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Item No. 14.1
Halifax Regional Council
April 9, 2013

TO: Mayor Savage and Members of Halifax Regional Council

SUBMITTED BY: Original signed
Councillor Bill Karsten, Chair, Audit and Finance Standing Committee

DATE: April 3, 2013

SUBJECT: Budget Increase – Motor Control Centre – Halifax Metro Centre

ORIGIN

The Audit and Finance Standing Committee meeting, April 3, 2013.

LEGISLATIVE AUTHORITY

Halifax Regional Municipality Council approved, Dec 11, 2012, that all budget increases are to be presented to the Audit and Finance Standing Committee, prior to submission to Council.

Halifax Charter, section 93(1) - The Council shall make estimates of the sums that are required by the Municipality for the fiscal year; Halifax Charter, section 79(1) - Specifies areas that the Council may expend money required by the Municipality; Halifax Charter, section 35(2)(d)(i) - The CAO can only authorize budgeted expenditures or within the amount determined by Council by policy; Halifax Charter, section 120(6) - The Municipality may maintain other reserve funds for such purposes as the Council may determine; Halifax Regional Municipality policy on Changes to Cost Sharing for Capital Projects - Changes requiring Council approval; and the Halifax Regional Municipality Reserve Policy - No reserve funds will be expended without the CAO's recommendation and Council approval.

RECOMMENDATION

The Audit and Finance Standing Committee recommends that Halifax Regional Council

1. Approve an increase to the 2012/13 project budget for the Halifax Metro Centre – Motor Control Centre Project, in the amount of \$297,076.33 with funding available as a withdrawal from the Major Events Facilities Reserve, Q319;
2. Approve the revised Reserve Business Case for the Major Events Facility Reserve, Q319, and,
3. That the report be received by Halifax Regional Council at its April 9, 2013 meeting.

BACKGROUND

At its April 3, 2013 meeting the Audit and Finance Standing Committee received the staff report, dated March 4, 2013, as an added item.

DISCUSSION

The Audit and Finance Standing Committee voted to recommend the report, dated March 4, 2013 to the April 9, 2013 Regional Council meeting.

FINANCIAL IMPLICATIONS

The financial implications are as outlined in the staff report, dated March 4, 2013.

COMMUNITY ENGAGEMENT

The Audit and Finance Standing Committee is open to the public and agendas, minutes and reports associated with its meetings are made available online.

ENVIRONMENTAL IMPLICATIONS

There are no environmental implications listed for this report.

ALTERNATIVES

The alternatives are as outlined in the March 4, 2013 staff report.

ATTACHMENTS

- 1. Budget Increase – Motor Control Centre – Halifax Metro Centre Report, dated March 4, 2013.**

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: Matt Godwin, Legislative Assistant, 490-6521

Item No. 9.1.1

Audit & Finance Standing Committee

April 3, 2013

TO: Chair and Members of Audit & Finance Standing Committee

SUBMITTED BY: Original Signed

Richard Butts, Chief Administrative Officer

Original Signed

Greg Keefe, Director Finance & ICT/CFO

DATE: March 4, 2013

SUBJECT: Budget Increase – Motor Control Centre – Halifax Metro Centre

ORIGIN

This report originates from a need to increase the 2012/13 project budget.

Dec 11, 2012 Regional Council motion that all budget increases are to be presented to the Audit and Finance Standing Committee, prior to submission to Council.

LEGISLATIVE/AUTHORITY

Halifax Charter, section 79(1) - Specifies areas that the Council may expend money required by the Municipality; Halifax Charter, section 35(2)(d)(i) - The CAO can only authorize budgeted expenditures or within the amount determined by Council by policy; and the Halifax Regional Municipality Reserve Policy - No reserve funds will be expended without the CAO's recommendation and Council approval.

RECOMMENDATION

It is recommended that the Audit and Finance Standing Committee recommend that Halifax Regional Council:

1. Approve an increase to the 2012/13 project budget for the Halifax Metro Centre – Motor Control Centre Project, in the amount of \$297,076.33 with funding available as a withdrawal from the Major Events Facilities Reserve, Q319;
2. Approve the revised Reserve Business Case for the Major Events Facility Reserve, Q319, and
3. That the report be received by Halifax Regional Council at its April 9, 2013 meeting.

BACKGROUND

Under the HRM Charter, Section 35(2)(d)(i) , the Chief Administrative Officer may only authorize expenditures which have been approved by Regional Council through the annual budget process. In recent years, the proposed budget for the Halifax Metro Centre (HMC) has not been presented to Regional Council as part of HRM's annual budget process. Therefore, HRM's CAO would not be authorized to approve expenditures related to the HMC budget.

A reserve was previously established to fund ongoing capital repairs of the HMC. The Major Events Facility Reserve, Q319 is funded by any surpluses realized annually by HMC.

