

10.1.10




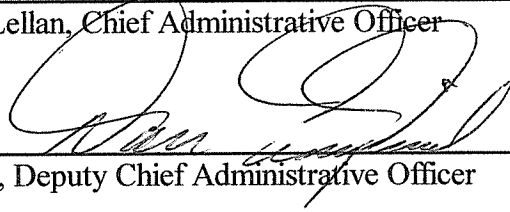
PO Box 1749  
Halifax, Nova Scotia  
B3J 3A5 Canada

Halifax Regional Council  
June 17, 2003

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY:

  
George McLellan, Chief Administrative Officer

  
Dan English, Deputy Chief Administrative Officer

DATE: June 10, 2003

SUBJECT: Capital from Operating - 2002/03

### ORIGIN

Renewal of Mortgage on St. Margaret's Arena and Community Centre and purchase of the Eastern Shore Recreation Centre and Rink.

### RECOMMENDATIONS

It is recommended that:

- Council approve the payment of the outstanding mortgage amount, approximately \$300,000, with funding to be provided from the 2002/03 Capital from Operating account, M461-6807, as outlined in the budget implications section of this report, and
- Council approve the funding of the purchase of the Eastern Shore Recreation Centre and Rink in the amount of \$235,000 from the 2002/03 Capital from Operating account, M461-6807, as outlined in the budget implications section of this report.

## BACKGROUND

### St. Margaret's Bay Arena

During budget deliberations in February 1999, Regional Council approved the re-acquisition of St. Margaret's Arena as a way to ensure that the facility has access to adequate capital funding and to ensure both equity of service delivery and the long term viability of the facility for the residents of the area. Through a management agreement, the St. Margaret's Arena Association continues to manage and operate the facility and assumes full responsibility for all operating costs.

The St. Margaret's Arena was re-acquired by HRM for the purchase price of \$457,000 which represented the principal amount remaining on the mortgage effective April 1, 1999. The mortgage assumed by HRM when the facility was re-acquired is due for renewal June 15, 2003.

### Eastern Shore Recreation Centre and Rink

At the Regional Council meeting of May 21, 2002, Regional Council authorized an increase to the 2002/03 Capital Budget of \$235,000 for the purchase of the Eastern Shore Recreation Centre and Rink, funding to be identified from the General Rate, by staff, consistent with the double entry principle through a report at a later date. This report addresses the outstanding funding issue.

## DISCUSSION

### St. Margaret's Bay Arena

A commercial mortgage is not the general practice in municipal financing of capital additions, rather, authority to borrow money is obtained by the Minister and debentures are issued. Where money is borrowed without the issue of debentures, Ministerial approval is still required and the amount is to be repaid within one year unless the Minister approves an extension of the repayment period or a repayment period not exceeding ten years. The commercial mortgage was entered into only as a result of assuming it upon acquiring the arena.

The principal outstanding at March 31, 2003 is approximately \$300,000 and the mortgage holder has offered renewal terms of between one and five years with rates of interest ranging from 5.7% to 6.65%. The balance outstanding at the end of the renewal term would be subject to new terms at that time. By comparison, the latest debenture issues have been in the range of 3.125% to 6.125% and generally, debentures have a ten year term.

The preferred borrowing option would depend on the finalized terms of the borrowing, however, in either case the additional debt would need to be approved and included in a review of available debt funding under the Capital Debt Policy. It is recommended that the outstanding mortgage amount be paid, rather than including it in the outstanding debt.

### Eastern Shore Recreation Centre and Rink

As outlined in the budget implications section below, it is recommended that operating funds identified for the capital bus lease be re-directed to fund the addition to the capital budget for the purchase of the Eastern Shore Recreation Centre and Rink.

### BUDGET IMPLICATIONS

The operating budget for 2002/03 includes an amount for lease costs on transit buses which were to be acquired under the terms of an operating lease rather than being purchased. The actual start date of the lease was delayed and ultimately the buses were purchased. Therefore, the full amount of the budget is not required. The delay in getting the new buses in place has resulted in additional unanticipated maintenance costs on the older buses still in service, however, the budget surplus as a result of the lease delay is greater than the additional maintenance costs on the older buses. Therefore, budget is still available in M461-6807 to pay the outstanding mortgage amount and fund the purchase of the Eastern Shore Recreation Centre and Rink. The availability of these funds is limited to the 2002/03 fiscal year.

### FINANCIAL MANAGEMENT POLICIES/BUSINESS PLANS

This report complies with the Municipality's Multi-Year Financial Strategy as well as relevant legislation. There is no impact on the approved Operating and Capital & Reserve budgets or policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves.

### ALTERNATIVES

#### St Margaret's Bay Arena

As noted above, there is the option of Council approving a temporary borrowing resolution and the issuing of a debenture or borrowing the money on terms and conditions agreed upon with the mortgage holder, all subject to Ministerial Approval. These alternatives would increase the outstanding debt and thereby decrease future available debt funding. In addition, debt servicing costs would need to be included in future budgets. Depending on the finalized terms of the borrowing, annual debt servicing costs could be in the range of \$40-55,000.

This alternative is not recommended.

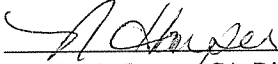

Eastern Shore Recreation Centre and Rink

There are no recommended alternatives.

**ATTACHMENTS**

None

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.

Report Prepared by:	Pam Caswill, CA, Manager of Accounting	490-6324
Report Approved by:	 for: S. Dale MacLennan, CA, Director, Financial Services	490-6308
	 M. Labrecque, Director, Real Property & Asset Management	490-4851