditures for voice radio and wireless services. An annual review of savings derived from reductions in airtime costs due to fewer units or lowered rates will identify amounts to be transferred to the ICT Reserve at the end of each fiscal year.

#### 3. Telephony Savings

Through the analysis of telephone billing, HRM is able to identify errors which have resulted in

overpayments for long distance, telephone set leases, Centrex rates, administrative errors, dedicated circuits, and discontinued services. The recovery of these funds from the carriers results in one time operating savings to be directed to the ICT Reserve. In addition, a portion of on-going operating savings will be transferred to the ICT Reserve at the end of each fiscal year.

#### 4. ICT Operating Savings

Any future savings resulting from renegotiation of ICT related contracts, benefits derived from the delivery of ICT projects, or reductions in the cost of information technology related goods and services realized may be contributed to the ICT reserve. An annual review of such savings will determine the amounts to be transferred to the ICT Reserve at the end of each fiscal year.

#### **Application of Funds**

The funds from the ICT Reserve would be used for the following purposes:

- 1) Future Information and Communications Technology projects that are consistent with HRM's ICT strategies. ICT projects include business applications, telecommunications initiatives, and technology infrastructure projects. Priority would be given to projects that reduce current operating costs;
- 2) Radio maintenance expenditures that exceed annual budgetary allocations;
- 3) Radio user equipment replacement programs;
- 4) Occasional specialized services intended to optimize system configurations and minimize operating costs, such as network, telecommunications or billing.

#### **Time Line**

Ongoing with annual review.

#### **Approval Process**

Expenditures will be requested through the ICT Committee process. The Chair of the ICT Committee in consultation with the capital steering committee (if applicable) and Executive Management Team will recommend appropriate projects for reserve funding. Finance will confirm availability of funds prior to going to Council for authorization in accordance with the Reserve Policy.

#### **Attachments**

Detailed budget showing projection of annual contributions, withdrawals and balances is attached.

*Approval*

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**CAO**

## *ICT Operating Reserve*



**Proposed**

### *Cash Flow Projection*

	<b>05/06</b>	<b>06/07</b>	<b>07/08</b>	<b>08/09</b>	<b>09/10</b>	<b>10/11</b>
<b><i>Opening Balance</i></b>	0	1,556,859	2,443,849	2,869,384	3,114,812	3,293,831
Interest *	0	54,490	85,535	100,428	109,018	115,284
Transfers from Operating:**						
Transfer from Q130	1,556,859					
Annual Transfer from Fiscal	0	500,000	500,000	500,000	500,000	500,000
Radio System Maintenance:						
TMR Unit Maintenance(emergency)	0	100,000	60,000	50,000	40,000	30,000
TMR Unit Maintenance(non-emergency)	0	40,000	30,000	20,000	10,000	
Vehicle Repeater Maintenance	0	20,000	15,000	15,000	15,000	15,000
Sale of Surplus Equipment	0	17,500	0	0	0	0
Voice Radio and Wireless Data Airtime:						
TMR Airtime Savings	0	65,000	55,000	55,000		
Police Mobile Data	0					40,000
Telephony:						
Cellular Contract Savings	0	40,000				
Telephone Services	0	70,000				
IT Equipment Operations:						
IT Equipment	0	80,000	180,000	5,000	5,000	5,000
Transfers to Operating ***	0	-100,000	-500,000	-500,000	-500,000	-3,500,000
<b><i>Closing Balance</i></b>	<b>1,556,859</b>	<b>2443,849</b>	<b>2,869,384</b>	<b>3,114,812</b>	<b>3,293,831</b>	<b>499,115</b>

\* Interest rate assumed to be 3.5%

\*\*Transfers from operating have been estimated

\*\*\* Transfers to Operating costs are estimates only at this time.

Initial funding is a transfer of 50% of the projected March 31, 2006 balance in the Capital Replacement Reserve