DISCUSSION

The Motor Control Centres (MCC) are original to the building and over the past few years have begun to experience increasing problems; the most serious of which are hot spots, which indicate overly loose connections. Trade Centre Limited conducts heat scans every two years and these scans have shown numerous hot spots. Some are of a minor nature, which are easily corrected; others are of a more serious nature and require more extensive repairs. Should the MCC fail, it could render the Metro Centre inoperable for several weeks or months. The Metro Centre approved the replacement of this equipment in their 2012/13 Operational Budget planning, and funding for the capital repair was to be funded, in part, from an internal capital reserve, which has subsequently been placed in the Major Events Facility Reserve, Q319.

The work has been completed and the TCL is requesting reimbursement of the funds from the Major Events Facility Reserve. Pursuant to the Halifax Regional Municipality Reserve Policy, in order to provide funding from this reserve, approval of Regional Council is required.

Reserve Business Case:

The Major Events Facility Reserve Business Case did not previously allow for the reserve to fund operating equipment required by the Metro Centre. In the draft 2013/14 Project Budget, the Metro Centre is preparing to replace the Zamboni, and would like to fund it from the Q319 reserve, as the facility no longer has an internal reserve, as indicated above. Therefore, it is recommended that the Major Events Facility Reserve Business Case be amended to permit operational equipment.

FINANCIAL IMPLICATIONS

Budget Summary: Q319 – Major Events Facility Reserve

Projected Net available March 31/13 balance (as of Jan 31/13)	\$1,111,433.00
Less: Withdrawal per recommendation of this report	\$ (297,076.33)
Projected Net Available balance for March 31/13	\$ 814,356.67

The funding for the Motor Control Centre equipment complies with the current Reserve Business Case, but there is a need to update the Reserve Business Case to allow for the purchase of the Zamboni in 2013/14.

This report complies with the Municipality's Multi-Year Financial Strategy, the approved operating budget, policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves, as well as any relevant legislation. If approved, this will increase the gross project budget but not the net and also increase reserve withdrawals.

COMMUNITY ENGAGEMENT

N/A

ENVIRONMENTAL IMPLICATIONS

N/A

ALTERNATIVES

Regional Council may decide not to approve the funding for the Halifax Metro Centre's Motor Control Centre from the Major Events Facility Reserve. If not approved, the Metro Centre will fund this expense through their operating accounts, resulting in a lower operating surplus to be transferred to the reserve for year end.

ATTACHMENTS

1. Metro Centre's approval for this project in 2012/13
2. Revised Major Events Facility Reserve Business Case, Q319

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: Nancy Harper, CMM, Accounting Controls and Reporting Manager, 490-3696

Report Approved by: **Original Signed**
Louis de Montbrun, CA, Manager, Financial Reporting, 490-7222

Report Approved by: **Original Signed**
Brad Anguish, Director, Community & Recreation Services, 490-4933

Financial Review: **Original Signed**
Greg Keefe, Director, Finance & ICT, 490-6308

