



PO Box 1749  
Halifax, Nova Scotia  
B3J 3A5, Canada

**Item No. 11.1.2**  
**Halifax Regional Council**  
**August 10, 2010**

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

Original Signed by

A handwritten signature in blue ink, appearing to be "Wayne Anstey".

**SUBMITTED BY:**

Wayne Anstey, Acting Chief Administrative Officer

Original Signed by

A handwritten signature in blue ink, appearing to be "Mike Labrecque".

Mike Labrecque, Deputy Chief Administrative Officer

**DATE:** July 13, 2010

**SUBJECT:** Turner Drive Depot Salt Dome & Scales Purchase

**ORIGIN**

Staff

**RECOMMENDATION**

It is recommended that Halifax Regional Council approve:

1. the withdrawal of \$380,000 from Q310 - Service Improvement Reserve, in the form of a non-repayable grant, to support the installation of a permanent salt dome at 11 Turner Drive;
2. the withdrawal of \$450,000 from Q204 - Fleet and Equipment Reserve for the installation of 3 weigh scales, one each at Turner Drive, MacKintosh and Bayer's Lake;
3. an increase to Project Account No. CBX01170 - HRM Depot Upgrades in the amount of \$830,000; as outlined in the Budget Implications section of this report.

**BACKGROUND**

Ragged Lake Transit Centre is being commissioned in August 2010. With this new facility, Transit Fleet will be moving from 150 Thornhill Drive. 150 Thornhill Drive will be reconfigured to accommodate all of Corporate Fleet Services for September/October 2010.

This presents Transportation and Public Works with several opportunities:

1. Turner Drive is an HRM owned facility. With Corporate Fleet Services moving to Thornhill Drive after the RLTC commissioning, there is an opportunity to renovate the depot to use the space more effectively. There is \$400K allocated in this year's capital work plan for renovations to the Turner Drive depot.

HRM's current space planning allocation of 200 square feet per employee provides a reasonable standard that is used by comparable public sector organizations. The administration section of the building can be redesigned to double the current staff compliment and provide additional meeting space in the form of a training room, conference room, computer lab and two smaller meeting rooms. The layout will be designed with standardized layouts and system furniture to maximize space efficiency and flexibility to accommodate changing jobs or project requirements at the lowest possible cost. The renovations will include new HVAC and a fully accessible main floor area.

2. The salt dome at Oakmount is currently unuseable due to safety issues. The dome would require \$120K worth of repairs which would allow the dome to be used this winter. The annual lease for Oakmount expires May 2011. By incorporating this portion of Municipal Operations into Turner Drive, there would be an annual lease and operating cost avoidance of \$163K.
3. Traffic and Right of Way (TROW) have exceeded their current capacity at MacKintosh Street. There is space allocated to TROW in the former fleet bays which would significantly expand their footprint and improve operations.
4. Through the Work Management Project, Works Planning Technicians and Administrative support staff within Municipal Operations (MOPS) were implemented in individual depots as resources to support for supervisors. Consolidating TROW and MOPS to Turner Drive from MacKintosh, Oakmount and Ilsley allows these resources to be centralized and cross trained.
5. Additional Corporate Benefits:
  - The space vacated by MOPS at Cowie Hill will be utilized by Real Estate and Facility Services as they require additional space for staff.

- The storage hut to MacKintosh formerly used by TROW for storage will be used to store HRM Emergency Services vehicles. HRM Emergency Services will transfer \$15-20K for usage of this space.
- Fleet Stores will move from Turner Drive to Thornhill and the remainder of general stores from Turner will relocate to MacKintosh.
- Additional Finance payroll staff will relocate from Transit to Turner.
- Archives is interested in 81 Ilsley Avenue for additional storage.
- Halifax Water is anticipated to move out of MacKintosh in 2012. This would allow for additional consolidation of Municipal Operations and renovations of the facility based on the depot rationalization plan.
- Consolidate Finance payroll staff from Turner Drive and Transit.

An architect and engineers have been engaged and have completed the initial planning of the administrative building portion of Turner Drive. The plans have been reviewed and approved by TPW and Finance. Corporate Security has provided security input for the administrative building and will provide security proposal for the entire complex in late July.

CBCL has been engaged to prepare a long-term approach for depot rationalization to meet existing and future services.

## **DISCUSSION**

This project enables staff to rationalize depot space, consolidate leased space into owned space, improve the quality of HRM's depots, and contribute to a sustainable operating savings in excess of \$270,000 annually.

The Turner Drive renovations have two related initiatives which require Council approval for the re-allocation of funds in order to be completed:

### **1. Turner Drive Salt Dome**

There are two drivers for installation of a permanent salt dome at Turner Drive:

- The existing salt dome at Oakmount requires repairs in the amount of \$120K. Oakmount Depot is leased from the Province on an annual basis. We can give six months notice to terminate. The contract is up for renewal May 31, 2011. There would be an annual cost avoidance of lease and operating cost of \$163,245 by moving the staff at Oakmount to Turner Drive.
- The current salt shed at Turner Drive will not meet the capacity required for the consolidated operation out of Turner Drive. A new 116 foot permanent dome would be built at Turner Drive for salt storage. The existing storage shed would be utilized for sand to allow this asset to be stored away from the elements and enabling the reduction of salt required in the sand/ salt mixture to meet standard.

