




P.O. Box 1749  
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**Item No. 10.1.3**  
**Halifax Regional Council**  
**January 31, 2012**

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

Original signed by 

**SUBMITTED BY:** \_\_\_\_\_

Richard Butts, Chief Administrative Officer

Original Signed by 

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Mike Labrecque, Deputy Chief Administrative Officer

**DATE:** October 24, 2011

**SUBJECT:** **BMO Centre Life Cycle Reserve – Q141**

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**ORIGIN**

May 12 2009, Regional Council authorized the Mayor and Municipal Clerk to enter into an operating contract with Nustadia Recreation Inc. (NRI) to operate the BMO Centre (HRM's 4-Pad Ice Facility). Included in that contract was the requirement for an annual amount to be contributed to a capital reserve fund.

**RECOMMENDATION**

It is recommended that Halifax Regional Council approve the establishment of the BMO Centre Life Cycle Reserve, Q141, as per the attached business case (Attachment 1).

## **BACKGROUND**

At the May 12, 2009 In Camera session, Regional Council authorized the Mayor and Municipal Clerk to enter into the Operating contract with NRI to operate HRM's 4-Pad Ice Facility.

On February 23, 2010, Regional Council authorized NRI to negotiate, in consultation with HRM staff, a contract for the external naming rights of HRM's 4-Pad Ice Facility.

At the September 28, 2010 In Camera session, Regional Council approved the 10 year agreement with the Bank of Montreal (BMO) for the external naming rights of the BMO Centre. As well, it was approved that the annual naming rights payment be made to the approved facility capital reserve account.

## **DISCUSSION**

Article 13.3(a) of the Operating agreement with NRI states:

“HRM agrees to deposit annually, from and after the Commencement Date, an amount equal to the Reserve Amount to a fund to be maintained by HRM (the “Capital Reserve Fund”) designated exclusively for this facility. One twelfth of the Reserve Amount shall be payable monthly from the operating account”.

The “Reserve Amount”, as defined in the operating agreement, is equal to \$200,000. The operating account for which the Reserve Amount is to be payable from was established by Nustadia Recreation Inc., in-trust for HRM. In addition to the Reserve Amount stipulated in the agreement, Regional Council approved on September 28, 2010 that the annual naming rights payment received from BMO on the anniversary date, shall be made to the approved facility capital reserve account. This report seeks approval of the reserve business case (Attachment 1) for the establishment of the capital reserve to be used to fund future capital expenditures of the BMO Centre. As noted in the business case, the reserve funds can only be used for approved capital projects, leasehold improvements, or other related purposes for the BMO Centre. Reserve withdrawals must be approved by Council either as a budgeted withdrawal or via a recommendation report to Council.

## **BUDGET IMPLICATIONS**

The \$200,000 annual contribution received from Nustadia Recreation Inc., as outlined in the discussion was budgeted within the Reserve Budget for 2011/12. The amount detailed in the confidential agreement with BMO will be transferred to the reserve, and as such will increase the contributions to the reserve. The details of the amount of contribution is within a confidential staff report presented In-Camera on Sept 28, 2010, and therefore amounts are not included in this report nor has a cash flow projection been included in the Reserve Business Case at this time.

**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 will increase contributions to the reserve.

**COMMUNITY ENGAGEMENT**

None

**ALTERNATIVES**

Council could choose not to approve the establishment of the reserve. Contributions could be transferred to an existing facility reserve and segregated for the exclusive use for the BMO Centre. This alternative is not recommended as it is clearer and more effective to have separate reserves for each facility.

**ATTACHMENTS**

Attachment 1 – Proposed BMO Centre Life Cycle Reserve Business Case

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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.

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Financial Approval by: \_\_\_\_\_  
James Cooke, CGA, Director of Finance/CFO, 490-6308

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Original Signed

# Reserves Business Case

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**Date:** January 31, 2012  
**Contact:** Director Community and Recreation Services

## BMO Centre Life Cycle Reserve - Q141

### Purpose

Construction of the BMO Centre (HRM's 4-Pad Ice Facility) was completed in November 2010. This facility is owned by HRM and is operated on HRM's behalf by Nustadia Recreation Inc. under a Council approved Operating Agreement. Under Section 13.3 of the agreement, it specifies that a capital reserve account must be established and maintained by HRM.

The BMO Centre is to contribute to a capital reserve to be used by HRM for capital expenditures or projects as specifically outlined in Section 13.9 of the Operating Agreement.

### Source of Funds

The BMO Centre Life Cycle Reserve will be funded from two sources:

- 1) Based on the BMO Centre's annual operating budget, \$200,000.00 will be remitted annually to the HRM. Contributions will be paid to the HRM and deposited on a monthly basis.

For the Stub Year (November 2010 to March 2011), a prorated amount of \$83,333.00 was remitted to reflect five (5) months of facility operations.

- 2) Annual revenue received from the Bank of Montreal (BMO) for external facility naming rights, as per the 10 year agreement with HRM, beginning in Year 1 of operations. Payment will be received and contributed on the anniversary date.

Interest will be paid to the Reserve in accordance with the HRM Reserves Policy.

### **Application of Funds**

Funds may be used by HRM in accordance with Section 13.3 of the Operating Agreement with Nustadia Recreation Inc. “for capital expenditures, renovation and for such other purposes related exclusively to the facility as HRM may determine from time to time”.

Through the annual budget and business planning cycle, projects will be identified that may require funding from this reserve. Withdrawals from this capital reserve fund shall be at the discretion of HRM. If the company undertakes, at the direction of HRM, any capital improvements, replacement or upgrade to the facility, HRM shall reimburse the company for such work, and may do so from the capital reserve fund within thirty (30) days of receipt by HRM of an invoice from the company, provided the work has been completed as authorized. Nustadia Recreation Inc. shall not make any capital expenditure or undertake any capital improvement, replacement or upgrade without the written authorization of HRM. If HRM has not provided authorization prior to work commencing, there will be no reimbursement.

Use of funds from this capital reserve must be in compliance with the Tangible Capital Asset (TCA) policy.

### **Time Line**

Ongoing with annual review. As per the Operating Agreement, any balance in the capital reserve on the termination date of the Operating Agreement with Nustadia Recreation Inc. shall be retained by HRM.

### **Approval Process**

All requests for withdrawals must be initiated by Director of Community & Recreation Services as part of the proposed annual budget process. If funding from the reserve is required after approval of annual budget, Council must approve withdrawal of funds through a resolution of council by way of a Council Report.

Finance (Accounting) is responsible for ensuring availability of funds and appropriateness of expenditures in accordance with the Reserve Policy prior to submission to council for their approval.

### **Attachments**

None

### **Approval**

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CAO