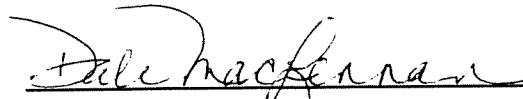

TO: Mayor Peter Kelly and Members of Halifax Regional Council

SUBMITTED BY:


Dale MacLennan, Director of Financial Services

DATE: May 28, 2002

SUBJECT: Eastern Shore Recreation Centre

Information Report

ORIGIN

At the May 21st meeting of Regional Council it was moved that the Eastern Shore Recreation Centre be acquired for \$235,000 from the General Tax rate.

BACKGROUND

The Eastern Shore Community Association approached HRM in June 2001, to explore the possibility of HRM purchasing the facility and the Association entering into a Management Agreement to operate the facility. HRM staff met with the Association on a number of occasions. To better define the situation, a financial review was undertaken as of August 31st, 2001. Based on what they were able to report, at that time the Eastern Shore Recreation Centre (ESRC) had a deficit (including debt charges) of just over \$26,000. The Eastern Shore Recreation Centre's debt is a mixture of short-term and long-term debt. It includes approximately \$43,000 in long term debt, \$136,000 in short-term debt and the \$30,000 loan from HRM. Its short-term debt includes amounts owed to Revenue Canada for back taxes. The nature and extent of liabilities assumed by HRM if they acquire the facility is difficult to determine. Staff estimate that outstanding liabilities and commitments are around \$205,000. This is in addition to the \$30,000 already loaned to the association by HRM.

DISCUSSION

Staff originally recommended that this facility be acquired from the Eastern Shore Recreation Commission for the sum of \$235,000. These funds were to be raised through the creation of an area rated capital budget for \$235,000. Council amended the motion by changing the term area-rated to General rated.

There are two basic options as to how to acquire this facility through the general tax rate. One would be to treat it as an operating item. This could require HRM to reduce services in certain areas. The second is to treat this as a capital project for 2002-2003 and bridge finance the required cash flow. The ESRC would be required to use the funds to relieve itself of its debt and deficit.

BUDGET IMPLICATIONS

Staff would still be responsible for identifying the ultimate source of funding and the double entry principle would remain in force. Staff intend to return at a later date with a recommendation for Council.

A further review of the nature and extent of the liabilities assumed by HRM in return for ownership of the land and building may result in an adjustment to the total cost of acquiring the facility.

FINANCIAL MANAGEMENT POLICIES/BUSINESS PLAN

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

ALTERNATIVES

Council could choose not to acquire the facility. This is not the recommended alternative as it would result in the facility closure.

ATTACHMENTS

No attachments.

Additional copies of this report, and information on its status, can be obtained by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.
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