The geotechnical survey of the site has been completed and the dome requirements are currently being prepared for tender.

Proposed Funding Source for the Salt Dome: Q310 - Service Improvement Reserve

**2. Weigh Scales for Bayer's Lake, MacKintosh and Turner Drive**

The weigh scales are critical in improving reporting on salt usage for Finance Procurement's salt inventory reconciliation, control of usage and loss of inventory and improvements to the HRM salt management program. The scales will eliminate surveying of the salt inventory which has a 10% error rate, manual recording, compilation and inputting of salt/sand usage data .

These improvements in salt/sand usage reporting and material control will address recommendations from the following audits/ reports:

- Comprehensive Review of HRM Snow & Ice Operations –HRM Business Systems & Control(2004);
- HRM Snow & Ice Program, Validation of Progress – Covenco Ltd. (2008);
- Reconciliation of Salt Inventory – HRM Business Systems & Control (2009).

Correct vehicle weight will also improve compliance with Provincial vehicle weight load compliance and reduce fines and vehicle damage from overweight loads.

Discussions are currently underway with Operations, Design and Construction and Corporate Security for the best placement and traffic flow around the scales to ensure vehicles are required to be weighed before and after loading/unloading. This would provide accurate recording of the actual inventory taken and/or returned.

Proposed funding source for the Weigh Scales: Q204 - General Fleet Reserve. The average useful life of the weigh scales is expected to be 20 years. The reserve business case provides funding for equipment with a useful life of less than 10 years. As a result we are requesting that Council make an exception to this stipulation within the General Fleet Reserve Q204 business case.

Several factors were considered in consolidating staff at Turner Drive:

**1. Travel Times for crews due to the elimination of Oakmount**

Accessibility to salt is a factor with regard to operational efficiencies and maintaining current service standards. Travel times were conducted under clear conditions. Current travel times to Oakmount Depot were compared to the alternatives of accessing the salt domes at Bayers Lake and Turner Drive.

Staff has concluded the increase in these drive times would not have a negative affect on service delivery. On average, the drive time from strategic locations in the Central region fell within a range of four to nine additional minutes.

Should there be traffic congestion on the route to Turner Drive, the alternative location at Bayers Lake would be equal to the drive time to Turner Drive.

Examples of drive times are as follows:

Intersection of Hammonds Plains Road and Lucasville Road to Bayers Lake - 16 minutes  
Intersection of Hammonds Plains Road and Lucasville Road to Oakmount - 12 minutes

Bedford Sackville Overpass to Turner Drive - 10 minutes  
Bedford Sackville Overpass to Oakmount - 2 minutes.  
Bedford Sackville Overpass to Bayers Lake - 11 minutes

Bedford/ Hammonds Plains Overpass to Bayers Lake - 8 minutes.  
Meadow Brook Drive to Bayer Lake - 11 minutes.  
Meadow Brook Drive to Turner Drive - 10 minutes

The planned location of the Turner Drive Salt Dome and the introduction of weigh scales at the three remaining depots will reduce vehicle wait and load times. In addition, the consolidation of operations at three depots would reduce the requirement for operating and maintaining a salt domes and weigh scale at the current fourth depot. This would be a capital savings of \$650K. These efficiencies easily offset any additional travel times. The redesign of the Turner Drive Depot will allow the operation to be closer to Fleet Services for repairs and allow for a more effective use and sharing of equipment. Operations staff will be more accessible to one another, reducing travel time while improving departmental communication.

Municipal Operations has introduced a salt management plan. The introduction of this plan has resulted in a reduction of salt usage while maintaining current service standards. Pre event salting and pre wetting are also a part of this strategy. Facing slightly increased travel times to salt domes may also help facilitate or reduce unnecessary application of salt. The average number of salt reloading trips per tandem required during a 12 hour operation is three.

## 2. Long-term Financial Considerations

For long-term occupancy, the majority of HRM offices should be in owned versus leased space; Oakmount and Ilsley Drive are leased spaces. Lease and operating costs for Oakmount are \$163K/year. Lease and operating costs for 81 Ilsley are \$32K/year.

**BUDGET IMPLICATIONS**

A non-repayable withdrawal of \$380,000 from Q310 - Service Improvement Reserve is requested to fund a permanent salt dome at Turner Drive. Currently Q310 projected uncommitted funds to March 31, 2011 is \$2M. The budget availability has been confirmed by Financial Services.