Halifax Metro Centre

Motor Control Centre Replacement

Prepared by: Building Services

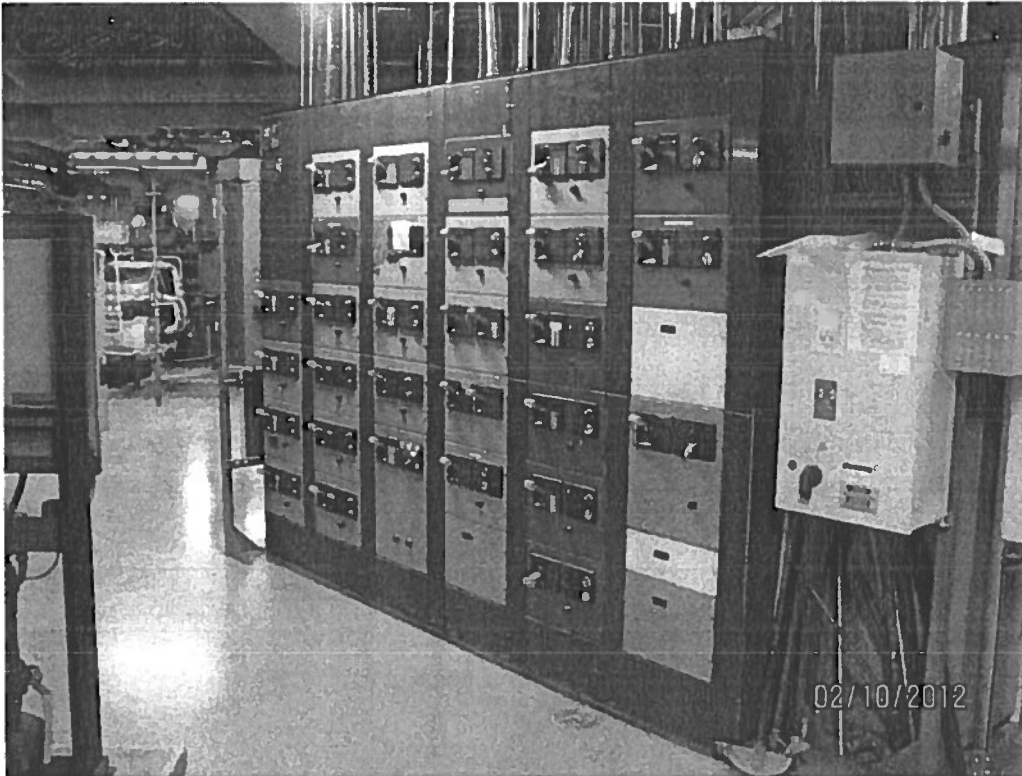
February 20, 2012

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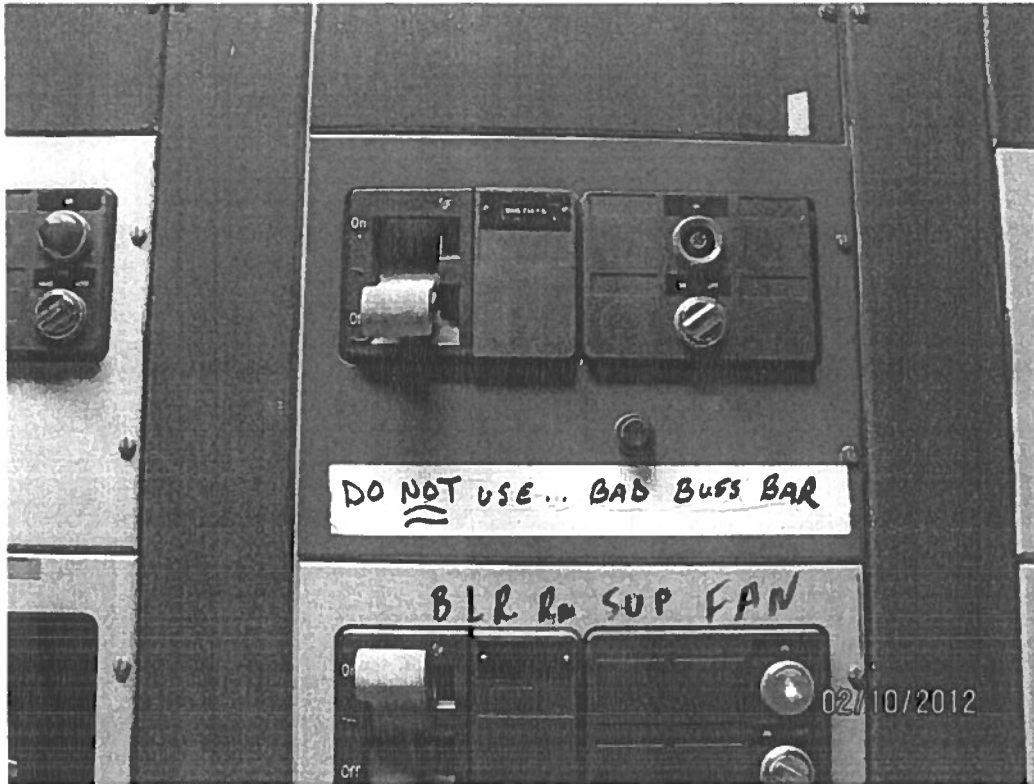
1. Motor Control Centre Replacement Introduction

The Halifax Metro Centre (HMC) motor control center (MCC) is an assembly of many enclosed sections having a common power bus and containing multiple motor control units. It consists of multiple vertical metal cabinet sections with power buses and provision for plug-in mounting of individual motor controllers. The MCC provides electrical power to various motors throughout the HMC. If the MCC were to fail it would result in several weeks, or potentially months, of business interruption. The length of the interruption would be entirely due to the requirement to engineer, tender/purchase and construct new assemblies.



Main MCC Cabinet – HMC Engine Room

Powers ice plant & heating ventilation and air conditioning (HVAC) for HMC.



Main MCC Cabinet - HMC Engine Room

Failed bucket.



MCC Cabinet – East Ice Level Mechanical Room

Powers HMC air-handling units (AHU).



MCC Cabinet – East Ice Level Mechanical Room

Replaced bucket.



Entertainment MCC – North Level 97 Electrical Room

Provides all show power.

2. Recommendation

Motor Control Centres (MCC) – Halifax Metro Centre

<u>Estimate:</u>	\$270,000.
<u>Priority:</u>	Very High.
<u>Reason:</u>	Continuing mechanical deterioration.
<u>Risk:</u>	Irreparable mechanical failure, business interruption or fire.
<u>Operational lifespan:</u>	25 years.
<u>Installation Date:</u>	1978.

The MCC are original to the building and over the past few years have begun to experience increasing problems; the most serious of which are hot spots, which indicate overly loose connections. Trade Centre Limited conducts heat scans every two years and these scans have shown numerous hot spots. Some are of a minor nature, which are easily corrected; others are of a more serious nature and require more extensive repairs. Some cabinets (buckets) are no longer useable because of extensive arching within the buss bars. In some instances Trade Centre Limited electricians have had to make adjustments to the buss bars so that the buckets are able to make proper contact. Trade Centre Limited has also replaced numerous fuses and two motors because of poor connections. The deteriorating MCC also constitutes a fire hazard. Should the MCC fail completely, it could render the Metro Centre inoperable for several weeks or months.

Operational Recommendation: Replace the existing MCC in the HMC at the soonest opportunity. Due to the nature of the MCC replacement project, the building will have to be shutdown during the installation. The installation of new MCC cabinets will take approximately two weeks. Given the seasonal tempo of operations at the HMC, the earliest opportunity to undertake this project is in July, 2012. Two weeks have therefore been tentatively blocked in July, 2012, for this purpose. Although the length of time required to engineer, tender, purchase and take delivery of the new cabinets is several months, the July, 2012 timeframe is achievable. The added advantage of carrying out this project in July, 2012, is that this is also a slower period from an event perspective which will help reduce the financial impact of being out of operation for two weeks.

Financial Considerations

- The MCC has been a priority on our capital list for the HMC for the last 5-7 years but has not been funded to date due to other capital priorities. Due to the potential loss of power to run our facility if the MCC goes down, HMC must take advantage of the window in July to replace this piece of equipment in order to alleviate the risk of an interruption to our business. Thus affecting our ability to achieve our financial goals for fiscal 2012/13.
- The replacement cost for the MCC is approximately \$270,000. This amount is budgeted in our capital priorities budget for 2012/13 which is pending approval and funding from HRM by accessing the HMC reserve.
- The operational budget for HMC normally allows for annual capital improvement spending of around \$300,000. The preliminary 2012/2013 budget has ear marked \$200,000 for capital improvements of which this would be the priority project.
- The current forecast for 2011/12 shows profit after capital improvements of almost \$200,000.

As such I would recommend we allocate ½ of the cost (\$140,000) to the 2011/2012 fiscal period with the remaining coming from fiscal 2012/13.

RECOMMENDATION

Based on the operational and financial considerations noted in the above analysis, it is recommended that management proceed with the replacement of the Motor Control Centre located in the Halifax Metro Centre.

Recommendation Prepared By:

Original signed _____
Director of Operations

Feb 22/12
Date

Original signed _____
Controller

Feb 22, 2012
Date

Approvals:

Original signed _____
CFO

Feb 24, 2012
Date

Not Required
President & CEO

11
Date

Handwritten initials and a checkmark

Reserves Business Case

Halifax Regional Municipality Finance, Information Communication Technology · 490-6308 · Fax: 490-4175

Original Date: June 28, 2005
Revision Date: March 4, 2013
Contact: Mike Labrecque, DCAO

Major Events Facilities Reserve - Q319

Purpose

To provide a funding source for the development of major cultural and public event facilities. This Reserve will be classified as an operating Reserve. This Reserve will also allow HRM to re-invest the operating surplus from the Metro Centre back into that facility for capital improvements to ensure its longevity and utility to the public.

Source of Funds

MUNICIPAL:

- Transfers from Fiscal Services, as required, to provide funding to Major Event Facilities.

METRO CENTRE:

- Funding will be provided annually from the operating surplus of the Metro Centre. The tripartite agreement between the three levels of government dated May 14, 1982 states under Section 4 that “all profits from the Metro Centre shall accrue to the account of the City.” Funds from the Metro Centre will be segregated and accounted for separately from other funds in the reserve.

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

Application of Funds

To provide a funding source for the development of major cultural and public event facilities. This would include facility specific work relating to research, feasibility studies, consulting, design and construction of Major Events Facilities. This Reserve may be used as a source of HRM’s partnering, or leverage funds for larger projects.

With respect to the Metro Centre, the funds will be used to (1) preserve and maintain the structure and systems of the building, including operational equipment and (2) upgrade and improve the facility to meet evolving expectations and requirements, and to take advantage of

efficiencies from improved building technologies.

Time Line

The Major Facilities Reserve is intended to be ongoing with annual review.

Approval Process

All requests for funds must be initiated by the Deputy Chief Administrative Officer. In accordance with the Reserves Policy, confirmation will be made by the Director of Finance as to compliance with the Reserve Business Case and availability of funds prior to going to Council for authorization.

Approval

CAO

Signature required following approval of Reserve Business Case