**Q310-Service Improvement Reserve**

Uncommitted balance	\$2,005,645
Proposed withdrawal	<u>\$ ( 380,000)</u>
Projected balance March 31, 2011	\$1,625,645

A withdrawal of \$450,000 from Q204 - General Fleet Reserve is required to fund the purchase and installation of 3 weigh scales. Currently, Q204 projected uncommitted funds to March 31,2011 is \$1.5M. As the useful life of the scales exceeds that of which the General Fleet Reserve has been approved to fund (10 years), it is requested that Council approve an exception and grant funding from the reserve to fund the scale purchase. The budget availability has been confirmed by Financial Services.

**Q204 - General Fleet Reserve**

Uncommitted balance	\$1,568,000
Proposed withdrawal	<u>\$ ( 450,000)</u>
Projected balance March 31, 2011	\$1,118,000

The complete Turner Drive Depot consolidation funding consists of the following:

	Project Costs	Funding Available	Funding Required
		2010/11	
Turner Drive	\$400,000	\$400,000 CBX01170, Res. #1536.9 & 1536 .16	
Consulting	\$75,000	\$75,000 CBX01170, Res# 1536.17	
Salt Dome	\$500,000	\$120,000 CBX01170, Res# 1314.49	\$380,000 <b>Q310</b>
Weigh Scales	\$450,000		\$450,000 <b>Q204</b>
<b>TOTAL</b>	<b>\$1,425,000</b>	<b>\$595,000</b>	<b>\$830,000</b>

<b>Cost Avoidance/Savings</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
Oakmount Lease & Operating Avoidance Cost		\$163,245	\$163,245
81 Ilsley		\$32,000	\$32,000
MacKintosh Storage Hut	\$15,000		
Weigh Scales (Approx. Salt Savings)	\$75,000	\$75,000	\$75,000
<b>TOTAL</b>	<b>\$90,000</b>	<b>\$270,245</b>	<b>\$270,245</b>

**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. If approved this report will increase the project budget and transfers from reserves.

**COMMUNITY ENGAGEMENT**

Community Engagement was not deemed to be necessary in this process as it is an operational procedure.

**ALTERNATIVES**

Council could choose not to approve the reserve withdrawal from Q310 and/or the re-allocation of funds from Q204. This would mean that HRM continues to operate from the current locations losing operational efficiencies from consolidation. HRM would have to invest \$120,000 for the upgrades to the salt dome at Oakmount and continue to pay lease and operating costs for Oakmount and 81 Ilsley.

This is not recommended.

**ATTACHMENTS**

- Appendix A: Service Improvement Reserve Business Case
- Appendix B: General Fleet Reserve

A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/agenda.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: Beate Shannon, Coordinator TPW , 490-4862

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

Report Approved by: \_\_\_\_\_  
Ken Reashor, P.Eng., A/Director Transportation & Public Works, 490-4855



# 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**

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**CAO**

# Reserves Business Case

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

**Date: March 28, 2000**

**Contact: General Manager, Shared Services**

## General Fleet Reserve - Q204

### Purpose

To provide for replacement of fleet vehicles and equipment with a useful life of less than 10 years for **Public Works and Transportation Services, Parks and Recreation Services and MetroTransit Vehicles**. As at date of publication there are approximately 300 vehicles in this fleet with a total replacement cost of approximately \$9.0 Million.

The requirement for vehicles and equipment fluctuates from one year to the next depending on the service level provided by line departments to the public. By funding these assets from the Reserve rather than directly from the operating budget, fluctuations in the operating budget can be avoided.

### Source of Funds

Continuing funding of the Reserve would be through appropriation as required from the operating budget of Fiscal Services, from sale of surplus vehicles and from interest paid to the reserve.

The opening balance in Fiscal Year 98/99 is comprised of the Fiscal Year 97/98 closing balance in the former Equipment Reserve Account (Q-201; \$188,711), the former School Bus Reserve Account (Q-208;\$19,006) and the former Works Vehicles Reserve (Q-204;\$1,564,704).

### **Application of Funds**

The Reserve is primarily intended to provide funding for the purchase of vehicles and equipment with a useful life of less than 10 years.

As part of the annual budget process, funds from this reserve and the capital from operating appropriation from Fiscal Services, shall be used to purchase Fleet vehicles and equipment which have reached the end of their useful lives for Public Works and Transportation Services, for Parks and Recreation Services and for Transit.

### **Time Line**

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As long as the Municipality continues to carry out infrastructure maintenance and repairs and requires vehicles and equipment to support their work, the Municipality ought to retain the Reserve.

### **Approval Process**

All requests for funding from the Fleet Reserve Account must be initiated by the Manager of Fleet Services after consultation with the Business Unit client. Confirmation will be made by Financial Services as to availability of funds prior to going to Council for authorization.

### **Recommendation**

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

### **Attachments**

Actual transactions and balances for Fiscal Year 98/99 and projections through 03/04. Projections are based on existing size and age of fleet. Fleet is currently under review and the projections will change as the appropriate new size and aging of fleet is determined.

### **Approval**

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CAO

Approved